



ANNUAL REPORT 2014

LINK SOLUTIONS FOR INDUSTRY

lisi

Summary

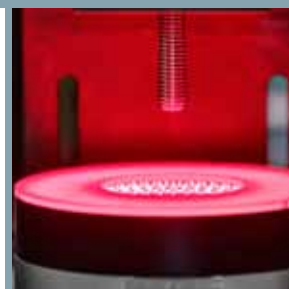
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LEAP
(*LISI Excellence
Achievement
Program*)



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INNOVATION



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CORPORATE
RESPONSABILITY



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LISI AUTOMOTIVE



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STOCK MARKET
& FINANCIAL DATA



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LISI AEROSPACE



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LISI MEDICAL





A WORLDWIDE COMPANY SPECIALIZING IN THE DESIGN AND MANUFACTURE **OF ASSEMBLY SOLUTIONS**

The LISI Group is an international leader, whose activity is focused on the design and manufacture of high value added assembly solutions. The Group's international dimension, its capacity for innovation and above all the performance of its production base, allow for solutions tailored to the requirements of its major clients. The Group develops its solutions everywhere where the problems are complex and bring added value and innovation. Hence over the years, **LISI has one leadership positions in its three areas of activity: aerospace, automotive, and medical.**

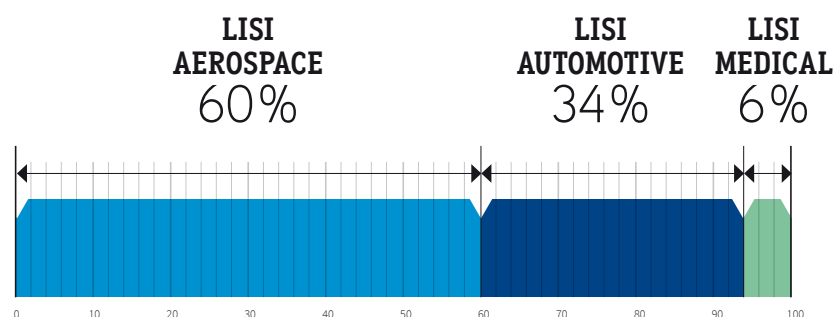
€1,306 M

Sales revenue in 2014

55 customers account for
80 % of sales
10,701 employees

3 MARKETS

The LISI Group operates in three major markets: the aerospace industry, for which the Group manufactures fasteners and assembly and structural components; the automotive industry, for which LISI manufactures fasteners, and assembly and safety and mechanical components; and lastly the medical sector, for which LISI manufactures medical implants and ancillaries.



AN INTERNATIONAL FOOTPRINT

The LISI Group has a presence in 12 countries in the world, and generates 65% of its sales revenue from exports. The European zone accounts for more than 70% of the group's activities, with over one third in France.

FRANCE
35%



EUROPEAN UNION
36%



REST OF THE WORLD
29%



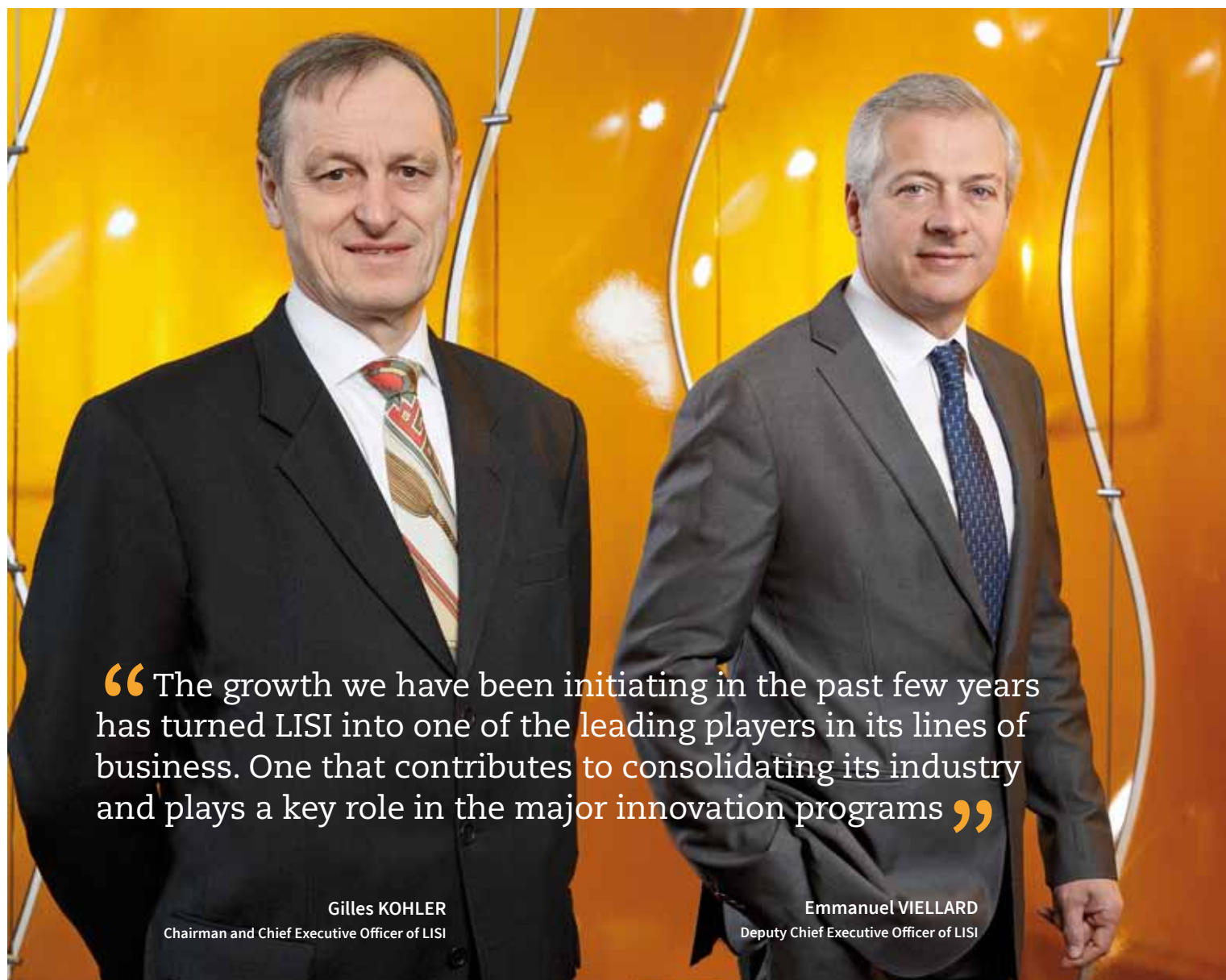
41

industrial sites in
12 countries

PREPARING THE GROUP FOR **LONG-TERM CHALLENGES**

4

LISI 2014



“ The growth we have been initiating in the past few years has turned LISI into one of the leading players in its lines of business. One that contributes to consolidating its industry and plays a key role in the major innovation programs ”

Gilles KOHLER

Chairman and Chief Executive Officer of LISI

Emmanuel VIELLARD

Deputy Chief Executive Officer of LISI

Strong “historical” resilience of the Group

On a like-for-like basis, 2014 proved to be a consolidation exercise, and so it was in a number of ways.

The Group's three divisions enjoyed constant and sustained organic growth throughout 2014: +4.3% for the aeronautics division, +6.4% for automotive and +10.8% for medical. In each case this is due primarily to the strength or recovery of our end markets, but it is also the fruition of strategic choices made over the past few years, which are now resulting in significant gains in market share. In total, the LISI Group generated a turnover of €1.31 billion, based on organic growth of 5.5%, to which can be added the sales of MANOIR Aerospace, acquired mid-year, bringing business growth up to +13.7% on this new basis.

In terms of profitability, a rebalancing of our divisions took place in line with expected trends:

- A solid, but slightly lower margin for LISI AEROSPACE, where the increase in volume delivered by all sections of the division compensated in part for the completion of retrofit operations on the A320 and A380 and the exceptional deliveries on the A350 seen by the “Fasteners” segment in 2013, as well as development and industrialization difficulties encountered by our “Structural Components” segment with its major future program for GE-SNECMA's LEAP engine.
- An improvement in LISI AUTOMOTIVE results, in spite of major operational reorganization of its French entities, particularly the closure of the Thiant (59) site, at the end of 2014, and the relocation of its business to the Dasle (25) and La Ferté-Fresnel (28) plants, and the improving profitability of LISI MEDICAL, driven by strong demand from its principal client, STRYKER and mounting interest in new products such as orthopedic generics.

2014 performances adjusted by the acquisition of MANOIR Aerospace

The most important event of the year 2014 was most certainly the acquisition of MANOIR Aerospace on June 5, 2014. With four factories, three in France and the fourth in Belgium, MANOIR is one of the world leaders in the manufacture of often critical structural components and engines in “hard metals”; hot forged components which are then thermally and chemically treated by processes which are understood by but complementary to those employed in other sites within the division.

With the AIRBUS and SAFRAN groups as its principal clients, MANOIR joins CREUZET, acquired by the Group in 2011, strengthening the position of LISI AEROSPACE in the Structural Components sector of the market.

This new activity accounted for 25% of LISI Group sales in the second half of 2014 and is expected to achieve a turnover of €350 million in 2015. The strategic value of these parts brings a new dimension to LISI AEROSPACE in forging long term partnerships with its key customers; in the shorter term, however, development of the new A350 and LEAP programs will adversely impact the profitability and free cash flow of the group before reaching full maturity by 2018/2020.

Outlook and challenges for 2015

For the whole of 2014, LISI cleared a gross operating income (EBIT) of €132 million, an increase of +2.2% in comparison with 2013, corresponding to an operational margin of 10.1%, conforming to the objectives fixed by the Group. Net consolidated profits rose to €81 million, a net margin of 6.2%, up by +9% on the previous year. After record investments of €91 million, equal to 6.9% of turnover, and good management of working capital requirement, the consolidated free cash flow reached €45 million; 1.5 times that of 2013.

Expected developments in the Group's principal markets in 2015 remain strong, as witnessed by the remarkable level of orders taken in 2014 by AIRBUS and BOEING, worldwide automotive markets and the European production of our construction customers which is displaying a new dynamism.

These encouraging results and prospects have led the Board of Directors to propose to the next General Meeting an increase the dividend to €0.37 per share, an increase of +8.8% over that of 2013.

In this favorable climate, the LISI Group is resolutely committed to pursuing a strategy of strengthening safety at work, total quality and reliability of delivery times and continued efforts to improve productivity – growth drivers which are constantly expanding – such as securing and developing the industrialization of new products in all divisions.

These optimization decisions of our industrial resources are based on our internal HSE and LEAP Excellence programs operated fully across all sites within the Group.; Strengthening bonds with our customers for a more mutually productive partnership. Finally, the constant task of motivating and enhancing the skills of our workforce, our most important asset, gives us confidence to face the major challenges of the future.

1 The dividend paid in respect of 2013 was €1.70 before division of shares by 5 on September 12, 2014,

2 **HSE:** Health, Safety and Environment, programs aimed at improvements in Safety at the workplace and at reducing the environmental footprint of our industrial activities.

LEAP: LISI Excellence Achievement Program, programs aimed at improving our performance in all areas of the business of the company.



BOARD OF DIRECTORS

Gilles KOHLER (1)

Chairman

Emmanuel VIELLARD (2)

Deputy Chairman

Capucine ALLERTON-KOHLER (3)

Director

Eric ANDRE (4)

Director

Isabelle CARRERE (5)

Director

Patrick DAHER (6)

Director

Jean-Philippe KOHLER (7)

Permanent Representative of CIKO
to the LSI Board of Directors
Director

Pascal LEBARD (8)

Director

Lise NOBRE (9)

Director

Christian PEUGEOT (10)

Director

Thierry PEUGEOT (11)

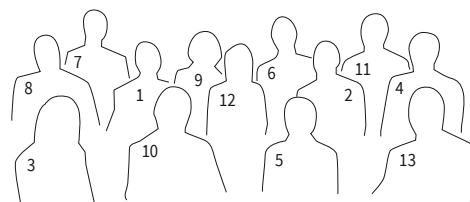
Permanent Representative of CID
to the LSI Board of Directors
Director

Marie-Hélène RONCORONI (12)

Director

Cyrille VIELLARD (13)

Permanent Representative of VMC
to the LSI Board of Directors
Director



EXECUTIVE COMMITTEE

LISI



Gilles KOHLER

Chairman and Chief Executive Officer of LISI
Chairman of LISI AUTOMOTIVE



Emmanuel VIELLARD

Deputy Chief Executive Officer of LISI
Chairman of LISI AEROSPACE
Chairman of LISI MEDICAL



Jean-Philippe KOHLER

Vice President in charge of LISI internal auditing and of the HR coordination



Yves DREYER

Industrial and Purchasing Manager of LISI

LISI AUTOMOTIVE



François LIOTARD

Chief Executive Officer of LISI AUTOMOTIVE



Laurent SANCHEZ

Chief Executive Officer, Business Group Clipped Solutions of LISI AUTOMOTIVE



Marc STEUER

Chief Executive Officer, Business Group Threaded Fasteners of LISI AUTOMOTIVE



Patrick WEISSE

Vice President Finance and Administration of LISI AUTOMOTIVE

LISI AEROSPACE



Jean-Louis COLDERS
Chief Executive Officer
of LISI AEROSPACE



Christian DARVILLE
Chief Executive Officer -
US Operations
of LISI AEROSPACE



**François-Xavier
DU CLEUZIOU**
Chief Operating Officer –
Customers
of LISI AEROSPACE



Jean-François MICHELETTI
Chief Financial Officer
of LISI AEROSPACE



Emmanuel NEILDEZ
Chief Executive Officer -
LISI AEROSPACE Fasteners
of LISI AEROSPACE

LISI MEDICAL



Olivier LE BARS
Chief Executive Officer
of LISI MEDICAL

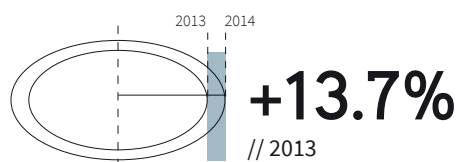
PERFORMANCE INDICATORS

10

LISI 2014

€1,306 M

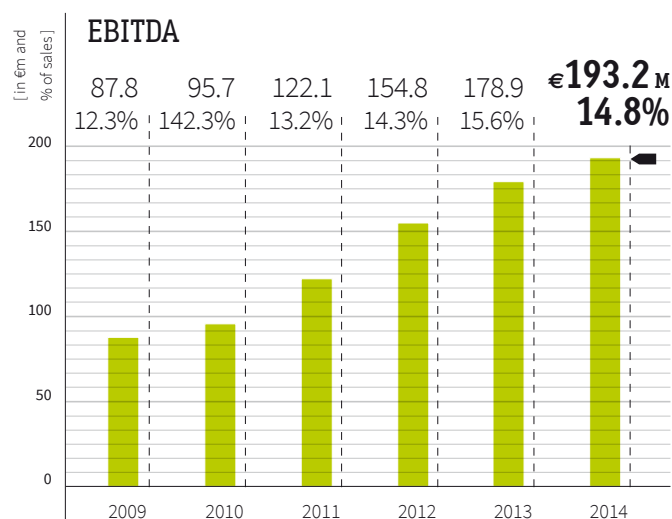
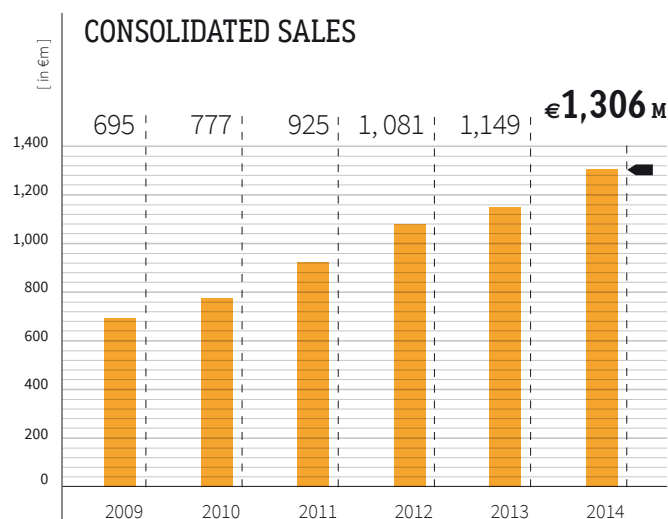
Sales in 2014

