EGIDE INNOVATIVE HERMETIC PACKAGE SOLUTIONS

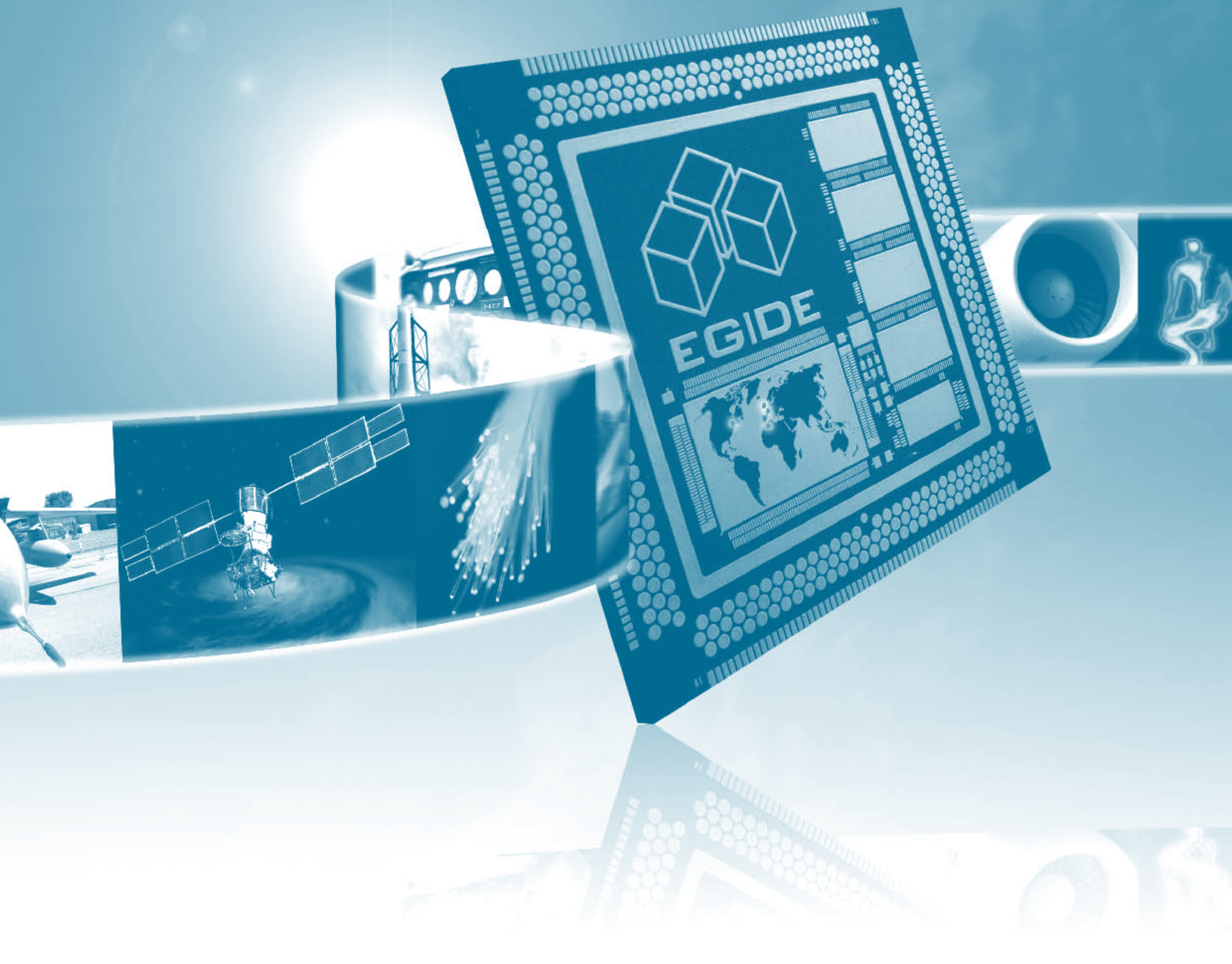
REFERENCE DOCUMENT 2006

EGIDE

French Société anonyme (corporation)
with share capital of 12 858 310 euros
Registered office: Parc d'Activités de Pissaloup
78190 - TRAPPES
VERSAILLES Trade and Companies Registry no 338 070 352

AMF AUTORITÉ DES MARCHÉS FINANCIERS

This reference document was filed with the French Financial Markets Authorities (Autorité des Marchés Financiers) on June 06, 2007, in compliance with article 212-13 of the AMF General Regulations. It may only be used in support of a financial transaction if it is supplemented by a transactional memorandum certified by the AMF.



Contents

1 PEOPLE RESPONSIBLE FOR THE REFERENCE DOCUMENT

1.1 Person responsible for the information

Mr. Philippe Brégi, Chief Executive Officer

1.2 Declaration of the person responsible for the reference document

“I certify, after having taking all reasonable measures in this respect, that, to the best of my knowledge, the information contained in this reference document reflects the reality and does not contain any omission of any kind that might alter its scope.

The statutory auditors of the accounts have provided me with a letter stating the end of their assignment, in which they indicate that they have analyzed the information regarding the financial situation and the accounts given in this reference document as well as the whole of the reference document.

The consolidated accounts and the corporate accounts of financial year ended on December 31, 2004 were the subject of reports which contain observations by the statutory auditors, shown on pages 35 to 37 respectively of the reference document D.05-0887 filed with the AMF on June 14, 2005 and referred to in this document.

The consolidated accounts and the corporate accounts of financial year ended on December 31, 2005 were the subject of reports which contain observations by the statutory auditors, shown on pages 104 to 106 respectively of the reference document D.06-0621 filed with the AMF on June 23, 2006 and referred to in this document”.

Signed in Trappes, on June 5, 2007

Philippe Brégi
Chief Executive Officer

2. STATUTORY AUDITORS OF THE ACCOUNTS

2.1 Joint Statutory Auditors

Jacques Wenig et Associés
Mr. Bernard HINFRAY
65, avenue Kléber
75116 Paris

Date of first appointment: on creation of the company in 1986

Expiry of term of office: Shareholders' meeting held to approve the accounts of financial year ended December 31, 2009

PricewaterhouseCoopers Audit
Mr. Xavier CAUCHOIS
63 rue de Villiers
92208 Neuilly sur Seine

Date of first appointment: June 29, 2001

Expiry of term of office: Shareholders' meeting held to approve the accounts of financial year ended December 31, 2006

If the 8th resolution proposed to the Shareholders' meeting of June 20, 2007 is adopted, the term of office of PricewaterhouseCoopers Audit shall be renewed for a period of 6 financial years.

2.2 Substitute Statutory Auditors

Mr. Christian Brossier
65 avenue Kléber
75116 Paris

Date of first appointment: June 21, 1994

Expiry of term of office: Shareholders' meeting held to approve the accounts of financial year ended December 31, 2009

If the 9th resolution proposed to the Shareholders' meeting of June 20, 2007 is adopted, Mr. Christian Brossier, resigning, shall be replaced by Mr. Jean-Marc Le Mer, for the remaining term of office.

Mr. Marc Ghiliotti
63 rue de Villiers
92208 Neuilly sur Seine

Date of first appointment: June 29, 2001

Expiry of term of office: Shareholders' meeting held to approve the accounts of financial year ended December 31, 2006

If the 8th resolution proposed to the Shareholders' meeting of June 20, 2007 is adopted, Mr. Ghiliotti's term of office shall not be renewed. The term of office of substitute statutory auditor shall be entrusted to Mr. Etienne Boris for a period of 6 financial years.

2.3 Amount of fees paid to the statutory auditors

In compliance with article 221-1-2 of the General Regulations of the French Financial Markets Authority (AMF), the fees of the statutory auditors paid by the group Egide for financial year 2006 are presented in the table below:

	Jacques Wenig et Associés				PricewaterhouseCoopers Audit			
	Amounts in euros		%		Amounts in euros		%	
	2006	2005	2006	2005	2006	2005	2006	2005
Audit								
- Auditorship, certification, analysis of the individual and consolidated accounts	121 981	77 100	100	98	186 500	127 571	88	89
- Other ancillary assignments and other audit assignments	0	1 600	0	2	10 000	1 200	5	1
Sub-total	**121 981**	**78 700**	**100**	**100**	**196 500**	**128 771**	**93**	**90**
Other services								
Legal, tax, social security issues*	-	-	-	-	14 656	13 852	7	10
Sub-total	**0**	**0**	**0**	**0**	**14 656**	**13 852**	**7**	**10**
TOTAL	**121 981**	**78 700**	**100**	**100**	**211 156**	**142 623**	**100**	**100**

** Services provided for foreign subsidiaries*

3. SELECTED FINANCIAL INFORMATION

3.1 Consolidated financial information for 2004, 2005 and 2006

As a first remark, the following information regarding the consolidated accounts for financial years 2004 (before and after IFRS), 2005 and 2006 may be selected:

(in thousands of euros)	2004	2004 IFRS	2005 IFRS	2006 IFRS
Turnover	19 315	19 315	21 700	25 380
Operating / operational profit (loss)	(8 554)	(9 302)	(8 174)	(4 816)
Net profit (loss)	(8 075)	(8 939)	(7 942)	(5 064)
Fixed assets / long-term assets in IFRS	10 055	13 858	10 323	7 151
Available cash	5 631	5 669	1 285	3 759
Borrowings and loans	2 704	2 705	2 439	5 389
Equity capital	20 730	21 173	14 065	13 337
Total balance sheet	**29 367**	**29 810**	**22 372**	**26 035**

In compliance with the EC rule no. 1606/2002 of July 19, 2002, the group Egide presents its consolidated financial statements for financial year ended December 31, 2006 in compliance with the IFRS (International Financial Reporting Standards) as adopted by the European Union. This referential includes the IFRS and the IAS (International Accounting Standards), as well as their interpretations applicable at December 31, 2006. This series of standards and their interpretations are jointly referred to as IFRS or "IFRS" for simplicity reasons.

The financial statements of the group at December 31, 2006 are the second accounts published according to the IFRS referential. Regarding the first application of IFRS, the presentation of the annual accounts at December 31, 2005 implied a restatement of the financial information provided for financial year 2004, as the comparative information had to be prepared on the same preparation basis as the accounts for financial years 2005 and 2006.

3.2 Financial information (corporate accounts) for 2004, 2005 and 2006

As a first remark, the following information regarding the corporate accounts for financial years 2004 (former and new standards), 2005 and 2006 can be selected:

(in thousands of euros)	2004	2004 Pro forma*	2005	2006
Turnover	11 964	11 964	13 722	14 611
Operating / operational profit (loss)	(5 533)	(4 988)	(4 859)	(2 694)
Net profit (loss)	(9 095)	(8 549)	(7 509)	(4 916)
Fixed assets	9 050	9 991	6 444	5 407
Available cash	4 655	4 655	1 034	3 560
Borrowings and loans	0	0	0	0
Equity capital	20 364	20 950	13 516	13 114
Total balance sheet	**25 228**	**25 815**	**17 971**	**18 718**

** The change in accounting method is a result of the application, on January 1, 2005, of the French Accounting Regulation Committee (CRC) regulation no. 2004-06 of November 23, 2004 regarding the definition, evaluation and booking of assets, and of CRC regulation no. 2002-10 of December 12, 2002 relating to the amortization and depreciation of assets. The retrospective method was used to apply these regulations to the fixed assets existing at the start of the financial year on January 1, 2005, which led to calculating the effects, as if they had always been applied. The effect of the changes resulting from the first application of these regulations was treated according to the general provisions of article 314-1 of the CRC regulation no.99-03, and offset against the retained earnings for impacts at December 31, 2003 and against the results of the financial year for impacts on financial year 2004.*

4. RISK FACTORS

4.1 Market risks (exchange rates, interest rates, shares, credit)

4.1.1 Exchange rate risks

The majority of Egide's sales are for export (74 %), with North America representing 47 % of the total sales of the group. The unfavorable exchange parity of the dollar against the Euro in 2006 has therefore led to reducing the turnover of the group. However, more than one third of this turnover (37%) denominated in dollars is made by the American subsidiary Egide USA, of which all of the costs are also in dollars. Furthermore, the major part of the European turnover is denominated in euros. The exchange risk is therefore limited to the part of the sales denominated in dollars and made by the French company Egide SA, i.e. 14 % of the turnover for FY 2006. A part of the revenue in American dollars received by Egide SA is used for purchases of components in the United States. In 2006, however, the receipts in dollars were much lower than the disbursements, as the implementation of the factoring led to funding in euros. The risk is therefore at the level of the variation in exchange rate on the day of the transaction, for which no specific coverage has been implemented.

As regards the American subsidiary, all of the purchases and sales are made in dollars. At the end of the financial year, the exchange risk is therefore limited for the group to the net result of Egide USA and its accounts in dollars.

A custom engineering scheme has been implemented between Egide and Egima: the export revenue on products manufactured in Morocco is invoiced by Egide; there is no risk regarding the rate of exchange (in dirham). The financing structure implemented in Morocco is such that the impact of a variation in the Euro / Dirham exchange rate would thus be reduced. Indeed, the investments made in 2001 and 2002 were financed for around 50 % by equity capital and for around 50 % by long/medium-term loans in local currency. Should the dirham devalue, the accounting loss on the value of the assets denominated in dirhams would be partially offset by a reduction in the value of the debt, also denominated in dirhams.

The turnover made by the English subsidiary Egide UK is denominated in pounds sterling for 63 %. However, this only represents 7.2 % of the turnover of the group and the exchange rate risk is limited to the net profit (loss) of the financial year.

The following table details the net situation of the group in the main currencies used in transactions:

(in thousands at December 31, 2006)	USD	GBP	MAD
Currency Assets	4 325	479	5 190
Currency Liabilities	2 942	203	23 241
Net situation before treatment (+ seller, - purchaser)	1 383	276	(18 051)
Non-accounted position	-	-	-
Net situation after treatment	1 383	276	(18 051)
Impact of the unfavorable variation of 1 euro centime (- loss, + gain)	(14)	(3)	181
Rate at December 31, 2006 (1 euro =)	1,3170	0,6715	11,1366
Impact in thousands of euros	(11)	(4)	16

4.1.2 Interest rate risks

In order to (i) finance the investments made in Morocco in its subsidiary Egima, and (ii) limit the exchange rate risks further to a possible devaluation of the dirham, Egide has decided to take out two loans from a local bank. The amount of the medium-term loan is 14.6 million dirhams, to be reimbursed over a period of 7 years (with a one-year moratorium on repayment of the principle) at a fixed interest rate of 8 %; the long-term loan amounts to 12.7 million dirhams, partially released for up to 10.678 million, to be reimbursed over a period of 12 years (with a one-year moratorium on repayment of the principle) at a fixed interest rate of 8.75 %. These two loans were released at the start of the year 2003; they do not include an anticipated reimbursement clause due to the application of the clause by default. As these loans are at a fixed rate, the company is not exposed to any interest rate risk.

Furthermore, the building in which the registered office of Egide SA is installed is financed by a leasing over 12 years since October 25, 1999. The value of the property on signature of the agreement was 0.97 million euros. The royalties are based on Euribor 3 months + 1.3 points. Taking into account the stability of this index, the variation of 1 % of this rate would have an impact of less than 500 euros on the financial costs.

During the first semester of 2006, Egide SA signed two factoring agreements covering domestic and export receivables. The monthly financing commission applied by the factoring corporations to the financed amounts is based on Euribor 3 months at the end of the previous month. Similarly, over this period, Egide USA Inc obtained a revolving line of credit whose interest rate is assessed in the following way: basic rate + 3 % (minimum rate of 10.25 %). Considering the stability of these indexes, the variation in these rates would not have any significant impact on the financial costs.

In light of the level of indebtedness of the group Egide (around 21 % of the consolidated equity capital) and of the low potential impact of the interest rate variations on the P&L consolidated account linked to the characteristics of the interest rates, the group has not put in place any specific measures to monitor and handle the interest rate risks.

4.1.3 Share risks

Apart from the securities used in relation to the Egide share liquidity agreement, the company is not exposed to any other share risk.

4.2 Legal risks

4.2.1 Intellectual property

The trade names used by Egide are registered in France and on an international level. The company uses the patents of which it is the owner and registers them when it becomes necessary. The licenses used by the company and by its subsidiaries, are shown in the assets of the accounts and are not the subject of any royalty.

4.2.2 Special regulations

Egide’s activity depends on legal, regulatory or administrative authorizations, as well as homologation procedures. All measures are taken to keep the operating authorizations of all of the production sites up to date, including those of the subsidiaries, in liaison with the relevant official bodies.

4.2.3 Insurance

Egide SA and its subsidiaries have taken out all of the necessary insurance policies to cover the risks linked to their industrial activity, in compliance with the respective obligations of their country. The risks covered are mainly:

	Maximum coverage (In millions)			
	Egide SA	Egide USA	Egide UK	Egima
Industrial risks	20 ME –Excess 0.01 M€	10 M$	0.77 M£	20 M DHR
Civil liability	10 M€	15 M$	5 M£	5 M DHR
Breakage of machinery	0.10 M€	10 M$	-	6.5 M DHR
Auto-mission	0.15 M€	-	-	-
Automobiles	Unlimited	1 M$	-	-
Operating losses	Annual gross margin - Excess 3 days	2 M$	Gross margin - Max 0.922 M£	1.3 M DHR
Civil liability of directors	4.5 M€	4.5 M€	1 M£	-
Work stoppage or sick leave	-	0.5 M$	-	-
Legal Assistance	-	-	0.1 M£	-

4.2.4 Dependence on other companies

As from the year 2004, Egide no longer has any major dependence on any of its clients; in 2006, the first client of the group represented 18 % of the consolidated turnover. Furthermore, the company is not dependent on any of its suppliers.

4.2.5 Political, economical, legal and tax risks linked to export sales

The turnover made in China or in Thailand is mainly either for the subsidiaries of European or American clients, or for internationally-renowned sub-contracting companies that have set up locally (like Fabrinet, for example), which means that the company avoids any of the risks inherent to the countries concerned. Relations with Korea represent less than 1 % of the turnover, and so the risk is considered as insignificant.

4.3 Industrial and environmental risks

4.3.1 Industrial risks

The company's activity does not generate any exceptional risks. In terms of industrial accidents, no serious accident has ever been reported, either in France, or in the United States or in Morocco. The only incidents reported have been local and superficial burns.

The use of nickel, a metal widely used in the company, sometimes leads to skin allergies. In 20 years, Egide has only had to dismiss one employee for occupational illness further to an allergy to nickel.

4.3.2 Environmental risks

Apart from the anti-pollution regulations, Egide is not subject to any special regulation. The manufacturing process of hermetically-sealed packages requires the use of dangerous products such as hydrogen or gold cyanide (mixture of gold and cyanide). These products are stocked and used according to the standards in force and are permanently checked; the sites are thus regularly inspected.

The site in Bollène was located on the perimeter of the nuclear center of Tricastin, which meant that less restrictive standards were imposed on this site. Diluted discharges were therefore authorized, until the nuclear perimeter was revised and reduced. On the last reduction of the perimeter, the Egide buildings at Bollène were discovered to be outside of the "nuclear" zone; common law is now imposed on this site. Consequently, a compliance program was decided on request, with the local authorities. This program aimed at implementing a "zero discharge" policy. For this, the company has built a storage depot for the discharge, which is then removed by specialist companies. This storage depot was put into use on January 2, 2007.

For its installations located in Morocco, Egide has decided to apply the European environmental standards in force, which are more restrictive than the local norms. Furthermore, prior to the acquisition of Electronic Packaging Products (which has become Egide USA Inc.) in 2000 and to the acquisition of the assets of Europlus (now Egide UK) in 2002, Egide has had an environmental audit carried out, which revealed no risk whatsoever.

Therefore, all of the manufacturing equipment used in the group Egide meets with the safety and environmental standards in force. The group regularly has all the regulatory controls carried out by approved organisms (checking of fire-fighting equipment, electric installations, water discharge, …).

Furthermore, in 2006, Egide undertook to reflect on the future classification of the group in compliance with the ISO 14001 standards (the group is currently ISO 9001-2000).

4.4 Technological risks

4.4.1 Launching replacement products

Egide manufactures hermetically-sealed packages; should the need for hermetic products no longer be required, simple plastic products could be used instead of the packages.

However, the needs for hermetically-sealed packages and thermal dissipation are inherent to the existence of integrated electronic systems or sophisticated chips that are extremely sensitive to the thermal and atmospheric environment. The so-called hybrid circuits of the defense industry, and laser diodes, therefore need hermetically-sealed packages in order to run for long periods of time without risk of breakdown. The same applies to immersed or buried optoelectronic circuits, as the cost of changing a faulty component is not comparable with the price of the equipments. This request for high quality also applies to products required by the civil industries such as the aeronautic or automobile industries.

In certain applications where a partial hermetically-sealed device could suffice, the use of packages based on polymer could compete with fully hermetic packages. However, the applications in question are not those that Egide has chosen to focus on or develop.

4.4.2 Decrease in prices

Mass production, competition between clients and the request for increased miniaturization of the components naturally lead to a pressure on the prices, but the applications for which the Egide products are sold remain in an upscale position (optoelectronic, aerospace and aeronautic industries, automobile security), which enables to limit this significant phenomenon of decrease in the prices.

Moreover, Egima's Moroccan manufacturing tool linked to the molded components (cheaper manufacturing technology) provided by Egide UK, gives Egide the means to produce the components at reduced costs and therefore to limit potential market losses linked to a decrease in prices.

4.5 Other risks

4.5.1 Arrival of new competitors

The knowledge required for developing and manufacturing the hermetically-sealed packages is very difficult to acquire. Indeed, it is not enough to be capable of making a few laboratory prototypes, but to be able to produce them regularly, in proven repetitive and profitability conditions, to be able to meet not only with the technical obligations, but also with the commercial and economical obligations. These entrance barriers mean that no new competitor has set up for over several years.

4.5.2 Risks linked to the volatile nature of the high-tech market

The company is positioned on the high-tech market in all of the sectors to which it applies. None of these markets is protected from a sudden increase or decrease in cycle, as occurred in 2001 in the telecommunications sector for example. By its active diversification policy on several sectors, and on several clients in a same sector, Egide intends to amortize, as much as possible, the effects of this volatile nature on the turnover and results.

4.5.3 Political risks linked to geographical implantations

The manufacturing unities of the company implanted in Europe (France, Great Britain) or in the United States are not subject to any special risk linked to their geographical implantation. The Moroccan production site (Egima, installed in Casablanca) is the one that could be the most affected by any political or economical instability in the country in which it is installed. However, the risk remains low and the company has not taken any specific measure for coverage.

4.5.4 Risks linked to the volatile nature of the stock exchange

Any event concerning the company, its competitors, the market in general or one or all of the sectors in which it intervenes (telecommunications, defense and aerospace industries, civil aviation or automobile) could have a positive or negative effect on the value of the shares of the company. Similarly, the shares of the company present a certain liquidity risk. Over the year 2006, the average daily amount of exchanges arose to around 2 988 shares (i.e. 0.23 % of the share capital) against 2 387 shares per day in 2005.

5. INFORMATION REGARDING THE COMPANY

5.1 Background and evolution of the company

5.1.1 Corporate denomination

EGIDE S.A.

5.1.2 Place and registration number of the company

The company is registered with the Trade and Companies Registry in Versailles under the number 338 070 352.

5.1.3 Date of incorporation and term

The company was set up on July 11, 1986 for an initial term of 99 years, i.e. until July 10, 2085, except in the case of early dissolution or renewal of its charter set out by the law.

5.1.4 Registered office and legal form

The registered office is located 2 rue Descartes, Parc d'Activités de Pissaloup - 78190 Trappes – France. (Tel.: +33 1 30 68 81 00).

Egide is a French société anonyme (corporation) governed by French law with a Board of Directors governed by the French Commercial Code and by the decree of March 23, 1967.

5.1.5 Significant events in the development of activities

1986 : Creation of Egide to meet with the needs of the French Defense industry for hermetically-sealed packages for sensitive components; the company is specialized in glass – metal seals.

1992 : Egide acquires the "encapsulation" activity from the company Xéram, then subsidiary of the group Péchiney, which has developed a ceramic - metal seal industry. Egide becomes sole European specialist in high-temperature co-fired ceramic (HTCC), which enables to develop intelligent packages.

1994 : Egide enters the telecommunications market (optic transmissions), which is to be the motor of its expansion with an acceleration in 1998.

1999 : Egide is listed on the Stock Exchange.

2000 : Egide acquires the American manufacturer of packages Electronic Packaging Products (EPP), renamed Egide USA, ensuring an industrial presence in the United States; Egide creates a subsidiary in Morocco.

2001 : Explosion of the "Internet bubble", which is to have a direct impact on the turnover of the company (telecommunications part which then represents more than 95 %).

2002 : Acquisition of the main assets of the British company Europlus via the subsidiary Egide UK created for this purpose. Europlus contributes the MIM technology (molding by injection of special alloys) necessary for the competitiveness of the components, notably the telecommunications components.

2002 : Opening of the factory of the subsidiary Egima in Morocco, aiming at producing large volumes, at reduced costs, to target new civil markets.

2005 : Continuation of the diversification in order to balance the turnover over the different markets of the company. Mr. Philippe Brégi takes over as head of the company as Chief Executive Officer, and successor to the former CEO who has taken retirement.

5.2 Investments

5.2.1 Main Investments made

The investments made by the company since 2004 mainly concern the renewal of industrial equipment on the three main production sites (American, Moroccan and French). The following tangible assets were acquired for these years:

(In thousands of euros)	2004	2005	2006
Land and buildings	153	50	35
Technical installations and equipment	339	296	278
Other fixed assets	82	35	20
Total	**574**	**381**	**333**

On December 31, 2006, the work related to the discharge storage depot, is shown in the current fixed assets for 212 KE. This fixed asset was put into service in January 2007.

5.2.2 Main Investments pending

Half of the 2007 investment budget is planned for Egide SA (safety of the installations and improvement of performances) whereas 5 % shall be allocated to Egima, 23 % to Egide USA (safety of the installations) and 22 % to Egide UK (mainly an additional firing furnace). These investments shall be financed by the available cash or possibly by leasing for the manufacturing equipment.

5.2.3 Main Investments to be made

No significant information to be reported.

5.2.4 Security deposit on assets

There are no security deposits on the intangible or tangible fixed assets of the group Egide. However, the money market funds registered in the assets side of the consolidated accounts of Egide in item "Other long-term assets" are given as a guarantee in favor of the subsidiary Egima (in order to guarantee the loans taken out by the subsidiary, and as a security for the Moroccan customs authorities) (see § 20.3.1.5.5.17).

The table below sets out the details of the security deposits on fixed assets existing at December 31, 2006:

Security deposits on fixed assets:	Start Date	Expiry Date	Amount of asset in € (a)	Total accounts entry in € (b)	% (a) / (b)
Intangible			N/A		
Tangible			N/A		
Financial			N/A		
Total					

6. OVERVIEW OF THE ACTIVITIES

6.1 Main activities

6.1.1 Protective hermetically-sealed packages

Egide designs, manufactures and sells hermetic encapsulation components (packages) for the protection and interconnection of several types of electronic or photonic chips.

These packages aim at ensuring the invulnerability of integrated electronic systems or sophisticated chips, which are therefore fragile, and sensitive to difficult thermal, atmospheric or magnetic conditions.

These components are the result of a sophisticated know-how drawing on several disciplines: materials structure and in particular of special alloys, chemistry and electroplating, mechanics and thermodynamics, electronics, optoelectronics and microwave frequency modeling. Egide is one of the rare companies to master all of the technologies used around the two families of materials used to date in the world for these packages: glass – metal and ceramic. The company also produces its own ceramic, and, thanks to its English and American subsidiaries, makes its own molded metallic components and glass beads in-house.

6.1.1.1 Sealing technologies

Glass - metal

Since the beginning, this technology has been at the heart of the company's activity. The components' bodies and the connector pins are metallic. These pins are held and isolated by glass beads which must ensure that the places where the pins touch the metal casings are completely hermetic.

The metals used are special alloys, the most common being kovar which is an alloy of iron, nickel and cobalt. Other types of metals are also used, such as molybdenum, copper-tungsten, aluminum–silicon carbide or titanium for applications where thermal dissipation is important or weight critical.

Assembling the parts of the metallic package is done by brazing (soldering) in furnaces at very high temperatures. The brazing itself is made up of special alloys, such as gold-tin, gold-germanium or silver-copper.

Ceramic - metal

In this technology, which is rarer and more difficult to realize, the packages keep a metallic structure similar to that of the glass - metal packages, using the same alloys and brazing, but the glass beads are replaced by ceramic inserts.

A rectangular window is cut into the packages' casing, in which a block of ceramic with screen-printed tracks is brazed hermetically, thus replacing the glass beads.

Other packages use ceramic components assembled with metallic pins to meet, in particular, with requirements for infrared applications.

6.1.1.2 Plating

The plating is done by electrolytic or chemical (Gold and Nickel) layers, on an automatic, semi-automatic or manual galvanoplasty line, depending on the production site.

These layers, of micron size, are required at the various manufacturing stages of the packages:

- Nickel-plating of the ceramic components before their assembly
- Pre-treatment of the metallic components
- Gilding of the glass - metal and ceramic packages at the final manufacturing stage.

Egide's very extensive expertise in the plating domain, and the integration of the line in the production flow, is a major asset for ensuring an optimal quality of the finished package.

6.1.1.3 Ceramic, from powder to component

The ceramic produced by Egide on its site in Bollène, is so-called HTCC (High Temperature Cofired Ceramic). As a source of miniaturization, this technology leads to several applications, such as the realization of substrates of Multi-Chip Modules.

Egide masters the whole of the manufacturing process from the powder to the component:

Production of ceramic (or "green tape")

“Raw” ceramic is obtained from alumina powder and organic components which are mixed and which give a pasty-looking substance (“barbotine”). This is poured onto plastic bands, then made flexible by drying and evaporating the solvents. The bands, of varying thicknesses, are then cut up into sheets before being used.

Inks

The inks, also produced on the Bollène site, are obtained from tungsten powder and solvents. They are used for the screen-printed conductive tracks on the various ceramic sheets, and for filling the via (minute holes on each of the sheets) in order to establish the conduction from one layer to another.

The HTCC process

Egide masters all of the operations for transforming the “raw” ceramic in a category 10 000 white room: punching the via and windows, filling the via, screen-printed tracks, pressing and cutting-out. The fact of mastering both the production of ceramic and the inks constitutes a decisive advantage in the success of the cofiring (alumina - tungsten) stage of the HTCC process. During this operation, components in very resistant ceramic are obtained by superposing successive layers of ceramic sheets, pressing them and firing them in special furnaces at very high temperatures (1 600°C).

6.1.1.4 Glass beads

On its American site, Egide manufactures the glass beads used in the glass – metal packages. The basic material is glass powder, which is agglomerated before being fired at high temperature (around 600 °C) in a special furnace. This activity completes the integration of the production and its independent supply on one of the key positions of the glass - metal technology.

6.1.2 Metal Injection Molding (MIM)

The technology of molding developed by the English subsidiary replaces the machining or stamping of metal materials. Powdered metal is used, injected under pressure into a mold, to obtain components in sophisticated shapes. Once the cost of the mold is amortized, it enables large production runs, at low cost, of structures used in particular for the manufacture of the packages. This molding technology also enables to produce plastic parts, used in particular in the telecommunications fields (guides and fiber optic mediums) as well as metal parts for the industrial or medical sector.

6.1.3 Breakdown of the turnover by activity

The breakdown of the consolidated turnover by activity is detailed in the table below:

	2004		2005		2006	
	K€	%	K€	%	K€	%
Glass-metal products	12 036	62.3 %	15 127	69.7 %	16 773	66.1 %
Ceramic products	5 678	29.4 %	5 263	24.3 %	6 760	26.6 %
Others (including MIM and plastics)	1 459	7.6 %	1 266	5.8 %	1 833	7.2 %
Research	143	0.7 %	44	0.2 %	14	0.1 %
Total	**19 316**	**100.0 %**	**21 700**	**100.0 %**	**25 380**	**100.0 %**

6.2 Main markets

Present from the start on the defense and aerospace industry markets, then on the telecommunications by fiber optics market, Egide is currently penetrating the civil aviation, automobile, medical, oil prospecting and new industrial applications of infrared markets.

6.2.1 The defense and aerospace industries

The electronics used in all large military programs require hermetically-sealed packages like those manufactured by Egide, in order to ensure their protection. Naturally present from its creation in the European programs, Egide, through its subsidiary Egide USA manufacturing locally, also meets with the requirements of the American defense markets.

In the aviation sector, the hermetically-sealed packages are used in all of the various fighter planes, such as the Rafale (France), Eurofighter (England, Italy, Germany and Spain), the Jas Gripen (Sweden) or the F18/F22 (United States). The same applies for the related arms systems. Defense electronics also concern ground equipment such as radars, infrared detectors, ground-to-ground or ground-to-air missiles or the equipment used in armored vehicles (Leclerc tank in Europe), helicopters or aircraft carriers.

Certain applications remain in glass – metal (power systems, control systems), others tend towards the ceramic (infrared sensors, calculators for missiles).

The Europeanization of the components was especially requested by the main armed forces.

The aerospace industry is experiencing a significant growth on its three applications: telecommunications, observation and navigation. Egide is present in this sector thanks to the glass – metal packages and ceramic MCM (Multi Chip Module). For example, the company supplies the component manufacturers of the ARIANE V launcher, whose launching program is complete for several years, and also the packages used in satellites. The company is very well implanted for component manufacturers of the sector thanks in particular to the CNES (French National Space study Center) and ESA (European Space Agency) accreditations. The Europeanization of sources is particularly sought after in the aerospace sector, and in the military sector.

6.2.2 Telecommunications

There are three ways of sending information: the traditional copper wires (broadband), terrestrial liaisons (cellular mobile telephone) and fiber optics, that offer by far the highest speeds.

