LACROIX

CONNECTED TECHNOLOGIES FOR A SMARTER WORLD

2018 ANNUAL REPORT

BUILDER OF THE **smart world**

LACROIX GROUP IS AN INTERNATIONAL SUPPLIER OF TECHNOLOGICAL EQUIPMENT, WHOSE AMBITION IS TO PLACE ITS TECHNICAL AND INDUSTRIAL EXCELLENCE AT THE SERVICE OF A CONNECTED AND RESPONSIBLE WORLD.

LACROIX GROUP, WORKING FOR A CONNECTED AND RESPONSIBLE WORLD

A family-run listed SME, we combine the agility crucial for innovating in a constantly developing technological world with the long-term vision for investing in and building the future.

LACROIX Group supplies connected and secure equipment for running smart road system infrastructures (street lighting, traffic signs, traffic management, V2X) through LACROIX City, and for running water and energy infrastructures through LACROIX Sofrel.

Similarly, LACROIX Group develops and manufactures electronic equipment for its customers in the automotive, home and building automation, aeronautical, industrial and health sectors through LACROIX Electronics.

We do not indulge in grand, futuristic or fantastical schemes. We work with our customers and partners to create the link between the world of today and the world of tomorrow. We help them to build the industry of the future and to make the most of the opportunities for innovation that are all around us, supplying them with the equipment for a smarter world.

WHAT WILL TOMORROW'S SMART WORLD LOOK LIKE?

An increasingly urban world where population migration intensifies and resources become scarce. It is therefore crucial to manage them better. At the same time, new technologies are emerging and creating a world that is becoming more connected by the second, and where data are multiplying. These profound changes are transforming markets, opening up unlimited perspectives for our customers.

Our activities place us at the heart of these transformations.

71%
OF GROUP STAFF WORK OUTSIDE FRANCE

7.6 BILLION
CONNECTED OBJECTS BY 2020
(Source: GARTNER, ROLAND BERGER 2017)

LACROIX CITY

In an urbanising world, we must respond to the key challenges of smart mobility: directing and optimising the movement of traffic and people safely, so that our highways and streets can be shared by everyone. It is through the connected equipment and technologies of tomorrow, designed on a solid basis of experience and expertise, that we will manage to meet these challenges. LACROIX City has been innovating for decades in the equipment it manufactures for smart road systems.

LACROIX SOFREL

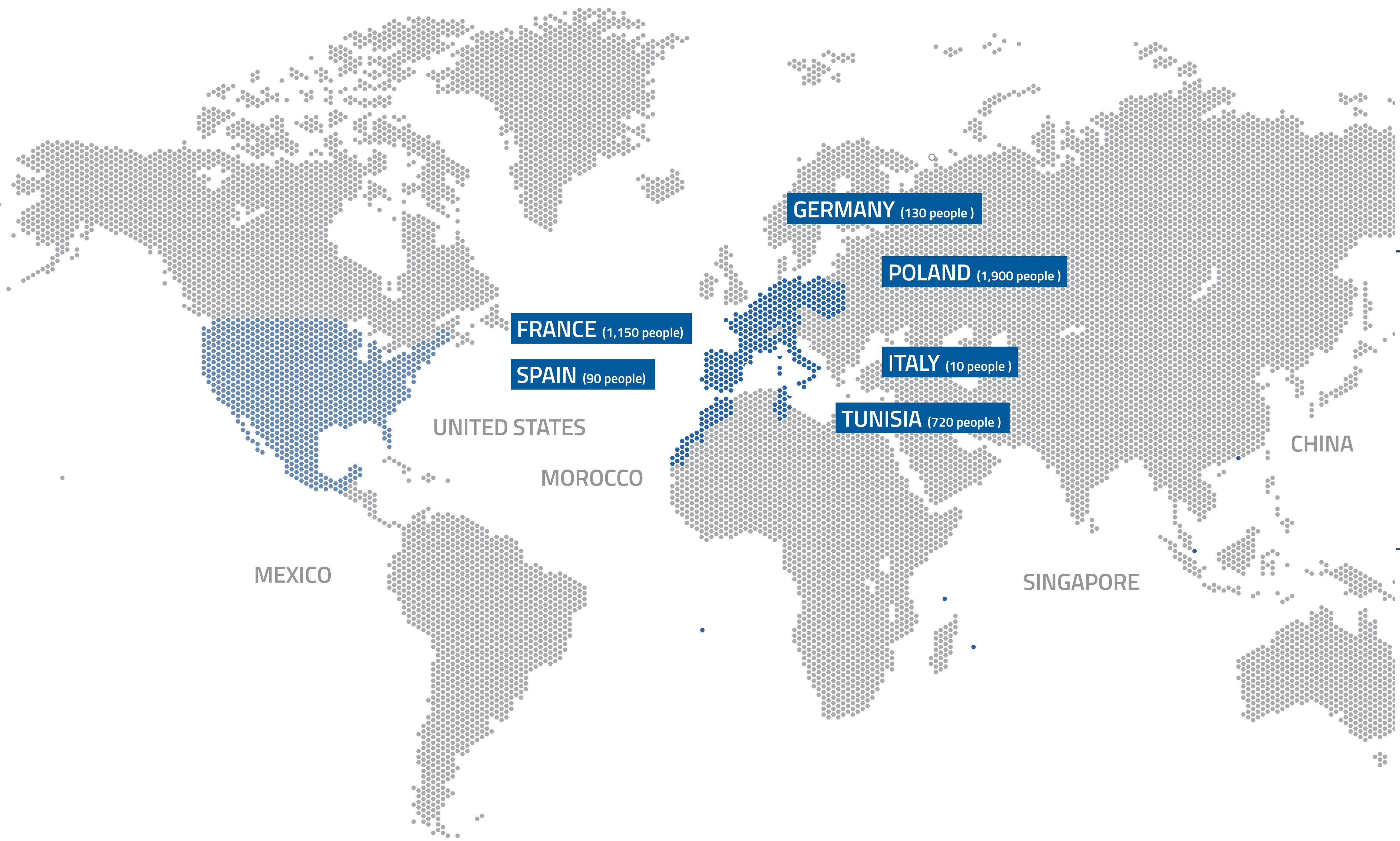
In a world where natural resources are running out, we need to act urgently. Each of us must therefore make a personal commitment to the smart environment. Optimising our management of water, energy and raw material resources is our duty as responsible citizens and companies. Thanks to its unrivalled expertise, LACROIX Sofrel has successfully placed its technology at the service of the environment, creating equipment that contributes to better use of our planet's resources.

LACROIX ELECTRONICS

In a changing world, our customers are seeking innovative solutions so that they can develop new opportunities. Our goal is to help them achieve this, and our ability to rise to the smart industry challenges means that we can do so. For this we use a digital, interconnected ecosystem whilst at the same time delivering a tailored, quality service using cutting-edge technologies. As a result of this transformation project, LACROIX Electronics has become a benchmark factory of the future.

OUR LOCATIONS

An international presence



€468 MILLION
REVENUE
UP 6.1 % VS 2017, 65% OF REVENUE EARNED OUTSIDE FRANCE

€15 MILLION
PROFIT FROM OPERATING ACTIVITIES
+21 % VS 2017

€34.3 MILLION
NET DEBT

€98 MILLION
SMART MOBILITY
21% OF GROUP REVENUE

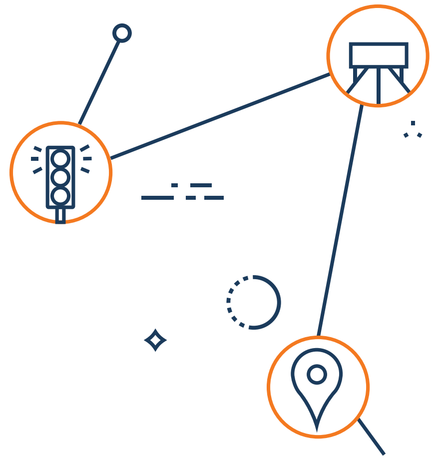
€40 MILLION
SMART ENVIRONMENT
9% OF GROUP REVENUE

€330 MILLION
SMART INDUSTRIES
70% OF GROUP REVENUE

4,000
EMPLOYEES AROUND THE WORLD
63% ARE UNDER 40

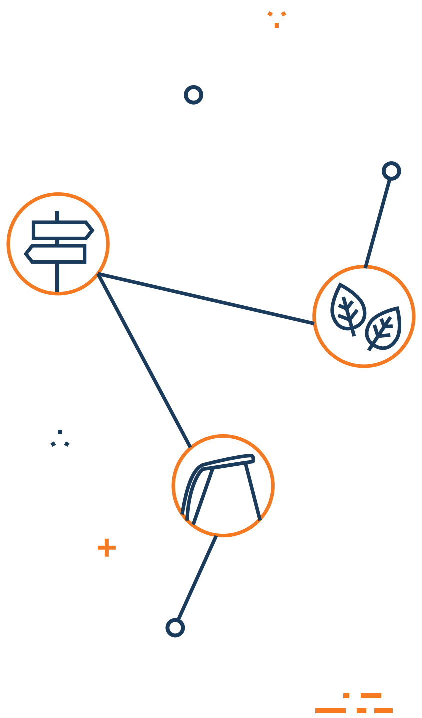
09
INDUSTRIAL SITES

09
R&D CENTRES



A COMMITMENT TO **smart mobility**

FACING THE CHALLENGES POSED BY AN INCREASINGLY URBAN AND CONNECTED WORLD, WE ARE TARGETING THE MARKET OF CONNECTED TECHNOLOGIES FOR SMARTER MOBILITY".



A COMMITMENT TO SMART MOBILITY

We are targeting this traditional market, which we know well, and promoting its transformation by adopting and mastering technologies. For decades we have been responding to the challenges of a world that is undergoing change, becoming ever more urban and connected, and we provide support to local authorities and companies through our equipment for smart road systems. Our experience and expertise provide a solid base for designing the connected uses of tomorrow which will enable flows of people and vehicles to be directed, optimised and safe. These uses make up the essence of smart mobility.

THE STRENGTH OF A COMPLEMENTARY RANGE FOR SMART ROAD SYSTEMS

To make this concept of smart, connected road systems viable by keeping installation costs down, our focus is on interoperable and complementary ecosystems which can be adapted to the equipment and infrastructures already in place worldwide.

The cities of the future will be built to incorporate technological, ecological and societal developments. We interface with this changing world with immediate results for safety, wellbeing, social and environmental responsibility. This is possible thanks to our extensive expertise in street lighting, traffic signs, traffic management and regulation, and V2X.

+24%

CONNECTED SMART CITY OBJECTS IN CITIES PER YEAR BETWEEN 2015 AND 2020

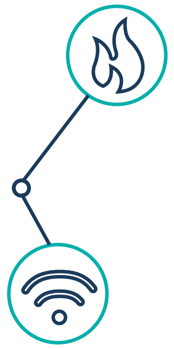
The average recorded in over 250 European cities (Source: IDATE DigiWorld, Smart Cities & IoT, November 2016)

11 MILLION

CONNECTED VEHICLES BY 2021

INNOVATION IS OUR WATCHWORD

Thanks to our LACROIX TECH community, today we have the resources necessary for continuing to innovate, mastering the latest technologies and constantly forging ahead. With the support of a solid network of partners, we are reinventing the cities of tomorrow and establishing ourselves as leading international stakeholder. This is demonstrated by 3 examples: SensyCity: the first connected detection ecosystem dedicated to street lighting; the V2X range, preparing the necessary infrastructure for autonomous, connected vehicles; and Mx4, the first passive safety support for a more forgiving road environment.



CREATOR OF THE **smart environment**

IN AN INCREASINGLY CONNECTED WORLD WHERE ENVIRONMENTAL ISSUES ARE AT THE TOP OF THE AGENDA, OUR FRAMEWORK OF ACTION IS "CONNECTED TECHNOLOGIES FOR A SMARTER ENVIRONMENT."

CREATOR OF THE SMART ENVIRONMENT

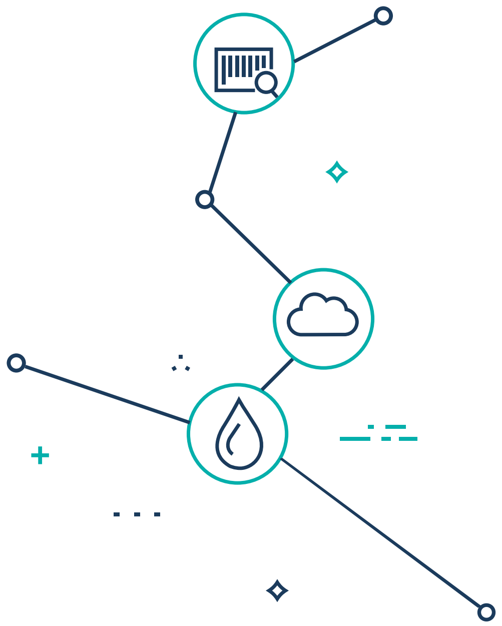
Scarcities of water, energy and raw materials are causing major concern worldwide. Optimising their use is a priority, and controlling the impact of human activities on the environment is a key issue for any company committed to its CSR policy. We made these commitments over 40 years ago by creating smart equipment for rationalising our use of water and energy resources. By choosing to place technologies at the service of humans and the environment, we have played our part in creating the smart environment.

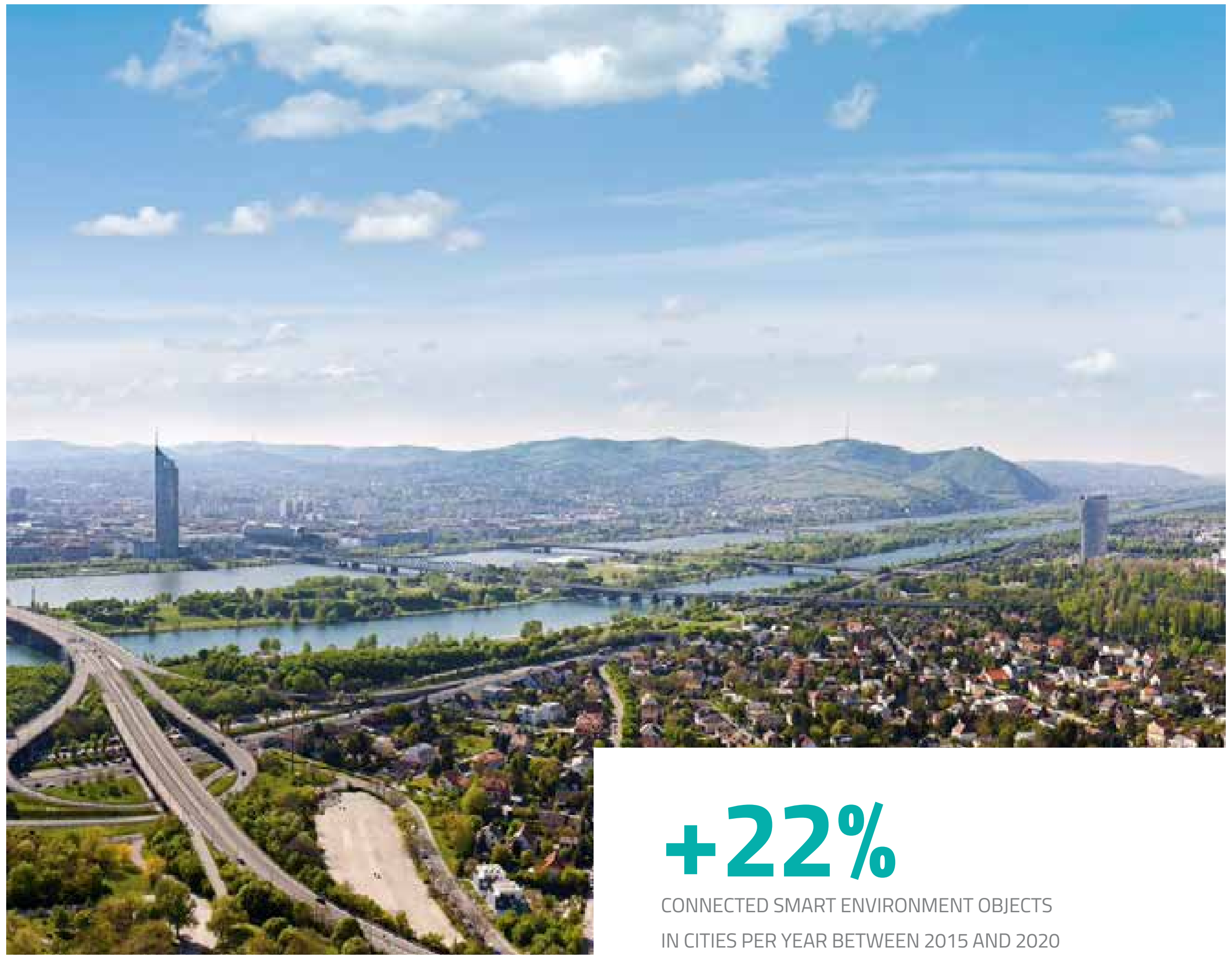
UNDENIABLE EXPERTISE IN WATER AND ENERGY NETWORKS

We have an in-depth knowledge of the profession of our water and energy network operator customers, and consequently can help improve their networks and protect the environment. A real player in the world of industrial IoT, we are at the cutting edge of new technologies and know to perfection the technological building blocks of electronics, industrial IT, telecommunications, automation and cybersecurity. With our own hardware and software engineering offices and earmarking over 10% of our annual revenue for innovation and R&D, we design and test tomorrow's uses with our customers.

MAKING AN INTERNATIONAL CONTRIBUTION TO THE ENVIRONMENT

We are a leader in the French market and also provide support to our international customers. By 2050, 40% of the world's population will be facing water shortages. Assisted by our subsidiaries in Spain, Italy and Singapore and a network of over 40 certified partners across the world, we focus our development on vulnerable regions. Now that we have consolidated our presence and expertise in France and Europe, we can expand our activities into Africa, Latin America, Asia and the Middle East, supplying smart equipment to the entire planet.





+22%

CONNECTED SMART ENVIRONMENT OBJECTS IN CITIES PER YEAR BETWEEN 2015 AND 2020

The average recorded in over 250 European cities (Source: IDATE DigiWorld, Smart Cities & IoT, November 2016)

3.6 MILLION

DEATHS WORLDWIDE EACH YEAR AS A RESULT OF CONTAMINATED WATER SUPPLIES

FORERUNNER OF **smart industries**

INNOVATING, DESIGNING AND ALSO MANUFACTURING: WE ARE INVESTING IN CONNECTED TECHNOLOGIES FOR SMARTER INDUSTRIES.

THE FORERUNNER OF SMART INDUSTRIES

With nine factories up and running on three continents, we have our own industrial resources. In 2018 we invested €8.2 M in adapting and upgrading our sites with new, cutting-edge technological solutions. Our electronics factory in France was the first one in the sector to win recognition from the French government as "Future Industry Showcase". Our transformation and upgrade programme is currently an industry 4.0 benchmark.
In an increasingly connected world, our customers are looking for innovative solutions for developing new opportunities. Our ambition is to help them bring these innovations into being. By pooling our efforts and fully using our development skills and production means, we are in a position to meet all future challenges: environmentally-friendly digitalisation and automation.

ECOSYSTEM DIGITALISATION

We create an increasingly connected world by building digitalised and collaborative relationships: our electronics factories are connected to our engineering offices, we have a single information system, a unified certification process, a single process map, and a single language. Employees, work methods and technologies are today falling into place to develop new, more robust and sustainable relationships in symbiosis with our ecosystem. Digitalisation genuinely speeds up communication and discussions, and the entire value chain benefits as a result: our customers, our suppliers, our partners and our employees.

AUTOMATION AT THE HEART OF STRATEGY

We rise to the challenges of competitiveness while at the same time ensuring that our customers receive tailored, quality service, thanks to the latest technologies that we acquire and use: automation of collaborative workstations, new OCR tools, X-ray component metering, digital tools for logistics simulation or project cooperation. These initiatives for enhanced competitiveness are in line with the growing trend towards nearshoring.

280 MILLION
LEDS FITTED IN LACROIX ELECTRONICS FACTORIES IN 2018

54% OF INDUSTRIAL COMPANIES PLAN TO DEPLOY LARGE-SCALE IOT PROJECTS BETWEEN NOW AND 2020
(source: Wavestone, 2018. Industrial IoT from PoC to industrialisation.)

Alliance INDUSTRIE DU FUTUR

La FRENCH FAB

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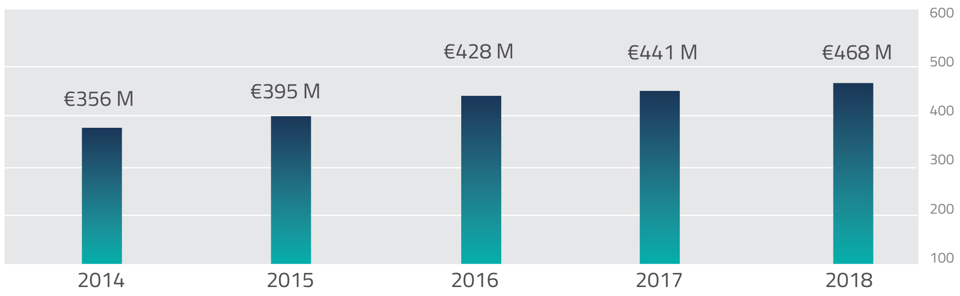
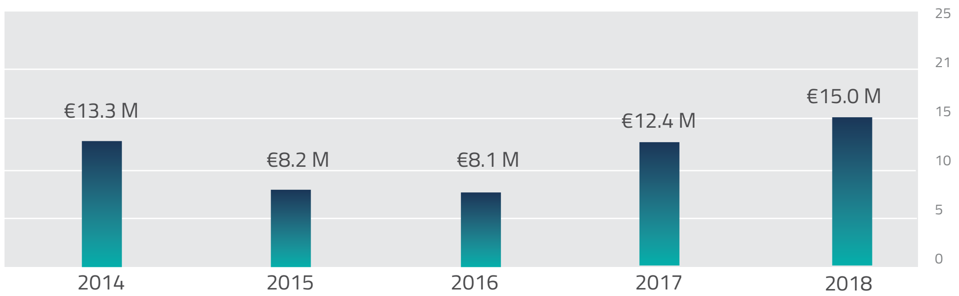
ANNUAL GENERAL MEETING

KEY FIGURES

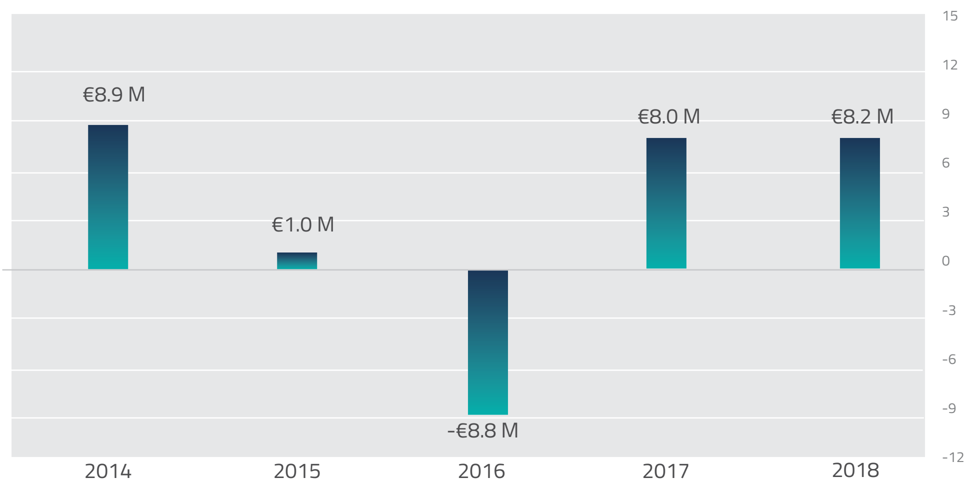
Revenue



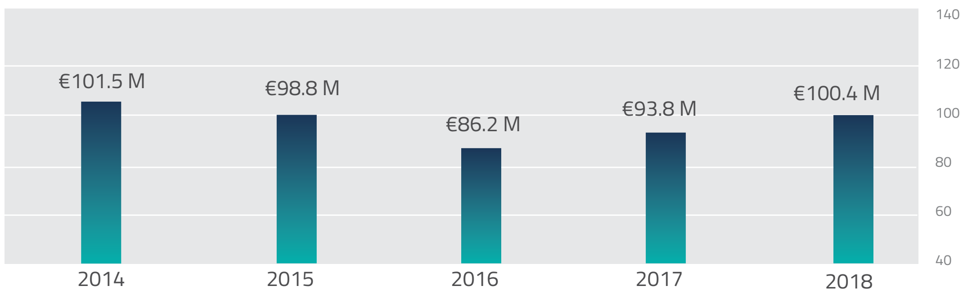
Profit from operating activities



Net income Group share



Shareholders' equity



STATEMENT OF THE COMPANY OFFICER RESPONSIBLE FOR THE FINANCIAL REPORT

2017-2018 set out under articles 222-3 and 222-4 of the General Regulations of the Financial Markets Authority

Mr Vincent Bedouin,
Chairman and CEO of the Company

CERTIFIES

"To my knowledge, the financial statements are drawn up in accordance with the accounting standards applicable and give a true and fair view of the assets and liabilities, financial position and income of the Company and of all companies included within the scope of consolidation.