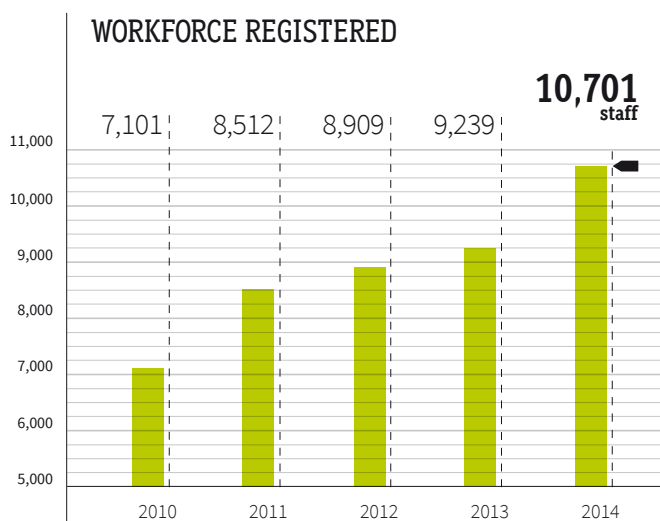
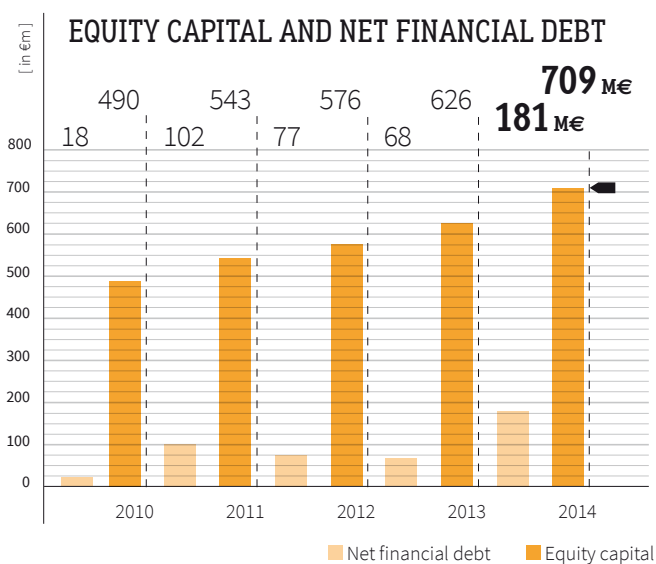
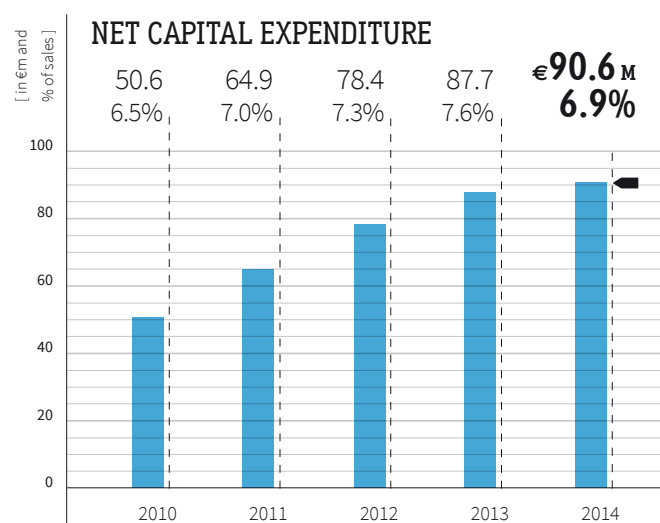
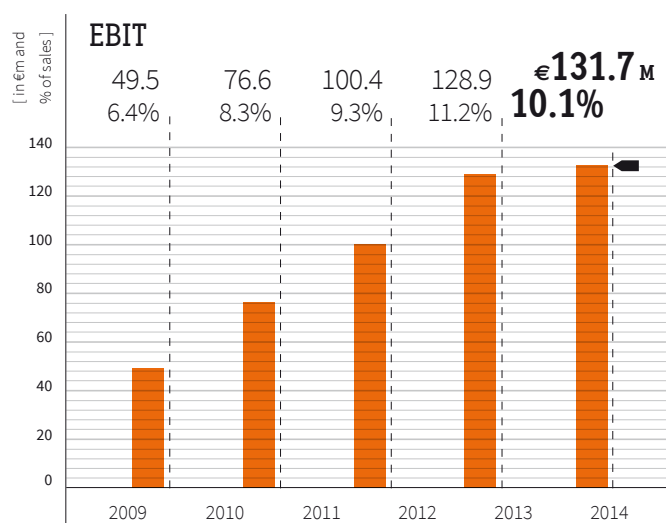


€91 M

net Capex

The +13.7% growth of in consolidated sales against 2013 also takes account of the consolidation, with effect from June 5, 2014 of the Manoir Aerospace group. Specializing mainly in the forging of metal parts for aeronautical applications, Manoir Aerospace adds strength to the Structural Components division of LISI AEROSPACE with complementary technologies. It contributed €94.8 M to the Group's sales in 2014 (or 7.3%).





A GROUP IN MOTION

IN 12 COUNTRIES ON 4 CONTINENTS

12

LISI 2014

lisi AEROSPACE

19 SITES
10 IN FRANCE

FRANCE

- Argenton-sur-Creuse
- Bar-sur-Aube
- Blois
- Colomiers
- Marmande
- Parthenay
- Saint-Brieuc
- Saint-Ouen-l'Aumône
- Vignoux-sur-Barangeon
- Villefranche-de-Rouergue

OUT OF FRANCE

- Bangalore* (India)
- Casablanca (Morocco)
- Chihuahua* (Mexico)
- City of Industry (USA)
- Dorval (Canada)
- Izmir (Turkey)
- Rugby (UK)
- Sedziszow (Poland)
- Seneffe (Belgium)
- Tanger (Morocco)
- Torrance (USA)

lisi AUTOMOTIVE

19 SITES
10 IN FRANCE

FRANCE

- Dasle
- Delle
- Dreux
- ▲ Grandvillars
- La Ferté-Fresnel
- ▲ Lure
- Melisey
- Puisieux
- Saint-Florent-sur-Cher
- Thiant

OUT OF FRANCE

- Cejic (Czech Republic)
- Fuenlabrada (Spain)
- Gummersbach (Germany)
- Heidelberg (Germany)
- Kierspe (Germany)
- Mellrichstadt (Germany)
- Pékin (China)
- Shanghai (China)
- Vöhrbach (Germany)

lisi MEDICAL

3 SITES
2 IN FRANCE

FRANCE

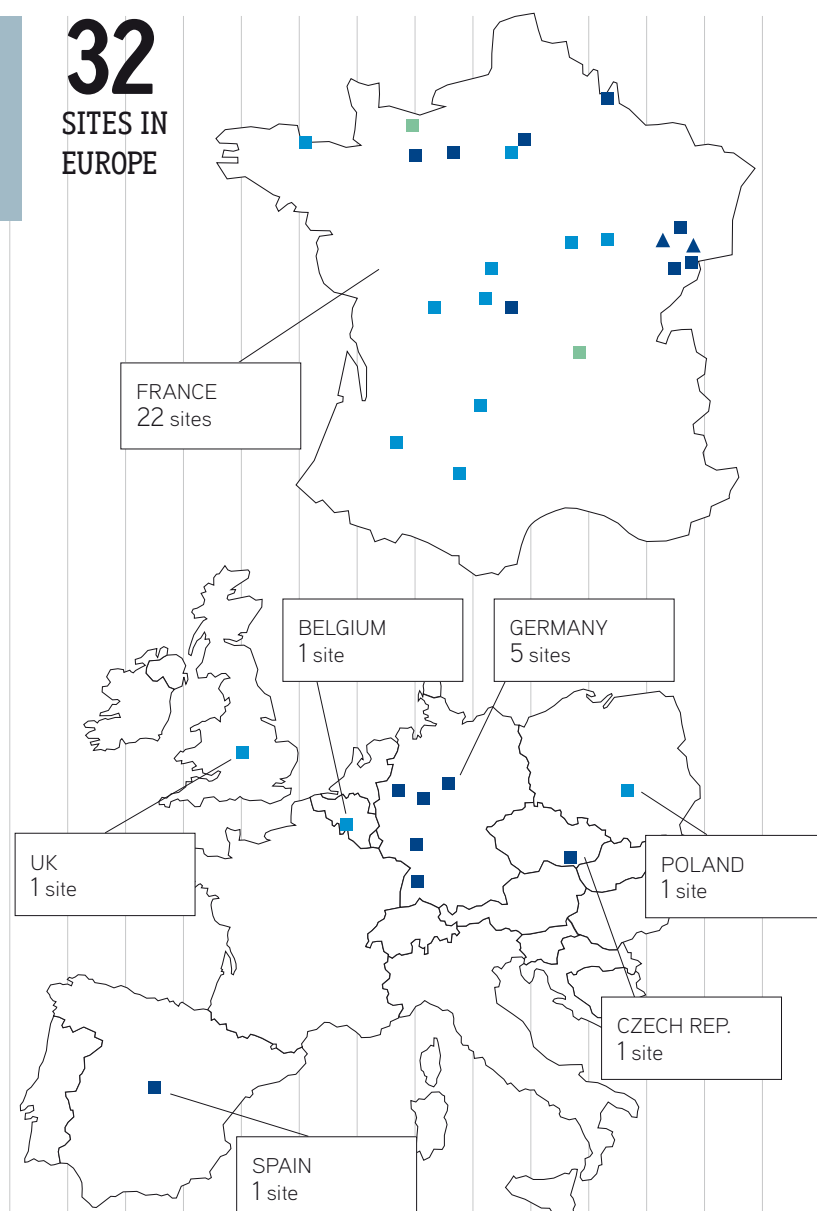
- Neyron
- Caen

OUT OF FRANCE

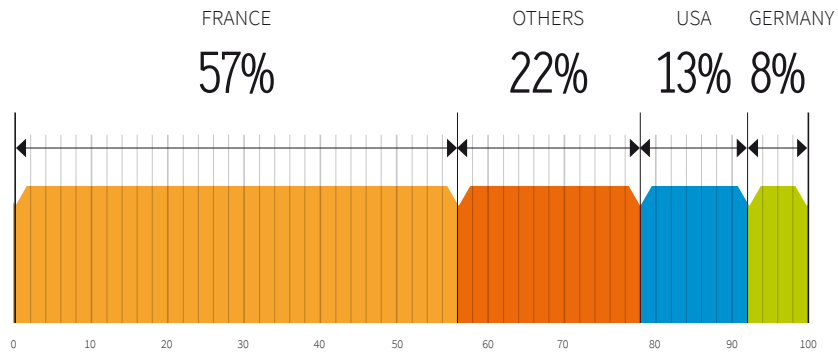
- Escondido (USA)

- Production
- ▲ Support activities
- * Secondary sites

32
SITES IN
EUROPE



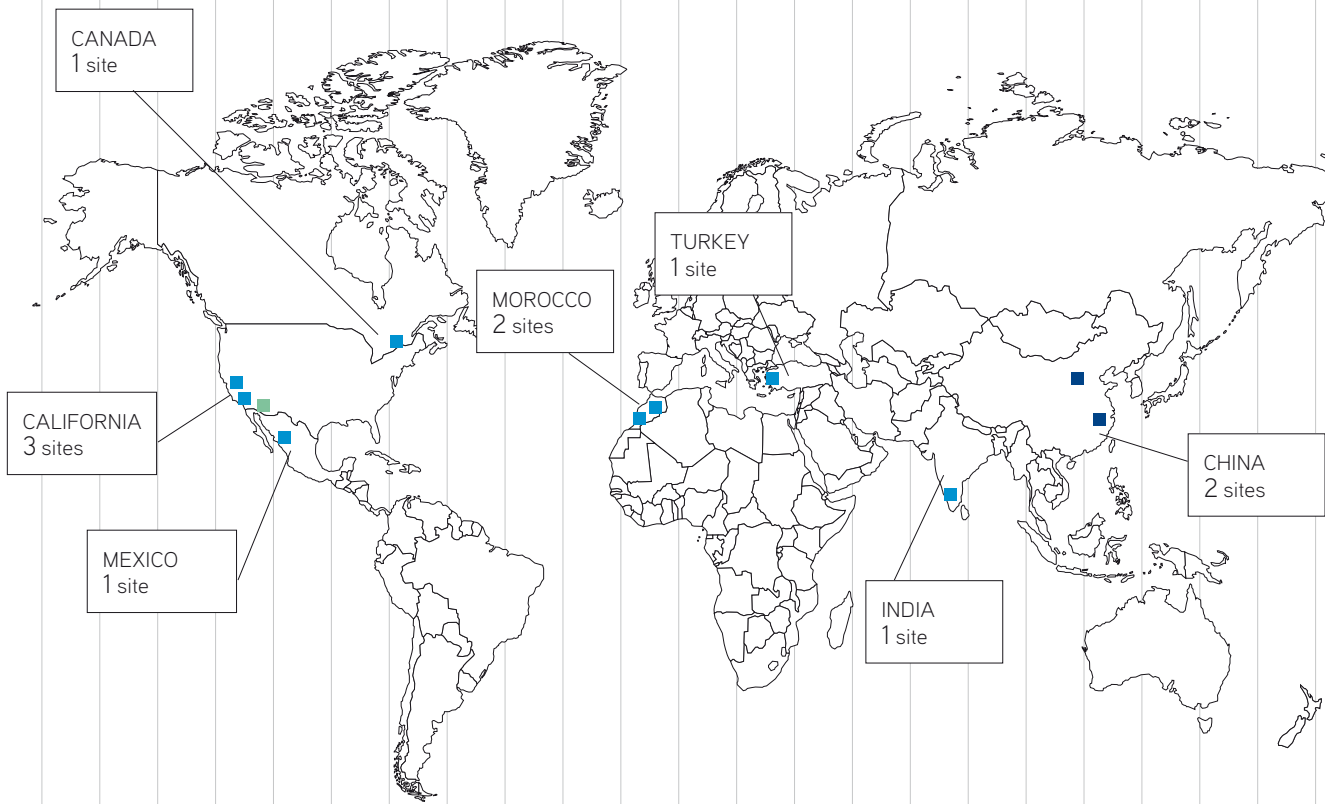
DISTRIBUTION
OF EMPLOYEES
BY GEOGRAPHICAL
AREA



4
SITES IN
NORTH
AMERICA

2
SITES IN
AFRICA

3
SITES IN
ASIA



A SPECIALIZATION OF THE SITES BY BUSINESS GROUP

14

LISI 2014



LISI AEROSPACE

IZMIR (TURKEY)

BG Fasteners – Engines and critical parts

The Izmir site in Turkey is a result of the acquisition of FTC by LISI AEROSPACE in 2001. The workforce has since grown to a total of 513.

During this period, the plant has been restructured and has proved itself with the leaders in the aerospace sector: Airbus, GE, PWA, SAFRAN, Rolls Royce, and Airbus Helicopter in particular.

Production is concentrated on high volume titanium and nickel alloy screws, inserts and studs.

The site is characterized by very strong growth, sustained by the development of new lines and products, new clients and the growth of the Group key customers.

Surface:	Workforce:
8,500 m ²	513 staff



LISI AEROSPACE

BOLOGNE (FRANCE)

BG Structural Components – Forging & Casting

The Boulogne Forging and Casting site specializes in the forging of aeronautical parts. This plant produces parts used in the structure of the fuselage and wings, the landing gear and braking systems, as well as helicopter rotors and precision-forged engine blades.

Meeting the most stringent demands, components produced by the Boulogne teams are used in and developed for all new aerospace programs (A320 NEO, A350, H160 etc.) as well as for engines (Silvercrest, Leap, etc.).

The Forging and Casting unit is the center of expertise and R & D for hot forging processing of all metallic aeronautical materials with the most demanding metallurgical requirements (titanium, aluminum, special steels, nickel-based alloys, metal matrix composite, etc.).

Free forging, stamping, hydroforming, machining, surface treatments and non-destructive testing are carried out in order to deliver ready-to-assemble parts to aircraft manufacturers, automotive suppliers and aviation engine manufacturers.

Surface:	Workforce:
45,000 m ²	636 staff



LISI AEROSPACE

SAINT-OUEN L'AUMÔNE (FRANCE)

BG Europe Fasteners

The Saint-Ouen-l'Aumône site is one of the main production centers of LISI AEROSPACE Fasteners for structural fasteners addressing the European market.

This plant has produced the bulk of new products developed by LISI AEROSPACE for the A350.

The site has more than doubled in size since 2010, supporting the growth of its major clients: Airbus, Airbus Helicopter and Dassault.

Surface:	Workforce:
13,000 m ²	463 staff



LISI AUTOMOTIVE

RAPID PUISEUX (FRANCE)

BG Clipped Solutions

The LISI AUTOMOTIVE plant at Puiseux specializes in the manufacture of fastener solutions for automotive markets and industry. With six large ranges of fastener products: fasteners for tubes, panels and axles, clips and rivets, plugs and cable grommets, snap-on nuts and clipped nuts, cage screws and specialist products, the LISI AUTOMOTIVE Rapid plant produces over 600 million parts annually.

Plastic injection, cutting and stamping of sheet metals, thermal treatment, testing and automatic assembly are the main processes of this plant. The on-site development team allows LISI AUTOMOTIVE Rapid to innovate on clipped products to meet the requirements of global manufacturers and OEMs.

Surface:	Workforce:
14,000 m ²	236 staff

LISI AUTOMOTIVE

FORMER DASLE (FRANCE)

BG Threaded Fasteners

This site specializing in cold forming manufactures nuts, spacers and components. With its mastery of our processes and staff of highly qualified operatives, the LISI AUTOMOTIVE site in Dasle is a real knowledge base and is respected by its customers. Customers are principally world-renowned automotive manufacturers and suppliers, such as Faurecia, PSA and Renault.

With 30 cold forming presses, 45 tapping machines and machining, rolling, crimping and deflection equipment; the plant produces over 350 million parts per year.

In 2015, LISI AUTOMOTIVE invested over €12 million in new equipment to completely modernize its production.