The Egide packages can be found in several types of optoelectronic subsets, as they all require chips in sensitive and sophisticated materials for which the hermetically-sealed packages are essential:

- transmitters, which transform electrical signals into optical signals transported by the fiber optics,
- receivers, which do the opposite,
- modulators, which transform a continuous signal into a series of 0 and 1,
- amplifiers, which amplify an optical signal by using high power lasers,
- multiplexers, which group, de-group and channel the communications,
- dispersion compensation modules, which correct certain signal defects.

The telecommunications by fiber optics market experienced an exceptional crisis, both in size and in duration, but the market is currently showing a slight recovery. This tendency should increase over the next few years. The overcapacity of networks, at the origin of the crisis, is in the process of being made up, as the traffic, and therefore the needs in data transfer, has not diminished. These transfers by fiber optics require chips in sensitive and sophisticated materials for which the hermetically-sealed packages are essential.

Only liaisons by fiber optics enable to meet with requirements of broadband. The increase in Internet services, landline and mobile telephones and video (so-called “quadruple play” offers) require the use of optics in metropolitan and access networks. The optic connection of buildings, houses and other local networks involves several connections (FTTC), and therefore encapsulation components.

6.2.3 Industrial markets

By supplying the component manufacturers of Airbus Industrie and Boeing, Egide has expanded its activity to industrial applications for the civil aviation sector. Egide thus proposes hermetic power relays, manufactured on the Moroccan site, or protective cases for engine control systems (FADEC - Full Authority Digital Electronic Control).

The wish to reinforce safety has led to the arrival of high-technology products in the automobile industry, mainly used currently for upscale trucks and vehicles. Thus, Egide supplies packages for anti-collision radars ("intelligent" speed regulators) or for infrared detection in difficult driving conditions (fog, night-time, rain…). The company's technical skills enable to propose the components required for these safety equipments, from the military sector.

The infrared applications have multiplied in the civil sector: surveillance of borders, industrial buildings, and public places, assistance for medical diagnostic, assistance for piloting without visibility, gas detection, etc.… Derivatives themselves from the military applications, the infrared solutions for the civil sector are experiencing significant growth, in particular thanks to products used by fire-fighters (vision through smoke), security agents (surveillance of sites), for predictive maintenance (diagnostic of a short-circuit before it occurs), by the medical body (detection of tumors) or by the automobile industry mentioned above (nocturnal vision).

6.2.4 Breakdown of the turnover per market

The breakdown of the consolidated turnover per market is detailed in the table below:

	2004		2005		2006	
	K€	%	K€	%	K€	%
Defense and aerospace industries	7 283	37.7 %	8 669	40.0 %	10 120	39.9 %
Telecommunications	7 870	40.7 %	6 410	29.5 %	6 150	24.2 %
Others (including industrial applications)	4 163	21.6 %	6 621	30.5 %	9 110	35.9 %
Total	**19 316**	**100.0 %**	**21 700**	**100.0 %**	**25 380**	**100.0 %**

6.2.5 Clients

The company has a large portfolio of clients in its activity sectors. The main clients of the group Egide include:

Telecommunications	Defense and aerospace industry	Industrial
Alcoa (USA) Avanex (France, Italy) Axsun (USA) Bookham (Canada, GB) Coset (Korea) Cyoptics (USA) EM4 (USA) Exfo (Canada) Fermionics (USA) Fabrinet (Asia) JDS Uniphase (USA, Canada) Perkin Elmer (Canada)	Advanced Analog (USA) Alcatel Alénia Space (France & Italy) Ericsson Saab (Sweden) Goodrich (GB) Interpoint (USA) MBDA (France, GB) Northrup Grumann (USA) Raytheon (USA) SCD (Israel) Sofradir (France) Solitron Devices (USA) Teledyne (USA) Textron Systems (USA) Thales (France) VPT Inc (USA)	ABB Entrelec (France) Airpax (USA) Autocruise (France) Compagnie Deutsch (France) Delavan (GB) Deutsch Relays (USA) Flir (USA) Indigo (USA) Q Imaging (Canada) Richco (GB) Servomex (GB) Swan Morton (GB) Ulis (France)

Egide's sales to its top 10 clients in 2006, for all activity sectors together, represented approximately 60 % of the turnover; no client individually represented more than 11% of the total turnover. In 2005, Egide's sales to its top 10 clients represented 64 % of the turnover.

On the basis of this client portfolio, Egide believes that recourse to credit insurance is not necessary, except in certain exceptional cases (use of the documentary letter of credit if necessary). The invoicing process takes place after delivery to the client.

6.2.6 Distribution of the turnover per geographical zone

The distribution of the consolidated turnover by geographical zone is detailed in the table below:

	2004		2005		2006	
	K€	%	K€	%	K€	%
France	3 862	20.0 %	5 502	25.4 %	6 593	26.0 %
European Union (excluding France)	5 058	26.2 %	5 315	24.4 %	4 020	15.8 %
North America	10 346	53.6 %	9 778	45.1 %	11 832	46.6 %
Rest of world	50	0.2 %	1 105	5.1 %	2 935	11.6 %
Total	**19 316**	**100.0 %**	**21 700**	**100.0 %**	**25 380**	**100.0 %**

6.3 Exceptional events

The telecommunications market experienced an exceptionally large crisis in 2001 and 2002, which has continued despite a “mini-bubble” at the start of 2004. The market is apparently recovering, but in proportions and at rates that should avoid the dramatic consequences of an over-capacity installed as experienced for several years now.

Furthermore, Egide, aware of the cyclic nature of all high technological markets, has continued its diversification efforts, with the aim of better balancing its turnover over its three markets. Moreover, the company is seeking, within each market, to position itself on a maximum number of different sectors. This aim, reached in 2005, was confirmed over financial year 2006 and shall continue to be at the centre of the company’s development strategy throughout the future years.

6.4 Competitive position

Very few companies worldwide are present on the hermetically-sealed packages market. Moreover, the European and American competitors of the company tend to be specialized in glass - metal products, whereas the Japanese competitors mainly offer ceramic products.

The table below shows the main competitors of Egide:

Name	Country	Markets	Turnover	Listing	Capitalization
Ametek	United States	Military aerospace	€ 0.6 billion (1)	New York	€ 2.7 billion (2)
Kyocera	Japan	Military aerospace, telecommunications	€ 0.7 billion (3)	Tokyo	€ 13.9 billion (4)
Electrovac	Austria	Industrial	€ 28 million (6)	Not listed	-
Schott	Germany	Industrial, telecom-munications	Not available	Not listed	-
Vactron	Spain	Automobile	Not available	Not listed	-
Sinclair	United States	Military aerospace, industrial	€ 13 million (6)	Not listed	-
NTK	Japan	Military aerospace, industrial	€ 0.7 billion (5)	Tokyo	€ 3.2 billion (4)
Hirai	Japan	Industrial	€ 42.8 million (6)	Not listed	-

(1) source: Annual report on December 31, 2006 for the “electro-mechanic” activity
(2) source: New York Stock Exchange on April 11, 2007
(3) source: Annual report on December 31, 2006 for the "semi-conductors" activity (9 months of 2006)
(4) source: Tokyo Stock Exchange on April 11, 2007
(5) source: Annual report on March 31, 2006 (tax year 2005-2006)
(6) source: Kompass

The main competitors are present on the telecommunications and defense industry markets, and less on the industrial applications, contrary to the marginal competitors who tend to concentrate on the industrial and automobile sectors. Kyocéra is, however, the only non-American company which, due to its factory in San Diego in the United States, sells ceramic products to American defense clients.

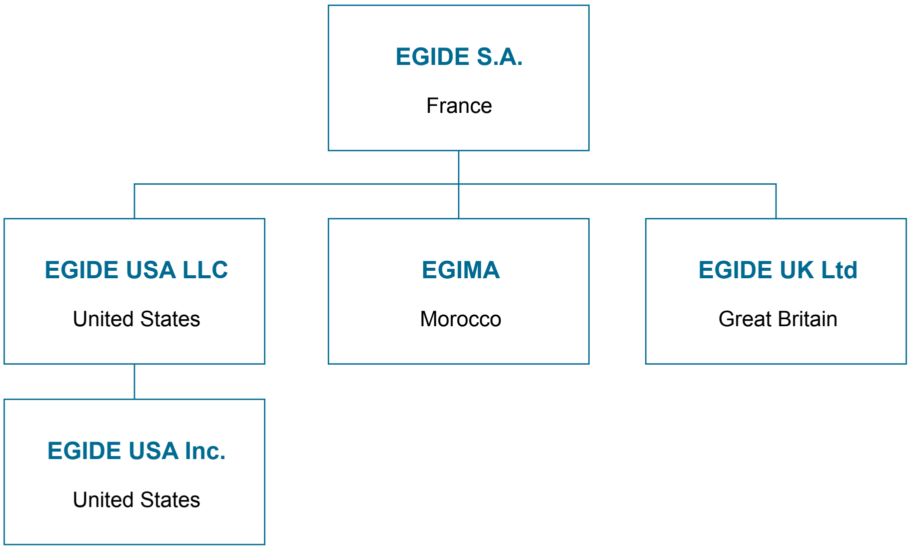
The companies above can be grouped into two categories:

- very large groups (Kyocéra, NTK, Ametek) or divisions of large groups (Schott),
- medium-sized companies (Egide, Hirai, Electrovac, Vactron).

In this competitive environment, Egide has a reputation of high quality as provider of cutting-edge technical skill from its experience in the defense electronics and aerospace industries, which are extremely demanding industries (qualifications, regular inspections, …), and holds a key position alongside Kyocéra.

7. FLOWCHART

7.1 Group flowchart



7.2 List of the subsidiaries and structure of the group

Egide SA is the parent company. It holds its three subsidiaries (Egide USA LLC in the United States, Egide UK Ltd in England and Egima SARL in Morocco) directly at 100%. As for Egide USA LLC, it holds the subsidiary Egide USA Inc., based in the United States, directly at 100 %.

Egide USA LLC is a holding of the parent company, whose sole activity is to hold the whole of the share capital of Egide USA Inc.

Egide SA, Egide USA Inc and Egide UK are companies with their own economic activity. In this respect, they each hold assets, which enable them to produce products independently from each other. Egima also possesses its production assets, but depends on Egide SA, which is its only client (implementation of a custom engineering regime).

These companies own their own available funds and their own debts, as there is no centralized cash management at group level.

Egide SA and all of its subsidiaries have the same Chairman (administrator for Egima). Apart from Egima, they each have their own management, administrative and accounting departments, sales departments, research & development departments and production departments. Egima is directly managed by the French parent company. The various transactions between the companies of the group give rise to inter-company invoices in compliance with the rules of the regulated agreements (see § 19.1 - Regulated Agreements).

All of the operating companies, except for Egide UK, carry out their activity in the domain of interconnection hermetically-sealed packages. The subsidiary Egide UK Ltd sells molded metallic components (which are not packages), mainly for the telecommunications and industrial markets. It also enables to replace certain suppliers for the products used as components by the other companies of the group.

8. REAL ESTATE, FACTORIES AND EQUIPMENT

8.1 Significant tangible assets

8.1.1 Industrial sites

The group Egide has significant production means articulated around four sites with complementary vocations: Bollène (France), Casablanca (Morocco), Woodbridge (Suffolk, UK) and Cambridge (Maryland, USA).

The Bollène site (Egide SA)
Center of excellence for the two sealing technologies, it also masters the high temperature cofired ceramic (HTCC). In a fully-owned building of around 5 700 m², equipped with a white room (category 10 000) of 500 m² for the treatment of the raw ceramic, Bollène ensures the production of ceramic components, from start to finish. The site also ensures the assembly, surface treatment and testing of the glass - metal and ceramic - metal packages. It has a research department for the ceramic and for the glass-metal, as well as R&D resources.

The Casablanca site (subsidiary Egima)
Linked to Bollène, it is more particularly dedicated to the manufacture of large series of components. In a fully-owned building of 3 000 m², built on land of 10 000 m² leased for a period of 40 years in the airport zone of Casablanca, it works on the assembly, surface treatment and testing of glass - metal and ceramic - metal packages. The galvanoplasty line there is fully automatic.

The Woodbridge site (subsidiary Egide UK)
This site holds the technology for molding sophisticated products by injection of metal (MIM - Metal Injection Molding). In a building of around 2 500 m² leased from a third party for a period of 5 years as from June 2002, it ensures the manufacture of the molds and the manufacture of metallic components. It has a molding research department.

The Cambridge site (subsidiary Egide USA)
In a fully-owned building of 5 000 m², the site mainly ensures, for the American market, the assembly, testing and surface treatment of glass - metal packages. The site also produces the glass beads. It has a glass - metal research department.

Furthermore, the registered office of Egide located in the Paris region (in Trappes in the Yvelines department) in a building of around 1 300 m² financed by leasing until 2001, regroups the general management, and the purchases, sales, administrative and financial departments.

8.1.2 Industrial equipment

On all of the four production sites, Egide is owner of its industrial equipment, which is made up in particular of:

- two ceramic pouring rooms with their own atmospheric control equipment,
- a clean room with access control containing several machines for transforming the raw ceramic: machines for punching the via and windows, machines for filling the via, machines for the screen-printing of the conductors and open-via, sintering presses, machine for rough cutting,
- equipment for manufacturing the injection-molded components,
- debinding furnaces,
- HTCC furnaces (1 600°C) for ceramic and molded components,
- heat-cutting machines (diamond slitting wheels),
- screen-printing machines for extremities,
- a furnace for brazing under vacuum,
- continuous furnaces for brazing under controlled atmosphere (medium and high temperature),
- continuous furnaces for hermetically sealing the glass beads,
- electroplating installations of which two are automatic and computer-controlled,
- machines controlling the hermeticity,
- several centers for machining the carbon,
- several visual and dimensional monitoring instruments (of which one measures in 3D),
- one wire bonder,
- thermal cycling machines.

The equipment has an average useful life of between 5 and 10 years; those dedicated to the manufacture of ceramic on the Bollène site were mainly acquired during the year 2000.

8.2 Environmental issues which could have an influence on the use of the assets

See § 4.3 - Industrial and environmental risks

8.3 Environmental impact of the activity

The information relating to the environmental consequences of the activity of Egide SA, given in the Board of Directors' report for FY 2006, is the following:

Consumption of water resources, raw materials and energy

In relation to its activity, the company consumes water for cooling its furnaces and alimenting its electroplating chain. For economic reasons, Egide has implemented a closed circuit system for cooling the furnaces, with the installation of cooling towers. For the same reasons, the electroplating now uses a so-called "dead bath" system instead of a common rinsing system, i.e. the rinsing baths are changed periodically instead of being on a continually open circuit.

In terms of energy, the company uses brazing and firing furnaces at high temperatures, which consume a lot of electricity. These furnaces also consume gases (nitrogen and hydrogen) supplied regularly by specialist suppliers.

Finally, in relation to the hermetic testing of its products, the company uses helium, also supplied in bottles by specialist suppliers.

The consumptions of the products stated above are resumed in the table below:

Resource	Unit	Consumption 2006
Water	m^3	21 580
Electricity	kWh	3 857 055
Natural gas	kWh	1 158 356
Hydrogen	m^3	41 078
Nitrogen	Kg	1 028 167

In relation to its manufacturing activity, Egide uses mainly kovar (or dilver P1) as raw material. Kovar is a mixture of iron, nickel and cobalt and falls within the composition of products bought by the company from machining or stamping suppliers. Kovar is supplied from French or American specialist companies. As Egide has a large quantity of kovar in stock (around 30 tons), it has only bought a small amount over the financial year.

Discharges in the air, water and ground that are harmful to the environment

Egide possesses equipment for electroplating, mainly made up of a semi-automatic galvanoplasty chain and chemical baths of different types. All of this equipment is built on retention vats, which are themselves linked to storage tanks, to prevent any risk of polluting the ground in the case of accidental overflow.

After the surface treatment, the packages manufactured by Egide are dried by immersion in a bath of HydroChloroFluoroCarbure (HCFC). Although this product is forbidden for use (greenhouse gas), Egide benefits from a special dispensation for use until December 31, 2008 due to its aerospace and aeronautical activity. The company is qualifying, however, the product which will replace the HCFC and intends to use it as soon as possible.

Noise and olfactory disturbances

The electroplating activity may be the cause of odors linked to the activity, which are however neutralized by the extraction installations in the electroplating room. In the case of these extractions accidentally stopping, a procedure enables to stop the chain and move the staff to safety. The extracted air is treated by an air purifier, an equipment which traps all the polluting gases before rejecting the air outside.

This air purifier is also the only source of external noise disturbance. However, the noise remains within the standards in force, and does not cause any trouble due to the environment in which the company is located (industrial site, agricultural fields, unoccupied industrial building).

There are no internal noise disturbances, likely to affect employees, with the exception of those linked to the operating of the machining workhouse. The machines-tools are indeed noisy, but in compliance with the standards in force and controlled by the CRAMIF (regional health care administration for greater Paris region). However, Egide provides noise-reducing earphones for its staff.

Measures taken to limit the effects on the environment

Egide carries out its activity in an industrial zone, surrounded by a rubbish dump, agricultural fields, a subsidiary canal parallel to the Rhône river and the nuclear center of Tricastin. This environment automatically limits the impact on the biological balance, natural environments, protected animal or vegetal species. In light of its intention to preserve the environment, Egide put its storage depot in service at the start of the 2007 for its discharge. Furthermore, in relation to the preparatory work for the ISO 14001 certification, a certain number of measures have been identified and shall be implemented over FY 2007.

Steps taken for certification regarding the environment

Egide's activity is subject to operating authorizations delivered by the departmental authorities (Préfecture). The company therefore undergoes several inspections from organisms such as the DRIRE, water authority (Agence de l'Eau), CRAM or the APAVE (analysis of discharges). Certified ISO 9001 version 2000, in 2006 the company continued its project, started in 2004, to envisage the ISO 14001 certification. This project was taken on by the Quality Control Manager, assisted by an employee hired on an apprenticeship contract especially for this purpose and by an external consultant.

Compliance of the company with provisions in terms of the environment

Subject to operating authorizations from the Préfecture, Egide applies the legal and regulatory provisions in terms of the environment. In the case of changes in the standards in force, the company undertakes, with approval from the DRIRE, to conform to the standards required.

Expenses incurred for preventing the consequences of the activity on the environment

During FY 2006, the cost borne by the company for a "Health - Safety - Environment" apprenticeship contract was 9 379 euros for the year.

Internal departments of the company in charge of environmental issues

The general management, the management of the factory in Bollène and the quality control management, in liaison with the Hygiene, Safety and Working Conditions Committee (CHSCT) of the company, are directly in charge of the consequences of the company's activity on its environment. An employee hired on an apprenticeship contract is specially devoted to environmental issues. The company also relies on external competent organisms like the Drire or APAVE, or specialist consultants.

Provisions and guarantees in terms of the environment

The work relating to the treatment of discharge ("zero discharge") was finished at the end of 2006; the installations were put into service at the start of 2007 and shall not generate any additional expenses (apart from operating costs). Furthermore, no provisions have been booked for any specific expenses to be incurred in terms of the environment.

Amount of indemnities paid in execution of a legal decision in terms of the environment

No indemnity has been paid in this respect for FY 2006.

Aims of the subsidiaries of the company in terms of the environment

Prior to the acquisition of the foreign subsidiaries (Egide USA and Egide UK), the company had an audit carried out regarding the environment, which confirmed that neither of the two companies was breaching the legislation in force in their respective countries. Since, Egide undertakes to ensure that its American and English subsidiaries respect the standards in force and any related changes.

Regarding Egima, which is a factory created from scratch, Egide has applied the European environmental standards in Morocco, which are much more restrictive than local standards. A center for treating effluents, integrated in the galvanoplasty line, enables this subsidiary not to reject any discharge into the environment, except for pure water.

Generally speaking, Egide ensures that all of its subsidiaries apply the environmental standards applicable in each country.

9. ANALYSIS OF THE FINANCIAL SITUATION AND RESULTS

9.1 Financial situation

9.1.1 Financial year 2004

With an increase in turnover of 25 %, financial year 2004 was in clear progression in relation to the previous year. This growth rose to 34 % in the telecommunications sector, 4 % in the military and aerospace sectors, and 61 % in the industrial sector.

During the first semester, the growth was even higher, reaching 32 % in relation to the second semester 2003, but it regressed in the middle of the year, in particular in the telecommunications sector. Due to this, significant clients of Egide, that had encouraging prospects until the summer, were compelled to revise their plans completely and the second semester was disappointing, to such extent that certain analysts of the sector talked about a "mini bubble" regarding the first semester of financial year 2004.

The defense and aerospace sectors experienced a slight progression with a 4 % growth over the year. However, Egide USA, positioned mainly on this market, experienced a larger growth (+ 15 % in relation to financial year 2003), but the unfavorable evolution of the exchange rate of the dollar (- 9 %) obscured a part of this growth. In Europe, certain French projects on which Egide was working, did not materialize (in particular the developments regarding the export of the Rafale). However, requests for infrared sensor equipments for military use continued to be steady.

The growth in the industrial sector (61 %) was very satisfactory. It relied on two main activities: manufacturing, in Casablanca, of components for relays for civil airplanes, and infrared devices for civil applications which started to increase steadily. This type of application shall be open to much development, especially in the automobile sector.

The growth resulted in several innovations: new telecommunications products for the so-called SFP (small form pluggable) or XFP (10 Gb/s small form pluggable) applications, new productions in Casablanca, new high-density military products. Unfortunately, these developments were very expensive, and certain steady increases led to poor output. Casablanca, which started off well with the relays for the civil aviation sector, was unable to face the increase in demand for certain telecommunications products. In addition, the development of the high-density packages for military or aerospace applications was more difficult than expected. These technical difficulties, which occurred mainly in the second semester, led to significant losses at the end of the year. Thus, the trend towards improvement which had been reported during the first semester, was reversed during the second.

The year 2004, which had started in line with expectations, was therefore penalized by the second semester, due to the combined effect of the decline in the telecommunications sector, developments of products and the decrease in output. The loss of the financial year, according to IFRS, amounts to 8.9 million euros.

9.1.2 Financial year 2005

Egide experienced a growth in its turnover of 12.4 % for financial year 2005, to 21.7 million euros, linked to the success of the diversification. The military and aerospace sectors represented 40 % of the 2005 turnover, and the telecommunications and industrial sectors shared the rest of the activity equally (30 % each). The diversification strategy taken on during financial year 2004, and continued by the new Chief Executive Officer who took on his functions at the start of the year 2005, has born its fruit, with, in particular, the development of sales on new sectors such as infrared for the automobile sector.

At the same time, the group has improved its operating result, which registers as a loss of 8.2 million euros against a loss of 9.3 million euros in 2004. The self-financing margin moves from - 6.3 to - 4.3 million euros, in net progression by 2 million euros. This result is, in particular, linked to the improvement of industrial output (output and productivity), in particular for the second semester of the financial year, which became in line with the objectives. The cash flow was reduced by 30 %, going from 7.1 million euros consumed in 2004 to 4.9 million euros in 2005.

The subsidiary Egima in Casablanca was reinforced by the arrival at the head of the site of an experienced engineer - project manager, former head of production at the Trappes site and in charge of the product line at Bollène until December 31, 2005. The first transfers of products for the telecommunications sector also took place with success during this financial year; the output obtained was identical to that reported on the Bollène site.

Despite the improvement of the results recorded during the financial year 2005, the level of activity and turnover of the group remains lower than stability point. Thus, the company still uses its funds to finance its operational losses. Nonetheless, the level of indebtedness remains low.

The Board of Directors has remained very vigilant on the evolution of the cash flow of the group. As the current situation of Egide’s cash flow enabled to settle its debts on time, the company met its current liabilities by using its cash assets. Nevertheless, as the cash situation was strained throughout the months, alternative financing solutions, such as factoring, were implemented. The company therefore envisaged a refinancing scenario by increasing the capital; the actions for this were undertaken and its definitive realization took place in August 2006.

9.1.3 Financial year 2006

Financial year 2006 experienced an accelerated growth, with a turnover that increased by 17 % in relation to that of the previous year. The diversification was continued and enabled the company to compensate for the anticipated lack of recovery of the telecommunications sector. This recovery did however start during the 4th quarter, but still remains much lower than it should be in the next few semesters. In the other sectors (military & aerospace, industrial), the increased visibility of client requirements led to a return in significant volumes (more than 50 000 packages for the same civil infrared application) and the signature of several Long-Term Agreements, in particular with American clients in the military sector.

The measures for reinforcing the equity capital, which began at the end of 2005, were materialized in August, with an increase in capital with continuation of the pre-emptive subscription right. An issue of approximately 286 000 new shares thus enabled to raise a gross amount of 5 million euros. Share subscription warrants were attached to these new shares, that may be exercised until August 2009; at a rate of 4 warrants for 1 share, these warrants shall give the company the possibility to receive a maximum amount of 2.1 million euros if all of the subscription warrants are exercised. This operation has been largely over-subscribed and almost completely placed by exercise of the pre-emptive rights. It is reminded that this issue aimed at financing the working capital requirements of the company while waiting for the revival of the telecommunications market, continuing the diversification strategy, continuing the development of new products, maintaining the current production capacities and entering new markets or new applications.

It was essential that the worldwide reputed expertise of Egide be maintained, developed and valorized in order to find new outlets. This is why in financial year 2006, the sales teams were reinforced with the arrival of a business development manager in charge mainly of the Asian markets and the new industrial applications. Maintaining the expertise also relies on a structured R&D department, in direct liaison with the production departments. Thus, an R&D and Engineering director came to reinforce the teams in place; this director took on his functions at the start of 2007. Finally, the intermediary management of the sites in Bollène and Casablanca was developed by the appointment of new engineers and technicians and by the reinforcement of supervisor positions.

9.2 Operating result

9.2.1 Important factors having a strong influence on the operating income

The telecommunications crisis in 2001 led to a sudden fall in the turnover of the group. The structure of the company has constantly been adapted to the new level of activity, but despite this, and taking into account the minimum fixed costs linked to running all of the production sites, the level of sales remains a deciding factor for ensuring the profitability of the company.

9.2.2 Justification of the significant change in the turnover

See § 6.3 - Exceptional events.

10. CASH FLOWS AND CAPITAL

10.1 Capital

See § 20.3.1.3 - Table showing the variation of the consolidated equity capital

10.2 Cash flows

See § 20.3.1.4 - Table of consolidated financing

10.3 Borrowing conditions and financing structure

The borrowings and loans are made up as follows:

- a property leasing over 12 years denominated in euros, at a variable rate based on Euribor 3 months + 1.3 points, taken out in 1999,
- a medium-term loan over 6 years denominated in dirhams, at a fixed rate of 8 %, taken out in 2003,
- a long-term loan over 11 years denominated in dirhams, at a fixed rate of 8.75 %, taken out in 2003,
- a leasing agreement on fittings over 4 years denominated in dollars, at a fixed rate of 7.30 %, taken out in 2004,
- a leasing agreement on fittings over 5 years denominated in dollars, at a fixed rate of 7.99 %, taken out in 2004,
- a leasing agreement on fittings over 5 years denominated in dollars, at a fixed rate of 8.20 %, taken out in 2005.

Furthermore, over the year 2006, a factoring agreement was implemented in Egide SA (financing at a variable rate based on Euribor + 1.20 points) and a renewable line of credit was opened in Egide USA (maximum of $800 000 at a variable rate based on the US basic rate + 3 points with a minimum of 10.25 %).

At the end of financial year 2006, the total amount of borrowings and loans amounted to 5.389 million euros, of which 3.745 million for less than one year (0.302 million of loan and 3.443 million of factoring, line of credit and financial liabilities linked to lease agreement undertakings) and 1.644 million for more than one year.

See § 20.3.1.5.5.11 - Statement of liabilities

10.4 Restriction to the use of capital

See § 20.3.1.5.6.16 - Accounting methods and explanatory notes on the consolidated accounts / Commitments

10.5 Expected financing sources

For the part of the commitments not covered by equity capital, the company resorts to alternative financing solutions such as discounting bills of exchange, factoring, or recourse to a renewable line of credit.
The company thus put a credit line in place of a maximum amount of $ 850 000 on its American subsidiary Egide USA Inc. and signed France and Export factoring contracts based on certain clients of Egide SA.

Furthermore, in 2006, the company performed an increase in capital of a gross amount of 5 million euros, accompanied by the issue of share subscription warrants that could bring the company a maximum amount of 2.14 million euros if all of the share subscription warrants are used. These warrants may be freely exercised by their beneficiaries between August 18, 2006 and August 17, 2009.

Finally, the tax credit of 1.8 million euros in the accounts of FY 2006 was recovered in April 2007.

11. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

Egide has a permanent activity of research and development of new products or new materials. This R&D is carried out in three ways: either in relation to research assignments financed by sponsors which finance, in this case, 30 to 45 % of the expenses incurred, or in relation to a cooperation between Egide's research and development departments and those of its clients, or for the development or improvement of core technological components that Egide will then use in its products.

The R&D strategy aims at meeting with the demands of the European projects and the new electronic challenges. The Europeanization of components, which is particularly demanded for large European projects, makes Egide a privileged partner in this sector. The company participates in the European research program Pidea+ (Packaging and Interconnection Development for European Applications) through various projects involving new generation electronic modules. Egide has also filed several research files in relation to the competitiveness centers created in France over financial year 2006.

In relation to its internal projects, Egide has continued to develop:

- sealing on titanium, to meet with the requirements of increasingly lighter equipment in the military sector and of bio-compatibility in the medical sector,
- the treatment of 5-inch wide alumina sheets (compared to 4 inches currently), in order to reduce the unit cost of manufacturing the ceramic components.

The expenses incurred and the staff members dedicated to R&D are set out in the table below:

	2004	2005	2006
R&D expenses	814 K€	719 K€	601 K€
Staff (person equivalent)	7.1	5.6	5.9

The company does not tie up its R&D costs, as the accounting rules do not require that such costs be tied up.

The trade names used by Egide are registered in France and on an international level. The company uses the patents it owns and registers them whenever necessary. Any licenses used by the company or by its subsidiaries are shown in the assets side of the balance sheet and are not the subject of any royalty.

Reputed in its activity sector, the company benefits from two general qualifications by being certified by the ISO 9001 version 2000 standards and qualified by the GIFAS (Grouping of French Aeronautical and Space Industries). The accreditation of the CNES (Centre National des Etudes Spatiales – National Center of Space Studies) by product line and the approval of the ESA (European Space Agency) are added to these two general qualifications.

12. INFORMATION ON TRENDS

12.1 Main trends

The return to stability in terms of cash-flow linked to the activity (excluding variation of working capital requirements) should be reached by the end of FY 2007. The aimed increase in turnover remains similar to that recorded in 2006, and this growth should be accompanied by a significant improvement in results. For this, the company intends to take advantage of the encouraging prospects of its three diversified markets and of the increasing expertise of its industrial parameters of output and productivity.

The military market is still well-oriented and experiences a regular growth and a good visibility. The aerospace market remains promising, but is naturally cyclic. The infrared applications are being increasingly developed and the first migrations towards multi-chip ceramic packages (Multi-Chip Modules) are appearing. The presence of Egide in Europe and in the United States and the fact that the company offers solutions both in glass-metal and in ceramic enables to take full advantage of the developments of this solid market which remains at the center of the activities. Furthermore, long-term agreements signed in the last few months by Egide USA with American military clients confirm this strategy.

The telecommunications market, which has experienced a crisis since 2000, saw a gradual recovery of the operators' investments at the end of FY 2006. New needs were acknowledged in access networks, linked to the development of "quadruple play" and video on demand. Long-distance connection agreements are also beginning to be signed, in particular in submarine transmissions; this confirms that the traffic of data is continuing to grow, the optical transport networks being progressively saturated as from the end of 2007. Egide, recognized as the only alternative to its Japanese rival, supplies all of the major companies on the market and therefore benefits directly from the return to growth of the telecommunications market.

As major elements in the diversification strategy, the industrial markets dealt with by Egide are characterized by a rapid entry of electronics in all sectors, an increasingly large complexity of electronic chips and a growing need in reliability (and therefore hermeticity). The sectors are varied (aerospace, automobile, medical) and show significantly increasing volumes. Egide, benefiting from a strong position and image as supplier of hermetically-sealed packages, also has a low-cost production site in Casablanca, and intends to take full advantage of these buoyant markets and shall continue to actively deploy the diversification efforts undertaken over the last 2 years.

In terms of activity, Egide has realized an un-audited consolidated turnover of 6.43 million euros over the first quarter of 2007, a purely organic growth of 20 % in relation to the first quarter of the previous financial year (5.37 million euros).

With the high seasonality that is typical of this period, the turnover is in line with expectations. The activity at this start of the year shows a balanced distribution between the industrial and military applications (38 % and 36 %, respectively). The telecommunications sector records a slight progression and represents 26 % of the turnover (compared to 20 % for the same period in 2006), due to the slow revival of this market.

Over 2007, Egide forecasts a growth in turnover at a similar rate to that of 2006, while continuing to improve its margins and profits. Egide confirms its aims to return to stability in cash towards the end of the year.

12.2 Events which could have an influence on the trends

See § 4.5.2 on the risks linked to High-Tech markets.

13. FORECASTS OR ESTIMATES OF THE PROFIT

The company does not present any forecasts.

14. BOARD OF DIRECTORS AND GENERAL MANAGEMENT

14.1 Board of Directors

As of March 31, 2007, the Board of Directors of the company EGIDE SA consists of 4 members:

Name	Function	Until
Mr. Philippe BREGI 34-36 rue de Clichy, 75009 Paris	Chairman of the Board Since 04/26/2005	06/30/2011
21, Centrale Partners represented by Mr. Régis LAMARCHE 9 avenue Hoche, 75008 Paris	Director Since 04/17/2000	06/30/2012
Mr. Albert ZYLBERSZTEJN 16 Parc de Diane, 78350 Jouy en Josas	Director Since 02/16/1999	06/30/2011
Mr. Yves DZIALOWSKI 31 Hodge Road, Princeton, NJ 08540-3011 - USA	Director Since 06/26/2002	06/30/2008

The combined shareholders' meeting held on June 29, 2006 renewed the term of office of director of the company 21 Centrale Partners, represented by Mr. Régis Lamarche, for a period of 6 years, i.e. until the end of the shareholders' meeting held in 2012 to approve the accounts of the financial year.