The management report gives a true and fair view of the development of the business, the results and the financial position of the Company and of all companies included within the scope of consolidation, as well as a description of the main risks and uncertainties which they face."

Vincent Bedouin

LACROIX SA

Société Anonyme (Public Limited Company) with a Board of Directors

with a share capital of €25,000,000

Registered office: 8 impasse du Bourrelier - 44800 Saint-Herblain

855 802 815 RCS Nantes

MANAGEMENT REPORT OF THE BOARD OF DIRECTORS
Closed on 30/09/2018

LACROIX Group

LACROIX Group is an **international technological equipment manufacturer**, aiming to serve a connected and responsible world with its technical and industrial excellence.

Registered as a family business, we are able to combine the agility necessary to innovate in a constantly changing technological world with the long-term vision to invest in and build the future.

LACROIX Group provides safe, connected equipment for the management of intelligent road infrastructure (signage, traffic management, street lighting, V2X) through LACROIX City, and for the management of water and energy infrastructure through LACROIX Sofrel.

LACROIX Group also develops and produces electronic equipment for its automobile, home automation, aeronautics, industry and healthcare customers through LACROIX Electronics.

Far from having big futuristic plans which are totally unrealistic, we work with our customers and our partners to link today's world and tomorrow's world.
We help them build the industry of the future and benefit from the innovation opportunities surrounding us, giving them the **equipment for a smarter world.**

Consolidated results

Following a 2017 FY which showed the first stages of recovery, LACROIX Group confirms the growth of its activities throughout 2018 and its current operating income, in line with its 2020 target.

Thus:
- Revenues up 6.1% to €468.3 million, driven by LACROIX City (+7.0%) and LACROIX Electronics (+6.2%)
- Current operating income improved by €2.6 million to €15.0 million (+21.1%), with a positive contribution from three activities: LACROIX Electronics contributed €2.2 million, LACROIX City €1.0 million and LACROIX Sofrel €0.3 million, with LACROIX SA recording €0.8 million in additional charges
- Net income (Group share) increased by €0.2 million, although this was impacted by a non-current expense of €2.6 million following a judgement relating to an old legal dispute.

ANNUAL GENERAL MEETING - LACROIX GROUP

Major events by activity

LACROIX CITY

Connected technologies for smarter mobility

By designing and producing equipment for the management of smart road infrastructure relating to 4 areas of expertise: signage, traffic management and regulation, public lighting and V2X, LACROIX City guides, optimises and secures flows of vehicles and people for "Smart Mobility".
LACROIX City works with the traditional market it knows well and promotes its transformation through the adoption and mastery of technologies. For decades, LACROIX City **has been meeting the needs of a world that is changing**, more and more urban and connected, and supporting communities and businesses with equipment used for smart roads. Its expertise and experience provide a solid foundation for imagining and designing tomorrow's connected technologies.

In a market context which is still difficult in the more traditional and promising segments regarding new technologies, the main events of the 2018 period were the following:
- Revenue growth (+7.0%), driven by traffic management (+10.7%) and public lighting (+7.4%), supported by the return to growth of signage equipment sales (+ 5.5%)
- A rise in operating income of €1.0 million over the period (+49%). The recovery of the activity takes time and a deficit of €-1.1 million remains, but it is confirmed
- A decrease in the net income due to the settlement of an old legal dispute for €2.6 million.
- Continued internal investment to further position LACROIX City as a technological supplier of intelligent roads

During the next financial year, LACROIX City's activity showed a further increase, driven mainly by equipment sales and the management of Street Lighting and Signage. Despite heavy reinvestment (staff costs and external expenses) to continue structuring our services, the operating income will continue to improve.

The key figures of LACROIX City are as follows (in contributory form):

In €M	N	N-1
Revenue	98.2	91.9
Profit from operating activities	-1.1	-2.1
Net income	- 4.4	- 3.6
Cash flow	- 0.3	- 0.6
Net investments	1.8	1.6

LACROIX SOFREL

Connected technologies for a smarter environment

The **scarcity of water and energy resources** and raw materials is one of the biggest global concerns. Optimising their use is a priority and controlling the impact of human activities on the environment is a fundamental need for any company with a committed CSR policy. By designing and producing equipment to remotely control, automate and manage water and energy infrastructure, LACROIX Sofrel opted for a "Smart Environment" solution at the time of the digital revolution, using connected objects to optimise the use of water and energy resources.
Showing steady growth (its sales have doubled in less than 10 years), this activity represents 9% of the Group's revenue and is a strong contributor to its profit.
The design office (with 25 employees, plus the same number of freelance staff) with a high level of expertise, and a close proximity to its customers, are major assets of this activity, and have enabled LACROIX Sofrel to become an example to follow in France in the Water and Energy fields.
Evolving in a buoyant market worldwide, with the challenges and the maturity of the water market creating a context which favours intelligent, connected equipment, LACROIX Sofrel pursues investments in HR and R&D to accelerate its international development, where it achieves currently about 25% of its sales.
In this context, the major events of the financial year were as follows:
- After a year of stable revenue, growth returned (+3.4%) to €40.4 million, driven as expected by International sales, particularly through its subsidiaries in Italy and Spain

- A change in revenue that allows the assimilation of the structuring of teams (mainly marketing and sales) and an increase of €0.3 million in current operating income to €9.1 million.
- Creation of a subsidiary in Singapore (October 2018), a new base for the ASEAN market

The outlook for the business is good, with a moderate increase in sales and an excellent level of income, despite investments in HR to support and strengthen growth, especially internationally.

The key figures of LACROIX Sofrel are as follows (in contributory form):

In €M	N	N-1
Revenue	40.4	39.0
Profit from operating activities	9.1	8.8
Net income	6.1	5.8
Cash flow	6.9	6.5
Net investments	0.8	0.5

LACROIX ELECTRONICS

Connected technologies for smarter industries

On its way to becoming an industry 4.0, LACROIX Electronics develops, industrialises, produces and integrates electronic assemblies and subassemblies for the automobile, aeronautics, home automation, industrial and health sectors.
It helps its customers to innovate, and also develop the world of "Smart Industries".

Representing more than 70% of revenue and more than 80% of the Group's workforce, this sector has enjoyed recurring and sustained growth over the last 10 years, enabling it to triple its sales during this period.

The market, growing globally but also in Europe, also benefits from the 'nearshoring' trend.
In this context, the major events of fiscal year 2018 were as follows:

- Return to dynamic growth (+6.2%) over the financial year, with more balanced growth on our various industrial sites and despite more moderate growth in the final quarter (particularly impacted by WLTP)
- The increase in operating income of +€7.0 million to +€9.1 million, due to the continued improvement in operating performance, better saturation of industrial assets and helped by favourable currency exchange rates
- The increase in the minority stake in Firstronic, a North American EMS which is located in the US and Mexico and enables LACROIX Electronics to offer industrial solutions to its European customers on the North American continent.

In a market environment that has become more uncertain, particularly for its customers in the automotive market, the sector will continue to grow, benefiting from the upswing in programmes picked up in 2018.
Current operating profitability should also continue to grow while investments in the industry 4.0 and digitalisation are continued, to further increase performance in the medium term.

The key figures of LACROIX Electronics are as follows (in contributory form):

In €M	N	N-1
Revenue	329.6	310.4
Profit from operating activities	9.1	7.0
Net income	4.8	3.6
Cash flow	10.4	8.0
Net investments	8.2	9.5

Research and development activities

Mainly located in the LACROIX Sofrel and City businesses, Research & Development activities are counted as operating expenses.

Their overall amount was €6.4 million during the financial year and they generated a research tax credit of €1.1 million for the 2017 calendar year.

Financial situation

Cash flow generated by operations amounted to €19.1 million, compared with €17.6 million the previous financial year, the slight increase in income being largely supported by the increase in amortisation and provisions (+€1.2 million)

Over the financial year, the WCR of the company increased by €10.0 million, mainly affected by the change in LACROIX City's customer account (related to changes in business activity and billing of international contracts) while the inventory increase of LACROIX Electronics was offset by good management of the customer account.

Net investments continued to show an increased level of €12.8 million compared with €12.5 million in the previous financial year.

These investments include increasing the stake in Firstronic, an unconsolidated entity. As a result of the change in WCR and the sustained pace of investments, the Free Cash Flow was negative at €-2.1 million, compared with a positive 2017 FCF of + €6.9 million.

The net debt to equity (Gearing) ratio stands at 0.34 compared with 0.32 on 30/09/2017.

Excluding external growth, the operating prospects, combined with a better control of capital flows, suggest an improvement in this ratio over the next financial year, while maintaining increased investment.

Outlook

In 2019, LACROIX Group will benefit from the investments made and from the conquered markets to continue its business growth despite a general environment which is becoming more uncertain.

If the positioning of the international technological equipment supplier of Smart Mobility, Smart Environment, and Smart Industries perform as expected, LACROIX Group confirms its 2020 objectives regarding revenue and income.

LACROIX SA

The company's business

As the parent company of the Group, it contributes to the management of assets, mainly consisting of the equity of the parent companies of the three sectors, supervision and coordination of each one of them: general management and delegated general management, finances, legal & compliance, human resources, strategic innovation, IT and communication. Since June 2017, LACROIX SA has also been home to LACROIX Lab, the Group's innovation catalyst responsible for testing technologies and usage related to and on behalf of the Group's activities.
Revenue, excluding dividends, is generated by royalties received from subsidiaries in exchange for the services described above. Its revenue on 30 September 2018 amounted to €4,155,000 compared with €3,184,000, an increase of 30.5% compared with the previous financial year, mainly due to the reinvoicing of management services for LACROIX City and invoicing for new services related to IT and LACROIX Lab. The negative operating income of (2003) €K takes into account the strengthening of the Group's management, the valuation of the allocated performance shares and the marketing support services.

This loss is nonetheless largely offset by the profit of + €5,609,000 (+ €6,262,000 in 2017), resulting mainly from the receipt of dividends from its subsidiaries.

The current pre-tax income is thus largely positive at €3,606,000.

After taking into account exceptional income of + €12,000 and tax income of €3,575,000, related to its leading position in the tax-consolidated Group, the net income amounted to €7,193,000, compared with €8,791,000 euros the previous financial year

Non-tax-deductible expenses

Non-deductible expenses and charges amounted to €36,893 at the end of the financial year.
This amount corresponds to the non-deductible portion of leases for passenger vehicles used by the Company for an amount of €29,173 and to corporate vehicle tax charges of €7,720, which generated a tax obligation amounting to 12,297 euros.

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 the balance of the debts with respect to customers and suppliers is broken down, by the due date, as follows:

	Invoices received unpaid at the year-end and fallen due					Invoices issued unpaid at the year-end and fallen due				
	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	"Total (1 day and more)"	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	"Total (1 day and more)"
(A) Late payment by group										
Number of invoices concerned	0	0	0	0	0	2	1	1	0	4
Total amount inclusive of taxes of the concerned invoices	- €	- €	- €	- €	- €	€39,299.21	€7,074.34	€33,897.66	- €	€80,271.21
Percentage of the year's total purchases, inclusive of taxes										
Percentage of the year's revenue, inclusive of taxes						0.79%	0.14%	0.69%	-0.00%	1.62%
(B) Invoices excluded from (A) relating to payables and receivables that are disputed or not recognised										
Number of invoices concerned	0	0	0	0	0	0	0	0	0	0
Total amount inclusive of taxes of excluded invoices	- €	- €	- €	- €	- €	- €	- €	- €	- €	- €
(C) Reference payment terms used (contractual or legal period)										
Payment terms used for calculating late payments	Contractual terms: Legal terms:					Contractual terms: Legal terms: 30 days month-end on 15th				

ANNUAL GENERAL MEETING - LACROIX GROUP

FACTORS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A PUBLIC OFFERING

In compliance with Articles L 233-13 and L 225-100-3 of the French Commercial Code, we hereby inform you of the following:

The Company's share capital structure

As at 30 September 2018, the Company's share capital was €25,000,000 made up of 3,766,560 shares.

The share capital structure is as follows:

	% capital	% voting rights*
BEDOUIN Family	70.25%	84.93%
Treasury shares**	5.17%	
Public	24.59%	15.07%

(*) exercisable voting rights

(**) of which shares held under the liquidity contract

Threshold crossing

In compliance with Article 8 of the Articles of Association, any shareholder owning 2% or more of the share capital is required to inform the Company within 15 days by registered letter with acknowledgement of receipt, and this requirement concerns each fraction of 2% of capital ownership.

During the past financial year, no threshold crossing was declared, either upwards or downwards.

Significant shareholding in registered form

With the exception of shares held by the BEDOUIN Family Group, there were no significant registered shares at the end of the financial year with the exception of the FIDELITY Group holding 10% of the capital.

Double voting rights

Article 10 of the Articles of Association assigns a double voting right to each share fully paid up subject to proof that the share is registered in the name of one and the same shareholder for at least three years.

Control mechanism

Except for the double voting right assigned, there are no shares entitled to special prerogatives.

Neither is there any mechanisms for control provided for in an employee shareholding system or agreements among shareholders which the Company is aware of and which may lead to restrictions on the transfer of shares.

Powers of the Board of Directors regarding share buy-back

Every year, the General Meeting delegates to the Board of Directors, the power, in compliance with Articles L.225-209 et seq. of the French Commercial Code, with European Regulation No. 2273/2003 of 22 December 2003 and with Articles 241-1 to 241-7 of the General regulation of the Autorité des Marchés Financiers, to purchase shares of the Company within the limit of 10% of the share capital.

The Executive Board benefits from a delegation granted by the General Meeting of 23 February 2018 regarding capital increase and a delegation granted by the General Meeting of 24 February 2017 relating to the free allocation of shares in the company.

Treasury shares

In 2005, the Company entrusted the implementation of a liquidity contract compliant with FAIF's code of ethics recognised by the Autorité des marchés financiers on 22 March 2005, to the brokerage firm PORTZAMPARC.

As at 30 September 2018, the Company held 191,775 treasury shares and 2,941 shares under the liquidity contract, i.e. a total of 194,716 treasury shares representing 5.17% of the capital.

Subsidiaries

	Share capital	Other equity	Share of capital held	Book value of securities held		Loans and advances granted and not repaid	Total amount of guarantees given	Pre-tax revenue from the last financial year	Income from the last financial year
				Gross	Net				
1. Subsidiaries held at more than 50%									
LACROIX SOFREL	5,500	8,850	98.38%	13,570	13,570			37,321	5,486
LACROIX ELECTRONICS	15,000	8,112	100.00%	46,427	39,622	10,333		102,192	2,015
LACROIX CITY	9,373	7,415	100.00%	14,999	14,999	43,621		4,569	938
LACROIX V	5	-1	100.00%	5	5				0
LACROIX VI	5	-1	100.00%	5	5				0
LACROIX NORTH AMERICA INC (1)	0		100.00%	0	0	3,223			-184
2. Shares held between 10 and 50%									
None									
3. Shares less than 10%									
Other shares									
TOTAL				75,005	68,200	57,178			

Equity investments

In compliance with Article L.233-6 of the French Commercial Code, we hereby inform you of the direct or indirect equity investments made by the Company and its subsidiaries during the year ended in Companies having their registered office in France.

During the year ended, the following equity investments and acquisitions were made:

- In LACROIX North America Inc
- Acquisition of stake in Firstronic LLC holding 12.5% ownership

Employee share ownership

In accordance with Article L.225-102 of the French Commercial Code, we hereby declare that the percentage of capital represented by shares held by employees as at 30 September 2018 is zero, since the Company has not put in place any mutual fund for employees of the Group.

We hereby specify that the last Extraordinary General Meeting called to consider and approve a capital increase reserved for employees was held on 23 February 2018. It would be appropriate therefore to consider a proposed increase at the next General Meeting.

MAIN RISK FACTORS FACING THE COMPANY

In compliance with the provisions of Article L.225-100 (4) of the French Commercial Code, we present the relevant information below:

Strategic and operational risks

The nature of strategic risks to which the Company is exposed is not likely to seriously jeopardise the sustainability of the Group's activities.

However, by the nature of its business lines, the Group faces the following operational risks:

Industrial and environmental risks

The significant scale of the Company's industrial investment programmes ensures that it has recent and secure equipment to limit the risks of major failures that might to bring manufacturing operations to a halt. Therefore, the main industrial risks are those that

could affect or stop production at the main sites (fire, technical breakdown, etc.) and compromise the quality of products. Quality processes have been put in place aimed at identifying, correcting, preventing or at least limiting malfunctions.

Supplier and raw materials risk

There are no major risks of dependency on suppliers. However, for the Electronics business area, adjustments in suppliers' production capacity may lead to the control of certain components, hence significantly extending lead times. The risk then becomes a risk of obsolescence of components in the event of product modification by the client but covered by logistics contracts.

Risk to the Information System

The Group's management pays particular attention to its information system and a number of measures have been implemented to ensure its security. Furthermore, to address a major problem, crisis management plans have been put in place in each of the three business areas and have been audited during the year.

Legal, tax and social risks

The Group monitors the legal, tax and social developments in order to ensure that its operations are compliant and to anticipate the impacts of new regulations. A review of the main risks is performed per business line in order to ensure that all risks are taken into account in the financial statements in an exhaustive manner.

Based on known information, the Group believes that it is unlikely that current mutual agreement procedures or disputes will have a significant impact on the consolidated financial statements.

Financial risks

We provide below the degree of exposure of the Group to financial risks.

Currency risk

Other than LACROIX Electronics, the Group is not exposed to currency risks.

As regards LACROIX Electronics, currency risk concerns mainly purchases made in USD, PLN and JPY.

- As regards purchases in USD and JPY, the company has signed contracts with its main clients providing for an adjustment of the selling price based on fluctuations in the EUR/USD parity. As a result, currency risk is extinguished on that part. For the balance, the company has recourse to partial hedges of its needs, to cover a target rate set for each period.
- Expenses in PLN concern mainly the salaries of Polish employees and some local purchases. The Group's policy consists in undertaking forward hedges based on its forecast needs.

Generally, recourse is made to financial instruments strictly for the needs of the activity, excluding any speculative purposes.

Interest rate risk

Most of the Group's debt are at floating rates.
The Group uses financial instruments to mitigate this risk.
At the end of September 2018, the portion of variable rate financing covered by interest rate caps represented around 60% of the nominal amount.

Liquidity risk

The Group's gross debt level stands at €52,189k.
There is no covenant tied to any of the financing.
The free cash flow stands at €17,700k.
The Group therefore considers that its exposure to this risk is low.

Credit risk

Each of the three activities of the Group has its own credit insurance policy, covering its potentially risky clients.

The types of clients by industry is as follows:

Activities	Types of main clients
LACROIX City	Major government bodies and companies engaged in public works
LACROIX Sofrel	Public bodies and major water management players
LACROIX Electronics	French and foreign companies of international range

Capital risk

The Group closely monitors its capital by controlling changes in its gearing.

	FY 2018	FY 2017
Borrowings and financial debts	36,195	31,931
Cash credit	15,994	17,385
Other net financial debts	-201	-187
Cash and Cash Equivalents	-17,700	-19,429
Net debts	34,288	29,700
Shareholders' equity	100,415	93,756
Gearing	34.1%	31.7%

Classification of financial assets and liabilities at fair value

The Group does not provide a detailed table on the fair value hierarchy of its financial assets and liabilities according to the 3 levels defined in the amended IFRS 7. Evaluation at fair value is based on observable data, most of which are external to the Group.

EVENTS AFTER THE REPORTING PERIOD

A 10% stake in SESA was taken after closing.

STOCK MARKET INFORMATION

Fluctuations in share prices during financial year 2018

The LACROIX SA share is listed on Euronext Paris (compartment C).

During period 2018, 801,832 shares were traded, for a capital amount of €25,069,924.70 and an average share price of €31.27.

The share price at the year-end of 30 September 2018 was €23.60.

Purchase of treasury shares by the Company

Share buy-back programme

We propose that you renew the authorisation given by the Ordinary General Meeting of 23 February 2018 to the Executive Board to buy the Company's shares on the stock market, in accordance with the conditions and within the limits set out in Articles L.225-209 et seq. of the French Commercial Code and in accordance with those of the European Regulation of 22 December 2003.

The objectives of the share buy-back programme are the same as in the previous year:

- to ensure market-making under a liquidity contract compliant with FAIF's code of ethics recognised by the Autorité des marchés financiers,
- to purchase of shares for retention and subsequent allotment by way of exchange or payment as part of an external growth operation,
- to cover securities conferring entitlement to shares,
- to cover share option plans for the Group's employees and officers.

The authorisation is granted for a maximum period of 18 months subject to the following conditions:

- the maximum number of shares that can be redeemed shall not exceed 176,461 shares, i.e. 4.68% of the share capital.
- the maximum share price is €60.
- the total amount allocated to this programme is 10.59 million euros.

The shares will be bought back through trading on the market or through acquisition of blocks of shares as allowed by governing laws and regulations. The programme may be achieved entirely by acquiring blocks of shares. Acquisitions and disposals can be made during a public tender offer within the limits permitted by stock market regulations.

The number of shares held for the implementation of the programme cannot exceed 10% of the share capital, or 376,656 shares.

Assessment of previous share buyback programmes

In respect of the programmes authorised by the General Meetings of 24 February 2017 and 23 February 2018, relating to the year ended 30 September 2018, the Company did not undertake any purchase or sale of treasury shares.

Furthermore, under the liquidity contract 100% owned by LACROIX SA:

- 47,042 shares were acquired at an average price of **30.90 euros,**
- 50,743 shares were sold at an average price of **30.23 euros.**

At the end of the financial year, the shares held under the buyback program were allocated to the following objectives:

- hedging of stock option plans for employees and corporate officers of the Group: 111,441 shares
- transferred subsequent to the exchange or payment in connection with an external growth transaction: 80,334 shares
- Stabilisation of the price by a service provider: 2,941 shares

a total of 194,417 treasury shares representing 5.17% of the capital, having a book value of €3,717,002 and a market value of €4,595,298, based on the price on 30 September 2018.

REGULATED AGREEMENTS

No new regulated agreements were entered into during the financial year ended 30 September 2018.

Regulated agreements entered into during prior years continued during that year.

In accordance with the legal provisions, standard agreements entered into under normal conditions have not been subject to this check.

The agreements were sent to the Statutory Auditors for presentation in their special report to the general meeting.

REPORT ON CORPORATE GOVERNANCE

Pursuant to Article L. 225-37 of the French Commercial Code, we present to you in this management report, our report on corporate governance containing all the information required by the regulations in force:

Composition and functioning of the administrative and management bodies

COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors is the collegiate body that determines the company's policies and ensures their implementation, defines the company's strategy, appoints the corporate officers and, through its deliberations, regulates any question concerning the proper running of the company in accordance with the powers conferred by the law, the articles of association and the company's by-laws.

The Board of Directors is composed of at least THREE members and at most 18 members, to which the representatives of the named employees may be added.

The number of directors over the age of 70 may be greater than one third of the Board of Directors.

The term of appointment for each director is THREE years.

On 30 September 2018, the Board of Directors of LACROIX SA was composed of 7 members listed below in the section "List of terms of office and job roles from 26 July 2018 to 30 September 2018".

Chairman and Chief Executive Officer

In accordance with the provisions of Article L. 225-37-4, 4 of the French Commercial Code, we inform you that your Board of Directors has chosen one of the two procedures for exercising general management set out in Article L. 225-51-1 of the French Commercial Code and that this indication will not be included in subsequent reports, unless the method of exercising general management is changed.

On 26 July 2018, the Board of Directors decided to combine the roles of Chairman of the Board of Directors and Chief Executive Officer.

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Consequently, Mr Vincent Bedouin assumes responsibility for the general management of the Company for the duration of his term of office as a CEO.

On 26 July 2018, the Board of Directors decided, at the suggestion of the Chief Executive Officer, to appoint Mr Nicolas Bedouin as Chief Operating Officer for the term of office of the Chief Executive Officer.

Independence of the members of the Board of Directors

Taking into account the criteria recommended by the AFEP MEDEF Code to qualify a director as independent, it appears from the examination of the situation of each director that Mr Meili, Mr Tiers, Ms Malbat and Ms Barneoud all fulfil the conditions to qualify as independent.

Representativeness of women on the Board of Directors

In accordance with Law No. 2011-103 of 27th January 2011 on the balanced representation of women and men on the Board of Directors and on professional equality, the male/female distribution within the Board of Directors is 57%/43% as of 30 September 2018.

There are three female members out of a total of seven members currently on the Board of Directors.

Mission of the Board of Directors

The Chairman of the Board of Directors organises and directs the work of the Board of Directors, which he reports to the general meeting of shareholders of the Company.

The Chairman of the Board of Directors ensures the proper functioning of the Company's corporate bodies, including the committees of the Board of Directors.

Information about directors

The members of the Board of Directors have received all the documents and information necessary for the fulfilment of their duties within the deadlines for their examination.

The Chairman has regularly provided the directors with all relevant information concerning the company.

Rules of Procedure of the Board of Directors

On 26 July 2018, the Board adopted regulations allowing it to meet by videoconference or telecommunication.

These regulations also define the Board's rules of procedure regarding ethics (shareholding, confidentiality, conflict of interest, etc.).

Work of the Board

The Board meets as often as the interests of the Company require.
In its former mode of administration (Management Board and Supervisory Board), the Supervisory Board met four times in order to:

- review the activity report for the first quarter of the year approve the accounts for the previous year
- review the second quarter activity report
- review the semi-annual report

From its formation on 26 July 2018 and until its closing on 30 September 2018, the Board of Directors met once to appoint the Chairman of the Board of Directors, its Chairman and Chief Executive Officer, the Chief Operating Officer, to adopt the rules of procedure and form the specialised committees.

