

ANNUAL REPORT
2006



LINK SOLUTIONS FOR INDUSTRY

lisi



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Meeting of the 110 LISI Group
Core Managers in December 2006.



The Board of Directors

Gilles KOHLER Chairman
Emmanuel VIELLARD Deputy Chairman
Eric ANDRE Director
Roland BURRUS Director
Pascal LEBARD Director
Christian PEUGEOT Director

Jean-Philippe KOHLER Permanent Representative
of CIKO to the LISI Board of Directors

Thierry PEUGEOT Permanent Representative
of CID to the LISI Board of Directors

Christophe VIELLARD Permanent Representative
of VMC to the LISI Board of Directors



The Executive Committee

Isabelle CARRERE Deputy Chief Executive Officer and Chief Financial Officer of LISI AEROSPACE

Jean-Louis COLDERS Chief Executive Officer of LISI AEROSPACE

Eric DESPRES Vice President Finance of LISI COSMETICS

Michel GUIGNARD Vice President Operations of LISI Chairman and Chief Executive Officer of LISI COSMETICS

Gilles KOHLER Chairman and Chief Executive Officer of LISI and Chairman of LISI AUTOMOTIVE

Jean-Philippe KOHLER Vice President in charge of the internal audit of LISI

Georges LAMMOGLIA Chief Executive Officer of LISI AUTOMOTIVE

Daniel PITSCHMANN Vice President International Sales of LISI AUTOMOTIVE

Laurent SANCHEZ Deputy Chief Executive Officer and Chief Financial Officer of LISI AUTOMOTIVE

Emmanuel VIELLARD Deputy Chief Executive Officer of LISI and Chairman of LISI AEROSPACE

Letter from the Management



We have maintained our efforts **to consolidate our business, industrial, and financial performances** aimed at enhancing the legibility, reactivity, and reliability of our Group.



The developments in 2005 continued into 2006 in our two main areas of activity: extraordinary growth in the aerospace industry worldwide, and on the other hand car production still flat at our main European customers.

- **In 2006 the aerospace world reached its previous, pre-9/11 records:** an increase of almost 6% in world air traffic and record load factors let the major airlines, especially the American ones, return to profitability after five years of losses; and into the bargain an extraordinary number of orders at Airbus and Boeing. Between them the two manufacturers delivered 832 planes in 2006, an increase of 25% on the preceding year, while increasing their order books, which now represent five years of production.

Despite the new delays in delivery of the Airbus A380 at the end of 2006, the forecast for aerospace is undeniably bullish.

- **2006 was a much tougher year for our European car manufacturer customers:** on account of stagnancy in new car registrations in the 26 countries of the EU and EFTA, with an increase of just 0.7% on 2005, and tight management of stocks, production went down almost 1% from one year to the next.

Thus, despite often aggressive pricing and the speed up in the overhaul of their product lines, our major customers are struggling to grow in a worldwide situation that is still only mediocre.

As opposed to these two markets, the world of Fragrances and Cosmetics in 2006 saw a major turnaround and has enjoyed sustained growth thanks to new product launches that were well received by women consumers, and increasingly by male consumers too.

While adjusting to developments in their own sectors, in 2006 each of our divisions continued the implementation of their five-year strategic plans.

LISI AEROSPACE last year kept up its major efforts to increase production capacity: €20 million in investments, at a similar level to 2005, and a 14% increase in staff; over the last two financial years more than 700 new employees have joined the group. This determined policy ensured that our subsidiary met its commitments to growth, delivery timetables and quality, as well as the productivity demanded by the markets; and last but not least, was able to show solid performance: sales revenues up 29% to €315 million in 2006, with almost 50% growth over two years, and profits sharply up.

The symbol of this remarkable strength is Airbus, which today is the LISI Group's Nr. 1 customer.

Right at the start of 2007, LISI AEROSPACE opened up a new growth front at the strategic level with the acquisition of Hugueny (€4 million sales revenues), a specialist in medical fasteners that share common characteristics with aerospace fasteners.



Gilles KOHLER
Chairman
and Chief Executive Officer

Emmanuel VIELLARD
Deputy Chief Executive Officer

LISI AUTOMOTIVE concentrated on two main issues in 2006: the integration of Knipping, acquired in 2005, in order to grasp the opportunity of increased production among German auto manufacturers; and the adjustment of production to a particularly unfavorable situation at the two main French manufacturers.

The success of this policy has been reflected in a growth of 13% in LISI AUTOMOTIVE sales in 2006, which only underlines the fine progress made by Knipping: €107 million in sales revenues, up 7% on the previous year, with profits up with the new consolidation scope, while remaining stable in relative terms.

Finally, **LISI COSMETICS** has strengthened its recovery with 17% growth in sales revenues in 2006 and major launches in the second half, in both plastics and metal, which augur well for a continuation of last year's positive trends through 2007.

Even more than in previous years, we want to thank our teams for their successes and we salute their ability to meet ambitious challenges, as evidenced by the Group's main consolidated figures:

- €740 million in sales revenues in 2006, up 20% on the previous year, of which 13% came from organic growth.
- 12% operating profit (EBIT on sales revenues), 39% up on 2005.
- Net profit of €48 million, which is 6.5% of sales revenues as compared with 5.8% for the 2005 financial year.
- Gearing reduced to under 30% versus gearing of 46% following the acquisition of Knipping in 2005.

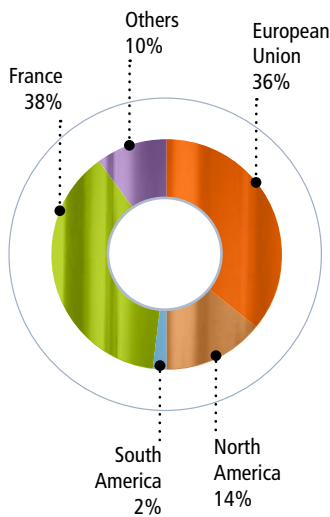
And lastly, our thanks to our shareholders for their loyalty and confidence. The sharp rise in the LISI share price in 2006 makes us even more responsible towards them and confirms our wish to fully implement our 2009 strategic plan.

2006 Key figures

€M 740 SALES
62% OUT OF FRANCE

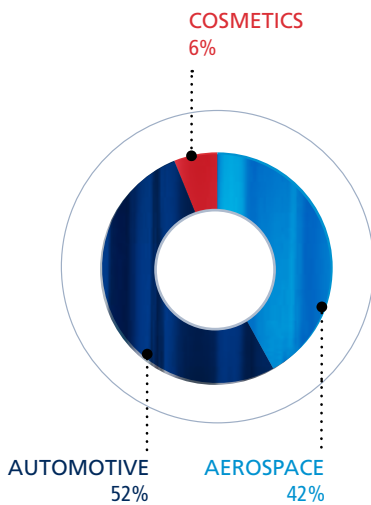
SALES BY GEOGRAPHICAL AREA

IN %

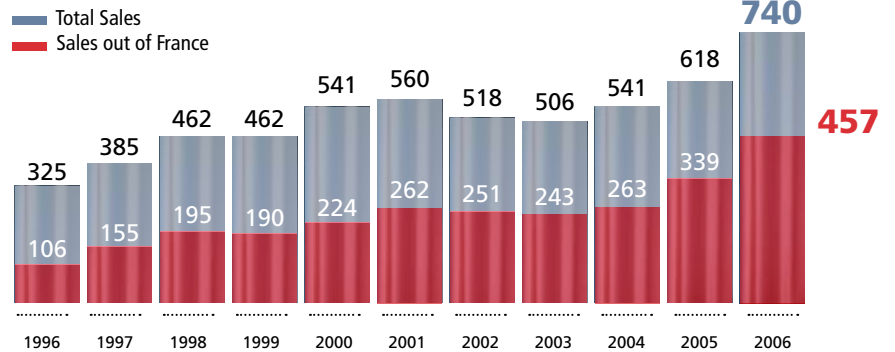


SALES BY ACTIVITY

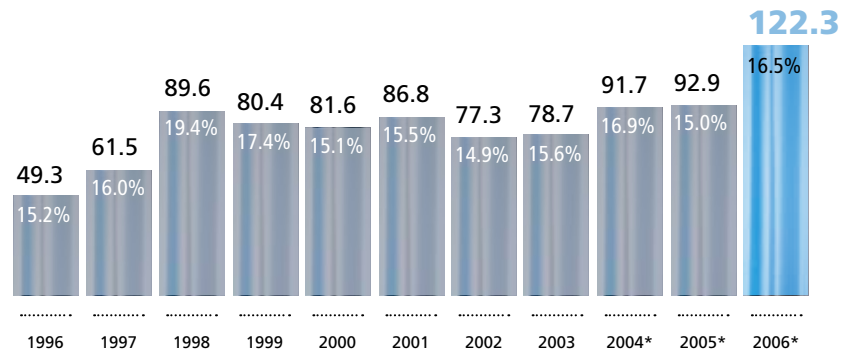
IN %



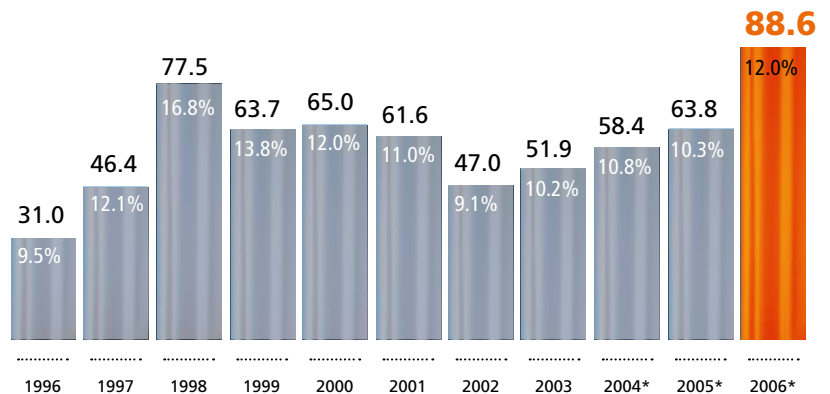
CONSOLIDATED SALES IN €M



EBITDA IN €M AND % / SALES



EBIT IN €M AND % / SALES



* IFRS standards

+13.1%

ORGANIC GROWTH

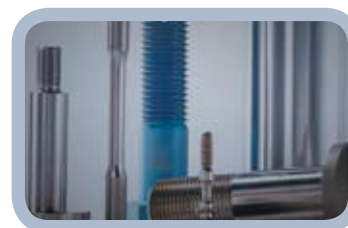
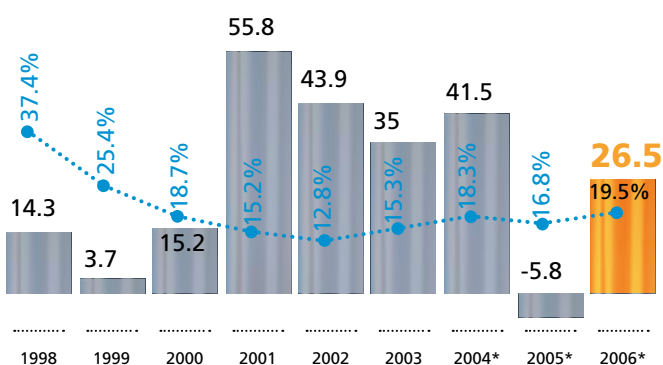
16.5%