No director has been elected by the employees. There is no observer position on the Board.

According to the terms of the Vienot report, Messrs. Zylbersztejn and Dzialowski are considered as independent directors, as they maintain no relation of any sort whatsoever with either the company, its group or its management, which could compromise their independence of judgment.

Each director has the status of shareholder and holds at least one share in the company, in compliance with the by-laws of the company.

It is specified that the Chairman of the Board of Directors also has the position of Chief Executive Officer of the company.

As regards the functions of the Board of Directors, you are invited to refer to the Chairman's report on the conditions of preparation and organization of the Board and on the internal control procedures implemented by the company, set out in paragraph 16.5.1 - Chairman's report on the functions of the Board of Directors.

14.2 Conflicts of interest

There is no loan agreement or warranty between Egide, the directors and the members of the management committee of the company.

No arrangement or agreement has been signed with the main shareholders, clients or suppliers.

Furthermore, there is no commitment by any member of the Board of Directors or of the general management regarding the transfer of their holding in the capital of the company, within a certain lapse of time.

14.3 List of positions

The tables below show the companies in which the directors of the company exercise or have exercised management, supervisory or directive functions over the last 5 years.

The abbreviations have the following meanings:

- SB = Supervisory Board
- BD = Board of Directors
- PR = Permanent Representative

Mr. Philippe BREGI

Company	Address	Position	2006
Avanex France	Nozay (91)	Chief Executive Officer	No
Egide	Trappes (78)	Chief Executive Officer	Yes
Highwave Optical	Lannion (22)	Member of the SB	No
Photline Technologies	Besançon (25)	PR of Avanex France on the BD	No
Teem Photonics	Meylan (38)	Member of the SB	Yes

Mr. Yves DZIALOWSKI

Company	Address	Position	2006
Adva Optical Network.	Munich (Germany)	Director	No
Egide	Trappes (78)	Director	Yes
Princeton Lightwave	New Jersey (USA)	Director and managing director	Yes
Princeton Optronics	Hamilton (USA)	Director	No
Quake Technologies	Ottawa (Canada)	Director	No
Teem Photonics	Meylan (38)	Member of the SB	Yes

Mr. Albert ZYLBERSZTEJN

Company	Address	Position	2006
Egide	Trappes (78)	Director	Yes

Mr. Régis LAMARCHE

Company	Address	Position	2006
Averys	Paris (75)	Member of the SB	Yes
Egide	Trappes (78)	PR of 21 Centrale Partners on the BD	Yes
Ex Machina	Clichy (92)	PR of 21 Centrale Partners on the BD	No
Filature de St Sever	Paris (75)	Director	No
Fin. Europe Assurance	Paris (75)	Member of the SB	Yes
Financière Syreva	Paris (75)	PR of 21 Centrale Partners on the SB	Yes
Globalgas	St Amand les Eaux (59)	PR of 21 Centrale Partners on the BD	Yes
Robine	St Amand les Eaux (59)	PR of 21 Centrale Partners on the Board of Observers	Yes
Syreva (Averys)	Paris (75)	Member of the SB	Yes

21 CENTRALE PARTNERS

Company	Address	Position	2006
3C Finance	Saint Ouen (93)	Member of the SB	No
AFE	Montrouge (92)	Member of the SB	No
Alltub	Paris (75)	Member of the SB	Yes
Alto Expansion	Levallois Perret (92)	Member of the SB	Yes
Asteel Développement	Neuilly Plaisance (93)	Director	No
Carrère Group	Aubervilliers (93)	Member of the SB	No
Cotherm Développement	Vinay (38)	Member of the SB	No
Egide	Trappes (78)	Director	Yes
Eminence	Aimargues (30)	Member of the SB	No
Euraltech	Trappes (78)	Member of the SB	No
Ex Machina	Clichy (92)	Director	No
FAP	Montrouge (92)	Member of the SB	No
Financière Aramis	Glos (14)	Member of the SB	Yes
Fin. Europe Assurance	Paris (75)	Member of the SB	Yes
Fin. Syreva (Averys)	Paris (75)	Member of the SB	Yes
Financière Impala	Barembach (67)	Director	No
Financière Verlys	Les Andelys (27)	Member of the SB	Yes
Finathem	Paris (75)	Director	No
Fountaine Pajot	Aigrefeuille d’Aunis (17)	Director	Yes
France Air Holding	Miribel (01)	Member of the SB	No
Globalgas	Saint Amand les Eaux (59)	Director	Yes
Groupe Electropoli	St James (50)	Director	Yes
Harmony	St Pal de Mons (43)	Member of the SB	No
Le Goût de la Vie	Paris (75)	Director	No
Le Public Système	Levallois Perret (92)	Member of the SB	Yes
Meccano SN	Clichy (92)	Director	Yes
Robine	Saint Amand les Eaux (59)	Member of the Board of Observers	Yes
Safig	St Ouen (93)	Director	No
SFTF Interflora	Paris (75)	Director	Yes
Sword Group	St Didier au Mont d’Or (69)	Director	Yes
The Nomad Company	Clichy (92)	Member of the SB	Yes
Vulcanic Holding	Neuilly sur Marne (93)	Member of the SB	Yes

It is specified that no director has been condemned for fraud over the last five years, or been banned from managing.

It is also specified that, by court decision dated December 13, 2005, the Tribunal de Grande Instance à compétence Commerciale (County Commercial Court) in Guingamp has opened a compulsory liquidation procedure against the company SA Highwave Optical Technologies, of which Philippe Brégi was a member of the Supervisory Board.

Furthermore, the companies in which 21 Centrale Partners or Mr. Régis Lamarche held a position and which have been put into receivership over the last 5 years, are the following:

- Ex Machina: receivership announced on November 8, 2001; conversion into compulsory liquidation on January 31, 2002,
- CB SA: receivership announced on November 19, 2001; conversion into compulsory liquidation on April 24, 2002,
- Intrason: receivership announced on October 16, 2003; conversion into compulsory liquidation on December 18, 2003,
- Le Goût de la Vie: anticipated dissolution and out-of-court liquidation by the Extraordinary Shareholders’ Meeting of June 25, 2004; closure of liquidation operations on December 22, 2005.

15. REMUNERATION AND BENEFITS

15.1 Remuneration of the directors and managers

The total remuneration and benefits in kind paid over financial year 2006 to each corporate officer of Egide SA are indicated in the table below:

Directors	Net remuneration	Benefit in kind	Directors' fees	Total 2006	Total 2005
Philippe Brégi (CEO)	109 372.42 €	4 448.40 €	-	113 820.82 €	114 037.52 €
Albert Zylbersztejn	-	-	5 000.00 €	5 000.00 €	5 000.00 €
Yves Dzialowski	-	-	5 000.00 €	5 000.00 €	5 000.00 €

No remuneration or benefit in kind has been received by the corporate officers of Egide SA for financial years 2005 and 2006 from companies controlled by the latter in the meaning of article L.233-16 of the French Commercial Code.

The remuneration of Mr. Philippe Brégi, Chief Executive Officer, only takes into consideration the fixed elements. As corporate officer, he benefits from unemployment insurance (Corporate Guarantee for Heads and Directors of Companies policy), of which the employer's part constitutes a benefit in kind. He also benefits from the use of a company car, and a profit-sharing, as all of the employees of the company. No profit-sharing premium was paid in 2005 or in 2006.

The directors of the company do not benefit from stock options, with the exception of the Chief Executive Officer, who, on March 31, 2007, owned 30 767 stock options.

Furthermore, the directors benefit from a "civil liability insurance for directors and corporate officers" taken out with the company AIG. The guarantee is 4.5 million euros maximum, the excess in the USA is $25 000 and the annual premium is 11 856 euros excluding taxes.

15.2 Amounts provisioned

No specific complementary pension scheme has been put in place for the managers. Similarly, there is no provision relating to any departure premium or indemnity of any kind which could be owed to them in the case of termination or non-renewal of their functions.

On the contrary, in Egide SA, unspecific indemnities for retirement, applicable to all of the waged employees, are the subject of a provision calculated in compliance with IAS 19, in the same way as the premiums paid to employees on obtaining the long-service medal and the special seniority allocation. These undertakings are the result of the collective agreements applicable to each site and are calculated according to a distribution method of the rights in proportion to seniority (see § 20.3.1.5.4.14).

These provisions do not concern the foreign subsidiaries, as these companies do not have any undertaking to pay complementary premiums on expiry of the employment contracts of the employees, or at any other time during their presence in the company.

16. FUNCTIONS OF THE DIRECTING AND MANAGING BODIES

16.1 Board of Directors

See § 14.1 for the list of the members of the Board of Directors

16.2 Information on service agreements

There is no service agreement binding the members of the Board of Directors to the company or to any of its subsidiaries.

16.3 Information on the audit committee and remuneration

There is no such committee within the company Egide.

16.4 Corporate governance

Due to its size, the group Egide did not consider it necessary to put any corporate governance measures in place (as advised by the Bouton report in September 2002) other than that referred to in § 14.1.

16.5 Chairman's report on internal control procedures

16.5.1 Conditions under which the Board's work was prepared and organized

16.5.1.1 Members of the Board of Directors

See § 14.1 for the list of the members of the Board of Directors

16.5.1.2 Powers and operation of the Board of Directors

The Board of Directors decides on the orientations of the business of the company and ensures their implementation. For this, the Board appoints the managing director in charge of managing the company within the framework of these orientations. Subject to the powers expressly attributed by law to the shareholders' meetings and within the limit of the corporate charter, he deals with any issue relating to the correct operation of the company and settles the affairs concerning it, by his decisions. The Board of Directors oversees the quality of the information provided to the shareholders and to the financial market, through the accounts, reports or publications of the company.

The Board of Directors meets as often as necessary, when convened by the Chairman. Due to the size of the company and the number of Directors, no internal rules, other than the corporate statutes, have been drawn up to fix the operating functions of the Board. Each Director participates in all of the decisions; no committee of any sort has been specifically created. Each Director receives the information required for completing his assignment and may obtain any documents he considers relevant from the general management. The Board of Directors analyses and decides on significant transactions and in particular those of strategic importance.

The Board of Directors generally meets in the premises of 21 Centrale Partners. The members of the Workers' Council attend each Board meeting. The agenda is prepared by the Chairman; the decisions are taken unanimously, except in the cases set out by law where the Chairman must not vote. Minutes of the meeting are drawn up and provided to the directors, after approval, at the following Board meeting. The attendance register, and all minutes of the meetings are available at the head office of the company.

During financial year 2006, the Board of Directors met 8 times; during financial year 2005, 5 Board meetings were held.

In return for their actual participation on the Board of Directors, each director who is an individual, with the exception of the Chairman, receives directors' fees as compensation. During financial year 2006, a total net amount of 8 750 euros was paid as directors' fees.

16.5.1.3 Limitations of authority placed upon the CEO

On April 26, 2005, Egide SA's Board of Directors took a decision on the organization of the general management structure and decided that it would be carried out by the Chairman of the Board of Directors.

No specific limitations have been put on the authority of the CEO, who exercises his functions in compliance with the legal provisions in force (article L225-56 of the French Commercial Code): Egide's CEO is vested with the widest powers to act in all circumstances on behalf of the company. He uses these powers within the limit of the corporate charter, and subject to the powers expressly attributed by law to shareholders' meetings and to the Board of Directors. He is not limited on the amount of the commitments that he may make in the normal daily course of business of the company. Exceptionally, the amount of deposits, down-payments or guarantees that he may give without prior authorization from the Board is limited to 200 000 euros.

16.5.2 Internal control procedures implemented by the company

16.5.2.1 Aims of the company in terms of internal control procedures

The internal control procedures in force in the company aim at:

- ensuring that the management actions or transactions, and the attitude of individuals, fall within the context defined by the orientations given to the activities of the company by the corporate bodies, the applicable laws and regulations, and by the values, standards and internal rules of the company,
- checking that the accounting, financial and management information communicated to the corporate bodies of the company and to third parties provide a fair view of the activity and situation of the company,
- ensuring the protection of the assets.

One of the aims of the internal control procedures is to prevent and manage risks associated with the business of the company, and risks of error or fraud, in particular in the accounting and financial areas. The internal control system also aims at enabling the preparation of reliable corporate and consolidated accounts, giving a fair view of the company's business. As any internal control system, it cannot, however, provide a full guarantee that these risks will be completely eliminated.

The statement of the procedures in place described in this report was prepared on the basis of the company's Quality Manuel, and on discussions with the financial department. This report is also based on the combined recommendations of AFEP and the MEDEF.

16.5.2.2 Description of the internal control procedures implemented in relation to the company's business

In meeting with the requirements of the ISO 9001 version 2000 standards, Egide has a series of procedures aiming at ensuring the correct operation of the quality control system in place (contained within its quality procedure manual). This system covers all of the operating activities of the company (sales, supplies, production, and dispatches departments). The management undertakes, each year, to apply the resulting quality policy. Quantified objectives are fixed and communicated to all staff members; they are the basis of action plans monitored with the help of process indicators and management control. These actions are coordinated by the quality control management, and analyzed by the executive committee (CEO, and the quality control, sales, R&D, production and finance managers) or in management bulletins.

The main parameters monitored are the rate of returned goods (faulty parts), the rate of late deliveries, the output, the productivity and the consumption of materials versus estimates and the correct continuation of partnerships between Egide, its suppliers and its clients.

All of the resources made available for obtaining quality services are under the general management's responsibility.

In order to ensure that the procedures in force are respected, supervisory and analytical means are implemented on the processes (indicators related to the processes) and on the products (control programs and management support). An internal audit system is defined and managed by the quality control manager, in liaison with the quality control management and the general management. These audits, performed by various qualified employees, enable to check the relevance and adequacy of the quality control system as compared with the aims of the company. The preparation, the audit itself and the report are performed by the audit manager. Monitoring the audit report and its distribution is performed by the quality control manager who plans and monitors the deadlines.

Once a year, the management carries out a review of the quality control system in order to ensure that it remains relevant, adequate and efficient. The management review is prepared by the quality control management which is in charge of preparing an agenda and convening all the management bodies of the company. This review is prepared in particular on the basis of internal quality reports, client grading, client satisfaction surveys, client or external audits and actions of previous management reviews.

This review enables to assess the efficiency of the quality system, to redefine the quality objectives and, if necessary, to induce the evolution of the quality policy. Each review leads to a report under the responsibility of the quality control management. The actions decided in this report are integrated in an improvement plan (corrective or preventive) and contribute to the continued improvement of the company.

16.5.3 Organization of the financial department and general scope

The accounting and financial department meets with the requirements of the laws and accounting standards in force, and has its own operating and control rules, as, contrary to the other departments of the company (purchases, sales, production, …), it is not included in the procedures implemented in relation to the ISO 9001 version 2000 standards and described in the Quality Manual.

Parent company: in Egide SA, the financial management is carried out by the finance manager, who supervises the Accounts Manager and his two deputies. The financial management also oversees the financial communication and the computing department. There is no written manual on the accounting procedures. Given the reduced structure of the department, it mainly operates on a self-monitored basis. The Accounts manager in charge of consolidating the data also ensures that it is coherent and, if appropriate, implements the necessary corrective actions.

Subsidiaries: Egide USA and Egide UK each have their own accounting and financial department. Given the small size of the accounting teams (1 to 2 people maximum in each entity), the managing director of each subsidiary is responsible for the department. Egima has recourse to an independent accountants firm for keeping its accounting books. The subsidiaries apply the group accounting rules and standards, defined by the parent company. The weekly or monthly information sent to the parent company is self-monitored by each subsidiary, and revised, if appropriate, by Egide’s Accounts manager.

Among others, the main significant and non-exhaustive controls performed by the financial department are based in particular on the following periodic procedures:

- Reconciliation procedures between the accounts system and the management reporting systems,
- Procedures for monitoring and managing client accounts (prior period comparisons, reminders, monitoring of settlements, etc.…),
- Approval procedures for significant purchase and investment operations, and for suppliers’ payments,
- Procedures for monitoring and assessing the value of the inventories,
- Procedures for physical inventories,
- Procedures for monitoring and managing the group’s treasury (preparation of treasury statements, bank reconciliations, signatory authorities, …),
- Procedures for defining user access, and saving and protecting the information systems.

16.5.4 Review and distribution of the financial information

The primary recipients of the accounting and financial information are the general management and the Board of Directors as well as third parties (shareholders, banks, investors, clients, …). For each recipient, the frequency and information level of the reports are different.

The executive committee (CEO, sales and purchasing manager, production manager, quality control, R&D and finance managers) receives an update on the turnover of the group each week. A weekly treasury update is also provided, but only to the CEO and the finance manager.

Each month, at the executive committee's meeting, this same information is reviewed and compared to the annual budget prepared for the year in question, enabling to monitor the activity of the company, and its financial position. A management report presents the data from the profit and loss account, by subsidiary and on a consolidated basis. These items are also compared to the budget and highlight, if appropriate, any variances reported in relation to the forecasts. In the case of a significant variance, additional controls are performed by the parent company or its subsidiaries, in order to determine whether there is a physical error (accounts booking problem or omission), or whether there is a problem related to the activity of the company (for example, a high production scrap rate which could create a material consumption rate above expectations).

Each month, a review of the subsidiaries' results is organized by conference call. Only Egide USA and Egide UK are involved in this, as the subsidiary Egima is dependent on France and is therefore reviewed by the executive committee. During these conferences, the respective managers of the subsidiaries present the CEO and the finance manager with a certain number of indicators, which are then used in the presentation to the directors. It is also the opportunity to assess the company's business and for the general management to take certain decisions.

Each month, the directors receive a brief presentation of the results, which includes the turnover made, the orders registered, the past treasury consumption, a treasury forecast, an update on the workforce, and operational indicators. This consolidated data is presented for the group, and by company. When necessary, specific pieces of information complete this presentation. These presentations are generally provided by electronic means, but may also be presented during a Board working meeting.

As Egide is a company listed on a public stock exchange, it respects its public reporting requirements through the publication of the group turnover each quarter for the latest quarter. Each semester, it also publishes its half-year consolidated financial position (June 30) as well as annual corporate and consolidated accounts. These financial statements are provided by the financial department and approved by the Board of Directors. They are subject to a limited review by the independent auditors for the half-year period at June 30, and to a full audit for the full-year annual reports. These audits are performed on the corporate accounts of the parent company as well as on the consolidated accounts of the group, after which the auditors issue a report on the company's financial statements. All of the above information is contained in a reference document which is produced annually, submitted to the independent auditors, and filed with the French Financial Market Authorities (AMF).

In general, all of the information disclosed to third parties is distributed through the press, the company's website, and the AMF website. Hard copies of these documents are also available at the head office of the company.

Since the arrival of the new CEO, a certain number of improvements have been made further to the review of the existing procedures of internal control and distribution of information. These improvements have consisted mainly in the implementation of monthly meetings with the subsidiaries, the presentations to the directors, as detailed above, and the formalization of the executive committee meetings by reports distributed to the management. At the end of 2006, an evaluation process of the internal control measures was carried out during a working meeting with the directors, with a view to testing their relevance and efficiency: the indicators that are currently being monitored are satisfactory and shall be completed by others during the year 2007, each management group being responsible for considering methods for improving the control and reporting procedures in their sector.

16.6 Independent auditors' report on the Chairman's report

"To the shareholders,

In our capacity as the independent auditors of the company EGIDE S.A. and in accordance with the provisions of article L. 225-235 of the French Commercial Code, we report to you on the report prepared by the Chairman of your company in accordance with the provisions of article L. 225-37 of the French Commercial Code with respect to the financial year ending on December 31, 2006.

Most notably, it is the Chairman's responsibility to report on the conditions under which the Board of Directors' work is prepared and organized, and the internal control procedures implemented within the company. It is our responsibility to inform you of our findings based on the information provided in the Chairman's report, regarding the internal control procedures related to the processing and treatment of accounting and financial information.

We have performed our assignment in accordance with the rules governing our profession in France. These rules require that we assess the reality of the information given in the Chairman's report regarding the internal control procedures related to the processing and treatment of the accounting and financial information. Most notably, these requirements consist of:

- becoming familiar with the general organization and objectives of the internal controls, as well as the internal control procedures related to the processing and treatment of the accounting and financial information, as presented in the Chairman's report;

- becoming familiar with the work underlying the information given in the report.

On the basis of this work, we have no comments to make on the information given related to the company's internal control procedures, concerning the processing and treatment of the accounting and financial information, contained in the Chairman of the Board's report prepared in accordance with the provisions of article L 225-37 of the French Commercial Code.

Neuilly-sur-Seine and Paris, June 5, 2007

The independent auditors

PricewaterhouseCoopers Audit
Xavier Cauchois

Jacques Wenig & Associés
Bernard Hinfray"

16.7 Executive committee

The executive committee of the company currently consists of 6 members at Egide SA, and one executive from each subsidiary (US and English). The Moroccan subsidiary Egima is managed by the production manager at Egide SA.

Name	Position	Since
Mr. Philippe BREGI 34-36 rue de Clichy, 75009 Paris	Chairman & CEO	04/26/2005
Mr. Jim COLLINS 1553 Commanche Road, Arnold, MD 21012, USA	Managing Director - Egide USA	12/29/2000
Mr. Chris CONWAY 29 Lattice Avenue, Ipswich, Suffolk, IP4 5LJ, GB	Managing Director - Egide UK	07/01/2002
Mr. Frédéric DISPERATI 3 chemin des Passadoires, 84420 Piolenc	Quality and Customer satisfaction Manager	03/01/2003
Mr. Philippe LUSSIEZ 2 rue des Champs, 78320 La Verrière	CFO	07/01/2006
Mr. Didier MARTIN 33 avenue du Plan de l'Eglise, 78960 Voisins le Bretonneux	Sales, Purchases, and Business Development Manager	08/03/1992
Mr. Michel MASSIOT 8 Résidence Le Tilleul, 26130 Saint Paul Trois Châteaux	R&D Manager	01/05/2007
Mr. Wladimir MUFFATO Quartier Genève, 26130 Montségur sur Lauzon	Production Manager	01/01/2003

In addition to their management roles within EGIDE, the following individuals also hold the positions below:

Name	Position	Since
Mr. Philippe BREGI	Administrator of SARL Egima Chairman of Egide USA LLC Chairman of Egide USA Inc Chairman of Egide UK Ltd	04/28/2005 04/28/2005 04/28/2005 04/27/2005
Mr. Jim COLLINS	Vice-President of Egide USA Inc Vice-President of Egide USA LLC	12/29/2000 12/29/2000
Mr. Christopher CONWAY	Director of Egide UK Ltd	07/01/2002
Mr. Philippe LUSSIEZ	Secretary of Egide USA Inc Secretary of Egide USA LLC	04/28/2005 04/28/2005
Mr. Didier MARTIN	Director of Egide UK Ltd	07/01/2002

The members of the management team are either engineers or from reputed universities, combining both technical expertise and managerial skills:

Mr. Philippe BREGI is a graduate from the École Centrale de Lyon (France) and holder of an MBA from IAE in Lyon. Before joining Egide, he was Chairman and CEO of Avanex France, further to the acquisition by Avanex of Alcatel Optronics, the optic components subsidiary of the group Alcatel, of which he was managing director. With more than 30 years of experience in the telecommunications industry, he has an international reputation in the optic transmissions sector.

Mr. Jim COLLINS has a Bachelor of Science degree in Ceramic Engineering from Rutgers University (USA). After holding several management positions within the company Electronic Packaging Products, he took on the operating management of the American subsidiary Egide USA Inc and has been appointed Vice President.

Mr. Christopher CONWAY is an electrical engineer. After 10 years spent with Hewlett Packard in the fiber optics department, he joined Europlus as Managing Director. Currently Managing Director of Egide UK, he has been a board member since July 1, 2002.

Mr. Frédéric DISPERATI is an engineer specialized in the science and design of materials. He joined Egide in 1990, and was responsible for the development of aluminum products, then product manager in the design department, before spending one and a half years as technical support at Egide USA. On his return in March 2003, he was appointed Quality Manager in Egide SA.

Mr. Philippe LUSSIEZ has an advanced accounting degree (Diplôme d'Etudes Comptables Supérieur). He joined the group Egide in 1992 as Chief Accountant at the Bollène site, and was later appointed Group Controller and Financial Communications Director as of the IPO of the company on the stock market. Since July 1, 2006, he holds the position of Financial Director.

Mr. Didier MARTIN has an engineering degree from the Ecole Nationale de Physique et de Chimie in Caen, France. He has significant experience in the semi-conductor sector. His profile is that of an operational manager who is well acquainted with the requirements of manufacturing.

Mr. Michel MASSIOT is an INSA engineer in physics. After holding various managerial positions in companies specialized in industrial ceramics, he joined the group Egide at the start of 2007. He is a member of the Executive Committee of IMAPS France and an expert for the European Commission.

Mr. Wladimir MUFFATO has a degree in engineering from the Ecole Nationale Supérieure de Céramique Industrielle in Limoges, France. Since 1994, Egide benefits from his experience in the ceramic electronic components sector. He has managed the sites in Bollène and Casablanca since January 2003.

17. EMPLOYEES

17.1 Breakdown of workforce

The evolution and operational breakdown of the workforce at December 31 of the group Egide is shown in the table below:

(present at 12 /31)	2004	2005	2006
Administration and sales	30	30	30
Production, quality and R&D	286	277	403
Total	**316**	**307**	**433**

The breakdown by site is shown in the table below:

(present at 12 /31)	2004	2005	2006
Egide Trappes and Bollène	189	163	228
Egide USA	82	83	106
Egide UK	26	25	29
Egima	19	36	70
Total	**316**	**307**	**433**

The breakdown of the workforce by type of employment contract is shown in the table below:

(present at 12 /31)	2004	2005	2006
Fixed-term contracts	63	48	133
Unlimited-term contracts	253	258	298
Apprenticeship	0	1	2
Total	**316**	**307**	**433**

17.2 Profit-sharing agreements and variable remuneration

All of the paid employees in France benefit from a fixed remuneration. In addition, a variable remuneration is paid:

- to the sales representatives based on their results,
- to all employees, a profit-sharing based on the results of the company, in compliance with a profit-sharing agreement for the employees, which was signed between the company and the staff, represented by the Workers' Council secretary. This agreement was signed for a period of three years, as from January 1, 2004 until December 31, 2006. This profit-sharing is calculated annually on the basis of the operating profits before tax of the companies, with a ceiling equal to 7 % of the operating profits. It is distributed equally between the employees of the company, in proportion to the number of hours worked during the financial year in question.

Furthermore, all of the staff in France benefit from the legal profit-sharing according to basic calculations set out by law. No amount has been paid for the profit-sharing agreements for the last five years.

With the exception of the production staff of the American subsidiary Egide USA, who benefit from an hourly remuneration according to the number of hours worked, all of the employees in the foreign subsidiaries receive a fixed remuneration. In addition, a variable remuneration is paid to the sales representatives based on their results.

17.3 Stock options plans

Since the IPO of the company on the stock exchange, share subscription options have been attributed to certain members of the management. On March 31, 2007, the global amount of the options attributed to employees of Egide SA and not yet exercised is 36 849 options, those attributed and not yet exercised by the employees of Egide USA is 4 428 options and those of the employees of Egide UK is 3 220 options.

With the exception of the Chairman, no member of the Board of Directors benefits from stock options. In his capacity as director of the company, the latter is holder of 30 767 options attributed to him on April 26, 2005 and January 15, 2007 (see plans no. 4.1 and 4.3 in the table below). In accordance with the terms of the law no. 2006-1770 of December 30, 2006, it is specified that a minimum of 20 % of the shares issued from the exercise of the options must remain registered until the termination of the Chairman and CEO's functions.

The table below shows the situation of various plans at March 31, 2007:

Number of the plan	Plan 3.1	Plan 3.2	Plan 3.3	Plan 4.1	Plan 4.3	Plan 4.4	Total
Shareholders' meeting of Board meeting of	06/29/2001 06/26/2002	06/29/2001 04/28/2003	06/29/2001 10/27/2003	06/08/2004 04/26/2005	06/08/2004 01/15/2007	06/08/2004 01/15/2007	
Number of shares attributed to corporate officer to first 10 employees	11 300 0 9 500	1 398 0 1 398	600 0 600	20 000 20 000 0	10 000 10 000 0	4 900 0 4 500	48 198 30 000 15 998
Number of shares after possible adjustments *	11 596	1 453	608	20 767	10 000	4 900	49 324
Start date Expiry date	06/26/2004 06/25/2009	04/28/2005 04/27/2010	10/27/2005 10/26/2010	04/26/2007 04/25/2012	01/15/2009 01/14/2014	01/15/2009 01/14/2014	
Terms of exercise	Maximum exercise by ¼ every 30 trading days with a minimum of 20 shares (plans no.3.1, 3.2, 3.3 and 4.4), 500 shares (no. 4.1) or 200 shares (no. 4.3) **Egide SA and Egide UK employees** Sale: enforced holding period of 2 years as from the date of exercise **Egide USA employees** Sale: enforced holding period of 1 year in their entirety + 1 year for half as from the date of exercise **Corporate officer** Sale of plan no. 4.3: 80 % maximum of the options exercised during the term of office						
Subscription price	45.13 €	14.97 €	38.56 €	29.74 €	31.15 €	31.15 €	
Number of options subscribed Number of options lost Number remaining to be exercised	0 3 700 7 896	0 727 726	0 400 208	0 0 20 767	0 0 10 000	0 0 4 900	0 4 827 44 497

** Any adjustments take place after the realization of a capital transaction*

During financial year 2006, a total number of 1 828 subscription options were exercised by 7 beneficiaries of plan no.1.1.

It is reminded that, in order to use the stock options, the beneficiary must be either a director or corporate officer, or bound to the company by an employment contract in force. Similarly, the stock options are automatically lost after expiry of the date of exercise. During financial year 2006, a certain number of subscription options were thus lost by their beneficiaries:

- Plan no.1.1: two employees holding 672 options did not exercise them before the deadline of January 28, 2006
- Plan no.3.2: an employee holding 727 options has left the company
- Plan no.3.3: an employee holding 400 options has left the company
- Plan no.4.2: two employees holding 1 200 options have left the company

A total of 2 999 subscription options was thus lost by the beneficiaries during financial year 2006, of which 2 327 shall be cancelled by the next shareholders' meeting.

Furthermore, at the date of this reference document, a certain number of subscription options may no longer be exercised:

- Plan no.1.2: 484 options were not exercised before March 1, 2007, the expiry date for exercise. These options have therefore become null and void.

As the maximum number of options is set at 5 % of the shares making up the share capital (i.e. 64 291 options able to be attributed on March 31, 2007), there is therefore an available balance of 19 794 options, i.e. 1.54 % of the capital. On this same date, the 44 497 unexercised options represent a potential dilution of 3.46 %.

17.4 Employment information related to Egide SA's business

The employment information related to Egide SA and provided in the Board of Directors' report for financial year 2006 is the following:

Total workforce

At December 31, 2006, the total number of staff members of Egide SA is 228 people, of whom 19 are based in Trappes, at the registered office, 207 in the factory in Bollène and 2 assigned to the subsidiary Egima. The average number of staff for the financial year was 190 people.

Recruitments

Over the year 2006, the company appointed 69 people on fixed-term contracts (mainly operator positions) and 22 on unlimited-term contracts. Egide does not experience any particular difficulty when recruiting.

Dismissals

No dismissal procedure occurred during the year 2006.

Overtime

Over financial year 2006, a total of 10 672 overtime hours were paid on the Bollène site and 651 hours on the Trappes site to meet with an increase in workload.

Subcontracted labor

In 2006, Egide had recourse, several times, to temping agencies, of which 2 035 hours concerned the replacement of absent employees and 1 012 hours to meet with an increase in workload.

Organization of working time

The weekly hours of presence in the company are 38 hours and 30 minutes. The non-executive staff work on a weekly basis of 35 hours, to which 2 overtime hours are added (paid at 125 %) and 1 hour and 30 minutes of breaks. The non-executive shift-working staff work 35 hours per week, to which 1 hour and 30 minutes of breaks are added. The executive staff work on a fixed annual basis. Egide employs 4 half-time employees and 18 part-time employees (4/5ths i.e. 80 % of the weekly working time).

Absenteeism

With the exception of absence for sick leave or maternity leave, paid or unpaid, the company has not reported any unusual absenteeism. In 2006, 29 170 hours of absence were reported, mainly due to long-term sick leave.

Remuneration and evolutions

The gross salary expense paid in 2006 was 4 821 621 euros, of which 916 973 euros for the site in Trappes and 3 904 648 euros for the site in Bollène. The average increase in wages of the financial year was 3 %.

All of the staff of the company is paid on a monthly basis, on a 12- or 13-month year. No employee is paid based on his/her output.

Social contributions

The amount of employer social contributions recorded in the accounts of financial year 2006 is 1 728 995 euros, i.e. 36 % of the gross salary expense. The amount of the employee social contributions based on the salaries paid in 2006 is 1 066 392 euros (i.e. 22.1 %).

Profit-sharing and savings plan

A profit-sharing agreement for the employees was signed between the company and the staff, represented by the Workers' Council secretary. This agreement was signed for a period of 3 years, from January 1, 2004 until December 31, 2006. This profit-sharing is calculated annually from the operating profit before tax of the company, with a ceiling equal to 7 % of the operating profit. It is distributed equally among all of the employees, in proportion to the number of hours of presence over the financial year in question. Taking into account the loss situation of the company, no profit-sharing was paid for financial year 2006.

Furthermore, all of the staff benefit from the legal profit-sharing according to the basic calculations set out by law. Taking into account the losses made, no legal profit-sharing was paid for financial year 2006.

There is no company savings plan for the employees in Egide.

Professional equality between men and women

Although the workshop staff is mainly female, there is no position in the company which could lead to an inequality in the treatment of men and women.

Professional relations and collective agreements

The Workers' Council elections were organized in 2006. One Workers' Council was elected, combining the two sites.

With the exception of the formal relations with the Workers' Council, Egide favors a direct dialogue between the senior management and their staff. Thus, according to needs or current topics, meetings are organized with all or part of the staff members, without there being a particular structure for this.

