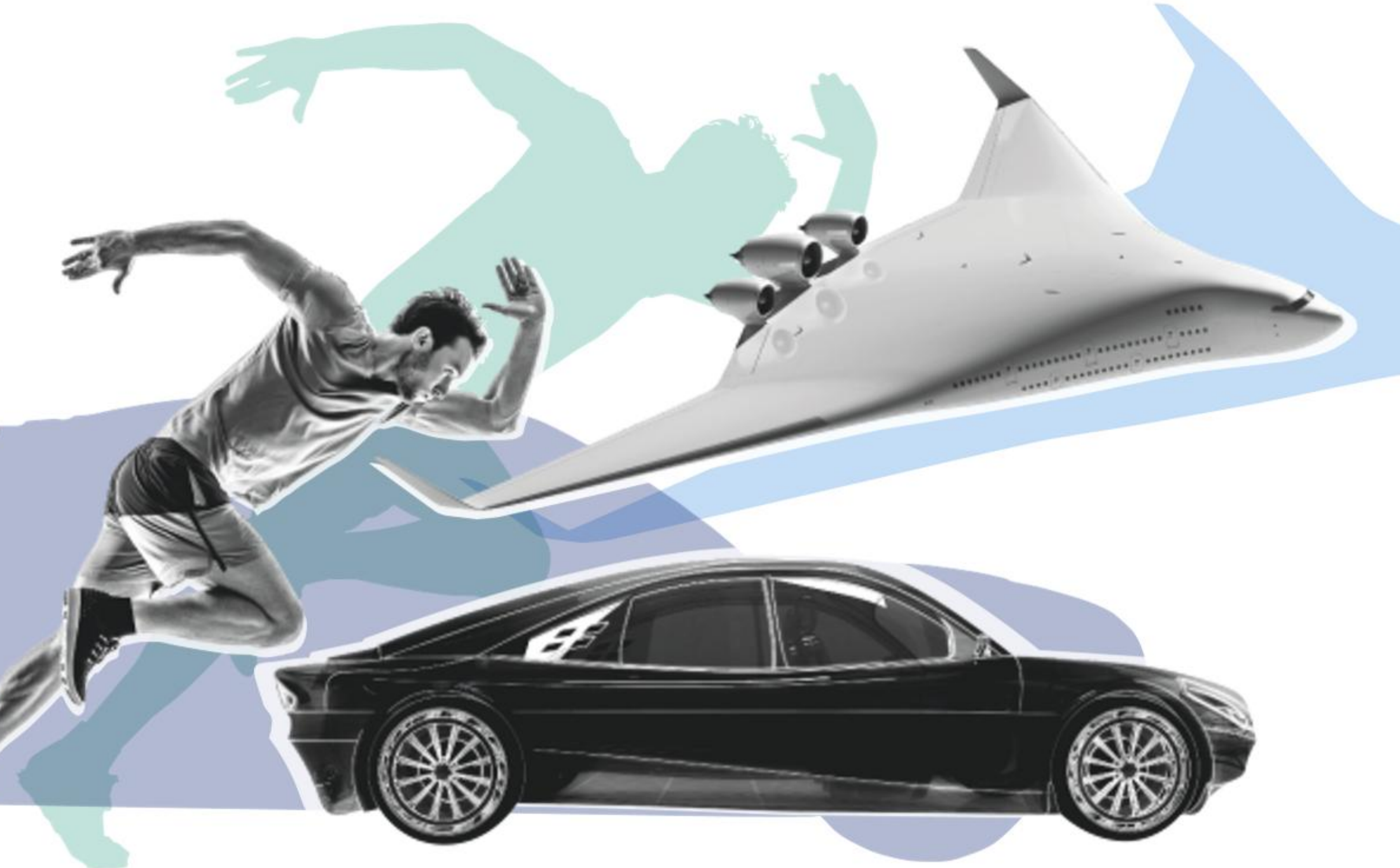
2021 / Universal Registration Document



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

CONTENTS

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 that the information contained in this Universal Registration Document is, to the best of my knowledge, consistent with the facts and does not contain any 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 that 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 and that it describes the principal risks and uncertainties that it faces".

Grandvillars, April 1, 2022
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 fiscal year ending December 31, 2022.

Cabinet Ernst & Young et Autres represented by Pierre JOUANNE
Tour First
1, Place des Saisons TSA 14444
92037 PARIS-LA DÉFENSE Cedex
Appointed April 25, 2017. Mandate to expire during the Ordinary General Meeting ruling on the financial statements for fiscal year ending December 31, 2022.

2.3 Documentation

- Universal Registration Document in French and English
- Integrated report in French and English
- Press release
- Other quarterly or regulated information

All documents are made available to the shareholders. They may either be requested from the Company's head office or consulted on or downloaded 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
- TANGER (MOROCCO)
- VIGNOUX-SUR-BARANGEON
- VILLEFRANCHE-DE-ROUERGUE

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

STRUCTURAL COMPONENTS

FORMED STRUCTURAL COMPONENTS
- MARMANDE
- RZESZÓW (POLAND)

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

ADDITIVE MANUFACTURING
- AYGUEMORTE-LES-GRAVES

LISI MEDICAL

MEDICAL EUROPE
- HÉROUVILLE-SAINT-CLAIR
- NEYRON

MEDICAL UNITED STATES
- BIG LAKE
- COON RAPIDS

LISI AUTOMOTIVE

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

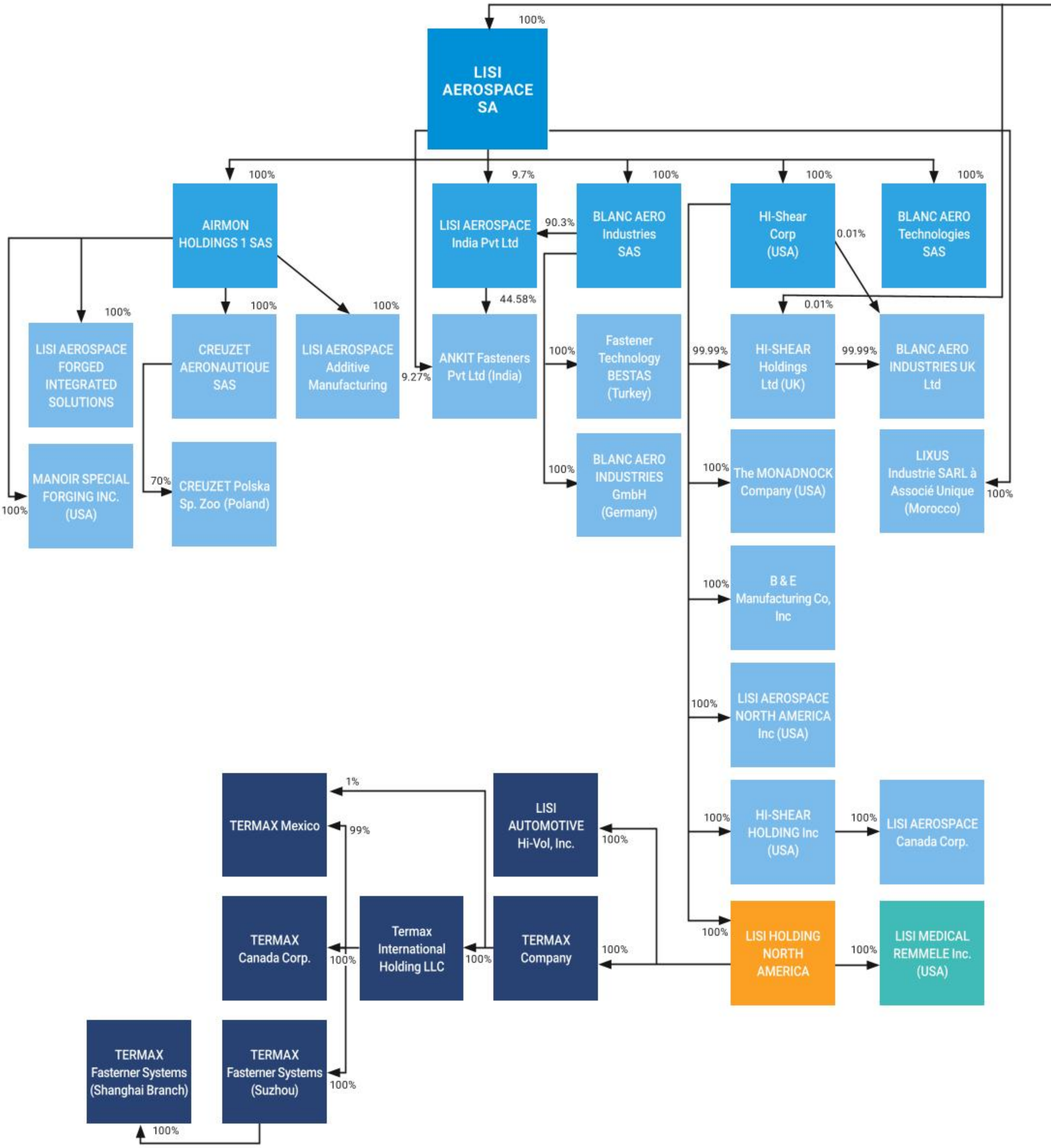
CLIPPED SOLUTIONS
- HEIDELBERG (GERMANY)
- LAKE ZURICH (USA)
- MELLRICHSTADT (GERMANY)
- MONTERREY (MEXICO)
- PUISEUX
- QUERETARO (MEXICO)
- ZHUOZHOU (CHINA)
- SUZHOU (CHINA)

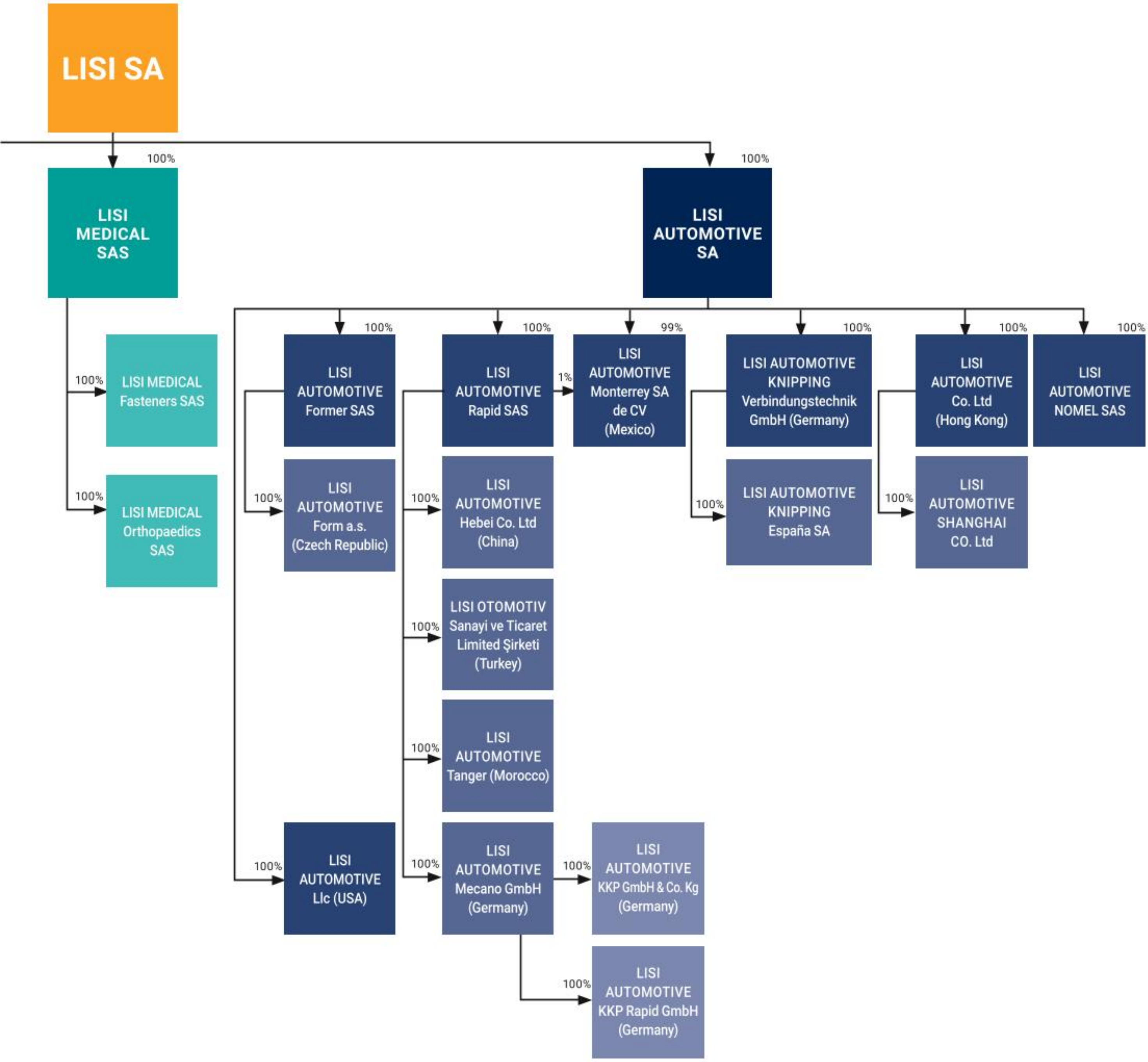
SAFETY MECHANICAL COMPONENTS
- ČEJČ (CZECH REPUBLIC)
- LIVONIA (USA)
- MELISEY
- SHANGHAI (CHINA)

SUPPORT ACTIVITIES
- GRANDVILLARS
- LURE

* Secondary sites

4 Legal organization chart




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 Rapid SAS
1%
99%
LISI AUTOMOTIVE Monterrey SA de CV (Mexico)
100%
LISI AUTOMOTIVE KNIPPING Verbindungstechnik GmbH (Germany)
100%
LISI AUTOMOTIVE Co. Ltd (Hong Kong)
100%
LISI AUTOMOTIVE NOMEL SAS
100%
LISI AUTOMOTIVE Form a.s. (Czech Republic)
100%
LISI AUTOMOTIVE Hebei Co. Ltd (China)
100%
LISI AUTOMOTIVE KNIPPING España SA
100%
LISI AUTOMOTIVE SHANGHAI CO. Ltd
100%
LISI OTOMOTIV Sanayi ve Ticaret Limited Şirketi (Turkey)
100%
LISI AUTOMOTIVE Tanger (Morocco)
100%
LISI AUTOMOTIVE Llc (USA)
100%
LISI AUTOMOTIVE Mecano GmbH (Germany)
100%
LISI AUTOMOTIVE KKP GmbH & Co. Kg (Germany)
100%
LISI AUTOMOTIVE KKP Rapid GmbH (Germany)

5 Key figures

(in € millions)	2021	2020	2019	2018	2017
Sales revenue	1,163.9	1,230.0	1,729.5	1,645.1	1,643.4
Current operating profit (EBIT)*	66.6	41.5	155.1	135.6	171.4
Income for the period attributable to owners of parent	44.0	(37.3)	69.8	92.1	108.0
Shareholders' equity and minority interests	1,053.5	990.4	1,021.4	943.6	897.7
Net debt	272.8	220.8	331.9	339.3	300.2
Registered employees at period end	9,480	9,676	11,171	12,131	11,958

* After the impact of the extension of depreciation and amortization periods for the 2021 fiscal year.

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 code: FII.FP

Compartment: A Eurolist

Stock market: Euronext Paris

Number of shares: 54,114,317

Market capitalization at December 31, 2021: €1,534.1M

Indices: CAC® AERO&DEF., CAC® All Shares, CAC® Industrials

6.2 Share capital

Amount of share capital

Share capital taken up by shareholders and fully paid-up, as at December 31, 2021, 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 (cancelled)	Nominal value of shares	Total number of shares after issue	Capital after transaction
CAPITAL AT 12/31/2021: €21,645,726 DIVIDED INTO 54,114,317 SHARES WITH A NOMINAL VALUE OF €0.40								
04/25/2017	02/14/2018	Capital increase reserved for employees	€36,177	€2,744,915	90,442	€0.40	54,114,317	€21,645,726

Share capital authorized but not issued

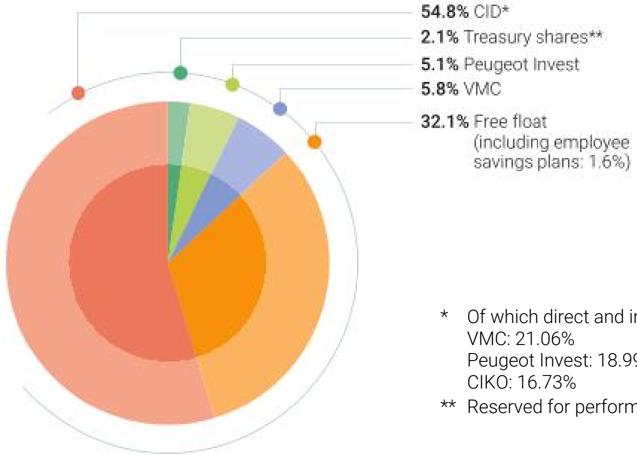
None.

Potential capital securities

At December 31, 2021, there are no warrants providing access to capital.

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

	12/31/2021			12/31/2020		
	as % of the share capital	as % of voting rights	in number of shares	as % of the share capital	as % of voting rights	in number of shares
CID	54.8	66.7	29,643,620	54.8	66.8	29,643,620
VMC	5.8	6.6	3,112,818	5.8	6.6	3,112,793
PEUGEOT INVEST	5.1	6.2	2,750,000	5.1	6.2	2,750,000
Other corporate officers	0.4	0.4	203,545	0.4	0.4	203,595
TOTAL CORPORATE OFFICERS	**66.0**	**79.9**	**35,709,983**	**66.0**	**80.0**	**35,710,008**
of which directors	*0.2*	*0.2*	*111,315*	*0.2*	*0.2*	*111,315*
Treasury shares	2.1		1,157,653	2.2		1,179,685
Employees	1.6	1.0	870,000	1.6	0.9	842,000
Public	30.3	19.0	16,376,681	30.3	19.0	16,382,624
GRAND TOTAL	**100.0**	**100.0**	**54,114,317**	**100.0**	**100.0**	**54,114,317**



* Of which direct and indirect shareholdings in
VMC: 21.06%
Peugeot Invest: 18.99%
CIKO: 16.73%

** Reserved for performance share plans

Shareholders or group of shareholders controlling more than 3% of the share capital:

The sole activity of CID, 6 rue Juvénal Viellard, CS 70431 Grandvillars, 90008 Belfort Cedex is holding LISI securities. At December 31, 2021, it held 54.8% of the LISI S.A. share capital and 66.7% of the 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 PEUGEOT Invest, and VIELLARD family through VMC). While family ties exist between shareholders, they are not directly related.

At December 31, 2021, the capital of CID broke down as follows:

- CIKO for 30%,
- VMC for 28%,
- Peugeot Invest for 25%,
- Others for 17%.

- The main activity of **CIKO**, at 7 rue du Stade, 90100 Delle, is the holding of LISI and CID shares. At December 31, 2021, it directly held 0.1% of the LISI S.A. share capital and 0.1% of the 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.
- At December 31, 2021, **VMC**, a company based at route des Forges 90120 Morvillars, held 5.8% of the LISI S.A. capital and 6.6% of the voting rights. At the same date, it held, indirectly, 15.3% of the LISI S.A. capital, *i.e.* in total 21.1% of the capital.
- **PEUGEOT Invest**, a company based at 66, avenue Charles de Gaulle 92522 Neuilly sur Seine Cedex, directly owned 5.1% of the LISI S.A. share capital and 6.2% of voting rights as of December 31, 2021. 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 3% or more of the 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.A.'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 December 1, 2020 enabled 4,593 shareholders to be identified.

On the basis of this survey conducted by Euroclear France, the free float of LISI shares, at 32.1%, broke down as follows:

- 233 institutional investors holding 26.2% of the share capital:
  - 131 French institutional investors holding 7.3% of the share capital;
  - 102 foreign investors holding 18.9% of the share capital.

The geographic breakdown of the institutional shareholders thus identified was as follows: France (27.8%), Luxembourg (21.6%), USA (21.5%), United Kingdom (11.6%), Belgium (9.4%) and other countries (8.2%).

- 3,761 individual French and international shareholders holding 4.3% of the share capital: the individual shareholders are mostly of French origin.
- The "LISI en actions" group savings plan held 1.6% of the share capital (representing 2,739 employee shareholders).

LISI S.A. treasury shares

At December 31, 2021, LISI S.A. held 1,157,653 of its treasury shares, or 2.1% 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 €
2017	0.48
2018	0.44
2019	0.00
2020	0.14
2021[(1)]	**0.29**

(1) Proposed by the Board of Directors meeting held on February 17, 2022, subject to the decision of the Combined General Meeting of April 28, 2022. The dividend payment date was set at May 6, 2022.

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 fiscal 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 was 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 repurchase program

In place at December 31, 2021

On April 29, 2021, 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 29, 2023.

LISI S.A. is therefore considering a share buyback plan for the following purposes:

- market-making for the Company's shares by an investment services provider through a liquidity agreement in accordance with the Code of Ethics recognized by the AMF, it being specified that, in this case, the number of shares taken into account for the calculation of the limit of 10% of the share capital of the company referred to above corresponds to the number of shares purchased, less the number of shares resold during the term of the authorization,
- the granting of stock options or the allocation of free shares to employees and corporate officers of the company and/or its Group as well as the allocation or sale of company shares in the company or group savings plans or other similar plans,
- the hedging of marketable securities giving the right to the allocation of shares in the company under the conditions provided for by law,
- to retain and use shares at a later date 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,
- the implementation of any market practice accepted or that may come to be accepted by the AMF and, more generally, the performance of any other transaction in accordance with the regulations in force, subject to informing the shareholders by press release.

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 S.A. would pay if it purchased shares at the ceiling price set by the Shareholders' General Meeting, *i.e.* €60, is €253,904,820.

Under the above-mentioned share repurchase program, LISI S.A. acquired 201,074 treasury shares in 2021, *i.e.* 0.4% of the total number of shares issued. On the other side, the Company sold 223,106 shares, *i.e.* 0.4% of the total number of shares issued.

These purchases and sales included 201,074 shares purchased, *i.e.* 0.4% of the total number of shares issued and 218,406 sold, *i.e.* 0.4% of the total number of shares issued as part of the market-making agreement with Oddo Corporate Finance. The market-making contract complies with the ethical charter of the AMAFI.

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

	Number of shares	Average price weighted in €
SECURITIES HELD AT 01/01/2021	**1,179,685**	**10.30**
Shares acquired in 2021	201,074	24.75
Shares awarded in 2021	-4,700	7.46
Shares disposed in 2021	-218,406	24.20
SECURITIES HELD AT 12/31/2021	**1,157,653**	**10.20**
Of which securities intended for market-making	11,200	
Of which share-based compensation (maximum amount attributable at 12/31/2021)	621,510	
Of which available shares	524,943	

New share repurchase program

For the next Shareholders' General Meeting, to be held on April 28, 2022, it is proposed that the LISI S.A. share repurchase program should be renewed.

The program will be renewed under the same conditions, as indicated in Chapter 7 – General Meeting (20th resolution).

6.6 Liquidity of the share

Multiplace free float turnover rate: 36%

Average number of securities traded per day in 2021: 32,065

Month	Closing rates	Highest price	Lowest price	Session average	Transaction volumes	Securities traded during the month (1)
2020						
January	27.45	30.75	25.10	27.93	12,928	461,194
February	28.10	32.70	27.05	29.88	13,349	453,173
March	16.74	28.35	14.34	21.35	17,651	924,644
April	14.80	17.40	14.00	15.70	8,775	552,188
May	17.14	17.14	12.50	14.82	8,569	584,451
June	18.50	23.30	16.84	20.07	12,469	646,823
July	19.70	23.30	19.70	21.50	7,810	428,754
August	19.00	20.40	18.70	19.55	4,430	227,518
September	16.96	21.00	16.72	18.86	3,860	203,894
October	13.02	16.86	13.08	14.97	4,784	319,304
November	21.45	22.40	13.82	18.11	11,463	570,230
December	20.15	21.50	18.80	20.15	7,625	371,496
2021						
January	18.86	21.60	18.20	19.90	5,034	251,593
February	20.40	22.40	18.30	20.35	8,123	397,350
March	24.85	25.10	20.50	22.80	8,046	350,121
April	26.85	28.60	24.45	26.53	6,221	239,433
May	29.05	30.00	25.30	27.65	4,885	179,510
June	27.55	29.90	26.60	28.25	6,970	244,675
July	28.75	29.35	26.00	27.68	4,768	171,505
August	28.00	30.00	26.95	28.48	3,743	131,269
September	25.65	28.30	25.00	26.65	4,954	186,677
October	24.05	27.10	23.35	25.23	9,494	371,218
November	21.80	25.65	21.55	23.60	10,371	436,074
December	28.35	28.35	21.75	25.05	7,504	303,581
2022						
January	27.95	30.45	27.00	28.73	7,091	246,421
February	26.40	30.75	24.80	27.78	10,936	395,435

(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 AMAFI and is implemented by

ODDO BHF

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

6.7 Background

LISI was born in the eighteenth century out of the merger of several family-owned companies from Montbéliard and Belfort. In this region in the Department of Franche-Comté, industrialization had begun very early, in a number of different areas, but with a common technical theme: iron working.

The technical excellence developed around metallurgy then irrigated other fields of expertise in the region, such as watch-making, bicycles and cars.

LISI is a perfect illustration of this progression: its original business, the production of metal wires and screws and bolts gradually transformed, adapting to the demands of an industrialized world that has greatly evolved over the past two centuries.

LISI currently produces high technology fittings (threaded and clipped) for the automotive, aerospace and medical sectors.

With its still predominantly family shareholding that allows it to pursue a long-term strategy, LISI continues to grow in France and around the world, offering its customers optimal service and responsiveness.

1777
Creation by Frédéric Japy of a watchmaking factory in Beaucourt
Frédéric Japy sets up a workshop to produce watchmaking parts in Beaucourt, near Montbéliard. By mechanizing the manufacture of these parts, he revolutionizes the sector and becomes the founder of a veritable industrial dynasty.

1796
Foundation of the Migeon & Dominé factory, which specializes in the manufacture of metal wire
The iron mongers, Jean-Baptiste Migeon and Jean-Baptiste Dominé join forces to operate the forges located near Belfort. The Migeon & Dominé company then specializes in the production of metal wires, to be sold, among others, to Japy-Frères.

1806
First industrial manufacture of forged wood screws
Thanks to revolutionary manufacturing patents, Japy-Frères and Migeon & Dominé decide to jointly launch the first industrial production of forged wood screws in France.

1835
Arrival of Juvénal Viellard at Migeon & Dominé
Juvénal Viellard, from a family of blacksmiths in Belfort, joins the Migeon & Dominé business by marrying Laure Migeon. He quickly becomes the sole manager of the company, which takes the name of Viellard-Migeon & Compagnie (VMC).

1866
Creation of Comptoir des quincailleries de l'Est
Five industrial companies, including Japy-Frères and VMC, decide to create a joint sales structure: the Comptoir des quincailleries de l'Est. This centralizes commercial operations and distributes orders by specialty, thereby lowering manufacturing costs. It soon has branches in Paris, Barcelona, Milan, Zurich, Stuttgart and Buenos Aires.

1899
Creation of Société Industrielle de Delle (SID)
In 1899, Jules Dubail, his two brothers Adolphe and Louis, his son-in-law Joseph Kohler, and Joseph Frossard founded Société Industrielle de Delle (SID). SID began by manufacturing gas furnaces and copying devices called "Bicycle copiers", then very quickly developed other products: safety pins, mechanical parts, turned screws, etc. During the First World War, it focused on eye bolts and tensioners for aeronautics before going into forged screws and bolts in 1929.

1959
Takeover of Japy's screws and bolts business by SID, Bohly Frères and VMC
Face with the dismantling of Japy-Frères, the directors of SID, Rene and Jean Kohler, decided to buy out its subsidiary VBJ (Visserie-Boulonnerie Japy). Unable to carry out the transaction on their own, the Kohlers joined forces with other manufacturers in the region: VMC and Bohly Frères, a company created in 1897, specializing in the production of turned bolts and spark plug caps.

1962-1968
Towards the creation of an industrial group: GFD
The family companies Bohly, Dubail-Kohler and Viellard merge to form Générale de Forging Décolletage (GFD). The group is now the leading French manufacturer of standard and automotive bolts.

1977
Start of the aeronautics business
In the 1970s, GFD acquired two aeronautical subcontracting companies with the support of Blanc Aero Industries (BAI), a company specializing in aeronautical fasteners. In 1977, GFD and BAI merged to form Générale Financière et Industrielle (GFI). The transaction is made possible thanks to the stake acquired by the Peugeot family. Today, the Kohler, Peugeot and Viellard families remain the major shareholders in LISI S.A.

1990-2001
Development through strong external growth
After being listed on the Second Market of the Paris Stock Exchange in 1989, the Group developed over the following decade through the acquisition of more than fifteen companies in Europe and the United States.

2002
The Group takes the name of LISI
In 2000, the Group buys the company Rapid and three of its subsidiaries (the sites of Puiseux, Heidelberg and Mellrichstadt). Rapid does not produce screws but clips (in plastic or metal) for automobiles. The technology for making screws and clips is different, but the commercial approach and the business are identical. The Group benefits from the complementarity of the products to differentiate itself from its competitors and is positioned as one of the few multi-specialist players in fittings. It does the same in aeronautics with the acquisition in 2003 of the Californian company Monadnock.

To more firmly anchor this positioning, the Group takes the name LISI in: "Link Solutions for Industry".

2007-2010
Creation of a new division: LISI MEDICAL
Between 2007 and 2010, LISI acquires four companies that manufacture dental implants or assembly systems (screws, braces) used in reconstructive surgery. In 2010, with the takeover of the Stryker Corporation hip prosthesis production site in Hérouville-Saint-Clair, near Caen, the Group sets up a new division: LISI MEDICAL.

2011-2014
LISI AEROSPACE expands into structural components
With the acquisition of Creuzet Aéronautique in 2011, followed by Manoir Aerospace in 2014, LISI AEROSPACE expands into complex structural components, complementary to fasteners. This diversification enables LISI AEROSPACE to take on a new dimension and establish itself as one of the major equipment manufacturers for aeronautics.

2016
LISI MEDICAL acquires a new business
The acquisition of Remmele Medical Operations enables the medical division to expand its industrial operations in the United States and position itself in a new and very promising segment: the manufacture of minimally invasive surgical instruments.

2017-2018
LISI AUTOMOTIVE expands in the United States
With the acquisition of the American companies Termax and Hi-Vol Products, LISI AUTOMOTIVE bolsters its clipped fasteners and high added-value mechanical safety components business and takes on a global dimension: the division is now present in the 3 major regions for the production of automobiles: China, Europe and North America.

2019-2020
Refocusing activities on high value-added solutions
- LISI AEROSPACE sells two non-strategic subsidiaries: Indraero-Siren in France and LISI AEROSPACE Creuzet Morocco.
- LISI AUTOMOTIVE sells its chassis bolts, chassis studs and ball joints business (St. Florent site) and its German subsidiary LISI AUTOMOTIVE Mohr und Friedrich GmbH specializing in hot forging and manufacturing, notably, for the truck market (€14.8 million in revenue in 2019).

LISI becomes the owner of 100% of the capital of the American company Termax.

2020-2021
Reinforcement of the Group's strategic activities
The LISI Group pursued its adaptation plan, initiated at the start of the COVID-19 crisis, and reinforced the Group's strategic positioning in high value-added activities:
- Sale of the LISI MEDICAL Jeropa subsidiary (United States), mainly exposed to the dental sector, to reposition LISI MEDICAL on its core business (orthopedics and MIS).
- Sale of the LACE subsidiary (LISI AEROSPACE).
- Acquisition of the American company B&E Manufacturing by LISI AEROSPACE to extend the product offering to the high-pressure hydraulic fittings market.

6.8 Mission – Strategy

Since 2019, the LISI Group has had a Steering Committee to define its mission. We decided to draft said mission according to an internal collaborative process adapted to express our convictions.

As part of this approach, we consulted the Board of Directors to define the main guidelines, then the Executive Committee, the mission of which is to build what will become our mission tomorrow. This internal approach expresses a veritable choice and underlines a strong desire to support our vision and to concretely represent what we do on a daily basis, our DNA. Our objective is to formalize our mission and make it official over the coming year and to disseminate it widely, both internally and externally.

A Lead Director, chosen by the Board of Directors, monitored and participated in this work by regularly informing the members of the Board of Directors (see Chapter 6 – Corporate Governance, Section 1.2).

6.9 A diversified business model

Our resources

Social & human capital

- 9,480 employees in 13 countries
- Of which 23% are women
- An LKI corporate university
- Long-term attention to health, safety and quality of life at work

Intellectual capital

- An internal network of experts in France, the United States and Germany
- More than 200 years of experience in the preparation and processing of metals

Industrial capital

- 42 production sites in 13 countries
- Of which 3 sites certified *"Vitrine Industrie du Futur"* by the *"Alliance Industrie du futur"*
- Ratio of 394 robots for 10,000 employees

Financial capital

- €1,053.5 million in shareholders' equity
- €49.5 million in free cash flow
- Stable shareholder base (more than 60% held by the founding French industrial families)

Societal and environmental capital

- LISI E-HSE internal program of excellence
- 5.3% of investment dedicated to HSE
- LISI signatory of:
  - Global Compact
  - French Business Climate Pledge

Our impacts

Social & human capital

- Favorable and attractive social model: profit-sharing, incentives, employee shareholding and employee savings plans
- 167,829 hours of training
- 78% satisfaction rate in quality of life at work survey
- TF1* = 8.0

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

Intellectual capital

- 10 inventions in 2021**

** Invention disclosure filed in the form of a sealed "Soleau" envelope or first filing of patent

Industrial capital

- €13 million in investment to develop the capacity of our plants, *i.e.* 19% of total investments
- 100% of production sites certified according to standards EN 9100 (aerospace), IATF 16949 (automotive), ISO 13485 (medical)

Financial capital

- Operating margin of 5.7%
- EBITDA margin of 13.2%
- ROCE of 5%

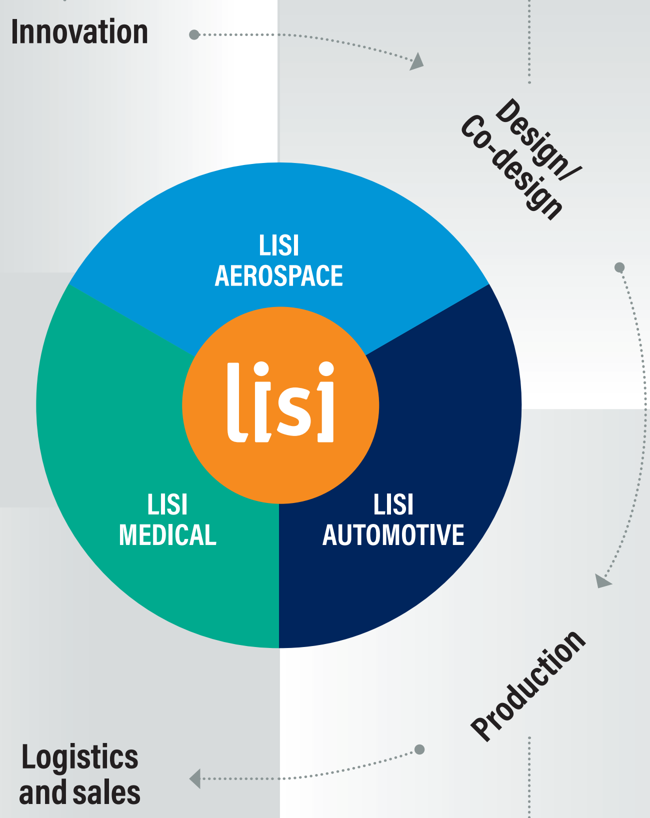
Societal and environmental capital

- 82/100 on the Gaïa Index
- A reduced environmental footprint from 2018 to 2021 in relation to the creation of added value: -22% water consumption and -8% waste production
- 84% of sites ISO 14001 and 45001 certified

Our model

Innovation has always been at the heart of the LISI Group's development and growth. This strategy allows us to respond to today's major technological and environmental challenges.

To imagine the products and solutions of tomorrow, we work with our major customers as part of a co-design process. This method allows us to meet market requirements as effectively as possible.



We manufacture worldwide, wherever our customers do business. Wherever we operate, we apply the same high standards of efficiency and operational excellence.

We always pay the same attention to the quality of service we provide to our customers, both in terms of sales and of the logistics used to serve them.

3 complementary and counter-cyclical activities

- 48% LISI AEROSPACE
- 42% LISI AUTOMOTIVE
- 10% LISI MEDICAL

(% of Group revenue)

2 action levers

- Innovation
- Operational excellence

5 CSR areas

- PROTECT our employees & attain excellence in occupational health and safety
- PROTECT our environment
- RETAIN talent and strengthen the appeal of our business lines
- EXCEED our customers' expectations & ensure the safety of our products
- ASSOCIATE our suppliers in a responsible supply chain

6.10 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 and bylaws

Incorporation and term

The company was set up on July 5, 1968. Its term expires on July 4, 2067, excepting early dissolution or renewal.

Corporate 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, any transactions concerning the mechanics industry and the selling of related articles, the direct or indirect participation in any transactions or deals that may be related to said purposes or that may favor the development of a business, in any form whatsoever, including the creation of a new company, a contribution, subscription, purchase of securities and rights;
- and more generally, all commercial, securities and real estate transactions, be they directly or indirectly related to the corporate purpose or likely to facilitate its expansion or growth.

Fiscal year

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

Specific statutory clauses

Article 9 - Crossing of threshold disclosures

- 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.
- At any time when it is necessary to own a number of existing securities to be able to exercise any right whatsoever, or in case of an exchange or allocation of shares giving the right to a new share in exchange for several existing securities, the single shares or in a number less than that required will confer no rights to the bearers against the company, the holders being required to take personal responsibility for the grouping and, as appropriate, for the purchase or sale of the necessary number of securities.
- 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.
- All shareholders are also required to inform the company within the same period if the stake in the company should fall below the above-mentioned 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 the share capital, as recorded in the minutes of the Shareholders' General Meetings.

Article 15 - General Meetings

1. 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 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 or her 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.

   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 registered 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 fiscal 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

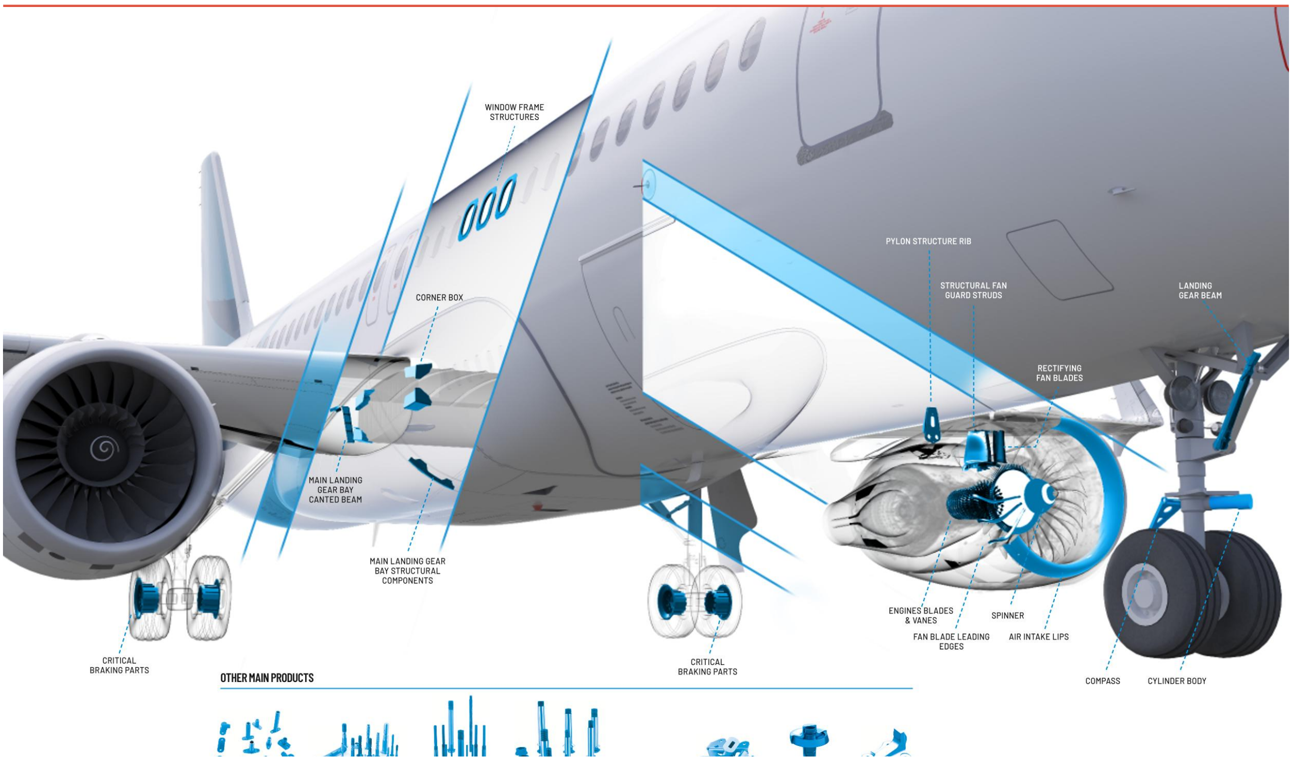
The legal documents concerning the company LISI S.A. (bylaws, minutes of General Meetings, Statutory Auditors' reports, and all other documents made available to the shareholders) may be consulted upon request at the Company's head office located at the following address: Société LISI S.A., 6 rue Juvénal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

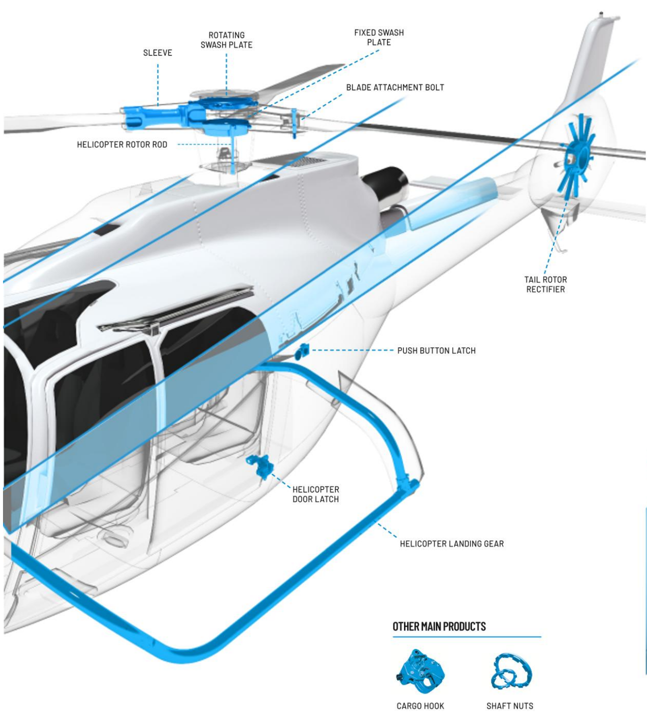
2 Consolidated financial statements

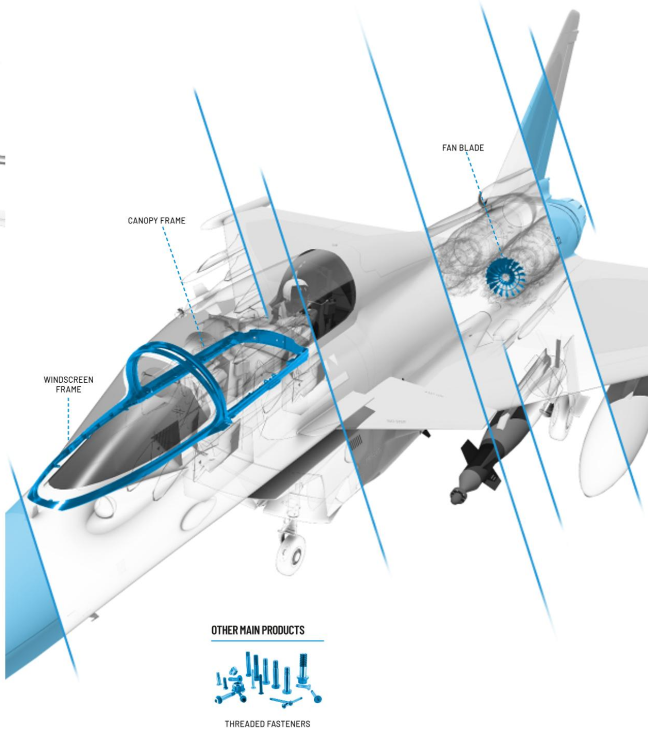
1 Company activities

1.1 Overview of main activities

LISI AEROSPACE	Flagship products	Customers	Competitors
€558M REVENUE 48% of consolidated revenue **5,402** EMPLOYEES 57% of Group headcount **€37.9M** IN CAPEX 57% of Group CAPEX **Activity** Fasteners and assembly and structural components for the aerospace industry	*Airframe fasteners* Structural fasteners mainly in titanium; HI-LITE™ screws and nuts, HI-LOK™, HI-TIGUE™; PULL-IN™, PULL-STEM™, TAPER-HI-LITE™, STL™ fasteners; STARLITE™ nuts; OPTIBLIND™ blind fasteners; Lockbolts crimped fasteners. *Engine fasteners* Engine fasteners (high-temperature steels; cobalt or nickel-based alloys, very high resistance superalloys), inserts, bushings and studs; tree bolts. *Hydraulic fittings* *Latches* *Interior assembly systems* Clipnut, spacers & stand-offs, hold down devices, insulating fixings for thermal cladding. *Assembly support* Pre-assembly staples and screwdrivers, tooling for fitting fasteners, ball spindles. *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: vanes, leading edges, arms and LMOs, beams, shrouds, air intake lips, trunk corners, discs, gears, door stops, APU nozzles. Inertia wheel support, antenna support, demisting ramp, complex tubular structures, heat exchangers.	Airbus; Airbus Helicopters; Airbus Atlantic; ARIANEGROUP; Boeing; Bombardier; Dassault; CFAN; Collins Aerospace; COMAC; Embraer; Finmeccanica; GEAE; MTU; Rolls Royce; Safran; Spirit; THALES ALENIA SPACE; THALES GROUP; Formula 1 teams.	ACB; Barnes Aerospace; Böhler; BTL; Doncaster; Howmet Aerospace; Forgital; Leistritz; Macstarlite; Mettis; Otto Fuchs; Pietro Rosa; Precision Castpart Corp; Stanley Engineering Fasteners; TriMas Aerospace; Universal Alloy Corporation; Whitcraft group.







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, forging, extrusion, metal cutting, as well as machining, rolling, tapping, heat treatment, surface treatment, additive manufacturing, automatic control and assembly.

LISI AUTOMOTIVE

€485M
REVENUE
42% of consolidated revenue

3,273
EMPLOYEES
35% of Group headcount

€23.2M
IN CAPEX
35% of Group CAPEX

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

Flagship products

Threaded fasteners
LISI Holloweld weld studs for multi-material assemblies;
application screws for on-board mechatronics;
powertrain fasteners;
fasteners for interior and exterior equipment;
sheet metal screws;
bolts and nuts for body in white;
self-tapping screws;
screws for soft materials;
ocknuts, spacers and hollow bodies, blind rivet bolts and locknuts.

Clipped solutions
Clip-on bolts and nuts;
clipped assembly systems for tubes, cabling and harnesses;
magnetic assembly solutions;
shaft retaining washers;
plugs and cable glands, panel fasteners;
elastic fasteners for panels covering airbags;
self-tapping pinch nuts;
multifunctional metalloplastic subsets.

Safety Mechanical Components
Torsion bars;
guide rods;
brake fittings;
EPB (electric parking brake system) components;
seat mechanism pinions and shafts.

