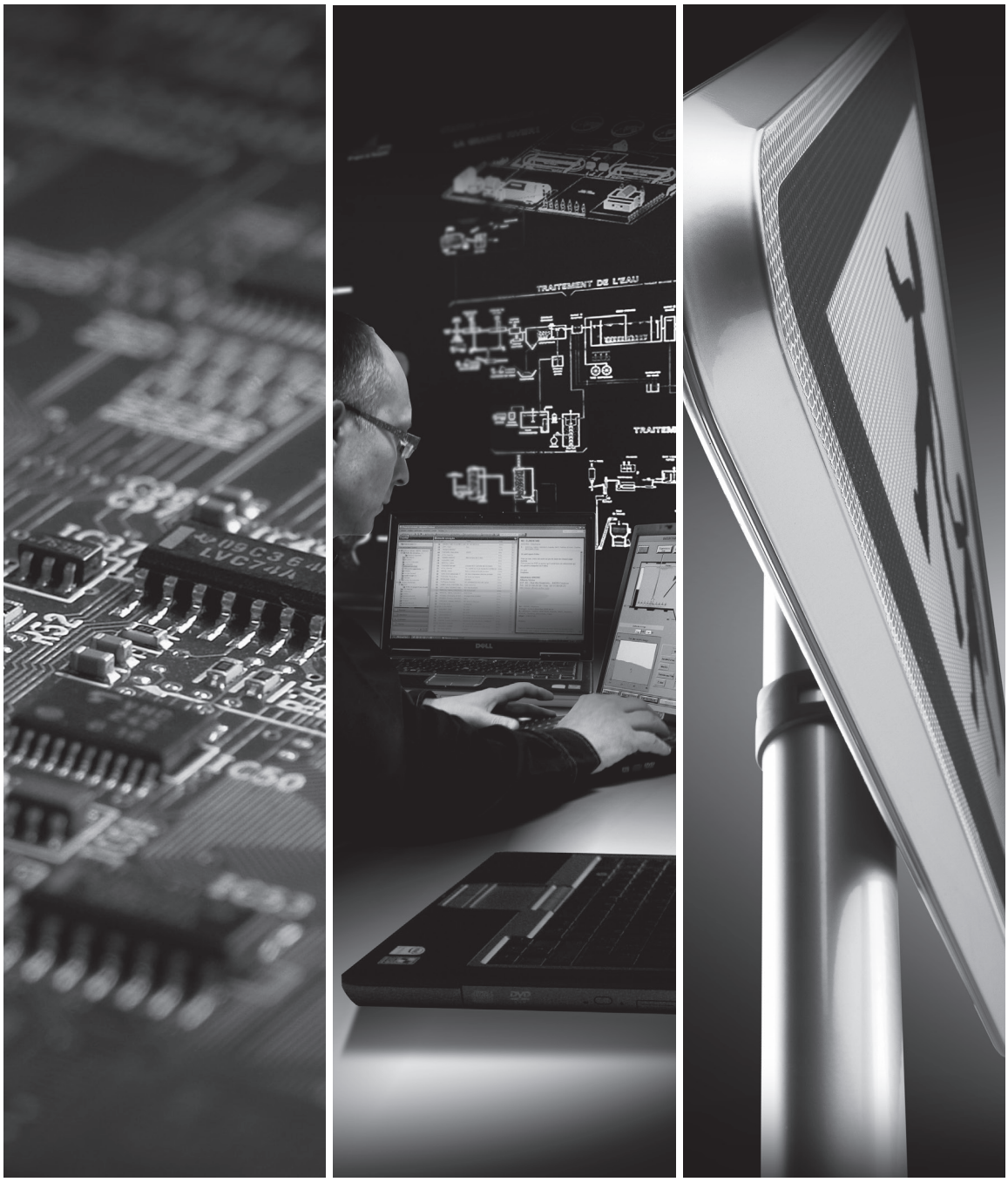
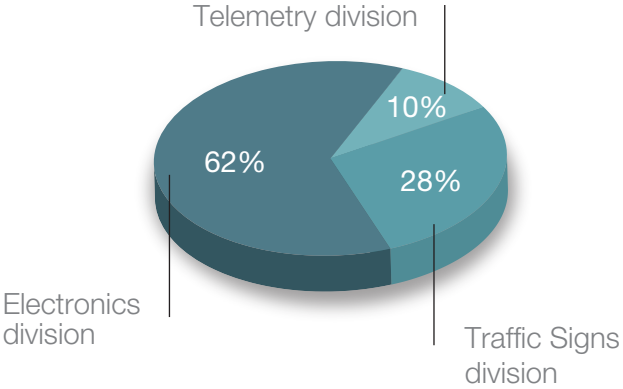


Annual Management Report LACROIX Group 2013/2014

LACROIX

3700 people
€356M revenue

Breakdown of activity



Chairman's foreword

Over the past few years, I have ensured that the business of the Group is based on technological, human and financial foundations strong enough to be able to seize growth opportunities for each of the 3 divisions in a pragmatic manner.

Today, I consider that these conditions are met, and the Group must now reach a new step in its development by prospecting new markets, in particular abroad.

This search for growth shall comply with the rules which should always remain present, namely:

- respect for stakeholders,
- transparency,
- pragmatism.

This is the objective which the new governance of the Group will have to implement in the coming years.

Jean BEDOUIN

Chairman of the Supervisory Board

The LACROIX Group

Present in the electronics, telemetry and traffic signs business areas, the LACROIX Group has developed a complete range of expertise in each of its divisions, making it one of the reference players in each of its markets. From the analysis of customer needs through design up to manufacturing and implementation, the LACROIX Group develops and sells a range of high-performance products and services. A high level of requirement and a large expertise have built the Group's identity for over 60 years now.

The management team

Executive board:

Nicolas BEDOUIN
Finance Director

Yves KROTOFF
Chairman of the board

Vincent BEDOUIN
Managing director

François BEAUXIS
Managing Director
LACROIX Electronics

Electronics division

Electronic Manufacturing Services:

- Design and industrialization of electronic boards
- Component purchasing and procurement
- Board assembly and integration of finished products
- Supply chain and after-sales services

Catherine FAILLIET
Managing Director
LACROIX Sofrel

Telemetry division

Remote monitoring and control products for technical facility networks:

- Drinking water networks
- Wastewater treatment networks
- Heating Ventilation and Air Conditioning (HVAC)
- Street lighting networks

Thierry LAUNOIS
Managing Director
LACROIX Signalisation

Traffic Signs division

Road sign and urban equipment products and services:

- Police, direction, temporary and luminous signage
- Tourist and economic signage, urban equipment
- Traffic management and regulation
- Services: diagnostics, installation, fitting and marking of road works

Innovation driving progression

With more than 200 engineers and technicians working in several design offices, both in France and abroad, the LACROIX Group intends, in a constantly changing world and faced with increasingly complex technological challenges, to cultivate its spirit of innovation and its anticipation ability.

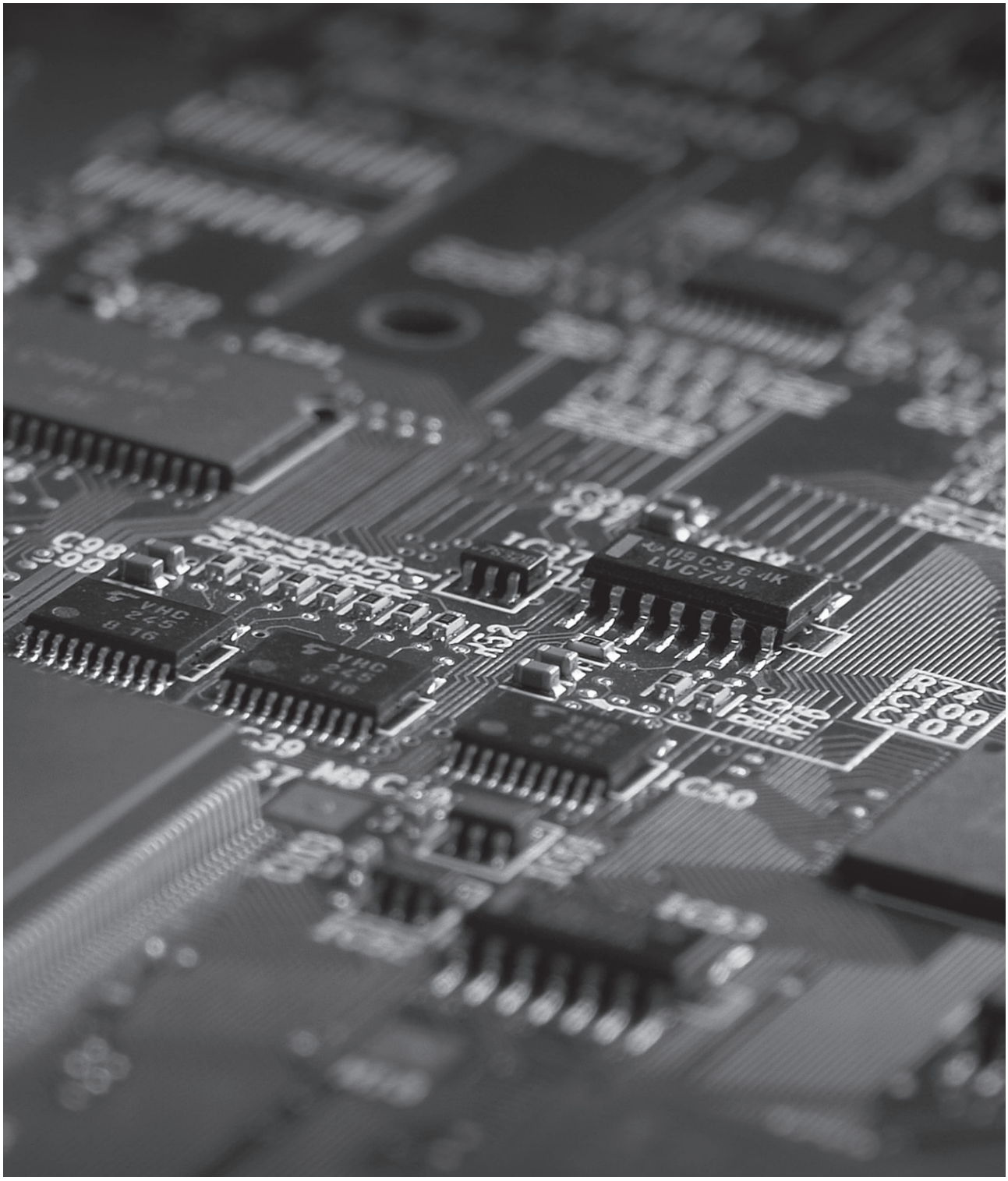
Respecting human values to succeed

Thanks to a set of company-wide values, the LACROIX Group has created a genuine team spirit without which success could not be achieved. With their desire to progress and willingness to create a genuine skill community, the LACROIX teams act with a constant concern for performance in each of their respective businesses.

Anticipate to perpetuate

In order to maintain its advance, the LACROIX Group must be reactive to change, to its customers' requirements and to changes in its environment, and must be open to new ideas in order to evolve and adapt, as well as to make long-term commercial, human and financial choices. This is the code of conduct that we must conform to in order to ensure our independence and durability.

Electronics division



For over 40 years, the Electronics division has developed efficient and tailored electronics manufacturing services aimed at providing a suitable response to each customer issue.

As an electronics manufacturing services provider present in France, Germany, the Maghreb countries and Eastern Europe, the Electronics division is a dynamic player in the European professional electronics market.

A complete range of services

Thanks to a strong commercial presence in France and in Germany, the Electronics division has, among its customers, some of the major players in the electronics industry, who need to outsource their production activities and to focus on their core business.

The Electronics division is also open to companies that do not specialize in electronics and that are seeking concrete skills and solutions for designing and producing integrated electronic functions for their products.

The Electronics division is certified to the ISO 9001, ISO/TS 16949 (automotive), EN 9100 (aerospace), ISO 13485 (medical) and ISO 14001 (environment) standards.

- design • industrialization (Dfx) • purchasing
- procurement • assembly • testing
- integration • logistics • After-sales service

Diversified centers of competence

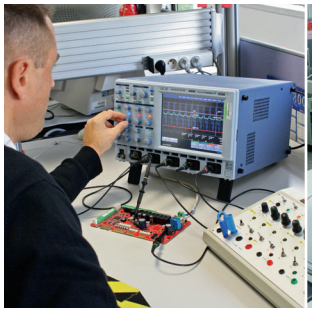
In order to meet the requirements of each of its customers, the Electronics division has developed a network of expert centers.

With five R&D centers and about 100 engineers in France and Germany, the Electronics division, develops customized solutions and supports its customers from design to manufacturing of a complete electronic product.
The manufacturing facilities in France, Germany, Poland and Tunisia focus on specific market sectors and have production lines for small, medium or large production runs.

LACROIX Electronics makes significant investments every year to develop its facilities, improve its equipment and run its training center. Only a technology roadmap in the medium term allows to remain at the heart of the cutting-edge European industry.

Multi-sector expertise

- Industrial and Railway Electronics
- Aerospace and Defense
- Home Automation
- Automotive
- Medical

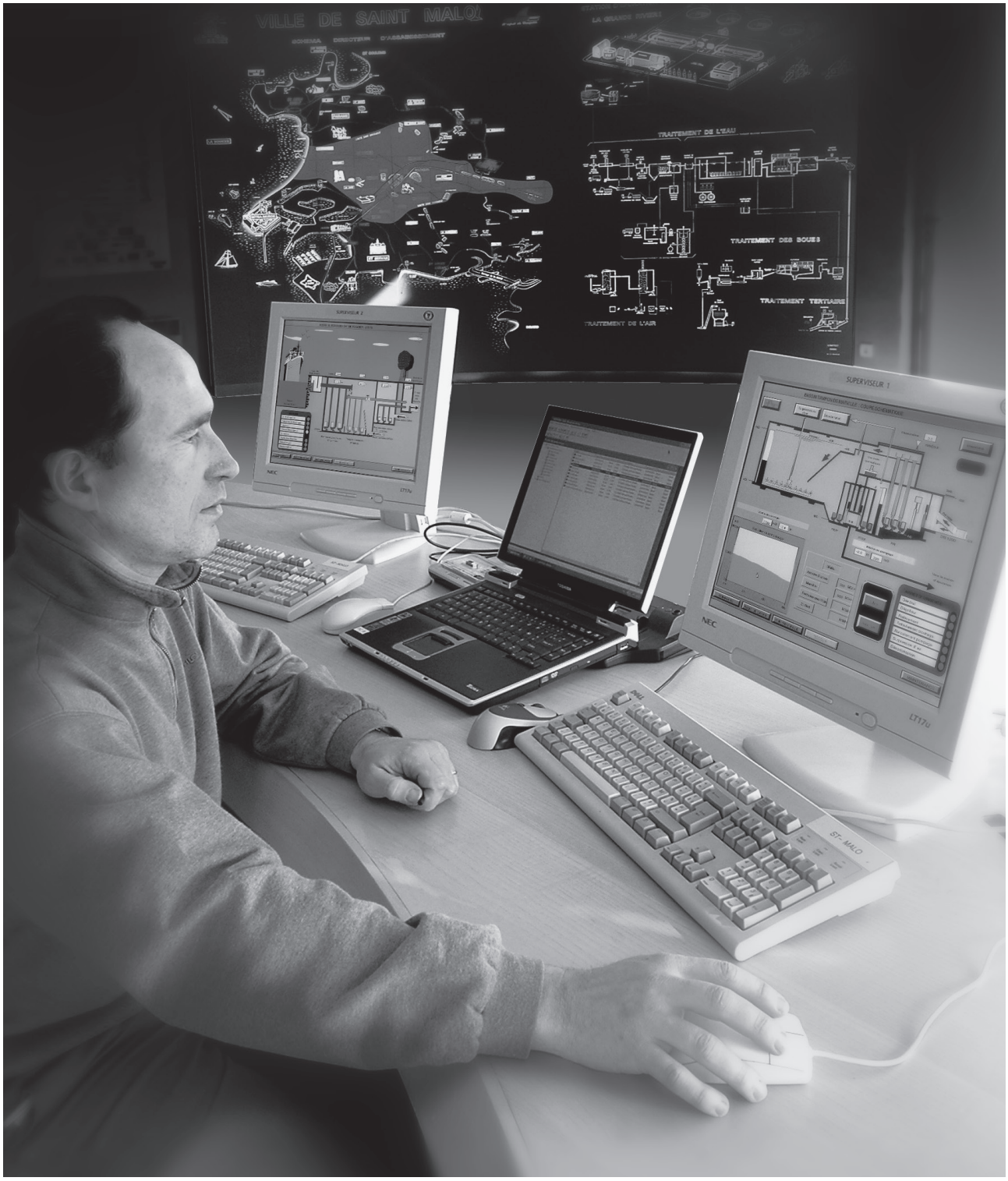

Design office


Component insertion line


Visual inspection station

Varnishing and coating unit

Telemetry division

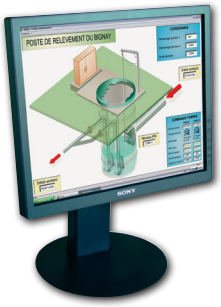


For over 35 years, the Telemetry division has designed and marketed products aimed at the remote monitoring and control of distributed networks of remote sites (water networks, wastewater networks, Heating Ventilation and Air Conditioning systems, etc.).

The French leader in the Telemetry and SCADA market.

Telemetry Remote Terminal Unit

District Metering Remote Terminal Unit



SCADA Central Station

Sensors

Innovation, ease of use and reliability

The Telemetry division offers a wide range of remote data acquisition, processing and transmission solutions. The products of the Telemetry division are modular and expandable; they can be operated using GSM or Internet technologies; they are simple to install and use and adapt easily to different types of application.

The importance of customer service

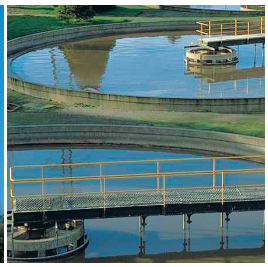
Consultancy, project analysis, training, commissioning, After-sales service. All of these services are offered by the Telemetry division in support of its products. Permanent customer awareness and satisfaction are values shared by all the teams of the Telemetry division.

A national and international presence

Widely established in France with its technical sales offices, the Telemetry division is also represented abroad through its distributors and subsidiaries (Spain and Italy).

Solutions for environmental protection

Water networks



Wastewater networks

HVAC

LACROIX

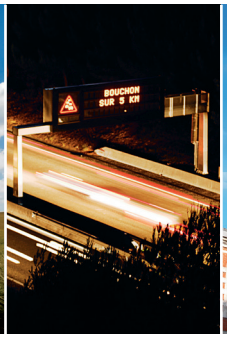
Traffic Signs division

For over 60 years, the Traffic Signs division has designed, manufactured and marketed products and offered services specific to road signaling, traffic management and urban equipment.

A major player on the signaling market, acknowledged for its know-how and experience.


Street furniture

Traffic signals



Variable Message Signs and structures

Road signaling


Trafic flow management


Services

Permanent innovation

Combining permanent customer awareness, human skills and expertise in cutting-edge technologies, the Traffic Signs division is constantly developing innovative concepts that frequently become new standards.

30% of turnover generated by products of less than 5 years of age.

Proximity and reactivity

Everyday, the Traffic Signs division provides a rapid and tailored answer to its customers using its network of agencies and subsidiaries located in France or abroad.

More than 50 sales and service agencies.

The spirit of service

As an acknowledged service provider, the Kangourou network has grown rapidly and currently offers a complete range of services including diagnostics of the existing signage stock and markings, the fitting and maintenance of road equipment.

More than 90 individuals dedicated to service provision.

Recognized expertise

Experts in the processing of metals, in printing techniques and in integrated traffic management solutions, our manufacturing units apply an approach of continuous improvement. Our production sites are efficient as well as environmentally and people-friendly.

5 production units, more than 40,000sq.m. of workshop area.

