Universal Registration Document

2019

lisi

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

Preamble

The COVID-19 crisis is a major event that is impacting our business as a whole. As of the date of this report, it is impossible to calculate the effect of the crisis on the Group's economic and financial position, although it is clear that it will have a marked impact.

Chapters 2 and 3 on the financial statements (and particularly the paragraphs regarding outlook and chapter 5 on risk factors) were written before the extent of the crisis was fully known and understood. Nevertheless, the Group is making every effort to reduce the impact of the crisis and to instill its business continuity plan.

The scenarios simulated under current conditions show that, given the robust nature of its balance sheet, the Group has no business continuity risk.

However, as the future impacts on its customers are still unknown, the LISI Group has suspended the outlook issued in its press release and management report (chapter 2, page 26) of this Universal Registration Document.

The Group will share business impacts and adjustment measures with the financial community as soon as they can be assessed with sufficient accuracy.

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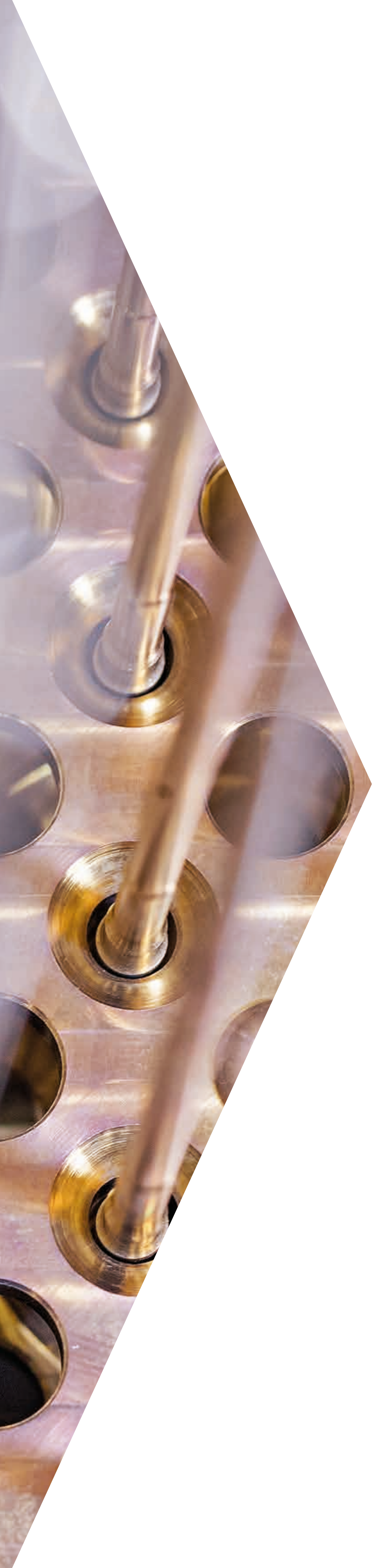
Summary



1
General information regarding the Company

1 / Person responsible for the Universal Registration Document and Statutory Auditors

1.1 / Name and function of the person responsible for the Universal Registration Document

Mr. Emmanuel Viellard
CEO

1.2 / Statement by the person responsible for the Universal Registration Document

"I certify, after taking all reasonable measures for this purpose, that the information contained in this Universal Registration Document 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 management report in Chapter 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.

Grandvillars, April 1st, 2020
Emmanuel Viellard
CEO

2 / Information policy

2.1 / Person in charge of financial information

Mr. Emmanuel Viellard
LISI
6 rue Juvénal Viellard
CS 70431 GRANDVILLARS
90008 BELFORT Cedex
Phone: +33 (0)3 84 57 00 77
Website: www.lisi-group.com
Email: emmanuel.viellard@lisi-group.com

2.2 / Statutory auditors

EXCO et Associés represented by Pierre Burnel
42 avenue de la Grande Armée
75017 PARIS
Appointed April 25, 2017. Mandate to expire during the Ordinary General Meeting ruling on the financial statements for financial year ending December 31, 2022.

Cabinet Ernst & Young et Autres represented by Pierre Jouanne
Tour First
1 place des Saisons
TSA 14,444
92037 PARIS LA DÉFENSE Cedex
Appointed April 27, 2017. Mandate to expire during the Ordinary General Meeting ruling on the financial statements for financial year ending December 31, 2022

2.3 / Documentation

- Universal Registration Document in French and English
- Press release

All documents are made available to the shareholders. They may either be requested from the Company's head office or consulted on the Internet. 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
- BANGALORE (INDIA)*
- IZMIR (TURKEY)
- RUGBY (UNITED KINGDOM)
- SAINT-BRIEUC
- SAINT-OUEN-L'AUMÔNE
- TANGIERS (MOROCCO)
- VIGNOUX-SUR-BARANGEON
- VILLEFRANCHE-DE-ROUERGUE

NORTH AMERICA
- CITY OF INDUSTRY (USA)
- DORVAL (CANADA)
- TORRANCE (USA)

STRUCTURAL COMPONENTS

FORMED STRUCTURAL COMPONENTS
- MARMANDE
- RZESZÓW (POLAND)

FORGED STRUCTURAL COMPONENTS
- BAR-SUR-AUBE
- BOLOGNE
- CHIHUAHUA (MEXICO)*
- PARTHENAY

AEROSTRUCTURE & AIRCRAFT EQUIPMENT
- SAINT-MAUR

ADDITIVE MANUFACTURING
- AYGUEMORTE-LES-GRAVES

LISI MEDICAL

MEDICAL EUROPE
- HÉROUVILLE-SAINT-CLAIR
- NEYRON

MEDICAL USA
- BIG LAKE
- COON RAPIDS
- ESCONDIDO

LISI AUTOMOTIVE

THREADED FASTENERS
- DASLE
- DELLE
- DREUX
- FUENLABRADA (SPAIN)
- KIERSPE (GERMANY)
- LA FERTÉ-FRESNEL
- VÖHRENBACH (GERMANY)

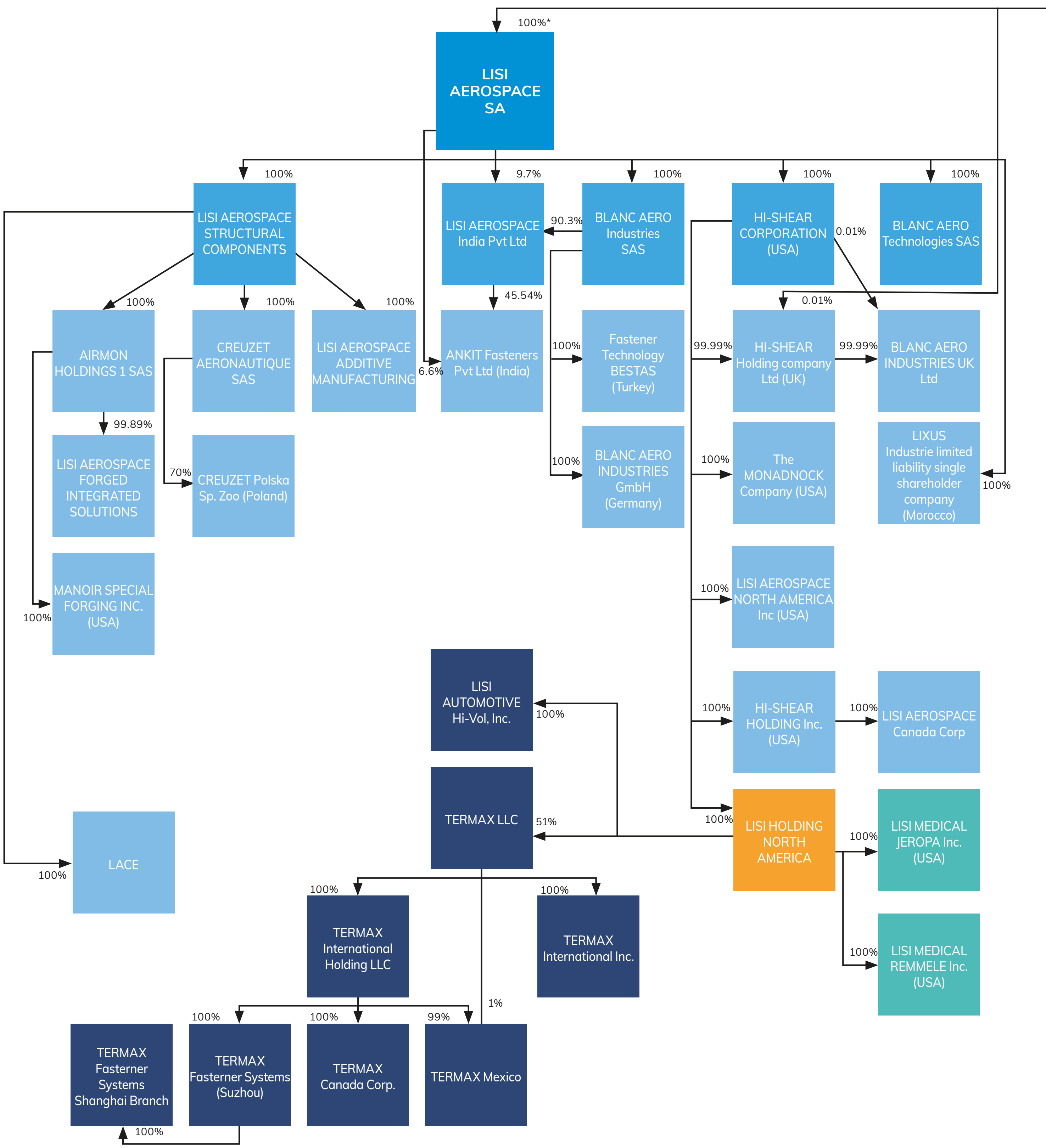
CLIPPED SOLUTIONS
- HEIDELBERG (GERMANY)
- MELLRICHSTADT (GERMANY)
- ZHUOZHOU (CHINA)
- PUISEUX
- MONTERREY (MEXICO)
- LAKE ZURICH (USA)
- QUERETARO (MEXICO)
- SUZHOU (CHINA)

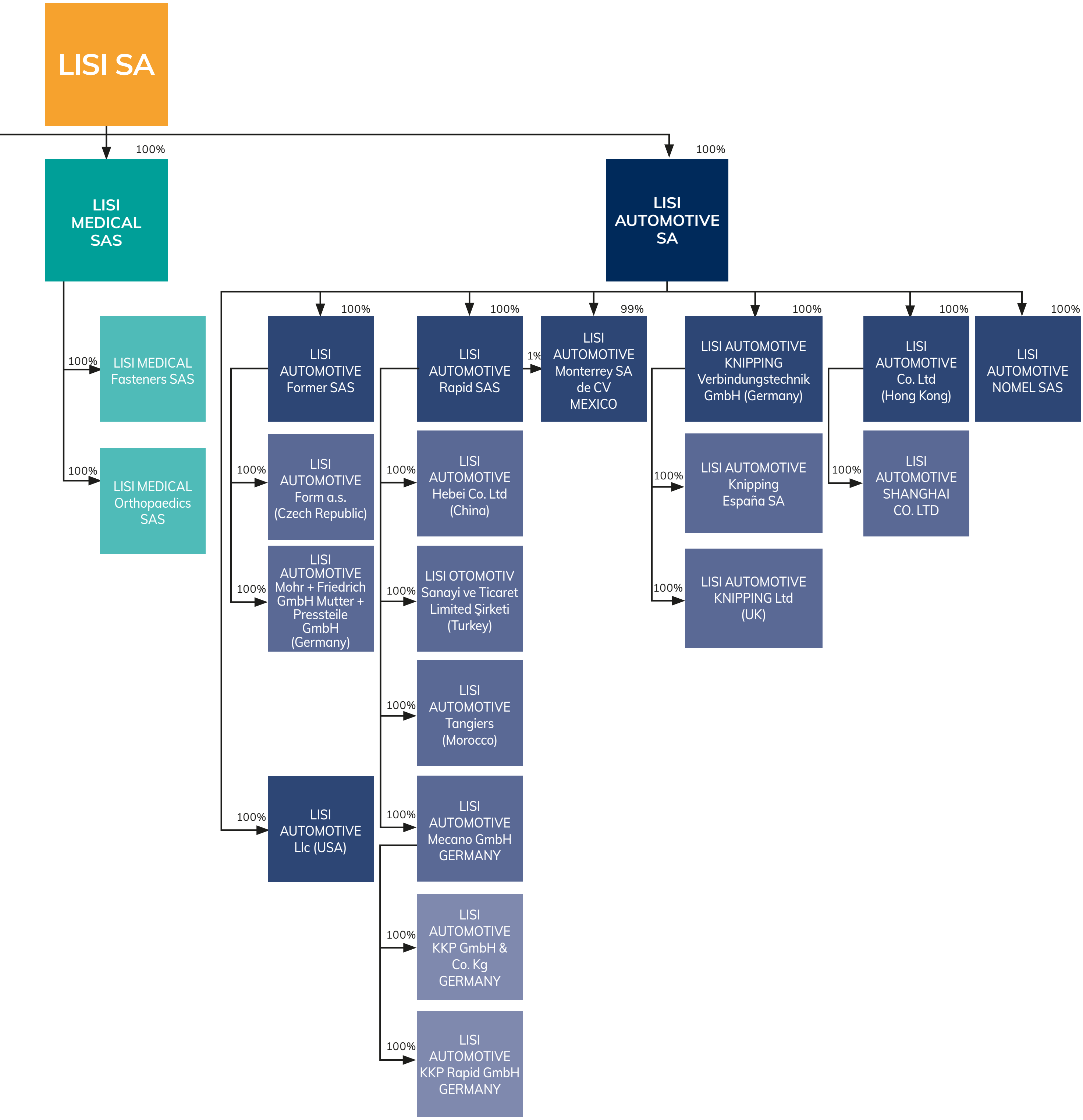
SAFETY MECHANICAL COMPONENTS
- ČEJČ (CZECH REP.)
- LIVONIA (USA)
- MELISEY
- SHANGHAI (CHINA)

SUPPORT ACTIVITIES
- GRANDVILLARS
- LURE

* Secondary sites

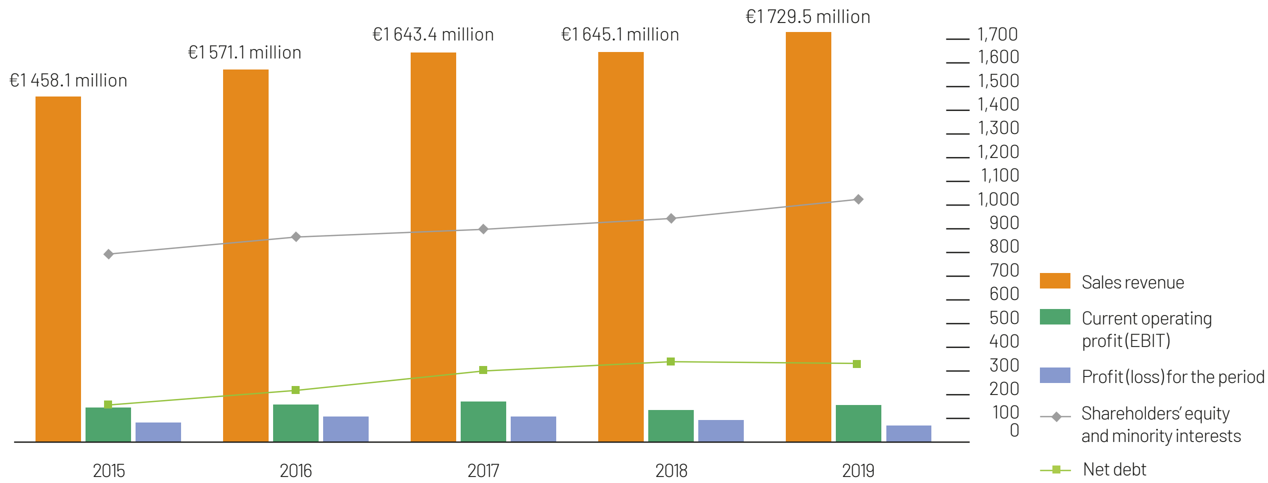
4 / Legal organization




LISI SA
100%
LISI MEDICAL SAS
100%
LISI AUTOMOTIVE SA
100%
LISI MEDICAL Fasteners SAS
100%
LISI MEDICAL Orthopaedics SAS
100%
LISI AUTOMOTIVE Former SAS
100%
LISI AUTOMOTIVE Form a.s. (Czech Republic)
100%
LISI AUTOMOTIVE Mohr + Friedrich GmbH Mutter + Pressteile GmbH (Germany)
100%
LISI AUTOMOTIVE Llc (USA)
100%
LISI AUTOMOTIVE Rapid SAS
1%
100%
LISI AUTOMOTIVE Hebei Co. Ltd (China)
100%
LISI OTOMOTIV Sanayi ve Ticaret Limited Şirketi (Turkey)
100%
LISI AUTOMOTIVE Tangiers (Morocco)
100%
LISI AUTOMOTIVE Mecano GmbH GERMANY
100%
LISI AUTOMOTIVE KKP GmbH & Co. Kg GERMANY
100%
LISI AUTOMOTIVE KKP Rapid GmbH GERMANY
99%
LISI AUTOMOTIVE Monterrey SA de CV MEXICO
100%
LISI AUTOMOTIVE KNIPPING Verbindungstechnik GmbH (Germany)
100%
LISI AUTOMOTIVE Knipping España SA
100%
LISI AUTOMOTIVE KNIPPING Ltd (UK)
100%
LISI AUTOMOTIVE Co. Ltd (Hong Kong)
100%
LISI AUTOMOTIVE SHANGHAI CO. LTD
100%
LISI AUTOMOTIVE NOMEL SAS

5 / Key figures

(in € millions)	2019	2018	2017	2016	2015
Sales revenue	1,729.5	1,645.1	1,643.4	1,571.1	1,458.1
Current operating profit (EBIT)	155.1	135.6	171.4	157.5	146.5
Income for the period attributable to equity holders of parent	69.8	92.1	108	107	81.9
Shareholders' equity and minority interests	1,021.4	943.6	897.7	865.2	793.4
Net debt	331.9	339.3	300.2	218.2	156.6
Registered employees at period end	11,171	12,131	11,958	11,587	10,923



6 / Information about the issuer and the Company's share capital

6.1 / Information about the issuer

LISI share datasheet
ISIN Code: FR 0000050353
Reuters Code: GFII.PA
Bloomberg: FII.FP
Compartment: A Eurolist
Stock marketplace: Euronext Paris
Number of shares: 54,114,317
Market capitalization at December 31, 2019: €1,626.1 million
Indices: CAC® AERO&DEF., CAC® All Shares, CAC® Industrials

6.2 / Share capital

Share capital

Share capital taken up by shareholders and fully paid-up, as at December 31, 2019, amounted to €21,645,726 divided into 54,114,317 shares with a nominal value of €0.40 of the same category.

Changes in share capital over the past five years

Date of Shareholders' General Meeting	Date of Board Meeting	Nature of the transactions	Nominal increase (reduction) in capital	Increase (reduction) in Capital inc. premium	Number of shares created (canceled)	Nominal value of shares	Total number of shares after issue	Capital after transaction
Capital at 12/31/2019: €21,645,726 divided into 54,114,317 shares with €0.40 face value								
04/25/17	02/14/18	Capital increase reserved for employees	36,177 €	2,744,915 €	90,442	0.40 €	54,114,317	21,645,727 €
04/25/13	07/24/14	Division by five 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 €

Share capital authorized but not issued

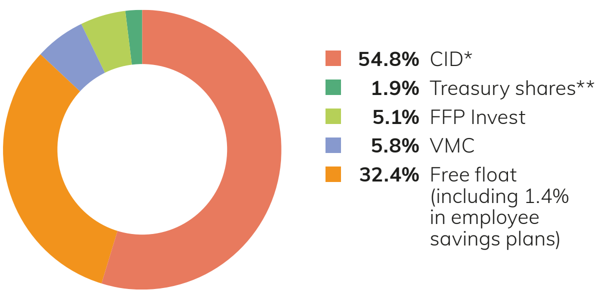
None.

Potential capital securities

At December 31, 2019, there are no warrants providing access to capital.

6.3 / Breakdown of share capital and voting rights – Shareholders' agreement

	12/31/2019			12/31/2018		
	as a % of the share capital	as a % of voting rights	in number of shares	as a % of the share capital	as a % of voting rights	in number of shares
CID	54.8	65.9	29,643,620	54.8	66.8	29,643,620
VMC	5.8	6.5	3,112,793	5.8	6.6	3,112,793
FFP INVEST	5.1	6.1	2,750,000	5.1	6.2	2,750,000
Other corporate officers	0.4	0.4	200,375	0.4	0.4	200,375
TOTAL CORPORATE OFFICERS	**66.0**	**78.9**	**35,706,788**	66.0	80.0	35,706,788
of which directors	*0.2*	*0.2*	*111,440*	*0.2*	*0.2*	*111,440*
Treasury shares	1.6		880,256	1.7		914,553
Employees	1.4	0.9	770,000	1.4	0.9	758,000
Public	31.0	20.2	16,757,273	30.9	19.2	16,734,976
GRAND TOTAL	**100.0**	**100.0**	**54,114,317**	**100.0**	**100.0**	**54,114,317**



* Including direct and indirect holdings
VMC: 21.16%
FFP Invest: 19.02%
CIKO: 16.73%
** Reserved for performance share plans

Shareholders or group of shareholders controlling more than 3% of share capital:
The sole activity of CID, 6 rue Juvénal Viellard, CS 70431 Grandvillars, 90008 Belfort Cedex is holding LISI securities. As at December 31, 2019, it held 54.8% of share capital and 65.9% of voting rights. CID's capital is held in almost equal proportions by three family shareholder groups through family holding companies (KOHLER family through CIKO, PEUGEOT family through FFP Invest, and VIELLARD family through VMC). While family ties exist between shareholders, they are not directly related.

At December 31, 2019, the capital of CID broke down as follows:
- CIKO for 30%;
- VMC for 28%;
- FFP Invest for 25%;
- others for 17%.

- The sole activity of CIKO, 6 rue Juvénal Viellard, CS 70431, 90008 Belfort Cedex is holding LISI and CID securities. As at December 31, 2019, it held 0.1% of the share capital and 0.1% of voting rights. At the same date, it held, indirectly, 16.6% of the capital of LISI S.A., i.e. in total 16.7% of the capital.
- As at December 31, 2019, VMC, a company based at route des Forges 90120 Morvillars, held 5.8% of the capital of LISI and 6.6% of voting rights. At the same date, it held, indirectly, 15.4% of the capital of LISI S.A., i.e. in total 21.1% of the capital.
- FFP Invest, a company based at 66, avenue Charles de Gaulle 92522 Neuilly sur Seine Cedex, directly owns 5.1% of the share capital and 6.2% of voting rights as of December 31, 2019. At the same date, it held, indirectly, 13.9% of the capital of LISI S.A., i.e. in total 19.0% of the capital.

To the Company's knowledge, no other shareholders hold more than 3% of share capital or voting rights, be it directly or jointly.

Shareholders' agreement - concerted actions
There are no Shareholders' agreements at LISI S.A. level and no shareholders (other than those shown in the table above) declared that they had crossed any thresholds between 3% and 5% as provided for in the bylaws.

To the best of LISI's knowledge, on the date on which this document was drafted, there were no actions in concert, as defined in Articles L.233-10 and L.233-11 of the French Commercial Code.

Pledging
To the Company's knowledge, no pure registered shares have been pledged as collateral.

LISI S.A. shareholding
The latest TPI analysis ("Identifiable bearer security"), conducted on February 13, 2017 enabled 4,174 shareholders to be identified.

Their breakdown is the following:
- reference shareholders: 68.1% of the share capital.
- floating capital: 31.9% of the share capital of which 31.4% corresponding to 3,920 identified shareholders broken down as follows:
  - French institutional investors: 207 holding 11.6% of the share capital;
  - international institutional investors: 61 holding 16.8% of the share capital;
  - French and international individual shareholders: 3,652 holding 1.7% of the share capital;
  - "LISI en actions" PEG: 1.4% of the share capital (representing 2,644 employee shareholders).

LISI S.A. treasury shares
As at December 31, 2019, LISI S.A. held 880,256 of its treasury shares, or 1.6% of the share capital. No shares were canceled. Most of these shares are destined to be allocated as performance shares.

6.4 / Dividend distribution policy – Dividend prescription period

The distributable profit is at the disposal of the Shareholders' General Meeting, which determines its allocation.

History of dividends paid per share:

	Net dividend in €
2015	0.39
2016	0.45
2017	0.48
2018	0.44
2019 (1)	**0.46**

(1) Proposed by the Board of Directors of February 19, subject to the decision of the Combined General Meeting of April 24, 2020. The dividend payment date was set at May 5, 2020.

The timeframe for paying dividends is nine months as of the year-end date. Unclaimed dividends are waived to the State after a period of five years counting from the payment date.

Loyalty dividend
The Shareholders' General Meeting held on April 24, 2018, having heard the Board of Directors' report, decided to introduce the allocation of a loyalty dividend for shareholders into the Company's bylaws.
Therefore, a bonus of 10% is allocated to all shareholders with evidence of being personally registered at the end of the financial year for at least two years and are still registered on the date of payment of the dividend.
The number of shares eligible for this bonus may not exceed, for a single shareholder, 0.5% of the Company's share capital.

The first payment of the loyalty dividend will be made following the Ordinary General Meeting held to approve the financial statements for the year ending December 31, 2020, i.e. in 2021.

6.5 / Share buyback program

In place at December 31, 2019

On April 26, 2019, the Combined General Meeting authorized the Company to repurchase up to 10% of its treasury shares in the open market for a period of 18 months, i.e. up until October 26, 2020.

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 financial 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 Extraordinary General Meeting to be called at a later date.

This authorization applies on the following condition:

- the Company may not repurchase its own shares for more than €60, 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' General Meeting, i.e. €60, is €269,812,680.

Under the above-mentioned share repurchase program, LISI S.A. acquired 200,681 treasury shares in 2019, i.e. 0.4% of the total number of shares issued. On the other side, the Company sold 234,978 shares, i.e. 0.4% of the total number of shares issued.

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.

The transactions carried out by the Company on its own shares are summarized in the table below:

	Number of shares	Average weighted price in €
Securities held at 1/1/2019	914,553	8.39
Shares acquired in 2019	200,681	27.49
Shares awarded in 2019	None	
Shares disposed of in 2019	(234,978)	26.63
Securities held at 12/31/2019	880,256	7.88
Of which shares allocated to remuneration in shares	864,053	
Of which available shares	16,203	

New share buyback program

For the next Shareholders' General Meeting, to be held on April 24, 2020, it is proposed that the LISI S.A. share buyback program should be renewed. The program will be renewed under the same conditions, as indicated in Chapter 7 – General Meeting (13th resolution).

6.6 / Liquidity of the share

Float capital turnover rate: 40%

Average number of securities traded per day in 2019: 36,400

Month	Closing price	Highest price	Lowest price	Session average	Transaction volumes(1)	Securities traded during the month(1)
2017						
January	33.51	34.00	30.56	32.28	17,631	543,201
February	34.50	36.50	33.25	34.88	21,267	612,710
March	33.90	34.81	32.10	33.46	15,226	456,318
April	36.00	36.30	31.03	33.66	18,451	555,536
May	39.08	40.00	34.92	37.46	19,363	524,822
June	41.71	42.20	37.95	40.08	23,516	587,510
July	40.73	42.30	39.78	41.04	14,822	362,614
August	36.94	41.04	36.70	38.87	18,259	474,025
September	44.34	44.72	36.65	40.68	28,392	700,108
October	39.40	47.58	37.76	42.67	37,490	879,513
November	38.90	40.45	35.08	37.76	24,099	636,938
December	40.10	41.66	38.16	39.91	23,025	578,696

(1) The transaction volumes and securities traded correspond to the average recorded only for the Euronext market.

Month	Closing price	Highest price	Lowest price	Session average	Transaction volumes(1)	Securities traded during the month(1)
2018						
January	38.80	41.75	37.25	39.50	23,222	579,860
February	36.50	39.45	34.65	37.05	27,925	766,576
March	32.70	38.20	32.55	35.38	47,453	1,313,180
April	30.60	36.45	29.55	33.00	42,562	1,283,343
May	33.90	34.00	30.10	32.05	22,999	716,686
June	32.45	36.30	32.25	34.28	25,437	736,226
July	29.65	33.55	29.00	31.28	19,532	626,520
August	35.40	36.40	29.05	32.73	11,130	338,478
September	31.05	35.25	30.95	33.10	10,463	319,656
October	25.75	31.20	25.40	28.30	11,249	404,387
November	27.10	27.10	22.85	24.98	8,334	333,387
December	20.50	28.35	18.80	23.58	7,256	331,198
2019						
January	27.70	27.70	20.20	23.95	7,626	307,914
February	27.00	28.30	24.50	26.40	6,481	247,015
March	27.40	28.80	22.80	25.80	6,347	239,141
April	29.85	30.70	24.70	27.70	7,098	252,901
May	26.40	29.65	26.00	27.83	4,739	170,172
June	28.45	28.90	26.15	27.53	8,191	295,734
July	26.20	29.20	22.80	26.00	10,398	413,451
August	24.30	27.90	23.70	25.80	7,024	273,616
September	25.40	28.60	23.40	26.00	8,987	342,516
October	31.50	31.85	24.50	28.18	13,456	474,431
November	32.10	33.85	30.30	32.08	12,786	401,908
December	30.05	32.65	28.60	30.63	11,043	365,087
2020						
January	27.45	30.75	25.10	27.93	12,015	430,385
February	28.10	32.70	27.05	29.88	12,150	411,665

(1) The transaction volumes and securities traded correspond to the average recorded only for the Euronext market

Market Maker's Contract
The market-making contract complies with the ethical charter of the AFEI and is carried out by:

ODDO BHF
Mr. Eric Bigotteau
Email: eric.bigotteau@oddo-bhf.com
Tel.: + 33 (0)1 40 17 52 89

6.7 / History

1777
Frédéric Japy sets up a watch movement factory in Beaucourt, near Montbéliard.

1796
Foundation in Morvillars in the Belfort region of the MIGEON & DOMINÉ factory that was to become VIELLARD MIGEON & Cie. Initially specializing in the production of wire, the company quickly diversified into processing.

1806
JAPY Frères and VIELLARD MIGEON & Cie. decide to join forces to launch the first industrial manufacture of forged wood screws in France.

1897/99
A bolt manufacturing business is set up at Champagney by the BOHLY family; 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
The family-run businesses (BOHLY, DUBAIL-KOHLER and VIELLARD) merge to found a company called GFD, thus becoming France's foremost manufacturer of standard and automotive nuts and bolts.

1977
GFD acquires BLANC AERO, which specializes in aerospace fasteners and in packaging components for the perfumery sector. This new group is named GFI.
This operation is made possible thanks to the entry of the PEUGEOT family into the capital of CID (Compagnie Industrielle de Delle). Over 40 years later, these three families (KOHLER, PEUGEOT and VIELLARD) are still the Group's key shareholders.

1989
GFI is floated on the Paris Stock Exchange's over-the-counter market and becomes GFI Industries.

1990/2000
During the 90's, GFI Industries strengthens in its different sectors through the acquisition of more than fifteen companies in Europe and the United States, while the group withdraws from GFD (standard).

2002
To reflect its business lines more closely, GFI Industries becomes LISI, an acronym of LInk Solutions for Industry. Its three divisions all take the same name, adding to it their main core business: LISI AEROSPACE, LISI AUTOMOTIVE and LISI COSMETICS.

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.
- LISI MEDICAL purchases a hip implant production site from the US group STRYKER Corporation, one of the world's leading medical technology suppliers, boosting its initial acquisitions of 2007.

2011
The Group continues the movement to strengthen and build its position in strategic markets started in 2010. The year 2011 was marked by the following transactions:
- the disposal of LISI COSMETICS,
- the acquisition of the Creuzet group by LISI AEROSPACE.

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

2016
The LISI Group acquires 100% of the shares of Remmele Medical Operations (USA), which specializes in the manufacture of implants and minimally invasive surgery instruments.

2017
On October 31, 2017, the LISI Group buys 51% of the shares of TERMAX (Automotive USA) and undertakes to buy back the 49% of the remaining shares by March 31, 2021.

2018
LISI AUTOMOTIVE confirms in November 2018 the acquisition of the American company Hi-Vol Products, thus aiming to strengthen its global position in the production of mechanical safety components with a strong technical base in North America.

2019
LISI AEROSPACE sells two subsidiaries:
- INDRAERO SIREN in Argenton-sur-Creuse and Déols (France),
- LISI AEROSPACE Creuzet Maroc in Casablanca (Morocco),

whose principal activities are sheet metal and the assembly of aerostructures (turnover of €61 million in 2018, 705 employees). Through this transaction, LISI AEROSPACE is pursuing two objectives: refocusing its activities on selected technologies in high added value primary components, and more closely targeting its CAPEX.

LISI AUTOMOTIVE sells the screws, chassis studs and joints business belonging to its subsidiary LISI AUTOMOTIVE Former in Saint-Florent-sur-Cher (turnover of €36.1 million in 2018). This disposal, following the recent acquisitions of the American companies Termax and Hi-Vol Products, enables the LISI AUTOMOTIVE division to continue to refocus its activities high added value components.

6.8 / Mission – Strategy

During the 2019 financial year, LISI S.A set up a Steering Committee to manage the process of developing a mission statement for the Group. The latter will be based on the principles adopted by the Company and the values that have underpinned the Group's decisions for many years. Its mission will also be consistent with the approach to CSR, which is currently being finalized.

The objective for LISI S.A is to finalize this work during the 2020 financial year so that the Board of Directors can approve the Company's mission statement.

6.9 / Company name – Head Office and legislation

Company name and head office

LISI S.A. – 6 rue Juvénal Viellard – CS 70431 GRANDVILLARS 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

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 machines;
- 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;
- 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 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 pursuant 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 of Article 356-1 of Law No. 66-537 of July 24, 1966, any person who directly or indirectly holds or comes to hold, within the meaning of Article 356-1, at least 3% of the capital, is required to declare to the company the total number of shares he or she owns by registered letter with acknowledgment of receipt sent to the registered office within fifteen days from the crossing of that threshold of shareholding.
- 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 three 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 Meetings.

Article 15 - Shareholders' General Meetings

1. Shareholders' General Meetings are convened and deliberate in accordance with the applicable legal provisions. They are held at the head office or at any other location specified in the meeting notice.

2. The Shareholders' General Meeting consists of all shareholders, regardless of how many shares they own, providing that the shares are fully paid-up.

The right to attend in person or to be represented by proxy is subject:

- for registered shareholders, to the registration of their shares in a "pure" nominee or administered personal account at least five days before the date of the Meeting;
- 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.

3. 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 shall elect its Chairman.

4. Barring any legal or regulatory measures to the contrary, each member of the Shareholders' General Meeting is entitled to as many votes as the shares he or she owns or represents, both in their 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:

- all fully paid-up shares registered in the name of the same shareholder for at least four (4) years;
- 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 gifts inter vivos to a partner or family relation who is entitled to inheritance rights.

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

Moreover, attendance of a shareholder at the Shareholders' 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 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. 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.

An additional loyalty dividend of 10% is allocated to all shareholders with evidence of being personally registered at the end of the financial year for at least two years and are still registered on the date of payment of the dividend.

Insofar as the Company's securities are able to be traded on a regulated market, the number of shares eligible for this bonus may not exceed, for a single shareholder, 0.5% of the Company's share capital.

The same bonus may be allocated under the same conditions if there is a distribution of free shares.

Consultation of corporate documents

The legal documents concerning the company LISI S.A. (bylaws, minutes of General Meetings, Statutory Auditors' reports, and all other documents made available to the shareholders) may be consulted upon request at the Company's head office located at the following address: Société LISI S.A., 6 rue Juvénal Viellard, CS 70431 Grandvillars, 90008 BELFORT Cedex.

2 Consolidated financial statements

1 / Company activities

1.1 / Overview of the main activities

LISI AEROSPACE

996.6 M€

SALES REVENUE
58% of consolidated sales revenue

6,590

EMPLOYEES
59% of Group headcount

68.5 M€

CAPEX
59% of Group's total CAPEX

Activity
Fasteners and assembly and structural components for the aerospace industry

Flagship products

Airframe Fasteners

Structural fasteners, mainly titanium;
HI-LITE™, HI-LOK™, HI-TIGUE™ screws and nuts;
PULL-In™ fasteners;
PULL-STEM™, TAPER-HI-LITE™, STL™;
STARLITE™ nuts;
OPTIBLIND™ blind fasteners; Lockbolts crimped fasteners.

Engine Fasteners

Engine fasteners (heat resistance 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; quick Release Pins, assembly equipment.

Racing fasteners

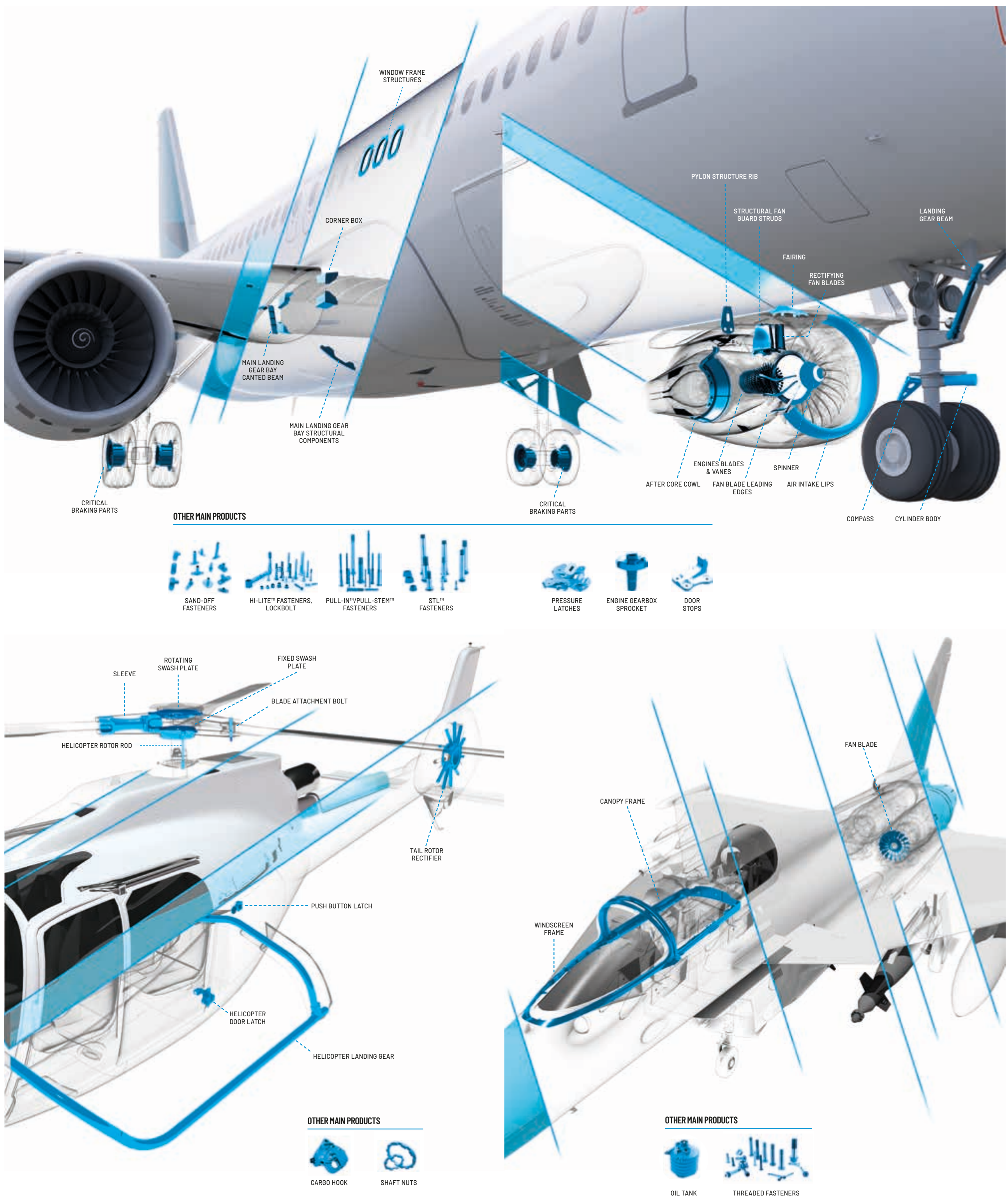
Fasteners and components for motor sports.
Other high quality automotive fasteners.

Structural components

Forged, formed and sheet metal structural parts integrated into the aircraft airframe or engine:
blades, metal leading edges, struds and OGV (Outlet Guide Vanes), beams, shells, Air Intake Lipskins, corner boxes, disks, gears, door stops, APU nozzles, etc. helicopter cargo hooks.

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

Competitors
ACB;
Arconic;
Böhler;
BTL;
Doncaster;
Figeac Aero;
Forgital;
Lauak;
Leistritz;
Macstarlite;
Mettis;
Otto Fuchs;
Precision Castpart Corp;
TECTPower;
TriMas Aerospace;
Universal AlloyCorporation.



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: heat resistance steels, cobalt- or nickel-based alloys, very high-resistance superalloys, titanium and inconel.

The main technologies used are: cold stamping, hot stamping, hot or cold forming, tending, forging, extrusion, metal cutting, as well as machining, rolling, tapping, heat treatment, surface treatment, automatic control and assembly.

LISI AUTOMOTIVE

587.9 M€

SALES REVENUE
34% of consolidated sales revenue

3,634

EMPLOYEES
32% of Group headcount

37.3 M€

CAPEX
32% of Group's total CAPEX

Activity
Metal and plastic assembly solutions and security components for the automobile and manufacturing sectors

Flagship products

Threaded fasteners

Fasteners for powertrains; wheel screws and nuts fasteners for indoor and outdoor equipment
Sheet metal screws; screws and nuts for body in white; self-tapping screws; screws for soft materials; nuts, spacers and hollow bodies, screws and riveting nuts, multi-material fasteners and assembly equipment.

Clipped solutions

Clip nuts and screws; clip assembly systems for tubes, cables, and beams; magnetic assembly solutions; rivets and pins; shaft retaining washers;plugs and grommets, panel fasteners; elastic fasteners for panels covering airbags; snap-on nuts with tapped drums;multifunctional metalloplastic subsets;

Safety Mechanical Components

Torsion bars; ball studs; guide pins; brake fittings; EPB components (Electric Parking Brake screw and nut system); parking brake systems; seat mechanism pinions and shafts; engine and gearbox components.

Customers

Carmakers:

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

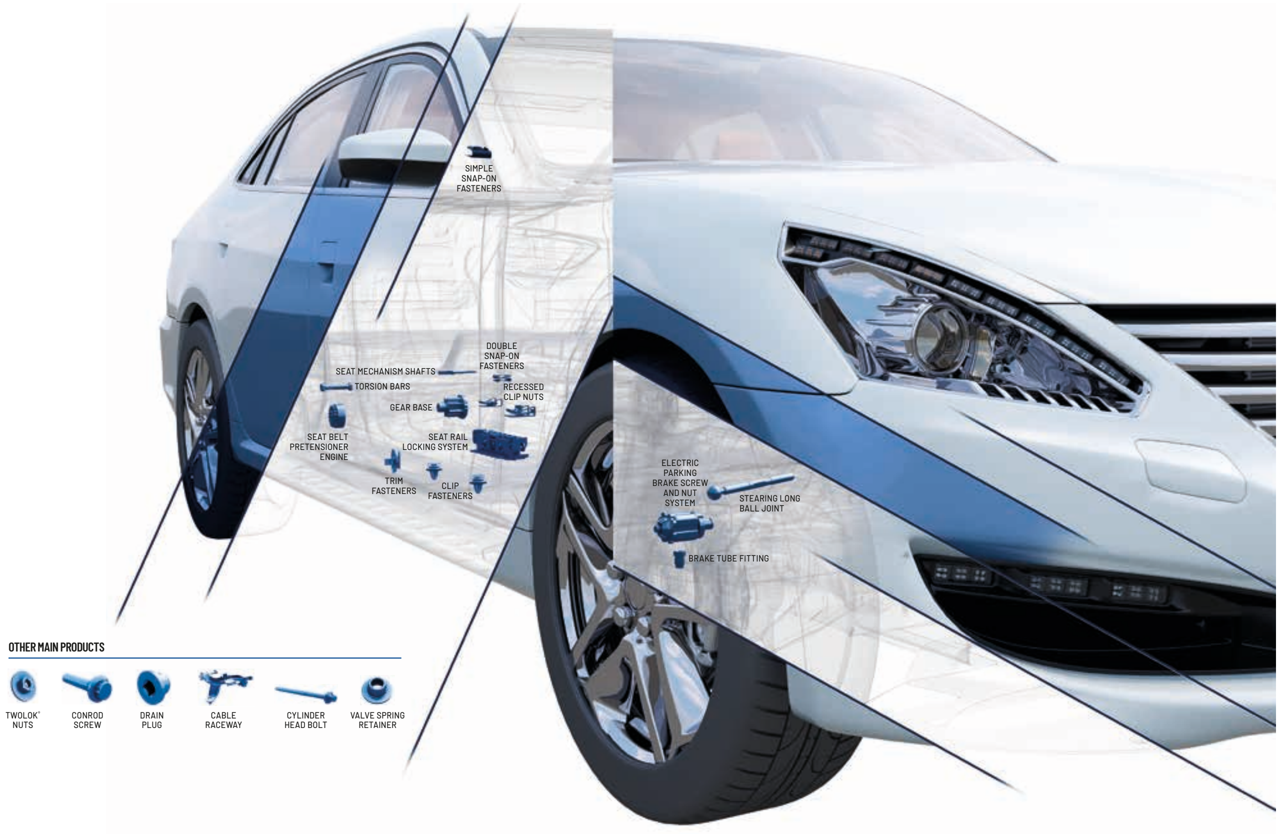
Parts Manufacturers:

Adient;
Autoliv;
Bosch;
CBI;
Faurecia;
Grupo Antolin;
Jtekt;
Magna;
Plastic Omnium;
TI Automotive;
Yangfeng;
ZF.

Manufacturing:

AGCO;
Alstom;
Blanco;
BSH;
Franke;
Miele;
Iveco;
Schneider.

Competitors
ABC;
Agrati;
A. Raymond;
Böllhoff;
Brugola;
Bulten;
Ejot;
Fontana;
Hewi;
ITW;
Kamax;
Nedschroef;
Nifco;
Piolax;
SFS;
Stanley Engineering Fasteners.



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 supplier depending on customers. Its products serve the original or replacement markets.

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

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

LISI MEDICAL

146.2 M€

SALES REVENUE
8% of consolidated sales revenue

919

EMPLOYEES
8% of Group headcount

10.6 M€

CAPEX
9% of Group's total CAPEX

Activity
Medical implant and auxiliary parts subcontractor

Flagship products

Orthopedics and osteosynthesis;

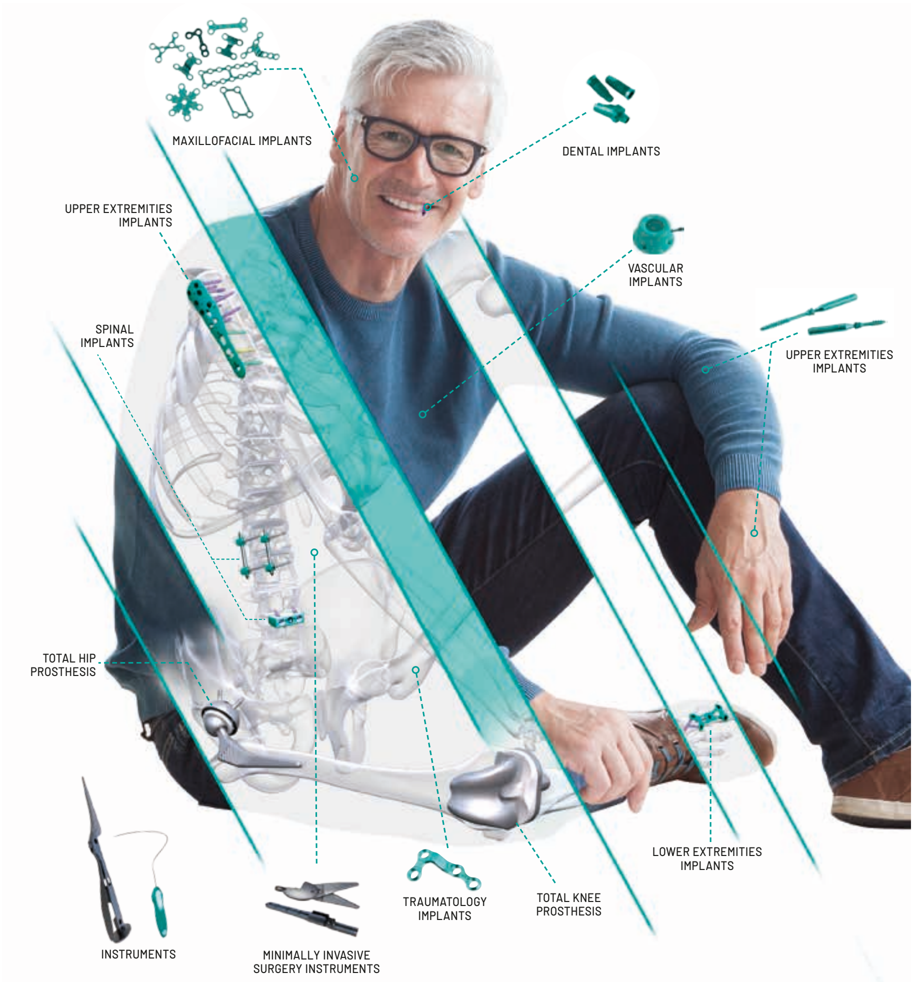
Hip;
Knee;
Shoulder;
Spine;
Trauma;
Extremities;
OMFS;
Orthopedic instruments.

Advanced surgical technologies:

Cardiovascular;
Urology;
Manual and robotic laparoscopy.