Specialised Committees of the Board

The Board of Directors has established three permanent committees:

- an audit and compliance committee;
- a compensation committee.
- a strategic committee

The mission of which is to provide in-depth analysis and reflection prior to the Board's deliberations and to contribute to the preparation of the Board's decisions.

Audit and Compliance Committee

The Audit and Compliance Committee, acting under the responsibility of the Board of Directors is primarily responsible for reviewing the accounts and monitoring issues relating to the preparation and control of accounting and financial information. It also oversees the definition and monitoring of the Company's compliance program.

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It follows the process of preparing financial information and, where appropriate, makes recommendations to ensure its integrity.

As such, it is responsible for:

- Following the process of preparing financial information
- Monitoring the effectiveness of the internal audit and risk management systems, and the effectiveness of the compliance program,
- Issuing recommendations on the Statutory Auditors proposed to the General Meeting
- Monitoring the auditors' performance of their tasks
- Monitoring the auditors' compliance with the conditions of independence
- Approving services other than account certification (SACC)
- Reporting to the Board of Directorss

The Audit and Compliance Committee must inform the Board of Directors immediately of any difficulties encountered. These reports are either inserted in the minutes of the meetings of the Board of Directors concerned or an appendix to these minutes. The audit and compliance committee is composed of Mr Pierre Tiers only.

Compensation Committee

The compensation committee's main task is to make recommendations and proposals to the Board of Directors concerning the members of the Board of Directors who would receive:

- allocation of attendance fees;
- all other types of compensation, including the conditions applicable at the end of their term of office;
- the possible compensation of the managers;
- changes or potential changes to the pension and insurance scheme;
- benefits in kind and various financial entitlements; and
- where necessary:
  - the granting of share subscription or purchase options; and
  - the allocation of free shares.

More generally, the compensation committee is also responsible for making recommendations to the Board of Directors concerning:

- the executive compensation policy, and
- the profit-sharing mechanisms, by any means, for the staff of the Company and, more broadly, Group companies, including:
  - the employee savings plans of the Group companies, including:
  - additional pension systems;
  - issuances of securities giving access to capital;
  - the granting of share subscription or purchase options; and
  - the allocation of free shares.

One of the compensation committee's tasks is to make recommendations to the Board of Directors regarding the performance criteria to be used, if any, for granting or exercising any share subscription or purchase options, as well as for the possible free allocation of shares.

The compensation committee is made up of two members, namely Mr Pierre Tiers and Ms Ariane Malbat.

Strategic Committee

The strategic committee analyses, studies and advises on:

- The main strategic plans of the Company and the Group
- the Group's development policy; and
- major projects or programmes for the development of industrial products that are planned to be carried out by the Company or a Group company;
- The Strategic Committee studies and reviews:
- strategic agreements and partnerships;

external growth operations and those affecting the Group's structures, and more generally:

- any significant project of any kind.

The strategic committee is made up of five members, namely Mr Pierre Tiers, Mr Hugues Meili, Mr Hubert De Boisredon, Ms Ariane Malbat and Ms Muriel Barneoud.

Status of the terms of office of the members of the Board of Directors

No term of office of the members of the Board of Directors expires this year.

List of terms of office and job roles from 1 October 2017 to 26 July 2018

Under the provisions of Article L.225-102-1 of the French Commercial Code, we present below the list of all the terms of office and job roles exercised in any company by each of the corporate officers of the company prior to the amendment of the mode of administration of the company.

Management Board

Name	TERM OF OFFICE	Company
Vincent Bedouin	Chairman of the Management Board Chairman Chairman Member of the Supervisory Board Manager Manager Manager Manager Manager	LACROIX SA SAS LACROIX ELECTRONICS SAS LACROIX SOFREL SAS VINILA INVESTISSEMENTS SARL LACROIX V SARL LACROIX VI SARL LACROIX VII SARL LACROIX III SCI MAJE
Nicolas Bedouin	Member of Management Board Member of the Supervisory Board Manager	LACROIX SA SAS VINILA INVESTISSEMENTS SCI MAJE

Supervisory Board

Name	TERM OF OFFICE	Company
Jean-Paul Bedouin	Chairman of the Supervisory Board Chairman Manager	LACROIX SA SAS VINILA INVESTISSEMENTS SCI LTI SUD EST
Hugues Meili	Member of the Supervisory Board Chairman and CEO President Administrator Member of the Supervisory Board Chairman of the Management Board	LACROIX SA NIJI SA BORDILLA I SAS Crédit Agricole d'Ille et Vilaine DELTA DORE Bretagne Développement Innovation
Pierre Tiers	Chairman Founding director Member of the Supervisory Board Member of Strategic Committee	SAS NOVAPULS PRO.POSITIONS LACROIX SA SAS GroupE DMD SAS Groupe CETIH SAS VECTURA: SAS PASSERELLES Finances SAS FINPLE
Marie-Reine Bedouin	Member of the Supervisory Board Chairwoman of the Supervisory Board	LACROIX SA SAS VINILA INVESTISSEMENTS
Hubert de Boisredon	Member of the Supervisory Board Chairman Chairman Manager Manager Manager Manager	LACROIX SA ALSENS SAS REVIALIS ALRE ALSOL ALPER SCI BUROO
Ariane Malbat	Member of the Supervisory Board	LACROIX SA
Murielle Barneoud	Member of the Supervisory Board	LACROIX SA

List of terms of office and job roles from 26 July 2018 to 30 September 2018

The Board of Directors

Name	TERM OF OFFICE	Company
Vincent Bedouin	Chairman of the Board of Directors Chairman Chairman Member of the Supervisory Board Manager Manager Manager Manager Manager	LACROIX SA SAS LACROIX ELECTRONICS SAS LACROIX SOFREL SAS VINILA INVESTISSEMENTS SARL LACROIX V SARL LACROIX VI SARL LACROIX VII SARL LACROIX III SCI MAJE
Pierre Tiers	Chairman Founding director Member of Board of Directors Member of Strategic Committee	SAS NOVAPULS PRO.POSITIONS LACROIX SA SAS GroupE DMD SAS Groupe CETIH SAS VECTURA: SAS PASSERELLES Finances SAS FINPLE
Hugues Meili	Member of the Board of Directors Chairman and CEO Chairman Administrator Member of the Supervisory Board Chairman of the Management Board	LACROIX SA NIJI SA BORDILLA SAS Crédit Agricole d'Ille et Vilaine DELTA DORE Bretagne Développement Innovation
Marie-Reine Bedouin	Member of the Board of Directors Chairman of the Supervisory Board	LACROIX SA SAS VINILA INVESTISSEMENTS
Hubert de Boisredon	Member of the Board of Directors Chairman Chairman Manager Manager Manager Manager	LACROIX SA ALSENS SAS REVIALIS ALRE ALSOL ALPER SCI BUROO
Ariane Malbat	Member of the Board of Directors	LACROIX SA
Murielle Barneoud	Member of the Board of Directors	LACROIX SA

General management

Name	TERM OF OFFICE	Company
Vincent Bedouin	Chairman and CEO Chairman Chairman Member of the Supervisory Board Manager Manager Manager Manager Manager	LACROIX SA SAS LACROIX ELECTRONICS SAS LACROIX SOFREL SAS VINILA INVESTISSEMENTS SARL LACROIX V SARL LACROIX VI SARL LACROIX VII SARL LACROIX III SCI MAJE
Nicolas Bedouin	Chief Operating Officer Member of the Supervisory Board	LACROIX SA SAS VINILA INVESTISSEMENTS

Compensation and benefits received by executive corporate officers

In accordance with Article L.225-102-1 of the French Commercial Code, we inform you of the amount of total compensation and benefits of any kind paid, during the financial year ended 30 September 2018, to the executive officers, by the Company and the controlled companies under Article L 233-16 of the French Commercial Code:

According to AFEP/MEDEF recommendations, the compensation paid to executive corporate officers during the year was as follows:

	FY 2018		FY 2018		FY 2017		FY 2016	
Vincent Bedouin *Chairman of the Management Board **Chairman and CEO	26/07/18 to 30/09/18 **		1/10/17 to 26/07/18 *		Owed	Paid	Owed	Paid
	Owed	Paid	Owed	Paid				
Fixed compensation	XX	227,883			210,000	200,000	200,000	200,000
Variable compensation	67,500	67,500			67,500	30,000	30,000	30,000
Special compensation								
Attendance fees								
Benefits in kind	7,516	7,516			7,516	7,516	7,436	7,436
TOTAL		302,899			285,016	237,516	237,436	237,436
Nicolas Bedouin *Member of the Management Board ** Chief Operating Officer	26/07/18 to 30/09/18**		1/10/17 to 26/07/18*		Owed	Paid	Owed	Paid
	Owed	Paid	Owed	Paid				
Fixed compensation	XX	142,047			120,250	110,000	110,000	110,000
Variable compensation	45,000	45,000			45,000	24,000	24,000	24,000
Special compensation								
Attendance fees								
Benefits in kind	4,735	4,735			4,735	4,735	2,966	2,966
TOTAL		191,782			169,985	138,735	136,966	136,966

Information given in euros

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Summary of compensation and options and shares allocated to each executive officer:

	FY 2018	FY 2017
Vincent Bedouin Chairman of the Management Board and Chief Executive Officer		
Expenses recorded in the financial year Valuation of options granted during the financial year Valuation of performance shares granted during the financial year	302,899	285,016
Nicolas Bedouin Member of the Management Board and Chief Operating Officer		
Expenses recorded in the financial year Valuation of options granted during the financial year Valuation of performance shares granted during the financial year	191,782	169,985

Information given in euros

The variable compensation of senior executives is set by the Board of Directors at the recommendation of the Compensation Committee, based on the achievement of objectives revised annually.

Summary of the compensation of each executive officer

The information relating to the amounts due refers to the amounts set aside for the year, unlike the amounts paid, which indicate the variable portion granted for the previous financial year.

Attendance fees

The executive officers did not receive attendance fees during the year.

Share subscription or purchase options granted during the year

No share subscription or purchase options were granted to the executive officers during the last financial year.

Share subscription or purchase options exercised during the financial year

No subscription or purchase options were exercised during the financial year by the executive corporate officers.

Attendance fees and other compensation received by non-executive corporate officers during the financial year, for the previous financial year, were as follows:

	Name	TERM OF OFFICE	Fixed compensation	Variable compensation	Benefits in kind	Additional pension and other benefits	Attendance fees	Total
The Supervisory Board	Jean-Paul Bedouin	Chairman of Supervisory Board	104,000		10,132		6,000	120,132
	Marie-Reine Bedouin	Member of the Supervisory Board						
	Pierre Tiers	Member of the Supervisory Board					10,000	
	Hugues Meili	Member of the Supervisory Board					8,000	
	Hubert de Boisredon	Member of the Supervisory Board					6,000	

Information given in euros

We inform you that no member of the Supervisory Board may avail of stock options.

Shares allocated and available

The main features of the free share allocation plan are as follows:

- Opening date of the plan: 24 february 2017
- The plan is awarded under performance conditions, the realisation of which is necessary to obtain the final benefit from these plans.
- Number of shares: 52,500
- The definitive allocation of the shares will be done in two periods:
  - up to 31 December 2018, i.e. approximately 2 years from the first acquisition period.
  - up to 31 December 2020, i.e. approximately 4 years after the second acquisition period.
- On the expiry of these dates, the shares will be definitively allocated to the beneficiaries subject to the conditions fulfilled and in the following manner:
  - 30% of the shares may be acquired after approximately 2 years, i.e. on 31 December 2018. This acquisition constitutes a down payment on the plan.
  - 100% of the shares may be acquired after approximately 4 years, i.e. on 31 December 2020. The shares acquired at the end of the first period, being paid as an advance payment, will be deducted from the total amount allocated.

The retention period will be equal to the remaining term from the date of Allocation in order to respect the legal period of total unavailability of shares of minimum two years stated in article 225 197-1 of the French Commercial Code.

The cost for the period under the free share allocation plan amounts to €198,000 under IFRS2, plus the employer contribution for which an amount of €58,000 is set aside.

Compensation Policy (Say on Pay)

Compensation is determined by the Board of Directors at the recommendation of the Appointments and Compensation Committee.

The amount of the total compensation of the directors takes into account the general interest of the company, the market practices, the performance of the managers and the levels of compensation observed for the other Group managers, particularly in view of their responsibilities and contributions relating to the performance and development of the Group.

The variable part of executive compensation must be consistent and clearly reflect the Group's performance and economic development objectives.

Compensation Policy of Vincent Bedouin - Chairman and Chief Executive Officer

Vincent Bedouin will receive fixed annual compensation determined according to market practices and responsibilities. These developments will allow the progressive realignment of Vincent Bedouin's fixed compensation by 2020 to be in line with that of the Executive Managing Directors.

Vincent Bedouin's fixed compensation was approved for the 2019 and 2020 financial years.

The compensation committee restates the fixed compensation determined for these two reference years:

- €197,900 gross per year on 1 January 2019 (compensation identical to 2018)
- €207,900 gross per year from 1 January 2020.

In addition, Vincent Bedouin also receives a gross annual salary equal to €22,100 paid by the company VINILA.

Additional information:

- Vincent Bedouin benefits from an additional pension plan
- Vincent Bedouin benefits from a company health insurance policy
- Vincent Bedouin receives a benefit in kind through the provision of a company car.

The Executive Board reserves the right, at the recommendation of the Compensation Committee, to grant exceptional compensation in the context of very specific and justified circumstances (a major transaction for the Company).

The variable compensation of Vincent Bedouin is still calculated on the basis of the current operating income (COI) earned each year by the Group compared to the best COI in 2020 or the budget set in the financial year. The variable portion to be paid will be capped at 1.5 times the allocated variable portion and no variable portion will be awarded if the COI is less than 50% of the target set.

We suggest that this variable portion be calculated on the gross basis approved by the 2018 General Meeting

- €110,000 gross in 2019
- €120,000 gross in 2020

We suggest that this variable portion be linked directly to the level of performance achieved. For the 2018 financial year, the variable portion of Vincent Bedouin's compensation is calculated on the gross basis of €100,000.

The amount of Vincent Bedouin's variable compensation portion for this reference year is €113,069 gross, determined as follows:

- Let P be the COI retained in the budget, i.e. €14,130,000
- Let R be the COI achieved at the end of the reference year, i.e. €15,025,000
- Let V be the variable compensation share awarded, i.e. €100,000
- Either the variable portion to be paid equals R * (V / P) * (R / P) **or €113,069**

This amount will be definitively acquired subject to approval by the General Meeting of 8 March 2019.

Compensation policy of Nicolas Bedouin - Chief Operating Officer

Nicolas Bedouin will receive fixed annual compensation determined according to market practices.

The fixed compensation of Nicolas BEDOUIN was approved for the years 2019 and 2020.

The Compensation Committee restates the fixed compensation determined for these two reference years:

- €123,750 annual gross from 1 January 2019
- €133,750 annual gross from 1 January 2020

In addition, Nicolas Bedouin also receives annual gross compensation equal to €16,250 paid by the company VINILA.

Additional information:

- Nicolas Bedouin benefits from an additional pension scheme
- Nicolas Bedouin benefits from a company health insurance policy
- Nicolas Bedouin receives a benefit in kind through the provision of a company car.

The Executive Board reserves the right, at the recommendation of the Compensation Committee, to grant exceptional compensation in the context of very specific and justified circumstances (a major transaction for the Company).

The variable compensation of Nicolas Bedouin is still calculated on the basis of the current operating income ("COI") earned each year by the Group compared to the best of the COI in 2020 or the budget set for the year. The variable portion to be paid will be capped at 1.5 times the allocated variable portion and no variable portion will be awarded if the COI is less than 50% of the target set.

We suggest that this variable portion be calculated on the gross basis approved by the 2018 General Meeting

- €70,000 gross in 2019
- €75,000 gross in 2020

We suggest that this variable portion be linked directly to the level of performance achieved. For the 2018 financial year, the variable portion of Nicolas Bedouin's compensation is calculated on the gross basis of €60,000.

The amount of the variable compensation portion of Nicolas Bedouin for this reference year is €67,842 gross, determined as follows:

- Let P be the COI retained in the budget, i.e. €14,130,000
- Let R be the COI achieved at the end of the reference year, i.e. €15,025,000
- Let V be the variable compensation share awarded, i.e. €60,000
- Either the variable portion to be paid equals R * (V / P) * (R / P) or €67,842

This amount will be definitively acquired subject to approval by the General Meeting of 8 March 2019.

Resolutions regarding say on pay proposed at the General Meeting

Under the provisions of article L.225-37-2 (2) and L.225-82-2 of the French Commercial Code, modified by the order 2017-1162 of 12 July 2017, we bring to your attention the projects for resolutions approved by the Board of Directors to be submitted at the General Meeting of 8 March 2019, for the purpose of approving the compensation items allocated and attributable to the Company's executive officers.

Fifth resolution

The General Meeting, acting under the conditions of quorum and majority of Ordinary General Meetings, approves the items of compensation due or allocated for the financial year 2018 to Vincent Bedouin, Chief Executive Officer of the Company as presented in the annual financial report of the Company.

Sixth resolution

The General Meeting, voting under the conditions of quorum and majority of Ordinary General Meetings, after taking note of the report of the Executive Board on the compensation policy for executive officers, set out pursuant to Article L. 225-37-2 of the French Commercial Code, approves the items of the compensation policy applicable to Vincent Bedouin, Chairman and Chief Executive Officer, as presented in the annual financial report of the Company.

Seventh resolution

The General Meeting, acting under the conditions of quorum and majority of Ordinary General Meetings, approves the items of compensation due or allocated for the financial year 2018 to Nicolas Bedouin, Chief Operating Officer of the Company as presented in the annual financial report of the Company.

Eighth resolution

The General Meeting, voting under the conditions of quorum and majority of Ordinary General Meetings, after taking note of the report of the Executive Board on the compensation policy for executive officers, set out pursuant to Article L. 225-37-2 of the French Commercial Code, approves the items of the compensation policy applicable to Nicolas Bedouin, Chief Operating Officer, as presented in the annual financial report of the Company.

Ninth resolution

The General Meeting, voting under the conditions of quorum and majority of ordinary general meetings, after having taken note of the report of the Board of Directors on corporate governance, sets the maximum amount for the current financial year to be distributed among the members of the Board of Directors, in the form of attendance fees, at 60,000 euros.

Summary table of delegations of authority and powers granted by the General Meeting to the Board of Directors regarding capital increases

Date of General Meeting	Nature of delegation	Term of delegation	Date and terms of use by the Board of Directors
23 February 2018 (12th resolution)	Capital increase reserved for employees	26 months	NONE

Main features of the internal monitoring and risk management procedures

This report on the internal monitoring and risk management procedures implemented within LACROIX Group is based on the implementation guide for the reference framework published by the AMF (French Markets Authority) and applicable to mid-cap and small-cap stocks of financial markets).
The achievement of the objectives of Internal Monitoring at LACROIX Group is possible thanks to the environment created within the Group as well as to the specific organisation put in place, from which result targeted internal audit and risk management procedures. All of these are presented below.

Key players in internal monitoring

Internal monitoring as it is deployed within LACROIX Group contributes to the prevention and control of risks resulting from the company's business, including those related to the risks of errors and fraud. In particular, it ensures:

- Compliance with applicable laws and regulations;
- Reliability of financial data;
- Safeguarding and protection of assets;
- Prevention and control of risks, and the implementation of process optimisations.

Like any monitoring system, the internal monitoring system cannot provide an absolute guarantee that all the risks of errors and fraud are totally eliminated.

The achievement of these objectives is of course only possible through the appropriation and application of the rules and procedures by all employees of the company, under the supervision of each service manager. Nevertheless, within LACROIX Group, there is a centralised management of internal monitoring supported by the **Legal and Compliance Department** for some aspects and the **Audit & Internal Monitoring division** for others.

The **Audit and Compliance Committee** aims to monitor and challenge the effectiveness of the internal monitoring and risk management system.

Internal monitoring environment

A number of structural references for internal monitoring exist within LACROIX Group.

Thus, the deployment of **LACROIX Group Values** makes it possible to support the Group's transformation, to advance managerial practices and to create an environment of trust: courage, commitment, team spirit, openness and respect. These values are a benchmark that connects teams internally; they guide behaviour, promote initiative and empower people in a positive way.

In addition, the **Ethics** Charter, drafted in 2018, expresses LACROIX Group's policy on business ethics and individual behaviour. It specifies the ethical principles already at play within the society. It does not claim to answer any question of an ethical

nature but rather sets out the basic rules and guidelines that must govern each decision. The **Anti-Corruption Code of Conduct and the Competition Code of Conduct** are framed by the Code of Ethics. These compliance programs contribute to the training and awareness of employees and allow the establishment of appropriate mechanisms for the prevention of offenses, and their detection and punishment where appropriate.

The Mapping of Risks & Opportunities, the priorities of which are reviewed annually by the General Management, make it possible to identify the subjects with the strongest impacts and the most important levers for the durability of the growth of LACROIX Group. This mapping is part of the multi-year development plan defined by the Management.

Finally, the **Rules of Procedure** between LACROIX Group and each of the areas of activity define the levels of responsibility borne by the various players, as well as their areas of responsibility. These rules are supported by **delegations of authority**, allowing the transfer of responsibility to persons with the specific skills, authority and means.

Organisation of internal monitoring

Internal monitoring is everyone's responsibility. In particular, all process drivers are responsible for ensuring the existence and application of procedures within their scope and for ensuring the associated regulatory monitoring. Nevertheless, an organisation process as well as tools for control, monitoring and management exist, in order to give management decision-making keys on the one hand, and to ensure a handover of internal monitoring at all levels of management of the LACROIX Group on the other hand. The main factors are described below:

- **The Management Monitoring Directors** for the activities manage reports to the General Management. In particular, they allow monthly monitoring of budget commitments by subsidiary, by activity and cumulated, and also include non-financial items and forecasts, allowing better management of subsidiaries.
- Likewise, centralised **cash reporting** at headquarters allows for weekly consolidated monitoring of cash flows and the debt position of subsidiaries. Details of these cash and debt situations are sent monthly to General Management.
- The **accountants** are responsible for the reliability of the financial information and are responsible for the correct application of the Group procedures in particular.
The tax declarations of the French subsidiaries of LACROIX Group are prepared or checked by holding accounting. These declarations are also regularly reviewed by external consultants.
- **The consolidation department** , centralised at the head office, prepares the accounts under IFRS and ensures consistency of processing and compliance with Group rules and procedures.

The Legal & Compliance Department ensures overall regulatory compliance (company law, contracts, insurance, etc.) and supports activities in the context of major contractual negotiations or litigation management. It advises the General Management and intervenes in internal restructuring and external growth operations. Advice can be obtained from outside experts on an ad hoc basis. **Compliance contacts** were instituted during the year within each of the activities. Their role is to be a link to the Compliance Department, working closely with the teams to communicate the rules and procedures in a top-down fashion, and to be easily accessible to answer the ethical questions of employees.

In particular, **the IT Department** ensures the integrity and safeguarding of data, as well as the security and availability of our IT systems. As such, external audits and tests of computer recovery plans are regularly conducted under the supervision of the IT Management. All of the major subsidiaries of LACROIX Group have **ERP software**.

Implementation of internal monitoring

The Audit & Internal Monitoring division plans its duties on the basis of validated priorities in the context of Risk & Opportunity Mapping. From this perspective, its duties revolve around:

- Monitoring respect of the laws as well as the rules of procedure
- Improvement of operational processes;
- Continuous improvement of internal monitoring and the fight against fraud;
- Support provided to the Compliance Department.

Main activities for the 2018 financial year

For the 2018 financial year, the following tasks were carried out:

- Monitoring of the respect of the laws and the rules of procedure
  - Finalisation and deployment of the anti-corruption mechanism
- Improvement of operational processes:
  - Increase in Marketing activities (product expertise, markets, key success factors)
  - Monitoring of engagement in customer contracts of the LACROIX Electronics business;
  - Continuing deployment of LACROIX Electronics' continuity plan;
  - Follow-up of recommendations regarding dependency of supply sources at LACROIX City

Areas of Work 2018-2019

The areas of work defined for the 2018-2019 financial year will mainly concern:

- Monitoring of the respect of the laws and the rules of procedure
  - Respect of rules of procedure;
  - Evaluation of key processes in foreign subsidiaries (LACROIX Océan Indien, LACROIX Sofrel Italy, LACROIX Sogexi).
- Improvement of operational processes:
  - Review of tendering and contracting processes at LACROIX City;
  - Continuation of the implementation of the business continuity plan for LACROIX Electronics;
  - Audit of customer risk management at LACROIX Electronics;
  - Monitoring audits on the dependency on supply sources for each activity.
- Continuous improvement of internal monitoring and the battle against fraud:
  - Review of the segregation of duties implemented in our ERP software;
  - Considering data analysis tools to set up routine checks and increase the effectiveness of our checks.
- Support provided to the Compliance Department:
  - GDPR Deployment
  - Update and Improvement of Anti-Corruption Mechanism

In accordance with Article L. 225-235 of the French Commercial Code, as amended by Law No. 2003-706 of 1 August ("Financial Security Law"), our Auditors will present, in a report attached to their general report, their observations on this report.

