

**MANAGEMENT REPORT PRESENTED BY THE  
MANAGEMENT BOARD FOR 2006 FINANCIAL YEAR**

**(based on the management report of the management  
board as of 12 March 2007)**

## **1 - BUSINESS OVER THE LAST FINANCIAL YEAR**

### **1.1. LNC SA. business and results**

LNC is a holding company whose shares have been traded on the Eurolist compartiment B market of Euronext Paris since 16 November 2006. It is tied to its foreign subsidiaries and operating companies by service agreements under which it manages and is responsible for the administration, book-keeping, tax and legal management of all business relating to foreign participations, plus the management of programmes, and the project management of property developments and their sale.

Key events for LNC SA in the financial year 2006 were:

- 7 April 2006, LNC SA and three French investors together bought out ZAPF, only 3.7% of the company remaining in original hands, and all partner advances for 12.6 million euro.

ZAPF GmbH is a Germany company whose core business is the manufacture, construction and sale of detached, prefabricated houses and garages. ZAPF builds and promotes new garages and mid-range homes.

- The Company raised 87 million euro when it was floated on 16 November 2006 and this, plus a simultaneous 4 142 839 euro capital increase together increased its equity to 14 802 169 euro.

In the financial year ending 31 December 2006, turnover totalled 26.725.615 euro and represented the billing of the cost of services to subsidiaries.

The financial year 2006 produced a profit of 9 555 762.64 euro (12 193 376 euro the previous year).

Dividends received by LNC SA from its subsidiaries totalled 6 254 106.24 euro.

The Company's shareholders' equity was 122 153 176 euro (37 512 272 euro in 2005).

### **1.2. Business and results for LNC SA, its subsidiaries and controlled companies**

#### ***Reservations***

In France, reservations grew 10% in value over 2005 in the conurbations of Paris, Lyons, Marseilles and Cannes/Nice. Non-investment buyer numbers rose even more sharply from 53% to 62% of all 2006 reservations in line with LNC SA's deliberate market positioning as builder of mid-range quality homes for first-time buyers.

In Spain, where LNC's presence is restricted to main homes, the number of homes reserved in the suburbs of Barcelona, Madrid and Valencia remained high in a stabilising market. Over 90% of Spanish homes reserved in 2006 were by non-investors. The Group's first commercial launch in Valencia was in spring 2006 with extremely satisfactory results.

In Germany, the purchase of 50% of Zapf, a builder/promoter, meant that LNC 's existing presence in Berlin and Munich could be extended to three additional major conurbations: Dusseldorf, Frankfurt and Stuttgart. The signing of the exceptional Netzaburg contract in July for the construction of 832 rental properties for NATO ended many of Zapf's reservations.

In addition to its housing business, Zapf is also the German leader in the sale of prefabricated garages and in 2006 turned in its best performance to date (9325 garages sold, +7% on the previous year).

The performances of the other subsidiaries in Lisbon and Jakarta are in line with Group forecasts. Reservations rose about 17%, thanks mainly to good commercial launches in Jakarta in the second half of the year.

LNC is also developing a commercial property business worth 63 million euro in 2006, (19 million euro in 2005).

#### **Reservations (housing and commercial property)**

<i>millions of euro gross</i>	<b>2006</b>	<b>2005</b>	<b>Change</b>
France	307	279	+10%
Spain	114	114	+0%
Germany*	181	43	+321%
Other	13	11	+17%
<b>Total</b>	<b>615</b>	<b>447</b>	<b>+37%</b>

\* Includes 50% of Zapf consolidated since 31 March 2006 (152 million euro).

Reservations are signed but unregistered commitments to purchase for which a security deposit has already been received and whose reconsideration date has expired. Figures are gross.

#### **Order book**

The order book was worth 572 million euro at 31 December 2006 and represents 15 months' business (14 months the previous year), growing + 36% in France and +72% abroad.

The major foreign gain is mainly owing to the signing by Zapf of the Netzaberg contract worth 96 million euro (LNC share) for delivery 2007-2008.

In Spain the order book was relatively stable in value terms (+3%) and ensures our Premier España subsidiary retains its high profile. The order book shows 19 months' business (based on 2006 sales).

#### **Order book at 31 December**

<i>millions of euro gross</i>	<b>2006</b>	<b>2005</b>	<b>Change</b>
France	275	203	+36%
Spain	129	125	+3%
Germany*	156	35	+342%
Other	12	13	-12%
<b>Total</b>	<b>572</b>	<b>376</b>	<b>+52%</b>

\* Includes 50% of Zapf consolidated since 31 March 2006, in the amount of 128 million euro

Order book: The French order book is total attributable signed residential sales not yet recognised in the accounts plus forecast turnover on reservations of residential homes where contracts have not yet been signed. Outside France, the order book is forecast turnover on residential homes reserved but not yet delivered. This includes the share attributable to co-promoters and partners in joint developments (35.8 million euro in 2006 and 27.9 million euro in 2005).

## **Property portfolio**

LNC maintains a just-in-time property policy intended to add value to development land it acquires as quickly as possible, without having to form property reserves.

At 31 December 2006 LNC's property portfolio at +60% represents 3 years' work based on 2006 turnover.

The significant growth in the property portfolio, to which the purchase of Zapf contributed little because of the nature of that company's business, is the result of dynamic development teams in all LNC companies and is a major source of growth for the Group.

<b>Development property portfolio at 31 December</b>			
<i>millions of euro gross</i>	<b>2006</b>	<b>2005</b>	<b>Change</b>
France	729	529	+38%
Spain	366	206	+77%
Germany*	181	76	+138%
Other	90	41	+120%
<b>Total</b>	<b>1 366</b>	<b>852</b>	<b>+60%</b>

\* Includes 50% of Zapf consolidated since 31 March 2006, in the amount of 32 million euro

The property portfolio is development land held mainly in the form of promises to sell subject to conditions precedent that allow LNC to plan future work. The portfolio is measured in terms of turnover potential by multiplying the number of development properties not yet reserved by the average net house price in the development.

## **Turnover**

The strong growth in LNC turnover in the financial year 2006 is primarily the result of high levels of sales abroad :

- in Spain, turnover rose 46% as the Premier España subsidiary continued its development ;
- in Germany, the purchase in spring of Zapf, a builder/promoter, 50% consolidated using the French proportional method since 31 March 2006, enabled LNC to quadruple its German turnover by comparison with 2005 ;
- turnover for LNC's other foreign subsidiaries increased by 4 million euro over 2005 thanks to larger deliveries in Lisbon.

With 48% of its turnover being produced abroad in 2006, compared with 30% in 2005, the Group is coming close to its target of having at least half of its business outside France.

