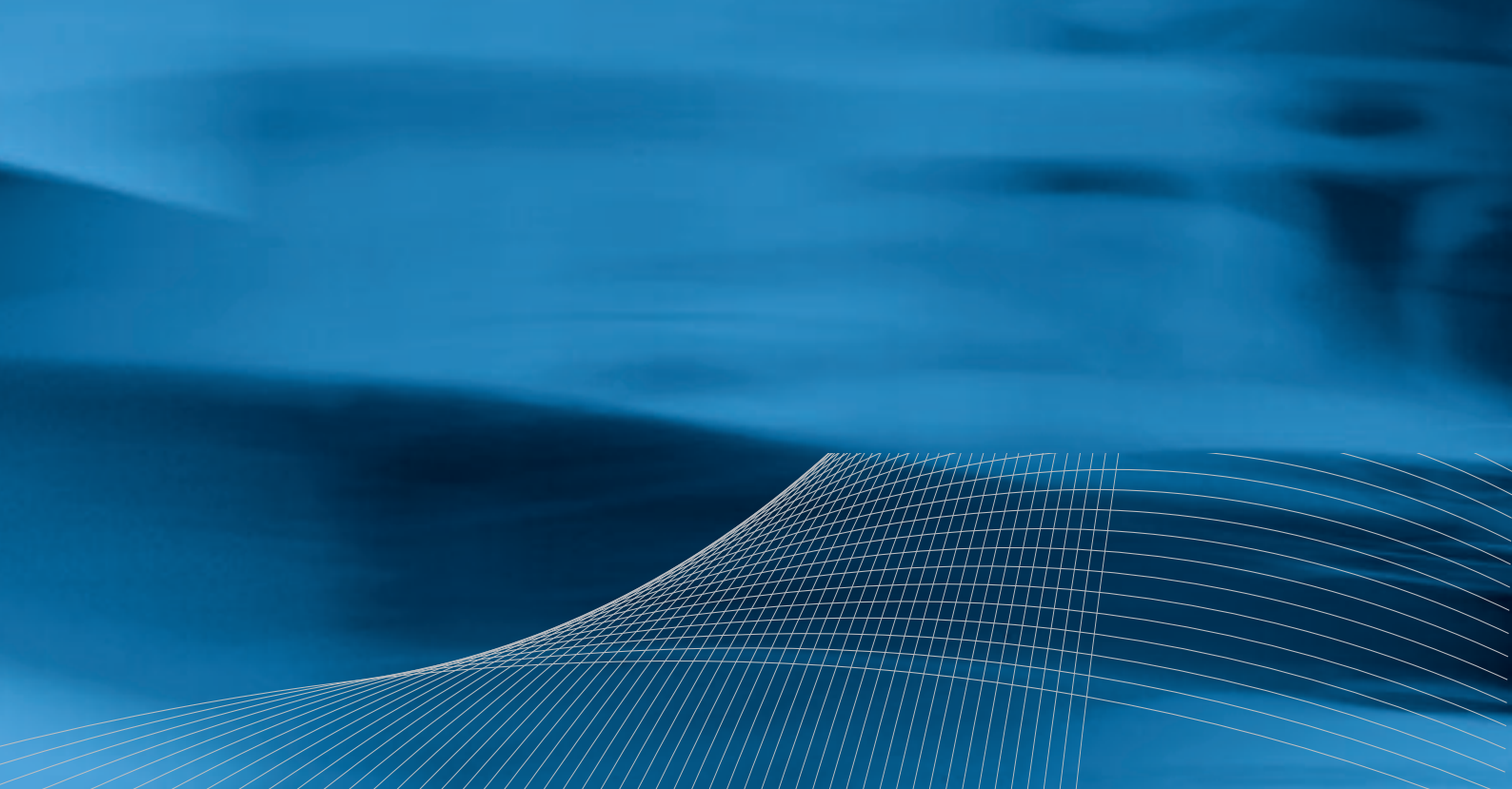




2005
ANNUAL REPORT

LINK SOLUTIONS FOR INDUSTRY

lisi



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

SUMMARY

02	Letter from Management
04	Board of Directors & Executive Committee
06	Key figures
08	LISI profile
10	Business Units
12	The year's events
14	LISI AEROSPACE
18	LISI AUTOMOTIVE
22	LISI COSMETICS
26	Human resources
28	Research and development
30	Risk management
32	Stock market data

LETTER FROM THE MANAGEMENT

2

— Gilles KOHLER

— Emmanuel VIELLARD



— 2005 turned out to be a major, contrasted milestone for our two major markets:

- strong and robust growth in the aerospace industry was confirmed and epitomized by over 2,000 aircraft orders recorded by AIRBUS and BOEING over the past twelve months. These also confirmed the forecast more than 20% growth in deliveries for both manufacturers in 2006.
- sluggishness in the automotive industry, which saw new vehicle purchases by private individuals stagnate between -1% and +1% in the three main parts of the world, i.e. Europe, Japan, and North America. This resulted in a severe decline in European production during the second half of the year for several of our car manufacturer customers.

In that context, our divisions, each in its own specific context, have continued to implement their strategic plans:

- For **LISI AEROSPACE**, the year elapsed was characterized by heavy investments – €20.9m, or nearly 9% of revenues, devoted in particular to the expansion of the sites of Saint-Ouen l'Aumône and Izmir and the startup of the new plant in Dorval, Canada – as well as by an all-time high recruitment level: 367 new recruits on average over the year, a 17.4% increase in head count.

This two-fold effort has made it possible, in the short term, to maintain a satisfactory logistics service rate, which is a very difficult achievement in a high growth context, but also and even more, to secure our customers' internal growth over the longer term.

- As far as it is concerned, **LISI AUTOMOTIVE** has pursued its industrial refocusing by selling its sole precision machining activity; on the contrary and as a result of the purchasing of KNIPPING (€101m annual revenue in 2005), the division reinforced itself in the area of industrial fasteners with a new product range that restores the balance of its customer portfolio between French and German manufacturers, whose respective weights are now becoming more equitable.

A high renewal rate for new products (13.5%) is the other very positive highlight to be noted for 2005. This benefits more particularly RAPID, the clipped fasteners division, which was less effective these past years regarding that key factor the future.

- Lastly, **LISI COSMETICS** ended the period with an EBITDA of nearly 7%, its best score since 2000. This comeback to profitability is illustrated by highly promising projects for 2006.

The efforts put forth by our teams – and we would like to seize this opportunity to thank them warmly – to achieve Excellence in all aspects of the company, are reflected by the following summary figures:

- 2005 revenue at €618m, up 14.2% from the previous year;
- sales abroad accounting for 55% of total sales, an all-time high;
- EBIT standing at 10.3% of revenue, up 9.4% from one year to the next;
- net earnings of €35.6m, that is 5.8% of revenue, up 13.3% from 2004;
- gearing of 44% after the acquisition of KNIPPING.

With such achievements, we can allow ourselves to be confident that LISI will pursue its profitable and sustainable growth, as forecast by our strategic and operational plans, which each year become more deeply rooted in our organizations. This situation also strengthens our belief that we can definitely offer satisfaction altogether to our shareholders, our customers, and our staff, a value that remains our key objective for future years.

THE EXECUTIVE COMMITTEE

4



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



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



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

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

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

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

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 / Director - Thierry PEUGEOT Permanent Representative of CID to the LISI Board of Directors / Director - Christophe VIELLARD Permanent Representative of VMC to the LISI Board of Directors / Director.

KEY FIGURES

6

€618M sales
55% OUT OF FRANCE

+4.5%
ORGANIC GROWTH

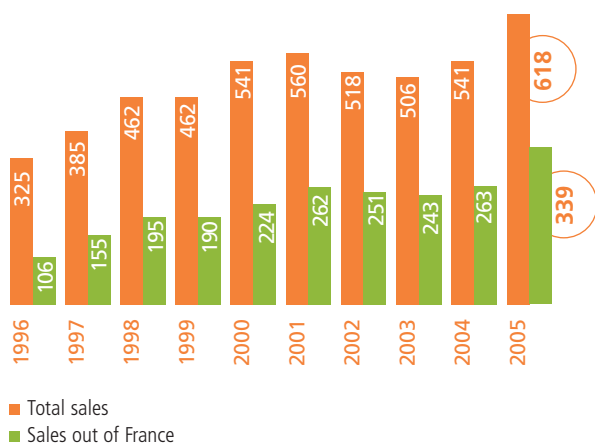
15%
EBITDA

€47.3M
CAPEX

EBIT in €M and % / sales

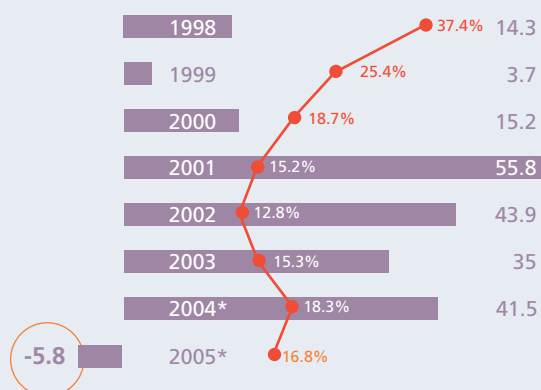
1996	31.0	9.2%
1997	46.4	12.1%
1998	77.5	16.8%
1999	63.7	13.8%
2000	65.0	12.0%
2001	61.6	11.0%
2002	47.0	9.1%
2003	51.9	10.2%
2004*	58.4	10.8%
2005*	63.8	10.3%

CONSOLIDATED SALES in €M



The LISI group's consolidated annual sales stand at €618 million, a gain of +14.2%. It should be noted that based on a major increase (+28.7%) in sales outside France, these now represent almost 55% of the total.

