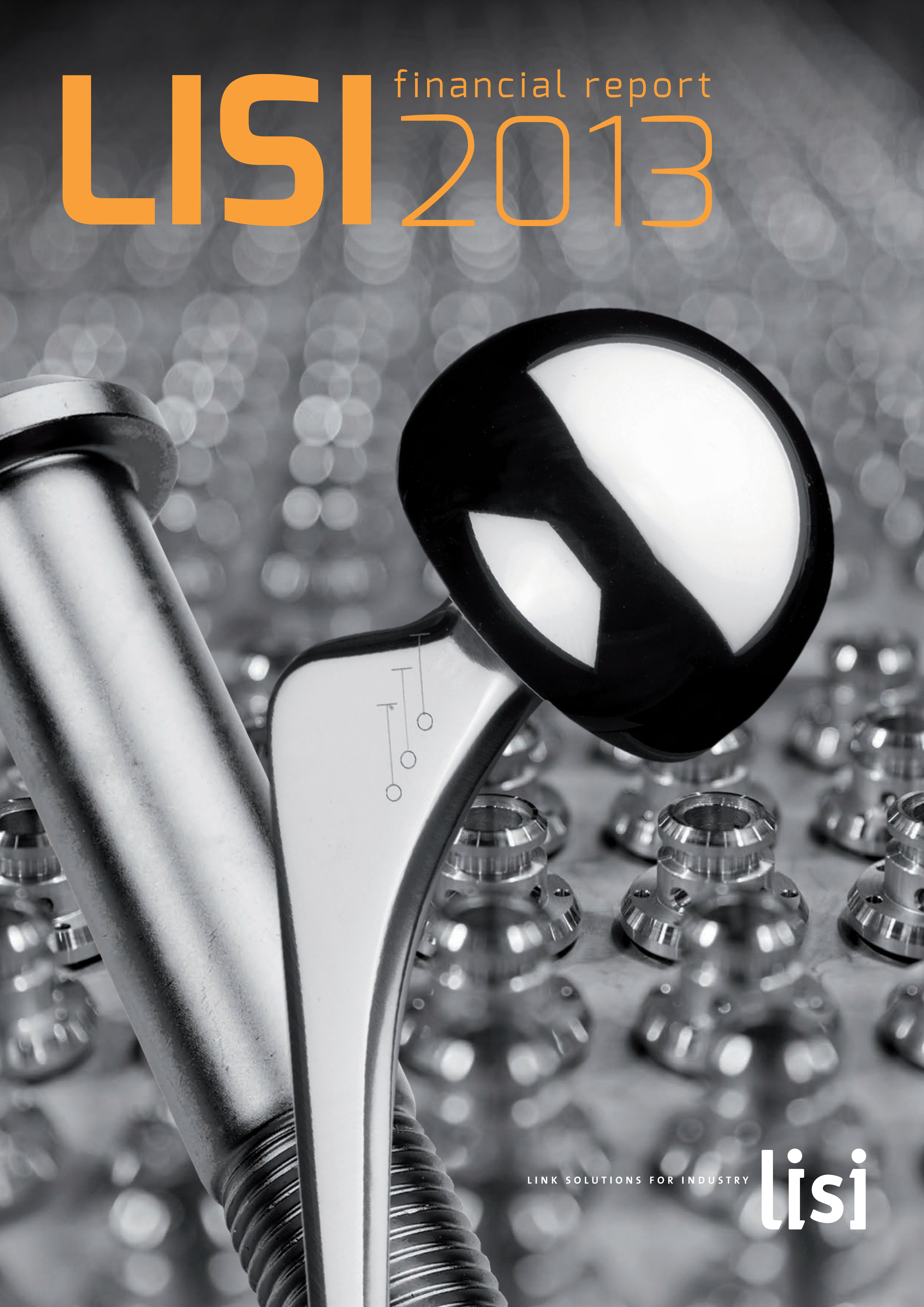
LISI financial report 2013



LINK SOLUTIONS FOR INDUSTRY

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GENERAL INFORMATION REGARDING THE COMPANY 1

1 | NAME AND TITLE OF THE PERSON IN CHARGE OF THE ANNUAL REPORT AND STATUTORY AUDITORS

1.1 | NAME AND TITLE OF THE PERSON IN CHARGE OF THE ANNUAL REPORT

Mr. Emmanuel Viellard
Deputy Chairman

1.2 | STATEMENT BY THE PERSON IN CHARGE OF THE ANNUAL REPORT

"I certify, after taking all reasonable measures to that end, that the information contained in this annual report is, to my knowledge, consistent with reality, and includes no omissions likely to alter its meaning or interpretation.
I certify that, to the best of my knowledge, the accounts have been drawn up in accordance with the relevant accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the companies included therein taken as a whole, and the annual report in chapters 2-3-4-5-6 gives a true and fair view of the development of business, the profit or loss of the companies included therein taken as a whole together with a description of the principal risks and uncertainties that it faces. I have secured from our auditors, ERNST & YOUNG et autres and EXCO CAP AUDIT, a completion letter stating that they have verified the information regarding the financial situation and the financial statements provided in the annual report, and that they have read the entire annual report."

Paris, 26 March, 2014
Emmanuel Viellard
Deputy Chairman

1.3 | STATUTORY AUDITORS

Regular auditors:
EXCO CAP AUDIT represented by Philippe Pourcelot
2 rue Jules Emile Zingg – BP 9
25409 EXINCOURT Cedex
Appointed April 13, 1993. Mandate to expire during the Ordinary General Meeting ruling on the statements for financial year ending December 31, 2016.

ERNST & YOUNG et Autres represented by Henri-Pierre Navas
Tour First
1, Place des Saisons
TSA 14444
92037 PARIS LA DEFENSE Cedex
Appointed April 27, 2011. Mandate to expire during the Ordinary General Meeting ruling on the statements for financial year ending December 31, 2016.

Alternate auditors:
Mr. Philippe AUCHET
2 rue Jules Emile Zingg – BP 9
25409 EXINCOURT Cedex
Appointed April 27, 2011. Mandate to expire during the Ordinary General Meeting ruling on the statements for financial year ending December 31, 2016.

Cabinet AUDITEX
Tour First
1, Place des Saisons
TSA 14444
92037 PARIS LA DEFENSE Cedex
Appointed April 27, 2011. Mandate to expire during the Ordinary General Meeting ruling on the statements for financial year ending December 31, 2016.

2 | INFORMATION POLICY

2.1 | PERSON IN CHARGE OF THE FINANCIAL INFORMATION

Mr. Emmanuel Viellard

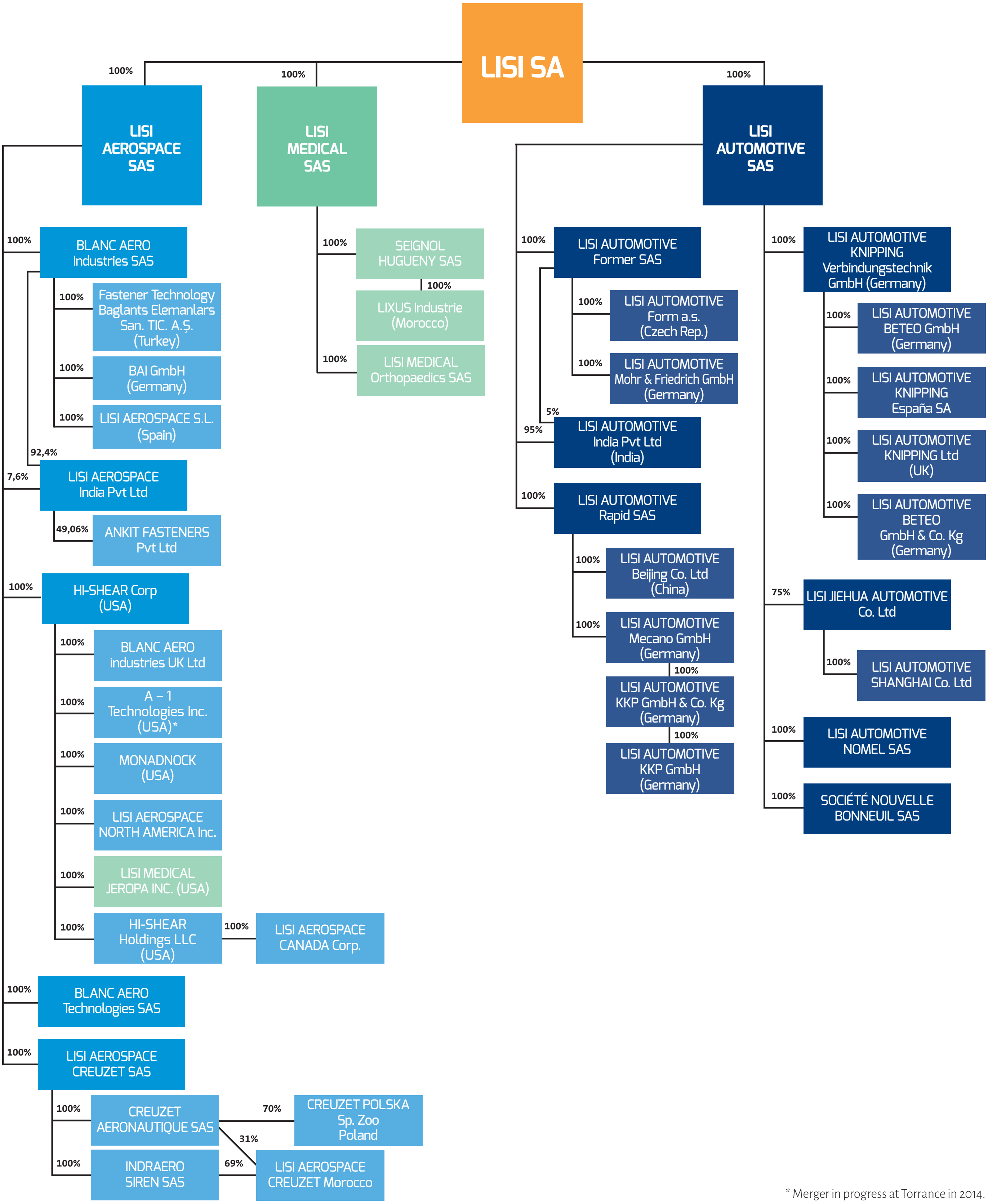
LISI
Le Millenium
18 rue Albert Camus
CS 70431
90008 BELFORT Cedex
Tel.: + 33 (0)3 84 57 00 77 / Fax: + 33 (0)3 84 57 02 00
Website: www.lisi-group.com
Email: emmanuel.viellard@lisi-group.com

2.2 | DOCUMENTATION

- Annual document in French and English (paper version and CD)
- Press release

All documents are made available to the shareholders. A copy of these may be requested from the company's registered offices or found on the company website. Annual reports and quarterly updates, as well as all regulatory information are available to download from the website.

3 | LEGAL ORGANIZATION CHART



* Merger in progress at Torrance in 2014.

4 | FUNCTIONAL ORGANIZATION CHART

LISI

LISI AEROSPACE

Fasteners

– Europe

Airframe
- Saint-Ouen-l'Aumône
- Vignoux-sur-Barangeon
- Rugby (GB)
- Bangalore (India)
- Tanger (Morocco)

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

– USA

Airframe
- Paramount (USA)*
- Torrance (USA)

Engines & Critical
- Dorval (Canada)

– Specialty Fasteners
- City of Industry (USA)

Structural Components

– Engineered Components
- Beyssac
- Sedziszow Malopolski (Poland)

– Aerostructure & Aircraft equipment
- La Bourdine
- Colomiers
- Casablanca (Morocco)

LISI MEDICAL

Europe
- Neyron

USA
- Escondido (USA)

Orthopaedics
- Hérouville

LISI AUTOMOTIVE

Threaded Fasteners
- Delle
- Dasle
- La Ferté Fresnel
- Saint-Florent
- Thiant
- Gummersbach (Germany)
- Kierspe (Germany)
- Vöhrenbach (Germany)
- Fuenlabrada (Spain)

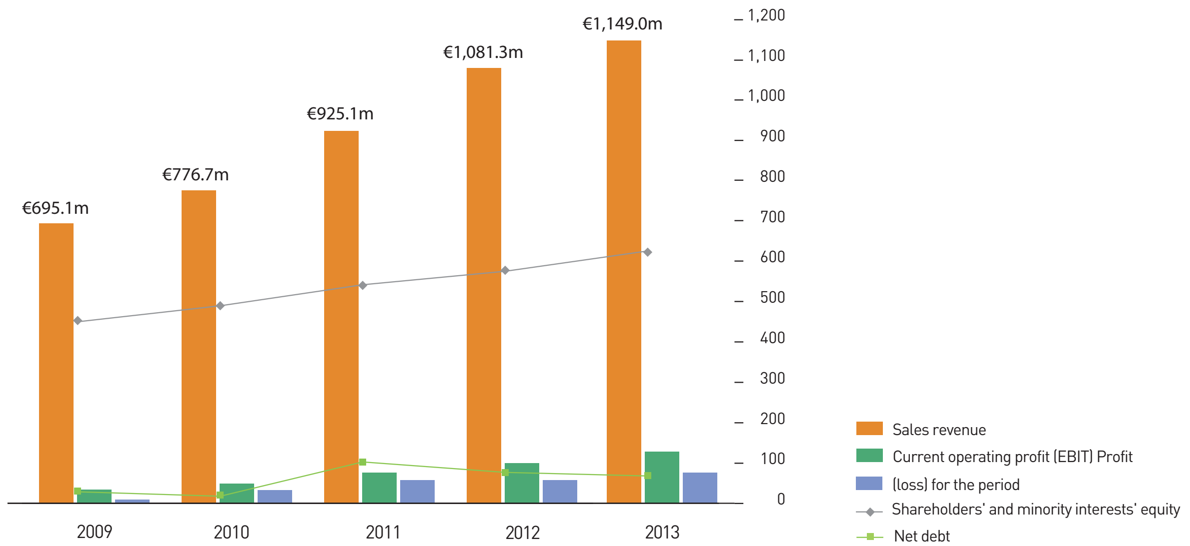
Clipped solutions
- Puiseux
- Heidelberg (Germany)
- Mellrichstadt (Germany)
- Pékin (China)

Savety Mechanical Components
- Melisey
- Cejc (Czech Rep.)
- Shanghai (China)

* Merger in progress at Torrance in 2014.

5 | KEY FIGURES

In €m	2013	2012	2011	2010	2009
Sales revenue	1,149.0	1,081.3	925.1	776.7	695.1
EBIT	128.9	100.4	76.6	49.5	34.2
Profit (loss) for the period	74.6	57.3	58.2	32.9	9.4
Shareholders' and minority interests' equity	626.4	576.0	542.5	490.3	450.6
Net debt	67.8	76.7	102.6	17.5	28.5



6 | INFORMATION ABOUT THE ISSUER

6.1 | BREAKDOWN OF SHARE CAPITAL

LISI share datasheet

ISIN code: FR 0000050353

Reuters: GFII.PA

Bloomberg: FII.FP

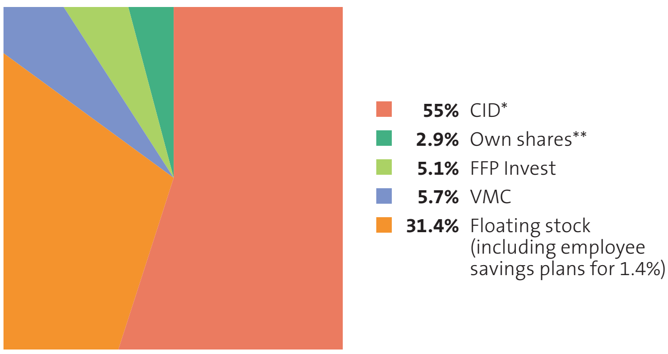
Compartment: B Eurolist

Stock marketplace: Euronext Paris

Number of shares: 10,786,494

Market capitalization at December 31, 2013: €1,207m

Indices: CAC®AERO&DEF., CAC® All Shares, CAC® – All Tradable, CAC® Industrials, CAC® Mid & Small, and CAC® Small



* Including direct and indirect holdings:
VMC: 20.98%
FFP Invest: 18.98%
CIKO: 16.65%

** Reserved for performance share schemes.

LIQUIDITY OF THE SHARE

Float capital turnover rate: 42%
Average number of shares traded per day in 2013: 5,553

Month	Closing price	Highest price	Lowest price	Session average	Transaction volume	No of shares traded during the month (1)
2011						
January	55.00	60.80	50.08	55.44	8,874	155,881
February	59.92	60.30	55.00	57.65	7,751	134,192
March	60.53	65.50	55.70	60.60	9,879	161,298
April	65.55	65.99	58.02	62.01	3,594	56,894
May	63.00	66.15	62.00	64.08	2,743	43,192
June	64.75	64.75	60.55	62.65	5,665	90,230
July	68.50	69.99	61.00	65.50	7,945	123,141
August	56.00	70.18	52.62	61.40	9,837	170,847
September	51.20	56.05	47.00	51.53	7,005	138,027
October	58.40	59.72	48.50	54.11	6,703	123,637
November	52.01	58.00	48.50	53.25	7,280	137,172
December	50.75	53.99	46.21	50.10	4,688	93,661
2012						
January	59.00	60.70	49.41	55.06	5,256	95,817
February	62.50	62.50	58.70	60.60	8,460	139,454
March	62.90	64.58	61.30	62.94	5,599	88,659
April	56.55	63.30	55.81	59.56	6,038	102,875
May	50.34	56.51	48.01	52.26	5,119	100,284
June	46.70	50.70	44.13	47.42	2,900	60,493
July	53.10	54.00	43.80	48.90	4,255	89,142
August	53.22	56.70	52.51	54.61	3,958	72,228
September	53.29	53.50	51.95	52.73	2,542	48,138
October	51.21	55.60	50.08	52.84	4,348	82,433
November	56.00	56.50	49.58	53.04	9,389	180,982
December	61.70	61.70	55.80	58.75	7,167	124,159
2013						
January	64.98	66.70	59.90	63.30	7,286	115,582
February	71.92	73.73	62.71	68.22	10,024	146,418
March	75.70	79.50	70.70	75.10	10,228	133,884
April	85.41	86.00	71.14	78.57	8,240	107,203
May	84.50	87.25	81.30	84.28	5,551	65,523
June	84.00	85.20	81.10	83.15	12,679	153,373
July	99.00	99.80	83.91	91.86	11,849	129,078
August	98.62	103.00	91.31	97.16	11,615	116,816
September	105.00	108.38	98.44	103.41	11,741	114,178
October	113.70	117.48	104.50	110.99	12,343	110,707
November	111.97	114.50	102.00	108.25	11,311	103,756
December	107.80	111.88	105.06	108.47	12,976	119,494
2014						
January	124.50	129.50	107.45	118.48	12,401	103,969
February	117.65	127.80	115.40	121.60	12,939	107,696

(1) Excl. non-system.

Market Maker's Contract

The market-making contract complies with the ethical charter of the AFEI and is carried out by:

ODDO FINANCE CORPORATE
Mr. Eric BIGOTTEAU
Email: ebigotteau@oddo.fr
Tel: +33 (0)1 40 17 52 89

6.2 | HISTORY

1777

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

1796

Some years later MIGEON & DOMINE is founded in Morvillars in the Belfort region, later to become VIELLARD MIGEON et Compagnie (VMC). Initially a specialist in the manufacture of wires, the company rapidly integrates processing activities.

1806

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

1899

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

1968

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

1977

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

1989

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

1990 / 2000

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

2002

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

The strategy of focusing on Core Business continues:

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

2004

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

2005

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

2007

Sale of European distribution firm EUROFAST to ANIXTER France (LISI AEROSPACE).

LISI AUTOMOTIVE sells its Monistrol plant in the Haute-Loire to the PRECITURN group.

Creation of the LISI MEDICAL subdivision, following acquisition of:

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

2008

LISI AUTOMOTIVE increases its presence in China and India with the creation of a second manufacturing plant in Shanghai dedicated to making threaded fasteners for the automotive industry.

2009

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

2010

The Group returned to external growth with two major acquisitions:

- Acquisition by LISI AUTOMOTIVE of two French sites from the American Group, Acument Global Technologies, specializing in the manufacture of fasteners for the automotive industry.
- Purchase by LISI MEDICAL of a site producing hip replacements from the American Group, Stryker Corporation, a leading global provider of medical technologies. The agreement is accompanied by a five-year supply contract.

2011

The Group continued the movement to strengthen and build its position in strategic markets started in 2010. 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 €52.8m in 2010.
- The Creuzet Group was purchased and consolidated as of July 1, 2011. It contributed €136m to the sales revenue of 2012.

2012

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.

2013

The LISI Group secured funding of $75 million through a private placement in the United States and a loan of €30 million from the EIB to strengthen its long-term resources. The investment plan represented a record amount of €87.7 million over the period.

6.3 | COMPANY NAME – REGISTERED OFFICE AND LEGISLATION

Company name and head office

LISI S.A. – Le Millenium – 18 rue Albert Camus CS 70431 – 90008 BELFORT Cedex

Legal form of the issuer and applicable legislation

Société Anonyme" (public limited company) governed by French legislation.

Place and number of registration

- R.C.S.: BELFORT 536 820 269
- NAF Code: 7010 Z

6.4 | INCORPORATION AND TERM - ARTICLES OF ASSOCIATION

Incorporation and term

The company was set up on July 1968. Its term expires on July 4, 2067, excepting early dissolution or renewal.

Purpose

According to article 2 of the by-laws, the company's purpose is:

- The acquisition of equity interests in all types of companies, including commercial, manufacturing, financial, securities and property development companies;
- The manufacture, purchase and sale of all items, especially those relating to screws, nuts and bolts, forging, lathing and machine tooling and building;
- Where necessary, all transactions relating to the machine industry and sale of related products ;
- The direct or indirect participation in all transactions or business matters that could have an impact on said business purpose or which could help further the interests of the corporation, by any means, including the creation of new companies, subscription contribution, the purchase of shares and rights, etc.;
- and more generally, all commercial, securities and real estate transactions, be they directly or indirectly related to the business purpose or likely to facilitate its expansion or growth.

Financial Year

The company's accounting period begins on January 1 and ends on December 31 of each year.

Specific statutory clauses

Article 17 – Distribution of earnings

- Out of the distributable profit, all amounts the Shareholders' General Meeting shall decide to carry forward to the next year or allocate to the creation of extraordinary, contingency, or other funds, with or without a special allocation, shall be withdrawn first. The reminder is distributed between the shareholders, in proportion to the share capital held.

- Each shareholder may be granted the option of receiving payment in cash or in shares under the terms provided for by law, for all or part of the dividend or the advance on the dividend distributed.

Article 15-1 to 15-5 – Shareholders' General Meetings

- Shareholder meetings are held and deliberate in accordance with the applicable legal provisions. They meet at the head office or at any other location specified in the meeting notice.

- The Shareholders' Meeting is composed of all the shareholders, regardless of the number of shares they own, provided that the shares are fully paid-up. The right to attend in person or to be represented by proxy is subject:
  1. For registered shareholders, to the registration of their shares in a pure or administered personal account at least 5 days before the date of the Meeting ;
  2. For holders of bearer shares, if any exist, to the submission within the same period of time, of a certificate established by the authorized proxy acknowledging the unavailability of the shares registered in the account until the date of the Meeting.

  However, the Board of Directors may, as a general rule, reduce or waive this time period.

- The Meetings are chaired by the Chairman of the Board of Directors or, in his absence, by the oldest Deputy Chairman, or in the absence of a Deputy Chairman, by the most senior director present at the Meeting. Failing this, the Meeting may elect its own Chairman.

- Barring any legal or regulatory measures to the contrary, each member of the Shareholders' Meeting is entitled to as many share votes as he owns or represents, both in his own name and as a proxy, without limitation. However, certain shares have double the voting rights of other shares in view of the proportion of share capital they represent, namely:

  1. All fully paid-up shares registered in the name of the same shareholder for at least four (4) years;
  2. All shares allocated free of charge to shareholders as part of a capital increase carried out through the incorporation of reserves, profits or issue premiums, up to the number of existing shares for which they are entitled to such double voting rights.

  Double-voting rights cease to apply once the shares change hands. However, the aforementioned time period is not interrupted and double voting rights still apply in the event that transfers occur as a result of inheritance, liquidation of community property between spouses or donations inter vivos to a partner or family relation who is entitled to inheritance rights.

- In the event that shareholders vote by proxy, only those proxy votes that have arrived at the company at least 3 days prior to the date of the Shareholders' Meeting will be counted.

Moreover, the attendance of a shareholder at the Annual General Meeting shall consequently render null and void the postal vote and/or the form of proxy which said shareholder may have, where appropriate, sent to the company; the shareholder's presence shall override any other form of participation which he may have previously chosen. If the shareholder is not present at the meeting, his power of attorney is only taken into consideration with respect to the votes cast in his proxy voting form, if one has been submitted.

Article 9 – Disclosure Requirements

- Shares are freely tradable in the absence of any legal or regulatory provisions to the contrary.

- Shares are delivered by transfer from one account to another according to the terms and conditions set forth by regulations.

- The company's shares are indivisible.

- If a specific quantity of existing shares is required for a shareholder to exercise rights, or if existing shares are exchanged or issued which grant the right to a new share in return for the redemption of several existing shares, any odd-lot shares or shares that fall short of the minimum number required will not provide shareholders with rights vis-à-vis the company, as it is up to the shareholders to gather the required number of shares and, if possible, to buy or sell the required number of shares.

- Without prejudice to the provisions covered in article 356-1 of law no. 66-537 of July 24, 1966, any person who owns or acquires at least 3% of share capital either directly or indirectly, as set forth under the provisions of said article 356-1, must report the total number of shares that he owns by recorded delivery with confirmation of receipt to the company's registered office within 15 days of this 3% threshold being exceeded.

Shareholders are also required to inform the company within the same time period should their stake dip below the aforementioned thresholds.

In the event that beneficial share ownership is not reported in accordance with the aforementioned procedures, the shares that exceed the reporting threshold shall be deprived of voting rights for all Shareholders' Meetings held within a period of up to 3 months after the date the declaration of beneficial ownership is finally made in accordance with the proper procedures, by one or more shareholders who jointly own at least 5% of share capital, as recorded in the minutes of the Shareholders' General Meeting.

6.5 | CONSULTATION OF CORPORATE DOCUMENTS

The corporate documents pertaining to LISI S.A. (by-laws, Shareholders' General Meeting reports, Auditors' reports and all documents available to shareholders) can be viewed upon request at the corporation's head office at the following address: Société LISI S.A., Le Millenium, 18 rue Albert Camus, CS 70431, 90008 BELFORT Cedex.

FINANCIAL SITUATION 2

1 | OVERVIEW OF THE MAIN ACTIVITIES

1.1 | LISI AEROSPACE

€663.9m
SALES REVENUE

5,604
STAFF

€52.3m
INVESTMENTS

Activity

Fasteners and assembly and structural components for the aerospace industry

Flagship products

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

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

Special parts
Specialty, non-structural fasteners (clip nuts, quarter turns, spacers, etc.; bolts, assembly equipment.

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

Structural components
Sheet metal or formed parts and composite structural parts, complex assembled subsets, integrated into the cell or the aircraft engine: blades, leading edges, beams, ferrules, inlet lips, helicopter floor, APU exhaust, etc.

Customers

Airbus;
Boeing;
Bombardier;
Dassault;
CFAN;
EADS;
Embraer;
Eurocopter;
Finmeccanica;
GEAE;
Pratt & Whitney;
Rolls Royce;
Safran;
Spirit;
Formula 1 and Nascar for Racing.

Competitors

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

1.2 | LISI AUTOMOTIVE

€422.2m
SALES REVENUE

3,143
STAFF

€32.1m
INVESTMENTS

Activity

Fasteners and assembly components for the automotive industry

Flagship products

Threaded fasteners
fasteners for powertrain;
wheel screws and nuts;
fasteners for interior assemblies and engine components;
screws for sheet metal;
self-tapping screws;
screws for soft materials;
PRESSFIX® screw and force-fitting nuts and assembly equipment.

Clip solutions
fasteners for panels;
fasteners for tubes and mono or bi-material beams;
clip-on screws and nuts;
snap-on nuts with tapped drums;
rivets and pins;
blanking plugs and cable grommets;
axis fasteners;
multifunctional metalloplastic subsets.

Mechanical safety components
torsion bars;
ball pivot;
guide rods;
brake hoses;
parking brake system;
seat mechanism pinions and linkage;
engine and gearbox components;
steering components;
airbag system components.

Customers

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

Car parts manufacturers:
Autoliv;
Bosch;
CBI;
Delphi;
Faurecia;
Jtekt;
JCI;
Magna;
Plastic Omnium;
TI automotive;
TRW;
Visteon;
ZF;

Industry:
AGCO;
Alstom;
Blanco;
Bombardier;
BSH;
Claass;
Electrolux;
Evobus;
Franke;
Miele;
Iris bus Iveco;
Schneider.

Competitors

ABC;
Agrati;
A. Raymond;
Brugola;
FinnvedenBulten;
Fontana;
ITW;
Kamax;
Nedschroef;
RUIA;
SFS;
Stanley Fastening;
TRW Fasteners.

1.3 | LISI MEDICAL

€64.1m
SALES REVENUE

474
STAFF

€3.1m
INVESTMENTS

Activity
Medical implant and auxiliary parts sub-contractor.

Flagship products

Joint reconstruction:
Orthopedic reconstruction implants and instruments (hip, shoulder, knee).

Spine, trauma and dental:
Orthopedic (foot, hand, shoulder), trauma, spinal, maxillofacial and dental implants and instruments.

Customers
Ace Surgical;
Alphatec Spine;
Biomet 3i;
Biosense Webster;
LDR Medical;
Medacta;
Medicrea;
Newdeal Integra;
Serf Dedienne;
Smith & Nephew;
Spineway;
Stryker;
Tornier;
Zimmer;

Competitors
Accelent;
Greatbatch;
IMDS / C5
Marle;
Norwood;
Orchid / Sandvik;
Paragon;
Symmetry;
Teleflex / Tecomet;

2 | GROUP ACTIVITY FOR THE FINANCIAL YEAR, AND OUTLOOK FOR THE COMING YEAR

2.1 | LISI CONSOLIDATED

2013 has been a new year of improved profitability for the LISI Group. Consolidated sales revenues of €1,149m were up nominally 6.3% and up 7.3% at a constant consolidation scope and exchange rates, which is reflected in the following developments in current exchange rates:

- the confirmed dynamism of the LISI AEROSPACE division (up 12.2%), which has achieved historically high levels both in aerospace fasteners and structural components,
- the solid performance of LISI AUTOMOTIVE (-1.0%),
- the gradual recovery of LISI MEDICAL (down 1.1% as compared with down 12.1% in 2012).

Comments regarding Q4 business

	LISI Consolidated	of which LISI AEROSPACE	of which LISI AUTOMOTIVE	of which LISI MEDICAL
Q1	298.6	172.9	110.2	16.0
Q2	296.2	169.8	110.2	16.6
Q3	277.0	160.1	100.6	16.5
Q4	277.2	161.1	101.3	15.1
2013	**1,149.0**	**663.9**	**422.2**	**64.1**

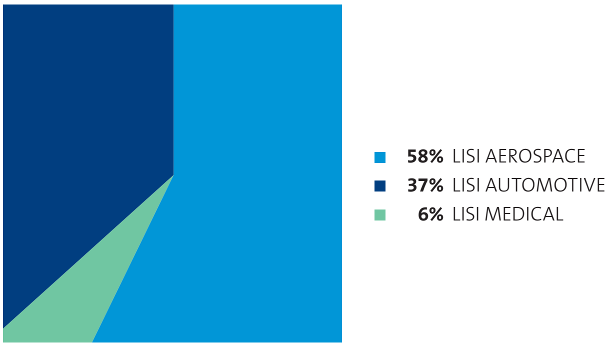
An analysis of the increase of 5.2% in consolidated sales revenues in the fourth quarter as compared with the previous year (€263.5m), highlights the following differences between the divisions:

- LISI AEROSPACE saw its growth rate slow down in the second half (up 10.2% in Q3, up 5.2% in Q4, as against up 16.9% for H1).
- On the other hand, after a difficult start to the year, LISI AUTOMOTIVE has gradually reestablished itself to end the year up 4.4% in Q4.
- LISI MEDICAL has also posted a net improvement in Q4 (up 9.4%).

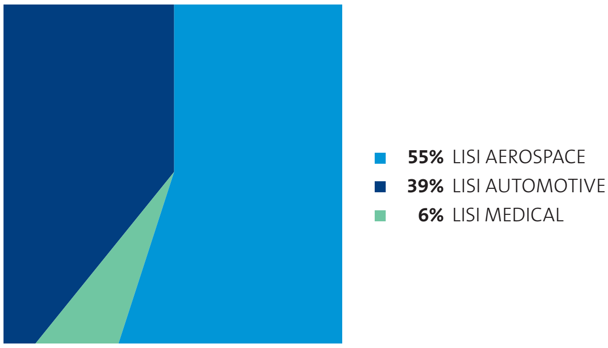
12 months ending December 31,		2013	2012	Changes
Key elements of the income statement				
Sales revenue	€m	1,149.0	1,081.3	+ 6.3 %
EBITDA	€m	178.9	154.8	+15.6 %
EBITDA margin	%	15.6	14.3	+ 1.3 pts
EBIT	€m	128.9	100.4	+ 28.4 %
Current operating margin	%	11.2	9.3	+ 1.9 pts
Earnings attributable to holders of company equity	€m	74.6	57.3	+ 30.3 %
Net earnings per share	€	7.12	5.47	+ 30.2%
Key elements of the cash flow statements				
Operating cash flow	€m	142.3	119.7	+ 18.9 %
Net CAPEX	€m	- 87.7	- 78.4	+ 11.8 %
Free Cash Flow [1]	€m	28.5	38.5	- 26.0 %
Key elements of the financial structure				
Net debt	€m	67.8	76.7	- 11.6 %
Ratio of net debt to equity		10.8 %	13.3 %	-2.5 pts

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

Breakdown of 2013 sales revenue



Breakdown of 2012 sales revenue



Today the Group achieves over 58% of its sales revenues in the aerospace field, as against 55% in 2012. Automotive business represents only 37%, as against 39% in 2012. LISI MEDICAL contributes 6% to the consolidated sales revenues.

2013 highlights

The investment level is very significant

2013 marks a new stage in the ambitious investment program launched in 2010: the amount spent came to €87.7M (7.6% of sales revenues), as against €78.4M in 2012. It was mainly allocated to many development projects for new products in the 3 divisions, as well as for productivity, replacement of equipment and improvement in production conditions, and was broken down as follows:

- €52.3m in the LISI AEROSPACE division (increased capacity: extension Izmir site, new products in Marmande, strengthening industrial facilities in Europe, surface treatment in the USA, and the large diameter cell at Dorval),
- €32.1m in the LISI AUTOMOTIVE division (renewal of machinery and productivity programs),
- €3.1m in the LISI MEDICAL division (installing new technologies).

Social and societal information (Art. R 225-105)

- Throughout the year 2013, LISI Group subsidiaries complied with their regulatory obligations, both through the negotiation of labor agreements and the implementation of appropriate action plans: employment of older workers, gender equality, disabled workers, well-being at work, profit sharing bonus.
- The LISI Group Senior Management became seriously involved at its highest levels in the areas of health, safety and the environment. At all levels, the LISI Group has as its objective to make environmental friendliness and workplace safety a vector of continuous improvement and to reach the level of performance excellence in these areas, while keeping control over the occupational hazards generated by its activities.

- In order to ensure and achieve this goal, LISI has adopted HSE (Health Safety Environment) policy and organization to identify key areas for improvement, prioritize goals, and derive the appropriate actions. This policy and organization are based on the international OHSAS 18001 standard (international standard governing the management system of health and safety at work).
- At the end of 2013, the rate of work accidents causing stoppages involving an employee (TF0) slightly improved to 10.4 per million hours worked, an improvement of 2% on 2012. The rate of work accidents with and without stoppages (TF1) was 16.3, a slight improvement of 1% as compared with 2012.

Environmental information (Art. R 225-105)

- For several years, the LISI Group was fully engaged in placing environmental issues at the heart of its corporate culture in order to turn them into intrinsic values.
- The policy and organization put in place are based on the international standard ISO 14001 (international standard governing the management system of the environment).

Head count

- At December 31, 2013, the Group employed 9,239 employees, an increase of the total workforce of 330 people, which represents an improvement of +3.7% compared to 2012.
- This increase of the total head count is due on the one hand, to a strong increase in the workforce of LISI AEROSPACE (399 more employees than in 2012 representing an increase of 7.7%) and on the other hand, to an adjustment of the head count within LISI AUTOMOTIVE (-70 persons / -2.2%). The workforce of LISI MEDICAL remains stable.

	2013	2012	Difference	as a %
LISI AEROSPACE	5,604	5,205	+ 399	+ 7.7 %
LISI AUTOMOTIVE	3,143	3,213	- 70	- 2.2 %
LISI MEDICAL	474	475	- 1	- 0.2 %
LISI SA	18	16	+ 2	+ 12.5 %
TOTAL	**9,239**	**8,909**	**+ 330**	**+ 3.7 %**
Temporary employees	**546**	**563**	**-17**	**- 3.0 %**

2013 financial results

LISI AEROSPACE is the main contributor to the Group's income, in line with the previous year. The LISI AUTOMOTIVE division was up due to reorganization steps taken in 2012. The LISI MEDICAL division still remains marginal in size and its results are down.

Nevertheless, all the management indicators are up. Gross operating profit was up 15.6% to €178.9m, which is 15.6% of sales revenues. It includes income of €4.7m under "Employment Competitiveness Tax Credit" (CICE). EBIT had a larger increase at €128.9m (up 28.4%, as against €100.4m in 2012). So due to the excellent performance of LISI AEROSPACE, which is up again, EBIT passed a new milestone and reached almost 2.0 points year on year. At 11.2% the Group's operating margin exceeded its nominal target of 10%.

Non-current expenses were fairly high for the 2013 financial year and reflect the consequences of the difficult and possibly long-term situation in the European automobile market. At the same time, the Group has also made provision in the LISI AEROSPACE division for a total of €5.5m, for amortization of intangible assets and reorganization measures in the Racing sector in the USA.

Non-operating revenues are made up on the one hand of the cost of financing of € -3.3m, which remained stable by comparison to 2012, and on the other hand, the effect of foreign exchange fluctuations, which generated a loss for non-operating income in this financial year of €1.7m.

The tax charge, calculated on the basis of corporate income tax applied to net pre-tax income reflects an effective average tax rate of 33.2%, slightly down as compared with 2012 (35.7 %).

At €74.6m, net income was thus up 30.3% as compared with 2012.

Earnings per share were € 7.12 as against € 5.47 in 2012.

The financial structure has been strengthened after a major investment effort

Consolidated working capital requirements remained virtually stable in absolute terms, and improved slightly in relative terms to less than 79 days. With cash flow at a good level at €142.3m, investments could be easily handled while maintaining a positive net Free Cash Flow of €28.5m, as compared with €38.5m in 2012.

The Group has accordingly been able to continue to reduce its borrowings: at €67.8m (as against €76.7m at the end of 2012), net borrowings to shareholders' equity ("gearing ") did not exceed 10.8%, as against 13.3% the previous year. Its financial structure is therefore particularly strong.

For 3 consecutive financial years, return on capital employed (ROCE), which was € 776m (as against € 738.3m in 2012) continued its rise, now reaching 19.1% (as against 15.5% in 2012).

OUTLOOK

The LISI Group's main target for 2014 is to compensate for a slowdown in growth in the LISI AEROSPACE division with a stronger contribution from the other divisions. From this point of view, it should be borne in mind that the expected results of the costs reduction undertaken in 2013 in the LISI AUTOMOTIVE division will only materialize from the end of the 2014 financial year. The LISI MEDICAL division is displaying a greater potential for improvement, though on a more modest scale when compared with the entire consolidated group. So 2014 is expected to be a year of consolidation of the progress made in 2013, in terms both of the level of activity and of income.

The LEAP plan (LISI Excellence Achievement Program) will play its full role as an across the board tool for improving the entire Group's competitiveness, with the aim of achieving maturity for the systems deployed and a large proportion of the staff trained.

The investment program will remain at the same levels as in 2013, especially on account of major projects under way to meet the strong demand for new products in both the aerospace and automotive divisions.

To support this long-term development strategy the LISI Group can base itself on a particularly solid financial situation, which became even stronger during 2013: it has therefore undertaken a US Private Placement (USPP) for $75m and has obtained a €30m loan from the European Investment Bank (EIB), intended to finance its Research & Development costs. It will allow the Group to grasp growth opportunities that present themselves.

2.2 | LISI AEROSPACE

- Excellent resistance of the world aerospace market.
- Improvement of all financial performance indicators.
- Sharp rise in investments related to consolidating operations and to the launch of new products.
- A pause in growth expected in 2014.

Market

International air passenger traffic was up 4.5% as compared with 2012, and has confirmed its average annual growth rate of 5.4%[1] over 3 financial years. Freight traffic was also up 1.0%[1] in 2013 after 2 years of decline.

Boeing and Airbus posted similar developments, with 648 deliveries for Boeing as against 626 for Airbus, and 1,355 net orders for Boeing and 1,503 for Airbus. The order book exceeds 10,600 aircraft for the two manufacturers, an 8-year record for most programs.

On the other hand, the regional aircraft markets for business planes and helicopters have not displayed the same dynamism. The military applications segment has suffered drastic reductions in the Defense budgets in both Europe and the USA.

Activity

In €m	2013	2012	Changes
Sales revenue	663.9	591.7	+ 12.2 %
EBIT	118.2	91.3	+ 29.6 %
Operating cash flow	107.5	87.6	+ 22.8 %
Net CAPEX	- 52.3	- 38.5	+ 35.9 %
Free Cash Flow [2]	32.6	38.8	- 16.0 %
Registered employees at period end	5,604	5,205	+ 7.7 %
Full time equivalent head count [3]	5,951	5,456	+ 9.1 %

1 Source : IATA
2 Free Cash Flow: operating cash flow minus net industrial CAPEX and changes in working capital requirements.
3 Including temporary employees.

Consolidated sales revenues were up at a solid rate of 12.2%, with however a slowdown in the second half-year (up 7.6%, including +5.2% in Q4). The two activities of the divisions contributed similarly to the growth:

- sales of "Aerospace Fasteners" reached €511m under the impetus of strong growth at Boeing and the engine manufacturers, while Airbus settled at a high level by the end of the financial year,
- sales of "Structural Components" came to €153m and were mainly motored by the business in primary components for Airbus and Safran.

For LISI AEROSPACE Fasteners order taking is slightly down as compared with the record in 2012, which is reflected in the book-to-bill ratio of just under 1. The "structures" and "engines" applications were strongest in the US. This situation has resulted in the expected end of the initialization phase of the A350 assembly line, while the strengthening of the Boeing contract continues.

At the operational level the organization of the "Aerospace Fasteners" business has been optimized at all manufacturing locations except for Torrance (USA). Today the "Structural Components" business holds the largest potential for profitability.