LACROIX

Our locations

Global network of 30 distributors serving 14 countries

Electronics division | Telemetry division | Traffic Signs division

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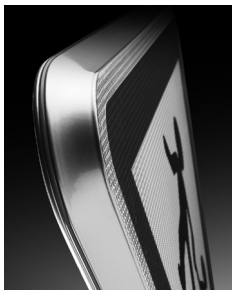
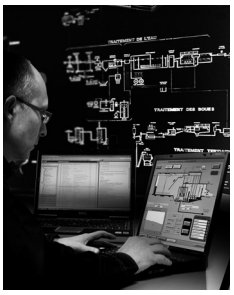
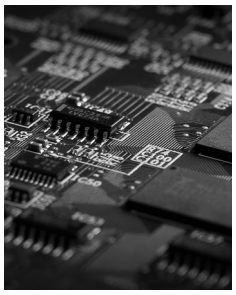
LACROIX







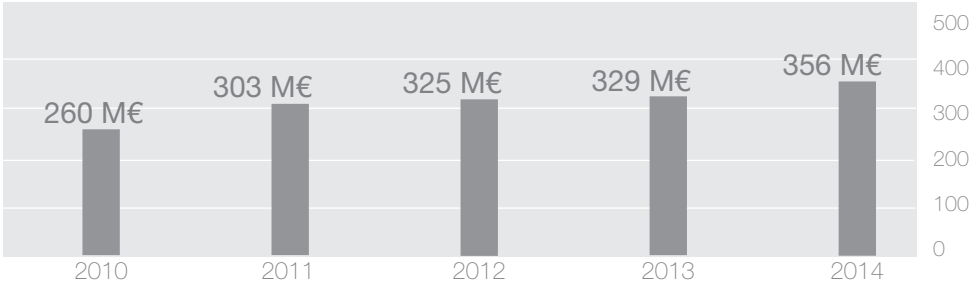
Annual General Shareholders' Meeting

of 27 february 2015

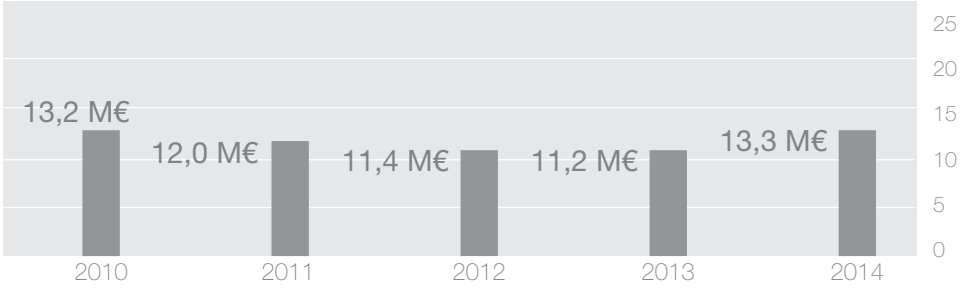
LACROIX

1. Key figures

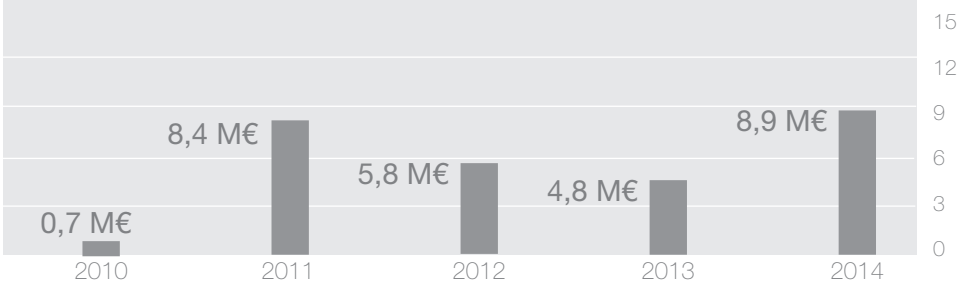
Revenue



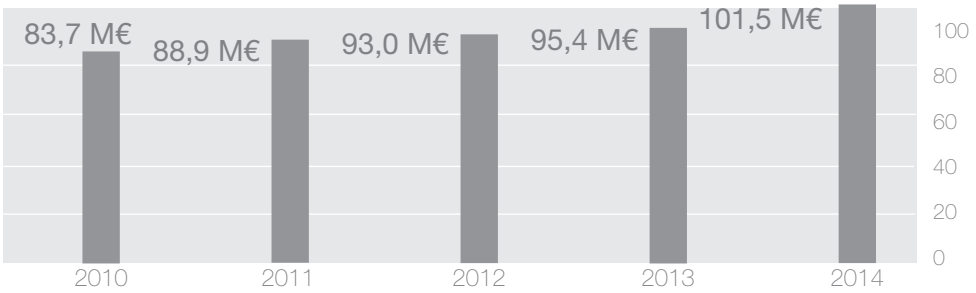
Profit from operating activities



Net income



Stockholder's equity



LACROIX

2. Board of Directors' management report 2013-2014 financial year

1 - LACROIX Group

Consolidated results

Revenue for the financial year ended 30 September 2014 totalled €355.9 million, up 8.2% compared with the previous financial year, the sharp rise in Electronics (+23 %) and Telemetry (+ 18%) being much higher than the anticipated slowdown in Traffic Signs (-16.5%).

Hence, profit from operating activities is up by 18%, thanks to the good results of Electronics (+ €2.4 million) and Telemetry (+ €2.6 million), this, despite the slowdown in Traffic Signs (-€2.3 million).

Operating profit amounts to €12.6 million in contrast to the €8.9 million reached last year. This result predominantly takes into account charges related to restructuring in Electronics in Research and Development and in Germany (€0.45 million) as well as resizing in Traffic Signs.

The negative financial result of €1.8 million is to be contrasted with the €1.45million for the previous year and includes €0.4 million of additional expenses related to currency risk.

Thus, after inclusion of a €1.7 million tax charge and a €220K minority interest, net income for the year amounts to €8.9 million against €4.8 million the previous year.

Business by division

The Group's three divisions (Electronics, Telemetry and Traffic Signs) performed as follows:

Electronics division

Now representing 2/3 of the revenue and 80% of the group's workforce, this division, has for the last 10 years, enjoyed a recurring and sustained growth almost tripling sales over that period.

The 2013/2014 financial year fully met this trend, with an increase of over 23% compared to the previous year.

The market on which the division is positioned, i.e. design and manufacture of electronic assemblies in small and medium-sized runs, is promising as it is based on two main dynamics: first the growing use of electronics with more and more products to choose from, and secondly, specialized features derived from Electronics and vital to such products in an ever more challenging environment (miniaturization, resistance to physical or thermal shocks...).

Thus, companies being aware of this growing complexity entrust the design and manufacture of assemblies to specialized firms such as Lacroix Electronics, with an expertise in design, purchasing (70% on average of the price of a board), supply chain, processes and quality.

In a difficult economic context, the major events of the fiscal year were as follows:

A strong growth, namely in Poland as well as in the automotive sector, which turned out to be higher than initial forecasts.

Higher profits, yet, thwarted by occasional malfunctions related to the extent of this growth and the on-going, even if moderated, company losses in Design Offices and in Germany. Both entities have repositioned their offer and the first tangible effects of this repositioning will be noticeable in the 2015 fiscal year.

In this context, the division's prospects remain very favourable, both in terms of revenue and of net income, despite the negative impact of social movements at the beginning of the 2015 fiscal year on our Tunisian site.

The breakdown of the figures is as follows (contributive)

In €M	N	N-1
Revenue	220,6	178,9
Profit from operating activities	3,2	0,8
Net Income	0,1	-2
Cash Flow	3,6	1,4
Net Investments	8,2	3,9

Telemetry division

The division designs and markets products and systems, allowing the monitoring, control and remote managing and in real-time of technical equipment, whether distributed or standalone such as water systems or public building heating systems. Showing steady and sustained growth (its sales have doubled in less than 10 years), the division represents nearly 10% of revenue and contributes significantly to the Group's profits.

The 20-strong design and engineering department with its high degree of expertise, particularly in telecoms, plus the same number of outsourcers, and close proximity to its customers, are the division's major assets.

The highly reliable products are manufactured by the Electronics Division.

All these factors have made it a key player in France with a market share in excess of 80% in water control systems.

It intends to draw on these achievements to accelerate its development in HVAC and exports, which currently make up nearly 20% of its revenue.

In this context, the period's highlights were as follows:

Strong growth in revenue (+ 18%), whether in France on the water market (11%), HVAC (+ 26%) or the Export market (+ 30%).

This growth logically generated a significant increase in income (+ 35%) despite an increase in R&D costs (+€450K) owing to a research on a new generation of products.

At the same time, the division has developed a proficient and structured plan to create the conditions for further growth, particularly in HVAC and export in targeted areas.

The forecasts for the division remain favourable, with a moderate increase in sales and rising R&D costs due to the initiation of our growth strategy.

The breakdown of the figures is as follows (contributive)

In €M	N	N-1
Revenue	35,8	30,3
Profit from operating activities	9,7	7,1
Net Income	6,5	4,6
Cash Flow	6,8	4,9
Net Investments	0,3	0,4

Traffic Signs Division

This is the historical sector of activities for the group accounting today for a third of its consolidated revenue. Positioned on two main markets: static road signs (police, direction, temporary signs) and dynamic Traffic Signs (variable message signs, intersection traffic controllers), the division specializes in designing, manufacturing, marketing, installing and maintaining all these products, intended to control, regulate and optimize road and urban traffic.

The scope is also widened with a range of products such as tourism signing, information panels, street furniture or radar speed signs. Such fields of expertise together with industrial tools and a network of local agencies are fully in line with the most demanding requirements of customers, both in terms of productivity, responsiveness and innovation.

Building on these strengths, the division may boast of being the leader of road signage in France with 90% of its turnover, as well as being a significant player in Spain, with dedicated production facilities in a market with its own standards.

In a context of budgetary restrictions, the major events of the year were as follows:

- A decrease of revenue due to the non-renewal of the eco-taxes market achieved the previous year which amounts to €15.2 million as well as a volume decrease, excluding the impact of this market, of about 4.5 %, a direct result of budget cuts from all communities.
- The decrease in volume was accompanied by a pressure on prices, generating a drop in profit from operating activities of €3.6 million to €1.3 million from one financial year to the next.

Three factors were however responsible for restraining the expected growth:

- Investments of more than €4 million made over the last two years, mainly in our production facilities that have improved competitiveness.
- The partial fulfilment of a contract (€2.2 million out of €3.5 million) to supply variable message signs for the Moscow Ring Road.
- The reduction of losses of our Norte Industrial subsidiary, with a good turnover in the second half of the year

In a context that remains tense, both in terms of volume and prices, the division should be able to prove its capacity for investments in products and processes with major potential.

The breakdown of the figures is as follows (contributive)

In €M	N	N-1
Revenue	99,5	119,2
Profit from operating activities	1,3	3,6
Net Income	-0,3	0
Cash Flow	2,6	3,7
Net Investments	2,0	1,1*

* including € 1 400 T shares transferred to Lacroix SA

Research & Development activity

Predominantly allocated to the Traffic Signs and Telemetry divisions, the research and development activity is recognized in operating expenses.

The amount totalled €4 million during the financial year and generated a Research Tax Credit of €438 thousand.

Financial Position

The cash flow generated by operations amounted to €15 million, compared to €11 million achieved last year.

This positive trend was accompanied by an increase in investment, mainly in the Electronics division, totaling €10.2 million over the financial year, compared to €6.8 million achieved in 2013.

In addition, the actions initiated last year in order to limit the working capital needs have been emphasized and pursued on stocks and accounts receivables as well as on trade payables. These needs, which accounted for 75.9 days of revenue including VAT in 2013, were reduced to 67.2 days in 2014, hence a diminution of cost of €10M.

Thus, all three factors combined, i.e. operations, investments and working capital needs, allowed us as expected to reduce the ratio of net debt to Equity (Gearing) from 0.30 to 0.22 while paying a dividend of €1.9M in April 2014.

Operations prospects, combined with controlled flowing capital allow for a further improvement in this ratio throughout the financial year, while maintaining a high level of investment, yet taking into account the payment of a dividend up by 40%.

Prospects

In a tense and uncertain economical environment, the Group should yet again demonstrate its ability to generate growth.

Mainly generated by the Electronics, major growth drivers were identified in the other divisions. Also, this exercise will also be used to structure an approach and to allocate resources in order to effectively and appropriately capture these opportunities.

Additionally, governance introduced last year, combined with the capitalization of the acquired expertise of its three divisions and the acquisition of new skills, enable the Group to consider a sustainable and balanced growth within its three divisions.

2 - LACROIX SA

Nature of business

As the Group's parent company, and as part of its asset management activities, mainly comprising the shares of the three divisions mother companies, LACROIX SA controls and coordinates each of the three divisions as regards corporate management, finance, development, consolidation and communication.

Revenues, excluding dividends, are generated by royalties received from its subsidiaries in return for the services described above.

Its revenue as of 30 September 2014 amounted to €1,585 thousand, an increase of 15% compared to the previous financial year. This growth is directly linked to the revenue of each of the three divisions.

The negative operating result of €867 thousand reflects the strengthening of corporate governance and is largely offset by the positive financial result of €4,993 thousand, mainly owing to dividends from its subsidiaries.

Pre-tax net recurring income is largely positive in the amount of €4,126 thousand

After recognition of a tax benefit of €3,129 thousand, due to its position as head of a tax consolidated Group, net income showed a profit of €7,312 thousand, in keeping with the €7,471 thousand in the previous financial period.

Non tax-deductible expenses

Non tax-deductible expenses and charges totalled €15,942 at the end of the year.

This corresponds to the non-deductible portion of rents on passenger vehicles used by the Company for an amount of €8,239 and luxury item expenses in the amount of €7,703, which generated a tax in the amount of €5,313.

Information on payment terms

In accordance with Articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we inform you that at the end of the last two fiscal years, amounts outstanding with respect to suppliers by maturity date, can be broken down as follows:

Maturity term	Balance of payables (in €)	
	2014	2013
Due	(10 330)	(12 341)
Under 30 days	115 704	128 418
Between 30 and 60 days	52 480	50 593
Over 60 days	0	0
Total	**157 854**	**166 670**

3 – Significant factors in the event of a takeover bid

In pursuance of articles L 233-13 and L 225-100-3 of the French Commercial Code, we draw your attention to the following:

Structure of the company's capital

On 30 September 2014, the company's share capital stood at €25,000,000, representing 3,766,560 shares.

The share capital is structured as follows:

	% shares	% voting rights*
BEDOUIN family	70,25%	84,82%
Treasury shares (**)	5,32%	
Public capital	24,43%	15,18%

(*) exercisable voting rights
(**) including shares held under the liquidity agreement

Capital thresholds

Pursuant to article 8 of the articles of incorporation, any shareholder who holds at least 2% of the capital is required to notify the company within a fortnight by recorded delivery with receipt requested; this obligation to disclose concerns each 2% fraction of capital held.

During the financial year, the Company has not been informed of threshold crossings.

Significant equity interests

With the exception of equity interests held by the family-owned BEDOUIN Group, there were no significant named equity interests at year-end closing.

Double voting rights

Article 10 of the articles of incorporation assigns a double voting right to all fully paid-up shares that have been registered for at least three years.

Control mechanism

With the exception of the double voting shares, there are no other shares with any particular rights attached.

Nor are there any control mechanisms in place regarding a staff shareholding system or any agreements between shareholders that the company is aware of liable to restrict transfers of shares.

Board of Directors' share redemption powers

Every year, the General Meeting vests the Board of Directors with the authority to buy back company shares up to a limit of 10% of the company's share capital, in pursuance of articles L.225-209 et seq. of the French Commercial Code, European regulation 2273/2003 dated 22 December 2003 and articles 241-1 to 241-7 of the general regulations of the French Financial Markets Authority.

The Board of Directors has not been vested with any other powers by the General Meeting, particularly in terms of capital increases.

Treasury shares

In 2005, the Company entrusted the implementation of a liquidity agreement to stock-broking firm PORTZAMPARC: this complies with the AFEI Ethical Charter as approved by the French Financial Markets Authority memo dated 22 March 2005.

At 30 September 2014, the company held 191,775 LACROIX SA shares and 8,483 shares under the liquidity agreement, making a total of 200,258 redeemed shares representing 5.32% of the capital.

Equity investments

Pursuant to article L.233-6 of the French Commercial Code, please be advised of the direct or indirect interests in companies having their registered office in France that were acquired by the Company and its subsidiaries during the period.

During the past financial year, the following equity investments were made:

- Within the Traffic Signs division:

- LACROIX SIGNALISATION acquired a share in the capital of its subsidiary LACROIX PACIFIC, bringing its interest from 51% to 100%;
- LACROIX SA transferred ownership to its subsidiary LACROIX IV, all of the shares it held in LACROIX SIGNALISATION;
- LACROIX IV received 100% of the shares of LACROIX TRAFIC as dividend and in the context of an equity investment,

- Within the Electronics division:

- LACROIX ELECTRONICS acquired 50% of the share capital of AUSY-LACROIX ELECTRONICS through a joint venture in partnership with AUSY.

LACROIX SA acquired 100% of the shares held by the LACROIX V and LACROIX VI entities;

3.9 Employee shareholdings

In accordance with the provisions of article L.225-102 of the French Commercial Code, please note that the proportion of share capital represented by shares held by employees as of 30 September 2014 was zero, as the Company has not set up a mutual investment fund for the benefit of the Group's employees.

Please be advised that the last extraordinary general meeting convened to approve a capital increase reserved for employees was held on 16 February 2012; so there is no need to deliberate a capital increase plan at the next annual general meeting.

4 – Principal risk factors faced by the company

Pursuant to the provisions of article L 225-100 para. 4 of the French Commercial Code, please be advised of the following matters:

Strategic and operational risks

The nature of the strategic risks to which the Company is exposed is not liable to seriously affect the future of the Group's activities.

Owing to the nature of its business activities, the Group is nonetheless exposed to the following operational risks:

Industrial and environmental risks

The scale of the Company's industrial investment programmes has enabled it to benefit from recent and secure tools limiting the risk of major failures liable to stifle manufacturing activities. For this reason, the main industrial risks are those that may affect or interrupt production on the main sites (fire, technical breakdown, etc.) and affect product quality. Quality processes are in place with the aim of identifying, correcting, preventing or at least limiting any disruption. Furthermore, faced with a growing number of new product launches, particularly in Traffic Signs, the Group is seeking to tighten procedures for the technical, financial and environmental validation of these new processes.

Supplier and raw materials risks

There are no major risks of dependency on suppliers. Nonetheless, in the Electronics business, adjustments to suppliers' production capacity may lead to allocations of specific components, thereby leading to significantly longer procurement lead times.

The risk then becomes one of component obsolescence in the event of a product change by the client yet such risk is covered by logistics contracts.

Risk associated with the IS system

The Group's management is particularly attentive to its information system hence a series of measures has been taken to ensure security. Additionally and in order to prevent any major setbacks, crisis management plans have been set up for each of the three divisions and have been audited in the course of the year.

Legal, tax and social risks

The Group ensures all legal, fiscal and social follow-ups in order to ensure compliance in the conduct of its operations as well as to anticipate the impact of new regulations. A review of the major risks is carried out per business in order to ensure that all risks are fully covered in the financial statements.

Based on its current knowledge, the Group considers it unlikely that on-going amicable settlements and litigation shall have a significant impact on the consolidated financial statements.

Financial Risks

Below are outlined the various degrees of Group exposure to financial risks.

Foreign exchange (forex) risk

With the exception of the Electronics Division, the Group is not exposed to foreign exchange risks.

As far as this Division is concerned, the exchange risk mainly involves purchases made in USD and in PLN.

- For its purchases in USD, the Company has contracts with its main customers that enable the selling price to be adjusted depending on changes in the EUR/USD parity. Consequently, this portion is not exposed to foreign exchange risk. As for the balance, the Company resorts to partial hedging of its needs to cover a target rate set for each budget year.
- Expenditures in PLN concern mainly the salaries of Polish employees together with local purchases. It is Group policy to take out forward cover on the basis of estimated needs.

Generally speaking, the use of financial instruments is strictly confined to the business's needs, to the exclusion of any speculative perspective.

Interest-rate risk

The majority of the group's financial debt is on a variable rate basis.