Customers
Ace Surgical;
Alphatec;
Argen;
Boston Scientific;
Coloplast;
Integra Lifescience;
Intuitive surgical;
Johnson & Johnson subsidiaries;
Medacta;
Medicrea;
Medtronic;
Meril;
Next Ortho;
Osd;
Osteocentric Technologies;
Smiths;
Stryker;
Wright Medical;
Zimmer-Biomet.

Competitors
Avalign;
CeramTec;
Freudenberg Medical;
Integer;
Marle;
NN Inc;
Norwood;
Orchid;
TE Connectivity (Creganna);
Tecomet;
Viant.



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

1.2 / Group activity and future outlook

LISI Consolidated

- The reported sales revenue totaled €1,729.5 million up by 5.1% compared with 2018, renewing with positive organic growth (3.3%);
- Current operating profit grew by 14.4%, particularly in the second half-year;
- Net earnings were down 24.2% to €69.8 million, reflecting the impact of the non-recurring expenses for disposals in the LISI AEROSPACE and LISI AUTOMOTIVE divisions. Excluding this scope effect, they increased by 6.3% on 2018;
- Free Cash Flow[1] reached the record level of €101.5 million;
- Outlook:
  - The LISI Group is awaiting further information on the schedule and return to service conditions for the B737 MAX, to shore up its positive organic growth objective and improve its current operating profit for 2020.
  - Good Free Cash Flow visibility, given the Group's proven ability to adapt.

Initial application of IFRS 16 which increased debt by €76.8 million.

The Group opted to apply IFRS 16, which came into force on January 1, 2019, based on the simplified retrospective approach. The IFRS 16 standard aligns the way in which operating leases are recognized with financial leases (with certain exceptions). The primary IFRS 16 impact on the Group's consolidated financial statements originates from property leases.

IFRS 16 implementation produced the following impacts on the Financial Statements published on December 31, 2019:

- On the balance sheet: recognition of €76.8 million in debt for future rents, and a right-of-use asset,
- On the income statement: the rental expense of €13.7 million previously recognized under operating profit was reclassified, part of which was allocated to a reduction of other external expenses (profit up by €13.7 million) and part of which was allocated to an increase of the depreciation allowance (profit down by €12.3 million). The net impact on the current operating profit was a €1.4 million rise.
- The financial result (income) was down by €2.1 million.
- The impact on the net earnings is therefore a fall of €0.7 million.

Comments regarding business

At €1,729.5 million consolidated sales for the 2019 financial year were up 5.1% and include the following items:

- a positive foreign exchange effect of €38.2 million, up 2.2%.
- a scope effect of €3.6 million corresponding to:
  - +€28.9 million from the consolidation of the US company Hi-Vol within LISI AUTOMOTIVE effective from October 1, 2018;
  - -€4.3 million reflecting the disposal of German company Beteo (from the LISI AUTOMOTIVE division) on December 31, 2018;
  - -€28.2 M due to the deconsolidation of Indraero Siren and LISI AEROSPACE Creuzet Maroc on June 30, 2019.

Accordingly, at constant scope and exchange rates[2], sales revenue increased by €52.6 million, up 3.3% compared to 2018.

Change in reported sales revenue by quarter (€ million)

	T1		T2		T3		T4		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
LISI AEROSPACE	235.6	252.6	230.1	254.4	221.4	234.8	246.9	254.8	934.0	996.6
LISI AUTOMOTIVE	153.9	156.0	152.1	151.2	131.1	141.1	144.0	139.6	581.1	587.9
LISI MEDICAL	30.2	36.6	33.6	36.0	34.0	36.2	32.9	37.4	130.7	146.2
LISI Consolidated	419.5	445.0	415.6	441.3	386.3	411.9	423.7	431.4	1,645.1	1,729.5

	T1 2019		T2 2019		T3 2019		T4 2019		Total 2019	
	Δ reported	Δorganic	Δ reported	Δorganic	Δ reported	Δorganic	Δ reported	Δorganic	Δ reported	Δorganic
LISI AEROSPACE	7.2%	3.0%	10.6%	6.7%	6.1%	9.3%	3.2%	8.3%	6.7%	6.7%
LISI AUTOMOTIVE	1.4%	- 5.1%	-0.6%	-6.7%	7.7%	0.6%	-3.1%	-1.2%	1.2%	-3.3%
LISI MEDICAL	21.2%	16.6%	7.1%	-4.2%	6.7%	3.3%	13.6%	11.9%	11.9%	8.8%
LISI Consolidated	6.1%	1.0%	6.2%	1.6%	6.6%	5.7%	1.8%	5.0%	5.1%	3.3%

1 Free Cash Flow: operating cash flow minus net capital expenditure and changes in working capital requirements.
2 The change at constant scope and exchange rates where organic growth is calculated:
- by converting into euros the sales revenue of the companies whose financial statements are denominated in foreign currencies at the average rate of the year N-1 or the month M-1;
- by converting into euros the sales revenue invoiced in currencies other than the local currencies at the average rate of the year N-1 or the month M-1;
- by restating the entries into or exits from the scope in order to once again find a comparable basis.

Fourth quarter activity

Compared to the same period during the previous year, fourth-quarter sales revenue increased by 5.0%. The Group also confirmed a return to organic growth since the beginning of the financial year (Q1 2019: +1.0%; Q2: +1.6%; Q3: +5.7%; Q4: +5.0%).

Analysis by division

LISI AEROSPACE sales revenue totaled €996.6 million in 2019 (+6.7% compared to 2018). The impact of stronger currencies (primarily the American dollar against the euro) inflated growth by a further €30.0 million. In Europe, the Fasteners activity boosted this positive trend with a rise in delivery rates of single-aisles (up 22.4% in Q4). In North America (up 18.4% in Q4), business remained strong in non-commercial aviation markets (business, military and helicopters), which offset the effects of a fall in production for the Boeing B737 MAX program. However, the Structural Components activity (down 17.6% in Q4) was hit both by the deconsolidation of Indraero Siren and LISI AEROSPACE Creuzet Maroc from July 1, 2019, and by the fall in production for the Boeing B737 MAX LEAP-1B engine. This fall was only partially offset by the increase in production of the LEAP-1A engine.

At constant scope and exchange rate, sales revenue for the LISI AEROSPACE Division was up 8.3% in Q4 compared with 2018, and up 6.7% on a full-year basis.

Sales by the LISI AUTOMOTIVE Division increased by 1.2% to €587.9 M. This growth is linked to its international development (Hi-Vol consolidated since November 1, 2018). At constant scope and exchange rate, the sales revenue was down 3.3% (down 1.2% in Q4). The division is therefore faring better than its main customers, whose production fell by an estimated 7.4% compared to the previous year. Over recent years, high added value activities such as Clipped Solutions and Safety Mechanical Components have proven to be the most resilient. These activities have been able to ramp up delivery of new products and acquire market shares. Emerging synergies between American company Termax and long-standing Clipped Solutions sites have also boosted sales revenue. The activity most impacted by lower volumes is Threaded Fasteners, both in France and Germany.

As expected, the LISI MEDICAL Division reaped the benefits of the ramp-up in new products gained in the field of minimally-invasive surgery as well as a positive foreign exchange effect, which has offset a slowdown at the Division's two small sites, LISI MEDICAL Fasteners (Neyron, France) and LISI MEDICAL Jeropa (United States), as well as a sharp fall in the dental sector.

The major contract between LISI MEDICAL and Stryker Corp was renewed for three years.

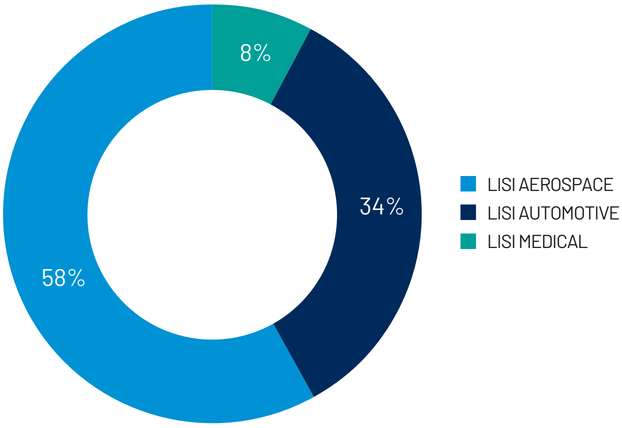
The sales revenue for the year therefore rose by 11.9% to €146.2 million, reflecting organic growth of 8.8%.

Activity summary at December 31 (after application of IFRS 16 on January 1, 2019)

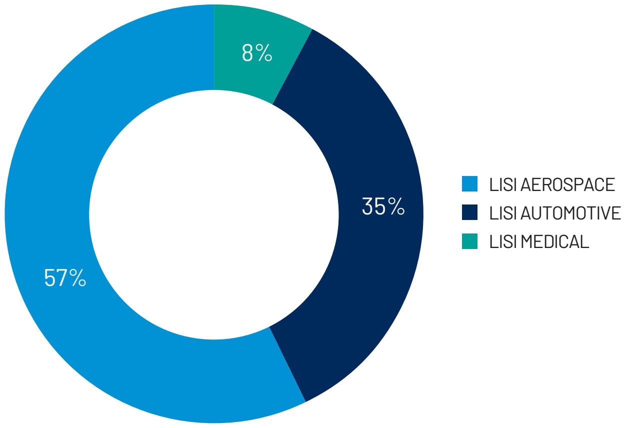
12 months ending December 31		2019	2018	Changes
KEY ELEMENTS OF THE INCOME STATEMENT				
Sales revenue	€ millions	1,729.5	1,645.1	+5.1%
EBITDA	€ millions	273.2	225.4	+21.2%
EBITDA margin	%	15.8	13.7	+2.1 pts
Current operating profit (EBIT)	€ millions	155.1	135.6	+14.4%
Operating margin	%	9.0	8.2	+0.8 pt
Earnings attributable to holders of company equity	€ millions	69.8	92.1	-24.2%
Net earnings per share	€	1.31	1.73	-24.3%
KEY ELEMENTS OF THE CASH FLOW STATEMENT				
Operating cash flow	€ millions	221.3	194.9	+26.4 M€
Net CAPEX	€ millions	-116.8	-131.3	-14.5 M€
Free cash flow*	€ millions	101.5	57.3	+44.2 M€
KEY ELEMENTS OF THE FINANCIAL STRUCTURE				
Net debt	€ millions	331.9	339.3	-7.4 M€
Ratio of net debt to equity	%	32.5	36.0	-3.5 pts

• Free Cash Flow: operating cash flow minus net capital expenditure and changes in working capital requirements

Breakdown of 2019 sales revenue



Breakdown of 2018 sales revenue



Headcount at the end of December

As at December 31, 2019, the LISI Group employed 11,171 employees (registered headcount), a 960 decrease of the total workforce (down 7.9%) compared with 2018. Restatement of the removal from the scope of consolidation of Indraero Siren, LISI AEROSPACE Creuzet Maroc and Saint-Florent-sur-Cher. The registered headcount at year-end was therefore down by 88 people (down 0.7%).

Registered headcount	2019	2018	DIFFERENCE N/N-1	
LISI AEROSPACE	6,590	7,214	-624	-8.6%
LISI AUTOMOTIVE	3,634	3,931	-297	-7.6%
LISI MEDICAL	919	959	-40	-4.2%
LISI HOLDING	28	27	+1	+3.7%
GROUP TOTAL (excluding temporary workers)	**11,171**	**12,131**	**-960**	**7.9%**
Temporary workers	621	746		

2019 Results

Current operating profit was up 14.4%. The operating margin gained 0.8 points, ending the year at 9.0%.

EBITDA was up 21.2% to €273.2 million (i.e. 15.8% of sales revenue). All division activities saw steady improvement in sales between the first and the second half-year, which is due to the following factors:

- In Europe, the LISI AEROSPACE Fasteners activity benefited from increased volumes due to the production initiatives implemented in 2018. The Structural Components activity saw a continued ramp-up of its LEAP-1A engine programs throughout the year. This entirely offset the fall in production of the LEAP-1B engine,
- The performance of the LISI AUTOMOTIVE Division reflects the initial effects of the cost adjustment measures launched in the fourth quarter of 2018,
- The LISI MEDICAL Division demonstrated its ability to better manage industrialization costs during the ramp-up of new products in the field of minimally-invasive surgery.

Depreciation increased by €20.0 million due to significant capital expenditures over the last few years, as well as the €12.3 million IFRS 16 impact. Reversals of provisions completed to offset operating expenses of the same type decreased by €8.1 million.

Current operating profit increased by €19.5 million (14.4%) to €155.1 million. At 9.0%, the operating margin was up 0.8 points on 2018.

The strongly negative impact of the financial result (-€8.5 million) compared to 2018 (+€5.3 million) can be explained by the following main items:

- the revaluation of debts and receivables denominated mainly in US dollars (-€0.5 million, compared to +€12.7 million in 2018);
- the negative impact of the fair value of hedging instruments involving currencies (-€3.3 million compared to +€4.1 million in 2018),
- greater financial expenses linked to the cost of net debt. They rose to -€7.6 million (-€5.9 million in 2018). They are lower than 2018 following restatement of the IFRS 16 impact of -€2.1 million.
- The average interest rate is 2.2% (2.1% excluding IFRS 16). Gains on current cash investments totaled +€3.2 million, compared to +€3.3 million in 2018. Net financial expenses in proportion to net financial debt therefore represents less than 1%.

Non-current expenses caused the net earnings to drop by €44.8 million (compared with a fall of €10.8 million in 2018). The majority of this drop (- €40.5 million) is due to the removal of Indraero Siren (Argenton-sur-Creuse), LISI AEROSPACE Creuzet Maroc and Saint-Florent-sur-Cher (LISI AUTOMOTIVE Division) from the scope of consolidation.

The tax expense, calculated on the basis of the corporate tax as a percentage of the net income before taxes, reflects an effective average rate of tax of 27.4%, up compared with the 2018 figure of 25.9%.

The net earnings amounted to €69.8 million, down 24.2% from €92.1 million in 2018. Following restatement for the impacts of the removal of Indraero Siren (Argenton-sur-Creuse), LISI AEROSPACE Creuzet Maroc and Saint-Florent-sur-Cher (LISI AUTOMOTIVE Division) from the scope of consolidation, it increases to €97.9 million representing a net margin of 5.7% of the sales revenue (5.6% in 2018).

This amounts to €1.31 per share (€1.73 in 2018).

Based upon the results, the Group will seek the approval of the Combined Shareholders' General Meeting to set the dividend at €0.46 per share for the 2019 financial year.

Free Cash Flow reached the record level of €101.5 million, considerably higher than the 2018 figure of €57.3 million. Operating cash flow reached €221.3 million (12.8% of consolidated sales revenues), compared with €194.9 million in 2018. This factors in the €11.6 million IFRS 16 impact. Therefore, the operating cash flow provides more than adequate financing for €116.8 million of CAPEX (6.8% of sales revenue). Following the previous financing phase for large infrastructure projects, expenditure has focused on developing new products, industrial productivity and improving working conditions. The automation and robotization of manufacturing processes is ongoing in line with the targets set.

Thanks to its long-term action plans, the Group has also continued to reduce its stocks which are down by 7 days on 2018 to 76 days of sales revenue. Working capital requirement now covers 74 days, down 3 days on 2018.

Free Cash Flow was up €44.2 million to a record level of €101.5 million.

More robust financial structure

The net financial expense stands at €331.9 million or 32.5% of shareholders' equity. Restatement for the IFRS 16 reclassifications (€76.8 million) reduces it to 25.0% of shareholders' equity (36.0% at December 31, 2018). The net debt ratio improved against EBITDA (1.2 x compared with 1.5 x at December 31, 2018). Investments as a share of net debt returned to the historically low level of €98.1 million.

The return on capital employed (ROCE before tax) was up 0.6 points to 11.5%.

Outlook

The LISI AEROSPACE Division has already implemented measures to adapt its B737 MAX dedicated capacity, improve its efforts to develop new products and to acquire market shares, particularly in the USA. LISI AEROSPACE's status as a leading supplier has been boosted both by the renewal of its current contract to supply fasteners to AIRBUS until 2026, and the new major new 10-year contract that in won with MTU Aero Engines in December 2019 to supply GTF engine compressor blades. Buoyed by the momentum of its various activities, LISI AEROSPACE begins 2020 with confidence in its long-term development model, which remains unaffected by current uncertainty regarding the schedule and the potential return to service of the B737 MAX.

Despite predicting a global market slowdown of 2.0% in 2020, LISI AUTOMOTIVE will continue to develop its high added value parts and increase its commercial and technical synergies with American subsidiaries Termax and Hi-Vol. The Division's profitability will be improved by both the cost-cutting action plans launched and the disposal of the chassis screw and steering swivel pin activities. The ramp-up of new products, improved deliveries in certain areas (particularly the NAFTA region) and innovation initiatives which move towards multi-material assembly should enable the Group to streamline its business and adapt to a still complex market.

Although LISI MEDICAL's minimally invasive surgery activity showed signs of improvement in 2019, the Division must continue to adapt the cost structures of its two small production sites. Its current strategic initiatives are boosted by its positive relationships with major customers.

The LISI Group is closely monitoring the potential return to service of the B737 MAX, with a view to achieving its positive organic growth target and increasing its current operating profit in 2020. This target will be reviewed periodically based on the market information reported during the financial year.

With this particular context in mind, the LISI Group is making cash generation a priority for the forthcoming months. Therefore, Free Cash Flow should remain broadly positive in 2020 due to the Group's proven ability to adapt.

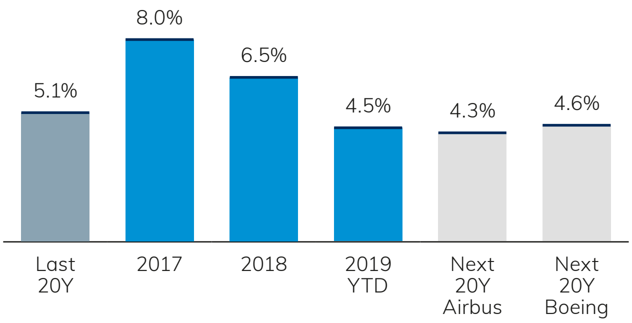
LISI AEROSPACE

- Sales revenue of €996.6 million, up 6.7% (reported and at constant scope and exchange rates) compared with 2018;
- The initial effects of the reduction of Boeing B737 MAX production have been offset by strong momentum in other programs;
- Current operating profit up by 27.7%;
- Free Cash Flow: record level of €85.7 million;
- Disposals of Indraero Siren and LISI AEROSPACE Creuzet Maroc ("Structural Components" Business Group) on June 30, 2019.

Market

2019 saw moderate air traffic growth (up 4.5%[1]) due to geopolitical tensions and various external factors which created a more difficult environment than anticipated for airlines. Nevertheless, visibility in the commercial aircraft segment remained solid, and aircraft manufacturers remain confident in the long-term outlook for market development.

Change in global air traffic[1]:



In the short term, the lack of visibility on the Boeing B737 MAX return to service date is fueling uncertainty.

The other market segments served by LISI AEROSPACE, notably military aircraft, helicopters and business and regional aircraft, have maintained good momentum over the financial year. Although the B777X program launch has been deferred, there are still plenty of requirements which are moving into the manufacturing stage.

Boeing, one of the two major global aircraft manufacturers, was heavily impacted by the B737 MAX aircraft delivery suspension from April 2019. Consequently, it only delivered 380 planes in 2019 compared to 806 in 2018. The other, Airbus, ramped up new programs to deliver 863 planes in 2019 (compared with 800 the previous year). Engine manufacturers continued to benefit from the ramp-up of new LEAP generation of engines (1,746 engines delivered compared with 1,118 in 2018). The suspension of B737 MAX deliveries did, however, cap their performance.

Activity

In millions of euros	2019	2018	Changes
Sales revenue	996.6	934.0	+6.7%
Current operating profit (EBIT)	123.6	96.8	+27.7%
Operating cash flow	145.0	116.8	+24.1%
Net CAPEX	-68.5	-75.6	-9.4%
Free cash flow*	85.7	29.6	+56.1 M€
Registered employees at period end	6,590	7,214	-8.6%
Average full-time equivalent headcount**	7,524	7,979	-5.7%

* Free Cash Flow: operating cash flow minus net capital expenditure and changes in working capital requirements.
** including temporary workers

LISI AEROSPACE sales revenue totaled €996.6 million in 2019 (+6.7% compared to 2018). The impact of stronger currencies (primarily the American dollar against the euro) inflated growth by a further €30.0 million. In Europe, the Fasteners activity boosted this positive trend with a rise in delivery rates of single-aisles (up 22.4% in Q4). In North America (up 18.4% in Q4), business remained strong in non-commercial aviation markets (business, military and helicopters), which offset the effects of a fall in production for the Boeing B737 MAX program. However, the Structural Components activity (down 17.6% in Q4) was hit both by the deconsolidation of Indraero Siren and LISI AEROSPACE Creuzet Maroc from July 1, 2019, and by the fall in production for the Boeing B737 MAX LEAP-1B engine. This fall was only partially offset by the increase in production of the LEAP-1A engine.
At constant scope and exchange rate, sales revenue for the LISI AEROSPACE Division was up 8.3% in Q4 compared with 2018, and up 6.7% on a full-year basis.

Results

The current operating profit reached €123.6 million, representing a rise of €26.8 million (+27.7%) on 2018. At 12.4%, the LISI AEROSPACE Division operating margin increased by 2.0 points on 2018. The recovery of volumes in Europe and the USA (non-commercial aviation) and the full impact of cost reduction measures have both had a positive effect on the Fasteners activity. The Structural Components activity was boosted by the continued ramp-up of its LEAP-1A engine programs throughout the year.

The financial structure remains solid with operating cash flow of €145.0 million (14.5% of sales revenues), which is more than sufficient to finance a CAPEX plan of €68.5 million. The aim of the new equipment is to improve performance and bring production methods up to date.

(1) Source: IATA – Airbus - Boeing

Taking all these items into account, Free Cash Flow reached the record level of €85.7 million (8.6% of the Division's sales revenue).

Headcount was down compared to 2018 with 6,590 employees at December 31, 2019 compared to 7,214 in 2018, a drop of 8.6%. Following restatement of the removal from the scope of consolidation of Indraero Siren and LISI AEROSPACE Creuzet Maroc, the registered headcount at year-end was up 1.1% (for a production increase of 7.3%).

Outlook

The LISI AEROSPACE Division has already implemented measures to adapt its B737 MAX dedicated capacity, improve its efforts to develop new products and acquire market shares, particularly in the United States. LISI AEROSPACE's status as a leading supplier has been boosted both by the renewal of its current contract to supply fasteners to AIRBUS until 2026, and the new major new 10-year contract that in won with MTU Aero Engines in December 2019 to supply GTF engine compressor blades. Buoyed by the momentum of its various activities, LISI AEROSPACE begins 2020 with confidence in its long-term development model, which remains unaffected by current uncertainty regarding the schedule and the potential return to service of the B737 MAX.

LISI AUTOMOTIVE

- Growth of nearly 1.2% in reported sales revenue to €587.9 million, supported by the scope effect (on a full-year basis) of the acquisition of US company Hi-Vol in 2018;
- New market share gains in Clipped Solutions and Safety Mechanical Components;
- Steady improvement of the operating margin between the first and second quarters reflecting the gradual impact of the cost-cutting measures launched in the fourth quarter of 2018;
- Record annual Free Cash Flow of €19.5 million;
- LISI AUTOMOTIVE Former sells the Saint-Florent-sur-Cher screws, chassis studs and joints business (sales revenue of €31.8 million in 2019).

Market

Worldwide automotive markets recorded a moderate drop of 1.6% in the fourth quarter,[1] cushioned by the European market (up 11.2%). The European market benefited from a favorable basis for comparison in relation to 2018, which was hit by the impacts of the new WTLP anti-pollution standards. Over the full year, there was a steeper decline in the global market, which fell from -0.5% in 2018 to -4.4% in 2019, while the European market returned to positive growth (up 1.2%).
The drop in the Chinese market (down 8.3% in 2019) masked a move back into steady growth in the fourth quarter.
In the NAFTA region[2], the fourth quarter was down 2.7%, in line with previous quarters. 2019 recorded a 2.0% drop.

Activity

In millions of euros	2019	2018	Changes
Sales revenue	587.9	581.1	+1.2%
Current operating profit (EBIT)	21.9	34.0	-35.6%
Operating cash flow	49.0	57.6	-15.1%
Net CAPEX	-37.3	-43.6	-14.4%
free cash flow	19.5	4.1	+15.4 M€
Registered employees at period end	3,634	3,931	-7.6%
Average full-time equivalent headcount**	3,954	4,067	-2.8%

* Free Cash Flow: operating cash flow minus net capital expenditure and changes in working capital requirements.
** including temporary workers

The LISI AUTOMOTIVE division's sales revenue grew by +1.2% to €587.9 million. This growth is linked to its international development (Hi-Vol in the USA consolidated since November 1, 2018). At constant scope and exchange rate, the sales revenue was down 3.3% (down 1.2% in Q4). The Division is therefore faring better than its main customers, whose production fell by an estimated 7.4% compared to the previous year. Over recent years, it is high added value activities such as Clipped Solutions and Safety Mechanical Components which have proven to be the most resilient. These activities have been able to increase delivery of new products and acquire greater market shares.

Emerging synergies between American company Termax and long-standing Clipped Solutions sites have also boosted sales revenue. The activity most impacted by lower volumes is Threaded Fasteners, both in France and Germany.

(1) Source: ACEA Association des constructeurs Automobiles Européens.
(2) NAFTA: North American Free Trade Agreement (Canada, United States and Mexico).

In 2018, the Division took a record number of new product orders, which accounted for 14.6% or approximately €85 million of the annualized sales revenue (compared with 15.7% in 2018). In line with the strategy implemented in recent years, the equipment manufacturers segment is the most dynamic.

Results

LISI AUTOMOTIVE's operating margin stood at 3.7% of sales revenue, down 2.2 points on 2018 (5.9%). The cost adjustment measures implemented in the fourth quarter of 2018 were effective throughout 2019. The operating margin for the second half of 2019 also recorded a steady 1.6-point improvement (4.6%) in relation to the first half (3.0%). However, the following factors put pressure on the Division's operational profitability:

- The fall in volumes within the traditional business scope,
- The low contribution of Hi-Vol,
- Increase in German salaries.

For the fourth year running, the Division has maintained a positive Free Cash Flow, which in 2019 reached the record amount of €19.5 million (3.3% of sales revenue). This performance is down to major production adjustments, the strict management of working capital requirements, and a CAPEX limit of €37.3 million (€43.6 million in 2018). The CAPEX budget was used to finance a number of multi-year projects, including:

- Robotic automation and manufacturing plans for new products (including the launch of parking brake systems in Mexico),
- The financing of projects to improve factory operating conditions ("Delle of the Future" project) and increase production capacity (extension of the Czech site in Čejč, specializing in the manufacture of Safety Mechanical Components, and the new Mexican Monterrey site dedicated to the manufacture of Clipped Solutions and Safety Mechanical Components).

On November 29, 2019 LISI AUTOMOTIVE finalized the sale of the entire business and property complex for the screws, chassis studs and joints business belonging to its subsidiary LISI AUTOMOTIVE Former to AFF ST FLO, held by the family-owned AFF GROUP. This transaction, which did not have a material impact on the financial statements for the year ended December 31, 2019, highlights LISI AUTOMOTIVE's desire to manage its portfolio of activities in a dynamic manner, within the context of its strategy of transitioning the product mix toward products with significant added value.

Headcount was down compared to 2018 with 3,634 employees at December 31, 2019 compared to 3,931 in 2018, a drop of 7.6%. Following restatement of the removal from the scope of consolidation of the screws, chassis studs and joints business, the registered headcount at end November 2019 was down by 167 to 3.3%.

Outlook

Despite predicting a global market slowdown of 2.0% in 2020, LISI AUTOMOTIVE will continue to develop its high added value parts and increase its commercial and technical synergies with American subsidiaries Termax and Hi-Vol. The Division's profitability will be improved by both the cost-cutting action plans launched and the disposal of the chassis screw and steering swivel pin activities. The ramp-up of new products, improved deliveries in certain areas (particularly the NAFTA region) and innovation initiatives which move towards multi-material assembly should enable the Group to streamline its business and adapt to a still complex market.

LISI MEDICAL

- Sales revenue up 11.9% on 2018;
- Current operating profit up 28.5% on 2018, buoyed by the recovery of LISI MEDICAL Remmele and the strong performance of LISI MEDICAL Orthopaedics;
- Free Cash Flow up €3.7 million on 2018.

Market

Driven by long-term demographic and economic factors, the global orthopedic market continues to grow at between 4% and 5% a year. The minimally invasive surgery segment is growing at a higher annual rate, around 6% per year, and many new projects are being developed in general surgery or specialty surgeries. It should be noted that there is volatility present in certain markets and business segments, and worldwide competition in all CMO (Contract Manufacturing Operations) segments.

Activity

In millions of euros	2019	2018	Changes
Sales revenue	146.2	130.7	+11.9%
Current operating profit (EBIT)	7.2	5.6	+28.5%
Operating cash flow	16.2	12.0	+35.0%
Net CAPEX	-10.8	-10.9	-0.9%
Free cash flow*	3.0	-0.7	+3.7 M€
Registered employees at period end	919	959	-4.2%
Average full-time equivalent headcount**	983	1,000	-1.7%

* Free Cash Flow: operating cash flow minus net capital expenditure and changes in working capital requirements.
** including temporary workers

As expected, the LISI MEDICAL Division benefited from the gradual ramp-up in new products gained in the field of minimally-invasive surgery, and from a favorable foreign exchange effect. These factors offset the slowdown in activity on the Division's two smaller sites, LISI MEDICAL Fasteners (Neyron, France) and LISI MEDICAL Jeropa (United States), as well as a sharp fall in the dental sector.

The major contract between LISI MEDICAL and Stryker Corp was renewed for three years.

The sales revenue for the year therefore rose by 11.9% (a 13.6% rise in Q4) to €146.2 million, representing growth of 8.8% at constant scope and exchange rates.

Results

The operating profit reached €7.2 million, up 28.5% on 2018. The recovery of LISI MEDICAL Remmele and the strong performance of LISI MEDICAL Orthopaedics broadly offset the impact of any reduction in activity on the small sites (LISI MEDICAL Fasteners in Neyron, France and LISI MEDICAL Jeropa in the United States). The operating margin stood at 4.9%, up 0.6 points on 2018, and improved steadily between the first and second half-years (3.5% in H1 and 6.4% in H2). Totaling €10.8 million, CAPEX levels remained sufficient to accelerate the acquisition of equipment intended primarily for developments and the ramp-up of new products. CAPEX was financed by an adequate level of operating cash flow (+€16.2 million, 11.1% of sales revenue).

Inventories saw a steep fall to under 13 days. Free Cash Flow therefore returned to growth at €3.0 million, up €3.7 million on 2018.

Outlook

Although LISI MEDICAL's minimally invasive surgery activity showed signs of improvement in 2019, the Division must continue to adapt the cost structures of its two small production sites. Its current strategic initiatives are boosted by its positive relationships with major customers.

2 / Financial statements

2.1 / Income statement

(in thousands of euros)	Notes	12/31/2019	12/31/2018
PRE-TAX SALES	3.6.1.2	1,729,527	1,645,095
Changes in stock, finished products and production in progress		(3,513)	9,251
Total production		1,726,014	1,654,346
Other revenues*		28,508	39,641
TOTAL OPERATING REVENUES		1,754,522	1,693,987
Consumed goods	3.5.2	(476,490)	(464,424)
Other purchases and external expenses	3.5.3	(349,499)	(352,485)
Taxes and duties		(11,995)	(11,615)
Payroll costs (including temporary workers)	3.5.4	(643,338)	(640,048)
EBITDA		273,200	225,416
Depreciation		(119,181)	(99,025)
Net provisions		1,094	9,166
CURRENT OPERATING PROFIT (EBIT)		155,113	135,558
Non-recurring operating expenses	3.5.6	(46,358)	(13,693)
Non-recurring operating revenues	3.5.6	1,523	3,427
OPERATING PROFIT		**110,278**	**125,290**
Financing expenses and revenue on cash	3.5.7	**(4,326)**	**(2,503)**
Revenue on cash	3.5.7	*3,544*	*3,462*
Financing expenses	3.5.7	*(7,871)*	*(5,965)*
Other interest revenue and expenses	3.5.7	**(4,221)**	**7,847**
Other financial items	3.5.7	*26,688*	*42,635*
Other interest expenses	3.5.7	*(30,909)*	*(34,788)*
Taxes (including CVAE (Tax on Companies' Added Value))		(27,918)	(33,839)
PROFIT (LOSS) FOR THE PERIOD		**73,812**	**96,794**
Attributable as company shareholders' equity		69,773	92,069
Interest not granting control over the company		4,039	4,725
EARNINGS PER SHARE (IN €)	3.5.9	1.31	1.73
DILUTED EARNINGS PER SHARE (IN €)	3.5.9	1.30	1.72

* In order to provide readers of the financial statements with better information that is in accordance with international standards, in the 2019 financial statements the Company has continued classifying revenues related to CIR (Research tax credit) as "Other Revenues".

Statement of overall earnings

(in thousands of euros)	12/31/2019	12/31/2018
PROFIT (LOSS) FOR THE PERIOD	**73,812**	**96,794**
Other items of overall income applied to shareholders' equity		
Actuarial gains and losses out of employee benefits (gross element)	(4,853)	(3,986)
Actuarial gains and losses out of employee benefits (tax impact)	1,446	907
Restatements of treasury shares (gross element)	258	(422)
Restatements of treasury shares (tax impact)	(75)	122
Other items of overall income that will cause a reclassification of income		
Exchange rate differences resulting from foreign business	9,413	3,794
Hedging instruments (gross element)	3,954	(12,004)
Hedging instruments (tax impact)	(675)	3,199
TOTAL OTHER PORTIONS OF GLOBAL EARNINGS FOR THE PERIOD, AFTER TAXES	**9,467**	**(8,389)**
TOTAL OVERALL INCOME FOR THE PERIOD	**83,279**	**88,404**

Hedging instruments consist mainly of foreign exchange hedging instruments and, to a lesser extent, raw material hedging instruments. The negative amount of €4.0 million is due mainly to the fall in the USD, which resulted in a concurrent increase in the fair value of the hedging instruments put in place to protect against such a fall.

2.2 / Statement of financial position

ASSET ((in thousands of euros)	Notes	**12/31/2019**	12/31/2018
NON-CURRENT ASSETS			
Goodwill	3.4.1.1	354,552	347,787
Other intangible assets	3.4.1.1	29,393	26,975
Tangible assets	3.4.1.2	732,776	676,657
Non-current financial assets	3.4.1.3	16,977	8,923
Deferred tax assets		17,312	11,894
Other non-current assets	3.4.1.5	9	480
TOTAL NON-CURRENT ASSETS		1,151,022	1,072,716
CURRENT ASSETS			
Inventories	3.4.2.1	321,639	351,009
Taxes - Claim on the state	3.4.10	16,206	22,032
Trade and other receivables	3.4.2.2	275,072	263,141
Cash and cash equivalents	3.4.2.3	236,809	156,879
TOTAL SHORT-TERM ASSETS		849,727	793,061
TOTAL ASSETS		**2,000,748**	**1,865,775**

TOTAL EQUITY AND LIABILITIES (in thousands of euros)	Notes	**12/31/2019**	12/31/2018
SHAREHOLDERS' EQUITY			
Capital stock	3.4.3	21,646	21,646
Additional paid-in capital	3.4.3	75,329	75,329
Treasury shares	3.4.3	(14,435)	(15,175)
Consolidated reserves	3.4.3	844,386	757,720
Conversion reserves	3.4.3	21,819	12,339
Other income and expenses recorded directly as shareholders' equity	3.4.3	(6,877)	(6,918)
Profit (loss) for the period	3.4.3	69,773	92,069
TOTAL SHAREHOLDERS' EQUITY - GROUP'S SHARE	3.4.3	1,011,642	937,010
Minority interests	3.4.3	9,740	6,625
TOTAL SHAREHOLDERS' EQUITY	3.4.3	1,021,382	943,634
NON-CURRENT LIABILITIES			
Non-current provisions	3.4.4.1	64,993	65,475
Non-current borrowings	3.4.6.1	412,310	337,354
Other non-current liabilities	3.4.5	10,705	8,452
Deferred tax liabilities	3.4.10	40,091	37,745
TOTAL NON-CURRENT LIABILITIES		528,099	449,025
SHORT-TERM LIABILITIES			
Current provisions	3.4.4.1	23,069	13,404
Current borrowings	3.4.6.1	156,423	158,831
Trade and other accounts payable		270,447	298,469
Taxes due		1,328	2,411
TOTAL SHORT-TERM LIABILITIES		451,267	473,116
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**2,000,748**	**1,865,775**
* of which banking facilities		8,273	20,480

2.3 / Consolidated cash flow statements

(in thousands of euros)	12/31/2019	12/31/2018
OPERATING ACTIVITIES		
NET EARNINGS	73,812	96,794
ELIM. OF THE INCOME OF COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD		
Elimination of net expenses not affecting cash flows:		
- Depreciation and non-recurrent financial provisions	119,418	98,634
- Changes in deferred taxes	(3,467)	2,333
- Income on disposals, provisions for liabilities and others	34,797	1,393
GROSS CASH FLOW MARGIN	224,560	199,154
Net changes in provisions provided by or used for current operations	(3,299)	(4,303)
OPERATING CASH FLOW	221,261	194,853
Income tax expense elimination	31,385	31,506
Elimination of net borrowing costs	5,526	5,767
Effect of changes in inventory on cash	10,498	(5,744)
Effect of changes in accounts receivable and accounts payable	(18,740)	(16,645)
NET CASH PROVIDED BY OR USED FOR OPERATIONS BEFORE TAX	249,929	209,735
Tax paid	(26,108)	(15,434)
CASH PROVIDED BY OR USED FOR OPERATING ACTIVITIES (A)	**223,824**	**194,302**
INVESTMENT ACTIVITIES		
Acquisition of consolidated companies		702
Acquired cash		(43,384)
Acquisition of tangible and intangible fixed assets	(118,555)	(134,103)
Acquisition of financial assets		
Change in granted loans and advances	(187)	(267)
Investment subsidies received		
Dividends received		
TOTAL CASH USED FOR INVESTMENT ACTIVITIES	(118,742)	(178,455)
Divested cash	(1,249)	(267)
Disposal of consolidated companies	3,000	3,191
Disposal of tangible and intangible fixed assets	1,737	2,822
Disposal of financial assets	(3)	
TOTAL CASH FROM DISPOSALS	3,485	5,746
CASH PROVIDED BY OR USED FOR INVESTMENT ACTIVITIES (B)	**(115,257)**	**(172,710)**
FINANCING ACTIVITIES		
Capital increase		3,167
Net disposal (acquisition) of treasury shares		
Dividends paid to shareholders of the Group	(23,421)	(25,499)
Dividends paid to minority interests of consolidated companies	(1,769)	(1,879)
TOTAL CASH FROM EQUITY OPERATIONS	(25,190)	(24,211)
Issue of Non-current loans	60,520	30,653
Issue of short-term loans	103,674	102,739
Repayment of Non-current loans	(5,882)	(6,783)
Repayment of short-term loans	(147,088)	(161,420)
Net interest expense paid	(5,534)	(5,766)
TOTAL CASH FROM OPERATIONS ON LOANS AND OTHER FINANCIAL LIABILITIES	5,690	(40,576)
CASH PROVIDED BY OR USED FOR FINANCING ACTIVITIES ©	**(19,501)**	**(64,789)**
Effect of change in foreign exchange rates (D)	2,338	(1,149)
Effect of adjustments in treasury shares (D)	727	(390)
CHANGES IN CASH (A+B+C+D)	92,133	(44,736)
Cash at January 1 (E)	136,400	181,135
Cash at year-end (A+B+C+D+E)	228,533	136,400
Cash and cash equivalents	236,809	156,879
Short-term banking facilities	(8,273)	(20,479)
CLOSING CASH POSITION	**228,533**	**136,400**

2.4 / Statement of shareholders' equity

(in thousands of euros)	Capital stock	Capital-linked premiums (Note 3.4.3.2)	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, 2018	**21,610**	**72,584**	**(14,720)**	**688,882**	**8,419**	**5,261**	**107,965**	**890,001**	**7,664**	**897,665**
Profit (loss) for the period N (a)							92,069	92,069	4,725	96,794
Translation differences (b)					3,920			3,920	(126)	3,794
Payments in shares (c)				614				614		614
Capital increase	36	2,745						2,781	470	3,251
Restatement of treasury shares (d)			(455)			(300)		(755)		(755)
Restatement as per IAS19 (g)						(3,079)		(3,079)		(3,079)
Appropriation of N-1 earnings				107,965			(107,965)	0		0
Change in scope				(14,371)				(14,371)	(2,527)	(16,898)
Dividends distributed				(25,499)				(25,499)	(1,879)	(27,378)
Reclassifications								0		0
Restatement of financial instruments (f)						(8,800)		(8,800)	(5)	(8,805)
Various (e)				128				128	(1,698)	(1,570)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2018	**21,646**	**75,329**	**(15,175)**	**757,720**	**12,339**	**(6,918)**	**92,069**	**937,010**	**6,625**	**943,634**
including total income and expenses reported for the year (a) + (b) + (c) + (d) + (e) + (f)					3,920	(12,179)	92,069	83,810	4,594	88,404
SHAREHOLDERS' EQUITY AT JANUARY 1, 2019	**21,646**	**75,329**	**(15,175)**	**757,720**	**12,339**	**(6,918)**	**92,069**	**937,010**	**6,625**	**943,634**
Profit (loss) for the period N (a)							69,773	69,773	4,039	73,812
Translation differences (b)					9,480			9,480	(67)	9,413
Payments in shares (c)				104				104		104
Capital increase		0						0	947	947
Restatement of treasury shares (d)			740			183		923		923
Restatement as per IAS19 (g)						(3,407)		(3,407)		(3,407)
Appropriation of N-1 earnings				92,069			(92,069)	0		0
Change in scope				14,352				14,352	(48)	14,304
Dividends distributed				(23,420)				(23,420)	(1,769)	(25,189)
Reclassifications								0		0
Restatement of financial instruments (f)						3,265		3,265	14	3,279
Various (e)				3,562				3,562		3,562
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2019	**21,646**	**75,329**	**(14,435)**	**844,386**	**21,819**	**(6,877)**	**69,773**	**1,011,642**	**9,740**	**1,021,382**
including total income and expenses reported for the year (a) + (b) + (c) + (d) + (e) + (f) + (g)					9,480	41	69,773	79,294	3,986	83,279

3 / Notes

3.1 / Group information and highlights of the year

LISI S.A. (hereinafter referred to as "the Company") is a Société Anonyme (public limited company) under French law, listed on the Paris Stock Exchange, whose head office is at the following address: "6 rue Juvénal Viellard, CS 70431 Grandvillars, 90008 Belfort cedex".

The consolidated financial statements of the Group for the financial year ending December 31, 2019 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.

Highlights of the year

Sale of INDRAERO SIREN and LISI AEROSPACE Creuzet Maroc

On July 3, 2019, the LISI Group sold all shares in its subsidiaries INDRAERO SIREN and LISI AEROSPACE Creuzet Maroc to a fund managed by QUANTUM CAPITAL PARTNERS. The main activities of these entities are sheet metal and the assembly of aerostructures. The two companies generated €61 million in sales revenue in 2018 and €28.2 million in the first half of 2019.

Sale of the chassis screw and steering swivel pin business (Saint-Florent-sur-Cher site)

On November 30, 2019, the LISI Group finalized the sale of the entire business and property complex for the screws, chassis studs and joints business belonging to its subsidiary LISI AUTOMOTIVE Former to AFF ST FLO, held by the family-owned AFF GROUP.

This screws, chassis studs and joints business is located in the municipality of Saint-Florent-sur-Cher, France. It employs 159 people and in 2018 generated sales revenue of €36.1 million, based on its significant market positions with PSA, Renault and JTEKT.

3.2 / Accounting principles and policies

The financial statements drawn up as at December 31, 2019 were approved by the Board of Directors on February 19, 2020 and will be submitted to the Combined General Meeting on April 24, 2020.

Background to the preparation of the consolidated financial statements for the 2019 financial year

For the 2019 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, 2019.

The various rules and accounting methods are detailed in the overview for each Note.

Standards, amendments and interpretations adopted by the EU and mandatory for reporting periods beginning on or after January 1, 2019

IFRS 16

In January 2016, the IASB published standard IFRS 16: Leases. This standard will lead companies leasing significant assets as part of their activity to recognize an asset and a financial debt corresponding to the lease commitment.

IFRS 16 came into force on January 1, 2019. The LISI Group has chosen to apply the modified retrospective model.

The Group identified a number of lease types which have been restated pursuant to IFRS 16 in the accounts for the year ended December 31, 2019.

Leases were identified in the same way as in previous years under IAS 17 and IFRIC 4.

Capitalization of real estate assets: Based on the analysis completed, the Group identified leases within the meaning of the standard for buildings leased for production activity and buildings leased for offices. The lease term selected corresponds to the period which cannot be terminated, along with any renewal options which the group is reasonably certain will be exercised.

Recognition of leases for other assets: The main leases identified are for vehicles and other rolling stock. The period of capitalization of rent on leases corresponds to the period initially envisaged in the agreement. The LISI Group has chosen not to separate the components of services within the lease (for example, the part for maintenance of vehicle lease agreements will not be restated).

Both capitalization exemptions proposed by the standard, i.e., agreements lasting under 12 months and the leasing of goods with a low new value (below $5,000) have been used.
The Group has also opted not to restate leases for intangible assets.

The discount rate used to value the rental debts is the incremental borrowing rate of the parent company adjusted based on a variable margin necessary to obtain finance on the financial markets, according to the country in question. The rate determined in this way makes it possible to take account of the economic environment, the currency and the term of the leases of the Group's entities.

The application of this standard will also result in a change in the way the financial statements are presented as of 2019:

- On the income statement: the rent expense recognized within the EBITDA will, under IFRS 16, be recognized partly as depreciation allowance within the EBIT and partly as interest expenses; this will have a favorable impact on EBITDA for the entire rent amount, partially the EBIT;
- On the balance sheet: fixed assets will be recognized against financial liabilities which reflect the discounted value of rental payments still to be disbursed.
- In the cash flow statement: the payment of rents currently presented in cash provided by or used for operating activities, will be presented under IFRS 16 for the part corresponding to interest expenses within cash provided by or used by financing activities. The part corresponding to depreciation will be restated for the cash flow capacity;
- free cash flow will also be favorably impacted in the amount of the portion recognized under depreciation.

The Group has applied the transitional provisions provided for in IFRS 16. C8 bi) which provides for the determination of the book value as if IFRS 16 had been applied from the date of effect of the lease agreement, but by updating it using its marginal loan rate on the date of first application.

The following impacts have been recorded:

Resulting impacts and FCF (In thousands of euros)	12/31/2019 reported(1)	Impacts IFRS 16	12/31/2019 restated for IFRS 16(2)
Cancellation of the rental expense		13,706	
EBITDA	273,200	13,706	259,494
IFRS 16 Depreciation allowance		(12,296)	
EBIT	155,113	1,410	153,703
IFRS 16 Interest expense		(2,067)	
PROFIT (LOSS) FOR THE PERIOD	73,812	(658)	74,470
ATTRIBUTABLE AS COMPANY SHAREHOLDERS' EQUITY	69,773	(658)	70,431
Removal of the IFRS 16 depreciation allowance		12,296	
OPERATING CASH FLOW	221,261	11,639	209,622
FCF	101,479	11,639	89,840

Balance sheet impacts (In thousands of euros)	12/31/2019 reported(1)	Impacts IFRS 16	12/31/2019 restated for IFRS 16(2)
ASSET			
Net tangible assets	732,776	76,150	656,626
O/w impact from 1st application of the standard		*64,051*	
LIABILITIES			
Total shareholders' equity (profit (loss) for the period)	1,011,642	(658)	1,012,300
Non-current borrowings	412,310	64,767	347,543
Current borrowings	156,423	12,086	144,337
TOTAL DEBT	**568,733**	**76,853**	**491,880**
O/w impact from 1st application of the standard		*64,951*	

Impacts on ratios (In thousands of euros)	12/31/2019 reported(1)	Impacts IFRS 16	12/31/2019 restated for IFRS 16(2)
GROUP NET DEBT	331.9	76.9	255.1
GEARING	32.5%		25.0%
ROCE	11.5%		12.0%
ROE	6.8%		6.9%
EFN / EBITDA	1.21		0.98

(1) Including IFRS 16 impacts.
(2) Restated without factoring in IFRS 16 impacts.

Reconciliation of data provided under IAS 17 and the impacts of the application of IFRS 16:
The information disclosed previously under IAS cannot be reconciled with the amount generated from the 1st application of IFRS 16.
The impacts of rents restated under financial leases did not include the discount rates defined by an actuary. Furthermore, the lease term did not match the method used under IFRS 16, i.e. the period during which the lease cannot be terminated, increased by optional lease extension periods or periods during which early termination of the lease is not permitted.
The amount shown under paragraph 2.5.1.2 c) ("Operating lease agreements") indicates the annual real estate lease expense without taking into account a discounted and non-restated rate under IAS 17.

IFRIC 23 "Uncertainties surrounding tax treatment": Published by the IASB on June 7, 2017
This interpretation clarifies the accounting and valuation procedures for income taxes when there is uncertainty surrounding the tax treatment applied. The method used must be the one that provides the best forecast as to the outcome of fiscal uncertainty.
The 1st application of the January 1, 2019 interpretation did not have a material impact on the Group's financial statements.

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 measured at their fair value: financial derivatives, financial instruments held for trading purposes and financial instruments classified as held for sale and 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 3.4.1.1 b) and 3.4.1.2),
- evaluations retained for impairment tests (Note 3.4.1.1 a),
- evaluation of pension provisions and obligations (Note 3.4.4.2),
- valuation of financial instruments at fair market value (Note 3.6.5),
- valuation of share-based payments (Note 3.6.2),
- recognition of deferred tax assets (Note 3.4.10).

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.

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.
These assumptions are broken down by division on the basis of information drawn from independent experts (actuaries, etc.).