Management of this new development phase, with favorable volume effects for the third consecutive year and productivity increases, have been well absorbed, which has translated into a new improvement in financial performance: EBIT was thus up 2.4 points to 17.8% (15.4% in 2012).

It should be noted that non-current expenses of €5.5m linked to reorganization projects in the Racing segment in the USA have led to non-recurring amortization of intangible assets.

With cash flow up almost €20m at €107.5m, the division was easily able to finance the investments undertaken and recognized at €52.3m as well as the increase in inventories, which were nonetheless down in terms of sales days.

The main investment projects are broken down as follows:

- Strengthening industrial facilities in Europe and expanding the Izmir site in Turkey (€20.1m).
- Starting up the new surface treatment line in the USA and the large diameter Titanium cell in Canada (€16.7m).
- Development of new products in the "structural components" division (€8.9m).

At over €32m, Free Cash Flow remains at a good level.

OUTLOOK

Following several consecutive financial years of strong growth, improvement in performance and investments, 2014 is expected to be a year of consolidation.

North American business ought to continue to benefit from Boeing's strengths and ought to increase with two major products: the B737 at a rate of 42 aircraft per month over the year, and the B787 with the gradual acceleration of its industrial stage.

Takeoff of volumes for the programs of the A350, A320 Neo, Leap 1A, 1B and Silvercrest - the new generation of engines developed by Snecma for business planes - ought to have a positive impact on the "Structural Components" business. The Morocco factory will also contribute to direct deliveries to customers located in the same geographic area.

LISI AEROSPACE expects to offset the expected downturn in demand for fasteners for the A350 by an increase in volumes in the USA and by growth in the "Structural Components" segment. In terms of quality, the LEAP program ("LISI Excellence Achievement Program") has been implemented in all the manufacturing units with the expected productivity gains. The reorganization of the North American logistics platform ought to noticeably improve working capital requirements.

Accordingly, we will have to wait until 2015 to see additional, new growth areas crystallize, which will continue the growth achieved in recent years.

2.3 | LISI AUTOMOTIVE

- Aggressive sales positions on a growing world market, though difficult in Europe.
- Noticeable, general recovery.
- Full effect of the large-scale industrial program undertaken in 2013 expected from the end of 2014.

Market

If structurally the world automotive market continues to grow (+3.9%)[1], it was most impacted in Europe, especially at the beginning of the 2013 financial year, with a first quarter down 10%[1] to be at -1.8%[1] at the year end. Global production has reached 84.2 million vehicles. French car manufacturers posted a drop of 3.4%, while there German opposite numbers increased by 8%. European production levels dropped 0.7% but almost 5% for LISI AUTOMOTIVE's two French customers.

The division has monitored these trends and has developed its business with German customers in similar proportions; it has also posted good progress with Renault that will be for the Dacia models.

It has also achieved remarkable performance with the major parts manufacturers Autoliv, Anixter, CBI and TI. TRW, its first Tier 1 customer, is at a very high level.

Orders for new products have slowed down sharply due to the economic situation, but still represent over €30m annualized, with good projects in sight in the clipped fasteners and safety components segments.

Activity

In €m	2013	2012	Changes
Sales revenue	422.2	426.6	- 1.0 %
EBIT	11.3	2.3	x 4.9
Operating cash flow	26.4	22.3	+ 18.1 %
Net CAPEX	- 32.1	- 28.0	+ 14.7 %
Operating cash flow surplus (Free Cash-Flow) [2]	- 6.2	- 4.1	+ 51.2 %
Registered employees at period end	3,143	3,213	- 2.2 %
Full time equivalent head count [3]	3,220	3,263	- 1.3 %

1 source : ACEA
2 Free Cash Flow: operating cash flow minus net industrial CAPEX and changes in working capital requirements.
3 Including temporary employees.

If the volume of sales is down by 1.0% for the year, it remains stable on the same consolidation scope (+0.1%) and had growth (up 2.0%) following the removal of some activities intended for the industry.

The beginning of the financial year saw a difficult start (down 9.7% in Q1 2013) before slowly reestablishing itself at +4.4% in Q4.

Production has been kept under control to maintain inventories at low levels despite strong business at the end of the year; in all, the division's inventories will have reduced by more than €1m.

The large-scale industrial program launched by LISI AUTOMOTIVE in 2013 has generated first results: an improvement in productivity, a drop in the breakeven point, and rationalization of production. The "Nuts" program will enter a critical stage in 2014, while the "Screws" program is already well advanced, will continue with new changes in machine placement, reinstallation of workshops and speeding up of the LEAP "LISI Excellence Achievement Program".

The development of the financial indicators as part of the recovery plan is in line with the targets expected. EBIT has increased to 2.7%, as against 0.5% in 2012. This improvement has been obtained through major management efforts focused on reducing fixed costs. The results of the actions taken on changes in variable costs (productivity, quality, rationalization) will become evident following the current restructuring.

The investments recognized in 2013 (€32.1m) have not been entirely financed through cash flow and Free Cash Flow stands at €-6.2m, as compared with €-4.1m in 2012. It should be borne in mind that these figures reflect tight control of working capital requirements, lower than in 2012.

OUTLOOK

The order book shows a start for 2014 in line with the end of 2013, with a growth in sales revenues as compared with Q1 2013. Beyond that, this positive trend still needs to be confirmed. Most energy will be concentrated on the performance of the industrial program with the objective of achieving the improvement targets from the end of the 2014 financial year, and then more obviously in 2015. The investment plan will be ambitious, at the level of 2014, and will not allow balancing of the Free Cash Flow.

2.4 | LISI MEDICAL

- Stable profitability in a context of major changes in the type of customers and products.
- Expansion of product range and skills at the division's 3 production sites.
- Successful launch of new first "generic" products.

Market

The world orthopedics market was marked by a tightening of regulations for certifying implants, and as a result some consolidation among orthopedic companies. Further, the need for government and private bodies to reduce the reimbursement of health costs has impacted negatively on the launch of new products and the sales prices of existing products.

LISI MEDICAL believes its market is still growing in volume, but at a more moderate rate of about 3-4% per annum. The "vertical column, trauma and shoulder" segments are the most dynamic.

Activity

In €m	2013	2012	Changes
Sales revenue	64.1	64.8	- 1.1 %
EBIT	2.5	2.8	- 8.0 %
Operating cash flow	1.6	3.1	- 50.0 %
Net CAPEX	3.1	11.6	- 73.2 %
Operating cash flow surplus (Free Cash-Flow) [1]	- 1.3	- 1.2	+ 8.4 %
Registered employees at period end	474	475	- 0.2 %
Full time equivalent head count [2]	536	511	+ 4.9 %

1 Free Cash Flow: operating cash flow minus net industrial CAPEX and changes in working capital requirements.
2 Including temporary employees.

Sales activity improved at the end of the financial year due to a receipt of orders that was higher than deliveries. Nevertheless, after having posted a sharp drop of 12.1% between 2011 and 2012, sales revenues saw only a slight upturn in 2013. The production level has slightly increased.

Action plans have been implemented, focused on logistics, in order to provide customers with even greater quality of service. Investments made over several years and the current improvement plans (LEAP - "LISI Excellence Achievement Program") will gradually facilitate raising current production levels.

EBIT was similar to the 2012 financial year at 4.0% of sales revenues, and still does not reflect the expected positive impact of the effect of volumes from the major extension of the new products range, nor the contribution of the many new customers. Investments have been focused on production equipment and an acid pickling line, and have stayed at €3.1m. Accordingly Free Cash Flow remained slightly negative for the period.

OUTLOOK

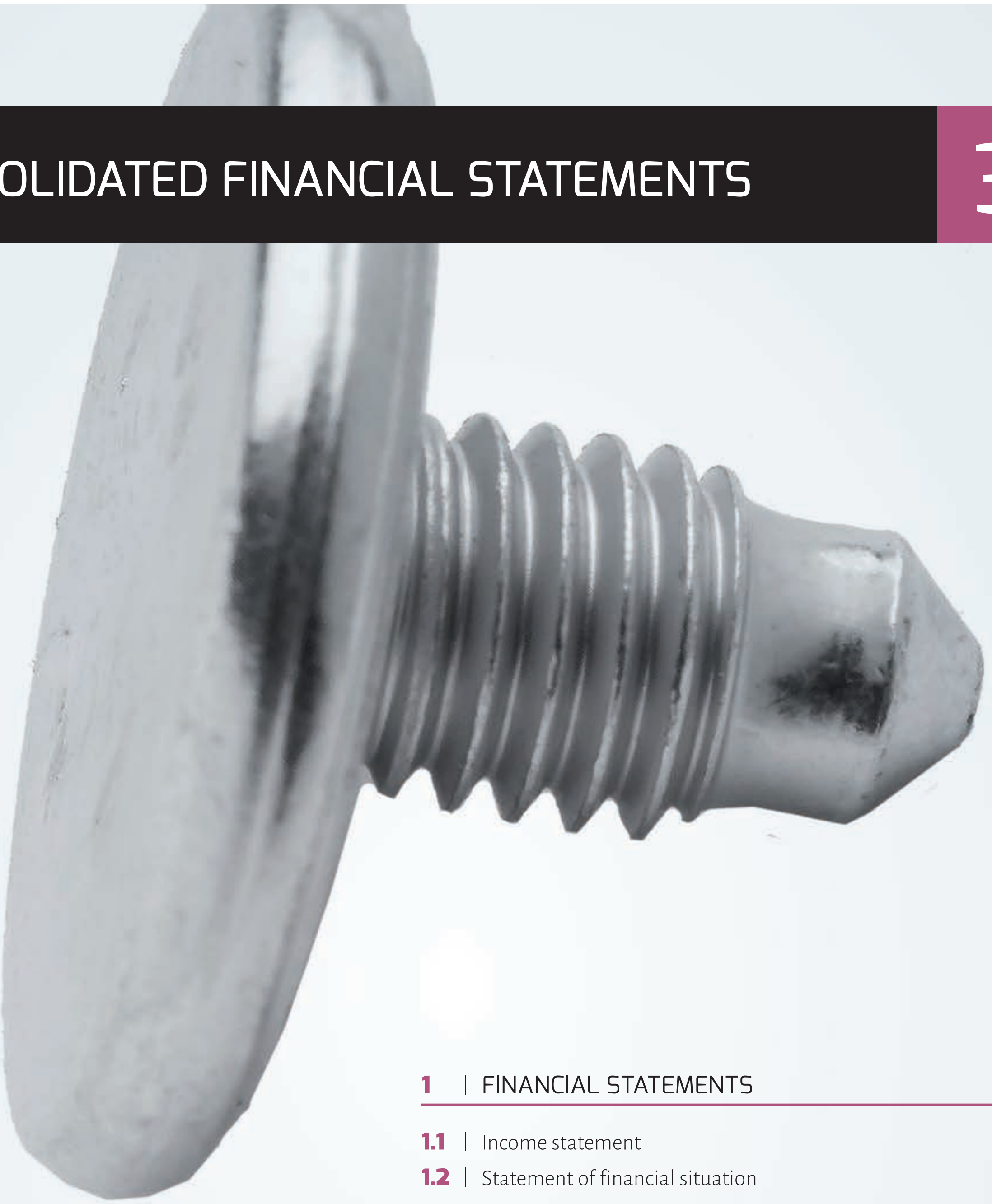
The order book at the start of the year shows a clear improvement over the same period last year, and should confirm the return to growth commenced in the last quarter of 2013.

This new phase is based on intensifying the repositioning of LISI MEDICAL in those segments with most growth and profitability, both for large corporations and medium-sized companies.

Started in 2013, the development of "generic" products has enjoyed true success with several customers, who will get deliveries in 2014.

Lastly, the Caen (Calvados) site has assumed greater visibility through the renewal for four years until 2019 of the contract with Stryker, LISI MEDICAL's main customer.

CONSOLIDATED FINANCIAL STATEMENTS 3



1 | FINANCIAL STATEMENTS

1.1 | INCOME STATEMENT

(in €'000)	Notes	12/31/13	12/31/12
Pre-tax sales	2.6.1	**1,148,971**	**1,081,341**
Changes in stock, finished products and production in progress		12,474	9,105
Total production		1,161,445	1,090,446
Other revenues *		14,016	16,925
Total operating revenues		**1 ,175,461**	**1,107,371**
Consumed goods	2.6.2	(310,892)	(301,821)
Other purchases and external charges	2.6.3	(219,416)	(204,490)
Value added		**645,154**	**601,060**
Taxes and duties **		(8,614)	(8,674)
Personnel expenses (including temporary employees)***	2.6.4	(457,657)	(437,578)
EBITDA		**178,883**	**154,808**
Depreciation		(57,450)	(55,560)
Net provisions		7,456	1,170
EBIT		**128,889**	**100,418**
Non-recurring operating expenses	2.6.6	(16,393)	(9,267)
Non-recurring operating revenues	2.6.6	2,639	47
Operating profit		**115,134**	**91,199**
Financing expenses and revenue on cash	2.6.7	(1,310)	(3,664)
Revenue on cash	2.6.7	*1,948*	*1,006*
Financing expenses	2.6.7	*(3,258)*	*(4,672)*
Other interest revenue and expenses	2.6.7	(2,504)	1,295
Other financial items	2.6.7	*12,676*	*15,413*
Other interest expenses	2.6.7	*(15,180)*	*(14,119)*
Taxes (of which CVAE (Tax on Companies' Added Value)**	2.6.8	(36,779)	(31,715)
Profit (loss) for the period		**74,540**	**57,115**
attributable as company shareholders' equity		74,639	57,287
Interest not granting control over the company		(99)	(172)
Earnings per share (in €):	2.6.9	**7,12**	**5,47**
Diluted earnings per share (in €):	2.6.9	**7,12**	**5,47**

* In order to provide readers of the financial statements with better information that is in accordance with international standards, in the 2013 financial statements the Company has continued classifying revenues related to CIR (Research Tax Credit) as "Other Revenues".

** As at December 31, 2013, 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 -€6.0m.

*** 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 €4.7 million.

STATEMENT OF OVERALL EARNINGS

(in €'000)	12/31/13	12/31/12
Profit (loss) for the period	**74,540**	**57,115**
Other items of overall income applied to shareholders equity		
Actuarial gains and losses out of employee benefits (gross element)	2,718	(5,587)
Actuarial gains and losses out of employee benefits (tax impact)	(609)	935
Other items of overall income that will cause a reclassification of income		
Exchange rate spreads resulting from foreign business	(9,702)	(3,907)
Hedging instruments (gross element)	(2,974)	389
Hedging instruments (tax impact)	253	(442)
Restatements of treasury shares (gross element)	***388***	***48***
Restatements of treasury shares (tax impact)	(140)	
Payment in shares (gross element)	2,248	1,473
Payment in shares (tax impact)	(812)	
Impact of a correction in deferred taxation for previous periods in share based payments and restatement of treasury stock	(558)	
Other portions of global earnings, after taxes	***(9,187)***	***(7,092)***
Total overall income for the period	**65,353**	**50,024**

1.2 | STATEMENT OF FINANCIAL SITUATION

ASSETS

(in €'000)	Notes	12/31/13	12/31/12
LONG-TERM ASSETS			
Goodwill	2.5.1.1	174,768	178,612
Other intangible assets	2.5.1.1	13,675	14,052
Tangible assets	2.5.1.2	371,208	343,896
Long-term financial assets	2.5.1.4	6,385	5,977
Deferred tax assets	2.5.7	11,066	14,289
Other long-term financial assets	2.5.1.5		937
Other long-term assets	2.5.1.5	936	
Total long-term assets		**578,038**	**557,763**
SHORT-TERM ASSETS			
Inventories	2.5.2.1	258,178	246,711
Taxes – Claim on the state		11,680	49
Trade and other receivables	2.5.2.2	169,479	153,133
Cash and cash equivalents*	2.5.2.3	94,000	102,160
Total short-term assets		**533,337**	**502,053**
TOTAL ASSETS		**1,111,375**	**1,059,816**

TOTAL EQUITY AND LIABILITIES

(in €'000)	Notes	12/31/13	12/31/12
SHAREHOLDERS' EQUITY			
Capital stock	2.5.3.1	21,573	21,573
Additional paid-in capital	2.5.3.2	70,803	70,803
Treasury shares	2.5.3	(14,135)	(14,616)
Consolidated reserves	2.5.3	487,458	445,588
Conversion reserves	2.5.3	(12,078)	(2,383)
Other income and expenses recorded directly as shareholders' equity	2.5.3	(3,084)	(3,598)
Profit (loss) for the period	2.5.3	74,639	57,287
Total shareholders' equity - Group's share	2.5.3	**625,179**	**574,657**
Minority interests		1,253	1,360
Total shareholders' equity		**626,434**	**576,017**
LONG-TERM LIABILITIES			
Long-term provisions	2.5.4.1	60,680	64,054
Long-term borrowings	2.5.6.1	118,640	111,004
Other long-term liabilities	2.5.5	7,726	7,608
Deferred tax liabilities	2.5.7	22,763	23,511
Total long-term liabilities		**209,809**	**206,178**
SHORT-TERM LIABILITIES			
Short-term provisions	2.5.4.1	21,060	16,483
Short-term borrowings**	2.5.6.1	43,178	67,851
Trade and other accounts payable		207,267	188,093
Taxes due		3,626	5,194
Total short-term liabilities		**275,131**	**277,621**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,111,375**	**1,059,816**
* The item "Cash and cash equivalents" includes items that until December 31, 2012 were classified in the item "Other current (short-term) financial assets", made up of securities similar to cash equivalents.			
** of which banking facilities.		8,224	10,892

1.3 | CASH FLOW MOVEMENT TABLE

(in €'000)	12/31/13	12/31/12
Operating activities		
Net earnings	**74,540**	**57,115**
Elimination of net charges not affecting cash flows:		
- Depreciation and non-recurrent financial provisions	60,695	59,444
- Changes in deferred taxes	793	(1,966)
- Income on disposals, provisions for liabilities and others	8,405	8,326
Gross cash flow margin	**144,433**	**122,919**
Net changes in provisions provided by or used for current operations	(2,099)	(3,241)
Operating cash flow	**142,333**	**119,678**
Income tax expense (revenue)	35,987	33,681
Elimination of net borrowing costs	2,824	3,390
Effect of changes in inventory on cash	(12,640)	(6,030)
Effect of changes in accounts receivable and accounts payable	(4,278)	4,055
TOTAL EQUITY AND LIABILITIES	**164,227**	**154,774**
Taxes paid	(45,206)	(34,442)
Cash provided by or used for operations (A)	**119,019**	**120,332**
Investment activities		
Acquisition of consolidated companies		(10)
Cash acquired		
Acquisition of tangible and intangible fixed assets	(88,980)	(79,268)
Acquisition of financial assets		
Change in granted loans and advances	(457)	(438)
Investment subsidies received		
Dividends received		
Total cash used for investment activities	**(89,437)**	**(79,716)**
Divested cash		744
Disposal of consolidated companies		2,805
Disposal of tangible and intangible fixed assets	1,319	857
Disposal of financial assets		1
Total cash from disposals	**1,319**	**4,407**
Cash provided by or used for investment activities (B)	**(88,118)**	**(75,309)**
Financing activities		
Capital increase		(16)
Net disposal (acquisition) of treasury shares		
Dividends paid to shareholders of the Group	(14,674)	(13,531)
Dividends paid to minority interests of consolidated companies		
Total cash from equity operations	**(14,674)**	**(13,547)**
Issue of long-term loans	5,137	37,665
Issue of short-term loans	72,269	704
Repayment of long-term loans	(4,663)	(4,041)
Repayment of short-term loans	(87,170)	(37,079)
Net interest expense paid	(2,826)	(3,510)
Total cash from operations on loans and other financial liabilities	**(17,253)**	**(6,261)**
Cash provided by or used for financing activities (C)	**(31,926)**	**(19,808)**
Effect of change in foreign exchange rates (D)	226	(2,435)
Effect of adjustments in treasury shares (D) *	(4,691)	496
Changes in net cash (A+B+C+D)	**(5,489)**	**23,276**
Cash at January 1st (E)	91,269	67,993
Cash at year end (A+B+C+D+E)	85,776	91,269
Cash and cash equivalents	94,000	102,160
Short-term banking facilities	(8,224)	(10,892)
Closing cash position	**85,776**	**91,269**

* The - €4.7 million includes a reclassification into the opening cash balance of items not meeting the criteria for allocation to cash equivalents.

1.4 | STATEMENT OF SHAREHOLDERS' EQUITY

(in €'000)	Capital stock	Capital-linked premiums (Note 7.3)	Treasury shares	Consolidated reserves	Conversion reserves	Other income and expenses recorded directly as shareholders' equity	Profit for the period, group share	Group's share of shareholders' equity	Minority interests	Total shareholders' equity
Shareholders' equity at January 1, 2012	**21,573**	**70,803**	**(15,461)**	**399,954**	**1,599**	**(415)**	**59,177**	**537,232**	**1,458**	**538,690**
Profit (loss) for the period N (a)							57,287	57,287	(172)	57,115
Translation differential (b)					(3,982)			(3,982)	75	(3,907)
Payments in shares (c)						1,473		1,473		1,473
Capital increase			(16)					(16)		(16)
Restatements of treasury shares (d)			861			48		909		909
Restatements as per IAS19 (g)						(4,652)		(4,652)		(4,652)
Appropriation of N-1 earnings				59,177			(59,177)			
Change in methods										
Change in scope				(12)				(12)		(12)
Dividends distributed				(13,531)				(13,531)		(13,531)
Reclassification										
Restatements of financial instruments (f)						(53)		(53)		(53)
Various (e)										
Shareholders' equity at December 31, 2012	**21,573**	**70,803**	**(14,616)**	**445,588**	**(2,383)**	**(3,598)**	**57,287**	**574,656**	**1,360**	**576,017**
including total revenues and expenses posted for the period (a) + (b) + (c) + (d) + (e) + (f)					(3,982)	(3,183)	57,287	50,122	75	
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
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)			
Dividends distributed				(14,674)				(14,674)		(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	(7)	

2 | NOTES

2.1 | GROUP ACTIVITY AND KEY HIGHLIGHTS OF THE YEAR

The company LISI S.A. (hereinafter "the Company"), is a limited-liability corporation in French law, listed on the Paris stock exchange, whose head office is at the following address: "Le Millenium, 18 rue Albert Camus, CS 70431, 90008 BELFORT Cedex".

The consolidated accounts of the Group for the fiscal year ending December 31, 2013 include the Company, its subsidiaries and affiliates (which are together referred to as "the Group").

The LISI Group's main business activity is the manufacturing of multifunctional fasteners and assembly components for three business sectors: aerospace, automotive, and medical.

Period highlights:

No significant change in the scope occurred during the financial year. The Group is rolling out an ambitious capital investment plan in the three divisions.

2.2 | ACCOUNTING RULES AND METHODS

The financial statements for year ending December 31, 2013 were approved by the Board of Directors on February 20, 2014 and will be submitted to the Combined General Meeting on April 23, 2014.

2.2.1 Background to the preparation of the consolidated financial statements for the 2013 financial year

In accordance with EU regulation 1606/2002 dated July 19, 2002, the LISI Group's consolidated financial statements have been prepared in line with IAS/IFRS international accounting standards as adopted by the European Union on December 31, 2013.

2.2.1.1 Standards, amendments and interpretations adopted by the EU and mandatory for reporting periods beginning on or after January 1, 2013

On January 1, 2013, the LISI group applied the following standards and amendments, for which application is obligatory in 2013:

– Amendments to IAS 19: the Group opted for early application of the revised IAS 19 at January 1, 2012.
– IFRS 13, "Fair Value Measurement": The application of this amendment has no material impact on the Group's consolidated financial statements as at December 31, 2013.
– Amendment to IAS 1 "Presentation of other comprehensive income"
– Amendments to IAS 12 "Income Taxes - Deferred Tax: Recovery of Underlying Assets": The application of this amendment has no material impact on the Group's consolidated financial statements as at December 31, 2013.

The following amendments are not applicable in the Group, therefore they have no impact on the Group's consolidated financial statements for fiscal 2013:

– Amendment to IFRS 7 "Financial Instruments: disclosures – transfers of financial assets"
– Amendment to IFRS 1 "IFRS 1 First Time Adoption of International Financial Reporting Standards - Government Loans".

2.2.1.2 Standards, amendments and interpretations not mandatory for reporting periods beginning on or after January 1, 2013 but that may be anticipated by the Group

The Group has not opted for the early implementation of the following standards, amendments and interpretations as of January 1, 2013:

– IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 28 "Investments in Associates"
– Amendment to IAS 39 – Financial instruments: "Recognition and Measurement"

2.2.2 Basis for the preparation of the financial statements

Financial statements are given in thousands of euros, except where otherwise indicated.

They are prepared on the basis of historical costs, with the exception of the following assets and liabilities which have been evaluated at their fair value: financial derivatives, financial instruments held for trading purposes or classified as held for sale, liabilities from cash-settled share-based payment transactions.

Non-current assets held for sale are evaluated at the lower of their book value and the fair value less costs of disposal.

According to IFRS standards, certain accounting options involve taking positions based on judgment of assumptions that have an impact on the amounts of assets or liabilities, income or expenses, particularly regarding the following elements:

- durations of depreciation of fixed assets (notes 2.2.7.3 and 2.2.8.4).
- evaluations retained for impairment tests (note 2.2.8.5),
- evaluation of pension provisions and obligations (notes 2.2.14 and 2.2.15.1),
- valuation of financial assets at fair market value (notes 2.2.6, 2.2.8.6, 2.2.11 and 2.2.12),
- valuation of payments in equities (note 2.2.15.2),
- recognition of deferred tax assets (note 2.2.19.5).

These judgments and assumptions take into account the specific risks of the sectors concerned by LISI's activities, as well as general risks related to the economic context. The current period being characterized by greater volatility, the visibility is limited. Consequently, the forecasts used as a basis for such judgment and assumptions may differ from actual future achievements.

Management continuously reviews its estimates and assessments based upon past experience and on factors considered reasonable that form the basis of its assessment for the book values of assets and liabilities. The impact of changes to accounting estimates is recognized during the period of change only where it affects this period or during the period of change and successive periods if these are also impacted by the change.

The decisions made by the management regarding IFRS standards having a significant impact on the financial statements and estimates presenting a major risk of variation over subsequent periods mainly concern provisions (notes 2.2.14 and 2.5.4), deferred tax assets (note 2.5.7) and impairment tests on assets (notes 2.2.8.5 and 2.5.1.1). Calculations for staff retirement provision and valuation tests are based on valuation assumptions, the sensitivity of which can affect costs recognized as provisions in the accounts. These assumptions are broken down by division on the basis of information drawn from independent experts (actuaries, etc.).

Accounting treatment of the CVAE (Tax on Companies' Added Value)

Following the release of the National Accounting Council of January 14, 2010, the Group decided to qualify the CVAE (contribution of the Added Value of Businesses) as income tax that would fall within the scope of IAS 12. This decision is based on an opinion of the IFRIC issued in 2006 stating that the term 'taxable profit' implies a notion of net rather than gross amount without it being necessarily identical to the accounting result. Moreover, this choice ensures consistency with the accounting treatment applied to similar taxes in other foreign countries.

Correlatively, the deferred tax was recorded as at January 1, 2010, for a net amount of €1.4m taken on the shareholders' equity of the Group. This stock deferred tax is included as the depreciation of fixed assets included in the calculation is recorded to the accounts. As at December 31, 2013, the balance of net deferred tax concerned stood at €0.8 million.

Treatment of the research tax credit

Revenues related to the research tax credit are classified in the income statement under "other income".

Treatment of the tax credit for competitiveness and employment ("CICE")

The CICE has been presented in application of the IFRS standards as a deduction from the employment-related expenses for an amount of €4.7m.

2.2.3 Consolidation principles

A subsidiary is an entity controlled by its parent company. Control exists when the Group is able to direct the financial and operating policies of the entity (either directly or indirectly) in order to obtain benefits from its activities. The list of consolidated companies is provided in Note 2.3.3. As at December 31, 2013, ANKIT Fasteners is consolidated via the proportional integration method. All the other companies are included in the consolidation scope in accordance with the full consolidation method.

2.2.4 Transactions excluded from the consolidated financial statements

Balance sheet balances, unrealized profits and losses, and income and costs arising from intra-group transactions have been excluded in preparing the consolidated financial statements.
Unrealized losses have been excluded in the same way as unrealized profits, on condition that they do not represent a loss of value.

2.2.5 Conversion methods for items in foreign currency

2.2.5.1 Transaction in foreign currency

Transactions in foreign currencies are recorded in the books in the operating currency at the rate of exchange at date of transaction. At year-end, assets and liabilities recorded in foreign currencies are converted into the operating currency at the rate of exchange at year-end. Exchange rate differences arising from conversions are recognized in income or expenses, with the exception of differences from foreign currency loans that are a hedge on a net investment in a foreign entity, which are recognized in the conversion reserve as a distinct element of shareholders' equity. They appear on the income statement upon the exit of that business.

2.2.5.2 Translating financial statements of consolidated subsidiaries and joint ventures

The financial statements of subsidiaries and affiliates whose operating currency is not the euro have been converted at rates in effect at the close of the period reported for the balance sheet and at the mean rate of exchange for the earnings and cash flow statements. Exchange rate differences arising from conversions appear in the conversion reserve, as a distinct element of shareholders' equity.

2.2.6 Financial instruments

2.2.6.1 Non-derivative financial instruments

Non-derivative financial instruments include investments in equity instruments and debt securities, trade and other receivables, cash and cash equivalents, loans and debts, and trade and other payables. Non-derivative financial instruments are recognized in the accounts as indicated in the specific notes below: 2.2.8.6, 2.2.10, 2.2.11, 2.2.12, 2.2.16 and 2.2.17.

2.2.6.2 Financial derivatives

The Group uses derivatives to hedge its exposure to currency risks, and more occasionally, interest rate and raw material price fluctuation risks that result from its operating, financial and investment activities. In accordance with its cash management policy, LISI S.A. neither holds nor issues derivatives for trading purposes.

However, derivatives that do not meet the hedge criteria are valued and recorded at fair value by earnings. The profit or loss arising from the re-evaluation at fair value is immediately posted to the income statement.

When a derivative is designated as a hedge for cash flow variations of a recognized asset or liability, or of a highly probable, expected transaction, the effective share of change in fair value of the derivative is recognized directly in shareholders' equity. Accumulated, associated profits or losses are taken out of shareholders' equity and included in the income statement of the period(s) during which the covered transaction affects the profit or loss.

2.2.7 Intangible assets

2.2.7.1 Goodwill

In line with IFRS 3, business combinations are recognized in the accounts using the acquisition method. This method requires that at the first consolidation of any entity over which the Group has direct or indirect control, the assets and liabilities acquired (and any potential liabilities assumed) should be recognized at their acquisition-date fair value. At this point, goodwill is valued at cost, which equates to the difference between the cost of the business combination and LISI's stake in the fair value of the assets and identifiable liabilities.

For acquisitions prior to January 1, 2004, goodwill remains at its presumed cost, i.e. the net amount recognized in the accounts under the previous accounting framework, minus depreciation.

For acquisitions after this date, goodwill is valued at cost, minus the cumulative loss in value. It is allocated to cash-generating units or groups of cash-generating units and is not amortized; instead, it is subject to an impairment test at least once a year following the method described in paragraph 2.2.8.5.
If the goodwill is negative, it is recognized directly as a profit in the income statement.

2.2.7.2 Research and development

Research costs incurred in order to develop scientific knowledge and understanding, or to learn new techniques, are recognized as an expense when they are incurred.

Under the IFRS framework, development costs (i.e., costs incurred by applying the results of research to a plan or model in order to develop new or substantially improved products and processes) are recorded as fixed assets if the Group can demonstrate that future economic benefits are probable. The LISI Group's development costs primarily relate mainly to products which are being developed through very close collaboration with clients, rather than to improvements in processes.

Due to the nature of the LISI Group's research and development costs, most such costs do not meet the criteria for capitalization as intangible fixed assets; they are therefore recorded as expenses. The Group carries out regular assessments of major projects in order to identify any costs which could be capitalized.

2.2.7.3 Other intangible assets

Concessions, trademarks and software programs are recognized at historic cost and are subject to a depreciation plan. Intangible fixed assets acquired through a business combination are recognized at their acquisition-date fair value. Intangible fixed assets with finite useful lives are subject to depreciation over this period, while intangible fixed assets with indefinite useful lives are subject to an impairment test for every new balance sheet.

Subsequent expenditure relating to an intangible fixed asset is only capitalized if it increases the future economic benefits that are attributable to the specific asset in question. Other expenditure is recognized as an expense when incurred.

Depreciation is recognized as an expense using the straight-line method over the estimated useful life of the intangible fixed assets, unless the useful life cannot be estimated.

Standard estimated useful lives are as follows:
Trademarks: 10 - 20 years
Software programs: 1 - 5 years

2.2.8 Tangible assets

2.2.8.1 Assets owned by the LISI Group

Tangible fixed assets are recorded at diminished cost with accumulated depreciations and impairments. The cost of an asset produced by the Group for itself includes the costs of raw materials, direct manpower, and an estimate, if applicable, of costs related to the removal and dismantling of the asset and the repair of the site at which it is located, along with an appropriate share of the general production costs.

When the components of tangible fixed assets have different useful lives, they are recorded as separate tangible fixed assets, as per the components method.

2.2.8.2 Assets funded through finance leases

Leases which transfer virtually all the risks and benefits relating to the ownership of an asset to the Group are classed as finance leases. Assets funded through finance leases are recognized in the assets side of the balance sheet at the fair value of the goods leased, or the present value of the minimum lease payments if this is lower. These assets are depreciated over the same period as goods of the same type which are owned outright. The corresponding debt is entered on the liabilities side of the balance sheet.

2.2.8.3 Subsequent expenditure

When calculating the book value of a tangible fixed asset, the Group recognizes the cost of replacing a component of this tangible fixed asset at the time when the cost is incurred, if it is likely that future economic benefits associated with this asset will flow to the Group and the cost can be reliably estimated. All ongoing servicing and maintenance costs are recognized as an expense when they are incurred.

2.2.8.4 Depreciation

Depreciation is recognized as an expense using the straight-line method over the estimated useful life for each component of a tangible fixed asset.

Land is not depreciated.

Estimated useful lives are as follows:
– buildings: 20 – 40 years
– plant and machinery: 10 – 15 years
– fixtures and fittings: 5 – 15 years
– transport equipment: 5 years
– equipment and tools: 10 years
– office equipment: 5 years
– office furniture: 10 years
– IT hardware: 3 years

2.2.8.5 Impairment of assets

Goodwill and intangible fixed assets of indefinite life-span are submitted to a depreciation test at each annual close (see note 2.2.7.2) and each time events or market-changing modifications indicate a risk of impairment. Other intangible assets fixed and tangible fixed assets are also subject to such a test at any time when there is a risk of loss of value.

The method used involves comparing the recoverable value of each of the Group's cash-generating units with the net book value of the corresponding assets (including the goodwill).

The recoverable value is calculated for each asset individually, unless the asset under consideration does not generate cash inflows independently of the cash inflows generated by other assets or groups of assets. In some cases, the recoverable value is calculated for a group of assets.

Recoverable value is defined as: whichever is the higher out of the realizable value (less the costs of disposal) and the value in use. The latter is calculated by discounting future cash flows, using predicted cash flows which are consistent with the most recent budget and business plan approved by the Executive Committee and presented to the Board of Directors. The discount rate applied reflects the market's current assessment of the time value of money and the risks specific to the asset or the group of assets.

The realizable value is defined as the sum which could be obtained by selling the asset or group of assets in conditions of normal competition where all parties are fully informed and consenting, less the costs of disposal. These figures are calculated from market values (comparison with similar listed companies, value of recent deals and stock prices) or failing that, from discounted future cash flows.

If the recoverable value is lower than the net book value for the asset or group of assets tested, the discrepancy is recognized as a loss of value. In the case of a group of assets, it should preferably be classified as a reduction in goodwill.

Losses of value recognized under Goodwill are irreversible.

For the definition of Cash-Generating Units, the Group has retained the strategic combination for Business Units (B.U.) corresponding to the strategic segmenting and the reporting structure of the LISI Group.

The LISI AEROSPACE division is split into 7 CGUs:
- Europe B.U.,
- USA B.U.,
- Specialty Fasteners B.U.,
- Engines and critical parts Europe B.U.,
- Engines and critical parts North America B.U.,
- Aerostructure and Aviation equipment B.U.,
- Technical components B.U..

The LISI AUTOMOTIVE division is split into 3 CGUs:
- Threaded fasteners B.U.,
- Mechanical components B.U.,
- Clipped solutions B.U.

The LISI MEDICAL division is composed of a single CGU.

2.2.8.6 Long-term financial assets

This item is mainly comprised of capitalization contracts. It also includes non-consolidated holdings. These are investments in unlisted companies, for which fair value cannot be reliably estimated. As a last resort, the Group values financial assets at their historic cost less any potential loss of value, when no reliable fair value estimate is possible through an evaluation technique, in the absence of an active market.

2.2.9 Inventories

Stock is valued at whichever is the lower out of cost and net realizable value.

The cost of materials and merchandise is calculated from their acquisition cost plus the costs incurred to bring them to their current location in their current condition. Finished products and work in progress are valued at actual production cost over the period, including an appropriate portion of general costs based on normal production capacity.

The net realizable value equates to the estimated sales price in the normal course of business, less the estimated cost of completion and estimated costs necessary to make the sale.

Inventories are impaired when their net realization value is less than their cost of production, when they are damaged, obsolete, as well as each time there is a risk that they might not be disposed of under normal conditions, or when there is a risk that they will be disposed of over a period that is longer than what is generally accepted.

2.2.10 Trade and other receivables

Trade receivables, loans and advances are recorded to the balance sheet at their initial value. In the event of risk of non-recovery, impairment is fixed on a case-by-case basis using the probable collection flows; this risk takes the age of the transaction into consideration.

2.2.11 Cash and cash equivalents

Cash and cash equivalents include current bank accounts, cash in hand, on-call deposits, securities and negotiable certificates of deposit held by the Group. Adjustments of value are recognized in the income statement.

2.2.12 Share capital

2.2.12.1 Treasury shares

The Group implements a policy of buying back its own shares, in accordance with authorizations provided by the Shareholders' General Meeting to the Board of Directors. The main purposes of the share buyback program are:

- to increase the activity of the stock on the market by an Investment Services Provider via a liquidity contract in accordance with the AFEI professional code of ethics recognized by the AMF (the French stock markets authority),
- to grant stock options or free shares to employees and corporate officers of the company and/or its consolidated Group,
- to keep and use shares as consideration or payment for potential future acquisitions,
- to cancel shares purchased, subject to the approval of the Shareholders' Extraordinary Meeting to be called at a later date.

Repurchased shares are classified as treasury shares and deducted from shareholders' equity.

2.2.12.2 Remunerations in shares (stocks options and conditional award of so-called performance shares)

Refer to note 2.2.14 "Personnel benefits".

2.2.13 Provisions

A provision is recognized on the balance sheet if the Group has a current, legal commitment or an implicit one arising from a past event and for which it is probable that there will need to be an outflow of resources that represent economic advantages in order to eliminate the commitment. They are measured at the estimated payment amount. If the effect of capitalizing provisions is not significant, capitalization is not carried out.

2.2.13.1 Long-term provisions

Long-term provisions are provisions not directly related to the operating cycle, whose due date is generally within more than one year. They also comprise provisions for environmental risks and provisions for retirement.

2.2.13.2 Short-term provisions

Short-term provisions cover the provisions directly related to the operating cycle of each division, regardless of their estimated due dates. Provisions for legal disputes concern mainly disputes with customers, subcontractors, and suppliers. Provisions for other current risks are mainly comprised of provisions for late penalties, provisions for layoffs, and other operating risks.

2.2.14 Personnel benefits

2.2.14.1 Commitments to the personnel

In accordance with the laws and practices of each country in which the Group operates, it offers its employees and former employees, subject to certain conditions of service, the payment of pensions or compensation on retirement. Such benefits can be paid as part of defined contributions plans or defined benefits plans.

Contributions in defined contributions plans are recognized as expenses for the period in which they are incurred.

In respect of defined benefits plans, the Group's commitments to its staff are determined by independent actuaries using the Projected Unit Credit Method in accordance with IAS 19. This method takes into account in particular the probability of keeping staff within the Group until retirement age, future remuneration developments and a discount rate.

Such plans can be financed by investments in various instruments, such as insurance policies, shares or bonds, to the exclusion of debt instruments or shareholders' equity issued by the Group.

The requirements of IFRIC 14 do not fall within the scope of adjustments to be applied by the Group.

The Group has opted for the early adoption of the revised IAS 19 standard from January 1, 2012, actuarial gains and losses are recognized as other comprehensive income.

The excess or shortfall of the fair value of assets over the present value of bonds is recognized as assets or liabilities on the balance sheet. However, excess assets are only recognized on the balance sheet if they represent a future economic advantage for the Group.

The LISI Group has no plan opened relating to defined-contribution schemes.

2.2.14.2 Share-based payments

The Group has implemented plans for the share-purchase options and a plan for awarding shares as a bonus conditional on performance, for certain employees and directors, whose objective is to create additional incentive to improve the performance of the Group. As part of this scheme, certain employees and managers of foreign subsidiaries will benefit from these same advantages, but will receive their remuneration in the form of a bonus payment.

The award of share purchase options and the award of shares based on performance do represent a benefit available to such associates, and thus constitute a supplement to their remuneration. The options granted are recognized as personnel expenses based on the fair value of the shares or equity derivatives assigned, on the date of implementation of these plans throughout the vesting period of these options.

In the case of plans for share-purchase options and bonus shares based on performance, these benefits correspond to the fair market value of the instruments awarded, and are valued using a binomial model.
As regards bonus commitments, these are recorded as social liabilities at their fair value at year-end.

This remuneration paid in LISI shares or stock options is recognized:

- over a period of four years from the allocation date, in accordance with the vesting period of the rights contained in the plan rules, with regard to call option plans;
- over a period of two year from the allocation date, in accordance with the vesting period of the rights contained in the plan rules, with regard to the allocation of performance shares.

A share purchase plan (Group Savings Plan) is also available for Group employees, in which they may purchase LISI shares within the framework of a capital increase reserved for employees or as part of a share buyback program. Shares acquired by employees within the framework of these programs are subject to certain sale and transfer restrictions. In the case of capital increases reserved for employees as part of the Group Savings Plan, the benefit offered to employees is the discount on the subscription price, being the difference between the subscription price of the shares and the share price at the award date (with a maximum of 20% in accordance with French law). This expense is recognized in its entirety at subscription date in the case of the Group Savings Plan.

2.2.15 Debt

Interest-bearing loans are initially recognized at their fair value less costs attributable to the transaction. They are then measured at depreciated cost; the difference between the cost and the repayment value is recognized in the income statement for the period of the loans, in accordance with the effective rate of interest method.

2.2.16 Trade and other accounts payable

Trade and other accounts payable are valued at fair value at first recognition, and then at depreciated cost. When the maturity of such financial assets is short, the sums obtained from applying this method are very close to the nominal value of the payables, which is then the value employed.

