LACROIX

CONNECTED TECHNOLOGIES FOR A SMARTER WORLD

ANNUAL REPORT 2019

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.

€482M
2019 REVENUE
+2.8% vs. 2018

€20.8M
OPERATING PROFIT 2019
+38% vs. 2018

€55.8M
NET DEBT 2019

LACROIX GROUP'S WORK TOWARDS A CONNECTED, RESPONSIBLE WORLD

A listed mid-cap 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 (traffic signs, traffic management, street lighting, V2X) and for the management of water and energy infrastructure.

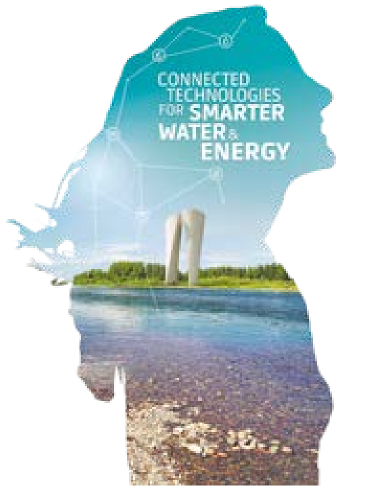
LACROIX Group also develops and produces electronic equipment for its automotive, home automation, aeronautics, industry and healthcare customers.

We do not indulge in grand, futuristic and fantastical schemes. We work with our clients 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 is intensifying and resources are becoming scarce. It is therefore crucial to manage them better. At the same time, new technologies are emerging and creating a world that is increasingly connected and with ever more data. These profound changes are transforming markets and opening up unlimited perspectives for our customers. Our activities place us at the heart of these transformations.

OUR MISSION



SMART MOBILITY

In an urbanising world, we need to rise to the key challenges of smart mobility: helping regions and cities to turn road systems into safe and attractive places that everyone can share.

It is thanks to the connected equipment and technologies of tomorrow, designed with a solid foundation built on experience and expertise, that we will be able to meet these challenges.

Through its equipment, **LACROIX City** has been working at the service of smart road systems for decades, innovating to combat traffic congestion and pollution.

SMART WATER & ENERGY

In a world where natural resources are becoming scarce, we must act now. This means that we all need to commit to implementing smart water and energies. Optimising the management of water, energy and raw materials is our duty as citizens and as a responsible company. Thanks to its technical expertise, **LACROIX Environment** has placed its technology at the service of a more sustainable world.

It has done so by creating connected equipment for enhanced operation of water, heating and electricity networks, which are ultimately the resources of our planet we are protecting.

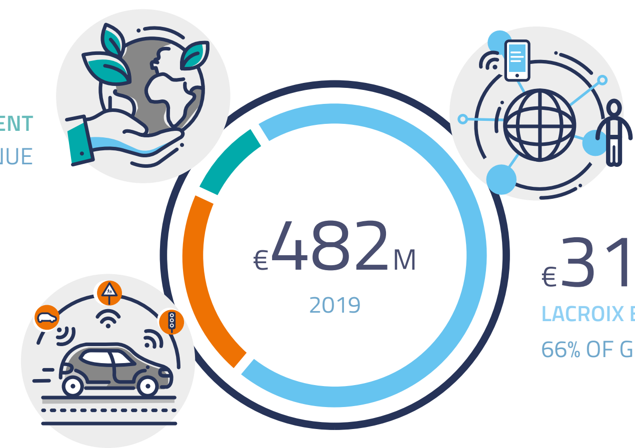
SMART INDUSTRY

In a changing world where electronics are making their way into all sectors, our customers seek innovative solutions for developing new opportunities. Our ambition is to help them achieve this goal through our ability to meet the challenges of smart industry.

And to do so, we are building a digital, interconnected ecosystem. We also ensure a tailor-made, quality service supported by our design and manufacturing capacities, and also by our partners and the latest technologies.

LACROIX Electronics, its premises enjoying recognition as "Future Industry Showcase" since 2016, is now a benchmark stakeholder.

€59M
LACROIX ENVIRONMENT
12% OF GROUP REVENUE



€318M
LACROIX ELECTRONICS
66% OF GROUP REVENUE

€105M
LACROIX CITY
22% OF GROUP REVENUE

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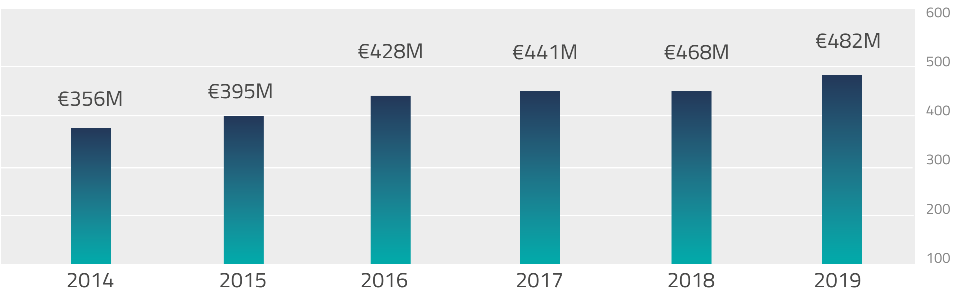
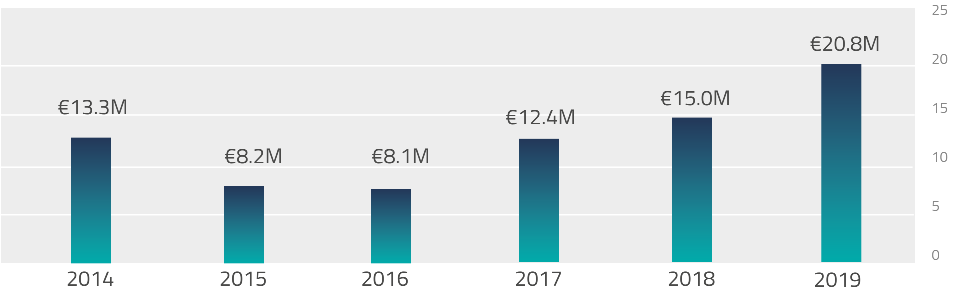
COMBINED ANNUAL GENERAL MEETING

KEY FIGURES

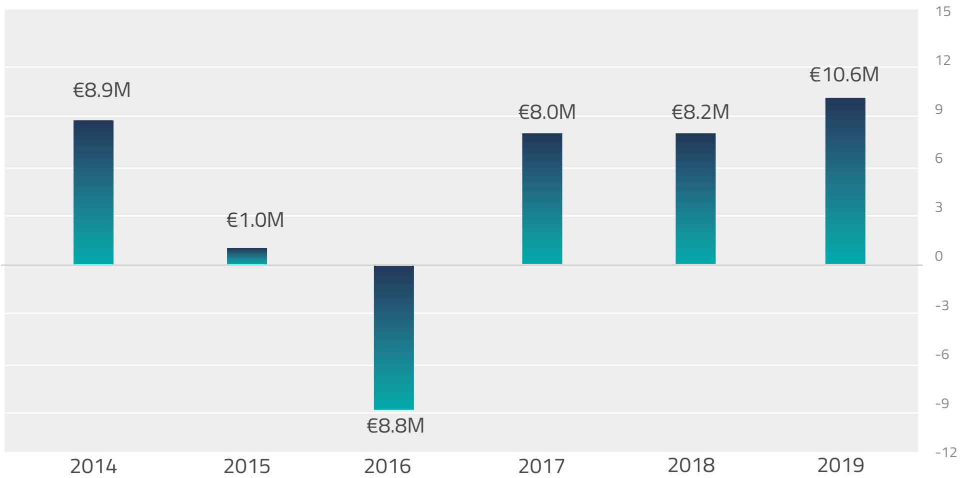
Revenue



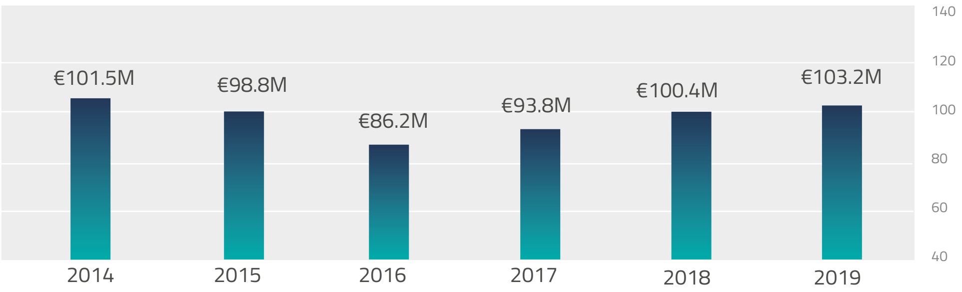
Operating profit



Net income Group share



Shareholders' equity



ANNUAL GENERAL MEETING

STATEMENT OF THE COMPANY OFFICER RESPONSIBLE FOR THE FINANCIAL REPORT

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 Group

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

Financial year ended 30/09/2019

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 (traffic signs, traffic management, street lighting, V2X) and for the management of water, energy and electricity infrastructure. LACROIX Group also develops and produces electronic equipment for its automobile, home automation, aeronautics, industry and healthcare customers.
Far from having grand 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

As of 30 September 2019 and in a less positive global environment, LACROIX Group confirms its capacity for growth and posts an operating profit ahead of the trajectory for meeting the 2020 goal.

Thus:

- Revenue has increased by 2.8% to €481.6 million, (+0.4% at constant scope) led by LACROIX Environment (+17.5% at constant scope and SAE-IT contribution of €11.9 million) and LACROIX City (+6.5%), and in spite of LACROIX Electronics which posts a shrinkage of -3.6% (due to the impact of fire damage on the Tunisian site).
- Operating profit has increased by +€5.7 million to €20.8 million (i.e. +38.2%). At constant scope and standards, this improvement is established as being €3.7 million (impact of scope of consolidation accounting for +€0.9 million and changes to rules for €1.2 million). This growth is largely led by LACROIX Environment, LACROIX City making a positive contribution of +€0.5 million and LACROIX Electronics maintaining its overall level of profitability in spite of changes in its revenue.
- Net income (Group share) increased by +€2.4 million, although impacted by (net) non-current expenses of -€4.4 million.

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: traffic signs, 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**, becoming increasingly urban and connected, and supporting communities and businesses with equipment for smart road systems. Its expertise and experience provide a solid foundation for imagining and designing tomorrow's connected technologies.

In a market context which remains challenging in the more traditional segments with potential for new uses, the main events over 2019 are described below:

- Revenue growth (+6.5%) driven by equipment for street lighting management and control (+9.1%), and sustained by return to growth in sales of signage equipment (+7.7%).
- Improved operating profitover the period from +€0.6 million at - 0.48, i.e. +55% (+€0.4 million at constant scope and standards). Business is taking time to pick up, but it is a reality.
- A decrease in net income due to non-recurring items to the tune of -€4.4 million, revaluation of risk at €6.5 million pertaining to former procedures in the wake of development of expertise and unfavourable legal ruling.
- External growth with a Belgian start-up, enabling us to round off our street lighting telemetry offer and position ourselves as European leaders in the smart lighting niche.

Over the course of the coming financial year, LACROIX City will present new growth in its business with a positive contribution from all of its segments, and this in spite of the cyclicality linked to the electoral timetable. With continuing significant reinvestment (staff and external costs) for the purpose of structuring our offer, we will nevertheless seek to improve operating profit so that business regains profitability.

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

In €m	Current year	Previous year
Revenue	104.6	98.2
Operating profit	- 0.5	-1.1
Net income	- 8.8	- 4.4
Cash flow	- 1.3	- 0.3
Net investments*	- 0.9	1.6

(*) Net investments excluding investments relating to M&A operations

LACROIX Environment

Connected technologies for smarter water & energies

The increasing 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 Environment opted for a "Smart Water & Energy" solution for the digital revolution, using connected objects to optimise the use of water and energy resources. Experiencing constant growth (its sales have doubled in under 10 years), and with the acquisition of SAE IT-systems which has an equivalent offer in electricity networks, this activity accounts for 12% of Group revenue and contributes significantly to profits.

Evolving in a buoyant market worldwide, with the challenges and the maturity of the water and energy markets creating a context which favours intelligent, connected equipment, LACROIX Environment pursues investments in HR and R&D to accelerate its international development, where it currently achieves around 25% of its sales.

In this context, the major events of the financial year were as follows:

- Acquisition of SAE IT-systems which became a sister company of LACROIX Sofrel, and the creation of LACROIX Environment to supply smart environment equipment. Over the period, SAE IT-systems contributed €11.85 million to Group revenue.

- Strong growth in sales of equipment for water and energy networks in France (+18%) and also internationally (+15%), boosted by refurbishments following the announcement of the end of PSTN.
- Growth in operating profits of €4.5 million, with contribution from SAE acquisition over 8 months, expanding water business, and reclassification of Companies Value Added Tax.
- Creation of a subsidiary in Singapore (October 2018), a new base for tackling the ASEAN market

Business prospects are well focussed, the business dynamic remains positive, and SAE IT-systems has been consolidated over the year. Profit levels remained excellent, notwithstanding the HR investments made with a view to supporting and boosting growth, particularly abroad.

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

In €m	Current year	Previous year
Revenue	59.2	40.4
Operating profit	13.9	9.1
Net income	8.7	6.1
Cash flow	9.8	6.9
Net investments*	0.6	0.8

(*) Net investments excluding investments relating to M&A operations

LACROIX Electronics

Connected technologies for smarter industries

On its way to becoming an industry of the future, LACROIX Electronics develops, manufactures, 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 to develop the world of "Smart Industries".

Representing more than 66% 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 over 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 2019 were as follows:

- In a less favourable market environment, the business has remained robust thanks to its multi-skill and multi-sector positioning. Excluding the impact of our Tunisian factory's out-of-service period (impact of -€6.2 million), revenue would post a slight shrinkage of -1.7% over the year, with a positive Q4.
- Operating Profit growth of +€0.3 million (steady at €9.1 million at constant scope), in spite of the drop in revenue, and including compensation for operating losses as a result of the Tunisian factory being out of service.
- Non-current revenue of +€1.4 million following replacement of equipment destroyed by the fire (capital gain relating to replacement value vs carrying value).
- Confirmation of the project to build an electronics factory of the future in France ("Symbiose project").

In an environment which is still uncertain, business will nevertheless return to growth thanks to a more favourable baseline effect and continued strengthening of programmes with customers. Current operating income should also continue to grow while investments in the industry of the future 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	Current year	Previous year
Revenue	317.7	329.6
Operating profit	9.4	9.1
Net income	6.9	4.8
Cash flow	12.2	10.4
Net investments	6.4	8.2

ANNUAL GENERAL MEETING

Research & development activities

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

Their overall amount was €6.5 million during the financial year and they generated a research tax credit of €1.1 million for the 2019 calendar year.

Financial situation

Cash flow generated by operations reached €24.9 million, compared with €19.1 million in the previous year.

Company WCR over the period increased by €15.7 million. This growth is explained in part by the lively fourth quarter. Over the period, WCR was also hit by changes in WCR at LACROIX Electronics, where shrinking customer demand did not always result in lower WCR. Lastly, the insurance payout terms for the fire in the Tunisian factory increased the shortfall by €3.7 million.

Gross investments continued on baselines of €12 million. In parallel, the company sold 2 buildings not strategically required for activities. Lastly, the company invested €16.3 million in the acquisition of 70% of SAE IT-systems, and for the acquisition of SmartNodes.

Thus, as a result of changes in WCR and the sustained pace of investments, Free Cash Flow is negative at -€6.9 million, excluding changes in consolidation scope.
The net debt to equity (gearing) ratio stands at 0.54 compared with 0.34 on 30/09/2019.

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

Prospects

LACROIX Group will pursue its growth in 2020, which will moreover by bolstered by the full-year effects of external expansion.

Its position as international supplier of technological equipment for smart mobility, smart environment and smart industry has kept its promises; LACROIX Group will increase its revenue and more than meet is profit target for 2020.

LACROIX Group

Company activity

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 executive management, finances, legal & compliance, human resources, strategic innovation, R&D, IT and communication.

Since June 2017, LACROIX Group has also been home to LACROIX Lab, the Group's innovation catalyst responsible for testing technologies and usages related to and for Group activities. Since the end of 2018, it has also been home to Data Factory, tasked with the development, support and maintenance of software platforms for using our product data.

Lastly, LACROIX Group shares a certain number of resources between sectors, such as the teams in the Payroll shared-service centre and the managers of cross-cutting projects (IT, Finance, HR, etc.).

Revenue, excluding dividends, is generated by royalties received from subsidiaries in exchange for the services described above.

Its revenue as of 30 September 2019 was €6,099 K compared with €4,155 K in the previous year, i.e. an increase of 46.8%, due in particular to the re-invoicing of Management services for LACROIX City and LACROIX Environment, and re-invoicing of new services relating in particular to the centralised activity of Data Factory, and the centralisation of payroll teams for France.

The negative operating income of €(2,630) k vs €(2,003) k reflects the strengthening of Group governance, the valuation of performance shares allotted, and Marketing support services. This result is nevertheless largely offset by the positive financial income of + €6,268 k (€5,609 k in 2018), due mainly to dividends earned from its subsidiaries, and margins from a net reversal of allowance for financial provisions of + €308K.

After taking into account exceptional income of + €321K and tax income of €4,620K, related to its leading position in the tax-consolidated Group, the net income amounted to €8,578K, compared with €7,193K Euros the previous financial year.

Non tax-deductible expenses

Non tax-deductible expenses and costs amounted to €40,248 at the end of the financial year.

This amount relates to the non-deductible share of lease payments on private cars used by the Company for €31,169 and tax expenses on company cars for €9,079, which generated a liability of €13,416.

Information on payment terms

In accordance with articles L. 441-6-1 and D. 441-4 of the French Commercial Code, we hereby inform you that at the end of the two previous reporting periods, the balance of trade receivables and payables by due date was as follows:

	Received invoices, not settled by year-end and due						Issued invoices, not settled by year-end and due					
	0 day	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	"Total (1 day or more)"	0 day	1 to 30 days	31 to 60 days	61 to 90 days	91 days or more	"Total (1 day or more)"
(A) Late payment periods												
Number of invoices concerned	**97**	**7**	**7**	**10**	**18**	**42**	56	3	2	1	1	7
Total amount, including tax, of invoices in question	€458,237.17	€9,289.78	€599.52	€28 979.51	- €28,119.09	**€10,749.72**	€1,314,888.19	€68,234.40	€2,625.44	€999.60	€13,374.50	**€85,233.94**
Percentage of total purchases amount for the year, including tax	8.66%	0.18%	0.01%	0.55%	-0.53%	**0.20%**						
Percentage of revenue for the year, including tax							**18.05%**	**0.94%**	0.04%	0.01%	0.18%	**1.17%**
(B) invoices excluded from (A) relating to written-off or unrecorded debts and receivables												
Number of invoices		**0**	**0**	**0**	**0**	**0**		**0**	**0**	**0**	**0**	**0**
Total amount of excluded invoices, including tax		- €	- €	- €	- €	- €		- €	- €	- €	- €	- €
(C) Reference payment terms used (contract or legal terms)												
Payment terms used for calculation of payment delays		the average delayed payment term for suppliers is 28.63 days						30 days end of the month 15th of month				

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:

Company share capital structure

As at 30 September 2019, company share capital was €25,000,000, made up of 3,766,560 shares.

