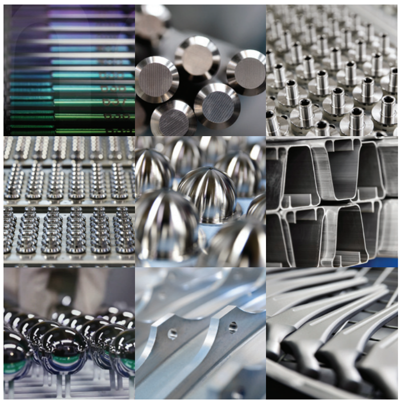
2014 FINANCIAL REPORT

LINK SOLUTIONS FOR INDUSTRY

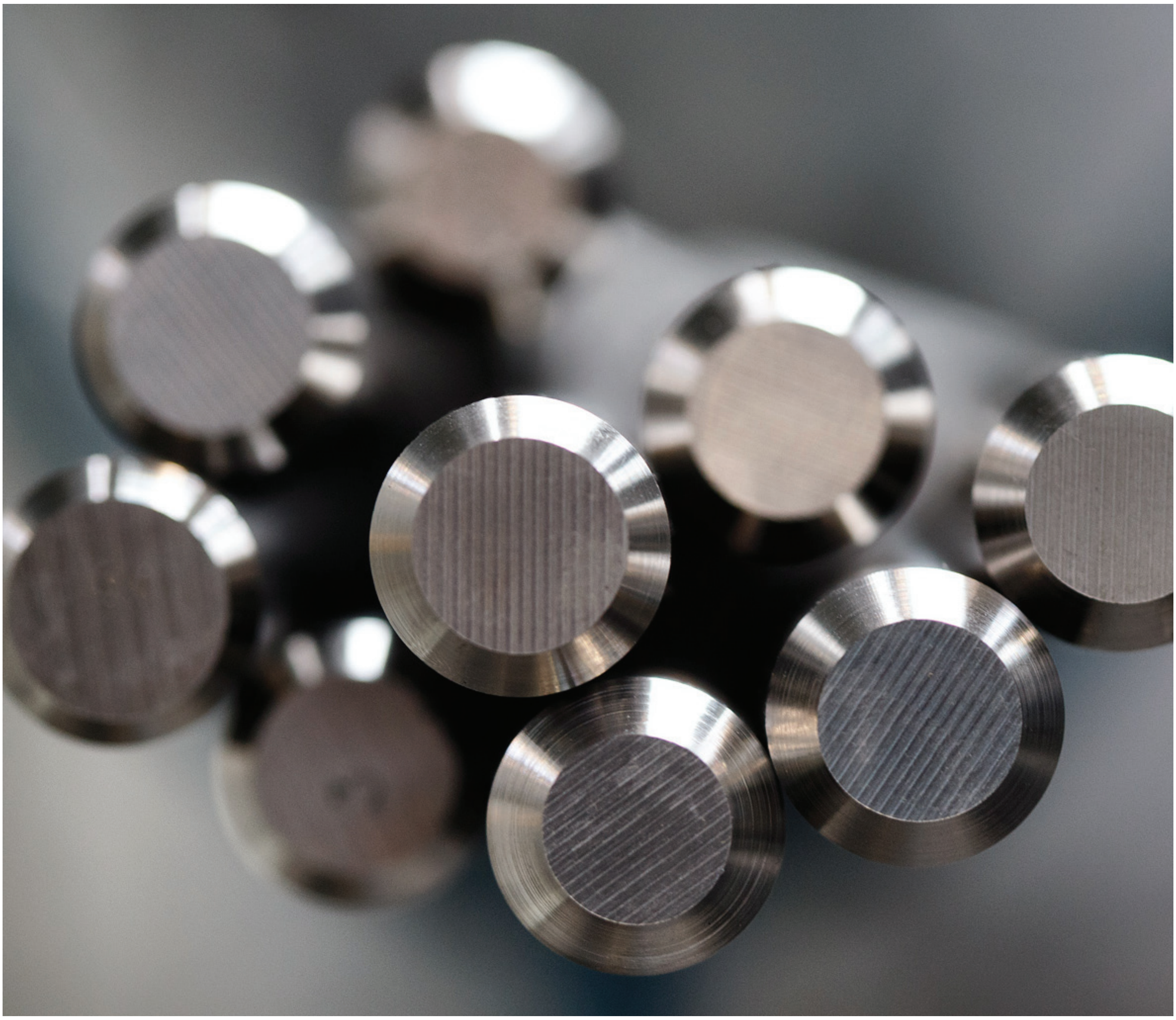
This manual is a free translation and has not been submitted to a AMF (*Autorité des Marchés Financiers*) directive.

TABLE OF CONTENTS



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 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, March 26, 2015
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.

Cabinet 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 (at the above address) 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 | FUNCTIONAL ORGANIZATION CHART

LISI

LISI AEROSPACE

Fasteners

- Europe

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

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

- USA

Airframe
- Torrance (USA)

Engines & Critical
- Dorval (Canada)

- Specialty Fasteners
- City of Industry (USA)

Structural Components

- Engineered Components
- Marmande
- Sedziszow Malopolski (Poland)

- Aerostructure & Aircraft equipment
- Argenton-sur-Creuse
- Casablanca (Morocco)
- Colomiers

- Forging
- Bar-sur-Aube
- Bologne
- Chihuahua (Mexico)*
- Parthenay

- Casting
- Seneffe (Belgium)

LISI MEDICAL

Fasteners Europe
- Neyron

Fasteners USA
- Escondido

Orthopaedics
- Hérouville-Saint-Clair

LISI AUTOMOTIVE

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

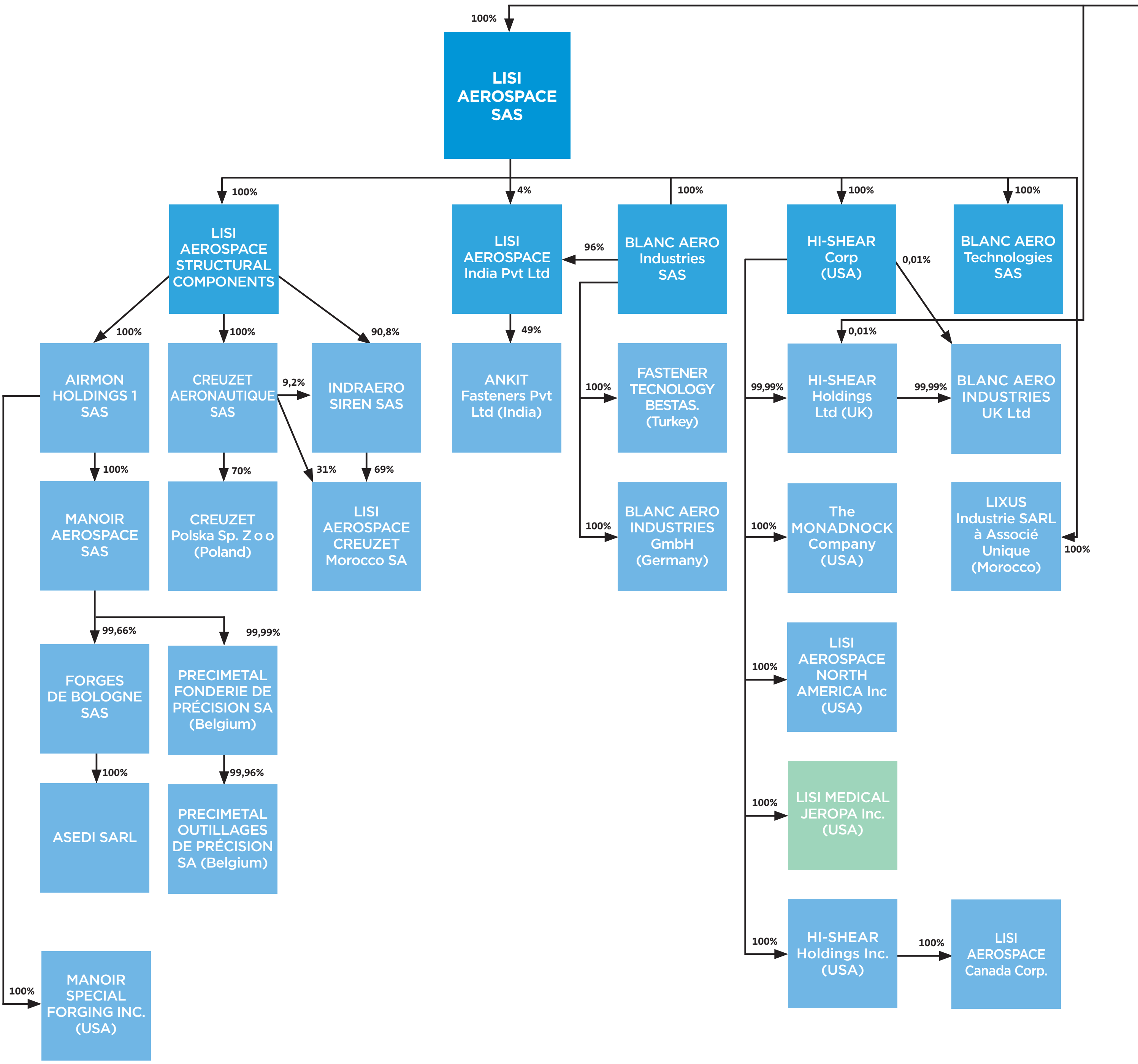
Clipped solutions
- Heidelberg (Germany)
- Mellrichstadt (Germany)
- Beijing (China)
- Puiseux

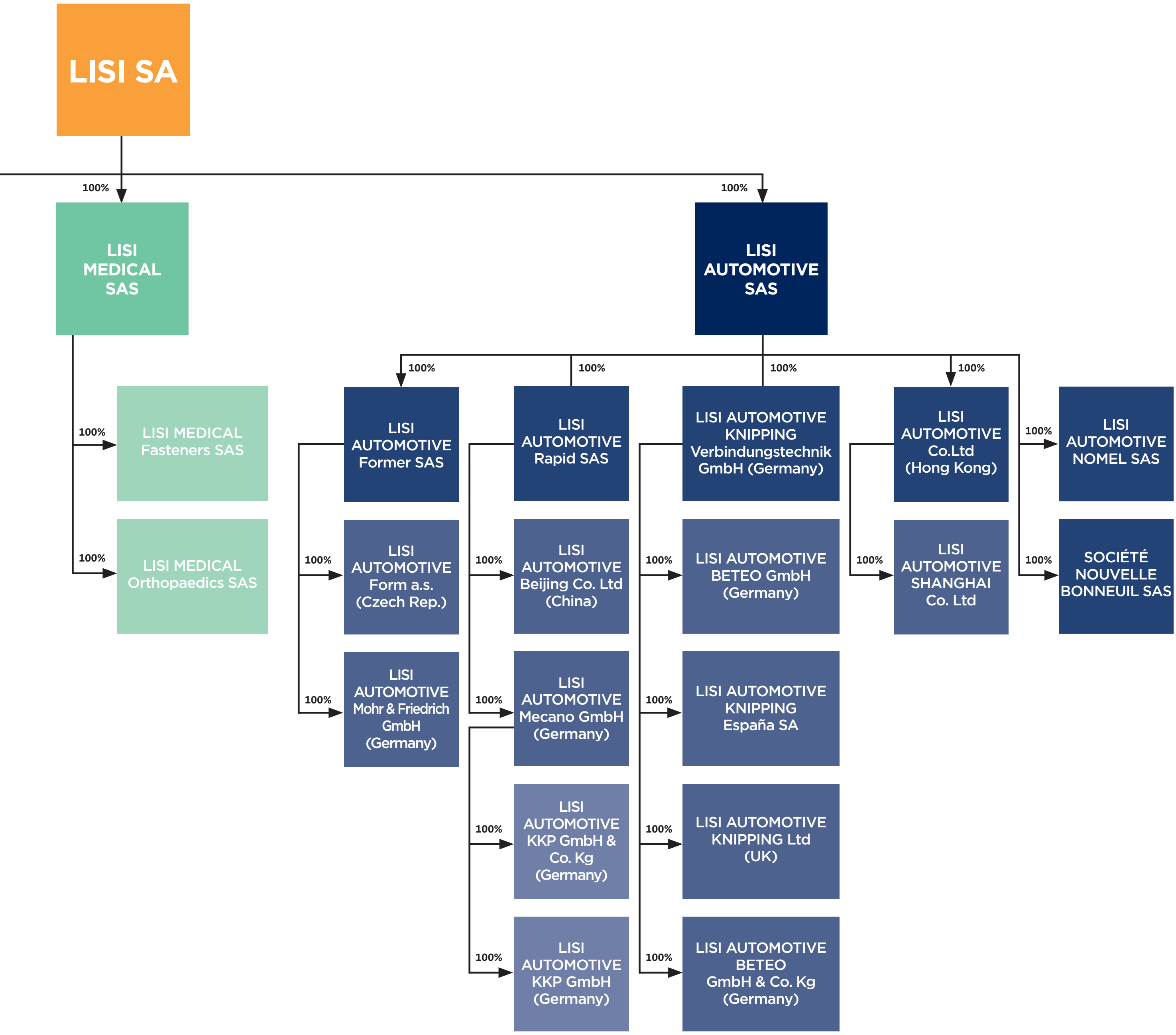
Savety Mechanical Components
- Cejc (Czech Rep.)
- Melisey
- Shanghai (China)

Support activities
- Grandvillars
- Lure

*secondary sites

4 | LEGAL ORGANIZATION CHART

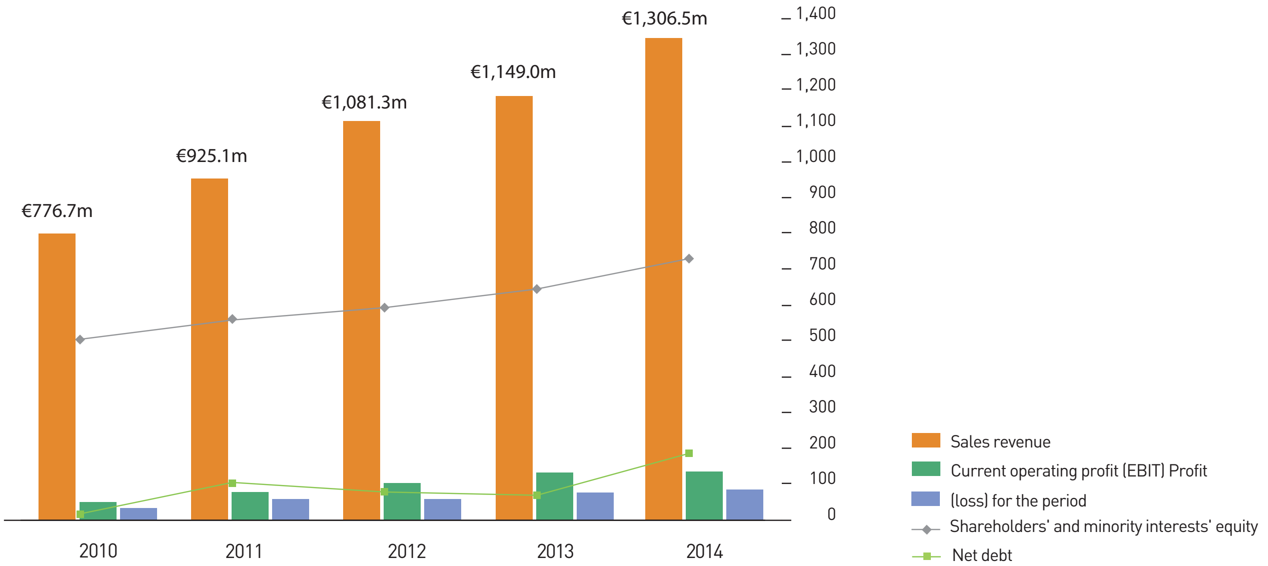




Percentages shown relate to the equity interests.

5 | KEY FIGURES

In € m	2014	2013	2012	2011	2010
Sales revenue	1,306.5	1,149.0	1,081.3	925.1	776.7
EBIT	131.7	128.9	100.4	76.6	49.5
Profit (loss) for the period	81.5	74.6	57.3	58.2	32.9
Shareholders' equity and minority interests	708.8	626.4	576.0	542.5	490.3
Net debt	181.2	67.8	76.7	102.6	17.5

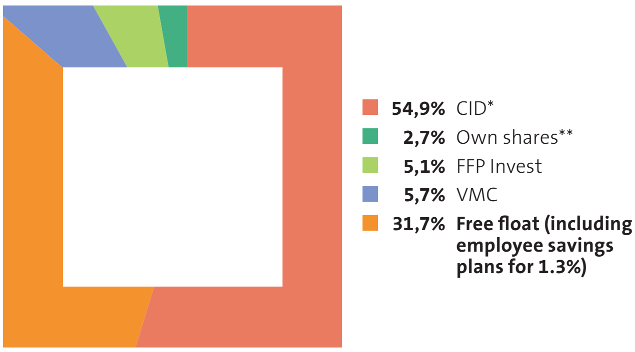


6 | INFORMATION ABOUT THE ISSUER

6.1 | BREAKDOWN OF SHARE CAPITAL

LISI share datasheet

ISIN code: FR 0000050353
Reuters code: GFII.PA
Bloomberg: FII.FP
Compartment: B Eurolist
Stock marketplace: Euronext Paris
Number of shares: 54,023,875
Market capitalization at December 31, 2014: €1,162 m
Indices: CAC®AERO&DEF., CAC® All Shares, CAC® – All Tradable, CAC® Industrials, CAC® Mid & Small, and CAC® Small



* Including direct and indirect holdings:
VMC: 20.94%
FFP Invest: 18.94%
CIKO: 16.64 %
** Reserved for performance share schemes

LIQUIDITY OF THE SHARE

Float capital turnover rate: 34 %

Average number of shares traded per day in 2014: 9,728

Month	Closing price	Highest price	Lowest price	Session average	Transaction volume	No of shares traded during month (1)
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
March	119.70	122.00	111.50	116.75	10,656	90,825
April	117.00	122.60	108.00	115.30	8,004	68,187
May	113.00	119.25	111.00	115.13	17,502	150,747
June	115.00	118.60	111.50	115.05	8,634	75,944
July	116.40	128.00	114.50	121.25	7,807	66,148
August	117.00	124.90	112.00	118.45	13,619	118,374
September	23.00	25.00	22.30	23.65	5,836	174,527
October	20.01	23.10	17.83	20.47	21,176	1,013,129
November	21.75	21.80	19.10	20.45	5,343	282,218
December	21.50	21.99	19.09	20.54	5,092	262,959
2015						
January	22.00	23.46	20.50	21.98	6,702	304,334
February	27.75	27.77	21.85	24.81	15,372	637,910

(1) Excl. non-system.

It was decided on September 8, 2014 with effect from September 12, 2014 that the face value of the shares of LISI SA would be reduced from € 2 to € 0.40, a stock split of 5.

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, 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) its three divisions used that name, adding their core business suffix: 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

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 and safety mechanical components for the automotive industry.

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.

* Pierre Lamard
Viellard Migeon & Cie « De la forge à la société holding »

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.

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.

2014

Mainly specializing in the forging of metal parts for aerospace applications, the Manoir Aerospace group has been consolidated since June 5, 2014 into LISI AEROSPACE with the aim of strengthening the Structural Components arm with the integration of complementary technologies.
To a lesser extent, one should note in June 2014, the acquisition of 100% of the control LISI AUTOMOTIVE Shanghai, of which a Chinese partner held 25% previously.

6.3 | COMPANY NAME – REGISTERED OFFICE AND LEGISLATION

Company name and head office

LISI S.A. – Le Millenium – 18 rue Albert Camus – 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 5, 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 remainder 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

€788.1m
SALES REVENUE
60% of consolidated sales

6,957
STAFF
65% of Group head count

€51.3m
CAPEX
6,5% of sales
57% of total Group CAPEX

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; Lockbolts crimped fasteners.

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

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

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

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

Customers

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

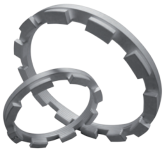
Competitors

ACB;
Alcoa Fastening Systems;
Alu Menzinken;
Breeze Eastern;
BTL;
Dembiermont;
Doncaster;
Figeac Aero;
First Rikson.
Forge Ital;
Karlton-PCC;
Klune;
Lauak;
Leistritz;
Macsterlite;
Mettis;
MIFA;
On Board;
Otto Fuchs;
PFW;
Potez;
Precision Castpart Corp;
Slicom;
TECT;

THREADED FASTENERS

1 PULL-IN™ FASTENERS

2 STL™ FASTENERS



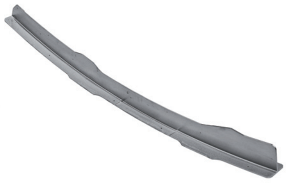
3 SHAFT NUTS

4 HI-LITE™ FASTENERS, LOCKBOLT

STRUCTURAL COMPONENTS

5 CLEATS

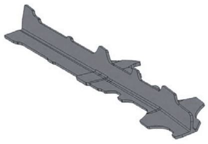
6 LEADING EDGES



7 ANTI-CRASH STRUCTURE

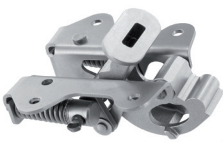
8 ENGINES BLADES

9 AIR IN TAKE LIPS

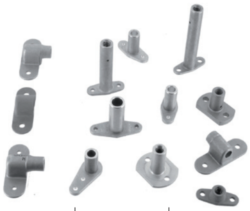


10 TEE CHORDS

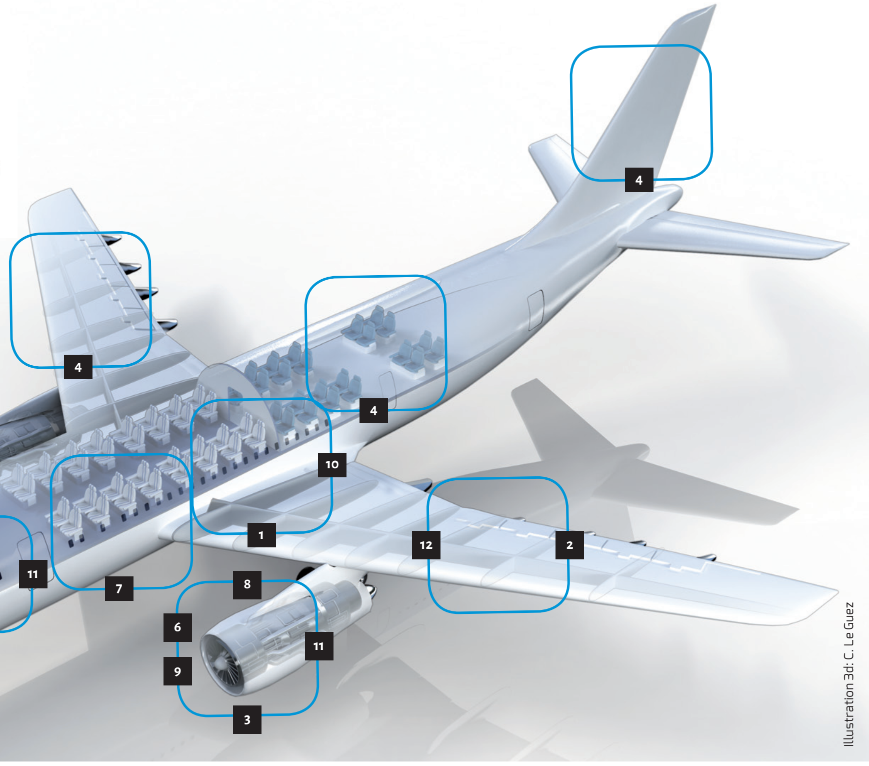
NON-THREADED FASTENERS



11 PRESSURE LATCHES



12 STAND-OFF FASTENERS



LISI AEROSPACE is involved in the design, manufacturing and marketing phases of all above-mentioned products. LISI AEROSPACE is positioned as a 1st and 2nd rank subcontractor depending on customers. The products are manufactured to serve as original or replacement equipment.

The main raw materials used are the following: high temperature steels, cobalt or nickel-based alloys and very high strength, titanium superalloys, inconel, etc.

The main technologies used are: cold forging, rolling, tapping, hot stamping, metal cutting, heat treatment, surface treatment, automatic control and assembly.

1.2 | LISI AUTOMOTIVE

€448.3m
SALES REVENUE
37% of consolidated sales

3,186
STAFF
30% of Group head count

€34.7m
CAPEX
7.7% of sales
38% of total Group CAPEX

Activity

Fasteners and assembly components for the automotive industry

Flagship products

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

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

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

Customers

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

Parts manufacturers:
Autoliv;
Bosch;
CBI;
Faurecia;
Jtekt;
JCI;
Magna;
Plastic Omnium;
TI Automotive;
TRW;
Visteon;
ZF

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

Competitors

ABC;
Agrati;
A. Raymond;
Brugola;
Fontana;
ITW;
Kamax;
Nedschroef;
SFS;
Stanley Fastenings;
TRW Fasteners.

THREADED FASTENERS


1 WHEEL BOLT


2 STRUCTURE NUT


3 STEERING COLUMN SCREW

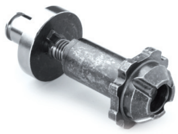

4 CYLINDER HEAD BOLT


5 EXENTRIC BOLT FOR FRONT AXLE ADJUSTMENT


6 HOT FORGING GEARBOX SHAFT NUT

MECHANICAL SAFETY COMPONENTS


11 TORSION BAR FOR SEAT BELT


12 SAFETY MECHANICAL COMPOMENT FOR BRAKE SYSTEM


13 BALL JOINT PIVOTS


14 SEAT MECHANICAL COMPOMENT

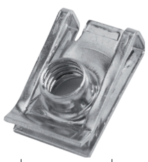

15 BRAKE FITTINGS

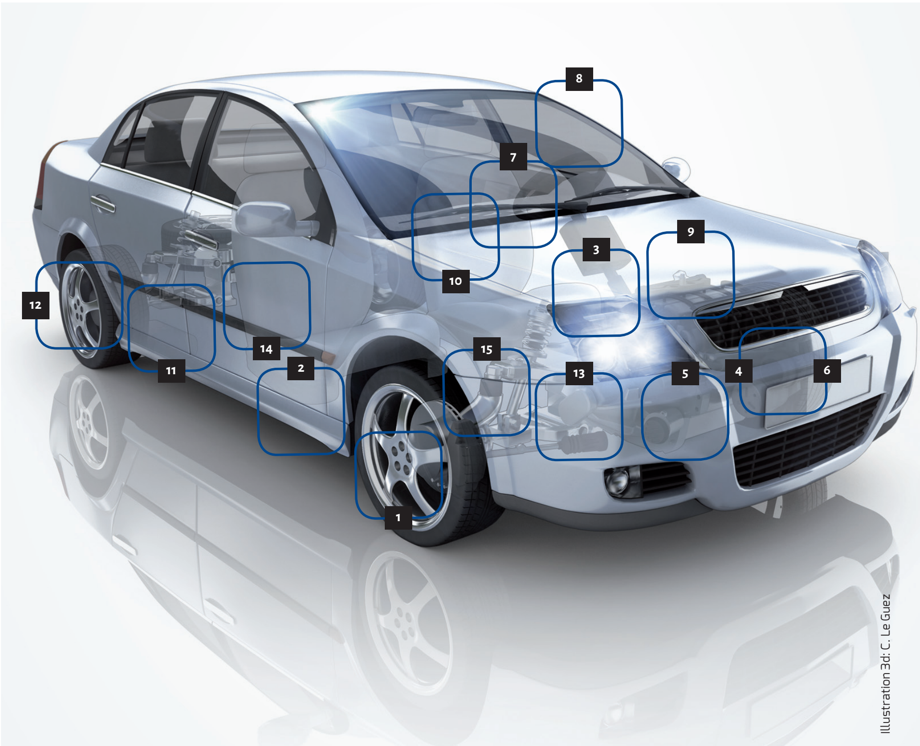
CLIPPED SOLUTIONS


7 QUICK FASTENERS FOR INTERIOR TRIM


8 CLIP FOR AIRBAG REMAINING SYSTEM


9 TWO MATERIALS FASTENER FOR TUBES


10 METAL THREADED CHIMNEY NUTS, TO SNAP ON



LISI AUTOMOTIVE is involved in the design, manufacturing and marketing phases of all above-mentioned products. LISI AUTOMOTIVE is positioned as a 1st and 2nd rank subcontractor depending on customers. The products are manufactured to serve as original or replacement equipment.

The main raw materials used are the following: steels and plastics.

The main technologies used are: cold forging, rolling, tapping, hot stamping, metal cutting, heat treatment, surface treatment, plastic injection, automatic control and assembly.

1.3 | LISI MEDICAL

€71.1m
SALES REVENUE
6% of consolidated sales

538
STAFF
5% of Group head count

€4.6m
CAPEX
6,5% of sales
5% of total Group CAPEX

Activity
Medical implant and auxiliary parts sub-contractor.

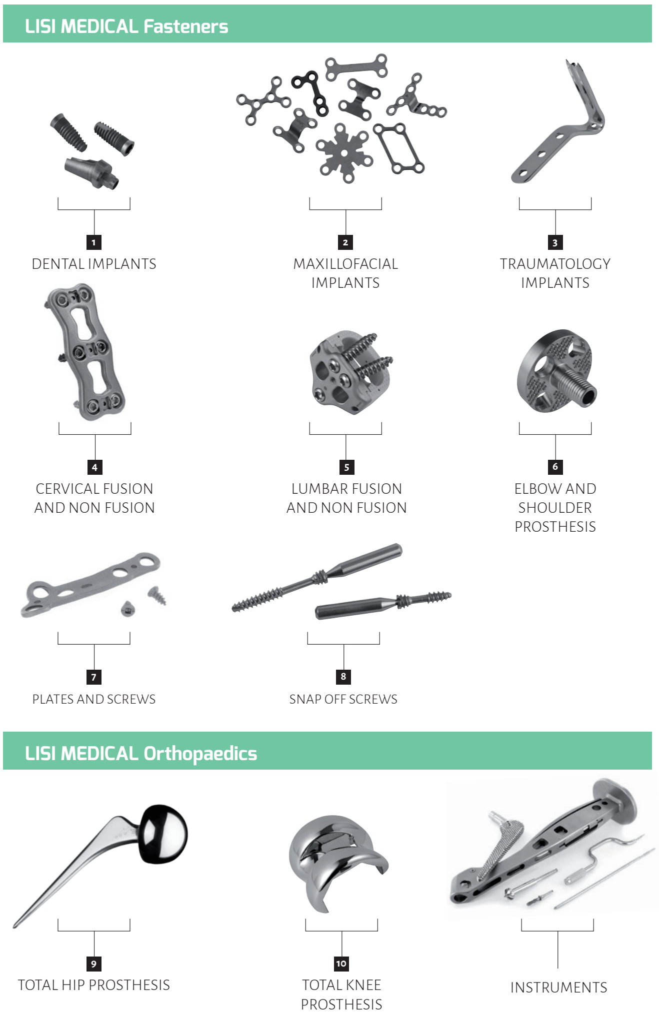
Flagship products

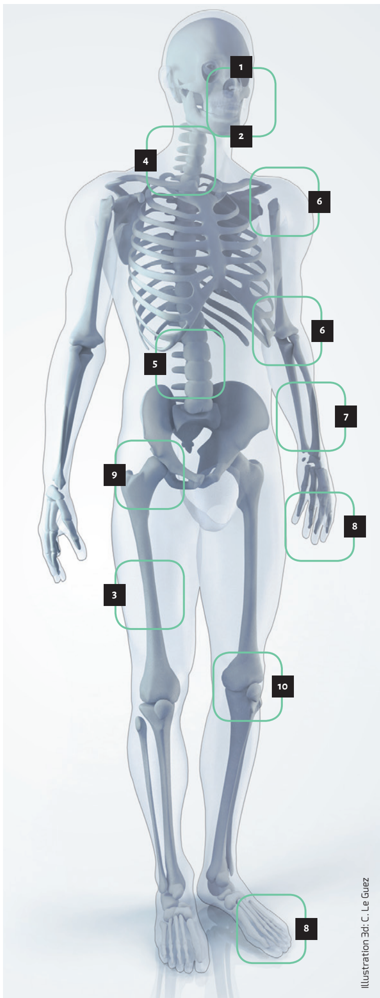
Joint reconstruction:
orthopedic reconstruction implants and instruments (hip, shoulder, knee).

Spine, extremities, trauma and dental:
orthopedic implants and instruments, trauma and extremities, spine, maxillofacial and dental.

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

Competitors
Accelent;
Coors Tek;
Greatbach;
Marle;
Norwood;
Orchid/Sandvik;
Paragon;
Tecomet.





LISI MEDICAL is involved in the design, manufacturing and marketing phases of all above-mentioned products. LISI MEDICAL positions itself as a subcontractor.
The main raw materials used are the following: titanium, chromium, cobalt, plastics (peek), etc.
The main technologies used are: turning, milling, forging, packaging under sterile conditions, laser marking, etc.

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

2.1 | LISI CONSOLIDATED

A €1,306,500,000, the consolidated revenue for the year 2014 was up +13.7% and +5.5% at constant scope and exchange rate. The contribution of the Manoir Group, consolidated as of June 5, 2014, amounted to €94.8M, or 7.3% of Group sales.

The main developments per division at current exchange rate are:

- still solid dynamism of LISI AEROSPACE (+18.7%), which is achieving historically high levels of sales, both in aeronautical fasteners and in structural components;
- return to growth of LISI AUTOMOTIVE (+6.2% compared with - 1.0% in 2013),confirmed recovery of LISI MEDICAL (+10.8%, compared with -1.1% in 2013).