2.2.17 Definition of the concepts "current" and "non-current" in the balance sheet

Assets and liabilities whose maturity is less than the operating cycle, which is generally 12 months, are classified as current assets and liabilities. If maturity is later than this, they are classified as non-current assets and liabilities.

2.2.18 Overview of the income statement

The Group has opted to continue showing the following totals, which are not strictly accounting ones, and whose definitions are as follows:

- Current Gross Operating Profit (EBITDA) includes added value, administrative and sales expenses, costs of pensions and the cost of remuneration in shares. It does not include contributions and write-offs from depreciation and provisions.

- Current Operating Profit (EBIT) includes Current Gross Operating Profit (EBITDA) as well as contributions and write-offs from depreciation and provisions.

- Operating Profit includes EBIT, other non-recurring operating income and expenses. These non-recurring items are strictly defined as income and expenses resulting from events or transactions that are clearly distinct from the company's ordinary activities, and that are not expected to reoccur on a regular basis, owing to:
  - their unusual nature and
  - their random occurrence, such as expenses or compensation received for losses, costs resulting from shutdowns, restructurings, or site relocations, goodwill amortization, and capital gains and losses on the sale of non-operating, tangible and intangible assets.

2.2.18.1 Sale of goods and provision of services

Income from the sale of goods is recognized in the income statement when the significant risks and advantages inherent in ownership of the goods have been transferred to the buyer.

Sales revenues are shown after deduction of discounts. Sums from royalties, patent fees and use of trademarks are posted to sales revenues.

2.2.18.2 Payments for operating lease contracts

Payments for operating leases are recognized as expenses on a straight-line basis over the period of the lease.

2.2.18.3 Payments for finance lease contracts

The minimum payments for finance leases, as described in paragraph 2.2.8.2, are broken down into financial charges and debt repayment. The financial charge is applied for each period covered by the lease so as to have a constant, periodic interest rate to apply to the declining balance.

2.2.18.4 Cost of finance and other financial charges and income

The cost of finance includes:

- Interest charges on loans calculated using the effective interest rate method;
- Interest charges included in payments made for a finance lease and calculated using the effective interest rate method;
- Interest income generated from short-term investments;
- Variations in fair value of financial instruments;
- Income from dividends of non-consolidated companies is recognized in the income statement when the Group becomes entitled to receive payments, i.e., in the case of quoted securities, on the coupon date.

Other financial income and expenses mainly include exchange profits and losses.

2.2.18.5 Income taxes

Corporate income tax (debit or credit) includes the tax to pay (the tax credit) in respect of each financial year and the amount of deferred taxation to pay (credit). The tax is recognized as income, except if it relates to items that are directly recognized as equity; in which case it is recognized as equity.

Deferred taxation is calculated using the variable carry forward method for all timing differences at year-end between taxable and accounting values of assets and liabilities on the consolidated balance sheet. Fiscally non-deductible goodwill does not give rise to a declaration of deferred tax.

Deferred tax assets are only recognized if their recovery is probable. Deferred tax debits and credits are measured at the tax rates that will be applicable when the timing differences are settled.

The examination of the recoverability of brought forward losses is subject to particular scrutiny and shall only be recoverable if the subsidiary in question or its consolidation scope makes profits in the near future.

Regarding French companies, pursuant to the removal of the professional tax and its replacement by the CET and CVAE as of 2010, the Group has decided to consider the CVAE in the context of the IAS 12 standard. This decision will thus lead to the posting of this tax as "Taxes" in the income statement.

2.2.18.6 Earnings per share

Net earnings per share (before dilution) are calculated on the ratio between the net profit for the period and the weighted number of shares in circulation during the period, after deduction of shares held by the Group (treasury shares). Net diluted earnings per share are calculated by including financial instruments that provide deferred access to the Group's capital (stock options, share warrants).

Treasury shares are deducted from the weighted average number of shares in circulation, which acts as a basis on which to calculate the net earnings per share (before and after dilution).

2.2.19 Cash flow statement

The Group has opted to present its consolidated cash flow statement in accordance with the IFRS model.

2.2.20 Segment information

The LISI Group presents its segment information in accordance with the criteria defined by IFRS 8.

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance;

and

- for which discrete financial information is available.

The Group's activities in 2013 are spread over three business segments, in which the three divisions operate:

- The LISI AEROSPACE Division, which brings together all activities in the aerospace market,
- The LISI AUTOMOTIVE division, which brings together all activities in the automotive market,
- LISI MEDICAL, which brings together all activities in the medical market.

Other activities mainly include the activities of the Group's main company.

2.2.21 Indicators

The Group uses the indicators defined below.

Free Cash Flow: Free cash flow after deduction of net capital investments and changes in working capital (cf. Chapter 3 note 2.5.2.4 Cash and cash equivalents).

Return on capital employed (ROCE): Ratio of EBIT to average capital employed (Shareholders' equity + Net debt) for years N and N-1.

Return on equity (ROE): Ratio of net earnings to shareholders' equity.

Gearing: Ratio of Net Debt to the Group share of consolidated equity.

2.3 | CONSOLIDATION SCOPE

2.3.1 Changes in consolidation scope in the financial year 2013

No change in the scope occurred during the financial year.

2.3.2 Consolidation scope at year end

Companies	Head Office	Country	% of control	% interests
Holding company				
LISI S.A.	Belfort (90)	France	Parent company	
LISI AEROSPACE				
LISI AEROSPACE SAS	Paris 12e (75)	France	100.00	100.00
BLANC AERO INDUSTRIES SAS	Paris 12e (75)	France	100.00	100.00
BLANC AERO INDUSTRIES GmbH	Hamburg	Germany	100.00	100.00
Fastener Tecnology Bağlantı Elemanları San. Tic. A.Ş.	Izmir	Turkey	100.00	100.00
BLANC AERO TECHNOLOGIES SAS	Paris 12e (75)	France	100.00	100.00
LISI AEROSPACE S.L.	Madrid	Spain	100.00	100.00
HI-SHEAR CORPORATION	Torrance (California)	USA	100.00	100.00
The MONADNOCK Company	City of Industry (California)	USA	100.00	100.00
BLANC AERO INDUSTRIES UK Ltd	Rugby	UK	100.00	100.00
A1 Technologies Inc	Paramount (California)	USA	100.00	100.00
LISI AEROSPACE North America, Inc	Torrance (California)	USA	100.00	100.00
HI-SHEAR Holdings LLC	Torrance (California)	USA	100.00	100.00
LISI AEROSPACE Canada Corp	Dorval	Canada	100.00	100.00
LISI AEROSPACE India Pvt Ltd	Bangalore	India	100.00	100.00
ANKIT Fasteners Pvt Ltd	Bangalore	India	49.06	49.06
LIXUS Industrie	Tangiers	Morocco	100.00	100.00
LISI AEROSPACE CREUZET SAS	Paris 12e (75)	France	100.00	100.00
CREUZET AERONAUTIQUE SAS	Marmande (47)	France	100.00	100.00
INDRAERO SIREN SAS	Argenton/Creuse (36)	France	100.00	100.00
LISI AEROSPACE Creuzet Maroc (A)	Casablanca	Morocco	100.00	100.00
CREUZET POLSKA Sp. Z o o	Sedziszow Malopolski	Poland	70.00	70.00
LISI AUTOMOTIVE				
LISI AUTOMOTIVE SAS	Delle (90)	France	100.00	100.00
SOCIETE NOUVELLE BONNEUIL SAS	Delle (90)	France	100.00	100.00
LISI AUTOMOTIVE Nomel SAS	La Ferté Fresnel (61)	France	100.00	100.00
LISI AUTOMOTIVE Former SAS	Delle (90)	France	100.00	100.00
LISI AUTOMOTIVE Mohr und Friedrich GmbH	Vöhrenbach	Germany	100.00	100.00
LISI AUTOMOTIVE Rapid SAS	Puiseux Pontoise (95)	France	100.00	100.00

Companies	Head Office	Country	% of control	% interests
LISI AUTOMOTIVE Mecano GmbH	Heidelberg	Germany	100.00	100.00
LISI AUTOMOTIVE KKP GmbH	Mellrichstadt	Germany	100.00	100.00
LISI AUTOMOTIVE KKP GmbH & CO KG	Mellrichstadt	Germany	100.00	100.00
LISI AUTOMOTIVE (BEIJING) CO., Ltd	Beijing	China	100.00	100.00
LISI AUTOMOTIVE Form a.s	Cejc	Czech Republic	100.00	100.00
LISI AUTOMOTIVE India Pvt Ltd	Ahmedabad	India	100.00	100.00
LISI JIEHUA AUTOMOTIVE Co. Ltd	Hong Kong	Hong Kong	100.00	75.00
LISI AUTOMOTIVE (SHANGHAI) CO., Ltd	Shanghai	China	100.00	75.00
LISI AUTOMOTIVE KNIPPING Verbindungstechnik GmbH	Kierspe	Germany	100.00	100.00
LISI AUTOMOTIVE BETEO GmbH	Gummersbach	Germany	100.00	100.00
LISI AUTOMOTIVE BETEO GmbH & CO KG	Gummersbach	Germany	100.00	100.00
LISI AUTOMOTIVE KNIPPING Espana S.A.	Madrid	Spain	100.00	100.00
LISI AUTOMOTIVE KNIPPING Ltd	Solihull	UK	100.00	100.00
LISI MEDICAL Division				
LISI MEDICAL JEROPA INC.	Escondido (California)	USA	100.00	100.00
LISI MEDICAL SAS	Neyron (01)	France	100.00	100.00
SEIGNOL - HUGUENY SAS	Neyron (01)	France	100.00	100.00
LISI MEDICAL Orthopaedics SAS	Hérouville Saint-Clair (14)	France	100.00	100.00

(A) Change in the name of INDRAERO MAROC to LISI AEROSPACE Creuzet Maroc on 1 January 2013.

2.4 | FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks arising from the use of financial instruments:
- credit risk,
- liquidity risk,
- market risk,
- interest rate risk,
- currency risk.

This note provides information on the Group's exposure to each of the risks listed above, its objectives, policies, measurement and risk management procedures, as well as its capital management. Quantitative information is provided in other parts of the consolidated financial statements.

The aim of the Group's risk management policy is to identify and analyze risks which the Group faces, to define the limits within which risks must be confined and the controls to be implemented, to manage risk and to ensure compliance with the prescribed limits.

Credit risk

Credit risk is the Group's risk of financial loss in the event that a customer or other party in a financial instrument fails to meet their contractual obligations. This risk derives mainly from trade receivables and securities held for sale.

Trade and other receivables

Group exposure to credit risk is mainly influenced by individual customer profiles. The Group has a policy of monitoring trade receivables, allowing it to constantly control its third party risk exposure. The Group believes that the credit risk of write-off of past due receivables is minimal.

Securities risk

LISI S.A's share portfolio is not a speculative, rather of investments and holdings, and accordingly no particular share represents a risk. As at December 31, 2013, the Group's balance sheet displays cash and cash equivalents for €94m. The cash equivalents are made of marketable securities represented by monetary mutual funds, invested in very short maturity securities and representing no risk in capital, in accordance with the Group's cash management policy. In accordance with accounting rules, these investments are valued at their market price at year-end.

In accordance with IAS 32, own shares are recognized upon their acquisition. Their value is deducted from equity and changes in value are not recorded. When own shares are acquired or disposed of, the shareholders' equity is adjusted by the amount of the fair value of the securities bought or sold. The acquisition of 77,352 own shares and the disposal of 88,018 own shares in 2013 result in a €0.5m increase of shareholders' equity over the period.

Liquidity risk

The Group's cash management is centralized: The very great majority of the cash surpluses or financing requirements of its subsidiaries, where local legislation permits it, is invested or financed by the parent company on normal market terms. The central cash management team manages the financing of the Group, current and forecast, and ensures its capacity to meet its financial commitments. For that purpose, it maintains a level of the available cash and confirmed credit facilities compatible with its size and the maturities of its debt.

At December 31, 2013, the LISI Group had several confirmed, unused medium-term bank credits for a total amount of €95 million. This amount, up by €64 million over the year, arises mainly from the issue of unguaranteed notes on the US private market (USPP) on October 17, 2013 for an amount of €56 million, and the implementation of a second financing from the European Investment Bank for an amount of €30 million. These transactions demonstrate the Group's capacity to diversify its sources of financing, whilst extending the majority of its debt and maintaining a very advantageous cost of financing.

The Group has available in addition to undrawn medium-term lines, unused bank overdraft lines of €35 m, and net cash of €85.8 million, resulting in a total financing capacity of €215.8 m, making it insensitive to liquidity risk.

The Groups financing contracts provide for compliance with two main ratio restrictions:

- Net debt / Shareholders' equity < 1.2
- Consolidated net debt / Consolidated EBITDA < 3.5

At December 31, 2013, the former amounted to 0.108 and the latter to 0.379, compared with 0.133 and 0.495, respectively, as at December 31, 2012. The Group therefore has a very comfortable margin of safety, confirming its low liquidity risk.

(in €'000)	12/31/13	12/31/12
Other short-term financial assets	0	71,535
Cash and cash equivalents	94,000	30,625
Cash available [A]	**94,000**	**102,160**
Short-term banking facilities [B]	8,224	10,892
Net cash [A - B]	**85,776**	**91,268**
Credits	134,665	148,644
Other financial creditors	18,928	19,320
Net debt [C]	**153,593**	**167,964**
Net debt [D = C + A - B]	**67,817**	**76,696**
Group equity [E]	**625,179**	**574,657**
Debt ratio (expressed as %) [D / E]	**10.8%**	**13.3%**

N. B. : 2011 reminder of the debt ratio as a %: 19.1%

The cash table for all financial liabilities is as follows:

Financial liabilities recorded on balance sheet	At 12/31/2013	Breakdown of contractual flows not discounted on due date			
(in €'000)	Net value	Within less than one year	Between 1 and 5 years	Over 5 years	Total
Long-term borrowings	118,640		56,159	62,481	118,640
Other long-term financial liabilities (excl. PCA)	5,632		5,440	192	5,632
Short-term borrowings	43,178	43,178			43,178
Trade and other accounts payable	207,267	207,267			207,267
Total financial liabilities	**374,717**	**250,445**	**61,599**	**62,673**	**374,717**

Financial liabilities recorded on balance sheet	At 12/31/2012	Breakdown of contractual flows not discounted on due date			
(in €'000)	Net value	Within less than one year	Between 1 and 5 years	Over 5 years	Total
Long-term borrowings	111,004		106,981	4,023	111,004
Other long-term financial liabilities (excl. PCA)	5,218		5,071	147	5,218
Short-term borrowings	67,851	67,851			67,851
Trade and other accounts payable	188,093	188,093			188,093
Total financial liabilities	**372,166**	**255,944**	**112,052**	**4,170**	**372,166**

Market risk

Market risk is the risk of variation in market prices, such as interest rates, affecting the Group result or the value of financial instruments held. Managing market risk involves controlling market risk and maintaining it within acceptable limits, whilst optimizing the profitability:risk ratio.

The Group buys and sells derivatives and supports financial liabilities in order to manage market risk.

Hedging and market operations on interest rates, exchange rates or securities using futures instruments are recorded in accordance with the provisions of CRBF rules nos. 88-02 and 90-15. Commitments relating to these transactions are posted to off-balance sheet accounts for the nominal value of the contracts. As at December 31, 2013, the sum of these commitments represented the volume of transactions that remained unsettled at year-end.

The accounting principles applied vary according to the nature of the instruments and the operator's initial intentions.

The commitments are detailed in paragraph 2.7.4.1 of this annual report.

Interest rate risk

The Group's principal exposure in terms of interest rate risk arises from the exposure of its financial assets and liabilities at variable rates to variations in interest rates, which could have an impact on these cash flows.

Within the framework of its overall policy, the Group partly converts its initially variable rate liabilities into fixed rate liabilities, using financial instruments such as interest rate swaps and interest rate options.

These hedging instruments are negotiated on OTC markets with banking counterparts, in a centralized manner by the Group's Financial Department. They are not considered by the Group to be hedging instruments and are recorded at fair value to the income statement.

In 2013, the Group did not put any new hedges in place and the amount of its unexpired instruments at December 31, 2013 covered a nominal amount of €56.5m. The features of these instruments are presented in note 2.7.4 "Commitments".

As at December 31st, the Group's net variable rate position broke down as follows:

(In €'000)	12/31/13	12/31/12
Loans – variable rates	71,542	138,900
Short-term banking facilities	8,224	10,892
Other current and non-current financial assets		(35,892)
Cash and cash equivalents	(78,600)	(30,625)
Net position prior to management	1,166	83,275
Interest rate swap	56,491	75,353
Hedging	56,491	75,353
Net position after management	(55,325)	7,922

The approach taken consisted in taking into account as a calculation basis for the sensitivity to rates the net, lending and borrowing positions.

As at December 31, 2013, the impact of the non hedged portion of 100 base points of variable rate change stood at +/- €0.6 million.

Commodities price fluctuation risk

This issue is dealt with in Chapters 5 § 4.6.1.

Currency risk

Overall, the Group is subject to types of foreign exchange risk:

- Outside the EUR and USD zones, it has production facilities in a dozen countries, in which the majority of the sales of its subsidiaries are denominated in EUR or in USD, whereas their costs are mainly denominated in local currency, which is the GBP, CAD, TRY, CZK and, to a lesser extent, the MAD, CNY, INR and PLN, giving rise to a cash requirement in local currencies. A strengthening of these currencies would affect the business performance of the group;
- The USD constitutes the second invoicing currency of the Group, after the EUR, mainly in the LISI AEROSPACE Division. Invoicing in other currencies is not significant at the Group scale. A weakening of the USD would affect the business performance of the Group.

In order to protect its results, the Group is implementing a hedging policy aimed at reducing the factors of uncertainty affecting its operational profitability and at giving it the time necessary to adapt its costs to any unfavorable monetary environment.

Hedging of the foreign exchange on risk local currencies

The Group has very good visibility over its local currency requirements. Also, it hedging policy is based on the management of a portfolio of financial instruments enabling it not to descend below a parity floor, whilst enabling it where applicable to benefit from a partial improvement in the underlying parities, without however putting at risk the original floor. The hedging horizon is 12 - 24 months.

Hedging of USD currency risk

As indicated above, the generation of USD arises mainly from the Group's LISI AEROSPACE Division, which benefits from long-term contracts providing for invoicing in this currency. The hedging policy is based on the management of a portfolio of financial instruments , enabling it to obtain an optimized hedging rate by reference to normal market terms. The hedging horizon may extend over up to 8 years. This strategy enabled the Group, in 2013, to sell a total amount of USD 10.4 million at an average rate close to 1.18.

Portfolio of foreign exchange derivatives

The portfolio of foreign exchange derivatives is broken down as follows:

	12/31/2013					12/31/2012				
	Fair value (1)	Notional amount (2)	< 1 year	between 1 and 5 years	more than 5 years	Fair value (1)	Notional amount (2)	< 1 year	between 1 and 5 years	more than 5 years
Long position of GBP against EUR	0.1	4.2	4.2	0.0	0.0	1.3	18.0	18.0	0.0	0.0
Long position of GBP against USD	0.9	17.1	17.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long position of CAD against USD	-0.4	48.1	28.6	19.5	0.0	0.2	17.7	17.7	0.0	0.0
Long position of TRY against EUR	-2.1	25.5	25.5	0.0	0.0	0.2	18.2	18.2	0.0	0.0
Long position of PLN against USD	0.3	13.2	13.2	0.0	0.0	0.3	26.4	13.2	13.2	0.0
Long position of CZK against EUR	-0.1	192.0	192.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short position of USD against EUR	2.1	27.5	10.0	12.5	5.0	1.9	39.5	12.0	22.5	5.0
TOTAL	**0.8**					**3.85**				

(1) Fair value amounts are expressed in millions of euros.
(2) Maximum notional amounts are expressed in millions of currencies.

2.5 | DETAIL OF BALANCE SHEET ITEMS

2.5.1 Non-current assets

2.5.1.1 Intangible assets

a) Goodwill

(in €'000)	Goodwill
Gross goodwill at December 31, 2012	**182,012**
Impairment at December 31, 2012	**(3,400)**
Net goodwill at December 31, 2012	**178,612**
Increase	770
Decrease	0
Changes in foreign exchange rates	(1,608)
Gross goodwill at December 31, 2013	**177,774**
Impairment at December 31, 2013	**(3,006)**
Net goodwill at December 31, 2013	**174,768**

The increase of €770,000 concerns the acquisition of the assets of a business in the LISI MEDICAL Division in April 2013.

Changes in currency exchange rate only concern LISI AEROSPACE and result from translation differentials on the dollar.

The loss of value of €3,006,000 recognized at December 31, 2013 concerns the USA CGU of the LISI AEROSPACE Division following the transfer of assets from the former Racing USA business to other companies of the Group for a value of less than the net book value .

As at December 31, 2013, the net value of goodwill broke down as follows:

In €m	LISI AEROSPACE						
	Europe B.U.	Engines and critical parts Europe B.U	USA B.U.	Engines and critical parts North America B.U	Special products B.U.	Structural Components B.U.	Total
Net goodwill	**1.0**	**4.5**	**15.1**		**7.2**	**38.9**	**66.7**
Intangible fixed assets with an undetermined useful life	None	None	None	None	None	None	
Result of the impairment test	NA - no sign of impairment	NA - no sign of impairment	Impairment €3 million	NA - no sign of impairment	No impairment	No impairment	
Key assumptions							
Cash flow within one year	Forecasts	Forecasts	Forecasts		Forecasts	Forecasts	
Cash flow within four years	4-year strategic plan	4-year strategic plan	4-year strategic plan		4-year strategic plan	4-year strategic plan	
Discount rate after tax	7.50%	7.50%	7.50%		7.50%	7.50%	
Growth rate of flows not covered by the assumptions and	2.00%	2.00%	2.00%		2.00%	2.00%	

In €m	LISI AUTOMOTIVE			
	Threaded fasteners B.U.	Mechanical Safety Components B.U.	Clipped solutions B.U.	Total
Net goodwill	**20.1**	**1.2**	**40.3**	**61.6**
Intangible fixed assets with an undetermined useful life	None	None	None	None
Trademarks	None	None	3.8	3.8
Result of the impairment test	No impairment	No impairment	No impairment	
Key assumptions				
Cash flow within one year	Forecasts	Forecasts	Forecasts	
Cash flow within four years	4-year strategic plan	4-year strategic plan	4-year strategic plan	
Discount rate after tax	8.75%	8.75%	8.75%	
Growth rate of flows not covered by the assumptions and	1.90%	1.90%	1.90%	

In €m	LISI MEDICAL
Net goodwill	**46.5**
Intangible fixed assets with an undetermined useful life	None
Trademarks	None
Result of the impairment test	No impairment
Key assumptions	
Cash flow within one year	Forecasts
Cash flow within four years	4-year strategic plan
Discount rate after tax	7.75%
Growth rate of flows not covered by the assumptions and	2.00%

In accordance with IAS 36 "Impairment of Assets", goodwill was tested for impairment on December 31, 2013.

These tests, in accordance with Note 2.2.8.5, were conducted for each CGU. The cash generating units (CGU) are determined in accordance with the operational reporting and their recoverable values are determined on the basis of a calculation of utility value. Each utility value is calculated based on the discounting, at the rates mentioned below, of the forecast operating cash flows after taxes. The projections of cash flow are determined based on budget data and the four-year strategic plans approved by the Board of Directors .

Beyond the fifth year, the terminal value is calculated on the basis of a capitalization to infinity of the cash flows. The key assumptions relate in particular to the evolution of sales based on the order book and the master contracts signed by the Group, if applicable, the operating profit rate, the renewal capex rate, and the determination of factors that may affect the working capital. The assumptions are in particular established on the basis of observations made during previous activity cycles in the various lines of business, as well as in external market surveys and the observation of the sensitivity of the contractual data for the environment of each division. It is specified that these assumptions are the best estimate possible of the market situation at the time they were prepared, and that they take into consideration the degradation of markets for 2014 to 2017.

The determination of the growth rate to infinity and the discounting rates used on the CGUs of the LISI AUTOMOTIVE Division was carried out by an independent expert. On the basis of the memorandum from the experts, the Group rationalized the rates on the LISI AEROSPACE and LISI MEDICAL Divisions . Hence a rate of 2% was used for the CGU of the LISI AEROSPACE Division and a rate of 1.9% was used for the CGU of the LISI AUTOMOTIVE Division.

The discounting rates after taxes were used on the basis of an assessment of the specific risks of these businesses.

		December 31, 2013		December 31, 2012	
		Infinite growth rate	Discount rate	Infinite growth rate	Discount rate
LISI AEROSPACE					
	USA unit	2%	7.50%	2.50%	7%
	Special products	2%	7.50%	2.50%	7%
	Structural components	2%	7.50%	2.50%	7%
LISI AUTOMOTIVE					
	Threaded fasteners	1.90%	8.75%	2.50%	8.50%
	Clip solutions	1.90%	8.75%	2.50%	8.50%
LISI MEDICAL					
	LISI MEDICAL	2%	7.75%	2.50%	7.50%

Sensitivity tests for the assumptions retained were undertaken and related to the major indicators factoring into these value tests: discounting rates and growth rates to infinity are elements which contribute to the cash flows. These sensitivity tests showed that the limit between the value in use and the net asset is attained for the variation in these calculation parameters:

Sensitivity of recoverable amounts

	December 31, 2013						
	Discount rate		Perpetuity growth rate		Cash flow	EBITDA rate	
	Rate used (as a %)	Increase in the discount rate necessary so that the recoverable amount is equal to the book value (in points)	Rate used (as a %)	Decrease in infinite growth rate necessary so that the recoverable amount is equal to the book value (in points)	Decrease in cash flows necessary so that the recoverable amount is equal to the book value (in %)	Rate used (as a %)	Decrease in the EBITDA rate necessary so that the recoverable amount is equal to the book value (in points)
LISI AEROSPACE							
USA unit	7.50%	1,150	2%	(2,200)	(70%)	Undisclosed because of its underlying confidential nature	(1,290)
Special products	7.50%	3,350	2%	Not concerned	(87%)		(2,806)
Structural components	7.50%	40	2%	(50)	(8%)		(70)
LISI AUTOMOTIVE							
Screwed fasteners	8.75%	205	1.90%	(345)	(24,50%)		(239)
Clip solutions	8.75%	5	1.90%	(10)	(1%)		(10)
LISI MEDICAL							
LISI MEDICAL	7.75%	15	2%	(20)	(2%)		(32)

b) Other intangible assets

(in €'000)	Concessions, patents and similar copyrights	Other intangible assets*	TOTAL
Gross values at December 31, 2012	**41,740**	**14,829**	**56,570**
Other net changes	468	(507)	(38)
Acquisitions	2,028	2,206	4,234
Disposals	(80)		(80)
Scope changes	2		2
Exchange rate spreads	(21)	(42)	(63)
Gross values at December 31, 2013	**44,137**	**16,487**	**60,624**
Depreciation at December 31, 2012	**33,955**	**8,563**	**42,518**
Depreciation allowance	3,614	1,330	4,944
Depreciation reversals	(93)	(360)	(453)
Scope changes			
Exchange rate spreads	(19)	(41)	(60)
Depreciation at December 31, 2013	**37,457**	**9,492**	**46,949**
Net values at December 31, 2013	**6,680**	**6,996**	**13,675**

* Including the Rapid brand.

The RAPID brand was valued when the company was acquired in August 2000 at its fair value of €8.3m, based on an independent valuation. Since 2003, it has been decided to amortize it over a period of 15 years, given the commercial usage period envisaged to date.

The increase in "Concessions, patents and similar rights" concerns mainly the implementation of the ERP Movex 3 in the LISI AUTOMOTIVE division for €1.6 million.

2.5.1.2 Tangible assets

a) Tangible assets held in full (including evaluation spreads)

(in €'000)	Land	Buildings	Technical facilities, equipment and tools	Other tangible assets	Current assets	TOTAL
Gross values at December 31, 2012	**16,262**	**131,758**	**634,158**	**78,441**	**21,552**	**882,172**
Other net changes		2,175	36,506	(1,169)	(37,598)	(85)
Acquisitions	290	3,788	28,456	6,071	48,206	86,811
Disposals	(15)	(418)	(11,962)	(2,003)	(8)	(14,407)
Scope changes			214			214
Exchange rate spreads	(3)	(1,010)	(6,470)	(466)	(716)	(8,664)
Gross values at December 31, 2013	**16,534**	**136,293**	**680,902**	**80,874**	**31,436**	**946,040**
Depreciation at December 31, 2012	**931**	**56,665**	**445,408**	**50,206**	**180**	**553,389**
Other net changes		7	46	102	(151)	5
Depreciation allowance	561	5,651	38,869	5,097	2,107	52,285
Depreciation reversals	(445)	(285)	(10,352)	(964)		(12,046)
Scope changes			(5)			(5)
Exchange rate spreads		(214)	(3,929)	(263)		(4,406)
Depreciation at December 31, 2013	**1,047**	**61,824**	**470,037**	**54,178**	**2,137**	**589,223**
Net values at December 31, 2013	**15,487**	**74,468**	**210,866**	**26,697**	**29,300**	**356,818**

b) Tangible assets held under a finance lease contract

(in €'000)	Land	Buildings	Technical facilities, equipment and tools	Other tangible assets	Current assets	TOTAL
Gross values at December 31, 2012		**10,576**	**18,583**			**29,159**
Other net changes						
Acquisitions			857			857
Disposals						
Exchange rate spreads		(48)	(84)			(132)
Gross values at December 31, 2013		**10,528**	**19,355**			**29,883**
Depreciation at December 31, 2012		**2,762**	**11,283**			**14,046**
Other net changes						
Depreciation allowance		311	1,181			1,492
Depreciation reversals						
Scope changes						
Exchange rate spreads		(3)	(42)			(45)
Depreciation at December 31, 2013		**3,070**	**12,422**			**15,494**
Net values at December 31, 2013		**7,457**	**6,933**			**14,390**

Given their immaterial nature, the minimum future payments relative to rents and their current value are not broken down by maturity.

c) Operating lease agreements

The main assets required for operations that do not belong to the Group or its subsidiaries are industrial buildings and office space (head office).

Other operating lease agreements mainly relate to office automation equipment.

No significant commercial leases have been signed with company executives or with companies belonging to executives or their families. The total annual expense is approximately €10.6m.

2.5.1.3 Financial assets and liabilities

Financial assets and liabilities recorded on the balance sheet are broken down into the following accounting categories and classes of financial instruments:

Financial assets and liabilities recorded on balance sheet	At 12/31/2013		Breakdown by instrument category				
(In €'000)	Net value	Fair value	Fair value via earnings	Assets available for sale	Loans and receivables	Debt at depreciated cost	Instruments derivatives
Long-term financial assets	6,385	6,385			6,385		
Other long-term assets	936	936			936		
Trade and other receivables	169,479	169,479			166,049		3,430
Cash and cash equivalents	94,000	94,000	94,000				
Total financial assets	**270,800**	**270,800**	**94,000**		**173,370**		**3,430**
Long-term borrowings	118,640	118,640				117,952	688
Other long-term financial liabilities (excl. PCA)	5,632	5,632				5,632	
Short-term borrowings	43,178	43,178				43,178	
Trade and other accounts payable	207,267	207,267				204,646	2,621
Total financial liabilities	**374,717**	**374,717**				**371,408**	**3,309**

Financial assets and liabilities recorded on balance sheet	At 12/31/2012		Breakdown by instrument category				
(In €'000)	Net value	Fair value	Fair value via earnings	Assets available for sale	Loans and receivables	Debt at depreciated cost	Instruments derivatives
Long-term financial assets	5,977	5,977			5,977		
Other long-term financial assets	937	937			937		
Trade and other receivables	153,133	153,133			153,133		
Short-term investments	71,535	71,535	67,542				3,993
Cash and cash equivalents	30,625	30,625	30,625				
Total financial assets	**262,207**	**262,207**	**98,167**				**3,993**
Long-term borrowings	111,004	111,004				109,332	1,672
Other long-term financial liabilities (excl. PCA)	5,218	5,218				5,218	
Short-term borrowings	67,851	67,851				67,851	
Trade and other accounts payable	188,093	188,093				188,093	
Total financial liabilities	**372,166**	**372,166**				**370,494**	**1,672**

The IFRS 7 standard requires the hierarchical ordering of the different valuation techniques used for each of the financial instruments. The categories are defined as follows:

Level 1: Direct reference to published prices of a market asset,
Level 2: Valuation technique based on measurable data,
Level 3: Valuation technique based on non-observable data.

Classification of fair value by hierarchical level:

(in €'000)	December 31, 2013		
	Level 1	Level 2	Level 3
Long-term financial assets	6,385		
Other long-term assets	936		
Trade and other receivables	3,430	166,049	
Cash and cash equivalents	94,000		
Total financial assets	**104,751**	**166,049**	
Long-term borrowings	118,640		
Other long-term financial liabilities (excl. PCA)	5,632		
Short-term borrowings	43,178		
Trade and other accounts payable	2,621	204,646	
Total financial liabilities	**170,071**	**204,646**	

2.5.1.4 Long-term financial assets

(in €'000)	Other long-term investments	Other financial assets	TOTAL
Gross values at December 31, 2012	4,854	1,144	5,998
Other net changes		2	2
Acquisitions	609	95	704
Disposals		(60)	(60)
Scope changes			
Exchange rate spreads	(231)	(6)	(237)
Gross values at December 31, 2013	**5,232**	**1,174**	**6,406**
Impairment at December 31, 2012	**8**	**11**	**19**
Other net changes			
Provisions for impairment of assets			
Reversals of impairment provisions			
Scope changes			
Exchange rate spreads		(0)	(0)
Impairment at December 31, 2013	**8**	**11**	**19**
Net values at December 31, 2013	**5,223**	**1,163**	**6,385**

2.5.1.5 Other long-term financial assets

(in €'000)	12/31/13	12/31/12
Other debtors		937
Total other long-term financial assets		**937**

The receivable recognized on the balance sheet at December 31, 2012 covered long-term maturity tax assets; it was reclassified into "Other non-current assets" at December 31, 2013.

2.5.1.6 Other long-term assets

(in €'000)	12/31/13	12/31/12
Other debtors	936	
Total other long-term assets	**936**	

2.5.2 Current assets

2.5.2.1 Inventories

(in €'000)	Raw materials	Tools and other procurements	Work in progress	Finished and intermediary products	Goods	TOTAL
Gross value at December 31, 2012	**48,457**	**15,864**	**102,345**	**99,864**	**17,150**	**283,680**
Scope changes	4	8		408		420
- of which increases	4	8		408		420
- of which reductions						
Exchange rate spreads	(540)	(66)	(1,380)	(1,132)	(83)	(3,201)
Changes in inventory	38	433	7,702	2,140	2,328	12,640
Reclassifications	6,230	(6,174)	(351)	(323)		(617)
Gross value at December 31, 2013	**54,189**	**10,066**	**108,316**	**100,956**	**19,395**	**292,922**
Impairment at December 31, 2012	**10,168**	**1,617**	**4,312**	**18,728**	**2,146**	**36,971**
Scope changes						
- of which increases						
- of which reductions						
Reserve allowance for impairment	3,292	1,003	1,088	4,007	69	9,459
Provision reversal for impairment	(2,161)	(699)	(977)	(7,058)	(285)	(11,180)
Exchange rate spreads	(215)	(1)	(74)	(154)	(59)	(504)
Reclassifications	253	(385)	(83)	214	0	(0)
impairment at December 31, 2013	**11,336**	**1,536**	**4,267**	**15,736**	**1,871**	**34,746**
Net value at December 31, 2013	**42,853**	**8,530**	**104,049**	**85,220**	**17,524**	**258,178**

2.5.2.2 Trade and other receivables

(in €'000)	12/31/13	12/31/12
Gross debtors and apportioned accounts	139,598	129,755
Impairment of trade and other apportioned accounts	(4,380)	(4,780)
Net debtors and apportioned accounts	**135,218**	**124,975**
State - Other taxes and duties	21,196	16,654
Social charges & employees	336	440
Accounts payable - advances, debtors	2,445	1,020
Deferred charges	2,360	3,161
Other	7,925	6,884
Other receivables	34,261	28,158
Total trade and other receivables	**169,479**	**153,133**

Assignments of receivables amounted, at December 31, 2013, to €54.4 million, compared with €52.2 million at December 31, 2012. The fair value of these transferred assets in accordance with the IFRS 7 definition is equal to their nominal value. These transfers are made in the form of factoring with conventional subrogation, without recourse, thereby removing any exposure to a risk of financial loss. There are two contracts for the assignment of receivables, one signed for an indefinite period, the other for a period of one year, automatically renewable. These contracts provide for the opportunity to transfer receivables up to an amount of €92 million.

Overdue receivables not covered by provisions mainly concern major customers with which the Group has annual or pluriannual business agreements. On the basis of historic observations, the company considers the risk of non-collection marginal, with non-hedged overdue receivables being mainly within less than one year; the share within more than one year being totally immaterial.

2.5.2.3 Cash and cash equivalents

The cash available as at December 31, 2013 stood at €94m. This item consists mainly of investment securities held by the Group and in particular monetary SICAV instruments, for a total of €15.3m, negotiable security deposits of €58.8m and current bank accounts in euros and foreign currencies. The latter are recorded at their fair value, and value adjustments are recorded into the income statement. These positions are not exposed, the main backing instruments guaranteeing the capital.

The impact of the change in working capital on cash is as follows:

in €'000	2013	2012
Effect of the change in inventories	(12,640)	(6,030)
Effect of the change in cash flow imbalances of customers and other debtors	(14,369)	5,117
Effect of the change in cash flow imbalances of suppliers and other creditors	10,091	(1,063)
Effect of the change in cash flow imbalances for taxes	(9,220)	(761)
Change in working capital requirements	**(26,138)**	**(2,737)**

The free cash flow broke down as follows:

in €'000	2013	2012
Operating cash flow	142,333	119,678
Net CAPEX	(87,661)	(78,411)
Change in working capital requirements	(26,138)	(2,737)
Free Cash Flow	**28,534**	**38,530**

2.5.3 Shareholders' equity

The Group's shareholders' equity stood at €625.2m at December 31, 2013, against €574.7m at December 31, 2012, being an increase of €50.5 million. This change takes into account the following main factors:
+€74.6 m of income for the period attributable to holders of the company's shareholders' equity,
-€14.7m of dividends paid in May 2013,
+€1.6m relative to treasury shares and payments in shares,
+€2.1m related to actuarial gains and losses on employee benefits,
-€2.7m of change in fair value of cash flow hedging instruments,
-€9.7 m of translation adjustment linked to changes in closing rates, particularly regarding the revaluation of the dollar.

2.5.3.1 Capital stock

Capital stock at year-end stands at €21,572,988, broken down into 10,786,494 issued shares with a face value of €2. No change has been recorded compared to December 31, 2012.

2.5.3.2 Capital-linked premiums

Additional paid-in capital is broken down as follows:

in €'000	2013	2012
Additional paid-in capital	53,062	53,062
Contribution premiums	15,030	15,030
Merger premiums	2,711	2,711
Total	**70,803**	**70,803**

2.5.3.3 Capital management

The Group's policy consists in maintaining robust capital so as to support a highly capitalistic business, preserve the confidence of shareholders and investors, support growth and withstand periods of recession. The Board of Directors is particularly attentive to capital returns and the dividends paid to shareholders.

Instruments which provide access to the company's capital relate to the benefits conferred on managers and employees under certain conditions, as set out in Notes 2.6.9 and 2.7.2. They only concern existing own shares.

2.5.3.4 Dividends

The amount of (unrecognized) dividends for the 2013 financial year submitted to the Shareholders' General Meeting on April 23, 2014 for approval breaks down as follows:

Amount in €m	2013	2012
Total net dividend	18.3	15.1

This estimate is made on the basis of the total number of shares giving, or 10,786,494 shares. The self-held shares at the date of payment of the dividend will not be eligible for the payment of any dividend.

The amount of (unrecognized) dividends for the 2013 financial year submitted to the Shareholders' General Meeting on April 23, 2014 for approval breaks down as follows:

Dividend per share in €	2013	2012
Dividend per share	1.70	1.40

2.5.4 Provisions

2.5.4.1 Changes in provisions break down as follows:

(In €'000)	At January 1, 2012	Provisions (net of reversals)	At December 31, 2012	Provisions	Reversals (amounts used)	Reversals (non used amounts)	Actuarial gains / losses out of shareholders' equity	Reclassifications	Entry into/exit from consolidation scope	Translation differential	At December 31, 2013
Pensions and retirement	27,155	5,181	32,336	2,165	(2,160)	(36)	(2,720)			(175)	29,410
Long-service medals	3,420	333	3,753	246	(114)						3,885
Environment-related risks	10,817	5,659	16,476	2,371	(2,584)	(2,407)				(151)	13,705
Disputes and other risks	5,594	(1,307)	4,288	826	(1,481)	(281)		121		(13)	3,460
Guarantees to clients	5,870	489	6,358	834				(21)			7,171
Industrial reorganization	150	(150)		11,505	(1,108)			(8,117)		(80)	2,200
For taxes	843		843	85	(80)						848
Subtotal long-term provisions	**53,849**	**10,205**	**64,054**	**18,031**	**(7,527)**	**(2,724)**	**(2,720)**	**(8,017)**		**(419)**	**60,679**
For loss on contract	600	(330)	270	247	(69)						448
Industrial reorganization	1,325	(86)	1,239		(69)			(369)		(21)	779
Restructuring	2,222	(1,622)	600			(600)		8,486			8,486
Environment-related risks	333	6	339	164	(132)	(65)					307
Disputes	161	72	233	247	(49)						432
For taxes	256	1	257		(181)	(36)					39
Other risks	9,840	3,705	13,545	5,322	(6,282)	(2,286)		(100)	400	(30)	10,569
Subtotal short-term provisions	**14,737**	**1,747**	**16,484**	**5,980**	**(6,782)**	**(2,987)**		**8,017**	**400**	**(52)**	**21,061**
Grand Total	**68,586**	**11,952**	**80,539**	**24,012**	**(14,309)**	**(5,711)**	**(2,720)**		**400**	**(471)**	**81,740**
of which as recurring operating profit				*12,507*	*(13,570)*	*(3,811)*					
of which as non-recurring operating profit				*11,505*	*(739)*	*(1,900)*					

The main provisions are in respect of:

- Pensions and retirement:

Legally-imposed obligations in respect of staff salaries, pension payments or retirement indemnities. Taken into account were assumptions regarding the level of the discount rate, the turnover, and the mortality tables. Some of these commitments are backed with external funds.

The Group has opted for early adoption of the revised IAS 19 standard from January 1, 2012. Therefore, all actuarial gains and losses are recognized in "Other comprehensive income" against provisions for pensions.

- Environment:

Recognition of liabilities links to requirements to uphold environmental standards in the various countries in which the company operates and more specifically with regard to soil pollution on industrial sites. The cost of monitoring and compliance in concert with local authorities makes up a large part of these provisions.

- Disputes and other risks:

This covers litigation or disputes with partners and service providers. Risk assessment has been calculated based on the estimated cost of the outcome of any dispute or possible transactions. Assessment of expected returns cannot be calculated as of yet.