As regards collective agreements, apart from the profit-sharing agreement signed for 3 years, the Workers' Council negotiates an agreement regarding wage rises for the current financial year, at the start of each year.

Health and Safety Conditions

The Hygiene, Safety and Working Conditions Committee (CHSCT) met 3 times in Bollène during the financial year 2006. The company reported 10 industrial accidents of employees. However, the company did not report any occupational sick leave during the year.

During the financial year, the rates and contributions for industrial accidents were the following:

Trappes	Rate: 0.95 %	Contribution: 8 643 €
Bollène	Rate: 1.08 %	Contribution: 41 925 €

Training

In 2006, Egide committed a total amount of 20 041 euros to internal and external training sessions. The number of hours of training used in 2006 in relation to the Droit Individuel de Formation (Individual Right to Training) is not significant in relation to the number of hours (around 3 700 hours) acquired by the employees of Egide SA.

Employment initiative for disabled workers

Egide employs 7 employees, which are recognized as disabled (non motor) on the Bollène site. No handicap was the result of an accident occurring in relation to the company's activity.

Employee benefits

As regards employee benefits, the company offers its employees a direct contribution towards luncheon vouchers and a contribution to complementary health insurance (only on the Trappes site). In 2006, the company committed 56 560 euros to expenditure for luncheon vouchers and 5 647 euros for its partial contribution to the complementary health insurance.

Furthermore, Egide allocates a budget to the Workers' Council which amounted to 57 723 euros for financial year 2006, i.e. 1.2 % of the salary expense. This budget is redistributed to the employees in the form of gift vouchers, outings, meals, etc.…

Recourse to temping agencies

For financial year 2006, Egide SA recorded 99 305 euros of expenses paid to temping agencies and 59 202 euros to companies providing personnel in the company (costs for supervising the sites), which represents the equivalent of 3.3 % of the total annual salary expense.

Territorial impact of the company's business in terms of employment and general development

Egide contacts the local branches of the Agence Nationale Pour l'Emploi (local government employment service) for its recruitment needs.

Relations with social partners

Egide maintains relations with placement associations such as AGEFIPH (Association for the management of professional placement of disabled persons) or "Work Activity Centers" (restaurant used for business meals). Furthermore, in relation to the apprenticeship tax, the company pays a portion to educational establishments.

Foreign subsidiaries and impact on regional development

Egide holds 3 subsidiaries based in the United States, England and Morocco. The employees of these subsidiaries come from the workforce in the host country. With the exception of two French engineers assigned to Morocco, all of the staff members are local. In 2007, it is intended that one of the two engineers shall remain assigned to Morocco, and the other shall rejoin the Bollène site.

Compliance with the fundamental agreements of the International Labor Organization

Egide, a French company, and its American and English subsidiaries, each respect the principle elements of the international agreements regarding labor law. As for the Moroccan subsidiary, the management, which is French, applies the European rules, while respecting the laws in force in Morocco.

Virtually all of the sub-contractors used by Egide are European or American, and so the company is protected from any potential violation of ILO conventions by them.

18. MAIN SHAREHOLDERS

18.1 Ownership of share capital and voting rights

Situation at March 31, 2007	Number of shares	% of capital	Number of voting rights	% of voting rights
Management	**3 012**	**0.23 %**	**6 012**	**0.41 %**
FCPR 21 Développement 21 Esenga FCPR **Shareholders acting in concert ***	126 471 90 681 **217 152**	9.84 % 7.05 % **16.89 %**	252 942 135 129 **388 071**	17.27 % 9.22 % **26.49 %**
Free float (bearer shares) Free float (registered shares) **Total free float**	1 054 080 11 587 **1 065 667**	81.98 % 0.90 % **82.88 %**	1 054 080 16 851 **1 070 931**	71.95 % 1.15 % **73.10 %**
TOTAL	**1 285 831**	**100.00 %**	**1 465 014**	**100.00 %**
Share warrants exercised since January 1, 2007	195		195	
Total listed outstanding on Euronext	**1 286 026**		**1 465 209**	

** French Financial Markets Council (CMF) opinion 202C1661 of December 17, 2002 concerning the FCPR 21 Développement and 21 Esenga FCPR funds*

This table was established on the basis of information provided by CM-CIC Securities, the bank providing management services for Egide shares in fully registered form.

No share is held collectively by the employees according to the terms of article L.225-102 of the French Commercial Code.

18.2 Thresholds

The identity of the shareholders holding more than 5%, 10 %, 15 %, 20 %, 25 %, 33 %, 50 %, 66.66 % and 95 % of the share capital or voting rights at December 31, 2006:

	More than 5 %		More than 10 %		More than 15 %		More than 25 %	
	Of the share capital	Of the voting rights	Of the share capital	Of the voting rights	Of the share capital	Of the voting rights	Of the share capital	Of the voting rights
FCPR 21, Développement	x					x		
21 Esenga FCPR	x	x						
21 Développement and 21 Esenga acting in concert					x			x
Mr. Antoine Dréan	x	x						
Optigestion	x	x						

No shareholder holds more than 20% of the capital.
No shareholder holds more than 33 % of the capital or voting rights.

On January 20, 2006, the company SNVB Participations, former director of Egide, informed the company and the AMF that it had crossed the lower threshold of 5 % of the voting rights further to the conversion of its shares into free float bearer shares.

On September 19, 2006, the company SOPALIA Compagnie Financière Holding informed the company and the AMF that it had passively crossed the lower threshold of 5% of the share capital further to the dilution linked to the increase in capital.

On January 3, 2007, the company Optigestion informed the company and the AMF, for regularization purposes, that it had crossed the upper threshold of 5% of the share capital and voting rights of the company on October 25, 2006, further to the acquisition of shares on the market.

To the best of the company’s knowledge, no public shareholder holds more than 5% of the capital with the exception of those shown in the table above.

18.3 Different voting rights

A double voting right is granted to all fully paid-up shares registered with the company for at least two years in the name of the same shareholder.

At March 31, 2007, 179 183 shares registered in the name of the same shareholder (of which 170 919 held jointly by 21 Centrale Partners and 21 Esenga) benefit from double voting rights.

19. TRANSACTIONS WITH AFFILIATED PARTIES

19.1 Regulated agreements

The following regulated agreements are in force at March 31, 2007:

Agreements entered into during financial year 2006

N/A

Agreements entered into during previous financial years, but which remained in force during financial year 2006

- Current account agreement between the company Egide UK and Egide SA (Board of Directors of October 14, 2002 and October 31, 2005)
- Current account agreement between the company Egima and Egide SA (Board of Directors of March 16, 2001 and October 31, 2005)
- Current account agreement between the company Egide USA and Egide SA (Board of Directors of October 31, 2005)
- Agreement for reinvoicing management fees for sales, financial and general management between Egide SA and its subsidiaries Egide USA, Egima and Egide UK (Board of Directors of May 2, 2002 and October 14, 2002)
- Agreement to provide a security deposit of financial instruments of Egide SA against a medium-term loan provided to Egima (Board of Directors of June 26, 2002)
- Agreement to provide a demand guarantee against a long-term loan granted to Egima (Board of Directors of October 30, 2001)
- Agreement to provide a security deposit of financial instruments of Egide SA against a guarantee granted for Egima (Board of Directors of October 27, 2003)
- Undertaking agreement for the benefit of the Chairman and CEO by the company (Board of Directors of November 9, 2004)

Agreements entered into during previous financial years, which are now terminated

N/A

It is specified that the Board of Directors' meeting of October 31, 2005 decided that, as from January 1, 2005, the remuneration rate of current accounts between Egide SA and its subsidiaries would be brought down from 6 % to 4 % per year.

19.2 Statutory auditors' special report on regulated agreements

"To the shareholders,

In our capacity as statutory auditors of your company, we hereby present you with our report on the regulated agreements and undertakings.

We are not required to ascertain whether any other agreements and undertakings exist, but to inform you, on the basis of the information provided to us, of the characteristics and main terms and conditions of the agreements of which we were notified, without determining whether they are beneficial or appropriate. It is your responsibility, according to the terms of article R. 225-31 of the French Commercial Code, to assess the benefits arising from these agreements and undertakings prior to their approval.

1 - Agreements and undertakings authorized during the financial year

We inform you that we have not been notified of any agreement or undertaking signed during the financial year and subject to the terms of article L 225-38 of the French Commercial Code.

2 - Agreements and undertakings authorized during previous financial years, but which remained in force during the financial year

Furthermore, in accordance with the French Commercial Code, we have been informed that the following agreements and undertakings, authorized during previous financial years, were continued during the last financial year.

2.1 - Current account agreement between Egide UK Ltd. and your company

Characteristics and purpose: Current account advances made by Egide SA to its English subsidiary Egide UK Ltd. On December 31, 2006, the current account balance amounts to 920 205 €.
This agreement was authorized initially by the Board of Directors on October 14, 2002; the remuneration rate was revised by the Board on October 31, 2005.

Procedures: These advances bear interest at a rate of 4 % per year. The amount of interest income recorded during the financial year is 32 112 €.

2.2 - Current account agreement between Egima and your company

Characteristics and purpose: Current account advances made by Egide S.A. to its Moroccan subsidiary Egima. On December 31, 2006, the current account balance amounted to 6 084 822 €.
This agreement was authorized initially by the Board of Directors on March 16, 2001; the remuneration rate was revised by the Board on October 31, 2005.

Procedures: These advances bear interest at a rate of 4 % per year. The amount of interest income recorded during the financial year is 232 211 €.

2.3 - Current account agreement between the subsidiary Egide USA Inc. and your company

Characteristics and purpose: Current account advances made by Egide S.A. to its American subsidiary Egide USA Inc. On December 31, 2006, the current account balance amounted to 483 809 €.
This agreement was authorized by the Board of Directors on October 31, 2005.

Procedures: These advances bear interest at a rate of 4 % per year. The amount of interest income recorded during the financial year is 9 177 €.

2.4 - Agreement for reinvoicing the management fees for sales, financial and general management services provided by Egide S.A. to its subsidiaries Egide (U.S.A.) Inc., Egima and Egide UK Ltd.

Characteristics and purpose: Reinvoicing by Egide S.A. to its American subsidiary Egide (U.S.A.) Inc., to its Moroccan subsidiary Egima and to its English subsidiary Egide UK Ltd., of a share of the sales, financial and general management expenses.
This agreement was authorized by the Board of Directors on May 2, 2002 for the reinvoicing between Egide S.A. and its subsidiaries Egima and Egide (U.S.A.) Inc., and October 14, 2002 for the reinvoicing between Egide S.A. and Egide UK Ltd.

Procedures: The amounts invoiced correspond to the wages and social contributions of the employees concerned on the basis of a lump-sum assessment of the time devoted by each to each group company. For financial year ended December 31, 2006, the amount invoiced by Egide S.A. to Egide (U.S.A.) Inc. was 28 036 €. The amount invoiced by Egide S.A. to Egima was 333 042 €. The amount invoiced by Egide S.A. to Egide UK Ltd. was 12 809 €.

2.5 - Agreement to provide a security deposit of financial instruments against a medium-term loan granted to Egima

Characteristics and purpose: Security deposits of a 1 420 040 € portfolio of mutual funds in favor of the Crédit Lyonnais, against the guarantee given by the latter to the Crédit du Maroc (to expire on 01/15/2010) further to a loan of 14 600 000 dirhams granted by the latter to the Moroccan subsidiary Egima. The loan was granted on January 28, 2003 for an initial period of 7 years, with a one-year moratorium on repayment of the principle.
The amount of this security deposit is reduced each quarter up to the remaining amount of the loan to be repaid; this operation enables

to free a secured mutual fund when the reduction of the security deposit is at least equal to the unitary value of a secured mutual fund. On December 31, 2006, the remainder of the security deposit was 828 133 € for a remaining loan to be repaid of 792 633 €.
This agreement was authorized by the Board of Directors on June 26, 2002.

Procedures: This agreement did not result in any income or expense during the financial year.

2.6 - Agreement to provide a demand guarantee against a long-term loan granted to the company Egima

Characteristics and purpose: Egide S.A. has provided a demand guarantee in favor of the Crédit du Maroc in consideration for a long-term loan granted by the latter to the Moroccan subsidiary Egima. The 10 678 000 dirhams loan was granted on March 21, 2003 for an initial period of 12 years (ending on March 21, 2015), with a one-year moratorium on repayment of the principle. The guarantee granted by Egide S.A. covers the remaining interest and principle owed by Egima within the principle limit of 12 700 000 dirhams. The balance of this loan to be repaid on December 31, 2006 amounts to the exchange value of 802 370 €.
This agreement was authorized by the Board of Directors on October 30, 2001.

Procedures: This agreement did not result in any income or expense during the financial year.

2.7 - Agreement to provide a security deposit of financial instruments in consideration of a guarantee provided in favor of Egima

Characteristics and purpose: Submission of a mutual-fund portfolio of 57 447 euros in favor of the Crédit du Nord in consideration for the guarantee given to the Société Générale Marocaine de Banque who has granted a standing guarantee at the request of the Moroccan subsidiary Egima in favor of the direct taxes and customs authorities in Morocco. The value of the mutual funds used in the guarantee amounts to 59 998 € on December 31, 2006.
This agreement was authorized by the Board of Directors on October 27, 2003.

Procedures: This agreement did not result in any income or expense during the financial year.

2.8 - Undertaking agreement taken for the benefit of the Chairman and CEO by the company

Characteristics and purpose: Undertakings for the benefit of the Chairman and CEO, Mr. Philippe Brégi, by the company Egide S.A., corresponding to a “Chef d’entreprise” insurance policy for loss of employment on the date of his appointment approved by the Board of Directors on November 9, 2004.

Procedures: The amounts invoiced amount to 3 224 € for financial year 2006.

We have conducted our work according to the professional standards applicable in France; these standards require us to perform all procedures deemed necessary to verify that the information provided to us corresponds to that contained in the underlying documents.

Neuilly-sur-Seine and Paris, June 5, 2007

The statutory auditors

PricewaterhouseCoopers Audit Xavier Cauchois	Jacques Wenig & Associés Bernard Hinfray"

20. FINANCIAL INFORMATION: ASSET BASE, FINANCIAL SITUATION AND RESULTS

20.1 Historical financial information (2004 and 2005)

The consolidated and annual financial statements of financial years ending on December 31, 2005 and December 31, 2004, and the related statutory auditors' reports, shown in the documents set out in the following table, are included by reference in this reference document.

Printed version of:	Reference document 2005 no. D06-0621 of June 23, 2006	Reference document 2004 no. D05-0887 of June 14, 2005
Consolidated financial statements	Pages 57 to 81 (§ 20.3.1)	Pages 41 to 56 (§ 5.2)
Statutory auditors' report on the consolidated financial statements	Pages 104 and 105 (§ 20.4.1)	Pages 35 and 36 (§ 5.1.1)
Annual financial statements	Pages 82 to 103 (§ 20.3.2)	Pages 57 to 74 (§ 5.5)
Statutory auditors' reports on the annual financial statements	Pages 105 and 106 (§ 20.4.2)	Pages 36 to 39 (§ 5.1.2 and 5.1.3)

20.2 Pro-forma financial information

N/A

20.3 Financial statements for 2006

20.3.1 Consolidated financial statements and other consolidated items

20.3.1.1 Consolidated balance sheet

ASSETS (in KE, IFRS)	Notes 20.3.1.5.	Net values at 12/31/2006	Net values at 12/31/2005
Intangible assets	5.3	5	7
Tangible fixed assets	5.3	6 110	7 299
Long-term investments	5.3	10	9
Other long-term assets	5.4	1 025	3 008
Total fixed assets		**7 151**	**10 323**
Inventories	5.5	5 471	4 622
Trade and related accounts receivable	5.6	9 325	6 005
Cash and cash equivalents	5.7	3 759	1 285
Other current assets	5.8	328	137
Total current assets		**18 884**	**12 049**
TOTAL ASSETS		**26 035**	**22 372**

LIABILITIES (in K€, IFRS)	Notes 20.3.1.5.	Values at 12/31/2006	Values at 12/31/2005
Share capital Share premium Legal reserve Consolidated reserves Profit (loss) of financial year Foreign currency transaction gain (loss) Treasury shares	5.9	12 858 5 119 402 2 051 (5 064) (2 029) 0	9 983 10 988 402 2 415 (7 942) (1 781) 0
Shareholders' equity		**13 337**	**14 065**
Long-term provisions Borrowings and loans of more than one year	5.10 5.11	277 1 644	259 2 052
Long-term liabilities		**1 921**	**2 311**
Current provisions Borrowings and loans of less than one year Trade and related accounts payable	5.10 5.11 5.11	0 3 745 7 032	21 387 5 588
Current liabilities		**10 777**	**5 996**
TOTAL LIABILITIES		**26 035**	**22 372**

20.3.1.2 Consolidated income statement

INCOME STATEMENT (in K€, IFRS)	Notes 20.3.1.5.	12/31/2006	12/31/2005
Turnover Purchases consumed Change in inventories of semi-finished and finished goods Staff-related charges External charges Taxes Depreciation and amortization of fixed assets Increases and recoveries of depreciation and provisions Other operating income (expense)	 5.3 5.5, 6, 10 	25 380 (12 455) 428 (11 643) (4 648) (502) (1 389) (199) 212	21 700 (10 615) (165) (10 580) (4 101) (479) (3 928) (7) 2
Operating income (expense)	**5.13**	**(4 816)**	**(8 174)**
Cash income and equivalent Cost of gross financial indebtedness	5.14 5.14	67 (324)	72 (189)
Cost of net financial indebtedness	5.14	(257)	(117)
Other financial income (expense)	5.14	(96)	328
Tax on profit (loss)	5.12	105	21
Financial year profit (loss)		**(5 064)**	**(7 942)**
. Group share . minority interests		(5 064) 0	(7 942) 0
Earnings per share (in €) Diluted earnings per share (in €)		(3.94) (3.94)	(7.96) (7.96)

20.3.1.3 Changes in consolidated shareholders' equity

(in K€, except for the shares)	Number of shares	Share Capital	Share Premium	Legal and consolidated reserves	Other shareholders' equity	Current year net	Shareholder's equity
Balance at 01/01/05	**993 314**	**9 933**	**19 832**	**2 831**	**(2 484)**	**(8 939)**	**21 174**
Change in parent company's capital	4 942	49	25				74
Allocation of 2004 net profit (loss)			(8 868)	(71)		8 939	0
Current year net profit (loss)						(7 942)	(7 942)
Share subscription options				57			57
Change in foreign currency transaction adjustment					424		424
Treasury shares					279		279
Balance at 12/31/05	**998 256**	**9 982**	**10 988**	**2 817**	**(1 781)**	**(7 942)**	**14 065**
Change in parent company's capital	287 575	2 876	1 639				4 515
Allocation of 2005 net profit (loss)			(7 509)	(433)		7 942	0
Current year net profit (loss)						(5 064)	(5 064)
Share subscription options				69			69
Change in foreign currency transaction adjustment					(248)		(248)
Balance at 12/31/06	**1 285 831**	**12 858**	**5 118**	**2 453**	**(2 029)**	**(5 064)**	**13 337**

There are no minority interests in the group Egide.

20.3.1.4 Consolidated financing

CASH FLOW STATEMENT (in K€, IFRS)	12/31/2006	12/31/2005
Net profit (loss) from consolidated companies	(5 064)	(7 942)
Elimination of non-cash and non-operating items		
- Amortization, depreciation and provisions (1)	1 454	3 732
- Capital gain (loss) on disposals of intangible and tangible fixed assets	(16)	(88)
- Others	69	57
Change in working capital requirement (2)		
- (increase) / decrease in inventories	(986)	262
- (increase) / decrease in trade accounts receivable	(1 798)	(822)
- (increase) / decrease in other accounts receivable	(142)	661
- increase / (decrease) in trade accounts payable	1 710	(628)
- increase / (decrease) in social security and other taxes payable	247	72
- increase / (decrease) in other liabilities	(263)	109
Cash flow from operations	**(4 788)**	**(4 587)**
Acquisitions of fixed assets	(530)	(418)
Disposals of fixed assets, net of taxes	43	88
Changes in scope of consolidation		
Cash flow from investment transactions	**(487)**	**(330)**
Capital increases in cash	4 515	
Change in other equity		353
New borrowings from leasing or loan institutions		36
Repayments of borrowings from leasing or loan institutions	(364)	(351)
Borrowings related to factoring or revolving line of credit	3 376	
Change in security deposit of mutual funds	229	424
Cash flow from financing transactions	**7 756**	**462**
Change in cash balance	**2 481**	**(4 455)**

(1) excluding provision on current assets
(2) in net values

	12/31/2006	12/31/2005
Closing cash balance *	3 745	1 268
Opening cash balance *	1 268	5 650
Effect of foreign currency transaction adjustments	3	(73)
Change in cash balance	2 481	(4 455)

Trade accounts payable at end of December 2006 and paid early in the following year amounted to 488 K€, and to 329 K€ for December 2005, settled early 2006.

** For information, the cash balance amounts at 12/31/2005 and 12/31/2006 are broken down as follows:*

	Balance at 12/31/2006	Balance at 12/31/2005
Cash and cash equivalents	3 759	1 285
Bank overdrafts and interest	(14)	(17)
Cash flow	**3 745**	**1 268**

20.3.1.5 Accounting methods and explanatory notes about the consolidated accounts

20.3.1.5.1 General remarks

Egide designs, manufactures and distributes hermetic encapsulation components (passive electronic packages) for the protection and interconnection of electronic systems.

These notes are an integral part of the consolidated financial statements prepared on December 31, 2006, for which the total of the balance sheet is 26 035 K€, and the income statement, presented as a list, shows a loss of 5 064 K€, approved by the Board of Directors on April 25, 2007.

All of the information provided hereafter is understood to be in thousands of euros (K€), unless otherwise stipulated. The annual approval takes place on December 31, for the financial year covering the period from January 1, 2006 until December 31, 2006.

20.3.1.5.2 Significant events of the financial year

Egide experienced an increase in growth during financial year 2006, with a turnover that was 17 % higher than for the previous year. The diversification measures continued and enabled the company to compensate for the anticipated lack of recovery of the telecommunications sector. This recovery began however during the 4th quarter, but still remains lower than it should be in the next few semesters. In the other sectors (military & aerospace, industrial), the increased visibility of the client requirements led to a return in significant volumes (more than 50 000 packages for the same civil infrared application) and the signature of several Long-Term Agreements, in particular with American clients in the military sector.

The measures for reinforcing the equity capital, which began at the start of 2006, were materialized in August with an increase in capital with continuation of the pre-emptive subscription right. An issue of approximately 286 000 new shares thus enabled to raise a gross amount of 5 million euros. Share subscription warrants were attached to these new shares, that may be exercised until August 2009; at a rate of 4 warrants for 1 share, these warrants shall give the company the possibility to receive a maximum amount of 2.14 million euros if all of the share subscription warrants are exercised. This operation has been largely over-subscribed and almost completely placed by exercise of the pre-emptive rights. It is reminded that this issue aimed at financing the working capital requirements of the company while waiting for the upturn of the telecommunications market, continuing the diversification strategy, continuing the development of new products, maintaining the current production capacities and entering new markets or new applications.

It was essential that the worldwide reputed expertise of Egide be maintained, developed and taken advantage of in order to find new outlets. This is why in financial year 2006 the sales teams were reinforced with the arrival of a business development manager in charge mainly of the Asian markets and the new industrial applications. Maintaining the expertise also relies on a structured R&D department, in direct liaison with the production departments. Thus, an R&D and Engineering manager came to reinforce the teams in place; this manager took on his functions at the start of 2007. Finally, the intermediary management of the sites in Bollène and Casablanca was developed by the appointment of new engineers and technicians and by the reinforcement of supervisory positions.

20.3.1.5.2 Information concerning the consolidation referential and perimeter

20.3.1.5.3.1 International referential

In accordance with the EC directive no.1606/2002 of July 19, 2002, the group Egide presents its consolidated financial statements of financial year ended December 31, 2006, in compliance with IFRS (International Financial Reporting Standards) as adopted in the European Union. This referential includes the IFRS and the IAS (International Accounting Standards), and their interpretations applicable on December 31, 2006. This series of standards and their interpretations are jointly referred to as IFRS or "IFRS" for simplicity's sake.

The group has not applied, in anticipation, any standard or interpretation already published but not yet in force on December 31, 2006. The group is currently reviewing the potential impact of these standards or interpretations, and does not anticipate any material impact at this stage.

20.3.1.5.3.2 Perimeter and consolidation methods

The companies retained in relation to the consolidated accounts of the group Egide on December 31, 2006 are the following:

Companies	Registered office	Percentage of interest	Consolidation method	Date of entry in the group
Egide SA	Trappes (Yvelines)	100%	Parent company	NA
Egide USA LLC	Wilmington - Delaware (USA)	100%	Global consolidation	11/08/2000
Egide USA Inc.	Cambridge - Maryland (USA)	100%	Global consolidation	12/29/2000
Egima	Casablanca (Morocco)	100%	Global consolidation	11/01/2000
Egide UK Ltd	Woodbridge - Suffolk (UK)	100%	Global consolidation	06/01/2002

All of the companies included in the consolidation perimeter close their accounts on December 31.

20.3.1.5.3.3 Consolidation rules

The financial statements of the various foreign subsidiaries are restated in compliance with the accounting plan of the group, and the joint rules for assessing the different items, in order to guarantee a satisfactory homogeneity of the financial information.

20.3.1.5.4 Accounting standards and assessment methods

20.3.1.5.4.1 General standards

The consolidated financial statements of financial year 2006 are prepared in compliance with the prudence, independence of financial year, and going concern principles.

20.3.1.5.4.2 Recognition method of the turnover

The products are dispatched ex-works. The turnover is recognized on the transfer of risk, either on dispatching the products, or when they are made available at the factory.

20.3.1.5.4.3 Acquisition difference

On the date of acquisition, the acquisition difference is initially assessed by the excess of the cost of the group of companies on the purchaser's interest part in the fair net value of the assets, identified liabilities and possible acquired liabilities. In compliance with IFRS 3, acquisition differences are the subject of a depreciation test, at least once a year, or in the case of loss in value. The depreciation test is explained in paragraph 20.3.1.5.4.6.

20.3.1.5.4.4 Intangible assets

IAS 36 and IAS 38 are applicable to intangible assets.

The intangible assets are assessed at their acquisition cost on the date of their acquisition, plus the necessary related purchasing costs for putting such assets into working condition.

In consideration of the “per job” characteristic of the products marketed by Egide, the R&D costs mainly concern projects developed in partnership with its clients. These costs are then incorporated in the costs of prototypes invoiced to the clients. Consequently, no R&D costs have been capitalized in the consolidated assets.

Depreciable fixed assets are amortized on a straight-line basis, over the expected useful life of the assets. The amortizations are calculated according to the following rates:

	Straight-line
Rights representing purchased know-how (licenses)	10 to 20 %
Software	20 to 33.33%
Patents	8.33%

The amortization basis has not taken into account the residual values at the end of the useful life of the asset, as no significant residual value has been identified for the intangible assets of the group Egide. The amortization method, the residual values and the useful lives are revised at least at the end of each financial year and may alter the initial amortization plan, prospectively.

A depreciation test is carried out when there is an internal or external indicator of loss of value. Depreciation is then recorded if the recovery value of the asset in question is lower than its net book value. This depreciation is deducted from the amortizable accounting basis over the remaining useful life. The deprecation test is explained in paragraph 20.3.1.5.4.6.

20.3.1.5.4.5 Tangible fixed assets

IAS 16 and IAS 36 are applicable to tangible fixed assets.

The gross value of the tangible fixed assets corresponds to the acquisition cost on their acquisition, plus the related purchasing and installation costs for ensuring their working condition. An expense is recorded in the assets if it is likely that the related future economic benefits will go to the group and that its cost may be reliably assessed. The other costs are booked as charges if they do not correspond to this definition.

Fixed assets in progress correspond to fixed assets that have not yet been put into service at the close of the financial year.

When significant components with varying useful lives are identified within a tangible fixed asset, these components are booked separately and amortized over their own useful life. The costs relating to replacing or renewing a component in a tangible fixed asset are booked separately, and the replaced asset is withdrawn.

Depreciable tangible fixed assets are amortized on a straight-line basis, taking into account the expected useful life of the assets. The amortizations are calculated according to the following rates:

	Straight-line
Buildings	4 %
General facilities, fixtures and improvements of buildings	10 %
Technical facilities, equipment and industrial tools	10 to 33.33 %
Office equipment and furniture, other fixtures and fittings	10 to 33.33 %

No residual value has been retained at the end of the useful life of these fixed assets and has therefore not been deducted from the amortization basis. The amortization method, the residual values and the useful lives are revised at least at the end of each financial year and may alter the initial amortization plan, prospectively.

A depreciation test is carried out when there is an internal or external indicator of loss of value. Depreciation is then recorded if the recovery value of the asset in question is lower than its net book value. This depreciation is deducted from the amortizable accounting basis over the remaining useful life. The deprecation test is explained in paragraph 20.3.1.5.4.6.

20.3.1.5.4.6 Depreciation test

IAS 36 applies to the depreciation of assets.

Prior to the depreciation test, cash-generating units (CGU) are identified. A CGU is made up of a homogenous series of assets whose use generates cash entries which are specific to this CGU. For the group Egide, the CGU are considered as the following:

- Companies Egide SA and Egima
- Company Egide USA Inc
- Company Egide UK Ltd

Indeed, these profit centers reflect the finest method of cash flow generation that each group may define. The group assesses the future updated cash-flows that each CGU will generate. The value in use corresponding to the updating result of these cash flows is compared to the net book value of the intangible and tangible fixed assets of the corresponding CGU. If this value in use is lower than the net book value, depreciation is recorded.

20.3.1.5.4.7 Financing lease

In compliance with IAS 17, financing leases are restated and recorded in the consolidated financial statements. The corresponding assets are recorded in the balance sheet and offset by recognition of a financial liability. The amortization is calculated on a straight-line basis according to the expected useful life of the asset concerned (cf. useful lives indicated in paragraph 20.3.1.5.4.5.).

20.3.1.5.4.8 Inventories and work in progress

Inventories of raw materials, supplies and goods are recorded at their purchase cost (plus any delivery expenses) according to the weighted average cost method. The work in progress, finished goods and semi-finished goods are assessed at production cost, including all of the direct and indirect manufacturing costs relating to quality approval after manufacture; the cost of manufacturing scrap is recorded as an expense in the period. When costs are higher than resale values, less selling expenses, assets are written down or off for the difference.

The raw materials, semi-finished and finished products giving rise to write-downs or write-offs, are calculated depending on the age and expected use or sale of the items. These depreciations are recorded at 5% for the first year, 50 to 100 % for the second year, depending on the type of inventory, and 100 % for the third year on the basis of the background of the recorded depreciation. It is specified that the inventory of raw materials includes both components and raw materials. The latter, due to their nature, have different depreciation rates applied to them, depending on whether they can be disposed of by transformation into components or by resale on an existing market.

Changes in inventories and work in progress and the increases and recoveries of depreciations relating to these inventories are shown in the same line in the income statement of the Group.

20.3.1.5.4.9 Conversion of financial statements denominated in foreign currencies

The financial statements of Egide USA Inc and Egide UK Ltd (independent subsidiaries) are converted using the “closing rate” method: the balance sheet items are converted into euros on the basis of the exchange rate in force on the date of closing. The profit and loss statement and the cash-flow statement are converted at the average annual rate. The foreign currency conversion differences resulting from this process are posted to shareholders’ equity under “foreign currency transaction differences”.

The financial statements of Egide USA LLC and Egima (non-independent subsidiaries) are converted according to the “historical rate” method: the balance sheet items are converted at the historical rate, except for monetary items, which are converted at closing date rate. The profit and loss statement and the cash flow statement are converted at the average annual rate. The foreign currency conversion differences resulting from this process are posted to shareholders’ equity under “foreign currency transaction differences”.

20.3.1.5.4.10 Inter-company accounts and transactions

All inter-company accounts and transactions between consolidated companies are reconciled and subsequently eliminated.

20.3.1.5.4.11 Liabilities and accounts receivable

The liabilities and accounts receivable are initially recorded at their face value, those with a due-date of more than one year being updated, if appropriate. Their final value is assessed on the basis of the amortized cost according to the actual interest rate method.

Any accounts receivable for which collection is unlikely are subject to provisions for impairment for the amount of the estimated value of the risk.

Liabilities and accounts receivable denominated in foreign currency are valued at the year-end exchange rate. Any corresponding foreign currency transaction differences are recorded as unrealized losses or gains under “financial income (expense)”.

20.3.1.5.4.12 Cash

Available cash at the bank and in hand is assessed at year-end closing rate.

Marketable securities are recorded at purchase cost. They are, if appropriate, adjusted to take into account their value at the end of the financial year. They are then assessed at their face value and offset against the profit (loss).

Gains and losses made during the financial year are assessed by a “first in – first out” (F.I.F.O.) method.

20.3.1.5.4.13 Deferred taxes

Certain restatements made to the annual financial statements of the consolidated companies to make them compliant with the accounting standards applicable for consolidated financial statements, and certain timing differences that exist in the annual financial statements, produce timing differences between the taxable profit (loss) and the restated accounting profit (loss).

The timing differences give rise to deferred taxes, which are recognized in the consolidated financial statements by using the liability method.

Deferred tax assets are only recognized if it is likely that they will be recovered in the near future.

20.3.1.5.4.14 Provisions for retirement entitlements and similar benefits

At Egide SA, retirement entitlements, special seniority benefits and service awards are subject to a provision calculated in accordance with the IAS 19. These entitlements are the result of collective agreements applicable to each site and are calculated according to the method of distribution of rights prorated on the length of service. The main assumptions are:

- age at retirement: 65
- age entering labor market: 18
- average annual rate of pay increase: 3 %,
- life expectancy from the 1999-2001 Insee mortality table
- likelihood of presence is assessed using in-house statistics for each site
- long-term discount rate: 3.73 % (10 year OAT government bond rate)
- provisions are calculated excluding employer contributions, as, generally speaking, such obligations are not liable to social contributions

These provisions do not concern the foreign companies, as these companies do not have any commitment to pay supplementary bonuses on expiry of the employees’ employment contracts, or at any other time during their presence within the company.