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).

Consolidation principles
A subsidiary is an entity controlled by its parent company. In accordance with IFRS 10, an investor controls an investee if and only if all of the following conditions are satisfied:

- it holds power over the investee;
- it is exposed or entitled to variable returns because of its relationship with the investee;
- it has the ability to exercise its power over the investee in such a way as to affect the amount of returns that it obtains.

The list of consolidated companies is provided in note 3.3.4. At December 31, 2019 all the companies are included in the consolidation scope in accordance with the full consolidation method.

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.

Conversion methods for items in foreign currency

- Transaction in foreign currency

Transactions in foreign currencies are recorded in the books in the operating currency at the rate of exchange on the date of the transaction. At the year-end, the monetary assets and liabilities in foreign currencies are converted into the operating currency at the rate in force at the 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.

- 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 average exchange rate 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.

Definition of the "current" and "non-current" concepts 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.

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 on current transactions) includes operating income from which consumption, other purchases and external expenses, taxes and payroll expenses are deducted. It does not include contributions and write-offs from depreciation and provisions;
- Current Operating Profit (EBIT on current transactions) includes Current Gross Operating Profit (EBITDA) as well as contributions and write-offs from depreciation and provisions;
- Operating Profit includes EBIT before non-current transactions and 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.

Indicators

The Group uses the indicators defined below.

Free cash flow: Operating cash flow minus net industrial CAPEX and changes in working capital requirements (see Note 3.4.2.3 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.

Revalued Net Assets (RNA): Average of [(1.2 x Group Sales Revenue) + (8 x Group EBITDA) + (12 x Group EBIT)] - Average Group Net Debt for years N and N-1. 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 Universal Registration Document.
Group EBITDA	is the Gross Current Operating Profit as stated in the "Income Statement" of the "Consolidated financial statements" in this Universal Registration Document.
Group EBIT	is the Current Operating Profit as stated in the "Income Statement" of the "Consolidated financial statements" in this Universal Registration Document.
Group Net debt	is the Net debt of the Group as recognized in this Universal Registration Document.

3.3 / Scope of consolidation

3.3.1 / Changes in the consolidation scope in the financial year 2019

Companies	Change type	Transaction date	Deconsolidation date
INDRAERO SIREN AND LISI AEROSPACE CREUZET MAROC	Disposal of all equity interests	7/3/2019	6/30/2019
SAINT-FLORENT-SUR-CHER SITE BELONGING TO LISI AUTOMOTIVE FORMER	Disposal of the entire business and property complex attached to its screws, chassis studs and joints business	11/30/2019	11/30/2019

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

3.3.2 / Impact of the removal from scope of INDRAERO SIREN and LISI AEROSPACE Creuzet Maroc in 2019

INDRAERO SIREN and LISI AEROSPACE Creuzet Maroc	In € millions	Impact in % on the Group indicators
Sales revenue January to June 2019	28.2	1.6%
EBIT January to June 2019	0.9	NA

A capital loss on disposal of €24.8 million was recorded under non-recurring profit/loss.
A tax income of €7.1 million was recognized.
Overall there was a net tax loss of €17.7 million.

3.3.3 / Impact of the removal from scope of the Saint-Florent-sur-Cher site in 2019

As the exit took place on 11/30/2019, there was no major impact regarding the site's sales revenue or EBIT on the Group's income statement.

A capital loss on disposal of €15.7 million was recorded under non-recurring profit/loss.
A tax income of €5.2 million was recognized.
Overall there was a net tax loss of €10.5 million.

3.3.4 / Consolidation scope at year-end

Companies	Head office	Country	12/31/2019 % of control	12/31/2019 % of interests	12/31/2018 % of control	12/31/2018 % of interests
HOLDING COMPANY						
LISI S.A.	Grandvillars (90)	France	Parent company		Parent company	
LISI AEROSPACE DIVISION						
BLANC AERO INDUSTRIES GmbH	Hamburg	Germany	100.00	100.00	100.00	100.00
LISI AEROSPACE Canada Corp	Dorval	Canada	100.00	100.00	100.00	100.00
HI-SHEAR CORPORATION	Torrance (California)	USA	100.00	100.00	100.00	100.00
HI-SHEAR Holdings LLC	Torrance (California)	USA	100.00	100.00	100.00	100.00
LISI AEROSPACE North America, Inc	Torrance (California)	USA	100.00	100.00	100.00	100.00
LISI holding North America	Torrance (California)	USA	100.00	100.00	100.00	100.00
The MONADNOCK Company	City of Industry (California)	USA	100.00	100.00	100.00	100.00
AIRMON HOLDINGS 1 SAS	Paris 12th arrondissement	France	100.00	100.00	100.00	100.00
BLANC AERO INDUSTRIES SAS	Paris 12th arrondissement	France	100.00	100.00	100.00	100.00
BLANC AERO TECHNOLOGIES SAS	Paris 12th arrondissement	France	100.00	100.00	100.00	100.00
CREUZET AERONAUTIQUE SAS	Marmande (47)	France	100.00	100.00	100.00	100.00
FORGES DE BOLOGNE SAS	Bologne (52)	France	100.00	100.00	100.00	100.00
INDRAERO SIREN SAS	Argenton/Creuse (36)	France	0.00	0.00	100.00	100.00
LISI AEROSPACE ADDITIVE MANUFACTURING	Ayguemorte-les-Graves (33)	France	100.00	100.00	100.00	100.00
LISI AEROSPACE STRUCTURAL COMPONENTS	Paris 12th arrondissement	France	100.00	100.00	100.00	100.00
LISI AEROSPACE SAS	Paris 12th arrondissement	France	100.00	100.00	100.00	100.00
MANOIR AEROSPACE SAS	Paris 12th arrondissement	France	100.00	100.00	100.00	100.00
BLANC AERO INDUSTRIES UK Ltd	Rugby	UK	100.00	100.00	100.00	100.00
ANKIT Fasteners Pvt Ltd	Bangalore	India	53.51	53.51	52.14	52.14
LISI AEROSPACE India Pvt Ltd	Bangalore	India	100.00	100.00	100.00	100.00
LISI AEROSPACE Creuzet Maroc	Casablanca	Morocco	0.00	0.00	100.00	100.00
LIXUS Industrie	Tangiers	Morocco	100.00	100.00	100.00	100.00
CREUZET Polska Sp. Z o o	Rzeszow	Poland	70.00	70.00	70.00	70.00
Fastener Tecnology Bağlantı Elemanları San. Tic. A.Ş.	Izmir	Turkey	100.00	100.00	100.00	100.00
LISI AEROSPACE CARGO EQUIPMENT SAS	Argenton/Creuse (36)	France	100.00	100.00	100.00	100.00

Companies	Head office	Country	12/31/2019 % of control	12/31/2019 % of interests	12/31/2018 % of control	12/31/2018 % of interests
LISI AUTOMOTIVE DIVISION						
LISI AUTOMOTIVE KKP GmbH	Mellrichstadt	Germany	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE KKP GmbH & CO KG	Mellrichstadt	Germany	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE KNIPPING Verbindungstechnik GmbH	Kierspe	Germany	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE Mecano GmbH	Heidelberg	Germany	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE Mohr und Friedrich GmbH	Vöhrenbach	Germany	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE (Hebei) CO., Ltd	Zhuozhou	China	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE (SHANGHAI) CO., Ltd	Shanghai	China	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE KNIPPING Espana S.A.	Madrid	Spain	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE LLC	Laredo	USA	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE Former SAS	Delle (90)	France	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE Nomel SAS	La Ferté Fresnel (61)	France	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE Rapid SAS	Puiseux Pontoise (95)	France	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE SAS	Delle (90)	France	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE KNIPPING Ltd	Solihull	UK	100.00	100.00	100.00	100.00
LISI JIEHUA AUTOMOTIVE Co. Ltd	Hong Kong	Hong Kong	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE Monterrey SA de CV	Monterrey	Mexico	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE Form a.s	Cejc	Czech Republic	100.00	100.00	100.00	100.00
LISI Otomotiv Sanayi ve Ticaret Limited Sirketi	Izmir	Turkey	100.00	100.00	100.00	100.00
Termax Corp.	Lake Zurich	USA	51.00	51.00	51.00	51.00
Termax Int. LLC	Lake Zurich	USA	51.00	51.00	51.00	51.00
Termax Int. Inc.	Lake Zurich	USA	51.00	51.00	51.00	51.00
TMX Canada Corp.	Windsor	Canada	51.00	51.00	51.00	51.00
TMX Mexico	Queretaro	Mexico	51.00	51.00	51.00	51.00
TMX Fastener Systems	Suzhou	China	51.00	51.00	51.00	51.00
Shanghai Branch	Suzhou	China	51.00	51.00	51.00	51.00
LISI AUTOMOTIVE TANGER	Tangiers	Morocco	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE Hi-Vol Inc	Livonia	USA	100.00	100.00	100.00	100.00
LISI MEDICAL DIVISION						
LISI MEDICAL JEROPA inc.	Escondido (California)	USA	100.00	100.00	100.00	100.00
LISI MEDICAL REMMELE Inc	Minneapolis	USA	100.00	100.00	100.00	100.00
LISI MEDICAL FASTENERS SAS	Neyron (01)	France	100.00	100.00	100.00	100.00
LISI MEDICAL ORTHOPAEDICS SAS	Hérouville-Saint-Clair (14)	France	100.00	100.00	100.00	100.00
LISI MEDICAL SAS	Neyron (01)	France	100.00	100.00	100.00	100.00

3.4 / Detail of balance sheet items

3.4.1 / Non-current assets

Method used to test the impairment of tangible and intangible fixed assets

Goodwill and intangible fixed assets with an indefinite life-span are submitted to an impairment test at each annual close and whenever events or market-changing modifications indicate a loss of value. 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 expected future cash flows using forecast cash flows which are consistent with budget data and four-year business 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 2019 to 2023. 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 determination of the infinite growth rate and the discounting rates used on the different combinations of CGUs was carried out by an independent expert.

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.

As from financial year 2016, to carry out impairment tests on goodwill, the Group has selected a strategic combination of Business Units (BU) that correspond to the segmentation and reporting structure of the LISI Group, namely, the three divisions LISI AEROSPACE, LISI AUTOMOTIVE and LISI MEDICAL.

To carry out impairment tests on the other intangible and tangible fixed assets, analysis at Business Group (BG) level must be the rule.

3.4.1.1 - Intangible assets

a) Goodwill

Method used

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 using the method described in paragraph 3.4.1.

Statement of goodwill at close:

(in thousands of euros)	Goodwill
GROSS VALUES AT DECEMBER 31, 2018	347,787
Impairment over financial year 2018	0
NET VALUES AT DECEMBER 31, 2018	347,787
Increase	6,864
Decrease	(2,733)
Changes in foreign exchange rates	2,635
GROSS VALUES AT DECEMBER 31, 2019	354,552
Impairment as of December 31, 2019	0
NET VALUES AT DECEMBER 31, 2019	354,552

The increase results from the discounting of the goodwill of LISI AUTOMOTIVE Hi-Vol Inc. over the period (€+6.9 million).

The decrease is the result of the exit of INDRAERO SIREN and LISI AEROSPACE Creuzet Maroc (€-2.7 million).

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

The net values of goodwill at December 31, 2019, are broken down as follows:

In millions of euros	Division LISI AEROSPACE	Division LISI AUTOMOTIVE	Division LISI MEDICAL	TOTAL LISI GROUP
NET GOODWILL	135.2	128.6	90.7	354.6
INTANGIBLE FIXED ASSETS				
with indefinite useful lives	None	None	None	None
Trademarks	None	None	None	None
Result of the impairment test	No sign of impairment	No sign of impairment	No sign of impairment	

The net values of goodwill at December 31, 2018, are broken down as follows:

In millions of euros	Division LISI AEROSPACE	Division LISI AUTOMOTIVE	Division LISI MEDICAL	TOTAL LISI GROUP
NET GOODWILL	137.5	120.6	89.7	347.8
INTANGIBLE FIXED ASSETS				
with indefinite useful lives	None	None	None	None
Trademarks	None	None	None	None
Result of the impairment test	No sign of impairment	No sign of impairment	No sign of impairment	

In accordance with IAS 36 "Impairment of assets," goodwill underwent impairment tests on December 31, 2019, taking into account the projections of the 2020-2023 strategic plan.

The flows resulting from the 2020-2023 strategic plan were discounted by applying the following assumptions, which returned the results below:

12/31/2019	Division LISI AEROSPACE	Division LISI AUTOMOTIVE	Division LISI MEDICAL	TOTAL LISI GROUP
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	7.10%	7.93%	6.70%	
Growth rate of flows not covered by the budget and strategic assumptions	1.60%	1.60%	1.60%	

12/31/2018	Division LISI AEROSPACE	Division LISI AUTOMOTIVE	Division LISI MEDICAL	TOTAL LISI GROUP
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	7.52%	7.89%	6.80%	
Growth rate of flows not covered by the budget and strategic assumptions	2.00%	2.00%	2.00%	

in millions of euros	2018 discount rate	2019 discount rate	Infinite growth rate for 2018	Infinite growth rate for 2019	2019 net assets	2019 utility value	2019 terminal value	% of terminal value in the 2019 discounted value
LISI AEROSPACE	7.5%	7.1%	2.0%	1.6%	785	2,077	1,743	84%
LISI AUTOMOTIVE	7.9%	7.9%	2.0%	1.6%	505	531	433	82%
LISI MEDICAL	6.8%	6.7%	2.0%	1.6%	199	224	201	90%
TOTAL					**1,489**	**2,832**	**2,377**	**84%**

The test did not show any loss of value.

Tests of sensitivity to the assumptions made were implemented and concerned the main indicators in the calculations of the valuation tests: discount rate, infinite growth rate, elements contributing to cash flows.

- Change in the benchmark discount rate selected of +0.3%;
- Change in the infinite growth rate of 0.5%.
- Change in cash flow components of -5.0%.

In 2019, as in 2018, these changes, taken individually, in the main assumptions did not result in utility values below net book values.

b) 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.

Depreciation is recognized as an expense using the straight-line method over the estimated useful life of the intangible fixed assets except when this is indefinite.

Estimated useful lives are as follows:

- Trademarks: 10 – 20 years;
- Software programs: 1 – 10 years.

Statement of other intangible assets at close:

(in thousands of euros)	Concessions, patents and similar rights	Other intangible fixed assets	TOTAL
GROSS VALUES AT DECEMBER 31, 2018	72,533	36,762	109,295
Other changes		310	310
Acquisitions	3,804	1,821	5,625
Disposals	(1,145)	(484)	(1,629)
Scope changes	(807)	1,204	397
Exchange rate differences	10	177	187
GROSS VALUES AT DECEMBER 31, 2019	**74,395**	**39,790**	**114,185**
DEPRECIATION AT DECEMBER 31, 2018	59,625	22,695	8,320
Other changes			
Depreciation allowance	4,119	1,880	5,999
Depreciation reversals	(1,147)	(3,926)	(5,073)
Scope changes	(733)	2,191	1,458
Exchange rate differences	8	80	88
DEPRECIATION AT DECEMBER 31, 2019	61,872	22,920	84,792
NET VALUES AT DECEMBER 31, 2019	**12,523**	**16,871**	**29,393**

The amounts shown in scope changes are the result of the sale of INDRAERO SIREN and LISI AEROSPACE Creuzet Maroc.

3.4.1.2 - Tangible assets

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

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.

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 if its cost can be reliably estimated. All ongoing servicing and maintenance costs are recognized as an expense when they are incurred.

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.

Statement of tangible assets held in full at the close:

(in thousands of euros)	Land	Buildings	Technical facilities, equipment and tools	Other tangible assets	Current assets	TOTAL
GROSS VALUES AT DECEMBER 31, 2018	21,268	232,484	1,194,363	103,415	62,059	1,613,597
Other changes	0	23,698	53,726	(4,892)	(77,768)	(5,236)
Acquisitions	1,635	1,213	38,781	4,505	61,063	107,197
Disposals	(54)	(4,036)	(67,277)	(6,948)	(439)	(78,754)
Scope changes	(242)	(7,301)	(22,148)	(6,333)	(401)	(36,425)
Exchange rate differences	11	1,053	8,058	234	293	9,649
GROSS VALUES AT DECEMBER 31, 2019	**22,618**	**247,111**	**1,205,503**	**89,981**	**44,807**	**1,610,027**
DEPRECIATION AT DECEMBER 31, 2018	898	97,445	787,046	70,426	217	956,032
Other changes	40	(563)	(38)	(3,253)	(40)	(3,854)
Depreciation allowance	100	11,679	81,373	9,711	40	102,903
Depreciation reversals	0	(3,308)	(58,810)	(9,553)	(142)	(71,813)
Scope changes	(93)	(3,543)	(14,273)	(3,190)	0	(21,099)
Exchange rate differences	0	369	4,645	188	0	5,202
Depreciation at December 31, 2019	945	102,079	799,943	64,344	75	967,386
NET VALUES AT DECEMBER 31, 2019	**21,673**	**145,032**	**405,560**	**25,623**	**44,732**	**642,649**

The amounts shown in scope changes are the result of the sale of INDRAERO SIREN and LISI AEROSPACE Creuzet Maroc. The sale of the Saint-Florent-sur-Cher site impacted the change in net tangible fixed assets by €-9.8 million.

b) Tangible assets - IFRS 16

The methodology used following the application of IFRS 16 on January 1, 2019, is explained in paragraph 3.2 - Accounting principles and policies.

Statement of IFRS 16 tangible assets at the close:

(in thousands of euros)	Land	Buildings	Technical facilities, equipment and tools	Other tangible assets	Current assets	TOTAL
GROSS VALUES AT DECEMBER 31, 2018		18,824	31,165			49,989
First normative application of IFRS 16		63,543		508		64,051
Other changes		138	271	3,135		3,544
Acquisitions		20,179		3,656		23,835
Disposals			(319)			(319)
Scope changes		(6,306)	(7,022)			(13,328)
Exchange rate differences		1,165	159	4		1,328
GROSS VALUES AT DECEMBER 31, 2019		**97,543**	**24,254**	**7,303**		**129,100**
DEPRECIATION AT DECEMBER 31, 2018		5,687	25,202			30,889
First normative application of IFRS 16						
Other changes		38				38
Depreciation allowance		10,848	1,490	2,535		14,873
Depreciation reversals						
Scope changes		(1,210)	(5,712)			(6,922)
Exchange rate differences		13	76			89
DEPRECIATION AT DECEMBER 31, 2019		15,375	21,054	2,535		38,964
NET VALUES AT DECEMBER 31, 2019		**82,168**	**3,200**	**4,768**		**90,135**

The change in scope consists of the exit of the debt-related lease agreements held by LISI AEROSPACE Creuzet Maroc. The first normative application of IFRS 16 shows an increase in the value of fixed assets in the amount of €65.0 million at the open.

3.4.1.3 - Non-current financial assets

This item consists primarily of capitalization contracts for American pension placements. 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.

Statement of non-current financial assets at close:

(in thousands of euros)	Other non-current investments	Equity method investments	Other financial assets	TOTAL
GROSS VALUES AT DECEMBER 31, 2018	6,758		2,172	8,930
Other changes	1,617			1,617
Acquisitions	37		6,593	6,630
Disposals	(155)		(182)	(337)
Scope changes			(17)	(17)
Exchange rate differences	146		15	161
GROSS VALUES AT DECEMBER 31, 2019	**8,403**		**8,581**	**16,984**
IMPAIRMENT AT DECEMBER 31, 2018	8			8
Other changes				
Provisions for impairment				
Reversals of provisions for impairment				
Scope changes				
Exchange rate differences				
IMPAIRMENT AT DECEMBER 31, 2019	8			8
NET VALUES AT DECEMBER 31, 2019	**8,395**		**8,581**	**16,977**

3.4.1.4 - Financial assets and liabilities

Financial assets

Described in greater detail in 3.4.1.3 below.

Debt

Interest-bearing loans are initially recognized at their fair value less costs attributable to the transaction. They are then valued at amortized 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.

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.

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

	As of 12/31/2019		Breakdown by instrument category				
Financial assets and liabilities on the balance sheet (in thousands of euros)	Net value accounting	Fair value	Fair value via earnings	Assets available for sale	Loans and receivables	Debt at depreciated cost	Derivatives
Non-current financial assets	16,977	16,977			16,977		
Other non-current assets	9	9			9		
Trade and other receivables	275,072	275,072			273,739		1,333
Cash and cash equivalents	236,809	236,809	236,809				
TOTAL FINANCIAL ASSETS	**528,867**	**528,867**	**236,809**		**290,725**		**1,333**
Non-current borrowings	412,310	412,310				411,182	1,128
Other non-current financial liabilities (excl. PCA)	4,519	4,519				4,519	
Current borrowings	156,423	156,423				156,423	
Trade and other accounts payable	270,447	270,447				269,608	839
TOTAL FINANCIAL LIABILITIES	**843,699**	**843,699**				**841,732**	**1,967**

Financial assets and liabilities on the balance sheet (in thousands of euros)	As of 12/31/2018		Breakdown by instrument category				
	Net accounting value	Fair value	Fair value via earnings	Available assets	Loans and receivables	Debt at depreciated cost	Derivatives
Non-current financial assets	8,923	8,923			8,923		
Other non-current assets	480	480			480		
Trade and other receivables	263,141	263,141			260,994		2,147
Cash and cash equivalents	156,879	156,879	156,879				
Total financial assets	429,423	429,423	156,879		270,397		2,147
Non-current borrowings	337,354	337,354				336,165	1,189
Other non-current financial liabilities (excl. PCA)	1,734	1,734				1,734	
Current borrowings	158,831	158,831				158,831	
Trade and other accounts payable	298,469	298,469				296,197	2,272
TOTAL FINANCIAL LIABILITIES	**796,388**	**796,388**				**792,927**	**3,461**

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

Level 1: direct reference to published prices of a market asset;

Level 2: valuation technique based on measurable data;

Level 3: valuation technique based on non-observable data.

Classification of fair value by hierarchical level:

(in thousands of euros)	December 31, 2019		
	Level 1	Level 2	Level 3
Non-current financial assets	16,977		
Other non-current assets	9		
Trade and other receivables	1,333	273,739	
Cash and cash equivalents	236,809		
TOTAL FINANCIAL ASSETS	**255,128**	**273,739**	
Non-current borrowings	412,310		
Other non-current financial liabilities (excl. PCA)	4,519		
Current borrowings	156,423		
Trade and other accounts payable	839	269,608	
TOTAL FINANCIAL LIABILITIES	**574,091**	**269,608**	

3.4.1.5 - Other non-current assets

(in thousands of euros)	12/31/2019	12/31/2018
OTHER DEBTORS	9	480
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	**9**	**480**

The receivable entered in the balance sheet on December 31, 2018 primarily covered a tax asset which was paid during the 2019 financial year.

3.4.2 / Current assets

3.4.2.1 - Inventories

Inventory is valued at the lower of cost or 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.

Inventory statement at close:

(in thousands of euros)	Raw materials	Tools and other procure-ments	Work in progress	Finished and intermediary products	Goods	TOTAL
GROSS VALUES AT DECEMBER 31, 2018	61,469	20,110	174,403	127,249	9,011	392,238
Scope changes	(6,228)	(2,090)	(10,605)	(4,573)	0	(23,496)
- of which increases	*0*	*0*	*0*	*0*	*0*	*0*
- of which decreases	*(6,228)*	*(2,090)*	*(10,605)*	*(4,573)*	*0*	*(23,496)*
Exchange rate differences	293	95	957	1,247	66	2,658
Changes in inventory	1,959	(2,976)	1,434	(10,297)	(620)	(10,500)
Other changes	(198)	(1,263)	198	214	(234)	(1,277)
GROSS VALUES AT DECEMBER 31, 2019	**57,295**	**13,876**	**166,387**	**113,840**	**8,223**	**359,623**
IMPAIRMENT AT DECEMBER 31, 2018	9,760	2,431	7,339	19,637	2,066	41,233
Scope changes	(400)	(127)	(1,209)	(326)	0	(2,062)
- of which increases	*0*	*0*	*0*	*0*	*0*	*0*
- of which decreases	*(400)*	*(127)*	*(1,209)*	*(326)*	*0*	*(2,062)*
Provisions for amortization and depreciation	3,714	1,194	4,359	5,986	71	15,324
Reversal of provisions for amortization and depreciation	(3,255)	(2,132)	(5,333)	(6,405)	(1,227)	(18,352)
Exchange rate differences	70	9	46	334	37	496
Other changes	992	0	(84)	437	0	1,345
IMPAIRMENT AT DECEMBER 31, 2019	10,881	1,375	5,118	19,663	947	37,984
NET VALUES AT DECEMBER 31, 2019	**46,414**	**12,501**	**161,269**	**94,177**	**7,276**	**321,639**

The amounts shown in scope changes are the result of the sale of INDRAERO SIREN and LISI AEROSPACE Creuzet Maroc.

The sale of the Saint-Florent-sur-Cher site impacted the change in net inventories by €-5.8 million.

The discounting of the goodwill of LISI AUTOMOTIVE Hi-Vol Inc. over the period resulted in an inventory adjustment of €-1.3 million.

3.4.2.2 - Trade and other receivables

Trade receivables, loans and advances are recorded to the balance sheet at their nominal 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.
Trade and other receivables are valued at their amortized cost in accordance with the provisions of IFRS 9.

The Group uses the simplified IFRS 9 depreciation approach: it uses the information on overdue accounts to determine whether there have been major increases in the credit risk since the initial reporting. According to the analyses carried out, the estimated ECL (Expected Credit Loss) was not significant as of December 31, 2019.
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 credit risk of write-offs of past due receivables is minimal.

At December 31, 2019, the amount of provisions for doubtful debts amounted to €3.1 million, to be compared to total receivables of €237.6 million. The amount of permanent losses recognized over the financial year was €97.5 thousand.

Statement of trade and other receivables:

(in thousands of euros)	12/31/2019	12/31/2018
Gross debtors and apportioned accounts	237,592	223,005
Impairment of trade and other apportioned accounts	(3,070)	(3,481)
NET DEBTORS AND APPORTIONED ACCOUNTS	234,523	219,524
State - other taxes and duties	25,553	27,502
Social entities & workforce services	477	250
Accounts payable - advances, debtors	3,210	4,776
Deferred charges	7,149	5,461
Other	4,161	5,629
OTHER RECEIVABLES	40,549	43,617
TOTAL TRADE AND OTHER RECEIVABLES	**275,072**	**263,141**

Assignments of receivables amounted, at December 31, 2019, to €50.3 million, compared with €69.1 million at December 31, 2018. 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 four contracts for the sale of receivables, two 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 €82 million.

Debt by maturity

Overdue receivables not covered by provisions mainly concern major customers with which the Group has annual or pluriannual business agreements. On the basis of historical observations, the Group considers the risk of non-recovery to be marginal, with non-hedged overdue receivables dating back mainly to less than one year and the portion exceeding one year being insignificant.

The average payment period for financial year 2019 was 49 days, identical to the 2018 financial year.

In thousands of euros — **2019**

Group	TOTAL	> 30 days	30 to 60 days	60 to 90 days	90 to 120 days	> 120 days
Gross debtors	237,593	142,944	85,094	18,035	1,823	(10,304)
Net debtors	234,523	139,874	85,094	18,035	1,823	(10,304)

In thousands of euros — 2018

Group	TOTAL	< 30 days	30 to 60 days	60 to 90 days	90 to 120 days	> 120 days
Gross debtors	223,005	144,486	77,526	11,851	673	(10,563)
Net debtors	219,524	140,797	77,526	11,851	661	(10,563)

The “120” days amount is a restatement of customer prepayments of over one year.

Late payments

Late payments in thousands of euros	12/31/2019	12/31/2018
0 to 30 days	25,883	26,700
30 to 60 days	5,557	5,027
60 to 90 days	1,271	1,419
> 90 days	3,116	8,557
TOTAL	**35,827**	**41,704**

3.4.2.3 - Cash and cash equivalents

Cash and cash equivalents include current bank accounts (components of net cash as they are not subject to authorization agreements preventing the bank from demanding “repayment on sight” of the overdrafts), cash in hand, on-call deposits, marketable securities and negotiable certificates of deposit held by the Group. Adjustments of value are recognized in the income statement.

The accounting treatment of monetary SICAV instruments and negotiable security deposits remains unchanged under IFRS 9.

The cash available as at December 31, 2019, stood at €236.8 million, compared to €156.9 million in 2018. This item consists mainly of investment securities held by the Group and in particular monetary Sicav instruments negotiable security deposits in the amount of €94.5 million 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 thousands of euros	12/31/2019	12/31/2018
Effect of the change in inventories	10,498	(5,744)
Effect of the change in cash flow imbalances of customers and other debtors	(16,555)	(4,614)
Effect of the change in cash flow imbalances of suppliers and other creditors	(2,185)	(12,031)
Effect of the change in cash flow imbalances for taxes	5,277	16,072
CHANGE IN WORKING CAPITAL REQUIREMENTS	**(2,965)**	**(6,317)**

The free cash flow broke down as follows:

in thousands of euros	12/31/2019	12/31/2018
Operating cash flow	221,261	194,853
Net CAPEX	(116,817)	(131,282)
Change in working capital requirements	(2,965)	(6,317)
FREE CASH FLOW	**101,479**	**57,254**

3.4.3 / Shareholders’ equity

The Group’s shareholders’ equity stood at €1,012 million at December 31, 2019, against €937 million at December 31, 2018, representing an increase of €75 million. This change takes into account the following main factors:

Changes in € million	12/31/2019	12/31/2018
Income for the period attributable to equity holders of parent	69.8	92.1
Capital increase reserved for employees	0.0	2.8
Distribution of dividends paid in May	(23.4)	(25.5)
Treasury shares and payments in shares	1.0	(0.1)
Actuarial gains and losses on employee benefits	(3,4)	(3.1)
Change in fair value of cash flow hedging instruments	3.3	(8.8)
Change in consolidation scope	14.4	(14.3)
Miscellaneous restatements	3.6	0.1
Translation differences related to changes in the closing rate, including the revaluation of the dollar	9.5	3.9
TOTAL	**74.6**	**47.0**

The change in scope is essentially due to the decrease in the put on minority stakes following the revaluation of the acquisition liability for the Termax minority interests (€-15.3). The miscellaneous restatements item includes the return to historical value of equity interests in the amount of €4.4 million.

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 financial 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 Extraordinary General Meeting to be called at a later date.

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

3.4.3.1 - Capital stock

Share capital at year-end stands at €21,645,726, broken down into 54,114,317 issued shares with a face value of €0.40.

3.4.3.2 - Additional paid-in capital

This is due to the capital increase operation reserved for employees:

Breakdown of additional paid-in capital (in thousands of euros)	12/31/2019	12/31/2018
Additional paid-in capital	57,588	57,588
Contribution premiums	15,030	15,030
Merger premiums	2,711	2,711
TOTAL	**75,329**	**75,329**

3.4.3.3 - Capital management

The Group’s policy consists in maintaining robust capital so as to support a highly capitalistic and growing business, preserve the confidence of shareholders and investors, support internal and external 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 equity relate to the benefits conferred on managers and employees under certain conditions, as set out in Chapter 4 - CSR. They only concern existing own shares.

3.4.3.4 - Dividends

The amount of dividends for the 2019 financial year (not recognized) submitted to the Shareholders' General Meeting on April 24, 2020, for approval breaks down as follows:

Amount (in millions of euros)	2019	2018
TOTAL NET DIVIDEND	**24.9**	**23.4**

The estimated amount for 2019 is calculated based on the total number of shares, i.e. 54,114,317. 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 2019 financial year (not recognized) submitted to the Shareholders' General Meeting on April 24, 2020, for approval breaks down as follows:

Dividend per share (€)	2019	2018
DIVIDENDS PER SHARE	**0.46**	**0.44**

3.4.4 / 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 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.

Non-current provisions

Non-current 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.

Current provisions

Current 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.

3.4.4.1 - Changes in provisions break down as follows:

(in thousands of euros)	At January 1, 2018	Allowances (net of reversals)	At December 31, 2018	Allowances	Reversals (amounts used)	Reversals (non used amounts)	Actuarial gains/ losses out of shareholders' equity	Reclassifications - Other	Entry into/exit from consolidation scope	Translation differences	At December 31, 2019
Pensions and retirement	39,378	4,159	43,537	3,113	(1,915)	(745)	5,547	0	(1,727)	(361)	47,450
Long-service medals	4,344	46	4,389	491	(336)	(28)			(136)	0	4,380
Environment-related risks	5,463	(2,391)	3,072	924	(426)	(1,951)		110	0	18	1,746
Disputes and other risks	5,216	10	5,226	1,968	(3,862)	(631)		(180)	(358)	12	2,174
Guarantees to customers	9,693	(443)	9,250	675	(17)	(667)		0	0	1	9,242
For loss on contract	900	(900)	0	0	0	0			0		0
SUB-TOTAL NON-CURRENT PROVISIONS	64,995	481	65,475	7,171	(6,557)	(4,022)	5,547	(70)	(2,221)	(331)	64,992
For loss on contract	0	(0)	0	235	0	(350)		115	0	0	0
Industrial reorganization	766	1,789	2,555	155	(868)	(179)		0	0	39	1,701
Restructuring	747	(547)	200	68	(18)	0		0	0	2	252
Environment-related risks	158	859	1,017	100	(50)	(40)		2,135	0	11	3,172
Disputes	748	(382)	366	164	(126)	0		0	(150)	5	258
Other risks	12,737	(3,472)	9,265	9,417	(3,006)	(1,302)		3,256	(11)	64	17,684
SUBTOTAL CURRENT PROVISIONS	15,156	(1,753)	13,404	10,139	(4,068)	(1,871)	0	5,506	(160)	121	23,069
GRAND TOTAL	**80,151**	**(1,272)**	**78,880**	**17,309**	**(10,625)**	**(5,893)**	**5,547**	**5,436**	**(2,381)**	**(210)**	**88,063**
of which as recurring operating profit				*16,353*	*(8,668)*	*(5,459)*					
of which as non-recurring operating profit				*956*	*(1,957)*	*(434)*					

Pensions and retirement: see 3.4.4.2

Environment-related risks

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. As of December 31, 2019, this item was impacted in the amount of €+2.1 million by the recognition of a provision on the LISI AUTOMOTIVE Hi-Vol Inc. equity interest offsetting the initial consolidation difference.

Disputes and other risks:

This covers litigation or disputes with partners and service providers. The risk was assessed based on the estimated cost of the likely outcome of disputes or possible transactions. Assessment of expected returns cannot be calculated as of yet. The bulk of the movements relates to various quality, tax and wage risks.

Restructuring and 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.

Other risks:

Liabilities recognized under this category take into account risks based on various reports (industrial, regulatory, corporate, customer guarantees and products).

The amounts of provisions and reversals primarily concern quality, customer lead time, qualification of new products, tax and wage risks. As of December 31, 2019, this item was impacted in the amount of €+3.3 million by the recognition of a provision on the LISI AUTOMOTIVE Hi-Vol Inc. equity interest offsetting the initial consolidation difference.

3.4.4.2 - Commitments to the personnel

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

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

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 plans.

General description of the plans.

Retirement benefits (France):

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

England:

BAI UK operates a defined benefit pension plan to which all employees who joined the company before April 2007 are entitled and which has been closed since then. 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 are as follows: CAPEX, inflation, retirees' length of service, options, legislation.

USA:

Hi Shear Corporation operates a defined benefit pension plan to which all employees who joined the company before February 1991 are entitled and which has been closed since then. 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 are as follows: CAPEX, inflation, retirees' length of service, options, legislation.

The geographic breakdown of the Group's commitments to staff as at December 31, 2019, for defined benefit plans and the main assumptions employed in their assessment are as follows:

In thousands of euros	France	Germany	USA	England	Other
Actuarial debt	35,572	8,880	348	24,880	2,650
Discount rate	0.75%	0.64%	2.75%	2.19%	3.89%
Reference used	I Boxx euro zone 12 years	Extrapolation cased on the ECB 15-year AAA rate curve	Citigroup Pension Discount Curve rate	I Boxx AA-rated 15 years +0.3%	
Inflation - Wage increase	2.00%	1.50%	N/A	3.20%	NA

As per the revised IAS 19 standard, the rate of return on non-current funds is identical to the discount rate for actuarial liability. The rates of return thus employed are equal to 2.75% for American insurance plans and 2.19% for English ones.

At December 31, 2019, the allocation of the plan assets was approximately 30% in equities and 70% in bonds for England.

The following table sets out the changes, during financial year 2019, in the actuarial debt and the market value of the hedging assets (in millions of euros):

Change in actuarial debt	2019	2018
ACTUARIAL DEBT AT YEAR START	66,869	63,500
Cost of services	2,242	2,139
Cost of accretion	1,553	1,545
Benefits paid	(4,674)	(2,729)
Discounts	(745)	0
Wind-ups	0	0
Past-service costs	(29)	658
Change in consolidation scope	(1,727)	(3)
Translation differences	848	(878)
Actuarial losses (gains)	7,992	2,635
ACTUARIAL DEBT AT YEAR END	**72,330**	**66,869**

Change in market value of hedging assets	2019	2018
Opening value	23,332	24,755
Contributions paid by the Group	0	282
Benefits withheld from fund	(2,760)	(752)
Wind-ups	0	0
Expected yield from assets	653	658
Translation differences	1,230	(190)
Actuarial gains (losses)	3,139	(1,421)
VALUE AT YEAR-END	**25,594**	**23,332**

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

In thousands of euros	12/31/2019	12/31/2018
LIABILITIES RECOGNIZED AT YEAR-END	**(46,736)**	**(43,537)**

The expense recognized as operating profit by the Group during the financial year 2019 as defined benefit plans amounted to €3.1 million and is broken down as follows:

In thousands of euros	2019	2018
Cost of services	2,242	2,139
Cost of accretion	1,553	1,545
Expected yield from plan assets	(653)	(658)
Past-service cost	(29)	658
EXPENSE (REVENUE) RECOGNIZED	**3,113**	**3,683**

3.4.5 / Other non-current liabilities

(in thousands of euros)	12/31/2019	12/31/2018
Deposits and sureties received	96	94
Debt due in more than one year	867	799
Employee profit-sharing in the financial year	3,556	841
Deferred income	6,717	6,717
TOTAL OTHER NON-CURRENT LIABILITIES	**10,705**	**8,452**

Deferred income corresponds mainly to subsidies received from regional governments as part of the project to build the Villefranche de Rouergue plant.

3.4.6 / Debt

3.4.6.1 - Debt

Breakdown by nature

(in thousands of euros)	12/31/2019	12/31/2018
NON-CURRENT SHARE		
Mid-term loans	327,307	321,430
Debt related to lease agreements	76,289	4,307
Employee profit-sharing (frozen on a current account)	8,714	11,617
NON-CURRENT DEBT SUBTOTAL	412,310	337,354
CURRENT SHARE		
Banking facilities for operations	8,273	20,480
Mid-term loans	133,859	132,396
Debt related to lease agreements	10,617	2,419
Employee profit-sharing (frozen on a current account)	3,672	3,538
SUBTOTAL CURRENT DEBT	156,420	158,831
TOTAL DEBT	**568,730**	**496,185**

Breakdown by maturity date

(in thousands of euros)	12/31/2019	12/31/2018
BORROWINGS		
due within one year	133,859	132,396
two to five years	292,504	286,151
more than five years	34,803	35,279
SUBTOTAL BORROWINGS	461,166	453,826
OTHER FINANCIAL CREDITORS		
due within one year	22,562	26,436
two to five years	54,550	15,444
more than five years	30,453	480
SUBTOTAL OTHER DEBT	107,565	42,360
BORROWINGS AND DEBT	**568,729**	**496,185**

Breakdown by cash flow category

DEBT AS OF 01/01/2018	496,185
Subtotal changes resulting from cash flow	11,260
Subtotal changes with no cash effect	61,385
DEBT AS AT 12/31/2019	**568,829**

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.

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 12/31/2019 in millions of euros	Maturity date	Existence or not of interest rate or currency hedges	Covenant
LISI S.A.	Conventional loan		Euribor 3 months + margin	30,0	30,0	2021	Partly covered by a SWAP	
	Conventional loan	1.00%		30.0	30.0	2022		[1]
	Conventional loan	0.75%		30.0	30.0	2024		[1]
	Conventional loan	0.65%		15.0	8.5	2024		[1]
	Conventional loan	0.65%		15.0	9.1	2024		[1]
	Conventional loan	0.65%		15.0	9.2	2024		[1]
	Conventional loan	0.73%		15.0	15.0	2023		[1]
	Conventional loan	0.80%		15.0	15.0	2023		[1]
	Conventional loan	0.95%		10.0	8.9	2026		[1]
	Conventional loan	1.22%		20.0	20.0	2026		[1]
	USPP *	3.64%		56.0	32.0	2023		[2]
	USPP *	1.82%		20.0	17.1	2025		[2]
	USPP *	1.78%		40.0	40.0	2026		[2]
CREUZET AERONAUTIQUE	Conventional loan		Euribor 1 month + margin	3.9	0.3	2020	Hedged by a swap	[1]
BLANC AERO INDUSTRIES	Conventional loan		Euribor 3 months + margin	11.5	9.1	2031	Hedged by a swap	[1]
LISI AUTOMOTIVE Former	Conventional loan		Euribor 3 months + margin	6.0	1.3	2021		
				3.0	1.5	2024		
				3.0	1.8	2024		[1]
LISI MEDICAL Fasteners	Conventional loan		Euribor 3 months + margin	4.5	1.8	2024	Hedged by a swap	[1]
			TOTAL	**342.9**	**280.5**			

* USPP: US Private Placement

3.4.6.2 - 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 credit institutions. Depending on the bank, compliance with these ratios is assessed once or twice a year, on the half-year and annual close dates. Failure to comply with these ratios entitles the credit institutions to impose early repayment (total or partial) of the facilities granted.
As at the year-end, covenants were respected.

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

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

[2]
Consolidated gearing ratio < 1.2 (Net debt/Shareholders' equity).
Consolidated leverage ratio < 3.5 (Net debt/EBITDA).
Coverage ratio of consolidated interest expense < 4.5 (Net interest expense/EBITDA).

At December 31, 2019:

- The consolidated gearing ratio is 0.328, compared to 0.362 in 2018.
- The consolidated leverage ratio is 1.215 compared to 1.505 in 2018.
- The coverage ratio of consolidated interest expense is 0.016 compared to 0.012 in 2018.

The Group therefore has a comfortable margin of safety, confirming its low liquidity risk.

3.4.6.3 - Breakdown of net debt

(in thousands of euros)	12/31/2019	12/31/2018
Cash and cash equivalents	236,809	156,879
CASH AVAILABLE [A]	236,809	156,879
Current banking facilities [B]	8,273	20,480
NET CASH [A - B]	228,536	136,399
Credits	461,166	449,847
Other financial creditors	99,294	25,859
NET DEBT [C]	560,460	475,706
NET DEBT [D = C + A - B]	331,924	339,307
GROUP EQUITY [E]	1,011,642	937,010
DEBT RATIO (EXPRESSED AS %) [D / E]	32.8%	36.2%

NB: Reminder - 2017 debt ratio: 33.7%

3.4.7 / Financial liabilities

The cash table for all financial liabilities is as follows:

Financial liabilities on the balance sheet (in thousands of euros)	As of 12/31/2019	Breakdown of contractual flows not discounted on due date			
	Net accounting value	Less than 1 year	Between 1 and 5 years	Over 5 years	**Total**
Non-current borrowings	412,310		346,954	65,356	412,310
Other non-current financial liabilities (excl. PCA)	4,519		4,519		4,519
Current borrowings	156,420	156,420			156,420
Trade and other accounts payable	270,447	270,447			270,447
TOTAL FINANCIAL LIABILITIES	**843,696**	**426,867**	**351,473**	**65,356**	**843,696**

Financial liabilities on the balance sheet (in thousands of euros)	As of 12/31/2018	Breakdown of contractual flows not discounted on due date			
	Net accounting value	Less than 1 year	Between 1 and 5 years	Over 5 years	**Total**
Non-current borrowings	337,354		301,595	35,759	337,354
Other non-current financial liabilities (excl. PCA)	1,734		1,734		1,734
Current borrowings	158,831	158,831			158,831
Trade and other accounts payable	298,469	298,469			298,469
TOTAL FINANCIAL LIABILITIES	**796,388**	**457,300**	**303,329**	**35,759**	**796,388**

3.4.8 / Liquidity risk

The Group's cash management is centralized: the vast majority of the cash surpluses or financing requirements of its subsidiaries, where local legislation permits, 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, 2019, the LISI Group had available unused bank overdraft lines of €40 million, and net cash of €236.8 million, resulting in a total operating cash flow of €276.8 million, making it insensitive to liquidity risk.

3.4.9 / Interest rate risk

The Group's main exposure in terms of interest rate risk arises from the exposure of its variable-rate financial assets and liabilities to variations in interest rates. This could have an impact on its 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.

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.

The Group did not set up any new hedges in 2019. Its instruments in effect at December 31, 2019, relate to an outstanding amount of €40.7 million. The features of these instruments are presented in note 3.6.6 "Commitments."

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

(in thousands of euros)	12/31/2019	12/31/2018
Loans – variable rates	45,712	54,800
Short-term banking facilities	8,273	16,441
Cash and cash equivalents	(223,408)	(143,479)
NET POSITION PRIOR TO MANAGEMENT	(169,423)	(72,238)
Interest rate SWAP	40,731	46,302
HEDGING	40,731	46,302
NET POSITION AFTER MANAGEMENT	**(210,154)**	**(118,540)**

The approach taken consisted in taking into account as a calculation basis for the sensitivity to rates the net, lending and borrowing positions.
As of December 31, 2019, the impact on the unhedged portion of a 100-basis point change in the variable rates was €2.1 million.

3.4.10 / Deferred taxes

The deferred taxes of the French companies were revalued to take into account the article of the Finance Act for 2019 for the progressive reduction of corporation tax to 25%.

(in thousands of euros)	12/31/2019	12/31/2018
Deferred tax assets	17,312	11,894
Deferred tax liabilities	(40,091)	(37,745)
NET DEFERRED TAXES	(22,779)	(25,851)

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. The losses brought forward that were not recognized in the balance sheet as of December 31, 2019, would generate deferred tax assets of €19.5 million, compared to €19.4 million in 2018.

Deferred tax assets by early recoverability:

2019				2018			
< 1 year	1 to 5 years	+5 years	Total	-1 year	1 to 5 years	+5 years	Total
3,443	**10,641**	**3,228**	**17,312**	5,021	3,650	3,223	11,894

3.5 / Detail of main income statement items

3.5.1 / Sales revenue

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.

IFRS 15 "Revenue from Contracts with Customers" introduces a single analysis grid regardless of the transactions (sale of goods, sale of services, granting of licenses, etc.) with five successive stages:

- identification of the contract or contracts;
- identification of the seller's various contractual obligations (performance obligation);
- determination of the price of the transaction;
- allocation of the price of the transaction to the various obligations identified;
- recognition of the sales revenue.

As most of the subsidiaries consolidated in the LISI Group are industrial production sites, most of the sales revenue comes from the sale of finished products. However, the Group has specifically identified two types of transaction distinct from the one referred to previously: the first is late penalties (on delivery, quality deterioration, etc.) reported against sales revenue; the second relates to the invoicing of machine tooling treated as additional services resulting in the recognition of a sales revenue at the time of acceptance of the machine tooling and the initial samples. These principles are handled in accordance with IFRS 15.
The Group reviews its sales contracts every financial year: the analysis confirms that recognition complies with IFRS 15.

Sales revenues are shown after deduction of discounts. Sums from royalties, patent fees and use of trademarks are posted to sales revenues.
The breakdown of sales revenues by business segment and country is shown in note 3.6.1. "Segment information."

3.5.2 / Consumed goods

(in thousands of euros)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL 2019	TOTAL 2018
Consumption of goods	4,369	24,075	2,757	(268)	30,933	32,609
Consumption of raw materials	188,900	115,576	16,590	(2)	321,064	313,025
Tools	37,271	26,205	8,689	(19)	72,146	68,538
Other purchases	32,263	17,372	2,689	21	52,346	50,252
TOTAL CONSUMPTION	**262,803**	**183,228**	**30,725**	**(268)**	**476,490**	**464,424**

3.5.3 / Other purchases and external expenses

(in thousands of euros)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL 2019	TOTAL 2018
Subcontracting	60,037	53,828	8,643	0	122,507	116,846
Maintenance	32,965	24,529	5,051	676	63,222	64,635
Freight	10,451	13,267	1,013	1	24,732	24,370
Energy	17,247	14,589	1,921	11	33,768	32,988
Other purchases and external costs	74,847	29,584	7,596	(6,756)	105,271	113,646
TOTAL OTHER PURCHASES AND EXTERNAL COSTS	**195,547**	**135,797**	**24,224**	**(6,068)**	**349,500**	**352,485**

Auditors' fees

The table below lists the fees paid to the Auditors appointed for certifying the Group's separate and consolidated financial statements.

These are the fees paid for services rendered and recognized for the year 2019 in the financial statements 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 et Associés		Foreign auditors	
	Amount		Amount		Amount	
In thousands of euros	N	N-1	N	N-1	N	N-1
AUDIT						
Auditors, certification, review of individual and consolidated financial statements						
- Holding company	28	25	28	31		
- Fully consolidated subsidiaries	784	843	265	279	0	0
Other due diligence and services						
- Holding company	22	30	8	23		
- Fully consolidated subsidiaries	15	79	43	49	18	6
SUB-TOTAL	849	977	343	330	18	6
OTHER SERVICES RENDERED BY THE NETWORKS TO THE FULLY CONSOLIDATED SUBSIDIARIES						
Legal, tax, and social						
Miscellaneous services						
SUB-TOTAL						
TOTAL	**849**	**977**	**343**	**330**	**18**	**6**

Amounts included in other due diligence and services are for the examination of consolidated social, environmental and societal information.