Surface:
14,000 m²

Workforce:
117 staff



LISI AUTOMOTIVE

GRANDVILLARS (FRANCE)

Support activity – Raw material preparation

The biggest wire drawing mill in France, and among the top 10 in Europe, this supporting activity of the automotive division means that LISI AUTOMOTIVE can respond to specific raw material needs and ensure good responsiveness in supplying the various plants. In order to increase its production to 45,000 tons per year (and eventually 70,000 tons), the plant has undergone a €7 million re-equipment program providing new wiring lines. These developments will improve delivery to the sites at Delle (Belfort), Dasle (Doubs), Melisey (Haute-Saône), Puiseux (Val-d'Oise), Saint-Florent-Sur-Cher (Cher), La Ferté-Frênel/Dreux (Orne/Eure et Loire) and sites abroad (Germany, Spain and the Czech Republic).

In order to draw wire to the correct dimensions for end-use, the Grandvillars site is continuously improving in the areas of:

> surface chemical treatment, so that the LISI AUTOMOTIVE site will be able to strip the reels and coat them to ensure proper lubrication,

> thermal treatment designed to give it the desired mechanical properties by changing the structure of the metal. The process is spectacular and takes place in three large ovens, heated to between 670° and 740° in a hydrogen atmosphere.

Surface:
10,800 m² indoors
20,000 m² outdoors

Workforce:
78 staff



LISI AUTOMOTIVE

FORM A.S (CZECH REPUBLIC)

BG Mechanical and Safety Components

The plant, based in the Czech Republic became part of LISI AUTOMOTIVE in 2004. It specializes in guide rods, bolts and pins for seats, ball joints and other special components. Its expertise in processes and intensive practice of LEAN manufacturing and services have earned recognition by major automotive suppliers, such as CBI, FAURECIA, TRW and ZF.

With 7 presses in the cold forming workshop, 27 component machining stations, 17 machines ensuring 100% automatic testing and a phosphating line, this plant produces over 90 million parts per year.

In 2015, the plant celebrated 10 years in the division. To mark this anniversary, LISI AUTOMOTIVE held an open day, inviting families, former colleagues and local dignitaries. A total of over 300 people came together to celebrate the event.

Surface:
7,766 m²

Workforce:
156 staff



LISI MEDICAL

JEROPA ESCONDIDO (USA)

BG US Fasteners

Founded in 1985, LISI MEDICAL's Jeropa plant brings the medical industry advanced expertise in the applied industrial manufacture of spinal, dental and maxillofacial implants and instruments.

TOP LEVEL CUSTOMER SERVICE

The experience of our engineers and production experts allows us to develop production methods, maximizing precision and quality, while reducing production costs and time-to-market delays.

PRECISION AND QUALITY

Quality is a priority for LISI MEDICAL Jeropa: Our factory is ISO 13485 certified and registered with the Food and Drugs Administration (FDA).

Our teams apply an internal quality process inspired by Kaizen methods for continuous improvement of our production methods. At the essence: improved efficiency and production costs which are ever more competitive.

UNIQUE MACHINING CAPABILITIES

The LISI MEDICAL Jeropa plant benefits from a broad and flexible range of high performance precision machining centers, allowing us to meet the most exacting demands of our customers in the medical sector and to produce complex and bespoke parts in record time.

Surface:
2,600 m²

Workforce:
73 staff



A SOLID INDUSTRIAL **BASE**

Since its inception, LISI has maintained a close and strong link with its industrial roots. The group brings together over two hundred years of expansion and successful adaptation to the changing markets in which it operates. Today, the former fasteners factory in Territoire de Belfort is a global business, whose size enables it to support major customers in growing markets, throughout the world.

These three family-run businesses (KOHLER, JAPY and VIELLARD) merged to form a company called GFD thus becoming France's foremost manufacturer of standard and automotive nuts and bolts. The three founding families were then part of CID (Compagnie Industrielle de Delle), owning a controlling stake in the LISI group.

JAPY Brothers launched the first industrial manufacturing plant in France for forged wood screws, with VIELLARD & MIGEON, who supplied them with the "finest quality wire manufactured".*

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

1777

1796

1806

1899

1968

1977

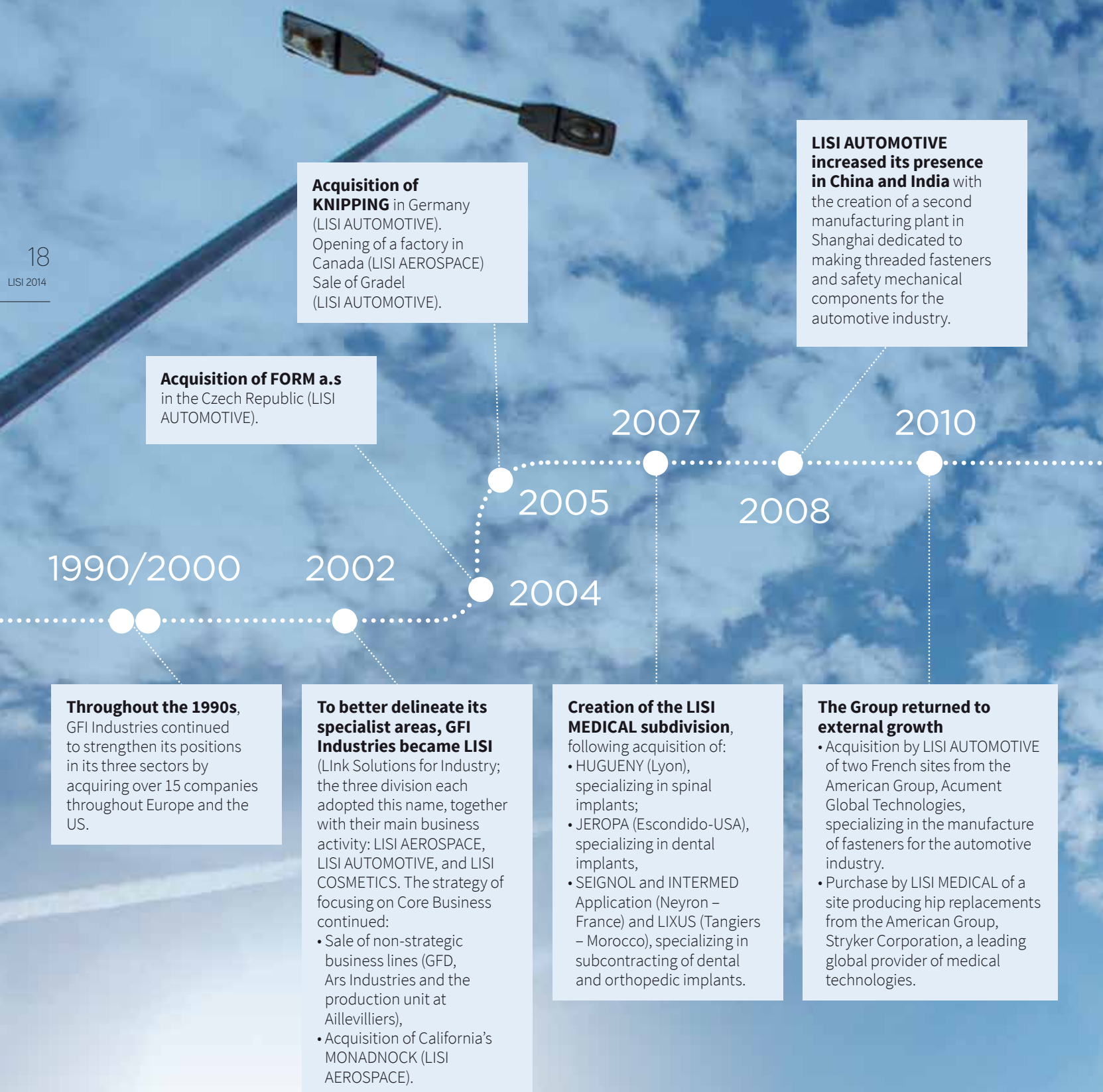
1989

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

MIGEON & DOMINE was founded in Morvillars in the Belfort region, later to become VIELLARD MIGEON & Compagnie (VMC).

The Société Industrielle de Delle was founded by the DUBAIL-KOHLER family in the town of Delle, (Territoire de Belfort). The company quickly began to specialize in the manufacture of machine-turned screws

GFD acquired BLANC AERO, which specialized in aerospace parts and in packaging components for the Perfumery sector. The new group was named GFI.



The group continued the initiative, started in 2010, of reinforcing and building its positioning in strategic markets. The year 2011 was marked by the following transactions:

- LISI COSMETICS was deconsolidated on January 1, 2011 following the sale completed as at April 6, 2011. For the record, the division generated a turnover of €52.8 million in 2010.
- The takeover of the Creuzet group, which was consolidated as of July 1, 2011 and contributed €58.9 million two the sales revenue over six months.

The LISI Group recorded a further increase in performance in terms of sales revenue and profit for the year 2012, thanks to the very significant growth of the Aerospace division and despite the difficulties of the Automotive division.

- On May 29th, LISI AUTOMOTIVE sold 100% of its holdings in its subsidiary KNIPPING Umformtechnik GmbH to Gris Invest SAS for an amount of €2.8 million.
- Merger of Indraero Morocco and Creuzet Morocco.

The MANOIR Aerospace group, specializing mainly in forging metal parts for aeronautical applications, was consolidated into LISI AEROSPACE since the June 5, 2014 to strengthen the Structural Components division by integrating complementary technologies.

To a lesser extent, one should note in June 2014, the acquisition of 100% of the control LISI AUTOMOTIVE Shanghai, of which a Chinese partner held 25% previously.

2011

2012

2014

lisi

STRENGTH OF EXPANSION

In 2014, The LISI Group continued to progress in France and internationally, showing once again a strong capacity for change. This expansion effort, started in 2013, means that today the group can demonstrate its strength, gain the confidence of its major clients and support them actively in their long term strategic programs.

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LISI 2014

OCTOBER 2013

GROUP

LISI raises US\$ 75 m in private funds

Over the course of the year 2013 LISI obtained private financing of US\$ 75 million (€56 million). This financing was obtained via an American institutional investor in the form of US Private Placement (USPP). Its final maturity of 10 years allows the Group to finance long-term projects, such as the aeronautical programs with which the Group is involved, which are investment-heavy and spread over a period of more than five years. This operation illustrates the very positive appreciation enjoyed by the LISI Group for its investment grade credit rating, in line with the best names in industry.



JUNE 2014

LISI AEROSPACE

Finalization of the acquisition of MANOIR Aerospace

The acquisition of Manoir Aerospace represents a major new milestone in the development of the LISI Group. It endorses the strategy of strengthening the "Structural Components Section" undertaken by the LISI AEROSPACE division, due mainly to the integration of complementary metal forming technologies and by the introduction of fresh expertise in aeronautical applications (see also page 53). With a staffing level of 1,100 spread over three sites in France, one site in Belgium and one in Mexico, the Manoir Aerospace group achieved sales of € 164 million in 2013.

“The acquisitions made in 2014 mean that today we can keep pace with our major customers in facing the big technological challenges of the future. We are now ready for the endurance race our markets set us”

Emmanuel VIELLARD,
Deputy Chairman, LISI

JULY 2014

LISI AUTOMOTIVE

Strengthening of BG Safety Mechanical Components in Shanghai

The LISI AUTOMOTIVE division acquired all shares in JIEHUA, a company based in Shanghai and specializing in the manufacture of screw fasteners for automobiles, particularly for Volkswagen and several equipment manufacturers. LISI AUTOMOTIVE chose to make use of this structure to develop its local choice of mechanical components, previously exported from Europe. Transformation of the site took place progressively by means of technology transfer, introducing the manufacture of torsion bars, used in seat belt retractors, and later fittings used in all hydraulic braking circuit connections. This transformation was stepped up in 2014 with the acquisition of new expertise and the securing of new orders for mounting pins for seats. LISI AUTOMOTIVE Shanghai is now the third mechanical components manufacturing site in this Business Group.



A large commercial airplane, likely an Airbus A320, is shown from a low angle on a runway. The aircraft's nose, cockpit, and wings are visible. The background features a clear blue sky and a range of snow-capped mountains. The text is overlaid on the left side of the image.

OCTOBER 2014

LISI AEROSPACE

A new plant at Villefranche-de-Rouergue

LISI AEROSPACE is vacating its historical site at Villefranche-de-Rouergue (Aveyron), which has become too small to sustain the growing level of orders. Its relocation to 20,000 m² in the heart of the La Glèbe industrial zone commenced in the autumn of 2014. Construction is phased over two sections of 10,000 m², the first to be handed over at the end of 2015 and the second in 2018. Investment amounts to €60 million, of which €40 million for equipment and €20 million for the building. Designed to optimize production flow, the new site has been sized to accommodate 300 additional employees.

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LISI 2014

DECEMBER 2014

LISI AEROSPACE

Major capital expenditures at Parthenay

LISI AEROSPACE's Parthenay plant saw an investment of €20 million in 2014. This modernization program, which commenced in December 2014, will cater for orders from the SAFRAN group for the supply of Arms and Outlet Guide Vanes for LEAP 1A, 1B and 1C engines. This contract, over more than 10 years should generate €20 million sales revenue year-on-year. The industrial plan brings together the sites at Bologne (with an investment of €3 million) for raw materials forging and Parthenay for machining and finishing. This expansion should result in the creation of some one hundred jobs.



2013

2014

THE **PATH** TO **EXCELLENCE**

Launched in 2013, rolled out in 2014, LEAP “LISI Excellence Achievement Program” strives for operational excellence in all areas and in all business groups of the company. Highly strategic and based on major management and quality tools, LEAP allows LISI to remain agile, to maintain and strengthen its competitive edge and to better serve its client base worldwide.





Croissance
PROFITABLE ET DURABLE

lisi AEROSPACE
SAINT GUEN L'AUMONE



MAY 2014

LEAP 2014 FORUM

Assessment, deployment and training

After the design phase and validation of management methods and field management tools in three pilot plants, the Group put itself on a battle footing to deploy the scheme across all of its sites.

A first assessment was prepared at the first LEAP Forum, organized in May 2014. More than 110 people took part, representing the plants, divisional management and LISI Group management.

A new stage was reached at the end of 2014: On this date, 64% of the Group's personnel, nearly 6,000 people, were trained over a whole day in the fundamentals of the LEAP process.

To conduct this process, LISI drew on a group of six LEAP experts, supported and relayed by 20 LEAP coordinators spread across the plants and by more than 50 certified LEAP Leaders, able to present 5S, SMED and 8D improvement pathways on site. More than 220 additional LEAP leaders will be certified in 2015.

DEPLOYMENT

Launch of assessment tools

The LEAP program draws on control and monitoring tools which measure the depth of deployment, evaluate the level of maturity of the plants and guide them in their journey. These tools, consolidated in the LEAP frame of reference, were presented to the whole Group at the LEAP Forum, 2014.

It is in two parts:

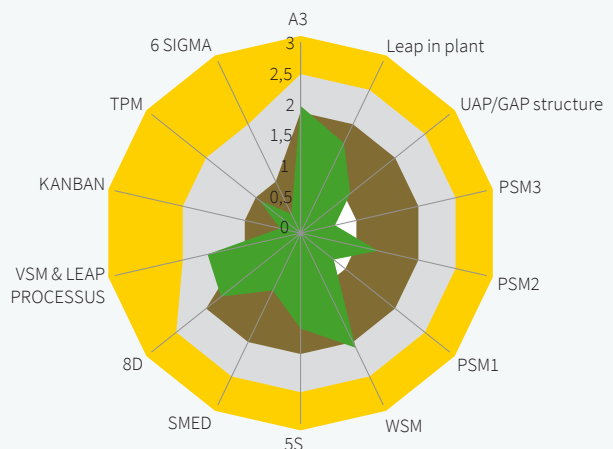
- A LEAP Manual, which brings together all best practices.
- An evaluation questionnaire around the 14 topics of the program relating to the organization, and the tools.

The LEAP Manual takes stock of the Group's best practices as well as those of targeted organizations in the context of utilizing LEAP tools. It allows each manager to identify the gaps and weaknesses of his organization, and to develop his own individual roadmap.

The evaluation, in turn, serves to verify the proper implementation and compliance with standards for each of the LEAP tools. The questionnaire is divided into three levels: Prepared, Under Control and Efficient. The evaluation results, visualized in the shape of a "radar" graph, clearly show the Plant Manager the areas needing improvement.

Three statuses allow teams to identify their pathways: Bronze, Silver and Gold. They correspond to the level attained over all fourteen themes of the LEAP program. These awards are represented by colored areas on the radar (see illustration). Four Bronze trophies and a Silver trophy were presented at the LEAP ceremony on February 3, 2015.

Sample assesment summary





FEBRUARY 2015

LEAP 2015 AWARDS CEREMONY

Presentation of trophies at the Group's sites

The LEAP ceremony of the February 3, 2015 was the occasion chosen to present the first Awards to the best plants in the Group. Unsurprisingly, the Saint-Ouen-L'Aumône (LISI AEROSPACE Fasteners BG in France) plant, pilot site for this project, was compensated with a Silver Award. At this site, all LEAP tools were deployed at levels reaching an 'efficient' threshold for the most part.

