Annual report

LISI 2010

LINK SOLUTIONS FOR INDUSTRY

lisi

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LISI designs and manufactures assembly solutions

LISI is a world leader in the design and manufacture of fasteners and 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, cosmetics 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, Mercedes, PSA, Renault, VW Group and Stryker Corporation.

€777M
SALES REVENUE
+12% / 2009

€49M
EBIT
+45% / 2009

7,101
STAFF
+8% / 2009

1

The fastener function represents the leading source of costs for our customers in their assembly activities

LISI AEROSPACE

Fasteners and assembly components for the aerospace
NO. 3 WORLDWIDE
€281 M SALES REVENUE
€17.6M INVESTMENTS
2,988 EMPLOYEES
11 PLANTS IN 8 COUNTRIES

LISI AUTOMOTIVE

Automotive fasteners and assembly components
NO. 6 WORLDWIDE
€401.3 M SALES REVENUE
€29.6M INVESTMENTS
3,200 EMPLOYEES
20 PLANTS IN 7 COUNTRIES

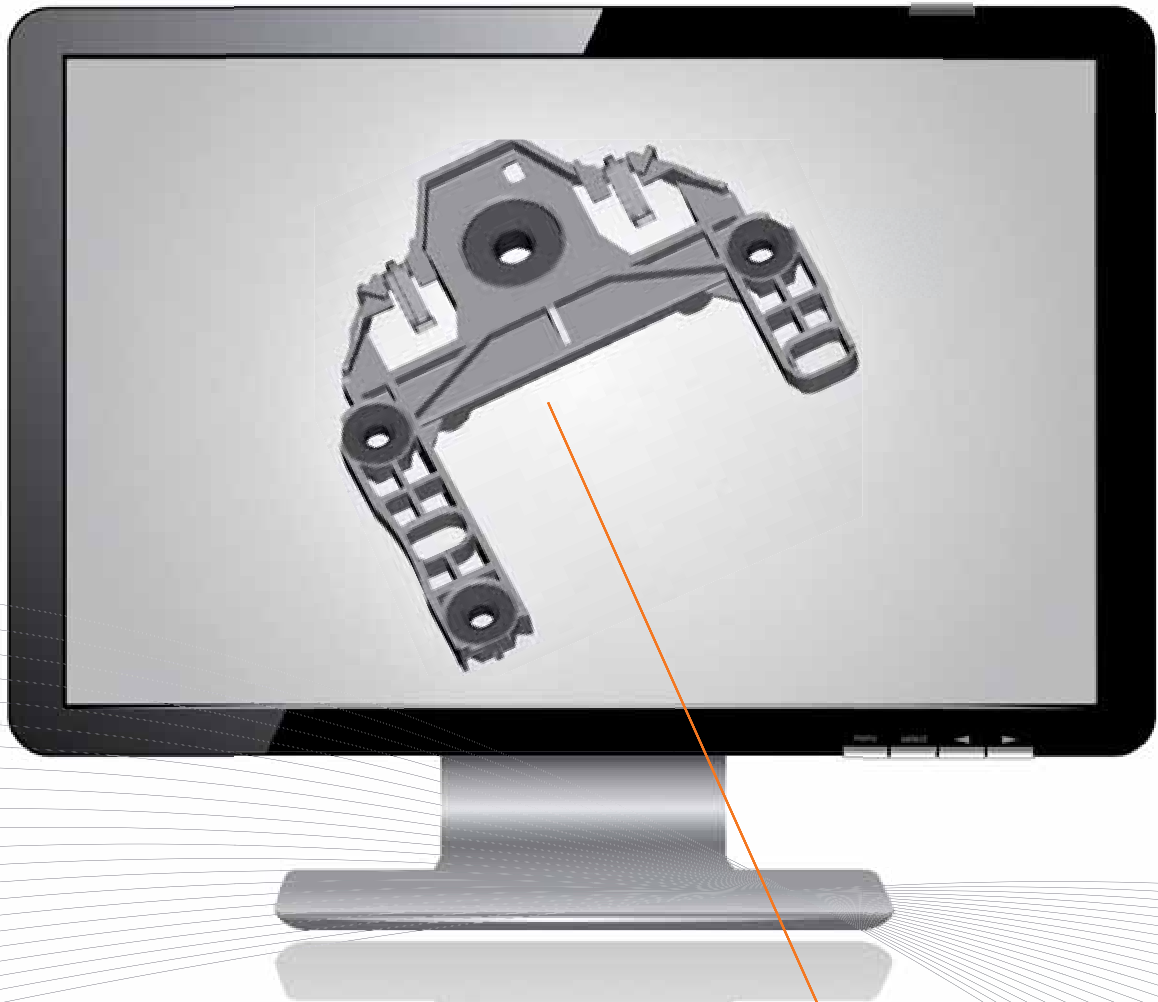
LISI MEDICAL

Medical implant and ancillary parts contractor
€42.7M SALES REVENUE
€2.6M INVESTMENTS
483 EMPLOYEES
4 PLANTS IN 3 COUNTRIES

2

Our role

consists of continuously innovating in order to limit the complexity of systems and to reduce the time necessary for assembly operations

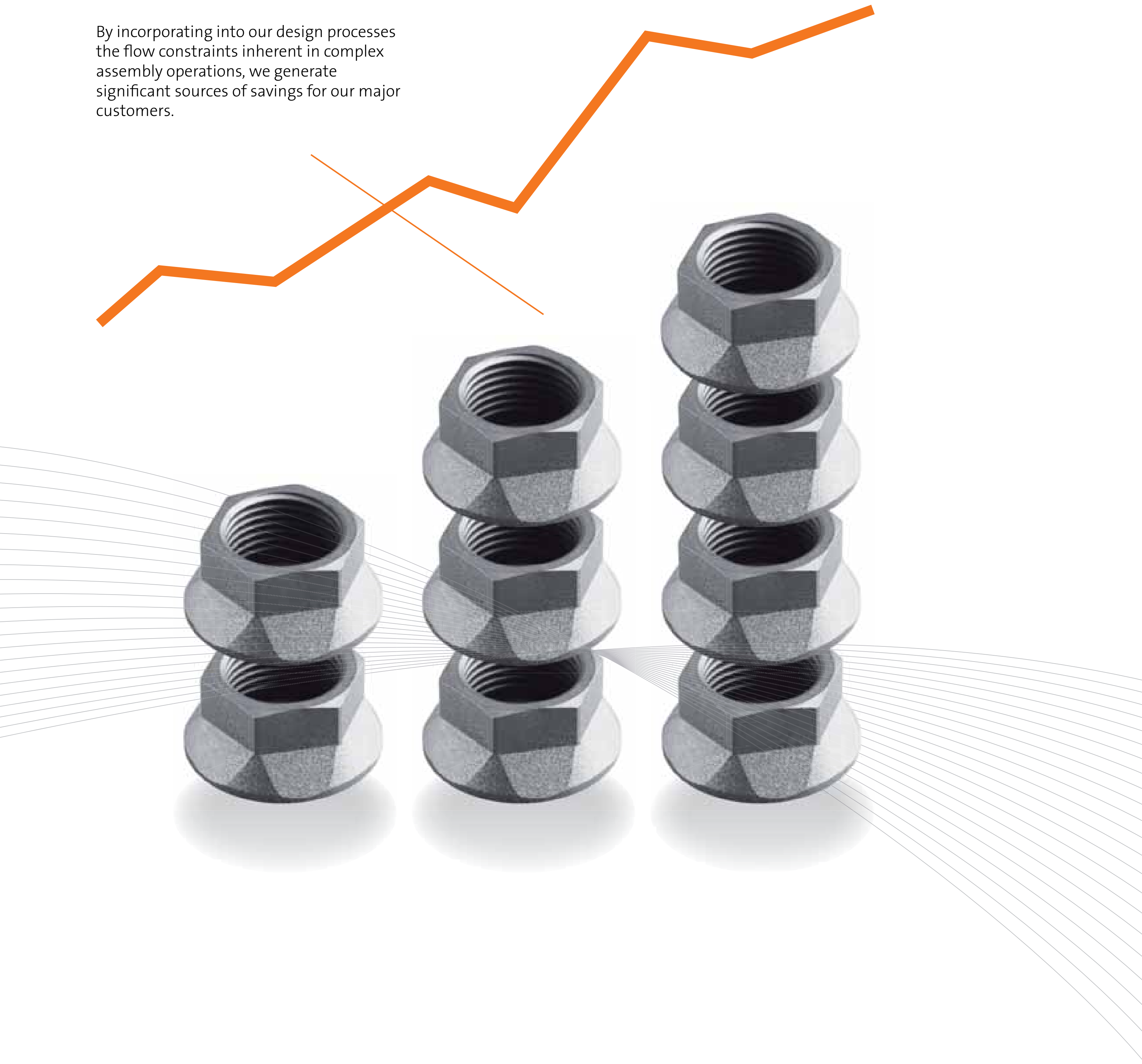


This multi-functional tool, the result of total control of plastic injection technology and cold head press facilitates reliable, quick positioning for all fasteners, thereby reducing assembly time of the various components on our customers' assembly lines.

3

By rethinking the assembly process function we are contributing to the improvement in performance of our customers

By incorporating into our design processes the flow constraints inherent in complex assembly operations, we generate significant sources of savings for our major customers.



Supporting the recovery

Over the last two financial years, 2009 and 2010, never in LISI's history have the aerospace and automotive cycles been so sharply contrasted. The crisis that took place in October 2008 crashed the automotive markets. By autumn 2009 business had significantly recovered, under the effect of the support measures taken by most governments, just as the aerospace sector encountered its first problems. Together with traditional, classic moves to reduce inventories through the supply chain, this crisis was aggravated by persistent problems that aerospace manufacturers were encountering in their new programs.
These two phenomena came together during the first three quarters of 2010. During this period LISI's organic growth was weakened, before restarting a more positive trend from October. This latest stage might mark the end of the aerospace depression, at least in Europe, while the automotive market too has again found the road to growth, though on a global scale.

LISI has benefited from this improved economic situation and has regained an organic growth rate of over 8% for the last quarter of 2010, which the Group had not seen for 2 years. With the input of the business acquired from Acument (automotive) and Stryker (medical), the Group's consolidated sales revenues reached €777m in 2010, up almost 12% on 2009.
Even if the economic uncertainties of a world in flux urge us to be careful, we still have the feeling that we have started a new growth cycle for all of our businesses.

— Increase in income, acquisitions, reduction in borrowings

As in 2009 the Group's main targets in 2010 remained focused on cash generation and reducing the Group's borrowings. By maintaining a free cash flow at 7.1% of sales revenues – similar to the previous year – we have brought the Group's gearing to 3.6%, in line with the targets we had set ourselves.
We also benefited from our restructuring work that had been needed to get through the crisis, in order to recommence our external growth strategy, reflected in the Acument and Stryker acquisitions. This let us significantly increase the Group's profitability. Current operating profit was up 45% at €49.5m, while net profit in 2010 was €32.9m, as compared with €9.4m in 2009.

This encouraging performance has led the Group to offer its shareholders a dividend of €1.05 per share, up 50% on the previous year.

— In 2011 LISI is refocusing on its core business: fasteners and mechanical safety components

The 2011 financial year will firstly be marked by the exit of the "packaging for perfumes and cosmetics" division, which has been part of the Group since the 1980s but in 2009 represented only 5% of its sales revenues. Following that disposal LISI shall be operating solely in its original business – fasteners and mechanical safety components – where all the 2010 acquisitions took place, and in which the Group is ranked 4th worldwide and the leader in Europe[1].

Without setting aside the cash targets needed for financing growth, our core issues in 2011 will be to strongly advance our development projects together with our plans for progress with both customers and staff: strengthening our competitiveness, improving our quality levels, supported by an ambitious investment program, reducing inventories and optimizing capital employed through "lean manufacturing", seeking excellence in safety at work and protection of the environment. On this latter subject, we are especially pleased to have obtained in 2010 the ISO 14001 certification that we had targeted. Today 31 of the Group's locations are certified. The last three ought to obtain certification in 2011. For us, this has been as important a target as our technological and financial performance.

1 Source: «World Industrial Fasteners» report by Freedonia of September 2010

From left to right :
Gilles KOHLER
Chairman and Chief Executive Officer
Emmanuel VIELLARD
Deputy Chief Executive Officer

" Even if the economic uncertainties lead us to err on the side of caution, we believe that a new growth cycle has commenced for all our activities. "

EXECUTIVE COMMITTEE

LISI

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

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

Jean-Philippe KOHLER (3)
Vice President in charge of LISI internal auditing

Yves DREYER (12)
Industrial and Purchasing Manager of LISI

LISI AEROSPACE

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

Christian DARVILLE (14)
Chief Executive Officer of HI-SHEAR and MONADNOCK

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

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

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

LISI AUTOMOTIVE

Patrick FAVRE (10)
Chief Executive Officer of LISI AUTOMOTIVE

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

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

Patrick WEISSE (8)

Vice President Finance and Administration of LISI AUTOMOTIVE

Laurent SANCHEZ (6)
Chief Executive Officer, Business Group France of LISI AUTOMOTIVE

THE BOARD OF DIRECTORS

Gilles KOHLER
Chairman

Emmanuel VIELLARD
Deputy Chairman

Eric ANDRE
Director

Pascal LEBARD
Director

Lise NOBRE
Director

Patrick DAHER
Director

Christian PEUGEOT
Director

Jean-Philippe KOHLER
Permanent Representative of CIKO to the LISI Board of Directors
Director

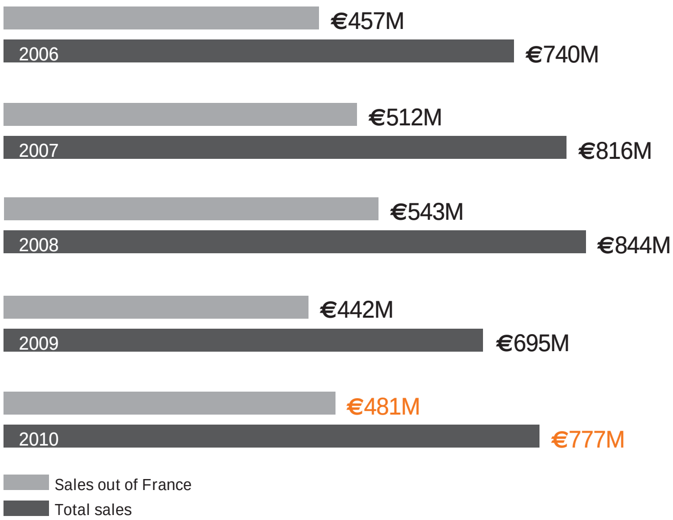
Thierry PEUGEOT
Permanent Representative of CID to the LISI Board of Directors
Director

Christophe VIELLARD
Permanent Representative of VMC to the LISI Board of Directors
Director