The structure of share capital is as follows:

	% of capital	% of voting rights*
BEDOUIN family	70.25%	84.93%
Treasury shares**	5.01%	
Public	24.74%	15.07%

(*) exercisable voting rights

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

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 2% fraction 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 was no significant registered shareholding at the year end, 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

With the exception of the double voting right conferred, no special rights are attached to shares.

Nor are there control mechanisms in the employee shareholding system, nor agreements between shareholders of which the Company is aware and which may entail restrictions on share transfers.

Powers of the Board of Directors regarding share buy-back

The General Meeting delegates to the Board of Directors the power, pursuant to the provisions of articles L.225-209 et seq. of the French Commercial Code, European Regulation 2273/2003 of 22 December 2003, and articles 241-1 to 241-7 of the General Regulations of the French Financial Markets Authority, to purchase Company shares up to 10% of share capital.

The Board of Directors holds a power granted by the General Meeting of 23 February 2018 regarding capital increase and a power granted by the General Meeting of 24 February 2017 regarding 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 French Financial Markets Authority on 22 March 2005, to the brokerage firm PORTZAMPARC.

As at 30 September 2019, the Company held 185,206 own shares and 3,328 shares under the liquidity agreement, i.e. a total of 188,534 treasury shares representing 5.01% of capital.

Subsidiaries

	Share capital	Other shareholders' equity	Share of capital held	Book value of securities held		Loans and advances granted and not repaid	Total amount of guarantees	Pre-tax revenue from the previous financial year	Income from the previous financial Gross Net year
				Gross	Net				
1. Subsidiaries held at more than 50%									
LACROIX ENVIRONMENT	13,575	-9	100.00%	13,575	13,575			0	-8
LACROIX ELECTRONICS	15,000	8,431	100.00%	46,427	46,427	8,128		112,135	89
LACROIX CITY	9,373	2,000	100.00%	14,999	8,499	53,356		6,097	-5,434
LACROIX VI	5	-1	100.00%	5	5			0	0
LACROIX NORTH AMERICA INC.			100.00%	0	0	4,028			-124
LACROIX II	5	0	100.00%	5	5				
LACROIX SINGAPORE	6	-73	100.00%	7	7				-71
LACROIX ENVIRONMENT GMBH	25	-46	100.00%	18	18	11,037			-46
2. Shares between 10 and 50%									
None									
3. Shares less than 10%									
Other shares									
TOTAL				75,034	68,534	76,549			

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:

- SmartNodes company (100%)
- In addition, the company:
  - took over SAE-IT Systems company in Germany through its subsidiary LACROIX Environment GmbH
  - acquired a 10% holding in SESA in the United States, through its subsidiary LACROIX North America

Loans

We inform you that no loans were made pursuant to article L.511-6 3 bis of the Monetary and Financial Code

Employee shareholding

Under the provisions of law 2019-744 of 19 July 2019 on the simplification, clarification and updating of company law, a proposed increase at the next General Meeting is not considered appropriate.

MAIN RISK FACTORS FACED BY THE COMPANY

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

Strategic and operational risks

The nature of the strategic risks to which the Company is exposed is unlikely seriously to jeopardise the sustainability of Group activities.

In view of its activities, the Group is nevertheless exposed to the following operational risks:

Industrial and environmental risk

The significant scale of the Company's industrial investment programmes ensures that it has recent and secure equipment to mitigate the risks of major failures that might 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 procedures are in place for identifying, correcting and preventing, or at least mitigating, failures.

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, thus significantly lengthening lead times. The risk then becomes a risk of obsolescence of components in the event of product modification by the client, but this is covered by logistics contracts.

Information system risk

Group management pays particular attention to its information system and a series of provisions has been implemented to ensure its security. Furthermore, in order to reduce any major risks, crisis management plans have been implemented in each of the three business sectors and have been audited over the year.

Legal, tax and social risks

The Group monitors 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 exhaustively considered in the financial statements.

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

Financial risks

The different degrees of exposure of the Group to financial risks are set out below.

Currency risk

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

As regards this business area, currency risk mainly concerns 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 of goods based on fluctuations in the EUR/USD parity. There is therefore no currency risk for this item. As regards the balance, the Company uses partial hedging of its requirements to cover a target rate established for each budget year.
- As regards spending in PLN, this mainly concerns the payment of Polish employees and a number of local purchases. Group policy is forward hedging based on requirements forecasting.

Generally speaking, recourse to financial instruments is limited strictly business requirements, and excludes any speculative activities.

Interest rate risk

Most Group debts are at variable interest rates.
The Group implements financial instruments to mitigate this risk. At the end of September 2019, the portion of variable rate financing covered by interest rate caps represented around 67% of the nominal amount.

Liquidity risk

Group gross debt stands at €70,270 K.
There is no covenant tied to any financing.
Available cash stands at €13,542 K.
The Group therefore considers its exposure to this risk to be very low.

Credit risk

Each line of business in the Group has implemented a system for monitoring and managing client risk, sometimes using credit insurance contracts for this purpose to protect from potential client risk.

Client type by sector of activity is described below:

Activities	Main types of client
LACROIX City	Government authorities and major public works companies
LACROIX Environment	Public-sector organisations and major stakeholders in water management
LACROIX Electronics	French and foreign companies operating internationally

Capital risk

The Group monitors its capital closely by controlling changes to its debt ratio.

	FY 2019	FY 2018
Borrowings	48,872	36,195
Current bank borrowings	21,398	15,994
Other net financial debts	-975	-201
Cash and Cash equivalents	-13,542	-17,700
Net debt	55,753	34,288
Shareholders' equity	103,199	100,415
Debt ratio (gearing)	54.0%	34.1%

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 three levels defined in the revised IFRS 7 standard.

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

EVENTS AFTER THE REPORTING PERIOD

The company LACROIX Electronics Beaupreau, a subsidiary owned 100% by LACROIX Electronics, was incorporated on 7 October 2019 in the framework of the Symbiose project. Through a partial transfer of assets, this company will house the manufacturing activity of LACROIX Electronics.

STOCK MARKET INFORMATION

Fluctuations in share prices during financial year 2019

LACROIX Group stock is listed on Euronext Paris, compartment C.

Over the course of financial year 2019, 272,428 shares were traded for a capital amount of €5,828,278 at an average price of €21.39.

Share price at year end on 30 September 2019 was set at €21.40.

Purchase of treasury shares by the Company

Share buy-back scheme

We propose that you renew the authorisation given by the Ordinary General Meeting of 8 March 2019 to the Board of Directors to purchase Company shares on the stock market, under the conditions and with the limits specified in article L.225-209 et seq. of the French Commercial Code, and pursuant to the provisions of the European Regulation of 22 December 2003.

The aims of the buy-back scheme are identical to the preceding year:

- to ensure market-making under a liquidity contract compliant with FAIF's code of ethics recognised by the Financial Markets Authority,
- to purchase shares for retention and subsequent allotment by way of exchange or payment as part of an external growth operation,

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- to cover securities conferring entitlement to shares,
- to cover share option plans for the Group's employees and officers.

Authorisation is granted for a maximum term of 18 months subject to the following conditions:

- the maximum number of redeemable shares may not exceed 176,461, i.e. 4.68% of share capital.
- maximum purchase price per share is set at 60 Euros.
- the total amount earmarked for this scheme is set at 10.59 million Euros.

The shares will be bought back through trading on the market or through acquisition of blocks of shares as permitted by governing laws and regulations. Block share purchase could take up the entire scheme. Acquisitions and disposals can be made during a public tender offer within the limits permitted by stock market regulations.

The number of shares held under execution of the scheme may not exceed 10% of share capital, i.e. 376,656 shares.

Overview of previous buy-back schemes

Under the schemes authorised by the General Meetings of 23 February 2018 and 8 March 2019, applicable to the year ending 30 September 2019, the Company has not undertaken any transactions for the purchase or sale of own shares.

In addition, under the liquidity agreement held 100% by LACROIX Group:

- 28,297 shares were acquired at an average price of **21.65 Euros**
- 27,910 shares were sold at an average price of **21.36 Euros**

At the end of the period, the shares held under the buy-back scheme were allocated to the following objectives:

- coverage of stock option plans for employees and corporate officers of LACROIX Group: 104,872 shares
- subsequent allotment by way of exchange or payment as part of an external growth operation: 80,334 shares
- stabilisation of the price by a service provider: 3,328 shares

a total of 188,534 treasury shares representing 5.01% of the capital, having a book value of €3,524,620 and a market value of €4,034,628, based on the price on 30 September 2019.

REGULATED AGREEMENTS

No new regulated agreements were entered into during the period ended 30 September 2019.
Regulated agreements entered into during prior years continued during the same 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 a minimum of THREE members and a maximum of 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.

As at 30 September 2019, the Board of Directors of LACROIX Group was composed of 7 members listed below in the section "List of terms of office and job roles during year ending 30 September 2019".

Chairman and Chief Executive Officer

Pursuant to the provisions of articles L. 225-37-4, 4 of the French Commercial Code, we hereby inform you that your Board of Directors has chosen one of the two methods of general management provided for in article L. 225-51-1 of the French Commercial Code, and that this indication will not be restated 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.

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

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

Independence of the members of the Board of Directors

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

Representativeness of women on the Board of Directors

In accordance with Law No. 2011-103 of 27 January 2011 on the balanced representation of women and men on the Board of Directors and on professional equality, the male/female distribution on the Board of Directors is 57%/43% as of 30 September 2019.

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

Mission of the Chairman 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. Over the year ending 30 September 2019, the Board of Directors met three times, mainly to:

- review the activity report for the first six months of the year
- approve the accounts for the previous year
- review the second quarter activity report
- review the semi-annual report
- consider a project for external growth

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

As such, it is responsible for:

- Monitoring 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 at 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 Directors

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 attached as an appendix to these minutes.
The audit and compliance committee is composed solely of Mr Pierre TIERS.

Compensation committee

The compensation committee's main task is to make recommendations and proposals to the Board of Directors concerning members of the Board of Directors who 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 diverse 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 compensation policy for managers, and incentive mechanisms of any kind for Company employees and, more widely, Group companies, including:
  - employee savings plans;
  - 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 specific 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 2018 to 30 July 2019

Under the provisions of Article L.225-37-4 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 after to the amendment of the mode of administration of the company.

The Board of Directors

Name	Term of office	Company
Vincent Bedouin	Chairman CEO Chairman Chairman Sole administrator Sole administrator Chairman Manager Manager Manager Manager Manager Manager	SAS VINILA INVESTISSEMENT LACROIX Group SAS LACROIX ENVIRONMENT SAS LACROIX SOFREL LACROIX SOFREL ESPANA LACROIX SOFREL S.R.L. Italy SAS LACROIX CITY LES CHERES SARL LACROIX VI SARL LACROIX VII SARL LACROIX III SARL LACROIX II SCI MAJE SCI LTI SUD EST
Pierre Tiers	Chairman Founding director Member of Board of Directors Member of Strategic Committee Member of Strategic Committee	SAS NOVAPULS PRO.POSITIONS LACROIX GROUP SAS Groupe DMD SAS Groupe CETIH SAS VECTURA SAS PASSERELLES Finances SAS FINPLE SAS O°CODE
Hugues Meili	Member of the Board of Directors Chairman and CEO Chairman Administrator Member of Board of Directors Chairman of the Management Board	LACROIX GROUP NIJI SA BORDILLA I SAS Crédit Agricole d'Ille et Vilaine DELTA DORE Bretagne Développement Innovation

Marie-Reine Bedouin	Member of Board of Directors Chairwoman of Board of Directors	LACROIX GROUP SAS VINILA INVESTISSEMENTS
Hubert de Boisredon	Member of Board of Directors Chairman Chairman Manager Manager Manager Manager	LACROIX GROUP ALSENS SAS REVIALIS ALRE ALSOL ALPER SCI BUROO
Ariane Malbat	Member of Board of Directors	LACROIX GROUP
Murielle Barneoud	Member of Board of Directors Chair of appointment and compensation committee Chair	LACROIX GROUP COMMEDIA CCIR Ile de France SOFREPOST ACSEL AFRC INSIDE SECURE EURONEXT HAKKA TECHNO INSIDE SECURE EURONEXT HAKKA TECHNO ESIEE

Executive management

Name	TERM OF OFFICE	Company
Vincent Bedouin	Chairman Chairman and CEO Chairman Chairman Sole administrator Sole administrator Chairman Manager Manager Manager Manager Manager Manager	SAS VINILA INVESTISSEMENT LACROIX Group SAS LACROIX ENVIRONMENT SAS LACROIX SOFREL LACROIX SOFREL ESPANA LACROIX SOFREL S.R.L. Italy SAS LACROIX CITY LES CHERES SARL LACROIX VI SARL LACROIX VII SARL LACROIX III SARL LACROIX II SCI MAJE SCI LTI SUD EST
Nicolas Bedouin	CEO Chairman Manager Member of Board of Directors	LACROIX Group LACROIX NORTH AMERICA INC. SCI MAJE 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 period ended 30 September 2019, 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 officers during the year was as follows:

	Period 2019		Period 2018	
Vincent Bedouin ** CEO	Owed	Paid	Owed	Paid
Fixed compensation	XX	220,000	XX	227,883
Variable compensation	130,143	113,069	113,069	67,500
Special compensation				
Attendance fees				
Benefits in kind		7,516		7,516
TOTAL	**130,143**	**340,585**	**113,069**	**302,899**
Nicolas Bedouin ** Deputy Managing Director	Owed	Paid	Owed	Paid
Fixed compensation	XX	138,845	XX	142,047
Variable compensation	82,818	67,842	67,842	45,000
Special compensation				
Attendance fees				
Benefits in kind		4,735		4,735
TOTAL	**82,818**	**211,422**	**67,842**	**191,782**

Information given in Euros

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

	Period 2019	Period 2018
Vincent Bedouin Chairman of the 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	340,585	302,899
Nicolas Bedouin Member of the Board and Deputy Managing Director		
Expenses recorded in the financial year Valuation of options granted during the financial year Valuation of performance shares granted during the financial year	211,422	191,782

Information given in euros

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

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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	Amount of fees in €
Muriel Barneoud	8,500
Hubert de Boisredon	8,500
Ariane Malbat	8,500
Hugues Meili	10,500
Pierre Tiers	13,750

Information given in Euros

We inform you that members of the Board of Directors do not receive additional compensation and are not eligible for 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, which must be fulfilled in order to receive 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 2019, i.e. approximately 2 years after 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 an advance 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.

Number of performance shares still reserved under the plan: 32,500 shares
Number of shares paid as an advance payment in 2018: 6,959 shares

The expense for the period in respect of the bonus share plan is €15k within the meaning of IFRS 2.

Compensation Policy (Say on Pay)

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

The total amount of compensation to managers takes into account the general interests of the company, market practices, level of responsibility and contribution to Group development.

Compensation Policy for Vincent Bedouin - Chairman and Chief Executive Officer

Vincent Bedouin will receive a fixed annual salary determined according to market practices and responsibilities performed.

The fixed salary of Mr Vincent Bedouin was approved for 2020 as the amount of €207,900 p.a. gross, paid from 1st January 2020. In addition, Vincent Bedouin also receives a gross annual salary equal to €22,100 paid by the company VINILA.

Additional information:

- Mr Vincent Bedouin receives a supplementary funded pension plan article 82 and article 83, contribution based on gross monthly income.
- Mr Vincent Bedouin receives a company health insurance policy
- Mr Vincent Bedouin receives a benefit in kind through the provision of a company car.

The Board of Directors reserves the right, on 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 Operating Profit earned each year by the Group compared to the best operating profit 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 operating profit is less than 50% of the target set.

This variable portion will be calculated on the basis approved by the General Meeting in 2018, i.e. based on €120,000 gross for 2020.

This variable portion is directly linked to performance.
In respect of 2019, the variable portion for Mr Vincent Bedouin is calculated based on €110,000 gross, as approved by the General Meeting in 2018.

Taking into account the consolidated results as of 30 September 2019, the amount of the variable portion for Mr Vincent Bedouin for this reference year is
€130,143 gross, determined as shown below:

- Let P be the Operating Profit retained in the budget, i.e. €17,113
- Let R be the Operating Profit achieved at the end of the reference year, i.e. €18,614
- Let V be the variable compensation share awarded, i.e. €100,000
- The variable portion to be paid equals either R * (V/P) * (R/P) or €130,143

(*) homogenous accounting treatment and constant scope of objectives

The Board of Directors 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).

This amount will be definitively acquired subject to approval by the General Meeting of 17 March 2020.

Compensation policy for Nicolas Bedouin - Deputy Chief Executive Officer

Nicolas Bedouin will receive a fixed annual salary determined according to level of responsibility, contribution to Group development and market practices.

The fixed salary of Mr Nicolas Bedouin was approved for 2020 as the amount of €133,750 p.a. gross, paid from 1st January 2020.

In addition, Mr Nicolas Bedouin also receives a gross annual salary of €16,250 paid by the company VINILA.

Additional information:
receives a supplementary funded pension plan article 82 and article 83, contribution based on gross monthly income.

- Mr Nicolas Bedouin benefits from a company health insurance policy
- Mr 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 Mr Nicolas Bedouin is still calculated on the basis of the operating profit earned each year by the Group compared to the best of the operating profit 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.
This variable portion will be calculated on the basis approved by the General Meeting in 2018, i.e. based on €75,000 gross for 2020.

This variable portion is directly linked to performance.

In respect of 2019, the variable portion for Mr Nicolas Bedouin is calculated based on €70,000 gross, pursuant to approval by the General Meeting in 2018.

Taking into account the consolidated results as of 30 September 2019, the amount of the variable compensation portion for Mr Nicolas Bedouin for this reference year is €82,818 gross, determined as follows:

- Let P be the operating profit retained in the budget, i.e. €17,113
- Let R be the operating profit achieved at the end of the reference year, i.e. €18,614
- Let V be the variable compensation share awarded, i.e. €70,000
- The variable portion to be paid equals either R * (V/P) * (R/P) or €82,818

(*) homogenous accounting treatment and constant scope of objectives
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).
This amount will be definitively acquired subject to approval by the General Meeting of 14 February 2020.
Pursuant to the provisions of the French Commercial Code (art. L 225-37-3, new paragraphs 4 and 5), it is specified that salary paid to Mr Vincent Bedouin for the period is 5.07 times the average salary paid, and 6.75 times the median salary. Furthermore, the salary paid to Mr Nicolas Bedouin over the period is 3.15 times the average salary and 4.19 times the median salary. It is not considered appropriate to present the fairness ratio for years prior to 2018, taking into account the level of the LACROIX Group workforce over these periods.

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 which will be submitted at the General Meeting of 17 March 2020, 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 2019 to Vincent Beduoin, 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 2019 to Nicolas BEDOUIN, Chief Executive 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, Chairman and Chief Executive 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 70,000 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	Term of authority granted	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 in 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 and to the specific organisation put in place, with the resultant targeted internal audit and risk management procedures. All of these are presented below.

