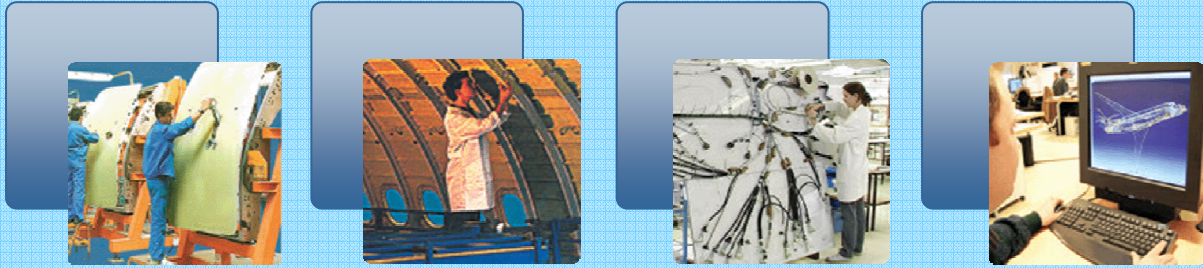


# ***GROUPE LATECOERE***



2009

Registration document

# SUMMARY

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### Visa of the French Financial Markets Authority (AMF)

This document is an unofficial translation of the French "document de référence" which was filed with the French Financial Markets Authority (AMF) on June 11, 2010 under registration number R.10-043, in accordance with the AMF's General Regulation, and in particular its Article 212-13. This unofficial translation has been prepared by Latécoère for informational purposes only and has not been reviewed or registered with the AMF. The French "document de référence" may be used for purposes of a financial transaction if supplemented with an offering memorandum ("note d'opération") which has received a visa from the AMF. The French "document de référence" was prepared by the issuer and its signatories are responsible for its content. In the event of any ambiguity or discrepancy between this unofficial translation and the French "document de référence", the French version shall prevail. The registration of the French "document de référence", in accordance with the provisions of Article L. 621-8-1-I of the French monetary and financial code (Code monétaire et financier), was carried out after the AMF had verified *"if the document is complete and comprehensible, and if the information which it contains is consistent"*. This doesn't involve the AMF's authentication of the accounting and financial items presented.

Copies of the French "document de référence" are available without cost at the registered office of the Latécoère S.A. Company, 135, rue de Périole, 31500 Toulouse, France. The French "document de référence" may also be consulted on the web site of the Financial Markets Authority (AMF) ([www.amf-france.org](http://www.amf-france.org)) and on Latécoère S.A.'s web site ([www.latecoere.fr](http://www.latecoere.fr)).

## Message from the Chairmen



**François Bertrand**  
Chairman of the  
Management Board



**Jean Claude CHAUSSONNET**  
Chairman of the Supervisory Board

Since its initial public offering in 1985, our Group has profoundly changed. Latécoère has progressively imposed itself as the necessary partner of all the major world aircraft manufacturers and today we have unique know-how in the production of aircraft fuselages and doors, in onboard wiring (through our subsidiary LATelec), as well as in services and engineering dedicated to the aeronautical sector thanks to LATecis.

Following six years of continuous growth which have allowed us to go from revenue of €168 million in 2002 to revenue of €580 million in 2008 (excluding non-recurring items), the cyclical downturn of the aeronautical sector weighed on the Group's business in 2009. The commercial aircraft series production rates have generally held up well, although they haven't succeeded in offsetting the strong drop in regional and business aircraft delivery rates. Thus, our Group posted 2009 revenue of €449 million, down by 22.4% compared to 2008 excluding non-recurring items (-18.4% at constant exchange rates and scope). In fact, Latécoère strengthened its "Challenge 2011" ("Défi 2011") progress plan, aiming to lower its fixed costs base, to optimize its organization, to reduce its production cycles and to adapt its structure to an undervalued dollar for the long-term. These steps began to take effect in 2009 through the reduction of our staff and the reorganization of our manufacturing sites, and will fully bear fruit in 2010/2011. Thus, in the context of a sudden stall in activities related to business and regional aviation, the current operating result, which reflects the economic performance of the Group, remained positive at €10 million.

Two non-recurring items which didn't have an incidence on immediate cash position, affected, however, the result of our Group which in 2009 posted an operational loss -€102.8 million, causing a net loss for the Group of -€91.2 million.

- ▶ First of all, this relates to a dispute which arose at the end of the year regarding the terms of performance of a business jet contract. As the Group has not yet been able to reach an acceptable compromise, in its 2009 financial statements Latécoère recognized a €69 million depreciation covering all of the losses to come over the term of this contract.
- ▶ The second item is related to the reappraisal of the USD/EUR exchange rate retained for the long-term in order to assess the savings of the programs followed in construction contracts. Out of prudence and in accordance with benchmarked practices in the sector, we have chosen to assume a long-term USD/EUR exchange rate of 1.35 compared to 1.25 previously used. The impact on the year is a €44 million depreciation charge to account for the future losses of certain construction contracts.

In an extension of the profit warning of December 10, 2009, Latécoère held discussions with its banks in order to restructure its financial debt to align it to its financing capacity, which has been impaired by the combined effects of the cyclical downturn, the weakness of the US dollar against the euro and delays in major programs launched over the past few years by manufacturers.

On that occasion, we asked for the temporary suspension of trading of Latécoère shares so as to protect the shareholders during the negotiations. As we were aware of the inconvenience and the concern that this could cause, we have insisted on adopting a tight schedule for these discussions to ensure a resumption of trading as soon as possible on the basis of clearer future prospects, which has been done since May 21, 2010 following the agreement reached with the banks.

Today, at the close of constructive discussions during which we sought to reassure all our partners:

1. The Group's financial structure has been strengthened by the conversion of €71.5 million of existing bank debt into five-year convertible bonds. These bonds will be convertible starting on the second anniversary of their issue, on the basis of one share of Latécoère stock at a value of €10, which is significantly higher than the share price at the time trading was suspended (€5.70);
2. Its liquidity has been ensured until the end of 2011;
3. The period of hedge cover of its dollar risk has been extended until the end of 2012.

All of these steps, through which the banks demonstrate their confidence in the Latécoère Group and their willingness to assist it, make up a consistent whole which responds to the needs of the firm and ensures it clarity.

This first step, which gives our Group a second wind, will now allow us to devote ourselves to our search for industrial and financial partners in order to shore up the Group's shareholders equity and to comfort our position as a first-class partner of aircraft manufacturers. The Group may now face its future with greater serenity and can rely on motivated employees, who have demonstrated their attachment to Latécoère, their involvement and their solidarity during a difficult period.

On June 25, 2010 an extraordinary general meeting will be held to ask the shareholders to approve resolutions which will enable the implementation of the negotiated restructuring of the debt: on the one hand, the issue of convertible bonds, subscribed by the lending banks for an amount of €71.5 million, and on the other hand, the issue of common shares and/or securities giving access to the capital of the Company with preferential subscription rights to limit the effects of dilution. In this spirit of protecting the interests of the Group's shareholders, the Management Board intends to allocate free share warrants (BSA) to all shareholders, each two existing shares they already own permitting them to subscribe to one new share at a price of €10 per share during the conversion period of the convertible bonds subscribed by the banks. Finally, the shareholders will also be asked to approve one last resolution aimed at strengthening employee shareholding, which is a strong component of our corporate culture.

With an order book of €2.1 billion, which represents more than four years of revenue, the Group expects a progressive improvement of its activity in 2010, allowing it to anticipate revenues in line with 2009 and a return to growth, while the lowest point of the downturn cycle seems to have been reached. In the longer term, our Group won major contracts on the Airbus A350 program and continued its Research & Technology activities so as to maintain its technological advance in a certain number of advanced sectors, in particular those linked to the use of composites in the aeronautical sector.

Following a year 2009 essentially devoted to the Group's restructuring, we are now ready to face new challenges which are looming on the horizon and to play a determining role in the consolidation of the aeronautical sector. The entire Management team is now mobilized with an unbroken ambition to strengthen the firm's financial situation and to reestablish its major economic equilibria, in order to increase the value of shareholder assets and to reinforce the unique competitive positioning of our Group.

# 1 PRESENTATION OF THE GROUP AND ITS ENVIRONMENT

## 1.1 Key figures

The key figures presented were taken from the IFRS financial statements published in respect of the years 2007, 2008 and 2009, and established in compliance with the IFRS system of reference IFRS as published by the IASB and adopted by the European Union.

### Summary Income Statement

<i>In millions of euros</i>	2009	2008	2007
<b>Revenue excluding non-recurring items</b>	<b>449,5</b>	<b>579,5</b>	<b>489,3</b>
Aerostructures non-recurring items*	-	104,4	
<b>Revenue</b>	<b>449,5</b>	<b>683,9</b>	<b>489,3</b>
<b>Current operating result</b>	<b>10,1</b>	<b>31,9</b>	<b>39,1</b>
Completion losses** recognized on			
- business jet dispute	-68,8		
- reappraisal of the €/ \$ long-term exchange rate	-44,1		
<b>EBIT</b>	<b>-102,8</b>	<b>31,9</b>	<b>39,1</b>
<b>Financial result</b>	<b>-3,7</b>	<b>-41,9</b>	<b>-14,7</b>
<b>Net result Group share</b>	<b>-91,2</b>	<b>-6,7</b>	<b>18,0</b>

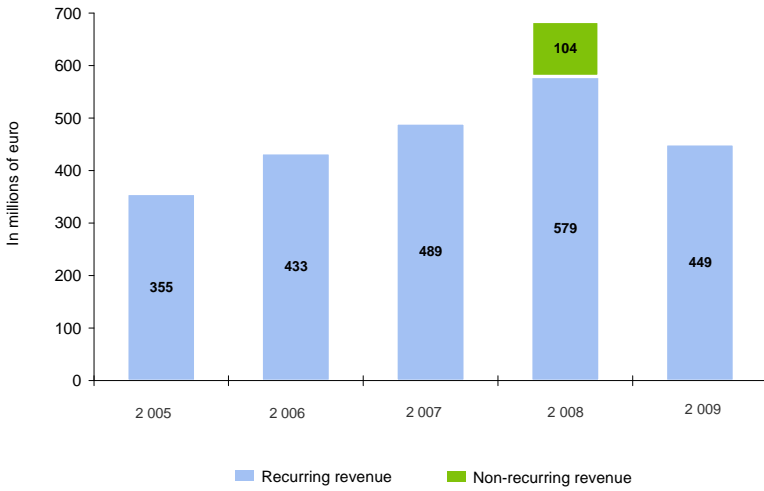
\* Invoking in 2008 of development work (€ 104.4 million)

\*\* non-cash items

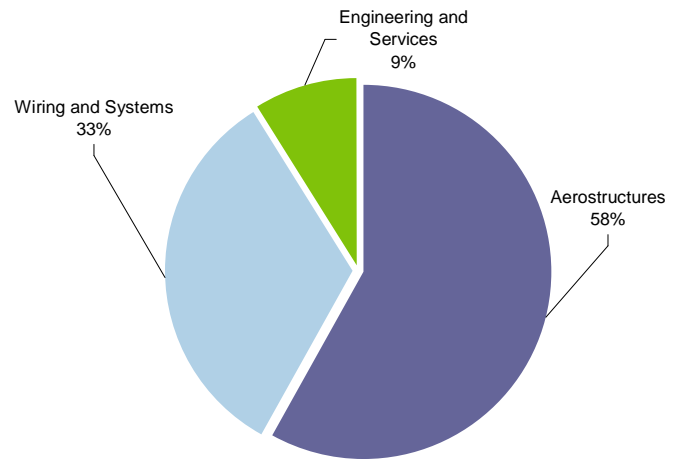
### Summary Balance sheet

<i>In millions of euros</i>	Dec 31, 2009	Dec 31, 2008	Dec 31, 2007
Intangible and tangible assets (including goodwill)	101,0	100,7	99,4
Deferred tax assets	12,3	6,0	0,0
Inventories	456,4	562,8	643,3
Accounts receivable	109,3	188,5	155,8
Financial Instruments	22,6	5,1	45,8
Other assets	19,3	14,3	14,1
Cash & Cash Equivalents	9,8	19,9	57,1
<b>TOTAL ASSETS</b>	<b>730,7</b>	<b>897,3</b>	<b>1015,5</b>
Shareholder's Equity	143,9	221,2	258,6
Loans and bank borrowings	369,0	356,0	434,0
Refundable Advances	50,4	58,8	71,0
Financial Instruments	4,2	23,8	1,0
Accounts payable	121,2	215,2	212,8
Other liabilities	42,0	22,3	38,1
<b>TOTAL SHAREHOLDER'S EQUITY &amp; LIABILITIES</b>	<b>730,7</b>	<b>897,3</b>	<b>1015,5</b>

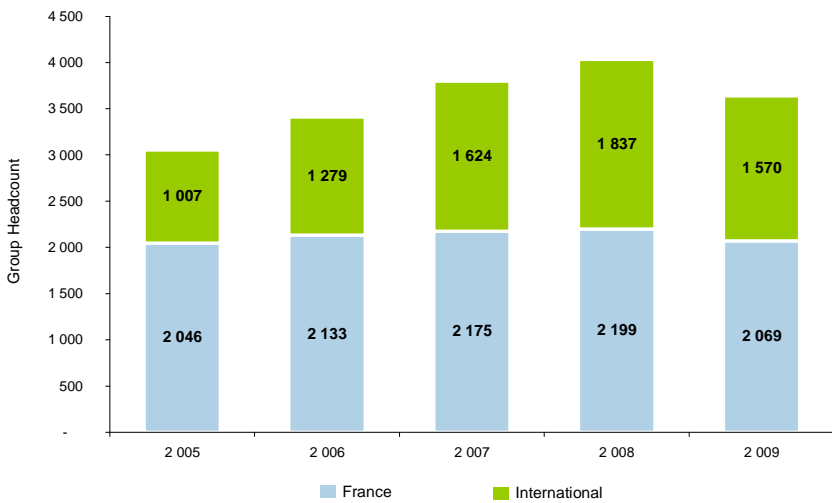
**CHANGE IN GROUP REVENUE (In millions)**



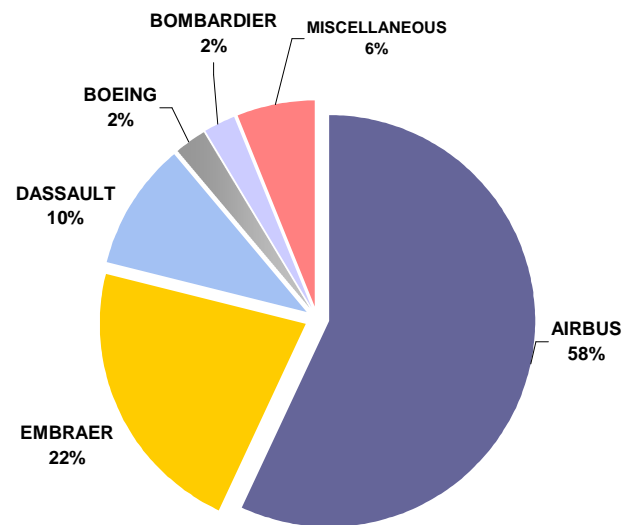
**BREAKDOWN OF REVENUE BY BUSINESS IN**



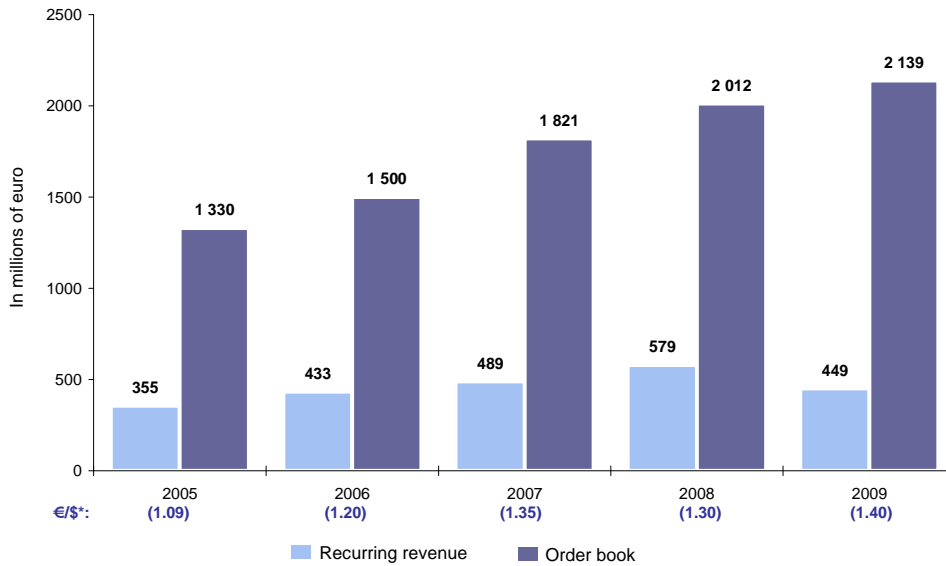
**CHANGE IN HEADCOUNT REGISTERED TO THE GROUP**



**BREAKDOWN OF REVENUE BY CUSTOMER IN 2009**

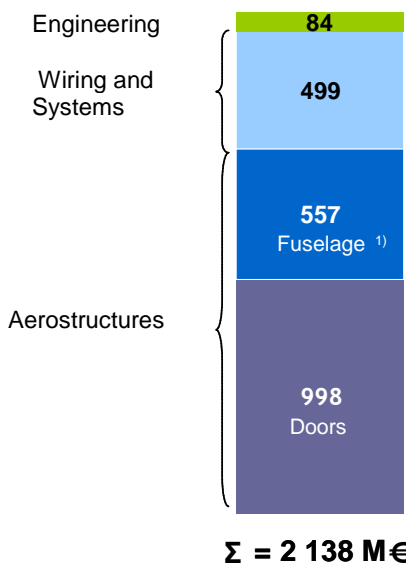


**CHANGE IN REVENUE AND ORDER BOOK**



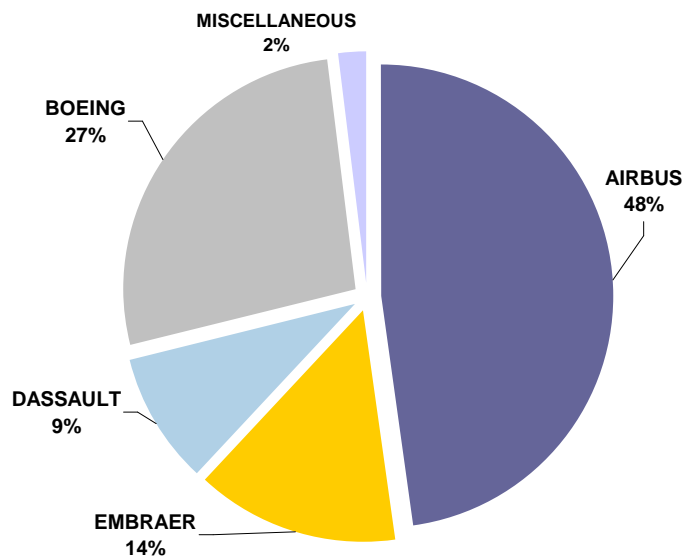
\* Annual exchange rate used for the valuation of the order book

**ORDER BOOK BY BUSINESS AT 12/31/2009**



1) yc 82 M€ Other

**ORDER BOOK BY CUSTOMER AT 12/31/2009**



## 1.2 Presentation of the LATECOERE Group

### 1.2.1 History of the Group



Founded in 1917 by Pierre Georges LATECOERE, the Latécoère Company is at the origin of the establishment of the aeronautical industry in the Toulouse, France region. Manufacturer of its own aircraft until the 1950s, Latécoère offered France 31 world records and one of the greatest

human adventures of the century with the creation of the Latécoère lines where prestigious pilots like Mermoz, Saint-Exupéry or Guillaumet illustrated themselves.

Rich in experience as an aircraft manufacturer, the Latécoère Group has made itself present today in all aeronautical segments by pursuing a strategy of growth based on partnership in the areas of aerostructures, of onboard wiring and systems.

A major supplier of Airbus, of the Brazilian company Embraer, of Dassault Aviation and of Boeing, the Group, with its international network of subsidiaries, of partners and of sub-contractors, forms a competitive and flexible industrial unit, able to adapt itself to the cycles of the aeronautical industry in a globalized world and to offer its customers a comprehensive solution.

#### KEY DATES FOR THE GROUP

- 1917** Creation of the Company by Pierre-Georges LATECOERE
- 1918** The Montaudran plant on the outskirts of Toulouse and its 800 workers build six aircraft per day.
- 1920** Regular mail service is established between Toulouse and Casablanca.
- 1930** Mermoz crosses the South Atlantic on board a Laté 28 hydro. Latécoère realized its project, the link between France and South America where it arrived the first. Latécoère sells its lines to Bouilloux Lafond. Aéropostale is born, and will later be succeeded by Air France.
- 1939** Latécoère moves to rue de Périole in Toulouse. Inspired by this challenge, Pierre-Georges

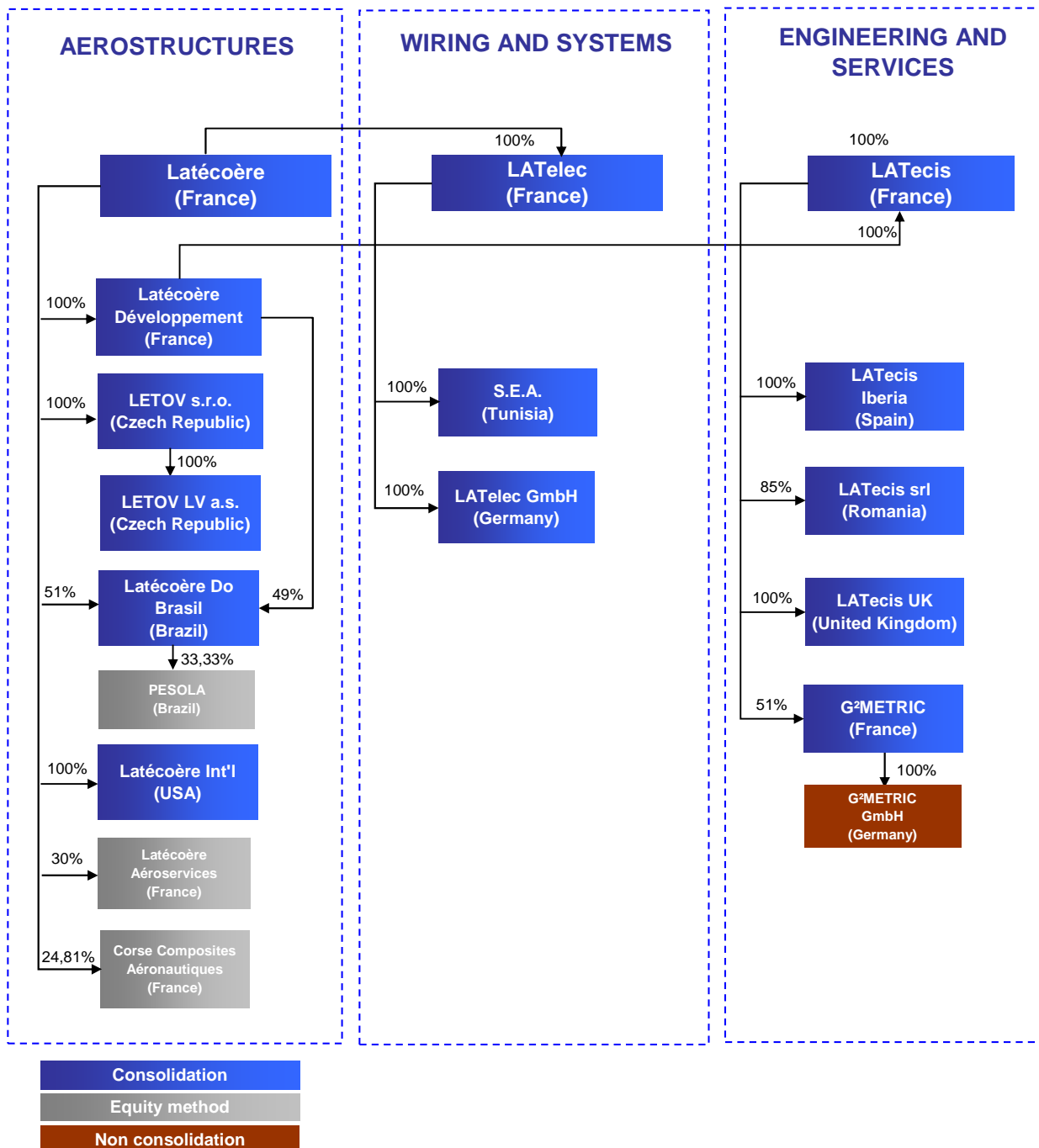
Latécoère gave wings to his pilots by building aircraft made to fly higher and further. He also contributed with Didier Daurat and Marcel Moine to the creation of a state of mind -- that so particular state of mind which makes men surpass themselves in the name of a common ideal.

- 1950-1970** The years of diversification. By the end of the LATE 631 program, the French aeronautical industry begins its restructuring around the Dassault Company (military and business aircraft). Civil activities nationalized around the SNCASE, which will later become Sud-Aviation then Aérospatiale
- 1989** Launching of the employee buyout: 91% of the employees become shareholders of the Company. Latécoère opens itself up internationally and becomes the recognized Partner of the major manufacturers.
- 1997** BEAT, a design office specialized in the aeronautical structure, the design the manufacturing of tooling, becomes a 56% owned subsidiary of the Latécoère Group.
- 1998** Creation of LATElec (wholly-owned subsidiary of the Group), following the takeover of the wiring activity of Fournié Grosaud. LATElec quickly becomes the center of excellence in the field of the electric racks and in onboard wiring. Creation of SEA-LATElec in Tunisia, a wholly-owned subsidiary of LATElec. Successful exit of the employee buyout: The outcome of this operation, which was a success for all the participants, didn't bring about any modification in the management and control bodies of the LATECOERE Company.
- 2000** The Group takes control of 100% of Letov located in Prague, Czech Republic. Creation of BEAT Andalucia in Seville (Spain).
- 2002** Inauguration of the new Pierre-Jean Latécoère assembly site in Gimont, in the department of the Gers, France dedicated to large fuselage sections for Airbus and Embraer.
- 2003** Latécoère acquires 25% of the capital of Corse Composites Aéronautique (CCA). Latécoère

joins the original three shareholders of CCA - Airbus France, Dassault Aviation and Snecma - with the same level of rights.

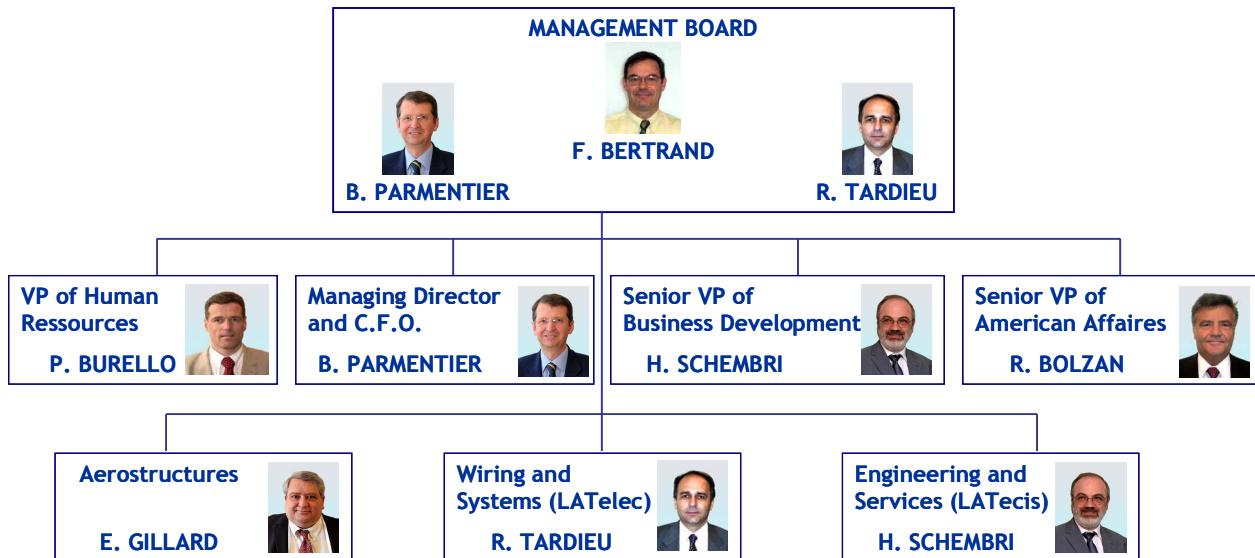
- 2004** Creation of Latécoère do Brasil. This wholly-owned subsidiary is located in Sao José dos Campos near Sao Paulo, Brazil. The creation of Latécoère do Brasil aims to strengthen the Group's presence close to its customer Embraer, in order to assemble and customize aircraft fuselages. LATElec acquires the French assets of Gespac Maroc Novatech, consisting of its Montpellier (le Crès) and Toulouse (Cugnaux) establishments.
- 2005** Separation of the two businesses of SIDMI (which were held 30% by Latécoère and 70% by the Latécoère family): aerostructures assembly and aircraft maintenance. The aerostructures business was integrated into Latécoère. Creation of LATElec GmbH in Hamburg, after Airbus Germany had chosen LATElec (a wholly-owned subsidiary of the Latécoère Group) in order to realize electrical harnesses for the interior layout of the Airbus A380. Latécoère acquires the remaining capital of BEAT which becomes LATecis, a wholly-owned subsidiary of the Group. This operation strengthens the presence of Latécoère's services and engineering businesses close to its customers in France, as well as abroad (Germany, Spain, etc.), by benefitting from the dynamics of the Group. LATElec acquires S.L.E. (Société Landaise d'Electronique), located in Liposthey, in the Landes, France, as part of the reorganization of its production.
- 2006** Construction at Letov of a building for the production of aircraft doors made with composites. Inauguration of the Latécoère do Brasil factory. SEA LATElec Tunisia inaugurates a second factory (5,000 sqm), thereby doubling LATElec's production capacity in Tunisia.
- 2007** LATecis opens a subsidiary in Bucharest, Romania. LATecis also acquired 51% of the capital of the G<sup>2</sup>METRIC Company (measurement engineering business)
- 2008** Inauguration of LATElec Services Colomiers. Latécoère do Brasil: opening of a second building. LATElec opens its second site in Marignane, near Eurocopter.
- 2009** LATecis opens a subsidiary in England

### 1.2.2 Group Structure Chart



The accounts of the G<sup>2</sup>METRIC GmbH Company weren't integrated into the Group's consolidated financial statements at December 31, 2009 because the subsidiary's activity isn't significant compared to that of the Group.

### 1.2.3 Simplified Group Organizational Chart



## 1.3 The Group's activities

The main financial data by business are presented in paragraph 5.6 of this document in note 4 "Operational Segments" for the year 2009, and are incorporated by reference as indicated in paragraph 11 of this document for the years 2007 and 2008.

### 1.3.1 Aerostructures

Aerostructures activities are carried out principally by the LATECOERE Company and its subsidiaries Latécoère do Brasil (Brazil) and Letov s.r.o. (Czech Republic).

The offer relates to the design, the industrialization and the manufacture of aircraft structural elements:

- **Fuselage elements:** sub-assemblies of the nose (A340, A350, and A380), forward section (Embraer ERJ 170/190), central section (A330/340) or rear section (Embraer ERJ 170/190, Dassault Falcon 900 and 7X)
- **Doors:** passenger (A320, A380, B787, and Embraer ERJ 170/190) and cargo (A380, B777, Bombardier CRJ 700/900/1000, Embraer ERJ 170/190, and Dassault Falcon 7X)

The LATECOERE Company is among the first six European producers of fuselage elements and is the world's second manufacturer of aircraft doors (*internal source*).

The LATECOERE Company has positioned itself on most of the major aeronautical programs, with the major

actors of the sector. For more than 90% of its order book, LATECOERE is a Tier 1 supplier. The diversification of the customer portfolio was doubled by a diversification of the various segments of the aeronautical market:

- **Commercial Aircraft** (more than 100 seats): AIRBUS A318/319/320/321; A330/340; A340 500-600; A380; A350 and BOEING B777; and B787.
- **Regional Aircraft:** EMBRAER ERJ 170/175/190/195; BOMBARDIER CRJ 700, 900 and 1000
- **Business Aircraft:** DASSAULT Falcon 900, 2000 and Falcon 7X.
- **Military Aircraft:** DASSAULT Rafale and AIRBUS A400M.



More than half of 2009 revenue comes from risk sharing partnership contracts. From an economic and financial point of view, the partnership presents the following characteristics:

- The Group finances the development phases and shares the "program" risk with the customer. On the one hand, this means that if the contractually specified number of aircraft is not reached, the development costs committed by the group will not be totally recovered; on the other hand, that means that if the contractually specified number of aircraft is reached, but with a time lag with respect to the initially provided deadlines, it will take the Group more time to reap a return on investment. For LATECOERE, this risk is shared out because the company uses second-tier partners, who are subject to the same risks. The diversity of programs in which the company participates also spreads this risk. Refundable Advances obtained for some programs reduce the consequences of an unsuccessful program. Indeed, these advances are only refundable if the program succeeds.
- The majority of contracts are drawn up in dollars. In order to face up to this risk, the Company buys as much as possible in that currency. Exchange rate hedging instruments are subscribed in order to guarantee the dollar foreign exchange risk over a period of two years.
- The Company is the exclusive source of the products it manufactures. Every order booked by the aircraft manufacturers directly affects LATECOERE's order book (about four years of revenue at year-end 2009), giving it an excellent view of the level of activity over coming years.
- The longer than fifteen-year term of partnership contracts allows for the installation of adapted and long-term industrial means.



The aerostructures activity is divided between specialized work sites:

- **Latécoère Toulouse: The Company's registered office:** In addition to the Group's management, Toulouse hosts the management and design office team for the aerostructures business. On this site the running of the industrial process, the assembly of fuselage sections doors and the manufacture of metallic parts are carried out.
- **Latécoère Gimont (in the French department of the Gers):** A secondary establishment, located 40 km from Toulouse, especially dedicated to large-

dimensioned structures (fuselage sections and doors).

- **Letov s.r.o. - Czech Republic:** LETOV s.r.o., a wholly-owned subsidiary of Latécoère, is located in Prague, Czech Republic. It is the Group's center of excellence for the production of door mechanisms, the assembly of aircraft door sub-assemblies and composite elements.
- **Latécoère do Brasil:** Latécoère do Brasil is located in Sao José dos Campos near Sao Paulo. This entity assembles and equips all fuselage sections delivered to our customer Embraer.

The assembly activities carried out on the Cornebarrieu site (in suburban Toulouse) are currently being transferred to other sites in order to lower structural costs.

### 1.3.2 Onboard wiring and systems

The Group's onboard wiring and systems activities **are** concentrated in the LATElec Company and its subsidiaries LATElec GmbH in Germany and SEA-LATElec in Tunisia.

The offer relates to the design, the industrialization and the manufacture, in all the onboard areas and under severe environmental constraints, of wiring, of electrical harnesses and racks, as well as of test benches.



LATElec is today number two worldwide in its area of business. It benefits from its recognized experience for all types of electrical harnesses and for all of an aircraft. It is the leader for electrical equipment boxes (*internal source*).

LATElec is present on the main aeronautical programs:

- **Commercial Aircraft** ( more than 100 seats): AIRBUS A318/319/320/321; A330/340; A380; A350 (for which LATElec was awarded the contract for avionics cabinets in 2008 and the contracts for wing and cockpit panel wiring in 2009)
- **Regional Aircraft:** ATR
- **Business Aircraft:** DASSAULT Falcon 900, 2000 and Falcon 7X.
- **Military Aircraft:** AIRBUS A400M.
- **Engines and nacelles:** CFM 56/7 (BOEING 737), GE90 (BOEING 777), Trent 900, and GP 7200.

LATElec is equally present in the areas of space and military wiring:

- **Satellites:** for communications (Amazonas, ArabSat, Kasat, Globalstar, Yahsat, etc.), scientific

(Myriade, Proteus, etc.) and military use (Skynet and Syracuse).

- **Military:** Wiring of sub-assemblies and of equipment for tanks and submarines

LATElec has attained a high level of competitiveness by integrating the needs of its customers upstream, by constantly improving its design (CAD) and production (computer-assisted production control and test benches) tools, and by constantly optimizing its manufacturing organization. Its establishment in Tunisia, initiated over ten years ago, henceforth contributes to most of the programs and, by lowering the cost structure, has largely contributed to the overall performance of the Wiring business.



With a core of activities and piloting still in the Greater Southwest of France, and in particular in the Midi-Pyrenees region, the onboard wiring and systems business is based more than 50% today on the international establishments. The main sites are the following:

- **LATElec in Toulouse-Labège:** Toulouse-Labège hosts the management and design office team for the onboard wiring business. On this site are carried out: the running of the industrial processes of the onboard wiring business, the integration, the testing of electrical harnesses and complex wiring.
- **LATElec in the Greater Southwest of France (Tarbes, Montpellier, Liposthey, etc.):** Development and production of special wiring (more severe environments, space wiring, etc.).
- **LATElec in Seville:** Created in 2007, this entity is in charge of the support activities for the FAL A400M.
- **SEA-LATElec in Tunis:** The SEA-LATElec subsidiary is intended to receive an increasing share of the wiring business with an objective of reducing production costs. In 2006, a second production site was inaugurated. In 2008 the engineering activity began.
- **LATElec GmbH in Hamburg:** Nearby the site of Airbus Germany, this subsidiary designs customized harnesses for the Airbus A380 and provides assistance for the integration of these harnesses on the aircraft.

### 1.3.3 Engineering and services

The main business lines of the Engineering and services business are:

- the design, the calculation and the definition of products in the manufacturing sector (aircraft structure, systems installation and fitting-outs, etc.),
- the design, the manufacturing and the maintenance of mechanical assemblies and sub-assemblies (assembly lines, tooling and special machines, etc.),
- the furnishing of services in the area of metrology.

The LATecis Company and its subsidiaries representing the engineering and services business intervene in industrial firms in the areas of aeronautics, space and other capital equipment (railway and automobile).

In order to optimize the quality of its services, LATecis developed in parallel to its engineering business a services and proximity strategy. Its Bordeaux and Nantes offices allow it to be closer to its customers, thus guaranteeing the offer of adapted solutions with a maximum of reactivity.

In the aeronautical field, LATecis is very present at AIRBUS, and to a lesser extent at DASSAULT and BOMBARDIER. Its main realizations are:

- design of structural elements: A340 500/600 forward lower fuselage, A380 nose section systems installation, doors and associated assembly line of the Embraer 190 and 195
- design and realization of jigs for assembly (section 56 of the Rafale, etc.), integration (A400M electrical harnesses, etc.) or the transport of structural elements (A320).

LATecis won three major A350 contracts, for the design, the study and the production of the assembly line for engine pylons, the assembly line for the center wing box and of the setting in reference of the final assembly line (FAL). The latter two contracts were signed in partnership with AREVA and REEL.



In the space field, LATecis designed and realized calibration, integration or transportation jigs as well as tooling (satellite motorized support bracket, taxiing platform, ground equipment, etc.). In the automotive field, LATecis designed and realized assembly, encapsulation, snapping and test machinery, as well as grippers for windshields and cradles. In the railway field, LATecis has in particular designed and realized a test bench of upper locks of train access doors.

The G<sup>2</sup>METRIC subsidiary, held 51% by LATecis, has developed recognized expertise in the field of metrology (measurement by laser), used in particular for the tuning of tooling, of jigs or of assembly lines in the aeronautical field. G<sup>2</sup>METRIC intervenes in other areas such as Space (Thalès Alenia Space, Astrium and CNES), Energy (CEA) or Automotive.

The core of the engineering and services business is located in the Midi-Pyrenees region; in order to ensure greater proximity of certain services to its customers, LATecis is also supported by a network of agencies in France (Nantes and Bordeaux), as well as abroad. The legal entities attached to the business are the following:

- **LATecis in Ste Foy d'Aigrefeuille** (in the French department of the Haute-Garonne): the site hosts the management team, the main design office as well as the assembly workshop for mechanical facilities.
- **LATecis Iberia in Seville and Madrid**: furnishing of proximity services.
- **LATecis srl, in Bucharest (Romania)**: production of tooling and of mechanical facilities for LATecis.
- **LATecis UK in Stevenage**: furnishing of proximity studies for Astrium UK.
- **G<sup>2</sup>METRIC in Toulouse-Launaguet**: Management and main design office team; furnishing of services in the Toulouse, France region.

## 1.4 Property, plant and equipment

The registered office of the LATECOERE Group is located in Toulouse, France. In order to exercise its design and production activities, the Group has various establishments shared out over several sites in nine countries. The table below presents the Group's main sites.

Company	Site	Activity	Occupancy*	Headcount as of Dec. 31, 2009
LATECOERE	Toulouse (Pérole), France	Head office Design and production site	FL	844
LATECOERE	Cornebarrieu, France	Production site	T	112
LATECOERE	Gimont, France	Production site	FL	89
LATelec	Labège, France	Head office Design and production site	FL et T	274
LATelec	Liposthey, France	Production site	FL	102
LATelec	Le Crès, France	Production site	O	121
LATelec	Colomiers, France	Production site	T	81
LATecis	Saint Foy d'Aigrefeuille, France	Head office and design site	O	357
LATecis	Saint Foy d'Aigrefeuille, France	Production site	FL	
Letov s.r.o	Prague, Czech Republic	Head office / Production site	O	524
LATECOERE do BRASIL	Jacarei, Brazil	Head office / Production site	O	270
LATECOERE Inc	Miami, USA	Head office	O	1
LATelec GmbH	Hamburg, Germany	Head office / Design site	T	56
SEA LATelec	Tunis, Tunisia	Head office / Production site	O	668
LATecis srl	Bucarest, Romania	Production site	T	18
LATecis IBERIA	Getafe, Spain	Office	T	22
G <sup>2</sup> METRIC	Launaguet, France	Office	T	35

\*O : Owner, T : Tenant, FL : Finance lease

The Group continued to streamline the manufacturing organization of the main sites during the year 2009 in order to adapt the Group's fixed assets to production capacity. All fuselages for Embraer are now produced in Brazil. The Czech subsidiary will handle mass production runs of doors. Similarly, production of

onboard wiring and systems is gradually being redistributed between France and Tunisia to optimize the Group's ability to adapt to an undervalued dollar for the long term.

Furthermore, no major encumbrance exists on the sites presented above.

## 1.5 Research & Development

Research and Technology cover the whole of the technological research activities which ensure the Group the control of know-how enabling it to develop its products with reduced risk and cost.

Further downstream, Research & Development corresponds to the expenditures of research and development on the programs. These expenses are then re-invoiced to customers according to the contractual terms as deliveries are made.

### Research and Technology

The Research and Technology activity has initiated new developments, in line with the ongoing projects in fuselages (PAMELAT and MAAXIMUS), especially in composite doors (COMDOR and ADDOR) and structures (ADRAC), which have been designed in accordance with the CORAC (French Strategic Council for Civil Aeronautics Research) roadmap. These developments will allow the Group to master new technologies that will be used for the renewal of the "New Short Range" families (replacing the A320 and B737).

The main programs concern in particular:

- PAMELAT (**P**ointe **A**vant **M**Eaulte **L**ATecoère): joint project of AéroliA and Latécoère on the design of an aircraft nose section and fuselage elements
- MAAXIMUS (**M**ore **A**ffordable **A**ircraft through **e**Xtended, **I**ntegrated and **M**ature **N**Umerical Sizing): realization of a development platform of structures in composites
- COMDOR: design of a door in composite materials
- ADDOR: design and production of a door in composite materials
- ADRAC: design and production of a rack in composite materials

These programs are financed in part (*in general, 50%*) by grants from the State (operating grants and the research-based tax credit) and for the rest by self financing. Furthermore, future projects linked to the CORAC roadmap are candidates for funds from the French public investment plan known as the "Grand Emprunt" (extraordinary borrowing to fund investment).

### Research & Development

Due to its position as a partner of aircraft manufacturers, the Group first incurs development expenses on the programs. These expenses are then re-invoiced to customers according to the contractual terms as deliveries are made.

These research and development expenses are recorded in connection with partnership contracts and do not give rise, except in very special cases and in a marginal way, to the filing of patents in order to obtain patent right protection.

These expenses were very high during the last fiscal years as a result of the simultaneousness of several major programs (Embraer ERJ 170 and 190, Airbus A380 and A400M, Dassault Falcon 7X and Boeing 787).

In 2009, the total of these research and development expenses was €32 million (7% of revenue) compared to €28 million in 2008. In 2010, the effort will be more limited and will concentrate on the end of development for the Boeing B787 and the contracts obtained on the Airbus A350; insofar as this last program benefits from financing assistance in the form of refundable advances, these expenditures shouldn't create sizeable financial needs.

Furthermore, the Group does not receive any investment grants for research and development programs.

## 1.6 Information on trends

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### 1.6.1 Release of first quarter 2010

During the first quarter of 2010, the Latécoère Group had revenue of €100.1 million, down by 19.7% in comparison to the first quarter of 2009. Restated for the impact of USD/EUR exchange rates, the Group's organic change was -21.1%. This beginning of the year was penalized by a high basis of comparison since in the first quarter of 2009 the Group showed a decline limited to 7.7% of its revenue compared to the previous year.

The Group anticipates an increase in its workload from the second half of 2010, which will result gradually in recovery in its revenue. In this context, the Group expects a progressive improvement of its activity in

2010, anticipating revenues in line with 2009 and a return to growth in 2011.

### 1.6.2 Main investments of the LATECOERE Group in 2010

The amount of investments budgeted for 2010 is around €8 million. These investments will be mainly devoted to the industrial master plans and the information systems master plans.

## 2 INFORMATION RELATING TO THE RENEGOTIATION OF THE BANK DEBT AND THE EXTENSION OF US DOLLAR EXCHANGE HEDGES

### Negotiations with the lending banks

On December 10, 2009, Latécoère announced that the Latécoère Group intended to start discussions with its lending banks, with the aim of restructuring its financial debt. The overall objective set by the Latécoère Group is to align the Group's debt to its financial capacity, which has been impaired by the combined effects of the cyclical downturn in the aeronautical sector, delays in major programs launched over the past few years by manufacturers, and unfavorable change in the USD/EUR exchange rate. These discussions were held with all of the Latécoère Group's French banking partners who hold approximately 96% of the Group's debt.