Peromance indicators

Consolidated sales

in €M



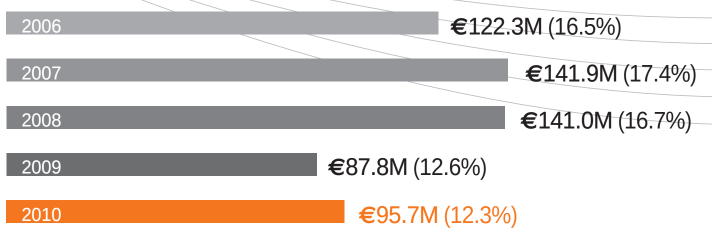
€777M

TOTAL SALES

+ 12% / 2009

EBITDA

in €M and in % of sales



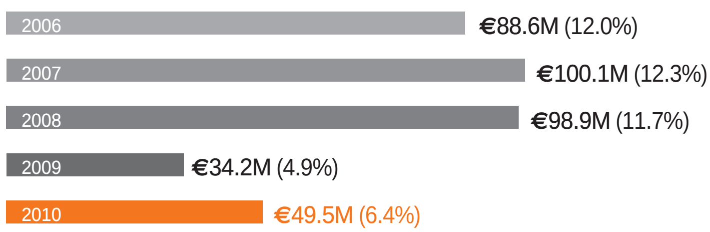
€96M

EBITDA

+ 9% / 2009

EBIT

in €M and in % of sales

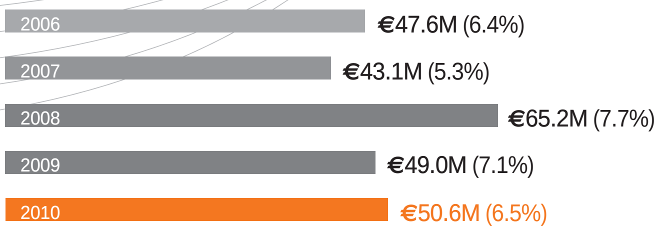


€49M

EBIT

+ 45% / 2009

Net capital expenditure
in €M and in % of sales



€50.6M

NET CAPITAL EXPENDITURE

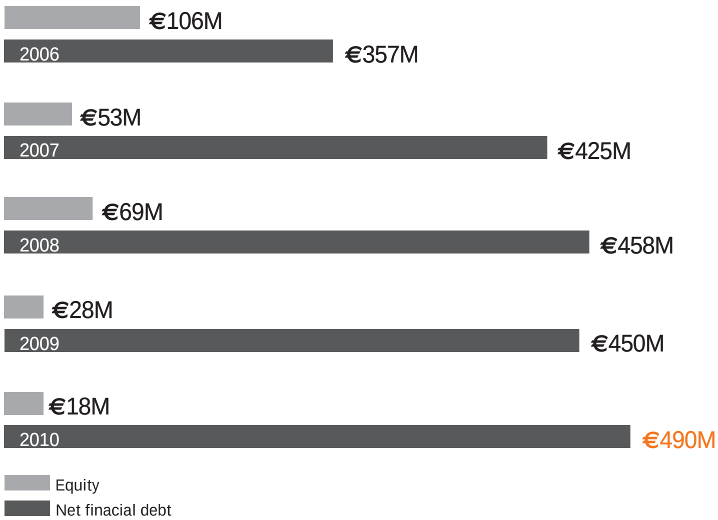
+ 6.5% du C.A.

Workforce
registered

7,101

EMPLOYEES

Equity capital and net financial debt
in €M



€18M

EQUITY CAPITAL AND NET FINANCIAL DEBT

- 39% / 2009

INTERNATIONAL

Worldwide locations

SALES REPRESENTATION COUNTRIES

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

PRODUCTION COUNTRIES

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

SUPPORT ACTIVITIES

- France

SALES BY GEOGRAPHICAL AREA

38% FRANCE

37% EUROPEAN UNION

20% AMERICA

5% OTHERS

LISI AEROSPACE

11 PLANTS
4 IN FRANCE

FRANCE

- Saint-Ouen-l'Aumône
- Saint-Brieuc
- Villefranche-de-Rouergue
- Vignoux-sur-Barangeon

OUTSIDE FRANCE

- Dorval (Canada)
- Rugby (UK)
- Izmir (Turkey)
- Paramount (USA)
- Torrance (USA)
- City of Industry (USA)
- Bangalore (India)
- Hambourg (Germany)
- Blagnac
- Shanghai (China)

LISI AUTOMOTIVE

20 PLANTS
10 IN FRANCE

FRANCE

- Bonneuil-sur-Marne
- Delle
- Dasle
- La Ferté-Fresnel
- Melisey
- Puiseux
- Saint-Florent-sur-Cher
- Thiant
- Grandvillars
- Lure

OUTSIDE FRANCE

- Cjec (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 COSMETICS

3 PLANTS IN FRANCE

Saint-Saturnin-du-Limet
Aurillac
Nogent-le-Phaye

LISI MEDICAL

4 PLANTS
2 IN FRANCE

FRANCE

Neyron
Caen

OUTSIDE FRANCE

Escondido (USA)
Tanger (Morocco)

RESEARCH AND DEVELOPMENT

Designing the fastener systems of the future

Problem-solving is the area of work which keeps our researchers busiest. We encourage their efforts in this area. In 2010 our teams expanded our knowledge of materials and their processing. Our assembly solutions respond to the constraints associated with the massive use of composite materials, the need to optimize costs and weight, issues which environmental pressure now makes it imperative to tackle head-on. We do this without ever compromising on that which bonds us with our customers, i.e. the quality of our products and the added value which our solutions represent.

R&D COSTS HAVE RISEN TO

€18.4M

INCREASE OF

+11.5%

While LISI's expertise remains focused on the manufacturing and industrial assembly of complex fastener systems, it resides above all in its ability to imagine, design and create innovative, high-performance solutions which respond to the technical specifications of our customers right around the globe. We are inventing the fasteners of the future, working both on improving materials performance and optimizing the way in which we transform them. Making lighter components, for example, which helps make aircraft and motor vehicles more fuel-efficient, represents a major challenge for our businesses. The use of composite materials, which are increasingly common within aircraft structures, has led us to develop a new range of sleeved fasteners in order to overcome the reduction in electrical conductivity which the extensive use of carbon involves. As a result of this, there is less risk to aircraft during lightning strikes. Similarly, we are constantly questioning our procedures in order to improve and simplify the fastener assembly process, to improve downstream work flows and help our customers make savings on their assembly lines. 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.
These new constraints represent new avenues for research along which our teams are making tremendous strides. We encourage their efforts in this area. Despite a shrinking market, research and development activity at LISI Group continues apace. The resources which we make available to our researchers are the best we can afford. 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.

— Performance tools for knowledge sharing

LISI is also investing in knowledge and information exchange tools. LISI AUTOMOTIVE has thus, as of 2005 deployed the Siemens Teamcenter (PLM) integrated technical development management system, linked to NX (CAD). This system links a network of 350 users in the commercial, product design and manufacturing divisions, across 10 factory sites and as many commercial establishments. Used in 4 countries it now covers 80% of the LISI AUTOMOTIVE structure in Europe. It allows technical documentation to be shared between remote sites while maintaining the high standards our customers demand with regard to development procedures and product change management.
As part of our research programs, considerable resources have been devoted by the LISI AUTOMOTIVE division to the study of high temperature steel processes and assembly relaxation. The knowledge we have acquired in this area means we can

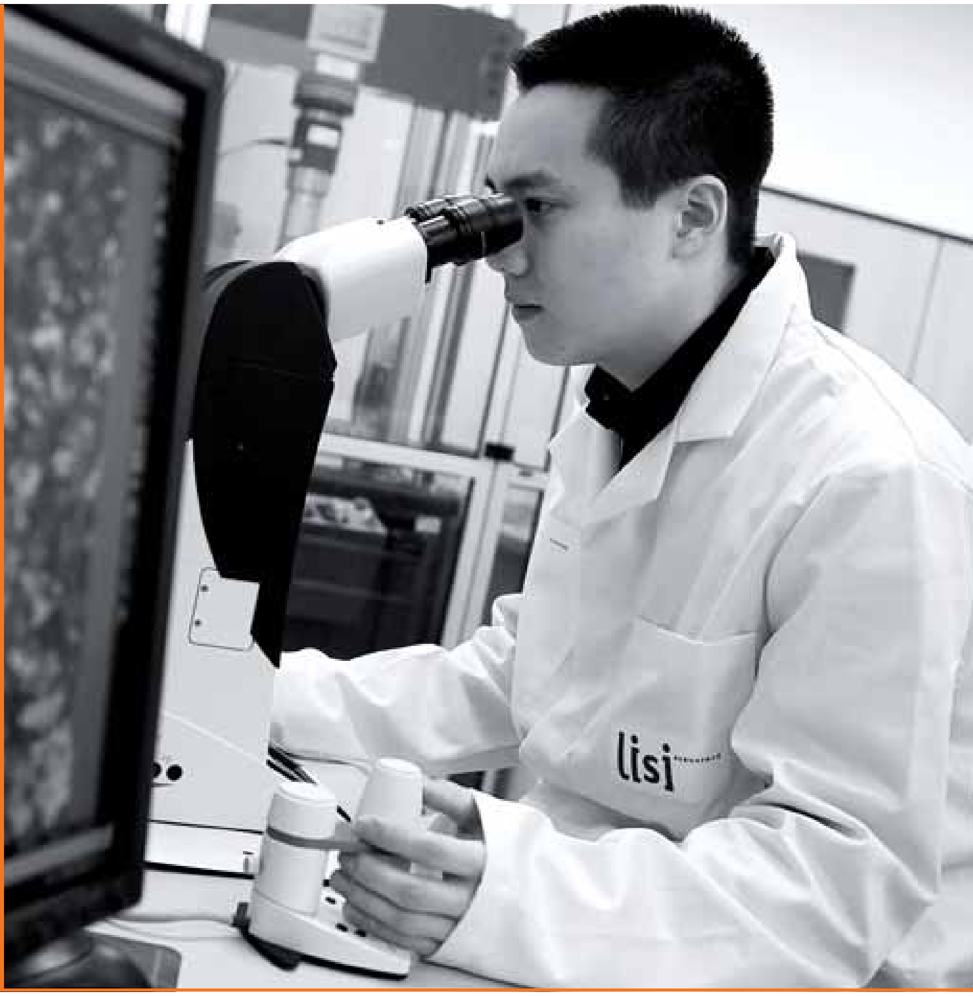
Our capacity for expanding our knowledge of the technological limits of materials and refining our measurement precision widens the scope of our work and represents a considerable competitive advantage for the Group

The challenge of conductivity

A carbon structure is 17 times less conductive than a metal structure. During a lightning strike, our STL fasteners are conductive and help protect the aircraft in the event of electric shock.

A central Materials and Processing laboratory

LISI AUTOMOTIVE's business is based on manufacturing mechanical components. Expanding our materials and processing knowledge gives us a major competitive advantage. With this in mind, LISI AUTOMOTIVE has expanded its team of metallurgy experts, and has invested €400,000 in setting up a central Materials and Processing laboratory, dedicated to researching and developing new manufacturing and preparation processes. This highly valuable research center has at its disposal all the methods of characterizing the properties of metallic materials, and analyzing lubricants and surface treatments. The research team comprises three closely-related divisions: performance and mechanical testing, digital simulation, materials and processing. The team works in conjunction with laboratories and experts on development and production sites, networking with whom is a priority for 2011.



Improving upstream preparation with steel manufacturers

Right up to the end of 2011, LISI AUTOMOTIVE will be involved with a large-scale structural research project aimed at preparing and supporting industrial investments at the Grandvillars materials preparation plant. This project will allow us to review and define technical specifications for drawn steel, in conjunction with our steel manufacturer suppliers. Several scientific and technical studies have been conducted to optimize annealing cycles, manage decarburization and adapt surface coatings to the various requirements of the factories using them. A mini surface treatment production line has been set up in order to carry out testing on two steel phosphate coating processes. The initial results have been measured in customers' factories since 2010, with a very significant reduction in quality-related incidents and excess materials-related expenditure.

now recommend material modifications to be made to high-temperature assembly processes, largely in the engine exhaust lines where temperatures can reach exceptionally high levels. Our researchers are currently working on specification of results by product type (screws, studs, nuts, etc.) to then create models for high-temperature assembly relaxation.

Similarly, the IZAC (Innovative Zinc Alloyed Coating) project, financed and launched in 2010, has enabled development of a new protective anti-corrosion system for fastener components, as a substitute for zinc-nickel alloys. This new electrolytic coating process will allow us to avoid all REACH directive-listed chemical components and improve assembly ergonomics for our customers. This study and research program has been approved by the Pôle Véhicule du Futur d'Alsace Franche-Comté, a vehicle research and development initiative. The IZAC project involves university research teams, specialists in formulation, coatings applications, fastener component manufacturers and car manufacturers. It will be conducted by 3 PhD researchers and 2 full-time engineers over a 3-year period and will be followed by an industrialization phase.

— Anticipating the needs of our major customers

Despite the economic crisis and reduced business activity within the aerospace sector, LISI AEROSPACE has maintained its research work. By taking on board our customers' needs, as far upstream of the process as possible and in all cases in the initial R&D phases, we can speed up development times and respond very precisely to the technical specifications which we receive. LISI AEROSPACE, in common with all group divisions, has structured its organization in accordance with this principle. Its teams of engineers and researchers were expanded in 2010 and 2011. A "Prospecting & Development" team was therefore set up at the Villefranche de Rouergue site. In the US, our development system was also consolidated with the setting up of a corporate research center and a dedicated R&D laboratory at the Torrance site. Manufacturing teams and methods have been expanded and improved. The experience we have acquired through our most recent developments has for example enabled us to approve and test development methods, improve them and gradually roll them out across all of our sites.

Floating riveted nuts with titanium cages

OUR TITANIUM FLOATING NUTS

NOW 40% LIGHTER

Thanks to developments within the titanium bending and manufacturing processes, we can now use this material right across our range of self-clinching floating nuts. The weight of each fastener component has been reduced by 40%.

The ASTER™ solution for optimizing threaded fastener installations

LISI AEROSPACE has spent years working on the problem of optimizing manufacturing costs for these mass-produced fastener types without affecting their performance. Our engineers have found a solution to this conundrum through the use of powerful digital simulation processes and through prototype testing followed by industrial environment testing.

The new ASTER™ mark represents a major breakthrough for LISI AEROSPACE customers. It considerably reduces the cost of using HI-LOK™ and HI-LITE™-type threaded fasteners when they are installed unilaterally. ASTER makes installation more reliable without affecting fastener performances. LISI AEROSPACE has launched this innovative system onto the market for inclusion in all threaded fastener systems. The division provides support, quality control testing and continued supply through our licensees. ASTER™ technology has also been used alongside assembly tooling systems. These are already available through several of our assembly equipment licensees.

The ASTER™ System for fasteners and tooling interfaces

New latches approved

2010 saw the expansion of our range of helicopter latches, through the development and standard approval of components by our customers. Engine cowl latches for the new Eurocopter EC175 have nevertheless been put into production, as well as the door latches for the Phenom 100 and Embraer 300 ranges. These applications have allowed LISI AEROSPACE to support its customers throughout the entire component development phase by adapting designs to specification requirements and coming up with innovative solutions for specific problems.