Customers

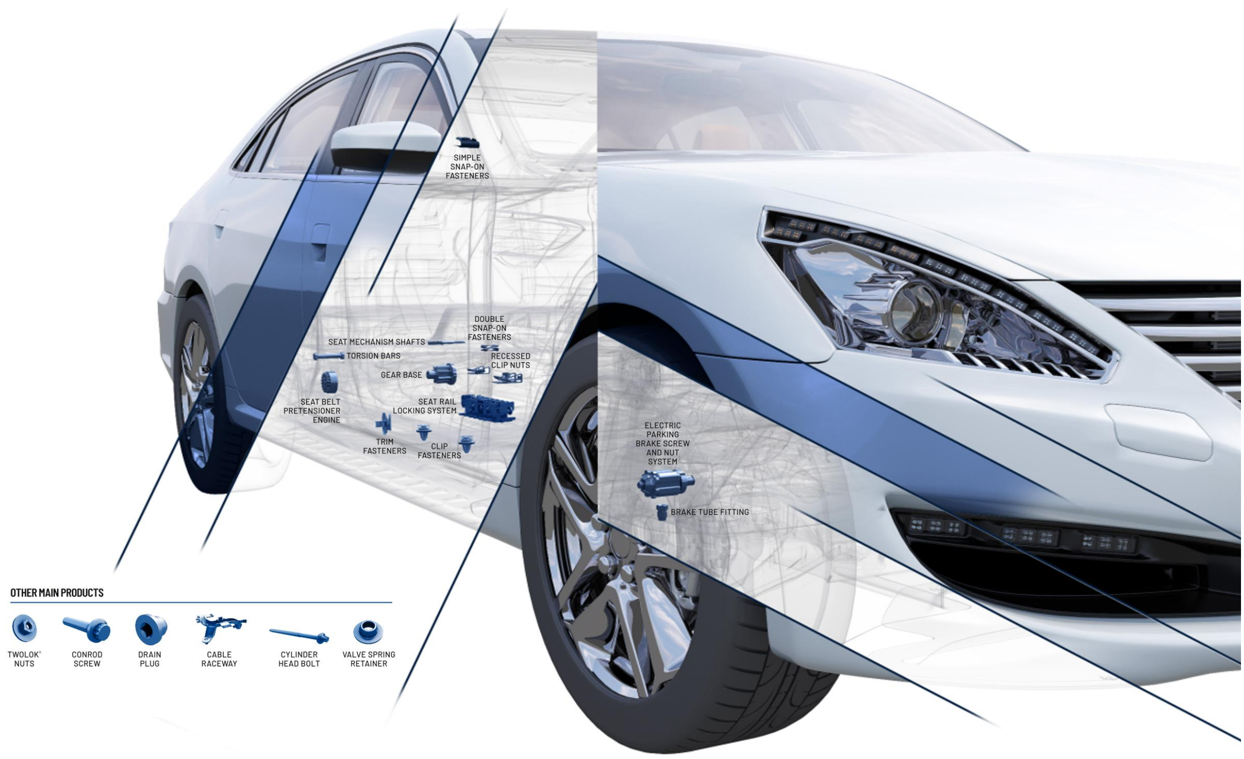
Builders:
BMW
Mercedes Benz;
FAW;
Ford;
GM;
Renault-Nissan;
SAIC;
Stellantis;
VW-Audi.

Parts Manufacturers:
Adient;
Autoliv;
Bosch;
Cooper Standard;
Faurecia;
Grupo Antolin;
Hitachi;
IAC;
LEAR;
Magna;
SEWS - SUMITOMO
TI Automotive;
Yangfeng;
ZF.

Industry:
Blanco;
BSH;
Bufab;
EFC INTERNATIONAL;
Emile Maurin;
Franke;
Miele;
Rittal;
Schneider;
Würth.

Competitors

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



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, metal cutting, rolling, tapping, machining, heat treatment, surface treatment, plastic injection, automatic control and assembly.

LISI MEDICAL

€122M
OF SALES REVENUE
10% of consolidated revenue

768
EMPLOYEES
8% of Group headcount

€5.8M
OF CAPEX
9% of Group CAPEX

Activity
Subcontractor of medical implants and surgical instruments

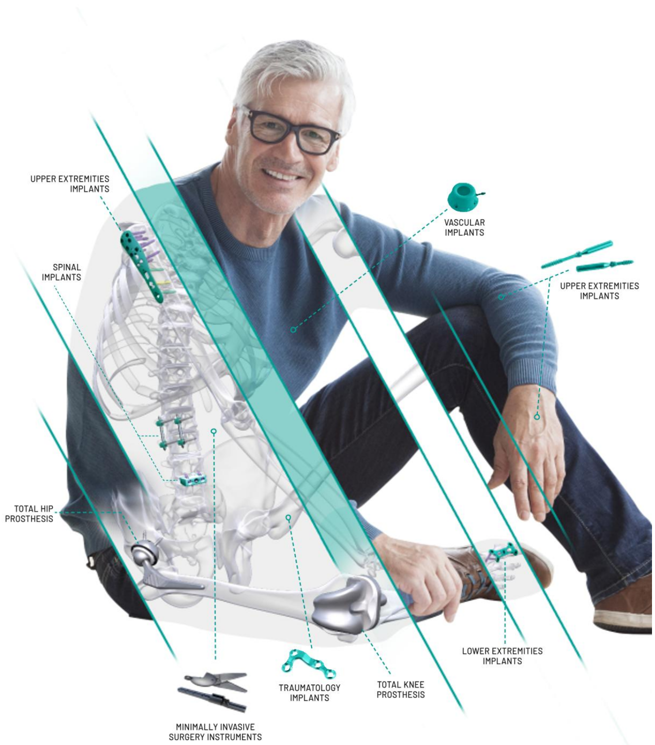
Flagship products

Orthopedics and osteosynthesis:
Hip;
Knee;
Shoulder;
Spine;
Trauma;
Extremities;
Orthopedic instruments.

Advanced surgical technologies:
Cardiovascular;
Urology;
Manual and robotic laparoscopy.

Customers
Alphatec;
Boston Scientific;
Corin;
Lima;
Intuitive surgical;
Johnson & Johnson;
Medacta;
Medtronic;
Osteocentric Technologies;
Rochling Advent;
Smiths;
Smiths & Nephew;
Stryker;
Zimmer-Biomet;
ZimVie.

Competitors
Arch Global Precision;
Autocam Medical;
Avalign;
CeramTec;
Cretex Medical;
Freudenberg Medical;
In'tech medical;
Integer;
Jabil;
Marle;
NN Inc;
Norwood;
Orchid;
Paragon Medical;
SFS Tegra;
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 as follows: titanium, cobalt chrome, stainless steel, etc.

The main technologies used are turning, milling, forging, packaging under sterile conditions, laser marking and special processes.

1.2 Activities from group and outlook of the future

LISI Consolidated

The LISI Group hits its financial targets in 2021

- Revenue amounted to €1,163.9 million, down -5.4% from 2020. This reflects in particular the negative effects of the reduction in inventories in the aeronautics sector,
- Key financial indicators are in line with set targets:
  - at €45.5 million, the comparable EBIT[(1)], before the extension of depreciation periods as of January 1, 2021 stands €4.0 million higher than in 2020,
  - the comparable current operating margin increased by 0.5 point to 3.9% of sales (3.4% in 2020).

These improvements reflect in particular the lowering of the breakeven point for the second consecutive year thanks to the cost slashing actions undertaken since the start of the pandemic.

  - the comparable net income is up very sharply to €28.4 million (2020: -€37.3 million),
  - free cash-flow is largely positive at €49.5 million,
- The strategy of refocusing on high value-added activities continued with the disposals of Jeropa (LISI MEDICAL, United States) on January 11, 2021 and LACE (LISI AEROSPACE, France) on March 4, 2021, and the acquisition of B&E Manufacturing (LISI AEROSPACE, United States) consolidated since August 1, 2021,
- Outlook:
  - return to organic sales growth in 2022,
  - improvement of financial indicators in an inflationary context.

Management and impact of the COVID-19 crisis

The LISI Group operated in an environment that remained disrupted by the COVID-19 pandemic, the main effects of which were:

- sharp increases in the cost of raw materials (steel and plastics) mainly in the LISI AUTOMOTIVE division,
- an overall increase in production consumables and freight costs,
- local tensions in the labor markets in a context of gradual recovery in global economic activity.

Against that specific backdrop, the LISI Group continued to deploy the New Deal plan implemented from the first months of the crisis.

The main cost adjustment measures that make up the "adaptation" pillar of the New Deal plan were initiated for the most part in 2020 and continued in 2021. Among the most significant actions, note the adjustment of the workforce (-196 registered in 2021; -1,495 in 2020), lower fixed costs (-€19.1 million in 2021; -€112.8 million in 2020) and negotiations with all customers of the LISI AUTOMOTIVE division to pass on the increase in the cost of raw materials to the selling prices. Actions aimed at preserving and anticipating short- and medium-term cash requirements have been maintained while maintaining expenditure related to innovation, the robotization of production tools and the ramp-up of new products.

The second pillar of the New Deal plan devoted to "repositioning" materialized through strategic moves aimed at continuing to refocus the Group on high value-added activities (see above), through market share gains and new product launches.

Comments regarding business over the year

At €1,163.9 million, consolidated revenue for the 2021 fiscal year was down -5.4% compared to 2020 and notably reflects the following factors:

- A scope effect of -€10.1 million resulting from the following transactions:
  - deconsolidation of LISI AUTOMOTIVE Mohr + Friedrich GmbH on May 26, 2020, LISI MEDICAL Jeropa in the United States on January 11, 2021 and LACE (LISI AEROSPACE, France) on March 4, 2021, for an impact of -€19.4 million (-1.7% of revenue),
  - acquisition of B&E Manufacturing, consolidated since August 1, 2021 (see press release of July 23, 2021), *i.e.* a contribution of +€9.3 million (+0.8% of sales),
- An unfavorable currency effect of -€16.5 million (*i.e.* -1.4% of sales), mainly tied to the weakening of average US dollar exchange rate against the euro.

On a like-for-like basis and restated for the currency effect, revenue was down -3.3% compared to 2020.

(1) **"Comparable"** refers throughout this document to data **before** the extension of depreciation periods. "Published" refers throughout this document to data after the extension of depreciation periods. See press release of July 22, 2021.

Change in reported sales revenue by quarter (€ million)

	Q1		Q2		Q3		Q4		Total	
	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021
LISI AEROSPACE	226.7	139.4	154.3	134.7	137.5	127.9	144.8	156.0	663.4	558.1
LISI AUTOMOTIVE	136.3	140.3	60.4	119.7	121.0	111.0	133.4	113.6	451.2	484.6
LISI MEDICAL	35.1	29.8	24.4	29.9	28.4	28.4	28.4	33.8	116.3	122.0
LISI Consolidated	397.9	309.4	238.8	284.3	286.7	267.1	306.5	303.2	1,230.0	1,163.9

	Q1 2021		Q2 2021		Q3 2021		Q4 2021		Total 2021	
	Δ reported	Δ organic	Δ reported	Δ organic	Δ reported	Δ organic	Δ reported	Δ organic	Δ reported	Δ organic
LISI AEROSPACE	-38.5%	-35.8%	-12.7%	-7.0 %	-7.0 %	-7.7%	+7.7%	+5.8%	-15.9%	-14.2%
LISI AUTOMOTIVE	+2.9%	+6.9%	+98.2%	+106.1%	-8.2%	-9.1%	-14.9%	-16.5%	+7.4%	+8.6%
LISI MEDICAL	-15.1%	-6.0%	+22.6%	+38.0%	0.0%	+7.0%	+19.3%	+26.0%	+4.9%	+14.1%
LISI Consolidated	-22.2%	-18.8%	+19.0%	+25.9%	-6.8%	-7.0 %	-1.1%	-2.4%	-5.4%	-3.3%

Comments on Q4 activity

On a like-for-like and constant exchange rate basis, Q4 revenue fell by -2.4% compared to the same period of the previous year. The gradual pickup of business in the LISI AEROSPACE division and the positive momentum in the LISI MEDICAL division support the sequential improvement in Q4 sales compared to Q3, despite the drop in activity of the LISI AUTOMOTIVE division.

Analysis by division

LISI AEROSPACE

The annual revenue of the LISI AEROSPACE division amount to €558.1 million, down -15.9% compared to 2020. Q4 2021 at €156.0 million marks a return to growth (+7.7% compared to the same period of the previous fiscal year) and consolidates the sequential improvement observed in the previous three quarters.

“Structural Components” is the segment that displays the most robust recovery. It confirms the anticipated needs for basic parts intended for long-cycle equipment (engines) to meet the increase in production rates among aircraft manufacturers as well as for those intended for maintenance. The annual sales of this segment are thus up +8.0% compared to 2020.

The “Fasteners” segment, which had hit a low point during the first half of the year (-39.6% compared to the same period in 2020), picked up again at the end of the period, particularly in Europe, thanks to the reduction in inventories and the gradual increase in single-aisle production rates. The sales of the last quarter mark the return to growth (+5.5% compared to the same period of the previous fiscal year). This confirms the gradual improvement recorded over the previous three quarters (-46.7% in Q1; -30.3% in Q2 and -19.2% in Q3).

On a like-for-like basis and restated for the effect of currencies, LISI AEROSPACE division revenue increased by +5.8% in the Q4, but was down -14.2% over the year as a whole.

LISI AUTOMOTIVE

In a market marked by the -3.2% decline in the production of its ecosystem over the year as a whole, the revenue of the LISI AUTOMOTIVE division (€484.6 million) increased by +7.4% compared to the same period of the previous year. The division once again confirms its ability to gain market share. This mainly concerns new products that meet the growing needs in terms of electromobility (powertrain and related functions). Thus, the order intake for the division's new products increased by +5.6% to nearly €57 million (12.0% of sales). In accordance with the strategy deployed for several years, the expansion of the customer base and exposure to electric vehicles have progressed.

On a like-for-like basis and restated for the effect of currencies, the annual revenue of the LISI AUTOMOTIVE division was up +8.6%.

LISI MEDICAL

The sales for the LISI MEDICAL division amounted to €122.0 million, up +4.9% compared to 2020. Q4 marked a clear rebound (+19.3% compared to the same period of the previous fiscal year) after a very sharp decline at the start of the year (-15.1% in Q1). Revenue growth is driven by market share gains for new products achieved over the past three years and by the favorable trend in demand.

At constant exchange rates and scope, the annual revenue of the LISI MEDICAL division increased by +14.1% compared to 2020, taking into account in particular the deconsolidation of Jeropa in the United States.

Key figures as of December 31

12 months ending December 31		2021	2020	Changes
Key elements of the income statement				
Sales revenue	€ millions	1,163.9	1,230.0	-5.4%
EBITDA	€ millions	153.5	166.7	-7.9%
EBITDA margin	%	13.2	13.6	-0.4 pt
Reported EBIT	€ millions	66.6	41.5	+60.5%
Reported current operating margin	%	5.7	3.4	+2.3 pts.
Reported net profit (loss)	€ millions	44.0	-37.3	N/A
Net profit (loss) per share	€	0.83	-0.71	N/A
Operating cash flow	€ millions	129.0	111.8	+€17.2M
Net CAPEX	€ millions	-65.9	-72.6	-9.2%
Operating free cash flow*	€ millions	49.5	109.4	-€59.9M
Net debt	€ millions	272.3	220.8	+€51.5M
Ratio of net debt to equity	%	25.8	22.3	+3.5 pts.

* Free cash flow: operating cash flow minus net capital expenditure and changes in working capital requirements.

		2021	2020	Changes
Comparable data				
Comparable EBIT	€ millions	45.5	41.5	+9.6%
Comparable current operating margin	%	3.9%	3.4%	+0.5 pt.
Comparable income for the period attributable to equity holders of the company	€ millions	28.4	-37.3	N/A

Change in estimate of depreciation periods (IAS 8 standard) as announced on July 22, 2021

An analysis of recent experience and the technological evolution of production processes have highlighted the need for the LISI Group to extend the depreciation periods for certain equipment, in particular heavy equipment acquired in recent years, in order to align them with their actual lifespan.

The implementation of more ambitious maintenance plans also allows the equipment to be used for longer. Such changes were also made necessary by the comparison with certain competitors of LISI.

This analysis made it possible to obtain reliable information meeting the criteria of IAS 8 on changes in accounting estimates. These were accounted for prospectively as of January 1, 2021. The changes made to the depreciation periods mainly relate to the "Equipment and Tools" categories which are now depreciated over 15 to 20 years (compared to 10 years previously) and to a lesser extent to "IT equipment" which is depreciated over 5 years (and no longer over 3 years).

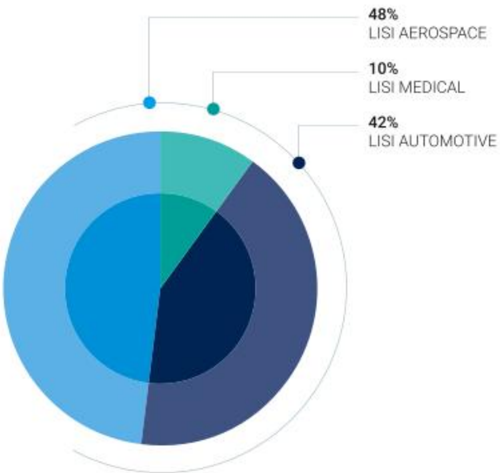
Impact following extension of depreciation periods:

	Difference in depreciation at 12/31/2021 compared to previous estimates			
in millions of euros	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	TOTAL
Plant and machinery		0.5		0.5
Industrial equipment	11.4	7.7	0.3	19.5
Industrial tools	0.1	0.1		0.2
IT hardware		0.5		0.5
Other	0.1		0.3	0.4
TOTAL	**11.6**	**8.8**	**0.7**	**21.1**
Breakdown of impacts	**55%**	**42%**	**3%**	**100%**
Gross value of the fixed assets concerned	210.3	174.3	28.5	413.1
% difference in depreciation compared to gross value	*5.5%*	*5.1%*	*2.3%*	*5.1%*

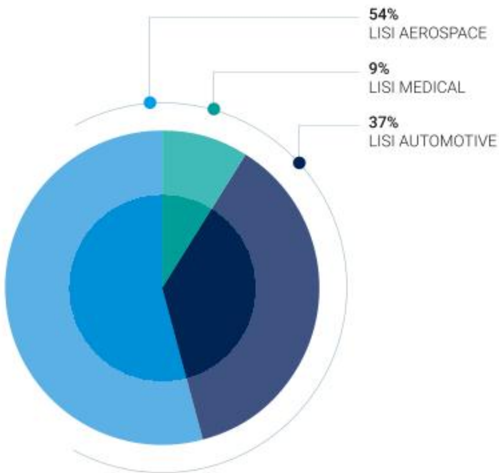
Summary of impacts on the Group's key financial aggregates as at December 31, 2021:

in millions of euros	12/31/2021 comparable	Impact of change of estimate	12/31/2021 reported
Impact on earnings			
Depreciation	-115.7	21.1	-94.6
Current operating profit (EBIT)	45.5	21.1	66.6
Current operating margin	3.9%	1.8 point	5.7%
Profit (loss) for the period	28.7	15.6	44.4
Attributable to equity holders	28.4	15.6	44.0
Impact on balance sheet			
Net tangible assets	677.2	21.1	698.2
Ratios			
ROCE	3.5%	1.5 point	5.0%
ROE	2.8%	1.4 point	4.2%

Breakdown of 2021 sales revenue



Breakdown of 2020 sales revenue



Registered headcount at end-December

	2021	2020	Difference N/N-1	
LISI AEROSPACE	5,402	5,504	-102	-1.9%
LISI AUTOMOTIVE	3,273	3,393	-120	-3.5%
LISI MEDICAL	768	744	+24	+3.2%
LISI Corporate	37	35	+2	+5.7%
TOTAL GROUP (EXCLUDING TEMPORARY WORKERS)	**9,480**	**9,676**	**-196**	**-2.0%**
Temporary workers	325	297		

The decrease in headcount (-2.0%) was less significant than in FY 2020 (-13.4%), which was marked by the start of the COVID-19 pandemic as well as by the brutal slowdown of the global economy and more specifically the markets to which the LISI Group is exposed.

Results for the 2021 fiscal year

EBITDA stood at 13.2% of sales, confirming the strong resilience of the Group's business model (2020: 13.6% of sales) in an environment marked by inflationary trends in all production costs, disruptions linked to absenteeism (COVID-19) and rising tensions in the job market in a context of gradual recovery in global economic activity. It nevertheless remained at a good level thanks to the effectiveness of the cost adjustment measures initiated in 2020. The LISI Group's breakeven point fell significantly (-€311 million) and reached €1,111 million in 2021

(€1,422 million in 2019). This decrease is notably driven by the significant reduction in fixed costs, which fell by -€131.9 million from 2019 and by -€19.1 million from 2020.

Depreciation is down 1.4 point compared to 2020 due in particular to the change in estimated durations mentioned above (-1.8 point). Net provisions are down €7.8 million. They benefit from the reversal of provisions linked to the depreciation of inventories, the turnover of which has been accelerated by the gradual recovery in activity as well as by the increase in the order books to be delivered in the LISI AEROSPACE division.

Comparable EBIT reached €45.5 million. At 3.9% of sales, the comparable current operating margin increased by 0.5 point compared to 2020. At 5.7% of revenue, the reported operating margin increased 2.3 points compared to 2020.

The annual impairment tests did not reveal any indication of impairment.

Financial earnings are positive at +€4.8 million (-€16.8 million in 2020). This is explained by the following main factors:

- the revaluation of debts and receivables mainly denominated in USD +€14.5 million (-€16.3 million in 2020),
- the negative impact of the fair value of hedging instruments relating to currencies intended to protect the Group against the fall of the dollar for -€3.2 million (+€5.2 million in 2020),
- the increase in financial expenses corresponding to the increased cost of net debt following the acquisition of B&E Manufacturing. They amounted to -€7.1 million (-€6.4 million in 2020). The average cost of debt excluding IFRS 16 is 1.8% (1.7% in 2020),
- gains on current cash investments amounted to +€0.6 million versus +€0.7 million in 2020.

Net financial expenses compared to financial debt excluding IFRS 16 therefore amount to 1.7% (1.5% in 2020).

The income tax charge, calculated on the basis of corporation tax and compared to net profit (loss) before tax, shows an effective average tax rate of 26.8%, compared to 16.3% in 2020 which reflected tax credits generated on tax losses.

Non-current expenses (-€10.7 million) are down sharply compared to the 2020 fiscal year, which had been marked by the recognition of expenses related to the disposal of non-strategic assets LISI AUTOMOTIVE Mohr und Friedrich and LISI MEDICAL Jeropa, as well as provisions related to workforce adaptation plans for a total amount of -€69.6 million.

As a result, the 2021 fiscal year ended with comparable net profit (loss) that became positive again at €28.4 million (2.4% of sales) compared to a net loss of -€37.3 million in 2020. The reported net profit amounted to €44.0 million, or 3.8% of sales.

Strong free cash flow despite the increase in working capital requirements related to the upturn in activity in the LISI AEROSPACE division

The financial balance remains robust with operating cash flow standing at €129.0 million (11.1% of sales) which finances an investment plan of €65.9 million. The latter continued to focus on actions to improve the performance and modernization of production resources, particularly in the LISI AUTOMOTIVE division (€23.0 million), among which it is worth highlighting:

- the installation of a new capacity section to produce electric parking brake components for the Chinese market,
- the installation of an industrial demonstrator to mechanically assemble different materials using the innovative and patented µ-MAC-AP process (laser texturing and powder spraying),
- the start-up of a new production unit in Morocco in the free zone of Tangier to produce wiring channels for electric and hybrid vehicles,
- the development of solutions for digitizing and supervising production in real time with the Melisey site being labeled as an “Industry of the Future” showcase,

as well as the ramp-up of new products for LISI AEROSPACE (€37.5 million) and LISI MEDICAL (€5.5 million) such as:

- high-pressure compressor blades for Pratt and Whitney's GTF engines,
- high-pressure hydraulic fittings intended to serve major aeronautical contractors,
- the OPTIBLIND™ structural blind fastener system designed by LISI AEROSPACE, which is entering its industrialization phase,
- robotic surgical stapling systems,
- harmonic scalpels,
- the new hip stems for a major customer in the orthopedic sector.

Taking these elements into account and despite the increase in inventories due to the anticipation of ramp-ups with the main clients of the LISI AEROSPACE division, free cash flow remains largely positive at €49.5 million (4.3% of sales).

Financial strength intact following a new strategic acquisition

The LISI Group maintained its bank financing needs at a low level of €55.9 million (€35.3 million in 2020). The financing lines available cover all of its borrowing maturities up to 2031.

At €272.3 million, net debt amounted to 25.8% of equity (22.3% at December 31, 2020) and included €97.5 million in debt relating to IFRS 16. It also includes all of the debt related to the acquisition of B&E Manufacturing (€67.6 million). Relative to the EBITDA, the net debt ratio stood at 1.8x (1.3x at December 31, 2020). It would be 1.4x without the acquisition of B&E Manufacturing, thus reflecting the Group's ability to resist an environment disrupted by the COVID-19 pandemic.

The return on capital employed before tax improved and stood at 5.0% (3.4% in 2020).

Based on these results, the Board of Directors will ask the Shareholders' Ordinary General Meeting to approve setting the dividend at €0.29 per share for the 2021 fiscal year.

Outlook

LISI AEROSPACE

Unless the COVID-19 pandemic worsens, the aerospace market should enter a new growth cycle. The division's major customers are confirming the prospects for ramping up production, particularly in single-aisle aircrafts.

The level of the rebound in activity will however be conditioned by the capacity of the supply chain to meet needs but also by the availability of raw materials and labor in a very tight job market.

The division is ready to face these challenges thanks to the level of automation of its manufacturing processes and thanks to the anticipation of the constitution of stocks of raw materials. The management of manufacturing costs and investment expenditure will remain a necessity given the high inflation in all production costs and a still uncertain health context.

LISI AUTOMOTIVE

Even though an improvement can be noted at the start of the 2022 fiscal year, the conditions for returning to a normalized supply of electronic components could disrupt the assembly lines for several more months. Inflationary pressures on raw materials should also persist.

In this context, the LISI AUTOMOTIVE division will be faced with a two-fold necessity:

- continue to adapt its production capacities and costs to the level of activity,
- neutralize as much as possible the effects of rising raw material prices (steel and plastics).

Meanwhile, the division will continue to focus its efforts on the development and industrialization of new products with high added value intended for the growing needs of the market in terms of electromobility.

LISI MEDICAL

The markets for minimally invasive surgery, like that of orthopedic reconstruction, are faring better and benefit from the resumption of more standardized activity in hospitals. The division's priority will be the continued development of new products and the ramping up production volumes.

LISI CONSOLIDATED

The LISI Group will still have to meet many challenges in 2022, such as absorbing inflation on manufacturing costs and the ability to increase volumes and in particular to hire in a tight labor market. At the same time, it will have to ensure the continued development and the ramping-up of new products in its strategic business niches.

The actions already undertaken for a long time by the Group and which were reinforced during the crisis to lower the breakeven point of its activities, make its production capacities more flexible, digitize and automate both industrial and administrative processes as well as deploy a policy in terms of effective corporate social responsibility (CSR), will be pursued. The Group will rely on its strengths to make a difference in a global economic environment that is expected to remain highly disrupted.

Subject to a preserved health and economic context, the LISI Group should return to organic growth in its activity in 2022 and continue to improve its main financial indicators.

Free cash flow will remain positive in 2022, while ensuring the expected increase in investments in equipment and productivity.

LISI AEROSPACE

- Sales: €558.1 million, down -15.9% compared to 2020 under the effect of the drop in inventories in the sector and despite the recovery in Q4,
- Gradual increase in order books perceptible from the start of the year in the “Structural Components” segment and in Q4 in the “Fasteners” segment,
- Good EBITDA performance, at 15.0% despite the decline in revenue,

- Good level of free cash flow at €27.8 million, on an exceptionally high comparison basis last year (€78.0 million),
- Continuation of actions to refocus on high value-added activities with the sale of LACE (France) on March 4, 2021 and the acquisition of B&E Manufacturing (United States) consolidated since August 1, 2021 (see press release of July 23, 2021).

Market

The global aeronautics market remained disrupted by the consequences of the COVID-19 pandemic but showed signs of recovery from the second half of 2021. Traffic in number of flights at the end of the period amounted to 80% of the 2019 level (it was 70% at the end of June 2021 and 40% at the end of December 2020).

International traffic remains the most affected by the effects of the health measures taken by certain countries and the gradual reopening of the borders concerned. The increases in single-aisle production rates announced by aircraft manufacturers have been confirmed and are helping to lower the level of component stocks in the sector.

For the major global manufacturers, the number of deliveries over the year started to rise again. Airbus delivered 611 aircraft and Boeing 340 (compared to 566 and 157 respectively in 2020). The net order intake was also better with 507 orders for Airbus (twice as high as in 2020) and 535 for Boeing after the 2020 black year (184 gross orders and 655 cancellations).

Key figures as of December 31, 2021

(in millions of euros)	2021	2020	Changes
Sales revenue	558.1	663.4	-15.9%
EBITDA	83.7	109.1	-23.2%
Reported EBIT(1)	37.3	37.8	-1.5%
Operating cash flow	60.8	77.8	-21.8%
Net CAPEX	-37.5	-40.0	-6.2%
Free cash flow*	27.8	78.0	-€50.2M
Registered employees at period end	5,402	5,504	-1.9%
Average full-time equivalent headcount**	4,856	5,063	-4.1%

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

		2021	2020	Changes
Comparable data				
Comparable EBIT	€ millions	25.7	37.8	-32.2%
Comparable current operating margin	%	4.6%	5.7%	-1.1 pt

Change in estimate of depreciation periods (IAS 8 standard) as announced on July 22, 2021

An analysis of recent experience and the technological evolution of production processes have highlighted the need for the LISI Group to extend the depreciation periods for certain equipment, in particular heavy equipment acquired in recent years, in order to align them with their actual lifespan.

The implementation of more ambitious maintenance plans also allows the equipment to be used for longer. Such changes were also made necessary by the comparison with certain competitors of LISI.

This analysis made it possible to obtain reliable information meeting the criteria of IAS 8 on changes in accounting estimates. These were accounted for prospectively as of January 1, 2021. The changes made to the depreciation periods mainly relate to the "Equipment and Tools" categories which are now depreciated over 15 to 20 years (compared to 10 years previously) and to a lesser extent to "IT equipment" which is depreciated over 5 years (and no longer over 3 years).

The favorable impact on the LISI AEROSPACE division's current operating profit (EBIT) amounted to +€11.6 million for FY 2021 as a whole.

(1) **"Reported"** refers throughout this document to data **after** the extension of depreciation periods. **"Comparable"** refers throughout this document to data **before** the extension of depreciation periods. See the press release of July 22, 2021.

Comments on results over the year

EBITDA amounted to €83.7 million (15.0% of revenue), down by 1.4 point compared to 2020, which had benefited from a level of activity that remained strong in the first quarter. The division also faced significant inflation on all production costs, which it was able to offset for the most part by reducing costs initiated at the beginning of the COVID-19 crisis. It also benefited from the accretive impact of the acquisition of B&E Manufacturing.

The favorable impact linked to the change in estimate of depreciation periods for fixed assets mentioned above is concealed by the sharp drop in revenue. Depreciation was thus down by -0.3 point compared to 2020.

At €25.7 million, current operating profit (EBIT) remained positive despite the marked drop in revenue. At 4.6% of the division's revenue, the operating margin on a like-for-like basis nevertheless lost 1.1 point compared to 2020. Comparable EBIT amounted to €37.3 million (6.7% of revenue).

Financial balances remained solid with cash flow of €60.8 million (10.9% of revenue), which finances an investment plan of €37.5 million. The latter remained focused on actions to improve the performance and modernization of production resources as well as the ramp-up of new products, among which we can mention:

- high-pressure compressor blades for the Pratt and Whitney GTF engines pursuant to the agreement signed on December 18, 2019 with MTU Aero Engines (see press release of 12/18/2019). These parts will be produced on new generation production lines. This project for new production lines is supported by the France Relance Plan *via* the industrial investment support funds in the regions, representing 10% of the investment,
- high-pressure hydraulic fittings (strengthened by the acquisition of B&E Manufacturing) intended to serve major aeronautical customers with the aim of extending the product offering of the LISI AEROSPACE fasteners division,
- the OPTIBLIND™ structural blind fastening system designed by LISI AEROSPACE, which is entering its industrialization phase after several years of development in close cooperation with the division's main customers. The OPTIBLIND™ project has been supported since 2016 by BPI France within the framework of the French Strategic Advisory Board for Civil Aviation Research (CORAC).

Taking into account these elements and despite working capital requirements under pressure due to the anticipated increases in throughput of the division's main ordering customers, free cash flow remained largely positive at €27.8 million (5.0% of revenue) on an exceptionally high comparison basis last year (€78.0 million).

LISI AUTOMOTIVE

- Sales: €484.6 million, up +7.4% compared to 2020,
- Business strongly impacted by the global shortage of electronic components which affected all car manufacturers as of Q2,
- Strong global tensions over the prices and supply of steel and plastics, particularly marked in Europe and North America,
- Positive current operating profit and free cash flow,
- Development and gradual ramp-up of new products resulting from market share gains for programs intended for electromobility.

Market

The global automotive market experienced major disruptions across the entire supply chain from the 2nd quarter of 2021 leading to repeated production line shutdowns. These shutdowns were further amplified during the second half of the year at all manufacturers worldwide. The production losses linked to the global shortage of semiconductors can be estimated at more than 10 million vehicles during the year. Compared to the same period last year, worldwide registrations increased slightly (+4.6%) but decreased by -1.5% in Europe. The strong momentum started in the second half of 2020 was hampered by the serious difficulties encountered by manufacturers in sourcing electronic components. The year in 2021 saw two phases, with sustained growth in the global automotive market in Q1 (+21.3% compared to the same period the previous year) and in Q2 (+32.9%) before a marked decline in Q3 (-12.9%) and in Q4 (-13.3%).

All the major global markets, expressed in number of registrations (source ACEA), recorded a similar trend. NAFTA-Canada-United States-Mexico, with +3.4%, and China, with +4.3%, achieved the strongest growth. The latter thus returned to the level of 2019 (+0.2%).

Key figures as of December 31, 2021

(in millions of euros)	2021	2020	Changes
Sales revenue	484.6	451.2	+7.4%
EBITDA	54.0	45.8	+17.9%
Reported EBIT[(1)]	23.6	3.6	N/A
Operating cash flow	47.4	33.0	+43.4%
Net CAPEX	-23.0	-26.8	-14.3%
Free cash flow*	3.3	27.5	-€24.2M
Registered employees at period end	3,273	3,393	-3.5%
Average full-time equivalent headcount**	3,218	3,046	+5.6%

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

		2021	2020	Changes
Comparable data				
Comparable EBIT	€ millions	14.8	3.6	N/A
Comparable current operating margin	%	3.0%	0.8%	+2.2 pts

Change in estimate of depreciation periods (IAS 8 standard) as announced on July 22, 2021

An analysis of recent experience and the technological evolution of production processes have highlighted the need for the LISI Group to extend the depreciation periods for certain equipment, in particular heavy equipment acquired in recent years, in order to align them with their actual lifespan.

The implementation of more ambitious maintenance plans also allows the equipment to be used for longer. Such changes were also made necessary by the comparison with certain competitors of LISI.

This analysis made it possible to obtain reliable information meeting the criteria of IAS 8 on changes in accounting estimates. These were accounted for prospectively as of January 1, 2021. The changes made to the depreciation periods mainly relate to the "Equipment and Tools" categories which are now depreciated over 15 to 20 years (compared to 10 years previously) and to a lesser extent to "IT equipment" which is depreciated over 5 years (and no longer over 3 years).

The favorable impact on the LISI AUTOMOTIVE division's current operating profit (EBIT) amounted to +€8.8 million for FY 2021 as a whole.

Comments on results over the year

EBITDA for 2021 amounted to €54.0 million (11.1% of revenue), higher than in 2020 (€45.8 million, *i.e.* 10.1% of revenue). This improvement reflects the effectiveness of the adjustment measures initiated at the start of the COVID-19 crisis as well as the actions aimed at passing on increases in the cost of raw materials (steel and plastics) to customers.

Depreciation was down by 2.4 points compared to 2020 due in particular to the change in the estimate of the terms mentioned above and the decrease in the level of investments since the start of the COVID-19 crisis.

Comparable EBIT remained markedly positive and amounted to €14.8 million. At 3.0%, the comparable current operating margin marked a recovery compared to that of the same period the previous year (-0.8%). Reported current operating profit amounted to €23.6 million (4.9% of revenue).

Financial balances remained solid with cash flow of €47.4 million (9.8% of revenue), which finances an investment plan of €23.0 million. The latter remained focused on actions to improve performance, the modernization of production resources, as well as the ramp-up of new products, among which we can mention:

- the installation of a new capacity section to produce electric parking brake components for the Chinese market,
- the installation of an industrial demonstrator to mechanically assemble different materials using the innovative and patented µ-MAC-AP process (laser texturing and powder spraying),
- the start-up of a new production unit in Morocco in the free zone of Tangier to produce wiring channels for electric and hybrid vehicles,

(1) **"Reported"** refers throughout this document to data **after** the extension of depreciation periods. **"Comparable"** refers throughout this document to data **before** the extension of depreciation periods. See the press release of July 22, 2021.

- the development of solutions for digitizing and supervising production in real time with the Melisey site being labeled as an "Industry of the Future" showcase.

The division posted a positive free cash flow of €3.3 million (0.7% of revenue) on an exceptionally high comparison basis last year (€27.5 million).

LISI MEDICAL

- Sales at €122.0 million, up +4.9% from 2020; positive momentum throughout the year and strong acceleration in Q4 (+19.3%),
- Greater visibility due to the resumption of surgical activities (minimally invasive and orthopedic),
- Ramp-up of new products in the minimally invasive surgery sector,
- EBITDA at 13.5% of sales (+4.6 points compared to 2020),
- Good level of free cash flow at €4.2 million,
- Refocus on high value-added activities with the sale of Jeropa in the United States on January 11, 2021 (€8.4 million in revenue in 2020).

Market

The minimally invasive surgery market, like the orthopedic reconstruction market, is benefiting from the resumption of surgical procedures, which is allowing a gradual return to a normalized activity in hospitals. This is notably the case in the United States with the progress of vaccination campaigns. Procedures considered less urgent, which had been postponed to give precedence to the large number of people infected with the coronavirus in 2020, are again being scheduled and carried out.

Key figures as of December 31, 2021

(in millions of euros)	2021	2020	Changes
Sales revenue	122.0	116.3	+4.9%
EBITDA	16.4	10.4	+58.6%
Reported EBIT[(1)]	7.3	0.1	N/A
Operating cash flow	14.5	8.2	+77.2%
Net CAPEX	-5.5	-5.2	+4.6%
Free cash flow*	4.2	4.8	-€0.6M
Registered employees at period end	768	744	+3.2%
Average full-time equivalent headcount**	769	808	-4.8%

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

		2021	2020	Changes
Comparable data				
Comparable EBIT	€ millions	6.7	0.1	N/A
Comparable current operating margin	%	5.5%	0.1%	+5.4 pts

Change in estimate of depreciation periods (IAS 8 standard) as announced on July 22, 2021

An analysis of recent experience and the technological evolution of production processes have highlighted the need for the LISI Group to extend the depreciation periods for certain equipment, in particular heavy equipment acquired in recent years, in order to align them with their actual lifespan.

The implementation of more ambitious maintenance plans also allows the equipment to be used for longer. Such changes were also made necessary by the comparison with certain competitors of LISI.

This analysis made it possible to obtain reliable information meeting the criteria of IAS 8 on changes in accounting estimates. These were accounted for prospectively as of January 1, 2021. The changes made to the depreciation periods mainly relate to the "Equipment and Tools" categories which are now depreciated over 15 to 20 years (compared to 10 years previously) and to a lesser extent to "IT equipment" which is depreciated over 5 years (and no longer over 3 years).

The favorable impact for the LISI MEDICAL division on current operating profit (EBIT) amounted to +€0.7 million for FY 2021 as a whole.

(1) **"Reported"** refers throughout this document to data **after** the extension of depreciation periods. **"Comparable"** refers throughout this document to data **before** the extension of depreciation periods. See the press release of July 22, 2021.

Comments on results over the year

EBITDA amounted to €16.4 million (13.5% of revenue), an increase of +€6.0 million, *i.e.* +4.6 points compared to 2020. The rapid adaptation of its cost structure from the first days of the COVID-19 crisis has allowed the division to take full advantage of the ramp-up of higher value-added products resulting from market share gains, notably in the minimally invasive surgery sector.

Depreciation was down by 2.2 points compared to 2020 due to the increase in business (+4.9%). The impact of the change in estimated depreciation periods was negligible (0.6 point).

Comparable EBIT increased very markedly to €6.7 million. The comparable current operating margin was +5.5% of revenue, up sharply compared to the same period last year (0.1%). Reported current operating profit amounted to €7.3 million (*i.e.* 6.0% of revenue).

Financial balances remained solid with cash flow of €14.5 million (11.9% of revenue), which finances an investment plan of €5.5 million. The latter remained focused on actions to improve performance, the modernization of production resources, as well as the ramp-up of new products, among which we can mention:

- robotic surgical stapling systems,
- harmonic scalpels,
- the new hip stems for a major customer in the orthopedic sector.

The division posted a good level of free cash flow at €4.2 million (3.4% of revenue), down by only €0.6 million compared to 2020.

Events after the reporting period

Exposure to the Russia-Ukraine risk is presented in Section 3.1 of this chapter (page 44).

2 Financial statements

2.1 Income statement

(in thousands of euros)	Notes	12/31/2021	12/31/2020
NET FINANCE INCOME (EXPENSE)	**3.6.1**	**1,163,897**	**1,229,958**
Changes in inventories, finished products and production in progress		22,478	(22,442)
Total production		**1,186,374**	**1,207,515**
Other income*		35,549	39,507
TOTAL OPERATING REVENUES		**1,221,923**	**1,247,022**
Consumed goods	3.5.2	(334,126)	(321,007)
Other purchases and external expenses	3.5.3	(251,354)	(265,251)
Taxes and duties		(9,209)	(12,317)
Employee benefits expense (including temps)	3.5.4	(473,756)	(481,762)
EBITDA		**153,478**	**166,685**
Depreciation**		(94,641)	(117,095)
Net provisions		7,774	(8,082)
CURRENT OPERATING PROFIT (EBIT)		**66,611**	**41,509**
Non-recurring operating income and expenses	3.5.6	(10,749)	(69,618)
OPERATING PROFIT		**55,862**	**(28,109)**
Financing expenses and revenue on cash	**3.5.7**	**(5,304)**	**(5,164)**
Revenue on cash	3.5.7	987	1,231
Financing expenses	3.5.7	(6,291)	(6,396)
Other financial income and expenses	**3.5.7**	**10,076**	**(11,595)**
Other financial items	3.5.7	34,738	31,866
Other interest expenses	3.5.7	(24,662)	(43,461)
Taxes (including CVAE (Tax on Companies' Added Value)	3.5.8.1	(16,272)	7,323
PROFIT (LOSS) FOR THE PERIOD* **		**44,362**	**(37,544)**
Attributable as company shareholders' equity***		44,048	(37,321)
Non-controlling interests		314	(223)
EARNINGS PER SHARE (IN €)	**3.5.9**	**0.83**	**(0.71)**
DILUTED EARNINGS PER SHARE (IN €)	**3.5.9**	**0.82**	**(0.70)**

* In order to provide readers of the financial statements with better information that is in accordance with international standards, in the 2021 financial statements the company has continued classifying revenues related to CIR (Research Tax Credit) as "Other income", for an amount of €4.4 million at 12/31/2021, compared to €5.7 million at 12/31/2020.

** Depreciation, current operating profit (EBIT) and operating income were impacted, to the tune of +€21.1 million, following the extension of depreciation periods as of January 1, 2021 (application of IAS 8).

*** Earnings for the period as well as the income attributable to equity holders of the Company were impacted, to the tune of +€15.6 million, following the extension of depreciation periods as of January 1, 2021 (application of IAS 8).

2.2 Statement of comprehensive income

(in thousands of euros)	12/31/2021	12/31/2020
PROFIT (LOSS) FOR THE PERIOD	**44,362**	**37,544**
Other items of overall income applied to shareholders' equity		
Actuarial gains and losses out of employee benefits (gross element)	(4,764)	6,693
Actuarial gains and losses out of employee benefits (tax impact)	1,892	(1,876)
Other items of overall income that will cause a reclassification of income		
Exchange rate differences resulting from foreign operations	33,554	(30,116)
Hedging instruments (gross element)	(10,438)	6,667
Hedging instruments (tax impact)	2,206	(1,963)
TOTAL OTHER PORTIONS OF GLOBAL EARNINGS FOR THE PERIOD, AFTER TAXES	**22,449**	**(20,595)**
TOTAL OVERALL INCOME FOR THE PERIOD	**66,811**	**(58,139)**

Hedging instruments mainly concern foreign exchange hedging instruments and, to a lesser extent, commodity hedging instruments.

The negative amount of -€10.4 million was mainly due to the decline in the USD, which symmetrically led to an increase in the fair value of the hedging instruments put in place to hedge against this decline.

2.3 Statement of financial position

ASSETS (in thousands of euros)	Notes	12/31/2021	12/31/2020
NON-CURRENT ASSETS			
Goodwill	3.4.1.1	401,877	332,093
Other intangible assets	3.4.1.1	27,933	30,150
Tangible Assets	3.4.1.2	698,231	680,580
Non-current financial assets	3.4.1.3	11,414	6,853
Deferred tax assets		51,054	48,626
Other non-current assets	3.4.1.5	91	143
TOTAL NON-CURRENT ASSETS		**1,190,599**	**1,098,448**
CURRENT ASSETS			
Inventories	3.4.2.1	332,721	300,389
Taxes - Claim on the state		10,400	12,977
Trade and other receivables	3.4.2.2	174,810	205,367
Cash and cash equivalents	3.4.2.3	215,870	242,144
TOTAL CURRENT ASSETS		**733,802**	**760,877**
TOTAL ASSETS		**1,924,401**	**1,859,324**

TOTAL EQUITY AND LIABILITIES (in thousands of euros)	Notes	12/31/2021	12/31/2020
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	(19,480)	(19,788)
Consolidated reserves	3.4.3	908,804	950,372
Conversion reserves	3.4.3	28,629	(4,757)
Other income and expenses recorded directly as shareholders' equity	3.4.3	(8,595)	2,495
Profit (loss) for the period	3.4.3	44,048	(37,321)
TOTAL SHAREHOLDERS' EQUITY – GROUP'S SHARE	3.4.3	**1,050,383**	**987,978**
Minority interests	3.4.3	3,110	2,439
TOTAL SHAREHOLDERS' EQUITY	3.4.3	**1,053,493**	**990,417**
NON-CURRENT LIABILITIES			
Non-current provisions	3.4.4	72,005	70,698
Non-current borrowings	3.4.6.1	320,621	316,719
Other non-current liabilities	3.4.5	7,163	8,140
Deferred tax liabilities		38,600	34,697
TOTAL NON-CURRENT LIABILITIES		**438,389**	**430,254**
CURRENT LIABILITIES			
Current provisions	3.4.4	23,305	38,606
Current borrowings*	3.4.6.1	167,529	146,205
Trade and other accounts payable		241,685	253,842
TOTAL CURRENT LIABILITIES		**432,520**	**438,653**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1,924,403**	**1,859,324**
* Including short-term banking facilities		1,133	5,981

2.4 Consolidated cash flow statements

(in thousands of euros)	12/31/2021	12/31/2020
OPERATING ACTIVITIES		
NET PROFIT (LOSS)	**44,362**	**(37,544)**
Elimination of net expenses not affecting cash flows:		
- Depreciation, amortization and non-recurring financial provisions	95,667	116,917
- Changes in deferred taxes	4,035	(21,249)
- Income on disposals, provisions for liabilities and others	(12,623)	49,609
GROSS CASH FLOW MARGIN	**131,441**	**107,732**
Net change in provisions associated with ongoing operations	(2,472)	4,036
OPERATING CASH FLOW	**128,969**	**111,768**
Income tax expense elimination	12,237	13,927
Elimination of net borrowing costs	4,635	4,734
Effect of changes in inventory on cash	(28,270)	9,504
Effect of changes in accounts receivable and accounts payable	11,611	59,364
NET CASH PROVIDED BY OR USED FOR OPERATIONS BEFORE TAX	**129,181**	**199,296**
Tax paid	(9,104)	(12,580)
CASH PROVIDED BY OR USED FOR OPERATING ACTIVITIES (A)	**120,077**	**186,718**
INVESTMENT ACTIVITIES		
Acquisition of consolidated companies	(67,602)	0
Acquired cash	405	0
Acquisition of tangible and intangible fixed assets	(66,637)	(73,427)
Change in granted loans and advances	(272)	2,394
TOTAL CASH USED FOR INVESTMENT ACTIVITIES	**(134,106)**	**(71,033)**
Divested cash	(24)	(2,913)
Disposal of consolidated companies	5,802	3,705
Disposal of tangible and intangible fixed assets	705	802
Disposal of financial assets	(877)	5
TOTAL CASH FLOWS FROM DISPOSALS	**5,605**	**1,599**
CASH PROVIDED BY OR USED FOR INVESTMENT ACTIVITIES (B)	**(128,500)**	**(69,434)**
FINANCING ACTIVITIES		
Capital increase	1	0
Dividends paid to Group shareholders	(7,437)	0
Dividends paid to non-controlling interests in consolidated companies	0	(452)
TOTAL CASH FLOWS FROM EQUITY TRANSACTIONS	**(7,436)**	**(452)**
New long-term borrowings	76,673	11,508
New short-term borrowings	85,375	66,856
Repayment of long-term loans	(25,584)	(29,420)
Repayment of short-term loans	(142,777)	(144,105)
Net interest expense paid	(4,635)	(4,734)
TOTAL CASH FLOWS FROM LOANS AND OTHER FINANCIAL LIABILITIES	**(10,949)**	**(99,895)**
CASH PROVIDED BY OR USED FOR FINANCING ACTIVITIES (C)	**(18,385)**	**(100,347)**
Effect of change in foreign exchange rates (D)	5,178	(3,955)
Effect of adjustments in treasury shares (D)*	2,3	(5,352)
CHANGES IN CASH (A+B+C+D)	**(21,428)**	**7,629**
Cash at January 1 (E)	236,163	228,533
Cash at year-end (A+B+C+D+E)	214,736	236,163
Cash and cash equivalents	215,870	242,144
Short-term banking facilities	(1,133)	(5,981)
CLOSING CASH POSITION	**214,736**	**236,163**

2.5 Statement of changes in 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, 2020	**21,646**	**75,329**	**(14,435)**	**844,386**	**21,819**	**(6,877)**	**69,773**	**1,011,642**	**9,740**	**1,021,382**
Profit (loss) for the period N (a)							(37,321)	(37,321)	(223)	(37,544)
Translation differences (b)					(26,576)			(26,576)	(3,540)	(30,116)
Payments in shares (c)				(1,027)				(1,027)		(1,027)
Capital increase		0						0	0	0
Restatement of treasury shares (d)			(5,353)	(169)		0		(5,522)		(5,522)
Actuarial gains and losses out of employee benefits (g)						4,817		4,817		4,817
Appropriation of N-1 earnings				69,773			(69,773)	0		0
Changes in scope				37,460				37,460	(3,066)	34,394
Dividends distributed				0				0	(452)	(452)
Restatement of financial instruments (f)						4,724		4,724	(20)	4,704
Various (e)				(219)				(219)		(219)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2020	**21,646**	**75,329**	**(19,788)**	**950,372**	**(4,757)**	**2,495**	**(37,321)**	**987,978**	**2,439**	**990,417**
including total income and expenses reported for the year (a) + (b) + (c) + (d) + (e) + (f) + (g)					(26,576)	9,541	(37,321)	(54,356)	(3,783)	(58,139)
SHAREHOLDERS' EQUITY AT JANUARY 1, 2021	**21,646**	**75,329**	**(19,788)**	**950,372**	**(4,757)**	**2,495**	**(37,321)**	**987,978**	**2,439**	**990,417**
Profit (loss) for the period N (a)							44,048	44,048	314	44,362
Translation differences (b)					33,386			33,386	168	33,554
Payments in shares (c)				1,265				1,265		1,265
Capital increase										
Restatement of treasury shares (d)			308	88				396		396
Actuarial gains and losses out of employee benefits (g)				2,105		(2,872)		(767)		(767)
Appropriation of N-1 earnings				(37,321)			37,321			
Changes in scope				(203)				(203)	203	
Dividends distributed				(7,437)				(7,437)		(7,437)
Restatement of financial instruments (f)						(8,217)		(8,217)	(14)	(8,232)
Various (e)				(67)				(67)		(67)
SHAREHOLDERS' EQUITY AT DECEMBER 31, 2021	**21,646**	**75,329**	**(19,480)**	**908,804**	**28,629**	**(8,595)**	**44,048**	**1,050,383**	**3,110**	**1,053,493**
including total income and expenses reported for the year (a) + (b) + (c) + (d) + (e) + (f) + (g)					33,386	(11,090)	44,048	66,344	468	66,811

3 Notes to the financial statements

3.1 Information on the Group and highlights of the fiscal 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 fiscal year ended December 31, 2021 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

Disposal of LACE

On March 4, 2021, the LISI Group sold all of the shares of its French subsidiary LACE, which specializes in multi-role cargo hooks for the helicopter segment and whose main activity is the design, manufacture and maintenance of cargo hooks for helicopters. The company generated revenue of €9 million in 2020 and employed 37 people.