As part of these discussions, the banks accepted, as indicated by Latécoère on May 3, 2010:

- not to use their right to accelerate repayment of existing credit lines despite an anticipated breach of covenants as of December 31, 2009;
- to freeze the principal repayment of the medium-term funds until December 31, 2010 inclusive, which comes to around €47 million;
- to maintain the use of existing lines used to protect the Group against changes in interest rates and currency risks.

The Latécoère Group then could continue negotiations intended to concretize a master agreement with the banks with an aim of (i) securing the liquidity of the Latécoère Group in the medium term, (ii) extending the period of hedge cover of the risk resulting from its exposure to the US dollar beyond 2011 and (iii) reinforcing its financial structure in the medium term by transforming part of the banking debt in the medium term into instruments of equity finance.

It is in this context that the Latécoère Group applied to the Commercial Court of Toulouse for the opening of a conciliation procedure for the Group's benefit. By order dated May 10, 2010, the President of the Commercial Court of Toulouse accepted this application.

Negotiations resulted in the signature of a conciliation agreement ("protocole de conciliation") on May 18, 2010.

This conciliation agreement was the subject, in accordance with Article L.611-8 II. of the French Commercial Code ("Code de commerce"), of an approval ("homologation") by judgment of the Commercial Court of Toulouse dated May 19, 2010.

Latécoère and its banks have agreed to meet periodically to ensure that the financial initiatives taken are being implemented properly and to verify that they are adequate in light of the conditions observed.

### Description of the restructuring of the Latécoère Group's financial debt

Insofar as the restructuring of the Latécoère Group's financial debt is concerned, the main characteristics of the agreement reached as part of the conciliation agreement between the French banks and the Latécoère Group are the following:

1. The lending banks gave their agreement to subscribe to € 71.5 million of convertible bonds, giving access to new shares issued by Latécoère and by LATElec (the "Convertible Bonds"), subject to the approval of Latécoère's shareholders and of LATElec's member, the total amount of the subscription price of the Convertible Bonds being paid up by set-off with part of the medium-term debt that the lenders hold with respect to Latécoère and LATElec, thus lowering by 20% the amount of the Latécoère Group's bank debt in the case of conversion.

The main characteristics of the Convertible Bonds, which will be the subject of an offering memorandum ("note d'opération") established by the Company and submitted for the visa of the Financial Markets Authority (AMF), are described below.

2. The lending banks granted a freezing of the principal of the medium-term debt until December 31, 2011 included, without increase in margin or new guarantees, it being specified that the interest will continue to be paid in compliance with the applicable contractual stipulations. Accordingly, the amounts due on December 31, 2009 will be payable on January 1, 2012 and the payments due in 2010 and 2011 will be deferred to the end of each corresponding medium-term credit agreement, without exceeding December 31, 2015.

December 31, 2009

3. The lending banks confirmed all the conditions of the short-term credit lines granted to the Latécoère Group until December 31, 2011 included, without increase in margin or new guarantees.
4. The lending banks accepted the establishment of US dollar hedging instruments for an additional amount of US\$280 million, allowing the extension by one year of the existing period of coverage until December 31, 2012. Each bank's effective amount of the Group's debt resulting from the conclusion of each new foreign exchange hedging transaction benefits, at the date of the conclusion, from the preference of Article L. 611-11 of the French Commercial Code ("Code de commerce") up to a maximum amount of US\$84 million.

The agreements reached with the Medium-Term Creditors under the terms of the Conciliation Agreement were conceived as a first step which will enable Latécoère to take an active role in the consolidation of the European aeronautical sector in order to continue its development strategy and thus to strengthen its position as a Tier 1 partner of the world's major aircraft manufacturers. The Group has thus expressed its willingness to enter into discussions with strategic partners with a view to a potential merger.

Furthermore, the Company intends to reinforce its capital base and its financial standing, to optimize the terms of any potential merger. The Group plans, as soon as market conditions permit, to proceed with this reinforcement and to allow its shareholders to take part and thus wishes to be able to carry on a transaction which will preserve their preferential subscription rights.

The Latécoère Group has thus indicated that, at the time of the ordinary general meeting of shareholders that will be held to approve the 2009 financial statements, the Company will hold an extraordinary general meeting to ask the shareholders to approve the resolution that enables it to authorize the Management Board to issue common stock and/or securities giving access to the Company's capital while retaining preferential subscription rights. In this context, at the same time as the Convertible Bonds are issued, the Management Board intends to allocate free share warrants (BSA) to all shareholders, allowing them during the conversion period to subscribe to one new share at a price of €10 per share for each two existing shares they already own of the Convertible Bonds.

### Convertible Bonds

At the time of the ordinary general meeting of shareholders that will be held to approve the 2009

financial statements, the Company will hold an extraordinary general meeting to ask the shareholders to approve the resolutions (i) that enable the issue by Latécoère of a debenture loan reserved to the French medium-term lending banks in the total principal amount of €57,150,000 and which will be represented by a total number of 5,715,000 bonds convertible in new shares of Latécoère (the "Latécoère Convertible Bonds"), (ii) authorizing the issue by LATElec of a debenture loan in the total principal amount of €14,350,000, represented by a total number of 1,435,000 convertible bonds in new shares of the Company (the "LATElec Convertible Bonds"), and (iii) that enable the issue of new shares of the Company as a result of the conversion of the Convertible Bonds.

Insofar as the Company's shareholders will have approved the issue of the Latécoère Convertible Bonds, authorized the issue of the LATElec Convertible Bonds and the issue of the Company's new shares as a result of the conversion of the Convertible Bonds, the Company in its status as sole member of the LATElec Company, will approve the issue of the LATElec Convertible Bonds with the elimination of the preferential subscription right for the benefit of certain of the French medium-term lending banks.

The issue of the Latécoère Convertible Bonds will be divided into three separate tranches, the terms and the characteristics of the convertible bonds making up each of the tranches will be strictly identical, with the exception of the guarantees granted by the Company for each of the tranches so as to guarantee the reimbursement in cash.

The LATElec Convertible Bonds will be issued in a single tranche. The LATElec Convertible Bonds will thus have all the same terms and characteristics.

The Convertible Bonds will be issued at a nominal value of €10 each, the subscription price being equal to the nominal value of each Convertible Bond.

The Convertible Bonds will be convertible in new shares of Latécoère, starting two years from their date of issue, at one Convertible Bond for one new share of Latécoère, except if there is a subsequent adjustment of the rate of conversion in case of the occurrence of one of the events mentioned in Article L. 228-99 of the French Commercial Code ("Code de commerce").

The Convertible Bonds will be refundable in cash five years after their date of issue and will bear interest at the six-month Euribor rate noted at the beginning of the period plus 350 base points during the first two years following the date of issue and 300 base points thereafter, payable semi-annually in arrears.

All the Convertible bonds in circulation will be refundable in cash in advance at the request of the representatives of the body of holders of the Convertible Bonds under certain conditions in the event of (i) notification by the holders of the Convertible Bonds of the occurrence of an event of default under the contract for the Convertible Bonds triggering their decision to require the advance reimbursement of the Convertible Bonds, or (ii) change

in the first shareholder of the Company resulting from the entry to the capital of an investor taking a participation higher than 33% of the capital or designating the majority of the members of the supervisory board.

The Latécoère Convertible Bonds will be exclusively subscribed by the French medium-term lending banks of the Latécoère Group and will be fully paid-up at the time of their subscription by set-off with certain liquid and payable debts of the Company, held by the French medium-term lending banks as part of the medium-term bank debt which will be made payable for this purpose.

The Convertible Bonds will not be the object of any application for trading on a regulated market in France or abroad.

#### **Guarantees of the Latécoère Debenture Loan**

The reimbursement in cash of the Latécoère Convertible Bonds will be guaranteed in the following manner:

- the 4,940,000 Latécoère I Convertible Bonds in a total nominal amount of €49,400,000 will not benefit from any surety or guarantee;

- the 225,000 Latécoère II Convertible Bonds in a total nominal amount of €2,250,000 will benefit from a charge on the business ("nantissement du fonds de commerce") of Latécoère;
- the 550,000 Latécoère III Convertible Bonds in a total nominal amount of €5,500,000 will benefit from the security assignment of trade receivables resulting from the performance of the "A380 doors" contract in accordance with the provisions of the framework agreement for the French "Daily" law assignment of receivables dated March 19, 2005, as such may have been amended.

#### **Guarantees of the LATElec Debenture Loan**

Latécoère's joint and several guarantee, for the benefit of the holders of the LATElec Convertible Bonds, of the reimbursement in cash of the LATElec Convertible Bonds by LATElec.

The characteristics of the Convertible Bonds and the terms and conditions of their issue are more fully described in the offering memorandum ("note d'opération") established by the Company which has obtained from the Financial Markets Authority (AMF) the visa n°10-174 dated June 11, 2010.

## 3 RISK FACTORS

At the conclusion of the renegotiation with its banking partners, the company proceeded to a review of the risks which could have a significant unfavorable effect on its activity, its financial position or its results (or on its capacity to carry out its objectives) and considers that there are no other significant risks except those presented.

### 3.1 Business Risks

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#### 3.1.1.1 Program Risk

##### Commercial Risk

The strategic choice of future programs is carried out in a changing technological environment and involves the commitment of large investments, particularly in Research & Development. These investment programs assume that there will be long-term profitability. The profitability of the company depends upon the commercial success of the programs. The commercial and profitability assumptions accepted by the Group could turn out not to be true and the products which have been the subject of these investments might not achieve the commercial success necessary to make the initial investments profitable.

In order to face up to this risk, the Group has diversified its programs and has obtained refundable advances to finance a part of the Development costs on some programs. These advances are only refundable if the program succeeds. Details on these advances may be found in note 14.3 to the consolidated financial statements, at paragraph 5.6 of this document.

##### Program Delay Risk

Aircraft manufacturers can have difficulties respecting their program calendars. Delays in the schedule for the realization of new aircraft can cause delivery postponements and thus affect the rate of the realization of the Group's revenue.

For LATECOERE, this risk is shared out because the company uses second-tier "partners" as suppliers, who are subject to the same risks. The refundable advances obtained also make it possible to reduce this risk because reimbursements depend on the deliveries carried out. Moreover, the Group may occasionally open negotiations with its customers which enable it to reduce this risk. For example, invoicing in advance for development expenditures in 2008, up to then included in the "work in progress" item, contributed to reducing the financial consequences of potential risks linked to the sustainability of the relevant programs.

#### 3.1.2 Aircraft Manufacturer Delivery Rate Risk

Aircraft order rates show cyclic tendencies related to changes in passenger traffic, to the rate of ageing and renewal of aircraft fleets, to equipment decisions and to the financial health of the airlines and also, in a more general way, to changes in international business. The Group's activity resulting directly from the production rates of the aircraft manufacturers, variations in production rates impact its level of activity and can affect its financial position. Furthermore, exceptional events (terrorism, pandemics, and air crashes) could have major repercussions on air traffic and, as a consequence, on the aeronautical programs in which the Group participates. In 2009, about 96% of the Group's consolidated revenue related to civil aviation.

In order to face up to the risk that aircraft manufacturers reduce production rates, in particular in a period of downturn cycle, the Group develops an industrial policy aiming to ensure a good level of reactivity of its cost structure and in which there is the choice to resort to "partner" suppliers of the second level, subject to the same constraints. Moreover, refundable advances obtained also make it possible to reduce this risk because reimbursements depend on the deliveries carried out.

#### 3.1.2 Product Risk

The manufacturer guarantees the airworthiness of delivered aircraft. In case of failure, LATECOERE, as a supplier, could be found liable. The very strict quality standards (selection of suppliers, internal quality control procedures, etc.) implemented in the ISO 9001 V 2000 EN 9100 system of reference by the companies of the Group, permit them to ensure irreproachable reliability of the products delivered. An ISO 14001 certification initiative was undertaken; two of the Group's sites have already been certified and the extension to other sites and companies is ongoing. Furthermore, a product liability insurance policy has been taken out by the Group.

#### 3.1.3 Raw Material Risk

Raw material procurement (aluminum, steel and titanium) is covered principally by contracts managed by the aircraft manufacturers (conbids) and by long-term contracts containing clauses which limit the impact of price fluctuations. Market purchases constitute only a negligible portion of procurement, and represent the only part of our raw material purchasing subjected to price fluctuations.

### 3.1.4 Legal and Tax Risks

## 3.2 Financial Risks

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### 3.2.1 Foreign Currency Exposure

Through its international exposure and invoicing in US dollars to its French customers the Group is confronted with foreign currency exposure. The exposure linked to fluctuations in the US dollar is partially hedged through forward sales contracts and option "collars". The dollar rate and the associated foreign exchange rate exposure are part of the estimated future assumptions for the determination of margins on construction contracts. The fluctuations of the parities may affect the operational margin, financial result, shareholder's equity and net debt.

In 2009, Latécoère put in place additional hedging programs to cover its financial risks, primarily by using option collars, hedging its USD exposure through the end of 2011, with USD/EUR exchange rates of - at the worst - 1.41 for 1.41 for 2010 and 1.37 for 2011, while retaining the ability to benefit to a certain extent from improvement in the latter.

In addition, the Group has set-up exchange rate hedges to protect against the fluctuations of the Czech crown (koruna) with respect to the Euro in relation with its Letov s.ro. subsidiary and against fluctuations of the Brazilian real with respect to the dollar in relation with its LdB subsidiary.

Details of these derivative instruments and their impact on the financial statements appear in note 10 to the consolidated financial statements.

Furthermore, the Group invoices approximately 63% of its sales in dollars and buys approximately 54 % of supplies or sub-contracting in dollars. The Group's US dollar net exposure posted to consolidated revenue, is about 28%. The effect of the dollar exchange risk hedging operations on revenue was -€8.3 million in 2009 compared to +€30.3 million in 2008.

A dispute over a business jet contract arose at the end of 2009 and resulted in the recognition of a loss on completion calculated over the life of the program, in accordance with IAS 11. This dispute is regarding the terms of performance of a business jet contract and is detailed in paragraph 4.2.1 of this document.

Furthermore, the LATECOERE Company is subject to a tax audit as mentioned in note 25.3 to the consolidated financial statements.

Except for the disputes described in this item, there exists no other governmental, legal or arbitral proceeding, including any proceeding of which the Group has knowledge, which is outstanding or threatened, likely to have or having had during the last twelve months, a significant effect on the Group's financial position or profitability.

The Group's exposure to the foreign exchange risk and the analysis of the sensitivity are detailed in note 21.3 to the consolidated financial statements. The characteristics of the financial instruments are described in notes 2.17 and 10 to the consolidated financial statements.

#### **Effect of bank renegotiation on the foreign currency exposure**

The agreement reached with the French lending banks provides for the making available to the Group of additional lines of exchange rate hedging in the amount of US\$280 million to cover all of the net exposure to the US dollar risk of the Group for 2012; these lines could be mobilized through the implementation of hedging instruments which may consist of collars, of forward sales or any other non-speculative instrument agreed between the Group and the counterparty banks.

These lines are in addition to existing hedging programs which secure the Group's exposure to the US dollar foreign exchange risk in 2010 and 2011 in the terms and conditions described in paragraph 4.3.2 Foreign Currency Exposure and in note 21.3 to the consolidated financial statements.

### 3.2.2 Interest Rate Risk

Almost all medium and long-term net debt is based on short-term floating rates. The LATECOERE Group benefits from hedging of interest rates ("collars") that allow it to limit the impact of a strong volatility in short-term rates on the cost of the debt. The average interest rate borne by the Group in 2009 was 4.2%.

In 2009, the Group covered its interest rate exposure for more than half of its debt for a duration of four years, while preserving the benefit of short-term variable rates which are currently low.

The Group's exposure to the interest rate risk and the sensitivity analysis are mentioned in note 21.4 to the consolidated financial statements.

#### **Effect of bank renegotiation on the interest rate risk**

The renegotiation of the bank debt hasn't substantially modified the Group's interest rate risk. Indeed, only the nature of the debt and the margin of the banks have changed, the nominal total of the debt and the proportionate share of the debt subjected to variable floating rates (Euribor) remain identical. The Group's exposure not having changed, the Group maintained its hedging positions.

### **3.2.3 Equity share risks**

The Group holds essentially LATECOERE shares, the carrying value of which is adjusted according to the closing market prices. The treasury shares are accounted for in deduction of shareholders' equity in the consolidated financial statements. The amount of treasury shares at December 31, 2009 is €128k.

Given the fact that at year end the LATECOERE Company only held 19,909 of its own shares, the equity share risk is not significant. Furthermore, the Group doesn't hold any other significant listed shares and for this reason isn't exposed to the risk of the fluctuation of share prices.

At May 31, 2010, the number of treasury shares was 20,712.

### **3.2.4 Credit risks**

Because of the nature of the principal counterparts, the Group is not exposed to credit risk in any major way and foresees no default of third parties which could have a significant impact on the financial statements of the Group. At year end, the Group had identified no significant credit risk on these assets due but not depreciated.

### **3.2.5 Liquidity Risk**

The Group manages its cash flow in a centralized way. The surpluses or the financing needs of its subsidiaries are invested or financed by the parent company on market conditions. The Group's cash flow department manages the current and provisional financing activities of the Group and its capacity to face up to its financial commitments.

In order to face up to its liquidity risk, the Group has the following financial resources: borrowings, medium-term

credit lines, commercial paper, authorized overdrafts and discount lines. At the closing, some of these resources hadn't been used.

Borrowings and credit lines are subjected to the respect of financial ratios ("covenants"). The "covenants" to be respected during 2009 were the following:

- Consolidated net debt / Pro forma consolidated equity funding < to 1.45
- Consolidated net debt / Pro forma EBITDA < to 11.5

Given the anticipation of the breach of its bank covenants, the Group opened discussions with its banks at the end of 2009.

At first the banks accepted

- not to use their right to accelerate repayment of existing credit lines despite an anticipated breach of covenants as of December 31, 2009;
- to freeze the principal repayment of the medium-term loans until December 31, 2010; this suspension ensured the Group the capacity to face up to its commitments.
- to maintain the existing lines used to protect the Group against changes in interest rates and currency risks.

The Group's exposure to liquidity risk is presented in note 21.2 to the consolidated financial statements.

#### **Effect of bank renegotiation on liquidity risk**

The agreement reached with the French lending banks which consolidates the credit lines availability of the Group in the methods described at paragraph 2.1 above, secures liquidity until December 31, 2011 included, under normal operating conditions, in particular on the basis of the usual conditions for trade accounts payable.

On these bases, the company proceeded with a specific review of its liquidity risk and it considers itself to be able to face up to its future amounts due.

Under the terms of the agreement, the commitments of the banks with respect to:

- confirmed short-term lines until December 31, 2011 included, amount to €94.1 million including €64.5 million of discount lines and factoring;
- medium-term credits, for the residual share after partial transformation into Convertible Bonds, amount to €247.3 million;
- Convertible Bonds to be issued by Latécoère and LATElec amount to €71.5 million.

Under the negotiations held as part of the Conciliation Agreement, the Medium-Term Lenders agreed upon the conversion of approximately 22% of the medium-term debt into Convertible Bonds.

No one Medium-Term Lender will have a significant share of the Convertible Bonds.

By express agreement, the Group and the Medium-Term Lenders have agreed upon the regularization within two months following the approval of the Conciliation Agreement, of the amendments to the Medium-Term Credit Agreements which will implement the terms of such Agreement.

At the conclusion of these regularizations the provisional reimbursement calendar for the Group's long-term and medium-term bank debt should be established as follows:

- in respect of 2010: €3.4 million
- in respect of 2011: €4.8 million
- in respect of 2012: €67 million
- in respect of 2013: €78 million
- in respect of 2014: €49 million
- in respect of 2015:
  - €62 million under the assumption that all the Convertible Bonds are converted
  - €134 million under the assumption that the Convertible Bonds are not converted

This reduction of the medium-term debt doesn't consequently involve any pure and simple abandonment of the debt on the part of the Medium-Term Lenders.

The average additional impact of the renegotiation on the financial costs corresponds and is limited to the differential of spread on the part of the medium-term debt transformed into Convertible Bonds (€71.5 million); it is estimated at approximately €1.3 million per annum over the next five years. The terms and conditions of the residual share after transformation of the medium-term debt into Convertible Bonds, as well as all of the short-term lines, remain unchanged.

The Group's capacity to face up to the amounts due after January 1, 2012 will especially be linked to the confirmation of the resumption of the aircraft manufacturers' production rates begun during the first half of 2010 and to the confirmation of the strengthening of the US dollar exchange rate with respect to the euro, started during the second quarter of 2010. In any event, the Group and the Medium-Term Lenders that are parties to the Conciliation Agreement have agreed to meet in April 2011 so as to establish, if necessary, depending upon the changes to the Group's situation in particular with regard to these parameters, a new amortization schedule for the bank debt starting on January 1, 2012.

### 3.3 Specific risks of the renegotiation of the bank debt

#### 3.3.1 Risk of a drop in the Company's share price

The market price of the Company's shares at the time of subscription of the Convertible Bonds could not reflect the market price of the Company's shares at the issue date of the New Shares received upon conversion of the Convertible Bonds.

The Company's shares could be traded at prices lower than the market price prevailing at the launching of the operation. No assurance can be given that the market price of the Latécoère shares will reach their subscription price.

The sale of a certain number of Latécoère shares on the market, or the feeling that such sales could occur at the time of the issue of the New Shares upon conversion of the Convertible Bonds, could have a negative impact on the Company's share price. Latécoère cannot forecast the possible effects on the share price of sales of shares on the market by its shareholders.

In this respect, it is pointed out that, in accordance with the Conciliation Agreement, the Medium-Term Lenders are under no obligation to retain the New Shares which will be issued in conversion for the Convertible Bonds and for which they are not, for the majority, usual investors in the Latécoère's share capital.

The Company cannot forecast the possible effects on the Company's share price of such sales by its shareholders.

#### 3.3.2 The Company's share price volatility risk

These past few years stock markets have experienced large fluctuations which often were unrelated to the results of the companies whose shares were traded.

Market fluctuations and the economic situation could increase the Company's share price volatility.

Latécoère's share price could fluctuate significantly in reaction to various factors and events, among which could appear:

- the implementation of the Conciliation Agreement, especially due to the dilutive effect of the transactions foreseen by it and the absence of a commitment by the Medium-Term Lenders to retain the shares issued in the restructuring;
- change in liquidity of the market for Latécoère shares;
- differences between Latécoère's true operational or financial result and the expectations of investors or analysts;
- changes in analysts' recommendations or projections;

- the adoption of any new law or regulation or any change in the interpretation of existing laws and regulations relating to the Company's business;
- the economic situation and market conditions; and
- market fluctuations.

This volatility of the Company's share price could expose investors to the risk of immediate and brutal losses.

### 3.3.3 Risk of dilution of the interest of the Company's existing shareholders in the Company's share capital

The Conciliation Agreement described in section 2 of this document, provides for the conversion of a part of the Group's medium-term debt, in the amount of €71,500,000, into bonds convertible into the Company's shares.

After conversion of all of the Convertible Bonds, the New Actions issued in the restructuring will represent 45.37% of the Company's capital. The Company's existing shareholders will retain 54.63% of the Company's capital on a fully-diluted basis.

Insofar as the Company's shareholders won't have the possibility to subscribe New Shares issued in conversion of the Convertible Bonds, the operation will have a dilutive effect on their interests in the Company's capital. As an indication, the effect of the issue of the New Shares on the interest in the capital of a shareholder holding 1% of the Company's share capital before the operation would be of -0.45% (calculations carried out on the basis of number of shares making up the share capital at the date of this Offering Memorandum ("Note d'opération"), or 8,609,997). The effect of this dilution nevertheless will be mitigated by the allocation of free share warrants (BSA) to all the shareholders.

## 3.4 Other Risks

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### 3.4.1 Continuity of Information Systems

The Information Systems Department (DSI) is in charge of controlling this risk. It is in charge, in particular, of data integrity management. A security plan has been set up. Improvements were made to the data backup systems and to the performance of the computer network. An overall information system master plan is currently being set up.

### 3.4.2 Other

A risk manager is in charge of the security of assets through a policy of prevention relying on a team of correspondents throughout the Group companies. Almost all of the risks of the Group's companies are covered by insurance policies. These concern the risk of destruction, the total amount of the damages guarantee is €250 million, and their consequences, operating loss, during a period of 15 months to a maximum amount of €90 million. Third party liabilities related to manufactured products are covered to a maximum of €750 million.

## 4 MANAGEMENT REPORT

### 2.1 Presentation of the Consolidated Financial Statements

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New standards, amendments to standards or interpretations entered into force at December 31, 2009.

This concerns:

- Revised IAS 1 "Presentation of Financial Statements": this standard requires that:
  - variations posted in shareholders' equity resulting from transactions carried out with the owners acting as such are recorded in a way distinct from the transactions carried out with non-owners;
  - all of the income and expenses accounted for over the period is presented in a single statement (statement of comprehensive income) or in two statements (a separate income statement followed by a statement of comprehensive income detailing the other elements of comprehensive income)
  - comprehensive income be presented in the financial statements.
- IFRS 8 "Operating Segments": The application of this standard which supersedes IAS 14 "Segment Information" hasn't modified the business segments previously identified and presented by the group.
- IAS 23 Revised "Borrowing Costs": This standard's revision imposes the capitalization of the borrowing costs directly attributable to the acquisition, the

construction or the production of qualifying assets. In accordance with the transitional provisions of IAS 23 revised, the standard was applied in a prospective way from January 1, 2009. Thus, the borrowing costs relating to qualifying assets are capitalized as part of the cost of such assets from such date. This standard hasn't had a significant impact on the consolidated financial statements at December 31, 2009.

- Amendments to IFRS 7 "Financial instruments: Disclosure" - Improving Disclosures about Financial Instruments.

At December 31, 2009, the accounting estimates used in the preparation of the financial statements were performed with the difficulties inherent in a context of an economic crisis and a downturn cycle which by nature are difficult to grasp. The estimates and the assumptions retained for the consolidated financial statements were determined based on the elements in the Group's possession at the closing date and, in particular, the waivers and postponements obtained regarding amounts due on the bank financings and, relating to construction contracts, as a function of firm orders confirmed by aircraft manufacturers and of announced forecasts in production rates

## 4.2 The Group's Business

### 4.2.1 The Basic Essentials

#### A year of downturn cycle and of continued weakness of the dollar

After 5 years of continuous growth, the aeronautical market showed the adverse effects of the financial crisis of the second half of 2008, which successively brought about a contraction in air transport and a downward reappraisal of manufacturer production rates. This was particularly brutal in the area of business and regional aircraft with production rate drops of 40% to 75%. The commercial aircraft series production rates have generally held up well, ensuring a base of resistance for the industry's business.

At the same time, the main programs of the major manufacturers at the end of development (400M and B787) or at the beginnings of commercialization (A380) underwent new planning delays which translated into increased and prolonged tying up of capital for the

stakeholders of the industries concerned in a context where the risk-sharing business model which governs the relations between customers and suppliers transferred to the latter the development cost financing (re-invoiceable on the basis of the unit price on delivery of the finished products) and the risks related to production rates and the EUR/USD exchange rate.

The latter, which is a determining factor in a context where the dollar is de facto the transaction currency of the aeronautical market, remained weak and very volatile within a range of 1.25 – 1.51 which heavily penalized the competitiveness of a European industry which was more than ever forced to relocate its cost structures to dollar and/or low-cost regions if it wanted to remain competitive.

#### Summary of the key consolidated aggregate figures

In millions of euros	2009	2008
• Revenue excluding non-recurring items	449.5	579.5
• Aerostructures non-recurring items*	-	104.4
<b>Revenue</b>	449.5	683.9
<b>Current operating result</b>	<b>10.1</b>	<b>31.9</b>
• Completion losses** recognized on		
▶ business jet dispute	- 68.8	
▶ reappraisal of the €/€ long-term exchange rate	-44.1	
<b>EBIT</b>	-102.8	31.9
• Realized financial result	-21.3	-35.4
• Unrealized financial result	17.6	-6.5
<b>Financial result</b>	- 3.7	- 41.9
<b>Net result Group share</b>	-91.2	-6.7
<b>Consolidated net debt</b>	359.2	336.0
<b>Shareholders' equity Group share</b>	143.3	220.8

\* Invoicing in 2008 of development work (€ 104.4 million)

\*\* Non-cash items

**Revenue decreased by 22.4%**

Latécoère's revenues were down 22.4% in 2009 on a comparable basis. Restated for the impact of USD/EUR exchange rates, the Group's organic revenues declined 18.4%. In a market in which Airbus and Boeing's mature programs are holding up well, the decline in the Group's revenues is attributable primarily to slowdowns in the delivery rates of business and regional aircraft, which mostly penalized the activity of the Aerostructures Division, due to its highly diversified customer portfolio.

**Results were severely impacted by depreciations for completion losses on long term contracts**

- **Latécoère posted a negative operating result of -€102.8 principally induced by**
  - (i) A dispute over a business jet contract, which arose at the end of the year and which resulted in the recognition of a loss on completion calculated over the life of the program, in accordance with IAS 11

This dispute is regarding the terms of performance of a business jet contract. As Latécoère has not yet been able to reach an acceptable compromise, the Group recognized a -€68.8 million depreciation in respect of this contract, covering all of the losses to come and assuming no change in USD/EUR exchange rates.
  - (ii) 1.35.The reappraisal of the USD/EUR exchange rate on completion at €1.35

The continued weakness and high volatility of the dollar has led the Group, out of prudence and in accordance with benchmarked practices in the sector, to reappraise the long-term (beyond five years) USD/EUR exchange rate at 1.35, compared with the 1.25 that the Group had previously used in its projections; Overall, it impacts the year 2009 through the recognition of a -€44.1 depreciation charge to account for the future losses of certain construction contracts.
- **Restated for the impact of these two items, the Group would have reported a positive operating result of €10.1 million**, compared with the €6.9 million posted at the end of the first half.

- **Substantial improvement in financial result**

The realized financial result (-€21.3 million) benefitted from the decline in short term rates in 2009, from exchange gains attributable primarily to hedges of the Brazilian real and from the reimbursement of USD-denominated borrowings coming to maturity.

The unrealized financial result (+€17.6 million) reflects the impact of the reappraisal of financial balance sheet items and the change in the fair value of financial instruments (including changes in the time value of USD/CZK hedging instruments and the mark-to-market of other interest rate and foreign exchange instruments).

- **Net loss of -€91.2 million**

Latécoère net result for the year 2009 is a loss of -€91.2 million, post recognition of tax losses carry-forward of +€17.2 million.

**A year of adaptation and transformation**

Priority was given to competitiveness with the strengthening of action plans initiated through the "Challenge 2011" improvement plan: reduction of the fixed cost base, streamlining of the Group's industrial organization, and reduction of production cycles.

Total staff managed (in-house employees and on-site subcontractors) was reduced by 955 full-time equivalents for the year (- 515 in France; - 440 abroad); the Cornebarrieu site near Toulouse will now be dedicated to Latécoère Aéroservices, in which the Group has a minority stake, after transferring its aerostructures production operations to other Group sites.

The Group continued to streamline the manufacturing organization of its primary production operations. All fuselages for Embraer are now produced in Brazil. The Czech subsidiary will handle mass production runs of doors. Similarly, production of onboard wiring and systems is gradually being redistributed between France and Tunisia to optimize the Group's ability to adapt to an undervalued dollar for the long term.

In addition, the Group implemented throughout the year an integrated information system in the Aerostructures Division, now deployed across all sites. It intends to increase the responsiveness of the Group's manufacturing base and supply chain to strong and sudden changes in manufacturers' production rates.

The Group has been careful, however, not to disrupt its supply chain by avoiding re-internalization of work packages; the impact of the downturn in production rates was negotiated on fair terms with Latécoère's suppliers, with a certain amount of time lag due to the length of procurement cycles. Physical inventories and work-in-progress were reduced by €31 million during the year, which should continue over 2010.

Capital expenditures have been limited to €8.2 million, and were primarily related to the industrial and information systems master plans.

**Indebtedness under control, improved hedging of financial risks**

After reaching €379 million at the end of the first half of 2009, the Group's consolidated net debt was reduced to €359 million as of December 31, 2009 despite the

unfavorable impact of the application of the French Economic Modernization Act (LME) which resulted in an approximately €40 million decrease in supplier credit. The Group had total consolidated net debt of €336 million as of December 31, 2008.

Latécoère has put in place additional hedging programs to cover its financial risks, primarily by using option collars

- hedging its USD exposure through the end of 2011, with USD/EUR exchange rates of - at the worst - 1.41 for 2010 and 1.37 for 2011, while retaining the ability to benefit to a certain extent from improvement in the latter,
- hedging its interest rate exposure on more than half of its debt over a four-year duration, while still profiting from short-term variable rates at levels deemed attractive.

The Latécoère Company held commercial discussions with its customers to improve its programs financing which resulted, in particular, in \$55 million of cash inflows in the first quarter of 2010.

#### **Strong business prospects, a strategy of sustained excellence**

As of December 31, 2009 and based on a 1.40 USD/EUR exchange rate, the Group's order book -- which includes only firm orders from aircraft manufacturers -- amounted to €2.1 billion, a level comparable to the one recorded at the end of 2008, and which represents the equivalent of four years' revenue.

The Group won major contracts on the Airbus A350 program, primarily in onboard wiring (racks and wing harnesses) and tooling (final assembly chain of the aircraft, assembly of the center wing box and assembly of the engine support pylons), as well as aerostructures (nose fairing). Overall, the A350 program represents approximately USD 900 million in future revenues, based on the delivery of 800 aircraft.

Recent manufacturers' announcements of increased production rates tend to confirm that the lowest point of the downturn cycle was reached in the fourth quarter of 2009. In this context, the Group expects a progressive improvement of its activity in 2010, anticipating revenues in line with 2009 and a return to growth in 2011.

The Research and Technology activity has initiated new developments, in line with the ongoing projects in fuselages, especially in composite doors and structures, which have been designed in accordance with the CORAC (French Strategic Council for Civil Aeronautics Research) roadmap. These developments will allow the Group to master new technologies that will be used for the renewal of the "New Short Range" families (replacing the A320 and B737).

At the same time, Latécoère's EN 9100 (AS 9100) qualification was renewed in early 2010, confirming the Group's ability to implement sustainable, continuous

improvement processes oriented towards customer satisfaction. The Group continued its ISO 14001 certification program in relation to environmental management: two sites have already been certified, and the Group is pursuing its efforts.

#### **Trading of its shares temporarily suspended, constructive discussions with the Group's lending banks in order to strengthen its liquidity and expand its foreign exchange hedging.**

Following its December 10, 2009 profit warning relating to a dispute on the business aircraft program referred to above, the Group asked for a suspension in the trading of Latécoère shares, and started its discussions in December with its French lending partners to negotiate the restructuring of its financial debt. The overall objective is to align the Group's debt to its financial capacity, which has been impaired by the combined effects of the cyclical downturn, the weakness of the US dollar against the euro and delays in major programs launched over the past few years by manufacturers.

Initially, the banks agreed

- not to use their right to accelerate repayment of existing credit lines despite an anticipated breach of covenants as of December 31, 2009;
- to freeze the principal repayment of the medium-term loans until December 31, 2010;
- to maintain the existing lines used to protect the Group against changes in interest rates and currency risks.

The Group is confident in its capacity to find an agreement with the banks in the coming days, which will clarify its medium term financial structure. Upon signing and communicating on the terms of the agreement, the Group will ask NYSE Euronext to resume trading of Latécoère shares<sup>1</sup>.

#### **4.2.2 Other events during the year**

##### **Change in the Group Consolidation Scope**

During 2009, the LATecis Company created a subsidiary in England -- LATecis UK Limited -- in order to be in the immediate vicinity of one of its main customers. This subsidiary also is intended to develop new contracts in various sectors.

##### **Change in governance**

The Supervisory Board met on January 6, 2009 and noted that the terms of the positions of François BERTRAND and Jean Jacques Pignères were coming

<sup>1</sup> This information has been updated in chapter 3 of this document

to an end. It proposed to bring the number of Management Board Members to three. Consequently, Mr. François Bertrand was renewed in his duties as Chairman.

The Supervisory Board appointed Mr. Bertrand Parmentier as a Member and Managing Director. Mr. Bertrand Parmentier joined the Company on July 1, 2008; he was hired with a view to replacing Mr. Jean Jacques Pignères who retired at the end of June 2009. Mr. Bertrand Parmentier is 54 years old and was educated at HEC. Before joining the LATECOERE Company, Mr. Bertrand Parmentier was Managing Director of the Pierre Fabre S.A. Company, the holding company at the head of Laboratoires Pierre FABRE.

The Supervisory Board also decided to appoint Mr. Roland Tardieu as a Member of the Management Board. Mr. Roland TARDIEU is 60 years old; he has been part of the LATECOERE Company since 1986 and he holds the office of Chairman of LATElec, a subsidiary specialized in wiring, and he also is a Member of the Executive Committee.

The terms of the positions of the Members of the Management Board were set at six years, or until January 6, 2015.

The positions of almost all the Members of the Supervisory Board came to an end at the June 26, 2009 Annual General Meeting. They were all renewed, except for that of Mr. François Junca and that of the Banque Populaire Occitane which didn't wish to be renewed. A new Member was appointed -- Mr. Jean-Jacques Pignères. The new Supervisory Board met after the Annual General Meeting; Jean-Claude Chaussonnet was appointed Chairman and Jean-Jacques Pignères, Vice-Chairman. The new Supervisory Board is made up of 12 Members.

#### Establishment of a tax consolidation agreement

Since fiscal year 2009, the LATECOERE Company has made itself the only taxpayer in France for the corporate tax, for additional contributions based on the corporate tax for the annual flat-rate taxation due in respect of the tax Group which includes the LATECOERE, LATElec, LATecis and LATECOERE Développement companies.

Under the tax consolidation agreement, the tax consolidated subsidiaries bear their own tax expense, as they would had there not been tax consolidation, and pay the corresponding sums to the LATECOERE Company, by way of contribution to the payment of taxes of the tax Group.

#### 4.2.3 Additional Information

##### Revenue of the Group

Revenue in 2009 was €449.4 million, down -34.3 % compared with the revenue published in 2008; on a comparable basis, without taking into account €104.4 million of non-recurring invoicing of development

expenses in 2008, the drop is -22.4%. Restated for the impact of USD/EUR exchange rates, the Group's organic revenues declined -18.4 %.

The share of revenue invoiced in dollars is valued at the spot exchange rate for such currency to which is added the impact of hedging instruments relating to these flows.

The analysis of revenue by branch of business is as follows:

- **Aerostructures (58%):** Revenue in 2009 was €261.1 million, down 30.4% on a comparable basis. Corrected for dollar foreign currency exchange effects, the organic change is -24.6%. It is essentially due to the drop in production rates for business aircraft and regional aircraft programs. The delay in the Boeing 787 program, the first flight of which occurred at the end of the year, only had a limited impact on the year.
- **Wiring (33%):** Revenue was €148.4 million. This sector was especially affected by the drop in Dassault's production rates. The organic change was - 10.4 %. The delay in the A 400M program, which also had its first flight, didn't have great consequences on the year. It should be noted that there is no wiring business with respect to the Embraer programs.
- **Engineering and services (9%):** Revenue was €39.9 million (+8%). It is principally realized by the LATecis subsidiary, 18% of the business of which is done with the Group. The increase of revenue is due, on the one hand, to an increase in the business with its customer Airbus and, to a greater extent, to the increased production of tooling.

#### Results of the Group

Latécoère posted a negative operating result of -€102.8 million. Adjusted by -€112.9 million for depreciation included for the year relating

- for -€68.8 million to the dispute on a business aircraft program
- for -€44.1 million to the reappraisal of the EUR/USD exchange rate on completion of 1.35,

Depreciation which was commented upon at § 2.2.1 above, the current operating result was +€10.1 million.

Personnel expenses for 2009 fell by €16.7 million (8.5%) after the staff reductions implemented (-955 Full Time Equivalents of which -515 in France and -440 abroad; cf. § 2.2.6.1 below) most of which occurred from May onwards.

Expenditures were reduced by close to €175 million, a drop of -39.8%, to be compared with the drop in the consolidated revenue published (-34.3%). These decreases result from cost savings plans implemented both with respect to variable expenses as with respect to the fixed costs base.

Financial result was -€3,742k at December 31, 2009, a €38,207k improvement compared to 2008. This substantial improvement may principally be explained by:

- the reduction of the short term interest rates registered over the year, having a favorable impact on the year of +€5.4 million
- to the change in fair value of financial instruments having a favorable impact over the year of +€24.5 million.

The Group posted tax income of €15.8 million including recognition of tax losses carry-forward of €17.2 million.

After taking into account the financial result, income tax and the result from associates, the net result Group share is -€91 million compared to -€6.5 million in 2008.

#### **Work-in-progress relating to construction contracts**

At December 31, 2009 the net work-in-progress relating to construction contracts was €304.7 million compared to €438.5 million at December 31, 2008. The drop of -€133.8 million includes depreciation of -€112.9 million mentioned above.

The valuation of this work-in-progress has been the subject of numerous estimates whose sensitivity assumptions are recalled in note 22 to the consolidated financial statements.

#### **Shareholders' equity**

The shareholders' equity Group share at December 31, 2009 was €143,338k. It can be broken down as follows:

Capital and initial reserves	€230,043k
Hedging instruments not used	€4,499k
Fiscal year net result	<u>-€91,204k</u>
Total shareholder's equity	€143,338k

#### **Net debt of the Group**

The Group had net bank debt of €359.2 million, compared to €336.1 million at December 31, 2008.

This financial debt is subject to covenants, the situation at year end of which is described in note 14.2 to the consolidated financial statements.

Before the end of 2009, the Group obtained four-month waivers of cash flow solvency clauses for all of the debt subject to covenants. At the beginning of 2010, this waiver was extended until December 31, 2010.

However, insofar as the extension of the waivers to December 31, 2010 was formally authorized only after

the date of the closing of the financial statements, the provisions of IAS 1 paradoxically led the Group to state all of the debt subjected to covenants, which is €331 million, in current liabilities. This presentation will be re-examined as of the publication of the accounts of the first half of 2010 in the light of the results of the discussions held with the banks and commented upon at § 2.2.1 above.

The financings benefitting the main programs are subject to the French Dailly law assignment of receivables which may have arisen or may arise.

#### **Research & Development**

Due to its position as a partner of aircraft manufacturers, the Group first incurs development expenses on the programs. These expenses are then re-invoiced to customers according to the contractual terms as deliveries are made.

These research and development expenses are recorded in connection with partnership contracts and do not give rise, except in very special cases and in a marginal way, to the filing of patents in order to obtain patent right protection.

These expenses were very high during the last fiscal years as a result of the simultaneousness of several major programs (Embraer ERJ 170 and 190, Airbus A380 and A400M, Dassault Falcon 7X and Boeing 787).

In 2009, the total of these research and development expenses was €32 million (7% of revenue) compared to €28 million in 2008. In 2010, the effort will be more limited and will concentrate on the end of development for the Boeing B787 and the contracts obtained on the Airbus A350; insofar as this last program benefits from financing assistance, these expenditures shouldn't create sizeable financial needs.

Furthermore, the Group <sup>€143,338k</sup> does not receive any investment grants for research and development programs.

#### **Investments and fixed assets**

Given the economic climate, the 2009 investment plan was limited to what was strictly necessary. The amount of investments posted in 2009 was €8 million.

The main acquisitions of 2009 relate to the construction of a new production site for the SEA LATElec Company in Tunisia for €1.3 million, machinery and tooling related to the second industrial building for the LATECOERE do BRASIL Company for €1.6 million, an SAP management system, and technical facilities and tooling for the Letov s.r.o. Company for approximately €2 million.

### 4.3 The Group's Risk Factors

A mapping of risks (occurrence / impact) was established and is constantly updated. The Executive Committee analyzes the risks linked to the market, to the legal and regulatory requirements, as well as environmental risks.

All these risks are monitored by processes whose objectives are laid down by the Executive Committee. As soon as the Group has knowledge of a dispute it analyzes it with the relevant departments and with its external advisors. When the outcome of resources proves to be probable, a provision is recorded. To the managers' knowledge, there are no other exceptional facts or disputes that have, or may have a significant impact on the assets, the financial position, the business and the result of the Company and its subsidiaries. Except the risks mentioned below, there are no significant disputes in which the Company would be involved, with the exception of a potential dispute relating to the consequences of an appreciation of the basis of the business tax.

The principal risks that have been identified and followed-up by the internal control procedures are the following:

#### 4.3.1 Program Risk

The strategic choice of future programs is carried out in a changing technological environment. The profitability of the company depends upon the commercial success of the programs. The number and the diversity of the programs on which the Group has positioned itself contribute to dilute this risk.

Refundable advances reduce this risk accordingly.

Similarly, invoicing in advance for development expenditures in 2008, up to then included in the "work in progress" item, contributed to reducing the financial consequences of potential risks linked to the sustainability of the relevant programs.

The program risk is monitored regularly as indicated below:

- The estimates of completion margin are updated quarterly as part of the establishment of consolidated statements for internal use,
- These estimates are selectively reviewed in case of a significant change in assumptions,
- These estimates are the object of a presentation to the Audit and Financial Statements Committee at least twice a year

The Group's most important contracts are recorded as construction contracts for the purposes of IAS 11. The valuation method for these works-in-progress is described in note 2.15 to the consolidated financial statements and the sensitivity of the contracts to the forward evolution of the dollar is presented in note 22.

The risk estimates for these programs is carried out through the regular review

- of sales schedule as a function of market prospects as well as information provided by customers,
- and the estimate at completion of sales and cost prices for these programs.

Events intervening in the course of life of a program, in particular on its conditions of performance, can impact its profitability and induce depreciations which, considering that it concerns programs followed as construction contracts (IAS 11) with observation of the margin to advance, are calculated over the lifespan of such program. That is what occurred in concrete terms in 2009 with,

- on the one hand, the crystallization of a dispute at the end of the year relating to a business aircraft program;
- on the other hand the reappraisal out of prudence and in accordance with benchmarked practices in the sector, of the USD/EUR exchange rate at completion (beyond five years).