EBITDA

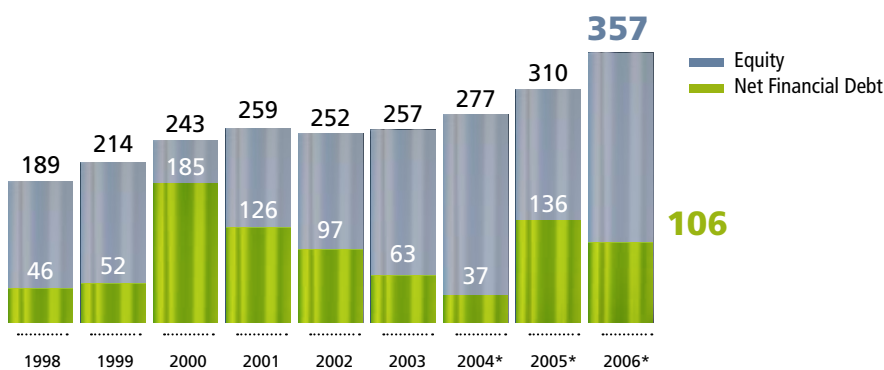
€M 47.6

CAPEX

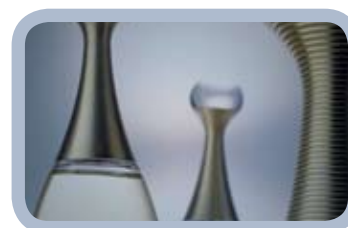
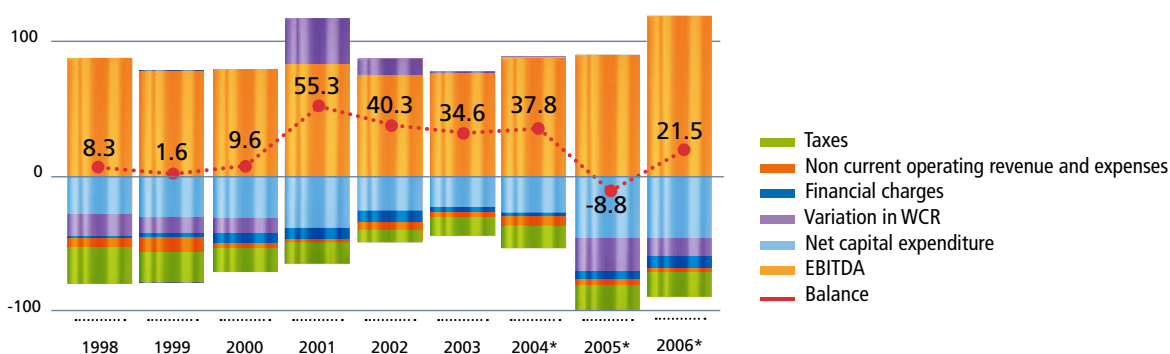
FREE CASH FLOW AND ROCE



EQUITY CAPITAL AND NET FINANCIAL DEBT IN €M

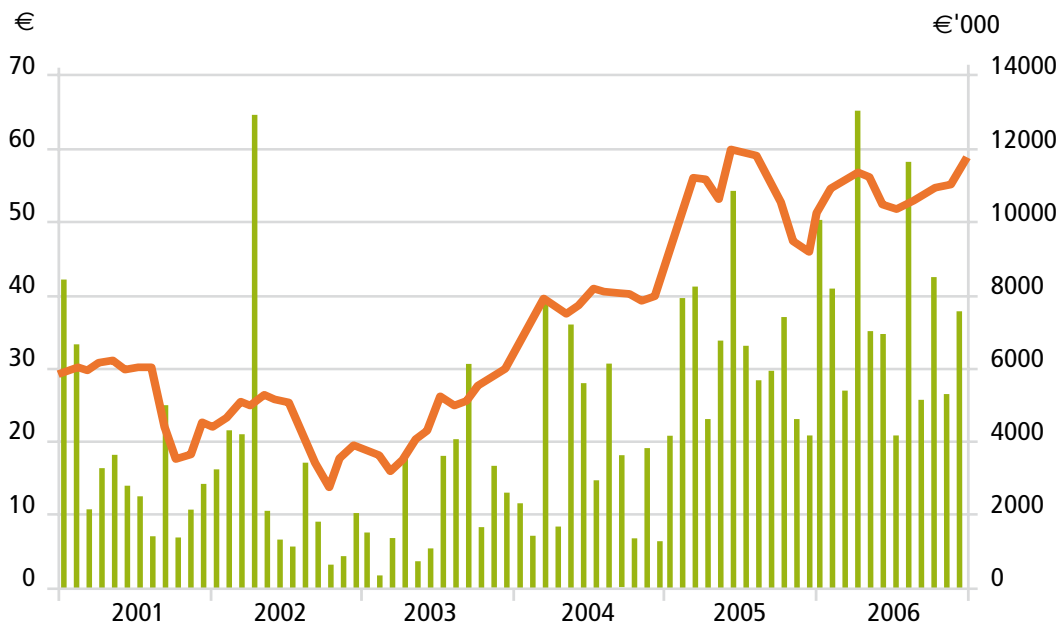


FINANCIAL FLOWS IN €M



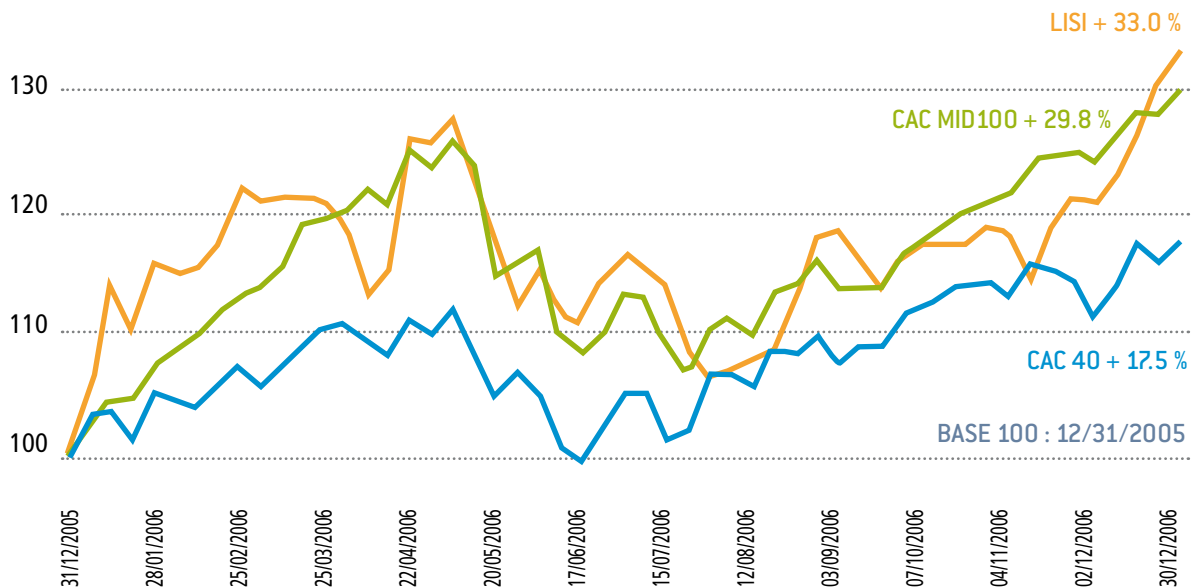
Stock Market Data

THE SHARE'S PERFORMANCE WAS POSSIBLE THANKS TO THE END OF THE YEAR: + 33 %

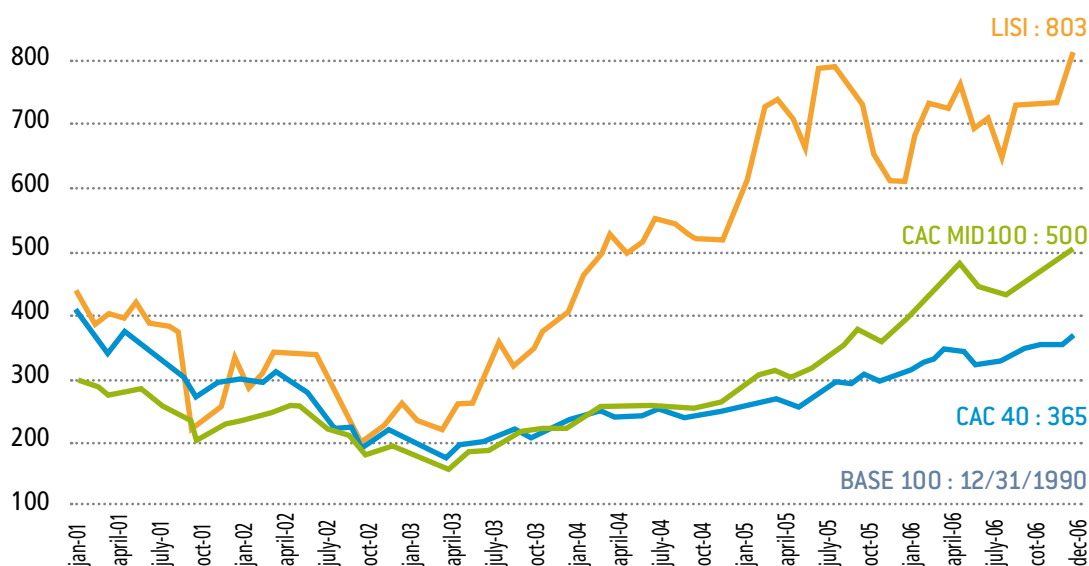


SHARE PRICE – CAPITAL TRADED

With the publication of each quarterly report on the growth in business activity, the share continued its rise throughout 2006. The high point was reached at the end of the period (€61.45 on December 29, 2006). For the year, performance was ahead of the market indices.

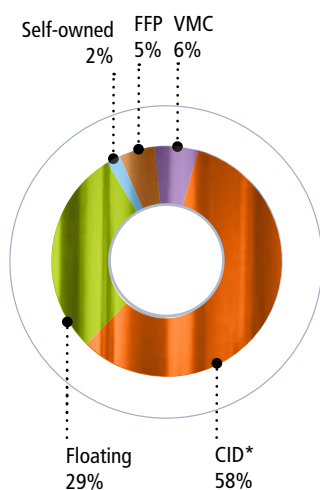


THE LISI SHARE PRICE OUTPERFORMS ALL MARKET INDICES OVER THE LONG TERM



	LISI	CAC40	CACMID100
Over 10 years	+ 179%	+ 139%	+ 198%
Over 5 years	+ 145%	+ 20%	+ 119%
Over 3 years	+ 99%	+ 56%	+ 125%
For one year	+ 33%	+ 18%	+ 30%

CAPITAL STRUCTURE



* VMC and FFP are also major shareholders in CID alongside CIKO.