- Industrial reorganization:

This covers industrial reorganization based on assessments of the cost of redeploying certain sites or entities. The assessment of the sums recognized takes account of specific local regulatory stipulations. The impairment charge of €11 million essentially relates to the reorganization of the screw fasteners business in France, via the closure of the plant at Thiant and the transfer of its business to three other French sites.

- Other risks:

Liabilities recognized under this category take into account risks based on various reports (industrial, regulatory, corporate, customer guarantees and products) and concern both of the Group's main divisions.

This section covers the risks and expenses clearly specified as to their purpose whose maturity remains likely and which will cause an outflow of resources without consideration. The most significant amounts reflect the unfavorable application for the Group of contractual terms, the impact of the streamlining of production structures and litigations with third party partners.

2.5.4.2 Commitments to the personnel

Application of revised IAS 19 as at January 1, 2012

As indicated in Note 2.2 Accounting rules and methods, the LISI Group has opted for early adoption of the revised IAS 19 from 1 January 2012.

Characteristics

In accordance with the laws and practices of each country in which the Group operates, it offers its employees and former employees, subject to certain conditions of service, the payment of pensions or compensation on retirement. Such benefits can be paid as part of defined contribution plans or defined benefit plans.

Defined benefit plans

General description of the plans

Retirement allowance (France):

Entitlements to retirement benefits are defined by applicable laws or sectorial agreements when they are more favorable.

UK

BAI UK operates a defined benefit pension plan to which all employees who joined the company before April 2007 are entitled. Plan assets are separate from the assets of the company and managed by a trust administered by a board of trustees.

The risks to which the plan exposes the company include: investment risk, inflation, longevity of pensioners, options, and legislative.

USA

Hi Shear Corporation operates a defined benefit pension plan to which all employees who joined the company before February 1991 are entitled. The plan has been closed since that date. Plan assets are separate from the assets of the company and managed by a trust administered by a board of trustees.

The geographic breakdown of the Group's commitments to staff as at December 31, 2013 for defined benefit plans and the main assumptions employed in their assessment are as follows:

(In € '000)	France	Germany	USA	UK	Other
Actuarial debt	18,709	6,366	7,938	18,344	1,147
Discount rate	3.17%	3.42%	4.25%	4.62%	3.30%
Inflation - Wage increase	2.50%	2.50%	NA	4.00%	NA

As per the revised IAS 19 standard, the rate of return on long-term funds is identical to the discount rate for actuarial liability. The rates of return thus employed are equal to 4.25% for American insurance plans and 4.62% for British ones.

As at December 31, 2013, the allocation of plan assets was approximately 61% in equities and 39% in bonds for the UK and 17% in equities, 39% bonds and 44% in other instruments for the USA.

The table below details the changes, during financial 2013, of the actuarial debt, and the market value of the hedging assets (in €m):

Changes in actuarial debt	2013	2012
Actuarial debt at year start	**54,647**	**47,894**
Cost of services	1,232	1,030
Cost of accretion	1,766	2,038
Benefits paid	(2,893)	(3,356)
Discounts		
Wind-ups		(187)
Change in consolidation scope		
Translation differential	(731)	151
Actuarial losses (gains)	(1,518)	7,079
Actuarial debt at year end	**52,504**	**54,647**

Change in market value of hedging assets	2013	2012
Opening value	**22,312**	**20,738**
Contributions paid by the Group	273	1,336
Benefits withheld from fund	(970)	(2,121)
Expected yield from assets	833	881
Translation differential	(553)	172
Actuarial gains (losses)	1,200	1,305
Value at year end	**23,094**	**22,312**

The following table shows the reconciliation of amounts recognized in the Group's consolidated financial statements and the above sums (in €m):

(In €'000)	12/31/13	12/31/12
Liabilities recognized at year end	**(29,410)**	**(32,336)**

The expense recognized in the operating income statement by the Group for 2013 for defined benefits plans came to €2.2 million and breaks down as follows:

(In €'000)	2013	2012
Cost of services	1,232	1,030
Cost of accretion	1,766	2,038
Expected yield from assets	(833)	(881)
Reductions / Wind-ups		(187)
Recognized expense (revenue)	**2,165**	**1,999**

Two foreign affiliates of the LISI AEROSPACE division are concerned by the management of hedging assets.

2.5.5 Other long-term liabilities

(in €'000)	12/31/13	12/31/12
Deposits and sureties received	192	147
Employee profit-sharing for the year	5,440	5,071
Deferred income	2,094	2,390
Total other long-term liabilities	**7,726**	**7,608**

2.5.6 Financial debt and financial risk management

The breakdown by accounting category and instrument class for financial liabilities is given in Notes 2.5.1.3.

2.5.6.1 Debt

a) Breakdown by nature

(In €'000)	12/31/13	12/31/12
Non-current share		
Mid-term loans	104,046	96,338
Debt related to lease agreements	8,853	10,642
Employee profit-sharing (frozen on a current account)	5,740	4,023
Subtotal non-current debt	**118,640**	**111,004**
Current share		
Banking facilities for operations [B]	8,224	10,892
Mid-term loans	30,618	52,301
Debt related to lease agreements	3,135	2,484
Employee profit-sharing (frozen on a current account)	1,202	2,174
Subtotal current debt	**43,178**	**67,851**
Total debt	**161,818**	**178,855**

b) Breakdown by maturity date

(In €'000)	12/31/13	12/31/12
Borrowings		
due within one year	30,618	52,301
due within two to five years	44,837	92,052
due within over five years	59,208	4,286
Subtotal borrowings	**134,663**	**148,639**
Other financial creditors		
due within one year	12,560	15,550
due within two to five years	11,321	10,725
due within over five years	3,273	3,940
Other debt subtotal	**27,153**	**30,215**
Borrowings and debt	**161,818**	**178,855**

c) Breakdown by currency

All figures relating to borrowings and debts with credit establishments are given in euros. The Group's bank debts therefore do not expose it to any foreign exchange risk.

d) Breakdown by interest rate category

The table below summarizes loans from credit institutions to the Group as it studies the principal amounts incurred at fixed and variable rates.

Entities	Nature of the loan	Fixed rate	Variable rate	Total amount In €m	Capital remaining due at 12/31/2013 In €m	Maturity date	Items exist currency hedging or in currency	Covenant
LISI S.A	Conventional loan		Euribor 3 months + margin	10.0	10.0	2014	Covered by a swap	[3]
	Conventional loan [2]		Euribor 3 months + margin	20.0	11.0	2016	Covered by a swap	[1]
	Conventional loan [2]		Euribor 3 months + margin	10.0	5.5	2016	Partly covered by a swap	[1]
	Conventional loan [2]		Euribor 3 months + margin	25.0	13.8	2016		[1]
	Conventional loan [2]		Euribor 3 months + margin	15.0	9.8	2017	Partly covered by a swap	[1]
	Conventional loan [2]		Euribor 3 months + margin	10.0	6.5	2017		[1]
	USPP*	3.64%		56.0	56.0	2023		[4]
CREUZET AERONAUTIQUE	Conventional loan		Euribor 1 month + margin	3.9	3.2	2020	Covered by a swap	[1]
LISI AUTOMOTIVE FORMER	Conventional loan		Euribor 3 months + margin	7.0	4.0	2017	Covered by a swap	
LISI AUTOMOTIVE Form as	Conventional loan		Euribor 1 month + margin	4.7	1.1	2014	Intention letter by LISI AUTOMOTIVE	[2]
LISI AUTOMOTIVE KNIPPING Espana S.A	Conventional loan		Euribor 1 year + margin	1.5	0.7	2020		
	Conventional loan		Euribor 1 year + margin	5.0	2.0	2018		
LISI AUTOMOTIVE KNIPPING Verbindungstechnik	Conventional loan	1.50%		1.1	0.2	2017	Intention letter by LISI AUTOMOTIVE	
LISI MEDICAL Fasteners	Conventional loan		Euribor 3 months + margin	4.5	4.0	2024	Covered by a swap	[1]
			Total	**173.7**	**127.8**			

* USPP: US Private Placement

2.5.6.2 Related covenants

The Group has no bank facilities based on its credit rating. The contracts entered into include conventional clauses regarding the financial health of the Group or its subsidiaries. The definition and levels of ratios, also called "financial covenants", are set by prospective mutual agreement with the credit institutions. Compliance with these ratios is assessed once a year only, at year end. Failure to comply with these ratios entitles the credit institutions to impose early repayment (total or partial) of the facilities granted.

For the reader's information, the financial "covenants" related to each loan are described below:

[1]
- Consolidated gearing ratio < than 1.2 (Net debt / Shareholders' equity)
- Consolidated leverage ratio > than 3.5 (Net debt / EBITDA)

[2]
- Entity's gearing ratio < than 0.5 (Net debt / Total balance sheet)
- Entity's leverage ratio < than 3.0 (Net debt / EBITDA)

[3]
- Consolidated gearing ratio < than 1.7 (Net debt / Shareholders' equity)
- Consolidated leverage ratio > than 3.5 (Net debt / EBITDA)

[4]
- Consolidated gearing ratio < than 1.2 (Net debt / Shareholders' equity)
- Consolidated leverage ratio < than 3.5 (Net debt / EBITDA)
- Coverage ratio of consolidated interest expense < 4.5 (Net interest expense / EBITDA).

2.5.7 Deferred taxes

(in €'000)	12/31/13	12/31/12
Deferred tax assets	11,066	14,289
Deferred tax liabilities	(22,763)	(23,511)
Net deferred taxes	(11,697)	(9,222)

Non-recognized deferred tax assets:

The Company does not recognize its deferred tax assets whenever it has no sufficient assurance that it will recover carried forward deficits and tax credits. Deferred tax assets are only recognized if their recovery is probable. For the reader's information, loss carrybacks not recognized in the balance sheet at December 31, 2013, would generate deferred tax assets for €5.1 million.

Deferred tax assets by early recoverability horizon as at December 31, 2013:

- 1 year	1 to 5 years	+ 5 years	Total
7,383	1,803	1,880	11,066

2.6 | DETAIL OF MAIN INCOME STATEMENT ITEMS

2.6.1 Sales revenue

The breakdown of sales revenues by business segment and country is shown in Note 2.7.1, "Segment information".

2.6.2 Consumed goods

(in €'000)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL 2013	TOTAL 2012
Consumption of goods	7,385	16,397	3,550	(897)	26,435	25,633
Consumption of raw materials	110,749	83,299	8,710	(8)	202,750	202,453
Tools	35,242	18,249	2,337	(28)	55,800	49,363
Other purchases	10,177	14,374	1,342	16	25,907	24,372
Total consumption	**163,553**	**132,319**	**15,939**	**(917)**	**310,892**	**301,821**

2.6.3 Other purchases and external charges

(in €'000)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL 2013	TOTAL 2012
Subcontracting	26,722	35,923	4,176	(90)	66,731	63,326
Maintenance	19,600	19,512	2,118	592	41,825	36,799
Transport	8,056	10,819	375		19,251	17,932
Energy	10,738	16,299	861	13	27,910	25,844
Total other purchases and external costs	44,139	20,927	4,661	(5,325)	63,699	60,588
Total other purchases and external costs	**109,255**	**103,480**	**12,191**	**(4,810)**	**219,416**	**204,490**

2.6.4 Payroll expenses

(in €'000)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL 2013	TOTAL 2012
Temporary employees	17,692	4,758	2,675		25,124	26,686
Salaries and incentives	173,436	107,915	18,369	2,580	302,300	287,950
Layoff pay	1,034	1,093	224		2,351	2,661
Social contributions and taxes on salaries	66,725	40,169	7,974	6,475	121,343	114,109
Employee profit-sharing	5,183		256		5,440	5,070
Pensions and long-service medals	557	419	124		1,100	1,101
Total payroll expenses	**264,627**	**154,354**	**29,622**	**9,055**	**457,657**	**437,577**

2.6.5 Research and development expenses

The LISI Group's mission is to carry out intensive research and development activities, both in developing new products and in using new materials. This research and development activity is carried out at various levels: either as part of a co-operative venture between research and design departments within our own divisions and those of our customers, or to develop or improve certain components or industrial processes. These are mainly comprised of personnel expenses dedicated to R&D services. Staff dedicated to R&D represent in 2013 some 9% of the Group's employees.

The expenses incurred for the last three financial years are shown in the table below:

In €m	2013	2012	2011
R&D expenses	18.9	22.7	18.9
% of sales revenue	1.7%	2.1%	2.0%
Activated projects	0	0.2	0.7

2.6.6 Non-recurring operating expenses and revenues

Non-recurring operating expenses and revenues break down as follows:

(in €'000)	12/31/13	12/31/12
Non-recurring operating expenses		
Disposal of KNIPPING Umformtechnik GmbH		(196)
Insurance deductible	(300)	(23)
Industrial reorganization costs	(1,437)	(37)
Other costs	(145)	(111)
Reserve allowance for industrial reorganizations	(11,505)	(5,500)
Provisions allowance for restructurings		
Impairment of B.U. goodwill USA unit	(3,006)	
Impairment of B.U. goodwill Clipped fasteners		(3,400)
Total	**(16,393)**	**(9,267)**
Non-recurring operating revenues		
Industrial reorganization plan provision reversals	2,639	36
Other revenues		11
Total	**2,639**	**47**
Non-recurring revenue and expenses from operations	**(13,754)**	**(9,220)**

The rules for the presentation and definition of non-recurring income and expenses remain unchanged compared to December 31, 2012.

The amount of €11.5 million essentially relates to the reorganization of the screw fasteners business in France by the closure of the plant at Thiant and the transfer of its activity to three other French plants.

To the Company's knowledge, there are no other litigations, arbitrations or non-recurrent facts that have, or have had, a significant impact on the financial situation, earnings, business or assets of the LISI Group.

2.6.7 Non-operating profit

(in €'000)	12/31/13	12/31/12
Financing expenses and revenue on cash		
Revenue on cash	694	1,006
Impact of the change in fair value of interest rate hedges	1,254	(841)
Financing expenses	(3,258)	(3,831)
Subtotal income from cash and cash equivalents	(1,310)	(3,664)
Other interest revenue and expenses		
Foreign exchange gains	12,676	14,182
Foreign exchange losses	(13,955)	(13,035)
Impact of the change in fair value of interest rate hedges	(408)	1,231
Other	(817)	(1,084)
Financial income and expenses	(2,504)	1,295
Non-operating profit	(3,814)	(2,369)

The financial net income/expense comprises a proportion of the cost of financing for an amount of -€3.3 million, which remained stable in comparison with 2012 and, on the other hand, the effect of changes in currencies which generates a loss in the financial net income/expense for this year of -€1.7 million. This figure includes the negative effect of foreign exchange hedging of €0.4m.

2.6.8 Income tax

2.6.8.1 Income tax breakdown

Breakdown In €'000	Profit (loss) before tax	Tax *	Profit (loss) after tax
Income from ordinary operations	130,513	(35,071)	95,442
Non-recurring operating expenses and revenues	(13,754)	2,175	(11,579)
Employee profit-sharing	(5,440)	1,964	(3,476)
Tax credits		145	145
CVAE (Tax on Companies' Added Value)		(5,992)	(5,992)
Profit (loss) for the period	**111,319**	**(36,779)**	**74,540**

* of which taxes due: - €30,139k
of which deferred taxes: -€792k

of which tax credits: +€145k

of which CVAE (Tax on Companies' Added Value): -€5,992k

2.6.8.2 Proof of tax

(in €'000)	12/31/13	%
Net earnings	**74,639**	
Interest not granting control over the company	99	
Tax burden recorded to the income statement (including CVAE)	(36,779)	
Pre-tax net earnings of consolidated companies (A)	**111,418**	
Parent company taxation rate (B)	36.10%	
Theoretical ax burden (C) = (A) x (B)	**40,222**	**109.4%**
DIFFERENCES		
Share of fees and expenses on paid dividends	505	1.4%
Contribution on paid dividends	440	1.2%
Tax credits & other tax reductions	145	0.4%
Tax exemption of foreign companies	(434)	(1.2%)
Permanent differences & unrecognized temporary differences	650	1.8%
Recognition or utilization of previously tax proceeds on unrecognized previously carryforward tax losses	(983)	(2.7%)
Impact due to the reclassification of the CIR and CICE	(3,050)	(8.3%)
Impact due to the reclassification of the CVAE as tax	3,829	10.4%
Difference between the normal tax rate applicable to the parent company and the standard rate applicable in French and foreign jurisdictions	(5,173)	(14.1%)
Impact of exceptional contribution on the income tax (rise from 5% to 10.7%)	647	1.8%
Other	(19)	(0.1%)
Tax burden recorded to the income statement (including CVAE)	**36,779**	**100.0%**
Actual tax rate (Income tax expense in the income statement compared to the pre-tax earnings of consolidated companies)	**33.01%**	

2.6.8.3 Tax rates applied by LISI Group companies

	2013	2012
Germany	30.00%	30.00%
UK	23.00 %	23.00%
Canada	26.90%	34.12%
Spain	30.00%	30.00%
USA *	40.00%	40.00%
France	36.10%	36,10%
Czech Republic	19.00%	19.00%
China	25.00%	25.00%

* including local taxes

2.6.9 Earnings per share

Earnings per share calculations are shown in paragraph 2.2.19.6.
The tables below indicate the reconciliation between the non-diluted and the diluted earnings per share.

12/31/13 in €'000	Profit (loss) for the period	Number of shares	Net earnings per shares in €
Total stocks		10,786,494	
Treasury shares		(304,314)	
Basic earnings per share	**74,639**	**10,482,180**	**7.12**
Diluted earnings per share	**74,639**	**10,482,180**	**7.12**

12/31/12 in €'000	Profit (loss) for the period	Number of shares	Net earnings per shares in €
Total stocks		10,786,494	
Treasury shares		(314,980)	
Basic earnings per share	**57,288**	**10,471,514**	**5.47**
Diluted earnings per share	**57,288**	**10,471,514**	**5.47**

2.7 | ADDITIONAL INFORMATION

2.7.1 Segment information

The Group's business is broken down between three markets that include the following 3 operational sectors (divisions):

- The LISI AEROSPACE Division, which brings together all activities in the aerospace market,
- The LISI AUTOMOTIVE Division, which brings together all activities in the automotive market,
- The LISI MEDICAL Division, which brings together all activities in the medical market.

The "Others" heading mainly consists of the holding company LISI S.A. and disposals.

2.7.1.1 By line of business

(in €'000)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL
12/31/13					
Income component					
Sales revenue by business sector	663,892	422,232	64,125	(1,278)	1,148,971
EBITDA	144,929	32,852	4,457	(3,355)	178,883
Depreciation allowance and provisions	26,687	21,528	1,917	(138)	49,994
EBIT	118,242	11,324	2,539	(3,216)	128,889
Operating profit	112,478	3,337	2,536	(3,217)	115,134
Profit (loss) for the period	75,457	(4,263)	(621)	3,967	74,540
Balance sheet component					
Working capital requirement	177,955	59,746	13,415	8,938	260,054
Net fixed assets	260,992	231,262	73,503	280	566,036
Acquisitions of fixed assets	52,588	32,817	3,436	139	88,980
12/31/12					
Income component					
Sales revenue by business sector	591,664	426,565	64,838	(1,726)	1,081,341
EBITDA	119,585	27,233	4,979	3,010	154,808
Depreciation allowance and provisions	28,322	24,915	2,219	(1,066)	54,390
EBIT	91,263	2,318	2,760	4,077	100,418
Operating profit	91,163	(6,816)	2,774	4,078	91,199
Profit (loss) for the period	61,538	(12,435)	328	7,685	57,115
Balance sheet component					
Working capital requirement	178,903	66,006	15,057	7,319	267,285
Net fixed assets	245,317	223,897	73,073	252	542,537
Acquisitions of fixed assets	38,886	28,448	11,654	281	79,269

(in €'000)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL
12/31/13					
Income component					
Revenue by destination area					
European Union	412,243	356,520	51,437	(1,279)	818,922
of which France	*215,995*	*147,983*	*7,577*	*(1,011)*	*370,544*
Americas	216,230	20,586	10,474		247,290
Other countries	35,418	45,126	2,214		82,758
Total	**663,892**	**422,232**	**64,125**	**(1,279)**	**1,148,971**
Balance sheet component					
Net fixed assets by destination area					
European Union	148,688	227,070	63,005	279	439,042
of which France	*134,752*	*144,110*	*63,005*	*279*	*342,146*
Americas	75,524		10,498		86,022
Africa	15,950				15,950
Asia	20,832	4,190			25,022
Total	**260,994**	**231,260**	**73,503**	**279**	**566,037**
Flows provided by or used for acquisition of fixed assets by destination area					
European Union	25,243	31,657	3,210	140	60,250
of which France	*22,290*	*25,534*	*3,210*	*140*	*51,174*
Americas	20,208		226		20,434
Africa	1,145				1,145
Asia	5,993	1,161			7,154
Total	**52,589**	**32,818**	**3,436**	**140**	**88,984**
12/31/12					
Income component					
Revenue by destination area					
European Union	375,732	365,814	53,641	(1,726)	793,462
of which France	*200,272*	*159,408*	*7,553*	*(1,491)*	*365,742*
Americas	189,833	21,307	9,279		220,419
Other countries	26,099	39,444	1,917		67,460
Total	**591,664**	**426,565**	**64,838**	**(1,726)**	**1,081,341**
Balance sheet component					
Net fixed assets by destination area					
European Union	142,718	219,769	61,929	252	424,666
of which France	*129,983*	*135,648*	*61,929*	*252*	*327,810*
Americas	69,270		11,143		80,413
Africa	16,151				16,151
Asia	17,178	4,128			21,306
Total	**245,317**	**223,897**	**73,072**	**252**	**542,537**
Flows provided by or used for acquisition of fixed assets by destination area					
European Union	25,874	27,238	11,501	280	64,893
of which France	*22,823*	*18,921*	*11,501*	*280*	*53,525*
Americas	8,340		153		8,493
Africa	1,164				1,164
Asia	3,508	1,210			4,718
Total	**38,886**	**28,448**	**11,654**	**280**	**79,269**

2.7.2 Share-based payments

2.7.2.1 Share purchase options

Stock options are awarded to directors and certain employees of the Group. In accordance with IFRS 2, "Share-Based Payment", these instruments result in the provision of shareholders' equity instruments and are measured at grant date. The Group uses the binomial method to measure them.

2.7.2.2 Award of performance shares

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on July 26, 2011, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting certain performance targets. The same went in 2012 and 2013, insofar as the Board of Directors of October 24, 2012 and October 24, 2013 renewed the opening of a new plan under similar conditions.

The fair value of these benefits is recognized in the income statement on a straight-line basis throughout the entitlement acquisition period.

The fair value of the benefits thus granted is recognized in 2013 in Payroll expenses for €2.2m for the employees of the French companies, against shareholders' equity, and for €2.2m for the employees of foreign companies, against social liabilities. This cost was not allocated to divisions, and remains an expense at the LISI S.A. level until the final completion of the plan.

2.7.3 Related-party information / Remuneration of members of management bodies

2.7.3.1 Related-party information

Related parties include the parent company, company managers, directors and board members. There is no other jointly-owned entity or entity recognized by equity method, or joint shareholder, or business under joint control or significant influence with which the LISI Group may have carried out transactions worthy of investigation.

The only relationship of the Group with its parent company (CID) is through the capital holding. On the other hand, LISI S.A. provides support to its subsidiaries in the fields of accounting, finance, strategy and law.

2.7.3.2 Remuneration of managers and directors

(In €'000)	Expenses for the period 2013	Expenses for the period 2012	Liabilities As at 12/31/2013
Gross short-term benefits (salaries, bonuses, etc.)	1,030	861	
Post-employment benefits (IFC)	325	306	325
Other long-term benefits			
Termination benefits			
Equity compensation benefits	133	63	133
Total compensation	**1,488**	**1,230**	**458**

The main directors will receive remuneration in the form of short-term benefits, post-employment benefits and share-based payments. With regard to this category, in 2009 and 2010 both directors of LISI S.A. received performance shares in accordance with the same terms and conditions as other members of the divisional Executive Committees; Two additional conditions are also imposed in their case, namely, to acquire 200 shares at the end of the acquisition period and to keep a nominative portion of equity (200 shares) until the end of their function as mandated chief executives of the mother company.

Concerning the retirement gratuities, no specific benefit is subcontracted, apart from the legal retirement gratuity.

2.7.4 Commitments

The Group draws up annually a detailed list of all contractual commitments, financial and commercial commitments, and contingent liabilities to which LISI S.A. and/or its subsidiaries are party or exposed. This list is regularly updated by the departments concerned and reviewed by Group Management. In order to ensure that the information on this list is complete, accurate and consistent, special control procedures have been implemented, including in particular:

- The regular examination of the minutes of Shareholders' General Meetings, Board Meetings, associated Committees that deal with contractual commitments, disputes and authorizations for the purchase or disposal of assets;
- Review of sureties and guarantees as well as loan agreements and any other banking commitments, in conjunction with the banks and financial institutions;
- Review, together with both internal and external legal counsels, of dispute and legal proceedings before the courts, environmental questions, and the measurement of liabilities that might arise;
- Examination of tax inspectors' reports and reassessment notices from previous financial years;
- Examination, together with those in charge of risk management, insurance brokers and agents of the insurance companies with which the Group has taken out its insurance policies to cover risks in respect of contingent liabilities;

- Examination of transactions with related parties in respect of guarantees or other commitments given or received;
- In general, review of all contracts and contractual commitments.

2.7.4.1 Commitments given in the context of ordinary operations

In addition to the operating leases whose annual charges are presented in Note 2.5.1.2, commitments provided as part of current activities are as follows:

(In € '000)	2013	2012
Balance of investment orders	50,158	50,557
Training entitlements	5,610	5,533
Guarantees and deposits	83	174
Commitments made	**55,852**	**56,264**
Rate swap	56,491	79,400
Foreign exchange hedging	97,084	79,717
Reciprocal commitments	**153,575**	**159,117**

Reciprocal commitments:

Reciprocal commitments are interest rate swaps to hedge variable rate loans (cf. Note 2.5.6.1. Financial Debt) taken out to fund external growth.
At December 31, 2013, the features of the swap contracts were as follows:

Notional as at 12/31/2013	Face amount In €'000	Departure date	Maturity date	Rate payer	Rate receiver	Net present value in €'000
LISI S.A.	10,000	02/06/2009	02/06/2014	2.7800%	Euribor 3 months	(65)
LISI S.A.	15,000	09/30/2011	09/30/2016	2.0730%	Euribor 3 months	(207)
LISI S.A.	5,000	09/30/2011	09/30/2016	1.5900%	Euribor 3 months	(50)
LISI S.A.	4,750	12/30/2011	12/30/2016	1.3925%	Euribor 3 months	(41)
LISI S.A.	9,500	06/29/2012	03/31/2017	1.0750%	Euribor 3 months	(71)
LISI S.A.	15,000	05/31/2012	05/31/2017	1.0700%	Euribor 2 months	(199)
LISI AUTOMOTIVE Former	7,000	12/31/2010	12/29/2017	1.7450%	Euribor 3 months	(101)
Seignol Hugueny	4,500	09/28/2012	09/30/2024	1.3000%	Euribor 3 months	42
Creuzet Aeronautique	3,900	07/31/2012	07/31/2020	0.7750%	Euribor 1 month	4
					Total	**(688)**

At December 31, 2013, foreign exchange hedging instruments unexpired at December 31, 2013 were the following:

(In '000)	12/31/13		12/31/12	
	Currency	EUR	Currency	EUR
GBP	21,300	25,549	18,000	22,056
CAD	48,100	32,786	17,700	13,473
TRY	25,550	8,630	18,230	7,741
PLN	13,200	3,177	26,400	6,480
CZK	192,000	7,000	-	-
USD	27,501	19,941	39,538	29,966
		97,084		**79,717**

2.7.4.2 Commitments received as part of acquisitions of companies

LISI AUTOMOTIVE :

- In the context of the takeover of the sites of Acument La Ferté Fresnel, LISI AUTOMOTIVE was awarded by TEXTRON a guarantee to cover environmental risks likely to threaten a site with no industrial activity to date.

2.7.4.3 Guarantees given as part of the divestiture of LISI COSMETICS

As part of the divestiture of LISI COSMETICS, a commitment for compensation was granted in favor of the buyer concerning any reassessments from the tax or environmental authorities during a period of two years with effect from the date of divestiture, subject to a deductible of €500k, to exceeding a minimum threshold of €35k and to an upper limit of €6m.

2.7.4.4 Other commitments

No other commitment has been given or received.

2.8 | EXCHANGE RATES OF CURRENCIES USED BY FOREIGN SUBSIDIARIES

		12/31/13		12/31/12	
		Year end rate	Average rate	Year end rate	Average rate
US dollar	USD	1.3791	1.3308	1.3194	1.2932
Sterling	GBP	0.8337	0.8501	0.8161	0.8119
Yuan	CNY	8.3491	8.1733	8.2207	8.1451
Canadian dollar	CAD	1.4671	1.3771	1.3137	1.2906
Zloty	PLN	4.1543	4.2134	4.0740	4.1677
Czech crown	CZK	27.4270	26.0270	25.1510	25.1395
Moroccan Dirham	MAD	11.2481	11.1796	11.1604	11.1154
Indian rupee	INR	85.3660	78.4711	72.5600	69.0202
Hong Kong Dollar	HKD	10.6933	10.3231	10.2260	10.0296

2.9 | POST-YEAR END EVENTS: INFORMATION ON TRENDS

None.

COMPANY FINANCIAL STATEMENTS 4

1 | COMPANY ACTIVITY FOR THE FINANCIAL YEAR, AND OUTLOOK FOR THE COMING YEAR

The key role of LISI S.A., the parent company of the LISI Group, is to oversee projects of general interest and co-ordinate company activity. More specifically, LISI manages the following services for its subsidiaries:

- strategic validation, external growth procedure, action plans, resource allocation;
- outlining strategy in an annual budget plan;
- financial control and internal audit;
- financial and fiscal consolidation;
- financial optimization, centralized cash management for the Group, management of investments and financial liabilities, hedging of foreign currencies and interest rates;
- insurance coordination, procurement, quality, research and development, health safety and the environment, human resources and investments, as well as industrial improvement plans;
- management of strategic projects.

EARNINGS AT DECEMBER 31, 2013

The remarks below relate to the income statement for 2013.

- **In 2013, operating income amounted to €9.2m, compared with €9.4m in 2012 and was broken down as follows:**

– **The sales revenues** of LISI S.A. amounted to €8.6m compared with €6.8m in 2012, an increase of +25.2%. They are essentially made up of services invoiced to the subsidiaries of LISI S.A. in respect of assistance, control and coordination of activities. In 2013, these invoices impacted on the subsidiaries, LISI S.A.'s operating costs increased by 10%.

– **The other operating income** amounted to €0.6m in 2013, compared with €2.6m in 2012. This amount is due in part to the impact of the provision reversal regarding the performance share award plans of +€1.0m, a provision reversal for environmental risks of +€0.8m, and a provision reversal for charges of €0.2m.

- **Operating expenses** amounted to €10.0m in 2013, an increase of 42.5% compared to 2012, this is mainly due to the fees item, which includes business acquisition and divestment fees for €0.4m, the development of a computer software package for €0.3m, a valuation allowance on the allocation of free performance shares for €1.4m and an adjustment complement on payroll taxes for €0.4m.

- **The operating result** therefore grew from +€2.4m in 2012 to +€0.8m in 2013.

- **The financial result** is positive, at +€12.8m, as compared with +€13.3m in 2013. Revenues consist primarily of dividends received from LISI AEROSPACE for €14.0m, interest on Group current accounts for €2.3m and net capital gains on investments for €1.0m. In terms of expenses, interest charged on loans and group current accounts amounted to €4.1m; with the net exchange impact stabilizing at – €0.4m for 2013.

- **The extraordinary result** has no impact on fiscal 2013.

- **The corporate income tax comprises tax income** of +€8.6m, including a gain from the group taxation regime of €9.2m.

- **Consequently, LISI S.A.'s net profit** was €20.6m, as compared with €17.1m in 2012, i.e. a 19.9% increase.

- **Shareholder's net equity** rose from €184.4m in 2012 to €190.3m at the end of 2013. It was reduced by the distribution of the dividends paid in May 2013, for an amount of €14.7m in respect of the net income for 2012.

- **The cash and cash equivalents, excluding current accounts, at year-end** amounted to €88.8m, compared with €82.2m in 2012: this balance sheet item is still of classic composition, with money market funds and investments denominated in euros and dollars, and for the most part guaranteed in capital. Net financial debt is -€18.7m at year end 2013, as compared with -€11.2m at year end 2012. This change is mainly due to the repayment of certain loans.

1.1 | APPROPRIATION OF EARNINGS

We propose that last year's profits of 20,550.519 be allocated as follows:

In €	
profits for the financial year of	20,550,519
increased by retained earnings of	61,152,213
giving distributable profit of	81,702,732
which we propose be allocated as follows:	
– to the shareholders, by way of dividends, the sum of €1.70 per share, i.e. which will be paid May 7, 2014 (*)	18,337,040
– remainder to be carried forward, for a total of	63,365,692

(*) After deducting the dividend that would have concerned the own shares held by the company.

The dividend for each share amounts to €1.70. The value of the dividend eligible for 40% deduction, as covered by article 158-3-2° of the French General Tax Code, is €1.70.

We also note that the dividend payouts per share, in euros, were as follows:

	Nominal value of the share	Dividend per share
Financial year ended 12/31/10	€2.00	€1.05
Financial year ended 12/31/11	€2.00	€1.30
Financial year ended 12/31/12	€2.00	€1.40

Please note that dividends are paid out 9 months after year end, and the time limit after which dividend entitlement lapses is 5 years, effective from the date when dividends were agreed.

OUTLOOK FOR 2014

Upstream dividend payments from our various subsidiaries and the maintenance of Group royalties should allow LISI S.A. to continue its policy of supporting its divisions and to ensure dividend increases for its shareholders.

ADDITIONAL INFORMATION

- Deductible expenses for tax purposes are made up of depreciation and hire of passenger vehicles and loan payments totaling €16,703.
- LISI S.A. has, through a market making agreement with an independent service provider, purchased 77,352 LISI shares for €6.1m and has sold 88,018 shares for a sum of €7.0m. At December 31, 2013, the number of shares held through the market-making agreement was 1,875.
- Treasury stocks held at December 31, 2013 totaled 304,314 shares, including those related to the market-making contract.
- Trade payables excluding bills receivable amounted to €416k, 90% of which are settled immediately.

2 | FINANCIAL STATEMENTS

2.1 | INCOME STATEMENT

(In €'000)	Notes	2013	2012	2011
Pre-tax sales		**8,570**	**6,844**	**6,216**
Operating income		9,185	9,433	9,978
External costs		(3,214)	(1,947)	(3,158)
Taxes and duties		(314)	(354)	(233)
Personnel expenses		(4,657)	(3,834)	(3,023)
Other charges		(180)	(168)	(77)
Depreciation, provisions		(1,588)	(680)	(1,904)
Operating profit		(768)	2,449	1,583
Financial earnings				
- from equity interests	3.3.1	16,323	15,052	12,749
- interest and similar expenses				
- positive exchange differences		7,055	8,216	4,375
- from disposal of marketable securities		992	1,430	1,022
- reversals of provisions	3.2.5	1	44	344
Interest expenses				
- interest and similar expenses		(4,148)	(3,546)	(2,669)
- negative exchange rate differences		(7,420)	(7,514)	(3,716)
- from disposal of marketable securities		(30)	(417)	(682)
- provisions allowance		(3)	(1)	(44)
Non-operating profit		12,770	13,265	11,379
Current profit before tax		**12,002**	**15,714**	**12,962**
Extraordinary earnings				
- on capital transactions				31,927
- on management transactions		3	1,647	730
- Reversal of provisions				
Extraordinary charges				
- on capital transactions				(27,401)
- on management transactions		(24)	(1,761)	(885)
- provisions allowance		(16)	(24)	(2)
Extraordinary earnings		(37)	(138)	4,369
Tax on profits	3.3.2	8,585	1,568	1,977
NET EARNINGS		**20,550**	**17,144**	**19,308**

2.2 | COMPANY BALANCE SHEET

ASSETS

(In €'000)	Notes	2013	2012	2011
Fixed assets				
Intangible fixed assets		354	303	232
Tangible fixed assets		1, 481	1,478	1,268
Financial assets		164,368	168,368	139,306
Depreciation and impairment		(1,220)	(1,072)	(929)
Total net fixed assets	3.2.1 / 3.2.2	**164,983**	**169,076**	**139,877**
Short-term assets				
Clients and apportioned accounts	3.2.3	4,267	2,431	2,045
Other debtors	3.2.3	1,701	8,203	9,889
Subsidiaries' current accounts	3.2.3	205,030	174,495	149,655
Impairment of receivables				
Tax credit	3.2.3	8,981		
Marketable securities	3.2.4.1	85,574	79,460	64,445
Cash	3.2.4.2	3,197	2,764	2,111
Provisions for write-down of marketable securities	3.2.5			(44)
Total short-term assets		**308,751**	**267,354**	**228,101**
Deferred charges		28	64	13
Deferred expenses on loan issue costs			21	59
Other deferred expenses				
Translation adjustment assets		3	1	
Total accruals		**31**	**87**	**72**
Total assets		**473,764**	**436,516**	**368,050**

LIABILITIES

(In €'000)	Notes	2013	2012	2011
Shareholders' equity				
Share capital		21,573	21,573	21,573
Issue, merger, and contribution premiums		67,296	67,296	67,296
Reserves		19,595	19,595	19,595
of which legal reserve		*2,157*	*2,157*	*2,157*
Balance carried forward		61,152	58,682	52,904
Profit (loss) for the period		20,551	17,144	19,309
Regulated provisions		96	83	60
Total equity	2.4	**190,262**	**184,374**	**180,737**
Provisions for risks and charges	3.2.6	**2,138**	**864**	**2,437**
Debt				
Sundry loans and financial debts (*)	3.2.3	115,611	123,398	124,332
Subsidiaries' current accounts	3.2.3	159,526	122,184	53,036
Taxes due			1,960	3,111
Accounts payable	3.2.3	2,139	1,204	1,146
Tax and statutory payments	3.2.3	2,408	1,888	1,337
Other creditors	3.2.3	1,679	644	1,913
Total debt		**281,363**	**251,278**	**184,875**
Deferred income				
Translation differential liabilities			1	1
Total accruals			**1**	**1**
Total liabilities		**473,763**	**436,516**	**368,050**
(*) of which banking facilities		(2,577)	(3,138)	(1,948)

2.3 | CASH FLOW MOVEMENT TABLE

(In €'000)	2013	2012	2011
Operating activities			
Operating cash flow	22,009	15,731	13,440
Effect of changes in inventory on cash			
Effect of changes in accounts receivable and accounts payable	(3,752)	(449)	(12,850)
Cash provided by or used for operations (A)	**18,257**	**15,282**	**590**
Investment operations			
Cash used to acquire tangible and intangible assets	(54)	(281)	(97)
Cash received from the disposal of tangible and intangible assets			7
Cash used to acquire financial assets		(2)	
Cash received from the disposal of financial assets		18	
Net cash used for acquisitions and disposals of subsidiaries		(33,337)	31,920
Cash payments and collections from loans to subsidiaries	4,000	4,260	4,616
Cash provided by or used for investing activities (B)	**3,946**	**(29,342)**	**36,445**
Financing operations			
Cash received from shareholders as part of a capital increase			
Dividends paid to shareholders of the parent company	(14,674)	(13,531)	(10,913)
Cash received from new loans	56,534	25,093	82,384
Repayment of loans	(63,760)	(27,332)	(5,273)
Cash provided by or used for financing activities (C)	**(21,901)**	**(15,769)**	**66,197**
Effect of change in foreign exchange rates (D)			
Changes in cash (A+B+C+D) *	**301**	**(29,829)**	**103,233**
Cash at January 1st (E)	131,397	161,227	57,995
Cash at December 31st (A+B+C+D+E)	131,698	131,397	161,227
Marketable securities	85,574	79,460	64,445
Cash, subsidiaries' current accounts	208,227	177,259	151,766
Banking facilities, subsidiaries' current accounts	(162,103)	(125,322)	(54,984)
Closing cash position **	**131,698**	**131,397**	**161,227**

* The overall change in cash position corresponds to the total of net cash flows generated by the various categories : operations, investment, and financing.
** The cash position is the algebraic sum of the balance sheet assets and liabilities.

2.4 | CHANGE IN SHAREHOLDERS' EQUITY

(In €'000)	
At 01.01.2012	**180,737**
Profit (loss) for the period	17,144
Capital increase	
Dividends paid	(13,531)
Accelerated depreciation	24
At 12.31.2012	**184,373**
Profit (loss) for the period	20,550
Capital increase	
Dividends paid	(14,674)
Accelerated depreciation	13
At 12.31.2013	**190,262**

3 | NOTES TO THE COMPANY ACCOUNTS

LISI S.A. is a public limited company with a Board of Directors, with capital of €21,572,988 representing 10,786,494 shares with €2 face value. It is registered at the Belfort trade registry, under no. 536 820 269. Its registered offices are based at Le Millenium, 18 rue Albert Camus, Belfort.

The final annual balance at December 31, 2013 stood at €473,764,245.The annual income statement showed a profit of €20,550,519 €.

The financial year runs over 12 (twelve) months, from January 1, 2013 to December 31, 2013.

The notes and tables below form an integral part of the company accounts.

3.1 | ACCOUNTING RULES AND METHODS

The accounts for 2013 are drawn up in line with current French accounting regulations. The accounting rules and methods have been applied in line with the prudence principle and with underlying assumptions which aim to provide an accurate picture of the company:

- the continuity of operations;
- the comparability of accounting methods;
- the independence of financial years.

Items listed on the balance sheet are, depending on the item, valued at historic cost, transfer value, or net asset value.

The accounting principles on which the company accounts for 2013 were drawn up are identical to those for 2012.

The preparation of financial statements requires LISI to make estimates and speculative forecasts which are liable to impact on both its assets and liabilities as well as those of its subsidiaries and holdings.

The latter are exposed both to specific, industry-related risks as well as risks relating to the wider international environment.

In LISI S.A.'s financial statements, the estimates and forecasts involved in implementing accounting methods particularly affect equity investments, as valuations (see note b, below) are based on affiliates' forecast data.

a) Tangible fixed assets

Tangible assets are valued at their historical cost (price of purchase and related expenses), and depreciation is calculated using the straight line or diminishing balance method, in accordance with their expected useful life:

	Economic depreciation	Fiscal depreciation
Buildings	33.33 years straight line	20 years straight line
Transport equipment	5 years straight line	3 years straight line
Office equipment	5 years straight line	5 years straight line
Office furniture	10 years straight line	10 years straight line

LISI S.A. does not calculate depreciation of individual elements: fixed assets that would require such restatement are not of a significant nature.

b) Financial fixed assets

Participating shares and other financial fixed assets are valued at their purchase price, excluding the costs incurred in their acquisition. If these values are higher than the value in use, a provision for depreciation is recorded to account for the discrepancy.