Acquisition of B&E Manufacturing

LISI AEROSPACE, a subsidiary of the LISI Group, is accelerating its development in the hydraulic fittings market thanks to the acquisition of the American company B&E Manufacturing on July 23, 2021.

B&E Manufacturing, based in Garden Grove, California, produces high-quality, precision hydraulic pipe fittings used in the aerospace, commercial and military industries. Thanks to its technical expertise, close proximity to its customers and high quality standards, the company founded in 1981 by Larry Solinger has since continued to grow and has become a key player in the hydraulic fittings market. The company employs around 130 people and generated revenue of nearly $32 million in FY 2020.

Financial situation of the LISI Group in the face of the COVID-19 crisis

The LISI Group operated in an environment that remained disrupted by the COVID-19 pandemic, the main effects of which were:

- sharp increases in the cost of raw materials (steel and plastics) mainly in the LISI AUTOMOTIVE division,
- an overall increase in production consumables, energy and freight costs,
- local tensions in the labor markets in a context of gradual recovery in global economic activity.

In this particular context, the LISI Group continued to roll out the NEW DEAL plan implemented from the first days of the crisis.

The main cost adjustment measures that make up the "adaptation" pillar of the NEW DEAL plan were initiated for the most part in 2020 and continued in 2021. Among the most significant actions, note the adjustment of the workforce (-196 registered in 2021; -1,495 in 2020), lower fixed costs (-€19.1 million in 2021; -€112.8 million in 2020) and negotiations with all customers of the LISI AUTOMOTIVE division to pass on the increase in the cost of raw materials to the selling prices. Actions aimed at preserving and anticipating short- and medium-term cash requirements have been maintained while maintaining expenditure related to innovation, the robotization of production tools and the ramp-up of new products.

The second pillar of the NEW DEAL plan devoted to "repositioning" materialized through strategic moves aimed at continuing to refocus the Group on high value-added activities (see above), through market share gains and new product launches.

Addressing climate, water and biodiversity risks

The Group's current exposure to the consequences of climate change is limited. Therefore, at this stage, the impacts of climate change on the financial statements are not significant.

Details of these risks are given in Chapter 4 "CSR" of the Universal Registration Document.

Green Taxonomy

This was the first year of implementation of the green taxonomy. As a result, interpretations are not yet fully set.

For the three activities of the LISI Group:

- the aeronautics sector should be covered from FY 2022,
- the automotive sector is currently part of the green taxonomy,
- the medical sector does not seem, at this time, to be covered by the green taxonomy but possibly will be by the future social taxonomy.

Events after the reporting period:

Russia - Ukraine risk

We inform you that the LISI Group has no direct exposure to Russia or Ukraine, nor does it have any assets, production sites, representative offices or commercial delegations there. Revenue from Russian customers is not significant.

The LISI AEROSPACE division has exposure to raw materials and more specifically to Titanium. It is closely monitored and actions to build up inventories are initiated with the collaboration of its main aircraft and engine manufacturers. More generally, the division will follow a response approach identical to that of the aeronautics sector.

The LISI AUTOMOTIVE division is indirectly exposed through its customers, including Renault, which has already stopped its assembly lines in Russia due to a lack of components such as electronic cards.

There should be no direct impact on the LISI MEDICAL division.

The Group will implement appropriate measures to neutralize as much as possible the indirect consequences that the Ukraine crisis could have on its supply chain and on the increase in energy costs.

Events that may be linked to the 2021 closing

No event that could be related to the closing of the 2021 fiscal year occurred.

3.2 Accounting principles and policies

The financial statements drawn up as at December 31, 2021 were approved by the Board of Directors on February 17, 2022 and will be submitted to the Combined General Meeting on April 28, 2022.

Background to the preparation of the consolidated financial statements for the 2021 fiscal 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, 2021.

Standards, amendments and interpretations adopted in the European Union and mandatory for fiscal years beginning on or after January 1, 2021

Amendment to IAS 19

The Group took into account the impact of the IFRIC agenda decision in April 2021 when measuring employee benefits. It relates to taking into account, in the rate of recognition of commitments, the stages of acquisition of rights and the ceilings of said rights. The impact at December 31, 2021 amounted to an insignificant decrease in the commitment, recognized in actuarial gains and losses for 2021 (-€2.8 million).

Cloud software program configuration costs

The LISI Group has begun to identify the information and software leases and related development costs in order to ensure that accounting complies with the rules dictated by the IFRS Interpretation Committee.

At this stage, it has not recognized any significant impact in its consolidated financial statements.

The finalization of the analysis will continue over the first half of 2022 in order to be in compliance as of the 2022 half-yearly closing.

New standards and interpretations of subsequent application approved by the European Union

No standard, interpretation or amendment to existing standards has been applied early by the Group in the financial statements as at December 31, 2021.

Change in accounting estimate - application of IAS 8

An analysis of recent experience and the technological evolution of production processes have highlighted the need for the LISI Group to extend the depreciation periods for certain equipment, in particular heavy equipment acquired in recent years, in order to align them with their actual lifespan.

The implementation of more ambitious maintenance plans also allows the equipment to be used for longer. Such changes were also made necessary by the comparison with certain competitors of LISI.

This analysis made it possible to obtain reliable information meeting the criteria of IAS 8 on changes in accounting estimates. These were accounted for prospectively as of January 1, 2021. The changes made to the depreciation periods mainly relate to the "Equipment and Tools" categories which are now depreciated over 15 to 20 years (compared to 10 years previously) and to a lesser extent to "IT equipment" which is depreciated over 5 years (and no longer over 3 years).

Impact following extension of depreciation periods:

	Differences in depreciation at 12/31/2021 compared to previous estimates			
in millions of euros	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	TOTAL
Plant and machinery		0.5		0.5
Industrial equipment	11.4	7.7	0.3	19.5
Industrial tools	0.1	0.1		0.2
IT hardware		0.5		0.5
Other	0.1		0.3	0.4
TOTAL	**11.6**	**8.8**	**0.7**	**21.1**
Breakdown of impacts	**55%**	**42%**	**3%**	**100%**
Gross value of the fixed assets concerned	210.3	174.3	28.5	413.1
% difference in depreciation compared to gross value	*5.5%*	*5.1%*	*2.3%*	*5.1%*

in millions of euros	12/31/2021 comparable	Impact of change of estimate	12/31/2021 reported
Impact on earnings			
Depreciation	-115.7	21.1	-94.6
Current operating profit (EBIT)	45.5	21.1	66.6
Current operating margin	3.9%	1.8 point	5.7%
Profit (loss) for the period	28.7	15.6	44.4
Attributable to equity holders	28.4	15.6	44.0
Impact on balance sheet			
Net tangible assets	677.2	21.1	698.2
Ratios			
ROCE	3.5%	1.5 point	5.0%
ROE	2.8.%	1.4 point	4.2%

Published data refer to amounts after the extension of depreciation periods,

"Like-for-like data" refers to amounts before the extension of depreciation periods.

3.2.1.1 – 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 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:

- terms of depreciation of fixed assets (Notes 3.4.1.1b and 3.4.1.2),
- evaluations retained for impairment tests (Note 3.4.1.1 a),
- the valuation of provisions and pension commitments (Note 3.4.4),
- 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 3.5.8).

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, 2021 all the companies were 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 impairment.

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.

Translation of financial statements of consolidated subsidiaries and affiliates

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 gross operating surplus (EBIT on current transactions) includes EBITDA as well as contributions and write-offs from depreciation and provisions,
- Operating income includes EBIT on recurring operations 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 impairment, 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 profit (loss) to total shareholders' equity.

Gearing: Consolidated Net Financial Debt to Equity Group Share at the end of the period.

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.

3.3 Scope of consolidation

3.3.1 Changes of scope occurring in the 2021 fiscal year

Disposal of LACE

Companies	Change type	Transaction date	Deconsolidation date
LACE	Disposal of all equity interests	03/04/2021	02/28/2021

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

Impact of deconsolidation on the 2021 fiscal year

LACE	in millions of euros	Impact in % on the Group's indicators
Revenue from March to December 2020	7.7	0.7%
EBIT from March to December 2020	0.2	0.9%

The capital loss on disposal recognized in non-recurring income for an amount of -€3.0 million was neutralized by the reversal of a provision made at December 31, 2020 for a value of € 3.0 million.

Acquisition of B&E Manufacturing

Companies	Change type	Transaction date	Date of first consolidation
B&E Manufacturing	Acquisition of all equity interests	07/23/2021	08/01/2021

Impact of the acquisition on the 2021 fiscal year

B&E Manufacturing	in millions of euros	Impact as a % on the Group's indicators
Revenue from August to December 2021	9.3	0.8%
EBIT from August to December 2021	1.3	-2.0%

Other transactions in the LISI Group scope

Companies	Change type	Transaction date	Date of inclusion in the financial statements
LISI AEROSPACE STRUCTURAL COMPONENTS	Merger by absorption into the financial statements of LISI AEROSPACE	12/10/2021	01/01/2021
LISI AUTOMOTIVE KNIPPING Ltd (holding company)	Liquidation of the company	07/30/2021	07/31/2021
TERMAX INT. INC. (holding company)	Liquidation of the company	12/31/2021	12/31/2021

These three transactions had no significant impact on the LISI Group's financial statements.

3.3.2 Scope of consolidation at closing of the fiscal year

			12/31/2021		12/31/2020	
Companies	Head office	Country	% of control	% of interests	% of control	% of interests
HOLDING						
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)	United States	100.00	100.00	100.00	100.00
HI-SHEAR Holdings LLC	Torrance (California)	United States	100.00	100.00	100.00	100.00
LISI AEROSPACE North America, Inc	Torrance (California)	United States	100.00	100.00	100.00	100.00
LISI Holdings North America	Torrance (California)	United States	100.00	100.00	100.00	100.00
The MONADNOCK Company	City of Industry (California)	United States	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
LISI AEROSPACE FORGED INTEGRATED SOLUTIONS	Bologne (52)	France	100.00	100.00	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	0	0	100.00	100.00

Companies	Head office	Country	12/31/2021 % of control	12/31/2021 % of interests	12/31/2020 % of control	12/31/2020 % of interests
LISI 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	53.76	53.76	53.51	53.51
LISI AEROSPACE India Pvt Ltd	Bangalore	India	100.00	100.00	100.00	100.00
LIXUS Industrie	Tangiers	Morocco	100.00	100.00	100.00	100.00
CREUZET POLSKA Sp. Z o o	Rzeszów	Poland	70.00	70.00	70.00	70.00
Fastener Technology Bağlantı Elemanları San. Tic. A.Ş.	Izmir	Turkey	100.00	100.00	100.00	100.00
B&E Manufacturing	Garden Grove (California)	United States	100.00	100.00	0	0
LACE SAS	Argenton/Creuse (36)	France	0	0	100.00	100.00
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 (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 España SA	Madrid	Spain	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE LLC	Laredo	United States	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	0	0	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	United States	100.00	100.00	100.00	100.00
Termax Int. LLC	Lake Zurich	United States	100.00	100.00	100.00	100.00
Termax Int. Inc	Lake Zurich	United States	0	0	100.00	100.00
TMX Canada Corp.	Windsor	Canada	100.00	100.00	100.00	100.00
TMX Mexico	Quereittaro	Mexico	100.00	100.00	100.00	100.00
TMX Fastener Systems	Suzhou	China	100.00	100.00	100.00	100.00
Shanghai Branch	Suzhou	China	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE TANGER	Tangier	Morocco	100.00	100.00	100.00	100.00
LISI AUTOMOTIVE Hi-Vol Inc	Livonia	United States	100.00	100.00	100.00	100.00
LISI MEDICAL DIVISION						
LISI MEDICAL REMMELE Inc	Minneapolis	United States	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 Breakdown of statement of financial position

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 lifespan are submitted to an impairment test at each annual close and whenever events or market-changing modifications indicate impairment. Other intangible assets fixed and property, plant and equipment are also subject to such a test at any time when there is a risk of impairment.

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).

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 2022 to 2025. 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 values are determined on the basis of market data (comparison with similar listed companies, value assigned in recent transactions and stock market prices) or, failing that, on the basis of discounted market 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 impairment. In the case of a group of assets, it should preferably be classified as a reduction in goodwill.

Impairment losses recorded on goodwill are irreversible.

As from fiscal 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 assets and property, plant and equipment, 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.

Since that date, goodwill is measured at cost less any accumulated impairment losses. It is allocated to cash-generating units or groups of cash-generating units and is not amortized, but is tested for impairment at least once a year according to the method described in Section 3.4.1.

Statement of goodwill at closing:

(in thousands of euros)	Goodwill
GROSS GOODWILL AT DECEMBER 31, 2020	**332,093**
Impairment over the 2020 fiscal year	0
NET GOODWILL AT DECEMBER 31, 2020	**332,093**
Increase	56,821
Decrease	(68)
Changes in foreign exchange rates	13,031
GROSS GOODWILL AT DECEMBER 31, 2021	**401,877**
Impairment at December 31, 2021	0
NET GOODWILL AT DECEMBER 31, 2021	**401,877**

The increase relates to the acquisition of B&E Manufacturing.

The exchange rate changes are mainly due to currency translation adjustments for the US entities held by each division.

The net amount of goodwill breaks down as follows:

12/31/2021 (in millions of euros)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	TOTAL LISI GROUP
NET GOODWILL	**194.4**	**128.0**	**79.5**	**401.9**
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	

12/31/2021	LISI AEROSPACE	LISI AUTOMOTIVE	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	9.80%	7.93%	7.62%	
Growth rate of flows not covered by the budget and strategic assumptions	1.90%	1.90%	1.90%	

12/31/2020 (in millions of euros)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	TOTAL LISI GROUP
NET GOODWILL	**133.1**	**122.7**	**76.3**	**332.1**
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	

12/31/2020	LISI AEROSPACE	LISI AUTOMOTIVE	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	8.89%	8.31%	7.31%	
Growth rate of flows not covered by the budget and strategic assumptions	1.90%	1.90%	1.90%	

An analysis of the actual situation at December 31, 2021 shows that there was no impairment loss to be recognized during the fiscal year.

A comparable analysis was carried out on the main aggregates included in the Group's strategic plan, which was approved by the Board of Directors on December 8, 2021. The following items are included in the impairment tests:

- the updated revenue forecasts that were lower than those used by the reference sources and market players and therefore include a safety margin,
- variable expenses adjusted according to the activity,
- updated EBIT forecasts higher than the trends given by the reference sources and market players but justified by the impact of the plan to reduce operating expenses undertaken by the Group. The implementation and impacts of this cost reduction plan (which began to produce effects at the start of the COVID-19 crisis in the 2020 fiscal year),
- the tax rates used take into account the tax impacts related to the use of tax loss carryforwards by the subsidiaries when they become profitable again.

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.

Results as of December 31, 2021 are as follows:

	LISI AEROSPACE		LISI AUTOMOTIVE		LISI MEDICAL	
	Rate setting the value to zero	Change in relation to the assumptions used	Rate setting the value to zero	Change in relation to the assumptions used	Rate setting the value to zero	Change in relation to the assumptions used
Discount rate	15.1%	+5.3%	9.7%	+1.8%	8.5%	+1.2%
Infinite growth rate	-7.4%	-9.3%	-0.9%	-2.8%	0.5%	-1.4%
Items contributing cash flow	58.1%	-41.9%	76.3%	-23.7%	83.4%	-16.6%

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 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: 3 – 5 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, 2020	**78,665**	**40,670**	**119,335**
Other changes	2,149	(349)	1,800
Acquisitions	1,940	158	2,098
Disposals	(1,198)	(1,394)	(2,592)
Scope changes	(208)	0	(208)
Exchange rate differences	52	869	921
GROSS VALUES AT DECEMBER 31, 2021	**81,400**	**39,954**	**121,354**
DEPRECIATION AT DECEMBER 31, 2019	**65,799**	**23,385**	**89,185**
Other changes	449	(205)	244
Depreciation and amortization	4,069	949	5,018
Depreciation reversals	(1,334)	(135)	(1,469)
Scope changes	(87)	0	(87)
Exchange rate differences	46	484	530
DEPRECIATION AT DECEMBER 31, 2021	**68,942**	**24,478**	**93,420**
NET VALUES AT DECEMBER 31, 2021	**12,457**	**15,477**	**27,933**

The change in estimated depreciation periods implemented in 2021 did not impact the “other intangible assets” item.

3.4.1.2 – Tangible assets

a) Tangible assets held in full (including goodwill)

Property, plant and equipment 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 property, plant and equipment, 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.

They were subject to a review of the estimate of their actual useful life in 2021 (see “Change in accounting estimate – application of IAS 8”).

Land is not depreciated.

Estimated useful lives are as follows:

- buildings: 33 years compared to 20-40 years in 2020,
- plant and machinery: 10-15 years,
- fixtures and fittings: 10-15 years compared to 5-15 years in 2020,
- transport equipment: 5 years,
- equipment and tooling: 10-20 years compared to 10 years in 2020,
- office equipment: 5 years,
- office furniture: 10 years,
- IT equipment: 5 years compared to 3 years in 2020.

Statement of tangible assets held in full at close:

(in thousands of euros)	Land	Buildings	Technical facilities, equipment and tools	Other tangible assets	Current assets	TOTAL
GROSS VALUES AT DECEMBER 31, 2020	**23,847**	**251,672**	**1,212,967**	**87,301**	**43,157**	**1,618,951**
Other changes	0	2,119	34,546	(1,535)	(38,572)	(3,442)
Acquisitions	12	2,281	21,149	2,046	38,655	64,143
Disposals	(9)	(1,204)	(12,357)	(3,116)	0	(16,686)
Scope changes	0	174	6,714	92	0	6,980
Exchange rate differences	331	4,057	26,467	493	903	32,251
GROSS VALUES AT DECEMBER 31, 2021	**24,181**	**259,099**	**1,289,486**	**85,281**	**44,143**	**1,702,197**
DEPRECIATION AT DECEMBER 31, 2020	**1,003**	**106,398**	**846,352**	**67,720**	**293**	**1,021,767**
Other changes	0	(28)	3,417	(3,500)	0	(111)
[Increase in] depreciation and amortization	701	11,005	61,959	4,509	0	78,174
Depreciation reversals	0	(1,343)	(11,540)	(3,072)	(148)	(16,103)
Scope changes	0	83	2,250	119	0	2,452
Exchange rate differences	0	1,318	17,070	410	0	18,798
DEPRECIATION AT DECEMBER 31, 2021	**1,704**	**117,433**	**919,508**	**66,186**	**145**	**1,104,977**
NET VALUES AT DECEMBER 31, 2021	**22,477**	**141,666**	**369,978**	**19,095**	**43,998**	**597,214**

The difference in depreciation compared to the periods in force in 2020 was recorded in the income statement for a total amount of €21.1 million.

The change in the estimated depreciation periods used in 2021 mainly impacted the "technical installations, equipment and tooling" item for an amount of +€19.5 million.(1)

The amounts shown under changes in scope are explained by the disposal of LACE but also by the acquisition of B&E Manufacturing.

In a context that remains disrupted by the COVID-19 crisis, acquisitions of fixed assets were maintained at a good level in order to pursue strategic projects.

b) Property, plant and equipment – IFRS 16

This standard requires 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 following types of leases have been identified and restated in accordance with IFRS 16:

- 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 contract.

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 are not 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 lease liabilities takes into account the rates calculated by an actuary for the terms of the contracts but also the currencies of the countries concerned, adjusted by a variable margin necessary to obtain financing on the financial markets. 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.

(1) The €0.6 million balance impacts the "Other tangible assets" column.

IFRS 16 statement of tangible assets at the end of the period:

(in thousands of euros)	Land	Buildings	Plant and machinery	Other tangible assets	TOTAL
GROSS VALUES AT DECEMBER 31, 2020	**0**	**99,946**	**23,546**	**9,377**	**132,869**
Other changes	0	13,122	1,844	4,510	19,476
Acquisitions	0	12	0	0	12
Disposals	0	0	0	(35)	(35)
Scope changes	0	3,140	0	0	3,140
Exchange rate differences	0	3,414	460	112	3,986
GROSS VALUES AT DECEMBER 31, 2021	**0**	**119,634**	**25,850**	**13,964**	**159,449**
DEPRECIATION AT DECEMBER 31, 2020	**0**	**23,022**	**21,033**	**5,411**	**49,466**
First application of IFRS 16 standards	0	0	0	0	0
Other changes	0	(3,639)	12	(1,284)	(4,911)
[Increase in] depreciation and amortization	0	8,773	608	3,655	13,036
Depreciation reversals	0	0	0	(35)	(35)
Scope changes	0	(347)	0	0	(347)
Exchange rate differences	0	934	213	79	1,226
DEPRECIATION AT DECEMBER 31, 2021	**0**	**28,739**	**21,866**	**7,826**	**58,431**
NET VALUES AT DECEMBER 31, 2021	**0**	**90,895**	**3,984**	**6,138**	**101,017**

Changes in scope relate to the discontinuation of IFRS 16 contracts held by LACE, on the one hand, and the consolidation of the commercial lease held by B&E Manufacturing, on the other.

The positive change was mainly due to the inclusion of three new commercial leases in 2021.

3.4.1.3 – Non-current financial assets

This item mainly includes capitalization contracts for US pension investments. It also includes non-consolidated holdings. These are investments in unlisted companies, for which fair value cannot be reliably estimated. As a last resort, the Group values financial assets at their historic cost less any potential impairment, 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)	Non-consolidated holdings	Other non-current investments	Other financial assets	TOTAL
GROSS VALUES AT DECEMBER 31, 2020	**(3)**	**4,585**	**2,279**	**6,861**
Other changes	3	3,597	0	3,600
Acquisitions	0	1	874	875
Disposals	0	(194)	(457)	(651)
Scope changes	0	0	167	167
Exchange rate differences	0	496	74	570
GROSS VALUES AT DECEMBER 31, 2021	**0**	**8,485**	**2,937**	**11,422**
IMPAIRMENT AT DECEMBER 31, 2020		**8**	**0**	**8**
Other changes	0	0	0	0
Provisions for impairment	0	0	0	0
Reversals of provisions for impairment	0	0	0	0
Scope changes	0	0	0	0
Exchange rate differences	0	0	0	0
IMPAIRMENT AT DECEMBER 31, 2021		**8**	**0**	**8**
NET VALUES AT DECEMBER 31, 2021	**0**	**8,477**	**2,937**	**11,414**

3.4.1.4 – Financial assets and liabilities

Financial assets

Described in greater detail in Note 3.4.1.3 above.

Debts financial

Interest-bearing loans are initially recognized at their fair value less costs attributable to the transaction. They are then measured at amortized cost; the difference between the cost and the redemption value is recognized in the income statement over the term of the loans, using the effective interest rate 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 12/31/2021		Breakdown by instrument category				
Financial assets and liabilities recorded in the balance sheet (in thousands of euros)	Net book value	Fair value	Fair value through profit or loss	Assets available for sale	Loans and receivables	Debt at amortized cost	Derivatives
Non-current financial assets	11,414	11,414			11,414		
Other non-current assets	91	91			91		
Trade and other receivables	174,810	174,810			175,435		(625)
Cash and cash equivalents	215,870	215,870	215,870				
TOTAL FINANCIAL ASSETS	**402,185**	**402,185**	**215,870**		**186,940**		**(625)**
Non-current borrowings	320,621	320,621				320,311	310
Other non-current financial liabilities (excl. PCA)	64	64				64	
Current borrowings	167,529	167,529				167,529	
Trade and other accounts payable	241,685	241,685				238,852	2,833
TOTAL FINANCIAL LIABILITIES	**729,899**	**729,899**	**0**			**726,756**	**3,143**

	As of 12/31/2020		Breakdown by instrument category				
Financial assets and liabilities recorded in the balance sheet (in thousands of euros)	Net book value	Fair value	Fair value through profit or loss	Assets available for sale	Loans and receivables	Debt at amortized cost	Derivatives
Non-current financial assets	6,853	6,853			6,853		
Other non-current assets	143	143			143		
Trade and other receivables	205,367	205,367			191,913		13,454
Cash and cash equivalents	242,144	242,144	242,144				
TOTAL FINANCIAL ASSETS	**454,507**	**454,507**	**242,144**		**198,909**		**13,454**
Non-current borrowings	316,719	316,719				315,911	808
Other non-current financial liabilities (excl. PCA)	792	792				792	
Current borrowings	146,205	146,205				146,205	
Trade and other accounts payable	253,842	253,842				252,656	1,186
TOTAL FINANCIAL LIABILITIES	**717,558**	**717,558**	**0**			**715,564**	**1,994**

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.

Fair value hierarchy:

(in thousands of euros)	At December 31, 2021 Level 1	Level 2	Level 3
Non-current financial assets	11,414		
Other non-current assets	91		
Trade and other receivables	(625)	175,435	
Cash and cash equivalents	215,870		
TOTAL FINANCIAL ASSETS	**226,750**	**175,435**	
Non-current borrowings	320,621		
Other non-current financial liabilities (excl. PCA)	64		
Current borrowings	167,529		
Trade and other accounts payable	2,833	239,056	
TOTAL FINANCIAL LIABILITIES	**491,047**	**239,056**	

3.4.1.5 – Other non-current assets

(in thousands of euros)	12/31/2021	12/31/2020
Other debtors	91	143
TOTAL OTHER NON-CURRENT FINANCIAL ASSETS	**91**	**143**

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 procurements	Work in progress - goods	Finished and intermediary products	Goods	TOTAL
GROSS VALUES AT DECEMBER 31, 2020	**71,705**	**11,900**	**136,499**	**113,577**	**6,580**	**340,258**
Scope changes	(3,807)	0	(2,810)	3,056	0	(3,561)
– of which increases	1,986	0	1,718	4,929	0	8,633
– of which decreases	(5,793)	0	(4,528)	(1,873)	0	(12,194)
Exchange rate differences	1,136	178	2,277	3,681	170	7,442
Changes in inventory	3,835	66	17,938	4,508	1,925	28,272
Other changes	(88)	(19)	(236)	13	302	(28)
GROSS VALUES AT DECEMBER 31, 2021	**72,781**	**12,120**	**153,668**	**124,835**	**8,977**	**372,383**
IMPAIRMENT AT DECEMBER 31, 2020	**11,331**	**1,293**	**7,897**	**18,159**	**1,190**	**39,870**
Scope changes	(909)	0	1,080	848	0	1,019
– of which increases	53	0	1,191	1,241	0	2,485
– of which decreases	(962)	0	(111)	(393)	0	(1,466)
Provisions for amortization and depreciation	4,000	183	4,010	6,402	380	14,975
Reversal of provisions for amortization and depreciation	(4,971)	(186)	(5,833)	(5,751)	(642)	(17,383)
Exchange rate differences	218	(1)	188	723	55	1,183
Other changes	(77)	0	102	(25)	0	0
IMPAIRMENT AT DECEMBER 31, 2021	**9,592**	**1,289**	**7,444**	**20,356**	**983**	**39,664**
NET VALUES AT DECEMBER 31, 2021	**63,189**	**10,831**	**146,224**	**104,479**	**7,994**	**332,721**

The amounts shown under changes in scope are explained by the disposal of LACE and the acquisition of B&E Manufacturing.

An analysis of the valuation of inventories as well as calculations of haircuts was carried out in order to take into account the slowdown in activities related to the COVID-19 crisis. No significant impact was recognized during the fiscal year.

3.4.2.2 – Trade and other receivable

Trade receivables, loans and advances are recorded to the balance sheet at their nominal value. In the event of a risk of non-recovery, impairments are recognized on a case-by-case basis on the basis of probable collection flows. This risk takes into account the age of the transaction.

Trade and other receivables are valued at their amortized cost in accordance with the provisions of IFRS 9.

The Group opted for the simplified IFRS 9 impairment model: the Group uses information on past-due accounts to determine whether there have been significant increases in credit risk since initial recognition. According to the analyses carried out, the estimated ECL (Expected Credit Loss) was not significant as of December 31, 2021.

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, 2021, the amount of provisions for doubtful debts amounted to €3.5 million, to be compared to total gross receivables of €154.4 million. The amount of permanent losses recognized over the fiscal year was €60.5 thousand.

Statement of trade and other receivables:

(in thousands of euros)	12/31/2021	12/31/2020
Gross trade receivables	154,365	159,804
Impairment of trade receivables	(3,521)	(3,489)
NET TRADE RECEIVABLES	**150,844**	**156,315**
State – other taxes and duties	19,389	22,020
Social entities & workforce services	(7,058)	165
Accounts payable - advances, debtors	2,668	4,887
Deferred charges	5,844	4,647
Other	3,123	17,330
OTHER RECEIVABLES	**23,966**	**49,051**
TOTAL TRADE AND OTHER RECEIVABLES	**174,810**	**205,367**

In the context of the COVID-19 crisis, the Group reinforced the monitoring of its customer risks to secure outstandings. No significant risk was identified.

Assignments of receivables amounted, at December 31, 2021, to €41.0 million, compared with €27.8 million at December 31, 2020. 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 agreements provide for the possibility of selling receivables up to an amount of €90 million in France and $50 million in the United States.

Debt by maturity

Overdue receivables not covered by provisions mainly concern major customers with which the Group has concluded annual or multi-annual 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 the 2021 fiscal year was 48 days, compared to 47 days for the 2020 fiscal year.

(in thousands of euros)	2021					
Group	TOTAL	less than 30 days	30 to 60 days	60 to 90 days	90 to 120 days	more than 120 days
Gross customer receivables	154,365	104,234	34,233	14,702	524	672
Net customer receivables	150,844	101,756	33,189	14,702	524	672

(in thousands of euros)	2020					
Group	TOTAL	less than 30 days	30 to 60 days	60 to 90 days	90 to 120 days	more than 120 days
Gross customer receivables	159,804	92,193	53 479	20,418	2,767	(9,051)
Net customer receivables	156,315	88,702	53 479	20,418	2,767	(9,051)

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

Late payments

(in thousands of euros)	12/31/2021	12/31/2020
0 to 30 days	18,105	19,792
30 to 60 days	2,731	3,059
60 to 90 days	1,285	703
More than 90 days	2,497	3,973
TOTAL	**24,617**	**27,527**

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 money-market SICAV instruments and negotiable security deposits remains unchanged under IFRS 9.

The cash available as at December 31, 2021, stood at €215.9 million, compared to €242.1 million in 2020. This item mainly comprises:

- tradeable deposit certificates held by the Group for an amount of €62.1 million in 2021 compared to €49.4 million in 2020. €44.1 million were invested in USD-denominated vehicles in 2021 (US$50 million),
- bank current accounts in euros and other currencies. They consist partly of bank accounts in US dollars held by LISI S.A. and LISI Holdings North America recognized under "Cash and cash equivalents" in the amount of €66.3 million, *i.e.* US$75.1 million.

The latter are recorded at their fair value, and value adjustments are recorded in the income statement. These positions are not exposed, the main backing instruments guaranteeing the capital.

Bank accounts and investments denominated in foreign currencies were translated at the closing rate on December 31, 2021, with their counterpart recorded in foreign exchange income.

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

in thousands of euros	12/31/2021	12/31/2020
Effect of the change in inventories	(28,271)	9,504
Effect of the change in cash flow imbalances of customers and other debtors	28,708	69,606
Effect of the change in cash flow imbalances of suppliers and other creditors	(17,097)	(10,242)
Effect of the change in cash flow imbalances for taxes	3,133	1,347
CHANGE IN WORKING CAPITAL REQUIREMENTS	**(13,527)**	**70,215**

The free cash flow broke down as follows:

in thousands of euros	12/31/2021	12/31/2020
Operating cash flow	128,969	111,768
Net CAPEX	(65,931)	(72,625)
Change in working capital requirements	(13,527)	70,215
FREE CASH FLOW	**49,510**	**109,358**

3.4.3 Shareholders' equity

The Group's shareholders' equity stood at €1,050 million at December 31, 2021, against €988 million at December 31, 2020, representing an increase of €62 million. This change takes into account the following main factors:

Change in millions of euros	12/31/2021	12/31/2020
Income for the period attributable to owners of the parent	44.0	(37.3)
Capital increase reserved for employees	0	0
Distribution of dividends paid during the year	(7.4)	0
Treasury shares and share-based payments	1.7	(6.5)
Actuarial gains and losses on employee benefits	(0.8)	4.8
Change in fair value of cash flow hedging instruments	(8.2)	4.7
Change in consolidation scope	(0.2)	37.5
Miscellaneous restatements	(0.1)	(0.2)
Translation differences related to changes in the closing rate, including changes in the value of the dollar	33.4	(26.6)
TOTAL	**62.4**	**(23.7)**

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 repurchase 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 AMAFI professional code of ethics recognized by the French financial markets authority (AMF),
- 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 – Share capital

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:

(in thousands of euros)	12/31/2021	12/31/2020
Share premiums	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 the return on capital employed and the cash flow generated by the business.

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 treasury shares.

3.4.3.4 – Dividends

The amount of dividends for the 2021 fiscal year (not recognized) submitted to the Shareholders' General Meeting on April 28, 2022, for approval breaks down as follows:

Amount (in millions of euros)	2021	2020
TOTAL NET DIVIDEND	**15.7**	**7.6**

Dividend per share in euros	2021	2020
DIVIDENDS PER SHARE	**0.29**	**0.14**

The estimated amount for 2021 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.

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 include notably provisions for environmental risks, provisions for retirement commitments and certain provisions for restructuring.

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 – The change in provisions breaks down as follows:

(in thousands of euros)	At January 1, 2020	Allowances (net of reversals)	At December 31, 2020	Allowances	Reversals (amounts used)	Reversals (unused amounts)	Actuarial gains/losses through other comprehensive income	Reclassifications – Other	Entry into/ exit from consolidation scope	Translation differences	At December 31, 2021
Pensions and retirement	47,450	(8,295)	39,155	2,509	(2,633)	0	7,450	(2,838)	(128)	(1,277)	42,236
Long-service awards	4,380	(97)	4,284	158	(364)	(9)			(8)	0	4,061
Environment-related risks	1,746	(1,261)	486	29	(30)	(340)		0	53	4	202
Disputes and other risks	2,174	208	2,382	3,393	(437)	(183)		0	1,079	286	6,522
Guarantees to clients	9,242	(1,733)	7,508	523	(41)	0		0	0	0	7,990
Industrial reorganization	0	16,885	16,885	2,663	(6,307)	(2,248)		0	0	0	10,993
SUBTOTAL NON-CURRENT PROVISIONS	**64,992**	**5,706**	**70,698**	**9,275**	**(9,812)**	**(2,779)**	**7,450**	**(2,839)**	**996**	**(987)**	**72,005**
For loss on contract	0	0	0	278	(188)	0		0	0	0	90
Industrial reorganization	1,701	9,397	11,098	0	(6,343)	(2,526)		0	0	106	2,335
Restructuring	252	(88)	164	0	(12)	0		0	0	0	152
Environment-related risks	3,172	(357)	2,815	0	(237)	(6)		0	0	222	2,794
Disputes	258	(251)	8	0	0	0		0	187	8	203
Other risks	17,684	6,837	24,521	8,803	(12,924)	(3,033)		0	(36)	403	17,735
SUBTOTAL CURRENT PROVISIONS	**23,069**	**15,537**	**38,606**	**9,082**	**(19,704)**	**(5,565)**	**0**	**0**	**152**	**740**	**23,309**
GRAND TOTAL	**88,063**	**21,243**	**109,304**	**18,356**	**(29,515)**	**(8,344)**	**7,450**	**(2,839)**	**1,148**	**(247)**	**95,314**
of which in current operating profit				*13,775*	*(16,430)*	*(4,833)*					
of which in non-current operating profit				*4,581*	*(13,085)*	*(3,511)*					

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 old industrial sites.

Disputes and other risks:

This covers litigation or disputes with partners and service providers. The risk was increased 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.

Reversals of provisions mainly include the impacts of workforce adjustment measures as part of the adaptation plans related to the COVID-19 crisis, as well as a reversal of provision for an amount of €3 million for the disposal of LACE.

Other risks:

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

A provision reversal in the amount of €5 million concerning a quality problem at one of the Group's production sites was recorded during the fiscal year.

The other amounts of provisions and reversals primarily concern quality, customer lead time, classification of new products, tax risks and wage risks.

Commitments to employees:

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.

3.4.4.2 – General description of the plans

Post-employment benefits (France):

The Group took into account the impact of the IFRIC agenda decision in April 2021 when measuring employee benefits. It relates to taking into account, in the rate of recognition of commitments, the stages of acquisition of rights and the ceilings of said rights. The impact at December 31, 2021 represents a decrease in the commitment for an amount of -€2.8 million, recognized in actuarial gains and losses for 2021.

Entitlements to post-employment 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 retirement, options, legislation.

United States:

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 retirement, options, legislation.

The geographic breakdown of the Group's commitments to staff as at December 31, 2021, for defined benefit plans and the main assumptions employed in their assessment are as follows:

(in thousands of euros)	France	Germany	United States	England	Other
Actuarial debt	31,878	8,014	469	27,030	1,878
Discount rate	0.80%	1.05%	2.25%	1.91%	NA
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	1.5% - 2.0%	1.50%	N/A	3.63%	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 2.25% for American insurance plans and 1.91% for English ones.

At December 31, 2021, the allocation of the plan assets was approximately 31% in equities and 69% in bonds for England.

The following table sets out the changes, during fiscal year 2021, in the actuarial debt and the market value of the hedging assets (in millions of euros):

Change in actuarial debt	2021	2020
ACTUARIAL DEBT AT YEAR START	**65,323**	**72,330**
Cost of services	2,047	2,890
Cost of accretion	837	1,145
Benefits paid	(2,066)	(3,050)
Discounts	(1,147)	(1,526)
Wind-ups	0	0
Past-service costs	0	0
Change in consolidation scope	(128)	0
Translation differences	532	(2,278)
IFRIC 2021 application	(2,838)	
Actuarial losses (gains)	6,710	(4,189)
ACTUARIAL DEBT AT YEAR END	**69,269**	**65,323**

Change in market value of hedging assets	2021	2020
OPENING VALUE	**26,342**	**25,594**
Contributions paid by the Group	0	0
Benefits withheld from fund	(580)	(830)
Wind-ups	0	0
Expected yield from assets	374	527
Translation differences	1,854	(1,396)
Actuarial gains (losses)	790	2,447
CLOSING VALUE	**28,780**	**26,342**

The following table sets out the net debt recognized in the Group's consolidated financial statements and the above amounts:

(in thousands of euros)	12/31/2021	12/31/2020
NET LIABILITY RECOGNIZED AT THE END OF THE PERIOD	(40,488)	(38,980)

The expense recognized as operating profit by the Group during the fiscal year 2021 as defined benefit plans amounted to €2.5 million and is broken down as follows:

(in thousands of euros)	2021	2020
Cost of services	2,047	2,890
Cost of accretion	837	1,145
Expected yield from plan assets	(374)	(527)
Past-service cost	0	0
EXPENSE (INCOME) RECOGNIZED	**2,509**	**3,508**

3.4.5 Other non-current liabilities

(in thousands of euros)	12/31/2021	12/31/2020
Deposits and sureties received	63	50
Other non-current liabilities	0	221
Employee profit-sharing	0	520
Deferred income	7,100	7,349
TOTAL OTHER NON-CURRENT LIABILITIES	**7,163**	**8,140**

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 Financial debt

3.4.6.1 – Financial debt

Breakdown by nature

(in thousands of euros)	12/31/2021	12/31/2020
NON-CURRENT SHARE		
Mid-term loans	232,177	234,726
Lease liabilities	83,872	74,317
Employee profit-sharing (frozen on a current account)	4,573	7,676
NON-CURRENT DEBT SUBTOTAL	**320,621**	**316,719**
CURRENT SHARE		
Banking facilities for operations	1,133	5,981
Mid-term loans	149,317	130,060
Lease liabilities	13,640	7,053
Employee profit-sharing (frozen on a current account)	3,438	3,112
SUBTOTAL CURRENT DEBT	**167,529**	**146,205**
TOTAL DEBT	**488,151**	**462,924**

Breakdown by maturity date

(in thousands of euros)	12/31/2021	12/31/2020
BORROWINGS		
at one year	149,317	130,060
two to five years	187,754	216,222
more than five years	44,423	18,504
SUBTOTAL BORROWINGS	**381,494**	**364,786**
OTHER FINANCIAL CREDITORS		
at one year	18,211	16,145
two to five years	43,815	40,653
more than five years	44,631	41,340
SUBTOTAL OTHER DEBT	**106,657**	**98,139**
BORROWINGS AND DEBT	**488,151**	**462,924**

Breakdown by cash flow category

FINANCIAL DEBT AS AT 01/01/2021	**462,924**
Subtotal changes resulting from cash flow	(6,365)
Change in consolidation scope	3,466
Translation effects	11,256
IFRS 16	22,383
Other	(5,512)
Subtotal changes with no cash effect	31,593
FINANCIAL DEBT AS AT 12/31/2021	**488,151**

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, including the principal amounts incurred at fixed and variable rates:

Contracting entities	Nature of the loan	Fixed rate	Variable rate	Total amount of credit lines in millions of euros	Capital remaining due at 12/31/2021 (in millions of euros)	Maturity date	Existence or not of interest rate or currency hedges	Covenant
LISI S.A.	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	4.6	2024		[1]
	Conventional loan	0.65%		15.0	5.9	2024		[1]
	Conventional loan	1.00%		15.0	6.0	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	6.8	2026		[1]
	Conventional loan	1.22%		20.0	20.0	2026		[1]
	Conventional loan	0.75%		5.0	5.0	2028		[1]
	Conventional loan	0.34%		10.0	7.5	2025		[1]
	Conventional loan	1.27%		5.0	5.0	2031		[1]
	USPP*	3.64%		56.0	16.0	2023		[2]
	USPP*	1.82%		20.0	11.4	2025		[2]
	USPP*	1.78%		40.0	28.6	2026		[2]
	USPP*	1.15%		50.0	50.0	2031		[2]
BLANC AERO INDUSTRIES	**Conventional loan**		**Euribor 3 months + margin**	**11.5**	**7.9**	**2031**	**Hedged by a SWAP**	**[1]**
LISI AUTOMOTIVE Former	**Conventional loan**		**Euribor 3 months + margin**	**3.0**	**1.1**	**2024**		**[1]**
			Euribor 3 months + margin	3.0	1.4	2024		[1]
LISI MEDICAL Fasteners	**Conventional loan**		**Euribor 3 months + margin**	**4.5**	**1.2**	**2024**	**Hedged by a SWAP**	**[1]**
			Total	**373.0**	**268.4**			

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 end of December 31, 2021, the 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).

Consolidated interest expense coverage ratio < 4.5 (Net interest expense/EBITDA).

At December 31, 2021:

- The consolidated gearing ratio is 0.258, compared to 0.223 in 2020.
- The consolidated leverage ratio is 1.744 compared to 1.320 in 2020.
- The coverage ratio of consolidated interest expense was 0.0329 compared to 0.0321 in 2020.

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

3.4.6.3 – Breakdown of financial debt

(in thousands of euros)	12/31/2021	12/31/2020
Cash and cash equivalents	215,870	242,144
CASH AVAILABLE [A]	**215,870**	**242,144**
Current banking facilities [B]	1,133	5,981
NET CASH [A - B]	**214,737**	**236,163**
Credits	381,494	364,786
Other financial creditors	105,524	92,159
NET DEBT [C]	**487,018**	**456,945**
NET FINANCIAL DEBT [D = C + A - B]	**272,281**	**220,780**
GROUP EQUITY [E]	**1,050,383**	**987,978**
DEBT RATIO (EXPRESSED AS %) [D/E]	**25.9%**	**22.3%**

NB: It should be recalled that the debt ratio for 2019 was 32.8%.

3.4.7 Financial liabilities

The cash table for all financial liabilities is as follows:

	As of 12/31/2021	Breakdown of contractual flows not discounted on due date			
Financial liabilities on the balance sheet (in thousands of euros)	Net book value	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Non-current borrowings	320,621		231,567	89,054	320,621
Other non-current financial liabilities (excl. PCA)	64		64		64
Current borrowings	167,529	167,529			167,529
Trade and other accounts payable	241,685	241,685			241,685
TOTAL FINANCIAL LIABILITIES	**729,899**	**409,214**	**231,631**	**89,054**	**729,899**

	As of 12/31/2020	Breakdown of contractual flows not discounted on due date			
Financial liabilities on the balance sheet (in thousands of euros)	Net book value	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Non-current borrowings	316,719		256,875	59,844	316,719
Other non-current financial liabilities (excl. PCA)	792		792		792
Current borrowings	146,205	146,205			146,205
Trade and other accounts payable	253,842	253,842			253,842
TOTAL FINANCIAL LIABILITIES	**717,558**	**400,047**	**257,667**	**59,844**	**717,558**

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.

At December 31, 2021, the LISI Group benefited from:

- €66 million in unused bank overdraft facilities,
- unused RCF lines of €65 million,
- €20 million in unused receivables disposal lines,
- cash in the amount of €215 million.

This represents a total financing capacity of €366 million, plus the undrawn portion of the current USPP (May 2021) for US$150 million.

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 2021. Its instruments in effect at December 31, 2021, relate to an outstanding amount of €8.9 million. The features of these instruments are presented in Note 3.6.5 "Commitments".

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

(in thousands of euros)	12/31/2021	12/31/2020
Loans - variable rates	11,575	44,138
Short-term banking facilities	5,981	5,981
Other current and non-current financial assets		
Cash and cash equivalents	(153,724)	(192,771)
NET POSITION PRIOR TO MANAGEMENT	**(136,168)**	**(142,652)**
Interest rate SWAP	(8,889)	(39,264)
HEDGING	**(8,889)**	**(39,264)**
NET POSITION AFTER MANAGEMENT	**(145,057)**	**(181,916)**

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

As of December 31, 2021, the impact on the unhedged portion of a 100-basis point change in the variable rates was €1,451 thousand.