### Simplified Income Statement

millions of euro	2006*	2005	Change
Turnover	457.9	323.4	+42%
OEAD**	52.1	30.3	+72%
<i>% of turnover</i>	11.4%	9.4%	
Non-recurrent items	8.3	-	-
Operating profit	60.4	30.3	+99%
<i>% of turnover</i>	13.2%	9.4%	
Net cost of debt	-9.9	-3.8	+161%
Pre-tax profit	50.5	26.5	+91%
Profits tax	-13.6	-5.5	+147%
Net profit	36.9	21.0	+76%
<i>% of turnover</i>	8.1%	6.5%	
Minority shareholders	-2.2	-1.6	+ 38%
<b>Attributable net current profit**</b>	<b>26.5</b>	<b>19.5</b>	<b>+36%</b>
<i>% of turnover</i>	5.8%	6.0%	
<b>Attributable net profit</b>	<b>34.7</b>	<b>19.5</b>	<b>+78%</b>
<i>% of turnover</i>	7.6%	6.0%	

Turnover for the financial year ending 31 December 2006 was published on 13 February 2007.

\*Zapf has been 50% consolidated since 31 March 2006

\*\* excludes non-recurrent items.

#### **Operating profit**

The vigorous growth in LNC's current operating income during the financial year 2006 is mainly down to the huge growth in the business of its two biggest foreign companies.

- In Spain, the operating income of the Premier brand improved by 10.6 million euro in 2006. The high operating margin was the result of the successful pricing of LNC-Premier developments and the structure of the income statement. Interest expenses are traditionally higher than in France because of the late calls for client funds;
- In Germany, current operating income rose 9.2 million euro over 2005. The purchase of Zapf enabled LNC to put its 2006 operating result into the black even before the positive effect the extraordinary Netzaberg agreement will have (deliveries 2007 and 2008).

Operating profit includes 8.3 million euro in other income from the recognition at fair value of the net assets and liabilities contributed by Zapf.

The effective tax rate is 32% (21% in 2005). This is mainly owing to the application of tax credits in 2005.

The rise in the cost of gross debt in 2006 was caused by:

- higher interest on borrowing (7.7 million euro, against 2.9 million euro in 2005). The average cost of borrowing was 4.5% ;
- fees and commission (4.6 million euro against 2.6 million euro in 2005). The fees mainly relate to the launch of new property programmes in 2006.

### Allocation of current operating income by country

<i>millions of euro</i>	<b>2006</b>	<b>2005</b>	<b>Change</b>
France	26.9	26.1	+3%
<i>% of turnover</i>	11.3%	11.5%	
Spain	19.9	9.3	+114%
<i>% of turnover</i>	24.1%	16.3%	
Germany *	6.3	-2.9	N.A.
<i>% of turnover</i>	5.0%	N.A.	
Other	-1.0	-2.2	N.A.
<i>% of turnover</i>	-8.9%	N.A.	
OEAD**	52.1	30.3	+72%
<i>% of turnover</i>	11.4%	9.4%	
Non-recurrent items	8.3	-	
<b>Total</b>	<b>60.4</b>	<b>30.3</b>	<b>+99%</b>
<i>% of turnover</i>	13.2%	9.4%	

\* Includes 50% of Zapf consolidated since 31 March 2006

\*\*Excludes non-recurrent items.

### Debt and cash flow

The 106.8 million euro change in WCR, which is entirely covered by self-financing capacity, the 81.3 million euro capital increase net of issue fees, and the higher level of debt, is the result of organic growth and the consolidation of Zapf.

The rise in net debt is caused by growth financing. The debt was directly generated by the WCR of current development programmes.

### Financial structure at 31 December 2006

<i>millions of euro</i>	<b>2006*</b>	<b>2005</b>
Non-current financial debt	130.9	94.5
Current financial debt	60.3	24.8
Total	191.2	119.3
Share of contributions from minority partners	- 8.2	-7.3
<b>Gross debt **</b>	<b>182.9</b>	<b>112.0</b>
<b>Cash position</b>	<b>91.5</b>	<b>83.3</b>
<b>Net debt</b>	<b>91.4</b>	<b>28.7</b>
<b>Restated net debt ***</b>	<b>58.3</b>	<b>15.6</b>
<b>Net debt over shareholders' funds</b>	<b>44%</b>	<b>29%</b>
<b>Net debt over restated shareholders' funds</b>	<b>28%</b>	<b>16%</b>

\*Zapf has been 50% consolidated since 31 March 2006

\*\* includes €53 million contributed by Zapf at 31/12/06

\*\*\* Includes €33.1 million in 2006 and €13.1 million in 2005 in securities held for trading and classed as current financial assets as required under the IFRSs.

### Cash flows

<i>millions of euro</i>	<b>2006*</b>	<b>2005</b>	<b>Change</b>
<b>Opening position**</b>	96.5	54.6	41.9
Self-financing capacity after cost of financing and tax	31.7	24.2	7.5
Change in WCR**	-106.8	6.9	-113.7
Operating cash flows	-75.1	31.1	-106.2
Capital increase net of issue expenses	81.3		81.3
Change in debt (inc. contributions by promoters)	32.8	21.7	11.1
Dividends	-5.9	-5.2	-0.7
Other flows	-4.9	-5.7	0.8
Closing position	124.7	96.5	28.2
<b>Change</b>	<b>28.2</b>	<b>41.9</b>	

\* Zapf has been 50% consolidated since 31 March 2006

\*\* Calculation after neutralisation of cash invested in financial assets (€33.1 million in 2006 and €13.1million in 2005) and after neutralisation of Zapf (€25.8 million WCR before consolidation).

### 1.3. Results of LNC SA, its subsidiaries and controlled companies

Companies	Business	% stake at 15/03/2006	Currency	Capital	Shareholders equity at 31/12/2006*	Carrying value of stake at 31/12/2006	Provisions for securities at 31/12/2006	Dividends received in 2006	Gross T/O last period	Current profit after tax last period	Year-end date	Loans / advances given
<b>A/ FRENCH</b>												
LNC Investissement SA	holding company managing stakes in all French property development companies	99.05	EUR	16 072 245	32 679 191	52 659 990	nil	3 184 773	nil	15 291 761	31/12/2006	0
<b>B/ FOREIGN</b>												
<b>Germany</b>												
Concept Bau Premier GmbH (Munich)	residential property development promotion	94.00	EUR	51 129	2 233 166	48 000	nil	nil	31 660 480	(319 602)	31/12/2006	0
Premier Deutschland GmbH (Berlin)		10.00	EUR	1 000 000	(1 080 128)	100 000	96 755	Nil	4 536 460	112 578	31/12/2006	0
ZAPF GmbH (Bayreuth)	manufacture, construction and promotion of prefabricated buildings (detached houses and garages)	50.00	EUR	732 100	25 397 168	291 300	0	0	184 026 894	(6 666 023)	31/12/2006	17 738 210
<b>Spain</b>												
Premier Espana (Barcelona)	Promotion, construction and sale of homes	99.90	EUR	5 312 994	16 995 727	6 407 678	nil	3 068 990	59 177 118	11 365 484	31/12/2006	nil