Comments regarding Q4 business

	LISI Consolidated	of which LISI AEROSPACE	Of which LISI AUTOMOTIVE	of which LISI MEDICAL
Q1	€311.3 M	€175.1 M	€117.8 M	€18.6 M
Q2	€305.6 M	€172.7 M	€115.6 M	€17.5 M
Q3	€339.2 M	€215.7 M	€107.4 M	€16.4 M
Q4	€350.4 M	€224.5 M	€107.5 M	€18.6 M
2014	**€1,306.5 M**	**€788.1 M**	**€448.3 M**	**€71.1 M**

The 26.4% increase in consolidated sales for the fourth quarter of 2014 compared to the same period of the previous year shows growth throughout all divisions with trends higher than those of the 1^{st} half for each division:

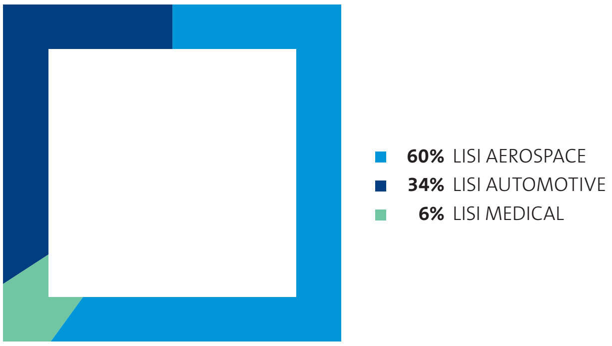
- The growth of LISI AEROSPACE takes account of the integration into the group of Manoir Aerospace, which represents 12% of the division's sales. Thus, Q4 stood at +39.4%, being an increase of +37.1% in the second half, versus +1.5% in the first half.
- LISI AUTOMOTIVE displayed a quasi-stable growth rate over the 4 quarters with a slight acceleration on the end of the year. The last quarter stood at +6.2%, i.e. +6.5% for the second half-year, versus +5.9% for the first half-year.
- LISI MEDICAL recorded strong acceleration in sales in the fourth quarter (+23.7%), up 10.9% in the second half, the same as in the first half (+10.8%).

Activity summary at December 31,

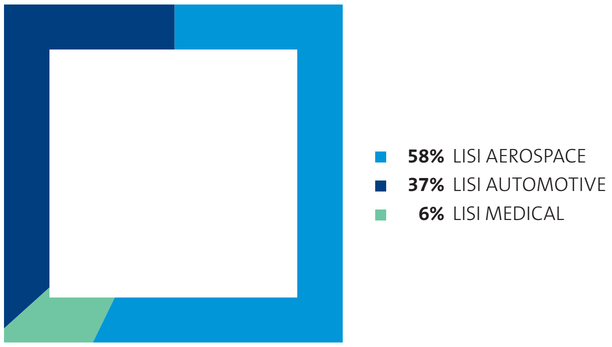
12 months ending December 31,		2014	2013	Changes
Key elements of the income statement				
Sales revenue	€M	1,306.5	1,149.0	+13.7%
EBITDA	€M	193.2	178.9	+8.0%
EBITDA margin	%	14.8	15.6	- 0.8 pt
EBIT	€M	131.7	128.9	+2.2%
Current operating margin	%	10.1	11.2	- 1.1 pt
Earnings attributable to holders of company equity	€M	81.4	74.6	+9.0%
Net earnings per share	€	1.55	1.42[1]	+9.2%
Key elements of the cash flow statements				
Operating cash flow	€M	140.8	142.3	-1.1%
Net CAPEX	€M	(90.6)	(87.7)	+3.3%
Free Cash Flow[2]	€M	45.6	28.5	+60.0%
Key elements of the financial structure				
Net debt	€M	181.2	67.8	x 2.7
Ratio of net debt to equity		25.6%	10.8%	+14.8 pts

1 Earnings per share restated after dividing the face value by 5 in 2014.
2 Free Cash Flow: operating cash flow minus net industrial CAPEX and changes in working capital requirements.

Breakdown of 2014 sales revenue



Breakdown of 2013 sales revenue



Highlights for fiscal 2014

- Mainly specializing in the forging of metal parts for aerospace applications, the Manoir Aerospace has been consolidated since June 5, 2014 into LISI AEROSPACE with the aim of strengthening the Structural Components arm with the integration of complementary technologies.
- To a lesser extent, one should note in June 2014, the acquisition of 100% of the control LISI AUTOMOTIVE Shanghai, of which a Chinese partner held 25% previously.

Social and societal information (Art. R 225-105 of the Commercial Code)

Throughout the year 2014, 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 2014, the frequency rate of lost-time accidents that involved an employee (TF0) improved significantly to 7.4 per million hours worked, a progress of 29% compared to 2013. The frequency rate of accidents with and without stoppage (TF1) stood at 12.3, a significant drop of - 24% compared to 2013.

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

As at December 31, 2014, the LISI Group employed 10,701 employees, an increase of the total workforce of 1,462 people, which represents an improvement of +16% compared to 2013.

This progression results from:

- a strong increase within LISI AEROSPACE (1,353 employees more than in 2013, +24%) which integrated the work force of the MANOIR Group in June 2014 (1,169 people). On a constant head count basis, it stands at 184, being +3.3% compared to December 31, 2013.
- recruitments at LISI MEDICAL (64 people) and LISI AUTOMOTIVE (43 people).

Head count at the end of December:

	2014	2013	Difference N/N-1	
LISI AEROSPACE	6,957	5,604	+24%	1,353
LISI AUTOMOTIVE	3,186	3,143	+1%	43
LISI MEDICAL	538	474	+14%	64
LISI Holding	20	18	+11%	2
Group total	**10,701**	**9,239**	**+16%**	**1,462**
Temporary workers	**803**	**546**		

Financial Results 2014

In line with the previous years, LISI AEROSPACE was the main contributor to the Group's results. As expected, the LISI AUTOMOTIVE division began its recovery by reaping the benefits of the first major reorganization plan initiated in 2012. LISI MEDICAL confirmed its return to growth.

The main management indicators are up. Gross operating profit was up 8.0% to €193.2M (versus €178.9M in 2013), which is 14.8% of sales revenues. Hence, EBIT grew by +2.2% and amounted to €131.7 M (compared with €128.9 M in 2013). The decline in operating margin was limited to 1.1 point compared to the previous year. It is due to the temporary drop in calls for fasteners on the A350 program and to the dilutive effective following the consolidation of the Manoir Group. It amounted to 10.1% and is therefore in line with the Group's normative objectives of 10%.

The level of EBIT fell very significantly to €2.8 M, following the particularly high level in 2013 (- €13.8 M).

The financial net income of - €4.8 M comprises, on the one hand, the cost of financing for - €4.6 M - namely an average cost of debt of 2% - up compared to 2013 due to the raising of credit lines following the acquisition of the Manoir Group and, on the other hand, the effect of currency variations. Over the year, they generated a gain of +€2.2 M, compared with a loss of - €1.7 M in 2013.

The tax burden, calculated on the basis of the corporation tax as a percentage of the net income before taxes, reflects an effective average rate of tax of 34.4%, slightly up compared with 2013 (33.2 %).

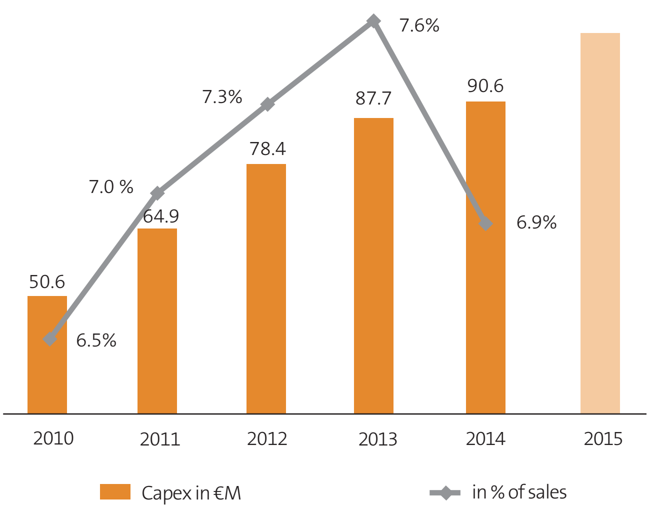
At €81.4 M the net income is up by +9.0% in comparison with 2013.

The net earnings per share amounted to €1.55, compared with €1.42 €[1] in 2013.

The financial structure is strengthened after a significant investment effort

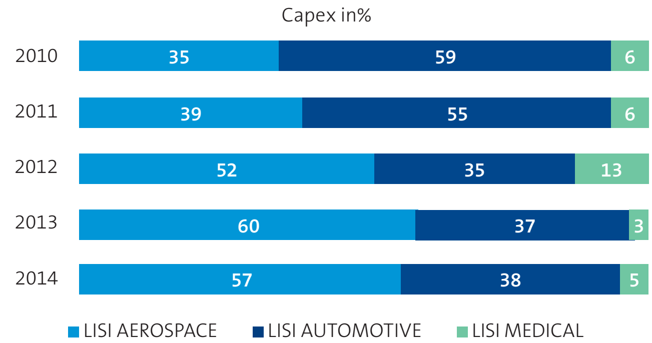
The consolidated Working Capital was up, at 90 days (79 days in 2013) due in particular to the entry of the Manoir group into the consolidation scope during the year.

With a good level of cash flow at €140.8 M, the capital investments were easily financed, while at the same time producing an operating cash flow surplus ("Free Cash Flow") of €45.6 M, sharply up in comparison with 2013 (€28.5 M).



1 Earnings per share restated after dividing the face value by 5 in 2014.

Capex per division



Construction of 2 new plants with the Marmande extension (new engine programs and A350) +entire refurbishment of the plant at Dasle (car nuts).

LISI AEROSPACE
- The new programs and the industrialization have generated over €18 M in CAPEX
- The Manoir Aerospace arm contributes up to €3.7 M

LISI AUTOMOTIVE
- The special projects and the replacement of equipment stand at €11 M

LISI MEDICAL
- €4.6 million in CAPEX were recorded over the period

The financial structure of LISI enabled it to finance the acquisition of the Manoir Group, while maintaining the solidity of its ratios: after reaching a high point at June 30, 2014 at €215.7 M, the net debt fell in the second half to €181.2 M at December 31st, namely 25.6% of shareholders' equity. The return on capital employed, which stood at 19.2% before the entry of the Manoir Group (slightly up compared to 2013), stood at 16.6% at year end. The capital employed increased in value by €996 M (compared with €776 M in 2013).

OUTLOOK

The Group should benefit in 2015 from rather solid prospects for its 3 activities, with challenges up to its ambitions:
- To strengthen the ties with its main customers, in line with 2014/ The sales revenue from all major customers increased over the period.
- Pursue its industrial excellence efforts, accelerating the deployment of LEAP (LISI Excellence Achievement Program).
- Align all the strategic management processes (definition of objectives, action plans, etc.), from General Management to the business unit.

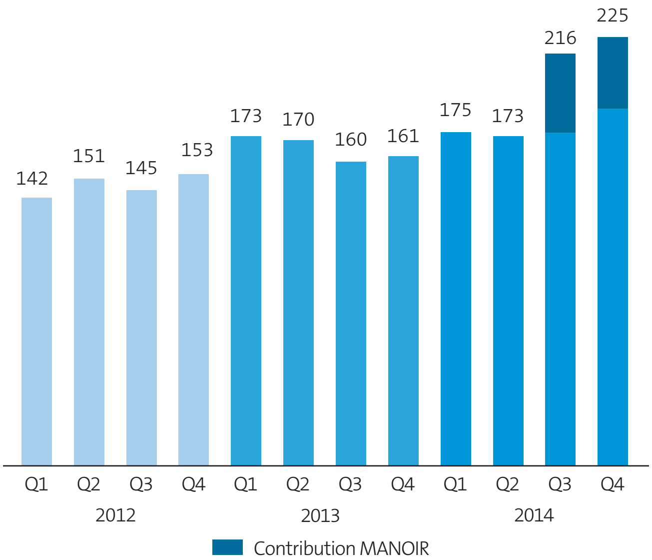
2015 should be a new year of growth for the Group. The comparison with the previous year will benefit from the consolidation of five months of Manoir Aerospace activity, while all the Group's markets should remain strong. LISI is maintaining its objective of seeing growth in all its management indicators expressed in absolute values (EBITDA, EBIT, net income) and producing a still very positive Free Cash Flow, while a capital investment plan of €100 M should enable it to trigger a new phase of expansion, under optimal conditions of quality, productivity and financial independence.

2.2 | LISI AEROSPACE

Summarized overview of the activity of LISI AEROSPACE

Annual sales revenue (€M)

	2012	2013	2014
Sales revenue	592	664	788



- Fasteners at +4% of which +5% growth in the USA as expected
- Good progression at Boeing (pace 40 for the B737, pace 10 for the B787 as of Q2 2014)
- Anticipated slowdown in demand for the A350 (Fasteners), stable paces for A320 (42), etc.
- Motorists remain dynamic
- Helicopters subject to a significant slowdown in pace (-20%)
- Defense stabilized at a low level

Comments regarding business activity in 2014 and outlook
- The global commercial aerospace market is still very solid
- Consolidation of the Structural Components division with the integration of Manoir Aerospace
- High level of capital expenditures maintained to face a large number of new projects

Market

Passenger air traffic continued to grow, displaying +4.9% growth over the year. Cargo traffic rose sharply with +4.1% compared to +1.8% in 2013. The global market for commercial aviation is still buoyant, supported by strong demand: orders increased for the fifth consecutive year, bringing the backlog to nearly ten years of production. While Airbus remains behind Boeing in terms of the number of aircraft delivered in 2014 (629 versus 723), the European aircraft manufacturer has garnered more orders (1,456 versus 1,432) net of cancellations. Other aviation markets suffer more: the decline was sharp in the "Defense" and "Helicopters" segments. Besides, regional aircraft have not been generating any growth in years

Activity

In €M	2014	% Group	2013	Changes
Sales revenue	788.1	60%	663.9	+18.7%
EBIT	114.1	87%	118.2	- 3.5%
Operating cash flow	106.2	75%	107.5	- 1.2%
Net CAPEX	- 51.3	57%	- 52.3	- 1.9%
Free Cash Flow[1]	43.9	96%	32.6	+34.7%
Registered employees at period end	6,957	65%	5,604	+24.1%
Full time equivalent head count[2]	6,800	63%	5,951	+14.3%

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

Highlights

Mainly specializing in the forging of metal parts for aerospace applications, the Manoir Aerospace has been consolidated since June 5, 2014 into LISI AEROSPACE with the aim of strengthening the Structural Components arm with the integration of complementary technologies.

This acquisition, which represents a major step in the development of the LISI Group, contributed €94.8 M (about 7 months of activity) to sales of €788.1 M posted by the Aerospace division in 2014. At €256 M, the Structural components activity now accounts for almost a third. The division thus posts an increase of 18.7% of its sales; adjusted for the acquisition of Manoir Aerospace and currency effects, organic growth was + 4.3% for the full year (+ 9.0% in the fourth quarter 2014). This development is in line with the slowdown that was expected after the exceptionally high growth rate recorded since 2011.

In particular, sales by the Fasteners segment took a break in Europe (+ 0.5%), while the American zone is more dynamic (+ 5.1%).

Conversely, the Structural components have benefited from the development of new products, which allows them to display a sales increase of +5.7% over the entire year.

Current operating profit was €114.1 M (€118.2 M in 2013).The temporary drop in calls for fasteners on the A350 program, which does not fully offset the sustained activity of Boeing, and the industrialization costs of new structural components, as well as the integration of Manoir Aerospace, have weighed on the margin, which is down 3.3 points at 14.5% (versus 17.8% in 2013).

Inventories rose from €192.8 M to €253.8 M due to the consolidation of Manoir Aerospace for €55.9 M. Expressed as a number of days of sales, they were stable at about 107 days. The Working Capital increased by +€9.3 M, restated with the Working Capital of Manoir Aerospace. After CAPEX recorded for €53.1 M, up slightly compared to 2013, the division's Free Cash Flow was overwhelmingly positive: at €43.9 M, or 5.6% of sales, it increased by more than €10 M from the previous year.

CAPEX remained high: they account for about €55.6 M recorded, of which 60% spent on the Fasteners Europe activity (new plant in Villefranche-de-Rouergue), while Structural components have sustained significant expenditures on new products (forming and machining equipment).

The workforce stood at 6,800 FTEs (versus 5,951 in 2013), including 1,341 average FTEs in December for Manoir Aerospace. On a constant basis, the increase by a hundred FTEs was mainly due to the Structural components activity.

OUTLOOK

The division as a whole will benefit from a market environment that will remain strong, yet will be very demanding in terms of industrialization pace and ramp-up of new products.

Regarding fasteners sales, this year LISI AEROSPACE will have to renew the contract with its main customer Airbus for the period 2015-2020 and, in the United States, will need to be successful in developing distribution. On the industrial side, the transfer of the iconic Villefranche-de-Rouergue plant, of the Monadnock site (City of Industry) and the extension of the Saint-Ouen-l'Aumône plant, will mark a new milestone in the quest for industrial excellence. Located in countries with lower production costs, the sites of Izmir, Tangiers and Bangalore are expected to ramp up.

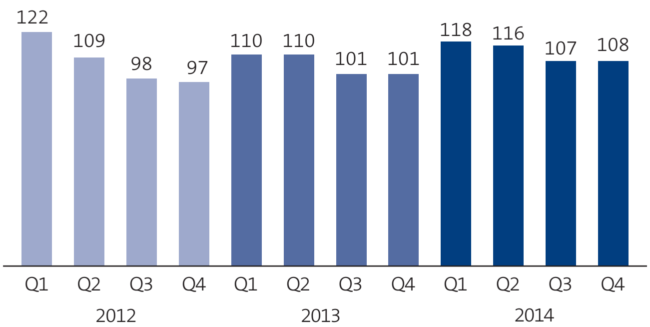
The dedicated Structural components arm is where the most significant industrial challenges are to be expected, particularly with the planned speedup of two major programs for LISI AEROSPACE: the CFM Leap engine and the best-selling Airbus A350. Both projects concern both the plants at Marmande (Creuzet) than those at Bologne and Parthenay (Manoir Aerospace). These developments will continue to weigh on the segment's profitability in 2015 before improving gradually. In the medium term, the division is engaged in a heavy industrial modernization program for all Manoir Aerospace sites.

2.3 | LISI AUTOMOTIVE

Summarized overview of the activity of LISI AUTOMOTIVE :

Annual sales revenue (€M)

	2012	2013	2014
Sales revenue	427	422	448



A buoyant market (source: LISI estimates)

- Worldwide sales of car makers +3.5%, of which French car makers: +3.9%
- Worldwide production of LISI AUTOMOTIVE customers at +4.3%

Performance recovery well under way

Gains in market share in a fairly dynamic environment

– Sales revenue: +6.2%, production: +6.9%

– Orders for new products: 8.3% (€37 M) of annualized sales, versus 7.1% in 2013

– Accelerated sales in Q4: +6.2%

·The most dynamic sectors: BG Safety and Mechanical Components (Q4: +15.4%)

Comments regarding business activity in 2014 and outlook

- Gains in market share in a fairly dynamic environment
- Successful implementation of all major projects
- Third consecutive year of margin recovery

Market

Global automotive markets were healthy in 2014 (+ 3.5%)[1], including in Europe (+ 5.4%) with the exception, however, of France (0, 3%). The most dynamic manufacturers were Renault (+13%) and VW (+7%). LISI AUTOMOTIVE believes that the sales revenue achieved in the automotive sector alone has increased on average by 6.9%. Compared to the division's +6.2% increase in revenues, additional market share was actually captured.

The customers with whom the division achieved its best performance were German car makers and major international parts manufacturers. Orders taken for new products, expressed in annualized sales, accounted for 8.3%, or about €37 M, versus €30 M in 2013 (7.1% of sales).

1 Source: ACEA Association of European Car Makers

Activity

In €M	2014	% Group	2013	Changes
Sales revenue	448.3	34%	422.2	+6.2%
EBIT	13.3	10%	11.3	+17.7%
Operating cash flow	29.4	21%	26.4	+11.4%
Net CAPEX	- 34.7	38%	- 32.1	+7.9%
Free Cash-Flow[2]	- 12.7	NA	- 6.2	+103.5%
Registered employees at period end	3,186	30%	3,143	+1.4%
Full time equivalent head count[3]	**3,334**	**31%**	**3,220**	**+3.5%**

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

The annual sales revenue stood at €448.3 M, up 6.2% compared to 2013, supported in particular by accelerating sales in the second half.

Key event

- Acquisition in June 2014 of 100% controlling interests in LISI AUTOMOTIVE Shanghai, of which 25% were up to then held by a Chinese partner.

Results

In anticipation of a good level of activity expected in early fiscal 2015, the division has increased its inventories of controlled manner. Production amounted to €451.4 M, an increase of 6.9% compared to 2013.

The bulk of the restructuring operations was conducted according to the "Nuts" plan (closure of the Thiant (Nord) plant, repatriation of its activities to two sites, namely Dasle (Doubs) and la Ferté Fresnel (Eure-et -Loire). They must now contribute to the sustainable recovery of French factories specializing in threaded fasteners. This vast industrial reorganization plan launched in 2012 is also well underway in the other segments concerned (Germany, safety components, clips) and should bear fruit in 2015.

Thus, the operating margin LISI AUTOMOTIVE has been picking up for the third consecutive year to 3% (2.7% in 2013 and 0.5% in 2012). This trend towards performance improvement was maintained through proper control of the implementation of the reorganization initiatives, which affected operations for - €4.8 M; such initiatives should not be repeated in 2015. Moreover, the works in progress at the Dasle (Doubs) plant are scheduled to be completed by the second quarter of 2015; this should help to strengthen the division's profitability.

Other management indicators are rising, particularly the safety indicators, the quality indicators, as well as those relating to the deployment of LEAP (LISI Excellence Achievement Program).

Inventories remain stable at 67 days of sales. Other items in the Working Capital consumed €3.5 M of cash during the period and reflected disbursements related to the closure plan of the Thiant plant (approximately €5 M). As announced in February 2014, capital expenditures were maintained at a high level with disbursements of €34.7 M (versus €32.1 M in 2013). Consequently, the Free Cash Flow was negative at - €12.7 M (versus - €6.2 M in 2013), despite the cash flow being up by €3M at €29.4M.

The high CAPEX for the period were justified by many projects, including for infrastructure (€7.4 M at Dasle, €2.7 M at Mellrichstadt, €4.8 M at headquarters) and for industrial equipment dedicated to new products. The commitments for the period amounted to €33.1 M, a slowdown compared to the trend of 2012 and 2013.

The workforce stood at 3,334 FTEs (versus 3,220 in 2013) for 3,186 registered on December 31, 2014.

OUTLOOK

The order book for delivery for the start of fiscal 2015 is in line with the upward trend of Q4 2014, which creates a certain tension in the logistics sector. Beyond Q1 2015, market growth will remain to be confirmed, particularly in Europe. The goal for the year 2015 will include gathering the organizational efforts put forth since 2012, completing the construction of the plant at Dasle and continuing the progress achieved in the implementation of LEAP (LISI Excellence Achievement Program) to sustainably improve operational profitability. Three of the division's four "Business Groups" are strengthened with real competitive advantages and consolidated trade ties such as the German customers or parts manufacturers. The activity of "Threaded fasteners France" should stabilize now to take full advantage of the industrial gains after two years of intensive effort. The end of the reorganization of the "Threaded fasteners France Business Group" (closure of Thiant, works at Dasle, new equipment) should allow to normalize this activity gradually during 2015. The coming year should see an improvement in the activity and the programmed decline of non-recurring costs.

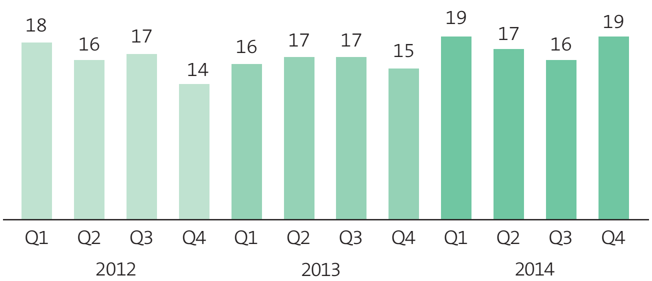
The investment plan will be less ambitious in 2015, which should generate a surplus of Free Cash Flow.

2.4 | LISI MEDICAL

Summarized overview of the activity of LISI MEDICAL

Annual sales revenue (€M)

	2012	2013	2014
Sales revenue	65	64	71



Market rather dynamic

- New restocking phase at clients
- Fundamental trends: search for savings, particularly through innovation, introduction of generic products, single use ancillaries, etc.

Significant progress in performance results

- Tangible improvement of the quality indicators throughout the sites
- Reinforced relationship with the main orthopedic client
- Orders for new orthopedic products approx. €2 M

Comments regarding business activity in 2014 and outlook

- Sharp increase in activity at the end of the year and improved profitability
- Record level of the order book
- Good prospects for 2015

Market

The global market for orthopedics and implants had a rather dynamic year 2014 with a new phase of restocking. The competitive landscape in the United States, where medium-sized companies dominate, continues to consolidate. In general, the underlying trends remain unchanged: search for savings, particularly through innovation, introduction of generic products, single use ancillaries, etc.

LISI MEDICAL considers the orthopedic implant market to be still growing in the range of 3 to 4% per year, but with jolts depending on the stocking-destocking phases.

Activity

In €M	2014	% Group	2013	Changes
Sales revenue	71.1	6%	64.1	+10.8%
EBIT	3.5	3%	2.5	+38.5%
Operating cash flow	3.5	2%	1.6	+123.9%
Net CAPEX	- 4.6	5%	- 3.1	+48.4%
Operating cash flow surplus Free Cash-Flow[1]	- 1.0	NA	- 1.3	- 23.4%
Registered employees at period end	538	5%	474	+13.5%
Full time equivalent head count[2]	597	5%	536	+11.4%

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

The annual sales revenue stood at €71.1 M, an increase of 10.8% due to a sharp increase in activity in the fourth quarter alone (+23.2% to €18.6 M). Production amounted to €70.3 M, allowing to lower inventories towards the end of the year.

Commercially, order taking in the last two months has been quite encouraging with a record book to €20.1 M at end December 2014.

The operating margin has benefited from improved coverage of fixed costs (methods, engineering, innovation) and stood at 5.0% (4.0% in 2013). All other management indicators are improving. CAPEX remained high with €4.6 M in commitments and €4.2 M recorded (new equipment and production capacity extension). With inventories at 80 days of sales (94 days in 2013), the working capital has declined sharply. Consequently, the Free Cash Flow improved, setting itself at - €1.0 M in 2014 (- €1.3 M in 2013).

To cope with the surge of activity, hiring, particularly of operators and polishers, mainly on the Caen site, has been accelerated. Thus, FTEs totaled 597 people at period end, versus 536 in 2013.

OUTLOOK

LISI MEDICAL started the year with the assurance that the main site of Caen had a robust order book. The development of new products with new customers remains the main objective with the perspective of extending the plant.

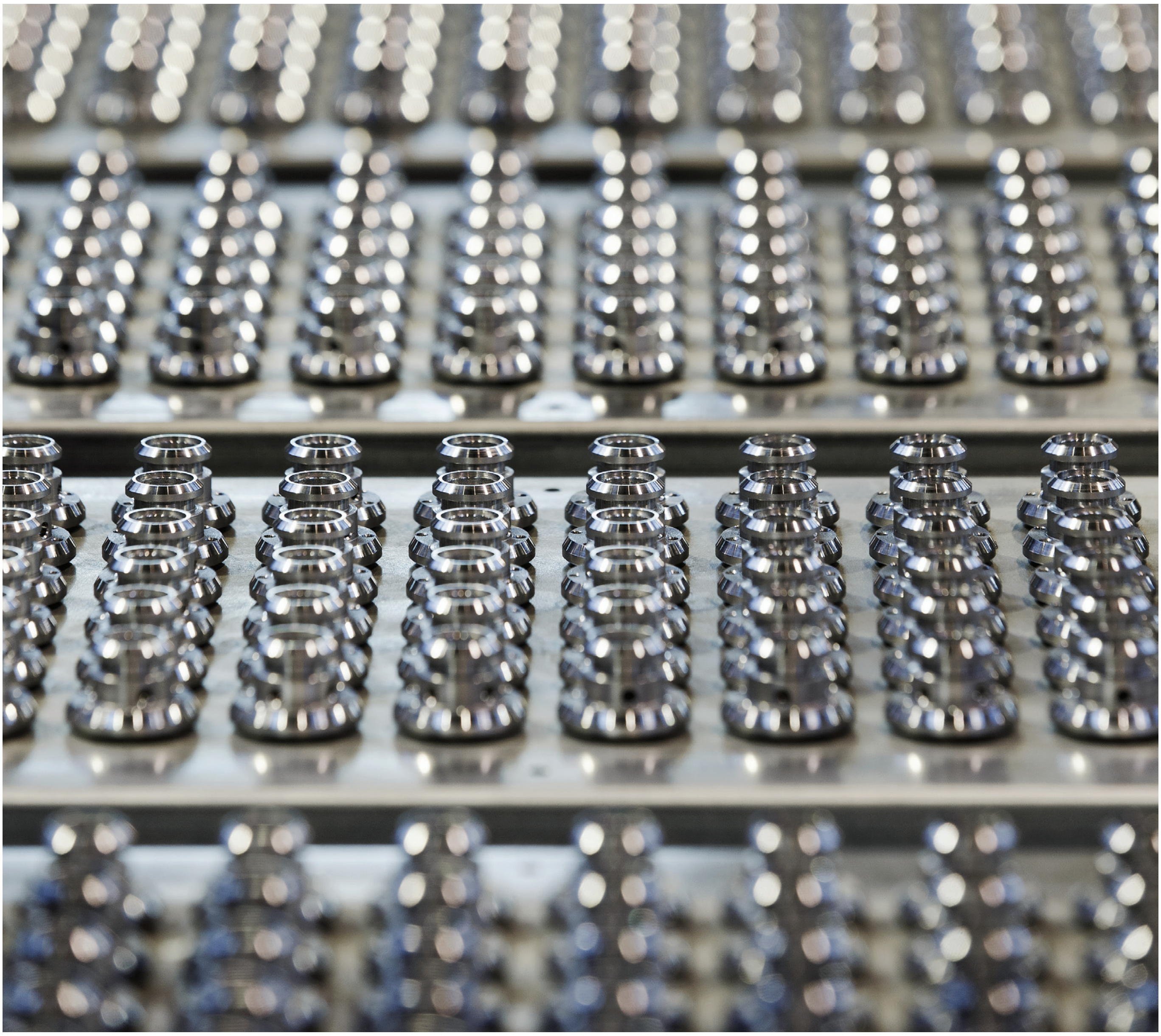
The sites of Neyron (France) and Escondido (USA) remained in a reversal situation and should reach critical mass in the course of the year.

Overall, the outlook is in line with 2014, with an improvement in the volume of business and of all management indicators.

Additionally, LISI MEDICAL will take over the volume achieved by Manoir Aerospace in orthopedics (between roughly €300 and €400 K on a full year basis) to improve the level of service to its customers.

CONSOLIDATED FINANCIAL STATEMENTS

3



1 | FINANCIAL STATEMENTS

1.1 | INCOME STATEMENT

(in €'000)	Notes	12/31/2014	12/31/2013
Pre-tax sales	2.6.1	**1,306,530**	**1,148,971**
Changes in stock, finished products and production in progress		1,682	12,474
Total production		1,308,213	1,161,445
Other revenues *		17,440	14,016
Total operating revenues		**1,325,653**	**1,175,461**
Consumed goods	2.6.2	(344,613)	(310,892)
Other purchases and external expenses	2.6.3	(265,077)	(219,416)
Value added		**715,963**	**645,154**
Taxes and duties **		(9,479)	(8,614)
Personnel expenses (including temporary employees)***	2.6.4	(513,273)	(457,657)
EBITDA		**193,211**	**178,883**
Depreciation		(64,630)	(57,450)
Net provisions		3,097	7,456
EBIT		**131,678**	**128,889**
Non-recurring operating expenses	2.6.6	(10,852)	(16,393)
Non-recurring operating revenues	2.6.6	8,058	2,639
Operating profit		**128,883**	**115,134**
Financing expenses and revenue on cash	2.6.7	(6,410)	(1,310)
Revenue on cash	2.6.7	*807*	*1,948*
Financing expenses	2.6.7	*(7,217)*	*(3,258)*
Other interest revenue and expenses	2.6.7	1,563	(2,504)
Other financial items	2.6.7	*28,285*	*12,676*
Other interest expenses	2.6.7	*(26,722)*	*(15,180)*
Taxes (of which CVAE (Tax on Companies' Added Value)**	2.6.8	(42,587)	(36,779)
Share of net income of companies accounted for by the equity method		31	
Profit (loss) for the period		**81,479**	**74,540**
attributable as company shareholders' equity		81,386	74,639
Interest not granting control over the company		93	(99)
Earnings per share (in €)**:**	2.6.9	**1.55**	**1.42**
Diluted earnings per share (in €)** :**	2.6.9	**1.55**	**1.42**

* In order to provide readers of the financial statements with better information that is in accordance with international standards, in the 2014 financial statements the Company has continued classifying revenues related to CIR (Research Tax Credit) as "Other Revenues".
** As at December 31, 2014, in accordance with the CNC (National Accounting Committee) notice of January 14, 2010, the amount of CVAE (Tax on Companies' Added Value) was classified as "Corporate Taxes" (on profits) in the sum of -€6.0 M.
*** The "CICE" (Tax credit for competitiveness and employment) has been presented in application of the IFRS standards as a deduction from the employment-related expenses for an amount of €8.6 M.
**** Stock split by 5 of the LISI share on September 12, 2014.