THE VOLUME OF TRANSACTIONS IS STEADILY INCREASING

Following a volume of 1,717,172 shares traded in 2006, up 19% on 2005, shares traded represented 55% of those on the market. The warrants (BSAR) exchanges provided a further volume of 639,131 shares for the period. These warrant transactions can in the end become share trades (if converted).

PER SHARE DATA IN 2006

The data is calculated on a total of 10,210,783 issued shares at December 31, 2006.

Per share data shows the following growth:

Consolidated net earnings per share	€4.71	+ 30.8%
Consolidated net assets per share	€34.95	+ 11.5%
Highest price	€61.45	on December 29, 2006
Lowest price	€46.10	on January 02, 2006

Stock Market Data

Dates	Closing price €	High €	Low €	Average per session €	Transaction volume K €	Shares traded per month (excl. outside system)
2004						
January	35.05	36.50	30.00	33.25	2,278	70,920
February	36.80	37.00	33.00	35.00	1,416	40,039
March	40.00	40.00	37.00	38.50	7,763	198,578
April	37.23	39.90	37.18	38.54	1,680	43,708
May	38.50	39.60	36.02	37.81	7,200	193,920
June	41.72	42.69	37.70	40.20	5,577	145,583
July	41.11	42.00	39.11	40.56	1,361	33,140
August	40.67	41.55	38.40	39.98	6,106	152,432
September	39.27	40.66	39.08	39.87	3,646	90,880
October	39.15	40.91	39.10	40.01	1,372	34,300
November	39.00	40.49	38.42	39.46	3,819	98,429
December	43.36	43.36	38.50	40.93	1,275	32,072
2005						
January	47.40	47.80	40.71	44.26	3,695	80,687
February	54.90	54.90	46.12	50.51	7,641	149,102
March	55.85	59.40	53.00	56.20	8,215	147,059
April	54.00	57.10	52.90	55.00	4,619	83,221
May	49.70	54.35	49.60	51.98	3,149	59,988
June	59.80	61.70	49.30	55.00	10,810	195,377
July	59.70	60.80	56.80	58.80	6,591	111,442
August	58.05	59.65	56.30	57.98	5,681	96,657
September	55.20	58.55	52.70	55.63	5,901	107,220
October	48.50	55.90	46.75	51.33	7,382	141,857
November	46.20	51.40	45.45	48.43	4,615	98,439
December	46.00	46.00	45.55	45.78	3,847	84,244
2006						
January	52.85	54.80	46.10	50.50	10,045	195,568
February	55.65	56.60	52.65	54.63	8,193	150,689
March	54.65	56.00	54.05	55.03	5,387	96,872
April	57.80	59.90	52.00	55.95	12,460	221,518
May	52.55	59.20	50.05	54.62	6,854	122,706
June	53.50	54.45	48.10	51.27	6,940	133,629
July	49.01	55.00	48.20	51.60	4,148	80,313
August	55.00	56.40	48.70	52.55	11,500	221,286
September	53.55	55.30	50.80	53.05	5,135	96,553
October	55.05	55.05	53.00	54.02	7,760	143,072
November	55.45	55.90	52.30	54.10	5,297	96,988
December	61.20	61.45	55.30	58.37	7,538	130,415
2007						
January	64.50	67.50	61.20	64.35	25,735	393,405
February	67.00	69.10	64.20	66.65	18,253	254,327

HISTORY

June 20, 1989: Initial listing of GFI Industries shares on the Second Marché of the Paris Stock Exchange.

January 21, 1998: Transfer to Continu A (change of listing category).

May 13, 1998: 5-way split of nominal value of shares. Admission of 9,697,955 new shares with a 10 Francs nominal value in place of 1,939,591 shares at a nominal value of 50 Francs.

December 18, 2001: Share joins NextPrime section of Euronext, Classification FTSE 215.

May 2004: Issue of 1,066,685 warrants.

STOCK EXCHANGE INFORMATION

Next Prime FTSE 215
 Second Marché
 Part of SBF 250
 Index CAC Mid 100
 ISIN code: FR 0000050353
 Reuters Code: GFII.PA
 Bloomberg Code: FII.FP
 Broker:
 ODDO Midcap Lyon, M. Hervé Ginot
 Email: hginot@oddo.fr
 Tel: +33 (0)4 72 68 27 60

2007 SCHEDULE

Date	Form	Information
January 17, 2007	Daily financial press	2006 sales revenues
February 22, 2007	LISI Board Meeting	
February 23, 2007	Daily financial press	Results for 2006 financial year
April 24, 2007	Daily financial press	Sales revenues, Q1'2007
April 27, 2007	LISI General Meeting	
July 17, 2007	Daily financial press	Sales revenues, Q2'2007
August 29, 2007	LISI Board Meeting	
August 30, 2007	Daily financial press	2007 half-year results
October 23, 2007	Daily financial press	Sales revenues, Q3'2007
January 15, 2008	Daily financial press	Sales revenues, Q4'2007

Profile: 1 business, 3 sectors of activity

LISI AEROSPACE

AEROSPACE FASTENERS AND ASSEMBLY COMPONENTS

42%
OF REVENUE

N° 3
IN THE
WORLD

10
SITES

2,696
EMPLOYEES AROUND
THE WORLD

Revenue	€315.3m
EBITDA	€70.2m
EBIT	€60.1m
Capex	€19.6m

LISI AUTOMOTIVE

AUTOMOTIVE FASTENERS AND ASSEMBLY COMPONENTS

52%
OF REVENUE

N° 4
IN THE
WORLD

21
SITES

2,980
EMPLOYEES AROUND
THE WORLD

Revenue	€382.5m
EBITDA	€47.8m
EBIT	€25.8m
Capex	€25.1m

LISI COSMETICS

ASSEMBLY AND PACKAGING COMPONENTS
FOR FRAGRANCES AND COSMETICS

6%
OF REVENUE

TOP10
IN THE WORLD

4
SITES

475
EMPLOYEES
IN FRANCE

Revenue	€44.1m
EBITDA	€2.6m
EBIT	€0.8m
Capex	€2.5m

FLAGSHIP PRODUCTS



Airframe

Structural fasteners, principally in titanium (Hi-Lite, Hi-Lok, LGP, Pull-In, Pull-stem, Taper-Lok).



Engines

Engine fasteners (high-temperature steels, cobalt- or nickel-based alloys, very high resistance superalloys), inserts and studs.



Special

Specialty, non-structural fasteners (clip nuts, quarter turns, spacers, etc.), assembly equipment.



Racing

Fasteners and components for motor sports.

CUSTOMERS

Airbus, Boeing, Bombardier, Dassault, Embraer, GEAE, Eurocopter, Pratt & Whitney, Rolls Royce, Snecma, Formula 1 and Nascar teams for the Racing division.

COMPETITORS

Alcoa Fastening System, Precision Castpart Corp., Melrose Plc.

FLAGSHIP PRODUCTS



Threaded fasteners

Engine fasteners, wheel screws and nuts, safety screws and nuts, ball joints, cab interior and engine dress-up fasteners. Screws for sheet metal and plastics PRESSFIX® nuts and assembly equipment, clamp washers.



Clip fasteners

Panel fasteners, fasteners for tubes and wiring, plugs, multi-functional metal and plastic sub-assemblies.

FORMER Components

Safety components: torsion bars, guide rods, brake

hoses, spacers, ball in ramp, special hollowed components and rods..

CUSTOMERS

BMW, DaimlerChrysler, Ford, General Motors, PSA, Renault-Nissan, VW-Audi, Autoliv, Bosch, Faurecia, Jtekt, TI, TRW, Franke, Look, Schneider.

COMPETITORS

Acument Global Technologies (ex-Extron), A. Raymond, ITW, Kamax, Nedschroef, Nifco, SFS, TRW.

FLAGSHIP PRODUCTS

212 Men and 212 MEN SEXY by Carolina HERRERA (PUIG)

The lipgloss by CHANEL

Allure Homme Sport by CHANEL

J'Adore by DIOR (LVMH)

Fahrenheit by DIOR (LVMH)

Acqua di Gio d'ARMANI (L'OREAL)

Gaultier² by Jean-Paul GAULTIER (SHISEIDO)

Narciso for her by Narciso RODRIGUEZ (SHISEIDO)

CUSTOMERS

Chanel Parfums Beauté, Puig, LVMH, Shiseido, L'Oréal, YSL Beauté, Procter & Gamble, Clarins, Hermes Parfums.

COMPETITORS

Alcan Packaging, Ileos, Qualipac, Rexam Beauty, Seidel, Texen.

Business Units

LISI AEROSPACE

AIRFRAME EUROPE 30% of revenue

Patented and non patented airframe structural fasteners. Installation tools, temporary fasteners, quick release pins, inserts and studs.

Rugby (GB)	257 employees
Saint Ouen l'Aumône (FR)	382 employees
Vignoux sur Barangeon (FR)	46 employees

AIRFRAME US 28% of revenue

Patented and non patented airframe structural fasteners. Installation tools.

Torrance (USA)	660 employees
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ENGINES AND CRITICAL 27% of revenue

Engine fasteners. Critical parts. Patented and non patented airframe structural fasteners.

Villefranche de Rouergue (FR)	541 employees
Dorval (CAN)	76 employees
Izmir (Turkey)	223 employees

SPECIALTY FASTENERS 8% of revenue

Specialty and non-structural fasteners.

City of Industry (USA)	161 employees
------------------------	---------------

RACING 7% of revenue

High-tech fasteners for racing cars. Other automotive fasteners.

Paramount (USA)	47 employees
Saint-Brieuc (FR)	172 employees

LISI AUTOMOTIVE

THREADED FASTENERS 28% of revenue

Engine fasteners. Wheel screws and nuts, ball joints, safety screws and nuts. Pressfix® nuts and assembly equipment.

Delle (FR)	212 employees
Monistrol (FR)	74 employees
St Florent (FR)	166 employees
Thiant (FR)	116 employees
Vöhrenbach (GER)	103 employees

CLIP FASTENERS 21% of revenue

Panel fasteners. Fasteners for tubes and wiring. Plugs, multifunctional metal and plastic sub-assemblies.

Puiseux (FR)	228 employees
Heidelberg (GER)	112 employees
Melrichstadt (GER)	220 employees

COMPONENTS 20% of revenue

Safety system: torsion bars, guide rods, brake hoses, struts, ball in ramp, rods and special hollowed components.

Dasle (FR)	169 employees
Melisey (FR)	228 employees
Mississauga (CAN)	37 employees

INTERNATIONAL OPERATIONS 3% of revenue

Beijing (China)	110 employees
Brno (Czech Republic)	188 employees

KNIPPING 28% of revenue

Cab interior and engine dress-up fasteners. Screws for sheet metal and plastics, trimmed parts, surface treatment, and coating operations.

Kierspe (GER)	271 employees
Madrid (SPA)	170 employees
Herscheid (GER)	53 employees
Gummersbach (GER)	40 employees
Bochum (GER)	78 employees

SUPPORT OPERATIONS

Grandvillars, Material preparation (FR)	66 employees
Grandvillars, Surface treatment (FR)	26 employees
Grandvillars, Machinery (FR)	28 employees
Lure, Machinery (FR)	50 employees

LISI COSMETICS

METAL PRODUCTS 45% of revenue

Metal stamping. Surface treatment. Assembly.