#### 4.3.2 Foreign Currency Exposure

Through its international exposure and invoicing in US dollars to its French customers the Group is confronted with foreign currency exposure. The exposure linked to fluctuations in the US dollar is partially hedged through forward sales contracts and option "collars". The dollar rate and the associated foreign exchange rate exposure are part of the estimated future assumptions for the determination of margins on construction contracts. The fluctuations of the exchange rates may affect operational margin, financial result, shareholder's equity and net debt.

In 2009, Latécoère put in place additional hedging programs to cover its financial risks, primarily by using option collars, hedging its USD exposure through the end of 2011, with USD/EUR exchange rates of - at the worst - 1.41 for 2010 and 1.37 for 2011, while retaining the ability to benefit to a certain extent from improvement in the latter.

In addition, the Group has set-up exchange rate hedges to protect against the fluctuations of the Czech crown (koruna) with respect to the Euro, in relation with its Letov s.ro. subsidiary, and against fluctuations of the Brazilian real with respect to the dollar, in relation with its LdB subsidiary.

Details of these derivative instruments and their impact on the financial statements appear in note 10 to the consolidated financial statements.

Furthermore, the Group invoices approximately 63% of its sales in dollars and buys approximately 54% of supplies or sub-contracting in dollars. The Group's US dollar net exposure posted to consolidated revenue, is about 28%. The effect of the dollar exchange risk hedging operations on revenue was -€8.3 million in 2009 compared to +€30.3 million in 2008.

The Group's exposure to foreign exchange risk and the analysis of the sensitivity are detailed in Note 21.3 to the consolidated financial statements. The characteristics of the financial instruments are described in notes 2.17 and 10 to the consolidated financial statements.

### 4.3.3 Interest Rate Risk

Almost all medium and long-term net debt is based on short-term floating rates. The LATECOERE Group benefits from hedging of interest rates ("collars") that allow it to limit the impact of a strong volatility in short-term rates on the cost of the debt. The average interest rate borne by the Group in 2009 was 4.2%.

In 2009, the Group covered its interest rate exposure for more than half of its debt for a duration of four years, while preserving the benefit of short-term variable rates which are currently low.

The Group's exposure to the interest rate risk and the sensitivity analysis are mentioned in note 21.4 to the consolidated financial statements.

### 4.3.4 Equity share risks

The Group holds essentially LATECOERE shares, the carrying value of which is adjusted according to the closing market prices. The treasury shares are accounted for in deduction of shareholders' equity in the consolidated financial statements. The amount of treasury shares at December 31, 2009 is €128k.

Given the fact that at year end the LATECOERE Company only held 19,909 of its own shares, the equity share risk is not significant.

Furthermore, the Group doesn't hold any other significant listed shares and for this reason isn't exposed to the risk of the fluctuation of share prices.

### 4.3.5 Credit risks

Because of the nature of the principal counterparts, the Group is not exposed to credit risk in any major way and foresees no default of third parties which could have a significant impact on the financial statements of the Group. At year end, the Group had identified no significant credit risk on these assets due but not depreciated.

### 4.3.6 Liquidity Risk

The Group manages its cash flow in a centralized way. The surpluses or the financing needs of its subsidiaries are invested or financed by the parent company on market conditions. The Group's cash flow department

manages the current and provisional financing activities of the Group and its capacity to face up to its financial commitments.

In order to face up to its liquidity risk, the Group has the following financial resources: borrowings, medium-term credit lines, commercial paper, authorized overdrafts and discount lines. At the closing, some of these resources hadn't been used.

Borrowings and credit lines are subjected to the respect of financial ratios ("covenants"). The "covenants" to be respected during 2009 are the following:

- Consolidated net debt / Pro forma consolidated equity funding < to 1.45
- Consolidated net debt / Pro forma EBITDA < to 11.5

Given the anticipation of the breach of its bank covenants, the Group opened discussions with its banks at the end of 2009.

At first the banks accepted

- not to use their right to accelerate repayment of existing credit lines despite an anticipated breach of covenants as of December 31, 2009;
- to freeze the principal repayment of the medium-term loans until December 31, 2010; this suspension ensured the Group the capacity to face up to its commitments.
- to maintain the existing lines used to protect the Group against changes in interest rates and currency risks.

The Group's exposure to liquidity risk is presented in note 21.2 to the consolidated financial statements.

### 4.3.7 Product Risk

The manufacturer guarantees the airworthiness of delivered aircraft. In case of failure, LATECOERE, as a supplier, could be found liable. The very strict quality standards (selection of suppliers, internal quality control procedures, etc.) implemented in the ISO 9001 V 2000 EN 9100 system of reference by the companies of the Group, permit them to ensure irreproachable reliability of the products delivered. An ISO 14001 certification initiative was undertaken; two of the Group's sites have already been certified and the extension to other sites and companies is ongoing. Furthermore, a product liability insurance policy has been taken out by the Group.

### 4.3.8 Raw Material Risk

The LATECOERE Group is exposed to raw material risk relating to its purchasing for raw materials, essentially aluminum, steel and titanium. Since 2007, the Group has negotiated contracts with its main suppliers, either independently, or through its customers' programs. These contracts have been concluded for 2 or 3 years, include price clauses which either make them constant

for the duration of the contract, or cause them to evolve according to an index provided for in advance, on the average lower than the past increases. In some contracts, the raw material is consigned by the client, which reduces the risk for the Group.

#### 4.3.9 Continuity of Information Systems

The Information Systems Department (DSI) is in charge of controlling this risk. It is in charge, in particular, of data integrity management. A security plan has been set up. Improvements were made to the data backup systems and to the performance of the computer network. An overall information system master plan is currently being set up.

#### 4.3.10 Other Risks

A risk manager is in charge of the security of assets through a policy of prevention relying on a team of correspondents throughout the Group companies.

Almost all of the risks of the Group's companies are covered by insurance policies. These concern the risk of destruction, the total amount of the damages guarantee is €250 million, and their consequences, operating loss, during a period of 15 months to a maximum amount of €90 million. Third party liabilities related to manufactured products are covered to a maximum of €750 million;

The potential consequences of a commercial dispute relating to the performance of a business aircraft contract were recognized in the 2009 financial statements.

## 4.4 Business of the Parent company

The financial statements of the company at December 31, 2009 have been prepared in accordance with regulations in force, in compliance with regulation CRC 99-03. Moreover, the Company applies the recommendations of the accounting plan of the aeronautical and space industry for the accounting treatment of some specific operations.

### Business

The LATECOERE Company, the parent company, realized revenue of €329 million in 2009, which represents 58% of the consolidated revenue of the Group after elimination of intercompany invoicing. Operations in US dollars are valued at the spot exchange rate of this currency, whereas the exchange gains or losses from the exchange rate hedging instruments (forward sales or collars) are noted in the financial result. After taking into account provisions relating to the commercial dispute in connection with the performance of a business aircraft contract and the consequences of the new assumptions of the change in the dollar on the result at termination of construction contracts, operating result in 2009 was -€110.9 million.

The financial result, made up principally of the cost of debt (-€21.2 million), foreign exchange income (-€15 million) and a reversed provision for foreign exchange loss (+€8.3 million) was -€31.3 million.

Non-recurring result is -€0.6 million. This corresponds principally to various penalties for -€0.4 million and to the impact of accelerated fiscal depreciation for -€0.2 million.

At December 31, 2009, the workforce consisted of 1,045 people of whom 38 on fixed term contracts, increased by 73 temporary staff.

### Net Result, Appropriation and Dividends

Net result is negative: -€129,024,352. It was proposed to allocate the full amount to the "retained profit or loss brought forward" account.

No dividend will be paid for the year 2009. The number of shares is currently 8,609,997. Dividends paid out over the last three fiscal years were:

	Revenue eligible for tax reduction		Revenue not eligible for tax reduction	Number of shares
	Dividends	Other distributed revenue		
<b>Fiscal year 2006 (*)</b>	€ 6 457 498			8 609 997
<b>Fiscal year 2007</b>	€ 0			8 609 997
<b>Fiscal year 2008</b>	€ 0			8 609 997

\* Which amounts to a dividend of € 0.75 per share

The total of expenses and charges related to Articles 39-4 of the French General Tax Code, amounted to €72,311.

### Inventories of raw materials and works-in-progress

The balance sheet at the closing of the year shows net inventories of raw materials of €32.5 million (compared to €41.6 million in 2008). Work in progress amounts to €321.9 million, compared to €433 million at December 31, 2008.

### Research & Development Costs

Research & development expenses are recorded in connection with partnership contracts and do not give rise to the filing of patents in order to obtain patent right protection. They reached €24 million and correspond to non-recurring expenses on the programs that are re-invoiced to customers. These expenses, financed by the Company, are included in the works-in-progress. They will be reincorporated in Profit and Loss depending on the stage of completion of the related contracts according to the contractual agreements defining, for each program, the number of aircraft retained by the aircraft manufacturers. The margin on the partnership contracts is recognized based on the stage of completion by consolidating together the costs of these contracts, including the development costs.

The main development programs are committed with respect to customer contracts. The related risks are those described in the program risks. Furthermore, LATECOERE does not receive any research grants for research and development programs.

In a few special cases and in a marginal way, the Company may be led to file patents.

### Investments

The acquisitions of new tangible assets amounted to €1.1 million. It principally concerns machine tools for production.

### Financial Debt

During 2009, the LATECOERE Company mobilized an additional €10 million of the medium-term lines available; moreover, €1.5 million of payments falling due were reimbursed during the year; finally, €7.6 million of payments falling due at December 31, 2009 were extended in the negotiations undertaken in order to restructure the Group's bank debt (see the paragraph on Liquidity Risk).

Given the waivers obtained (waiver by the banks of their right to make use of the premature termination for breach of covenants as of December 31, 2009) and the corresponding maintenance of existing lines, the maximum amount of mobilizeable resources over all the lines in place is €303 million, to which €9 million of financings related to leasing may be added.

### Refundable Advances

The company obtained refundable advances from official bodies and customers as additional financing of new programs (A380 and Falcon 7X); during the fiscal year, repayments were made, as a function of contractual conditions and deliveries of relevant

products. At the end of 2009, €50.4million was accounted for in the item "conditional advances".

### Information on the time of payment of suppliers

In application of the terms of Article L. 441-6-1 para. 1 of the French Commercial Code ("Code de commerce"), the mandatory information on the times of payment of French suppliers (outside the group) is the following:

The balance of relevant accounts payable debt at December 31, 2009 was €17.8 million with the following breakdown:

- 2% of invoices payable within 30 days after the end of the month as from the invoice's date of issue (or of the receipt of the goods or of the performance of the service, as the case may be).
- 4% of invoices payable within 30 days after the end of the month ending on the 10th, as from the invoice's date of issue (or of the receipt of the goods or of the performance of the service, as the case may be).
- 63% of invoices payable within 45 days after the end of the month as from the invoice's date of issue (or of the receipt of the goods or of the performance of the service, as the case may be).
- 10% of invoices payable within 60 days after the end of the month ending on the 10th, as from the invoice's date of issue (or of the receipt of the goods or of the performance of the service, as the case may be).
- 21% of invoices payable within 90 days after the end of the month ending on the 10th, as from the invoice's date of issue (or of the receipt of the goods or of the performance of the service, as the case may be).

Suppliers' invoices for which the payment time is within 60 days after the end of the month ending on the 10th or 90 days after the end of the month ending on the 10th relate mostly to orders prior to January 1, 2009. At December 31, 2009, this balance included 5% of past due debts.

### Information on the time of payment of customers

In application of the terms of Article L. 441-6-1 para. 1 of the French Commercial Code ("Code de commerce"), the mandatory information on the times of payment of French customers (outside the group) is the following:

The balance of relevant accounts receivable at December 31, 2009 was €19.6 million with the following breakdown:

- 87% of invoices payable within 30 days after the end of the month ending on the 10th, as from the invoice's date of issue (or of the receipt of the goods or of the performance of the service, as the case may be).
- 1% of invoices payable within 30 days net as from the date of the invoice's issue (or of the receipt of the goods or of the performance of the service, as the case may be).
- 11% of invoices payable within 45 days after the end of the month as from the invoice's date of issue

(or of the receipt of the goods or of the performance of the service, as the case may be).

- 1% of invoices payable within 90 days after the end of the month ending on the 10th, as from the invoice's date of issue (or of the receipt of the

goods or of the performance of the service, as the case may be).

At December 31, 2009, this balance included 5% of accounts receivable past due.

## 4.5 Subsidiaries and other affiliates

### 4.5.1 Integrated subsidiaries

#### LETOV s.r.o.

LETOV s.r.o., a wholly-owned subsidiary of the LATECOERE Company, located in Prague (Czech Republic), constitutes the Group's center of excellence for the production of mechanical parts and the assembly of door structures and of electrical racks. It is also the production center of doors in composite materials for the Boeing 787. This Company invoices most of its production to Latécoère.

The year 2009 was marked by a downturn in business, principally due to the decrease in Embraer production rates and stability on the other programs (A380, A320 and B787). New work projects were transferred to Toulouse, especially with respect to door mechanisms.

There were 524 employees at December 31, 2009, decreasing by -17%.

Revenue earned in 2009 was €44.3 million, increasing by 45% compared to 2008; this strong growth is principally due to the taking into account in revenue of consumption of raw materials which were previously entrusted by the parent company free of charge. Result was negative at -€1.1 million.

The implementation of a common SAP management system for the aerostructures business has been effective since March 2009.

#### LATECOERE do Brasil

This subsidiary is held 51% by LATECOERE and 49% by LATECOERE Développement. The objective of this entity is to carry out, given its proximity to Embraer, the final assembly and the customizing of ERJ 170 / 190 aircraft family fuselage sections. All fuselage sections delivered to Embraer since 2009 are assembled at this site.

In 2009 LATECOERE do BRASIL revenue amounted to €10.1 million, almost all with the parent company.

Its workforce at December 31, 2009, numbered 273 employees, down by 30% to adapt to Embraer's reductions in production rates.

Its revenue was €1.9 million, affected in particular by the positive effect of the Real exchange rate.

Investments reached €1.6 million in 2009, and related solely to the adapting of industrial tooling in order to finalize the transfer of the CF3 assembly-line.

LATECOERE do Brasil holds a 33 1/3% interest in the PESOLA Company which is specialized in the production of machined small- to medium-dimensioned parts for the aeronautical industry. The other shareholders are Eltra Holdings Overseas Inc. (33 1/3%) and Sobraer Ltda. (33 1/3%).

#### LATECOERE International Inc

The American subsidiary of the LATECOERE Group which is wholly-owned by LATECOERE is charged with covering the American market in the area of marketing. It also ensures, when necessary, additional services for the North American market in support of the parent company.

Its revenue amounted to €1.5 million in 2009, realized entirely with the parent company. The 2009 result is slightly negative.

#### LATelec

LATelec, a wholly-owned subsidiary of the LATECOERE Company, constitutes the Group's center of excellence in onboard wiring. LATelec holds 100% control of its subsidiaries in Germany and in Tunisia. It has developed, taking a significant share of the Latécoère Group's business over the years. In terms of strategy, it is solidly centered on its basic business which is the interconnection of onboard electrical systems in the aeronautical and space sectors.

LATelec's market has attained a high level of competitiveness in spite of the small number of actors. In this environment LATelec has reinforced its position among the 2 or 3 worldwide leaders of aeronautical and space wiring. This position is the result of a strategy of strong development of know-how through its entities in France and in Germany and simultaneously of the growth of its production in low cost zones. The establishment in Tunisia over ten years ago was sufficiently anticipated to be developed in an optimized manner, totally integrated in LATelec Group processes. This efficient industrial organization has allowed it to withstand the fall of the dollar and is an asset for the future.

The evolution of aircraft onboard systems towards an ever increasing use of electricity as a source of energy or of the exchange of information is continuing. This trend reinforces LATelec's trade as one of a specialist;

in order to follow this evolution the development of the R&D activity is an additional asset.

Revenue in 2010 will remain penalized by production rate decreases for business aircraft, the stabilization of Airbus production rates, the A400M delays, and the slowdown in the A380's growing importance. Revenue in constant dollars should show a decrease of less than 10% compared to 2009.

Beyond and following the global financial crisis and its impact on the aeronautical sector, the recovery, the strengthened A400M program and the tripling of LATElec's business on the A350 compared to the A330, will contribute significant relaying of growth. Indeed, after the award of the avionics cabinets contract at the end of 2008, LATElec won contracts for the development and realization of wing and cockpit panel wiring for the A350 at the beginning of 2009. We remind you that for the share which is not financed by the customer, the Group will have recourse to refundable advances of the Civil Aeronautics Programs Office (DPAC).

The "LATElec 2011" progress plan, currently at mid-course, will participate in the improvement of productivity both for the French sites in terms of manufacturing, as well as for the reinforcement of the study business in Tunisia.

During the year ended December 31, 2009, the main results were the following:

Revenue was €148.5 million;  
 The total of operating income is: €149.2 million;  
 The total of operating expenses is: €137.3 million;  
 The operating result comes to: €12.0 million;  
 Operating net income before tax comes to: €10.9 million.

Given these elements, the result for the year is a net profit of €6.5 million.

Up to now it has not carried out any payment of dividends.

Given the improvement of LATElec's net debt at the end of 2009, it was decided to pay a dividend to the parent company for the first time. This dividend will help rebalance the cash flow position between the two companies, as part of the Latécoère Group's cash flow agreement.

The year's profit of €6,506,840 was allocated as follows:

- In retained profit or loss brought forward:  
€2,506,840
- Dividend payment: €4,000,000

At December 31, 2009, the total of the Company's balance sheet is: €149.3 MILLION.

Information on Subsidiaries:

('000 EURO)	SEA-LATElec	LATElec GmbH
Sales	4 993	24 619
Net income	401	1 566

The year 2009 was marked for LATElec by a very strong reduction in production rates for the Falcon 900, Falcon 2000, and Falcon 7X, subsequent to the global financial crisis. Faced with this situation which occurred suddenly in April (decrease in Falcon 7X production rates from four to one per month in less than three weeks) LATElec was able to react efficiently thanks to the great flexibility it had in terms of staff. The reduction of staff, on the order of 150 staff managed, was shared out proportionally among Tunisia and the relevant French sites. The time required to transfer certain manufacturing in order to balance the workloads of the affected sites, a few days of short-time working were established in May and June 2009.

On the whole, the Airbus series programs have held up well but increases in production rates were frozen. While waiting for the conclusion of the renegotiation between Airbus Military and its customers, the A400M program generated no deliveries for LATElec. If the A380 series program deliveries didn't reach their objective, LATElec's activity contributing to the program's industrialization was great in France as in Germany.

Space business has remained at a high level in spite of the difficult-to-manage expense fluctuations. It is the subject of an improvement plan which should produce results between now and the end of 2010.

LATElec Services' business reinforces its positioning in France, Germany and Spain. The establishment near Eurocopter Marignane gradually continued its development.

A new establishment was opened in Marignane. This establishment is intended to develop the research business for helicopters, which already employs approximately fifteen people.

In terms of quality, customer satisfaction, for which our company policy sets a high level of requirements, has been unflinching.

As the economic and financial results show, LATElec has held up well and has shown its ability to adapt to a drop in revenue of approximately 10% in this period of global crisis, after having managed during many years of two-digit growth.

The headcount registered in France decreased by 5%, in Tunisia by around 10% and it has increased by 15% in Germany.

#### **LATECOERE Développement**

This holding company, wholly-owned by LATECOERE, holds 49% of LATECOERE do BRASIL and 100% of the capital of LATEcis.

#### **LATEcis**

LATEcis is the main engineering subsidiary of the LATECOERE Group. Its business covers the aeronautical and space sectors, as well as rail and automotive. Approximately 18% of its revenue is realized with the Group. LATEcis, in addition to its

establishment in the Toulouse region -- at Ste. Foy d'Aigrefeuille -- has local offices in Paris, Bordeaux and Nantes. It also holds 100 % of the capital of LATecis IBERIA, established in Seville, Spain, 85% of the capital of LATecis srl based in Romania (the remaining 15% of the capital being held by the DZ holding company) and 51% of the capital of G<sup>2</sup>Métric located nearby Toulouse (48% of the capital being held by the SARL AXYL and 1% by natural persons).

LATecis had revenue of €42.7 million in 2009, with a result of €0.4 million. It had 357 employees at December 31, 2009. The LATecis IBERIA subsidiary had revenue of €1.2 million in 2009, with a slightly negative net result. Furthermore, the 2009 revenue of G<sup>2</sup>Métric was €4.1 million for a net result of €0.4 million, with a headcount of 35 employees, LATecis srl (Romania) realized revenue of €0.7 million for an appreciably balanced result with a headcount of 18 people at December 31, 2009. Finally, LATecis UK had revenue of €0.5 million and a balanced net result with a headcount of 9 people at December 31, 2009.

## 4.5.2 Investments in associates

### LATECOERE AEROSERVICES

This company realizes maintenance and repair business and is held 30% by the LATECOERE Company (70% being held by the Pierre LATECOERE TECHNOLOGIES BV Company). In 2009, it had revenue of €15.4 million, 133 employees and a net result of €0.2 million.

### CORSE COMPOSITES AERONAUTIQUE (C.C.A.)

Since the beginning of 2003, LATECOERE holds 25% of the capital of CORSE COMPOSITES AERONAUTIQUE. This investment by LATECOERE, along with the other shareholders -- Airbus, Dassault and SAFRAN, allows the Group to reinforce its competencies in the area of composite materials. In 2009, C.C.A. had revenue of €24.4 million and a net result of -€2.0 million.

## 4.6 Sustainable development

### 4.6.1 Labor

The development of the LATECOERE Group is based on the skill and the involvement of the men and women who form it and are its principal assets. Labor policy is based on:

- Continuing training;
- The development of competences;
- An open and constructive labor dialogue through a contractual policy;
- Team spirit, the transmission of knowledge and know-how;
- Professional development by maintaining a safe environment and work conditions;
- The setting up of a socially-responsible insurance system.
- Employee shareholding.
- Non-discrimination on the basis of origins, sex, handicap, political or religious beliefs or labor union membership.

The headcount put to work by the Group (registered and external) at December 31, 2009 had fallen over the year to 955 people.

	Dec 31, 2009	Dec 31, 2008	Var.
Employees	3 639	4 036	-397
of which France	2 069	2 199	-130
of which International	1 570	1 837	-267
Temporary staff	735	1 293	-558
of which France	459	844	-385
of which International	276	449	-173
<b>TOTAL</b>	<b>4 374</b>	<b>5 329</b>	<b>-955</b>
<b>of which France</b>	<b>2 528</b>	<b>3 043</b>	<b>-515</b>
<b>of which International</b>	<b>1 846</b>	<b>2 286</b>	<b>-440</b>

Absenteeism remains relatively low. Prevention measures help to maintain a low level of accidents at the workplace.

The employees, through company investment funds and a non-trading company now hold 15.0% of the capital of the parent company. Three employees as well as a representative of the wage-saving scheme sit on the Supervisory Board.

The professional training budget represents close to 2.5% of the Group's total payroll.

Sums attributed pursuant to profit-sharing scheme were: in 2008, €2.3 million; and, in 2009, €1.3 million.

Furthermore, personnel-related information has been prepared and distributed in compliance with legal requirements.

#### 4.6.2 Environment

As part of its sustainable development policy, the LATECOERE Group committed itself to an environmental management initiative. The Gimont, France unit and the Labège, France site obtained ISO 14001 certification.

The LATECOERE Group is therefore determined to continue the actions permitting it:

- to be in compliance with the laws and regulations applicable to the businesses of the different sites.
- to preserve resources and the natural environment: energy savings, the most efficient consumption of chemical products and natural resources.
- to improve the management of the environmental impact relating to its businesses.

The follow-up of the environmental objectives and the active involvement of all will allow us to ensure a constant improvement of our environmental performance.

The Group's business has no harmful consequences on the environment (neither CO<sub>2</sub> emissions nor waste water). When new facilities are established, environmental aspects are taken into account in order to reduce their impact in consultation with the official bodies, in all the countries where the Group is present. At this date, no environmental risk has been noted.

#### 4.6.3 Relations with the Civil Society

The actions of the Group in this area related mainly to the following points:

Local economic development, relations with the authorities and stakeholders, with strict political, religious and philosophical neutrality.

Respect of business ethics and deontology.

Openness to the scientific and academic communities, participation in professional training and in international exchanges of knowledge, technique and know-how.

Adoption of environmental and social criteria in relations with suppliers and the sub-contractors.

## 4.7 Information likely to have an effect in the case of a public offering

### 4.7.1 Shareholders and the Stock Exchange

LATECOERE's shares are listed on Euronext Paris, of NYSE Euronext, compartment "C". ISIN code: FR0000032278

Currently its capital is made up of 8,609,997 shares with a par value of €2 per share. The current analysis of shareholders is as follows:

Share capital	
EMPLOYEES	15,0%
PRIGEST	8,5%
MONDRIAN	8,3%
SALVEPAR	5,0%
LATECOERE (self-holding)	0,20%
PUBLIC	63,0%
<b>TOTAL</b>	<b>100,0%</b>

#### \*Employees:

(through four company investment funds and a non-trading company)

FCPE "A":	0.5 %
FCPE "B":	10.6 %
FCPE "C":	0.2 %
FCPE "D":	2.7 %
Soc. Civ. de la Roseraie:	<u>1.0 %</u>
<b>Total Employees:</b>	<b>15.0 %</b>

At December 31, 2009, to the Company's knowledge no other shareholder holds, directly or indirectly, either alone or in conjunction with others, more than 5% of the capital or voting rights.

In 2009, the following crossings of thresholds were notified:

- January 26: Natixis Asset Management, on behalf of an FCPE C LATECOERE, for regularization, downward crossing of the 5% of voting rights threshold,
- March 4: Crédit Agricole Asset Management, on behalf of an FCPE B LATECOERE, upward crossing of the 10% of voting rights threshold
- September 23: Société Générale, indirectly through the SALVEPAR and SG Securities (Paris) companies which it controls, upward crossing of the 5% of voting rights threshold.

A TPI study performed in February 2010, shows that the Company has close to 14,000 shareholders.

At December 31, 2009, the LATECOERE Company held 19,909 (0.2%) of its own shares. The table below summarizes the movements on the treasury shares during the year 2009.

Number of shares	Dec 31, 2008	Acquisitions	Disposals	Dec 31, 2009	% of ownership
LATECOERE Shares	29 332	102 192	111 615	19 909	0,23%

('000 EURO)	Dec 31, 2008	Acquisitions / Provisions	Disposals	Dec 31, 2009	Average purchase price
LATECOERE Shares	220	567	659	128	5,55

No company controlled by Latécoère has notified of any interest in the latter's capital.

To the best of the Company's knowledge, there exists no shareholders' agreement.

There does not exist any statutory restriction of voting rights except the deprivation which may be requested at the general meeting by one or more shareholders holding at least 2% of share capital, in case of a non-declaration of a crossing of statutory threshold, in accordance with article 9 of the by-laws.

With the exception of shares with double voting rights accorded to the shares registered as registered securities for at least four years in the name of the same shareholder, there does not exist any security having special control rights.

The rules applicable to the appointment and to the replacement of the Members of the Management Board, to their power and the rules relating to the amendment of the Company's by-laws are those foreseen by law.

The items relating to payments likely to be due to the members of the Management Board as a result of the termination of their employment contract or their corporate office, as the case may be, are part of the compensation conditions described below.

The voting rights attached to the LATECOERE shares held by the employees through F.C.P.E. "actions LATECOERE" are exercised by a representative named by the supervisory board of F.C.P.E. for the purpose of representing it at the Annual General Meeting.

## 4.8 Information relating to the share buyback program

### 4.8.1 Prior Program report during 2009

As part of a share buyback program, the Company proceeded with purchase and sale operations with respect to its own shares between the date of opening and of closing of the past year, as follows:

Number of shares purchased: 102,192  
 Average purchase price: €5.91

Number of shares sold: 111,615  
 Average sale price: € 5.90

Total amount of commission fees: 0

Number of shares registered at the closing of the year: 19,909

Value determined at the purchase price: €124,292  
 Nominal value: €39,818

Nature of acquisitions	% of capital
Market animation	100%
Employee shareholding plan	0%
Marketable securities giving right to shares	0%
External growth transaction	0%

The shares held at this date respond only to an objective of market animation. The shares held by the Company have not been the subject of any reallocation

for any other objectives since the last authorization granted by the general meeting.

### 4.8.2 Description of share buyback program

In accordance with the provisions of Article 241-2 of the AMF's General Regulation as well as the European Regulation n° 2273/2003 of December 22, 2003, this description has as its aim to describe the objectives and

the methods of the buyback program for the Company's own shares. This program will be submitted to the Annual General Meeting of June 25, 2010 for approval.

#### 4.8.2.1 Prior Program report at 3/31/2010

The declaration of operations realized with respect to its own shares from 4/01/2009 to 3/31/2010 appears as follows:

	Total gross flow (1)		Position open at the beginning of the program	
	Purchases	Sales / transfer	Position open on purchases	Position open on sales
Number of shares	88 923	104 286	None	None
Average exercise price	6,10	5,96		
Amount	542 221	621 923		

(1) The relevant period begins the day following the date the prior program report was established and ends on the day of publication of the program description.

#### 4.8.2.2 Breakdown by objectives of the shares of capital held at March 31, 2010

Number of shares held directly and indirectly: 19,909 representing 0.2% of the Company's capital.

Number of shares held broken down by objective:

- Market animation through a liquidity contract: 100%
- External growth transactions: 0%
- Hedging of purchase options for shares or other system of employee shareholding: 0%
- Hedging of marketable securities giving right to shares: 0%
- Cancellation: 0%

#### 4.8.2.3 New Share Buyback Program

- **Approval of program:** Annual General Meeting of June 25, 2010
- **Relevant Shares:** common stock
- **Maximum percentage of capital for which buyback is approved:** 10% of capital (or 860,999 shares today), it being made clear that this limit must be seen in the context of the buyback date in order to take into account any applicable capital increase or reduction transactions which may occur during the term of the program. The number of shares taken into account for the calculation of this limit correspond to the number of shares purchased, reduced by the number of shares resold during the term of the program in connection with the liquidity objective. The company may not hold more than 10% of its own capital and, taking into account the number of shares already held in the amount of 19,909 at March 31, 2010 (or 0.2% of capital), the maximum amount of shares which may be purchased will be 841,090 shares (or 9.8% of capital) unless the shares already held are sold (or cancelled).
- **Maximum purchase price:** €20
- **Maximum amount of the program:** €16,821,814
- **Buyback Terms:** purchases, sales and transfers may be realized by any means on the market or by private sale, including by transactions for blocks of shares, it being understood that the resolution proposed for

shareholder vote does not limit the share of the program which may be realized through the purchase of blocks of shares. These transactions may in particular be carried out during periods of public offers in compliance with Article 232-17 of the AMF's General Regulation, if on the one hand, the offer is paid entirely in cash and, on the other hand, the buyback transactions are realized in connection with the continuation of the performance of the ongoing program and that they are not likely to cause the offer to fail.

#### The objectives are as follows:

- Ensure the animation of the secondary market or the liquidity of the stock through an Investment Service Provider intermediary, through a liquidity contract consistent with the charter of deontology of the AMAFI, as accepted by the AMF,
- Keep the purchased shares and turn them over later for exchange or in payment in connection with eventual operations of growth, being specified that the shares acquired for this purpose cannot exceed 5% of the Company's capital,
- Grant share purchase options and other forms of allocation of shares to employees and group officers as set out in legal dispositions, in particular for profit-sharing, under a company savings scheme or by the allotment of free shares to employees,
- Ensure the hedging of securities giving right to an allotment of shares in the company within the framework of the regulations in force,
- Proceed with the cancellation of the shares acquired, in accordance with the approval given by the Annual General Meeting of Shareholders of June 26, 2009 in its 26nd extraordinary resolution.
- **Duration of program:** 18 months from the Annual General Meeting of June 25, 2010 or until December 24, 2011.

## 4.9 Authorizations of a capital increase

Currently, there isn't any delegation of authority to the Management Board in order to proceed with increases in capital.

## 4.10 Other Information

### 4.10.1 Investments

('000 EURO)	Number of shares held	Gross value	Provision	Net value
LATECOERE INTERNATIONAL Inc.	600	541	0	541
LATECOERE Développement	149 998	572	0	572
LATelec	1 900	7 600	0	7 600
Letov s.r.o.	NC	20 787	0	20 787
LATECOERE Do Brasil	637	176	176	0
LATECOERE Aéroservices	15 000	229	0	229
Corse Composites Aéronautiques	184 139	2 700	923	1 777
<b>SUBSIDIARIES AND OTHER SHAREHOLDINGS</b>		<b>32 605</b>	<b>1 099</b>	<b>31 506</b>
LATECOERE shares	19 909	128	3	124
<b>SHORT-TERM INVESTMENTS</b>	<b>19 909</b>	<b>128</b>	<b>3</b>	<b>124</b>

### 4.10.2 Significant Financial Commitments

This information is mentioned in note 25 to the consolidated financial statements. Significant financial commitments concern the borrowing contracts,

guarantees granted to subsidiaries, cooperation and subcontract agreements related to sales contracts with customers, French Dailly Law assignments of receivables which may have arisen or may arise under construction contracts.

### 4.10.3 Five Years record

('000 EURO)	Dec 31, 2005	Dec 31, 2006	Dec 31, 2007	Dec 31, 2008	Dec 31, 2009
<b>Capital at year-end:</b>					
Share Capital	17 219 994	17 219 994	17 219 994	17 219 994	17 219 994
Number of issued ordinary shares	8 609 997	8 609 997	8 609 997	8 609 997	8 609 997
<b>Operations and results of the fiscal year:</b>					
Sales excluding VAT	224 559 506	279 326 396	313 937 133	481 096 561	329 030 798
Income before tax, employee profit sharing, depreciation, amortization and provisions	46 209 095	32 763 028	19 723 441	-4 273 419	-50 917 903
Income taxes	8 484 553	6 912 320	1 010 330	-7 222 712	-13 837 402
Employee profit sharing (legal and contractual)	2 894 000	3 522 841	2 523 923	208 116	0
Income after tax, employee profit sharing, depreciation, amortization and provisions	17 854 488	17 882 114	10 379 451	-5 698 086	-129 024 352
Dividend paid during the year (including withholding tax on securities)	5 667 959	8 176 737	6 456 773	0	0
<b>Earnings per share:</b>					
Earnings after tax and profit sharing, but before depreciation, amortization and provisions	4,0	2,6	1,9	0,3	-4,3
Earnings after tax and profit sharing, depreciation, amortization and provisions	2,1	2,1	1,2	-0,7	-15,0
Dividend paid per share (excluding tax credit) in the year	0,7	0,9	0,7	0,0	0,0
<b>Personnel :</b>					
Average number of employees	1 032	1 168	1 117	1 166	1 088
Total remuneration	38 044 429	42 072 330	43 728 749	44 858 226	42 000 151
Total social charges and other personnel-related benefits	18 781 100	20 688 919	21 308 862	20 873 093	19 323 298

### 4.10.4 Corporate Officers

An audit of the compliance of the Company's governance with the AFEP MEDEF code of December 2008 was conducted with the help of an external consultant.

Consequently, the Company decided to refer to this code available on the MEDEF's website, referred to hereinafter as "the Code of Reference".

#### 4.10.4.1 Positions and duties

##### Supervisory Board:

The positions of almost all the Members of the Supervisory Board came to an end at the June 26, 2009 Annual General Meeting. They were all renewed, except for that of Mr. François Junca and that of the Banque Populaire Occitane which didn't wish to be renewed. A

new Member was appointed -- Mr. Jean-Jacques Pignères. The new Supervisory Board met after the Annual General Meeting; Jean-Claude Chaussonnet was appointed Chairman and Jean-Jacques Pignères, Vice-Chairman. The new Supervisory Board is made up of 12 Members.

Name	Positions	Duties		First appointment Date	Other positions	Other current duties	Duties (except subsidiaries) during the last 5 years, already expired	Number of shares owned
		Nature	Expiring					
Jean Claude CHAUSSONNET (68)	None	Chairman of the Supervisory Board	General meeting 2015	Jan-03		Director RECAERO	Director CORSE COMPOSITES AERONAUTIQUE	10
Jean Jacques PIGNERES (64)	None	Vice Chairman of the Supervisory Board	General meeting 2015	Jun-09	Member of the Audit & Financial Statement Committee	Member of the Supervisory Board, LATECOERE AEROSERVICES Chairman LATECOERE DEVELOPPEMENT Director, SEA		25
Pierre LATECOERE (46)	None	Member of the Supervisory Board	General meeting 2015	Jan-03	Member of the Nomination & compensation Committee	Chairman of the Supervisory Board LATECOERE AEROSERVICES	Chairman of the Board of Directors ETAMIC	110
Pierre ALESI (77)	None	Member of the Supervisory Board	General meeting 2015	Jan-03		Director CORSE COMPOSITES AERONAUTIQUE	None	10
Christian BEUGNET (66)	Secrétaire général	Member of the Supervisory Board	General meeting 2015	Jan-03	President of the Nomination & Compensation Committee	Director CORSE COMPOSITES AERONAUTIQUE	None	10
Gérard CAVERIVIERE (57)	Directeur de l'amélioration continue	Member of the Supervisory Board	General meeting 2015	Jan-03	Member of the Nomination & compensation Committee	None	None	34
Patrick CHOLLET (47)	None	Member of the Supervisory Board	General meeting 2015	Jan-03	Member of the Audit & Financial Statement Committee	Chairman CHOLLET Finances Investissements	None	99
Hervé COSTES (57)	Technician manager, Secretary of the Works Council	Member of the Supervisory Board	General meeting 2015	Jan-03	Member of the Nomination & compensation Committee	None	None	42
Christian REYNAUD (65)	None	Member of the Supervisory Board	General meeting 2015	Jan-03	President of the Audit and Financial Statement Committee	Chairman of the Board and CEO, IRDI Director MIDI PYRENEES CREATION Director FONDS D'AMORCAGE MIDI PYRENEES Vice chairman of the Supervisory Board, SOCRI Chairman of the Supervisory Board, ICSSO GESTION Chairman SORID	None	200
Yves DA COSTA (41)	Quality Technician and union representative	Member of the Supervisory Board	General meeting 2015	Jun-09		None	None	10
SALVEPAR represented by Didier ALIX (63)	None	Member of the Supervisory Board	General meeting 2011	Jun-06		President of the Supervisory Board, SOGEBAIL President of the Supervisory Board, KOMERCNI BANKA Managing Director, Société Générale Director FRANFINANCE Chairman Société de Gestion St. Jean de Passy Director YVES ROCHER Director SG of Cameroun bank Director SG of Côte d'Ivoire bank Director, NSGB Director BRD (Romania) Director, SG of Sénégal bank Member of the Supervisory Board, SG Maroc	Director, SG de banque du Liban	432 911
Jean Louis PELTRIAUX (43) representing the FCPE "B" of LATECOERE employees	Cost control manager and cash manager of the Works Council	Member of the Supervisory Board	General meeting 2015	Jun-06		None	None	10
François JUNCA (74)	None	Chairman of the Supervisory Board	June, 30 2009	Jan-03	Member of the Audit & Financial Statement Committee and of the Nomination & Compensation Committee	Director IRDI Director SBCIC Chairman of the Supervisory Board PROMOLOGIS	Chairman of the Supervisory Board LATECOERE AEROSERVICES	47 678
Banque Populaire Occitane represented by Alain CONDAMINAS (52)	None	Member of the Supervisory Board	June, 30 2009	Jan-03		Director CELAD S.A., Director SOTEL S.A. Managing Director, BPO Director MULTICROISSANCE S.A.S Director NATIXIS ASSET MANAGEMENT Member of the Supervisory Board, ABP IARD Member of the Supervisory Board, IRDI Director IBP Director Natixis Securities Director SMC Director SOCAMA 31 General Manager SNC IMMOCARSO Chairman GIE CARSO MATERIEL	Chairman of the Board and CEO, FINEXPLUS S.A. Director, MAISON DU COMMERCANT Member of the Supervisory Board, NOVACREDIT	329318

### Management Board:

The Supervisory Board met on January 6, 2009 and noted that the terms of the positions of François Bertrand and Jean Jacques Pignères as Members of the Management Board were coming to an end. During this meeting, the Supervisory Board decided to bring the number of Management Board Members to three and to

set the term of the positions at six years, or until January 6, 2015. It renewed François Bertrand's position as Chairman of the Management Board, it appointed Bertrand Parmentier as a Member and Managing Director, and it also appointed Roland Tardieu as Member. The position of Jean-Jacques Pignères was not renewed.

Name	Positions	Duties		First appointment Date	Other positions	Other current duties	Duties (except subsidiaries) during the last 5 years, already expired	Number of shares owned
		Nature	Expiring					
<b>François BERTRAND (54)</b>	President and CEO	Chairman of the Management Board	06-Jan-15	Jan-03		Director, SEA LATElec (TUNISIE) Director, Banque Populaire Toulouse Midi Pyrénées		90
<b>Bertrand PARMENTIER (54)</b>	Managing Director and CFO	Member of the Management Board	06-Jan-15	Jan-09				25
<b>Roland TARDIEU (60)</b>		Member of the Management Board	06-Jan-15	Jan-09		Chairman, LATElec Director, SEA		0

To the Company's knowledge, and at the date of the establishment of this report, none of the Members of the Supervisory Board or the Management Board, during the past five years:

- was convicted for fraud,
- was associated with a bankruptcy, sequestration or liquidation,
- was subject to incrimination or official public sanction ordered by a statutory or regulatory authority,

- was prevented by a court from acting as a member of a corporate administrative, management or supervisory body or from participating in the management or the conduct of business of an issuer.

There has not been brought to the Company's knowledge the existence of any family ties of whatsoever nature between the Members of the Supervisory Board and the Management Board.

#### 4.10.4.2 Remunerations

##### A) Summary table of remuneration and of options allocated to each corporate officer

<i>In euros</i>	Fiscal Year N	Fiscal Year N-1
<b>François JUNCA, Chairman of the Supervisory Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	60 000	75 000
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>60 000</b>	<b>75 000</b>
<b>Jean-Jacques PIGNERES, Vice chairman of the Supervisory Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	181 314	15 000
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>181 314</b>	<b>15 000</b>
<b>Pierre ALESI, Member of the Supervisory Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	0	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>0</b>	<b>0</b>
<b>Christian BEUGNET, Member of the Supervisory Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	176 869	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>176 869</b>	<b>0</b>
<b>Gérard CAVERIVIERE, Member of the Supervisory Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	110 265	111 403
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>110 265</b>	<b>111 403</b>

<i>In euros</i>	Fiscal Year N	Fiscal Year N-1
<b>Patrick CHOLLET, Member of the Supervisory Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	0	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>0</b>	<b>0</b>
<b>Hervé COSTES, Member of the Supervisory Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	68 874	70 136
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>68 874</b>	<b>70 136</b>
<b>Yves DA COSTA, Member of the Supervisory Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	35 268	34 050
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>35 268</b>	<b>34 050</b>
<b>Pierre LATECOERE, Vice chairman of the Supervisory Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	0	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>0</b>	<b>0</b>
<b>Christian REYNAUD, Member of the Supervisory Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	0	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>0</b>	<b>0</b>
<b>SALVEPAR, Member of the Supervisory Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	0	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>0</b>	<b>0</b>
<b>Jean Louis PELTRIAUX, Member of the Supervisory Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	72 963	75 287
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>72 963</b>	<b>75 287</b>
<b>François BERTRAND, Chairman of the Management Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	197 646	283 847
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>197 646</b>	<b>283 847</b>
<b>Bertrand PARMENTIER, Member of the management Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	0	251 137
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>0</b>	<b>251 137</b>
<b>Roland TARDIEU, Member of the management Board</b>		
Remuneration relating to the fiscal year (detailed in table B)	0	190 534
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
<b>TOTAL</b>	<b>0</b>	<b>190 534</b>

**B) Recapitulative table of remuneration of each corporate officer**

In euros	Fiscal year N-1		Fiscal year N	
	Amount due	Amount paid	Amount due	Amount paid
<b>Jean Claude CHAUSSONNET</b> , Chairman of the Supervisory Board				
Fixed remuneration				
Variable compensation**				
Exceptional remuneration	60 000	105 000*	75 000	75 000
Attendance fees	0	0	0	0
Benefits in kind				
<b>TOTAL</b>	<b>60 000</b>	<b>0</b>	<b>75 000</b>	<b>75 000</b>
<i>* including 45 000 euros relating to previous year</i>				
<b>Jean-Jacques PIGNERES</b> , Vice chairman of the Supervisory Board				
Fixed remuneration	161 120	161 120		
Variable compensation**	0	107 758		
Exceptional remuneration			15 000	15 000
Attendance fees				
Benefits in kind	20 194	20 194		
<b>TOTAL</b>	<b>181 314</b>	<b>289 072</b>	<b>15 000</b>	<b>15 000</b>
<i>Not including additionnal payment of retirement bonus</i>				
<b>Pierre ALESI</b> , Member of the Supervisory Board				
Fixed remuneration				
Variable compensation**				
Exceptional remuneration				
Attendance fees	0	0	0	0
Benefits in kind				
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Christian BEUGNET</b> , Member of the Supervisory Board				
Fixed remuneration	145 673	145 673	0	0
Variable compensation**	28 992	71 839	0	0
Exceptional remuneration				
Attendance fees	0	0	0	0
Benefits in kind	2 204	2 204	0	0
<b>TOTAL</b>	<b>176 869</b>	<b>219 716</b>	<b>0</b>	<b>0</b>
<b>G�rard CAVERIVIERE</b> , Member of the Supervisory Board				
Fixed remuneration	91 100	91 100	92 501	92 501
Variable compensation**	16 500	16 500	16 500	16 500
Exceptional remuneration				
Attendance fees	0	0	0	0
Benefits in kind	2 665	2 665	2 402	2 402
<b>TOTAL</b>	<b>110 265</b>	<b>110 265</b>	<b>111 403</b>	<b>111 403</b>
<b>Patrick CHOLLET</b> , Member of the Supervisory Board				
Fixed remuneration				
Variable compensation**				
Exceptional remuneration				
Attendance fees	0	0	0	0
Benefits in kind				
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Herv� COSTES</b> , Member of the Supervisory Board				
Fixed remuneration	61 789	61 789	63 386	63 386
Variable compensation**	7 085	7 085	6 750	6 750
Exceptional remuneration				
Attendance fees	0	0	0	0
Benefits in kind				
<b>TOTAL</b>	<b>68 874</b>	<b>68 874</b>	<b>70 136</b>	<b>70 136</b>

In euros	Fiscal year N-1		Fiscal year N	
	Amount due	Amount paid	Amount due	Amount paid
<b>Yves DA COSTA</b> , Member of the Supervisory Board				
Fixed remuneration	32 601	32 601	31 475	31 475
Variable compensation**	2 667	2 667	2 575	2 575
Exceptional remuneration				
Attendance fees	0	0	0	0
Benefits in kind				
<b>TOTAL</b>	<b>35 268</b>	<b>35 268</b>	<b>34 050</b>	<b>34 050</b>
<b>Christian REYNAUD</b> , Member of the Supervisory Board				
Fixed remuneration				
Variable compensation**				
Exceptional remuneration				
Attendance fees	0	0	0	0
Benefits in kind				
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Pierre LATECOERE</b> , Member of the Supervisory Board				
Fixed remuneration				
Variable compensation**				
Exceptional remuneration				
Attendance fees	0	0	0	0
Benefits in kind				
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>SALVEPAR</b> , Member of the Supervisory Board				
Fixed remuneration				
Variable compensation**				
Exceptional remuneration				
Attendance fees	0	0	0	0
Benefits in kind				
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Jean Louis PELTRIAUX</b> , Member of the Supervisory Board				
Fixed remuneration	62 963	62 963	66 287	66 287
Variable compensation**	10 000	10 000	9 000	9 000
Exceptional remuneration				
Attendance fees	0	0	0	0
Benefits in kind				
<b>TOTAL</b>	<b>72 963</b>	<b>72 963</b>	<b>75 287</b>	<b>75 287</b>
<b>François BERTRAND</b> , Chairman of the Management Board				
Fixed remuneration	177 200	177 200	220 000	220 000
Variable compensation**	0	359 193	44 400	0
Exceptional remuneration				
Attendance fees				
Benefits in kind	20 446	20 446	19 447	19 447
<b>TOTAL</b>	<b>197 646</b>	<b>556 839</b>	<b>283 847</b>	<b>239 447</b>
<b>Bertrand PARMENTIER</b> , Member of the management Board				
Fixed remuneration			204 000	204 000
Variable compensation**	0		40 800	15 000
Exceptional remuneration				
Attendance fees				
Benefits in kind			6 337	6 337
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>251 137</b>	<b>225 337</b>
<i>(Bertrand PARMENTIER wasn't corporate officer in 2008)</i>				
<b>Roland TARDIEU</b> , Member of the management Board				
Fixed remuneration			132 000	132 000
Variable compensation**			56 307	0
Exceptional remuneration				
Attendance fees				
Benefits in kind			2 227	2 227
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>190 534</b>	<b>134 227</b>
<i>(Roland TARDIEU wasn't corporate officer in 2008)</i>				

\*\* The differentials between the amounts due and the amounts paid come from the fact that the variable share of remuneration is calculated based on the result of the prior year and paid at the beginning of the following year.