STATEMENT OF OVERALL EARNINGS

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

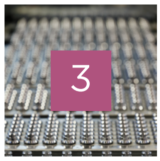
1.2 | STATEMENT OF FINANCIAL SITUATION

ASSETS

(in €'000)	Notes	12/31/2014	12/31/2013
LONG-TERM ASSETS			
Goodwill	2.5.1.1	256,511	174,768
Other intangible assets	2.5.1.1	16,349	13,675
Tangible assets	2.5.1.2	431,847	371,208
Long-term financial assets	2.5.1.4	9,357	6,385
Deferred tax assets	2.5.7	22,992	11,066
Other long-term assets	2.5.1.5	976	936
Total long-term assets		**738,034**	**578,038**
SHORT-TERM ASSETS			
Inventories	2.5.2.1	316,989	258,178
Taxes – Claim on the state		5,744	11,680
Trade and other receivables	2.5.2.2	216,107	169,479
Cash and cash equivalents	2.5.2.3	110,818	94,000
Total short-term assets		**649,657**	**533,337**
TOTAL ASSETS		**1,387,691**	**1,111,375**

TOTAL EQUITY AND LIABILITIES

(in €'000)	Notes	12/31/2014	12/31/2013
SHAREHOLDERS' EQUITY			
Capital stock	2.5.3	21,610	21,573
Additional paid-in capital	2.5.3	72,584	70,803
Treasury shares	2.5.3	(15,042)	(14,135)
Consolidated reserves	2.5.3	542,375	487,458
Conversion reserves	2.5.3	11,248	(12,078)
Other income and expenses recorded directly as shareholders' equity	2.5.3	(6,505)	(3,084)
Profit (loss) for the period	2.5.3	81,386	74,639
Total shareholders' equity - Group's share	2.5.3	**707,657**	**625,179**
Minority interests		1,117	1,253
Total shareholders' equity		**708,777**	**626,434**
LONG-TERM LIABILITIES			
Long-term provisions	2.5.4	83,474	60,680
Long-term borrowings	2.5.6.1	245,690	118,640
Other long-term liabilities	2.5.7	9,071	7,726
Deferred tax liabilities	2.5.7	21,584	22,763
Total long-term liabilities		**359,819**	**209,809**
SHORT-TERM LIABILITIES			
Short-term provisions	2.5.4	22,907	21,060
Short-term borrowings*	2.5.6.1	46,363	43,178
Trade and other accounts payable		244,261	207,627
Taxes due		5,566	3,626
Total short-term liabilities		**319,096**	**275,131**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,387,691**	**1,111,375**
* of which banking facilities		10,066	8,224



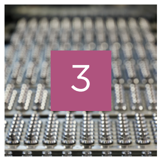
1.3 | CASH FLOW MOVEMENT TABLE

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

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

1.4 | STATEMENT OF SHAREHOLDERS' EQUITY

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



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, 2014 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:

- On June 5, 2014, LISI AEROSPACE CREUZET acquired 100% of the shares of the Manoir Aerospace Group for € 126.4 M. The Manoir Aerospace Group specializes mainly in the forging of metal components exclusively for motor or aeronautical structure applications. LISI AEROSPACE thus combines "Fasteners" and "Structural Components", which now consists of LISI AEROSPACE CREUZET, specializing in structural components and technical assemblies, and the Manoir Aerospace Group.

- Following a decision of the Extraordinary General Meeting held on April 23, 2014, and the delegation of authority by the Board of Directors on July 24, 2014, the CEO, on September 8, 2014 decided that with effect from September 12, 2014 the nominal value of LISI SA's share would go from € 2 to € 0.40. The company's capital will accordingly consist of 54,023,875 shares at a nominal value of €0.40 each. The sole purpose of this operation is to improve the share's liquidity and to make the share more accessible to individual shareholders.

2.2 | ACCOUNTING RULES AND METHODS

The financial statements drawn up as at December 31, 2014 were approved by the Board of Directors on February 18, 2015 and will be submitted to the Combined General Meeting on April 22, 2015.

2.2.1 Background to the preparation of the consolidated financial statements for the 2014 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, 2014.

2.2.1.1 Standards, amendments and interpretations adopted by the EU and mandatory for reporting periods beginning on or after January 1, 2014

- IFRS 10 "Consolidated financial statements"
- IFRS 11 "Joint Arrangements"
- IFRS 12 "Disclosure of interests in other entities"
- Revised IAS 27 "Separate financial statements"
- Revised IAS 28 "Investments in associates"
- Amendment to IAS 36 "Impairment of Assets" - Recoverable Amount Disclosures for Non-Financial Assets
- Amendment to IAS 39 – Financial instruments: Recognition and Measurement"

Changes and impacts related to IFRS 11 are detailed in paragraph 2.3.1. "Changes in the consolidation scope in the financial year 2014". Other texts applicable on a mandatory basis from January 1, 2014 have no material impact on the Group's financial statements.

2.2.1.2 Standards, amendments and interpretations of IFRS standards published and applied early by the Group as of January 1,2014

None

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 2.2.13 and 2.2.14),
- 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 2.2.14.2),
- recognition of deferred tax assets (note 2.2.18.5).

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 2.2.13 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.).
Historically the sensitivity of the risk of non-performance has never had a significant impact.

Assessment of the major sources of uncertainty
The Group's various business sectors have experienced expected growth in recent years; these changes have not generated any major uncertainties although the group operates in an industry (Automotive) in crisis across the European region.

Identified sensitivities
The main sensitivities identified and tracked by management concern the data and assumptions related to the implementation of the impairment tests. These assumptions are consolidated through a collection process of forecast information from major players in the sector (market assumptions) and actuaries (rate assumptions).

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 €1.4 M taken on the shareholders' equity of the Group. This deferred tax stock is reused as the depreciation of fixed assets included in the calculation is recorded to the accounts. As at December 31, 2014 the balance of net deferred tax concerned stood at €4 M.

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 €8.6 M.

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 2.3.2. As at 31 December 2014 in accordance with IFRS 11 "Joint Arrangements", ANKIT Fasteners was consolidated by the equity 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, 2.2.15 and 2.2.16.

2.2.6.2 Financial derivatives

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing 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 an impairment test at each annual close (see note 2.2.7.1) 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 of Business Units (B.U.) corresponding to the strategic segmenting and the reporting structure of the LISI Group.

The LISI AEROSPACE division is split into 8 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. - Extrusion, Forming and Sheet Metal
- Technical components B.U. - Forging and casting

The LISI AUTOMOTIVE division is split into 3 CGUs:
- Threaded fasteners B.U.,
- Safety and 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 mainly includes capitalization contracts and equity method investments. 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 or in house 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.

In accordance with the revised IAS 19, actuarial gains and losses have been recognized as Other comprehensive income since January 1, 2012.
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).

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 2014 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 (see Chapter 3 note 2.5.2.3 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 total shareholders' equity.

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

Book to bill: Ratio of orders taken during the period to invoices issued during that same period.

Revalued Net Assets (RNA): Average of [(0.95 x Group Sales) + (6.5 x Group EBITDA) + (10 x Group EBIT)] - Group Net Debt

2.3 | CONSOLIDATION SCOPE

2.3.1 Changes in the consolidation scope in the financial year 2014

Acquisition of the Manoir Aerospace Group

On June 5, 2014, LISI AEROSPACE Creuzet acquired a 100% stake in Airmon Holdings 1 SAS for an amount of € 126.4 M (excluding acquisition costs and related items). Airmon Holdings 1 SAS and its subsidiaries (Manoir Aerospace SAS, Forges de Bologne SAS, Précimétal Fonderie de Précision and Précimétal Outillage de Précision) are fully consolidated. The takeover date of the Manoir Group is June 5, 2014, which is the date on which the Manoir Group entered the LISI consolidation scope.

On December 31, 2014, the preliminary allocation of the acquisition price was as follows:

(in €'000)	Fair value recognized on the acquisition date
Fixed assets	28,715
Other net short-term assets and liabilities	2,620
Net inventories	43,773
Net debt	(27,332)
Taxes and provisions	(10,372)
Cash and cash equivalents	8,841
Total net worth	**46,245**
% of the value of the assets taken over	100,00 %
Share of net worth acquired	**46,245**
Acquisition price	126,445
Goodwill	**80,200**

The LISI Group proceeded, on December 31st, to a preliminary estimate of the allocation of the goodwill on acquisition leading to an adjusted net position of the acquired group of € 46.2 M and the recognition of an initial goodwill of € 80.2 M. In line with the revised IFRS 3 standard on business combinations, the LISI Group has 12 months from the date of acquisition to determine a definitive acquisition price and to definitively calculate goodwill. Accordingly, the amounts recognized as at December 31, 2014 as part of the acquisition of the Manoir Aerospace Group will likely be reviewed at subsequent year ends.

Changes in scope are included in the thresholds recommended by the supervision authorities. We have not established any proforma statements.

The contribution to Group results for the year 2014 is as follows:

(in €'000)	2014
Sales revenue	94,752
EBIT	3,669

Acquisition of LISI minority interests in LISI Jiehua Automotive Co. Ltd

On January 30, 2014 LISI AUTOMOTIVE SAS acquired the minority interests of LISI Jiehua Automotive Co. Ltd. for HKD 13.3 M, i.e. € 1.2 M. Following this acquisition, LISI Group's interest in LISI Jiehua Automotive Co. Ltd rose from 75% to 100%. The impact on equity was € 1.2 M.

Change in the integration method of Ankit Fasteners Pvt Ltd

In accordance with IFRS 11 "Joint Arrangements", ANKIT Fasteners Pvt Ltd has been consolidated by the equity method since January 1, 2014. The impact on the consolidated financial statements is not significant.

Absorption of A1 Technologies Inc. by Hi-Shear Corp.

On july 31, 2014 Hi-Shear Corp. absorbed A1 Technologies Inc.

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 (B)	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
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

Companies	Head Office	Country	% of control	% interests
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 12^{e} (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	Casablanca	Morocco	100.00	100.00
CREUZET POLSKA Sp. Z o o	Sedziszow Malopolski	Poland	70.00	70.00
AIRMON HOLDINGS 1 SAS (A)	Paris 8e (75)	France	100.00	100.00
MANOIR AEROSPACE SAS(A)	Paris 8e (75)	France	100.00	100.00
FORGES DE BOLOGNE SAS (A)	Bologne	France	100.00	100.00
PRECIMETAL FONDERIE DE PRECISION (A)	Seneffe	Belgium	100.00	100.00
PRECIMETAL OUTILLAGE DE PRECISION (A)	Seneffe	Belgium	100.00	100.00
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
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	100.00
LISI AUTOMOTIVE (SHANGHAI) CO., Ltd	Shanghai	China	100.00	100.00
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				
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) Newly-consolidated companies as at December 31, 2014.
(B) On July 31st, A1 Technologies Inc was absorbed by High Shear Corporation.

2.4 | FINANCIAL RISK MANAGEMENT

The Group is exposed to the main following risks arising from the use of financial instruments:

- credit risk,
- liquidity risk,
- market risk,
- interest rate risk,
- currency risk.

2.4.1 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.

At December 31, 2014 the amount of provisions for doubtful debts amounted to € 4.3 M, to be compared to total receivables of € 248.2 M. The amount of the permanent losses recognized over the year was € 0.2 M.

Risk on investment securities

On December 31, 2014, the Group's balance sheet showed cash and cash equivalents of € 110.8 M (see §2.5.2.3 Cash and cash equivalents). The cash equivalents are mainly 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.

2.4.2 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.

As at December 31, 2014, the Group had available in addition to undrawn medium-term lines, unused bank overdraft lines of €35 M, and net cash of €110.8 M, resulting in a total financing capacity of €145.8 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

As at December 31, 2014, the former amounted to 0.256 and the latter to 0.938, compared with 0.108 and 0.379, respectively, as at December 31, 2013. The Group therefore has a very comfortable margin of safety, confirming its low liquidity risk.

(in €'000)	12/31/2014	12/31/2013
Cash and cash equivalents	110,818	94,000
Cash available [A]	**110,818**	**94,000**
Short-term banking facilities [B]	10,066	8,224
Net cash [A - B]	**100,752**	**85,776**
Credits	255,986	134,665
Other financial creditors	26,001	18,928
Net debt [C]	**281,987**	**153,593**
Net debt [D = C + A - B]	**181,235**	**67,817**
Group equity [E]	**707,657**	**625,179**
Debt ratio (expressed as %) [D / E]	**25.6%**	**10.8%**

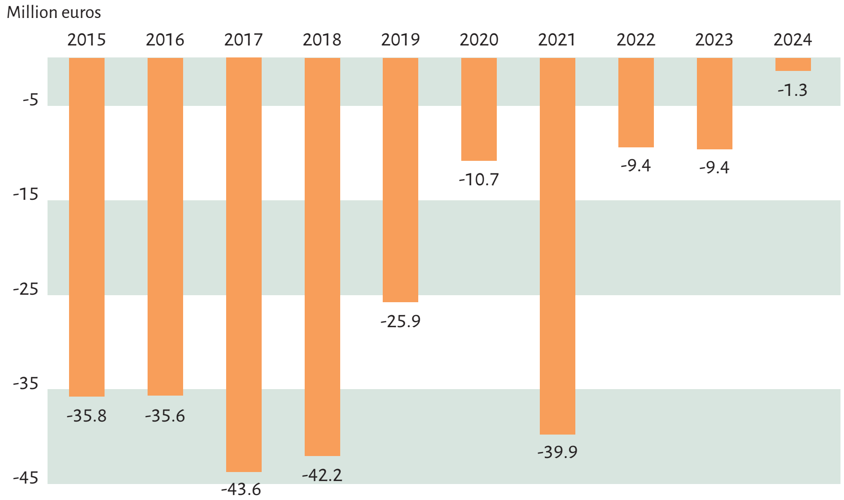
N. B. : 2012 reminder of the debt ratio as a %: 13,3 %.

The cash table for all financial liabilities is as follows:

Financial liabilities recorded on balance sheet (in €'000)	At 12/31/2014	Breakdown of contractual flows not discounted on due date			
	Net value accounting	Within less than one year	Between 1 and 5 years	Over 5 years	Total
Long-term borrowings	245,690		179,028	66,662	245,690
Other long-term financial liabilities (excl. PCA)	5,856		5,619	237	5,856
Short-term borrowings	46,363	46,363			46,363
Trade and other accounts payable	244,261	244,261			244,261
Total financial liabilities	**542,170**	**290,624**	**184,647**	**66,899**	**542,170**

Financial liabilities recorded on balance sheet (in €'000)	At 12/31/2013	Breakdown of contractual flows not discounted on due date			
	Net value accounting	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**

The graph below shows the financial flexibility of the group over 10 years.



2.4.3 Market risk

The main risks covered by the Group's financial instruments are the foreign currency risk and the interest rate risk. The value as at December 31, 2014 of the derivatives used in the management of market risks is detailed below:

(in €'000)	12/31/2014		12/31/2013	
	On the assets side	On the liabilities side	On the assets side	On the liabilities side
Interest rate risk management				
Variable rate payers swaps		2,269		688
Currency rate management				
Currency options	1,493	4,831	3,430	2,621
Total	**1,493**	**7,100**	**3,430**	**3,309**

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, 2014, 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.

2.4.3.1 Interest rate risk

The Group's main 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 2014, the Group did not put any new hedges in place and the amount of its unexpired instruments at December 31, 2014 covered a nominal amount of €90.1 M. 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)	12/31/2014	12/31/2013
Loans – variable rates	188,100	71,542
Short-term banking facilities	10,066	8,224
Cash and cash equivalents	(105,967)	(78,600)
Net position prior to management	**92,199**	**1,166**
Interest rate swap	90,128	56,491
Hedging	**90,128**	**56,491**
Net position after management	**2,071**	**(55,325)**

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, 2014, the impact of the non-hedged portion of 100 base points of variable rate change was not significant.

2.4.3.2 Commodities price fluctuation risk

This issue is dealt with in Chapter 5 § 4.6.1.

2.4.3.3 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 Group's economic performance.

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, its hedging policy is based on the management of a portfolio of financial instruments such as forward purchase with a knock-in option, allowing it to protect itself against a rise in local currencies. 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 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 such as accumulators, which enables it to secure a guaranteed average hedging rate. The hedging horizon may extend over up to 8 years. This strategy enabled the Group, in 2014, to sell a total amount of USD 8.6 M at an average rate close to 1.20.

Portfolio of foreign exchange derivatives

The main hedging instruments used by the Group as part of its foreign exchange risk management are forward sales, purchases and sales of options and structured products such as accumulators.

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

	12/31/2014					12/31/2013				
	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	5.0	5.0	0.0	0.0
Long position of GBP against USD	(1.2)	37.0	37.0	0.0	0.0	0.9	20.5	20.5	0.0	0.0
Long position of CAD against USD	(1.9)	23.1	23.1	0.0	0.0	(0.4)	32.8	19.5	13.3	0.0
Long position of TRY against EUR	1.1	10.4	10.4	0.0	0.0	(2.1)	8.6	8.6	0.0	0.0
Long position of PLN against USD	(0.3)	4.2	4.2	0.0	0.0	0.3	3.2	3.2	0.0	0.0
Long position of CZK against EUR	0.0	6.9	6.9	0.0	0.0	(0.1)	7.0	7.0	0.0	0.0
Short position of USD against EUR	(1.0)	69.7	16.8	52.9	0.0	2.1	19.9	7.3	9.1	3.6
TOTAL	**(3.3)**					**0.8**				

(1) Fair value amounts are expressed in millions of euros
(2)The maximum notional amounts are denominated in millions of euros (amounts in local currency converted into euros as at December 31, 2014).

Derivatives and hedging activities meet the cash flow hedge criteria and are accounted for in accordance with the provisions of IAS 39. Thus the hedging instruments are measured at fair value. Changes in value are recognized as transferable equity (Other Comprehensive Income) for the certain portion of the hedge and as financial income for the uncertain portion. In particular, the hedging activities accounted for as such are subject to formal documentation justifying in particular the hedging relationship, its effectiveness and the objective of the Group's risk management and hedging strategy. Effectiveness tests were carried out as at December 31, 2014 and have demonstrated the effectiveness of the hedging relationship.

The sensitivity of financial instruments to a +/- 10% change in the EUR / USD exchange rate is as follows:

	12/31/2014	
Impact in €'000	USD	
Closing price	1.2141	
Euro / dollar exchange rate development assumptions	-10%	+10%
Euro / dollar exchange rate used for the sensitivity analysis	1.0927	1.3355
Impact on the uncertain portion (before tax)	(8,532)	1,250
Impact on the certain portion (before tax)	(564)	667

2.4.4 Risk related to the impairment of intangible assets

The net amount of goodwill at December 31, 2014 amounted to € 256 M. The results of the impairment tests confirm the robustness of the CGUs of the LISI AEROSPACE division's Fasteners business and show the strengthening of the LISI AUTOMOTIVE and the LISI MEDICAL division's businesses. The Extrusion Forming and Sheet Metal CGU (goodwill of € 39 M as at December 31, 2014) has a certain sensitivity related to a context of strong industrial development over the coming years which generates some tension on the operating cash flows.

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, 2013	**177,774**
impairment over fiscal 2013	**(3,006)**
Net goodwill at December 31, 2013	**174,768**
Increase	80,200
Decrease	(212)
Changes in foreign exchange rates	4,056
Gross goodwill at December 31, 2014	**258,812**
Impairment over fiscal 2014	**(2,300)**
Net goodwill at December 31, 2014	**256,511**

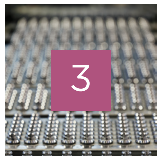
The € 80.2 M increase relates to the acquisition of the Manoir Aerospace Group in June 2014.

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

The € 0.2 M decrease relates to the use, in 2014, of the equity method for Ankit Fasteners Pvt Ltd, which was until then consolidated proportionally. The €2.3 M impairment recognized 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, 2014, the net value of goodwill broke down as follows:

	LISI AEROSPACE Division							
(In € M)	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.	Extrusion Forming and Sheet Metal B.U.	Forging & Casting B.U.	Total
Net goodwill	**0.8**	**4.5**	**14.7**	**NA**	**8.2**	**38.9**	**80.2**	**147.3**
Intangible fixed assets with an undetermined useful life	None	None	None	None	None	None	None	
Result of the impairment test	No sign of impairment	No sign of impairment	Impairment € 2.3 M	NA	No sign of impairment	No sign of impairment	No sign of impairment	
Key assumptions								
Cash flow within one year	Forecasts	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	4-year strategic plan	
Discount rate after tax	7.42%	7.42%	7.42%		7.42%	7.42%	7.42%	
Growth rate of flows not covered by the budget and strategic assumptions	2.00%	2.00%	2.00%		2.00%	2.00%	2.00%	



	LISI AUTOMOTIVE Division			
(In € M)	Threaded fasteners B.U.	Mechanical Safety Components B.U.	Clipped solutions B.U.	Total
Net goodwill	**19.6**	**1.2**	**40.8**	**61.6**
Intangible fixed assets with an undetermined useful life	None	None	None	
Trademarks	None	None	3.1	3.1
Result of the impairment test	No sign of impairment	No sign of impairment	No sign of 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	8.72%	8.72%	8.72%	
Growth rate of flows not covered by the budget and strategic assumptions	1.90%	1.90%	1.90%	

(In € M)	LISI MEDICAL Division
Net goodwill	**47.7**
Intangible fixed assets with an undetermined useful life	None
Result of the impairment test	No sign of impairment
Key assumptions	
Cash flow within one year	Forecasts
Cash flow within four years	4-year strategic plan
Discount rate after tax	7.51%
Growth rate of flows not covered by the budget and strategic assumptions	2.00%

In accordance with IAS 36 "Impairment of Assets", goodwill was tested for impairment on December 31, 2014.
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 market trends for the years 2015 to 2018.

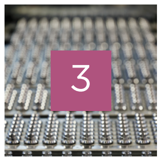
The determination of the growth rate to infinity and the discounting rates used on the CGUs of the LISI AUTOMOTIVE Division was carried out by an independent expert.

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

	December 31, 2014		December 31, 2013	
	Infinite growth rate	Discount rate	Infinite growth rate	Discount rate
LISI AEROSPACE				
USA unit	2%	7.42%	2%	7.50%
Special products	2%	7.42%	2%	7.50%
Structural components	2%	7.42%	2%	7.50%
LISI AUTOMOTIVE				
Threaded fasteners	1.90%	8.72%	1.90%	8.75%
Clipped solutions	1.90%	8.72%	1.90%	8.75%
LISI MEDICAL				
LISI MEDICAL	2%	7.51%	2%	7.75%

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:

	December 31, 2014						
	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						Undisclosed because of its underlying confidential nature	
USA unit	7.42%	854	2%	(1 400)	(62%)		(1,140)
Special products	7.42%	3 426	2%	(160 060)	(86%)		(3,030)
Structural components	7.42%	29	2%	(44)	(6%)		(50)
LISI AUTOMOTIVE							
Threaded fasteners	8.72%	108	1.90%	(180)	(14%)		(130)
Clipped solutions	8.72%	35	1.90%	(52)	(5%)		(60)
LISI MEDICAL							
LISI MEDICAL	7.51%	48	2%	(60)	(8%)		(96)



		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							Undisclosed because of its underlying confidential nature	
	USA unit	7.50%	1,150	2%	(2,200)	(70%)		(1,290)
	Special products	7.50%	3,350	2%	NA	(87%)		(2,806)
	Structural components	7.50%	40	2%	(50)	(8%)		(70)
LISI AUTOMOTIVE								
	Threaded fasteners	8.75%	205	1.90%	(345)	(24 %)		(239)
	Clipped 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, brevets et droits similaires	Autres immobilisations incorporelles *	TOTAL
Gross values at December 31, 2013	**44,137**	**16,487**	**60,624**
Other net changes	1,565	(936)	629
Acquisitions	2,984	4,176	7,160
Disposals	(474)		(474)
Scope changes	5,362	73	5,435
Exchange rate spreads	31	47	78
Gross values at December 31, 2014	**53,605**	**19,847**	**73,452**
Depreciation at December 31, 2013	**37,457**	**9,492**	**46,949**
Depreciation allowance	4,030	1,379	5,409
Depreciation reversals	(151)	(304)	(455)
Scope changes	5,145	(13)	5,132
Exchange rate spreads	22	44	66
Depreciation at December 31, 2014	**46,503**	**10,598**	**57,101**
Net values at December 31, 2014	**7,102**	**9,250**	**16,349**

* 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 scope movements concern the entry of the Manoir Group in June 2014.

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, 2013	**16,534**	**136,293**	**680,902**	**80,874**	**31,436**	**946,040**
Other net changes		12,524	36,418	1,572	(51,161)	(647)
Acquisitions	93	3,601	30,150	7,663	44,775	86,282
Disposals	(40)	(1,176)	(11,356)	(2,203)	(46)	(14,821)
Scope changes	731	7,036	78,920	1,791	1,492	89,970
Exchange rate spreads		1,337	11,681	861	1,587	15,467
Gross values at December 31, 2014	**17,318**	**159,615**	**826,717**	**90,558**	**28,079**	**1,122,288**
Depreciation at December 31, 2013	**1,047**	**61,824**	**470,037**	**54,178**	**2,137**	**589,223**
Other net changes		370	218	(205)	(15)	368
Depreciation allowance	50	5,616	45,184	6,110	220	57,180
Depreciation reversals	(6)	(1,069)	(10,164)	(1,716)		(12,955)
Scope changes		4,615	62,206	1,425		68,246
Exchange rate spreads		197	7,258	703	2	8,160
Depreciation at December 31, 2014	**1,091**	**71,553**	**574,739**	**60,495**	**2,344**	**710,222**
Net values at December 31, 2014	**16,227**	**88,062**	**251,979**	**30,064**	**25,736**	**412,068**

The scope movements concern the entry of the Manoir Group in June 2014.

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, 2013		**10,528**	**19,355**			**29,883**
Other net changes						
Acquisitions			1,867			1,867
Disposals						
Exchange rate spreads		155	169			324
Gross values at December 31, 2014		**11,740**	**32,375**			**44,115**
Depreciation at December 31, 2013		**3,070**	**12,422**			**15,494**
Other net changes						
Depreciation allowance		258	2,263			2,521
Depreciation reversals						
Scope changes		1,056	5,205			6,261
Exchange rate spreads		13	48			61
Depreciation at December 31, 2014		**4,397**	**19,937**			**24,337**
Net values at December 31, 2014		**7,341**	**12,438**			**19,779**

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

The scope movements concern the entry of the Manoir Group in June 2014.

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.

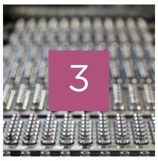
No significant commercial leases have been signed with company executives or with companies belonging to executives or their families. The total annual expense is approximately €14.1 M.

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 (In €'000)	At 12/31/2014		Breakdown by instrument category				
	Net value accounting	Fair value	Fair value via earnings	Assets available for sale	Loans and receivables	Debt at depreciated cost	Instruments derivatives
Long-term financial assets	9,357	9,357			9,357		
Other long-term assets	976	976			976		
Trade and other receivables	216,107	216,107			214,614		1,493
Cash and cash equivalents	110,818	110,818	110,818				
Total financial assets	**337,258**	**337,258**	**110,818**		**224,947**		**1,493**
Long-term borrowings	245,690	245,690				243,421	2,269
Other long-term financial liabilities (excl. PCA)	5,856	5,856				5,856	
Short-term borrowings	46,363	46,363				46,363	
Trade and other accounts payable	244,261	244,261				239,430	4,831
Total financial liabilities	**542,170**	**542,170**				**535,070**	**7,100**

Financial assets and liabilities recorded on balance sheet (In €'000)	At 12/31/2013		Breakdown by instrument category				
	Net value accounting	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**



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:

	December 31, 2014		
(in €'000)	Level 1	Level 2	Level 3
Long-term financial assets	9,357		
Other long-term assets	976		
Trade and other receivables	1,493	214,614	
Cash and cash equivalents	110,818		
Total financial assets	**122,644**	**214,614**	
Long-term borrowings	245,690		
Other long-term financial liabilities (excl. PCA)	5,856		
Short-term borrowings	46,363		
Trade and other accounts payable	4,831	239,430	
Total financial liabilities	**302,740**	**239,430**	

2.5.1.4 Long-term financial assets

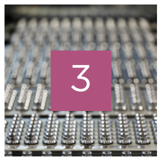
(in €'000)	Investments in associates	Other long-term investments	Other financial assets	TOTAL
Gross values at December 31, 2013		**5,232**	**1,174**	**6,406**
Other net changes	31		(80)	(49)
Acquisitions		305	46	351
Disposals			(137)	(137)
Scope changes	1,303		612	1,915
Exchange rate spreads	148	736	7	891
Gross values at December 31, 2014	**1,482**	**6,273**	**1,622**	**9,377**
Impairment at December 31, 2013		**8**	**11**	**19**
Other net changes				
Provisions for impairment of assets				
Reversals of impairment provisions				
Scope changes				
Exchange rate spreads				
Impairment at December 31, 2014		**8**	**11**	**19**
Net values at December 31, 2014	**1,482**	**6,264**	**1,611**	**9,357**

The scope movements concern the entry of the Manoir Group in June 2014.

2.5.1.5 Other long-term assets

(in €'000)	12/31/2014	12/31/2013
Other debtors	976	936
Total other long-term financial assets	**976**	**936**

The debt on the balance sheet at December 31, 2013 and December 31, 2014 primarily covers a long-term maturity tax asset.



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, 2013	**54,189**	**10,066**	**108,316**	**100,956**	**19,395**	**292,922**
Scope changes	6,988	5,157	31,487	8,169	0	51,801
- of which increases	*7,352*	*5,157*	*31,518*	*8,169*	*0*	*52,196*
- of which reductions	*(364)*	*0*	*(31)*	*0*	*0*	*(395)*
Exchange rate spreads	696	144	2,134	3,063	429	6,466
Changes in inventory	7	2,817	2,702	(770)	3,166	7,922
Reclassifications	39	216	(38)	(217)	0	0
Gross value at December 31, 2014	**61,919**	**18,399**	**144,601**	**111,201**	**22,990**	**359,110**
Impairment at December 31, 2013	**11,336**	**1,536**	**4,267**	**15,736**	**1,871**	**34,746**
Scope changes	1,118	1,280	4,072	1,951	0	8,421
- of which increases	*1,118*	*1,280*	*4,072*	*1,951*	*0*	*8,421*
- of which reductions	*0*	*0*	*0*	*0*	*0*	*0*
Reserve allowance for impairment	1,611	313	2,364	6,196	1,624	12,108
Provision reversal for impairment	(2,094)	(850)	(3,851)	(4,775)	(2,459)	(14,029)
Exchange rate spreads	165	3	170	447	91	876
Reclassifications	(4)	267	13	(9)	(267)	0
Impairment at December 31, 2014	**12,132**	**2,549**	**7,035**	**19,546**	**860**	**42,122**
Net value at December 31, 2014	**49,787**	**15,850**	**137,566**	**91,655**	**22,130**	**316,989**

The scope movements concern the entry of the Manoir Group in June 2014.

2.5.2.2 Trade and other receivables

(in €'000)	12/31/14	12/31/13
Gross debtors and apportioned accounts	186,480	139,598
Impairment of trade and other apportioned accounts	(4,265)	(4,380)
Net debtors and apportioned accounts	**182,215**	**135,218**
State - Other taxes and duties	19,448	21,196
Social charges & employees	875	336
Accounts payable - advances, debtors	2,484	2,445
Deferred charges	4,931	2,360
Other	6,154	7,925
Other receivables	33,891	34,261
Total trade and other receivables	**216,107**	**169,479**

Assignments of receivables amounted, at December 31, 2014, to €60.8 M, compared with €54.4 M at December 31, 2013. 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 five contracts for the sale of receivables, three signed for an indefinite period, the other two for a term of one year renewable automatically. These contracts provide for the opportunity to transfer receivables up to an amount of € 119 M.

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, 2014 stood at €110.8 M. This item consists mainly of investment securities held by the Group and in particular monetary SICAV instruments, for a total of €74.9 M, negotiable security deposits of €4.9 M 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)	2014	2013
Effect of the change in inventories	(8,557)	(12,640)
Effect of the change in cash flow imbalances of customers and other debtors	(5,659)	(14,369)
Effect of the change in cash flow imbalances of suppliers and other creditors	1,354	10,091
Effect of the change in cash flow imbalances for taxes	8,327	(9,220)
Change in working capital requirements	**(4,535)**	**(26,138)**

The free cash flow broke down as follows:

(in €'000)	2014	2013
Operating cash flow	140,770	142,333
Net CAPEX	(90,625)	(87,661)
Change in working capital requirements	(4,535)	(26,138)
Free Cash Flow	**45,610**	**28,534**

2.5.3 Shareholders' equity

The Group's shareholders' equity stood at €707.7 M at December 31, 2014, against €625.2 M at December 31, 2013, being an increase of €82.5 M. This change takes into account the following main factors:

Change in € M	31/12/14	31/12/13
Income for the period attributable to holders of the company's shareholders' equity,	81.4	74.6
Distribution of dividends paid in May 2014,	(17.8)	(14.7)
Treasury shares and payments in shares,	(0.1)	1.6
Actuarial gains and losses on employee benefits,	(5.2)	2.1
Fair value of cash flow hedging instruments,	1.0	(2.7)
Miscellaneous restatements,	(0.1)	(0.7)
Translation differences related to changes in the closing rate, including the revaluation of the dollar.	23.3	(9.7)
	82.5	

2.5.3.1 Capital stock

Capital stock at year-end stands at €21,609,550, broken down into 54,023,875 issued shares with a face value of €0.40.