Saint-Saturnin du Limet (FR) 192 employees

PLASTIC PRODUCTS 55% of revenue

Plastic injection. Assembly. Surface treatment.

Neuilly sur Eure (FR) 41 employees

Nogent le Phaye (FR) 96 employees

Aurillac (FR) 115 employees

Year-end figures.

HISTORY

1777 Creation by Frédéric Japy of a watchmaking parts shop in Beaucourt near Montbéliard. Several years later, in 1796, founding in Morvillars near Belfort of VIELLARD MIGEON et Compagnie (VMC).

1806 The firms JAPY Frères et VIELLARD & MIGEON jointly decide to launch the industrial manufacturing of wooden screws made in France.

1899 Creation in Delle (Belfort) of the Société Industrielle de Delle, which soon specializes in the manufacture of lathed screws.

1968 These three family-owned companies merge to create GFD¹, which becomes the leading French manufacturer of threaded fasteners – standard and automotive nuts and bolts.

1977 GFD acquires the firm BLANC AERO, which specializes in aerospace fasteners and packaging components for fragrances and cosmetics. The new company is renamed GFI.

1989 GFI goes public on the Paris Second Marché and becomes GFI Industries.

1990 / 2000 During this decade, GFI Industries strengthens its positions in its three sectors by acquiring more than 15 companies in Europe and the United States.

2002 In order to better reflect its business areas, GFI Industries becomes LISI, which stands for Link Solutions for Industry. The three divisions each adopt this name and add their respective main business areas: LISI AEROSPACE, LISI AUTOMOTIVE and LISI COSMETICS.

The strategy of refocusing on Core Business continues:

- Sale of non-strategic lines of business (Ars Industries and the Aillevillers production unit and GFD).
- Acquisition of the Californian firm MONADNOCK (LISI AEROSPACE).

2004 Acquisition of FORM a.s in the Czech Republic (LISI AUTOMOTIVE).

2005 Acquisition of KNIPPING in Germany (LISI AUTOMOTIVE).

Opening of a plant in Canada (LISI AEROSPACE).

Disposal of LISI AUTOMOTIVE Gradel.

2006 Disposal of Hi-Shear Automotive (LISI AEROSPACE).

2007 Acquisition of SAS Hugueny, a company based in Fleurieux-sur-l'Arbresle, not far from Lyon and specializes in the manufacture of orthopedic implants (LISI AEROSPACE).

¹ GFD: Générale de Forgeage et Décolletage



USA
5 PLANTS
3 in California
2 in Canada



EUROPE
28 PLANTS
18 in France
7 in Germany
1 in England
1 in Czech Republic
1 in Spain



ASIA
2 PLANTS
1 in Turkey
1 in China

Worldwide locations



9 COUNTRIES
IN PRODUCTION

12 COUNTRIES
IN SALES REPRESENTATION

LISI AEROSPACE

Airframe Europe

Patented and non patented airframe structural fasteners. Installation tools, temporary fasteners, quick release pins, inserts and studs.

Rugby (GB) ; Saint Ouen l'Aumône (95) ; Vignoux sur Barangeon (18).

Airframe US

Patented and non patented airframe structural fasteners. Installation tools.

Torrance (USA).

Engines and critical

Engine fasteners. Critical parts. Patented and non patented airframe structural fasteners.

Villefranche de Rouergue (12) ; Dorval (CAN) ; Izmir (Turkey).

Specialty fasteners

Specialty and non-structural fasteners.

City of Industry (USA).

Racing

High-tech fasteners for racing cars. Other automotive fasteners.

Paramount (USA). Saint-Brieuc (22).

LISI AUTOMOTIVE

Threaded fasteners

Engine fasteners. Wheel screws and nuts, ball joints, safety screws and nuts. Pressfix® nuts and assembly equipment.

Delle (90) ; Monistrol (43) ; St Florent (18) ; Thiant (59) ; Vöhrenbach (GER).

Clip fasteners

Panel fasteners. Fasteners for tubes and wiring. Plugs, multifunctional metal and plastic sub-assemblies.

Puisseux (95) ; Heidelberg (GER) ; Mellrichstadt (GER).

Components

Safety system: torsion bars, guide rods, brake hoses, struts, ball in ramp, rods and special hollowed components.

Dasle (25) ; Melisey (70) ; Mississauga (CAN).

International operations

Beijing (China) ; FORM a.s. (Czech Republic).

Knipping

Cab interior and engine dress-up fasteners. Screws for sheet metal and plastics, trimmed parts, surface treatment, and coating operations.

Kierspe (GER) ; Madrid (SPA) ; Herscheid (GER) ; Gummersbach (GER) ; Bochum (GER).

LISI COSMETICS

Metal products

Metal stamping. Surface treatment. Assembly.

Saint-Saturnin du Limet (53).

Plastic products

Plastic injection. Assembly. Surface treatment.

Neuilly (61) ; Nogent (28) ; Aurillac (15).



2006 Events

LISI AEROSPACE

JANUARY

- Visit of Canadian Dorval factory by the Quebec Minister of Labor.
- Sharp increase in demand from customers backed by a growth in orders.
- Start of Movex Logistique at Saint- Ouen l'Aumône.

FEBRUARY

- Racing qualification of Red Bull Team (Formula 1).

MARCH

- Heavy repairs activity for all European customers.
- First revision of our growth and investment assumptions.
- Snecma Quality Trophy awarded to LISI AEROSPACE.
- Disposal of the Tooling US business to Churchill.

APRIL

- Racing qualification by Mercedes Benz (Formula 1).
- Start of Movex Logistique at Villefranche de Rouergue.

MAY

- Commissioning of high volume nuts unit at Saint-Ouen l'Aumône.
- End of external HSE audit process.
- Qualification of BAT by Super Aguri (Formula 1).

JUNE

- Start of Boeing qualification process of the Canadian Dorval factory.
- Start of Movex logistics in Rugby.

JULY-AUGUST

- Extraordinary order book during the summer, especially in the USA.

SEPTEMBER

- New revision of our growth and investment assumptions.

OCTOBER

- Continuation of Management & Leadership sessions.

NOVEMBER

- First orders for locks and expansion pins at Vignoux-sur-Barangeon.
- Agreement reached with customers on handling of price increases on raw materials.

DECEMBER

- LISI AEROSPACE has recruited over 760 staff worldwide.
- Success of CAP 300 plan one year ahead of schedule and launch of the consideration of the Skyline 600 plan.
- Target of 92% service ratio achieved for Airbus.
- Disposal of Hi-Shear Automotive business.

LISI AUTOMOTIVE

JANUARY

- Our Beijing, China, unit takes major orders from auto manufacturers (VW, DPCA) and parts manufacturers (Seeber, Visteon, Sanoh).
- Signature of long-term agreement with Bosch for the supply of guidance pins.

FEBRUARY

- First deliveries to Bosch of new handbrake adjustment system for the Ford Transit and Citroën's C4 Picasso.

MARCH

- LISI AUTOMOTIVE is appointed by PSA as a specialist to develop fasteners for the interior of a new minivan based on the C3.

**APRIL**

- Start of the Movex software for sales management at the Delle plant. This project, known as Polaris, will be deployed throughout the Group in 2007.
- Breakthrough of our Pressfix self-piercing nuts at PSA, in particular the new 308 and C5.

MAY

- LISI AUTOMOTIVE obtains orders for guidance pins from TRW and Bosch for braking applications in China.

JUNE

- The Full Service Provider Design project for the new Citroën C5 ends after two years of collaboration with a clear success and acknowledgement by PSA of LISI's technical skills.

JULY-AUGUST

- First deliveries to FHP (Federal Home Products, USA) of a sink clip entirely developed at our Beijing plant.
- Start of production of the second laminated surfaces treatment line at Beteo (Knipping).
- Modernization of the pickling plant at the Grandvillars materials preparation factory, causing substantial savings in water consumption and chemicals.
- The Monistrol factory, that specialized in the manufacture of standard screws, was put on sale.

SEPTEMBER

- Signature of long-term contract with TRW to manufacture braking components, including a new, electric handbrake system.

OCTOBER

- Signature of two partnership agreements with the Iranian company, Sabouri Industrial Production.

DECEMBER

- Orders for new deals in 2006 achieves a record of 30% of sales revenues with parts manufacturers customers.

LISI COSMETICS

JANUARY

- Start of X3 ERP system from Sage Adonix: simultaneous changeover of all systems at head office and the 4 production sites.
- Following the Gucci Envy Me range, LISI COSMETICS becomes the sole supplier of Gucci Envy Me 2 tops for Procter & Gamble.
- France launch of Allure Sensuelle, a perfume by Chanel.

FEBRUARY

- Installation of new polishing machines at the new Saint-Saturnin workshop.

MAY / JUNE

- Together with a partner, LISI COSMETICS wins one of the most coveted re-packaging deals of the year, on a women's fragrance from the LVMH Group, listed in the world "top 5".
- Signature of a 3-year memorandum of understanding with LVMH for the Dior, Givenchy and Guerlain brands.
- Award of all the production of the aluminum Ultraviolet top by Paco Rabanne.
- Implementation of a sprinkler system at the Saint-Saturnin site.

SEPTEMBER

- Launch of Chanel's "L'inimitable" mascara.

OCTOBER

- LISI COSMETICS receives ISO 9001:2000 certification.