The variable share with respect to the Members of the Management Board are calculated on the Group's net result and are paid in year N+1 based on the results of year N. The variable shares of the other Members of the Supervisory Board are calculated on the basis of a percentage of their remuneration. The special remunerations of the Members of the Supervisory Board (Chairman and Vice-Chairman) correspond to payments made in respect of their office. Benefits in kind are exclusively linked to the use of a company car.

### C) Table of attendance fees

<i>In euros</i>	Attendance fees paid in N-1	Attendance fees paid in N
François JUNCA	0	0
Banque Populaire Occitane (represented by Alain CONDAMINAS)	0	0
Jean Claude CHAUSSONNET	0	0
Jean Jacques PIGNERES	0	0
Pierre ALESI	0	0
Christian BEUGNET	0	0
Gérard CAVERIVIERE	0	0
Patrick CHOLLET	0	0
Hervé COSTES	0	0
Yves DA COSTA	0	0
Pierre LATECOERE	0	0
Christian REYNAUD	0	0
SALVEPAR (represented by Didier ALIX)	0	0
Jean Louis PELTRIAUX (representing the FCPE "B" of LATECOERE employees)	0	0

### D) Subscription or share purchase options allocated during the year to each corporate officer

Share purchase options allocated to each corporate officer by Latécoère or any company of the Group (name list)	N° and date of the plan	Nature of the options (subscription or purchase)	Value of the options according to the accounting principles of the consolidated accounts	Number of options allocated during the fiscal year	Exercise price	Exercise date
<b>None</b>						

### E) Subscription or share purchase options exercised during the year by each corporate officer

Options exercised by each corporate officer (name list)	N° and date of the plan	Number of options exercised during the	Exercise price
<b>None</b>			

### F) Performance shares allocated to each corporate officer

Performance shares allocated during the fiscal year to each corporate officer by Latécoère or any company of the Group (name list)	N° and date of the plan	Number of shares allocated during the fiscal year	Value of the shares according to the accounting principles of the consolidated accounts	Acquisition date	Availability date
<b>None</b>					

**G.) Performance shares which have become available during the year for each corporate officer**

Performance shares which have become available during the fiscal year for each corporate officer (name list)	N° and date of the plan	Number of performance shares which have become available during the fiscal year	Acquisition conditions
<i>none</i>			

Every Member of the Supervisory Board must own at least one share of the Company's stock.

The amount of the sums reserved for retirement and other personnel-related benefits for the Members of the Supervisory Board is €143,301.

Neither remuneration (including conditional or deferred) nor benefits in kind were granted by one of the subsidiaries to any of the Members of the Supervisory Board.

**4.10.4.3 Management Board**

Corporate officer	Contract of employment		Additional retirement programme		Allowance or benefit due or likely to be due following cessation or change in position		Compensation for non compete clause	
	Yes	Non	Yes	Non	Yes	Non	Yes	Non
<b>François BERTRAND</b> , <i>Chairman of the Management Board</i> Appointed Jan, 7 2009, duty expiring Jan, 6 2015	X			X	X			X
<b>Bertrand PARMENTIER</b> , <i>Managing Director and CFO</i> Appointed Jan, 7 2009, duty expiring Jan, 6 2015	X			X	X			X
<b>Roland TARDIEU</b> <i>Member of the Management Board</i> Appointed Jan, 7 2009, duty expiring Jan, 6 2015		N/A		X	X			X

The employment contract of François BERTRAND and Bertrand PARMENTIER have been suspended for the duration of their position.

The Supervisory Board met on January 6, 2009 and noted that the terms of the positions of François BERTRAND and Jean Jacques Pignères were coming to an end. It proposed to bring the number of Management Board Members to three. Consequently, Mr. François Bertrand was renewed in his duties as Chairman.

The Supervisory Board appointed Mr. Bertrand Parmentier as a Member and Managing Director. Mr. Bertrand Parmentier joined the Company on July 1, 2008; he was hired with a view to replacing Mr. Jean Jacques Pignères who retired at the end of June 2009. Mr. Bertrand Parmentier is 54 years old and was educated at HEC. Before joining the LATECOERE Company, Mr. Bertrand Parmentier was Managing Director of the Pierre Fabre S.A. Company, the holding company at the head of Laboratoires Pierre FABRE.

The Supervisory Board also decided to appoint Mr. Roland Tardieu as a Member of the Management Board. Mr. Roland Tardieu is 60 years old; he has been part of the LATECOERE Company since 1986 and he holds the office of Chairman of LATElec, a subsidiary specialized in wiring, and he also is a Member of the Executive Committee.

The terms of the positions of the Members of the Management Board were set at six years, or until January 6, 2015.

Remuneration for the new Management Board Members was set by the Supervisory Board on the advice of the Remunerations Committee. They are detailed below, in compliance with the recommendations of the AFEP – MEDEF.

Mr. François Bertrand will receive an annual salary of €220,000, reviewed annually in accordance with the average of the increases allocated to the other executives. A bonus of 20% based on this remuneration will be added to it. Mr. François Bertrand will benefit from a variable bonus of 0.90%, based on the Group net result, calculated on the result of year N and paid in year N+1, at the closing of the financial statements. A company car will be made available to him. He will have no other benefits, allocation of shares, stock options or special executive retirement scheme.

Mr. Bertrand Parmentier will receive an annual salary €204,000, reviewed annually in accordance with the

average of the increases allocated to the other executives. A bonus of 20% based on this remuneration will be added to it. Mr. Bertrand Parmentier will benefit from a variable bonus of 0.40%, based on the Group net result, calculated on the result of year N and paid in year N+1, at the closing of the financial statements. A company car will be made available to him. He will have no other benefits, allocation of shares, stock options or special executive retirement scheme.

Mr. Roland Tardieu will receive an annual salary €132,000, reviewed annually in accordance with the average of the increases allocated to the other executives. A bonus of 20% based on this compensation will be added to it. Mr. Roland Tardieu will benefit from a variable bonus of 0.15%, based on the Group net result, to which will be added an amount equal to 0.25% of the operating result of the LATElec Company. These variable items are calculated on the result of year N and paid in year N+1, at the closing of the financial statements. A company car will be made available to him. He will have no other benefits, allocation of shares, stock options or special executive retirement scheme.

The three Members of the Management Board may benefit, in the case of the end of their position for any other reason than a resignation or a retirement departure, from an allowance corresponding to eighteen months of gross remuneration, calculated as a function of their presence in the Company. This guarantee was granted to them on their appointment on January 6, 2009 and it was ratified by decisions of the Supervisory Board of the same date and the Annual General Meeting of June 26, 2009.

With the exception of Mr. Roland TARDIEU, who is remunerated by the LATElec Company, neither remuneration (including conditional or deferred) nor benefits in kind were granted by one of the subsidiaries to any of the Members of the Management Board.

The salaries received by the members of the Management Board correspond to their functional and technical activities exercised within the Company. The salaries, bonuses and advantages are gross sums. There is no share allotment or stock options plan, nor any special executive retirement scheme.

The amount of the sums reserved for retirement and other personnel-related benefits for the Members of the Management Board is €157,691.

#### 4.10.4.4 Attendance Fees

Given the results and the financial position of the Company, the allocation of a total budget of attendance fees to the Members of the Supervisory Board will not be proposed at the next Meeting.

#### 4.10.4.5 Employees

At year-end the number of shares of the Company's capital held by employees ("la participation des salariés") as defined in Article L. 225-102 of the French Commercial Law ("Code de commerce") represented 15.0% of the capital stock of the Company.

### 4.10.5 Recapitulative state of stock transactions of corporate agents of high officials and their close ones during the year

Transaction date	Name	Duty/position	Type of transaction	Unit price (euros)	Quantity	Transaction amount (euros)	Stock concerned	transaction location
<b>NONE</b>								

## 5 CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2009

### 5.1 State of the consolidated financial situation

(000 EURO)	Notes	Dec 31, 2009	Dec 31, 2008
Goodwill	5.3	1 300	2 378
Other intangible assets	5.2	2 427	1 426
Tangible assets	5.1	97 278	96 893
Investments in associates (equity method)	6	3 359	4 234
Other financial assets		274	238
Deferred tax assets	15	12 340	6 013
Hedging financial instruments	10.1	11 850	3 610
Financial Instruments at fair value through profit and loss	10.1	663	0
Other non-current assets		0	0
<b>TOTAL NON-CURRENT ASSETS</b>		<b>129 491</b>	<b>114 792</b>
Inventories	7	456 454	562 787
Accounts receivable	9	109 335	188 464
Tax receivable		14 650	8 978
Hedging financial instruments	10.1	5 498	1 348
Financial Instruments at fair value through profit and loss	10.1	4 591	97
Other current assets		917	928
Cash & Cash Equivalents		9 797	19 882
<b>TOTAL CURRENT ASSETS</b>		<b>601 243</b>	<b>782 484</b>
<b>TOTAL ASSETS</b>		<b>730 734</b>	<b>897 276</b>

<i>(000 EURO)</i>			
	Notes	Dec 31, 2009	Dec 31, 2008
Share capital	11.2	17 220	17 220
Premiums	11.4	69 611	69 611
Treasury stock	11.3	1 657	1 603
Other Reserves		7 018	-7 053
Accumulated Net Income		47 831	139 457
<b>SHAREHOLDERS' EQUITY GROUP SHARE</b>		<b>143 338</b>	<b>220 838</b>
Minority Interests		525	405
<b>TOTAL SHAREHOLDER'S EQUITY</b>		<b>143 863</b>	<b>221 244</b>
Loans and bank borrowings	14.1	11 513	335 668
Refundable Advances		42 777	47 011
Employee benefits	13	11 852	10 749
Other provisions	12	1 444	618
Deferred tax liabilities	15	3 945	715
Hedging financial instruments	10.1	32	0
Financial Instruments at fair value through profit and loss	10.1	1 168	2 165
Other non-current liabilities		8 184	5
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>80 916</b>	<b>396 931</b>
Loans and bank borrowings (less than 1 year)	14.1	345 816	10 014
Loans against receivables mobilization	14	11 688	10 256
Refundable Advances		7 620	11 829
Accounts payable		121 199	215 205
Income tax liabilities		256	1 677
Other current liabilities		16 387	8 526
Hedging financial instruments	10.1	0	8 614
Financial Instruments at fair value through profit and loss	10.1	2 989	12 982
<b>TOTAL CURRENT LIABILITIES</b>		<b>505 955</b>	<b>279 101</b>
<b>TOTAL LIABILITIES</b>		<b>586 871</b>	<b>676 032</b>
<b>TOTAL SHAREHOLDER'S EQUITY &amp; LIABILITIES</b>		<b>730 734</b>	<b>897 276</b>

## 5.2 Consolidated Income Statement

('000 EURO)	Notes	Dec 31, 2009	Dec 31, 2008
Revenue	16	449 446	683 870
Other operating revenue		741	1 105
Change in inventory: work-in-progress & finished goods		-25 922	-85 377
Raw material, Other Purchases & external charges		-239 158	-354 680
Personnel expenses		-181 026	-197 758
Taxes		-7 961	-8 327
Amortization		-11 694	-12 604
Net operating provisions charge		-889	0
Depreciation of current assets		-96 701	-4 270
Foreign exchange gain/loss	18	1 213	917
Other operating income	17	11 065	9 811
Other operating expenses	17	-1 907	-830
<b>OPERATING INCOME</b>		<b>-102 792</b>	<b>31 857</b>
<i>Operating Income / Sales</i>		<i>-22,87%</i>	<i>4,66%</i>
Net cost of debt		-14 636	-23 343
Change in fair value of financial instruments		13 087	-11 471
Other financial incomes and expenses		-2 192	-7 135
<b>FINANCIAL RESULT</b>	<b>19</b>	<b>-3 742</b>	<b>-41 949</b>
Result from associates	6	-363	280
Income tax	20	15 872	3 273
<b>NET RESULT OF CONSOLIDATED COMPANIES</b>		<b>-91 024</b>	<b>-6 539</b>
Group net result		-91 204	-6 700
Minority interests		180	161
<i>Group net result/ sales</i>		<i>-20,29%</i>	<i>-0,98%</i>
Weighted average number of shares		<b>8 583 927</b>	<b>8 595 700</b>
<b>Diluted earnings per share</b>		<b>-10,62</b>	<b>-0,78</b>
<b>Earnings per share</b>		<b>-10,62</b>	<b>-0,78</b>

### 5.3 Statement of Recognised Income and Expenses

('000 EURO)	Dec 31, 2009	Dec 31, 2008
<b>CONSOLIDATED NET RESULT FOR THE YEAR (1)</b>	<b>-91 024</b>	-6 538
Translation differences	-2 736	192
Financial instruments: change in fair value and transfer in profit and loss	24 889	-46 277
Deferred taxes	-8 081	14 326
<b>INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (2)</b>	<b>14 072</b>	<b>-31 759</b>
<b>TOTAL RECOGNISED INCOME AND EXPENSES (1+2)</b>	<b>-76 952</b>	<b>-38 297</b>
of which, Group net result	-77 132	-38 459
of which, Minority interests	180	161

## 5.4 Consolidated Statement of Cash Flow

('000 EURO)	Notes	Dec 31, 2009	Dec 31, 2008
Consolidated net result		-91 024	-6 538
<b>Adjustments related to non-cash activities :</b>			
Result from associates	6	363	-280
Depreciation and provisions		11 394	15 278
Fair value gains/losses		-10 575	13 392
Other non-cash items		109	1 258
Dividend income received		0	0
<b>CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES</b>		<b>-89 733</b>	<b>23 110</b>
Income taxes	18	-15 872	-3 273
Interest expenses	17	14 636	23 343
<b>CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES</b>		<b>-90 969</b>	<b>43 180</b>
Changes in working capital		103 176	51 255
Income tax paid		-2 093	-444
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>10 113</b>	<b>93 991</b>
Effect of subsidiaries acquisitions		0	-54
Purchase of tangible and intangible assets		-8 722	-17 387
Purchase of financial assets		-25	0
Increase (decrease) in loans and advances made		17	-26
Proceeds from sale of tangible and intangible assets		148	48
Dividends received		0	0
Other flow from investing operation		-26	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>-8 607</b>	<b>-17 419</b>
Expenses on increase of capital		0	0
Purchase of treasury shares		-604	-858
Disposal of treasury shares		659	651
Proceeds from borrowings (including refundable advances)		9 903	28 625
Repayments of borrowings (including refundable advances)		-13 174	-42 879
Financial interest paid		-14 445	-25 717
Dividends paid		-60	-16
Other flow from financing operation		6 849	845
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		<b>-10 871</b>	<b>-39 349</b>
Effects of exchange rate changes		92	-165
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>-9 274</b>	<b>37 058</b>
Opening cash and cash equivalents position		3 910	-33 148
Closing cash and cash equivalents position		-5 364	3 910
Cash and cash equivalents		9 771	19 882
Discounted receivables		-11 688	-10 256
Overdraft facilities		-3 447	-5 717
<b>CASH AND CASH EQUIVALENTS AT YEAR-END</b>		<b>-5 364</b>	<b>3 910</b>
<b>Dividends paid per share</b>		<b>0</b>	<b>0</b>

## 5.5 Variation of Consolidated Shareholders' Equity

('000 EURO)	Share capital	Premiums	Treasury stock	Reserves and Accumulated Results	Hedging financial instruments	Translation difference	TOTAL Group share	Minority interests	TOTAL
<b>SHAREHOLDER'S EQUITY 12/31/2007</b>	<b>17 220</b>	<b>68 452</b>	<b>1 810</b>	<b>146 157</b>	<b>23 033</b>	<b>1 673</b>	<b>258 345</b>	<b>260</b>	<b>258 605</b>
Capital variations		1 159					1 159		1 159
Share-based payments							0		0
Transactions on treasury stock			-207				-207		-207
Dividends							0	-16	-16
Other variations				3 391	-3 391		0		0
<b>Net result for the period (1)</b>				<b>-6 699</b>			<b>-6 699</b>	<b>161</b>	<b>-6 538</b>
Financial instruments: change in fair value and transfer in profit and loss					-31 951		-31 951		-31 951
Translation differences : change and transfer in profit and loss						192	192	1	192
<b>Income and expenses directly recorded in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-31 951</b>	<b>192</b>	<b>-31 759</b>	<b>1</b>	<b>-31 758</b>
<b>Total income and expenses of the period (1)+(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-6 699</b>	<b>-31 951</b>	<b>192</b>	<b>-38 458</b>	<b>161</b>	<b>-38 297</b>
<b>SHAREHOLDER'S EQUITY 12/31/2008</b>	<b>17 220</b>	<b>69 611</b>	<b>1 603</b>	<b>142 848</b>	<b>-12 309</b>	<b>1 865</b>	<b>220 839</b>	<b>405</b>	<b>221 244</b>
Capital variations							0		0
Share-based payments							0		0
Transactions on treasury stock			55				55		55
Dividends							0	-60	-60
Other variations						-423	-423		-423
<b>Net result for the period (1)</b>				<b>-91 204</b>			<b>-91 204</b>	<b>180</b>	<b>-91 024</b>
Financial instruments: change in fair value and transfer in profit and loss					16 943		16 943		16 943
Financial instruments: translation differences					-135		-135		-135
Translation differences : change and transfer in profit and loss						-2 736	-2 736	0	-2 736
<b>Income and expenses directly recorded in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16 808</b>	<b>-2 736</b>	<b>14 072</b>	<b>0</b>	<b>14 072</b>
<b>Total income and expenses of the period (1)+(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-91 204</b>	<b>16 808</b>	<b>-2 736</b>	<b>-77 132</b>	<b>180</b>	<b>-76 952</b>
<b>SHAREHOLDER'S EQUITY 12/31/2009</b>	<b>17 220</b>	<b>69 611</b>	<b>1 657</b>	<b>51 645</b>	<b>4 499</b>	<b>-1 294</b>	<b>143 338</b>	<b>525</b>	<b>143 863</b>

## 5.6 Notes to the consolidated financial statements

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### GENERAL INFORMATION

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- NOTE 2 Accounting policies
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### BALANCE SHEET DETAIL

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- NOTE 17 Other income and expense
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- NOTE 24 Key managers remuneration and other benefits
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**2009 DOCUMENT DE REFERENCE LATECOERE 60**  
**INFORMATION RELATIVE TO THE GROUP**

LATECOERE is a public limited company organized under the laws of France and domiciled in Toulouse - France

The consolidated financial statements of the LATECOERE Group for the year ended on December 31, 2009, include the parent company and its subsidiaries (the whole being designated as "the Group") and its share of results in associates.

The Group's consolidated financial statements were approved by the Management Board of April 21, 2010. They will be submitted to the Annual General Meeting on June 25, 2010 for approval.

## NOTE 1 MAIN EVENTS

### 1.1 Revenue decreased by -22.4%

Latécoère's revenues were down -22.4% in 2009 on a comparable basis. Restated for the impact of USD/EUR exchange rates, the Group's organic revenues declined -18.4%. In a market in which Airbus and Boeing's mature programs are holding up well, the decline in the Group's revenues is attributable primarily to slowdowns in the delivery rates of business and regional aircraft, which mostly penalized the activity of the Aerostructures Division, due to its highly diversified customer portfolio.

### 1.2 Results were severely impacted by depreciations for completion losses on long term contracts

- **Latécoère posted a negative operating result of -€102 million principally induced by**
  - (i) A dispute over a business jet contract, which arose at the end of the year and which resulted in the recognition of a loss on completion calculated over the life of the program, in accordance with IAS 11

This dispute is regarding the terms of performance of a business jet contract. As Latécoère has not yet been able to reach an acceptable compromise, the Group recognized a -€68.8 million depreciation in respect of this contract, covering all of the losses to come and assuming no change in USD/EUR exchange rates.
  - (ii) The reappraisal of the USD/EUR exchange rate on completion at €1.35

The continued weakness and high volatility of the dollar has led the Group, out of prudence and in accordance with benchmarked practices in the sector, to reappraise the long-term

(beyond five years) USD/EUR exchange rate at 1.35, compared with the 1.25 that the Group had previously used in its projections; Overall, it impacts the year 2009 through the recognition of a -€44.1 depreciation charge to account for the future losses of certain construction contracts.

- **Restated for the impact of these two items, the Group would have reported a positive operating result of €10.1 million**, compared with the €6.9 million posted at the end of the first half.

- **Substantial improvement in financial result**

The realized financial result (-€21.3 million) benefitted from the decline in short term rates in 2009, from exchange gains attributable primarily to hedges of the Brazilian real and from the reimbursement of USD-denominated borrowings coming to maturity.

The unrealized financial result (+€17.6 million) reflects the impact of the reappraisal of financial balance sheet items and the change in the fair value of financial instruments (including changes in the time value of USD/CZK hedging instruments and the mark-to-market of other interest rate and foreign exchange instruments).

- **Net loss of €91.2 million**

Latécoère net result for the year 2009 is a loss of €91.2 million, post recognition of tax losses carry-forward of €17.2 million.

### 1.3 A year of adaptation and transformation

Priority was given to competitiveness with the strengthening of action plans initiated through the "Challenge 2011" improvement plan: reduction of the fixed cost base, streamlining of the Group's industrial organization, and reduction of production cycles.

Total staff managed (in-house employees and on-site subcontractors) was reduced by 955 full-time equivalents for the year (- 515 in France; - 440 abroad); the Cornebarrieu site near Toulouse will now be dedicated to Latécoère Aéroservices, in which the Group has a minority stake, after transferring its aerostructures production operations to other Group sites.

The Group continued to streamline the manufacturing organization of its primary production operations. All fuselages for Embraer are now produced in Brazil. The Czech subsidiary will handle mass production runs of doors. Similarly, production of onboard wiring and systems is gradually being redistributed between France and Tunisia to optimize the Group's ability to adapt to an undervalued dollar for the long term.

In addition, the Group implemented throughout the year an integrated information system in the Aerostructures Division, now deployed across all sites. It intends to increase the responsiveness of the Group's manufacturing base and supply chain to strong and sudden changes in manufacturers' production rates.

The Group has been careful, however, not to disrupt its supply chain by avoiding re-internalization of work packages; the impact of the downturn in production rates was negotiated on fair terms with Latécoère's suppliers, with a certain amount of time lag due to the length of procurement cycles. Physical inventories and work-in-progress were reduced by €31 million during the year, which should continue over 2010.

Capital expenditures have been limited to €8.2 million, and were primarily related to the industrial and information systems master plans.

#### **1.4 Indebtedness under control, improved hedging of financial risks**

After reaching €379 million at the end of the first half of 2009, the Group's consolidated net debt was reduced to €359 million as of December 31, 2009 despite the unfavorable impact of the application of the French Economic Modernization Act (LME) which resulted in an approximately €40 million decrease in supplier credit. The Group had total consolidated net debt of €336 million as of December 31, 2008.

Latécoère has put in place additional hedging programs to cover its financial risks, primarily by using option collars

- hedging its USD exposure through the end of 2011, with USD/EUR exchange rates of - at the worst - 1.41 for 2010 and 1.37 for 2011, while retaining the ability to benefit to a certain extent from improvement in the latter,
- hedging its interest rate exposure on more than half of its debt over a four-year duration, while still profiting from short-term variable rates at levels deemed attractive.

The Latécoère Company held commercial discussions with its customers to improve its programs financing which resulted, in particular, in \$55 million of cash inflows in the first quarter of 2010.

#### **1.5 Strong business prospects, a strategy of sustained excellence**

As of December 31, 2009 and based on a 1.40 USD/EUR exchange rate, the Group's order book -- which includes only firm orders from aircraft manufacturers -- amounted to €2.1 billion, a level comparable to the one recorded at the end of 2008, and which represents the equivalent of four years' revenue.

The Group won major contracts on the Airbus A350 program, primarily in onboard wiring (racks and wing harnesses) and tooling (final assembly chain of the aircraft, assembly of the center wing box and assembly of the engine support pylons), as well as aerostructures (nose fairing). Overall, the A350 program represents approximately USD 900 million in future revenues, based on the delivery of 800 aircraft.

Recent manufacturers' announcements of increased production rates tend to confirm that the lowest point of the downturn cycle was reached in the fourth quarter of

2009. In this context, the Group expects a progressive improvement of its activity in 2010, anticipating revenues in line with 2009 and a return to growth in 2011.

The Research and Technology activity has initiated new developments, in line with the ongoing projects in fuselages (PAMELAT and MAAXIMUS); especially in composite doors (COMDOR and ADDOR) and structures (ADRAC), which have been designed in accordance with the CORAC (French Strategic Council for Civil Aeronautics Research) roadmap. These developments will allow the Group to master new technologies that will be used for the renewal of the "New Short Range" families (replacing the A320 and B737).

At the same time, Latécoère's EN 9100 (AS 9100) qualification was renewed in early 2010, confirming the Group's ability to implement sustainable, continuous improvement processes oriented towards customer satisfaction. The Group continued its ISO 14001 certification program in relation to environmental management: two sites have already been certified, and the Group is pursuing its efforts.

#### **1.6 Trading of its shares temporarily suspended, constructive discussions with the Group's lending banks in order to strengthen its liquidity and expand its foreign exchange hedging.**

Following its December 10, 2009 profit warning relating to a dispute on the business aircraft program referred to above, the Group asked for a suspension in the trading of Latécoère shares, and started its discussions in December with its French lending partners to negotiate the restructuring of its financial debt. The overall objective is to align the Group's debt to its financial capacity, which has been impaired by the combined effects of the cyclical downturn, the weakness of the US dollar against the euro and delays in major programs launched over the past few years by manufacturers.

At first the banks accepted

- not to use their right to accelerate repayment of existing credit lines despite an anticipated breach of covenants as of December 31, 2009;
- to freeze the principal repayment of the medium-term loans until December 31, 2010;
- to maintain the existing lines used to protect the Group against changes in interest rates and currency risks.

The Group is confident in its capacity to find an agreement with the banks in the coming days, which will clarify its medium term financial structure. Upon signing and communicating on the terms of the agreement, the Group will ask NYSE Euronext to resume trading of Latécoère shares.

## NOTE 2 Accounting Policies

### 2.1 Basis of preparation of the financial statements:

The 2009 consolidated financial statements have been prepared in compliance with the IFRS as issued by the IASB and adopted by the European Union at December 31, 2009.

The financial statements are presented '000 EURO rounded to the closest thousand euros.

They are prepared on the basis of historical cost, with the exception of the following assets and liabilities which are valued at fair value: derivative financial instruments, financial instruments held for trading, financial instruments and liabilities designated at fair value through profit and loss.

### 2.2 Application of applicable standards, amendments and interpretations for the financial statements

New standards, amendments to standards or interpretations entered into force at December 31, 2009. This concerns:

- Revised IAS 1 "Presentation of Financial Statements": this standard requires that:
  - variations posted in shareholders' equity resulting from transactions carried out with the owners acting as such are recorded in a way distinct from the transactions carried out with non-owners;
  - all of the income and expenses accounted for over the period is presented in a single statement (statement of comprehensive income) or in two statements (a separate income statement followed by a statement of comprehensive income detailing the other elements of comprehensive income)
  - comprehensive income be presented in the financial statements.
 The statement detailing the other income and expense accounted for has been presented in part 3.3.
- IFRS 8 "Operating Segments": The application of this standard which supersedes IAS 14 "Segment Information" hasn't modified the business segments previously identified and presented by the group.
- IAS 23 Revised "Borrowing Costs": This standard's revision imposes the capitalization of the borrowing costs directly attributable to the acquisition, the construction or the production of qualifying assets. In accordance with the transitional provisions of IAS 23 revised, the standard was applied in a prospective way from January 1, 2009. Thus, the borrowing costs relating to qualifying assets are capitalized as part of the cost of such assets from such date. This operation has had no impact on the consolidated financial statements at December 31, 2009.

- Amendments to IFRS 7 "Financial instruments: Disclosure" - Improving Disclosures about Financial Instruments ;

The other standards, amendments to standards or interpretations which entered into force from January 1, 2009 and adopted by the European Union are:

- IFRS 2 (Amendment) "Vesting Conditions and Cancellations";
- IAS 32 (Amendment) and IAS 1 (Amendment) "Financial Instruments Puttable at Fair Value and Obligations arising on Liquidation";
- IFRIC 13 "Customer Loyalty Programmes";
- IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction";
- IFRS 1 and IAS 27 (Amendments) "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate";
- IFRIC 9 and IAS 39 (Amendments) "Financial Instruments: Recognition and Measurement" - Embedded Derivatives;
- Improvement of the IFRS standards published in May 2008.

These other standards, amendments to standards or interpretations do not have a significant impact on the consolidated financial statements at December 31, 2009.

New standards, amendments to standards or interpretation were published by the IASB but weren't adopted by the European Union, or were adopted by the European Union with an application date subsequent to years open as from January 1, 2009, and consequently weren't applied by the Group. This concerns:

- Revised version of IFRS 3 "Business Combinations" and revised version of IAS 27 "Consolidated and Separate Financial Statements" following the amendment of IFRS 3;
- IAS 39 (Amendment) "Financial instruments" published on July 31, 2008: "Recognition and Measurement - Reclassification of Financial Assets";
- IAS 32 (Amendment) "Classification of Rights Issues"
- Improvement of the IFRS standards published in May 2008 for the part relating to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" applicable for years open as from July 1, 2009;
- Improvement of the IFRS standards published in April 2009;
- IFRIC 12 "Service Concession Arrangements";
- IFRIC 15 "Agreements for the Construction of Real Estate";
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation";
- IFRIC 17 "Distributions of Non-cash Assets to Owners";
- IFRIC 18 "Transfers of Assets from Customers";
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments";
- IFRIC 14 (Amendment) "Prepayments of a Minimum Funding Requirement".

### **Reform of the French local business tax ("taxe professionnelle"):**

The French Finance Act for 2010, adopted on December 30, 2009, provided that French tax entities would no longer be subject to the French local business tax as from 2010 and replaced it by the Territorial Economic Contribution ("Contribution Economique Territoriale" or "CET") which includes two new contributions:

- the Business Contribution on Property ("Cotisation Foncière des Entreprises" or "CFE") assessed on the rental value of properties of the existing French local business tax;
- the Business Contribution on the Added Value ("Cotisation sur la Valeur Ajoutée des Entreprises" or "CVAE"), assessed on the basis of the added value resulting from the statutory financial statements.

The group accounted for the local business tax in operating expenses.

At this stage, the group has concluded that the tax change mentioned above essentially consisted in a modification of the calculation method for the French local tax, without changing its overall nature. The group thus considers that it is not necessary to apply to the CVAE or to the CFE an accounting treatment different from that of the French local business tax. These two new contributions will thus be classified in operational expenses, without a change compared to that accepted for the local business tax.

### **2.3 Use of estimates and assumptions**

The preparation of financial statements requires that the Management Board make estimates and assumptions which have an impact on the application of accounting methods as well as on amounts of assets and liabilities, income and expenses. The estimates and the underlying assumptions have been made from past experience and other factors considered as reasonable in view of the circumstances. They serve thus as the basis for the exercise of judgment necessary for the determination of the carrying value of assets and liabilities that cannot be obtained directly from other sources. Actual values may differ from estimated values.

The Management Board reviews its estimates and appreciations regularly on the basis of its past experience as well as other factors deemed reasonable, which constitutes the grounds for its appreciations of the carrying value of assets and liabilities. The impact of changes in accounting estimates is recognized during the period of the change if it affects only that period or during the course of the period of the change and subsequent periods if these are also affected by the change.

The use of estimates and assumptions assumes a special importance principally for:

- the estimated margin for construction contracts (note 22);
- employee benefits (note 13);

- deferred tax assets;
- provisions on inventory;
- the recoverable value of intangible and tangible assets as well as their useful life;
- the fair value of financial instruments.

At December 31, 2009, the accounting estimates used in the preparation of the financial statements were performed in a context where economic prospects were definitely difficult to grasp. The estimates and the assumptions retained for the consolidated financial statements were determined based on the elements in the Group's possession at the closing date and, in particular, relating to construction contracts, as a function of firm orders confirmed by aircraft manufacturers. The Group has noted a trend of production rate change announcements, increasing the difficulty to grasp the assumptions to be retained for the closing of the financial statements. However, only public information was taken into account in the estimates and assumptions retained by the Group at year-end.

On the basis of cash flow forecasts and of the waivers obtained, the Group considers in a reasonable way that the cash flow needs of 2010 will be met.

### **2.4 Subsidiaries**

Companies controlled directly or indirectly by the LATECOERE Company are fully consolidated. Control exists as soon as the parent company holds directly or indirectly the power to direct the financial and operational policy of the subsidiary and to obtain benefits from its activities.

The full consolidation method consists in integrating all assets, liabilities, income and expenses. The share of assets and income attributable to the minority shareholders is accounted for as minority interests in the consolidated balance sheet and the consolidated statement of income. Subsidiaries are integrated into the consolidation scope from the date when control is obtained.

### **2.5 Associated Companies**

Associates are defined as holdings in which the LATECOERE Company exercises significant influence (with at least 20% of voting rights). Significant influence exists when the parent company has the power to participate in the financial and operational policy of the subsidiary without having control.

The consolidation method is the equity method, which consists in entering in the balance sheet an amount reflecting the Group's share of the net assets of the associate, increased, if applicable, by the goodwill generated by the original acquisition.

### **2.6 Elimination of Intercompany Transactions**

Intercompany transactions between consolidated subsidiaries are fully eliminated, as well as the resulting receivables and payables. The Group's internal income

(dividends and income from disposals) is also eliminated from consolidated income. Unrealized losses are eliminated like unrealized profits, but only insofar as they do not represent a loss in value.

## 2.7 Foreign Currency Translation

Foreign currency transactions are converted into euros by applying the exchange rate prevailing at the transaction date. The monetary assets and liabilities appearing in balance sheet at closing date are translated by applying the exchange rate at such date. Foreign currency differences for commercial transactions are recognized in the operating result and differences for borrowings in foreign currency are recognized in financial result.

## 2.8 Financial Statements of Foreign Subsidiaries

Assets and liabilities of consolidated entities for which the functional currency is different from the euro are converted at the exchange rate at the closing date, with the exception of shareholders' equity which is accounted for at the historical rate. Income and expenses are converted at the exchange rate in force at the relevant transaction date or, as a practical matter, at the rate which approaches this and which corresponds to the average rate for the period, except for cases of large fluctuations in exchange rates. Exchange rate variations resulting from these conversions are accounted for in consolidated shareholders' equity (translation differences).

In accordance with IAS 21, the exchange rate differences relating to permanent financing activities part of the net investment in a consolidated subsidiary are recorded in shareholders' equity (under translation differences). At disposal of these investments, the accumulated translation differences recorded in the shareholders' equity will be recognized in income statement.

## 2.9 Goodwill

Goodwill represents the difference between the cost of acquisition and the acquired share of the fair value of identified assets, liabilities and contingent liabilities at the acquisition date.

For acquisitions prior to January 1, 2004, the goodwill is maintained at its deemed cost which represents the amount accounted for according to the previous standards.

In accordance with IFRS 3 and IAS 36, goodwill is recorded as an intangible asset at its initial value, reduced by accumulated loss in value. They are not amortized but are subject to impairment tests on an annual basis and in case of indications of loss in value. The impairment test is realized in accordance with the principles described in note 2.12.

Negative goodwill (badwill) is recorded in the income statement of the period.

## 2.10 Other Intangible Fixed Assets

Intangible fixed assets are identifiable non-monetary assets (resulting from a legal right or able to be sold, transferred, rented or exchanged in an isolated manner or with a contract, another asset or liability), without physical substance, held to be used for the production or the furnishing of goods or services, for the rental to third parties or for administrative purposes.

The intangible fixed assets must respond to the following criteria:

- probability of obtaining future economic benefits attributable to this asset;
- reliable valuation of the cost of the asset.

The amortization method used reflects the consumption rate by the company of the economic benefits of the fixed asset.

The intangible fixed assets acquired through a business combination are accounted for according to the same principles.

The intangible assets held by the Group are principally:

- contracts acquired through a business combination, depreciated over the term of the contracts;
- software and other licenses depreciated over four years.

Intangible assets are depreciated over their useful life. The Group holds no intangible assets of indefinite useful life. The intangible fixed assets acquired by the Group are accounted for at their cost reduced by the accumulated depreciation and loss in value. If an indication of loss in value exists, an impairment test is carried out as described in note 2.12. Any loss in value is recognized in operating result, on the line "depreciation amortization".

Research expenses are accounted for in expenses. Development costs are recognized as assets when all the following criteria are met:

- the technical feasibility of completing the intangible fixed asset in order to use or sell it;
- the intention to complete the intangible fixed asset and use or sell it;
- the capacity to use or sell the intangible fixed asset;
- the manner in which the intangible fixed asset will generate probable future economic benefits;
- the availability of technical, financial and other resources in order to complete the development and to use or sell the intangible fixed asset;
- the capacity to measure expenses reliably.

To date, the development expenses incurred by the Group have been committed through partnership contracts responding to the characteristics of contracts defined by IAS 11 as construction contracts. These expenses therefore follow the treatment detailed in note 2.15.

## 2.11 Tangible Assets

The tangible fixed assets are accounted for at their directly attributable cost (including purchase price, taxes paid and direct purchase cost), reduced by accumulated depreciation and loss of value.

Subsequent expenses relating to tangible fixed assets are accounted for as expenses of the fiscal year which they are incurred if they maintain the performance level of the asset. They are added to the carrying value of the initial fixed asset if they generate future economic benefits higher than the initial level of performance and if their cost can be measured reliably.

When applicable, the total cost of an asset is broken down between its different constitutive elements (components) if their useful lives are different. Each element of the asset is depreciated over a different time period. The Group has defined families of assets that might be broken down, together with the useful lives of the components thus determined.

As the assets acquired by the Group are not meant to be resold before the end of their economic lives, no residual value has been applied to the different tangible fixed assets.

The amortization method reflects the rate of consumption of the future economic benefits relating to the asset.

If an indication of loss in value exists, an impairment test is carried out as described in note 2.12.

Any loss in value is recognized in operating result, on the line "depreciation amortization".

The grants received by the Group to finance industrial fixed assets are accounted for in deduction of the asset's original value.

The amortization periods associated with the groups and sub-groups of assets are as follows.

Group	Amortization period
Construction (*)	15 - 40 years
General facilities (*)	10 -20 years
Technical facilities (*)	6 2/3 – 20 years
Tooling	3 years
Electronic equipment	5 years
Computer hardware	3 – 5 years
Transportation equipment	4 years
Office equipment	6 2/3 years
Furniture	10 years

(\*) the amortization period depends on the components identified

## 2.12 Impairment of Assets

The carrying value of the Group's assets (other than inventory and deferred tax assets) is examined at each closing so as to appreciate if any indication of a loss in value exists. If such an indication is identified (reduction in market value or accelerated obsolescence, for example) an impairment test is carried out.

Concerning the intangible assets not yet available for use or for which the useful life is indefinite, and for the

goodwill, such impairment test is carried out at a minimum of once a year.

The impairment test consists in comparing the carrying value of the asset or of the relevant group of assets with its recoverable value.

The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use. The value in use is the discounted value of estimated future cash flows expected from the continuing use of the asset and from its disposal at the end of its useful life.

In order to determine the value in use of an asset, the Group uses:

- an estimate of the future cash flows (before income tax and financial cost) based on assumptions that keep the asset in its current condition and represent the best estimate of the economic conditions which will exist during the remaining useful life of the asset;
- the pre-tax discount rate which reflects the current market valuations of the time value of money and of the specific risks of the asset. The discount rate does not reflect the risks which have already been taken into account in the estimate of future cash flows.

Depreciation is recorded if the carrying value of an asset is higher than its recoverable value.

The recoverable value shall be estimated for each asset individually. If that is not possible, IAS 36 states that companies shall determine the recoverable value of the cash-generating unit to which the asset belongs.

Assets are thus allocated to the Cash-Generating Units (the smallest identifiable group of assets the continuous use of which generates cash inflows that are largely independent of cash flows from other assets or groups of assets).

The fixed assets of each Group company are not specific to a business or to a sector but are usable by the whole of the Company (no independence of cash inflows between them). Therefore, the Cash-Generating Units are the different companies of the Group taken individually.

An impairment loss accounted for in a Cash-Generating Unit is first allocated to the reduction in carrying value of any goodwill allocated to this Cash-Generating Unit, then to the reduction in carrying value of the other assets of the Unit, at the pro rata of the carrying value of each asset.

An impairment of goodwill cannot be reversed.

An impairment loss recognized for another asset is reversed if there has been a change in the estimates used in order to determine the recoverable value.

The carrying value of an asset, increased by reason of the reversal of a loss in value, must not be higher than the carrying value that would have been determined net of depreciation, if no loss of value had been accounted for.

### 2.13 Borrowing costs

As from January 1, 2009, borrowing costs directly attributable to the purchase of tangible and intangible assets requiring at least twelve months of preparation before being put in service are included in the gross value of these assets referred to as "qualifying". The gross value of the Group's inventory fitting the definition of qualifying asset for the purposes of IAS 23 "Borrowing costs" is also adjusted.

When a qualifying asset is financed by a specific loan, the additional cost taken into account in its gross value corresponds to the interests actually accounted for over the period, net of the income received on the funds not yet used. When a qualifying asset is not financed by a specific loan, the borrowing cost capitalized corresponds to the average general debt rate over the period.

### 2.14 Lease Agreements

Tangible asset leases for which the LATECOERE Group bears almost all the risks and rewards incidental to ownership of the asset leased are considered as finance leases in accordance with IAS 17 and thus are adjusted in the consolidated financial statements. The assets are accounted for at their fair value or the current value of minimum future lease payments if lower. These assets are then amortized on their useful life. If the Company does not have a reasonable certitude of becoming owner of the asset at the end of the contract, these assets are amortized over the shorter of the useful life and the duration of the contract.

A financial debt is recognized with respect to each finance lease agreement.

The lease agreements, in which the lessor does not transfer almost all the risks and rewards incidental to ownership of the asset are classified as operating leases. The payments pursuant to these agreements are accounted for in expenses in the income statement.

### 2.15 Inventories & Work in Progress

#### Raw materials

The gross value of raw materials and supplies includes the purchase price and associated costs. Raw materials and facilities are depreciated when their realization value is lower than their carrying value. Raw materials inventories are valued according to the weighted average price method.

#### Work in Progress (excluding construction contracts)

The gross value of work-in-progress is measured using the full cost method. Non-production costs (financial costs, marketing costs, unsuccessful proposal cost, administrative costs, etc.) are excluded from this valuation. Work in progress are depreciated when their realization value is under their book value.

#### Construction/Partnership Contracts

The Group has concluded with some of its customers' partnership contracts with the characteristics of construction contracts according to IAS 11:

- contract relating to the production of a group of assets closely interrelated or interdependent in terms of design, technology and function;
- which covers several fiscal years.