Factors likely to have an impact in the event of a takeover

Factors likely to have an impact in the event of a takeover bid are disclosed in the management report.

Shareholder participation in the General Meeting

The specific conditions relating to the participation of shareholders in the general meeting are described in Articles 22 and 23 of our articles of association.

ANNUAL GENERAL MEETING - LACROIX GROUP

AUDITORS' REPORT

We would like to highlight that no Auditor's term of office will end the General Meeting

INCOME APPROPRIATION

Distributable income is composed of:

Profit from the financial year	7,193,223.19 euros
To which the previous report is added	1,630,499.04 euros
Other reserves	66,500,000.00 euros
To form a distributable profit of	75,323,722.23 euros

We suggest that you approve the appropriation of the net profit for the year (amounting to 7,193,223.19) euros as follows:

As dividends to shareholders €0.72 per share	2,711,923.20 euros
In the "other reserves" account, which amounts to 66.5 million euros.	4,400,000.00 euros
The balance in the "carry forward" account	81,299.99 euros

This would amount to €1,711,799.03, it being understood that the latter amount will be increased by the fraction of dividends corresponding to the shares held by the Company as part of its share buyback program.

Since 1 January 2018, distributed income has been paid as a single flat tax of 30%, i.e. 12.8% on income tax and 17.2% on social contributions,

* may claim to be exempted from the 12.8% levy on income tax for natural persons belonging to a tax household whose reference tax income for the penultimate year is less than 50,000 euros (single, divorced or widowed taxpayers) or 75,000 euros (taxpayers subject to joint taxation); The shareholder is responsible for applying for exemption no later than 30 November of the year preceding the payment of the dividend,

* the option for progressive dividend taxation remains possible and must be indicated on the tax return; in this case, the flat-rate levy of 12.8% will be deducted from the tax due. The 40% reduction will be maintained but social security contributions will be taken from the amount before tax relief.

* the proposed dividend is eligible for the 40% tax allowance resulting from article 158-3-2 of the French General Tax Code and applicable to natural persons resident in France.

The payment of dividends will be carried out before 15 April 2019.

This allocation results in a total of shareholders' equity amounting to €103,639,793.90, before the division of treasury shares held by the Company.

In accordance with the law, the General Meeting notes that the dividends distributed in respect of the three preceding financial years were as follows:

Financial year	Dividend per share	Total dividend	Total number of shares	Number of paid shares
2014 - 2015	0.4	1,427,297	3,766,560	3,568,242
2015 - 2016	0.4	1,506,624	3,766,560	3,569,577
2016 - 2017	0.6	2,142,590	3,766,560	3,570,984

ATTENDANCE FEES

We suggest that you set the total annual amount of attendance fees allocated to the Board of Directors for the current financial year at 60,000 euros.

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 Financial Markets Authority, we hereby inform you that no transaction carried out by the corporate officers of LACROIX SA regarding Company securities was brought to our attention during the financial year.

ANNUAL GENERAL MEETING - LACROIX GROUP

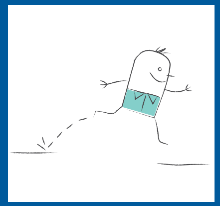
DECLARATION OF EXTRA-FINANCIAL PERFORMANCE 2018

LACROIX Group is an industrial player which, through its activities, seeks to help "make the world a better place". LACROIX Group is a family-run operation which builds its CSR approach around a number of key priorities, which it consolidates every year by developing new initiatives.

Environmental and corporate social responsibility are integral to LACROIX Group's **AMBITION2020** strategic plan, which mobilises employees around an ambitious business development vision.

Each of the strategic priorities in the AMBITION2020 programme includes a CSR dimension, particularly the Human Capital and Smart World initiatives.

LACROIX Group operates in accordance with a set of core values, a key point of reference shared by all employees. By aligning social and operational rules with these values, LACROIX's teams help to place people at the centre of the organisation. Managers and their staff thus avail of a reference framework understood by all and invaluable for coordinating their interaction and guiding their decision making.

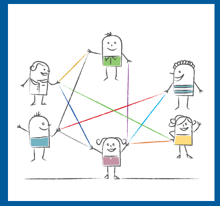


AUDACITY

"Audacity gives me wings to meet challenges and dare to be enterprising, despite uncertainty and obstacles."

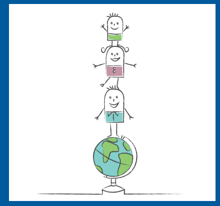
COMMITMENT

"I help ensure the effectiveness of the company's projects."



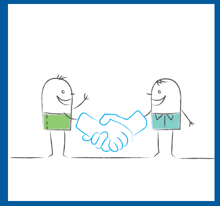
TEAM SPIRIT

"Teamwork enriches me and boosts me – it's a source of learning as well as motivation."



OPENNESS

"I gain from difference by opening myself to new ideas and being curious."



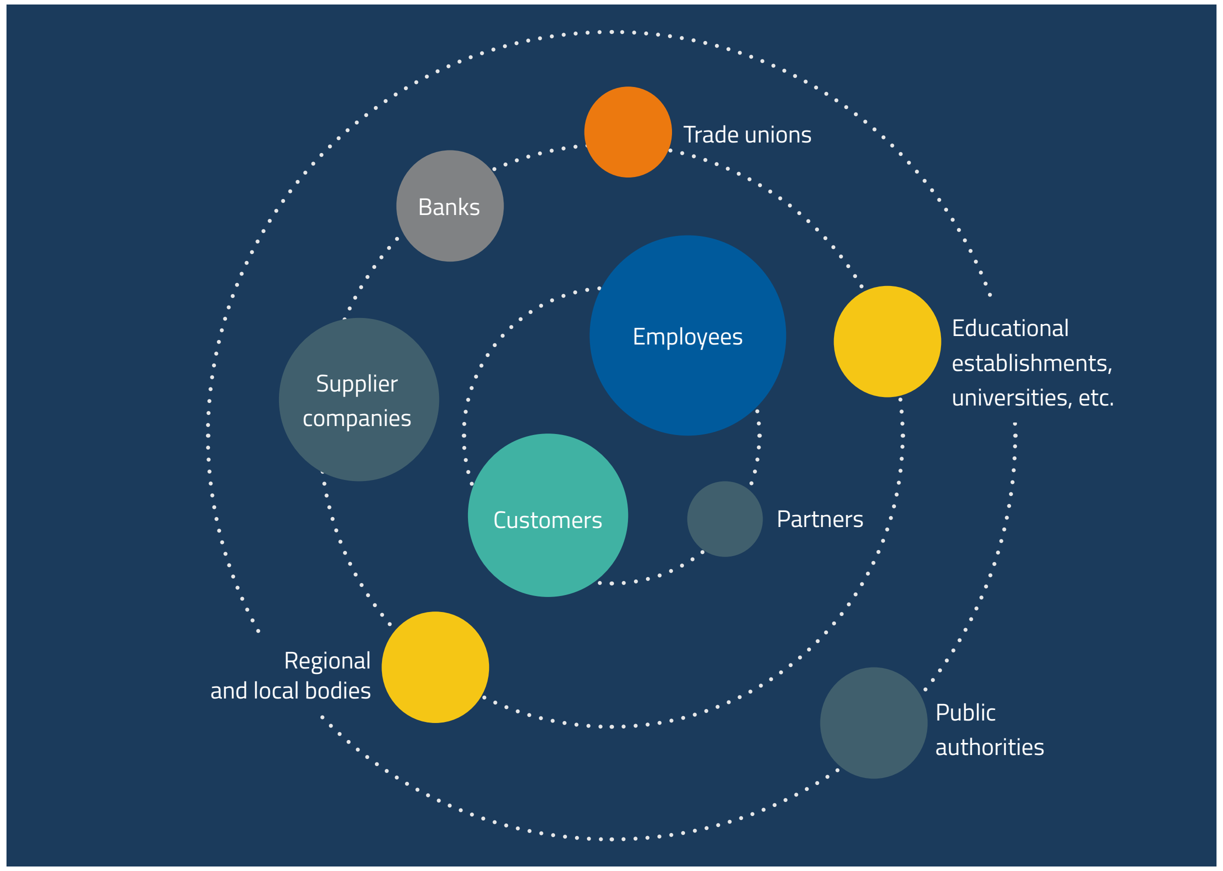
RESPECT

"I respect other people to ensure a good working environment and to receive respect in turn."

LACROIX Group underlines its CSR commitment through its adherence, since 2017, to the **United Nations Global Compact,** an international initiative which represents the framework for voluntary commitment to sustainable development, based on ten key principles covering human rights, working conditions, the environment, and corruption. Adhering to the Global Compact means sharing the conviction that commercial practices based on universally recognised principles will contribute to the emergence of a more stable, fair and open global market, and to the development of prosperous and dynamic societies.

DIALOGUE WITH STAKEHOLDERS

LACROIX Group builds a constructive relationship with its stakeholders, helping to promote the conditions for dialogue in relation to their corporate social responsibility. Dialogue with stakeholders represents a means of creating **connections, innovation and added value** within a framework which prioritises listening and co-construction, and enables decision-making in consideration of stakeholder expectations.



ANNUAL GENERAL MEETING - LACROIX GROUP

OUR VALUE CHAIN

LACROIX Group key figures

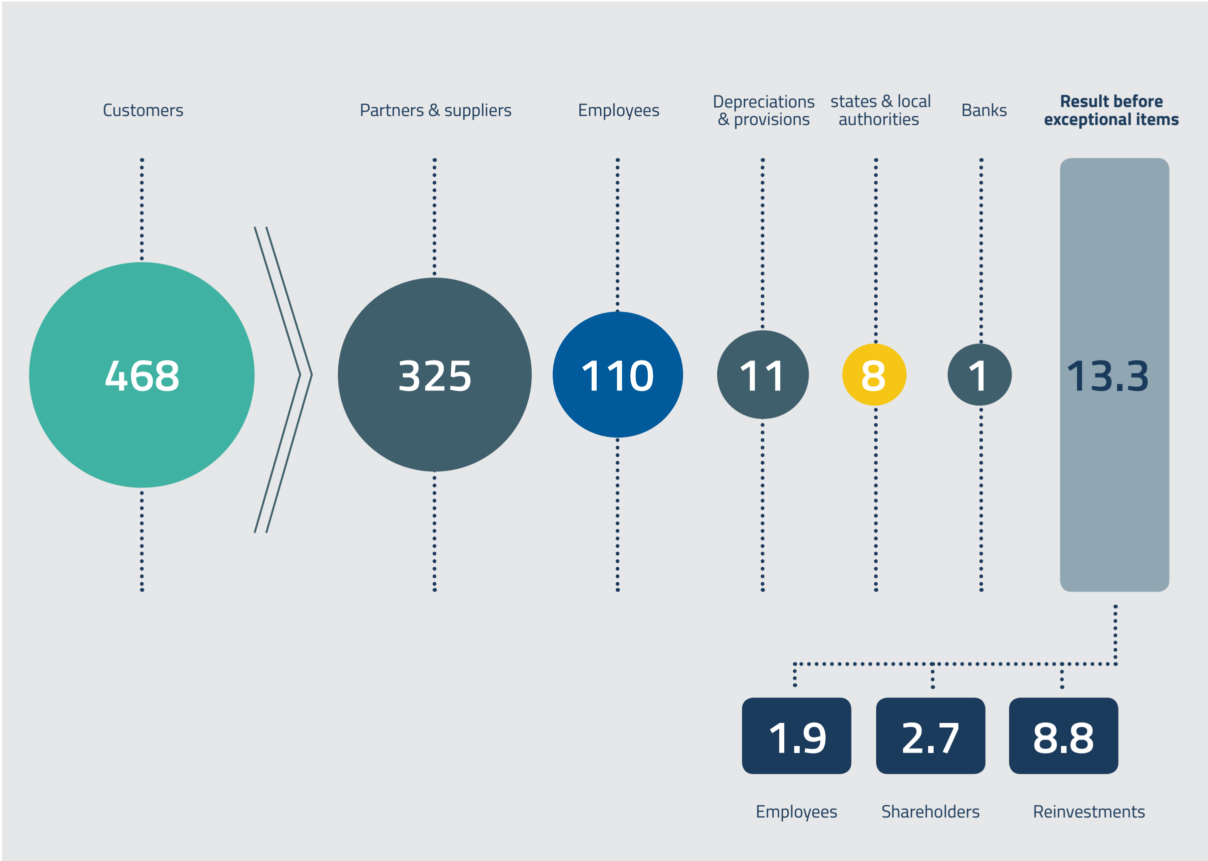
4,056 Employees

(4,034 in 2017)

€468 Million

(€441M in 2017)

VALUE CREATION (in millions of Euros)



DISTRIBUTION BY BUSINESS AREA

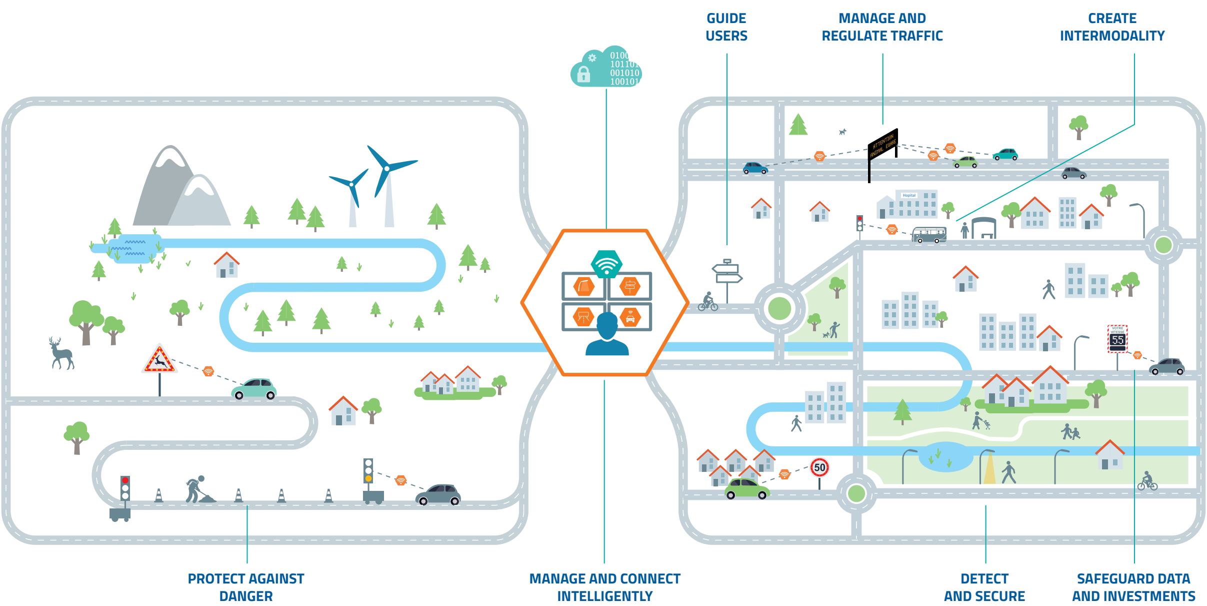
LACROIX City

For decades, LACROIX City has met the demands of a changing world, one which is increasingly urban and connected, supporting local authorities and businesses with its equipment for smart roadways. Its expertise and experience provide a solid foundation for envisaging and designing the connected uses of the future, those which will enable us to guide, optimise and secure flows of vehicles and people, or in other words: smart mobility.

To ensure the effectiveness of this concept of intelligent and connected roadways while reducing set-up costs, LACROIX City is looking to interoperable and complementary ecosystems compatible with equipment and infrastructure already in place all around the world.

585 Employees (582 in 2017)

€98 Million (€92M in 2017)



The city of tomorrow is built according to technological, ecological and societal development. LACROIX City's integration into this rapidly changing world offers immediate results in terms of safety, wellbeing, social and environmental responsibility.

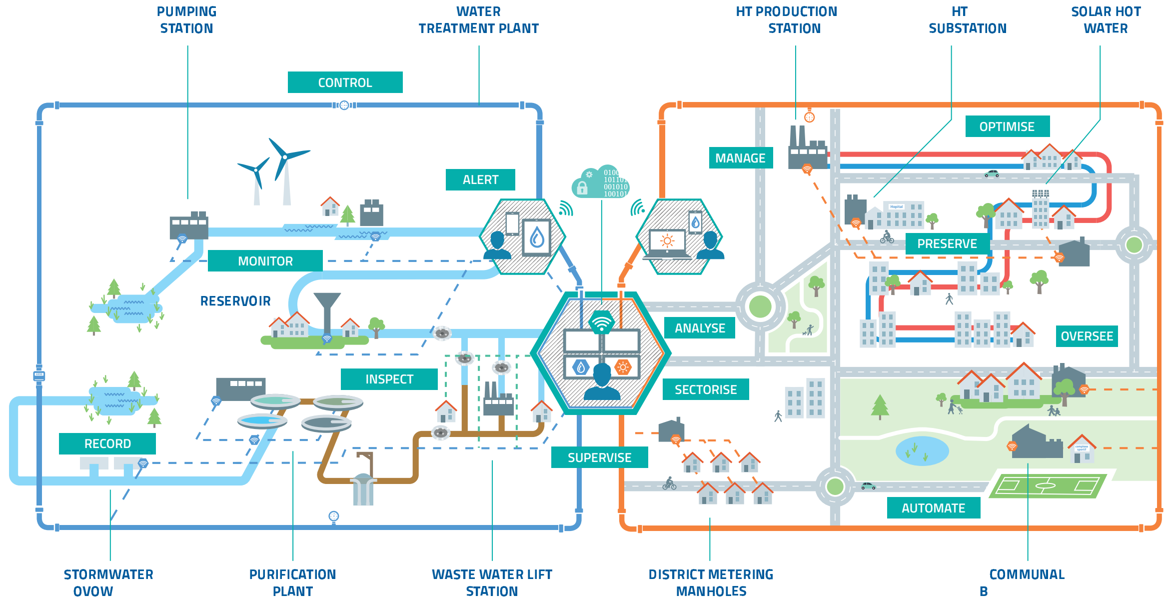
We make this possible thanks to our key areas of expertise: public lighting, traffic management and regulation, signage and V2X.

LACROIX Sofrel

In an increasingly connected world where environmental issues are central to our discussions, LACROIX Sofrel acts as a benchmark for "connected technologies for a smarter environment". The scarcity of water and energy resources and raw materials is one of the biggest global concerns. By creating smart equipment that helps optimise the use of water and energy resources, LACROIX Sofrel is rising to these challenges and harnessing technology to serve the needs of people and the environment.

167 Employees (168 in 2017)

€40 Million (€39M in 2017)



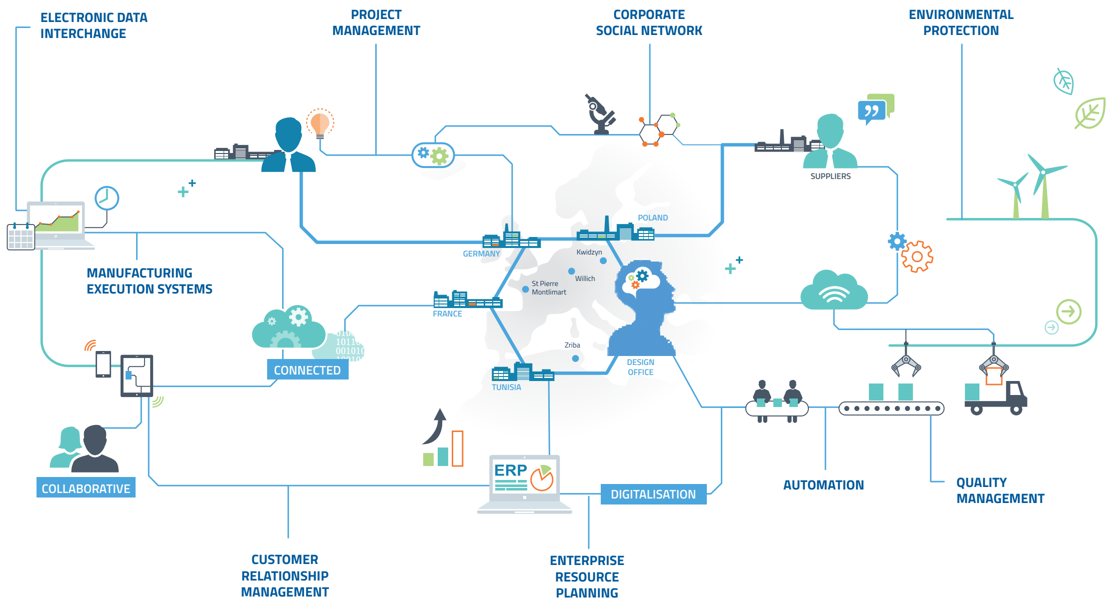
Thanks to its in-depth understanding of the work of its customers operating in water and energy, LACROIX Sofrel helps to improve their network performance and environmental protection. As a key player in the industrial IoT sector, LACROIX Sofrel is at the cutting edge of new technologies, mastering all technological building blocks in electronics, industrial computing, telecommunications, automation and cyber security, and investing over 10% of its annual revenue in innovation and R&D.

As well as being the French market leader, LACROIX Sofrel supports its customers internationally. By 2050, 40% of the world's population will face water shortages. With subsidiaries in Spain, Italy, Singapore, and a network of more than 40 certified partners worldwide, the company is focussing its development on sensitive locations. Having developed its presence and expertise in France and Europe, LACROIX Sofrel is now extending its business to Africa, Latin America, Asia and the Middle East.

As a major player in the French electronics sector, LACROIX Electronics designs and manufactures electronic sub-assemblies for customers who are leaders in their area of activity.
Working for industrial producers or Tier-1 equipment suppliers, LACROIX Electronics operates in the automotive, industrial electronics, home automation, avionics and military markets. The company is largely positioned around the manufacture of small and medium batches with high added value, spread across four manufacturing sites located in France, Germany, Poland and Tunisia. LACROIX Electronics makes use of its design office to maximise the value chain of its services, offering customers complete or partial development and manufacture of their electronic sub-assemblies. This value offer, complementary to the manufacturing process, is a differentiating feature.

3,291
Employees
(3,275 in 2017)

€330
Million
(€310 M in 2017)



Decisive factors for its customers in terms of their choice of manufacturing sub-contractors include excellent process management, compliance with quality standards and requirements, and the competitiveness of the offer.

LACROIX Electronics operates in a global and competitive market. Its customers are primarily based in Europe and its suppliers of electronic components primarily in Asia. In a context of global tension in the electronic components market, supply chain risk management is one of the key challenges in this activity.

LACROIX Electronics is not immune to the challenges facing the electronics sector, recognised as strategically important by the French National Industry Council, as it transforms itself into an industry of the future, with a strong impact on the nature of its professions and skills.

Towards an objective of continuous improvement and in order to streamline its CSR approach and prioritise its actions, LACROIX Group has carried out an analysis of the challenges having a direct or indirect impact on the organisation's ability to generate or destroy value for itself, its stakeholders, and society as a whole.

This impact study draws on the materiality assessment conducted by LACROIX Group and complemented by the operational principles and recommendations of the Global Compact.

Based on these different elements, and considering its business models, LACROIX Group has identified significant risks related to the social consequences of its activities, their environmental consequences, the effects related to respect for human rights, and finally the effects with regard to the fight against corruption.

Taking a dynamic and progressive approach, we envisage regularly re-evaluating these results in order to take full account of changes in context and local situations, as well as the demands of stakeholders.

The operational principles for LACROIX Group's CSR approach are deployed in line with the materiality assessment conducted and the risk management procedure arising therefrom.

Health, safety & wellbeing

The health and safety of its employees at all levels of the company is a permanent priority for LACROIX Group

Talents and skills

Since its teams are its most important asset, LACROIX Group is committed to staff development and optimal integration of new skills.

Local development

LACROIX Group seeks to contribute to the development of the socio-economic fabric in the regions in which it operates.

Ethics

LACROIX Group is committed to sharing and upholding ethical business practices and behaviours.

Environmental impact

LACROIX Group is committed to reducing the environmental impact of its activities and influencing the practices of its stakeholders.

Innovation

Technologies and uses are changing, requiring us to prepare for tomorrow's professional practices by integrating digital innovation and data exploitation.

IDENTIFICATION AND CONTAINMENT OF KEY RISKS

Within the framework of its activities, LACROIX Group is exposed to risks for which it conducts appropriate checks, measuring their effectiveness through the establishment of relevant monitoring indicators. Some of the policies and checks presented are in the construction phase and will be gradually rolled out next year and associated with measurement indicators.