NOVEMBER

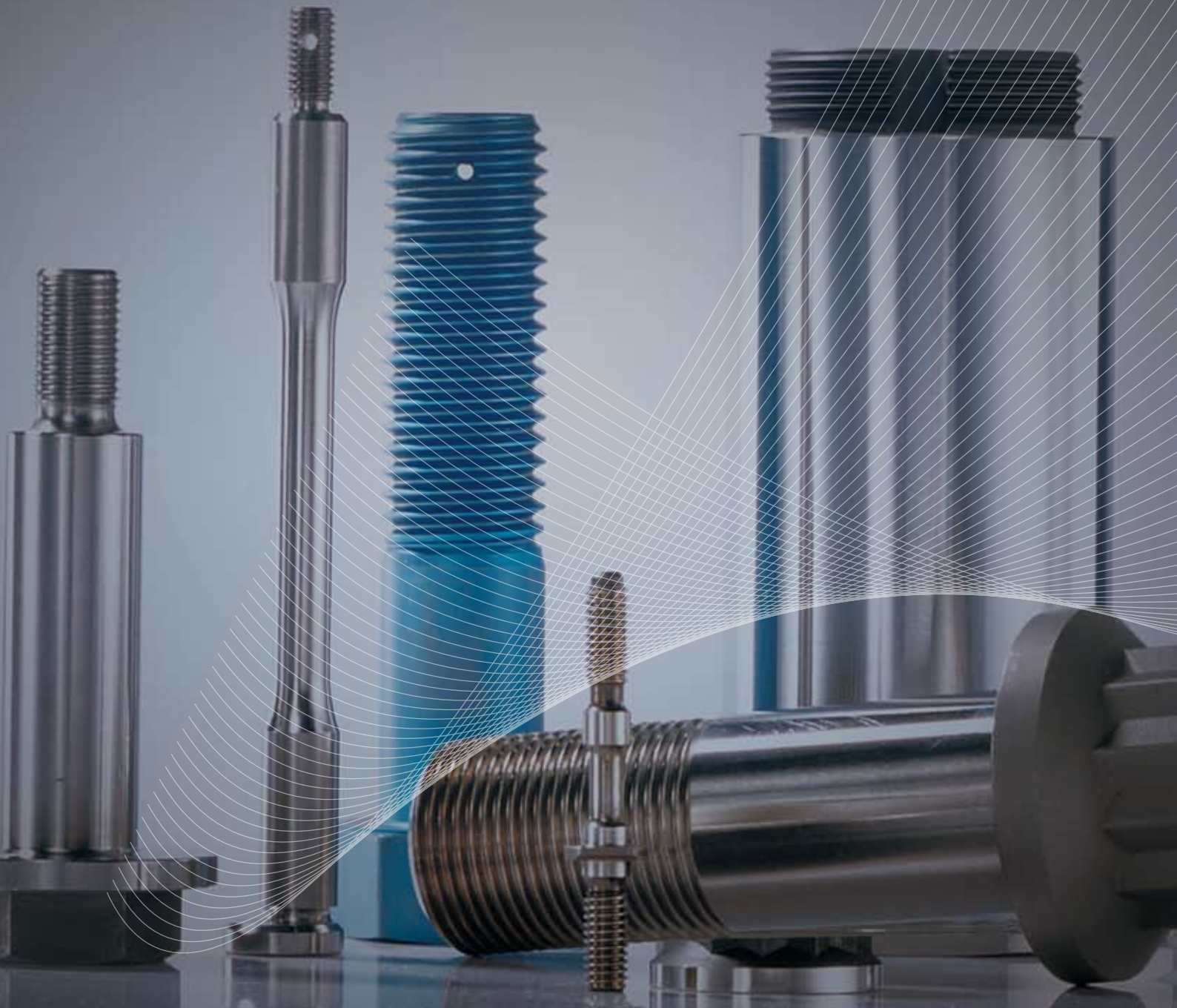
- 3-year sales contract with Puig and significant increase in orders for the "212 Men" and "212 Sexy Men" lines.

DECEMBER

- LISI COSMETICS is selected to take part in the flagship project of a new brand from the LVMH Group.

LISI AEROSPACE

>> AEROSPACE FASTENERS AND ASSEMBLY COMPONENTS



Growth in air traffic as backdrop to the crisis at Airbus

In 2006 international air traffic continued to grow, with US airlines enjoying a significant turnaround, and orders remained high for the second, consecutive year.

Airbus suffered from delays with the A380, sales problems with the four-engine A340, the late launch of its A350 and change of Chairmen; it was overtaken by Boeing, especially in the profitable long-haul niche. The American manufacturer's range proved very attractive, especially its B787.

Nervousness about the oil price and the cost of raw materials had no impact neither on production levels nor on the new programs. The euro-dollar parity is not helping European aircraft or parts manufacturers.

The market: points to note

- Airbus, LISI AEROSPACE's leading customer, has seen its leadership seriously compromised by a lower order book than Boeing with 790 planes ordered (1,055 in 2005), against a background of a tough statement about delays in the A380 program. However, it is still ahead on deliveries, with 434 planes sold (378 in 2005). In the meantime, 2006 saw confirmation of the industrial launch of the A380XWB and receipt of flight certification for the A380.
- The weakness of the dollar, the pushing back of revenues on account of the delay in the A380, cost overruns on this program and financing of the A380XWB have all led Airbus to launch a cutbacks and restructuring plan called "Power 8".
- Boeing has had an excellent year, based on the success of its B787 and large orders for the B737. With 1,044 orders (1,002 in 2005), it has significantly overtaken Airbus and enjoys the lion's share in terms of value due to the long-haul sector. Deliveries show a sharp increase, with 398 planes delivered (290 in 2005).



2006 REVENUE
€315.3 million

IN 2005 / **€243,7** million

2006 CAPEX
€19.6 million

IN 2005 / **€20,9** million

2006 WORKFORCE
2,696 Persons

IN 2005 / **2,368** persons



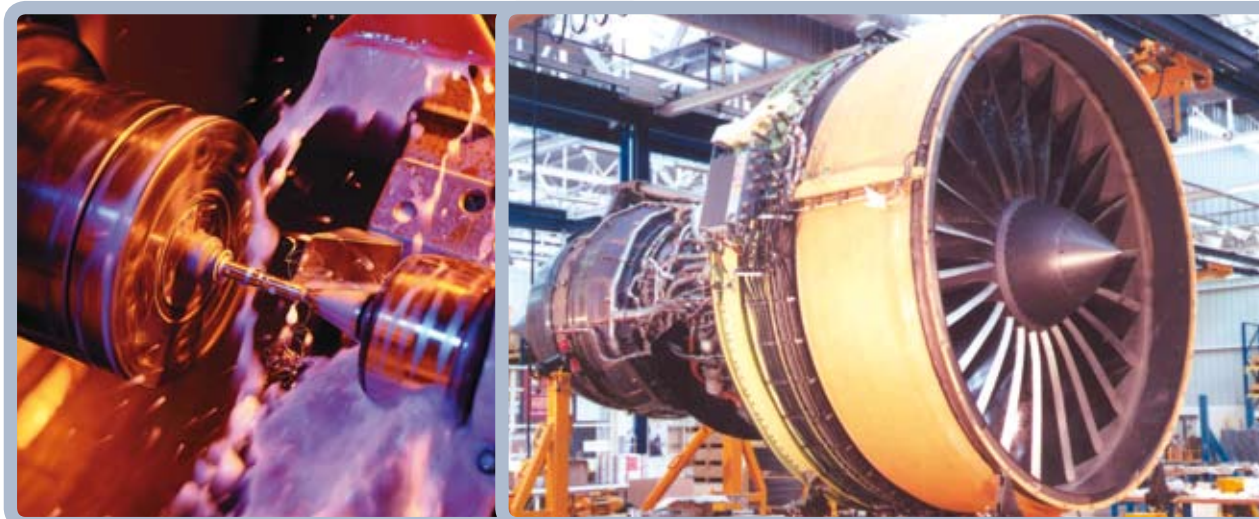
- Embraer booked 199 orders, of which 179 were for the E-170/190. Its order book of 463 planes represents almost 3 years of deliveries at the 2007 rate. It is made up mainly of the E-170/190 family, but there are still 53 ERJ-145 models to deliver for China.
- Bombardier continues to lose ground to Embraer, with its order book down to 80 planes. The group has also lost its first place in deliveries. This situation will become even more untenable with the arrival of two new competitors, Russia and China, in the key part of its market, 70 and 90 seats.
- Dassault has had a smash hit with its latest offering, the Falcon 7X, and is looking to break order records by going over 2005 levels.

LISI AEROSPACE consolidates its operating management as the new programs meet the realities on the ground

- The A380 program was disturbed by production delays, mainly connected with its difficulties with the electrical systems. These delays have obliged Airbus to revise production rates downwards, and have doubled expected delivery times.

The plan received its flight certificate in December 2006 and the first delivery is expected to be in October 2007.

- The B787 has been extremely successful, with a total now of just under 450 units on order; production has started, with a first test flight expected for the end of 2007.
- The new version of the A350XWB had its industrial launch in December 2006; there are 102 planes on order.
- The Falcon 7X has made its maiden flight and has been received very well by the market.
- The A400M has entered its industrial production phase. Notwithstanding strains surrounding raw materials, unfavorable parity, and rising energy costs, LISI AEROSPACE has equipped itself with the means to support its marketplace:
 - For the second year running, major investments have been made to increase our production capacity and to provide our industrial base with new dimensions:
 - Increased capacity at the Canadian plant (purchase of equipment, integration of heat treatment, expanding to the next-door building).
 - Redeployment of the nuts unit at Torrance, both to adjust to contract requirements and to improve quality and productivity.
 - Continued development of a 2nd source of nuts in Europe.
 - Growth and overhaul of means of titanium heat treatment at Villefranche de Rouergue.
 - A significant effort has also been made in recruiting and training; full-time equivalent staff has increased in the period to over 381, and new shift timetables have been drawn up to make better use of the industrial means; special emphasis was placed on training.
 - Basic work has been carried out on IT, improvement in HSE performance, knowledge of our customers and aligning our organization with their basic expectations:
 - Our Movex ERP system has been fully deployed in Europe for full functionality.
 - The number of industrial accidents with work interruption has stopped rising, the frequency and seriousness rates are down while staff is increasing.
 - Steps have been taken to further improve customer service in the use of our products and to anticipate customer requirements.
 - Solutions have been found with our suppliers so that the increase in raw material prices should be neither an obstacle to growth nor an economic obstacle for the various players within the Supply Chain.
 - Our legal and sales teams have worked extremely hard to implement all the steps required for compliance with the main regulations governing the exchange of goods that might be deemed military, especially ITAR regulations.



Eric Drouin - Snecma

A constant effort to keep costs under control, the introduction of new technologies (forge, hard turning, screw cutting etc), and increased volumes facilitated both creating the material and human infrastructure for tomorrow's requirements, and achieving double digit growth (30%) for the third year in a row, with rising profitability.

LISI AEROSPACE has made the expected efforts, in particular in two areas:

- Service rate: this has slightly increased despite strong growth and the many difficult, extraordinary items that had to be anticipated; the situation, ever tense, has remained under control or has improved, thanks to working closely with our customers.
- The cash position, which had been sorely tried by above average investment levels, building up stocks to meet new contractual scopes and a delay in collecting receivables linked to growth, has considerably improved.

In 2007 we are expecting a third year of growth, which will be harder to achieve following the excellent showing in 2006 and growth in the A380 and B787 programs: recruiting and investments during these two years again clearly contributed to productivity.

In Europe:

The Motors and Critical Parts B.U and the Airframe B.U have shown very sustained activity: support for the A380 retrofit, starting up the A400M assembly lines, preparation for picking up speed on the A320, support for CFM56 demand

As in the previous year, the year was characterized by heavy activity with European engine manufacturers. The major share of A320 and B737 models in airplane sales has let us maintain sustained demand with Snecma and GE, who supply one of the most popular engines, the CFM 56.

Together with the recovery at Rolls Royce and other US engine manufacturers, and despite the dollars' weakness, the Motor and Critical Parts B.U has achieved again the volumes that let it benefit fully from all the organizational efforts made in previous years:

- Production of short, very labor intensive runs at the Turkish unit,
- Improvement of Supply Chain management through the Movex ERP system,
- New investments.



In respect of the Airframe B.U, 2006 was marked by the ramping up of the A320 family, the start of A400M assembly and many retrofit orders for the A380.

It should also be noted that there were several fine orders for distribution.

Lastly, for the second, consecutive year, business has remained above our estimates: the buildings acquired last year at Saint-Ouen l'Aumône let us deploy without needing to set quotas and without the times typical of construction. The mass volume screws unit has taken off and achieved the rate to meet customer criteria in order to replace deliveries from our US plants, thereby freeing up the required capacity for the local market.