Goals and stakeholders in internal monitoring

Internal monitoring as it is deployed in LACROIX Group contributes to the prevention and control of risks resulting from the company's business, including those related to the risks of error 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 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 review 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.

LACROIX Group values - boldness, commitment, team spirit, openness, respect - are therefore points of reference which unite internal teams. They guide conduct, encourage initiatives to be taken and allocate responsibility in a straightforward manner.

In addition, the **Ethical Charter** sets out the ethical principles in LACROIX Group for conducting business and individual behaviour. It is not intended to answer every single question of an ethical nature, but rather sets out the basic rules and guidelines that must govern each decision. It provides the framework for the **Anti-corruption Code of Conduct and the Competitiveness Code of Conduct**: These compliance programmes contribute to employee training and awareness-raising and permit the implementation 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 Executive Management, make it possible to identify areas with the highest impact and the most important levers for sustaining LACROIX Group growth. This mapping is part of the multi-year development plan defined by Management. A thorough update will be undertaken this year, in parallel with drawing up the next strategic plan.

Finally, the **Rules of Procedure** between LACROIX Group and each of the areas of activity define the levels and areas of responsibility of different stakeholders. These rules are supported by delegations of authority, allowing responsibility to be conferred on individuals with the specific skills, authority and means necessary.

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.
The main factors are described below:

- **The Management Monitoring Directors** for the activities manage reports to Executive Management. In particular, they allow monthly monitoring of cumulative budget commitments by subsidiary and activity, and also include non-financial elements 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 Executive 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 the holding accounting department. These declarations are also regularly reviewed by external consultants.
- **The consolidation department**, centralised in 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 Executive Management and intervenes in internal restructuring and external growth operations. Advice can be obtained from outside experts on an ad hoc basis. **Compliance officers** were appointed over the year for 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 IT recovery plans are regularly conducted under the supervision of the IT Management Department. 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 compliance with the law and with the rules of procedure;
- Improvement of operational processes;
- Continuous improvement of internal monitoring and the fight against fraud;
- Supporting the Compliance Department.

Main activities for the 2019 financial year

For the 2019 financial year, the following tasks were carried out:

- Continuous improvement of internal monitoring and combatting fraud:
  - Considering data analysis tools to set up routine checks and increase the effectiveness of our checks (inconclusive POC);
  - Harmonisation of the procedures, rules and checks to carry out on the Group as a whole for combating internal and external fraud;
  - Reappraisal of bank signature circuits in France;
  - Continuing deployment of LACROIX Electronics continuity plan;
  - Consideration of the model for consolidating newly-acquired subsidiaries.
- Internal audits:
  - Review of tendering and contracting processes in LACROIX City;
  - Evaluation of key processes in foreign subsidiaries (LACROIX Indian Ocean, LACROIX Pacific, LACROIX Mayotte).
  - Inventory management audit in LACROIX Sofrel;

Areas of Work 2019-2020

The areas of work defined for the 2019-2020 period will mainly concern:

- Continuous improvement of internal monitoring and the battle against fraud:
  - Remapping risks and opportunities;
  - Structuring LACROIX Group processes;
  - Continuing improvement of the roll out of the LACROIX Electronics business continuity plan;
  - Monitoring the performance and recommendations of IT Disaster Recovery Plans;
  - Review of task separation under way in our ERP: diagnosis and monitoring of the preconditions for improvement over the following year;
  - Considering data analysis tools to set up routine checks and increase the effectiveness of our checks;
  - Harmonisation of the procedures, rules and checks to carry out on the Group as a whole for combating internal and external fraud.
- Internal audits:
  - Combating corruption (third-party assessments, training, gift policy);
  - Compliance with rules of procedure;
  - Key processes in subsidiaries (LACROIX Sofrel Italy, LACROIX City Les Chères, follow-up of recommendations made in previous audits);
  - Audit of business tendering and contracting processes in LACROIX City
  - Client risk management in LACROIX Electronics;
  - Follow-up of recommendations regarding dependency of supply sources.
- Support provided to the Compliance Department:
  - Continued rollout of GDPR;
  - Updating and improvement of mechanism for combating corruption;
  - Review of training plan for compliance with competition law.

In accordance with article L. 225-235 of the French Commercial Code, as amended by Law 2003-706 of 1st 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 bid

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.

TERMS OF OFFICE OF STATUTORY AUDITORS

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

APPROPRIATION OF PROFIT

Distributable profit is composed of:

Profit from the financial year	8,578,017.40 Euros
Plus retained earnings	1,851,633.00 Euros
Other reserves	70,900,000.00 Euros
To form a distributable profit of	81,329,650.40 Euros

We suggest that you approve the appropriation of the net profit for the year (amounting to 8,578,017.40) Euros as follows:

As dividends to shareholders €0.90 per share	3,389,904.00 Euros
To "other reserves" which thus stand at €75.9 million.	5,000,000.00 Euros
The balance to "retained earnings"	188,113.40 Euros

This would amount to €1,899,912.43, 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.

Following this appropriation, shareholders' equity stands at €108,956.439, before the portion of dividends on the treasury shares held by the Company.

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

*individuals in a tax household for which the reference taxable income of the year before last was less than €50,000 (single taxpayers, divorced or widowed taxpayers) or €75,000 (joint taxpayers) may apply for exemption from payment of 12.8% income tax; shareholders are responsible for making this request for exemption by, at the latest, 30 November of the year preceding payment of 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 16 April 2020

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

Period	Dividend per share	Total dividend	Total number of shares	Number of paid shares
2015 - 2016	0.40	1,506,624	3,766,560	3,569,577
2016 - 2017	0.60	2,142,590	3,766,560	3,570,984
2017 - 2018	0.72	2,711,923	3,766,560	3,578,026

ATTENDANCE FEES

We suggest that you set the total annual amount of attendance fees allocated to the Board of Directors for the current period at 70,000 euros.

INFORMATION RELATING TO SECURITIES TRANSACTIONS

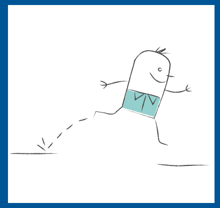
In accordance with Article L 621-18-2 of the French Monetary and Financial Code and the General Regulations of the Financial Markets Authority, we hereby inform you that no transaction carried out by the executive officers of LACROIX Group regarding Company securities was brought to our attention during the financial year.

DECLARATION OF EXTRA-FINANCIAL PERFORMANCE 2019

Environmental and corporate social responsibility are integral to LACROIX Group's AMBITION 2020 strategic plan, which mobilises employees around an ambitious business development vision.

Each of the strategic priorities in the AMBITION 2020 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 Group's teams help to place people at the centre of the organisation. Managers and their staff thus have a reference framework understood by all and invaluable for coordinating their interaction and guiding their decision making.

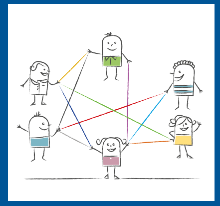


AUDACITY

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

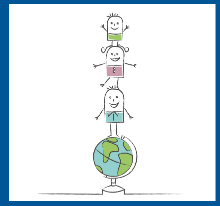
COMMITMENT

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



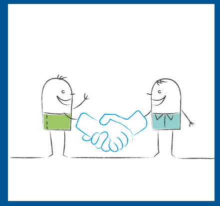
TEAM SPIRIT

"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

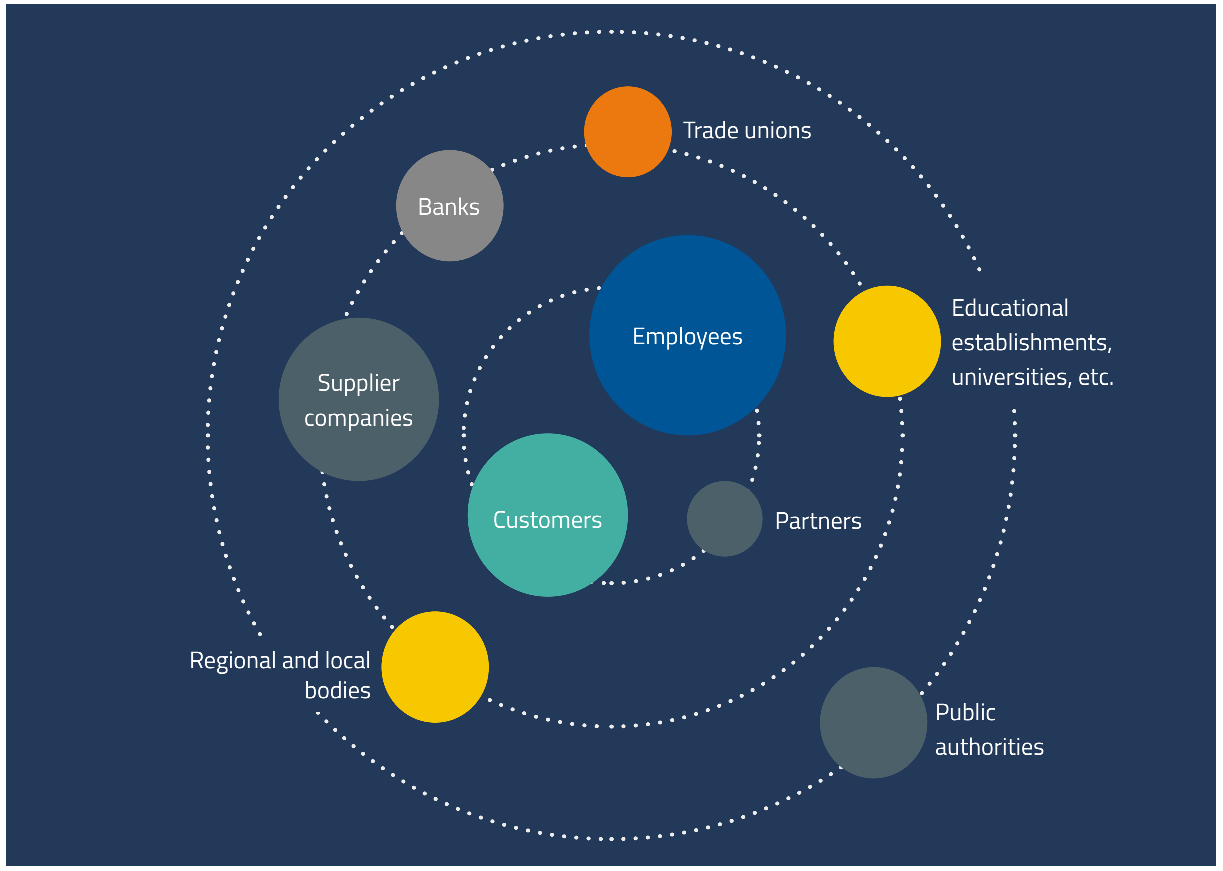
"I respect other people to ensure a good working environment and to receive respect in turn."

United Nations Global Compact

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.



OUR VALUE CHAIN

LACROIX Group key figures

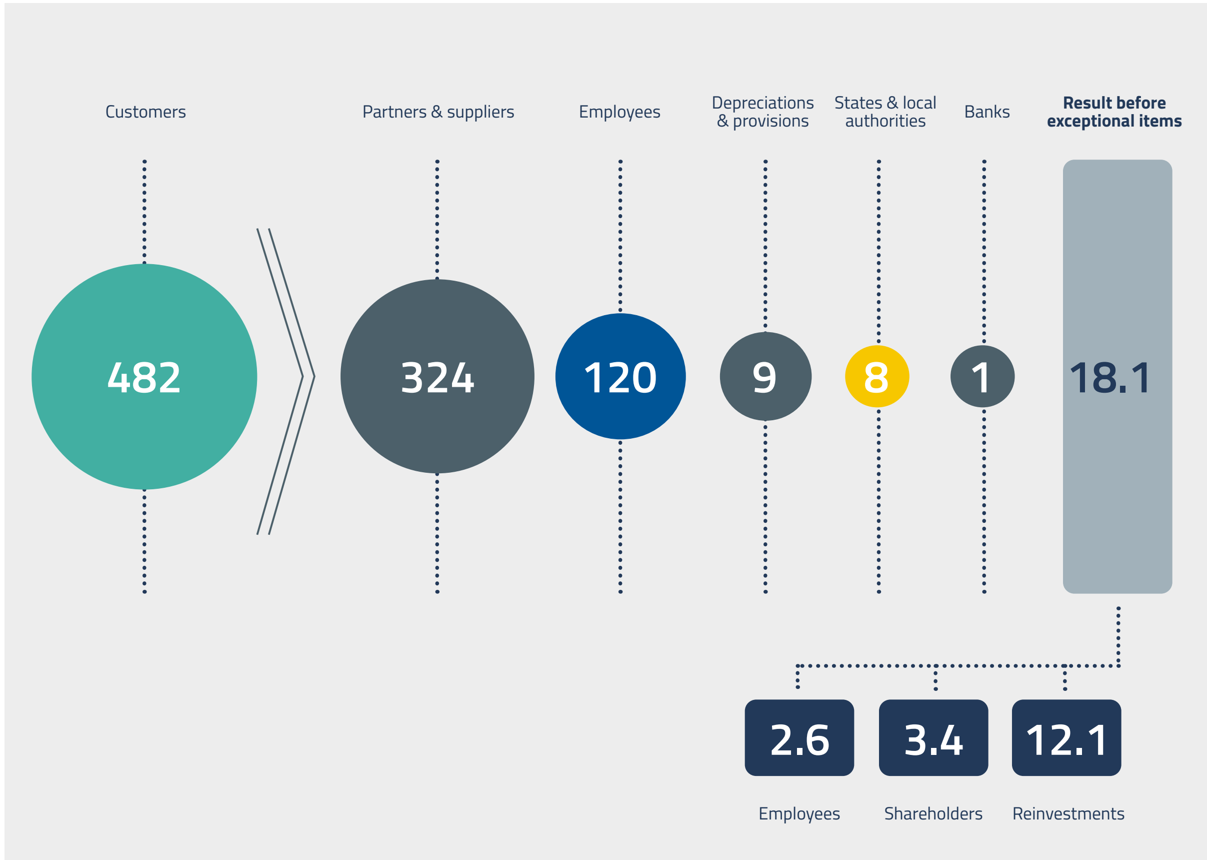
4,168 Employees

(4,056 employees in 2018)

€482 Million

(€468 million in 2018)

VALUE CREATION (in millions of Euros)



DISTRIBUTION BY BUSINESS AREA

City
LACROIX

Industrial designer of complementary equipment for smart road systems for municipalities and companies, LACROIX City guides and optimises movements of traffic and people safely with the ultimate goal of allowing them to share roads and highways, taking into account the requirements of all users and operators.

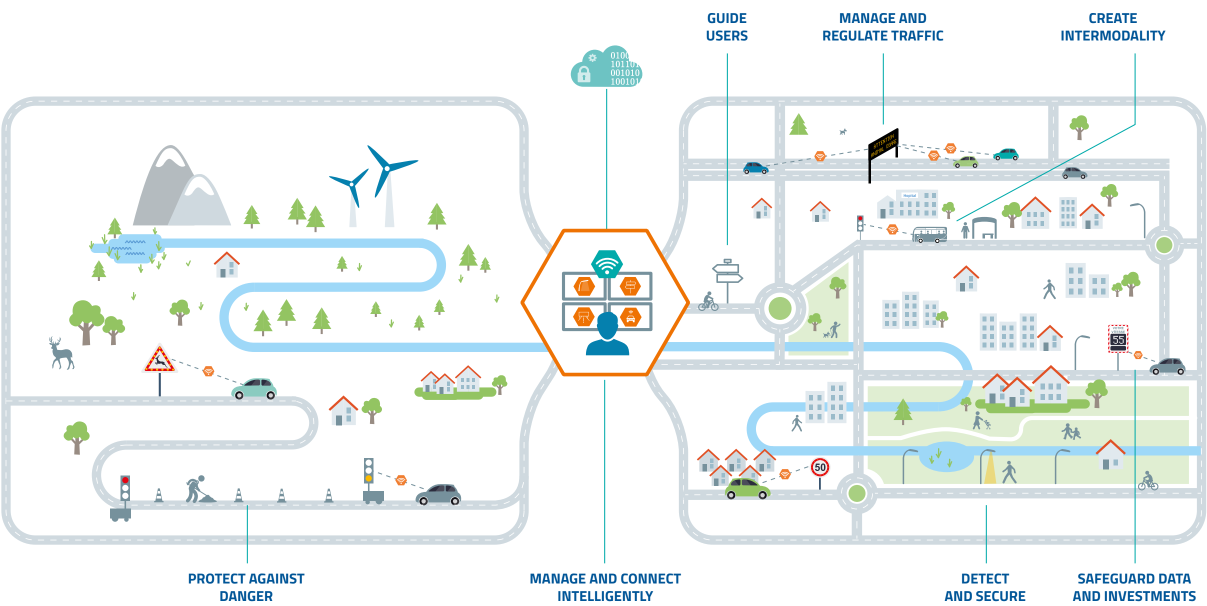
For over 80 years, customers have been our core focus when designing equipment and solutions which are reliable, open, safe and networked, meeting challenges on the ground and providing support for all types of projects in France and overseas.

With a presence in France, Spain and the United States, we have over 600 employees working in our design offices and complementary production sites today.

Our equipment combines the latest digital innovations with our professional expertise to help create open, interoperable ecosystems for tomorrow's urban spaces.

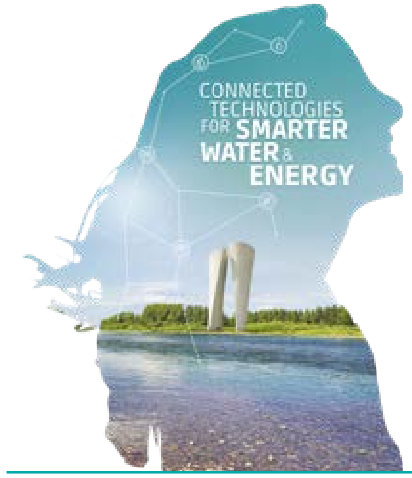
676
Employees
(585 Employees in 2018)

€105
Million
(€98 million in 2018)



Facing the challenges of an increasingly urban and connected world, we provide support for our customers in transforming regions and infrastructure.