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 on the progressive reduction of corporation tax to 25%.

(in thousands of euros)	12/31/2021	12/31/2020
Deferred tax assets	51,054	48,626
Deferred tax liabilities	(38,600)	(34,697)
NET DEFERRED TAXES	**12,454**	**13,929**

Non-recognized deferred tax assets:

The Company does not recognize its deferred tax assets whenever it has no sufficient assurance that it will recover carried forward deficits and tax credits. Deferred tax assets are only recognized if their recovery is probable. For information purposes, tax loss carryforwards not recognized in the balance sheet at December 31, 2021 would generate deferred tax assets of €17.3 million compared to €13.5 million in 2020.

Deferred tax assets by anticipated period of recoverability at December 31, 2021

2021				2020			
less than 1 year	1 to 5 years	+5 years	Total	less than 1 year	1 to 5 years	+5 years	Total
1,594	37,234	12,226	51,054	4,573	36,156	7,898	48,626

3.5 Breakdown of main income statement items

3.5.1 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 corresponding 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 fiscal 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 2021	TOTAL 2020
Consumption of goods	3,633	24,315	2,641	0	30,590	37,346
Consumption of raw materials	100,210	103,128	16,106	0	219,443	200,758
Tools	22,648	18,822	6,642	0	48,111	50,399
Other purchases	19,014	13,671	3,274	22	35,981	32,505
TOTAL CONSUMPTION	**145,505**	**159,936**	**28,663**	**22**	**334,126**	**321,007**

3.5.3 Other purchases and external expenses

(in thousands of euros)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL 2021	TOTAL 2020
Subcontracting	27,879	42,767	6,940	0	77,586	80,618
Maintenance	21,681	21,494	4,158	590	47,957	47,388
Freight	5,870	13,500	1,003	0	20,374	19,024
Energy	15,348	13,404	1,759	21	30,532	30,177
Other external expenses[1]	51,180	25,523	6,431	(8,456)	74,905	88,044
TOTAL OTHER PURCHASES AND EXTERNAL EXPENSES	**121,958**	**116,688**	**20,291**	**(7,845)**	**251,354**	**265,251**

(1) The "Other external expenses" line item comprises general and administrative costs (notably, fees, miscellaneous services and insurance costs).

The amount of -€8.5 million indicated in the "other" column of other external expenses is composed of the intragroup elimination services invoiced by LISI S.A. Holding and LISI Holdings North America to the divisions (-€11.6 million). The difference corresponds to the costs of the activities of these holding companies.

Statutory 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 2021 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 to 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	28	28	28	28	30	29
– Fully consolidated subsidiaries	767	711	265	272		
Other due diligence and services						
– Holding	34	35	33	6		
– Fully consolidated subsidiaries	0	0	15	16		0
SUBTOTAL	**829**	**775**	**341**	**323**	**30**	**29**
OTHER SERVICES RENDERED BY THE NETWORKS TO THE FULLY CONSOLIDATED SUBSIDIARIES						
Legal, tax, and social						
Miscellaneous services						
SUBTOTAL						
TOTAL	**829**	**775**	**341**	**323**	**30**	**29**

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

3.5.4 Employee benefits expense

(in thousands of euros)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	Total 2021	Total 2020
Temporary workers	4,421	5,360	1,992	24	11,797	10,094
Salaries and incentives	176,012	117,215	39,251	4,295	336,773	343,098
Layoff pay	163	629	43	23	858	1,698
Social contributions and taxes on salaries	63,313	40,649	15,171	3,572	122,705	125,709
Employee profit-sharing	0	82	0	0	82	612
Pensions and long-service awards	616	851	77	0	1,544	551
TOTAL PAYROLL EXPENSES	**244,525**	**164,786**	**56,534**	**7,914**	**473,756**	**481,762**

3.5.5 Research and development costs

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 in several ways: 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 development expenses employed at the LISI Group mainly relate to products in co-development with customers and not to changes in industrial processes.

As a result, most of the costs incurred do not meet the criteria for capitalization as intangible assets and are therefore recorded as expenses. They consist mainly of expenses for personnel working in R&D.

Staff directly dedicated to R&D represented in 2021 some 2.5% 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 fiscal years are shown in the table below:

In millions of euros	2021	2020
Research and Development expenditures	26.7	25.0
% of sales revenues	2.2%	-2.0%
Activated projects	2.7	0.6

3.5.6 Non-recurring operating expenses and income

Non-recurring income and expenses break down as follows:

(in thousands of euros)	12/31/2021	12/31/2020
NON-RECURRING OPERATING EXPENSES		
Disposal of LISI AUTOMOTIVE Mohr und Friedrich GmbH		(6,330)
Disposal of LISI MEDICAL Jeropa	(877)	(8,054)
Net expense related to the costs of closing the LISI AEROSPACE Mexico site	(2,913)	(5,344)
Sale of Indraero Siren and LISI AEROSPACE Creuzet Maroc		(6,130)
Net expenses related to workforce adjustment measures in the context of adaptation plans related to the COVID-19 crisis	(4,678)	(36,616)
Net restructuring and reorganization expenses		(3,000)
Other non-recurring operating income and expenses	(2,281)	(4,144)
OTHER NON-RECURRING OPERATING INCOME AND EXPENSES	**(10,749)**	**(69,618)**

The rules for presenting and defining non-recurring income and expenses remain unchanged compared to December 31, 2020.

3.5.7 Financial income (expense)

(in thousands of euros)	12/31/2021	12/31/2020
FINANCING EXPENSES AND REVENUE ON CASH		
Revenue on cash	491	825
Impact of the change in fair value of positive interest rate hedges	495	407
Impact of the change in fair value of negative interest rate hedges		(86)
Financing expenses	(6,291)	(6,310)
SUBTOTAL INCOME FROM CASH AND CASH EQUIVALENTS	**(5,304)**	**(5,164)**
OTHER FINANCIAL INCOME AND EXPENSES		
Foreign exchange gains	34,738	26,685
Foreign exchange losses	(19,190)	(42,978)
Impact of the change in fair value of currency hedges	(5,452)	5,181
Other	(20)	(483)
SUBTOTAL OTHER FINANCIAL INCOME AND EXPENSES	**10,076**	**(11,595)**
NET FINANCE INCOME (EXPENSE)	**4,772**	**(16,759)**

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 2020 was mainly due to changes in foreign exchange rates on investments in US dollars, bank accounts in foreign currencies and the current accounts of foreign subsidiaries denominated in their local currency. Most of this impact was due to the sharp rise in the US dollar, which generated a significant foreign exchange gain.

3.5.8 Corporate income tax

Income tax (expense or income) includes:

- The corporate income tax expense (income) to be paid for each fiscal 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,
- 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. Goodwill that is not amortizable for tax purposes does not give rise to the recognition of deferred tax.

Deferred tax assets are only recognized if their recovery is probable. Deferred tax assets and liabilities are measured at the tax rates in effect at the time of the settlement of the temporary differences. Notably, a deferred tax asset on loss carryforwards 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 (French 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 – Breakdown of tax

Breakdown (in thousands of euros)	Pre-tax earnings	Tax*	Profit (loss) after tax
Current profit (loss)	71,465	(16,655)	54,810
Non-recurring operating expenses and revenues	(10,749)	2,884	(7,865)
Employee profit-sharing	(82)	22	(60)
Tax credits		22	22
CVAE (Tax on companies' added value)		(2,545)	(2 545)
PROFIT (LOSS) FOR THE PERIOD	**60,634**	**(16,271)**	**44,362**

* of which tax payable: -€7,951 thousand of which deferred taxes: -€4,035 thousand
of which withholding tax on income received from abroad: -€1,762 thousand.

3.5.8.2 – Tax proof

	12/31/2021	12/31/2020
Earnings attributable to the Group	44	(37.3)
Minority interests	(0.3)	0.2
Recorded income tax (income tax + income tax credit + deferred tax + CVAE)	16.3	(7.3)
Profit (loss) before income tax	60.6	(44.8)
Parent company standard rate	25.83%	28.92%
Theoretical income tax/rate at 25.83%	15.7	(13.0)
DIFFERENCE		
Effect of permanent differences	(2.2)	3.5
Impact of research tax credits	(1.2)	(1.6)
CVAE effect (contribution on the added value of companies)	1.9	3.6
Effect of differences between foreign and French tax rates	(1.0)	(1.0)
Impact of unrecognized taxes	(1.2)	0.3
Impact of rate changes on deferred taxes	0	(1.7)
Dividend effects - non-deductible portion	4.0	0.8
Other effects	0.3	1.7
INCOME TAX RECORDED IN THE INCOME STATEMENT (INCL. CVAE)	**16.3**	**(7.3)**
Effective tax rate	26.83%	(16.33)%

3.5.8.3 – Tax rates applicable by LISI Group companies

	2021	2020
Germany	30.00%	30.00%
England	19.00%	17.00%
Canada	26.90%	26.90%
Spain	25.00%	25.00%
United States	21.00%	21.00%
France	25.83%	28.92%
Czech Republic	19.00%	19.00%
China	25.00%	25.00%
Mexico	30.00%	30.00%

3.5.9 Earnings per share

Net profit (loss) 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.

12/31/2021 (in thousands of euros)	Profit (loss) for the period	Number of shares	Net profit (loss) per share in euros
Total shares		54,114,317	
Treasury shares		(1,157,653)	
BASIC EARNINGS PER SHARE	**44,048**	**52,956,664**	**0.83**
Restatement of performance shares being awarded		621,510	
DILUTED EARNINGS PER SHARE	**44,048**	**53,578,174**	**0.82**

12/31/2020 (in thousands of euros)	Profit (loss) for the period	Number of shares	Net profit (loss) per share in euros
Total shares		54,114,317	
Treasury shares		(1,179,685)	
BASIC EARNINGS PER SHARE	**37,321**	**52,934,632**	**(0.71)**
Restatement of performance shares being awarded		448,670	
DILUTED EARNINGS PER SHARE	**37,321**	**53,383,302**	**(0.70)**

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.

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 includes the activities of the Group's parent company.

3.6.1.1 – Breakdown by business segment

(in thousands of euros)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL
12/31/2021					
INCOME COMPONENT					
Revenue by business segment*	558,053	484,602	121,997	(755)	1,163,897
EBITDA	83,737	53,998	16,438	(695)	153,478
Depreciation allowance and provisions	46,439	30,409	9,118	901	86,867
Current operating profit (EBIT)*	37,298	23,589	7,320	(1,596)	66,611
Operating profit	28,788	22,972	7,101	(2,999)	55,862
PROFIT (LOSS) FOR THE PERIOD	**20,962**	**14,201**	**4,885**	**4,314**	**44,362**
BALANCE SHEET COMPONENT					
Working capital requirement	180,073	93,845	30,998	7,734	312,650
Net fixed assets	699,997	384,297	146,032	(90,870)	1,139,455
ACQUISITIONS OF FIXED ASSETS	**37,689**	**23,155**	**5,765**	**28**	**66,637**

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

(in thousands of euros)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL
12/31/2020					
INCOME COMPONENT					
Revenue by business segment*	663,374	451,154	116,320	(890)	1,229,958
EBITDA	109,098	45,786	10,363	1,438	166,685
Depreciation allowance and provisions	71,249	42,186	10,216	1,526	125,177
Current operating profit (EBIT)*	37,849	3,599	147	(86)	41,509
Operating profit	(8,498)	(7,470)	(3,893)	(8,248)	(28,109)
PROFIT (LOSS) FOR THE PERIOD	**(21,662)**	**(15,010)**	**(5,205)**	**4,333**	**(37,544)**
BALANCE SHEET COMPONENT					
Working capital requirement	184,808	68,901	25,309	21,480	300,498
Net fixed assets	619,649	374,108	140,667	(84,748)	1,049,676
ACQUISITIONS OF FIXED ASSETS	**40,017**	**26,994**	**5,778**	**638**	**73,427**

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

3.6.1.2 – Breakdown by business segment and by country

(in thousands of euros)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL
12/31/2021					
INCOME COMPONENT					
SALES REVENUE BY DESTINATION AREA					
European Union	354,051	286,863	48,926	(755)	689,085
of which France	251,656	84,577	5,648	(755)	341,126
North American continent	159,035	88,647	69,591		317,273
Other countries	44,967	109,092	3,480		157,539
TOTAL	**558,053**	**484,602**	**121,997**	**(755)**	**1,163,897**
BALANCE SHEET COMPONENT					
NET FIXED ASSETS BY DESTINATION AREA					
European Union	389,512	257,726	62,529	(90,871)	618,895
of which France	362,141	160,805	62,529	(90,871)	494,603
North American continent	278,572	110,233	83,504		472,309
Africa	6,276	2,941			9,217
Asia	25,637	13,397			39,034
TOTAL	**699,997**	**384,297**	**146,032**	**(90,871)**	**1,139,455**
FLOWS PROVIDED BY OR USED FOR ACQUISITION OF FIXED ASSETS BY DESTINATION AREA					
European Union	29,992	15,634	2,415	(2)	48,038
of which France	29,599	9,841	2,415	(2)	41,852
North American continent	6,168	5,078	3,349	29	14,624
Africa	78	909			987
Asia	1,453	1,535			2,988
TOTAL	**37,689**	**23,156**	**5,766**	**27**	**66,637**

(in thousands of euros)	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	Other	TOTAL
12/31/2020					
INCOME COMPONENT					
Revenue by destination area					
European Union	400,750	269,662	43,380	(890)	712,902
of which France	265,666	87,482	6,625	(890)	358,883
North American continent	214,582	79,182	69,663		363,427
Other countries	48,042	102,310	3,187		153,539
TOTAL	**663,374**	**451,154**	**116,230**	**(890)**	**1,229,868**
BALANCE SHEET COMPONENT					
NET FIXED ASSETS BY DESTINATION AREA					
European Union	387,769	261,473	63,966	(84,748)	628,459
of which France	360,569	164,209	63,966	(84,748)	503,995
North American continent	196,207	102,124	76,702		375,033
Africa	10,973	1,949			12,922
Asia	24,700	8,562			33,262
TOTAL	**619,649**	**374,108**	**140,667**	**(84,748)**	**1,049,676**
FLOWS PROVIDED BY OR USED FOR ACQUISITION OF FIXED ASSETS BY DESTINATION AREA					
European Union	28,764	18,171	3,510	638	51,082
of which France	27,568	11,299	3,510	638	43,014
North American continent	8,291	7,349	2,266	0	17,906
Africa	829	706			1,535
Asia	2,135	708			2,903
TOTAL	**40,017**		**5,778**	**638**	**73,427**

3.6.2 Share-based payments

3.6.2.1 – Stock options

The Company had no stock options plans at December 31, 2021.

3.6.2.2 – Allocation of shares subject to performance conditions

The Group has implemented share-purchase option and bonus share plans based on performance for certain employees and managers. The objective of these plans is to create an additional incentive to improve the Group's performance, retain key managers and align the interests of management and shareholders.

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.

The conditions for granting the various plans mentioned below are defined in Chapter 4 – "Corporate social responsibility".

AASCP PLANS

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on December 12, 2018, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting certain performance targets.

The Board meeting of February 18, 2021 noted that the results for 2020 show that the objectives were not achieved and, as a result, no shares were granted.

As the reversal of the provision corresponding to the non-allocation of shares concerning this plan was recorded in 2020, it had no impact on the consolidated income for 2021.

Plans of a similar nature were put in place for 2019, 2020 and 2021. The Board meetings of December 11, 2019, December 9, 2020 and December 8, 2021 approved the opening of these new plans under similar conditions.

The fair value of these benefits is recognized in the income statement linearly over the vesting period.

The objectives of the 2019 plan, measured on the basis of 2021 results, will not be achieved. As the corresponding provision reversal had already been recorded in 2020, no impact was recognized for the 2021 fiscal year.

The fair value of these plans was recognized in personnel expenses in 2021. The amount is an expense of -€1.3 million. This cost was not allocated to the divisions, and remains an expense at the LISI S.A. level until the definitive realization of the plan.

LOYALTY PLAN

The LISI Group relies on the contribution of an experienced management team and wishes to retain these high-potential employees who constitute a united and motivated group of talented people. To this end, a single loyalty plan was put in place for 39 Group employees.

The fair value of these benefits is recognized in the income statement on a straight-line basis over the vesting period, *i.e.* an amount of -€0.4 million in 2021 recorded in personnel expenses. This cost was not allocated to the 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 all 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 repurchase 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 2021 fiscal year.

3.6.4 Information on related parties/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 the 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. However, LISI S.A. provides assistance to its subsidiaries in accounting, financial, strategic and legal matters.

3.6.4.2 – Remuneration of members of the management bodies

	Expenses for the period		Liabilities	
(in thousands of euros)	2021	2020	2021	2020
Gross current benefits (salaries, bonuses, etc.)	1,055	909		
Post-employment benefits (IFC)	(85)	58	366	451
Other non-current benefits				
Termination benefits				
Share-based benefits	116	(148)	129	14
TOTAL REMUNERATION	**1,085**	**819**	**495**	**465**

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 2019, 2020 and 2021, 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 end of their term of office.

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

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, 2021, of the derivatives used in the management of market risks is detailed below:

	12/31/2021		12/31/2020	
(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		310		808
CURRENCY RISK MANAGEMENT				
Foreign exchange derivatives	3,662			11,884
RAW MATERIALS RISK MANAGEMENT				
Raw materials derivatives	204		383	
TOTAL	**3,866**	**310**	**383**	**12,692**

3.6.5.1 – Commodities price fluctuation risk

As of December 31, 2021, the Group hedged the risk on its future purchases of nickel and aluminum raw materials. The fair value of the derivatives used (commodity SWAPs) was +€204 thousand at the close. Other raw materials cannot be hedged due to lack of available instruments.

3.6.5.2 – Foreign exchange 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 financial 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 long-term 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.

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

	12/31/2021					12/31/2020				
	Fair value[1]	Notional amount[2]	Less than 1 year	From 1 to 5 years	More than 5 years	Fair value[1]	Notional amount[2]	Less than 1 year	From 1 to 5 years	More than 5 years
Long position of GBP against USD	0.1	12.0	12.0	0	0	1.6	12.0	12.0	0	0
Long position of CAD against USD	(0.2)	24.0	24.0	0	0	1.3	25.2	25.2	0	0
Long position of TRY against EUR	(2.8)	38.4	38.4	0	0	(1.3)	38.4	0	38.4	0
Long position of PLN against USD	(0.1)	20.4	20.4	0	0	0	0	0	0	0
Long position of CZK against EUR	0.5	300.0	300.0	0	0	0.2	450.0	300.0	150.0	0
Long position EUR against USD	(1.1)	163.8	72.6	91.2	0	10.2	130.0	90.0	40.0	0
TOTAL	**(3.7)**					**11.9**				

(1) Fair value amounts are expressed in millions of euros.
(2) Maximum notional amounts are expressed in millions in 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, and meetings of 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 disputes 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 fiscal 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 made in the context of ordinary operations

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

(in thousands of euros)	2021	2020
Balance of investment orders	7,039	29,681
COMMITMENTS MADE	**7,039**	**29,681**
Swap rate	8,889	39,264
Foreign exchange hedging	194,605	156,770
RECIPROCAL COMMITMENTS	**203,494**	**196,034**

Reciprocal commitments:

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

As at December 31, 2021, the features of the SWAP contracts were as follows:

Notional at 12/31/2021	Nominal (in thousands of euros)	Outstanding (in thousands of euros)	Departure date	Maturity date	Paying rate	Receiving rate	Net present value (NPV) in thousands of euros
LISI S.A.	5,000		06/10/2014	06/10/2021	0.9400%	Euribor 3-months	37
LISI S.A.	5,000		06/10/2014	06/10/2021	0.9400%	Euribor 3-months	37
LISI S.A.	10,000		06/10/2014	06/10/2021	0.9700%	Euribor 3-months	76
LISI S.A.	5,000		06/10/2014	06/10/2021	0.9525%	Euribor 3-months	38
LISI S.A.	5,000		06/10/2014	06/10/2021	0.9675%	Euribor 3-months	38
LISI MEDICAL Fasteners	4,500	1,031	09/28/2012	09/30/2024	1.3000%	Euribor 3-months	27
BLANC AÉRO INDUSTRIES	4,983	3,929	02/01/2016	01/15/2031	0.8290%	Euribor 3-months	120
BLANC AÉRO INDUSTRIES	4,983	3,929	02/01/2016	01/15/2031	0.8300%	Euribor 3-months	123
TOTAL	**44,466**	**8,889**					**497**

The currency hedging instruments at December 31, 2021, are as follows:

	Notional at 12/31/2021		Notional at 12/31/2020	
	Currency	EUR	Currency	EUR
GBP	12,000	14,281	12,000	13,348
CAD	24,000	16,675	25,200	16,120
CZK	300,000	12,069	450,000	17,148
TRY	38,400	2,521	38,400	4,214
PLN	20,400	4,438		
USD	163,800	144,623	130,000	105,941
TOTAL		**194,606**		**156,770**

3.6.6.2 – Commitment received as part of 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, and
- 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).

This commitment will end at the end of the legal limitation period, with the exception of the guarantee related to product non-compliance, which expired on September 21, 2021.

3.6.6.3 – Commitments made and received in connection with the acquisition of TERMAX

Following the amendment of the initial acquisition agreement signed on June 26, 2020 of the company TERMAX LLC, LISI HOLDING NORTH AMERICA acquired the remaining 49% of shares on July 24, 2020 with a payment of the price in two halves, on September 15, 2020 and September 15, 2021.

For their part, the sellers undertook to compensate LISI HOLDING NORTH AMERICA, subject to an overall deductible of US$200 thousand for any damage that may be related to, notably:

- an environmental and tax risk, up to the amount of the purchase price of the 51% stake,
- a labor risk of US$5 million.

This commitment will end on October 31, 2037, with the exception of the tax guarantee which will expire at the end of the legal limitation period.

3.6.6.4 – Commitments made and received as part of the acquisition of B&E Manufacturing Co. Inc.

As part of the acquisition of B&E Manufacturing Co. Inc., HI-SHEAR CORPORATION undertook to pay the balance of the price in two set installments, on July 30, 2022 and July 30, 2023.

For their part, the sellers undertook to compensate HI-SHEAR CORPORATION, subject to an overall deductible of US$300 thousand for any damage that may be related to, notably:

- a risk of organization and ownership of the assets, up to the amount of the acquisition price and,
- a tax, environmental, labor and product non-compliance risk of US$10 million.

This commitment will end at the end of the legal limitation period with the exception of the tax and environmental guarantee, which will end on July 30, 2023, and the product non-compliance guarantee, ending on July 30, 2024.

3.6.6.5 – Commitment received as part of the sale of LISI AUTOMOTIVE Beteo GmbH

As part of the sale of LISI AUTOMOTIVE Beteo GmbH, a liability guarantee commitment was given by LISI AUTOMOTIVE Knipping Verbindungstechnik GmbH.

The tax and social security guarantees are valid until the expiry of the legal limitation period.

3.6.6.6 – Guarantee given as part of the sale of INDRAERO SIREN and LISI AEROSPACE CREUZET MAROC

As part of the sale of INDRAERO SIREN and LISI AEROSPACE CREUZET MAROC, a liability guarantee commitment was given concerning any potential tax liabilities.

The maximum compensation amount was set at €3 million.

The tax guarantee will end on January 31, 2023.

3.6.6.7 – Guarantees given as part of the sale of LACE

As part of the sale of LACE, a liability guarantee commitment was given by LISI AEROSPACE STRUCTURAL COMPONENTS.

The guarantees will end on September 4, 2022 with the exception of the labor guarantee, which will expire on January 31, 2024, and the tax guarantee, ending on January 31, 2025.

3.6.6.8 – Guarantees given as part of the disposal of LISI MEDICAL Jeropa

As part of the disposal of LISI MEDICAL Jeropa, a liability guarantee commitment was given by LISI Holding North America.

The tax and environmental guarantees will end at the end of the legal limitation period.

3.6.6.9 – Commitment received as part of the sale of INDRAERO SIREN and LISI AEROSPACE CREUZET MAROC

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, *i.e.* until July 3, 2029.

The accrued receivable was fully written down at December 31, 2020 on this commitment received.

3.6.6.10 – Other commitments

Other commitments relate to loan agreements that provide for early repayment in the event of non-compliance with financial covenants. Details of these borrowings are provided in Section 3.4.5.

3.7 Currency exchange rates applied by foreign subsidiaries

		12/31/2021		12/31/2020	
		Closing rate	Average rate	Closing rate	Average rate
US dollar	USD	1.1326	1.1816	1.2271	1.1470
Sterling	GBP	0.8403	0.8584	0.8990	0.8894
Yuan	CNY	7.1947	7.6069	8.0225	7.8975
Canadian dollar	CAD	1.4393	1.4804	1.5633	1.5380
Zloty	PLN	4.5969	4.5720	4.5597	4.4680
Czech crown	CZK	24.8580	25.6486	26.2420	26.4976
Moroccan dirham	MAD	10.5165	10.6334	10.8848	10.8737
Indian rupee	INR	84.2292	87.3135	89.6605	84.9444
Mexican pesos	MXN	23.1438	24.0516	24.4160	24.7300
Hong Kong dollar	HKD	8.8333	9.1856	9.5142	8.8966

4 Statutory Auditors' reports

4.1 Statutory Auditors' special report on related-party agreements and commitments – Fiscal year ended December 31, 2021

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 and Paris-La Défense, March 31, 2022

The Auditors

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

4.2 Statutory Auditors' report on the consolidated financial statements – Fiscal year ended December 31, 2021

Opinion

Pursuant to the assignment entrusted to us by your Shareholders' General Meeting, we have conducted the audit of the consolidated financial statements of LISI regarding the fiscal year ended December 31, 2021, as appended to this report.

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 fiscal 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 from both a sufficient and an appropriate basis for our opinion.

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

- **Independence**

We have conducted our audit in compliance with the rules of independence applicable to us under the provisions of the French Commercial Code and the French Code of Ethics for Auditors, for the period running from January 1, 2021 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.

Observation

Without calling into question the opinion expressed above, we draw your attention to Note 2.1 to the consolidated financial statements concerning the change in accounting estimates relating to the depreciation period of fixed assets.

Justification of our assessments – Key audit matters

The global crisis linked to the COVID-19 pandemic creates special conditions for the preparation and audit of the financial statements for this fiscal year. In effect, this crisis and the exceptional measures taken against the background of the sanitary state of emergency have had numerous consequences for businesses, particularly on their activities and financing, as well as increasing the level of uncertainty for their future prospects. Some of these measures, such as travel restrictions and teleworking, have also affected the internal organization of businesses and the way in which audits re-conducted.

It is in this complex and evolving context that, in accordance with the provisions of Articles L.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key audit matters relating to risks of material misstatement which, in our professional judgment, were the most significant for the audit of the consolidated financial statements for the year, as well as the responses we have provided to these risks.

The assessments thus made are part of the audit of the consolidated financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on elements of these consolidated financial statements taken separately.

Goodwill – Impairment test

Risk identified	Our response
At December 31, 2021, the net value of goodwill amounted to €401,877 thousand for a balance sheet total of €1,924,401 thousand. 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 impairment.	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, on a sample basis, the future cash flows used, in light of the budgetary data and the four-year strategic plan presented to the Board of Directors, the historical results as well as the economic and financial context in which the Group operates, ▪ checking, using sample testing techniques, the mathematical correctness of the impairment tests performed by management.

Provisions for industrial risks

Risk identified	Our response
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 3.4.3.6 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 of: ▪ 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, the 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

In accordance with professional standards applicable in France, we have also performed the specific verifications required by law and regulations on the information provided in the Group's management report by the Board of Directors.

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

We certify that the consolidated non-financial performance statement 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 said Code, we have not verified the truthfulness of the information contained in this statement 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.

Other verifications or information required by current laws and regulations

Format of presentation of the consolidated financial statements to be included in the annual financial report

In accordance with the professional standards relating the work of Statutory Auditors on annual and consolidated financial statements presented in single European electronic reporting format, we also verified compliance with this format, as defined by Delegated European Regulation 2019/815 of December 17, 2018 on the presentation of consolidate financial statements to be included in the annual financial report mentioned in section I of Article L.451-1-2 of the French Monetary and Financial Code, prepared under the responsibility of the Chief Executive Officer. With regard to consolidated financial statements, our procedures include verifying that the mark-up of these financial statements complies with the format defined by the aforementioned regulation.

On the basis of our work, we concluded that the presentation of the consolidated financial statements to be included in the annual financial report complies, in all material respects, with the single European electronic reporting format.

It is not our responsibility to verify that the consolidated financial statements that will be included by your company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

- **Auditors appointment**

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

At December 31, 2021, EXCO ET ASSOCIES was in the twenty-ninth year of its uninterrupted engagement and ERNST & YOUNG et Autres in the eleventh year (including the eleven years since the Company's shares were admitted to trading on a regulated market).

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 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 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 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 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 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 consolidated financial statements for the fiscal 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, 2022

The Auditors

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

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3 Separate financial statements

1 Income statement at 12/31/2021

(In thousands of euros)	Notes	2021	2020
REVENUE EXCL. TAX		**8,989**	**8,098**
Operating income	5.4.1	9,790	9,579
External costs	5.4.2	(4,029)	(4,318)
Taxes and duties	5.4.2	(494)	(381)
Employee benefits expense	5.4.2	(5,073)	(4,563)
Other charges	5.4.2	(460)	(455)
Depreciation, provisions	5.4.2	(887)	(640)
OPERATING PROFIT		**(1,154)**	**(778)**
Finance income			
– equity investments		5,159	5,294
– other interest and similar income		26	81
– positive exchange rate differences		25,812	21,112
– from disposal of marketable securities		718	1,091
– reversal of provisions		4,424	630
Financial expenses			
– other interest and similar expenses		(6,290)	(6,462)
– negative exchange rate differences		(18,912)	(30,055)
– from disposal of marketable securities		(127)	(580)
– [increase in] provisions		(908)	(4,424)
NET FINANCE INCOME (EXPENSE)	5.4.3	**9,903**	**(13,313)**
CURRENT PROFIT BEFORE TAX		**8,750**	**(14,091)**
Extraordinary earnings			
– on capital transactions			
– on operating items		30	131
– reversal of provisions		0	13
Extraordinary charges			
– on capital transactions			
– on operating items		(35)	(140)
– [increase in] provisions			
NON-OPERATING PROFIT (LOSS)		**(5)**	**3**
Income tax	5.4.4	1,392	6,423
NET PROFIT (LOSS)		**10,137**	**(7,665)**

2 Balance sheet at 12/31/2021

ASSETS (in thousands of euros)	Notes	2021	2020
NON-CURRENT ASSET			
Intangible fixed assets	5.3.1	1,153	1,145
Property, plant and equipment	5.3.1	2,560	2,468
Financial investments	5.3.1	227,939	228,459
Amortization and depreciation	5.3.1	(1,815)	(1,481)
TOTAL NET NON-CURRENT ASSETS		**229,837**	**230,591**
CURRENT ASSETS			
Trade receivables	5.3.4	3,109	1,732
Other debtors	5.3.4	5,212	4,823
Subsidiaries' current accounts	5.3.4	531,005	483,178
Tax credit	5.3.4	7,209	9,072
Marketable securities	5.3.4	73,952	61,520
Cash	5.3.4	93,363	145,918
TOTAL CURRENT ASSETS		**713,850**	**706,243**
Deferred charges		258	111
Translation differences assets		908	4,422
TOTAL ACCRUALS		**1,166**	**4,533**
TOTAL ASSETS		**944,854**	**941,367**

LIABILITIES	Notes	2021	2020
Shareholders' equity			
Share capital		21,646	21,646
Issue, merger, and contribution premiums		71,822	71,822
Reserves		19,602	19,602
of which legal reserve		*2,165*	*2,165*
Balance carried forward		132,589	147,691
Profit (loss) for the period		10,137	(7,665)
Regulated provisions			0
TOTAL SHAREHOLDERS' EQUITY	**4**	**255,796**	**253,097**
PROVISIONS FOR RISKS AND CHARGES	5.3.9	**1,559**	**4,589**
Debt			
Sundry loans and financial debts (*)	5.3.4	320,967	320,004
Subsidiaries' current accounts	5.3.4	353,159	358,436
Accounts payable and apportioned accounts	5.3.4	4,084	2,038
Tax and statutory payments	5.3.4	2,469	2,117
Other creditors	5.3.4	4,663	1,084
TOTAL DEBT		**685,341**	**683,680**
Deferred income			
Translation differences liabilities		2,157	1
TOTAL ACCRUALS		**2,157**	**1**
TOTAL LIABILITIES		**944,854**	**941,367**
(*) of which short-term banking facilities		(9)	(79)

3 Cash flow statement at 12/31/2021

(in thousands of euros)	2021	2020
Operating activities		
Operating cash flow	7,405	(3,831)
Effect of changes in inventory on cash		
Effect of changes in accounts receivable and accounts payable	11,568	5,507
CASH FLOW FROM OR USED FOR OPERATIONS (A)	**18,973**	**1,676**
CAPEX		
Cash used to acquire tangible and intangible fixed assets	(100)	(638)
Cash received from the disposal of tangible and intangible fixed assets		
Cash used to acquire financial investments		
Cash received from the disposal of financial investments		
Net cash allocated to acquisitions and disposals of subsidiaries		
Cash payments and collections from loans to subsidiaries	(771)	8,007
CASH FLOW FROM OR USED FOR INVESTING ACTIVITIES (B)	**(871)**	**7,369**
Financing operations		
Cash received from shareholders as part of a capital increase		
Dividends paid to shareholders of the parent company	(7,437)	
Cash received from new loans	61,189	11,216
Repayment of loans	(58,805)	(59,036)
CASH FLOW FROM OR USED FOR FINANCING ACTIVITIES (C)	**(5,053)**	**(47,820)**
Impact of reclassification of receivables related to investments (D)		
CHANGE IN CASH (A + B + C + D)*	**13,050**	**(38,775)**
Cash at January 1 (E)	332,103	370,878
Cash at December 31 (A+B+C+D+E)	345,152	332,103
Marketable securities	**73,952**	**61,522**
Cash, subsidiaries' current accounts	624,368	629,096
Banking facilities, subsidiaries' current accounts	(353,168)	(358,515)
CLOSING CASH POSITION**	**345,152**	**332,103**

* The overall change in cash position corresponds to the total of net cash flows generated by the various categories: operations, investments and financing.
** The cash position is the difference between short-term asset and liability balance sheet positions.

4 Change in shareholders' equity at 12/31/2021

(in thousands of euros)	
AS OF 12/31/2019	**260,774**
Profit (loss) for the period	(7,665)
Capital increase	
Dividends paid	
Accelerated depreciation	(13)
AS OF 12/31/2020	**253,097**
Profit (loss) for the period	10,137
Capital increase	
Dividends paid	(7,437)
Accelerated depreciation	
AS OF 12/31/2021	**255,796**

5 Notes to the separate financial statements

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 planning, external growth procedure, action plans, resource allocation,
- Translation of the strategy into a medium-term plan and an annual budget plan,
- Management of managers, investment instruments, loyalty programs, and retention by human resources,
- Financial control and internal audit (operating system controlling 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, purchasing, quality, research and development, information systems, etc.,
- General policy and audit concerning health, safety and the environment (HSE) and sustainable development approach (CSR), human resources and investments as well as industrial improvement plans (LEAP),
- Management of strategic projects and implementation of the "LISI SYSTEM" and the NEW DEAL plan,
- Implementation of an overarching communication policy (internal, external, corporate, human resources, financial and marketing) directly linked to the Group's strategy.

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 information below constitutes the notes to the balance sheet before distribution for the fiscal year ended December 31, 2021, the total amount of which is €944,853,502, and to the income statement for the fiscal year, presented in list form, which shows a profit of €10,136,822.

The fiscal year lasted twelve (12) months, from January 1, 2021 to December 31, 2021.

The notes and tables presented below, with figures shown in thousands of euros, are an integral part of the annual financial statements.

The presentation of figures in thousands of euros may involve rounding differences in the aggregation and cross-referencing of balance sheet and income statement items with the various notes to the financial statements.

These financial statements were approved on February 17, 2022 by the Board of Directors.

5.1 2021 highlights

The company subscribed to a non-banking and disintermediated financing line in May 2021. This line takes the form of a private placement (USPP) subscribed with a single partner (PRICOA).

The total line amounts to US$200 million. A drawdown of €50 million, repayable over a period of 10 years at a fixed rate of 1.15%, was carried out at the same time.

COVID-19 health crisis

The LISI Group operated in 2021 in an environment that remained disrupted by the COVID-19 pandemic.

In this particular environment, the LISI Group continued the measures implemented since the start of the crisis.

The impact of the crisis on LISI S.A.'s assets, financial position and results are as follows:

- LISI S.A. did not receive any dividends from its subsidiaries. Financial income remained strong,
- Dividends were paid to the Company's shareholders in the amount of €7.4 million,
- Its financial strength was underlined by the reduction in financial debt in a context of external growth,
- Impairment tests were carried out very carefully: no impairment of any asset was recorded in the financial statements at December 31, 2021.

In view of these measures, as at the reporting date of the financial statements, the Company believes that the continuation of its operation is not called into question.

5.2 Accounting principles and policies

The financial statements for 2021 were 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 fiscal 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 2021 were drawn up are identical to those for 2020.

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 the financial statements of LISI S.A., the judgments made and the assumptions used to apply the accounting methods concern more specifically equity investments, particularly when the valuations (see note below) are based on the subsidiaries' forecast data.

5.3 Breakdown of statement of financial position

5.3.1 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 method, in accordance with their actual or expected useful life:

	Economic depreciation
Software programs	5 years straight line
Buildings	33.33 years straight line
Transport equipment	5 years straight line
Office equipment	3 to 5 years straight line
Office furniture	5 to 10 years straight line

a) Gross tangible and intangible fixed assets

(in thousands of euros)	As of 12/31/2020	Acquisitions	Disposals / Deconsolidations / item-to-item	As of 12/31/2021
Start-up and development costs				
Other intangible fixed asset items	1,145	271	263	1,153
TOTAL 1 INTANGIBLE ASSETS	**1,145**	**271**	**263**	**1,153**
Land	38			38
Building on freehold land	76			76
Buildings on third-party land				
Buildings, installations, fixtures, etc.				
General installations, fixtures and fittings	1,395	145		1,539
Office and IT equipment, furniture	806	81		887
TOTAL 2 TANGIBLE ASSETS	**2,315**	**226**		**2,540**
Property, plant and equipment in progress	153	32	165	20
TOTAL 3 PROPERTY, PLANT AND EQUIPMENT IN PROGRESS	**153**	**32**	**165**	**20**
TOTAL	**3,613**	**529**	**428**	**3,712**

The increase in "other intangible assets" includes various projects to digitize and harmonize the Group's IT tools.

The investments made in the context of installations and fittings correspond to improvements to the premises of the LISI Group's corporate university (LKI).

b) Depreciation and amortization of tangible and intangible fixed assets

(in thousands of euros)	As of 12/31/2020	Allowances	Decreases or reversals	As of 12/31/2021
Start-up and development costs				
Other intangible fixed assets	513	109		621
TOTAL 1	**513**	**109**	**0**	**621**
Land				
Buildings	76	0		76
General installations, fixtures and fittings	416	152		568
Transport equipment				
Office and IT equipment, furniture	468	73		541
TOTAL 2	**960**	**226**	**0**	**1,186**
TOTAL	**1,472**	**334**	**0**	**1,807**

5.3.2 Financial investments

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 expressed in thousands of euros	Gross value as of 12/31/2020	Acquisitions and item to item transfers	Disposals and item to item transfers	Gross value as of 12/31/2021
Equity-accounted investments				
Equity interests and related receivables	228,449	5,615	6,386	227,678
– of which LISI Holding North America loan	*47,479*	*3,757*	*4,940*	*46,296*
– of which, Hi Vol loan	*23,133*	*1,858*	*1,446*	*23,545*
Other financial investments	10	250		260
TOTAL	**228,459**	**5,865**	**6,386**	**227,938**

The condition precedent to the financing of a loan taken out in 2021 required a holdback guarantee of €250 thousand. The latter was recorded under “other financial investments” as of 12/31/2021.

5.3.3 Provisions for impairment of financial and tangible 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 investments was recorded on the balance sheet in the amount of €8 thousand. It relates to the holding of minority securities.

5.3.4 Receivables and payables by maturity

RECEIVABLES (in thousands of euros)	Gross amount at end of period	Less than 1 year	1 to 5 years	More than 5 years
Customers	3,109	3,109		
Income tax	7,209	7,209		
Tax integration current accounts	165	165		
Subsidiaries’ current accounts	531,005	531,005		
Other debtors	5,424	5,424		
TOTAL	**546,912**	**546,912**	**0**	**0**

DEBT (in thousands of euros)	Gross amount at end of period	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	16	16		
at more than 1 year when contracted	257,944	58,807	158,798	40,339
Sundry loans and financial debts	63,007	63,007		
Accounts payable and apportioned accounts	3,970	3,970		
Debt on fixed assets and apportioned accounts	114	114		
Tax and statutory payments	2,469	2,469		
Income tax				
Tax integration current accounts	4,663	4,663		
Subsidiaries' current accounts	353,159	353,159		
Other creditors				
TOTAL	**685,342**	**486,205**	**158,798**	**40,339**

At December 31, 2021, 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 €56 million, on March 20, 2015 for an amount of €20 million, on March 4, 2016 for an amount of €40 million and on May 6, 2021 for an amount of €50 million. The balance at 12/31/2021 of €106 million will be paid out in the following installments:

- at one year: €16.6 million,
- from two to five years: €53.7 million,
- at more than 5 years: €35.7 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, 2021, the item "borrowings and debt" included the drawdown of commercial paper (NEU CP) issued on the short-term debt money market for an amount of €63 million.

5.3.5 Marketable securities

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. The 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.

LISI S.A., through a market-making agreement with an independent service provider (ODDO BHF), purchased 199,407 LISI shares for €4.9 million and sold 218,406 shares for a sum of €5.3 million. At December 31, 2021, the number of LISI shares held through the market-making agreement was 11,200.

This liquidity contract is part of the share buyback program authorized by the LISI S.A. General Meeting of April 29, 2021.

As of December 31, 2021, marketable securities were as follows:

(in thousands of euros)	
1,157,653 LISI* shares	11,805
SICAV and deposit certificates	62,147
***i.e.* A GROSS VALUE OF**	**73,952**

* 1,157,653 shares held under the delegation for the purpose of repurchasing the Company's own shares up to a limit of 10%, including those held under the market-making agreement, i.e. 2.1% of the share capital.

5.3.6 Cash

This item amounted to €93.4 million compared to €145.9 million in 2020. It mainly consists of bank accounts in US dollars.

5.3.7 Cash and Net Debt

(in thousands of euros)	2021	2020
Subsidiaries' current accounts	531,005	438,178
Marketable securities	73,952	61,520
Cash	93,363	145,918
AVAILABLE CASH [A]	**698,320**	**645,616**
Subsidiaries' current accounts [B]	353,159	358,436
Banking facilities for operations [B]	9	79
NET CASH [A - B]	**345,152**	**287,101**
Borrowings and debt	320,967	319,924
Financial debt [C]	320,967	319,924
NET DEBT [D = C + B - A]	**(24,185)**	**32,823**

The decrease in net financial debt was mainly due to the revaluation of investments, bank accounts and current accounts of subsidiaries in USD.

5.3.8 Inventory of financial investments

a) 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**
Other financial investments			
Loan guarantee holdback	250	–	250
OTHER FINANCIAL INVESTMENTS	**250**		**250**

b) Marketable securities

(in thousands of euros)	Gross book values	Provisions	Net book values
Treasury shares	11,805		11,805
SICAV and deposit certificates	62,147		62,147
TOTAL MARKETABLE SECURITIES	**73,952**		**73,952**

5.3.9 Provisions for risks and charges

Provisions for risks and charges are recognized in accordance with the CRC Regulation 2000-06 of December 7, 2000 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 12/31/2020	Allowances	Reversals	As of 12/31/2021
Provision for long service medals	21	1		22
Provisions for risk	44		(44)	
Provision for allocation of free shares subject to performance conditions	103	552	(25)	630
Provisions for exchange losses	4,422	908	(4,422)	908
TOTAL	**4,589**	**1,461**	**(4,491)**	**1,559**

5.4 Breakdown of main income statement items

5.4.1 Operating income

	2021	2020
Sales revenue	8,989	8,098
Expense transfers	732	891
Reversal of provisions	68	589
TOTAL OPERATING INCOME	**9,790**	**9,579**

LISI S.A.'s revenue is essentially made up of services invoiced to the subsidiaries of LISI S.A. in respect of assistance, control and coordination of activities. These invoices reflect operating expenses enabling LISI S.A. to carry out its general management and coordination tasks with its subsidiaries, with a margin of 10%.

Provision reversals mainly concern share plans attributable to employees subject to performance conditions (a provision reversal of +€0.6 million was recorded in 2020 for the non-allocation of performance share plans in force at the end of the fiscal year).

Expense transfers mainly include rebilling specific to subsidiaries.

5.4.2 Operating expenses

	2021	2020
External costs	4,029	4,318
Taxes and duties	494	381
Employee benefits expense	5,073	4,563
Other charges	460	455
Depreciation, provisions	887	640
TOTAL OPERATING EXPENSES	**10,943**	**10,357**

The increase in payroll was due, on the one hand, to the creation of the position of Director of Information Systems, who is responsible for converging our tools, pooling the cross-functional skills of each division and securing our information systems, and, on the other, to the transfer of a division employee to LISI S.A.

The increase in the "depreciation, amortization and provisions" item was mainly due to the recognition of a provision covering the increase in the fair value of the share plans attributable to employees subject to performance conditions at the end of the fiscal year. The current plans are backed by the Group's 2020 and 2021 strategic plans.

5.4.3 Financial income (expense)

	2021	2020
Financing expenses and revenue on cash		
Net revenue on cash	617	592
Revenues from subsidiaries' loans and current accounts	5,159	5,294
Financing expenses	(3,860)	(3,693)
Interest expense on subsidiaries' current accounts	(2,429)	(2,769)
SUBTOTAL INCOME FROM CASH AND CASH EQUIVALENTS	**(513)**	**(576)**
Other financial income and expenses		
Net exchange rate differences	6,900	(8,943)
[Increase in] provisions	(908)	(4,424)
Reversal of provisions	4,424	630
SUBTOTAL OTHER FINANCIAL INCOME AND EXPENSES	**10,416**	**(12,737)**
NET FINANCE INCOME (EXPENSE)	**9,903**	**(13,313)**

Allocations to and reversals of financial provisions concern the revaluation of Group borrowings in US dollars.

The increase in financial income compared to 2020 was mainly due to the positive foreign exchange impact on the revaluation of investments, bank accounts, Group loans and current accounts of subsidiaries in US dollars.

5.4.4 Corporate income tax and tax consolidation

As part of a tax agreement, LISI S.A. is the parent company of a tax consolidation group including its subsidiaries which are at least 95%-held and having opted for the corresponding tax regime (all French entities of the LISI S.A. Group listed in the scope of consolidation in Chapter 2 of the Universal Registration Document are included for tax purposes as of December 31).

It is solely liable for the corporate income tax due on the overall income of the tax group thus formed.

The tax expense is allocated to the financial statements of the various entities comprising the tax group according to the so-called neutrality method: each subsidiary bears the tax that would have been its own in the absence of consolidation. The parent company records its own tax as well as the additional savings or expenses resulting from the application of the tax consolidation regime.

In the event of a loss-making subsidiary, the loss is deducted from the overall income in the year in which it is recognized. It will be transferred back to the subsidiary when it is able to deduct it from its own taxable profits.

In 2021, the application of the Group's tax regime resulted in a tax saving of €2.8 million in the LISI S.A. separate financial statements.

An income tax expense of €1.4 million was also recognized for the tax due by LISI S.A.

The expenses that were reintegrated for tax purposes mainly comprise depreciation & amortization and passenger car rents for an amount of €48,163, and the non-deductible portion of directors' fees for an amount of €273,330.

5.5 Other information

5.5.1 Financial commitments

Financial commitments 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

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 2015-05, which came into force on January 1, 2017, has no impact on LISI's financial statements.