Following a decision of the Extraordinary General Meeting held on April 23, 2014, and the delegation of authority by the Board of Directors on July 24, 2014, the CEO, on September 8, 2014 decided that with effect from September 12, 2014 the nominal value of LISI SA's share would go from € 2 to € 0.40.

The number of shares outstanding increased by 36,362 over the year, or 181 810 additional shares following the split. This is due to the capital increase operation reserved for employees:

(in €'000)	12/31/14	12/31/13
Additional paid-in capital	54,843	53,062
Contribution premiums	15,030	15,030
Merger premiums	2,711	2,711
Total	**72,584**	**70,803**

The increase in share premiums relates to the capital increase reserved for employees conducted in 2014.

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 2.7.2 and 2.7.3. They only concern existing own shares.

2.5.3.4 Dividends

The amount of dividends for the 2014 financial year submitted to the Shareholders' General Meeting on April 22, 2015 for approval breaks down as follows:

Amount in €m	2014	2013
Total net dividend	20.0	17.8

The estimated amount for 2014 is calculated based on the total number of shares, i.e. 54,023,875. 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 dividends for the 2014 financial year submitted to the Shareholders' General Meeting on April 22, 2014 for approval breaks down as follows:

Dividend per share in €	2014	2013*	2013 adjusted
Dividend per share	0.37	1.70	0.34

*before the 1:5 stock split.

2.5.4 Provisions

2.5.4.1 Changes in provisions break down as follows:

(In €'000)	At January 1, 2013	Provisions (net of reversals)	At December 31, 2013	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, 2014
Pensions and retirement	32,336	(2,926)	29,410	2,600	(3,708)	(281)	6,592	0	7,406	421	42,439
Long-service medals	3,753	132	3,885	426	(29)	0	0	0	299	0	4,581
Environment-related risks	16,476	(2,771)	13,705	2,210	(3,635)	(168)	0	0	2,530	413	15,056
Disputes and other risks	4,288	(828)	3,460	1,304	(2,197)	(362)	0	(573)	6,013	38	7,684
Guarantees to clients	6,358	813	7,171	584	0	(41)	0	0	1,630	0	9,344
Industrial reorganization	0	2,200	2,200	0	(2,220)	0	0	0	0	103	83
For taxes	843	5	848	320	0	(480)	0	0	0	0	688
For loss on contract	0	0	0	0	0	0	0	0	3,600	0	3,600
Sub-total non current provisions	**64,054**	**(3,375)**	**60,679**	**7,444**	**(11,790)**	**(1,331)**	**6,592**	**(573)**	**21,478**	**976**	**83,474**
For loss on contract	270	178	448	428	(272)	0	0	0	0	0	604
Industrial reorganization	1,239	(460)	779	0	(395)	(2)	0	137	0	8	526
Restructuring	600	7,886	8,486	904	(4,022)	0	0	0	500	0	5,868
Environment-related risks	339	(32)	307	146	(127)	(41)	0	0	0	0	284
Disputes	233	199	432	1,027	(574)	(138)	0	113	5	0	866
For taxes	257	(218)	39	0	(39)	0	0	0	0	0	0
Other risks	**13,545**	**(2,975)**	**10,570**	**6,866**	**(5,318)**	**(71)**	**0**	**323**	**2,334**	**55**	**14,758**
Subtotal short-term provisions	**16,484**	**4,577**	**21,061**	**9,371**	**(10,747)**	**(252)**	**0**	**573**	**2,839**	**63**	**22,907**
Grand Total	**80,539**	**1,201**	**81,740**	**16,815**	**(22,537)**	**(1,584)**	**6,592**	**0**	**24,317**	**1,038**	**106,381**
of which as recurring operating profit				*15,881*	*(15,201)*	*(1,584)*					
of which as non-recurring operating profit				*934*	*(7,336)*	*0*					

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.

In accordance with the revised IAS 19, all actuarial gains and losses are recognized under "Other comprehensive income" as a provision for pensions. The amounts shown for the newly-consolidated entity result from the acquisition of the Manoir Group in June 2014.

- 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. The amounts shown for the newly-consolidated entity result from the acquisition of the Manoir Group in June 2014. The bulk of the provisions relates to the decontamination risk of soils and buildings.

- 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. The amounts shown for the newly-consolidated entity result from the acquisition of the Manoir Group in June 2014. The bulk of the provisions relates to various tax and wage risks.

- 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

€ 2.2 M reversal mainly concerns the implications of the transfer of the former Racing business in the US to other Group companies. The amounts shown for the newly-consolidated entity result from the acquisition of the Manoir Group in June 2014.

- Restructuring

The €4 M reversal results from the implications of the transfer of the Thiant plant's business to two 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. The amounts shown for the newly-consolidated entity result from the acquisition of the Manoir Group in June 2014. The amounts of the provisions concern in particular a provision for quality risks of € 1.1 M in the LISI AEROSPACE division.

2.5.4.2 Commitments to the personnel

Application of revised IAS 19 as at January 1, 2012

As stated in note 2.2 Accounting policies, the LISI Group has been applying revised IAS 19 from January 1, 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 sectoral 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, 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 risks to which the plan exposes the company include: investment risk, inflation, longevity of pensioners, options, legislative.

The geographic breakdown of the Group's commitments to staff as at December 31, 2014 for defined benefit plans and the main assumptions employed in their assessment are as follows:

(in €'000)	France	Germany	USA	UK	Other
Actuarial debt	29,661	7,657	8,571	22,708	1,613
Discount rate	1.49%	2.11%	3.25%	3.71%	3.30%
Inflation - Wage increase	1.90%	1.50%	NA	3.62%	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 3.25% for American insurance plans and 3.71% for British ones.

As at December 31, 2014, the allocation of plan assets was approximately 52.5% in equities and 47.5% in bonds for the UK, and 20% in equities and 80% in bonds for the USA.

The table below details the changes, during financial 2014, of the actuarial debt, and the market value of the hedging assets (in €m):

Changes in actuarial debt	2014	2013
Actuarial debt at year start	**52,504**	**54,647**
Cost of services	1,651	1,232
Cost of accretion	2,296	1,766
Benefits paid	(3,762)	(2,893)
Discounts	(233)	0
Wind-ups	0	0
Change in consolidation scope	7,406	0
Translation differential	2,482	(731)
Actuarial losses (gains)	7,867	(1,518)
Actuarial debt at year end	**70,210**	**52,504**

Change in market value of hedging assets	2014	2013
Opening value	**23,094**	**22,312**
Contributions paid by the Group	2,196	273
Benefits withheld from fund	(1,969)	(970)
Expected yield from assets	1,113	833
Translation differential	2,061	(553)
Actuarial gains (losses)	1,276	1,200
Value at year end	**27,771**	**23,094**

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

(in €'000)	12/31/14	12/31/13
Liabilities recognized at year end	**(42,439)**	**(29,410)**

The expense recognized in the operating income statement by the Group for 2014 for defined benefits plans came to €2.6 M and breaks down as follows:

(in €'000)	2014	2013
Cost of services	1,651	1,232
Cost of accretion	2,296	1,766
Expected yield from assets	(1,113)	(833)
Reductions / Wind-ups	(233)	0
Recognized expense (revenue)	**2,600**	**2,165**

Two foreign affiliates of the LISI AEROSPACE division are concerned by the management of hedging assets. The actual return on these assets is variable and is in the average of the equity bond portfolios' markets.

2.5.5 Other long-term liabilities

(in €'000)	2014	2013
Deposits and sureties received	237	192
Employee profit-shorting for the year	5,619	5,440
Deferred income	3,215	2,094
Total other long-term liabilities	**9,071**	**7,726**

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)	12/31/14	12/31/13
Non-current share		
Mid-term loans	220,457	104,046
Debt related to lease agreements	16,818	8,853
Employee profit-sharing (frozen on a current account)	8,414	5,740
Subtotal non-current debt	**245,690**	**118,640**
Current share		
Banking facilities for operations [B]	10,066	8,224
Mid-term loans	35,523	30,618
Debt related to lease agreements	140	3,135
Employee profit-sharing (frozen on a current account)	634	1,202
Subtotal current debt	**46,363**	**43,178**
Total debt	**292,053**	**161,818**

b) Breakdown by maturity date

(in €'000)	12/31/14	12/31/13
Borrowings		
due within one year	35,523	30,618
due within two to five years	126,075	44,837
due within over five years	94,382	59,208
Subtotal borrowings	**255,980**	**134,663**
Other financial creditors		
due within one year	10,840	12,560
due within two to five years	22,953	11,321
due within over five years	2,279	3,273
Other debt subtotal	**36,072**	**27,153**
Borrowings and debt	**292,053**	**161,818**

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 12/31/2014 In € M	Maturity date	Items exist currency hedging or in currency	Covenant
LISI S.A	Conventional loan		Euribor 3 months + margin	30.0	27.0	2019	Partly covered by a swap	[1]
	Conventional loan [2]		Euribor 3 months + margin	30.0	27.0	2019	Partly covered by a swap	[1]
	Conventional loan [2]		Euribor 3 months + margin	30.0	27.0	2019	Partly covered by a swap	[1]
	Conventional loan [2]		Euribor 3 months + margin	30.0	27.0	2019	Partly covered by a swap	[1]
	Conventional loan [2]		Euribor 3 months + margin	30.0	27.0	2019	Partly covered by a swap	[1]
				30.0	30.0	2021		
	USPP *	3.64%		56.0	56.0	2023		[2]
CREUZET AERONAUTIQUE	Conventional loan		Euribor 1 month + margin	3.9	2.7	2020	Covered by a swap	[1]
LISI AUTOMOTIVE FORMER	Conventional loan		Euribor 3 months + margin	7.0	3.0	2017	Covered by a swap	
				6.0	5.6	2021		
				3.0	3.0	2024		[1]
				3.0	3.0	2024		[1]
LISI AUTOMOTIVE KNIPPING Espana S.A	Conventional loan		Euribor 1 year + margin	1.5	0.6	2020		
	Conventional loan		Euribor 1 year + margin	5.0	1.5	2018		
LISI AUTOMOTIVE KNIPPING Verbindungstechnik	Conventional loan	1.50%		1.1	0.1	2017	Intention letter by LISI AUTOMOTIVE	
LISI MEDICAL Fasteners	Conventional loan		Euribor 3 months + margin	4.5	3.7	2024	Covered by a swap	[1]
			Total	**271.0**	**244.2**			

* 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]

- 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)	12/31/14	12/31/13
Deferred tax assets	22,992	11,066
Deferred tax liabilities	(21,584)	(22,763)
Net deferred taxes	1,408	(11,697)

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, 2014, would generate deferred tax assets for €19.1 M.

Deferred tax assets by early recoverability horizon as at December 31, 2014 :

- 1 year	1 to 5 years	+ 5 years	Total
719	20,289	1,984	22,992

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 2014	TOTAL 2013
Consumption of goods	897	22,243	3,419	(603)	25,955	26,435
Consumption of raw materials	130,777	83,419	10,061	(13)	224,243	202,750
Tools	34,904	20,109	2,853	(50)	57,816	55,800
Other purchases	19,093	15,821	1,667	17	36,598	25,907
Total consumption	**185,671**	**141,592**	**18,000**	**(649)**	**344,613**	**310,892**

2.6.3 Other purchases and external expenses

(in €'000)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL 2014	TOTAL 2013
Subcontracting	39,082	37,654	4,242	(49)	80,929	66,731
Maintenance	25,971	20,385	2,549	394	49,299	41,825
Transport	10,084	13,214	464	1	23,762	19,251
Energy	14,516	16,122	1,057	10	31,705	27,910
Total other purchases and external costs	57,900	22,947	4,591	(6,056)	79,383	63,699
Total other purchases and external costs	**147,553**	**110,322**	**12,903**	**(5,700)**	**265,077**	**219,416**

2.6.4 Payroll expenses

(in €'000)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL 2014	TOTAL 2013
Temporary employees	21,712	8,794	3,411	4	33,921	25,124
Salaries and incentives	205,411	110,511	19,776	2,762	338,460	302,300
Layoff pay	1,274	749	234	7	2,264	2,351
Social contributions and taxes on salaries	81,007	40,667	8,505	1,223	131,402	121,343
Employee profit-sharing	5,419	0	200	0	5,619	5,440
Pensions and long-service medals	785	643	177	0	1,605	1,100
Total payroll expenses	**315,608**	**161,364**	**32,303**	**3,996**	**513,273**	**457,657**

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 2014 some 2.0% of the Group's employees.

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

(In € M)	2014	2013	2012
R&D expenses	21.5	18.9	22.7
% of sales revenue	1.7%	1.7%	2.1%
Activated projects	0	0	0.2

2.6.6 Non-recurring operating expenses and revenues

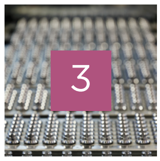
Non-recurring operating expenses and revenues break down as follows:

(in €'000)	12/31/14	12/31/13
Non-recurring operating expenses		
Insurance deductible		(300)
Industrial reorganization costs	(7,580)	(1,437)
Other costs	(38)	(145)
Reserve allowance for industrial reorganizations	(934)	(11,505)
Provisions allowance for restructurings		
Impairment of B.U. goodwill USA unit	(2,300)	(3,006)
Total	**(10,852)**	**(16,393)**
Non-recurring operating revenues		
Industrial reorganization plan provision reversals	7,336	2,639
Other revenues	722	
Total	**8,058**	**2,639**
Non-recurring revenue and expenses from operations	**(2,795)**	**(13,754)**

The rules for the presentation and definition of non-recurring income and expenses remain unchanged compared to December 31, 2013.

The amount of € 7.6 M mainly concerns the reorganization of the Threaded Fasteners BU through the closure of the Thiant plant and the transfer of its business to two other French sites (for € 4.2 M) and the reorganization of the Racing business in the LISI AEROSPACE division following the transfer of assets of the former Racing USA business to other Group companies (up to € 2.1 M). The balance relates to the Manoir Group.

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)	12/31/14	12/31/13
Financing expenses and revenue on cash		
Revenue on cash	568	694
Impact of the change in fair value of interest rate hedges	239	1,254
Impact of the change in fair value of interest rate hedges	(1,819)	
Financing expenses	(5,397)	(3,258)
Subtotal income from cash and cash equivalents	(6,410)	(1,310)
Other interest revenue and expenses		
Foreign exchange gains	28,285	12,676
Foreign exchange losses	(22,809)	(13,955)
Impact of the change in fair value of interest rate hedges	(3,263)	(408)
Other	(649)	(817)
Financial income and expenses	1,563	(2,504)
Non-operating profit	(4,847)	(3,814)

The financial net income of - € 4.8 M comprises, on the one hand, the cost of financing for - € 4.6 M - namely an average cost of debt of 2% - up compared to 2013 due to the raising of credit lines following the acquisition of the Manoir Group and, on the other hand, the effect of currency variations: over the year, they generated a gain of + € 2.2 M, compared with a loss of - € 1.7 M in 2013.

2.6.8 Income tax

2.6.8.1 Income tax breakdown

Breakdown (In €'000)	Profit (loss) before tax	Tax*	Share of net income of companies accounted for by the equity method	Profit (loss) after tax
Income from ordinary operations	132,450	(39,004)		93,446
Share of net income of companies accounted for by the equity method			31	31
Non-recurring operating expenses and revenues	(2,796)	1,097		(1,699)
Employee profit-sharing	(5,619)	2,028		(3,591)
Tax credits		114		114
CVAE (TAX ON COMPANIES' ADDED VALUE)		(6,823)		(6,823)
Profit (loss) for the period	**124,035**	**(42,587)**	**31**	**81,479**

* of which taxes due: - €36,195 K
of which deferred taxes : + €317 K
of which tax credits: + €114 K
of which CVAE (Tax on Companies' Added Value): - €6,823 K

2.6.8.2 Proof of tax

(in €'000)	12/31/14	%
RN	**81.4**	
Share of income (loss) from MEE	0.0	
Recorded income tax (income tax+income tax credit+ID+CVAE)	42.6	
Profit (loss) before income tax	**124.0**	
Parent company standard rate	36.10%	
Theoretic income tax/rate at 36.10%	**44.76**	**105.09%**
Difference		
Share of non deductible expenses	1.23	2.9%
Delta central rate / local rates	(5.43)	(12.7%)
Tax credit	(0.11)	(0.3%)
Activities not subject to taxation	(0.77)	(1.8%)
Elimination of dual taxation of dividends	2.31	5.4%
Income from prior periods	0.63	1.5%
Unused tax losses	0.68	1.6%
Tax loss carryforwards unrecognized in N-1	(0.47)	(1.1%)
Tax consolidation France	0.87	2.0%
Foreign tax consolidation	(0.01)	0.0%
CIR	(1.13)	(2.6%)
CVAE (TAX ON COMPANIES' ADDED VALUE)	(3.09)	(7.3%)
CICE	4.36	10.2%
3% tax on LISI SA dividends	0.53	1.3%
Permanent differences	(1.86)	(4.4%)
Other	0.10	0.2%
Income tax recorded to the income statement (incl. CVAE)	**42.6**	**100.0%**
Effective tax rate (tax expense in the income statement as a ratio of pre-tax income)	**34.36%**	

The tax charge, calculated on the basis of the corporation tax as a percentage of the net income before taxes, reflects an effective average rate of tax of 34.4%, slightly up compared with 2013 (33.2 %).

2.6.8.3 Tax rates applied by LISI Group companies

	2014	2013
Germany	30.00 %	30.00 %
UK	23.00 %	23.00 %
Belgium	34.0 %	NA
Canada	26.9 %	26.9 %
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 2.2.1.8.6.

The tables below indicate the reconciliation between the non-diluted and the diluted earnings per share.
The elements relative to December 31, 2013 have been restated due to the 1:5 stock split conducted in 2014.

12/31/14 (in €'000)	Profit (loss) for the period	Number of shares	Net earnings per shares in €
Total stocks		54,023,875	
Treasury shares		(1,442,328)	
Basic earnings per share	**81,386**	**52,581,547**	**1.55**
Diluted earnings per share	**81,386**	**52,581,547**	**1.55**

12/31/13 adjusted (in €'000)	Profit (loss) for the period	Number of shares	Net earnings per shares in €
Total stocks		53,932,470	
Treasury shares		(1,521,570)	
Basic earnings per share	**74,639**	**52,410,900**	**1.42**
Diluted earnings per share	**74,639**	**52,410,900**	**1.42**

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.

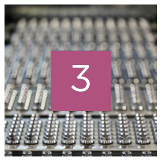
The "Others" heading mainly consists of the holding company LISI S.A. and disposals.

2.7.1.1 By line of business

(in €'000)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL
12/31/14					
Income component					
Sales revenue by business sector	788,074	448,327	71,076	(947)	1,306,530
EBITDA	146,277	38,734	6,915	1,285	193,211
Depreciation allowance and provisions	32,151	25,402	3,399	581	61,533
EBIT	114,126	13,332	3,517	703	131,678
Operating profit	111,155	12,505	3,519	1,704	128,883
Profit (loss) for the period	72,315	6,692	(15)	2,487	81,479
Balance sheet component					
Working capital requirement	250,567	69,113	12,664	(5,724)	326,620
Net fixed assets	399,004	238,794	76,074	194	714,064
Acquisitions of fixed assets	52,264	35,572	4,638	74	92,548
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

2.7.1.2 Breakdown by business sector and by country

(in €'000)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL
12/31/14					
Income component					
Revenue by destination area					
European Union	509,812	371,285	52,851	(947)	933,002
of which France	*300,967*	*149,624*	*8,993*	*(947)*	*458,637*
North American continent	242,273	20,417	15,065		277,755
Other countries	35,988	56,625	3,160		95,773
Total	**788,074**	**448,327**	**71,076**	**(947)**	**1,306,530**
Balance sheet component					
Net fixed assets by destination area					
European Union	271,002	233,659	63,962	192	568,815
of which France	*255,191*	*151,057*	*63,962*	*192*	*470,402*
North American continent	91,015		12,113		103,128
Africa	15,755				15,755
Asia	21,308	5,134			26,442
Total	**399,080**	**238,794**	**76,074**	**194**	**714,140**
Flows provided by or used for acquisition of fixed assets by destination area					
European Union	31,007	33,885	4,052	74	69,018
of which France	*28,804*	*25,355*	*4,052*	*74*	*58,285*
North American continent	17,877		586		18,463
Africa	781				781
Asia	2,597	1,689			4,286
Total	**52,264**	**35,572**	**4,638**	**74**	**92,548**
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*
North American continent	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**	**(1,278)**	**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*
North American continent	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*
North American continent	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**



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 achievement of these criteria at the end of 2013, namely the Group RNA and the division RNA, has led to the realization of this plan over the year 2014, up to 70% for LISI SA, 80% for the LIS AEROSPACE division, 35 % for the LISI AUTOMOTIVE division, and 20% for LISI MEDICAL division. The final cost was allocated to the divisions.

Similar plans were set up in 2012, 2013 and 2014 to the extent that the Board of Directors of October 24, 2012, October 24, 2013, and October 23, 2014, renewed the opening of a new plan under similar terms.
The fair value of these benefits is recognized in the income statement linearly over the vesting period.

The fair value of the benefits thus granted is recognized in 2014 in Payroll expenses for €1.2 M for the employees of the French companies, against shareholders' equity, and for €0.5 M 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

	Expenses for the period		Liabilities At 12/31/2014
(In €'000)	2014	2013	
Gross short-term benefits (salaries, bonuses, etc.)	1,055	1,030	
Post-employment benefits (IFC)	463	325	463
Other long-term benefits			
Termination benefits			
Equity compensation benefits	151	133	151
Total compensation	**1,670**	**1,488**	**614**

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 2013 and 2014 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 imposed upon them, namely, to acquire 650 shares of the company for the 2013 Plan and 600 shares of the company for the 2014 plan at the end of the vesting period, and to keep in registered form a share of actions that have been granted free (1,000 shares for the 2013 plan, and 600 shares for the 2014 plan) up until the end of their term of office.

Concerning the retirement gratuities, no specific benefit is contractually agreed upon, 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:

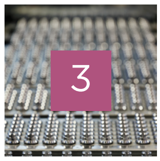
(In € '000)	2014	2013
Balance of investment orders	53,270	50,158
Training entitlements	6,645	5,610
Guarantees and deposits	76	83
Commitments made	**59,991**	**55,852**
Rate swap	90,128	56,491
Foreign exchange hedging	157,150	97,084
Reciprocal commitments	**247,278**	**153,575**

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.

As at December 31, 2014, the features of the swap contracts were as follows:

Notional at 12/31/2014	Face value (in €'000)	Departure date	Maturity date	Paying rate	Receiving rate	Market value (NPV) in €'000
LISI S.A.	5,000				Euribor 3 months	(27)
LISI S.A.	15,000	09/30/11	09/30/16	2.0730%	Euribor 3 months	(107)
LISI S.A.	4,750	12/30/11	12/30/16	1.3925%	Euribor 3 months	(23)
LISI S.A.	15,000	05/31/12	05/31/17	1.0700%	Euribor 2 months	(368)
LISI S.A.	9,500	06/29/12	03/31/17	1.0750%	Euribor 3 months	(57)
LISI S.A.	5,000	06/10/14	06/10/21	0.9400%	Euribor 3 months	(197)
LISI S.A.	5,000	06/10/14	06/10/21	0.9400%	Euribor 3 months	(196)
LISI S.A.	10,000	06/10/14	06/10/21	0.9700%	Euribor 3 months	(409)
LISI S.A.	5,000	06/10/14	06/10/21	0.9525%	Euribor 3 months	(199)
LISI S.A.	5,000	06/10/14	06/10/21	0.9675%	Euribor 3 months	(204)
LISI S.A.	25,000	06/30/14	05/30/19	0.4500%	Euribor 3 months	(174)
LISI AUTOMOTIVE Former	7,000	12/31/10	12/29/17	1.7450%	Euribor 3 months	(82)
LISI MEDICAL Fasteners	4,500	09/28/12	09/30/24	1.3000%	Euribor 3 months	(57)
Creuzet Aéronautique	3,900	07/31/12	07/31/20	0.7750%	Euribor 1 month	(169)
					Total	**(2,269)**



The currency hedging instruments at December 31, 2014 are as follows:

	12/31/14		12/31/13	
(en milliers)	Currency	EUR	Currency	EUR
GBP	28,785	36,956	21,300	25,549
CAD	32,500	28,058	48,100	32,786
TRY	29,500	10,417	25,550	8,630
PLN	18,000	5,114	13,200	3,177
CZK	192,000	6,923	192,000	7,000
USD	84,601	69,682	27,501	19,941
		157,150		**97,083**

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.

LISI AEROSPACE

As part of the acquisition of the Manoir Aerospace Group in June 2014, LISI AEROSPACE received a commitment from the seller to cover up to € 3 M of the HSE compliance risks up until 2019. This commitment is covered by an escrow account in the same amount managed by a third party.

Additionally, the company received a guarantee of € 5 M to cover potential tax liabilities and labor-related risks up until 2019.

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

		12/31/14		12/31/13	
		Year end rate	Average rate	Year end rate	Average rate
US dollar	USD	1.2141	1.3211	1.3791	1.3308
Sterling	GBP	0.7789	0.8031	0.8337	0.8501
Yuan	CNY	7.5358	8.1543	8.3491	8.1733
Canadian dollar	CAD	1.4063	1.4636	1.4671	1.3771
Zloty	PLN	4.2732	4.1939	4.1543	4.2134
Czech crown	CZK	27.7350	27.5513	27.4270	26.0270
Moroccan Dirham	MAD	10.9681	11.1570	11.2481	11.1796
Indian rupee	INR	76.7190	80.7010	85.3660	78.4711
Hong Kong Dollar	HKD	9.4170	10.2465	10.6933	10.3231

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, 2014

The remarks below relate to the income statement for 2014.

- In 2014, operating income amounted to €11.3M, compared with €9.2M in 2013 and was broken down as follows:

– **The sales revenues of LISI S.A. amounted to €8.7M compared with €8.6M in 2013, an increase of +1.8%.** 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 2014, these invoices impacted on the subsidiaries, LISI S.A.'s operating costs increased by 4%.

– **The other operating income** amounted to €2.6M in 2014, compared with €0.6M in 2013. This increase is mainly due to:
  - A provision reversal of €1M on the performance share allocation plans for 2011, for which the shares were vested by the employees in 2014,
  - A provision reversal for expenses of € 0.3 M
  - specific invoicing to subsidiaries in the amount of € 1.2 M.

- **Operating expenses amounted to € 9.6 M in 2014, down 3.7% compared to 2013.**This is due in part to a decrease in the provision allowance for the performance share plans compared to 2013.

- As a result, **the operating profit** rises from - € 0.8 M in 2013 to € 2.0 M in 2014

- **The financial result** is positive at +€18 M, compared to €12.8 M in 2013. Revenues consist primarily of dividends received from LISI AEROSPACE for €20 M, interest on Group current accounts for €3.8 M and net capital gains on investments for €0.5 M. In terms of expenses, interest charged on loans and group current accounts amounted to € 6.2 M.

- **Exceptional items** amounted to - € 0.1 M for the year 2014.

- **The corporate income tax** comprises tax income of + €4.3 M, including a gain from the group taxation regime of +€ 5.0 M.

- **Consequently, LISI S.A.'s net profit** was +€24.0 M, as compared with €20.6 M in 2013, i.e. up 17.0%.

- **Shareholders' equity** increased from € 190.3 M in 2013 to € 198.3 M at the end of 2014. It was reduced by the distribution of the dividends paid in May 2014, for an amount of €17.8 M in respect of the net income for 2013. The number of shares outstanding increased by 36,362 over the year, that is, 181,810 additional shares following the split. This is due to the capital increase reserved for employees in the amount of € 1.8 M.

- **The cash and cash equivalents, excluding current accounts**, at year-end amounted to €91.2 M, compared with €88.8 M in 2013: 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 stood at -€42 M at year end 2014, as compared with -€18.7 M at year end 2013. This change is mainly due to the cash rising from subsidiaries due to the centralization of Group cash.

1.1 | APPROPRIATION OF EARNINGS

We propose that last year's profits of €24,037,035 be allocated as follows:

In €

profits for the financial year of	24,037,035
increased by retained earnings of	63,883,102
giving distributable profit of	87,920,137
which we propose be allocated as follows:	
– to the shareholders, by way of dividends, the sum of €0.37 per share, that is which will be paid May 7, 2015 (*)	19,988,834
– remainder to be carried forward, for a total of	67,931,303

(*) From this amount will be deducted the dividend for the shares held by the company as treasury shares.

The dividend per share is €0.37. The value of the dividend eligible for 40% deduction, as covered by article 158-3-2° of the French General Tax Code, is €0.37.

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 12/31/11*	€2.00	€1.30
Financial year ended 12/31/12*	€2.00	€1.40
Financial year ended 12/31/13*	€2.00	€1.70

*Before the 1:5 stock split

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 2015

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

- Following a decision of the Extraordinary General Meeting held on April 23, 2014, and the delegation of authority by the Board of Directors on July 24, 2014, the CEO, on September 8, 2014 decided that with effect from September 12, 2014 the nominal value of LISI SA's share would go from € 2 to € 0.40. The company's capital will accordingly consist of 54,023,875 shares at a nominal value of € 0.40 each. The sole purpose of this operation is to improve the share's liquidity and to make the share more accessible to individual shareholders.

- Deductible expenses for tax purposes are made up of depreciation and hire of passenger vehicles and loan payments totaling €24,109.

- LISI S.A. has, through a market making agreement with an independent service provider, purchased 252,798 LISI shares for €5.8 M and has sold 208,275 shares for a sum of €4.7 M. At December 31, 2014, the number of shares held through the market-making agreement was 53,898. The nominal value of the LISI share was divided by 5 in September, 2014. Therefore, the number of shares purchased and sold over the period has been converted accordingly until that date.

- Treasury stocks held at December 31, 2014 totaled 1,442,328 shares, including those related to the market-making contract.

- Trade payables excluding bills receivable amounted to €335 k, 90% of which are settled immediately.

2 | FINANCIAL STATEMENTS

2.1 | INCOME STATEMENT

	Notes	2014	2013	2012
Pre-tax sales		**8,726**	**8,570**	**6,844**
Operating income		11,283	9,185	9,433
External costs		(3,148)	(3,214)	(1,947)
Taxes and duties		(319)	(314)	(354)
Personnel expenses		(4,478)	(4,657)	(3,834)
Other charges		(204)	(180)	(168)
Depreciation, provisions		(1,437)	(1,588)	(680)
Operating profit		1,698	(768)	2,449
Financial earnings				
- from equity interests	3.3.1	23,816	16,323	15,052
- interest and similar expenses				
- positive exchange differences		12,332	7,055	8,216
- from disposal of marketable securities		513	992	1,430
- reversals of provisions	3.2.5	7	1	44
Interest expenses				
- interest and similar expenses		(6,063)	(4,148)	(3,546)
- negative exchange rate differences		(12,374)	(7,420)	(7,514)
- from disposal of marketable securities		(132)	(30)	(417)
- provisions allowance		(1)	(3)	(1)
Non-operating profit		18,098	12,770	13,265
Current profit before tax		**19,796**	**12,002**	**15,714**
Extraordinary earnings				
- on capital transactions				
- on management transactions		793	3	1,647
- Reversal of provisions				
Extraordinary charges				
- on capital transactions				
- on management transactions		(902)	(24)	(1,761)
- provisions allowance			(16)	(24)
Extraordinary earnings		(109)	(37)	(138)
Tax on profits	3.3.2	4,349	8,585	1,568
NET EARNINGS		**24,037**	**20,550**	**17,144**

2.2 | COMPANY BALANCE SHEET

ASSETS

(in €'000)	Notes	2014	2013	2012
Fixed assets				
Intangible fixed assets		360	354	303
Tangible fixed assets		1,476	1,481	1,478
Financial assets		160,368	164,368	168,368
Depreciation and impairment		(1,306)	(1,220)	(1,072)
Total net fixed assets	3.2.1 / 3.2.2	**160,898**	**164,983**	**169,076**
Short-term assets				
Clients and apportioned accounts	3.2.3	3,903	4,267	2,431
Other debtors	3.2.3	2,215	1,701	8,203
Subsidiaries' current accounts	3.2.3	385,722	205,030	174,495
Impairment of receivables				
Tax credit	3.2.3	1,852	8,981	
Marketable securities	3.2.4.1	91,240	85,574	79,460
Cash	3.2.4.2	6,219	3,197	2,764
Provisions for write-down of marketable securities	3.2.5			
Total short-term assets		**491,151**	**308,751**	**267,354**
Deferred charges		38	28	64
Deferred expenses on loan issue costs				21
Other deferred expenses				
Translation adjustment assets		1	3	1
Total accruals		**39**	**31**	**87**
Total assets		**652,088**	**473,764**	**436,516**

LIABILITIES

(in €'000)		2014	2013	2012
Shareholders' equity				
Share capital		21,610	21,573	21,573
Issue, merger, and contribution premiums		69,077	67,296	67,296
Reserves		19,595	19,595	19,595
of which legal reserve		*2,157*	*2,157*	*2,157*
Balance carried forward		63,883	61,152	58,682
Profit (loss) for the period		24,037	20,551	17,144
Regulated provisions		60	96	83
Total equity	2.4	**198,261**	**190,262**	**184,374**
Provisions for risks and charges	3.2.6	**2,139**	**2,138**	**864**
Debt				
Sundry loans and financial debts (*)	3.2.3	221,523	115,611	123,398
Subsidiaries' current accounts	3.2.3	218,929	159,526	122,184
Taxes due				1,960
Accounts payable	3.2.3	1,654	2,139	1,204
Tax and statutory payments	3.2.3	2,409	2,408	1,888
Other creditors	3.2.3	7,160	1,679	644
Total debt		**451,675**	**281,363**	**251,278**
Deferred income				
Translation differential liabilities		12		1
Total accruals		**12**		**1**
Total liabilities		**652,088**	**473,764**	**436,516**
(*) of which banking facilities		(69)	(2,577)	(3,138)

2.3 | CASH FLOW MOVEMENT TABLE

(in €'000)	2014	2013	2012
Operating activities			
Operating cash flow	24,160	22,009	15,731
Effect of changes in inventory on cash			
Effect of changes in accounts receivable and accounts payable	11,943	(3,752)	(449)
Cash provided by or used for operations (A)	**36,104**	**18,257**	**15,282**
Investment operations			
Cash used to acquire tangible and intangible assets	(74)	(54)	(281)
Cash received from the disposal of tangible and intangible assets	1		
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)
Cash payments and collections from loans to subsidiaries	4,000	4,000	4,260
Cash provided by or used for investing activities (B)	**3,927**	**3,946**	**(29,342)**
Financing operations			
Cash received from shareholders as part of a capital increase	1,818		
Dividends paid to shareholders of the parent company	(17,820)	(14,674)	(13,531)
Cash received from new loans	133,934	56,534	25,093
Repayment of loans	(25,478)	(63,760)	(27,332)
Cash provided by or used for financing activities (C)	**92,454**	**(21,901)**	**(15,769)**
Effect of change in foreign exchange rates (D)			
Changes in cash (A+B+C+D) *	**132,484**	**301**	**(29,829)**
Cash at January 1st (E)	131,698	131,397	161,227
Cash at December 31st (A+B+C+D+E)	264,183	131,698	131,397
Marketable securities	91,240	85,574	79,460
Cash, subsidiaries' current accounts	391,941	208,227	177,259
Banking facilities, subsidiaries' current accounts	(218,998)	(162,103)	(125,322)
Closing cash position **	**264,183**	**131,698**	**131,397**

* The overall change in cash position corresponds to the total of net cash flows generated by the various categories compartments: 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 01.01.2013	**184,373**
Profit (loss) for the period	20,550
Capital increase	
Dividends paid	(14,674)
Accelerated depreciation	13
At 31.12.2013	**190,262**
Profit (loss) for the period	24,037
Capital increase	1,818
Dividends paid	(17,820)
Accelerated depreciation	(36)
At 31.12.2014	**198,261**

3 | NOTES TO THE COMPANY ACCOUNTS

LISI S.A. is a public limited company with a Board of Directors, with capital of €21,609,550 representing 54,023,875 shares with €0.40 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, 2014 was €652,088,218. The annual income statement showed a profit of €24,037,035.