The value in use is calculated from each line of investment, based on the profitability and performance outlook for the companies concerned; on developments in the economic sectors in which they operate; and on their positions within these sectors.

The inventory value has been brought into line with the value in use calculated for the impairment tests, which did not show any loss in value.

c) Marketable securities

Marketable securities are valued at their purchase price, excluding the costs incurred in their acquisition. They may be depreciated in line with the average price or the year-end price.

d) Treasury stock

Treasury shares are held as marketable securities. These latter are valued at their lowest acquisition price or market value (average stock market price for December) for treasury stocks purchased under price regulation or equity not allocated to staff stock option or share allocation plans. For shares allocated to plans, CNC notice no.2008-17 applies.

e) Free shares and options

Where an outflow of resources relating to share purchase options and free share awards on the basis of performance is probable, the amount of the future expense is provisioned in proportion to the rights acquired since the allocation date. Where relevant, provisions thus provided for take into account whether or not treasury shares are allocated to share options or relevant free allocations.

The impact of the expense relating to the awards of free performance shares is included in the payroll expenses. for employees of LISI S.A. only.

f) Loans and receivables

Receivables are valued at their face value. A depreciation provision is recorded when the recoverable value is less than the book value.

g) Provisions for risks and charges

Provisions for risks and charges are recognized in line with the CRC regulation 2000-06 on liabilities, dated December 7, 2000.

This regulation stipulates that a liability is recognized when a company has an obligation to a third party and it is probable or certain that this obligation will necessitate an outflow of resources to the third party, with no equivalent or larger payment in return. The obligation must exist at the closing of accounts in order to be recognized.

Provisions are calculated with help from the Group's lawyers and consultants, based on current protocol and an assessment of the risks at the date of closing of accounts.

h) Financial instruments

Results relating to financial instruments used in hedging operations are calculated and recognized in such a way as to balance the income and expenses relating to the hedged elements.

i) Taxes on profits

LISI S.A benefits from the tax integration regime enacted by the law of December 31, 1987. This regime allows the taxable results of profit-making companies to be offset by the deficits of other companies, under certain conditions.

Each company covered by the tax integration regime calculates and recognizes its tax payable as if it were taxed individually.

LISI S.A. recognizes the savings or additional tax burden resulting from the difference between the tax owed by the subsidiaries covered by the regime, and the tax resulting from the calculation of the joint result.

The tax integration agreement stipulates that tax gains generated by loss-making subsidiaries should be retained at the parent company level.

3.2 | DETAIL OF BALANCE SHEET ITEMS

3.2.1 Gross fixed assets

(In €'000)	Gross value at year start for the period	Acquisitions	Disposals / Deconsolidations	Gross value at year end for the period
Intangible fixed assets				
Concessions, patents, licenses, etc.	303	51		354
Total	**303**	**51**		**354**
Tangible fixed assets				
Land	156			156
Buildings	392			392
Other tangible assets	930	4		934
Tangible assets in progress				
Total	**1,478**	**4**		**1,481**
Financial assets				
Equity interests and related receivables	168,338		(4,000)	164,338
- Of which LISI AUTOMOTIVE loan	*10,500*		*(4,000)*	*6,500*
- Of which LISI AUTOMOTIVE accrued interest				
Other long-term investments	9			9
Borrowings and other debts	21			21
Total	**168,368**		**(4,000)**	**164,368**
Grand Total	**170,147**	**54**	**(4,000)**	**166,202**

The decrease in financial assets is due to intercompany loans repayments for up to - €4.0m..

3.2.2 Depreciation and impairment

(In €'000)	Amount at year start for the period	Provisions for the period	Reversals for the period	Amount at year end for the period
Intangible fixed assets				
Concessions, patents, licenses, etc.	224	47		271
Total	**224**	**47**		**271**
Tangible fixed assets				
Land				
Buildings	369	3		372
Other tangible assets	471	97		568
Total	**840**	**100**		**940**
Financial assets				
Depreciation on equity interests				
Other financial assets	8			8
Total	**8**			**8**
Grand Total	**1,072**	**148**		**1,220**

3.2.3 Maturity dates for receivables and debts

Receivables

(In €'000)	Gross amount	Of which within less than one year	Of which within one to five years	Of which within more than five years
Trade receivables	4,267	4,267		
Other debtors	344	344		
Tax credit	8,981	8,981		
Subsidiaries' current accounts	205,030	205,030		
Tax integration current accounts	1,357	1,357		
Total	**219,979**	**219,979**		

Debt

(In €'000)	Gross amount	Of which within less than one year	Of which within one to five years	Of which within more than five years
Loans and debts from credit organizations	115,611	29,111	30,500	56,000
Sundry loans and financial debts				
Other creditors				
Subsidiaries' current accounts	159,526	159,526		
Taxes due				
Suppliers	2,139	2,139		
Tax and statutory payments	2,408	2,408		
Tax integration current accounts	1,679	1,679		
Total	**281,363**	**194,864**	**30,500**	**56,000**

As at December 31, 2013, the "Borrowings from credit institutions" item included the issuance of unsecured notes on the USPP market (USPP: U.S. private placement) on October 17, 2013 for an amount of €56m.

"Financial covenants" related to this debt are as follows:

- Consolidated gearing ratio > 1.2 (Net debt / Shareholders' equity)
- Consolidated leverage ratio < 3.5 (Net debt / EBITDA)
- Consolidated coverage ratio of interest expenses < 4,5 (Net interest expense / EBITDA).

3.2.4 Marketable securities and cash

3.2.4.1 Marketable securities

As at December 31, 2013, marketable securities were as follows:

(In €'000)	
304,314 LISI stocks *	11,473
SICAV and deposit certificates	74,101
Giving a gross total of	**85,573**

* 304,314 shares held, thanks to the option of buying back the company's own shares up to a 10% limit, including those held under the market-making contract.

The "Marketable securities" item essentially comprises money market funds for €15.3m and guaranteed-capital investments for €58.8m.
The total net asset value of SICAV marketable securities stood at €15.3m as at December 31, 2013.

3.2.4.2 Cash

This item is solely composed of bank balances.

3.2.4.3 Cash and Net debt

(In €'000)	2013	2012	2011
Subsidiaries' current accounts	205,030	174,495	149,655
Marketable securities	85,574	79,460	64,445
Cash	3,197	2,764	2,111
Cash available [A]	**293,802**	**256,719**	**216,211**
Subsidiaries' current accounts [B]	159,526	122,184	53,036
Banking facilities for operations [B]	2,577	3,138	1,948
Net cash [A - B]	**131,699**	**131,397**	**161,227**
Borrowings and debt	113,034	120,260	122,383
Debt [C]	**113,034**	**120,260**	**122,383**
Net debt [D = C + B - A]	**(18,665)**	**(11,137)**	**(38,844)**

3.2.4.4 Inventory of marketable securities

a) Shares

(In €'000)	Gross book values	Provisions	Net book values
Equity interests			
French companies	157,837		157,837
Foreign companies			
Total equity interests	**157,837**		**157,837**
Securities held for sale			
French companies	10	8	1
Foreign companies			
Total marketable securities	**10**	**8**	**1**

b) Marketable securities

(In €'000)	Gross book values	Provisions	Net book values
Treasury stock	11,473		11,473
SICAV and deposit certificates	74,101		74,101
Total marketable securities	**85,574**		**85,574**

3.2.5 Provisions for impairment of short-term assets

No provision for impairment of current assets was recognized at December 31, 2013.

3.2.6 Provisions for risks and charges

(In €'000)	Amount at year start for the period	Provisions for the period	Reversals for the period used	Reversals for the period unused	Amount at year end for the period
Provision for environmental risks					
Provision for long service medals	6	2			8
Provisions for charges	374		(146)		228
Provision for stock options and the allocation of free shares	483	1,419			1,902
Total	**863**	**1,421**	**(146)**		**2,138**

Provisions for charges mainly cover the setting up of a project designed to reduce the number of accidents at work.

3.3 | DETAIL OF MAIN INCOME STATEMENT ITEMS

3.3.1 Financial income from investments

(In €'000)	Amounts
Dividends received from subsidiaries	14,005
Dividends received outside the group	
Interest from loans to subsidiaries	2,318
Total	**16,323**

3.3.2 Breakdown of corporation tax

(In €'000)	Profit (loss) current	Profit (loss) non-recurring	Profit (loss) accounting
Pre-tax earnings	12,002	(37)	11,966
Income tax	(141)	4	(137)
Tax credits, IFA & miscellaneous	4		4
Additional contribution to the corporate income tax on the amount distributed	(440)		(440)
Tax integration taxes	9,158		9,158
Net earnings	**20,583**	**(33)**	**20,550**

The LISI Group benefits from the tax integration regime, which covers all its French subsidiaries. The tax integration agreement stipulates that tax gains should be retained at the parent company level. The overall amount of corporate income tax at December 31, 2013 is a tax income.

3.4 | FINANCIAL COMMITMENTS

Financial guarantees given

LISI S.A. has signed letters of intent with banks relating to the commitments made by some of the Group's subsidiaries. Moreover, its agreements with some partners require compliance with financial covenants.

Commitments given under the terms of the transaction for the divestiture of LISI COSMETICS

Commitment for compensation granted in favor of the buyer concerning any reassessments from the tax or environmental authorities, subject to a deductible of €500k, to exceeding a minimum threshold of €35k and to an upper limit of €6m.

Financial derivatives

LISI SA uses derivative financial instruments to hedge its exposure to foreign exchange risk, and occasionally to hedge its interest rate risks resulting from its financial activities. In accordance with its cash management policy, LISI S.A. neither holds nor issues derivatives for trading purposes.

The currency hedges are underwritten by LISI S.A. to cover all of the LISI Group's needs.

The details at December 31, 2013 are as follows:

12/31/2013	Fair value (1)	Notional amount (2)	< 1 year	between 1 and 5 years	more than 5 years
Long position of GBP against EUR	0.1	4.2	4.2	0.0	0.0
Long position of GBP against USD	0.9	17.1	17.1	0.0	0.0
Long position of CAD against USD	(0.4)	48.1	28.6	19.5	0.0
Long position of TRY against EUR	(2.1)	25.5	25.5	0.0	0.0
Long position of PLN against USD	0.3	13.2	13.2	0.0	0.0
Long position of CZK against EUR	(0.1)	192.0	192.0	0.0	0.0
Short position of USD against EUR	2.1	27.5	10.0	12.5	5.0
TOTAL	**0.8**				

(1) The fair value amounts are expressed in millions of euros
(2) The maximum notional amounts are expressed in millions of currency.

Reciprocal commitments corresponding to interest rate swaps

LISI S.A. has contracted interest rate swaps intended to hedge it against an increase in interest rates on variable rate loans. The details at December 31, 2013 are as follows:

Issuer	Nominal (in €'000)	Capital remaining due (in €'000)	Fixed rate	Maturity
BNP Paribas	5,000	2,750	1.5900%	September 2016
BNP Paribas	4,750	2,750	1.3925%	September 2016
BNP Paribas	9	6,500	1.0750%	March 2017
Société Générale	15,000	8,250	2.0730%	September 2016
Société Générale	10,000	10,000	2.7800%	February 2014
Société Générale	15	10,000	1.0700%	May 2017

3.5 | SUBSIDIARIES AND HOLDINGS

3.5.1 Elements regarding related companies and holdings

	Amount concerning	
(In €'000)	related companies	companies with which the company has a participating interest
ASSETS:		
Receivables related to equity holdings	6,500	–
Debtors and apportioned accounts	4,264	–
Cash advances to subsidiaries	205,030	–
Tax integration current account	1,357	–
LIABILITIES :		
Subsidiaries' financial assistance	159,526	–
Tax integration current account	1,679	–
Suppliers	165	–
INCOME STATEMENT:		
IT maintenance	19	–
Reserves for equity interests	1,594	–
Sales revenue with subsidiaries	8,563	–
Miscellaneous chargebacks	245	–
Revenues from subsidiaries' loans and current accounts	2,318	–
Revenues from equity interest	14,005	–

3.5.2 Subsidiaries and holdings (company data in €)

Companies	Share capital	Shareholders' equity and minority interests	Share of capital held (as a %)	Gross book value of the securities held	Provisions on securities held	Net book value of the securities held	Loans, advances granted by the company not yet repaid	Loans, advances received by the company not yet repaid	Amount of guarantees and sureties given by the company	Sales revenue excl. Tax of the last financial year	Net Income or net loss of the last financial year	Dividends cashed by the parent company in the last financial year
Subsidiaries:												
LISI AUTOMOTIVE	31,690,000	105,284,482	100,00 %	93,636,481		93,636,481	33,815,391			25,065,529	(1,845,217)	
LISI AEROSPACE	2,475,200	50,903,370	100,00 %	30,863,816		30,863,816	7,470,010			260,918,249	14,983,673	14,004,777
LISI MEDICAL	33,337,000	24,923,841	100,00 %	33,337,000		33,337,000	27,706,094			1,377,639	(4,960,005)	

3.6 | IDENTITY OF THE CONSOLIDATING COMPANY

Compagnie Industrielle de Delle (CID)
Limited company with share capital of €3,189,900
Head Office: 28 Faubourg de Belfort – BP 19 – 90101 DELLE Cedex
Compagnie Industrielle de Delle held 96% of the capital of LISI S.A. as at December 31, 2013.

3.7 | ALLOCATION OF PERFORMANCE SHARES

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on June 26, 2011, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting certain performance targets. The same went in 2012 and 2013, insofar as the Board of Directors of October 24, 2013 renewed the opening of new plans under similar conditions.

The fair value of the benefits granted is recognized as a provision in 2013 for an amount of €1.4m for the employees of the French companies. This cost was not allocated to divisions, and remains an expense at the LISI S.A. level until the definitive realization of the plan. The impact of the expense relating to the awards of free performance shares is included in the payroll expenses for employees of LISI S.A. only.

Plans that impacted LISI S.A.'s accounts in 2013:

	Plan for 2011	Plan for 2012	Plan for 2013	Total
Allocation date	07/28/11	10/24/12	10/24/13	
Acquisition date	February 2014	February 2015	February 2016	
Value in €'000 as at 12/31/2013	632	696	89	
Impact in €'000 on the company's financial statements at 12/31/2013 (not including social security contributions)	632	696	89	1,419
Number of shares awarded	43 050	51 250	33 340	

3.8 | MISCELLANEOUS INFORMATION

- The company directors and executives have not been given any advances or credits.
- Remuneration of executives stood at €782,179 for the year 2013 (remuneration net of social security contributions, including the variable element and attendance fees).
- The total remuneration paid to the highest-paid individuals stood at €1,601,338.
- The workforce as at December 31, 2013 numbered 18 individuals.
- Retirement commitments have not been given, as they do not represent a significant amount.
- Commitments relating to the Individual Right to Training (the French continuing professional development scheme) represent a total amount of training time corresponding to accumulated rights of around 1,524 hours as at December 31, 2013. In most cases, training requests for this time have not been made.
- The company does not have any leasing agreements.
- Fees entered for the financial year ending December 31, 2013 for our auditors Ernst & Young and EXCO CAP AUDIT totaled €98,189.

4 | FINANCIAL RESULTS FOR LISI S.A. OVER THE PAST FIVE YEARS

(articles 133, 135 and 148 of the Decree on Commercial Companies)

Nature of indications (in €)	2009	2010	2011	2012	2013
Financial situation at year end					
Share capital	21,507,722	21,572,988	21,572,988	21,572,988	21,572,988
Number of shares issued	10,753,861	10,786,494	10,786,494	10,786,494	10,786,494
Number of convertible bonds	237,324				
Total result of actual operations					
Pre-tax sales	5,042,665	5,937,895	6,215,920	6,843,565	8,569,903
Earnings before tax, depreciation and provisions	10,899,256	11,266,365	15,987,962	14,163,291	13,571,588
Income tax	(5,658,143)	2,498,851	(1,977,461)	(1,567,669)	(8,584,787)
Employee profit-sharing					
Profit after tax, depreciation and provisions	21,797,508	7,725,772	19,308,622	17,144,076	20,550,519
Distributed profit*	7,216,048	10,913,195	13,530,664	15,101,092	18,337,040
Result of operations per share					
Profit after tax, but before depreciation and provisions	1.54	0.81	1.67	1.46	2.05
Profit after tax, depreciation and provisions	2.03	0.72	1.79	1.59	1.91
Dividends allocated per share (net)	0.70	1.05	1.30	1.40	1.70
Personnel					
Average head count	13	13	13	16	18
Payroll	1,172,136	4,757,164	2,039,051	2,482,746	2,786,748
Benefits paid (social security, benefits, etc.)	689,460	897,505	983,773	1,350,914	1,870,596

* After deducting the dividend that would have concerned the own shares held by the company for the years 2009 to 2012.

RISK FACTORS 5

The company has carried out a review of the potential risks which could have an unfavorable effect on its business, its financial situation or its results (or on its capacity to achieve its objectives) and considers that there are no significant risks other than those disclosed.

1 | RISK MANAGEMENT

1.1 | FOLLOWING COSO GUIDELINES

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

1.2 | STRENGTHENING COOPERATION WITH OUR INSURERS

The consistency of the relationship with insurers and risk classification has helped to structure the Group's prevention approach. Thus, all of the insurers' recommendations regarding damage to property are included in the Environmental Safety Improvement Plans and are subject to periodic monitoring by the Risk Monitoring Committee. Our insurers revisit a number of sites each year, looking both at damage to assets and environmental risks, and then present their recommendations which enhance our action plan. Since 2002, all major sites have been audited several times. This ongoing improvement initiative is improving our prevention policy and enables us to optimize our insurance premiums. As such, no major damage has been observed for years and the loss ratio has been improving significantly regarding the property damage policy.

1.3 | DRAWING UP ACTION PLANS

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

2 | INFORMATION ON ISSUER RISKS

In an approach meant to analyze the general and specific risks the Group is exposed to, the following categories have been identified:
- operating risks,
- strategic risks,
- environmental risks,
- legal risks,
- IT-related risks,
- credit, liquidity, market and currency risks (see note 2.4),
- other risks.

LISI has no exposure risk related to the sovereign debt crisis in some states that display contrasting growth prospects.

2.1 | OPERATING RISKS

2.1.1 Exposure to risks of natural disaster or industrial action
In common with any other company, the LISI Group could be disrupted by industrial strike action or natural disasters such as earthquake, flooding, or even pandemic. Such events could negatively affect Group sales revenue or cause a substantial increase in expenses required to cover system maintenance or repair. However, due to the diversity of the sites (39), the LISI Group cannot be exposed for more than 10% of its overall business.

2.1.2 Acquisitions
In order to manage any risks related to the integration of newly-acquired companies and to ensure the transferral of Group management principles, the LISI Group's policy is to acquire a total or at least strong majority controlling stake in the capital of any potential acquisitions. Any acquisition or sale plans are subject to approval by the Board of Directors. All the group's acquisitions are the subject of an in-depth audit of the risk areas at the target company. The Group generally sets up mixed teams, using internal and external experts. With the exception of a joint venture in India "Ankit", the Group holds all these units with at least a very significant majority and most of them at 100%.

2.2 | STRATEGIC RISKS

These risks are identified as major risks likely to compromise durably the completion of the strategic plan as described in paragraph 1.1. All identified risks which are classified in the "HIGH RISK" category of occurrence are the subject of insurance coverage (cf. paragraph 3.1) or of a corrective action plan and are treated as a priority by the managements of the various divisions.

2.3 | ENVIRONMENTAL RISKS

The LISI Group is committed to protecting the environment whilst manufacturing its products. Any negative impact resulting from its activities is minimal, and specific attention is paid to water, energy and waste management.

Its industrial and environmental policy aims to manage its major risks, which are:
- the risk of fire and its potential impact on affected sites or their environment.
- the risk of soil or water table pollution.

This risk management policy involves:
- the ongoing improvement of the fire protection of the sites, which are subject to annual monitoring and visits,
- investment in protection, with the installation of sprinkler systems or upgrading of existing systems.
- pollution risk prevention: the Group is implementing an appropriate prevention policy.

As part of the manufacturing sites' compliance program, and in the absence of any ongoing legal disputes, the Group has made provisions for an overall sum of €13.7m. Concrete measures are being taken to prevent soil pollution on old sites, including carrying out monitoring activities in concert with the local authorities, on the one hand, and implementing retrofitting work, on the other hand.

More specifically, a sum of €4.4 million has been established which relates to the assessed cost of decontaminating the Torrance site (California – USA) which suffered TCE (solvent) pollution several years ago (before 1975). The process that is currently in progress involves pumping and filtering underground water downstream from the site. This treatment has been used to treat more than 32 tons of solvents (TCE equivalents). The estimated amount at December 31, 2013, facilitates handling of treatment in accordance with the techniques recommended by our advisors. Liaison with the authorities has led to the swift closure of the soils file and to the acceptance of measures taken with regard to the deepest waters.

As part of the Social and Environmental Responsibilities requirements, LISI AUTOMOTIVE undertakes to reduce the impact of its activities on the environment and to ensure healthy, safe working conditions for all its employees and service providers, as part of the Global Compact. Commitment No. 7 states that "businesses are encouraged to apply the precautionary approach to environmental challenges". Commitment No. 8 plans to undertake "initiatives to promote greater environmental responsibility".

Finally, Commitment No. 9 promotes "the development and dissemination of environmentally friendly technologies". In order to comply, LISI AUTOMOTIVE has implemented three specific measures: standardization of practices and definition of indicators, risk management organized around the COSO benchmark and implementation of action plans for environmental safety.

2.4 | LEGAL RISKS

The Group is involved in a limited number of legal proceedings with third parties (not customers). All these disputes have been reviewed with our Auditors and the most significant were appreciated by the Audit Committee. Generally speaking, all legal positions are determined and reviewed by third-party and in-house specialists.

Except for the disputes referred to above, for a period covering at least the last twelve months, no governmental, legal, or arbitration proceedings (including any proceedings of which the Group is aware, which is pending or of which it is threatened) are to be reported that may have or have recently had significant effects on the Group's financial situation or profitability.

2.5 | IT-RELATED RISKS

For each of its divisions, the Group has identified an IT safeguard action plan likely to be implemented in the event of a serious failure. In addition, the Group has insured risks of interruptions and malfunctions, or forced use, of its IT systems with a specific policy.

2.6 | OTHER RISKS

2.6.1 Raw materials risks

The LISI Group is potentially exposed to changes in the costs of the raw materials (steel, alloys, plastics, aluminum, and titanium) used in the course of its business activities. Nevertheless, the Group estimates that such price increases are unlikely to impact negatively on its profit margins. Indeed, some commercial contracts include price-revision formulae which allow selling prices to be varied in accordance with changes to raw material costs. Suppliers work to limited time frames based on guaranteed-price contacts. At December 31, 2013, the LISI Group uses no financial instruments to manage its future exposure to changes in the costs of such raw materials. It can still benefit from agreements with suppliers to hedge against annual or multi-year periods to limit the impact of fluctuations in ore prices.

2.6.2 Energy-related risks

To cover its energy costs, the Group entered into a supply contract with electricity company EDF for its French sites (due to expire in 2015). For foreign sites, similar agreements have also been established in Germany and the United Kingdom.

2.6.3 Commercial risks

For the record, the Group manufactures several thousand different items using various raw materials (steels, alloys, aluminum, various plastics, titanium, etc.), and employing a range of technologies (cold and hot forming machines, forming, machining, die trimming and stamping, plastic injection, thermal processes and surface treatment). As a result, the commercial risk is spread over a considerable number of products manufactured at the 39 LISI sites around the world. The main product families are developed in collaboration with customers, and the proportion of turnover from patented products plays only a secondary role in total consolidated sales.

2.6.4 Customer-related risks

Looking at the figures for 2013, only 4 clients accounted for more than 5% of the LISI Group's consolidated sales. Our 10 largest customers accounted for 50.7% of total sales; this list includes clients of all 3 divisions, LISI AEROSPACE, LISI AUTOMOTIVE and LISI MEDICAL. Our 35 largest customers accounted for 75% of sales. Figures for our 3 largest customers have evolved as follows:

	2013	2012	2011
CUSTOMER A	15.2%	15.1%	12.0%
CUSTOMER B	6.0%	8.7%	8.3%
CUSTOMER C	5.6%	6.1%	7.1%

2.6.5 Product-related risks

The LISI group is exposed to the risk of actions for liability or to enforce a guarantee by its customers regarding products sold. It is also subject to liability actions in the event of product fault leading to injury or damages. To protect itself against such risks, as described in paragraph 3 below, the LISI Group has third party liability cover for use of its products after delivery. The LISI Group's liability is often limited to compliance with the original product specifications or customer-defined specifications; it cannot be extended to the ways in which products are used. However, it is possible that the insurance policy taken out may not be sufficient to cover every possible financial consequence eventuality linked to such claims, particularly in the USA. This is why the Aerospace Division has set up an additional provision for product liability in the amount of 1% of the sales revenue of the "Fasteners" business.

2.6.6 Supplier-related risks

As a general rule and in view of the nature of its manufacturing activities, the company does not rely exclusively on any one supplier or strategic subcontractor. The main suppliers are those from which the Group procures raw materials. Outsourcing is confined mainly to technical applications, primarily specific thermal treatment and finishing operations (surface treatment and assembly), since most of the Group's activities are integrated. For 2013, the various operations outsourced by the Group's sites represented approximately 5.8% of the consolidated sales revenue.

2.6.7 Currency risks

The Group may have certain exposures to variations in currencies such as the US dollar, the Canadian dollar, the pound sterling, the Turkish pound or the Polish zloty. In order to reduce this level of risk, the LISI Group hedges the risk of variations by using the necessary instruments, such as forward sales at fixed rates for an estimated amount corresponding to its final exposure (see note on hedging in the Notes).

These risks are further detailed in Chapter 3, paragraph 2.4.

2.6.8 Interest rate risk

The Group has hedged a significant part of the interest rate risk on its loans by swapping variable rates for fixed rates.

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3 | INSURANCE POLICY

The LISI Group has several insurance policies, which mainly cover the following risks:

3.1 | PROPERTY DAMAGE INSURANCE

As of January 1, 2014, this policy covered own and others' installations, as well as operating losses in the event of a claim. The deductible is stated by claim and amounts to €0.1m, and this for a maximum coverage amount of €1,159,123,610 for the buildings and equipment, €228,982,681 for merchandise, and €683,287,298 for operating losses.

3.2 | THIRD-PARTY LIABILITY INSURANCE

This covers personal, physical and intangible damage that might occur during operations, as well as damages that occur after delivery, to the sum of €15.2 million per claim and per annum in primary coverage. The Group is also covered by an Excess policy for the amount of €7.6 million in addition to the primary coverage. A civil liability insurance policy covers the specific risks related to medical devices for an amount after delivery of €5m per loss and per year for the primary coverage. The Group also has an Excess contract for which the amount is €10m in addition to the primary coverage. The aforementioned insurance policies intervene for the 3rd and 4th lines, respectively.

LISI AEROSPACE signed an insurance contract covering its liability for injury, property damage and consequential damage and flight disruptions due to its delivered aerospace products. The sum insured for all subsidiaries, per loss and per insurance year is €500 million.

3.3 | CORPORATE OFFICERS' LIABILITY INSURANCE

The Group is covered by a directors' liability insurance policy for all its subsidiaries up to €7.7 million per year.

CORPORATE SOCIAL RESPONSIBILITY 6

1 | LABOR-RELATED ISSUES

1.1 | EMPLOYMENT

1.1.1 Total workforce

As at December 31, 2013, the Group employed 9,239 employees, an increase of the total workforce of 330 people, which represents an improvement of 3.7% compared to 2012.

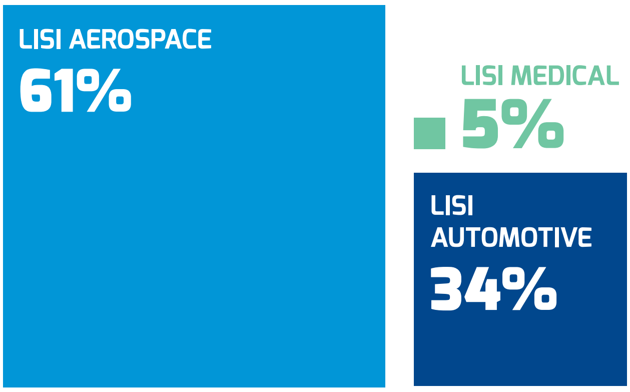
This increase of the total head count is due on the one hand, to a strong increase in the workforce of LISI AEROSPACE (399 more employees than in 2012 representing an increase of 7.6%) and on the other hand, to an adjustment of the head count within LISI AUTOMOTIVE (-70 persons /-2.2%).

The workforce of LISI MEDICAL remains stable compared to 2012.

Data at end December

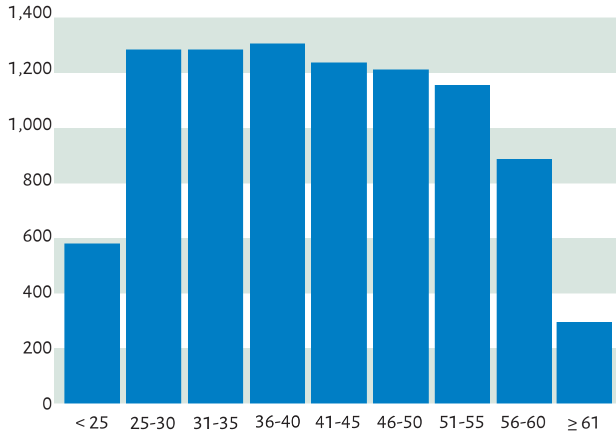
	2012	2013	Difference	£
LISI AEROSPACE	5,205	5,604	+399	+ 7.6%
LISI AUTOMOTIVE	3,213	3,143	-70	-2.2 %
LISI MEDICAL	475	474	-1	-
LISI SA	16	18	+2	+12,5%
Group	8,909	9,239	+330	+3.7%

Head count by division



1.1.2 Distribution of employees by gender, age and geographical area

1.1.2.1 By age



The distribution of staff shows consistency in each of the age groups between 25 and 55 years. Indeed, there are around 1,200 employees in 5-year increment groups.

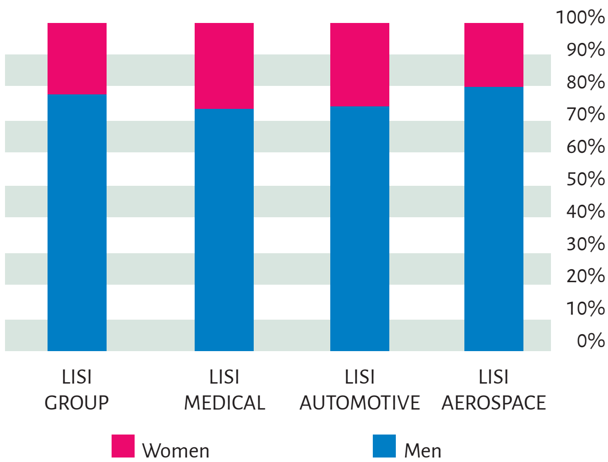
As in 2012, the average age of employees of the LISI Group is about the 41-45 age bracket.

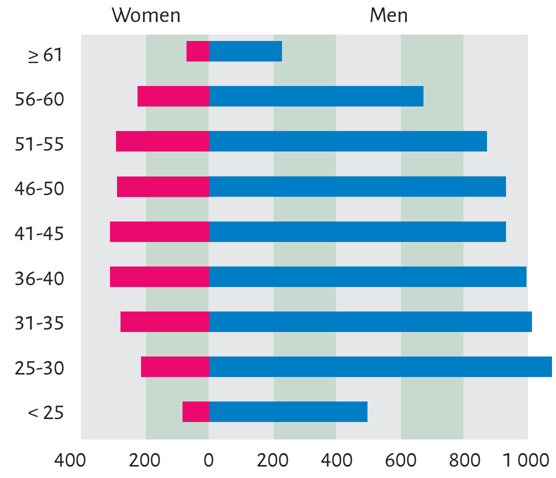
Employees less than 25 years old and employees of 56 years and over, make up nearly 20% of the group's workforce.

1.1.2.2 By gender

In 2013, the LISI Group exceeded the cap of 2,000 employed women (2,046 women present at end of 2013 against 1,932 in 2012 and 1,867 in 2011), or almost 6% more than last year while the overall workforce grew by 3.7%.

Therefore, the feminization rate improved on 2013, and passed from 21.75% in 2012 to 22.15% in late 2013.





The age pyramid shows a significant proportion of men among employees under the age of 30 years (women representing 14% aged less than 25 years and 16% of 25/30 years respectively).

More generally, those under 40 account for nearly half of the Group's workforce (48% at the end of December 2013).

1.1.2.3 By geographic area

The LISI Group employs 9,239 individuals across 11 different countries.

Due to its history, the company has strong presence in France. Indeed, most of the Group's workforce is based in France (4,955 employees or 54% of the workforce), but its external growth induces significant presence in the United States (1,343 people or 15%) and Germany (841 people or 9%).

The remainder of the workforce (the equivalent of one employee in 5) is spread over the 8 other countries.

Country	Breakdown
France	54%
USA	15%
Germany	9%
Turkey	6%
UK	4%
Morocco	3%
China	2%
Canada	3%
Spain	2%
Czech Republic	2%
Poland	2%

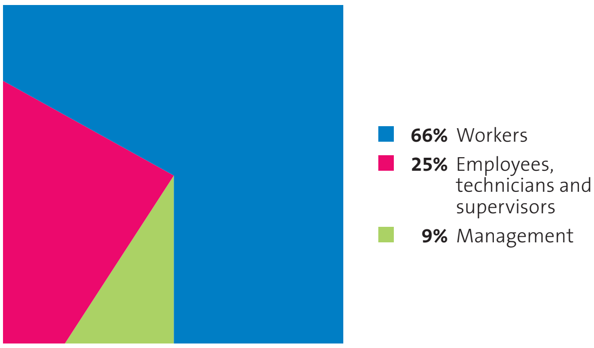
1.1.2.4 By socio-professional category

In the year 2013, the workforce categories Employees, Technicians and Control Agents grew more rapidly than Laborers and Executives.

However, the distribution of staff by socio-occupational category remains stable compared with 2012.

Manual workers represent 2/3 of the Group's total workforce. Employees, technicians and supervisors accounted for 25% of the workforce. Management staff, meanwhile, accounted for 9% of the workforce.

	2013	2012	Difference	%
Workers	6,073	5,939	134	+2.3%
Employees, technicians and supervisors	2,343	2,168	175	+8.0%
Management	823	802	21	+2.6%
Total	9,239	8,909	330	+3.7%



1.1.3 New hires and dismissals

The recruitment strategy of the Group is based on anticipation of requirements and the identification of key competencies for each of the businesses.

Throughout the year 2013, the Group's growth has been accompanied by a significant number of new hires, in particular at LISI AEROSPACE.

In total, these are 1,149 new employees who have joined the Group in the year 2013, almost one employee in 8.

Regarding the departures in the year 2013, LISI experienced a total of 257 resignations and 46 negotiated departures. Resignations account for over a third of departures and remain the most common cause of departure from the company. The Group proceeded to a total of 118 dismissals for personal reasons (disciplinary or other).

Anxious to preserve employment within the various Group entities, LISI strives to implement all preventive measures meant to avoid the requirement for redundancies. Thus reducing overtime, reducing the use of temporary work or implementing partial unemployment at some of its entities, are all measures that have limited the number of redundancies to 26 departures in 2013.

Group total	
Total new recruits	1,149
of which Management	101
Total departures	819
of which Management	97
Departures by motive	0
Resignations	257
Negotiated departures	46
Dismissals (disciplinary)	92
Layoffs	26
Other motives for departure	398
International mobility	
Number of expats as at 12/31/2013	16
Number of impats as at 12/31/2013	3

1.1.4 Compensation and changes

In France, annual wage negotiations have permitted increases being made to employees in step with the results and cost of living context of each site.

The LISI AUTOMOTIVE division sites have thus demonstrated a responsible approach in agreeing on a moderate evolution of their payroll.

Conversely, on the best-performing sites, particularly within the Division LISI AEROSPACE, agreements have permitted employees a significant salary increase either in the form of a general increase or assigned on an individual basis.

In addition to the increase in the base salary, the negotiations also allowed for the implementation, in line with the specificities of each of the plants, of measures concerning minimum salaries, the value of the certain bonuses (seniority, team, night, lunch) and even on flexi-time.

In line with previous years, the group remains attached to the idea of fair salaries based on employees' contributions and the results obtained. Hence, a significant proportion of salaries is linked to performance and distributed in particularly via incentive bonuses, participation in the results and profit-sharing bonuses.

Employees also have savings plans that consist of various mutual funds to which they may allocate all or part of their rights, or make voluntary contributions. These payments qualify as appropriate, to matching contribution from the employer.

For 2013, the sums awarded to the employees in respect of incentive bonuses, participation and profit-sharing represented more than €13.5 million, or almost 4.65% of the total payroll costs of the Group.

In France, the LISI Group employees receive a supplementary defined contribution pension scheme (the so-called "Article 83").

The employer pays a monthly fee on a mutual fund open to employees to enable them to build up retirement savings. Employees may make voluntary payments or allocate days off to increase the amount of these savings. Upon retirement, the resulting savings are converted into an annuity. Employees then receive additional income throughout their retirement.

Identifying and retaining talent is a major challenge for the LISI Group. As such, executives or owners of key positions in the organization receive a share award program conditional on the medium-term performance of the company. This method of variable remuneration enables them to partner closely with the company's performance results over several years.

1.2 | ORGANIZATION OF WORKING TIME

1.2.1 Organization of working time

The work of production staff is most frequently organized in two (2x3) or three (3x8) daily shifts. Depending on the site, substitution teams are likely to be implemented on weekend days. Moreover, night work is carried out in certain sectors to meet the needs of specific responsibilities.

Overtime accounted for more than 720,000 hours in 2013, or 4.85% of hours worked. This number of hours is mainly due to the heavy workload on LISI AEROSPACE sites (500,000 extra hours, or nearly 2/3 of the Group's total overtime).

In France, the senior staff follows the principle of a flat number of days per annum (218), thereby acquiring days off. Depending on entities, executives can use some of these days in the form of a co-investment to benefit from employer-funded training activities.

1.2.2 Absenteeism

In 2013, the absenteeism rate is 4% across the LISI Group.
Various measures are taken at the divisions to reduce the number of hours lost:

- at most units, incentive agreements include an absenteeism indicator,
- interviews are conducted upon the employee's return to identify the levers of progress that will help prevent further absences (e.g. work on ergonomics, gestures and posture training, adaptation of team schedules),
- communication actions are put in place to educate staff on the impact of unanticipated absences on production cycles.

In France, LISI Group employees benefit from Réhalto's services to prevent psychosocial risks and stress or even to accompany their return to active life.

This listening and support platform, composed of psychologists available 24x7, allows any employee of the Group to obtain the assistance of a qualified professional to overcome their problems and find a solution to their difficulties, be they of a personal, professional, family or addiction-related nature.

With a simple phone call, any employee can make contact, in full confidentiality, with a psychosocial worker in their region. The employee can benefit from up to 12 hours of paid consultations

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1.3 | LABOR RELATIONS

1.3.1 The organization of social dialogue, including the staff information, consultation and negotiation procedures

In addition to strict compliance with applicable law, the Group pays attention to social dialogue with the employees' representatives, altogether during meetings of the works committee (or the single employees' delegation) on each of the sites which has such a body, the central works committee (Blanc Aéro Industries and Former), the European committee and the Group committee of LISI.

More generally, LISI ensures that employees of the group receive and have access to quality information. Therefore, different means of communication are installed on various sites of the Group:

– Video screens in workshops (LISI MEDICAL Orthopaedics)
– In-house newspapers (LISI AEROSPACE, LISI AUTOMOTIVE Form a.s etc.)
– Flash announcements in the workshops based on current events (LISI AUTOMOTIVE Form a.s)
– Informative working breakfast (LISI AEROSPACE)

Training activities are also implemented for the local management in order to make them aware of the importance of maintaining good quality social dialogue.

Moreover, specific commissions composed of employee representatives and management meet regularly to discuss and make progress on the various themes for which they have been established:

– Planning management of jobs and skills,
– Training,
– Gender equality,
– Quality of life at work,
– Health insurance fund,
– Accommodation.

1.3.2 Review of collective agreements

The list of collective agreements in 2013 is as follows:

LISI AEROSPACE Paris	Professional Equality H/F (10/2013)	Exceptional release of payroll funds (07/2013)			
Blanc Aero Industries	Generation agreement (12/2013)	Professional Equality H/F (07/2013)	Profit-sharing bonus (07/2013)	Exceptional release of payroll funds (07/2013)	
Villefranche de Rouergue	Salary agreement	Incentive agreement	Penalty payment	Weekend schedule	Flexitime
Saint-Brieuc	Salary agreement (05/2013)	Professional equality H/F (06/2013)	Profit-sharing bonus (06/2013)	Exceptional release of payroll funds (07/2013)	Generation agreement (12/2013)
Izmir	Three-year agreement (2011-2013)				
Argenton	Providence Society agreement (03/2013)	Bonus agreement (05/2013)	Salary agreement (04/2013)	Profit-sharing bonus (10/2013)	
CREUZET	Incentive bonus (02/2013)				
LISI MEDICAL Orthopaedics	Salary agreement (02/2013)	Profit-sharing bonus (07/2013)			

Kierspe	Implementation of the national wage agreement IG Metall			
Gummersbach	Implementation of the national wage agreement IG Metall			
Fuenlabrada	2013			
Vöhrenbach	Salary agreement (applicable 01/2014)			
Former	Agreements concerning the Thiant site (dates CEC: 02/2013, cantonment of the criteria: 03/2013, maintaining retirement and health funds: 11/2013)	Salary agreement protocol (04/2013)	Exceptional release of payroll funds (07/2013)	Generation agreement, quality of life at work and prevention of psycho-social risks (11/2013)
La Ferté Fresnel	Bonus agreement (02/2013)	Work schedule agreement (05/2013)	Exceptional release of payroll funds (07/2013)	
Puiseux	Agreement on the maintenance retirement funds, health costs and supplementary pension for the duration of reclassification leave (03/2013)	Exceptional release of payroll funds (07/2013)	Agreement on the right of expression (11/2013)	
Mellrichstadt	Salary agreement (applicable 01/2014)			
Heidelberg	Implementation of the national wage agreement IG Metall			
Beijing	Annual agreement on wages, work schedule organization, social security and women's rights			
Shanghai	Annual agreement on wages, work schedule organization, social security and women's rights			

1.4 | HEALTH & SAFETY

1.4.1 Health & safety at work

The LISI Group Senior Management became seriously involved at its highest levels in the areas of health, safety and the environment.
At all levels, the Group has as its objective to:

- reach the excellence level of performance in the areas of Health and Safety, while keeping control over the occupational hazards generated by its activities,
- make health - safety a vector of continuous improvement, a means to move forward, including in areas that are not directly related to it.

In order to ensure and achieve this goal, LISI has adopted HSE (Health Safety Environment) policy and organization to identify key areas for improvement, prioritize goals, and drift the appropriate actions. This policy and organization are based on the international OHSAS 18001 standard (international standard governing the management system of health and safety at work).

