lisi LINK SOLUTIONS FOR INDUSTRY

2009 HALF-YEAR REPORT

LISI ANNOUNCES AN IMPROVEMENT IN ITS FINANCIAL POSITION IN THE 1st HALF OF 2009, DESPITE THE DECLINE IN RESULTS FOR THE PERIOD

- **Results affected by the strong degradation in the economic situation for the past year:**
  - Published sales down -18.9% at €364.7M
  - Current operating margin down at 4.3%
  - Negative impact of the goodwill impairment in the automotive division -€12M on the result for the period
- **Free Cash Flow up at €14.6M**
- **Pursuit of the adaptation and flexibility plan**

Belfort, July 28, 2009 – LISI announces today its half-yearly results for the period ended June 30, 2009.

6-month period ended June 30		**2009**	2008	Change
Main summarized income statement elements				
Sales revenue	in €M	364.7	449.7	-18.9%
EBITDA	in €M	42.4	76.3	-44.5%
EBIT	in €M	15.6	53.6	-70.9%
Current operating margin	%	4.3%	11.9%	-7.6 pts
Group Net Profit	in €M	-4.8	32.0	-
Diluted earnings per share	€	-0.47	2.97	-
Main summarized cash flow statement elements				
Operating cash flow	in €M	32.3	54.3	-€22.0 M
Net CAPEX	in €M	-26.2	-27.6	-€1.4 M
Free Cash Flow(1)	in €M	14.6	12.4	+€2.2 M
Main financial position elements				
Net debt	in €M	63.1	61.5	+1.6 pts
Net indebtedness ratio on equity	%	14.4%	14.1%	+0.3 pts

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

THE CHANGES IN SALES REFLECT THE STRONG DECLINE IN BUSINESS ACTIVITY SUFFERED BY THE LISI AUTOMOTIVE AND LISI COSMETICS DIVISIONS

In €M			**Change**	
Sales revenue	**2009**	**2008**	**2009/2008**	**2009/2008 on a like-for-like and constant exchange rate basis**
Q1	183.1	226.1	-19.0%	-21.2%
Q2	181.6	223.6	-18.8%	-17.9%
6-month period ended June 30	**364.7**	**449.7**	**-18.9%**	**-19.6%**

The decline in activity, which began during the last quarter of last year, continued during the 2nd quarter of 2009 at the same pace as during Q1. In that particularly difficult context, the Group promptly reduced its industrial facilities within significant proportions, which was reflected by the performance results of each of its business activities.

However, it seems that after a drop in production that was unprecedented in Europe, the economic situation ceased to deteriorate in the LISI AUTOMOTIVE division.

The favorable dollar effect compensates the deconsolidation, on April 1, 2009 of SDU (a subsidiary of Knipping in Germany), which contributed in Q1 2009 for €6.3M versus €12.6M in Q1 2008.

THE DECLINE IN PRODUCTION AMPLIFIES THE EFFECT OF THE DROP IN SALES REVENUE

For a -18.9% drop in sales revenue, production was adjusted by -24.1%, i.e. a -€110.7 M drop. Consequently, the overall costs have been adjusted by -€75M, of which -€11.6M on the payroll (-7.3%). EBITDA was thus preserved at €42.4M representing 11.6% of sales, to be compared to €76.3M, i.e. 17.0% of sales at end June 2008.

After two years of very strong investments, depreciation increases by nearly 8% at €22.4M. The current operating margin therefore loses more than 7.5 points, establishing itself at 4.3% of sales revenue, versus 11.9% in 2008.

THE RESULT FOR THE PERIOD IS A LOSS OF -€4.8M

The decline in the result for the period, at -€4.8M, takes the following elements into account:

- a €1M decline in financial expenses, at -€3.8M
- a residual tax of -€4.3M (versus -€16.9M in 2008)
- a €12.0M impairment representing the adjustment of the net value of goodwill relative to the acquisition of the Rapid Group in 2000. The latter has been established on the basis of reasonable assumptions for the automotive market and the result of the current action plan, with a future cash flow discounting rate of 8.5%. That impairment representing the entire difference after tax between the useful value and the net value of the assets, should not be modified at December 31, 2009.

Excluding the impairment of that goodwill, the result for the period would have been positive at €7.2M.