LISI S.A. uses derivative financial instruments to hedge its exposure and the exposure of Group subsidiaries 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 breakdown as of December 31, 2021 is as follows:

	12/31/2021					12/31/2020				
	Fair value[1]	Notional amount[2]	Less than 1 year	From 1 to 5 years	More than 5 years	Fair value[1]	Notional amount[2]	Less than 1 year	From 1 to 5 years	More than 5 years
Long position of GBP against USD	0.1	12.0	12.0	0.0	0.0	1.6	12.0	12.0	0.0	0.0
Long position of CAD against USD	-0.2	24.0	24.0	0.0	0.0	1.3	25.2	25.2	0.0	0.0
Long position of TRY against EUR	-2.8	38.4	38.4	0.0	0.0	-1.3	38.4	0.0	38.4	0.0
Long position of PLN against USD	-0.1	20.4	20.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long position of CZK against EUR	0.5	300.0	300.0	0.0	0.0	0.2	450.0	300.0	150.0	0.0
Long position EUR against USD	-1.1	163.8	72.6	91.2	0.0	10.2	130.0	90.0	40.0	0.0
	-3.7					**11.9**				

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

5.5.2 Subsidiaries and equity interests

Items concerning related companies and holdings

(in thousands of euros)	Amount concerning related companies	Amount concerning with which the company has equity interests
ASSETS:		
Receivables related to equity holdings	69,842	–
Debtors and apportioned accounts	3,107	–
Cash advances to subsidiaries	531,005	–
Tax integration current account	165	–
LIABILITIES:		
Receivables related to equity holdings		–
Subsidiaries' financial assistance	353,159	–
Tax integration current account	4,663	–
Suppliers	467	–
INCOME STATEMENT:		
IT maintenance	(65)	
Rental expenses	(58)	–
Miscellaneous services	(393)	
Reserves for equity interests	2,429	–
Service and management fees invoices	8,961	–
Rental invoices	20	–
Miscellaneous chargebacks	674	–
Free share plan rebilling	30	
Revenues from subsidiaries' loans and current accounts	5,160	–
Revenues from equity interest		–

Subsidiaries and equity interests (company data in euros)

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 fiscal year	Net income or net loss of the last fiscal year	Dividends received by the parent company during the last fiscal year
Subsidiaries:												
LISI AEROSPACE	2,475,200	39,191,942	100.00%	30,863,817		30,863,817	172,350,156			220,267,800	46,246,344	
LISI AUTOMOTIVE	31,690,000	93,121,529	100.00%	93,636,481		93,636,481	76,678,148			29,264,140	(1,047,396)	
LISI MEDICAL	26,737,000	28,905,539	100.00%	33,337,000		33,337,000	24,236,883			4,363,065	3,705,032	

5.5.3 Identity of the consolidating company

Compagnie Industrielle de Delle (CID)

Limited company with share capital of €3,189,900

Head office: 6 rue Juvénal Viellard – 90600 Grandvillars

The Compagnie Industrielle de Delle held, on December 31, 2021, 54.78% of the LISI S.A. capital.

5.5.4 Allocation of shares subject to performance conditions and free shares

The Group has implemented share-purchase option and bonus share plans based on performance for certain employees and managers. The objective of these plans is to create an additional incentive to improve the Group's performance, retain key managers and align the interests of management and shareholders.

In order to reward certain employees who have spent most of their career at the LISI Group, and who have actively participated in its development, the Group has also set up free share plans as part of their retirement plan.

When an outflow of resources relating to stock purchase options and free allocations subject to performance conditions is probable, the amount of the future expense is provisioned in proportion to the rights acquired since the allocation date for all eligible employees of the LISI Group.

This provision is measured on the basis of the price of treasury shares held on the books of LISI S.A. and allocated to the share award programs.

The conditions for granting the various plans mentioned below are defined in Chapter 4 - "Corporate social responsibility".

Free share plan

On the proposal of the Compensation Committee, the LISI Board of Directors decided, on December 12, 2018, to allocate free shares to certain employees of the LISI Group.

On February 18, 2021, the Board of Directors noted the allocation of 4,700 free shares.

Plans of a similar nature were put in place for 2019 and 2020. The Boards of Directors, at its meetings of December 11, 2019 and December 9, 2020, approved the opening of these new plans.

AASCP plans

Acting on the recommendation of the Compensation Committee, LISI's Board of Directors decided, on December 12, 2018, to allocate performance shares to members of the Executive Committee and to members of the main Management Committees for the three LISI Group divisions, subject to their meeting certain performance targets.

The Board meeting of February 18, 2021 noted that the results for 2020 show that the objectives were not achieved and, as a result, no shares were granted. The corresponding reversal of provisions was already recognized in 2020.

Plans of a similar nature were put in place for 2019, 2020 and 2021. The Board meetings of December 11, 2019, December 9, 2020 and December 8, 2021 approved the opening of these new plans under similar conditions.

The objectives of the 2019 plan, measured on the basis of 2021 results, will not be achieved. The corresponding reversal of provisions was already recognized in 2020.

Loyalty plan

The LISI Group relies on the contribution of an experienced management team and wishes to retain these high-potential employees who constitute a united and motivated group of talented people. To this end, a single loyalty plan was put in place for 39 Group employees.

Plans having impacted LISI S.A.'s financial statements in 2021:

	Plan for 2018	Plan for 2019	Plan for 2020	Plan for 2021	DEFI Plan 2020	Total
Allocation date	12/12/2018	12/11/2019	12/09/2020	12/08/2021	12/09/2020	
Acquisition date	Feb-21	Feb-22	Feb-23	Feb-24	Feb-26	
Value in thousands of euros as of 12/31/2021		2	424	49	155	630
Net expenses in thousands of euros on the income statement of LISI S.A. at 12/31/2021 (excluding social security contributions)	-25	1	375	49	127	527
Total number of shares awarded (for awards where 100% of conditions are met)	4,700	400	186,050	197,060	238,000	626,210

The 2018 and 2019 plans exclusively concern the allocation of free shares, without any performance conditions, to key Group executives whose retirement is expected during the vesting year.

5.5.5 Miscellaneous information

- The compensation of executive officers amounted to €717,715 for the 2021 fiscal year (compensation net of social charges including the variable portion).
- The corporate officers do not receive directors' fees.
- The overall compensation paid to the 5 highest-paid individuals totaled €1,555,585.
- Headcount as of December 31, 2021 was 31 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, 2021 for our Statutory Auditors, Ernst & Young and EXCO CAP AUDIT, amounted to €56,356.

5.6 Events occurring since the close of the fiscal year

No significant event that could have an impact on the closing of the financial statements at 12/31/2021 has occurred since the end of the fiscal year.

5.7 2022 outlook

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.

5.8 Financial risks related to the effects of climate change

Details of these risks are given in Chapter 4 "CSR" of the Universal Registration Document.

5.9 Internal control guidelines

The elements relating to internal control are discussed in Chapter 5 "Risk factors" of the Universal Registration Document.

6 LISI S.A.'s financial results over the last five fiscal years

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

NATURE OF THE INDICATIONS (in euros)	2017	2018	2019	2020	2021
FINANCIAL POSITION AT THE REPORTING DATE					
Share capital	21,609,550	21,645,726	21,645,726	21,645,726	21,645,726
Number of shares issued	54,023,875	54,114,317	54,114,317	54,114,317	54,114,317
TOTAL RESULT OF ACTUAL OPERATIONS					
Revenue excl. tax	9,716,967	9,696,638	10,020,772	8,098,293	8,988,650
Earnings before tax, depreciation, amortization and provisions	13,247,345	38,635,326	31,682,073	(10,256,196)	7,206,045
Income tax	12,774,597	1,255,673	12,241,197	6,423,098	1,391,972
Employee profit-sharing					
Profit after tax, depreciation and provisions	20,110,606	42,296,468	47,199,320	(7,664,914)	10,136,822
Distributed earnings*	25,498,854	23,420,260	0	7,437,433	15,693,151
INCOME FROM OPERATIONS PER SHARE					
Profit after tax, but before depreciation and provisions	0.48	0.74	0.74	(0.07)	0.14
Profit after tax, depreciation and provisions	0.37	0.61	0.61	(0.14)	0.19
Dividends allocated per share (net)	0.48	0.44	0	0.14	0.29
PERSONNEL					
Average headcount	25	24	26	26	29
Payroll	(3,036,686)	(3,528,399)	(3,000,970)	(3,194,278)	(3,455,523)
Amounts paid for benefits (social security, other employee benefits, etc.).	(1,164,620)	(1,415,436)	(1,321,483)	(1,369,073)	(1,617,060)

* After deducting the dividend for the treasury shares held by the Company for fiscal years 2017 to 2020.

The proposed allocation of earnings to be proposed to the General Meeting of April 28, 2022 is indicated in chapter 7 "General Meeting" of the Universal Registration Document.

7 Supplier and customer terms of payment

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

7.1 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 issued and not paid 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 TRANCHES										
Total amount of invoices affected excl. VAT	176.6	5.1	0.3	16.9	198.9	119.3	3.3	6.2	8.3	137.1
Percentage of the total amount of purchases excl. VAT for the fiscal year	4.00%	0.13%	0.01%	0.42%	4.94%					
Percentage of revenue excl. tax of the fiscal year						1.33%	0.04%	0.07%	0.09%	1.53%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNIZED DEBTS AND RECEIVABLES										
Number of invoices excluded				6	6					
Total amount of excluded invoices				526.4	526.4					
(C) REFERENCE PAYMENT TERMS USED (CONTRACTUAL OR LEGAL TERM - 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				

7.2 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 fiscal year					Article D. 441 - II.: Invoices issued that were paid late during the fiscal 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 TRANCHES										
Cumulative amount of invoices concerned excl. tax	394.5	433.3	68.9	167.5	1,064.2	620.5	111.4	63.3	7.3	802.4
Percentage of the total amount excl. tax of invoices received during the year	3.3%	3.6%	0.6%	1.4%	9.41%					
Percentage of the total amount excl. tax of invoices issued during the year						6.9%	1.2%	0.7%	0.08%	8.9%
(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNIZED DEBTS AND RECEIVABLES										
Number of invoices excluded	1	6	5	4	16					
Total amount of excluded invoices	0.6	26.0	8.1	29.3	64.0					
(C) REFERENCE PAYMENT TERMS USED (CONTRACTUAL OR LEGAL TERM - 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				

8 Statutory Auditors' Report on the individual financial statements – Fiscal year ended December 31, 2021

Opinion

Pursuant to the assignment entrusted to us by your General Meeting, we have conducted the audit of the annual financial statements of the company LISI regarding the fiscal year ended December 31, 2021, as appended to this report.

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 fiscal 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 from 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 under the provisions of the French Commercial Code and the French Code of Ethics for Auditors, for the period running from January 1, 2021 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.

Justification of our assessments – Key audit matters

The global crisis linked to the COVID-19 pandemic creates special conditions for the preparation and audit of the financial statements for this fiscal year. In effect, this crisis and the exceptional measures taken against the background of the sanitary state of emergency have had numerous consequences for businesses, particularly on their activities and financing, as well as increasing the level of uncertainty for their future prospects. Some of these measures, such as travel restrictions and teleworking, have also affected the internal organization of businesses and the way in which audits re-conducted.

It is in this complex and evolving context that, in accordance with the provisions of ArticlesL.823-9 and R.823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key audit matters relating to the risks of material misstatement which, in our professional judgment, were the most significant for the audit of the annual financial statements, as well as our responses to these risks.

The assessments thus made are part of the audit of the annual financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on elements of these Company financial statements taken separately.

- **Valuation of equity investments and related receivables**

Risk identified	Our response
Equity interests, shown in the assets at December 31, 2021 for a net amount of €227,939 thousand are the largest item on the balance sheet. As specified in Note 1.5.3.2 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 assessed on the basis of several criteria including net assets and profitability prospects in the context of the COVID-19 crisis. Considering the weight of equity interests in the balance 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: ▪ analyze the justification provided by management of the choice of assessment method and the figures used to determine these values, ▪ compare the data taken into account for the impairment testing of equity interests with source data by entity, taking into consideration 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 or the other documents sent to the shareholders on the financial position and 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.441-6 of the French Commercial Code.

- **Report on corporate governance**

We certify that the Board of Directors' report on corporate governance contains the information required by Articles L.225-37-4, L.22-10-10 and L.22-10-9 of the French Commercial Code.

With regard to the information supplied in application of the provisions of Article L.22-10-9 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 accuracy and honesty of this information.

- **Additional information**

In accordance with the law, we ensured that the information relating to the identity of the holders of the share capital or voting rights was communicated to you in the management report.

Other verifications or information required by current laws and regulations

- **Format of presentation of the annual financial statements to be included in the annual financial report**

In accordance with the professional standards relating the work of statutory auditors on annual and consolidated financial statements presented in single European electronic reporting format, we also verified compliance with this format, as defined by Delegated European Regulation 2019/815 of December 17, 2018 on the presentation of annual financial statements to be included in the annual financial report mentioned in section I of Article L.451-1-2 of the French Monetary and Financial Code, prepared under the responsibility of the Chief Executive Officer.

On the basis of our work, we concluded that the presentation of the annual financial statements to be included in the annual financial report complies, in all material respects, with the single European electronic reporting format.

It is not our responsibility to verify that the annual financial statements that will be included by your company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

- **Auditors appointment**

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

At December 31, 2021, EXCO ET ASSOCIES was in the twenty-ninth year of its uninterrupted engagement and ERNST & YOUNG et Autres in the eleventh year (including the eleven years since the Company's shares were admitted to trading on a regulated market).

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's annual 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 fiscal 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, 2022

The Auditors

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

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4 Corporate social responsibility

1 LISI Group Social Responsibility

1.1 Strong commitment by the Group's Senior Management

The LISI Group's origins date back to the 18th century and over the years it has always been controlled by the founding families. It has always been able to adapt to and anticipate the expectations of its stakeholders. It is therefore only natural that the LISI Group formalized a structured CSR approach at all levels of the company.

LISI set itself ambitious targets and the means to achieve them.

LISI intends to play a major role by contributing to the innovations of its customers in the aeronautics, automotive and medical sectors.

The Group is recognized for its long-term commitment to Corporate Social Responsibility.

It was among the 250 most responsible French companies in 2021 according to *Le Point* and Statista. In addition, for a number of years, the LISI Group has been included in the GAIA index of the most virtuous intermediate-sized companies. Our goal is to pursue this effort over the long term.

Emmanuel Viellard
CEO

Jean-Philippe Kohler
Deputy CEO

LISI member from 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.

1.2 CSR governance and management

Since 2018, LISI has looked to better structure its Corporate Social Responsibility (CSR) approach. Its approach is based on a proven methodology: the ISO 26000 standard.

The Group wishes to communicate efficiently on its initiatives to meet and anticipate the expectations of its stakeholders.

By means of this approach, LISI hopes to:

- better control non-financial risks such as health, safety, the environment, the Group's reputation and know-how,
- 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.

The implementation of this approach has been entrusted to the CSR Steering Committee:

- **Chairperson:**
  - Jean-Philippe KOHLER: Deputy CEO, member of the Management Committee and of the Board of Directors.
- **Management and coordination:**
  - Yannick Danillon: Group CSR Manager.
- **Other members:**
  - Angelina Ferreira: Group Communication Manager.
  - Amandine Huchette: Manager of LISI SA Human Resources (HR) and of Group HR Development.
  - Christophe Lesniak: Group Industrial and Purchasing Director.
  - Yannick Morvan: Quality and Performance Director, LISI AEROSPACE.
  - Eric Fernandez: Director of Quality, HSE and Industrial Performance, LISI AUTOMOTIVE.
  - Eric Maillet: LISI MEDICAL Sales Director.

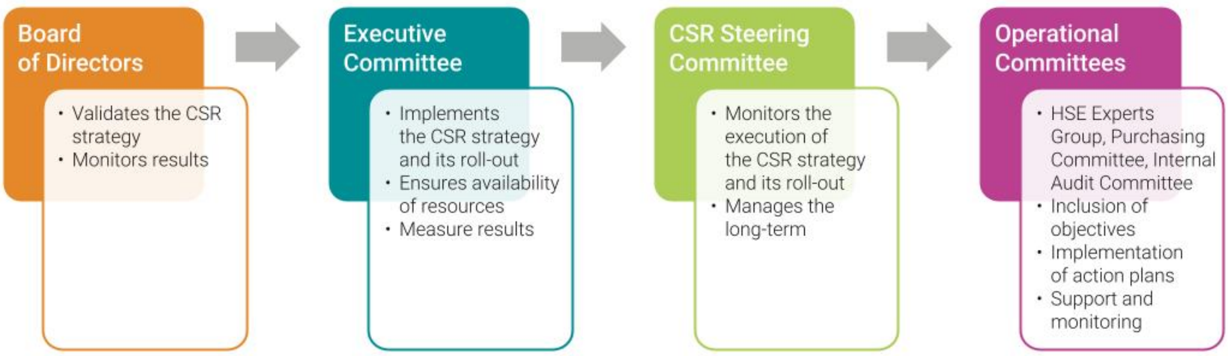
The duties of the CSR Steering Committee are as follows:

- 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 and monitor action plans.

The various operational committees are responsible for managing the action plans under their purview, namely:

- health-safety-environment issues for the HSE Expert Group,
- human resources issues for the HR Committee,
- 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



As part of the New Deal projects (strategic plan), the progress of the CSR approach and the achievement of objectives are reviewed:

- monthly with the Executive Committee,
- at each Board of Directors meeting.

1.3 Non-financial risks & material issues

The LISI Group identified its non-financial risks and material issues by building its materiality matrix according to the principles of the ISO 26000 standard.

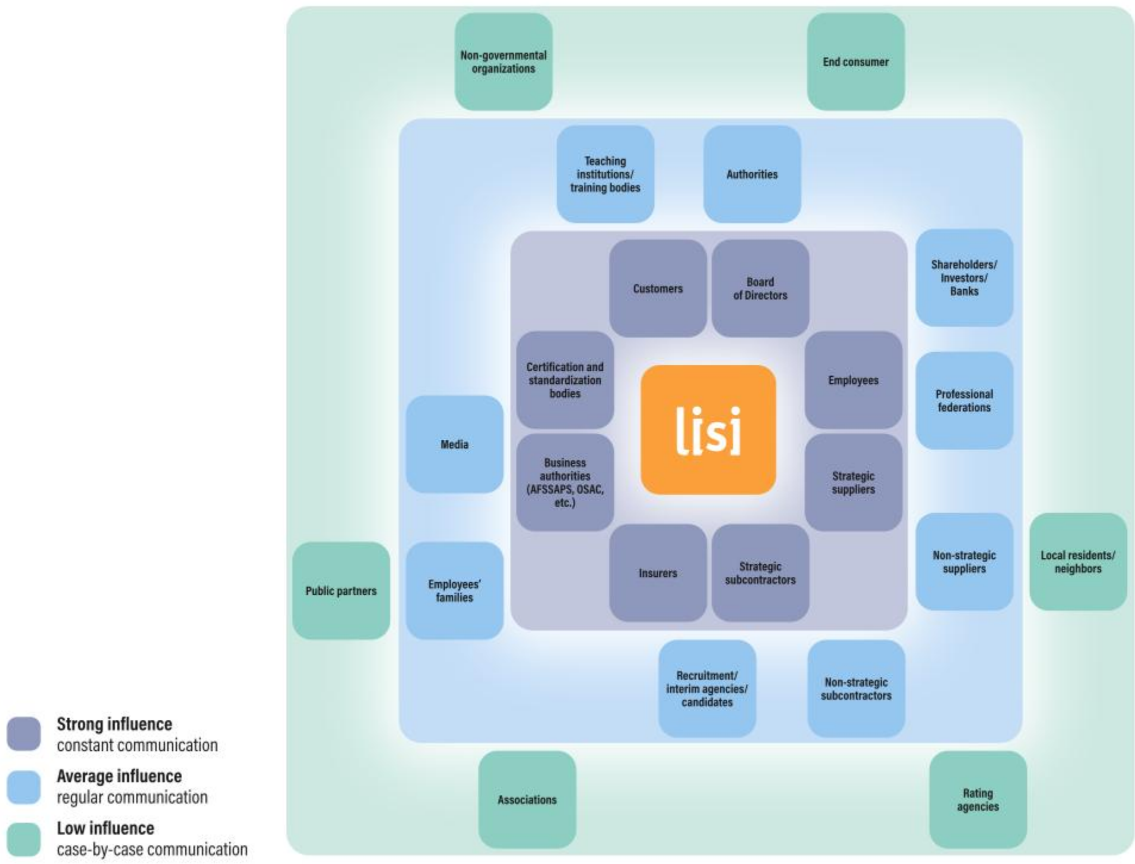
1.3.1 LISI's stakeholders

LISI first identified stakeholders exercising influence over the Group's activities. It then listed their expectations and made sure that the structure in place enabled regular dialog with each of them.

Stakeholder dialogue is very important for the LISI Group. This dialogue aims to anticipate their requests and best meet their expectations.

For example, it 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. An annual assessment of the partnership is carried out in the presence of the Group's Senior Management,
- its shareholders *via* individual meetings for shareholders and numerous meetings with investors,
- its employees *via* the social partners but also *via* the Group's various communication tools: emails, memos, company intranet, any type of survey or questionnaire (Quality of Life at Work, for example),
- its suppliers *via* central and local buyers, regular meetings, and meetings on the follow-up of partnerships,
- the authorities *via* exchanges of letters, telephone calls, regulatory reports but also *via* on-site meetings, whether requested by the authorities or by the sites,
- professional federations. LISI has been represented at the *Groupement des Industries Françaises Aéronautiques et Spatiales* (GIFAS) for several years, as well as at the *Union des Industries et Métiers de la Métallurgie* (UIMM). The company is also a member of the *Plateforme Française Automobile* (PFA).



1.3.2 The materiality matrix

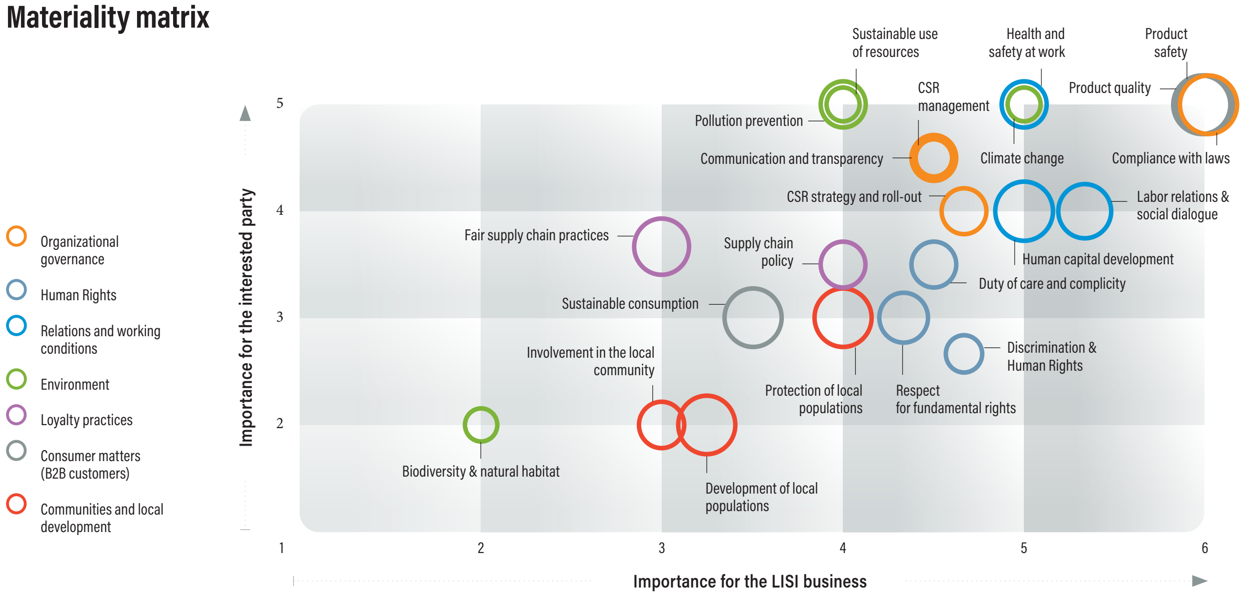
LISI updated and validated the materiality matrix for the 2021 fiscal year during the CSR Steering Committee meeting of January 6, 2022.

Significant changes mainly concern “environment” issues. These issues are increasingly important for our stakeholders. The LISI Group had already initiated many actions and current developments only confirm the importance of their implementation. Thus, the new version of the materiality matrix validates the five strategic areas of the CSR policy defined by the LISI Group in 2019.

Some strategic areas were adapted or renamed in order to maintain consistency in our various communications. Some associated targets were also adapted to the context.

Wording of the issues in the 2020 NFPS	New wording
HEALTH & SAFETY: Achieve excellence in occupational health and safety	PROTECT our employees & attain excellence in occupational health and safety
ENVIRONMENT: Improve the environmental footprint of our activities	PRESERVE our environment
LISI’s ATTRACTIVENESS: Retain talent and strengthen the appeal of our business lines	RETAIN talent and strengthen the appeal of our business lines
CUSTOMER SUPPORT: Provide long-term support for our customers in product innovation and safety	GO BEYOND our customers' expectations & ensure the safety of our products
RESPONSIBLE PURCHASING: Commit to a responsible supply chain	INVOLVE our suppliers in a responsible supply chain

Materiality matrix



NB: The size of the bubbles represents the degree of performance of each challenge.

1.4 CSR objectives

For each of its material issues, the LISI Group set itself short-term (2023) and long-term (2030) objectives. These are reviewed each year with the Executive Committee in order to:

- remain consistent with the Group's strategy,
- maintain ambitious long-term objectives,
- adapt short-term objectives to the context.

PROTECT our employees & attain excellence in occupational health and safety

2021	2023	2030
▪ Consolidated TF1 < 8 ▪ For 2022: no level 1 non-compliance in the machine fleet	▪ Consolidated TF1 < 7 ▪ No site with a TF1 > 10 ▪ 100% of staff completed safety training / awareness-raising activity	▪ Consolidated TF1 < 5 ▪ No "high physical intensity" workstations

TF1 = Number of accidents with and without lost time among LISI employees and temporary workers per million hours worked.
Non-compliance with a standard can endanger the physical integrity of employees.

PRESERVE our environment

2021	2023	2030
▪ -12% in energy savings (in terms of added value) compared with 2018 ▪ -12% in water savings (in terms of added value) compared with 2018 ▪ -7% in greenhouse gas emissions compared to 2018 (in absolute value)	▪ -5% in energy consumption (in terms of added value) compared with 2019 ▪ 10% in renewable energy produced or purchased ▪ No dependence on water in areas under water stress	▪ -30% in Greenhouse Gas emissions (GHG) compared with 2019 ▪ -10% in energy consumption compared with 2019 ▪ 20% in renewable energy produced or purchased

Energy consumption = consumption in MWh in relation to €1,000 in Value Added.
Greenhouse Gas Emissions = scopes 1 and 2 are taken into account, as well as a part of scope 3 concerning purchases of raw materials and transport (ratio in relation to revenue).
The reference year for the 2023 and 2030 targets was changed to 2019 because 2020 was not representative.
In addition, the largest energy gains were made from 2018 to 2019 (9.1% decrease in the ratio of energy consumption in terms of Value Added).
Note: concerning water, the issue is water dependency in certain areas. The majority of our sites only consume water for sanitary purposes, while the others have no water supply problems (such as those located in Canada). As a result, the LISI Group mainly focuses on its dependence on water in areas of water stress.

RETAIN talent and strengthen the appeal of our business lines

2021	2023	2030
▪ 100% of sites have a formal partnership with a school/university ▪ Increase the number of women in governing bodies ▪ Maximum absenteeism rate of 3.1% ▪ 100% of Quality of Life at Work surveys have been launched and 100% of the action plans have been rolled out	▪ Gender diversity: women represent 27% of management bodies ▪ 100% of people involved in the recruitment process trained in "recruitment without discrimination": France in 2022 and all countries in 2023 ▪ 100% of sites have actions to promote their business lines and activities	▪ 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

GO BEYOND our customers' expectations & ensure the safety of our products

2021	2023	2030
▪ 0 critical incidents involving items that may cause a security issue ▪ 0 major non-conformities with quality certifications	LISI AEROSPACE: ▪ 100% of sites EN 9100 certified ▪ 12% of revenue generated by new products designed by LISI AEROSPACE ▪ No involvement in aeronautical safety guidelines(1) LISI AUTOMOTIVE: ▪ 100% of sites EN 16949 certified ▪ Renewal rate for new LISI AUTOMOTIVE innovative products > 5% ▪ ▪ No involvement in RAPEX and NHTSA safety recalls(1) LISI MEDICAL: ▪ 100% of sites EN 13485 certified ▪ New LISI MEDICAL OEM customer products > 20% of revenue ▪ No involvement in a market recall that calls into question the safety of the product	LISI AEROSPACE: ▪ 100% of sites EN 9100 certified ▪ 15% of revenue generated by new products designed by LISI AEROSPACE ▪ No involvement in aeronautical safety guidelines(1) LISI AUTOMOTIVE: ▪ 100% of sites EN 16949 certified ▪ Renewal rate for new LISI AUTOMOTIVE innovative products > 5% ▪ No involvement in RAPEX and NHTSA safety recalls(1) LISI MEDICAL: ▪ 100% of sites EN 13485 certified ▪ New LISI MEDICAL OEM customer products > 25% of revenue ▪ No involvement in a market recall that calls into question the safety of the product

INVOLVE our suppliers in a responsible supply chain

2021	2023	2030
▪ Building CSR into purchasing transformation project	▪ LISI incorporates ethics and CSR criteria in the choice of its suppliers ▪ LISI evaluated its 100 most strategic suppliers against CSR criteria	▪ 100% of strategic suppliers from a CSR standpoint are evaluated ▪ LISI works with ethical and responsible suppliers

(1) Incident rating.

In order to achieve these objectives, the LISI Group relies on all its competencies and its organization. The LISI management system (LISI SYSTEM) is at the heart of the Group's industrial performance and aims to improve the synergies of its various programs. The structuring programs are:

- LEAP (LISI Excellence Achievement Program),
- LISI E-HSE (LISI Excellence HSE),
- COS (Controlling Operating System).

The LISI SYSTEM also relies on other programs such as human production organization, logistics chain management, project management (LISA methodology), plant 4.0, Restore Success, etc.

2 PROTECT our employees & attain excellence in occupational health and safety

The LISI Group pays great attention to the health and safety of its employees, and prioritizes it.

Ensuring that everyone leaves work in good health and improving working conditions are among the Group's values.

2.1 Occupational health and safety issues

The Group's health and safety prevention approach addresses many challenges:

- People: attract and retain talent, ensure well-being at work thanks to a safe environment,
- Strategic: anticipate and prevent risks, roll out a shared culture consistent with the Group's values,
- Economic: improve productivity, ensure operational excellence, reduce absenteeism,
- Legal: avoid legal disputes.

The LISI Group makes safety an essential prerequisite, inseparable from other production needs (quality, productivity, innovation).

2.2 LISI Excellence HSE program

LISI Excellence HSE: the LISI Group HSE management system

LISI has built a tailor-made program: LISI Excellence HSE.

This ambitious program aims to engage each employee around a common goal: prevention for health and safety at work and protection of the environment.

It provides everyone with easy-to-use tools to achieve HSE targets. It is based on 12 areas for continuous improvement.

Some tools are mandalory, for example:

- LISI RM, a software tool used 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,
- 8D cause analysis, a tool for analyzing the root causes of accidents, incidents and near misses.

Other tools are available depending on the specific needs of each site, for example:

- Don’t walk on by,
- “HSE mission of supervisors” training,
- Energy best practices,
- Management of change tool,
- Etc.

The internal HSE audit program makes it possible to assess the implementation of the LISI HSE Excellence program at the sites. The assessment has three maturity levels with progressively higher requirement levels: Bronze, Silver and Gold.

These assessments are carried out by trained and experienced internal auditors. In 2021, 15 sites out of the 43 sites included in the LISI Excellence HSE management system were audited (*i.e.* 35%).

Health and Safety Governance

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

- Problem Solving Management (PSM),
- Advice on the performance of each site,
- Monthly presentation of the results of each division/ Business Group/site,
- Monthly Management Committee and Executive Committee meetings,
- Weekly Steering Committee meeting at Group level.

Senior Management is 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 Expert Committee meets every two months. It is composed of:

- the Group CSR Manager – who is responsible for coordinating it,
- the Group HSE Auditor/Coordinator,
- the HSE Directors of each division.

It has an operational role of support and continuous improvement in the areas of health, safety and the environment. In 2021, it dealt with - among other topics - the adaptation of the LISI HSE Excellence Program to the new requirements of ISO 45001, the cross-cutting application of corrective actions following incidents, the sharing of best practices, and progress on the machinery conformity program. It also took over the operational management of the health crisis: publishing health protocols, monitoring the implementation of actions, and supporting the sites.

2.3 Health and Safety performance

Health and Safety performance

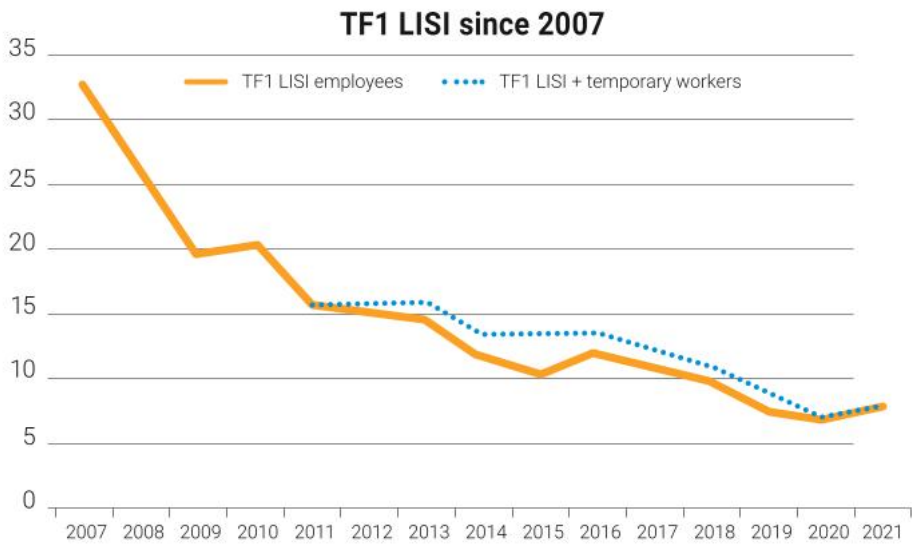
Target 2021 TF1 ≤ 8:

LISI monitors the TF1 as the main indicator relating to workers’ health and safety. It represents the number of occupational accidents with or without time lost for LISI employees and temporary workers per million of hours worked.

Results:

Indicators	2021	2020	Change over 10 years	Change over 5 years
TF0 LISI employees	6.0	5.0	-32%	-31%
TF0 LISI employees + temporary workers	6.1	5.1	-31%	-39%
TF1 LISI employees	7.9	6.9	-51%	-33%
TF1 temporary workers	9.4	6.7	Unavailable	-72%
TF1 LISI employees + temporary workers	8.0	6.9	-50%	-41%

TF0 = number of occupational accidents with time lost per million of hours worked.
TF1 = number of occupational accidents with and without time lost per million of hours worked.



For 2021, it is worth noting that:

- After a particularly successful year in terms of occupational accidents, 2021 saw a slight degradation of results, but our target in terms of the TF1 frequency rate was achieved.
- The frequency rate of occupational accidents with time lost for LISI employees (TFO) dropped by 32% in ten years to 6.0 accidents per million hours worked at the end of 2021.
- The frequency rate of occupational accidents with and without time lost for LISI employees and temporary workers (TF1 overall) was 8.0 at the end of 2021.
- 61% of production sites had an occupational accident frequency rate with and without lost time that was below the target of 8 and 41% had no accidents in 2021 (frequency rate = 0).

The severity rate is also monitored and remained stable; in fact, since 2013, the severity rate has fluctuated between and 0.28 days of absence for LISI employees and temporary employees per thousand hours worked (at the end of 2021, this severity rate was 0.26).

Note: the Bangalore site in India (whose operational management was taken over by the LISI Group in 2019) is not consolidated in the data. Nevertheless, the accident probability at this site is being locally monitored, until LISI standards are deployed. As at the end of November 2021, the site reported four accidents, all without lost time, i.e. an occupational accident frequency rate with and without lost time of 5.34.

Occupational diseases:

Across all of the Group's production sites, 19 cases of occupational disease were reported in 2021.

They are mainly related to tendinopathies caused by certain movements and postures. All sites are working to reduce physical strain by conducting analyses and making ergonomic improvements to workstations, while also limiting the weight of containers or offering warmups prior to starting work.

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 2021, of 97% of the audited machine pool, 12.1% still posed a direct risk to the physical safety of employees (as opposed to 21.4% at end 2020). Despite the health and financial crisis, the LISI Group continues to invest in the safety of its 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. The objective is to no longer have any machines that pose a direct risk to the physical safety of our employees by the end of 2022.

Implementation of a safety culture

At the end of 2021, almost all LISI sites had completed the roll-out of the Safety Culture Program (SCP) tool. 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.

Many sites keep the slots to continue to raise awareness among their staff, to develop certain modules according to current events, or indeed to resume the SCP program from the start.

In addition, some sites launched initiatives to further develop the Safety Culture: for example, the Melisey site successfully launched the MyTection® approach. This approach allows everyone to sustainably develop their vigilance in terms of Safety, regardless of their location or the activity they conduct. This program, involving over 3,500 hours of training, was implemented for all Melisey employees with the support of ETSCAF.

These initiatives are closely monitored by the Group in order to disseminate best practices or generalize them.

ISO 14001 and ISO 45001 certification

In 2020, due to the health situation, the LISI Group decided not to renew its ISO 14001 (international standard for environmental protection) and OHSAS 18001 (international standard for health and safety at work) certification.

In 2021, LISI was audited to verify its compliance with the ISO 14001 and ISO 45001 standards (replacing OHSAS 18001).

84% of LISI sites are covered by multi-site certification. However, some sites are not included:

- Zhuozhou & Shanghai: ISO 14001 & ISO 45001 certificates issued in Europe are not recognized by the Chinese government. These sites are therefore certified locally.
- Monterrey, Bangalore, Livonia, Termax and B&E were recently acquired (or a majority stake was acquired). The LISI Group must first put in place the Group's HSE management system before including them in the multi-site certification.
- Fully autonomous and integrated Ayguemorte-les-Graves (process, sales, etc.). This activity is independent of our usual activities (additive manufacturing). Even though the site is not certified, it applies the principles of the Group's HSE management system.

In December 2021, the independent third-party organization Bureau Veritas recommended LISI for double ISO 14001 & ISO 45001 certification. The associated certificates will be officially sent in the first quarter of 2022.

3 PRESERVE our environment

3.1 Environmental impact issues

Due to its industrial and historical activities, the LISI Group has had, and continues to have, an impact on the environment, notably through its consumption of raw materials, energy and water, and its liquid, atmospheric and waste discharges. As a responsible company, LISI makes every effort to limit its impacts through an environmental management system based on the ISO 14001 standard.

The products made by LISI are not intended for end consumers. Nevertheless, they contribute to reducing the impact on climate change through their use by customers.

The LISI AEROSPACE and LISI AUTOMOTIVE products are used in means of transport. LISI works in close collaboration with its customers (Stellantis, Renault, Volkswagen, Airbus, Boeing, Safran, GE, Pratt & Wittney, etc.), in order to reduce the weight of its parts (and therefore of vehicles). This reduction, in addition to other innovative solutions provided by LISI, reduces fuel consumption and therefore reduces the impact on climate change.

LISI AEROSPACE supplies parts for new generation engines that consume less fuel (LEAP, PW1000G, future GE9x engines, etc.). LISI AUTOMOTIVE has also developed numerous parts (for example, clipped solutions, safety parts) to equip hybrid and electric vehicles.

Due to their use in surgery, the parts of the LISI MEDICAL division have very little impact on climate change compared to other divisions.

3.2 LISI's environmental policy

The LISI Group has defined its expectations and its vision of operational excellence in the field of health, safety and the environment:

- everyone coming home after work in good health,
- improvement in working conditions,
- improving its environmental footprint,
- compliance with its obligations relating to safety and the environment.

The Management Committee committed to meeting these requirements through a signed declaration. It states that individual exemplarity, vigilance and autonomy in terms of HSE are part of the Group's fundamentals. LISI has posted and disseminated this policy. All its employees are invited to mobilize around these issues and to respect the practices common to the entire organization.

The environmental action plans focus on the Group's material challenges:

- reducing energy consumption,
- reducing the carbon footprint,
- developing renewable energies,
- managing water dependency.

Investment and resource commitments:

The LISI Group invests significantly in the field of HSE, in terms of both investments and training.

From a financial standpoint:

Division	HSE investments committed in 2021 – in thousands of euros	Total investments committed in 2021 – in thousands of euros	% of investments committed which are devoted to HSE
LISI AEROSPACE	2,287	58,929	3.9%
LISI AUTOMOTIVE	2,625	25,622	10.2%
LISI MEDICAL	137	9,889	1.4%
LISI	5,049	94,440	5.3%

Among the notable investments:

- Compliance of machines at most sites,
- Insulation and workshop fittings – Saint-Ouen-l'Aumône – €741 thousand,
- Improvement of Dasle's workshop ventilation – €200 thousand,
- Securing the sprinkler supply – La Ferté Fresnel – €200 thousand.

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

LISI also invests in its employees. In 2021, 42,742 hours were devoted to HSE training.

The women and men who make up a company are its main ambassadors in all areas. Their investment in the operation of the company is an asset on which LISI capitalizes.

3.3 Environmental performance

Use of natural resources (water and energy)

Water consumption: target -12% between 2018 and 2021

Water is mainly used in the cooling of processes, surface treatment lines and sanitation purposes.

In 2021, LISI consumed 513,458 m^3 of water, *i.e.* a saving of 38% in water consumption in absolute terms compared to 2018.

To link it to production, LISI monitors the ratio of consumption to added value (AV). Thus between 2018 and 2021, this ratio declined by 22%, from 1,095 m^3/€k (AV) to 0.856 m^3/€k (AV).

These data must be considered with a change in scope and excluding the Termax and Ankit entities.

Energy consumption: -12% target between 2018 and 2021

The main energy sources used in the Group are electricity and natural gas for the manufacturing process and for heating premises. However, all energies are considered in the calculation of the Group's total energy consumption (including LPG, fuel oil, district heating networks).

In 2021, the LISI Group's total energy consumption amounted to 415,915 MWh, *i.e.* 16.4% less than in 2018 in terms of absolute value.

Energy consumption is closely linked to the activity but also to climatic variations. However, to integrate the impacts of the production activity, LISI monitors the ratio of consumption to added value. Thus, this ratio fell by 26%, from 0.548 MWh/€k (AV) in 2018 to 0.693 MWh/€k (AV) in 2021. This fall was mainly due to the decline in added value.

Energy is mainly consumed at production sites that have a heat treatment process, in particular Bologna, Marmande, Delle, Bar-sur-Aube, Kierspe (Germany) or Torrance (USA).

As a result, these sites had to maintain a minimum level of energy consumption to avoid over-consumption during facility shutdown and start-up when they were not producing parts.

These data must be considered with a change in scope and excluding the Termax and Ankit entities.

Sustainable waste management

Waste production was 53.75 kg of waste for €1,000 of added value, or 8% less than in 2018.

In addition, the portion of recycled waste was 74.4%.

The production plants principally generate metallic waste (53% of the total quantity of waste produced). These are sold for recycling.

Climate change

A scope 1 & 2 greenhouse gas assessment is now carried out each year. For scope 3, only emissions relating to raw material consumption and transport are assessed. An assessment of the other items is underway to complete our greenhouse gas assessment.

LISI's activities as a whole generated, in scopes 1 and 2, 100,223 tons of CO_2 (down 5% compared to 2019), and 326,814 tons of CO_2 if we include scope 3. These issues are broken down as follows:

Scope	Indicators	2019	2020	2021
Scope 1	GHG Natural Gas [T CO_2]	37,174	31,406	32,590
	GHG Domestic heating fuel [T CO_2]	460	210	212
	GES LPG [T CO_2]	1,206	1,057	1,372
	GHG Vehicles owned [T CO_2]	621	384	287
	GHG Private vehicles under lease [T CO_2]	2	2	2
	GHG Fugitive emissions from refrigerants [T CO_2]	1,527	1,317	1,336
	Sum GHG Scope 1 [T CO_2]	*40,990*	*34,376*	*35,799*
Scope 2	GHG Heating network [T CO_2]	–	–	–
	GHG Electricity [T CO_2]	65,542	54,578	64,424
	Sum GHG Scope 2 [T CO_2]	*65,542*	*54,578*	*64,424*
SCOPE 1 & 2	**TOTAL GHG [T CO_2]**	**106,532**	**88,954**	**100,223**
Scope 3	Upstream/downstream transport [TCO_2]	11,878	9,000	9,659
	Consumption of raw materials [T CO_2]	390,912	312,261	216,932
	Sum GHG Scope 3 [T CO_2]	*402,790*	*321,261*	*226,591*
SCOPES 1 + 2 + 3	**TOTAL GHG [T CO_2]**	**509,322**	**410,215**	**326,814**

SCOPE 1: Direct emissions from fixed or mobile facilities located within the organizational scope, *i.e.* emissions from sources owned or controlled by LISI.
SCOPE 2: Indirect emissions associated with the production of electricity, heat or steam imported for LISI's activities.
SCOPE 3: Other emissions indirectly produced by the organization's activities that are not accounted for in scope 2 but which are linked to the entire value chain, such as: purchases of raw materials, services or other products, employee travel, upstream and downstream transportation of goods, management of waste generated by the organization's activities, use and end-of-life of products and services sold, capitalization of production goods and equipment, etc.

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.

In 2021, only one site received a formal notice from the authorities to update the authorization file.

There were 10 complaints and official letters received by the Group's entities, and these involved complaints from local residents about noise generated by activities, or letters from the authorities requesting additional information following site visits.

Each complaint or official letter receives a reply, written or otherwise, sent to the party concerned.

4 RETAIN talent and strengthen the appeal of our business lines

4.1 The issues in terms of attracting and retaining talent

The LISI Group is experiencing significant changes. Externally, as a result of the expectations of the Aeronautics, Automotive and Medical markets. Internally, as a result of the development of digitization and robotization. These market changes and new working methods require specialized technical and operational skills and an ever-increasing adaptation of teams.

The Human Resources policy is part of this transformation context. It is based on a governance overseen by the Deputy CEO. An HR Committee addresses cross-functional issues across the three divisions. This committee is composed of the three Human Resources Directors from the divisions, the two Human Resources Directors for France, the Deputy CEO and the Group Human Resources Development Manager. In 2021, this committee met four times to address with the following common processes:

- talent management (mobility, key positions, people reviews),
- Corporate Social Responsibility,
- the Group's transformation projects,
- training.

At least once 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 Human Resources policy aims to:

- adapt the organization to the Group's business,
- maintain and develop skills,
- develop the employer brand,
- promote diversity,
- ensure well-being and quality of life at work.

In order to respond to the main risks represented by:

- the loss of business continuity,
- the loss of talent and technical expertise,
- the lack of attractiveness of the company,
- an insufficient quality of working conditions,
- the lack of adaptation of the business lines.

4.2 Development of the employer brand

For several years, the LISI Group has developed its Employer Brand strategy in order to be known and recognized outside the Group and to strengthen the LISI culture internally.

Internally

The LISI culture is reflected in its 10 cross-functional skills. Whatever the business line and location, teams share the same skills: communication, continuous improvement, customer focus, results focus, exemplarity, leadership, development of others, personal commitment, teamwork and technical and functional excellence.

Each year, employees complete a skills evaluation exercise with their managers as part of their annual appraisal interviews.

To highlight these skills, a project was initiated in 2021 with the teams. Every two months, a video presents the skill as it is understood by employees, and it is put into practice. This is a way to give employees a voice and share their experience.

Since 2021, an integration seminar has been set up for all divisions. Three seminars were held this year for new French employees. The aim is to raise awareness of the Company's culture and operations while meeting people from different sites and business lines. This seminar was innovatively designed. There are no plenary presentations. The first part of the seminar begins a few weeks before, with an E-learning training course. Then, during the two-day on-site seminar, participants discover the company through working groups, an interactive forum and meetings with the management team.

Externally

Externally, sites are important 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 find out about key occupations and their own prospects.

The Villefranche-de-Rouergue site in France, for example, took part in numerous recruitment forums in Rodez, Decazeville and Villefranche-de-Rouergue. The teams also visited local secondary schools and took part in the *École des Mines* forum in Albi.

The Saint-Ouen-l'Aumône and Saint-Brieuc sites in France promoted jobs in the industry as part of Industry Week.

The Rugby site, in England, pursued its partnership with the University of Cambridge. It also began its collaboration with the universities of Montfort, Sheffield, Warwick and Birmingham as part of the MTC (Manufacturing Technology Center). There are a number of objectives: to welcome future apprentices and work on the site's Smart Factory project.

The Fuenlabrada site in Spain and the Cejc site in the Czech Republic signed agreements with universities, thus strengthening links with them.

The Kierspe site in Germany launched industrial projects with four universities. Students were able to apply for its projects and prepare their theses.

It should also be noted that in Germany, the Mellrichstadt site organizes an induction weekend for its newly hired apprentices every year. It is a social event to network but also to learn how to communicate and to become familiar with the safety rules and the behaviors to adopt in the company.

In 2021, LISI welcomed 322 interns (242 in 2020) and 269 apprentices (170 in 2020) throughout the Group.