In terms of development, we have continued our efforts in the program to lighten the A380 (titanium nuts), designing coverings that meet changing environmental requirements, developing small devices (nuts, expansion pins) intended to bolster our range of special products.

In North America:

The Airframe B.U in Boeing's wake and refocusing on aerospace – the new Motor and Critical Parts unit in Montreal fulfills its promise

The Airframe B.U had to meet the combined increase in contracts from Boeing and, to a lesser degree, from Airbus and Embraer, which led us to grow over 45%.

To achieve this the following steps were taken:

- Redeployment and increased capacity in nuts production,
- Streamlining of the LGP production unit,
- Installation of an IVD machine,
- Reinforcement of the permanent weekend shifts (called the C-Shift),
- Use of overtime,
- Increase in staff to over 200 full-timers,
- Reorganization and strengthening of management organization,
- Creation of special training arrangements.

Marginal activities that took up a large amount of management resources, namely tooling and motor vehicles, have been sold.

At the same time, the Special Parts B.U has continued to be dynamic and has been able to profit from market growth, with growth of 35%.

On the Motors and Critical Parts front, our new Montreal unit has fulfilled its promise:

- Obtained or renewed the system and procedures qualifications (PRI NADCAP, AS9100),
- Obtained 80% of the qualifications of target customers for whom we had launched this project (US engine and parts manufacturers),
- Billing and orders on budget,
- Excellent cooperation with other Group units in joint client projects.

B.U Racing:

wait and see policy in respect of changes in regulations and new customer wins

2006 an uneven year for the Racing B.U: growth in the US and static in Europe.

In Europe, the decision to put on hold the motors for the coming four seasons has left F1 engine manufacturers in a state of uncertainty at year-end.

In respect of the 2006 season, the previous decisions (V8 engine, prohibition on titanium in engines) led to a slowdown in activity of operating motors.

In the meantime, our team, through its technical skill and service, was able to win over the last engine manufacturer not yet one of our customers, as well as two new Formula 1 teams.

In the USA, our efforts saw us advancing in every competition segment, especially in Nascar, which is the absolute must of US auto sport; a large part of the growth came from a new development for a major player in auto racing - this will be a guarantee for growth in 2007.



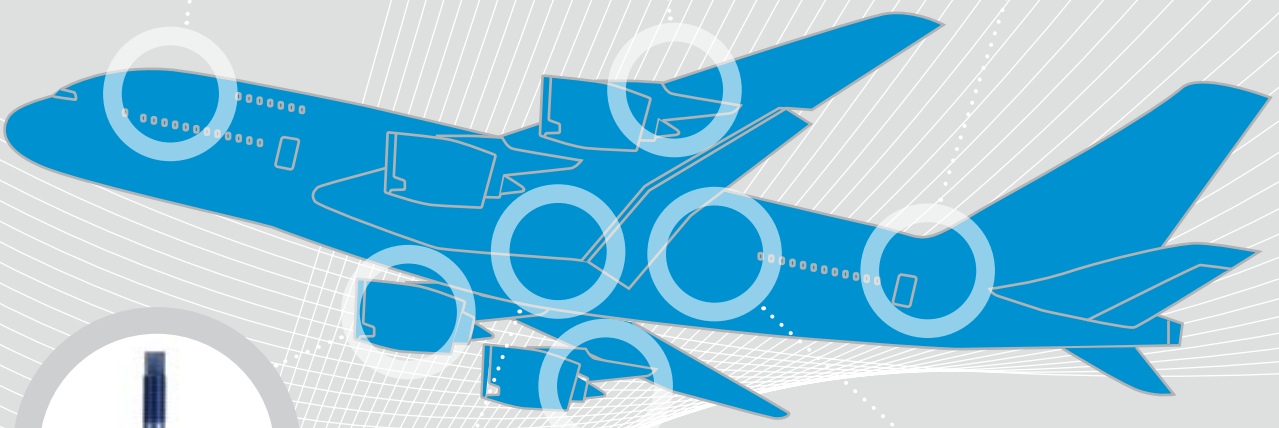
EYEBOLT
WINDOW



SPECIAL NUT
ENGINE



SANDOFF
HARNESS FASTENER
SUPPORT



TITANIUM STUD
ENGINE



TITANIUM LOCKBOLT
WING TO FUSELAGE
JUNCTION



12 POINT BOLTS INCONEL
ENGINE PYLON



TITANIUM HI-LITE
WING AND FUSELAGE
FASTENER

LISI AUTOMOTIVE

>> AUTOMOTIVE FASTENERS AND ASSEMBLY COMPONENTS



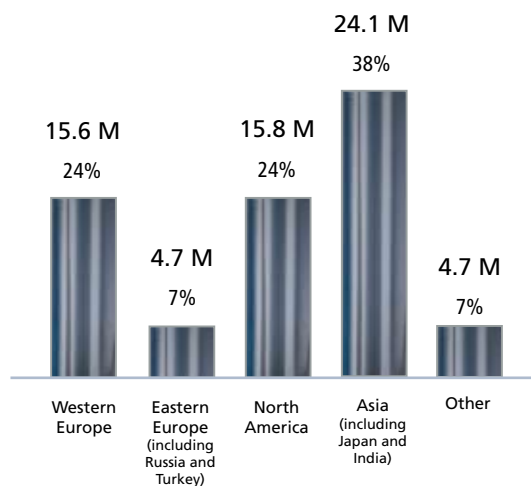
The world car market

Sustained by strong demand from emerging countries, the world car market continued its growth in 2006. Production was up 4.5% in 2006 to 64.9 million vehicles (source, CSM Auto). As in 2005, there has been stagnation in new registrations in the renewal markets, namely the USA (down 2.8% on 2005), Japan (down 2.2%) and Europe (up 0.7%). China, with about 5 million new registrations, has overtaken Germany, thereby becoming the third largest car market in the world after the USA and Japan.

New registrations in India have risen by more than 20% and in South America by 13%.

BREAKDOWN OF THE LIGHT VEHICLES PRODUCTIONS BY REGION IN 2006 IN MILLION VEHICLES AND %

M : million



Car manufacturers, LISI AUTOMOTIVE's customers

In 2006 the performance of LISI AUTOMOTIVE customers varied from one to another. LISI AUTOMOTIVE works mainly with five European and two American car manufacturers. For the latter two, we mainly supply their European plants.



2006 REVENUE
€382.5 million

IN 2005 / €339.3 million

2006 CAPEX
€25.1 million

IN 2005 / €22.4 million

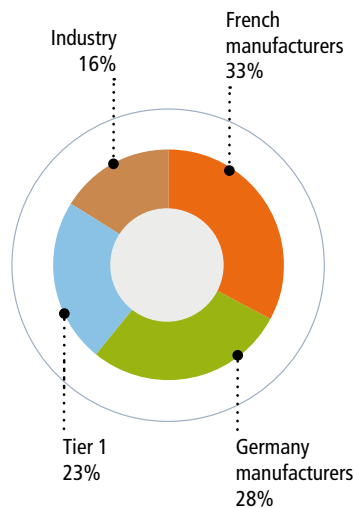
2006 WORKFORCE
2,980 Persons

IN 2005 / 3,012 persons



Breakdown by market

The re-balancing strategy for LISI AUTOMOTIVE's customer base through the acquisition of Knipping, a major player in the German market, has succeeded as the following graph shows. It should be noted that LISI AUTOMOTIVE is now the second supplier of fasteners to BMW.



MARKET BREAKDOWN OF LISI AUTOMOTIVE 2006 SALES

NEW REGISTRATIONS FOR LISI AUTOMOTIVE CUSTOMERS

Customer	New Registrations % 2006 v. 2005	
	Europe	World
BMW	+ 1.8%	+ 3.5%
DaimlerChrysler	+ 0.8%	- 4.7%
Ford	- 0.7%	- 2.5%
GM	- 2.7%	- 1.0%
PSA	- 2.1%	- 0.7%
Renault	- 11.0%	- 4.0%
VW	+ 5.3%	+ 9.3%

Sources ACEA + manufacturers

For the second straight year, LISI AUTOMOTIVE's two main customers, PSA and Renault, both lost ground in the marketplace, with a resulting major cutback in their production in Europe.

Strengthening LISI AUTOMOTIVE's position in its market

In 2006 LISI AUTOMOTIVE sales reached a record €382.5 million. This increase of 12.7% on 2005 is due to the acquisition of Knipping Verbindungstechnik GmbH in July 2005, which showed its full effect in 2006. On a like for like basis, growth was the same as overall European production, with a drop limited to 0.7%..

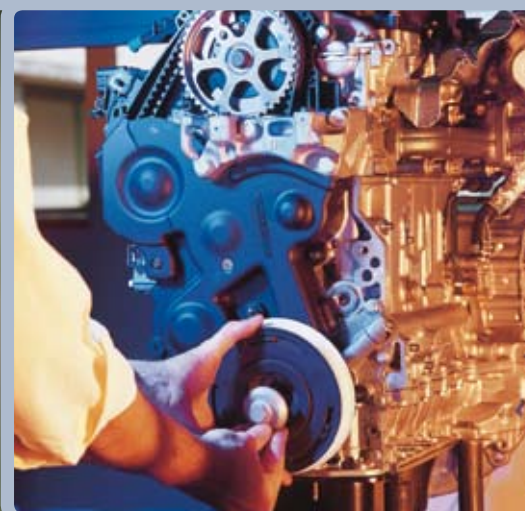
Breakdown by country

Of the 15 leading client countries of LISI AUTOMOTIVE, France and Germany are Nrs 1 and 2 respectively, with between them two-thirds of all sales. However, the emerging markets now represent 13% of LISI AUTOMOTIVE sales revenues, with China in ninth position. The Czech Republic is LISI AUTOMOTIVE's third client country. Our industrial presence in the country attests to our strong performance.

New products – new markets

For the third straight year, LISI AUTOMOTIVE has posted a high level of orders for new products, particularly in the field of mechanical components. The successes of past years showed up in production in 2006, as the products page opposite attests. In 2006 our successes involved in particular:

- An electric parking brake for TRW,
- Orders for clip products for the new Citroën C5,
- A renaissance of our Pressfix® solution,
- Large orders in China from local manufacturers.



Profitability

With an operating profit (EBIT) that is at the 2005 level of 6.8% of sales revenues, LISI AUTOMOTIVE has to restructure to respond to the changes forced upon it by its environment: stagnation or decline in automobile production in developed countries and strong growth in emerging markets. Thus following the disposal of Gradel in 2005, LISI AUTOMOTIVE has decided:

- To get rid of its Monistrol factory, which specializes in standard screws,
- To cease production of components in Canada, relocating it to the Melisey and Form a.s. sites,
- To acquire capacity internationally, to support the growth of its strategic customers outside Europe.

International

In 2006 sales at our Beijing factory increased by 90.4%, and new orders with local customers reached 35% of sales revenues. In the Czech Republic, to meet the sharp growth in sales following the acquisition of Form a.s. in 2004, all our activities will be brought together in a new factory, whose construction will start in 2008. We have also opened a sales office in India, located in Ahmedabad, with the clear intention of offering our skills in cooperative design to local vehicle manufacturers.