THE FREE CASH FLOW IS UP SIGNIFICANTLY, DRIVEN BY THE REDUCTION IN INVENTORIES

The balance sheet adjustment is particularly sensitive to the level of inventories, which overall drop by €31.0M. The working capital requirement displays an overall adjustment of €8.5M over the six-month period. The capital expenditures, under the effect of the 2008 commitments, remain pretty high at €26.2M. Consequently, the €32.3M cash flow, i.e. 8.9% of sales revenue, makes it possible to display a free cash flow of €14.6M over the six-year period, to be compared with €9.7M for the 12 months of financial 2008.

The financial position is thus reinforced with a decline in net debt at €63.1M versus €69.4M at the end of December 2008 and stable gearing at 14.4%.

LISI AEROSPACE (55% of the consolidated total):

- Aerospace division withstands the situation
- Racing down significantly
- Medical down

In €M			**Change**	
Sales revenue	**2009**	**2008**	**2009/2008**	**2009/2008 on a like-for-like and constant exchange rate basis**
Q1	104.6	103.2	+1.3%	-3.5%
Q2	95.0	97.7	-2.7%	-6.2%
6-month period ended June 30	**199.5**	**200.9**	**-0.7%**	**-4.8%**

The aerospace market shows a highly contrasted situation:

- very low order levels from the two main manufacturers during H1 (+68 aircraft at Airbus, +1 at Boeing)
- production pace rather sustained (254 aircraft for Airbus, 246 for Boeing).

As for Embraer, it has also brought its deliveries up +7.7%.[1] during Q2 with a stable order book.

The Le Bourget airshow, which closed its doors at the end of this month of June, ended on a rather optimistic note: Airbus and Boeing have confirmed their intentions to maintain the current paces. Business aircraft and small aircraft are clearly affected by the disruption in production paces, a phenomenon which is gaining momentum as one goes up the supplier chain: be they equipment or aerostructure suppliers, or distributors, all are adjusting their calls for delivery brutally to anticipate a possible drop in paces in 2010. The recent postponement of the first flight of the Boeing 787 does not improve the visibility on that program, for which all suppliers have set up significant inventories.

[1] Source: Embraer - July 7, 2009 press release

LISI AEROSPACE's sales revenue displays outstanding stability under those circumstances. In particular, it has benefited from the +3.6% progression of the pure aerospace activity, which has outweighed the weakness of Racing and Medical. As expected, the drop in sales in the United States is more marked (-10.3% in dollars), while Europe remains sustained (+9.0%).

Racing is strongly affected by the budget restrictions of the F1 teams and the uncertainties regarding the future of that automobile competition, which were only dissipated at the end of the period.

LISI MEDICAL suffered from the degradation of the dental segment in the United States and in Europe; its contribution was therefore brought down to €10.1M over the period (€12.7M at June 30, 2008). The other segments (vertebral column, maxillo-facial and trauma) are still promising.

However, despite an order book that remains stable, the "book to bill" ratio that concerns non-contractual orders, has been below one for several months, which suggests a conservative attitude. The production was only adjusted as of Q2 and thus establishes itself at €202.8M for sales revenue of €199.5M. Thanks to the added value rate rising to 64.6% (versus 61.4% in 2008), the operating performances remains at a very good level of EBITDA. The decline in variable costs and operating costs (external expenses and head office expenses down 18%) has made it possible to absorb a rise in payroll and the maintenance of temporary employees up until March 2009.

After two years of very high capital expenditures, the depreciation rate gains 0.9%, at 4.4% of the sales revenue. Consequently, the operating margin declines somewhat at 16.8% versus 19.9% in 2008, which had enjoyed a high level of extraordinary billing on fast track product purchases.

LISI AEROSPACE (40% of the consolidated total):

- Collapse throughout the market segments, with some recovery towards the end of the period and a change in product mix
- Even more significant adjustment of LISI AUTOMOTIVE's production

In €M			**Change**	
Sales revenue	**2009**	**2008**	**2009/2008**	**2009/2008 on a like-for-like and constant exchange rate basis**
Q1	68.6	109.7	-37.5%	-37.5%
Q2	78.0	111.6	-30.1%	-25.8%
6-month period ended June 30	**146.6**	**221.3**	**-33.8%**	**-31.8%**

While the market of LISI AUTOMOTIVE's customers showed some signs of recovery towards the end of the first half-year, the production has pursued its adjustment movement, initiated at the end of 2008.

Publications from European manufacturers that are LISI AUTOMOTIVE clients highlight drops in the numbers of vehicles sold that are quite significant, like PSA (-14%), Daimler (-18.5%) or BMW (-19.5 %), while VW only lost 5.1% over the last twelve months.