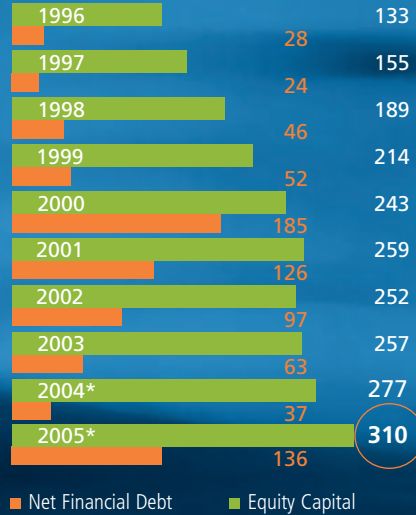
FREE CASH FLOW and ROCE



EBITDA in €M and % / sales

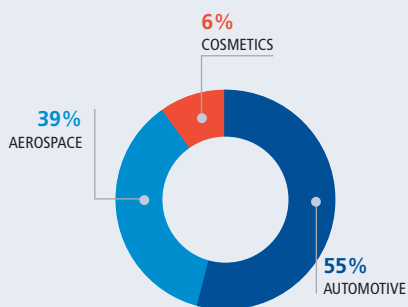
1996	49.3	15.2%
1997	61.5	16.0%
1998	89.6	19.4%
1999	80.4	17.4%
2000	81.6	15.1%
2001	86.8	15.5%
2002	77.3	14.9%
2003	78.7	15.6%
2004*	91.7	16.9%
2005*	92.9	15.0%

EQUITY CAPITAL and NET FINANCIAL DEBT in €M

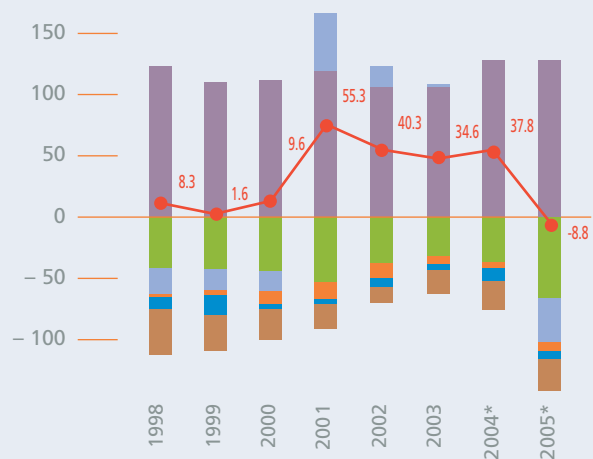


The large investment program conducted by the Group, in particular in its AEROSPACE Division, along with the acquisition of KNIPPING, have significant impact on the financial structure and explain the increase of the indebtedness ratio, now at 44% of shareholders' equity.

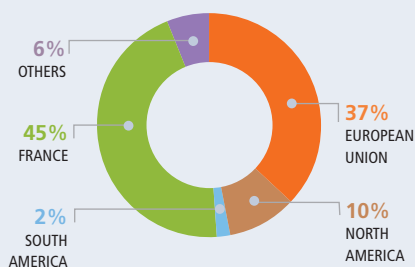
SALES BY ACTIVITY in %



FINANCIAL FLOWS in €M



SALES BY GEOGRAPHICAL AREA in %



- EBITDA
- Net capital expenditure
- Financial charges
- Extraordinary result
- Taxes
- Variation in WCR
- Balance

* IFRS standards

PROFILE

8

1 business
3 sectors
of activity

LISI AEROSPACE

Aerospace fasteners and
assembly components

39% of revenue

N°3 in the world

Key figures:

Revenue:	€243.7m
EBITDA:	€45.7m
EBIT:	€37.3m
Capex:	€20.9m
11 sites and 2,368 employees around the world	

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.
- **High Tech** Fasteners and components for motor sports.

Customers:

Airbus, Boeing, Bombardier, 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.

LISI AUTOMOTIVE

Automotive fasteners and assembly components

55% of revenue

N°4 in the world

LISI COSMETICS

Assembly and packaging components for fragrances and cosmetics

6% of revenue

Top 10 in the world

Key figures

Revenue:	€339.3m
EBITDA:	€41.8m
EBIT:	€23.4m
Capex:	€22.4m
21 sites and 3,012 employees around the world	

Flagship products:

- **Threaded fasteners** Engine fasteners, wheel screws and nuts, safety screws and nuts, ball joints, PRESSFIX® nuts and assembly equipment, clamp washers.
- **Clip fasteners** Panel fasteners, fasteners for tubes and wiring, plugs, multi-functional metal and plastic sub-assemblies.
- **Components** Safety components: torsion bars, guide rods, brake hoses, spacers, ball in ramp, special hollowed components and rods.
- **Knipping products** Cab interior and engine dress-up fasteners. Screws for sheet metal and plastics, trimmed parts, surface treatment, and coating operations.

Customers:

PSA, Renault, VW, BMW, DaimlerChrysler, Ford, TRW, Bosch, Autoliv, Faurecia.

Competitors:

A. Raymond, ITW, Kamax, Nedschroef, Nifco, SFS, Textron.

Key figures

Revenue:	€37.8m
EBITDA:	€2.5m
EBIT:	€0.3m
Capex:	€4.2m
4 sites and 474 employees in France	

Flagship products:

- **Gaultier²** by Jean-Paul Gaultier (Shiseido)
- **Cristalle Gloss** by Chanel
- **212 Men** by Carolina Herrera (Puig)
- **Acqua di Gio** by Armani (L'Oréal)
- **Envy Me** by Gucci (P&G)
- **J'Adore** by Dior (LVMH)

Customers:

Bourjois/Chanel, Shiseido, LVMH, Procter & Gamble, Puig, L'Oréal, YSL Beauté, Hermès Parfums, Yves Rocher, Clarins.

Competitors:

TPI (Pechiney), Rexam Beauty, Qualipac, Texen (PSB).



HISTORY

1777: Creation by Frédéric Japy of a watchmaking parts shop in Beaucourt near Montbéliard. Several years later, 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).
- 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.

¹ GFD : Générale de Forgeage et Décolletage.

AIRFRAME EUROPE 32% of revenue

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

Rugby (GB)	228 employees
Saint-Ouen l'Aumône (FR)	334 employees
Vignoux sur Barangeon (FR)	38 employees

AIRFRAME US 27% of revenue

Patented and non patented airframe structural fasteners. Installation tools, wheel nuts and break tensioners for automotive.

Torrance (USA)	486 employees
Tijuana (Mexico)	19 employees

ENGINES AND CRITICAL 25% of revenue

Engine fasteners.

Critical parts.

Patented and non patented airframe structural fasteners.

Villefranche de Rouergue (FR)	498 employees
Dorval (CAN)	39 employees
Izmir (Turkey)	197 employees

SPECIALTY FASTENERS 7% of revenue

Specialty and non-structural fasteners.

City of Industry (USA)	156 employees
------------------------	---------------

RACING 9% of revenue

High-tech fasteners for racing cars.

Other automotive fasteners.

Paramount (USA)	46 employees
Saint-Brieuc (FR)	175 employees



LISI AUTOMOTIVE

THREADED FASTENERS 34% of revenue

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

Delle (FR)	223 employees
Monistrol (FR)	85 employees
St Florent (FR)	155 employees
Thiant (FR)	128 employees
Vöhrenbach (GER)	107 employees

CLIP FASTENERS 24% of revenue

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

Puisseux (FR)	231 employees
Heidelberg (GER)	121 employees
Mellrichstadt (GER)	225 employees

COMPONENTS 24% of revenue

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

Dasle (FR)	171 employees
Melisey (FR)	216 employees
Mississauga (CAN)	31 employees

INTERNATIONAL OPERATIONS 3% of revenue

Beijing (China)	80 employees
FORM a.s. (Czech Republic)	210 employees

KNIPPING 15% (6 months revenue)

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

Kierspe (GER)	270 employees
Madrid (SPA)	178 employees
Herscheid (GER)	49 employees
Gummersbach (GER)	31 employees
Bochum (GER), centre distribution	77 employees

SUPPORT OPERATIONS

Material preparation (FR)	65 employees
Surface treatment (FR)	28 employees
Machinery (FR)	84 employees



LISI COSMETICS

11

METAL PRODUCTS 44% of revenue

Metal stamping. Surface treatment. Assembly.

Saint-Saturnin du Limet (FR)	185 employees
------------------------------	---------------

PLASTIC PRODUCTS 56% of revenue

Plastic injection. Assembly. Surface treatment.

Neuilly (FR)	44 employees
Nogent (FR)	98 employees
Aurillac (FR)	115 employees

EVENTS OF THE YEAR

2005

12

LISI AEROSPACE

© Airbus-image exm company-H.GOUSSE

JANUARY

- The A380 unveiled in front of 5,000 people in Toulouse.
- US airlines display losses for -US\$9.2Bn.
- LISI AEROSPACE and Investissement Québec enter into an agreement regarding the opening of a site in Dorval, Canada.
- New Airbus / EADS (phase in / phase out) agreement implemented.