Environment
LACROIX

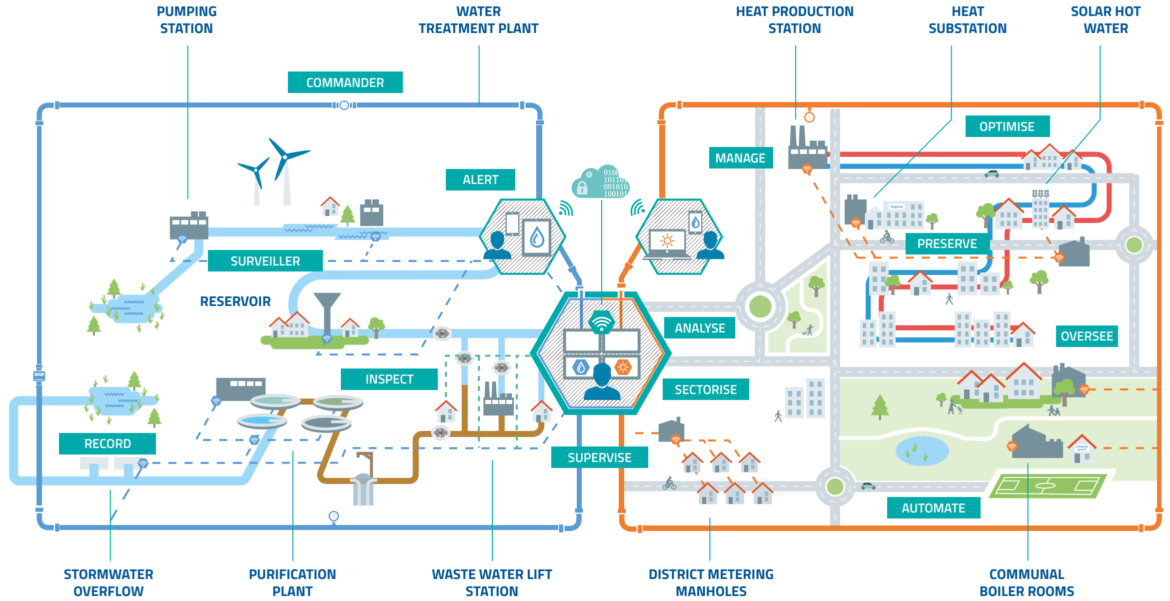


By designing and producing equipment to remotely control, automate and manage water and energy infrastructure, LACROIX Environment opted for a "Smart Water & Energy" solution at the time of the digital revolution, using connected objects to optimise the use of increasingly scarce water and energy resources.

Thanks to its in-depth understanding of the work of its customers operating in water and energy, LACROIX Environment helps to improve their network performance and environmental protection. As a key player in the industrial IoT sector, LACROIX Environment 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.

261
Employees
(167 Employees in 2018)

€59
Million
(€40 million in 2018)



As well as being the French market leader, LACROIX Environment supports its customers internationally. By 2050, 40% of the world's population will be facing water shortages. With subsidiaries in Spain, Italy and Singapore, and a network of more than 40 certified partners worldwide, the company is focussing its development on sensitive locations.
After having developed our presence and expertise in France and Europe, LACROIX Environment is developing its activities in Africa, Latin America, Asia and the Middle East in order to **bring intelligent equipment to the whole world.**

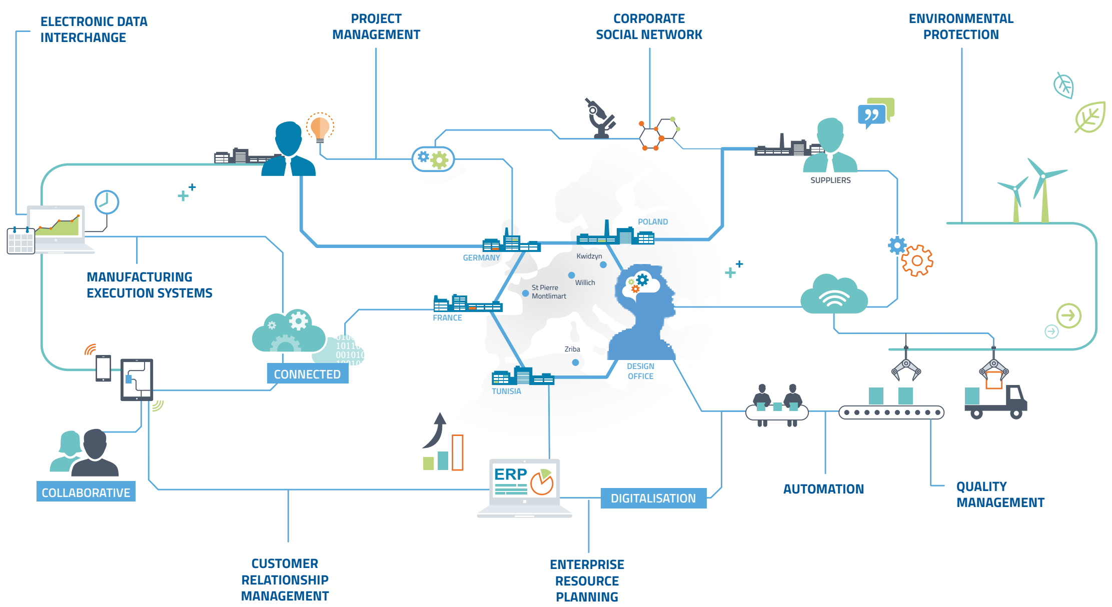
A major stakeholder in electronics subcontracting, LACROIX Electronics specialises in designing and manufacturing electronic assemblies and sub-assemblies. For over 40 years we have been bringing to life the electronics projects of our world-leading customers in the industrial, automobile, home automation, civil and defence aeronautics, industry and healthcare sectors.

Part of LACROIX Group, the international supplier of technological equipment, our company invests in the electronics industry of the future to support our partners in their digital transformation and industrial modernisation.

With a presence in France, Germany, Poland and Tunisia, we have over 3,300 employees working in our design centres and complementary production sites today. Every day, we work with our ecosystem to rise to and meet all upcoming challenges: automation and digitalisation, all while respecting the environment.

3,196
Employees
(3,291 Employees in 2018)

€318
million
(€310 million in 2018)



Our customers make decisions based on a combination of factors including technical expertise, unmatched mastery of processes, compliance with quality standards and regulations, and supply competitiveness. 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, undergoing changes as it develops towards the Industry of the Future and the major impact this has on professions and skills.

ANNUAL GENERAL MEETING

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 action 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 action principles for LACROIX Group's CSR approach are deployed in line with the materiality assessment conducted and the resultant risk management procedure.

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 Group 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
Attractiveness	Strengthening of employer brand Acting as a regional stakeholder and contributing to development of the socio-economic fabric	To be strengthened Existing
ETHICAL business practices and behaviours	Roll out of LACROIX Group Ethical Charter Global Compact programme Deployment of and training in anti-corruption measures Standards certifications for processes	Existing Existing Existing Existing
Supply chain	Supplier contracts Customer contracts	To be strengthened To be strengthened
Geopolitics	Business continuity plan Country risk indicator	Existing Existing
Environment and waste generation	ISO 14001 certification Waste recycling procedures by qualified suppliers Specific treatments for hazardous waste	Existing Existing Existing

HEALTH, SAFETY AND WELLBEING AT WORK

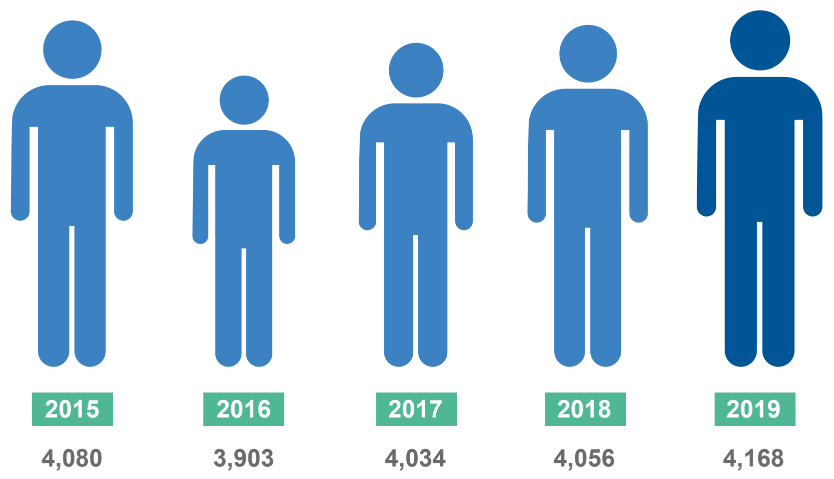
1. Human Capital: LACROIX Group's primary asset

The people who make up the LACROIX 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 4,168 employees in 2019, LACROIX Group's workforce has increased slightly in number (+112 employees) in relation to last year.

101 of the new employees swelling the workforce come from the acquisitions made over the year.



Distribution of workforce by activity

	LACROIX City		LACROIX Environment		LACROIX Electronics	
	Period 2019	Period 2018	Period 2019	Period 2018	Period 2019	Period 2018
Total workforce	**676**	**585**	**261**	**167**	**3,196**	**3,291**
Men	457	406	200	126	1,234	1,260
Women	219	180	62	41	1,962	2,031

These figures for 2019 are swelled by 35 workers employed by LACROIX Group (Group parent company). This figure in 2018 was 13, the organisation expanding to support the Group's key cross-cutting projects.

77%
of the Groups' workforce work in LACROIX Electronics activity.

68%
of the Groups' workforce working outside France.

The activities of LACROIX Group are also supported by staff made available under temporary employment contracts, representing an average of 131 full-time equivalents in 2019, compared to 169 in 2018.

1.2. LACROIX & You, internal satisfaction survey

In order to understand the expectations of its employees and their relationship to work and the company, and to gauge commitment to its projects, since 2015 LACROIX Group has been conducting an internal satisfaction survey, LACROIX & You, among all Group employees. This survey is run every two years.

With a participation rate of 84% in 2018, i.e. 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. LACROIX Group will conduct its next employee satisfaction survey in 2020.

68%
of employees satisfied in 2019

75%
Objective in 2020

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 majority of LACROIX Group companies have staff representative bodies which, across the Group, held more than 173 meetings in 2019.

1.4. Health and safety at work

LACROIX Group has a duty and responsibility 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 the 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 100% 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]

The accident rate has increased by 1.2 points, mainly due to more accidents being sustained during handling operations. This increase requires greater attention to be paid to safety instructions, and more information to be provided on how handling operations should be performed.

In addition, the degree of workplace accident seriousness has once again lessened, which encourages us to continue work on occupational hazard prevention and awareness-raising.

Occupational hazard training for new staff in workshops is systematically included as part of their welcome package. Communication activities will be reinforced in future years to ensure the sustained involvement of managers.

	2019	2018	2016
Frequency rate [2]	7.8	6.6	6.7
Severity level [3]	0.21	0.22	0.30

(1) Number of workplace accidents with at least 1 day of stoppage *1,000,000 / effective work hours.
(2) Number of days of stoppage due to workplace accidents * 1000 / effective work hours.

Good practices

For each accident leading to work stoppage, a diagnostic procedure is implemented with root cause analysis and action plans.

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:

- Improved workstation ergonomics in workshops
- Investments enabling a reduction of repetitive movements in workshops, particularly through support from motorised systems and cobots
- Investments in automatic storage system for limiting handling operations and enhancing their safety
- Medium investment in handling heavy or bulky loads

Good practices

Digitalisation. In 2019, LACROIX Group rolled out the digital application "Expensya" for the digitalisation of employee expense forms: user ease, efficiency and less paper use.

Absenteeism

Short-term absenteeism accounts for most work stoppages.

Absenteeism for maternity leave has increased very significantly. The pro-natalist policy in place in Poland, which includes financial incentives, has contributed to a rise in the indicator for this area.

	2019	2018
Short-term illness	3.62%	2.06%
Occupational illness	0.03%	0.05%
Workplace and commuting accidents	0.15%	013%
Maternity, paternity and adoption leave	4.09%	3.20%
Total absenteeism rate	**7.89%**	**5.44%**

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:

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 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 given refresher courses 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

54% of the Group workforce in 2019 are women, compared with 56% in 2018.

They account for 61% of staff in LACROIX Electronics, which employs a predominantly female workforce in 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.

ECONOWIN

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.

la minut'rit conciergerie d'entreprise

LACROIX Group funds janitorial facilities on most of its sites, offering services available 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 set aside a budget of almost €800K in 2019 for 84,597 hours of training for its teams, compared with 54,800 hours in 2018. This training covers support for developing new processes, introducing new business tools and software, digitalisation of tools and taking on 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 known-how in workshops.

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

	LACROIX City		LACROIX Environment		LACROIX Electronics	
	Number of hours	Budget (€K)	Number of hours	Budget (€K)	Number of hours	Budget (€K)
Training provided	8,219	212	1,520	38	74,858	432

Good practices

In 2019, LACROIX Group introduced three training programmes for developing the managerial culture.

LACROIX's Corporate MBA for managers
LACROIX 's Visa Manager for middle management
LACROIX 's Management Certificate for local managers

These three programmes in 2019 involved 37 employees, with all types of profiles (France and overseas) rubbing shoulders. One common foundation built on LACROIX Group's vision, values and management principles.

2.2. Development of collaborative working

LACROIX Group has the technological resources for 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 deployed 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, two official communities have been created to strengthen innovation and collaboration practices within LACROIX Group.

LACROIX TECH

140 HIGH-FLYERS FROM MARKETING AND R&D IN THE GROUP'S 3 BUSINESS AREAS. LACROIX TECH is the horizontal community driving LACROIX Group innovation. We develop new ideas together so that we can move faster and go further. To support this constant innovation, we have set up our own innovation catalyst: LACROIX Lab. Working for the entire company, the Lab uses its autonomy and independence to seek out and find new opportunities.

LACROIX FAB

PROUD OF THE INDUSTRIAL DNA IT HAS INHERITED FROM THE GROUP'S 3 BUSINESS AREAS. Our history, our culture, our DNA: in LACROIX Group, we are manufacturers first and foremost. We want to become the partner of choice for our customers, always at their side so as better to understand and meet their expectations. LACROIX Fab is the community that disseminates innovation and builds the industry of tomorrow.

LACROIX Group organises a conference for its managers at the start of each year. At this event, some 140 managers get together to discuss Group outcomes, strategic axes and key challenges.

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.

36 young people held professional development or apprenticeship contracts in 2019, and 2 young international volunteers were accommodated in different Group entities.

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

2.4. Links with colleges and actions to support 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 organises an annual "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 welcome young people on internships, and even to support young people who find themselves outside the educational system.

2.5. Integration of new employees

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.
Each year in France, a special day is dedicated to welcoming new managers to the Group. It was an opportunity for participants to get to know each other and learn about the history and strategy of LACROIX Group and give feedback on their experience of this welcome event.

2.6. Key figures

Workforce movement

LACROIX Group

955

843

Staff turnover

8.8%

Of the 955 employees who joined LACROIX Group in 2019, 101 of them joined as a result of the acquisitions made over the course of the year.
Of the 843 employees who left LACROIX Group, 653 of them were on fixed-term contracts. Note that 347 employees were recruited to cover maternity leave.

LACROIX Group revenue decreased by 2 points in 2019, 8.8% compared with 10.8% in 2018 and 13.3% in 2017.

Workforce movement primarily concerns the LACROIX Electronics site in Poland, where the ratio increased by 3.5 points to reach 11.5%. The drop in business seen at this site in 2019 led to workforce adjustment to meet workload. Strains in the employment market in Poland continue to be a major factor and justify the employee retention activities implemented, involving a salary policy in line with the situation in this country and targeted retention activities.

In Tunisia, in the wake of the fire in the plant and interruption of production activities, LACROIX Group implemented all necessary measures for maintaining its workforce and ensuring that business was resumed as quickly as possible. Among these measures, continuing to pay employee salaries during the time when business was suspended helped to limit turnover. In financial year 2019 it was 4.7%, compared with 3.1% in 2018.

Recruitments by socio-professional category

	2019	2018	2019	2018	2019	2018
Total	**521**	**461**	**434**	**508**	**955**	**969**
Manual	257	338	290	407	548	745
Employees, Technicians & Supervisors	155	74	117	87	272	161
Managers	109	49	27	14	135	63

Indefinite and fixed-term contracts are taken into account here - the 101 employees who joined as a result of acquisitions over the year are included in the table above.

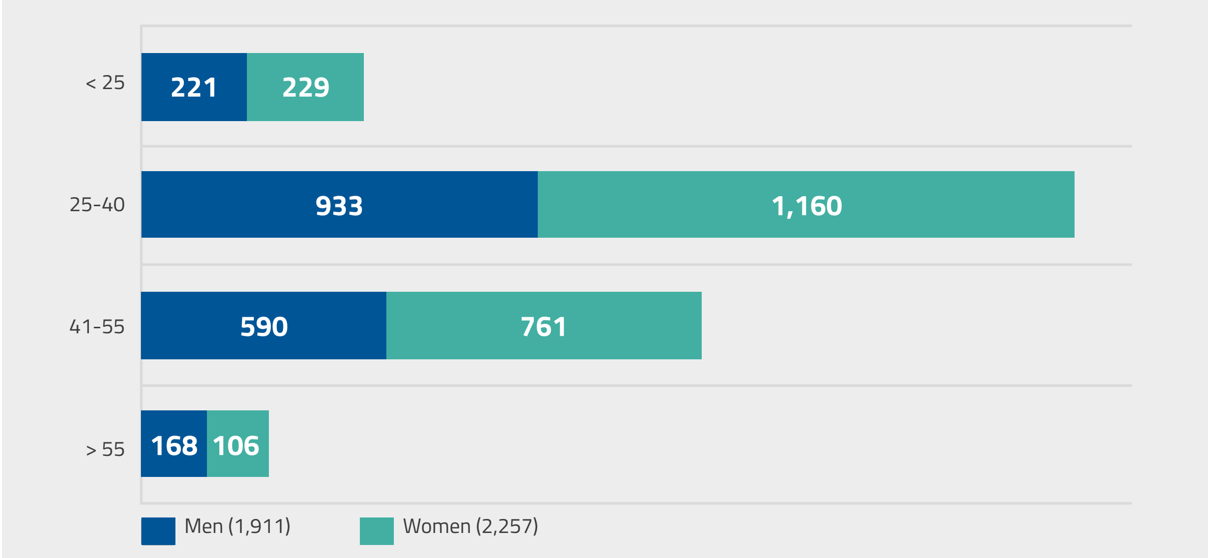
Socio-professional distribution

	Managers	Employees, Technicians & Supervisors	Manual
LACROIX Group	634 (15%)	1,196 (29%)	2,338 (56%)
	489 (77%)	662 (55%)	760 (33%)
	145 (23%)	533 (45%)	1,579 (67%)

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

ANNUAL GENERAL MEETING

Distribution of workforce by age bracket



The workforce is characterised by a young and predominantly female population.

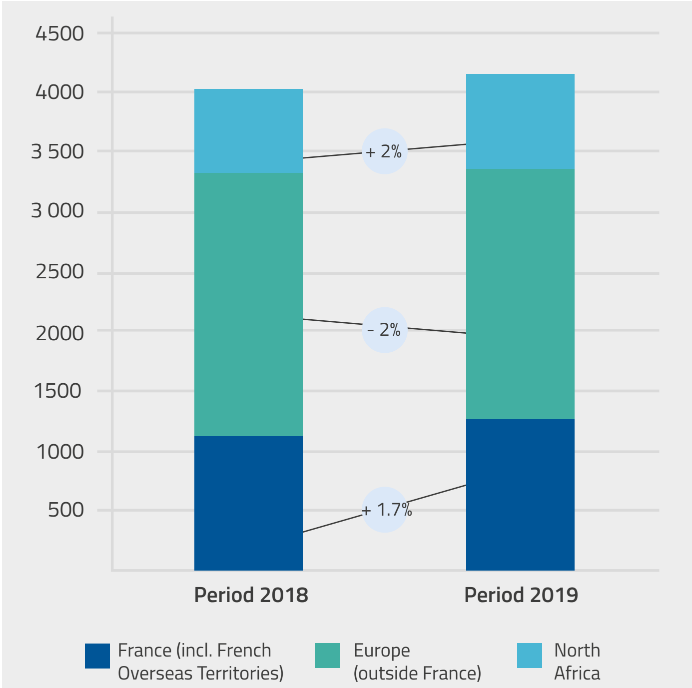
As of 2019, 57% of LACROIX Group workforce are younger than 40 years old, and 7% are younger than 25.