Pressure relief latch

Channel latch

— Adapting to composite structures

Designed for composite fastener assemblies at risk of lightning strike, the STL® (SLEEVE TAPER HI-LITE™) is a fastener designed for critical applications both in terms of mechanical performance and ergonomic reliability during installation at customer's assembly lines. Technical approval for the system (the fastener and its installation tools) was obtained in 2010 and consequently went into production this year. The prospects for this new product family are very promising for the Group's factories. At the end of 2010, its first implementation, scheduled for the A350XWB, represented over 50,000 components alone over 400 different lines.
In adding these innovations to existing LISI AEROSPACE ranges, we enable our customers to respond to the new constraints associated with the massive use of composite materials, the drive to optimize costs and to respond to environmental pressures, while continuing to rely on tried and tested fastener systems. The integration of the ASTER™ system, which was specially designed to optimize the assembly of HI-LITE™ and HI-LOK™ fastener types in complex systems (see inset), and chromate-free coatings such as HI-KOTE™ NC are all part of this overall initiative. Similarly improvements have been made to our HI-LOK™ and HI-LITE™ systems which have become the absolute benchmark for new generation composite structure assemblies and more traditional metal architectures.

— Automatic assembly systems for LISI COSMETICS

There have been ground-breaking advances in assembly systems and processes.
This is especially true of the perfumes and cosmetics sector, where packaging is particularly important. LISI COSMETICS, which had heavy and costly machinery run by programmable automated systems, could until recently generally only deal with the manufacturing of mass-produced items or sufficiently similar product families. LISI COSMETICS's research division has ushered in a new era for the assembly sector with the use of "new concept" third generation machines at its plants, which have been designed and made in-house by its own engineering teams. These machines are both modular and flexible: organizing change of use now takes less than an hour. They are "autonomous" and manage component supply on their own. Each module is finally equipped with a central control system which can independently check that assembly operations are functioning correctly. The first machine is now operational. A second is being built and our teams are working to upgrade all our "second generation" machines to this new system.

HUMAN RESOURCES

Incorporating and training in order to increase our capabilities

The change agents undertaken in 2009 concerned, to various degrees, all of the businesses of LISI. They have led to an improvement in our performances and today allow us to profit from increased revenue. Driven by the worldwide resurgence in the upward cycles in the automobile and aerospace industries, our businesses benefit fully from the organizations put in place to increase our knowledge and reinforce our capabilities.

+ 604

EMPLOYEES

These are the employees that have joined our teams following the acquisitions conducted in 2010.

€2.4M

The training budget has also been maintained at 2009 levels (€2.2m).

The recent efforts of the LISI Group in regard to human resource management involved the integration, in the automotive sector, of the Acument teams, and of Stryker in the medical sector, following their buyout by LISI in 2010. The workforce of LISI was increased by a total of 604 employees who joined us in the framework of these acquisitions. In 2010, taking into account this new expansion, the total workforce of the LISI Group increased to 7,101, up 8% compared to 2009.

To anticipate this resurgence and to support the growth of the Group, training efforts have been stepped up since 2009. The budget devoted to it has been renewed in 2010 (€2.4m) in order to maintain and further concentrate our efforts to improve our knowledge and abilities.

— A training university for LISI AEROSPACE

LISI AEROSPACE has established a training University. Named LKI, for LISI AEROSPACE KNOWLEDGE INSTITUTE, this global internal training institute includes 3 different courses. It has a three-fold objective: to promote the integration of newly hired executives, on the one hand, to improve internal competencies on the other hand, and finally, to strengthen the knowledge base in terms of management.
LKI has allowed us to define a certain number of principles. The new employees are paired with a mentor as soon as they arrive so as to be quickly familiarized with the procedures, practices and organization of the group. This cycle of integration and training, conducted over the course of several meetings - international integration, factory immersion, fundamentals of the corporation (aeronautics market, products, ethics, quality control processes) - instills a strong and unified culture in the group.
The improvement and development of our competencies takes place through the use of short training modules, offered to anyone who would like to increase their skills within the corporation. In a cross functional manner, they may, for example, learn the issues related to the management of international projects in a multi-cultural environment, to communication, to stress management or even conflict prevention and management, using methods which allow them to better understand these issues.
In their own field, then, the training candidates may acquire complementary knowledge in very technical areas such as continued improvement (Lean/Six Sigma), quality control (8D, SPC, Gage R&R, etc.) or sales negotiations.

HUMAN RESOURCES

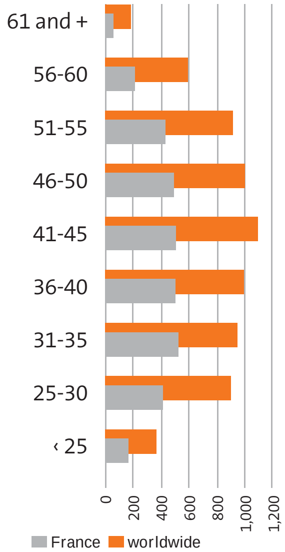
66 % WORKERS

13 % TECHNICIANS

11 % SUPERVISORS

10 % EXECUTIVE

BREAKDOWN OF STAFF BY CATEGORY



AGE PYRAMID

7,101 EMPLOYEES

Head count by division	2010	2009	Difference N/N-1	
LISI AEROSPACE	2,988	3,101	-4%	-113
LISI MEDICAL	483	232	108%	251
LISI AUTOMOTIVE	3,200	2,821	13%	379
LISI COSMETICS	417	429	-3%	-12
LISI Holding	13	13	0%	0
Group total	**7,101**	**6,596**	**8%**	**505**
Temporary staff engaged	425	100		325

— Training modules adapted to expectations

The management training modules should address the requirements of executives. A course of long cycles has been specifically designed, adaptable to the profiles and to the expectations of the personnel. It takes place in three steps: *Takeoff*, to introduce the managerial foundations of everyday supervisory practices, *Expand* to strengthen the management skills of experienced managers so as to confirm their role and to improve themselves. *Altitude*, finally, to be developed specifically for high level managers who work in a complex international environment.

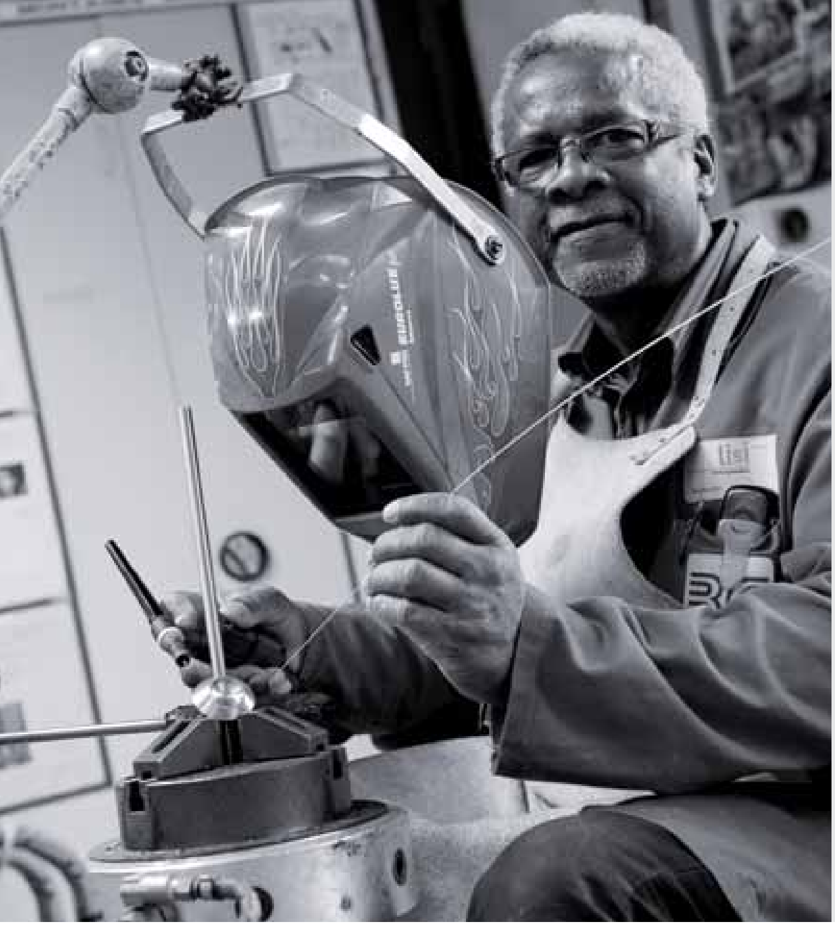
A new resource for the use of managers, LISI AEROSPACE KNOWLDEGE INSTITUTE, is an efficient loyalty and motivation tool which allows us to attract new talent and to build the future together.

— A "Convergence" plan to strengthen involvement

The year 2010 has also been the occasion for the implementation of the LISI AUTOMOTIVE *convergence* plan. Its principal objective: to strengthen the identity of the company with the employees of the group and improve performance by unifying the teams in support of the same objective. Nine fields of operational «Convergence» (Purchasing, Quality, Productivity, OSHA, HR, etc.) have been identified and selected by more than one hundred of the executives of LISI AUTOMOTIVE. Guidance tools and a monthly Steering Committee have allowed us to assure the optimum execution of these programs and the attainment of the objectives: at the end of 2010, almost all of the management units (factories, Support Management, Business Group Management) have attained the mandatory performance minimum.

— Assisting employees who are having problems

To help the employees with their personal problems, to reduce the accident rate and lower the level of absenteeism, LISI established in 2010 an assistance program to help employees with problems. This service was provided by an outside provider that had the necessary expertise to work with these kinds of problems. Its network, comprised of close to 1,200 psychologists located throughout France, enabled it to establish a personalized follow up of the staff who participated. Thanks to this program, among a panel of large companies, LISI AEROSPACE was awarded the 2010 Personnance Trophy. This distinction, bestowed by a jury of human resource professionals, recognizes the company that has put in



Supporting the employment of seniors

Completely signed at the end of 2009, agreements in support of employment of seniors have allowed us to deploy targeted action plans in order to improve working conditions and to arrange for certain specific positions to reduce difficult working conditions. Skills assessments have also been offered to employees over 45 who have requested them. These agreements have, in addition, allowed us to establish «training passports» to facilitate professional mobility. In this capacity, LISI AEROSPACE has decided to allocate to employees who wish to use their Individual Training Rights (DIF in France) for this type of training, a contribution which may represent up to 20% of the required time.
Finally, this senior plan should assist in the transfer of knowledge and facilitate end of career transitions. In line with this objective, LISI AEROSPACE offers to all employees aged 58 and having at least 10 years of service to take advantage of a schedule reduction of up to a maximum of 20%, while still retaining 100% of their retirement benefits.

place the most innovative initiative through this personalized assistance system.
All of these of excellence support and training systems allow the LISI Group to better profit from the resurgence which currently supports all of its activities.

— Global Compact world commitment

Within the framework of the Global Compact world commitment, LISI AUTOMOTIVE has established a set of internal procedures designed to implement its commitments regarding social responsibility and labor law. Principle No. 3 of the pact invites companies to “uphold the freedom of association and the effective recognition of the right to collective bargaining”. Principle No. 4 provides for «the elimination of all forms of forced and compulsory labor.” Principle No. 6, lastly, requires “the elimination of discrimination in respect of employment and occupation.” In this spirit, LISI AUTOMOTIVE has established a specific policy regarding vocational training, which particularly facilitates internal mobility by means of a job exchange program in the group, a system designed for the management of careers, especially for personnel aged over 55.

Coordinating social schemes

The LISI Group has chosen to allow all of its French employees to access the same types of care, without distinction as to function or division. Within this objective, the schemes in place have been coordinated in order to offer each employee a unique basic scheme, minimal and mandatory for all, to which can be added complementary «à la carte» schemes , for which the rates vary according to the level of guarantees offered, and customizable, according to the health coverage needs expressed by the employees and their families.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

A worldwide adventure, a responsible culture

The measure of environmental and social impact of industrial activities of a business is today an indicator as efficient as the economic and financial performance. For several years now, the LISI Group has been engaged in an effort to maximize this impact. Measurement tools have been implemented and room for improvement identified. Action plans have now begun.

OUR GOALS

- To acquire ISO 14001 certification for all LISI sites
- To achieve an accident with sick leave frequency rate of less than 10
- To optimize the environmental impact of our sites

OUR RESULTS

92%
of LISI production units were certified to ISO 14001 at the end of December 2010

- 3%
is the reduction in our water consumption on a like-for-like basis

- 14%
is the amount of stored hazardous materials that were disposed of on the Group's production sites

+ 6%
increase of the recycled waste between 2009 and 2010

Health, Safety and Environment are among the Group's priorities. For several years now the LISI Group has been involved in an initiative aimed at ensuring healthy and safe working conditions for all of its employees as well as its service providers. In 2009, this commitment has also extended to improving initiatives to minimize the impact of the Group's activities on the environment. They are now operational.

The efforts of 2009 and 2010 were initially focused on the deployment of ISO 14001 certification, which includes all constraints related to the management of social and environmental responsibilities. The objective we set for ourselves – to certify all of our sites worldwide - has been virtually achieved. On December 31, 2010, 92% of LISI's production units were certified, i.e. 34 sites in total, including those of LISI COSMETICS. The only sites that have not yet entered the perimeter of certified sites are those in Shanghai (LISI AUTOMOTIVE), in Neyron (Ain, France), and Escondido, California (LISI MEDICAL). This will be accomplished on December 31, 2011.
This objective could not be reached without the participation or involvement of all employees of the respective sites. It not only allows the Group to become more involved in HSE issues, but it will also provide a stable and objective perimeter to calculate its environmental impact.

— A carbon footprint of all our activities

In order to better coordinate and manage the impact of its activities on the environment, the LISI Group will establish the carbon footprint of all its manufacturing sites by the end of 2012. This will involve three main steps. The first one consists in clearly defining the deployment perimeter of this carbon footprint. The second consists in focusing on collecting data, in order to gather as much information as necessary for determining that footprint. Finally, the data must be analyzed and used to define and calculate the potential reduction in greenhouse gas emissions. Based on the results of these first three steps, LISI will then define the best ways to reduce its carbon footprint.

— Measuring our progress

For the third consecutive year, the LISI Group is consolidating information from its industrial sites. These data are used to quantify the environmental impact and the security level of the Group according to the indicators defined in 2008. ISO 14001 certification has helped structure and harmonize environmental efforts. Some first results have already been observed. Following operations conducted on production sites to monitor water consumption, a 3% decrease has been observed on a like-for-

Water consumption	2010	2009
Water consumption	373,197 m^3	530,231 m^3
Water consumption coming from a distribution utility	238,808 m^3	288,810 m^3
Water consumption coming directly from the natural environment	134,389 m^3	241,421 m^3

Energy consumption	2010	2009
Electricity consumption	137,895 MWh	171,601 MWh
Natural gas consumption	96,647 MWh	111,041 MWh
LPG consumption (Liquefied Petroleum Gas)	4,265 MWh	4,556 MWh
Domestic fuel consumption	802 m^3	612 m^3

like basis in 2010. Meanwhile, the share of recycled waste has increased 6% over the same period. Significant work has also been carried out on identifying hazardous products stored at the production sites. In one year, their number dropped 14% throughout our plants. Finally, the number of hours of employee training in health, safety and environment (HSE) rose 4% in 2010.