FEBRUARY

- Huge order from Ryanair regarding 70 B737s firm and 70 B737s in option.
- Disposal of Boeing's Wichita, Tulsa and Rocketdyne plants.

MARCH

- Marketing brainstorming regarding Bombardier's launch of the C series (now given up).

APRIL

- The A380's first flight.
- Boosted customer demand driven by an increase in incoming orders.

MAY

- First flight of Dassault's Falcon 7X.
- CAP plan kickoff, €300m revenue in 2007 and €21m investments in 2005.
- Decision to expand the capacity of the Torrance site.
- Expansion of the Izmir, Turkey plant, completed (+30%).
- First series of Management & Leadership training sessions for LISI AEROSPACE teams.

JUNE

- The Bourget Air Show displays a sky-high number of visitors and incoming orders.
- The A380, star of the show, initiates its world tour.
- LISI AEROSPACE re-negotiates successfully its contracts with Dassault and Messier-Bugatti.
- Qatar Airways orders 60 A350s.

JULY / AUGUST

- Oil prices go soaring at US\$70 per barrel in August.
- Wave of repurchases of F1 teams by motorists & manufacturers.
- Customers feel concerned about the rise in raw material prices.
- Latécoère contrat re-negotiated.
- LISI AEROSPACE Canada achieves AS9100 certification and manufactures its first series of parts.
- BAR HONDA places initial F1 orders.

SEPTEMBER

- Boeing engine drivers go on strike for 3 weeks. Delivery of 30 aircraft delayed.
- Rise in prices of raw materials, particularly titanium, boosted.
- LISI AEROSPACE a participant at the Beijing Air Show.
- Agreement regarding the expansion of the Saint-Ouen l'Aumône plant.

OCTOBER

- Official launch of the A350.
- LISI AEROSPACE Canada inaugurated.

NOVEMBER

- Dubai Air Show: a series of contracts secured with Airbus and Boeing, totalling US\$29Bn.
- IVD machine commissioned in Torrance.
- Racing division signs a first series of agreements with Honda.

DECEMBER

- China places a historic order for 150 A320-series aircraft.
- Orders for the entire year have reached an all-time high, with over 2,000 aircraft for Airbus & Boeing. Production pace boosted.
- Project to set up an assembly plant in China for Airbus.
- LISI AEROSPACE has hired over 500 new employees around the world.
- Snecma contract re-negotiated.

LISI AUTOMOTIVE

JANUARY

- Fourth and last wave of raw materials price increases. Wire prices will have increased by 70% in 18 months.
- Start of sale of products imported by our subsidiary LISI AUTOMOTIVE Beijing on the Chinese market.

FEBRUARY

- Creation of LISI AUTOMOTIVE GmbH to bring together the sales teams and the product design ateliers of our German subsidiaries into a single business operation.

MARCH

- Won order from REHAU for fastening the front wing of the new CITROËN PICASSO.
- First components order from FAURECIA for LISI AUTOMOTIVE Form a.s.

APRIL

- Order received from BOSCH for handbrake adjustment for the FORD TRANSIT and CITROËN PICASSO.

JUNE

- RENAULT places an order for 6 nuts for exhaust casing.
- Acquisition of KNIPPING VERBINDUNGS-TECHNIK in Germany, specialist in the manufacture of screws, stamped parts and components for cars.

JULY / AUGUST

- LISI AUTOMOTIVE achieves its highest ever service level, with 95% of orders delivered on time.
- Won order for 12 plastic parts for the new CORSA from GENERAL MOTORS.

SEPTEMBER

- Start up on time of the ELIPSE project, based on CAD NX from Unigraphics and PDM (Product Data Management) from Teamcenter for the management of technical data.
- Order from PSA for shock-absorber supports for the CITROËN PICASSO and small vans platform.

- Supply contract signed in China with BOSSARD.

OCTOBER

- Move of our Beijing plant to a new, 3000 sq. m. building.
- LISI AUTOMOTIVE now holds 100% of FORM a.s, having bought up the shares held by the minority shareholders.

NOVEMBER

- Order from TRW for guidance pins and hand braking system for a new CHRYSLER platform in the USA.
- Joint development with FAURECIA of a bolt and pinion subassembly.

DECEMBER

- Sale of GRADEL to the CAMELIN Group, turning specialists.
- Reorganization of the KNIPPING and LISI sales teams in Germany under single management.
- Success of our program to reduce work accidents, with a drop of 46% year on year in the French plants.

LISI COSMETICS

JANUARY

- Very encouraging results from the Procter & Gamble audit at Aurillac.
- Implementation of a redundancy plan announced in December 2004.

MARCH

- Acquisition of a new, flexible, automatic, 6 channel assembly unit.

MAY

- LISI COSMETICS becomes a strategic supplier for Procter & Gamble.
- Launches of Cristalle Gloss by Chanel, Z Zegna from Ermenegildo Zegna (YSL Beauté) and Secret Wish by Anna Sui (Procter & Gamble).
- Strengthening of sales teams and reorganization of sales.

JUNE

- Launch of Kenzo Fraîs (LVMH).

JULY / AUGUST

- Construction of polishing workshop at Saint-Saturnin-du-Limet. This new building is intended to house digital control polishing machines acquired in 2004.

SEPTEMBER

- Exclusive, world- first launch of Allure Sensuelle by Chanel on the American market.
- Acquisition of another, flexible, automatic, 6 channel assembly unit and of a non-contact dimensional measuring machine.

OCTOBER

- Launches of a new major line by Shiseido, Gaultier² by Jean-Paul Gaultier, Ghost Cherish by Rochas (Procter & Gamble) and the Must Femme extract by Cartier.

NOVEMBER

- Completion of building works of the biological treatment station for effluents at the Saint-Saturnin-du-Limet plant. Move of all the networks to the new station and complete re-installation of the demineralized water line and the cold unit.

DECEMBER

- Launch of a new line of one of the Procter & Gamble brands, Prestige Products.

LISI AEROSPACE

AEROSPACE FASTENERS AND
ASSEMBLY COMPONENTS



REVENUE

€243.7
MILLION

WORKFORCE

2,368
PERSONS

CAPEX

€20.9
MILLION

2004 212.0

2005 243.7

2004 2,087

2005 2,368

2004 10.8

2005 20.9



■ A LANDMARK YEAR

Worldwide air traffic rose in 2005, US airline companies cut down their losses, and civil aerospace leaders recorded all-time high orders. Demand was driven by the growing appetite of low-cost companies and the interest aroused by the competing Airbus A350 and Boeing B787 projects.

The tensions that emerged regarding oil and raw material prices had no impact on production paces or new programs.

■ KEY HIGHLIGHTS

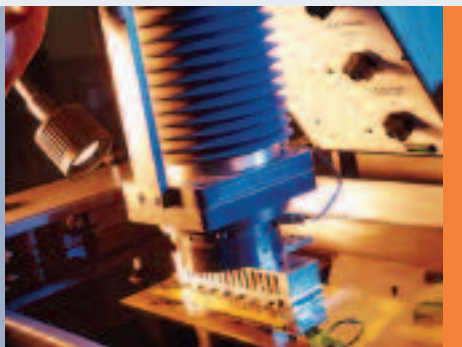
- AIRBUS, LISI AEROSPACE's main customer, preserved its world leading aircraft manufacturer position with a last minute order of 1,055 aircraft (vs. 370 in 2004) and the delivery of 378 (vs. 320 in 2004). The preparation for the ramp-up of single aisle aircraft production (+25%) is the major driver of demand growth.
- BOEING made a dramatic come-back, buoyed by the success of the B787 and B737; the company recorded 1,002 ordered aircraft (vs. 272 in 2004) and 290 delivered (vs. 285), despite the impact of the strike.
- EMBRAER confirmed the success of its new 90-110 seat aircraft range with the ERJ 175/195 programs.
- BOMBARDIER, faced with a decline in the Regional Jet segment, showed some resistance in the Business Jet segment and finally gave up the C Series project, after a lengthy assessment phase.
- DASSAULT was not lagging with its newborn, the Falcon 7X that totalled more than 123 orders.

■ NEW PROGRAMS AS A SOURCE OF NEW DEVELOPMENTS AND THE FIRST INITIALIZATION OF HIGHLIGHT SUSTAINED SERIES PRODUCTION FLOWS

- After its first flight and its noticed performance at the Bourget Air Show, the A380 successfully pursued its certification tests. Production has been boosted (13 aircraft undergoing final assembly) and the development of the Freighter is progressing in line with forecasts.
- The B787 is a major success, totalling now more than 291 aircraft in the order book; production has begun, with a first trial flight slated for end 2007.
- The A350 was launched officially; it totals more than 87 aircraft ordered.
- The Falcon 7X has completed its first flight.
- The A400M is about to enter its industrial-scale production phase.

Despite tensions on raw materials, the weakness of the euro against the dollar, and soaring energy costs, LISI AEROSPACE has found the means to support its market:

- Significant investments have been made to increase our production capacity and expand our industrial facilities:
 - 30% extension of our Izmir, Turkey plant.
 - Doubling of the Saint-Ouen l'Aumône site (acquisition of the neighboring plant), and forging workshop installed at end 2005.
 - Opening of a new plant in Canada intended to meet locally the expectations of North American motorist and parts manufacturer customers.
 - Setting up of a second source of nuts for Europe.