The accounting for these contracts responds to the following criteria:

The principal revenues and costs of construction contracts are:

a) for revenues:

- the initial amount of revenue agreed in the contract;
- the modifications in contract work or the claims to the extent that it is probable that they give rise to revenue and that they can be measured reliably.

b) for costs:

- the costs directly related to the contract;
- the costs attributable to the contract activity in general and which can be allocated to the contract;
- All other costs that can specifically be charged to the customer according to the terms of the contract.

The margin is recognized by reference to the stage of completion and calculated in relation to the delivery of elements ("milestones").

Actually, the Group invoices on delivery and all the invoicing is due by the customer whatever the outcome of the program.

It is also possible that additional invoicing be carried out subsequently (modifications or additional work). A study is undertaken on a case-by-case basis in order to define elements permitting the determination of the stage of completion.

The estimated margin is calculated on the basis of a forecast including the technical and budgetary elements. This margin is revised periodically based on costs and revenues realized during the period and remaining to come. When the foreign exchange exposure is hedged, the impact of this hedging is integrated in the calculation of the estimated margin. When the projected margin is negative, it is immediately recorded in income statement.

### 2.16 Revenue Recognition

Revenue is recognized according to the following criteria:

- for contracts falling within the criteria of IAS 11, refer to note 2.15;
- for other types of contracts (other than services), revenue is recognized when the main part of risks and rewards are transferred to the buyer, which occurs on delivery;
- for service contracts, revenue is recognized by reference to the stage of completion based on the actual advancement of work on the basis of costs recorded in relation to total estimated costs.

### 2.17 Financial Assets and Liabilities

The Group applies IAS 32 and 39 and IFRS 7. These standards define four categories of financial assets and two categories of financial liabilities:

- financial assets and liabilities at fair value through profit and loss: it concerns derivative instruments which do not qualify for hedge accounting as well as cash flow investments designated at fair value through profit and loss;
- financial assets and liabilities available for sale valued at fair value with fair value variations recorded in shareholders' equity (the Group holds no such assets);
- financial assets held to maturity valued at amortized cost: to date, no assets enter in this family;
- loans and credits issued by the company and valued at amortized cost;
- other financial liabilities valued at amortized cost, following the effective interest rate method.

These financial assets and liabilities are allotted to the balance sheet in current and non-current elements following their expiry date less than or greater than a year.

### Derivative instruments

The Group uses financial derivative instruments such as hedging contracts on foreign currency and on interest rates so as to hedge its current positions against foreign exchange exposure and interest rate risk. The hedging instruments are forward sales and purchases for the foreign currency and hedging for interest rates in the form of "collar". The derivative instruments are measured at fair value with fair value variations recognized in the income statement except for hedging instruments hereinafter designated. The fair value of derivative instruments is measured by an independent company. It takes into account the value of the derivative instrument at closing date ("mark to market"). The derivative instruments are recognized on the transaction date.

### Impact of hedging instruments

The Group realizes a large share of its revenue in US dollars. Given the importance of these flows, a hedging strategy of future flows in this currency was put in place by applying the following principles:

- hedging of part of estimated future cash inflows with some customers;
- taking into account of a probability of realization of these future flows; this permits the appreciation of hedging needs relative to each hedged item for the application of the hedge accounting.

Similarly, the Letov s.r.o. Company, Czech subsidiary of the Latécoère Company, realized its revenue in Euros while its expenses are in Czech koruna (CZK). The Group has implemented hedging instruments for future flows of the Czech koruna and has decided to describe these hedging instruments from the point of view of IAS 39 because of the business growth of this subsidiary and the current volatility of this currency. Until June 30, 2008, these instruments were accounted for at fair value through profit and loss. The criteria that enable the application of cash flow hedge accounting have been respected since July 1, 2008. The flows hedged from such date are budgeted flows considered as highly likely operating expenses and financial expenses for the Letov s.r.o. Company until 2011.

The derivative instruments subject to hedge accounting have been documented according to IAS 39. Tests of effectiveness are realized at the implementation of hedging instruments and at each closing. Based on the hedge item, two kinds of hedge exist in the Group:

- the fair value hedge that hedges the exposure to variation of fair value of an asset accounted for in the balance sheet as a result of the evolution of interest rates or of a currency;
- the cash flow hedge which hedges the exposure to variations in future cash flows of existing or future assets or liabilities.

For the fair value hedge of existing assets or liabilities, the hedged share of these elements is valued in the balance sheet at its fair value. The variation of this fair value is recorded in the income statement where it is compensated by the symmetric fair value variations of financial hedging instruments, as far as their effectiveness.

The future cash flows hedge which qualifies for hedge accounting is treated in the consolidated financial statements of the Group as follows:

- the effective share of profit or loss on the hedging instruments is directly accounted for in shareholders' equity (net of deferred tax); the inefficient share and the time value of options (non-qualified) are immediately recognized in income;
- the profits or losses accounted for in shareholders' equity are reported to the income statement of the period during the course of which the under-lying hedged item is accounted for;

At each closing, every existing hedging instrument is subject to an actualization of its fair value and an updating of the effectiveness test specific to each hedge relationship. If a hedge proves ineffective at the end of the test, the hedge accounting ceases to be applied. Certain financial instruments are not treated as hedging instruments because they do not qualify for hedge accounting under IAS 39. In such case, the profits or the losses resulting from the fair value variations of these instruments are accounted for in income statement.

### Cash and Cash Equivalents

Cash and cash equivalents include cash funds and demand deposits. Bank overdrafts repayable on demand and financing under discounted receivables (not respecting the criteria for derecognition of assets) which forms an integral part of the Group's cash management are a component of cash and cash equivalents for the needs of the statement of cash flows. Short term investments, very liquid, easily convertible in a known amount of cash and carrying a negligible risk of change in value are considered as the cash equivalents. These investments are valued at fair value.

### Borrowings

Financial debts are initially recognized at fair value on which are allocated the transactions costs directly attributable to the issuance of the liabilities. At the closing, financial debts are valued at amortized cost, based on the effective interest rate method. The fair

value of financial liabilities valued at amortized cost (fixed rate borrowings, essentially), disclosed in the notes, was determined by an independent organization on the basis of a valuation technique.

### Market Value Determination

Financial assets and liabilities at fair value through profit and loss and derivatives qualified as hedging instruments are evaluated and accounted for at their market value at their first accounting date, as well as at subsequent valuation dates.

Market value is determined:

- either based on a price quoted on an active market;
- or based on a valuation technique using:
  - mathematical calculation methods based on recognized financial theories
  - the parameters whose value is determined, in some cases, based on the price of instruments negotiated on active markets, and in others, based on statistical estimates or other quantitative methods.

The distinction between the two valuation methods is applied depending on whether the market on which the instrument is negotiated is active or not.

A market is considered as active and thus liquid for a given instrument if transactions are regularly made on it or if transactions of instruments very similar to those subject to the valuation are carried out on it.

The Group distinguishes three categories of financial instruments according to the consequences that their characteristics have on their valuation method and bases itself on this classification in order to disclose some of the information required by IFRS 7:

- Level One "Market Price" category: financial instruments quoted on an active market;
- Level Two "Model with observable parameters" category: financial instruments whose valuation uses valuation techniques based on observable parameters;
- Level Three "Model with non-observable parameters" category: financial instruments whose valuation uses valuation techniques based in part or in whole on non-observable parameters; a non-observable parameter being defined as a parameter whose value results from assumptions or correlations which are neither based on observable market transaction prices for the same instrument at the valuation date, nor on observable market data available at the same date.

In the case of an inactive market evidenced, for example, by an increasing scarcity of counterparts, the Group may resort to mathematical models evaluating risks based on assumptions that would normally take market participants, according to a time horizon corresponding to the term of the relevant instruments, in compliance with IAS 39.

### 2.18 Trade & Other Receivables

Trade & other receivables are initially valued at fair value, then at amortized cost reduced by the amount of losses in value. The loss in value is recognized in the income statement.

As part of its short term financing activities, the Group carries out discount receivables operations with certain financial partners. The corresponding financial assets are totally or partially derecognized if the discounted receivables contracts respect the following conditions:

- transfer of the contractual right to receive cash;
- assignment to a financial partner of the risks and rewards relating to the receivable;
- the financial partner bears entirely the risk of non-payment of the receivable for solely financial reasons; the Group remaining guarantor of all of the technical and industrial risks;
- the recovery of the receivable is the responsibility of the financial partner. However, the latter may contractually ask the Group to carry out the receivable collection on its behalf.

Contracts not respecting these criteria do not give rise to derecognition of assets.

### 2.19 Other Liabilities

Other liabilities are initially valued at their fair value, then at amortized cost.

### 2.20 Treasury Shares

Treasury shares, whatever their use, are deducted from shareholders' equity. The income from disposal of treasury shares is recognized directly in shareholders' equity, so that the eventual gain or loss on disposal does not affect the income statement of the fiscal year.

### 2.21 Provisions

The Group constitutes a provision as soon as:

- there exists a current obligation (legal or implicit) resulting from a past event;
- it is probable that an outflow of resources will be necessary to settle the obligation;
- the amount of this obligation can be estimated reliably.

The amount of the provision is determined on the basis of the best estimate relating to the obligation. The estimate of provisions is analyzed at each closing and if necessary, its amount is updated.

The provision is maintained in the financial statements as long as precise information (time period and amount) do not allow its conclusion to be decided. When the effect of the time value of money could be material, the provisions are discounted. The provisions noted by the Group have not been discounted.

### 2.22 Employee Benefits

The Group recognizes some employee benefits. After analysis of the specific regulations of the countries in which the Group is present, it appears that these provisions concern principally French companies.

### Defined Contribution Plans

Contributions to a defined contribution plan are accounted for in expenses when they are incurred.

### Retirement Liabilities

The obligations of the Group for retirement benefits consist in retirement severance pay at the time of the employee's retirement departure. In accordance with IAS 19, for defined benefit plans, the retirement liabilities are calculated according to the projected unit credit method. The Group's obligations for French companies' employees are estimated by an independent actuary. The method takes into account, on the basis of actuarial assumptions, the probability of the length of future service of the employee, the level of future remuneration, the life expectancy and employee turnover. The obligation, including social security charges, is discounted and is accounted for on the basis of the years of service of the employees. Actuarial variations resulting from these assumptions are entirely recognized in income statement for the period.

### Long-Service Medals

The LATECOERE Group recognizes a provision on the basis of actuarial assumptions, the future level of remuneration, life expectancy and employee turnover (IAS 19). Group's obligations under the long-service medals (French companies only) are estimated by an independent actuary.

### Individual Right to Professional Training

In the consolidated financial statements, the Group recognizes its obligation under the individual right to professional training ("DIF"). The calculation method for this provision is the following:

- determination for each employee of the total of hours acquired and not used at the closing for the DIF and application of the net hourly rate of the previous fiscal year (the total of hours having an upper limit of 120 hours);
- application of a percentage of probability that the employee uses his individual right to training;
- determination of an average hourly cost of training to which is applied the probable number of hours of training used in the framework of the DIF.

### 2.23 Public Financing

The Group has obtained public financing for the development of some programs.

These financings of the "refundable advances" type bear interest contractually (calculated on the basis of a market interest rate). Consequently, these types of financing are not subject to IAS 20 on public grants, to the extent that the program will likely succeed.

At the origin, they are valued for the counterpart of the cash flow received. At each closing, they are valued according to the amortized cost method, calculated with the help of the effective interest rate.

These advances shall be repaid if the program succeeds, and repayments are made as deliveries of each financed product subject to an advance occur.

For certain contracts, after full repayment of the advance the Group continues to pay out a royalty as a function of the program's revenue, the latter being deemed an operating expense.

### 2.24 Customer Financing

The Group has obtained customer financing in the form of refundable advances in connection with the development of certain programs.

### 2.25 Other operating income

The Group recognizes operating grants and the research-based tax credit, in particular, in other operating income.

### 2.26 Income Tax

The income tax includes the current income tax due and deferred tax. Tax is recognized in income statement, except if it attached to items which are accounted for directly in shareholders' equity. In such case, it is accounted for in shareholders' equity. The tax due is the amount of the estimated tax due for the period, taking into account any tax adjustment of the tax due relating to previous periods.

The deferred tax is determined according to the balance sheet liability method. It is calculated on the temporary differences between the carrying value of assets and liabilities and their tax value, with the exception of the following elements:

- goodwill;
- temporary differences relating to holdings insofar as they are not reversed in a foreseeable future.

Valuation of deferred tax assets and liabilities is based on the Group's estimate of their settlement, using the tax rates that were adopted or quasi-adopted at the closing date. A deferred tax asset is recognized only if the future pre-tax profits on which this tax could be applied are probable. The deferred tax assets are reduced when it is not probable that a sufficient profit will be realized. In accordance with IAS 12, the deferred tax assets and liabilities are not discounted.

**NOTE 3 CONSOLIDATION SCOPE**

As the Group has, directly or indirectly, exclusive control in all Group companies except LATECOERE AEROSERVICES, PESOLA and Corse Composites Aéronautique, subsidiaries are consolidated by full consolidation. All the companies forming part of the consolidation scope close their financial statements on December 31.

During 2009, the LATecis Company created a subsidiary in England -- LATecis UK Limited -- in order to be in the immediate vicinity of one of its main customers. This subsidiary also is intended to develop new contracts in various sectors.

Company name & Haedquarter address	SIREN Code (EIN)	Control %	Interest %	Consolidation method
LATECOERE do BRASIL Getulio Domelles Vargas, 3320 CEP 12305-010 Jacarei Brazil	None	100.00 %	100.00 %	Consolidation
LETOV s.r.o. Letov Letecka Vyroba s.r.o. Beranovich, 65 199 02 Prague 9 – Letnany Czech Republic	None	100.00 %	100.00 %	Consolidation
LETOV LV a.s. Letov Letecka Vyroba a.s. Beranovich, 65 199 02 Prague 9 – Letnany Czech Republic	None	100.00 %	100.00 %	Consolidation
LATECOERE INC. 1000 Brickel av. – suite 641 Miami Florida 33131 USA	None	100.00 %	100.00 %	Consolidation
LATECOERE DEVELOPPEMENT 135, Rue de Périole BP 5211 31079 Toulouse cedex 5	388 377 269	100.00 %	100.00 %	Consolidation
LATElec Z.I. La Bourgade Rue Max Planck 31315 Labège	420 742 660	100.00 %	100.00 %	Consolidation
LATElec GmbH Hein-SaB-Weg 38 D- 21129 Hamburg Germany	None	100.00 %	100.00 %	Consolidation
SEA LATElec 13, Rue 8612 Impasse n°5 ZI Charguia 1 2035 Tunis Carthage Tunisia	None	100.00 %	100.00 %	Consolidation
LATecis 1, Avenue P.G. Latécoère 31570 Saint Foy d'Aigrefeuille	378 735 534	100.00 %	100.00 %	Consolidation

Company name & Haedquarter address	SIREN Code (EIN)	Control %	Interest %	Consolidation method
LATecis IBERIA C/ San Vicente, 30 28903 Getafe – Madrid Spain	None	100.00 %	100.00 %	Consolidation
G <sup>2</sup> METRIC 40 Chemin Cazalbarbier 31140 Launaguet	410 949 879	51.00%	51.00%	Consolidation
LATecis srl Sect. 6, Bd. Timisoara nr. 100G Bucuresti Rumania	None	85.00 %	85.00 %	Consolidation
LATecis UK Limited The Business & Technology Centre (F011) Bessemer Drive Stevenage – SG1 2DX United Kingdom	None	100.00 %	100.00 %	Consolidation
Corse Composites Aéronautique Z.I. du Vazzio 20090 Ajaccio	325 396 471	24.81 %	24.81%	Equity method
LATECOERE AEROSERVICES Route de Toulouse 31700 Cornebarrieu	352 373 492	30,00%	30,00%	Equity method
PESOLA Rua José de Campos 270 Bairro de Jardim 12236-650 Sao José dos Campos Brazil	None	33.33 %	33.33%	Equity method

## NOTE 4 OPERATIONAL SEGMENTS

The sectors or segments presented by the Group are distinct components of the Group which are either committed in the supply of goods or dependent services (business segments), and that are exposed to risks and to a profitability different from those of other segments. The adoption of IFRS 8 hasn't modified the nature of the segments previously presented.

The business segments defined by the Group are:

- aerostructures;
- onboard wiring and systems; and
- engineering and services.

These three segments represent the industrial activities of the Group and call upon the activities of subsidiaries where appropriate. Furthermore, expenses relating to the position of parent company of the LATECOERE Company are maintained in the aerostructures segment.

In accordance with IFRS 8, the information presented by segment is based on the Group's internal reporting, examined regularly by Senior Management. The accounting methods used by the Group for the establishment of the information presented by operational segment in accordance with IFRS 8 is identical to that used by the Group for the establishment of its consolidated financial statements under IFRS standards.

( <i>'000 EUR</i> ) <i>Dec 31, 2009</i>	Aerostructures	%	Engineering and services	%	Onboard wiring and systems	%	Intersegment eliminations	%	Total
Revenue	278 563	62%	47 381	11%	150 744	34%	-27 241	-6%	449 446
Inter-segment revenue	-17 476	64%	-7 450	27%	-2 315	8%	0	0%	-27 241
<b>Consolidated revenue</b>	<b>261 087</b>	<b>58%</b>	<b>39 931</b>	<b>9%</b>	<b>148 428</b>	<b>33%</b>	<b>0</b>	<b>0%</b>	<b>449 446</b>
<b>Operating result</b>	<b>-116 541</b>	<b>113%</b>	<b>750</b>	<b>-1%</b>	<b>12 999</b>	<b>-13%</b>	<b>0</b>	<b>0%</b>	<b>-102 792</b>
<i>Operating result/revenue</i>	<i>-41,84%</i>		<i>1,58%</i>		<i>8,62%</i>				<i>-22,87%</i>
<b>Financial result</b>	<b>-1 629</b>	<b>44%</b>	<b>-27</b>	<b>1%</b>	<b>-2 085</b>	<b>56%</b>	<b>0</b>	<b>0%</b>	<b>-3 742</b>
Income tax and miscellaneous	19 563	123%	-162	-1%	-3 528	-22%	0	0%	15 872
Result from associates	-363	100%	0		0		0		-363
Result: Group share	-98 970		381		7 385		0		-91 204
Result: Minority interests	0		180		0		0		180
<b>Net result</b>	<b>-98 970</b>	<b>109%</b>	<b>560</b>	<b>-1%</b>	<b>7 385</b>	<b>-8%</b>	<b>0</b>	<b>0%</b>	<b>-91 024</b>
<i>Net result/revenue</i>	<i>-35,53%</i>		<i>1,18%</i>		<i>4,90%</i>				<i>-20,25%</i>
Intangible fixed assets	2 109	87%	100	4%	218	9%	0	0%	2 427
Goodwill	0	0%	1 300	100%	0	0%	0	0%	1 300
Tangible fixed assets	77 989	80%	5 052	5%	14 229	15%	8	0%	97 278
Investments in associates	3 359	100%	0	0%	0	0%	0	0%	3 359
Other fixed assets	57	21%	140	51%	74	27%	3	1%	274
<b>Total assets</b>	<b>83 514</b>	<b>80%</b>	<b>6 592</b>	<b>6%</b>	<b>14 521</b>	<b>14%</b>	<b>11</b>	<b>0%</b>	<b>104 638</b>
Acquisition of tangible and intangible fixed asset:	5 981	69%	606	7%	2 134	24%	0	0%	8 722
Inventories	390 991	86%	567	0%	65 797	14%	-900	0%	456 454
Trade and other receivables	64 101	59%	32 481	30%	65 825	60%	-53 072	-49%	109 335
Net debt	283 952	79%	4 107	1%	71 162	20%	0	0%	359 221
Accounts payable	134 117	111%	14 111	12%	26 043	21%	-53 072	-44%	121 199

( <i>'000 EUR</i> ) <i>Dec 31, 2008</i>	Aerostructures	%	Engineering and services	%	Onboard wiring and systems	%	Intersegment eliminations	%	Total
Revenue	498 025	73%	44 057	6%	169 857	25%	-28 068	-4%	683 870
Inter-segment revenue	-18 444	66%	-6 964	25%	-2 660	9%	0	0%	-28 068
<b>Consolidated revenue</b>	<b>479 581</b>	<b>70%</b>	<b>37 092</b>	<b>5%</b>	<b>167 197</b>	<b>24%</b>	<b>0</b>	<b>0%</b>	<b>683 870</b>
<b>Operating result</b>	<b>13 086</b>	<b>41%</b>	<b>1 980</b>	<b>6%</b>	<b>16 791</b>	<b>53%</b>	<b>0</b>	<b>0%</b>	<b>31 857</b>
<i>Operating result/revenue</i>	<i>8,45%</i>		<i>6,55%</i>		<i>5,91%</i>				<i>4,66%</i>
<b>Financial result</b>	<b>-38 026</b>	<b>91%</b>	<b>-103</b>	<b>0%</b>	<b>-3 820</b>	<b>9%</b>	<b>0</b>	<b>0%</b>	<b>-41 948</b>
Income tax and miscellaneous	8 319	254%	-607	-19%	-4 440	-136%	0	0%	3 273
Result from associates	280	100%	0		0		0		280
Result: Group share	-16 340		1 109		8 532		0		-6 700
Result: Minority interests	0		161		0		0		161
<b>Net result</b>	<b>-16 340</b>	<b>250%</b>	<b>1 270</b>	<b>-19%</b>	<b>8 532</b>	<b>-130%</b>	<b>0</b>	<b>0%</b>	<b>-6 539</b>
<i>Net result/revenue</i>	<i>-3,28%</i>		<i>2,88%</i>		<i>5,02%</i>				<i>-0,96%</i>
Intangible fixed assets	971	68%	121	8%	334	23%	0	0%	1 426
Goodwill	1 077	45%	1 300	55%	0	0%	0	0%	2 378
Tangible fixed assets	77 825	80%	5 014	5%	14 045	14%	8	0%	96 893
Investments in associates	4 234	100%	0	0%	0	0%	0	0%	4 234
Other fixed assets	117	49%	43	18%	74	31%	3	1%	238
<b>Total assets</b>	<b>84 225</b>	<b>80%</b>	<b>6 478</b>	<b>6%</b>	<b>14 454</b>	<b>14%</b>	<b>11</b>	<b>0%</b>	<b>105 168</b>
Acquisition of tangible and intangible fixed asset:	14 333	82%	514	3%	2 540	15%	0	0%	17 387
Inventories	491 867	87%	3 438	1%	68 382	12%	-900	0%	562 787
Trade and other receivables	129 439	69%	21 853	12%	82 686	44%	-45 514	-24%	188 464
Net debt	262 910	78%	755	0%	72 391	22%	0	0%	336 055
Accounts payable	193 546	90%	17 003	8%	50 170	23%	-45 514	-21%	215 205

**NOTE 5 FIXED ASSETS**
**5.1 Change in fixed assets**

(000 EUR)	Dec 31, 2008	Currency variations	Other	Acquisitions	Disposals	Dec 31, 2009
Franchises/patents/similar rights	5 344	36	1 503	1 336	-95	8 124
Other Intangible Fixed Assets	4 956	11	-917	3	0	4 053
Goodwill	2 378	0	-1 077	0	0	1 300
Land	3 909	241	0	0	-46	4 104
Buildings	30 916	2 121	62	448	0	33 547
Plants & Equipment	69 994	3 550	3 133	4 156	-995	79 837
Other Fixed Assets	19 345	313	0	794	-195	20 257
Fixed assets in progress	3 918	46	-3 677	157	0	445
Advanced payments on fixed assets	130	-5	-105	1 338	0	1 357
Real estate leasing	27 681	0	0	0	0	27 681
Long-term Investments	716	-1	29	-44	52	752
Investments in associates	4 234	45	-558	-363	0	3 359
<b>GROSS ASSETS</b>	<b>173 520</b>	<b>6 357</b>	<b>-1 606</b>	<b>7 825</b>	<b>-1 279</b>	<b>184 816</b>

(000 EUR)	Dec 31, 2008	Currency variations	Other	Increase	Decrease	Dec 31, 2009
Franchises/patents/similar rights	4 309	19	789	724	-69	5 772
Other Intangible Fixed Assets	4 565	15	-789	186	0	3 978
Buildings	3 806	168	0	1 311	0	5 285
Plants & Equipment	34 066	1 035	0	7 120	-1 068	41 153
Other Fixed Assets	12 110	104	0	1 530	-72	13 672
Real estate leasing	9 017	0	0	823	0	9 840
Long term investments	478	0	0	0	0	478
<b>AMORTIZATIONS</b>	<b>68 352</b>	<b>1 341</b>	<b>0</b>	<b>11 694</b>	<b>-1 209</b>	<b>80 178</b>

(000 EUR)	Dec 31, 2007	Currency variations	Other	Acquisitions	Disposals	Dec 31, 2008
Franchises/patents/similar rights	5 033	-47	0	358	0	5 344
Other Intangible Fixed Assets	4 664	-13	7	326	-28	4 956
Goodwill	2 378	0	0	0	0	2 378
Land	3 902	-252	0	258	0	3 909
Buildings	27 192	-1 785	1 563	3 945	0	30 916
Plants & Equipment	64 911	-3 074	617	7 975	-434	69 994
Other Fixed Assets	18 199	-284	293	1 452	-314	19 345
Fixed assets in progress	2 448	-129	-1 149	2 748	0	3 918
Advanced payments on fixed assets	453	19	-342	0	0	130
Real estate leasing	27 474	0	-994	1 200	0	27 681
Long-term Investments	1 242	-2	-665	254	-112	716
Investments in associates	3 934	-34	54	280	0	4 234
<b>GROSS ASSETS</b>	<b>161 829</b>	<b>-5 601</b>	<b>-615</b>	<b>18 796</b>	<b>-889</b>	<b>173 520</b>

(000 EUR)	Dec 31, 2007	Incidence des var. de change	Other	Dotations	Reprises	Dec 31, 2008
Franchises/patents/similar rights	3 624	-20	0	705	0	4 309
Other Intangible Fixed Assets	3 575	-13	0	1 002	0	4 565
Buildings	2 841	-160	0	1 125	0	3 806
Plants & Equipment	28 155	-845	0	7 082	-325	34 066
Other Fixed Assets	10 916	-108	0	1 607	-305	12 110
Real estate leasing	8 086	0	0	930	0	9 017
Long term investments	478	0	0	0	0	478
<b>AMORTIZATIONS</b>	<b>57 677</b>	<b>-1 146</b>	<b>0</b>	<b>12 451</b>	<b>-630</b>	<b>68 352</b>

('000 EUR)	Dec 31, 2008	Dec 31, 2009
Franchises/patents/similar rights	1 035	2 352
Other Intangible Fixed Assets	391	75
Goodwill	2 378	1 300
Land	3 909	4 104
Buildings	27 110	28 262
Plants & Equipment	35 927	38 684
Other Fixed Assets	7 235	6 585
Fixed assets in progress	3 918	445
Advanced payments on fixed assets	130	1 357
Real estate leasing	18 664	17 841
Long-term Investments	238	274
Investments in associates	4 234	3 359
<b>NET ASSETS</b>	<b>105 168</b>	<b>104 638</b>

The intangible fixed assets include in particular software and licenses relating to the Group's information systems.

The main acquisitions of 2009 relate to the construction of a new production site for the SEA LATElec Company in Tunisia for €1.3 million, machinery and tooling related to the second industrial building for the LATECOERE do

BRASIL Company for €1.6 million, an SAP management system, and technical facilities and tooling for the Letov s.r.o. Company for approximately €2 million.

At year-end, there existed guarantees (pledges and mortgages) on the Group's tangible fixed assets amounting to €19.2 million.

### 5.3 Goodwill

('000 EUR)	Dec 31, 2009	Dec 31, 2008	Valuation method	Discounting rate	Discounting period	Growth rate
LATecis	834	834		8%	Infinity	2%
LATECOERE AEROSTRUCTURE	0	1 077	Discounted future	8%	Infinity	2%
G2 METRIC	466	466	cash flow method	8%	Infinity	2%
<b>TOTAL</b>	<b>1 300</b>	<b>2 378</b>				

Reorganization of the industrial activities of the Toulouse region's aerostructures branch generated a decrease in the Cornebarrieu, France site's aerostructures business to which goodwill (LATECOERE AEROSTRUCTURE) was attached. Therefore, this goodwill was entirely depreciated.

### 5.3 Finance lease contracts

('000 EUR)	Minimum future payments as of Dec, 31 2009				Present value of minimum future payments as of Dec, 31 2009			
	Less than 1 year	From 1 to 5 years	Over 5 years	Total	Less than 1 year	From 1 to 5 years	Over 5 years	Total
Fructicomi 1	-	-	-	-	-	-	-	-
Fructicomi 2	562	2 248	0	2 811	443	2 020	0	2 463
Batimap	640	2 560	1 760	4 960	448	2 027	1 638	4 114
<b>LATECOERE</b>	<b>1 202</b>	<b>4 808</b>	<b>1 760</b>	<b>7 771</b>	<b>892</b>	<b>4 047</b>	<b>1 638</b>	<b>6 577</b>
Auximur 1	225	0	0	225	218	0	0	218
Auximur 2	44	0	0	44	43	0	0	43
LB 1	48	159	0	207	38	141	0	179
LB 2	47	187	252	486	33	144	227	404
<b>LATelec</b>	<b>364</b>	<b>347</b>	<b>252</b>	<b>962</b>	<b>331</b>	<b>285</b>	<b>227</b>	<b>843</b>
LB 1	74	61	0	135	69	60	0	129
LB 2	124	496	1 097	1 716	53	249	842	1 143
<b>LATecis</b>	<b>198</b>	<b>557</b>	<b>1 097</b>	<b>1 851</b>	<b>122</b>	<b>309</b>	<b>842</b>	<b>1 273</b>
<b>TOTAL</b>	<b>1 763</b>	<b>5 712</b>	<b>3 109</b>	<b>10 584</b>	<b>1 345</b>	<b>4 641</b>	<b>2 707</b>	<b>8 693</b>

### 5.4 Impairment test of assets

In accordance with the principle stated in note 2.12, the accounting value of each Cash-Generating Unit (CGU) was the subject of a comparison with the highest amount of the market value and the value in use, defined as equal to the sum of the discounted cash flows calculated from information resulting from the plan at medium long-term.

For all of the CGUs, the discount rate of the cash flows using the average cost of capital is 8%; it is based on a market rate without risk increased by a risk premium. This rate is calculated after tax and is applied to cash flows after tax. A single discount rate was used for all the CGUs insofar as the specific risks of each CGU were taken into account in the forward-looking cash flows.

The terminal value was determined from normalized cash flow to which a perpetuity growth rate of 2% was applied.

At December 31, 2009, the tests carried out on all of the Group's CGUs did not lead to the recognition of depreciation.

A sensitivity analysis was carried out on all of the Group's CGUs by changing the main assumptions accepted, namely: Change in the discount rate of + 0.5% and change in the perpetuity growth rate of - 0.5%. Taken individually, the changes in the main assumptions did not lead to values in use lower than the net book values.

Furthermore, a 3.5% increase in the discount rate would have led to the recognition of depreciation.

## NOTE 6 INVESTMENTS IN ASSOCIATES

('000 EURO)	Dec 31, 2009	Dec 31, 2008
PESOLA	59	-81
Corse Composites Aéronautiques	-495	232
LATECOERE AEROSERVICES	73	129
<b>RESULT FROM ASSOCIATES</b>	<b>-363</b>	<b>280</b>

('000 EURO)	Dec 31, 2009	Dec 31, 2008
PESOLA	245	140
Corse Composites Aéronautiques	1 771	2 266
LATECOERE AEROSERVICES	1 343	1 827
<b>INVESTMENTS IN ASSOCIATES</b>	<b>3 359</b>	<b>4 234</b>

The main financial information in respect of investments in associates is the following:

('000 EURO)	PESOLA	CCA	LATECOERE AEROSERVICES	TOTAL
Fixed assets	1 223	3 944	5 837	11 005
Inventories & work in progress	853	7 687	3 052	11 592
Trade receivables	307	4 785	5 559	10 650
Other receivables	0	1 133	644	1 777
Cash and cash equivalent	259	6 491	7	6 758
<b>TOTAL ASSETS</b>	<b>2 642</b>	<b>24 040</b>	<b>15 099</b>	<b>41 781</b>
Shareholders' equity	715	5 032	3 743	9 490
Autres fonds propres	0	10 487	1 550	12 037
Provisions	164	1 902	33	2 099
Financial liabilities	0	3	3 852	3 855
Trade payables	1 206	3 280	3 250	7 737
Social and tax liabilities	0	1 631	2 198	3 829
Ohters liabilities	557	1 705	473	2 735
<b>TOTAL SHAREHOLDER'S EQUITY &amp; LIABILITIES</b>	<b>2 642</b>	<b>24 040</b>	<b>15 099</b>	<b>41 781</b>
Revenue	1 471	24 424	15 385	41 280
Net result	200	-2 041	192	-1 648

Items of the balance sheet of companies whose functional currency is one other than the Euro were converted at the closing rate and the income statement items at the average rate for the relevant period.

## NOTE 7 DETAIL OF INVENTORIES & WORK IN PROGRESS

('000 EURO)	Dec 31, 2009			Dec 31, 2008		
	Gross	Provision	Net	Gross	Provision	Net
Raw materials	83 094	11 283	71 811	67 590	6 714	60 876
Work in progress - Construction contracts	404 609	99 927	304 682	438 581	0	438 581
Work in progress - Other	103 185	23 223	79 961	94 655	31 325	63 330
<b>TOTAL</b>	<b>590 887</b>	<b>134 433</b>	<b>456 454</b>	<b>600 826</b>	<b>38 038</b>	<b>562 787</b>

At December 31, 2009, the reduction of work-in-progress for construction contracts mainly results from the making of provisions relating to the commercial dispute concerning the performance of a business aircraft contract for the amount of -€69 million and the impact of the reappraisal of the EUR/USD long-term exchange rate of -€44 million. Additional information on the construction contracts is furnished in note 22.

**NOTE 8 FINANCIAL ASSETS**

('000 EURO)	Loans and receivables at amortised cost	Financial assets at fair value through profit and loss	Hedging instruments	Dec 31, 2009	Financial instrument (cat 1)	Financial instrument (cat 2)	Fair value	Held to maturity investments	Available for sale financial assets
Non current financial assets	274			274		274	274		
Non current hedging financial instruments			11 850	11 850		11 850	11 850		
Non current financial instruments at fair value through profit and loss		662902		663		663	663		
Trade receivables and other receivables	109 335			109 335		109 335	109 335		
Current hedging financial instruments			5 498	5 498		5 498	5 498		
Financial assets at fair value through profit and loss		4 591		4 591		4 591	4 591		
Cash and cash equivalent		9 797		9 797	352	9 445	9 797		
<b>TOTAL</b>	<b>109 609</b>	<b>15 052</b>	<b>17 348</b>	<b>142 008</b>	<b>352</b>	<b>141 656</b>	<b>142 008</b>	<b>0</b>	<b>0</b>

('000 EURO)	Loans and receivables at amortised cost	Financial assets at fair value through profit and loss	Hedging instruments	Dec 31, 2008	Financial instrument (cat 1)	Financial instrument (cat 2)	Fair value	Held to maturity investments	Available for sale financial assets
Non current financial assets	238			238		238	238		
Non current hedging financial instruments			3 610	3 610		3 610	3 610		
Non current financial instruments at fair value through profit and loss		0		0		0	0		
Trade receivables and other receivables	188 464			188 464		188 464	188 464		
Current hedging financial instruments			1 348	1 348		1 348	1 348		
Financial assets at fair value through profit and loss		97		97		97	97		
Cash and cash equivalent		19 882		19 882	15 769	4 113	19 882		
<b>TOTAL FINANCIAL ASSETS</b>	<b>188 702</b>	<b>19 979</b>	<b>4 958</b>	<b>213 639</b>	<b>15 769</b>	<b>197 869</b>	<b>213 639</b>	<b>0</b>	<b>0</b>

The fair value of trade receivables is treated as their balance sheet value, given the very short payment periods. The same is true for other receivables.

**NOTE 9 RECEIVABLES**

('000 EURO)	Dec 31, 2009	Dec 31, 2008
Advanced payments	537	1 925
Trade receivables	95 844	172 438
<i>Of which discount of receivables</i>	11 688	10 256
Group current account	221	835
Tax receivables	9 299	11 679
Other current receivables	3 434	1 586
<b>TOTAL RECEIVABLES</b>	<b>109 335</b>	<b>188 464</b>

The antecedence of trade receivables breaks down as follows:

('000 EURO)	Dec 31, 2009
Trade receivables non past due	90 902
Past due trade receivables < 30 days	3 087
Past due trade receivables between 30 and 60 days	762
Past due trade receivables between 60 and 90 days	218
Past due trade receivables between 90 and 180 days	493
Past due trade receivables > 6 months	1 146
Provision for doubtful debt	-271
<b>TRADE RECEIVABLES</b>	<b>95 844</b>

## NOTE 10 DERIVATIVE INSTRUMENTS

New hedging financial instruments (EUR/USD) for a total amount of \$135 million were put in place during 2009 to cover the dollar exposure until 2011. In addition, during 2009 the Group put in place new financial instruments covering interest rate risk for a period of three to five years for a total amount of €235 million.

Furthermore, in order to face up to the decrease in manufacturers' production rates, the Group restructured certain of its EUR/USD foreign exchange hedging financial instruments with the goal of avoiding a position of over-hedging.

These restructurings relate to either:

- the cancellation of certain hedging instruments for an amount of \$30 million in the case where the hedged item no longer existed (cancellation of the order). The fair value of these instruments was accounted for in financial result and the impact on 2009 result was immaterial.
- an extension of other hedging instruments in an amount of \$22.5 million in case the hedged item was shifted (change in production rates). The fair value of these instruments remains in shareholder's equity solely for the effective share of the intrinsic value of the hedging instruments, the impact on shareholder's equity being immaterial.

### 10.1 Information on the value of derivative instruments and on their covered notional contract value

('000 EURO)	Balance sheet position		Notional*	Maturity		
	Assets	Liabilities		< To 1 year	From 1 to 5 years	> 5 years
<b>Foreign currency risk</b>						
Financial instruments not designed as a hedge						
- Forward currency contracts <b>BRL/USD</b>	3 028	0	19 088	10 204	8 885	0
- Currency option contracts <b>EUR/USD</b> **	2 226	1 168 ***				
Cash flow hedging						
- Forward currency contracts <b>EUR/USD</b>	2 921	32	36 580	3 609	32 971	0
- Forward currency contracts <b>CZK/EUR</b>	864	0	60 000	30 000	30 000	0
- Currency option contracts <b>EUR/USD</b> (intrinsic value)	13 563	0	374 828	215 179	159 649	0
<b>Total</b>	<b>22 602</b>	<b>1 200</b>	<b>490 497</b>	<b>258 992</b>	<b>231 505</b>	<b>0</b>
<b>Interest rate risk</b>						
Financial instruments not designed as a hedge						
- Collar	0	2 989	235 000	46 245	188 755	0
<b>Total</b>	<b>0</b>	<b>2 989</b>	<b>235 000</b>	<b>46 245</b>	<b>188 755</b>	<b>0</b>
<b>TOTAL FINANCIAL INSTRUMENTS NOT DESIGNED AS A HEDGE</b>	<b>5 254</b>	<b>4 156</b>	<b>254 088</b>	<b>56 449</b>	<b>197 640</b>	<b>0</b>
<b>TOTAL CASH FLOW HEDGING</b>	<b>17 348</b>	<b>32</b>	<b>471 409</b>	<b>248 789</b>	<b>222 620</b>	<b>0</b>

\*Notional is converted in euro K by applying the exchange rate at the closing date

\*\* Time value and Ineffectiveness of intrinsic value

\*\*\* Correspond to notional of Currency option contracts EUR/USD (intrinsic value and time value) for 374 828 K€

In order to ensure the coherence of the information furnished, the analysis of the periods of interest rate risk hedging instruments (€235 million) corresponds to that given in note 21.4. These instruments cover the debt of the Group to a total value of €235 million over the period 2010-2012 and to a total value of €175 million over the period 2013-2014.

## 10.2 information on the impact of derivative instruments on income and shareholders' equity

### Impact of future cash flow hedging

('000 EURO)	Dec 31, 2009	Dec 31, 2008
<b>Fair value at the opening date</b>	<b>-3 656</b>	<b>33 658</b>
Equity change for the effective portion	25 046	-23 435
Qualifying in hedge accounting <sup>1</sup>	0	15 964
Reclassified in income when the hedged element affects profit and loss	-4 075	-29 842
<b>Fair value at the closing date</b>	<b>17 315</b>	<b>-3 656</b>

<sup>1</sup> Forward currency contract CZK/EUR is qualified as a hedge accounting since July 1st 2008

### Impact of derivative instruments to which hedge accounting is not applied

('000 EURO)	Dec 31, 2009	Dec 31, 2008
<b>Fair value at the opening date</b>	<b>-15 049</b>	<b>11 146</b>
Recorded through income statement	16 148	-10 231
Qualifying in hedge accounting <sup>1</sup>	0	-15 964
<b>Fair value at the closing date</b>	<b>1 098</b>	<b>-15 049</b>

<sup>1</sup> Forward currency contract CZK/EUR is qualified as a hedge accounting since July 1st 2008

## NOTE 11 SHAREHOLDERS' EQUITY

### 11.1 Capital management policy

The LATECOERE Group considers it a principle of good governance to monitor shareholders' equity and debt. The ratio between these two items is subject to the contractual restrictions contained in the financial covenants mentioned in note 14. The consequences of

these covenants are generally an adaptation of the conditions for the granting of credits by banks.

### 11.2 Breakdown of capital

	Dec 31, 2009	Dec 31, 2008
Number of shares	8 609 997	8 609 997
Nominal value of each share (in euro)	2,00	2,00
Share Capital	17 219 994	17 219 994

	Dec 31, 2009	Dec 31, 2008
Averaged issued shares	8 609 997	8 609 997
Averaged treasury shares	26 070	14 297
Weighted average shares	8 583 927	8 595 700
Net resultat - Group Share (in euro)	-91 203 853	-6 699 279
Earnings per share (in euro)	-10,62	-0,78
Diluted earnings per share (in euro)	-10,62	-0,78

All shares were fully paid.

### 11.3 Treasury Shares

Number of shares	Dec 31, 2008	Acquisitions	Disposals	Dec 31, 2009	% of ownership
LATECOERE Shares	29 332	102 192	111 615	19 909	0,23%

('000 EURO)	Dec 31, 2008	Acquisitions / Provisions	Disposals	Dec 31, 2009	Average purchase price
LATECOERE Shares	220	567	659	128	5,55

('000 EURO)	Amount in Equity
Elimination of treasury shares at the opening	-87
Elimination of gain/loss from disposals of treasury shares (net of tax)	1 887
<b>Impact of adjustment of treasury shares in Equity at 12/31/2006</b>	<b>1 790</b>
Adjustment of the treasury shares of fiscal year	20
<b>Impact of adjustment of treasury shares in Equity at 12/31/2007</b>	<b>1 810</b>
Adjustment of the treasury shares of fiscal year	-207
<b>Impact of adjustment of treasury shares in Equity at 12/31/2008</b>	<b>1 603</b>
Adjustment of the treasury shares of fiscal year	55
<b>Impact of adjustment of treasury shares in Equity at 12/31/2009</b>	<b>1 657</b>

### NOTE 12 NON-CURRENT PROVISIONS

('000 EURO)	Dec 31, 2008	Increase	Write-backs used	Write-backs not used	Dec 31, 2009
<b>Provisions</b>	<b>618</b>	<b>835</b>	<b>-8</b>	<b>0</b>	<b>1 444</b>

The provisions for risks and expenses at year-end include in particular a provision for tax relating to the reintegration of lands under a real estate lease-back agreement for an amount of €610k and a provision for loss on completion for an amount of €834k.

**NOTE 13 EMPLOYEE BENEFITS**

In accordance with IAS19, for defined benefit plans, the retirement liabilities are calculated according to the projected unit credit method. The Group's obligations for French companies' employees are estimated by an independent actuary. It should be noted that the potential commitments of the foreign subsidiaries are immaterial. The method takes into account, on the basis of actuarial assumptions, the probability of the length of future service of the employee, the level of future remuneration, the life expectancy and employee turnover. The obligation, including social security charges, is discounted and is accounted for on the basis of the years of service of the employees. Actuarial variations resulting

from these assumptions are entirely recognized in income statement for the period.

Employee benefits include the discounted amounts relating:

- to long-service medals, accounted for in the individual financial statements;
- to retirement liabilities.

The table below shows the amounts recognized by the Group at December 31, 2009.

('000 EURO)	Dec 31, 2008	Increase	Write-backs used	Write-backs not used	Dec 31, 2009
Retirement bonus	9 794	1 841	-799	0	10 836
long-service medals	955	68	-6	0	1 016
<b>TOTAL</b>	<b>10 749</b>	<b>1 909</b>	<b>-805</b>	<b>0</b>	<b>11 852</b>

**13.1 Retirement Benefits**

Retirement liabilities accounted for at December 31, 2009 relate to France only and were calculated according to the method described in note 2.22 of this document.

The calculation assumptions retained are the following:

- discount rate of 4.8% (compared to 5.30% in 2008) calculated on the basis of rates observed at December 31, 2009 for high quality corporate bonds;
- use of the TH-002/TF-002 mortality table;
- employee turnover noted by age group and by company;
- age of retirement departure: 65 years old;
- progression of salaries consistent with the average of the last years.

There exists no deferred past service costs at the year-ends 2008 and 2009. The actuarial variations have been totally recognized in the income statement of the year. The obligations is noted in the balance sheet as a non-current liability for the amount of the total obligation, as there exist no deferred actuarial variations nor deferred past service costs. The retirement severance pay relating to employees who should leave in 2010 is €531k.

A variation of 0.5 point of discount rate would have an 8% impact on the provision for retirement severance pay. For information, and based on identical actuarial assumptions, the 2010 provision should be (excluding departures) €1,367k.