3.5.4 / Payroll costs

(in thousands of euros)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	Total 2019	Total 2018
Temporary workers	21,028	7,329	2,333	51	30,741	36,821
Salaries and incentives	247,985	141,834	48,598	2,990	441,407	433,893
Layoff pay	2,068	897	416	3	3,384	3,753
Social contributions and taxes on salaries	90,887	50,099	18,058	1,811	160,855	161,893
Employee profit-sharing	4,612	(17)	240	0	4,835	2,025
Pensions and long-service medals	1,126	857	134	0	2,117	1,664
TOTAL PAYROLL EXPENSES	**367,706**	**200,999**	**69,779**	**4,855**	**643,338**	**640,048**

3.5.5 / Research and development expenses

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 mission is to carry out intensive research and development activities, to develop new products, the use of new materials and to develop innovative production processes. 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. The LISI Group's development costs primarily relate mainly to products which are being developed through very close collaboration with customers, rather than to improvements in processes.

As a result, most of the expenses incurred do not meet the criteria for capitalization as fixed assets and are therefore recorded as expenses. They consist mainly of expenses for personnel working in the R&D. Staff directly dedicated to R&D represented in 2019 some 2,4% of the Group's employees.

The Group carries out regular assessments of major projects in order to identify any costs which could be capitalized.

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

In millions of euros	2019	2018
Research and Development expenditures	31.3	30.9
% of sales revenues	1.8%	1.9%
Activated projects	2.9	2.0

3.5.6 / Non-recurring operating expenses and revenues

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

(in thousands of euros)	12/31/2019	12/31/2018
NON-RECURRING OPERATING EXPENSES		
Sale of Indraero Siren and LISI AEROSPACE Creuzet Maroc	(24,756)	
Sale of the Saint-Florent (LISI AUTOMOTIVE Division) site	(15,723)	
Industrial reorganization costs	(4,446)	(4,768)
Other costs	(477)	(1,030)
Reserve allowance for industrial reorganizations	(956)	(7,476)
Beteo disposal		(419)
TOTAL	**(46,358)**	**(13,693)**
NON-RECURRING OPERATING REVENUES		
Industrial reorganization plan provision reversals	1,523	3,427
Other revenues	0	
TOTAL	**1,523**	**3,427**
NON-RECURRING OPERATING EXPENSES AND REVENUES	(44,835)	(10,266)

The rules for the presentation and definition of non-recurring income and expenses remain unchanged compared to December 31, 2018.
To the Company's knowledge, there are no other litigation, arbitration or non-recurrent events that have, or have had, a significant impact on the financial situation, earnings, business or assets of the LISI Group.

3.5.7 / Financial result (income)

(in thousands of euros)	12/31/2019	12/31/2018
FINANCING EXPENSES AND REVENUE ON CASH		
Revenue on cash	3,247	3,263
Impact of the change in fair value of positive interest rate hedges	297	199
Impact of the change in fair value of negative interest rate hedges	(235)	(80)
Financing expenses	(7,636)	(5,885)
SUBTOTAL INCOME FROM CASH AND CASH EQUIVALENTS	(4,328)	(2,503)
OTHER INTEREST REVENUE AND EXPENSES		
Foreign exchange gains	26,688	42,635
Foreign exchange losses	(27,212)	(29,966)
Impact of the change in fair value of currency hedges	(3,279)	(4,084)
Other	(418)	(738)
SUBTOTAL OTHER INTEREST REVENUE AND EXPENSES	(4,221)	7,846
FINANCIAL RESULT (INCOME)	**(8,548)**	**5,343**

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 current 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.
The decrease in financial income compared to 2018 is mainly due to the rise in financing expenses following the implementation of IFRS 16. The financing expenses recognized under this standard for the 2019 financial year totaled €2.1 million.

3.5.8 / Corporate tax

Income tax (expense or income) includes:

- the tax expense (income) to be paid for each financial year and the deferred tax expense (income). The tax is recognized as income, except if it relates to items that are directly recognized as equity. In this 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.
A deferred tax asset on loss carry-forwards is recognized only insofar as it is likely that the relevant subsidiary or its tax consolidation scope will have future taxable profits to which tax loss carryforwards can be attributed.

- The Group decided to classify the CVAE (Tax on Companies' Added Value) as a tax on income to be entered in the scope of application of IAS 12. This choice ensures consistency with the accounting treatment applied to similar taxes in other countries.

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

3.5.8.1 - Tax breakdown

Breakdown (in thousands of euros)	Pre-tax earnings	Tax*	Profit (loss) after tax
Current profit (loss)	151,401	(37,033)	114,367
Non-recurring operating expenses and revenues	(44,836)	14,758	(30,079)
Employee profit-sharing	(4,834)	1,665	(3,169)
Tax credits		(16)	(16)
CVAE (Tax on companies' added value)		(7,292)	(7,292)
PROFIT (LOSS) FOR THE PERIOD	101,731	(27,919)	73,812

* of which taxes due: €-21,944 thousand
of which deferred taxes: €+3,467 thousand
of which withholding tax on profits received from abroad: €-2,133 thousand, of which tax credits: €-16 thousand
of which CVAE (Tax on companies' added value): €-7,292 thousand

3.5.8.2 - Tax proof

Tax proof at 12/31/2019	€ millions	%
Earnings attributable to the Group	69.8	
Minority interests	(4.0)	
Recorded income tax (income tax+income tax credit+deferred tax+CVAE)	27.9	
Profit (loss) before income tax	101.7	
Parent company standard rate	34.43%	
Theoretical income tax/rate at 34.43%	35.02	125.47%
DIFFERENCE		
Share of non-deductible expenses	1.17	4.2%
Withholding tax on foreign dividends	2.13	7.6%
Delta central rate/local rates	(11.20)	(40.1%)
Tax credits	0.02	0.1%
Activities not subject to taxation	(3.44)	(12.3%)
Taxable share of foreign dividends	(2.05)	(7.3%)
Taxes from prior periods	(0.10)	(0.4%)
Unused tax losses	0.63	2.3%
Tax consolidation France	(0.94)	(3.4%)
Foreign tax consolidation	0.21	0.8%
Transition Tax US	0.00	0.0%
Macron Law increased depreciation and amortization	(2.06)	(7.4%)
CIR	(1.78)	(6.4%)
Tax Credit on wages	0.00	0.0%
CVAE (Tax on companies' added value)	4.78	17.1%
Permanent differences	5.23	18.7%
Other	0.54	1.9%
INCOME TAX RECORDED TO THE INCOME STATEMENT (INCL. CVAE)	**27.9**	**100.0%**
EFFECTIVE TAX RATE (TAX EXPENSE IN THE INCOME STATEMENT AS A RATIO OF PRE-TAX INCOME)	27.43%	

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 27.4%, stable compared with 2018 (25.9%).

3.5.8.3 - Tax rates applied by LISI Group companies

	2019	2018
Germany	30.00%	30.00%
England	17.00%	19.00%
Canada	26.90%	26.90%
Spain	25.00%	25.00%
USA	21.00%	21.00%
France	34.43%	34.43%
Czech Republic	19.00%	19.00%
China	25.00%	25.00%
Mexico	30.00%	30.00%

3.5.9 / 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, performance shares).

The tables below indicate the reconciliation between the non-diluted and the diluted earnings per share.

12/31/2019 In thousands of euros	Profit (loss) for the period	Number of shares	Net earnings per share in €
Total shares		54,114,317	
Treasury shares		(880,256)	
BASIC EARNINGS PER SHARE	69,773	53,234,061	1.31
Restatement of performance shares being awarded		434,430	
DILUTED EARNINGS PER SHARE	**69,773**	**53,668,491**	**1.30**

12/31/2018 In thousands of euros	Profit (loss) for the period	Number	Net earnings per share in €
Total shares		54,114,317	
Treasury shares		(914,553)	
BASIC EARNINGS PER SHARE	92,069	53,199,764	1.73
Restatement of performance shares being awarded		456,270	
DILUTED EARNINGS PER SHARE	**92,069**	**53,656,034**	**1.72**

3.6 / Additional information

3.6.1 / 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 entity's chief operating decision-maker with a view to making 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 are spread over three business segments, in which the three divisions operate:
- LISI AEROSPACE, which combines all the activities in the aerospace market;
- LISI AUTOMOTIVE division, which covers all activities in the automotive market;
- LISI MEDICAL, which covers all activities in the medical market.

"Others" mainly include the activities of the Group's parent company.

3.6.1.1 - Breakdown by business line

(in thousands of euros)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL
12/31/2019					
INCOME COMPONENT					
Sales revenue by business sector	996,584	587,891	146,235	(1,183)	1,729,527
EBITDA*	188,749	64,840	19,268	343	273,200
Depreciation allowance and provisions	65,102	42,903	12,054	(1,972)	118,087
Current operating profit (EBIT)*	123,647	21,937	7,215	2,314	155,113
Operating profit	95,907	4,991	7,066	2,314	110,278
PROFIT (LOSS) FOR THE PERIOD	**53,661**	**(2,131)**	**2,270**	**20,012**	**73,812**
BALANCE SHEET COMPONENT					
Working capital requirement	226,165	93,709	28,322	23,396	371,592
Net fixed assets	669,563	398,080	168,306	(102,251)	1,133,698
ACQUISITIONS OF FIXED ASSETS	**69,016**	**38,520**	**10,807**	**212**	**118,555**
12/31/2018					
INCOME COMPONENT					
Sales revenue by business sector	934,011	581,135	130,734	(785)	1,645,095
EBITDA*	145,759	64,722	14,925	10	225,416
Depreciation allowance and provisions	48,961	30,683	9,309	906	89,859
Current operating profit (EBIT)*	96,798	34,039	5,616	(895)	135,558
Operating profit	84,673	33,536	5,277	1,804	125,290
PROFIT (LOSS) FOR THE PERIOD	**59,414**	**25,518**	**859**	**11,003**	**96,794**
BALANCE SHEET COMPONENT					
Working capital requirement	241,845	99,399	24,739	5,748	371,731
Net fixed assets	628,672	366,750	166,772	(101,853)	1,060,341
ACQUISITIONS OF FIXED ASSETS	**75,873**	**46,131**	**10,914**	**1,185**	**134,103**

*After allocation of all holding division and Group costs, potentially increased by a margin

3.6.1.2 - Breakdown by business sector and by country

(in thousands of euros)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL
12/31/2019					
INCOME COMPONENT					
SALES REVENUE BY DESTINATION AREA					
European Union	618,555	384,724	60,662	(1,183)	1,062,758
of which France	*429,332*	*141,596*	*8,489*	*(1,183)*	*578,234*
North American continent	299,106	94,570	81,083		474,759
Other countries	78,923	108,597	4,490		192,010
TOTAL	**996,584**	**587,891**	**146,235**	**(1,183)**	**1,729,527**
BALANCE SHEET COMPONENT					
NET FIXED ASSETS BY DESTINATION AREA					
European Union	421,732	272,953	64,474	(102,206)	656,953
of which France	*390,038*	*170,854*	*64,474*	*(102,206)*	*523,160*
North American continent	214,707	113,552	103,831		432,090
Africa	6,355	1,386			7,741
Asia	26,607	10,307			36,914
TOTAL	**669,401**	**398,198**	**168,305**	**(102,206)**	**1,133,698**
FLOWS PROVIDED BY OR USED FOR ACQUISITION OF FIXED ASSETS BY DESTINATION AREA					
European Union	55,528	29,257	3,901	211	88,897
of which France	*52,764*	*13,361*	*3,901*	*211*	*70,237*
North American continent	8,302	7,590	6,905		22,797
Africa	1,608	1,054			2,662
Asia	3,601	597			4,198
TOTAL	**69,039**	**38,496**	**10,806**	**211**	**118,555**
12/31/2018					
INCOME COMPONENT					
SALES REVENUE BY DESTINATION AREA					
European Union	626,433	396,427	62,218	(785)	1,084,293
of which France	*411,668*	*151,360*	*8,806*	*(785)*	*571,049*
North American continent	250,745	71,684	64,012		386,441
Other countries	56,833	113,024	4,504		174,361
TOTAL	**934,011**	**581,135**	**130,734**	**(785)**	**1,645,095**
BALANCE SHEET COMPONENT					
NET FIXED ASSETS BY DESTINATION AREA					
European Union	386,997	258,974	66,202	(101,853)	610,320
of which France	*360,619*	*161,669*	*66,202*	*(101,853)*	*486,638*
North American continent	197,810	99,655	100,570		398,035
Africa	18,263	678			18,941
Asia	25,602	7,443			33,045
TOTAL	**628,672**	**366,750**	**166,772**	**(101,853)**	**1,060,341**
FLOWS PROVIDED BY OR USED FOR ACQUISITION OF FIXED ASSETS BY DESTINATION AREA					
European Union	60,927	34,996	4,623	1,185	101,731
of which France	*56,078*	*21,472*	*4,623*	*1,185*	*83,358*
North American continent	8,145	9,639	6,291		24,075
Africa	2,624	83			2,707
Asia	4,177	1,413			5,590
TOTAL	**75,873**	**46,129**	**10,914**	**1,185**	**134,103**

3.6.2 / Share-based payments

3.6.2.1 - Share purchase options

The Company had no stock options plans at December 31, 2019.

3.6.2.2 - Award of performance shares

The Group has implemented share-purchase option and bonus share plans based on performance for certain employees and managers. The purpose of these plans is to create additional motivation to improve Group performance.

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.

This compensation is paid in LISI shares which vest over a period of two years as of the allocation date.

Acting on the recommendation of the Compensation Committee. LISI's Board of Directors decided, on October 20, 2016, 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. Achievement of these criteria at the end of 2018, i.e. Group RNA and division RNA (see definition in paragraph 3.2 – "Indicators") did not enable achievement of the plan in 2019. The cost recognized as of December 31, 2018, was, therefore, included in the 2019 financial year in the amount of €1.0 million.

Similar plans were set up in 2017, 2018 and 2019 to the extent that the Board of Directors meetings held on December 13, 2017, December 12, 2018, and December 11, 2019, renewed the start 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 was reported in 2019 under payroll expenses for €1.1 million against shareholders' equity. This cost was not allocated to divisions, and remains an expense at the LISI S.A. level until the definitive realization of the plan.

3.6.3 / Share purchase plans for employees

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.

No plans of this type were implemented during the 2019 financial year.

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

3.6.4.1 - 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.

3.6.4.2 - Remuneration of managers and directors

	Expenses for the period		Liabilities	
(in thousands of euros)	**2019**	2018	**2019**	2018
Gross current benefits (salaries, bonuses, etc.)	1,086	1,205		
Post-employment benefits (IFC)	(12)	32	393	405
Other non-current benefits				
Termination benefits				
Equity compensation benefits (performance share award plans)	17	(187)	162	146
TOTAL REMUNERATION	**1,091**	**1,050**	**555**	**550**

The main directors will receive remuneration in the form of current benefits, post-employment benefits and share-based payments. With regard to this category, in 2017, 2018 and 2019, 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. With regard to these plans, the corporate officers shall retain in nominative form 20% of any performance shares which may have been allocated to them until the termination of their employment.

Concerning the retirement gratuities, no specific benefit is contractually agreed upon, apart from the benefits retirement.

3.6.5 / Financial and market instruments

The main risks covered by the Group's financial instruments are the foreign currency risk, raw materials risk and the interest rate risk.

Derivatives that do not meet the hedge criteria are valued and recorded at their fair value through profit or loss. 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.

The fair value as at December 31, 2019, of the derivatives used in the management of market risks is detailed below:

	12/31/2019		12/31/2018	
(in thousands of euros)	On the assets side	On the liabilities side	On the assets side	On the liabilities side
INTEREST RATE RISK MANAGEMENT				
Variable rate payers swaps		1,128		1,189
CURRENCY RISK MANAGEMENT				
Foreign exchange derivatives		10		168
RAW MATERIALS RISK MANAGEMENT				
Raw materials derivatives	504		43	
TOTAL	**504**	**1,138**	**43**	**1,358**

3.6.5.1 - Commodities price fluctuation risk

At December 31, the Group hedged the risk on its future purchases of the raw materials nickel and aluminum. The fair value of the derivatives used (commodity swaps) was €+504 thousand at the close. Other raw materials cannot be hedged due to lack of available instruments.

3.6.5.2 - Currency risk

Overall, the Group is subject to two 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. Strengthening of these currencies would affect the business performance of the Group;
- USD ranks second in terms of amount invoiced in that currency by the Group, after the EUR, mainly in LISI AEROSPACE. 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 managing a portfolio of financial instruments to protect 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 non-current contracts providing for invoicing in this currency. The hedging policy is based on the management of a portfolio of financial instruments to secure a guaranteed average hedging rate. The hedging horizon may extend over up to five years.

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.

3.6.5.3 - Currency risk - financial instrument sensitivity

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

	12/31/2019	
Dollar/euro exchange rate at the closing date		1.1234
Euro/dollar exchange rate development assumptions	-10%	+10%
Euro/dollar exchange rate used for the sensitivity analysis	1.01106	1.23574
Impact in € millions (before taxes)	-12.5	9.4

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

	12/31/2019					12/31/2018				
	Fair value (1)	Notional amount (2)	< 1 year	from 1 to 5 years	more than 5 years	Fair value (1)	Notional amount (2)	< 1 year	from 1 to 5 years	more than 5 years
Long position of GBP against USD	0.3	20.4	20.4	0.0	0.0	(2.1)	32.4	20.4	12.0	0.0
Long position of CAD against USD	0.2	24.0	24.0	0.0	0.0	(0.5)	36.0	24.0	12.0	0.0
Long position of TRY against EUR	0.0	0.0	0.0	0.0	0.0	(0.5)	21.4	21.4	0.0	0.0
Long position of PLN against USD	0.1	18.0	18.0	0.0	0.0	0.0	16.8	16.8	0.0	0.0
Long position of CZK against EUR	0.3	600.0	300.0	300.0	0.0	0.1	240.0	240.0	0.0	0.0
Long position EUR against USD	(0.8)	147.0	117.0	30.0	0.0	2.8	178.9	111.9	67.0	0.0
TOTAL	**0.0**					**(0.2)**				

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

3.6.6 / 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.

3.6.6.1 - Commitments given in the context of ordinary operations

The commitments given in the context of ordinary operations are as follows:

In thousands of euros	2019	2018
Balance of investment orders	102,313	80,386
Guarantees and deposits	0	0
COMMITMENTS MADE	**102,313**	**80,386**
Swap rate	48,366	61,802
Foreign exchange hedging	199,115	235,507
RECIPROCAL COMMITMENTS	**247,481**	**297,309**

Reciprocal commitments

Reciprocal commitments are interest rate swaps to hedge variable-rate loans taken out to fund external growth.

As at December 31, 2019, the features of the SWAP contracts were as follows:

Notional at 12/31/2019	Nominal (in thousands of euros)	Remainder due (in thousands of euros)	Departure date	Maturity date	Paying rate	Receiving rate	Net market value in thousands of euros
LISI S.A.	5,000	5,000	06/10/2014	06/10/2021	0.9400%	Euribor 3-months	44
LISI S.A.	5,000	5,000	06/10/2014	06/10/2021	0.9400%	Euribor 3-months	45
LISI S.A.	10,000	10,000	06/10/2014	06/10/2021	0.9700%	Euribor 3-months	91
LISI S.A.	5,000	5,000	06/10/2014	06/10/2021	0.9525%	Euribor 3-months	45
LISI S.A.	5,000	5,000	06/10/2014	06/10/2021	0.9675%	Euribor 3-months	45
LISI MEDICAL Fasteners	4,500	1,781	09/28/2012	09/30/2024	1.3000%	Euribor 3-months	13
Creuzet Aéronautique	3,900	325	07/31/2012	07/31/2020	0.7750%	Euribor 1-month	6
Blanc Aéro Industries	4,983	4,313	02/01/2016	01/15/2023	0.8290%	Euribor 3-months	(116)
Blanc Aéro Industries	4,983	4,313	02/01/2016	01/15/2023	0.8300%	Euribor 3-months	(120)
TOTAL	**48,366**	**40,731**					**55**

The currency hedging instruments at December 31, 2019, are as follows:

	Notional at 12/31/2019		Notional at 12/31/2018	
	Currency	EUR	Currency	EUR
GBP	20,400	23,977	32,400	36,220
CAD	24,000	16,441	36,000	23,070
CZK	600,000	23,615	240,000	9,330
TRY	0	0	21,400	6,737
PLN	18,000	4,229	16,800	3,906
USD	147,001	130,853	178,901	156,245
TOTAL		**199,115**		**235,507**

3.6.6.2 - Commitment received regarding the acquisition of the assets of Hi-Vol Products LLC

As part of the acquisition of the assets of Hi-Vol Products LLC by LISI AUTOMOTIVE Hi Vol Inc, the seller, backed by its parent company Arch Global, committed, via two specific insurance policies, to compensate the buyer against any prejudice related to:

- a tax, environmental and pension plan risk in the amount of the acquisition price.
- product non-conformity in the amount of USD 10 million subject to a deductible of USD 300 thousand (decreased by USD 250 thousand as of September 13, 2019).

3.6.6.3 - Commitments made and received as part of the TERMAX acquisition

As part of the acquisition of Termax LLC, LISI HOLDING NORTH AMERICA agreed to purchase the remaining 49% of the shares by March 31, 2021.

For their part, the sellers agreed to compensate LISI, subject to an overall deductible of USD 200 thousand, for any prejudice related to:

- an environmental and tax risk, in the amount of the acquisition price of the 51% holding.
- a labor risk in the amount of USD 5 million and
- product non-conformity in the amount of USD 10 million.

3.6.6.4 - Guarantees provided as part of the disposal transaction of LISI AUTOMOTIVE Beteo GmbH

As part of the disposal of LISI AUTOMOTIVE Beteo GmbH, a liability guarantee commitment was made by LISI AUTOMOTIVE KNIPPING Verbindungstechnik GmbH.

3.6.6.5 - Guarantee provided as part of the INDRAERO SIREN and LISI AEROSPACE Creuzet Maroc sales transactions

A liability guarantee commitment for HSE non-conformity risks and potential tax liabilities was given as part of the sale of INDRAERO SIREN and LISI AEROSPACE Creuzet Maroc.

The maximum compensation amount was set at €3 million.

3.6.6.6 - Commitment received as part of the INDRAERO SIREN and LISI AEROSPACE Creuzet Maroc sales transactions

As part of the sale of INDRAERO SIREN and LISI AEROSPACE Creuzet Maroc, the buyer agreed to pay Group LISI an additional amount of maximum €13 million depending on the subsequent disposal value.

This commitment is valid for a 10-year period, until July 3, 2029.

3.6.6.7 - Other commitments

Other commitments relate to loan agreements that provide for early repayment in the event of non-compliance with financial covenants. A breakdown of these loans is provided in paragraph 2.4.6.

3.7 / Currency exchange rates applied by foreign subsidiaries

		12/31/2019		12/31/2018	
		Closing rate	Average rate	Closing rate	Average rate
US dollar	USD	1.1234	1.1195	1.1450	1.1793
Sterling	GBP	0.8508	0.8759	0.8945	0.8860
Yuan	CNY	7.8205	7.7237	7.8751	7.8156
Canadian dollar	CAD	1.4598	1.4822	1.5605	1.5329
Zloty	PLN	4.2568	4.2990	4.3014	4.2684
Czech crown	CZK	25.4080	25.6588	25.7240	25.6784
Moroccan Dirham	MAD	10.7287	10.7564	10.9579	11.0743
Indian rupee	INR	80.1870	78.7754	79.7298	80.6258
Mexican pesos	MXN	21.2202	21.6082	22.4921	22.6526
Hong Kong Dollar	HKD	8.7473	8.7692	8.9675	9.2438

4 / Statutory Auditors' Reports

4.1 / Statutory Auditors' Special Report on regulated agreements and commitments – Financial year ended December 31, 2019

In our capacity as Auditors of your Company, we will now present our report on regulated agreements.

It is our responsibility to inform you, based on the information provided to us, of the essential features and conditions applicable to the agreements and commitments of which we have been informed or which we may have discovered in the context of our assignment, and the evidence of their benefit for the Company, without having to express an opinion as to their usefulness or appropriateness, nor to -investigate the existence of other such agreements. It is your responsibility to assess the benefit involved in entering into these agreements prior to their approval, in accordance with the terms of Article R.225-31 of the French Commercial Code.

Furthermore, it is our responsibility, if applicable, to provide you with the information pursuant to Article R.225-31 of the French Commercial Code regarding the enforcement, in the year elapsed, of the agreements already approved by the Shareholders' General Meeting.

We have implemented the due diligence measures deemed necessary for this mission as outlined by France's national audit regulatory body, the Compagnie Nationale des Commissaires aux Comptes.

Agreements submitted for the approval of the Shareholders' General Meeting

We hereby inform you that we have not been informed of any agreement authorized and entered into during the year ended to be submitted for the approval of the Shareholders' General Meeting pursuant to the provisions of Article L.225-38 of the French Commercial Code.

Agreements already approved by the Shareholders' General Meeting

We inform you that we have not been made aware of any agreement already approved by the Shareholders' General Meeting whose implementation may have continued during the period elapsed.

Paris et Paris-La Défense, March 31, 2020

The Auditors

EXCO ET ASSOCIES	ERNST & YOUNG et Autres
Pierre Burnel	Pierre Jouanne

4.2 / Statutory Auditors' Report on the consolidated financial statements for the Financial year ended December 31, 2019

Opinion

Pursuant to the assignment entrusted to us by your Shareholders' General Meeting, we have conducted the audit of the Company's consolidated financial statements LISI regarding the financial year ended December 31, 2019, as appended to this report. These statements were approved by the Board of Directors on February 19, 2020 on the basis of the information available at that date against the changing backdrop of the health crisis caused by Covid-19.

We certify that the consolidated financial statements for the period are, in respect of the IFRS standard as adopted in the European Union, correct and genuine and give a true and fair view of the earnings derived from the Company's activity during the year, as well as the financial position and the assets and liabilities at the end of the financial year, of all consolidated companies of the consolidated group.

The opinion expressed above is consistent with the content of our report to the Audit Committee.

Basis of our opinion

Audit repository

We have carried out our audit in accordance with the professional standards in use in France. We consider that the items we have gathered form both a sufficient and an appropriate basis for our opinion.

Our responsibilities under these standards are specified in the section "Responsibilities of Auditors relating to the audit of the consolidated financial statements" of this report.

Independence

We have carried out our audit in compliance with the rules of independence applicable to us, for the period running from January 1, 2019 to the date of issue of this report, and in particular, we have not provided services prohibited under Article 5, paragraph 1, of Regulation (EU) No. 537/2014 or under the French Code of Ethics for Auditors.

Justification of our assessments - Key audit matters

Pursuant to the provisions of Articles L. -823-9 and -R. 823-of the French Commercial Code on the justification of our assessments, we inform you of the key audit matters relating to the risk of material misstatements which, in our professional judgment, have been more significant for the audit of the consolidated financial statements of the financial year, and how we tackled these risks.

These assessments form part of our task as Auditors of the consolidated financial statements, taken as a whole, and approved in the circumstances described previously, and have helped us to form our opinion, as it is described above. We do not express an opinion on elements of these consolidated financial statements taken separately.

Goodwill - impairment test

Risk identified	How we tackled it
At December 31, 2019, the net value of goodwill stood at €354,552 for a balance sheet total of €2,000,748. These goodwill amounts correspond to differences recognized between the cost of business combinations and the Group share of fair value, at the acquisition date, of assets and liabilities relating to these companies, as detailed in Note 3.4.1.1 in the notes to the consolidated financial statements. Goodwill is subject to an impairment test at each year-end and each time that a risk of impairment is identified. Note 3.4.1.1 in the notes to the consolidated financial statements describes the methods used and the assumptions made for this test. For the purpose of this test, goodwill is allocated to each group of Cash Generating Units (CGU) which, for the Group, corresponds to the three divisions: LISI Aerospace, LISI Automotive and LISI Medical. The recoverable value of each of the Group's CGUs is compared to the net book value of the corresponding assets. The recoverable amount is defined as the higher of the realizable value and the value in use. If the recoverable value is lower than the net book value of the CGU tested, the discrepancy is recognized as a loss of value.	As part of our work, we reviewed the process for preparation and approval of estimates and assumptions made by management for the purposes of impairment tests. Our work consisted of: • examining the discount rates used by management by comparing them with our own estimates of these rates, as established in conjunction with our own specialists, and by analyzing the different constituent components; • examining, using sample testing techniques, the future cash flows used, with regard to the budget figures approved by the Board of Directors, the historical results, as well as the economic and financial environment in which the Group operates; • checking, using sample testing techniques, the mathematical correctness of the impairment tests performed by management.

Provisions for industrial and environmental risks

Risque identifié	Notre réponse
The Group is exposed to the environmental and industrial risks inherent to each of its LISI Aerospace, LISI Automotive and LISI Medical activities carried out worldwide within complex and constantly changing regulatory frameworks. As specified in Note 3.4.4 in the notes to the consolidated financial statements, the Group exercised its judgment on a case-by-case basis when assessing the risks incurred, and recognized a provision whenever it expected a probable outflow of resources to settle the obligation. We have deemed this issue to be a key audit matter considering the amounts involved and the level of judgment required for determining these provisions against the backdrop of multiple and constantly changing regulatory frameworks.	As part of our audit of the consolidated financial statements, our work consisted in particular in: • examining the procedures implemented by the Group to identify and record all the risks; • reviewing the risk assessment carried out by the Group, the related documentation and, where applicable, written consultations of external consultants; • assessing the main risks identified and examining the assumptions used by Management to estimate the amount of these provisions; • examining the disclosure on these risks contained in the Notes to the consolidated financial statements.

Specific verifications

We have also, in accordance with the professional standards applicable in France, specifically verified, as required by the laws and regulations in force, the information relating to the Group, provided in the management report of the Board of Directors, dated February 19, 2020. Concerning subsequent events and the information that has emerged after the date on which the financial statements were approved regarding the health crisis caused by Covid-19, the Management has informed us that these events and information will be covered in a communication to the Shareholders' General Meeting convened to approve the financial statements.

We have no comments to make on their sincerity and consistency with the consolidated financial statements.

We certify that the consolidated extra-financial declaration pursuant to Article L. 225-102-1 of the French Commercial Code is included in the information relating to the Group contained in the Management Report, it being understood that, in accordance with the provisions of Article L. 823-10 of this code, we have not verified the truthfulness of the information contained in this declaration nor have we checked their concordance with the consolidated financial statements and thus these should be the subject of a report by an independent third party organization.

Disclosures arising from other legal and regulatory obligations

Auditors appointment

We were appointed as Auditors of the Company LISI by your Shareholders' General Meeting of June 2, 1993 for EXCO ET ASSOCIES and of April 27, 2011 for ERNST & YOUNG et Autres.

At December 31, 2019, EXCO ET ASSOCIES was in the twenty-seventh consecutive year of its assignment and ERNST & YOUNG et Autres in the ninth year.

Responsibilities of management and of those charged with corporate governance in relation to the consolidated financial statements

It is management's responsibility to draw up the consolidated financial statements giving a true and fair view in accordance with the International Financial Reporting Standards (IFRS), as adopted in the European Union, and to put in place the internal control that it deems necessary for drawing up the consolidated financial statements free of -material misstatements, whether due to fraud or error.

When drawing up the consolidated financial statements, it is the responsibility of management to assess the company's capacity to continue its operations, to present in these financial statements, if applicable, the necessary information on the going concern assumption and to apply the going concern principle, unless it is planned to wind up the company or discontinue its operation.

It is the responsibility of the Audit Committee to monitor the process for preparation of the financial information and the effectiveness of internal control and risk management systems, and, if applicable, the internal audit systems, as regards the procedures relating to the preparation and processing of accounting and financial information.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of Auditors relating to the audit of the consolidated financial statements

Audit objective and approach

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain a reasonable assurance that the consolidated financial statements, taken as a whole, are free of material misstatements. Reasonable assurance is a high level of assurance, without however guaranteeing that an audit conducted in accordance with professional standards systematically ensures that any material misstatement is detected. Misstatements may be due to frauds or errors and are considered as material where it is reasonable to expect that they can, taken separately or together, influence the economic decisions that users of the financial statements take based on -them.

As set out in Article L.823-10-1 of the French Commercial Code, our task of certifying the financial statements does not consist in guaranteeing the viability or the quality of the management of your company.

As part of our audit conducted in accordance with the professional standards applicable in France, the Auditor exercises his professional judgment throughout this audit. Furthermore:

- the Auditor identifies and assesses the risks that the consolidated financial statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures to tackle these risks, and gathers the information that he/she deems sufficient and relevant to form his/her opinion. The risk of non-detection of a material misstatement arising from a fraud is higher than that of a material misstatement arising from an error, since fraud may involve collusion, forgery, deliberate omissions, misrepresentations or the circumvention of internal control;
- he/she reviews the internal control relevant to the audit in order to define appropriate audit procedures in the circumstances, and not with the objective of expressing an opinion on the effectiveness of the internal control;
- he/she assesses the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as the disclosures provided in the consolidated financial statements;
- he/she assesses the appropriateness of the application by management of the accounting principle of going concern and, based on the information gathered, the existence or non-existence of a significant uncertainty relating to events or circumstances likely to undermine the company's ability to continue its operation. This assessment is based on information compiled up to the date of his/her report, it being specified however that subsequent circumstances or events may undermine the company's ability to continue as a going concern. If he/she concludes that there is a significant uncertainty, he/she draws the attention of readers of his report on the information provided in the consolidated financial statements regarding this uncertainty or, if such information is not provided or is not relevant, he/she issues a qualified opinion or refuses to certify;
- he/she assesses the overall presentation of the consolidated financial statements and appraises whether the consolidated financial statements reflect the underlying transactions and events such as to give a true and fair view;
- as regards the financial information of companies included in the scope of consolidation, he/she gathers the information that he/she deems sufficient and relevant to express an opinion on the consolidated financial statements. He/she is responsible for the management, supervision and conduct of the audit of the consolidated financial statements and of the opinion expressed on these financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee presenting the scope of the audit work and the program of work implemented, as well as the findings resulting from our work. We also inform the Committee, where applicable, of significant weaknesses in internal control that we have identified as regards procedures relating to the preparation and processing of accounting and financial information.

The report to the Audit Committee includes information on the risks of material misstatements that we deemed to have been the most important for the audit of the consolidated financial statements for the financial year and which constitute the key audit matters that we have to describe in this report.

We also submit to the Audit Committee the declaration set out in Article 6 of Regulation (EU) No. 537-2014 confirming our independence, within the meaning of the rules applicable in France as they are set out in Articles L. -822-10- -to L 822-14 of the French Commercial Code and in the French Code of Ethics for Auditors. Where necessary, we discuss the risks to our independence and the safeguard measures applied with the Audit Committee.

Paris and Paris-La Défense, March 31, 2020

The Auditors

EXCO ET ASSOCIES
Pierre Burnel

ERNST & YOUNG et Autres
Pierre Jouanne

3 Company financial statements

1 / Company activity during the financial year and future outlook

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 plan validation, external growth procedure, action plans, resource allocation;
- outlining strategy in an annual budget plan;
- financial control and internal audit (stemming from the COS program);
- 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;
- coordination of insurance, procurement, quality, research and development and information systems;
- general Health, Safety and Environment (HSE) and Corporate Social Responsibility, human resources and investment policies as well as the industrial progress plans (LEAP);
- management of strategic projects and implementation of the "LISI SYSTEM";
- implementation of an overarching communication policy (internal, external, corporate, human resources, financial and marketing) directly linked to the Group's strategy.

Earnings at December 31, 2019

The remarks below relate to the income statement for 2019.

- **In 2019, operating income amounted to €10.7 million, compared with €11.2 million in 2018 and was broken down as follows:**
  - **LISI S.A**. had €10.0 million in sales in 2019 compared to €9.7 million, an increase of +3.34%. They are essentially made up of services invoiced to the subsidiaries of LISI S.A. in respect of assistance, control and coordination of activities. These invoices pass on the operating expenses of LISI S.A. to the subsidiaries in 2019, with a 10% margin.
  - **Other operating income amounted to** €0.7 million in 2019, compared with €1.5 million in 2018. This item mainly consists of:
    - a provision reversal of +€0.3 million on the performance share allocation plans for 2016, which should have been awarded in 2019,
    - specific charge-backs to subsidiaries in the amount of €0.4 million.

The change compared to 2018 is due to a decrease in re-invoicing to the subsidiaries following the non-achievement of the performance allocation plans for 2016.

- **Operating expenses amounted** to €9.7 million in 2019, a decrease of €1.5 million compared to 2018 (€11.2 million). The change was primarily due to the expenses incurred in 2018 for the environmental restoration of an industrial site.
- As a result, the operating profit increased from -€0.1 million in 2018 to +€1.0 million in 2019.
- **Financial income** stood at +€33.9 million, compared to +€41.3 million in 2018. It is explained by:
  - **Financial earnings mainly** consisting of dividends collected from LISI AEROSPACE, LISI AUTOMOTIVE and LISI MEDICAL for +€32.5 million compared to +€31.7 million paid in 2018, interest earned on Group current accounts in the amount of +€6.8 million in 2019 compared to €5.9 million in 2018, net capital gains on investments for +€3.0 million in 2019 compared to €3.2 million in 2018 and the reversal of the provision for unrealized exchange losses on Group loans in US dollars recorded in 2018 for €4.1 million.
  - **Interest expenses made** up mostly of interest on borrowings and Group current accounts in the amount of -€7.0 million are stable compared to -€6.5 million in 2018. A provision for Group loans in US dollars was also recognized for the amount of €0.6 million compared with €4.1 million in 2018.
  - **Foreign exchange income,** which was negative by -€4.7 million, is the result of changes in the price of currencies on USD placements and in current accounts in foreign subsidiaries denominated in that currency.
- **Non**-operating profit was not impacted in 2019.
- **Corporate tax consists of** tax income of +€12.2 million, including a +€12.9 million tax consolidation gain for 2019 and a corporation tax payment of -€0.7 million.
- **Therefore,** LISI S.A.'s net earnings was positive at +€47.2 million in 2019 compared to +€42.3 million in 2018, i.e. an increase of +€4.9 million.
- **Shareholders**' equity increased from €237.0 million in 2018 to €260.8 million at the end of 2019. It was reduced by the distribution of the dividends paid in May 2019, for an amount of -€23.4 million in respect of the 2018 profit and increased by the year 's net earnings of +€47.2 million;
- **Available cash excluding current accounts at year-end** amounted to €101.0 million compared to €103.6 million in 2018; this item consists of monetary SICAV instruments and capital-backed investments denominated in euros and USD.
- **Net debt is -€3.1** million at the end of 2019 compared to +€4.2 million at the end of 2018. This decrease partly comes from the repayment of foreign subsidiaries' current accounts over the period.

1.1 / Appropriation of earnings

We propose that last year's profits of €47,199,320 be allocated as follows:

In €

profits for the financial year of	47,199,320.74
plus retained earnings in the amount of	100,492,103.43
i.e. a distributable profit	147,691,424.17
which we propose be allocated as follows:	
• to shareholders, as dividends, the sum of €0.46 per share, which will be paid on May 5, 2020 (*)	24,892,585.82
• remainder to be carried forward, i.e.	122,798,838.35

(*) The dividend for the shares held by the Company as treasury shares will be deducted from this amount.

The dividend for each share amounts to €0.46. The value of the dividend eligible for 40% deduction, as referred to in Article 158-3-2° of the French General Tax Code, is €0.46.

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

	Nominal value of the share	Dividends per share
Financial year ended 12/31/16	2.00€	0.45€
Financial year ended 12/31/17	2.00€	0.48€
Financial year ended 12/31/18	2.00€	0.44€

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

1.2 / Outlook for 2020

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 ensuring that dividends are paid out to its shareholders.

1.3 / Financial risks related to the effects of climate change

The risks are detailed in chapter 4 "CSR".

1.4 / Internal audit repository

Information about internal control is discussed in Chapter 5 - Risk factors.

1.5 / Supplier and customer terms of payment

In the tables below, you will find details of the terms of payment for suppliers and customers concerning LISI S.A. operating invoices:

Invoices received and issued at year-end that are past due (amounts in thousands of euros):

	Article D. 4411.-1: Invoices received and not paid at year-end which are overdue						Article D. 4411.- 2: Invoices received and not paid which at year-end which are overdue					
		1 to 30 days	31 to 60 days	60 to 90 days	91 days or more	Total (1 day or more)		1 to 30 days	31 to 60 days	60 to 90 days	91 days or more	Total (1 day or more)
(A) LATE PAYMENT PERIODS												
Number of invoices in question												
Total amount of invoices affected excl. VAT		79.15	29.66		4.80	113.61		109.00		38.69		147.6
Percentage of the total amount of purchases excl. VAT for the year		1.97%	0.74%		0.12%	2.84%						
Percentage of sales revenue excl. VAT for the period								1.09%		0.39%		1.47%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED AND UNRECORDED DEBTS AND RECEIVABLES												
Number of invoices excluded												
Total amount of excluded invoices												
(C) REFERENCE TERMS OF PAYMENT USED (CONTRACTUAL OR STATUTORY PERIOD - ARTICLE L.441-6 OR ARTICLE L.443-1 OF THE FRENCH COMMERCIAL CODE)												
Terms of payment used to calculate late payments	• Statutory terms: 30 days end of month +15						• Statutory terms: 30 days end of month +15					

Invoices received and issued that were paid late during the year (amounts in thousands of euros):

	Article D. 441 - II.: Invoices received that were paid late during the year						Article D. 441 - II.: Invoices issued that were paid late during the year					
		1 to 30 days	31 to 60 days	60 to 90 days	91 days or more	Total (1 day or more)		1 to 30 days	31 to 60 days	60 to 90 days	91 days or more	Total (1 day or more)
(A) LATE PAYMENT PERIODS												
Cumulative number of invoices affected												
Cumulative amount of invoices affected excl. VAT		95.29	61.53	48.92	44.04	249.78		54.22	106.08	38.69		196.99
Percentage of the total amount excl. VAT of invoices received during the year		2.38%	1.54%	1.22%	1.10%	6.23%						
Percentage of the total amount excl. VAT of invoices issued during the year								0.54%	1.06%	0.39%		1.99%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED AND UNRECORDED DEBTS AND RECEIVABLES												
Number of invoices excluded												
Total amount of excluded invoices												
(C) REFERENCE TERMS OF PAYMENT USED (CONTRACTUAL OR STATUTORY PERIOD - ARTICLE L.441-6 OR ARTICLE L.443-1 OF THE FRENCH COMMERCIAL CODE)												
Terms of payment used to calculate late payments	• Statutory terms: 30 days end of month +15						• Statutory terms: 30 days end of month +15					

Additional information

- Deductible expenses for tax purposes are made up of depreciation and rental of passenger vehicles totaling €36,909.
- LISI S.A. has, through a market making agreement with an independent service provider, purchased 200,681 LISI shares for €5.5 million and has sold 234,978 shares for a sum of €6.3 million. At December 31, 2019, the number of LISI shares held through the market making agreement was 16,203.
- Treasury shares held at December 31, 2019 totaled 880,256 shares, including those related to the market making agreement.

2 / Financial statements

2.1 / Income statement at 12/31/2019

(in thousands of euros)	Notes	2019	2018	2017
PRE-TAX SALES		**10,021**	**9,697**	**9,717**
Operating income		10,702	11,176	11,312
External costs		(4,007)	(5,026)	(4,480)
Taxes and duties		(327)	(474)	(541)
Personnel expenses		(4,322)	(4,944)	(4,201)
Other charges		(455)	(204)	(174)
Depreciation, provisions		(616)	(581)	(777)
OPERATING PROFIT		**975**	**(53)**	**1,139**
FINANCIAL EARNINGS				
- from equity interests	3.3.1	39,264	37,634	32,658
- interest and similar expenses		773	136	50
- positive exchange differences		21,368	25,915	13,148
- from disposal of marketable securities		2,214	3,055	2,573
- reversal of provisions	3.2.6	4,228	6,410	443
INTEREST EXPENSES				
- other interest and similar expenses		(7,099)	(6,598)	(6,805)
- negative exchange rate differences		(26,055)	(20,243)	(29,340)
- from disposal of marketable securities		(123)	(787)	(312)
- provisions allowance	3.2.6	(630)	(4,222)	(6,415)
FINANCIAL RESULT (INCOME)		**33,941**	**41,300**	**6,000**
CURRENT PROFIT BEFORE TAX		**34,916**	**41,247**	**7,138**
EXTRAORDINARY EARNINGS				
- on capital transactions				489
- on management transactions			583	867
- reversal of provisions		43	29	17
EXTRAORDINARY CHARGES				
- on capital transactions			(118)	(88)
- on management transactions			(700)	(1,044)
- provisions allowance				(43)
NON OPERATING PROFIT (LOSS)		**43**	**(206)**	**198**
Income tax	3.3.2	12,241	1,256	12,775
NET EARNINGS		**47,199**	**42,296**	**20,111**

2.2 / Company balance sheet as at 12/31/2019

ASSET ((in thousands of euros)	Notes	2019	2018	2017
FIXED ASSETS				
Intangible fixed assets	3.2.1	598	482	475
Tangible fixed assets	3.2.1	2,368	2,303	2,754
Financial assets	3.2.2	236,466	228,097	252,761
Amortization and depreciation	3.2.1/3.2.3	(1,164)	(846)	(1,458)
TOTAL NET FIXED ASSETS		**238,268**	**230,036**	**254,531**
CURRENT ASSETS				
Customers and apportioned accounts	3.2.4	1,168	2,317	2,158
Other debtors	3.2.4	12,050	5,848	1,889
Subsidiaries' current accounts	3.2.4	507,642	481,950	395,058
Tax credit	3.2.4	12,322	16,989	30,807
Marketable securities	3.2.5.1	100,961	103,505	133,188
Cash	3.2.5.2	101,673	14,314	42,500
TOTAL CURRENT ASSETS		**735,817**	**624,923**	**605,600**
Deferred charges		1,153	97	157
Translation differences assets		630	4,117	6,410
TOTAL ACCRUALS		**1,783**	**4,214**	**6,567**
TOTAL ASSETS		**975,867**	**859,173**	**866,698**

Liabilities	Notes	2019	2018	2017
SHAREHOLDERS' EQUITY				
Share capital		21,646	21,646	21,610
Issue, merger, and contribution premiums		71,822	71,822	69,077
Reserves		19,602	19,598	19,598
of which legal reserve		*2,165*	*2,161*	*2,161*
Balance carried forward		100,492	81,620	87,008
Profit (loss) for the period		47,199	42,296	20,111
Regulated provisions		13	56	84
TOTAL EQUITY	2.4	**260,774**	**237,038**	**217,488**
PROVISIONS FOR RISKS AND CHARGES	3.2.6	1,263	4,704	7,489
DEBT				
Sundry loans and financial debts (*)	3.2.4	367,744	343,108	352,016
Subsidiaries' current accounts	3.2.4	339,397	249,880	270,781
Taxes due				
Accounts payable and apportioned accounts	3.2.4	1,672	1,940	2,233
Tax and statutory payments	3.2.4	1,947	1,897	1,864
Other creditors	3.2.4	389	18,642	14,827
TOTAL DEBT		**711,150**	**615,467**	**641,721**
Deferred income				
Translation differences liabilities		2,680	1,964	1
TOTAL ACCRUALS		**2,680**	**1,964**	**1**
TOTAL LIABILITIES		**975,867**	**859,173**	**866,698**
(*) of which banking facilities		(1)	(11,092)	

2.3 / Cash flow statement at 12/31/2019

(in thousands of euros)	2019	2018	2017
OPERATING ACTIVITIES			
Operating cash flow	43,922	39,900	25,622
Effect of changes in accounts receivable and accounts payable and accounts payable	(15,709)	14,046	(32,546)
CASH PROVIDED BY OR USED FOR OPERATIONS (A)	**28,214**	**53,946**	**(6,924)**
INVESTMENT OPERATIONS			
Cash used to acquire tangible and intangible fixed assets	(182)	(1,185)	(1,474)
Cash received from the disposal of tangible and intangible fixed assets			489
Cash used to acquire financial assets			
Cash received from the disposal of financial assets			
Net cash used for acquisitions and disposals of subsidiaries			
Cash payments and collections from loans to subsidiaries	(8,369)	28,921	(48,938)
CASH PROVIDED BY OR USED FOR INVESTING ACTIVITIES (B)	**(8,551)**	**27,736**	**(49,923)**
FINANCING OPERATIONS			
Cash received from shareholders as part of a capital increase		2,781	
Dividends paid to shareholders of the parent company	(23,420)	(25,499)	(23,872)
Cash received from new loans	61,349	30,811	119,836
Repayment of loans	(25,622)	(50,814)	(42,671)
CASH PROVIDED BY OR USED FOR FINANCING ACTIVITIES (C)	**12,307**	**(42,721)**	**53,293**
CHANGES IN CASH (A+B+C) *	**31,970**	**38,961**	**(3,554)**
Cash at January 1 (D)	338,908	299,947	303,501
Cash at December 31 (A+B+C+D)	370,878	338,908	299,947
Marketable securities	100,961	103,616	133,194
Cash, subsidiaries' current accounts	609,315	496,264	437,558
Banking facilities, subsidiaries' current accounts	(339,398)	(260,972)	(270,805)
CLOSING CASH POSITION **	**370,878**	**338,908**	**299,947**

* The overall change in cash position corresponds to the total of net cash flows generated by the various categories: operations, CAPEX, and financing.

** The cash position is the algebraic sum of the balance sheet assets and liabilities.

2.4 / Change in shareholders' equity at 12/31/2019

(in thousands of euros)	
AS OF 12/31/2017	**217,488**
Profit (loss) for the period	42,296
Capital increase	2,781
Dividends paid	(25,499)
Accelerated depreciation	(29)
AS OF 12/31/2018	**237,038**
Profit (loss) for the period	47,199
Dividends paid	(23,420)
Accelerated depreciation	(43)
AS OF 12/31/2019	**260,774**

3 / Notes to the company financial statements

LISI S.A. is a Société Anonyme (public limited company) with a Board of Directors, with capital of €21,645,726 representing 54,114,317 shares with a nominal value of €0.40. It is registered at the Belfort trade registry, under no. 536 820 269. The head office is located in Grandvillars at 6 rue Juvénal Viellard.

The final annual balance at December 31, 2019 was €975,867,384. The annual income statement showed a profit of €47,199,320.