\* excludes share capital and profit for the period

Companies	Business	% stake at 15/03/2006	Currency	Capital	Shareholders equity at 31/12/2006*	Carrying value of stake at 31/12/2006	Provisions for securities at 31/12/2006	Dividends received in 2006	Gross T/O last period	Current profit after tax last period	Year-end date	Loans / advances given
<b>Portugal</b> LNC Premier Portugal Lda (Lisbon)	Promotion, construction and sale of homes	99.99	EUR	1 000 000	(155 064)	1 037 130	1 037 130	nil	6 849 500	(297 908)	31/12/2006	6 013 420
<b>Indonesia</b> PT Les Nouveaux Constructeurs Premier Real Property Indonesia (Jakarta)	Co-promotion property development of villages and detached homes	99.00	EUR	232 928	491 591	230 628	230 628	nil	4 421 530	(813 112)	31/12/2006	7 719 406
<b>Poland</b> Premier Polska (Warsaw)		99.99	EUR	1 044 114	0	1 050 401	17 241	nil	nil	(13 952)	31/12/2006	0

\* excludes share capital and profit for the period.

## 2 - PROGRESS MADE AND DIFFICULTIES ENCOUNTERED

2006 saw huge growth in current operating profit (+72%) and net current profit (+36%). The Group's financial solidity has been further strengthened by its stock market listing in November 2006.

Sales are good and reservations up 37%.

The potential for growth has been improved by 3 years of property portfolio business and a 15-month order book (14 months in 2005).

Current problems are:

- finding land in the right place at the right price and trying not to get caught up in rising land prices, and
- maintaining a balance between the cost of land and the cost of construction materials so as to maintain margins.

## 3 - RESEARCH AND DEVELOPMENT

Group activities are not dependant on trade marks, patents or licences since the Group uses the Les Nouveaux Constructeurs and Premier brands owned by LNC, plus the CONCEPT BAU München brand in Munich owned by its subsidiary, CONCEPT BAU GmbH.. Zapf GmbH owns the brand of the same name.

All LNC subsidiaries except CONCEPT BAU and Zapf are authorised to use LNC brands in their business.

The Group has no material R&D expenses.

Since its foundation the Company has developed a strong, well-known brand. Les Nouveaux Constructeurs is a brand associated with its logo and the slogan "We design spaces for living", both of which are filed as part of the brand name.

The Company has also created the PREMIER brand for innovative, top of the range property development programmes and for its international developments.

The purchase of CONCEPT BAU and Zapf in Germany has contributed two new brands to the Group.

The Group owns all its own brands, and the renewal and protection of these copyrights is managed by the head office Legal Department with the assistance of specialist consultants.

#### **4 - OUTLOOK**

The acceleration of business growth and the expansion of its order book and property portfolio mean that LNC can look to the future with confidence:

- organic turnover growth targets = at least 20% on average 2007 and 2008, based on an improved 2006
- around 50% of turnover to remain international in the medium term
- current operating margin to rise to 12.5% in 2008
- medium-term gearing to remain under 100%

#### **5 – SIGNIFICANT EVENTS OCCURRING SINCE THE END OF THE FINANCIAL YEAR**

On 19 February 2007 LNC purchased the Lyons-based promoter SOLIM, which contributed 750 homes in six current residential development programmes, plus another thirteen awaiting the normal permits. This represents potential (attributable) turnover of the order of 110 million euro net between 2008 and 2010.

LNC has consequently doubled its land portfolio in the Lyons region.

On 27 March 2007, Premier Polska signed its first land development agreement at Konstanynow near Lodz. The region has 2.4 million inhabitants and is in the middle of Poland where it will become part of Greater Warsaw. The 4-hectare building plot will yield around 330 apartments selling at an average 90 000 euro.

As part of the development of its garage business, at the end of March 2007 ZAPF acquired 94.5% of KESTING.

KESTING sells around 2500 garages year (about 8.5 million euro in turnover). The purchase extends ZAPF's geographic coverage in the north of Germany.

#### **6 - MAJOR PARTICIPATIONS ACQUIRED/COMPANY CONTROLS OBTAINED DURING THE PERIOD**

As part of its business reorganisation, at the beginning of 2006 LNC SA sold 90% of its stake in PREMIER DEUTSCHLAND to CONCEPT BAU.

On 7 April 2006 the Company acquired 50 % of Zapf, a German promoter and builder registered in Bayreuth that specialises in the manufacture and delivery of prefabricated homes and garages and water treatment plant. For the purchase LNC entered into partnership with a group of financial investors who own the remainder of the company.

At 31 December 2006 its turnover was 179.60 million euro.

The purchase for a symbolic amount constitutes a 10 million euro equity investment for the Group.

It has also quadrupled the Group's German turnover at the end of 2006 when compared with that for 2005.

In the second quarter of 2006 the Company contributed a partner advance to Zapf in the amount of 7.5 million euro to finance part of the NETZABURG agreement, a major deal clinched by Zapf for the construction and delivery of 830 prefabricated homes with garage for NORDICA and intended for the NATO armies stationed in Germany.

## 7 - PROPOSED ALLOCATION OF PROFITS

It is proposed that the 9 555 762.64 euro profit for the period be allocated as follows:

- Retained earnings brought forward	5 693 991.00 euro
- Profit for the current accounting period	9 555 762.64 euro
- Allocation to the legal reserve	414 283.77 euro
<b>Total distributable income</b>	<b>14 835 469.87 euro</b>

### Allocation of income

- 0.60 euro dividend per share i.e. a maximum dividend distribution equal to	8 881 301.40 euro
- Minimum retained earnings after distribution	5 954 168.47 euro
<b>Total</b>	<b>14 835 469.87 euro</b>

A recommendation will be made to the General Meeting of Shareholders to distribute a dividend of 0.60 euro per share.

The dividend is to be paid the week after the General Meeting of Shareholders held to approve the financial statements for the financial year ending 31 December 2006.

In the event that upon payment of the dividend LNC still holds a number of treasury shares, the dividend amounts not paid in respect of the treasury shares shall be allocated to retained earnings.