LISI AEROSPACE

- Particular emphasis has been put on recruitment and training:
 - some 367 new employees have been hired in average full time equivalents over the year, and nearly 310 on a registered basis,
 - new working schedules have been set up to maximize the usage of production machinery,
 - unprecedented training efforts have been initiated.
- In-depth work has been conducted on the IS, the improvement of HSE performance, the knowledge of our customers, and our organization's alignment on their fundamental expectations.
- Solutions have been found with our suppliers for the rise in raw material costs not to be an obstacle to growth, nor an economic obstacle to the various players in the Supply Chain.

All these actions have taken place in a context of significant change in product mix:

- Implementation of the new Airbus, a customer today served by all of the Group's units for their respective areas of specialization.
- Implementation of new Boeing contracts (captured in 2005).

Ongoing efforts to control costs, the introduction of new technologies (forging, hard turning, nut lathing, etc.), the increase in volumes have enabled, on the one hand, to create material and human infrastructures that can meet the requirements of tomorrow, and on the other hand, to ensure 2-digit growth (14.9%) for the second year in a row, without eroding significantly the profitability that remains within set targets.

LISI AEROSPACE's performances have been more limited in two areas:

- The service rate, which was strongly affected by demand higher than expected and, more importantly, included a number of extraordinary factors that were difficult to foresee. The situation, while tense, remained under control thanks to close cooperation with our customers.
- The cash position, which was strongly impacted by investments higher than usual, the setting up of the stock required for new contractual scopes, and a shift in receivables collection due to growth.

For 2006, we expect a third year of 2-digit growth for which huge efforts to create capacity were put forth in 2005: recruitment and investment should reach their full productivity in the course of the year.

We also anticipate major developments focused on the B787 and the A350.

IN EUROPE: THE ENGINES AND CRITICALS B.U ACCELERATES THE PACE, AND THE AIRFRAME B.U MAINTAINS A HIGHLY SUSTAINED ACTIVITY LEVEL

The year was marked by the strong recovery of business with European motorists.

The large proportion of sales of A320 and B737 aircraft has enabled us to record significant business with SNECMA and GE, that provide one of the world's top-notch motorizations, the CFM 56.



© Dassault Aviation / F. Robineau

This being combined with the recovery of ROLLS ROYCE and other US motorists and, despite the weakness of the dollar, the Engines and Criticals B.U recovered volumes that enable it to get the most of all the organizational efforts put forth in recent years:

- Production of small, high labour-intensive, series, by the Turkish unit,
- Supply Chain steering improved thanks to the Movex ERP system,
- New investments.

Regarding the Airframe B.U, after extraordinary activity last year that was focused on the development of the A380 and the general rise of all programs, 2005 was marked on the one hand by the pursuit of growth, and on the other hand by the expiration of the old Airbus contract and the implementation of the new one, which now involves all of the Group's plants plus a distribution platform.

In the final analysis, activity remained far above our estimates and we have revised our future prospects upwards; the opportunity to double the Saint-Ouen l'Aumône site through the acquisition of the neighboring building was preferred to a more modest, yet lengthier, extension project.

In terms of business development, our efforts were focused on the project aimed at lightening the A380 (titanium nuts) and various special parts for the A400M.

IN NORTH AMERICA: THE AIRFRAME B.U BUOYED BY BOEING – A NEW ENGINES AND CRITICAL PARTS UNIT SET UP IN MONTRÉAL

The Airframe B.U was faced with the joint rise in pace of BOEING contracts and, to a lesser extent, the initialization of the AIRBUS contract, which generated more than 30% demand growth for the second consecutive year.

We have increased the production capacity in an overheated environment:

- Increase in the nuts production capacity;
- Streamlining of the LGP production cell;
- Setting up of an IVD machine;
- Setting up of a permanent weekend team (the so-called C-Shift);

- Use of permitted overtime;
- Increase in head count by more than 200 Full Time Equivalents;
- Reorganization of the management structures.

Concurrently, the Speciality Fasteners B.U has consolidated its recovery and taken advantage of the expansion of its market.

Regarding Engines and Critical Parts, we have seized the opportunity to create a site by relying on an experienced team. It was the Government of the Province of Quebec that introduced the project to us as part of a re-industrialization operation.

This action is in line with our project to set foot in North America to serve better the market segment of US Motorists and Parts Manufacturers, as well as the Military.

In just a few months, a new plant was born, achieved AS9100 qualification and, finally made its first deliveries. In 2006, we expect it to play a significant role among our production assets.

RACING B.U: TECHNICAL DEVELOPMENT AND CAPTURING OF NEW CUSTOMERS

Once more, the year was marked by growth in the "racing" activity, F1 in Europe and Nascar in the USA.

The division now participates systematically in all major championships: F1, WCR, Nascar, CART, NHRA.

In Europe, new F1 regulations have represented a major challenge in order to accompany our customers in their developments: switch from the V10 to the V8 engine, banning of titanium for engine fasteners.

However, our team managed, through its technicality, to convince one of the last motorists that was not part of its customer base.

One should note the emergence of a manufacturers' F1 championship, the major motorists having acquired chassis teams.

In the USA, the preparations for the series switching of major competition players took place under good conditions and opened new horizons for the US division of the Racing B.U.

LISI AUTOMOTIVE

AUTOMOTIVE FASTENERS AND
ASSEMBLY COMPONENTS



REVENUE

€339.3
MILLION

WORKFORCE

3,012
PERSONS

CAPEX

€22.4
MILLION



WORLDWIDE AUTOMOTIVE MARKET IN 2005: GROWTH IN DEVELOPING COUNTRIES, STAGNATION IN DEVELOPED COUNTRIES

After significant progression in 2004 (+4.5%), the worldwide automobile production recorded a new +2.6% increase in 2005, with 61.3 million vehicles (source Mavel). In the USA, the number of new license plates nearly stagnated at +0.5% from their 2004 level (17 million units). The “Big 3” lost market shares to Toyota, Nissan and Honda. In South American, vehicle sales rose by +10.9% from their 2004 level, virtually returning to their pre-crisis level. In Europe, the number of new license plates declined by -0.7%, with significant discrepancies between countries. The low level of sales in Western Europe was not offset by the dynamism of new EU entrants, that were driven downwards by Poland with -26%. In Asia, Korea, India, and China pursued their expansion with respective growth rates of +3.7%, +7% and +25.8%, while Japan, a mature market, saw its number of new license plates stagnate at +0.8%.

BEHAVIOR OF LISI AUTOMOTIVE'S CUSTOMERS

New license plates in % 2005 vs 2004

Customer	Europe	World
BMW	+9.6%	+9.9%
DaimlerChrysler	-0.9%	+5.7%
Ford	-3.0%	+0.3%
GM	+0.2%	+2.0%
PSA	-2.7%	+0.4%
Renault	-4.1%	+1.7%
VW	+4.6%	+3.2%

Source ACEA

2005 was a contrasted year in Europe for our 7 key automobile manufacturer customers.

PSA and Renault saw their sales decline significantly in Europe; the consequent result was a major drop in their production levels and, therefore, of LISI AUTOMOTIVE's activity during the second half of the year. Furthermore, we are faced with the growing relocation of parts manufacturing outside Europe. With the acquisition of KNIPPING, LISI AUTOMOTIVE further cemented its presence with BMW, VW, GM and DaimlerChrysler; in addition to that, it captured a new customer: FORD Europe.

REVENUE: SALES BOOSTED AS A RESULT OF THE ACQUISITION OF KNIPPING VERBINDUNGS-TECHNIK GmbH

LISI AUTOMOTIVE's revenue reached an all-time high at €339.3m in 2005, up +16.1% as compared to 2004, taking into account the following changes in scope:

- Full year sales by LISI AUTOMOTIVE Form a.s. acquired in June 2004: €+3.8m.
- KNIPPING Group's sales consolidated since July 1, 2005: €+50.5m.
- Sale as at December 1, 2005, of LISI AUTOMOTIVE Gradel to CAMELIN DECOLLETAGE INDUSTRIES: €-0.9m.

On a like-for-like basis, LISI AUTOMOTIVE's sales dropped by -2.2% in value and by -4.7% in volume taking into account the price rises achieved to offset the rise in raw material prices. This negative performance is due to the following factors:

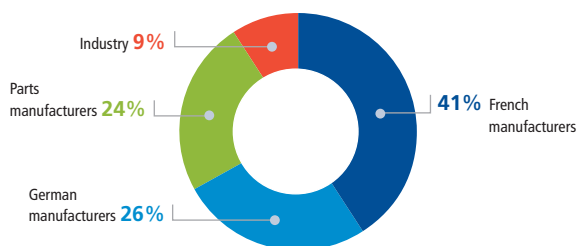
- The reduction in production volumes of our major customers, PSA and Renault, in Europe,

LISI AUTOMOTIVE

- The loss of our customer Delphi for price reasons,
- The loss of several industrial contracts,
- The delayed kickoff of certain new products.

Acquiring KNIPPING enabled LISI AUTOMOTIVE to better balance its customer portfolio. Sales to German manufacturers now account for 26% of the company's sales, versus 14% in 2004. This share is expected to further rise in 2006 with the consolidation of KNIPPING on a full-year basis.