INVESTORS® IN PEOPLE

Competitiveness, performance, organization, motivation, involvement, loyalty, development, training and well-being must not be mutually exclusive in a company. The “Investors in People” certification is an example of this, with its vision primarily focused on men and women: to involve and empower each person in order to achieve the company's collective objectives and to ensure that each person has his or her place and feels in harmony with the context for the company's performance.

This year, the Rugby site received the Gold status from the “Investors in People” program. It truly recognizes the work carried out by the teams. It also attests to the quality of the human resources management at the site.

4.3 Skills development

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, for example:

- the LKI corporate university,
- job training,
- on-site training schools,
- the Expert Network.

The LKI corporate university

LKI LISI KNOWLEDGE INSTITUTE

The LISI Group has its own corporate university (LKI) and in 2021 inaugurated a modern teaching space of more than 600 m^2. This space is located in Grandvillars, France, near the Group's head office. It consists of three training rooms, an auditorium that can accommodate around thirty people, and a showroom presenting the main parts manufactured by the divisions.

LKI is as a pillar of the strategy for developing employee skills. It is also a major talent retention and loyalty tool. LKI's objectives are as follows:

- providing tailor-made training programs in the following areas: Technical/Business, Personal Development, Management & Leadership, to maintain and develop skills and support change,
- sharing a global vision, a common managerial culture,
- exchanging experiences and best practices across the board: multi-site, multi-country, multi-business, multi-division.

In order to comply with the health measures, the University's 2021 training plan was carried out remotely over the first five months of the year. However, from June onwards, face-to-face training took place.

Key figures in 2021:

- 704 interns (112 in 2020, 651 in 2019),
- 89 sessions (18 in 2020, 98 in 2019),
- 10,700 hours of training (1,026 in 2020, 10,900 in 2019),
- An estimated €835 thousand invested in the LKI's development.

A specific LKI Committee meets regularly to rule on the University's development priorities. It is composed of the Group Training Manager, the training representatives of each division, and the HR departments of the divisions.

In 2021, six meetings took place to implement the following initiatives:

- construction of the Group onboarding seminar for newcomers,
- development of content on the LISI culture: videos, e-learning.

It should be noted that, this year, a specific cycle for plant managers was launched. It allows site managers to meet to discuss issues relating to digitization, media training but also à la carte topics: leadership, labor relations, negotiation, development of the LISI System.

Moreover, the training provided has been expanded to meet the needs of the sites:

- "Process com" training for managers: it makes it possible to identify the manager's personality structure and to develop assertive and constructive communication,
- "Digital Transformation" training: the objective is to understand the challenges of digital transformation and to understand applications that can be transposed to their site,
- "Cross-functional management" training: it strengthens the position and legitimacy of cross-functional managers to help them mobilize all those involved in a project and to develop cooperation.

Business training

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 2021, despite the specific context of the pandemic, 167,829 hours were provided (100,424 hours in 2020). Thus, training investment in 2021 for all of the Group's companies worldwide amounted to more than €5 million (€3 million in 2020).

For several years, LISI AUTOMOTIVE has developed specific career paths focused on our strategic businesses: cold forging, heat treatment, machining, rolling, automatic control, presses, tapping, wire drawing.

In 2021, despite the particular context, nearly 2,900 hours were provided as part of these professional pathways and 10 employees obtained a CQPM/CQPI certificate:

- Two forgers from Melisey obtained the CQPM "Cold forging machine operator" certificate,
- Four operators (two in Grandvillars – wire drawing professional career path – and two in Melisey – sorting/packaging professional career path) obtained the CQPM "autonomous industrial production team member" certificate,
- Four Puiseux employees obtained the CQPM "Press Conductor" certificate.

"Cross-training" sessions (workstation training sessions) continue to be deployed throughout English-speaking countries (United Kingdom, United States and Canada).

On-site training schools

ILFT AEROSPACE

In 2021, the Parthenay site opened an innovative training school.

The mission of the ILFT institute (LISI Technical Training Institute) is to provide alternative training, complementary to existing training on high-performance production resources of the latest generation. The ILFT institute thus meets the needs of local companies.

The ILFT institute differentiates itself by providing training courses:

- that combine theory and practice, in a real production situation, on automated and robotic production resources,
- which are concrete, to make job learners operational,
- specific in machining on complex hard metal parts.

It thus makes it possible to support the Parthenay site in its recruitment and skills development challenges. In 2022, 60 jobs for plant operators/5-axis line drivers and robotic systems were created.

An in-house trainer was hired and is in charge of training full-time.

People trained receive Operator-Regulator CQP certification.

The course, involving 175 hours of training in the fundamentals of machining, was taken by 18 people in 2021.

The Expert Network

Since 2019, LISI has embarked on the creation of an in-house expertise network for employees in the R&D, scientific and technical sectors.

The network was named the Expert Network. It aims to facilitate cross-functional collaboration between specialists within the Group's three divisions.

The identification and assessment process made it possible to appoint over 150 employees as Experts, or Senior Experts. Expertise communities were also launched to share and develop skills and activities.

4.4 Employee involvement

Involving employees is a major focus at LISI, which has developed a number of tools and initiatives such as:

- mobility,
- 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.

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.

Employee commitment

The Group decided to drive a global dynamic in 2021 through the Quality of Life at Work (QVT) approach. This makes it possible to meet several challenges:

- health issues: the company must make every effort to guarantee the physical and mental health of its employees,
- market issues: everything is changing very rapidly now due to customer requirements, competitiveness or the evolution of technology. This involves a continuous adaptation of the working environment, as well as changes in the business lines,
- and societal issues. The line between professional and personal life is becoming increasingly thin. The company must also take into account these "external" elements that are expected by its employees.

Quality of life at work is therefore the combination of company performance and employee well-being at work.

Several steps are planned as part of the Quality of Life at Work approach at the LISI Group:

- Quality of Life at Work Week. It took place for the first time this year. It made it possible to communicate on the actions already carried out in terms of Quality of Life at Work. The sites were also able to raise awareness on specific topics and involve all teams: sports challenges, healthy food tasting, discovery sessions (pilates, meditation, massage, etc.), moments of conviviality,
- The Quality of Life at Work survey measures employee satisfaction and commitment. A new survey was rolled out in 2021, largely inspired by the previous survey. The survey is the same for all sites. However, each site has a specific question and employees can express themselves more broadly in the Comments area. In 2021, for the first time, it was rolled out in fully digital form,
- Group focuses are then organized to collect qualitative information on specific themes arising from the survey, followed by an action plan targeting three to five actions to be carried out during the year.

The Quality of Life at Work survey covers the following topics:

- working conditions and environment,
- information and communication,
- career prospects,
- goodwill and working relations,
- work-life balance,
- recognition,
- social and environmental responsibility.

The satisfaction rate was 78% in 2021 (average satisfaction rate in 2020: 84%).

Well-being at work

The LISI Group is committed to the well-being at work of all its employees. Each site implements local initiatives. German sites have provided a well-being journal for several years. In England, employees have been appointed "well-being coaches" to help their colleagues if necessary. In the company canteen, a well-being area provides information on well-being coaches, their role, and the support that can be provided to employees.

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 telephone call allows the employee to be put in touch with a psychosocial worker in his/her region, in a completely confidential manner, who will thus be able to establish an initial diagnosis. The employee may benefit from a consultation covering up to 12 hours of treatment.

In addition, in 2020, the Group made telemedicine available to its employees in France and the United States. Employees can call a doctor without having to travel.

In a context disrupted by the waves of the epidemic, the absenteeism rate in 2021 was 4.15% (4.41% in 2020). However, efforts have been maintained to provide the best possible support for people returning to work. When they return to work, employees discuss with their line manager or the HR department to define the actions to be taken for an optimal recovery and avoid a relapse.

LISI ensures a fair balance between personal and professional life. Many sites have set up a work structure that promotes teleworking (outside the health context). In addition, the Marmande site in France has been part of an inter-company nursery since 2021 and has reserved half of its cradles for employees.

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 Social and Economic Committee meetings (or equivalent meetings for sites outside France) at each site with this type of body, the European Works Committee or even the LISI Group Committee.

There were numerous exchanges in 2021 in the context of information on health protocols and measures to adapt to the economic situation.

Teleworking agreements were signed in 2021 at the LISI AUTOMOTIVE head offices and at the Bar-sur-Aube, Saint-Brieuc, Saint-Ouen-l'Aumône and Villefranche-de-Rouergue sites. The sites in Spain and Germany also implemented teleworking measures.

The Villefranche-de-Rouergue site also signed a Seniors agreement organizing a reduction in working hours for employees over the age of 55.

Communication

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 Quality of Life at Work week carried out in 2021 was a success and made it possible to create much needed moments of discussion and sharing in a disrupted context.

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

In 2021, internal communication actions covering all sites continued to be deployed for all employees by means of daily bulletins called "LISI & You".

4.6 Diversity at LISI

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%.

This index is calculated according to the rules defined by the Ministry of Labor. Five criteria are included in the calculation:

- pay differences,
- differences in individual increases,
- differences in promotions,
- the percentage of employees receiving a salary increase upon their return from maternity leave,
- parity among the 10 highest paid employees.

All sites obtained scores above 75% in 2021:

LISI AEROSPACE	**BAI** (Saint-Ouen-l'Aumône, Vignoux sur Barangeon, Villefranche-de-Rouergue)	87%
	LISI AEROSPACE Forged Integrated Solutions (Bar-sur-Aube, Bologne, Parthenay)	84%
	Creuzet (Marmande)	77%
	Blanc Aero Technologies	89%
	LISI AEROSPACE SAS	82%
LISI AUTOMOTIVE Nomel	**Former** (Delle, Dasle, Lure, Mélisey)	89%
	NOMEL (La Ferté Fresnel)	93%
	LISI AUTOMOTIVE SAS	75%
	Rapid (Puiseux)	84%
LISI MEDICAL	**LISI MEDICAL Orthopaedics** (Hérouville)	87%

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): Women in Leadership,
- Become a member of associations whose objective is to promote the role of women in industry. For France, LISI joined the Association *"Elles bougent"* in 2020. Numerous activities were carried out in 2021 to create links between the association's sponsors and students, both from high school and college, and to promote careers in the industry. American sites also joined the "Women in Fasteners" association,
- As part of the recruitment for N-1 positions as General Managers, 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.

In 2021, the LISI Group is pleased to see that women are better represented in the governing bodies, with a proportion equivalent to that of the Group.

	Extended Leadership Board 2021		Extended Leadership Board 2020		LISI Group as of 12/31/2021		LISI Group as of 12/31/2020	
Women	34	24%	34	23%	2,138	23%	2,199	23%
Men	105	76%	112	77%	7,342	77%	7,508	77%
TOTAL	**139**	**100%**	**146**	**100%**	**9,480**	**100%**	**9,707**	**100%**

* The extended Leadership Board includes N-1 division and Group General Managers.

Promoting the employment and inclusion of people with disabilities

LISI works with structures that support young people with disabilities in their training, as well as with social and professional integration structures.

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. Some sites have also developed partnerships with external bodies, such as the Villefranche-de-Rouergue site, which has integrated employees belonging to the Martiel ESAT (digitization, cutting, green spaces).

In 2021, the rate of employment of persons with disabilities in the Group remained at 3.4% (3.3% in 2020).

4.7 Compensation components

At LISI, **compensation is correlated with company 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 the 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. 30% of French employees were LISI shareholders in 2021 (28% in 2020), For certain years, this plan has made it possible to participate in capital increases reserved for employees in the respective amounts of €1.5 million in 2001, €0.8 million in 2004, €1.2 million in 2006, €0.9 million in 2010, €1.8 million in 2014 and €2.8 million in 2018. 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, 2021, the *"LISI en action"* Group savings plan (PEG) held 870,000 shares in the Group (842,000 in 2020) and had a total of 2,820 (2,739 in 2020) unit holders. The percentage of share capital thus held by the Group's employees stood at 1.61% (1.56% in 2020),

- 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 opened 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.

4.7.1 Free share plans

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 upon their departure.

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, 4,700 free LISI S.A. shares distributed between two salaried Group employees. These shares were definitively allocated to the beneficiary employees over the first half of 2021.

2019 plan:

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

2020 plan:

The Board of Directors, in its meeting of December 9, 2020, acting under the authorization of the Extraordinary Shareholders' General Meeting of April 26, 2019, decided to award, without any conditions, 1,500 free LISI shares distributed between two salaried Group employees.

4.7.2 Performance share plans

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

From the 2020 plan, a qualitative CSR criterion has also been incorporated as a performance criterion.

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 Revalued Net Assets is higher than €2,000 million, the shares would be allocated in full. The maximum allocated number of shares is 152,590 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 term of office.

The Board meeting of February 18, 2021 noted that the results for 2020 show that the objectives were not achieved and as a result, no shares were granted.

2019 plan:

On December 11, 2019, on the proposal of the Compensation Committee, and under the authorization of the Extraordinary General Meeting of April 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 Revalued Net Assets is higher than €1,980 million, the shares would be allocated in full. The maximum allocated number of shares is 154,240 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 term of office.

The Board meeting of February 17, 2022 noted that the results for 2021 show that the objectives set were not achieved and, as a result, no shares were granted.

2020 plan:

On December 9, 2020, on the proposal of the Compensation Committee, the Board of Directors of LISI, acting on the authorization of the Extraordinary General Meeting of April 26, 2019, decided to allocate to the members of the Executive Committee as well as to the members of the main Management Committees of the three divisions of the LISI Group, shares subject to performance conditions, subject to the achievement of all or part of certain performance criteria as of December 31, 2022:

- Revalued Net Assets (RNA) of at least €800 million. If the RNA is between €800 million and €900 million, the shares would be partially allocated according to a percentage defined by the Board of Directors. If the RNA is between €900 million and €1,450 million, the shares would be partially allocated according to a progressive percentage defined in the rules of the allocation plan. If the Revalued Net Assets is higher than €1,980 million, the shares would be allocated in full,
- Achievement of CSR objectives defined in terms of reduction in energy consumption, TF1 and major machinery non-conformity index as well as the participation rate in LISI Group Quality of Life at Work (QVT) surveys.

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 term of office.

The maximum allocated number of shares is 194,770 shares and concerns 205 employees in France and abroad.

2021 plan:

On December 8, 2021, on the proposal of the Compensation Committee, the Board of Directors of LISI, acting on the authorization of the Extraordinary General Meeting of April 26, 2019, decided to allocate to the members of the Executive Committee as well as to the members of the main Management Committees of the three divisions of the LISI Group, shares subject to performance conditions, subject to the achievement of all or part of certain performance criteria as of December 31, 2023:

- Revalued Net Assets (RNA) of at least €900 million. If the RNA is between €900 million and €1,000 million, the shares would be partially allocated according to a percentage defined by the Board of Directors. If the RNA is between €1,000 million and €1,745 million, the shares would be partially allocated according to a progressive percentage defined in the rules of the allocation plan. If the Revalued Net Assets is higher than €1,756 million, the shares would be allocated in full,
- Achievement of defined CSR targets in terms of reducing energy consumption, FR1 and percentage of women on the expanded Leadership Board.
- Headcount condition on the date of the Board of Directors' meeting of February 2024.

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 term of office.

The maximum allocated number of shares is 197,060 shares and concerns 216 employees in France and abroad.

2020 loyalty plan:

The LISI Group relies on the contribution of an experienced management team and wishes to retain these high-potential employees who constitute a united and motivated group of talented people. To this end, a single loyalty plan has been put in place for the 40 employees of the Group. On December 9, 2020, on the recommendation of the Compensation Committee, the Board of Directors of LISI, acting on the authorization of the Extraordinary General Meeting of April 26, 2019, decided to implement this plan under the following for allocation:

- To be included in the headcount up to the February 2026 Board Meeting,
- Performance condition: as the plan is structured in such a way as to align the interests of the beneficiaries with those of the Group and its shareholders, the allocation of shares is to be correlated to the increase in the LISI share price observed in 2025 with a set target price corresponding to either the average price of the last 60 trading days of 2025 or the annual average for the same year, whichever shall be the higher of the two. A progressive chart is set based on an allocation trigger threshold that is also determined.

Information on the award of performance shares as at December 31, 2021

	Number
Options allocated at the beginning of the period	**593,830**
Options allocated during the period	197,060
Options canceled during the period	-20,220
Options exercised during the year	-4,700
Options expired and not granted during the period	-144,460
Options allocated at the end of the period	**621,510**

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 fiscal years are deducted from treasury shares without resulting in the issuance of new shares.

The table below sets out the information relating to the allocation of shares subject to performance conditions as well as the free shares outstanding as of December 31, 2021:

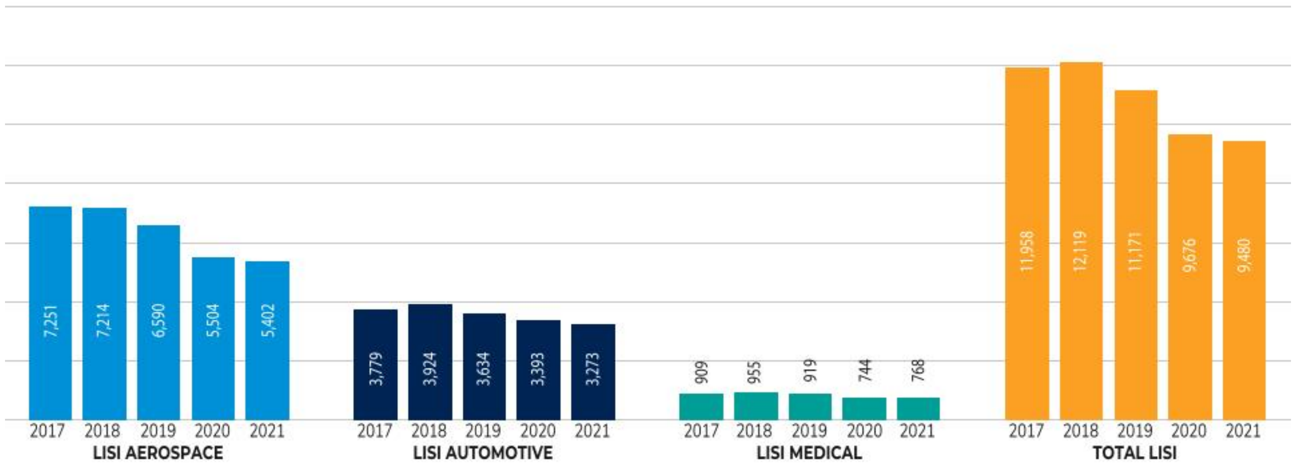
Allotment date of options	Exercise price in euros	Number of options outstanding at December 31, 2021	Contractual maturity date
12/11/2019	None	400	February 2022
12/09/2020	None	184,550	February 2023
12/09/2020	None	1,500	February 2023
12/09/2020	None	238 ,000	February 2026
12/08/2021	None	197,060	February 2024
TOTAL		**621,510**	

4.7.3 Plans in place as of December 31, 2021

Date of General Meeting	Category Plan no.	Number of options allocated	Of which corporate officers	Of which members of the Leadership Board	Of which 10 leading employees*	Number of residual beneficiaries	Exercise period	Subscription or purchase price	Canceled options Expired unallocated options	Remaining options at 12/31/2021
BOARD OF DIRECTORS										
AUTHORIZATION OF 04/26/2019										
12/11/2019	Plan No. 16	154,240	10,200	31,660	10,630	177	Board of Directors that confirms the 2021 results (February 2022)	None	154,240	0
12/11/2019	G Plan No. 16 bis	400	0	0	0	1	Board of Directors that confirms the 2021 results (February 2022)	None	0	400
AUTHORIZATION OF 04/26/2019										
12/09/2020	Plan No. 17	194,770	13,800	46,590	12,600	195	Board of Directors that confirms the 2022 results (February 2023)	None	-10,220	184,550
12/09/2020	G Plan No. 17 bis	1,500	0	0	0	2	Board of Directors that confirms the 2022 results (February 2023)	None	0	1,500
12/09/2020	G Plan No. 17 ter	248,000	12,000	114,000	52,000	39	Board of Directors in February 2026	None	-10,000	238,000
AUTHORIZATION OF 04/26/2019										
12/08/2021	Plan No. 18	197,060	13,800	40,660	12,600	216	Board of Directors that confirms the 2023 results (February 2024)	None	0	197,060

G = free/*excluding corporate officers and Leadership Board.

4.8 Headcount



	2020	2021
Total permanent contracts	**472**	**1,055**
of which permanent management hires	127	155
Total fixed-term contracts	**350**	**262**
of which fixed-term contract management hires	14	10
Total entries into the scope of consolidation	**0**	**107**
B&E Manufacturing		107
TOTAL ENTRIES OVER THE YEAR	**822**	**1,317**

Total departures by reason	**2,135**	**1,476**
Resignations	517	619
Negotiated departures	692	98
Dismissals (disciplinary)	102	97
Redundancy	91	101
Dismissals due to incapacity	171	37
Retirement	164	130
End of fixed-term contract	217	127
Other reasons for leaving	181	267
Total departures from the scope of consolidation	**182**	**37**
MOHR & FRIEDRICH (at January 1 of the year of departure)	93	
LISI MEDICAL JEROPA (at January 1 of the year of departure)	89	
LACE (at January 1 of the year of departure)		37
TOTAL DEPARTURES OVER THE YEAR	**2,317**	**1,513**
of which Management departures	223	171

TOTAL TRANSFERS DURING THE YEAR	**45**	**35**

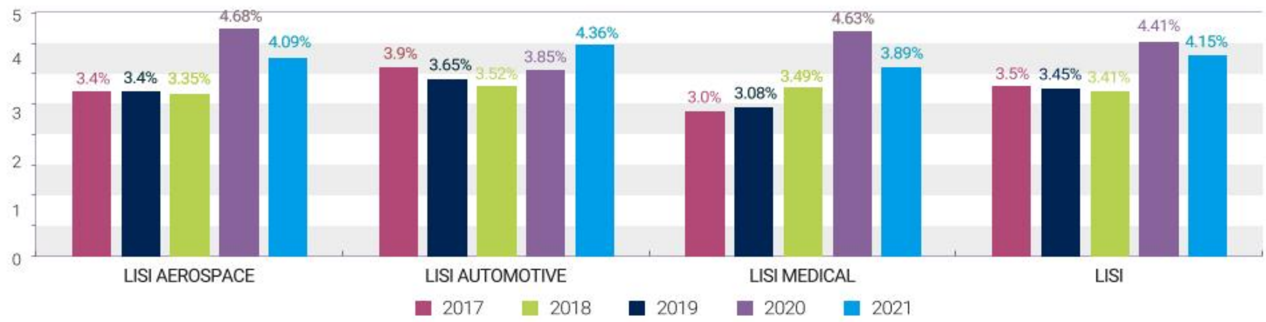
2021	LISI AEROSPACE	LISI AUTOMOTIVE	LISI MEDICAL	LISI CORPORATE	TOTAL
CANADA	239	4			243
CHINA		209			209
CZECH REPUBLIC		181			181
FRANCE	3,132	1,389	432	33	4,986
GERMANY	7	691			698
INDIA	232				232
MEXICO		260			260
MOROCCO	55	17			72
POLAND	186				186
SPAIN		171			171
TURKEY	509				509
UNITED KINGDOM	238				238
UNITED STATES	804	351	336	4	1,495
TOTAL	**5,402**	**3,273**	**768**	**37**	**9,480**

Breakdown of the registered headcount by socio-professional category:

	12/31/2019	12/31/2020	12/31/2021	DIFFERENCE N/N-1
Management	1,189	1,133	1,121	-1.1%
Supervisors	837	781	791	1.3%
Staff and workers	9,145	7,762	7,568	-2.5%
TOTAL	**11,171**	**9,676**	**9,480**	**-2.0%**

	2020	2021
Total hours worked	14,610,578	13,223,346
Number of overtime hours	387,169	463,178
Number of hours not worked	2,627,145	1,101,486

Change in the Group absenteeism rate



5 GO BEYOND our customers' expectations & ensure the safety of our products

5.1 The issues

The Group's divisions mainly act as an industrial manufacturer but also as a product designer. By offering innovative solutions in manufacturing processes or fastening systems, the Group's divisions enable their customers to design the products of the future necessary for the sustainable development of their activities.

The risk related to product safety is also a major concern in their industries and the role of the divisions is to support customers with a view to a faultless management of the safety of the products delivered and their use.

This role is achieved through the continuous modernization of manufacturing processes and the implementation of Quality and Safety management systems at the expected level of performance.

Each division has its own quality policy and its own system management to best meet the requirements of its market.

LISI AEROSPACE

The division has a Quality and Industrial Performance Department comprising:

- a department that deals with the quality management system,
- a department responsible for project quality,
- a department responsible for supplier quality, including conducting audits,
- operational Quality Departments in each of the plants.

This Department is also responsible for the industrial performance programs (LEAP, HSE).

All LISI AEROSPACE sites are certified pursuant to the EN 9100 standard required by customers in the aeronautics sector and pursuant to the NADCAP standards for all their special processes.

The LISI AEROSPACE division measures support for its customers in innovation. The indicator used is the share of revenue generated by products designed by the LISI AEROSPACE division. In 2021, the first year of publication of this indicator, it amounted to: 10.6%.

In 2021, as in previous years, the LISI AEROSPACE division was not involved in any aeronautical safety directive. This demonstrates the safety of the manufactured aircraft parts.

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.).

All LISI AUTOMOTIVE sites are certified pursuant to the IATF 16949 standard required by customers in the automotive sector.

The LISI AUTOMOTIVE division measures support for its customers in innovation. The indicator used is the renewal rate of new LISI AUTOMOTIVE products. The renewal rate of new businesses must be greater than 12%, including 5% of new innovative products each year from 2023 to 2030.

In 2021, as in previous years, the LISI AUTOMOTIVE division was not involved in any RAPEX and NHTSA safety recalls. This demonstrates the safety of the manufactured parts.

LISI MEDICAL

LISI MEDICAL contributes, through its positioning in the healthcare industry, to improving the quality of life of people.

A central Quality Department coordinates the quality departments at each site, in order to ensure the compliance of both products and the Quality Management System with customer requirements and the regulations of the health industries.

All LISI MEDICAL sites are certified pursuant to the ISO 13485 standard required by the regulations of the medical devices sector.

The LISI MEDICAL division collaborates with and supports the innovation of its OEM (Original Equipment Manufacturer) customers. Project management tools and cross-functional working methods have been adopted in order to be more agile and responsive with a view to meeting customer expectations. New customer products are expected to contribute 20% of our revenue in 2023, and over 25% of it in 2030.

In 2021, as in previous years, the LISI MEDICAL division was not involved in any market recall calling into question the safety of products.

6 INVOLVE our suppliers in a responsible supply chain

6.1 Responsible purchasing issues

LISI must ensure that its suppliers comply with the social responsibility standards and criteria that the Group has set for itself.

6.2 Purchasing policy and Suppliers Charter

The LISI Group is committed to securing its supply chain in an ethical and responsible manner, *i.e.* guaranteeing the performance of its suppliers with regard to labor law, health and safety, the environment and business ethics.

This commitment is formalized through the Purchasing policy disseminated among all LISI employees who are directly involved with the Purchasing process.

PURCHASING POLICY

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Purchasing activity is of great importance with a lot at stake for the LISI Group and its three divisions (LISI AEROSPACE, LISI AUTOMOTIVE, LISI MEDICAL). The Purchasing Policy aims to set the fundamentals that guide all purchasing activities in the LISI Group, in order to support its strategies and growth to contribute to the Group's performance and sustainability.

BUYERS' CODE OF CONDUCT

All people involved in the purchasing process must comply with the LISI Code of Conduct and has a duty of care. Particular attention must be paid to integrity, conflicts of interest, gifts… These values are to be promoted by our suppliers (see supplier charter).

PURCHASING STRATEGIES

The Purchasing Department is responsible for managing external resources and must aim for high standards of overall performance to support the strategy of each division. The Purchasing Department is responsible for selecting suppliers based on criteria such as performance and competitiveness, control and optimization of the panel, TCO (Total Cost of Ownership) and risk management. The supplier's positioning in terms of CSR (Corporate Social Responsibility) must be particularly taken into account in the selection process. LISI wishes to develop a long-term, balanced and profitable partnership relationship with its major suppliers based on mutual trust.

SUPPLIERS' OPERATIONAL PERFORMANCE

The Purchasing Department ensures suppliers' performance results through global performance reviews, KPI (Key Performance Indicator) monitoring, reporting and action plans to achieve objectives. It must promote the use of LEAP (LISI Excellence Achievement Program) tools, incremental and disruptive innovation approaches so that suppliers improve their **Quality, Costs, Lead Times and Innovation performance along with the enforcement of our CSR values.**

Quality

- *Prefer suppliers certified as per the standards of each division*
- *Measure and improve suppliers' quality performance*
- *Conduct audits*
- *Ensure that there is a continuous improvement approach and a quality assurance system that allows them to move towards zero defects*

Cost

- *Negotiate the best prices and market*
- *Improve our purchasing conditions by giving visibility to suppliers via LTAs (Long term Agreement).*
- *Pool requirements and use Group contract*
- *Reduce inventories in a controlled manner*
- *Implement the payment deadlines defined by the LISI Group*
- *Have suppliers bear the costs of failure to meet their Quality and Time commitments*

Lead Times

- *Negotiate the use of modern supply chain management tools (KANBAN, VMI - Vendor Managed Inventory, digitalization of information flows, EDI – Electronic Data Interchange) to guarantee efficient logistics*
- *Communicate forecasts and have suppliers confirm the available capacity*

PURCHASING POLICY

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Innovation

- *Seek information from suppliers by relying on purchasing marketing, technological watch and the organization of tech days*
- *Encourage suppliers to develop eco-friendly solutions or products*

Corporate Social Responsibility (CSR)

- *The Purchasing Department integrates the ten principles of the United Nations Global Compact in its relations with suppliers. Consequently, LISI favors suppliers with demonstrated CSR policy especially in terms of Human development (Ethic, gender parity, workplace well-being, training program, Occupational Health & Safety…) and Environmental footprint reduction (CO_2 footprint reduction, waste management…)*

RISK CONTROL

- *Check suppliers' insurance policies and associated levels of coverage*
- *Assess strategic suppliers' financial situation*
- *Check supplier compliance with regulations (operating license, Conflict Minerals Act…)*

WORKING METHOD / REPORTING / KPI

Add value

Increase tasks with high added value and reduce administrative and/or repetitive tasks based notably on VSM (Value Stream Mapping)

Set up and use efficient and effective tools by digitizing processes (automation of tasks, digital continuity, paperless, EDI, online catalogs…)

Improve

Develop technical and managerial skills, particularly via the LKI corporate university

Rely on LEAP tools

Benchmark internal (Buyers day, Forums…) and external best practices

Regularly visit our internal and external partners to understand their processes and make the best decisions

Manage information flows

Help the company benefit from its privileged position as a "Supplier World" by collecting as much useful information as possible and disclosing it to the right internal contacts (Sales, R&D, Finance…)

Communicate in good faith and honestly – Maintain a fair relationship with suppliers

30 april 2021

Emmanuel Viellard
CEO, LISI

Christophe Lesniak
Industrial and Purchasing Manager, LISI

To ensure that suppliers are informed of and apply the Group's requirements in this area, the supplier charter (referenced below) has been sent to all suppliers.

SUPPLIER
CHARTER

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LISI is a global industrial group specializing in the manufacture of high value-added assembly and component solutions for the aerospace, automotive and medical industries. LISI's relationship with its suppliers is an essential element of the company's success. LISI expects them to comply strictly with the laws and regulations in force in the countries where they are present and those where they fulfill the needs of LISI. The purpose of this policy is to set out LISI's expectations regarding its suppliers. By fulfilling the conditions set out below, LISI is committed to developing a long-term partnership with its suppliers and to providing opportunities to increase business relationships with all of its entities worldwide to ensure mutual, long term success.

SCOPE

The LISI group's Supplier POLICY applies equally to the group and its three divisions **LISI AEROSPACE, LISI AUTOMOTIVE and LISI MEDICAL**.
The best conditions granted by suppliers to a LISI site must apply equally to any site of the group regardless of its division or location. Suppliers should propagate the requirements **of this policy to their own suppliers**.

CORPORATE SOCIAL RESPONSIBILITY

LISI suppliers must respect **the principles of ISO 14001 and OHSAS 18001**, and their future developments, and aim to obtain these certifications. They must also take steps to **reduce their environmental footprint** *(e.g. use of recycled materials, reduction of waste, reduction of energy consumption, use of renewable energy, etc.)*. In particular, LISI expects its suppliers to promote the **development of human potential**, to design **eco-friendly products**, and to comply with the **Conflict Minerals Act**.

Suppliers must also implement the **ten principles of the United Nations Global Compact Program** *(Corporate Social Responsibility)*.

In order to ensure its duty of vigilance and to prevent the risks related to one of these principles, namely the fight against corruption, LISI expects its suppliers to implement the **Anti-Corruption Code of Conduct** and to use **the alert system**. These tools are available to internal and external stakeholders on the LISI website under "Ethics".

LIABILITY AND INSURANCE

Suppliers working with the various divisions of LISI are aware of the criticality of its products and applications in aeronautics, automotive and medical. They **are aware of their responsibilities** and take out **insurance policies** from notoriously solvent companies, covering all the direct and indirect costs in case of failure of their supplies and services, as well as any financial consequences incurred throughout the supply chain up to the end user.

SUPPLIER
CHARTER

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QUALITY CERTIFICATIONS

From a quality point of view, **ISO 9001 certification** is the minimum expected. For products and services supplied that have direct impact on the compliance of products manufactured by LISI, **EN9100 for aeronautics** and **IATF 16949 for automotive** will be the required certifications.

RISK MANAGEMENT

Every supplier must have an **identification, prevention and risk management process** in place that is supported by procedures that make up **a security plan**.

OPERATIONAL PERFORMANCE

Suppliers must meet all of their **contractual commitments** *(e.g. quality requirements, delivery or completion deadlines, etc.)* and must engage in a **continuous improvement process** in order to achieve operational excellence in all areas *(health, safety, environment, quality, deadlines, benefits, competitiveness, etc.)*.
Innovation is key to strengthening our competitive advantage, and LISI is committed to including its suppliers in **shared innovation** initiatives **that benefit everyone**.

PRESERVATION OF LISI'S IMAGE

Suppliers must ensure that they implement all the necessary measures to maintain **the image of LISI.**

INFORMATION PROTECTION

Suppliers must adequately handle confidential, proprietary and personal sensitive information and must comply with applicable **intellectual property rights legislation** as well as applicable national and supranational laws relating to the **protection of personal data**.

April 30, 2018

Emmanuel Viellard
CEO, LISI

Christophe Lesniak
Industrial and Purchasing Manager, LISI

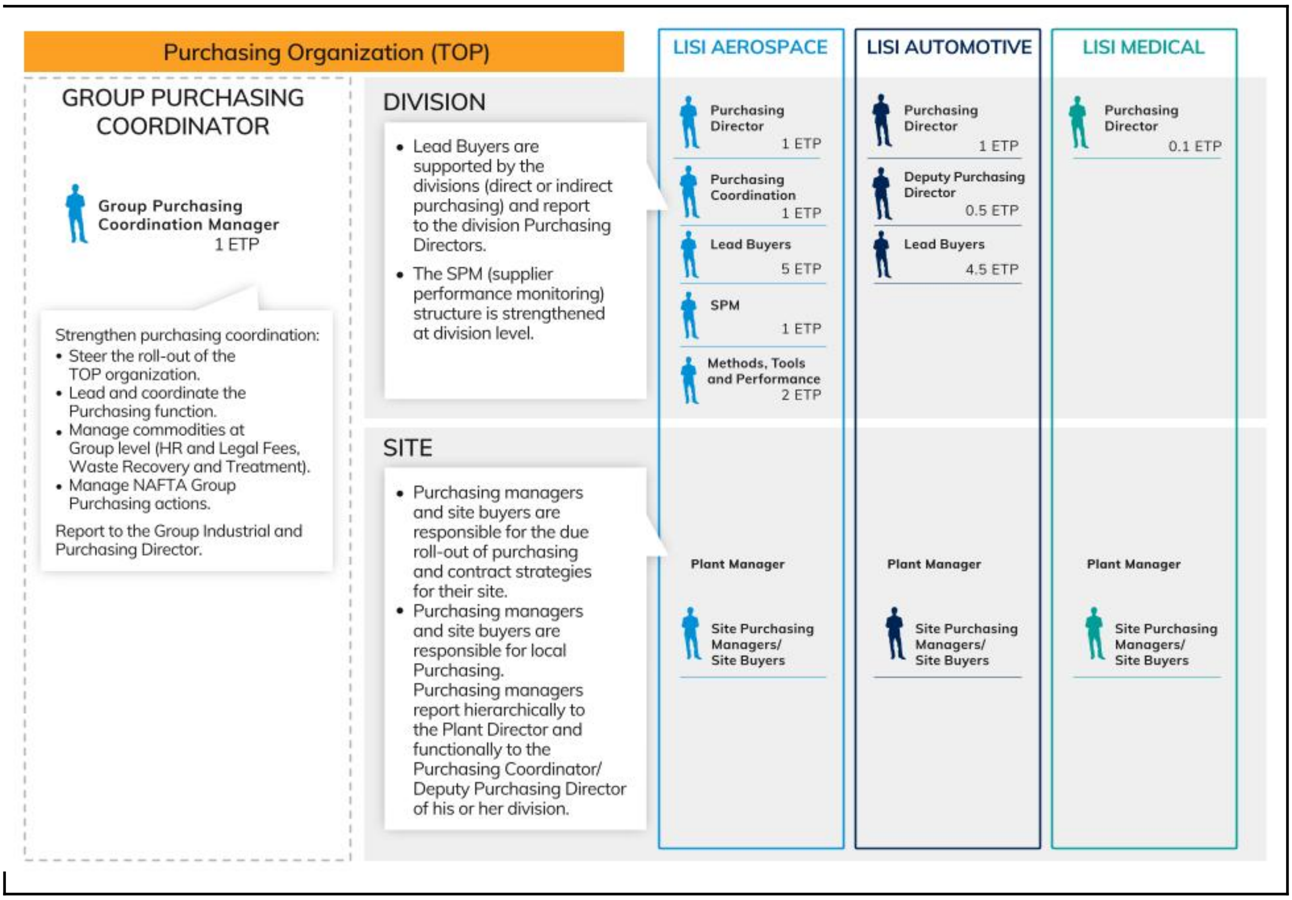
6.3 Purchasing organization

In 2020, LISI rolled out a purchasing organization with commodity managers at Group and divisional level. This organization aims to:

- optimize its processes and tools,
- increase its Purchasing expertise on strategic commodities,
- improve supplier interactions and involve them over the long term,
- determine areas for improvement with them.

This should enable LISI to ensure a competitive supply chain that respects the ethical and societal responsibility criteria that the Group has set for itself.

TOP (Targeted Optimal Procurement) purchasing organization



The management of the purchasing function is maintained within the divisions. A Purchasing coordination tool ensures the roll-out of Purchasing initiatives and tools at Group level.

The five fundamental areas on which the new LISI Purchasing organization (TOP) is based.

6.4 Responsible purchasing actions

The LISI Group has drawn up its roadmap to continue to secure its supply chain. This roadmap is based on the Group's CSR policy and is involved in three of the major stages of the Purchasing process: supplier assessment, supplier selection, and supplier contracting.

Theme	Activity	Progress in 2021
Supplier assessment	Develop a supplier assessment questionnaire based on CSR criteria. Identify external firms able to assess suppliers on the basis of CSR criteria.	The supplier questionnaire is finalized and integrated into the "Purchasing training" module of the LKI training catalog. The service provider for the outsourcing of CSR assessments is identified. The contract is signed.
Supplier selection	Update the LISI Purchasing policy aimed at moving towards socially responsible suppliers. Create a common internal rating and supplier selection system incorporating CSR criteria.	The Purchasing policy is updated and communicated to all interested parties. The supplier assessment tool is finalized and integrated into the "Purchasing training" module of the LKI training catalog.
Supplier contracting	Adapt standard purchasing contracts to incorporate CSR requirements.	Standard contracts are being reviewed. Completion is scheduled for 2022.

In 2021, LISI also set up a four-day in-person Purchasing training module. The objective of this training is to master standardized LISI tools and procedures, to develop Purchasing skills and to promote the exchange of best practices within the Purchasing teams.

11 employees actively participated in this training module for a total community of 91 people, *i.e.* 12% of people trained in the new standards. LISI wants to continue to roll out this training module and, in 2022, two other training sessions are already planned.

7 Ethics and duty of care

In order to strengthen its voluntary approach in terms of Corporate Social Responsibility, the LISI Group has made concrete commitments.

7.1 The 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. In view of the values it defends, LISI is committed to combating all forms of corruption or influence peddling that are detrimental to its business. LISI has an anti-corruption code of conduct to guide each employee on the conduct to be adopted in business, while ensuring that these anti-corruption rules are known to all third parties with whom the Group works. LISI has integrated these values into the development of its CSR policy and through its membership of the Global Compact. The Group attaches the greatest importance to acting in an irreproachable manner with its stakeholders. In order to guarantee this commitment, the Group has ramped-up its actions guided by the legislative framework set by the Sapin II Law, and conducts periodic internal audits at 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 the Group's French entities since April 1, 2018. It was then translated into eight other languages in order to be rolled out in the other regions where the Group operates.

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: this committee is responsible for verifying compliance by LISI employees with the general compliance framework defined by the Group, and for managing the reports made through the system put in place. Chaired by the Group's Deputy CEO, this Committee includes among its other members: the Group Secretary General, the Group Human Resources Manager and the Group Head of Tax, Risks and Compliance. The employment contracts of the members of this Committee were amended with a more stringent confidentiality clause. For its assessments, it relies on compliance with the anti-corruption code of conduct, the internal control framework and the program for the prevention, awareness-raising, detection and assessment of possible fraud.

The alerts system: accessible since April 1, 2018 on the LISI Group website, this alerts system is available in nine languages, and thus open to all of the Group's internal and external partners. 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 corruption risk assessment approach is based on two areas:

The corruption risk assessment approach is based on two axes:

- 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,
- By creating a group dynamic to fuel the debate,
- By evaluating the corruption risk in a 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 sensitivity of the subject has led LISI to conduct a structured review at Group level with the operational teams. The approach was conducted in the form of a reflection with the aim of determining the most relevant methodology for assessing the risk of corruption. Initially, the focus was primarily on the country areas most at risk, with the teams in 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). Each discussion involved several functions, notably the Plant Director, the Purchasing Manager, the Human Resources Manager and the Management or Financial Controller. A number of ideas were listed in a standardized dashboard. Each topic was addressed in order to assess the existing risk in an industrial environment in the country of operation. 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.

Initial results showed that LISI was only slightly exposed due to its activity, the control measures and the procedures implemented. Work was partially renewed in 2020 and 2021 due to the COVID-19 health crisis, and confirmed that the exposure seems limited.

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. Following this, 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. Group employees have received an e-learning module to follow. This training module, based on e-learning developed by the OECD (Organization for Economic Co-operation and Development), is intended for employees who are most likely to be exposed to corruption. In total, more than 300 employees were assigned to follow this module. The module is also presented to all newly hired employees who may, by virtue of their position, be exposed to this risk.

Outlook for 2022

For LISI, the implementation of the Sapin II Law system is a medium-term project. To do so, the Group will continue its work in 2022 in line with that already undertaken to date.

The main priorities of the work will be:

- finalizing the corruption risk mapping at Group level then including this risk assessment in the annual mapping,
- ramping-up the process for developing third-party assessment procedures in line with the CSR strategy being rolled out,
- continue the e-learning training process for new hires.

7.2 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.

7.3 Duty of care

Law no. 2017-399 of March 27, 2017, regarding 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 roll-out of its CSR policy, aims to meet its duty of care requirements.

Thus, for example, the whistleblowing and reporting system set up on the LISI website has been active since the beginning of 2019. Its purpose is to collect and process, in a completely confidential manner, any alert that may be issued, whether 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 fiscal 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.

Results:

In 2021, the Compliance Committee met to address an alert issued by a third party. The case was closed without further action and had no merit. The Committee was also consulted on a potential conflict of interest situation, which was assessed.

8 Green taxonomy

This was the first year of implementation of the green taxonomy. As a result, interpretations are not yet fully set.

For the three activities of the LISI Group:

- the aeronautics sector should be covered from FY 2022,
- the automotive sector is currently part of the green taxonomy,
- the medical sector does not seem, at this time, to be covered by the green taxonomy but possibly will be by the future social taxonomy.

Application in the automotive sector:

At this stage of our understanding of these texts, we consider that the activities of LISI AUTOMOTIVE fall under the scope of the Automotive Platform (PFA) and the CLEPA (European association of automotive components suppliers) (https://clepa.eu/mediaroom/clepa-sector-paper-keys-to-a-successful-implementation-of-the-eus-sustainable-financial-taxonomy).

However, the delegated act does not explicitly address components for low-carbon vehicles.

An eligibility analysis identified that the investments and revenue of automotive suppliers related to the production of low-carbon vehicle components are eligible for the taxonomy.

Depending on the interpretation, they may be classified in category 3.3 “Manufacturing of low-carbon technologies for transport” or in category 3.6 “Manufacturing of other low-carbon technologies”.

Interpretation pursuant to category 3.6:

The fastening components manufactured by LISI AUTOMOTIVE may fall within the scope of category 3.6 instead of category 3.3, even if the latter seems less appropriate in the case in point.

The equipment manufactured has, for several years, helped reduce fuel consumption.

However, at this time, it is premature to provide quantified justifications for this substantial improvement in the reduction of greenhouse gases.

Calculation method pursuant to this interpretation:

In this case, the revenue considered corresponds to parts dedicated exclusively to making the vehicle lighter and parts dedicated to electric vehicles.

The investments considered correspond to the "µmach" project, a fastening technology using aluminum spraying at supersonic speed. This technology aims to reduce the weight of vehicles and also targets the electrical connection of batteries.

The process of identifying other investments and operating expenses (*e.g.* allocation keys) will be implemented from the 2022 fiscal year for the LISI Group. Therefore, this data is not yet available for the 2021 fiscal year, except for dedicated investments such as the "µmach" project.

Reporting category according to the interpretation	Sales revenue eligible*	CAPEX eligible**	Operating expenses eligible***
Reporting pursuant to category 3.6 "Manufacturing other low-carbon technologies"	€978 thousand eligible out of €1,163.9 million in LISI revenue (*i.e.* 0.1%)	€900 thousand eligible out of €94,440 thousand in LISI investments (*i.e.* 0.1 %)***	Unavailable

* It should be noted that currently this eligible revenue only concerns part of the Group's activity. The automotive division's business is the only Group activity eligible for the 2021 fiscal year. LISI AUTOMOTIVE’s share of eligible revenue is 0.2%.

** Capital and operating expenditure data by taxonomy category will not be available until 2022.

*** The “µmach” project.

Interpretation pursuant to category 3.3:

Low-carbon vehicles are complex systems composed of software and hardware components that work together to provide ultimate performance in terms of safety, comfort, ease of use, cost and emissions. The fastening components manufactured by LISI AUTOMOTIVE are essential for the manufacture of low-carbon vehicles. For example, such a vehicle cannot be manufactured without the brakes, seat belts and fasteners that make up the vehicle as a whole. These manufactured components are therefore fully-fledged low-carbon vehicles.

The selection criteria for category 3.3 "Manufacture of low-carbon technologies for transport" (selection on the basis of tailpipe carbon emissions) are therefore more relevant than the life cycle assessment criteria identified in category 3.6 "Manufacturing of other low-carbon technologies" to report taxonomy alignment.

The cost of low-carbon vehicle components is included in the selling price and in the revenue reported by the vehicle manufacturer. The same category 3.3 selection criteria must therefore apply to the sale and production of low-carbon vehicle components made by OEMs.

For this first year, the LISI Group wants to align itself with the practices of the profession and wishes to favor investments and revenue pursuant to category 3.3 "Manufacturing of low-carbon technologies for transport".

This approach is also consistent with the future application of the taxonomy to the aeronautical sector, since it should include aeronautical equipment manufacturers.

As regards reporting pursuant to category 3.3, the calculation method used is as follows.

The revenue taken into account is that generated for equipment of all types of vehicles regardless of the engine.

This means that revenue generated for industries other than the automotive industry and revenue generated exclusively for internal combustion vehicles are not included in the calculation.

Revenue eligible for the taxonomy corresponds to the market share of electric and hybrid vehicles, calculated by geographical area. These market share data are statistical data used to construct strategic plans.

Thus, revenue eligible for the taxonomy under category 3.3 amounted to €62,813 thousand, *i.e.* 13% of LISI AUTOMOTIVE's revenue.

The investments considered correspond to the "µmach" project, a fastening technology using aluminum spraying at supersonic speed. This technology aims to reduce the weight of vehicles and also targets the electrical connection of batteries.

The process of identifying other investments and operating expenses (*e.g.* allocation keys) will be implemented from the 2022 fiscal year for the LISI Group. Therefore, this data is not yet available for the 2021 fiscal year, except for dedicated investments such as the "µmach" project.