The Bronze awards were presented to the Cejc plants in the Czech Republic (LISI AUTOMOTIVE / Safety Mechanical Components BG), Fuenlabrada, in Spain, (LISI AUTOMOTIVE Threaded Fasteners BG), Izmir, in Turkey (LISI AEROSPACE Threaded Fasteners BG) and Hérouville-Saint-Clair, in France (LISI MEDICAL Orthopaedics). This first set of awards shows that the program now involves all divisions and all geographical zones.

This ceremony was also an opportunity to present LEAP Awards to the pilots of five plants throughout the world, whose performance has been outstanding:

- BEIJING (China/LISI AUTOMOTIVE Clipped Solutions BG) managed to retain the assembly of a part which the client wanted to shift to Europe, while increasing delivery volume with no quality issues.
- CASABLANCA (Morocco / LISI AEROSPACE Extrusion & Forming BG) considerably reduced waste in the paint section.
- MELISEY (France / LISI AUTOMOTIVE Mechanical Safety Components BG) succeeded in increasing its production avoiding a capital expenditure exceeding €1 million.
- HEROUVILLE SAINT-CLAIR (France / LISI MEDICAL Orthopaedics) increased productivity, bringing €90 K of outsourcing back in-house and avoiding a €650 K capital expenditure.
- CITY OF INDUSTRY (USA / LISI AEROSPACE Fasteners BG) considerably minimized changeover costs.

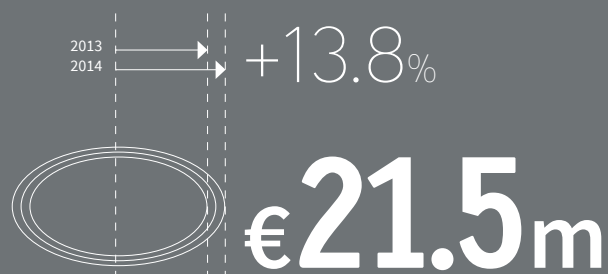
All these projects have demonstrated that the combination of LEAP tools can address very diverse problems, proposing solutions whose results, in the main, exceed expectations.

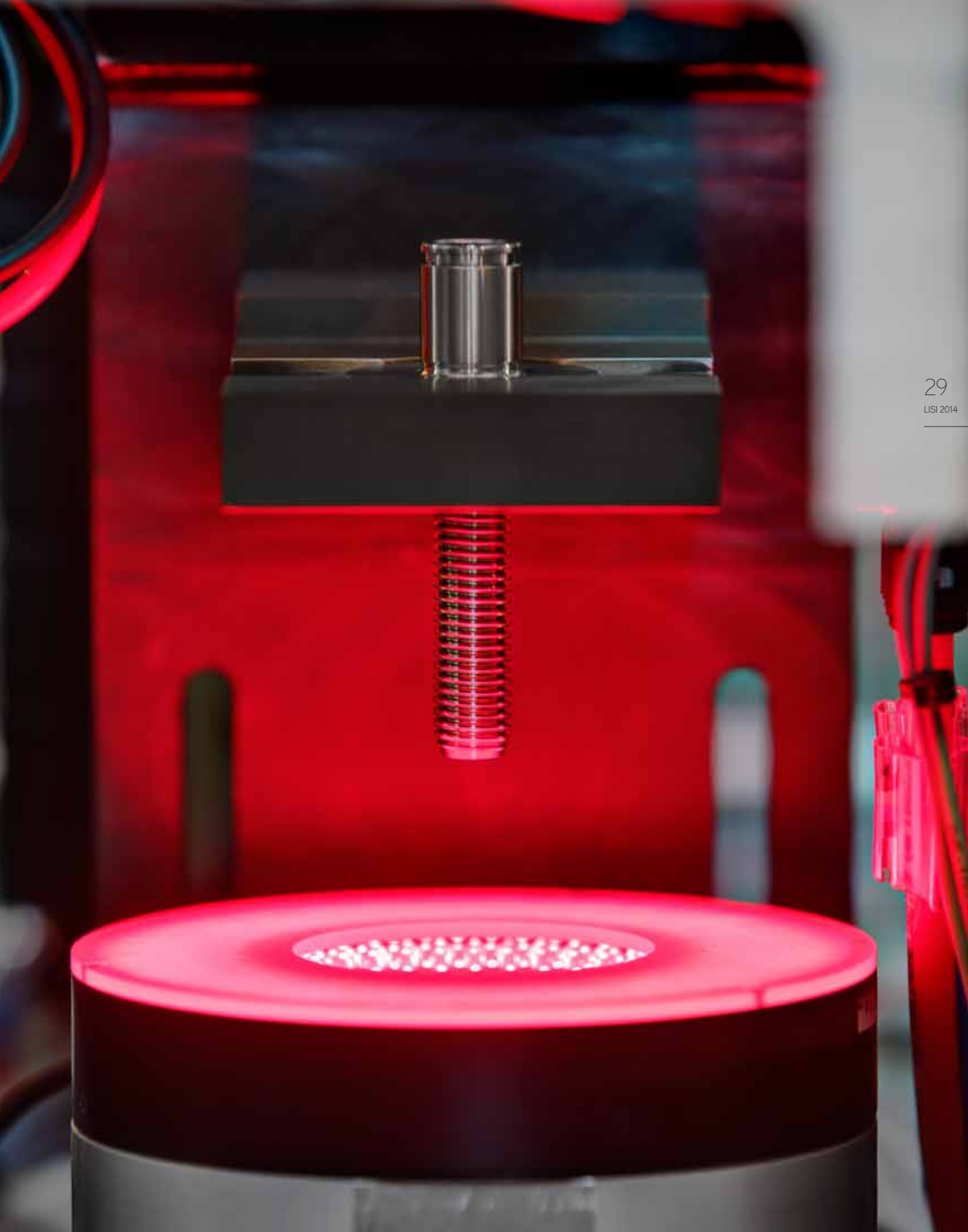
RESEARCH & DEVELOPMENT

GROWTH
ACCELERATORS

The LISI Group operates in markets where technology is a major competitive issue. The size to which the Group has grown and the expertise it has acquired in each of its businesses enable it to play an active role in the most ambitious global programs, both in aeronautics and the automotive industry, and to manufacture more efficiently. To sustain this research and development culture and attract talent, LISI invests unceasingly, so that its teams can offer the best response to the challenges imposed by tomorrow's markets.

R&D EXPENDITURES 2014





INNOVATING TO PREPARE THE FUTURE

Innovation has always been part of the LISI Group's culture. A lever for growth, and a factor in internal cohesion, it allows the company to consistently adapt its offer to market needs, to explore new territories and new materials, to optimize its production processes and to offer its customers constant control of their assembly costs.

19 patents

were filed by LISI AEROSPACE
in 2014

€21.5m

R&D expenditures



LISI AEROSPACE

PROJECT ORGANIZATION AND METHODOLOGY

The growth of the “Structural Components” business, particularly with the integration of Manoir Aerospace, led the Aerospace division to review and consolidate its R&D roadmap. Beyond technological areas, strengthened in the field of materials, digital simulation and new manufacturing technologies, particular focus was placed on project organization and methodology. A major initiative was launched in technical projects (Research, Development, Industrialization and Capitalization). This should allow us to identify and share best practices across sites in the division before bringing them together in a communal management frame of reference. Its deployment, carried out in parallel with the LEAP improvement initiative employed by the Group, will improve the efficiency and visibility of all activities related to technical expertise. This initiative equally concerns the evaluation of concepts beyond the validation and capitalization of our manufacturing knowledge. The work of the R&D teams has also allowed the division to file 19 new patents this year, bringing the LISI AEROSPACE portfolio to 319 patents. Part of this increase is due to the integration of the Manoir Aerospace company.

LISI AUTOMOTIVE

ACTIVE IN VEHICLES OF THE FUTURE

For its part, LISI AUTOMOTIVE has launched a vast innovation program concerning products and processes, led by the new LISI AUTOMOTIVE research center at Grandvillars. This impetus has allowed LISI AUTOMOTIVE’s R&D teams to actively participate in researching vehicles of the future, in the areas of weight reduction, driverless vehicles and safety. To speed up these developments, each Business Group relies on a product or process innovation / pre-engineering team in charge of working in advance of production alongside car makers or component manufacturers. A Research and Innovation Steering Committee ensures coordination of this work.



LISI MEDICAL

NEW POLISHING TECHNIQUES

The LISI MEDICAL division continued the integration of new polishing technologies during 2014, strategic to the development of its reconstruction branch. New packaging technologies were also developed to ensure a very high quality of packaged products which can be used directly in operating theaters during surgery.



FASTENERS

PULL-STEM™ LIGHTNING PROTECTION SYSTEM

The issue of assembly of composite structures vulnerable to lightning has, since 2008, been major area of research for LISI AEROSPACE. Following the launch of the STL™ lined product family, specially adapted for restricted access zones, LISI teams have continued to expand their skills in this area to generate other alternative technologies. This investment has allowed the development of a combination of partial coatings, with both increased interference and good conductivity, to respond to the constraints of a lightning strike. This concept was chosen for the wing section / fuselage junction of the A350, one of the most critical zones of an aircraft. Part of the PULL-IN™ / PULL-STEM™ family of fasteners, this innovation replaced the double cap systems, whose function was to contain the electrical discharges associated with lightning. By circumventing the problem upfront, the solution proposed by LISI AEROSPACE avoids the addition of supplementary protection measures. This system allows a gain of 20kg mass for each aircraft built, and a time saving of over five hours for the assembly of this junction.

-20kg

The new generation of PULL-STEM™ fasteners saves 20kg on each aircraft and five hours during the assembly phases.

FASTENERS

NEW FUSELAGE INSULATION BLANKET RETAINING CLIPS

To ensure comfort and safety in case of fire outside the passenger cabin, aircraft fuselages are fitted with thermal and acoustic insulation blankets. These blankets are retained by means of fastener points and clips which secure them to the framework and stiffeners of the structure. LISI AEROSPACE has supplied this type of part for many years, notably for the Boeing 737 series. The re-engineering exercise undertaken by the division's teams has managed to optimize both the mass and the cost of these clips. The improvement achieved is in the order of 13% of cost and over 15% of the mass. This type of exercise, which does not involve the introduction of new technologies, demonstrates the savings that can potentially be achieved on existing parts. It depends both on critical analysis of requirement levels, carried out with our customers, and on questioning the development processes, made possible thanks to good understanding of our design tools.

-15%

A weight saving of 15% and a cost saving of 13% for these new fastener systems.



COMPUTING FROM DESIGN TO PRODUCTION

Historically, digital tools have been at the heart of LSI AEROSPACE's approach to product design and development. They are used to simulate the lifetime performance of products and optimize manufacturing procedures used to product them. They provide crucial support in the development of technical expertise, and reduce timeframes and costs in the development and industrialization phases.

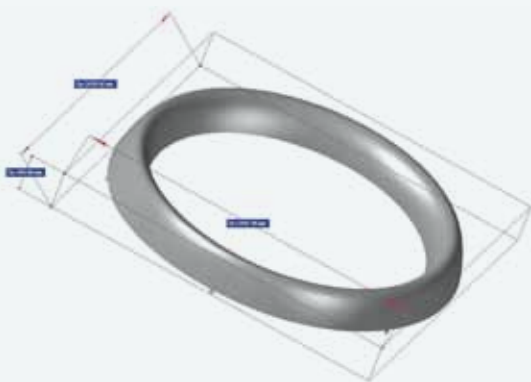
A major development area

The development of computer simulation skills concerns all products and manufacturing processes implemented by the division. This long-term global approach goes well beyond software as such. The relevance of the results obtained is directly related to the faithful reproduction of physical phenomena: definition of the laws of materials behavior, measurement and acquisition of physical parameters of our production tools, correlation work, etc. Mastery of these resources and of these skills is absolutely essential to ensure a realistic and powerful computer simulation chain.



Digitization of complex procedures

Digitization of all our product lines and production methods is our objective, with a view to achieving technical and industrial excellence. A challenge partly met in respect of the families of critical engine components, such as discs, bladed discs, fan blades or compressors, etc. The complex procedures used in the production of these parts (initial preparation, heating, forging in one or two runs, heat treatments, machining, etc.) constitute multiple factors in the mastery of fiber and final particle sizes required in these types of components. The implementation of a complete digital chain, now within reach, allows better control of these risks. This is already the case for the simulation of forging and closed die-forging operations, which has been in use for about fifteen years using the FORGE™ tool. This is also true for the microstructure prediction laws, developed through several theses supported by Manoir Aerospace teams, and for the simulation of firing and heat treatment operations, which are the subject of an upstream collaborative project known as THOST.





RESEARCH PROGRAM

FOUR RESEARCH AREAS FOR THE VEHICLE OF THE FUTURE

Four development areas were identified in the context of the R&D program employed by LISI AUTOMOTIVE in support of projects initiated by car makers and OEMs to visualize the vehicles of tomorrow.

1 The standalone vehicle

These projects are focused on the management of fastener systems for the onboard electronic equipment necessary for the operation of these vehicles of the future, such as sensors, radar or cameras.



2 Driver safety

with the development of braking applications and next generation airbags, such as pedestrian airbags.



3 Vehicle weight reduction

with the introduction of new composite materials. Associated projects concern the continuing development of parts in plastic or aluminum, designed for premium vehicles.



4 The productivity

Development of solutions facilitating the assembly of fasteners, participation in the programs of standardization of the car makers.



RESSOURCES

A NEW R&D CENTER AT GRANDVILLARS

Designed to support teams from each Business Group, as well as to offer our customers a testing and resource center for validating solutions, products or processes, the new research center at Grandvillars has been operational since summer 2014. Occupying the first floor of the new LISI AUTOMOTIVE headquarters, it accommodates several spacious laboratories, equipped to facilitate collaborative work.

Three state-of-the-art laboratories

The Computing Center is responsible for product validation and simulation of production processes: forging, stamping and plastic injection. It is equipped with state-of-the-art finite element computing stations with the most powerful software available. The Functional Testing Laboratory houses test benches used to characterize assemblies and mechanical components in use. Finally, the Materials and Treatments Laboratory has all the equipment necessary for the characterization and development of new metallurgies and surface treatments.

Evaluations and project management

The technical and human resources available at Grandvillars must support growth by innovation, guarantee the reliability of our products and respond to the needs of our clients. Evaluations carried out in these three laboratories, as well as projects carried out there, can respond to internal demands as well as be conducted and managed in partnership with our customers or suppliers or in direct liaison with university laboratories. The Research and Innovation Steering Committee meets twice yearly to check the progress of ongoing projects and validate new requests. These are proposed according to the road map drawn up by divisional management, based on strategic orientations.



RECONSTRUCTION

NEW POLISHING TECHNOLOGY

The reconstructive section of LISI MEDICAL division (hip, knee, shoulder), has developed a mechanized drag finishing polishing technology, which involves immersing the implants into abrasive media. This method achieves surface finishes comparable to those achieved by manual polishing, on complex surfaces, with better productivity. It can now be applied to various medical devices in the reconstructive sector.



PACKAGING

DOUBLE VACUUM PACKAGING

A new packaging technology has been developed by LISI MEDICAL division. Consisting of double vacuum packaging carried out in a sterile room, this operation reduces costs and assures a perfect quality and an optimum level of safety for implants, certain of which are put directly into use in operating theaters. The first products to benefit from this technology were delivered in 2014. This solution must be extended to all the division's new customers.

PROTOTYPING

DEVELOPMENT OF 3D PRINTING

The LISI Group currently has three 3D printers (plastics and polymers) used for manufacturing of prototypes of clips and bolts in a very short timeframe. These prototypes are then shown to potential customers before the commencement of series production, which in some case necessitates heavy investment in machinery and/or tooling.

LISI MEDICAL and LISI AEROSPACE recently launched a joint technological development monitoring program to identify current applications in titanium, steel alloys and aluminum which could be produced by means of additive manufacturing. This study will also extend to the identification of sub-contractors able to manufacture the necessary prototypes and pilot runs. The objective, which depends on the outcome of this monitoring program, is ultimately to possess several state-of-the-art 3D machines to develop our capacity for innovation and to bring innovative solutions rapidly to our customers.

CORPORATE RESPONSIBILITY

A structural element of LISI's identity, the Group's human, social and environmental responsibility forms a key part of its development strategy. Indicators set by the business guide its path towards a double objective: Supporting its employees and optimizing the impact of its business on the environment.

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HEALTH
& SAFETY

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HUMAN
RESOURCES

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ENVIRONMENT



MASTERING **RISKS** TARGETING **EXCELLENCE**

The LISI Group has always been active in issues of protection, health and safety. This year, actions taken in the areas of Health, Safety and the Environment (HSE) were combined in a single improvement program known as LISI Excellence HSE. This program sets one common objective across the Group: to achieve excellence.



€5.6m INVESTED

in HSE strategy in 2014

100% OF SITES ARE CERTIFIED TO OHSAS 18001

(excepting those acquired in 2014)

LISI Group's General Management has always been active at the highest level in matters relating to health and safety. The size of the company, its international standing and the growth in head count demand the establishment of a global risk management strategy. To control and prevent risk, it is crucial to take every step to ensure that best behavioral and supervisory practices are accepted by all and disseminated as widely as possible.

LISI Excellence HSE

To meet these objectives, in 2014, LISI's general management initiated an ambitious program with the aim of achieving excellence in HSE. This continuous improvement program, named *LISI Excellence HSE*, plots a common course for all the Group's entities. It constitutes a unifying and structuring project around the means allocated to achieve these objectives. It must ultimately lead to the emergence of a common culture of risk control and management within the Group. It will build on the HSE management centers set up at each site in order to achieve Excellence in terms of on-site activities and problem solving.