Revenue breakdown between the 4 sales divisions



The sales by the Czech, Canadian, and Chinese plants gained +13.2%, +25.7%, and +35.3%, respectively, thereby confirming the Group's willingness to strengthen its international positioning.

One and a half year after it was taken over, the consolidation of Czech company LISI AUTOMOTIVE Form a.s. is a success, both in terms of revenue growth and profitability. The takeoff of our operations in China has caused us to move our Beijing plant to a larger building.

In 2005, LISI AUTOMOTIVE achieved 54.3% of its sales outside France versus 46.1% in 2004.

Finally, as in 2004, LISI AUTOMOTIVE recorded a high number of orders for new products, among which:

- A parking brake system for Bosch,
- A handbrake adjustment system for the new Picasso (PSA),
- 3 front-wing fasteners for the new Picasso (customer Rehau).

■ EARNINGS: EXCLUDING KNIPPING, THE DECLINE IN PRODUCTION ADVERSELY AFFECTED THE OPERATING PROFIT

LISI AUTOMOTIVE's EBITDA stands at €41.8m and its EBIT at €23.4m.

Not taking into account the acquisition of KNIPPING, the EBIT lost €24.4m at €17.8m. The drop in production necessary to adjust to our customers' program reductions had a €6.5m impact of on the EBIT. However, cost cuts have enabled us to mitigate slightly the shock caused by the activity slowdown.

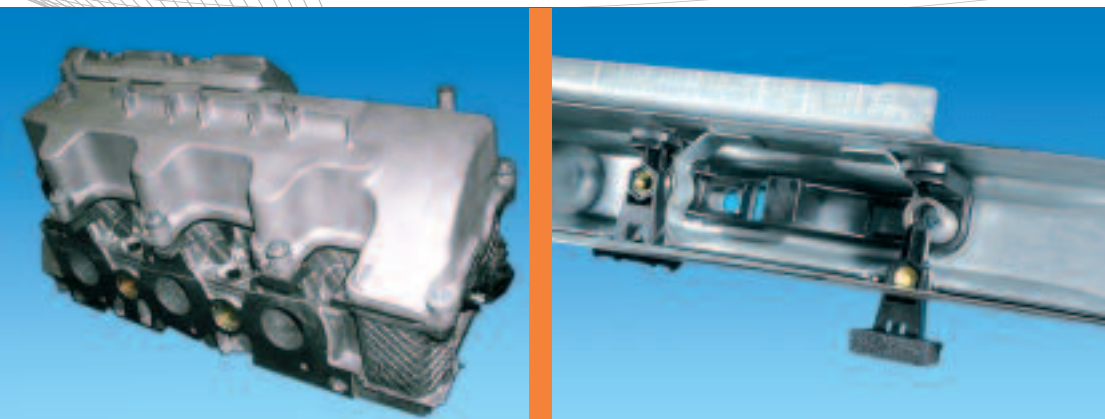
Thus, our operating margin dropped from 8.2% in 2004 to 6.8% in 2005. Thanks to price increases granted by its major customers, LISI AUTOMOTIVE was able to offset most of the rise in raw material prices.

The cash flow, at €32m or 9.4% of revenue, made it possible to complete a sustained investment program of €22.4m necessary for replacing our IT systems, for meeting our new capacity requirements and for completing our quality, productivity, and environment improvement programs.

■ WORKFORCE

With the acquisition of KNIPPING, the number of registered employees rose from 2,596 in 2004 to 3,012 at end 2005. LISI AUTOMOTIVE now employs 46% of its personnel outside France, with, in particular, 895 employees in Germany.





■ OPERATIONAL TARGETS

Out of the many performance indicators that illustrate LISI AUTOMOTIVE's progression, the four main ones clearly improved in 2005:

■ Quality

The number of customer claims dropped by 18% in 2005 and 70% over the past 4 years. In 2006, we will tackle a new phase in our rush for quality, adopting a more severe index, the ppb (part per billion), instead of the ppm (part per million).

■ Service rates

In 2005, we achieved our best score in terms of annual timely delivery rate: 91% of our order items were delivered 100% on the day requested by the customer.

■ Industrial accidents

The huge program launched early 2005 to fight that plague has borne its fruits, since we have slashed our number of industrial accidents by 46% as compared to 2004.

■ HSE non-compliances

We monitor our HSE non-compliances. This has enabled us to achieve a 30% cut in the number of non-compliances in 2005. These indicators will be extended to KNIPPING in the course of 2006.

■ CONTINUED IMPROVEMENT

Thanks to our ACE I and ACE II ongoing improvement programs, our production costs have dropped by €8.3m in 2005: a clear improvement as compared to 2004. However, these cost reductions only served to offset the reductions in sales prices, the inflation on salaries, and only very partly, the loss in volumes.

In 2006, our action will primarily focus on procurement performance, on the development of synergies with KNIPPING, and on workforce reductions.

Lastly, all kinds of customer demands in terms of quality and follow-up make it more and more difficult to achieve small site profitability. An issue we will have to solve in the coming years.

■ 2006 OUTLOOK

Previsionists envisage a growth of the worldwide automotive market in the order of 2 to 3% with, however, some stability, or even a slight decline in Europe, the USA, and Japan. China, India, and South America are expected to continue enjoying sustained growth in their automotive activities.

LISI AUTOMOTIVE's activity will suffer from the adverse effects of its customers' lack of growth in their traditional markets. However, we rely on the production roll-out of new products to offset the sluggishness of the European market, as well as on the full-year effects of the consolidation of KNIPPING.

We also intend to pursue our growth outside Western Europe, relying on our Canadian, Czech, and Chinese operations. We will increase our production capacities in China. And a representative office will open in India to support our customers and prepare for our future industrial installation in that highly promising country.

— LISI COSMETICS

— ASSEMBLY AND PACKAGING COMPONENTS
FOR FRAGRANCES AND COSMETICS



REVENUE

€37.8

MILLION

2004 40.9

2005 37.8

WORKFORCE

474

PERSONS

2004 531

2005 474

CAPEX

€4.2

MILLION

2004 1.7

2005 4.2



In 2005, the worldwide cosmetics market was valued at \$125 billion, broken down between three major consumption areas: Europe (35%), Japan (10 to 15%) and America (25 to 30%).

In France in 2005, selective distribution of cosmetics faced a new decline of -1.8% in value and -5.1% in volume. The alcohol-based fragrance segment was the most affected, with a decline of -2.7% in value and -6.4% in volume. The skincare products segment also faced a drop in volume (-4.9%). Makeup gained +0.7% in value, but lost -2% in volume.

In the background, Asia remains under review and home to production and conditioning "subcontracting" for the key market players. On the other hand, industrial performance and innovation remain the strong assets of company development in our line of business, particularly in Europe and the United States.

■ NEW OPPORTUNITIES WITHIN MULTI-COMPANY AND MULTI-BRAND GROUPS THAT FURTHER EXTEND THEIR CONTROL

Among the 300 annual fragrance launches, only a few access the top of the international sales pyramid. The selection of new target accounts to integrate is all the more strategic.

Major fragrance and cosmetic groups have waged a very active war on licenses. Procter & Gamble Prestige Products continued weaving its web with new acquisitions such as Chantal Thomass and Parfums Dolce & Gabbana. The gap between the US giant and L'Oréal, the worldwide leader, further tightened in 2005.

Italian brands remain very popular. Thus, the Estée Lauder Group decided to acquire Missoni. In that trend, L'Oréal had

been a precursor with Armani, which today accounts for one third of its fragrance sales revenues. In 10 years, L'Oréal made it the number 1 men's brand in the world, ahead of Procter & Gamble's Hugo Boss.

In the new emerging economic landscape, certain groups have decided to bet on emerging brands. After "Flowerbomb" by the very-much noticed Dutch designers duo Viktor & Rolf with L'Oréal, Shiseido is experiencing genuine success with "for her" by Narciso Rodriguez. At the 2005 "Fifi Awards France", the designer's first line achieved the prize of the "Best selective women's fragrance in 2004". The award, a token of growth and sustainability, is the proof that in our market, one must be able to compromise with niche brands.

By accompanying the progression of the main multi-company and multi-brand groups in 2005, L'Oréal COSMETICS has devoted all its industrial know-how and development and creativity skills to the service of far-reaching projects.

■ OPTIMIZATION OF INDUSTRIAL RESOURCES AND EQUIPMENT

Our major areas of improvement focused on optimizing and enhancing the reliability of production flows and procedures. Thus, machining, recovery, decoration, and pre-assembly operations were integrated into our assembly lines to optimize and eliminate intermediary inventories and handling, and above all to enhance the reliability of those productions by integrating automated control operations on the assembly lines.

The extension of our robotized, modular assembly systems base, with the acquisition of 6-axis, 2nd generation robots,

LISI COSMETICS

and additional assembly modules, enabled us to increase our production pace.

It ought to be noted that the design, study, development, and programming of our fixed automated assembly units, are totally carried out in-house, and that these dedicated facilities meet out customers' very high standards in that respect.

At Saint-Saturnin du Limet, the large-scale environmental project kicked off in 2004 was completed successfully in 2005. It concerned a station for physico-chemical and biological effluent treatment, that was commissioned at the end of the year; immediate effects were noted, with a substantial reduction in our water consumption and discharges that complied with French and European standards in terms of quantity and quality. One should also note that, since its new station was commissioned, LISI COSMETICS entered the very limited circle of anodizers whose discharges comply with European requirements and, certainly, the only one in the cosmetics industry.