Reporting category according to the interpretation	Sales revenue eligible*	CAPEX eligible**	Operating expenses eligible**
Category 3.3 reporting "Manufacturing of low-carbon technologies for transport"	€62,813 thousand eligible out of €1,163.9 million in LISI revenue (*i.e.* 5.5%)	Unavailable	Unavailable
Reporting pursuant to category 3.6 "Manufacturing other low-carbon technologies"	€0 thousand	€900 thousand eligible out of €94,440 thousand in LISI CAPEX (*i.e.* 0.1%)***	Unavailable

* It should be noted that currently this eligible revenue only concerns part of the Group's activity. The automotive division's business is the only Group activity eligible for the 2021 fiscal year. LISI AUTOMOTIVE's share of eligible revenue is 13%.

** Capital and operating expenditure data by taxonomy category will not be available until 2022.

*** The "µmach" project.

9 Non-financial indicators

HSE indicators with change in scope:

	Indicators (from January 1 to December 31)	Unit	2018	2019	2020	2021	Difference 2021 vs. 2020	Difference 2021 vs. 2020 %	Change on a like-for-like basis* 2021 vs. 2020
Energy	Municipal water consumption	m³	465,720	522,785	398,419	308,271	-90,148	-22.6%	-23.8%
	Consumption of water drawn directly from the natural environment	m³	366,379	267,771	190,656	205,187	14,531	+ 7.6%	+8.5%
	TOTAL Water consumption	m³	832,099	790,556	589,074	513,458	-75,616	-12.8%	-13.4%
	Electricity consumption	MWh	321,135	311,181	248,850	262,895	14,045	+ 5.6%	+4.4%
	Natural gas consumption	MWh	171,042	157,679	128,909	146,077	17,168	+13.3%	+11.9%
	Liquefied petroleum gas (butane - propane) consumption	MWh	5,941	5,348	4,131	5,044	914	+ 22.1%	+22.3%
	Domestic fuel consumption	MWh	1,673	1,417	642	675	33	+5.1%	+5.1%
	Consumption of other energies	MWh	560	570	551	1,224	673	+122.3%	+122.3%
	TOTAL Energy consumption	MWh	500,351	476,196	383,083	415,915	32,832	+ 8.6%	+7.3%
Wastes	Sorted metal	T	23,476	22,220	16,355	17,092	737	+4.5%	+6.1%
	Sorted paper cardboard	T	575	617	398	398	-	-0%	+0.4%
	Sorted plastic	T	344	329	326	347	21	+ 6.5%	+8.2%
	Sorted wood	T	1,125	917	568	614	45	+ 8.0%	+8.4%
	Oil (soluble + whole + whole and water)	T	2,507	2,412	1,931	2,141	210	+ 10.9%	+12.0%
	Other household waste (non-hazardous), non-sorted household waste	T	3,067	2,966	1,967	1,768	-199	-10.1%	-9.9%
	Hazardous wastes (without oil)	T	15,511	13,026	9,806	9,894	88	+0.9%	+2.3%
	Percentage of recycled waste	%	60.4%	72.5%	72.7%	74.4%	0	+2.3%	+2.6%
Workplace accidents	TF0 LISI		6.59	5.87	4.97	6.02	1.05	+21.1%	
	TF0 LISI + temporary workers		7.28	6.83	5.06	6.10	1.04	+20.6%	
	TF1 LISI		9.02	8.04	6.92	7.93	1.01	+14.6%	
	TF1 temporary workers		21.22	21.18	6.74	9.42	2.67	+39.7%	
	TF1 LISI + temporary	Unit	10.05	9.01	6.91	7.99	1.09	+15.7%	
	TG0 LISI	Unit	0.22	0.17	0.28	0.27	-0.01	-4.6%	
	TG0 LISI + temporary workers	Unit	0.22	0.17	0.28	0.26	-0.02	-4.7%	
	Number of cases of occupational diseases reported	Unit	Not measured in 2018	37	33	19	-14	-42.4%	-40.6%
Incidents and complaints	Number of outbreaks of fire	Unit	132	112	97	60	-37	-38.1 %	-38.1 %
	Number of incidents requiring the intervention of outside help	Unit	7	13	10	7	-3	-30.0 %	-30.0 %
	Formal notice sent by the authorities	Unit	6	11	–	4	4	NA	–
	Number of complaints issued by stakeholders	Unit	20	25	28	8	-20	-71.4%	-70.4%
HSE training	Number of HSE training hours completed	Hours	58,873	47,393	33,848	42,742	9,438	+28.3%	+26.2%

HR indicators:

	2018	2019	2020	2021	Absolute difference 2021 vs. 2020	Difference as a % 2021 vs. 2020	Absolute difference 2020 vs. 2019	Difference as a % 2020 vs. 2019	Absolute difference 2020 vs. 2018	Difference as a % 2020 vs. 2018
% women	22%	22%	23%	23%	0	0	+1	+4.5%	+1	+4.5%
% of female managers	24%	25%	30%	27%	-3	-9%	+5	+20.0%	+6	+25.0%
% of seniors (over 55)	14%	15%	17%	15%	-2	-12%	+2	+13.3%	+3	+21.4%
Training hours	222,129	179,165	100,424	167,829	67,405	+67%	-78,741	-43.9%	-121,705	-54.8%

Consolidation and exclusions

Human Resources data:

- Data from the LACE site were not included as the site was sold in 2021.

HSE data (excluding accidents):

Legal entity	City	Country	Impacts of HSE reporting in 2019 and 2020	Impacts of HSE reporting in 2021	Comments
Termax Corp. and its subsidiaries	Lake Zurich (main site)	United States	Excluded	Excluded	Inclusion in reporting expected in 2022
Ankit Fasteners Pvt Ltd	Bangalore	India	Excluded	Excluded	Non-exhaustive data
LISI AUTOMOTIVE Hi Vol Inc	Livonia	United States	Excluded	Partially consolidated	Excluding waste

Health and Safety data (accidents):

Legal entity	City	Country	Impacts of Health and Safety reporting in 2019 and 2020	Impacts of Health and Safety reporting in 2021	Comments
Ankit Fasteners Pvt Ltd	Bangalore	India	Not consolidated	Not consolidated	Non-exhaustive data
B&E Manufacturing	Garden Grove	United States	Excluded	Excluded	Entity acquired in 2021

10 NFPS cross-reference table

Information	Corresponding pages or sub-headings
Business model	URD Chapter 1
Description of the main risks, policies and indicators	URD Chapter 5: Risk factors URD Chapter 4; §1 Group Social Responsibility
Anti-corruption	URD Chapter 4; §1 Group Social Responsibility; §7 Ethics and duty of care
Fight against tax evasion	URD Chapter 4; §1 Group Social Responsibility; §7 Ethics and duty of care
Respect of human rights	URD Chapter 4; §1 Group Social Responsibility; §7 Ethics and duty of care
Climate change	URD Chapter 4; §3 Preserve our environment
Society-related commitments	URD Chapter 4; §1 Protecting our employees & attaining excellence in occupational health and safety; §4 Retaining talent and strengthening the appeal of our business lines;
Circular economy	URD Chapter 4; §3 Preserve our environment
Collective agreements	URD Chapter 4; §4 Retaining talent and strengthening the appeal of our business lines
Fight against discrimination and promotion of diversity	URD Chapter 4; §1 Group Social Responsibility; §4 Retaining talent and strengthening the appeal of our business lines
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

11 Global Compact cross-reference 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.	URD Chapter 4; §1 LISI Group Social Responsibility; §7 Ethics and duty of care
PRINCIPLE 2 Businesses should make sure they are not complicit in human rights abuses.	URD Chapter 4; §1 LISI Group Social Responsibility; §7 Ethics and duty of care
PRINCIPLE 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	URD Chapter 4; §1 LISI Group Social Responsibility; §4 Retaining talent and strengthening the appeal of our business lines
PRINCIPLE 4 Businesses should contribute to the elimination of all forms of forced and compulsory labor.	URD Chapter 4; §1 LISI Group Social Responsibility; §7 Ethics and duty of care
PRINCIPLE 5 Businesses should contribute to the effective abolition of child labor.	URD Chapter 4; §1 LISI Group Social Responsibility; §7 Ethics and duty of care
PRINCIPLE 6 Businesses should contribute to the elimination of discrimination in respect of employment and occupation.	URD Chapter 4; §1 LISI Group Social Responsibility; §4 Retaining talent and strengthening the appeal of our business lines
PRINCIPLE 7 Businesses should support a precautionary approach to environmental challenges.	URD Chapter 4; §3 Preserve our environment
PRINCIPLE 8 Businesses should undertake initiatives to promote greater environmental responsibility.	URD Chapter 4; §3 Preserve our environment
PRINCIPLE 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.	URD Chapter 4; §3 Preserve our environment
PRINCIPLE 10 Businesses should work against corruption in all its forms, including extortion and bribery.	URD Chapter 4; §1 LISI Group Social Responsibility; §7 Ethics and duty of care

12 Independent third-party report on the consolidated social, environmental and societal information

Fiscal year ended December 31, 2021

To the Shareholders General Meeting,

In our capacity as an independent third party ("third party"), certified by COFRAC (COFRAC Inspection Certification 3-1681, scope available on www.cofrac.fr) and a member of the network of one of the Statutory Auditors of your company (hereinafter the "entity"), we carried out work to formulate a reasoned opinion expressing a conclusion of limited assurance on the compliance of the consolidated statement of non-financial performance, for the fiscal year ended December 31, 2021, (hereinafter the "Statement") with the provisions of Article R. 225-105 of the French Commercial Code and on the fairness of the historical information (observed or extrapolated) provided pursuant to paragraph 3 of sections I and II of Article R. 225-105 of the French Commercial Code (hereinafter the "Information") prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), presented in the management report pursuant to the provisions of Articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code.

Conclusion

Based on the procedures we carried out, as described in the "Nature and scope of work" section, and the information we collected, we did not identify any significant anomaly that would call into question the fact that the consolidated statement of non-financial performance complies with the applicable regulatory provisions and that the information, taken as a whole, is fairly presented in accordance with the Guidelines.

Preparation of the non-financial performance statement

The absence of a generally accepted and commonly used reference framework or of established practices on which to assess and measure information allows for the use of different but acceptable measurement techniques that may affect comparability between entities and across time.

Consequently, the Information must be read and understood with reference to the Guidelines, the significant items of which are presented in the Statement or available upon request at the entity's head office.

Responsibility of the Entity

The Board of Directors is responsible for:

- selecting or establishing appropriate criteria for the preparation of the Information,
- preparing a Statement in accordance with legal and regulatory provisions, including a presentation of the business model, a description of the main non-financial risks, a presentation of the policies applied with regard to these risks and the results of said policies, including key performance indicators and, moreover, the information required by Article 8 of Regulation (EU) 2020/852 (green taxonomy),
- as well as establishing the internal control procedures that it deems necessary to prepare information that is free from material misstatement, whether due to fraud or error.

The Statement was prepared in accordance with the entity's Guidelines as mentioned above.

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 Statement pursuant to Article R.225-105 of the French Commercial Code,
- the sincerity of the historical information (observed or extrapolated) provided in accordance with paragraph 3 of sections I and II of Article R.225-105 of the French Commercial Code, namely the results of the policies, including the key performance indicators, and the actions, relating to the main risks.

As we are responsible for establishing an independent conclusion on the Information as prepared by management, we are not authorized to be involved in the preparation of such Information as this could compromise our independence.

It is not our responsibility to comment on:

- the entity's compliance with other applicable legal and regulatory provisions (notably as regards the information provided for by Article 8 of Regulation (EU) 2020/852 (green taxonomy), the vigilance and anti-corruption plan and tax evasion),

- the fairness of the information provided for in Article 8 of Regulation (EU) 2020/852 (green taxonomy),
- the compliance of products and services with applicable regulations.

Applicable regulatory provisions and professional standards

Our work, described below, was carried out in accordance with the provisions of Articles A. 225-1 *et seq.* of the French Commercial Code, the professional standards of the *Compagnie Nationale des Commissaires aux Comptes* relating to this audit in lieu of an audit program, and the international standard ISAE 3000 (revised)[1].

Independence and quality control

Our independence is defined by the provisions outlined in Article L.822-11-11 of the French Commercial Code and the Profession's Code of Ethics. In addition, we implemented a quality control system that includes documented policies and procedures to ensure compliance with applicable laws and regulations, ethical standards, and the professional standards of the *Compagnie Nationale des Commissaires aux Comptes* relating to this audit.

Means and resources

Our work mobilized the skills of three people and took place between October 2021 and February 2022 over a total period of 16 weeks.

To assist us in carrying out our work, we called on our specialists in sustainable development and social responsibility. We conducted four interviews with the people responsible for preparing the Statement, representing notably Senior Management, Human Resources, Health and Safety, Environment and Purchasing.

Nature and scope of work

We planned and carried out our work taking into account the risk of material misstatement of the Information.

We believe that the procedures we conducted, exercising our professional judgment, enabled us to formulate a conclusion of limited assurance:

- we reviewed the activities of all entities included within the scope of consolidation and the description of the main risks,
- we 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 verified that the Statement presents the social and environmental information required by Section III of Article R.225-102-1, as well as information concerning respect for human rights, and the fight against corruption and tax evasion,
- we verified that the Statement presents the information required by Section II of Article R.225-105 when relevant in terms of the main risks and that it includes, where applicable, an explanation of the reasons justifying the absence of the information required by paragraph 2 of Section III of Article L.225-102-1,
- we verified that the Statement 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 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, and
  - corroborate the qualitative information (actions and results) we deemed to be the most important presented in Appendix 1. For certain risks (fight against corruption, responsible purchasing), our work was carried out at the level of the consolidating entity; for other risks, work was carried out at the level of the consolidating entity and in a selection of entities, as listed hereafter: Fuenlabrada (Spain), Rugby (United Kingdom), Big Lake (United States) and Coon Rapids (United States),
- we verified that the Statement 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 Statement,
- we 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,

(1) ISAE 3000 (revised) - Assurance assignment other than audits and the review of historical financial 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 sampling or other means of selection, and which consisted of verifying the due application of definitions and procedures and reconciling the data with the supporting documents. This work was carried out with the selection of contributing entities listed above and covers between 9% and 10% of the consolidated data selected for these tests (10% of water consumption, 10% of the number of hours worked, 9% of energy consumption, etc.),
- we evaluated the coherence of the entire Statement with respect to our knowledge of all the entities included in the scope of consolidation.

The procedures implemented as part of a moderate assurance engagement are less stringent than those required for a reasonable assurance engagement performed according to professional standards; a higher level of assurance would have required more extensive verification work.

Paris-La Défense, March 24, 2022

The Independent Third-Party Organization
EY & Associés

Christophe Schmeitzky
Partner, Sustainable Development

Appendix 1: Information considered to be the most important

Employment information

Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
Turnover, hiring rate, dismissal rate (%)	Employment (attractiveness, retention)
Absenteeism rate (%)	Work organization (organization, absenteeism)
Hours worked (number)	Health and safety (preventive actions)
Share of women (%)	Labor relations (social dialogue, collective agreements), training
Frequency rate, severity rate of workplace accidents (Number/million hours worked)	Equal opportunity (gender equality, fight against discrimination, integration of disabled persons)

Environmental information

Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
	The results of the environmental/energy policy (certifications, resources)
Thermal and electrical energy consumption per unit of production (MWh/ton)	Pollution forecasting measures (water, air, soil)
Significant greenhouse gas emissions items (activities: scopes 1 & 2, scope 3: goods and services)	The circular economy (raw materials, energy, waste management, food waste)
Percentage of hazardous/non-hazardous waste recovered (%)	Climate change (significant sources of emissions due to the activity, reduction targets, adaptation measures)
Water consumption (m^3)	Water management and biodiversity protection

Societal information

Quantitative information (including key performance indicators)	*Qualitative information (actions or results)*
	Local impact (employment, development, local communities, dialog, etc.)
	Subcontracting and suppliers (environmental and social challenges)
Share of employees who responded to the Quality of Life at Work survey (%)	Measures taken to promote consumer health and safety
	Actions to promote human rights, in particular compliance with fundamental ILO 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 Markets Authority (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. Each significant risk identified is the subject of an action plan reviewed periodically and, if necessary or in parallel, of a proactive approach to prevention, insurance cover, accounting provisions or operational actions.

1 Risk matrix: principal major risks identified and reduction measures

The risk factors presented in this chapter are only the main risks identified and are likely to vary in intensity and probability, depending on economic and global developments.

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.

The summary of the major risks is presented in two areas:

- operational risk factors specific to the Group’s business,
- risk factors independent of the Group’s business.

Strategic risks are assessed annually by the Group’s sites, business groups and operating divisions, as well as by Executive Management, and, since 2021, are reported in an internal collaborative platform.

COVID-19

Faced with the ongoing COVID-19 health crisis affecting the Group’s three divisions, the pandemic risk is approximate in this mapping, due to the ongoing uncertainties related to the end of the crisis. Nevertheless, it takes into account the positive impact of the actions taken by the Group to limit the consequences, and in particular:

- The strict measures taken to ensure the safety of employees and service providers in their workplace, when their presence is imperative,
- The business continuation plan implemented using teleworking whenever possible,
- The cost reduction measures introduced due to reductions in activity,
- And measures to protect financial liquidity in order to secure the Group’s future room for maneuver.

As a result, the effects of the health crisis are still a major risk, but assessed at this stage as not likely to jeopardize the Group’s financial strength or the continuity of its activities, given the continuation of adaptation measures and the deployment of technological and industrial innovation plans.

OPERATIONAL

Risk factors	Breakdown of URD 2021 risks	Net impact	Probability	Residual criticality	Financial exposure*	Trend versus 2020	Reduction measures
Innovation Competitiveness Competitive positioning	Failure of newly developed products	Major	Possible	Moderate	€[7-9]M		Team adaptation to project progress. Upstream integration for demonstrators. Close customer contact.
	Increased competitive pressure: ▪ on certain flagship products for the divisions and on new technologies, ▪ due to a lack of new customer programs, generating strong pressure on prices, ▪ following the arrival of new competitors, or the consolidation of customers in certain geographical areas, ▪ for the renewal of major contracts, ▪ due to a lack of key competencies, ▪ due to a lack of competitiveness because of the cost structure. Loss of competitiveness, or market share, on specific programs: – following failed negotiations with major customers, – during a period of (failed) transition of key managers	Major	Possible	Significant	€[15-20]M		Internal productivity plans. Inter-site synergies. Excellence in Price-Quality-Lead times. Industrial innovation plans. Technological watch, customer R&D proximity. Plans to automate the means of production. Digitization of Support functions. Recruitment of key competencies. Specific attractiveness plans. Progressive and co-constructed integration plans for new sites.
	Risk to intellectual property rights for new products proposed by the divisions	Major	Possible	Significant	€[4-6]M		Reinforcement of internal competencies. Patent development.
Quality	Major quality issues for products manufactured by LISI or delivered by its suppliers	Moderate	Possible	Moderate	€[5-7]M		Strengthening of quality assurance processes, especially for critical parts. Process audits of critical suppliers. Improved operational control through the "0 escape" project. Adequate crisis management procedures.
Industrial footprint	Disturbance due to the removal of the installations on the Bologne site (Forge 2022 project)	Moderate	Probable	Moderate	€[3-4]M		Management of the Forge 2022 plan: Transfer plan. Specific plan for the attractiveness of the site. Recruitment of specific competencies when ramping up.
Compliance	Internal environmental risks: fire, pollution, noise pollution	Catastrophic	Possible	Moderate	€[3-4]M		Risk prevention plans. Site audits carried out with insurers. Negotiations with stakeholders to reduce disturbance (noise, vibration, etc.).
	Occupational health and safety risk (Occupational accidents and/or occupational diseases, Non-compliance of machinery)	Moderate	Probable	Moderate	€[3-4]M		Reinforced risk prevention policy. Machine compliance plans. Adjustment of CAPEX.
Purchasing Production	Failure of subcontractors (heat treatment, machining, sterilization, etc.) or suppliers (raw materials, components) disrupting our production cycles	Major	Probable	Moderate	€[8-10]M		Reinforcement of supplier audits. Studies into the internalization of certain processes. Seeking alternative solutions.

EXTERNAL ENVIRONMENT

Risk factors	Breakdown of URD 2021 risks	Net impact	Probability	Residual criticality	Financial exposure*	Trend versus 2020	Reduction measures
Pandemic	Market stoppage following a health crisis	Catastro-phic	Possible	Moderate	€[30-40]M		Group prevention rules. Cluster procedure in place. Customer continuity plan – Risk currently being mitigated thanks to effective health protocols.
	Payment difficulties / customer or supplier bankruptcy due to the health crisis	Major	Certain	Moderate	€[8-12]M		Financial monitoring of customer/supplier credit ratings and limits.
	Difficulties in supplying materials & components and purchasing price inflation	Moderate	Possible	Moderate	€[10-12]M	**New**	Customer negotiations due to material increases. Search for savings to offset material increases. Establishment of safety inventories and development of dual sources to compensate for delivery stoppages.
	Lack of competencies in a context of departures and tensions in the job market	Moderate	Possible	Moderate	€[4-6]M		Training and attractiveness plans. Management of succession plans. Partnerships with local organizations and schools. Apprenticeship. Recruitment days at plants. 2020-2026 loyalty plan.
Changing markets	Steep decline in the automotive market due to environmental standards in terms of CO_2 emissions, and shortages of material components	Major	Probable	Significant	€[13-17]M		Demand adjustment with variable cost flexibility and lower fixed costs.
	Risk of decline in customer backlog and/or risk of marginalization after consolidation or re-internalization phases with customers	Moderate	Possible	Moderate	€[5-7]M		Development of customer relations. Operational flexibility.
Geopolitics**, Climate, Politics and Change	Sites located in seismic areas, and/or subject to severe weather events	Moderate	Unlikely	Moderate	€[10-30]M		Deployment of Crisis management, Business Continuity and Disaster Recovery Plans as appropriate to any given situation.
	Political instability	Moderate	Certain	Significant	€[5-10]M		Double qualification of sites to be obtained from customers. Buffer inventories. Finding multiple sources.
	Foreign exchange and interest rate risks	Minor	Certain	Moderate	€[15-20]M		Financial instrument hedging policy.
Cyber-criminality	Cyber-criminality	Major	Certain	Significant	€[17-22]M		Business continuity plans and disaster recovery plans. Protection of connected industrial equipment. IT protection policy. Awareness-raising actions. Cyber fraud watch.

* Financial exposure: valuations net of insurance cover. These can include the accumulation of several risk factors at the same time.

** Geopolitical situation to be monitored in 2022.

- Strengthen cooperation with our insurers to improve the prevention of industrial risks

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.

- Summary of preventive 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 industry, purchasing, 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, 2021, this policy covered own and others' installations, as well as operating losses in the event of a claim. The sums insured are €1,473 million for plant and buildings, €224 million for goods and €630 million for loss of income. 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 of up to €15 million per annum.

- CYBER insurance

For confidentiality reasons, the LISI Group does not report on this subject.

- 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 The Company's Internal Control and Compliance environment

3.1 General description of the environment

The general Internal Control and Compliance environment is based on the Group's decentralized organization at the level of each autonomous division. An Executive Committee is responsible for ratifying a global policy, which must then be channeled down to each individual department.

The Group has formalized a certain number of procedures in a Group internal control manual, as well as implementing a regulatory watch and a system of "alert bulletins" and "news flashes" made available to the employees concerned at the Group *via* a collaborative platform specific to the GRC (Governance, Risk, Compliance) environment and available on a dedicated intranet site.

This manual is supplemented by a manual of Group accounting procedures, and by a unified reporting and information system aligned with the same procedure for all Group sites.

The specificities of the LISI Group's business require the development of specific quality controls focused on operational and financial processes in the following areas:

- Purchasing and Procurement,
- Capital expenditures,
- Production, Inventories, Logistics,
- Sales, Quality,
- Health, Safety, Environment.
- Human Resources, Payroll,
- Finance (Accounting, Management Control, Treasury),
- IT Systems,
- Taxation and Customs,
- CSR,
- Other specific topics (governance, crisis management plan, etc.).

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.

Specific audits (compliance, process or systems) are carried out each year on all the Group's operational and support structures, in France and abroad, according to a homogeneous and standardized assessment system, to enable the Group to:

- regularly assess the level of maturity of the structures in relation to expected requirements, on the basis of questionnaires, interviews or tests,
- measure the criticality of cases of non-compliance, or share best practices,
- present preventive or curative recommendations,
- support structures in the implementation and monitoring of action plans.

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 is made up of at least one independent director, examines the general environment for managing and monitoring risks at least twice a year, in the presence of the external auditors and the heads of internal audit and compliance.

The Group's internal audit department includes the Internal Audit Director assisted by an auditor. Depending on the scale and nature of the assignment to be performed, internal partners may complete the response team. It works in collaboration with the tax, risk and compliance department, which is notably responsible for risk assessment and compliance.

Coordination with the external auditors is particularly close.

Controls focus on the identified areas of risk so as to obtain coverage within a satisfactory time frame.

Certain functions considered to be critical are monitored in the Group in a cross-departmental manner: financial management, cash management, consolidation, legal services, insurance, security policy, environmental policy, purchasing policy and human resource management.

3.3 Group guidelines

LISI manages a Group internal control procedures manual as well as an accounting and consolidation procedures manual. These procedures, made available to all LISI employees via a dedicated intranet on Sharepoint, are regularly updated.

The internal audit department coordinates internal control committees on a quarterly basis and the compliance department regularly chairs compliance committees.

Audit work is carried out jointly with the audit focal points of each division in order to relay information and create synergies in terms of compliance of the operational and financial internal control. As a result, Group procedures are updated and adapted according to the changes in processes, with a view to reducing the risks detected during audits.

The compliance department monitors regulations, assesses strategic risks in collaboration with the Risk Managers of each operating division, coordinates a risk and attempted fraud prevention system, and monitors the reporting system in conjunction with the members of the compliance committee.

Each division and each operational unit is responsible for ensuring that Group 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 fiscal 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. The progress of the budget is measured on a monthly basis at all levels: elementary management units, Business Group, divisions and Group, and presented quarterly to the Board of Directors.
- 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, Business Group, 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.
- Similarly, based on the four-year strategic plan and the budget for the year, the treasury team assesses and arranges the medium- and short-term financing needs.
- Lastly, interest rate and foreign exchange hedges are managed centrally. The positions are decided with the agreement of General Management in order to hedge the risks of variances. Positions are set when market conditions are appropriate and are not systematic.
- 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 Section 3.1 are audited by the Finance, Operational and HSE internal audit teams. Financial and operational audits are carried out on the basis of questionnaires common to all audited Group entities. The assessment of the audits takes the form of a score based on the total number of non-compliance cases detected: the contractual minimum requirement is 83% for the internal audit. The audit assignments result in an action plan that the operational teams are recommended to follow to mitigate the risks identified during 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 French 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 January 2020, and whose recommendations it complies with, except for those set out in Section 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 2021

1.1 Activity of the Board of Directors in 2021

The Board met six times during the 2021 fiscal year, including four times, in part, by audio conference to adapt to the context of the "COVID-19" pandemic which continued this year.

The member attendance rate was 97% during the fiscal year.

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

- At the meeting of February 18, 2021, 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 the 2020 fiscal year and the appropriation of earnings to be put to the vote of the Shareholders' General Meeting in April 29, 2021.

  The Board then determined the amounts of the variable bonuses based on objectives for the fiscal year 2020 for the operational executive officers of LISI as well as their fixed annual salaries for 2021.

  The Board next decided on the proposal made by the Compensation Committee on the allocation of performance shares of the 18C20 plan for Group managers based on the initial rules established during the Board meeting of December 12, 2018. Noting that the Group did not create value over the reference period, the Board, in accordance with the rules defined, decided not to allocate shares under this plan.

  During the same meeting, the Board noted that the terms of office of two of its members expired at the 2021 General Meeting called to approve the 2020 financial statements. It was therefore decided to submit the candidacies of Ms. Françoise Garnier and Mr. Bernard Birchler for a term of office of four years.

  Lastly, the Board provides an update on changes in the Group's scope and duly notes the plan dedicated to the development of the Group's Mission.
- At its meeting of April 22, 2021, the Board conducted a detailed review of the Group's activities and results over the first quarter, during which the LISI AEROSPACE division continued to suffer significantly from the COVID-19 crisis while the LISI AUTOMOTIVE division experienced a rebound in activity in its market; it also noted of the annual forecasts for the current fiscal year.

  The Board then discussed the strategy of the Structural Components Business Group prepared by Senior Management at the request of the Strategic Committee. The latter requires additional analyzes of customers, competitors and operational performance in order to be able to take a position.

  Then, after the presentation of its strategic analysis of the "Fittings" segment (hydraulic fittings) of the US Fasteners Business Group, Senior Management presented its proposed acquisition of B&E Manufacturing to develop this activity for which the Board gave its approval.

  Lastly, the Board authorized the placement of debt securities in the form of a "US Private Placement" with a single investor.
- At its meeting of June 3, 2021, the Board first took note of a progress report on the Group's activities in a context still marked by COVID-19. It then reviewed the succession plans of the Group's Leadership Board and informed itself about the establishment of a network of experts at the Group as well as the non-discrimination and diversity policy in the expanded Leadership Board, which marked an improvement. The Board welcomed the approach aiming to attract women for operational positions.

  The Board then reviewed its composition and, notably, the number and proportion of independent directors, and discussed the future re-appointment of directors, which will increase the ratio of independent directors to again meet the requirements of the AFEP-MEDEF Code. In addition, it approved the appointment of Ms. Françoise Garnier to the Audit Committee and of Mr. Bernard Birchler to the Strategic Committee.

Lastly, it duly noted the changes in the proposed acquisition of B&E Manufacturing, the study on the changes in the rules for calculating depreciation periods, the digital approach at the Group and the progress report on the development of the Mission.

- At its meeting of July 22, 2021, the Board approved the LISI Group's half-year separate financial statements and consolidated financial statements, as well as the new forecasts for annual results.

  Furthermore, it took note of the information provided by Senior Management on the actions rolled out as part of the New Deal plan and the ongoing projects relating to changes in the Group's scope. It concluded the meeting with a review of the Mission project which, the initial work with the members of the Board having been completed, will focus on the organization of working groups composed of Group employees.

- At its meeting of October 21, 2021, the Board reviewed the activity and results of the Group and its divisions over the first nine months of the year as well as the forecasts for the end of the year. Moreover, it provided a progress report on the integration of the newly acquired company B&E Manufacturing, on July 29, 2021, into the LISI AEROSPACE division.

  In addition, it addressed the Company's main governance issues, such as:
  - The composition of the Board and its Committees in order to review any differences in practices vis-à-vis the AFEP-MEDEF Code,
  - The search for an operational profile for the candidate who will succeed Lise NOBRE, whose term of office will end next year,
  - The training program for directors representing employees,
  - The methodology and schedule of the project dedicated to the development of the Mission.

  Lastly, the Board took note of the finalization of the strategic reflection concerning the "Structural Components" BG of the LISI AEROSPACE division, which clearly sets out expectations concerning the four segments of this BG.

- The last meeting of the year, held on December 8, 2021, was devoted to the Group's annual strategic review and the presentation of the Company's budget for 2022.

  The Board took note of the various guidelines of the new strategic plan for 2021-2025 presented by the Group's Senior Management, and of the major challenges defined by it for the plan period; it also noted strategic issues, in an upturn context, with the support of an external growth policy.

  It then took note of the budget forecasts for the 2022 fiscal year, which were commented on and fully validated.

  The Board then established a new performance share allocation plan, called 21C23, and approved the corresponding rules, including the performance criteria to be achieved, as well as adding a retention criterion in relation to previous years to meet the challenges of the economic and strategic recovery.

  Finally, he ended his meeting with a progress report on the Group's Mission project.

1.2 Committee activity in 2021

The Board committees met ten times during the 2021 fiscal year and the meeting attendance rate of their members was 96%.

It should also be noted that the Governance and Nominations Committees were merged.

There are now four LISI S.A. Board committees:

- The Audit Committee
- The Nominations Committee (merger of the Governance and Nominations Committees)
- The Compensation Committee
- The Strategic Committee

- **Audit Committee**: the Committee met three times in the 2021 fiscal year.

  It heard from the Statutory Auditors on the performance of their assignment and noted the fees invoiced by them, deeming them compatible with the objectives of their assignment.

  It took note of the Internal Control activities during the 2021 fiscal year based on a new framework and reviewed the handling of the risk mapping with the resulting action plans.

  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.

  The Committee also met to verify the Universal Registration Document and make comments on, among other things, changes in the health situation and the measures taken by the Group to respond to it.

- **Nominations Committee**: the Committee met three times in the 2021 fiscal year.

  It received the candidates selected to replace directors whose terms of office expired in 2021 and validated their candidacies submitted for validation by the Board and the General Meeting.

  It reviewed the succession plan for the Executive Committee and the Leadership Board, bringing together all of the Group's operational managers, and also took note of the Group's Human Resources policy as regarded its diversity and non-discrimination aspects.

  The Nominations Committee reviewed the composition of the Board and its committees and proposed the appointment of new directors to the Audit and Strategic Committees.

  The Committee also discussed the subject of the Group's Mission and approved the methodology and schedule proposed by Ms. Isabelle Carrère, Lead Director appointed by the Board to oversee this matter.

- **Compensation Committee**: the Committee met twice in the 2021 fiscal year.

  It presented its recommendations to the Board on the rules, methods and amounts of compensation, both fixed and variable, of the operational executive officers of LISI.

  The Committee also submitted to the Board its proposals for the implementation and awarding of the 2018 (18C20 plan) and 2021 (21C23) performance share plans.

  Lastly, the Committee approved the compensation of Board members for 2021 and renewed the same compensation conditions for the Board for 2022, to be presented to the Board for final approval.

- **Strategic Committee**: the committee met twice in the 2021 fiscal year.

  It first met to discuss the strategy to be adopted in relation to the various activities of one of its Business Groups.

  Then, as every year, the Committee met again for an updated general presentation of the Group's 2021-2025 strategic plan made by the LISI Senior Management and the heads of the aerospace, automotive and medical divisions. At the conclusion of its meeting, the Committee issued recommendations on several points of vigilance to be addressed in 2022 as well as on the additional work wanted for development and external growth projects.

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 issues was dealt with by the Committees and the Board in 2019.

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 have been included in the action plans.

These action plans, initiated in 2020, continued in 2021 and will be finalized in FY 2022. A new self-assessment is planned in 2022.

2 Administrative bodies

2.1 Composition of the Board of Directors and the specialized committees

As of December 31, 2021, the Group's Board of Directors consisted of 16 members.

- The Board's members include nine family group directors, three independent directors as strictly defined by the AFEP-MEDEF Code revised in January 2020 to which the Company adheres, and two "qualified persons" directors who have been directors of LISI for more than 12 years and who thus no longer enjoy the status of independent director and two directors representing the employees. The representation rate for these three groups is therefore as follows: 64% for Family Directors, 21% for Independent Directors, and 14% for Qualified Persons.
- Similarly, the Board is composed of six women and ten men, including two directors representing employees; the proportion of women on the Board is therefore 43%.
- In order to be in strict compliance with the provisions of the AFEP-MEDEF Code, revised in January 2020, the Board will continue its strategy to reach the formal rate of one third of independent directors.
- Two directors representing employees joined the Board of Directors for its last meeting in 2020 after being appointed by the Group Works Council and the European Works Council for a term of four years. These directors underwent a training course before attending their first Board of Directors' meeting. Other training sessions are planned throughout their term of office. 68 hours of training were provided in 2021.

Composition as of December 31, 2021		Independent Director	Qualified Director	Appointment date	End date	Ordinary General Meeting called to approve the financial statements of the
BOARD OF DIRECTORS						
Board member	Gilles KOHLER			1985	OGM of 2023	12/31/2022
Chairman of the Board of Directors				1999		
Board members	Bernard BIRCHLER	X		2021	OGM of 2025	12/31/2024
	Isabelle CARRERE			2014	OGM of 2022	12/31/2021
	Patrick DAHER		X	2009	OGM of 2023	12/31/2022
	Mohamed EZZENZ – Director representing employees			2020	Sept. 18, 2024	
	Françoise GARNIER	X		2021	OGM of 2025	12/31/2024
	Laurent GUTIERREZ – Director representing employees			2020	Sept. 18, 2024	
	Capucine KOHLER			2014	OGM of 2022	12/31/2021
	SAS CIKO represented by Jean-Philippe KOHLER [2]			2002	OGM of 2023	12/31/2022
	Lise NOBRE		X	2008	OGM of 2022	12/31/2021
	PEUGEOT Invest represented by Christian PEUGEOT [4]			2019	OGM of 2023	12/31/2022
	Compagnie Industrielle de Delle represented by Thierry PEUGEOT [1]			1977	OGM of 2023	12/31/2022
	Marie-Hélène PEUGEOT-RONCORONI			2014	OGM of 2022	12/31/2021
	Véronique SAUBOT	X		2018	OGM of 2022	12/31/2021
	VIELLARD MIGEON & Cie represented by Cyrille VIELLARD [3]			1977	OGM of 2023	12/31/2022
	Emmanuel VIELLARD			2000	OGM of 2023	12/31/2022
Secretary of the Board of Directors	Cécile LE CORRE					
AUDIT COMMITTEE						
Chairperson of the Audit Committee	Lise NOBRE		X			
Audit Committee members	Isabelle CARRERE					
	Françoise GARNIER	X				
	Cyrille VIELLARD					
COMPENSATION COMMITTEE						
Chairman of the Nominations Committee	Patrick DAHER		X			
Compensation Committee members	Thierry PEUGEOT					
	Véronique SAUBOT	X				

Composition as of December 31, 2021		Independent Director	Qualified Director	Appointment date	End date	Ordinary General Meeting called to approve the financial statements of the
STRATEGIC COMMITTEE						
Chairperson of the Strategic Committee	Véronique SAUBOT	X				
Strategic Committee members	Bernard BIRCHLER	X				
	Capucine KOHLER					
	Gilles KOHLER					
	Jean-Philippe KOHLER					
	Lise NOBRE		X			
	Christian PEUGEOT					
	Emmanuel VIELLARD					
NOMINATIONS COMMITTEE (merged with the Governance Committee in 2021)						
Chairman of the Nominations Committee	Marie-Hélène PEUGEOT-RONCORONI					
Nominations Committee members	Patrick DAHER		X			
	Gilles KOHLER					
	Lise NOBRE		X			
	Thierry PEUGEOT					

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
Chairman of the Board of Directors of LISI S.A., Member of the Strategic Committee and the Nominations Committee

Nationality: French

Born on December 2, 1953

Date of first appointment: 1985

Term expiry date: 2023 (Shareholders' General Meeting called to approve the financial statements for the 2022 fiscal year)

Number of shares held at December 31, 2021: 84,955

Career: After having practiced various professions, Gilles KOHLER joined the GFI Group in 1979 as manager of a sales network within the GFD subsidiary. He held various positions in Marketing and Communication (GFD) then Management Control (MALICHAUD) before taking over the management of AXIS, the Group's subsidiary specializing in the distribution of fasteners. He was appointed Chief Executive Officer of GFI Industries in 1991, then Chairman and Chief Executive Officer of GFI in 1999, a position he held until March 2016. Since then, he has been non-executive Chairman of the Board of Directors of the LISI Group.

Other mandates and functions

- 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

Bernard BIRCHLER
Independent Director of LISI S.A., Member of the Strategic Committee

Nationality: French

Born on September 5, 1960

Date of first appointment: 2021

Term expiry date: 2025 (Shareholders' General Meeting called to approve the financial statements for the 2024 fiscal year)

Number of shares held at December 31, 2021: none

Career: Bernard Birchler is a Partner of Bain & Company, based in the Paris office. He heads the Manufacturing Industries and Services division.

With more than 30 years of experience in strategy consulting for executives in the industrial sector, he is a recognized expert in the manufacturing industries. He has supported many executives in the conduct of major transformations and programs to improve the performance of their operations: R&D efficiency, purchasing, supply chain, production and cost reduction.

He has extensive experience in the manufacturing and process sectors: aerospace and defense, automotive, rail, transport and logistics and consumer goods.

An engineer, a graduate of ENSEM and IAE Paris, he began his career in consulting in 1985 before creating his own firm (2002-2008), then heading the operational skills division of an international consulting firm (2008-2016) and then joining Bain & Company in 2016.

Other mandates and functions

- Related to the LISI Group (in France and abroad):
  - None
- Outside the LISI Group (in France and abroad):
  - None

Isabelle CARRERE
Director of LISI S.A., Member of the Audit Committee

Nationality: French

Born on December 10, 1963

Date of first appointment: 2014

Term expiry date: 2022 (Shareholders' General Meeting called to approve the financial statements for the 2021 fiscal year)

Number of shares held at December 31, 2021: 1,000

Career: After ten years in auditing and consulting at Arthur Andersen, Isabelle Carrère was appointed Chief Financial Officer of the Yves Rocher Group, then joined the LISI Group in 1999, becoming Deputy CEO of LISI AEROSPACE and LISI MEDICAL. She left LISI in 2009 to create Alba & Co, her management consulting firm, which supports industrial companies in their growth projects, with three main levers: digital, international and M&A. As a specialist in the aeronautics sector, Isabelle Carrère has particularly focused Alba's activities on the areas of transport, defense, associated data management, and the production of critical components and sub-assemblies. Isabelle Carrère also sits on the Boards of Parrot, the FIBI-Aplix Group, and Solidar'Monde. She also participates as a mentor and member of the selection committee in the activities of the Starburst Aerospace incubator. She is a graduate of ESCP Europe and holds a degree in accounting.

Other mandates and functions

- 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
Qualified Director of LISI S.A., Chairman of the Compensation Committee, Member of the Nominations Committee

Nationality: French

Born on August 5, 1949

Date of first appointment: 2009

Term expiry date: 2023 (Shareholders' General Meeting called to approve the financial statements for the 2022 fiscal year)

Number of shares held at December 31, 2021: 1,000

Career: Chairman of Daher, a company founded in 1863 by his great-grandfather, Paul Daher.

Educated at Essec, Patrick Daher joined the DAHER group in 1977 as Chief Financial Officer and then Chief Executive Officer of the American subsidiary. Patrick Daher took over as Chairman and Chief Executive Officer of Daher in 1991.

Other mandates and functions

- 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 COREDAHER SCA
  - Chairman of the Supervisory Board of FIDAP SAS
  - Chairman of GEAD within the GIFAS (Grouping of French Aircraft and Aerospace Companies)
  - Officer of GIFAS
  - Chairman of the SIAE and Chief Commissioner of the Paris Air Show

Mohamed EZZENZ
Director representing employees at LISI S.A.

Nationality: French

Born on August 24, 1971

Date of first appointment: 2020

Term expiry date: 2024

Number of shares held at December 31, 2021: none

Career: In 1996, Mohamed EZZENZ joined the Creuzet Aéronautique team in Marmande, as a digital control operator, then, from 2015, he moved on to the function of measurement operator in the quality control department. He is interested in the various projects of the company, health issues and working conditions.

When CREUZET Aéronautique was acquired by LISI AEROSPACE, he took part in the merger and served as employee representative on the European Works Council. In 2013, Mohamed EZZENZ carried out a skills assessment which guided him towards training in ergonomics to address occupational health issues with a ten-month immersion in the inter-company health service of the Lot et Garonne Department. He obtained a University Degree in Ergonomics (DU) from the University of Bordeaux. He also followed a project management training course at SUD MANAGEMENT in 2017.

Since 2018, he has been authorized by the DIRECCTE of the Nouvelle-Aquitaine region as an occupational risk prevention worker.

In 2019, he completed an "ARCADRE" project management training course at CESI in Bordeaux.

Since April 2021, Mohamed EZZENZ has also been an ergonomics consultant.

Other mandates and functions

- Related to the LISI Group (in France and abroad):
  - None
- Outside the LISI Group (in France and abroad):
  - Director on the Board of Directors of TRANSITION PRO (Regional Joint Association for the Management of Professional Transition Projects)
  - Director on the Board of Directors of CPREFP Métallurgie (Regional Joint Commission for Employment and Vocational Training)
  - Director and Chairman of the Board of Directors of AR2I (Territorial Delegation of the Inter-Industry Competence Operator), OPCO 2I
  - Member of the Employment and Vocational Training Collective
  - Director on the Board of Directors of CPNE industrie et métiers de la métallurgie

Françoise GARNIER
Independent Director of LISI S.A., Member of the Audit Committee

Nationality: French

Born on December 30, 1960

Date of first appointment: 2021

Term expiry date: 2025 (Shareholders' General Meeting called to approve the financial statements for the 2024 fiscal year)

Number of shares held at December 31, 2021: none

Career: A graduate of EM Lyon and a Chartered Accountant, Françoise Garnier has spent her entire career in auditing and consulting in English-speaking firms in France and the United States.

She is an audit partner at PwC and a statutory auditor of major international listed groups.

She assists many companies in their acquisition, disposal or restructuring projects with accounting or financial matters.

She was responsible, for the entire PwC network, for consulting activities for companies in the Technology, Telecoms and Entertainment & Media sectors.

She was a member of the Global Board of PwC International, the governing body overseeing the overall strategy of the PwC network.

Other mandates and functions

- Related to the LISI Group (in France and abroad):
  - None
- Outside the LISI Group (in France and abroad):
  - Partner at PwC
  - Member of the Supervisory Board of PwC in France
  - Member of the Audit Committee of the Lesaffre Group

Laurent GUTIERREZ
Director representing employees at LISI S.A.

Nationality: French

Born on July 7, 1965

Date of first appointment: 2020

Term expiry date: 2024

Number of shares held at December 31, 2021: none

Career: Laurent GUTIERREZ holds a BEP in Mechanics and Assembly, a CAP in Industrial Design, a Baccalaureate in Mechanical Engineering and a BTS in Manufacturing.

After starting at Renault as a prototype vehicle engineer, then a Purchasing Quality Technician, he focused his career on auditing, consulting and training for eight years at BUREAU VERITAS, where he became an executive.

This experience has enabled him to discover a number of different companies, and to understand various organizations and their management methods.

- From 1999, he returned to the industry in managerial positions:
- Quality Director in an automotive plastics business (250 people) for two years
- Multi-site (5) Quality Manager in on-site technology at FAURECIA Sièges d'Automobile (car seats) for three years
- Since 2005, at LISI AUTOMOTIVE:
  - Site Quality Manager at Mélisey for two years
  - Divisional Quality System Manager for 11 years
  - Supplier Quality Manager for three years

Other mandates and functions

- Related to the LISI Group (in France and abroad):
  - None
- Outside the LISI Group (in France and abroad):
  - Chairman of the CFTC de la Métallurgie du Territoire de Belfort union and still active on the Board of this union
  - Treasurer of the association of his village "Brevilliers animation" whose purpose is social ties and proposes activities to bring together all age groups

Capucine KOHLER
Director at LISI S.A., Member of the Strategic Committee

Nationality: French

Born on February 7, 1980

Date of first appointment: 2014

Term expiry date: 2022 (Shareholders' General Meeting called to approve the financial statements for the 2021 fiscal year)

Number of shares held at December 31, 2021: 600

Career: Capucine KOHLER operates in the areas of international commercial strategy, specializing in the automotive sector and particularly in equipment manufacturers and management in a multicultural environment.

Other mandates and functions

- Related to the LISI Group (in France and abroad):
  - None
- Outside the LISI Group (in France and abroad):
  - Sales Account Manager at ZF (UK)

Jean-Philippe KOHLER
Permanent Representative of CIKO on the Board of Directors of LISI S.A., Member of the Nominations Committee, the Compensation Committee and the Strategic Committee

Deputy CEO of the LISI Group

Nationality: French

Born on August 27, 1960

Date of first appointment: 1993

Term expiry date: 2023 (Shareholders' General Meeting called to approve the financial statements for the 2022 fiscal year)

Number of shares held at December 31, 2021: 73,861

Career: A graduate of ESLSCA and an MBA holder, Jean-Philippe KOHLER first held technical-sales positions in the After-Sales Department of the CFM56 at SNECMA for four years, before joining the Group as Management Controller at FORMER (Automotive). He then took on the role of Plant Manager of SAINT-CHAMOND GRANAT, a subsidiary of BAI (Aerospace). After four years of international experience at Hi-Shear in the USA, he returned to France to take over as General Manager of GFD. He became Executive Vice-President of GFI Industries (which became LISI) in 2002.

Other mandates and functions

- Related to the LISI Group (in France and abroad):
  - Director of LISI AEROSPACE SA
  - Director of LISI AUTOMOTIVE Hebei Co Ltd (China)
  - Director of Fastener Technology Baglanti Elemanlari San. Tic. As (Turkey)
  - Member of the Management Committee of AIRMON HOLDINGS 1 SAS
  - Member of the Management Committee of LISI AEROSPACE FORGED INTEGRATED SOLUTIONS SAS
  - 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 AUTOMOTIVE SAS
  - Member of the Management Committee of LISI AUTOMOTIVE Former SAS
  - Member of the Management Committee of LISI AUTOMOTIVE Rapid SAS
  - Member of the Management Committee of LISI AUTOMOTIVE Nomel SAS
  - Member of the Management Committee of LISI 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

Lise NOBRE
Lead Director at LISI S.A., Chairwoman of the Audit Committee, Member of the Strategic Committee and the Nominations Committee

Nationality: French

Born on June 26, 1965

Date of first appointment: 2008

Term expiry date: 2022 (Shareholders' General Meeting called to approve the financial statements for the 2021 fiscal year)

Number of shares held at December 31, 2021: 850

Career: A graduate of HEC, Lise NOBRE has been active in investment in unlisted companies in Europe since 1986, from development capital to corporate takeovers with leverage. After 22 years at PAI partners, until 2008, when she was a partner and member of the investment committee, in charge of investments in the industrial sectors (notably automotive, aeronautics, electrical, packaging), she joined the recovery fund company Butler Capital where she remained for four years. In 2013 she joined forces with the founder of Parvilla, an independent asset management company approved in private equity.