('000 EURO)	Dec 31, 2009	Dec 31, 2008
Increase	1 841	217
Decrease	-799	-679
Contributions paid	1 996	1 996
<b>NET COST (REVENUE) OF THE YEAR</b>	<b>3 038</b>	<b>1 534</b>
<i>of which :</i>		
Actuarial gains or losses	1 725	410
Interest cost	510	461
Services cost	804	664
<b>TOTAL</b>	<b>3 038</b>	<b>1 534</b>

### 13.2 Employee long-service medals

The obligation under long-service medals accounted for at December 31, 2009 was calculated according to the method described in Note 2.22 of this document.

The calculation assumptions retained are the following:

- discount rate of 4.8% (compared to 5.30% in 2008) calculated on the basis of rates observed at December 31, 2009 for high quality corporate bonds;
- use of the TH-002/TF-002 mortality table;
- employee turnover noted by age group and by company;

- progression of salaries consistent with the average of the last years (for the company taking the referenced salaries).

The long-service medal bonus pay relating to employees who should leave in 2010 is €21k.

A variation of 0.5 point of discount rate would have a 5% impact on the provision for long-service medal bonuses. For information, and based on identical actuarial assumptions, the 2010 provision should be (excluding departures) €60k.

('000 EURO)	Dec 31, 2009	Dec 31, 2008
Increase	68	23
Decrease	-6	-10
Contributions paid	98	102
<b>NET COST (REVENUE) OF THE YEAR</b>	<b>160</b>	<b>115</b>
<i>of which :</i>		
Actuarial gains or losses	81	40
Interest cost	48	44
Services cost	31	31
<b>TOTAL</b>	<b>160</b>	<b>115</b>

### 13.3 Individual Right to Training

The obligation under the individual right to training accounted for at year-end was calculated according to the method described in note 2.22 of this document. At December 31, 2009, the provision amounted to €322k compared to €237k at December 31, 2008.

## NOTE 14 FINANCIAL LIABILITIES

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financial liabilities	Dec 31, 2009	Fair value*
Refundable Advances			50 397	50 397	50 397
Discounted Receivables			11 688	11 688	11 688
Bank loans			337 502	337 502	338 161
Finance lease unsecured banking facility			8 693	8 693	8 736
Other non-current liabilities			11 134	11 134	11 134
Financial instruments at fair value	4 156		8 184	4 188	8 184
Accounts payable		32	121 199	4 188	4 188
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>4 156</b>	<b>32</b>	<b>548 797</b>	<b>552 985</b>	<b>553 687</b>

\* financial instrument (cat 2)

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financial liabilities	Dec 31, 2008	Fair value*
Refundable Advances			58 840	58 840	58 840
Discounted Receivables			10 256	10 256	10 256
Bank loans			329 279	329 279	327 635
Finance lease			9 982	9 982	9 982
unsecured banking facility			6 421	6 421	6 421
Other non-current liabilities			5	5	5
Financial instruments at fair value	15 146	8 614		23 760	23 760
Accounts payable			215 205	215 205	215 205
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>15 146</b>	<b>8 614</b>	<b>629 986</b>	<b>653 747</b>	<b>652 103</b>

\*financial instrument (cat 2)

The fair value of accounts payable is treated as their balance sheet value, given the very short payment periods. The same is true for other payables. Loans and bank borrowings are accounted for amortized cost, calculated using the effective interest rate (TIE).

The financial liabilities whose balance sheet value differs from fair value are fixed rate loans and bank borrowings which aren't subject to hedging.

## 14.1 Loans and Bank Borrowings

('000 EURO)	Dec 31, 2009	Dec 31, 2008
Bank loans - non current	4 165	278 753
Leasing - non current	7 348	8 689
<b>Non-current liabilities</b>	<b>11 513</b>	<b>287 441</b>
Bank loans - current	333 337	50 526
Leasing - current	1 345	1 293
Bank overdraft, commercial paper and other financial debts	22 822	16 677
<b>Current liabilities</b>	<b>357 504</b>	<b>68 496</b>
<b>TOTAL OF LOAN AND BANK BORROWINGS</b>	<b>369 017</b>	<b>355 937</b>

Given the anticipated breach of its bank covenants, the Group opened discussions with its banks at the end of 2009 under the aegis of the French Joint Ministerial Committee on Industrial Restructuring ("Comité interministériel de restructuration industrielle" or "CIRI"). Following these discussions, the banks granted a waiver of cash flow solvency clauses in connection with the anticipated breach of bank covenants at December 31, 2009, which had as a consequence a freeze of the principal payments on loans until December 31, 2011. However, insofar as the extension of the waivers to December 31, 2010 was formally authorized only after

the date of the closing of the financial statements, the provisions of IAS 1 led to the statement of all of the debt subjected to covenants in an amount of €331 million in current liabilities on the line "Bank loans - current". As a consequence, the current liabilities do not reflect the cash flows that the Group will have to pay out during 2010; these are mentioned in note 21.2. This presentation will be re-examined as of the publication of the accounts of the first half of 2010 in the light of the results of the discussions held with the banks.

The terms and conditions of the existing loans are the following:

('000 EURO)	Currency	Interest rate	Maturity	Dec 31, 2009	
				Nominal value	Carrying value
Bank borrowings with guarantee	EURO	EURIBOR+ margin	2010-2015	384 350	304 802
Bank borrowings with guarantee	EURO	T4M + margin	2010-2013	9 500	3 470
Bank borrowings with guarantee	EURO	4,8%-5,9%	2010-2020	40 840	29 230
Finance lease	EURO	4,65%-7,2%	2010-2020	25 013	8 693
Commercial paper and other financial debts	EURO	EUR. / T4M+ margin	n/a	11 134	11 134
Loans against receivables mobilization	EURO	EURIBOR + margin	n/a	11 688	11 688
<b>TOTAL OF LOAN AND BANK BORROWINGS</b>				<b>482 525</b>	<b>369 017</b>

Some borrowings set up at the Group level can be used in currencies other than the euro.

## 14.2 Financial ratios

Some financing contracts are subject to covenants. The financial ratios ("covenants") to be respected during 2009 are the following:

- Consolidated net debt / Pro forma consolidated equity funding < to 1.45
- Consolidated net debt / Pro forma EBITDA < to 11.5

Given the anticipated breach of its bank covenants, the Group opened discussions with its banks at the end of 2009. Following these discussions, the Group obtained at the end of 2009 four-month waivers of cash flow solvency clauses for all of the debt subject to covenants. At the beginning of 2010, this waiver was extended until December 31, 2010.

## 14.3 Refundable Advances

The most significant refundable advances concern the F7X (€11 million) and A380 (€37 million) programs. These advances shall be repaid if the program succeeds, and repayments are linked to the deliveries of each

financed product. The repayment conditions have been established in the agreement signed with the lending organization.

## NOTE 15 DEFERRED TAXES

('000 EURO)	Dec 31, 2009	Dec 31, 2008
Deferred tax assets	6 013	5
Deferred tax liabilities	-715	-13 034
<b>DEFERRED TAX AT OPENING</b>	<b>5 298</b>	<b>-13 029</b>
Deferred tax Income (Expense) recognised in P&L	11 391	4 491
Deferred tax variation recognised directly in equity	-8 294	13 836
<b>DEFERRED TAX AT CLOSING</b>	<b>8 395</b>	<b>5 298</b>
Of which Deferred tax assets	12 340	6 013
Of which Deferred tax liabilities	-3 945	-715

The analysis of the net deferred tax assets by nature is as follows:

('000 EURO)	Dec 31, 2009
Tangible and intangible assets	-5 660
Financial instruments	-6 194
Retirement bonus	3 418
Other provisions	-1 603
Loan and bank borrowings	2 979
Loss carry-forwards	17 215
Other	-1 761
<b>NET DEFERRED TAX ASSETS (LIABILITIES)</b>	<b>8 395</b>

The main source of deferred tax assets is the recognition of the loss carry-forwards of 2009 from the French tax Group. Over the French tax consolidation scope, deferred tax assets in an amount of €22.3 million were not recognized in 2009 in order to take account of the risks on the forecasts of future tax results. The Group's tax losses may be carried forward without limit in time.

## NOTE 16 REVENUE

BY BUSINESS ( <i>'000 EURO</i> )	Dec 31, 2009		Dec 31, 2008	
	Amount	%	Amount	%
Civil business	432 938	96,3%	674 616	98,6%
Military business	16 508	3,7%	9 254	1,4%
<b>TOTAL</b>	<b>449 446</b>	<b>100,0%</b>	<b>683 870</b>	<b>100,0%</b>

BY GEOGRAPHICAL ZONE ( <i>'000 EURO</i> )	Dec 31, 2009		Dec 31, 2008	
	Amount	%	Amount	%
France	275 081	61,2%	454 967	66,5%
Export	174 364	38,8%	228 903	33,5%
<b>TOTAL</b>	<b>449 446</b>	<b>100,0%</b>	<b>683 870</b>	<b>100,0%</b>

BY GEOGRAPHICAL MARKET (DIRECT EXPORTS) ( <i>'000 EURO</i> )	Dec 31, 2009		Dec 31, 2008	
	Amount	%	Amount	%
Europe	329 310	73,3%	494 200	72,3%
North America	119 807	26,7%	16 919	2,5%
Asia	329	0,1%	5 895	0,9%
Other	0	0,0%	166 856	24,4%
<b>TOTAL</b>	<b>449 446</b>	<b>100,0%</b>	<b>683 870</b>	<b>100,0%</b>

BY NATURE ( <i>'000 EURO</i> )	Dec 31, 2009		Dec 31, 2008	
	Amount	%	Amount	%
Revenue - Construction contrats	203 807	45,3%	408 738	59,8%
Revenue - Goods	155 455	34,6%	183 277	26,8%
Revenue - Services	90 184	20,1%	91 855	13,4%
<b>TOTAL</b>	<b>449 446</b>	<b>100,0%</b>	<b>683 870</b>	<b>100,0%</b>

## NOTE 17 OTHER INCOME AND EXPENSE

The amount of other income includes in particular grants and research-based tax credits for €9.99 million. Other expense includes an amount of €1.07 million relating to the depreciation of goodwill from the acquisition of LATECOERE AEROSTRUCTURE (see note 5.2).

## NOTE 18 DETAIL OF FOREIGN EXCHANGE GAINS AND LOSSES

( <i>'000 EURO</i> )	Dec 31, 2009	Dec 31, 2008
Exchange rate gains/loss realized during the year on commercial operations	-7 556	4 290
Valuation of the receivables and liabilities at the closing date	7 154	-4 102
Change in fair value of financial instruments	1 614	729
<b>TOTAL</b>	<b>1 213</b>	<b>917</b>

**NOTE 19 DETAIL OF FINANCIAL INCOME**

('000 EURO)	Dec 31, 2009	Dec 31, 2008
Interest expense - net	-14 636	-23 343
Foreign Exchange gains/loss realized	3 065	-11 316
- derivative instruments EUR/USD	-5 484	-11 302
- other derivative instrument	1 233	3 626
- Foreign Exchange gains/loss realized on financial operations	7 316	-3 640
Valuation of the financial items on balance sheet at the closing date	4 093	5 003
Change in fair value of financial instruments :	13 087	-11 471
- Change in fair value of currency option contract*	5 524	-4 465
- Change in fair value of forward currency contract	9 478	-1 598
- Change in fair value of interest rate contract	-1 916	-5 408
Other financial expenses / income	-9 350	-822
<b>FINANCIAL RESULT</b>	<b>-3 742</b>	<b>-41 948</b>

\* Include time value and ineffectiveness of intrinseque value

**NOTE 20 INCOME TAXES**
**20.1 Establishment of a tax consolidation agreement**

Since fiscal year 2009, the LATECOERE Company has made itself the only taxpayer in France for the corporate tax, for additional contributions based on the corporate tax for the annual flat-rate taxation due in respect of the tax Group which includes the LATECOERE, LATElec, LATEcis and LATECOERE Développement companies.

Under the tax consolidation agreement, the tax consolidated subsidiaries bear their own tax expense, as they would had there not been tax consolidation, and pay the corresponding sums to the LATECOERE Company, by way of contribution to the payment of taxes of the tax Group.

**20.2 Income tax expense**

('000 EURO)	Dec 31, 2009	Dec 31, 2008
Current income taxes	4 482	-1 219
Deferred taxes	11 391	4 491
<b>TOTAL</b>	<b>15 872</b>	<b>3 273</b>

Current income taxes include in particular a carry-back of €5.4 million.

## 20.3 Reconciliation between the French corporate income tax rate and the Group's effective tax rate

('000 EURO)	Dec, 31 2009
<b>Group net result of consolidated companies</b>	<b>-91 024</b>
- Consolidated tax expense (due and deferred)	15 872
- depreciation of goodwill	0
<b>Pre-tax consolidated result (before Group/minority interests share)</b>	<b>-106 896</b>
- Result from associates	-363
<b>Pre-tax consolidated result (A)</b>	<b>-106 534</b>
<b>Theoretical tax rate (current rate applicable to parent company) (B)</b>	<b>34,43%</b>
<b>Theoretical tax expense (A*B)</b>	<b>36 680</b>
Items taxed at the reduced rate or not taxed	121
Effect of the tax rate variations on deferred taxes	-46
Unreported tax losses *	22 666
Other	107
Tax reductions / tax credits **	-2 040
<b>Sub-total</b>	<b>20 807</b>
<b>ACTUAL TAX EXPENSE</b>	<b>15 872</b>
<b>EFFECTIVE TAX RATE</b>	<b>14,90%</b>

\* The unused tax losses are without carry forward limit

\*\* This amount essentially corresponds to the research-based tax credit

## NOTE 21 RISK MANAGEMENT

### 21.1 Credit Risk

Because of the nature of the principal counterparts, the Group is not exposed to credit risk in any major way and foresees no default of third parties which could have a significant impact on the financial statements of the Group. At year end, the Group had identified no

significant credit risk on these assets due but not depreciated. Furthermore, the degree of dependence on main customers remains limited, the Group benefitting from a firm order book distributed evenly among its principal customers.

### 21.2 Liquidity Risk

In order to face up to its liquidity risk, the Group uses borrowings, short term credit lines, authorized overdrafts and discount lines. At the closing date, the Group also has unused lines of credit. Undiscounted cash flows integrate financial interest. The financial interest was

calculated on the basis of the 2010 variable rate for the share of variable rate financial liabilities. The financial liabilities by maturity are analyzed as follows:

('000 EURO)	Dec 31, 2009				
	Carrying value	Undiscounted cash flow	Less than 1 year	From 1 to 5 years	Over 5 years
Refundable Advances	50 397	-87 299	-9 941	-30 878	-46 480
Discounted Receivables	11 688	-11 688	-11 688		
Bank loans	337 502	-399 464	-21 771	-343 885	-33 807
Finance lease	8 693	-10 584	-1 763	-5 712	-3 109
Commercial paper and other financial debts	11 134	-11 134	-11 134		
Other creditors	129 383	-129 383	-129 383		
<b>FINANCIAL LIABILITIES (except derivative instr.)</b>	<b>548 797</b>	<b>-649 552</b>	<b>-185 680</b>	<b>-380 475</b>	<b>-83 397</b>
Derivative instruments	7 215	-7 215	-1 469	-5 746	0
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>556 012</b>	<b>-656 767</b>	<b>-187 149</b>	<b>-386 221</b>	<b>-83 397</b>

Undiscounted cash flows at December 31, 2009 presented in the table above take into account the freezing of the due payments of medium-term borrowings and debts until December 31, 2010.

('000 EURO)	Dec 31, 2008				
	Carrying value	Undiscounted cash flow	Less than 1 year	From 1 to 5 years	Over 5 years
Refundable Advances	58 840	-94 083	-14 179	-29 842	-50 062
Discounted Receivables	10 256	-10 256	-10 256		
Bank loans	329 279	-400 967	-4 950	-318 514	-77 503
Finance lease	9 982	-12 381	-1 919	-5 946	-4 516
Commercial paper and other financial debts	6 421	-6 421	-6 421		
Other creditors	215 210	-215 210	-215 210		
<b>FINANCIAL LIABILITIES (except derivative instr.)</b>	<b>629 986</b>	<b>-739 317</b>	<b>-252 934</b>	<b>-354 302</b>	<b>-132 081</b>
Derivative instruments	23 760	-23 760	-21 596	-2 123	-41
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>653 747</b>	<b>-763 078</b>	<b>-274 530</b>	<b>-356 425</b>	<b>-132 123</b>

Given the anticipated breach of its bank covenants, the Group opened discussions with its banks at the end of 2009 under the aegis of the French Joint Ministerial Committee on Industrial Restructuring ("Comité interministériel de restructuration industrielle" or "CIRI"). Following these discussions, the banks granted a waiver of cash flow solvency clauses in connection with the anticipated breach of bank covenants at December 31, 2009, which had as a consequence a freeze of the

principal payments on loans until December 31, 2010, while maintaining the existing market lines used to protect against changes in interest rates and currency risks. The financial statements were thus able to be closed in a perspective of the continuity of operations.

This freeze will have for effect the maintaining of the level of the Group's resource at a level identical to that of 2009.

## 21.3 Foreign Currency Exposure

### US Dollar Foreign Currency Exposure

Through its international exposure and invoicing in US dollars to its French customers the Group is confronted

with foreign currency exposure. The exposure linked to fluctuations in US dollars is partially hedged through forward sales contracts and option "collars". The dollar rate and the associated foreign exchange rate exposure

are part of the estimated future assumptions for the determination of margins on construction contracts. The Group invoices approximately 63% of its sales in dollars and buys approximately 54% of supplies or sub-contracting in dollars. The effect of the dollar exchange risk hedging operations on revenue was -€8,284k in 2009 compared to +€30,343k in 2008.

The Group's USD hedging policy limits the impact of currency variations on the individual and consolidated financial statements. It should be noted that this table only reflects the situation noted at December 31, 2009 and does not reflect all future hedging. Furthermore, the estimated net flows in US dollars in 2010 and 2011 have been fully hedged.

The Group's foreign currency balance sheet information exposure in dollars is the following:

	Dec 31, 2009		Dec 31, 2008	
	'000 \$	'000 €	'000 \$	'000 €
Accounts Receivable	71 872	49 888	141 153	101 425
Hedging instruments for the receivables on the balance sheet	0	0	1 300	934
Accounts Receivable not hedged	71 872	49 888	139 853	100 491
Accounts Payable	40 594	28 178	79 004	56 768
Other (advanced payments suppliers and customers)	0	0	-988	-710
Cash & Cash Equivalents	6 070	4 213	2 322	1 668
<b>NET EXPOSURE</b>	<b>37 348</b>	<b>25 924</b>	<b>64 159</b>	<b>46 101</b>

A sensitivity analysis was carried out, based on the assumption of a €0.05 fall in relation to the dollar on the basis of the Group's net balance sheet exposure at December 31, 2009. This variation would have resulted in a pre-tax decrease in result of €0.9 million compared to a pre-tax decrease in result of €1.5 million in 2008. Furthermore, a sensitivity analysis was carried out on the basis of a portfolio of derivatives qualified with cash flow hedging and held at year-end. A €0.05 decrease in relation to the dollar would result in a decrease of pre-tax result of €2.3 million and a reduction of pre-tax shareholders' equity of €8.8 million.

#### Other foreign currency risks

The Group has set-up exchange rate hedges to protect against the fluctuations of the Czech crown (koruna) with respect to the Euro in relation with its Letov subsidiary and against fluctuations of the Brazilian real with respect

to the dollar in relation with its LdB subsidiary. These financial instruments are detailed in note 10.

A sensitivity analysis was carried out, based on the assumption of a €0.05 fall in relation to the real and a \$0.05 fall in relation to the real. These variations would have resulted in a pre-tax decrease in result of €0.3 million.

A sensitivity analysis was also carried out, based on the assumption of a €0.05 fall in relation to the Czech koruna. These variations would have resulted in a pre-tax decrease in shareholders' equity of €0.1 million.

The foreign currency exposure on the other currencies isn't considered significant in view of the Group's exposure to them.

## 21.4 Interest Rate Risk

('000 EURO)		Less than 1 year	From 1 to 5 years	Over 5 years	31-déc.-09	31-déc.-08
<b>Financial assets</b>	Fixed rates	0	0	0	0	0
	Variable rates	10 071	0	0	10 071	20 120
<b>Financial liabilities</b>	Fixed rates	-7 649	-35 928	-34 749	-78 327	-86 008
	Variable rates	-68 379	-237 990	-24 718	-331 087	-314 769
<b>NET EXPOSURE BEFORE HEDGING</b>	Fixed rates	-7 649	-35 928	-34 749	-78 327	-86 008
	Variable rates	-58 308	-237 990	-24 718	-321 016	-294 649
Derivative financial instruments	Fixed rates	0	0	0	0	0
	Variable rates	46 245	188 755	0	235 000	150 000
<b>NET EXPOSURE AFTER HEDGING</b>	Fixed rates	-7 649	-35 928	-34 749	-78 327	-86 008
	Variable rates	-12 063	-49 235	-24 718	-86 016	-144 649

Financial assets and financial liabilities concern balance sheet items which are carrying interest

Almost all medium and long-term net debt is based on short-term floating rates. The average interest rate borne by the Group in 2009 was 4.2%. The LATECOERE Group set-up during the course 2009 hedging of interest rates ("collar") that allow it to limit the impact of a strong increase in short-term rates on the cost of the debt until the period 2013-2015. The rate guaranteed for the Group is limited at 3.7% for the period from 2010 to 2012 for an amount of €235 million and at 3.9% over the period going from 2013 to 2014 for an amount of €175 million.

These derivative financial instruments were shared out pro rata the net exposure before hedging (on the periods

of less than a year and of one to five years) in the table presented above

The sensitivity tests implemented were made on a hedging of interest rates net basis. By taking as an assumption a 100 basis point increase in short-term rates, the impact on the Group's pre-tax result would be an increase in financial costs of €860k at December 31, 2009 compared to an increase of financial costs of €718k at December 31, 2008.

## 21.5 Raw Material Risk

The LATECOERE Group is exposed to raw material risk relating to its purchasing for raw materials, essentially aluminum, steel and titanium. Since 2007, the Group has negotiated contracts with its main suppliers, either independently, or through its customers' programs. These contracts have been concluded for 2 or 3 years,

include price clauses which either make them constant for the duration of the contract, or cause them to evolve according to an index provided for in advance, on the average lower than the past increases. In some contracts, the raw material is consigned by the client, which reduces the risk for the Group.

## 21.6 Equity share risk

The Group holds essentially LATECOERE shares, the carrying value of which is adjusted according to the closing market prices. The treasury shares are accounted for in deduction of shareholders' equity in the consolidated financial statements. The amount of treasury shares at December 31, 2009 was €128k.

Given the fact that at year end the LATECOERE Company only held 19,909 of its own shares, the equity share risk is not significant.

Furthermore, the Group doesn't hold any other significant listed shares and for this reason isn't exposed to the risk of the fluctuation of share prices.

## NOTE 22 CONSTRUCTION CONTRACTS

('000 EURO)	Dec 31, 2009	Dec 31, 2008
Amount due from customers (work in progress)	305	439
Amount due to customers	1	0
Revenue recognized from the origin of the contracts	1 533	1 323
Expenses incurred since the origin of the contracts	1 961	1 760
Refundable Advances	50	59

Construction contracts are based on forecasts made by the Group taking into account the commercial information (backlog and production rates) released by the different aircraft manufacturers and the information coming from the outlook for the aeronautical market. Future costs are estimated on the basis of the industrial organizations of the Group. Furthermore, the dollars flows (revenue and expenses) representing a significant share of the total flows, the Group founded its projections on assumptions of the future evolution of the dollar in relation to the duration of contracts. This last assumption could be

reviewed depending on the outlook for the currency evolution and its impact on the projections.

The main construction contracts relate to the following programs: A380 (lower part of the nose section, doors of upper deck, electrical racks, commercial harnesses), A400M (electrical rack), F7X (harnesses, rear fuselage section), Embraer ERJ 170/190 (fuselage section and doors), B787 (passenger doors), A340 WBI (lower part of the forward nose fuselage, upper fuselage section), and Falcon 900/2000 Easy (wiring). Detailed numbers by program (and in particular, the margins of construction contracts) cannot be communicated, for confidentiality

reasons). Certain assumptions were reviewed during 2009 as a function of the advancement of commercial negotiations, of the future evolution of the US dollar in relation to the duration of contracts and of the impacts from the "Challenge 2011" cost savings plan. Furthermore, the number of A340 WBI aircraft was fixed at the current orders.

A €0.05 downward evolution of the USD rate assumptions over the period 2010 to 2012 would have a €1.7 million impact on the margin recognized at December 31, 2009 and a 0.1 point decrease of the completion margins for construction contracts. A longer term change to the €/€ exchange rates would have an impact on the organization of the Group's industrial processes.

## NOTE 23 AVERAGE HEADCOUNT

	Dec 31, 2009					Dec 31, 2008	
	Executives & management	Administration	Blue-collars	Total Employees	Temporary staff	Total Employees	Temporary staff
LATECOERE	291	575	223	1 088	99	1 166	207
LATECOERE do BRASIL	20	88	213	322	0	429	0
LETOV s.r.o.	10	205	360	575	6	625	13
LATECOERE Inc.	1	1	0	2	1	4	1
LATElec	103	266	283	651	70	665	163
SEA LATElec	24	78	588	690	31	651	71
LATecis	181	184	0	365	8	345	8
LATElec GmbH	23	23	7	54	0	43	0
G²Metric	22	9	0	31	0	25	0
LATecis Ibéria	1	21	0	22	0	20	0
LATecis srl	4	15	0	19	0	13	0
LATecis UK	6	4	0	10	0	0	0
<b>TOTAL GROUP</b>	<b>687</b>	<b>1 469</b>	<b>1 673</b>	<b>3 830</b>	<b>215</b>	<b>3 985</b>	<b>463</b>

## NOTE 24 KEY MANAGERS REMUNERATION AND OTHER BENEFITS

The Group has defined as Key Managers the individuals holding the following functions:

- Members of Management Board of the LATECOERE Company;
- Members of the Executive Committee of the LATECOERE Company;
- directors or managers of consolidated subsidiaries.

For all the individuals falling into the above definition, the total of remuneration, benefits acquired or to be acquired (having been accounted for directly or through a provision) represents at December 31, 2009 the amount of €2,378k (of which €572k relates to retirement liabilities and €25k relates to long-service medals). At December 31, 2008, the total of remuneration was €3,825k (of which €1,046k relating to retirement liabilities and €93k relating to long-service medals).

## NOTE 25 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

### 25.1 Financial Commitments

The amount of commitments given and/or received by the Group at year-end was as follows:

('000 EURO)	Dec 31, 2009				Dec 31, 2008
	< To 1 year	From 1 to 5 years	> 5 years	Total	Total
Trade receivables given as security	61 954			61 954	137 379
Discounting of receivables (1)	2 313			2 313	226
Sub-contracting agreements	5 690			5 690	6 166
Cooperation agreements	175	3 330		3 505	4 545
Securities, collateral and mortgages (2)	12 930	29 177	3 408	45 515	36690
Guarantees accorded	1 161	5 037	6 541	12 739	12752
Construction contracts Pledges	41 139	168 230	683	210 052	128 197
<b>TOTAL</b>	<b>125 362</b>	<b>205 774</b>	<b>10 632</b>	<b>341 768</b>	<b>325 955</b>

(1) At December 31, 2009, the LATECOERE Company realized discounting of receivables for an effective amount of €2,313k having a direct impact on the level of trade receivables given as security. These operations were realized with financial partners and resulted in an increase of cash flow, a reduction of trade receivables and of the other receivables item.

(2) These securities relate to tangible items for €26.8 million and intangible items not recognized to the balance sheet for €18.7 million.

## 25.2 Commitments under Operating Leases

During the ordinary course of its operations the Group enters into operating leases. The amount of the expense for the year was €5.7 million. The main contracts are the following:

- leasing of vehicles;
- leasing of computer and office equipment (general and technical office data processing equipment, photocopiers, fax machines, etc.);

- other leasing (as needed).

All these contracts do not include any specific clause which could have an impact on the method of renewal or of termination of these contracts.

## 25.3 Other Contingent Liabilities

The LATECOERE Company is subject to a tax audit. There remains a potential dispute relating to the consequences of an appreciation of the basis of the local

business tax. The LATECOERE Company contests the tax adjustments proposed by the Taxing authority, which have not been the subject of a provision.

## NOTE 26 RELATED PARTIES

Group flows of the integrated companies:

('000 EURO)	Latécoère	LETOV sro	LdB	LAT. Inc.	LATelec	SEA	LATelec GmbH	LATecis	Autres filiales	Dec 31, 2009
Revenue	60 702	44 273	9 717	1 491	3 644	4 993	20 464	7 577	1 798	154 658
Purchasing	63 224	43 841	18	0	42 125	364	1 145	3 242	700	154 658
Trade receivables	40 990	16 052	1 031	394	1 010	339	3 773	3 932	638	68 160
Trade payables	21 552	37 697	0	0	6 758	35	371	1 318	429	68 160

Group flows of associates:

('000 EURO)	Latécoère	CCA	Latécoère Aeroservices	Dec 31, 2009
Operating revenue	235	2 517	1 267	4 019
Purchasing	3 784	0	235	4 019
Trade receivables	137	842	343	1 323
Trade payables	1 186	0	137	1 323

The main Group flows concern economic flows relating to the production of sub-assemblies.

The Group is organized around three businesses: Aerostructures; onboard wiring and systems; engineering and services. Every company which is a leader in a business has subsidiaries (in France or abroad) that enable it to respond to its industrial needs. Given the general organization of the Group, the different companies that form part of the consolidation scope can have industrial and commercial relations between themselves so as to respond to the production needs of each entity. Group transactions being variable, it is not possible a priori to define their annual amounts.

The conditions of payment applicable between the different companies of the Group match those applicable for other suppliers and take into account, as appropriate, occasional needs related to the centralized cash flow management.

The LATECOERE Company, the parent company of the Group, centralizes some global management actions with respect to subsidiaries (general management, insurance and risk management, financial management, etc.). Therefore, it invoices its subsidiaries for management fees, integrating the cost relating to these items.

Furthermore, as part of its centralized cash flow management, the LATECOERE Company may grant to its subsidiaries (directly held) advances on current

account (short term cash flow) or loans (medium or long term) to enable the financing of real estate and industrial investments. Short-term financings are subject to regulated agreements and carry interest. Loans are subject to specific contracts which state the object of the financing, the duration as well as the interest rate applied.

In some cases, this method of financing internal to the Group may be set up between a subsidiary of the LATECOERE Company and its indirect subsidiary or subsidiaries, the procedures and conditions remaining identical to those described above. With the exception of companies of the Group and of the Key Manager relationships mentioned above, there do not exist any significant operations with related parties outside the Group.

Since fiscal year 2009, the LATECOERE Company has made itself the only taxpayer in France for the corporate tax, for additional contributions based on the corporate tax for the annual flat-rate taxation due in respect of the tax Group which includes the LATECOERE, LATElec, LATecis and LATECOERE Développement companies.

Under the tax consolidation agreement, the tax consolidated subsidiaries bear their own tax expense, as they would had there not been tax consolidation, and pay the corresponding sums to the LATECOERE Company, by way of contribution to the payment of taxes of the tax Group.

## NOTE 27 SUBSEQUENT EVENTS

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### Repayment of development costs

The Latécoère Company held commercial discussions with its customers to improve its programs financing which resulted, in particular, in \$55 million of cash inflows in the first quarter of 2010.

### Obtaining of additional waivers

The Group obtained at the end of 2009 four-month waivers of cash flow solvency clauses for all of the debt subject to covenants. At the beginning of 2010, these waivers were extended until December 31, 2010.

## 5.7 Report of the Statutory Auditors on the consolidated financial statements

Dear Shareholders,

Following our appointment as statutory auditors by your General Meeting, we have audited the accompanying consolidated financial statements of Latécoère S.A. for the year ended December 31, 2009:

- the audit of the consolidated financial statements of the Latécoère S.A. company., as they accompany this report;
- the justification of our assessments;
- the specific verifications foreseen by law.

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

### Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for that opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, of the financial position of the Group as at December 31, 2009 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

Without qualifying our opinion, we draw attention to the notes to the consolidated financial statements disclosing:

- at note 1, the conditions of the dispute with a customer relating to a program, resulting in the accounting of losses over the year in the amount of €68.8 million;
- at note 14.1, the entry in current liabilities, in accordance with paragraph 65 of IAS 1, of all of the financial debt subject to covenants, although these have been the subject of agreements, certain of which after the closing, with the financial partners for a postponement of the date for payment until December 31, 2010;
- at note 21.2, the description of the Group's liquidity risks and agreements concluded with financial partners.

### Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Law (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Note 2.17 to the consolidated financial statements discloses the methods applied for recording hedging financial instruments detailed in note 10 to the consolidated financial statements and note 21.3 to the consolidated financial statements presents the Company's sensitivity to the dollar/euro parity on construction contracts.

In the context of our assessment of the accounting principles of your company, we have verified that these accounting methods and the related information disclosed in the notes were appropriate, and we have assessed their correct implementation.

- Furthermore, your group recognizes the results on long-term contracts under the stage of completion method as described in note 22 to the consolidated financial statements. These results on construction contracts are based on estimates, relating mainly to industrial assumptions and US dollar exchange rate. At December 31, 2009, the accounting estimates used in the preparation of the financial statements were performed in a context where economic prospects were definitely difficult to grasp. These conditions are described in note 2.3 to the statutory financial statements.

In this uncertain context and on the basis of information available, our work consisted of assessing the assumptions and data underlying these valuations of results on completion of these contracts retained and of reviewing the calculations of the company and examining the approval procedures for these estimates by Senior Management.

- As indicated in note 7 to the financial statements, inventories and work-in-progress are depreciated by your group. On the basis of the items available at this date, our assessment of these provisions has been based on the processes established by the group in order to assess this depreciation, on the review of the situation at year-end and on the review of subsequent events corroborating the estimate accepted.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

### **Specific verification**

In accordance with professional standards applicable in France, we have also verified the information relative to the group given in the parent company's management report. We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

Labège, April 30, 2010

Paris, April 30, 2010

KPMG Audit  
*A division of KPMG S.A.*

Grant Thornton  
*French Member of Grant Thornton International*

Christian Libéros  
*Partner*

François Pons  
*Partner*

## 6 STATUTORY FINANCIAL STATEMENTS OF THE LATECOERE S.A. COMPANY. AT DECEMBER 31, 2009

### 6.1 Balance sheet of the LATECOERE S.A. Company

('000 EURO)	Gross	Amortization	Dec 31, 2009	Dec 31, 2008
Research and development expenditure	0	0	0	0
Other intangible fixed assets	4 523	3 671	852	823
<b>Intangible fixed assets</b>	<b>4 523</b>	<b>3 671</b>	<b>852</b>	<b>823</b>
Land	284		284	329
Buildings	578	389	188	238
Plant, equipment and tooling	23 096	16 780	6 316	7 839
Other tangible fixed assets	10 898	8 210	2 688	3 373
Fixed assets in progress	336		336	883
Advance payments			0	0
<b>Tangible fixed assets</b>	<b>35 191</b>	<b>25 379</b>	<b>9 812</b>	<b>12 662</b>
Other shareholdings	32 605	1 099	31 506	24 009
Other long-term investments	7 627	4 621	3 006	6 594
Other fixed shares	25		25	25
Loans	409	409	0	0
Other financial fixed assets	163	3	159	243
<b>Financial fixed assets</b>	<b>40 828</b>	<b>6 132</b>	<b>34 697</b>	<b>30 871</b>
<b>Fixed assets</b>	<b>80 542</b>	<b>35 181</b>	<b>45 361</b>	<b>44 356</b>
Raw materials	41 467	8 998	32 469	41 617
Work-in-process	394 034	108 713	285 321	378 867
Intermediate and finished products	48 445	11 833	36 612	54 123
<b>Intermediate and finished products</b>	<b>483 946</b>	<b>129 543</b>	<b>354 402</b>	<b>474 607</b>
Advances, payments on account	1 009		1 009	41 617
Trade accounts receivable	91 181	77	91 104	378 867
Other receivables	45 173		45 173	54 123
Short-term investments	0		0	9 572
Cash and bank	1 428		1 428	2 176
Prepayments, unrealized exchange losses	232		232	5 322
<b>CURRENT ASSETS</b>	<b>622 969</b>	<b>129 620</b>	<b>493 349</b>	<b>664 481</b>
<b>TOTAL ASSETS</b>	<b>703 512</b>	<b>164 802</b>	<b>538 710</b>	<b>708 837</b>

('000 EURO)	Dec 31, 2009	Dec 31, 2008
Share capital	17 220	17 220
Share premium	69 611	69 611
Legal reserve	1 722	1 722
Regulated reserves		
Other reserves	107 496	113 194
Retained earnings		
Income for the year (profit or loss)	-129 024	-5 698
Provisions réglementées	3 288	3 142
<b>Shareholders' equity</b>	<b>70 313</b>	<b>199 192</b>
Conditional advances	50 397	58 840
<b>Total equity</b>	<b>120 710</b>	<b>258 031</b>
<b>Provisions for risks and expenses</b>	<b>2 423</b>	<b>10 540</b>
Loans and debts from financial institution	254 165	240 175
Advances and down payments received	5	672
Trade accounts payable	80 807	136 762
Tax, personnel and social security	14 144	24 626
Due for fixed assets	398	853
Other liabilities	63 806	37 179
Deferred income-unrealized exchange gains	2 251	
<b>Total liabilities</b>	<b>415 576</b>	<b>440 266</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>538 710</b>	<b>708 837</b>

## 6.2 Income Statement of the LATECOERE S.A. Company

('000 EURO)	Dec 31, 2009	Dec 31, 2008
Sale of goods purchased for resale	0	0
Production sold (goods)	303 625	455 374
Production sold (services)	25 406	25 723
<b>Net sales</b>	<b>329 031</b>	<b>481 097</b>
Change in inventory (WIP and finished goods)	-21 852	-95 911
Operating grants	4 400	4 149
Write-back of provisions and amortization, expense transfers	14 388	7 459
Other income	1 892	362
Other operation income	-1 172	-83 941
<b>Operation income</b>	<b>327 859</b>	<b>397 156</b>
Purchase of goods	1	102
Purchase of raw materials and other supplies	27 374	50 223
Changes in inventory (raw materials, supplies)	4 702	-6 162
Other purchases and external expenses	228 673	293 313
Taxes, duties and similar	5 140	5 478
Wages and salaries	43 022	45 948
Social security	19 323	20 873
Depreciation, amortization	2 504	2 790
Provisions on current assets	108 057	3 762
Other operation expenses	0	38
<b>Operation expenses</b>	<b>438 796</b>	<b>416 365</b>
<b>NET OPERATING INCOME</b>	<b>-110 936</b>	<b>-19 209</b>
Financial income from shareholdings	1 163	1 091
Other interest and similar income	10	634
Write-back of provision and transfer of expenses	8 363	0
Foreign exchange gains	15 367	58 759
Net income from sales of short-term investments	13	34
<b>Financial income</b>	<b>24 915</b>	<b>60 518</b>
Financial provision	4 621	8 363
Interest and related expenses	21 162	18 034
Foreign exchange losses	30 393	27 171
Net loss on sales of short-term investments	37	51
<b>Financial expenses</b>	<b>56 213</b>	<b>53 620</b>
<b>NET FINANCIAL INCOME</b>	<b>-31 299</b>	<b>6 898</b>
<b>INCOME BEFORE TAX</b>	<b>-142 235</b>	<b>-12 311</b>
<b>NET EXCEPTIONAL EXPENSES</b>	<b>-627</b>	<b>-402</b>
Employee profit sharing	0	208
Tax on profit	-13 837	-7 223
<b>TOTAL INCOME</b>	<b>355 098</b>	<b>458 578</b>
<b>TOTAL EXPENDITURE</b>	<b>484 123</b>	<b>464 276</b>
<b>NET INCOME</b>	<b>-129 024</b>	<b>-5 698</b>

### 6.3 Statement of Cash Flows of the LATECOERE S.A Company.

('000 EURO)	31 déc. 2009	31 déc. 2008
Net income	-129 024	-5 698
Elim of depreciation and provisions	-915	11 142
Elim of profit/loss on disposal	1	1 247
<b>Cash flow</b>	<b>-129 938</b>	<b>6 691</b>
Changes in working capital	122 587	33 971
<b>Cash flow from operating activities</b>	<b>-7 352</b>	<b>40 662</b>
Purchase of tangible and intangible assets	-10 381	-2 870
Proceed of sale of tangible and intangible assets	1 771	1 519
<b>Cash flows from (used in) investing activities</b>	<b>-8 609</b>	<b>-1 351</b>
Dividends paid	0	0
Augmentation (réduction) de capital	0	0
Proceeds from borrowings (incl. Conditional advances)	16 847	27 540
Repayments of borrowings (incl. Conditional advances)	-9 968	-43 605
Disposal (acquisition) of treasury shares	92	-156
<b>Cash flows from (used in) financing activities</b>	<b>6 972</b>	<b>-16 221</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>-8 989</b>	<b>23 090</b>
Opening cash position	-2 164	-25 254
Closing cash position	-11 153	-2 164
Cash and cash equivalents	1 428	11 748
Overdraft facilities	-2 643	-3 657
Discounted receivables	-9 938	-10 256
<b>CASH AND CASH EQUIVALENTS AT YEAR-END</b>	<b>-11 153</b>	<b>-2 164</b>

### 6.4 Notes to the statutory financial statements at December 31, 2009

These documents are annexed to the balance sheet before apportionment of the year ending on December 31, 2009 totaling €538,710,100, and to the income statement of the year presented in the form of a list, showing total income of €355,098,225, total expenditure of €484,122,577, and net income of -€129,024,352.

The relevant year covers a period of 12 months from January 1, 2009 to December 31, 2009.

The notes and the tables herein, form an integral part of the annual financial statements. The financial statements are presented in €k rounded to the closest thousand euros.

#### NOTE 1 MAIN EVENTS

##### 1.1 Commercial dispute

A dispute over a business jet contract arose at the end of 2009 and resulted in the recognition of a loss on completion calculated over the life of the program, in

accordance with the accounting standard. This dispute is regarding the terms of performance of a business jet contract; As Latécoère has not yet been able to reach an acceptable compromise, the Group recognized a -€69 million depreciation in respect of this contract.

##### 1.2 Reappraisal of the USD/EUR exchange rate on completion

The continued weakness and high volatility of the dollar has led the Group, out of prudence and in accordance with benchmarked practices in the sector, to reappraise the long-term (beyond five years) USD/EUR exchange rate at 1.35, compared with the 1.25 that the Group had previously used; Overall, it impacts the year through the recognition of a -€42 loss on construction contracts.

### 1.3 Trading of its shares temporarily suspended, constructive discussions with the Group's lending banks strengthen its liquidity and expand its foreign exchange hedging

Following its December 10, 2009 profit warning relating to a dispute on the business aircraft program referred to above, the Group asked for a suspension in the trading of Latécoère shares, and started its discussions in December with its French lending partners to negotiate the restructuring of its financial debt. The overall objective is to align the Group's debt to its financial capacity, which has been impaired by the combined effects of the cyclical downturn, the weakness of the US dollar against the euro and delays in major programs launched over the past few years by manufacturers.

At first the banks accepted

- not to use their right to accelerate repayment of existing credit lines despite an anticipated breach of covenants as of December 31, 2009;
- to freeze the principal repayment of the medium-term loans until December 31, 2010;
- to maintain the existing lines used to protect the Group against changes in interest rates and currency risks.

The Group is confident in its capacity to find an agreement with the banks in the coming days, which will clarify its medium term financial structure. Upon signing and communicating on the terms of the agreement, the Group will ask NYSE Euronext to resume trading of Latécoère shares.

### 1.4 Establishment of a tax consolidation agreement

Since fiscal year 2009, the LATECOERE Company has made itself the only taxpayer in France for the corporate tax, for additional contributions based on the corporate tax for the annual flat-rate taxation due in respect of the tax Group which includes the LATECOERE, LATElec, LATEcis and LATECOERE Développement companies.

Under the tax consolidation agreement, the tax consolidated subsidiaries bear their own tax expense, as they would had there not been tax consolidation, and pay the corresponding sums to the LATECOERE Company, by way of contribution to the payment of taxes of the tax Group.

## NOTE 2 ACCOUNTING POLICIES

### 2.1 Presentation of the financial statements

The financial statements of the company at December 31, 2009 have been prepared in accordance with regulations in force, in compliance with regulation CRC 99-03. Moreover, the Company applies for the accounting

treatment of some specific operations the recommendations of the accounting plan of the aeronautical and space industry.

### 2.2 Assumptions and estimates

The preparation of financial statements requires that the Management Board make estimates and assumptions which have an impact on the application of accounting methods as well as on amounts of assets and liabilities, income and expenses. The estimates and the underlying assumptions have been made from past experience and other factors considered as reasonable in view of the circumstances. They serve thus as the basis for the exercise of judgment necessary for the determination of the carrying value of assets and liabilities that cannot be obtained directly from other sources. Actual values may differ from estimated values.

The Management Board reviews its estimates and appreciations regularly on the basis of its past experience as well as other factors deemed reasonable, which constitutes the grounds for its appreciations of the carrying value of assets and liabilities. The impact of changes in accounting estimates is recognized during the period of the change if it affects only that period or during the course of the period of the change and subsequent periods if these are also affected by the change.

The judgments made by the Management Board, having a significant impact on financial statements and estimates having an important risk of variations during the period, concern mainly the estimated margin on construction contracts (note 2.7) and employee benefits (note 5).

At December 31, 2009, the accounting estimates used in the preparation of the financial statements were performed in a context where economic prospects were definitely difficult to grasp. The estimates and the assumptions retained for the consolidated financial statements were determined based on the elements in the Company's possession at the closing date and, in particular, relate to construction contracts, as a function of firm orders confirmed by aircraft manufacturers and of announced decreases in production rates. The Company has noted a trend of production rate change announcements, increasing the difficulty to grasp the assumptions to be retained for the closing of the financial statements. However, only public information was taken into account in the estimates and assumptions retained by the Company at year-end.