In order to give itself the means to succeed in this area, each production site has at least a host HSE whose mission is to conduct HSE activity of its industrial site and is the guarantor of the implementation of an HSE management system.

In addition, the LISI Group has a Risk Committee whose mission is to analyze major accidents and incidents of the Group and develop HSE strategies to reduce professional, environmental and property loss risk. The Risk Committee is chaired by President and CEO Group LISI and the Industrial and Purchasing Director. It consists of HSE Directors for each division, the HSE Coordinator of the LISI Group (which he runs) and the insurance broker working on behalf of the LISI Group.

In the field of security, membership, and the investment of each employee and each group contributor are actively sought in this improvement process of safety in the workplace at our sites.

In June 2011, an HSE Forum brought together the Management of each division, all the Site Directors and the HSE Managers and the LISI Group; they have set for themselves ambitious goals. In particular:

- Certification of management system of health and safety at work of each site (excluding-acquisition) according to the OHSAS 18001 international repository.
  The objective is nearly reached. In fact, only 4 industrial sites out of 33 are not yet certified; with the agreement of the Executive Committee, this target is set for 2014.

- The rate of frequency of workplace accidents with and without time off work (TF1) for all the sites must fall below 10, and this, by including temporary workers working on behalf of the business.
  Only 12 sites have reached a TF1 of less than 10 to end 2013, which shows that there is still long way to Excellence.

A new HSE Forum for all factory Directors and HSE officials will be held in May 2014 to take stock of the achievement of these objectives.

The General Directorate of LISI is strongly committed to secure a real Safety Culture with each employee in the group.

First of all technically, LISI is constantly working to improve its workstations. Thus, in 2013, LISI invested € 5.3 million in the field of safety and the environment, including for the safety of its machinery and for the implementation of ergonomic facilities and assistance in handling.

Then, from an **organizational** point of view, the sites implement a health and safety management system that is compliant with the international standard OHSAS 18001. In addition, 29 sites have obtained certification according to this same repository by an independent outside body.

But it is from the **behavioral** standpoint that the LISI Group has chosen to put up the greatest efforts. 75% of workplace accidents involving time off have a behavioral component, whether conscious or unconscious. The point here is mainly to give security the place it deserves: it should be the primary concern at the heart of workshops, since these are where the vast majority of accidents occur. This is reflected by the fact that Safety is the first of the topics discussed at the daily PSM (Problem Solving Management) meetings at each level of site management (Independent Production Group - Independent Production Unit - Site).

Each employee, whether operator or manager, builds this safety culture. Everyone should participate in creating a work environment where risk is under control. And each employee must also pay attention to their own safety as well as that of their colleagues.

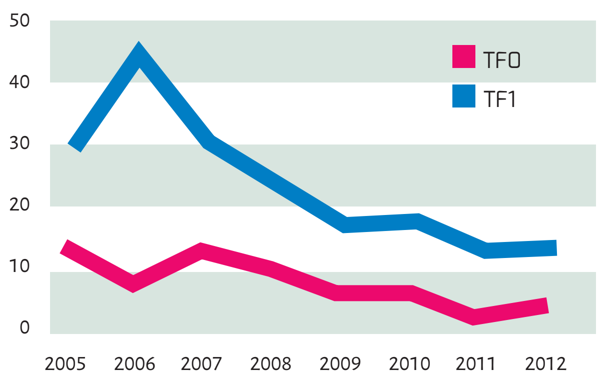
1.4.2 Review of the agreements with trade unions or employee representatives on health and safety at work

Agreements on health and safety at work are integrated into the list presented in 1.3.2.

1.4.3 Accidents at work, including their frequency and severity, and occupational diseases

The establishment of a genuine safety culture takes time. However, LISI recorded a steady improvement in the field of safety with the work conducted in three areas: technical, organizational, and human.

Evolution of the severity rate since 2005



At the end of 2013, the frequency rate of accidents of work with ruling involving a LISI employee or an interim (TF0) improved slightly to reach 10, 4 per million hours worked, or 2 per cent better than in 2012. The frequency rate of accidents of work with and without (TF1) Agreement shows 16.3, which is a slight improvement of 1% from 2012.

In the long term, continuous work carried out by all employees helped improve the TF1 by 45% over 2005, the first year of accident statistic consolidation.

In 2013, some sites of the Group did not lament any industrial accidents with ruling, such as Rugby, Cejc, St Brieuc or Escondido. Others did not deplore any accident - whether with or without ruling - such as Heidelberg, Lure, Shanghai, Paramount or Tangier.

Nevertheless, the LISI Group deplored 37 cases of occupational sickness on all its sites, despite the many efforts made in establishing safe handling methods or wearing protective hearing equipment.

If severity rate TG0, which represents the number of days lost due to an accident at work per thousand hours worked has deteriorated compared with last year, it remains at a low level. This rate has decreased from 71 since 2005 to reach 0.28 in December 2013.

Each employee plays a major role in prevention matters and LISI works for the involvement of all employees in this respect.

1.5 | TRAINING

The Group attaches particular importance to the training of its employees and considers that the enforcement of employees' skills is a major factor for the improvement of quality, efficiency and competitiveness.

LISI ensures that each employee, regardless of his/her age or position, has access throughout his career to the training courses necessary for the construction of his career path and his adaptation to changes in the businesses.

The budget for in-house and external training on all the sites of the LISI Group amounted to €4.6 M which represents 1.6% of the Group's payroll.

This budget enables the provision of more than 260,000 hours of training to the employees of the group, representing 1.7% of the total hours worked during the year 2013.
Therefore, more than 6,500 employees have benefited from at least seven hours training (or 70% of the Group's employees), which represents an increase of nearly 20% from 2012.

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 2013, LISI welcomed 661 interns, 174 apprentices and 82 work experience contracts across all its sites and its three divisions.

In addition, special attention is paid to the implementation of training needs identified in individual and professional interviews, and more particularly to senior employees who may encounter difficulties in their job or in their work environment.

Group total

Total hours of training (internal & external)	260,600 h
of which training entitlement (France only)	4,852 h
Number of employees trained (at least 7 hours of training over the year)	6,511
Training expenses (total internal and external expenses)	€4,658,008
Number of interns recruited in 2013	661
Number of apprentices recruited in 2013	174
Number of work experience contracts signed in 2013	82

Launch of LEAP training

The year 2013 will remain synonymous with the launch of training programs intended to accompany the deployment of LISI Excellence Achievement Program.

Intended to contribute to a profitable and sustainable growth, the LEAP is an approach of good human and industrial practices being deployed in all of the organizations throughout the Group.

This method of working, focused on achieving industrial excellence in all areas of the company, relies on the involvement of staff and aims to reduce waste and all unnecessary activities by analyzing and optimizing the flow.

Tailored by our experts in industrial performance, LEAP training supports the rise in skill around the LEAP approach tools (LEAP Basics, 5s, SMED, PSM, VSM, WSM, etc.).

Career path and recognition of qualifications

The Group Manager attaches particular importance to the development of his employees' professional skills.

Therefore, since several years, the LISI AUTOMOTIVE division develops specific career courses, focusing on its strategic businesses:

- Cold heading on the Dasle, Delle, La Ferté-Fresnel, Mélisey, Saint-Florent and Thiant sites.
- Heat treatment at Delle, Puiseux and Saint-Florent.
- Operator in machining Mélisey and Dasle,
- Adjuster block machining at Mélisey,
- Operator rolling adjuster Delle and Saint-Florent,
- Lamination in Ferté-Fresnel,
- Foreman in all French LISI AUTOMOTIVE sites.

These professional courses allow employees to obtain a Joint Qualification Certificate (*) in metallurgy (CQPM) or in some cases a Professional Inter-industry Qualification Certificate.

These certificates are recognized nationally by enterprises in the metallurgy sector ; they certify the professional capabilities of the holder and provide professional and social recognition.

Professional qualifications are developed as close as possible to trade development. They are regularly updated with company professionals to respond in real time to technological developments.

In 2013, within the division LISI AUTOMOTIVE, nearly 6,000 hours have been spent in the context of these career paths and 62 CQPM and CQPI have been obtained since 2010.

This approach is also active in other divisions of the Group and notably on the LISI AEROSPACE Argenton (CQPM Welders and Boilermakers), Creuzet (CQPM machining) sites.

The LISI MEDICAL Orthopaedics site has also set up a polishing school in collaboration with the local UIMM (Metallurgy Industries and Trades Union), Pôle Emploi, the AFPI and the Town Hall of Hérouville Saint Clair to recruit and train polishers in the context of operational preparation for employment.

LISI AEROSPACE Knowledge Institute extends two new programs destined for management.

With nearly 300 participants in courses ranging from 2 to 13 days, LISI AEROSPACE Knowledge Institute (LKI) University asserts itself not only as a pillar in the strategy of developing employee skills but also as a major tool for talent retention and attracting candidates with strong potential for the Group.

Created 2 years ago, LKI offers 18 skill development programs focused on the strategic axes of LISI AEROSPACE division: technology, personal development and management.

In addition, LKI offers a complete integration course to nearly 70 newly arriving Executives each year. This course consists of a week dedicated to the discovery of LISI AEROSPACE division, a week of immersion in the factory to understand the direct environment of the production sites as well as the assignment of a facilitator for a period of four months.

In 2013, a new hierarchical management program was developed in partnership with the Noria HR training organization and tested within the perimeter of France. BOOST courses explore in detail the managerial practices of our direct management, enlightening them during 9 days on themes of self-awareness and team interaction, or the practice of management through objectives.

The year 2013 was also marked by the launch of the ALTITUDE strategic management program. Developed in partnership with HEC Montréal, ALTITUDE offers the leaders of LISI AEROSPACE, Operations Managers and Site or Business Unit Managers to explore the world of strategic management. Choice participants, high flying content, thirteen days animated through four modules, in four different countries - ALTITUDE

(*) issued by social partners (representatives of companies and trade unions).

is designed to provide a high quality learning experience. In twelve months, participants will discuss the issues of strategy definition in our environment, our strategic capabilities and leadership; and this takes place close to the entrepreneurial world, with company visits, professional contribution and case studies.

1.6 | DIVERSITY AND EQUAL OPPORTUNITY / EQUAL TREATMENT

The LISI Group sees diversity as an asset, the exchange of ideas and points of view being a source of progress for the company and an asset vis-à-vis its competitors.

The fight against discrimination of any kind is an essential prerequisite for these different profiles, whether by age, gender, ethnic origin, religious or other beliefs, to flourish in their professional lives and give the best of themselves, confident that they will not be judged on their differences.

LISI ensures compliance with social legislation of the countries where the Group is present as well as the correct application of planned provisions in different local agreements with trade unions (*).

For example, LISI AUTOMOTIVE Former ensures that the following commitments on professional equality between women and men are respected.

- Interview, in the context of annual recruitment carried out, the same percentage of female candidates as male candidates compared to the number of CVs for each sex.
- Ensure that there is no marked (greater than 4%) difference between men/women salaries and this within each of the statutes for workers, employees, technicians and foremen;
- Carry out a specific examination of the situation of employees for whom there are gaps in terms of average basic salary per category and level of qualification;
- Study all requests for part-time work or arrangement of work schedules, respond in a reasoned and positive manner wherever possible.

1.7 | MOTION AND ENFORCEMENT OF FUNDAMENTAL PROVISIONS OF ILO CONVENTIONS

Aware of their responsibilities vis-à-vis the fundamental conventions of the ILO, LISI oversees their application at each of the Group entities worldwide.

Respect for freedom of association and for the right to collective bargaining, the elimination of discrimination in respect of employment and occupation, forced or compulsory labor and the effective abolition of child labor, are issued that are monitored during the site audits and to which management is highly sensitized.

LISI is also a signatory of the United Nations - Global Compact, which includes these themes in its principles 3, 4, 5 and 6.

(*) cf. list of agreements signed in 2013 in § 1.3.2

2 | ENVIRONMENTAL ISSUES

2.1 | GENERAL ENVIRONMENTAL POLICY

2.1.1 The organization of the Company to take into account environmental issues and, where appropriate, approaches to assessment or environmental certification

Nowadays, the improvement of working conditions such as reducing the environmental footprint, are performance indicators that are as important as the economic and financial indicators.

For several years, the LISI Group was fully engaged in placing social and environmental issues at the heart of its corporate culture in order to turn them into intrinsic values.

Like for Health and Safety at Work, the LISI Group Senior Management is mobilized at the highest level and involved in the field of the Environment. The policy and organization put in place are based on the international standard ISO 14001 (international standard governing the management system of the environment).

Thus, at the end of 2013, with the exception of recently acquired sites, Casablanca and Sediszow, whose certification is expected in 2014, all other sites are certified according to the ISO 14001 repository.

2.1.2 Employee training and information in terms of environmental protection

The LISI Group relies heavily on the skills of all employees to achieve excellence in Health - Safety at Work and Environment. Only each individual behavior can help it build a genuine enterprise HSE culture.

That is why, LISI has decided to continue investing in Human Beings. In fact, 0.23% of hours worked are devoted to HSE training.

Actually, the men and women that make up a company are its key ambassadors in all areas, and their dedication to the company's operations is an asset on which LISI intends to capitalize.

2.1.3 The resources devoted to the prevention of environmental risks and pollution

The consolidated amount of HSE investments by division is as follows:

Division	2013 HSE investments in K€	Total investments in K€	% of HSE investments
LISI AEROSPACE	3,676	51,273	7%
LISI AUTOMOTIVE	1,507	18,364	8%
LISI MEDICAL	93	3,368	3%
LISI GROUP	5,276	73,005	7%

Notable investments include:

- A reprocessing station of Mélisey machining chips - LISI AUTOMOTIVE - €330 k
- Improvement of fire protection for 2 heat treatment furnaces at Delle - LISI AUTOMOTIVE - €120 k
- A recovery facility of compressor calories in Villefranche de Rouergue - LISI AEROSPACE - €25 k
- The establishment of aspiration in a workshop in Marmande - LISI AEROSPACE - €55 k

2.1.4 The amount of provisions and guarantees for environmental risks, provided that such disclosure is not likely to cause serious harm to the company in an ongoing dispute

The consolidated amount of HSE risk provisions by division is as follows:

Division	Amount of HSE provisions for 2013
LISI AEROSPACE	€9,452,406
LISI AUTOMOTIVE	€3,480,800
LISI MEDICAL	€379,882
LISI	€700,000
LISI Total	€14,013,088

2.2 | POLLUTION AND WASTE MANAGEMENT

2.2.1 Measures to prevent, reduce or repair emissions to air, water and soil that seriously affect the environment

LISI closely monitors the direct impact its direct production sites may have on the environment. The best technology is sought to reduce the environmental footprint and to anticipate potential regulations.

The surface treatment lines generally benefit from these technologies because their atmospheric emissions and wastewater discharges may affect the surrounding environment if they are not controlled.

All the sites of the LISI Group (with the exception of 2 recently acquired sites) are certified ISO 14001. Therefore, a detailed analysis of the environmental impact, the so-called "Environmental Analysis", is carried out by each of them. To maintain this certification, the sites must implement actions to reduce the environmental footprint of those activities or tasks identified as the most significant.

2.2.2 Measures to prevent, recycle, and eliminate waste

Waste generation indicator for 2013 is 25.5 kg of waste for € 1000 of produced parts. This indicator improved by 12.8% from 2012. This improvement is mainly due to LISI AEROSPACE (-24%). This shows that the increase in production is not made at the expense of the environment.

In addition, the share of sorted waste is still very high, equivalent to last year, i.e. 95.6%. The remaining portion concerns domestic waste generated by production-related activities (toilets, cafeterias, etc.).

LISI AUTOMOTIVE is the largest producer of waste. This is due to the large quantities of materials used and produced. But LISI AUTOMOTIVE is also the division that best sorts its waste, with 97.7% of waste sorted.

LISI AEROSPACE division sorts its waste to 92%. The difference is explained by a greater number of employees in this division, therefore the share of garbage is more important.

The LISI MEDICAL division, in turn, only accounts for 1.6% of the waste.

The production plants principally generate metallic waste (55% of the total quantity of waste produced). These are sold for recycling. Sorted hazardous waste, representing 32% of the total quantity of waste, is eliminated through approved channels adhering to strict regulations.

2.2.3 Taking into account noise and other forms of pollution specific to an activity

The LISI Group sites follow and record all complaints - whether it is remarks, whether formal or informal, official or not - when they come from interested parties. Therefore, 7 complaints were recorded on all the sites of the group. Most are linked to neighborhood inconvenience on noise generated by some of our sites. Every complaint investigated receives a response - written or not - to the interested party concerned.

Sites concerned	Complaint	Reason
Villefranche de Rouergue	1	1 local resident complained about the noise
Marmande	1	1 telephone complaint from a neighbor about noise related to the suction of a workshop
Delle	4	1 letter following visit to the CARSAT
		1 neighborhood complaint concerning noise
		1 neighborhood complaint about the maintenance of green spaces
		1 letter DREAL asking for information following the beginning of a fire
Melisey	1	1 letter of the DREAL following a regular inspection visit

2.3 | SUSTAINABLE USE OF RESOURCES

2.3.1 Water consumption and water supply according to local constraints

Water is little used in the manufacturing processes implemented at the sites. It is mainly involved in parts washing and surface treatment. However, most process waters are recycled. In addition, local initiatives are encouraged and are numerous.

All these cumulative initiatives resulted in a decrease of water consumption of 8.7%, related to production, between 2012 and 2013. It is LISI AEROSPACE, which contributed to the bulk of this decrease (-21%).

2.3.2 The consumption of raw materials and the measures taken to improve the effectiveness of their use

The LISI Group is very cautious about the consumption of raw materials and works to optimize the use of these resources.

The manufacturing sites primarily use metals, and to a lesser extent plastics.

Metal work is done mainly by deformation - cold forging and hot stamping - causing no loss of material aside from adjustments. More sites work daily to optimize their material resources (waste reduction, SMED to reduce losses during the adjustment phases, etc.). Finally, the waste generated by the final stages of production (machining, sharpening) are sorted and sent for 100% materials recovery.

Regarding the plastic, the production sites that use this resource recover and sort their plastic waste (core samples, scrap). Such waste is then crushed and reintroduced into the production lines, to the maximum extent required by our customers.

2.3.3 Energy consumption, measures to improve energy efficiency and use of renewable energy

Energy consumption is also down. Tighter control of our consumption and awareness of our production teams play a key role in this decrease in our impact on the consumption of energy resources. Sites are pursuing their waste cutting activities.

A substantial part of energy is devoted to heating, climatic hazards show that consumption of energy on this post is random also.

Most of the energy is used for production. It must then distinguish processes whose consumption is directly related to the production and process - such as thermal treatment - which have a fixed share of energy consumption independent of the production (rise in temperature, etc.). Therefore, a decline in production does not translate directly into an immediate decline in energy consumption. This explains the differences between divisions.

Nevertheless, the case of LISI AEROSPACE proves that the increase in production is not at the expense of the environment. Therefore, thanks to a better rationalization of the process, LISI may show a decrease of 9% of its consumption, 0.273 MWh/k€ production.

2.4 | CLIMATE CHANGE

2.4.1 Emissions of greenhouse gases

In accordance with the Grenelle II law and its implementing decrees, LISI has established for the first time an Assessment of Greenhouse Gases for its legal entities with more than 500 people in France.

Therefore, in 2011, equivalent CO_2 greenhouse gas discharges accounted for 2,276 tons for Blanc Aero Industries, 2,348 tons Creuzet, 5,542 tons for Indraero, and 15,606 tons for Former, making a total for these entities of 25,772 tons.
The analysis in the report shows that the main source of release of Greenhouse Gases is related to energy consumption.

This confirms LISI's general action to reduce its carbon footprint through its energy consumption.

3 | SOCIETY-RELATED ISSUES

3.1 | TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S BUSINESS

The LISI Group is firmly rooted in France, particularly in Franche Comté. Indeed, of the Group's 38 production sites, 17 are located in France (49%) of which 5 in Franche Comté, the Company's birthplace. These 17 French sites represent 54% of the workforce.

At foreign sites, the vast majority of employees come from the local population, thus contributing to the development of the local economic and social fabric.

The LISI Group has a total of 16 expatriates out of its 9,239 employees which is very low, and shows that sites mostly employ staff from the local population. Expatriates are mostly Managers, which also ensures compliance with Group's operating rules.

3.2 | RELATIONSHIPS WITH PERSONS OR ORGANIZATIONS INTERESTED IN THE COMPANY'S BUSINESS

3.2.1 The conditions for dialogue with those persons and organizations

The international standards ISO 14001 and OHSAS 18001 have as one of their basic principles, dialog with the Interested Parties. LISI has based its system of environmental, health, and safety management on these standards.

Thus, individuals and/or organizations interested in the company's business have been identified by the sites, as well as their expectations. All requests receive are subject from the sites.

3.2.2 Partnership and sponsorship activities

The LISI Group is a major economic player in all areas where it operates. It thus contributes to employment at the local level and participates in local and regional development. A significant number of employees also participate in the dynamism of associations, clubs, clusters, networks and other professional organizations.

Such professional organizations include the GIFAS (the Group of French Aerospace Industries) for LISI AEROSPACE, AFFIX (Association of Manufacturers of Mechanical Fasteners) and DSV (Deutsche Schraubenverband) for LISI AUTOMOTIVE and SNITEM (National Union of the Industry of Medical Technology) for LISI MEDICAL.

LISI is also regularly involved in networks to help 2nd and 3rd level suppliers develop by sharing best practices in terms of industrial excellence, as is the case, for example, with the Vehicle of the Future Segment (segment of excellence in the automotive industry) or the Club of CEOs of the South.

In addition, LISI encourages local partnerships and exchanges, particularly the development of close relationships with schools, universities and the top colleges (Engineering, Management, etc.) In order to anticipate, for each division, the future requirements in terms of employment and skills.

More specifically in France, sites are collaborating closely with the AFPI, the UIMM and Pôle Emploi to establish provisions for Operational Preparation for Employment, and with the local ADEFIMS to optimize financing of training activities.

3.3 | SUBCONTRACTORS AND SUPPLIERS

The LISI Group is part of a "win - win" sustainable partnership with its suppliers and subcontractors to ensure mutual, long-term success.

Aside from economic considerations (quality, competitiveness and continuous improvement), the Suppliers Charter established by the Group dictates the terms of partnership in accordance with the principles of ISO 14001, which are addressed during audits for selecting new suppliers.

The approval and implementation of the 10 principles of the United Nations' "Global Compact" program (Corporate Social Responsibility principles that include Human Rights, Labor Standards, Environment and the Fight against Bribery) are also mentioned in the Suppliers Charter.

The Group's Purchasing Policy includes a section on ethics, sustainable development and corporate responsibility, with the application of the "Global Compact" principles and the requirement for ISO 14001 and OHSAS 18001 certification, in particular for our strategic suppliers.

3.4 | LOYAL PRACTICE

3.4.1 Actions taken to prevent bribery

The LISI Group has built its growth on compliance with laws and best practices. Each division is responsible vis-à-vis the Group's Senior Management for the proper performance of its subsidiaries and employees. Relationships with third parties are dictated by the Group's scoping procedures, which are implemented by the Divisions through the dissemination of Division-specific procedures. For example, LISI disseminates and updates a Purchasing and Supplier Relations procedure, which specifies for example the limits and authorization thresholds for donations and gifts.

The Group's employees are trained on business Ethics through a specific module. In addition, the Supplier Charter that complies with the principles set out in the United Nations' Global Compact program, is widely distributed to all LISI stakeholders.

3.4.2 Measures taken for the safety and health of consumers

If some parts produced by the LISI Group may have an impact on the safety of the final consumer, LISI has quality control systems to meet the requirements of its customers and thus ensure that all measures are taken to guarantee security for the end user.

3.5 | HUMAN RIGHTS

3.5.1 Actions taken in favor of human rights

The LISI Group has joined the Global Compact. The first and second principles of the Global Compact concerning Human Rights, namely:

1. Businesses should support and respect the protection of international law on human rights within their sphere of influence; and
2. They should ensure that their own corporations are not accomplices of human right violations.

4 | TABLE OF HSE INDICATORS

	Indicators (from October 1st to September 30th)	Définition	Unité	2012	2013	Différence 2013 vs 2012
Energy	Municipal water consumption	Volume of water from the city's distribution network consumed by the production site	m³	290,443	315,347	24,903
Energy	Water consumption drawn directly from the natural environment	Volume of water drawn by the production site from the rivers, lakes and groundwater	m³	351,456	349,563	-1,893
Energy	Electricity consumption	Electrical power from the city grid or self-generated, consumed by the production site	MWh	209,552	213,275	3,723
Energy	Natural gas consumption	Heat energy from the volume of natural gas consumed by the production site.	MWh	117,096	127,235	10,140
Energy	Consumption of liquefied petroleum gas (butane - propane)	Heat energy from the volume of LPG consumed by the production site	kWh	4,784,244	5,583,192	798,948
Energy	Domestic fuel consumption	Volume of heating oil consumed by the production site for industrial and heating purposes	m³	110	102	-9
Hazardous products	Consumption of products with permanent harmful effects for humans	Quantity consumed of all products belonging to the list of products with harmful and permanant effects for humans (all products classified as carcinogenic, mutagenic or toxic for reproduction as defined by local national regulations). Oil for forklifts can be found in this category	kg	262,205	250,077	-12,128
Waste	Sorted metal	Total amount of metal discharged and sorted as waste according to national regulations	T	19,563	17,682	-1,881
Waste	Paper - Sorted cardboard	Total amount of paper and cardboard discharged and sorted as waste according to national regulations	T	399	447	48
Waste	Sorted plastic	Total amount of plastic discharged and sorted as waste according to national regulations	T	185	283	98
Waste	Sorted wook	Total amount of wood discharged and sorted as waste according to national regulations	T	675	426	-249
Waste	Oil (soluble + whole + whole and water)	Total amount of oil discharged and sorted as waste according to national regulations	T	1,311	1,654	343
Waste	Other household waste (non-hazardous) or non sorted household waste	Amount of unsorted non-hazardous waste or household waste (as per national regulations) discharged from the site	T	1,745	1,425	-320
Waste	Hazardous waste (without oil)	Amount of hazardous waste (as per national regulations) excluding oil waste discharged from the site	T	9,376	10,468	1,092
Occupational accident	TF0 at end of December	TF0 is the frequency rate of occupational accidents with lost time over 12 rolling months TF0: TF0 = Number of occupational accidents for the 12 months elapsed × 1,000,000 / Number of hours worked for the 12 months elapsed	unit	10,7	10,4	-0,3
Occupational accident	TF1 at end of December	TF1 is the work accident frequency including both with and without loss of work over 12 rolling months: TF1 = Number of work accidents without stoppage for the 12 months elapsed × 1,000,000 / Number of hours worked for the 12 months elapsed	unit	16,5	16,3	-0,2
Occupational accident	TG0 at the end of December	TG0 is the severity rate of work accidents with stoppage for 12 rolling months TG0 = Nombre de jours d'arrêt des 12 mois écoulés × 1 000 / Nombre heures travaillées des 12 mois écoulés	unit	0,23	0,28	0,05
Occupational accident	Number of occupational diseases	Number of occupational diseases reported on the production site that generated a work stoppage	unit	18	37	19
Incidents and complaints	Number of outbreaks of fire	Number of outbreaks of fire requiring the use of firefighting means (fire extinguishers, RIA, Sprinkler, other) reported on the production site	unit	50	57	7
Incidents and complaints	Number of incidents requiring the intervention of outside help	Number of incidents occurring on the production site (fire, pollution, natural disasters, hazardous events) requiring the intervention of firefighters or civil security services	unit	9	7	-2
Incidents and complaints	Formal notice sent by the authorities	"Official" request originating from or addressed to, a competent authority in terms of health, safety, environment, public safety, requesting that the industrial site put a final stop to a nuisance or a hazard, or comply with a regulatory requirement	unit	12	17	5
Incidents and complaints	Number of complaints issued by interested parties	Informal note that any third party (neighbors, organizations, etc.) may use directly with the site when it is subjected to any nuisance, e.g. mail, written recordings of telephone complaints, etc.	unit	8	7	-1
HSE Training	Number of HSE Training hours completed	The courses listed cover all internal and external training to develop the HSE skills or knowledge of all LISI staff. These do not include the HSE training hours for newcomers.	hours	35,455	37,216	1,761
HSE Training	Number of individuals trained	The courses listed cover all internal and external training to develop the HSE skills or knowledge of all LISI staff. These do not include the HSE training hours for newcomers.	unit	6,983	8,267	1,284

5 | CORRELATION TABLE

Labor-related issues

Subject	Sub-topic	Par.
Employment	Total workforce	§ 1.1.1
	Distribution of employees by gender, age and geographical area	§ 1.1.2
	New hires and dismissals	§ 1.1.3
	Compensation and changes	§ 1.1.4
Organization of working time	Organization of working time	§ 1.2.1
	Absenteeism	§ 1.2.2
Labor relations	The organization of social dialogue, including the staff information, consultation and negotiation procedures	§ 1.3.1
	Review of collective agreements	§ 1.3.2
Health & Safety	Health & safety at work	§ 1.4.1
	Review of the agreements with trade unions or employee representatives on health and safety at work	§ 1.4.2
	Accidents at work, including their frequency and severity, and occupational diseases	§ 1.4.3
Training	Training policies implemented	§ 1.5
	The total number of training hours	§ 1.5
Diversity and equal opportunity / equal treatment	The policy implemented and the action taken for gender equality	§ 1.6
	Policy implemented and measures taken for employment and inclusion of people with disabilities	§ 1.6
	Implemented and action taken for the fight against discrimination	§ 1.6
Promotion and enforcement of fundamental provisions of ILO Conventions	Respect for freedom of association and the right to collective bargaining	§ 1.7
	The elimination of discrimination in respect of employment and occupation	§ 1.7
	The elimination of forced and compulsory work	§ 1.7
	The effective abolition of child labor	§ 1.7

Environmental issues

Subject	Sub-topic	Par.
General environmental policy	The organization of the Company to take into account environmental issues and, where appropriate, approaches to assessment or environmental certification	§ 2.1.1
	Employee training and information in terms of environmental protection	§ 2.1.2
	The resources devoted to the prevention of environmental risks and pollution	§ 2.1.3
	The amount of provisions and guarantees for environmental risks, provided that such disclosure is not likely to cause serious harm to the company in an ongoing dispute	§ 2.1.4
Pollution and waste management	Measures to prevent, reduce or repair emissions to air, water and soil that seriously affect the environment	§ 2.2.1
	Measures to prevent, recycle, and eliminate waste	§ 2.2.2
	Taking into account noise and other forms of pollution specific to an activity	§ 2.2.3
Sustainable use of resources	Water consumption and water supply according to local constraints	§ 2.3.1
	The consumption of raw materials and the measures taken to improve the effectiveness of their use	§ 2.3.2
	Energy consumption, measures to improve energy efficiency and use of renewable energy	§ 2.3.3
Climate Change	Emissions of greenhouse gases	§ 2.4

Society-related issues

Subject	Sub-topic	Par.
Territorial, economic and social impact of the company's business	In terms of employment and regional development	§ 3.1
	On neighboring and local populations	§ 3.1
Relationships with persons or organizations interested in the company's business	The conditions for dialogue with those persons and organizations	§ 3.2.1
	Partnership and sponsorship activities	§ 3.2.2
Subcontractors and suppliers	The consideration, in the company's purchasing policy, of social and environmental challenges	§ 3.3
	The importance of outsourcing and consideration in relationships with suppliers and subcontractors for their social and environmental responsibility	§ 3.3
Loyal practice	Actions taken to prevent bribery	§ 3.4.1
	Actions taken in favor of consumer safety and health	§ 3.4.2
Human rights	Actions taken in favor of human rights	§ 3.5

INFORMATION REGARDING THE COMPANY AND CORPORATE GOVERNANCE

7

1 | COMPANY INFORMATION

1.1 | CAPITAL STOCK

1.1.1 Amount of capital stock

Share capital taken up by shareholders and fully paid-up, as at December 31, 2013, amounted to €21,572,988, divided into 10,786,494 shares with a face value of €2 of the same category.

1.1.2 Changes in share capital over the past 5 years

Date of Shareholders' Meeting	Date of Board meeting	Nature of transaction	Increase (nominal increase (reduction) in capital	Increase (reduction) in capital inc. premium	Number of shares created (cancelled)	Nominal value of shares	Total number of shares after issue	Capital after transaction
Capital at 12/31/2013: €21,572,988 divided into 10,786,494 shares with €2 face value								
02/10/04	07/28/10	Capital increase by conversion of warrants	€3,616	€81,360	1,808	€2	10,786,494	€21,572,988
04/29/09	04/28/10	Capital increase reserved for employees	€61,650	€868,649	30,825	€2	10,784,686	€21,569,372
02/10/04	02/20/08*	Capital increase by conversion of warrants	€299,588	€6,740,730	149,794	€2	10,753,861	€21,507,722
02/10/04	12/21/07	Capital increase by conversion of warrants	€169,592	€3,815,820	84,796	€2	10,604,067	€21,208,134
02/10/04	08/29/07	Capital increase by conversion of warrants	€255,292	€5,744,070	127,646	€2	10,519,271	€21,038,542
02/10/04	06/27/07	Capital increase by conversion of warrants	€361,684	€8,137,890	180,842	€2	10,391,625	€20,783,250
02/10/04	02/22/07	Capital increase by conversion of warrants	€30,000	€675,000	15,000	€2	10,210,783	€20,421,566
02/10/04	12/20/06	Capital increase by conversion of warrants	€498,926	€11,225,835	249,463	€2	10,195,783	€20,391,566
02/10/04	06/23/06	Capital increase by conversion of warrants	€43,640	€981,900	21,820	€2	9,952,166	€19,892,640
02/10/04	06/23/06	Capital increase reserved for employees	€55,332	€1,122,686.58	27,666	€2	9,924,500	€19,849,000

* Conversion of warrants at end December 2007.

1.1.3 Authorized share capital not yet issued

On April 25, 2013, the Shareholders' Extraordinary Meeting authorized the Board of Directors to issue, on one or more occasions, new cash subscriptions, reserved for Group employee members of the company occupational savings plan, for a maximum total of €2,000,000 inclusive of issue premium, within 26 months of the current Meeting.

1.1.4 Potential share capital

At December 31, 2013, there are no warrants providing access to capital.

1.1.5 Dividend distribution policy for the past five years – Dividend prescription period

The distributable profit is at the disposal of the Shareholders' General Meeting, which determines its allocation.

In the past 5 years, dividends paid out per share have been as follows:

	Net dividend in €
2009	0.70
2010	1.05
2011	1.30
2012	1.40
2013 (1)	1.70

(1) Subject to the decision of the Ordinary General Meeting of April 23, 2014. The date for payment of dividends has been set at May 7, 2014.

The timeframe for paying dividends is 9 months as of the year-end date. Unclaimed dividends are waived to the State after a period of 5 years beginning of the payment date.

1.2 | STOCK REPURCHASE PROGRAM

1.2.1 In place at December 31, 2013

On April 25, 2013, the Shareholder's Combined Meeting authorized the company to repurchase up to 10% of its own shares in the open market for a period of 18 months, i.e. up until October 26, 2014.

Thus, LISI S.A. plans to launch a stock repurchase program for the following purposes, in decreasing order of importance:

- to increase the activity of the stock on the market by an Investment Services Provider via a liquidity contract in accordance with the professional code of ethics recognized by the AMF (the French stock market authority);
- to grant stock options or free shares to employees and corporate officers of the company and/or its consolidated group;
- to keep and use shares as consideration or payment for potential future external growth transactions;
- to cancel purchased shares, subject to the approval of the Shareholders' Extraordinary Meeting to be called at a later date.

The following terms apply to this authorization:

- the company may not repurchase its own shares for more than €100, not including transaction fees.

The highest figure that LISI S.A. would pay if it purchased shares at the ceiling price set by the Shareholders' Meeting, i.e. €100, is €76,366,900.

Under the above-mentioned share repurchase program, in 2013 LISI S.A. acquired 77,352 treasury shares, i.e. 0.7%. The number of own shares held by LISI S.A. stands at 304,314.

The transactions carried out by the Company on its own shares are summarized in the table below:

	Number of shares	Average weighted price in €
Shares held at 01/01/2013	**314,980**	**37.95**
Shares acquired in 2013	77,352	78.73
Shares awarded in 2013		
Shares disposed of in 2013	(88,018)	79.07
Shares held at 12/31/2013	**304,314**	
Of which shares allocated to remuneration in shares	*302,439*	
Of which available	*1,875*	

Shares have been purchased and sold within the scope of the market-making contract with Oddo Corporate Finance. The market-making contract complies with the ethical charter of the AFEI.

1.2.2 New stock repurchase program

The next Shareholders' General Meeting will be offered to renew its program to repurchase LISI S.A. shares, in accordance with the new rules applicable since the entry into force of European Rules Nr.2273/2003 of December 22, 2003. LISI S.A. offers to acquire a number of shares representing up to 10% of the number of shares that make up its capital stock, except for the acquisition of shares meant to be kept and the delivery of shares against or as payment for external growth operations, if applicable, whose total number will be limited to 5% of the equity, i.e. 539,324 shares.

The duration of the stock repurchase program is set at 18 months.

The new stock repurchase program provides that the stock purchased will serve the following purposes:

- to increase the activity of the stock on the market by an Investment Services Provider via a liquidity contract in accordance with the professional code of ethics recognized by the AMF (the French stock market authority,
- to grant stock options or free shares to employees and corporate officers of the company and/or its consolidated group,
- to keep and use shares as consideration or payment for potential future acquisitions,
- to cancel shares purchased, subject to the approval of the Shareholders' Extraordinary Meeting to be called at a later date.

The maximum purchase price may not exceed €200 per share.

Should derivative products be used, LISI S.A. will ensure that the price of its shares is not made more volatile as a result.

1.3 | BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS - SHAREHOLDERS' AGREEMENT

1.3.1 Breakdown of share capital and voting rights over the past 3 years

1.3.1.1 Breakdown of share capital and voting rights

	2013			2012			2011		
	as a % of capital	as a % of voting rights	in number of shares	as a % of capital	as a % of voting rights	in number of shares	as a % of capital	as a % of voting rights	in number of shares
CID	55.0	69.7	5,928,724	55.0	69.3	5,928,724	55.00	69.6	5,928,724
VMC	5.7	6.9	614,172	6.0	7.5	640,675	6.00	7.5	641,675
Other corporate officers	0.3	0.2	27,214	0.4	0.5	48,167	0.4	0.4	51,364
TOTAL CORPORATE OFFICERS	**60.9**	**76.8**	**6,570,110**	**61.4**	**77.2**	**6,617,566**	**61.4**	**77.5**	**6,621,763**
of which directors	0.15	0.12	15,650	0.22	0.20	23,450	0.20	0.19	21,540
FFP INVEST	5.1	3.2	550,000	5.1	3.2	550,000	5.1	3.1	550,000
Treasury shares	2.8		304,314	2.9		314,980	3.5		378,804
Employees	1.2	0.8	133,250	1.4	0.9	152,500	1.4	0.9	146,500
Public	29.9	19.2	3,228,820	29.2	18.7	3,151,448	28.6	18.5	3,089,427
GRAND TOTAL	**100.0**	**100.0**	**10,786,494**	**100.0**	**100.0**	**10,786,494**	**100.0**	**100.0**	**10,786,494**

Shareholders or groups of shareholders controlling more than 3% of share capital:

– The sole activity of CID, a company based at 28 Faubourg de Belfort 90100 DELLE, is the ownership of LISI shares. At December 31, 2013, it holds: 55% of the share capital and 69.7% of the voting rights.

CID's capital is held in almost equal proportion by three family shareholder groups through family holdings. While family ties exist between shareholders, they are not directly related.

– At December 31, 2013, VMC, Route des Forges 90120 MORVILLARS, holds directly: 5.7% of the share capital and 6.9% of the voting rights. At the same date, it holds indirectly 15.28% of the capital of LISI S.A., i.e. in total 20.98% of the capital.

– At December 31, 2013, FFP, 75 avenue de la Grande Armée 75116 PARIS, holds: 5.1% of the share capital and 3.2% of the voting rights. At the same date, it holds indirectly 13.88% of the capital of LISI S.A., being a total of 18.98% of the capital.

_ The sole activity of CIKO, 28 faubourg de Belfort 90100 DELLE is the ownership of LISI and CID shares. At December 31, 2013, it holds directly: 0.1% of the share capital and 0.1% of the voting rights. At the same date, it holds indirectly 16.55% of the capital of LISI S.A., being a total of 16.65% of the capital.

To the company's knowledge, no other shareholders hold more than 3% of share capital or voting rights, be it directly, indirectly or jointly (see also 1.3.2).

The percentage of share capital held by staff members is not significant (1.2% of the share capital).

1.3.1.2 Shareholders' agreement - Acting in concert

There is no shareholders' agreement for the company LISI S.A. and no shareholders (other than those listed in paragraph 1.3.1.4) have represented that they have breached the threshold of between 3% and 5%, as provided for in the by-laws.

To the best of LISI's knowledge, on the date on which this document was drafted, there exists no action in concert, as defined in articles L233-10 and L233-11 of the commercial code.

1.3.1.3 Pledging

To the company's knowledge, no pure registered shares have been pledged as collateral.

1.3.1.4 Collective retention commitments

"Dutreil" agreement (article 885 I of the General Tax Code) regarding LISI S.A. securities

Under Article 885 I bis of the General Tax Code ("CGI"), a commitment to retain shares was subscribed for a period of two years and one day from December 17, 2010 by Compagnie Industrielle de Delle ("CID"), Mr. Gilles Kohler, Mr. Jean-Philippe Kohler and Mr. Emmanuel Viellard. This commitment is renewed by tacit agreement from one year to another as of December 19, 2012. This commitment involves 5,929,125 shares and 11,857,849 LISI S.A. voting rights, broken down as follows:

	Shares	% capital	Voting rights	% voting rights
CID	5,928,724	55.0%	11,857,448	69.60%
Mr. Gilles Kohler	200	< 0.01%	200	< 0.01%
Mr. Jean-Philippe Kohler	1	< 0.01%	1	< 0.01%
Mr. Emmanuel Viellard	200	< 0.01%	200	< 0.01%
Total	**5,929,125**	**55.0%**	**11,857,849**	**69.60%**

So as to be able to benefit from the tax break as regards Solidarity Tax on Wealth, the Compagnie Industrielle de Delle, Mr. Gilles Kohler, Mr. Jean-Philippe Kohler and Mr. Emmanuel Viellard have individually made a commitment to keep their shares in LISI S.A. for a period of four years, on the expiry of the two-year retention period stipulated in the collective commitment.