For eight years, as reference shareholder and Chief Executive Officer then, as of October 2016, Chairwoman of Parvilla, renamed Bluester Capital in 2020, she has managed four funds specializing in European SMEs (direct investment and *via* local funds) and subscribed by family offices and entrepreneurs.

Other mandates and functions

- Related to the LISI Group (in France and abroad):
  - None.
- Outside the LISI Group (in France and abroad):
  - Chairwoman of BLUESTER CAPITAL (formerly PARVILLA)
  - Director and Chairwoman of the Governance Committee of Compagnie DAHER
  - Director and member of the Strategic Committee of ROQUETTE Frères
  - Member of the Beirat de KAMA (Germany)

Christian PEUGEOT
Director of LISI S.A., Member of the Strategic Committee

Nationality: French

Born on July 9, 1953

Date of first appointment: 2005

Term expiry date: 2023 (Shareholders' General Meeting called to approve the financial statements for the 2022 fiscal year)

Number of shares held at December 31, 2021: 800

Career: Christian Peugeot is a graduate of HEC. He has spent his entire career in the PSA Group in various commercial and marketing positions, and was Director of Public Affairs and Delegate for External Relations for his last activity in the PSA Group. From January 2016 to March 2020, he served as Chairman of the French Automobile Manufacturers' Committee (CCFA). The Board of Directors of the International Organization of Automotive Manufacturers (OICA) elected Christian Peugeot as its Chairman in February 2019.

Other mandates and functions

- Related to the LISI Group (in France and abroad):
  - None
- Outside the LISI Group (in France and abroad):
  - Chairman and CEO of Peugeot Frères Industrie
  - Chairman of Peugeot Saveurs
  - Vice Chairman of Établissements PEUGEOT Frères, Chairman of the Ethics Committee, Governance
  - Director of PEUGEOT INVEST, member of the Finance and Audit Committee
  - Director of Compagnie Industrielle de Delle
  - Director of PSP Group
  - Manager of BP GESTION
  - Manager of SCI LAROCHE
  - Chairman of UNIFAB (Union des Fabricants)

Thierry PEUGEOT
Permanent representative of Compagnie Industrielle de Delle on the Board of LISI S.A., Member of the Nominations Committee and the Compensation Committee

Nationality: French

Born on August 19, 1957

Date of first appointment: 2000

Term expiry date: 2023 (Shareholders' General Meeting called to approve the financial statements for the 2022 fiscal year)

Number of shares held at December 31, 2021: 725

Career: A graduate of Essec, Thierry Peugeot joined the Marrel group in 1982 as export manager for the Middle East and English-speaking Africa of the Air Marrel division, then Director of Air Marrel America. He joined Automobiles Peugeot in 1988 as Head of the South East Asia region, then CEO of Peugeot do Brasil in 1997 and CEO of Slica in 1997. He joined Automobiles Citroën in 2000 as Head of International Key Accounts and then, in 2002, as Director of Services and Parts and member of the PSA Peugeot Citroën Board of Directors. From 2002 to 2014, Thierry Peugeot was Chairman of the Supervisory Board of Peugeot SA.

Other mandates and functions

- 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
  - CEO and Director of Société Anonyme de Participations (SAPAR)
  - Director of Compagnie Industrielle de Delle (CID)
  - 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
Director of LISI S.A., Chairwoman of the Nominations Committee

Nationality: French

Born on November 17, 1960

Date of first appointment: 2014

Term expiry date: 2022 (Shareholders' General Meeting called to approve the financial statements for the 2021 fiscal year)

Number of shares held at December 31, 2021: 600

Career: A graduate of the Institut d'Études Politiques de Paris, Marie-Hélène Peugeot-Roncoroni began her career in an English-speaking audit firm before holding positions in the Finance Department of PSA Group and in the Industrial and Human Relations Department. She then joined the Supervisory Board of Peugeot S.A. until the creation of Stellantis, and served as Deputy CEO of Établissements Peugeot Frères.

Other mandates and functions

- Related to the LISI Group (in France and abroad):
  - None
- Outside the LISI Group (in France and abroad):
  - Director of Établissements PEUGEOT Frères (EPF)
  - Director and Vice Chairwoman of PEUGEOT INVEST
  - Director of ESSO SAF (France)
  - Director of SICAV ARMENE 2
  - Director of Peugeot 1810
  - Director and Chairwoman of the Board of Directors of SAPAR
  - Chairwoman of Saint-CO SAS
  - Director of Fonds de dotation familial Peugeot

Véronique SAUBOT
Independent Director at LISI S.A., Chairwoman of the Strategic Committee and member of the Compensation Committee

Nationality: French

Born on December 27, 1964

Date of first appointment: 2018

Term expiry date: 2022 (Shareholders' General Meeting called to approve the financial statements for the 2021 fiscal year)

Number of shares held at December 31, 2021: 700

Career: Véronique SAUBOT began her career at Arthur Andersen in 1989, then joined the Valeo Group, where she held several operational positions for 13 years. In 2002 she was appointed to manage the Group's strategy. She created Coronelli International in 2007 to propose directly executable strategic recommendations for a broad portfolio of industrial clients. At the same time, she sits on various Boards of Directors and took over as Managing Director of Tykya in 2014.

Other mandates and functions

- 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 services branch
  - Independent Director of IMERYS
  - Independent Director of ESSO SAF

Cyrille VIELLARD
Permanent representative of VMC on the Board of LISI S.A., member of the Audit Committee

Nationality: French

Born on May 30, 1977

Date of first appointment: 2013

Term expiry date: 2023 (Shareholders' General Meeting called to approve the financial statements for the 2022 fiscal year)

Number of shares held at December 31, 2021: 1,000

Career: A graduate of ESSEC, Cyrille Viellard began his career with the Bosch group, where he held various operational positions in France, Germany and Spain from 1998 to 2013. A member of the Management Committee of the Rapala VMC Group since 2015, he is now in charge of the VMC brand and of the hooks division.

Other mandates and functions

- Related to the LISI Group (in France and abroad):
  - None.
- Outside the LISI Group (in France and abroad):
  - Chairman VMC Peche
  - Chairman of VMC Inc.
  - Director of Viellard Migeon & Cie SA
  - Director of Selectarc Group SA
  - Director of Compagnie Industrielle de Delle SA
  - Member of the Executive Committee of the Rapala VMC Oyj Group
  - Member of the Management Committee of Normark Deutschland GmbH
  - Member of the Management Committee of SELECTARC SAS
  - Director of Normark Polska Sp. z.o.o.
  - Director of Normark Hungary Zrt.
  - Elected member of the Chamber of Commerce and Industry of Territoire de Belfort (2021-2026)

Emmanuel VIELLARD
Member of the Board of Directors of LISI S.A., the Strategic Committee and the Nominations Committee

Chief Executive Officer of LISI

Nationality: French

Born on June 13, 1963

Date of first appointment: 1989

Term expiry date: 2023 (Shareholders' General Meeting called to approve the financial statements for the 2022 fiscal year)

Number of shares held at December 31, 2021: 37,454

Career: Emmanuel Viellard graduated from EDHEC Business School in 1986. He completed his military service in the Special Forces for two years as an officer and squad leader at Commando Trépel. He decided to join the audit firm Arthur Andersen in 1988, completing his academic career in financial advisory services. Promoted to Manager, he left Arthur Andersen and joined the family business LISI and VMC in 1995 holding various positions at LISI AEROSPACE. In 2000, Emmanuel Viellard became Vice Chairman of LISI, Chairman of LISI AEROSPACE and LISI MEDICAL alongside Gilles Kohler, Chairman and Chief Executive Officer. Since March 1, 2016, Emmanuel Viellard has been Chief Executive Officer of the LISI Group.

Other mandates and functions

- Related to the LISI Group (in France and abroad):
  - Chairman of the Board of LISI AEROSPACE SA
  - Chairman of AIRMON HOLDINGS 1 SAS
  - Chairman of LISI AUTOMOTIVE SAS
  - Chairman of LISI MEDICAL SAS
  - Director of ANKIT FASTENERS PRIVATE LIMITED
  - Director of Fastener Technology Baglanti Elemanlari San. Tic. As (Turkey)
  - Director of BLANC AERO Industries UK
  - Director of HI-SHEAR HOLDINGS Ltd
  - Director of HI-SHEAR Corporation
  - Director of HI-SHEAR HOLDINGS Inc
  - Director of LISI AEROSPACE Canada Corp
  - Director of LISI AEROSPACE North America Inc
  - Director of THE MONADNOCK Company
  - Director of B&E Manufacturing Company Inc
  - Director of LISI AUTOMOTIVE Hebei Co. Ltd
  - Director of TERMAX Company
  - Director of TERMAX International Holdings LLC
  - Director of LISI AUTOMOTIVE HI VOL
  - Director of LISI MEDICAL Remmele Inc.
  - Director of LISI Holding North America
  - Member of the Management Committee of LISI AUTOMOTIVE Former SAS
  - Member of the Management Committee of LISI AUTOMOTIVE Rapid SAS
  - Member of the Management Committee of LISI AUTOMOTIVE Nomel SAS
  - Member of the Management Committee of CREUZET AERONAUTIQUE SAS
  - Member of the Management Committee of LISI AEROSPACE FORGED INTEGRATED SOLUTIONS SAS
  - Member of the Management Committee of BLANC AERO Industries SAS
  - Member of the Management Committee of BLANC AERO Technologies SA
  - 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 Selectarc Group SA
  - Director of Compagnie Industrielle de Delle
  - Director of RAPALA-VMC OYJ (Finland)
  - Officer of GIFAS
  - Honorary Chairman of GIFAS
  - Member of the MEDEF Executive Committee
  - Chairman of the Defense Liaison Committee

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 Absence of 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 a situation of conflict of interest, when applicable: "The members of the Board of Directors have a duty to inform the Board of any situation of conflict of interest, even potential, current or future, in which they are or are likely to be involved. When the Board of Directors deliberates on a matter directly or indirectly affecting one of its members, the member concerned is invited to leave the Board meeting for the time of the discussions and, where applicable, the vote".

2.2.4 Absence of 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 maximum annual directors' fees for members of the Board of Directors at €500,000 from the start of the fiscal 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 in 2021 totaled €460,000.

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

Board members	Directors' fees paid in 2020 by LISI S.A. (in euros)	Directors' fees paid in 2021 by LISI S.A. (in euros)	Directors' fees due in respect of 2020 (in euros)	Directors' fees due in respect of 2021 (in euros)
BIRCHLER Bernard		19,500		19,500
CARRERE Isabelle	36,250	31,000	36,250	31,000
DAHER Patrick	42,000	43,500	42,000	43,500
GARNIER Françoise		19,500		19,500
GAUTIER Emmanuelle	35,250	4,000	35,250	4,000
KOHLER Capucine	29,250	31,000	29,250	31,000
KOHLER Gilles	52,500	59,500	52,500	59,500
LEBARD Pascal	29,250	11,500	29,250	11,500
NOBRE Lise	49,500	56,500	49,500	56,500
PEUGEOT Christian	27,250	31,000	27,250	31,000
PEUGEOT Thierry	42,000	41,500	42,000	41,500
PEUGEOT-RONCORONI Marie-Hélène	32,750	38,500	32,750	38,500
SAUBOT Véronique	42,000	42,000	42,000	42,000
VIELLARD Cyrille	36,250	31,000	36,250	31,000
TOTAL	**454,250**	**460,000**	**454,250**	**460,000**

The directors mentioned above did not receive any compensation other than the directors' fees mentioned above from LISI S.A. and its subsidiaries.

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 receives no other form of compensation.

Emmanuel VIELLARD and Jean-Philippe KOHLER did not receive directors' fees during the fiscal year.

Gilles KOHLER, Jean-Philippe KOHLER, Emmanuel VIELLARD, Cyrille VIELLARD, Thierry PEUGEOT and Christian PEUGEOT also received directors' fees from the controlling company CID. These are not significant.

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, 2021:

Corporate officers	Number of LISI shares held directly	Number of LISI shares held indirectly
BIRCHLER Bernard	0	
CARRERE Isabelle	1,000	
DAHER Patrick	1,000	
GARNIER Françoise	0	
KOHLER Gilles	84,955	
KOHLER Capucine	600	
KOHLER Jean-Philippe (permanent representative of CIKO)	73,861	
NOBRE Lise	850	
PEUGEOT Christian (representative of PEUGEOT Invest)	800	2,750,000
PEUGEOT Thierry (permanent representative of CID)	725	29,643,620
PEUGEOT-RONCORONI Marie-Hélène	600	
SAUBOT Véronique	700	
VIELLARD Emmanuel	37,454	
VIELLARD Cyrille (permanent representative of VMC)	1,000	3,112,818
TOTAL	**203,545**	**35,506,438**

Since the appointment of Françoise GARNIER and Bernard BIRCHLER took place during the 2021 fiscal year, they will have to comply with Article 20 of the AFEP-MEDEF Code of January 2020 during the 2022 fiscal year by acquiring a significant minimum number of shares in view of the compensation allocated to them.

2.3.3 Management powers and compensation

2.3.3.1 – Powers of the CEO and, if applicable, the Deputy CEOs - specific limits set by the Board of Directors on the powers of the CEO and, if applicable, 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 – Executive compensation

	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	
	YES	NO	YES	NO	YES	NO	YES	NO
NON-EXECUTIVE CORPORATE OFFICER								
Gilles KOHLER Position: Chairman of the Board of Directors Term of office start: 1999 Term of office end: 2022		X		X		X		X
EXECUTIVE CORPORATE OFFICERS								
Emmanuel VIELLARD Position: Chief Executive Officer Term of office start: 2016 Term of office end: 2022		X		X		X		X
Jean-Philippe KOHLER Position: Deputy CEO Term of office start: 2016 Date of end of term: 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.

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.	2021	2020
Compensation due for the period – as directors' fees	59,500	52,500
TOTAL	**59,500**	**52,500**

With respect to the 2022 fiscal year, the Board of Directors, at the suggestion of the Compensation Committee, will put to the vote of the Shareholders' General Meeting of April 28, 2022, continuation of the compensation type and calculation method based on the same principles as in 2021.

Compensation of the CEO and the Deputy CEO

In 2021, the variable portion of executive compensation is capped at 65% of fixed compensation and breaks down as follows:

- 50% attributed on the basis of financial criteria:
  - 30 points in respect of the operating margin (current operating profit as a percentage of revenue),
  - 20 points in respect of free cash flow,
- 30% allocated on the basis of the implementation of the NEW DEAL action plans (plan to adapt to new market data following the health crisis),
- 20% left to the discretion of the Board of Directors.

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.	2021	2020
Compensation due for the period	589,107	505,824
Valuation of the options granted during the fiscal year*	None	None
Valuation of the performance shares granted during the fiscal year*	167,325	396,900

* 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: €21.00 for the 2020 plan and €24.25 for the 2021 plan.

Jean-Philippe KOHLER Deputy CEO of LISI S.A.	2021	2020
Compensation due for the period	497,015	427,512
Valuation of the options granted during the fiscal year*	None	None
Valuation of the performance shares granted during the fiscal year*	167,325	144,900

* 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: €21.00 for the 2020 plan and €24.25 for the 2021 plan.

The tables summarizing the compensation of each executive corporate officer of LISI S.A. are as follows in euros:

Emmanuel VIELLARD CEO of LISI S.A.	Amounts for the 2021 fiscal year		Amounts for the 2020 fiscal year	
	owed	paid	owed	paid
Fixed compensation	402,000	402,000	402,000	402,000
Variable compensation	172,000	86,000	86,000	241,000
Incentives	12,596	15,313	15,313	15,129
Exceptional compensation	None	None	None	None
Directors' fees	None	None	None	None
Benefits in kind: company car	2,511	2,511	2,511	2,511
TOTAL	**589,107**	**505,824**	**505,824**	**660,640**

Jean-Philippe KOHLER Deputy CEO of LISI S.A.	Amounts for the 2021 fiscal year		Amounts for the 2020 fiscal year	
	owed	paid	owed	paid
Fixed compensation	337,200	337,200	337,200	337,200
Variable compensation	144,000	72,000	72,000	202,000
Incentives	12,596	15,313	15,313	15,129
Exceptional compensation	None	None	None	None
Directors' fees	None	None	None	None
Benefits in kind: company car	3,219	3,219	2,999	2,944
TOTAL	**497,015**	**427,732**	**427,512**	**557,273**

Components of the 2022 compensation of the Chief Executive Officer and the Deputy CEO

With respect to the 2022 fiscal year, the Board of Directors, at the suggestion of the Compensation Committee, will put to the vote of the Shareholders' General Meeting of April 28, 2022, the same fixed compensation as that paid in 2020 and 2021, with no increase, and the renewal of the 2021 variable compensation allocation keys for the two managers.

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

LISI S.A. has not committed itself to these corporate officers to pay compensation, indemnities, or benefits, due or likely be due as a result of such corporate officers taking on, resigning from, or changing functions.

Benefits in kind granted to the managers

In 2021, Emmanuel Viellard and Jean-Philippe Kohler benefited from a company car.

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

No stock subscription or purchase options were allocated during the 2021 fiscal year.

Stock subscription or purchase options exercised during the period by each executive corporate officer

In 2021, the corporate officers did not exercise any options.

Performance shares allocated to each executive corporate officer

The allocated plans outstanding at December 31, 2021 are listed in the following table:

	Plan number and date	Maximum number of shares awarded during the fiscal year	Valuation of shares according to 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	**No. 16** Date: 12/11/2019	5,100	0	Feb. 2022	Feb. 2022	Net Asset Value (NAV) at least equal to €1,450 million
	No. 17 Date: 12/09/2020	6,900	108,675	Feb. 2023	Feb. 2023	Net Asset Value (NAV) at least equal to €800 million
	No. 17c Date: 12/09/2020	12,000	126,000	Feb. 2026	Feb. 2026	LISI share target PRICE defined corresponding to the average of the last 60 quotations for 2025 or to the annual average of the quotations for the same year, taking into account the higher of the two. A progressive chart is set based on an allocation trigger threshold that is also determined
	No. 18 Date: 12/08/2021	6,900	144,900	Feb. 2024	Feb. 2024	Net Asset Value (NAV) at least equal to €900 million
TOTAL		**30,900**	**379,575**			
Jean-Philippe KOHLER Function: Deputy CEO	**No. 16** Date: 12/11/2019	5,100	0	Feb. 2022	Feb. 2022	Net Asset Value (NAV) at least equal to €1,450 million
	No. 17 Date: 12/09/2020	6,900	108,675	Feb. 2023	Feb. 2023	Net Asset Value (NAV) at least equal to €800 million
	No. 18 Date: 12/08/2021	6,900	144,900	Feb. 2024	Feb. 2024	Net Asset Value (NAV) at least equal to €900 million
TOTAL		**18,900**	**253,575**			

Performance shares that became available during the fiscal year for each executive corporate officer

The Board of Directors, noting that the major conditions for the allocation of shares were not met, decided not to deliver shares under the 2019 plan.

2.3.3.3 – Equity ratios

This paragraph was drafted in accordance with the provisions of Article L.225-37-3 paragraph 6 of the French Commercial Code and the AFEP guidelines on compensation multiples of January 28, 2020.

The employees taken into account in the calculation of the ratio are those paid directly by all the Group's French companies. This reference population consists of people present throughout the fiscal years concerned. The headcount is made up of 53% workers, 30% technicians and supervisors and 17% managers.

The ratios were calculated on the basis of the fixed and variable compensation due during the fiscal years mentioned and the number of shares definitively allocated for these same periods.

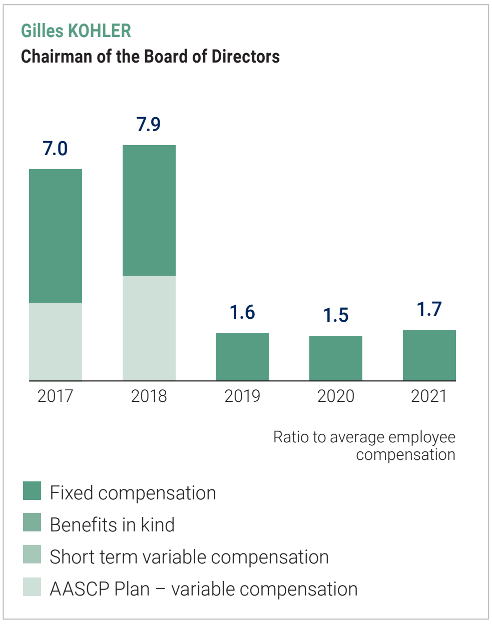
	2017	2018	2019	2020	2021
Company performance					
Sales revenue (in millions of euros)	1,643	1,645	1,730	1,230	1,164
Change N/N-1	*+4.6%*	*+0.1%*	*+5.2%*	*-28.9%*	*-5.4%*
Current operating profit (in millions of euros)**	171	136	155	42	67
Change N/N-1	*+8.2%*	*-20.5%*	*+14.0%*	*-73.2%*	*+60.5%*
Current operating margin (in millions of euros)**	10.4%	8.2%	9.0%	3.4%	5.7%
Change N/N-1	*+0.4pt*	*-2.2 pts*	*+0.8 pt*	*-5.6 pts*	*+2.3 pts*
Employee compensation					
Average compensation (in thousands of euros)	34.3	34.9	36.3	35.3	36.0
Change N/N-1	*+1.0%*	*+1.9%*	*+4.0%*	*-2.7%*	*+1.8%*
Median compensation (in thousands of euros)	31.2	31.6	32.9	31.5	32.3
Change N/N-1	*+0.6 %*	*+1.6%*	*+4.0%*	*-4.4%*	*+2.6%*
Gilles KOHLER – Chairman of the Board of Directors(1)					
Compensation due (in thousands of euros)	242	276	59	53	60
Change N/N-1	*-63.4%*	*+14.3%*	*-78.7%*	*-10.0%*	*+12.5%*
Ratio to average employee compensation	7.0	7.9	1.6	1.5	1.7
Change N/N-1	*-63.7%*	*+12.2%*	*-79.5%*	*-7.4%*	*+10.5%*
Ratio to median employee compensation	7.8	8.7	1.8	1.7	1.8
Change N/N-1	*-63.6%*	*+12.5%*	*-79.5%*	*-5.9%*	*+9.6%*
Emmanuel VIELLARD – Chief Executive Officer					
Compensation due (in thousands of euros)	694	585	658	510	589
Change N/N-1	*+1.3%*	*-15.7%*	*+12.5%*	*-22.5%*	*+15.6%*
Ratio to average employee compensation	20.2	16.7	18.1	14.4	16.4
Change N/N-1	*+0.3%*	*-17.3%*	*+8.2%*	*-20.3%*	*+13.5%*
Ratio to median employee compensation	22.3	18.5	20.0	16.2	18.2
Change N/N-1	*+0.6%*	*-17.0%*	*+8.2%*	*-19.0%*	*+12.6%*
Jean-Philippe KOHLER – Deputy CEO					
Compensation due (in thousands of euros)	601	515	556	431	497
Change N/N-1	*+8.4%*	*-14.3%*	*+8.0%*	*-22.4%*	*+15.2%*
Ratio to average employee compensation	17.5	14.7	15.3	12.2	13.8
Change N/N-1	*+7.3%*	*-15.9%*	*+3.9%*	*-20.3%*	*+13.2%*
Ratio to median employee compensation	19.3	16.3	16.9	13.7	15.4
Change N/N-1	*+7.7%*	*-15.6%*	*+3.9%*	*-18.9%*	*+12.2%*

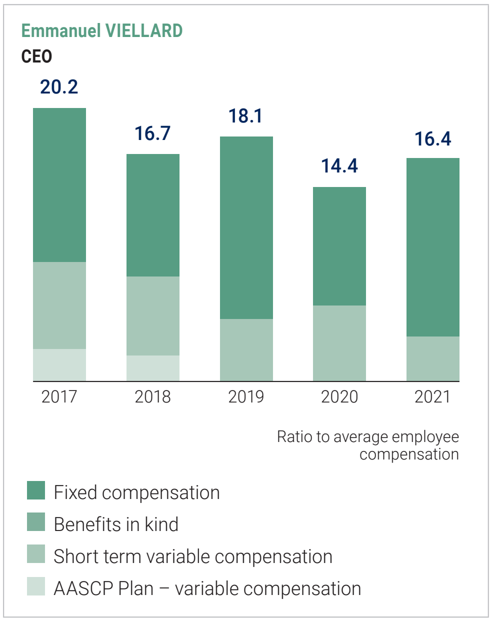
* Following the retirement of Gilles Kohler in 2016, his duties as Chairman and Chief Executive Officer ended and he was granted the status of non-executive officer.
From 2016 to 2018, the income received was similar to a corporate office in respect of his duties as Chairman of the Board of Directors, to which are added the shares subject to performance conditions or free shares granted definitively after a vesting period of two years.
Since 2019, his compensation is composed exclusively of directors' fees.

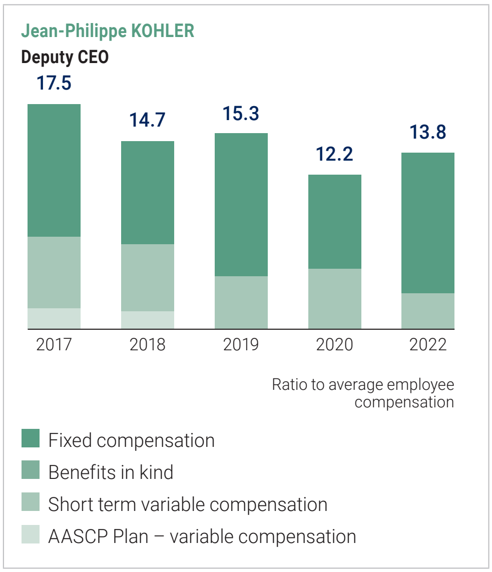
** After extension of depreciation periods for the 2021 fiscal year.

Change in annual fixed and variable compensation due over the last five fiscal years

The graphs below show the ratios against average employee compensation for each of the corporate officers, broken down according to the different types of compensation awarded to them.







2.4 Implementation of the “apply or explain” rule of the AFEP-MEDEF Code of January 2020

Provisions of the AFEP-MEDEF Code not complied with	Explanations
NUMBER OF INDEPENDENT MEMBERS ON THE BOARD OF DIRECTORS	
Article 9.3: the proportion of independent directors in the companies controlled should be at least one third.	According to the criteria of the AFEP-MEDEF Code as amended in January 2020, to which the Company refers, Patrick DAHER, an independent director for over 12 years, is no longer strictly an independent director and is considered to be a “qualified” director. In addition, following the end of the terms of office of Pascal LEBARD and Emmanuelle GAUTIER, two new independent directors were appointed: Françoise GARNIER and Bernard BIRCHLER. Consequently, the rule according to which the Board should comprise one third of independent directors is not met. There are three independent directors, *i.e.* 21% of the Board members, and a total of five non-Group members, *i.e.* 36% of the Board members. The renewal of the next terms of office will provide an opportunity to meet the formal target of one third independent directors (see Section 2.1 of this chapter).
COMPOSITION OF THE AUDIT COMMITTEE	
Article 16.1: the proportion of independent directors on the Audit Committee must be at least two-thirds and the committee must not include any executive corporate officer.	The LISI S.A. Audit Committee does not include any executive corporate officers, but half of it is composed of independent and qualified directors and half of directors belonging to family groups. This non-compliance will be corrected in the first half of 2022.
COMPOSITION OF THE NOMINATIONS COMMITTEE	
Article 17.1: it cannot have any executive corporate officers and must consist primarily of independent directors.	The LISI S.A. Nominations Committee does not include any executive corporate officers. However, it consists primarily of family group directors reflecting the Company’s capital structure. This non-compliance will be corrected in the first half of 2022.
COMPOSITION OF THE COMPENSATION COMMITTEE	
Article 18.1: it is recommended that the chairman of the committee be independent and that an employee director be a member of the committee.	The Compensation Committee of LISI S.A. is chaired by a qualified director and does not include an employee director. The Nominations Committee in charge of the Company’s Governance reviewed this matter during 2021. These two cases of non-compliance will be corrected during the first half of 2022.
COMPENSATION OF EXECUTIVE CORPORATE OFFICERS	
Article 25.3.3: long-term compensation of executive corporate officers. Provisions specific to stock options and performance shares: the Board must set the percentage of compensation that these allocations must not exceed (…) and define the maximum percentage of options and performance shares that may be allocated to executive corporate officers compared to the total budget voted by the shareholders.	This provision will be implemented in 2022 and indicated in the next Universal Registration Document.

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7 General Meeting

1 Agenda

WITHIN THE POWERS OF THE ORDINARY GENERAL MEETING

- Approval of the annual financial statements for the fiscal year ended December 31, 2021,
- Approval of the consolidated financial statements for the fiscal year ended December 31, 2021,
- Approval of the agreements referred to in Articles L.225-38 *et seq.* of the French Commercial Code,
- Discharge granted to the directors and statutory auditors,
- Allocation of the result for the fiscal year ended December 31, 2021,
- Recognition of the end of the term of office as Director of Ms. Lise NOBRE,
- Appointment of Ms. Florence VERZELEN as Director,
- Renewal of the term of office as Director of Ms. Isabelle CARRERE,
- Renewal of the term of office as Director of Ms. Capucine KOHLER-ALLERTON,
- Renewal of the term of office as Director of Ms. Marie-Hélène PEUGEOT-RONCORONI,
- Renewal of the term of office as Director of Ms. Véronique SAUBOT,
- Approval of the information referred to in Article L.22-10-9 I of the French Commercial Code relating to the remuneration of corporate officers awarded or due during the fiscal year ended December 31, 2021,
- Approval of the components of remuneration awarded or due during the fiscal year ended December 31, 2021 to Mr. Gilles KOHLER, Chairman of the Board of Directors,
- Approval of the components of remuneration awarded or due during the fiscal year ended December 31, 2021 to Mr. Emmanuel VIELLARD, Chief Executive Officer,
- Approval of the components of remuneration awarded or due during the fiscal year ended December 31, 2021 to Mr. Jean-Philippe KOHLER, Deputy Chief Executive Officer,
- Approval of the remuneration policy applicable to the Chairman of the Board of Directors,
- Approval of the remuneration policy applicable to the Chief Executive Officer,
- Approval of the remuneration policy applicable to the Deputy Chief Executive Officer,
- Approval of the remuneration policy applicable to directors,
- Authorization for a buyback by the Company of its own shares.

WITHIN THE POWERS OF THE EXTRAORDINARY GENERAL MEETING

- Allocation of free shares to employees and corporate officers: authorization to be given to the Board of Directors to proceed with this allocation of free shares,
- Powers for legal formalities.

2 Text of the draft resolutions

WITHIN THE POWERS OF THE ORDINARY GENERAL MEETING

First resolution – Approval of the annual financial statements

The General Meeting, having taken note of the Board of Directors' report and the Statutory Auditors' general report on the annual financial statements for the fiscal year ended December 31, 2021, approves the annual financial statements for the fiscal year ended December 31, 2021 as they were presented to it, showing a profit of €10,136,822, as well as the transactions reflected in these financial statements or summarized in these reports.

In particular, the 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 €48,163.

Second resolution – Approval of the consolidated financial statements

The General Meeting, having reviewed the report of the Board of Directors and the general report of the Statutory Auditors on the consolidated financial statements for the fiscal year ended December 31, 2021, approves the consolidated financial statements prepared in accordance with the provisions of Articles L.233-16 *et seq.* of the French Commercial Code for the fiscal year ended December 31, 2021, as they were presented to it, showing a profit of €44,047,730.

Third resolution – Approval of the agreements referred to in Articles L.225-38 *et seq.* of the French Commercial Code

The General Meeting, having reviewed the special report of the Statutory Auditors on the agreements covered by Article L.225-38 of the French Commercial Code, approves the information provided in this report.

Fourth resolution – Discharge granted of the Directors and the Statutory Auditors

The General Meeting gives full discharge to the directors for their work for the fiscal year December 31, 2021 and to the Auditors for their term of office.

Fifth resolution – Allocation of the result to for the fiscal year ended December 31, 2021

The General Meeting, on the proposal of the Board of Directors, resolves to allocate the result of the fiscal year ended on December 31, 2021 as follows:

profit (loss) for the period	10,136,822.05
retained earnings brought forward	132,589,076.37
***i.e.* a distributable profit of**	**142,725,898.42**
allocated as follows: a dividend of €0.29 per share, *i.e.* the total amount(1) of	15,693,151.93
to the retained earnings account, the balance, *i.e.* the sum of	127,032,746.49

The amount of dividends distributed will be eligible for the rebate of 40% benefiting, where applicable, individuals domiciled for tax purposes in France, in accordance with Article 158-3-2° of the French General Tax Code.

The shares will be traded ex-dividend on May 4, 2022 and will be paid on May 6, 2022.

In addition, it should be noted that the dividends paid out for the three previous fiscal years were as follows, per share:

Fiscal year	Dividend paid(2)
December 31, 2018	€0.44
December 31, 2019	€0.00
December 31, 2020	€0.14

Sixth resolution - Recognition of the end of the term of office as Director of Ms. Lise NOBRE

The General Meeting, having taken note of the Board of Directors' report, acknowledges the expiry, at the end of this Meeting, of the term of office of Ms. Lise NOBRE as Director.

Seventh resolution - Appointment of Ms. Florence VERZELEN as Director

The General Meeting, having taken note of the Board of Directors' report, resolves to appoint Ms. Florence VERZELEN, residing at 11 rue du Val de Grâce, 75005 Paris, a French national, as a Director, as of this day and for one term of four years expiring at the end of the General Meeting to be held in 2026 to approve the financial statements for the fiscal year ending December 31, 2025.

Eighth resolution - Renewal of the term of office as Director of Ms. Isabelle CARRERE

The General Meeting, on the proposal of the Board of Directors, renews the term of office as Director of Ms. Isabelle CARRERE for a period of four years expiring at the end of the General Meeting to be held in 2026 to approve the financial statements of the fiscal year ending December 31, 2025.

Ninth resolution - Renewal of the term of office as Director of Ms. Capucine KOHLER-ALLERTON

The General Meeting, on the proposal of the Board of Directors, renews the term of office as Director of Ms. Capucine KOHLER-ALLERTON for a period of four years expiring at the end of the General Meeting to be held in 2026 to approve the financial statements of the fiscal year ending December 31, 2025.

Tenth resolution - Renewal of the term of office as Director of Ms. Marie-Hélène PEUGEOT-RONCORONI

The General Meeting, on the proposal of the Board of Directors, renews the term of office as Director of Ms. Marie-Hélène PEUGEOT-RONCORONI for a period of four years expiring at the end of the General Meeting to be held in 2026 to approve the financial statements of the fiscal year ending December 31, 2025.

(1) The dividend for the shares held by the Company as treasury shares will be deducted from this amount. Full powers are thus granted to the Board of Directors to determine the final total amount of the distribution and, consequently, the amount to be charged to retained earnings.

(2) Amount fully eligible for the 40% allowance benefiting, where applicable, natural persons domiciled in France for tax purposes, in accordance with Article 158-3-2° of the French General Tax Code.

Eleventh resolution - Renewal of the term of office as Director of Ms. Véronique SAUBOT

The General Meeting, on the proposal of the Board of Directors, renews the term of office as Director of Ms. Véronique SAUBOT for a period of four years expiring at the end of the General Meeting to be held in 2026 to approve the financial statements of the fiscal year ending December 31, 2025.

Twelfth resolution – Approval of the information referred to in Article L.22-10-9 I of the French Commercial Code relating to the remuneration of corporate officers awarded and due during the fiscal year ended December 31, 2021

The General Meeting, in accordance with the provisions of Article L.22-10-34 I of the French Commercial Code, approves the information mentioned in Article L.22-10-9 I of said Code for the fiscal year ended December 31, 2021, as described in the report on corporate governance prepared by the Board of Directors.

Thirteenth resolution – Approval of the components of remuneration awarded and due during the fiscal year ended December 31, 2021 to Mr. Gilles KOHLER, Chairman of the Board of Directors

The General Meeting, in accordance with the provisions of Article L.22-10-34 II of the French Commercial Code, approves the components of the total remuneration and benefits of any kind awarded and due during the fiscal year ended December 31, 2021 to Mr. Gilles KOHLER in his capacity as Chairman of the Board of Directors, as described in the report on corporate governance prepared by the Board of Directors.

Fourteenth resolution – Approval of the components of remuneration awarded and due during the fiscal year ended December 31, 2021 to Mr. Emmanuel VIELLARD, Chief Executive Officer

The General Meeting, in accordance with the provisions of Article L.22-10-34 II of the French Commercial Code, approves the components of the total remuneration and benefits of any kind awarded and due during the fiscal year ended December 31, 2021 to Mr. Emmanuel VIELLARD in his capacity as Chief Executive Officer, as described in the report on corporate governance prepared by the Board of Directors.

Fifteenth resolution – Approval of the components of remuneration awarded and due during the fiscal year ended December 31, 2021 to Mr. Jean-Philippe KOHLER, Deputy Chief Executive Officer

The General Meeting, pursuant to the provisions of Article L.22-10-34 II of the French Commercial Code, approves the components of the total remuneration and benefits of any kind awarded and due during the fiscal year ended December 31, 2021 to Mr. Jean-Philippe KOHLER in his capacity as Deputy CEO, as described in the corporate governance report prepared by the Board of Directors.

Sixteenth resolution – Approval of the remuneration policy applicable to the Chairman of the Board of Directors

The General Meeting, in accordance with the provisions of Article L.22-10-8 of the French Commercial Code, approves the remuneration policy applicable to the Chairman of the Board of Directors, as described in the report on corporate governance prepared by the Board of Directors.

Seventeenth resolution - Approval of the remuneration policy applicable to the Chief Executive Officer

The General Meeting, in accordance with the provisions of Article L.22-10-8 of the French Commercial Code, approves the remuneration policy applicable to the Chief Executive Officer, as described in the report on corporate governance prepared by the Board of Directors.

Eighteenth resolution - Approval of the remuneration policy applicable to the Deputy CEO

The General Meeting, in accordance with the provisions of Article L.22-10-8 of the French Commercial Code, approves the remuneration policy applicable to the Deputy CEO, as described in the report on corporate governance prepared by the Board of Directors.

Nineteenth resolution – Approval of the remuneration policy applicable to Directors

The General Meeting, in accordance with the provisions of Article L.22-10-8 of the French Commercial Code, approves the remuneration policy applicable to directors, as described in the report on corporate governance prepared by the Board of Directors.

Twentieth resolution - Share buyback program

The General Meeting, having reviewed the Board of Directors' report, in accordance with Article L.22-10-62 of the French Commercial Code:

- authorizes the Board of Directors to proceed, by any means, to purchases of Company shares, up to a maximum of 10% of the Company's share capital, *i.e.* 5,411,431 shares, with the exception of purchases of shares in the Company intended for the holding and subsequent delivery of shares in exchange or as payment in the context of potential external growth transactions, the limit of which will be 5% of the share capital, *i.e.* 2,705,715 shares, these limits being adjustable, where applicable, to take into account any capital increase or reductions that may occur during the duration of the program,
- decides that the acquired shares will be used as follows:
  - market-making for the Company's shares by an investment services provider through a liquidity agreement in accordance with the code of ethics recognized by the AMF, it being specified that, in this case, the number of shares taken into account for the calculation of the limit of 10% of the share capital of the company referred to above corresponds to the number of shares purchased, less the number of shares resold during the term of the authorization,
  - the granting of stock options or the allocation of free shares to employees and corporate officers of the company and/or its Group as well as the allocation or sale of company shares in the company or group savings plans or other similar plans,
  - the hedging of marketable securities giving the right to the allocation of shares in the company under the conditions provided for by law,
  - to retain and use shares at a later date 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,
  - the implementation of any market practice accepted or that may come to be accepted by the AMF and, more generally, the performance of any other transaction in accordance with the regulations in force, subject to informing the shareholders by press release,
- decides that:
  - the acquisition, sale or transfer of shares may be carried out by any means and at any time, on one or more occasions, and this in compliance with the regulations in force, on the market or off-market, including by the acquisition of blocks or the use of derivatives traded on a regulated or over-the-counter market,
  - the Company may not repurchase its own shares for more than €60, not including transaction fees. In the event of a transaction involving the share capital, in particular a share split or reverse stock split or free allocation of shares to shareholders, this amount will be adjusted in the same proportions (multiplying coefficient equal to the ratio of the number of shares comprising the capital before the transaction and the number of shares after the transaction). The highest figure that LISI S.A. would pay if it purchased shares at the ceiling price set by the General Meeting, *i.e.* €60, is €255,226,680,
  - this authorization is valid for a period of 18 months from the date of this Shareholders' General Meeting. It cancels any effect for the unused portion and the remaining period, and replaces the authorization given under the eighteenth resolution of the Combined General Meeting of April 29, 2021,
- grants full powers to the Board of Directors, with the right to delegate and within the limits decided above, to implement this authorization, in particular to place all orders on the stock market, enter into all agreements, allocate or reallocate any shares acquired for the purposes pursued under the conditions provided for by law, set the conditions under which the rights of holders of securities giving access to the share capital will be ensured under the conditions provided for by law and, where applicable, the related contractual stipulations, prepare all documents and press releases, carry out all formalities and declarations to all bodies and, in general, do whatever is necessary.

WITHIN THE POWERS OF THE EXTRAORDINARY GENERAL MEETING

Twenty-first resolution - Allocation of free shares to employees and corporate officers: authorization to be given to the Board of Directors to proceed with this allocation of free shares

The General Meeting, having reviewed the Board of Directors' report and the Statutory Auditors' special report, in accordance with Articles L.225-197-1 *et seq.*, L.22-10-59 and L.22-10- 60 of the French Commercial Code:

- authorizes the Board of Directors to proceed, on one or more occasions, for the benefit of eligible employees and corporate officers within the meaning of Article L.225-197-1 of the French Commercial Code, of the company and of the companies or groups linked to it within the meaning of Article L.225-197-2 of the French Commercial Code, or of certain categories of them as it shall determine, to an allocation of free shares in the Company,
- resolves that the Board of Directors will determine the number of free shares that may be allocated to each beneficiary, as well as the conditions and, where applicable, the criteria for allocating these shares,
- resolves that the total number of free shares allocated may not exceed 1,000,000 shares, *i.e.* approximately 1.85% of the Company's share capital to date, subject to any adjustments to maintain the rights of the beneficiaries; but without being able to exceed the legal ceiling of 10% of the Company's share capital on the date of the decision to allocate them by the Board of Directors,
- resolves that the number of free shares that may be allocated to executive corporate officers under this authorization may not exceed 10% of the total number of free shares that may be allocated under this authorization as set in the previous paragraph,
- resolves that the allocation of said shares to their beneficiaries will become definitive, subject to fulfilling any conditions or criteria set by the Board of Directors, at the end of a so-called vesting period of two years; during this period, the beneficiaries will not hold the shares allocated to them and the rights resulting from this allocation will be non-transferable,
- resolves that in the event of the death of the beneficiaries during this two-year vesting period, the heirs of the deceased beneficiaries may request to benefit from the free allocation of shares within six months of the death,
- resolves that the Board of Directors may set a condition of presence of the beneficiaries within the group formed by the company and the companies or groups related to it within the meaning of Article L.225-197-2 of the French Commercial Code,
- resolves that the allocation of free shares will be subject to one or more performance conditions to be determined by the Board of Directors at the time of the decision to allocate them,
- notes that at the end of the aforementioned vesting period and subject to fulfilling any conditions or criteria set by the Board of Directors, the free allocation of shares will be carried out by means of existing shares acquired by the Company for this purpose in accordance with the provisions of Articles L.22-10-62 and L.225-208 of the French Commercial Code,
- resolves that at the end of this two-year vesting period, the shares will be definitively allocated to their beneficiaries and will become immediately transferable by the beneficiaries subject to compliance with the lock-up periods referred to in Article L.22-10-59 II of the French Commercial Code,
- recalls that the Board of Directors will decide that the free shares thus allocated to the executive corporate officers referred to in Article L.225- 197-1 II, paragraph 4 of the French Commercial Code may not be sold by the latter before the termination of their duties, *i.e.* shall set the number of said shares that they will be required to hold in registered form until the termination of their duties,
- sets the period of validity of this authorization at thirty-eight months from this date. It cancels any effect for the unused portion and the remaining period, and replaces the authorization given under the twenty-second resolution of the Combined General Meeting of April 26, 2019,
- delegates all powers to the Board of Directors, with the power to subdelegate them under legal conditions, to implement this authorization and, in general, to do whatever is necessary, notably in order to:
  - determine the identity of the beneficiaries as well as the number of shares allocated to each of them, and the terms and conditions for allocating said shares,
  - implement measures to preserve the rights of the beneficiaries by adjusting the number of free shares granted according to any potential transactions involving LISI S.A.'s share capital that may occur during the vesting period,
  - determine the dates and terms of the allocations,
  - generally, take all necessary measures and enter into all agreements, prepare all documents and carry out all necessary formalities.

Twenty-second resolution – Powers for legal formalities

The 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.

3 Appendix to the text of the draft resolutions

INFORMATION CONCERNING A CANDIDACY FOR THE POSITION OF DIRECTOR PRESENTED TO THE GENERAL MEETING OF APRIL 28, 2022

Usual surname and first name: Ms. Florence VERZELEN

Address: 11, rue du Val de Grâce 75005 Paris – France

EDUCATION:

- 2001-2004: Corps des Mines
- 1998-2001: Ecole Polytechnique - Major in Finance and Economics

PROFESSIONAL BACKGROUND AND ACTIVITIES CARRIED OUT IN OTHER COMPANIES OVER THE LAST FIVE YEARS:

Positions held

DASSAULT SYSTÈMES – Deputy CEO

- Responsible for worldwide direct sales (€2.5 billion, 50% growth over 3 years) and project commissioning (around 300 projects in 60 countries per year)
- Responsible for the development of the industrial solutions portfolio
- Responsible for strategy and growth projects (5 to 7 M&As per year)
- Responsible for strategic projects with governments in 60 countries, including innovation centers and defense projects
- Implementation of the sustainable development strategy (“Zero Carbon” trajectory and development of a portfolio of “sustainable” solutions)
- Management of 6,000 people

Professional experience

ENGIE (formerly GDF SUEZ) – 10 years

- Director of Operations – Europe
- Chief Executive Officer – Russia, Hungary & Nordic Countries
- Performance Plan Director – France
- Chief Executive Officer, GDF SUEZ Qatar (150 people, $120 million in revenue)
- Development Director, Exploration & Production Business Unit – France

Public

- Ministry of Foreign Affairs – Adviser to the Minister of European Affairs (Jean-Pierre Jouyet)
- European Commission – Directorate General for Competition / Director, Information Technology
- European Commission – Directorate General for Trade / Director, Commercial Defense Instruments

KEY SKILLS:

- Expert on strategy topics
- More than 15 years of experience in the private sector, in the energy, software, automotive and retail industries
- More than 5 years of experience in the public sector, at the European Commission and the French Ministry of Foreign Affairs. In her various positions, she has held sales, operations and senior management positions
- International profile, accustomed to global groups
- Experience as a director, proposal of independent points of view

OTHER OFFICES:

Current terms of office:

- AirFrance – Member of the Audit Committee (since 2016)
- CNES – Member of the Board of Directors (since 2021)
- Member of the Board of Directors of Institut Montaigne
- Young Global Leader of the World Economic Forum
- Young Leader of the French American Foundation

Offices held previously:

- PSA – Member of the Audit Committee and the Asia Committee (2014-2017)

JOBS OR POSITIONS HELD IN THE COMPANY OR THE LISI GROUP:

None

Conception and realization DESIGN MEDIA +33 (0)1 40 55 16 66

LISI AEROSPACE
Immeuble Central Seine
46-50 Quai de la Rapée
CS 11233
F-75583 PARIS Cedex 12
Tel.: +33 (0)1 40 19 82 00
www.lisi-aerospace.com

LISI AUTOMOTIVE
2 rue Juvénal Viellard
F-90600 GRANDVILLARS
Tel.: +33 (0)3 84 58 63 00
www.lisi-automotive.com

LISI MEDICAL
19 chemin de la Traille
F-01700 NEYRON
Tel.: +33 (0)4 78 55 80 00
www.lisi-medical.com

LISI
Siège social :
6 rue Juvénal Viellard
F-90600 GRANDVILLARS
Tel.: +33 (0)3 84 57 00 77

Bureaux parisiens :
Immeuble Central Seine
46-50 Quai de la Rapée
CS 11233
F-75583 PARIS Cedex 12
www.lisi-group.com