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 international markets.

This international development has naturally been accompanied by changes in the geographical distribution of its workforce. In 2019, 71% of the workforce were located outside France.

LACROIX Group is present	
In Poland	1,823 employees
In France	1,321 employees
In Tunisia	697 employees
In Germany	211 employees
In Spain	92 employees
In Belgium	15 employees
In Italy	7 employees
In China	1 employee
In Singapore	1 employee
In Morocco	1 employee



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

LACROIX Group is committed to conducting its activities according to operational principles and behaviours based 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 behaviour, combatting corruption, and compliance.

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

3.1. Combating corruption: achievements in 2019

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 rolled out a 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.

3.2. Selecting suppliers

Good practices

LACROIX Group’s Legal and Compliance Department visited each site 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. By the end of 2019, 365 employees had received training in compliance rules.
LACROIX Group validates learning through an online certification system. As at 30 September, 89% of exposed staff, i.e. 321 members, hold certification.

100%

of employees exposed will have successfully completed their training with a QCM test

2020 objective

LACROIX Group has drawn up a supplier charter which sets out its requirements as regards respecting people and their roles, legal compliance and, specifically, compliance with competition and environmental legislation.

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.

Good practices

As part of their annual negotiations with suppliers, LACROIX Electronics purchasing teams issue them a reminder of this Code of Conduct. These documents are also sent out systematically to new 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	certified
Saint - Herblain (France - 44)	certified					certified
Carros (France - 06)	certified					certified
Les Chères (France - 69)	certified					certified
Madrid (Spain)	certified					certified
Willich (Germany)	certified		certified			certified
Zriba (Tunisia)	certified	certified		certified		certified
Kwidzyn (Poland)	certified	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. LACROX Group reaffirms its commitment to the elimination of any form of discrimination in respect of employment and to the promotion of diversity.

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 2019, 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.

4. Contributing to 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 500 direct jobs), in Tunisia (second-largest employer in the business district of Zriba, with almost 700 direct jobs) and in Poland (third-largest employer in the Kwidzyn region, with 1,823 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 approximately 500 staff.

LACROIX Group wishes to play a part in the economic, social and regional development of each of the areas where it does business;

it does so through its own initiatives or through supporting 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.

Its electronics activity represents over 66% 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.

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 regularly holds open days for students as part of its relations with educational establishments. In this framework, LACROIX Electronics regularly welcomes students from ESEO School of Electronics Engineering, Nantes Polytech and other schools of engineering.

LACROIX Group remains faithful to the "Industry Week" organised by the French Metal Industry and Trade Union. In this framework, Group employees engage with teaching professionals and students at workshops for sharing information and advice on professional career options. LACROIX Group also takes part regularly in professional forums taking place near different Group sites.

For the 12th edition of the Teachers in the Workplace campaign, a series of activities organised by CGénial, LACROIX Group welcomed secondary teachers, administrative advisers, principals and other educational professionals to spend a half-day at the company and find out how subjects taught in educational centres find their specific application in practice.

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.

LACROIX City teams took part in the Odyssea charity run in support of the fight against breast cancer.

As a stakeholder in the region, LACROIX Electronics was involved in the "what's your business?" activity organised by the Tourism Board as part of the "A Different Loire" initiative. At this event, company employees had the opportunity to talk about their activities and expertise.

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.

LACROIX Electronics Germany hosted the local "Business Backstage" event focusing on digitalisation. Working with the event's organiser, Willich municipal council, we welcomed speakers and neighbourhood companies and associations.

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 impact of its activities and influencing the practices of its stakeholders.

In this respect, the entire Group adheres to a proactive environmental policy leading to ISO 14001 certification for all LACROIX Electronics and LACROIX Sofrel sites, and LACROIX City Signalisation, Traffic and Public Lighting divisions.

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]

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

LACROIX Group recycled 96% of the industrial waste it produced in 2019. Each of the activities has implemented measures designed to optimise the treatment and recovery of generated waste.

96% of industrial waste recycled.

Waste treatment contractors who prioritise energy recovery from waste recycling activities are retained.

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

The increase in industrial waste generated in 2019 is virtually unchanged in comparison with the amount produced in the previous year; 1,484 vs 1,407 tonnes respectively. But the waste recycling rate has increased by 2.3% to reach 96%. The generation of hazardous industrial waste continues to be restricted and controlled.

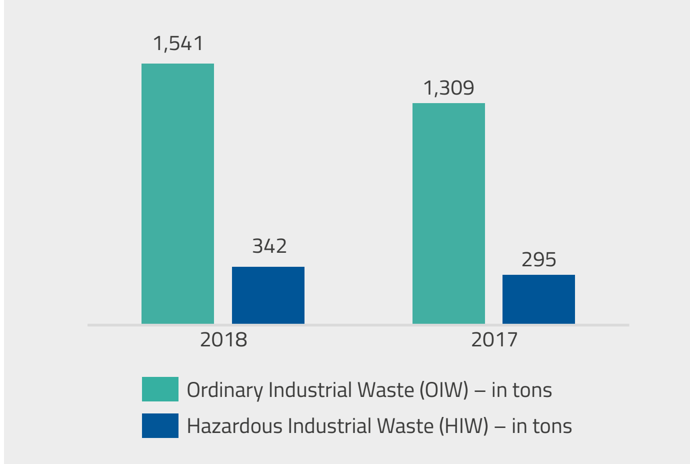
[2] Office and canteen waste, where identifiable, is not taken into account

Good practices

The LACROIX City Signalisation cluster in Saint Herblain has installed embedded software for decreasing the steel and plastic film waste generated during manufacturing processes.

The LACROIX Electronics site in Poland, LACROIX Group's largest facilities, recycles 100% of its industrial waste.

5.2. Energy consumption management



LACROIX Group implements activities and make investments in the majority of its sites with a view to reducing energy consumption and improving energy performance on its premises.
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.

Consumption levels	2019	2018
Electricity (MWh)	18,407	19,735
Gas (MWh)	6,280	6,940
Fuel oil (m^3)	0	1

5.5% of the electricity consumed is produced from renewable energy sources

By implementing telemetry systems, LACROIX Electronics reduced its gas consumption by 14.5% in 2019, thereby helping to reduce the Group's overall consumption.

5.3. CO2 emissions

Good practices

At the LACROIX Electronics site in Willich, Germany, 100% of its electricity comes from renewable energy sources (certificate 2016-4030-004 - WSW Energie: Zero emission factors)

The consumption-related CO2 emissions shown above have been calculated using the ADEME Environmental Protection Agency carbon-based emission values, and were 10,563 tonnes in 2019 compared with 11,402 tonnes in 2018, i.e. 7% lower, which is in line with our other activities for reducing energy consumption.

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.

6.0. Symbiose, a disruptive project.

The LACROIX Group Symbiose project is to build the industrial electronics factory of the future, combining industrial standards 4.0, respect for the environment and employee fulfilment, with its sights set firmly outwards whilst at the same time renewing its roots in the Pays de la Loire region.

The SYMBIOSE project breaks with traditional industry in three fundamental ways:

Primary axis: technological and digital disruption so as to spearhead industrial renewal in France, and to set itself up as a European symbol of an open, collaborative electronics industry, connected to its local, regional and international environment.

Secondary axis: environmental responsibility by a building which is fully connected to its regional Smart Grid (renewable energy) and integrates cutting-edge smart, sustainable solutions (short chains, recycling of factory inputs, etc.).

Tertiary axis: social innovation. This forms part of LACROIX Group's deliberate choice to maintain and create skilled employment in a rural region, securing genuine quality of life. It is also illustrated by the Group's decision to offer training, qualification and support to its teams in an environment where the digitalisation and automation of more mundane tasks will enable technicians, engineers and workers to concentrate on more rewarding projects. And all of the above in active cooperation with the region's start-ups, colleges, research centres and manufacturers.

SYMBIOSE will be the alliance of technological innovations, respect for people and environmental awareness.

REPORT METHODOLOGY AND 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 acquisitions over the year are not included in the calculation of social and environmental indicators, other than information on workforce at the end of the reporting period.
- Given the nature of our activities, we consider that the following areas - combating food waste, combating food insecurity, animal welfare protection and responsible, equitable and sustainable food supply - are not primary CSR risks and need not be expanded on in this report.

The Group has not implemented any practices aimed at artificially reducing its corporation tax or moving its taxable income to tax havens.
LACROIX Group monitors tax contributions by organisations by country of location.
Transfer pricing documentation is monitored and updated on a regular basis and is subject to audit and control.
In this respect, LACROIX Group is not at risk of attempting tax evasion.

The reporting period corresponds to the tax year, i.e. 1 October 2018 to 30 September 2019. The stated comparative basis therefore refers to the period 1 October 2017 to 30 September 2018.

After you have read the reports submitted by your auditors, the Board asks you to adopt the resolutions you are required to vote on.

St Herblain,

13 January 2020

Board of Directors

FIVE-YEAR FINANCIAL SUMMARY AND OTHER SIGNIFICANT AREAS

Nature of items	2014/ 2015	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019
CAPITAL AT YEAR END					
- Share capital	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
- Number of existing ordinary shares	3,766,560	3,766,560	3,766,560	3,766,560	3,766,560
- Number of preference shares (non-voting)					
- Maximum number of future shares to be created					
TRANSACTIONS AND AND REVENUE FROM THE FINANCIAL YEAR					
- Revenue net of taxes	1,806,402	2,513,387	3,184,417	4,155,210	6,098,794
- Pre-tax profit, employee profit sharing, depreciation allowances and provisions	12,137,769	7,583,139	5,251,254	4,040,601	3,652,372
- Income taxes	-3,136,756	-3,062,331	-3,645,286	-3,575,140	-4,619,761
- Employee profit sharing payable for the year	0	0	0	0	0
- Profit after tax, employee profit sharing depreciation allowances and provisions	15,183,457	10,431,958	8,791,007	7,193,223	8,578,017
- Distributed profit (1)	1,506,624	1,506,624	2,259,936	2,711,923	3,389,904
EARNINGS PER SHARE					
- Profit after tax, employee profit sharing, before depreciation allowance and provisions	4.06	2.83	2.36	2.02	2.20
- Profit after tax, employee profit sharing,depreciation allowances and provisions	4.03	2.77	2.33	1.91	2.28
- Dividend per share	0.40	0.40	0.60[1]	0.72	0.90
STAFF					
- Average number of employees during the year	6	7	7	12	27
- Total payroll for the year	856,086	1,091,910	1,336,721	1,633,085	2,592,440
- Total amount paid for employee benefits in the year (social security, company welfare schemes, etc.)	463,549	564,517	667,341	784,637	1,411,738

(1) Proposed appropriation of profit for period 2018/2019

St Herblain,

13 January 2020

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

At the General Meeting of the LACROIX Group (Formerly LACROIX S.A.)

Financial year ended 30 September 2019

Opinion

In carrying out the duties entrusted to us by your general meeting, we have audited the consolidated financial statements of the LACROIX Group for the financial year ended 30 September 2019, 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 2018 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.

Observation

Without calling into question the opinion expressed above, we draw your attention to Note 7.1 "Accounting changes" in the consolidated financial statements appendix, which mentions the first application on 1 October 2018 of IFRS rule 15 "Revenue from contracts with customers", of which the methods and effects are set out in Note 6.2.1 "General principles".

Justification of the assessments - Key points of the audit

In compliance with the provisions of articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key 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 2019, the acquisitions total a net worth of €37,679 K.

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 included an expert assessor in our audit team to assist us with performing these different analyses.

- We have assessed the operational assumptions made to prepare cash flow forecasts, in particular by comparing them with past figures 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 2019 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 €11,139 K as of 30 September 2019.

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 assumptions used 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

Likewise, in accordance with professional standards applicable in France, we have also performed the specific checks required by the law on information relating to the Group, as disclosed in the management report.

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

We certify that the consolidated statement on non-financial performance provided for in L. 225-102-1 of the French Commercial Code is shown in the information on the Group provided in the Management Report, and we specify that, pursuant to the provisions of article L. 823-10 of this Code, we did not check that accuracy or the information contained in this statement or its consistency with the consolidated financial statements.

Information resulting from other legal and regulatory requirements

Appointment of auditors

We were appointed as auditors of Lacroix Group 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 2019, the firm ATLANTIQUE REVISION CONSEIL - A.R.C. was in the twenty-third consecutive year of its duties and the firm ERNST & YOUNG & Co. in its eleventh year.

Prior to this, the firm Exco Atlantique (taken over by ERNST & YOUNG Audit and renamed ERNST & YOUNG Atlantique in 2008) was auditor.

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 judgement 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 the impede 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 is 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 to the Audit Committee the declaration set out in Article 6 of EU Regulation No. 537-2014 confirming our independence, within the meaning of the rules applicable in France as they are set out, in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Code of Ethics for Statutory Auditors. If necessary, we discuss with the audit committee the risks to our independence and safeguard measures applied.

La Roche-sur-Yon and Nantes, 13 January 2020

The Statutory Auditors

ATLANTIQUE REVISION CONSEIL – A.R.C.
Jérôme Boutolleau

ERNST & YOUNG et Autres
Stanislas de Gastines

ANNUAL GENERAL MEETING

02

ACCOUNTING
& FINANCIAL ITEMS

(consolidated accounts)

1. Consolidated balance sheet

In €K Assets	Note no.	Period 2019 12 months	Period 2018 12 months
Non-current assets			
Goodwill	8.1	37,679	15,904
Intangible assets	8.2	4,599	3,205
Tangible assets	8.3	53,319	52,853
Non-current financial assets	8.4	6,987	3,676
Investments in associates	8.5	7	16
Deferred tax assets	8.19	5,620	3,370
Total non-current assets		**108,211**	**79,024**
Current assets			
Inventory and goods in progress	8.7	82,612	78,037
Trade receivables	8.8	102,420	99,549
Other receivables	8.9	20,426	17,322
Derivative financial instruments	9.1.1/9.1.2	9	605
Cash and cash equivalents	8.10	13,542	17,699
Total current assets		**219,009**	**213,212**
Profit for the period from assets held for sale			
TOTAL ASSETS		**327,219**	**292,236**

In €K Liabilities	Note no.	Period 2019 12 months	Period 2018 12 months
Shareholders' equity			
Share capital	8.11	25,000	25,000
Share premium		3,455	3,455
Consolidated reserves		57,319	63,445
Consolidated income of the year		10,616	8,233
Shareholders' equity (Group share):	4	**96,390**	**100,133**
Non-controlling interests:	4	**6,809**	**282**
Total shareholders' equity		**103,200**	**100,415**
Non-current liabilities			
Provisions for other liabilities and charges	8.12	33,602	25,320
Borrowings	8.13	34,818	22,244
Amounts due for business acquisitions	7.2	6,281	
Deferred tax liabilities	8.19	199	15
Total non-current liabilities		**74,901**	**47,579**
Current liabilities			
Borrowings	8.13	35,452	29,945
Trade accounts payable	8.14	71,314	78,195
Derivative financial instruments liabilities	9.1.1/9.1.2	21	
Other payables	8.14	42,330	36,103
Total current liabilities		**149,118**	**144,242**
Profit for the period from assets held for sale			
TOTAL LIABILITIES		**327,219**	**292,236**

2. Comprehensive Income Statement

2.1 Consolidated Income Statement

In €K	Note no.	Period 2019	Period 2018
Revenue	9.2	**481,591**	**468,287**
Other operating revenue		1,958	500
Goods and raw materials purchased		(279,272)	(279,074)
Personnel expenses	8.15	(122,791)	(112,272)
Subcontracting and external expenses		(43,541)	(49,221)
Taxes		(4,178)	(5,363)
Depreciation, amortisation and provisions	8.16	(9,481)	(10,569)
Change in inventories and goods in progress		(3,587)	2,665
Other operating income and expenses		62	72
Current operating profit	9.2	**20,759**	**15,025**
Other income and expenses	8.17	(4,414)	(2,996)
Impairment of goodwill	8.1	0	0
Operating profit		**16,345**	**12,028**
Financial expenses and income	8.18	(1,039)	(960)
Income tax expense	8.19	(4,175)	(2,566)
Equity method	8.5	(3)	(4)
Net income		**11,127**	**8,498**
Net income - non-controlling interests	4	511	265
Net income - group share		**10,617**	**8,233**
Basic earnings per share (in euros)		2.97	2.30
Diluted earnings per share (in euros)		2.94	2.27

2.2. Consolidated statement of comprehensive income

In €K	Note no.	Period 2019	Period 2018
Net income		11,127	8,498
Currency tansalation differences		(528)	19
Change in derivative financial instruments		(408)	98
Actuarial gains or losses on retirement benefit obligations		(2,752)	291
Total change in other comprehensive income (OCI) (1)		**(3,687)**	**408**
Total comprehensive income (loss) for the period	4	**7,440**	**8,906**
Group		6,930	8,640
Non-controlling interests		511	265

(1) Amount net of tax

3. Cash flow statement

In €K	Note no.	Period 2019	Period 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		**11,127**	**8,498**
- Income tax expense		4,175	2,566
Net income before income tax expense		**15,302**	**11,064**
Adjustments for:			
- Depreciation, amortisation and provisions		13,786	10,688
- Gains or losses on sale of assets	8.17	(2,947)	31
- Share of profit from associates		3	4
- Change in fair values		254	(336)
Income tax paid		(4,370)	(727)
Cash flows from operations of consolidated companies		**22,028**	**20,724**
Dividends received from equity-method companies			
Changes in working capital relating to operations		(15,709)	(10,009)
Net cash flows from operating activities		**6,319**	**10,715**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Acquisition of tangible and intangible assets		(11,719)	(10,916)
Acquisition of financial assets		(1,737)	(2,205)
Proceeds from sales of tangible and intangible assets	8.17	4,874	446
Effect of changes in consolidation scope		(16,327)	(122)
Net cash flows from investment activities		**(24,909)**	**(12,797)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to shareholders and non-controlling interests		(2,940)	(2,520)
Proceeds from issuance of share capital (Group or non-controlling interests)		7	0
Other changes in shareholders' equity		(17)	80
Proceeds from borrowings		20,681	14,571
Repayment of borrowings		(8,395)	(14,231)
Net cash flows from financing activities		**9,336**	**(2,100)**
Net effect of currency transalation on cash and cash equivalents and bank overdrafts		(311)	(60)
Net increase (decrease) in cash and cash equivalents and bank overdrafts		**(9,565)**	**(4,242)**
Cash and cash equivalents and bank overdrafts at the beginning of the period		1,708	878
Cash and cash equivalents and bank overdrafts (reclass / change in fair value…)		0	5,072
Cash and cash equivalents and bank overdrafts at the end of the period	8.5	(7,857)	1,708