The drop in the worldwide market is estimated at -18%. However, this strongly negative trend was mitigated at the end of the six-month period, under the effect of the "prime à la casse" (a premium for the purchase of a new car) and a profound change in the product mix, which is strongly oriented towards small vehicles and low cost cars.

According to JD POWER estimates, the production level of LISI AUTOMOTIVE clients in Europe was allegedly adjusted by -27.4%, while the division's sales revenue displays -31.8% throughout the activity segments, be it in France, in Germany, or with parts manufacturers. The deconsolidation of SDU (a subsidiary of Knipping) in April 2009 weighs for 2% in the drop in sales revenue for the six-month period.

Although there has been a considerable adjustment effort, it is impossible to absorb such a huge drop. The decline in the added value rate at 36.8% (versus 45.7%) further accentuates the movement and hides a €67M drop in costs (-33%). Despite such reactivity, the management indicators are strongly negative at -€5.7M of EBITDA (versus +€27.8M in 2008) and -€19M of EBIT (versus +€15.9M at end June 2008).

The top priority of the action plans, LISI AUTOMOTIVE's cash position has been preserved despite the historic slow-down of its production (-44.4%); the short-term objective has been achieved thanks to the €25.8M drop in inventories, which largely compensates the negative EBITDA.

LISI COSMETICS (5% of the consolidated total):

- Significant deterioration of demand
- No new products effect during H1

In €M			**Change**	
Sales revenue	**2009**	**2008**	**2008/2007**	**2009/2008 on a like-for-like and constant exchange rate basis**
Q1	10.1	13.5	-25.2%	-25.2%
Q2	8.8	14.7	-39.9%	-39.9%
6-month period ended June 30	**18.9**	**28.2**	**-32.8%**	**-32.8%**

The slowing down of calls for delivery from LISI COSMETICS clients has accelerated and has been supplemented by significant destocking: this affects more specifically the so-called "selective" or "deluxe" perfumes, which are the division's core product range. This significant movement has been accentuated by the absence of new product launches, which normally account for more than 20% of the business activity.

The significance of the drop could not be adjusted at the cost level, resulting in a slightly negative EBITDA (-€0.6M) and an operating margin of -10.3%. In that same division, the decline in the working capital requirements has made it possible to compensate for the negative EBITDA over the period.

OUTLOOK: A strong need for flexibility and adaptation

While, during H1 2009, the LISI Group was faced with an extremely difficult situation in the automotive industry, which was compensated for by the robustness of its aerospace performance results, macro-economic trends could see a reversal of cycles in the coming months.

After a historic low that was reached in February 2009, the automotive production seems to have triggered a recovery in the month of May, that was more significant in June. Strengthened by the announcements made by LISI AUTOMOTIVE clients regarding their destocking, that feeling may nevertheless be mitigated by the risk that the "prime à la casse" measure might not be renewed. In fact, the current positive trend could soon be reversed if the "prime à la casse", supported by various governments, were to disappear in the near future. LISI AUTOMOTIVE's short-term order book should make it possible to suppress the technical or partial unemployment measures in the fall, but with no guarantee for Q4.

The aerospace industry is dominated by a lack of visibility, marked by inconsistent announcements and volumes that may vary suddenly: thus, the production paces of LISI AEROSPACE's two main clients are maintained at a high level, but at the same time, the orders taken on non-contractual orders are down, which makes it impossible to make any reliable estimates of trends, be that for the end of the current year, or for 2010. As for the MEDICAL division, it pursues its construction both in commercial terms and in terms of internal organization. The Group intends to pursue the diversification of LISI MEDICAL outside the dental segment.

In the short term, LISI COSMETICS will enjoy a more favorable activity level in the new Nogent plant, thanks to new products being launched; yet it will continue to suffer from excess capacities in Aurillac and Saint-Saturnin.

The lack of visibility in its two main areas of activity leads the Group to pursuing its efforts in the two priority directions chosen during H1: the flexibility of costs and preservation of cash, in order to cement the improvement in its financial position.

Thus, with strengthened resources, the LISI Group maintains its desire to seize targeted acquisition opportunities, particularly in the medical field.