The financial year runs over twelve (12) months, from January 1, 2019 to December 31, 2019.

The notes and tables below form an integral part of the Company financial statements.

3.1 / Accounting principles and policies

The financial statements for 2019 are drawn up in line with current French accounting regulations. The accounting principles and policies 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 policies;
- 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 financial statements for 2019 were drawn up are identical to those for 2018.

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 policies particularly affect equity investments, notably when valuations (see note 3.2.2 below) are based on affiliates' forecast data.

3.2 / Detail of balance sheet items

3.2.1 / Tangible and intangible 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	Tax depreciation
Software programs	3 years straight line	3 years straight line
Buildings	33.33 years straight line	20 years straight line
Transport equipment	5 years straight line	3 years using the diminishing balance method
Office equipment	3 - 5 years straight line	3-5 years using the diminishing balance method
Office furniture	5 - 10 years straight line	5 - 10 years straight line

a) Gross tangible and intangible fixed assets

(in thousands of euros)	As of 12/31/2018	Acquisitions	Disposals/ Deconsolidations	As of 12/31/2019
Start-up and development costs				
Other intangible fixed asset items	482	117		598
TOTAL 1 INTANGIBLE ASSETS	482	117	0	598
Land	38			38
Buildings on freehold land	76			76
General installations, fixtures and fittings	1,383			1,383
Office and IT equipment, furniture	783	19	0	802
TOTAL 2 TANGIBLE ASSETS	2,280	19	0	2,299
Tangible assets in progress	23	45	0	68
TOTAL 3 TANGIBLE ASSETS IN PROGRESS	23	45	0	68
TOTAL	**2,785**	**181**	**0**	**2,965**

b) Amortization and depreciation of the tangible and intangible fixed assets

(in thousands of euros)	As of 12/31/2018	Allowances	Decreases or reversals	As of 12/31/2019
Start-up and development costs				
Other intangible fixed assets	422	44		466
TOTAL 1	422	44	0	466
Buildings	75	1		76
General installations, fixtures and fittings	139	138		277
Office and IT equipment, furniture	202	135		337
TOTAL 2	416	274	0	690
TOTAL	**837**	**318**	**0**	**1,156**

3.2.2 / Financial 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 utility value calculated for valuations which did not show any loss in value.

Figures in thousands of euros	Gross value as of 12/31/2018	Acquisitions and transfers from item to item	Disposals and transfers from item to item	Gross value as of 12/31/2019
EQUITY INTERESTS AND RELATED RECEIVABLES	228,087	27,738	19,369	236,456
- of which Hi Shear Corporation loan	18,904		18,904	
- of which Hi Shear Corporation interest incurred	465		465	
- of which LISI Holding North America loan	50,655	974		51,629
- of which LISI Holding North America accrued interest	225	4		229
- of which, Hi Vol loan		25,215		25,215
- of which, Hi Vol accrued interest		1,545		1,545
OTHER NON-CURRENT INVESTMENTS	10			10
TOTAL	**228,097**	**27,738**	**19,369**	**236,466**

3.2.3 / Provisions for depreciation of the tangible fixed assets and financial assets

No provisions for equity interests or for receivables related to equity holdings are recognized in the LISI S.A. accounts.
A provision for other financial assets was recorded on the balance sheet in the amount of €8 thousand.

3.2.4 / Maturity dates for receivables and debts

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

RECEIVABLES (in thousands of euros)	Gross amount at the end of the financial year	Less than 1 year	1 to 5 years	More than 5 years
Customers	1,168	1,168		
Income tax	12,322	12,322		
Tax integration current accounts	7,083	7,083		
Subsidiaries' current accounts	507,642	507,642		
Other debtors	4,967	4,967		
TOTAL	**533,182**	**533,182**	**0**	**0**

DEBT (in thousands of euros)	Gross amount at the end of the financial year	Less than 1 year	1 to 5 years	More than 5 years
Loans and debts from credit institutions:				
at a maximum of 1 year when contracted	29	29		
at more than 1 year when contracted	265,700	25,732	210,564	29,405
Sundry loans and financial debts	102,015	102,015		
Accounts payable and apportioned accounts	1,667	1,667		
Debt on fixed assets and apportioned accounts	5	5		
Tax and statutory payments	1,947	1,947		
Income tax				
Tax integration current accounts	389	389		
Subsidiaries' current accounts	339,397	339,397		
Other creditors				
TOTAL	**711,150**	**471,181**	**210,564**	**29,405**

On December 31, 2019, the item "Loans and debts 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 €32 million, on March 20, 2015 for an amount of €17 million and on March 4, 2016 for an amount of €40 million.

"Financial covenants" related to this debt are:

- Consolidated gearing ratio < 1.2 (Net debt/Shareholders' equity);
- Consolidated Leverage ratio < 3.5 (Net debt/EBITDA);
- Coverage ratio of consolidated interest expense < 4.5 (Net interest expense/EBITDA).

As of December 31, 2019, these covenants were respected.

As of December 31, 2019, the balance of the item "Borrowings and debt" included the drawdown of commercial paper (NEU CP) issued on the debt money market for an amount of €102 million.

3.2.5 / Marketable securities and cash

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.

Treasury shares

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.

3.2.5.1 - Marketable securities

As at December 31, 2019, marketable securities were as follows:

(in thousands of euros)	
880,256 LISI shares*	6,936
SICAV and deposit certificates	94,025
GIVING A GROSS TOTAL OF	100,961

* 880,256 shares held, under the delegation for the purpose of buying back the Company's own shares up to a limit of 10%, including those held under the market making agreement.

The item "Marketable securities" essentially comprises money market funds for €80.6 million and guaranteed-capital investments for €13.4 million.

The total net asset value of marketable securities stood at €80.6 million as at December 31, 2019.

3.2.5.2 - Cash

This item is solely composed of bank balances.

3.2.5.3 - Cash and Net debt

(in thousands of euros)	2019	2018	2017
Subsidiaries' current accounts	507,642	481,950	395,058
Marketable securities	100,961	103,616	133,194
Cash	101,673	14,314	42,500
CASH AVAILABLE [A]	710,276	599,880	570,752
Subsidiaries' current accounts [B]	339,397	249,880	270,781
Banking facilities for operations [B]	1	11,092	24
NET CASH [A - B]	339,397	338,908	299,947
Borrowings and debt	367,744	343,108	352,016
DEBT [C]	367,744	343,108	352,016
NET DEBT [D = C + B - A]	**(3,135)**	**4,200**	**52,069**

3.2.5.4 - Inventory of marketable securities

c) Shares

(in thousands of euros)	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

d) Marketable securities

(in thousands of euros)	Gross book values	Provisions	Net book values
Treasury shares	6,936	–	6,936
SICAV and deposit certificates	94,025	–	94,025
TOTAL MARKETABLE SECURITIES	100,961		100,961

3.2.6 / Provisions for risks and charges

Provisions for risks and charges are recognized in line with CRC regulation 2000-06 on liabilities.

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.

(in thousands of euros)	As of 12/31/2018	Allowances	Reversals	As of 12/31/2019
Provision for long service medals	15	3		18
Provision for share options and the awarding of free shares	572	294	250	616
Provisions for exchange losses	4,117	630	4,117	630
TOTAL	**4,704**	**927**	**4,368**	**1,263**

3.3 / Detail of the main income statement items

3.3.1 / Financial earnings from investments

(in thousands of euros)	Amount
Dividends received from subsidiaries	32,527
Interest from loans to subsidiaries	6,737
TOTAL	**39,264**

3.3.2 / Breakdown of corporate tax

a) Income tax

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.

(in thousands of euros)	Current profit (loss)	Non operating profit (loss)	Accounting result
Pre-tax earnings	34,916	43	34,958
Income tax	(653)	(14)	(667)
Tax credits	6		6
Tax consolidation income	12,902		12,902
NET EARNINGS	**47,171**	**29**	**47,199**

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.

Financial derivatives

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.

ANC regulation no. 2015-05 has no impact on LISI's accounts.

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

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

The details at December 31, 2019 are as follows:

	12/31/2019					12/31/2018				
	Fair value (1)	Notional amount (2)	< 1 year	From 1 to 5 years	More than 5 years	Fair value (1)	Notional amount (2)	< 1 year	From 1 to 5 years	More than 5 years
Long position of GBP against USD	0.3	20.4	20.4	0.0	0.0	(2.1)	32.4	20.4	12.0	0.0
Long position of CAD against USD	0.2	24.0	24.0	0.0	0.0	(0.5)	36.0	24.0	12.0	0.0
Long position of TRY against EUR	0.0	0.0	0.0	0.0	0.0	(0.5)	21.4	21.4	0.0	0.0
Long position of PLN against USD	0.1	18.0	18.0	0.0	0.0	(0.0)	16.8	16.8	0.0	0.0
CZK short position against the EUR	0.3	600.0	300.0	300.0	0.0	(0.1)	240.0	240.0	0.0	0.0
Long position EUR against USD	(0.8)	147.0	117.0	30.0	0.0	2.8	178.9	111.9	67.0	0.0
	0.0					**(0.2)**				

(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 itself against an increase in interest rates on variable rate loans. The details as of December 31, 2019 are as follows:

	Nominal *((in thousands of euros)*	Capital remaining due *(in thousands of euros)*	Fixed rate	Maturity date
Variable rate vs. fixed rate	5,000	5,000	0.9400%	June-21
Variable rate vs. fixed rate	5,000	5,000	0.9400%	June-21
Variable rate vs. fixed rate	10,000	10,000	0.9700%	June-21
Variable rate vs. fixed rate	5,000	5,000	0.9525%	June-21
Variable rate vs. fixed rate	5,000	5,000	0.9675%	June-21

3.5 / Subsidiaries and holdings

3.5.1 / Elements regarding related companies and holdings

	Related company	
(in thousands of euros)	amount	with which the company has equity interests
ASSETS:		
Receivables related to equity holdings	78,619	-
Debtors and apportioned accounts	1,168	-
Cash advances to subsidiaries	507,642	-
Tax integration current account	0	-
LIABILITIES:		
Receivables related to equity holdings		
Subsidiaries' financial assistance	339,398	-
Tax integration current account	389	-
Suppliers	331	-
INCOME STATEMENT:		
IT maintenance	31	-
Reserves for equity interests	2,769	-
Service and management fees invoices	9,993	-
Rental invoices	21	-
Miscellaneous chargebacks	423	-
Revenues from subsidiaries' loans and current accounts	6,737	-
Revenues from equity interest	32,527	-

3.5.2 / Subsidiaries and holdings (company data in €)

Companies	Capital stock	Shareholders' equity and minority interests	Share of capital held (as a %)	Gross book value of securities held	Provisions on securities held	Net book value of 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 revenues excl. VAT of the last financial year	Net income or net loss of the last financial year	Dividends received by the parent company during the last financial year
SUBSIDIARIES:												
LISI AEROSPACE	2,475,200	105,536,352	100.00%	30,863,816		30,863,816	74,322,966			348,778,597	18,253,699	20,028,337
LISI AUTOMOTIVE	31,690,000	96,638,019	100.00%	93,636,481		93,636,481	73,887,274			29,831,767	(1,269,673)	9,998,195
LISI MEDICAL	26,737,000	30,633,746	100.00%	33,337,000		33,337,000	21,715,058			5,314,320	2,461,113	2,461,113

3.6 / Identity of the consolidating company

Compagnie Industrielle de Delle (CID)
Limited company with share capital of €3,189,900
Head office: 6 rue Juvenal Viellard– 90600 Grandvillars
The Compagnie Industrielle de Delle held, on December 31, 2019, 54.78% of the LISI S.A. capital

3.7 / Award of performance shares

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

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on December 20, 2016, 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. This was also the case for 2017, 2018 and 2019 insofar as at the meetings of December 20, 2016, December 13, 2017, December 12, 2018 and December 11, 2019, the Board of Directors renewed the opening of new plans subject to similar conditions.

The objectives of the 2016 plan were not achieved in 2019 and its maturity in May 2019 resulted in a provision reversal of €0.5 million.

The fair value of the benefits granted for the current plans was recorded in 2019 as a provision in the amount of €0.6 million for French and foreign employees. 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 expenses relating to the awards of free performance shares is included in the payroll expenses for employees of LISI S.A. only.

Plans having impacted LISI S.A.'s financial statements in 2019:

	Plan for 2016	Plan for 2017	Plan for 2018	Plan for 2019	**Total**
Allocation date	12/20/2016	12/13/2017	12/12/2018	12/11/2019	
Acquisition date	February 2019	February 2020	February 2021	February 2022	
Value in thousands of euros as at 12/31/2019	0	237	339	40	616
Net expenses in thousands of euros on the income statement of LISI S.A. at 12/31/2019 (excluding social security contributions)	251	(13)	(241)	(40)	43
Total number of shares assigned (for an assignment with 100% of the conditions)	0	127,210	147,780	159,440	434,430

3.8 / Miscellaneous information

- The Company directors and executives have not been given any advances or credits.
- Compensation of executives stood at €760,431 for 2019 (compensation net of social security contributions, including the variable element and directors' fees).
- The overall compensation paid to the 5 highest-paid individuals totaled €1,544,712.
- Headcount as of December 31, 2019 was 26 individuals.
- Retirement commitments are not specified as the amount is insignificant.
- The Company does not have any financial leasing agreements.
- The fees recognized for the year ended December 31, 2019 for our statutory auditors, Ernst & Young and EXCO & Associés amount to €56,160.

3.9 / Events occurring since the close of the financial year

The coronavirus (COVID-19) pandemic has created uncertainty. At this point, it is difficult to measure the impact on business. The LISI Group is implementing appropriate measures for its employees and also meet the needs of its customers.
Since the close on December 31, 2019, there has been no other significant impact on the financial performance of the Group. The potential future impact of the pandemic is very uncertain given the current situation and will, at the very least, significantly impact LISI Group's first-quarter business. Scenarios using current conditions show that the Group's business continuity is not at risk given the strength of its balance sheet.

4 / Financial results of LISI S.A. over the last five years

(Articles 133, 135 and 148 of the decree on commercial companies)

NATURE OF THE INDICATIONS (in €)	2015	2016	2017	2018	2019
FINANCIAL POSITION AT YEAR-END					
Share capital	21,609,550	21,609,550	21,609,550	21,645,726	21,645,726
Number of shares issued	54,023,875	54,023,875	54,023,875	54,114,317	54,114,317
TOTAL RESULT OF ACTUAL OPERATIONS					
Pre-tax sales	8,456,734	9,363,861	9,716,967	9,696,638	10,020,772
Earnings before tax, depreciation and provisions	17,605,395	34,453,039	13,247,345	38,635,326	31,682,073
Income tax	11,797,426	(821,916)	12,774,597	1,255,673	12,241,197
Employee profit-sharing					
Profit after tax, depreciation and provisions	30,037,487	33,022,189	20,110,606	42,296,468	47,199,320
Distributed profit*	20,629,268	23,871,741	25,498,854	23,420,258	24,892,586
RESULT OF OPERATIONS PER SHARE					
Profit after tax, but before depreciation and provisions	0.11	0.65	0.48	0.74	0.74
Profit after tax, depreciation and provisions	0.56	0.61	0.37	0.61	0.61
Dividends allocated per share (net)	0.39	0.45	0.48	0.44	0.46
PERSONNEL					
Average headcount	21	21	25	24	26
Payroll	(3,032,271)	(3,148,301)	(3,036,686)	(3,528,399)	(3,000,970)
Amounts paid for benefits (social security, other employee benefits, etc.).	(1,073,216)	(1,163,753)	(1,164,620)	(1,415,436)	(1,321,483)

* After deducting the dividend for the treasury shares held by the Company for financial years 2015 to 2018.

5 / Statutory Auditors' Report on the individual financial statements - Financial year ended December 31, 2019

Opinion

Pursuant to the assignment entrusted to us by the Shareholders' General Meeting, we have conducted the audit of the annual financial statements of the company LISI regarding the financial year ended December 31, 2019, as appended to this report. These statements were approved by the Board of Directors on February 19, 2020 on the basis of the information available at that date against the changing backdrop of the health crisis caused by Covid-19.

We certify that the Company financial statements 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.

The opinion expressed above -is consistent with the content of our report to the Audit Committee.

Basis of our opinion

Audit repository

We have carried out our audit in accordance with the professional standards in use in France. We consider that the items we have gathered form both a sufficient and an appropriate basis for our opinion.

Our responsibilities under these standards are specified in the section "Responsibilities of Auditors relating to the audit of the Company financial statements" of this report.

Independence

We have conducted our audit in compliance with the rules of independence applicable to us, for the period running from January 1, 2019 to the date of issue of this report, and we have not provided services prohibited under Article 5, paragraph 1, of Regulation (EU) No. 537/2014 or under the French Code of Ethics for Auditors.

Justification of our assessments - Key audit matters

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code on the justification of our assessments, we inform you of the key audit matters relating to the risk of material misstatements which, in our professional judgment, have been more significant for the audit of the consolidated financial statements of the financial year, and how we tackled these risks.

These assessments form part of our task as Auditors of the annual financial statements, taken as a whole, and approved in the circumstances described previously, and have helped us to form our opinion, as it is described above. We do not express an opinion on elements of these Company financial statements taken separately.

Valuation of Equity Interests

Risk identified	How we tackled it
Equity interests, shown in the assets at December 31, 2019 for a net amount of €236,466 are the largest item of the balance sheet. As specified in Note 3.2.2 of the notes to the financial statements, they are measured at the cost at which they were acquired, excluding the costs incurred for their acquisition or, if applicable, their value in use. The value in use is appraised based on a number of criteria including net assets and the profitability outlook. Considering the weight of equity interests in the bal-ance sheet and their sensitivity to variations in data and in the assumptions on which estimates of the profitability outlook are based, we have considered the measurement of the value in use of equity interests as a key audit matter.	To appraise the estimate of the value in use of equity interests, based on information provided to us, our work included: • analyzing the justification provided by the Man-agement of the choice of assessment method and the figures used to determine these values; • compare for a sample the data taken into account for the impairment testing of equity inter-ests with source data by entity, taking into consid-eration the results of the audit of the significant subsidiaries held; • checking, using sample testing techniques, the mathematical correctness of the calculation of values in use used by the company.

Specific verifications

We have also carried out, in accordance with French professional regulations, the specific verifications specifically required by the laws and regulations in force.

Information provided in the management report and in other documents sent to shareholders on the financial situation and the Company financial statements

We have no comments to make concerning the sincerity and consistency with the consolidated financial statements of the information provided in the Board of Directors' management report approved on February 19, 2020 or the other documents sent to the shareholders on the financial position and financial statements. Concerning subsequent events and the information that has emerged after the date on which the financial statements were approved regarding the health crisis caused by Covid-19, management has informed us that these will be covered in a communication to the Shareholders' General Meeting convened to approve the financial statements.

We certify the truthfulness of the information and its consistency with the annual financial statements relating to the terms of payment mentioned in Article D. 441-4 of the French Commercial Code.

Information regarding corporate governance

We certify the existence, in the section of the Board of Directors' Management Report dedicated to Corporate Governance, of the information required by Article L. 225-37-3 -and L. -225-37-4 -of -the French Commercial Code.

With regard to the information supplied in application of the provisions of Article L. 225-37-3 of the French Commercial Code on compensation and benefits 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 information gathered by your Company from companies controlled by it that are included in the scope of consolidation. On the basis of our work, we vouch for the precision and honesty of this information.

With respect to the information relating to the factors that your company consider likely to have an impact in the event of a public offer for purchase or exchange, provided in application of the provisions of Article L. 225-37-5 of the French Commercial Code, we have verified their conformity with the document from which they were extracted and which was provided to us. On the basis of this work, we have no comments to make regarding this information.

Additional information

Pursuant to the law, we have ensured that the various pieces of information on shareholdings and control and the identity of holders of the capital or of voting rights have been provided to you in the management report.

Disclosures arising from other legal and regulatory obligations

Auditors appointment

We were appointed as Statutory Auditors of LISI by your Shareholders' General Meeting of June 2, 1993 for EXCO ET ASSOCIES and of April 27, 2011 for ERNST & YOUNG et Autres.

At December 31, 2019, EXCO ET ASSOCIES was in the twenty-seventh consecutive year of its assignment and ERNST & YOUNG et Autres in the ninth year.

Responsibilities of management and of those charged with corporate governance in relation to the Company financial statements

It is management's responsibility to draw up the Company financial statements giving a true and fair view in accordance with the French accounting rules and principles and to put in place the internal control that it deems necessary for drawing up the Company financial statements free of material misstatements, whether due to fraud or error.

When drawing up the Company financial statements, it is the responsibility of management to assess the company's capacity to continue its operations, to present in these financial statements, if applicable, the necessary information on the going concern assumption and to apply the going concern principle, unless it is planned to wind up the company or discontinue its operation.

It is the responsibility of the Audit Committee to monitor the process of preparing the financial information and the effectiveness of internal control and risk management systems, and, if applicable, the internal audit systems, with regard to the procedures concerning the preparation and processing of accounting and financial information.

The annual financial statements were approved by the Board of Directors.

Responsibilities of Auditors relating to the audit of the Company financial statements

Audit objective and approach

It is our responsibility to prepare a report on the Company financial statements. Our objective is to obtain a reasonable assurance that the Company financial statements, taken as a whole, are free of material misstatements. Reasonable assurance is a high level of assurance, without however guaranteeing that an audit conducted in accordance with professional standards systematically ensures that any material misstatement is detected. Misstatements may be due to fraud or errors and are considered as material where it is reasonable to expect that they can, taken separately or together, influence the economic decisions that users of the financial statements take based on them.

As set out in Article L. 823-10-1 of the French Commercial Code, our task of certifying the financial statements does not consist in guaranteeing the viability or the quality of the management of your company.

As part of our audit conducted in accordance with the professional standards applicable in France, the Auditor exercises his professional judgment throughout this audit. Furthermore:

- the Auditor identifies and assesses the risks that the Company financial statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures to tackle these risks, and gathers the information that he deems sufficient and relevant to form his/her opinion. The risk of non-detection of a material misstatement arising from a fraud is higher than that of a material misstatement arising from an error, since fraud may involve collusion, forgery, deliberate omissions, misrepresentations or the circumvention of internal control;

- he/she reviews the internal control relevant to the audit in order to define appropriate audit procedures in the circumstances, and not with the objective of expressing an opinion on the effectiveness of the internal control;
- he/she assesses the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by management, as well as the disclosures provided in the Company financial statements;
- he/she assesses the appropriateness of the application by management of the accounting principle of going concern and, based on the information gathered, the existence or non-existence of a significant uncertainty relating to events or circumstances likely to undermine the company's ability to continue its operation. This assessment is based on information compiled up to the date of his/her report, it being specified however that subsequent circumstances or events may undermine the company's ability to continue as a going concern. If he/she concludes that there is a significant uncertainty, he/she draws the attention of readers of his/her report on the information provided in the Company financial statements regarding this uncertainty or, if such information is not provided or is not relevant, he/she issues a qualified opinion or refuses to certify;
- he/she assesses the overall presentation of the Company financial statements and appraises whether the Company financial statements reflect the underlying transactions and events such as to give a true and fair view;

Report to the Audit Committee

We submit a report to the Audit Committee presenting the scope of the audit work and the program of work implemented, as well as the findings following from our work. We also inform the Committee, where applicable, of significant weaknesses in internal control that we have identified as regards procedures relating to the preparation and processing of accounting and financial information.

The report to the Audit Committee includes information on the risks of material misstatements that we deemed to have been the most important for the audit of the Company financial statements of the financial year and which constitute the key audit matters that we have to describe in this report.

We also submit to the Audit Committee the declaration set out in Article 6 of Regulation (EU) No-. 537-2014 confirming our independence, within the meaning of the rules applicable in France as they are set out in particular in Articles L. -822-10 to -L. 822-14 of the French Commercial Code and in the French Code of Ethics for Auditors. Where necessary, we discuss the risks to our independence and the safeguard measures applied with the Audit Committee.

Paris and Paris-La Défense, March 31, 2020

The Auditors

EXCO ET ASSOCIES	ERNST & YOUNG et Autres
Pierre Burnel	Pierre Jouanne

4 Corporate Social Responsibility

1 / Introduction

"As a responsible corporate citizen, we must make the best possible choices for the future. The LISI Group's longevity demonstrates its constant and successful adaptation to social, corporate and environmental changes.

Although we have already launched many initiatives to meet these challenges, we must now better organize our overall efforts.

Following a pilot project on the LISI AEROSPACE site in Saint-Ouen-l'Aumône in 2018, a CSR steering committee was created at Group level in 2019 to better identify our interested parties and analyze their expectations. This project identified five strategic CSR priorities shared by all our businesses.

We intend to maintain our collective and individual commitment as part of a comprehensive coordinated CSR approach.

Each employee will make a vital contribution to ensuring this commitment is met."

Emmanuel VIELLARD
Chief Executive Officer of LISI

Jean-Philippe KOHLER
Deputy CEO of LISI

2 / LISI Group Corporate social responsibility

2.1 / CSR Governance and Steering

In 2018 and 2019, LISI strove to better structure and communicate all efforts and initiatives undertaken in the realm of Corporate social responsibility. LISI has therefore created a methodical program (based on ISO 26000) with a view to continuing to adapt to society and the economic world and to better understand the impacts that its decisions might have.

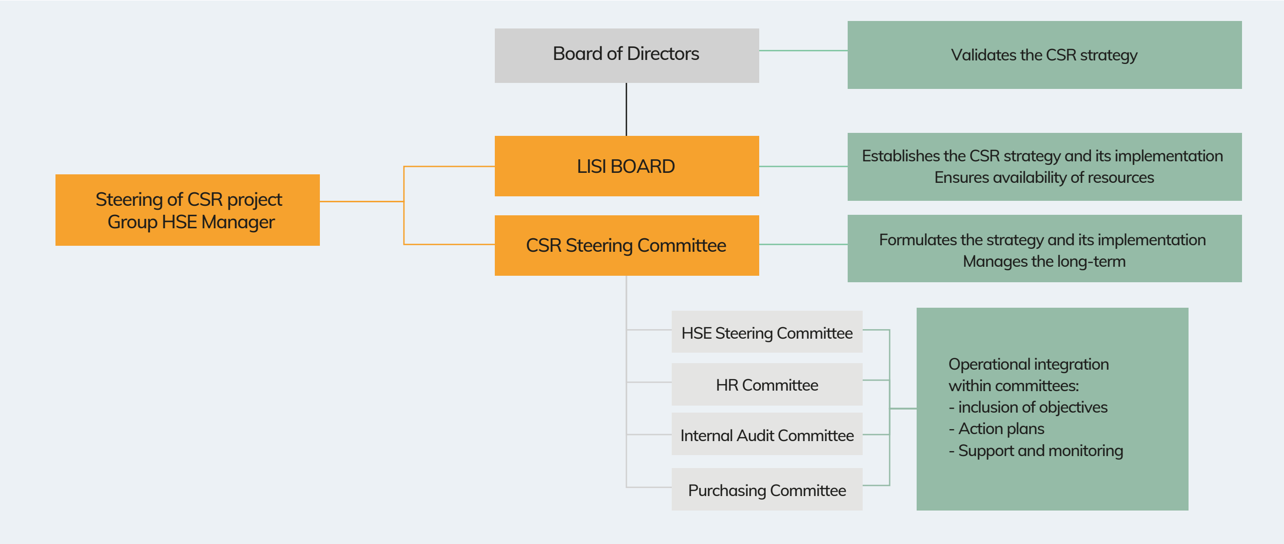
By means of this approach, LISI hopes to:
- gain a better understanding of the non-financial risks posed by health and safety, the environment, image, and human resources, for example;
- engage collectively and individually in a process of continuous improvement;
- create value for the LISI Group, its suppliers and customers; promote best practices and have a positive economic, social and environmental impact;
- develop in a sustainable manner with its partners while respecting people and cultures.
- remain pragmatic by adopting realistic solutions which are tailored to LISI's values and size.

In order to implement its CSR strategy, the LISI Group has created a CSR Steering Committee chaired by the Deputy CEO, who is also a member of the Management Committee and the Board of Directors. Leadership of this committee is entrusted to the Group HSE Manager, who is also in charge of steering the CSR Project. In addition, it has six other permanent members who represent the divisions and the operational committees.

The members are:
- Yannick Danillon: Group HSE/CSR Manager
- Amandine Delagarde: Group Communications Manager
- Eric Fardel: Director of Industrialization and Purchasing LISI MEDICAL
- Amandine Huchette: Group HR and HR Development Manager
- Jean-Philippe Kohler: Deputy CEO
- Christophe Lesniak: Group Senior Vice President Industrial and Purchasing Manager
- Yannick Morvan: Vice President Quality and Performance LISI AEROSPACE
- Vincent Quinaux: Vice President Quality, HSE and Industrial Performance LISI AUTOMOTIVE

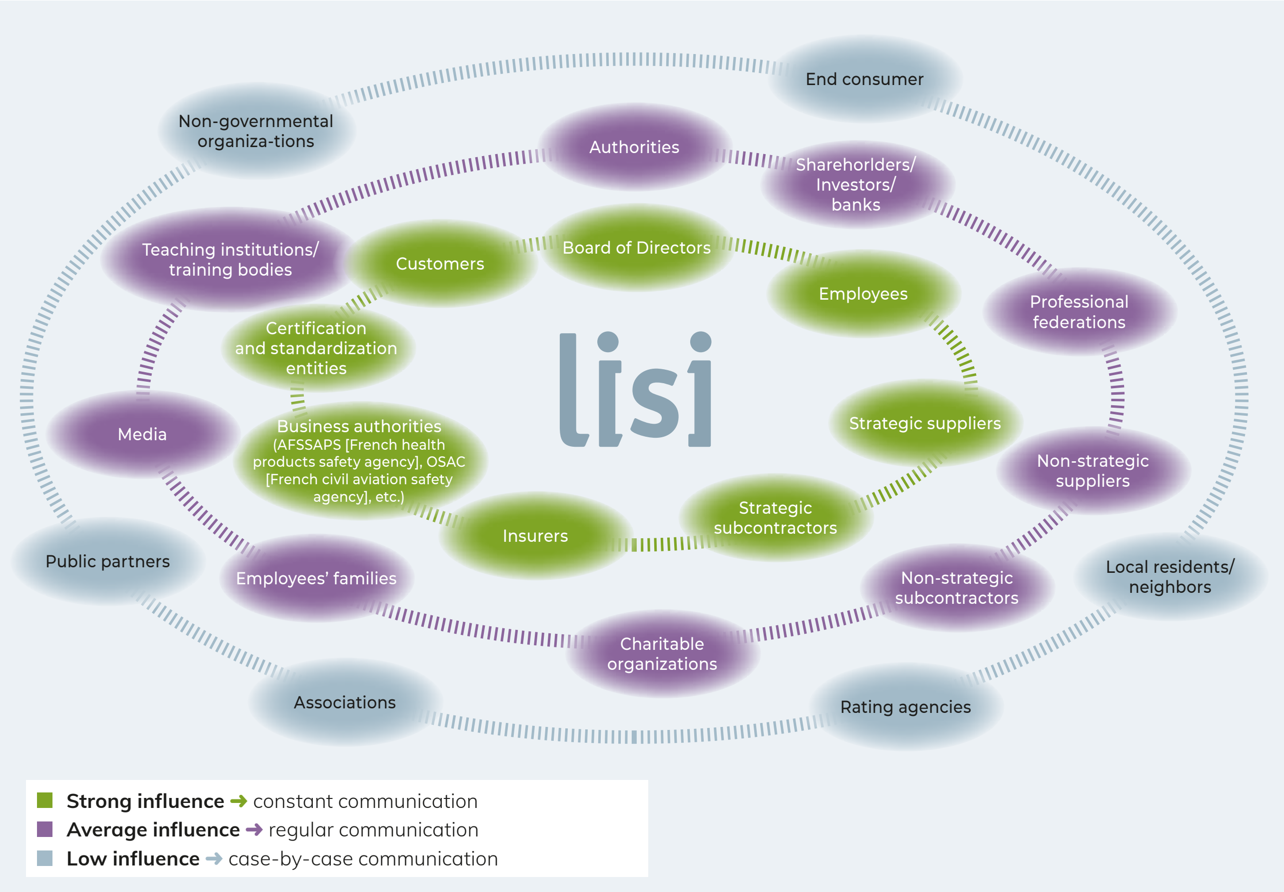
The duties of the CSR Steering Committee are as follows:
- prepare and formalize the CSR strategy and submit it for the validation of the Management Committee;
- manage the deployment of the CSR policy operationally;
- define action plans and monitor them on-site.

The various operational committees are responsible for managing the action plans under their purview, namely:
- the CSR Steering Committee is responsible for issues relating to health, safety and the environment;
- the HR Committee is responsible for human resources issues;
- issues relating to the supply chain fall within the remit of the Purchasing Committee and;
- issues relating to anti-corruption and duty of care are the responsibility of the Audit Committee.



CSR governance structure

2.2 / LISI interested parties



Note: LISI interested parties correspond to stakeholders.

Having identified the interested parties that may exert influence on the Group's activities, LISI listed their interests and defined a structure to respond to their request and maintain regular communications with them.

Regular meetings are organized with the most influential interested parties (customers, suppliers, insurers, etc.).

For example:

LISI communicates with:

- its customers via the sales departments of the divisions, trade shows such as the Le Bourget trade show, etc.
- its insurers, who are included at every stage of the projects, to take into account their opinions and who regularly visit the plants. In addition, an annual assessment is presented to the Group's Senior Management,
- its shareholders via individual meetings for shareholders and numerous meetings with investors.

2.3 / Materiality matrix

A methodology based on dialogue with interested parties

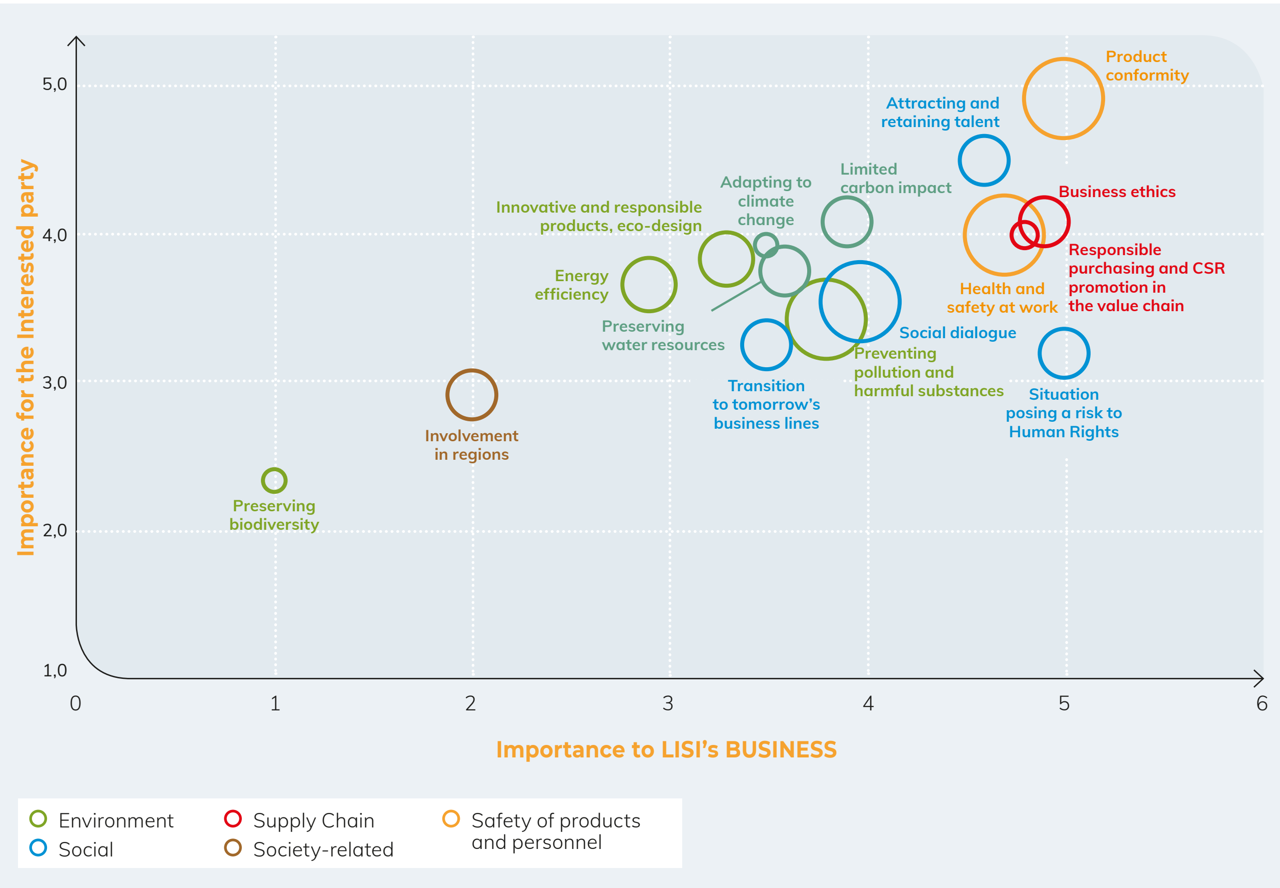
To establish a methodology compliant with ISO 26000, the CSR Steering Committee decided to obtain the support of a specialized consultant. This consultant had already worked with the pilot site of Saint-Ouen-l'Aumône in 2018.

The Steering Committee first analyzed and prioritized the Group's challenges and those of its divisions and their importance to the interested parties. The result of this exercise was the first version of LISI's materiality matrix which resulted in four working priorities being highlighted.

In 2019, the internal and external interested parties (customers, employees, suppliers, etc.) were surveyed via phone and/or in-person interviews to find out their expectations in terms of Corporate Social Responsibility.

The analysis of these interviews led the Steering Committee to update the materiality matrix and add a fifth working priority.

Materiality matrix



Following the creation of this matrix, in June 2019, the Management Committee and Board of Directors approved the five priorities recommended by the Steering Committee.

LISI's CSR approach focuses on these five priorities:

- retaining talent and strengthening the appeal of our business lines;
- achieving excellence in Health and Safety at work;
- improving the environmental footprint of our activities;
- guaranteeing customer satisfaction through efficient processes;
- committing to a responsible supply chain.

2.4 / Short-term, medium-term and long-term objectives

For each of these priorities, the Group has set short-term (2020), medium-term (2023) and long-term (2030) objectives.

Retaining talent and strengthening the appeal of our business lines

2020	■ 100% of sites have a formal partnership with a school/university ■ Increasing the percentage of women in management bodies ■ Absenteeism rate of 3.1% ■ 100% of Work Life Quality surveys have been launched and 100% of the action plans have been rolled out
2023	■ Aligning the gender distribution within management bodies with the Group distribution, i.e. 22% women ■ Absenteeism rate of 2.9% ■ LISI's visibility as the best employer in its sector (social media, label, etc.)
2030	■ Promoting employment commitment: well-being at work, mobility ■ Developing an agile and collaborative organization: diversity, work in communities ■ Anticipating the workplace of tomorrow: changes in business lines, ongoing learning

Achieving excellence in Health and Safety at work

2020	■ Frequency rate of accidents with and without day lost (LISI employees and temporary workers) consolidated TF1 below 8 ■ No Level 1 Non-Compliance in the machine pool
2023	■ 100% of personnel follows one safety training course per year ■ 0 sites with TF1 > 10 ■ 100% of material risks are covered by an action plan
2030	■ Consolidated TF1 below 5 ■ No "painful" positions

Improving the environmental footprint of our activities

2020	■ -12% in energy savings compared with 2018 ■ -12% in water savings compared with 2018 ■ -7% in Greenhouse Gas emissions (GHG) compared with 2018
2023	■ -5% in energy consumption compared with 2020 ■ 10% in renewable energy produced on site or purchased ■ No dependence on water in areas under water stress
2030	■ -30% in Greenhouse Gas emissions (GHG) compared with 2020 ■ -10% in energy savings compared with 2020 ■ 20% use of renewable energies

Guaranteeing customer satisfaction through efficient processes

2020	■ 0 critical incidents involving items that may cause a security issue ■ 0 Major Non-conformance with quality certifications
2023	■ -10% in non-critical incidents compared with 2020 ■ -10% in Cost of Internal Non Quality compared with 2020
2030	■ 0 customer return = 100% "On Target Quality" ■ 0 delivery delay = 100% "On Time Delivery" ■ Traceability and digital compliance

Committing to a responsible supply chain

2020	■ Building CSR into purchasing transformation project
2023	■ LISI fully incorporates ethics and corporate social responsibility criteria into the process of selecting its suppliers ■ LISI evaluated its 100 most strategic suppliers against CSR criteria
2030	■ 100% of strategic suppliers from a CSR standpoint are evaluated ■ LISI works with ethical and responsible suppliers

2.5 / Main non-financial risks

The main non-financial risks for LISI are as follows: Compliance (duty of care, Sapin II Law), Protection of assets, Management of human resources and climate.

The identification and methodology for the assessment of these risks are discussed in Chapter 5 - Risk factors. The policies, action plans and key indicators deployed to limit and monitor these risks are presented in this chapter.

3 / Ethics and Human Rights

The LISI Group has undertaken concrete commitments to bolster its voluntary efforts on Corporate social responsibility.

3.1 / LISI is a member of the Global Compact

The signature of the Global Compact is a voluntary initiative by the company.
The Global Compact is a United Nations initiative launched in 2000 and aimed at encouraging businesses worldwide to adopt a socially responsible attitude. Businesses commit to uphold and promote a number of principles relating to Human Rights, international labor relations, and the fight against corruption.

By joining the Global Compact in 2018, LISI committed to:
- making yearly progress in each of the four core areas of the Global Compact,
- submitting an annual "Communication on Progress" (COP) report explaining the progress made.

The four core areas of the Global Compact are subdivided into 10 principles.

Human Rights
LISI has undertaken to:
- support and respect the protection of internationally proclaimed Human Rights;
- make sure that it is not accomplice of human right violations.

International labor standards
LISI has undertaken to:
- uphold the freedom of association and the effective recognition of the right to collective bargaining;
- contribute to the elimination of all forms of forced and compulsory labor;
- contribute to the effective abolition of child labor;
- contribute to the elimination of discrimination in respect of employment and occupation.

Environment
LISI has undertaken to:
- support a precautionary approach to environmental challenges.
- undertake initiatives to promote greater environmental responsibility.
- encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption
LISI is committed to fighting corruption in all its forms, including extortion and bribery.

3.2 / Fight against corruption and tax evasion

General Policy Adopted By LISI To Prevent And Fight Corruption
The LISI Group has built its growth on compliance with laws and best practices. Through the values that it defends by developing its CSR policy and its membership of the Global Compact, the Group is committed to the fight against corruption in all its forms. The LISI Group places a high importance on behaving in a flawless manner with its stakeholders. In order to guarantee this commitment, since 2017, the Group has been intensifying its actions guided by the legislation established by the Sapin II Law and conducts periodic internal audits of all its sites.

Deployment Of The Anti-Corruption Code Of Conduct
The anti-corruption code of conduct, after consultation with the Employee Representative Bodies, was made available online on LISI's website and has been applicable to French entities since April 1, 2018. It was then translated into eight languages to be deployed in the other regions where LISI operates. It should be noted that the LISI AUTOMOTIVE division drafted its code of conduct covering broader topics than anti-corruption efforts, in order to meet the IATF certification requirements.

LISI's anti-corruption code of conduct is intended for corporate officers, members of the executive and management committees, and all LISI Group employees. It sets forth the principles that each employee of the Group must apply when performing their duties. It complements the rules, procedures ad standards defined in each country and to which employees must continue to refer. Any person acting on behalf of LISI is required to comply with this code of conduct, regardless of the place and nature of his/her work. The LISI Group is committed to ensuring that all its partners share the same values.

Management of the Alert System
Compliance Committee: the committee is chaired by the Group's Deputy CEO and is comprised of representatives of three departments: the Group Legal Director, the Group Human Resources Manager and the Group Internal Audit

Manager. The purpose of the Committee is to manage the alerts raised by the system in place. The employment contracts of this team have been amended to provide for an enhanced confidentiality clause.

The alert system (Ethic Line) was put in place on April 1, 2018, on the LISI Group website in a dedicated section called "Ethics." This system, which is open to all of the Group's internal and external partners, is available in nine different languages. The alerts which may be raised by this system may arise from problems linked to anti-corruption but also to the duty of care. To facilitate its use, an alert collection procedure has been created. An effectiveness test was performed, without warning, as part of the IATF certification (LISI AUTOMOTIVE division): it was found that it complied with the requirements. This system, which is completely managed internally, meets the legal requirements since it is a secure system which protects the whistleblower.

Identification Of The Risk Level Linked To Corruption

The risk linked to corruption was assessed in 2018 based on two priorities:

- The exposure per country in which LISI conducts business: this focus is based on the standard which ranks 180 countries by degree of exposure to corruption risk according to the NGO Transparency International,
- The nature of the business relationships maintained by LISI: identification of the nature of transactions that could involve LISI as part of its activities.

LISI is committed to addressing the importance of this subject at all levels of its organization:

- By demystifying the nature of this risk so that it is considered in the same manner as all other risks;
- Creating a group dynamic to fuel the debate;
- By evaluating the corruption risk in completely transparent manner so that, if such a risk exists, it can be minimized or even eliminated;
- By relying on the experience of the local teams to identify the nature of the relationships exposed to corruption.

The sensitive nature of this issue led LISI to conduct a review at Group level with the operational teams: the process took the form of retreats. The aim was to determine the most relevant methodology for evaluating the corruption risk. The focus was initially on those countries which were more at risk: with the teams from Turkey (LISI AEROSPACE), Morocco (LISI AEROSPACE and LISI AUTOMOTIVE), India (LISI AEROSPACE), China (LISI AUTOMOTIVE), Poland (LISI AEROSPACE) and Mexico (LISI AEROSPACE and LISI AUTOMOTIVE). Up to three meetings per entity were required to determine the risk areas. Each retreat brought together several departmental managers in particular the Plant Manager, Purchasing Manager, Human Resources Manager and Financial Controller. A number of ideas were collected together in a standardized dashboard: each issue was dealt with in order to evaluate the existing risk in the industrial environment in the country in question. In accordance with the procedures and controls in place, the risk was evaluated again to determine the level of risk to which LISI is exposed.

The initial results showed that LISI was relatively exposed due to the nature of its activity but also thanks to control measures, the procedures in place and the policy followed by its employees.

This work continued in 2019 and confirmed this relative exposure level.

Third-Party Evaluation Procedures

This procedure is now an integral part of the CSR policy.

Control Procedures

The documents that bind the LISI Group and its stakeholders, internal or external, were updated in coordination with the measures described above. The Supplier Charter (external stakeholders) and the Supplier Policy (internal stakeholders) were thus updated to be officially distributed at the start of 2019 to all stakeholders. They were then translated into nine languages. As a result of this updating, the General Purchasing Conditions were updated. Finally, the General Conditions of Sale also include an anti-corruption and duty of care section.

Training Plan

LISI wished to develop its anti-corruption system by ensuring that employees were informed by means of a communication kit distributed at the same time as the code of conduct is applied. The employees of LISI S.A., LISI AEROSPACE and LISI MEDICAL received an e-learning module to complete. This training module, based on e-learning developed by the OECD (Organisation for Economic Co-operation and Development), is intended for employees who are most likely to be exposed to corruption. In 2018, a total of 300 employees were assigned to follow this training. The LISI AUTOMOTIVE employees will undertake this module for a second time as a module specifically tailored to the division was deployed on issues covering their own code of conduct which is more extensive than that of anti-corruption only. The module will also be assigned to all new hires whose roles may expose them to this risk.

Outlook for 2020

The implementation of a Sapin II Law program forms part of a medium-term project. In order to do this, in 2020, the Group will continue the work already undertaken up to now. The main priorities of the work will be:

- Finalizing the corruption level risk at Group level then include this risk assessment in the annual mapping.
- Continue the process to develop evaluation procedures for third parties in line with the CSR strategy to be deployed.
- Finalize the training process by means of e-learning.
- Confirm the organization of the Compliance committee by formalizing this by means of an operating procedure.

3.3 / Ethics, Non-discrimination and Human Rights

Pursuant to the same principles and rules previously described regarding anti-corruption work, the LISI Group pays close attention to the respect of ethical, non-discrimination and human rights values.

These values are imparted to new Group employees during a specific “Ethics” module delivered as part of the LKI program during new employee onboarding.

As in the case of the duty of care, a whistleblowing system is also available to all Group employees, as well as to external service providers.

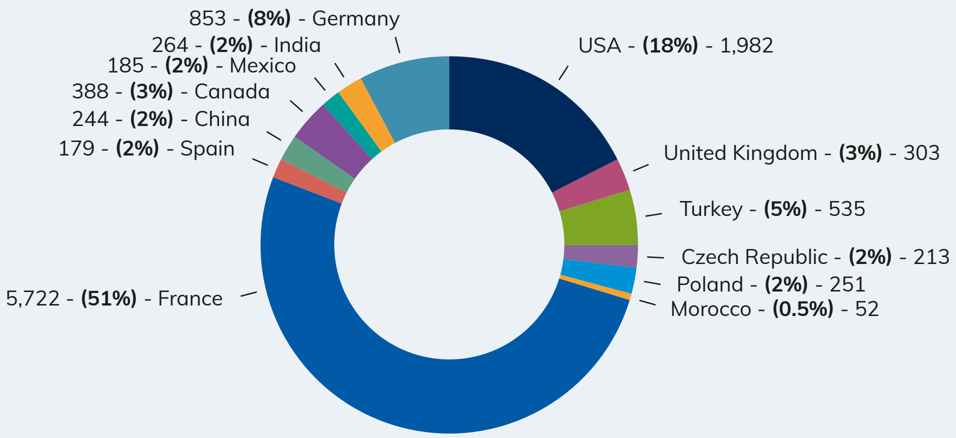
The Compliance Committee is responsible for ensuring that these values are respected within the Group. It can legitimately meet whenever these subjects must be addressed, either spontaneously or based on a non-compliance alert raised via its whistleblowing system.

4 / Retaining talent and strengthening the appeal of our business lines

The LISI Group employs 11,171 men and women in 13 countries who form multicultural teams with a variety of skills.