4. Consolidated Statement of Changes in Equity

In €K Position on closing	Share capital	Premium	Consolidated reserves	Period result	Other		Total shareholders' equity - Group share	Non-controlling interests	TOTAL shareholders' equity
					Translation differences	Shares of consolidating company			
Period ending	25,000	3,455	61,791	8,026	(1,037)	(3,777)	93,459	298	93,756
Appropriation of results from previous year			8,026	(8,026)					
Dividends			(2,238)				(2,238)	(282)	(2,520)
Change in treasury shares			21			60	80		80
Share based payment effects			192				192		192
Net income of the period				8,233			8,233	265	8,498
Change in other comprehensive income (OCI)			389		19		408		408
Total comprehensive income (loss) for the period			**389**	**8,233**	**19**		**8,640**	**265**	**8,906**
Period ending 30/09/2018	**25,000**	**3,455**	**68,180**	**8,233**	**(1,018)**	**(3,717)**	**100,133**	**281**	**100,415**
First application of IFRS 15 (net of taxes)			(1,722)				(1,722)		(1,722)
As at 01/10/2018	**25,000**	**3,455**	**66,458**	**8,233**	**(1,018)**	**(3,717)**	**98,411**	**281**	**98,692**
Appropriation of results from previous year			8,233	(8,233)					
Dividends			(2,661)				(2,661)	(279)	(2,940)
Change in treasury shares			(205)			188	(17)		(17)
Share based payment effects			15				15		15
Net income of the period				10,617			10,617	511	11,127
Change in other comprehensive income (OCI)			(3,159)		(528)		(3,687)		(3,687)
Total comprehensive income (loss) for the period			**(3,159)**	**10,617**	**(528)**		**6,930**	**511**	**7,440**
Non-controlling interests arising on business combination			(6,289)				(6,289)	6,296	8
Period ending 30/09/2019	**25,000**	**3,455**	**62,393**	**10,617**	**(1,546)**	**(3,529)**	**96,390**	**6,809**	**103,199**

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	Head Office	Tax scope	Period 2019	
			Consolidation method	% of interest
CONSOLIDATING COMPANY				
LACROIX GROUP*	ST HERBLAIN	**1**	PARENT	100.00%
CONSOLIDATED COMPANIES				
LACROIX NORTH AMERICA	DELAWARE, USA		FC	100.00%
LACROIX 2	ST HERBLAIN		FC	100.00%
LACROIX ELECTRONICS Activity				
AUSY LACROIX ELECTRONICS	VERN SUR SEICHE		EM	50.00%
LACROIX ELECTRONICS FRANCE	SAINT PIERRE MONTLIMART	1	FC	100.00%
LACROIX ELECTRONICS zoo	POLAND		FC	100.00%
LACROIX ELECTRONICS TUNISIE	TUNISIA		FC	100.00%
LACROIX ELECTRONICS TUNIS	TUNISIA		FC	100.00%
LACROIX ELECTRONICS SERVICE TUNISIE	TUNISIA		FC	100.00%
LACROIX ELECTRONICS Gmbh	GERMANY		FC	100.00%
LACROIX ELECTRONICS SOLUTIONS	CESSON-SÉVIGNÉ	1	FC	100.00%
LACROIX Environment activity				
LACROIX ENVIRONMENT	ST HERBLAIN	1	FC	100.00%
LACROIX SOFREL	VERN SUR SEICHE	1	FC	100.00%
LACROIX SOFREL srl	ITALY		FC	100.00%
LACROIX SOFREL ESPANA*	SPAIN		FC	100.00%
LACROIX ENVIRONMENT SINGAPORE	SINGAPORE		FC	100.00%
LACROIX ENVIRONMENT GmbH	GERMANY		FC	70.00%
SAE IT Systems GmbH & Co KG	GERMANY		FC	70.00%
LACROIX CITY activity				
LACROIX CITY	ST HERBLAIN	1	FC	100.00%
LACROIX CITY SAINT HERBLAIN*	ST HERBLAIN	1	FC	99.86%
LACROIX CITY CARROS*	ST HERBLAIN	1	FC	100.00%
LACROIX CITY MADRID*	SPAIN		FC	100.00%
LACROIX CITY NORTE*	SPAIN		FC	99.86%
LACROIX CITY CENTRO*	SPAIN		FC	99.86%
LACROIX PACIFIC	NOUMÉA		FC	99.86%
LACROIX OCEAN INDIEN	LE PORT	1	FC	99.86%
LACROIX MAYOTTE	MAMOUDZOU	1	FC	99.86%
LACROIX TRAFIC CAMEROUN	CAMEROON		FC	99.86%
LACROIX CITY LES CHERES*	LES CHÈRES	1	FC	100.00%
LACROIX 3	SAINT HERBLAIN	1	FC	99.86%
LACROIX 7	SAINT HERBLAIN	1	FC	99.86%
LACROIX CITY PLOUFRAGAN*	CRÉTEIL	1	FC	100.00%
LTI SUD EST	CARROS		FC	0.00% (1) (2)

Consolidation methods

FC: Fully consolidated - EM: Equity Method
(1) Company year-end 31 December / (2) Ad hoc entities

*LACROIX Group formerly LACROIX SA
*LACROIX CITY SAINT HERBLAIN formerly LACROIX Signalisation;
*LACROIX CITY CARROS formerly LACROIX Traffic
*LACROIX CITY LES CHERES formerly LACROIX SOGEXI
*LACROIX CITY PLOUFRAGAN formerly Neavia Technologies

*LACROIX CITY NORTE formerly LACROIX Norte
*LACROIX CITY MADRID formerly LACROIX Traffic SAU
*LACROIX CITY CENTRO formerly LACROIX Senalización
*LACROIX SOFREL ESPANA formerly Sofrel España

The company ISVIAL, consolidated using the equity method on 30/09/2018, left the scope during this year following its dissolution.

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

6.1 General information on the company

Listed on Euronext Paris, Compartment C, LACROIX Group is a public limited company under French law.

The activities and organisation of the Group are presented in the management report.

6.2. Financial reporting framework

6.2.1. General principles

The annual accounts are presented for the period ended 30 September 2019 applying all the IFRS standards published by the International Accounting Standards Board (IASB) and adopted by the European Union. All the standards adopted by the European Union are available on the website of the European Commission 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 2018.

Texts adopted by the European Union (mandatory application for periods beginning on or after 1 January 2018)

First application of IFRS 9 "Financial instruments"

IFRS 9 Financial Instruments, applicable to periods beginning on or after 1 January 2018, replaces IAS 39 - Financial instruments: accounting and valuation. It introduces new requirements for the classification and valuation of financial instruments, depreciation of financial assets and hedge accounting.

The Group adopted IFRS 9 on 1 October 2018. No significant impact on financial statements has been identified.

Classification and valuation of financial assets and liabilities

The reclassification of financial instruments into IFRS 9 categories has had no significant impact on their respective valuation bases. Each financial asset category has been classified according to the management model used by the Group for its assets.

IFRS 9 has retained the essence of IAS 39 provisions as regards the classification and valuation of financial liabilities, which are still valued principally at amortised cost, other than specific cases which do not affect the Group.

Depreciation of financial assets

On 1 October 2018, Management examined and assessed the Group's financial assets taking into account all reasonable and justifiable information, including prospective information. No significant impact has been identified.

Hedge accounting

Pursuant to the transition measures proposed by IFRS 9, the Group has applied prospective hedge accounting provisions on and after the date it was first applied, i.e. 1 October 2018. Group transactions qualified as falling within the scope of application of hedge accounting under IAS 39 similarly do so under IFRS 9, so no rebalancing of hedge portfolio was necessary on 1 October 2018. Hedge portfolios remain effective under IFRS 9. No significant impact has been identified.

First application of IFRS 15 "Revenue from contracts with customers"

On 29 October 2016, the European Union adopted IFRS 15 - Revenue from contracts with customers, which is mandatory from 1 January 2018 onwards. This new accounting standard has superseded IAS 18 – Regular business revenue and IAS 11 – Building contracts.

This new standard has been applied by the Group for tax years starting on or after 1 October 2018.

Choice of transition method

The Group chose the simplified retrospective method with a cumulative impact of the effects of the standard recorded in retained earnings as at 1 October 2018.

Impacts on restatement of equity as at 1 October 2018

Having analysed each of its revenue sources according to the 5 stages of the standard, the Group has reached the following qualitative and quantitative conclusions:

In specific situations, IFRS 15 imposes contract segmentation into separate performance obligations with separate margin rates. This is particularly relevant to some Group contracts which combine supply of equipment with promised chargeable or free services ("significant rights"). The impact of this change as a result of the new standard has nevertheless not been considered significant in comparison with previous practices.

- Some pre-production services are no longer considered under IFRS 15 as generating revenue in and of themselves, if they are only an "inevitable activity" in the performance of a single performance obligation for mass production of parts. Revenue and margin only therefore require recognition when parts are effectively sold. The impact of this change as a result of the new standard has nevertheless not been considered significant in comparison with previous practices.
- IFRS 15.35 now lays down criteria for demonstrating the progressive transfer of goods and services to the customer and for recognising revenue according to stage of performance. More specifically, under this standard it is now necessary to demonstrate either that the customer consumes the benefits of the service according to stage of Group performance, or that the customer controls the assets as they are being created, or that the goods or services sold have no alternative use for the seller, and that the latter has an enforceable right to payment for performance fulfilled to date (costs borne to date, plus a reasonable margin), in the event of contract termination for reasons other than Group breach of performance.
- The portfolio of Group contracts has been inspected and it can be confirmed that for the majority of "long-term" contracts in place, the criteria laid down by IFRS 15 were fulfilled and are therefore recognised on the basis of performance by costs, representing no change in comparison with previous practices.

However, some of the Group's contracts meet none of the three criteria laid down in IFRS 15.35, and consequently entail change from recognition of revenue and margin based on stage of performance to recognition of revenue on a specific date. The cumulative impact (net of deferred tax) of this change on opening equity as at 1 October 2018 stood at €1,722 K. The impact on tax years ending 30 September 2018 and 30 September 2019 is, respectively, -€965 K and +€266 K, shown in detail in note 6.2.1.1 below.

Impacts on presentation of balance sheet and income statement

- IFRS 15.70 states that payments and loans to customers must be treated as a reduction in the transaction price of the contracts to which they pertain, and therefore must be recorded as a deduction in revenue. Prior to IFRS 15, the Group presented these payments as costs with a consideration in the liabilities on the consolidated balance sheet (provisions for risks and expenses). €860 K were thus reclassified reducing risks and expenses provision under customer receivables as at 1 October 2018 (the impact of presentation in the income statement as at 30 September 2018 is considered insignificant).

Texts adopted by the European Union (mandatory application for periods beginning on or after 1 January 2018)

- IFRIC 22 'Foreign currency transactions and advance consideration'
- IFRS 2 (Amendment) 'Share-based payment'
- IFRS standards annual improvement cycles (2012-2014).

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 2019:

- IFRIC 23 (Amendment), 'Uncertainty relating to tax situation'

IFRS 16 "Lease contracts"

IFRS 16 "Lease contracts" must be applied by the Group on and after 1 October 2019, superseding IAS 17. The Group did not choose anticipated application of this standard on 1 October 2018.

IFRS 16 imposes a single accounting method for contracts by parties by recognising a "Right of Use" asset and a "Lease" liability.

The Group chose to apply the simplified retrospective transition method. Comparative information will not therefore be restated during transition; the Group does not foresee any significant impacts on the shareholder"s equity at year opening.

When IFRS 16 is first applied to operating leases, the right of use will generally be measured at the same amount of the discounted lease liabilities. The Group decided to exempt short-term lease contracts and low-value lease contracts from these recognition methods after entry into force of this new standard.

Group lease contracts primarily concern facilities, company cars and, to a lesser degree, other equipment.

The potential impact on Group consolidated financial statements is still being assessed.

ACCOUNTING & FINANCIAL ITEMS (CONSOLIDATED ACCOUNTS)

Accounting reclassification

For tax year 2019 the Group reclassified the French CVAE (Cotisation sur la Valeur Ajoutée des Entreprises) liability which was previously accounted for in "taxes caption", and that is now recorded under "Income tax expense"

This was done to provide readers of financial statements with more relevant information, particularly in view of the practices adopted by groups similar to LACROIX Group

CVAE amount stood at €1,203 K on 30 September 2019 (presented under "Income tax expense", and €1,057 K on 30 September 2018 (presented under "taxes")

6.2.1.1 Restated financial statements

The tables below show the different impacts of changes resulting from application of IFRS 15 as described in 6.2.1.

Income statement as at 30 September 2018:

In €K	30 September 2018 published	Restatement IFRS 15	30 September 2018 restated
Revenue	468,287	(2,705)	465,582
Other operating revenue	500		500
Goods and raw materials purchased	(279,074)		(279,074)
Personnel expenses	(112,272)		(112,272)
Subcontracting and external expenses	(49,221)		(49,221)
Taxes	(5,363)		(5,363)
Depreciation, amortisation and provisions	(10,569)		(10,569)
Change in inventories and goods in progress	2,665	1,365	4,030
Other income and expenses	72		72
Current Operating profit	**15,025**	**(1,340)**	**13,685**
Other income and expenses	(2,996)		(2,996)
Impairment of goodwill	0		0
Operating profit	**12,028**	**(1,340)**	**10,688**
Financial expenses and income	(960)		(960)
Income tax expense	(2,566)	375	(2,191)
Equity method	(4)		(4)
Net income	**8,498**	**(965)**	**7,534**
Net income - non-controlling interests	265		265
Net income - group share	**8,233**	**(965)**	**7,268**
Basic earnings per share (in euros)	2.30	(0.27)	2.03
Diluted earnings per share (in euros)	2.27	(0.27)	2.00

ACCOUNTING & FINANCIAL ITEMS (CONSOLIDATED ACCOUNTS)

Income statement at 30 September 2019:

In €K	30 September 2019 published	Restatement IFRS 15	30 September 2019 restated (excluding impact of IFRS 15)
Revenue	481,591	(1,093)	480,498
Other operating revenue	1,958		1,958
Goods and raw materials purchased	(279,272)		(279,272)
Personnel expenses	(122,791)		(122,791)
Subcontracting and external expenses	(43,541)		(43,541)
Taxes	(4,178)		(4,178)
Depreciation, amortisation and provisions	(9,481)		(9,481)
Change in inventories and goods in progress	(3,587)	724	(2,863)
Other income and expenses	62		62
Current Operating profit	**20,759**	**(369)**	**20,390**
Other income and expenses	(4,414)		(4,414)
Impairment of goodwill	0		0
Operating profit	**16,345**	**(369)**	**15,976**
Financial expenses and income	(1,039)		(1,039)
Income tax expense	(4,175)	103	(4,072)
Equity method	(3)		(3)
Net income	**11,127**	**(266)**	**10,862**
Net income - non-controlling interests	511		511
Net income - group share	**10,617**	**(266)**	**10,351**
Basic earnings per share (in euros)	2.97	(0.00)	2.97
Diluted earnings per share (in euros)	2.94	(0.00)	2.94

Balance sheet on 30 September 2018:

In €K Assets	30 September 2018 published (excluding impact of IFRS 15)	Restatement IFRS 15	30 September 2018 restated
Non-current assets			
Goodwill	15,904		15,904
Intangible assets	3,205		3,205
Tangible assets	52,853		52,853
Non-current financial assets	3,676		3,676
Investments in associates	16		16
Deferred tax assets	3,370	670	4,040
Total non-current assets	**79,024**	**670**	**79,694**
Current assets			0
Inventories and work-in-progress	78,037	2,972	81,009
Trade accounts receivable	99,549	(4,784)	94,765
Other receivables	17,322		17,322
Derivative financial instrument assets	605		605
Cash and cash equivalents	17,699		17,699
Total current assets	**213,212**	**(1,812)**	**211,400**
Profit for the period from assets held for sale			
TOTAL ASSETS	**292,236**	**(1,142)**	**291,094**

In €K Liabilities			
Shareholders' Equity			
Share Capital	25,000		25,000
Share Premium	3,455		3,455
Consolidated reserves	63,445	(1,722)	61,723
Consolidated income of the year	8,233		8,233
Shareholders' Equity (Group share):	**100,133**	(1,722)	98,411
Non-controlling interests:	**282**		**282**
Total Goods and raw materials purchased equity	**100,415**	**(1,722)**	**98,693**
Non-current liabilities			
Provisions for other liabilities and charges	25,320	(860)	24,460
Borrowings	22,244		22,244
Amounts due for business acquisitions			0
Deferred tax liabilities	15		15
Total non-current liabilities	**47,579**	**(860)**	**46,719**
Current liabilities			
Borrowings	29,945		29,945
Trade accounts payable	78,195		78,195
Other payables (1)	36,103	1,440	37,543
Total current liabilities	**144,242**	**1,440**	**145,682**
Profit for the period from assets held for sale			
TOTAL LIABILITIES	**292,236**	**(1,142)**	**291,094**

(1) The IFRS 15 restatement applies to entries under "contract liabilities". It refers to amounts paid by customers and for which the Group has not yet fulfilled its performance obligations.

Balance at 30 September 2019:

In €K Assets	30 September 2019 published	Restatement IFRS 15	30 September 2019 restated (excluding impact of IFRS 15)
Non-current assets			
Goodwill	37,679		37,679
Intangible assets	4,599		4,599
Tangible assets	53,319		53,319
Non-current financial assets	6,987		6,987
Investments in associates	7		7
Deferred tax assets	5,620	(567)	5,053
Total non-current assets	**108,211**	**(567)**	**107,644**
Current assets			0
Inventories and work-in-progress	82,612	(2,248)	80,364
Trade accounts receivable	102,420	4,655	107,075
Other receivables	20,426		20,426
Derivative financial instrument assets	9		9
Cash and cash equivalents	13,542		13,542
Total current assets	**219,009**	**2,407**	**221,416**
Profit for the period from assets held for sale			
TOTAL ASSETS	**327,219**	**1,840**	**329,059**

In €K Liabilities			
Shareholders' Equity			
Share Capital	25,000		25,000
Share Premium	3,455		3,455
Consolidated reserves	57,319	1,722	59,041
Consolidated income of the year	10,616	(266)	10,351
Shareholders' Equity (Group share):	**96,390**	1,456	97,847
Non-controlling interests:	**6,809**		**6,809**
Total Goods and raw materials purchased equity	**103,200**	**1,456**	**104,656**
Non-current liabilities			
Provisions for other liabilities and charges	33,602	860	34,462
Borrowings	34,818		34,818
Amounts due for business acquisitions	6,281		6,281
Deferred tax liabilities	199		199
Total non-current liabilities	**74,901**	**860**	**75,761**
Current liabilities	0		0
Borrowings	35,452		35,452
Trade accounts payable	71,314		71,314
Financial Instruments - liability	21		21
Other payables (1)	42,330	(476)	41,854
Total current assets	**149,118**	**(476)**	**148,642**
Profit for the period from assets held for sale			
TOTAL LIABILITIES	**327,219**	**1,840**	**329,059**

(1) The IFRS 15 restatement applies to entries under "contract liabilities". It refers to amounts paid by customers and for which the Group has not yet fulfilled its performance obligations.