These indicators have also allowed us to quantify precisely the areas and sectors where it was possible to improve our environmental performance. This applies, for example, to our electricity consumption. Directly related to the recovery of our industrial activities, this gained 6% on a like-for-like basis in 2010. Today, this measure encourages the LISI Group to quickly implement the carbon footprint measurement of all its activities to identify areas of progress and to improve the Group's performance.

The accident rate with or without work stoppage (TF0 and TF1) has deteriorated as well. This poor result, with which LISI was not satisfied, can only encourage the Group to conduct the training efforts needed to change accident-prone behavior.

— Protecting our employees and reducing accidents

For several years now the LISI Group has been involved in an initiative aimed at ensuring healthy and safe working conditions for all of its employees as well as its service providers. The results obtained at the end of 2010 are not up to the Group's ambitions. In fact, accidents have been declining steadily since 2008 and seem to have reached a threshold with an accident frequency rate fluctuating between 11 and 12.

Over the next few years, the LISI Group wants to make safety a priority and to address the behavioral causes of these accidents. The approach chosen by the Group to improve the perception of risk is a process of coaching and behavioral training for all employees at the production sites. The goal is to make each employee act on his/her own safety.

All levels of the Group (from management to operators) will be united around one common value: safety at work. The LISI Group's priority in terms of protection ought to be confirmed, too. Workplace accidents are no longer bearable. All our employees must work 100% safely, without exception and in any given circumstance.

Staff HSE training

Staff HSE training	2010	2009
Number of HSE training hours completed	28,386 hours	32,221 hours

Accidents at work

Accidents at work	2010	2009
Accident with work stoppage frequency rate (TF0) [a]	11.1	12.0
Accident with and without work stoppage frequency rate (TF1) [a]	19.3	20.7
Accident at work severity rate (TG0) [b]	0.31	0.44
Number of reported occupational diseases	7	22

(a) : Frequency rates TF0 and TF1 indicate the number of work accidents per 1,000,000 hours worked
(b) : Severity rate TG0 indicates the number of days lost per 1,000 hours worked

Risk mapping (COSO benchmark)

Since 2004, the group has been mapping risks in line with COSO guidelines. More recently it has also been drawing upon the provisions of Article L-225.37 of the French Commercial Code on financial security and the recommendations of the French financial regulatory authority, the AMF. Having identified and listed risks at the level of each individual unit (production or distribution sites) the Group classifies consolidated risk within a matrix showing occurrence probability and severity rate. Each risk identified is subject to an action plan which is periodically updated. A link is automatically made to proactive initiatives for hazard prevention, insurance or accounting services.

— Strengthening cooperation with our insurers

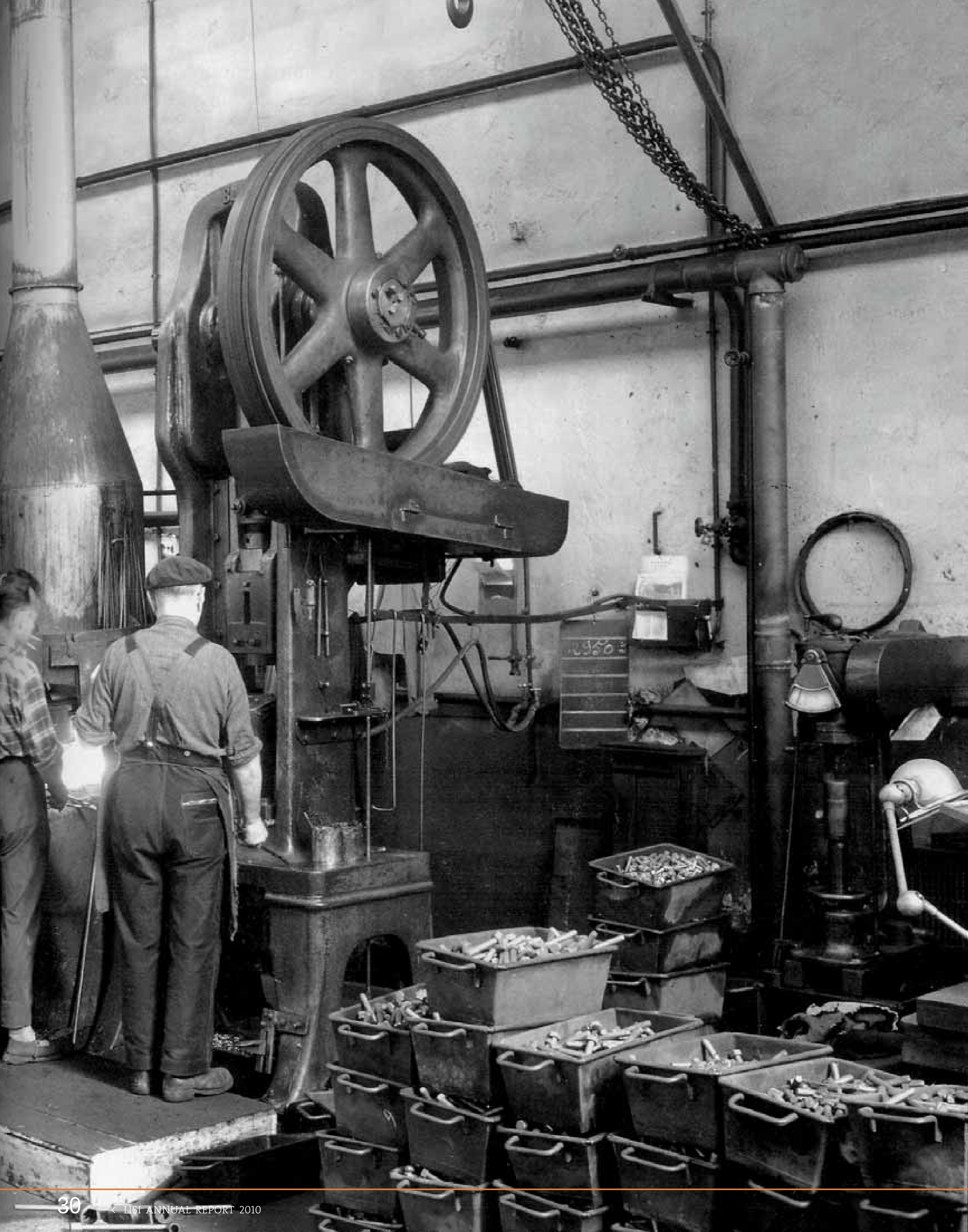
The consistency of the relationship with insurers and risk classification has helped to structure the Group's prevention approach. Thus, all of the insurers' recommendations are included in the Environmental Safety Improvement Plans and are subject to periodic monitoring by the Risk Monitoring Committee. Our insurers revisit a number of sites each year, looking both at damage to assets and environmental risks, and then present their recommendations which enhance our action plan. Since 2002, all major sites have been audited. This ongoing improvement initiative is improving our prevention policy and enables us to optimize our insurance premiums.

— Summary of action plans

The action plans for safety / environment / prevention identified within the Group allow for a synthesis of hazard identification on the one hand, the preventive approach on the other, and finally asset preservation and control of operations within the Group. The program is coordinated by the head company of the LISI Group in the areas of HSE, internal controls and cash flow management.

— Commitment to Global Compact

Under the requirements of social and environmental responsibility, LISI AUTOMOTIVE is not only committed to reducing the impact on the environment of its activities and ensuring healthy working conditions and safety for all employees but also to its suppliers in the context of the worldwide pact, Global Compact. Commitment No. 7 states that «businesses are encouraged to apply the precautionary approach to environmental challenges.» Commitment No. 8 plans to undertake «initiatives to promote greater environmental responsibility.» Finally, Commitment No. 9 promotes «the development and dissemination of environmentally friendly technologies.» In order to comply, LISI AUTOMOTIVE has established three specific measures: standardization of practices and definition of indicators, risk management organized around the COSO benchmark and implementation of action plans for environmental safety.

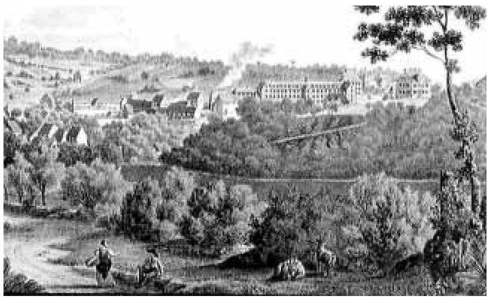


1777→2010

Adaptation and growth, Two centuries of industrial history

LISI's history is in a way the industrial history of France, parallel to that of the iron masters of the North and East of the country. For over two hundred years the group has concentrated on adapting to developments in the world and to patient, solid growth. The old fasteners factory in Belfort is today a global business, with key positions on four continents in the assembly businesses.

Solid roots for writing the future.



1777

Frédéric JAPY sets up a watch movement factory in Beaucourt, near Montbéliard.

1796

Some years later MIGEON & DOMINE is founded in Morvillars in the Belfort region, later to become VIELLARD MIGEON et Compagnie (VMC).

1806

JAPY Frères and VIELLARD & MIGEON decide to join forces to launch the industrial manufacture of forged wood screws in France.

1899

The Société Industrielle de Delle is founded by the DUBAIL-KOHLER family in the town of Delle, Belfort. The company quickly begins to specialize in the manufacture of machine-turned screws.

1968

These three family-run businesses merge to form a company called GFD[1], thus becoming France's foremost manufacturer of standard and automotive nuts and bolts. The three founding families are today part of CID (Compagnie Industrielle de Delle), owning a controlling stake in the LISI Group.

1977

GFD acquires BLANC AERO, which specializes in aerospace parts and in packaging components for the Perfumery sector. This new group is named GFI.

1989

GFI is floated on the Paris Stock Exchange's over-the-counter market and becomes GFI Industries.

1 GFD : Générale de Forgeage et Décolletage

1990 / 2000

Throughout the 1990s, GFI Industries continues to strengthen its positions in its three sectors by acquiring over 15 companies throughout Europe and the US.

2002

Pour To better delineate its specialist areas, GFI Industries became LISI, (LInk Solutions for Industry), with the three divisions taking this name plus the name of its main business sector: LISI AEROSPACE, LISI AUTOMOTIVE and LISI COSMETICS.

The strategy of focusing on Core Business continues:

- Sale of non-strategic business lines (GFD, Ars Industries and the production unit at Aillevilliers);
- Acquisition of California's MONADNOCK (LISI AEROSPACE).

2004

Acquisition of FORM a.s in the Czech Republic (LISI AUTOMOTIVE).

2005

Acquisition of KNIPPING in Germany (LISI AUTOMOTIVE).
Opening of a factory in Canada (LISI AEROSPACE).
Sale of Gradel (LISI AUTOMOTIVE).

2007

Sale of European distribution firm EUROFAST to ANIXTER France (LISI AEROSPACE).
LISI AUTOMOTIVE sells its Monistrol plant in the Haute-Loire to the PRECITURN group.
Creation of the LISI MEDICAL subdivision, following acquisition of:

- **HUGUENY** (Lyon), specializing in spinal implants;
- **JEROPA** (Escondido-USA), which specializes in dental implants,
- **SEIGNOL** and **INTERMED APPLICATION** (Neyron – France) and **LIXUS** (Tangiers – Morocco), specializing in subcontracting of dental and orthopaedic implants.

2008

LISI AUTOMOTIVE is increasing its presence in China – with the creation of a second manufacturing plant in Shanghai dedicated to making threaded fasteners – and **LISI AEROSPACE is increasing its presence in India** (Bangalore).

2009

On April 1, 2009, the Group sold KNIPPING subsidiary SDU, which specialized in distributing technical products to mines and industry in Germany and Poland.

2010

The Group returned to external growth by making two major acquisitions:

- **The takeover of two French sites** for the American group Acument Global Technologies, which specialise in automotive fastener manufacturing.
- **Purchase by LISI MEDICAL of a site producing hip replacements** from the American group, Stryker Corporation, a leading global provider of medical technologies. The agreement is accompanied by a five-year supply contract.


A350 AIRBUS


CAROLINA HERRE


787

GROUP ACTIVITY

LISI 2010

LISI AEROSPACE P 36

LISI AUTOMOTIVE P 44

LISI MEDICAL P 52

LISI COSMETICS P 58

LISI AEROSPACE

LISI AEROSPACE
The rebound after the crisis

— After a start to the year which was heavily impacted by the economic crisis, the latter half of 2010 showed very encouraging signs of recovery, even if they remain essentially concentrated on Europe. The North American zone, relatively flat, could also recover. All LISI AEROSPACE's plants are now positioned to profit from this recovery.

Key figures

Sales in €m

€281.2M Sales revenue

€17.6M Investments

2,988 Headcount

11 sites in 8 countries

© Airbus S.A.S. 2010 - Computer rendering by Fixion - GWLNSD

> The main customers of LISI AEROSPACE have experienced a very contrasting year. Although Airbus and Boeing have been able to rebound and to make progress, the regional aircraft manufacturers and the business jet builders continued for their part to suffer throughout 2010. The participants in the supply-chain therefore remained prudent. The majority of them prefer to wait for 2011 to follow the production increases announced by Airbus and Boeing. The distribution business continued its concentration, which had a significant effect on the American fastener market.

LISI AEROSPACE's business essentially remained tied to the development of the new programs and to the latest effects of the crisis on the North American continent. In view of these elements, the 2010 financial year ended with a new reduction of almost 15% in the sales revenues of LISI AEROSPACE, falling from €330.8 million in 2009 to €281.2 million. This was in line with the strategy decided at the Group level and the management of the business was again centered on the management of cash.

— The European market on the rise

From 2010 onwards, the European market showed fairly clear signs of recovery, with levels of orders booked up by around 10%. With 574 aircraft ordered, Airbus finally achieved a 2010 level which was significantly better than the forecasts announced at the start of the year, which were for 300 aircraft. The single-aisle aircraft (72%) represent a significant part of the Airbus order book, with in particular an order for 150 of the A320NEO, which is definitively launching the modernization program for this family of aircraft. The A380 also had a good year, in which it recorded 32 firm orders without any cancellations, a sign of the success of this program. Another positive figure: 63 A350 orders are reinforcing still further this new composite aircraft program. In terms of sales, Airbus delivered 510 aircraft in 2010, marking a ninth consecutive record. The A320 family had a good year with 401 deliveries. The year would have been perfect if Airbus had not failed in its goal of delivering 20 A380s (18 finally delivered).