The financial year runs over 12 (twelve) months, from January 1, 2014 to December 31, 2014.

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

3.1 | ACCOUNTING RULES AND METHODS

The accounts for 2014 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 2014 were drawn up are identical to those for 2013.

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
Software programs	3 years straight line	1 year straight line
Buildings	33.33 years straight line	20 years straight line
Transport equipment	5 years straight line	3 years diminishing balance
Office equipment	3 - 5 years straight line	3 - 5 years diminishing balance
Office furniture	5 - 10 years straight line	5 - 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 stock is 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.	354	16	(10)	360
Total	**354**	**16**	**(10)**	**360**
Tangible fixed assets				
Land	156			156
Buildings	392			392
Other tangible assets	934	57	(62)	929
Tangible assets in progress				
Total	**1,482**	**57**	**(62)**	**1,476**
Financial assets				
Equity interests and related receivables	164,338		(4,000)	160,338
- Of which LISI AUTOMOTIVE loan	*6,500*		*(4,000)*	*2,500*
- Of which LISI AUTOMOTIVE accrued interest				
Other long-term investments	9			9
Borrowings and other debts	21			21
Total	**164,368**		**(4,000)**	**160,368**
Grand Total	**166,202**	**73**	**(4,072)**	**162,203**

The decrease in financial assets comes from intercompany loan repayments amounting to - € 4.0 M..

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.	271	51	(10)	312
Total	**271**	**51**	**(10)**	**312**
Tangible fixed assets				
Land				
Buildings	372	3		375
Other tangible assets	568	103	(61)	610
Total	**940**	**106**	**(61)**	**985**
Financial assets				
Depreciation on equity interests				
Other financial assets	8			8
Total	**8**			**8**
Grand Total	**1,219**	**157**	**(71)**	**1,306**

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	3,903	3,903		
Other debtors	259	259		
Tax credit	1,852	1,852		
Subsidiaries' current accounts	385,722	385,722		
Tax integration current accounts	1,956	1,956		
Total	**393,692**	**393,692**		

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	221,523	30,523	135,000	56,000
Sundry loans and financial debts				
Other creditors				
Subsidiaries' current accounts	218,929	218,929		
Taxes due				
Suppliers	1,654	1,654		
Tax and statutory payments	2,409	2,409		
Tax integration current accounts	7,160	7,160		
Total	**451,675**	**260,676**	**135,000**	**56,000**

On December 31, 2014, the item "Borrowings from credit institutions" includes the issuance of unsecured notes on the US private placement market (USPP US private placement) on October 17, 2013 for an amount of € 56 M.

"Financial covenants" related to this debt are:

- 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)

3.2.4 Marketable securities and cash

3.2.4.1 Marketable securities

As at December 31, 2014, marketable securities were as follows:

(in €'000)	
1,442,328 LISI stocks*	11,457
SICAV and deposit certificates	79,783
Giving a gross total of	**91,240**

* 1,442,328 shares held, thanks to the option of buying back the company's own shares up to a limit of 10% of which those held under the market-making contract.

The item "Marketable securities" essentially comprises money market funds for €74.9 M and guaranteed-capital investments for €4.9 M.

The total net asset value of marketable securities stood at €74.9 M as at December 31, 2014.

3.2.4.2 Cash

This item is solely composed of bank balances.

3.2.4.3 Cash and Net debt

(in €'000)	2014	2013	2012
Subsidiaries' current accounts	385,722	205,030	174,495
Marketable securities	91,240	85,574	79,460
Cash	6,219	3,197	2,764
Cash available [A]	**483,181**	**293,802**	**256,719**
Subsidiaries' current accounts [B]	218,929	159,526	122,184
Banking facilities for operations [B]	69	2,577	3,138
Net cash [A - B]	**264,183**	**131,699**	**131,397**
Borrowings and debt	221,454	113,034	120,260
Debt [C]	**221,454**	**113,034**	**120,260**
Net debt [D = C + B - A]	**(42,729)**	**(18,665)**	**(11,137)**

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	11,457	–	11,457
SICAV and deposit certificates	79,783		79,783
Total marketable securities	**91,240**		**91,240**

3.2.5 Provisions for impairment of short-term assets

No provision for impairment of current assets was recorded at December 31, 2014.

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 long service medals	8	5			13
Provisions for charges	228	293	(234)		287
Provisions for taxes		320			320
Provision for stock options and the allocation of free shares	1,902	661	(1,044)		1,519
Total	**2,138**	**1,279**	**(1,278)**		**2,139**

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	20,006
Dividends received outside the group	–
Interest from loans to subsidiaries	3,810
Total	**23,816**

3.3.2 Breakdown of corporation tax

(in €'000)	Profit (loss) current	Profit (loss) non-recurring	Profit (loss) accounting
Pre-tax earnings	20,116	(429)	19,687
Income tax	(264)	60	(204)
Tax credits, IFA & miscellaneous	46		46
Additional contribution to the corporate income tax on the amount distributed	(535)		(535)
Tax integration taxes	5,042		5,042
Net earnings	**24,405**	**(369)**	**24,037**

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, 2014 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 €500 k, to exceeding a minimum threshold of €35 k and to an upper limit of €6 M.

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 SA to cover all of the LISI Group's needs.

The details at December 31, 2014 are as follows:

	31/12/2014					31/12/2013				
	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	5.0	5.0	0.0	0.0
Long position of GBP against USD	(1.2)	37.0	37.0	0.0	0.0	0.9	20.5	20.5	0.0	0.0
Long position of CAD against USD	(1.9)	23.1	23.1	0.0	0.0	(0.4)	32.8	19.5	13.3	0.0
Long position of TRY against EUR	1.1	10.4	10.4	0.0	0.0	(2.1)	8.6	8.6	0.0	0.0
Long position of PLN against USD	(0.3)	4.2	4.2	0.0	0.0	0.3	3.2	3.2	0.0	0.0
Long position of CZK against EUR	0.0	6.9	6.9	0.0	0.0	(0.1)	7.0	7.0	0.0	0.0
Short position of USD against EUR	(1.0)	69.7	16.8	52.9	0.0	2.1	19.9	7.3	9.1	3.6
	(3.3)					**0.8**				

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

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, 2014 are as follows:

Currency hedges	Face value (in €'000)	Capital remaining due (in €'000)	Fixed rate	Maturity
Variable rate vs. fixed rate	5,000	1,750	1,5900%	sep-16
Variable rate vs. fixed rate	4,750	1,750	1,3925%	sep-16
Variable rate vs. fixed rate	9,500	4,500	1.0750%	mar-17
Variable rate vs. fixed rate	5,000	5,000	0,9400%	jun-21
Variable rate vs. fixed rate	15,000	5,250	2,0730%	sep-16
Variable rate vs. fixed rate	15,000	15,000	1,0700%	may-17
Variable rate vs. fixed rate	5,000	5,000	0,9400%	jun-21
Variable rate vs. fixed rate	25,000	22,500	0,4500%	jun-19
Variable rate vs. fixed rate	10,000	10,000	0,9700%	jun-21
Variable rate vs. fixed rate	5,000	5,000	0,9525%	jun-21
Variable rate vs. fixed rate	5,000	5,000	0,9675%	jun-21

3.5 | SUBSIDIARIES AND HOLDINGS

3.5.1 Elements regarding related companies and holdings

(in €'000)	Amount concerning related companies	Amount concerning companies with which the company has a participating interest
ASSETS:		
Receivables related to equity holdings	2,500	–
Debtors and apportioned accounts	3,902	–
Cash advances to subsidiaries	385,722	–
Tax integration current account	1,956	–
LIABILITIES:		
Subsidiaries' financial assistance	218,929	–
Tax integration current account	7,160	–
Suppliers	182	–
INCOME STATEMENT:		
IT maintenance	23	–
Reserves for equity interests	1,962	–
Service and management fees invoices	8,417	–
Miscellaneous chargebacks	1,926	–
Revenues from subsidiaries' loans and current accounts	3,810	–
Revenues from equity interest	20,006	–

3.5.2 Subsidiaries and holdings (company data in €)

Companies	Share capital	Shareholders' equity and minority interests	Share of capital held (as a %)	Gross value accounting of the securities held	Provisions on securities held	Net value accounting 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 given by the company	Sales revenue excl. VAT of the last financial year	Net Income or net loss of the last financial year	Dividends cashed by the parent company as at of the last financial year
Subsidiaries: :												
LISI AUTOMOTIVE	31,690,000	102,509,355	100,00%	93,636,481		93,636,481	36,146,944			26,315,000	(2,775,127)	
LISI AEROSPACE	2,475,200	76,725,063	100,00%	30,863,816		30,863,816				273,694,608	46,054,145	20,005,749
LISI MEDICAL	33,337,000	16,386,699	100,00%	33,337,000		33,337,000	36,999,897			2,287,179	(5,271,028)	

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 54.87% of the capital of LISI S.A. as at December 31, 2014.

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 for 2012, 2013 and 2014 to the extent that the Boards of Directors of October 24, 2012, of October 24, 2013 and October 23, 2014 renewed the opening of new plans subject to similar conditions.

The 2011 plan was definitively acquired in 2014.

The fair value of the benefits granted is recognized as a provision in 2014 for an amount of €0.6 M 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.

The maturity of the 2011 plan in April 2014 resulted in a provision reversal of a € 1 M.

Plans that impacted LISI S.A.'s accounts in 2014:

	Plan for 2011	Plan for 2012	Plan for 2013	Plan for 2014	Total
Allocation date	07/28/2011	10/24/2012	10/24/2013	10/23/2014	
Acquisition date	apr-14	apr-15	apr-16	apr-17	
Value in €'000 as at 12/31/2014	-	1,069	375	75	1,519
Impact in €'000 on the income statement of LISI S.A. as at 12/31/2014 (excluding social contributions)	(1,044)	302	285	75	(382)
Number of shares awarded	123,765	243,000	158,525	171,200	

3.8 | MISCELLANEOUS INFORMATION

- The company directors and executives have not been given any advances or credits.
- Remuneration of executives stood at €970,522 for the year 2014 (remuneration net of social security contributions, including the variable element and attendance fees).
- The total remuneration paid to the highest-paid individuals stood at €1,873,239.
- The workforce as of December 31, 2014 numbered 20 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 1,383 hours as at December 31, 2014. 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, 2014 for our auditors Ernst & Young and EXCO CAP AUDIT totaled €114,490.

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 €)	2010	2011	2012	2013	2014
Financial situation at year end					
Share capital	21,572,988	21,572,988	21,572,988	21,572,988	21,609,550
Number of shares issued*	10,786,494	10,786,494	10,786,494	10,786,494	54,023,875
Number of convertible bonds	--	--	--	--	--
Total result of actual operations					
Pre-tax sales	5,937,895	6,215,920	6,843,565	8,569,903	8,725,852
Earnings before tax, depreciation and provisions	11,266,365	15,987,962	14,163,291	13,571,588	19,809,178
Income tax	2,498,851	(1,977,461)	(1,567,669)	(8,584,787)	(4,349,384)
Employee profit-sharing					
Profit after tax, depreciation and provisions	7,725,772	19,308,622	17,144,076	20,550,519	24,037,035
Distributed profit**	10,913,195	13,530,664	15,101,092	17,819,630	19,988,834
Result of operations per share					
Profit after tax, but before depreciation and provisions	0,81	1,67	1,46	2,05	0,45
Profit after tax, depreciation and provisions	0,72	1,79	1,59	1,91	0,44
Dividends allocated per share (net)	1,05	1,30	1,40	1,70	0,37
Personnel					
Average head count	13	13	16	18	19
Payroll	4,757,164	2,039,051	2,482,746	2,786,748	2,869,313
Benefits paid (social security, benefits, etc.)	897,505	983,773	1,350,914	1,870,596	1,608,451

* The nominal value of the share was divided by 5 in September 2014
** After deducting the dividend that will concern the own shares held by the company for the years 2010 to 2013

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, 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 its sites (41), the LISI Group cannot be exposed to more than 10% of its overall activity since the dispersion of the geographic footprint shows that the destruction of the most important site cannot exceed 10% of total Group sales and margin.

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.) 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 while 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 €15M. 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 M 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 40.8 tons of solvents (TCE equivalents). The estimated amount at December 31, 2014, 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.

On the other hand, the entry of the Manoir Aerospace Group explains the amount of € 2.5 M for the retrofitting of industrial sites.

Furthermore, provisions for soil and buildings remediation were recorded on the French sites of LISI AEROSPACE (€ 4 M) and LISI AUTOMOTIVE (€ 2.5 M).

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.

The environmental preventive measures are described in Chapter 6, paragraphs 2 and 4.

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. The amount of provisions for legal risks found to 31 December 2014 is not material.

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, 2014, 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 contracts have also been entered into, particularly in Germany and the UK.

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). Business risk, representing the risk of loss of contracts related to a product, is thus spread over a considerable number of products manufactured in the Group's 41 global sites. 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 2014, only 3 clients accounted for more than 5% of the LISI Group's consolidated sales. Our 10 largest customers accounted for 51.9% of total sales; this list includes clients of all 3 divisions, LISI AEROSPACE, LISI AUTOMOTIVE and LISI MEDICAL. Our 55 largest customers accounted for 80% of sales. Figures for our 3 largest customers have evolved as follows:

	2014	2013	2012
CUSTOMER A	15.8 %	15.2 %	15.1 %
CUSTOMER B	6.4 %	6.0 %	8.7 %
CUSTOMER C	5.2 %	5.6 %	6.1 %

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 LISI 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 company's main suppliers are those that provide it with 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 2014, the various operations outsourced by the Group's sites represented approximately 6.2% of consolidated sales revenue.

The volume distribution of the main suppliers is as follows:

	2014
First supplier	3.1 %
First 5 suppliers	12.2 %
First 10 suppliers	17.2 %

2.6.7 Currency risks

The Group is exposed to the fluctuations of currencies such as the US dollar against the euro, and to a lesser extent to changes in the Canadian dollar, the British pound, the Turkish lira, the Czech crown or the Polish Zloty. To lower this level of risk, the LISI Group hedges the currency risk using helpful tools such as forward sales at a fixed rate or structured products such as accumulators for an estimated amount corresponding to its final exposure.

The detail of such currency risk hedging is described in Chapter 3, paragraph 2.4.3.3, as well as the hedging strategy in place.

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. The detail of such interest rate risk and of the instruments used to mitigate it is described in Chapter 3, paragraph 2.4.3.1.

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, 2015, 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 (€0.15 M for the Manoir Aerospace sites), and this for a maximum coverage amount of €1,490,989,194 for the buildings and equipment, €270,958,704 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 €60 M per claim and per annum in primary coverage.
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 M.

3.3 | CORPORATE OFFICERS' LIABILITY INSURANCE

The Group is covered by a directors' liability insurance policy for all its subsidiaries up to €10 M per annum.

CORPORATE SOCIAL RESPONSIBILITY

6

1 | LABOR-RELATED ISSUES

1.1 | EMPLOYMENT

1.1.1 Total workforce

As at December 31, 2014, the LISI Group employed 10,701 employees, an increase of the total workforce of 1,462 people, which represents a change of +16% compared to 2013.

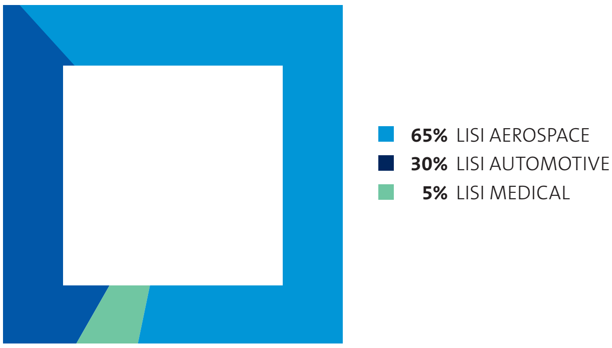
This increase in the workforce results consecutively from:

- A sharp increase in the headcount of the LISI AEROSPACE division (1,353 more employees than in 2013, or an increase of 24%), which incorporated the workforce of the MANOIR group in June 2014 (1,169 people). On a constant headcount basis, the division saw its workforce increase by 184 people, or +3.3% in comparison with December 31, 2013.
- An increase in the workforce of the LISI MEDICAL division (64 people)
- An increase in the workforce of the LISI AUTOMOTIVE division (43 people).

Data at end December

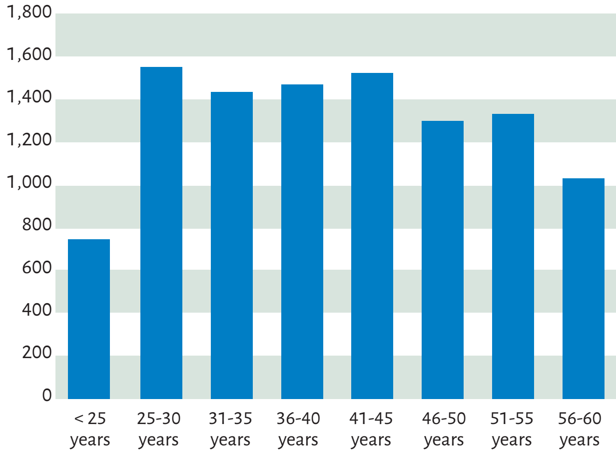
	2014	2013	Difference N/N-1	
LISI AEROSPACE	6,957	5,604	+24%	1,353
LISI AUTOMOTIVE	3,186	3,143	+1%	43
LISI MEDICAL	538	474	+14%	64
Holding company	20	18	+11%	2
Group total	10,701	9,239	+16%	1,462

Head count by division



1.1.2 Distribution of employees by gender, age and geographical area

1.1.2.1 By age



The breakdown of the headcount demonstrates homogeneity in each age range between 25 and 55. Indeed, there are around 1,200 employees in each five-year bracket.

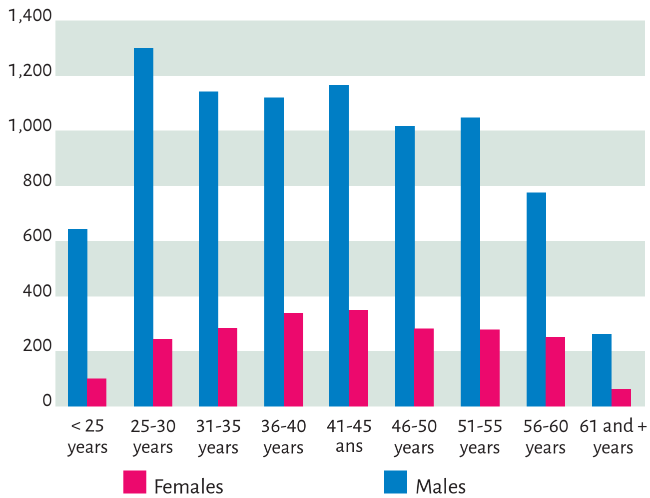
As in 2013, the median age of the employees of the LISI Group falls within the 41-45.

Employees under 25 and employees over 56 represent for their part almost 20% of the workforce of the Group.

1.1.2.2 By gender

In 2014, the LISI Group employed 2,207 women present at the end of 2014, compared with 2,046 in 2013 and 1932 in 2012), or almost 8% more than last year.

The rate of feminization did not improve in 2000 will June with the integration of the Manoir group; in fact it fell from 22.15% in 2013 to 20.62% at the end of 2014.



The age pyramid shows a significant proportion of men amongst the employees under 30 (women represent respectively 14% of the under-25s and 15% of those aged 25-30).

More generally, those under 40 account for nearly half of the Group's workforce (48% at the end of December 2014, as at end of December 2013).

1.1.2.3 By geographic area

The LISI Group employs 10,701 individuals across 12 different countries.

Due to its history, the company has strong presence in France. Indeed, most of the Group's workforce is based in France (6,116 employees or 57% of the workforce), but its external growth induces significant presence in the United States (1,376 people or 13%) and Germany (874 people or 8%). The rest of the workforce (or the equivalent of one employee in 5) is spread over the other nine countries.

Country	Breakdown
France	57%
USA	13%
Germany	8%
Turkey	5%
UK	3%
Morocco	3%
China	1%
Canada	3%
Spain	2%
Czech Republic	1%
Poland	2%
Belgium	1%

Distribution of employees by geographic area

1.1.2.4 By socio-professional category

Over 2014, and unlike the trend of last year, the employees in the Employees, Technicians and Supervisors category increased less sharply than the Workmen and Managers categories.

The breakdown of the workforce by socio-professional category nevertheless remains stable in comparison with 2013.

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.

	2014	2013	Difference N/N-1	
Workers	7,110	6,073	+17%	1,037
Employees, technicians and supervisors	2,626	2,343	+12%	283
Management	965	823	+17%	142
Total	10,701	9,239	+16%	1,462

Distribution of employees by category

1.1.3 Hiring and firing

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

Throughout the year 2014, the Group's growth has been accompanied by a significant number of new hires, in particular at LISI AEROSPACE Division.

In total, 1,397 new employees joined the Group in 2014, or almost one employee in 8.

Regarding the departures in the year 2014, LISI experienced a total of 329 resignations and 98 negotiated departures. Resignations account for nearly 40% of departures and remain the most common cause of departure from the company. The Group proceeded to a total of 111 dismissals for personal reasons (disciplinary or other).

	LISI
Total new recruits	1,397
of which Management	142
Total departures	1,056
of which Management	110
Departures by motive	
Resignations	329
Negotiated departures	98
Dismissals (disciplinary)	111
Layoffs	50
Other motives for departure	468
International mobility	
number of expats as at 12/31/2014	21
number of impats as at 12/31/2014	4

1.1.4 Compensation and changes

In France, the annual salary negotiations resulted in the award to the employees of salary increases in line with the results and the business situation of each site.

The sites thereby demonstrated a responsible approach by agreeing on a moderate growth of their payroll bill.

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 2014, the sums awarded to the employees in respect of incentive bonuses, participation and profit-sharing represented more than €16.1 million, or almost 4.61% 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. Furthermore, nightshift working was carried out in certain sectors in order to respond to specific workload requirements.

Overtime accounted for more than 889,000 hours in 2014, or 5.11% of hours worked. This volume of hours is mainly related to the significant workload at the sites of the LISI AEROSPACE division (500,000 overtime hours worked).

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 2014, the absenteeism rate remained below the 4% threshold in each of the divisions of 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, the employees of the LISI Group benefit from the services of the Réhalto firm, in order to prevent any worsening of psychosocial risks, regardless of their origin, work-related or personal.

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.

A simple phone call, on a totally confidential basis, puts the employee in touch with a psychosocial health worker in his/her region, who is therefore able to provide a diagnosis. The employee can benefit from up to 12 hours of paid consultations.

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 the employees of the Group receive and have access to high-quality information. Hence, various means of communication have been put in place on the various sites of the Group:

- Video screens in the workshops (LISI MEDICAL Orthopaedics)
- Internal journals (LISI AEROSPACE, CJEC, etc.)
- Flash notes in the workshops based on recent news (CJEC)
- Information breakfasts (LISI AEROSPACE)

Training actions are also implemented for the local management in order to make them aware of the importance of maintaining good quality social dialogue.
Furthermore, specific committees made up of representatives of the employees and members of the Management meet regularly to hold discussions and make progress on various issues for which they were set up:

- Forward planning of Employment 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 2014 is as follows:

LISI AEROSPACE Paris	Profit-sharing addendum (06/2014)	Profit-sharing premium (07/2014)			
BAI Saint-Ouen-l'Aumône	Weekend team agreement (06/2014)	Profit-sharing agreement (06/2014)			
BAI Villefranche-de-Rouergue	Agreement for the modernization of labor relations (04/2014)	Standby agreement (10/2014)	NAO agreement (10/2014)	Profit-sharing agreement (06/2014)	Agreement / night shift (10/2014)
BAT	Profit-sharing agreement (06/2014)	NAO agreement (06/2014)	Profit-sharing premium (07/2014)		
FTB / Izmir	Three-year collective agreement (2014-2016)				
Argenton	Generation agreement (03/2014)	NAO agreement (03/2014)			
CREUZET	PEG membership agreement (03/2014)				
Forges de Bologne	Weekend team agreements (07 & 12/2014)				
LISI MEDICAL Orthopaedics Caen	Wage agreement (02/2014)	Profit-sharing premium (07/2014)	Weekend alternating team agreement (02/2014)	Agreement on the right of expression (02/2014)	Profit-sharing agreement (06/2014)

LMF Neyron	Wage agreement (02/2013)	Profit-sharing premium (07/2014)	Weekend alternating team agreement (02/2014)	Agreement on the right of expression (02/2014)	Profit-sharing agreement (06/2014)
Kierspe	Enforcement of the national IG Metall wage agreement				
Gummersbach	Enforcement of the national IG Metall wage agreement				
Fuenlabrada	Wage agreement / 2 years (03/2014)				
Vöhrenbach	Wage agreement applicable 01/2014 signed in October 2013				
FORMER	NAO agreement (04/2014)	Profit-sharing addendum (11/2014)			
LISI AUTOMOTIVE Nomel La Ferté-Fresnel	Profit-sharing agreement (01/2014)	Working time agreement (04/2014)			
Puiseux	Setting up of a VSD team (04/2014)				
Mellrichstadt	Wage agreement applicable 01/2014 signed in November 2013				
Heidelberg	Enforcement of the national IG Metall wage agreement				

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 derive the appropriate actions. This policy and this organization are based on the international OHSAS 18001 standard (international standard governing the management system of health and safety at work).

In order to provide itself with the resources to succeed in this field, each production plant as at least one HSE Leader whose role is to lead the HSE activity for his plant and is the guarantor for the implementation of an HSE management system.

In addition, the LISI Group has a risk committee whose role is to analyze accidents and major incidents within the group and to establish HSE strategies aimed at reducing risks related to work, the environment and loss of goods. The risk committee is chaired by the President/CEO of the LISI Group and the Director of Manufacturing and Procurement. It comprises the HSE managers from each division, the HSE coordinator for the LISI Group (who leads it) and the insurance broker working on behalf of the LISI Group.

In terms of safety, acceptance and dedication of each employee of the Group are actively sought in the process of improving the safety of our sites.

On May 6, 2014 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:

- In terms of safety: at the end of 2016, all the sites of the LISI Group will be obliged to display the frequency rate of workplace accidents, with and without work stoppage (TF1) of less than 10 days, and this incorporating the temporary employees working on behalf of the company.
- In terms of environment: each of the three divisions of the LISI Group must reduce its industrial impact by reducing its consumption of energy by 10% in comparison with the 2014 figures.
- In terms of HSE: the LISI Group is seeking to embed a company HSE culture. These objectives will be achieved via the implementation of an HSE Excellence program and a Safety Culture program.

A new HSE Forum will take place in 2017 to report on the achievement of these objectives to all the plant managers and HSE managers.

The General Management of LISI has undertaken to put in place an ambitious program aimed at achieving industrial excellence in the field of HSE. This program is aimed at:

- Setting a common course
- Initiating a federating and structuring project
- Providing the resources to achieve our objectives
- Utilizing the best practices existing within the group.

LISI defines HSE Excellence as the fact:

- of having robust foundations: in other words being irreproachable in the field of HSE, complying with applicable regulations, being a champion in certifications
- of having the best practices in HSE management, leadership in the field, resolution of problems and control of risks
- of setting ambitious objectives in terms of health, safety and the environment.

This is the reason why LISI has launched this program of which the clear objective is to make available to each plant tools for leadership and assistance to enable them to achieve HSE Excellence.

Furthermore, **technically**, LISI is constantly working to improve its workstations. Thus, in 2014, LISI invested €5.605 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. Furthermore, all the sites (excluding sites acquired in 2014) have been certified to this same standard by an independent external organization.

But it is from the behavioral standpoint that the LISI Group has chosen to put up the greatest efforts. 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 materialized by the fact that Safety is the first issue dealt with during the daily PSM rituals (Problem Solving Management) at each level of plant management (Autonomous Production Group – Autonomous Production Unit – Site).

In addition, in 2015, LISI will begin the implementation of a Safety Culture program. This program must:

- Attack behavior-based causes of workplace accidents
- Supply to the management of (from the plant manager to the shift supervisors) the keys to understanding the behaviors and the levers for acting against them
- Develop the Safety Culture for the teams by the deployment of a structured communication campaign .

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.

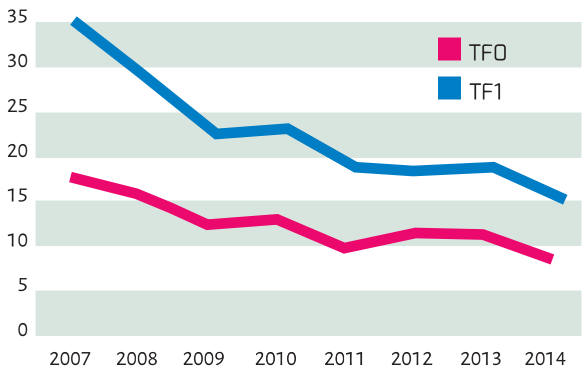
1.4.2 Review of the agreements with trade unions or employee representatives on health and safety at work

The agreements related to health and safety at work are incorporated 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 TFO et TF1 since 2007



At the end of 2014, the frequency rate of workplace accidents with work stoppage which involved a LISI employee or temporary staff (TF0) further improved to achieve 7.4 accidents per million hours worked, or 29% better than in 2013. The frequency rate of accidents with and without stoppage (TF1) stood at 12.3, a significant drop of -24% compared to 2013. Over the long term, the continuous effort of all employees has improved the TF1 by 62% compared with 2007.

In 2014, certain of the Groups plants did not have any workplace accidents involving time off work such as City of Industry, Vignoux sur Barangeon, Escondido, Cejc or Beijing. Others did not have any accidents – either with or without work stoppage – such as Lure or Shanghai.
Nevertheless, the LISI Group recorded 33 occupational illnesses over all its sites, despite many efforts made in the implementation of handling equipment and the wearing of hearing protection.
Although the seriousness rate TG0, which represents the number of days lost as a result of a workplace accident per thousand hours worked, improved by 9% in comparison with last year, and remains at a low level. This rate fell by 63% since 2007 to 0.25 in December 2014.

Each employee plays a major role in terms of prevention and LISI works to involve all employees in this process.

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 internal and external training budget across all LISI Group sites stood at €5.1 million in 2014, equivalent to 1.5% of the Group's payroll.

This budget covered the provision of 245,000 hours of training to the Group's employees, namely 1.4% of the total hours worked during 2014.

Hence, over 9,600 employees have had at least seven hours training (90% of the Group's employees), representing an increase of 48% on 2013 (+20 pts).

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

During 2014, LISI welcomed 594 interns, 257 apprentices and 62 work experience contracts across 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.

TOTAL LISI

Total hours of training (internal & external)	245,247
of which training entitlement (France only)	6,302
Number of employees trained (at least 7 hours of training over the year)	9,608
Training expenses (total internal and external expenses)	5,102,180
Number of interns recruited in 2014	594
Number of apprentices recruited in 2014	257
Number of work experience contracts signed in 2014	62

Deployment of LEAP training courses

The year 2014 finally confirmed the deployment of LISI Excellence Achievement Program (LEAP) Training sessions programs, initiated in 2013.