The Group uses financial instruments to diminish such risk. At the end of September 2014, the portion of variable-rate borrowing covered by swaps represented more than 65% of the nominal amount.

Liquidity risk

The Group's gross debt totals €45.5M.

None of the loans in place is covered by covenants.
Cash assets total €23 million.

We would remind you that with regard to its future investments, including growth by acquisition, the Group has confirmed credit facilities totalling €13.5 million repayable over 3 to 7 years.
Therefore this is a very remote risk in the eyes of the company.

Credit risk

Each of the Group's divisions has its own credit insurance contract, which covers it against potentially high-risk customers.

The customer profiles per business segment are as follows:

Division	Main customer profiles
Traffic Signs	Main administrations and construction businesses
Telemetry	Public bodies and major stakeholders in water management.
Electronics	French and foreign companies with an international scope

Capital risk

The Group closely manages its capital by monitoring changes in its net debt to equity ratio.

	Period 2014	Period 2013
Borrowings and Financial debts	21 728	30 876
Cash credit	23 759	17 965
Other Net financial debts	(129)	14
Cash and equivalents (Note 8.10)	(23 013)	(20 498)
Net debts	**22 344**	**28 357**
Total Shareholders' equity	101 517	95 400
Gearing	**22,00%**	**29,70%**

Ranking of financial assets and liabilities recognized at fair value

The Group does not present a detailed table with the ranking of its financial assets and liabilities recognized at fair value.

According to the three levels defined in IFRS 7 (revised), measurement of fair value is based on a valuation which uses empirically verifiable data, most of which is outside the Group.

5 – Post-balance sheet events

In October 2014, social movements disturbed the activity of the Electronics Division on our Tunisian site. Although the work resumed as normal on 20 October, this has had an impact on the structure activity of this throughout October.

6 – Share prices

Changes in the share price during financial year 2014

LACROIX SA shares are listed on Euronext Paris, compartment C.

During financial year 2014, 377 990 shares changed hands, making an average of 1 488 shares per trading session, representing €7.059 million of capital at an average price of €18.67.

The closing share price as at 30 September 2014 was €21.34 which represents a market capitalisation of €80.378 million.

Company share repurchasing

Share redemption programme

We would ask you to renew the powers conferred on the Board of Directors by the General Meeting of 28 February 2014 to continue purchasing Company shares on the stock market, subject to the conditions and limits imposed by articles L.225-209 and seq. of the French Commercial Code and in accordance with the European regulation dated 22 December 2003.

The aims of the redemption programme are the same as for the previous financial period:

- coordinate share trading through a liquidity agreement in accordance with the AFEI charter, recognized by the French Financial Markets Authority,
- purchase stock with a view to retaining it and subsequently exchanging it or trading it as part of external growth operations,
- cover securities with share rights attached,
- cover stock option plans for Group employees, officers and representatives.

These powers are granted for a maximum term of 18 months subject to the following conditions:

- no more than 176 398 shares may be purchased
- the maximum purchase price per share is set at €40.
- the total amount allocated to this programme is set at €7.056 million.

Shares will be repurchased on the market or as blocks of securities under the applicable statutory and regulatory provisions. Acquisitions of blocks of securities may be made up to the limit of the programme. Acquisitions and sales may be made during public bidding periods within the limits of stock market regulations.

The number of shares held under the programme may not exceed 10% of the company's share capital, namely 376,656 shares.

Assessment of previous share redemption programmes

With regard to the programmes authorized by the General Meetings of 22 February 2013 and 28 February 2014, for the period ending 30 September 2014, the company did not purchase or sell any of its own stock.

Furthermore, under the liquidity agreement held solely by LACROIX SA:

- 17,373 shares were acquired at an average price of €19.86;
- 17,188 shares were sold at an average price of €18.88.

At year-end closing, shares held under the share redemption programme were assigned to the following objectives:

- coverage of stock option plans for LACROIX Group staff and corporate officers: 111,441 shares
- subsequent exchange or payment for external growth operations: 80,334 shares
- share price management by a service provider: 8,483 shares

making a total of 200,258 treasury shares representing 5.32% of the share capital, having a gross book value of €3.817M and a market value of €4.273M at the share price on 30 September 2014.

7 – Corporate Social Responsibility

Introduction

« We believe that in addition to the values of honesty, integrity and fairness, respect is the fundamental concept our actions should be based on:

- Respect for the human person and the job
- Compliance with laws, namely those of economic competition,
- Respect for the environment
- Respect for our partners, customers, suppliers and shareholders.

We endeavor to uphold these values, not to see them as a constraint, but as the conditions of our harmonious and balanced development as energy for tomorrow. »

Yves KROTOFF,
Chairman of the Board, LACROIX Charter

The report on Corporate Social Responsibility (CSR) as published pursuant to section 225 of the law called «Grenelle 2» and its Enforcement Decree 2012-557 of 24 April 2012 expresses the values on which the LACROIX Group relies for its development in a practical and harmonized manner. These values have been set forth for over 60 years by the managers and staff of the Group, leading to a community of women and men who share the notions of respect and performance; a capital to preserve and nurture.

The information in the following paragraphs is established on the basis of a reporting protocol, available on request at the following email address: *lacroix@lacroix.fr*. This methodological internal Group guide specifies the definitions and calculation methodologies for quantitative indicators and identifies the elements to be considered for qualitative indicators. This allows for consistency of information provided in a consolidated format.
According to the legislation, this CSR report was validated by an independent auditor, namely the Environment and Sustainable Development Department of the E & Y Company.
As announced in the 2013 CSR report, we worked on expanding the reporting scope. Therefore, concerning this year's indicators with a wider scope, data cannot be compared to those presented last year. About the scope decided upon:

- The social and societal indicators generally concern the entire scope of the Group. Different areas will be specified.
- As far as environmental indicators are concerned, the principal subsidiaries of each of the three divisions, more particularly the major companies engaged in industrial activity, are consolidated. Are not included: the design office for Electronics, foreign distribution subsidiaries for Telemetry, service companies, foreign companies and SDS for Traffic Signs. Thus, the scope allows for a 93% cover of the Group consolidated revenue and 94% of the workforce. However, some indicators have a different consolidation scope, which will be detailed in due course.

The reporting period spans over the whole financial year, i.e. from 1 October 2013 to 30 September 2014. The comparative basis concerned thus covers the period from 01/10/2012 to 30/09/2013.

Company information

Jobs

Number of employees as of 30 September 2014

As at 30 September 2014, the LACROIX Group's workforce breaks down as follows (part-time jobs are listed according to the extent of their contribution):

Effectif	Electronics		Telemetry		Traffic Signs		Holding		Group	
	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013
Workers	2 028	1 391			212	233			2 240	1 624
ETAM*	499	390	60	56	275	282			834	728
Managers	438	384	86	83	147	157	4	3	674	627
Total	**2 965**	**2 165**	**146**	**139**	**633**	**672**	**4**	**3**	**3 747**	**2 979**

The workforce includes permanent contracts, fixed-term contracts not board members
* ETAM : Employees, Technicians and Supervisors

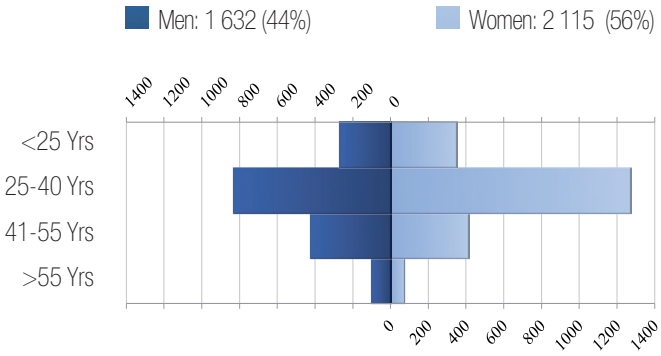
The overall increase in the number of employees (+ 26%) is mainly due to the increase in headcount in the Electronics division (+ 37%), more specifically within the Polish subsidiary, an area that has enjoyed tremendous growth with a 66% increase of its revenue.

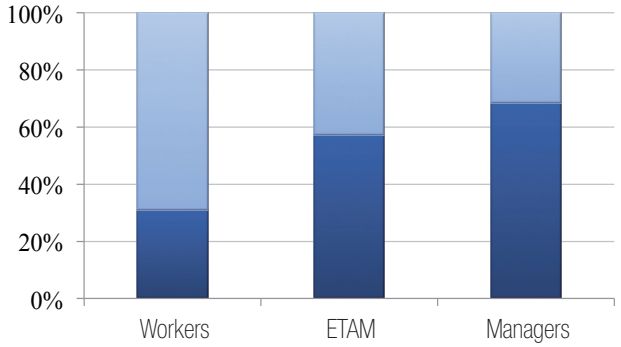
All these employees are supported by the temporary staff provided reaching an average of 139 full-time equivalents (FTEs) for the year; the figures break down as follows:

- 31 in the Electronics division;
- 2 in the Telemetry division;
- 106 in the Traffic Signs division.

The LACROIX Group workforce patterns are shown below (Permanent and fixed-term contracts):

Men/women breakdown



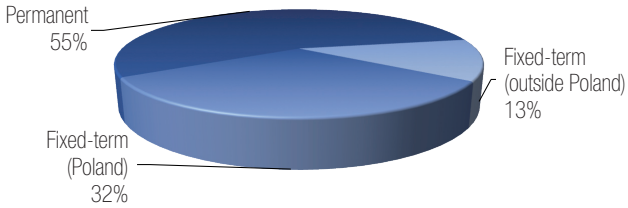


The distribution between men and women within the ETAM and Managers groups shown on a consolidated basis illustrates the overall Group situation. However, the distribution shown on a consolidated basis within the workers category is largely influenced by the situation in Poland. Indeed, 51% of our workers are based in Poland, of which 78% are women and 22% men.

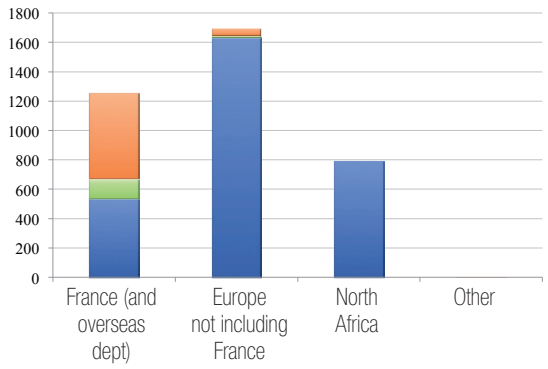
Open-ended and fixed-term contracts breakdown

Local labour laws are not always identical to those in the French legislation. The legislation in Poland is very specific about the types of employment contracts, which accounts for the large number of fixed-term contracts in that country as revealed by this pie chart.

Not including the Polish subsidiary, the distribution by employment contract is as follows: 79% Permanent. 21% Fixed-term.



Workforce by geographic region



The geographical distribution of the workforce is due to the activities of the Group's various divisions:

- The Electronics Division is present in France and Germany (design office and manufacturing), close to its customers and near to advanced industrial sites in Poland and Tunisia, which offer competitive costs for larger volumes.
- The Telemetry Division has a design office in France, and two distribution subsidiaries in Spain and Italy.
- The Traffic Signs division running on a highly standardized market keeps its production in France for the domestic market, as with our production site in Bilbao dedicated to the Spanish market.

Hirings

	Men		Women		TOTAL	
	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013
Workers	407	213	690	357	1 097	570
ETAM*	154	59	86	40	240	99
Managers	48	51	11	18	59	69
Total	**609**	**323**	**787**	**415**	**1 396**	**738**

** ETAM : Employees, Technicians and Supervisors*

Recruitment principles are based on matching the needs of vacancies and skills of candidates, outside discriminatory consideration, in accordance with the LACROIX Charter and in accordance with the provisions of ILO.

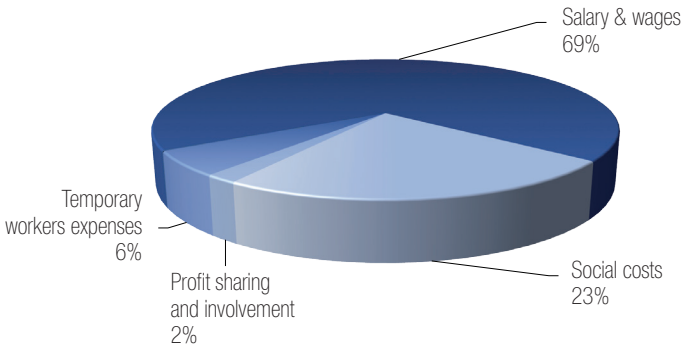
Departures

Motives	Period 2014	Period 2013
Resignation	181	74
Conventional termination	26	35
Layoffs	110	84
End of fixed-term contract	268	189
Retirement	19	15
Death	1	1
Miscellaneous	15	35
Total	**620**	**433**

Departures are mainly related to termination of fixed-term contract (43% of departures against 44% last year). Layoffs (including redundancies and gross negligence) represent 18% of all departures, against 19% last year. The most significant change in departure trends is due to resignations (29% of departures, against 17% last year). This is mainly related to the increase in the number of resignations on our Polish site, favoured by the fluidity of the labour market.

Workforce costs

(in €K)	Period 2014	Period 2013
Salary & wages	64 586	61 535
Social costs	21 886	22 070
Company and mandatory profit-sharing plans	1 799	1 939
Temporary workers expenses	5 194	6 296
Retirement costs	78	150
Share-based payments	12	14
TOTAL personnel-related expenses	**93 555**	**92 004**



Over the 2014 financial year, personnel-related expenses were up 1.7%, which is directly related to the evolution of the Group. The increase remains nevertheless limited compared to the growth in revenue and number of employees due to good control of the number of temporary workers together with a cutback in social charges in France (implementation of the CICE or -Tax credit for encouraging competitiveness and jobs- this year).

Organisation of working time

In France, the Group organizes working hours based on a 35-hour week:

- Either on an annualized basis,
- Or based on an average of 35 hours per week,
- Either in 2x8-hour shifts or 3x8-hour shifts,
- Or based on a fixed number of working days.

Overtime is organized according to the needs of production and workload, particularly in the Electronics division. Scheduling arrangements may occur, namely in the context of the Cross-Generation Contract Agreement.

Working hours abroad are dependent on the applicable legislation and the business of the subsidiary involved:

- In Spain and in Italy: 40 hours per week (Telemetry Division);
- In Germany: 35 to 40 hours, depending on contracts (Electronics Division);
- In Tunisia: 2x8-hour shifts over six days and 3x8-hour shifts over seven days for certain functions (Electronics Division);
- In Poland: 3x8-hour shifts over six days (Electronics Division).

Absenteeism

The scope here covers 99% of the Group's total workforce not including commercial companies outside mainland France.

Absenteeism rate by types	Period 2014	Period 2013
Short-term sick leave	2,01%	2,32%
Occupational diseases	0,00%	0,07%
Work and in itinere accidents	0,08%	0,13%
Maternity, paternity, adoption	0,95%	0,92%
TOTAL	**3,04%**	**3,44%**

Various types of measures were taken to reduce absenteeism. Among them:

- An awareness campaign on the risks related to travel and safety hazard within the Electronics division;
- According to local law, a formal reminder of the consequences of repeated absences on our German site;
- The promotion of a healthy lifestyle while allowing for greater cohesion amongst employees, particularly through multi-sport cards sponsored by LACROIX in Poland.

Organization of labour relations

In France, the Metallurgy and Public Works collective agreements apply in the Group.

The Group's companies are represented by six works councils and two bodies having equivalent duties with respect to local laws, which aim at fostering dialogue between management and labour. The works councils and equivalent bodies met 91 times during the past financial year.

7 collective agreements or amendments thereto were signed in 2014. They more particularly concern mandatory annual negotiations, the company profit-sharing plan, the mandatory profit-sharing plan (including exceptional pay-outs) and the company savings plan as well as an agreement on gender equality and senior agreements or third-generation contracts.

Health & Safety

In France, the Group has four HSWWCs (Health and Safety at Work and Working Conditions Committees), which held 28 plenary meetings during the period.

The health and safety of employees is fundamental to ensure the effective and operational functioning of the LACROIX Group. Several action plans have been made during the year, either through improving employee awareness through training, or via investments in order to improve working conditions. Accordingly, investments can be grouped into two categories: on the one hand better tools for the handling and management of workstations (€35 thousand) and on the other, enhanced safety over the use of chemicals (€12 thousand). In terms of employee awareness, in addition to classical training and regulated drills (various security clearances, workplace safety wardens, emergency evacuation drills....), several projects have included awareness on movements and working positions

as well as setting out more stringent specific rules regarding working at heights. Lacroix Signalisation conducts monthly target-specific information campaigns, i.e.: wearing personal protective equipment (PPE), Manual Handling, as well as movements and working positions, ergonomics or on-screen work ... Some studies and reflections were also carried out regarding gas emissions in some workshops, electromagnetic radiation when using certain tools or psychosocial risks (with the support of occupational medicine action plans will be launched in 2015).

Certain specific bodies allow for health and safety to be on permanent watch, particularly via internal safety audits (the committee held four meetings this year), or by obtaining OHSAS 18001 certification on the Saint-Herblain site (44).

Indicators on accidents at work are also closely monitored, not only concerning the permanent staff of the company, but temporary workers as well (fixed-term and temporary employees). The most risky activities of the Group in terms of workplace accidents chiefly concern road signage service teams, working with the KANGOUROU companies. Frequency and severity rate indicators are particularly closely watched and monthly interactions are held amongst the various teams using quizzes with a view to recall the rules in an entertaining way.

The scope of consolidation on this indicator concerns 99% of the total workforce. This does not include commercial companies outside mainland France.

The rates presented below relate to workplace accidents (excluding commuting accidents), and include accidents for temporary personnel.

	LACROIX Group	Kangourou Inc	LACROIX only
Accidents frequency rate (1)	9,24	25,79	8,81
Accidents severity rate (2)	0,16	0,36	0,16

(1) Number of accidents at work implying at least one working day lost x 1 000 000 / number of hours actually worked
(2) Number of working days lost due to accident at work x 1 000 000 / number of hours actually worked

The scope has been expanded compared to previous year; here is below the frequency and severity rates in 2013 and 2014, on a constant basis to 2013:

	Period 2014	Period 2013
Accidents frequency rate (1)	8,53	13,97
Accidents severity rate (2)	0,14	0,27

(1) Number of accidents at work implying at least one working day lost x 1 000 000 / number of hours actually worked
(2) Number of working days lost due to accident at work x 1 000 000 / number of hours actually worked

Regarding KANGOUROU companies, we may observe a higher number of accidents than the health insurance objective nationally-defined for the construction and public works activities, yet these are not as severe since they entail shorter periods off work.

Work accidents may have various causes depending on the activities of the subsidiaries. However, many occur when instructions and safety procedures have not been followed, mainly with employees with less seniority in the company. As such, communication programs are carried out, in order to remind personnel what the risks are and how to protect themselves. Accidents related to ill gestures or postures, especially in handling situations are most recurrent. In order to resolve such situations adequately, gestures and postures trainings have been set up, workspaces have been restructured and other implements like additional protections are being used.