Excellence targets

LISI AUTOMOTIVE intends to position itself among the very finest leaders of fasteners and mechanical components through the excellence of its products and services.

Quality

In an industry ever more demanding about quality, LISI AUTOMOTIVE reduced customer complaints by 25% in 2006. At certain strategic customers our performance is measured in ppb (parts per billion), since it has long gone below ppm.

Service ratio

Our service ratio in March 2006 reached a historic high of 96%. To better serve its customers, LISI AUTOMOTIVE has launched an ambitious excellence program, with the aim of achieving 99.5% over the coming three years.

Work accidents

Following a drop of 46% in 2005, we again reduced the number of work accidents by 41% in 2006. Several LISI AUTOMOTIVE factories recorded zero work accidents involving a stoppage throughout 2006.

HSE

LISI AUTOMOTIVE has launched an ambitious program for ISO 14001 certification at its French sites. The materials



preparation unit at Grandvillars and the Lure tooling unit received their certification in 2006. It should be noted that the factories of the Knipping Group and the Mellrichstadt plant in Germany are already certified to ISO 14001.

ACE

The ACE cost reduction program is now in its fourth year. It has been extended to nine of the Group's plants and has facilitated savings of €11 million, thereby compensating for drops in prices, salary and energy inflation, and loss of volumes at the Group's French factories.

The outlook for 2007

We are not expecting a recovery on the European automobile market in 2007, and our forecasts accordingly remain conservative, even though the entry into production of new products and the growth of sales abroad should compensate for the flatness of the market.

To carry out its worldwide growth strategy more effectively, LISI AUTOMOTIVE has carried out a reorganization, creating four independent Business Groups:

- Business Group – France
- Business Group –Germany
- Business Group – Tier 1 Worldwide
- Business Group – Asia

Each unit shall be responsible for the strategy for its customers worldwide, and will be managed by a manager who reports to the CEO of LISI AUTOMOTIVE.

Complex parts developed for new vehicles

In 2006 LISI AUTOMOTIVE continued its development of multiple technology solutions for the new vehicles of the world's largest manufacturers.

Peugeot 207

The parts that LISI AUTOMOTIVE delivers for the 207, launched in April 2006, cover the entire vehicle: parts for the motor cradle (spacebars with reinforcement, centering devices etc), ground connecting screw, structural parts (struts, screws and axles for welding, clamping plates etc), seat fasteners, fasteners for interior and exterior fittings.

Citroën C4 Picasso

LISI AUTOMOTIVE parts can be found throughout the new Citroën C4 Picasso, on sale since October 2006 in France and most European countries. Among the most noteworthy, we would mention the supports for the rear shock absorber. This innovative solution combines various technologies: plastic injection, cutting and cold head press. It is made up of:

- A plastic support with two metal reinforcements, manufactured at Puiseux, to which are welded two spacebars made at Dasle,
- Two plastic cages manufactured at Mellrichstadt with a nut from Thiant.

Another example of multiple technology components is the lateral support that facilitates fastening the wing and the bumper. It is made up of two pieces of plastic injected at Mellrichstadt and three pinch clasps made in Puiseux.

Volkswagen Passat

In 2006 Knipping designed an "EBS-Schraube" self-threading, self-piercing screw, which is easier in assembly. This patented solution will be delivered this year to Volkswagen for fastening sunshades on the rear doors of the new Passat.

BMW Series 5

LISI AUTOMOTIVE has developed a clip intended to fasten the central console of the dashboard of the BMW Series 5, which will be reused in the future for the Series 3. This clip is made up of a plastic pin injected in Mellrichstadt and a metal clip made in Heidelberg.

Bosch

Since February 2006 LISI AUTOMOTIVE has been manufacturing a new handbrake system for Bosch. Made up of a screw, a nut and a cage, this subassembly is intended for the Ford Transit van and the Citroën Picasso. LISI AUTOMOTIVE provided its skill during the final design phase of this project, and is Bosch's sole supplier for this solution.



CLIP
BMW SERIE 5



WELDED SPACER ON BRACKET
PEUGEOT 207



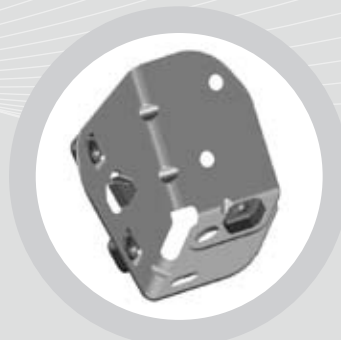
SIDE SUPPORT FOR FASTENING
THE WING AND THE BUMPER
PICASSO C4



SHOCK ABSORBER SCREW
PEUGEOT 207



SHOCK ABSORBER BASEPLATE
FASTENER
PICASSO C4



REINFORCED QUARTER
PANEL STAMPING
CITROËN C3

LISI COSMETICS

>> ASSEMBLY AND PACKAGING COMPONENTS
FOR FRAGRANCES AND COSMETICS



In 2005 the 100 largest cosmetics companies in the world were worth almost \$135 billion (including perfumes, cosmetics, makeup and care products).

The USA led the market with 34 groups, France being in second place with 17 leading groups. Among them is the world Nr. 1, L'Oreal (\$18.1 billion), and hot on its heels comes Procter & Gamble (\$18 billion). Among our other customers on this list of leaders is the Shiseido Group, in 4th position at \$6 billion. LVMH and Chanel are in 13th and 14th positions at \$2.8 billion and \$2.7 billion respectively. Finally the groups Clarins (\$1.2 billion) and Puig (\$1.1 billion) hold the 25th and 26th positions.

In 2006 all segments of the market benefited equally from the same number of launches, but the strongest was care, with a new target, "Men". Another highlight was that premium care products, selling for over €100, went from 220 items in 2005 to 260 in 2006.

In perfumes, in France the market relies on the tried and proven, as evidenced by the stability of the Top 10 over recent years. On the other hand, in Europe, growth in sales revenues of perfumes is nowadays influenced by novelties.

"The organic fashion" that has flooded care products is influencing the entire world of cosmetics

According to consulting company BBE, the market for organic beauty products, which is worth €770 million, is increasing on average at 18% annually and has very good growth potential since it still represents only 7.5% of the beauty products market.

Aluminum is a very interesting product for protection of the environment, since it is fully recyclable. LISI COSMETICS is today set up to respond to the most ecological requirements. With our physical-chemical and biological waste treatment station, we are one of the limited circle of anodizers whose waste disposal meets European standards. Our business is thus ready to support the emerging wave of the "organic sector".



2006 REVENUE
€44.1 million

IN 2005 / €37.8 million

2006 CAPEX
€2.5 million

IN 2005 / €4.2 million

2006 WORKFORCE
475 Persons

IN 2005 / 474 persons



About perfumes

L'Oreal has signed a licensing agreement with Diesel, P&G has done the same with the Eden Park and Christina Aguilera brands, and LVMH has an agreement with Fendi.

If the new products acquired by our customers represent sales growth opportunities for us, we have also negotiated in 2006 medium-term supply agreements with the Puig and LVMH groups. These are three-year contracts that ensure performance and a service level in return for a growing sales figure.

A year marked by well-established winners, new projects, the extension of flourishing brands, and a few flankers

In 2006 LISI COSMETICS was of course there for the big launches, such as "Allure Sensuelle" and the "L'inimitable" mascara from Chanel, the "212 Sexy Men" line from Puig, the tops for the new JPG Classique bath line, and of "L'eau d'Issey pour Homme" and "L'eau de Lotus bleu" by Roger Gallet.

This year is also confirming the propensity of the French market to go for known winners, to whose success LISI COSMETICS is proud to contribute. That is the case of "Acqua di Gio" by Armani, "212 Men" by Carolina Herrera, "N° 5", "Coco

Mademoiselle" and "Allure Homme Sport" by Chanel, "J'Adore" by Dior, "Desire" by Dunhill, as well as "Lacoste pour Femme" and "Lacoste pour Homme". All these products have enjoyed subsequent re-supplies.

In niche brands boosted by the fame of their creators, we have continued to collaborate on the development of the "For Her" line by Narciso Rodriguez, by making our injection know-how available for 3 new products: "For Her" Eau de Parfum, "For Her" Body Cream and "For Her" Hair Mist.

The trend, it appears, is towards "limited series" and "flankers". Happily the market turns some short series into long-term products. "A Men Summer Flash" by Thierry Mugler, for which we inject the top in solid Surllyn, is one of these exceptions.

Optimization of resources and industrial equipment

In 2006 improvements were still focused on optimizing and ensuring the reliability of production flows and processes. The growth of automated production lines for machining, cold shut, decorating and pre-assembly have facilitated dispensing with intermediary handling and storage.

Our range of robotic, modular assembly lines has also been strengthened. We would mention in particular the 6-axis, second generation robots and the extensive use of CCD cameras to control and position parts.



The physical-chemical and biological waste treatment station at Saint Saturnin has achieved its performance targets. This installation, which had been too large, should from 2007 be able to treat waste from the new anodic oxidation facility. Our customers have shown themselves to be sensitive to our environmental concerns, and most of them have welcomed this European pilot installation. The second benefit of this equipment is the site's reduced water consumption (about 40%).

The safety work at the site is now complete. The sprinkler system covers the entire factory and in particular our new polishing workshop, which is equipped with digital control machines that can produce complex parts to customers' specifications.

The involvement of the entire staff must be mentioned, who together with the Quality Department allowed us to obtain ISO 9001:2000 certification. Quality at the center of everything we do is evidenced by our constant desire to improve both products and services, to provide long-term satisfaction for our customers' requirements.

Innovation at the heart of our strategy today and tomorrow

R&D to improve our equipment, processes, products and services, and the optimization of material use, in particular "organic", is an integral part of our priorities.

Market coding and the identification of new targets allows reducing the number of research directions, so that we can offer our clients the solutions best suited to their needs. LISI COSMETICS being a source of ideas means both many ingenious, technical concepts, and suggestions for decoration and finish for the sake of marvelous product designs for the future.

In 2006, after having shown at "Luxe Pack" our third collection of effects in poly-sensorial materials on the themes of energy and light, we now look forward to supporting our customers' planning in ergonomics, new signs and symbols, and mobile consumer lifestyles requiring unique and differently secured opening and closing systems for their products. These thoughts provide fascinating challenges for the future.

Sources: COSMETIQUE HEBDO - COSMETIQUE MAGAZINE - FASHION DAILY NEWS - F.I.P. - FORMES DE LUXE - WWD BEAUTY REPORT INTERNATIONAL -

Human Resources

Over 1,000 people recruited in 2006

In 2006 the LISI Group recruited over 1,000 people, of whom 2/3 come from North America. LISI AEROSPACE used considerable, and above all innovative, ways to recruit over 700 people, to be able to meet the sharp increases in its customers' programs.