Intended to contribute to profitable and sustainable growth, the LEAP program is a system of best human and industrial practices which is in the course of employment throughout the Group's organizations.

This working method, aimed at achieving industrial excellence in all areas of the business, relies on the involvement of the employees and is aimed at reducing waste and all non-value-added activities, by analyzing and optimizing flows.

Custom-developed by our experts in industrial performance, the LEAP training courses assist with raising skill levels around the LEAP system tools (LEAP Basics, 5S, SMED, PSM, VSM, WSM, etc.).

Professional career paths and recognition of qualifications

The management of the Group attaches particular importance to the development of professional qualifications by its employees.

Hence, for several years, the LISI AUTOMOTIVE Division has been developing specific professional career paths, based on its strategic businesses:

- -Cold stamping on the sites at Dasle, Delle, La Ferté-Fresnel, Mélisey, Saint-Florent and Thiant,
- Heat treatment at Delle, Puiseux and Saint-Florent,
- Machining operator at Mélisey and Dasle,
- Machining isle setter at Mélisey,
- Rolling operator/setter at Delle and Saint-Florent,
- Laminator at La Ferté-Fresnel,
- Supervisor on all the French sites of LISI AUTOMOTIVE.

These professional career paths enable the employees to obtain a Certificate of Parity Qualification (*) in Metallurgy (CQPM) or, in certain cases, a Certificate of Professional Inter-industry Qualification.

These certificates are recognized on a national level by companies in the metalworking sector; they certify the professional capacities of the holder and provide professional and social recognition.

The professional qualifications are developed closely with changes in the trades; they are updated regularly with the professionals in the businesses in order to respond in real-time to technological changes.

In 2014, two new qualifying career paths validated by the CQPI were initiated:

- Surface treatment
- Automated sorting .

Hence, within the LISI AUTOMOTIVE Division, almost 4,600 hours were dispensed as part of these professional career paths, thereby qualifying more than 91 CQPMs and CQPIs since 2010.

This system is also active in the other divisions of the Group and in particular on the LISI AEROSPACE sites at Argenton (CQPM Welders and Boilermakers), Creuzet (CQPM Machinists).

The LISI MEDICAL Orthopaedics site also put in place a school of polishing in corroboration with the local UIMM, the job center, the AFPI and the town hall of Hérouville Saint Clair with a view to recruiting and training polishers as part of operational preparation for employment.

LISI AEROSPACE Knowledge Institute becomes LISI Knowledge Institute .

With almost 300 participants in training courses of between two and 13 days, the company university LISI Knowledge Institute (LKI) was confirmed not only as a pillar in the strategy for the development of employee skills but also a major tool for the retention of talents and the attraction of candidates with high potential.

In view of the success which this program has seen, in 2014 LKI began to extend its coverage perimeter to all the divisions of the Group.

Two new Management programs were initiated in 2013:

- The BOOST course, which provides in-depth training in managerial practices to our direct managers, opening them up during nine days to the themes of self-knowledge and interaction with the team or the practice of management by objectives.

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

- The ALTITUDE course, developed in partnership with HEC Montréal, offers LISI managers the opportunity to explore the world of strategic management. Selected course leaders, very high quality content, 13 days of training in four modules, in four different countries - ALTITUDE has been designed to offer a high quality learning experience. In 12 months, the participants discuss the issues of strategy definition in the environment and businesses of LISI, of development of strategic capacities and of leadership; this very close to the entrepreneurial world, with visits to companies, interventions by professionals 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 the employment legislation in the countries where the Group is present, as well as the correct application of the provisions set out in the various agreements concluded locally with the union organizations (*).

By way of example, LISI AUTOMOTIVE Former ensures that the following commitments are complied with in terms of professional equality between men and women:

- Interview, as part of the recruitments made each year, the same percentage of men and women candidates by reference to the number of CVs received for each gender,
- Ensure that there are no marked differences (greater than 4%) between men's and women's remuneration within each of the grades Workers, Employees, Technicians and Supervisors,
- Complete a specific examination of the situation of employees for whom there may exist variations in terms of average base salary by category and qualification level.
- Review all requests for part-time working or adjustment of working hours and respond with reasons and favorably to the extent possible.

1.7 | PROMOTION 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.

(*) see list of agreements signed in 2014 in paragraph 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).

Hence, at the end of 2014, apart from the Manoir Aerospace sites acquired this year, all the LISI Group's sites are certified in accordance with this ISO 14001 referential.

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, 0.30% of the hours worked were allocated to training in the HSE field in 2014, compared with 0.24% in 2013.

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 expenditures by division is as follows:

Division	HSE expenditures in 2014 - in €'000	Total expenditures - in €'000	% of expenditures devoted to HSE
LISI AEROSPACE	3,089	81,279	4%
LISI AUTOMOTIVE	2,252	31,957	7%
LISI MEDICAL	264	5,157	5%
LISI	5,605	119,393	5%

Notable investments include:

- A demineralized water production station (with a view to recycling) at Marmande – LISI AEROSPACE – €400K
- An effluent treatment station at Izmir – LISI AEROSPACE – €99K
- Machine shielding works at St Ouen l'Aumône – LISI AEROSPACE – €75K
- The installation of a system for treatment of COVs at St Florent – LISI AUTOMOTIVE – €400K
- Improvements in ergonomics at Fuenlabrada – LISI AUTOMOTIVE – €41K
- A system for treatment of the air in the Heat Treatment workshop at Delle – LISI AUTOMOTIVE – €260K.

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 2014
LISI AEROSPACE	€11,081 k
LISI AUTOMOTIVE	€3,277 k
LISI MEDICAL	€284 k
LISI Holding	€700 k
LISI – Total	€15,342 k

2.2 | POLLUTION AND WASTE MANAGEMENT

2.2.1Measures 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 waste-water discharges may affect the surrounding environment if they are not controlled.

The LISI Group's sites are all ISO 14001 certified. 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

The waste production indicator is, for 2014, 59.3 kg of waste for €1,000 of added value .

In addition, the proportion of waste sorted is still very high, equivalent to last year, or 93.9%. The remaining portion concerns domestic waste generated by production-related activities (toilets, cafeterias, etc.).

The LISI AUTOMOTIVE division 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 95.5% of waste sorted.

LISI AEROSPACE sorts 92% of its waste. The difference is explained by the greater number of employees in this division, therefore the amount of household waste is greater.

The LISI MEDICAL division, in turn, only accounts for 1.7% of the waste.

The production plants principally generate metallic waste (55% of the total quantity of waste produced). These are sold for recycling. Dangerous waste sorted, which represents 30% of the total quantity of waste, is removed via authorized channels that abide strictly by applicable regulations.

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

The LISI Group's sites follow and record all complaints - whether comments, formal or informal, official or not - issued by stakeholders. Thus, six complaints were recorded throughout the Group's sites. The majority are related to neighborhood disturbances arising from noise generated by certain of our sites. Each complaint receives a reply - written or otherwise - sent to the party concerned.

Sites concerned	Complaint	Reason
Delle	2	One letter following the visit by the DREAL
		One request for soil analysis from the DREAL
Marmande	1	One telephone complaint from a neighbor concerning noise nuisance relating to the removal of metals by a grappling device
Torrance	1	1 complaint (no details)
Saint-Florent-sur-Cher	2	Two complaints by e-mail from a neighbor, concerning noise nuisance

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 accumulated initiatives provided for a reduction in water consumption of 5.4%, as a ratio of value added, between 2013 and 2014. LISI AUTOMOTIVE has provided the main contribution to this reduction (-12%).

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 non-negligible part of the energy is dedicated to heating; weather variations mean that energy consumption under this heading is also variable.

The majority of the energy is used for production. It is therefore necessary to distinguish those processes for which the consumption is directly related to production and those processes - such as Heat Treatment - which have a fixed part of energy consumption which is independent of production (raising of temperature, etc.). So that a dip in production does not translate directly into an immediate drop in energy consumption. This explains the differences between the divisions.

Thanks to a better rationalization of the processes, LISI can announce a stabilization of its consumption, or 0.762 MWh for €1,000 of added value.

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.

Hence, in 2011, the emissions in CO_2 of Greenhouse Gas equivalent represented 2,276 tons for Blanc Aero Industrie, 2,348 tons for Creuzet, 5,542 tons for Indraero and 15,606 tons for Former, namely 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, 19 are located in France (49%) of which 5 in Franche-Comté, the Company's birthplace. These 19 French sites represent 57% 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 includes in total 21 expatriates and 4 impatriates out of its 10,701 employees, or a very small proportion, which demonstrates that the sites mainly employee people originating 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 local employment and to local and regional development. A significant number of employees also contribute to 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, the sites collaborate closely with the AFPI, the UIMM and 'Pôle Emploi' (Job Center) to implement Operational Preparation for Employment processes, and with the local ADEFIMS in order to optimize the financing of the training actions.

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 Action taken in favor of the health and safety of consumers

Although certain parts produced by the LISI Group may have an impact on the safety of the end consumer, LISI operates quality control systems enabling it to meet the requirements of its customers and therefore to guarantee that all measures are taken to guarantee this safety for the end user.

3.5 | HUMAN RIGHTS

3.5.1 Action 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)	Definition	Unit	2013	2014	Difference 2014 vs 2013
Energy	Municipal water consumption	Volume of water from the city's distribution network consumed by the production site	m³	315,103	304,364	-10,739
Energy	Water consumption drawn directly from the natural environment	Volume of water drawn by the production site from the rivers, lakes and groundwater	m³	349,563	349,158	-405
Energy	Electricity consumption	Electrical power from the city grid or self-generated, consumed by the production site	MWh	213,144	223,987	10,843
Energy	Natural gas consumption	Heat energy from the volume of natural gas consumed by the production site	MWh	127,235	122,809	-4,427
Energy	Liquefied petroleum gas (butane - propane) consumption	Heat energy from the volume of LPG consumed by the production site	kWh	5,582,710	5,446,256	-136,453
Energy	Domestic fuel consumption	Volume of heating oil consumed by the production site for industrial and heating purposes	m³	102	107	6
Energy	Other energies consumption	Other energies (steam, etc.)	MWh	-	464,550	464,550
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 permanent 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	194,893	186,380	-8,513
Waste	Sorted metal	Total amount of metal discharged and sorted as waste according to national regulations.	T	17,629	19,708	2,079
Waste	Paper - Sorted cardboard	Total amount of paper and cardboard discharged and sorted as waste according to national regulations.	T	447	457	10
Waste	Sorted plastic	Total amount of plastic discharged and sorted as waste according to national regulations.	T	283	224	-59
Waste	Sorted wood	Total amount of wood discharged and sorted as waste according to national regulations.	T	426	641	215
Waste	Oil (soluble + whole + whole and water)	Total amount of oil discharged and sorted as waste according to national regulations.	T	1,734	1,836	102
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	1,391	2,186	795
Waste	Hazardous wastes (without oil)	Amount of hazardous waste (as per national regulations) excluding oil waste discharged from the site.	T	10,462	10,581	119
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	10,4	7,4	-3,0
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	16,1	12,3	-3,8
Occupational accident	TG0 at end of December	TG0 is the severity rate of work accidents with stoppage for 12 rolling months TG0 = Number of work stoppage days for the 12 months elapsed × 1,000 / Number of hours worked for the 12 months elapsed	unit	0,28	0,25	-0,03
Occupational accident	Number of occupational diseases	Number of occupational diseases reported on the production site that generated a work stoppage	unit	37	33	-4
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	57	56	-1
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	7	8	1
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	17	6	-11
Incidents and complaints	Number of complaints issued by stakeholders	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	7	6	-1
HSE training courses	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	36,979	47,487	10,508

5 | CORRELATION TABLE

Scope

For the Health & Safety theme and for the Environmental aspect, the reporting scope does not incorporate the recently acquired sites belonging to Manoir (Bologne, Bar sur Aube, Parthenay, Seneffe).

Exclusions

The 42 themes mentioned in the decree have been treated as transparently as possible. Certain items have not been the subject of reporting for the following reasons:

- **Utilization of the land**: The land area of the buildings occupied by the group is optimized, changes little and LISI does not have any activities involving extraction resources present in the ground.
- **Protection of biodiversity and adaptation to climate change**: We have not identified any specific risks or challenges in these areas related to our activities.

Labor-related issues

Topic	Sub-topic	Paragraph
Employment	Total workforce	§ 1.1.1
	Distribution of employees by gender, age and geographical area	§ 1.1.2
	Hiring and firing	§ 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
	Total number of training hours	§ 1.5
Diversity and equal opportunity / equal treatment	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
	Policy 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
	Elimination of discrimination in respect of employment and occupation	§ 1.7
	Elimination of forced and compulsory work	§ 1.7
	Effective abolition of child labor	§ 1.7

Environnemental issues

Topic	Sub-topic	Paragraph
General policy in terms of environment	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
	Resources devoted to the prevention of environmental risks and pollution	§ 2.1.3
	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
	Consumption of raw materials and 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

Topic	Sub-topic	Paragraph
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
Relations with individuals and organizations interested in the company's activity	Conditions for dialogue with those persons and organizations	§ 3.2.1
	Partnership and sponsorship activities	§ 3.2.2
Subcontractors and suppliers	Consideration, in the company's purchasing policy, of social and environmental challenges	§ 3.3
	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
	Action taken in favor of the health and safety of consumers	§ 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 | SHARE CAPITAL

1.1.1 Amount of share capital

Share capital taken up by shareholders and fully paid-up, as at December 31, 2014, amounted to €21,609,550, divided into 54,023,875 shares with a face value of €0.40 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	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 12/31/2014: €21,609,550 divided into 54,023,875 shares with €0.40 face value								
04/25/13	02/20/14	Division by 5 of the face value of the share	–	–	–	€0.40	54,023,875	€21,609,550
04/25/13	02/20/14	Capital increase reserved for employees	€36,562	€1,781,301	18,281	€2	10,804,775	€21,609,550
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
10/02/04	21/12/07	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	20/12/06	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 Share capital authorized but not issued

None.

1.1.4 Potential capital securities

At December 31, 2014, 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 €
2010	1.05
2011	1.30
2012	1.40
2013	1.70
2014 (1)	0.37

(1) Subject to the decision of the Ordinary General Meeting of April 22, 2015. The dividend payment date was set at May 7, 2015. Unit value of the dividend following the 1:5 stock split.

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 | SHARE REPURCHASE PROGRAM

1.2.1 In place at December 31, 2014

On April 25, 2014, the Combined Shareholder's 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, 2015.

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 €40, 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. €40, is €158,402,360.

Under the above-mentioned share repurchase program, in 2014 LISI S.A. acquired 252,798 treasury shares, i.e. 0.5%. The number of own shares held by LISI S.A. stands at 1,442,328.

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 01/01/2014	**1,521,570**	**7.54**
Shares acquired in 2014	252,798	22.89
Shares awarded in 2014	(123,765)	7.46
Shares disposed of in 2014	(208,275)	22.54
Shares held at 12/31/2014	**1,442,328**	**7.94**
Of which shares allocated to remuneration in shares	*1,388,430*	
Of which available	*53,898*	

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 share 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. 2,701,193 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 €40 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

Libellés	2014			2013			2012		
	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	54.9	69.6	29,643,620	55.0	69.7	5,928,724	55.0	69.3	5,928,724
VMC	5.7	6.9	3,070,860	5.7	6.9	614,172	6	7.5	640,675
Other corporate officers	0.3	0.3	152,945	0.3	0.2	27,214	0.4	0.5	48,167
TOTAL CORPORATE OFFICERS	**60.8**	**76.7**	**32,867,425**	**60.9**	**76.8**	**6,570,110**	**61.4**	**77.2**	**6,617,566**
of which directors	*0.2*	*0.2*	*90,325*	*0.15*	*0.12*	*15,650*	*0.22*	*0.20*	*23,450*
FFP INVEST	5.1	3.2	2,750,000	5.1	3.2	550,000	5.1	3.2	550,000
Treasury shares	2.7		1,442,328	2.8		304,314	2.9		314,980
Employees	1.3	0.8	677,650	1.2	0.8	133,250	1.4	0.9	152,500
Public	30.1	19.3	16,286,472	29.9	19.2	3,228,820	29.2	18.7	3,151,448
GRAND TOTAL	**100.0**	**100.0**	**54,023,875**	**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. As at December 31, 2014, it held 54.9% of share capital and 69.6% of voting rights. CID's capital is held in almost equal proportion by three family shareholder groups through family holdings (Family Kohler through CIKO, Family Peugeot through FFP Invest, Family Viellard through VMC). While family ties exist between shareholders, they are not directly related.
  At December 31, 2014, the capital of CID broke down as follows:
  – CIKO for 30%,
  – FFP Invest for 25%,
  – VMC for 28% of the capital,
  – Others for 17%.
- The sole activity of CIKO, 28 faubourg de Belfort 90100 DELLE is the ownership of LISI and CID shares. As at December 31, 2014, it held 0.1% of share capital and 0.1% of voting rights. At the same date, it held indirectly 16.52% of the capital of LISI S.A., being a total of 16.62% of the capital.
- As at December 31, 2014, FFP, a company based at 75 Avenue de la Grande Armée 75116 PARIS held 5.1% of share capital and 3.2% of voting rights. At the same date, it held indirectly 13.85% of the capital of LISI S.A., being a total of 18.95% of the capital.
- As at December 31, 2014, VMC, a company based at Route des Forges 90120 MORVILLARS, held 5.7 % of the capital of LISI and 6.9% of voting rights. At the same date, it held indirectly 15.25% of the capital of LISI S.A., i.e. in total 20.9% 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 (1.25% of the share capital).

1.3.1.2 Shareholders' agreement - concerted actions

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 L.233-10 and L.233-11 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 commitments to retain shares

"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 29,645,625 shares and 59,289,245 LISI S.A. voting rights, broken down as follows:

	Shares	% capital	Voting rights	% voting rights
CID	29,643,620	55.0%	59,287,240	69.60%
M. Gilles KOHLER	1,000	< 0.01%	1,000	< 0.01%
M. Jean-Philippe KOHLER	5	< 0.01%	5	< 0.01%
M. Emmanuel VIELLARD	1,000	< 0.01%	1,000	< 0.01%
Total	**29,645,625**	**55.0%**	**59,289,245**	**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 is renewed by tacit agreement from one year to another as of December 19, 2012. This commitment involves 29,645,625 shares and 59,289,245 LISI S.A. voting rights, broken down as follows:

	Shares	% capital	Voting rights	% voting rights
CID	29,643,620	55.0%	59,287,240	69.60%
M. Gilles KOHLER	1,000	< 0.01%	1,000	< 0.01%
M. Jean-Philippe KOHLER	5	< 0.01%	5	< 0.01%
M. Emmanuel VIELLARD	1,000	< 0.01%	1,000	< 0.01%
Total	**29,645,625**	**55.0%**	**59,289,245**	**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, 2014.

1.3.2 LISI S.A. shareholding

The latest TPI analysis ("Identifiable bearer security"), conducted on February 4, 2015, identified 2,263 shareholders on the floating capital, which accounted for approximately 29.9% of the total number of shares out of a total floating capital of 30.7%. At that date, the breakdown was as follows:

- French institutional investors: 118 holding 10.1% of the capital stock,
- International institutional investors: 138 holding 18.2% of the capital stock,
- French and international individual shareholders: 2,145 holding 1.5% of the capital stock.

1.3.3 LISI S.A. treasury shares

As at December 31, 2014, LISI S.A. held 1,442,328 of its own shares, or 2.67% 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:

	Amount concerning	
(In €'000)	**related companies**	**companies with which the company has a participating interest**
ASSETS:		
Receivables related to equity holdings	2,500	–
Debtors and apportioned accounts	3,902	–
Cash advances to subsidiaries	385,722	–
Tax integration current account	1,956	–
Leg 3 – 6 SRP claims (5 test and 1 control)		
Subsidiaries' financial assistance	218,929	–
Tax integration current account	7,160	–
Suppliers	182	–
INCOME STATEMENT:		
IT maintenance	23	–
Reserves for equity interests	1,962	–
Service and management fees invoices	8,417	–
Miscellaneous chargebacks	1,926	–
Revenues from subsidiaries' loans and current accounts	3,810	–
Revenues from equity interest	20,006	–

Significant intra-group items include:

- On the assets side:
  - Receivables relating to equity interests: LISI S.A. advanced, as a mid-term loan, €10 million to its subsidiary LISI AUTOMOTIVE, due for repayment on April 1, 2016, so as to enable it to fund part of the acquisition, in July 2005, of Germany's KNIPPING:
    the capital outstanding at December 31, 2014 being €2.5 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. for the financial year 2014.

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 2014 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	45	76	33	22		
– Fully consolidated subsidiaries	769	660	255	214	92	29
Other due diligence and services						
– Holding company	16					
– Fully consolidated subsidiaries	154	88	2	15	1	
Sub-Total	**984**	**824**	**290**	**251**	**93**	**29**
Other services rendered by the networks to the fully consolidated subsidiaries						
Legal, tax, and social						
Miscellaneous services						
Sub-Total						
TOTAL	**984**	**824**	**290**	**251**	**93**	**29**

2 | CORPORATE 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, except for those set out in paragraph 2.10 of this chapter, in accordance with the "Apply or explain" rule of the AFEP-MEDEF code. Such membership has been confirmed by the Board of Directors.

2.1 | RULES OF PROCEDURE

ARTICLE 1 – PURPOSE OF THE RULES OF PROCEDURES

1.1 The members of the Board are subject to the laws and regulations in force and to the By-laws of the Company.

1.2 These rules of procedure are intended, in the interest of the members of the Board of Directors of the Company and its shareholders:

- to remind the members of the Board of their different duties,
- to complete the legal, regulatory and statutory rules, in order to clarify the operating procedures of the Board of Directors.

1.3 These rules of procedure shall be binding on all members of the Board of Directors.

If a member of the Board is a legal person, the provisions of these rules of procedure shall apply to its permanent representative as if he/she was a member of the Board in his/her own name, without prejudice to the obligation for the legal entity he/she represents to comply with the obligations set out in these rules of procedure.

1.4 Any member of the Board is deemed, upon taking office, to adhere to these rules of procedure and shall respect all of their provisions.

1.5 A copy of these Board of Directors' rules of procedure shall be given to each director, general manager and, if applicable, to each deputy CEO at the time of their appointment.

TITLE I - COMPOSITION OF THE BOARD

ARTICLE 2 – COMPOSITION OF THE BOARD

2.1 The Board of Directors is composed of at least three members and at most eighteen members, to which can be added, if applicable, employee representatives appointed in accordance with legal provisions.

2.2 The Directors may be:

- natural persons; or
- legal entities. In this case, they must, upon appointment, designate a permanent representative, subject to the same conditions and obligations and who shall have the same responsibilities as if he/she were a director in his/her own name, without prejudice to the joint liability of the legal entity he/she represents.

2.3 At least one third of directors must be independent members.

In general, is considered independent any director who has no relationship of any kind with the Company, the Group or its senior management, that could compromise the exercise of his freedom of judgment.

2.4 A director is considered independent when he/she cumulatively meets the following conditions:

- he/she was not, in the five years preceding his/her first appointment as a corporate officer of the Company, an employee or officer of the Company or a Group company and was not, at the time of his/her appointment, an employee of the Company or an employee or officer of a Group company;
- he/she is not a corporate officer of a company in which the Company directly or indirectly holds a directorship or is a member of the supervisory board;
- he/she is not a major client, supplier, investment banker or financial banker significant for the Company or its Group, or for whom the Company or its Group represents a major portion of business;
- in respect of the directors exercising functions in one or several banks, they should not have participated (i) in the preparation or solicitation of service offerings by one of the banks from the Company or a Group company (ii) in the work of one of these banks in case of execution of a mandate given to the bank by the Company or a Group company or (iii) in a vote on any resolution concerning a project in which the bank concerned would or could be concerned as an advisor;
- he/she has no close family ties with a corporate officer of the Company or a Group company;
- he/she has not been auditor of the Company over the last five years;
- he/she has not been a member of the Company's Board for over twelve years, provided that the loss of independent membership will intervene only after the expiry of the term during which the period of twelve years has been exceeded;
- he/she is not a major shareholder of the Company.

The Board of Directors may, however, consider that a director, although not fulfilling any of the above criteria, can still be classified as independent given his/her particular circumstances. In this case, the Board will explain its decision in the annual report presented to the meeting of shareholders.

2.5 Each year, the independent status of each director shall be discussed by the Nominations Committee and considered on a case by case basis by the Board of Directors in light of the above criteria.

The independent status shall also be discussed at the appointment of a new director and on the reappointment of directors.

The findings of the review of the classification as independent by the Board of Directors are made available to shareholders in the report of the Chairman of the Board at the annual general meeting of the Company.

2.6 The board of directors chooses among the independent directors one lead independent director. 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.

TITLE II - POWERS OF THE BOARD, THE CEO AND DEPUTY CHIEF EXECUTIVE OFFICERS - OPERATIONS SUBJECT TO PRIOR APPROVAL OF THE BOARD

ARTICLE 3 – POWERS OF THE BOARD RESULTING FROM LEGISLATIVE AND REGULATORY PROVISIONS IN FORCE

3.1 The Board of Directors determines the Company's business orientations and ensures their implementation. Subject to the authority explicitly granted to shareholder meetings and within the limits of the corporate objective, it rules over any issue regarding the proper operation of the Company and deliberates to solve the issues that concern it.

3.2 In particular and without this list being exhaustive, the Board of Directors in accordance with laws and regulations in force and under the conditions and in the manner determined appropriate by the present rules of procedure of the Board:

- is competent to convene the general meeting of shareholders of the Company and set its agenda;
- approves the plan strategic and annual budget of the Group presented by senior management and any amendment to the budget;
- prepares the financial statements and consolidated accounts and establishes the annual management report;
- authorizes the agreements referred to in Article L.225-38 of the French commercial Code;
- selects the means of exercising the general management of the Company, in accordance with Article 13 of the By-laws;
- appoints or dismisses:
  – the Chairman of the Board of Directors;
  – where applicable, the Vice-chairman of the board;
  – the CEO;
  – and if applicable, on the proposal of the CEO or the Deputy CEOs;
- determines the powers of the CEO and, where appropriate, in agreement with the latter, those of the deputy CEOs;
- can co-opt a director;
- sets the remuneration of the Chairman of the Board, the CEO and, if applicable, the Deputy CEOs;
- appoints the members of the committees established in accordance with the law, they by-laws and these rules of procedure of the Board;
- divides the directors' fees among the directors in accordance with these rules of procedure of the Board;
- approves the report of the Chairman of the Board regarding the operation of the Board, the internal control and risk management;
- may decide the issuance of debt securities not convertible into shares;
- authorizes the CEO of the Company, with powers to subdelegate, to provide guarantees and endorsements by fixing, for each year, an overall cap, and if necessary, a maximum amount per transaction;

3.3 Besides, the Board of Directors carries out any controls or checks that it deems necessary. It verifies that each director receives all necessary information and any documents that it considers useful or necessary for the accomplishment of his/her duties.

3.4 Generally the Board:

- is kept informed by its Chairman, the CEO of the Company or, if available, the Deputy CEOs of the Company and the committees of the Board, of all significant events concerning the business performance of the Company and the Group;
- ensures that the shareholders receive the proper information, in particular through its control on the information provided to it by management of the Company; and
- ensures that the Company has procedures for identifying, evaluating and monitoring its liabilities and risks, including those off-balance sheet, and adequate internal control.

ARTICLE 4 – TRANSACTIONS SUBJECT TO PRIOR APPROVAL OF THE BOARD AS PART OF THE INTERNAL ORGANIZATION OF THE COMPANY AND THE GROUP

4.1 In addition to legislative and regulatory requirements for prior authorization of the Board and as part of the internal organization of the Company and the Group, the following transactions shall be subject to prior express approval of the Board before being taken by the CEO of the Company or, if appropriate, by a Deputy CEO:

- decisions to take or transfer all significant interests in any existing or future companies, to create any company, group or organization, to subscribe to any issue of shares, stocks or bonds, excluding cash transactions;
  – decisions on a significant presence in France or outside France,
  – directly by creating a site, a branch, a direct or indirect subsidiary, or
  – indirectly through equity participation;
  and decisions to close such sites in France or outside France;

- significant transactions that may affect the Group's strategy and modify its financial structure or scope of activity.

4.2 Similarly, any significant industrial or commercial project shall be subject to the express prior approval of the Board before being initiated by the CEO of the Company or, if appropriate, by a Deputy CEO.

4.3 The assessment of the "significant" nature of the transactions referred to in the two above paragraphs (4.1 and 4.2) is achieved when these transactions exceed the unitary amount of €15 million.

Before being submitted to the approval of the Board, any project of such a "significant" nature must have been presented to the Strategic Committee for opinion.

4.4 The Board is also systematically asked to approve explicitly beforehand each of the following decisions and, provided it is for the Company or for one of the Group companies, in an amount equal or greater than €50 million:

- grant or take out any loans, borrowings, credit and advances;

- acquire or dispose of any claims, by any means whatsoever.

4.5 Requests for prior, explicit approvals are:

- listed on the agenda of the meeting of the Board during which they will be addressed; and

- handled during the meeting of the Board of the Company;

- recorded in the minutes of Board deliberations.

ARTICLE 5 – POWERS OF THE CEO AND, IF ANY, OF THE DEPUTY CEOs - SPECIFIC LIMITATIONS PLACED BY THE BOARD ON THE POWERS OF THE CEO AND, IF NECESSARY, ON THOSE OF THE DEPUTY CEOs

5.1 The powers that are, under the laws and regulations in force and the By-laws of the Company and the present rules of the board:

- neither reserved to the Board;

- nor reserved for general meetings of shareholders of the Company;

are vested in the CEO of the Company and, if applicable, the Deputy CEOs.

When deciding to appoint the CEO or, if applicable, a Deputy CEO, specific limits may eventually be set by the Board of Directors to the powers of the CEO of the Company or, if applicable, the Deputy CEO.

This section of the rules of procedure of the Board of Directors is updated on the date of the Board's decision to integrate said specific limits.

The Board of Directors may further limit for a particular transaction, the scope of the powers of the CEO or a Deputy CEO. If necessary, these limits shall be set in the minutes of the Board authorizing the transaction.

TITLE III - OPERATION OF THE BOARD

ARTICLE 6 – ROLE OF THE CHAIRMAN OF THE BOARD

6.1 The Chairman of the Board of Directors or, if applicable, the Vice Chairman of the Board, organizes and directs the work of the Board and reports to the general meeting of shareholders of the Company.

6.2 The Chairman of the Board of Directors proposes to the Board of Directors to appoint the Secretary of the Board.

The Secretary of the Board is not required to be a member of the Board. If the Secretary is not a member of the Board, he/she is nevertheless subject to the same confidentiality obligations as the members of the Board of Directors.

6.3 The Chairman of the Board ensures the proper operation of the Company's bodies, particularly the committees of the Board.

6.4 The Chairman of the Board ensures that the members of the Board are able to fulfill their duties, especially in committees.

6.5 The Chairman of the Board is at every opportunity available to the members of the Board who may submit any question about their duties.

6.6 The Chairman of the Board ensures that its members devote the time necessary to issues relating to the Company and the Group.

6.7 The Chairman of the Board is the only individual who can speak on behalf of the Board.

6.8 In accordance with the laws and regulations in force, the Chairman of the Board reports in a report to the General Meeting of the Company:

- the composition of the Board;
- the conditions of preparation and organization of the Board's work;
- the internal control and risk management procedures in place, detailing notably those procedures relating to the preparation and processing of accounting and financial information for the financial statements and consolidated accounts.

ARTICLE 7 – FREQUENCY OF THE BOARD MEETINGS

7.1 The Board of Directors meets at least five times a year and as often as the interests of the Company require.

7.2 The number of meetings of the Board and meetings of committees of the Board held during the year must be indicated in the report of the Chairman of the Board to the General Meeting, which must also give shareholders all material information regarding the participation of members of the Board in these sessions and meetings.

7.3 Once a year at least, the directors meet without the presence of the executive members of the Company. At this meeting, they may request the presence of the auditors or any other person to collect the information necessary for the proper performance of their duties.

ARTICLE 8 – NOTICES OF MEETINGS OF THE BOARD AND RIGHT TO INFORMATION

8.1 The Board is convened by the Chairman of the Board or, in his absence, the Vice-Chairman.

8.2 At least one third of the directors may ask the Chairman to convene the Board on a specific agenda if the Board has not met for more than three months.

The CEO or, where appropriate, a Deputy CEO, may also ask the Chairman to convene the Board of Directors on a specific agenda.

In both cases, the Chairman of the Board is bound by the requests made to him/her and has to convene the Board within seven days of the request. This period may be shortened in case of emergency.

8.3 Meetings are called by any written means. The deadline for convening the Board of Directors is fifteen calendar days. This period may be shortened in case of justified emergency.

The Board may deliberate in the absence of notice if at least three-quarters of its members are present or represented.

8.4 Except in case of emergency, the members of the Board receive the agenda of the session of the Board with the notice and the elements of information then available.

The entire documentation necessary for enlightening the directors and enabling them to make an informed decision about the items on the agenda will be supplied at least three days before the relevant meeting, except for the July meeting devoted to the review of interim financial statements, where the deadline is shortened to two days because of the particularly short deadlines provided that month to close the said accounts.

Thus, any director may object to the review of an item that has not been documented beforehand, except in urgent cases as indicated above.

ARTICLE 9 – VENUE OF THE MEETINGS

Meetings of the Board of Directors take place, preferably, in the administrative offices of the Company or in any other venue specified in the notice.