Facilitation and support tools

The Group has allocated considerable funds to achieve these objectives. In 2014, LISI invested €5.6 million in the areas of safety and the environment, in particular for the safety of machinery, better ergonomic layout of work stations and extraction systems. This program is designed to speed up the provision, in each of the Group's plants, of facilitation and support tools dedicated exclusively to HSE issues. These risk management tools are deployed according to international standard OHSAS 18001. All sites (excluding sites acquired in 2014) have been certified to this same standard by an independent external organization.



LISI EXCELLENCE HSE A GENERAL MOBILIZATION

In matters of health and safety, commitment must be absolute, and shared at the highest level of the business. The 3rd HSE Forum in May 2014 brought together the management of each division, all the site managers and the HSE leaders. Several objectives were set on this occasion: by the end of 2016, all sites within the LISI Group must display a frequency rate of accidents at work, with or without lost time (TF1) of less than 10 (temporary workers included). In respect of the environment, the three divisions of the LISI Group must reduce their energy consumption by 10% compared with 2014 figures. Another Forum will be held in 2017 to make a first assessment of these actions.

HEALTH & SAFETY

STRENGTHENING **SECURITY** AN **ONGOING COMMITMENT** WITHIN THE GROUP

The LISI Group has further strengthened its efforts in risk prevention in the workplace. Actions taken over several years are now beginning to bear fruit. In 2014, the frequency of accidents at the Group's sites fell very significantly.

40

LISI 2014



+29%
IMPROVEMENT

in the frequency of accidents with lost time in 2014

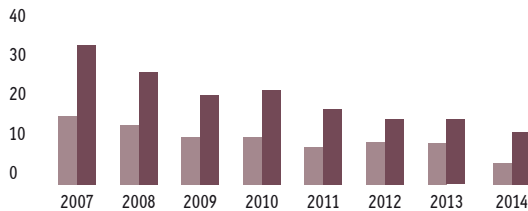
+62%
IMPROVEMENT

in the frequency of accidents with and without lost time since 2007

-63%
DAYS LOST

due to a workplace accident per thousand work hours

**EACH EMPLOYEE
PLAYS
A KEY ROLE
IN PREVENTION**



EVOLUTION OF TF0 AND TF1 SINCE 2007

■ TF0 ■ TF1

The establishment of a real risk prevention culture depends on a long term approach. Efforts undertaken by the Group in technical planning, organization and behaviors mean that LISI has seen constant improvement in this area. At the behavioral level, efforts have been concentrated primarily in the workshops, since this is where the vast majority of accidents occur. Safety related themes are the first discussion topics at daily PSM (Problem Solving Management) briefings at each level of management across the sites (PSM1: Autonomous Production Groups, PSM2: Autonomous Production Units, PSM3: plants).

Tackling the root causes of accidents

In 2015, LISI will commence the implementation of a major tool in the *LISI Excellence HSE (the Safety Culture Program)*. This should address behavioral causes of workplace accidents by providing trainers with the keys to understanding these behaviors. It should subsequently facilitate the activation of action levers to correct them and finally allow the development of a true culture of safety within the Group by means of a structured communication camp.

Health & reference system: a shared culture

Here again, the *LISI Excellence HSE program* should address risk behaviors as a priority by suggesting improvement measures. Emphasizing the development of a shared culture of prudence, each employee, whether operator or manager, is encouraged to create a work environment where risks are controlled, paying attention to his/her own safety as well as that of colleagues.

THE FREQUENCY OF ACCIDENTS IS IN SHARP DECLINE*

At the end of 2014, the frequency rate of workplace accidents with lost time involving an employee of LISI or a temporary worker (TF0) improved significantly: it amounted to 7.4 accidents per million working hours, a 29% improvement on 2013. The frequency of workplace accidents with and without lost time (TF1) amounted to 12.3, an improvement of 24% on 2013. Over the long term, the continuous effort of all employees has improved the TF1 by 62% compared with 2007. Some of the Group's sites, such as City of Industry, Vignoux sur Barangeon, Escondido, Cejc and Beijing recorded no workplace accidents with lost time in 2014. Others, like Lure and Shanghai, recorded no accidents, whether with or without lost time. The TGO severity rate (days lost due to a workplace accident per thousand work hours) improved by 9% compared with the previous year, and remains at a low level. This rate has fallen by 63% since 2007 to 0.25 in December 2014.

* with the exception of Manoir Aerospace sites

DEVELOPING **SKILLS** TO SUPPORT **GROWTH**

The strong increase in the Group's workforce in 2014 makes LISI's training and integration efforts even more crucial. In order to consolidate internal skills, as well as to anticipate knowledge transfer and attract new talent, LISI is investing in the implementation of ambitious training programs.



The growth of LISI's activities in 2014, due in particular to the acquisition of the Manoir Group in June, has resulted in a strong increase in the Group's workforce. Beyond this *size effect*, the Group's recruitment strategy rests firstly on the anticipation of needs and the identification of key skills in each of its businesses. It further depends on a coherent training policy that encourages the transfer of the skills and key knowledge, which the company enjoys in the most competitive sectors.

Strengthening skills

The Group sees the strengthening of its employees' skills as a major lever for quality improvement, efficiency and competitiveness. LISI commits to training new employees in the Group's business culture and does everything possible to ensure each employee receives the training necessary for his/her professional development and adaptation to changes in the businesses.

90% of employees have received training

The internal and external training budget across all LISI Group sites stood at €5.1 million in 2014, equivalent to 1.5% of the Group's payroll. This budget has allowed for nearly 244,000 hours of training (1.4% of all hours worked during 2014). Over 9,600 employees have had at least seven hours training (90% of the Group's employees), representing an increase of 48% on 2013 (+20 pts).

Assimilating young people into the labor market

LISI actively pursues its contribution to the integration of young people into the labor market by allowing large numbers of students to come and discover the business and its activities, whether through the completion of internships or periods of apprenticeship.

During 2014, LISI welcomed 594 interns, 257 apprentices and 62 work experience contracts across the sites of its three divisions.

9,600
EMPLOYEES

received training in 2014,
representing 90% of the Group's

10,701
EMPLOYEES

in the Group, representing an
increase of +16% in one year

MORE THAN
244,000
HOURS

of training given, representing
1.4% of hours worked in 2014

€5.1m
INVESTED

in training programs
in 2014, representing 1.5%
of the Group's payroll

BREAKDOWN OF THE LISI HEAD COUNT BY DIVISION

65%
LISI AEROSPACE

30%
LISI AUTOMOTIVE

5%
LISI MEDICAL

	2014	2013	Difference N/N-1	
LISI AEROSPACE	6,957	5,604	+ 24%	1,353
LISI AUTOMOTIVE	3,186	3,143	+ 1%	43
LISI MEDICAL	538	474	+ 14%	64
LISI Holding	20	18	+ 11%	2
TOTAL GROUP	10,701	9,239	+ 16%	1,462

Deployment of LEAP training courses

The year 2014 finally confirmed the deployment of LISI Excellence Achievement Program (LEAP) training programs, initiated in 2013. Intended to contribute to a profitable and sustainable growth, LEAP training courses come with the growth in skills around the LEAP program (LEAP Basics, 5S, SMED, PSM, VSM, WSM, etc.). At the end of 2014, more than 5,800 people (55 %) had been trained in LEAP Basics. Finally, nearly 300 employees benefitted from training programs of the *Lisi Knowledge Institute*, the LISI business university, for the development of management skills in the Group.

HEAD COUNT UP 16%

As at December 31, 2014, the LISI Group had a total of 10,701 employees, an increase in headcount of 1,462 (+16% compared with 2013). This increase in headcount is essentially due to the change in scope of the LISI AEROSPACE division (1,353 more employees than in 2013, an increase of +24%) with the integration of the staff of the Manoir Aerospace group in June 2014 (1,169 people). On its existing staffing base, the division saw its headcount increase by 184, or +3.3% by comparison with December 31, 2013. The other divisions have seen net increases in their employee numbers this year: LISI MEDICAL has 64 people more than in 2013 and LISI AUTOMOTIVE has seen its workforce increase by 43. As in 2013, the mean age of employees of the LISI Group is between 41 and 45 years.

MAKING **ENVIRONMENTAL ISSUES** A **COMMON CAUSE**

Since 2008, the LISI Group has undertaken to precisely measure the environmental impact of its activities. These indicators have enabled us to obtain a precise image of our environmental footprint and put corrective measures in place. Significant results were achieved on this front in 2014.



0.762^{MWH}
ENERGY SAVED
in 2014 per €1,000 of value added

59.3^{KG}
OF WASTE
produced per €1,000
of value added

5.4%
WATER
savings in 2014

93.9%
OF WASTE
generated by the Group
is sorted and treated

Control of energy costs and optimization of waste and raw materials management are factors just as important as economic and financial indicators. It is for these reasons that the Group has chosen to position these factors at the heart of its business culture. In 2014, all the Group's sites (with the exception of the Manoir Aerospace sites acquired that year) were certified to ISO 14001 (international HSE standard). This certification demands the implementation of specific measures and actions.

Pollution and waste management

In this context, LISI very closely monitors the direct impact of production sites on the environment, and employs the best technologies to reduce it. Particularly in the case of surface treatment lines, including atmospheric and water waste, which, if not properly controlled, can have consequences on the environment. The proportion of waste sorted (93.9%), mainly metals and recoverables, remains very high. Dangerous waste sorted, which represents 30% of the total quantity of waste, is removed via authorized channels.

There are many initiatives for the treatment of water

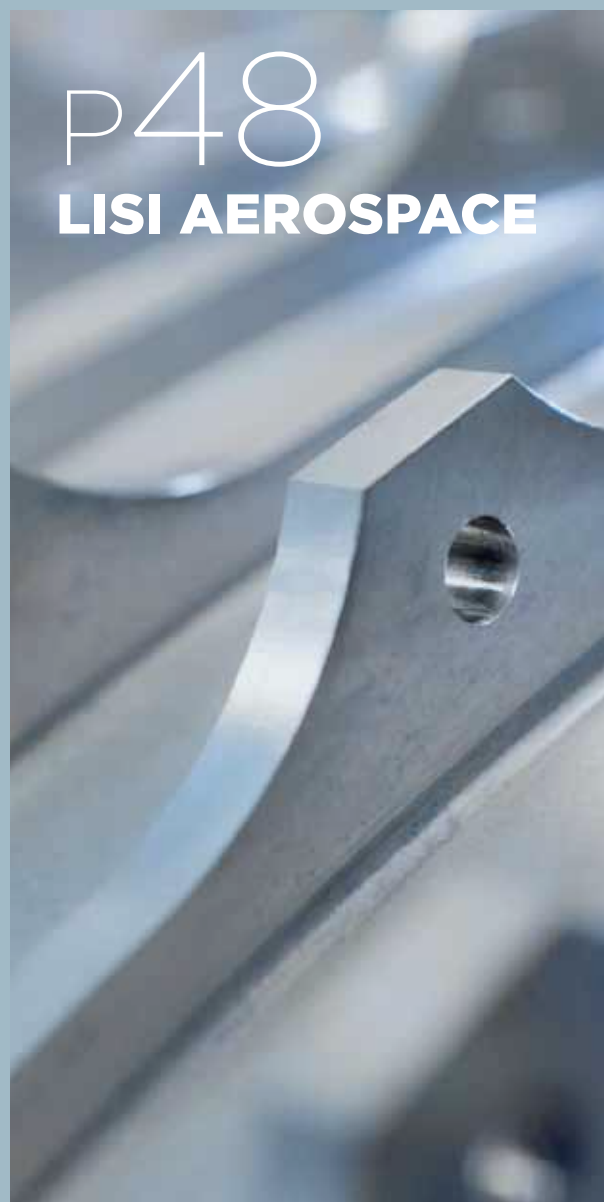
Water used in manufacturing processes is essentially for the washing of parts and the treatment of surfaces. Each site has local initiatives for reducing its consumption: An example would be the creation of a demineralized water production plant (with a view to recycling) at Marmande (Lot-et-Garonne), or optimization of the effluent treatment plant at Izmir (Turkey). All combined efforts have resulted in a reduction in water consumption of 5.4%, based on the value added, between 2013 and 2014. LISI AUTOMOTIVE has provided the main contribution to this reduction (-11%).

Energy management: substantial gains

The strong awareness of the production teams has also led to stabilization in energy consumption at 0.762 MWh per €1,000 of added value. It is, however, necessary to draw a distinction between direct consumption related to production and that related to processes – such as heat treatment – where the fixed proportion is independent of production (rises in temperature, etc.). So that a dip in production does not translate directly into an immediate drop in energy consumption.



LISI IN 2014





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LISI AUTOMOTIVE



P64
LISI MEDICAL

The dynamism of the air transport sector was confirmed in 2014, with the deployment of large fleet renewal programs. LISI AEROSPACE, which strengthened its Structural Components business with the acquisition of the Manoir Aerospace group, also anticipates a sustained pace of growth for Fasteners.

LISI AEROSPACE

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LISI 2014

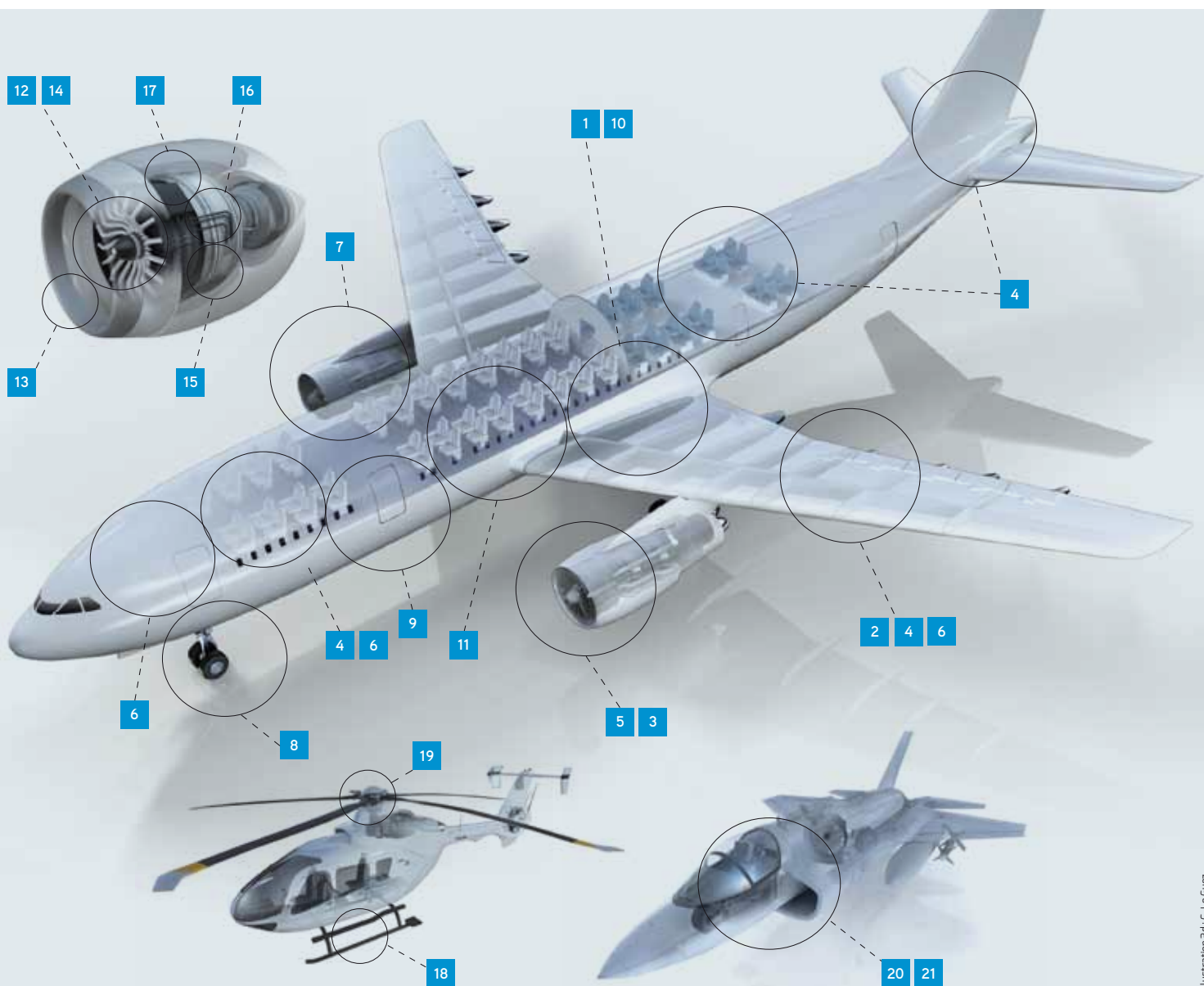
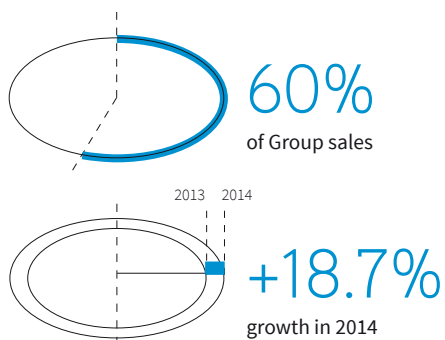