Pursuant to article 243 bis of the General Tax Code (CGI), the amount of distributed dividends and the tax credit for the last three financial years were as follows. It should be noted that these figures are before the nominal value of shares was divided by 7.5 :

	<b>Amount</b>	<b>Tax credit</b>	<b>Eligible for allowance?</b>	<b>Dividend paid</b>
2003	1 euro	0.50 euro	no	1.50 euro
2004	4 euro	nil	yes	4 euro
2005	4.50 euro	nil	yes	4.50 euro

All dividends paid, i.e. a maximum of 2 575 874.40 euro, are eligible for the 40% allowance mentioned in article 158(3)(2) of the General Tax Code.

## 8 - RESULT FOR THE LAST FIVE FINANCIAL YEARS

Pursuant to article 148 of the Decree of 23 March 1967, the chart of Company results over the last five financial years is annexed to this report.

## 9 - FISCALLY NON-DEDUCTIBLE EXPENSES AND CHARGES

The sum of 37 161 euro, which is the proportion of company car leases, has been added to the tax return pursuant to article 39-4 of the General Tax Code.

## 10 - MANAGEMENT BOARD AND SUPERVISORY BOARD

### 10.1 Mandates and duties of Company agents over the financial year just ended

Three directors sit on the Management Board.

**Olivier MITTERRAND**, the founder of LNC SA, has been Chairman of LNC SA in its current form with management and supervisory boards since 27 June 2003, and was reappointed by the Supervisory Board on 13 June 2006.

Within the LNC group he is Chairman/CEO of LNC Investissement, Chairman of Premier Investissement SAS, Premier Group Inc, LNC-US Inc, Chairman of the Zapf Supervisory Board, member of the Supervisory Board of Premier Polska, permanent representative of LNC SA, director of LNC Investissement, permanent representative of LNC SA, director of Premier Espana.

He is also Chairman of Maine Immobilier Inc, permanent representative of Parangon, director of Haviland SA and director of SIAM SA.

**Guy WELSCH** is a member of the Management Board and CEO (latest appointment since the Company changed its form to have a management and supervisory board : 27 June 2003 reappointed by the Supervisory Board on 13 June 2006).

He is also Chairman and director of PREMIER INDONESIA, Deputy CEO of LNC INVESTISSEMENT, member of the Supervisory Board of Premier Polska, Director of PREMIER Portugal, Director of CONCEPT BAU (LNC group) and Director of GW SARL, which company he controls.

**Patrick BERTIN** is a member of the Management Board (latest appointment since the Company changed its form to have a management and supervisory board : 27 June 2003 renewed by the Supervisory Board on 13 June 2006). He is also Chairman/CEO of HAVILAND SA, Director of PREMIER SARL and LNC APEX SARL (LNC group), and Director of PB SARL, which company he controls

There are nine members of the Supervisory Board.

**Philippe POINDRON**, Chairman of the Supervisory Board is an independent consultant in company formation, acquisition, restructuring, disposal and winding up and in the purchase of receivables portfolios and property assets.

He is also director and CEO of LNC-US Inc., director and CEO of MAINE IMMOBILIER Inc., director of PREMIER GROUP Inc., member of the Zapf Supervisory Board (LNC group) and Director of Elysées Immobilier.

**Pierre FERAUD**, Deputy Chairman of the Supervisory Board, is Chairman/CEO of Foncière EURIS.

He is also Chairman of the Board of Directors of Carpinienne de Participations, Chairman of Mermoz Kléber (SAS), director of Rallye SA, Mercialys and permanent representative of Finatis and Guichard-Perrachon, Matignon Diderot, Apsys International (EURIS group), representative of Foncière Euris, Chairman of Matigny Concorde, Marigny Belfort, Marigny Elysées, Marigny Expansion, Marigny Foncière, Matignon Abbeville, Matigny Bail and Matignon Corbeil Centre (SAS), representative of Matignon Abbeville, Chairman of Mat-Bel 1 and Mat-Bel 2 (SAS), Director of Centrum NS SARL, SNC Marigny Garonne, Alexanderplatz Voltairestrasse GmbH, Alexa Holding GmbH, Alexa Shopping Centre GmbH, SCI le Parc Agen Boe, SCI le Parc Alfred Daney, SCI Caserne de Bonne, SCI les Deux Lions, SCI les Halles des Bords de Loire, SCI Palais des Marchands, SCI Ruban Bleu Saint Nazaire, SCI Apsys Robert de Flers, representative of Foncière Euris, Director of SCI Sofaret, SCI les Herbiers, SCI Pont de Grenelle, SNC Alta Marigny Carré de Soie, representative of Marigny-Elusées, co-Director of SCCV des Jardins de Seine 1, SCCV DES Jardins de Seine 2, SNC Centre Commercial du Grand Argenteuil, representative of Marigny-Foncière, co-Director of SNC C.C.P.C (Centre Commercial Porte de Chatillon, representative of Matignon Abbeville, Director of Centruim K SARL and Centrum J SARL.

**Louis-David MITTERRAND**, member of the Supervisory Board, is the principal partner and Director of APARTIA SARL, an IT services company.

**Henri GUITELMACHER**, member of the Supervisory Board, is an advisor to Foncière Logement, Director of Société Auxiliaire de la Construction immobilière, member of the MEDEF statutory committee and Honorary Chairman of FNPF.

**Gérard MARGIOCCHI**, member of the Supervisory Board, is (salaried) head of operations at DTZ SA. He is also Chairman of the Board of Directors of DTZ Eurexi, director of DTZ SA, member of the Supervisory Board of DTZ Financière, Chairman of the Board of Directors of DTZ Consulting & Research.

**Agustin BOU**, member of the Supervisory Board, is a lawyer and partner in the JAUSAS law firm of Madrid and Barcelona. He is also director of BMA Asesoria de Inversiones, S.L, ABM Planoles S.L., B2AJM Holding S.L., JAUSAS Legal y Tributario S.L., JAUSAS Paseo de Gracia S.L. (Spain) and director of TECNIK INVEST S.L. (Romania).

**Thierry POTOK**, member of the Supervisory Board, is a manager and buyer of failing companies. He is also Director of ALKA SàRL, Director of DALKA GmbH (subsidiary of ALKA SàRL) and Director of Polaris Film Production & Finance.

**Michèle WILS**, member of the Supervisory Board, is director of CIPL and Vitry Coop (Gambetta group companies).

**Anne Charlotte ROUSSEAU**, member of the Supervisory Board, is a partner and director of CRECHE ATTITUDE (which sets up and manages creches).