Periodically, a meeting shall be organized in a Group production unit so that the directors can understand what the manufacturing conditions are and what capital expenditures are to be made.

ARTICLE 10 – AGENDA

10.1 The Board of Directors is convened on a specific agenda.

10.2 Each director has the freedom and responsibility to ask the Chairman of the Board to include in the draft agenda certain items if he/she believes that they are the responsibility of the Board.

10.3 Once a year at least, the Board is invited by the Chairman to conduct a review of its procedures.

ARTICLE 11 – PARTICIPATION OF MEMBERS OF THE BOARD IN BOARD MEETINGS

11.1 Each director has the opportunity to be represented at Board meetings by another administrator.

Each director may only represent one director during the same session of the Board.

The proxy must be in writing, by letter, fax or email, the signed proxy being in such a case attached to the said email.

ARTICLE 12 – USE OF MEANS OF VIDEOCONFERENCE AND TELECOMMUNICATIONS

12.1 The members of the Board may attend the Board meeting by videoconference or telecommunications.

12.2 In accordance with the laws and regulations in force, this mode of participation is not applicable when preparing the financial statements and consolidated accounts or when establishing the individual and consolidated management reports.

12.3 This method of participation is not applicable for the adoption of the following decisions:

- the appointment and dismissal of the Chairman and Vice-Chairman of the Board of Directors.
- the appointment and dismissal of the CEO and, where applicable, of the Deputy CEOs;

12.4 The means used should enable the identification of participants and ensure their effective participation in the meeting of the Board, that is to say at least transmit the participants' voice and meet the technical requirements for continuous retransmission and simultaneous deliberations.

12.5 The members of the Board who wish to participate in a Board meeting by videoconference or by telecommunications should specify it in writing to the Chairman at least twenty-four hours before the date of the Board meeting.

12.6 The Board members participating in the meeting by videoconference or telecommunications are deemed present for the quorum and majority.

12.7 The necessary steps must be taken to allow the identification of each speaker and the verification of the quorum.

12.8 In accordance with the laws and regulations in force, the minutes of deliberations mentions the participation of members of the Board by videoconference or telecommunications. It must also state the possible occurrence of a technical problem relating to the videoconference or telecommunications if ever such an incident disrupted or interrupted the course of the session.

In case of occurrence of such an incident, the items processed after the disruption or the interruption of the transmission will be ruled upon again.

12.9 The Board members participating by videoconference or telecommunications shall sign the minutes of the deliberations at the next session.

ARTICLE 13 - RULES RELATING TO THE ADOPTION OF DECISIONS

13.1 Voting

- Voting is by a show of hands.
- If a Director so requests, the Board shall organize a recorded vote or a secret ballot.
- If a request for a recorded vote and a secret ballot is presented on the same case, secret ballot voting takes priority.

13.2 Majority requirements

- Decisions are taken by a majority of the members present or represented at the vote. In case of a tie vote, the Chairman has the casting vote.
- ·Pursuant to Article 11 of the by-laws, resolutions shall be taken by a three-fourths majority vote of the members present or represented, as regards the following questions:
  - calculation of amortization and depreciation expenses and of provisions, notably for the calculation of provisions for impairment in value of acquisitions.
  - proposals to be made at the ordinary general meeting for the appropriation of the results of the past year,
  - text of resolutions to be submitted to an extraordinary general meeting of shareholders,
  - replacement of a deceased or resigning director.

ARTICLE 14 – THIRD PARTY PARTICIPATION IN BOARD MEETINGS

Invitations

14.1 Depending on the issues on the agenda, the Chairman of the Board may decide, in particular on a proposal a Board member, to invite any person he/she deems useful, whether or not an employee of the Company, to present a case or to inform the preparatory discussions prior to the deliberations.

Auditors

14.2 The statutory auditors are mandatorily invited to all Board meetings during which are reviewed the annual or interim financial statements, whether consolidated or not.

14.3 The auditors may be invited to any Board meeting.

14.4 The auditors are convened at the same time as the members of the Board, but their notice is sent by registered letter with acknowledgement of receipt when their participation is mandatory.

Confidentiality obligation

14.5 In case a third party who is not a member of the Board is invited at a Board meeting or to the preparatory work for such a meeting, the Chairman of the Board shall remind him of his obligations of confidentiality on information gathered at the Board meeting or prior to it.

ARTICLE 15 – ATTENDANCE RECORD – MINUTES

15.1 An attendance record is held which is signed by the members of the Board attending the meeting of the Board.

15.2 The draft of the minutes of the previous deliberations of the Board are sent or provided to all members of the Board at the latest together with the notice convening the next meeting.

ARTICLE 16 – DIRECTORS' FEES PAID TO MEMBERS OF THE BOARD

16.1 In accordance with legal and regulatory provisions and the provisions of the By-laws of the Company, the general meeting may allocate to the members of the Board, as remuneration for their activity, as attendance fees, an overall annual sum. This amount is proposed by the Compensation Committee and submitted to the general meeting by the Board.

16.2 An equivalent amount of such attendance fees is set for each meeting of the board or committee. This amount is allocated to the directors based on their attendance at meetings of the board or the committees to which they belong.

TITLE IV – COMMITTEES OF THE BOARD

ARTICLE 17 – STANDING COMMITTEES

17.1 The Board of Directors establishes four standing committees:

- an Audit Committee;
- a Compensation Committee;
- a Nominations Committee;
- a Strategic Committee.

17.2 The Board may, if necessary, subsequently establish other committees of the Board. In this case, these rules will be amended in order to specify the duties, resources, composition and rules of operation of these new committees.

ARTICLE 18 – RULES COMMON TO ALL STANDING COMMITTEES

18.1 The task of the committee is to provide in-depth analysis and reflection through thorough discussions of the Board and to assist in the preparation of decisions of the latter.

The committees have no power of decision and the opinions, proposals and recommendations that the committees submit to the Board are not binding on it in any way.

18.2 The committee members must be directors and are appointed personally by the Board.

A permanent representative of a legal entity that is also a director may be designated as a member of a committee, provided that the change of the permanent representative causes immediate loss of membership of a committee.

18.3 The committee members may be reappointed.

18.4 A person may be a member of several committees.

18.5 Directors who would be appointed to one or more committees shall be appointed for the term of their directorship.

18.6 The Board may dismiss *ad nutum* each member of a committee, without the need to justify such dismissal.

18.7 The Board shall appoint from among the members of a committee the person who will serve as chairman of such committee.

18.8 Each committee determines the frequency of its meetings, which are held at the place indicated in the notice, and may meet at any time at the request of its Chairman, of a majority of its members, the Chairman of the Board or one third of the directors.

18.9 The author of the notice sets the agenda of the meeting.

18.10 A committee may meet only if more than half of its members are present, by any means permitted by the laws or regulations in force, by the provisions of the by-laws or by those of the present rules of procedure for the participation of Board members at its meetings.

18.11 The opinions, proposals and recommendations of each committee will be adopted by a majority of members of this committee who are present.

The chairman of each committee shall have a casting vote in case of a tie.

18.12 The Chairman of a committee may invite all directors to attend one or more sessions of the Committee and any other person whose presence is useful or necessary to debate items on the agenda of the session of the committee concerned.

Only members of a committee take part in its deliberations.

18.13 Each committee shall draw up minutes of its meetings.

These minutes are transmitted to all members of the committee.

18.15 In its field of competence, each committee issues proposals, recommendations or opinions. To this end, it may propose to the Board of Directors to cause to conduct, at the expense of the Company, any internal or external surveys that can inform the deliberations of the Board.

It can also hear one or more members of the general management of the Company, including the CEO or, if applicable, the deputy CEOs.

It reports to the Board of Directors, through the voice of its Chairman or, in his absence thereof of any other member designated for this purpose, its work at each meeting of the Board of Directors.

18.16 Each committee rules as necessary on its other operating procedures.

Each committee periodically ensures that its rules and operating procedures allow it to assist the Board of Directors to deliberate validly on the issues of its competence.

AUDIT COMMITTEE

ARTICLE 19 – DUTIES OF THE AUDIT COMMITTEE

19.1 The Audit Committee's primary duties include reviewing the accounts and monitoring the issues relating to the preparation and control of accounting and financial information.

As such, it is responsible for:

- reviewing the draft statutory and consolidated financial statements, interim and annual, before submission to the Board, including ensuring the relevance and consistency of the accounting methods adopted to prepare the financial and consolidated statements and examining any difficulties encountered in the application of the accounting policies;
- reviewing the financial documents issued by the Company upon closing the annual and interim accounts;
- assessing the reliability of the systems and procedures that contribute to the preparation of accounts and the validity of decisions taken to handle significant transactions;
- monitoring the legal verification of the annual accounts and consolidated financial statements by the auditors.

19.2 The Audit Committee also has the task of verifying the effectiveness of the internal control and risk management systems of the Company.

As such, it is responsible for:

- reviewing, with the heads of internal audit of the Group, the organization of internal control, its functioning and procedures in place;
- examining, with the heads of internal audit of the Group:
  - the recommendations and objectives in the field of internal control;
  - the monitoring of interventions and actions by the officials concerned within the Group;
- reviewing the results of the internal audit;
- checking that the procedures used by the internal audit that contribute to the Company's accounts accurately reflecting the reality of the company and complying with accounting rules;
- reviewing the adequacy of the analytical and risk monitoring procedures, ensuring the establishment of a process of identification, quantification and prevention of major risks arising from the Group's activities;

- examining the draft report of the Board of Directors Chairman on internal control and risk management procedures.

19.3 The Audit Committee is also responsible for checking the effectiveness of the external control of the Company.

As such, it is responsible for:

- issuing a recommendation on the Statutory Auditors proposed for appointment by the general meeting of the Company;
- ensuring the independence of the Company's auditors;
- ensuring the adequacy of the remuneration of the statutory auditors of the Company for the actual accomplishment of their task, a remuneration that should be sufficient so as not to undermine their independence and objectivity;
- reviewing each year, with the auditors, their intervention plans, the conclusions of their interventions, their recommendations, and the way they are adhered to.

19.4 The Audit Committee regularly reports to the Board of Directors on the performance of its duties and informs it promptly of any difficulties encountered. These reports are the subject of records provided to directors at the relevant meetings of the Board of Directors.

ARTICLE 20 – MEANS AVAILABLE TO THE AUDIT COMMITTEE

20.1 In accordance with applicable laws and regulations and the provisions of the by-laws and these rules, the Audit Committee in general and each of its members in particular may request copies of information they find relevant, useful or necessary for the performance of their tasks.

20.2 In accordance with applicable laws and regulations and the provisions of these rules, the Audit Committee may request to proceed with the hearing of the auditors or hear players of the Company including members of the senior management, and in particular the CFO. These hearings may be held, if necessary, without the presence of members of senior management.

20.3 In accordance with applicable laws and regulations, the audit committee may, if it deems necessary, engage into an independent investigation.

20.4 In general, the audit committee will be informed by senior management of the Company and the statutory auditors of any event that may expose the Company, the Group or any of the Group entities, to significant risk.

The appreciation of the significance of the risk shall be the task of senior management of the Company or the auditors, under their own responsibility.

ARTICLE 21 – COMPOSITION OF THE AUDIT COMMITTEE

21.1 The Audit Committee is composed of at least three members, including its chairman.

21.2 The Chairman of the Board of Directors and, in the event that the CEO's functions would be exercised by a director other than the Chairman of the board, the CEO, cannot be members of the Audit Committee.

21.3 The majority of members of the Audit Committee, including its Chairman, must be independent directors, in accordance with the criteria defined in paragraph 2.4.

The members of the Audit Committee are chosen for their expertise in financial matters.

ARTICLE 22 – OPERATION OF THE AUDIT COMMITTEE

22.1 The Audit Committee meets at least twice a year prior to the closing of the annual and interim financial statements.

22.2 The Audit Committee may also meet whenever a Board decision is necessary and within the competence of the Committee.

22.3 The operation of the Audit Committee is governed by the laws and regulations in force as well as the provisions of the By-laws and Rules of Procedure and in particular Article 18.

COMPENSATION COMMITTEE

ARTICLE 23 – TASKS OF THE COMPENSATION COMMITTEE

23.1 The Compensation Committee has the task of formulating to the Board of Directors the recommendations and proposals for members of the Board who would be beneficiaries:

- the allocation of directors' fees;
- all elements of remuneration of senior management of the Company, including the conditions applicable at the end of their mandate;

- changes or potential changes in the pension plan and pension of members of senior management of the Company;

- benefits in kind and other pecuniary rights;

23.2 The Compensation Committee is also tasked with formulating to the Board recommendations the performance criteria to apply, if any, when granting or exercising any share subscription or purchase options, as well as when allocating free shares at Group level.

23.3 The Compensation Committee may also issue to the senior management of the Group opinions or recommendations on:

- the executive compensation policy,

- the incentive mechanisms, by all means, of the Group companies' executive staff.

ARTICLE 24 – COMPOSITION OF THE COMPENSATION COMMITTEE

24.1 The Compensation Committee is composed of at least three members, including its chairman.

24.2 The Chairman of the Board of Directors and, in the event that the CEO's functions would be exercised by a director other than the Chairman of the board, the CEO, cannot be members of the Compensation Committee.

24.3 The majority of members of the Compensation Committee, including its Chairman, must be independent directors, in accordance with the criteria defined in paragraph 2.4.

ARTICLE 25 – OPERATION OF THE COMPENSATION COMMITTEE

25.1 The Compensation Committee meets at least once a year to establish all the components of the remuneration of senior management of the Company to submit for the approval of the Board.

25.2 The Compensation Committee may also meet whenever a Board decision is necessary and within the competence of the Committee.

25.3 The operation of the Compensation Committee is governed by the laws and regulations in force as well as the provisions of the By-laws and Rules of Procedure and in particular Article 18.

NOMINATIONS COMMITTEE

ARTICLE 26 – TASKS OF THE NOMINATIONS COMMITTEE

The Nominations Committee has the following missions:

- to assist the Board in selecting members of the Board of Directors, members of the committees of the Board and the Chairman, the CEO and, if appropriate, the Deputy CEOs;

- to select potential members of the Board meeting the independence criteria and to submit the list to the Board;

- to prepare the succession of members of senior management of the Company;

ARTICLE 27 – COMPOSITION OF THE NOMINATIONS COMMITTEE

27.1 The Nominations Committee is composed of at least three members, including its chairman.

27.2 The Chairman of the Board of Directors and, in the event that the CEO's functions would be exercised by a director other than the Chairman of the board, the CEO, cannot be members of the Nominations Committee.

ARTICLE 28 – OPERATION OF THE NOMINATIONS COMMITTEE

28.1 The Nominations Committee may also meet whenever a Board decision is necessary and within the competence of the Committee.

28.2 The operation of the Nominations Committee is governed by the laws and regulations in force as well as the provisions of the By-laws and Rules of Procedure and in particular Article 18.

STRATEGIC COMMITTEE

ARTICLE 29 – TASKS OF THE STRATEGIC COMMITTEE

29.1 The Strategic Committee ponders and expresses its opinion on:

- the strategic direction of the Company and the Group

- the Group's development policy;

29.2 The Strategic Committee reviews and examines:

- draft strategic agreements and partnership projects;

- the acquisitions and the growth transactions affecting the Group's structures, including proposed acquisitions of significant assets; significant presence in France or overseas projects; projects to create significant subsidiaries; the planned investments or disposals of significant shareholdings and generally any significant project of any nature whatsoever.

A project presented by senior management is material when the financial exposure of the Company or the Group exceeds the sum of €15 million.

29.3 In general, the Strategic Committee gives its opinion on any other strategic issues the Board of Directors submits it.

ARTICLE 30 – COMPOSITION OF THE STRATEGIC COMMITTEE

The Strategic Committee is composed of at least three members, including its chairman.

The senior management of the Group is part of the Strategic Committee.

ARTICLE 31 – OPERATION OF THE STRATEGIC COMMITTEE

31.1 The Strategic Committee meets at least once a year to establish all the components of the remuneration of senior management of the Company to submit for the approval of the Board.

31.2 The Strategic Committee may also meet whenever a Council decision is necessary and within the competence of the Committee.

31.3 The operation of the Strategic Committee is governed by the laws and regulations in force as well as the provisions of the By-laws and Rules of Procedure and in particular Article 18.

TITLE V – ADAPTATION AND AMENDMENT OF THE RULES OF PROCEDURE

ARTICLE 32 – ADAPTATION AND AMENDMENT OF THE RULES OF PROCEDURE

These rules of procedure may be adapted and modified by decision of the Board taken by a simple majority of directors present or represented at the meeting of the Board, it being specified, however, that the provisions of these rules that describe certain statutory provisions can only be changed as long as the corresponding provisions of the articles have been previously modified by the extraordinary general meeting of shareholders of the Company.

APPENDIX – DIRECTORS' CHARTER

PREAMBLE

LISI directors undertake to adhere to the guidelines contained in this Charter and to implement them.

This charter is established to allow directors to fully exercise their skills and ensure the full effectiveness of the contribution of each of them to the work of the Board of Directors, while abiding by the rules of independence, ethics and integrity that bind them.

ARTICLE 1 – CORPORATE ADMINISTRATION AND INTERESTS

The director shall act at all times in the corporate interests of the company and regardless of his/her mode of designation, see himself/herself as representing all shareholders.

ARTICLE 2 – COMPLIANCE WITH LAWS AND STATUTES

The director must take the full measure of his/her rights and obligations. He/She must know and respect the laws and regulations relating to his/her function, and the rules applicable to the Company resulting from its statutes and the rules of procedure of the Board.

ARTICLE 3 – EXERCISE OF FUNCTIONS: GUIDELINES

The director shall fulfill his/her duties with independence, loyalty and professionalism.

ARTICLE 4 – INDEPENDENCE, CONFLICT OF INTEREST AND DUTY TO SPEAK

The director shall preserve in all circumstances his/her independence of analysis, judgment, decision and action. It is forbidden to be influenced by any element foreign to the corporate interests he/she seeks to uphold.

The director tries to avoid conflicts that may exist between his/her moral and material interests and those of the Company. He/She informs the Board of any conflict of interest in which he/she may be directly or indirectly involved. In cases where he/she cannot avoid being in a conflict of interest, he/she will refrain from participating in discussions and any decision on the matters concerned.

He/She has a duty to clearly express his/her questions and his/her opinions and strives to convince the Board of the relevance of his/her positions. In case of disagreement, he/she ensures that the latter are explicitly recorded in the minutes of the Board meetings.

Regarding employee directors ceasing to serve on the Board, they are committed to taking the necessary steps to ensure their independence and ensuring professional development in line with their skills.

ARTICLE 5 – LOYALTY, GOOD FAITH AND RESERVE DUTY

The director acts in good faith in all circumstances.

He/She does not take any initiative which might harm the interests of the Company and he/she alerts the Board on any item he/she is aware of that may appear to him/her likely to affect such interests.

He/She is committed to fully respect his/her duty of confidentiality in respect of information and debates in which he/she participates and respects the confidentiality of all information provided to him/her in connection with his/her functions, as indicated in the rules of procedure.

He/She shall not use any inside information to which he/she may have access for personal gain or for the benefit of anyone. In particular, where he/she holds non-public information regarding the Company where he/she exercises his/her term of office, he/she refrains from using it to deal or cause a third party to deal in the securities thereof.

ARTICLE 6 – PROFESSIONALISM AND INVOLVEMENT

Directors undertake to devote the necessary time and attention to their duties.

They inquire about the jobs and the specifics of the company, its challenges and its values, including by questioning its leaders and strive to obtain in a timely manner the elements they considers essential to be informed and able to deliberate knowingly on the board.

They take part in board meetings regularly and diligently and attend, to the extent possible, the general meetings of shareholders.

To assist them in their task, the Company, upon appointment, offers them an integration program allowing them to better understand the various lines of business of the group, its organization, its commercial and technical issues and industrial processes.

This program may include in particular the visit of a production site.

ARTICLE 7 – PARTICIPATION IN THE WORK OF THE BOARD

The directors contribute to the collegiality and efficiency of the work of the Board and the Board committees. They make any recommendation they find likely to improve the working methods thereof, especially during the periodic evaluation of the Board.

They accept the evaluation of their own actions on the board.

They ensure, along with the other board members, that the inspection tasks are completed effectively and without hindrance. In particular, they ensure that procedures are in place in the company's procedures for monitoring compliance with laws and regulations in letter and spirit.

They ensure that the positions adopted by the Board, particularly as regards the approval of the accounts, the strategic plan, the budget, the resolutions to be submitted to the general meeting and the important issues concerning corporate life, are the subject of formal decisions, properly motivated and transcribed in the minutes of its meetings.

ARTICLE 8 – OBLIGATIONS REGARDING THE HOLDING OF SECURITIES OF THE COMPANY

As part of these rules and to comply with the governance rules established by AFEP-MEDEF, each director, other than employee representatives, agrees to acquire a number of shares corresponding to a year's attendance fees and retain them in registered form.

In accordance with the laws and regulations in force, each member of the Board of Directors:

- undertakes to comply with the reporting obligations vis-à-vis the AMF;

- also undertakes to immediately inform the Company of any acquisition, sale, subscription or exchange of shares of the Company as well as of related financial instruments, whether the operation is carried out directly or indirectly, by persons closely associated with members of the Board of Directors in accordance with laws and regulations in force.

In addition, members of the Board and persons related to them under applicable laws and regulations should not trade in the securities of the Company:

- during the 30 calendar days preceding the date of publication of annual and interim consolidated results; and

- during the 15 calendar days preceding the date of publication of quarterly revenue.

2.2 | ACTIVITIES OF THE BOARD AND COMMITTEES DURING THE YEAR

2.2.1 Activities of the Board in 2014

The Board met five times during fiscal 2014 and the rate of meeting attendance of its members was 97%.

The Board discussed the key topics and took the major decisions listed below:

- **Session of February 20, 2014:** review and closing of the accounts for the financial year 2013; decision to propose to the General Meeting of April 23rd the appointment of three new directors, bringing to 31% the rate of female representation on the Board; decision to propose to the General Meeting of April 23rd the division by 5 of the nominal value of the security; decision to carry out a capital increase reserved for employees of the LISI Group as part of a group savings plan.

- **Meeting of April 23, 2014:** on the activity and results of the Group in Q1; decision to award the number of performance shares of the 2011 plan; validation of the acquisition procedure of Manoir Aerospace.

- **Session of July 24, 2014:** review and preparation of the accounts for the 1st half of fiscal 2014; review of the development of the Structural Components arm and closure of the Thiant plant; decision to establish a Nominations Committee separate from the Compensation Committee; adoption of new Rules of Procedure regarding the operation of the Board and its committees.

- **Meeting of October 23, 2014:** on the activity and results of the Group in Q3; review of the development of the Structural Components arm; review and approval of the Group's 5-year strategic plan; definition the terms of the 2014 performance share award plan; tour of the facilities of LISI AUTOMOTIVE at Grandvillars, Delle and Dasle.

- **Meeting of December 18, 2014:** review and approval of the Group's 2015 budget; annual review of the governance of the company and the operation of the Board and its committees; ratification of the proposed changes in this area.

2.2.2 Committee activities in 2014

Board Committees met 5 times during the fiscal year 2014 and the rate of meeting attendance of its members was 79%.

- **Audit Committee:** The Committee met twice in 2014.
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. The Committee also reviewed the impairment tests, the control of the Group's major investments and the risk of competing technological developments.

- **Compensation Committee:** The Committee met twice in 2014.
It presented its recommendations to the Council on the rules of remuneration of senior staff of LISI S.A., both fixed and variable; it should be noted that in 2014, the variable part called Bonus on Targets was linked to the achievement of annual targets in terms of profitability (operating margin), cash flow (free cash flow) and management (compliance with the strategic and operational action plans). The Committee also proposed to the Board the conditions for awarding the 2011 and 2014 performance share plans.

- **Strategic Committee:** The Committee met once in 2014.
It reviewed the Group's 2014-2018 strategic plan presented by the senior management of LISI S.A., together with the leaders of the aerospace and automotive divisions and approved the strategic orientations that were exposed to it in detail as well as the key figures in this plan. It also took note of the key issues that derived and that senior management intends to address during fiscal 2015.

2.3 | EMPLOYEES

2.3.1 Head count

2.3.1.1 Registered employees at period end by category

The table below shows the breakdown of Group staff by category:

	2014	2013	Difference N/N-1
Management	965	823	+17.3%
Supervisors	834	810	+3.0%
Staff and workers	8,902	7,606	+17.0%
Total	**10,701**	**9,239**	**+15.8%**

2.3.1.2 Registered employees at period end by division

The table below shows a breakdown of Group staff by business activity:

	2014	2013	Difference N/N-1
LISI AEROSPACE	6,957	5,604	+24.1%
LISI AUTOMOTIVE	3,186	3,143	+1.4%
LISI MEDICAL	538	474	+13.5%
Holding company	20	18	+11.1%
Total	**10,701**	**9,239**	**+15.8%**
Temporary staff engaged	803	546	+47.1%

2.3.1.3 Geographic distribution of the head count

The table below shows the breakdown of staff by geographic area:

	2014	as a %	2013	as a %
France	6,116	57%	4,956	54%
Europe (excl. France)	1,861	17%	1,694	18%
North American continent	1,626	15%	1,584	17%
Africa	318	3%	268	3%
Asia	780	7%	737	8%
Total	**10,701**	**100%**	**9,239**	**100%**

2.3.1.4 Consolidated turnover 2014

EFTAW*	Voluntary departures	Turnover rate
10,749	329	3.06%

* Equivalent full-time average wage.

2.3.2 Profit-sharing, incentive and share-based compensation

2.3.2.1 Employee Incentive

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):

2014	2013	2012
5.6	5.4	5.1

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, 2010 and 2014 in capital increases reserved for employees in the sums of €1.47M, €0.8M, €1.18M, €0.9M and €1.8M, 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, 2014, the "LISI en actions" plan consisted entirely of LISI shares, for a total of 677,650 shares, and had 1,803 members.

c) Employee shareholding

The percentage of share capital held by the Group's employees stood at 1.25% as at December 31, 2014.

2.3.2.2 Share-based compensation

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 one Group employee. The Board of Directors, in its meeting of October 23, 2014, with the permission of the General Meeting of April 26, 2012, decided to allocate 2,375 LISI company shares, freely and without condition, to one Group employee.

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

The plans described below refer to the NAV criterion do measure the Group's performance. Group NAV refers to the Net Asset Value of the LISI Group as defined by the following calculation:

Group NAV = Average of [(0.95*Group Sales Revenue) + (6.5*Group EBITDA) + (10*Group EBIT)] – Group Net Borrowings

And where:

Group Sales revenue	is the consolidated sales revenue exclusive of VAT as stated in the "Income Statement" of the "Consolidated financial statements" in this annual report.
Group EBITDA	is the Gross Current Operating Profit as stated in the "Income Statement" of the "Consolidated financial statements" in this annual report.
Group EBIT	is the Current Operating Profit as stated in the "Income Statement" of the "Consolidated financial statements" in this annual report.
Group Net Borrowings	is the Net Borrowings of the Group in this annual report.

Plan of 2012

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 €900 m. If the Net Asset Value is between €900m and €1,220 m, 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 number of shares awarded is 254,750 (50,950 shares before the stock split) and concerns 152 employees in France.

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 1,000 Company shares (corresponding to 200 shares before the stock split).
2) Corporate officers must keep in registered form 1,000 shares that have been allocated to them for free, up until the termination of their duties (corresponding to 200 shares before the division of the nominal share value).

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 €1,000 m. If the Net Asset Value is between €1,000m and €1,360 m, the shares would be allocated in part. If the Net Asset Value is higher than €1,360 m, the shares would be allocated in full. The maximum number of shares awarded is 166,700 (33,340 shares before the stock split) and concerns 159 employees in France.

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 650 Company shares (corresponding to 130 shares before the stock split).
2) Corporate officers must keep in registered form 650 shares that have been allocated to them for free, up until the termination of their duties (corresponding to 130 shares before the division of the nominal share value).

50 employees outside of France will benefit from bonuses based on the principles and conditions, but in the form of pay and salaries.

2014 plan

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on October 23, 2014, with the permission of the General Meeting of April 23, 2014, 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, 2016, one criterion, namely Net Asset Value of at least €1,100 m. If the Net Asset Value is between €1,100 m and €1,360 m, the shares would be allocated in part. If the Net Asset Value is higher than €1,365 m, the shares would be allocated in full. The maximum allocated number of shares is 173,250 shares and concerns 165 employees in France.

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 600 Company shares.
2) The corporate officer directors shall retain 600 of any free 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.

c) Information on the award of performance shares as at December 31, 2014
The table below sets forth the information relating to the outstanding performance shares as at December 31, 2014 (the number of options is presented taking into account the 1:5 stock split):

	Number
Options outstanding at year start	**638,200**
Options allocated during the period	173,250
Options cancelled during the period	(114,960)
Options exercised during the year	(123,765)
Options that reached maturity during the period	–
Options outstanding at year end	**572,725**

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, 2014:

Allotment Date of Options	Exercise price in €	Number of options outstanding at December 31, 2014	Residual contractual term
24/10/12	None	241,500	01/02/15
24/10/12	None	1,500	01/02/15
24/10/13	None	158,525	01/02/16
24/10/14	None	168,825	01/02/17
24/10/14	None	2,375	01/02/18
Total		**572,725**	

d) Plans in place as at December 31, 2014:

Date of Shareholders' General Meeting	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 01/01/2014	Options exercised in 2014	Options cancelled	Options remaining at 12/31/2014
Authorization of 04.29.2009												
26.10.2011	G Plan Nr. 8	240,750	17,250	39,000	39,000	0	26.02.2014 26.02.2016	None	0	123,765	116,985	0
Authorization of 04.26.2012												
24.10.2012	G Plan Nr. 9	262,750	18,750	40,000	40,000	124	19.02.2015 19.02.2017	None	0	0	21,250	241,500
24.10.2012	G Plan Nr. 9 bis	1,500	0	0	1,500	1		None	0	0	0	1,500
Authorization of 04.25.2013												
24.10.2013	G Plan Nr. 10	166,700	11,850	27,700	26,100	143*		None	0	0	8,175	158,525
Authorization of 04.23.2014												
23.10.2014	G Plan Nr. 11	170,875	11,850	25,600	31,775	161**		None	0	0	2,050	168,825
23.10.2014	G Plan Nr. 11 bis	2,375	0	2,375	2,375	1**		None	0	0	0	2,375

* Beginning on the date of the Board of Directors that approves the 2015 results (February 2016) - end 2 years later.
** Beginning on the date of the Board of Directors that approves the 2016 results (February 2017) - end 2 years later.
G = free.

2.4 | THE ADMINISTRATIVE BODIES

2.4.1 Composition of the Board of Directors and the specialized Committees

The Board of Directors of the Group is composed of 10 members, three of whom are independent. Mr. Eric André, Director of LISI for over 12 years, no longer enjoys the status of independent director. Two new independent female directors will be appointed in 2015 and 2016 in order to achieve compliance with 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 [1]
Chairman of the Board of Directors			1999	
Members of the Board of Directors:	Emmanuel VIELLARD		2000	2019 AGM [4]
	Capucine ALLERTON-KOHLER		2014	2018 AGM [3]
	Eric ANDRE		2002	2018 AGM [3]
	Isabelle CARRERE		2014	2018 AGM [3]
	Lise NOBRE	X	2008	2018 AGM [3]
	Chistian PEUGEOT		2003	2019 AGM [4]
	Marie-Hélène RONCORONI		2014	2018 AGM [3]
	Patrick DAHER	X	2009	2015 AGM [1]
	Pascal LEBARD	X	2005	2017 AGM [2]
	Compagnie Industrielle de Delle represented by Thierry Peugeot [5]		1977	2019 AGM [4]
	SAS CIKO represented by Jean-Philippe Kohler [6]		2002	2015 AGM [1]
	VIELLARD MIGEON & Cie represented by Cyrille Viellard [7]		1977	2015 AGM [1]
Secretary of the Board of Directors	Maître Olivier PERRET (Fiscalité sociétés)			
Audit Committee				
Members of the Audit Committee:	Lise NOBRE (Audit Committee Chair)	X		
	Cyrille VIELLARD			
	Eric ANDRE			
Compensation Committee				
Members of the Compensation Committee:	Patrick DAHER (Compensation Committee Chair)	X		
	Thierry PEUGEOT			
	Lise NOBRE	X		
Strategic Committee				
Members of the Strategic Committee:	Gilles KOHLER (Strategic Committee Chair)			
	Jean-Philippe KOHLER			
	Emmanuel VIELLARD			
	Pascal LEBARD	X		
	Lise NOBRE	X		
Appointments Committee				
Members of the Compensation Committee:	Thierry PEUGEOT (Nominations Committee Chair)			
	Gilles KOHLER			
	Emmanuel VIELLARD			
	Patrick DAHER	X		

[1] Ordinary General Meeting slated to rule in 2019 on the financial statements for the period ended December 2014, 2018.
[2] Ordinary General Meeting slated to rule in 2017 on the financial statements for the period ended December 31, 2016.
[3] Ordinary General Meeting slated to rule in 2018 on the financial statements for the period ended December 31, 2017.
[4] Ordinary General Meeting slated to rule in 2019 on the financial statements for the period ended December 31, 2018.
[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.

2.4.2 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.