The impact of the changes in the discount rate and the variables used to calculate the provision (seniority, changes in staff, discount rate, etc.…) is recorded entirely in the profit and loss statement.

20.3.1.5.4.15 Provisions for contingencies and charges

Booking provisions for contingencies and charges takes place when, at the end of the financial year, there is an obligation toward third parties and when it is likely or certain, when closing the accounts, that it will cause an outflow of resources in favor of those third parties without any at least equivalent counterpart being expected from any party after the closing date.

20.3.1.5.4.16 Share subscription warrants

The company has chosen to apply IFRS 2 “Payment in shares or similar” to the shareholders’ equity instruments granted after November 7, 2002 and of which the rights have not been acquired at December 31, 2006.

20.3.1.5.4.17 Factoring

Egide SA has recourse to factoring since the 1st semester of 2006. There is no impact on the presentation of the client accounts of the company but short-term miscellaneous financial debts figure in the liabilities of the accounts. This represents the advances financed by the factoring corporations, less the settlements received by the factoring corporations as a reimbursement of the receivable subrogated to the latter. Egide SA currently factors around 95 % of its turnover.

20.3.1.5.4.18 Information by sector

A geographical sector is a group of assets and operations involved in supplying products or services in a particular economic environment and which is exposed to differing risks and profitability from those of other geographical sectors.

An activity sector is a group of assets and operations involved in supplying products or services, which is exposed to differing risks and profitability from those of other activity sectors.

20.3.1.5.5 Additional information on the balance sheet and profit and loss statement

20.3.1.5.5.1 Estimates and decisive accounting judgments

The Group has made estimates and used assumptions regarding the future activity. The resulting accounting estimates are, by definition, rarely equivalent to the actual results revealed later.

The assumptions and estimates that include the high risk of a significant adjustment of the book value of the assets and liabilities during the following period, concern primarily the depreciation test regarding the intangible and tangible fixed assets that the group carries out each year. Indeed, in accordance with the accounting method defined in paragraph 20.3.1.5.4.6, the recoverable amounts of the cash-generating units are calculated on the basis of the value in use. These calculations require recourse to estimates.

Secondly, the group decides on the estimated useful lives of its tangible fixed assets and the resulting amortization increases. As regards the ceramic manufacturing equipment, this estimate is based on the forecast life cycles of the products. It could be altered due to the variation in the length of these cycles.

20.3.1.5.5.2 Financial risk management

20.3.1.5.5.2.1 Exchange rate risk

The majority of Egide’s sales are exported (74 %), with North America representing 47 % of the total sales of the group. The unfavorable parity rate of the dollar against the euro in 2006 therefore led to reducing the turnover of the group. However, 37 % of this turnover denominated in dollars was made by the American subsidiary Egide USA, whose costs are also all denominated in dollars. Furthermore, the major part of the European turnover is denominated in euros. The exchange rate risk is therefore limited to the part of the sales denominated in dollars and made by the French company Egide SA, i.e. 14 % of the turnover of financial year 2006.

A part of the revenue in dollars received by Egide SA is used for purchases of components in the United States. In 2006, however, the income in dollars was much lower than the payments, as the implementation of the factoring system led to financing in euros. The risk is therefore at the level of the exchange rate on the day of the transaction, for which no specific coverage has been implemented.

As regards the American subsidiary, all of the purchases and sales are made in dollars. At the end of the financial year, the exchange risk will therefore be limited for the group to the financial year profit (loss) of Egide USA and its cash flow denominated in dollars.

A custom engineering scheme has been implemented between Egide and Egima: the export income of products manufactured in Morocco is invoiced by Egide; there is no exchange rate risk (in dirhams). The financing structure implemented in Morocco is such that the impact of a change in the euro/dirham exchange rate would be limited. Indeed, the investments made in 2001 and 2002 were financed for around 50 % by shareholders' equity and for around 50 % by medium and long-term loans in local currency. Should the dirham devalue, the accounting loss on the value of the assets denominated in dirhams would be partially offset by a decrease in the value of the debt also denominated in dirhams.

The turnover made by the English subsidiary Egide UK is denominated in pounds sterling for 63 %. However, this only represents 7.2 % of the turnover of the group and the exchange risk will therefore be limited to the profit (loss) of the financial year.

20.3.1.5.5.2.2 Interest rate risk

In order to (i) finance the investments made in Morocco in its subsidiary Egima, and (ii) limit the exchange risks further to a possible devaluation of the dirham, Egide has decided to take out two loans from a local bank. The amount of the medium-term loan is 14 600 KMAD, to be repaid over a period of 7 years (with a one-year moratorium on repayment of the principle) at a fixed interest rate of 8 %; the long-term loan amounts to 12 700 KMAD, partially released for up to 10 678 KMAD, to be repaid over a period of 12 years (with a one-year moratorium on repayment of the principle) at a fixed interest rate of 8.75 %. These two loans were released at the start of the year 2003; they do not include an anticipated reimbursement clause due to the application of the clause by default.

Furthermore, the building in which the registered office of Egide SA is installed is financed by a leasing with rents based on Euribor 3 months.

During the first semester of 2006, Egide SA signed two factoring agreements covering domestic and export receivables. The monthly financing commission applied by the factoring corporations to the financed amounts is based on Euribor 3 months at the end of the previous month. Similarly, over this period, Egide USA Inc obtained a revolving line of credit whose interest rate is assessed by taking the American basic rate + 3 % (minimum rate of 10.25 %).

Considering the low potential impact of the interest rate variations on the P&L consolidated account linked to the characteristics of the interest rates, the group has not put in place any specific measures to monitor and handle the interest rate risks.

20.3.1.5.5.3 Fixed assets

The changes in gross values of the fixed assets are analyzed as follows:

Assets (amounts in k€)	Value at 12/31/2005	Exchange rate difference	Value at 12/31/2005 at 12/13/2006 rates	Acquisitions, additions, transfers, increases	Disposals, transfers, retirements recoveries	Entry into the scope	Value at 12/31/2006
Other intangible assets							
Gross value	347		347	2			349
- amortizations	- 340	- 1	-341	- 3			-344
- depreciations							
Net value	**7**	**- 1**	**6**	**- 1**			**5**
Total intangible assets	**7**	**- 1**	**6**	**- 1**			**5**
Land and fittings							
Gross value	894	- 57	837				837
- amortizations	- 79	6	- 73	- 13			- 86
- depreciations	- 59		- 59				- 59
Net value	**756**	**- 51**	**705**	**- 13**			**692**
Buildings							
Gross value	3 714	- 60	3 654	35	119		3 570
- amortizations	- 817	4	- 813	- 139	- 43		- 909
- depreciations	- 137		- 137				- 137
Net value	**2 760**	**- 56**	**2 704**	**- 104**	**76**		**2 524**
Technical facilities and industrial tooling							
Gross value	17 832	- 492	17 340	278	348		17 270
- amortizations	- 11 531	312	- 11 219	- 1 162	- 443		- 11 938
- depreciations	- 2 824		- 2 824				- 2 824
Net value	**3 477**	**- 180**	**3 297**	**- 884**	**- 95**		**2 508**
Other tangible assets							
Gross value	2 206	- 53	2 153	20	2		2 171
- amortizations	- 1 767	44	- 1 723	- 109	- 2		- 1 830
- depreciations	- 251		- 251				- 251
Net value	**188**	**- 9**	**179**	**- 89**	**0**		**90**
Tangible fixed assets in progress, advances and deposits							
Tangible fixed assets in progress	94		94	204	6		292
Advances and deposits	24		24	4	24		4
Total	**118**		**118**	**208**	**30**		**296**
Total tangible assets	**7 299**	**- 296**	**7 003**	**- 882**	**11**		**6 110**

The intangible assets shown in the balance sheet of the group on December 31, 2006 have been acquired (patents, licenses and software).

IAS 17 - Financing leases lead to restating the assets, by posting 191 K€ to Land for the lease of the factory on the Trappes site and 778 K€ for buildings. The net book value of this lease on December 31, 2006 is 749 K€.

The value of the accumulated amortizations of the fixed assets scrapped or disposed of during the financial year amounts to 488 K€. The increases and recoveries of amortizations and depreciations are shown in the amortization and depreciation lines of the fixed assets in the operating result.

The application of IAS 36 led to recording a depreciation of 3 272 K€ on December 31, 2005 taking into account the current level of under-activity of the factories of the group and the assumptions regarding future activity. In the absence of any new indicator of loss in value on December 31, 2006, this depreciation level has been maintained.

20.3.1.5.5.4 Other long-term assets

The assets set out in this table are the following:

Amounts in k€	Net value at 12/31/2006	Net value at 12/31/2005
Tax receivable on the profit (loss) due to carry back of losses of Egide SA Research tax credit of Egide SA Pledged mutual funds by Egide SA in guarantee of a loan taken out by Egima in Morocco	0 137 888	1 814 77 1 117
Total	**1 025**	**3 008**

Egide SA's tax credit is payable on January 1, 2007. It was recovered in April 2007 and is therefore shown in the current assets on December 31, 2006.

20.3.1.5.5.5 Inventories and work in progress

Assets (amounts in k€)	Value at 12/31/2005	Exchange rate difference	Value at 12/31/2005 at 12/31/2006 rates	Increases	Recoveries	Value at 12/31/2006
Raw materials and supplies						
Gross value	8 525	- 273	8 252		45	8 207
- depreciations	- 5 567	108	- 5 459	- 145	- 838	- 4 766
Net value	**2 958**	**- 165**	**2 793**	**- 145**	**- 793**	**3 441**
Work in progress						
Gross value	1 152	- 92	1 060	457		1 517
- depreciations	- 6		- 6	- 38	- 21	- 23
Net value	**1 146**	**- 92**	**1 054**	**419**	**- 21**	**1 494**
Finished goods						
Gross value	1 905	- 79	1 826		415	1 411
- depreciations	- 1 395		- 1 395	- 106	- 619	- 882
Net value	**510**	**- 79**	**431**	**- 106**	**- 204**	**529**
Goods held for resale						
Gross value	65		65		2	63
- depreciations	- 57		- 57		- 1	- 56
Net value	**8**		**8**		**1**	**7**
Total	**4 622**	**- 336**	**4 286**	**168**	**- 1 017**	**5 471**

A limited depreciation rate of 75% has been applied to the stock of kovar, which is a raw material with the possibility of disposal by resale or transformation into structures, whatever the year of origin of this stock.

20.3.1.5.5.6 Trade accounts receivable

The items included in the Trade accounts receivable are:

	Balance at 12/31/2006	Balance at 12/31/2005
Advances and deposits on orders	47	55
Trade accounts receivable	6 689	5 222
Staff-related items	10	6
Corporate income tax	1 874	0
Value added tax	556	587
Miscellaneous taxes	52	17
Miscellaneous receivables	97	118
Total	**9 325**	**6 005**

The amount of letters of exchange and transfers to be received, included in the trade accounts receivable, is 4 K€ on December 31, 2006 and 819 K€ on December 31, 2005, as the majority of the receivables concerning clients using this means of payment have been subrogated to the factoring corporations since the start of 2006. The corporate income tax credit of Egide SA is payable on January 1, 2007 and was recovered in April 2007; it therefore appears in the “other receivables” at December 31, 2006.

The trade accounts receivable items varied as follows:

Assets (amounts in k€)	Value at 12/31/2005	Exchange rate difference	Value at 12/31/2005 at 12/31/2006 rates	Increases	Recoveries	Value at 12/31/2006
Gross value	5 389	209	5 598	1 313	32	6 879
- depreciations	- 167	6	- 161	- 31	- 2	- 190
Net value	**5 222**	**215**	**5 437**	**1 282**	**30**	**6 689**

A depreciation of 168 K€ was recorded for the Value-Added Tax entry, in order to book the risk that the applications for the reimbursement of the VAT credits, presented by Egima to the Moroccan tax authorities, be rejected.

Receivables of more than one year are presented in the “Other long-term assets” line (cf. §20.3.1.5.5.4.).

20.3.1.5.5.7 Cash and cash equivalents

The UCIT have a net book value of 3 278 K€. The UCIT are made as operating needs arise. In compliance with the definition of cash equivalents set out by IAS 7, these UCIT are considered as short-term investments, easily convertible into a known amount of available cash and not subject to significant risks of changes in value.

In the context of a market maker agreement for Egide shares, a counterparty account was opened in the books of the Crédit du Nord - Gilbert Dupont, the market maker of Egide SA. The share of the balance of this account attributable to Egide SA (shares and available cash) amounted to 137 K€ at the end of the financial year. The final result is an unrealized capital loss of 14 K€ which was recorded as financial income.

On December 31, 2006, the cash reserves in dollars of the group amounted to 147 KUSD in Egide SA, 22 KUSD in Egide USA Inc., and 14 KUSD in Egide USA LLC. The cash denominated in euros was 242 K€ in Egide SA. The other cash denominated in foreign currency was 254 KMAD in Egima and 52 KGBP in Egide UK Ltd.

20.3.1.5.5.8 Other current assets

This category concerns the prepaid expenses which can be broken down as follows:

	12/31/2006	12/31/2005
Purchases of miscellaneous raw materials and supplies	48	4
Rents	65	59
Insurance	141	65
Taxes	34	0
Other prepaid expenses	40	9
Total	**328**	**137**

20.3.1.5.5.9 Information regarding share capital

Further to the exercise of stock options during financial year 2006, the capital was increased by 1 828 shares of a par value of 10 euros each, i.e. 18 280 euros.

Furthermore, the increase in capital performed in August 2006 by the issue of new shares with attached subscription warrants with continuation of the pre-emptive subscription right enabled to create 285 738 new shares with a par value of 10 euros each, i.e. 2 857 380 euros. The expenses related to this increase in capital were offset against the share premium for an amount of 513 K€. Further to this operation, 36 subscription warrants were exercised leading, at the rate of one new share for 4 warrants, to the creation of 9 shares with a par value of 10 euros each, i.e. 90 euros.

The share capital therefore amounted to 12 858 310 euros on December 31, 2006, i.e. 1 285 831 shares of a par value of 10 euros each.

20.3.1.5.5.9.1 Stock option plans

The shareholders' meeting of Egide SA held on June 8, 2004 authorized the Board of Directors to grant to directors and certain members of the salaried staff of the company or its subsidiaries owned directly or indirectly, over a period that will expire on August 8, 2007, options entitling the beneficiaries to subscribe to shares to be issued as an increase in capital. The total number of options granted and not yet exercised may not entitle beneficiaries to subscribe to more than 5 % of the shares making up the share capital. Options granted in this way cannot be exercised within two years starting from the date on which they become exercisable, nor may shares acquired in this way be sold within two years from that date. In accordance with the tax rules in force, the enforced holding period of four years on these shares exempts Egide SA from social security and other payroll taxes once the stock options are exercised. Regarding the attribution of stock options to staff of the American subsidiary Egide USA Inc, the enforced holding period, for 50 % of them, is reduced to one year from the date on which they become exercisable.

During financial year 2006, the Board of Directors did not use this authorization.

1 828 options were exercised in 2006. 4 127 options were cancelled during the combined shareholders' meeting of June 29, 2006, because the beneficiary employees left the company in 2005 and at the start of 2006 or did not exercise their options before the deadline.

Further to the increase in capital realized in August 2006, the subscription price and quantity were adjusted for the various existing plans in order to take into account the dilution generated by the operation.

Analysis of the various plans:

Plan number	Plan 1.2	Plan 3.1	Plan 3.2	Plan 3.3	Plan 4.1	Total
Options attributed and not exercised before adjustment	466	7 600	698	200	20 000	28 964
Subscription price before adjustment	81.68 €	46.86 €	15.54 €	40.04 €	30.88 €	
Options attributed and not exercised after adjustment	484	7 896	726	208	20 767	30 081
Subscription price after adjustment	78.66 €	45.13 €	14.97 €	38.56 €	29.74 €	

For information purposes, the average Egide SA share price during financial year 2006 was 29.45 euros, and the closing price on December 31, 2006 was 32.70 euros.

As the shareholders' meeting fixed the total number of options granted and not yet exercised at a maximum of 5 % of the shares making up the share capital, a balance of 34 211 options remains to be attributed.

The share purchase options granted to the employees are assessed at their face value on the date of attribution. The face value of the options is calculated by using the Black & Scholes assessment model, on the basis of the assumptions of the Management. It is recorded in the profit and loss account over the acquisition period of the exercise rights by the employees, counterbalanced by an equivalent increase in shareholders' equity. The expenses recorded for obsolete options before being exercised are taken back in the profit and loss account for the period during which the obsolete options are booked.

The expense for financial year 2006 is 69 K€.

20.3.1.5.5.9.2 Authorizations of capital increase

The combined shareholders' meeting held on June 23, 2005 authorized the Board of Directors to issue shares, share warrants, and more generally any investment securities giving entitlement, immediately and/or later, to shares in the company, for a maximum par value of 10 000 K€, in one or several operations, in the proportions and at the times judged appropriate by the Board, both in France and abroad. This issue is authorized with continuation or withdrawal of the pre-emptive subscription right, for a period of 26 months as from the meeting of June 23, 2005. This authorization was used in order to perform the increase in capital in August 2006 of a par value of 2 857 380 euros.

The extraordinary shareholders' meeting held on March 13, 2006 authorized the Board of Directors to increase the capital by issuing investment securities giving entitlement to the share capital in the form of equity convertible bonds, with withdrawal of the shareholders' pre-emptive subscription right, without public issue, for a maximum amount of 10 000 K€ for the bonds and 5 000 K€ for the shares resulting from the conversion. This authorization expires on September 12, 2007 and was not used during financial year 2006.

20.3.1.5.5.10 Provisions for contingencies and charges

	As of 12/31/05	Exch. rate diff. and adjustments	As of 12/31/04 at 12/31/05	Incr.	Recov.(prov. used)	Recov. (rever-sal)	Entry into scope and other movements	As of 12/31/05
Long-term provisions								
Provisions for staff benefits	242		242	36		16		262
Miscellaneous provisions	17	(2)	15					15
Current Provisions								
Staff disputes	21		21		21			0
Total	**280**	**(2)**	**278**	**36**	**21**	**16**		**277**
Incr. / recov. of operating provisions				36	21	16		
Incr. / recov. of financial provisions								

The distinction between current and long-term provisions depends on the forecast date of the group's obligation with regard to the third party concerned, which is in the twelve months following the end of the financial year for the current provisions.

20.3.1.5.5.11 Statement of liabilities

	Balance at 12/31/2006	Less than 1 year	Between 1 and 5 years	More than 5 years	
Financial liabilities of more than one year					
Bank borrowings and loans	1 307		915	392	a
Other borrowings and loans	337		337		b
Financial liabilities of less than one year					
Bank borrowings and loans	302	302			c
Other borrowings and loans	3 443	3 443			d
Trade and related accounts payable					
Advances and deposits received on orders	90	90			
Amounts due suppliers	5 324	5 324			
Staff-related items	1 212	1 212			
Value added tax owed to government	18	18			
Other taxes	131	131			
Miscellaneous payables	116	116			
Amounts due suppliers of fixed assets	141	141			
Total	**12 421**	**10 777**	**1 252**	**392**	

(a) 6 372 KMAD (572 KEUR) at fixed rate of 8 % over 6 years and 8 187 KMAD (735 KEUR) at fixed rate of 8.75 % over 11 years (Egima loans)
(b) of which 310 KEUR at a variable rate based on Euribor 3 months (real estate lease agreement of Egide SA)
((c) of which 2 455 KMAD (220 KEUR) at fixed rate of 8 % over 6 years and 748 KMAD (67 KEUR) at fixed rate of 8.75 % over 11 years (Egima loans)
(d) of which 81 KEUR at a variable rate based on Euribor 3 months (real estate lease agreement of Egide SA), 2 845 KEUR at a variable rate based on Euribor 3 months (factoring agreements of Egide SA) and 667 KUSD (506 KEUR) at a variable fixed rate depending on the American basic rate (revolving line of credit Egide USA Inc.)

On December 31, 2006, the amount of invoices not received, included in the Amounts due supplier line's, was 996 K€, and the amount of charges to pay, included in the Staff-related items, was 731 K€.

20.3.1.5.5.12 Increases and decreases in future tax liabilities

Reconciliation between theoretical tax and recorded tax:

	12/31/06
Net profit (loss) of consolidated companies	(5 169)
Theoretical tax income at the rate applicable on December 31, 2006 Impact of losses available for carry forward Research Tax Credit for Egide SA Actual current tax received by Egide USA Inc.	1 723 (1 723) 60 45
Tax income recorded	**105**

The unrealized tax situation on December 31, 2006 is mainly made up of tax loss carry-forwards of an amount of 33 182 K€ for Egide SA, that may be carried forward indefinitely.

For prudence reasons, the deferred tax corresponding to the tax loss carry-forwards of Egide SA and Egide USA Inc. has not been recognized in the assets given the probability of recovery in a near future.

20.3.1.5.5.13 Information by sector

20.3.1.5.5.13.1 Primary sector

The first level of information by sector, chosen by the group, is the geographical breakdown corresponding to the localization of the assets. The companies Egide SA and Egima have been grouped together because Egima is a sub-contractor for Egide SA which is its only client.

	At 12/31/2006				At 12/31/2005			
	Egide SA & Egima	Egide USA Inc	Egide UK	Total	Egide SA & Egima	Egide USA Inc	Egide UK	Total
Turnover	14 139	9 408	1 833	25 380	13 354	7 081	1 265	21 700
Operating profit (loss)	(3 953)	(567)	(296)	(4 816)	(6 490)	(1 049)	(635)	(8 174)
Net fixed assets	4 419	1 558	149	6 126	4 917	2 213	184	7 315
Investment expenses of FY	444	75	24	543	371	89	6	466
Depreciation of fixed assets / IAS 36	2 871	386	15	3 272	2 871	386	15	3 272
Borrowings and loans of more than one year	1 617	27	0	1 644	2 012	41		2 052
Borrowings and loans of less than one year	3 228	517	0	3 745	367	15	5	387

20.3.1.5.5.13.2 Secondary sector

As the production assets (apart from the ceramic manufacturing equipment at Egide SA) are common to all the products, whatever their technology (glass-metal and ceramic) or application sector (defense-aerospace, telecommunications and industry), it is impossible to break down the operating profit (loss) and assets by activity sector, and therefore to provide this information. The information on the secondary sector is limited to the turnover broken down by application sector of the products sold.

	12/31/2006	12/31/2005
Defense-aerospace	10 120	8 669
Industrial	9 110	6 621
Telecommunications	6 150	6 410
Total	**25 380**	**21 700**

20.3.1.5.5.14 Financial income (expense)

The cash income mainly includes the result of disposals of marketable securities made by Egide SA. The cost of the gross financial indebtedness represents the interest costs on the loans shown in the balance sheet.

The detail of the other financial income and expenses:

	12/31/2006	12/31/2005
Gain (loss) on foreign currency transactions	(150)	149
Gain on disposals of treasury shares of Egide SA	0	135
Actualization of the carry back receivable of Egide SA	60	55
Miscellaneous income and expenses	(9)	18
Unrealized capital gains or losses on the marketable securities of Egide SA	3	(29)
Total	**(96)**	**328**

20.3.1.5.5.15 Transactions with affiliated parties

The Chairman of the Board of Directors received a gross compensation of 139 K€ in 2006. No compensation was paid to the directors of Egide USA LLC, Egide USA Inc. and Egima.

10 K€ of directors' fees were paid to the other members of the Board of Directors (gross amount) for financial year 2006.

20.3.1.5.5.16 Off-balance sheet commitments

The off-balance sheet commitments are summarized in the following table:

	12/31/2006	12/31/2005
Commitments given		
Security deposits	888	1 117
Guarantees given	802	879
Other commitments given	1 712	325
Total	**3 402**	**2 321**

Commitments given:

In favor of affiliated companies:

• Egide SA has pledged mutual funds:

- to Crédit Lyonnais until February 12, 2010, for an amount of 1 420 K€, to guarantee the medium-term loan granted to Egima; the amount of this pledge is reduced each quarter as the remaining principle of the loan is repaid. This operation enables to release a pledged mutual fund when the reduction of the pledge is at least equal to the unitary value of a mutual fund. On December 31, 2006, the balance of the pledge is 828 K€ for a remaining balance of 793 K€ to be repaid. The installments related to the balance of this loan are 220 K€ for less than one year and 573 K€ between one and five years;

- to Crédit du Nord, for an amount of 57 K€, in order to guarantee the bank guarantee in the scope of the disposals of temporary admissions granted to Egima. The guarantee is valid until the bond is redeemed. The updated value of the pledged mutual fund on December 31, 2006 is 60 K€.

These cash equivalents have been allocated to the “Other long-term assets” item.

• Egide SA stood guarantor at first request in favor of Crédit du Maroc in order to guarantee a long-term loan granted by this bank to Egima, until full repayment of this loan on March 21, 2015, for an amount of 802 K€. The installments relating to this loan are 67 K€ for less than one year remaining, 343 K€ between one and five years, and 392 K€ for more than five years remaining.

In favor of various third parties:

• By decree dated May 17, 2005, the Prefecture in the Vaucluse administrative department authorized the company Egide SA to operate the Bollène site, on the condition that the company have certain compliance work carried out. In an aim to completely remove all discharges into the environment, Egide chose to have the galvanoplasty waste removed by a specialist company, the latter being in charge of its treatment and destruction. In 2004, the company acquired an adjacent plot of land, for around 30 K€, and obtained a building permit for the installation of a storage station. This waste storage station is intended to be put into operation in January 2007. The amount of the work related to this building and recorded as tangible fixed assets in progress, is 212 K€.

• Egide SA has pledged and put security deposits on all of the intangible items covered by the property lease, relating to the premises and land in Trappes and the commitment to sell, to the company Lorbail.

• In relation to the implementation of the factoring system in April 2006, Egide SA took out a credit insurance policy in which it designates the factoring corporations as beneficiaries of the indemnities to receive in the case of default of the company's clients. The annual payout limit is 1 500 K€.

• The number of hours of training used in 2006 in relation to the Individual Right to Training is not significant bearing in mind the number of hours acquired by the employees of Egide SA.

Commitments received:

• No bank guarantee has been issued for Egide.

• The factoring corporation managing the export receivables limits the liabilities authorized per funded client to 250 K€. This limit was not reached on December 31, 2006.

20.3.1.5.5.17 Analysis of average workforce

	12/31/2006	12/31/2005
Managerial staff	56	45
Supervisors and technicians	40	37
Administrative staff	17	12
Production staff	262	233
Total	**375**	**327**

20.3.1.5.6 Post balance sheet events

The corporate income tax credit for the carry-back of Egide SA's tax losses was collected in April 2007 for an amount of 1 874 K€.

20.3.1.6 Presentation of the activity

20.3.1.6.1 Egide SA (France)' activity

The turnover amounted to 14.61 million euros in 2006 compared to 13.72 million euros in 2005, giving an increase of 6.5 %.

The defense and aerospace activity sector experienced a growth of 9 %, with a turnover of 4.79 million euros in 2006 compared to 4.38 million euros in 2005.

The turnover made in the telecommunications sector has decreased again, from 4.81 million euros in 2005 to 3.74 million euros in 2006, i.e. a fall of 22 % due to the lack of upturn of the sector.

The industrial markets generated a turnover of 5.61 million euros in 2006, in particular due to the products for the civil aviation sector and those for the civil infrared applications. This represents a further increase of more than 34 % in relation to the previous financial year, for which the industrial market represented 4.16 million euros of turnover. This market has thus become the most important activity of the company in France.

Inter-company invoicing has slightly increased from one year to the next, from 0.37 million euros in 2005 to 0.47 million euros in 2006.

The glass-metal technology, with 7.32 million sales, represents 50 % of the turnover in 2006 compared to 59 % in 2005. This decline is due to the sales made in the industrial sector, in which the infrared applications are tending towards ceramic products. Thus, the ceramic technology progressed by more than 28 % with a turnover of 6.76 million euros in 2006 compared to 5.26 million euros in 2005.

The company did not invoice any significant amount for financed research during financial years 2005 and 2006.

Egide SA still remains an export company with 53 % of its turnover in 2006 (outside of the group) made outside France (against 59 % in 2005). Europe represents 13 % and North America 26 % of the turnover (outside of the group) of the financial year. It should be noted that the portion of the turnover made outside of these countries amounts to 14 % in 2006 due in particular to telecommunications sales in Asia.

20.3.1.6.2 Egide USA's activity

Egide USA realized a turnover of 9.45 million euros in 2006, of which 0.05 million euros of inter-company invoices, compared to 7.17 million euros in 2005. This represents an increase of 33 % from one financial year to the next (turnover outside of the group).

The defense and aerospace activity represented 56 % of the 2006 turnover, compared to 61 % in 2005, with 5.26 and 4.29 million euros, respectively. The industrial sector experienced a growth with a turnover of 2.45 million euros in 2006 compared to 2.02 million euros in 2005, thus representing 26 % of the turnover in 2006 compared to 28 % in 2005. The telecommunications sector represented 18 % of the turnover of the financial year (compared to 11 % in 2005), an increase due to several orders from European and American clients.

The products sold only concern the glass-metal technology. The North American market still represents the main outlet of the American subsidiary, where 80 % of its 2006 turnover is made. The majority of the remaining 20 % represents the telecommunications part in Europe and Asia.

20.3.1.6.3 Egima's activity

It is reminded that Egima's only client is Egide SA, which sub-contracts to Egima the manufacture of a part of its orders. Egima does not purchase either the components or the gold, which are supplied by Egide SA. The Moroccan subsidiary therefore does not realize any turnover, other than its inter-company turnover (around 0.62 million euros for financial year 2006 compared to 0.68 in 2005).

The main markets are the industrial applications in glass-metal in the aeronautic sector (approximately 60 %) and telecommunications products in glass-metal and ceramic-metal (40 %).

20.3.1.6.4 Egide UK's activity

This subsidiary's activity consists in the manufacture and sale of metal and plastic molded components. In financial year 2006, the subsidiary generated a turnover of 1.91 million euros, of which 0.08 million euros were made with the group. The strong increase of 45 % of the turnover made outside of the group in relation to financial year 2005, which gave a turnover of 1.27 million euros, is mainly a result of the successful diversification measures towards industrial markets and in particular medical applications.

This turnover was made in the telecommunications sector (38 %) and the industrial sector (62 %). The plastic technology represented 29 % of the turnover, and the remaining 71 % concerned the metal molding. 64 % of the turnover is made in Europe and 36 % in North America.