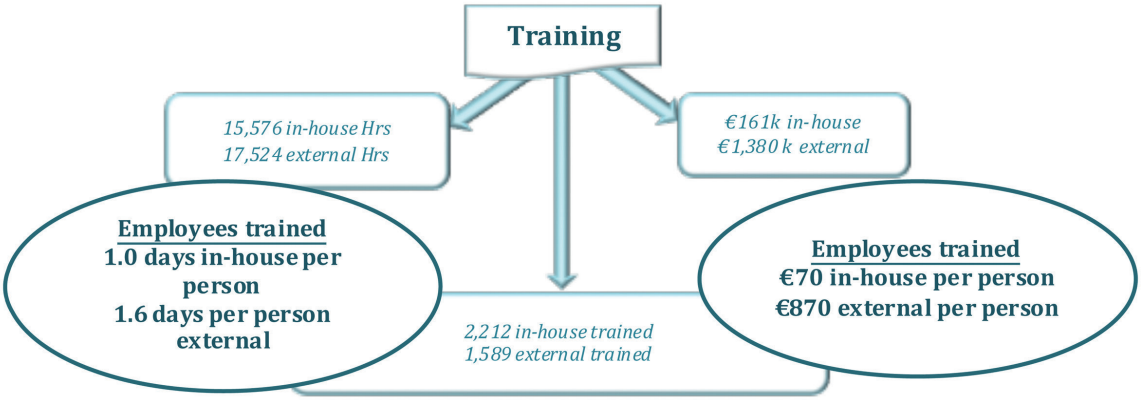
Within the Kangourou companies, work accidents are mostly related to poor enforcement of safety rules and unsystematic wearing of personal protective equipment (PPE) that cause falls from height, trip and fall-related accidents or material or tool handling hazards. This is why, each time such accidents occur within the companies we make a point of asking all service companies of the Signalling division for immediate feedback as well as a reminder of the rules that may result in corrective measures if necessary. A strong initiative to prevent and protect against risk was launched in January 2013, which helped divide the frequency rate by 3, and the severity rate by 5. This approach is based on the implementation of the Document Unique, a uniform occupational risks evaluation questionnaire, as a useful pedagogical and communication tool but also on field audits and restructuring towards certification. In this light, two of the Kangourou companies lead the way in this field and should be OHSAS 18001 certified sometime in 2015.

No days off work, for occupational disease, were recorded by the National Health Insurance Office this year.

More generally speaking, the divisions make a point of improving the quality of life at work, so that employees feel well at their workstations. In this perspective, Lacroix Signalisation has launched a campaign against risk addictive behaviours jointly with the National Association of Alcohol and Prevention (ANPAA 44) whose preventive action plan is to be introduced in 2015. Similarly, a social service worker performs stand-by duties at the Signalling division headquarters and is available to listen, advise and support personal as well as professional issues with anyone needing help.

Training

In 2014, and for the same scope as in the previous point, the key figures of in-house and external training are shown below.



The total training budget (in-house + external) in 2014 represented 2.4% of the total payroll.

A training plan is defined on an annual basis, taking into account the Group's strategic development priorities as well as feedback from supervisors and the wishes expressed by employees.

In 2014, training chiefly focused on the following:

- Managerial skills;
- Business skills;
- Project management Skills;
- Language skills;
- Technical skills (computer tools, electronics technology developments, changes in production tools).

Financial year 2014 also saw the launch of the Signa 'lunch concept within the Traffic Signs division. These moments of conviviality at lunchtime allow those who wish to perfect their English to do so in a casual and informal manner.

In addition, in 2014 the Group hired 32 young trainees on apprenticeship or professionalization contracts, and paid €199 thousand in apprenticeship tax, part of which goes directly to 54 partner schools.

Diversity, equal opportunities and equal treatment

The LACROIX Group makes a point of maintaining and promoting diversity and monitors age, gender, occupational category and disability-related indicators.

Aside from the indicators previously described it may be added that in 2014 the LACROIX Group hired 27disabled workers and started a partnership with various ESAT (training centres for the disabled) regarding 8 contracts; with a view to promote the employment of people with disabilities.

In mainland France, various action plans were developed whilst partnerships were renewed in order to fight against discrimination and promote diversity, such as:

- The signing of agreements on professional equality between men and women;
- The signing of intergenerational agreements to promote age diversity;
- Recall Campaigns about anti-discrimination rules in key processes such as recruitment;
- Active contribution to the GEIQ 44 (Employers' Group for the Insertion and Qualification) as a founding member;
- Partnership with the INSERIM temporary work agency (and other local regional centres) that help people with work re-entry difficulties;
- Partnership with a second-chance school (E2C), in order to give that second chance to young people leaving school with no qualifications;
- Partnership with MEDEF (44), an organization representing French companies, for the Employers and Disability fair.

Promotion and observance of the stipulations of the fundamental conventions of the International Labour Organization

The Group subscribes to the principles of the Universal Declaration of Human Rights and complies with the provisions of ILO's conventions on freedom of association and the right to collective bargaining, the elimination of discrimination in matters of employment, the elimination of forced labour and the abolition of child labour.

In its charter of values, the Group undertakes to comply with current laws, agreements and regulations and reminds employees of their duty to respect people that the company promotes. The charter of values is given to all new employees when they join the company.

Environmental information

The scope for environmental information concerns the entities listed below:

- Industrial sites of the Electronics division (the R&D centers are excluded from the scope)
- The division head for Telemetry (no industrial activity for this division);
- Significant industrial sites for the Traffic Signs division (Lacroix Signalisation and Lacroix Trafic).

The scope allows covering 93% of the Group's revenue and 94% of the workforce. In the event of a different perimeter for a specific indicator this would be mentioned.

General environmental policy

For several years the LACROIX Group has been enforcing a proactive environmental policy, remarkably noticeable through various certifications and challenges in terms of continuous improvement. As of 30 September 2014, 7 sites were ISO 14001 certified (including 6 industrial production sites and an engineering department). The Tunisian production site was as well certified in 2014. Each industrial site has its own organization, enabling it to maintain the system in place, monitor the environmental impact of its activities through various indicators as well as, enhance efficiency and management practices. Examples of these organizations are listed below:

- Safety, Health and Environment Committee (HSE) and their partners in chemical products, waste and safety.
- Internal auditors trained in HSE;
- Participation in an external HSE committee aiming at promoting the environment and sustainable development through its activities and products (in Tunisia).

In order to be efficient, environmental policies must be known, shared and applied by all employees. Therefore, various measures have been put into place, such as:

- Promoting the company policy to new employees (training is included in the integration process, QSE Passport is delivered);
- Regular communication through notice boards together with evolution charts of the indicators and the latest news;
- The launching of thematic campaigns on various topics such as: energy saving, waste sorting, managing spills, etc. -via video screens, through monthly campaigns like PREVENTIX Securix or via production flash meetings...
- Training of employees in sensitive positions; such as those using chemicals.

In order to reduce our environmental impact, the LACROIX Group spent €850 thousand in fiscal year 2014; these investments are detailed below:

- The change in heating energy (changeover from fuel oil to gas) on the St-Pierre-Montlimart site (49);
- The purchase of a new production machine to reduce aluminium scrap for the Traffic Signs division;
- A new suction and filtration system for welding gases on the Carros site (06).

Known risks today do not justify booking provisions for environment-related matters.

The Lacroix Sofrel Company, head of the Telemetry Division was awarded the International Innovation Prize at the environment and green growth exhibition, Pollutec 2013 (Paris, December 2013),

This award as part of the 3rd edition of the « Eco-Company Export Trophies « is awarded by ADEME (the French Environment Protection Agency), UBI France (French agency for international trade development) and BPI France (public investment bank), to companies with a successful eco-technological approach abroad. The award recognizes the work and commitment of all Lacroix Sofrel teams abroad who commit themselves on a daily basis to develop innovative solutions for the optimization of water resources, environmental protection and energy efficiency.

Pollution and waste management

Emissions relating to industrial processes

VOC emissions in kilos	N	N-1	Evolution	Change in revenue
Electronics Division *(financial period)*	3 209	3 362	-5%	23%
Traffic Signs Division Lacroix Signalisation not included *(financial period)*	538	NA	n.s.	n.s.
Lacroix Signalisation *(calendar year)*	5 358	7 213	-26%	-23%

Lacroix Signalisation is the only company required to provide a VOC calculation report; this report is thus based on a calendar year to meet the DREAL requirements, (the regional environment directorate).

Given the evolution of the corporate revenue within the perimeter of VOC emitting companies (Volatile Organic Compounds), the evolution of VOC emissions is partly due to the decline in activity in the Traffic Signs division yet may be accounted for by the particular means implemented to reduce VOC emissions in the Electronics division. The measures set forth this year are the following:

- The use of varnishes containing less VOCs and more generally speaking enhancing the use of products containing fewer VOCs;
- The use of filters in the paint shops and the like (Electronics)
- Storage of chemicals in special units.

COD discharges in kg	N	N-1
Lacroix Electronics France *(financial period)*	154	158
Lacroix Signalisation *(calendar year)*	25	44

Lacroix Signalisation is the only company subject to prefectural decree concerning COD discharges calculation and issues its report on a calendar year basis.

Lacroix Signalisation's COD Discharges (Chemical Oxygen Demand) have decreased significantly following the acquisition of a silk screen cleaning machine, allowing fewer products to be used and therefore produce less COD. However Lacroix Electronics are responsible for some COD discharges since

they acquired a PCB cleaning machine in 2013 due to their involvement the military business and aeronautics. The other companies of the group do not discharge any COD as their systems operate in closed loops.

Concerning pollution from the use of chemicals, the Electronics division has implemented the following:

- A permanent technology watch concerning environmentally-friendly products;
- A sense of awareness from its direct customers regarding the use of environmentally-friendly products in the process of assembling electronic boards;
- Requiring suppliers to comply with regulations as well as an obligation to inform the company in case of hazardous or toxic substances being delivered.

Waste

The LACROIX Group's activities produce various types of waste which is recycled whenever possible. Trends in waste production and recovery are presented below:

Annual tonnage	Period 2014	Period 2013
Ordinary industrial waste (OIW)	895	923
OIW recyclable rate	*87%*	*89%*
Hazardous Industrial Waste (HIW)	476	207

23% of HIW issued during the fiscal year 2014 are related to the pumping of surface treatment baths that have been dismantled since within Lacroix Signalisation. These baths were disassembled following the introduction of a surface treatment line with sprinkling equipment in order to stop using hexavalent chromium.

Each division implements specific actions to reduce waste generation and optimize recovery.

The following actions have been initiated or pursued over the past financial year:

Electronics division

- Visual management with video support to improve awareness in waste sorting,
- A change in service provider to optimize recovery;
- Source separation with in-house tin slag recycling.

Lacroix Electronics is also a partner of Datec Technologies, in a Tree-planting mission meant to offset the CO2 emissions related to waste treatment.

Telemetry Division

As the Telemetry division is not a production site, the emitted wastes are limited in quantity and type. However, the team is also working on reducing waste emissions, in particular by optimizing product packaging (boxes reusable shuttle crates, using cardboard as well as recycled and recyclable protective foam materials...).

Waste is recycled into secondary raw materials.

Traffic Signs Division

- Investment in a production tool for reducing aluminium scraps;
- Sorting of reusable mixed materials in a high performance local sorting centre.

The compacted reusable mixed materials are recycled in energy recovery circuits whilst metals are recycled as raw materials.

Sustainable use of resources

Water

The water consumption on our production sites including the head of the Telemetry Division totals 20,174 m^3, against 14,624 m^3 in the prior period. While our activity growth is mainly responsible for the increase in our water consumption, this is due to the new sprinkler surface treatment line, within the Traffic Signs Division. Our Tunisian site, which is located in a water stress area, represents 25% of our water consumption. Water performs different functions in the industrial processes, according to division:

Electronics Division

- Washing electronic boards;
- Controlled environment chambers cooling circuits, recovering rainwater that function in closed-loop containment systems.

Telemetry Division

- No industrial use of water.

Traffic Signs Division

- Tightness tests for the housings of variable message signs, owing to the CE certification of our products;
- Surface treatment of panels and bases before lacquering;
- Stripping, reclaiming and treating ghost images on silkscreens.

Aluminium

Aluminium is the main raw material used in our manufacturing processes, this within the Traffic Signs Division only.

With an expanded scope of reporting this year, the first table illustrates our consumption information on a consolidated basis only without comparison with the previous year. The aluminium scrap rate of the division's major production sites is about 13% for a consumption of nearly 1,500 tons in 2014.

Aluminium (tons)	Period 2014
Consumption	1 462
Waste	187
Scrap rate	13%

The second table shows the changes in aluminium consumption on a perimeter identical to that reported in 2013.

Aluminium (tons)	Period 2014	Period 2013
Consumption	1 284	1 221
Waste	157	175
Scrap rate	12%	14%

In order to further optimize aluminium waste, Lacroix Signalisation made a targeted investment in the year 2014, which will be fully operational at the beginning of 2015. A continuous improvement commission on waste meets on a regular basis with a view to monitor our aluminium scrap and implement action plans for optimization. 100% scrap metal is recycled.

Energy Consumption

Consumptions	Period 2014	Period 2013
Electricity (MWh)	17 509	16 051
Gas (MWh)	7 000	6 927
Fuel oil (m^3)	4	180

Our German site uses renewable energies for some of its power supply. About 2,5% of the Group's power consumption is thus based on renewable energies.

The decrease in oil consumption is related to the transition to gas heating on the Saint-Pierre-Montlimart (49) site, which allows for lower CO2 emissions with a steady energy demand.

CO2 emissions from consumption presented above have been estimated using the carbon base from ADEME (the French Environment and Energy Management Agency), Version 7,1, and amounted to 8,969 tons against 7,935 tons last year. This trend is in keeping with the growth of our activity.

Several measures were taken over the financial year in order to reduce our energy consumption:

Electronics Division

- Insulation of external cooling pipes;
- Changeover from fuel oil to heating gas.

Telemetry Division

- Replacing light sources by low energy lighting over time;
- Thermal insulation of suspended ceilings over time.

Traffic Signs Division

- Replacing light sources in workstations by low energy lighting;
- Employee awareness concerning the use of air conditioning and lighting in offices;
- Biannual campaigns concerning the reducing of compressed air leakage losses
- Reflection on the creation of an energy commission and the new tasks it may be entrusted.

Other environmental impacts

Noise pollution is not a major issue in our activities. So while selective measurements of noise levels are taken on certain sites – for the Electronics Division: in Germany (every five years), in France (one measurement in 2004, not requiring subsequent tests), in Poland (every year); for the Traffic Signs Division: in France (upon demand) – confirming compliance with regulatory requirements, noise is a minor issue for most of the sites.

Similarly, the area of ground occupied by the Lacroix Group sites is insignificant and does not warrant a dedicated indicator.

Climate change and biodiversity protection

In view of its activities and geographical location, the Group is hardly affected by the consequences of climate change. Therefore no specific action has been taken in this respect.

Given the small impact of its activities on biodiversity, the Group has not introduced any specific policy in this respect, although it continues to keep a watchful eye on its environmental footprint.

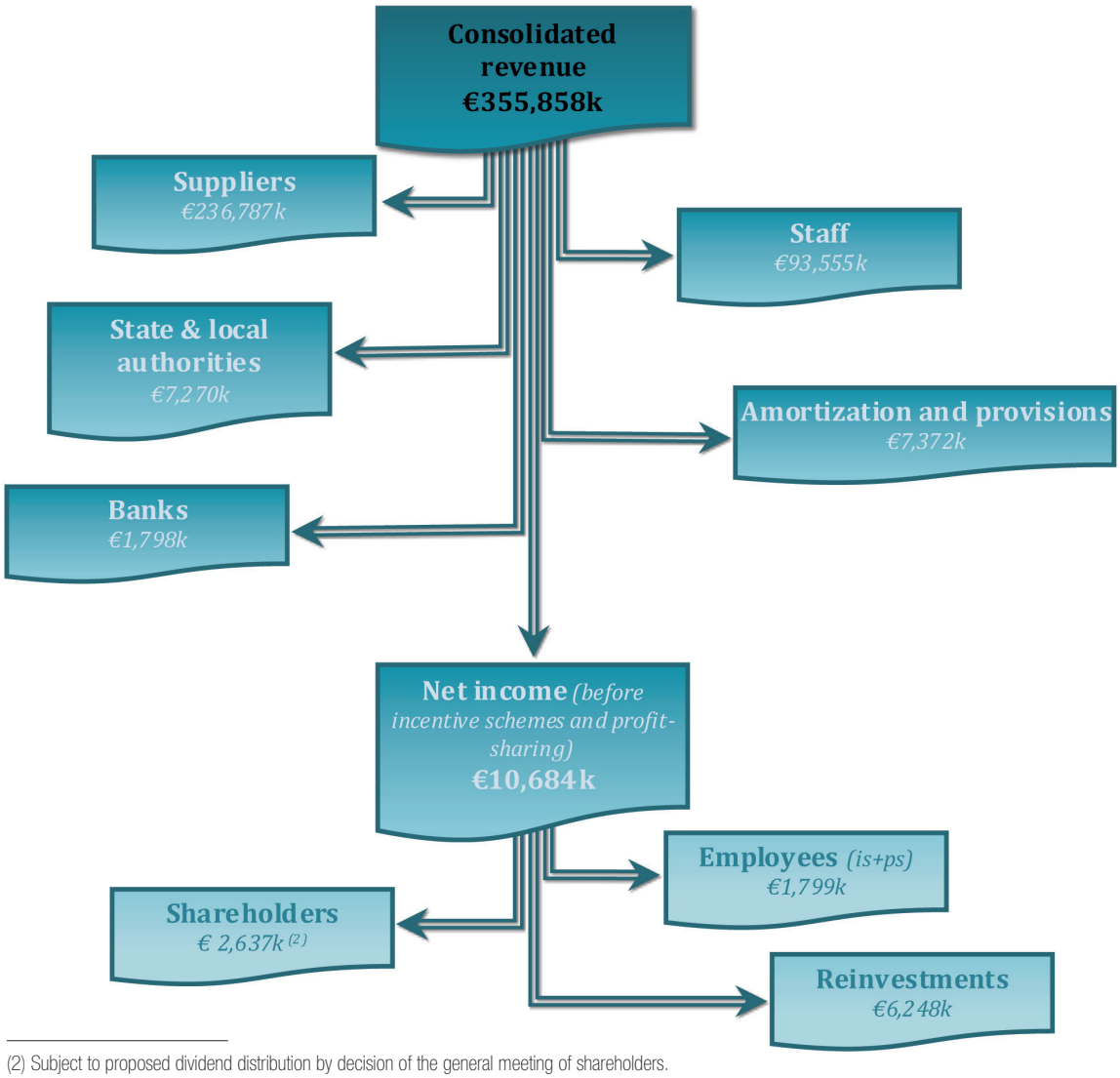
Societal data

The information in this part concerns all the Group's companies.

Territorial, economic and social impact of the company's activity, and relations with organizations affected by the company's activity

Given the size of its manufacturing units, the LACROIX Group is a major employer in each of its industrial sites. LACROIX are the second largest employer in the Pomorskie area in Poland and in the Tunisian Zriba industrial zone in the governorate of Zaghouan, as well as a significant player in the Mauges and the Nantes region, (amongst the top five employers in Montrevault's community of communes).

Revenues generated by the LACROIX Group during fiscal 2014 have been disbursed amongst our various stakeholders as follows:



(2) Subject to proposed dividend distribution by decision of the general meeting of shareholders.

More than 50% of the net income is being reinvested again this year in the Group, so as to foster sustainable and profitable business growth. The other half is shared between employees and shareholders on a flexible basis over the years.

The positive impact in the local community was rewarded in 2014 with two prizes received by two companies in the Electronics division:

- The Minister of Labour and Social Policy of Poland rewarded Lacroix Electronics Poland in June 2014 as part of major industrial companies for its contribution to employment and the quality of its social policy to its employees.
- FIPA (Foreign Investment Promotion Agency) awarded Lacroix Electronics Tunisia in June 2014 prize of the better-integrated investment companies. Each year, the organization rewards foreign companies operating on the Tunisian soil that best contribute to the local economy and sustainable development.

Companies amongst the LACROIX Group are involved in their local environment in different ways:

- Meetings with local representatives within our facilities (Mayors, Delegates, members of the Chamber of Commerce and Industry, Governors...)
- Strong involvement in local projects about travel issues in Saint-Pierre-Montlimart (49);
- Involvement in locally-elected councillors' projects intended to revitalize the regions such as an Open Day in Tunisia to promote investment, the contribution to schemes for welcoming newcomers in Poland and enhance the attractiveness of the country, or welcoming job fair visitors as part of the business week forum in France.
- Active members of various associations and clusters, including piloting working groups (Lea Valley associations in France, ZVEI and Unternehmerschaft Niederrhein in Germany);
- Participation in sporting events with teams from the LACROIX group with events like the Toulouse marathon, the Nantes trail and Half Marathon or the volleyball championship in Kwidzyn (Poland).