The other major highlight was the construction of a new polishing building designed to host our digital control machines, most of which are already fully operational and automated. Besides that, a sprinkler is being installed on the site.

As far as organization is concerned, we must mention the reinforcement of our "logistics" and "sales" teams. Market canvassing in the United States resumed with a sales manager dedicated to that specific market. He has already come or come back in touch with Estée Lauder, Revlon and major US groups.

Besides, the Quality Division has further developed its ongoing improvement plan by coordinating its teams, particularly for setting up integrated statistical control.

MAJOR PROJECTS AND MOTIVATING CHALLENGES

LISI COSMETICS has contributed to the development of some of the nicest product lines that marked the year.

Closely associated with the launch of Jean-Paul Gaultier's fragrance for men and women: Gaultier² (Shiseido), we have taken part in each of the range's products, be it for embossing or injecting caps, hoops, or inserts. We have also conducted decoration, surface treatment, and assembly operations.

The "for her" handbag spray completed the Narciso Rodriguez (Shiseido) range for which LISI COSMETICS has designed all the covers. The award-winning product line is regularly subject to restocking requests.

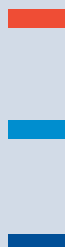
In 2005, several other complex, multi-material and/or multi-technology parts have enabled us to express the scope of our know-how.

For "Z Zegna", the second Ermenegildo ZEGNA (YSL Beauté) line to which we have participated, we embossed and anodized a corrugated cover and a curved, cylindrical hoop with a concave top and two fluted ends: this technical achievement was necessary for us to stick perfectly to the design of the entire bottle, circled in black.

For Secret Wish by Anna SUI (P&G), we produced a surlyn-injected cover and an aluminum ring. A subtle play on contrasts achieved directly in the mould enabled us to give the cover the two required aspects, i.e. a "poli-gloss" figure that emerges on the "frosted" globe. LISI COSMETICS is also in charge of assembling the entire cover.

Other major significant product lines developed in 2005 include "Cristalle Gloss" by Chanel, the "Must Femme" extract and "Le Baiser du Dragon" by Cartier, "Kenzo Frais" by KENZO (LVMH), "Ghost Cherish" by Rochas (P&G), "L'Eau de Parfum d'été pour Femme" and "L'Eau de Parfum d'été pour Homme"





by Issey Miyake (Shiseido), the “Flowerbomb” sample by Viktor & Rolf (L’Oréal) and, exclusively for the Asian market, “Hello Kitty” by Givenchy, as well as “Addict Girly” by Dior (LVMH).

Besides, certain flagship lines were subject to huge order requests: this was the case for “Acqua di Gio” by Armani (L’Oréal), “212 MEN” by Carolina Herrera (Puig), “Allure Homme Sport” and “Coco Mademoiselle” by Chanel, “J’Adore” by Dior, “Organza” by Givenchy (LVMH) and “Envy Me” by Gucci (P&G).

■ THE ASSETS OF R&D AND TRAINING TO CEMENT OUR TIES WITH OUR CUSTOMERS

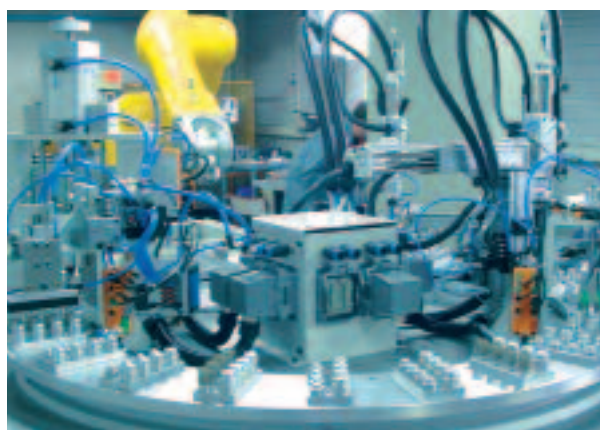
In innovating in its various core business lines, LISI COSMETICS has proved its ability to adjust to the demands of a market always craving for technical and creative achievements.

The second part of our poly-sensorial game displayed at the “LUXE PACK” tradeshow was once again acclaimed by both our existing and prospective customers. This time, our pallets of material, visual, and tactile effects, were focused on four themes reminiscent of nature, metamorphosis, and movement. Our suggestions included: hot marking on holographic film, metallic lacquer with various undulating effects achieved under magnetic fields, image films enhanced with a touch of polish, “soft touch”, parts made from horizontally or circularly scratch brushed aluminum that were subsequently anodized, anodization combined with silkscreening, all in a series of novel hues.

Concurrently with our research on surface treatments, we have pursued our work on manufacturing processes such as a glass and plastic UV pasting technique that leaves no apparent trace and remains a major subject of wonder for our customers.

Finally, we have harnessed our various skills to design and upgrade proprietary pedagogic tools, in particular a training on aluminum techniques that was very much appreciated. This specificity also enables us to reinforce our ties with our primary points of contact in large Fragrance and Cosmetics groups.

Sources: COSMETIQUE HEBDO – COSMETIQUE MAGAZINE – FASHION DAILY NEWS – F.I.P.





HUMAN RESOURCES

The LISI Group boosted its globalization in 2005 and is increasing its efforts in terms of training, the enhancement of skills and safety at the workplace.

■ GLOBALIZING THE GROUP'S TEAMS

With the acquisition of KNIPPING in Germany, the initiation of LISI AEROSPACE's Canadian operation, and massive recruitments at Hi-Shear, the proportion of staff working abroad rose by 43% in 2005, after gaining 25% in 2004.

The exceptional recruitment level observed in 2005, primarily in the Aerospace division, involved a number of measures meant to help the newcomers join and blend with their teams. Thus, a "sponsoring" system was instated by the operations teams. Integration, follow-up, and additional training at the workplace programs, were adjusted.

■ IMPROVING MANAGEMENT SKILLS FOR ENHANCED COHESION AND TEAM SPIRIT

This year, LISI AEROSPACE, in partnership with ESCP-EAP, initiated a management training scheme designed for the division's 170 executives, all areas included. With 2 consecutive modules per year, scheduled for the next 3 years, various topics are taught, most of them in English, including:

- Mastering reactivity;

- Managing projects;

- Strategic management and intercultural challenges.

The program, based on knowledge contribution and experience sharing with the active participation of the members of the Management Committee, will result not only in enhancing the level of the forces involved, but also in pooling the teams by giving them a sense of belonging.

LI SI AUTOMOTIVE has prolonged its vocational training programs for strikers in 2005. Thus, nearly 180 employees were trained, totaling 6,300 hours of training.

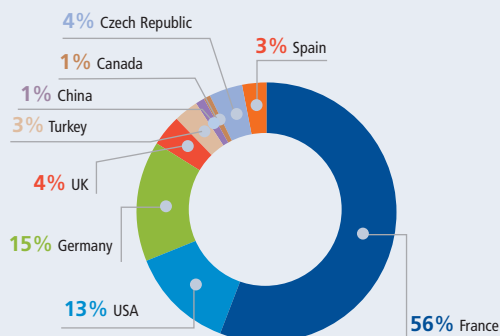
■ RAISING GENERAL AWARENESS REGARDING SAFETY AT THE WORKPLACE

A "Safety" scheme meant to raise staff awareness, then analyze and set up action plans, is generalizing throughout the Group's sites. The final objective is to eradicate industrial accidents. Coordination and communication work, search for causes and risk analysis, knowledge of the responsibilities incurred, remain the daily task and responsibility of each and everyone: the number of industrial accidents was thus cut down by 24% in 2005 as compared with the previous year.

HEAD COUNT BY GEOGRAPHIC AREA

REGISTERED AT YEAR END

	2005	2004	N/N-1 variance
France	3,250	3,402	-4%
USA	741	600	24%
Germany	901	478	88%
UK	232	218	6%
Turkey	197	178	11%
China	80	80	-
Canada	70	21	233%
Czech Republic	210	243	-14%
Spain	182	3	-
TOTAL	5,863	5,223	12%
Foreigners	2,613	1,821	43%
% Foreigners / Total	45%	35%	



HEAD COUNT BY AGE BRACKET IN 2005

REGISTERED AT YEAR END

Age bracket	2005	2004	N/N-1 variance
< 20 years	61	43	42%
20-29 years	1,074	958	12%
30-39 years	1,619	1,455	11%
40-49 years	1,711	1,495	14%
50-59 years	1,263	1,157	9%
60 and +	135	115	17%
TOTAL	5,863	5,223	12%

CONSOLIDATED 2005 TURNOVER

5,368
TOTAL
HEAD COUNT

272
VOLUNTARY
DEPARTURES

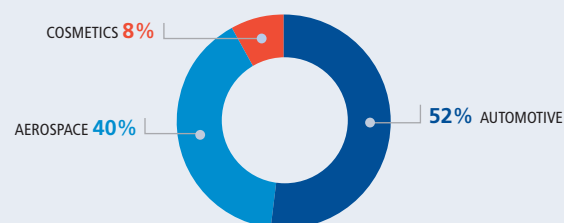
5%
TURNOVER
RATE

REGISTERED HEAD COUNT BY DIVISION

REGISTERED AT YEAR END

	2005	2004	N/N-1 variance
AEROSPACE	2,368	2,087	13%
AUTOMOTIVE	3,012	2,596	16%
COSMETICS	474	531	-11%
Holding company	9	9	-
Total Group	5,863	5,223	12%
Temporary employees	280	292	-4%