Michel NEIMAN was a member of the Supervisory Board since 27 June 2003, reappointed by the General Meeting of Shareholders on 13 June 2006, and Deputy Chairman of the Supervisory Board until 28 November 2006. He submitted his resignation on 22 December 2006, which was accepted by the Supervisory Board on 19 January 2007.

## **10.2 Total remuneration and all benefits paid during the financial year to all Company agents**

### ***Supervisory Board***

33 000 euro in attendance fees were paid in 2006 to the three Supervisory Board members in post in 2005.

Fees paid to Philippe POINDRON for work done on behalf of LNC SA totalled 157 248.18 euro gross as follows: 18 550 euro gross for the US trip and 134 405 euro gross for the LNC takeover of the German company Zapf, plus 4 293.18 euro gross in expenses. This is a regulated agreement.

APARTIA, directed by Louis-David MITTERRAND, a member of the Supervisory Board, provides software services for the Group in France. During the financial year 2006 it invoiced 401 41 euro net. This is a current agreement with standard terms and conditions.

### **Management Board**

	<b>2006</b>
<u>Olivier MITTERRAND</u>	
- gross fixed remuneration	nil
- variable, performance-based remuneration	nil
- Retirement indemnity (gross)	100 000 euro
- foreign bonus based on 200 euro (175 euro in 2004) per day for travel in Europe and 500 euro a day for travel to the USA and Asia	nil
- two life insurances taken out for him (premiums)	3 952.90 euro
- supplementary health and personal accident insurance	1 854 euro

As of 1 January 2006, Olivier MITTERRAND no longer receives any fixed or variable remuneration from LNC in respect of his position as Chairman of the Management Board, a position he continues to exercise in full at the date of this document and notwithstanding the payment of his retirement pension rights.

Under the management agreement between LNC SA and PREMIER INVESTISSEMENT approved by the Supervisory Board on 25 April 2006, and the agreement replacing it approved by the Supervisory Board on 19 September 2006, PREMIER INVESTISSEMENT SAS, chaired by Olivier MITTERRAND, has been appointed to carry out a number of duties with the purpose of rationalising the organisation of the various economic entities in the LNC group. These duties are:

- external Group strategy and growth,
- search for new partners
- cash flow improvement
- brand organisation and protection.

The agreement calls for the rebilling of 90 % of the benefits and salaries, employer's social charges included, allocated by PREMIER INVESTISSEMENT to its chairman and the executives of PREMIER INVESTISSEMENT seconded to the above duties. A 10% net margin is added to the above 90%.

For the financial year 2006, PREMIER INVESTISSEMENT rebilled to LNC SA for Olivier MITTERRAND the amount of 20 000 euro per month for 1 January to 30 September 2006 in respect of his position as Chairman of the Management Board of LNC SA (180 000 euro) plus 41 257.33 euro as remuneration for the period 1 October to 31 December 2006, including social charges (221 257.33 euro in total net).

	<b>2006</b>
<u>Guy WELSCH</u> <ul style="list-style-type: none"> <li>- gross fixed remuneration</li> <li>- gross variable, performance-based remuneration (quantity: achievement of France profit targets and consolidated LNC targets after tax; and quality: involvement in development, contribution to major decisions and management of Company executives, steering of the Mandelieu development and contribution to LNC's commercial success) associated with French profits and the Group's consolidated profits</li> <li>- foreign bonus based on 200 euro per day for travel in Europe and 500 euro a day for travel to the USA and Asia</li> <li>- benefit in kind (company car)</li> </ul>	204 000 euro 66 250 euro  11 400 euro 4 222 euro
<u>Patrick BERTIN</u> <ul style="list-style-type: none"> <li>- gross fixed remuneration</li> <li>- gross variable, performance-based remuneration (quality: context, stability and effectiveness of the development team) and on the number of net land developments completed during the year.</li> <li>- foreign bonus based on 200 euro per day for travel in Europe and 500 euro a day for travel to the USA and Asia</li> <li>- benefit in kind (company car)</li> </ul>	141 000 euro 78 000 euro  1 000 euro  2 197 euro

There is no indemnity agreement covering the step down by Company agents for whatever reason.

### 10.3 Transactions by directors involving their shares in the Company

To the Company's knowledge and based on the information in its possession, at 31 December 2006 the members of the Management Board and the Supervisory Board had not traded any of their shares in the Company since it was listed on 16 November 2006.

## 11 - INFORMATION ON THE ALLOCATION OF THE COMPANY'S CAPITAL AND VOTING RIGHTS

To the Company's knowledge, the holders of more than 5% of the Company's share capital or voting rights at 31 December 2006 are:

Shareholders	Stake (%) at 31.12.06	% of voting rights held at 31.12.06*
Premier Investissement	61.77%	78.91%

\*takes account in particular of the 9 202 597 shares carrying double voting rights and is minus treasury shares.

At 31 December 2006, 65.62% of LNC SA was in the hands of the family of Olivier MITTERRAND. Premier Investissement is an SAS (simplified business association) 99.99% owned by Olivier Mitterrand and his children, and is headed by Mr Mitterrand who owns 63.28% of the capital, the remaining 36.72 % being owned by his 6 children. Depom (90% owned by Olivier Mitterrand) owns 533 295 shares (3.60%) in the company; Olivier MITTERRAND himself owns 0.25% of the share capital.

At 31 December 2006, LNC SA owned 300 040 of its own shares, 300 000 having been acquired in share option plans created to ensure the loyalty and sense of responsibility of directors and some of the Company's key executives. The purchases were made by the Management Board and were authorised by the shareholders on 27 June 2003 and 29 June 2004. The remaining 40 shares were acquired under a liquidity contract authorised by an EGM on 29 September 2006.

533 250 shares are owned by Premier Sarl, itself 99.98% owned by APEX Sarl, a company wholly owned by LNC SA (treasury shares).

Employee participation in the Company via a PEE (company savings plan) accounts for 0.24% of the share capital and 0.16% of the voting rights at 31 December 2006.

At 31 December 2006, share capital was worth in total 14 802.169 euro and was divided into 14 802 169 shares each with a nominal value of one (1) euro. This figure is the result of the capital increase without pre-emptive rights and a public issue - as part of an open-price offering and guaranteed global international offering in the total amount of 3 371 428 euro, plus a 71 28 60 euro share premium - of 3 571 428 new shares each with a nominal value of 1 euro. This was followed by a second capital increase without pre-emptive rights - after exercise by the global co-ordinators of their greenshoe option in the nominal amount of 535 714 euro plus a 10 714 280 euro issue premium - through the issue of 535 714 new shares each with a nominal value of 1 euro and finally by a third capital increase in the amount of 35 697 euro reserved for French employees and for the employees of Premier España, Premier Portugal and Concept-Bau Premier who are members of Company or international savings plans.