In the same way, the LACROIX Group is actively involved in local educational life and has developed partnerships with a number of organizations as listed below:

- Partnership with a renowned tech school in Malbork (Poland): partaking in the development of educational programs modelled on professional reality; part of the plant was made available to visitors for better practical appreciation;

- Partnership with the Polytechnic School of Tunis (Tunisia) and its promotional event through an introduction to the company and career opportunities within the group;
- Partnerships with local educational establishments like OSEO Angers, Ecole des Mines (school of engineering) and CESI in Nantes or the engineering school INP-ENSEEIHT in Toulouse; this was concretized by miscellaneous actions such as plant tours, introducing careers and jobs to students, attending job fairs or hiring interns and work-study students;
- Participation in the jury of the Audencia School of Management in Nantes.

Such valuable interactions allow partner schools to integrate into their courses some applied training about the real world of business, within walking distance as well, and allow the LACROIX Group in return to help train students and / or recruit fresh graduates.

Subcontracting and suppliers

Beyond mere economic performance, our suppliers are appraised according to quality, safety and environmental criteria (among other things their certifications, organizations specifically in place to guarantee the quality of their products or services, measures taken to limit environmental impact, etc.), their logistics performance and their adaptability. Our purchasing departments, in partnership with our quality departments, carry out regular audits of our suppliers to ensure that our requirements are effectively observed. The issues addressed may be of various kinds such as the ability of the suppliers to respond to our needs, their technical skills, their quality management system or their environmental compliance for instance.

In addition, 4% of our activity is outsourced, either because it is not our core business or because we lack internal resources to absorb certain peak workloads. Outsourced activities vary according to the division concerned.

Electronics Division

- Outsourcing Capabilities with assembly of components;
- Technical outsourcing: component-setting in France and conformal coating in the UK.

Telemetry Division

- Hardware and software development.

Traffic Signs Division

- Capacity outsourced to local contractors, just about anywhere in France;
- Technical outsourcing for activities that cannot be controlled internally (ground markings for certain service subsidiaries), always to local suppliers as proximity of work sites is essential.

Fair practices

Internally

As mentioned in the introduction, the LACROIX Group relies on fundamental values exposed in its Charter of principles and values to which all employees must adhere.

Furthermore, an *Anti-corruption* charter was drafted during financial year 2014 and is applicable to each site of the Electronics division. The charter must be accepted and respected by all employees, especially those in relationships with customers or suppliers, as well as the finance departments, the human resources and the management committee. All personnel, as well as all entrants, regardless of the position, have accepted and signed the charter when drafted.

The Group has an internal audit and control department whose main task is precisely the control of regulatory aspects and particularly compliance with the competitive rules.

Concerning stakeholders

As far as the Traffic Signs and Telemetry Divisions are concerned, revenue is mainly generated in France and thus little exposed to the risk of corruption. The Electronics Division's activity is more international, with manufacturing sites, namely in Tunisia, identified as a potential risk zone according to the Corruption Perceptions Index (CPI) 2014, published by Transparency International. However, the activities conducted on these sites concern major international groups based in Western Europe, which does not expose these companies to the risk of corruption either.

The development of the Traffic Signs Division's activities in Africa and the Middle East could further expose the Group in the coming years. However, business is mostly done with international public works contractors and not directly with local communities; besides, the portion of business conducted in these countries remains marginal (the revenue for the Cameroon subsidiary amounted to €95 thousand as of the end of September 2014, or 0.03% of the Group's consolidated revenues).

Concerning end-consumers

The LACROIX Group is committed to providing the highest quality to its customers and therefore to end users, both from a standpoint of delivered products and systems and as a perspective for services rendered. In this perspective, quality services attached to the various divisions' industrial departments analyse incoming materials, manufacturing and business processes and suggest areas for improvement when needed. Similarly, the Group's various sites have obtained certification for better products and services.

The following sites have obtained ISO 9001 certification on quality management:

Traffic Signs Division:

- ***Industrial sites:*** Saint-Herblain (44), Carros (06) ;
- ***Commercial agencies:*** Saint-Herblain (44), Genas (69), Herblay (95), Florange (57), Bordeaux (33), Vannes (56).

The division is working on expanding the number of ISO 9001certifications. As such and concerning the provision of services department, the Kangourou Rhône-Alpes and Normandy sites lead the way and should obtain current certification in 2015.

Electronics Division:

- ***Industrial sites:*** St-Pierre-Montlimart (49), Kwidzyn (Pologne), Zriba (Tunisie), Willich (Allemagne) ;
- ***R&D centers:*** Vern-sur-Seiche (35), Ramonville (31), Fontaine (38), Quimper (29).

Customers of the Electronics Division operate in high-criticality sectors. Therefore, the division has taken adequate measures in view of obtaining targeted certifications:

- ***ISO TS 16949:*** Industrial Quality Control in the automotive sector;
- ***ISO 13485:*** Industrial Quality Control in the medical sector;
- ***EN 9100:*** Industrial Quality Control in the aerospace sector;
- ***DO 254:*** Control of quality design in the aerospace industry;
- ***PART 21G and PART 145:*** Production Approval, maintenance and repair services for the aerospace industry.

Community services and corporate sponsorship

In 2014, the Group allocated an annual employee benefits budget of more than €440 thousand. This amount is mainly used to fund ticket offers, holiday and gift vouchers, discount coupons and other types of benefits with local partners.

In parallel, in 2014, the Group has been funding a number of social responsibility projects through donations and partnerships, as listed below:

- Lacroix Electronics Solutions took par in a one-day event with ELA,

The European Leukodystrophy Association, where each stride taken throughout the day went in the prize pool.

- Lacroix Signalisation, sponsored the Nantes 2014 ODYSSEA walk/run- an idea of one of its employees- in, which the collected funds helped finance breast cancer research; as an internal incentive the company paid the association an amount equal to the entry fees paid by the employees.

8 – Regulated agreements

We ask you, in accordance with Article L. 225-86 of the Commercial Code and our bylaws, to approve the agreement referred to in that article and concluded during the past financial year.

Your statutory auditors have been duly notified of this agreement, which they described in their special report.

	ISO TS 16949	ISO 13485	EN 9100	DO 254	PART 21G PART 145
Industrial Sites					
•St-Pierre-Montlimart (49)	x		x		
• Willich (Germany)	x	x			
• Zriba (Tunisia)	x		x		
• Kwidzyn (Poland)	x				
R&D centers					
• Vern-sur-Seiche (35)	x		x		
• Ramonville (31)			x	x	x
• Fontaine (38)					
• Quimper (29)					

9 – Engagements of statutory auditors

Terms of office of members of the Supervisory Board

The term of office as a member of the Supervisory Board of Madame Marie-Reine BEDOUIN will expire at the end of the next General Meeting.

We propose that it be renewed for a term ending at the close of the General Meeting in 2018 adjudicating on the accounts of the fiscal year.

We point out that no other term as member of the Supervisory Board will expire at the end of the General Meeting.

Compensations and benefits received by the company representatives

Pursuant to Article L. 225-102-1 of the Commercial Code, we give you the total compensation value and benefits of all kinds paid to company representatives during the financial year ended 30 September 2014, by the company and entities controlled within the meaning of Article L 233-16 of the Commercial Code.

Board of Directors

According to the AFEP / MEDEF recommendations, Compensation paid to Management and Supervisory Board members during the financial year were as follows:

Compensation payable and options and shares allocated to each corporate director:

Yves KROTOFF Chairman of the Board	Financial year 2014	Financial year 2013
Compensation due in respect of the year Value of stock options granted during the year Valuation of performance-based shares allocated during the year	279 459	241 052
Vincent BEDOUIN Board Member		
Compensation due in respect of the year Value of stock options granted during the year Valuation of performance-based shares allocated during the year	275 313	214 917
Nicolas BEDOUIN Board Member		
Compensation due in respect of the year Value of stock options granted during the year Valuation of performance-based shares allocated during the year	124 151	96 540

The variable compensation of the corporate officers is validated by the Supervisory board.

The variable compensation components are determined based on the achievement of objectives reviewed annually, which are not disclosed for confidentiality reasons.

Summary table of compensation

Yves KROTOFF Chairman of the Board	Period 2014		Period 2013	
	due	paid	due	paid
Fixed pay package	168 417	168 417	130 000	130 000
Variable pay package	100 000	100 000	100 000	100 000
Exceptional compensation				
Director's fees				
Fringe benefits	11 042	11 042	11 052	11 052
Total	**279 459**	**279 459**	**241 052**	**241 052**
Vincent BEDOUIN Board Member	**Period 2014**		**Period 2013**	
	due	paid	due	paid
Fixed pay package	190 796	190 796	140 400	140 400
Variable pay package	80 000	80 000	70 000	70 000
Exceptional compensation				
Director's fees				
Fringe benefits	4 517	4 517	4 517	4 517
Total	**275 313**	**275 313**	**214 917**	**214 917**
Nicolas BEDOUIN Board Member	**Period 2014**		**Period 2013**	
	due	paid	due	paid
Fixed pay package	96 539	96 539	73 847	73 847
Variable pay package	25 000	25 000	20 000	20 000
Exceptional compensation				
Director's fees				
Fringe benefits	2 612	2 612	2 693	2 693
Total	**124 151**	**124 151**	**96 540**	**96 540**

The information relating to amounts owed refers to amounts accrued for the financial year unlike the amounts paid that indicate the variable part awarded for the previous year.

Attendance fees

Management Board members did not receive any attendance fees during the financial year.

Stock-option or stock-purchase plans for shares granted during the financial year

No stock-options or stock-purchase plans were granted to Board members during the financial year.

Share subscription and purchase options exercised during the financial year

No share subscription or purchase options were exercised during the financial year.

Performance shares allocated and available

The Company did not grant any performance shares during the financial year or the previous years.

Information on compensation paid to Board members of the Company (Article L. 225-102-1 of the French Commercial Code).

Figures are in €uros

Name	Office	Position	Fixed pay package	Variable pay package	Fringe benefits	Supplementary pension & other benefits	Total
Yves KROTOFF	Chairman of the Board	Chairman	168 417	100 000	11 042	36 844	316 303
Vincent BEDOUIN	Board Member & Managing Director	Managing Director	190 796	80 000	4 517	24 813	300 126
Nicolas BEDOUIN	Board Member	Finance director	96 539	25 000	2 612	12 308	136 459

We draw your attention to the following details:

- The Company has approved a commitment to the Chairman of the Board. This is the payment of compensation in the event of non-renewal or revocation of Yves KROTOFF's term as Chairman of the Board. This compensation is set at an amount equal to the total gross remuneration (fixed and variable) received by Mr KROTOFF over the last eighteen months of its mandate.

Supervisory Board

Figures are in €uros

Name	Office	Position	Fixed pay package	Variable pay package	Fringe benefits	Supplementary pension & other benefits	Directors' fees	Total
Jean-Paul BEDOUIN	Chairman of the Supervisory Board	Chairman	104 000				6 000	110 000
Pierre TIERS	Member of the Supervisory Board	Ad-Hoc member					7 000	7 000
Hugues MEILI	Member of the Supervisory Board	Ad-Hoc member					7 000	7 000
Marie-Reine BEDOUIN	Member of the Supervisory Board	Member					12 000	12 000
Hubert de BOISREDON	Member of the Supervisory Board	Ad-Hoc member					6 000	6 000

We point out that no member of the Supervisory Board was awarded any stock options.

List of terms of office and functions

Pursuant to the provisions of Article L. 225-102-1 of the Commercial Code, we present below the list of all positions held amongst the Group by each corporate officer of the company.

Board of Directors

Name	Term of office	Company
Yves KROTOFF	Chairman of the Board Managing Director PR Lacroix SA administrator	LACROIX SA SCI LTI SUD-EST LACROIX TRAFFIC BELGIUM
Vincent BEDOUIN	Board Member And Executive Director President President President President President	LACROIX SA SAS LACROIX ELECTRONICS SAS LACROIX SOFREL SAS LACROIX IV SAS LACROIX SIGNALISATION SAS LACROIX TRAFIC
	President President Managing Director Permanent Representative Lacroix Signalisation Managing Director President President President President President President President President Member of the Supervisory Board Managing Director Managing Director Managing Director	SAS Société des Signalisations SAS LACROIX OCEAN INDIEN SARL LACROIX MAYOTTE SAS LACROIX PACIFIC SARL LACROIX CITY SAS KANGOUROU AQUITAINE SAS KANGOUROU IDF SAS KANGOUROU EST SAS KANGOUROU Normandie SAS KANGOUROU Nord Pas de Calais SAS KANGOUROU OUEST SAS KANGOUROU PACA SAS KANGOUROU Rhône Alpes SAS KANGOUROU Sud-Ouest SAS VINILA INVESTISSEMENTS SARL LACROIX III SARL LACROIX V SARL LACROIX VI
Nicolas BEDOUIN	Board member Member of the Supervisory Board	LACROIX SA SAS VINILA INVESTISSEMENTS

Supervisory Board

Name	Term of office	Company
Jean-Paul BEDOUIN	Chairman of the Supervisory Board President	LACROIX SA SAS VINILA INVESTISSEMENTS
Pierre TIERS	Member of the Supervisory Board Board member President Executive Director Member of the Supervisory Board PR of CM CIC Capital Finance President Executive Director PR of CM CIC Investissement Managing Dir PR of EFSA administrator PR of CM CIC Investissement administrator	LACROIX SA CM CIC CAPITAL FINANCE SAS CM CIC Capital Innovation SAS CM CIC Investissement CM CIC CAPITAL PRIVE CM CIC Ingénierie CM CIC Capital & Participations SCI VILLA CAMUS CM CIC SECURITIES Association NAPF
Hugues MEILI	Member of the Supervisory Board President and Executive Director President President President Administrator	LACROIX SA NIJI SA KURMI-SOFTWARE SAS BORDILLA SAS IKUMBI SOLUTIONS SAS Crédit Agricole d'Ille et Vilaine
Marie-Reine BEDOUIN	Member of the Supervisory Board Chairman of the Supervisory Board	LACROIX SA SAS VINILA INVESTISSEMENTS
Hubert de BOISREDON	Member of the Supervisory Board President President President President	LACROIX SA ARMOR SAS PRINTOR SAS EN4 SAS ALSENS SAS

10 – Statutory Auditors' terms of office

The terms of the following: ERNST & YOUNG et AUTRES and ATLANTIQUE REVISION CONSEIL, Statutory Auditors, as well as Jean-Paul CAQUINEAU together with AUDITEX as Alternate Auditors, will expire at the close of the next Annual General Meeting.

We propose that they be renewed for a period of six years, i.e. at the end of the General Meeting adjudicating in 2021 on the accounts for the year.

11 – Appropriation of income

We request that you approve the appropriation of net income for the year amounting to 7 312 084 euro as follows:

Profit for the year	7 312 084 euros
Plus	
The Retained Earnings brought forward from prior year	410 352 euros
Results in distributable earnings of	7 722 436 euros
Dividends to shareholders	2 636 592 euros
Or 0.70 euros per share	
Balance	5 085 844 euros

For an amount of €5 million in «Other Reserves» which thus amounts to the sum of 38.5 million euros and in the amount of 85,844 euros to «Retained earnings» which thus amounts to the sum of 85,844 euros. Understanding that this amount will be increased of the dividend fraction corresponding to the shares held by the Company, within the framework of its share buy-back program.

We remind you that since 1 January 2013, income distributed is subject to income tax at progressive rates, in accordance with the provisions of Article 117 quater of the amended Tax Code, a mandatory 21% flat rate withholding tax is to be applied to the income tax.

We also inform you that pursuant to the provisions of Article L. 136-7 of the Social Security Code, social contribution deduction on dividend income, under the progressive income tax schedule, eligible or not for the 40%tax reduction, are withheld at source by the paying agent, when it is established in France; payable to the tax authorities no later than within the first fifteen days of the month following the payment of the dividend.

The dividends will be paid out on April 15, 2015.

The result of this allocation in the amount of equity amounts to 69,579,618 euros, before dividend fraction of own shares held by the Company.

According to the law, the General Meeting notes that the dividends distributed for the last three financial years were as follows:

Financial Yr	Total Number of shares	Number of dividend bearing shares	Net dividend per share	Dividends paid
2010 - 2011	3 766 560	3 568 332	0,50	1 784 166
2011 - 2012	3 766 560	3 568 981	0,50	1 784 490
2012 - 2013	3 766 560	3 570 866	0,50	1 785 433

12 – Attendance fees

We recommend setting the annual amount of attendance fees allocated to the Supervisory Board for the current financial year, the sum to 30,000 euros.

13 – Information relating to securities transactions

In accordance with Article L 621-18-2 of the French Monetary and Financial Code and the General Regulations of the AMF, we inform you that no transaction carried out by LACROIX SA corporate officers involving the Company has been brought to our attention in the financial year.

3. Report of the independent third party on the consolidated social, environmental and societal data contained in the management report

To the Shareholders,

In our capacity as an independent third party accredited by COFRAC [3] under number 3-1050 and network member of one of the Statutory Auditors of Lacroix SA, we hereby report on the social, consolidated environmental and societal data for the year ended 30 September 2014, presented in the «corporate Social Responsibility» of the management report, hereinafter the «CSR information» under the provisions of Article L. 225-102 -1 of the commercial Code.

Corporate Responsibility

It is for the administration to establish a management board report including CSR information provided for in Article R. 225-105-1 of the French Commercial Code, in accordance with the standards used by the company, compounds Reporting Protocol Corporate Social Responsibility (hereinafter the «Reference Procedures») available on request from the Company at the following address: lacroix@lacroix.fr.

Independence and quality control

Our independence is defined in the regulations, the profession's Code of Ethics and the provisions of Article L. 822-11 of the Commercial Code. In addition, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with the rules of conduct, professional standards and applicable laws and regulations.

Responsibility of the independent third party

It is our responsibility, on the basis of our work:

- to certify that the required CSR information are present in the Management Report or subject to, if omitted, an explanation pursuant to the third paragraph of Article R. 225 105 of the Commercial Code (certificate of attendance CSR Information);
- to provide a moderate assurance conclusion on the fact that CSR information, taken together, are presented, in all material respects, in a sincere manner, in accordance with the Reference (Reasoned opinion on the fairness of CSR Information).

Our work was conducted by a team of four people between July 2014 and January 2015 for a period of about nine weeks.

We performed the work described below in accordance with professional standards applicable in France and the Decree of 13 May 2013 determining the manner in which the independent third party conducts its mission and on the reasoned opinion sincerity, to international standard ISAE 3000 [4].

1. Certificate of attendance CSR Information

We learned, based on interviews with the heads of departments concerned, of the explanatory guidelines for sustainable development, based on social and environmental consequences of the activity of the company and its societal commitments and, where appropriate, actions or programs that result.

We compared the CSR disclosures required in the annual report with the list provided for in Article R. 225-105-1 of the French Commercial Code.

In the absence of some consolidated information, we verified that explanations were provided in accordance with Article R. 225-105 paragraph 3 of the Commercial Code.

We verified that CSR information covering the scope of consolidation, ie the company and its subsidiaries within the meaning of Article L. 233-1 and the companies it controls within the meaning of Article L. 233-3 of the commercial Code, with the limits specified in the introduction of the chapter «Corporate Social Responsibility Company» of the management report, including the exclusion of the R&D Centers for the Electronics Division, foreign subsidiaries for Telemetry, service companies and outside of mainland France for the Traffic Signs Division.

Based on this work, and given the limitations mentioned above, we confirm the presence in the Management Report of the required CSR information.

2. Reasoned opinion on the fairness of CSR Information

Nature and scope of work

We conducted two interviews with those responsible for the preparation of CSR information to the management of internal control and the administrative and financial officer, in charge of the information gathering process and, where appropriate, responsible for internal control procedures and risk management to:

- assess the appropriateness of the repositories in terms of their relevance, completeness, reliability, neutrality and understandability, taking into account, where appropriate, industry best practices;

(3) Available on www.cofrac.fr

(4) ISAE 3000 – *Assurance engagements other than audits or reviews of historical information.*

• check the establishment of a collection, compilation, processing and control for the completeness and consistency of information CSR and reviewing the internal control procedures and risk management relating to development of CSR information.