Risks and opportunities	Supports and checks	Statuses*
Employee satisfaction	Roll out of LACROIX values guidelines Employee satisfaction survey across entire Group	Existing Existing
Health and safety	Accident prevention measures and safety at work Accident prevention measures and health awareness-raising Safety training and checks	Existing Existing Existing
Skills management and development	Key skills mapping Predicted developments in tasks and skills Training plan Proactive apprenticeship policy	To be strengthened To be rolled out To be strengthened Existing
ETHICAL business practices and behaviours	Deployment of LACROIX Ethical Charter Global Compact programme Deployment and training in anti-corruption measures Standards certifications for processes	Existing Existing Existing Existing
Attractiveness	Strengthening of employer brand Acting as a regional stakeholder and contributing to development of the socio-economic fabric	To be rolled out Existing
Information systems	Security plans Security audits and intrusion tests	Existing To be strengthened
Supply chain	Supply contract conclusion Customer contract conclusion	To be strengthened To be strengthened
Geopolitics	Business continuity plan Country risk indicator	To be strengthened Existing
Environment and waste generation	ISO 14001 certification Waste recycling procedures by qualified suppliers Specific treatments related to hazardous waste	Existing To be strengthened Existing

HEALTH, SAFETY AND WELLBEING AT WORK

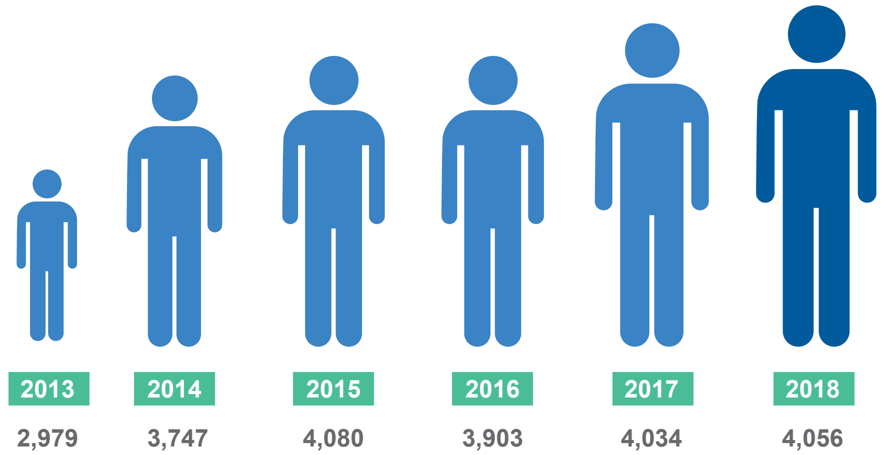
1. Human Capital: LACROIX Group's primary asset

The people who make up the Group are its most important asset. Our teams drive the Group's development and the successful completion of its projects.

1.1. Jobs & Workforce figures

With 4,056 employees in 2018, LACROIX Group's workforce numbers have remained stable over the last four years.
They have, however, increased by more than 35% since 2013.

The increase in workforce numbers since 2013 is mainly driven by the activity of LACROIX Electronics, particularly at the Polish site, which employed 48% of the total LACROIX Group workforce in 2018.



Distribution of workforce by business area

	LACROIX City		LACROIX Sofrel		LACROIX Electronics	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Total workforce	**585**	**582**	**167**	**168**	**3,291**	**3,275**
Men	406	402	126	129	1,260	1,219
Women	180	180	41	39	2,031	2,055

On top of these 2018 figures, 13 people are employed by LACROIX SA (Group holding). There were 10 employees in this entity in 2017.

81%

of the Groups' workforce work in the LACROIX Electronics activity.

71%

of the Groups' workforce work outside France.

The activities of LACROIX Group are also supported by staff made available under temporary employment contracts, representing an average of 169 full-time equivalents in 2018, compared to 179 in 2017.

1.2. LACROIX & You, internal satisfaction survey

It is the Group's responsibility to ensure that all employees feel involved in the successful completion of its objectives. With this in mind, in order to understand the expectations of its employees and their relationship to their work and the company, every two years since 2015, LACROIX Group has conducted an internal satisfaction survey, **LACROIX & You**, among all Group employees.

With a participation rate of 84%, or over 3,300 participants, the findings of this survey, which combines around one hundred points of assessment across ten topics, provide valuable material on which to base improvement measures.

68%

of employees satisfied in 2018

75%

Objective in 2020

Testimonial

Thierry Brigodiot,
PRAGMA Director,
partner for the internal survey LACROIX & You

"For this second LACROIX & You survey, I was very impressed by the warm welcome and attentive approach of the teams, managers and site directors at our feedback meetings. This year, I really noticed the quality of our discussions, as if a new level of trust in the procedure had been acquired since the first survey.

I have been helping to deploy corporate climate survey for some twelve years now, and it's very rare for feedback sessions to be organised with as large a number of employees as LACROIX Group chose to do in 2018.

As well as an opportunity for sharing ideas, the ability for everyone to contribute to the formulation of new measures related to the topics covered seems to have created an excellent dynamic on the Group's sites."

1.3. Organisation of corporate dialogue

LACROIX Group is committed to the establishment of high-quality corporate dialogue with staff representation bodies. This dialogue takes the form of work meetings and discussions with staff representation bodies, whose configuration varies according to local legislation. These exchanges are intended to create a responsible and constructive relationship of trust, conducive to business development and employee fulfilment within the Group. The different LACROIX Group companies are represented by nine Works Councils or Single Delegations, which held over 180 meetings within the Group in 2018.

1.4. Health and safety at work

LACROIX Group has a duty to protect the health and safety of its employees, and endeavours to assess and improve working conditions and implement accident-prevention measures in collaboration with the bodies representing its employees and external stakeholders.

Health & Safety and Working Conditions Committee (CHSCT)

Accident prevention and safety are organised through dialogue with various representatives: Social & Economic Committee (CSE), Health & Safety and Working Conditions Committee (CHSCT) or similar organisations on international sites (CCE, etc.). The various CHSCTs within LACROIX Group cover 98% of the workforce.

In a spirit of collaboration and responsibility, those involved ensure LACROIX Group's compliance with local obligations and regulations and work to deploy training initiatives of a regulatory or preventative nature.

Workplace accidents [1]

Long-running information campaigns around the wearing of personal protective equipment have achieved a significant reduction in accidents arising during handling operations, which remain the leading cause of workplace accidents within the Group.

LACROIX Group is pleased to report a further reduction in the workplace accident frequency rate, rewarding the work of the teams and encouraging them to continue their efforts in terms of accident prevention and awareness-raising around the risks involved in our activities.

Communication campaigns will be strengthened in the coming periods, as will the supervision of new recruits in workshops. For the latter, their understanding of safety regulations will be consolidated as part of their integration process.

	2018	2017	2016
Frequency rate [2]	6.6	6.7	10.3
Severity level [3]	0.22	0.30	0.23

Good practices

For each accident leading to work stoppage, a diagnostic procedure is implemented, together with a causal tree and action plans.

LACROIX Sofrel regularly conducts awareness-raising campaigns on road safety, complemented by driving courses for its mobile employees.

(1) The scope of this indicator concerns around 99% of the Group's workforce. It excludes sites with fewer than 20 employees (other than Holdings).
(2) Number of workplace accidents with fewer than 1 day of stoppage *1,000,000 / actual number of hours worked.
(3) Number of days of stoppage due to workplace accidents * 1000 / actual number of hours worked.

LACROIX Group makes regular investments intended to improve the working environment of its staff, helping to enhance both safety and comfort.

Some of the most significant examples of this are as follows:

- Improvement of working conditions by redesigning, improving lighting and sound-insulating working areas
- Improvement of workstation ergonomics both in workshops and offices
- Investments enabling a reduction of repetitive movements in workshops, particularly through support from motorised systems and cobots
- Investments safeguarding and limiting the handling of heavy loads, particularly on the LACROIX Signalisation site
- Investments in ergonomic chairs and anti-fatigue mats at workstations in workshops

Absenteeism

Short-term absenteeism accounts for most work stoppages. Efforts to raise awareness through communication campaigns and revision of performance bonus mechanisms to take account of presenteeism introduced in 2017 by LACROIX Electronics are helping to reduce these short-term absences.

Conversely, absenteeism related to maternity leave has increased very significantly. The pro-natalist policy, including financial incentives, in place in Poland has contributed to a rise in the indicator on these grounds.

	2018	2017
Short-term illness	2.06%	3.47%
Occupational illness	0.05 %	0.03%
Workplace and commuting accidents	013%	0.17 %
Maternity, paternity and adoption leave	3.20%	0.58 %
Total absenteeism rate	**5.44%**	**4.24%**

1.5. Accident prevention measures and health awareness-raising

Across different entities of the Group, preventative actions have been introduced to encourage employees to adopt certain measures to improve their everyday working lives. Once again, here are some of the most significant examples:

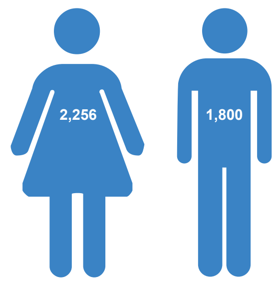
LACROIX Electronics took part in the "Pink October" initiative, offering woman free breast-cancer screening in the workplace.

Healthy eating awareness-raising campaigns, such as the "fruit day" and "healthy food" initiatives organised in partnership with local producers to promote a nutritional diet.

Implementation of new health benefits at national level, offering wider cover and a higher employer contribution.

LACROIX Group also provides training courses and exercises required by regulations in each of the countries in which it operates. As such, its employees are regularly trained or refreshed in the use of forklift trucks (operator licenses), first-aid (first-responder courses), fire emergencies (front and rear fire-warden training), risks related to using chemical and hazardous products, using high-voltage currents (certification and training), etc.

1.6. Gender equality



Women represent 56% of the Group's workforce.

They account for 62% of staff within LACROIX Electronics, which employs a predominantly female workforce within its workshops.

LACROIX Group closely monitors the equal treatment of men and women in the workplace. In addition to company-level agreements and mandatory action plans, specific measures are in place to make it easier for women to carry out a professional activity.

LACROIX Electronics Tunisia is continuing its partnership with GIZ, a German cooperative development agency, in order to promote corporate gender diversity in Tunisia.

LACROIX Group is drawing up contracts with local crèches for the LACROIX Sofrel and LACROIX Electronics sites in Tunisia.

LACROIX Group funds janitorial facilities on most of its sites, providing services in the workplace to facilitate everyday activities. The service providers used apply the CCES Charter (prioritising economic and solidarity-based short supply chains) in cooperation with local suppliers.

2. Talents and Skills

In a rapidly changing technological environment where digital and data are becoming essential, skills development and talent retention are key success factors, identified as major challenges in LACROIX Group's materiality assessment.

2.1. Training

Staff training is a key priority, contributing to employee upskilling and individual fulfilment of potential. It is important for the effective involvement of everyone within the Group, and drives collective achievement.

Each activity within LACROIX Group defines its own annual training plan, taking account of the Group's strategic development priorities, the needs expressed by managers, and the wishes of employees.

The Group has devoted over 54,800 hours to staff training, with a budget of more than €800k. These efforts support the development of new processes, the introduction of new business tools and applications, and the adoption of new responsibilities.

These training courses also ensure the upkeep and transmission of areas of expertise and know-how. Within this framework, LACROIX Electronics makes use of its internal training school to train employees in the highly technical processes involved in this activity.
For the last two years, LACROIX Signalisation, a branch of LACROIX City, has undertaken a similar internal training approach for the transmission of technical know-how in workshops.

Across the business lines of LACROIX Group, training initiatives break down as follows:

	LACROIX City		LACROIX Sofrel		LACROIX Electronics	
	Number of hours	Budget (€K)	Number of hours	Budget (€K)	Number of hours	Budget (€K)
Training provided	3,197	201	2,703	199	54,802	426

The three LACROIX Group business areas each have their own in-house training school.

In France, these training schools are Datadock certified.

The training courses provided in-house are therefore officially recognised and help to improve the employability of the trained employees.

Testimonial

Céline Pasquier
In-house trainer
LACROIX Electronics

Céline has successfully completed her IPC WHMA-A-620 training course. Thanks to this certification, Céline has strengthened her credentials as an in-house trainer, and has become the quality specialist for wire bonding regulations and, more specifically, visual criteria.

2.2. Development of collaborative working

LACROIX Group avails of technological resources enabling its employees to create thematic or task-based communities for the purpose of sharing good practices or collectively solving identified issues.

Over the last two years, the LACROIX Group has thus launched its own corporate social network (Yammer), the main collaborative applications offered in Office 365, and has undertaken a process ultimately enabling each employee to have their own digital identity.

Good practices

LACROIX Group has deployed teams of "Digifriends" on all of its sites, tasked with strengthening the Group's digital culture. These teams work proactively and offer support to users for the digital solutions available.

Furthermore, three official communities have been created to strengthen innovation and collaboration practices within LACROIX Group.

LACROIX LAB

fosters innovation within the Group.
It performs pioneering work on issues related to Group activities identified by a community of catalysts.

LACROIX TECH

is a community of actors in innovation and development within LACROIX Group. Around 150 employees share their ideas and the latest developments in various cutting-edge fields.

LACROIX FAB

brings together the Group's manufacturing teams, who share their know-how and good practices, thereby contributing to industrial excellence.

Created in 2018, LACROIX FAB represents the Group's industrial DNA.

On 16 and 17 October 2018, the LACROIX Tech community held its second biennial meeting.

A wide variety of subjects were discussed in relation to the role and application of innovation, including artificial intelligence and disruptive innovation.

2.3. Support for apprenticeship training

LACROIX Group affirms its support for the integration of young people into employment with a proactive policy of integration via in-company apprenticeships.

48 young people held professional development or apprenticeship contracts in 2018, and four young international volunteers were accommodated within the various entities of the Group.

In Tunisia, LACROIX Electronics regularly provides contracts under the Initiation into the World of Work scheme.

In 2018, LACROIX Electronics also hosted a PhD student under a CIFRE (industrial training) agreement.

Testimonial

Alison Garnier
VIE International Business Developer

"I've been given the chance to develop a French company in the United States. It's an incredible opportunity."

2.4. Links with colleges and actions in favour of teaching

LACROIX Group enables around fifty colleges and training centres to develop their first-class training courses through payment of its apprenticeship tax.

LACROIX Group also develops privileged partnerships enabling young people to join the Group's activities at the end of their studies. Lasting links have been forged with ESEO Angers, Polytech Nantes, Supelec Rennes, and the University of Gdansk.

LACROIX Group employees regularly visit colleges to present their activities or support future graduates within the framework of college-business workshops. To give a few examples, LACROIX Electronics takes part in the interview simulation events organised by ESEO, students from Polytech Nantes regularly visit the production workshops on the Montrevault-sur-Evre site, and LACROIX City contributes annually to the employment forum organised by the regional authorities.

LACROIX Electronics in Poland is organising its third "School close to work" event, in partnership with a leading college, the local authorities and local training organisations, with the aim of orienting technical training courses to meet business needs as closely as possible and providing guidance to young people in relation to their training and career choices.

Partnerships with employment integration organisations (INSERIM, Pôle Emploi Insertion) and local associations (Cap Entreprises) enable us to present our industry's professions, to host young people on internships, and even to support young people who find themselves outside the educational system.

2.5. Integration of new employees

INSIGHT DAY 2018

LACROIX Group ensures that every new employee integrates fully and shares the values, culture and environment of the Group. LACROIX Group ensures that its employees benefit from an integration course offering them a good understanding of our organisational structures, assimilation of safety rules, and awareness of customer expectations and sector-specific quality standards.

For the last three years, an annual event has been devoted to the integration of new managerial graduates in France. The most recent event took place in December and brought together more than 40 employees at the Group's headquarters. It was an opportunity for participants to get to know each other and learn about the history and strategy of LACROIX Group.

2.6. Key figures

LACROIX Group

968

834

Staff turnover

10.8%

Workforce movement

968 employees joined LACROIX Group in 2018 and 834 left. 142 employees were recruited to compensate for contract suspensions due to maternity leave in particular, with LACROIX Group's net workforce only increasing by 22 employees during the period.

With departures at end of fixed-term contracts and retirement departures, staff turnover at LACROIX Group was 10.8% in 2018, compared to 13.3% in 2017.

Most staff movements concerned the LACROIX Electronics site in Poland. The Polish employment market is extremely tight, leading the site to bring in foreign labour, primarily from Ukraine. In line with Polish law and ILO regulations, around one hundred employment contracts concern Ukrainian workers. In response to this turnover, LACROIX Electronics is organising employee loyalty initiatives in Poland, implementing new managerial practices, a wage policy appropriate to the situation in the country, and targeted retention measures.

Recruitment by socio-professional category

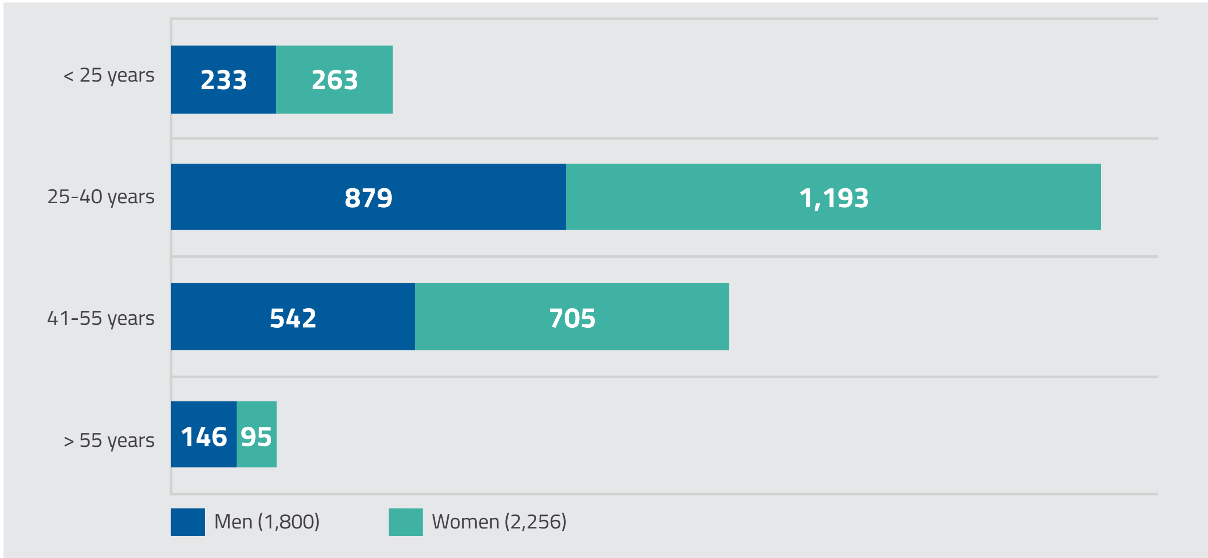
	2018	2017	2018	2017	2018	2017
Total	**478**	**461**	**489**	**508**	**968**	**969**
Manual	319	338	372	407	690	745
Employees, Technicians & Supervisors	111	74	102	87	213	161
Managers	49	49	16	14	65	63

Socio-professional distribution

	Managers	Employees, Technicians & Supervisors	Manual
LACROIX Group	579 (14%)	1,047 (26%)	2,430 (60%)
	447 (77%)	566 (54%)	787 (33%)
	131 (23%)	481 (46%)	1,643 (67%)

Distribution of workforce by age bracket

LACROIX Electronics has a largely manufacturing-based workforce, and primarily employs women in its production workshops.



The workforce is characterised by a young female population. 12% of LACROIX Group's workforce is under 25 years of age and 63% under 40.

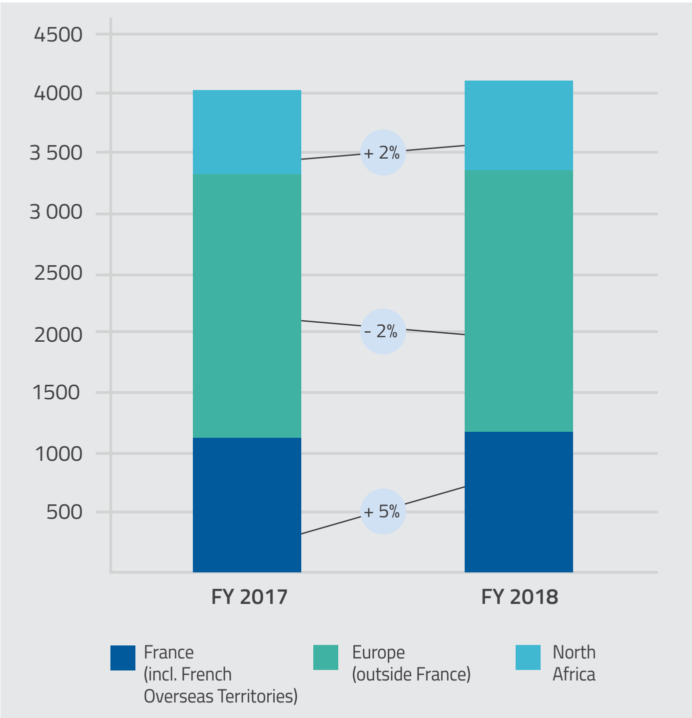
LACROIX Group promotes career transition between generations by establishing **Intergenerational Agreements** enabling the transfer of skills and gradual transition between working life and future retirement, in particular through flexible working time arrangements.

Distribution by geographical areas

LACROIX Group was founded in France, where its management structure is based. The development of the Group's activities over recent years has seen it support customers and conquer new markets internationally.

This international development has naturally been accompanied by changes in the geographical distribution of its workforce. In 2018, 71% of the workforce were located outside France.

LACROIX City is based	
In France	517 employees
In Spain	67 employees
In Cameroon	1 employee
LACROIX Sofrel is based	
In France	148 employees
In Spain	14 employees
In Italy	5 employees
LACROIX Electronics is based	
In France	500 employees
In Germany	127 employees
In Poland	1,938 employees
In Tunisia	725 employees



ANNUAL GENERAL MEETING - LACROIX GROUP

3. Sharing and ensuring compliance with ethical business practices and behaviours.

LACROIX Group is committed to conducting its business according to operational principles and behaviours founded on respect and integrity. Its requirements in terms of transparency and combatting corruption have been strengthened by the obligations introduced under the "Sapin II" Law.

The priorities of the Ambition 2020 plan, particularly in terms of business development and international growth, further underline the requirements of LACROIX Group with regard to business ethics and behaviours, combatting corruption, and compliance.

LACROIX Group has strengthened its governance and anti-corruption mechanisms and pursues a policy of zero tolerance towards corruption across all territories in which it operates.

3.1. Combatting corruption: 2018 achievements

LACROIX Group undertook a process of identifying and evaluating its main risks, leading to a strengthening of its internal regulations and updating of its codes of conduct on "anti-corruption" and "competition". It also drew up practical support guides for everyday risk management.

LACROIX Group also updated its policy on invitations and gifts and introduced an alerting system accessible to all employees, which can be used to report any irregularities in terms of corruption or compliance with fundamental personal safety regulations.

Good practices

LACROIX Group's Legal and Compliance Department visited LACROIX Group's sites to present the Group's anti-corruption procedure and trained teams most exposed to requests linked to corruption (sales, purchases, etc.) in the applicable procedure.
In 2018, 100% of exposed employees benefited from this training

100%

of employees who may be exposed to corruption will have successfully completed their training with a QCM test 2020 objective

3.2. Supplier selection

LACROIX Group has also drawn up procedures for assessment of the highest-risk third parties with whom its activities interact...

The selection of suppliers naturally takes account of their economic performance, as well as their own ethics, in order to ensure consistency with our commitment to operating within a sustainable development approach. As such, our suppliers are assessed according to Quality, Safety and Environmental criteria, particularly with regard to their certifications, their organisational structures specifically set up to ensure the quality of their products and services, and measures undertaken to reduce the environmental impact of their own activities. Our purchasing department, in partnership with our quality department, performs diligence checks on our suppliers in order to ensure that our requirements are duly met. These audits may concern various aspects, such as the ability of the supplier to meet our needs, their technical capabilities, their quality system management, their adherence to environmental regulations, and their compliance with labour legislation. The Group has also put together a "Code of Good Conduct" applicable to LACROIX Group suppliers.

3.3. A comprehensive quality commitment

The certification procedures undertaken by LACROIX Group assure our clients and their end customers of the optimal quality of our products and solutions. The certifications implemented confirm compliance with quality, industrial and environmental requirements in our manufacturing processes and procedures.

	ISO 9001 (general quality)	IATF 16949 (automotive sector)	ISO 13485 (medical sector)	ISO 9100 (aeronautical sector)	Part 21 G Part 145 (aeronautical sector)
Industrial sites					
Saint-Pierre-Montlimart (France - 49)	certified		certified	certified	approved
Saint - Herblain (France - 44)	certified				
Genas (France - 69)	certified				
Carros (France - 06)	certified				
Les Chères (France - 69)	certified				
Madrid (Spain)	certified				
Willich (Germany)	certified		certified		
Zriba (Tunisia)	certified	certified		certified	
Kwidzyn (Poland)	certified	certified			
Design offices					
Cesson-Sévigné (France - 35)	certified	certified	certified	certified	
Echirolles (France - 38)	certified				
Quimper (France - 29)	certified				
Willich (Germany)	certified				

In this way, within LACROIX Group, the sites operate according to ISO 9001, while LACROIX Electronics sites also meet specific technical certifications in order to provide customers with a guarantee of adherence to requirements in certain sectors of activity.

3.4. Equal treatment, non-discrimination

LACROIX Group, both in France and in all countries in which it operates, observes the principles set out in the ILO Conventions, in particular the "Fundamental Conventions" concerning fundamental rights at work: freedom of association and the effective recognition of the right to collective bargaining, the elimination of all forms of forced or compulsory labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation.

LACROIX Group employs staff with diverse profiles and from quite a broad range of geographical origins. It is therefore very important to take account of this diversity and multiculturalism, and to act in favour of professional equality and non-discrimination. LACROIX Group reaffirms its commitment to the elimination of any form of discrimination in respect of employment and to the promotion of diversity.