At 31 December 2006, the number of shares carrying double voting rights totalled 9 202 597 and the total number of voting rights was 23 164 016.

## **12 - SHARES BY-BACK PROGRAMME**

On 29 September 2006 the General Meeting of Shareholders authorised the Management Board to buy in Company shares worth up to 10% of its share capital for eighteen (18) months until 28 March 2008, and to reduce the share capital by cancelling shares previously bought over 24 months and worth up to 10% of the share capital.

On 20 December 2006 LNC SA thus signed a twelve-month liquidity contract with Rotschild & Cie Banque that is automatically renewable for successive twelve-month periods. This is in line with the AFEI code of ethics approved by the Autorité des Marchés Financiers on 22 March 2005.

When the agreement came into effect on 27 December 2006, 250 000 euro were allocated to the liquidity contract.

At 31 December 2006, 40 ordinary shares were in the liquidity account, giving an available balance of 249 176 euro.

### **13 - REPORT OF THE APPLICATION OF AUTHORITY TO EFFECT CAPITAL INCREASES**

As a result of the authorisation received from the Combined General Meeting of Shareholders on 29 September 2006, the Management Board decided on 15 November 2006 to effect a capital increase without pre-emptive rights and an open-price offering and guaranteed global international offering in the total amount of 3 571 428 euro, plus a premium of 71 428 560 euro per issue by issuing 3 571 428 new shares each with 1 euro nominal value and a price of 21 euro per share. On 20 November 2006 the Management Board announced the capital increase had been completed.

On 21 November 2006 the Management Board decided, having been so delegated by the Combined General Meeting of Shareholders on 29 September 2006, to effect a capital increase without pre-emptive rights - following the exercise by the global co-ordinators of their greenshoe option in the nominal amount of 535 714 euro, plus a 10 714 280 euro issue premium - by issuing 535 714 new shares each with 1 euro nominal value and a price of 21 euro per additional share. On 24 November 2006 the Management Board announced the capital increase had been completed.

At its meetings on 27 October 2006, 3 November 2006 and 15 November 2006, the Management Board, having been so delegated by the 29 September 2006 Combined General Meeting of Shareholders, decided in principle to effect a capital increase in the maximum nominal amount of 92 592 euro by issuing up to 92 592 new shares, each with a nominal value of 1 euro, to be reserved for French employees and the employees of Premier España, Premier Portugal and Concept-Bau Premier who are members of Company or international savings plans. The subscription price was set at 16.80 euro per share. On 15 December 2006 the Management Board noted that 35 697 new shares reserved for employees had been subscribed and that there had been a resulting rise in share capital which now stood at 14 802 169 euro.

### **14 - PROVISIONS IN THE ARTICLES OF ASSOCIATION AND OTHER PROVISIONS THAT MIGHT IMPACT PUBLIC OFFERINGS PURSUANT TO ARTICLE L. 225-100-3 OF THE COMMERCIAL CODE**

#### **14.1 Capital structure and allocation (see point 11 above)**

#### **14.2 Restrictions in the Articles of Association on the exercise of voting rights and shareholder agreements**

There is nothing in the Articles of Association limiting the exercise of voting rights attaching to shares or temporarily prohibiting the sale of registered shares apart from the retention commitment given when the Company was listed (see below). To the Company's knowledge there are no agreements relating to at least 0.5% of the shares or voting rights and establishing pre-emptive rights of sale or purchase.

The Company has entered into no agreement that must be amended or terminated if control of the Company should change hands.

#### ***Shareholder agreement***

On 29 July 2005 the following shareholders entered into an unregistered collective agreement to retain their shares in LNC in line with the requirements of article 787 B of the General Tax Code. The agreement was later registered on 16 August 2005. The parties to the agreement were:

Olivier Mitterrand, PREMIER INVESTISSEMENT controlled by Olivier Mitterrand and his six children (Louis-David Mitterrand, Marie Martin née Mitterrand, Guillaume Nadd-Mitterrand, Antigone Mitterrand, Moïse Mitterrand, Maël Mitterrand) and DEPOM controlled by Olivier Mitterrand.

Under the terms of the agreement Olivier Mitterrand on behalf of his 5019 shares, PREMIER INVESTISSEMENT on behalf of its 194 112 shares, DEPOM on behalf of its 5 shares and the other parties on behalf of the one share they each own, together totalling 84.37 % of LNC,, which portion of share capital was at the time divided into 1 421 244 shares each with a nominal value of 7.5 euro and together worth 10 659.330 euro, gave an undertaking on their own, their beneficiaries' without charge, their heirs', donees' and legatees' behalf that they would retain all or part of the shares they own for at least two years in order that they might benefit from article 787 B of the General Tax Code.

There are no other shareholder agreements affecting the shares in the Company.

### ***Undertaking to retain LNC SA shares after Company listing***

Following the stock market listing of LNC SA, Olivier Mitterrand, SC DEPOM and PREMIER SARL entered into a guarantee contract on 15 November 2006 whereby they undertook not to transfer directly or indirectly their shares in the Company before 15 November 2007 inclusive.

Guy Welsch and Patrick Bertin, both members of the Management Board, gave the same undertaking until 19 May 2007 inclusive.

### **14.3 Rules on the appointment and replacement of Management Board members and on the amendment of the Articles of Association**

Articles 11, 12 and 13 in the LNC SA Articles of Association set out the rules for appointing and dismissing members of the Management Board.

The Company is run by the Management Board that is supervised by the Supervisory Board.

The Management Board has at least two (2) and at most five (5) members who are appointed by the Supervisory Board. This number may be increased to seven if the shares in the Company are admitted to trading on a regulated market.

If a seat falls vacant, the Supervisory Board must within two months change the number of seats on the Board or fill the vacancy.

If share capital is less than 150 000 euro, the Supervisory Board may appoint just one person, who shall carry the title of Chief Executive Officer, to carry out management board duties.

All provisions in the present Articles of Association referring to the "Management Board" shall also apply to the Chief Executive Officer unless specifically applicable to a collegiate Management Board only

Management Board members must be individuals but need not be shareholders.

They are appointed for terms of three (3) years expiring at the end of the Annual Ordinary General Meeting of Shareholders held to receive the financial statements for the financial year just ended.

They may be re-elected.

Persons may not be elected to the Management Board if over the age of seventy (70). Management Board members who have reached this age shall be deemed to have resigned at the end of the first meeting of the Supervisory Board after their seventieth birthday.

Management Board members may be dismissed by Ordinary General Meetings of Shareholders or by the Supervisory Board.

Dismissal from the Management Board shall not terminate employment contracts (if any) with the Company.