	Registered headcount			
Country	12/31/2017	12/31/2018	12/31/2019	Change
Germany	902	891	853	-4.3%
Canada	327	355	388	+9.3%
China	273	263	244	-7.2%
Spain	174	178	179	+0.6%
USA	1,865	2,024	1,982	-2.1%
France	6,455	6,445	5,722	-11.2%
India	165	136	264	+94.1%
Morocco	356	334	52	-84.4%
Mexico	94	122	185	+51.6%
Poland	195	294	251	-14.6%
Czech Republic	199	209	213	+1.9%
United Kingdom	396	331	303	-8.5%
Turkey	557	549	535	-2.6%
TOTAL	**11,958**	**12,131**	**11,171**	**-7.9%**

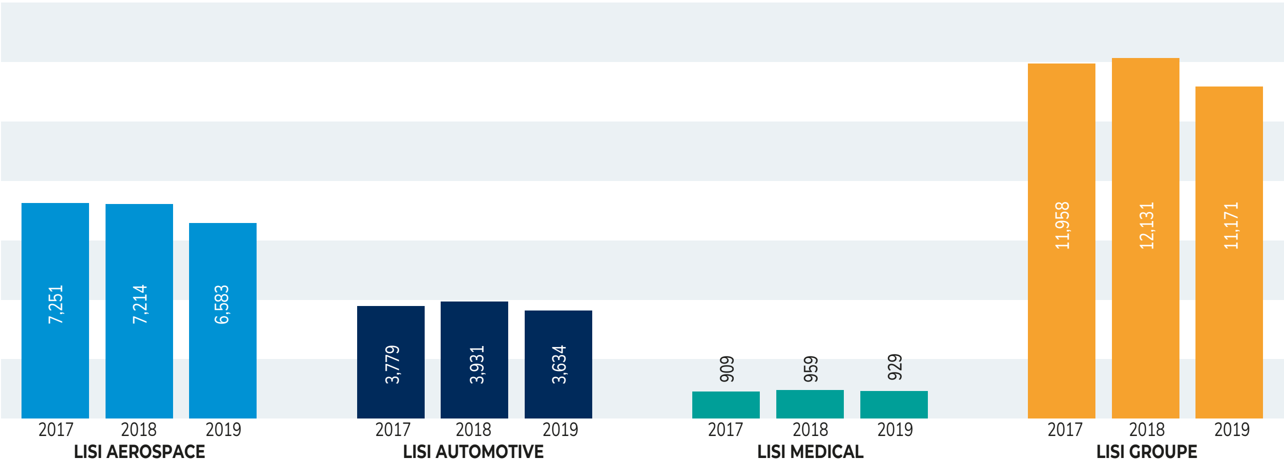
Please note the disposals of the following sites:
- LISI AUTOMOTIVE: the Saint-Florent-sur-Cher site in France (156 employees) in November 2019
- LISI AEROSPACE: Argenton-sur-Creuse in France (420 employees) and Casablanca in Morocco (285 employees) in July 2019



Breakdown of the registered headcount by socio-professional category:

	12/31/2017	12/31/2018	12/31/2019	DIFFERENCE N/N-1
Management	1,258	1,286	1,189	-7.5%
Supervisors	953	968	837	-13.5%
Staff and workers	9,747	9,877	9,145	-7.4%
TOTAL	**11,958**	**12,131**	**11,171**	**-7.9%**

Breakdown of the registered headcount by division:
Change in workforce



The Human Resources policy is in line with the overall corporate strategy and places human beings at the heart of all decisions.
At LISI, the Human Resources strategy is decentralized: each division (LISI AEROSPACE, LISI AUTOMOTIVE and LISI MEDICAL) is autonomous to better respond to the local priorities of the activities and sites.

The Group HR policy is nevertheless based on the governance provided by the Deputy CEO. The HR Committee handles cross-functional subjects. It comprises the three division Human Resources Directors, the two France Human Resources Directors, the Deputy CEO and the Group Human Resources Development Director. In 2019, this committee met five times regarding the following priorities:

- talent management (mobility, key positions, people reviews),
- CSR
- employer branding,
- diversity,
- the Human Resources information system,
- and training.

At least twice a year, each division also holds Human Resources seminars with the site Human Resources Managers in order to implement initiatives in the field.

The Group's policy aims to:

- attract and retain talent,
- develop skills,
- promote diversity,
- ensure well-being and quality of life at work.

In order to respond to the main risks represented by:

- the appeal of qualified individuals,
- the development and retention of talent,
- well-being at work.

4.1 / Attracting talent

Employer branding

In an extremely competitive environment, **LISI seeks to develop its appeal in France and internationally.** Robotization and digitization have also accelerated the search for qualified manpower.
In 2019, the LISI Group specifically worked on its employer branding. The Human Resources and Communications teams built a common Career site for the three divisions. Internet users and candidates can thus explore the Group, its sites, its values, its business lines and its career opportunities.
Videos are also available on social media making it possible for every person interested to explore the Group's business lines and international environment.
In 2019, the LISI Group recruited 984 permanent employees (1,082 in 2018). 66% of recruitment took place in the LISI AEROSPACE division. The key positions recruited were in the following areas:

- production (specialized operators, Supervisors and Managers for Autonomous Production Units),
- quality,
- methods.

LISI AEROSPACE's recruitment policy features a central recruitment unit for management staff and relies on the site Human Resources teams for all other recruitment. Specific initiatives were implemented in 2019 to improve communication regarding open positions:

- a co-option program allows employees to play a role in the recruitment process by recommending people they know.
- since end-2019, monthly MOBIL'EASY events provide greater visibility for internal open positions.
- regular communication on social media.

An essential recruitment tool in the USA: social media

Social Network has been the best source for me to recruit. Earlier on in my career I was a Recruiter and I learned that this is where every candidate seeks employment. This year at the Torrance facility we have filled 14 positions with Linked In and only 3 from a recruiting firm. The positions ranged from Production Supervisor, Cost Accountant, to Director roles. For the Aerospace holding we have recruited for 7 positions within Linked In. That included the VP of Sales earlier this year.

I also have to add that it reduces the recruitment time. I opened a couple of weeks ago a Director of Quality role, within a couple of days I had several resumes to present to the General Manager. The former Director has been gone for a week and half and we may be selecting a candidate this week and one of the potentials comes from a network.

In 2019, LISI AUTOMOTIVE and LISI MEDICAL experienced lower recruitment levels. A Human Resources Director was recruited for Germany in 2019 in order to coordinate activities on the four German sites within LISI AUTOMOTIVE.

School partnerships

A number of the Group's sites have a strong local presence and are major players in the development of employment in their respective regions. For many years, the Group **has maintained close ties with schools, universities, employment agencies and training institutions, enhancing** its image among young students and helping them to discover the key businesses and their prospects.

Country	Partner schools
Germany	• IHK, Baden-Württembergisches Bildungswerk, • Bergisches Berufskolleg Wipperfürth • Berufskolleg Oberberg
Spain (Fuenlabrada)	• Luis Vives Secondary School in Leganés • África Secondary School • Jovellanos Secondary School • Benjamín de la Rúa Secondary School • Federica Monsteny Secondary school
France	• Alumni of ECAM (Rennes, Lille, Strasbourg), • Art & Métiers • Centre de Formation au Polissage des Métaux • CFSA Hubert Curien • CFAI d'Exincourt • École des mines d'Albi, • EDHEC • ENSAM • ENSI Caen • ENSIL-ENSCI • ESC Dijon • ESFF • ESTA • ESTACA • French Lab Troyes • GRETA Aquitaine • IUT CLIO • PROMEO • Supmeca • Université de Clermont • UTBM • UTT Troyes • UTC • Lycée Polyvalent Louise Michel de Gisors, • Lycée Henri Brisson à Vierzon, • Lycée Val de Garonne • École BOISARD • Lycée Napoléon (La Ferté Fresnel)
India	• Jain University Bangalore • Sahyadri College of Engineering Managalore • PES IT Bangalore
Mexico	• UT (Franco-Mexican Technological University of Juarez) • Tec Milenio University • Autonomous University of Nuevo León • Instituto Tecnologico de Nuevo León
Poland	• Rzeszow University and Rzeszow University of Technology
United Kingdom	• Cambridge University • Sheffield and Warwick Universities
United States	• California: State University Fullerton NTMA (National Tooling & Machining Association). • Minneapolis: Anoka Tech, Hennepin Tech, Wright Tech, Alexandria Tech, and Pine City; North Dakota State University, University of Minnesota, University of Wisconsin – Stout; Big Lake High School and Big Lake Middle School. • Livonia: Henry College • Termax: Tool and Manufacturing Association (TMA), Precision and Manufacturing Association (PMA), College of Lake County, Harper College

In addition, the sites regularly participate in employment forums and organize site visits (e.g. Industry Week in France)
In 2019, LISI welcomed 471 interns (541 in 2018) and 287 apprentices (324 in 2018) throughout the Group.

4.2 / Developing talent

The LISI Group's business lines and activities are constantly changing. To better meet customers' needs and respond to market changes, the Group has implemented a structured training policy to improve the employability of its employees. Employees are therefore constantly offered skill development opportunities as well as many career opportunities.

The LISI Group has established the necessary tools to ensure the development of its employees:

- the LKI corporate university,
- a repository of cross-functional skills shared among all employees,
- a network of experts,
- adapted training courses.

LKI corporate university

The LISI Group has its own corporate university (LKI). LKI is not only a pillar in the employee skills development strategy but also a major tool for the retention of talents with strong potential. It accomplishes this through the following objectives:

- offering customized training programs in the following fields: Technique/Businesses, Personal Development, Management & Leadership, to maintain and enhance skills and support change,
- sharing a global vision, a common managerial culture.
- exchanging experiences and good practices across the board: multi-sites, multi-countries, multi-businesses, multi-divisions.

Key figures 2019:

- 104 training sessions organized (128 in 2018),
- 10,882 training hours including 4,886 Management training hours and 5,156 in Techniques,
- 651 interns (1,014 in 2018).

The Group places a strong emphasis on manager training. In 2019, over 5,000 training hours were allocated to support manager development, particularly in France, the United States, United Kingdom and Germany.

A specific LKI Committee meets regularly to rule on the university's development priorities. The LKI Committee is composed of training representatives from each division as well as HR Managers from the LISI AUTOMOTIVE and LISI MEDICAL divisions, the LISI AEROSPACE France HR Manager and the Group HR Development Manager.

In 2019, five meetings took place to implement the following initiatives:

- E-learning development. Since mid-2019, management teams have access to a platform offering over 1,000 training courses on personnel development, compliance, management and business line skills.
- The creation of new training courses for the 2019 and 2020 catalog: training of trainers, project management, business intelligence, female leadership.
- New design guidelines that promote the Group identity of the University.

It should be noted that work on the permanent LKI premises has been launched, an area greater than 650 m² is the subject of building work and/or redevelopment.

In 2021, the Group will have a modern teaching space available to all its employees.

Cross-functional skills

Regardless of their business line or location, all teams share the same **cross-functional skills**.

These consist of ten skills: communication, continuous improvement, customer focus, results focus, exemplary conduct, leadership, development of others, personal commitment, teamwork and technical and functional excellence.

Each year, employees complete a skills evaluation with their managers within the context of annual appraisal interviews.

In 2019, LISI worked on creating a skills repository adapted to the status of each employee: contributor, manager or director.

Expert network

In 2019, LISI developed a program regarding the Expert network. The teams' expertise is a true competitive edge with regard to achieving the Group's strategic priorities: innovation and operational excellence. Dual objectives:

- reconciling business needs with the technical skills that already exist within LISI to support the strategic plan,
- retaining and developing "core business line" experts.

Several initiatives were launched in 2019:

- precise definition of experts' roles,
- mapping of technical fields as well as the priority issues for 2020,
- validation process for experts.

Specialized career paths

LISI ensures that all employees, regardless of their age or position, have access throughout their career to the training courses necessary for the construction of their career path and their adaptation to changes in the businesses. In 2019, 179,135 training hours were delivered (221,000 in 2018). Thus, training investment in 2019 for all of the Group's companies worldwide amounted to more than €6 million (€8 million in 2018).

Over the past several years, LISI AUTOMOTIVE in France has developed specific career paths geared to strategic occupations: cold forging, heat treatment, machining, rolling, lamination, automatic control, surface treatment and tapping.

In 2019, close to 5,100 hours were spent on these career paths and 27 CQPM/CQPI (specific metalworking certifications) were obtained.

A few examples of career paths

- In Puiseux, the creation and launch of a machining training school in partnership with AFORP (CQPM Tool & Die Maker 609 hrs over a 14-month period) started in October 2018 following several months spent preparing and looking for the rights profiles (in partnership with Pôle Emploi (Job search national organization) and the GIM [metalworking industry group]). To date, two employees have completed this training and should obtain their CQPM in 2020. This will help to replace the numerous retirements expected over the next three years in this sector.
- In order to better train for the complexity of the stamper occupation, an internal cold forging school was created in eastern France. A complete curriculum combining theory and practice was created over the course of 2019 and a first group of eight interns will start this training in early April 2020. A dedicated stamping machine and room are available for learner on the Dasle site.
- A wire drawing path was finalized on the wire drawing site in Grandvillars: wire drawer career path with the AFPI for 59.5 hours, i.e. 8.5 days, for two wire drawers with an exam in 2020 to obtain an “Autonomous Team Member in Industrial Production” CQPM.

Over 109,000 hours of training, representing in excess of €3 million, have been delivered at LISI AEROSPACE. Cross-training sessions (workstation training sessions) continue to be deployed throughout Anglophone countries (United Kingdom, United States and Canada).
In the LISI MEDICAL division, the Hérouville Saint-Clair site has launched specific initiatives to strengthen and perfect the machining and robotization skills of its operators (ABB, FEECS, DMG). The US sites are also implementing cross-training sessions.

4.3 / Retaining talent

Fostering talent is a major priority for LISI, which has set up a number of tools and initiatives to increase talent employability and retention:

- mobility,
- compensation,
- employee commitment,
- well-being at work.

Mobility
The Group has made internal mobility, both geographic and functional, one of the linchpins of its human resource policy. The diversity of the activities and business lines, as well as the international dimension, allows employees to follow individual professional careers. Employees can be agents in their own development and career path thanks to the “Job Forum” accessible on the Group Intranet.

Furthermore, during annual reviews, line managers discuss how their staff would like to develop their careers.

The review process (assessment of talents and skills) implemented by LISI also adapts employee mobility and development programs to Group objectives and further personalizes career paths.

LISI AEROSPACE mobility charter
This charter applies to any change from one position to another position within the same type of occupation (vertical mobility) or to a different type of occupation (cross-functional mobility). These types of mobilities may also result in a change in site within the division or even to another division of the LISI Group (geographic mobility).

Compensation
At LISI, **compensation is initially linked to the company’s performance and collective and individual achievements.**

The compensation system includes all financial components and benefits to which each employee is entitled. It is designed to reconcile the recognition of individual performance with the search for internal equity, while taking into account the local economic environment.

In France, employees benefit from various schemes that give them a stake in the company’s performance:

- In 2019, the Group Savings Plan (PEG) became the main savings scheme for all French companies. It allows employees to become shareholders via the “LISI en action” fund. An attractive matching contribution from the employer goes together with this plan. 22% of French employees were LISI shareholders in 2019.
This plan facilitated participation in 2001, 2004, 2006, 2010 and 2018 in capital increases reserved for employees in the sums of €1.47 million, €0.8 million, €1.18 million, €0.9 million and €2.8 million, respectively. For other years, the PEG was renewed in the form of a repurchase of shares. Employees can contribute their profit-sharing proceeds, incentives or

make voluntary contributions. Benefits granted to employees are recognized on the income statement and measured according to IFRS 2.

As of December 31, 2019, the PEG consisted entirely of LISI shares, for a total of 770,000 shares, and had 2,644 members. The percentage of share capital thus held by the Group's employees stood at 1.4%.

- A Group collective pension fund (PERCO) was established in 2019 to allow employees who wished to do so to prepare their retirement. A matching contribution is available for the contribution of unused leave days.
- The Supplementary Defined Contribution Pension Scheme (dubbed "Art. 83") consists in the employer paying a monthly contribution to a mutual fund open on behalf of 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.

Internationally, executives or holders of key positions in the organization receive an **international 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.

a) Free share plan

To reward certain employees who have spent the majority of their careers with the LISI Group and who have actively participated in its development, the Board of Directors, acting with the authorization of the Shareholders' General Meeting, decided to award, without any conditions, free LISI shares.

2018 plan:

The Board of Directors, in its December 12, 2018, meeting, acting under the authorization of the Extraordinary Shareholders' General Meeting of December 1, 2015, decided to award, without any conditions, 4,000 free LISI S.A. shares distributed between two salaried Group employees.

2019 plan:

The Board of Directors, in its meeting of December 11, 2019, acting under the authorization of the Extraordinary Shareholders' General Meeting of December 26, 2019, decided to award, without any conditions, 400 free LISI S.A. shares distributed between two salaried Group employees.

b) Performance shares plan

The plans described below refer to the NAV criterion to measure the Group's performance. RNA designates the Revalued Net Assets of the LISI Group as defined in paragraph 3.2 "Accounting principles and policies – Indicators" of Chapter 2 – "Consolidated financial statements."

2017 plan:

On December 13, 2017, on the proposal of the Compensation Committee, and under the authorization of the Extraordinary General Meeting of December 1, 2015, LISI's Board decided to award performance shares to the members of the Executive Committee and to the members of the main Management Committees of the LISI Group's three divisions, subject to the achievement of all or part of the following performance criteria: Net Asset Value (NAV) of at least €1,701 million at December 31, 2019. If the RNA is between €1,701 million and €1,969 million, the shares would be partially allocated according to a percentage defined by the Board of Directors. If the RNA is between €1,969 million and €2,307 million, the shares would be partially allocated according to a progressive percentage defined in the rules of the allocation plan. If the Net Asset Value is higher than €2,307 million, the shares would be allocated in full. The maximum allocated number of shares is 154,660 shares and concerns 230 employees in France and abroad.

With regard to the corporate officers, the Board of Directors decided that they should retain in registered form 20% of the free shares that may have been allocated to them until the end of their employment.

In its meeting of February 19, 2020, the Board of Directors, following deliberations and having noted the stabilization in the RNA (Revalued Net Assets) value between 2016 and 2019, unanimously validated the recommendations of the Compensation Committee and decided to allocate a fixed number of 100 shares to each beneficiary.

2018 plan:

On December 12, 2018, on the proposal of the Compensation Committee, and under the authorization of the Extraordinary General Meeting of December 1, 2015, LISI's Board decided to award performance shares to the members of the Executive Committee and to the members of the main Management Committees of the LISI Group's three divisions, subject to the achievement of all or part of the following performance criteria: Revalued Net Assets (RNA) of at least €1,767 million at December 31, 2020. If the RNA is between €1,767 million and €1,850 million, the shares would be partially allocated according to a percentage defined by the Board of Directors. If the RNA is between €1,850 million and €2,000 million, the shares would be partially allocated according to a gradual percentage defined in the rules of the allocation plan. If the Net Asset Value is higher than €2,000 million, the shares would be allocated in full. The maximum allocated number of shares is 156,590 shares and concerns 240 employees in France and abroad.

With regard to the corporate officers, the Board of Directors decided that they should retain in registered form 20% of the free shares that may have been allocated to them until the end of their employment.

2019 plan:
On December 11, 2019, on the proposal of the Compensation Committee, and under the authorization of the Extraordinary General Meeting of December 26, 2019, LISI's Board decided to award performance shares to the members of the Executive Committee and to the members of the main Management Committees of the LISI Group's three divisions, subject to the achievement of all or part of the following performance criteria: Revalued Net Assets (RNA) of at least €1,450 million at December 31, 2021. If the RNA is between €1,450 million and €1,700 million, the shares would be partially allocated according to a percentage defined by the Board of Directors. If the RNA is between €1,700 million and €1,980 million, the shares would be partially allocated according to a progressive percentage defined in the rules of the allocation plan. If the Net Asset Value is higher than €1,980 million, the shares would be allocated in full. The maximum allocated number of shares is 154,640 shares and concerns 218 employees in France and abroad.

With regard to the corporate officers, the Board of Directors decided that they should retain in registered form 20% of the free shares that may have been allocated to them until the end of their employment.

c) Information on the award of performance shares as at December 31, 2019

The following table details the award of performance shares outstanding as at December 31, 2019:

	Number
OPTIONS OUTSTANDING AT YEAR START	456,270
Options allocated during the period	154,640
Options cancelled during the period	(21,430)
Options exercised during the year	0
Options that reached maturity during the period	(161,170)
OPTIONS OUTSTANDING AT YEAR END	428,310

Options that reached maturity during the period are definitively lost and will not result in the issuance of shares.
Options allocated to date and that may be allocated during future financial years are deducted from treasury shares without resulting in the issuance of new shares.

The following table presents the breakdown by date of allocation of stock options outstanding as at December 31, 2019:

Allotment date of options	Exercise price in €	Number of options outstanding at December 31, 2019	Remaining contractual term
12/13/2017	None	125,890	February 2020
12/12/2018	None	143,780	February 2021
12/12/2018	None	4,000	February 2021
12/11/2019	None	154,240	February 2022
12/11/2019	None	400	February 2022
TOTAL		**428,310**	

d) Plans in place as at December 31, 2019:

Date of Shareholders' General Meeting Board of Directors	Category Plan No.	Number of options allocated	Of which corporate officers	Of which members of the Executive Committee	Of which 10 top employees	Number of residual beneficiaries	Exercise period	Subscription or purchase price	Cancelled options	Remaining options at 12/31/2019
AUTHORIZATION OF 12.01.2015										
12.13.2017	Plan No. 14	154,660	9,200	20,250	16,750	185	*	None	28,770	125,890
AUTHORIZATION OF 12.01.2015										
12.12.2018	Plan No. 15	152,590	9,200	19,600	16,300	226	**	None	8,810	143,780
12.12.2018	G Plan No. 15 bis	4,000	0	4,000	4,000	2	**	None	0	4,000
AUTHORIZATION OF 04.26.2019										
12.11.2019	Plan No. 16	154,240	10,200	21,940	18,260	217	***	None	0	154,240
12.11.2019	G Plan No. 16 bis	400	0	0	0	1	***	None	0	400

*Beginning on the date of the Board of Directors meeting that approves the 2019 results (February 2020)
**Beginning on the date of the Board of Directors meeting that approves the 2020 results (February 2021)
***Beginning on the date of the Board of Directors meeting that approves the 2021 results (February 2022)
G = Free

Employee commitment

The "voice of employees" is one of Human Resources' priorities. Each site initiates an annual Quality of Life at Work (QVT) survey. Following the analysis of the results, focus groups (or working groups) staffed with volunteers are created to provide a qualitative answer. An action plan is then created and deployed on-site.

The QVT survey covers the following subjects:

- working conditions and environment
- the Company and communication
- training and skills
- autonomy
- work and Management relations
- work-life balance
- recognition
- CSR was added in 2019

In 2019, the average satisfaction rating was 77.2%.

Health and well-being at work

The LISI Group is committed to the well-being at work of all its employees. Each site establishes specifications and initiatives at local level. For example:

LISI AEROSPACE

- Regular communication to help employees with certain health issues (weight loss, diabetes management, help to quit smoking); biometric tests, USA.
- On-site osteopath visits (Paris, Saint-Ouen-L'Aumone), France.
- Appointment of coaches in workshops on the Rugby site, United Kingdom.

LISI AUTOMOTIVE

- Stretching exercises in the La Ferté plant, France.
- Improvement of air quality through the centralization of smoke extraction in Delle and Grandvillars, France.
- Ergonomic work on the workstations in Delle and Grandvillars, France.
- Personalized program against tobacco addiction in Fuenlabrada, Spain.
- Massages in Mellrichstadt, Germany.
- Fruit baskets set up on the sites in Heidelberg and Mellrichstadt in Germany and Zhuozhou in China.
- Regular information is provided to employees on good practices for a healthy lifestyle (German and US plants);

LISI MEDICAL

- Implementation of a well-being week; on-site osteopath visits, Neyron, France.
- Employees can benefit from personalized well-being programs monitored by a coach, Minneapolis, USA.

A clinic and a fitness center in the workplace in Lake Zurich, United States, LISI AUTOMOTIVE

- The mission: improving the health and well-being of employees via activities and advice.
- A team: one coach (who provides nutrition advice, physical exercises) and one nurse.
- Expanded opening hours to allow employees to attend before or after work or during lunch breaks.
- Frequency of use: 15 patients per day for the clinic; 70 employees for the fitness center.

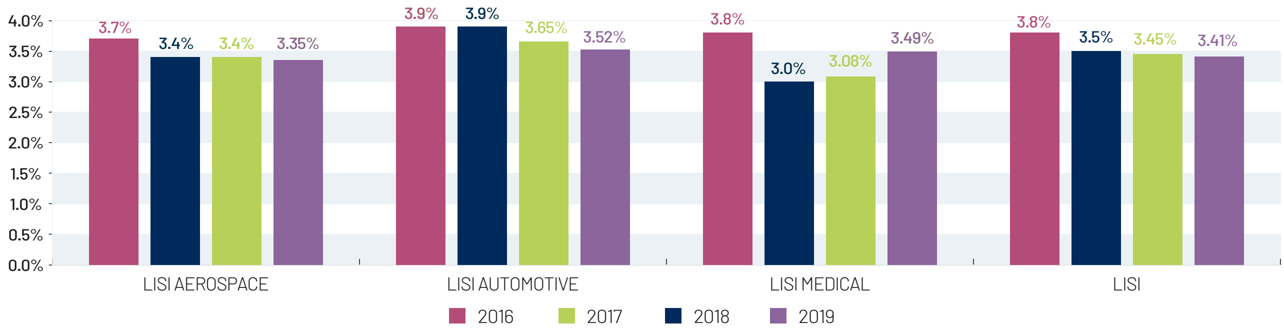
In France, employees of the LISI Group benefit from the services of Réhalto, in order **to prevent any psychosocial** risks, regardless of their origin, work-related or personal.

This listening and support platform, composed of psychologists available 24/7, 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 an initial diagnosis. The employee can benefit from up to 12 hours of paid consultations.

Thanks to these initiatives, the LISI Group has seen its absenteeism rate decline over the last several years.

Decline in absenteeism since 2016



New hires and departures

	2019	2018
New permanent hires	983	1,082
of which permanent Management hires	188	224
New permanent hires	361	613
of which fixed-term contract Management hires	16	150
TOTAL DEPARTURES	**1,570***	**1,768**
of which Management departures	*222*	*247*
DEPARTURES BY REASON		
Resignations	691	838
Dismissals (disciplinary)	118	134
Redundancy	64	11
Dismissals for incompetence	83	51
Internal mobility	36	61
Retirement	138	151
End of fixed-term contract	161	213
Other reasons for leaving	279	261

*Excluding disposals (Argenton, Casablanca and Saint-Florent): 861

4.4 / Promoting diversity

The LISI Group ensures that employees at all levels are treated fairly and without discrimination in terms of recruitment, compensation, benefits and career advancement. Each site ensures that its processes allow for the objective assessment and recognition of the know-how and behavior of prospective and current employees.

Women at LISI

Gender equality index
Since 2019, LISI's French companies have been required to publish indicators regarding gender pay gaps as well as the actions undertaken to eliminate these gaps if the percentage is lower than 75%.

All sites obtained scores above 75% in 2019:

LISI AEROSPACE	BAI (Saint-Ouen l'Aumône, Vignoux sur Barangeon, Villefranche-de-Rouergue,)	79%
	LISI AEROSPACE Forged Integrated Solutions (Bar-sur-Aube, Bologne, Partenay)	87%
	Creuzet (Marmande)	78%
LISI AUTOMOTIVE	Former (Delle, Dasle, Lure, Melisey)	77%
	NOMEL (La Ferté Fresnel)	84%
LISI MEDICAL	LISI MEDICAL Orthopaedics (Hérouville)	92%

In 2019, in recognition of the fact that the percentage of women in management bodies is lower than the average percentage of women within the Group, LISI decided to:

- Implement specific training programs for women in the LKI catalog (LISI Knowledge Institute): e-Leader and Women in Leadership training courses.
- Become a member of associations whose objective is to promote the role of women in industry. In France, LISI will join the association "Elles bougent" beginning in 2020.
- As part of the recruitment for N-1 positions on the Executive Committee, LISI uses a selection process aimed at having a candidate of each sex present at each stage of the recruitment process. If a woman and man have the same skills, the female candidate will be selected in order to speed up the gender equality process.

Greater representation of women in business lines in 2019

- In Villefranche-de-Rouergue (LISI AEROSPACE): a woman Research Engineer moved up to the position of Maintenance Manager.
- In December 2019, the Lure site (LISI AUTOMOTIVE) hired a woman polisher to join a workshop that had been entirely male until then.
- On the Melisey site (LISI AUTOMOTIVE), two women were promoted to positions that were previously only held by men: a machining sharpener and a forging tool maker.
- The Bar-sur-Aube site (LISI AEROSPACE) promoted a woman Quality Technician to Heat and Gear Line Supervisor, the sole female supervisor on this site.
- Please note the exemplary career development program at Neyron (LISI MEDICAL): a woman hired as Store Manager who moved up to the position of Autonomous Production Unit Manager and is now Supply Chain Manager.

	Expanded* Executive Committee as of 12/31/2019		Expanded* Executive Committee as of 12/31/2018		LISI GROUP As of 12/31/2018		**LISI GROUP As of 12/31/2019**	
Women	20	17%	18	15%	2,669	22%	2,440	22%
Men	98	83%	105	85%	9,462	78%	8,727	78%
TOTAL	**118**	**100%**	**123**	**100%**	**12,131**	**100%**	**11,171**	**100%**

* The expanded Executive Committee represents all employees in positions of authority who report directly to Management of the divisions.

Promoting the employment and inclusion of people with disabilities

LISI works with entities supporting young people with disabilities through training and entities promoting social and professional inclusion.

Situations relating to maintenance in employment are generally handled on a case-by-case basis. The sites strive to offer solutions to protect the job of disabled employees, either by adapting their workplace or by supporting them to get a change of duty.

In 2019, the LISI AEROSPACE division in France continued its disability campaign, which took the following form:

- a brochure regarding the launch of the disability campaign sent out with October 2019 pay slips.
- posting of four visual aids on four specific disabilities (hearing impairment, cardio-vascular diseases, musculoskeletal disorders and visual impairment) on each site in November 2019.
- organization of breakfasts with a consultant in October/November.
- a brochure regarding the end of the campaign sent out with December 2019 pay slips.

All divisions and in particular LISI AUTOMOTIVE are working diligently to equip workstations so that they accessible for everyone.

In 2019, the rate of employment of persons with disabilities in the Group remained at 2.8% (3.0% in 2018).

4.5 / Social dialogue

Labor relations

In addition to strict compliance with the law, the Group ensures a proper social dialogue with employee representatives during Works Committee meetings (or equivalent meetings for sites outside France) at each site with this type of body, the European Committee or even the LISI Group Committee.

In 2019, the French sites of the three divisions established Social and Economic Committees (CSE):

- organization of elections for all sites with electronic voting being developed on some sites.
- manager training on the new operating methods of the CSE (number of meetings, only representatives participate, monitoring of delegation hours following the combination of roles).
- establishment of a Workplace Health and Safety Commissions (CSSCT) dedicated to workplace conditions at the majority of sites.

The European Committee validated its Rules of Procedures in 2019. Communication resources have been improved: LISI provides simultaneous translation software to members of the European Committee to facilitate their discussions.

THÈMES	DIVISION	SITES	NAMES OF AGREEMENTS SIGNED IN 2019
Other	LISI AUTOMOTIVE	Heidelberg	BV Nr.: 02/2019 "Private Mitnahme von Holzabfällen"
		Monterrey	Wage negotiation agreement
		Vöhrenbach	Work agreement operational integration management
Disposals	LISI AUTOMOTIVE	FORMER (Delle, Dasle, Lure, Grandvillars and Melisey)	Agreement on the methods for the proposed disposal of Saint-Florent-sur-Cher
Code of Conduct	LISI AUTOMOTIVE	Heidelberg	BV Nr.: 02/2020 "Arbeitszeiten"
		Mellrichstadt	Code of conduct
Working conditions	LISI AUTOMOTIVE	Vöhrenbach	Work agreement eat and drink at work, mobile phone ban and ban on alcohol
Establishment of CSEs	All divisions	all French sites	Establishment and operation of Central CSE
Leave donations	LISI AUTOMOTIVE	Holding company	Agreement for leave donations
		FORMER (Delle, Dasle, Lure, Grandvillars and Melisey)	Agreement for leave donations
	LISI MEDICAL	Neyron	Agreement for leave donations
QVT and Gender Equality	LISI AEROSPACE	Bar-Sur-Aube	QVT and Gender Equality
		Bologne	QVT and Gender Equality
	LISI AUTOMOTIVE	Holding company	QVT and Gender Equality
Employee savings	All divisions	all French sites	PEG membership amendment
	LISI AEROSPACE	all French sites	PERCOG membership application
	LISI AUTOMOTIVE	La Ferté-Fresnel	PERCOG membership application
	LISI MEDICAL	Neyron	PERCOG membership application
	LISI Holding	LISI S.A.	GROUP PEG Group Savings Plan and PERCO
HSE	LISI AUTOMOTIVE	Mellrichstadt	Safety classes (implementation of mandatory safety goggles)
NAO	LISI AEROSPACE	Bar-Sur-Aube	NAO
		Bologne	NAO
		Marmande	NAO
		Partenay	NAO
		Saint-Brieuc	NAO
		Saint-Ouen-L'Aumone	NAO
		Vignoux-sur-Barangeon	NAO
		Villefranche-de-Rouergue	NAO
	LISI AUTOMOTIVE	Holding company	Minutes of disagreement on NAO
	LISI MEDICAL	Hérouville	NAO
		Neyron	NAO
	LISI AUTOMOTIVE	PUISEUX	Minutes of disagreement on NAO
		FORMER (Delle, Dasle, Lure, Grandvillars and Melisey)	NAO

THÈMES	DIVISION	SITES	NAMES OF AGREEMENTS SIGNED IN 2019
Compensation	LISI AEROSPACE	Bar-Sur-Aube	Incentives
		Bologne	Framework incentive agreement
		Partenay	Framework incentive agreement
		Villefranche-de-Rouergue	Amendment to attendance bonus agreement
		Villefranche-de-Rouergue	Amendment to the incentive agreement 2019 progress criteria
	LISI AUTOMOTIVE	Cejc	Collective Labor agreement (salary increase)
		FORMER(Delle, Dasle, Lure, Grandvillars et Melisey)	Incentive agreement
		HOLDING	Amendment to the incentive agreement
		La Ferté Fresnel	Appendix incentives target values 2019
		La Ferté Fresnel	Minutes of disagreement on salaries
	LISI MEDICAL	Neyron	DUE Exceptional purchasing power bonus
Working hours	LISI AEROSPACE	Bar-Sur-Aube	Extension of Saturday-Sunday working hours to increase productivity
		Bar-Sur-Aube	On-call
		Bologne	Implementation of Saturday/Sunday hours
		Partenay	2019 paid leave agreement
		Partenay	Agreement on 2019 day of solidarity
		Villefranche-de-Rouergue	Amendment to modernization of rest break agreement
		Villefranche-de-Rouergue	Agreement on methods for taking paid leave and recovery hours
	LISI AUTOMOTIVE	Heidelberg	BV Nr.: 01/2019 “Umwandlung T-ZUG in freie Tage” (conversion of leave days)
		Heidelberg	BV Nr.: 03/2019 “Arbeitszeiten” (creation of an hour counter to be used in the event of a work overload)
		Heidelberg	Schließtage 2019 (site closure following a long weekend)
		Heidelberg	Brückentage 31.10.2019 (site closure following a long weekend)
		Heidelberg	Brückentage 2020+2021 (site closure)
		Heidelberg	T-ZUG + Urlaubsplanung 2020 (conversion of leave days and leave planning)
		La Ferté Fresnel	Agreement on working hours
		Vöhrenbach	Work agreement working hours
		Vöhrenbach	Work agreement short-time work
	LISI MEDICAL	Hérouville	Working hours

Communication and exchanges

The LISI Group hopes to develop actions to communicate the company’s results and projects and to create opportunities for discussions in order to improve employee satisfaction.

The orientations and strategies of each division are shared with employees at site meetings.

In 2019, internal communication actions covering all sites continue to be deployed for all employees by means of daily bulletins called “LISI&You.”

In addition to these professional communications, many sites are eager to create convivial events to help the teams get to know each other outside work: birthday parties, friendly meals, sporting events, etc.

Charity race: 6K for water

Sunday May 5, 2019, several LISI sites participated in the Global 6K for Water, a solidarity race organized by the charitable organization **World Vision to enable children to have access to potable water.**

Everyone could participate in their own way whether walking or running. A single goal: covering 6 km, the average distance many children throughout the world cover daily to reach a water source.

Entry fees were paid to the charity to **finance the construction of wells and toilets, the renovation of toilet facilities in schools and the distribution of water filters** in Vietnam, Mongolia, Lebanon and Ethiopia.

In total, **181 LISI Group employees** participated in the race throughout France - often accompanied by their families. A special mention goes to Villefranche-de-Rouergue which on its own contributed over 80 participants!

5 / Achieving excellence in Health and Safety at work

The LISI Group is pays great attention to the health and safety of its employees.
Ensuring that everyone leaves work in good health and improving working conditions are among the Group's values and priorities.

5.1 / LISI HSE Excellence Program

To comply with its commitments, LISI has created an original and tailor-made program: LISI HSE Excellence.
The aim of this ambitious program is to commit each staff member to a common goal of improving the company's health, safety and environment.
Devised to accelerate the emergence of a common culture, the LISI HSE Excellence program lays down solid foundations to encourage abiding by the fundamentals, such as fulfilling compliance obligations, regardless of whether or not they are regulatory, and also the continuous improvement of performances and organizations.
LISI HSE Excellence represents the HSE management system. It comprises essential tools to achieve its objectives:

- LISI RM, a software tool to identify, assess and manage HSE risks.
- Golden Rules: HSE rules common to all LISI sites.
- Safety Culture Program (SCP), a training program aimed at improving the Safety Culture among all Group employees.

As well as other operational tools to respond to targeted issues according to the 15 excellence priorities defined within the program (tagging, de-tagging, Je Vois J'Agis (I see, I act), HSE training sessions for managers, etc.)

New 2019 LISI HSE Excellence tools:

- Improvement of the root cause analysis methodology: each accident (with or without day lost) is analyzed according to the most advanced 8D* methodology. The most severe accidents are subject to enhanced follow-up by the Group
- Development of a training tool for managers: the objective is to reinforce knowledge and responsibility in matters of health and security and to improve the detection of dangerous situations. This training was successfully rolled out to the sites with the highest risks of accidents.

* 8D methodology: method for the resolution of problems in eight stages which include the collection of the facts, an analysis of root causes and the definition of corrective actions.

The internal HSE audit program makes it possible to assess the implementation of the LISI HSE Excellence program on the sites. The assessment has four maturity levels with progressively higher requirement levels.

- **The Standard level** corresponds to strict compliance with ISO 14001 and OHSAS 18001 standards;
- The **Bronze**, **Silver** and **Gold** levels correspond to growing maturity levels in terms of the implementation of the HSE culture on-site.

LISI HSE internal auditors are tasked with completing these assessments.
In 2019, 18 HSE audits were conducted on the 44 entities, which represents a 41% coverage rate for the year.
At end-2019, 14 sites (39%) had already attained "**Bronze**" status. All Group sites must attain this requirement level by 2020.

5.2 / Health and Safety Performance

Health and Safety Governance

HSE is one of the first items discussed during each meeting:

- weekly Steering Committee at Group level.
- monthly Management Committees and Executive Committees.
- monthly presentation of the results of each division/Business Group/site.
- advice on the performance of each site.
- problem Solving Management (PSM).

Senior Management is also informed of each accident, with or without day lost, that takes place within the LISI Group. A specific annual HSE management review ensures the achievement of the objectives and the effectiveness of the LISI HSE Excellence Program.
An HSE Steering Committee meets quarterly to report on the progress of initiatives in this area as well as their effectiveness. This committee consists of two members of Senior Management, the Group HSE/CSR Manager - who leads the committee - the HSE directors from each division and the insurance broker.

Health and Safety Performance

TF1 target < 8:
At LISI, the monitoring indicator for the number of workplace accidents is the TF1. It represents the number of workplace accidents with or without day lost for LISI employees and temporary workers per million of hours worked.
LISI has set a TF1 target below 8 for each site by the end of 2020. This progress is scheduled to take place in stages. For 2019, the intermediate objective to achieve this frequency rate was 9.5.
The Group's results are improving for the 10th consecutive year.

Results

Indicators	2019	Change in 10 years	Change in 5 years
TF0 LISI employees	5.87	-49%	-22%
TF0 LISI + temporary workers	6.83	-41%	-20%
TF1 LISI employees	8.04	-59%	-31%
TF1 Temporary workers	21.18	Unavailable	-35%
TF1 LISI + temporary workers	9.00	-54%	-33%

TF0 = number of workplace accidents with day lost per million of hours worked
TF1 = number of workplace accidents with and without day lost per million of hours worked

For 2019:

- the frequency rate of workplace accidents with day lost for LISI employees (TFO) dropped by 49% in ten years to 5.87 accidents per million of hours worked at end-2019.
- TF1 LISI and temporary workers stands at 9.00.
- 65% of the production sites posted a TF1 under 9.5 accidents and 30% had no accidents in 2019 (TF1 = 0).

Note: The Bangalore site (whose operational management was taken over by the Groupe LISI last year) is not included in this data. Nevertheless, the accident probability at this site is being locally monitored, until LISI standards are deployed.
In 2019, the site had three accidents with day lost. i.e. a TF0 of 3.9.
Note: unlike in previous years, the severity rate is not mentioned for 2019.

Occupational diseases:
Across all of the Group's production sites, 37 occupational diseases were reported in 2019.
They relate mainly to joint disorders caused by certain working gestures and positions. All sites are working to reduce physical constraints by conducting analyses and making ergonomic improvements to workstations, while also limiting the weight of containers or offering warmups prior to starting work.

Ergonomics to combat musculoskeletal disorders:
As an example, in 2019, the LISI AEROSPACE site in Marmande:

- motorized the carts used to the transfer parts to make transport and handling easier,
- organized warmup sessions for the teams.

Machine compliance:

Preserving the health and safety of the teams is one of LISI's priorities. The Group has implemented an ambitious program to bring its machines into compliance to anticipate and limit the risk of injuries. At end-2019, over 24.4% of the audited machine pool (i.e. 80% of total machines) still posed a direct risk to the physical safety of employees. These machines are subject to a plan to bring them into compliance or to replace them, and only personnel trained in the specific risks are authorized to use these machines.

Implementation of a safety culture

LISI continues to implement a key LISI HSE Excellence tool across all its sites: the Safety Culture Program (SCP). The objective of this program is to eliminate the behavioral root causes of workplace accidents. It provides management with the key points to understand risky behavior and to then use the proper leverage to correct these. It aims to develop a true safety culture for all employees.

It consists of 18 training modules taught by managers to employees on a monthly basis.

At end-2019, 66% of the relevant sites had successfully completed the implementation of this program. The others will complete implementation by the end of 2020.

Certification

Since 2017, 80% of Group sites are certified under the occupational health and safety standard OHSAS 18001. The follow-up audit conducted in 2019 confirmed that the Group's management system meets the requirements of this rigorous standard which aims to implement a true safety culture throughout the organization.

> "The maturity of the system improved over the audit cycles, the fundamentals of the management system are properly ingrained and deployed at all Group levels."
>
> Marie Pierre DESAINT - Lead Auditor Bureau Veritas
> In the 2019 audit conclusions.

The LISI AUTOMOTIVE's Shanghai site (outside the Group certification scope) is now certified under the new ISO 45001, and international occupational health and safety standard.

The Group and the other sites are preparing for the transition of OHSAS 18001 to ISO 45001 with the aim of obtaining certification in 2021.

6 / Improving the environmental footprint of our activities

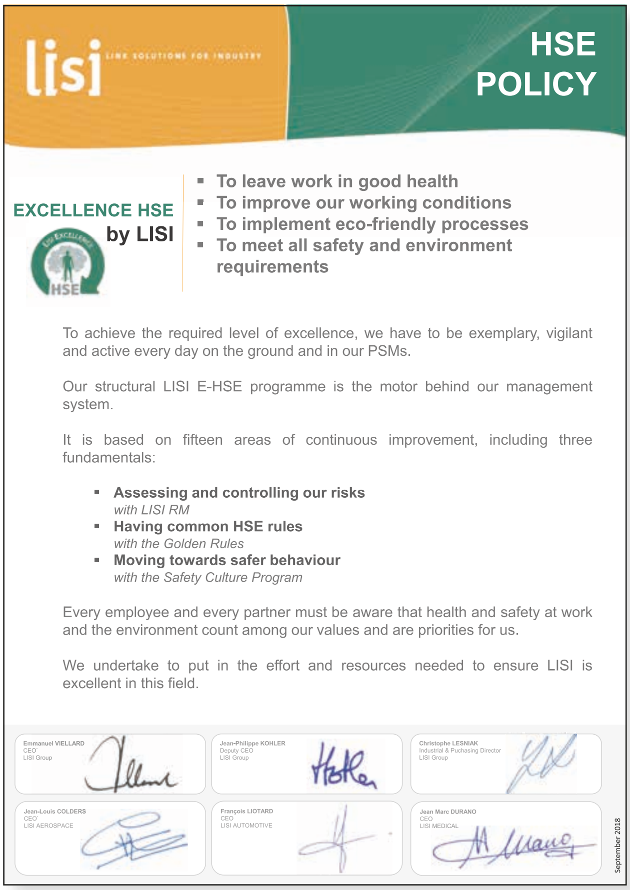
6.1 / Overall environmental policy

Within the framework of the LISI HSE Excellence program, LISI has defined its expectations and its vision for operational excellence in the areas of health & safety and the environment.

For the LISI Group, HSE excellence involves:

- everyone coming home after work in good health,
- improvement in working conditions,
- implementation of environmentally responsible processes,
- compliance with its obligations relating to safety and the environment.
- to achieve this level of excellence, the Management Committee committed itself by signing a declaration that reiterates that the excellence, vigilance and autonomy of each employee in HSE matters is part of the Group's fundamentals. LISI posted and disseminated this policy in order to invite all its interested parties to mobilize around these challenges and to comply with the practices that are common to the entire organization.

The action plans on environmental matters focus on material challenges for the Group, particularly a reduction in energy and water consumption. The reduction in energy consumption will enable the group to diminish its Greenhouse Gas (GHG) emissions. Water consumption is becoming a challenge for certain sites located in areas under water stress.



lisi LINK SOLUTIONS FOR INDUSTRY

HSE POLICY

EXCELLENCE HSE by LISI

- To leave work in good health
- To improve our working conditions
- To implement eco-friendly processes
- To meet all safety and environment requirements

To achieve the required level of excellence, we have to be exemplary, vigilant and active every day on the ground and in our PSMs.

Our structural LISI E-HSE programme is the motor behind our management system.

It is based on fifteen areas of continuous improvement, including three fundamentals:

- **Assessing and controlling our risks** *with LISI RM*
- **Having common HSE rules** *with the Golden Rules*
- **Moving towards safer behaviour** *with the Safety Culture Program*

Every employee and every partner must be aware that health and safety at work and the environment count among our values and are priorities for us.

We undertake to put in the effort and resources needed to ensure LISI is excellent in this field.

Emmanuel VIELLARD, CEO`, LISI Group
Jean-Philippe KOHLER, Deputy CEO, LISI Group
Christophe LESNIAK, Industrial & Puchasing Director, LISI Group
Jean-Louis COLDERS, CEO`, LISI AEROSPACE
François LIOTARD, CEO, LISI AUTOMOTIVE
Jean Marc DURANO, CEO, LISI MEDICAL

September 2018

The decontamination of the oldest plants:
During site renovations, decontamination through the removal of contaminated soil is almost always the favored method. This was the case during the rehabilitation of the forging areas at the Grandvillars site. The Delle plant also excavated and treated historically contaminated soil:
- 1,800 tons of decontaminated soil at a cost of €1.2 million.

6.2 / Climate change

The products made by LISI are not intended for end consumers. Nevertheless, the Group is aware of the impact that these products can have on climate change through their use by its customers.

The products of the LISI MEDICAL Division only have a very small impact on climate change. However, the LISI AEROSPACE and LISI AUTOMOTIVE products are used in means of transport. Accordingly, LISI is working in close collaboration with its customers (PSA, Renault, Volkswagen, Airbus, Boeing, Safran, GE, etc.), for the purpose of making these parts (and therefore the vehicles) lighter. This weight reduction results in decreased fuel consumption and therefore impacts climate change. In addition, there are many ongoing developments with applications in vehicle electrification.

LISI AEROSPACE is a key supplier of Safran's LEAP engine. This next generation engine represents real progress in terms of performance, consumption and environmental preservation.

The carbon footprint assessment conducted during the 2017 financial year was updated in 2019. Accordingly, the main Greenhouse Gas (GHG) generating activities are:
- the consumption of raw materials, which is inherent to Group activity (scope 3),
- the consumption of energy for which many reduction efforts are being implemented (scope 2),
- the freight of persons and goods; these impacts (logistical and transportation) are mainly managed by our customers (scope 3).

Overall LISI activities generated, on scopes 1 and 2, 106,532 tons of CO^2 (-9.3% compared to 2017), broken down as follows:

Scope	Indicators	2017	**2019**
Scope 1	GHG Natural Gas [T CO^2]	41,501.7	37,174.1
	GHG Domestic heating fuel [T CO^2]	582.5	459.8
	GHG Heating network [T CO^2]	–	–
	GES LPG [T CO^2]	1,724.9	1,205.5
	GHG Vehicles owned [T CO^2]	716.2	621.2
	GHG Private vehicles under lease [T CO^2]	2.2	1.8
	GHG Fugitive emissions from refrigerants [T CO^2]	1,190.7	1,527.4
	SUM GHG SCOPE 1 [T CO^2]	45,718.2	40,989.7
Scope 2	GHG Electricity [T CO^2]	71,710.6	65,542.4
	SUM GHG SCOPE 2 [T CO^2]	71,710.6	65,542.4
SCOPE 1 & 2	**TOTAL GHG [T CO^2]**	**117,428.8**	**106,532.1**

6.3 / Environmental Performance

Use of natural resources (water and energy)

Water consumption: -12% target between 2018 and 2020
In 2019, LISI consumed 790,556 m^3 of water, i.e. a saving of 5.0% in water consumption in absolute terms in one year, and of 13.7% in four years.