— The European plants of LISI AEROSPACE ready for the recovery

The development work for the A350, as well as that related to the Boeing qualification process allowed us to absorb the reduction in business during the first half year. The measures for worksharing, for better control of purchases of tooling and consumables at the start of the year, in line with the measures already taken in 2009, accelerated the adjustment of expenditure at the business level. More generally, the division was able to maintain a prudent policy with regard to its selection of capital investments, focusing on projects for the maintenance of capacity and preservation of industrial resources, while still working on development projects which saw the light of day during the second half. The development of these new products and the significant work carried out for the

2011 outlook: prudence and measured optimism

The two major manufacturers Boeing and Airbus have in fact announced increases in production for 2011, which should re-mobilize the entire supply chain. Airbus opened the way by raising its monthly production of A320s from 34 to 36 with effect from December 2010, and then to 38 with effect from August 2011, before reaching 40 aircraft with effect from February 2012. Airbus is furthermore studying a scenario for an increase to 44 assembled aircraft per month. The production of A380s should increase from 18 in 2010 to more than 20 aircraft for the whole of 2011, before reaching its peak production fixed at 36 aircraft per year in 2013. Boeing has also planned to increase monthly production of B777s, of single-aisle B737s and lastly of B767s, which will increase from one to two examples per month by mid-2011.

Without claiming to be able to interpret the market signals infallibly, the advanced indicators such as worldwide growth, the trend in air traffic and more specifically at the present time, the trend in the order book allows us to forecast a recovery, a slow one certainly, but a real one.
The manufacturers' order books have never been at such a high level and their delivery forecasts for 2011 are extremely positive for the business of the division. The new programs such as the A350 and the B787 will continue to provide a renewal of growth and will be backed up by the increase in production of the current aircraft in order to meet the significant needs of the airline companies.

The production plants have profited from the economic crisis to reorganize themselves and to prepare for the recovery by taking measured risks in order to respond rapidly to the trend in customers' needs. Pragmatism and prudence have allowed LISI AEROSPACE to adapt itself to the cycles of the markets. The efforts made in 2009 and 2010 put LISI AEROSPACE in a very favorable position to profit quickly from the return to growth.

x 2

Is the monthly production rate of the Airbus A380 that is expected between 2010 and 2013, and that of the Boeing B767 between now and 2012.

© Boeing

Indicators such as global growth, air traffic developments and order books presage a slow but sure recovery.

qualification by Boeing of the European plants, allowed them to profit very quickly from the increase in activity in Europe. From the first signs, all the production capacities of LISI AEROSPACE were available to react.

— A year of adjustment on the US market

Even though the North American market also saw slight growth in 2010, which translated into an increase in the sales revenues of 6% compared with 2009, it was rather linked to numerous cancellations and to adjustments booked in 2009, rather than to a real recovery. The Business Jet and Regional Jet markets remain rather inactive and, even though the production rates at Boeing increased, the delays suffered in the development of the 787 program gave way to a certain wait-and-see policy.

The «Engines and Critical Parts» Business Unit in Dorval, in Canada, which was relatively spared in the first half as a result of the orders booked, was heavily impacted by the general slowdown in the market. At the end of the year, the plant had however pursued the development of new products, which should allow for a rebound in 2011.

The market remains tight. The level of inventory, which is very low, results from significant de-stocking transactions carried out with customers of the Business Unit, in particular with the distributors who occupy a prominent position on the North American market. This situation however allows us to forecast a progressive recovery.

— 267 additional aircraft for Boeing

Despite a good start in the race for orders in 2010, Boeing ended up being beaten by Airbus at the end of December. The US manufacturer is nevertheless significantly ahead with 267 more aircraft than in 2009. The aircraft manufacturer took the leadership position in single-aisle aircraft with 468 orders, compared with 416 for its European competitor. This family represents 92% of Boeing's orders. The picture is however not completely positive since the 787, hit by continuous delays, saw its order book reduced by four aircraft in 2010. This remains however at a very comfortable level, with 850 orders already booked.
In terms of deliveries, Boeing experienced a year which matched what the manufacturer had announced (462), down compared with 2009 (- 19). This reduction affected the B747 (- 8), the B777 (- 14) and the B767 (- 1). The B737 saw its production increase by four units.

Reconversion of the Saint-Brieuc plant and enlargement of Vignoux-sur-Barangeon

After a very difficult period linked to the collapse of the Racing markets, on which LISI AEROSPACE was committed, the Saint-Brieuc plant is progressively being incorporated into the European aerospace business. Several contracts have been signed with the engine manufacturers with a view to manufacturing a typology of new parts compatible with the local know-how and without overlapping with the traditional aircraft business.

On the development side, the Vignoux-sur-Barangeon plant saw a strong growth trend linked to numerous successes on new markets. As a result, the plant will carry out an enlargement project which will see the light of day during 2011.

+5%
is the growth outlook for passenger and freight business in 2011.

Good macroeconomic indicators

In line with the trend in the worldwide economy, the indicators of passenger and freight air traffic, boosted by the economic growth in the emerging economies (GDP + 6%), grew respectively in 2010 by approximately 8.5% and 22%, compared with 2009. Their levels in volume terms succeeded in reaching and exceeding the highest historic levels seen in August 2008. These performances and the outlook for 2011 (+ 5% for passengers and freight) reassured the airline companies which, with 2010 profits estimated by IATA at $15 billion, were able once again to inject capacity.

These indicators confirm the recovery and explain the first signs of a positive trend on the market for aerospace fasteners in Europe. The trend curve for the group should therefore begin to turn back upwards from 2011.

India is taking off

A decisive year for our joint venture in Bangalore, which succeeded in various NADCAP and customer qualifications and now has a solid contractual base on the domestic market. This plant is now entering various international markets as part of a plan coordinated with the rest of LISI AEROSPACE. For its part, the Indian Ankit plant, which produced excellent performances, is now working on its qualification with Pratt & Whitney and General Electric.

— 90 firm orders for the Bombardier CSeries

The aircraft manufacturer's forecasts remain downward. The sole positive note relates to the advancement of new programs. The scheduling for the Cseries program, which should compete with the Airbus single-aisle aircraft, is on track: the manufacture of the first subassemblies has started and the aircraft should be delivered in 2013. The 90 firm orders received up to now for the CSeries represent significant good news, which confirms the validity of the risk-taking by Bombardier. The first deliveries of the CRJ-1000 NextGen, a 100-seat version of their well-known Bombardier CRJ Jet has started, as has the manufacture of components for the new Learjet85 business aircraft.

— 250 commercial aircraft in the Embraer order book

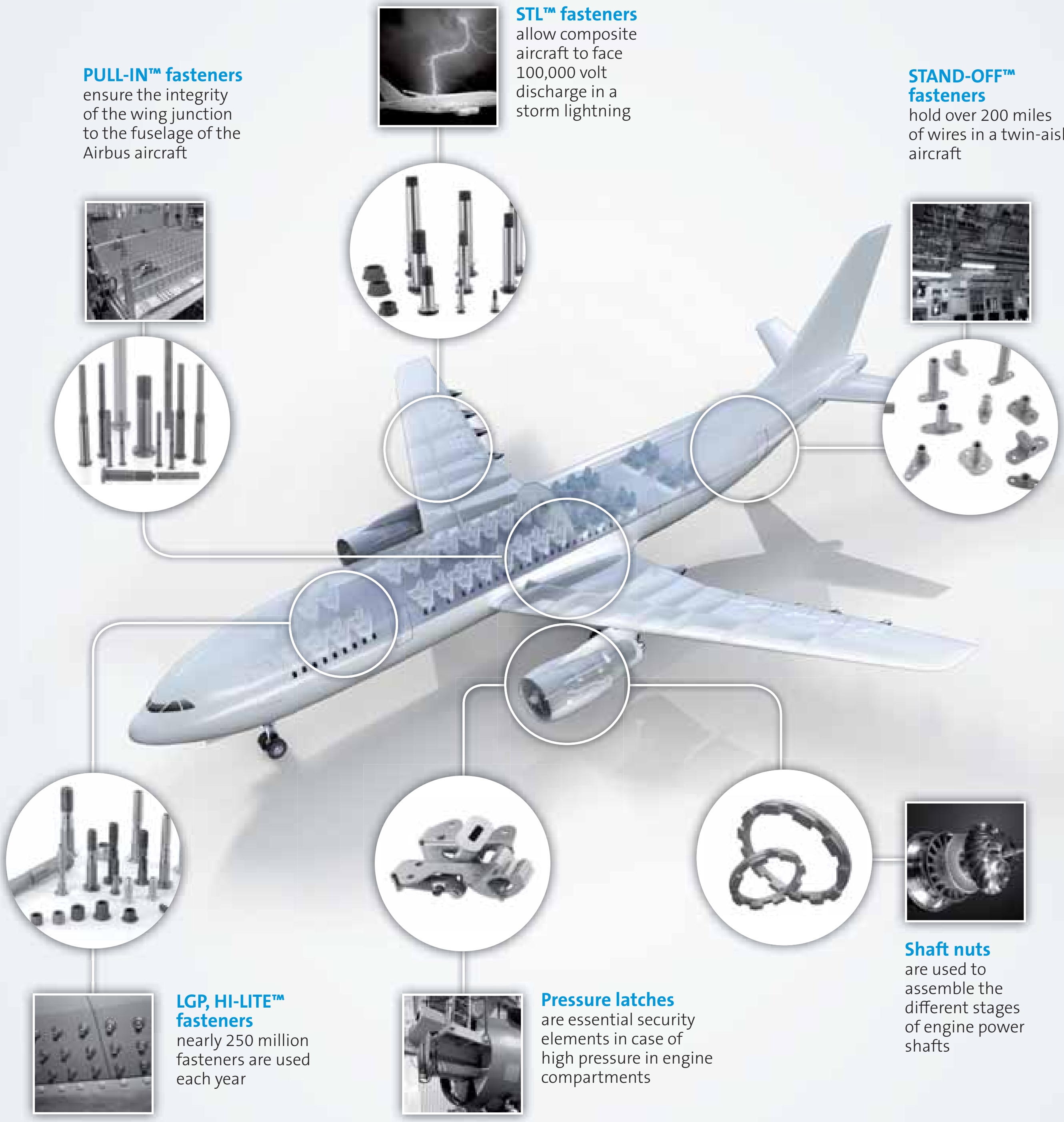
The Brazilian manufacturer Embraer delivered 246 aircraft in 2010, or two aircraft more than in 2009. These deliveries comprised 100 commercial aircraft (- 22 compared with 2009) and 144 business jets (+ 27), of which 100 Phenom100, their new flagship product launched at the end of 2009, to which are added two military aircraft. The order book for Embraer commercial aircraft now stands at 250 aircraft, or $15.6 billion (up by 2%). The year was furthermore marked by the launch of a new business aircraft, the Legacy 650.

— Significant pressure on military orders

The military market suffered from great pressure linked to reductions in public expenditure by the principal Western countries. The problems with the development of the A400M and the F-35 were worsened by these financial pressures. Even though these programs ended up successful, they remain closely watched.
The two major modernization plans undertaken by the US armed forces met with differing outcomes. The P-8A Poseidon (117 aircraft, $33 billion) manufactured by Boeing and based on the B737, began its certification testing. Production should start in 2012. Lastly, Brazil deferred its decision to purchase 36 fighter aircraft, as did the United Arab Emirates, which is delaying its decision on the 60 fighter aircraft which this State would like to order.

— Sustained capital investment in 2010

LISI AEROSPACE committed almost €20 million to capital investments in 2010, of which more than half related to capacity and productivity projects. Among the latter, one can highlight the completion of the «nuts» plant in Torrance (USA) which from now on allows for the production of new generations of nuts in stainless steel and titanium in optimum industrial conditions.



Our flagship products

Airframe

Structural fasteners, principally in titanium

- HI-LITE™
- HI-LOK™ – LGP™
- PULL-IN™
- PULL-STEM™
- TAPER-LOK™
- SLEEVE TAPER HI-LITE™
- STARLITE™

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

Our main clients

- Airbus
- Boeing
- Bombardier
- Dassault
- EADS
- Embraer
- Eurocopter
- Finmeccanica
- GEAE
- Pratt & Whitney
- Rolls Royce
- Safran
- Spirit
- Formula 1 and Nascar teams for the Racing division

Illustration 3d : C. Le Guez

A new information system for LISI AEROSPACE

The deployment of the new ERP, Lawson M3, was completed as planned for all of the US sites. LISI AEROSPACE is now equipped with an ERP installed at all the plants and covering all or part of the functions of the business. These systems allow for the sharing of customer and product databases throughout the group. This information sharing will allow for improved visibility and reactivity of the group's teams by offering an identical high-performance service to all our customers.

We have furthermore given the go-ahead for the construction of a new surface treatment plant which will allow us to process all the requirements of our Californian plants and to control perfectly this stage of manufacture, which is crucial for the quality of our products, without being dependent on subcontractors. The standards adopted go way beyond the local environmental requirements, which are amongst the most severe in the world.

The Rugby plant has acquired a new heading machine for the latest generation of fasteners, allowing us to increase productivity whilst improving compliance with tolerances. The production plant at Saint-Brieuc is confirming its return to the aerospace domain with the purchase of machines dedicated to the manufacture of «sleeves» for the new fasteners for the lightning strike protection of the A350.

2010 also saw the implementation of several actions for the rationalization of our production: the Montréal plant is becoming the North American Center of excellence for the manufacture of nickel alloy parts. The Rugby plant, which has finished the transfer of manufacturing in steel to the Izmir (Turkey) plant, is now concentrating on the production of titanium parts.

The new products developed for the A350 (STL screws, STR nuts, titanium nuts, partially-plated screws, "ASTER"-stamped nuts) finally led to the implementation of an industrial organization spread over the plants at Saint-Ouen l'Aumône, Rugby and Saint-Brieuc with industrial development split between these sites in close agreement with the R&D and engineering departments of AIRBUS.

In 2011 some large capital investment projects will match the production capacity of the division's plants with the increasing demand. Efforts are being made, in particular, at the level of quality and productivity improvements for nuts, with close collaboration between our French and US teams.

The company's desire to set an example in environmental protection resulted in the ISO14001 certification of all its plants and led, apart from the surface treatment project in Torrance, to the revision and modernization of the waste treatment systems of the major plants.

LISI AUTOMOTIVE

Global recovery drives European production

— The automotive industry of developed countries is a major exporter and has fully benefited from the industrial under-capacity of developing markets, led by China, Russia and India. LISI AUTOMOTIVE is positioned in the world's leading markets and is profiting from the global recovery, continuing its conquest of market share.

Key figures

Sales in €m

€401.3M Sales revenue

+21% / 2009

€29.6M Investments

3,200 Head count

16 Production sites
(4 for support activities)

> The world automobile market behaved in very different ways during 2010, with sharp differences from one market to another. The major developed countries did not enjoy uniform growth, as might have been expected. Europe, which finished the year down 5%, was mainly bolstered by government measures implemented to support consumption. Such steps in fact masked a significant slowdown, which was confirmed in all European countries when the support measures came to an end.

On the other hand, the US market seems to have returned to growth following a very difficult year in 2009. Both General Motors and Chrysler went through brief periods under Chapter 11, brought on by the sharpest contraction in the car market since World War II, with only 10.5 million new vehicle registrations over the year. With growth of 11% in 2010, the recovery has been clear. Even if it has first benefited the Southeast Asian manufacturers, solidly installed on the other side of the Atlantic, such as the South Korean Hyundai (up 43%) and its subsidiary Kia.