ANNUAL GENERAL MEETING - LACROIX GROUP

Within the framework of company-level agreements and targeted actions, LACROIX Group encourages diversity within its teams, defines objectives and measures in favour of gender equality in the workplace, supports people with disabilities, and promotes the employment of people with disabilities through part-payment of apprenticeship taxes to the GIRPEH (disabled employment association) and more generally seeks to combat workplace discrimination, particularly in the implementation of its key processes such as recruitments, individual assessments, wage increase policy, etc. In 2018, no cases of discrimination were reported.

3.5. Geopolitical risks

In countries exposed to geopolitical risks in which it conducts significant manufacturing operations, LACROIX Group has established a business security and continuity plan providing for uninterrupted fulfilment of its delivery commitments to its customers.
In 2018, a business continuity plan was established in Tunisia, the only referenced country in which LACROIX Group is exposed in this way in terms of its activities.

4. Contributing to the development of regional socio-economic fabric

LACROIX Group plays a significant role in terms of local employment (direct and indirect) and regional development.

LACROIX Electronics is a major economic player in its areas of activity in France (major employer in Les Mauges, with 463 direct jobs), in Tunisia (second-largest employer in the business district of Zriba, with 720 direct jobs) and in Poland (third-largest employer in the Kwidzyn region, with 1,938 direct jobs). It plays a key role in regional balance within rural areas.

LACROIX City is a significant contributor to employment in the Nantes area, where it employs 340 staff.

Across all the areas of activity in which it operates, LACROIX Group seeks to contribute to economic, social and regional development through direct initiatives or support for local initiatives.

4.1. Economic development

Three LACROIX Group employees are permanently assigned to LACROIX Lab, a structure based near Rennes whose mission is to support innovation within the Group. By developing a network of partners, LACROIX Lab acts as an innovation driver, working to discover new practices and new technologies. Drawing on ideas produced by teams at LACROIX Group and its ecosystem, LACROIX Lab germinates them to help them reach maturity. Companies, start-ups, clusters, universities and higher education institutions interact with LACROIX Lab to develop ideas and promote innovative solutions. Adopting a highly active and open approach, LACROIX Lab organises webinars, breakfast meetings and creative-thinking sessions to share disruptive working practices and innovative solutions of a concrete and practical nature, able to meet societal problems and challenges now and in the future.

LACROIX Lab drives innovation within the Group with support from local networks (colleges, research laboratories, start-ups, SMEs and large groups).

The Electronics activity represents over 70% of Group revenue. Six sector-specific strategic committees were accredited by the French National Industry Council on 28 May 2018. One of these is now dedicated to the electronics industry. This sector plays a key role in the transformation of the entire industry, through its dissemination in all products: electronics constitutes the innovation driver and core technology in sectors such as aeronautics, automotive, defence, medical and energy. It is set to play a key role in the digital transformation of the entire industry through the Internet of Things revolution. Led by LACROIX Group CEO Vincent Bedouin, the "We Network" cluster which he now chairs is engaged in a reflection on its own transformation to ensure greater flexibility, responsiveness and competitiveness, and to resolve the skills shortage issue which is hindering its development.

Several employees of LACROIX Electronics who are specialists in their field contribute to the process of reflection undertaken by the industry within workshops organised by We Network.

LACROIX Group reaffirms its support for the 5th edition of Nantes Digital Week, a ten-day event focussing on digital culture.

This year, LACROIX Group took part in two events in the programme: a conference on the topic of Block Chain technology and its applications, and a roundtable at which it spoke about experimental self-driving shuttles.

This event, organised by Nantes Métropole and held at Nantes Conference Centre, invites professionals and individuals to enjoy new discoveries and experiences, training courses, creative events and discussions around the challenges of digital technology.

LACROIX Group employees also regularly speak at events and round tables such as Carrefours Excellences, Electronica, etc.

4.2. Promotion of industry professions

LACROIX Group regularly takes part in events intended to raise awareness of our industry's professions and to strengthen the link between the company and its stakeholders, universities above all.

In Poland, LACROIX Electronics is pursuing its cooperation with two local elite universities to promote professions within the electronics industry. In this connection, through its **School close to Work** programme, LACROIX Electronics contributes to the contents of technical programmes in order to provide the best employment opportunities for young students.

LACROIX Group remains faithful to the "Industry Week" organised by the French Metal Industry and Trade Union. At this eighth edition, LACROIX employees spoke alongside educational professionals and students at workshops, offering information and advice on the professional pathways available within its activities. This year, the topic concerned connected industry, and LACROIX Electronics was able to present the challenges of its "Future Industry Showcase" accreditation.

In Germany, LACROIX Electronics opened its doors as part of the 2018 "Industrial Open Nights". This latest involvement in the initiative enabled employees' families and local residents to discover the work of the company.

For the 11th edition of the **Teachers in the Workplace** campaign, a series of activities organised by CGénial, LACROIX Group welcomed secondary teachers, careers advisors, principals and other educational professionals to spend a half-day at the company, discovering the concrete applications of subjects taught in school.

Engineers and managers from LACROIX Sofrel also regularly speak at schools and universities within the framework of technical training courses and programmes.

4.3. Links and initiatives with local residents

As a keen participant in local life, LACROIX Group participates in events and initiatives organised alongside local residents and regional actors.

As a regional stakeholder, LACROIX Electronics took part in the first "Evre i'Day" organised by the municipality of Montrevault-sur-Evre. At this event, company employees were able to talk to local people about their work and the challenges of transformation within their professions. These discussions also provided an opportunity to understand the expectations of various stakeholders, particularly regarding mobility issues in rural areas.

LACROIX Group provides support to its LACROIX Electronics operation in Tunisia, which for several years has been renovating a nursery school in ZRIBA, a town close to its factory, where the children of its employees are educated. After renovating a classroom and upgrading educational resources in 2016, and building a rest room in 2017, the staff of LACROIX Electronics in Tunisia have now focussed their efforts on creating a leisure and study area.

The Group regularly participates in sports competitions and takes part in sporting events in aid of charitable causes (Odysséa race,

marathons and semi-marathons, treks, etc.). These sports events promote teamwork and commitment, key values for the LACROIX Group.

LACROIX Group sponsors or takes part in local cultural activities such as Museum Night and the Movie Review Festival at Kwidzyn in Poland, or the El Medina Theatre Festival at Zriba in Tunisia.

5. Environmental impact

Its role as a technological equipment supplier in the Smart City and Smart Environment sectors places LACROIX Group at the heart of environmental protection issues. LACROIX's teams are thus designing increasingly intelligent products to reduce urban light pollution, optimise water resource management, and consume less energy while also providing additional services.

In line with its development, LACROIX Group is committed to reducing the environmental impacts of its activities and influencing the practices of its stakeholders.

In this connection, the entire Group adheres to a proactive environmental policy, leading to **ISO 14001** certification for all LACROIX Electronics and LACROIX Sofrel sites, LACROIX Signalisation, LACROIX Traffic and LACROIX Sogexi.

Each one of these sites has an organisational structure enabling it to track the environmental impact of its activities and perform close regulatory monitoring. The different indicators followed ensure the effectiveness of corrective measures and continuous improvements implemented. Various awareness-raising and training initiatives promote employee involvement in everyday environmental practices (presentations for new employees, display of key indicators, etc.).

In this regard, the Group's activities endeavour to:

- Recycle waste generated and work to reduce it
- Manage energy and water consumption
- Use environmentally friendly processes
- And, generally speaking, to reduce their carbon footprint

5.1. Waste generation and recycling [2]

86% of OIW recycled

The activities of LACROIX Group produce waste of various kinds, which is recycled where possible.

LACROIX Group recycles 86% of the ordinary industrial waste it generates. Each of the activities has implemented measures designed to optimise the treatment and recovery of generated waste.

Measures are undertaken by each activity alongside customers and suppliers in order to reduce packaging waste and to digitise paper documentation.

[2] Office and canteen waste, where identifiable, is not taken into account

The increase in OIW generated in 2018 is connected to the rise in activity.

Generation of hazardous industrial waste remains limited and controlled.

5.2. Energy consumption management

LACROIX Group is undertaking measures and making investments across most of its sites to reduce its energy consumption.

LACROIX Signalisation is engaged in an energy performance procedure with its partner Green Yellow. The contractual objectives provide for a reduction in energy consumption and a subsequent annual saving of around 13%. The first effects of this are visible in the 2018 period.

The main investments concern lighting, the heating system, and centralised building management (enabling control and adjustment of boilers, heating units, and even some machines).

LACROIX Group also continues to invest in more energy-efficient LED lighting systems on most of its sites to reduce its energy consumption.

Energy consumption reduction plan at LACROIX Signalisation

This plan is based around four approaches:

- Management and regulation of heating systems
- Optimisation of heating systems
- Heat recovery
- Replacement of energy-intensive lighting with LED solutions

Consumption levels	2018	2017
Electricity (MWh)	19,735	19,137
Gas (MWh)	6,940	7,400
Fuel oil (m^3)	1	5

7.3% of electricity consumption produced from renewable energy sources

By implementing telemetry systems, LACROIX Electronics reduced its gas consumption by 14.5% in 2018, thereby helping to reduce the Group's overall consumption.

5.3. CO2 emissions

CO2 emissions related to the areas of consumption presented above were estimated on the basis of the ADEME carbon assessment procedure, and amounted to 11,402 tons in 2018, compared to 10,328 tons in the previous period, representing an increase of 3.5%, consistent with growth in this activity.

Due to the levels of reliability of data concerning emission factors, as well as to our limited ability to take action, we have agreed to restrict our communication to CO2 emissions related to our energy consumption, in respect of which our strategy is aligned with the fight against climate change.

5.4. Other environmental impacts

Due to its activities, LACROIX Group has not implemented specific indicators or measures for combatting food waste.

REPORTING FRAMEWORK

The information presented is drawn up using a reporting protocol, available on request from the following email address: info@lacroix-Group.com. This methodological guide for internal Group use sets out the definitions and methodologies to be applied, in order to ensure homogeneity of consolidated information.

This CSR report has been reviewed by the independent third-party body EY.

With regard to the scope covered:

- The social and company indicators cover 100% of the scope. Different scopes are specified.
- The environmental indicators cover 95% of the Group's Consolidated revenue and 95% of the workforce – industrial and semi-industrial sites with over fifty employees are included. Not included are: the LACROIX Electronics design office, foreign distribution subsidiaries for LACROIX Sofrel, foreign companies for LACROIX City.

The reporting period corresponds to the tax year, i.e. 1 October 2017 to 30 September 2018. The comparative basis mentioned therefore corresponds to the period from 01/10/2016 to 30/09/2017.

St Herblain,

30 January 2019

FIVE-YEAR FINANCIAL SUMMARY

Nature of items	2013/ 2014	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018
CAPITAL AT END OF FINANCIAL YEAR					
- 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 priority shares (non-voting)					
- Maximum number of future shares					
TRANSACTIONS AND INCOME FROM THE FINANCIAL YEAR					
- Turnover excl. tax	1,585,432	1,806,402	2,513,387	3,184,417	4,155,210
- Profit/loss before tax, employee profit-sharing and depreciation allowances and provisions	3,513,882	12,137,769	7,583,139	5,251,254	4,040,601
- Income tax liability	-3,129,426	-3,136,756	-3,062,331	-3,645,286	-3,575,140
- Employee profit-sharing owed for the financial year	0	0	0	0	0
- Profit/loss after tax, employee profit-sharing and depreciation allowances and provisions	7,312,084	15,183,457	10,431,958	8,791,007	7,193,223
- Distributed profit/loss(1)	2,636,592	1,506,624	1,506,624	2,259,936	2,711,923
PROFIT /LOSS PER SHARE					
- Profit/loss after tax, but before employee profit-sharing allowances and provisions	1.76	4.06	2.83	2.36	2.02
- Profit/loss after tax, employee profit-sharing and depreciation allowances and provisions	1.94	4.03	2.77	2.33	1.91
- Dividend allocated per share	0.70	0.40	0.40	0.60 (1)	0.72
STAFF					
- Average number of employees in the financial year	4	6	7	7	12
- Total payroll costs for the financial year	803,114	856,086	1,091,910	1,336,721	1,633,085
- Total amount paid in employee benefits for the financial year (social security, welfare schemes, etc.)	420,183	463,549	564,517	667,341	784,637

(1) Profit allocation project for the 2017/2018 financial year

St Herblain,

30 January 2019

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

At the General Meeting of LACROIX S.A. Group

Financial year ended 30 September 2018

Opinion

In carrying out the duties entrusted to us by your general meeting, we have audited the consolidated financial statements of Lacroix S.A. for the financial year ended 30 September 2018, as attached to this report.
We certify that the consolidated financial statements are, in accordance with the IFRS as adopted in the European Union, regular and fair and give a true and fair view of the profit/loss from transactions carried out over the past financial year as well as the financial position and assets, at the end of the financial year, of the group consisting of the persons and entities included in the consolidation. The above opinion is consistent with the content of our report to the Audit Committee.

Basis of audit opinion

Audit benchmark

We conducted our audit in accordance with professional standards applicable in France. We believe that the evidence we have collected is sufficient and appropriate to provide a basis for our opinion. Our responsibilities regarding these standards are set out in the "Auditors' Responsibilities for Auditing the Consolidated Financial Statements" section of this report.

Independence

We carried out our audit duties in accordance with the independence rules applicable to us, over the period from 1 October 2017 to the date of issue of our report, and it must be noted that we have not provided any services prohibited by Article 5 (1) of (EU) Regulation No 537/2014 or by the Code of Ethics for the profession of Auditor.

Justification of the assessments - Key points of the audit

Pursuant to the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement which, in our professional judgement, were the largest for the audit of the consolidated financial statements for the financial year, as well as the responses we provided to these risks.

The assessments thus given are based on the context of the audit of the consolidated financial statements taken as a whole and the formation of our opinion expressed above. We do not express an opinion on any factors of these consolidated financial statements taken in isolation.

Assessment of the recoverable amount of goodwill

Identified risk

As of 30 September 2018, the acquisitions total a net worth of €15,904,000.

As shown in Notes 6.4.4 and 8.1 of the annex of the consolidated financial statements, the recoverable amount of the goodwill of each of the Cash Generating Units (CGU) defined by your company is determined from the calculated future cash flows on 5, 7 or 10 year plans, a discount rate of 8.4% and an infinite growth rate of 1.7%.

The assessment of the recoverable amount of goodwill is a key point of the audit due to its significance in the group accounts and the use of assumptions and estimates in making this assessment.

Our response

We examined the key data and assumptions used to determine the recoverable amount of goodwill. We have included an evaluation specialist in our audit team to help us perform these various analyses. We have assessed the operational assumptions used to establish cash flow forecasts, namely by comparing them with past achievements and market prospects.

- We examined the determination procedures and consistency with the underlying market assumptions, the discount rate and the infinite growth rate.
- Finally, we also assessed the appropriateness of the information provided in the annex of the consolidated financial statements.

Evaluation of provisions for legal disputes with authorities

Identified risk

As indicated in note 8.12 of the annex of the consolidated financial statements, the group was engaged in a legal dispute with authorities on 30 September 2018 concerning damages that were allegedly suffered during the period for which companies in the group were fined for money laundering offences in 2010.

The total amount of provisions recorded is €4,639,000 as of 30 September 2018.

We considered this topic a key point of the audit, given the amounts involved and the level of judgement required to determine these provisions.

Our response

As part of our audit of the consolidated financial statements, our work, carried out alongside a specialist in public law, has mainly consisted of:

- assessing the risk analysis carried out by the group and the assumptions used to estimate the amount of the provisions with regard to the corresponding documentation and in particular the written consultations of the independent appraisals;
- carrying out an assessment of the hypotheses retained by the group in the light of existing case law for legal disputes deemed equivalent.

Verification of information on the Group given in the management report

In accordance with the professional standards applicable in France, we have also performed the specific verification required by law of the information relating to the group given in the management report of the Board of Directors.

We have no comments to make as to their accuracy and consistency with the consolidated financial statements.

We certify that the consolidated non-financial performance report provided for by Article L. 225-102-1 of the French Commercial Code is included in the management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this code, the information contained in this statement has not been the subject of our verifications of accuracy or consistency with the consolidated financial statements.

Information resulting from other legal and regulatory requirements

Appointment of auditors

We were appointed as auditors of Lacroix S.A. during your general meeting of 28 March 1997 for the firm ATLANTIQUE REVISION CONSEIL - A.R.C. and 18 March 2009 for the firm ERNST & YOUNG & Co.

As of 30 September 2018, the firm ATLANTIQUE REVISION CONSEIL - A.R.C. was in the twenty-second consecutive year of its duties and the firm ERNST & YOUNG & Co. in its tenth year.

Previously, Exco Atlantique (acquired by ERNST & YOUNG Audit and renamed ERNST & YOUNG Atlantic in 2008) was an external auditor.

ANNUAL GENERAL MEETING - LACROIX GROUP

Responsibilities of management and corporate governance officers regarding the consolidated financial statements

It is the responsibility of management to prepare consolidated financial statements which present a true and fair view in accordance with IFRS guidelines as adopted in the European Union, as well as to implement any internal checks it deems necessary for the preparation of consolidated financial statements with no material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for evaluating the Company's ability to continue its operations, for presenting in these statements, where applicable, the necessary information relating to the continuity of operations and for applying the going concern accounting policy unless the company is planning to go into liquidation or cease trading.
The audit committee is responsible for following the process of preparing financial information and for monitoring the effectiveness of the internal monitoring and risk management systems, as well as, where applicable, the internal audit, with respect to procedures relating to the preparation and processing of accounting and financial information.
The consolidated financial statements have been approved by the Board of Directors.

Responsibilities of the statutory auditors relating to the audit of the consolidated financial statements

Objective and approach of audit

It is our responsibility to prepare a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements taken as a whole do not contain material misstatements. Reasonable assurance is a high level of assurance, but it does not guarantee that an audit performed in accordance with professional standards will systematically detect any material misstatement. Anomalies may arise from fraud or error and are considered significant where it can reasonably be expected that they, taken individually or in combination, may influence the economic decisions that account users make based on them.

As stated in Article L. 823-10-1 of the French Commercial Code, our duty regarding certification of accounts is not to guarantee the viability or the quality of the management of your company.

As an audit conducted in accordance with the professional standards applicable in France, the statutory auditor has exercised his/her professional judgment throughout this audit. In addition:

- It identifies and assesses the risks that the consolidated financial statements contain material misstatements, whether due to fraud or error, defines and implements audit procedures to address these risks, and gathers evidence which it considers sufficient and appropriate to be able to form an opinion. The risk of not detecting a significant anomaly from fraud is higher than that of a significant misstatement resulting from an error, as the fraud may involve collusion, forgery, voluntary omissions, misrepresentation or circumventing internal monitoring;
- It becomes familiar with the internal monitoring procedure relevant to the audit in order to define appropriate audit procedures in the circumstances, and not in order to express an opinion on the effectiveness of the internal monitoring;
- it assesses the appropriateness of the accounting methods used and the reasonableness of accounting estimates made by management, as well as the information concerning them which is provided in the consolidated financial statements;
- it assesses the appropriateness of management's application of the going concern accounting policy and, depending on the evidence gathered, the existence or otherwise of significant uncertainty related to events or circumstances likely to impede the company's ability to continue as a going concern.
  This assessment is based on the information collected up to the date of the report, although it must be remembered that subsequent circumstances or events could jeopardise the continuity of operations. If it is concluded that there is significant uncertainty, it draws the attention of the readers of its report to the information provided in the consolidated financial statements about this uncertainty or, if this information is not provided or is not relevant, it formulates a qualified opinion or a refusal to certify;
- it assesses the overall presentation of the consolidated financial statements and assesses whether the consolidated financial statements reflect the underlying transactions and events so as to give a true and fair view of them;

- concerning the financial information of the persons or entities included in the scope of consolidation, it gathers evidence that it deems sufficient and appropriate to express an opinion on the consolidated financial statements. It is responsible for the management, supervision and performance of the audit of the consolidated financial statements and the opinion expressed on these statements.

Report to the audit committee

We submit a report to the audit committee, which outlines the scope of the audit work and the work programme implemented, as well as the conclusions arising from our work. We also highlight, where appropriate, the significant weaknesses of the internal monitoring which we have identified with respect to the procedures relating to the preparation and processing of accounting and financial information.

Among the factors disclosed in the report to the audit committee are the risks of material misstatement, which we consider to have been largest for the audit of the consolidated financial statements for the year and which therefore constitute the key points of the audit, which it is our responsibility to describe in this report.

We also provide the audit committee with the declaration provided for in Article 6 of (EU) Regulation No 537-2014 confirming our independence under the regulations applicable in France as set out in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Code of Ethics of the profession of statutory auditor. If necessary, we discuss with the audit committee the risks to our independence and safeguard measures applied.

La Roche-sur-Yon and Nantes, 30 January 2019,

The Statutory Auditors

ATLANTIQUE REVISION CONSEIL – A.R.C. Jérôme BOUTOLLEAU	ERNST & YOUNG et Autres Stanislas de GASTINES

02

ACCOUNTING & FINANCIAL ITEMS

(consolidated accounts)

1. Consolidated balance sheet

In €K Assets	Note no.	FY 2018 12 months	FY 2017 12 months
Non-current assets			
Goodwill	8.1	15,904	15,904
Intangible assets	8.2	3,205	2,314
Tangible assets	8.3	52,853	50,747
Non-current financial assets	8.4	3,676	1,622
Investments in associates	8.5	16	19
Deferred tax assets	8.19	3,370	3,839
Total non-current assets		**79,024**	**74,445**
Current assets			
Inventory and work-in-progress	8.7	78,037	67,526
Trade receivables	8.8	99,549	97,643
Other receivables	8.9	17,322	16,722
Derivative financial instruments	9.1.1/9.1.2	605	
Cash and cash equivalents	8.10	17,699	19,429
Total current assets		**213,212**	**201,320**
Assets held for sale			
TOTAL ASSETS		292,236	275,765

In €K Liabilities	Note no.	FY 2018 12 months	FY 2017 12 months
Shareholders' equity			
Share capital	8.11	25,000	25,000
Share premium		3,455	3,455
Consolidated reserves		63,445	56,977
Consolidated income for the year		8,233	8,026
Shareholders' equity (group share):	4	100,133	93,458
Minority interest:	4	282	298
Total shareholders' equity		**100,415**	**93,756**
Non-current liabilities			
Provisions for other liabilities and charges	8.12	25,320	21,613
Borrowings	8.13	22,244	17,754
Deferred tax liabilities	8.19	15	859
Total non-current liabilities		**47,579**	**40,226**
Current liabilities			
Borrowings	8.13	29,945	31,562
Trade accounts payable	8.14	78,195	75,219
Other payables	8.14	36,103	35,002
Total current liabilities		**144,242**	**141,783**
Liabilities held for sale			
TOTAL LIABILITIES		292,236	275,765

2. Comprehensive Income Statement

2.1 Consolidated Income Statement

In €K	Note no.	FY 2018 12 months	FY 2017 12 months
Revenue		**468,287**	**441,417**
Other operating revenue	9.2	500	301
Goods and raw materials consumed		(279,074)	(259,088)
Personnel expenses	8.15	(112,272)	(103,076)
Subcontracting and external expenses		(49,221)	(51,231)
Tax		(5,363)	(5,332)
Depreciation and estimated expenses	8.16	(10,569)	(9,340)
Change in inventory and work in progress		2,665	(1,239)
Other operating income and expenses		72	(5)
Profit from operating activities	9.2	**15,025**	**12,407**
Other operating income and expenses	8.17	(2,996)	(641)
Impairment of goodwill	8.1		
Operating profit		**12,028**	**11,766**
Financial expenses and income	8.18	(960)	(431)
Income tax expense	8.19	(2,566)	(3,056)
Equity method	8.5	(4)	(3)
Net income		**8,498**	**8,276**
Net income - non-controlling interests	4	265	250
Net income - group share		**8,233**	**8,026**
Basic earnings per share (in euros)		2.30	2.25
Diluted earnings per share (in euros)		2.27	2.21

2.2 Statement of net income recognised directly in equity

In €K	Note no.	FY 2018 12 months	FY 2017 12 months
Net income		**8,498**	**8,276**
Translation differences		19	126
Revaluation of hedging derivative instruments		98	(173)
Actuarial gains and losses on defined benefit schemes		291	1,106
Total gains and losses recorded directly in equity (1)		**408**	**1,059**
Net income and gains and losses recognised directly in equity	4	**8,906**	**9,335**
Group share		8,640	9,085
Attributable to non-controlling interests		265	250

(1) Amount net of tax

ACCOUNTING & FINANCIAL ITEMS (CONSOLIDATED ACCOUNTS)

3. Cash flow statement

In €K	Note no.	FY 2018 12 months	FY 2017 12 months
CASH FLOWS FROM OPERATIONS			
Net income of consolidated companies		**8,498**	**8,276**
- Tax expense for the period		2,566	3,056
Pre-tax income of consolidated group		**11,064**	**11,332**
Elimination of expenses and income not affecting cash flow or unrelated to activities:			
- Depreciation and amotisation		10,688	7,250
- Capital gains net of tax		31	805
- Share of profit or loss of equity-method companies		4	3
- Calculated expenses and income related to changes in fair value		(336)	249
Cash flows from operations of consolidated companies		**21,451**	**19,639**
Dividends received from equity-method companies			
Changes in working capital relating to operations		**(10,009)**	**4,972**
Tax paid		**(727)**	**(5,174)**
Net cash flow from operations		10,715	19,436
CASH FLOW FROM/(USED IN) CAPITAL ACTIVITIES			
Capital expenditure		(13,121)	(12,728)
Disposals of capital assets, net of tax		446	331
Effect of changes in consolidation scope		(122)	(103)
Net cash flow from/(used in) capital activities		(12,797)	(12,500)
FLOW FROM/(USED IN) FINANCING ACTIVITIES			
Dividends paid to shareholders		(2,520)	(1,828)
Capital increase in cash			
Changes in other investments		80	4
Debt issuance		14,571	10,446
Debt redemption		(14,231)	(6,637)
Net cash flow from/(used in) financing activities		(2,100)	1,985
Effect of currency fluctuations		(60)	(31)
Cash flow		(4,242)	8,891
Opening cash position		878	(5,588)
Reclassification (1)		5,072	(2,424)
Closing cash position	8.5	1,708	878

(1) Reclassification of a financial debt account into short-term cash flow

4. Consolidated Statement of Changes in Equity

In €K Position on closing	Share capital	Premiums	Consolidated reserves	FY Result	Other: Translation difference (1)	Other: Shares of consolidating company	Total shareholders' equity - group share	Non-controlling interests	TOTAL shareholders' equity
FY 30/09/2016	25,000	3,455	71,157	(8,824)	(1,163)	(3,773)	85,853	316	86,168
Appropriation of results for 2016			(8,824)	8,824					
Dividend distribution			(1,560)				(1,560)	(268)	(1,828)
Change in treasury shares			8			(4)	4		4
Change in accounting methods									
Stock options (2)			162				162		162
Profit/loss for financial year				8,026			8,026	250	8,276
Gains and losses recognised directly in equity			933		126		1,059		1,059
Net income and gains and losses recognised directly in equity			**933**	**8,026**	**126**		**9,085**	**250**	**9,335**
Other charges			(85)				(85)		(85)
FY 30/09/2017	25,000	3,455	61,791	8,026	(1,037)	(3,777)	93,459	298	93,756
Appropriation of results for 2017			8,026	(8,026)					
Dividend distribution			(2,238)				(2,238)	(282)	(2,520)
Change in treasury shares			21			60	80		80
Change in accounting methods									
Stock options (2)			192				192		192
Profit/loss for financial year				8,233			8,233	265	8,498
Gains and losses recognised directly in equity			389		19		408		408
Net income and gains and losses recognised directly in equity			**389**	**8,233**	**19**		**8,640**	**265**	**8,906**
Other charges									
FY 30/09/2018	25,000	3,455	68,180	8,233	(1,018)	(3,717)	100,133	281	100,415

(1) The translation difference is due to Poland.
(2) Relates to the spreading of the cost of the bonus share plan.