20.3.2 Annual financial statements and other corporate items

20.3.2.1 Balance sheet

ASSETS in euros	Gross values at 12/31/2006	Amort. and depreciations	Net values at 12/31/2006	Net values at 12/31/2005
Intangible assets	**495 668**	**490 216**	**5 453**	**6 920**
Set-up fees				
Research & development costs				
Concessions, patents, licenses	343 219	337 767	5 453	6 920
Purchased goodwill	152 449	152 449	0	0
Other intangible assets				
Tangible fixed assets	**13 243 595**	**10 987 236**	**2 256 359**	**2 749 661**
Land	160 680	24 930	135 750	138 183
Buildings	456 782	256 649	200 132	223 492
Technical facilities, industrial tools & equipment	10 474 112	9 085 901	1 388 210	1 988 778
Other tangible fixed assets	1 580 573	1 323 051	257 522	298 151
Tangible fixed assets in progress	571 448	296 704	274 744	77 057
Advances and deposits				24 000
Long-term investments	**82 595 502**	**79 449 873**	**3 145 629**	**3 687 780**
Equity holdings	75 103 856	73 002 914	2 100 942	2 926 913
Claims connected to equity holdings	7 488 837	6 446 959	1 041 878	759 559
Other long-term investments	2 808		2 808	1 308
FIXED ASSETS	**96 334 765**	**90 927 324**	**5 407 440**	**6 444 361**
Inventories and work in progress	**8 898 021**	**5 095 306**	**3 802 715**	**3 133 465**
Raw materials and supplies	6 761 746	4 160 652	2 601 094	2 257 463
Goods in progress	882 207	3 103	879 104	556 967
Services in progress				
Semi-finished and finished goods	1 190 736	875 626	315 110	311 611
Goods held for resale	63 332	55 925	7 407	7 424
Accounts receivable	**1 071 088**	**138 080**	**933 008**	**3 856 381**
Advances and deposits paid on orders	43 296		43 296	52 922
Trade and related accounts receivable	1 027 792	138 080	889 712	3 803 459
Unpaid capital				
Other accounts receivable	**3 786 907**		**3 786 907**	**2 244 817**
Cash at bank and in hand	**4 458 908**	**14 058**	**4 444 850**	**2 148 941**
Marketable securities	4 104 576	14 058	4 090 518	1 749 464
Cash at bank and in hand	354 332		354 332	399 477
Prepaid expenses	**213 097**		**213 097**	**53 542**
CURRENT ASSETS	**18 428 021**	**5 247 444**	**13 180 577**	**11 437 146**
Deferred charges				
Unrealized foreign currency transaction gains	129 628		129 628	89 593
TOTAL ASSETS	**114 892 414**	**96 174 768**	**18 717 646**	**17 971 100**

LIABILITIES in euros	Values at 12/31/2006	Values at 12/31/2005
Net situation	**13 114 122**	**13 515 642**
Share capital	12 858 310	9 982 560
Share premiums, merger premiums	4 183 232	10 053 029
Revaluation gain (loss)		
Legal reserve	402 348	402 348
Statutory and contractual reserves		
Regulated reserves		
Other reserves		
Retained earnings	586 461	586 461
Current year net profit (loss)	(4 916 228)	(7 508 756)
Investment subsidies		
Regulated provisions		
SHAREHOLDERS' EQUITY	**13 114 122**	**13 515 642**
Government loans	63 900	63 900
OTHER EQUITY	**63 900**	**63 900**
Provisions for contingencies	129 628	110 633
Provisions for charges	261 616	299 068
OTHER EQUITY	**391 244**	**409 701**
Borrowings and loans		
Bank borrowings and loans		
Other borrowings and loans		
Advances and deposits received on orders in progress	**38 393**	
Other accounts payable	**5 105 903**	**3 970 700**
Trade and related accounts payable	3 731 239	2 539 563
Social security and taxes payable	1 142 190	999 394
Amounts due suppliers of fixed assets	141 135	154 664
Other liabilities	91 338	277 079
Deferred income	**0**	**0**
TOTAL LIABILITIES	**5 144 296**	**3 970 700**
Unrealized foreign currency transaction losses	4 084	11 157
TOTAL LIABILITIES AND EQUITY	**18 717 646**	**17 971 100**

20.3.2.2 Income statement

	France	Export	12/31/2006	12/31/2005
Sales of goods purchased for resale	4 571	158 925	163 496	129 344
Sales of goods produced	6 448 565	7 355 147	13 803 712	12 939 266
Sales of services	109 064	534 331	643 395	653 931
NET TURNOVER	**6 562 200**	**8 048 403**	**14 610 603**	**13 722 541**
Increase in inventories of finished goods and work in progress			(187 837)	(277 431)
Subsidies			8 463	
Reversals of provisions and inter-period allocations			1 409 280	485 096
Other income			2 865	1 274
Operating income			**15 843 374**	**13 931 479**
Purchases of goods for resale			51 475	23 533
Net change in inventories of goods held for resale			1 408	19 876
Purchases of raw materials and supplies			6 292 706	5 486 399
Net change in inventories of raw materials and supplies			26 334	111 186
Other purchases and external charges			3 954 661	3 420 818
Taxes			382 748	345 005
Salary and wages			4 942 017	4 530 775
Social security and other payroll taxes			1 728 995	1 790 983
Increases in amortizations and depreciations of fixed assets			810 172	2 245 592
Increases in depreciations of current assets			296 915	668 264
Increases in provisions for contingencies and charges			35 706	68 925
Other operating expenses			14 182	78 876
Operating expenses			**18 537 320**	**18 790 232**
OPERATING PROFIT (LOSS)			**(2 693 946)**	**(4 858 753)**
Interest and other income			285 521	256 825
Recoveries of prov. & inter-period alloc.			147 126	170 818
Foreign currency transaction gains			24 396	39 868
Net gains on disposals of marketable securities			58 783	49 843
Financial income			**515 825**	**517 354**
Depreciation, amortization and provisions			2 634 259	3 279 666
Interest and other expenses			94 536	1 077
Foreign currency transaction losses			68 141	13 218
Net losses on disposals of marketable securities			0	29 605
Financial expenses			**2 796 936**	**3 323 566**
NET FINANCIAL INCOME (EXPENSE)			**(2 281 111)**	**(2 806 212)**
RECURRING PRE-TAX PROFIT (LOSS)			**(4 975 057)**	**(7 664 965)**
Nonrecurring income on revenue transac.			0	19 912
Nonrecurring income on capital transac.			42 985	50
Other capital transactions			0	134 817
Recoveries of prov. and inter-period alloc			358 421	0
Nonrecurring income			**401 406**	**154 779**
Nonrecurring expenses on revenue transaction			0	19 500
Nonrecurring expenses on capital transac.			27 055	0
Depreciation, amortization & provisions			375 893	0
Nonrecurring expenses			**402 949**	**19 500**
NET NONRECURRING INCOME (EXPENSES)			**(1 543)**	**135 279**
Corporate income tax			(60 372)	(20 930)
TOTAL INCOME			**16 760 605**	**14 603 612**
TOTAL EXPENSES			**21 676 832**	**22 112 368**
NET PROFIT OR LOSS			**(4 916 228)**	**(7 508 756)**

20.3.2.3 Cash flow statement

Amounts in euros	12/31/2006	12/31/2005
Net profit (loss)	(4 916 228)	(7 508 756)
Elimination of non-cash and non-operating items		
- amortization, depreciation and provisions (excl. depreciation on current assets)	3 299 760	5 442 750
- gains or losses on disposals of fixed assets	(15 930)	(134 867)
- deferred charges		
Change in working capital requirement (net values)		
- inventories and work in progress	(669 250)	383 455
- trade accounts receivable	2 913 747	(439 386)
- other accounts receivable and prepaid expenses	(1 732 053)	369 700
- trade accounts payable	1 191 676	(798 614)
- other liabilities and deferred income	(11 626)	325 171
TOTAL SOURCES	**60 097**	**(2 360 547)**
Acquisitions of fixed assets		
- intangible and tangible fixed assets	(373 459)	(293 546)
- long-term investments	(1 948 422)	(1 537 914)
Disposals of fixed assets		
- intangible and tangible fixed assets	42 985	50
- long-term investments		134 817
TOTAL USES	**(2 278 896)**	**(1 696 593)**
Capital increases in cash	4 514 708	73 932
Increase of other equity		
Increase in borrowings and loans		
Dividend distribution		
Decrease in shareholders' equity		
Repayment of borrowings		
CHANGE IN WORKING CAPITAL REQUIREMENT	**4 514 708**	**73 932**
Change in bank balance and cash in hand	(2 295 909)	(3 983 208)
Change in bank overdrafts		
INCREASES (DECREASES) IN CASH BALANCES	**(2 295 909)**	**(3 983 208)**
Opening cash balances	**2 148 941**	**6 132 147**
- Including pledged marketable securities	1 051 475	1 477 487
- including available marketable securities	697 989	4 052 895
- including cash	399 477	601 765
Closing cash balances	**4 444 850**	**2 148 941**
- including pledged marketable securities	814 801	1 051 475
- including available marketable securities	3 275 716	697 989
- including cash	354 332	399 477
CHANGES IN CASH FLOW	**(2 295 909)**	**(3 983 208)**

20.3.2.4 Accounting methods and explanatory notes to the annual financial statements

20.3.2.4.1 General remarks

These notes are an integral part of the annual financial statements closed on December 31, 2006, of which the balance sheet is 18 717 646 euros and the annual profit and loss account, presented in the form of a list, shows a loss of 4 916 228 euros.

The financial year lasted for 12 months, covering the period from January 1, 2006 until December 31, 2006.

All of the information presented hereafter is in euros or thousands of euros (K€), unless otherwise indicated.

20.3.2.4.2 Significant events of the financial year

The measures for reinforcing the equity capital, which began at the start of 2006, were materialized in August, with an increase in capital with continuation of the pre-emptive subscription right. An issue of approximately 286 000 new shares thus enabled to raise a gross amount of 5 million euros. Share subscription warrants were attached to these new shares, that may be exercised until August 2009; at a rate of 4 warrants for 1 share, these warrants shall give the company the possibility to receive a maximum amount of 2.14 million euros if all of the share subscription warrants are exercised. This operation has been largely over-subscribed and almost completely placed by exercise of the pre-emptive rights. It is reminded that this issue aimed at financing the working capital requirements of the company while waiting for the revival of the telecommunications market, at continuing the diversification strategy, at continuing the development of new products, at maintaining the current production capacities and entering new markets or new applications.

20.3.2.4.3 Accounting principles and methods

20.3.2.4.3.1 Fundamental principles

The annual accounts closed on December 31, 2006 were prepared and presented in compliance with the accounting rules, respecting the principles of prudence, reliability, regularity and honesty, comparability, and constancy of the accounting methods from one financial year to the next, of independence between the financial years and of continuity of operations.

The items booked in the accounts are assessed by referring to the so-called “historical cost” method, which consists of recognizing them at their face value in the domestic currency at the time of the transaction.

The general rules for preparing and presenting the annual financial statements are applied in accordance with articles L 123-12 to L 123-28 of the French Commercial Code, the decree of November 29, 1983 and the 2005 French General Accounting Standards (CRC no.99-03 of April 29, 1999 modified).

20.3.2.4.3.2 Intangible assets

The intangible assets are assessed at their acquisition price on the date of entry in the asset base of the company, plus the set-up fees required to put them into working order. The transfer taxes, commissions and fees related to the acquisition of intangible assets are recorded as charges in the financial year, on the option taken in accordance with CRC regulation 2004-06.

Taking into account the “per job” character of the products marketed by Egide, the research and development expenses mainly concern projects developed in partnership with its clients. These costs are then integrated in the costs of the prototypes invoiced to the clients. Consequently, no research & development costs are capitalized in the assets of the balance sheet.

Depreciable intangible assets are amortized on a straight-line basis over the expected useful life of the assets. The amortizations are calculated according to the following rates:

	Straight-line
Rights representing purchased know-how (licenses)	10 to 20 %
Software	20 to 33.33 %
Patents	8.33 %

The amortization basis does not take into account any residual values at the end of the useful life of these assets, as no significant residual value has been identified for the fixed assets of the company. The amortization method, the residual values and the useful lives are reviewed at least at the end of each financial year, and may alter the initial amortization plan, prospectively.

A depreciation test is carried out whenever there is an internal or external indicator of loss in value. Depreciation is then recorded if the recoverable value of the asset in question is lower than its net book value. This depreciation is deducted from the amortizable accounting basis over the remaining useful life. The depreciation test is explained in paragraph 20.3.2.4.3.4.

20.3.2.4.3.3 Tangible fixed assets

The gross value of the fixed assets corresponds to their acquisition cost on the date of entry in the asset base of the company, plus the necessary set-up fees for putting these goods in working order. The transfer taxes, commissions and fees related to the acquisition of tangible fixed assets are booked as charges on the financial year, on the option taken in accordance with CRC regulation 2004-06.

An expense is booked in the assets if it is likely that the future economic benefits related to it will go to the company, and that its costs can be reliably assessed. Other expenses are booked as charges if they do not correspond to this definition.

The fixed assets in progress correspond to fixed assets that have not yet been used at the end of the financial year.

When significant components with varying useful lives are identified in a tangible fixed asset, these components are recorded separately and amortized over their own useful life. The expenses related to replacing or renewing a component of a tangible fixed asset are recorded separately, and the replaced asset is withdrawn. The assets that can be significantly factorized are the ceramic furnaces; the replacement of the thermal component (around 20 % of the total value of the furnace) takes place every 4 years, whereas the total useful life of these furnaces is 10 years.

Depreciable fixed assets are amortized on a straight-line basis according to the expected useful life. The amortizations are calculated in accordance with the following rates:

	Straight-line
Buildings	4 %
General facilities, fittings and fixtures of the buildings	10 %
Furnaces (structure, excluding identified components)	10 %
Thermal devices of the ceramic furnaces (identified components)	25 %
Ceramic-producing equipment (screen-printing, via hole filling …)	12.50 %
Ceramic-producing facilities (white room, pouring bench …)	10 %
Equipment for machining the graphite (digitally-controlled machining centers)	10 %
Other technical facilities, equipment and industrial tools	12.50 to 33.33%
Office equipment and furniture, other fittings and facilities	10 to 33.33 %

The amortization basis does not take into account any residual value at the end of the useful life of these assets, as no significant residual value has been identified for the fixed assets of the company. The amortization method, the residual values and the useful lives are reviewed at least at the end of each financial year, and may alter the initial amortization plan, prospectively.

A depreciation test is carried out whenever there is an internal or external indicator of loss in value. Depreciation is then recorded if the recoverable value of the asset in question is lower than its net book value. This depreciation is deducted from the amortizable accounting basis over the remaining useful life. The depreciation test is explained in paragraph 20.3.2.4.3.4.

20.3.2.4.3.4 Depreciation test

Prior to the depreciation test, cash-generating units (CGU) are identified. A CGU is made up of a homogenous series of assets whose use generates cash entries which are specific to this CGU. It has been decided that only one CGU will cover the assets of Egide SA and its Moroccan subsidiary Egima, as the latter is only an internal sub-contractor for the assembly, chemical treatment and testing of the products sold by its parent company, Egide SA, which is its only client.

Egide assesses the value of the future discounted cash flows that each CGU will generate. The value in use corresponding to the result of the discounted cash flow is compared to the net book value of the intangible and tangible fixed assets of the corresponding CGU. If this value in use is lower than the net book value, depreciation is recorded. Increases and recoveries regarding the depreciation of the fixed assets are shown in the operating result of the profit and loss statement of the company.

In accordance with the CNC (French National Accounting Board) notice no. 06-12 of October 24, 2006, in order to enable the tax deductibility of the depreciation further to a depreciation test, it is transferred to the amortization account for the amount of the amortization finally acquired at the end of each financial year. The amount of the transfer is also equal to the difference between the amount of the increases in amortizations calculated on the new amortizable basis (less the depreciation) and the amount of the increases in amortizations that would have been recorded if there had not been any depreciation. This recovery is spread over the remaining useful life of the asset.

20.3.2.4.3.5 Tools

Tooling expenses invoiced by suppliers on tools that are not owned by Egide, are recorded as charges in the financial year.

The tools belonging to Egide are recorded in “Technical facilities” and are amortized over an expected useful life of 3 years.

20.3.2.4.3.6 Long-term investments

The gross value of the equity shares corresponds to their acquisition cost on the date of entry in the asset base of the company. They are, if appropriate, depreciated to take into account their value in use for the company. This value is assessed at the end of each financial year and any resulting depreciation is revised.

The transfer taxes, commissions and fees related to the acquisition of long-term investments are booked as charges for the financial year, by using the option taken in accordance with the CRC regulation 2004-06.

20.3.2.4.3.7 Inventories and work in progress

The inventories of raw materials, supplies and goods for resale are recorded at their purchase price (plus transport costs), according to the weighted average cost method. The work in progress, semi-finished and finished products are assessed at their production cost, including all of the direct and indirect manufacturing costs linked to references acknowledged to be proper at the end of manufacture; the costs of manufacturing scrap are recorded directly in the charges for the financial year. When the cost price is higher than the sale price, less the costs for marketing the products, a provision is recorded for the difference.

The raw materials, semi-finished and finished products give rise to provisions calculated on the basis of their age and the prospects for their use or sale. These provisions are recorded from the first year up to 5 %, 50 to 100 % the second year and 100 % the third year, on the basis of the background of the depreciation observed. It is specified that the inventory of raw materials includes both components and raw materials. The latter, by nature, are subject to different depreciation rates, depending on the possibility of disposing of them by transformation into components or by resale on an existing market.

20.3.2.4.3.8 Foreign currency transactions and statements

Purchases and sales in foreign currencies are recorded in the profit and loss account at the rate applicable on the date of the transaction. At the end of the period, the liabilities and accounts receivable in foreign currencies are assessed at the closing rate by using the foreign currency transaction adjustment statements. Any resulting unrealized net losses (negative exchange rate) give rise to a provision. Any unrealized gains are not recorded in the profit and loss account.

The bank and cash accounts in foreign currency are also assessed at the closing rate, but the resulting foreign currency difference is recorded directly in the financial income (expense) under the line “foreign currency transactions”.

20.3.2.4.3.9 Liabilities and accounts receivable

The liabilities and accounts receivable are recorded at their face value, with the exception of the provision for retirement entitlements and similar benefits which correspond to the actual value of the future liability.

Any accounts receivable with a risk of non-collection, are subject to provisions for impairment for the estimated value of the risk.

20.3.2.4.3.10 Factoring

The client account is settled on the transfer of the factor's receivable formalized by the subrogation bill. The debt that is thus created in relation to the factoring corporation is thus cancelled on the funding of the bill, less the holdback, expenses and commission owed.

20.3.2.4.3.11 Marketable securities

The marketable securities are booked at the purchase cost. If appropriate, a provision is recorded if their market value is lower than their accounting value at the end of the financial year.

Any capital gains or losses made during the financial year are calculated on the basis of the "first in - first out" (F.I.F.O.) method.

20.3.2.4.3.12 Investment subsidies

The investment subsidies received are transferred to the non-recurring income in the year in which they are obtained, without being amortized over the period for which they are granted.

20.3.2.4.3.13 Government loans

The loans received from the government that are repayable in one or several installments in accordance with the conditions set out by agreement, are booked as other equity.

20.3.2.4.3.14 Provisions for retirement entitlements and similar benefits

A provision is booked for retirement entitlements, seniority benefits and long-service medals, in accordance with recommendation no. 2003-R.01 of the Conseil National de la Comptabilité (National Accounting Board). The commitments for retirement entitlements and seniority benefits are the result of the collective and company agreements applicable to each establishment and are calculated on the basis of the method of distributing rights in proportion to the length of service. The commitments relating to the long-service medals are calculated on the basis of the legal provisions in force. The main assumptions used are the following:

- Retirement age: 65,
- Average annual rate of wage increase: 3 %,
- Life expectancy based on the 1999 – 2001 INSEE mortality rate table,
- Likelihood of presence is assessed by using in-house statistics for each establishment,
- Long-term discounting rate: 3.73 % (10 year OAT government rate),
- The provision is calculated excluding employer contributions, as generally speaking, such obligations are not liable to social contributions.

The impact of the recurring updating and the normal variations of the calculation variables of the provision (seniority, staff changes, discounting rate, etc. …) are recorded in full in the profit and loss account.

20.3.2.4.3.15 Provisions

Recording provisions for contingencies and charges takes place at the end of the financial year, when there is an obligation towards third parties, and when it is possible or certain, when closing the accounts, that such obligation will lead to an exit of resources in favor of the third party, without any equivalent counterpart expected from the latter after closure of the accounts.

20.3.2.4.3.16 Recognition of turnover

The products are dispatched ex-works. The turnover is recognized at the time of the transfer of risks, either when dispatching the products, or when making them available at the factory.

20.3.2.4.4 Additional information on the balance sheet and the profit and loss statement

20.3.2.4.4.1 Share capital

Further to exercising stock options during financial year 2006, the share capital increased by 1 828 shares of a par value of 10 euros, i.e. 18 280 euros.

Furthermore, the increase in capital carried out in August 2006 by the issue of new shares with attached subscription warrants with continuation of the pre-emptive subscription right enabled to create 285 738 new shares with a par value of 10 euros each, i.e. 2 857 380 euros. The expenses related to this increase in capital were offset against the share premium for an amount of 513 K€. Further to this operation, 36 subscription warrants were exercised leading, at the rate of one new share for 4 warrants, to the creation of 9 shares with a par value of 10 euros each, i.e. 90 euros.

The share capital therefore amounted to 12 858 310 euros on December 31, 2006, i.e. 1 285 831 shares with a par value of 10 euros each.

20.3.2.4.4.2 Share premium

The share premium is a result of the increases in capital made by the company in 1999, 2000, 2001 and 2006, of a partial capitalization of the share premium in the share capital for 837 131 euros prior to the conversion of the capital into euros in 2001 and of exercising share subscription options during financial years 2001, 2003 to 2006.

The increase in share premium linked to the increase in capital carried out in 2006 amounts to 2 143 035 euros, at a rate of 7.50 euros per share. The expenses related to this operation were deducted from the share premium for 513 324 euros.

The increase in share premium linked to exercising options amounts to 9 067 euros in financial year 2006.

20.3.2.4.4.3 Share subscription options

The shareholders' meeting of Egide SA, held on June 8, 2004, authorized the Board of Directors to grant options in favor of its directors and certain members of the salaried employees of the company or its subsidiaries owned directly or indirectly, entitling the beneficiaries to subscribe to shares to be issued for an increase in share capital, during a period to expire on August 8, 2007. The total number of shares granted and not yet exercised may only give right to subscribe to 5% of the shares making up the share capital. The options thus granted may not be exercised within two years as from the date on which they are able to be exercised, or sold within two years as from that date. In accordance with the tax rules in force, the four-year enforced holding period of these shares exempts Egide SA from paying social contributions when such stock options are exercised

Regarding the attribution of stock options to the staff members of the American subsidiary Egide USA Inc, the enforced holding period, for 50 % of the stock options, is brought down to one year, as from the date on which the options are able to be exercised.

During financial year 2006, the Board of Directors did not use this authorization.

1 828 options were exercised in 2006. 4 127 options were cancelled during the combined shareholders' meeting held on June 29, 2006, as the employee beneficiaries left the company in 2005 and at the start of 2006 or did not exercise their options before the expiry date.

The situation of the various plans is the following:

Plan number	Plan 1.2	Plan 3.1	Plan 3.2	Plan 3.3	Plan 4.1	Total
Options attributed and not exercised before adjustment	466	7 600	698	200	20 000	28 964
Subscription price before adjustment	81.68 €	46.86 €	15.54 €	40.04 €	30.88 €	
Options attributed and not exercised after adjustment	484	7 896	726	208	20 767	30 081
Subscription price after adjustment	78.66 €	45.13 €	14.97 €	38.56 €	29.74 €	

For information, the average value of the Egide SA share during financial year 2006 was 29.45 euros, and the closing rate on December 31, 2006 was 32.70 euros.

As the shareholders' meeting set the total number of options granted and not yet exercised at a maximum of 5 % of the shares making up the share capital, there is a remaining balance of 34 211 options to be attributed.

20.3.2.4.4.4 Authorization to increase the share capital

The combined shareholders' meeting held on June 23, 2005 authorized the Board of Directors to issue shares, subscription warrants and more generally any investment securities, once or in several operations, in the amounts and at the times deemed appropriate, both in France and abroad, giving access, immediately and/or later, to shares in the company, for a maximum par value of 10 000 K€. This issue is authorized by maintaining or withdrawing the pre-emptive subscription right, for a period of 26 months as from the shareholders' meeting of June 23, 2005.

This authorization was used in order to perform the increase in capital in August 2006 of a par value of 2 857 380 euros.

The extraordinary meeting held on March 13, 2006, authorized the Board of Directors to increase the capital by issuing investment securities giving entitlement to the share capital in the form of equity convertible bonds, with withdrawal of the shareholders' pre-emptive subscription right, without public issue, for a maximum amount of 10 000 K€ for the bonds and 5 000 K€ for the shares resulting from the conversion. This authorization expires on September 12, 2007 and was not used during financial year 2006.

20.3.2.4.4.5 Change in shareholders' equity

Euros	12/31/2006	12/31/2005
Net book profit (loss)	(4 916 228)	(7 508 756)
Per share	(3.82)	(7.52)
Change in shareholders' equity (excluding profit (loss) above)	4 514 708	73 932
Per share	3.51	0.07
Dividend proposed	-	-
Per share	-	-
Shareholders' equity at the end of the financial year prior to appropriation	21 024 398	29 458 918
Impact of change in accounting method on retained earnings	-	586 461
Appropriation of the profit (loss) of the previous FY by the shareholders' meeting	(7 508 756)	(9 094 913)
Shareholders' equity at the start of the financial year	13 515 642	20 950 466
Variances in share capital:		
- 12/31/2005: issue of 4 942 shares of par value of 10 euros		49 420
- 08/21/2006: issue of 285 738 shares of par value of 10 euros	2 857 380	
- 12/31/2006: issue of 1 828 shares of par value of 10 euros	18 280	
- 12/31/2006: issue of 9 shares of par value of 10 euros	90	
Variances in share premium:		
- 12/31/2005: issue of 4 942 shares with premium of 4.96 euros		24 512
- 08/21/2006: issue of 285 738 shares with premium of 7.50 euros	2 143 035	
- 08/21/2006: expenses linked to the issue of 285 738 shares	(513 324)	
- 12/31/2006: issue of 1 828 shares with premium of 4.96 euros	9 067	
- 12/31/2006: issue of 9 shares with premium of 20 euros	180	
Shareholders' equity in balance sheet at the end of the FY before the sharehol-ders' meeting, excluding profit (loss)	18 030 350	21 024 398
Total variance of shareholders' equity during the financial year	4 514 708	660 393

20.3.2.4.4.6 Government loans

In relation to the compliance measures required for the production site in Bollène, the company received an advance of 63 900 euros during financial year 2004 allocated by the Agence de l'eau (water agency). This advance is repayable in 10 annual installments of 6 390 euros each, as from September 16, 2007.

20.3.2.4.4.7 Provisions for contingencies and charges

The change in the provisions statements is analyzed as follows:

(euros)	12/31/2005	Increases	Recoveries	12/31/2006
Provisions for foreign currency losses	89 593	129 628	89 593	129 628
Provisions for retirement entitlements and similar benefits	241 536	35 706	15 626	261 616
Other provisions:				
- Staff-related disputes	21 040		21 040	0
- Negative net situation of Egima	57 532		57 532	0
Total	**409 701**	**165 335**	**183 791**	**391 244**
Operating increases and recoveries		35 706	36 666	
Financial increases and recoveries		129 628	147 125	
Exceptional increases and recoveries		0	0	

The staff-related disputes provision was recovered during financial year 2006 up to 3 K€ only, in accordance with the ruling of December 13, 2006 from the Court of Appeal in Nîmes.

20.3.2.4.4.8 Depreciation statement

Euros	12/31/2005	Increases	Recoveries	12/31/2006
Intangible assets	152 449			152 449
Tangible fixed assets	2 757 517		337 680	2 419 837
Long-term investments	76 959 300	2 490 573		79 449 873
Inventories and work in progress	5 980 135	263 558	1 148 387	5 095 306
Accounts receivable	328 950	33 357	224 227	138 080
Total	**86 178 351**	**2 787 488**	**1 710 294**	**87 255 545**

20.3.2.4.4.9 Concessions, patents, licenses

The change in the other intangible assets:

Euros	Gross value at 12/31/2005	Acquisitions, additions, transfers	Disposals, transfers, retirements	Gross value at 12/31/2006
Concessions, patents, licenses	341 525	1 694		343 219

The change in the amortizations is analyzed as follows:

Euros	Accumulated amortizations at 12/31/2005	Increases	Recoveries	Accumulated amortizations at 12/31/2006
Concessions, patents, licenses	334 605	3 162		337 767

The concessions, patents and licenses are not depreciated. Increases in amortization are recorded in the operating profit (loss).

20.3.2.4.4.10 Goodwill

Euros	12/31/2005	12/31/2006
Bollène goodwill Depreciation Net book value	152 449 (152 499) 0	152 449 (152 499) 0

This goodwill is the result of the acquisition in 1992 of the Bollène site, and in particular of the "ceramic packages" activity developed there. In accordance with the French law which grants legal protection ensuring its continued existence, this asset has not been amortized.

This goodwill was fully depreciated in 2002. Indeed, the ceramic technology that was the purpose of the acquisition of this goodwill in 1992 is largely related to the production of the packages used in the telecommunications sector. The lack of visibility in this sector has led to depreciating this value, for prudence reasons.

20.3.2.4.4.11 Tangible fixed assets

The change in the tangible fixed assets is analyzed as follows:

(euros)	Gross value at 12/31/2005	Acquisitions, additions, transfers	Disposals, transfers, retirements	Gross value at 12/31/2006
Land	160 680			160 680
Buildings	447 799	8 983		456 782
Technical facilities and industrial tools	10 491 523	162 188	179 600	10 474 112
Other tangible fixed assets	1 569 543	13 378	2 348	1 580 573
Tangible fixed assets in progress	373 761	204 187	6 500	571 448
Advances and deposits	24 000		24 000	0
Total	**13 067 306**	**388 736**	**212 448**	**13 243 595**

The decreases in fixed assets either correspond to disposals to third parties, or to scrapping of obsolete equipment that cannot be used or components that are replaced at the end of their useful life.

The change in amortization of the tangible fixed assets is analyzed as follows:

Euros	Accumulated amortization at 12/31/2005	Increases	Recoveries	Accumulated amortization at 12/31/2006
Land	22 497	2 433		24 930
Buildings	224 306	32 343		256 649
Technical facilities and industrial tools	6 751 597	1 076 649	155 814	7 672 432
Other tangible fixed assets	561 729	54 007	2 348	613 387
Total	**7 560 129**	**1 165 432**	**158 162**	**8 567 398**

Increases of the amortizations of tangible fixed assets are calculated on a straight-line basis and recorded in the operating profit (loss) for 810 K€ and in the non-recurring profit (loss) for 355 K€.

The transfer from depreciation to amortization in accordance with the CNC notice no. 06-12 of October 24, 2006 is 338 K€ in 2006. This operation is recorded in the non-recurring profit (loss).

The change in the depreciation of the tangible fixed assets is analyzed as follows:

(euros)	Accumulated depreciation at 12/31/2005	Increases	Recoveries	Accumulated depreciation at 12/31/2006
Technical facilities and industrial tools	1 751 149		337 680	1 413 469
Other tangible fixed assets	709 664			709 664
Tangible fixed assets in progress	296 704			296 704
Total	**2 757 517**	**0**	**337 680**	**2 419 837**

The closure of the Trappes production site gave rise to depreciations in 2001, recorded for an amount of 668 K€ for the industrial tools and 710 K€ for the fittings. Similarly, the tangible fixed assets in progress were depreciated for an amount of 297 K€.

The depreciation test performed on December 31, 2005 led the company to assess the value in use of the fixed assets on the basis of the development plans drawn up by the Management at the end of 2005, and the resulting activity and cash assumptions. On these bases, a depreciation of 1 083 K€ was deemed necessary. On December 31, 2006, no new depreciation test was performed in the absence of any new indicator of loss in value.

20.3.2.4.4.12 Long-term investments

Euros	Gross value at 12/31/2005	Variance	Gross value at 12/31/2006	Deprec. at 12/31/2005	Variance	Deprec. at 12/31/2006
Egima shares	1 444 198		1 444 198	1 444 198		1 444 198
Egide USA LLC equity holding	72 688 338		72 688 338	69 761 425	825 971	70 587 396
Egide UK Ltd shares	971 321		971 321	971 321		971 321
Claims linked to Egima holding	4 707 567	1 377 255	6 084 822	4 707 567	1 377 255	6 084 822
Claims linked to Egide UK Ltd holding	664 813	255 392	920 205	74 789	287 347	362 136
Claims linked to Egide USA Inc holding	169 535	314 275	483 810			
Deposit	1 308	1 500	2 808			
Total	**80 647 080**	**1 948 422**	**82 595 502**	**76 959 300**	**2 490 573**	**79 449 873**

The analysis of the value in use of the equity interests at the end of the financial year is based on a multi-criteria approach, taking into consideration both the subjective and objective criteria, and in particular the net situation, recent performances, financial prospects, relative weight in Egide's market capitalization on the basis of the turnover. The importance of these criteria may differ according to the financial year in question, in order to take certain specificities or contextual elements into consideration.

At the end of the financial year ended December 31, 2006, in the context of the markets of the group and the recent results of the various subsidiaries, the depreciation of these equity interests was calculated on the basis of the portion of the shareholders' equity held on December 31, 2006.

Similarly, the claims linked to holdings in Egima and Egide UK Ltd were depreciated so that the depreciations, completed for Egima by the depreciation of the trade accounts receivable, cover the negative net situations of these companies.

20.3.2.4.4.13 Inventories and work in progress

The change in inventories and work in progress is analyzed as follows:

Euros	Gross value at 12/31/2005	Gross value at 12/31/2006	Deprec. at 12/31/2005	Increases	Recoveries	Deprec. at 12/31/2006
Raw materials & supplies	6 788 080	6 761 746	4 530 617	145 779	515 744	4 160 652
Work in progress	557 896	882 207	929	18 573	16 399	3 103
Finished products	1 702 884	1 190 736	1 391 273	99 206	614 853	875 626
Goods for resale	64 740	63 332	57 316		1 391	55 925
Total	**9 113 600**	**8 898 021**	**5 980 135**	**263 558**	**1 148 387**	**5 095 306**

The scrapping of stocks of raw materials and finished goods previously depreciated led to the recovery of the related depreciations.

A depreciation rate of 75% was applied to the stock of kovar (raw material from which certain components used by Egide are manufactured), regardless of the year of origin of this stock. This rate was estimated by taking into account the expected disposal rate of this material and the resale value of this stock.

20.3.2.4.4.14 Trade accounts receivable

The changes in trade accounts receivable are shown below:

Euros	Gross value at 12/31/2005	Gross value at 12/31/2006	Provision at 12/31/2005	Increases	Recoveries	Provision at 12/31/2006
Trade accounts receivable	4 132 410	1 027 792	328 950	33 357	224 227	138 080

The company has recourse to factoring since April 2006. This concerns domestic and export receivables, up to approximately 95 % of the turnover made. The trade accounts receivable transferred to the factoring corporations but not yet settled amount to 4 198 K€ on December 31, 2006, which would bring the value of the trade accounts receivable to 5 226 K€ in the absence of any factoring.

20.3.2.4.4.15 Statement of accounts receivable and liabilities

Statement of accounts receivable (€)	Gross value	Less than 1 year	Between 1 and 5 years
Claims associated with equity holdings	7 488 837		7 488 837
Other long-term investments	2 808		2 808
Advances and deposits paid	43 926	43 926	
Doubtful or disputed accounts	104 723		104 723
Other trade accounts receivable	923 069	923 069	
Staff-related items	10 519	10 519	
Corporate income tax due from government	1 873 566	1 873 566	
Value added tax due from government	197 455	197 455	
Other amounts due from government	258 157	121 161	136 996
Factoring corporations	1 352 606	1 352 606	
Miscellaneous receivables	94 604	94 604	
Prepaid expenses	213 097	213 097	
Total	**12 562 737**	**4 829 373**	**7 733 364**

The account receivable related to the factoring corporations represents the unfinanced guarantee fund and the amounts deprived from financing further to a late settlement from the client or an excess in the guarantee granted by the credit insurance. The corporate income tax credit for the carry-back of losses of 1 874 K€ was recovered in April 2007.

Statement of liabilities (€)	Gross value	Less than 1 year	Between 1 and 5 years	More than 5 years
Trade, deposits received	38 393	38 393		
Suppliers and related accounts	3 731 239	3 731 239		
Staff-related items	467 592	467 592		
Social security and other payroll taxes	537 188	537 188		
Value added tax owed to government	5 720	5 720		
Other taxes owed to government	131 690	131 690		
Amounts due suppliers of fixed assets	141 135	141 135		
Other liabilities	91 338	91 338		
Total	**5 144 296**	**5 144 296**		

20.3.2.4.4.16 Marketable securities

These are made up of UCIT with a net book value of 4 104 576 euros. The UCIT are redeemed as operating needs arise. The net book value on December 31, 2006 of the mutual funds, i.e. 3 953 776 euros, shows an unrealized capital gain of 75 518 euros.