— Sustained growth in emerging markets

China has confirmed its position as largest car market in the world with a market up 32% (see opposite) and for the second straight year leads the American market with 18 million vehicles sold. However, this record should not obscure the excellent performance by emerging countries, such as Brazil (up 11%), Russia (+30%) and India (+31%), whose sales are also motoring the entire global market.

The impact of Asian pressure is of course by no means neutral on the strategy and dynamism of the European manufacturers. Their strong export orientation combined with structural Chinese under-capacity led to an increase of 13% in production in Europe over 2009 levels. This worldwide recovery has, however, engendered a significant rise in raw material prices.

— Positive impact on LISI AUTOMOTIVE's business

Having adjusted to the historic downturn in 2009, LISI AUTOMOTIVE was able to support the recovery without delay, led by both the dynamism of the global market and by winning

China motors global automobile growth

With over 18 million vehicles sold in 2010, up 32% on 2009, China has taken over the enviable role of the world's leading automobile market. Even the catching up taking place in the USA will not be able to undo this. The land of the rising sun has achieved unequalled growth. In 2009 registrations posted a leap forward of 53%. The subsidies provided by the Chinese government to boost sales of less polluting vehicles helped the jump in sales in 2010. Most of the major players in the auto industry, both car and parts manufacturers, generally profited from this and have announced record performance. If the major international groups went to China in search of the growth they are lacking in their home markets, local manufacturers have organized themselves and strengthened their position, and now hold 46% of the market.

The Chinese market will remain a major growth area for the automobile industry for a long time to come. LISI AUTOMOTIVE's performance this year in China has been particularly outstanding. Growth at our two locations, Shanghai and Beijing, has been ahead of the market, reaching 50%. A record! Our positioning as a generalist has allowed us to produce for the local market, for which we have adapted our products, as well as for those who re-export worldwide the subassemblies we make for them. This is why we intend to continue investing in this country, to be able to support its future growth.

18 million
vehicles sold in 2009.

+32% / 2009.

In 2010 the LISI AUTOMOTIVE division grew much faster than the market.

SER: LISI AUTOMOTIVE as promoter of the Global Compact

LISI AUTOMOTIVE has continued its commitment to social and environmental responsibility (SER) as part of its membership of the Global Compact. These commitments refer to the requirement for integrity, valuing long-term, demanding and fair relationships with our suppliers, and valuing our employees. In the specific area of Quality and Environment, we have implemented a Management Manual that describes LISI AUTOMOTIVE's Management System. It reflects the organization and working methods implemented in order to meet the high requirements of ISO standards that apply to us.
In our own suppliers' charter, we invite our partners to implement these commitments.

significant market share among several major international manufacturers. With sales revenues up 21% on the same basis in 2010 (€401.3m) the LISI AUTOMOTIVE division has grown faster than the market itself. This performance can be directly linked to the strategic positioning adopted by the Group since 2009, based on increased support for innovation and a program of continuous improvement in its competitiveness.

All of LISI AUTOMOTIVE's businesses have benefited from the recovery. On the same basis, business has been sustained in each Business Group and every product line. The division benefited in particular from the high export sales of the top of the line models of the German car manufacturers, as well as from the excellent sales of entry-level products of the European generalists, especially the French, throughout the world.

The changes in the competitive landscape, particularly in Germany, have led to significant increases in market share for all our customers, especially the parts manufacturers. This offensive has been especially clear in the field of hot forging, where our range of general purpose nuts, developed at our Vöhrenbach site in Baden-Württemberg, have been selected by Daimler's Trucks Division.

Last but not least, our performance in China has been remarkable. With 50% growth in a year, the division has performed considerably better than the market itself. For us this is the proof of the effectiveness and attractiveness of LISI AUTOMOTIVE solutions in this market of the future.

The order book, which is the input for our factories in 2011, was exceptional. The Group's financial solidity and the competitiveness of LISI AUTOMOTIVE products have been the decisive factors in our success.

— LISI AUTOMOTIVE, a major European player in technical nuts and bolts

Since March 2010 LISI AUTOMOTIVE has absorbed three Acument France sites, sold by the Platinum Investment Fund (see box). With the new scope following the acquisition, our sales revenues were up almost 30%. Beyond the direct financial impact on the Group financial statements, this acquisition has rounded off the division's industrial skills. LISI AUTOMOTIVE has in this way become a leading manufacturer in the technical nuts and bolts sectors. An ongoing investment program has supported these acquisitions and will consolidate LISI AUTOMOTIVE's positions in threaded fasteners (nuts and bolts) and clip solutions. The incorporation of the Ferté Fresnel and Dreux sites, the latter of which has a major rolling mill, should also strengthen our industrial synergies. From this year these two units will be able to provide a range of strips of metallic clips for all our plants.

Successful integration of the Acument France factories

LISI AUTOMOTIVE's acquisition of the business of Acument France required integrating three locations into the division. The first two, the rolling mill at Dreux and the La Ferté Fresnel site, are connected to each other. The rolling mill, which produces 11,000 tons of strip annually, is in fact backed onto the La Ferté Fresnel plant, which produces nuts. This combined site has allowed LISI AUTOMOTIVE to bolster its technical nuts and bolts range. The La Ferté site, which also has a large catalogue of washers, rounds off and enhances the division's product range.

The third Acument site, at Bonneuil sur Marne, specializes in plastic clips but is not large enough. It will be closed in 2011 and its activity consolidated with that of Puiseux, thereby improving our overall range of clip solutions and our skills in sub-assemblies. To this end and with in mind a planned increase of the current Puiseux site, we have rented 7,500 m² ideally located opposite the current site.

11,000
tons of steel strip are producted every year in la Ferté Fresnel plant.

Extension of Cjec, Czech Republic

The new LISI AUTOMOTIVE factory in Cjec in the Czech Republic was inaugurated on April 29, 2010. This new, 4,650 m² unit has facilitated rationalizing on a single site all Czech cold press activities. LISI AUTOMOTIVE has acquired an international reputation for its know-how and technological skills in mechanical safety components. This new factory was designed to meet the sharp increase in demand from worldwide parts manufacturers in the fields of brakes and seating mechanisms.

Creation of a support site at Delle

In 2011 the LISI AUTOMOTIVE division started the construction of a new production site at Delle (Territory of Belfort, France). This 8,200 m² site will house the later stage operations (control, conditioning, storage and dispatch) of the Delle and Dasle production sites. This operation to rationalize production is part of our strategic plan. It should speed up growth at these two production sites while at the same time facilitating the implementation of our just in time system. The site will be operative from April and will be fully operational in September 2011.

— Consolidation of our European and French locations

Alongside the industrial projects that have accompanied the restart of Acument France activities, LISI AUTOMOTIVE has undertaken to consolidate its activities in the Czech Republic. The Cjec site, expanded by 4,400 m², has been entirely reorganized (see box). The Korejany and Brno sites have been closed down, and all the transfers have been fully transparent for our customers. We demonstrated in this operation our full control of a complex industrial project. LISI AUTOMOTIVE in this way has an ultra-modern industrial set-up with extremely high performance levels. This new complex will allow us to meet the demand of the mechanical safety components market, in which LISI AUTOMOTIVE's skills are at the top end of the global range.

In terms of organization and supply management, we have continued the deployment of our just in time system, drawn from our other plants. This new management method was developed in 2010 for more than two thirds of the sales revenues of the Mélisey and Cjec sites. Reduction of inventories – from raw materials to finished products - has facilitated reducing our requirement for working capital by €600K as compared with 2009. In due course, this program will affect all the division's locations.

The deployment of the principles of Lean Manufacturing, intended to strengthen quality management within the Group, is also continuing at all sites. Independent Production Units have been implemented in order to get all employees in the workshops involved in the daily meetings. Safety and quality are addressed as priorities at these working meetings. Based on this model, improvement groups have now been organized at almost all the French sites.

In the support area we have also consolidated our tooling activities at the Lure site. A major, multidisciplinary project has allowed us to significantly improve the performance of our Grandvillars wire drawing plant, which has been prepared from 2011 to move its capacity up from 45,000 to 75,000 tons per annum. A new hydrogen annealing furnace and new wire drawing line will become operational during the same year. Finally, we have completed the deployment of our new Movex ERP system to the Delle and Heidelberg plants and to the head office, an essential milestone in the gradual deployment across all LISI AUTOMOTIVE sites. Three new sites will benefit from it during 2011.

— Continuing investments in China

At the same time as strengthening its positions in Europe, LISI AUTOMOTIVE has significantly boosted its industrial arrangements in China, at both the Shanghai and Beijing sites. An ambitious, multi-year investments program has been started this year to

Our 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
- airbags
- engines and gearboxes

Our major clients

BMW ;
Daimler ;
Ford ;
Opel ;
PSA ;
Renault-Nissan ;
VW-Audi
Autoliv ;
Bosch ;
Faurecia ;
FAW-SW ;
Saic ;
Johnson Controls ;
Jtekt ;
TI automotive ;
ThyssenKrupp ;
TRW ;
ZF
BSH ;
Franke ;
Schneider

Illustration 3d : C. Le Guez

Integration of surface treatment operations at Delle and Saint-Florent

LISI AUTOMOTIVE is continuing its integration policy for heat and surface treatments in order to optimize its industrial performance. With this in view, a heat treatment unit to combine the case hardening and carbonitriding operations was set up at the beginning of 2011 at the Delle production site. At Saint-Florent a zinc lamellar coating installation, identical to the ones installed at Kierspe, Gummersbach and Fuenlabrada, has been set up. It is suited to the larger size of parts treated at this location. The incorporation of these technical operations has facilitated improving quality control, optimizing logistical flows and reducing costs. Other heat treatment investments will be undertaken in 2011, especially in China.

increase capacity at our clipped solutions Beijing plant. We are also preparing for the launch of a critical project to assemble subassemblies for a major parts manufacturer. This latter has awarded us the assembly and implementation of almost all the components of this subassembly to feed all its plants around the world. Being generalists, our ability to master a wide range of technologies in the fasteners area, added to the excellence of our local teams, has allowed us to win this important market. During 2011 we also expect to complete our equipment to meet the growing demand from the Chinese market to supply metallic clips of complex forms.

The Shanghai site, specializing in threaded products (nuts and bolts) is also acquiring the means to be able to offer from 2011 local production of such safety components as screw joints, torsion bars and seat axes. Market response to this development strategy provides an excellent outlook for growth of these two units.

— Teams ready to take up the challenges of growth

In 2011 LISI AUTOMOTIVE shall be continuing the implementation of its "Convergence" program, intended to standardize best practices, both operational and functional, at division level and later for the entire Group. This program has facilitated the development of a process of standardization, exchange of experiences and know-how between sites, and has already led to rapid, stable progress. The division's strategic ambition, built around its three main areas of activity (threaded fasteners, clipped solutions and mechanical safety components) will be spread systematically and incorporated into the sales, technical and industrial action plans. The road map for 2011 has been sketched out. However, irrespective of how precise these efforts and this organization are, they would be worthless without the determination and ambition of the teams responsible for their implementation and for making them come alive.

LISI MEDICAL

A buoyant environment

— The medical implants sector enjoyed a buoyant environment during 2010 despite the crisis. Regulatory developments in both Europe and the USA are pushing our customers to speed up outsourcing their production to structured subcontractors. These all support the growth and specialization strategy adopted by LISI MEDICAL in 2009.

Key figures

Sales in €m

2009 18.7

2010 42.7
(new consolidation scope)

€42.7M sales revenue

+128.7% / 2009

€2.6M Investments

483 Head count

4 Production sites

© Getty Images

> For the last three years LISI MEDICAL has concentrated its subcontracting business on manufacturing high-tech implants and devices intended for the treatment of pathologies of the bones. Its 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 vertebral column, and in traumatic surgery in the broadest sense.

The end market which LISI MEDICAL is servicing, which has been assessed at over €20 billion, has kept up its growth despite the 2009 economic crisis. In 2010 the medical devices market grew more than 5%. This 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.

— Our customers are speeding up the outsourcing of their production

The combined challenges of new public health policies and cost control have changed the scope of the market and generated increased regulation. Foreseeable developments in public policies and their impacts on pricing and reimbursements as set by governments will impact on the economics of our sectors. Even if everything cannot be measured exactly – the regulatory environment is in constant change – two examples will serve as illustration: the application in March 2010 of European directive 2007-47 strengthens the obligation for tighter control over subcontracting and changes the way in which we carry out our business. In the USA the reforms undertaken as part of the Obama plan involve the control of costs while at the same time expanding cover to 30 million more citizens who until now had been excluded. These regulatory changes have involved, for all our customers, enhanced control of all stages of production, including those carried out through subcontracting, together with a very clear, renewed focus on design and marketing.

These new steps have translated into a growth in subcontracting of their production, a significant reduction in the number of suppliers, and a rigorous search for cost optimization. Our customers have accordingly concentrated their manufacturing activities on reliable partners, who have extensive resources and handle every phase of production.

The market will remain buoyant in 2011

The medical implants market will remain buoyant during 2011. Trends remain good and international regulations, which boost subcontracting, are playing in our favor. Our ability to support our customers through every stage of a project's life is our major strength, through every phase of development. The division can create prototypes at the design stage, provide support for the industrialization phases when finalizing the product, and propose innovative supply chain solutions.
The implementation of the major improvements is continuing, and Kaizen, SMED and 5S installations for making movements flow better and for speeding up our responsiveness while reducing the financial burden of work in progress, will all serve us well in 2011. Together with the steps already undertaken in prior years, they will facilitate improving our scheduling processes and production control in order to be able to react in a responsive, structured manner.
Growth forecasts are in the area of 10% in the LISI MEDICAL Division's "historical" scope of operations, taking into account the build-up of the orthopedics business. Sales revenues ought to exceed €70m in 2011.

In 2010, LISI MEDICAL is expecting a growth of **10 %** on its historical perimeter.

ONE THIRD OF THE MARKET
FOR RECONSTRUCTIVE SURGERY


25% INSTRUMENTS (MEASUREMENT ETC)


32% RECONSTRUCTIVE SURGERY


18% VERTEBRAL COLUMN


16% TRAUMATOLOGY


9% DENTAL IMPLANTS

This analysis, including the manufacture of instruments, accurately reflects the make-up and businesses of our major customers.

— LISI MEDICAL's strategy supported by the market

Market directions have therefore supported the external growth strategy undertaken by LISI MEDICAL in 2010. The acquisition of the Stryker Benoist-Girard production facility at Hérouville Saint-Clair in Calvados has let us increase our production capacity while positioning ourselves in a market with strong potential. The acquisition of this facility went together with a long-term commercial contract with Stryker, one of the world leaders in medical technology, for the manufacture and supply of forged, orthopaedic components over a period of five years. This agreement has allowed us to significantly increase our US market share and has finally provided us with advantageous access to the forged components sector and that of reconstructive surgery, for which the US represents the leading market.

— Anticipating trends in the supply chain

In 2010 LISI MEDICAL maintained and continued its development in a strong market on account of the growth of our customers. Greatly dependent upon changes in the supply chain, this is subject to the pace set by launches, stocking and clearing out of inventories.