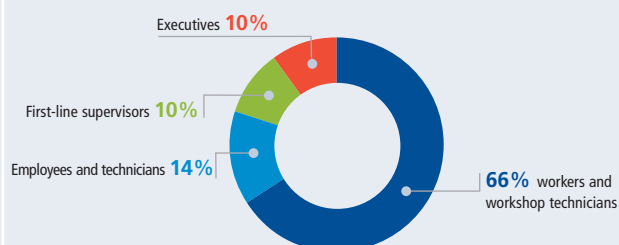
BREAKDOWN OF WORKFORCE BETWEEN THE 3 DIVISIONS IN 2005



HEAD COUNT BY CATEGORY IN 2005

REGISTERED AT YEAR END

	2005	2004	N/N-1 variance
Workers and workshop technicians	3,878	3,519	10%
Employees and technicians	841	689	22%
First-line supervisors	576	535	8%
Executives	568	480	18%
Total	5,863	5,223	12%



Significant progression in the number of employees and executives, mainly driven by LISI AUTOMOTIVE that reinforced its central structure: +23% executives and +30% employees.



R&D

LISI AEROSPACE

2005 was marked by the first flight of the Airbus A380 and the accelerated pace of the program. Aside the industrialization of special Pull-In bolts used for assembling structures subjected to the strongest stresses, in particular wing spars and wing-fuselage junctions, nearly 140 different fasteners part numbers of all types newly allocated to LISI AEROSPACE completed their industrial qualification and validation process.

Concurrently, a new generation of titanium nuts has been developed in a range of diameters between 1/4" and 1" (6.35 to 25.4 mm). Their design, combined with highly effective dedicated production machines, makes it possible to achieve, on the aircraft, a very significant weight gain for an exchange ratio (USD/gained kil) half of what had been envisaged up to now.

A new Hi-Kote 4 NC alumino-organic coating developed in its chromate free version to meet future environmental requirements, has made a significant contribution to the project to ensure the assembly of the titanium nut on the titanium screw, without suffering from the galling issues inherent to that type of assembly. These titanium nuts were installed on the aircraft Nr. 4 currently undergoing fatigue tests.

At the present stage of results, they are likely to be installed on the 1st aircraft of the so-called A380-Freighter heavy version.

To remain in the area of surface coatings and protections, 2005 saw the completion of 2 years of efforts to develop in-house a new anti-fretting treatment on vital helicopter parts subjected to particularly severe vibration conditions.

On the other side of the Atlantic Ocean, the B787 program entered its final design completion phase. A new swage type all titanium fastener for carbon composite structures, has been developed and qualified for this application.

In order to reinforce its daily presence on assembly lines, LISI AEROSPACE launched, in 2005, the development of two new tool product lines. On the one hand, an optimized dimensioning approach for C-Yokes and Alligator rivet squeezers thanks to the contribution of finished element calculations, so as to reduce weights for operator ergonomics, while preserving a known and verified safe use coefficient. On the other hand, for the installation on planes of "Lockbolt" fasteners, a range of fixing noses has been developed in order to meet the various limited access situations that become more and more frequent with lighter structures.

Still in the area of assembly support, a new generation of reusable systems has emerged for the positioning of drilling templates and the pre-clamping of thick structures, particularly at the wing junction station.



LISI AUTOMOTIVE

With an order for 180 new parts for €33m revenue, the development performance remained sustained in 2005. The significant increase in new parts in the area of clip fasteners is also a source of satisfaction.

However, these results remain below LISI AUTOMOTIVE's ambitions: that is why two major projects took place in 2005:

- ACE HQ: The new organization of the sales – development unit is very much “customer-oriented”. The other portions of the project relate to the improvement of development management, and timeframe and costs control.
- ELIPSE: the project, launched in 2004, relates to a new CAD system and the effective management of technical data adjusts the development to global operations.

PATENTS

Innovative solutions, particularly in the area of clipped fasteners, have been subject to 10 applications for new patents in 2005. The implementation of 5 such innovations relate to German customers, and a novel solution has been filed for a mechanical component designed for a North American customer.

RESEARCH

Materials and digital simulation are at the heart of ongoing research topics, some of which are scheduled over several years with CETIM (Centre Technique des Industries Mécaniques), university research centers, and industrial partners.

The conclusions of an in-depth survey regarding the possibility of using light materials open attractive prospects for using technical plastics for the manufacture of mechanical components.

The productivity gains observed in 2005 confirm the potential to improve materials that have, nevertheless, already reached maturity.

The developments resulting from the assumptions of the SIMULFORGE program, funded with the support of the Ministry of Industry and completed in 2005, offer new possibilities for the development of complex parts. A new thesis has been launched to improve the risk prediction of internal defects on forged parts.

Significant progress has been observed in the digital simulation of the behavior of plastic parts, which has not yet reached the desired level of accuracy.

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%



RISK MANAGEMENT

■ 2005 – 2006: TWO TRANSITION YEARS

Well before the arrival of the concept of “sustainable development” and like many other businesses in the industrial sector, the LISI group initiated a policy of risk identification and management in the mid nineties that was, however, limited to two areas: manufacturing activities on French sites and HSE (Health, Safety and Environment).

Over the last ten years, to deal with the necessity of providing better protection for the future, this “discipline” has developed considerably; in parallel the group, which in 1995 had no industrial sites outside of France, has grown and now has seventeen sites in eight countries spread over Europe, North America and Asia.

This substantial growth has led LISI to alter its previous, essentially industrial, approach to risk towards a much broader form of risk management that embraces industrial, commercial, financial and strategic aspects; and which aims to manage these risks in a detailed and identical fashion in all the countries in which the group is active.

Initiated in 2005, this new policy, which will involve a reinforcement of the necessary skills and procedures, will be deployed over two years. It consists of three main sections: risk mapping, HSE activity and crisis management. A qualitative and quantitative review will be carried out for each of these, and appropriate action plans will be established for subsequent years.

■ RISK MAPPING

Using the framework recommended by the COSO (Committee of Sponsoring Organizations), each division of LISI has drawn up a list of the relevant equipment- and machinery-related, operational, commercial and financial risks. The mapping process involves a scale of seriousness and probability for each risk and ultimately leads to precise action plans aimed at reducing the harmful effects associated with these risks should they occur.

Two examples that illustrate this exhaustive analysis are: the setting up of a detailed plan to protect the strategic facilities and workforce at the aerospace factory in Villefranche de Rouergue in the event of flooding from the Aveyron River; the stock-piling of items made on a stamping press in Puisieux, it been the only such press within the group. In this particular case, given that the machine provides vital components for the assembly of some of our customers’ vehicles, LISI AUTOMOTIVE increased its stocks to a level sufficient to cover loss of production during the repair of a potential serious technical fault.

■ HEALTH, SAFETY AND ENVIRONMENT ACTIVITY

In terms of **health, cleanliness and improvements to sites**, the relevant rules and procedures were strengthened in 2005, supported by growing investment in targeted areas (for example: the improvement of lighting for work stations), but, most significant of all, the group is committed to a policy of totally banning smoking that is being tested at several pilot sites (the factories in Villefranche in the aerospace division and the automotive factories in Puisieux).



The growing risk of the development of musculoskeletal disorders specific to our profession, such as repetitive strain injury, hearing problems due to exposure to noise, dangers associated with the use of harmful products, for example in surface treatments, will also lead us to follow and reinforce our training and specific prevention policies.

Concerning **safety**, the program for bringing machines within compliance standards that was established after the audits carried out by Veritas has been followed in all of the group's divisions; likewise, ATEX zones (explosives areas) and compliance on the periphery of these zones has been initiated in the aerospace division's three main industrial sites.

In these two areas LISI is relying on assessments carried out by its insurers (ten sites audited in 2005 including three factories outside France) whose objective was to identify appropriate action plans on the basis of managerial or mechanical criteria that have been judged insufficient by the auditors (for example: procedures concerning burning permits, the competence of initial attack teams, fire stopping, or adequate sprinklers for specific production zones).

The group's **environmental** efforts will be symbolized in 2005 by the completion of the construction of the effluent treatment station at LISI COSMETICS' Saint-Saturnin factory; spread over 2004 and 2005, total investment in the site will be €4 million or, in other words, the investment of nearly 5% of the subsidiary's total turnover in a single project. Thanks to the technical and financial support of the Pays de la Loire ADEME (the government environmental and energy agency), the station, which is the only one of its kind in France, will

start to operate in the spring of 2006 and will give the neighboring communities and our customers the assurance that they have the right to expect in this area.

■ CRISIS MANAGEMENT

Despite these rigorous measures to identify and analyze all types of risk, there is still, in theory, the possibility of a particularly serious event occurring that could endanger the image of LISI and its subsidiaries.

In such a case, even the group's overall image could be affected.

To take this possibility into account, which is more specifically a matter of corporate public relations, in 2005 we produced, with the help of a specialist service, a Guide to Crisis Management and Public Relations intended for everybody in the group. The guide, presented in "kit" form, provides chronological and detailed information on the various measures to be taken should such an event occur: golden rules for message management, outlines for press releases, attitudes to the media, information to be supplied both internally and to the relevant authorities, lessons to be learnt, and finally a corrective action plan.