Contact
Emmanuel Viellard
Telephone: +33 (0)3 84 57 00 77
E-mail : emmanuel.viellard@lisi-group.com
Website: www.lisi-group.com

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Reuters:GFII.PA
Bloomberg: FII FP

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LISI Group consolidated income statement

(In €'000)	*Notes*	*30/06/2009*	*30/06/2008*	*31/12/2008*
Pre-tax sales		**364,678**	**449,705**	**844,254**
Changes in stock, finished products and outstanding		(16,256)	9,399	22,377
Total production		348,423	459,104	866,631
Other revenues *		4,829	3,156	6,184
Total operating revenues		**353,251**	**462,260**	**872,815**
Consumption		(92,475)	(133,961)	(253,493)
Other purchases and external charges		(65,662)	(86,334)	(157,467)
Value added		**195,115**	**241,965**	**461,854**
Taxes and duties		(5,861)	(7,145)	(11,261)
Personnel expenses (* Including temporary employees)		(146,878)	(158,518)	(309,557)
EBITDA *		**42,375**	**76,302**	**141,036**
Depreciation		(22,384)	(20,795)	(41,249)
Net provisions		(4,365)	(1,880)	(877)
EBIT *		**15,626**	**53,627**	**98,910**
Non-recurring operating expenses	7.1	(12,499)	(627)	(5,171)
Non-recurring operating revenues	7.1		578	855
Operating profit *		**3,127**	**53,578**	**94,594**
Financing expenses and revenue on cash	**7.2**	**(3,341)**	**(4,561)**	**(8,885)**
Revenue on cash	*7.2*	*215*	*582*	*1,397*
Financing expenses	*7.2*	*(3,556)*	*(5,143)*	*(10,282)*
Other interest revenue and expenses	**7.2**	**(448)**	**(222)**	**2,847**
Other financial items	*7.2*	*2,326*	*2,249*	*6,009*
Other interest expenses	*7.2*	*(2,774)*	*(2,471)*	*(3,162)*
Taxes *		(4,307)	(16,893)	(32,445)
Profit for the period		**(4,969)**	**31,902**	**56,111**
attributable as company shareholders' equity		(4,828)	31,952	56,229
Minority interests		(141)	(50)	(118)
Revenue per share (in €):	7.3	**(0.47)**	**3.04**	**5.40**
Diluted earnings per share (in €):	7.3	**(0.47)**	**2.97**	**5.28**

* Out of concern for providing more precise information to the readers of the financial statements and in accordance with international standards, the company has adopted, in its 2009 financial statements, a classification of the proceeds from CIR (Crédit Impôt Recherche, i.e. research tax credit) that differs from that of previous periods. Thus, the Group has reclassified in the financial statements at June 30, 2009 as “Other income” the CIR previously recorded as “Taxes”. At June 30, 2009, the amount of CIR stood at €1.7M versus €0.4M for the first half of 2008 and €0.9M at December 31, 2008. In order to make it possible to compare figures between periods, the figures displayed in the columns for 2008 have been reclassified in accordance with the options retained for 2009. Such reclassifications are marked with a * in the financial statements and have no impact on the result for the period, which remains unchanged compared to those presented in previous periods.

SUMMARIZED OVERAL RESULT

(in €'000)	*06/30/2009*	*06/30/2008*	*12/31/2008*
Result for the period	**(4,969)**	**31,902**	**56,111**
Other components of the overall result			
Translation differentials from business abroad	(141)	(6,024)	161
Tax burden on other components of the overall result	-	-	-
Other components of the overall result for the period, net of tax	**(141)**	**(6,024)**	**161**
Total overall result for the period	**(5,110)**	**25,878**	**56,272**
Attributable to bearers of the company's shareholders' equity	(4,964)	25,959	56,318
Minority interests	(146)	(81)	(46)

LISI Group consolidated balance sheet

ASSETS

(In €'000)	*Notes*	*30/06/2009*	*31/12/2008*	*30/06/2008*
LONG-TERM ASSETS				
Goodwill	6.1.1	126,269	139,068	134,705
Other intangible assets	6.1.2	13,782	15,715	15,303
Tangible assets	6.1.3	256,744	255,984	239,800
Long-term financial assets	6.1.4	4,725	4,558	7,651
Deferred tax assets		13,646	14,462	15,439
Other long-term financial assets	6.1.4	138	141	190
Total long-term assets		**415,304**	**429,928**	**413,089**
SHORT-TERM ASSETS				
Inventories	6.2.1	167,251	201,187	185,940
Taxes – Claim on the state		8,626	5,718	5,749
Trade and other receivables	6.2.2	118,824	126,940	144,896
Other short-term financial assets		37,171	30,222	25,352
Cash and cash equivalents		22,596	25,665	30,143
Total short-term assets		**354,467**	**389,731**	**392,080**
TOTAL ASSETS		**769,771**	**819,661**	**805,169**