In order to achieve its targets and to become a major player in the market, LISI MEDICAL is seeking to develop its skills and hone its organization to meet demand across all segments in which the division is meaningfully present (see graphics opposite). While this is still being implemented, the division is already capable of reacting very fast. In 2010, we achieved organic growth of 14%. With the acquisition of the Hérouville Saint-Clair facility, this figure was 121%, with sales revenues of €42.7m. Today LISI MEDICAL is No. 6 in the world (based on our own market analysis), and employs 483 staff on its books at four locations (Lyon and Caen in France, Tangiers in Morocco, and San Diego in the USA).

— Concentrating the Lyon locations

Various corporate plans were undertaken during 2010. The first was about our Lyon area factories. In order to be able to provide the skills and synergies required to meet our customers' expectations, LISI MEDICAL decided to regroup the work at its two Lyon area locations, Seignol and Hugueny, at Neyron. This has facilitated concentrating at a single place and run by a specialist team, all European demand for "fixings" (dental, extremities, maxillofacial, vertebral column and traumatology). The move took place in August 2010 and went according to plan.

This has allowed the creation of a shared culture and a dedicated organization, whose last stages are now being deployed. The structural effect of the new arrangements will be decisive for the medium- and long-term.

In order to facilitate setting up an organization based upon lean concepts and manufacturing cells, LISI MEDICAL has also sought to bolster its skills, using methods for improvement already proven within the LISI Group, such as Kaizen, 5S and SMED (Single Minute Exchange of Die) tools and systems. The latter allows optimizing modification time when allocating production lines.

LISI MEDICAL

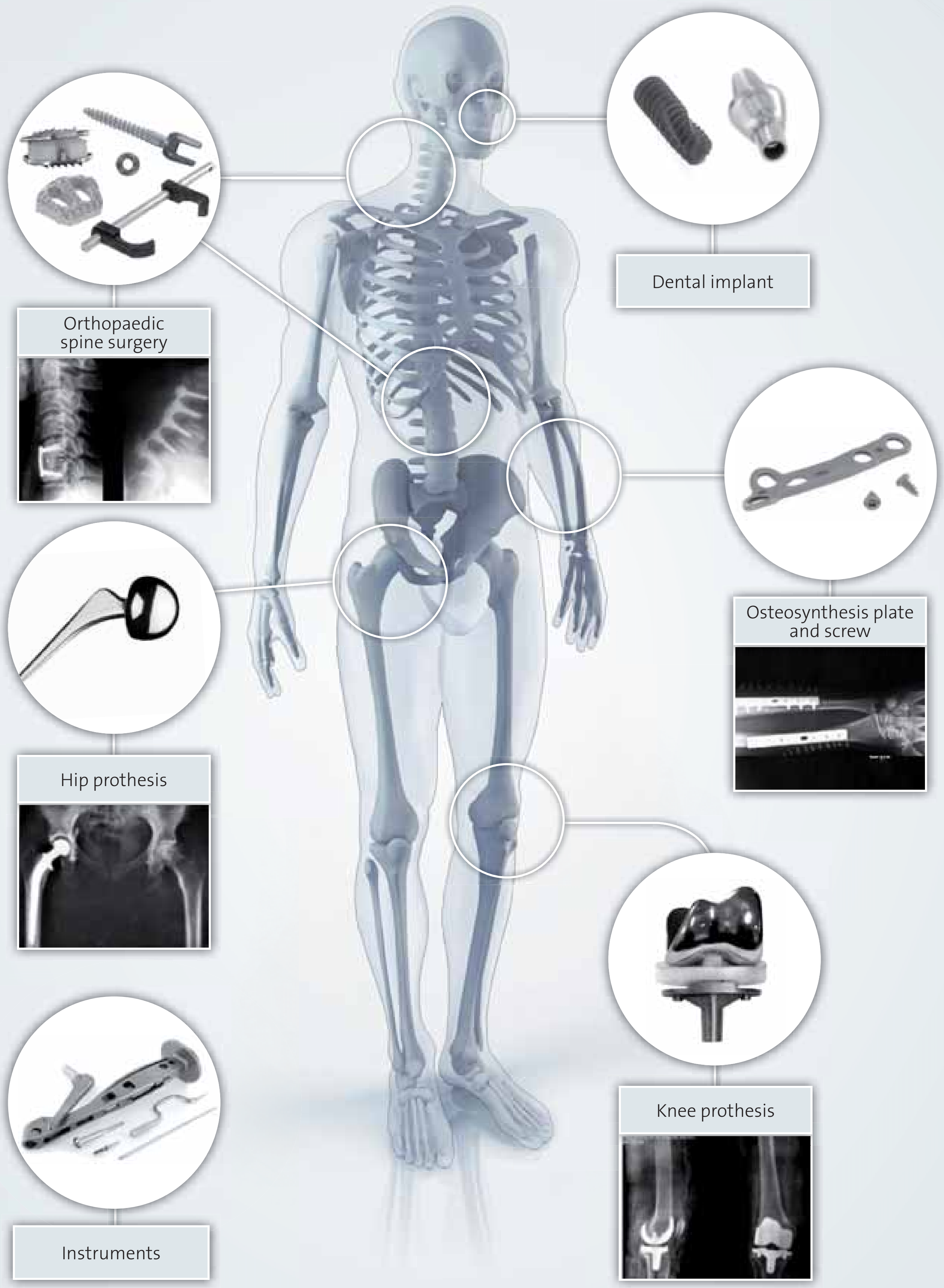


Illustration 3d : C. Le Guez

300,000
hip prothesis are forged per annum

LISI MEDICAL Orthopaedics on the go

The third major project of 2010 was the integration of our Orthopaedics factory, made necessary following the acquisition of Stryker. The new unit, known as LISI MEDICAL Orthopaedics, provides access to forging, machining, finishing and cleaning until now missing in the Group's medical division. The division now has suitable production resources and a structured, skilled team. The competitive position in the reconstruction segment, in terms both of volumes (the plant currently forges more than 300,000 hip prothesis per annum) and technologies of forging, machining and polishing, finishing and conditioning in a clean room, has allowed LISI MEDICAL to achieve a critical global scale among suppliers of medical implants.

At the same time, we started the construction of a new building that will house the Tangiers team from Q2 2011. This investment ought to provide the required conditions both to support and stimulate growth .

— Reorganization of LISI MEDICAL Fasteners USA

The North American facility at San Diego has been restructured and its work diversified in order to limit our exposure just to cosmetic surgery (mainly dental), where sales were sharply impacted during the financial crisis.

The division reported last year about these adaptation and reorganization plans to adjust to a toughening of the market. The site's activities have been expanded to products for maxillofacial and vertebral column surgery, which facilitated the 2010 recovery. The non-dental base now represents one third of the business, thereby letting us support our customers in their growth markets. The results are testimony to the teams' great capacity for adaptation.

— Continued investment policy to stimulate innovation

Growth in the medical devices market is motored by innovation. To encourage the development of efficient processes and to stimulate the engineering teams, links have been organized between the various production sites. Design proposals that had to be set aside, for example, for technical reasons, can today be reconsidered by customers' engineering departments and taken up by the teams, who now have much more powerful technical and human resources available.

Among the main technical challenges to be faced are the transformation of materials and the treatment of surfaces. To solve these and meet LISI MEDICAL's customers' requirements, the investment policy was maintained throughout 2010.
It was firstly focused on equipment with the purchase of a 5-axis, high-speed continuous chemical etching machine, some machining-bar turning centers, robotics and high-speed, contactless control systems.

Optimizing human resources was focused on the reorganization of procedures and on training, to develop skills, especially in new technologies and control systems. Auto-control procedures have become general in order to detect and correct any problems that might arise as early as possible in the production line.
Major efforts were made to improve the flexibility of production resources, by developing versatility and multiplying the teams' skills.

LISI COSMETICS

The rebound

— Badly affected by the crisis, in 2010 LISI COSMETICS benefited from the return to form of the entire supply chain and the product launches of its major customers. The division's ability to handle a wide range of technologies allowed it to support its positioning as a provider of "tailor made" solutions.

Key figures

Sales in €M

€52.8M Sales revenue

+ 46.3% / 2009

€1.5M Investments

417 Head count

3 production sites

> The sharp slowdown in the sector throughout 2009 had led to a large-scale reduction in inventories. The restocking required throughout the supply chain contributed to a clear rebound in 2010. Added to this demand to restock the supply chain were new development projects being deployed by LISI COSMETICS's largest customers. This combination of favorable elements contributed to the market's dynamism.

All the division's major customers posted excellent performance during 2010. The recovery led the leaders to confirm their positions with products that were already solid while making important launches, as was the case with Chanel, Puig and Inter Parfums. LISI COSMETICS contributed to each of these projects.

As an example, the perfume and cosmetics business of LVMH alone posted a 12% increase in sales for the first half of 2010. The worldwide success of Dior's J'Adore, at the top of sales for over 10 years, and the performance of Eau Sauvage, still the leader in the French market, contributed in a large way to these results and benefited LISI COSMETICS.

— Chanel's "Bleu" happening

Business with Chanel, with whom LISI COSMETICS is heavily involved in the perfume, care and make-up segments, has been sharply up. The Company has been able to profit from the combination of restocking orders and major product launches, whether *Bleu* or repackaging as a spray cap of *N°5*. *Bleu* in fact created the happening by gaining 10% of the market from the very first weeks following its launch. At the end of September Chanel's sales revenues were up over 22%. The financial year, which is looking like it will be a historic year for the brand, is back to pre-crisis growth rates.
The Puig group is continuing its differentiation policy, by offering something very original, backed by an original, aggressive marketing strategy. The success of *One Million* by Paco Rabanne, in which over 10 million pieces were sold in two years, and its female double, *Lady Million*, that rapidly joined the "*top 10*" of best selling perfumes for women, has allowed the Group to make significant increases in market share. *212 VIP Women* by Carolina Herrera also seems to be following in the successful footsteps of the previous *212* lines, which were also heavily restocked during 2010.

L'Oréal has also not missed the market's rebound. The group's luxury division increased more than 8% in Q3 2010, based upon the vitality of its main brands. The new perfume from Armani, *Acqua di Gioia*, seems to have seduced women consumers.
The incorporation of YSL, started in 2009, as forecast, with the application of a relatively aggressive growth strategy abroad for some of the brand's licenses, and the gradual ending of some more confidential product lines.

Inter Parfums too exceeded its targets with double-digit growth (up 18%). The incorporation of the Montblanc perfumes, followed very closely by those of Boucheron, is part of this impetus that could be especially favorable for LISI COSMETICS, which has been involved in the projects developed by these two brands.
The Coty group, with which LISI COSMETICS has worked for the first time on a perfume development project, is also becoming stronger in care and make-up products, opening up new opportunities for the division. At Hermès the perfume segment has posted steady growth (up 16%), stimulated by the successful launch of Voyage and the confirmed success of the *Terre d'Hermès* collection.

— Variations on emblematic perfumes

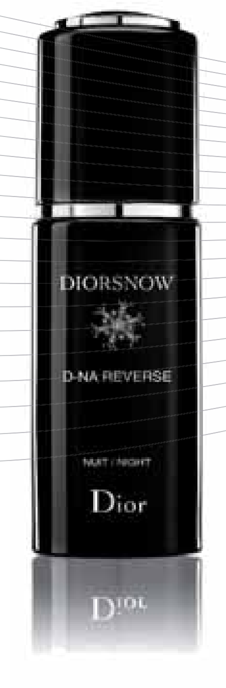
Alongside these flagship operations, the major brands have also decided to capitalize on their most emblematic perfume lines by creating less ephemeral variations based upon these key reference products. For example, LISI COSMETICS has been able to exploit and put to excellent use its various skills in the production of such lines as Fuel for *life for Men* by Diesel and *Zen* by Shiseido, in a summer version, *Animagical* by Puma, *Kenzo Eau Boisée* for men, and *l'Or J'Adore*, in a "*collector*", 40 ml version.

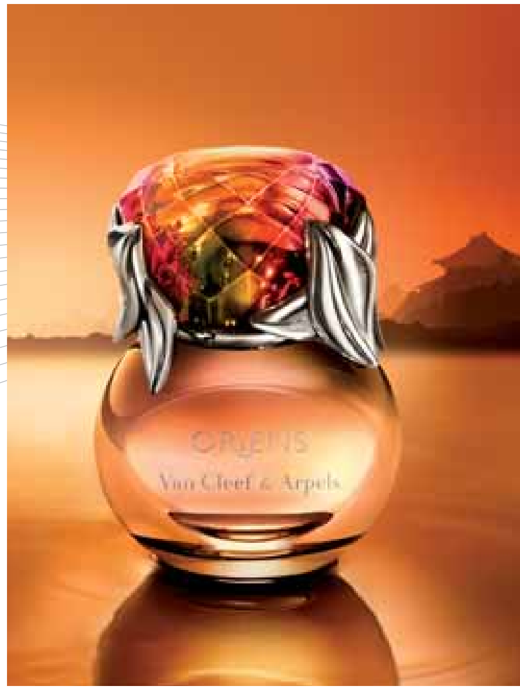
In the world of care products, demand has remained focused on enhancing value, with a "*premium*" approach developed for most of the main product lines. Packaging has become more technical and includes new functions. The *Diorsnow D-NA Reverse* and *Dior Capture Totale Haute Nutrition* lines are excellent examples of this development. For these two key products the care product is delivered by a spray built into the cap, reinforcing the effect of strength of the active principle. The development of new products at Chanel such as *Sublimage* and *Body Excellence* in the *Précision* line has allowed LISI COSMETICS to consolidate its positioning as a provider of original, customazed solutions in a strategic, high-value market segment that is growing strongly.

— Continued industrial investments to be better prepared for the future

For several years LISI COSMETICS has been involved in a continuous improvement program of its performance and its environmental impact. All the division's locations have now been approved to ISO 9001 and ISO 14001, formalizing the Group's efforts in this direction.

The 2010 investment plan facilitated finalizing the development program for "clean room" modules and access chambers, to





Oriens packaging rewarded

The much commented *Oriens* from Van Cleef & Arpels (the Richemont Group) was featured at the *Pentawards 2010*, an international packaging design competition, for the sophistication of its cap in the form of a ring produced by LISI COSMETICS, and the originality of its flask.

improve the cleanliness of the injection workshops. A new clean room now houses the decorative operations, which too are very sensitive to the quality of ambient air. For metalizing and varnishing, a secure, compressed air platform, including all necessary levels of filtration, has been installed. The preparation of an ATEX area (the European standard for controlling explosion risks), backed by a powerful extraction system, has finally made the storage and varnish preparation areas, which are particularly sensitive, safe.

LISI COSMETICS's strength lies in its ability to offer an extremely broad range of technologies and processes that have been developed in-house. Full control of plastic injection, metal stamping, surface treatments and decorations is backed by a high level of automation of the assembly stages of the components (glass, magnets, ballasts, clips etc), which distinguishes us from our major competitors. These features allow LISI COSMETICS to position itself as a supplier of comprehensive solutions and ensure the management of the most complex projects.