Illustration 3d : C. Le Guez

€788m

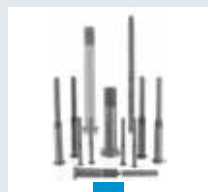
Sales revenue



6,957
Employees

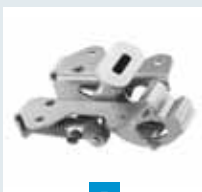
€51m
CAPEX

Fasteners



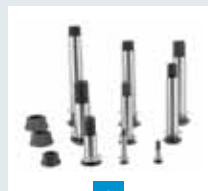
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PULL-IN™ FASTENERS



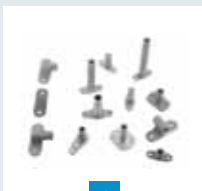
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PRESSURE LATCHES



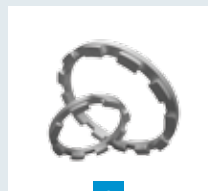
2

STL™ FASTENERS



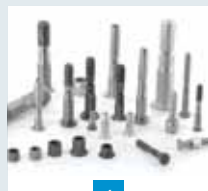
6

STAND-OFF FASTENERS



3

SHAFT NUTS



4

HI-LITE™ FASTENERS,
LOCKBOLT

Structural components



7

THRUST REVERSERS



11

ANTI-CRASH STRUCTURE



15

ENGINES BLADES



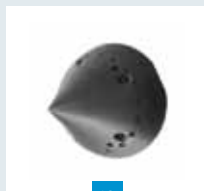
18

CARGO HOOK



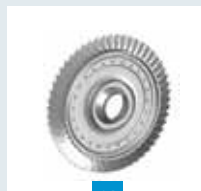
8

BREAKING SYSTEM



12

NOSE CONE



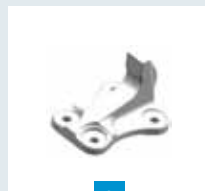
16

DISC



19

ROTATING SWASH PLATES



9

DOOR STOPS



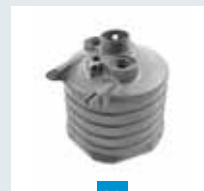
13

AIR INTAKE LIPS



17

VARIABLE VANES



20

OIL TANK



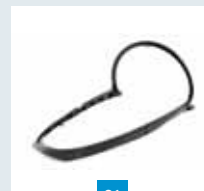
10

CORNER BOX



14

LEADING EDGES



21

CANOPY FRAME

ADAPTATION

THE MARKET SETS THE PACE

Acceleration of production rates, modernization of fleets, development of engines of the future, etc. The market requires substantial transformation of the industrial apparatus. A challenge met by LISI AEROSPACE.

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LISI 2014



© Airbus S.A.S. 2014 - A. MC LAUGHLIN

The year 2014 was a new record year for commercial aviation. Equally dynamic, business aviation saw a net change in its fortunes that year. Only the military markets, regional aircraft and rotary wing aircraft (helicopters, gyrocopters, etc.) are still experiencing a difficult market environment.

Consolidation of margins

Traffic remained strong and the aviation sector was able to consolidate its margins thanks to falling oil prices. This environment allowed companies to speed up the restructuring of their fleets, to prepare for the future and to pursue their efforts in driving down their operating costs. This dynamic is to the benefit of the Asian sector – where demand remains sustained – but also to that of western companies, that are equipping themselves with more powerful, more comfortable aircraft.

Increase in orders for Airbus and Boeing

2,900 orders and over 1,350 deliveries for Boeing and Airbus confirm the sector's dynamism. Orders for the B787 Dreamliner are increasing, and could reach 12 or even 14 deliveries per month in 2015. Success, too, for Airbus, which has managed to deliver its A350 on time, in spite of the complexity of the program. Both aircraft manufacturers have also maintained highly sustained production schedules for single aisle aircraft.

Finally, in China, COMAC now looks like a competitor capable of capturing a significant part of the Asian market with its C919.

Speeding up of the major programs

These order upturns come at a time when the LEAP (CFM International) and GTF Purepower (Pratt & Whitney) new generation engine programs are ramping up. Lastly, they are happening in a context of profound adjustment of product ranges to meet new economic and environmental challenges, as illustrated by the evolution of the A320 and B737 aircraft to the NEO and MAX versions, and the development of the B777X and A330 NEO, in which LISI AEROSPACE is highly active.

Changing the industrial apparatus

These challenges demand a radical overhaul of the industrial apparatus, which must adapt from a unitary system to series production. They require proven organization, accelerated automation, reduced cycle times, near "zero defect" quality and global program supervision. Highly pressured, the supply chains must adapt in terms of technology and management in order to meet these new constraints. These objectives are among the priorities of LISI AEROSPACE.

LANDMARKS



1,352 AIRCRAFT

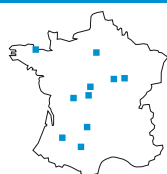
delivered by Airbus and Boeing
in 2014, an increase of +6.1%
in one year



+4,9%

World passenger traffic
increased in 2014

PLANTS



10 SITES in France

- Argenton-sur-Creuse
- Bologne
- Bar-sur-Aube
- Colomiers
- Marmande (Beyssac and Carpète)
- Parthenay
- Saint-Brieuc
- Saint-Ouen-l'Aumône
- Vignoux-sur-Barangeon
- Villefranche-de-Rouergue



9 SITES Outside of France

- Casablanca (Morocco)
- City of Industry (US)
- Dorval (Canada)
- Izmir (Turkey)
- Rugby (UK)
- Sedziszow (Poland)
- Seneffe (Belgium)
- Tanger (Morocco)
- Torrance (US)

Secondary sites:

- Bangalore (India)
- Chihuahua (Mexico)

MAIN PARTS

Airframe

Structural fasteners, principally in titanium;
Hi-Lite™, Hi-Lok™, Hi-Tigue™ screws and nuts; Pull-
In™, Pull-Stem™, Taper-Hi-Lite™, STL™ fasteners;
Starlite™ nuts; Lockbolts crimped fasteners.

Engine

Engine fasteners (high temperature steels, cobalt- or
nickel-based alloys, very high resistance superalloys),
inserts and studs; shaft nuts.

Special parts

Specialty, non-structural fasteners (clip nuts,
quarter turns, spacers, etc.), locks; push-pins,
assembly equipment.

Racing

Fasteners and components for motor sports.
Other high quality automotive fasteners.

Structural components

Primary forged, sheet metal or formed parts and
composite structural parts, complex assembled
subsets, integrated into the cell or the aircraft
engine: blades, leading edges, arms and OGVs,
beams, shells, air inlets, trunk area, drives, gears,
door stop, helicopter floor, APU nozzles, etc.

Indoor equipment for aircraft and helicopter
unloaders.

MAIN CUSTOMERS

Airbus;	GEAE;
Boeing;	Pratt & Whitney;
Bombardier;	Rolls Royce;
Dassault;	Safran;
CFAN;	Spirit;
EADS;	Formula 1 teams
Embraer;	
Eurocopter;	
Finmeccanica;	

MAIN COMPETITORS

ACB;	Lauak;
Alcoa Fastening Systems;	Leistriz;
Alu Menzinken;	Macstarlite;
Breeze Eastern;	Mettis;
BTL;	MIFA;
Dembiermont;	On Board;
Doncaster;	Otto Fuchs;
Figeac Aero;	PFW;
Firth Rixson.	Potez;
Forge Ital;	Precision
Karlton-PCC;	Castpart Corp;
	TECT



“ In 2015, LISI AEROSPACE will remain in a dynamic position, but highly demanding in terms of growth, industrialization, integration and innovation ”

Jean-Louis COLDERS

Chief Executive Officer, LISI AEROSPACE

How did the LISI AEROSPACE Division behave in 2014?

_ The Group's recent acquisitions have considerably raised its profile. Our proximity to major customers has increased, particularly in the cases of Airbus, Safran and Boeing, which have become the three pillars of LISI AEROSPACE. We endeavor to offer high-level, sustainable operational performance with the capacity to innovate and react locally, where our customers are based, in a global context integrating our methods and our values.

What is the outlook for 2015?

_ If the market suffers no adverse events, LISI AEROSPACE will remain in a dynamic position, but highly demanding in terms of growth, industrialization, integration and innovation. The first results of this strategy will be seen as early as 2015, the first year of complete consolidation of the Manoir Aerospace Group, and will take full effect when the new programs are up to speed.

How will you respond to the challenges these new programs present?

_ We must keep to a very tight timetable, with constantly changing definitions at a time when we must build the industrial capacity which allows us to step up a gear in order to achieve very ambitious objectives. To manage these delicate phases, we apply proven methods, find – or develop in-house – the necessary skills, and above all collaborate closely with our customers.

With what type of organization?

_ For several years, we have anticipated the capacity requirements of our customers in two ways. On one hand making use of existing resources, whose efficiency is constantly improving thanks to our LEAP (LISI Excellence Achievement Program), an industrial system which brings together equipment maintenance, output flow regulation and site management, and on the other, investing to increase our installed capacity and strengthen our Supply chain. In 2015, six sites underwent extensive modernization, or expansion of infrastructure.





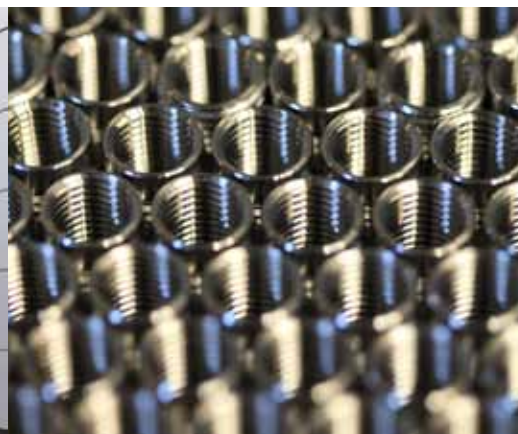
INTEGRATION OF **MANOIR Aerospace,** The dynamic of complementarity

A respected player in the forged products sector for the engine and airframe market, Manoir Aerospace, acquired by LISI AEROSPACE Creuzet in June 2014, completes the Structural Components section, which now represents about 40% of LISI AEROSPACE's business. With its 1,100 employees, distributed over five industrial sites (3 in France, 1 in Belgium and 1 in Mexico), Manoir Aerospace reinforces the industrial clout of the section, bringing expertise in digital simulation, forging, machining, hydroforming and metal matrix composites.

The involvement of the section in the new programs is strengthened. It ensures not only production of corner fittings and structural parts for the Airbus range, but also gears, cones, outlet guide vanes and titanium arms for the LEAP range of engines.

A new industrial site is being created in Parthenay, and important tools and infrastructure modernization plans are under consideration. Thanks to this technological input, reinforced by the support of the Group, the Structural Components section can now supply elementary high technology components. It thus considerably increases its chances in Build to Print tendering for technical sub-assemblies, bringing to bear a raft of cutting edge skills in metals processing, such as forming, boiler making, extrusion, forging, machining and assembly.





IZMIR THIRD EXTENSION FOR THE IZMIR PLANT

The FTB plant at Izmir, in Turkey, completed its new expansion phase. The third extension, operational since April 2014, now means the site can offer sufficient available production capacity to meet the increased demand due to recent gains in market share. This site, acquired in 2001 by LISI AEROSPACE, had 70 existing employees and was a single-client supplier. Renamed FTB, for Fastener Technology Bestas, today the company employs 513 people on 8,500 m².

Associated with the LEAP engine program

The mission of making this an autonomous site, expanded three times, has seen, since 2012, the development of dedicated production lines (studs and gudgeon pins), initially produced at Saint-Ouen-l'Aumône, and the production of small diameter 12-tooth engine screws, transferred from Villefranche-de-Rouergue. Production support services were formalized and today direct deliveries to clients (Safran, Pattonair, Airbus Helicopter and Airbus) account for more than half of the site's business. This share continues to grow significantly each year. FTB, which has obtained numerous qualifications since 2013, has implemented the LEAP (LISI Excellence Achievement Program) continuous improvement program. The Izmir site is currently in the benchmark phase for organization, cleanliness and tidiness.



TORRANCE TORRANCE AIMS FOR EXCELLENCE

With over 1,100 employees serving important customers (Boeing, Airbus, Embraer, Bombardier, Wesco, B/E Aerospace, Spirit), Torrance is the biggest site in the Fasteners section of LISI AEROSPACE. Levels of growth registered there (nearly 15% per year since 2011) require constant support. The site has committed to a large-scale modernization plan on the basis of the LEAP (LISI Excellence Achievement Program) improvement program, implemented by the Group since 2013. This plan supports change at many levels:

- Optimization of production organization by implementation of Autonomous Production Units (NAP) and Autonomous Production Groups (GAP)
- Simplification and tightening of workflows, to shorten cycle times and reduce outstanding volumes.
- Renovation of existing buildings and construction, qualification and inauguration of a new surface treatment plant.
- Large scale investment plan to increase the site's production capacity: automation of manufacturing processes and optimization of new technology.
- Implementation of numerous improvement projects: VSM, 5S, SMED.

To date, the LEAP (LISI Excellence Achievement Program) program has been deployed across 60% of the plant and the entire site will be covered for mid-2016.



RESEARCH AND DEVELOPMENT

Deployment of Hi-Kote NC "green" coatings

Over the past three years, LISI AEROSPACE, world leader in coatings for aeronautical fasteners with its Hi-Kote™ product range, has developed, qualified and industrialized a chromate-free range of coatings complying with the new environmental requirements of the European Reach program. Since January 2015, the new "green" coating, HI-KOTE NC™ has been used in all sites in the Fasteners Section, either exclusively (in the case of European plants) or partially (in the case of American and Turkish plants).

CO-ENGINEERING

The leading edges of the LEAP engine in industrial phase

The new LEAP engines, developed by the international CFM consortium for new aircraft by Boeing, Airbus and COMAC, have fan blades made of composites. These parts, which account for almost 80% of the engine's thrust, are protected by a titanium leading edge developed and manufactured in Marmande. 2014 was an intense year of co-engineering with SNECMA in the development of production routings. The rise in costs, anticipated for 2015, will be accompanied by substantial investment in industrial equipment. A 1,500m² extension will also be built as part of this exercise.

ENGINES OF THE FUTURE

New lines for transmission gears

To strengthen its position in the market segment for aircraft engine power transmission gears, bearing rings and engine bearings, the site at Bar-sur-Aube has been equipped with a new machining, testing and finishing line. These robotic installations allow LISI AEROSPACE to support its customers in the large XWB (A350) and LEAP engine programs and increase the production capacity of the site by 50% for these types of products.

HIGH-TECH ENGINE BLADES

Arms and Outlet Guide Vanes for Snecma

After four years of co-development carried out between Snecma and LISI AEROSPACE teams at Parthenay, Snecma has entrusted the development and series production of parts for its new LEAP engine. These arms and titanium Outlet Guide Vanes will represent annual sales revenue of € 18 million at full capacity. These parts are forged at the Bologne site and machined and welded at Parthenay, where a 4,500 m² extension is under construction. This will enable integration of all the manufacturing stages, thus doubling the activity of the site, which specializes in engine vanes.

In 2014, LISI AUTOMOTIVE got back on the path to growth in all its markets. The industrial reorganization program commenced in 2011 is nearing completion. The strong expertise of the division in the Mechanical Safety Components sector has strengthened its position in the strategic automotive supply markets of Europe, America, Korea, and China

LISI AUTOMOTIVE

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LISI 2014

LISI AUTOMOTIVE

Illustration 3D : C. Le Guez



Threaded fasteners



1

WHEEL BOLT



3

STEERING
COLUMN SCREW

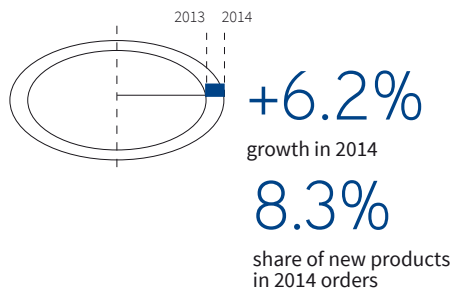


5

EXCENTRIC BOLT FOR FRONT
AXLE ADJUSTMENT

€448m

Sales revenue



3,186

Employees

€35m

CAPEX

Clipped solutions



2

STRUCTURE
NUT



7

NUTS TO BE CLIPPED
FOR SELF-TAPPING SCREWS



8

CLIP FOR AIRBAG
REMAINING SYSTEM



4

CYLINDER
HEAD BOLT



9

TWO MATERIALS FASTENER
FOR TUBES



10

METAL THREADED CHIMNEY
NUTS, TO SNAP ON



6

HOT FORGING GEARBOX
SHAFT NUT

Mechanical safety components



11

TORSION BAR FOR SEAT BELT



12

SAFETY MECHANICAL
COMPONENT FOR BRAKE
SYSTEM



13

BALL JOINT
PIVOTS



14

SEAT MECHANICAL
COMPONENT



15

BRAKE FITTINGS

GROWTH

GLOBAL MARKET REBOUND

Worldwide automobile production rose by +3.3% in 2014 as a result of rising sales (+3.8%). Production levels remained particularly buoyant in North America and Asia. The recovery was confirmed in Europe (+5.7%), with the exception of Russia, where production fell by -16% in twelve months.