We determined the nature and extent of our tests and inspections according to the nature and importance of CSR information in relation to the characteristics of the society, social and environmental challenges of its business, its guidelines on sustainable development and industry best practices.

For CSR information we have considered the most important (5):

- At the parent company level, we have consulted documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions, etc.), we have performed analytical procedures and verified the quantitative information, on a test basis, the calculations and data consolidation and we have verified their consistency with the other information contained in the Management Report § ;
- In a sample of sites that we selected (6) based on their activity, their contribution to the consolidated indicators, their location and risk analysis, we conducted interviews to verify the correct application of procedures and implemented detailed tests based on sampling, consisting in checking calculations and reconcile data with supporting documents. The sample thus selected represents 40% of the workforce and between 7 and 20% of environmental data.

For other consolidated CSR information, we have judged their consistency with our knowledge of the company.

Finally, we have judged the relevance of related explanations, if any, to the total or partial absence of certain information.

We believe that the sampling methods and sample sizes we have learned in exercising professional judgment allows us to provide a moderate or reasonable assurance conclusion; a higher level of assurance would have required more extensive work. Because of the use of sampling techniques and other inherent limitations of any information and internal control system, the risk of not detecting a material misstatement in CSR information cannot be completely eliminated.

Conclusion

Based on our review, we found no significant anomalies likely to call into question the fact that CSR information, taken together, are presented truthfully in accordance with Reference Procedures.

Paris-La Défense, January 9, 2015

The Independent Third Body
ERNST & YOUNG and Associates

Eric Mugnier	Bruno Perrin
Sustainable development partner	Associate

(5) **Environmental and societal information:** general policy on environment, emissions to air and water pollution and waste management, sustainable use of resources (raw materials, energy, water), Greenhouse Gas Emissions.
Social information: total workforce, hiring and firing, absenteeism, health and safety, frequency and severity of occupational accidents, occupational diseases.

(6) The Lacroix Electronics subsidiary in Poland.

4. Results of the last five periods

Items	2009 / 2010	2010 / 2011	2011 / 2012	2012 / 2013	2013 / 2014
CAPITAL AT YEAR-END					
- Share capital	25 000 000	25 000 000	25 000 000	25 000 000	25 000 000
- Number of existing ordinary shares	3 766 560	3 766 560	3 766 560	3 766 560	3 766 560
- Number of dividend-yielding shares priority (whitout voting rights)					
- Maximum number of future shares to be created					
OPERATIONS AND RESULTS OF PERIOD					
- Turnover exclusive of tax	1 149 740	1 116 049	1 406 348	1 373 595	1 585 432
- Earnings before tax, employee profit sharing and depreciation expenses and allowances	3 015 886	2 989 523	4 180 687	4 322 320	3 513 882
- Corporate income tax	-2 566 737	-2 449 157	-3 252 221	-2 603 778	-3 129 426
- Employee profit-sharing due for period					
- Earnings after tax, employee profit sharing and depreciation expenses and allowances	5 041 649	5 969 685	6 227 735	7 470 710	7 312 084
- Distributing earnings	2 071 608	1 883 280	1 883 280	1 883 280	2 636 592*
EARNINGS PER SHARES					
- Earning after tax, employee profit sharing but depreciation expenses and allowances	0,80	1,44	1,97	1,97	1,76
- Earnings after tax, employee profit sharing and depreciation expenses and allowances	1,34	1,58	1,65	1,98	1,94
- Dividend awarded to each share	0,55	0,50	0,50	0,50	0,70*
STAFF					
- Average staffing level period	2	3	3	3	4
- Total payroll for period	404 757	382 221	407 652	411 261	803 114
- Amounts paid out for the period's fringe benefits (social security, donations for charities, etc)	198 148	193 088	210 050	209 262	420 183

* Proposed appropriation of earnings for period 2013 / 2014

5. Auditors' report on the consolidated financial statements

Financial year ending 30 September 2014

To the shareholders,

Further to our engagement by your general shareholders' meeting, we present our report for the financial year ending 30 September 2014, on:

- the audit of the consolidated financial statements of LACROIX SA, as appended hereto;
- evidence supporting our opinion;
- specific auditing as required by law.

The consolidated financial statements were closed by the Board. It is our duty to express an opinion on these statements, on the basis of our audit.

1 . Opinion on the consolidated financial statements

We have conducted our audit according to the professional standards applicable in France; these standards require us to provide reasonable assurance that the consolidated financial statements do not contain any material misrepresentations. An audit consists in examining, on a test basis, or using other selection methods, the evidence supporting the amounts and disclosures in the financial statements. It also consists in assessing the accounting policies adopted, evaluating the significant estimates in the financial statements and the overall presentation thereof. We consider that our audit provides a reasonable and sufficient basis for our opinion as expressed hereafter.

We hereby certify that the consolidated financial statements, with regard to the IFRS reporting framework as adopted by the European Union, give a true and fair view of the asset base, financial position and earnings of all the reporting entities.

2 . Evidence supporting these opinions

In pursuance of article L.823-9 of the French Commercial Code regarding the evidence supporting our opinion, we hereby apprise you of the following:

At each year-end closing, your group carries out goodwill impairment tests as a matter of routine, using the methods described in notes 6.4.4 and 8.1 to the financial statements. We have reviewed your company's calculation methods for these tests and the cash flow forecasts and assumptions, and verified that the notes to the financial statements provide sufficient information.

The provisions recognized in the balance sheet and the methods for recognition thereof are detailed in notes 6.5.11 and 8.12 to the financial statements. As part of our assessment of the estimates used for closing and on the basis of the information at our disposal during the audit, we have reviewed the approaches your group uses and have ascertained the fairness of the assumptions on which these provisions are based.

The opinions thus expressed are based on our overall audit of the consolidated financial statements as a whole, and therefore form the basis for the opinion stated in the first part of this report.

3 . Specific auditing requirements

In accordance with professional standards applicable in France, we have also verified the information given in the Group management report.

We are satisfied that this information is fairly stated and agrees with the consolidated financial statements.

.

La Roche-sur-Yon and Nantes, January 30, 2014

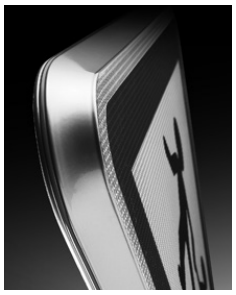
The Statutory Auditors

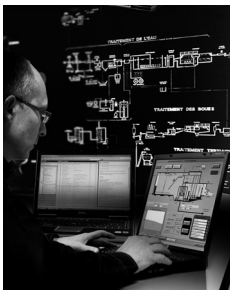
ATLANTIQUE REVISION CONSEIL – A.R.C.

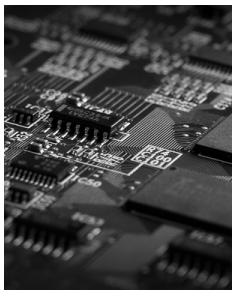
Sébastien Caillaud

ERNST & YOUNG et Autres

Philippe Fourquet







Consolidated Financial Statements

Period from October 2013 to September 2014

LACROIX

1. Consolidated statement of financial position

In T€ Assets	Note n°	Period 2014 12 months	Period 2013 12 months
Non-current assets			
Goodwill	8.1	9 179	9 179
Intangible assets	8.2	1 469	1 568
Tangible assets	8.3	48 599	44 162
Long-term financial assets	8.4	684	608
Participations in associated companies	8.5	31	6
Deferred tax	8.19	2 626	2 497
Total non-current assets		**62 587**	**58 021**
Current assets			
Inventory and work in progress	8.7	51 157	48 758
Trade receivables	8.8	100 975	96 284
Other receivables	8.9	11 463	12 006
Cash & Cash equivalents	8.10	23 013	20 498
Total current assets		**186 609**	**177 546**
TOTAL ASSETS		**249 196**	**235 567**

In T€ Liabilities	Note n°	Period 2014 12 months	Period 2013 12 months
Shareholders' equity			
Capital	8.11	25 000	25 000
Share premium		3 455	3 455
Consolidated reserves		63 717	61 573
Consolidated income for the year		8 885	4 807
Shareholders' equity (group share):	*4*	***101 057***	***94 835***
Minority interest:	*4*	***459***	***565***
Total Shareholders' equity		**101 517**	**95 400**
Non-current liabilities			
Other investments			(1)
Long-term provisions	8.12	15 824	14 655
Long-term debts	8.13	10 251	17 272
Deferred tax liabilities	8.19	2 625	2 798
Total Non-current liabilities		**28 700**	**34 723**
Short-term debts			
Current financial liabilities	8.13	35 237	31 569
Trade accounts payable	8.14	52 936	42 246
Other liabilities	8.14	30 807	31 628
Total current liabilities		**118 980**	**105 443**
TOTAL LIABILITIES		**249 196**	**235 567**

2. Consolidated statement of comprehensive income

2.1 - Consolidated income statement

In T€ P&L	Note n°	Period 2014 12 months	Period 2013 12 months
Revenue	9.2	**355 858**	**328 796**
Other income		746	531
Goods and raw material consumed		(190 149)	(161 428)
Personnel expenses	8.15	(93 555)	(92 004)
Subcontracting and External expenses		(46 306)	(55 238)
Tax		(5 577)	(5 402)
Depreciation and estimated expenses	8.16	(7 372)	(6 177)
Change in inventory and work in progress		(397)	2 310
Other operating income and expenses		65	(148)
Profit from operating activities	9.2	**13 314**	**11 241**
Other income and expenses	8.17	(717)	(2 301)
Operating profit		**12 597**	**8 940**
Financial expenses and income	8.18	(1 798)	(1 450)
Income tax expense	8.19	(1 693)	(2 503)
Equity method	8.5	(0)	
Net income		**9 105**	**4 987**
Net income - non-controlling interests	4	220	180
Net income - group share		**8 885**	**4 807**
Net income per share			
Basic earnings per share (in euros)		2,49	1,34
Diluted earnings per share (in euros)		2,44	1,31

2.2 - Result of the period and Net income recognised directly in equity

In T€	Note n°	Period 2014 12 months	Period 2013 12 months
Net income for the period		**9 105**	**4 987**
Changes in currency translation adjustment		184	(432)
Changes in the fair value of financial instruments		320	269
Impact of the Actuarial differential		(1 182)	(124)
Other comprehensive income after tax		***(678)***	***(287)***
Total comprehensive income	4	**8 427**	**4 700**
Group share		8 207	4 520
Attributable to non-controlling interests		220	180

3. Consolidated statement of cash flow

In T€	Note n°	Period 2014 12 months	Period 2013 12 months
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		9 105	4 987
Elimination of expenses and income not affecting cash flow or unrelated to activities:			
- Amortization and provisions		7 000	7 657
- Changes in deferred tax		(269)	(128)
- Capital gains net of tax		(32)	79
- Proportionate results of equity method companies			
- Other		12	14
Cash flows from operations of consolidated companies		15 816	12 609
Translation adjustment on cash flows from operations			
Dividends received from equity method companies			
Changes in working capital relating to operations		1 944	921
Net cash flows from operating activities		17 760	13 529
CASH FLOWS FROM CAPITAL ACTIVITIES			
Capital expenditure		(10 767)	(7 147)
Disposals of capital assets, net of tax		149	361
Capital grants		(0)	(0)
Effect of changes in reporting entities		(188)	
Net cash flows from capital activities		(10 806)	(6 786)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders		(2 153)	(2 266)
Capital increases in cash			
Changes in other investments		(446)	(79)
Debt issuance		4 103	11 903
Debt redemption		(11 392)	(10 669)
Net cash flows from financing activities		(9 889)	(1 111)
Cash flow		(2 935)	5 633
Opening cash position		2 247	(3 561)
Closing cash position	8.10	(754)	2 247
Effect of currency fluctuations		66	(176)

4. Consolidated statement of changes in equity

In T€ Position on closing	Capital	Pre-miums	Consoli-dated reserves (1)	Period's result	Other		Total share-holders' equity - group share	Non-controlling interests	Total share-holders' equity
					Translation differential (2)	Shares of consolidating company			
Period 30/09/2012	**25 000**	**3 455**	**62 245**	**5 852**	**(212)**	**(3 742)**	**92 597**	**496**	**93 093**
Appropriation of results for 2012			5 852	(5 852)					
Group distributions			(1 916)				(1 916)	(350)	(2 266)
Changes in own shares			(5)			1	(4)		(4)
Changes in accounting methods									
Stock options (3)			14				14		14
Result of period 2013				4 807			4 807	180	4 987
Net income recognised directly in equity			145		(432)		(287)		(287)
Result of the period and Net income recognised directly in equity			**145**	**4 807**	**(432)**		**4 520**	**180**	**4 700**
Other transactions			(376)				(376)	240	(136)
Period 30/09/2013	**25 000**	**3 455**	**65 959**	**4 807**	**(644)**	**(3 742)**	**94 835**	**565**	**95 400**
Appropriation of results for 2013			4 807	(4 807)					
Group distributions			(1 904)				(1 904)	(249)	(2 153)
Changes in own shares			54			(75)	(20)		(20)
Changes in accounting methods									
Stock options (3)			12				12		12
Result of period 2014				8 885			8 885	220	9 105
Net income recognised directly in equity			(862)		184		(678)		(678)
Result of the period and Net income recognised directly in equity			**(862)**	**8 885**	**184**		**8 207**	**220**	**8 427**
Other transactions			(73)				(73)	(77)	(150)
Period 30/09/2014	**25 000**	**3 455**	**67 993**	**8 885**	**(460)**	**(3 817)**	**101 057**	**459**	**101 516**

(1) Including T€ 36,427 of statutory, regulated and other reserves and retained earnings
(2) The translation adjustment relates to Poland.
(3) Allocated expenses on SO plan.

5. List of consolidated companies

The companies included in the scope of consolidation are presented below:

Company and legal form	SIREN no.	Head Office	Tax Scope	Period 2014			
				Consolidat. method	% of control	% of interest	
CONSOLIDATING COMPANY							
LACROIX S.A.	855 802 815	St Herblain	1	Holding	100,00%	100,00%	
CONSOLIDATED COMPANIES							
TRAFFIC SIGNS DIVISION							
LACROIX SIGNALISATION	409 065 984	Saint Herblain	1	FC	100,00%	99,86%	
KANGOUROU EST	344 679 022	Strasbourg	1	FC	100,00%	99,86%	
KANGOUROU IDF	340 835 479	Herblay	1	FC	100,00%	99,86%	
KANGOUROU NORMANDIE	492 337 555	Rouen		FC	100,00%	99,86%	
KANGOUROU OUEST	478 588 700	Saint Herblain	1	FC	100,00%	99,86%	
KANGOUROU PACA	439 903 576	Marseille		FC	100,00%	99,86%	
KANGOUROU RHONE ALPES	492 139 472	Genas	1	FC	100,00%	99,86%	
KANGOUROU SUD OUEST	478 583 875	Saint Orens	1	FC	100,00%	99,86%	
LACROIX OCEAN INDIEN	343 852 836	Le Port	1	FC	100,00%	99,86%	
LACROIX MAYOTTE	497 884 031	Mamoudzou		FC	100,00%	99,86%	
LACROIX PACIFIC	1 011 600	Nouméa		FC	100,00%	99,86%	
KANGOUROU NORD PAS DE CALAIS	492 337 571	Walbrechies	1	FC	100,00%	99,86%	
KANGOUROU AQUITAINE	498 992 163	Artigues	1	FC	100,00%	99,86%	
LACROIX TRAFIC	443 342 746	Saint Herblain		FC	100,00%	100,00%	
LACROIX CITY	512 538 265	Saint Herblain	1	FC	100,00%	99,86%	
SOCIETE DES SIGNALISATIONS	301 331 435	Artigues	1	FC	100,00%	99,86%	
NORTE INDUSTRIAL	A48 042 303	SPAIN		FC	100,00%	99,86%	
LACROIX SENALIZACION	A12 329 827	SPAIN		FC	100,00%	99,86%	
ISVIAL	B95 616 934	SPAIN		EM	33,33%	33,29%	
LACROIX TRAFIC BELGIUM	0841.072.548	BELGIUM		FC	100,00%	99,86%	
LACROIX TRAFIC CAMEROUN	DLA2012B3234	CAMEROON		FC	100,00%	99,86%	
LACROIX 3	512 996 851	Saint Herblain	1	FC	100,00%	99,86%	
LACROIX 4	514 345 602	Saint Herblain	1	FC	100,00%	100,00%	
LTI SUD EST	383 076 684	Carros		FC	100,00%	0,00%	(1) (2)
TELEMETRY DIVISION							
LACROIX SOFREL	409 065 810	Vern sur Seiche	1	FC	100,00%	100,00%	
LACROIX SOFTEC	405 249	ITALY		FC	100,00%	100,00%	
SOFREL ESPANA	ESA81573113	SPAIN		FC	100,00%	100,00%	
ELECTRONICS DIVISION							
AUSY-LACROIX ELECTRONICS	801 984 030	Vern sur Seiche		EM	50,00%	50,00%	
LACROIX ELECTRONICS	409 064 151	Vern sur Seiche	1	FC	100,00%	100,00%	
LACROIX ELECTRONICS	RHB11614	POLAND		FC	100,00%	100,00%	
LACROIX ELECTRONICS	B2451652004	TUNISIA		FC	100,00%	100,00%	
LACROIX ELECTRONICS SERVICE TUNISIE		TUNISIA		FC	100,00%	100,00%	
LACROIX ELECTRONICS Gmbh		GERMANY		FC	100,00%	100,00%	
LACROIX ELECTRONICS SOLUTIONS	378 445 647	Vern sur Seiche	1	FC	100,00%	100,00%	

Consolidation methods

FC: Full consolidation - EM: Equity method

(1) Fiscal year: December 31

((2) Ad hoc entities

6. Basis of accounting, consolidation methods, evaluation methods and rules

6.1 - General company information

Listed on Eurolist, Compartment C, Lacroix SA is a "société anonyme" (corporation, plc in the UK) governed by French law.

The Group's business activities and organisation are presented in the management report.

6.2 - Basis of accounting

6.2.1 General principles

The annual financial statements are disclosed for the period ending September 30, 2014 in accordance with all standards published by IASB (International Accounting Standards Board) and adopted by the European Union. These financial statements follow the same accounting policies and methods of application as the most recent annual financial statements.

The Group has not elected to early adopt the new standards and interpretations that are not mandatory for fiscal year 2013/2014.

Adopted for use in the European Union (applicable for annual periods beginning on or after January 1, 2013): amendment to IAS 19 – Employee benefits (elimination of the use of corridor method), IFRS 13 – Fair value measurement, amendment to IAS 1 – presentation of other comprehensive income.

Adopted for use in the European Union (applicable for annual periods beginning on or after January 1, 2014): standards dealing with consolidation (IFRS 10 – Consolidated financial statements, IFRS 11 – Joint arrangements, IFRS 12 – Disclosure of interests in other entities) and the resulting revisions to IAS 27 and IAS 28, amendments to IAS 32 – Offsetting financial assets and financial liabilities.

Application of IFRS 11, which eliminates proportionate consolidation as a method of accounting for jointly controlled entities, has no impact on the Consolidated financial statements, as the Group has no jointly controlled entities in its scope.

Application of IAS 19 (revised) has no impact on the Consolidated financial statements, as the Group has still eliminated the use of corridor method.

6.2.2 Presentation of financial statements

'Current assets' include assets earmarked for disposal or use in the normal course of operations, or within twelve months of closing, as well as cash and cash equivalents.

'Current liabilities' include debts overdue in the normal operating cycle or within the twelve months following yearend closing.

Other assets or liabilities are considered 'long-term'.

6.3 - Use of estimates

When preparing consolidated financial statements, the group's management must exercise judgment, make estimates and assumptions that affect application of accounting methods and the amounts recognized in the financial statements.

These underlying estimates and assumptions are made and constantly reviewed according to past experience and other factors deemed reasonable given the circumstances. Actual values may differ from estimated values.

The underlying estimates and assumptions are continually being re-examined. The impact of changes in accounting estimates is recognized in the period of the change if it only affects the said period, or during the period of the change and subsequent periods it the latter are also affected by it.