### 2.3 Research & Development Costs

At December 31, 2009, research & development expenses are recorded as expenses with the exception of development expenditures relating to construction contracts which are recognized as work in progress.

### 2.4 Other Intangible Fixed Assets

Composed essentially of computer software, they are measured on the basis of acquisition cost (purchase price and associated costs) or at their production cost (own

work capitalized). The interest costs on loans specific to own work capitalized are not included in the cost of production.

For fixed assets which use reducing balance methods for tax purposes the difference with respect to book depreciation is shown as accelerated fiscal depreciation in regulated provision. Other intangible fixed assets are amortized over their duration of use.

## 2.5 Tangible fixed assets

The tangible fixed assets are accounted for at their directly attributable cost (including purchase price, taxes paid and direct purchase cost), reduced by accumulated depreciation and loss of value.

Subsequent expenses relating to tangible fixed assets are accounted for as expenses of the fiscal year which they are incurred if they maintain the performance level of the asset. They are added to the carrying value of the initial fixed asset if they generate future economic benefits higher than the initial level of performance and if their cost can be measured reliably.

When applicable, the total cost of an asset is broken down between its different constitutive elements (components) if their useful lives are different. Each element of the asset is depreciated over a different time period. The Group has defined families of assets that might be broken down, together with the useful lives of the components thus determined.

As the assets acquired by the LATECOERE Company are not meant to be resold before the end of their economic lives, no residual value has been applied to the different tangible fixed assets.

The amortization method reflects the rate of consumption of the future economic benefits relating to the asset.

Any loss in value is recognized in operating result, on the line "depreciation amortization".

The grants received by the LATECOERE Company as assistance to the financing of industrial fixed assets are accounted for in deduction of the original value of the asset.

Furthermore, the LATECOERE Company has not chosen the option of integrating in the cost of fixed asset, the financial costs relating to the specific financing of this asset.

The amortization periods associated with the groups and sub-groups of assets are as follows.

Group	Amortization period
Construction	15 - 40 years
General facilities	10 -20 years
Technical facilities	6 2/3 – 20 years
Tooling	3 years
Electronic equipment	5 years
Computer hardware	3 – 5 years
Transportation equipment	4 years
Office equipment	6 2/3 years
Furniture	10 years

In general, the LATECOERE Company has opted for the use of the straight-line method of depreciation for the whole of its assets. However, according to nature and specificity of the asset, the decreasing-balance method may be applied.

### Impairment of Assets

The carrying value of the Group's assets (other than inventory and deferred tax assets) is examined at each closing so as to appreciate if any indication of a loss in value exists. If such an indication is identified an impairment test is carried out. The impairment test consists in comparing the carrying value of the asset or of the relevant group of assets with its recoverable value.

The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use. The value in use is the discounted value of estimated future cash flows expected from the continuing use of the asset and from its disposal at the end of its useful life.

In order to determine the value in use of an asset, the LATECOERE Company uses:

- estimates of future cash flows (before income tax and financial cost) based on assumptions that keep the asset in its current condition and represent the best estimate of the economic conditions which will exist during the remaining useful life of the asset,
- the pre-tax discount rate which reflects the current market valuations of the time value of money and of the specific risks of the asset. The discount rate does not reflect the risks which have already been taken into account in the estimate of future cash flows.

Depreciation is recorded if the carrying value of an asset is higher than its recoverable value.

## 2.6 Shareholdings and other long-term investments

### Shareholdings

Shareholdings are initially measured at their price or subscription price. At each year end, their value in use is determined by taking into account the net equity and potential profitability of each holding.

### Other Long Term Investments

Their gross value includes their purchase price excluding associated costs.

## 2.7 Inventories and Work-in-Progress

### Raw materials

The gross value of raw materials and supplies includes the purchase price and associated costs. Valuation is made at the weighted average price. Provisions for depreciation are constituted on the raw materials and facilities which have not moved during the year and for which no use is foreseen in the short-term.

#### **Work-in-Progress (excluding construction contracts)**

The gross value of work-in-progress is measured using the full cost method excluding non-production costs (financial expenses, marketing costs, currency without follow-up, cost administration, etc.). Work in progress are depreciated when their realization value is under their book value.

#### **Construction contracts (long-term contracts):**

The LATECOERE Company has concluded with some of its customers' partnership contracts the characteristics of which are those of construction contracts:

- contract relating to the production of a group of assets closely interrelated or interdependent in terms of design, technology and function;
- which covers several years.

The accounting for these contracts responds to the following criteria:

The principal revenues and costs of construction contracts are:

- the initial amount of revenue agreed in the contract;
- the modifications in contract work or the claims to the extent that it is probable that they give rise to revenue and that they can be measured reliably.

And for costs:

The costs directly related to the contract;

- the costs attributable to the contract activity in general and which can be allocated to the contract;
- All other costs that can specifically be charged to the customer according to the terms of the contract.

The margin is recognized by reference to the stage of completion and calculated in relation to the delivery of elements ("milestones"). Actually, the LATECOERE Company invoices on delivery and all the invoicing is due by the customer whatever the outcome of the program.

It is also possible that additional invoicing may be carried out subsequently (modifications or additional work). A study is undertaken on a case-by-case basis in order to define elements permitting the determination of the stage of completion ("milestones").

The estimated margin is calculated on the basis of a forecast including the technical and budgetary elements determined at the inception. This margin is revised periodically based on costs and revenues realized during the period and remaining to come. When the foreign exchange exposure is hedged, the impact of this hedging is integrated in the calculation of the estimated margin.

When the projected margin is negative, it is immediately recorded in income statement.

## **2.8 Receivables**

Receivables are valued at their nominal value. The risks of non-recovery are provided for as required at the end of each year.

## **2.9 Investment securities**

They are exclusively made up of securities other than treasury shares. Their gross value includes their purchase price excluding associated costs. When the inventory value is under their gross value, a provision for depreciation is constituted.

## **2.10 Provisions for risks**

Provisions for risks and expenses are established in compliance with regulation CRC 2000-06 on liabilities. Risks known at the date of the closing of the financial statements are subject to a review and a provision is made.

## **2.11 Tax related provisions**

Regulatory provisions which figure in the balance sheet include exclusively accelerated fiscal depreciation. Accelerated fiscal depreciation represents the difference between straight-line depreciation to determine net operating income and the accelerated depreciation authorized by the current tax legislation.

## **2.12 Recording of Foreign Currency operations**

The LATECOERE Company, for transactions carried out in foreign currencies (essentially the U.S. dollar), manages its exposure by covering the expected cash inflows with forward sales of currencies. Foreign currency transactions are converted into euros by applying the exchange rate prevailing at the transaction date. Receivables denominated in dollars are converted at year end using the rate of the forward exchange contracts. Other receivables and liabilities denominated in other currencies are converted using the closing exchange rate. Exchange rate differences are posted in financial result and the hedging instruments are detailed in off-balance sheet commitments.

## **2.13 Employee long-service medals**

In compliance with recommendation n° 2003-R-01 of the "Conseil National de la Comptabilité" (Regulation n° 2000-06 on liabilities), the LATECOERE Company set up a provision in 2004 for employee long-service awards, calculated in compliance with IAS 19 (using actuarial assumptions, the level of future remuneration, life expectancy and employee turnover rates). At December 31, 2009, this provision was revalued and amounts to €958k compared to €904k at December 31, 2008.

## **2.14 Recognition of revenue**

Revenue is recognized on product delivery or upon the provision of services.

**NOTE 3 FIXED ASSETS**

('000 EURO)	Dec 31, 2008	Acquisitions	Transfer	Disposals	Dec 31, 2009
<b>Intangible fixed assets</b>	<b>3 960</b>		<b>586</b>	<b>23</b>	<b>4 523</b>
Land	329			46	284
Buildings constructed on leasehold land	578				578
Plant, industrial equipment and tooling	24 059	1 018	14	1 995	23 096
Fixtures and fittings	8 334			133	8 200
Vehicles	242				242
Office equipment, I.T., furniture	2 455				2 455
Fixed assets in progress	883	54	-600		336
<b>Tangible fixed assets</b>	<b>36 880</b>	<b>1 072</b>	<b>-586</b>	<b>2 174</b>	<b>35 191</b>
Shares in subsidiary companies	25 108	<b>7 497</b>			32 605
Receivables concerning associated companies	6 594	1 357		323	7 627
Other long-term investments	25				25
Loans, other financial fixed assets	724			153	571
<b>Financial fixed assets</b>	<b>32 450</b>	<b>8 854</b>	<b>0</b>	<b>476</b>	<b>40 828</b>
<b>TOTAL GROSS FIXED ASSETS</b>	<b>73 290</b>	<b>9 926</b>	<b>0</b>	<b>2 673</b>	<b>80 542</b>

**NOTE 4 DEPRECIATION**

('000 EURO)	Dec 31, 2008	Increase	Decrease	Dec 31, 2009
<b>Intangible fixed assets</b>	<b>3 137</b>	<b>548</b>	<b>14</b>	<b>3 671</b>
Buildings constructed on leasehold land	340	50		389
Plant, industrial equipment and tooling	16 220	1 340	780	16 780
Fixtures and fittings	5 392	346	5	5 733
Vehicles	242	1		242
Office equipment, I.T., furniture	2 024	220	10	2 234
<b>Tangible fixed assets</b>	<b>24 217</b>	<b>1 956</b>	<b>794</b>	<b>25 379</b>
<b>TOTAL AMORTIZATIONS</b>	<b>27 354</b>	<b>2 504</b>	<b>809</b>	<b>29 050</b>

('000 EURO)	straight-line method	double declining method	Accelerated fiscal depreciation	
			Increase	Decrease
<b>Intangible fixed assets</b>	<b>548</b>	<b>0</b>	<b>487</b>	<b>281</b>
Buildings constructed on leasehold land	50			
Plant, industrial equipment and tooling	1 340		453	563
Fixtures and fittings	346		86	35
Vehicles	1			
Office equipment, I.T., furniture	220		0	1
<b>Tangible fixed assets</b>	<b>1 956</b>	<b>0</b>	<b>539</b>	<b>599</b>
<b>TOTAL BREAKDOWN OF DEPRECIATION</b>	<b>2 504</b>	<b>0</b>	<b>1 026</b>	<b>880</b>

**NOTE 5 PROVISIONS**

('000 EURO)	Dec 31, 2008	Increase	Decrease	Dec 31, 2009
Accelerated fiscal depreciation	3 142	1 026	880	3 288
<b>Regulated provision</b>	<b>3 142</b>	<b>1 026</b>	<b>880</b>	<b>3 288</b>
Foreign exchange losses	8 294		8 294	0
Provisions for taxes	610			610
Provisions for taxes	1 637	177		1 814
<b>Total provisions for risks and expenses</b>	<b>10 540</b>	<b>177</b>	<b>8 294</b>	<b>2 423</b>
Provisions for financial assets	1 579	4 621	69	6 132
Provisions for stocks and work-in-process	35 895	93 648		129 543
Provisions for trade accounts receivable	57	20		77
<b>Total provisions on assets</b>	<b>37 532</b>	<b>98 288</b>	<b>69</b>	<b>135 752</b>
<b>TOTAL PROVISIONS</b>	<b>51 215</b>	<b>99 491</b>	<b>9 242</b>	<b>141 464</b>

('000 EURO)	Increase	Decrease
Operating	98 465	69
Financial	0	8 294
Exceptional	1 026	880
<b>TOTAL</b>	<b>99 491</b>	<b>9 242</b>

The other provisions for risks correspond to €958k in respect of Long-Service Medals and €858k in respect the retirement liabilities of LATECOERE AEROSTRUCTURE. The provision on inventories and work-in-progress of €94 million results principally from the impact of a commercial dispute over a business jet contract and the reappraisal of the USD/EUR exchange rate on completion.

**NOTE 6 ANALYSIS OF RECEIVABLES AND OF LIABILITIES**

('000 EURO)	Gross Amount	Due within one year	Due after one year
Receivable related to associates	7 627	313	7 314
Loans	409		409
Other financial fixed assets	163	129	34
Other trade accounts receivable	91 181	91 181	
Payroll and similar accounts	106	106	
Social security and other similar organizations	19	19	
State and other community bodies	20 296	20 296	
Group and shareholders	22 027	22 027	
Miscellaneous	2 725	2 725	
Prepayments expenses	232	232	
<b>TOTAL RECEIVABLES</b>	<b>144 785</b>	<b>137 028</b>	<b>7 757</b>
Loans granted during the year	0		
Reimbursements obtained during the year	0		

('000 EURO)	Gross Amount	Due within one year	Due between one and five years	Due after five years
Refundable Advances	50 397	7 620	19 736	23 041
Loans due within 1 year at origin	19 281	19 281		
Loans due after 1 year at origin	234 884	232 941	1 180	763
Trade accounts payable	80 807	80 807		
Payroll and similar accounts	4 966	4 966		
Social security and other similar organizations	6 739	6 739		
State : tax on profits	0	0		
State : value added tax	702	702		
State : other taxes and duties	1 736	1 736		
Due for fixed assets	398	398		
Group current accounts	47 486	47 486		
Other liabilities	16 320	16 320		
Deferred income	0	0		
<b>TOTAL LIABILITIES</b>	<b>463 717</b>	<b>418 997</b>	<b>20 916</b>	<b>23 805</b>
Loans obtained during the year	10 000			
Loans reimbursed during the year	1 525			

Some financing contracts are subject to covenants. The financial ratios ("covenants") to be respected during 2009 are the following:

- Consolidated net debt / Pro forma consolidated equity funding < to 1.45
- Consolidated net debt / Pro forma EBITDA < to 11.5

Given the anticipated breach of its bank covenants, the Group opened discussions with its banks at the end of 2009. Following these discussions, the Group obtained at the end of 2009 four-month waivers of cash flow solvency clauses for all of the debt subject to covenants. At the beginning of 2010, these waivers were extended until December 31, 2010.

However, insofar as the extension of the waivers to December 31, 2010 was formally authorized only after the date of the closing of the financial statements, the provisions of IAS 1 paradoxically led the Group to state all of the debt subjected to covenants, which is €331 million, in current liabilities. This presentation will be re-examined as of the publication of the accounts of the first half of 2010 in the light of the results of the discussions held with the banks and commented upon at note 1 "Main events" above.

In accordance with accounting doctrine, these provisions are and will be similarly applied in the statutory financial statements; the table of borrowing schedules at

December 31, 2009 above has thus been adjusted accordingly.

The amount of debts subject to covenants was €231 million at December 31, 2009.

## NOTE 7 LOANS AND BANK BORROWINGS

('000 EURO)	Currency	Interest rate	Maturity	Dec 31, 2009	
				Nominal value	Carrying value
Bank borrowings with guarantee	EURO	EUR. / T4M+ margin	2010-2015	235 677	234 884
Commercial paper and other financial debts	EURO	EUR. / T4M+ margin	n/a	9 343	9 343
Loans against receivables mobilization	EURO	EURIBOR + Margin	n/a	9 938	9 938
<b>TOTAL OF LOAN AND BANK BORROWINGS</b>				<b>254 958</b>	<b>254 165</b>

## NOTE 8 REFUNDABLE ADVANCES

The most significant refundable advances concern the F7X (€10.9 million) and A380 (€37.4 million) programs. These advances shall be repaid if the program succeeds, and repayments are linked to the deliveries of each

financed product. The repayment conditions have been established in the agreement signed with the lending organization.

## NOTE 9 ACCRUALS AND PREPAYMENTS

('000 EURO)	Dec 31, 2009	Dec 31, 2008
Invoices to be issued	3 326	12 753
Accrued interest receivable, other	0	173
<b>Total income accruals</b>	<b>3 326</b>	<b>12 926</b>
Accrued interest on loans	414	2 637
Supplier invoices not yet received	19 570	26 028
Tax, personnel and social security	6 624	10 374
Interest accrued on overdraft	279	758
Other (1)	13 831	10 603
<b>Total expense accruals</b>	<b>40 717</b>	<b>50 400</b>
Insurance premiums	140	194
Miscellaneous expenses	92	280
<b>Total prepayments (net)</b>	<b>232</b>	<b>474</b>

## NOTE 10 SHAREHOLDERS' EQUITY

The share capital is €17,219,994, and breaks down as follows:

	Number	Nominal value
Total shares at beginning of year	8 609 997	2,00
Shares issued during the year	0	
Shares exchanged during the year	0	
Total shares at end of year	8 609 997	2,00

('000 EURO)	Amount
<b>Shareholders' equity as of 31/12/07</b>	<b>203 689</b>
Write back of expenses relating to a futur increase of capital (1)	1 159
Premium	0
2008 Net income	-5 698
Distribution of dividends in 2007	0
Charge in regulated provisions	42
<b>Shareholders' equity as of 31/12/08</b>	<b>199 192</b>
Premium	0
2009 Net income	-129 024
Distribution of dividends in 2008	0
Charge in regulated provisions	146
<b>Shareholders' equity as of 31/12/09 (2)</b>	<b>70 313</b>

(1) Expenses (principally financial and legal fees) relating to a future increase of capital for the Zéphyr project were incurred in 2007. Following the breaking-off of this project and the abandonment of the increase of capital during the first half of 2008, the amount of these expenses was reversed from the share premium. These expenses were recorded in the income statement on the line "Raw material, Other Purchases & external charges".

(2) Including unavailable reserves for hedging of treasury shares in an amount of € 124k.

## NOTE 11 REVENUE

### BY BUSINESS

'000 EURO)	Dec 31, 2009		Dec 31, 2008	
	Amount	%	Amount	%
Civil business	324 949	98,8%	476 464	99,0%
Military business	4 082	1,2%	4 632	1,0%
<b>TOTAL</b>	<b>329 031</b>	<b>100,00%</b>	<b>481 097</b>	<b>100,00%</b>

### BY GEOGRAPHICAL ZONE

'000 EURO)	Dec 31, 2009		Dec 31, 2008	
	Amount	%	Amount	%
France	132 945	40,4%	278 102	57,8%
Export	196 086	59,6%	202 995	42,2%
<b>TOTAL</b>	<b>329 031</b>	<b>100,00%</b>	<b>481 097</b>	<b>100,00%</b>

**BY GEOGRAPHICAL MARKET (DIRECT EXPORTS)**

('000 EURO)	Dec 31, 2009		Dec 31, 2008	
	Amount	%	Amount	%
Europe	207 483	63,1%	308 653	64,2%
North America	24 594	7,5%	16 919	3,5%
Asia	1 563	0,5%	2 638	0,5%
Other	95 391	29,0%	152 886	31,8%
<b>TOTAL</b>	<b>329 031</b>	<b>100,00%</b>	<b>481 097</b>	<b>100,00%</b>

It should be noted that this breakdown does not show the final destination of products manufactured. Indeed, about 90% of sales to our French customers (Airbus France, Dassault, etc.) may end up being exported.

**NOTE 12 FINANCIAL INCOMES**

('000 EURO)	Dec 31, 2009	Dec 31, 2008
Financial income from shareholdings	1 163	1 091
Other interest and similar income	10	634
Write-back of provision and transfer of expenses	8 363	0
Foreign exchange gains	15 367	58 759
Net income from sales of short-term investments	13	34
<b>Financial income</b>	<b>24 915</b>	<b>60 518</b>
Financial provision	4 621	8 363
Interest and related expenses	21 162	18 034
Foreign exchange losses	30 393	27 171
Net loss on sales of short-term investments	37	51
<b>Financial expenses</b>	<b>56 213</b>	<b>53 620</b>
<b>NET FINANCIAL INCOME</b>	<b>-31 299</b>	<b>6 898</b>

**NOTE 13 INCOME TAX**

The taxes related to each income are determined by taking into account the tax write-back and deductions practices and the tax rates application to the operations concerned. The taxes included the standard rate (33.33%) as well an additional contribution of 3.3% based on the tax at the standard rate after a reduction of €763k.

('000 EURO)	Gross amount	Tax write-back and deduction	Tax basis	Tax	After tax amount
Income before exceptional items, profit sharing and tax	-142 235	2 366	-139 869		-142 235
Net exceptional income	-627	3	-624		-627
Contractual profit sharing	0				0
Legal profit sharing	0				0
Tax credits	5 147				5 147
Impact on foundation and miscellaneous	8 690				8 690
<b>NET INCOME BEFORE/AFTER TAX</b>	<b>-129 024</b>	<b>2 369</b>	<b>-140 493</b>	<b>0</b>	<b>-129 024</b>

The item "Other" includes a carry-back for an amount of €5.4 million and tax savings of €3.3 million relating to the tax consolidation.

**NOTE 14 NON-RECURRING EXPENSES AND INCOME**

('000 EURO)	Dec 31, 2009	Dec 31, 2008
Accelerated fiscal depreciation	1 026	729
Provisions for tax (property finance lease)	0	41
Extraordinary expenses for revenue operations	441	212
Net book value of fixed asset disposals	1 389	137
Other exceptional expense	95	189
<b>TOTAL EXCEPTIONAL EXPENSE</b>	<b>2 951</b>	<b>1 306</b>
Write-back of accelerated fiscal depreciation	880	687
Proceed from fixed asset disposals	1 388	46
Revenue operations	1	67
Other exceptional income	55	104
<b>TOTAL EXCEPTIONAL INCOME</b>	<b>2 325</b>	<b>904</b>

**NOTE 15 FINANCIAL COMMITMENTS**
**15.1 Real estate leasing**

('000 EURO)	Initial cost	Amount paid		Amounts due			
		In current year	Aggregate	Within 1 year	From 1 to 5 years	After 5 years	Total due
Land and building Périole 1993	7 851	0	12 021				
Building Périole 2002	5 005	562	3 934	562	2 248	0	2 811
Land and building Gimont 2002	6 791	640	4 090	640	2 560	1 760	4 960
<b>TOTAL</b>	<b>19 648</b>	<b>1 202</b>	<b>20 045</b>	<b>1 202</b>	<b>4 808</b>	<b>1 760</b>	<b>7 771</b>

**15.2 Retirement Liabilities**

Retirement benefits unrecognized in the balance sheet are estimated at December 31, 2009 to be €6,936k, including social charges, compared to €6,564k for the prior fiscal year. The share of the retirement liabilities recognized in balance sheet in the amount of €856k is subsequent to the merger and acquisition of the LATECOERE AEROSTRUCTURE Company.

The retirement benefits are calculated according to recommendation n° 2003-R-01 of the "Conseil National de la Comptabilité". The Company's obligations with respect to its commitments towards the personnel of the French companies have been estimated by an independent actuary, using the projected credit unit method.

This method takes into account, on the basis of actuarial assumptions, the probability of the length of future service of the employee, the level of future remuneration, the life expectancy and employee turnover.

The obligation, including social security charges, is discounted at the rate of 4.80% compared to 5.30% in 2008. It is accounted for as the pro rata of years of service of the employees.

**15.3 Financial commitments on foreign currency contracts and exchange rate hedging**

The principal hedging methods are the following:

- hedged transactions: estimate of the future cash inflows or outflows of each period;
- hedging techniques: cover of estimated cash flows using forward contracts and option collars;
- average exchange rate of contracts: average exchange rate of contracts very slightly higher than the average rate of the customer contracts in progress.

The total amount of hedging contracts (forward contracts and option collars) in US\$ was \$593 million at December 31, 2009 compared to \$780 million at year-end 2008.

**15.4 Bank guarantees accorded**

The total amount of bank guarantees accorded was €101.31 million:

- €0 accorded on contracts;

- €101.31 million given to subsidiaries (guarantees on borrowings).

### 15.5 Guarantees given in respect of liabilities

The amount of financial debt is €235 million and is guaranteed:

- up to €20 million through real securities (pledges of purchased goodwill and equipment);
- up to €197 million through existing and future assignments of receivables arising out of commercial contracts. Some contracts include covenants aimed principally at the balance sheet ratios calculated on the basis of the consolidated financial statements;

- up to €18 million not being subject to any particular guarantee.

### 15.6 Other information

At December 31, 2009, the LATECOERE Company realized discounting of receivables for an effective amount of €730k, lowering the level of trade receivables. The amount at December 31, 2008 was €226k.

Furthermore, The LATECOERE Company is subject to a tax audit. There remains a potential dispute relating to the consequences of an appreciation of the basis of the local business tax. The LATECOERE Company contests the tax adjustments proposed by the Taxing authority, which have not been the subject of a provision.

## NOTE 16 INCIDENCE OF TAX MEASURES ON THE RESULT

('000 EURO)	Amount	Impact
Net income of year	-129 024	-129 024
Charge for accelerated fiscal depreciation	1 026	1 026
Write-back of accelerated fiscal depreciation	880	-880
Tax reduction due to charge	353	-353
Tax increase due to write-back	303	303
<b>NET INCOME BEFORE IMPACT OF TAX MEASURES</b>		<b>-128 929</b>

## NOTE 17 DEFERRED TAX SITUATION

('000 EURO)	Amount	Impact
Accelerated fiscal depreciation	-3 288	1 132
Employee profit sharing	0	0
ORGANIC	542	-187
Provisions for retirement departure	856	-295
Unrealized exchange gains	2 251	-775
<b>DEFERRED TAX SITUATION</b>	<b>360</b>	<b>-124</b>

**NOTE 18 AVERAGE HEADCOUNT**

	Dec 31, 2009		Dec 31, 2008	
	Employees	Personal made available to the company	Employees	Personal made available to the company
Managers	289		309	
Monthly-paid employees	558		611	
Employees paid on monthly basis	198		246	
Temporary staff		73		207
<b>TOTAL</b>	<b>1045</b>	<b>73</b>	<b>1166</b>	<b>207</b>

**NOTE 19 DIRECTOR COMPENSATION**

The remuneration allotted for members of the Supervisory Board and the management bodies (the Company's 10 highest salaries) totaled €1,894k for 2009.

**NOTE 20 TABLE OF SUBSIDIARIES AND SHAREHOLDINGS**

( <i>'000 EURO</i> )	Share capital	Retained earnings	Holding %	Carrying value of holding	Loans and advances outstanding not yet reimbursed	Sales in last financial year	Net income of last financial year	Dividends received during last financial year	Guarantees and securities given by the Company
<b>LATECOERE Inc.</b> 1000 Brickel av. - suite 641 Miami Florida 33131 USA	416	100	100%	541	264	1 491	-8	0	0
<b>LATECOERE Développement</b> 135 rue de Périole BP 5211 31079 Toulouse cedex 5	600	675	100%	572	1 875	0	283	0	0
<b>LATELEC</b> Z.I. La Bourgade rue Max Planck 31315 Labège	7 600	27 100	100%	7 600	0	148 509	6 507	0	75 886
<b>LATECOERE AEROSERVICES</b> Route de Toulouse 31700 Cornebarrieu	2 500	1 050	30%	229	0	15 385	192	0	0
<b>LLV s.r.o.</b> Letov Letecka Vyroba Beranovich, 65 199 02 Praha 9 - Letnany Czech Republic	23 869	-2 109	100%	20 787	0	44 320	-1 077	0	24 286
<b>LATECOERE Do Brasil</b> Av Dr. Joao Batista de Souza Soares Sao Jose Dos Campos Brésil	523	-7 246	51%	0	27 516	10 093	1 906	0	0
<b>Corses Composites Aéronautiques</b> Z.I. Du Vazzio 20090 AJACCIO	1 707	2 847	24,81%	1 777	0	24 424	-1 960	0	0

Items of the balance sheet of companies whose functional currency is one other than the Euro were converted at the closing rate and the income statement items at the average rate for the relevant period.

## NOTE 21 RELATED PARTIES

('000 EURO)	Amounts concerning :	
	Subsidiaries (over 50% of shares held)	Other shareholdings
Shareholdings	29 500	2 006
Other receivables related to shareholdings	3 006	0
Miscellaneous receivables	22 726	0
Trade account receivables	40 990	97
Trade accounts payable	21 572	193
Miscellaneous debts	45 575	0
Operating income	60 702	228
Operating expenses	64 793	2 543
Financial income	1 154	5
Financial expenses	768	0

## NOTE 22 INFORMATION ON RISKS

### 22.1 Credit Risk

Because of the nature of the principal counterparts, the Company is not exposed to credit risk in any major way and foresees no default of third parties which could have a significant impact on the Company's financial statements. At year end, the Company had identified no significant credit risk on these assets due but not depreciated.

### 22.2 Foreign Currency Exposure

Through its international exposure and invoicing in US dollars to its French customers the Company is confronted with foreign currency exposure. The exposure linked to fluctuations in US dollars is partially hedged through forward sales contracts and option "collars". The dollar rate and the associated foreign exchange rate exposure are part of the estimated future assumptions for the determination of margins on construction contracts.

A €0.05 downward evolution of the USD rate assumptions over the period 2010 to 2012 would have a €1.7 million impact on the margin recognized at December 31, 2009 and a 0.1 point decrease of the completion margins for construction contracts. A longer term change to the €/€ exchange rates would have an impact on the organization of the Group's industrial processes

### 22.3 Interest Rate Risk

Almost all medium and long-term net debt is based on short-term floating rates. The average interest rate borne by the Group in 2009 was 4.2%. The LATECOERE Group set-up during the course 2009 hedging of interest rates ("collar") that allow it to limit the impact of a strong increase in short-term rates on the cost of the debt until the period 2013-2015. The rate guaranteed for the Group is limited at 3.7% for a period of 3 years and to 3.9% for the two following years.

## NOTE 23 DIF

The obligation under the individual right to training accounted for at December 31, 2009 was calculated according to the following method:

- determination for each employee of the total of hours acquired and not used at the closing for the DIF and application of the net hourly rate of the fiscal year (the total of hours having an upper limit of 120 hours);

- application of a percentage of probability that the employee uses his individual right to training;
- determination of an average hourly cost of training to which is applied the probable number of hours of training used in the framework of the DIF.

At December 31, 2009, the amount of the estimated commitment was €187k.

## 6.5 Report of the Statutory Auditors on the annual financial statements

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Dear Shareholders,

Following our appointment as statutory auditors by your General Meeting, we have audited the accompanying statutory financial statements of Latécoère S.A. for the year ended December 31, 2009:

- the audit of the statutory financial statements of the Latécoère S.A. Company as they accompany this report;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

### Opinion on the statutory financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for that opinion.

In our opinion, the financial statements give a true and fair view of the Company's financial position and its assets and liabilities as of December 31, 2009, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

Without qualifying our opinion, we draw attention to the notes to the statutory financial statements disclosing:

- at note 1, the conditions of the dispute with a customer relating to a program, resulting in the accounting of losses over the year in the amount of €68.8 million;
- at note 6, the entry in current liabilities of all of the financial debt subject to covenants, although these have been the subject of agreements, certain of which after the closing, with the financial partners for a postponement of the date for payment until December 31, 2010.

### Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Law (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters:

- Furthermore, note 2.12 to the statutory financial statements discloses the methods applied for recording currency operations and note 22.2 to the statutory financial statements presents the Company's sensitivity to the dollar/euro parity on construction contracts.

In the context of our assessment of the accounting principles of your company, we have verified that these accounting methods and the related information disclosed in the notes were appropriate, and we have assessed their correct implementation.

- Moreover, your company recognizes the results on long-term contracts under the stage of completion method as described in note 2.7 to the statutory financial statements. These results on construction contracts are based on estimates, relating mainly to industrial assumptions and US dollar exchange rate. At December 31, 2009, the accounting estimates used in the preparation of the financial statements were performed in a context where economic prospects were definitely difficult to grasp. These conditions are described in note 2.2 to the statutory financial statements.

In this uncertain context and on the basis of information available, our work consisted of assessing the assumptions and data underlying these valuations of results on completion of these contracts retained and of reviewing the calculations of the company and examining the approval procedures for these estimates by Senior Management.

- As indicated in notes 2.7 and 5 to the statutory financial statements, inventories and work-in-progress are depreciated by your company.

On the basis of the items available at this date, our assessment of these provisions has been based on the processes established by the company in order to assess this depreciation, on the review of the situation at year-end and on the review of subsequent events corroborating the estimate accepted

The assessments were made in the context of our audit of the financial statements, taken as a whole, and therefore contributed to the formation of the opinion expressed in the first part of this report.

### Specific verifications and information

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

We have no matters to report regarding the fair presentation of the information given in the management report of the executive board, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

With respect to the information provided in application of the provisions of Article L. 225-102-1 of the French Commercial Code ("Code de commerce") on the remunerations and benefits paid to the corporate officers as well as on the commitments given to them, we have verified their agreement with the financial statements or with the data having served in the establishment of these financial statements and, as appropriate, with items collected by your company from the companies controlling your company or controlled by it. On the basis of our work, we certify the accuracy and the fair presentation of this information.

In accordance with French law, we ascertained that the information relating to the acquisition of shares and controlling interests and the identity of shareholders were given in the management report of the Management Board.

The Statutory Auditors

Labège, April 30, 2010

KPMG Audit  
*A division of KPMG S.A.*

Christian Libéros  
*Partner*

Paris, April 30, 2010

Grant Thornton  
*French Member of Grant Thornton International*

François Pons  
*Partner*

## 6.6 Auditors' special report on regulatory agreements and commitments

Dear Shareholders,

As statutory auditors of your Company, we present our report on regulatory agreements and commitments.

We are not responsible for performing any specific procedures aimed at identifying other agreements and commitments which may exist. Our only responsibility is to present to you the main characteristics and provisions of agreements and commitments of which we have been informed, without commenting on their usefulness or merit. For the purpose of approving these agreements, it is your responsibility, in accordance with article R. 225-58 of the French Commercial Code ("Code de Commerce"), to assess the benefits arising from entering into such agreements and commitments.

### Absence of notice of agreement or commitment

We inform you that we have not been notified of any agreement or commitment entered into during the year, as defined in article L. 225-86 of the French Commercial Code.

### Agreements and commitments approved during previous years, which remained in force during this year

Furthermore, in application of the French Commercial Code, we have been informed that the following agreements and commitments, approved during previous years, remained in force during the year.

- **Cash flow agreement**

**Description:** The cash flow agreement between your company and its subsidiary, designed to facilitate cash flows within the group, continued during the year. Advances are remunerated at Euribor + 0.70% for those in Euros and at Libor + 0.70% for those in dollars.

The following table summarizes for each company the loans (in Euros) at December 31, 2009 and the interest received.

Company	Receivables 31/12/2009	Payables 31/12/2009	Financial expenses	Financial income
Letov				
LATecis		10 018 021	62 697	784
Latécoère Aéroservices			213	5 455
LATelec		35 556 556	607 324	
Latécoère Développement	140 131	131	1 518	2 080
Latécoère Do Brasil	21 886 885			853 241

- **Granting of loans**

**Description:** Your Company has granted loans to several subsidiaries. These loans are remunerated on the same terms as cash flow advances.

The following table summarizes for each company the loans (in Euros) at December 31, 2009 and the interest received.

Company	Receivables 31/12/2009	Financial income
Latécoère Développement	1 734 500	82 064
Latécoère Intl. Inc.	263 706	11 959
Latécoère Do Brasil	5 628 786	203 743

- **Other agreements with the Latécoère Aéroservices Company**

**Description:** I.T. and accounting services agreement.

**Terms:** Your company invoices the Latécoère Aéroservices Company for I.T. and accounting services calculated on the basis of 1.5% of the subsidiary's revenue.

In 2009, the amount invoiced by your Company was €228,000 excluding VAT.

**Description:** Commercial lease of property at Cornebarrieu, France.

**Terms:** These were agreed by a two parties on the basis of an independent appraisal. The term of the lease is nine-years commencing January 1, 2005 with a rent which is revised on an annual basis.

Rent paid for 2009 was €1,336,577 excluding VAT.

- **Other agreements with the LATElec Company**

**Description:** Administrative and technical services agreement.

**Terms:** The administrative and technical services supplied by your Company to the LATElec Company are invoiced on the basis of an annual fee calculated as 2.75% of the subsidiary's sales.

In 2009, the amount invoiced by your Company was €4,015,000 excluding VAT.

- **Agreement entered into with Mr. Jean-Claude Chaussonnet**

**Description:** Consultancy services agreement.

**Terms:** An assignment of reviewing and organizing the relationships between your Company and your subsidiaries was entrusted to Mr. Jean-Claude Chaussonnet. In 2009, the fee amounted to €30,000.

- **Commitments in favor of some of the Members of your Company's Management Board applicable in the event their duties come to an end**

**People concerned:** Mr. François Bertrand, Chairman of the Management Board, Mr. Bertrand Parmentier, Member of the Management Board and Managing Director, Mr. Jean-Jacques Pignères, Member of the Management Board and Mr. Roland Tardieu, Member of the Management Board.

**Description:** Obligation to make a severance payment in the event their duties come to an end.

**Terms:** Mr. François Bertrand, Mr. Bertrand Parmentier, Mr. Jean-Jacques Pignères and Mr. Roland Tardieu may benefit, in the event their duties come to an end for any other reason than a resignation or a retirement departure, from a severance payment calculated on the basis of the scale foreseen by the collective bargaining agreement in effect for executives. This payment will be increased by one month for each "consolidated operating result/consolidated revenue" ratio point above 10%, as calculated during the corporate fiscal year preceding the termination of their employment contract.

With respect to Mr. Jean-Jacques Pignères, this agreement terminated upon his duties as a Member of the Management Board coming to an end on January 6, 2009.

We have the implemented procedures that we have considered necessary with regard to the professional policy of the "Compagnie nationale des commissaires aux comptes" relating to this mission. These procedures consisted in checking the agreement of information which was given to us with the background documents from which it results.

Paris and Labège, April 30, 2010

The Statutory Auditors

KPMG Audit  
*A division of KPMG S.A.*

Grant Thornton  
*French Member of Grant Thornton International*

Christian Libéros  
*Partner*

François Pons  
*Partner*

## 7 REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD ON CORPORATE GOVERNANCE AND INTERNAL CONTROL

Dear Shareholders,

In accordance with law, the Chairman of the Supervisory Board of corporations whose stock is traded on a regulated market is required to give an account on the following in a report attached to that of the Board:

- the composition, conditions of preparation and organization of the work of the Supervisory Board and the references made to a corporate governance code and the special terms relating to the participation of shareholders at the Annual General Meeting; and

- internal control procedures and risk management procedures implemented by the Company.

This report also discloses the principles and rules approved for determining corporate officers' compensation and benefits of whatsoever nature and items likely to have an effect in the event of a public offer.

This report was submitted to the Supervisory Board on April 22, 2010 and transmitted to the auditors.

### 7.1 Corporate governance

An audit of the compliance of the Company's governance with the AFEP MEDEF's listed companies' corporate governance code of December 2008 was conducted with the help of an external consultant.

Consequently, the Company decided to refer to this code available on the MEDEF's website, referred to hereinafter as "the Code of Reference".

However, the organization of the Company's governance isn't entirely in compliance with this code on some points. These differences are detailed below.

- **Relating to the independence of the Members of the Supervisory Board:**

Currently, five Members out of thirteen, or 38%, may be considered as "independent".

The objective is, however, that such ratio increase so as to reach the recommendation's threshold of 50%.

These are: Mr. Pierre Alesi, Mr. Patrick Chollet and Mr. Christian Reynaud. The Nominations and Compensation Committee, following an examination of the criteria set out in the AFEP -- MEDEF code recommendations, proposed to the Supervisory Board that the following Members should also be considered as "independent": Mr. Jean-Claude Chaussonnet and Mr. Pierre Latécoère. Indeed, following a detailed review of their respective situations and relations with the Company, these two Members fulfill the conditions for independence. The conditions applied are the following: A member of the Supervisory Board is independent when he does not maintain any relationship whatsoever

with the Company, its Group or its management which could compromise the exercise of his independence of judgment.

As regards independence, it is up to the Supervisory Board to examine the situation of the members of the Supervisory Board and the Audit and Financial Statements Committee, on a case-by-case basis, after having consulted the Nominations and Compensation Committee.

- **Relating to the term of the positions of the Members of the Supervisory Board:**

For historical reasons, the term of the positions of the Members of the Board is statutorily fixed at the legal maximum or six years, and not four as recommended in the Code of Reference. In addition, no staggering of the terms of the positions has been organized. In this respect it hasn't been deemed useful to propose a modification of the by-laws to the Annual General Meeting.

- **Relating to the evaluation of the Supervisory Board's work:**

An initiative of evaluation of the Supervisory Board's work will be implemented in 2010.

- **Regarding the Nominations and Compensation Committee:**

The Supervisory Board decided on February 27, 2009, to widen the responsibilities of this Committee which

becomes the Nominations and Compensation Committee.

The composition of the Committee was reviewed at the conclusion of the Supervisory Board meeting which followed the Annual General Meeting of June 26, 2009. It is now composed of five members: Mr. Christian Beugnet (Chairman), Mr. Jean-Claude Chaussonnet, Mr. Pierre Latécoère, Mr. Gérard Caverivière and Mr. Hervé Costes, two of whom are qualified as independent.

- **Relating to attendance fees:**

To date, and with regard to their symbolic character, attendance fees are allotted in a uniform and fixed amount manner between the Members of the Supervisory Board. If they were to evolve significantly, a new method of distribution would be considered.

- **Relating to managing corporate officers' remuneration:**

During its November 28, 2008 meeting, the Supervisory Board took note of the AFEP - MEDEF recommendations dated October 6, 2008, since incorporated in the December 2008 Code.

This Code recommends that the Chairman of the Management Board not be both a corporate officer and an employee under an employment contract. Mr. François Bertrand, Chairman of the Management Board, currently benefits from an employment contract which was suspended when he was appointed Managing Director in 1995 and this suspension was extended when he was appointed Chairman of the Management Board on January 7, 2003 and when he was extended in his duties on January 6, 2009. With regard to the distinctive features of the Latécoère Company and in particular of its Management who were employees and whose situation is comparable to that of the other upper managing executives of the Group, it was nevertheless decided to maintain the dual status as corporate officer with an employment contract of Mr. François Bertrand, Chairman of the Management Board.

The Supervisory Board appointed on January 6, 2009 the Members of the new Management Board, Mr. François Bertrand, Chairman, Mr. Bertrand Parmentier, Managing Director and Mr. Roland Tardieu, Member; it also set their remuneration, after consultation with the Nominations and Compensation Committee. This remuneration is detailed in the management report.

## **7.1.1 The Supervisory Board and the Committees**

### **7.1.1.1 The Supervisory Board**

#### **The Composition of the Supervisory Board**

The positions of almost all the Members of the Supervisory Board came to an end at the June 26, 2009

Annual General Meeting. They were all renewed, except for that of Mr. François Junca and that of the Banque Populaire Occitane which didn't wish to be renewed. A new Member was appointed -- Mr. Jean-Jacques Pignères. The new Supervisory Board met after the Annual General Meeting; Jean-Claude Chaussonnet was appointed Chairman and Jean-Jacques Pignères, Vice-Chairman. The new Supervisory Board is made up of 12 Members.

Among the Members of the Board, five of them: Mr. Jean-Claude Chaussonnet, Mr. Pierre Alesi, Mr. Patrick Chollet, Mr. Pierre Latécoère and Mr. Christian Reynaud, are considered independent, after studying the criteria indicated in the AFEP – MEDEF Code recommendations.

Moreover, in a general manner, to the Company's knowledge, at the date of the establishment of this report, there exists no conflict of interest between the duties of each of the Members of the Supervisory Board with respect to the Company and their private interests or other duties.

Among the Supervisory Board's Members, three have been elected among the employee shareholders. These are Mr. Gérard Caverivière, Mr. Hervé Costes and Mr. Yves da Costa. In addition Mr. Jean-Louis Peltriaux represents the FCPE "B" of the Latécoère employees.

#### **The co-existence of positions**

A table of the management report (§ 2.6.5.1) discloses the positions held by the Members of Supervisory Board and of the Management Board.

#### **The conditions of the preparation of the Board's work**

In order to enable the Members of the Board to usefully prepare meetings, the Chairman will endeavor to communicate to them all necessary information and documents beforehand.

The financial statements, approved by the Management Board, as well as the draft report were transmitted to the Members of the Supervisory Board before the meeting called to examine them.

Every time a Member of the Board so asks, the Chairman communicates to him, to the extent possible, the additional information and documents that wishes to receive.

The delegates of the Works Council have benefitted from the same information as the Members of the Board, and in the same time periods.

#### **The Holding of Meetings of the Supervisory Board**

Notification was given in writing or by e-mail, at least two weeks in advance.

The meetings are held at the registered office.

The Board met seven times in 2009.

Over this period, the total attendance of the Members to the Meetings of the Supervisory Board comes to 90%.

The delegates of the Works Council are convened to all of the Board meetings. They regularly attended them.

The Statutory Auditors were convened to all the meetings of the Supervisory Board, and in particular to those which approved the annual and the semi-annual financial statements and forward-looking management documents. They have participated in them.

### **The by-laws ("règlement intérieur") of the Supervisory Board**

On May 19, 2006 the Supervisory Board adopted by-laws which had been updated on April 24, 2009 to include in particular the by-laws of the Audit and Financial Statements Committee and the Nominations and Compensation Committee.

The by-laws of the Supervisory Board are available on the Company's website.

### **Subjects debated during the Board meetings and report of activity**

During its quarterly meetings, the Supervisory Board examined the Management Board report with respect to the period ended and in particular the semi-annual and annual results. These results were subject beforehand to the comments of the Audit and Financial Statements Committee.

The Supervisory Board met on January 6, 2009 in order to appoint the Members of the new Management Board and to set their compensation, after consulting with the Compensation Committee. The details of these appointments and of their consequences are set out in the management report.

During the April 24, 2009 meeting, it ratified the by-laws ("règlement intérieur") of the Supervisory Board and of its Committees.

On June 26, 2009, two meetings were held. The first was principally devoted to a presentation of the reorganization of the aerostructures businesses of the Toulouse, France region and to a review of the new business plan; it was also the last meeting chaired by Mr. François Junca, whose position came to an end and who didn't wish to renew it. The second, held at the conclusion of the Annual General Meeting, recorded the composition of the new Supervisory Board (almost all the positions of the Members came to an end at the Annual General Meeting of the same day). During this meeting, the new Chairman and Vice-Chairman were appointed: They are, respectively, Mr. Jean-Claude Chaussonnet and Mr. Jean-Jacques Pignères. The composition of the Audit and Financial Statements Committee and the Nominations and Compensation Committee was also reviewed during this meeting, as well as the designation of the Chairmen of these Committees.