2.4.2.1 The members of the Board of Directors

Gilles KOHLER, age 61, 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,
  - Director of HI-SHEAR Corporation (USA),
  - 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 SAS,
  - Member of the Management Committee of LISI AEROSPACE STRUCTURAL COMPONENTS 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 Forges de Bologne SAS,
  - Member of the Management Committee of MANOIR AEROSPACE SAS,
  - Member of the Management Committee of AIRMON HOLDING 1 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,
  - Liquidator of Société Nouvelle de Bonneuil SAS.
- Outside the LISI Group (in France and abroad):
  - Chairman of the Board of Directors of Compagnie Industrielle de Delle.
  - Chairman of IUMM Belfort – Montbéliard.
  - Vice-Chairman of MEDEF Nord Franche-Comté.

Emmanuel VIELLARD, age 51, 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 STRUCTURAL COMPONENTS SAS,
  - Chairman of AIRMON HOLDING 1 SAS,
  - Chairman of LISI MEDICAL 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,
  - Member of the Management Committee of Forges de Bologne SAS,
  - Member of the Management Committee of MANOIR AEROSPACE SAS,
  - Member of the Management Committee of LISI MEDICAL Orthopaedics SAS,
  - Member of the Management Committee of LISI MEDICAL Fasteners SAS,
- Outside the LISI Group (in France and abroad):
  - Chairman of Financière VIELLARD SAS,
  - CEO of VIELLARD MIGEON & Cie SA,
  - 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,
  - Chairman of the Viellard Family Association.

Eric André, age 66, 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 61, 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 Chairman of Etablissements PEUGEOT Frères,
  - Director of FFP,
  - Director of Compagnie Industrielle de Delle,
  - Director of Groupe PSP,
  - 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 52, 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,
  - Chairmain 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: this term of office expired on 12/31/2014
  - Director of CEPI (Confederation of European Paper Industries) Belgium

Thierry Peugeot, age 57, French citizen
Permanent representative of Compagnie Industrielle de Delle at LISI's Board of Directors.

He attends the Board of Directors, the Compensation Committee and is the Chairman of the Nominations 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):
  - Vice-Chairman and director of Ets PEUGEOT Frères and member of the Audit Committee,
  - Director of FFP and member of the Audit Committee,
  - Chairman and CEO of Société Anonyme de Participations (SAPAR),
  - Director of Compagnie Industrielle de Delle (CID),
  - Director of FAURECIA,
  - Director of L'Air Liquide S.A. and member of the Audit Committee.

Jean Philippe Kohler, age 54, 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 STRUCTURAL COMPONENTS 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 Forges de Bologne SAS,

- Member of the Management Committee of MANOIR AEROSPACE SAS,
- Member of the Management Committee of AIRMON HOLDING 1 SAS,
- Member of the Management Committee of LISI MEDICAL SAS,

■ Outside the LISI Group (in France and abroad):
- CEO of Compagnie Industrielle de Delle,
- Chairman of CIKO SAS,
- Chairman and CEO of Société Immeubles de Franche-Comté
- President of the Club Association Progrès Management (APM) "BELFORT SAVOUREUSE"
- Director of Réseau Entreprendre Franche Comté

Cyrille Viellard, age 37, French citizen
Main task: Supply Chain Director of the Rapala VMC Group, CEO of Normark Sport Finland Oy
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):
- None.

Patrick Daher, age 65, 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,
- Deputy Director of DAHER INTERNATIONAL DEVELOPMENT (Luxembourg),
- Member of the Supervisory Board of ZODIAC

Lise Nobre, age 49, French citizen
Chairwoman of LUMEN EQUITY – Deputy Chief Executive Officer of PARVILLA
Director of LISI and Senior Director.

She attends the Board of Directors, the Strategic Committee and is Chair of the Compensation 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
- Chair of the Supervisory Board of FTE verwaltungs (Germany) and director of GCS.

Capucine Allerton-Kohler, age 34, French citizen
Director of LISI

She attends the Board of Directors.

Capucine Allerton-Kohler 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 Compagnie Industrielle de Delle.

Isabelle Carrère, age 51, French citizen
Head of Société ALBA & Co
Director of LISI

She attends the Board of Directors.

Isabelle Carrère 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):
- Manager of ALBA & Co,
- Permanent representative of ALBA & Co on the board of FIL,
- Manager of Perspective Autonomie,
- Manager of Société Civile HARAS DE TURAN

Marie Hélène Roncoroni, age 54, French citizen
Permanent representative of EPF (Etablissements Peugeot Frères) on the Supervisory Board of Peugeot SA and Vice-Chair of the Supervisory Board. Member of the Nominations Committee and of the Asia Committee.
Director of LISI

She attends the Board of Directors.

Marie Hélène Roncoroni 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 and Vice-Chair of FFP,
  - Permanent representative of EPF on the Supervisory Board of Peugeot SA
  - Director of Etablissements PEUGEOT Frères and Deputy CEO
  - Director of SAPAR
  - Director of Assurances Mutuelles de France (Mutuelle)
  - Director of ESSO SAF (France)
  - Director of Fondation PSA PEUGEOT CITROEN and Vice-Chair of the Board
  - Director of Institut Diderot

2.4.2.2 Family ties

The only direct family ties between the aforementioned individuals are the following:

- Gilles Kohler and Jean-Philippe Kohler are brothers.
- Capucine Allerton is the daughter of Gilles Kohler.

2.4.2.3 No conflicts of interest

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."

2.4. 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.

2.5 | PAY AND INTERESTS OF CORPORATE OFFICERS

2.5.1 Directors' fees

The Shareholders' General Meeting, held on April 26, 2014, set the annual directors' fees for members of the Board of Directors at €258,000, from the start of the financial year started January 1, 2014.

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 directors' 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 2014 amounted to €168,000, the fees earned for 2014 amounted to €204,000 and the attendance rate was 93%.

The table below shows the attendance fees paid to directors and acquired by the directors for the period:

Board members	Directors' fees paid in 2013 by LISI S.A. (in euros)	Directors' fees paid in 2014 by LISI S.A. (in euros)	Directors' fees acquired for 2013 (in euros)	Directors' fees acquired for 2014 (in euros)
Gilles KOHLER	15,000	15,000	15,000	15,000
Emmanuel VIELLARD	15,000	15,000	15,000	15,000
Christian PEUGEOT	12,000	18,000	21,000	12,000
Christophe VIELLARD	21,000	–	15,000	–
Jean-Philippe KOHLER	15,000	12,000	15,000	15,000
Thierry PEUGEOT	15,000	15,000	15,000	18,000
Pascal LEBARD	12,000	15,000	15,000	15,000
Eric ANDRE	21,000	21,000	21,000	21,000
Patrick DAHER	18,000	18,000	18,000	21,000
Lise NOBRE	24,000	24,000	24,000	24,000
Cyrille VIELLARD	–	15,000	6,000	21,000
Isabelle CARRERE	–	–	–	9,000
Marie Hélène RONCORONI	–	–	–	9,000
Capucine ALLERTON	–	–	–	9,000
Total	**168,000**	**168,000**	**180,000**	**204,000**

Directors other than Messrs Kohler and Viellard have not received any compensation other than the attendance fees mentioned above from LISI, its subsidiaries and the control company CID.

2.5.2 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, 2014:

Corporate officers	Number of LISI shares held directly	Number of LISI shares held indirectly
Gilles KOHLER	62,725	
Emmanuel VIELLARD	27,600	
Christian PEUGEOT	5	
Cyrille VIELLARD (permanent representative of VMC)		3,070,860
Jean-Philippe KOHLER (permanent representative of S.C.)	61,315	
Thierry PEUGEOT (permanent representative of CID)	125	29,643,620
Pascal LEBARD	50	
Eric ANDRE	25	
Patrick DAHER	1,000	
Lise NOBRE	100	
Capucine ALLERTON		
Isabelle CARRERE		
Marie-Hélène RONCORONI		
Total	**152,945**	**32,714,480**

2.5.3 Remuneration of Managers

	Employment contract		Supplementary pension plan		Compensation or benefits due or that may be due on termination or change of duties		Compensation under a non-compete clause	
Managers Corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
Gilles KOHLER								
Function: Chairman and CEO		X		X		X		X
Term of office start: 1999								
Term of office end: 2015								
Emmanuel VIELLARD								
Function: Deputy Chairman		X		X		X		X
Term of office start: 1999								
Term of office end: 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 2014, 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.
- Achievement rate of the strategic objectives of 25% of fixed remuneration.

The expected level of achievement of the above objectives has been established precisely but is not released for confidentiality reasons.

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.	2014	2013
Compensation due for the period	564,235	554,222
Valuation of the options granted during the period	None	None
Valuation of the performance shares granted during the period*	115,020	140,520
Total	**679,255**	**694,742**

* Valuation at the rate of the day of the Board of Directors that approved the plan, or €11.75 for the 2011 plan, €10.86 for the 2012 plan, €23.42 for the 2013 plan and €21.30 for the 2014 plan.

Emmanuel VIELLARD Deputy Chairman of LISI S.A.	2014	2013
Compensation due for the period	521,067	505,669
Valuation of the options granted during the period	None	None
Valuation of the performance shares granted during the period*	112,145	137,007
Total	**633,211**	**642,676**

* Valuation at the rate of the day of the Board of Directors that approved the plan, or €11.75 for the 2011 plan, €10.86 for the 2012 plan, €23.42 for the 2013 plan and €21.30 for the 2014 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 financial 2014		Amounts for financial 2013	
	due	paid	due	paid
Fixed compensation	351,722	348,434	333,635	325,217
Variable compensation	195,000	203,000	203,000	135,000
Exceptional compensation	None	None	None	None
Attendance fees	15,000	15,000	15,000	15,000
Benefits in kind*	2,514	2,514	2,588	2,596
Total	**564,235**	**568,947**	**554,222**	**477,813**

* Benefits in kind:company car.

Emmanuel VIELLARD Deputy Chairman of LISI S.A.	Amounts for financial 2014		Amounts for financial 2013	
	due	paid	due	paid
Fixed compensation	324,712	317,140	302,196	299,377
Variable compensation	178,000	194,000	185,000	125,000
Exceptional compensation	None	None	None	None
Attendance fees	15,000	15,000	15,000	15,000
Benefits in kind*	3,355	3,372	3,473	3,473
Total	**521,067**	**529,512**	**505,669**	**442,850**

* Benefits in kind:company car.

The compensations presented correspond to all those that have been paid by LISI, no compensation was paid by its subsidiaries or the control company CID.

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.

2.5.4 Benefits in kind granted to the managers

In 2014, Mr. Gilles KOHLER and Mr. Emmanuel VIELLARD benefited from a company car.

2.5.5 Stock subscription or purchase options allocated during the period to each corporate officer director

No stock subscription or purchase options were allocated during financial 2014.

2.5.6 Share subscription or purchase options exercised during the period by each corporate officer manager

In 2014, the corporate officers did not exercise any options.

2.5.7 Performance shares allocated to each corporate officer manager

The allocated plans outstanding at December 31, 2014 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.: 9 Date: 24/10/2012	9,500	72,219	Fev. 2015	Fev. 2017	
	Nr.: 10 Date: 24/10/2013	6,000	88,364	Fev. 2016	Fev. 2018	Plan Nr. 9 ANAV (adjusted net asset value) at least equal to €900m
	Nr.: 11 Date: 23/10/2014	6,000	115,020	Fev. 2017	Fev. 2019	
Total		**21,500**	**285,603**			
Emmanuel VIELLARD Function: Deputy Chairman	Nr.: 9 Date: 24/10/2012	9,250	70,319	Fev. 2015	Fev. 2017	Plan Nr. 10 ANAV (adjusted net asset value) at least equal to €1,000m
	Nr.: 10 Date: 24/10/2013	5,850	95,905	Fev. 2016	Fev. 2018	
	Nr.: 11 Date: 24/10/2014	5,850	112,145	Fev. 2017	Fev. 2019	Plan Nr. 11 ANAV (adjusted net asset value) at least equal to €1,100m
Total		**20,950**	**278,368**			

2.5.8 Performance shares that became available during the period for each corporate officer manager

	Plan number and allocation date	Number of shares that became available during the period*	Acquisition date	Date of availability	Conditions*
Gilles KOHLER Function: Chairman and Chief Executive Officer	Nr.: 8 Date: 26/10/2011	6,125	26/02/2014	26/02/2016	1,000 shares were acquired at the time of the award and 1,000 shares must be held in registered form until the termination of the function of CEO
Total					
Emmanuel VIELLARD Function: Deputy Chairman	Nr.: 8 Date: 26/10/2011	5,950	26/02/2014	26/02/2016	1,000 shares were acquired at the time of the award and 1,000 shares must be held in registered form until the termination of the function of Deputy CEO
Total					

* Takes the 1:5 stock split into account.

2.6 | IMPLEMENTATION OF THE AFEP-MEDEF CODE'S "APPLY OR EXPLAIN" RULE

Excluded provisions of the AFEP-MEDEF Code	Explanations
Number of independent members on the Board	
Art 9.2: the proportion of independent directors should be at least one third in controlled companies.	According to the criteria of the AFEP-MEDEF Code referred to by the company, Mr. Eric André, who has been director for over 12 years, no longer enjoys the status of independent director. Consequently, the rule according to which the board should comprise one third of independent directors is no longer respected. In 2015 and 2016, two new female independent directors will be appointed, which will regularize the situation.
Composition of the Audit Committee	
Art 16.1: the proportion of independent directors in the Audit Committee should be at least two thirds.	The Audit Committee is composed of three independent directors, one third of senior directors and one third of non-independent directors. A new independent director will be appointed to the committee in 2015 to reach the number required by the AFEP-MEDEF Code.
LISI shares to be held by directors	
Article 20: except if otherwise provided by law, the director should be a shareholder personally and hold a relatively significant number of shares in relation to the fees received: failing to hold these shares upon taking office, he/she must use its his/her attendance fees upon their acquisition	Directors who are not yet in compliance with this recommendation shall regularize the situation during the year.

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 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 for listed companies of the AFEP-MEDF in its June 2013 version, available on the MEDEF website (www.medef.com). Such membership has been confirmed by the Board of Directors. .

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 2014 that are subject to the legal provisions mentioned above.

This report was submitted to, and approved by, the Board of Directors on February 19, 2015.

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

In December 2013, the Board created a Nominations Committee, distinct from the Remunerations Committee, to consider the renewal of directors' mandates and the appointment of new directors.
LISI's Board of Directors therefore now incorporates four specific committees – the Remunerations Committee, the Audit Committee, the Strategic Committee and the Nominations Committee – the first three responsible for overseeing the work of the General Management in each of its three domains. 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.

1.1.2 Composition

The Board of Directors represents the shareholders of the Company; its composition aims to comply with the various balances of interests. The members were chosen for their skills and knowledge of the various markets in which the Group operates.

Since the General Meeting of April 23, 2014, the Board of Directors has comprised thirteen members, nine of whom belong to the majority family groups, and three of whom are independent under the terms of the AFEP/MEDEF Code (of corporate governance). The final member, having been a director of the Company for more than 12 years in 2014, can no longer be deemed independent.

The nomination of three new female directors was proposed and accepted by the same General Meeting of April 23, 2014. The Board is therefore currently composed of four women and nine men, the proportion of women members of the board standing at 31%.

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 2014 financial year, the Board met five times.

- At the meeting of February 20, 2014, during which the non-executive directors were able to meet in the absence of executive directors, the Board signed off the LISI Group's financial statements and consolidated financial statements. In particular, the Board decided to propose to the General Meeting; the appointment of three new female directors, a statutory change to limit directors' mandates to a term of four years and the division by five the nominal value of LISI shares.
- At the meeting of April 23, 2014, the Board approved in principal the acquisition of the Manoir Aerospace Group by the LISI AEROSPACE division of LISI under the financial and economic terms proposed by the group's general management; it also set the final share price subject to performance conditions of the allocation plan of July 28, 2011.
- At the meeting of July 24, 2014, the Board decided to create a Nominations Committee and approved amendments to the Company Rules of Procedure.
- At the meeting of October 23, 2014, the directors visited three production sites as well as the new headquarters of the LISI AUTOMOTIVE division in Franche-Comté During this meeting, the Board's annual review approved the strategic plans of the Group. They established a new performance share plan and adopted regulations indicating the precise performance criteria to be met.
- At the meeting of December 18, 2014 held to present the 2015 budget, the Board reviewed its corporate governance function. On the subject of the proportion of independent directors within it, the Board of Directors found there to be a deviation from the AFEP-MEDEF (Corporate Governance) Code to which the Company is bound. It was therefore decided to appoint two new independent directors within the next two years to rectify this situation.

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 on the subject of compensation are accompanied by a presentation by the Compensation Committee. Such Committee met twice in 2014, with an attendance rate of 100% of its members.

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 2014, with an attendance rate of 66% of its members.

Meetings dealing with strategic issues are accompanied by a presentation by the Strategic Committee. Such Committee met once in 2014, 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 2014, 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 conducts a formal self-assessment process every three years to ensure it meets the expectations of shareholders that have appointed it to manage the company. This self-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. At its meeting of December 18, 2014, the Board decided to fix the next self-assessment of its effectiveness at the meeting of December 2015.

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 REPOSITORY

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 2014 with 18 audit tasks completed.

Thus, we note that the level of internal audit has improved in 2014, reflecting the adoption of recommendations and audit comments which have been the subject of corrective measures:

1) Favorable progress in the level of internal audit of the 36 LISI Group sites already assessed in 2013:
   - 19 sites (as against 12 in 2013), achieving a score above 90% (expressed as a percentage of the number of compliances against the standard reference)
   - 13 sites achieved a score between 80% and 90%

Making a total of 32 sites scoring above 80% (as against 31 in 2013)

- Of the four remaining sites (as against five in 2013), three saw their scores increase, nearing the minimum level of internal audit fixed at 80%, i.e. 77%, 78% and 79% respectively.

2) The consolidated score – on a like-for-like basis, i.e. without the Manoir Aerospace group – increased to 88.5% from 87.3% in 2013. This was a general improvement: all processes showed progress.

In the course of the second half of 2014, the Internal Audit Department deployed its Internal Audit Questionnaire across all entities of Manoir Aerospace, so as immediately to establish a preliminary measuring point. Two of them – the largest by size – returned scores of 75% and 79%. The third scored 68%. In 2015, therefore, the necessary action plans were launched to achieve the level of 80% as soon as possible.

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 to be addressed in LISI AEROSPACE:
  - Renewal of certain major long-term contracts with key clients in the aerospace and medical world;
  - The position to take on new programs to replace existing programs approaching completion;

- Industrial challenges:
  - The "Screws" Plan specializing mutually the sites of Delle and Saint Florent sur Cher;
  - Increased manufacture of new products (all divisions);
  - Essential productivity programs to be carried out to sustain certain industrial processes and maintain competitiveness in high cost areas, sometimes accompanied by reconversion in the more attractive segments of the business;

- Security risks regarding the assets found on certain sites: flooding, detection and prevention of fire, for which site relocation projects are under consideration;

- Installations deemed critical for which prevention and security plans must be initiated;

Deployment of audit software and risk mapping

For Internal Audit, 2014 was a year of computerization, with the implementation of software dedicated to the computerization of the Internal Audit Questionnaire as well as risk mapping, which has enabled more direct monitoring of audit recommendations and the optimization of risk mapping for LISI's 41 industrial sites.

Fraud

The LISI Group has had to address an ever increasing level of attempted fraud in 2014, as in 2013, largely consisting of misuse of identity. In the face of this constant threat, the alert procedure initiated in 2013 was strengthened. Twenty-six attempts (as against 25 in 2013) were recorded, some of which were the subject of complaints.

Profitability assessment of major investments

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 on a polling basis within 2 years after the completion of major projects for the Group.

CONCLUSION

The Group finds the standard of internal audit appropriate to the size and typology of the risks identified.
Work to be undertaken in 2015 should allow consolidation of Internal Audit approach for:

- Responding to the group's growth, integrating and standardizing as quickly as possible the audit of all entities joining the group;

- Raise the level of internal audit of those whose score does not reach the group standard of 80%;

- Establishing a new process of Internal Audit benchmarking, namely Management of information systems.

- Deploying a risk-based approach via the software program implemented, and harmonizing its processes with all strategic and operational action plans.

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, 2014

Dear Shareholders,

In our capacity as Auditors of the company 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, 2014.

It is for the chairman to prepare and submit for approval to the Board of Directors a report, giving account of internal audit procedures and risk management implemented by the Company and providing other information required by article L. 225-37 of the Commercial Code, particularly in terms of corporate governance measures.

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 control 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 French 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 control 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 control 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 of:

- familiarizing ourselves with the internal control 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 controls 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 control 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 certify 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 24, 2015

The Auditors

EXCO CAP AUDIT	ERNST & YOUNG et Autres
Philippe Pourcelot	Henri-Pierre Navas

3 | AUDITORS' SPECIAL REPORT ON REGULATED CONVENTIONS AND COMMITMENTS - YEAR ENDED DECEMBER 31, 2014

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 terms of Article R. 225-31 of the Commercial Code.

Besides, it is up to us, if applicable, to provide you with the information provided for in article R. 225-31 of the Commercial Code regarding the enforcement, in the year elapsed, of the agreements and commitments already approved by the General Meeting of Shareholders.

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 225-38 of the French 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 24, 2015

The Auditors

EXCO CAP AUDIT
Philippe Pourcelot

ERNST & YOUNG et Autres
Henri-Pierre Navas

4 | AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS - FINANCIAL YEAR ENDED DECEMBER 31, 2014

Dear Shareholders,

In accordance with the terms of our appointment by your general meeting, we present our report for the year ended December 31, 2014, on:

- the audit of consolidated accounts of LISI, 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 accounts for the period are, in respect of the IFRS standard as adopted in the European Union, correct and genuine and present a faithful account of assets and liabilities, the financial position and the results of all consolidated companies of the consolidated group.

II. Justification of our assessments

As per article L.823-9 of the Commercial Code regarding the justification of our assessments, we inform you of the following:

- 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, specifically verified, as required by law, the information provided in the report regarding the Group, given 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, on March 24, 2015

The Auditors

EXCO CAP AUDIT
Philippe Pourcelot

ERNST & YOUNG et Autres
Henri-Pierre Navas

5 | AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS - FINANCIAL YEAR ENDED DECEMBER 31, 2014

Dear Shareholders,

In accordance with the terms of our appointment by your general meeting, we present our report for the year ended December 31, 2014, on:

- the auditing of the financial statements of LISI, as attached to this report;
- the justification of our assessment;
- specific verifications and legally required information.

The financial statements were 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 financial statements

We have carried out our work in accordance with the professional standards in use in France; these standards require us to apply due diligence in obtaining reasonable assurance that the financial statements do not contain 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 further involves an assessment of the accounting principles used, any significant estimates made and the overall presentation of the financial statements. We consider that the items we have gathered form 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 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 of the following:

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 2.1 "Accounting rules and methods" in 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 comments to make on the sincerity and consistency with the consolidated financial statements of the information provided in the management report of the Board or the documents sent to the shareholders on the financial position and the 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 accordance with French law, we have verified that the required information concerning the identities of the shareholders has been disclosed to you in the management report.

Exincourt and Paris-La Défense, March 24, 2015

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

LISI
Financial year ended December 31, 2014
Report by the independent third party organization regarding the social, environmental and societal information contained in the management report

Dear Shareholders,

As an independent third party body accredited by COFRAC[1] under the number 3-1050 and an associate member of one of the Statutory Auditors of the LISI company, we present our report on the consolidated social, environmental and societal information for the period ended December 31, 2014, presented in chapter 6 of the Reference Document, subsequently referred to as the "CSR Information", under the provisions of article L.225-102-1 of the 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 French Commercial Code, in accordance with the standards used by the company, consisting of HR and CSR reporting instructions in their 2014 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 French 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 2014 and February 2015 over a period of about five 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[2].

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 nine 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,

- 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.

1 Scope of accreditation available at www.cofrac.fr
2 ISAE 3000 – *Assurance engagements other than audits or reviews of historical 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[3]:

- 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[4] 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. On average, the sample thus selected represented 13% of the workforce and 12% of primary energy consumption.

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 ou 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.

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, February 20, 2015

The independent third party organization
ERNST & YOUNG et Associés

Christophe Schmeitzky
Associé Développement Durable

Bruno Perrin
Associé

3 **Environmental and societal information**: the general environmental policy (company organization), pollution and waste management (measures for prevention, recycling and elimination of waste), use of sustainable resources and climate change (energy consumption).
Labor-related information: employment (total workforce and distribution), organization of work (absenteeism), health and safety (conditions of health and safety at work, work-related accidents, particularly their frequency and severity), training (training policies in place, total training time).

4 The sites at Kierspe (Germany), Villefranche-de-Rouergue (France), and Rugby (UK).

7 | DRAFT RESOLUTIONS

COMBINED GENERATION MEETING OF APRIL 22, 2015

AGENDA

UNDER THE AUTHORITY OF THE ORDINARY GENERAL MEETING

- Review and approval of the annual financial statements for the period ended December 31, 2014;
- Approval of consolidated financial statements for the period ended December 31, 2014;
- 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;
- Determination of directors' fees;
- Opinion regarding the compensation paid to the Chairman and CEO for the year ended December 31, 2014;
- Opinion regarding the compensation paid to the Deputy Chief Executive Officer for the year ended December 31, 2014;
- Authorization for the Company to repurchase its own shares;

UNDER THE AUTHORITY OF THE EXTRAORDINARY GENERAL MEETING

- Proxies for the Board of Directors to issue shares for cash within the limit of €2 million (nominal + premium); cancellation of preemptive subscription rights;
- 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, 2014, as they are presented, with profits of €24,037,035, 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 €24,109.

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 €81,385,660.

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 2014, 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	€24,037,035
increased by retained earnings to a total of	€63,883,102
To give a total of	**€87,920,137**

is represents distributable profit, which the Board of Directors proposes should be distributed as follows:

as dividends to shareholders a sum of €0.37 per share,	
for the total of payable on May 7, 2015	€19,988,834
the remainder to the retained earnings account, for the total of	€67,931,303
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 €0.37. The value of the dividend eligible for 40% deduction, as covered by article 158-3-2° of the French General Tax Code, is €0.37.

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 ending	Dividend paid eligible for the 40% abatement	For information: dividend per share after stock split
December 31, 2011	€1.30	€0.26
December 31, 2012	€1.40	€0.28
December 31, 2013	€1.70	€0.34

6th resolution - Reappointment of a director

The General Meeting renews the appointment as Director of Mr. Gilles Kohler for a period of four years that will end at the Shareholders' General Meeting that will approve the financial statements for the year ended December 31, 2018.

7th resolution - Reappointment of a director

The General Meeting renews the appointment as Director of Mr. Patrick Daher for a period of four years that will end at the Shareholders' General Meeting that will approve the financial statements for the year ended December 31, 2018.

8th resolution - Reappointment of a director

The General Meeting renews the appointment as Director of Société VIELLARD MIGEON et COMPAGNIE, whose permanent representative is M. Cyrille Viellard, for a period of four years that will end at the Shareholders' General Meeting that will approve the financial statements for the year ended December 31, 2018.

9th resolution - Reappointment of a director

The General Meeting renews the appointment as Director of Société CIKO, whose permanent representative is M. Jean-Philippe Kohler, for a period of four years that will end at the Shareholders' General Meeting that will approve the financial statements for the year ended December 31, 2018.

10th 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 €300,000.

This amount will remain in effect as of the year 2015 and until otherwise determined by the General Meeting.

11th resolution - Opinion regarding the compensation paid to the Chairman and CEO for the year ended December 31, 2014

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, 2014 to Mr. Gilles Kohler, Chairman and Chief Executive Officer, as presented in the Annual Report.

12th resolution - Opinion regarding the compensation paid to the Deputy Chief Executive Officer for the year ended December 31, 2014

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, 2014 to Mr. Emmanuel Viellard, Deputy Chief Executive Officer, as presented in the Annual Report.

13th 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 24, 2014;
- 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 5,402,387 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 2,701,193 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 €40, 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. €40, is €158,402,360.

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

14th resolution – Power of the Board to issue shares in cash to a limit of €2 million (nominal + bonus); cancellation of preemptive subscription rights

The General Meeting, after having heard the report of the Board of Directors and the special report of the Statutory Auditors, noting that the share capital is fully paid, authorizes the Board of Directors, under the provisions of Articles L225-19-6 and L225-138 et seq. of the French Commercial Code and L.3332-225 et seq. of the French Labor Code, to issue, in one or more installments, new shares for cash, reserved for group employees participating in the company's mutual fund.

The issued shares must correspond to one or more capital increases to an overall maximum of €2 million, issue premium included.

The period during which the Board of Directors shall be authorized to proceed with the issuance of these shares is twenty-six months from this date.

The General Meeting decides to waive preferential subscription rights for new shares to be issued in favor of the employees participating in the company's mutual fund, created for this purpose and governed by Article 20 of the Law of December 23, 1988.

The General Meeting grants all powers to the Board of Directors to implement this authorization, within the limits and under the conditions specified above, in particular to:

- set the subscription price of the new shares;

- determine the amount of shares to be issued, the duration of the subscription period, the effective date of the new shares, and more generally all the terms of each issue;

- confirm the completion of the capital increases up to the amount of shares that will be actually applied for;

- proceed with the formalities and amend the bylaws accordingly;

- and generally, take all necessary steps for the completion of capital increases in accordance with applicable laws and regulations.

15th resolution - Formalities

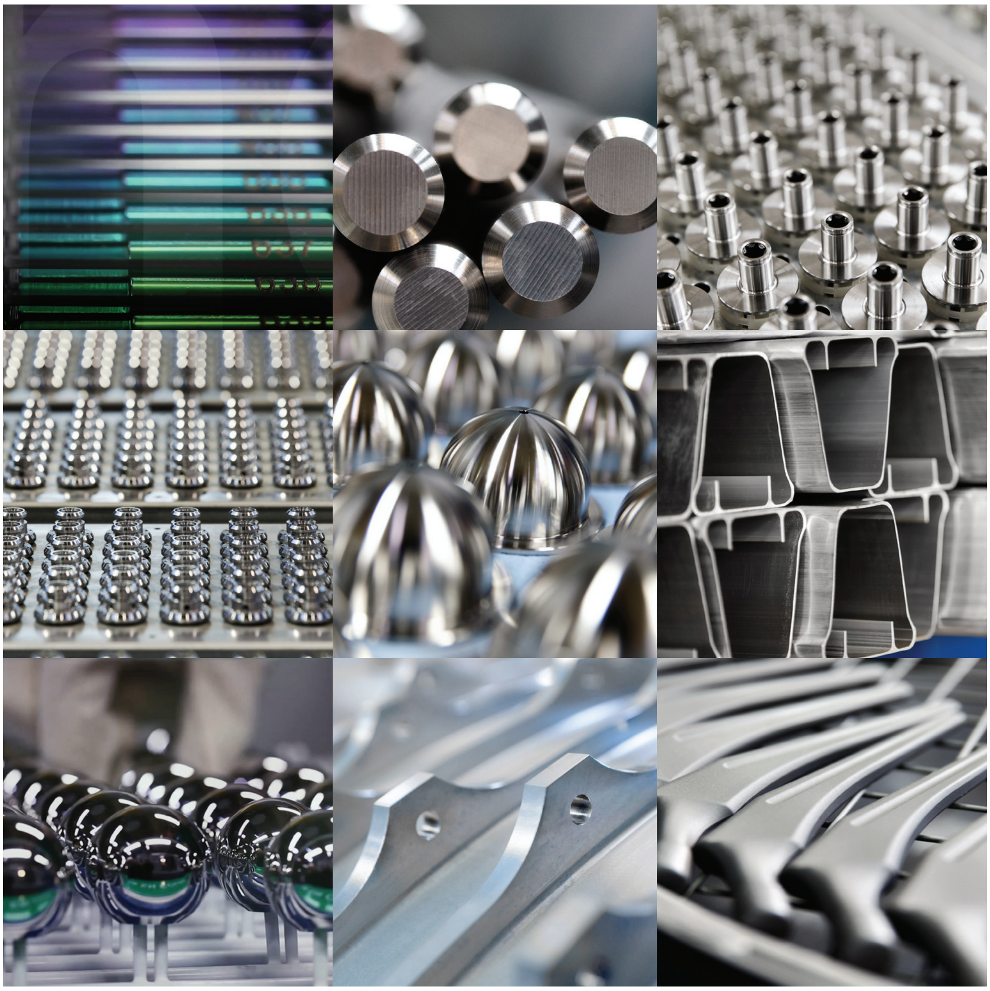
The Shareholders' General Meeting assigns all rights to the bearer of an original, a copy or extracts of the minutes of its deliberations for the purpose of accomplishing all formalities, as well as all legally required filings and publications.

LISI AEROSPACE
Immeuble Central Seine
46-50 Quai de la Rapée
CS 11233
F - 75583 PARIS Cedex 12
Tel: +33 (0)1 40 19 82 00
Fax: + 33 (0)1 40 19 82 01
www.lisi-aerospace.com

LISI AUTOMOTIVE
10 rue Juvénal Viellard
F - 90600 Grandvillars
Tel: +33 (0)3 84 58 63 00
Fax: +33 (0)3 84 58 63 02
www.lisi-automotive.com

LISI MEDICAL
19 Chemin de la Traille
Neyron
F - 01701 MIRIBEL
Tel: +33 (0)4 78 55 80 00
Fax: +33 (0)4 72 25 81 61
www.lisi-medical.com

LISI
Immeuble Central Seine
46-50 Quai de la Rapée
CS 11233
F - 75583 PARIS Cedex 12
Head office
Le Millenium
18 rue Albert Camus
CS 70431
F – 90008 BELFORT Cedex
Tel: +33 (0)3 84 57 00 77
Fax: +33 (0)3 84 57 02 00
www.lisi-group.com



lisi LINK SOLUTIONS FOR INDUSTRY

Design, creation and realization DESIGN MEDIA 01 40 55 16 66