Internal Management Board regulations contain nothing on the appointment or dismissal of Management Board members.

Rules as to the amendment of the Articles of Association are those normally applying under the law and current regulations.

#### 14.4. Authority of the Management Board to issue or buy in shares

Table of delegated authority and authority to effect capital increases (in course of validation).

Authorisation date	Amount	Pre-emptive rights	Take-up	Method	Authority expiry
29 September 2006 Combined General Meeting	5 million		Nil	Capitalisation of gains, reserves and premiums	28 March 2008
29 September 2006 Combined General Meeting	15 million	Retained	Nil	Issue of new shares and other securities	28 March 2008
29 September 2006 Combined General Meeting	15 million euro	Cancelled	15 & 20 Nov 2006 Mgt Boards up to € 3 571 428	Issue of new shares and other securities	28 March 2008
29 September 2006 Combined General Meeting	15% of initial issue	Retained or cancelled	21 & 24 Nov 2006 Mgt Boards up to € 535 714	Extension	28 March 2008
29 September 2006 Combined General Meeting	15 million euro	Cancelled	Nil	Securities swap	28 March 2008
29 September 2006 Combined General Meeting	10% of capital	Cancelled	Nil	Contribution in kind of securities	28 March 2008
29 September 2006 Combined General Meeting	1.5 million euro	Cancelled to employees' benefit	15 Dec. 2006 Mgt Boards up to € 35 697	Reserved for employees signed up to PEE	28 March 2008
29 September 2006 Combined General Meeting	400 000 shares	Cancelled to benefit of employees and Company agents	Nil	Share subscription/purchase options	28 March 2008
29 September 2006 Combined General Meeting	10% of capital	Cancelled to benefit of employees and Company agents	Nil	Allocation of free shares	28 March 2008

On 29 September 2006 the Combined General Meeting of Shareholders also voted the Management Board the authority for 18 months, to trade up to 10% of the shares in the Company and up to 35 million euro on and off the stock market in compliance with articles L 225-209ffs of the Commercial Code and of articles 241-1ff of the French Stock Exchange Commission "AMF" general regulations, primarily in order to :

- make a market for the shares as required by the liquidity contract signed in accordance with the AFEI code of ethics with an independent investment service provider;
- issue shares or share options to Company and/or Group employees and executives in compliance with the law;
- set aside shares so that they can be given in exchange or payment for external growth;
- transfer them when options are exercised that give rights to the immediate or future attribution of shares in the Company;
- cancel all or part of the shares to improve cash flow management or the yield on equity and income per share, subject to the General Meeting of Shareholders specifically voting in favour of such action;
- more generally carry out any other operation allowed under current regulations.

Said authorisation was applied in the liquidity contract described under point 12 above.

## **15 - HOW THE COMPANY TAKES ACCOUNT OF THE SOCIAL AND ENVIRONMENTAL IMPACT OF ITS ACTIVITIES**

### **15.1 Environmental impact of the Company's activities**

This is one of the problems on which most international attention is currently focused – not surprisingly since it involves the future of our planet and our descendants – and it is attracting increasing interest from ordinary citizens. The expectations and anxieties of civil society are forcing property professionals to re-think both their concept of 'habitat' and their energy policies to take account of energy efficiency and renewable energy.

We as a Group believe that social responsibility demands attention to sustainable development, which needs to become an integral part of all human activity.

LNC is determined to construct living spaces that respond to these new demands, and meet market expectations better (the way family structures are changing, for example). We have resolved to take the quality of the environment into consideration in all our promotion and building activities and to work with architects, firms and communities to develop environmental programmes.

As far as housing is concerned, we have always striven to produce quality buildings that will satisfy the expectations of our customers who are investing in a costly and lasting acquisition that is essential to their family's well being. Now, as well, we are determined to rise to the challenge of safeguarding the environment and the health and comfort of residents.

Changes in the international context are being reflected in France by an avalanche of regulations and licences. As time goes by, these measures, intended to improve the quality of life, are being translated into standards, regulations, licences and quality marks.

Changes in regulations chiefly take the form of standards and rules for geothermal energy (RT 2005), environmental diagnostics and disability regulations.

The Group's 'High Environmental Quality' (HQE) activities include:

- setting up an environmental quality management system, taking environmental problems into account at the first stages of a development programme, optimising choices at every stage in the project, checking the appropriateness of decisions and ensuring the Group's undertakings are met ;

- making appropriate architectural and technical choices so as to implement the Group's determination that all its buildings should be durable, comfortable, healthy and environmentally friendly.

These measures are connected with LNC's application for ISO 9001 certification, which was renewed in November 2003 and again in July 2006, with the stress on quality management, customer satisfaction and continual improvement in Group know-how.

LNC's three environmental priorities are:

- energy management,
- quality of materials,
- environmental constraints.

### **1/ Energy management**

LNC has defined a prioritised list of environmental targets together with energy efficiency levels which will enable it to assess environmental impacts and the consequent reduction in charges.

A number of quality marks going beyond regulatory requirements appeared in 2006 and we are using them as reference points in our tenders ('HPC' quality mark for high energy efficiency; 'THPC' quality mark for very high energy efficiency).

For the time being (2006) LNC has decided not to go beyond regulation RT 2005 unless required to do so by developers' specifications. LNC is currently assessing the impact of these changing construction costs on all its sites.

### **2/ Quality of materials**

All technical and descriptive specifications for all building trades are being updated by each technical manager in the light of regulations. In particular, the choice of materials is subject to environmental reviews which are included in the project file at the end of operations.

The risk is that completed works, or parts of works, may not meet the latest regulations. This relates mainly to choice of paints, adhesives and floor coverings.

Quality Assurance monitors projects from the technological point of view and Customer Services regularly report on and circulate new provisions.

### **3/ Environmental constraints**

The principal constraints are from new local demands relating to user comfort: regulations on removal of pollutants (law of 02/02/1995), prevention of natural technological hazards (law of 30/07/2003, law of 17/07/2001 on rescue archaeology, fire safety, regulations on lead, paint, pipework, presence of asbestos, survey requirements, creation of compulsory building surveys when selling any kind of dwelling, disabled access law of 2005, new soundproofing regulations (NRA) and related orders, etc.

Of LNC's current projects in France, three are following High Environmental Quality (HQE) standards. The Group's target is to execute at least one HQE project per programme manager per year.

Local communities are increasingly tending to impose their own tools for this and are making responses to their 'land sale specifications' conditional on developers complying with HQE standards and the "Environment and Habitat" standard. The latter was developed by CERQUAL and attracts a quality mark from QUALITEL.

From 2006, every French programme manager will be asked, as a first step, to implement one or more programmes that comply with either the HQE or 'Habitat and Environment' standard.