6.4 - Basis of consolidation

6.4.1 Consolidation methods

Group subsidiaries:

- A subsidiary is an entity controlled by the group, namely when the group has the power to direct the entity's financial and operational policies with a view to deriving gains from its activities. Subsidiaries' financial statements are incorporated into the consolidated financial statements from the date on which effective control is obtained until such control ceases.

Associated companies and joint ventures:

- Associated companies (also called 'significantly influenced entities') are entities whose financial and operational policies are significantly influenced by the company without the latter controlling them. Associated companies and joint ventures are recognized by the equity method. The consolidated financial statements include the group share in the total profits and losses reported by equity-method companies and joint ventures.

Methods applied to the group:

- At 30 September 2014, group companies were exclusively controlled by LACROIX SA, with the exception of ISVIAL and Ausy Lacroix Electronics which continue to be under the Equity method.
- Subsidiaries are consolidated from the date on which the Group acquires effective control of them. They are no longer consolidated when the Group loses control.

The scope of consolidation and the list of subsidiaries are disclosed in Note 5.

6.4.2 Conversion methods for foreign companies' financial statements

The financial statements of foreign companies are converted as follows:

- Balance sheet: at the rate of the currency at year-end closing
- Income statement: at the average rate of year-end closing.
- Translation adjustments are posted directly as shareholders' equity under the heading 'Translation adjustments'.

Evolution of parities is as follows:

1 Local Currency = x EUR	Opening	Average (Current Year)	Closing	Average (Last year)
Zloty (PLN)	0,23647	0,23936	0,23937	0,23928
Franc CFP (XPF)	0,00838	0,00838	0,00838	0,00838
Franc CFA (XAF)	0,00152	0,00152	0,00152	0,00152

Transactions in foreign currencies are booked at the exchange rate on the date of the transaction. Gains or losses arising from the payment of such transactions and the conversion of receivables and payables into the foreign currency are recorded in the income statement.

6.4.3 Elimination of intercompany transactions

In accordance with regulations, balance sheet balances and unrealized gains and losses resulting from intercompany transactions are eliminated when preparing the consolidated financial statements. Unrealized gains and losses from transactions with associated companies are eliminated by consideration of equity-method investments.

6.4.4 Business combinations (amalgamations)

An impairment test is done to validate Goodwill at least once a year or more often when events or circumstances reveal signs of impairment.

Impairment tests are run on revenue generating items; the book value of the revenue generating item is compared with its recoverable amount.

- The recoverable amount is the asset's net selling price or its going value, whichever is the higher.

The Group has set up a test methodology based on the DCF (Discounted Cash Flows) method using Business Plans drawn up for each line of business.

The parameters applied are presented in Note 8.1.

6.5 - Evaluation methods and rules

The principles and methods the group applies are as follows:

6.5.1 Intangible assets

Intangible assets are booked at their acquisition cost minus accumulated amortization and any impairment value.

6.5.1.1 Research & Development expenses

Research expenses are booked as expenses.

As for development expenses, the Group has devised a procedure for monitoring them that records all the necessary information for identifying, valuing and monitoring such expenses.

When expenses qualified as development expenses meet the activation criteria, they are capitalized. Otherwise they are booked as expenses.

6.5.1.2 Amortization and depreciation

Intangible capital assets have a finite life. Amortization is recognized as an expense in a linear manner, according to the intangible asset's estimated useful life.

	Term
Concessions, patents, licences	3 to 10 years
Software	3 to 10 years

They are impairment tested when an impairment index exists.

- Intangible assets with an indefinite life are tested for impairment every year. The impairment tests are done on the basis of discounted future cash flow.

6.5.2 Tangible assets

6.5.2.1 Long-term tangible assets

Tangible assets are valued at their acquisition cost minus accumulated amortization and any impairment or at their cost of production for the portion produced by the group.

When a tangible asset has significant components with useful lives, the components are individually recognized.

6.5.2.2 Amortization and depreciation

Amortization is recognized as a linear expense according to the estimated useful life of the tangible asset.

The applicable amortization lives are as follows:

	Term
Land improvements	5 years
Buildings for operations	20-40 years
Building installations and fixtures	10-12 years
Machinery and equipment	8-15 years
Plant installations and improvements	8-15 years
Transportation equipment	3-8 years
Office equipment and furniture	3-15 years

The book values of tangible assets are tested for impairment when events or circumstances indicate that their book value can no longer be recoverable. Therefore when the book value of an asset is higher than its estimated recoverable value, asset impairment is recognized.

6.5.3 Direct financing leases

Financing leases are classified as direct financing leases if they transfer to the lessee virtually all the economic risks and benefits attached to ownership of the leased assets.

They are recognized in the balance sheet from the outset at the fair market value of the leased item, or if this is lower, at the discounted value of minimum lease payments.

Financially leased assets are written down over their useful life, which mostly matches the term of the lease agreement.

Other agreements are standard rentals. Rents are recognized as expenses on a linear basis until the agreement expires.

6.5.4 Financial assets

The Group classifies its financial assets into the following groups: transaction assets, loans and receivables, assets available for sale.

- Non-consolidated financial investments are analyzed as securities available for sale and booked at their fair value. Changes in value either way are recorded as shareholders' equity under 'revaluation reserves'. If the impairment is deemed definite, a provision is recorded under operating results.
- Financial investments (securities) are recognized at their fair market value and changes in fair value are recognized under operating results.
- Loans and receivables are considered assets issued by the company and are recognized at cost. A provision may be funded for them if there is an objective indication of impairment. Impairment, namely the difference between the net book value (net worth) and the recoverable value, is recognized in the income statement.

6.5.5 Financial risk management

Foreign currency and rate hedging:

- Hedging transactions are analyzed by an independent expert to ensure they are treated in compliance with IAS 32/39 whenever they are significant.

6.5.6 Inventory and work in process

Inventory and work in process is valued at its cost price or net realizable value, whichever is the lower. The cost price is determined according to the FIFO (first in, first out) method, and among other things includes the cost of materials and direct labor costs as well as indirect costs strictly chargeable to production.

The internal margins included in inventory are eliminated in the consolidated results.

Provisions are calculated as the difference between the gross value based on the above principles and the probable net realization value.

6.5.7 Accounts receivable

Trade and other accounts receivable are valued at their fair market value. Since receivables mature in less than one year, they are not discounted. They may be the subject of a provision according to the probability of recovery at year-end closing.

6.5.8 Cash and cash assets

'Cash assets' include cash in the bank and immediately realizable investments.

Bank overdrafts are included in borrowings under short-term liabilities in the balance sheet.

6.5.9 Capital and reserves

When the Group buys back or sells its own shares:

- The price paid, which includes acquisition-related net of tax, is deducted from shareholders' equity under the heading 'own shares' until they are sold.
- When they are sold, the capital gain or loss is recognized under shareholders' equity.

6.5.10 Government grants

Grants are included in the financial statements when one has reasonable insurance that:

- The group will abide by the conditions attached to the financing.
- The grants will be received.
- For asset-related government grants, the Group has decided to present the financing as a reduction in value of the asset in question.

6.5.11 Estimated and contingent liability

When the Group has a current obligation (legal or implicit) arising from a past event and if a disbursement of financing sources representing economic benefits will probably be needed to fulfill the obligation, and if the amount of the obligation can be reliably estimated, then the Group recognizes a provision.

6.5.12 Employee benefits

Severance benefits:

- The Group funds severance benefits on the basis of contractual provisions under a defined contribution plan. The provision is valued by an independent actuary according to the projected unit credit method. The parameters applied are presented in Note 8.12.1.
- These valuations, among other things, factor in future pay levels, employees' probable working life, staff life expectancy and turnover.
- The present value of commitments thus valued is recognized in the balance sheet, after deducting the fair value of assets paid by Group companies to financial organizations.
- Actuarial gains and losses, which arise primarily from changes in actuarial assumptions and the difference between results estimated according to actuarial assumptions and actual results, are recognized in their entirety as offsetting shareholders' equity.
- The financial costs and the costs of services rendered are recognized as period expenses.

Payments based on shares:

- Stock options granted to employees must be valued at their fair market value, which is recognized in the income statement and offsets reserves over the period of acquisition (4 years) of employees' rights.
- The fair market value of the options has been worked out using the Black & Scholes valuation model. The expense is spread over the acquisition period and offset against a rise in reserves.

6.5.13 Borrowing

Loans are initially recognized at their fair market value net of related commissions.

The portion of financial debts maturing in less than one year is classified as short-term borrowing.

6.5.14 Current and deferred tax

Deferred tax is calculated for all temporary differences between the book value reflected in the consolidated balance sheet and the fiscal value of assets and liabilities. The rate of tax is the one the Group expects to pay or obtain from the tax authorities, as adopted or virtually adopted on the reporting date.

Tax assets and liabilities are not discounted and are reported in the balance sheet as long-term assets and liabilities.

Deferred tax on assets is reported if there is a real probability of recovering the tax in the forthcoming financial periods.

The amounts of deferred tax on assets and liabilities are offset for a single fiscal entity. In this respect, one scope of fiscal integration is effective in the Group.

- LACROIX SA group

These are discussed in detail in part 5.

Tax rate per country:

	Period 2014
Germany	30 to 33%
Belgium	33,99%
Cameroon	38,50%
Spain	30,00%
France	34,43%
Italy	31,30%
Poland	19,00%
Tunisia (1)	

(1) Temporay exemption until 2015.

6.5.15 Revenue

Revenue is recognized when the risks and benefits attached to ownership of goods revert to the buyer and their amount can be reliably valued.

6.5.16 Net income per share

Basic earnings per share are calculated by dividing net distributable income by the weighted average number of shares in circulation during the period, to the exclusion of shares bought by the company and held as treasury stock.

Diluted earnings per share are calculated by dividing net distributable income by the weighted average number of shares in circulation during the period adjusted by the conversion of dilutive instruments into ordinary shares.

- The group has one type of dilutive instrument: stocks options.

6.5.17 Segment disclosures

The Group's segment disclosure is presented according to the business segment. The choice of this level and his breakdown reflects the Group's basis of segmentation and the differences in risk and returns.

- The business segment is the only one segment disclosure level. It comprises the following three business segments:
  - Electronics
  - Telemetry
  - Traffic Signs.

7. Comparability of accounts

7.1 - Accounting changes

No accounting changes were reported.

7.2 - Changes in reporting entities

In December 2013, the Group purchased securities of Lacroix Pacific. Lacroix Pacif is a new wholly hold company.

In April 2014, the Group set up a joint venture with Ausy and created the company Ausy-Lacroix Electronics. This company is consolidated on equity method.

7.3 - Post-closing acquisitions and/or disposals of equity interests

There were no post-closing acquisitions or disposals of consolidated subsidiaries.

8. Explanation of balance sheet and income statement accounts and changes therein

The tables below are an integral part of the consolidated financial statements.
Barring exceptions, all amounts are stated in thousands of Euros.

8.1 - Goodwill

Division	Gross value				Depreciation				Net value	
	Opening	Change	Changes in reporting entities	Closing	Opening	Allowance	Changes in reporting entities	Closing	Opening	Closing
Traffic Signs	2 807			2 807					2 807	2 807
Telemetry	1 487			1 487					1 487	1 487
Electronics	10 876			10 876	(5 991)			(5 991)	4 885	4 885
Total	**15 170**			**15 170**	**(5 991)**			**(5 991)**	**9 179**	**9 179**

The Group proceeded to the realization of impairment test at the closing period of September, further to the updating of the business plans. On the basis of the obtained valuations of the UGT, no depreciation was practised.

8.1.1 Depreciation of goodwill

The following parameters were applied for the realization of the tests of depreciation during the current financial year:

- Discount rate of 6.13%.
- Cash flows calculated with business plans of 3 years (excepted for the Electronics division: 9 years)
- Infinity Growth rate of 2 %

The sensibility of the depreciation of goodwill to variations of the hypotheses is presented below. These results are true for each three UGT

	Variation	Impact GW
Variation of Discount rate	0,25%	0
Variation of Infinity Growth rate	-0,25%	0

8.2 - Intangible assets

	Opening	Increase	Reduction	Changes in reporting entities	Translation differential	Other changes	Closing
Gross values							
Preliminary expenses	4						4
Research & Development expenses	89						89
Concessions, patents, licenses, software	4 564	451	(4)				5 011
Leased Concess., patents, licenses, software	2 926						2 926
Lease renewal	4						4
Other intangible assets	1 297	47	(1)		4		1 348
Advances and down payments	(0)						(0)
Total	**8 885**	**498**	**(5)**		**4**		**9 382**
Accumulated provisions							
Preliminary expenses	(4)						(4)
Research & Development expenses	(89)						(89)
Concessions, patents, licenses, software	(3 573)	(325)	3				(3 896)
Leased Concess., patents, licenses, software	(2 444)	(193)					(2 637)
Lease renewal						(4)	(4)
Other intangible assets	(1 207)	(78)	1		(4)	4	(1 283)
Advances and down payments							
Total	**(7 316)**	**(597)**	**4**		**(4)**		**(7 913)**
Total net intangible assets	**1 568**	**(98)**	**(2)**		**0**		**1 469**

8.3 - Tangible assets

	Opening	Increase	Reduction	Changes in reporting entities	Translation differential	Other changes	Closing
Gross values							
Land	3 193				2		3 195
Leased land	483						483
Buildings	29 118	84			68		29 270
Leased buildings	6 208				6		6 214
Technical install., machinery and equipm.	41 931	3 776	(677)		63	108	45 201
Leased technical install., machinery and equipment	7 450	1 347	(246)		29		8 579
Other tangible assets	17 029	1 387	(324)		8		18 099
Other leased tangible assets							
Tangible assets in progress	742	3 434			2	(108)	4 070
Advances and down payments	3		(3)				0
Total	**106 156**	**10 028**	**(1 251)**		**178**		**115 112**
Amortization							
Land	(200)	(24)					(224)
Leased land							
Buildings	(12 491)	(1 133)			(19)		(13 643)
Leased buildings	(4 582)	(203)			(9)		(4 794)
Technical install., machinery and equipm.	(27 181)	(2 765)	612		(31)	4	(29 361)
Leased technical install., machinery and equipment	(5 862)	(287)	246		(13)		(5 915)
Other tangible assets	(11 678)	(1 185)	292		(4)		(12 575)
Other leased tangible assets							
Tangible assets in progress							
Advances and down payments							
Total	**(61 995)**	**(5 597)**	**1 150**		**(76)**	**4**	**(66 513)**
Total net tangible assets	**44 162**	**4 431**	**(101)**		**102**	**4**	**48 599**

8.4 - Long-term financial assets

	Opening	Increase	Reduction	Changes in reporting entities	Translation differential	Other changes	Closing
Gross values							
Investments (1)	93	10					103
Receivables attached to holdings							
Other long-term investments	2						2
Loans							
Collateral and surety	574	123	(57)				641
Total	**670**	**133**	**(57)**				**746**
Allowance for loss in value							
Investments (1)	(25)						(25)
Receivables attached to holdings							
Other long-term investments							
Loans							
Collateral and surety	(37)						(37)
Total	**(62)**						**(62)**
Total net long-term financial assets	**608**	**133**	**(57)**				**684**

(1) Detail of equity securities presented in Note 8.6

8.5 - Participations in Associated companies

Detail of securities:

Subsidiaries	% owned	Period 2014
AUSY LACROIX ELECTRONICS	50,0%	25
ISVIAL	33,3%	6
Total		31

Contributions to equity and income are as follows:

Subsidiaries	Contrib. to consolidated equity	Contrib. to consolidated results
AUSY LACROIX ELECTRONICS	25	
ISVIAL	6	
Total	31	

8.6 - Non-consolidated equity securities

The detail of item 'Equity securities' referred to in note 8.4 is as follows:

Non consolidated companies	Net position	
	Gross values	Accumulated provisions
Opening	93	(25)
Change	10	
Closing (1)	103	(25)

(1) At the closing date, the amounts represent the value of equity securities of the entities GERTRUDE (Traffic Signs Division) and 2 holdings companies with no activity in 2013/2014.

8.7 - Inventory and work in progress

Inventory and Work in progress break down as follows:

	Period 2014	Period 2013
Gross values		
Raw materials	32 766	30 191
In-process inventory	7 528	6 465
Intermediate and finished goods	12 102	13 501
Goods	1 736	2 001
Total	54 132	52 158
Allowance for loss in value		
Raw materials	(2 262)	(2 632)
In-process inventory	(82)	(33)
Intermediate and finished goods	(239)	(282)
Goods	(391)	(453)
Total	(2 974)	(3 400)
Total net inventory and goods in progress	51 157	48 758

8.8 - Trade receivables

Trade receivables break down as follows:

	Period 2014	Period 2013
Trade receivables	103 404	98 840
Depreciation	(2 429)	(2 556)
Total net trade receivables	**100 975**	**96 284**

8.9 - Other receivables and short-term financial assets

	Period 2014	Period 2013
Gross values		
Advances and payments on account	583	266
Social receivables	194	196
Tax receivables	5 945	7 112
Sundry receivables	1 818	2 130
Prepaid expenses	3 208	2 301
Total	**11 748**	**12 006**
Allowance for loss in value		
Depreciation	(284)	
Total net other receivables current assets	**11 463**	**12 006**

8.10 - Cash & equivalents

	Period 2014	Period 2013
Current investments (1)	16 784	16 581
Cash assets	5 739	3 872
Allowance for loss in value		
Financial Instruments - Asset (2)	490	45
Total cash and equivalents	**23 013**	**20 498**
Cash credit (Note 8.13.1)	(23 759)	(17 965)
Financial Instruments - Liability (2)	(8)	(285)
Total net cash	**(754)**	**2 247**

(1) Liquidity contract wholly owned by the group for a value of T€ 27. Other investments comprising unit trusts, deposit certificates and other investment income amount to T€ 16,757.

(2) Impact of IAS 39 for foreign currency hedging and Swap on rate.

Cash and cash equivalents include funds in bank current accounts, cash in hand and short-term deposits maturing in less than three months.

8.11 - Shareholders' equity

8.11.1 Consolidating entity's share capital

At 30 September 2014, share capital comprised 3,766,560 shares at a face value of 6.64 Euros.

8.11.2 Changes in own shares

The number of own shares changed as follows:

	Period 2014
Opening	**200 073**
Acquisitions	17 373
Disposals	(17 188)
Closing (1)	**200 258**

(1) At the end of the financial year, the value of own shares are determined on the average prices of stock exchange calculated on the month of September, and registered in the accounts of LACROIX SA (Consolidating company) for an amounts of T€ 4,580.

8.11.3 Stock options

Stock options were awarded to managers and certain employees. The option take-up price was the average of the last 20 stock market prices preceding the award. The options are awarded subject to having served 4 years in the company.

The number of shares and movement are detailed below:

	Period 2014	Period 2013
Opening	**84 328**	**92 328**
Granted		
Exercised		
Not exercisable (following departure)	(12 000)	(8 000)
Closing	**72 328**	**84 328**

The expiry dates and exercise prices on stock in circulation at year-end closing are detailed below:

Date of plans		Conditions	
Granted	Start	Price of exercise	Number of shares
Nov-05	Nov-09	21,12	18 078
Sep-06	Sep-10	21,09	23 250
Dec-06	Dec-10	20,70	12 000
Feb-08	Feb-12	22,73	3 000
Oct-08	Oct-12	17,01	9 000
Oct-11	Oct-15	14,33	7 000
			72 328

Stock options are valued at their fair market value as reported in the income statement for the item 'personnel expenses' for the period in which employees could take up stock options.

Fair market value is determined using the Black & Scholes valuation model on the basis of assumptions made by an actuary.

Since options can only be exercised after four years' service, the corresponding personnel expense is spread over 4 years. On the basis of options granted in 2014, this amount for the financial year is T€ 12.

8.12 - Contingencies and charges provisions

8.12.1 Details of the provisions

The evolution breaks down as follow:

	Opening	Dotations	Reversals used	Reversals not used	Changes in reporting entities	Translation differen-tials	Other changes	Closing
Retirement compensation prov. (1)	8 783	775	(434)				1 394	10 518
Prov. for product warranty	668	199	(337)	(64)				466
Prov. for litigation (2)	4 224	1 869	(1 916)	(104)		1	(284)	3 790
Prov. for other risks (3)	980	104	(34)					1 050
Total	**14 655**	**2 947**	**(2 721)**	**(168)**		**1**	**1 110**	**15 824**

(1) Severance pay benefits were valued by an independent actuary using the projected unit credits method.