6.2.2 Presentation of financial statements

Assets held for sale or consumption as part of the normal operating cycle, or within twelve months of closing, as well as cash and cash equivalents, are considered to be "current assets". "Current liabilities" consist of debts due during the normal operating cycle or within twelve months of the end of the financial year. Other assets or liabilities are considered "non-current".

6.3 Use of estimations

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

These underlying estimates and assumptions are established and reviewed continuously based on past experience and other factors considered reasonable in the circumstances. Actual values may differ from estimated values.

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

Group subsidiaries:

- A subsidiary is an entity controlled by the Group. The Group controls a subsidiary when it is exposed or is entitled to variable returns because of its relationship with the entity and has the ability to influence these returns because of the power it holds over it. The financial statements of subsidiaries are included in the consolidated financial statements from the date control is obtained until the date on which control ceases.
- Non-controlling interests are prorated to the net identifiable assets of the acquiree on the acquisition date. Changes in the percentage of the Group's holding in a subsidiary that does not result in a loss of control are accounted for as equity transactions.

Associates and joint ventures:

- Associates are those entities for which the company has significant influence over financial and operating policies without having control or joint control over them. The joint venture is a partnership giving the Group joint control, whereby it has rights regarding the net assets of the partnership and no rights regarding its assets or obligations to assume 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 equity-accounted companies, until the significant influence or joint control ceases.

Methods applied to the Group:

As at 30 September 2019, the companies of the Group were exclusively controlled by LACROIX Group and fully consolidated, except for Ausy LACROIX Electronics, consolidated using the equity method. The company ISVIAL, consolidated using the equity method on 30/09/2018, left the scope during this year following its dissolution.

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 instruments

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 Previous year
Zloty (PLN)	0.23379	0.23252	0.2284	0.23559
Dollar (USD)	0.86386	0.88646	0.91836	0.84034
CFP Franc (XPF)	0.00838	0.00838	0.00838	0.00838
CFA Franc (XAF)	0.00152	0.00152	0.00152	0.00152
SG Dollar (SGD)	N/A	0.64835	0.66401	N/A

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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.
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.
Depreciation and impairment
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

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.
Depreciation and impairment
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 to 12 years
Equipment and tools	8 to 15 years
Plant installations and improvements	8 to 15 years
Transportation equipment	3 to 8 years
Office equipment and furniture	3 to 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. Finance lease assets are amortised based on the useful life of the financed asset.
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 Financial risk management

Currency and interest rate hedging:

- Hedging transactions are analysed by by an independent expert in order to ensure that they comply with IAS 32 and IFRS 9 when they are of a significant nature.

6.5.6 Inventories and goods-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 impairment 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 IFRS 9 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.

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6.5.8 Cash and cash equivalents

The item "Cash and cash equivalents" includes bank balances and highly liquid investments.
Bank overdrafts are included in borrowings among current liabilities in the balance sheet.

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) for employees.
- 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 free 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 when inside a same tax unity. In this respect, a tax unity scope is applicable in the Group.

The tax unity scope is detailed in Note 5.

Tax rate by country:

	Period 2019
Germany	30.00%
Cameroon	38.50%
Spain	25.00 %
France	28.00 %
Italy	27.90 %
Poland	19.00 %
Tunisia	10.00%

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

Revenue from sale of goods and services is recognised when control of the goods or services has been transferred to the customer.
Depending on the different revenue flows of the Group and, where necessary, the specifics of each contract, control is transferred either on a specific date or progressively.
When it is established that the Group fulfils its performance obligations to customers on a progressive basis, the Group recognises revenue progressively by costs.
The amounts recognised as revenue are based on the transaction prices stipulated in the contract for the amount of the consideration the Group expects to receive pursuant to contract clauses.

The transaction prices stipulated in contracts have no significant variable portions requiring estimates to be used. Group contracts do not stipulate payment deadlines of more than one year, and no financing component is recorded in this respect.

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 dilutive instruments: stock options and free 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 selected:
LACROIX Electronics
LACROIX Environment
LACROIX City.

7 Comparability of financial statements

7.1 Accounting changes

The Group first applied IFRS 9 – Financial Instruments and IFRS 15 – Revenue from contracts with customers on 1 October 2018, as per the methods described in Note 6.2.1.

7.2 Changes in consolidation scope

Total acquisitions over the financial year generated revenue of €11,932 K and operating profit of €942 K.

SAE IT Systems GmbH & Co KG

On 31 January 2019, LACROIX Group acquired a majority holding of 70% of the capital of the company SAE IT Systems GmbH & Co KG. SAE IT Systems GmbH & Co KG is a German supplier of connected equipment for the control and security of electricity grids and inclusion of renewable energies. This 75-strong company, with

an annual revenue of €15 million, adds to our offer in the electricity grid sector and further consolidates our positioning in the smart environment market.
The transaction also includes put & call options for 30% of the minority shares, with medium-term maturity.
The valuation of this instrument is estimated to be €6,281 K as at 30 September 2019.
The acquisition of this company created a goodwill (calculated using the "full goodwill" method) of €15,558 K as at 30 September 2019.
Posting of the acquisition price between goodwill and other entries on the consolidated balance sheet will possibly be completed within 12 months of the acquisition date.

SmartNodes SA

On 31 July 2019, LACROIX Group acquired 100% of the capital of the company SmartNodes SA. SmartNodes SA is a start-up company set up as a spin-off from the Universities of Liège and Louvain.
This 15-strong company adds to our offer in the smart street lighting sector.
The acquisition of this company generated goodwill of €6,217 as at 30 September 2019.
Posting of the acquisition price between goodwill and other entries on the consolidated balance sheet will possibly be completed within 12 months of the acquisition date.

7.3 ZRIBA incident and claim

In our six-monthly financial report, we made reference to the overnight fire on 28-29 April 2019 which damaged the LACROIX Electronics production site in Zriba (Tunisia).
As of 30 September 2019, in spite of the fact that business has resumed on the site, the definitive outcome of the claim was still being discussed with our insurers.
To date the Group has received an advance insurance payout of 6 million euros (3 million of which were received after the end of the reporting period).
In the financial statements of 30 September 2019, the main impacts of this incident are as follows:
Estimated loss of revenue of -€6.2 million

- The operating losses sustained were offset by accrued revenue of €1.2 million, entered under "Other operating revenue".
- The majority of the assets destroyed by the fire have been replaced with new, resulting in a capital gains amount of €1,457 K entered under "other income and expenses".

8 Explanation of the balance sheet and income statement accounts and changes to them

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				Accumulated Impairment				Net book amount	
	Opening	Variation	consolida-tion scope	Closing	Opening	Impairment charge of the period	Changes in consolida-tion scope	Closing	Opening	Closing
LACROIX ELECTRONICS	10,877			10,877	(5,991)			(5,991)	4,885	4,885
LACROIX ENVIRONMENT	1,487		15,558	17,045	0			0	1,487	17,045
LACROIX CITY	19,031		6,217	25,248	(9,500)			(9,500)	9,531	15,748
Total Goodwill	**31,395**		**21,775**	**53,170**	**(15,491)**			**(15,491)**	**15,904**	**37,679**

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%.

The 0.25 point fluctuation in discount rate or perpetual growth rate has no impact on goodwill.

8.2 Intangible assets

	Opening	Additions	Disposals	Change of scope	Currency translation differences	Other variations	Closing
Gross values							
Preliminary expenses	4			10			14
Research and development costs	610	62				15	687
Concessions, patents, licenses, software	10,915	1,575	(162)	186		210	12,724
Other intangible assets	1,466	177	(35)	82	(4)	21	1,707
Intangible assets in progress	28	156	(12)		0	(15)	156
Advances and down payments							
Total	13,022	1,970	(209)	278	(4)	230	15,288
Cumulated amortisation							
Preliminary expenses	(4)			(8)			(12)
Research and development costs	(35)	(83)					(118)
Concessions, patents, licenses, software	(8,708)	(638)	139	(148)			(9,355)
Other intangible assets	(1,069)	(165)	29		2		(1,203)
Total	(9,816)	(886)	168	(156)	2		(10,688)
Total intangible assets	3,205	1,084	(41)	122	(2)	230	4,599

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8.3 Tangible assets

	Opening	Additions	Disposals	Change of scope	Currency translation differences	Other variations	Closing
Gross amounts							
Land	3,483		(670)		(4)		2,809
Buildings	36,447	291	(1,806)		(188)	(89)	34,655
Technical install., machinery and equipm.	72,149	6,287	(3,711)	55	(512)	436	74,704
Other tangible assets	21,438	1,994	(1,571)	420	(53)	94	22,322
Tangible assets under construction	712	1,151			(11)	(677)	1,175
Advances and down payments	152	28				(152)	28
Total	**134,380**	**9,750**	**(7,758)**	**475**	**(768)**	**(388)**	**135,691**
Cumulated depreciation							
Land	(235)	(6)	69				(172)
Buildings	(20,362)	(1,272)	1,475		92	2	(20,065)
Technical install., machinery and equipm.	(45,530)	(4,346)	3,138	(75)	189	160	(46,464)
Other tangible assets	(15,400)	(1,605)	1,310		26	(1)	(15,670)
Total	**(81,528)**	**(7,229)**	**5,992**	**(75)**	**307**	**161**	**(82,372)**
Total tangible assets	**52,852**	**2,521**	**(1,766)**	**400**	**(461)**	**(227)**	**53,319**
Thereof finance lease	**961**						**211**

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 2019 concern only fixed assets for which a finance lease is still ongoing.

8.4 Non-current financial assets

	Opening	Additions	Disposals	Change of scope	Currency translation differences	Other variations	Closing
Gross values							
Investment securities (1)	2,482	337			148	(10)	2,957
Receivables from investments	108		(59)			(49)	
Other long-term investments	81			25		10	116
Loans	632		(1)		43	301	975
Collateral and surety	611	43	(45)	10		(18)	601
Other financial assets (2)		1,357				1,200	2,557
Total	**3,914**	**1,737**	**(105)**	**35**	**191**	**1,434**	**7,206**
Provisions for impairment							
Investments (1)	(177)		19				(158)
Receivables from investments							
Other long-term investments	(61)						(61)
Loans							
Collateral and surety							
Total	**(237)**		**19**				**(219)**
Total non current financial assets	**3,676**	**1,737**	**(87)**	**35**	**191**	**1,434**	**6,987**

(1) Detail of investment securities presented in Note 8.6

(2) The amount entered under “Other financial assets” for €2,554 K is for settlement of the sentence by Rouen Administrative Court in 2017, and for which the Group is awaiting the position of the Council of State (see 8.12.1)

8.5 Investments in associates

The value shown on the balance sheet is entirely accounted for by holdings in Ausy Lacroix Electronics, in which the Group has a 50% holding.

	Period 2019
Opening	16
Share of profit of associates	(3)
Change of scope	(6)
Total investments in associates	7

The company ISVIAL was dissolved during the financial year

8.6 Investment securities

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

Investments	Net book value	
	Gross values	Impairment
Opening	2,482	(177)
Variation	475	19
Closing (1)	2,957	(158)

(1) At the year end, the balance mainly comprises the 12.5% holding in the company Firstronic LLC ($2,500 K) and a 10% holding acquired in October 2018 in an entity in the United States ($380 K)

8.7 Inventories and work-in-progress

Inventories and work-in-progress are as follows:

	Period 2019	Period 2018
Gross values		
Raw materials	58,991	51,954
In-process inventories	11,346	10,104
Intermediary goods inventory	11,441	17,277
Goods inventory	5,277	1,704
Total	87,054	81,040
Provisions for inventories		
Raw materials	(2,545)	(2,657)
In-process inventories	(188)	(113)
Intermediary goods inventory	(1,520)	(134)
Goods inventory	(189)	(100)
Total	(4,442)	(3,003)
Total inventories and work-in-progress	82,612	78,037

8.8 Trade receivables

The breakdown of trade receivables is as follows:

	Period 2019	Period 2018
Trade accounts receivables - Gross	105,209	101,660
Impairment	(2,789)	(2,111)
Total trade accounts receivables, net	102,420	99,549

Receivables covered by a reverse factoring contract (see 6.5.7), not fallen due on 30 September 2019 and settled before that date, amount to €32.8 million, compared with €29 million as at 30 September 2018.

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8.9 Other receivables

	Period 2019	Period 2018
Gross values		
Advance payments	526	652
Social receivables	323	277
Tax receivables (1)	11,091	10,813
Other receivables	6,100	3,308
Prepaid expenses	2,437	2,272
Total	20,478	17,322
Provisions for impairment		
Impairment	(53)	
Total other receivables	20,426	17,322

Tax receivables include €5.1 million of tax credits (CICE and CIR in particular) of which €0.9 million will be refunded on 15 January 2020. In 2019, the Group made a deconsolidating pre-financing of CICE 2017 credits for a total amount of €1.5 million.

8.10 Cash and cash equivalents

	Period 2019	Period 2018
Short term deposits (1)	7,711	8,464
Cash in hand	5,831	9,236
Impairment		
cash and cash equivalents	13,542	17,700
Bank overdrafts	(21,398)	(15,994)
Cash and cash equivalents less bank overdrafts	(7,857)	1,706

(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 2019, 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:

	30/09/2019
Opening	194,716
Acquisitions	28,297
Disposals	(34,479)
Total treasury shares(1)	188,534

(1) The value of treasury shares as at 30 September 2019 recognised in Lacroix Group's financial statements stood at €3,529k. On the basis of the average share price in September 2019, it stands at €3,823k.

8.11.3 Stock options

Stock options were granted to executives and some employees. The strike 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:

	Period 2019	Period 2018
Opening	13,000	16,000
Options granted		
Options exercised		
Options lost		
Options expired	(6,000)	(3,000)
Total stock options	7,000	13,000

The expiry dates and the strike prices of outstanding stock options at the end of September 2019 are as follows:

Date of plan		Conditions	
Grant date	Start of option	exercise price	Number of actions
Oct. 2011	Oct. 2015	14.33	7,000
			7,000

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 IFRS 2 as at 30 September 2019 is nil.

8.11.4 Free shares

The main features of the free shares 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. The definitive allocation of shares is done in two periods:

up to 31 December 2018, i.e. in about two years from the first Acquisition period 6,569 shares have been allocated in the current year. This distribution constitutes a down payment on the plan.
up to 31 December 2020, i.e. in about four years from the second Acquisition period. 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 expense for the period in respect of the bonus share plan is €15k within the meaning of IFRS 2.

Changes in the number of bonus shares are as follows:

	Period 2019
Opening	**42,500**
Options granted	
Options exercised	(6,569)
Options lost	(10,000)
Options expired	
Total bonus shares	25,931

8.12 Provisions for other liabilities and charges

8.12.1 Change in provisions for other liabilities and charges

This change breaks down as follows:

	Opening	Additional provisions	Utilised during the period	Unused amounts reversed	Change of scope	Currency translation differences	Other variations	Closing
Retirement benefit obligations (1)	13,027	942	(376)	(185)		(6)	3,308	16,710
Provisions for warranty	676	271		(229)				718
Provisions for litigations (2) (3)	10,932	8,709	(2,655)	(787)	51	(9)	(938)	15,303
Provisions for other liabilities and charges (4)	684	187						872
Total provisions for other liabilities and charges	**25,319**	**10,109**	**(3,031)**	**(1,201)**	**51**	**(15)**	**2,370**	**33,603**

(1) The value of retirement benefits was determined by independent actuaries using the projected unit credit method. The other variations reflect the effect of amended actuarial assumptions, principally changes in discount rates.

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

Discount rate of 0.3% (against 1.6% in 2018)

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 City	Other activities
Age brackets		
- 29 years	10.00%	5.00%
from 30 to 39 years	5.00%	3.00%
from 40 to 44 years	3.00%	3.00%
from 45 to 49 years	3.00%	1.00%
from 50 to 54 years	2.00%	1.00%
+ 55 years	–	–

In respect of Germany, the following assumptions were made:
- Discount rate of 0.6% (against 1.8% in 2018)
- 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 managerial staff.

(2) Provisions for litigations, in addition to diverse provisions for lawsuits, HR, customer disputes or warranty returns, are mostly to cover litigations with authorities.
As regards disputes with authorities, following LACROIX Signalisation's conviction by the Competition Authority some 10 years ago for cartel activity in 2010, a number of companies or authorities have sued the company. As at 30 September 2019, proceedings were ongoing with eleven companies or authorities.
Following a sentence by the Administrative Court in Nantes on 20 June 2019 for €3,747 K, and also taking into account changes in different areas of expertise, the company has had to reconsider the level of provision for contingencies. Therefore on 30 September 2019, the company added a further €6,500 K to provisions, taking the overall amount to €11,139 K.
For information, this amount includes €2,554 K already disbursed but entered under "non-current financial assets" whilst awaiting the position of the Council of State (see 8.4).
(3) The other changes refer mainly to the impact of IFRS 15 on payments and credits to customers, see Note 6.2.1.
(4) 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 €872k is the valuation, at the end of September 2019, of the theoretical purchase price of said shares.

8.13 Borrowings

8.13.1 Maturity of borrowings

The breakdown of financial debts by maturity is as follows:

	Period 2019	Period 2018	2019 Maturity (1)	
			Current (up to one year)	non-current
Bank borrowings	39,955	27,063	7,839	32,116
Finance leases	216	444	107	109
Other financial debts (2)	8,701	8,688	6,108	2,593
Bank overdrafts	21,398	15,994	21,398	
Total borrowings	**70,270**	**52,189**	**35,452**	**34,818**

(1) "Non-current" portion of financial debts: of which €8,583k at more than five years
(2) Of which C/C VINILA INVESTISSEMENTS (shareholder) for €4,887k, compared with €5,213k in 2018.

8.13.2 Variation of borrowings

	Period 2019	Period 2018
Opening	36,195	30,763
Subscriptions	20,681	14,571
Repayments	(8,395)	(14,231)
Change of scope	1,000	
Currency translation differences	(106)	(20)
Other variations	(503)	5,112
Total borrowings (less bank overdrafts)	**48,872**	**36,195**
Bank overdrafts	21,398	15,994
Total borrowings	**70,270**	**52,189**

The other changes in 2018 are primarily due to reclassification of a short-term cash-flow account into a financial debt account.