Making diversity a source of both richness and diversity

Our teams' international flavor can be seen in the increase in the number of expatriates, over twenty of them, in China, Canada, Turkey, the Czech Republic and in the USA; and English and American employees come to France for 2 and 3 year periods:

- To acquire technical, industrial, control and management methods of the Group, for those recently recruited;
- To create benchmarks between the various trades and links between the management units, for the more experienced.

Internal mobility shows up in the annual review meetings, which are increasingly held regularly throughout the group. Holding regular employment marts and harmonizing management rules governing career paths between the Group's divisions stimulates opportunities for movement between positions. Lastly, to stimulate internal mobility, the GPEC HR (forecast management of jobs and skills) agreements provide incentive measures that are both functional – reconnaissance trips, adaptation periods – and financial.

Training and apprenticeships

In France the Group is currently reinforcing its teams with 103 apprentices spread over 19 sites, in all areas of activity and at every level: workers, engineers, those with vocational high school diplomas and with the BTS technical diploma. The latter combine theoretical studies in an academic environment and hands-on applications in our production workshops and our various departments (maintenance, quality, safety and environmental protection, management control and IT).

Apprenticeship remains a guarantee of success for employment and dismissals through partnerships with local and regional technology universities.

Training is considered a key element of the Group's HR policy and facilitates supporting the professional growth of employees and building teams around shared skills.

In 2006 4,174 employees at every level underwent training to support their skills development. These training programs totaled 75,164 hours over the year, with a budget of €4.2 million.

Involving employees with the financial results and performance of the LISI Group

To develop the sense of belonging to the Group by involving employees in the LISI Group's performance: that was the purpose of the capital increase for employees that we started in 2006. LISI was able to make a €1.2 million increase in capital thanks to subscriptions to the Group's Provident Plan. Today the Company has 1,107 employees with shares in the "LISI Shares" fund, whose assets are worth €6.2 million.


REGISTERED HEADCOUNT BY DIVISION (Registered at year end)

	2006	2005	N/N-1 Variance
LISI AEROSPACE	2,696	2,368	14%
LISI AUTOMOTIVE	2,980	3,012	-1%
LISI COSMETICS	475	474	NS
Holding	10	9	11%
Total Group ⁽¹⁾	6,161	5,863	5%
Temporary employees	356	280	27%

(1) Excl. temporary employees

HEAD COUNT BY CATEGORY IN 2006 (Registered at year end)

	2006	2005	N/N-1 Variance
Workers and workshop technicians	4,106	3,878	6%
Employees and technicians	840	841	NS
First-line supervisors	642	576	11%
Executives	573	568	1%
Total	6,161	5,863	5%

REGISTERED HEADCOUNT BY GEOGRAPHIC AREA (Registered at year end)

	2006	2005	N/N-1 Variance
France	3,323	3,250	2%
USA	868	741	17%
Germany	903	901	NS
UK	261	232	13%
Turkey	223	197	13%
China	110	80	38%
Canada	113	70	61%
Czech Republic	188	210	-10%
Spain	172	182	-5%
Total	6,161	5,863	5%
Out of France	2,838	2,613	9%
% out of France / Total	46%	45%	

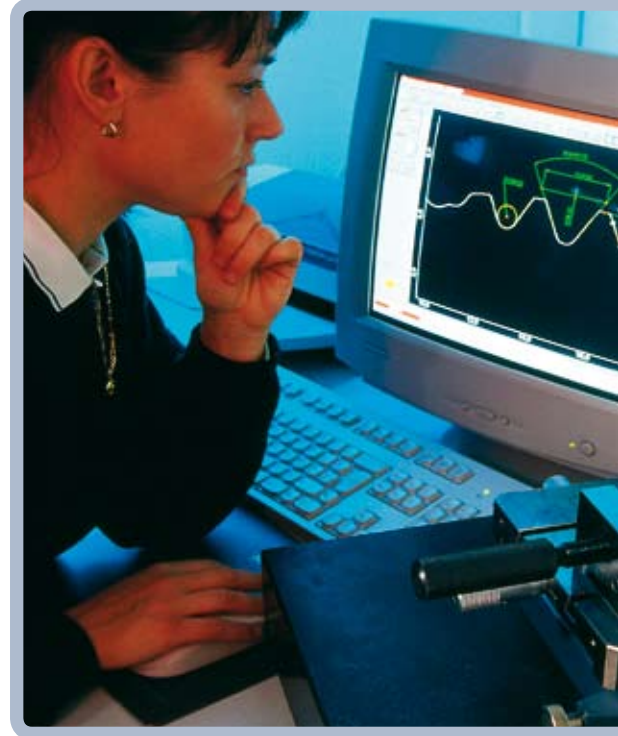
HEAD COUNT BY AGE BRACKETT (Registered at year end)

	2006	2005	N/N-1 Variance
< 20 years	71	61	16%
20-29 years	1,114	1,074	4%
30-39 years	1,981	1,619	22%
40-49 years	1,707	1,711	NS
50-59 years	1,172	1,263	-7%
60 and +	116	135	-14%
Total	6,161	5,863	5%

CONSOLIDATED 2006 TURNOVER

Full time employees	Voluntary departures	Turnover rate
6,357	326	5%

R & D



LISI AEROSPACE

The intense competition on both commercial airliners with over 100 seats and smaller, local planes calls for the introduction of new, more powerful products, which up until now had been ruled out for economic reasons or because the economic situation did not justify taking risks on unproven products.

Within this context, the R&D of LISI AEROSPACE in 2006 was in the following four areas:

Qualifying new fastener standards:

Numerous orders for items that were new to LISI AEROSPACE led us to carrying out an ongoing qualification process. Most took place in North America, pushed by growing demand from Boeing, at the Torrance and City of Industry plants and in Canada. In Europe the work was mainly qualification of alternative sources for Airbus standards until now produced in the USA, as well as qualification of new items for the engines business, which grew in 2006.

Developing new fasteners:

Pushed by Boeing, the development of a new system of crimped fasteners (known as "Threaded Lockbolts") was finalized this year in partnership with one of our competitors. On the European side, qualification of new, high-performance Titanium nuts with a chromate-exempt coating should come to an end in the first half of 2007, with the introduction of these nuts for the joint of the fuselage and wings of the A380, with encouraging possibilities of using a larger version on the A350XWB.





Year	R&D expenses in €M	% of revenue
1998	5.9	1.3%
1999	7.8	1.7%
2000	13.4	2.5%
2001	13.5	2.4%
2002	13.8	2.7%
2003	11.4	2.3%
2004	10.2	1.9%
2005	10.1	1.6%
2006	12.3	1.7%

Developing new products lines:

Commenced in Q1'2006, the development of expansion pins at the Vignoux- sur-Barangeon site is now going into the qualification phase, scheduled for the first half of 2007, for use on CASA C235 and C295 planes expected in mid-2007.

This development adds an additional line of products in the field of special fasteners.

Similarly, several developments for nuts are underway in mechanical assemblies. For example, the development of a trigger flap lock for use in parts of the Airbus, for which the design, manufacture of prototypes and technology validation tests were carried out in 2006.

Also in the family of special fasteners, in North America there has been good cooperation between the City of Industry and Montreal plants that allowed taking an active part in the development and introduction to the market of a new fixing system for passenger seats for the Boeing B787 family.

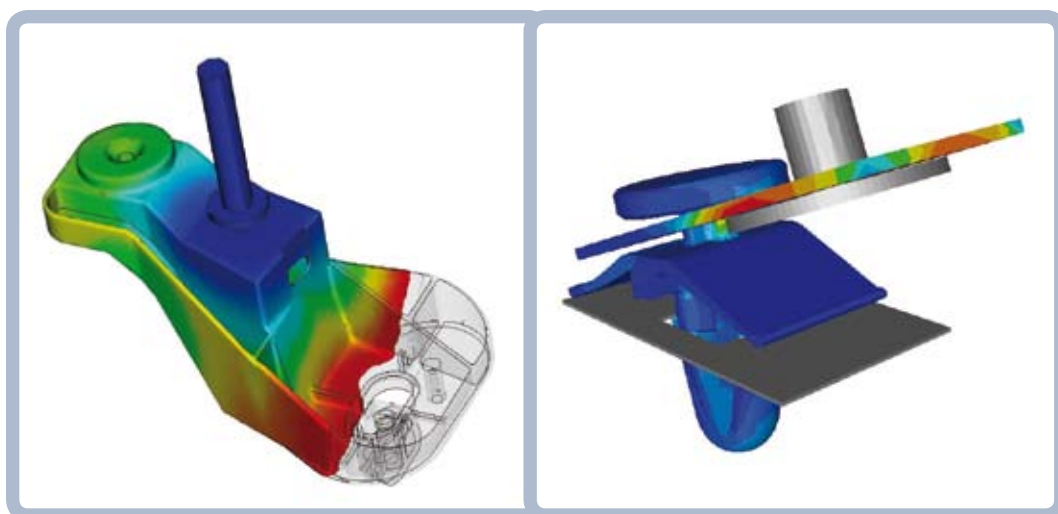
Strengthening R&D / preparing for the future:

Strong performance in 2006 and development prospects for the coming years have let us define a strengthening of R&D at every level.

Strengthening through means: finalization of a project to set up a Design Center at the new plant on the Saint-Ouen l'Aumône site, and the creation of a laboratory for development at the service of the Group.

Strengthening through the R&D teams: at the Design Center and at the plant-level engineering offices, with a recruitment program that seeks to reinforce skills in the field of technical support for clients, of new product and materials design and surface treatment, connected in particular with highly restrictive environmental constraints.





LISI AUTOMOTIVE

Development

Orders for new products were up in 2006, with 148 new parts for annual sales revenues of €43 million.

The largest orders were for mechanical components, mainly in the brakes markets.

New contracts for clip fasteners are also sharply up, both in Germany and in France. This success is the result of a constant effort to innovate, confirmed by the filing of applications for 7 patents.

Research

Continuing from previous years, knowledge of materials and digital simulations were the basis for research in 2006.

The recruitment of a metallurgist and a plastics engineer demonstrate the wish to round out research potential and support for product development.

Materials

The implementation of new specifications for cold press steel, in accordance with European standards, allowed dividing by three the number of grades used.

The perfecting of a very high resistance steel continued in 2006, in cooperation with a steelworks and a car manufacturer. Following the first encouraging results, the research should be complete in 2007.

The conclusions of a study on light alloys brought to light new opportunities for using our product range.

Surface coatings

Improving the environment requires the replacement of zinc-based coatings that contain hexavalent chromium, in order to comply with the European directive on dangerous substances. The implementation of this change, which affects many items, will continue through early 2007.

The increase in long distance transportation necessitates finding new solutions to protect various steels from corrosion. Two new, polymer-based coatings, which have just come out of university laboratories, appear to be a future solution to this problem.

A new approach to stripping wires prior to cold press has reduced effluents by two thirds: the savings apply to the treatment of 600 m³ of used acids per annum.

Digital simulation

Several years of research were required to model the development of splits in the operation of a forge. A final thesis is being completed at the Ecole des Mines in Paris. The improvement of the quality of the nuts is the first tangible result of all this work.

A major research project has been started to create a database of the behavior of plastic materials. This knowledge will contribute to improving the reliability of digital simulations of clip fasteners.