"Jacob" agreement (article 787 B of the General Tax Code) regarding LISI S.A. securities

Under Article 787 B of the General Tax Code ("CGI"), a commitment to retain shares was subscribed from December 17, 2010 for a period of two years and one day by Compagnie Industrielle de Delle ("CID"), Mr. Gilles Kohler, Mr. Jean-Philippe Kohler and Mr. Emmanuel Viellard. This commitment involves 5,929,125 shares and 11,857,849 LISI S.A. voting rights, broken down as follows:

	Shares	% capital	Voting rights	% voting rights
CID	5,928,724	55.0%	11,857,448	69.60%
Mr. Gilles Kohler	200	< 0.01%	200	< 0.01%
Mr. Jean-Philippe Kohler	1	< 0.01%	1	< 0.01%
Mr. Emmanuel Viellard	200	< 0.01%	200	< 0.01%
Total	**5,929,125**	**55.0%**	**11,857,849**	**69.60%**

So as to be able to benefit from the tax break as regards inheritance and gift tax, the Compagnie Industrielle de Delle, Mr. Gilles Kohler, Mr. Jean-Philippe Kohler and Mr. Emmanuel Viellard have individually made a commitment to keep their shares in LISI S.A. for a period of four years. At the end of the two-year retention period, the commitment will be tacitly renewable by periods of one year, year on year, as stipulated in the collective commitment.

On the date of this document, these commitments made under article 885 I bis and article 787 B of the General Tax Code have been kept.

It is also stated that CIKO holds 48,030 CID shares for a total value amounted to 159,495 shares at December 31, 2013.

1.3.2 LISI S.A. shareholding

The latest TPI analysis ("Identifiable bearer security"), conducted on December 31, 2013, identified 2,432 shareholders on the floating capital, which accounted for approximately 30.5% of the total number of shares out of a total floating capital of 31.3%. At that date, the breakdown was as follows:

- French institutional investors: 145 holding 13.8% of the capital stock,
- International institutional investors: 138 holding 15.1% of the capital stock,
- French and international individual shareholders: 2,149 holding 1.6% of the capital stock.

1.3.3 LISI S.A. treasury shares

As at December 31, 2013, LISI S.A. held 304,314 of its own shares, or 2.82% of share capital. No shares were cancelled. These shares are primarily intended to be used in the form of performance shares, as described in paragraph 2.7.2.2.

1.4 | RELATIONSHIP BETWEEN THE COMPANY AND ITS SUBSIDIARIES

LISI S.A. operates as a holding and support company for its subsidiaries. It manages its portfolio of interests, the funding of its operations and those of its subsidiaries, as well as exchange rate, interest rate and liquidity risks. If necessary, it can also grant loans to its subsidiaries and centralize the group's cash flow surpluses, within the scope of a cash management agreement. These operations are charged at the market price plus a margin.

In France, LISI S.A. is the parent company of a group consolidated for fiscal purposes. In accordance with the express provisions of the Fiscal Consolidation Agreement, tax credit is retained by the parent company, and companies are not entitled to compensation should they leave the consolidation perimeter.

LISI S.A. offers its subsidiaries a number of services and skills relating to central functions, such as legal and fiscal support, financial support, management controls, procedures and audits, insurance management and assistance with human resources, health, safety, and environmental matters. The three divisions pay LISI S.A. a normal level of compensation for these services, based on the operating expenses incurred for the period, multiplied by a coefficient; these charge-backs are broken down proportionally to each division's added value.

Data with related companies are as follows:

(In €'000)	Amount concerning related companies	Amount concerning companies in which the company has a participating interest
ASSETS:		
Receivables related to equity holdings	6,500	-
Debtors and apportioned accounts	4,264	-
Cash advances to subsidiaries	205,030	-
Tax integration current account	1,357	-
LIABILITIES:		
Subsidiaries' financial assistance	159,526	-
Tax integration current account	1,679	-
Suppliers	165	-
INCOME STATEMENT:		
IT maintenance	19	-
Reserves for equity interests	1,594	-
Sales revenue with subsidiaries	8,563	-
Miscellaneous chargebacks	245	-
Revenues from subsidiaries' loans and current accounts	2,318	-
Revenues from equity interest	14,005	-

Significant intra-group items include:

- On the assets side:

– Receivables relating to equity interests: LISI S.A. advanced, as a mid-term loan, €2m to its subsidiary LISI AUTOMOTIVE
  · a loan of €10 million maturing April 1, 2016, allowed it to partially finance the acquisition in July 2005 of the German group KNIPPING
  · a loan of €10 million maturing December 31, 2014 was taken out to meet its growing need for working capital.

The capital outstanding at December 31, 2013 being €6.5 million.

– cash advances to group subsidiaries as part of the Group's cash agreement,
– the current accounts for the fiscal integration of tax receivables of the companies consolidated within the group.

- On the liabilities side:

– cash granted to group subsidiaries within the group cash management agreement,

– the current accounts for the fiscal integration of tax receivables of the companies integrated within the group.

- On the income statement:

– invoices for services and management fees from LISI S.A. to its various subsidiaries,

– dividends received by LISI S.A. during the financial year 2013.

These transactions are entered into under normal market conditions; in particular, they take into account costs that were actually incurred and are billed back.

1.5 | AUDITORS' FEES

The table below lists the fees paid to the Auditors appointed for certifying the Group's financial and consolidated statements. These are the fees paid for services rendered and recognized for the year 2013 in the accounts of LISI S.A. and its subsidiaries, whose income statements for the year and balance sheets are fully consolidated.

The fees relative for tax services regarding the French or foreign companies, rendered by Bureau Francis Lefebvre or other consultancies, are not listed in this table:

	Ernst & Young		Exco Cap Audit		Foreign auditors	
	Amount		Amount		Amount	
In €'000	N	N-1	N	N-1	N	N-1
Audit						
Auditors, certification, review of individual and consolidated financial statements						
- Holding company	76	77	22	23		
- Fully consolidated subsidiaries	660	744	214	250	29	6
Other due diligence and services						
- Holding company		18				
- Fully consolidated subsidiaries	88	12	15	24		40
Sub-total	**825**	**852**	**251**	**297**	**29**	**46**
Other services rendered by the networks to the fully consolidated subsidiaries						
Legal, tax, and social						4
Miscellaneous services						11
Sub-total						15
TOTAL	**825**	**852**	**251**	**297**	**29**	**61**

2 | COMPANY GOVERNANCE

LISI is a "société anonyme" (limited company) with a Board of Directors, governed by French law, in particular the provisions of Book II of the Commercial Code, and a number of provisions of the regulatory section of the Commercial Code. The company has set up measures aiming to comply with the market recommendations regarding the corporate governance principles (refer in particular to the Board Chairman's report).

The LISI Group is a member of the AFEP MEDEF corporate governance code, whose recommendations it meets. Such membership has been confirmed by the Board of Directors.

2.1 | TASKS AND OPERATING PROCEDURES OF THE BOARD OF DIRECTORS

During the Meeting of March 1, 2004, the LISI Board of Directors set out the terms of a Corporate Governance Charter detailing the rules that apply to all members and participants of this Board. This is an exclusively internal document and in no way does it replace the by-laws or the provisions of commercial Law.

Tasks of the Board of Directors

LISI S.A.'s Board of Directors is a collegial body that represents all shareholders and which has a duty to act systematically in the corporate interests of the company.

In exercising its prerogatives, subject to the powers expressly assigned to the shareholder's meetings and purely within the scope of the business purpose, the Board must examine any question that may affect that correct functioning of the company and, through its deliberations, address any related issues.

As a general rule, the Board of Directors has 5 main tasks:

1. It sets out the company's strategy,
2. It appoints and sets the remuneration of, the directors in charge of running the company within the framework of this strategy and selects an appropriate form of organization (dissociation of the functions of the Chairman and the Chief Executive Officer or fusion of these functions),
3. It supervises the company's management,
4. It guarantees the quality of the information supplied to shareholders and the markets via the financial statements or in the event of significant transactions,
5. It checks the main acquisitions or disposals of assets presented by management, in particular compliance with the strategic plan and their valuation.

The Board of Directors carries out any controls or checks that it deems necessary.

The Board of Directors will ensure that its composition, as well as its work, is representative of LISI S.A.'s share ownership structure.

The Board may decide to create Committees, to which it can submit questions in order to obtain advice. It sets out the composition and powers of the Committees, who carry out their work under the Board's authority. Three Committees have been set up: Audit Committee, Compensation Committee, and Strategic Committee.

Director's code of ethics

Each director must consider himself to represent all shareholders and behave accordingly when exercising his functions.

During the Meeting of March 1, 2004, the Board of Directors of LISI S.A. deemed it unnecessary to draw distinctions between the directors, regardless of whether or not they are corporate officers, directors of a parent company, or directly or indirectly tied to the Company or its subsidiaries in an economic capacity. Indeed, the Board considers that its members are selected purely on the strength of their competence and on their active contribution to its missions.

Before accepting their functions, directors must ensure that they have familiarized themselves with the general and special obligations that relate to the position of director. LISI S.A.'s by-laws and the Governance Charter will be handed to them prior to them taking up their office. Acceptance of the position of director implies acceptance of this charter.

All members of the Board of Directors must devote sufficient time to examining the files sent to them in order to adequately prepare for Board Meetings and for the meetings of the Committees to which they have been appointed. They may ask the Chairman for any additional information they may require in order to carry out their work.

Directors must be committed and take part in all meetings held by the Board or by the Committees to which they have been appointed. A provisional calendar of Board Meetings is set out each year end for the following year.

Directors must notify the Board of Directors of any conflicts of interest with LISI S.A., even potential ones. They must abstain from taking part in the vote for any deliberations that are affected by these conflicts.

If a member of the Board of Directors has a direct or indirect role in an operation in which LISI S.A. has interests or which he has gained knowledge of as a result of his membership of the Board, he must bring this to the attention of the Board prior to their meeting.

Operating procedures of the Board of Directors

The Board meets whenever it is in the interests of the company to do so. Directors may be invited to Board meetings by the Chairman using any means available and even verbally. If the Board has not met for more than two months, directors representing at least one third of the members of the Board can request that the Chairman call a meeting on a particular agenda.

Prior to each Board meeting, participants receive a file that has been duly documented so that they may adequately prepare for the meeting and have an enlightened judgment as to the issues at stake.

The members of the Board of Directors have the right to have themselves represented by one of their colleagues by written proxy. A member of the Board of Directors may only represent one person at any one meeting.
For the deliberations of the Board of Directors to be valid, the number of members present must be at least equal to half the total number of members.
Decisions are taken by majority vote of the members present or represented. Should the vote be split, the Chairman of the meeting shall have the casting vote. However, a majority of three quarters of the votes of the members who are present or represented is required when decisions relating to the following issues are to be taken:

- The calculation of amortization and depreciation expenses and of provisions,
- Proposals to be made to the Shareholder's Ordinary Meeting for the allocation of profits for the financial year just ended,
- Resolutions to be submitted to a Shareholder's Extraordinary Meeting,
- The replacement of a director who has resigned or is deceased.

Debates are recorded in a report that is submitted for approval by the members and signed at the following meeting.

Copies or extracts of the decisions of the Board of Directors are certified as valid by the Chairman of the Board of Directors, a Chief Executive Officer, a director who has been temporarily vested with the Chairman's powers or a representative authorized to this effect.

For corporate governance to be practiced to an acceptable standard, the Board will assess its ability to fulfill the requirements of the shareholders, who have given them a mandate to run the company, by carrying out a periodic review of its composition, its organization and its operating procedures at least once a year. In particular, it will check that important issues are suitably prepared and debated.

For the year 2013, the assessment was replaced by a review of the Group's governance practices to comply with the AFEP-MEDEF code revised in June 2013.

The Board of Directors and the Shareholders' General Meeting

The Board of Directors represents all shareholders. In carrying out its missions it reports jointly to the Shareholders' General Meeting, whose principal legal responsibilities it assumes.

Operations of truly strategic importance, such as acquisitions or disposals, investment for the purposes of organic growth or significant internal restructuring, must be examined by the Board of Directors for approval.

Directors' obligations

Each member of the Board of Directors must own a minimum of one LISI share registered in his own name, for his entire term of office.

At the Board meeting on December 19, 2013, the Board recommended in the context of good governance practice, each member hold a minimum of 150 shares.

Directors, whether on their own behalf or for others, shall refrain from any transactions in respect of the shares of LISI S.A, including derivatives, if on account of their positions they are aware of information not yet made public that might influence the share's price on the stock exchange.

2.2 | INTERNAL RULES OF THE BOARD OF DIRECTORS

At the Board of Directors meeting held on August 30, 2006, the internal rules of the Board of Directors were adopted.

In addition to the Corporate Governance Charter referred to above, the internal rules provide:

Board meetings:

If the technical facilities of the Boardroom so permit, for purposes of establishing a quorum and a majority, directors who attend a board meeting by way of videoconference and/or conference call shall be considered present in accordance with the rules.

This provision shall not apply to the following decisions: appointment or removal of the Chairman, appointment or removal of the CEO, appointment or removal of the Vice Presidents, approval of the corporate and consolidated annual financial statements and the management report.
Invitations to Board meetings that are issued by either the Chairman or the Secretary of the Board can be by letter, fax, email or verbally.

2.3 | THE AUDIT COMMITTEE

2.3.1 Composition

The Audit Committee is comprised of at least 3 members and at most 5 members, the majority of whom cannot be corporate officers. The members of this Committee are Messrs. Eric André (independent director), Cyrille Viellard and Christian Peugeot. The Committee is chaired by Mr. Eric André.

2.3.2 Tasks

The main tasks of the Audit Committee are:

- Reviewing the financial statements:

■ Reviewing the financial statements and ensuring that the accounting methods used to establish the company's consolidated financial and corporate statements are relevant and permanent;
■ monitoring the elaboration of financial information;
■ monitoring the effectiveness of the internal management and risk management systems.

- Relationship between the Audit Committee and the statutory auditors

  In accordance with regulations, the auditors must submit to the Committee:

· Their overall work program and the random surveys they have carried out;
■ The changes which they consider should be made to accounts or accounting documents and their comments on the assessment methods used;
■ Any irregularities or inaccuracies they have discovered;
■ The conclusions resulting from the observations and corrections made to the results for the period compared to the previous period.

- Monitoring of the auditors' rules of independence and objectivity:

  The Committee must monitor the procedure for selecting the auditors and submit to the Board of Directors a recommendation regarding the auditors suggested for appointment by the General Meeting. The Committee proposes the selection procedure to the Board, including whether it is necessary to resort to a tender. It supervises the appeal for tenders and approves the specifications manual and the selection of the bidders, ensuring the selection of the best bidder rather than of the lowest tenderer.

2.3.3 Operating procedures

The Committee meets prior to the Board of Directors' meetings that are held to set out the annual or half-yearly financial statements.

The Auditors are invited to take part in this preparatory meeting.

The Audit Committee's examination of the financial statements must be accompanied by a note from the Auditors highlighting the key points not only of the results, but also of the accounting methods selected, as well as a note from the company describing its exposure to risks and any significant off-balance sheet commitments.

The Committee met twice in 2013. It heard the Auditors report on the performance of their task and was informed by the company's Internal Control Manager. Information relating to the consolidation perimeter and to the off-balance sheet risks described in the appendix to the consolidated financial statements was sent to the Audit Committee, which submitted a report on its work to the Board of Directors.

2.4 | THE COMPENSATION COMMITTEE

2.4.1 Composition

The Compensation Committee is comprised of at least 3 members and at most 5 members, the majority of whom cannot be corporate officers. Members of this Committee are Ms. Lise Nobre (independent director), Messrs. Thierry Peugeot and Patrick Daher (independent director). The Committee is chaired by Mrs. Lise Nobre.

Members who are corporate officers do not take part in the vote when the Committee deliberates on their own compensation or on any incentive systems from which they may benefit.

2.4.2 Tasks

The Compensation Committee is in charge of:

■ Submitting the general rules of compensation to the Board's approval (fixed salaries and variable bonuses of all types) and checking the annual application of these rules for:

  a) The members of the General Management of LISI S.A. (Chairman of the Board of Directors, CEO and Vice Presidents);

  b) The CEOs of the divisions of LISI S.A. ;

- Advising the CEO of LISI S.A. regarding the compensation policy applied to the senior managers of each Group subsidiary. Within the scope of this advisory role, the Compensation Committee submits to the Board all proposals relating to incentive and profit-sharing schemes for the Group's top management, in particular with regard to the company's policy in terms of compensation in shares, their terms and conditions, as well as the terms of eligibility.

It also presents its recommendations regarding the appearance fees awarded to directors and to members of the Board's Committees and the pay scale applied to these fees.

2.4.3 Operating procedures

The Committee meets a minimum of twice a year. Its work leads to the drafting of a written report that allows the Board to remain fully informed, thus facilitating its deliberation.

The Committee met twice in 2013. It presented its recommendations to the Board on the following issues:

- The fixed compensation paid to members of LISI S.A.'s General Management and to Chief Executive Officers of the group's Divisions, as well as the calculation rules that apply to the variable portion of this compensation, known as the Objective-Related Bonus. This portion depends chiefly on meeting annual objectives on growth, revenue and net borrowing.

2.5 | THE STRATEGIC COMMITTEE

The Strategic Committee is made up of 5 members, the majority of which cannot be corporate officers. Members of this Committee are Mrs. Lise Nobre, Messrs. Gilles Kohler, Jean-Philippe Kohler, Emmanuel Viellard and Pascal Lebard. The Committee is chaired by Mr. Gilles Kohler.

The Committee met once in 2013.

2.6 | INDEPENDENT DIRECTORS AND DIRECTORS LINKED TO THE COMPANY

As per the principles advocated by the AFEP/MEDEF Code, the directors of the LISI Group SA are qualified independent directors when their status meets the following six criteria:

– not being an employee or corporate officer of the company, not being an employee or director of the parent company or of a company that it consolidates and not having held such status for the previous five years;

– not being a corporate officer of a company in which the company directly or indirectly holds a director's mandate or in which an employee designated as such or a corporate officer (current or having been so for less than five years) holds a director's mandate;

– not being a client, supplier, investment banker or financial banker: of significant importance for the company, or for whom the company or its group represents a major share of activities;

– not being a close relative of a corporate officer;

– not having been a company auditor for the previous five years;

– not having been a company director for more than twelve years.

In concrete terms, holders of the role of independent director are people who are not linked directly or indirectly to the reference shareholders which are CIKO, FFP and VIELLARD MIGEON & CIE (details in paragraph 2.8.1 of this document).

2.7 | EMPLOYEES

2.7.1 Head count

2.7.1.1 Registered employees at period end by category

The table below shows the breakdown of Group staff by category:

	2013	2012	Difference N/N-1
Management	823	802	2.6%
Supervisors	810	747	8.4%
Staff and workers	7,606	7,360	3.3%
Total	**9,239**	**8,909**	**3.7%**

2.7.1.2 Registered employees at period end by division

The table below shows a breakdown of Group staff by business activity:

	2013	2012	Difference N/N-1
LISI AEROSPACE	5,604	5,205	7.7%
LISI MEDICAL	474	475	-0.2%
LISI AUTOMOTIVE	3,143	3,213	-2.2%
Holding company	18	16	12.5%
Total	**9,239**	**8,909**	**3.7%**
Temporary staff engaged	546	563	-3.0%

2.7.1.3 Geographic breakdown of staff

The table below shows the breakdown of staff by geographic area:

	2013	in %	2012	in %
France	4,956	54%	4,840	54%
Europe (excl. France)	1,694	18%	1,640	18%
North American continent	1,584	17%	1,457	16%
Africa	268	3%	260	3%
Asia	737	8%	712	8%
Total	**9,239**	**100%**	**8,909**	**100%**

2.7.1.4 2013 consolidated sales revenue

EFTAW*	Voluntary departures	Turnover rate
9,725	257	2.64 %

* Equivalent full-time average wage

2.7.2 Incentive schemes, profit-sharing and compensation in shares

2.7.2.1 Employee profit-sharing

a) Profit-sharing and incentive scheme

Profit-sharing

The funds paid out in the form of special reserves for profit-sharing during the past 3 years are as follows (in million euros):

2013	2012	2011
5.4	5.1	3.9

Incentive scheme

Most of the companies within the Group have an incentive system allowing employees to participate actively in the group's performance. The methods for calculating the sums involved depend on the criteria of each company.

b) Group Savings Plan (PEG)

In 2001, the LISI Group created a savings plan dubbed "LISI en actions" for its French companies. This plan facilitated participation in 2001, 2004, 2006 and 2010 in a capital increase reserved for employees in the sums of €1.47m, €0.8m, €1.18m, and €0.9m, respectively.

For other years, the PEG was renewed in the form of a repurchase of shares.

The levels of voluntary contributions by employees, the profit-sharing and the extent of profit-sharing schemes are set by the company in accordance with a schedule.

Benefits granted to employees under the group savings plan are recorded to the income statement and assessed in accordance with IFRS2.

As at December 31, 2013, the "LISI en actions" plan consisted entirely of LISI shares, for a total of 133,250 shares, and had 1,613 members.

In 2013, the Group savings plan was renewed in the form of a share repurchase program.

c) Employee shareholding

The percentage of share capital held by the Group's employees stood at 1.2% as at December 31, 2013.

2.7.2.2 Compensation in shares

a) Free shares granting plan

As a reward to several employees who have spent the majority of their working lives employed within the LISI Group, and who have actively contributed to its development, the Board of Directors, in its meeting of October 24, 2012, with the permission of the General Meeting of April 26, 2012, decided to allocate 300 LISI company shares, freely and without condition, to four Group employees.

The plan stipulates that shares thus allocated shall be held for two years, during which period they may not be sold on.

b) Performance shares plan

2011 plan:

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on October 26, 2011, with the permission of the General Meeting of April 29, 2009, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting all or part of certain performance targets: reaching on December 31, 2013, one criterion, namely Net Asset Value of at least €900 million. If the Net Asset Value is between €900m and €1,275 million, the shares would be allocated in part. If the Net Asset Value is higher than €1,275m, the shares would be allocated in full. The maximum allocated number of shares is 43,050 shares and concerns 130 French employees.

The plan also stipulates that shares thus allocated shall be held for two years, during which period they may not be sold on.

As far as the corporate officers are concerned, the Board of Directors decided:

1) In order to receive at maturity all or part of the Performance Shares to which they are entitled, each of the corporate officer directors shall, at the end of the acquisition period, acquire 200 Company shares.
2) The corporate officer directors shall retain 200 of any shares which may have been allocated to them registered in their own name, and until the termination of their employment.

54 employees outside of France will benefit from bonuses based on the principles and conditions, but in the form of pay and salaries.

2012 plan:

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on October 24, 2012, with the permission of the General Meeting of April 26, 2012, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting all or part of certain performance targets: reaching on December 31, 2014, one criterion, namely Net Asset Value of at least €900m. If the Net Asset Value is between €900m and €1,220m, the shares would be allocated in part. If the Net Asset Value is higher than €1,220m, the shares would be allocated in full. The maximum allocated number of shares is 50,950 shares and concerns 152 French employees.

The plan also stipulates that shares thus allocated shall be held for two years, during which period they may not be sold on.

As far as the corporate officers are concerned, the Board of Directors decided:

1) In order to receive at maturity all or part of the Performance Shares to which they are entitled, each of the corporate officer directors shall, at the end of the acquisition period, acquire 200 Company shares.
2) The corporate officer directors shall retain 200 of any shares which may have been allocated to them registered in their own name, and until the termination of their employment.

52 employees outside of France will benefit from bonuses based on the principles and conditions, but in the form of pay and salaries.

2013 plan:

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on October 24, 2013, with the permission of the General Meeting of April 25, 2013, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting all or part of certain performance targets: reaching on December 31, 2015, one criterion, namely Net Asset Value of at least €1,000m. If the Net Asset Value is between €1,000m and €1,360m, the shares would be allocated in part. If the Net Asset Value is higher than €1,360m, the shares would be allocated in full. The maximum allocated number of shares is 33,340 shares and concerns 159 French employees.

The plan also stipulates that shares thus allocated shall be held for two years, during which period they may not be sold on.

As far as the corporate officers are concerned, the Board of Directors decided:

1) In order to receive at maturity all or part of the Performance Shares to which they are entitled, each of the corporate officer directors shall, at the end of the acquisition period, acquire 130 Company shares.
2) The corporate officer directors shall retain 130 of any free shares which may have been allocated to them registered in their own name, and until the termination of their employment.

50 employees outside of France will benefit from bonuses based on the principles and conditions, but in the form of pay and salaries.

c) Information relating to share-purchase options and the awarding of shares based on performance on December 31, 2013.

The table below shows the information relating to share-purchase options and performance-based shares outstanding as at December 31, 2013:

	Number	Average weighted exercise price of options in €
Options outstanding at year start	96,850	
Options allocated during the period	33,340	
Options cancelled during the period	(2,550)	
Options exercised during the year		
Options that reached maturity during the period		
Options outstanding at year end	127,640	

Options granted to date were taken from treasury shares without giving rise to the issue of new shares.

The following table presents the breakdown by date of allocation of stock options outstanding as at December 31, 2013:

Allotment Date of Options	Exercise price in €	Number of options outstanding at December 31, 2013	Residual contractual term
07/28/11	None	43,050	02/26/14
10/24/12	None	50,950	February 2015
10/24/12	None	300	February 2015
10/24/13	None	33,340	February 2016
Total		**127,640**	

d) Plans in place as at December 31, 2013:

Date of Shareholders' General Meeting / Board of Directors	Category Plan number	Number of shares assigned	Of which corporate officers	Of which members of the Management Committee	Of which 10 top employees	Residual number of beneficiaries	Exercise period	Subscription or purchase price	Options exercised at 01/01/2013	Options exercised in 2013	Options cancelled	Options remaining at 12/31/2013
Authorization of 04.29.2009												
10. 26. 2011	G Plan Nr° 8	48,150	3,450	7,800	7,800	130	02.26.2014 02.26.2016	None	0	0	5,100	43,050
Authorization of 04. 26.2012												
10. 24. 2012	G Plan Nr° 9	52,550	3,750	8,000	8,000	152	*	None	0	0	1,600	50,950
10. 24. 2012	G Plan Nr° 9 bis	300	0	0	300	1	*	None	0	0	0	300
Authorization of 04. 25.2013												
10. 24. 2013	G Plan Nr° 10	33,340	2,370	5,540	5,220	159	**	None	0	0	0	33,340

* Beginning on the date of the Board of Directors that approves the 2014 results (February 2015) - end 2 years later.
** Beginning on the date of the Board of Directors that approves the 2015 results (February 2016) - end 2 years later.
G = free

2.8 | ADMINISTRATIVE BODIES

2.8.1 Composition of the Board of Directors and the specialized Committees

The Group's Board of Directors consists of 10 members, four of whom are independent under the criteria specified by the AFEP/MEDEF Code (see also 2.6).

		Independent director	Date of appointment	Term of office expires
Board of Directors				
Member of the Board of Directors	Gilles KOHLER		1985	2015 AGM [4]
Chairman of the Board of Directors			1999	
Members of the Board of Directors:	Emmanuel VIELLARD		2000	2019 AGM [2]
	Eric ANDRE	X	2002	2014 AGM [3]
	Lise NOBRE	X	2008	2014 AGM [3]
	Chistian PEUGEOT		2003	2019 AGM [2]
	Patrick DAHER	X	2009	2015 AGM [4]
	Pascal LEBARD	X	2005	2017 AGM [1]
	Compagnie Industrielle de Delle represented by Thierry PEUGEOT [5]		1977	2019 AGM [2]
	SAS CIKO represented by Jean- Philippe KOHLER [6]		2002	2015 AGM [4]
	VIELLARD MIGEON & Cie represented y Cyrille VIELLARD [7]		1977	2015 AGM [4]
Secretary of the Board of Directors	Maître Olivier PERRET (Fiscalité sociétés)			
Audit Committee				
Members of the Audit Committee:	Eric ANDRE	X		
	Cyrille VIELLARD			
	Christian PEUGEOT			
Compensation Committee				
Members of the Compensation Committee:	Lise NOBRE	X		
	Thierry PEUGEOT			
	Patrick DAHER	X		
Strategic Committee				
Members of the Strategic Committee:	Gilles KOHLER			
	Jean-Philippe KOHLER			
	Emmanuel VIELLARD			
	Pascal LEBARD	X		
	Lise NOBRE	X		

[1] Ordinary General Meeting slated to rule in 2017 on the financial statements for the period ended December 31, 2016.
[2] Ordinary General Meeting slated to rule in 2019 on the financial statements for the period ended December 31, 2018.
[3] Ordinary General Meeting slated to rule in 2014 on the financial statements for the period ended December 31, 2013.
[4] Ordinary General Meeting slated to rule in 2015 on the financial statements for the period ended December 31, 2014.
[5] Appointment date of Thierry Peugeot, permanent representative of CID: 2000.
[6] Appointment date of Jean-Philippe Kohler, permanent representative of CIKO: 2002.
[7] Appointment date of Cyrille Viellard, permanent representative of VIELLARD MIGEON & Cie: 2013.

2.8.2 Information regarding the members of the Board of Directors

The following information was provided by the members of the Board of Directors. They were reminded of the rules governing the holding of multiple offices, rules which they claim to abide by.

2.8.2.1 The members of the Board of Directors

Gilles Kohler, age 60, French citizen
Chairman and Chief Executive Officer of LISI.
He chairs the Board of Directors, chairs and attends the Strategic Committee.

Gilles Kohler has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- Chairman of LISI AUTOMOTIVE SAS,
- Chairman of LISI AUTOMOTIVE Former SAS,
- Chairman of LISI AUTOMOTIVE Rapid SAS,
- Chairman of LISI AUTOMOTIVE Nomel SAS,
- Director of HI-SHEAR Corporation (USA),
- Member of the Management Committee of LISI AEROSPACE SAS,
- Member of the Management Committee of LISI AEROSPACE CREUZET SAS,
- Member of the Management Committee of CREUZET AERONAUTIQUE SAS,
- Member of the Management Committee of INDRAERO SIREN SAS,
- Member of the Management Committee of BLANC AERO Technologies SAS,
- Member of the Management Committee of BLANC AERO Industries SAS,
- Member of the Management Committee of LISI MEDICAL SAS,
- Member of the Management Committee of LISI MEDICAL Fasteners SAS,
- Member of the Management Committee of LISI MEDICAL Orthopaedics SAS,

Outside the LISI Group (in France and abroad):
- Chairman of the Board of Directors of Compagnie Industrielle de Delle,
- Chairman of UIMM Belfort - Montbéliard,
- Vice-Chairman of MEDEF Nord Franche-Comté.

Emmanuel Viellard, age 50, French citizen

Deputy Chief Executive Officer of LISI.
He attends the Board of Directors and the Strategic Committee.

Emmanuel Viellard has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- Chairman of LISI AEROSPACE SAS,
- Chairman of LISI AEROSPACE CREUZET SAS,
- Chairman of LISI MEDICAL SAS,
- Chairman of LISI MEDICAL Orthopaedics SAS,
- Chairman of LISI MEDICAL Fasteners SAS,
- Director of HI-SHEAR Corporation (USA),
- Member of the Management Committee of LISI AUTOMOTIVE SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Former SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Rapid SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Nomel SAS,
- Member of the Management Committee of CREUZET AERONAUTIQUE SAS,
- Member of the Management Committee of INDRAERO SIREN SAS,
- Member of the Management Committee of BLANC AERO Technologies SAS,
- Member of the Management Committee of BLANC AERO Industries SAS,

Outside the LISI Group (in France and abroad):
- Chairman of Financière VIELLARD SAS,
- CEO of VIELLARD MIGEON & Cie,
- Chairman of the Board of Directors of FSH WELDING GROUP,
- Member of the Management Committee of VMC PECHE SAS,
- Director of Compagnie Industrielle de Delle,
- Director of FSH WELDING India (India)
- Chairman of RAPALA-VMC OYJ (Finland)
- Permanent representative of VMC at the Management Committee of:
  - Ets REBOUD ROCHE SAS
  - SELECTARC Industries SAS,
  - FP SOUDAGE SAS
  - FSH WELDING France SAS
  - De PRUINES Industries SAS
- Judge at the Belfort Commercial Court and President of the chamber of sanctions,
- Chairman of the Groupe des Equipements Aéronautiques et de Défense within GIFAS,
- Chairman of the Viellard Family Association.

Eric André, age 65, French citizen

Senior advisor Banque HOTTINGUER
Director of LISI.

He attends the Board of Directors and the Audit Committee.

Eric André has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Director of TIPIAK S.A.

Christian Peugeot, age 60, French citizen

Public Affairs Manager of PSA
Director of LISI.
He attends the Board of Directors and the Audit Committee.

Christian Peugeot has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Vice President and Deputy Chief Executive Officer of Etablissements PEUGEOT Frères,
- Director of FFP,
- Director of Compagnie Industrielle de Delle,
- Deputy Chairman of the Football Club of Sochaux-Montbéliard,
- Permanent representative of FFP Invest at the Board of Directors of SEB,
- Manager of BP GESTION,
- Manager of RP INVESTISSEMENTS,
- Manager of SC LAROCHE
- Chairman of UNIFAB (Union des Fabricants)

Pascal Lebard, age 51, French citizen

Chairman and CEO of SEQUANA
Director of LISI.
He attends the Board of Directors and the Strategic Committee.

Pascal Lebard has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Director – Chairman and CEO of SEQUANA,
- Chairman of Arjowiggins SAS,
- Chairman of Antalis International SAS,
- Chairman of Arjowiggins Security,
- Chairman of Arjobex,
- Chairman of DLMD SAS,
- Chairman of Pascal Lebard Invest SAS,
- Chairman of Boccafin SAS,
- Chairman of Antalis Asia Pacific Pte Ltd (Singapore),
- Chairman of AW Trading (Shanghaï) Co Ltd,
- Director of Arjowiggins HKK 1 Ltd (Hong Kong),
- Director of Arjowiggins HKK 3 Ltd (Hong Kong),
- Director of Club Méditerranée,
- Director of Bureau Veritas,
- Director of Permal Group Ltd (Great Britain),
- Member of the Supervisory Board of Eurazeo PME,
- Director of CEPI (Confederation of European Paper Industries) Belgium.

Thierry Peugeot, age 56, French citizen

Chairman of the Supervisory Board of PEUGEOT SA
Permanent representative of Compagnie Industrielle de Delle at LISI's Board of Directors.
He attends the Board of Directors and the Compensation Committee.
Thierry Peugeot has exercised the other mandates and functions listed below:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Chairman of the Supervisory Board of PEUGEOT SA,
- Vice-Chairman of Ets PEUGEOT Frères and Executive Managing Director,
- Director of FFP,
- Chairman and CEO of Société Anonyme de Participations,
- Director of Compagnie Industrielle de Delle,
- Director of FAURECIA,
- Director of L'Air Liquide S.A.,
- Member of the Supervisory Board of GEFCO.

Jean-Philippe Kohler, age 53, French citizen

Managing Director of the LISI Group
Permanent Representative of CIKO at LISI's Board of Directors.
He attends the Board of Directors and the Strategic Committee.

Jean-Philippe Kohler held the following other offices:

Related to the LISI Group (in France and abroad):
- Member of the Management Committee of LISI AUTOMOTIVE SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Former SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Rapid SAS,
- Member of the Management Committee of LISI AUTOMOTIVE Nomel SAS,
- Member of the Management Committee of LISI AEROSPACE CREUZET SAS,
- Member of the Management Committee of CREUZET AERONAUTIQUE SAS,
- Member of the Management Committee of INDRAERO SIREN SAS,
- Member of the Management Committee of LISI AEROSPACE SAS,
- Member of the Management Committee of BLANC AERO Industries SAS,
- Member of the Management Committee of BLANC AERO Technologies SAS,
- Member of the Management Committee of LISI MEDICAL SAS,
- Member of the Management Committee of LISI MEDICAL Orthopaedics SAS.

Outside the LISI Group (in France and abroad):
- CEO of Compagnie Industrielle de Delle,
- Chairman of CIKO SAS,
- Director of Société Immeubles de Franche-Comté.

Cyrille Viellard, age 36, French citizen

Main task: Logistics Director of the FSH Welding Group
Permanent representative of VMC at LISI's Board of Directors.
He attends the Board of Directors and the Audit Committee.

Cyrille Viellard held the following other offices:

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Logistics Director of the FSH Welding Group

Patrick Daher, age 64, French citizen

Chairman and Chief Executive Officer of the DAHER Group
Director of LISI.
He attends the Board of Directors and the Compensation Committee.

Patrick Daher has exercised the other mandates and functions listed below :

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Chairman of the Board and CEO of Compagnie DAHER,
- Chairman and CEO of SOGEMARCO-DAHER,
- Chairman of DAHER MTS,
- Director of CREDIT DU NORD,
- Deputy Director of DAHER INTERNATIONAL DEVELOPMENT (Luxembourg),
- Chairman of the Supervisory Board of the Main Marseille Seaport.

Lise Nobre, age 48, French citizen

Chairwoman of LUMEN EQUITY - Deputy Chief Executive Officer of PARVILLA
Director of LISI.
She heads the Board of Directors, the Compensation Committee, and the Strategic Committee.

Lise Nobre has exercised the other mandates and functions listed below :

Related to the LISI Group (in France and abroad):
- None.

Outside the LISI Group (in France and abroad):
- Deputy Chief Executive Officer of PARVILLA,
- Chairwoman of Lumen Equity,
- Member of the Supervisory Board of VIRGIN STORES,
- Representative of Butler Capital Partners at the Supervisory Board of Groupe Partouche SA,
- Manager and member of the Board of managers de GP LUX INVESTISSEMENTS SARL,
- Representative of Butler Capital Partners at the Board of Directors of ADIT,
- Partner and member of the Investment Committee of PAI Partners.

2.8.2.2 Family ties

The only direct family ties between the aforementioned individuals are the following:
Gilles Kohler and Jean-Philippe Kohler are brothers.

2.8.2.3 No conflicts of interests

To the Company's knowledge, there are no current or potential conflicts of interests between LISI S.A. and the members of the Board of Directors, both in terms of their personal interests and of their other obligations. The internal rules of the Board provide explicitly, if applicable, for a situation of conflict of interests: "The members of the Board of Directors have as an obligation to notify the Board of any situation of conflict of interests, be it potential, current, or future, where they are or are likely to be involved. Whenever the Board of Directors deliberates on a subject that concerns one of its members, either directly or indirectly, the said member is invited to leave, for the time of deliberations and, if applicable, of the vote, the Board meeting."

2.8.2.4 No condemnation for fraud, involvement in bankruptcy or incrimination and/or public sanction

To the Company's knowledge, in the past five years:
- no condemnation for fraud has been pronounced against any of the members of the Board of Directors,
- none of the members of the Board of Directors has been involved in a bankruptcy, receivership, or winding up, as a member of a board of directors, a management board, or a supervisory board,
- no official incrimination and/or public sanction has been pronounced by statutory or regulatory authorities against any of the members of the Board of Directors of the company.

2.9 | PAY AND INTERESTS OF CORPORATE OFFICERS

2.9.1 Directors' fees

The Shareholders' General Meeting, held on April 26, 2012, set the annual directors' fees for members of the Board of Directors at €220,000, from the start of the financial year started January 1, 2012.

The directors' duties are compensated in the form of directors' fees at meetings of the Board of Directors and other Committees of which they are members. The attendance fees are paid to directors at the beginning of each half-year according to their participation in the meetings of the Board and Committees during the previous half-year. They amount to €3,000 per meeting of the Board or Committees. The attendance fees paid to directors in 2013 amounted to €168,000, the fees earned for 2013 amounted to €180,000 and the attendance rate was 95%.

The table below shows the attendance fees paid to directors and acquired by the directors for the period:

Board members	Directors' fees paid in 2012 by LISI S.A. (in euros)	Directors' fees paid in 2013 by LISI S.A. (in euros)	Directors' fees acquired for 2012 (in euros)	Directors' fees acquired for 2013 (in euros)
Gilles KOHLER	6,000	15,000	15,000	15,000
Emmanuel VIELLARD	6,000	15,000	15,000	15,000
Christian PEUGEOT	3,000	12,000	6,000	21,000
Christophe VIELLARD	9,000	21,000	21,000	15,000
Jean-Philippe KOHLER	6,000	15,000	15,000	15,000
Thierry PEUGEOT	12,000	15,000	21,000	15,000
Pascal LEBARD	6,000	12,000	12,000	15,000
Eric ANDRE	9,000	21,000	21,000	21,000
Patrick DAHER	12,000	18,000	21,000	18,000
Lise NOBRE	6,000	24,000	21,000	24,000
Cyrille VIELLARD	-	-	-	6,000
Total	**75,000**	**168,000**	**168,000**	**180,000**

2.9.2 Shares held by corporate officers

In accordance with the company's by-laws, the minimum number of LISI shares that each director may hold is one share.

The table below shows the number of shares held by the corporate officers as at December 31, 2013:

Corporate officers	Number of LISI shares held directly	Number of LISI shares held indirectly
Gilles KOHLER	11,320	
Emmanuel VIELLARD	4,330	
Christian PEUGEOT	1	
Cyrille VIELLARD (permanent representative of VMC)		614,172
Jean-Philippe KOHLER (permanent representative of CIKO)	11,493	
Thierry PEUGEOT (permanent representative of CID)	25	5,928,724
Pascal LEBARD	10	
Eric ANDRE	5	
Patrick DAHER	10	
Lise NOBRE	20	
Total	**27,214**	**6,542,896**

2.9.3 Directors' Remuneration

	Employement		Additional pension scheme		Allowances or benefits due or likely to be due as a result of the termination or change in functions		Allowances relative to a non-competition clause	
Managers Corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
Gilles KOHLER								
Function: Chairman and Chief Executive Officer		X		X		X		X
Mandate start date: 1999								
Term of office: 2015								
Emmanuel VIELLARD								
Function: Deputy Chairman		X		X		X		X
Mandate start date: 1999								
Term of office: 2015								

The terms for the salary of the Chairman and Chief Executive Officer and for the Vice President are approved by the Board of Directors on the advice of the Compensation Committee.

In 2013, the variable portion of executive compensation is capped at 7.5% of the fixed remuneration. The allocation formula for the criteria used to determine the variable portion is as follows:

- Operating margin for representing 30% of the fixed remuneration,
- Free Cash Flow rate representing 20% of the fixed remuneration,
- Share left at the discretion of the Compensation Committee, representing 25% of the fixed remuneration.

The tables summarizing the compensation and options and shares allocated to each corporate officer director of LISI S.A. are as follows in euros:

Gilles KOHLER Chairman and CEO of LISI S.A.	2013	2012
Compensation due for the period	554,222	461,449
Valuation of the options allocated during the period*	None	None
Valuation of the performance shares allocated during the period *	140,520	117,230
Total	**694,742**	**578,679**

* Valuation at the rate of the day of the Board of Directors that approved the plan, or €58.73 for the 2011 plan, €54.30 for the 2012 plan, and €117.10 for the 2013 plan.

Emmanuel VIELLARD Deputy Chief Executive Officer of LISI S.A.	2013	2012
Compensation due for the period	505,669	429,747
Valuation of the options allocated during the period*	None	None
Valuation of the performance shares allocated during the period *	137,007	114,145
Total	**642,676**	**543,892**

* Valuation at the rate of the day of the Board of Directors that approved the plan, or €58.73 for the 2011 plan, €54.30 for the 2012 plan, and €117.10 for the 2013 plan.