To link it to production, LISI monitors the ratio of consumption to added value. Thus between 2018 and 2019, this ratio declined by 10.3%, from 0.949 m^3/€k (AV) to 0.851 m^3/€k (AV). Water is mainly used in the cooling of processes, surface treatment lines and sanitation purposes.

Innovations in the reduction of water consumption:
The LISI sites are constantly seeking new technologies to decrease their environmental impact and improve their performance.

For example:
- The LISI AUTOMOTIVE site in Grandvillars has implemented a polymer coating technology to reduce the site's water consumption. This action as well as the reuse of the water from the water treatment plan has resulted in a roughly 6,500 m^3 saving.
- The new LISI AEROSPACE site in Villefranche-de-Rouergue has integrated the recovery and reuse of rainwater in its process.
- The work done by LISI AEROSPACE in Bologne to raise awareness among staff and the various technical improvements on the heat treatment and surface treatment process have resulted in savings of around 32,000 m^3.

Energy consumption: -12% target between 2018 and 2020
The LISI Group's energy consumption was 476,196 MWh in 2019, i.e. 4.8% less than in 2018 (absolute value).
Energy consumption is closely linked to the activity but also to climatic variations. However, to take on board the impacts of the production activity, LISI monitors the ratio of consumption to added value. Thus between 2018 and 2019, this ratio improved by 10.1%, from 0.570 MWh/€k (AV) to 0.513 MWh/€k (AV) in one year.

Energy is mainly consumed at production sites which have a heat treatment process, in particular Bologne, but also at Marmande, Delle, Bar s/ Aube, Kierspe and Torrance.

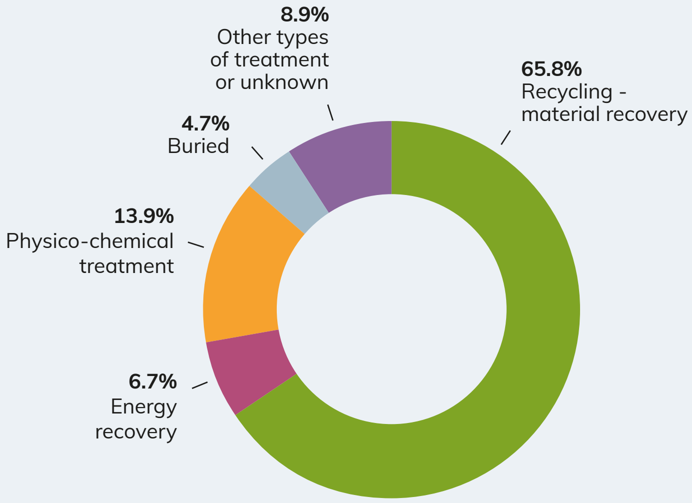
LISI AEROSPACE in Marmande – Participant in the "Ecological transition contract:"
At end-2019, LISI AEROSPACE in Marmande signed an Ecological transition contract with the French government and the Val de Garonne region. This contract aims to "achieve ecological transition through the preservation and use of natural resources in the Val de Garonne region and the mobilization of local economic actors."

Five actions were selected to implement this contract:
- studies on industrial waste heat recovery,
- creation of a re-vegetation plan throughout the greater urban area,
- implementation of a training and installation process for organic agriculture throughout the territory,
- Garonn'air awareness-raising project,
- project for the development and structuring of a local hydrogen network.

The projects will launch in 2022.

Sustainable waste management

In 2019, data collection was modified to calculate the portion of recycled waste.
Waste production was 45.8 kg of waste for €1,000 of added value, or 14.5% less than in 2018.
In addition, the portion of recycled waste is 72.5%.



The production plants principally generate metallic waste (52% of the total quantity of waste produced). These are sold for recycling.

Investments and resources:

The LISI Group makes major HSE investments.

From a financial standpoint:

Division	HSE expenditures in 2019 – in thousands of euros	Total expenditures - in thousands of euros	% of expenditures devoted to HSE
LISI AEROSPACE	3,691	64,874	5.7%
LISI AUTOMOTIVE	2,449	36,172	6.8%
LISI MEDICAL	105	9,732	1.1%
LISI	**6,245**	**110,778**	**5.6%**

But also invests in people:

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, 47,393 hours worked were dedicated to HSE training in 2019, equivalent to 11,476 interns.*

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.

*Note: one person may be counted several times

6.4 / Impact of our activities on our stakeholders

The LISI Group's sites follow and record all complaints whether comments, formal or informal, official or not issued by stakeholders.

Thus, the plants received 11 official letters from the authorities: one in Torrance, three in Fuenlabrada, one in Kierspe and six in Vöhrenbach.

25 complaints were received by Group entities and mainly concern complaints from neighbors about the noise generated by our activities and demands for visits from customers and the authorities.

Each complaint or official letter receives a reply, written or otherwise, sent to the party concerned.

7 / Guaranteeing customer satisfaction through efficient processes

7.1 / Governance of quality and certifications

The Group's divisions act as industrial subcontractors. In this respect, LISI AEROSPACE, LISI AUTOMOTIVE and LISI MEDICAL do not design products: their customers are responsible for designing.

Since design risk is borne by customers, the only risk associated with product safety and security is limited to compliance with customer requirements. Accordingly, this risk is managed through the quality management systems, the inspection of products recommended by customers, and the indicators associated with the quality management system.

Each division has its own quality policy and its own way of managing the system to meet customer requirements and guarantee customer satisfaction.

LISI AEROSPACE

The division has a Quality and Industrial Performance Department comprising:

- a department that deals with the quality management system,
- a more operational department with branches within each Group Business,
- a department responsible for supplier quality, including conducting audits,

This Department is also responsible for the industrial performance programs (LEAP, HSE).

At each site, a quality department is tasked with ensuring compliance with customer requirements (sizing, resistance, etc.).

LISI AEROSPACE EN-9100 certified as required by aerospace industry customers.

LISI AUTOMOTIVE

The division has a Quality and Industrial Performance Department comprising:

- a department that deals with the management and operational system,
- a department responsible for supplier quality, including conducting audits,

This Department is also responsible for the industrial performance programs (LEAP, HSE).

At each site, a quality department is tasked with ensuring compliance with customer requirements (sizing, resistance, etc.).

LISI AUTOMOTIVE is certified to ISO/TS 16949, required by customers in the automotive industry.

LISI MEDICAL

The quality department of the LISI MEDICAL Division is very decentralized. A Quality Director at divisional level also plays a role at local level.

In addition, the plants all have a quality department that manages certificates, audits (customers, business authorities, etc.) and the operational side.

LISI MEDICAL is certified to ISO 13485, required by our customers in the medical industry.

LISI AEROSPACE Saint-Brieuc – World Champion:

The Saint-Brieuc plant has additional expertise to supplement its traditional activity (aerospace): it also manufactures fasteners for motor sports and high-end vehicles.

Mercedes-AMG Petronas Motorsport F1 won its sixth consecutive World Champion title in 2019 and warmly thanked the Saint-Brieuc site for its contribution to this victory!

7.2 / Tools for operational excellence

Throughout its activities and in each of the areas in which it operates, the LISI Group strives for operational excellence.

The LISI System program is at the heart of the Group's industrial performance. In an increasingly competitive environment, this system provides effective solutions to the many requirements we must meet:

- plant competitiveness, efficiency and responsiveness of organizations,
- operational performance and support functions,
- development of innovative projects, digitization, risk management, training of the company's women and men.

Some programs from the LISI SYSTEM contribute to customer satisfaction:

LEAP: LISI EXCELLENCE ACHIEVEMENT PROGRAM

Historically placed at the heart of the LISI Group's continuous improvement strategy, the LEAP program - or LISI Excellence Achievement Program - brings together all the methods for improving industrial performance deployed at the production sites since 2011. Since the program's inception, the main management tools (PSM and A3) and the culture of standards (WSM, 5S, SMED) have been implemented across all the Group's sites. LEAP also supports the analysis of root causes of defects thanks a very rigorous process: 8D analysis.

These tools improve the quality of products based on one of the key principles of this program "doing it right the first time."

Manufacturing time is also improved by the SMED (Single Method Exchange Die) tool which optimizes the amount of time for changes in series to reduce the size of lots and thus improves the flexibility of production tools.

The LISA project management tool reviews customer requirements through standardized milestones. These stages are essential before any manufacturing can begin.

8 / Committing to a responsible supply chain

8.1 / Purchasing policy and supplier charter

LISI has implemented a purchasing policy that sets the fundamental principles and practices to be followed in this area. LISI emphasizes the importance of taking into account a supplier's commitment to corporate social responsibility in the selection process.

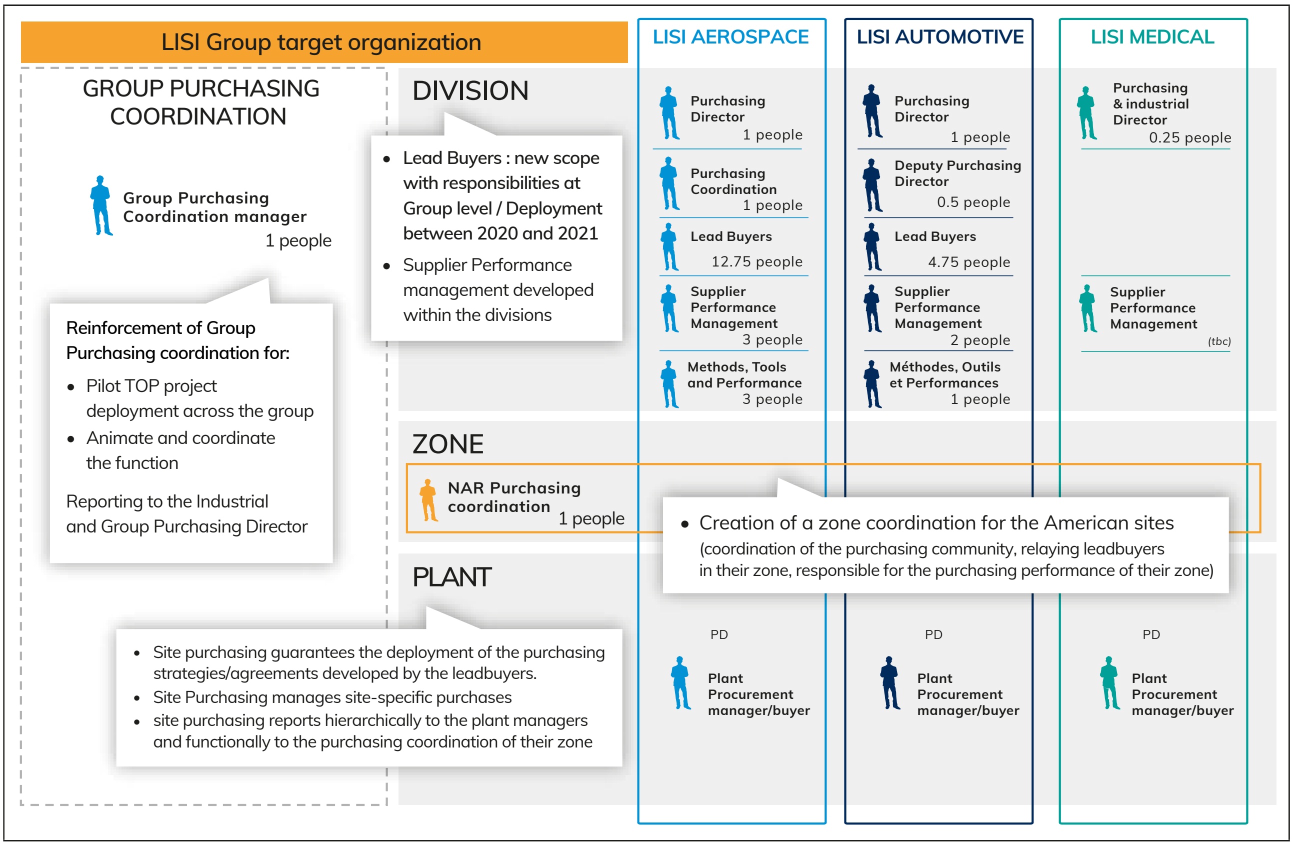
Drafted in 2018, the LISI supplier charter is provided to all its suppliers: i.e. over 10,000 partners. LISI reminds these partners of the importance of complying with the principles of ISO 14001 and OHSAS 18001, reducing their environmental footprint, designing eco-friendly products, developing human potential and complying with regulations regarding "Conflict Minerals."

8.2 / Purchasing governance

In compliance with its values, LISI has long built ethical and CSR criteria into its supplier selection process. The project for the transformation of purchasing currently being rolled out at LISI also encompasses two additional stages focused on two key priorities:

- improving the performance of purchases,
- incorporating into the purchasing organization and process, the necessary functions and tools to enable the Group to more precisely measure the non-financial risk posed by each supplier and the potential consequences for the company.

This rollout is fully aligned with the Group's CSR work and the 2020 and 2023 objectives linked to securing our supply chain.



New purchasing organization

9 / Duty of care

Law No. 2017-399 of March 27, 2017, regarding the duty of care requires LISI to not only implement a vigilance plan covering the environmental aspects pertaining to LISI (health, safety, human rights) but also to the suppliers and subcontractors with which LISI has business relations.

The five measures making up this vigilance plan are:
1) creating a risk-mapping of the risks in this area;
2) creating procedures for the regular assessment of subsidiaries, subcontractors and/or suppliers with which a business relationship is established, in view of risk-mapping;
3) setting up adapted action plans to mitigate risks or prevent serious harm;
4) setting up a system to generate alerts and collect red flags relating to the existence of these risks;
5) setting up a system to monitor the measures implemented and evaluate their effectiveness.

In 2019, the LISI Group began to implement a set of measures for compliance with the Sapin II Law, which, in a similar manner to the rollout of its CSR policy, aims to meet its duty of care requirements.

Accordingly, as an example, the system for generating alerts and collecting red flags set up on the LISI website is active since the beginning of 2018. It aims to confidentially collect and handle any alerts that may be issued by an employee, a supplier or a subcontractor of the LISI Group.

Furthermore, the risk-mapping covering the Duty of care is already handled through internal control procedures described in Chapter 5 - Risk factors.

The Group will continue its efforts over the coming financial year in order to meet its obligations in relation to the Duty of care through the initiatives forming part of its CSR policy and the milestones specified in the policy.

Achievements:
Alert system in place since 2018 and available to all employees and external service providers. The system successfully passed a practical test during the IATF audit.

10 / Non-financial indicators

	Indicators (from January 1 to December 31)	Unit	2018	2019	Changes 2019 vs. 2018	Changes 2018 vs. 2017 %
Energy	Municipal water consumption	m³	465,720	522,785	57,065	12.3%
	Consumption of water drawn directly from the natural environment	m³	366,379	267,771	-98,608	-26.9%
	TOTAL WATER CONSUMPTION	m³	832,099	790,556	-41,543	-5.0%
	Electricity consumption	MWh	321,135	311,181	-9,954	-3.1%
	Natural gas consumption	MWh	171,042	157,679	-13,363	-7.8%
	Liquefied petroleum gas (butane - propane) consumption	MWh	5,941	5,348	-593	-10.0%
	Domestic fuel consumption	MWh	1,673	1,417	-256	-15.3%
	Consumption of other energies	MWh	560	570	10	1.8%
	TOTAL ENERGY CONSUMPTION	MWh	500,351	476,196	-24,156	-4.8%
Wastes	Sorted metal	T	23,806	22,220	-1,586	-6.7%
	Paper - Sorted cardboard	T	575	617	42	7.3%
	Sorted plastic	T	344	329	-15	-4.5%
	Sorted wood	T	1,125	917	-208	-18.5%
	Oil (soluble + whole + whole and water)	T	2,507	2,412	-96	-3.8%
	Other household waste (non-hazardous) or non-sorted household waste	T	3,067	2,966	-101	-3.3%
	Hazardous wastes (without oil)	T	15,511	13,026	-2,484	-16.0%
	Percentage of recycled waste	%	60.4%	72.5%	0	20.0%
Workplace accidents	TF0 LISI		6.59	5.87	-0.73	-11.0%
	TF0 LISI + temporary workers		7.28	6.83	-0.44	-6.1%
	TF1 LISI		9.02	8.04	-0.98	-10.8%
	TF1 Temporary workers		21.22	21.18	-0.04	-0.2%
	TF1 LISI + temporary workers		10.05	9.01	-1.04	-10.3%
	Number of occupational diseases	Unit	not measured in 2018	37		
Incidents and complaints	Number of outbreaks of fire	Unit	132	112	-20	-15.2%
	Number of incidents requiring the intervention of outside help	Unit	7	13	6	85.7%
	Formal notice sent by the authorities	Unit	6	11	5	83.3%
	Number of complaints issued by stakeholders	Unit	20	25	5	25.0%
HSE training	Number of HSE training hours completed	hours	58,873	47,393	-11,480	-19.5%

theme	2018	2019	Difference in absolute terms	Difference in %
Turnover	6.91%	6.19%	-0.72	-17.54%
Absenteeism	3.45%	3.41%	-0.04	-1.16%
% women	22%	22%	0	0%
Training hours	222,129	179,165	-42,964	-19.34%

The differences between the data published for financial year 2018 and the 2018 data published for comparative purposes for 2019 are due to corrections made to the 2018 data, which were at the time measured for certain sites and indicators.

10.1 / Inclusions and exclusions

Human Resources data:

Legal entity	City	Country	2018 registered headcount	2019 registered headcount	Comments
LISI AUTOMOTIVE Beteo GmbH	Gummersbach	Germany	51	None	Entity sold on 12/31/2018
INDRAERO SIREN SAS	Argenton-Sur-Creuse	France	422	None	Entity sold on 7/3/2019
LISI AEROSPACE Creuzet Maroc	Casablanca	Morocco	283	None	Entity sold on 7/3/2019
Saint-Florent-sur-Cher site (LISI AUTOMOTIVE Former)	Saint-Florent-sur-Cher	France	167	None	Entity sold on 11/30/2019

HSE data:

Legal entity	City	Country	impacts reporting SSE 2018	impacts reporting SSE 2019	Comments
Termax Corp.	Lake Zurich	USA	Excluded	Excluded	Entity not included in Group IT systems
Termax Int. LLC	Lake Zurich	USA	Excluded	Excluded	Entity not included in Group IT systems
Termax Int. Inc.	Lake Zurich	USA	Excluded	Excluded	Entity not included in Group IT systems
TMX Canada Corp.	Windsor	Canada	Excluded	Excluded	Entity not included in Group IT systems
TMX Mexico	Quereittaro	Mexico	Excluded	Excluded	Entity not included in Group IT systems
TMX Fastener Systems	Suzhou	China	Excluded	Excluded	Entity not included in Group IT systems
Shanghai Branch	Suzhou	China	Excluded	Excluded	Entity not included in Group IT systems
LISI AUTOMOTIVE Hi-Vol Inc	Livonia	United States	Excluded	Excluded	Entity included as of 2020
ANKIT Fasteners Pvt Ltd	Bangalore	India	Excluded	Excluded	Non-exhaustive data
LISI AUTOMOTIVE Beteo GmbH	Gummersbach	Germany	Excluded	Excluded	Entity sold on 12/31/2018
INDRAERO SIREN SAS	Argenton-sur-Creuse	France	01/01/2018 - 12/31/2018	01/01/2019 - 06/30/2019	Entity sold on 7/3/2019
LISI AEROSPACE Creuzet Maroc	Casablanca	Morocco	01/01/2018 - 12/31/2018	01/01/2019 - 06/30/2019	Entity sold on 7/3/2019
Saint-Florent-sur-Cher site (LISI AUTOMOTIVE Former)	Saint-Florent-sur-Cher	France	01/01/2018 - 12/31/2018	01/01/2019 - 06/30/2019	Entity sold on 11/30/2019

The differences between the data published for financial year 2018 and the 2018 data published for comparative purposes for 2019 are due to corrections made to the 2018 data, which were at the time measured for certain sites and indicators.

11 / DPEF concordance table

Information	Corresponding pages or sub-headings
Business model	Chapter 1: section 6.8 and 6.9
Description des principaux risques, politiques et indicateurs	Chapter 5: Risk factors Chapter 4; Section 2 and section 4 to 8 LISI Group Corporate social responsibility
Anti-corruption	Chapter 4; Section 3.2 LISI's commitments
Fight against tax evasion	Chapter 4; Section 3.2 LISI's commitments
Respect of human rights	Chapter 4; Section 3.3 LISI's commitments
Climate change	Chapter 4; Section 6.2 Improving the environmental footprint of our activities
Society-related commitments	Chapter 4; Section 4 and 5
Circular economy	Chapter 4; Section 6.3 Improving the environmental footprint of our activities
Collective agreements	Chapter 4; Section 4.5 Developing communication and exchanges
Fight against discrimination and promotion of diversity	Chapter 4; Section 3.3 and 4.4 LISI's commitments; Section 8 promoting diversity
Fight against food waste, food insecurity, the respect of animal well-being and responsible, fair and sustainable ways of eating.	Given the nature of our activities, we consider that these themes do not pose a major CSR risk and do not warrant further description in this management report.

12 / Global Compact concordance table

Information	Corresponding pages or sub-headings
PRINCIPLE 1 Businesses should support and respect the protection of international human rights within their sphere of influence.	Chapter 4; Section 3 LISI's commitments
PRINCIPLE 2 Businesses should make sure they are not complicit in human rights abuses.	Chapter 4; Section 3 LISI's commitments
PRINCIPLE 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	Chapter 4; Section 3 LISI's commitments; Section 4.5 Developing communication and exchanges
PRINCIPLE 4 Businesses should contribute to the elimination of all forms of forced and compulsory labor.	Chapter 4; Section 3 LISI's commitments
PRINCIPLE 5 Businesses should contribute to the effective abolition of child labor.	Chapter 4; Section 4 LISI's commitments
PRINCIPLE 6 Businesses should contribute to the elimination of discrimination in respect of employment and occupation.	Chapter 4; Section 3 and section 4.4 LISI's commitments
PRINCIPLE 7 Businesses should support a precautionary approach to environmental challenges.	Chapter 4; Section 6 Improving the environmental footprint of our activities
PRINCIPLE 8 Businesses should undertake initiatives to promote greater environmental responsibility.	Chapter 4; Section 6 Improving the environmental footprint of our activities
PRINCIPLE 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.	Chapter 4; Section 6 Improving the environmental footprint of our activities
PRINCIPLE 10 Businesses should work against corruption in all its forms, including extortion and bribery.	Chapter 4; Section 3 LISI's commitments

13 / Report by the independent third-party organization on the consolidated social, environmental and societal information

Financial year ended December 31, 2019

Report by the independent third-party organization on the consolidated non-financial performance

To the Shareholders General Meeting,

As an independent third-party organization, accredited by COFRAC under number 3-1681 (scope of accreditation available on the website www.cofrac.fr) and member of the network of one of the auditors of your company (hereafter the entity), we present our report on the consolidated non-financial performance relating to the financial year ended December 31, 2019 (hereafter the "Declaration"), presented in the Management Report in application of the legal and regulatory provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

Responsibility of the Entity

It is the responsibility of the Board of Directors to prepare a Declaration that complies with the legal and regulatory provisions, including a presentation of the business model, a description of the main extra-financial risks, a presentation of the policies applied to these risks and the results of these policies, including the key performance indicators.

The Declaration was prepared by applying the entity's procedures (hereafter the "Guidelines") of which the most important elements are presented in the Declaration and available on request at the entity's head office.

Independence and quality control

Our independence is defined by the provisions outlined in Article L. 822-11-3 of the French Commercial Code and the Profession's Code of Ethics. 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 our responsibility, based on the work performed, to provide a reasoned opinion expressing a moderate assurance on:

- the compliance of the Declaration pursuant to Article R.225-105 of the French Commercial Code;
- the sincerity of the information provided in accordance with 3° of I and II of Article R. 225-105 of the French Commercial Code, i.e. the results of the policies, including the key performance indicators, and the actions relating to the main risks, hereafter the main risks, hereinafter the "Information."

However, it is not our responsibility to comment on the entity's compliance with the other legal and regulatory provisions applicable, in particular with regards to the vigilance, anti-corruption and anti-tax evasion plan or on the compliance of products and services with the applicable regulations.

Nature and scope of work

The work described hereinafter was performed in accordance with the provisions of Articles A. 225-1 et seq. of the French Commercial Code, the professional standards of France's national audit regulatory body, the "Compagnie nationale des commissaires aux comptes," regarding this type of audit and with ISAE 3000:[1]

- We reviewed the activities of all entities included within the scope of consolidation and the description of the main risks;
- we have evaluated the appropriateness of the Repositories with regards to their relevance, completeness, reliability, neutrality and understandability, taking into account, where appropriate, the industry's best practices;
- we have verified that the Declaration covers each category of information provided for in III of Article L. 225-102-1 concerning social and environmental issues as well as the respect of human rights, anti-corruption work and tax evasion;
- We have verified that the Declaration presents the information required by Section II of Article R. 225-105 when relevant in terms of the main risks and includes, where applicable, an explanation of the reasons justifying the absence of the information required by the second paragraph of Section III of Article L. 225-102-1;
- We have verified that the Declaration presents the business model and the main risks linked to the activities of all entities included in the scope of consolidation, including, when relevant and appropriate, the risks generated by its business relationships, its products or its services as well as the policies, actions and results, including key performance indicators related to the main risks;
- We have consulted the documentary sources and conducted interviews in order to:
  - evaluate the selection and validation process for the main risks as well as the consistency of the results, including the key performance indicators selected in relation to the main risks and policies presented.
  - corroborate the qualitative information (actions and results) we deemed to be the most important presented in

(1) ISAE 3000 - Assurance engagements other than audits or reviews of historical financial information

Appendix 1. For certain risks (anti-corruption and tax evasion efforts, responsible procurement, respect of human rights) our work was performed at the parent-company level, for other risks, work was conducted at parent-company level as well as in the following selected entities: Hérouville-Saint-Clair and Marmande in France and Torrance in the United States;

- We have verified that the Declaration covers the consolidated scope, namely all entities included in the scope of consolidation in accordance with Article L. 233-16 with the limits specified in the Declaration;
- We have reviewed the internal control and risk management procedures implemented by the entity and we evaluated the collection process with regard to the completeness and the sincerity of the information;
- For the key performance indicators and other quantitative results that we considered to be the most important presented in Appendix 1, we implemented:
  - analytical procedures consisting of verifying the proper consolidation of the data collected as well as the coherence of their changes;
  - detailed tests based on surveys, consisting of verifying the proper application of the definitions and procedures and reconciling the data contained in the supporting documents. These tests were conducted on a selection of contributing entities listed below and cover 19% of the consolidated headcount and 16% of the Group's energy consumption;
- We evaluated the coherence of the entire Declaration with respect to our knowledge of all the entities included in the scope of consolidation.

We believe that the work that we have performed exercising our professional judgment allows us to reach a conclusion of moderate assurance; a higher level of assurance would have required more extensive verification work.

Means and resources

Five competent persons were involved in this work which was carried out between July 2019 and February 2020 over a total working period of approximately seven weeks.

We held five interviews with the persons responsible for drafting the Declaration representing in particular the Group's Human Resources and HSE and Purchasing departments.

Conclusion

Based on our work, we did not identify any material anomalies likely to call into question the non-financial performance declaration and the fact that the Information, as a whole, is presented in a fair manner, in accordance with the Repositories.

Paris-La Défense, March 9, 2020

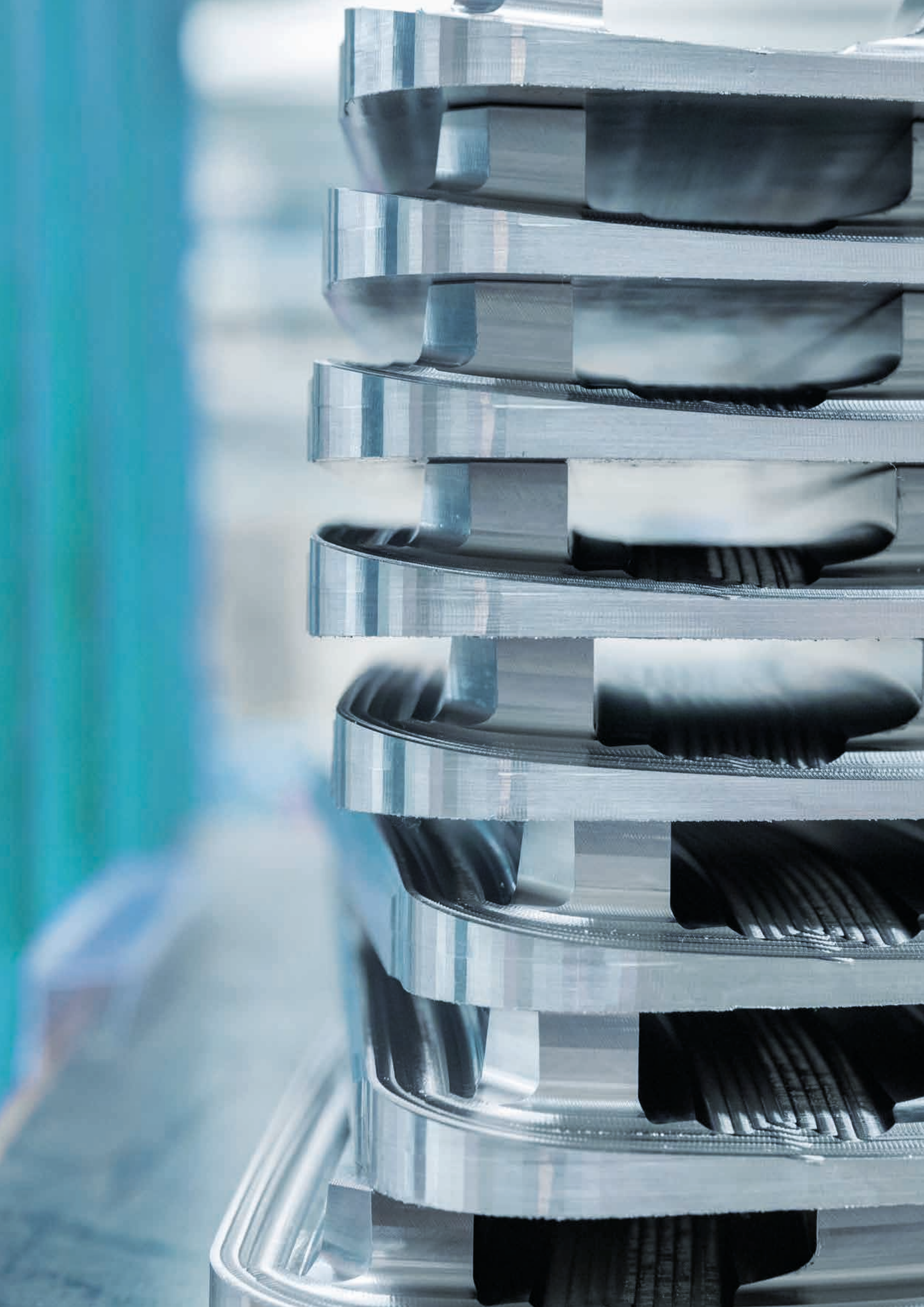
The Third-Party Independent Organization
EY & Associés

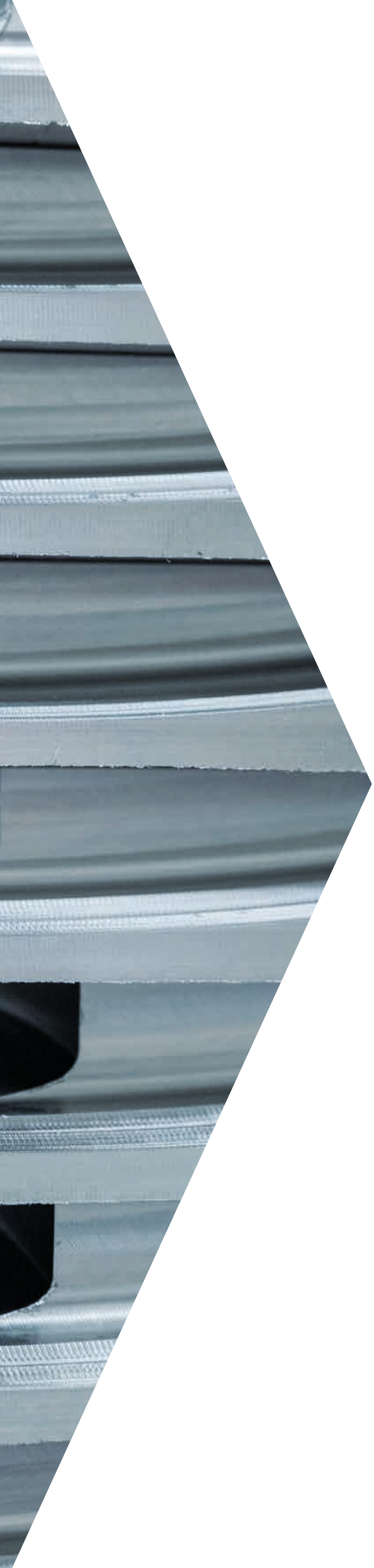
Christophe Schmeitzky
Partner, Sustainable Development

Jean-François Bélorgey
Partner

Appendix 1: Information considered to be the most important

SOCIAL INFORMATION	
QUANTITATIVE INFORMATION (including key performance indicators)	QUALITATIVE INFORMATION (actions or results)
Registered headcount New hires Dismissals Hours worked Compressible hours of absence Training hours Frequency rate of workplace accidents	Attraction, development and retention of talent, Labor relations (social dialogue, collective agreements) Equal opportunity (gender equality, fight against discrimination, integration of disabled persons) Health and safety
ENVIRONMENTAL INFORMATION	
QUANTITATIVE INFORMATION (including key performance indicators))	QUALITATIVE INFORMATION (actions or results)
Water consumption compared to added value in m^3/€k (AV) Energy consumption compared to added value in MWh/€k (AV) Greenhouse Gas (GHG) emissions (scope 1 and scope 2) Ratio of waste production to added value Share of dangerous waste compared to total waste production (%) Share of recycled waste compared to total waste production (%)	The results of the environmental/energy policy The circular economy (waste management) Water management
SOCIETAL INFORMATION	
QUANTITATIVE INFORMATION (including key performance indicators)	QUALITATIVE INFORMATION (actions or results)
	Subcontracting and suppliers (environmental and social challenges) Customer satisfaction Actions promoting human rights, particularly compliance with the provisions of ILO fundamental conventions Actions undertaken to prevent corruption and tax evasion





5 Risk factors

Introduction

The Group is engaged in a convergent risk management process. The Group manages risk mapping 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 market authority, the AMF. Having identified and listed risks at the level of each individual unit (production or distribution sites) the Group consolidated all of the risks to which it is exposed in a matrix showing occurrence probability and severity rate. A "top down" approach is then used to prioritize risks. A periodically reviewed action plan is set up for each substantial risk identified and, where needed a proactive preventive approach, insurance, accounting provision or an operating decision.

1 / Risk matrix: principal major risks identified and reduction measures

We would like to inform the reader that the list of risk factors presented in this section is not exhaustive and that, in view of current global economic events, these factors are liable to vary in terms of both intensity and probability. The management routines put in place within the Group make it possible to update the mapping on a continuous basis and to implement any measures that may be needed to mitigate the effects and/or the assessed severity.

We have chosen to present the summary of the risks facing the Group in two families:

- Risk factors specific to the Group's business: operational risks.
- Risk factors independent of the Group's business.

COVID-19

As this risk matrix was prepared prior to the current situation being seriously affected by the ongoing Covid-19 crisis, the risk of a pandemic had indeed been identified, but was not considered to be a major risk due principally to the likelihood of its occurrence.

In order to respond to the crisis, the LISI Group immediately formed a Steering Committee in order to put in place:

- strict measures to safeguard the health of the employees and service providers in the workplace as and when their presence is essential,
- a business continuity plan to prepare for the gradual resumption of normal activity,
- measures to protect financial liquidity in order to secure the Group's future room for maneuver.

As for the financial impact, it is impossible to quantify it, but it will have a significant impact on the results for at least the first half without, however, compromising the Group's financial health or business continuity.

In conclusion, it should be noted that the principal risk factors had already been identified pre-COVID-19 and that the risk of a pandemic is not mentioned as such, even if it now proves to be a major risk in the Group's overall matrix.

OPERATIONAL

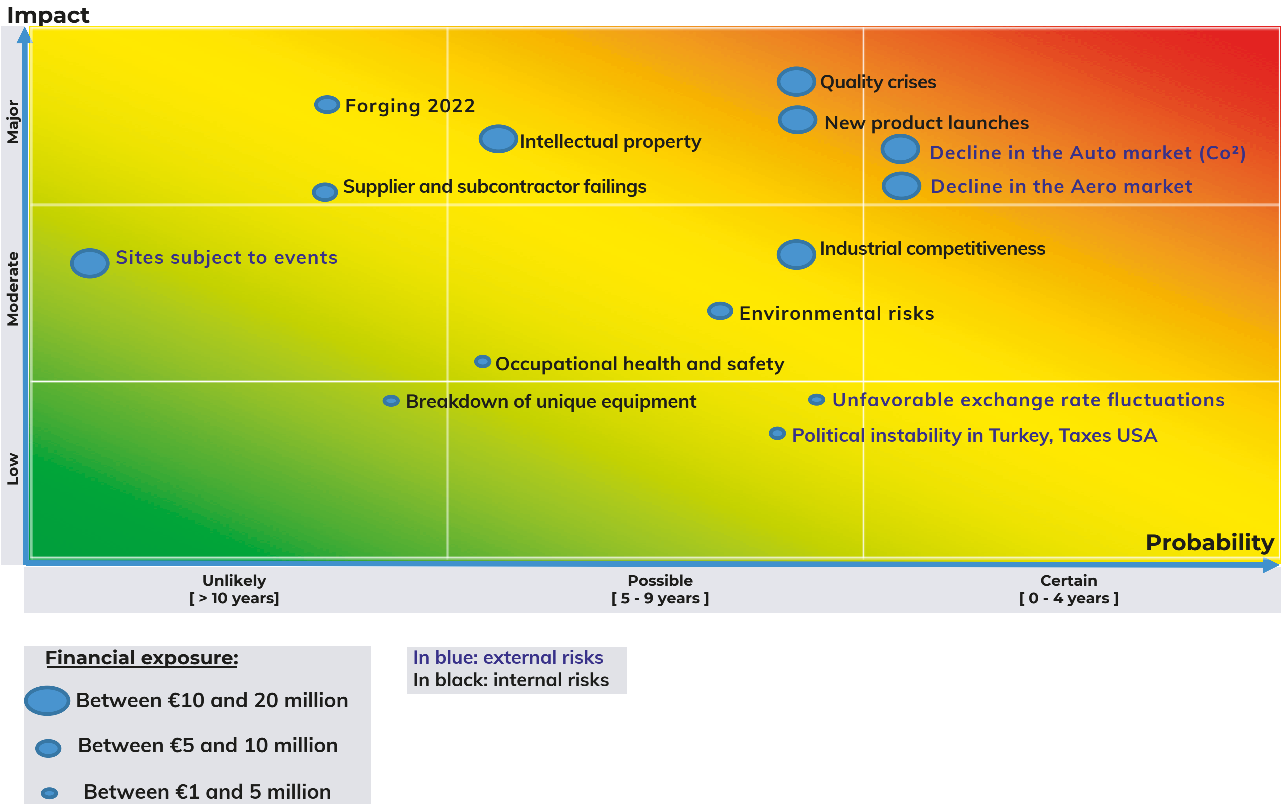
Risk Factors	Detail of the risk	Net impact	Probability	Residual criticality	Financial exposure*	Reduction measures
Innovation Competitiveness Competitive position	Failure of newly developed products	Major	Possible	Significant	€[15-20] million	Adapting skills to project teams and project management
	Increased competitive pressure: • on certain flagship products in the divisions, • due to a lack of customer programs, generating strong pressure on prices, • following the arrival of new competitors, • for the renewal of major contracts, • due to a lack of key competencies, • due to reduced competitiveness through the fixed cost structure.	Moderate	Possible	Moderate	€[10-20] million	Internal productivity plans; Excellence in Price-Quality-Lead times Industrial innovation plans Plans to automate the means of production Digitization of support functions Specific attractiveness plans
	Loss of competitiveness or market share for specific programs: • following failed negotiations with major customers, • during a period of (failed) transition of key managers					Recruitment of key competencies
	Risk to intellectual property rights for new products proposed by the divisions	Major	Probable	Significant	€[10-15] million	Reinforcement of internal competencies; Development of "hollow" patents
Quality;	Quality issues for products manufactured by LISI or delivered by its suppliers	Catastrophic	Possible	Significant	€[10-15] million	Strengthening our quality assurance processes, especially for critical parts. Adequate crisis management procedures
Industrial footprint	Disturbance due to the removal of the installations on the Bologne site (Project F.2022)	Catastrophic	Unlikely	Significant	€[5-10] million	"Restore Success" plan deployed prior to the transfer; Specific plan for the attractiveness of the site; Recruitment of specific competencies related to the project;
Compliance	Internal environmental risks: fire, pollution, noise pollution	Moderate	Possible	Moderate	€[5-10] million	Adequate prevention plans; Site audits conducted with our insurers; Negotiations with stakeholders to reduce disturbance (noise, vibration, etc.)
	Health & Safety in the workplace risk (occupational accidents and / or illnesses)	Moderate	Probable	Moderate	€[1-5] million	Reinforced risk prevention policy; Machine compliance plans
Purchasing Production	Failures by subcontractors (Heat treatment, machining, sterilization) or suppliers (raw materials, components) disrupting our production cycles	Major	Unlikely	Moderate	€[5-10] million	Reinforcement of supplier audits; Studies into the internalization of certain processes; Seeking alternative solutions
	Disturbance due to faulty, unique equipment	Minor	Unlikely	Low	€[1-5] million	Adapting CAPEX to the development of new projects

EXTERNAL ENVIRONMENT

Risk Factors	Detail of the risk	Net impact	Probability	Residual criticality	Financial exposure*	Reduction measures
Changing markets	Steep decline in the automotive market due to environmental standards in terms of CO_2 emissions	Major	Definite	Significant	€[10-20] million	Adjustment of demand with more flexible costs and lower fixed costs, supply to refocus on electric vehicles
	Decline in backlog of orders for LISI AEROSPACE customers (destocking, plane development programs not certified)	Major	Definite	Significant	€[10-20] million	Development of customer relations; Operational flexibility
Climate-related geopolitics Tax and foreign exchange	Sites located in earthquake zones and/or subject to violent climatic events and exposed to the risk of fire	Moderate	Unlikely	Moderate	€[10-30] million	Deployment of Crisis management, Business Continuity and Disaster Recovery Plans as appropriate to any given situation.
	Foreign exchange and interest rate risks	Moderate	Definite	Moderate	€[10-20] million	Financial instrument hedging policy
	Political instability in Turkey, US taxes	Minor	Possible	Moderate	€[1-5] million	Double qualification of sites to be obtained from customers Buffer inventories Finding multiple sources

* Financial exposure: valuations net of insurance cover. These can include the cumulation of several risk factors at the same time.

In addition, and to facilitate understanding, we present this risk-mapping in the form of a diagram with 'Impact' and 'Probability'. The size of the bubbles varies according to the extent of financial exposure if the risk actually occurs. Financial exposure represents valuations of the risks net of insurance cover. These can include the cumulation of several risk factors at the same time.



Close 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 conduct audits at a number of facilities each year, looking both at damage to assets and environmental risks, before presenting their recommendations which enhance our action plan. Since 2002, all the significant sites were audited several times. On some of its sites, the Group has had to carry out construction work or install major prevention systems to limit the potential for incidents as much as possible. This initiative of ongoing progress improves the Group's prevention policy, avoids major incidents and optimizes insurance premiums.

Drawing up action plans

The safety/environment/prevention action plans drawn up within the Group ensure a consistent approach to risk identification, risk prevention, asset preservation and control of operations. 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 / Insurance policy

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

- **Property damage insurance**

As of January 1, 2019, this policy covered own and others' installations, as well as operating losses in the event of a claim. The sums insured are €1,651 million for buildings, €293 million for goods and €846 million for operating losses. The amount per claim is limited to €120 million.

- **Third-party liability insurance**

This covers personal, physical and intangible damage that might occur during operations to the sum of €60 million, as well as damages that occur after delivery, to the sum of €50 million per annum in primary coverage across all divisions. The excess is significant and varies depending on the nature of the activities and the geographic area.
LISI AEROSPACE has taken out an insurance policy covering its liability for personal, physical and intangible damage post-delivery of its aeronautical and space products. The sum insured for all subsidiaries, per loss and per insurance year is €500 million.

- **Corporate officers' liability insurance**

The Group has taken out an insurance policy for corporate officer liability for all Group subsidiaries, up to €20 million per annum.

- **CYBER insurance**

This insurance policy covers all of the Group's subsidiaries for cyber attacks up to €10 million per year.

- **Transported goods insurance**

This insurance policy covers goods (or machines) transported at up to €5 million per incident and/or event, including all types of damage, excluding some specific limits.

3 / Internal control of the company

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 specific features of the LISI Group's activities require precise quality control to be carried out on operational processes in the following areas:

- production, stock, flow management;
- quality;
- health, safety and environment;
- Human Resources, payroll,
- accounting, management control and cash flow;
- purchasing and investments;
- sales;
- IT systems.
- Tax, customs,
- CSR,
- Other themes specific to our business.

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 two independent directors, is acquainted, in concert with the external auditors and the Internal Audit Manager, with the senior 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 functions considered to be critical are monitored in the Group in a cross-departmental manner: financial management, cash management, consolidation, legal services, hedging, insurance cover, security policy, environmental policy, purchasing policy and human resource management.

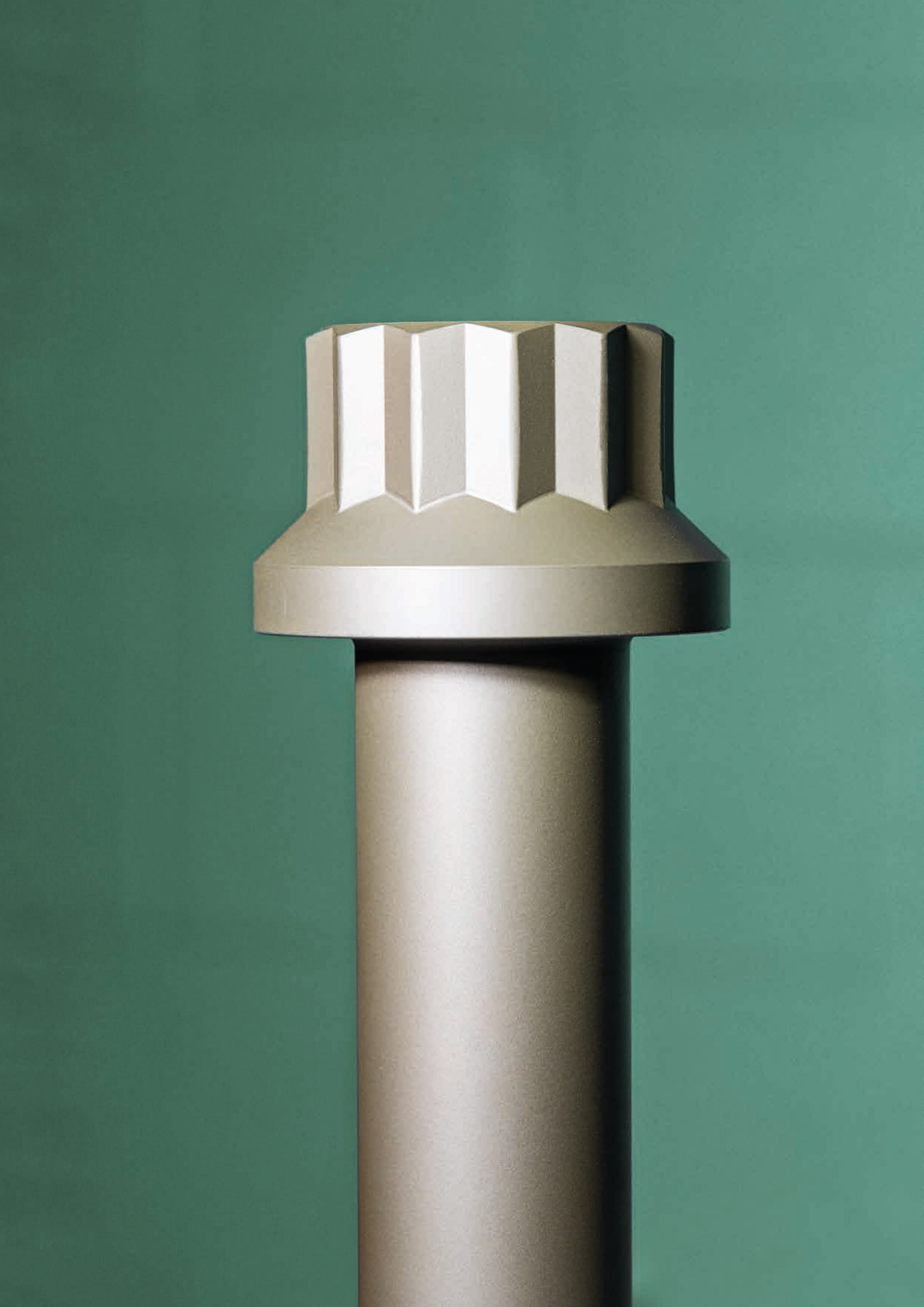
3.3 / Group baseline

Each division has set up a value charter based on a common set of values.