This item also includes Egide's share in the market maker contract for Egide shares for a book value of 150 800 euros. Under the terms of this contract, a counterparty account was opened in the books of the Crédit du Nord - Gilbert Dupont, the market maker for Egide SA. The balance of this account (shares and available cash) amounted to 136 742 euros at the end of the financial year. The final result is an unrealized capital loss of 14 058 euros for which a provision has been booked.

20.3.2.4.4.17 Prepaid expenses

(euros)	12/31/2006	12/31/2005
Purchases of miscellaneous raw materials and supplies	47 755	4 374
Rents	31 916	26 414
Insurance	105 111	9 671
Other prepaid expenses (Maintenance, ...)	28 315	13 083
Total	**213 097**	**53 542**

20.3.2.4.4.18 Accrued expenses

(euros)	12/31/2006	12/31/2005
Trade accounts payable - supplier invoices not received	843 680	692 007
Credit notes to customers to be issued	13 497	215 176
Staff-related items - accruals for paid holidays and related charges	570 355	450 473
Staff-related items - accruals for premiums payable and related charges	31 666	52 175
Staff-related items - social security indemnities	4 174	5 775
Staff-related items - welfare indemnities	4 041	
Other amounts payable to government	131 690	123 662
Expense reports payable	2 459	4 017
Professional fees payable	13 183	13 183
Directors' fees payable	10 000	10 000
Total	**1 624 745**	**1 566 468**

20.3.2.4.4.19 Accrued income

(euros)	12/31/2006	12/31/2005
Trade receivables - invoices not yet issued	0	178 641
Suppliers - credit notes to be received	47 940	19 865
Government-related income accruals	121 161	17 073
Other accrued income	41 070	41 924
Total	**210 171**	**257 503**

20.3.2.4.4.20 Affiliated companies and equity holdings

	EGIMA Casablanca - Morocco	EGIDE USA, LLC Wilmington DW - USA	EGIDE UK Ltd Woodbridge - GB
Capital	14 800 000 MAD	66 878 828 USD	657 064 GBP
Shareholders' equity other than capital (excluding current financial year net profit (loss))	(69 389 632 MAD)	(364 694 USD)	(708 317 GBP)
Share of capital held	100 %	100 %	100 %
Book value of securities held:			
- Gross	1 444 198 €	72 688 338 €	971 321 €
- Net	0 €	2 100 942 €	0 €
Outstanding loans and advances granted	6 084 822 €	N/A	920 205 €
Security deposits and guarantees given by the company	1 617 172 €	N/A	N/A
Net turnover of current financial year	6 802 344 MAD	N/A	1 304 457 GBP
Net profit (loss) of current financial year	(20 806 056 MAD)	(51 USD)	(191 922 GBP)
Dividends received by the company during the current financial year	N/A	N/A	N/A
Other information	Subsidiary from 11/01/2000. Start of activity in 2002.	Creation on 11/08/2000. Company incorporated to hold EGIDE USA Inc	Subsidiary incorporated on 04/04/2002.

Accounts receivable and liabilities with affiliated companies

(euros)	12/31/2006	12/31/2005
Claims associated with equity holdings	7 488 837	5 541 915
Trade and related accounts receivable	346 196	254 129
Trade and related accounts payable	111 469	84 697

20.3.2.4.4.21 Discounted trade accounts

(euros)	12/31/2006	12/31/2005
Trade accounts receivable - bills due	4 289	819 357
Trade accounts payable - bills owed	15 618	50 092

The majority of the trade accounts receivables regarding clients that usually pay by letters of exchange have been transferred to the factoring corporations since April 2006.

20.3.2.4.4.22 Foreign currency transaction adjustments

Item	Currency	Unrealized losses (euros)	Unrealized gains (euros)
Trade accounts payable	YEN	(4 003)	
Advances received	YEN	19 543	
Trade accounts payable	MAD	(45)	
Miscellaneous	MAD	107 021	
Trade accounts payable	CHF		472
Miscellaneous	GBP		3 612
Trade accounts payable	USD	(10 117)	
Trade accounts receivable	USD	4 793	
Miscellaneous	USD	12 436	
Total		**129 628**	**4 084**

A provision of 129 628 euros was recorded for unrealized foreign currency transaction losses.

20.3.2.4.4.23 Corporate income tax and tax loss carry-forwards

The amount of tax losses that may be carried forward at the end of financial year 2006 amounted to 33 182 132 euros.

The following net long-term capital losses may be carried forward:

Year of capital loss	Carry forward until	Amount (euros)
2001	12/31/2011	33 000 000
2002	12/31/2012	32 497 460
2003	12/31/2013	3 257 550
2004	12/31/2014	2 414 113
2005	12/31/2015	1 007 821
2006	12/31/2016	2 490 573
Total		**74 667 517**

The tax situation at the end of financial year 2001 led the company to record in its accounts a corporate tax gain of 1 873 566 euros representing the carry-back receivable referring to the taxable profits of 1999 and 2000. This receivable becomes payable on January 1, 2007.

The company obtained and recorded a research tax credit of 60 372 euros for financial year 2006

20.3.2.4.4.24 Increases and decreases in future tax liability at the normal tax rate

Increases (euros)	2006	2005
Provision for unrealized foreign transaction loss	129 628	89 593
Total	**129 628**	**89 593**
Tax rate	33.33%	33.33%
Increase in future tax liability	**43 205**	**29 861**

Decreases (euros)	2006	2005
Unrealized foreign transaction losses	129 628	89 593
Organic tax	23 399	22 003
Provision for impairment of receivables	0	70 371
Unrealized gain on UCIT	75 518	65 974
Retirement entitlements	29 820	168 709
Provision on tangible fixed assets	0	1 083 000
Losses carried forward	32 311 788	29 860 881
Total	**32 570 153**	**31 360 531**
Tax rate	33.33%	33.33%
Decrease in future tax liability	**10 855 632**	**10 452 465**

20.3.2.4.4.25 Analysis of turnover by business unit

2006 turnover comprised primarily deliveries of finished goods dispatched during the period.

Business unit (euros)	12/31/2006	12/31/2005
Glass - metal	7 364 912	8 046 759
Ceramic	6 760 381	5 263 117
Research	13 890	44 408
Group	471 419	368 257
Total	**14 610 603**	**13 722 541**

20.3.2.4.4.26 Analysis of turnover by geographical region

Geographical region (euros)	12/31/2006	12/31/2005
France	6 593 091	5 502 290
Rest of Europe	1 927 023	3 995 335
USA and Canada	3 686 601	2 831 851
Rest of world	1 932 469	1 024 808
Group	471 419	368 257
Total	**14 610 603**	**13 722 541**

20.3.2.4.4.27 Net financial income (expense)

(euros)	12/31/2006	12/31/2005
Net income on disposals of marketable securities	58 783	42 107
Net gain (loss) on foreign exchange transactions	(83 780)	88 488
Interest and other income	284 517	233 878
Provision for impairment of equity holdings and associated claims	(2 490 573)	(3 132 539)
Provision for impairment of negative net situation of Egima	57 532	(57 532)
Provision for impairment of marketable securities	(14 058)	19 387
Special funding commission - factoring	(93 532)	0
Total	**(2 281 111)**	**(2 806 211)**

The current accounts between Egide SA and its subsidiaries Egima, Egide USA LLC, Egide USA Inc and Egide UK Ltd, earn interest at the rate of 4 % per year. At the end of the financial year, the company Egide SA recorded 274 K€ in interest income on current accounts.

20.3.2.4.4.28 Non-recurring income (expenses)

(euros)	12/31/2006	12/31/2005
Amortization of fixed assets	(17 472)	0
Proceeds of asset disposals	15 930	50
Gain from disposals of treasury shares		134 817
Other non-recurring charges		412
Total	**(1 543)**	**135 279**

20.3.2.4.4.29 Compensation of directors

The Chairman of the Board of Directors received a gross compensation of 139 K€ in 2006. Directors' fees paid to the members of the Board amounted to 10 K€ in 2006.

20.3.2.4.4.30 Property lease

On October 25, 1999, the company Lorbail acquired, on behalf of Egide, the industrial building that houses the registered office and the factory at Trappes, that Egide has occupied since the company was formed in 1986. The term of the lease is 12 years, bearing interest at Euribor 3 months + 1.3 points.

Euros	12/31/2006
Asset value at signature of lease	969 271
Lease payments in 2006 (principal + interest)	98 965
Accumulated lease payments (principal + interest)	804 137
Remaining lease payments, net of VAT (principal)	390 400
- of which, in less than 1 year	80 773
Remaining interest payments (based on Euribor at 3.860 %)	50 931
- of which, in less than 1 year	18 370
Residual value, net of VAT	0,15
Depreciation expense that would have been recorded in 2006 if the assets had been acquired by Egide SA	31 118
Accumulated depreciation	223 026

20.3.2.4.4.31 Other commitments

Commitments given:

In favor of affiliated companies:

• The company has pledged mutual funds:

- to Crédit Lyonnais until February 12, 2010, for an amount of 1 420 040 euros to guarantee the medium-term loan granted to the Moroccan subsidiary Egima. The amount of this pledge is reduced each quarter as the principal of that loan is repaid. This operation enables to release a pledged mutual fund when the reduction of the pledge is at least equal to the unitary value of a mutual fund. On December 31, 2006, the balance of the pledge, updated on December 31, 2006, amounted to 828 133 euros for a remaining loan to be repaid of 792 633 euros,
- to Crédit du Nord, for an amount of 57 447 euros in order to guarantee the bank guarantee in the scope of the disposals of temporary admissions granted to the Moroccan subsidiary Egima. The guarantee is valid until the bond is redeemed. The updated value of the pledged mutual funds on December 31, 2006 amounted to 59 998 euros.

A total of 888 131 euros, i.e. 20 % of Egide's total marketable securities at December 31, 2006, is thus pledged.

• The company stood guarantor at first request in favor of Crédit du Maroc in order to guarantee the long-term loan granted by this bank to Egima, until the full repayment of this loan on March 21, 2015, for an amount of 802 370 euros.

• The number of hours of training used in 2006 in relation to the Individual Right to Training is not significant bearing in mind the number of hours acquired by the employees of Egide SA.

In favor of various third parties:

• By decree dated May 17, 2005, the Prefecture in the Vaucluse administrative department authorized the company Egide SA to operate the Bollène site, on the condition that the company have certain compliance work carried out. In an aim to completely remove all discharges into the environment, Egide chose to have the galvanoplasty waste removed by a specialist company, the latter being in charge of its treatment and destruction. In 2004, the company acquired an adjacent plot of land, for around 30 K€, and obtained a building permit for the installation of a storage station before removal of the waste. This waste storage station is intended to be put into operation in January 2007. The amount of the work related to this building and recorded as tangible fixed assets in progress, is 212 K€.

• The company pledged all of the intangible items covered by the property lease, relating to the land and premises in Trappes and to the conditional sales agreement, to the company Lorbail.

• In relation to the implementation of the factoring system in April 2006, Egide SA took out a credit insurance policy in which it designates the factoring corporations as beneficiaries of the indemnities to receive in the case of default of the company's clients. The annual payout limit is 1 500 K€.

Commitments received:

• No bank guarantee has been issued for Egide.

• The factoring corporation managing the export receivables limits the liabilities authorized per funded client to 250 K€. This limit was not reached on December 31, 2006.

20.3.2.4.4.32 Analysis of average workforce

	2006	2005
Managerial staff	32	30
Supervisors and technicians	23	19
Administrative staff	4	4
Production staff	131	122
Average workforce	**190**	**175**

20.3.2.4.5 Post balance sheet events

The corporate income tax credit for the carry-back of tax losses was recovered in April 2007 for an amount of 1 874 K€.

20.3.2.5 Five-year financial data

December 31 Term of financial year	2006 12 months	2005 12 months	2004 12 months	2003 12 months	2002 12 months
ENDING SHARE CAPITAL					
Share capital (€)	12 858 310	9 982 560	9 933 140	9 862 150	9 847 870
Number of shares					
- ordinary	1 285 831	998 256	993 315	986 215	984 787
- preferential	-	-	-	-	-
Maximum number of shares to be created					
- by conversion of bonds	-	-	-	-	-
- by subscription right	64 291	49 912	49 665	49 311	49 239
OPERATIONS AND RESULTS (€)					
Sales	14 610 603	13 722 541	11 964 492	9 083 067	15 921 373
Profit (loss) before taxes, profit-sharing, depreciation and provisions	(2 738 482)	(1 923 153)	(3 580 809)	(4 095 766)	(8 489 092)
Corporate income tax	(60 372)	(20 930)	(25 694)	18 750	18 750
Depreciation and provisions	2 238 118	5 606 533	5 539 778	3 862 032	32 621 141
Net profit (loss)	(4 916 228)	(7 508 756)	(9 094 913)	(7 976 548)	(41 128 983)
EARNINGS PER SHARE (€)					
Profit (loss) after taxes, profit-sharing, before depreciation and provisions	(2.08)	(1.91)	(3.58)	(4.17)	(8.64)
Profit (loss) after taxes, profit-sharing, depreciation and provisions	(3.82)	(7.52)	(9.16)	(8.09)	(41.76)
STAFF					
Average workforce	190	175	177	140	173
Total payroll (€)	4 942 017	4 530 775	4 468 189	4 189 009	4 540 021
Amounts paid in employee benefits (€)	1 728 995	1 790 983	1 687 187	1 546 314	1 694 529

20.3.2.6 Analysis of investment securities

The investment securities recorded in the assets of Egide SA on December 31, 2006 are detailed in the table below:

Euros	Quantity	Net value
Shares held		
Egide USA LLC	-	2 100 942
Egima	14 800	-
Egide UK Ltd	657 064	-
Sub-total of shares held		**2 100 942**
Marketable securities		
Mutual fund CL Monétaire	16	757 355
Mutual fund Etoile Moné Eurib	21	2 220 387
Mutual fund CIC Eparcic	1 653	39 727
Mutual fund Etoile Jour Sécu	15	57 447
Mutual fund Etoile Euro Trésorerie	3	573 645
Mutual fund Etoile CT Absolue	30	305 215
Market maker account (Egide shares)	1 412	136 742
Sub-total of marketable securities		**4 090 518**
Total net book value		**6 191 460**

20.4 Analysis of annual historical financial information

20.4.1 Statutory Auditors' report on the consolidated financial statements for 2006

"To the shareholders,

In compliance with the assignment entrusted to us by your shareholders' meeting, we have audited the consolidated financial statements of the company Egide SA for financial year closed on December 31, 2006, as enclosed in this report.

The consolidated financial statements have been approved by your Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I - Opinion on the consolidated financial statements

We have conducted our audit in accordance with the professional standards applicable in France, which require that we plan and perform our audit to obtain reasonable assurance as to whether the consolidated financial statements are free from any material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as assessing the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion hereafter.

We certify that, in respect of the IFRS referential adopted by the European Union, the consolidated financial statements of the financial year provide a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies.

II - Justification of our assessments

In accordance with the terms of article L.823-9 of the French Commercial Code regarding the justification of the basis of our opinion, we draw your attention to the following issues:

As indicated in notes 20.3.1.5.4.5, 20.3.1.5.4.6 and 20.3.1.5.5.3 of the appendix regarding tangible fixed assets, a depreciation test is performed when there is an internal or external indicator of loss in value. A provision is then recorded if the recoverable value of the fixed asset is lower than its net book value. No additional provision was recorded for financial year 2006, as there was no new indicator of loss in value.

As part of our assessment of the accounting rules and principles used by your company, we examined the appropriateness of the accounting methods specified above and their correct application, and we analyzed the approach implemented, relying on assumptions that the group management believes reasonable, and the resulting estimates.

The assessments made fall within the framework of our audit approach which relates to the consolidated financial statements as a whole, and contributed to the unqualified opinion expressed in the first part of this report.

III - Specific verifications

We have also performed specific verifications of the information regarding the group, provided in the management report, in accordance with the professional standards applicable in France. We have no comments concerning their accuracy and their consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris, June 5, 2007

Statutory Auditors

PricewaterhouseCoopers Audit
Xavier Cauchois

Jacques Wenig & Associés
Bernard Hinfray»

20.4.2 Statutory auditors' general report on the annual financial statements for 2006

"To the shareholders,

In accordance with the assignment entrusted to us by your shareholders' meeting, we hereby report to you, for financial year ended December 31, 2006, on:

- the audit of the accompanying annual financial statements of Egide S.A.,
- the justification of our assessments,
- the specific verifications and information required by law.

The annual financial statements have been approved by your Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

I - Opinion on the annual financial statements

We have conducted our audit in accordance with the professional standards applicable in France, which require that we plan and perform our audit to obtain reasonable assurance as to whether the annual financial statements are free from any material misstatement. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as assessing the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion hereafter.

We certify that, in respect of the French accounting standards, the annual financial statements provide a true and fair view of the operations of the financial year under review, and the assets, liabilities, and financial position of the company at the end of this financial year.

II - Justification of our assessments

In accordance with the terms of article L.823-9 of the French Commercial Code regarding the justification of the basis of our opinion, we draw your attention to the following issues:

As explained in notes 20.3.2.4.3.6 and 20.3.2.4.4.12 of the appendix regarding the long-term investments, your company records provisions for the depreciation of its equity holdings when the fair value of those investments is lower than the historical acquisition cost.

Given the state of the group's markets and the recent results of its subsidiaries, the impairment provision on those investments has been calculated on the basis of the share of the capital held on December 31, 2006.

As part of our assessment of the accounting rules and principles used by your company, we examined the appropriateness of the accounting methods specified above and their correct application, and we checked that the resulting estimates are reasonable.

The assessments made fall within the framework of our audit approach which relates to the annual financial statements as a whole, and contributed to the unqualified opinion expressed in the first part of this report.

III - Specific verifications and information

We also performed the specific verifications required by law, in accordance with the professional standards applicable in France.

We have no comments concerning:

- the accuracy and consistency of the annual financial statements with the information provided in the Board of Directors' management report and in the documents provided to the shareholders on the financial situation and annual accounts.

- the accuracy of the information provided in the management report related to the remuneration and benefits granted to the corporate officers in question and the commitments made in their favor on taking, terminating or changing their functions or after such events.

In accordance with the law, we verified that the management report contains appropriate disclosures as to the identity of holders of shares and controlling interests.

Neuilly-sur-Seine and Paris, June 5, 2007

Statutory Auditors

PricewaterhouseCoopers Audit
Xavier Cauchois

Jacques Wenig & Associés
Bernard Hinfray»

20.5 Dividend distribution policy

No dividend distribution has taken place over the last 3 financial years. The company intends to allocate all available funds to financing its activities and growth, and therefore does not intend to distribute dividends in 2007.

20.6 Legal and dispute proceedings

To the company's best knowledge, there is currently no procedure that has had recently, or that could have, a significant impact on the financial position or profitability of the group.

20.7 Significant changes in the financial or commercial position

There has been no significant change since the end of the previous financial year, and at the date of this document.

21. ADDITIONAL INFORMATION

21.1 Share capital

21.1.1 Number of shares and their par value

On December 31, 2006, the share capital amounted to 12 858 310 euros, divided into 1 285 831 shares with a par value of 10 euros each. There is only one category of shares, except for the special case of shares granting double voting rights, as indicated in paragraph 18.3. The share capital is fully paid-up.

21.1.2 Authorized share capital not issued

The combined shareholders' meeting held on June 23, 2005 granted the following authorizations to the Board of Directors:

	Expiry date of authorization	Maximum amount of the authorization	Use of the authorization
Authorization to increase the capital without withdrawal of the pre-emptive subscription right	08/22/07	Shares: 10 000 000 € Debt securities: 100 000 000 €	Partial,August 17, 2006
Authorization to increase the capital with withdrawal of the pre-emptive subscription right	08/22/07	Shares: 10 000 000 € Debt securities: 100 000 000 €	N/A

It is specified that the resolution authorizing the Board of Directors to increase the capital by issuing shares in favor of the employees belonging to a company savings plan, initiated by the company, was rejected, at the request of the Board of Directors, by the shareholders' meeting held on June 23, 2005.

The extraordinary shareholders' meeting held on March 13, 2006 granted the following authorizations to the Board of Directors:

	Expiry date of authorization	Maximum amount of the authorization	Use of the authorization
Authorization to increase the share capital by issuing investment securities entitling the beneficiaries to shares in the capital in the form of share convertible bonds, with withdrawal of the shareholders' preemptive subscription right, without public issue	09/12/07	Bonds: 10 000 000 € Shares issued from the conversion: 5 000 000 €	N/A

It is specified that the resolution authorizing the Board of Directors to increase the capital by issuing shares in favor of the employees belonging to a company savings plan, initiated by the company, was rejected, at the request of the Board of Directors, by the shareholders' meeting held on March 13, 2006.

21.1.3 Potential share capital

21.1.3.1 Authorization to issue stock options

The shareholders' meeting of June 8, 2004 authorized the Board of Directors to issue stock options within the limit of 5 % of the share capital. The subscription price must be at least equal to the average share price listed during the twenty trading sessions prior to the Board's meeting, reduced by 5 %. This authorization is valid for a period of 38 months. The situation of the plans in force on March 31, 2007 is shown in § 17.3.

21.1.3.2 Share subscription warrants

The increase in capital of August 17, 2006, by the issue of 285 738 new shares, was accompanied by the issue of 285 738 share subscription warrants. Each share subscription warrant entitles the beneficiary to subscribe to one new share to be created at the unit price of 30 euros, at a rate of 4 warrants for 1 share. The period for exercising the share subscription warrants runs from August 21, 2006 until August 20, 2009 inclusive and could bring the company a maximum of 2.14 million euros over this period.

It is specified that on March 31, 2007, a total of 816 share subscription warrants was exercised, leading to the creation of 204 new shares (9 shares in 2006 and 195 shares in the 1st quarter of 2007). Thus, the number of share subscription warrants not yet exercised is 284 922, i.e. a potential share capital of 71 230 new shares (5.54 % of the share capital).

21.1.4 Changes in share capital

The following table provides details of the changes in share capital since the creation of the company:

Date	Transaction	Increase in capital (€)	Decrease in capital(€)	Share premium(€)	Total number of shares	Par value of shares	Total share capital(€)
10/14/86	Creation	457 347			30 000	15.24 €	457 347
12/15/87	Increase (1)	320 143			51 000	15.24 €	777 490
09/30/88	Increase (1) (2)	654 311			93 920	15.24 €	1 431 801
11/03/88	Increase (1)	419 235		76 301	121 420	15.24 €	1 851 036
11/09/90	Increase (1) (3)	449 725			150 920	15.24 €	2 300 760
04/27/92	Decrease (4)		920 304		150 920	9.15 €	1 380 456
05/18/92	Increase (1)	1 829 388			350 920	9.15 €	3 209 844
06/03/94	Increase (1)	927 262			452 294	9.15 €	4 137 107
06/11/99	Increase (5)	1 749 846		1 751 013	643 598	9.15 €	5 886 953
04/03/00	Increase (6)	3 659		3 297	643 998	9.15 €	5 890 612
07/05/00	Increase (7)	841 509		11 670 355	735 997	9.15 €	6 732 121
12/22/00	Increase (8)	2 244 037		93 435 443	981 329	9.15 €	8 976 159
06/29/01	Increase (9)	837 131		(837 131)	981 329	10 €	9 813 290
12/31/01	Increase (10)	34 580		17 152	984 787	10 €	9 847 870
12/31/03	Increase (11)	14 280		7 083	986 215	10 €	9 862 150
12/31/04	Increase (12)	70 990		35 211	993 314	10 €	9 933 140
12/31/05	Increase (13)	49 420		24 512	998 256	10 €	9 982 560
02/28/06	Increase (14)	18 280		9 067	1 000 084	10 €	10 000 840
08/17/06	Increase (15)	2 857 380		2 143 035	1 285 822	10 €	12 858 220
12/31/06	Increase (16)	90		180	1 285 831	10 €	12 858 310
03/31/07	Increase (17)	1 950		3 900	1 286 026	10 €	12 860 260

(1) Cash contributions
(2) Of which contributions in kind: 158 851.88 € (1 042 000 F)
(3) Of which by offsetting debt: 137 204.12 € (900 000 F)
(4) Decrease of the par value from 15.24 € (100 F) to 9.15 € (60 F)
(5) Initial public offering on the Nouveau Marché of the Paris stock exchange– French Securities and Exchange Commission (COB) accreditation no. 99-775 of June 7, 1999
(6) Exercise of stock options further to the death of a beneficiary
(7) Issue of new shares for cash – COB accreditation no. 00-884 of May 26, 2000
(8) Issue of new shares for cash – COB accreditation no. 00-1844 of November 14, 2000
(9) Capitalization of reserves to convert the capital into euros increasing the par value of the share from 9.15 € (60 F) to 10 € (65.5957 F)
(10) Exercise of stock options during FY 2001
(11) Exercise of stock options during FY 2003
(12) Exercise of stock options during FY 2004
(13) Exercise of stock options during FY 2005
(14) Exercise of stock options on February 28, 2006
(15) Issue of new shares for cash – AMF accreditation no. 06-271 of July 21, 2006
(16) Exercise of 36 share subscription warrants leading to the creation of 9 new shares
(17) Exercise of 780 share subscription warrants leading to the creation of 195 new shares on March 31, 2007

The company does not directly hold its own shares. Similarly, the subsidiaries do not hold any share in the parent company.

However, Egide holds a part of its own shares, indirectly, via the company Gilbert Dupont, investment Services Company and market maker of the shares of the company. The number of shares held in this way varies daily in relation to the use of the buy-back share program by Gilbert Dupont (see § 21.2.9)

21.1.5 Changes occurring over the last three financial years

The following table shows the changes in capital, ownership interests and voting rights, over the last three years:

	Situation at 12/31/06			Situation at 12/31/05			Situation at 12/31/04		
	Number of shares	% of capital	% voting rights	Number of shares	% of capital	% voting rights	Number of shares	% of capital	% voting rights
Management	3 012	0.23	0.41	3 010	0.30	0.41	36 616	3.69	6.01
FCPR 21 and 21Esenga	217 152	16.89	26.49	217 152	21.75	31.70	217 152	21.86	30.47
SNVB Part.	0	0.00	0.00	45 711	4.58	7.47	45 711	4.60	7.50
Treasury shares	0	0.00	0.00	0	0.00	0.00	18 396	1.85	0.00
Free float	1 065 667	82.88	73.10	732 383	73.37	58.98	675 439	68.00	56.02
Total	**1 285 831**	**100.00**	**100.00**	**998 256**	**100.00**	**100.00**	**993 314**	**100.00**	**100.00**

21.2 Articles of association and by-laws

21.2.1 Corporate purpose

The company’s activity consists in (article 2 of the by-laws):

- the design, manufacture, import, export, marketing in all forms of standard or specific electronic modules,

- in the above areas, the acquisition of and direct or indirect investment, through any means, in any existing company or company to be created specifically through the creation of legal entities, by contributing to, subscribing to, or acquiring voting rights, shares, legal rights or other securities or through merger, joint ventures and by any other means and under any form applicable in France and in foreign countries,

- and generally, to take part in any transaction of any type whatsoever, whether related to tangible or intangible assets, which may be associated either directly or indirectly to the company’s corporate purpose or facilitate its development or achievement.

21.2.2 Management bodies

Article 13 of the by-laws: "The company is managed by a Board of Directors with a minimum of three members and a maximum of eighteen members, subject to the legal dispensations set out in cases of merger. The term of office is six years. All directors may be reelected."

Article 14 of the by-laws: "The directors must hold at least ONE share. The directors appointed in the course of the company may be non-shareholders at the time of their appointment, but must become shareholders within a period of three months, otherwise they will be deemed to have resigned from their functions."

Article 15 of the by-laws: "The Board of Directors appoints, among its members who are individuals, a Chairman, whose term of office shall be decided upon, without such term of office exceeding the term of his office as director. No person over the age of 65 years may be appointed Chairman of the Board. If the Chairman reaches the age of 65 years, he is deemed to have resigned from his functions at the next Board meeting. The Board may also appoint a secretary, even from without its members. In the case of absence of the Chairman, the Board appoints a person from the members present at the meeting, to chair the meeting. The Chairman and the secretary may always be reelected."

Article 16 of the by-laws: "The Board of Directors shall meet as often as necessary, and at least once a year. The directors are convened to the Board meetings by any means, even verbally. An attendance register must be signed by the directors present at the Board meeting. The decisions are taken in accordance with the quorum and majority conditions set out by law. In the case of a draw in the votes, the Chairman’s vote prevails. Minutes are drawn up and copies or extracts of the decisions are delivered in accordance with the law. The internal regulations prepared by the Board of Directors may stipulate that the directors attending the meeting by means of video-conference are present, for the calculation of the quorum and majority, in compliance with the rules in force. This possibility is not applicable for the following decisions:

- appointment, removal from functions, Chairman's compensation, CEO's compensation, compensation of appointed managing director(s),
- approval of the annual accounts, consolidated accounts, and preparation of management report and report on the management of the group "

Article 17 of the by-laws: "The Board of Directors decides on the orientations of the company's business and ensures their implementation. Subject to the powers expressly attributed by law to the shareholders' meetings, and within the limit of the corporate purpose, the Board deals with any issue affecting the correct running of the company and settles any issues concerning it by its decisions. The Board of Directors may perform any controls or checks that it deems appropriate, at any time. Each Director must receive the necessary information to achieve his functions and may obtain all documents deemed necessary from the general management."

21.2.3 Rights associated with the shares of the company

Article 11 of the by-laws (extract): "All shares, in the absence of distinct categories of shares, or all shares of the same category, entitle the holder to a net proportional share in the capital that they represent, in the profits and reserves or in the corporate assets, upon any distribution, amortization or share-out, under the terms and conditions which may be set out in these by-laws.
Moreover, they entitle the holder to a voting right and to the representation in shareholders' meetings under the legal and statutory conditions. The shareholders are only responsible up to the par value of the shares they own; beyond this, any call for capital is forbidden. The rights and obligations remain associated with each share upon its transfer. The ownership of a share implies full compliance with the by-laws of the company and the decisions taken by the shareholders' meetings. The heirs, creditors, eligible parties or other representatives of a shareholder may not require that seals be affixed to the goods and values of the company, or request a share-out or bid, or interfere with the actions of its directors; to use their rights, they must refer to the corporate inventories and decisions of the shareholders' meetings. Each time that it is necessary to own several shares to exercise a certain right, in the case of exchange, grouping or allocation of securities, or as a result of an increase or decrease in capital, merger or other corporate operation, the owners of isolated securities, or those holding fewer shares than required, may only exercise these rights if they deal personally with regrouping their shares, or purchasing or selling the necessary shares. Unless legally forbidden, the shares shall be grouped together for all tax exemptions or charges, as for all taxes likely to be borne by the company, before any distribution or repayment, during the operation of the company or on its dissolution, so that, taking into account their respective par value and enjoyment, all shares of the same category receive the same net amount."

21.2.4 Change in rights associated with the shares of the company

Article 29 of the by-laws (extract): "The extraordinary shareholders' meeting may change the by-laws in all their terms and decide, in particular, on the transformation of the company into a different civil or commercial form. It may not however increase the commitments of the shareholders, subject to the operations resulting from a grouping of shares, correctly performed."

21.2.5 Shareholders' meetings

Article 22 of the by-laws: "The shareholders' decisions are taken during the shareholders' meetings. The ordinary shareholders' meetings are those called to take any decisions that do not alter the by-laws. The extraordinary shareholders' meetings are those called to decide on or authorize direct or indirect modifications of the by-laws. The special shareholders' meetings are for holders of shares of a specific category to deliberate on a change in rights of the shares of this category. The decisions of the shareholders' meetings are binding for all shareholders, even those who are absent, dissident or inapt."

Article 23 of the by-laws (before compliance with law 2006-1566 of December 11, 2006): "The shareholders' meetings are convened either by the Board of Directors, or, otherwise, by the statutory auditor(s), or by a representative appointed by the Commercial court deliberating in interim proceedings at the request of one or several shareholders holding together at least 1/10th of the capital. During the liquidation period, the meetings are convened by the receiver(s). The shareholders' meetings are held at the registered office or in any other place indicated in the convening letter. The shareholders are convened in the conditions set out by the law in force. In the case of a public issue, a notice of the meeting is published in the Bulletin des Annonces Légales Obligatoires (BALO (Official publication for legal announcements)) at least 30 days before the date set for the shareholders' meeting."

Article 24 of the by-laws: "The agenda for the meeting is fixed by the person convening the meeting. One or several shareholders, representing at least the quota of the share capital and acting in the conditions and time limits fixed by law, may request, by registered letter with acknowledgement of receipt, that draft resolutions be included on the agenda of the meeting, other than those regarding the presentation of the candidates at the Board of Directors. The meetings may only discuss an issue if it is included in the agenda. However, it may, in all circumstances, remove one or several directors from their functions, and replace them."

Article 25 of the by-laws (before compliance with law 2006-1566 of December 11, 2006): "All shareholders are entitled to attend the meetings and participate in the decisions, either personally, or via a representative, regardless of how many shares they own, upon simple proof of their identity and of the ownership of the shares, either by a nominative registration, or by filing, in the places set out in the convening letter, a certificate of an empowered intermediary, reporting on the unavailability of the shares registered until the date of the meeting. The date before which these formalities must be completed may not be more than five days before the date of the meeting. All shareholders may also vote by correspondence, by using a form prepared by the company and provided to those shareholders who request it; for calculating the quorum, only the forms received by the company at least three days before the meeting, are taken into account."

Article 27 of the by-laws: "In the ordinary and extraordinary shareholders' meetings, the quorum is assessed on all of the shares making up the share capital and, in the special shareholders' meetings, on all of the shares in that particular category, less any shares which do not have voting rights, due to the terms of the law. The voting right associated with the shares in the capital or enjoyment is in proportion to the portion of the capital that they represent, and each share gives right to one vote. However, a double voting right is attributed to all fully paid-up shares held for at least two years in the name of the same shareholder, having made a nominative registration request for these shares.
Moreover, in the case of an increase in capital by capitalization of reserves, profits or share premiums, the double voting right is granted, on issue, to nominative shares attributed free of charge to a shareholder due to the former shares which he held and which entitled him to this right. Similarly, in the case of a change in the par value of the existing shares, the double voting right is maintained for the shares with the new par value, replacing the former ones. For the excess, the double voting right is acquired, disposed of or transferred in the cases and conditions fixed by law. The company may not validly vote with shares bought by it. "

Article 28 of the by-laws: "The ordinary shareholders' meeting is held at least once a year, within six months from the end of the previous financial year, in order to approve the financial statements of this financial year, subject to an extension in this period by court decision. It may only validly deliberate, upon first convening, if the present or represented shareholders hold at least one fifth of the shares giving voting rights. Upon second convening, no quorum is required. The meeting decides at the majority of the votes held by the present or represented shareholders."