ACCOUNTING & FINANCIAL ITEMS (CONSOLIDATED ACCOUNTS)

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	FY 2018 Consolidation method	FY 2018 % of control	FY 2018 % of interest	
CONSOLIDATING COMPANY							
LACROIX S.A.	855,802,815	St Herblain	1	PARENT			
CONSOLIDATED COMPANIES							
LACROIX NORTH AMERICA		Delaware, USA		FC	100.00%	100.00%	
LACROIX ELECTRONICS							
AUSY-LACROIX ELECTRONICS	801,984,030	Vern sur Seiche		EM	50.00%	50.00%	
LACROIX ELECTRONICS	409,064,151	Saint-Pierre-Montlimart	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	Cesson-Sévigné	1	FC	100.00%	100.00%	
LACROIX Sofrel							
LACROIX SOFREL	409,065,810	Vern sur Seiche	1	FC	100.00%	100.00%	
LACROIX SOFREL srl	405,249	ITALY		FC	100.00%	100.00%	
SOFREL ESPANA	ESA81573113	SPAIN		FC	100.00%	100.00%	
LACROIX City							
LACROIX CITY	514,345,602	Saint Herblain	1	FC	100.00%	100.00%	
LACROIX SIGNALISATION	409,065,984	Saint Herblain	1	FC	100.00%	99.86%	
LACROIX TRAFFIC	443,342,746	Saint Herblain	1	FC	100.00%	100.00%	
LACROIX TRAFFIC SAU	604131M	SPAIN		FC	100.00%	100.00%	
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 PACIFIC	1,011,600	Nouméa		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	1	FC	100.00%	99.86%	
LACROIX TRAFIC CAMEROUN	DLA2012B3234	CAMEROON		FC	100.00%	99.86%	
LACROIX SOGEXI	321,262,446	Les Chères	1	FC	100.00%	100.00%	
LACROIX 3	512,996,851	Saint Herblain	1	FC	100.00%	99.86%	
LACROIX 7	512,538,265	Saint Herblain	1	FC	100.00%	99.86%	
NEAVIA TECHNOLOGIES	449,708,585	Créteil	1	FC	100.00%	100.00%	
LTI SUD EST	383,076,684	Carros		FC	100.00%	0.00%	(1) (2)

Consolidation methods
FC: Full Consolidation - EM: Equity method

(1) Company with year-end on 31 December
(2) Ad hoc entities

6. Financial reporting framework, consolidation procedure, valuation methods and rules

6.1 General information on the company

Listed on Euronext Paris, Compartment C, LACROIX SA is incorporated as a limited company under French law.

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

6.2 Financial reporting framework

6.2.1 General principles

The financial statements are presented for the period ended 30 September 2017, applying all the IFRS standards published by the IASB (International Accounting Standards Board) and adopted by the European Union. All the standards adopted by the European Union are available on the European Commission's website at the following address:

http://ec.europa.eu/finance/accounting/ias/index_fr.htm.

These methods are identical to those adopted in the consolidated financial statements on 30 September 2017. Texts adopted by the European Union (mandatory application for periods beginning on or after 1 January 2017)

- IAS 7 (Amendment), 'Cash Flow Statement'
- IAS 12 (Amendment), 'Income taxes'
- IFRS 12 (Amendment) 'Disclosure of Interests in Other Entities'

These texts have no impact on the Group's financial statements.

Texts not yet adopted by the European Union or with mandatory application for periods open after 1 January 2017:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 16 'Rental contracts'
- IFRS 2 (Amendment) 'Share-based payment'
- IFRS 4 (Amendment), 'Insurance contracts'
- IAS 40 (Amendment), 'Investment properties'
- IFRS 1 (Amendment), 'First application of international financial information standards'
- IAS 28 (Amendment), 'Investments in associates and joint ventures'
- IFRIC 22 (Amendment), 'Foreign currency transactions and prepayment from counterparty'
- IFRIC 23 (Amendment), 'Uncertainty relating to tax situation'
- IFRS 10 (Amendment), 'Consolidated financial statements'.

The Group has not opted for early application of standards and interpretations whose application is not mandatory on 1 October 2017.

The Group is currently analysing the potential impacts of the application of IFRS 9, IFRS 15 and IFRS 16 on its consolidated financial statements.

<u>IFRS 15 - Revenue from contracts with customers</u>

On 29 October 2016, the European Union adopted IFRS 15 - Revenue from contracts with customers, which is mandatory from 1 January 2018.

IFRS 15 proposes a revenue accounting process comprising five stages:

- Identification of the contract(s) with a customer,
- Identification of different performance obligations distinct from the contract,
- Determination of the transaction price,
- Assignment of the transaction price to the various performance obligations,
- Revenue accounting when performance obligations are met.

IFRS 15 establishes a fundamental principle that revenue accounting should reflect, for the amount a seller expects to be entitled to, the transfer to a customer of control of a good or service.

The Group continues to finalise its analysis using this 5-step model for each of its revenue sources. The potential impacts will be recorded in the opening reserves on1 October 2018 and without comparison to the previous financial year.

<u>IFRS 9 – Financial Instruments</u>

IFRS 9 "Financial Instruments" issued by the IASB in July 2014 and adopted by the EU on 29 November 2016 replaces IAS 39 "Financial Instruments". Its application is mandatory starting from 1 January 2018.

IFRS 9 introduces new procedures relating to the classification and measurement of financial assets, the impairment of the Group's financial assets (now based on expected losses rather than actual losses), and accounting provisions regarding hedge accounting (reconciliation of accounting and risk management policy of the Group). The Group does not anticipate any significant impact on the classification and evaluation of its financial assets. The Group currently believes that existing and effective hedging relationships meet the requirements of IFRS 9. Given the profile of the Group's customers (see section 9.1.4), the first analyses of the history of credit losses do not show any material impact.

<u>IFRS 16 – Rental contracts</u>

IFRS 16 standard - Leases will be mandatory for financial years beginning on or after 1 January 2019. According to this standard, all non-short-term and low-value leases are to be recorded on the lessee's balance sheet in the form of a right-of-use asset and the corresponding financial debt.

The potential impact of these texts is being evaluated by the Group.

6.2.2 Presentation of the financial statements

Are considered as "current assets", assets held for sale or used in the normal course of operation or within twelve months following the year-end, as well as cash and cash equivalents.
"Current liabilities" are those falling due during the normal course of operation or within twelve months following the year-end.
Other assets or liabilities are considered as "non-current".

6.3 Use of estimates

The preparation of the financial statements requires the Group's management to exercise judgement, make estimates and assumptions which have an impact on the application of accounting policies and on the amounts recognised in the financial statements.

These estimates and underlying assumptions are made and constantly reviewed in the light of past experience and other factors deemed reasonable considering the circumstances. Actual values may be different from estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The impact of changes in accounting estimates is recorded in the period of the change if it affects only that period or during the period of the change and subsequent periods if these are also affected by this change.

6.4 Consolidation procedures

6.4.1 Consolidation methods

Subsidiaries of the Group:

- A subsidiary is an entity controlled by the Group.
  The Group controls a subsidiary when it has exposure or rights to variable returns from its involvement with the subsidiary, and has the ability to use its power to affect these returns. The financial statements of subsidiaries are included in the consolidated financial statements as from the date on which control is obtained until the control ceases.
- Non-controlling interests are valued on a pro-rata basis of the acquired company's identifiable net assets at the acquisition date. Changes to the Group's percentage shareholding in a subsidiary which do not result in the loss of control are recognised as equity transactions.

Associates and joint ventures:

- An associate is an entity over which the company exercises a significant influence in relation to financial and operational policies, without exercising control or joint control over these policies. A joint venture is a joint arrangement in which the Group has a joint control, giving it rights to the net assets of the joint arrangement, and not rights to its assets and obligations for its liabilities. Associates and joint ventures are accounted for using the equity method. The consolidated financial statements include the Group's share of the total amount of profits and losses recognised by the joint ventures and equityaccounted companies, until the significant influence or joint control ceases.

Methods applied to the Group:

- At 30 September 2018, the companies of the Group were exclusively controlled by LACROIX SA and fully consolidated, except for ISVIAL and Ausy LACROIX Electronics, consolidated using the equity method.
- Based on the provisions of IFRS 11 (structure of the joint arrangement, legal form of distinct vehicles, contractual provisions and other facts and circumstances), the Group does not have any joint ventures. Its interests in joint arrangements are therefore consolidated using the equity method.

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

6.4.2 Translation of foreign companies' financial statements

The financial statements of foreign subsidiaries are translated:

- For the balance sheet, at the currency's exchange rate on the reporting date.
- For the income statement, at the year-to-date average rate.
- Translation differences are directly recognised in shareholders' equity under "Translation differences".

The table below shows the currency parities applied:

1 ML = x EUR	Opening	Average	Closing	Average N-1
Zloty (PLN)	0.23233	0.23559	0.23379	0.23292
Dollar (USD)	0.84703	0.84034	0.86386	0.90447
CFP Franc (XPF)	0.00838	0.00838	0.00838	0.00838
CFA Franc (XAF)	0.00152	0.00152	0.00152	0.00152

Transactions in foreign currencies are recognised at the exchange rate on the day of the transaction. Gains and losses resulting from payment of these transactions and the translation of receivables and payables in foreign currencies are recognised in the income statement.

6.4.3 Elimination of intra-group transactions

In accordance with the applicable rules, balance sheet amounts, unrealised expenses and income resulting from intra-group transactions are eliminated when preparing the consolidated financial statements. Unrealised gains and losses arising from transactions with associates are eliminated to the extent of the Group's interest in these associates.

6.4.4 Business combinations

Goodwill is subject to impairment testing performed at least once a year and more often where events or circumstances show indicators of impairment.
Impairment testing is performed at the level of cash-generating units (CGU). The tests consist of comparing the CGU's carrying amount with its recoverable value.

- The recoverable amount is defined as the higher of the asset's net selling price and its value in use.

The Group has adopted a testing methodology based on the DCF (Discounted Cash Flows) method using Business Plans prepared for each business area (with the business area corresponding to the notion of CGU)
Note 8.1 presents the assumptions made

6.5 Valuation methods and rules

The principles and methods used by the Group are as follows:

6.5.1 Intangible assets

Intangible assets are measured at acquisition cost less accumulated amortisation and accumulated impairment losses, if any.

6.5.1.1 Research and development expenses

Research expenditure is recognised as expenses.

As regards development costs, the Group has designed a monitoring procedure to collect all useful information for identifying, valuing and monitoring expenditure. Where expenses classified as development expenses meet the criteria for capitalisation, they are capitalised. Otherwise, they are recognised as expenses.

ACCOUNTING & FINANCIAL ITEMS (CONSOLIDATED ACCOUNTS)

6.5.1.2 Depreciation and amortisation

Intangible assets have a finite useful life. Amortisation is recognised as an expense, on a straight-line basis, based on the estimated useful life of the intangible asset.

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

They are subject to impairment testing where there is an indicator of impairment.

- Indefinite-life intangible assets are subject to annual impairment testing. Impairment tests are based on discounted future cash flows.

6.5.2 Tangible assets

6.5.2.1 Tangible non-current assets

Tangible assets are carried at the acquisition cost less accumulated depreciation and any recognised impairment in value or at their production costs for the part produced by the Group.

Where a tangible asset has significant components with different useful lives, these components are recognised separately.

6.5.2.2 Depreciation and amortisation

Depreciation is recognised as an expense, on a straight-line basis, based on the estimated useful life of the tangible asset.

The depreciation periods used are as follows:

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

The carrying values of tangible assets are subject to impairment testing where events or changes in circumstances indicate that the carrying amount may not be recoverable. Thus, if the carrying amount of a tangible asset is higher than its estimated recoverable amount, an impairment loss is recognised.

6.5.3 Finance leases

Leases are classified as finance leases whenever they transfer substantially all the risks and rewards incidental to ownership of the assets.

They are carried, as from the inception of the lease, in the balance sheet at the fair value of the leased asset, or if this is lower, at the present value of the minimum lease payments. Assets held under finance leases are depreciated over their useful lives, which is usually the lease term.

Other leases are classified as operating leases. Leases are recognised as expenses on a straight-line basis over the term of the lease.

6.5.4 Financial assets

The Group classifies its financial assets as follows: assets held for trading, loans and advances, assets available for sale.

- Non-consolidated financial investments are classified as assets available for sale and carried at their fair value. Positive or negative changes in value are recognised in shareholders' equity under "Revaluation reserves" If an impairment loss is deemed definitive, a provision for depreciation for that amount is recognised under net financial income.
- Financial investments (securities) are carried at their fair value and changes in fair value are recognised in net financial income.
- Loans and advances are considered as assets issued by the company and carried at cost. An impairment provision is established where there is an objective indication of impairment loss. The impairment loss, equal to the difference between the net carrying amount and the recoverable value, is recognised in the income statement.

6.5.5 Management of financial risks

Currency and interest rate hedging:

- Hedges are analysed by an independent expert to ensure the treatment is in accordance with IAS 32 and IAS 39 if they are material.

6.5.6 Inventories and work-in-progress

Inventories and work-in-progress are valued at the lowest point of their cost and their net realisable value. Cost is determined using the First-in, First-out method. This cost includes the costs of materials and direct labour as well as indirect expenses strictly attributable to production.

Internal margins included in inventories are eliminated on consolidation.

Provisions for depreciation are represented by the difference between the gross value determined as described above and the probable net realisable value.

6.5.7 Trade receivables

Trade receivables and related accounts are valued at their fair value. Since receivables are due within one year, they are not discounted. A provision for impairment is recognised, if necessary, depending on the likelihood of recovery at the reporting date.
The Group, at the initiative of one of its main partner customers, entered into a reverse factoring contract in 2015. The substantial analysis of this reverse factoring contract set out in IAS 39 confirmed that the three main derecognition criteria applicable in particular to assignments of receivables were met, namely:

- The expiry or transfer of the contractual rights over cash-flows relating to the asset,
- The transfer of substantially all the risks and rewards incidental to ownership of the asset (credit risk due to the debtor's insolvency, carry trade risk inherent to payment lag/delay compared to the normal due date and risk of dilution resulting mainly from litigations and settlement differences: credit note, netting off, etc.).
- Loss of control of the asset.

The results of this analysis are not affected by standard IFRS 9, which replaces IAS 39 as of financial periods commencing 1 January 2018.

6.5.8 Cash and cash equivalents

The item "Cash assets" includes bank balances and highly liquid investments.
Bank overdrafts are included in borrowings among short-term debts in the balance sheet liabilities.

6.5.9 Capital and reserves

When the Group buys back or sells treasury shares:

- The price paid including expenses incurred for their acquisition net of tax is deducted from shareholders' equity in the item "treasury shares" until their disposal.
- When they are sold, the capital gain or loss is recognised in shareholders' equity.

6.5.10 Public grants

Grants are included in the financial statements, where there is reasonable assurance that:

- The Group will comply with the conditions attached to the financing.
- The grants will be received.
- For public grants attached to assets, the Group has elected to present the financing as a deduction from the value of the related asset.

6.5.11 Provisions for contingencies and charges

Where the Group has a present obligation (legal or constructive) arising from a past event and if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and if the obligation can be reliably estimated, the Group then recognises a provision.

6.5.12 Employee benefits

Retirement benefits:

- The Group recognises a provision for retirement benefits, based on collective agreements. This is a defined benefit plan. The value of the provision is determined by an independent actuary using the projected unit credit method. Note 8.12.1 presents the assumptions made.
- These valuations take into account in particular the future compensation level, the probable active life of employees, life expectancy and staff turnover.
- The present value of commitments as thus valued is recognised in the balance sheet, after deduction of the fair value of assets paid by companies of the Group to financial institutions.
- Actuarial gains and losses, arising mainly from changes in actuarial assumptions and the difference between results estimated based on the actuarial assumptions and the actual results, are recognised to the full extent in shareholders' equity.
- The financial cost and the cost of services rendered are recognised as an expense of the period.

Share-based payments:

- Share subscription or purchase option plans granted to employees must be valued at their fair value, which fair value must be charged to the income statement with a corresponding entry for reserves over the vesting period (2 to 4 years).

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- The fair value of options was calculated using the Black & Scholes model. The cost is thus charged over the vesting period with a corresponding increase in reserves.
- The fair value of bonus shares was calculated using the binomial model to take into account performance conditions.

6.5.13 Borrowings

Borrowings are initially carried at their fair value, net of the related commissions.
The portion of financial debts falling due within one year is classified as current financial debts.

6.5.14 Current and deferred tax

A deferred tax amount is calculated for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The tax rate used is that which the Group expects to pay or recover from the tax authorities and which has been enacted or substantively enacted by the balance sheet date.

Tax assets and liabilities are not discounted and are classified in the balance sheet as non-current assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that these taxes will be recovered over future financial periods.
Deferred tax assets and liabilities are offset against each other for one and the same entity. In this respect, a tax consolidation scope is applicable in the Group.

- LACROIX SA Group

The tax consolidation scope is detailed in Note 5.

Tax rate by country:

	FY 2018
Germany	30.00%
Cameroon	38.50%
Spain	25.00%
France	28.00%
Italy	31.30%
Poland	19.00%
Tunisia (1)	

(1) Progressive taxation of earnings since 2016

6.5.15 Assets and groups of assets held for sale and discontinued operations

A discontinued operation is either a component of an entity from which it has separated or an operation classified as held for sale and:

- Which represents a separate major line of business or geographical area of operation;
- Is part of a single coordinated plan to dispose of a separate major line of business or major geographical area of operation; or
- Is a subsidiary acquired exclusively with a view to resale.

An operation is classified as discontinued only when the entity has disposed of the operation or at an earlier date when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative income statement and the cash flow statement are restated as if the operation had met the criteria of a discontinued operation as from the date of opening of the comparative period.
Furthermore, all assets and liabilities linked to discontinued operations or held for sale are presented on a separate line of the assets and liabilities, as they would appear for a disposal after elimination of intragroup positions.

6.5.16 Revenue

The Group's revenue is mainly made up of the sale of finished goods. Income from ordinary activities is recognised where the risks and rewards incidental to ownership of the assets are transferred to the buyer, and their amount can be reliably valued.

6.5.17 Earnings per share

Basic earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of shares outstanding during the period, excluding shares bought by the company and held as treasury shares.

Diluted earnings per share are calculated by dividing the net income attributable to shareholders by the weighted average number of shares outstanding during the period adjusted for the conversion of dilutive instruments into ordinary shares.

- The Group has a category of dilutive instrument: stock options and bonus shares.

6.5.18 Segment reporting

The Group's segment reporting is based on the concept of business segments. The choice of this level and its breakdown reflects the Group's organisational structure and the risk and profitability differences.
The business segment is the Group's only level of segment reporting. The following three main business segments have been chosen:

- LACROIX Electronics
- LACROIX Sofrel
- LACROIX City

7 Comparability of accounts

7.1 Accounting changes

No change in accounting policy over the period.

7.2 Changes in reporting entities

On 4 April 2017, LACROIX Group signed an industrial partnership agreement with FIRSTRONIC LLC, and acquired a 5% minority interest in this company via its subsidiary LACROIX North America, created for that purpose.
An additional investment was made in the 2017/2018 period to increase this holding to 12.5%.
This holding remains non-consolidated at 30 September 2018 (see 8.6).

8 Explanation of the balance sheet and income statement accounts and their variations

The tables below form an integral part of the consolidated financial statements.
Unless otherwise stated, the amounts are in €k.

8.1 Goodwill

	Gross value				Impairment				Net value	
	Opening	Change	Changes in reporting entities	Closing	Opening	Allowance	Changes in reporting entities	Closing	Opening	Closing
LACROIX ELECTRONICS	10,877			10,877	(5,991)			(5,991)	4,885	4,885
LACROIX Sofrel	1,487			1,487					1,487	1,487
LACROIX City	19,031			19,031	(9,500)			(9,500)	9,531	9,531
Total	31,395			31,395	(15,491)			(15,491)	15,904	15,904

8.1.1 Goodwill impairment

The following parameters were applied to perform impairment testing over the period:

- Discount rate of 8.40%.
- Cash-flows calculated over 5-year, 7-year or 10-year plans.
- Perpetual growth rate of +1.7%.

A change of 0.25 points in the discount rate has no impact on goodwill

8.2 Intangible assets

	Opening	Increase	Decrease	Changes in reporting entities	Translation differences	Other changes	Closing
Gross amounts							
Preliminary expenses	4						4
Research and development costs	30	577				4	610
Concessions, patents, licenses, software	10,734	723	(551)			10	10,915
Other intangible assets	1,327	264	(123)		2	(4)	1,466
Intangible assets under construction	4	27				(4)	27
Advances and down payments							
Total	**12,098**	**1,590**	**(674)**		**2**	**7**	**13,022**
Depreciation and amortisation							
Preliminary expenses	(4)						(4)
Research and development costs	(6)	(30)					(35)
Concessions, patents, licenses, software	(8,724)	(535)	551				(8,708)
Other intangible assets	(1,049)	(141)	123		(2)		(1,069)
Total	**(9,783)**	**(706)**	**674**		**(2)**		**(9,816)**
Total net intangible fixed assets	**2,314**	**885**				**7**	**3,205**

[1] Mainly corresponds to costs related to development and implementation of a new ERP

8.3 Tangible assets

	Opening	Increase	Decrease	Changes in reporting entities	Translation differences	Other charges	Closing
Gross amounts							
Land	3,483						3,483
Buildings	36,004	553			45	(155)	36,447
Technical installations, machinery and equipment	68,163	6,216	(2,182)		122	(171)	72,149
Other tangible assets	20,132	1,735	(699)		8	262	21,438
Tangible assets under construction	250	668	(106)		(1)	(99)	712
Advances and down payments		152					152
Total	**128,033**	**9,326**	**(2,989)**		**173**	**(163)**	**134,380**
Depreciation and amortisation							
Land	(229)	(6)					(235)
Buildings	(19,190)	(1,322)			(19)	168	(20,362)
Technical installations, machinery and equipment	(43,392)	(4,272)	2,016		(38)	156	(45,530)
Other tangible assets	(14,473)	(1,421)	666		(4)	(168)	(15,400)
Total	**(77,285)**	**(7,020)**	**2,682**		**(61)**	**156**	**(81,528)**
Total net fixed tangible assets	**50,747**	**2,305**	**(306)**		**112**	**(7)**	**52,852**
Including net fixed assets under finance lease	**1,535**						**619**

The other changes are due to accounting reclassifications of other items of tangible assets to technical installations, machinery and equipment. Furthermore, the amount of net fixed assets under finance lease as at 30 September 2018
concern only fixed assets for which a finance lease is still ongoing.