TOTAL EQUITY AND LIABILITIES

(In €'000)	*Notes*	*30-juin*	*31-déc*	*30-juin*
SHAREHOLDERS' EQUITY				
Capital stock	6.3	21,508	21,508	21,508
Share premium	6.3	69,853	69,853	69,103
Treasury shares	6.3	(16,378)	(17,090)	(8,946)
Consolidated reserves	6.3	378,554	336,938	336,938
Conversion reserves	6.3	(12,542)	(12,406)	(18,488)
Other income and expenses recorded directly as shareholders' equity	6.3	2,138	2,752	2,939
Profit for the period	6.3	(4,828)	56,229	31,952
Total shareholders' equity - Group's share	**6.3**	**438,307**	**457,786**	**435,007**
Minority interests	6.3	634	780	746
Total shareholders' equity	**6.3**	**438,941**	**458,567**	**435,754**
LONG-TERM LIABILITIES				
Long-term provisions	6.4	30,052	30,386	32,562
Long-term borrowings	6.5.2	87,684	84,399	77,572
Other long-term liabilities		1,075	3,096	2,260
Deferred tax liabilities		33,280	33,567	32,574
Total long-term liabilities		**152,091**	**151,449**	**144,969**
SHORT-TERM LIABILITIES				
Short-term provisions	6.4	5,532	8,205	5,001
Short-term borrowings*	6.5.2	35,210	40,888	39,421
Trade and other accounts payable		133,861	156,224	174,632
Taxes due		4,136	4,328	5,393
Total short-term liabilities		**178,739**	**209,644**	**224,447**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**769,771**	**819,661**	**805,169**
**of which banking facilities*		*12,826*	*13,983*	*13,010*

LISI Group consolidated cash flow table

(In €'000)	*30/06/2009*	*31/12/2008*
Operating activities		
Net earnings	**(4,969)**	**56,111**
Elimination of net charges not affecting cash flows:		
- Depreciation and non-recurrent financial provisions	34,386	41,765
- Changes in deferred taxes	219	1,025
- Income on disposals, provisions for liabilities and others	(1,174)	5,006
Gross cash flow margin	**28,462**	**103,907**
Net changes in provisions provided by or used for current operations	3,879	1,474
Operating cash flow	**32,341**	**105,381**
Income tax expense (revenue)	4,089	31,420
Elimination of net borrowing costs	3,512	9,188
Effect of changes in inventory on cash	25,360	(28,954)
Effect of changes in accounts receivable and accounts payable	(13,538)	(1,213)
Net cash provided by or used for operations before tax	**51,763**	**115,823**
Taxes paid	(7,450)	(31,751)
Cash provided by or used for operations (A)	**44,313**	**84,070**
Investment activities		
Acquisition of consolidated companies	(1,540)	(2,198)
Cash acquired		1,057
Acquisition of tangible and intangible assets	(26,408)	(65,671)
Acquisition of financial assets	0	
Change in granted loans and advances	(241)	634
Investment subsidies received		
Dividends received	3	1
Total cash used for investment activities	**(28,186)**	**(66,177)**
Disposed cash	2,751	
Disposal of consolidated companies	1,500	
Transfer of tangible and intangible assets	185	511
Disposal of financial assets		
Total cash from disposals	**4,436**	**511**
Cash provided by or used for investment activities (B)	**(23,750)**	**(65,665)**
Financing activities		
Capital increase	0	18
Net disposal (acquisition) of treasury shares		
Dividends paid to shareholders of the Group	(12,313)	(15,793)
Dividends paid to minority interests of consolidated companies		
Total cash from equity operations	**(12,313)**	**(15,776)**
Issue of long-term loans	12,281	27,066
Issue of short-term loans	254	580
Repayment of long-term loans	(1,080)	(14,423)
Repayment of short-term loans	(11,264)	(20,517)
Net interest expense paid	(2,832)	(9,959)
Total cash from operations on loans and other financial liabilities	**(2,642)**	**(17,254)**
Cash provided by or used for financing activities (C)	**(14,955)**	**(33,029)**
Effect of change in foreign exchange rates (D)	(1,283)	134
Effect of adjustments in treasury shares (D)	712	(9,241)
Changes in net cash (A+B+C+D)	**5,036**	**(23,732)**
Cash at January 1st (E)	41,904	65,635
Cash at year end (A+B+C+D+E)	46,941	41,904
Other short-term financial assets	37,171	30,222
Cash and cash equivalents	22,596	25,665
Short-term banking facilities	(12,826)	(13,983)
Closing cash position	**46,941**	**41,904**