The assumptions underlying the calculations, used for the French companies, are as follows:

- Discount rate of 2.0% (versus 3.3 % last year),
- Pay rises of 3%, including inflation,
- The INSEE Men and Women 2008-2010 mortality table was used,
- To integrate the change of the labour low on this subject: The retirement age for employees is now 63 and 66 for middle management. 100% are of voluntary retirement (on their own initiative).

- Turnover probability based on the following table:

	Traffic Signs	Telemetry	Electronics
Age brackets			
under 29 years	10,00%	5,00%	10,00%
30 to 39 years	8,00%	5,00%	8,00%
40 to 44 years	6,00%	5,00%	4,00%
45 to 49 years	6,00%	2,00%	4,00%
50 to 54 years	4,00%	2,00%	3,00%
over 55 years	-	-	-

Concerning the subsidiary in Germany, the assumptions underlying the calculations are as follows:

- Discount rate of 2.55% (versus 3.65 % last year),
- 2% inflation,
- Pay rises of 3%,
- Turnover rate of 5%
- The retirement age for employees is 64 and 65 for middle management.

(2) The closing provision corresponding for T€ 2,836 to customer's litigation (The split by division is as follow: T€ 2,382 for Traffic Signs, T€ 102 for Telemetry and T€ 352 for Electronics division).

(3 Within the framework of exercise of stock options by employees of the Telemetry division, the Group had taken the commitment to acquire these securities at request of the beneficiaries. The amount of T€ 1,050 corresponds to the valuation, at the end of September 2014, of the cost of theoretical repurchase of these shares.

8.12.2 Ongoing litigation

• Authority of Competition:

The LACROIX Company and 7 other companies concerned by the judgment rendered by the Authority of the Competition in December, 2010, made the object on behalf of a rival company of complaints to obtain a compensation of the damage which it claims to have undergone as a result of the anticompetitive practices punished by the Authority of the Competition.

Two actions undertaken by local authorities against the company are in progress, related to either the invalidity of public contract or a claim for compensation that aims the companies sentenced in 2010 for an alleged damaged suffered in the context of the performance of these contracts.

Our current knowledge of the procedure does not allow us to estimate with correct and finest reliability the risk linked to these complaints. Therefore, no provision has been recorded in this regard.

8.13 - Borrowings and financial debts

8.13.1 Schedule of borrowings and financial debts

Financial debts can be broken down by maturity date as follows:

	Period 2014	Period 2013	Schedule 2014 (1)	
			< 1 year (Current)	> 1 year (Long-term)
Loans and debt with credit establishments	14 557	22 865	8 460	6 097
Leveraged leases	2 412	1 703	532	1 880
Sundry financial debt (2)	4 758	6 309	2 485	2 274
Cash credit	23 759	17 965	23 759	
Total borrowings and financial debts	**45 487**	**48 841**	**35 236**	**10 251**

(1) "Long-term" portion of financial debts: including T€ 398 over 5 years.

(2) Including Current account of VINILA INVESTISSEMENTS (shareholder) for T€ 1,748 against T€ 2,823 last year.

8.13.2 Statement of changes in borrowings and financial debt

	Opening	Increase	Decrease	Changes in reporting entities	Translation differential	Other changes	Closing
Loans and debt with credit establishm. (1)	22 865	2 305	(10 613)				14 557
Leveraged leases	1 703	1 347	(651)		14		2 412
Sundry financial debt	6 309	1 007	(2 559)				4 758
Cash credit	17 965	5 698			97		23 759
Total borrowings and financial debts	**48 841**	**10 357**	**(13 822)**		**111**		**45 486**

(1) As part of the funding of its future investments including external growth, the Group can use a budget of T€ 13,500. These funds, without any attached warranty and covenant, are available on request and repayable over 3 to 7 years..

The translation flow relates to Poland.

8.13.3 Breakdown by type of rate

The debt breaks down into fixed and variable portions as follows:

	Period 2014	Period 2013
Fixed-rate loans	537	699
Variable-rate loans	16 433	23 868
Total borrowings	**16 969**	**24 567**

8.13.4 Breakdown by main currency

Debt breaks down into Euros and other currencies as follows:

	Period 2014	Period 2013
Borrowings denominated in euros	16 969	24 567
Borrowings denominated in foreign currencies		
Total borrowings	**16 969**	**24 567**

8.14 - Current liabilities

Other current liabilities comprise the following items:

	Period 2014	Period 2013
Trade accounts payable	52 936	42 246
Long-term accounts payable	22	22
Advances and payments on account received on orders	1 216	1 816
Tax and welfare liabilities	25 802	27 771
Sundry liabilities	1 435	1 238
Deferred revenue	2 333	782
Total other short-term liabilities	**83 743**	**73 874**

8.15 - Personnel

8.15.1 Personnel expenses

	Period 2014	Period 2013
Salaries & Wages	64 586	61 535
Social costs	21 886	22 070
Profit-sharing	1 799	1 939
Temporary wage earners	5 194	6 296
Pension expense	78	150
Payments in shares	12	14
Total fringe benefit expenses	**93 555**	**92 004**

8.15.2 Staff

Information by level and division breaks down as follows:

(*)	Traffic signs		Telemetry		Electronics		Group total	
	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013
Managerial	150	161	86	83	438	384	674	628
Technical	110	107	38	32	361	163	509	301
Clerical	164	177	22	24	138	227	324	429
Manual	212	233			2 028	1 391	2 240	1 624
Total salaried workforce	**636**	**678**	**146**	**139**	**2 965**	**2 165**	**3 747**	**2 982**
Pending assignment (1)	106	130	2	1	31	43	139	174
Total operational workforce	**742**	**808**	**148**	**140**	**2 996**	**2 208**	**3 886**	**3 156**

(1) Full-time equivalents relating to temporary worker expenses

(*) Workforce of fully consolidated entities

8.16 - Net depreciation and estimated expenses

Depreciation and estimated expenses net of reversals and reported as results of operating activities can be detailed as follows:

	Period 2014	Period 2013
Net depreciation and reversals on long-term assets	(5 394)	(5 571)
Net depreciation and reversals on leasing	(683)	(610)
Net depreciation and reversals on inventories (1)	(361)	(365)
Net depreciation and reversals on other current assets	(173)	(176)
Net depreciation and reversals on contingencies and expenses	(761)	728
Net depreciation and reversals on others		(183)
Total net depreciation and estimated expenses	**(7 372)**	**(6 177)**

(1) Excluding reversal relating to disposals, charged to expired costs

8.17 - Other income and expenses

	Period 2014	Period 2013
Restructuration (1)	(717)	(2 301)
Total	**(717)**	**(2 301)**

(1) Event in the Traffic Signs division for T€ 238 and in the Electronics division for T€ 479.

8.18 - Financial expenses and revenue

Results of operations break down as follows:

	Period 2014	Period 2013
Financial expenses and revenue (1)	(1 082)	(1 129)
Foreign exchange result	(461)	(72)
Estimated expenses net of reversals (2)	(271)	(252)
Revenue from sales of investment securities	16	3
Total financial income by nature	**(1 798)**	**(1 450)**
Summary		
Total revenue	2 208	2 184
Total expenses	(4 006)	(3 634)
Total financial income	**(1 798)**	**(1 450)**

(1) Including T€ 233 in connection with financial instruments on cover of rate, against T€ 300 last year
(2) Including T€ 167 of financial expenses linked to the retirement compensation provision, versus T€ 279 last year.

8.19 - Income tax

8.19.1 Analysis of corporation income tax

Corporation income tax breaks down as follows:

	Period 2014	Period 2013
Tax payable	(1 962)	(2 632)
Deferred tax	269	128
Tax on results	**(1 693)**	**(2 503)**

8.19.2 Tax proof

Rationalization of the tax	Period 2014
Net income of consolidated companies	9 105
Neutralization of the share of results of equity-method companies	
Neutralization of provisions for Goodwill	
Restated results of equity method companies	**9 105**
Income tax (1)	1 693
Net pre-tax profit/loss	*10 798*
Theoretical tax at current rate (2)	3 718
Difference in tax (1) - (2)	**(2 025)**

A comparison of the corporation income tax as stated in the income statement and the theoretical amount of tax that would be incurred on the basis of the current rate in France is analyzed as follows:

Analysis of this difference in tax		Expenses	Revenue
Effects of permanent differences between consolidated and taxable results			44
Use of deficits carried over used in period			245
Losses of subsidiaires showing a loss after tax		637	
Lower or higher tax rate for certain types of transactions		151	204
Taxation of foreign companies' results at different rates			1 592
Tax credit	(1)		727
Total		**789**	**2 813**
Net difference		**(2 024)**	

(1) The income tax saved by "tax Credit on expenses engaged for research" (French fiscal rule) has been reclassified in expenses for T€ 438. The income tax saved by "Crédit d'impôt compétitivité Emploi - CICE" (French fiscal rule) has been reclassified in salaries expenses for T€ 1,594.

8.19.3 Deferred tax assets and liabilities

Deferred tax assets and liabilities break down as follows:

	Opening	Impact on equity	Impact on result	Other changes	Closing
Deferred tax assets					
Organic and Building Effort	94		(1)		93
Employee profit-sharing	237		5		242
Retirement compensation	1 594	220	36		1 850
Margins on inventories	219		(38)		181
Losses carried over (1)	1 330		34		1 364
Other (2)	1 735		211		1 946
Deferred tax assets & liabilities compensation (*)	*(2 712)*			*(337)*	*(3 049)*
Total deferred tax assets	**2 497**	**220**	**246**	**(337)**	**2 627**
Deferred tax liabilities					
Amortization expense	2 494		1		2 495
Financing-lease	703		(30)		673
Method for writing down long-term assets	111		(73)		38
Other (3)	2 203	187	79		2 469
Deferred tax assets & liabilities compensation (*)	*(2 712)*			*(337)*	*(3 049)*
Total deferred tax liabilities	**2 798**	**187**	**(22)**	**(337)**	**2 625**
Total net deferred tax	**(301)**	**33**	**269**		**1**

(1) According to assumptions made by the Group and updated business plans

(2) Including T€ 200 of inter-segment sales of fixed assets

(3) Including T€ 565 of fair values on fixed assets

(*) After overall analysis of net deferred tax assets and liabilities by type, this section takes into account the individual positions and balance sheet presentation due to the existence of fiscal scopes (Note 6.5.14)

9. Other information

9.1 - The group's degree of exposure to financial risks

9.1.1 Foreign exchange risk

Apart from the Electronics division, the Group is not exposed to this kind of risk.

As regards this division, the foreign exchange risk concerns mainly purchases realized in USD and in PLN.

- Concerning purchases in USD, the company has contracts with the main customers including the right to adjust the sale price of products according to the evolution of the parity EUR / USD. As a consequence, the foreign exchange risk is put out on this part. Concerning the balance, the company appeal to partial covers of his needs to cover an objective rate fixed every budgetary year.
- Concerning the expenses in PLN, it is mainly about salaries of the Polish employees and about some local purchases. The politic group consist in realizing covers with term on the basis of the projected needs.

Generally speaking, financial instruments are used strictly for the purposes of business operations, to the exclusion of any speculative purposes.

9.1.2 Interest rate risk

Note 8.13 "Financial borrowing and debts' shows T€ 537 of a total T€ 16,969 of debt is at fixed rate and T€ 16,433 at variable rate.

The Group uses financial instruments to limit this kind of risk. At the end of September 2014, the part of financial debts with variable rate covered with swap represents more than 67% of the nominal value.

9.1.3 Liquidity risk

The gross debt amounts to T€ 45,487.

None of the financing in place is under covenant.

Available cash asset amounts to T€ 23,013.

As part of the funding of its future investments including external growth, the Group can use a confirmed budget of € 13.5 billion.

As such, the Group considers its exposure to liquidity risk to be minimal.

9.1.4 Credit risk

Each of the three Group's division has an insurance credit contract, allowing to covering the customers identified as potentially risky.

The different customers for each activity are the following:

Division	Kind of main customers
Traffic Signs	Mostly Public companies and significant companies of construction
Telemetry	Mostly Public companies or main companies in the water environment
Electronics	French and foreign companies of an international range

9.1.5 Equity risk

The Group follows with attention this risk by checking the evolution of the Indebtedness ratio:

	Period 2014	Period 2013
Borrowings and Financial debts	21 728	30 876
Cash credit	23 759	17 965
Other Net financial debts	(129)	14
Cash and equivalents (Note 8.10)	(23 013)	(20 498)
Net debts	**22 344**	**28 357**
Total Shareholders' equity	101 517	95 400
Gearing	**22,0%**	**29,7%**

9.1.6 Classification of financial assets and liabilities estimated at the fair value according to the levels of fair value

The group does not present a detailed board on the hierarchical organization of the fair value of its financial assets and liabilities, according to 3 levels defined by the revised standard IFRS 7:

- Evaluation of the fair value bases on a valuation leaning on observable data. Most of them are external to the Group.

9.2 - Segment disclosures

9.2.1 Consolidated statement of comprehensive income

Business segment results for period ending September 2014 are detailed below:

	Traffic signs		Telemetry		Electronics		Holding company		Group total	
	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013
Revenue										
Sales to external customers	99 700	119 389	36 247	30 526	226 468	183 843	14	157	362 429	333 915
Sales between sectors	(220)	(204)	(489)	(222)	(5 861)	(4 693)			(6 570)	(5 119)
Total revenue	**99 480**	**119 185**	**35 758**	**30 304**	**220 607**	**179 150**	**14**	**157**	**355 859**	**328 796**
Profit from operating activities	**1 332**	**3 634**	**9 669**	**7 104**	**3 193**	**773**	**(880)**	**(270)**	**13 314**	**11 241**

The other items of the income statement broken down by segment are:

	Traffic signs		Telemetry		Electronics		Holding company		Group total	
	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013
Net depreciation and estimated expenses										
Net depreciation on non-current assets	(2 112)	(2 297)	(352)	(294)	(3 517)	(3 495)	(109)	(95)	(6 090)	(6 181)
Net depreciation on current assets	(1 266)	(225)	(137)	(216)	121	320		125	(1 282)	4
Total	**(3 378)**	**(2 522)**	**(489)**	**(510)**	**(3 396)**	**(3 175)**	**(109)**	**30**	**(7 372)**	**(6 177)**

9.2.2 Consolidated statement of financial position

The table below details segment assets and liabilities, as well as acquisitions of long-term assets in the period:

	Traffic Signs		Telemetry		Electronics		Holding Company		Group total	
	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013	Period 2014	Period 2013
Segment assets										
Long-term assets	19 634	19 908	4 868	4 898	34 156	29 523	1 146	1 188	59 804	55 517
Current assets	57 672	69 898	11 090	8 836	98 589	80 893	19 384	17 920	186 735	177 547
Other assets not affected	528	516	302	257	1 826	1 730			2 656	2 503
Non-current Assets Held for Sale and Discontinued Operations										
Total segment assets	**77 834**	**90 322**	**16 260**	**13 991**	**134 571**	**112 146**	**20 530**	**19 108**	**249 195**	**235 567**
Segment liabilities										
Long-term liabilities	2 060	1 879	2 062	2 084	1 348	1 405	4 781	12 279	10 251	17 647
Current liabilities	19 610	31 623	(366)	(391)	91 912	70 101	7 825	3 733	118 981	105 066
Other liabilities not affected	7 103	7 214	2 138	1 941	9 183	7 995	25	303	18 449	17 453
Non-current Liabilities Held for Sale and Discontinued Operations										
Total current and long-term liabilities	**28 773**	**40 716**	**3 834**	**3 634**	**102 443**	**79 501**	**12 631**	**16 315**	**147 681**	**140 166**
Acquisit. of long-term assets (1)	**1 972**	**2 472**	**315**	**373**	**8 196**	**4 549**	**43**	**28**	**10 526**	**7 422**

(1) Including the acquisitions of leased assets.

9.3 - Off-balance sheet commitments

Group commitments given or received break down as follows:

Commitment category	Period 2014	Period 2013
Commitments given		
Borrowings and debts with credit establishments	537	791
Leveraged leases	2 412	1 703
Order of Purchases (1)	804	1 101

(1) Existence of a supply contract: mentioned commitment corresponds to the maximum risk, i.e. allowance to be paid in case of not realization (to cover fixed cost of the seller). Schedule is as follow: T€ 387 unless one year and T€ 416 more than one year.

All these debts are guaranteed by collateral.

There's no covenant attached to these debts.

9.4 - Post-balance sheet events

In October 2014, social movements disrupted the activity of our Tunisian plant of the electronic division. Although the salaries were back in the workplace in 20 October, this factor has had an impact on the result of the activity of this structure in October.

9.5 - Related party

9.5.1 Associated companies transactions

These companies are associated entities in which the Group has got a real influence and for which transactions are not significant.

Besides, note 8.13.1 refers to an existing debt (current account) towards a shareholder.

9.5.2 Compensation and Fringe Benefits paid to company officers

Compensation allocated to management and members of the board of directors and the supervisory board for the period in consideration of their duties in the Group break down as follows:

9.5.2.1 Members of the board of directors

	Period 2014	Period 2013
Short-term benefits	649	625
Post-employment benefits	66	98
Severance pay		
Payment in shares		
Total	**715**	**723**
Other long-term benefits (1)	345	345

(1) See more explanations in the management report (Note 9 Corporate officers and representatives).
Directors receive variable compensations that are approved by the Supervisory board. Variable compensation depends on the achievement of annual objectives that are not disclosed for confidentiality reasons.
During the year, the board of directors refocused on 3 members (versus 5 members last year).

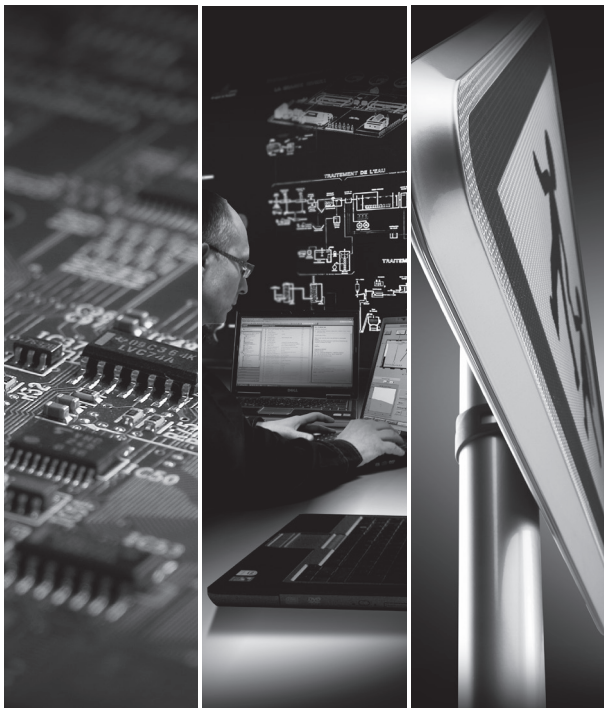
9.5.2.2 Members of the supervisory board

	Period 2014	Period 2013
Short-term benefits	26	27
Post-employment benefits		
Other long-term benefits		
Severance pay		
Payment in shares		
Total	**26**	**27**

9.6 - Fees of Auditors

The table below details the fees of the auditors and members of their Networks for the Group (according to the rule AMF 2006-10):

	Ernst & Young network				Atlantique Révision Conseil			
	2014	%	2013	%	2014	%	2013	%
Audit								
Certification	259	95%	278	94%	38	100%	38	100%
Consolidating entity	36		33		38		38	
Fully consolidated subsidiaries	222		245					
Other legal diligences	15	5%	19	6%	0	0%	0	0%
Consolidating entity	15		19					
Fully consolidated subsidiaries								
Total Audit	274	100%	297	100%	38	100%	38	100%
Other services								
Legal, fiscal, social								
Other								
Total Other services	0	0%	0	0%	0	0%	0	0%
Total	274	100%	297	100%	38	100%	38	100%



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