8.13.3 Borrowings by type of rate

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

	Period 2019	Period 2018
Fixed-rate loans	9,448	4,954
Variable-rate loans (1)	30,723	22,552
Total bank borrowings and finance leases	**40,171**	**27,506**

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

8.13.4 Borrowings by currency

	Period 2019	Period 2018
Denominated in euros	40,171	27,506
Denominated in foreign currencies		
Total bank borrowings and finance leases	**40,171**	**27,506**

8.14 Trade accounts payables and other payables

The breakdown of other current liabilities is as follows:

	Period 2019	Period 2018
Trade accounts payables	71,314	78,195
Capex accounts payables	50	55
Advance payments and deposits received	4,322	2,220
Social and tax payables	30,551	28,641
Other payables	5,141	2,685
Deferred revenues	2,266	2,502
Total trade accounts payables and other payables	**113,645**	**114,297**

8.15 Personnel

8.15.1 Personnel expenses

	Period 2019	Period 2018
Gross compensation	(83,804)	(78,109)
Employer's social and tax contributions	(27,170)	(25,808)
Profit sharing	(2,584)	(1,874)
Outsourced personnel expenses	(9,066)	(5,990)
Defined benefits plans expense	(152)	(298)
Share based payments	(15)	(192)
Total personnel expenses	**(122,791)**	**(112,272)**

8.15.2 Workforce

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

*	LACROIX Electronics		LACROIX Environment		LACROIX City		LACROIX Group		Total	
	Period 2019	Period 2018	Period 2019	Period 2018	Period 2019	Period 2018	Period 2019	Period 2018	Period 2019	Period 2018
Managerial	298	308	103	87	204	171	30	13	635	579
Technical	552	543	103	54	71	82	2	0	728	679
Clerical	210	193	55	28	199	149	3	0	467	369
Manual	2,137	2,247	0	0	202	183	0	0	2,339	2,430
Total salaried workforce	**3,197**	**3,291**	**261**	**168**	**676**	**585**	**35**	**13**	**4,169**	**4,057**
Pending assignment (1)	64	101	5	4	62	64	0	0	131	169
Total operational workforce	**3,261**	**3,392**	**266**	**172**	**738**	**649**	**35**	**13**	**4,300**	**4,226**

(1) Full-time equivalents of temporary workers

(*) Workforce of fully consolidated entities

8.16 Depreciation, amortisation and provisions

The amount of depreciation, amortisation and provisions net of reversals, included in current operating profit is broken down as follows:

	Period 2019	Period 2018
Depreciation, amortisation and provisions on tangible and intangible assets	(8,099)	(7,690)
Depreciation, amortisation and provisions on inventories	(1,695)	(329)
Depreciation, amortisation and provisions on current assets	(2)	(173)
Provisions on other liabilities and charges	315	(2,377)
Total depreciation, amortisation and provisions	**(9,481)**	**(10,569)**

8.17 Other income and expenses

	Period 2019	Period 2018
Restructuring costs	(15)	92
Sale of assets (1)	2,910	
Customer litigations (2)	(6,686)	(2,860)
Other non recurrent expenses (3)	(623)	(228)
Total other income and expenses	**(4,414)**	**(2,996)**

(1) Capital gains on transferred assets the sale of two buildings (one to a related party as described in 9.4.1), and capital gains arising from the as-new replacement of property partly amortised following recognition of accrued insurance payment for the claim made following the fire in our Tunisian factory (see 7.3).

(2) This amount relates solely to the provisions relating to ongoing disputes with authorities (see 8.12.1 for more details).

(3) Most of the other non-current expenses relate to diverse fees and costs relating to acquisitions over the period.

8.18 Financial expenses and income

The breakdown of financial income is as follows:

	Period 2019	Period 2018
Interest expenses on borrowings	(791)	(1,140)
Interest income	91	179
Net financial expenses on borrowings	**(700)**	**(961)**
Net foreign exchange gains (losses)	418	201
Other financial expenses and income (1)	(758)	(200)
Total financial expenses and income	**(1,040)**	**(960)**
Summary		
Total revenue	4,086	6,563
Total expenses	(5,126)	(7,523)
Total Financial income	**(1,040)**	**(960)**

(1) Including €228k of financial expenses relating to provision for retirement benefits.

8.19 Income tax liability

8.19.1 Income tax expense

The breakdown of taxation is as follows:

	Period 2019	Period 2018
Current tax	(4,794)	(3,005)
Deferred tax	619	439
Total income tax expense	**(4,175)**	**(2,566)**

8.19.2 Tax proof

Rationalisation of the income tax expense	Period 2019
Net income	11,127
Neutralisation of equity-method	3
Income tax expense (1)	-4 175
Net income before income tax expense	15,299
Theretical income tax expense (2)	4,284
Difference (1) - (2)	**109**

The reconciliation between the income tax expense 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 the income tax expense	
Change in income tax rates	
Effect of permanent non deductible expenses	-174
Utilisation of tax losses previously unrecognised	
Tax losses of the period not recognised	-759
De-recognition of tax losses previously recognised	-514
Specific Income or expenses taxed a reduced or higher tax rate	197
Differences of tax rates in Group's foreign subsidiairies	1,704
Tax credits (1)	433
Other income taxes (2)	-802
Adjustments from previous periods	24
	109

(1) Of which CIR €359 K (€1,080 K base)

(2) For tax year 2019 the Group used an accounting reclassification of the CVAE charge which was previously entered in "taxes", and is now entered in "income tax expense" (see 6.2.1).

8.18.3 Deferred taxes

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

	Opening	OCI	Impact on result	Change of scope	Other variations	Closing
Deferred tax assets						
C3S and Building effort	40		16			56
Employee profit-sharing	270		60			329
Retirement benefits	2,039	556	67			2,662
Margins on inventories	259		99			357
Loss carryforwards (1)	3,990		784		123	4,897
Others	585	670	(429)			826
Compensation DTA/DTL (*)	*(3,812)*				*306*	*(3,506)*
Total deferred tax assets	**3,370**	**1,226**	**596**		**429**	**5,620**
Deferred tax liabilities						
Regulated provisions	(2,393)		(105)			(2,498)
Finance lease	(302)		87			(216)
Tangible and intangible assets amortisation and depreciation temporary differences	(146)		45			(101)
Buildings revaluations	(666)		39			(628)
Others	(320)	97	(41)			(264)
Compensation DTA/DTL (*)	*3,812*				*(306)*	*3,506*
Total IDP	**(15)**	**97**	**24**		**(306)**	**(199)**
Total deferred taxes, net	**3,355**	**1,323**	**619**		**123**	**5,421**

(1) Based on the assumptions made by the Group and updating of business plans. The base activated on the French tax unity scope is €16.7 million out of a total base of tax losses carried forward of €28.3 million.

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

9 Other information

9.1 Degree of exposure of Group to financial risks

9.1.1 Currency risks

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. There is therefore no currency risk for this item. As regards the balance, the Company uses partial hedging of its requirements to cover a target rate established for each budget year.

Expenses in TND and PLN mainly concern the salaries and social security expenses of employees at our Polish and Tunisian sites and some local purchases. Group policy is forward hedging based on requirements forecasting.

Generally speaking, recourse to financial instruments is limited strictly business requirements, and excludes any speculative activities.

9.1.2 Interest rate risk

Note 8.13.3 "Borrowings "income by type of rate" shows that out of €40,171 K of debts, €9,448 K are at fixed rate and €30,723 at variable rate. The Group implements financial instruments to mitigate this risk. As at end of September 2019, the percentage of financing at floating rates hedged by caps was 67% of the nominal value.

9.1.3 Liquidity risk

Group gross debt stands at €70,270 K.
There is no covenant tied to any financing.
Available cash stands at €13,542 K.
The Group therefore considers its exposure to this risk to be very low.

9.1.4 Credit risk

Each of the three Group businesses has contracted its own credit insurance for protection from risk customers.

Client type by sector of activity is described below:

Activities	Main customer types
LACROIX Electronics	**French and foreign companies operating internationally**
LACROIX Environment	**Public bodies and major water management stakeholders**
LACROIX City	**Government authorities and major public works companies**

9.1.5 Financial gearing

The Group monitors its capital closely by controlling changes to its debt ratio.

	Period 2019	Period 2018
Borrowings and other financial debts	48,872	36,195
Bank overdrafts	21,398	15,994
Other financial assets	(960)	(201)
Cash and cash equivalents (see note 8.5)	(13,542)	(17,700)
Net debt position	**55,768**	**34,288**
Shareholders' equity	103,199	100,415
Financial Gearing	**54.0%**	**34.1%**

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 three levels defined in IFRS 7. Evaluation at fair value is based on observable data, most of which is external to the Group.

9.2 Segment reporting

9.2.1 Consolidated income statement by segment

Segment reporting for the period ended 30 September 2019 is as follows:

	LACROIX Electronics		LACROIX Environment		LACROIX City		LACROIX Group		Total	
	Period 2019	Period 2018	Period 2019	Period 2018	Period 2019	Period 2018	Period 2019	Period 2018	Period 2019	Period 2018
Revenues										
External sales	327,743	338,643	59,231	40,514	104,656	98,583	130	3,962	491,760	481,702
Intercompany sales between activities	(10,056)	(9,031)	(54)	(157)	(59)	(386)	0	(3,841)	(10,169)	(13,415)
Total revenues	**317,687**	**329,612**	**59,177**	**40,357**	**104,597**	**98,197**	**130**	**121**	**481,591**	**468,287**
Current operating profit	**9,445**	**9,145**	**13,941**	**9,144**	**(483)**	**(1,079)**	**(2,143)**	**(2,185)**	**20,760**	**15,025**
Depreciation, amortisation and provisions on tangible and intangible assets	5,216	4,829	652	473	2,109	2,287	122	101	8,099	7,690
IFRS 2 share based payments							15	192	15	192
EBITDA	14,661	13,974	14,593	9,617	1,626	1,208	(2,006)	(1,892)	28,874	22,907

Alternative performance indicators

To improve the monitoring and comparability of its operating and financial performance, this year the Group has introduced the concept of "Earnings Before Interests, Taxes, Depreciation and Amortisation" (EBITDA).

This is a financial indicator for strictly accounting. It is defined by the Group as follows:

EBIDTA retained by LACROIX Group is an operating indicator for current operating profit, increased by:

- allowances for amortisations of tangible and intangible assets (including, where necessary, those recognised for business combinations)
- IFRS 2 "share-based payment" expense (non-cash)

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

	LACROIX Electronics		LACROIX Environment		LACROIX City		LACROIX Group		Total activities	
	Period 2019	Period 2018	Period 2019	Period 2018	Period 2019	Period 2018	Period 2019	Period 2018	Period 2019	Period 2018
Depreciation, amortisation and provisions	(5,509)	(5,567)	(1,095)	(815)	(2,833)	(4,087)	(44)	(101)	(9,481)	(10,570)

9.2.2 Consolidated balance sheet by segment

The table below provides segment assets and liabilities, together with acquisitions of non-current assets during the period:

	LACROIX Electronics		LACROIX Environment		LACROIX City		LACROIX Group		Total activities	
	Period 2019	Period 2018	Period 2019	Period 2018	Period 2019	Period 2018	Period 2019	Period 2018	Period 2019	Period 2018
Assets										
Non-current assets	44,697	41,870	22,216	5,841	33,358	24,810	7,939	6,503	108,210	79,024
Current assets	117,837	112,303	20,739	15,531	66,808	71,304	13,625	14,073	219,009	213,211
Total assets by segment	**162,534**	**154,173**	**42,955**	**21,372**	**100,166**	**96,114**	**21,564**	**20,576**	**327,219**	**292,235**
Liabilities										
Non-current liabilities	18,574	13,965	11,153	4,350	19,022	13,795	26,153	15,469	74,902	47,579
Current liabilities	96,039	96,262	15,971	4,309	86,526	76,352	(49,418)	(32,682)	149,118	144,241
Total liabilities by segment	**114,613**	**110,227**	**27,124**	**8,659**	**105,548**	**90,147**	**(23,265)**	**(17,213)**	**224,020**	**191,820**
Acquisition of non-current assets	**8,679**	**8,236**	**621**	**799**	**2,185**	**1,809**	**233**	**72**	**11,718**	**10,916**

9.3 Off balance sheet commitments

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

Off-balance sheet commitments	Period 2019	Period 2018
Guarantees given		
Related to financing	5,327	5,451

Off-balance sheet commitments are for sureties to financing institutions as a consideration for asset financing or authorised bank overdrafts.

None of the financing taken out by the Group has a covenant attached.

9.4 Associated 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, the company VINILA INVESTISSEMENTS.

In the financial year, the company VINILA INVESTISSEMENTS purchased, for the sum of €1,216 K, a building from one of the Group companies (Lacroix City Saint-Herblain). The transaction was made based on independent expertise and was covered by an agreement with this company.

9.4.2 Compensation of the company officers

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 Director's compensation

	Period 2019	Period 2018
Short-term benefits	551	461
Post-employment benefits	61	56
Other long-term benefits		
Share-based payments		
Total	612	517

Among the total amounts allocated for the year, variable compensations are subject to approval by the General Meeting.

9.4.2.2 Members of the board's compensation

Compensations allocated and recognised in the financial year are broken down as follows:

	Period 2019	Period 2018
Short-term benefits	50	30
Post-employment benefits		
Other long-term benefits		
Share-based payments		
Total	50	30

9.5 Auditor's remuneration

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			
	2019	%	2018	%	2019	%	2018	%
Audit	234	82%	230	82%	43	99%	45	100%
Consolidating entity	34		37		40		42	
Subsidiaries	200		194		4		3	
Other services pursuant to such legislation	12	4%	41	15%	1	1%		
Consolidating entity								
Subsidiaries	12		41		1			
Total audit services	245	86%	271	96%	44	100%	45	100%
Other services not directly linked to the audit mission	40	14%	11	4%				
Tax, social, regulatory								
Advisory	40		11		1			
Other services	40	14%	11	4%	0	0%	0	0%
Total	285	100%	282	100%	44	100%	45	100%

9.6 Post closing events

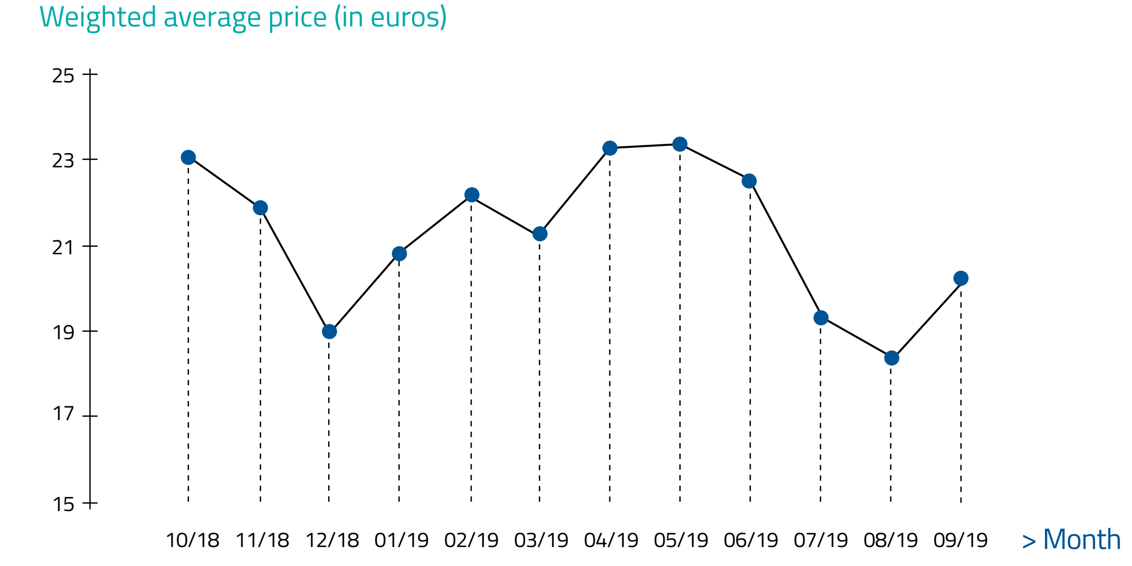
Symbiose project:

On 15 October, the Group confirmed the launch of its Symbiose project. This project concerns the construction of an electronics factory on French soil which will be a showcase for Industry 4.0. This factory will be built in Beaupréau, a few kilometres away from the current factory. €25 million will be invested in the project over 7 years, with the goal of doubling revenue without any change to staff numbers.

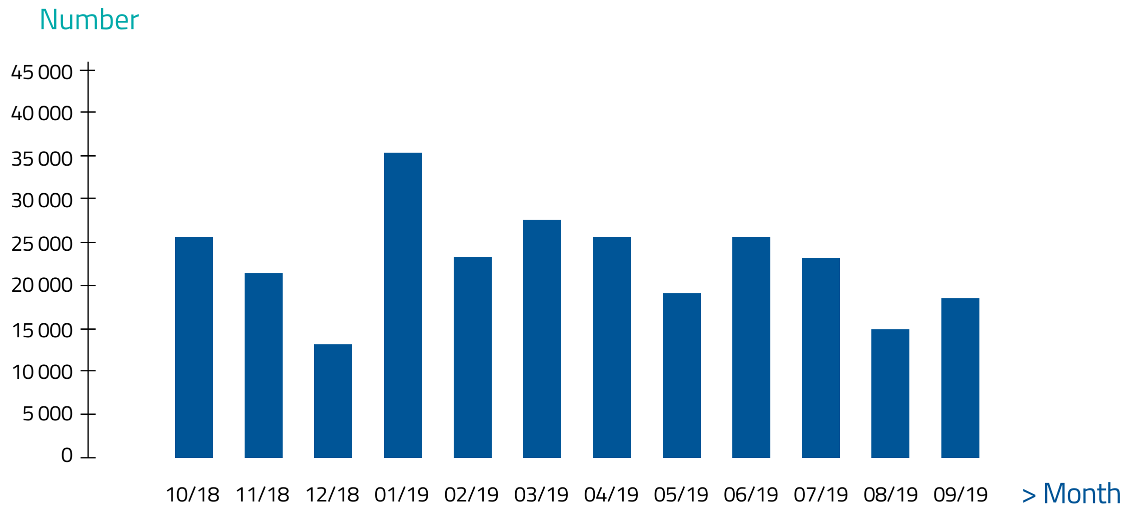
03

SHARE PRICE TREND

1 - Change in share price

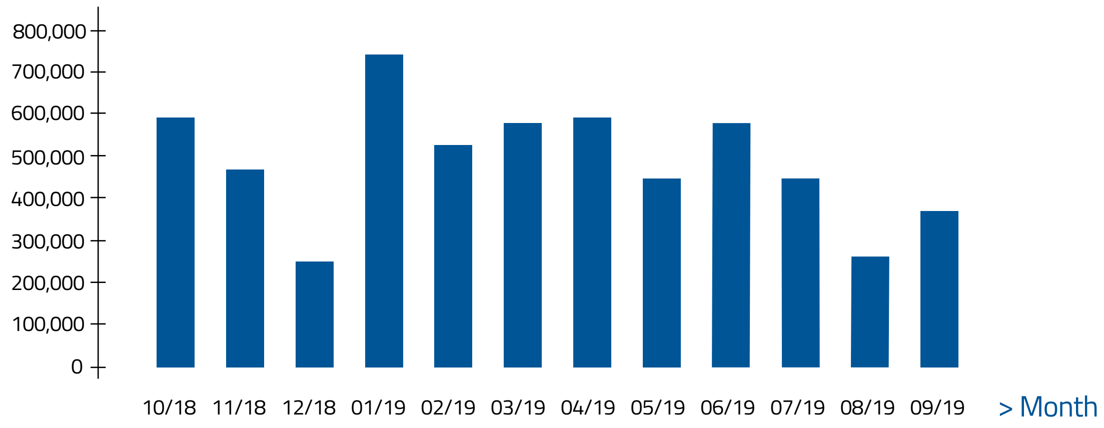


2 - Number of shares traded



SHARE PRICE TREND

3 - Capital amount in euros



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