– Disposal of LISI COSMETICS

On February 7, 2011, the LISI Group granted the POCHET Group exclusive negotiation rights for the disposal of LISI COSMETICS.
On April 6, 2011, as per the press release of February 7th, the POCHET Group, through its subsidiary QUALIPAC, confirmed the acquisition of 100% of the shares and voting rights of LISI COSMETICS.
The strategic partnering of LISI COSMETICS with the POCHET Group will enable full advantage to be taken of the synergies within the newly formed group, thereby strengthening its position in the perfume and cosmetic markets.

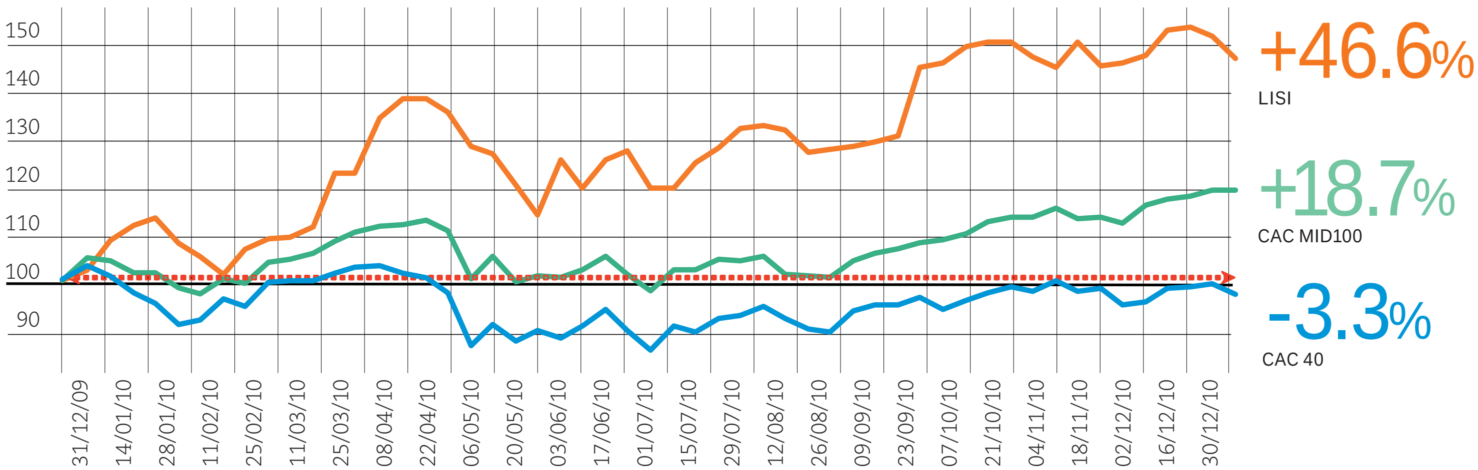
Packaging becomes more technical and includes new functions

MARKET DATA AND FINANCIAL SUMMARY

LISI 2010

2010: the year of the rebound

– With an increase of 46.6% over the year, the performance of the share over the financial year has made up for the total losses incurred during 2009. The closing price was €50.29 as at December 31, 2010. The highest reached was €52.68 with the lowest being €34.30.



The intraday volatility is set at 21.9% as opposed to a CAC Mid 100 average at 13%.
On the other hand, liquidity is down with nearly just 24% of the floating stock being exchanged against a standard of more than 60% for the Group. In total, for the year, this will mean that 865,198 securities will have been exchanged being a drop of 35% compared to 2009 which already showed a drop.
The floating stock remained stable over the period representing 3,044,885 shares being 28.3% of the capital of which 420,876 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.
LISI stock ranks thirtieth in terms of the capitalization of the shares within the same quotation group (non SRD grouping 291 shares) and around fiftieth in terms of the value of exchanged capital thus reinforcing its recognized position with investors specializing in MIDCAPS.

— Coverage of the stock

The stock is covered by 8 brokers (CA CHEUVREUX, CM CIC, EXANE, HSBC, KEPLER Equities, ODDO, NATIXIS, ID MIDCAPS), that periodically issue research ensuring satisfactory coverage. LISI has participated in several conferences with investors and roadshows in Frankfurt, London, Lyon, New York and Paris.
In total, LISI S.A's management will has met nearly 120 investors during the 2010 financial year.

ID MIDCAPS

— 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, 2010: €542m
Indices: CAC® Small, CAC® Mid & Small, CAC®-All tradable and CAC®-All Shares

— Documentation

- Annual report in French and English (hard copy and CD)
- Press release

— Market Maker's Contract

The market-making contract complies with the ethical charter of the AFEI and is carried out by: ODDO FINANCE CORPORATE
Mr. Eric BIGOTTEAU *Email*: ebigotteau@oddo.fr
Tel: +33 (0) 1 40 17 52 89

— Events 2011

- The AGM will be held on April 27, 2011 on company premises: Tour Gamma A - 193 rue de Bercy - 75012 PARIS.
- Dividend payments will be made on May 6, 2011.
- Sales revenue for the second quarter of 2011, as well as half-yearly accounts will be available on line via the company website (www.lisi-group.com), on the evening of July 27, 2011.

— Breakdown of share capital

55.0% CID
30.0% FLOATING STOCK*
6.0% VMC
5.1% FFP
3.9% TREASURY SHARES **

* Including company savings scheme
** Reserved for performance schemes and stock options

— Website

www.lisi-group.com
The company website has been available in French and English for 10 years. The annual report, as well as quarterly bulletins and all regulated information, can be downloaded from the website. Stock market prices are available and are updated daily during market opening hours.

— Contacts

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Functional organization chart

LISI

LISI AEROSPACE

Airframe Europe
- Bangalore (India)
- Rugby (UK)
- Saint-Ouen-l'Aumône
- Vignoux-sur-Barengeon

Airframe US
- City of Industry (USA)
- Paramount (USA)
- Torrance (USA)

Airframe Engines & Critical Europe
- Izmir (Turkey)
- Saint-Brieuc
- Villefranche-de-Rouergue

Airframe Engines & Critical North America
- Dorval (Canada)

LISI MEDICAL

Europe
- Neyron
- Tanger (Morocco)

USA
- Escondido

Orthopaedic
- Hérouville Saint-Clair

LISI AUTOMOTIVE

France
- Bonneuil-sur-Marne
- Delle
- Dasle
- La Ferté Fresnel
- Puiseux
- Saint-Florent
- Thiant

Germany
- Fuenlabrada (Spain)
- Gummersbach
- Heidelberg
- Herscheid
- Kierspe
- Mellrichstadt
- Vöhrenbach

Global Tier 1
- Cjec (Czech Republic)
- Melisey

Asia
- Beijing (China)
- Shanghai (China)

LISI COSMETICS

Metal
- Saint-Saturnin

Plastic
- Aurillac
- Nogent-le-Phaye

LISI Group consolidated income statement

In €'000	12/31/2010	12/31/2009
Pre-tax sales	**776,689**	**695,071**
Changes in stock, finished products and production in progress	3,699	(26,427)
Total production	780,388	668,644
Other revenues *	15,395	7,428
Total operating revenues	**795,783**	**676,072**
Consumption	(214,169)	(171,505)
Other purchases and external charges	(160,810)	(127,823)
Value added	**420,803**	**376,743**
Taxes and duties **	(6,459)	(10,260)
Payroll expenses (including temporary employees)	(318,679)	(278,705)
EBITDA	**95,665**	**87,779**
Depreciation	(45,798)	(43,577)
Net provisions	(399)	(10,013)
EBIT	**49,467**	**34,188**
Non-recurring operating expenses	(1,600)	(12,473)
Non-recurring operating revenues	526	500
Operating profit	**48,393**	**22,214**
Financing expenses and revenue on cash	**(2,517)**	**(4,197)**
Revenue on cash	*430*	*326*
Financing expenses	*(2,947)*	*(4,524)*
Other interest revenue and expenses	**1,592**	**(1,080)**
Other financial items	*13,135*	*4,433*
Other interest expenses	*(11,543)*	*(5,513)*
Taxes **	(14,704)	(7,800)
Profit (loss) for the period	**32,764**	**9,137**
Attributable to company equity holders	32,924	9,422
Minority interests	(161)	(285)
Earnings per share (in €)	**3.19**	**0.92**
Diluted earnings per share (in €)	**3.19**	**0.92**

* In order to provide readers of the financial statements with better information and in accordance with international standards, in the 2010 financial statements the Company has continued the classification of revenues related to CIR (Research Tax Credit) as "Other Revenues".

** The line item "Taxes and duties" in 2010 includes CET (Temporary Extraordinary Tax), whereas in 2009 it included the entire professional tax. As at December 31, 2010, 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 €3.4m.

Statement of overall earnings

In €'000	12/31/2010	12/31/2009
Profit (loss) for the period	**32,764**	**9,137**
Other elements of overall earnings		
Exchange rate spreads resulting from foreign business	12,324	(2,271)
Tax burden on other portions of total income	-	-
Other portions of total earnings, after taxes	**12,324**	**(2,271)**
Total overall income for the period	**45,088**	**6,866**
Attributable to company equity holders	45,194	7,165
Minority interests	(106)	(299)

Financial situation

ASSETS In €'000

	12/31/2010	12/31/2009
LONG-TERM ASSETS		
Goodwill	152,287	124,316
Other intangible assets	17,054	13,060
Tangible assets	278,815	258,362
Long-term financial assets	5,394	5,472
Deferred tax assets	16,146	6,901
Other long-term financial assets	63	100
Total long-term assets	**469,759**	**408,211**
SHORT-TERM ASSETS		
Inventories	177,096	147,473
Taxes – Claim on the state	1,198	5,219
Trade and other receivables	126,721	103,531
Other short-term financial assets	58,619	63,916
Cash and cash equivalents	22,261	20,582
Total short-term assets	**385,896**	**340,721**
TOTAL ASSETS	**855,654**	**748,933**

TOTAL EQUITY AND LIABILITIES In €'000

	12/31/2010	12/31/2009
SHAREHOLDERS' EQUITY		
Capital stock	21,573	21,508
Additional paid-in capital	70,803	69,853
Treasury shares	(15,028)	(16,264)
Consolidated reserves	379,651	378,745
Conversion reserves	(2,392)	(14,662)
Other income and expenses recorded directly as shareholders' equity	1,933	2,159
Profit (loss) for the period	32,924	9,422
Total shareholders' equity - Group's share	**489,463**	**450,764**
Minority interests	858	(125)
Total shareholders' equity	**490,320**	**450,639**
LONG-TERM LIABILITIES		
Long-term provisions	39,023	28,463
Long-term borrowings	72,647	76,528
Other long-term liabilities	5,830	1,545
Deferred tax liabilities	34,859	28,934
Total long-term liabilities	**152,359**	**135,470**
SHORT-TERM LIABILITIES		
Short-term provisions	15,232	8,069
Short-term borrowings*	25,709	36,432
Trade and other accounts payable	162,440	116,515
Taxes due	9,594	1,807
Total short-term liabilities	**212,975**	**162,823**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**855,654**	**748,933**
* of which banking facilities	7,923	13,495

LISI Group consolidated cash flow statement

In €'000	12/31/2010	12/31/2009
OPERATING ACTIVITIES		
Net earnings	**32,764**	**9,137**
Elimination of net charges not affecting cash flows:		
- Depreciation and non-recurrent financial provisions	43,823	55,447
- Changes in deferred taxes	(694)	2,882
- Income on disposals, provisions for liabilities and others	5,249	1,604
Gross cash flow margin	**81,142**	**69,070**
Net changes in provisions provided by or used for current operations	(1,669)	7,642
Operating cash flow	**79,474**	**76,712**
Elimination of the income tax expense (revenue)	15,279	4,918
Elimination of net borrowing costs	2,525	4,111
Effect of changes in inventory on cash	(9,870)	41,600
Effect of changes in accounts receivable and accounts payable	23,959	(15,773)
Net cash provided by or used for operations before tax	**111,367**	**111,568**
Taxes paid	(3,453)	(7,175)
Cash provided by or used for operations (A)	**107,914**	**104,390**
INVESTMENT ACTIVITIES		
Acquisition of consolidated companies	(42,022)	(1,451)
Cash acquired	1,502	21
Acquisition of tangible and intangible assets	(51,974)	(49,465)
Acquisition of financial assets		(474)
Change in granted loans and advances	476	(946)
Investment subsidies received		
Dividends received	2	4
Total cash used for investment activities	**(92,016)**	**(52,312)**
Disposed cash		2,800
Disposal of consolidated companies		1,500
Disposal of tangible and intangible assets	1,359	456
Disposal of financial assets	5	2
Total cash from disposals	**1,364**	**4,758**
Cash provided by or used for investment activities (B)	**(90,653)**	**(47,554)**
FINANCING ACTIVITIES		
Capital increase	1,404	
Net disposal (acquisition) of treasury shares		
Dividends paid to shareholders of the Group	(7,216)	(12,313)
Dividends paid to minority interests of consolidated companies		
Total cash from equity operations	**(5,812)**	**(12,313)**
Issue of long-term loans	10,912	16,401
Issue of short-term loans	79	1,161
Repayment of long-term loans	(3,436)	(4,315)
Repayment of short-term loans	(20,576)	(23,206)
Net interest expense paid	(2,593)	(4,664)
Total cash from operations on loans and other financial liabilities	**(15,614)**	**(14,622)**
Cash provided by or used for financing activities (C)	**(21,426)**	**(26,935)**
Effect of change in foreign exchange rates (D)	4,686	(1,628)
Effect of adjustments in treasury shares (D)	1,434	826
Changes in net cash (A+B+C+D)	**1,954**	**29,099**
Cash at January 1st (E)	71,003	41,904
Cash at year end (A+B+C+D+E)	72,957	71,003
Short-term investments	58,619	63,916
Cash and cash equivalents	22,261	20,582
Short-term banking facilities	(7,923)	(13,495)
Closing cash position	**72,957**	**71,003**

LISI Group shareholders' equity

In €'000	Capital stock	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 at January 1, 2009	**21,508**	**69,853**	**(17,090)**	**336,938**	**(12,406)**	**2,752**	**56,229**	**457,786**	**780**	**458,567**
Profit (loss) for the period N (a)							9,422	9,422	(285)	9,137
Translation differential (b)					(2,257)			(2,257)	(14)	(2,271)
Payments in shares (c)				(2,109)				(2,109)		(2,109)
Restatements of treasury shares (d)			826			(593)		234		234
Appropriation of N-1 earnings				56,229			(56,229)			
Change in scope									(606)	(606)
Dividends distributed				(12,313)				(12,313)		(12,313)
Reclassification										
Various (e)										
SHAREHOLDERS' EQUITY at December 31, 2009	**21,508**	**69,853**	**(16,264)**	**378,745**	**(14,662)**	**2,159**	**9,422**	**450,764**	**(125)**	**450,639**
of which total revenue and expenses recorded for the financial period (a) + (b) + (c) + (d) + (e)				**(2,109)**	**(2,257)**	**(593)**	**9,422**	**4,464**		
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**
of which total revenue and expenses recorded for the financial period (a) + (b) + (c) + (d) + (e)				**789**	**12,270**	**859**	**32,924**	**46,843**		

* 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.

Financial report 2010

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