## 15.2 Social aspects

### 15.2.1 Workforce

At 31 December 2006, the Company's workforce totalled 182. The Group's workforce at 31 December 2006 numbered 1,304.

The following table shows the distribution of the workforce at 31 December 2006 :

Site	Executives	Employees	Total
<b>France</b>	<b>109</b>	<b>73</b>	<b>182</b>
head office	31	18	49
development	12	2	14
DP Paris	8	6	14
Noisy-Le-Grand	10	8	18
Franconville	9	6	15
DP 4 Ile de France	5	3	8
DP commercial property	3	1	4
Lyon	9	12	21
Marseille	12	10	22
Valbonne	10	7	17
<b>Spain***</b>			<b>54</b>
Barcelona			24
Madrid			25
Valencia			5
<b>Portugal***</b>			<b>11</b>
<b>Germany</b>			<b>1017</b>
Berlin			15
Munich			25
Bayreuth (ZAPF)**			977
<b>Indonesia</b>			<b>40</b>
<b>Total</b>			<b>1304</b>

\*\*\*The distinction between 'executive' and 'employee' is not the same as in France.

In 2006 the Group took on 32 new members of staff in France, of whom 17 were executives. LNC also took on two young professional trainees. The foreign subsidiaries (not including ZAPF) took on 37 new members of staff. A total of 26 members of staff left the Group (not counting ZAPF) in 2006.

Temporary staff in France represented a 'full-time equivalent' of 1.19 persons in 2006. The Company uses temporary staff mainly to cover for absence and during temporary surges in activity.

The Group accepted 15 persons on work experience.

In France the Company is a party to the collective agreement with the Fédération Nationale de la Promotion Construction made on 18 May 1988.

### **15.2.2 Organisation and duration of working hours**

An agreement on the organisation and reduction of working hours was made for the French business in August 2000. It was agreed with staff representatives that for most staff, the average weekly working hours should be reduced from 39 to 38 (the sales force is on 35 hours).

At 31 December 2006 the Company had 5 part-time employees, i.e. 2.8 % of the total workforce.

### **15.2.3 Salaries**

In 2006 the average annual LNC salary in France was € 101 535, and the average Group salary (not including ZAPF) was € 83 709 (€ 64 888 including ZAPF). (These totals include employer's social security contributions.)

### **15.2.4 Staff and trade union representation**

In 1996 the Company set up a system of single representation in France, whereby members of the Works Council also act as staff representatives. This 14-member Council was extended in April 2006 for four years. No trade union is represented and there are no trade union delegates.

The foreign subsidiaries have no representative institution except for Zapf GmbH, which has a 13-member plant council (*Betriebsrat*). This council works in a similar way as staff representatives in French law. No trade union is represented at Zapf.

### **15.2.5 Health and safety**

In France, only the head office in Paris, Tour Montparnasse, has more than 50 employees. It has therefore been endowed with a Health, Safety and Working Conditions Committee. The committee was renewed in May 2006 and has 3 members; it meets quarterly and is attended by the workplace doctor.

### **15.2.6 Social policy**

Social policy and HR management is a central priority for LNC. The policy is reviewed annually by Human Resources in the light of the 5-year plan, then validated by the Management Committee and communicated to employees in France and in the foreign subsidiaries. Human Resources is then responsible for developing and implementing this strategy through local representatives in the subsidiaries.

The policy has 4 cornerstones:

- motivate and involve employees at a high level
  - quality management
  - targets defined and shared
  - good internal communications and feeling of corporate identity
  - generalised variable remuneration used as motivator
- perpetuate and develop know-how
  - quality recruitment
  - staff progress reviews
  - professional training and development
  - priority given to internal promotion
  - stable teams
- commitment to external 'sampling' and employee opinion polls
- control staff numbers and budgets

Expenditure on training in France in 2006 was 1.8% of gross payroll. The training effort in 2006 was distributed as follows: commercial 26 %; foreign languages 23%; team management 18 %. The remainder was allocated mainly to technical training and individual knowledge upgrades. The broad lines of the Company's training plan are laid down by the management and through annual assessment interviews attended by all employees. The Company's foreign subsidiaries follow the same broad strategy.

Alongside traditional training, the Company also has a well-established know-how transfer policy based on transverse meetings between different specialisations (commercial, technical, programme management, administration and accounting, management) in both France and the foreign subsidiaries. This makes an important contribution to cross-fertilisation between different specialisations, methods and tools from site to site.

The Company also has a special partnership with an internationally famous HR consultancy, which supports and advises the Company on its remuneration policy for top executives, its training and professional development strategies, and performs employee commitment and salary audits.

The Company supports apprenticeships and job opportunities for young graduates (15 training courses in the French teams in 2006). It also applies anti-discrimination rules of all kinds and at all levels of HR management.

HR is also part of the ISO certification process in France and this was renewed in 2006. Key quality indicators (recruitment, employee turnover, promotion rates, training, absenteeism, etc.) are regularly measured against the targets in the annual plan.

#### **15.2.7 Company welfare**

Subsidies paid in France in 2006 in France totalled € 31,520, plus the working budget for the Works Council which was € 21,013.

#### **15.2.8 Incentive schemes and participation**

##### ***Participation***

The Company has no participation agreement at present.

##### ***Incentive schemes***

In 2001 the Company set up a profit-sharing agreement for the benefit of its employees in France, which was renewed up to 2006. The distribution of these shared profits is equitable and depends on the actual working time put in during the relevant year. The overall ceiling is 10 % of the gross pay of the beneficiaries.

In Spain, Premier Espana has had a '*plan de pensiones*' since 2002, which also distributes part of the profits to the subsidiary's employees. The amount is based on the pre-tax profits so long as they represent at least 90 % of the forecast profits in the subsidiary's annual plan. The profit share is distributed among the eligible employees (at least one year's seniority at the end of the relevant year) in proportion to their gross annual salary. The money is paid into a 'Plan de Pensiones' with La Caixa.

#### **15.2.9 Company and Group savings plans**

A company savings plan (the 'PEE') was agreed on 20 March 2003. Its aim is to enable LNC employees to share in a collective securities portfolio and so benefit from the tax advantages of this method of saving. At present the PEE is funded from the employees' profit share. LNC bears the accounting costs and does not supplement the employee contributions.

A Group Savings Plan (the 'PEG') was started when the Company was first listed on the stock market. The following foreign subsidiaries joined : Premier Espana, Premier Portugal and Concept Bau-Premier. It was funded from shares purchased through the Employee-Only Offer in November 2006.

Both the PEE and the PEG are managed by Crédit Agricole Epargne Salariale.