The Villefranche de Rouergue site, which suffered the loss of a major part of its production for several consecutive days due to exceptional flooding of the Aveyron River in December 2003, will again serve as a pilot for this project.

The lessons learnt from a simulated event, planned in 2006, will be communicated to the group's other sites.



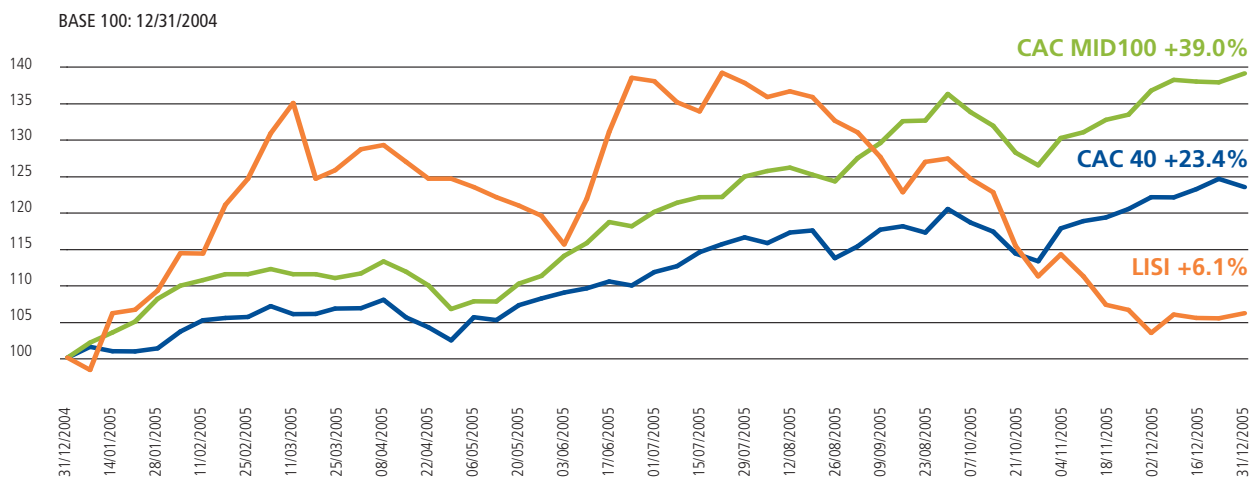
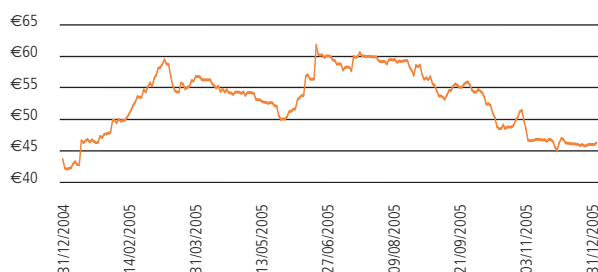
MARKET DATA

■ SHARE STAGNATED AND DECLINED OVER THE YEAR

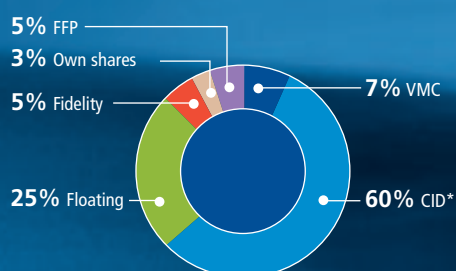
Alike all shares of automobile-related companies, LISI started declining in September. The year's peak was established in June at €61.70. In September, it reached €58.55 and finally, at end December, dropped to €46.00 per share.

The correction of the year's high therefore stands at -25.5% and, as compared to the highest price reached in September, -21.4%.

Over the year, the share only gained 6.1%, as compared to the CAC 40 that rose by +23.4% and the CAC Mid 100 that displayed an increase of +39%.



BREAKDOWN OF CAPITAL



* VMC and FFP are also the majority shareholders of CID along with CIKO.

HISTORY

June 20, 1989: GFI Industries floats on the Second Marché of the Paris stock market.

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

May 13, 1998: Nominal share value divided by 5. Admission of the 9,697,955 new shares with FRF10 face value in lieu of the 1,939,591 shares with FRF50 face value.

December 18, 2001: Stock joins the NextPrime FTSE 215 Euronext segment.

SHARE DATA

Next Prime FTSE 215
Second Marché
Included in the SBF 250
CAC Mid 100 index

ISIN Code: FR 0000050353

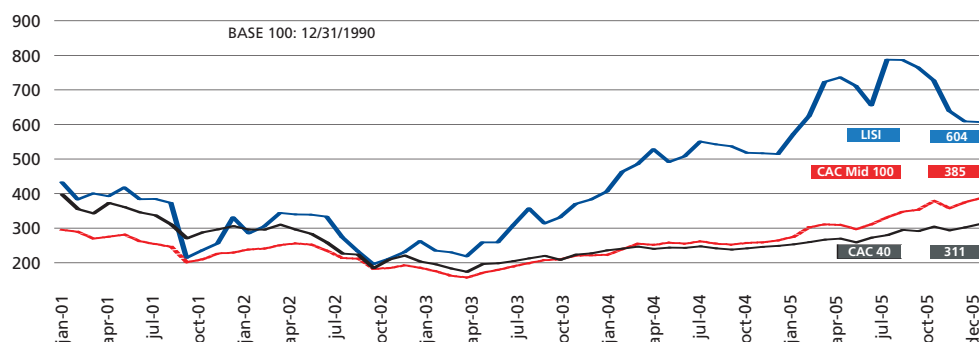
Reuters code: GFIL.PA

Bloomberg code: FII.FP

Stock administrator:
ODDO Midcap Lyon,
M. Hervé GINOT
Mail: hginot@oddo.fr
Tel: +33 (0)4 72 68 27 60

A SHARE THAT OUTPERFORMS INDICES OVER THE LONG TERM:

In the long term, LISI outperforms all reference and more general indices.



THE TRANSACTION VOLUMES ENSURE THE SHARE'S LIQUIDITY

After an exchanged volume of 1,445,713 shares in 2005, up 23% as compared to 2004, the capitals exchanged rose by 70%, thus achieving the record rate of 62% of outstanding shares.

The average price in dealings is €53 per share, 13% above the closing price of December 31, 2005. Average daily transactions involve 5,300 shares per day over the period, up 20.5% as compared to last year.

PER SHARE DATA FOR 2005

The data are calculated for a total of 9,896,834 outstanding shares.

Unchanged over the period and not diluted by bonds with redeemable share warrants (BSAR), per share data are as follows:

Consolidated net earnings:	€3.60
Consolidated net assets:	€31.34
Highest share price	€61.70 on 06/23/2005
Lowest share price	€40.71 on 01/07/2005

MARKET DATA

DATES	Closing prices €	Higher €	Lower €	Average for session €	Trading volume €K	Trading volume for the month (excluding non-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

2006 FINANCIAL RELEASE CALENDAR

Date	Medium	Topic	Date	Medium	Topic
January 12, 2006	Daily financial press	2005 revenue	July 18, 2006	Daily financial press	Q2 2006 revenue
January 18, 2006	BALO	2005 revenue	July 24, 2006	BALO	Q2 2006 revenue
February 22, 2006	LISI Board of Directors		August 30, 2006	LISI Board of Directors	
February 23, 2006	Daily financial press	2005 earnings	August 31, 2006	Daily financial press	2006 H1 earnings
April 14, 2006	Daily financial press	Q1 2006 revenue	September 13, 2006	BALO	2006 H1 earnings
April 21, 2006	BALO	Q1 2006 revenue	October 13, 2006	Daily financial press	Q3 2006 revenue
April 26, 2006	BALO	2005 earnings	October 20, 2006	BALO	Q3 2006 revenue
May 10, 2006	LISI Shareholders' General Meeting		January 16, 2007	Daily financial press	Q4 2006 revenue
Week 21	BALO	Approval of 2005 financial statements			





LISI

Tour Gamma «A » - 193 Rue de Bercy
F - 75582 PARIS CEDEX 12
Head Office
Espace Vauban – Boulevard Richelieu
BP 431 - F - 90008 BELFORT CEDEX
Tel: +33 (0)3 84 57 00 77
Fax: +33 (0)3 84 57 02 00
Website: www.lisi-group.com



LISI AEROSPACE

Tour Gamma «A » - 193 Rue de Bercy
F - 75582 PARIS CEDEX 12
Tel: +33 (0)1 44 67 85 85
Fax: +33 (0)1 44 67 86 07
Website: www.lisi-aerospace.com



LISI AUTOMOTIVE

28, Faubourg de Belfort - BP 19
F - 90101 DELLE CEDEX
Tel: +33 (0)3 84 58 63 00
Fax: +33 (0)3 84 58 63 02
Website: www.lisi-automotive.com



LISI COSMETICS

Tour Gamma «A » - 193 Rue de Bercy
F - 75582 PARIS CEDEX 12
Tel: +33 (0)1 43 07 98 50
Fax: +33 (0)1 43 43 65 93
Website: www.lisi-cosmetics.com

LINK SOLUTIONS FOR INDUSTRY

lisi