58

LSI 2014



Driven by China, as well as the traditional big markets of North America and Europe, the global automotive market remains robust. Nearly 90 million vehicles were produced worldwide in 2014. The International Organization of Motor Vehicle Manufacturers (OICA) expects a further improvement in the market in the order of +3% in 2015, with a total of 91 million vehicles built.

Contrasting development in China

China, the main driver of the world market, saw this year again a strong rise in its production (+6.9%). This dynamic conceals, however, sharply contrasting developments between private vehicles (PV), which rose by +9.9% (19.7 million units) and utility vehicles, which fell by -6.8% (3.8 million units). The year was also marked by the difference in sales between domestic constructors, whose PV sales fell by -17%, and the continuing growth of foreign makes, notably German (+27% growth for Mercedes, +17% for the BMW group and +12% for the VW group) but also French (+28% better for the PSA-Dongfeng alliance) and American (+12% for GM).

Mexico is driving the American market

If production for the United States and Canada grew globally by +5% in 2014, the rebound has come from Mexico (+12%) which for the first time broke the three million threshold for units produced (3.3 million). The trend should continue in the coming years with the opening of the first Audi plant in North America in 2016. In 2014, production in the NAFTA zone (USA-Canada-Mexico) grew by +7%.

12.6 million vehicles sold in Europe

After six consecutive years of decline, Europe returns to growth. Spain remained the most dynamic market with +18.4% growth, ahead of the UK (+9.3%) and Italy (+4.2%). With over three million vehicles sold in 2014 (+2.9%), Germany is still the most significant market. France, maintaining a pattern of weak growth (+0.3%), ranked third with 1.8 million vehicles sold.

Three car makers each producing 10 million vehicles

On the manufacturers side, Toyota was the world leader once again this year with sales of 10.2 million vehicles, closely followed by VW (10.1 million) and America's GM (9.9 million). Still in 4th place on the podium, with sales of 8.2 million vehicles, the Renault-Nissan partnership emerged as the big winner in 2014: Nissan and Dacia sales surged by +13.1% and +13%, respectively. The Germans maintain their momentum: Daimler rose by +8%, BMW by +7.6% and VW by +6.9%. In France, PSA continued to adjust its European inventory: production fell by -1% but sales increased by +3.7%. At the global level, the French group showed a cumulative production increase of +6.2%, driven by China. For its part, Renault suffered as a result of difficulties in the Brazilian and Russian markets which affected its global production (+0.1%).

LANDMARKS



90 MILLION VEHICLES

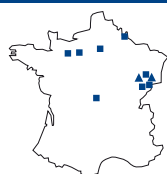
were produced worldwide
in 2014, an increase of
+3.3% in one year



+6,9%

The Chinese market grew in 2014

PLANTS



10 SITES in France

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



9 SITES Outside of France

- Cejc (Czech Republic)
- Fuenlabrada (Spain)
- Gummersbach (Germany)
- Heidelberg (Germany)
- Kierspe (Germany)
- Mellrichstadt (Germany)
- Beijing (China)
- Shanghai (China)
- Vöhrenbach (Germany)

KEY PARTS

Threaded fasteners

Fasteners for powertrain; wheel screws and nuts; fasteners for indoor and outdoor equipment; structural screws and nuts; screws for sheet metal; self-tapping screws; screws for soft materials; nuts, spacers and hollow bodies, PRESSFIX® screws and force-fitting nuts and assembly equipment.

Clip solutions

Snap-on nuts with tapped drums; clip assembly systems for tubes, cables, and beams; rivets and pins; axis fasteners; blanking plugs and cable grommets; fasteners for panels; snap-on nuts with tapped drums; multifunctional metalloplastic subsets.

Mechanical safety components

Torsion bars; ball pivot; guide rods; brake hoses; parking brake system; seat mechanism pinions and linkage; engine and gear shift components, direction components; airbag system components.

MAIN CUSTOMERS

Car makers

BMW;
Daimler;
Dongfeng;
FAW;
Ford;
Opel;
PSA;
Renault-Nissan;
SAIC;
VW-Audi;

Magna;
Plastic Omnium;
TI Automotive;
TRW;
Visteon;
ZF.

Manufacturing

AGCO;
Alstom;
Blanco;
Bombardier;
BSH;
Claass;
Electrolux;
Evobus;
Franke;
Iris Bus Iveco;
Miele;
Schneider.

OEMs

Autoliv;
Bosch;
CBI;
Faurecia;
Jtekt;
JCI;

MAIN COMPETITORS

ABC;
Agrati;
A. Raymond;
Brugola;
Fontana;
ITW;

Kamax;
Nedschroef;
SFS;
Stanley
Fastenings;
TRW Fasteners.



François LIOTARD

Chief Executive Officer, LISI AUTOMOTIVE

How did LISI AUTOMOTIVE handle its environment in 2014?

_ In a globally buoyant market, in Europe as well as in China, LISI AUTOMOTIVE's sales revenue increased by 6.4% to €448 million. A record level, well above the market. Purely automotive operations surged by 7%, driven by the German car makers and the leading OEMs. They were also helped by the upturn in activity of the two French constructors, PSA and Renault. At the same time, our activities for industry and distribution dropped by 10%.

Operational results increased slightly (+3%) even though the division pursued some heavy industrial projects. This performance was possible thanks to improved business results from Mechanical Safety Components and Clipped Solutions. The Threaded Fasteners segment remained under pressure amid reorganization of our nut and screw production activities in Europe.

What is the outlook for 2015?

_ Our automotive activities should experience another period of growth. The components product line will remain the most dynamic, with the continued ramp-up of our new products. LISI AUTOMOTIVE is renowned by customers for expertise in this area. They appreciate our development skills and know the level of quality we apply to strategic products concerning passenger safety.

With regard to fasteners, growth drivers will be apparent in the second half of the year for our Clipped Solutions, with the introduction of our applications for the new Renault 15/40 platform (Espace/Laguna/Mégane). Sales of Threaded Fasteners should remain dynamic throughout the year. The completion of the restructuring program carried out on this last activity should permit us to return gradually to performance levels comparable to international standards.



A PERFECT YEAR FOR SAFETY COMPONENTS

Development is accelerating for LISI AUTOMOTIVE's Mechanical Safety Components, a segment specializing in the design and co-production of strategic parts for components of steering and suspension systems, brakes and seat and seat belt fasteners. 2014 was marked by strong growth and a vigorous surge in new orders: € 10 million of commercial contracts were secured.

The first component manufacturing runs were launched in China, and two of our particularly competitive European plants now export their products to Asia and North America. Their levels of quality and service are recognized by all our customers throughout the world. This Business Group has, without doubt, been the star of 2014 within the LISI AUTOMOTIVE division.



GRANDVILLARS

A NEW HEAD OFFICE FOR LISI AUTOMOTIVE

Initiated in 2011, the project of renovating the historical buildings at Grandvillars was completed in the summer of 2014 with the layout of laboratories for research and metallurgical evaluation and functional testing. These laboratories also accommodate the division's central functions. Modern, open and fully functional, these new headquarters are the division's showcase: A symbol of the historical roots of LISI AUTOMOTIVE in Franche-Comté, they also project the division into the future, dynamically symbolizing the growth and innovation ambitions of all its teams.

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LISI 2014

LISI AUTOMOTIVE





DASLE EXTRAORDINARY CONSTRUCTION WORK

The reconstruction of over 50% of the Dasle site in Franche-Comté was achieved without production loss. A remarkable organizational achievement. The site, transformed into a modern and extremely functional plant, had to be totally redesigned to optimize and rationalize its entire workflow. These colossal works, started in October 2012, increased the level of production by 30%. Spread over more than two years, they were completed in May 2015, without business interruption thanks to the seamless orchestration of equipment relocation.

LOGISTICS

the Mellrichstadt center will be operational in 2015

the success of clipped activities in Germany has necessitated the construction of a new, modern logistics center, fitted with a sprinkler system. This will protect the parts stored there against the risk of fire. The commissioning of this new facility, which will improve working conditions as well as the service provided to customers, is scheduled for April 2015.

Specialization of four European fasteners sites

Initiated in 2010, LISI AUTOMOTIVE's European specialization program for fasteners plants was fully completed in 2014. It involved the modernization and restructuring of the Business Group's four plants: Delle and Saint-Florent in France, Fuenlabrada in Spain, and Kierspe in Germany. The first results produced by this specialization are expected in 2015.



leap
LISI EXCELLENCE ACHIEVEMENT PROGRAM

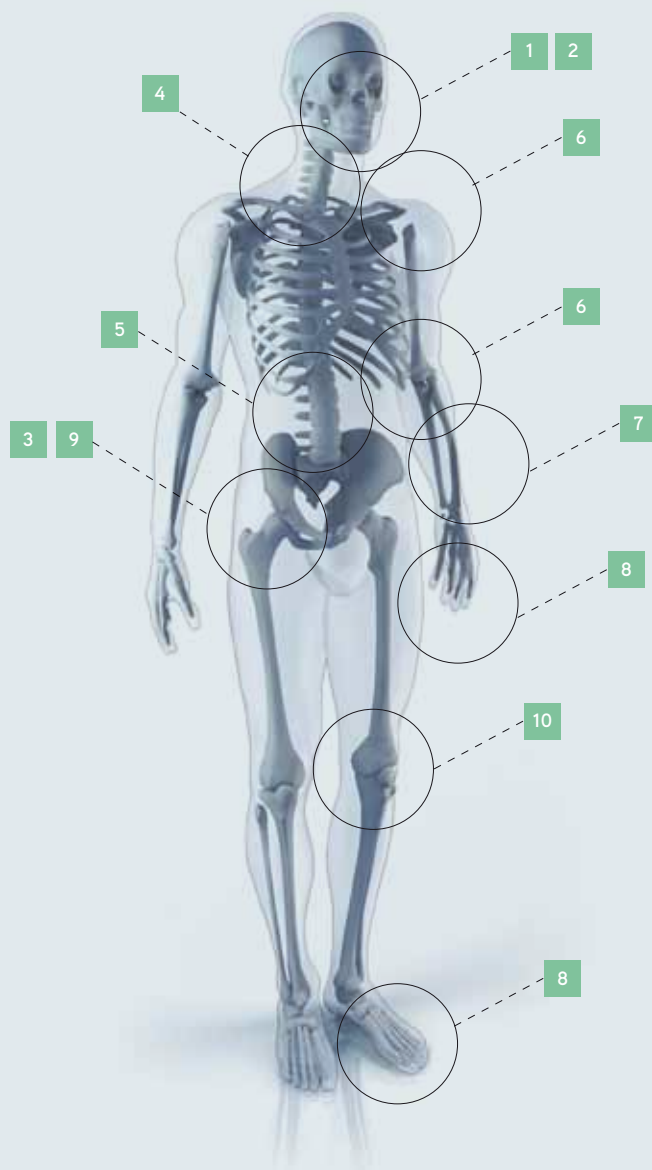
A divisional plant performance booster, the operational excellence program, LISI Excellence Achievement Program (LEAP), has been deployed across all LISI AUTOMOTIVE plants in France and throughout the world. Four of these plants were rewarded in 2014 for the quality of such deployment: Beijing in China, Cejc in the Czech Republic, Fuenlabrada in Spain, and Melisey in France, demonstrating that LEAP knows no frontiers.

The sales revenue posted by LISI MEDICAL, which was able to take advantage of market growth, grew by more than 10% in 2014. All the division's production sites, specializing in each sector of orthopaedics, were ready to absorb this momentum and win a share of the market from new customers.

LISI MEDICAL

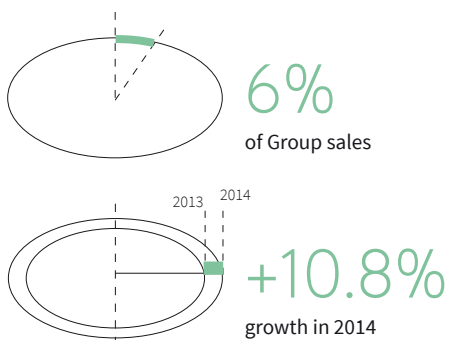
64

LISI 2014



€71m

Sales revenue



538

Employees

€4.6m

investments

LISI MEDICAL Fasteners



1

DENTAL IMPLANTS



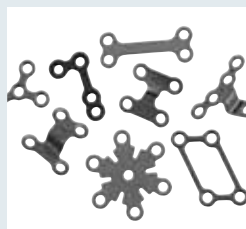
4

CERVICAL FUSION
AND NON FUSION



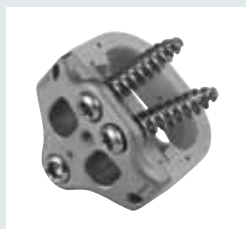
7

PLATES
AND SCREWS



2

MAXILLOFACIAL
IMPLANTS



5

LUMBAR FUSION
AND NON FUSION



8

SNAP OFF SCREWS



3

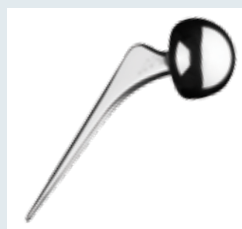
TRAUMATOLOGY IMPLANTS



6

ELBOW AND SHOULDER
PROSTHESIS

LISI MEDICAL Orthopaedics



9

TOTAL HIP PROSTHESIS



INSTRUMENTS



10

TOTAL KNEE PROSTHESIS

MOVEMENT

THE MARKET SETS THE PACE

Constraints on health costs cause profound disruption of the global orthopaedics market. Starting from 2013, consolidation began accelerating. A favorable context for LISI MEDICAL.

66

LISI 2014



The global medical orthopaedic market has again experienced many changes this year. The desire of large States to contain healthcare spending, which now governs the direction of major international markets, has been demonstrated by several big, long-term structural measures. Obama Care, started in the United States in 2014, constitutes one of the most symbolic examples.

Consolidations are accelerating

This new agenda has caused profound disruption in the Orthopaedic sector. Pressure on prices, which increased once more in 2014, has resulted in a widespread move towards consolidation. Started in 2013, this has continued in 2014 to support the policy of cost saving adopted by all the major players in the sector. Price cutting has also significantly altered the balance between therapeutic choice and patient typology in a shift towards economic improvement for the health systems.

Product ranges are being streamlined

These two major changes position the market and influence today's strategies. They demand the streamlining of medical device product ranges and favor the emergence of a generic sector.

In the search for scale economies, the major manufacturers have effectively undergone a refocusing of their core business activities and heightened their efforts in streamlining supply chains. They have also tended to outsource some of the costs related to their associated activities (research and development, inventory, validation, etc.) to sub-contractors who can offer total integration solutions in the form of a "One Stop Shop".

Development of generic offers

This environment which speeds up the development of generic offerings, also favors the emergence of a commodity market, such as those found in the consumables sector, focused on a few tried and tested technologies and recognized as being the "Gold Standard". This is one of the axes on which LISI MEDICAL has decided to build its strategy, at the same time as accelerating the process of ramping up its skills in order to respond to the parallel demands of the *Premium markets*.

LANDMARKS



5%
of sales dedicated
to CAPEX



+14%
growth in staffing
levels in 2014

FRAMING

Olivier LE BARS

Chief Executive Officer, LISI MEDICAL



How did LISI MEDICAL cope with its environment in 2014?

Market growth required significant investments in manpower and skills as well as in equipment. Divisional staffing levels grew by +14% and material purchases represented more than 5% of sales. This effort allowed us to achieve the capacity necessary to cope with the increase in orders throughout the year.

What is the outlook for 2015?

With the capacities installed in 2014, LISI MEDICAL will be able to meet the demands of the markets and continue to grow. We will respond to our historical customers, satisfied with the methods we have put in place, and we will reinforce partnerships entered into with new customers who trusted us in 2014. An example: the Caen site, specializing in bone implants, had only a single customer in 2010, the year when we acquired it; at the end of 2014, there were thirty more, and today... The full effect on sales revenue of all these new customers has not yet been felt.

FLAGSHIP PRODUCTS

Joint reconstruction

Orthopaedic reconstruction implants and instruments (hip, shoulder, knee).

Spine, trauma and dental

Orthopaedic, trauma, spinal, maxillofacial and dental implants and instruments.



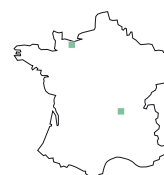
MAIN CUSTOMERS

Ace Surgical;	Signature
Biomet;	Orthopaedics;
Biosense	Smith & Nephew;
Webster;	Spineway;
C2F Implants;	Stryker;
LDR Medical;	Tornier;
Medacta;	Zimmer
Medicrea;	
Newdeal Integra;	

MAIN COMPETITORS

Accellent;	Norwood;
Coors Tek;	Orchid/Sandvik;
Greatbach;	Paragon;
Marle;	Tecomet

PLANTS



2 SITES in France

- Caen
- Neyron



1 SITE out of France

- Escondido (US)

EXTENSION

NEW RANGES OF KNEE PROSTHESES

The Caen site, dedicated to reconstruction, extended its product portfolio with a new range of knee prostheses, initiated from projects launched in 2013. This expansion, which makes use of technologies already employed for hip prostheses, strengthens LISI MEDICAL's presence in this market. It includes all knee prostheses, metallic femoral and tibia implants and intermediate polymer material inserts.