8.4 Non-current financial assets

	Opening	Increase	Decrease	Changes in reporting entities	Translation differences	Other movements	Closing
Gross amounts							
Investments (1)	1,169	1,290			22		2,482
Receivables attached to holdings		103			5		108
Other long-term investments	71	10					81
Loans		615			17		632
Collateral and surety	626	187	(202)				611
Total	**1,866**	**2,205**	**(202)**		**44**		**3,914**
Provisions for depreciation							
Investments (1)	(193)		17				(177)
Receivables attached to holdings							
Other long-term investments	(51)	(10)					(61)
Loans							
Collateral and surety							
Total	**(244)**	**(10)**	**17**				**(237)**
Total net long-term financial assets	**1,622**	**2,195**	**(185)**		**44**		**3,676**

(1) Breakdown of investments provided in Note 8.6

8.5 Investments in associates

Balance sheet value and breakdown of investments:

Subsidiaries	% shareholding	30/09/2018
AUSY LACROIX ELECTRONICS	50.0%	10
ISVIAL	33.3%	6
Total		**16**

Contributions to shareholders' equity and consolidated income are as follows:

Subsidiaries	Contribution to consolidated shareholders' equity	Contribution to consolidated income
AUSY LACROIX ELECTRONICS	(15)	(4)
ISVIAL		
Total	**(15)**	**(4)**

8.6 Investments

The breakdown of the line "Investments" in Note 8.4 is as follows:

Non-consolidated subsidiaries	Breakdown of the net position	
	Gross amounts	Provisions for depreciation
Opening	**1,169**	**(193)**
Change	1,312	16
Closing (1)	**2,482**	**(177)**

(1) At the end of the period, the balance includes the 12.5% interest in Firstronic LLC (change of USD 1.5 million over the year) and the interest in Gertrude (LACROIX City activity), an interest in two holding companies, non-consolidated and dormant since the period 2013/2014, as well as an interest held by LACROIX Sogexi and provisioned.

8.7 Inventories and work-in-progress

Inventories and work-in-progress are as follows:

	FY 2018	FY 2017
Gross amounts		
Raw materials	51,954	45,661
In-process inventory	10,104	9,841
Intermediate and finished products	17,277	14,706
Goods	1,704	1,173
Total	**81,040**	**71,380**
Provisions for depreciation		
Raw materials	(2,657)	(3,001)
In-process inventory	(113)	(525)
Intermediate and finished products	(134)	(255)
Goods	(100)	(74)
Total	**(3,003)**	**(3,854)**
Total net inventories and work-in-progress	**78,037**	**67,526**

8.8 Trade receivables

The breakdown of trade receivables is as follows:

	FY 2018	FY 2017
Trade receivables	101,660	100,004
Impairment	(2,111)	(2,361)
Total net trade receivables	**99,549**	**97,643**

Receivables covered by a reverse factoring contract (see 6.5.7), not fallen due on 30 September 2018 and settled before that date, amount to €29 million, compared with €25 million as at 30 September 2017.

8.9 Other receivables and current assets

	FY 2018	FY 2017
Gross amounts		
Advances and payments on account	652	430
Social security receivables	277	195
Tax receivables (1)	10,813	12,101
Sundry receivables	3,308	1,729
Prepaid expenses	2,272	2,267
Total	**17,322**	**16,722**
Provisions for depreciation		
Impairment		
Total Other net receivables and current assets	**17,322**	**16,722**

(1) Tax receivables include €4.6 million of tax credits (CICE and CIR in particular) of which €0.5 million will be refunded on 15 January 2019. In 2018, the Group made an off-balance sheet pre-financing of 2014, 2015 and 2016 CICE credits for a total amount of 4.2 million euros.

8.10 Cash and cash equivalents

	FY 2018	FY 2017
Investments in securities (1)	8,464	9,960
Cash assets	9,236	8,374
Allowance for loss in value		
Financial Instruments - Asset		1,095
Total cash and cash equivalents	**17,700**	**19,429**
Cash credit	(15,994)	(17,385)
Financial Instruments - Liability	0	(1,166)
Total net cash	**1,706**	**878**

(1) Made up of SICAV (unit trust), deposit certificates and other investment products.

Cash and cash equivalents include cash at bank, cash and short-term deposits with an initial term of less than three months.

8.11 Shareholders' equity

8.11.1 Shareholders' equity of the consolidating entity

As at 30 September 2018, the share capital is made up of 3,766,560 shares with a par value of €6.64 each

8.11.2 Changes in treasury shares

The number of treasury shares has changed as follows:

	30/09/2018
Opening	**198,417**
Acquisitions	47,042
Disposals	(50,743)
Closing (1)	**194,716**

(1) The value of treasury shares as at 30 September 2018 recognised in Lacroix SA's financial statements stood at €3,717k. On the basis of the average share price in September 2018, it stands at €4,868k.

8.11.3 Stock options

Stock options were granted to executives and some employees. The exercise price of the options is equal to the average of the closing prices on the stock exchange during the 20 trading days preceding the date of granting. The options are subject to the completion of four years of service.

Changes in the number of options outstanding are as follows:

	FY 2018	FY 2017
Opening	**16,000**	**45,250**
Granted		
Exercised		
Not exercisable (following departure)		
End of plan	(3,000)	(29,250)
Closing	**13,000**	**16,000**

The expiry dates and the exercise prices of outstanding stock options at the end of September 2018 are as follows:

Date of plans		Conditions	
Granted	Start of option	Exercise price	Number of shares
Oct. 2008	Oct.-2012	17.01	6,000
Oct. 2011	Oct.-2015	14.33	7,000
			13,000

Stock options are valued at the fair value recognised in the income statement, on the personnel expenses line over the vesting period for employees. Since the vesting periods expired during the last financial year, the expense under IFRS2 as at 30 September 2018 is nil.

8.11.4 Bonus share attribution plan

The main characteristics of the bonus share plan are as follows:

- Plan start date: 24 february 2017
- The plan is granted subject to performance conditions, which need to be met for the benefits of these plans to be vested.
- Number of shares: 42,500 (compared to 52,500 at 30.09.17 due to departure of one of the beneficiary employees)
- The definitive share allotment will be made in two phases:
  - up to 31 December 2018, i.e. in about two years from the first Acquisition period
  - up to 31 December 2020, i.e. in about four years from the second Acquisition period.

At the expiry of these periods, the shares will be vested to the beneficiaries subject to conditions having been met and in the following manner:

- 30% of shares may be acquired at the end of about 2 years, i.e. on 31 December 2018. This acquisition is an interim payment into the plan.
- 100% of shares may be acquired at the end of about 4 years, i.e. on 31 December 2020. Shares acquired at the end of the first period and paid as an interim payment will be deducted from the final total amount allotted.

The retention period will be equal to the remaining period as from the date of Allotment in order to comply with the statutory lock-in period which is two years minimum as set out in Article 225 197-1 of the French Commercial Code.

The expense for the period in respect of the bonus share plan is €192k within the meaning of IFRS2, to which is added the employer's contribution provisioned at €58k.

8.12 Provisions for contingencies and charges

8.12.1 Changes in provisions for contingencies and charges

The breakdown is as follows:

	Opening	Provisions	Reversals used	Reversals not used	Changes in reporting entities	Translation differences	Other changes	Closing
Provisions for retirement benefits (1)	12,859	891	(399)				(323)	13,027
Prov. for product warranty	599	177		(100)				676
Prov. for litigation (2)	7,333	4,577	(687)	(289)		(2)		10,932
Prov. for Other risks (3)	822				(122)		(17)	684
Total	21,613	5,645	(1,087)	(389)	(122)	(2)	(339)	25,319

(1) The value of retirement benefits was determined by independent actuaries using the projected unit credit method. The other changes are due to the impact of discounting.

The assumptions made for the calculations, in respect of France, are as follows:

- Discount rate of 1.6% (against 1.5% in 2017)
- Average increase in salaries of 3% including inflation
- The mortality tables used are those of INSEE F 2008-2010,
- The retirement age is 63 for non-managerial staff and 66 for managerial staff. Reason for retirement: 100% of departures are at the initiative of the employee.
- Turnover probability as per the table below:

	LACROIX Electronics	LACROIX Sofrel	LACROIX City
Age brackets			
under 29 years	5.00%	5.00%	8.00%
between 30 and 39 years	5.00%	5.00%	8.00%
between 40 and 44 years	5.00%	5.00%	6.00%
between 45 to 49 years	2.00%	2.00%	5.00%
between 50 and 54 years	2.00%	2.00%	5.00%
over 55 years	_	_	_

In respect of Germany, the following assumptions were made:

- Discount rate of 1.8% (against 1.7% in 2017)
- Inflation rate of 2%,
- Salary increase of 3%
- Average turnover rate of 5%:

Retirement at the age of 64 for non-managerial staff and 65 for other managerial staff.

(2) Provisions for litigations are as follows:

- Provisions for customer disputes and/or warranty returns for a total of €9,557k, made up of: €8,575k for LACROIX City (of which €4,639k for ongoing disputes with municipalities regarding losses allegedly suffered over the period and for which the company has been convicted for cartel activity in 2010), €182k for LACROIX Sofrel and €800k for LACROIX Electronics.
- sundry provisions for €1,375k (restructuring, disputes, HR risks, termination impairments, etc.).

As regards disputes with municipalities, following LACROIX Signalisation's conviction by the Competition Authority for cartel activity in 2010, a number of companies or municipalities have sued the company. As at 30 September 2018, proceedings were ongoing with eleven companies or municipalities. Of these, six concern only LACROIX Signalisation and five are collective actions against all convicted companies, ten actions are seeking compensation and one is an action for annulment of contracts.

Regarding this latter action, on 31 January 2017, the Administrative Court of Rouen declared null and void the contracts awarded by the Seine Maritime department to Lacroix Signalisation over the period 1997-2006 and the corresponding reimbursement of €5,238k paid by the department over that period. Lacroix Signalisation has appealed this decision.

On the date of 22/02/2018, the administrative appeal court found partly in the company's favour, dismissing the null and void ruling, but ordered it to pay damages calculated at €2,550k The company brought an appeal before the Council of State, but a provision was recorded in the accounts for the amount of the ruling. On 30/09/2018, according to the schedule, the company paid an amount of €1.2 million, this amount being considered an advance while awaiting the decision of the Council of State. This advance was recorded in the accounts on 30.09.18 under "Other receivables".

In addition to this fine, the amount provisioned on 30 September 2018 in respect of these disputes is based on independent assessments and amounts to €2,089k.

(3) In connection with the exercise of stock-options by employees of Sofrel, the Group had undertaken to buy back these shares at the request of beneficiaries. The amount of €684k is the valuation, at the end of September 2018, of the theoretical purchase price of said shares.

8.13 Borrowings and financial debts

8.13.1 Borrowings and financial debts by type and maturity

The breakdown of financial debts by maturity is as follows:

	FY 2018	FY 2017	Maturity 2018 (1)	
			<1 year (Current)	>1 year (non-current)
Loans and debt with credit establishments	27,062	22,598	7,224	19,838
Leveraged finance leases	444	910	341	103
Other financial debts (2)	8,688	8,422	6,386	2,303
Cash credit	15,994	17,385	15,994	
Total borrowings and financial debts	**52,189**	**49,315**	**29,945**	**22,244**

(1) "Non-current" portion of financial debts: of which €2,829k at more than five years

(2) Of which C/C VINILA INVESTISSEMENTS (shareholder) for €5,213k, compared with €3,823k in 2017

8.13.2 Change in borrowings and financial debts

	FY 2018
Opening	30,763
Increase	14,571
Decrease	(14,231)
Changes in reporting entities	
Translation differences	(20)
Other changes	5,112
Loans and debts excl. overdrafts	**36,195**
Cash credit	15,994
Total change in borrowings and financial debts	**52,189**

The other changes are primarily due to reclassification of a short-term cash-flow account into a financial debt account.

8.13.3 Breakdown by type of rate

The breakdown of debt between fixed rate and variable rate is as follows:

	FY 2018	FY 2017
Fixed-rate loans	4,954	2,603
Variable-rate loans (1)	22,552	20,906
Total borrowings	**27,506**	**23,509**

(1) Of which a significant proportion is capped via financial instruments (see 9.1.2)

8.13.4 Breakdown by main currency

	FY 2018	FY 2017
Borrowings denominated in euros	27,506	23,509
Borrowings denominated in foreign currencies		
Total borrowings	**27,506**	**23,509**

8.14 Current liabilities

The breakdown of other current liabilities is as follows:

	FY 2018	FY 2017
Trade accounts payable	78,195	75,219
Payables on fixed assets	55	18
Advances and payments on account received on orders	2,220	1,074
Taxes and welfare liabilities	28,641	28,847
Sundry liabilities	2,685	2,640
Deferred revenue	2,502	2,423
Total other current liabilities	**114,297**	**110,221**

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8.15 Personnel

8.15.1 Personnel expenses

	FY 2018	FY 2017
Salaries and wages	(78,109)	(72,966)
Social security costs	(25,808)	(23,977)
Profit-sharing	(1,874)	(1,993)
Temporary wage earners	(5,990)	(3,742)
Pension expenses	(298)	(236)
Payment in shares	(192)	(162)
Total personnel expenses	**(112,272)**	**(103,076)**

8.15.2 Workforce

The breakdown of the workforce employed at the end of the year is as follows:

*	LACROIX Electronics		LACROIX Sofrel		LACROIX City		Group	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Managerial	308	311	87	92	171	172	566	575
Technical	662	555	54	53	82	83	798	692
Clerical	542	633	27	23	149	148	718	804
Manual	1,779	1,775			183	188	1,962	1,963
Total salaried workforce	3,291	3,275	168	168	585	592	4,044	4,034
Pending assignment (1)	101	119	4	1	64	59	169	179
Total operational workforce	3,392	3,394	172	169	649	651	4,213	4,213

(1) Full-time equivalents of temporary workers

(*) Workforce of fully consolidated entities

The head holding has a workforce of 13 people in 2018

8.16 Depreciation and estimated expenses net of reversals

The amount of depreciation and estimated expenses net of reversals, included in profit from operating activities is broken down as follows:

	FY 2018	FY 2017
Net depreciation and reversals on long-term assets	(7,690)	(7,253)
Net depreciation and reversals on inventories	(329)	(1,206)
Net depreciation and reversals on other current assets	(173)	(6)
Net depreciation and reversals on contingencies and expenses	(2,377)	(875)
Net depreciation and reversals on others		
Total net depreciation and estimated expenses	**(10,569)**	**(9,340)**

8.17 Other operating income and expenses

	FY 2018	FY 2017
Restructuring expenses	92	(425)
Disposal of assets		435
Customer litigations (1)	(2,860)	(652)
Other non-current expenses	(228)	1
Total	(2,996)	(641)

(1) See 8.12.1

8.18 Financial expenses and revenue

The breakdown of financial income is as follows:

	FY 2018	FY 2017
Cost of gross financial debt	(1,140)	(1,273)
Income from cash and equivalents	179	147
Cost of net debt	**(961)**	**(1,126)**
Foreign exchange result	201	873
Other financial revenue and expenses (1)	(200)	(178)
Total financial income by nature	**(960)**	**(431)**
Summary		
Total revenue	6,563	7,586
Total expenses	(7,523)	(8,017)
Total Financial income	**(960)**	**(431)**

(1) Including €206k of financial expenses relating to provision for retirement benefits.

8.19 Income taxes

8.19.1 Breakdown of corporation income tax

The breakdown of taxation is as follows:

	FY 2018	FY 2017
Tax payable	(3,005)	(3,224)
Deferred taxes	439	169
Income taxes	(2,566)	(3,056)

8.19.2 Tax proof

Rationalization of tax	FY 2018
Net income of consolidated companies	8,498
Neutralisation of the share of results of equity-method companies	4
Income taxes (1)	-2,566
Net pre-tax income	11,061
Theoretical tax at current rate (2)	3,098
Difference in tax (1) - (2)	**531**

ACCOUNTING & FINANCIAL ITEMS (CONSOLIDATED ACCOUNTS)

The reconciliation between the corporation tax contained in the income statement and the theoretical tax which would be borne based on the rate applicable in France is as follows:

Analysis of this difference in tax	
Changes in tax rate	-32
Effects of permanent differences between consolidated and taxable results	-315
Use of deficits carried over used in period	89
Losses of subsidiaries showing a loss after tax	-2,174
Activation of tax deficits carried over	
Lower or higher tax rate for certain types of transactions	-75
Taxation of foreign companies' results at different rates	2,213
Tax credits (1)	799
Adjustments related to previous periods	26
	531

(1) Including CIR and CICE for €318k and €454k respectively.

8.19.3 Breakdown of deferred taxes

The breakdown of deferred tax assets and liabilities is as follows:

	Opening	Impact on reserves	Impact on income	Changes in reporting entities	Other changes	Closing
Deferred tax assets						
C3S and Building effort	35		5			40
Employee profit-sharing	276		(7)			270
Retirement benefits	1,969	(32)	102			2,039
Margins on inventories	201		58			259
Losses carryforwards (1)	3,644		346			3,990
Other	395		190			585
Compensation IDA/IDP (*)	*(2,681)*				*(1,131)*	*(3,812)*
Total deferred tax assets	**3,839**	**(32)**	**694**		**(1,131)**	**3,370**
Deferred tax liabilities						
Regulated provisions	(2,288)		(105)			(2,393)
Finance lease	(332)		30			(302)
Amortis. method Non-current assets	(154)		9			(146)
Fair values on property assets	(705)		39			(666)
Other	(61)	(18)	(227)		(14)	(320)
Compensation IDA/IDP (*)	*2,681*				*1,131*	*3,812*
Total deferred tax liabilities	**(859)**	**(18)**	**(255)**		**1,117**	**(15)**
Total net deferred taxes	**2,980**	**(50)**	**439**		**(15)**	**3,355**

(1) Based on the assumptions made by the Group and updating of business plans. The base activated on the French tax consolidation scope is €11.5 million out of a total base of tax losses carried forward of €23 million.

(*) This line makes it possible, after overall breakdown of net IDA and IDP by type, consideration of individual positions and the balance sheet presentation due to the existence of a tax group (Note 6.5.14)

9 Other information

9.1 Group's exposure to financial risks

9.1.1 Currency risk

Other than LACROIX Electronics, the Group is not exposed to currency risks.
As regards LACROIX Electronics, currency risk mainly concerns purchases made in USD, in JPY, in TND and in PLN.

- As regards purchases in USD and JPY, the company has signed contracts with its main clients providing for an adjustment of the selling price based on fluctuations in the EUR/USD parity. As a result, currency risk is extinguished on that part. For the balance, the company has recourse to partial hedges of its needs, to cover a target rate set for each financial year.
- Expenses in TND and PLN mainly concern the salaries and social security expenses of employees at our Polish and Turkish sites and some local purchases. The Group's policy consists in undertaking forward hedges based on its forecast needs.

Generally, recourse is made to financial instruments strictly for the needs of the activity, excluding any speculative purposes.

9.1.2 Interest rate risk

Note 8.13.3 "Borrowings and financial debts" shows that out of €27,506k of debts, €4,954k are at fixed rate and €22,552 K at variable rate.
The Group uses financial instruments to mitigate this risk. As at end of September 2018, the percentage of financing at floating rates hedged by swaps was 60% of the nominal value.

9.1.3 Liquidity risk

The Group's gross debt level stands at €52,189k.
There is no covenant tied to any of the financing.
The free cash flow stands at €17,700k.
The Group also holds €6.6 million in unused confirmed credit at closure.
The Group therefore considers that its exposure to this risk is low.

9.1.4 Credit risk

Each of the three activities of the Group has its own credit insurance policy, covering its potentially risky clients.

The types of clients by industry is as follows:

Activities	Types of main clients
LACROIX Electronics LACROIX Sofrel LACROIX City	French and foreign companies of international range Public bodies and major water management players Major government bodies and companies engaged in public works

9.1.5 Capital risk

The Group closely monitors its capital by controlling changes in its gearing.

	FY 2018	FY 2017
Borrowings and financial debts	36,195	31,931
Cash credit	15,994	17,385
Other Net financial debts	(201)	(187)
Cash and cash equivalents (Note 8.5)	(17,700)	(19,429)
Net debts	**34,288**	**29,700**
Shareholders' equity	100,415	93,756
Gearing	**34.1%**	**31.7%**

9.1.6 Classification of financial assets and liabilities at fair value based on fair value levels

The Group does not provide a detailed table on the fair value hierarchy of its financial assets and liabilities, according to the 3 levels defined in the amended IFRS 7:

- Valuation at fair value is based on observable data, most of which are external to the Group.

9.2 Segment reporting

9.2.1 Consolidated income statement

Segment reporting for the period ended 30 September 2018 is as follows:

	LACROIX ELECTRONICS		LACROIX Sofrel		LACROIX City		Holdings		Group	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Income from ordinary activities	338,643	317,793	40,514	39,198	98,583	92,268	3,962	3,184	481,702	452,443
Sales to external customers Inter-segment sales	(9,031)	(7,352)	(157)	(199)	(386)	(404)	(3,841)	(3,071)	(13,415)	(11,026)
Total income from ordinary activities	**329,612**	**310,441**	**40,357**	**38,999**	**98,197**	**91,864**	**121**	**113**	**468,287**	**441,417**
Profit from operating activities	**9,145**	**6,971**	**9,144**	**8,819**	**(1,079)**	**(2,107)**	**(2,186)**	**(1,275)**	**15,024**	**12,408**

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

Net allowance for amortisa-tion and provisions	**(5,567)**	**(4,324)**	**(815)**	**(702)**	**(4,087)**	**(4,172)**	**(101)**	**(142)**	**(10,570)**	**(9,340)**

9.2.2 Consolidated balance sheet

The table below provides assets and liabilities segments, and acquisitions of non-current assets of the period:

	LACROIX Electronics		LACROIX Sofrel		LACROIX City		Holdings		Group	
	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017	FY 2018	FY 2017
Segment assets										
Long-term assets	41,870	40,382	5,841	5,542	24,810	25,256	6,503	3,265	79,024	74,445
Current assets	112,303	108,577	15,531	13,598	71,304	61,515	14,073	17,630	213,211	201,320
Total segment assets	**154,173**	**148,959**	**21,372**	**19,140**	**96,114**	**86,771**	**20,576**	**20,895**	**292,235**	**275,764**
Segment liabilities										
Long-term liabilities	13,965	11,700	4,350	4,737	13,795	10,719	15,469	13,070	47,579	40,226
Current liabilities	96,262	104,269	4,309	2,067	76,352	65,417	(32,682)	(29,970)	144,241	141,783
Total current and non-current liabilities	**110,227**	**115,969**	**8,659**	**6,804**	**90,147**	**76,136**	**(17,213)**	**(16,900)**	**191,820**	**182,009**
Acquisitions of non-current assets	**8,236**	**9,467**	**799**	**447**	**1,809**	**1,614**	**72**	**69**	**10,916**	**11,597**

9.3 Off-balance sheet commitments

The breakdown of commitments given or received by the Group is as follows:

Commitment category	FY 2018	FY 2017
Commitments given		
Borrowings and debts with credit institutions		15
Order of Purchases		118

Commitments given at 30.09.17 are wiped out at 30.09.18

There is no covenant tied to any financing.

9.4 Related parties

9.4.1 Transactions with associated undertakings

Associated undertakings are companies over which the Group exercises a significant influence and for which the transactions are not material.

Furthermore, Note 8.13.1 refers to a debt (current account) owed to one of the shareholders, Vinila.

9.4.2 Compensation paid to company officers

At the General Meeting on 26 July 2018, LACROIX Group changed its governance and became a 'Société Anonyme à Conseil d'Administration' (Limited Company with a Board of Directors) having previously been a 'Société Anonyme avec Directoire et Conseil de Surveillance' (Limited Company with a Management Board and Supervisory Committee).

Compensations paid, in respect of the FY, to members of management and administrative bodies for their functions in the Group, are broken down as follows:

9.4.2.1 Members of the Executive Board

	FY 2018	FY 2017
Short-term benefits	461	426
Post-employment benefits	56	58
Other long-term benefits		
Payment in shares		
Total	517	484

Executives earn variable compensations approved by the Board of Directors. The components of the variable compensation are determined on the basis of attainment of targets which are reviewed annually and which we do not wish to disclose for reasons of confidentiality.

9.4.2.2 Members of the Supervisory Board

	FY 2018	FY 2017
Short-term benefits	30	40
Post-employment benefits		
Other long-term benefits		
Severance pay		
Payment in shares		
Total	30	40

9.5 Statutory auditors' fees

The following table provides information on fees to auditors and members of their network paid by the Group in accordance with the AMF 2006-10 format.

	Ernst & Young Network				Atlantique Révision Conseil			
	2018	%	2017	%	2018	%	2017	%
Audit								
Statutory Auditor	230	82%	230	95%	45	100%	45	100%
Issuer	37		37		42		42	
Fully consolidated subsidiaries	194		194		3		3	
Other checks and services directly related to the statutory audit	41	15%						
Issuer								
Fully consolidated subsidiaries	41							
Sub-total Audit	271	96%	230	95%	45	100%	45	100%
Other services	11	4%	12	5%				
Legal, fiscal, social								
Other services	11		12					
Sub-total Other services	11	4%	12	5%				
Total	282	100%	242	100%	45	100%	45	100%

8 Impasse du Bourrelier – P.O. Box 30004
44801 Saint-Herblain Cedex – France
Tel.: +33(0)2 40 92 37 30 ▪ Fax +33(0)2 40 92 10 15
info@lacroix-group.com
SIREN No. 855 802 815 ▪ RCS Nantes

www.lacroix-group.com