The tables summarizing the compensation of each corporate officer director of LISI S.A. are as follows in euros:

Gilles KOHLER Chairman and CEO of LISI S.A.	Amounts for 2013		Amounts for 2012	
	due	paid	due	paid
Fixed compensation	333,635	325,217	308,828	305,048
Variable compensation	203,000	135,000	135,000	135,000
Exceptional compensation	None	None	None	None
Directors' fees	15,000	15,000	15,000	6,000
Benefits in kind *	2,588	2,596	2,621	2,621
Total	**554,222**	**477,813**	**461,449**	**448,669**

* Benefits in kind: company car.

Emmanuel VIELLARD Deputy CEO of LISI S.A.	Amounts for 2013		Amounts for 2012	
	due	paid	due	paid
Fixed compensation	302,196	299,377	286,276	277,282
Variable compensation	185,000	125,000	125,000	124,450
Exceptional compensation	None	None	None	None
Directors' fees	15,000	15,000	15,000	6,000
Benefits in kind *	3,473	3,473	3,471	3,471
Total	**505,669**	**442,850**	**429,747**	**411,203**

* Benefits in kind: company car.

LISI S.A. has not committed itself to these corporate officers to pay compensation, indemnities, or benefits, due or likely to be due as a result of such corporate officers taking on, resigning from, or changing functions.

2.9.4 Benefits in kind paid to directors

In 2013, Mr. Gilles Kohler and Mr. Emmanuel Viellard benefited from a company car.

2.9.5 Stock subscription or purchase options allocated during the period to each corporate officer director

No stock subscription or purchase options were allocated during financial 2013.

2.9.6 Share subscription or purchase options exercised during the period by each corporate officer manager

In 2013, the corporate officers did not exercise any options.

2.9.7 Performance shares allocated to each corporate officer manager

The allocated plans outstanding at December 31, 2013 are listed in the following table:

Performance Shares granted by the General Meeting of Shareholders during the fiscal year, to each corporate officer, by the issuer and for all Group companies	Plan number and date	Number of shares awarded during the fiscal year	Valuation of shares in accordance with the method used for the consolidated financial statements (in euros)	Acquisition date	Date of availability	Minimum performance conditions required to achieve 50% allocation
Gilles KOHLER Function: Chairman and Chief Executive Officer	Nr. 8 Date: 10/26/2011	1,750	71,944	02/26/14	02/26/16	
	Nr. 9 Date: 10/24/2012	1,900	82,536	Feb. 2015	Feb. 2017	Plan Nr. 8 ANAV (adjusted net asset value) at least equal to €900m
	Nr. 10 Date: 10/24/2013	1,200	140,520	Feb. 2016	Feb. 2018	
Total		**4,850**	**295,000**			
Emmanuel VIELLARD Function: Deputy Chairman	Nr. 8 Date: 10/26/2011	1,700	69,889	02/26/14	02/26/16	Plan Nr. 9 ANAV (adjusted net asset value) at least equal to €900m
	Nr. 9 Date: 10/24/2012	1,850	80,364			
	Nr. 10 Date: 10/24/2013	1,170	137,007	Feb. 2016	Feb. 2018	Plan Nr. 10 ANAV (adjusted net asset value) at least equal to €1,000m
Total		**4,720**	**287,260**			

2.9.8 Performance shares that became available during the period for each corporate officer manager

No performance shares became available in 2013.

3 | COMPANY'S INTERNAL CONTROL

Description of the internal control environment

3.1 | GENERAL DESCRIPTION

The wider internal control environment is based on a decentralized organization within each division. An Executive Committee is responsible for ratifying a global policy, which must then be channeled down to each individual department.

The Group has set out a number of procedures, summarized in an internal Group control manual, which is available to all relevant Group staff via an intranet site. This manual is supplemented by a Group accounting procedures manual. In addition, the Group has deployed a uniform reporting and information system in each division using an identical procedure each time.

The specificities of the LISI Group's activities require that precise quality control be carried out on operational processes in the following areas:

- Production, stock, flow management,
- Quality,
- Health, Safety and Environmental,
- Personnel, payroll,
- Accounting, management control and cash flow,
- Purchasing and investments,
- Sales.

Action is taken within the Group on a continual basis to ensure that these mechanisms are effective. This action is regularly assessed using performance tables.

3.2 | SUPERVISORY BODIES

- The Group's Board of Directors is the most senior decision-making entity. The group's Executive Committee channels the information to the divisions, which are themselves organized in such a way that enables their management to carry out the Group's decisions at individual department level.

- The Audit Committee, which includes an independent administrator, is acquainted, in concert with the external auditors and the internal audit manager, with the general management and risk management environment at the time of publication of each financial statement.

- The internal audit unit comprises the Group internal audit manager assisted by an auditor. Depending on the scale and nature of the task to be performed, internal and external partners may be co-opted to round off the team.

- Coordination with the external auditors is particularly close in order to direct controls specifically towards areas that have been identified as being high-risk and to allocate sufficient time to the task.

- Certain tasks identified as critical are monitored in the Group in a cross-departmental manner: financial management, accounts management, consolidation, legal services, insurance cover, security policy, environmental policy, purchasing policy and human resources management.

3.3 | GROUP BASELINE

- Each division has set up a value charter based on a common set of values.
- An internal control procedures manual is in circulation, which is supplemented by an accounting and consolidation procedures manual. These procedures are made available to all the individuals involved and are regularly updated in electronic form via a dedicated Internet portal.
- Each division and each operational unit is responsible for ensuring that these procedures are followed and adapted to their country's specific context.
- Each manager receives notification of new levels of responsibility in the form of delegation letters.

3.4 | RISK-MAPPING AND RISK MONITORING PROCESSES

- The Group is engaged in a convergent risk-mapping process. This methodology is currently employed throughout the Group and down to the level of the basic Management Units. It is subject to a complete and systematic review once a year. The priority action plans for the main risks identified in each division are validated within the budget of the following year.

- The health, safety and environmental risks committee, set up in 2001, identifies and indexes inherent risks, then initiates the necessary corrective actions.

3.5 | MAIN INTERNAL CONTROL PROCEDURES RELATING TO THE DRAFTING AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

- The Group carries out an annual review of the 4 to 5-year strategic plan that has been set out and, based on this review, defines a priority action plan. The budget for the coming financial year falls within the scope of this plan for a 12-month period. The planning process is approved first by the Executive Committee and then by the Board of Directors. Progress on preparation of the budget is assessed monthly at all levels: business units (B.U.); Group and Divisions.

- The monthly consolidation of management indicators, the income statement, the balance sheet and the funding table allow a precise measure to be obtained within a short time of year-end. This facilitates the decision-making process.

- The purchasing and investment process falls within the scope of the strategic and budgetary mechanism. Any purchasing or investment commitment that deviates from the budget authorizations must have prior approval at the appropriate level.

- The sales and contract process is reviewed specifically by the local teams, BUs, divisions or the Group depending on the materiality level, before the actual commitment is made.

- The Cash Flow-Finance process also requires specific commitments. So for instance all financial investments are managed at Group level.

- The pay process is managed at operational unit level and is regularly reviewed both by the internal audit team and by external auditors.

- The Health, Safety, and Environment (HSE) process has been subjected to the monthly review of management indicators (industrial accident rates, non-compliances, etc.) and the major resulting action plans.

DOCUMENTS SPECIFIC TO THE ANNUAL GENERAL MEETING

8

1 | REPORT BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

In accordance with the provisions of Article L 225-37 of the French Commercial Code and the recommendations of the French financial markets authority (AMF), this report sets out the composition of the Board and the principle of equal representation of men and women, the conditions governing the preparation and organization of the Board of Directors' work, limitations to the Chief Executive Officer's power, the principles and rules governing the setting of the compensation and benefits in kind granted to the corporate officers as well as internal audit procedures implemented within the Group.

LISI refers to the corporate governance code of the AFEP-MEDEF in its 2010 version, available on the MEDEF website (www.medef.com). Such membership has been confirmed by the Board of Directors. The changes made to the code in 2013 and subject to further details in the application guide published in January 2014 will be incorporated during the year 2014.

In order not to overload this report, the invariant part of the elements referred to in Article L.225-37 of the Commercial Code relating to corporate governance and internal audit is described in Chapter 7 of the Annual Report filed with the AMF.

Such Chapter 7 sets out the principles, the statutory provisions, those of the internal rules of the Board and committee charters that define the tasks, composition and rules of operation of the Board and its specialist committees.

This report describes the changes and events that occurred during fiscal 2013 that are subject to the legal provisions mentioned above.

This report was submitted to, and approved by, the Board of Directors on February 20, 2014.

1.1 | PREPARATION AND ORGANIZATION OF THE BOARD OF DIRECTORS' TASKS

The Board of Directors sets out the company's business policies and ensures that they are followed. The Board of Directors also carries out any audits or checks that it deems necessary.

1.1.1 Organization

No changes were made to the Organization of the Board during fiscal 2013.

There are three specific Committees: the Compensation Committee, the Audit Committee, and the Strategic Committee all of which are responsible for supervising the work of General Management in these 3 fields. Each committee will submit a report on their work to the Board of Directors The role and composition of these Committees are described in Chapter 7 of the Annual Report on Governance of the Company.

As part of the process of improving the governance of the Company, it was decided by the Board at its meeting of December 19, 2013, to establish a Nomination Committee in charge of reviewing the reappointment of directors and the appointment of new directors. Such Committee will actually be set up on the year 2014.

1.1.2 Composition

The Board of Directors represents the shareholders of the Company; its composition aims to compy with the various balances of interests. It is currently composed of 10 members including 6 members who belong to the majority family groups and 4 members who are independent within the meaning of the AFEP / MEDEF Code. The members were chosen for their skills and knowledge of the various markets in which the Group operates.

Currently, only one woman is sitting on the Board. Some thought was given to this issue in 2013 in order to open the Council has a better representation of women; in this context, the appointment of three directors will be proposed at the next meeting. The addition of their skills will also enable the Company to meet its legal obligations.

A referent director was appointed at the meeting of Board of Directors of April 27, 2011. His task is to serve as interface between the Management of the Company and all the independent directors. He ensures the proper operation of the governance bodies of the company. This referent director was chosen among the independent directors in the person of Ms. Lise Nobre.

1.1.3 Operating procedures for the period

For the 2013 financial year, the Board met five times. At the meeting of December 19, 2013, the directors visited two of the Group's production sites and were informed of the implementation of new practices meant to improve the industrial performance results (LEAP "LISI Excellence Achievement Program").

At its meeting of December 19, 2013, the Board agreed that non-executive directors would meet once a year, without the presence of Management, to discuss the management of the company in the presence of the auditors. The Board set aside a portion of the session preparing the annual accounts for the purposes of implementing this decision. The first such meeting took place during the meeting of February 20, 2014.

1.1.4 Preparation of tasks

Prior to each Board meeting, participants receive a file that has been duly documented so that they may adequately prepare for the meeting. As part of the continuous improvement of the Board's operating methods, these documents must be submitted to the directors at least three days before the meeting.

Meetings relative to the approval of annual and half-yearly financial statements are accompanied by a presentation by the Audit Committee. Such Committee met twice in 2013, with an attendance rate of 100% of its members.

Meetings on the subject of compensation are accompanied by a presentation by the Compensation Committee. Such Committee met twice in 2013, with an attendance rate of 67% of its members.

Meetings dealing with strategic issues are accompanied by a presentation by the Strategic Committee. Such Committee met once in 2013, with an attendance rate of 100% of its members.

1.1.5 Decision-making process

There has been no addition to the Board's decision-making process during fiscal 2013, the specific rules of such process being described in Chapter 7 of the Annual Report.

1.1.6 Board assessment

In accordance with the practices recommended in the AFEP-MEDEF Code, the Board conducted a self assessment to ensure it meets the expectations of shareholders that have appointed it to manage the company. This assessment was made for the years 2011 and 2012 based on a survey completed by each director that showed several areas of improvement that were eventually addressed. For the year 2013, an initiative to improve governance of the Company, in particular the operation of the Board and compliance thereof with the Code AFEP-MEDEF Corporate Governance Code, was conducted with the assistance of an outside consultant.

1.2 | LIMITATION OF THE AUTHORITY OF THE GENERAL MANAGEMENT

The General Management has the broadest powers to manage the Company within the limits of those conferred by law and the bylaws to the Board of Directors.

1.3 | MANAGEMENT STRUCTURE

By a decision of the Board of Directors dated February 19, 2009, it was agreed that the functions of Chairman and Chief Executive Officer would not be separated and would be performed by Mr. Gilles Kohler. The presence of directors, majority or independent shareholders, as well as a referent director, has enabled the Board to consider that such combination of the offices of Chairman and Chief Executive Officer remained consistent with the protection of the interests of all shareholders, especially minority shareholders, and suited to the company's line of business.

The Chairman and Chief Executive Officer rely upon:

1) A Management Committee of 7 people which meets monthly to review major issues addressed by the Group,

2) An Executive Committee comprising the managers of the divisions and internal audit, a total of 14 people who meet quarterly to make a progress update on the main areas for improvement.

1.4 | COMPENSATION AND BENEFITS IN KIND

The principles and rules governing corporate officers' compensation, which are submitted and suggested to the Board by the Compensation Committee each year, are detailed in Chapter 7 of the Annual Report, which deals with the corporate governance policy. It describes in particular the information referred to in Article L.225-100-3 of the Commercial Code and tables prescribed by the AFEP/MEDEF code.

1.5 | INTERNAL AUDIT PROCEDURES

The LISI Group's current internal audit procedures fall form part of its corporate governance policy as drawn up in accordance with the latest French financial markets authority (AMF) guidelines for small- and mid-caps businesses.

The various rules put in place for the proper functioning of the internal audit system are described in Chapter 7 of the Annual Report. This report provides the definition of internal audit within the LISI Group and introduces all the diligence procedures carried out in 2013 by the departments concerned.

1.5.1 Definition of the internal audit

The Group's current internal audit procedures are designed to ensure that:

- Administrative actions or those implementing operations at all management unit levels, are carried out in accordance with applicable laws and regulations, and within the scope of the values set by the Group;
- These actions fall within the scope of the orientations and objectives defined by the Group's General Management.
- All accounting and financial data reflect exhaustively and honestly the economic situation of each of the Group's entities.

It should also be recalled that the Audit Committee's main task is to conduct a review of the accounts, to ensure the relevance and consistency of accounting policies and to monitor the effectiveness of internal audit and risk management systems.

In this context, the Group has implemented a process for detecting and preventing risks of all kinds based on coordinated action by the Internal Audit Manager and the external auditors. During the review of the internal audit systems, at least once a year throughout the divisions, this process is formalized and relayed to each division through the deployment of local auditors.

As with any audit system, this preventative scheme is not exhaustive. Consequently, it cannot provide any absolute guarantee that all risks have been completely eliminated.

1.5.2 2013 achievements and outlook

The Internal Audit Department developed in 2011 a new internal audit repository, which is based on a self-declaratory questionnaire with 130 questions showing all the processes in the internal audit manual: Purchases, Capital Expenditures, Sales, Inventories, Cash, and Human Resources.

Audits have been used since 2012 to validate (or invalidate) the level of internal audit achieved in each of the business units; they have continued throughout the whole of 2013 withy 14 audit tasks completed.

Thus, we found that among the 36 sites of the LISI Group:

- 12 sites, or 33%, achieved a score beyond 90%
- 19 sites, or 53%, achieved a score between 80% and 90%
- The five remaining sites, or 14%, achieved a score between 60% and 80%: these are all the sites that belong to the LISI AEROSPACE Structural Components Business Unit. Following its consolidation in July 2011, and the establishment of Group standards in 2012, efforts in 2014 will focus on achieving the minimum score of 80% with success.

A more qualitative review reveals that the overall level of internal audit within the Group improved in 2013: in fact, the overall consolidated score is 87.30% versus 85.69% in 2012. This improvement is general and all processes show similar progress.

RISK MAPPING

The main risks identified in the context of the budget and strategic planning in the medium term belong to four categories:

- Commercial issues that require management, such as:
  - The Renewal of certain major long-term contracts with key clients in the aerospace and medical world;
  - The need to restore a more constructive dialogue and partnership with some major clients of LISI AUTOMOTIVE.
- Industrial challenges that need to be overcome, especially in automotive:
  - The "Competitiveness Plan" launched at the Puiseux (95) plant;
  - The "Screws" Plan specializing mutually the sites of Delle (90) and Saint Florent sur Cher (18);
  - The "Nuts" Plan that relates to the closure of Thiant (59) in 2014 and the repatriation of its activities on two sites, namely Dasle (25) and La Ferte Fresnel (28).
- Security risks regarding the assets found on certain sites: flood , fire detection and protection;
- Labor-related risks arising from the restructuring plans that have been announced or initiated.

FRAUD

The group has faced an increase in fraud attempts in 2013, most of them through impersonation. Faced with this exponential scourge, an alert procedure has been established with strengthened protections on access to the group's cash. During the second half of 2013, 25 attempts were recorded, all of them were thwarted, and some of them have been the subject of complaints.

CONTROL OF RETURN ON INVESTMENT

As part of the procedure for investment commitments described in the internal audit manual, audits for measuring the achievement of criteria (Payback and ROI) are routinely performed within 2 years after the completion of major projects for the group.

Thus, among the seven audits of this type that were carried out in 2013 tasks:

- 2 projects have improved their return on investment criteria;
- 4 projects have confirmed their initial assumptions;
- 1 project sees the return on investment conditions deteriorate due to unsubstantiated commercial assumptions.

CONCLUSION

The Group deems that the internal audit management methods are satisfactory, but it is aware that improving them on an ongoing basis is a necessity.

The work to be conducted in 2014 will aim to:

- raise the level of internal audit of those whose score does not reach the group standard of 80%;
- study a new process that will be inserted into the internal audit repository: Information System;
- implement a comprehensive IT ERM - Enterprise Risk Management - solution in the group to follow the recommendations of audits and optimize risk mapping following a bottom-up approach.

Gilles KOHLER
Chairman of the Board of Directors

2 | AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE, ON THE CHAIRMAN OF THE LISI BOARD'S REPORT - FINANCIAL YEAR ENDED DECEMBER 31, 2013

Dear Shareholders,

In our capacity as Auditors of LISI S.A. and in accordance with the provisions of Article L. 225-235 of the French Commercial Code, we hereby present our report on the report drafted by the Chairman of your Company's Board of Directors in compliance with the provisions of Article 225-37 of the French Commercial Code for the financial year ended December 31, 2013.

It is for the Chairman to draw up and submit for the Board of Directors' approval a report giving an account of the internal audit and risk management procedures set up within the company, and giving any other information required under Article L.225-37 of the French Commercial Code with particular reference to corporate governance issues.
It is for us to:

- inform you of such observations as are called for by ourselves, in respect of the information given in the Chairman's Report concerning the internal audit and risk management procedures for the preparation and processing of accounting and financial information and

- testify that the report includes other information required under Article L.225-37 of the Commercial Code, while acknowledging that it is not our duty to verify the authenticity of this other data.

We have carried out our work in accordance with the professional standards in use in France.

Information regarding internal audit and risk management procedures relating to the drawing-up and processing of accounting and financial information.

Standards governing professional practice require that due diligence procedures be carried out to assess the honesty of information regarding internal audit and risk management procedures relating to the drawing up and processing of accounting and financial information contained in the Chairman's report. These careful evaluations largely consist in:

- familiarizing ourselves with the internal audit and risk management procedures for the drafting and processing of the accounting and financial information behind the information presented in the Chairman's report and other existing documentation;

- familiarizing ourselves with the work on which existing information and documentation is based;

- ascertaining whether appropriate information on serious lapses in internal audits regarding the drafting and processing of accounting and financial information which we may have found within the scope of our mission are appropriately included in the Chairman's report.

Based upon the work done, we have no observations to make concerning the information and declarations in respect of the company's internal audit and risk management procedures for the preparation and processing of accounting and financial information, as contained in the Chairman's Report, prepared in accordance with the last paragraph of Article L 225-37 of the French Commercial code.

Additional information

We attest that the Chairman of the Board of Directors' report includes the other information required under Article L.225-37 of the French Commercial Code.

Exincourt and Paris La Défense, March 26, 2014

The Auditors

EXCO CAP AUDIT
Philippe Pourcelot

Ernst & Young et autres
Henri-Pierre Navas

3 | AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS - YEAR ENDED DECEMBER 31, 2013

Dear Shareholders,

In our capacity as auditors of your company, we will now present out report on regulated agreements and commitments.

It is for us to let you know, based on the information delivered to us, the essential features and conditions applicable to the agreements and commitments of which we have been informed or which we would have discovered in the context of our assignment, without having to express our opinion as to their usefulness or their justification, nor to investigate the existence of other agreements or commitments. It is for you to assess the relevance involved in the conclusion of these agreements and commitments prior to their approval, as per the provisions of Article R. 225-31 of the Commercial Code,

Besides, it is for us, if applicable, to deliver to you the information provided for in Article R. 225-31 of the Commercial Code regarding the execution, over the period elapsed, of the agreements and commitments already approved by the General Meeting.

We have implemented the due diligence measures deemed necessary for this mission as outlined by France's national audit regulatory body, the Compagnie nationale des commissaires aux comptes.

Agreements and commitments subjected to the General Meeting's approval

We inform you that we have not been notified of any agreement or commitment authorized during the period elapsed to be subjected to the General Meeting's approval as per the provisions of Article L.225-38 of the Commercial Code.

Agreements and commitments already approved by the General Meeting.

We inform you that we have not been informed of any agreement or commitment already approved by the General Meeting whose implementation would have been continued during the period elapsed.

Exincourt and Paris La Défense, March 26, 2014

The Auditors

EXCO CAP AUDIT	Ernst & Young et autres
Philippe Pourcelot	Henri-Pierre Navas

4 | AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS - FINANCIAL YEAR ENDED DECEMBER 31, 2013

Dear Shareholders,

In carrying out the mission entrusted to us by your Shareholders' General Meeting, we hereby present you with our report for the financial year ended December 31, 2013, relating to:

- the verification of LISI's consolidated financial statements, as attached to this report;
- justifications for our assessments;
- the specific verification stipulated under law.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated statements

We have carried out our work in accordance with the professional standards in use in France; these standards require due diligence to ensure with a reasonable degree of certainty that the consolidated financial statements do not contain any significant anomalies. An audit involves verifying, through surveys or other selection methods, the items supporting the figures and information which feature in the consolidated accounts. It also involves assessing those accounting principles followed, the significant estimates made and the overall presentation of the accounts. We consider that the items we have gathered form both a sufficient and an appropriate basis for our opinion.

We certify that the consolidated financial statements for the period are, in regards to the IFRS standards as adopted by the European Union, honest and sincere, and provide a reliable picture of the assets, the financial health, and the performance of the group made up of the physical and legal entities comprised in the consolidation scope.

II. Justification of our assessments

As per Article L. 823-9 of the Commercial Code regarding the justification of our assessments, we inform you that:

- The Management of the LISI Group has had to make judgments and estimates and to formulate assumptions, which concern in particular depreciation of assets, provisions and deferred taxes, the valuation of financial instruments and deferred taxes, stated in Notes 2.2.2, 2.2.8.5, 2.2.13, 2.2.6 and 2.2.18.5 of the Appendix. For all these estimates, we have assessed the data and assumptions on which they are founded, reviewed randomly the calculations made by the company, reviewed the available material, and verified that the notes of the Appendix provide appropriate information regarding the assumptions retained by the company.
- At each year-end the Company regularly performs an impairment test for goodwill and assets without a defined useful life, and also measures if there is an index of loss of value of long-term assets, in accordance with the methods described in Notes 2.2.7.1, 2.2.8.5 and 2.5.1.1 of the Appendix. We have reviewed the conditions under which this impairment test was conducted, as well as the cash flow forecasts and assumptions used, and have verified that the above-mentioned notes provide appropriate information.
- Note 2.2.14 of the Appendix sets out the methods for evaluating pensions and share-based staff benefits. These commitments have been subject to external and internal assessments. Our work has consisted in reviewing the data used, in assessing the assumptions retained, in reviewing the calculations made, and in verifying that Notes 2.2.14 and 2.5.4.2 of the Appendix provide appropriate information.

These assessments form part of our task as Auditors of the consolidated financial statements, taken as a whole, and have therefore helped us to form our unreserved opinion, as it is described in the first part of this report.

III. Specific verification

We have also, in accordance with the professional standards applicable in France, conducted the specific verifications required by the law on Group information, as provided in the management report.

We have no comments to make on their sincerity and consistency with the consolidated financial statements.

Exincourt and Paris La Défense, March 26, 2014

The Auditors

EXCO CAP AUDIT
Philippe Pourcelot

Ernst & Young et autres
Henri-Pierre Navas

5 | AUDITORS' GENERAL REPORT – FINANCIAL YEAR ENDED DECEMBER 31, 2013

Dear Shareholders,

In carrying out the mission entrusted to us by your Shareholders' General Meeting, we hereby present you with our report for the financial year ended December 31, 2013, relating to:

- the audit of the annual accounts of LISI, as attached to this report;
- the justification of our assessments;
- specific verifications and legally required information.

The annual financial statements have been drawn up by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the accounts

We have carried out our work in accordance with the professional standards in use in France; these standards require due diligence to ensure with a reasonable degree of certainty that the accounts do not contain any significant anomalies. An audit involves verifying, through surveys or other selection methods, the items supporting the figures and information which feature in the consolidated accounts. It also involves assessing those accounting principles followed, the significant estimates made and the overall presentation of the accounts. We consider that the items we have gathered from both a sufficient and an appropriate basis for our opinion.

We certify that the accounts comply with French accounting rules and principles and provide a true and fair view of the earnings derived from the company's activity during the year, as well as the financial situation and net worth of the company at the end of the financial year.

II. Justification of our assessments

As per Article L. 823-9 of the Commercial Code regarding the justification of our assessments, we inform you that:

Your company sets up provisions for the impairment of equity interests when their value in use appears to be less than their net book value, as described in paragraph b "Financial Fixed assets" of Note 3.1 "Accounting rules and methods" of the Appendix. Our work consisted in assessing the data and assumptions on which these estimates rely, reviewing the company's calculations, and examining management's approval procedures for these estimates.

These assessments form part of our task as Auditors of the consolidated financial statements, taken as a whole, and have therefore helped us to form our unreserved opinion, as it is described in the first part of this report.

III. Verifications and specific information

We have also carried out verifications specifically required by law, in accordance with French professional regulations.

We have no remarks to make regarding the sincerity and consistency of the information provided in the Board of Directors' management report and in the documents sent to shareholders regarding the financial situation and annual financial statements, with that provided in the annual financial statements.

With regard to the information supplied in application on the provisions of Article L.225-102-1 of the Commercial Code on payments and bonuses paid to corporate officers as well as on commitments approved in their favor, we have checked their consistency with the accounts or with the data used in the drawing-up of these accounts, and, where relevant, with the items gathered by your company from companies controlling or controlled by your company. On the basis of our work, we vouch for the precision and honesty of this information.

In application of the law, we have made sure that all information relating to the acquisition of interests or control and to the identity of those who hold the corresponding capital, has been provided for you in the management report.

Exincourt and Paris La Défense, March 26, 2014

The Auditors

EXCO CAP AUDIT
Philippe Pourcelot

Ernst & Young et autres
Henri-Pierre Navas

6 | REPORT BY THE INDEPENDENT THIRD PARTY ORGANIZATION REGARDING THE SOCIAL, ENVIRONMENTAL AND SOCIETAL INFORMATION CONTAINED IN THE MANAGEMENT REPORT

Dear Shareholders,

In our capacity as independent third party organization whose application for certification was considered acceptable by COFRAC under number 3-1050 and as a member of the network of one of LISI's auditors, we present our report on the consolidated social, environmental and societal information relating to the year ended December 31, 2013, presented in the Chapter entitled "Corporate Social Responsibility" in the Management Report, hereinafter the "CSR Information" under the provisions of Article L. 225-102-1 of the French Commercial Code.

Corporate responsibility

It is for the Board of Directors to prepare a management report including the CSR information provided for in Article R. 225-105-1 of the Commercial Code, in accordance with the standards used by the company, consisting of HR and CSR reporting instructions in their 2013 versions (hereinafter the "Repositories") and available upon request at the company's headquarters.

Independence and quality control

Our independence is defined in the regulations, the Profession's Code of Ethics, as well as the provisions of Article L. 822-11 of the Commercial Code. In addition, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent third party organization

It is for us, based on our work, to:

- certify that the CSR required information is present in the management report or if it is omitted, is subject to an explanation in accordance with the third paragraph of Article R. 225-105 of the Commercial Code (CSR information presence certificate);
- express a limited assurance conclusion on the fact that the CSR information, as a whole, is presented, in all its material respects, in a faithful manner, in accordance with the Repositories (Reasoned opinion on the fairness of the CSR Information).

Our work was carried out by a team of four people between November 2013 and March 2014 over a period of about fourteen weeks.

We conducted the work described below in accordance with professional standards applicable in France and the Order of May 13, 2013 determining the conditions under which the independent third party organization conducts its task and on the reasoned opinion of fairness, as per the international standard ISAE 3000[1].

1. CSR information presence certificate

We have read, based on interviews with the heads of departments concerned, the presentation of guidelines for sustainable development, based on the social and environmental consequences of the company's activities and of its social commitments and, where appropriate, of the resulting actions or programs.

We compared the CSR information presented in the management report with the list provided for in Article R. 225-105-1 of the Commercial Code. In the absence of some of the consolidated information, we verified that explanations were provided in accordance with Article R. 225-105, paragraph 3 of the Commercial Code.

We verified that the CSR information covered the consolidated scope, i.e. the company and its subsidiaries within the meaning of Article L. 233-1 and the companies it controls within the meaning of Article L. 233-3 of the Commercial Code.

Based on our work, we confirm the presence in the management report of the required CSR information.

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of work

We conducted seven interviews with the individuals responsible for preparing the CSR information from Finance, Human Resources, Health/Safety/Environment, Industry and Procurement, in charge of gathering information and, where appropriate, in charge of the internal audit and risk management procedures in order to:

- assess the appropriateness of the Repositories in terms of their relevance, completeness, reliability, neutrality and understandability, taking into account, where appropriate, the industry's best practices;

(1) ISAE 3000 – *Assurance engagements other than audits or reviews of historical information.*

- verify the implementation of a process for collecting, compiling, processing and controlling the completeness and consistency of the CSR information and for gaining an understanding of the internal audit and risk management procedures relating to the elaboration of the CSR information.

We determined the nature and extent of our tests and inspections depending on the nature and importance of the CSR information in relation to the characteristics of the company, the social and environmental challenges of its business, its guidelines on sustainable development and good industry practices.

For the CSR information we judged most important[2]:

- with respect to the parent company, we reviewed the documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, based on polls, the calculations and consolidation of the data and verified their consistency with the other information contained in the management report;

- with respect to a sample representative of entities we selected[3] based on their activity, their contribution to the consolidated indicators, their location, and a risk analysis, we conducted interviews to verify the proper application of procedures and implemented detailed tests on the basis of samples, that consisted in verifying the calculations and reconciling the data from the supporting documents. The selected sample represents on average 17% of the workforce and between 8 and 12% of the quantitative environmental data[4].

With respect to the other consolidated CSR information, we enjoyed their consistency with our knowledge of the company.

Finally, we assessed the relevance of the explanations regarding, if any, the total or partial absence of certain elements of information.

We believe that the sampling methods and sample sizes we chose by exercising our professional judgment allow us to draw a moderate assurance conclusion; a higher level of assurance would have required a more extensive review. Due to the use of sampling techniques as well as to the other limitations inherent to the operation of any internal information and audit system, the risk of not detecting a material misstatement in the CSR information cannot be completely ruled out.

Expressed reservation

To calculate the rate of absenteeism, Repositories exclude absences of more than six months. However, Repositories are unclear as to whether absences of one to six months, are taken into account or not. The Group initiated work to clarify the definition but could not reduce the margin of interpretation left to the plants before the publication of information, which leads to some uncertainty in the calculation of absenteeism within the Group.

Conclusion

Based on our work and subject to this reservation, we did not identify any material anomalies likely to call into question the fact that the CSR information, as a whole, are presented in a fair manner, in accordance with the Repositories.

Paris La Défense, March 26, 2014

The independent third party organization
ERNST & YOUNG et Associés

Christophe Schmeitzky
Sustainable Development Partner

Bruno Perrin
Partner

(2) **Environmental and societal information**: the overall policy in terms of environment, prevention, waste recycling and disposal, energy consumption, water consumption, taking the social and environmental issues into account in the purchasing policy and relations with suppliers and subcontractors.
Labor-related information: the total head count and its distribution, hiring and firing, absenteeism, work accidents, including their frequency and severity, the total number of training hours.
(3) The plants of Heidelberg (Germany), Saint-Ouen (France) and Torrance (USA).
(4) Head count: 17%, Energy: 12%, Water: 8%, Waste: 10%.

7 | DRAFT RESOLUTIONS

ORDINARY GENERAL MEETING OF APRIL 23, 2014

AGENDA

UNDER THE AUTHORITY OF THE ORDINARY GENERAL MEETING

– Review and approval of the annual financial statements for the period ended December 31, 2013;

– Approval of consolidated financial statements for the period ended December 31, 2013;

– Approval of the conventions covered by Articles L225-38 et seq. of the French Commercial Code;

– Discharge to the Directors and Auditors;

– Appropriation of earnings;

– Reappointment of directors;

– Appointment of new directors;

– Opinion regarding the compensation paid to the Chairman and CEO for the year ended December 31, 2013;

– Opinion regarding the compensation paid to the Deputy Chief Executive Officer for the year ended December 31, 2013;

– Determination of directors' fees;

– Authorization for the Company to repurchase its own shares;

UNDER THE AUTHORITY OF THE EXTRAORDINARY GENERAL MEETING

– Change in the directors' terms of office and update of Article 10 of the by-laws;

– Division of the nominal value of the shares and update of Article 6 of the by-laws;

– Proxies;

– Miscellaneous questions.

DRAFT RESOLUTIONS

UNDER THE AUTHORITY OF THE ORDINARY GENERAL MEETING

1st resolution – Approval of corporate financial statements

Having listened to the reading of the Board of Directors' report and the Auditors' general report, the Shareholders' General Meeting approves the annual financial statements established as at December 31, 2013, as they are presented, with profits of €20,550,519, as well as the transactions described in these financial statements that are summarized in these reports.

In particular, the Shareholders' General Meeting approves the spending carried out over the last year in relation to the transactions covered by Article 39-4 of the French General Tax Code, which amounts to a total of €16,703.

2nd resolution – Approval of consolidated financial statements

Having listened to the reading of Board of Directors' report and the Auditors' general report, the Shareholders' General Meeting approves, as they are presented, the consolidated financial statements set out in accordance with Article L. 233-16 et seq. of the French Commercial Code, showing profits of €74,638,924.

3rd Resolution - Approval of the conventions covered by Article L225-38 of the Commercial Code

Having listened to the reading of the Auditors' Special Report on the conventions covered by Articles L225-38 of the French Commercial Code, the Shareholders' General Meeting approves the sections indicated in this report.

4th resolution - Discharge to the Directors

The Shareholders' General Meeting gives full discharge to the Directors for their work for the year 2013, and to the Auditors for their term of office.

5th resolution – Earnings appropriation

Acting on the proposal of the Board of Directors, the Shareholders' General Meeting has decided to allocate last year's profits as follows:

profits for the financial year of	€20,550,519
increased by retained earnings	€61,152,213
to give a total of	**€81,702,732**

This represents distributable profit, which the Board of Directors proposes should be distributed as follows:

as dividends to shareholders a sum of €1.70 per share,	
for the total of payable on May 7, 2014	€18,337,039.80
the remainder to the retained earnings account, for the total of	€63,365,692.20
it being understood that this amount will be increased by the sum of the dividends payable on the shares owned by the Company as of the ex-dividend date.	

The dividend for each share amounts to €1.70. The value of the dividend eligible for 40% deduction, as covered by Article 158-3-2° of the French General Tax Code, is €1.70.

In addition, the Shareholders' General Meeting acknowledges that it has been apprised that the dividend payouts per share for the last 3 years were as follows:

Financial year ended December 31, 2010:	dividends eligible for the 40% allowance: €1.05
Financial year ended December 31, 2011:	dividends eligible for the 40% allowance: €1.30
Financial year ended December 31, 2012:	dividends eligible for the 40% allowance: €1.40

Please note that dividends are paid out 9 months after year end, and the time limit after which dividend entitlement lapses is 5 years, effective from the date when dividends were agreed.

6th resolution - Reappointment of a director

The General Meeting renews the appointment as Director of Mr. Eric André for a period of six years that will end at the Shareholders' General Meeting that will approve the financial statements for the year ended December 31, 2017.

7th resolution - Reappointment of a director

The General Meeting renews the appointment as Director of Ms. Lise Nobre for a period of six years that will end at the Shareholders' General Meeting that will approve the financial statements for the year ended December 31, 2017.

8th resolution - Appointment of a new director

Acting on the proposal of the Board of Directors, the Shareholders' General Meeting has decided to appoint as director:

Ms. Capucine Allerton
Residing 86 Grange Road - DORRIDGE - SOLIHULL B938QX (UK)

in addition to the members currently holding office, for a four-year term expiring at the Ordinary Annual General Meeting that will be held to approve the financial statements for the year ending December 31, 2017.

9th resolution - Appointment of a new director

Acting on the proposal of the Board of Directors, the Shareholders' General Meeting has decided to appoint as director:

Ms. Marie Hélène Roncoroni
Residing 27, rue Erlanger - 75016 PARIS

in addition to the members currently holding office, for a four-year term expiring at the Ordinary Annual General Meeting that will be held to approve the financial statements for the year ending December 31, 2017.

10th resolution - Appointment of a new director

Acting on the proposal of the Board of Directors, the Shareholders' General Meeting has decided to appoint as director:

Ms. Isabelle Carrere
Residing 40av Pierre Brossolette - 94300 VINCENNES

in addition to the members currently holding office, for a four-year term expiring at the Ordinary Annual General Meeting that will be held to approve the financial statements for the year ending December 31, 2017.

11th resolution - Determination of directors' fees

The General Meeting determines the annual amount of attendance fees to be divided among the directors to the sum of €258,000.

This amount will remain in effect as of the year 2014 and until otherwise determined by the General Meeting.

12th resolution - Opinion regarding the compensation paid to the Chairman and CEO for the year ended December 31, 2013

The General Meeting, consulted under the recommendation of § 24.3 of the AFEP-MEDEF corporate governance code, which constitutes the Company's code of reference referred to in Article L225-37 of the Commercial Code, issues a favorable opinion regarding the compensation due or awarded for the year ended December 31, 2013 to Mr. Gilles Kohler, Chairman and Chief Executive Officer, as presented in the Annual Report.

13th resolution - Opinion regarding the compensation paid to the Deputy Chief Executive Officer for the year ended December 31, 2013

The General Meeting, consulted under the recommendation of § 24.3 of the AFEP-MEDEF corporate governance code, which constitutes the Company's code of reference referred to in Article L225-37 of the Commercial Code, issues a favorable opinion regarding the compensation due or awarded for the year ended December 31, 2013 to Mr. Emmanuel Viellard, Deputy Chief Executive Officer, as presented in the Annual Report.

14th resolution – Share repurchase program

Having listened to the reading of the Board of Directors' report and reviewed the data contained in the program description, the Shareholders' General Meeting:

- cancels the purchase authorization given on April 25, 2013:
- Gives its authorization, in accordance with Articles L225-209 et seq. of the French Commercial Code, to the Board of Directors, to proceed, by whatever means it deems appropriate, to the repurchase of own shares, representing up to 10% of the company's share capital, corresponding to 1,078,649 shares, except for the acquisition of shares meant to be retained and the delivery of shares to be used as consideration or payment for external growth operations whose total will be limited to 5% of the share capital or 539,324 shares;
- Decides that the acquired shares will be used as follows:
  - to increase the activity of the stock on the market by an Investment Services Provider via a liquidity contract in accordance with the professional code of ethics recognized by the AMF (the French stock market authority;
  - to grant stock options or free shares to employees and corporate officers of the company and/or its Group;
  - to retain and use shares as consideration or payment for potential acquisitions;
  - to cancel shares purchased, subject to the approval of the Shareholders' Extraordinary Meeting to be called at a later date.

Shares can be acquired or sold by any means and at any time, in accordance with the regulations in force, on or off the market, including through the use of derivatives traded on a regulated market or by private contract.

The company undertakes to remain constantly within the limits set by Article L225-209 of the Commercial Code.

The following terms apply to this authorization:

- The company may not repurchase its own shares for more than €200, not including transaction fees;

The highest figure that LISI S.A. would pay if it purchased shares at the ceiling price set by the Shareholders' Meeting, i.e. €200, is €154,867,000.

This authorization is valid for a period of 18 months from the date of this Shareholders' meeting.

- assigns full powers to the Board of Directors, which may choose to delegate them, within the limitations detailed above, to put in stock market orders, to negotiate agreements in the aim of carrying out all formalities and all declarations to all organizations, to carry out all other formalities and, as a general rule, to do all that is necessary.

UNDER THE AUTHORITY OF THE EXTRAORDINARY GENERAL MEETING

15th resolution - Change in the directors' terms of office

The General Meeting, having heard the report of the Board of Directors, decided to limit the term of office of directors to four years from that day and consequently to amend Article 10 of the bylaws as follows:

Article 10 – Board of Directors

1° - Composition

The company is managed by a board of directors composed of at least three members and at the most of the maximum number of members allowed by law, appointed by the general meeting of shareholders, who may be removed by it.

Each director must own at least one share for his term of office.

The directors' term of office is four years. They can be re-elected.

According to the law, the number of directors over the age of 70 may not exceed one third of the directors in office.

The remainder of the Article remains unchanged.

16th resolution - Division of the nominal value of the shares

The General Meeting, having heard the report of the Board of Directors, decides to reduce the nominal value of each share from TWO (2) euros to FORTY (40) Cents.

Are created FIFTY THREE MILLION NINE HUNDRED THIRTY TWO THOUSAND FOUR HUNDRED SEVENTY (53,932,470) shares with a nominal value of 40 cents in lieu of TEN MILLION SEVEN HUNDRED EIGHTY SIX THOUSAND FOUR HUNDRED NINETY FOUR (10,786,494) existing shares.

5 new shares with a nominal value of €0.40 will be exchanged against 1 old share with a nominal value of €2. The newly issued shares resulting from the stock split would confer on their holders the same rights as the old shares issued upon exchange.

Accordingly, the General Meeting resolves to amend Article 6 of the by-laws as follows:

Article 6 - Share capital -

The share capital is set to the sum of TWENTY ONE MILLION FIVE HUNDRED SEVENTY TWO THOUSAND NINE HUNDRED EIGHTY EIGHT EUROS (€21,572,988)

It is divided into FIFTY THREE MILLION NINE HUNDRED THIRTY TWO THOUSAND FOUR HUNDRED SEVENTY (53,932,470) shares of FORTY CENTS (€0.40) each, fully paid up and in the same category.

17th resolution - Formalities

The Shareholders' General Meeting assigns all rights to the bearer of an original, a copy or extracts of the minutes of its deliberations for the purpose of accomplishing all formalities, as well as all legally required filings and publications.

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