Article 29 of the by-laws: "The extraordinary shareholders' meeting may amend any of the terms of the by-laws and decide, in particular, on the transformation of the company into another legal civil or commercial form. However, it may only increase the shareholders' commitments subject to operations resulting from a grouping of shares, carried out correctly. The extraordinary shareholders' meeting may only validly deliberate if the shareholders present or represented hold at least one quarter, on first convening, and one fifth, on second convening, of the shares giving voting rights. If this is not the case, the second meeting may be deferred to another date, which may not be more than two months later. The meeting decides at a two-thirds majority of the votes held by the present or represented shareholders. By legal dispensation from the previous provisions, a shareholders' meeting deciding on an increase in capital by capitalization of reserves, profits or share premiums, may deliberate in the same quorum and majority conditions as for an ordinary shareholders' meeting. Moreover, in extraordinary shareholders' meetings with a constitutive form, i.e. those called to deliberate on the approval of a contribution in kind or granting a special benefit, the contributor or the beneficiary has no voting right, either for himself, or as representative".

Article 30 of the by-laws: "If there are several categories of shares, no modification may be made to the rights associated with one of these categories, without a vote taken in an extraordinary shareholders' meeting open to all shareholders, and also, without a vote taken in a special shareholders' meeting open only to the holders of the shares of the category in question. The special meetings only deliberate validly if the shareholders present or represented hold at least one third, on first convening, and one fifth, on second convening, of the shares giving voting rights, and whose rights are intended to be amended. If this is not the case, the second meeting may be deferred to another date, which may not be more than two months later."

Article 31 of the by-laws: "All shareholders are entitled to obtain the documents necessary to enable them to make decisions in full knowledge of the facts and to have an informed opinion on the management and control of the company. The nature of these documents and the conditions in which they are provided or made available are set out by law."

21.2.6 Special terms regarding the change in control

N/A.

21.2.7 Thresholds

Article 11 of the by-laws: "All shares, in the absence of distinct categories of shares, or all shares of the same category, entitle the holder to a net proportional share in the capital that they represent, in the profits and reserves or in the corporate assets, upon any distribution, amortization or share-out, under the terms and conditions which may be set out in these by-laws.
Moreover, they entitle the holder to a voting right and to the representation in shareholders' meetings under the legal and statutory conditions. The shareholders are only responsible up to the par value of the shares they own; beyond this, any call for capital is forbidden. The rights and obligations remain associated with each share upon its transfer. The ownership of a share implies full compliance with the by-laws of the company and the decisions taken by the shareholders' meetings. The heirs, creditors, eligible parties or other representatives of a shareholder may not require that seals be affixed to the goods and values of the company, or request a share-out or bid, or interfere with the actions of its directors; to use their rights, they must refer to the corporate inventories and decisions of the shareholders' meetings. Each time that it is necessary to own several shares to exercise a certain right, in the case of exchange, grouping or allocation of securities, or as a result of an increase or decrease in capital, merger or other corporate operation, the owners of isolated securities, or those holding fewer shares than required, may only exercise these rights if they deal personally with regrouping their shares, or purchasing or selling the necessary shares. Unless legally forbidden, the shares shall be grouped together for all tax exemptions or charges, as for all taxes likely to be borne by the company, before any distribution or repayment, during the operation of the company or on its dissolution, so that, taking into account their respective par value and enjoyment, all shares of the same category receive the same net amount.

All shareholders acting alone or in concert, holding more than one twentieth, one tenth, three twentieths, one fifth, one quarter, one third, half, two thirds, eighteen twentieths or nineteen twentieths of the capital or voting rights of the company, must comply with the terms of article L.233-7 of the French commercial code and must inform the company of such within the period set out by law in Council of State, as soon as the thresholds are reached regarding the holding, total number of shares or voting rights held. The company must also be informed, within the same periods, when the holding becomes lower than the thresholds set out above. If this obligation is not respected, the terms of article L.233-14 of the French commercial code shall apply."

21.2.8 Special terms regarding changes in capital

N/A.

21.2.9 Buy-back by the company of its own shares

Article 37 of the by-laws: "In the cases set out by the legal and/or regulatory texts, the ordinary shareholders' meeting may authorize the company to buy back its own shares, for a limited period not exceeding eighteen months. This meeting must set out the terms of the operation, in particular the maximum purchase price, the maximum number of shares to be acquired, and the period in which the acquisition must be made."

The combined shareholders' meeting held on June 29, 2006 authorized the company to implement a share buyback program aiming at ensuring the orderly trading of the share value by an investment services provider in the context of a liquidity agreement signed in accordance with the rules of conduct of the French Association of Investment Companies (AFEI) approved by the AMF.

In accordance with this program, the company selected the brokerage firm Gilbert Dupont as the market maker for Egide shares. Under the corresponding liquidity agreement, on March 31, 2007, the firm Gilbert Dupont bought 52 809 shares (average price: 29.60 euros) and resold 53 937 shares (average price: 29.13 euros). On March 31, 2007, the balance of Egide shares under the market maker agreement was 1 254 shares.

21.3 Market of the shares of the company

The shares of the company were put on the Nouveau Marché of the Paris stock exchange on June 11, 1999. The listing price was fixed at 18.30 euros per share. Previously, they had never been listed on a French or foreign financial market. They are currently listed on the C compartment of the Eurolist of Euronext Paris, under the code ISIN FR0000072373.

Bearing in mind the number of shares making up the share capital on December 31, 2006 of 1 285 831 and a closing price on December 29, 2006 of 32.70 €, the market capitalization was 42.05 million euros.

On March 30, 2007, the market capitalization of the company was 40.96 million euros (1 286 026 shares at a price of 31.85 €).

The table below shows share price trends and trading volumes over the last 12 months:

	Share price (in euros)			Trading volume
	Low	High	Average closing price	Number of shares
April 2006	33.75	43.00	39.35	4 550
May 2006	28.56	41.90	35.95	1 642
June 2006	22.94	28.02	26.02	817
July 2006	21.78	27.01	24.06	1 334
August 2006	19.00	24.93	21.10	5 454
September 2006	22.10	28.97	25.08	3 467
October 2006	24.61	28.48	26.26	3 032
November 2006	25.11	28.90	26.34	3 203
December 2006	26.30	32.89	28.52	4 706
January 2007	32.90	40.80	36.09	7 546
February 2007	31.05	37.38	34.75	4 821
March 2007	29.70	34.45	32.37	3 209

21.4 Market of the share subscription warrants

The table below shows the trends and trading volumes of the share subscription warrant since its listing:

	Warrant price (in euros)			Trading volume
	Low	High	Average closing price	Number of warrants
August 2006	0.81	2.22	1.68	15 708
September 2006	2.08	3.67	2.73	5 779
October 2006	2.52	3.35	2.90	2 418
November 2006	3.05	4.50	3.40	1 364
December 2006	4.00	6.51	5.11	2 384
January 2007	6.01	9.50	7.46	1 245
February 2007	5.00	7.30	6.61	654
March 2007	5.20	6.50	5.96	464

It is reminded that, at the date of this document, 284 922 share subscription warrants are listed under the reference ISIN FR0010361568 (GIDBS)

22. SIGNIFICANT AGREEMENTS

In the normal course of business, Egide USA has signed several Long-Term Agreements with American clients in the defense sector. These agreements have each been the subject of a press release:

- signature of a 5-year agreement with Textron Systems of a total value of 1 million dollars, published on November 27, 2006
- signature of a 2-year agreement with Crane Aerospace & Electronics of a total value of 1.5 million dollars, published on April 5, 2007

The aim of these agreements is to define the cooperation terms between Egide and its clients, over several years, thus illustrating their desire to rely on a consistent supply of their products, both in terms of quality and in terms of respecting lead-times.

No agreement has been signed in the last two years, binding the company or the group, apart from those specified above.

23. INFORMATION FROM THIRD PARTIES AND DECLARATIONS OF INTEREST

N/A

24. DOCUMENTS PUBLICLY AVAILABLE

24.1 List of the documents and consultation means

During the validity period of the reference document, the following documents (or their copies) may be consulted at the registered office:

- by-laws
- all reports, letters and other documents, historical financial information, assessments and declarations drawn up by an expert at the company's request, of which a part is included or referred to in this reference document
- group historical financial information for each of the two financial years prior to the publication of this reference document

24.2 Annual information document

It is specified that, since the application of the Transparency Directive of January 20, 2007, the company has recourse to an approved distributor in order to ensure the publication of all its information.

24.2.1 Press releases

The press releases may be downloaded in French and/or in English, on the company website (www.egide.fr) and/or on the AMF website (www.amf-france.org):

06/20/2006	Description of the share buyback program
07/05/2006	Semester report on the liquidity agreement
07/17/2006	Turnover of 1st semester 2006
07/24/2006	Launch of an increase in capital with continuation of pre-emptive subscription right
08/17/2006	Success of the increase in capital
10/19/2006	Profit (loss) at June 30, 2006
10/19/2006	Turnover of 3rd quarter 2006
11/27/2006	Significant agreement in the USA with the company Textron Systems
01/03/2007	Annual report on the 2006 liquidity agreement
01/10/2007	Turnover of financial year 2006
01/22/2007	Milestone of 50 000 packages for an infrared application
03/12/2007	Reinforcement of the R&D and sales teams
04/05/2007	New long-term agreement in the USA
04/24/2007	Profit (loss) of financial year 2006
04/24/2007	Turnover of 1st quarter 2007

24.2.2 Reference documents

The reference documents may be downloaded on the company website (www.egide.fr) and on the AMF website (www.amf-france.org):

09/28/2001	Reference document - Financial year 2000
07/30/2002	Reference document - Financial year 2001
06/05/2003	Reference document - Financial year 2002
07/08/2004	Reference document - Financial year 2003
06/14/2005	Reference document - Financial year 2004
06/23/2006	Reference document - Financial year 2005
06/06/2007	Reference document - Financial year 2006

24.2.3 Information published in the "BALO" (Official publication of legal announcements)

The following information was published in the BALO, and is available on the BALO website (www.balo.journal-officiel.gouv.fr):

07/07/2006	Number of shares and voting rights further to the shareholders' meeting of June 29, 2006
07/07/2006	Annual and consolidated financial statements for 2006
07/07/2006	2006 annual and consolidated financial statements approved by the shareholders' meeting of June 29, 2006
07/26/2006	Turnover of 2nd quarter 2006
07/26/2006	Notice of increase in capital
09/27/2006	Number of shares and voting rights after August 31, 2006
10/20/2006	Turnover of 3rd quarter 2006
11/15/2006	Profit (loss) on June 30, 2006
01/24/2007	Number of shares and voting rights on December 31, 2006
02/05/2007	Turnover of 2006
02/23/2007	Appointment of a registered securities bookkeeper
04/30/2007	Turnover of 1st quarter 2007
05/04/2007	Draft annual and consolidated financial accounts for 2006
05/09/2007	Notice of a combined shareholders' meeting

24.2.4 Financial operations

07/21/2006	Operation notice - Issue of 285 738 shares with attached subscription warrants - AMF accreditation no. 06-271 of July 21, 2006

24.3 Forecast timetable for publication of financial information

Date	Information	Publication
April 24, 2007	Draft annual and consolidated accounts for 2006	SFAF (French Association of Financial Analysts) meeting
April 24, 2007	Turnover of 1st quarter of 2007	Publication in the BALO
June 06, 2007	Reference document for FY 2006	Filing with AMF
June 20, 2007		Shareholders' meeting
July 12, 2007	Turnover of 2nd quarter of 2007	Publication in the BALO
October 16, 2007	Turnover of 3rd quarter of 2007	Publication in the BALO
October 23, 2007	Half-year 2007 consolidated results	SFAF (French Association of Financial Analysts) meeting
January 10, 2008	Turnover of 4th quarter of 2007	Publication in the BALO

25. INFORMATION ON HOLDINGS

See § 7.2 – List of subsidiaries

26. DRAFT RESOLUTIONS PUT TO THE COMBINED ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF JUNE 20, 2007

AGENDA FOR ORDINARY MEETING

- management report on the year's operations, the annual and consolidated financial statements for the year ended December 31, 2006,
- report by the Chairman of the Board of Directors on the conditions under which the Board's work was prepared and organized and on the internal control procedures implemented by the company,
- reports of the statutory auditors on the performance of their assignment, the internal control procedures, and the agreements referred to in article L.225-38 of the French commercial code,
- special report by the Board of Directors on the share subscription options,
- special report by the Board of Directors regarding the buyback operations,
- approval of the annual financial statements, consolidated financial statements, and agreements referred to in article L.225-38 of the French commercial code,
- appropriation of the loss,
- ratification of the Chairman's report on the conditions under which the Board's work was prepared and organized and on the internal control procedures implemented by the company,
- ratification of the Board of Directors' special report on the share subscription options,
- ratification of the Board of Directors' special report on the buyback operations,
- renewal of the terms of office of the joint statutory auditor and of the joint substitute statutory auditor,
- appointment of a new joint substitute statutory auditor to replace a resigning joint substitute statutory auditor,
- allocation of directors' fees,
- powers for formalities.

AGENDA FOR EXTRAORDINARY MEETING

- Board of Directors' report,
- statutory auditors' special reports,
- examination of the share subscription plans,
- authorization for the Board of Directors to grant share subscription options,
- authorization granted to increase the capital with continuation of pre-emptive subscription right,
- authorization granted to increase the capital with withdrawal of pre-emptive subscription right,
- authorization granted to the Board of Directors to increase the number of securities to issue in the case of an increase in capital with or without pre-emptive subscription right,
- authorization granted to increase the capital for the benefit of employees,
- compliance of articles 23 and 25 of the by-laws with the new regulatory provisions,
- powers for formalities.

ORDINARY RESOLUTIONS

FIRST RESOLUTION - Approval of the annual financial statements

The shareholders' meeting, after become apprised of the reports of the Board, the Chairman and the statutory auditors on financial year ended December 31, 2006, approves the annual financial statements closed as of that date, as they are presented, resulting in a loss of 4 916 227.50 euros.

The meeting also approves the transactions conveyed in these financial statements or summarized in these reports.

The shareholders' meeting therefore gives the directors discharge for the performance of their duties for the past financial year. It also gives discharge to the auditors for the fulfillment of their assignment.

SECOND RESOLUTION - Agreements referred to in article L.225-38 of the French commercial code

The shareholders' meeting, after becoming apprised of the statutory auditors' special report on the agreements falling under the scope of application of the terms of article L.225-38 of the French commercial code, approves each of these agreements; those persons involved did not take part in this vote.

THIRD RESOLUTION - Appropriation of the loss

The shareholders' meeting, on the proposal of the Board of Directors, decides to allocate the loss for the financial year amounting to 4 916 227.50 euros as follows:

- allocation to the "Share premium" account for 4 183 231.70 euros
- allocation to the "Retained earnings" account for the remainder, i.e. 732 995.80 euros.

Pursuant to the provisions of article 243 (ii) of the French General Tax Code, it is reminded that no dividend was paid in respect of the last three financial years.

FOURTH RESOLUTION - Approval of the consolidated financial statements

The shareholders' meeting, after becoming apprised of the reports of the Board and of the statutory auditors on financial year ended December 31, 2006, approves the annual consolidated financial statements, closed as of that date, as they are presented, resulting in a loss of 5 063 648.45 euros.

FIFTH RESOLUTION - Ratification of the Chairman's report on the conditions under which the Board's work was prepared and organized and on the internal control procedures implemented by the company

The shareholders' meeting, after becoming apprised of the report of the Chairman of the Board of Directors on the conditions under which the Board's work was prepared and organized and on the internal control procedures implemented by the company, in compliance with the provisions of article L.225-37 paragraph 6 of the French Commercial Code, and the statutory auditors' report on the said report, approves these reports.

SIXTH RESOLUTION - Ratification of the Board of Directors' special report on the share subscription options

The shareholders' meeting, after becoming apprised of the Board of Directors' special report on the share subscription options, approves the said report.

SEVENTH RESOLUTION - Ratification of the Board of Directors' special report on the buyback operations

The shareholders' meeting, after becoming apprised of the Board of Directors' special report on the buyback operations, prepared in accordance with article L.225-209 paragraph 2 of the French Commercial Code, approves the said report.

EIGHTH RESOLUTION - Renewal of the terms of office of the joint statutory auditor and of the joint substitute statutory auditor

The shareholders' meeting, acknowledging that the term of office of the company PriceWaterhouseCoopers, joint statutory auditor, expires on this date, decides to renew the term of office of the company PriceWaterhouseCoopers (joint statutory auditor) for a period of six (6) financial years, i.e. until the end of the ordinary annual shareholders' meeting called to deliberate on the accounts of the 6th financial year to come as from this date.

The shareholders' meeting, acknowledging that the term of office of Mr. Marc Ghiliotti, joint substitute statutory auditor, expires on this date, decides not to renew the latter's term of office and to appoint Mr. Etienne Boris as his replacement (joint substitute statutory auditor), residing 63, rue de Villiers, 92208 Neuilly-sur-Seine Cedex, born on February 20, 1956 in Boulogne-Billancourt for a period of six (6) financial years, i.e. until the end of the ordinary annual shareholders' meeting called to deliberate on the accounts of the 6th financial year to come as from this date.

NINTH RESOLUTION - Appointment of a new joint substitute statutory auditor to replace a resigning joint substitute statutory auditor

The shareholders' meeting, acknowledging the resignation of Mr. Christian Brossier, joint substitute statutory auditor of the company, decides to appoint Mr. Jean-Marc Le Mer, residing 65 avenue Kléber, 75116 Paris, born on February 28, 1957 in Paris (15th) as his replacement, for the remainder of Mr. Christian Brossier's term of office, i.e. until the end of the ordinary annual shareholders' meeting called to deliberate on the accounts of the 3rd financial year to come as from this date.

TENTH RESOLUTION - Allocation of directors' fees

The shareholders' meeting decides to set the total value of the directors' fees to be distributed among the directors for the current financial year at 15 000 euros.

ELEVENTH RESOLUTION - Powers for formalities

The shareholders' meeting grants all powers to the bearer of a copy or an extract of the minutes of these decisions, in order to complete all legal publicity formalities.

EXTRAORDINARY RESOLUTIONS

TWELFTH RESOLUTION - Examination of the share option plans

The shareholders' meeting, after becoming apprised of the Board of Directors' special report, and noting that certain beneficiaries of the share subscription options no longer meet the required criteria for exercising their options, i.e. are no longer bound to the company by an employment contract in force, decides to cancel a total of 2 327 options allocated which shall never be exercised.

THIRTEENTH RESOLUTION – Authorization for the Board of Directors to grant share subscription options

The shareholders' meeting, after becoming apprised of the Board of Directors' report and of the statutory auditors' special report, authorizes the Board of Directors, in relation to articles 225-177 and thereafter of the French Commercial Code, during a period to expire on August 21, 2010, to grant options to certain members of the staff and the management of the company or its subsidiaries held directly or indirectly in accordance with the terms of article L 225-180 of the French Commercial Code, entitling the beneficiaries to subscribe to shares to be issued in relation to an increase in capital. The total number of options granted and not yet exercised may not enable to subscribe to more than 5 % of the shares making up the share capital.

This authorization shall be used once or on several occasions according to the terms and conditions set out by law and by the regulations in force.

Consequently, the Board of Directors shall decide on the conditions according to which the options shall be granted; these conditions may include clauses forbidding the immediate resale of all or part of the shares, without the enforced holding period of the shares exceeding the maximum period authorized by law.

The Board of Directors shall fix the subscription price on the basis of the statutory auditor's special report. The subscription price must be at least equal to the average share price listed during the twenty trading sessions prior to the Board's meeting, reduced by 5 %.

The options must be exercised within a maximum period of seven years as from the date on which they are granted. All powers are granted to the Board of Directors to decide, where appropriate, on an initial unavailability period of the options.

If the company performs one of the operations referred to in article L. 225-181 of the French Commercial Code, the Board of Directors shall take, in accordance with the conditions set out by the regulations in force at the time, the necessary measures in order to protect the beneficiaries' interests, including, where appropriate, by adjusting the number of shares that may be acquired by exercising the options granted to the beneficiaries in order to take into account the impact of this operation.

This authorization entails, in favor of the beneficiaries of the options, the express waiver of the shareholders' pre-emptive subscription right to the shares that shall be issued as the options are exercised.

The increase in share capital generated by exercising the options shall be definitively realized by the sole fact of subscribing to the new shares, accompanied by the declarations of exercising the option and the payments which may be made in cash or by offsetting against receivables on the company.

The Board of Directors shall be vested with all the powers required in order to decide on the list of the beneficiaries of the options and the number of options allocated to each of them, to set out all other terms and conditions of the operation, in particular, the payment conditions of the shares and their taking of possession, where appropriate, to limit, suspend, restrict or forbid the exercise of the options or the transfer or the conversion to bearer shares of the shares acquired by exercising the options, during certain periods or as from certain events (its decision may concern all or part of the options or shares or all or part of the beneficiaries), to acknowledge the subsequent increases in share capital and complete all related formalities and in particular to amend the by-laws accordingly, in application of the conditions referred to in article 225-178, paragraph 3 of the French Commercial Code, with the possibility of authorizing the Chairman of the same.

FOURTEENTH RESOLUTION - Authorization granted to increase the capital with continuation of the pre-emptive subscription right

The shareholders' meeting, after becoming apprised of the Board of Directors' report and of the statutory auditors' special report, and in accordance with the terms of articles L.225-129, L. 225-129-2 and L. 228-92 of the French Commercial Code:

• authorizes the Board of Directors to increase the share capital, in one or several operations, in the proportions and at the times judged appropriate by the Board, both in France and abroad, by issuing ordinary shares or investment securities giving entitlement, immediately or later, to the share capital and/or by capitalization of reserves, profits or share premiums,

• decides that the par value of the increase in capital that could be performed either immediately and/or later in light of the authorization granted, may not exceed ten million (10 000 000) euros or the equivalent of this amount in the case of an issue in other currencies, to which the par value of the shares to be issued may be added as a supplement to maintain the rights of the bearers of investment securities giving entitlement to shares in the company, in accordance with the law and the contractual indications applicable, where appropriate. The par value of the shares issued or to be issued shall be offset against this authorized amount, in accordance with the 15th resolution of this meeting,

• decides in addition that the par value of the debt securities giving entitlement to the shares and that may be issued in light of this authorization, may not exceed one hundred million (100 000 000) euros or the equivalent of this amount in the case of an issue in other currencies. The par value of the debt securities to be issued shall be offset against this amount, in accordance with the 15th resolution of this meeting,

• decides that the total amount of the increases in capital generated by the capitalization of reserves, share premiums, profits and others, set out above, increased by the necessary amount in order to maintain, in accordance with the law, the rights of the bearers of investment securities giving entitlement to shares and irrespective of the global upper limits of increases in capital set out in this resolution and in the 15th resolution of this meeting, may not exceed the global amount of the sums that may be capitalized,

• decides that the shareholders may exercise their pre-emptive subscription right in proportion to the amount of their existing shares, in accordance with the conditions set out by law. In addition, the Board of Directors may grant the shareholders the right to subscribe to any excess shares of a number that is higher than that to which they may subscribe as of right, in proportion to their subscription rights and, in any event, within the limit of their application,

• decides that if the subscriptions as of right and, where appropriate, those for excess shares, have not absorbed the whole of an issue of investment securities, the Board of Directors may use any or all of the following options, in the order that the Board deems appropriate:

- limit the issue to the amount of subscriptions subject to the latter reaching at least three-quarters of the issue decided,
- distribute all or part of the unsubscribed securities freely,
- offer all or part of the unsubscribed securities to the public,

• decides that any issue of share subscription warrants of the company that could be performed, may take place, either by subscription offer in the conditions set out above, or by a bonus issue to the owners of former shares,

• acknowledges and decides, where necessary, that this authorization entails the full waiver of the shareholders of their pre-emptive subscription right to the shares to which these investment securities give entitlement, in favor of the bearers of investment securities giving entitlement later to the shares in the company that may be issued,

• decides that the Board of Directors shall be vested with all powers with the possibility of authorizing the CEO with the same, in the conditions set out by law, in order to use this authorization, in particular to decide on the dates and terms of the issues and the form and characteristics of the investment securities to be created, to fix the issue prices and conditions, to fix the amounts to be issued, to fix the date of taking possession (even retroactive) of the securities to be issued, and, where appropriate, their buyback conditions, to suspend where necessary the exercise of the share attribution rights of the company linked to the investment securities to be issued during a period that may not exceed three months, to fix the terms according to which the rights of the investment securities shall be maintained, where appropriate, giving later entitlement to the shares in the company, in accordance with the legal and regulatory provisions, to proceed, where appropriate, to all appropriations to the share premium(s) and in particular those of the expenses incurred by the issues, to generally take all necessary measures and sign all agreements in order to ensure that the intended issues are successfully carried out and to acknowledge the increase(s) in capital generated by any issue performed by using this authorization, and to amend the by-laws accordingly.

In the case of debt securities being issued, the Board of Directors shall be vested with all powers, in particular to decide on their subordinated nature, to fix their interest rate, their term, the fixed or variable reimbursement price with or without premium, the amortization terms depending on the market conditions and the conditions in which these securities shall give entitlement to the shares of the company.

The authorization thus granted to the Board of Directors is valid for a period of twenty-six months as from this meeting and replaces the previous authorization granted by the combined shareholders' meeting of June 23, 2005.

FIFTEENTH RESOLUTION – Authorization granted to increase the capital with withdrawal of the pre-emptive subscription right

The shareholders' meeting, after becoming apprised of the Board of Directors' report and of the statutory auditors' special report, and in accordance with the terms of articles L.225-129, L. 225-129-2, L.225-135 and L. 228-92 of the French Commercial Code:

• authorizes the Board of Directors to increase the share capital, by public issue, in one or several operations, in the proportions and at the times judged appropriate by the Board, both in France and abroad, by issuing ordinary shares or investment securities giving entitlement, immediately or later, to the share capital,

• decides that the par value of the increase in capital that could be performed either immediately and/or later in light of the authorization hereby granted, may not exceed ten million (10 000 000) euros or the equivalent of this amount in the case of an issue in other currencies, to which the par value of the shares to be issued may be added as a supplement to maintain the rights of the bearers of investment securities giving entitlement to shares in the company, in accordance with the law and the contractual indications applicable, where appropriate. This amount shall be offset against the amount of the global upper limit referred to in the 14th resolution of this meeting,

• decides that this increase in capital may be the result of the exercise of an attribution right, by means of conversion, exchange, reimbursement, presentation of a warrant, or any other means, as a result of all investment securities issued by any company in which the company holds, either directly or indirectly, more than half of the share capital, and with the latter's consent,

• decides, in addition, that the par value of the debt securities giving entitlement to the share capital and that could be issued in light of this authorization, may not exceed one hundred million (100 000 000) euros or the equivalent of this amount in the case of an issue in other currencies, being specified that this amount shall be offset against the amount of the global upper limit referred to in the 14th resolution of this meeting,

• decides to withdraw the shareholders' pre-emptive subscription right to the investment securities to be issued, being understood in return, that the shareholders shall benefit from a priority right to subscribe to all or part of the securities issued during a period and according to the conditions to be fixed by the Board of Directors in accordance with the regulations in force at the time of its decision. This subscription priority shall not give rise to the creation of negotiable rights,

• decides that if the subscriptions of the shareholders and of the public have not absorbed the whole of an issue of investment securities, the Board of Directors may use one or both of the following options, in the order that the Board deems appropriate:

- limit the issue to the amount of subscriptions subject to the latter reaching at least three-quarters of the issue decided,
- distribute all or part of the unsubscribed securities freely,

• acknowledges and decides, where necessary, that this authorization entails the full waiver of the shareholders of their pre-emptive subscription right to the shares to which these investment securities give entitlement, in favor of the bearers of investment securities giving entitlement later to the shares in the company that may be issued,

• decides that, in the case of an immediate or later cash issue of shares, the sum accrued to or that should be accrued to the company for each of the shares issued in relation to this authorization, after consideration in the case of an issue of share subscription warrants of the subscription price of the said warrants, shall be equal (a) to the weighted average of the share price listed during the three trading sessions prior to fixing the issue price, possibly reduced by a maximum of 5 % or (b) to the minimum value fixed by the legal and regulatory provisions applicable at the time of use of this authorization, if there is a difference between these amounts,

• decides that the Board of Directors shall be vested with all powers with the possibility of authorizing the CEO of the same, in the conditions set out by law, in order to use this authorization, in particular to decide on the dates and terms of the issues and the form and characteristics of the investment securities to be created, to fix the issue prices and conditions, to fix the amounts to be issued, to fix the date of taking possession (even retroactive) of the securities to be issued, and, where appropriate, their buyback conditions, to suspend where necessary the exercise of the share attribution rights of the company linked to the investment securities to be issued during a period that may not exceed three months, to fix the terms according to which the rights of the holders of the investment securities shall be maintained, where appropriate, giving later entitlement to the shares in the company, in accordance with the legal and regulatory provisions, to proceed, where appropriate, to all appropriations to the share premium(s) and in particular those of the expenses incurred by the issues, to generally take all necessary measures and sign all agreements in order to ensure that the intended issues are successfully carried out and to acknowledge the increase(s) in capital generated by any issue performed by using this authorization, and to amend the by-laws accordingly.

In the case of debt securities being issued, the Board of Directors shall be vested with all powers, in particular to decide on their subordinated nature, to fix their interest rate, their term, the fixed or variable reimbursement price with or without premium, the amortization terms depending on the market conditions and the conditions in which these securities shall give entitlement to the shares of the company.

The authorization thus granted to the Board of Directors is valid for a period of twenty-six months as from this meeting and replaces the previous authorization granted by the combined shareholders' meeting of June 23, 2005.

SIXTEENTH RESOLUTION - Authorization granted to the Board of Directors to increase the number of securities to issue in the case of an increase in capital with or without pre-emptive subscription right

The shareholders' meeting, after becoming apprised of the Board of Directors' report and of the statutory auditors' special report, and in accordance with the terms of article L. 225-135-1 of the French Commercial Code:

• authorizes the Board of Directors, with the possibility of sub-delegation in the conditions fixed by law, to decide to increase the number of securities to issue in the case of an increase in capital of the Company with or without pre-emptive subscription right, at the same price as that retained for the initial issue, within the periods and limits referred to by the regulations applicable on the date of the issue (currently, within thirty days of the closing date of the subscription and within a limit of 15 % of the initial issue), in particular with a view to granting an over-allotment option in accordance with market practice;

• decides that the par value of the increases in capital decided in relation to this resolution shall be offset against the amount of the upper limit applicable to the initial issue and against the global upper limit referred to in the 14th resolution of this meeting.

This authorization is granted for a period of twenty-six months as from the date of this meeting.

SEVENTEENTH RESOLUTION - Authorization granted to increase the capital for the benefit of employees

The shareholders' meeting, as a consequence of the authorizations referred to in the 14th, 15th and 16th resolutions, after becoming apprised of the Board of Directors' report and of the statutory auditors' special report, in relation to the terms of article L. 443-5 of the French Labor Code and of article L. 225-138-1 of the French Commercial Code and in accordance with the terms of articles L. 225-129-2 and L. 225-129-6 of the French Commercial Code, authorizes the Board of Directors to increase the share capital, in one or several operations, and on its own decisions, by issuing shares to be subscribed in cash reserved for employees belonging to a company savings plan set up by the company.

The shareholders' meeting fixes the maximum upper limit of the increase in capital that may take place at 1 % of the current capital of the company, being specified that this amount shall be offset against the maximum upper limit of the increase in capital fixed by the 14th resolution of this meeting. The subscription price shall be fixed by the Board of Directors, without exceeding the average share price listed during the twenty trading sessions prior to the Board's meeting, or being more than 20 % lower than this average.

The meeting decides to withdraw the shareholders' pre-emptive subscription right to the new shares to be issued for the employees belonging to the company savings plan.

This authorization is valid for twenty-six months as from the date of this meeting.

The meeting grants all powers to the Board of Directors to fix all the terms of the operation(s) to take place, and in particular to decide on the issue price of the new shares; the meeting grants the Board all powers in order to acknowledge the increase(s) in capital performed in relation to this authorization, to amend the by-laws accordingly, and generally do the necessary, with the possibility of sub-delegating to the CEO in the conditions set out by law.

EIGHTEENTH RESOLUTION- Compliance of articles 23 and 25 of the by-laws with the new regulatory provisions

The shareholders' meeting decides to amend articles 23 and 25 of the by-laws, in order for them to comply with the new regulatory provisions, as follows:

• Article 23 - Notice of shareholders' meetings

The last paragraph is drafted as follows:

“The company is bound to publish a notice of the meeting in the Bulletin des Annonces Légales Obligatoires (BALO (Official publication for legal announcements)) containing the indications referred to in article 130 of the law of March 23, 1967, at least thirty-five (35) days before the date set for the shareholders' meeting.”

The remainder of the article is unchanged.

• Article 25 – Access to the meetings - Powers – Postal vote

The first paragraph is drafted as follows:

“All shareholders are entitled to attend the meetings and participate in the decisions, either personally, or via a representative, regardless of how many shares they own, upon simple proof of their identity and of the ownership of the shares on the register held by the company on the third working day before the meeting, at 00:00, Paris time.”

The remainder of the article is unchanged.

NINETEENTH RESOLUTION - Powers for formalities

The shareholders' meeting grants all powers to the bearer of a copy or an extract of the minutes of these decisions, in order to complete all legal publicity formalities.