- An internal control procedures manual is in circulation and 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.
- Since the end of 2017, a continuous improvement approach has been in place. The internal audit cell holds quarterly internal control committee meetings: the internal controllers of each division are invited, to build synergies as regards operational and financial internal control compliance. These results in Group procedures being updated: they are adapted according to the changes in processes to reduce the risks detected during audits.
- 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 / Main internal Control Procedures regarding the preparation and processing of the accounting and financial information

- The Group carries out an annual review of the four-year strategic plan and defines a priority action plan accordingly. 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.), Divisions and Group-level teams.
- 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 carefully reviewed by the local teams, BUs, divisions or Group-level teams, depending on the materiality level, before the actual commitment is made.
- The Cash Flow-Finance process also involves specific commitments. So, for instance, financial investments are mostly 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 involves a monthly review of management indicators (industrial accident rates, non-compliances, etc.) and of the resulting main corrective action plans.
- All of the processes described in paragraph 3.1 are audited by the Finance/Operational internal audit cell or HSE. The financial and operational audits are conducted based on a questionnaire which is the same for all Group entities audited: it has 156 questions. The audits are assessed by giving a score based on the total non-compliance examples detected: the contractual minimum required is 83%. The audit work results in an action plan that the operational teams are recommended to follow to mitigate the risks identified during the internal audits. This action plan is monitored one year after the audit for entities audited with a level of internal control below the Group's requirements.



6 Corporate governance

Report on 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 French Commercial Code. The company has put in place measures to comply with local recommendations regarding corporate governance principles.

The LISI Group subscribes to the provisions of the AFEP-MEDEF corporate governance code, which was revised in June 2018, and whose recommendations it complies with, except for those set out in paragraph 2.4 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.

1 / Activities of the Board of Directors and of the Committees in 2019

1.1 / Activities of the Board in 2019

The Board of Directors met seven times during the 2019 financial year, once by means of a conference call. The member attendance rate was 84% during the financial year.

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

- **at the meeting of February 20**, 2019, during which the non-executive directors were able to meet in the absence of operational executive directors, the Board signed off the LISI Group's separate and consolidated financial statements for financial year 2018 and the allocation of earnings to be put to the vote of the Meeting on April 2019. It also approved the target-based bonuses for the 2018 financial year and the fixed compensation of LISI's operations managers for 2019.
  The Board next decided on the proposal made by the Compensation Committee on the allocation of performance shares of the 16C18 plan for Group managers based on the initial rules established during the Board meeting of December 20, 2016. Noting that the Group did not create any value over the reference period, the Board, in accordance with the rules defined, decided that it would not allocate any shares for this plan.
  The Board reviewed the current files on changes in the Group's scope. On that occasion, the Board described its method for the application of the insider trading procedure.
  During the same session, the Board noted that the director mandates of seven of its members were due to expire at the Shareholders' General Meeting of 2019 held to approve the financial statements for 2018. It therefore decided to submit the renewal of the mandates of the following members to a vote at the next Shareholders' General Meeting: Patrick Daher, Gilles Kohler and Emmanuel Viellard as directors for a period of four years, as well as CIKO, whose permanent representative is Jean-Philippe Kohler, COMPAGNIE INDUSTRIELLE DE DELLE, whose permanent representative is Thierry Peugeot and VIELLARD MIGEON et COMPAGNIE, whose permanent representative is Cyrille Viellard, as director for four years. It also decided to submit the candidacy of FFP Invest, represented by Christian Peugeot, for a director mandate for a period of four years.
  Last, the Board approved the major strategic issues to be presented by Senior Management and to be discussed at the meeting of April 25th.
- **At the meeting of April 25, 2019**, the Board reviewed the business activity and results of the Group for the first quarter in detail. This included the recovery of the Fasteners Europe Unit and the LISI AUTOMOTIVE division's difficulties due to the drop in global production. The Board members were also informed of the annual re-forecasts for the current year.
  The Group's Senior Management then informed the Board of the conditions of the agreement for the disposal of its two subsidiaries, INDRAERO SIREN and LISI AEROSPACE Creuzet Maroc, whose main activities consist of sheet metal manufacturing and the assembly of aerostructures. The Board gave its approval for the project.
  The Board then discussed the major strategy issues proposed by the Strategic Committee and asked Group Senior Management to provide it, by the end of 2019, with a draft strategic development plan for the Group, setting the proposed priorities, decisions and the schedule.
- **At its meeting of June 5, 2019**, the Board reviewed the succession plans for the Executive Committee (EXCOM) and its non-discrimination and diversity policy as it would apply to the Group. The Board took note of the information provided and encouraged the Senior Management of the Company to intensify its actions in favor of women and for their promotion to the management ranks of the Group.
  In addition, the Board reviewed its composition and, notably, the number and proportion of independent directors, several of whom will lose their independent status in the coming years due to the fact that they will reach the 12-year term limit before the expiration of their term of office. On a proposal by its Nominations Committee, the Board decided to maintain the directors in position until the end of their mandates. The decision, which involves waiving the

recommendation of the AFEP-MEDEF Code, revised in June 2018, on the composition of the Board, is explained in this document in paragraph 2.4.
In the last point covered, the Board noted the state of progress of the CSR (Corporate Social Responsibility) approach implemented in each of the Group's divisions.

- **At** the **meeting of July 24**, 2019, the Board approved the interim Company financial statements and consolidated financial statements of the LISI Group as well as the new annual results forecasts. It took note of the information provided by Senior Management on the current files on changes to the Group's scope.
- **At the meeting of September 4**, 2019, which was held by conference call, the Board reviewed the proposed disposal of a Group automotive site. It noted the information provided and requested that the project be continued to completion under the conditions stated.
- **At the meeting of October 23, 2019**, the Board was informed of the Group's activity and results for the first nine months of the year and reviewed the acquisition/disposal projects in progress. It then covered all of the governance topics relevant to the Company and which were the main purpose of the meeting, notably:
  - A review of any non-compliance of practices with respect to the AFEP-MEDEF Code, revised in June 2018, to which the Company refers leading to the implementation of action plans intended to rectify the gaps before the 2020 Shareholders' General Meeting;
  - The proposal of a self-assessment questionnaire on the Board's contributions and skills to be carried out by the end of 2019;
  - A review of Risk Mapping, Compliance, CSR and the URD;
  - The appointment of directors representing the employees, which will be the subject of a statutory change to be ratified by the 2020 Shareholders' General Meeting.
- **The last meeting in the year, held on December 11,** 2019, was reserved for the presentation of the Company's budget for the coming year and the annual strategic review of the Group and its divisions.
  The Board reviewed the latest orientations of the new 2019-2023 strategic plan presented by Group Senior Management and the main challenges the Group set for itself in the plan. It also reviewed the strategic issues to be handled in 2020, for which the Strategic Committee planned a meeting in early January to set its priorities.
  It then noted the budget outlook for 2020 and approved all of the data submitted to it.
  The Board implemented a new performance share allocation plan called 19C21 and laid down the rules applicable to it including the performance criteria to be reached.
  Lastly, with respect to governance, the Board approved the proposals for changes to the Rules of Procedure of the Board and of the Committees and to the Directors' Charter.
  During the session, each of the Directors was given a self-assessment questionnaire on their skills and expertise within the Board. The answers given in the questionnaires highlighted strengths and points for improvement with the latter leading to action plans to be implemented in 2020.

1.2 / Committee activities in 2019

Board Committees met nine times during the financial year 2019 and the meeting attendance rate of its members was 95%.

- **Audit Committee:** the Committee met three times in the financial year 2019.
  It heard the Statutory Auditors' report on the accomplishment of their task and the report of the Company's Internal Control Manager on their activities. The information about the scope of consolidation, the off-balance sheet risks described in the notes to the consolidated financial statements, and impairment tests was sent to the Audit Committee, which submitted a report on its work to the Board of Directors.
  In 2019, the Committee also reviewed management's work in terms of compliance and risk mapping, particularly with respect to digital security.
- **Governance Committee:** this Committee met for the first time in 2019 and reviewed the following four topics in detail:
  - The status of the requests and expectations expressed by the Board which resulted in several recommendations to be implemented in 2020.
  - The directors representing the employees, whose appointment process and training and onboarding programs remain to be finalized.
  - The CSR and, notably, the plan to increase the number of women on the Group's expanded EXCOM.
  - The new Universal Registration Document (URD) which will replace the Registration Document in 2020.
- **Nominations Committee:** the Committee met once in the financial year 2019.
  It reviewed the succession plan of LISI's Executive Committee (EXCOM) which involves all of the Group's operational managers and all of its divisions.
  It also reviewed the Group's Human Resources policy with respect to its diversity and non-discrimination aspects and encouraged the Senior Management of the Company to intensify its actions in favor of women and for their promotion to the management ranks of the Group.
  Lastly, it reviewed the composition of the Board and, notably, the implications of the AFEP-MEDEF Code, revised in June 2018, to which the Company refers, with respect to the

removal of the independence criterion which will impact several directors in the coming years. At the conclusion of the discussion, the Committee decided to submit five proposals in this area for the Board's approval.

- **Compensation Committee:** the Committee met twice in the financial year 2019.
  It presented its recommendations to the Board on the rules and terms for compensation for the members of the Senior Management of LISI S.A., set as variables. The Committee also submitted to the Board its proposals for the implementation and awarding of the 2016 (16C18 plan) and 2019 (19C21) performance share plans.
  The Committee also reviewed the Board's draft compensation plan for 2020 to be presented to the Board for final approval.
- **Strategic Committee:** the Committee met twice in the financial year 2019.
  The Committee first met in the spring of 2019 for a presentation by Senior Management on the strategies of the divisions and of the Business Group and to discuss the major issues of each of these components. Several areas for development were identified following the discussions and the Board asked management to set the directions for the year-end period.
  The Committee met again in the fall of 2019 for a general presentation on the Group's strategic plan updated for 2019-2023. It was presented by LISI Senior Management together with the managers of the Aerospace, Automotive and Medical Divisions. At the end of the presentation, the Committee recorded the major strategic issues to be submitted to the Board for a decision on which ones to tackle in 2020.

1.3 / Board of Directors' assessment

For several years now, the LISI Board of Directors has been assessing itself and intends to continue and deepen this approach. The assessment exercise carried out by the Board at the end of 2018 highlighted areas for improvement, in particular in the areas of Corporate Social Responsibility, the corruption prevention and detection system, and the Company's diversity policy as implemented within its governing bodies. Each of these topics was handled by the Committees and the Board in 2019, as illustrated by the work described in the two previous chapters.

At the end of 2019, the Board conducted a self-assessment of each member's contributions and skills. The exercise, carried out for the first time, highlighted, on the one hand, the progress made in the areas covered and, on the other, new areas for improvement in the Company's governance, which will be included in 2020 action plans.

2 / The administrative bodies

2.1 / Composition of the Board of Directors and of the specialized Committees

As of December 31, 2019, the Group's Board of Directors consisted of 14 members.

- The Board's members include nine family group directors, four "independent" directors as strictly defined by the AFEP-MEDEF Code, revised in June 2018 and used by the Company and one "qualified person" director who has been a director of LISI for more than 12 years and who thus no longer enjoys the status of independent director. The representation rate for these three groups is therefore as follows: 64% for Family Directors, 29% for Qualified Persons and 7% for Independent Directors. This distribution corresponds globally to the capital structure of the Company, with the family groups holding nearly 66% of the share capital of LISI as of December 31, 2019.
- Similarly, the Board is composed of six women and eight men, and the proportion of women members of the Board is therefore 43%.
- In order to be in strict compliance with the provisions of the AFEP-MEDEF Code, revised in June 2018, the Board will continue its strategy to reach the formal rate of one third of independent directors.
- The Board of Directors will appoint two directors representing the employees in 2020.

  To do so, it will propose a resolution to the Extraordinary Shareholders' General Meeting of April 24, 2020 intended to change the bylaws of the Company, i.e. Article 10.1 "Composition of the Board of Directors".

  It will then ask the Group Works Council and the European Committee to each designate a director representing the employees. Once appointed, the directors will be trained before attending their first Board of Directors meeting scheduled for October 21, 2020.

Composition as of December 31, 2019		Independent Director	Appointment date	Mandate expiry date
BOARD OF DIRECTORS				
Board Member	Gilles KOHLER		1985	OGM2023 [3]
Chairman of the Board of Directors			1999	
Board Members	Isabelle CARRERE		2014	OGM2022 [2]
	Patrick DAHER	X	2009	OGM2023 [3]
	Emmanuelle GAUTIER	X	2017	OGM2021 [1]
	Capucine KOHLER		2014	OGM2022 [2]
	SAS CIKO represented by Jean-Philippe KOHLER [5]		2002	OGM2023 [3]
	Pascal LEBARD		2005	OGM2021 [1]
	Lise NOBRE	X	2008	OGM2022 [2]
	FFP Invest represented by Christian PEUGEOT [7]		2019	OGM2023 [3]
	Compagnie Industrielle de Delle represented by Thierry PEUGEOT [4]		1977	OGM2023 [3]
	Marie-Hélène PEUGEOT-RONCORONI		2014	OGM2022 [2]
	Véronique SAUBOT	X	2018	OGM2022 [2]
	VIELLARD MIGEON & Cie represented by Cyrille VIELLARD [6]		1977	OGM2023 [3]
	Emmanuel VIELLARD		2000	OGM2023 [3]
Board of Directors	Maître Olivier PERRET (corporate taxes)			
AUDIT COMMITTEE				
Member of the Audit Committee: Chairwoman of the Audit Committee	Lise NOBRE	X		
Audit Committee members:	Isabelle CARRERE			
	Emmanuelle GAUTIER	X		
	Cyrille VIELLARD			
COMPENSATION COMMITTEE				
Compensation Committee members Chairman of the Compensation Committee	Patrick DAHER	X		
Compensation Committee members	Thierry PEUGEOT			
	Véronique SAUBOT	X		
STRATEGIC COMMITTEE				
Strategic Committee member Chairwoman of the Strategic Committee	Véronique SAUBOT	X		
Strategic Committee members	Capucine KOHLER			
	Gilles KOHLER			
	Jean-Philippe KOHLER			
	Pascal LEBARD			
	Lise NOBRE	X		
	Christian PEUGEOT			
	Emmanuel VIELLARD			
NOMINATIONS COMMITTEE				
Nominations Committee member Chairman of the Nominations Committee	Thierry PEUGEOT			
Nominations Committee members	Patrick DAHER	X		
	Gilles KOHLER			
	Marie-Hélène PEUGEOT-RONCORONI			
GOVERNANCE COMMITTEE				
Governance Committee member Chairman of the Governance Committee	Gilles KOHLER			
Governance Committee members	Lise NOBRE	X		
	Marie-Hélène PEUGEOT-RONCORONI			

[1] Ordinary Shareholders' General Meeting held in 2021 to approve the financial statements for the year closed on December 31, 2020.
[2] Ordinary Shareholders' General Meeting held in 2022 to approve the financial statements for the year closed on December 31, 2021.
[3] Ordinary Shareholders' General Meeting held in 2023 to approve the financial statements for the year closed on December 31, 2022.
[4] Date of appointment of Thierry Peugeot, permanent representative of CID: 2000
[5] Date of appointment of Jean-Philippe Kohler, permanent representative of CIKO: 2002
[6] Date of appointment of Cyrille Viellard, permanent representative of VIELLARD MIGEON & Cie: 2013
[7] Date of appointment of Christian Peugeot, permanent representative of FFP Invest: 2019

2.2 / Information about 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.

2.2.1 / Board of Directors members

Gilles Kohler, age 66, French citizen

Chairman of LISI's Board of Directors.

He chairs the Board of Directors and the Governance Committee, and sits on the Nominations and Strategic Committee.

Gilles Kohler exercises 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 of Directors of Compagnie Industrielle de Delle;
  - Chairman of CIKO;

Isabelle Carrère, age 56, French citizen

Executive Officer of ALBA & Co, Director of LISI

She sits on LISI's Board of Directors and on the Audit Committee

Isabelle Carrère exercises 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
  - Director of FIBI-APLIX group
  - Director of PARROT
  - Director of SOLIDAR'MONDE SA;
  - Manager of Perspective Autonomie;
  - Manager of the non-trading company HARAS DE TURAN

Patrick Daher, age 70, French citizen

Chairman of the Board of Directors of Daher Group, Independent Director of LISI.

Chairman of the Compensation Committee, also sits on the Board of Directors and the Nominations Committee

Patrick Daher exercises 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 DAHER SA;
  - Deputy Director of DAHER INTERNATIONAL DEVELOPMENT (Luxembourg);
  - Managing General Partner of CORE DAHER SCA
  - Chairman of the Supervisory Board of FIDAP SAS;
  - Chairman of GEAD within the GIFAS (Grouping of French Aircraft and Aerospace Companies);
  - Vice-Chairman of the GIFAS;
  - Chairman of the SIAE and Chief Commissioner of the Paris Air Show.

Emmanuelle Gautier, age 49, French citizen

Chairwoman of the consulting firm Stop & Go International, Independent Director of LISI.

She sits on the Board of Directors and Audit Committee

Emmanuelle Gautier exercises 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):
  - Independent director of the Fournier Group;
  - Director of Lakanal;
  - Senior Advisor at Grant Thornton Executive.

Capucine Kohler, age 40, French citizen

Sales Account Manager at ZF (UK).

Director of LISI

She sits on the Board of Directors and the Strategic Committee

Capucine Kohler exercises 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):
  - None.

Jean-Philippe Kohler, age 59, French citizen

Deputy CEO of the LISI Group Permanent representative of CIKO on LISI's Board of Directors

He sits on the Board of Directors, the Audit Committee, the Nominations Committee, the Compensation Committee and the Strategic Committee.

Jean-Philippe Kohler exercises the other mandates and functions listed below:

- Related to the LISI Group (in France and abroad):
  - Director of LISI AUTOMOTIVE SA;
  - Director of LISI AEROSPACE SA;
  - 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 LACE Management Committee
  - Member of the Management Committee of CREUZET AERONAUTIQUE SAS,
  - Member of the Management Committee of BLANC AERO Industries SAS;

- Member of the Management Committee of BLANC AERO Technologies SAS;
- Member of the Management Committee of LISI AEROSPACE FORGED INTEGRATED SOLUTIONS 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 and Director of Compagnie Industrielle de Delle;
- CEO of CIKO SAS;
- Chairman and CEO of Société Immeubles de Franche-Comté;
- Manager of the real estate company PYKO.

Pascal Lebard, age 57, French citizen

Chairman and CEO of SEQUANA, Director of LISI.

He sits on the LISI Board of Directors and Strategic Committee.

Pascal Lebard exercises 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 the Board of Directors of Antalis;
- Director of Arjowiggins HKK 1 Ltd (Hong Kong);
- Chairman of DLMD SAS;
- Chairman of Pascal Lebard Invest SAS;
- Director, Chairman of the Nominations and Compensation Committee and member of the Bureau Veritas Strategic Committee;
- Permanent representative of Oaktree Luxembourg Flandre Anchor Sarl on the Board of Directors of Novartex (Vivarte), Chairman of the Audit Committee and Member of the Nominations and Compensation Committee.

Lise Nobre, age 54, French citizen

Chairwoman of Lumen Equity, Chairwoman of Parvilla

Vice-Chairwoman and Lead Independent Director of LISI

Chairwoman of the Audit Committee, she also sits on the Board of Directors, the Strategic Committee and the Governance Committee

Lise Nobre 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):
- Chairwoman of PARVILLA
- Director of the Company DAHER,
- Director of ROQUETTE Frères,
- Member of the Supervisory Board of PRO ENGIN
- Membre of the Beirat de KAMA (Germany)

Christian Peugeot, age 66, French citizen

Chairman of the CCFA (Committee of French Car Manufacturers)

Chairman of the International Organization of Motor Vehicle Manufacturers

Director of LISI

He sits on the Board of Directors and on the Strategic Committee

Christian Peugeot exercises 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 Établissements PEUGEOT Frères, Chairman of the Ethics Committee, Governance;
- Director of FFP, member of the Financial and Audit Committee;
- Director of Compagnie Industrielle de Delle;
- Director of the PSP Group;
- Manager of BP GESTION;
- Manager of SCI LAROCHE;
- Chairman of AMC Promotion SA;
- Chairman of AAA DATA SAS;
- Chairman of OICA;
- Chairman of UNIFAB (Union des Fabricants).

Thierry Peugeot, age 62, French citizen

Permanent representative of Compagnie Industrielle de Delle at LISI's Board of Directors.

Chairman of the Nominations Committee, he also sits on the Board of Directors and the Compensation Committee

Thierry Peugeot exercises 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 Etablissements PEUGEOT Frères and Chairman of the Accounts Committee;
- Deputy CEO and Director of Société Anonyme de Participations (SAPAR)
- Director of Compagnie Industrielle de Delle (CID);
- Director of Air Liquide S.A. and member of the Audit Committee;
- Chairman and Director of CITP
- Chairman and Director of SIV
- Chairman and CEO and Director of SID
- Honorary Chairman of the National Association of Joint Stock Companies (ANSA).

Marie-Hélène Peugeot-Roncoroni, age 59, French citizen

Permanent representative of EPF (Etablissements Peugeot Frères) on the Supervisory Board of Peugeot SA and Vice-Chairwoman of the Supervisory Board. Member of the Nominations Committee, the Compensation Committee, the Governance Committee and the Asia Committee.

Director of LISI

She sits on the Board of Directors, the Governance Committee and the Nominations Committee.

Marie-Hélène Peugeot-Roncoroni exercises 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):
  - Chairwoman and Director of SAPAR
  - Chairwoman of Saint – Co SAS;
  - Director and Vice-Chairwoman of FFP;
  - Permanent representative of EPF on the Supervisory Board of PEUGEOT SA;
  - Director of Etablissements PEUGEOT Frères and Deputy CEO;
  - Director of ESSO SAF (France);
  - Director of Fondation PSA PEUGEOT CITROEN and Vice-Chairwoman of the Board of Directors
  - Director of SICAV ARMENE2
  - Director of the Fonds de dotation familial Peugeot

Véronique Saubot age 54, French citizen

Chairwoman of TYKYA

Independent Director of LISI

Chairwoman of the Strategic Committee, she also sits on the Board of Directors and the Compensation Committee.

Véronique Saubot exercises the other mandates and functions below:

- Related to the LISI Group (in France and abroad):
  - None.
- Outside the LISI Group (in France and abroad):
  - Chairwoman of TYKYA
  - Director of Groupe LA POSTE, mail, parcels and home service branch;
  - Member of the Board of Directors of the Dayone investment fund
  - Member of the Board of Directors of Institut Aspen
  - Member of the Board of Directors of Harmonie Mutuelle

Cyrille Viellard, age 42, French citizen

Chairman of VMC Pêche and member of the Executive Committee of Groupe Rapala VMC Oyj,

Permanent representative of VMC on LISI's Board of Directors.

He sits on LISI's Board of Directors and Audit Committee.

Cyrille Viellard holds the following other offices:

- Related to the LISI Group (in France and abroad):
  - None.
- Outside the LISI Group (in France and abroad):
  - Director of Viellard Migeon & Cie SA;
  - Director of FSH Welding Group SA;
  - Director of Compagnie Industrielle de Delle SA.
  - Member of the Management Committee of Ets REBOUD ROCHE SAS;
  - Member of the Management Committee of SELECTARC WELDING SAS;
  - Member of the Management Committee of Normark Deutschland GmbH
  - Director of Normark Polska Sp. z.o.o.;
  - Director of Normark Hungary Zrt.;

Emmanuel Viellard, age 56, French citizen

CEO and Director of LISI.

He sits on the Board of Directors, the Strategic Committee and the Nominations Committee.

Emmanuel Viellard exercises the other mandates and functions listed below:

- Related to the LISI Group (in France and abroad):
  - Chairman of the Board of LISI AEROSPACE SA;
  - Chairman of the Board of LISI AUTOMOTIVE SA;
  - Chairman of LISI AEROSPACE STRUCTURAL COMPONENTS SAS;
  - Chairman of AIRMON HOLDING 1 SAS;
  - Chairman of LISI MEDICAL SAS;
  - Director of HI-SHEAR Corporation (USA);
  - Director of Termax (USA)
  - Director of LISI AUTOMOTIVE Hi-Vol Inc. (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 BLANC AERO Industries SAS;
  - Member of the Management Committee of BLANC AERO Technologies SAS;
  - Member of the Management Committee of CREUZET AERONAUTIQUE SAS,
  - Member of the Management Committee of LISI AEROSPACE FORGED INTEGRATED SOLUTIONS SAS;
  - Member of the Management Committee of LACE
  - 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
  - Chairman and CEO of VIELLARD MIGEON & Cie SA;
  - Director 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);
  - Director of RAPALA-VMC OYJ (Finland);
  - Permanent representative of VMC on the Management Committee of:
    - Ets REBOUD ROCHE SAS;
    - SELECTARC WELDING SAS;
    - DE PRUINES Industries SAS
  - Manager of Société ELV
  - Manager of Sur le Mont
  - Officer of GIFAS

- Honorary Chairman of GIFAS;
- Chairman of the VIELLARD Family Association.

2.2.2 / Family ties

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

- Gilles Kohler and Jean-Philippe Kohler are brothers;
- Thierry Peugeot and Marie-Hélène Peugeot-Roncoroni are siblings;
- Capucine Kohler is the daughter of Gilles Kohler.

2.2.3 / 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 Board's Rules of Procedure expressly provide for conflicts of interest, when applicable: "The members of the Board of Directors are duty bound to inform the Board of any conflicts of interest, even potential, current or to come, which they are or may be involved in. 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."

2.2.4 / No condemnation for fraud, involvement in a bankruptcy or criminal offense and/or public sanction

To the Company's knowledge, in the past five years:

- no condemnation for fraud was pronounced against any of the members of the Board of Directors;
- none of the members of the Board of Directors has been involved in any bankruptcy, receivership, or winding up, as a member of a Board of Directors, management board, or 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.

2.3 / Compensation and interests of corporate officers

2.3.1 / Directors' fees

The Shareholders' General Meeting, held on April 26, 2019, set the annual directors' fees for members of the Board of Directors at €500,000 from the start of the financial year on January 1, 2019, until decided otherwise.

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' fees are paid to directors at the end of each half-year based on their participation in the meetings of the Board and Committees during the previous half-year. They include a fixed portion per session and a variable portion depending on the type of presence of the director in question (in person or via audio/video).

The directors' fees paid to directors in 2018 included €111,000 for 2017 and €204,000 for 2018.

The directors' fees paid in 2019 totaled €455,000.

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

Board Members	Directors' fees paid in 2018 by LISI S.A. (in euros)	**Directors' fees paid in 2019 by LISI S.A. (in euros)**	Directors' fees due in respect of 2018 (in euros)	**Directors' fees due in respect of 2019 (in euros)**
Capucine KOHLER	24,000	33,750	15,000	33,750
Eric ANDRE	18,000		6,000	
Isabelle CARRERE	24,000	34,500	15,000	34,500
Patrick DAHER	30,000	37,500	21,000	37,500
Emmanuelle GAUTIER	24,000	29,000	15,000	29,000
Gilles KOHLER		58,750		58,750
Pascal LEBARD	27,000	33,750	18,000	33,750
Lise NOBRE	48,000	53,750	30,000	53,750
Christian PEUGEOT	21,000	25,250	12,000	25,250
Thierry PEUGEOT	30,000	39,500	21,000	39,500
Marie-Hélène PEUGEOT-RONCORONI	24,000	32,000	18,000	32,000
Véronique SAUBOT	12,000	44,750	12,000	44,750
Cyrille VIELLARD	33,000	32,500	21,000	32,500
TOTAL	**315,000**	**455,000**	**204,000**	**455,000**

The directors, other than Jean-Philippe Kohler and Emmanuel Viellard, did not receive any compensation other than the directors' fees mentioned above from LISI, its subsidiaries and the controlling company CID.

Gilles Kohler has received directors' fees since January 1, 2019 in his capacity as Chairman of the Board of Directors and member of committees as described in his director description (see paragraph 2.2.1 above). He did not receive any other form of compensation.

2.3.2 / Shares held by corporate officers

The table below shows the number of shares held by the corporate officers as at December 31, 2019*:

Corporate officers	Number of LISI shares held directly	Number of LISI shares held indirectly
Gilles KOHLER	84,955	
Emmanuel VIELLARD	37,579	
Christian PEUGEOT (representative of FFP Invest)	5	2,750,000
Cyrille VIELLARD (permanent representative of VMC)		3,112,793
Jean-Philippe KOHLER (permanent representative of CIKO)	73,861	
Thierry PEUGEOT (permanent representative of CID)	125	29,643,620
Pascal LEBARD	50	
Véronique SAUBOT	0	
Emmanuelle GAUTIER	0	
Patrick DAHER	1,000	
Lise NOBRE	850	
Capucine KOHLER	600	
Isabelle CARRÈRE	750	
Marie-Hélène PEUGEOT-RONCORONI	600	
TOTAL	**200,375**	**35,506,413**

* As of the date of the Shareholders' General Meeting, Mrs. Véronique Saubot, Mr. Cyrille Viellard, Mr. Thierry Peugeot and Mr. Christian Peugeot have acquired 700 – 1,000 – 600 and 800 shares respectively and are therefore in compliance with the LISI internal regulations.

2.3.3 / Manager powers and compensation

2.3.3.1 - Powers of the CEO and, if any, of the Deputy CEOs - specific limitations placed by the Board of Directors on the powers of the CEO and, if appropriate, on those of the Deputy CEOs

The powers that are, under the laws and regulations in force and the provisions of the bylaws of the Company and of the Rules of Procedure of the Company:

- neither reserved to the Board;
- nor reserved to the Shareholders' General Meetings 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 on 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 the scope of the powers of the CEO or of a Deputy CEO for a particular transaction.

If necessary, these limits shall be set in the minutes of the Board meeting authorizing the transaction.

2.3.3.2 - Compensation of managers

	Employment Contract		Supplementary pension plan		Allowances or benefits due or likely to be due as a result of the termination or change of functions		Compensation under a non-compete clause	
NON-EXECUTIVE CORPORATE OFFICER MANAGER	YES	NO	YES	NO	YES	NO	YES	NO
Gilles KOHLER Function: Chairman of the Board of Directors Term of office start: 1999 Term of office end: 2022		X		X		X		X
CORPORATE OFFICER MANAGERS								
Emmanuel VIELLARD Function: CEO Term of office start: 2016 Term of office end: 2022		X		X		X		X
Jean-Philippe KOHLER Function: Deputy CEO Term of office start: 2016 Term of office end: 2022		X		X		X		X

The terms for the salary of the Chairman and Chief Executive Officer and for the Deputy CEO are approved by the Board of Directors on the advice of the Compensation Committee.

Compensation of the Chairman of the Board of Directors

The compensation of Mr. Gilles Kohler in his capacity as Chairman of the Board of Directors was set on the advice of the Compensation Committee.

In 2018, it included a fixed amount for the corporate mandate. No other form of compensation has been paid. Gilles Kohler had a company car which, was returned on 12/31/2018. The associated benefit in kind was valued at €2 thousand.

As of January 1, 2019, it is paid exclusively in the form of directors' fees consisting of a fixed and a variable portion.

The breakdown of the compensation paid to the Chairman of the Board of Directors is as follows:

Gilles KOHLER Chairman of the Board of Directors of LISI S.A.	**2019**	2018
Compensation due for the period - for the corporate mandate	None.	152,096
Compensation due for the period - as directors' fees	58,750	None.
Valuation of the performance and bonus shares acquired during the financial year	None.	None.
Valuation of the options granted during the financial year	None.	None.
Valuation of the shares granted during the financial year	None.	None.
TOTAL	**58,750**	**152,096**

With respect to the 2020 financial year, the Board of Directors, at the suggestion of the Compensation Committee, will put to the vote of the Shareholders' General Meeting of April 24, 2020, continuation of the compensation type and calculation method based on the same principles as in 2019.

Compensation of the CEO and the Deputy CEO

In 2019, the variable portion of executive compensation is capped at 65% of the fixed remuneration. The allocation formula for the criteria used to determine the variable portion is as follows:

- operating margin representing 25% of the fixed remuneration;
- Free Cash Flow rate representing 15% of the fixed remuneration;
- Rate of achievement of strategic objectives representing 25% of the 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 manager of LISI S.A. are as follows in euros:

Emmanuel VIELLARD CEO of LISI S.A.	2019	2018
Remuneration due for the period	657,686	505,255
Valuation of the options granted during the financial year	None.	None.
Valuation of the performance shares granted during the financial year *	160,140	102,120

* Valuation at the share price prevailing on the date of the Board of Directors meeting which approved the plan and based on 100% achievement of performance conditions, i.e. €22.20 for the 2018 plan and €31.40 for the 2019 plan.

Jean-Philippe KOHLER Deputy CEO of LISI S.A.	2019	2018
Remuneration due for the period	556,233	455,736
Valuation of the options granted during the financial year	None.	None.
Valuation of the performance shares granted during the financial year *	160,140	102,120

* Valuation at the share price prevailing on the date of the Board of Directors meeting which approved the plan and based on 100% achievement of performance conditions, i.e. €22.20 for the 2018 plan and €31.40 for the 2019 plan.

The tables summarizing the compensation of each corporate officer manager of LISI S.A. are as follows in euros:

Emmanuel VIELLARD CEO of LISI S.A.	Amounts for the 2019 financial year		Amounts for the 2018 financial year	
	owed	paid	owed	paid
Fixed remuneration	399,100	396,200	367,200	367,200
Variable compensation	241,000	122,000	122,000	220,000
Incentives	15,129	13,163	13,163	15,687
Exceptional remuneration	None.	None.	None.	None.
Directors' fees	None.	None.	None.	None.
Benefits in kind *	2,511	2,511	2,892	2,956
TOTAL	**657,740**	**533,874**	**505,255**	**605,843**

*Benefits in kind: company car.

Jean-Philippe KOHLER Deputy CEO of LISI S.A.	Amounts for the 2019 financial year		Amounts for the 2018 financial year	
	owed	paid	owed	paid
Fixed remuneration	336,600	336,000	330,000	330,000
Variable compensation	202,000	110,000	110,000	198,000
Incentives	15,129	13,163	13,163	15,687
Exceptional remuneration	None.	None.	None.	None.
Directors' fees	None.	None.	None.	None.
Benefits in kind *	2,558	2,558	2,573	2,575
TOTAL	**556,287**	**461,721**	**455,736**	**546,262**

*Benefits in kind: company car.

With respect to the 2020 financial year, the Board of Directors, at the suggestion of the Compensation Committee, will put to the vote of the Shareholders' General Meeting of April 24, 2020, continuation of the fixed compensation in the same amount as 2019, with no increase, and the renewal of the 2019 variable compensation allocation keys for the two managers.

The remuneration presented correspond to all those that have been paid by LISI, no remuneration 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.

Benefits in kind granted to the managers

In 2019, Emmanuel Viellard and Jean-Philippe Kohler benefited from a company car.

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

No stock subscription or purchase options were allocated during financial year 2019.

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

In 2019, the corporate officers did not exercise any options.

Performance shares allocated to each corporate officer manager

The allocated plans outstanding at December 31, 2019 are listed in the following table:

	Plan number and date	Maximum number of shares awarded during the financial 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 to trigger an allocation
Emmanuel VIELLARD Function: CEO	N°14 Date: 12/13/2017	4,600	179,492	February 2020	February 2020	RNA (Revalued Net Assets) at least equal to €1,701 million
	N°15 Date: 12/12/2018	4,600	102,120	February 2021	February 2021	RNA (Revalued Net Assets) at least equal to €1,767 million
	N°16 Date: 12/11/2019	5,100	160,140	February 2022	February 2022	RNA (Revalued Net Assets) at least equal to €1,450 million
TOTAL		14,300	441,752			
Jean-Philippe KOHLER Function: Deputy CEO	N°14 Date: 12/13/2017	4,600	179,492	February 2020	February 2020	RNA (Revalued Net Assets) at least equal to €1,701 million
	N°15 Date: 12/12/2018	4,600	102,120	February 2021	February 2021	RNA (Revalued Net Assets) at least equal to €1,767 million
	N°16 Date: 12/11/2019	5,100	160,140	February 2022	February 2022	RNA (Revalued Net Assets) at least equal to €1,450 million
TOTAL		14,300	441,752			

Performance shares that became available during the financial year for each corporate officer manager

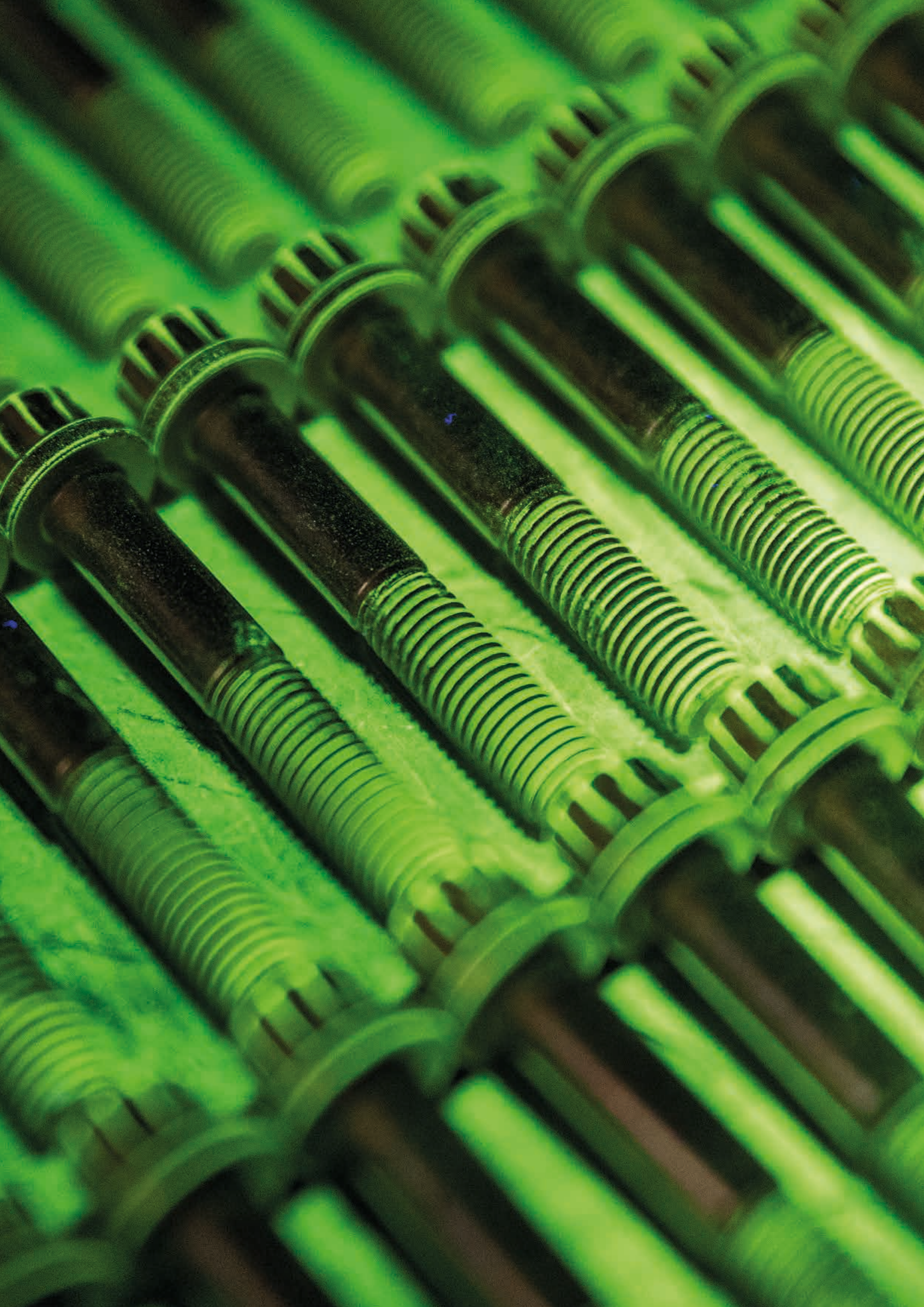
	Plan number and allocation date	Number of shares that became available during the period	Acquisition date	Date of availability	Conditions
Emmanuel VIELLARD Function: CEO	N°13 Date: 12/20/2016	None.	02/20/2019	02/20/2019	None.
Jean-Philippe KOHLER Function: Deputy CEO	N°13 Date: 12/20/2016	None.	02/20/2019	02/20/2019	None.

The Board, noting that the Group did not meet its value creation objectives for the reference period, at the suggestion of the Compensation Committee and in accordance with the rules defined during the Board meeting of December 20, 2016, decided not to allocate shares from the 16C18 plan.

2.4 / Implementation of the “apply or explain” rule of the AFEP-MEDEF Code

Provisions of the AFEP-MEDEF code not complied with	Explanations
NUMBER OF INDEPENDENT MEMBERS ON THE BOARD	
Art 8.3: the proportion of independent directors in the companies controlled should be at least one third.	According to the criteria of the AFEP-MEDEF Code referred to by the company, Pascal Lebard, who has been a 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 met. They are considered to be “qualified persons”. There are five non-Group* directors, i.e. 36% of the Board members. The renewal of the next mandates will provide an opportunity to meet the target of one third independent directors (see paragraph 2.1 of this chapter)
COMPOSITION OF THE NOMINATIONS COMMITTEE	
Art 16.1 Composition: It cannot have any Corporate Officer Managers and must consist primarily of independent directors	The LISI Nominations Committee does not have any Corporate Officer Managers. However, it consists primarily of family group directors reflecting the company’s capital structure.
LISI SHARES TO BE HELD BY DIRECTORS	
Art 19: unless otherwise required by law, each director must personally own a relatively significant number of shares in relation to the attendance fees received: Directors who do not have the required number of shares when they take up office shall use their attendance fees to acquire them.	Directors who do not yet comply with this recommendation shall rectify the situation at the earliest possible date.

* Independent directors and qualified persons



7 Shareholders' General Meeting

Combined Shareholders' General Meeting of April 24, 2020

1 / Agenda

OF THE COMPETENCE OF THE EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING

- Review and approval of the Company financial statements for the period ended December 31, 2019;
- Approval of consolidated financial statements for the period ended December 31, 2019;
- Approval of the agreements set out in Articles L225-38 et seq. of the French Commercial Code;
- Discharge to the Directors and Auditors;
- Appropriation of earnings;
- Approval of the compensation allocated to the Chairman of the Board of Directors, the CEO and the Deputy CEO in respect of the financial year ended December 31, 2019;
- Approval of the principles and criteria for the determination, breakdown and allocation of the components of the compensation of the Chairman of the Board of Directors, the CEO and the Deputy CEO;
- Authorization for the Company to repurchase its own shares;

OF THE COMPETENCE OF THE EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING

- Setting out the terms for appointing directors representing employees;
- Relevant amendment of the bylaws;
- Powers;
- Miscellaneous questions.

2 / Text of the draft resolutions

OF THE COMPETENCE OF THE EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING

First 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 Company financial statements established as at December 31, 2019, as they are presented, with profits of €47,199,320.74 as well as the transactions described in these financial statements or 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 €36,909.

Second 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 as at December 31, 2019, showing profits of €69,773,441.

Third resolution – Approval of the agreements set out in article L.225-38 of the French Commercial Code

Having listened to the reading of the Auditors' special report on the conventions covered by Articles L. 225-38 of the French Commercial Code, the Shareholders' General Meeting approves the sections indicated in this report.

Fourth resolution – Discharge to the Directors

The Shareholders' General Meeting gives full discharge to the Directors for their work for the financial year 2019 and to the Auditors for their term of office.

Fifth 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	€47,199,320.74
plus retained earnings in the amount of	€100,492,103.43
TO GIVE A TOTAL OF	**€147,691,424.17**

constituting the distributable profit, which the Board of Directors proposes to allocate as follows:

the sum of €0.46 per share, to give a total of to be paid on May 5, 2020	€24,892,585.82
To the balance carried forward to give a total of	€122,798,838.35

The dividend for each share amounts to €0.46. The portion of the dividend eligible for the tax rebate of 40% for shareholders under Article 158-3-2° of the French General Tax Code is €0.46.

In addition, the Shareholders' General Meeting acknowledges that it has been apprised that the dividend payouts per share for the last three years were as follows:

Financial year	Dividend paid eligible for the 40% rebate
December 31, 2016	€0.45
December 31, 2017	€0.48
December 31, 2018	€0.44

Sixth resolution – Opinion on the compensation allocated to the Chairman of the Board of Directors in respect of the financial year ended December 31, 2019

The Shareholders' General Meeting, in accordance with the provisions of Article L.225-100 II of the French Commercial Code, approves the compensation for the role of Director allocated to Gilles Kohler in his capacity as Chairman of the Board of Directors, as described in the corporate governance report prepared by the Board of Directors in respect of the financial year ended December 31, 2019.

Seventh resolution – Opinion on the compensation allocated to the Deputy CEO in respect of the financial year ended December 31, 2019

The Shareholders' General Meeting, pursuant to the provisions of Article L225-100 II of the French Commercial Code, approves the fixed, variable and long-term components comprising the total compensation and benefits in kind paid and allocated to Emmanuel Viellard in his capacity as CEO, as described in the corporate governance report prepared by the Board of Directors in respect of the financial year ended December 31, 2019.

Eighth resolution – Opinion on the compensation allocated to the Deputy CEO in respect of the financial year ended December 31, 2019

The Shareholders' General Meeting, pursuant to the provisions of Article L 225-100 II of the French Commercial Code, approves the fixed, variable and long-term components comprising the total compensation and benefits in kind paid and allocated to Jean-Philippe Kohler in his capacity as Deputy CEO, as described in the corporate governance report prepared by the Board of Directors in respect of the financial year ended December 31, 2019.

Ninth resolution – Approval of the principles and criteria for the determination, breakdown and allocation of the components of the compensation of the Chairman of the Board of Directors in respect of the financial year 2020

The Shareholders' General Meeting, in accordance with the provisions of Article L.225-37-2 of the French Commercial Code, approves the principles and criteria for the allocation of compensation for the role of Director paid and allocated to Gilles Kohler in his capacity as Chairman of the Board of Directors, as described in the corporate governance report prepared by the Board of Directors.

Tenth resolution – Approval of the principles and criteria for the determination, breakdown and allocation of the components of the compensation of the CEO in respect of the financial year 2020

The Shareholders' General Meeting, pursuant to the provisions of Article L225-37-2 of the French Commercial Code, approves the principles and criteria for the determination, breakdown and allocation of the fixed, variable and long-term components comprising the total compensation and benefits in kind paid and allocated to Emmanuel Viellard in his capacity as CEO, as described in the corporate governance report prepared by the Board of Directors.

Eleventh resolution – Approval of the principles and criteria for the determination, breakdown and allocation of the components of the compensation of the Deputy CEO in respect of the financial year 2020

The Shareholders' General Meeting, pursuant to the provisions of Article L225-37-2 of the French Commercial Code, approves the principles and criteria for the determination, breakdown and allocation of the fixed, variable and long-term components comprising the total compensation and benefits in kind paid and allocated to Jean-Philippe Kohler in his capacity as Deputy CEO, as described in the report appended to the corporate governance report prepared by the Board of Directors.

Twelfth resolution – Approval of the principles and criteria for the determination, breakdown and allocation of the compensation of the Directors in respect of the financial year 2020

The Shareholders' General Meeting, in accordance with the provisions of Article L225-37-2 of the French Commercial Code, approves the principles and criteria for the determination, breakdown and allocation of compensation for the Directors not covered by the previous resolutions, as described in the corporate governance report prepared by the Board of Directors.

Thirteenth resolution – Share buyback 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 26, 2019;
- 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 buy back its own shares, representing up to 10% of the Company's capital stock, corresponding to 5,411,432 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 capital stock or 2,705,716 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 financial 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 Extraordinary General 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 at all times within the limits set by Article L225-209 of the French Commercial Code.

The following terms apply to this authorization:
- the Company may not repurchase its own shares for more than €60, not including transaction fees.

The highest figure that LISI would pay if it purchased shares at the ceiling price set by the Shareholders' General Meeting, i.e. €60 is €271,870,560.

This authorization is valid for a period of 18 months from the date of this Shareholders' General 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.

OF THE COMPETENCE OF THE EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING

Fourteenth resolution – Setting out the terms for appointing directors representing employees

Having read the Board of Directors' report and having noted that the Company is now subject to the terms and conditions set out for appointing directors representing employees to the Board of Directors, the Shareholders' General Meeting rules that in accordance with the relevant legal provisions, and given that the Company's Board of Directors has more than eight members, the appointment process shall be as follows:
- The first Director representing employees will be appointed by the Group Works Council as set out by Articles L2331-1 et seq. of the French Labor Code;
- The second Director representing employees will be appointed by the European Works Council as set out by Articles L2334-1 et seq. of the French Labor Code.

Fifteenth resolution – Amendment of the bylaws

Thus, the Shareholders' General Meeting decides to amend as follows Article 10 of the bylaws, which shall now be worded as follows:

Article 10 – Board of Directors

1° - Composition

The following is inserted:

As the Company has exceeded the thresholds set out by law, one or two directors representing employees shall be appointed to the Board of Directors. The number of directors representing employees is set to one if the number of directors is eight or less, and two if the number of directors is more than eight. However, directors representing employees are not included when calculating the minimum number of directors sitting on the Board, nor when applying the legal provisions on gender equality to the Board.

The director(s) representing employees shall be appointed as follows:
- *If the Board of Directors comprises up to eight members, a single director representing employees will be appointed by the Group Works Council as set out by Articles L2331-1 et seq. of the French Labor Code;*
- *If the Board of Directors comprises more than eight members, a director representing employees will be appointed by the Group Works Council as set out by Articles L2331-1 et seq. of the French Labor Code, and a second director will be appointed by the European Works Council as set out by Articles L2334-1 et seq. of the French Labor Code;*

The mandate for each director representing employees is four years. However, should the director's employment contract be terminated early, their mandate shall also expire.

The remainder of the Article remains unchanged.

Sixteenth resolution - Formalities

The Shareholders' General Meeting assigns all rights to the bearer of an original, a copy or extracts of the minutes of its deliberations for the purpose of accomplishing all formalities, as well as all legally required filings and publications.

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