PROTOTYPING

Improvement of spine devices

New innovative product ranges were developed in 2014, such as spine devices whose fitting was simplified to reduce risk to the patient. Some of these products were initially manufactured by rapid prototyping in order to validate solutions for conventional series production.

SERVICE

Ready-to-use integrated solutions

The first parts manufactured and packaged for new clients were delivered after a long validation period. These products universally epitomize the skills that can deliver a fully integrated turnkey solution, from raw material to medical device. The product is delivered packaged and sterilized, ready to be implanted into the patient.

GROWTH

Increased production capacity

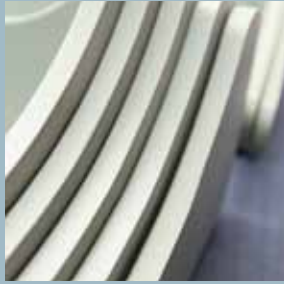
The installation of a new 1,500 ton press allowed the division's forge capacity to grow by +15%. This new equipment at the heart of LISI MEDICAL's businesses must support its growth. Sites specializing in Spinal/Extremity Trauma and Dental products also experienced an increase in their capacity. 5-axis milling machines and turning-milling machines were introduced to speed up diversification of the division to high value-added products.

TRAINING

AN INTERNAL POLISHING SCHOOL

A polishing school has been established at LISI MEDICAL to meet the needs of the market. Manual polishing, which requires real skill, constitutes an important part of this process. The first intake of the Caen school qualified during the course of 2014. This was achieved in partnership with local stakeholders and will be continued in 2015.





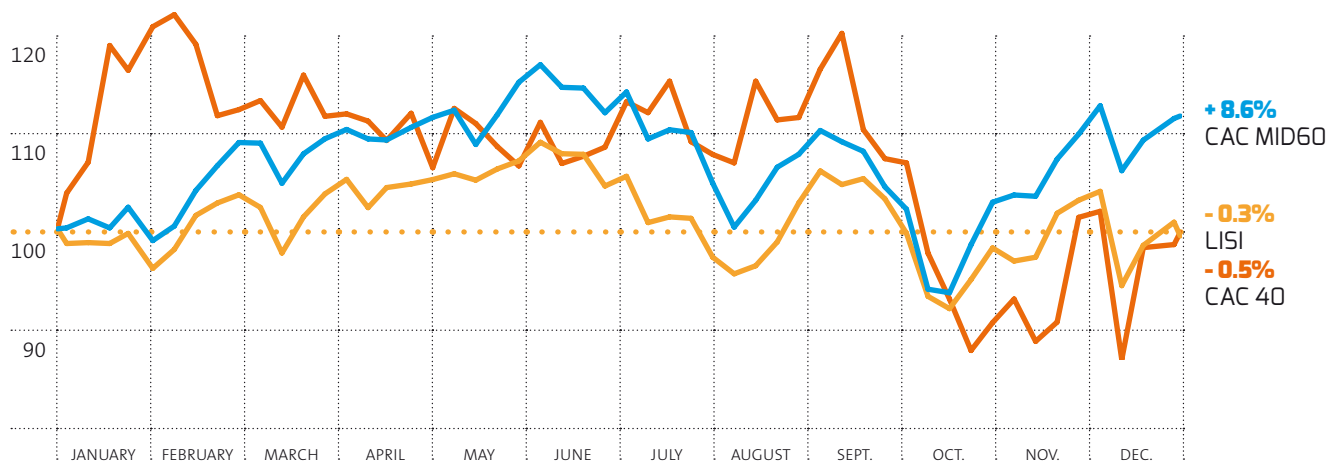
STOCK MARKET & FINANCIAL DATA **2014**

€ 21,50 PER SHARE

LISI'S PROGRESS OVER 2014: A ZERO GROWTH YEAR

70

LISI 2014



After strong growth in 2013 (+74.2% over 2 years), the share price stagnated this year (-0.3%). This performance compares with the CAC MID 60 (+8.6% in 2014 and +37.8% over two years), the EURONEXT 100 (+3.7% in 2014 and +23.3% over two years) and the CAC 40 (-0.5%).

The period was effectively split into two phases: until September 2014, the share price followed a positive trajectory, reaching €26, only to enter a chaotic 4th quarter, dipping below €19 in October, before steadily regaining its 2013 level.

In terms of volume, 6,202,375 shares were exchanged, a daily average of 9,728 shares and a floating share rotation of 34%.

Stock was divided by 5 on September 12, 2014 to improve liquidity and make transactions more accessible to individual shareholders.



Coverage of the stock

The stock is followed by 8 stockbrokers who regularly issue research notes accompanied by opinions and objectives corresponding to the assessment by the analyst in charge. This coverage provides complete and diversified information for professional and private investors.

The LISI Group participates in numerous conferences, road-shows and investor meetings in the cities of Frankfurt, London, Lyon, Nice and Paris. In total, the management of LISI met with more than 140 investors during the 2014 financial year.

The communication policy is based on complete and transparent communication, a presentation of the results along with the semi-annual and annual publications and on the assessment of the forecasts by the panel of analysts based on their macro-economic assumptions, without the LISI being bound by numerical commitments (guidance).

List of brokers



Agnès BLAZY



Laurent GELEBART



Christophe MENARD



Denis SCHERRER



Jean-François GRANJON



Chloé LEMARIE



Antoine BOIVIN-CHAMPEAUX



Christophe QUARANTE

Stock identification sheet

ISIN code: FR 0000050353

Reuters code: GFII.PA

Bloomberg code: FII.FP

Compartment: B Eurolist

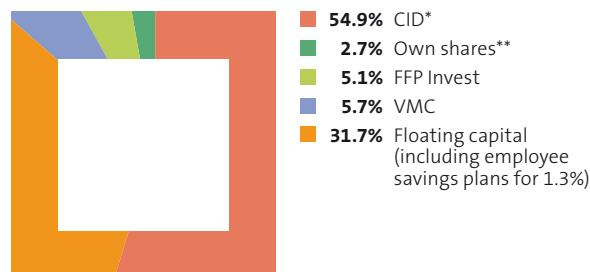
Stock marketplace: Euronext Paris

Number of shares: 54,023,875

Market capitalization as at: December 31, 2014: €1,162 million

Indices: CAC AERO&DEF, CAC -All Shares, CAC -All tradable, CAC Industrials, CAC Mid & Small, and CAC Small

Breakdown of capital



* Including direct and indirect holdings:

VMC: 20.94%

FFP Invest: 18.94%

CID: 16.64%

** Reserved for the performance shares and stock option programs.

2015 events

The General Meeting will be held on April 22, 2015 on company premises: Immeuble Central Seine – 46 – 50 Quai de la Rapée 75012 PARIS.

Dividend payments has been made on May 7, 2015.

Sales revenue for the second quarter of 2015, as well as half-yearly accounts will be available on line via the company website (www.lisi-group.com), on July 29, 2015.

Financial information for the third quarter of 2015 will be available on line via the Group website on October 21, 2015 after close of market.

Contacts

For information or documentation:

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Email: emmanuel.viellard@lisi-group.com

Shareholders, investors, financial analysts and financial and economic press please contact:

Mr. Emmanuel Viellard – Deputy Chairman and CEO

STOCK MARKET DATA

INCOME STATEMENT

(in €'000)	12/31/2014	12/31/2013
Pre-tax sales	1,306,530	1,148,971
Changes in stock, finished products and production in progress	1,682	12,474
Total production	1,308,213	1,161,445
Other revenues *	17,440	14,016
Total operating revenues	1,325,653	1,175,461
Consumed goods	(344,613)	(310,892)
Other purchases and external expenses	(265,077)	(219,416)
Value added	715,963	645,154
Taxes and duties **	(9,479)	(8,614)
Personnel expenses (including temporary employees)***	(513,273)	(457,657)
EBITDA	193,211	178,883
Depreciation	(64,630)	(57,450)
Net provisions	3,097	7,456
EBIT	131,678	128,889
Non-recurring operating expenses	(10,852)	(16,393)
Non-recurring operating revenues	8,058	2,639
Operating profit	128,883	115,134
Financing expenses and revenue on cash	(6,410)	(1,310)
Revenue on cash	807	1,948
Financing expenses	(7,217)	(3,258)
Other interest revenue and expenses	1,563	(2,504)
Other financial items	28,285	12,676
Other interest expenses	(26,722)	(15,180)
Taxes (of which CVAE (Tax on Companies' Added Value)**	(42,587)	(36,779)
Share of net income of companies accounted for by the equity method	31	
Profit (loss) for the period	81,479	74,540
attributable as company shareholders' equity	81,386	74,639
Interest not granting control over the company	93	(99)
Earnings per share (in €)****:	1.55	1.42
Diluted earnings per share (in €)****:	1.55	1.42

* In order to provide readers of the financial statements with better information that is in accordance with international standards, in the 2014 financial statements the Company has continued classifying revenues related to CIR (Research Tax Credit) as "Other Revenues".

** As at December 31, 2014, 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 -€6.0 M.

*** The "CICE" (Tax credit for competitiveness and employment) has been presented in application of the IFRS standards as a deduction from the employment-related expenses for an amount of €8.6 M.

**** Stock split by 5 of the LSI share on September 12, 2014.

STATEMENT OF OVERALL EARNINGS

(in €'000)	12/31/2014	12/31/2013
Profit (loss) for the period	81,479	74,540
Other items of overall income applied to shareholders equity		
Actuarial gains and losses out of employee benefits (gross element)	(8,115)	2,718
Actuarial gains and losses out of employee benefits (tax impact)	2,930	(609)
Restatements of treasury shares (gross element)	(1)	388
Restatements of treasury shares (tax impact)	0	(140)
Payment in shares (gross element)	1,227	2,248
Payment in shares (tax impact)	(443)	(812)
Other items of overall income that will cause a reclassification of income		
Exchange rate spreads resulting from foreign business	23,341	(9,702)
Hedging instruments (gross element)	1,535	(2,974)
Hedging instruments (tax impact)	(554)	253
Impact of a correction in deferred taxation for previous periods on share based payments and restatement of treasury stock		(558)
Other portions of global earnings, after taxes	19,919	(9,187)
Total overall income for the period	101,398	65,353

STATEMENT OF FINANCIAL SITUATION

ASSETS

(in €'000)	12/31/2014	12/31/2013
LONG-TERM ASSETS		
Goodwill	256,511	174,768
Other intangible assets	16,349	13,675
Tangible assets	431,847	371,208
Long-term financial assets	9,357	6,385
Deferred tax assets	22,992	11,066
Other long-term assets	976	936
Total long-term assets	738,034	578,038
SHORT-TERM ASSETS		
Inventories	316,989	258,178
Taxes – Claim on the state	5,744	11,680
Trade and other receivables	216,107	169,479
Cash and cash equivalents	110,818	94,000
Total short-term assets	649,657	533,337
TOTAL ASSETS	1,387,691	1,111,375

TOTAL EQUITY AND LIABILITIES

(in €'000)	12/31/2014	12/31/2013
SHAREHOLDERS' EQUITY		
Capital stock	21,610	21,573
Additional paid-in capital	72,584	70,803
Treasury shares	(15,042)	(14,135)
Consolidated reserves	542,375	487,458
Conversion reserves	11,248	(12,078)
Other income and expenses recorded directly as shareholders' equity	(6,505)	(3,084)
Profit (loss) for the period	81,386	74,639
Total shareholders' equity - Group's share	707,657	625,179
Minority interests	1,117	1,253
Total shareholders' equity	708,777	626,434
LONG-TERM LIABILITIES		
Long-term provisions	83,474	60,680
Long-term borrowings	245,690	118,640
Other long-term liabilities	9,071	7,726
Deferred tax liabilities	21,584	22,763
Total long-term liabilities	359,819	209,809
SHORT-TERM LIABILITIES		
Short-term provisions	22,907	21,060
Short-term borrowings*	46,363	43,178
Trade and other accounts payable	244,261	207,627
Taxes due	5,566	3,626
Total short-term liabilities	319,096	275,131
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	1,387,691	1,111,375
* of which banking facilities	10,066	8,224

CASH FLOW MOVEMENT TABLE

(in €'000)	12/31/2014	12/31/2013
Operating activities		
Net earnings	81,479	74,540
Elim. of the income of companies accounted for by the equity method	(31)	
Elimination of net expenses not affecting cash flows:		
- Depreciation and non-recurrent financial provisions	66,886	60,695
- Changes in deferred taxes	(318)	793
- Income on disposals, provisions for liabilities and others	(4,490)	8,405
Gross cash flow margin	143,526	144,433
Net changes in provisions provided by or used for current operations	(2,757)	(2,099)
Operating cash flow	140,770	142,333
Income tax expense (revenue)	42,905	35,987
Elimination of net borrowing costs	4,837	2,824
Effect of changes in inventory on cash	(8,557)	(12,640)
Effect of changes in accounts receivable and accounts payable	(4,305)	(4,278)
Net cash provided by or used for operations before tax	175,649	164,227
Taxes paid	(34,577)	(45,206)
Cash provided by or used for operations (A)	141,072	119,019
Investment activities		
Acquisition of consolidated companies	(127,735)	
Cash acquired	8,841	
Acquisition of tangible and intangible fixed assets	(92,548)	(88,980)
Acquisition of financial assets		
Change in granted loans and advances	(215)	(457)
Investment subsidies received		
Dividends received		
Total cash used for investment activities	(211,657)	(89,437)
Divested cash		
Disposal of consolidated companies		
Disposal of tangible and intangible fixed assets	1,923	1,319
Disposal of financial assets		
Total cash from disposals	1,923	1,319
Cash provided by or used for investment activities (B)	(209,733)	(88,118)
Financing activities		
Capital increase	1,838	
Net disposal (acquisition) of treasury shares		
Dividends paid to shareholders of the Group	(17,820)	(14,674)
Dividends paid to minority interests of consolidated companies		
Total cash from equity operations	(15,982)	(14,674)
Issue of long-term loans	155,307	5,137
Issue of short-term loans	467	72,269
Repayment of long-term loans	(22,903)	(4,663)
Repayment of short-term loans	(33,105)	(87,170)
Net interest expense paid	(4,837)	(2,826)
Total cash from operations on loans and other financial liabilities	94,928	(17,253)
Cash provided by or used for financing activities (C)	78,947	(31,926)
Effect of change in foreign exchange rates (D)	5,597	226
Effect of adjustments in treasury shares (D) *	(908)	(4,691)
Changes in net cash (A+B+C+D)	14,975	(5,489)
Cash at January 1st (E)	85,776	91,269
Cash at year end (A+B+C+D+E)	100,751	85,776
Cash and cash equivalents	110,818	94,000
Short-term banking facilities	(10,066)	(8,224)
Closing cash position	100,751	85,776

* For 2013, the €(4.7) M include a reclassification into the opening cash balance of items not meeting the criteria for allocation to cash equivalents.

STATEMENT OF SHAREHOLDERS' EQUITY

	Capital stock	Capital- linked premiums (Note 2.5.3.2)	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
(in €'000)										
Shareholders' equity at January 1, 2013	21,573	70,803	(14,616)	445,588	(2,383)	(3,598)	57,287	574,657	1,360	576,017
Profit (loss) for the period N (a)							74,639	74,639	(99)	74,540
Translation differential (b)					(9,695)			(9,695)	(7)	(9,702)
Payments in shares (c)						1,148		1,148		1,148
Capital increase										
Restatements of treasury shares (d)			481			(22)		459		459
Restatements as per IAS19 (g)						2,109		2,109		2,109
Appropriation of N-1 earnings				57,287			(57,287)			
Change in scope										
Dividends distributed				(14,674)				(14,674)	0	(14,674)
Reclassification										
Restatements of financial instruments (f)						(2,721)		(2,721)		(2,721)
Various (e)				(743)				(743)		(743)
Shareholders' equity at December 31, 2013	21,573	70,803	(14,135)	487,458	(12,078)	(3,084)	74,639	625,179	1,253	626,434
including total revenues and expenses posted for the period (a) + (b) + (c) + (d) + (e) + (f) + (g)					(9,695)	514	74,639	65,458	(106)	65,352
Shareholders' equity at January 1, 2014	21,573	70,803	(14,135)	487,458	(12,078)	(3,084)	74,639	625,179	1,253	626,434
Profit (loss) for the period N (a)							81,386	81,386	93	81,479
Translation differential (b)					23,327			23,327	14	23,341
Payments in shares (c)						784		784		784
Capital increase	37	1,781						1,818		1,818
Restatements of treasury shares (d)			(908)			(1)		(909)		(909)
Restatements as per IAS19 (g)						(5,186)		(5,186)		(5,186)
Appropriation of N-1 earnings				74,639			(74,639)			
Change in scope				(988)				(988)	(243)	(1,231)
Dividends distributed				(17,820)				(17,820)		(17,820)
Reclassification										
Restatements of financial instruments (f)						981		981		981
Various (e)				(915)				(915)		(915)
Shareholders' equity at December 31, 2014	21,610	72,584	(15,042)	542,375	11,248	(6,505)	81,386	707,657	1,117	708,777
including total revenues and expenses posted for the period (a) + (b) + (c) + (d) + (e) + (f) + (g)					23,327	(3,422)	81,386	101,291	107	101,398

FUNCTIONAL ORGANIZATION CHART



*secondary sites



LINK SOLUTIONS FOR INDUSTRY

lisi

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