A special meeting was held on December 10, 2009 in order to discuss the steps subsequent to the arising of the commercial dispute over a business jet contract and, in particular, the decision to suspend the trading of the shares throughout the negotiations with the banks, under the aegis of the CIRI, on the restructuring of the debt. The 2010 budget and an updated version of the business plan were presented by the Management Board during this meeting.

A procedure for evaluation of the Supervisory Board's work is being developed. It should be operational for the evaluation of the work of the year 2010.

### **7.1.1.2 Organization and functioning of the specialized Committees**

The Board has put together two Committees, the composition of which was reviewed at the conclusion of the Annual General Meeting of June 26, 2009.

#### **The Audit and Financial Statements Committee**

The Audit and Financial Statements Committee is composed of four Members. These are: Mr. Christian Reynaud (Chairman), Mr. Jean-Claude Chaussonnet, Mr. Jean-Jacques Pignères and Mr. Patrick Chollet; three are independent, Mr. Christian Reynaud, Mr. Jean-Claude Chaussonnet and Mr. Patrick Chollet. Three of these Members were chosen according to their experience and their skill in finance and accounting.

The missions of the Committee are the following: It is responsible for the follow-up of the process of preparing the financial information, for the efficiency of the internal control systems and for risk management. It issues recommendations regarding the appointment of the auditors and ensures itself of the statutory control they perform.

The Committee met five times in 2009 and realized the following work:

During these meetings dedicated to the annual and semi-annual closings, it informed the Supervisory Board of its comments on these financial statements. During the meetings of June 26, 2009 and December 10, 2009 devoted to the presentation of forward-looking items it gave its opinion on the relevance of the assumptions taken into account in the drawing up of these projections.

This Committee's participation rate is: 100%

The Members of the Audit and Financial Statements Committee had sufficient time to examine the financial and accounting documents, and had the possibility of listening to the auditors, the Financial Director and the Director of the Controlling Department.

The Audit and Financial Statements Committee reported its work to the Supervisory Board which duly noted it and followed the whole of the recommendations therein.

### The Nominations and Compensation Committee

The Supervisory Board decided on February 27, 2009, to extend the missions of this Committee which became the Nominations and Compensation Committee.

The Nominations and Compensation Committee is composed of five members. These are: Mr. Christian Beugnet (Chairman), Mr. Jean-Claude Chaussonnet, Mr. Pierre Latécoère, Mr. Gérard Caverivière and Mr. Hervé Costes; two of whom are qualified as independent.

The missions of the Nominations and Compensation Committee are the following: it makes all recommendations to the Supervisory Board concerning the nominations of Members of Management Board, corporate officers of subsidiaries and Members of the Executive Committee. It also makes recommendations concerning the remuneration of Members of the Management Board and the variable share of corporate officers of subsidiaries and Members of the Executive Committee. It examines the consequences of legal provisions concerning the Members of the Management Board.

The Committee met four times in 2009 and realized the following work:

It ratified the compensation allotted to the Members of the Management Board, and in particular the variable share based on the year 2008 results.

During its meeting on January 6, 2009, it examined the remuneration proposals of the Members of the new Management Board which it presented to the Supervisory Board on the same day, proposals which the Supervisory Board accepted and which are detailed in the management report.

This Committee's participation rate is: 100%

The Compensation Committee reported its work to the Supervisory Board which duly noted it and followed the whole of the recommendations therein.

### 7.1.2 Principles and rules for the determination of the remuneration of corporate officers

#### 7.1.2.1 Remuneration of the Members of the Supervisory Board (attendance fees)

In light of the results and the Company's financial situation, it is proposed to the Annual General Meeting that attendance fees not be allotted to the Members of the Supervisory Board.

#### 7.1.2.2 Remuneration of officers

The Supervisory Board decides on the remuneration policy for corporate officers and the remuneration of each of them on proposal of the Nominations and Compensation Committee. The Company having adopted the AFEP-MEDEF's listed companies' corporate governance code, and has referred to its recommendations, after consulting with the Compensation Committee, in order to set the remuneration of Members of the Management Board.

This policy applies in an exhaustive manner to fixed, variable and non-recurring remuneration to which are added benefits of whatsoever nature granted by the Company (retirement, severance pay, etc.).

It is determined not only as a function of work carried out, of the results obtained, and of the responsibility assumed, but also with regard to the practices observed in comparable firms and the remuneration of the other managers of the Company.

#### Determination of the fixed share

The Supervisory Board, after consultation with the Compensation Committee, defined the fixed share of the remuneration of each Member of the new Management Board on his appointment, on January 6, 2009. This fixed share was determined for each of the Members as a function of the operational duties that they carry out, of their area of competence and their experience. It was compared with those of managing executives of comparable companies. An annual reappraisal of this fixed share as a function of the average change of executive compensation in the Group is foreseen.

#### Determination of the variable share of remuneration

The Supervisory Board, after consultation with the Compensation Committee, also defined the variable share of the remuneration of each Member of the new Management Board on his appointment, on January 6, 2009.

This variable part for the three Members is based on the Group's net result. The percentage granted to each Member is the following: 0.90 % for the Chairman, Mr. François Bertrand, 0.40% for the Managing Director, Mr. Bertrand Parmentier and 0.15% for the other Member, Mr. Roland Tardieu, who also benefits from 0.25% on the operating result of the LATELEC subsidiary, of which he is the Chairman.

These percentages were established so that the variable share, as a function of the Group's results, remains inferior to 50% of total remuneration.

#### Stock options and stock grants

The Company has allotted neither stock options nor stock grants.

**Payments, benefits and compensation allotted to the officers because of the expiry or modification of their duties.**

The three Members of the Management Board may benefit, in the case of the end of their position for any other reason than a resignation or a retirement departure, from an allowance corresponding to eighteen months of gross remuneration, calculated as a function of their presence in the Company. This guarantee was granted to them on their appointment on January 6, 2009 and it was ratified by decisions of the Supervisory Board of the same date and the Annual General Meeting of June 26, 2009.

#### **Retirement**

The Members of Management Board do not benefit from any special executive retirement scheme other than the statutory supplementary pension allotted to all the Company's other executive employees.

#### **Benefits in kind**

The Members of the Management Board benefit from a company cars which is taken into account as a benefit in kind.

#### **7.1.3 Participation of the shareholders at the Annual General Meeting**

The terms for shareholders taking part in the Annual General Meeting appear in article 18 of the by-laws:

"Shareholder Meetings are convened and decide in the conditions provided for by the French Commercial Code ("Code de Commerce").

They are reunited at the registered office or at any other location in the same French Department.

The right to take part in Annual General Meetings is subject to the registration of the shares in the name of the shareholder or the intermediary registered for his account, at the third working day preceding the Meeting at zero hour, Paris time, either in the registered securities accounts held by the Company, or in the accounts of bearer shares held by the authorized intermediary.

Any shareholder who is the owner of a given category of shares may take part in the Special General Meetings of Shareholders of that category, under the conditions referred to above.

Are considered present for the calculation of the quorum and the majority, the shareholders who take part in the General Meeting by videoconference or means of telecommunication allowing their identification and the nature and the conditions of application of which are determined by the regulations in force.

Votes are expressed either by a show of hands or by roll call. A secret vote for which the Annual General Meeting will fix the terms, may only be resorted to at the request of the members present, either personally or as agents, the majority being required for the approval of the relevant resolution.

Voting rights double those conferred on shares representing the share of authorized capital that they represent, is allotted to all the fully paid shares registered as registered securities for at least four years in the name of the same shareholder. Moreover, in the event of an increase in capital by means of an incorporation of reserves, profits or share premia, the double voting right is conferred at issuance to registered shares allotted without charge to a shareholder when his holding of old shares gives him this right."

#### **7.1.4 Elements likely to have an effect in the case of a public offering**

These elements are disclosed in the management report of the Management Board (§2.3<sup>2</sup>).

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<sup>2</sup> This paragraph has become paragraph 4.3 in this document

## 7.2 Internal control and risk management procedures

### 7.2.1 The internal control procedures

#### 7.2.1.1 Definition and objective of internal control

The Group's internal control is linked to the statutory framework applicable to listed companies. It has been inspired by the framework of reference published by the AMF in 2008 relating to mid- and small-cap issuers<sup>3</sup>.

Internal control is a whole of systems which aim at controlling the Group's activities and giving reasonable assurance that the principal risks are dealt with.

Internal control more particularly aims at ensuring the protection of assets, the reliability of the financial information, the respect of laws and rules and the application of the instructions and the orientations fixed by the Senior Management.

#### 7.2.1.2 Procedures relating to the preparation and processing of accounting and financial information

The financial management, working closely with the Management Board, is responsible for the financial information.

For this reason, the financial management is principally in charge of:

- monthly reports,
- management of currency exchange rate hedging,
- projected cash management,
- quarterly, semi-annual and annual financial reports,
- the budgetary process,
- internal audit, and
- controlling.

The controlling department manages the cost accounting by business and, in particular the follow-up and the valuation of inventories and work in progress. Controlling is subdivided into product lines. There also exists a controlling of the purchasing, systems and equipment, and development businesses.

Each month, a business report is established by the controlling department for the Management, who liaises with accounting and finance in connection with the monthly financial statements.

Forecasts of delivery rates of the various airplanes, which form the basis for the workload and thus for the establishment of the budget, are reviewed periodically.

The budgetary procedures which existed in the parent company organization have now been extended to all French and foreign subsidiaries.

All managers are involved in this budget review under the control of the Management Board.

The most significant budget items (personnel costs, materials and sub-contracting purchases and investment activities) are analyzed and monitored periodically. Decisions which might have an effect on these items and in particular the evolution of internal personnel in the Group are submitted for the approval of the Senior Management.

The Accounting and Administrative Procedures Manual of the Company was revised in 2009. It should be extended to the Group's other companies and in particular to the foreign subsidiaries.

A more detailed formalization of the organization and the responsibilities of the finance and accounting departments of the foreign subsidiaries is being drafted. Visits as well as meetings bringing together the persons in charge of finance and accounting at the different sites are organized regularly in order to ensure a follow-through of the procedures and their application.

The distribution of the responsibilities for the accounting tasks has been clearly defined and a calendar of the deadlines to be respected was communicated to the whole of the Group.

Periodically the foreseeable evolutions of the accounting and finance departments are examined as a function of the changes to, or evolutions in, workload and scope.

The accounting principles and the IFRS adjustments are centralized at the parent company level.

The Group's consolidated financial statements are established by the parent company's financial management. That department is in charge of the updating of consolidation procedures, training and the inclusion of subsidiaries within the consolidation scope. Moreover, it is in charge of the processing of information, the maintenance and development of the consolidation tools for the Group.

A change in the consolidation system is foreseen in order to obtain a consolidation by business levels.

Long-term contracts (construction contracts) are the subject of periodic revisions based on evolution of costs, the €/ \$ parity and industrial processes.

Internal audits relate to specific controls on points which might be identified as sensitive. A detailed reviewed of the various processes involved in production was implemented. Meetings included in the "Challenge 2011" ("Défi 2011") plan were regularly held. The findings were released to Senior Management, as well as to the various relevant departments.

An internal audit charter will be drafted and presented to the Audit and Financial Statements Committee. The frequency of the controls organized by internal audit, in order to ensure that the procedures manual is being correctly followed, is to be increased.

#### 7.2.1.3 Accounting and Financial Information System

<sup>3</sup> The scope of internal control covers the parent company and the consolidated companies.

The information and reporting systems available to the Group allow it to monitor regularly and with precision performances contributing to the attainment of these goals.

The computer tools have developed and were adapted to the increasing requirements of the Company's management in the areas of quality, relevance, information availability and exhaustiveness, while ensuring a reinforcement of controls.

The accounting and financial information system is based mainly on the SAP software package. This software package will be extended to all companies in the aerostructures business.

The scope of this system covers financial accounting, controlling, purchasing, orders management and invoicing, the supply chain and production management.

The organization and functioning of the whole of the information system are subject to precise rules relating to system access, validation of the processing, closing procedure, data retention, and the verification of recording. Furthermore, key controls were implemented so as to secure critical transactions.

A document called the "Information System Security Policy" defines the rules to apply in order to ensure the availability, the integrity and the confidentiality of the applications making up the information system.

Data is saved on a regular basis and backups are clearly identified.

The frequency of backups and the time necessary for the recuperation of data in case of trouble satisfy the needs of the production chain and remain within acceptable limits.

Total system-wide backups are performed before each change or important evolution (migration) of the system or of an application.

Data storage media are preserved remotely from the source data in another building and profit from a controlled access and are also made safe by fire protection.

The correct operation and the effectiveness of the backup are checked each day. Corrective measures are foreseen in the event of dysfunction.

Recoveries may only be done by a technician duly authorized to perform them.

The SAP application, considered as a critical application, is the object of special measures to ensure its optimal availability. The servers and storage units were selected to limit any disturbance of operations related to a minor breakdown thanks to the duplication of sensitive equipment (discs, power supply, and network cards).

The computerized procedures, in particular the interfaces, are designed to pass on an alarm in case of dysfunction. Daily monitoring of the good execution of these procedures is ensured by the operations department using batch management tools and suitable supervision.

The risks which may affect the accounting and financial information are related to the correct operation of the

circuits of this information and to the validity of the assumptions taken into account. The accepted assumptions are submitted to the Audit and Financial Statements Committee.

#### **7.2.1.4 Financial and Accounting Communication**

A calendar of the mandatory deadlines for financial communication, regardless of whether they are related to legal, tax or securities requirements, is established before each year end.

The Company is part of compartment "C" of NYSE Euronext, and for this reason must satisfy certain obligations: regular communication (in French and in English), the holding of analyst and investor meetings, and the availability of financial information on a web site. The Management Board ensures the monitoring of regulatory developments.

Before its distribution, information is submitted to the control of the Supervisory Board.

#### **7.2.2 Risk Management**

Our Group, in particular at the level of its Senior Management, constantly endeavors to anticipate as well as possible the risks linked to our businesses. The processes set up are as follows:

The Executive Committee regularly analyzes the risks tied to the market, to the business, to legal and regulatory requirements, as well as to those arising from the environmental side.

The principal risks that have been identified and followed-up by the internal control procedures are the following:

##### **7.2.2.1 Program Risk**

The strategic choice of future programs is carried out in a changing technological environment. The profitability of the company depends upon the commercial success of the programs. This risk is limited for LATECOERE due to the level of performance of committed programs in the medium term and the diversity of programs on which the Group is involved. Refundable advances reduce this risk accordingly.

The program risk is monitored regularly as indicated below:

- The estimates of completion margin are updated quarterly as part of the establishment of consolidated statements for internal use,
- These estimates are selectively reviewed in case of a significant change in assumptions,

- These estimates are the object of a presentation to the Audit and Financial Statements Committee at least twice a year

The Group's most important contracts are recorded as construction contracts. The valuation method for these works-in-progress is described in note 2.14 to the consolidated financial statements and the sensitivity of the contracts to the forward evolution of the dollar is presented in note 22.

The risk estimates for these programs is carried out through the regular review of sales schedule as a function of market prospects as well as information provided by customers, and the estimate at completion of sales and cost prices for these programs.

Invoicing in advance for development expenditures, up to now included in the "work in progress" item, has contributed to reducing the financial consequences of potential risks linked to the sustainability of the relevant programs.

### 7.2.2 Financial Risks

Hedging instruments limit the consequences of debt rate volatility until 2015.

The risk of dollar volatility is hedged by USD exchange rate hedging contracts for the period extending until the end of 2011.

The risk on the evolution of debt and covenants included in contracts are the subject of negotiations with financial partners. To date the Group can to rely on the maintenance of short-term resource ceilings over the upcoming two years and to profit from a one-year deferral in the repayment at term of medium- and long-term credits.

#### 7.2.2.3 Foreign currency risk

Through its international exposure and invoicing in US dollars to its French customers the Group is confronted with foreign currency exposure. The exposure linked to fluctuations in the US dollar is partially hedged through forward sales contracts and option "collars". The dollar rate and the associated foreign exchange rate exposure are part of the estimated future assumptions for the determination of margins on construction contracts. The fluctuations of the parities may affect the operational margin, financial result, shareholder's equity and net debt.

Exchange rate hedging €/€, BRL/€ and CZK/€ was implemented. Details of these derivative instruments and their impact on the financial statements appear in note 10 to the consolidated financial statements.

Furthermore, the Group invoices approximately 63% of its sales in dollars and buys approximately 54% of supplies or sub-contracting in dollars. The Group's US dollar net exposure posted to consolidated revenue, is about 28%. The effect of the dollar exchange risk

hedging operations on revenue was -€8,284k in 2009 compared to +€30,343k in 2008.

The Group's exposure to the foreign exchange risk and the analysis of the sensitivity are detailed in note 20.3 to the consolidated financial statements. The characteristics of the financial instruments are described in notes 2.16 and 10 to the consolidated financial statements.

Cash forecasts are established in order to analyze more quickly these financial risks.

#### 7.2.2.4 Interest Rate Risk

Almost all medium and long-term net debt is based on short-term floating rates. The LATECOERE Group benefits from hedging of interest rates ("collars") that allow it to limit the impact of a strong volatility in short-term rates on the cost of the debt. The average interest rate borne by the Group in 2009 was 4.2%.

The Group's exposure to the interest rate risk and the sensitivity analysis are mentioned in Note 21.4 to the consolidated financial statements.

#### 7.2.2.5 Liquidity Risk

Group manages its cash flow in a centralized way. The surpluses or the financing needs of its subsidiaries are invested or financed by the parent company on market conditions. The Group's cash flow department manages the current and provisional financing activities of the Group and its capacity to face up to its financial commitments.

In order to face up to its liquidity risk, the Group has the following financial resources: borrowings, medium-term credit lines, commercial paper, authorized overdrafts and discount lines. At the closing, some of these resources hadn't been used.

Borrowings and credit lines are subjected to the respect of financial ratios ("covenants"). The "covenants" to be respected during 2009 are the following:

- Consolidated net debt / Pro forma consolidated equity funding < 1.45
- Consolidated net debt / Pro forma EBITDA < 11.5

Given the anticipation of the breach of its bank covenants, the Group opened discussions with its banks at the end of 2009.

At first the banks accepted

- not to use their right to accelerate repayment of existing credit lines despite an anticipated breach of covenants as of December 31, 2009;
- to freeze the principal repayment of the medium-term loans until December 31, 2010; this suspension ensured the Group the capacity to face up to its commitments.

- to maintain the existing lines used to protect the Group against changes in interest rates and currency risks.

The Group's exposure to liquidity risk is presented in note 21.2 to the consolidated financial statements.

#### **7.2.2.6 Raw Material Risk**

The supply of raw materials for which the price has experienced a certain tension over the last fiscal years is monitored and medium-term supply contracts, with price evolution guarantees included in customer contracts and of the possibility of profiting from preferential purchase conditions in relationship with the customers was implemented.

The Management communicates on risks in compliance with legal and regulatory obligations in force through information given in the management report and the reference document ("document de référence"). This information is also transmitted to the Audit and Financial Statements Committee and to the Supervisory Board.

Toulouse, April 22, 2010

Chairman of the Supervisory Board

## **7.3 Statutory Auditor's report on the report of the Chairman of the Supervisory Board**

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Dear Shareholders,

As statutory auditors of the Latécoère S.A. Company and in application of the terms of Article L. 225-235 of the French Commercial Code ("Code de commerce"), we present our report on the report of the Chairman of the Supervisory Board of your company prepared in accordance with the terms of Article L. 225-68 of the French Commercial Code for the year ended December 31, 2009.

It is the Chairman's responsibility to prepare and submit for the approval of the Supervisory Board a report explaining the internal control and risk management procedures implemented within the company and giving the other information required by article L. 225-68 of the French Commercial Code relating in particular to the system of corporate governance.

We are responsible:

- to inform you of observations that we may have concerning the information contained in the Chairman's report on the internal control procedures for the preparation and processing of accounting and financial information, and
- to certify that the report includes the other information required by Article L. 225-68 of the French Commercial Code, it being specified that it is not our responsibility to verify the fair presentation of this other information.

We have performed our work in accordance with French professional standards.

#### **Information on the internal control procedures for the preparation and processing of accounting and financial information**

These standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control procedures relating to the preparation and processing of the accounting and financial information. These procedures consisted mainly in:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report and existing documentation are based;
- obtaining an understanding of the work involved in the preparation of this information and existing documentation;
- determining if any significant weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our engagement are properly disclosed in the Chairman's report.

On the basis of our work, we have nothing to report on the information in respect of the company's internal control and risk management procedures relating to the preparation and processing of accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with Article L. 225-68 of the French Commercial Code.

**Other information**

We certify that the Report of the Chairman of the Supervisory Board includes the other information required by article L. 225-68 of the French Commercial Code.

Paris and Labège, April 30, 2010

The Statutory Auditors

KPMG Audit  
*A division of KPMG S.A.*

Christian Libéros  
*Partner*

Grant Thornton  
*French Member of Grant Thornton International*

François Pons  
*Partner*

## 8 PUBLICATION OF THE ANNUAL INFORMATION

During fiscal year 2009, the Company published the following information by various means.

Date	Support	Informations
12-Jan-09	Press release	Board appointments
15-Feb-09	Web site and release	Shareholders' Information n°20
16-Feb-09	Press release	2008 Revenue
12-Mar-09	Press release	2008 annual result
15-Mar-09	Web site and release	Shareholders' Information n°21
30-Apr-09	Press release	Release of the 2008 Annual Financial Report
15-May-09	Press release	2009 First Quarter-year Revenue
27-May-09	Press release	Details of release of documents necessary to prepare the Annual General Meeting dated June, 26 2009
4-Jun-09	Press release	Reorganization of the industrial activities of the Toulouse region's aerostructures production sites
30-Jun-09	Press release	Report from the Annual Genertal Meeting and the Supervisory Board dated June,26 2009
31-Jul-09	Press release	2009 First Half-year Revenue
16-Sep-09	Press release	Release of the 2009 Half year Financial Report
16-Sep-09	Press release	2009 First Half-year result
17-Sep-09	Press release	Boeing B 787 Program
5-Nov-09	Press release	2009 Third Quarter-year Revenue
11-Dec-09	Press release	Dispute over a business jet contract and trading of LATECOERE shares suspended

## 9 GENERAL INFORMATION ABOUT LATECOERE AND ITS CAPITAL

### 9.1 General information about the Company

#### Company Form

The LATECOERE Company was organized as a public limited company ("société anonyme") following decision of the Inaugural General Meeting of May 31, 1922. The Company is registered at the Companies' Register of Toulouse Register, under the N°: 572050169. The by-laws, financial statements, reports and minutes may be consulted at the registered office indicated above. The Company is registered under the NACE code: 3030Z (Article 1 of the by-laws).

The Company's activities are subject to French law.

#### Name (Article 2 of the by-laws)

The Company is referred to as LATECOERE.

#### Purpose (Article 3 of the by-laws)

The Company has for purpose, both in France and abroad:

- The study, design, manufacture, sale, installation, lease, maintenance and exploitation and use of all mechanical, hydraulic, electric, electromechanical and electronic parts and assemblies of parts, or equipment, used directly or indirectly in the aeronautical or space industry and more generally in all industries making reference to means of transport or to tests in the aeronautical, terrestrial and maritime fields as well as in the industries attached to them.
- The study, the taking and the acquisition of all patents, licenses, processes and trademarks, their exploitation and use, granting, contribution and sale to all persons in all countries.
- The participation by all means in all undertakings or groupings whether French or foreign, whatever their form, which may be related directly or indirectly to the corporate purpose or which may facilitate its realization.

And more generally, all industrial, commercial or financial dealings, whether with respect to movables or

real estate, which may relate directly or indirectly to the corporate purpose or to any similar or related purpose.

#### Registered office (Article 4 of the by-laws)

The registered office of the Company is at 135 rue de Périole, Toulouse, Haute-Garonne, France.

#### Duration (Article 5 of the by-laws)

The Company's duration is for ninety-nine years as from May 31, 1922, unless extended or earlier dissolved.

#### Fiscal year (Article 20 of the by-laws)

The fiscal year begins on January 1 and ends on December 31.

#### Secondary sites

Zone artisanale La Fourcade, 32200 Gimont, France  
Zone industrielle Jean Mermoz, route de Toulouse, 31700 Cornebarrieu, France

#### Rights and obligations attached to the shares (Article 13 of the by-laws)

The possession of a share includes, by rights, adherence to the by-laws of the Company and to the resolutions regularly adopted by all the Annual General Meetings.

Shareholders only bear losses up to the limit of their contributions.

Each share gives a right to a proportional share of the portion of capital which it represents in the profits and in the corporate assets.

If necessary, and subject to imperative regulations, all shares shall be grouped, indistinctly of any exemptions or tax charges, such as for all taxes for which the company is likely to take responsibility, before carrying out any redemption during the Company's existence or at its winding-up, so that, taking into account their respective face values, all the shares then existing receive the same net sum, whatever their origin or their creation date.

**Allocation and distribution of profits – surplus upon winding up (Article 21 of the by-laws)**

The difference between the year's income and expenses, after deduction of depreciation and provisions, constitutes the year's profit or loss.

On the profit reduced, where applicable, by previous losses, five percent is deducted to form the legal reserve fund. This deduction ceases to be compulsory when the reserve reaches one-tenth of the share capital. If and when the amount of the fund falls below one-tenth of the share capital, whatever the cause, the deduction resumes.

Distributable profit comprises the profit for the year, less previous losses, as well as the deduction provided above, plus the profits carried forward.

This profit is at the disposal of the Annual General Meeting which, on proposal of the Management Board can, wholly or partly, bring it forward again, allocate it to general or special reserve funds, or distribute it to the shareholders as dividend.

In addition, an Annual General Meeting may decide to distribute sums deducted from the reserves that are at its disposal; in this case, the decision expressly indicates the reserve items from which the deductions are made. However, dividends are deducted in priority from the year's distributable profit.

Differences resulting from a revaluation are not distributable; they may be fully or partly incorporated into the capital.

The Annual General Meeting has the authority to grant to each shareholder, for all or part of the dividend distributed or of the interim dividend, an option of receiving payment of the dividend or interim dividend in cash or in shares.

With respect to the surplus upon winding up, the net assets, after repayment of the nominal value of shares, are distributed equally between all the shares.

**Shareholder Meetings (Article 18 of the by-laws)**

Shareholder Meetings are convened and decide in the conditions provided for by the French Commercial Code ("Code de Commerce").

They are held at the registered office or at any other location in the same French Department.

The right to take part in Annual General Meetings is subject to the registration of the shares in the name of the shareholder or the intermediary registered for his account, at the third working day preceding the Meeting at zero hour, Paris time, either in the registered

securities accounts held by the Company, or in the accounts of bearer shares held by the authorized intermediary.

Any shareholder who is the owner of a given category of shares may take part in the Special General Meetings of Shareholders of that category, under the conditions referred to above.

Are considered present for the calculation of the quorum and the majority, the shareholders who take part in the General Meeting by videoconference or means of telecommunication allowing their identification and the nature and the conditions of application of which are determined by the regulations in force.

Votes are expressed either by a show of hands or by roll call. A secret vote for which the Annual General Meeting will fix the terms, may only be resorted to at the request of the members present, either personally or as agents, the majority being required for the approval of the relevant resolution.

Voting rights double those conferred on shares representing the share of authorized capital that they represent, is allotted to all the fully paid shares registered as registered securities for at least four years in the name of the same shareholder. Moreover, in the event of an increase in capital by means of an incorporation of reserves, profits or share premia, the double voting right is conferred at issuance to registered shares allotted without charge to a shareholder when his holding of old shares gives him this right.

**Legal form of shares, crossings of thresholds (Article 9 of the by-laws)**

The shares are registered or bearer, at the owner's choice. They cannot take the bearer form until they have been fully paid up.

The Company is authorized to request, at any time, of the central depository, the information provided for by law relating to the identification of the holders of securities conferring, immediately or in the future, the right to vote at Shareholder Meetings.

The Company is, moreover, entitled to ask, in the conditions established by the French Commercial Code, the identity of the owners of securities when it considers that certain holders, whose identities have been revealed to it, are acting on behalf of third parties who own the shares.

The Company may also ask any legal person owner of more than 2.5% of the capital or the voting rights, to disclose to it the identity of the persons holding, directly or indirectly, over one-third of the share capital of this legal person or voting rights exercised at its Annual General Meetings.

Any natural or legal person acting alone or together, who comes into possession of a number of shares representing more than the threshold provided for by the regulations in force, must respect the information requirements provided for by the latter.

In addition, any natural or legal person acting alone or together, who comes to hold or to cease to hold a fraction equal to 2.5 % of the share capital or of voting rights, must inform the Company of the total number of shares and of voting rights which he holds, by registered letter return receipt requested, within fifteen (15) days as from the date on which such threshold was crossed. That person must, under the same conditions, inform the Company of the number of shares which he holds that entitle him to future access to the capital as well as the number of voting rights which are attached to such shares.

This disclosure shall be renewed, under the same conditions, in case of crossings of each threshold containing the fraction of 2% beyond the statutory threshold of 4%.

In the event of non-compliance with the obligation mentioned in the preceding paragraph, the shares exceeding the non-declared fraction are deprived of voting rights at the request, which is recorded in the minutes of the Annual General Meeting, of one or several shareholders who hold at least 2% of the share capital.

#### **Management Board (Article 14 of the by-laws)**

##### COMPOSITION AND TERM OF DUTIES OF MANAGEMENT BOARD MEMBERS

A Management Board administers and directs the Company under the oversight of a Supervisory Board. The number of its Members is set by the Supervisory Board at no less than two, and no more than seven. If a seat is vacant, the Supervisory Board must within two months modify the number of seats it had previously set or fill the vacancy.

The Members of Management Board, who must be natural persons, may be chosen from outside of the group of shareholders. Appointed by the Supervisory Board, they may be removed from their duties by the Ordinary General Meeting as well as by the Supervisory Board.

The Management Board is appointed for term of six years at the expiry of which it is entirely renewed, notwithstanding any appointment made in the interval for whatsoever cause by the Supervisory Board. The Members of the Management Board are always entitled to be re-appointed. Any Member of the Management Board is automatically considered to resign from office when he reaches the age of 65.

##### ORGANIZATION AND FUNCTIONING OF THE MANAGEMENT BOARD

The Supervisory Board confers on one of the Members of the Management Board the position of Chairman.

The Chairman of the Management Board represents the Company in its relations with third parties.

The Supervisory Board can accord the same power of representation to one or more Members of the Management Board who then hold the title of Managing Director.

The position of Chairman or Managing Director may be removed from those in whom it has been entrusted by the Supervisory Board.

The Management Board meets as frequently as the interests of the Company require, on the convening of its Chairman or of half of its Members, at the registered office or at any other location indicated in the notice of meeting; they may be convened by any means, even verbally.

The Chairman of the Management Board chairs the meetings and names a secretary who may be chosen from outside the membership.

For the decisions to be valid, the presence of at least two Members is required.

Decisions must be made by the majority of votes of the Members present or represented. The Member of the Management Board who represents one of his colleagues has two votes and each Member can only have one power.

In the event of a tie vote, the Chairman of the meeting will have the deciding vote.

Decisions are noted in the minutes established in a special register and signed by the Members of the Management Board having taken part in the meeting.

The minutes mention the names of Members present and those absent.

The copies or extracts of these minutes are certified by the Chairman of the Management Board or by one of its Members and, during winding-up, by the liquidator.

The Members of the Management Board may share out among them the management duties with the authorization of the Supervisory Board. However, this sharing out may in no event exempt the Management Board from meeting and deciding on the most important questions of the Company's management, nor have for effect the withdrawal from the Management Board of its character as a body ensuring collegially the Company's general management.

The instruments committing the Company with respect to third parties must carry the signature of the Chairman

of the Management Board or of one of the Managing Directors or of any other person having received a power of attorney duly authorized to this end.

#### POWERS AND OBLIGATIONS OF THE MANAGEMENT BOARD - SENIOR MANAGEMENT

The Management Board is entrusted with respect to third parties with the most extensive powers to act in all circumstances on behalf of the Company, in the limit of the corporate purpose and subject to those expressly attributed by the French Commercial Code to the Supervisory Board and to the Shareholders' Meeting. In its relations with third parties, the Company is even bound by the acts of the Management Board which do not fall within its corporate purpose, unless it can prove that the third party knew that the act was ultra vires or that it couldn't be unaware of this given the circumstances.

At least once every quarter, the Management Board presents a report to the Supervisory Board. Within three months of the closing of each year, it presents to it, for the purpose of verification and control, the accounting documents which must be submitted to the Annual General Meeting.

The Supervisory Board sets the method and the amount of the remuneration of each of the Members of the Management Board in its decision to appoint them.

The disposal of real property, the total or partial disposal of equity holdings, the giving of sureties, as well as securities, avals and guarantees are subject to the authorization of the Supervisory Board. The non-compliance with this provision may only be raised against third parties in the cases provided for by law.

However, as an internal measure which may not be raised against third parties, loans, borrowings, purchasing, exchange and sales of commercial establishments; the purchasing and exchange of buildings, the formation of companies and all contributions to companies whether already formed or to be formed, as well as all taking of an equity interest in these companies, must be authorized beforehand by the Supervisory Board.

#### **Supervisory Board (Article 15 of the by-laws)**

#### COMPOSITION AND TERM OF DUTIES OF SUPERVISORY BOARD MEMBERS

The Supervisory Board exercises permanent supervision over the management of the Company by the Management Board. It is composed of at least three members and no more than eighteen. The Members are appointed from among the natural persons or legal persons who are shareholders, by the Ordinary General Meeting which may dismiss them at any time. Legal persons appointed to the Supervisory Board are required to name a permanent representative who is

subject to the same conditions and obligations as if he were a Member of the Supervisory Board in his own right. No Member of the Supervisory Board can be a Member of the Management Board. If a Member of the Supervisory Board is appointed to the Management Board, his position on the Supervisory Board ends as soon as he enters his position on the Management Board.

Except when the French Commercial Code exempts him from this obligation, every Member of the Supervisory Board is obliged to own a number of shares set at 1.

If the Supervisory Board includes Members bound to the Company by an employment contract, their number cannot exceed one-third of the Members in office, except in cases expressly foreseen by the law.

The Members of the Supervisory Board are appointed for six years which come to an end at the conclusion of the Ordinary General Meeting of the Shareholders having decided on the past year's financial statements and held during the year in which such Director's position expires. They are entitled to be re-appointed.

The number of Supervisory Board Members having reached the age of 75 may not exceed a quarter of the total of Supervisory Board Members. If this limit is reached, the oldest Member is automatically considered to resign from office.

The Supervisory Board includes, in addition, a Member appointed from among the employees (employees of the Company or a company which is affiliated with it within the meaning of Article L. 225-180 of the French Commercial Code) members of the supervisory board of a corporate mutual fund ("Fonds Commun de Placement d'Entreprise", referred to as an "FCPE") that holds shares of the Company and whose candidature is proposed by those boards. That Member is appointed by the Annual General Meeting of the Shareholders subject to the condition of having the majority required for Ordinary General Meetings. Furthermore, in the event there is more than one candidate, the candidate who shall have obtained the greatest number of votes at the Annual General Meeting shall be appointed Member. In the event of loss, for whatsoever reason, either of his status as employee, or of his status as member of the supervisory board of an FCPE, the Member appointed by application of the provisions hereof shall be considered automatically to resign.

#### ORGANIZATION AND FUNCTIONING

The Supervisory Board elects a Chairman and a Vice-Chairman from among its Members. They are charged with convening the Supervisory Board and of managing its proceedings and they carry out their duties during the term of the Supervisory Board. The Chairman and the Vice Chairman must be natural persons. The Supervisory Board fixes their remuneration.

The Supervisory Board may appoint at each meeting a secretary who may be chosen from outside of the group of shareholders.

The Supervisory Board meets as frequently as the interests of the Company require. It is convened by the Chairman or the Vice Chairman. However, the Chairman must convene the Supervisory Board at a date which cannot be more than fifteen days, when a Member of the Management Board or at least one-third of the Members of the Supervisory Board presents him with a justified request in this respect. If the request is not followed-up, its authors may themselves provide notice of the meeting, indicating its agenda. Beyond this case, the agenda is established by the Chairman and may only be fixed at the time of the meeting.

The meetings must be held at the registered office. They may be held, however, on any other premises or at any locality, but only with the consent of at least half of the Members in office.

The presence of at least half of the Members of the Supervisory Board is required in order for the decisions to be valid. Are considered present for the calculation of the quorum and the majority, the Members of the Supervisory Board who take part in the meeting by videoconference, to the limit and under the conditions determined by the laws and regulations in force.

Decisions are made by the majority of votes of the Members present or represented, each Member having one vote and each Member present can have only one power. The Chairman of the meeting will have the deciding vote, in the case of a tie vote.

Decisions are noted in the minutes established in a special register or sheet of paper under the conditions fixed by the provisions in force.

#### POWERS AND RESPONSIBILITIES OF THE SUPERVISORY BOARD

The Supervisory Board exercises permanent supervision over the management of the Company by the Management Board. At any time of the year, it carries out the inspections and checks that it judges appropriate and can require that the documents that are necessary for it to carry out its duties be communicated to it. It authorizes the Management Board, under the conditions and limits fixed by the laws and regulations in force, to give securities, avals or guarantees on behalf of the Company, to dispose of real property, to totally or partially dispose of equity holdings, and to give sureties.

#### REMUNERATION OF THE MEMBERS OF THE SUPERVISORY BOARD

Without being bound by prior decisions, the Annual General Meeting may allocate to the Directors a fixed annual sum as attendance fees, the amount of which is fixed by that Meeting and posted to operating expenditures and which is maintained until contrary decision. The Board of Directors shares out the overall sum of this remuneration among its Members as it sees fit.

The Supervisory Board will allocate an annual remuneration to its Chairman, the terms of which will be fixed at his appointment.

#### Elements of change in control

To the Company's knowledge, no provision of the instrument founding the Company, of the by-laws, of a charter or regulation could have as its effect the delay, deferral, or prevention of a change in control.

## 9.2 General information about the Company's capital

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### 9.2.1 Share capital at December 31, 2009 (Article 8 of the by-laws)

The authorized capital was SEVENTEEN MILLION TWO HUNDRED NINETEEN THOUSAND NINE HUNDRED NINETY-FOUR EUROS (€17,219,994). It is divided into EIGHT MILLION SIX HUNDRED NINE THOUSAND NINE HUNDRED NINETY-SEVEN (€8,609,997) shares of common stock with a par value of TWO EUROS (€2) each.

## 9.2.2 Analysis of the shareholders and voting rights

	Dec 31, 2009		Dec 31, 2008		Dec 31, 2007	
	shareholders %	voting rights %	shareholders %	voting rights %	shareholders %	voting rights %
Employees	15,0%	19,8%	12,9%	19,0%	16,5%	22,0%
MONDRIAN	8,3%	7,4%	8,3%	7,7%	8,3%	8,0%
PRIGEST	8,5%	7,6%	8,5%	7,9%	8,1%	7,8%
SALVEPAR	5,0%	8,8%	5,0%	4,7%	5,0%	4,8%
LATECOERE (self-holding)	0,2%	0,0%	0,3%	0,0%	0,0%	0,0%
Market	63,0%	56,4%	65,0%	60,7%	62,1%	57,4%
<b>TOTAL</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>	<b>100,0%</b>

## 9.2.3 Change in the authorized capital during the past five years

	Change in Capital in €		Capital in €	Cumulative number of shares and Investment certificate
	Nominal	Premium and increase in capital through capitalization of reserves		
<b>Exercice 2005</b>				
Capital increase (06/2005)	4 776 124	58 734 517	16 716 434	8 358 217
Capital increase reserved to employees (12/2005)	503 560	5 795 665	17 219 994	8 609 997
<b>Exercice 2006</b>				
None			17 219 994	8 609 997
<b>Exercice 2007</b>				
None			17 219 994	8 609 997
<b>Exercice 2008</b>				
None			17 219 994	8 609 997
<b>Exercice 2009</b>				
None			17 219 994	8 609 997

**Unissued authorized capital:** The Authorizations for the issuance of new shares by increase of capital are set forth in the management report

**Potential share capital:** There is no share or right which gives access to the company.

**Pledge of the company's shares:** To the issuer's knowledge, no shares have been entered in a pledged financial instruments account.

**Shareholders' agreements:** To the Company's knowledge, there currently aren't any shareholders agreements.

## 9.2.4 Dividend distribution policy

The Group wishes, while remaining coherent with market practices, to continue to allow its shareholders to share in its results provided that the results of the Group and its financial position allow it.

## 9.2.5 Stock market data

### Number of shares listed at December 31, 2009

At December 31, 2009, the Company totals 8,609,997 shares listed, representing 9,636,386 voting rights.

**Identification sheet and stock marketplace**

**Share price information**

	Highest share price	Lowest share price (closing)	Average price traded	Number of shares
January-09	5,56	4,81	5,35	90 676
February-09	5,05	3,99	4,73	95 822
March-09	4,58	3,86	4,18	62 451
April-09	4,50	3,90	4,21	130 103
May-09	5,10	3,91	4,52	225 503
June-09	4,43	4,00	4,21	121 834
July-09	4,54	3,93	4,11	319 385
August-09	6,35	4,55	5,64	506 385
September-09	8,74	5,44	7,09	618 120
October-09	8,07	6,29	7,45	437 467
November-09	6,86	5,31	5,75	228 945
December-09	5,95	5,52	5,71	59 924
January-10	0,00	0,00	0,00	0
February-10	0,00	0,00	0,00	0
March-10	0,00	0,00	0,00	0

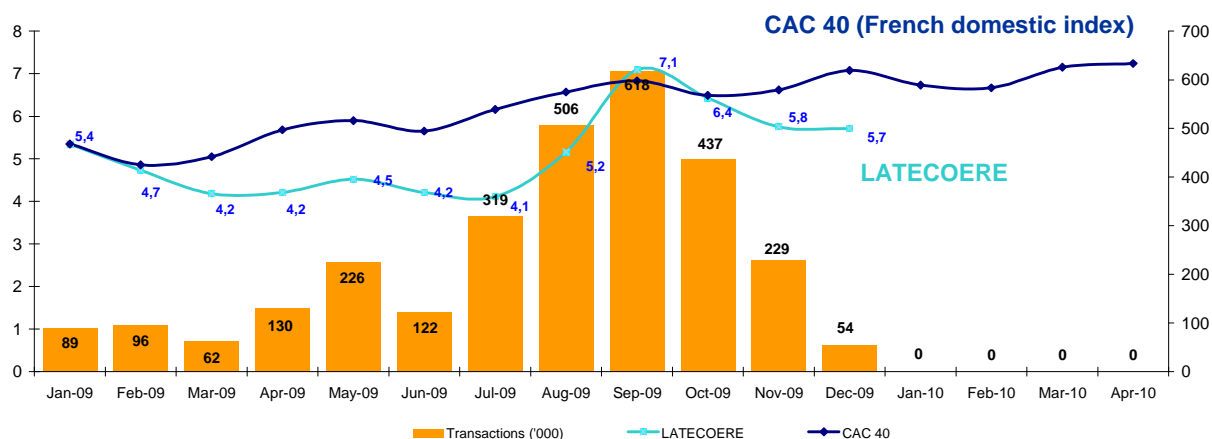
Source: SYMEX Economics SA

Trading of the shares was suspended on December 10, 2009 and was resumed on May 21, 2010.

## Share price changes

Share price in  
EUR

Trades in thousands



## 9.2.6 Information policy

### Financial communication

LATECOERE continues to exert all its efforts on its financial communication policy in order to make it the most transparent possible and to respond to the demand of its numerous shareholders, both institutional ones and private individuals. With respect to financial analysts, managers of investment funds and other finance professionals, LATECOERE's financial communication is based in particular on:

- a semi-annual presentation of the financial statements, strategy and future prospects, organized within the framework of the French Society of Financial Analysts ("SFAF"),
- frequent meetings with analysts and investors, both in France and abroad,
- periodic press releases on the Company's results or main events,
- contacts with actors of the regional, national, specialized or general-interest press,

A website ([latecoere.fr](http://latecoere.fr)) allowing a direct access to all the Company's general or financial information.

### Publication schedule

First quarter 2010 Revenue: May 14, 2010  
 Ordinary General Meeting: June 25, 2010  
 First half 2010 Revenue: July 29, 2010  
 First half 2010 Results: August 31, 2010  
 Third quarter 2010 Revenue: October 28, 2010  
 2010 Annual Revenue: January 28, 2011

### Director of financial communications

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# 10 THE COMBINED ANNUAL AND EXTRAORDINARY GENERAL MEETING HELD ON JUNE 25, 2010

## 10.1 Report of the Management Board to the Extraordinary General Meeting

Dear shareholders,

We have convened you in accordance with the provisions of the French Commercial Code, the regulations in force and our by-laws in order to submit for your approval several projects as part of the restructuring of the Company's financial debt, as foreseen in the conciliation agreement signed on May 18, 2010 and registered by the Commercial Court of Toulouse ("Agreement").

As part of the Agreement, Latécoère's French lending banks have accepted to convert a part of their medium-term Latécoère loan receivables into bonds convertible into shares issued by Latécoère and fully paid-up by set-off with a proportionate share of those medium-term loan receivables.

Similarly, the French lending banks of LATElec have accepted to convert a part of their medium-term LATElec loan receivables into bonds convertible into shares issued by Latécoère and fully paid-up by set-off with a proportionate share of those medium-term loan receivables.

In accordance with the stipulations of the Agreement, the Company is thus committed to:

- decide on the issue of a debenture loan in the total principal amount of fifty seven million one hundred fifty thousand Euros (€57,150,000) (the "**Latécoère Borrowings**") represented by the issue, with removal of preferential subscription rights, of a total number of five million seven hundred fifteen thousand (5,715,000) bonds convertible in shares, each of a par value of ten Euros (€10), reserved for Latécoère's lending banks (the "CB"); and
- authorize the issue by LATElec, a wholly-owned subsidiary of the Company, of a debenture loan in the total principal amount of fourteen million three hundred fifty thousand Euros (€14,350,000) (the "**LATElec Borrowings**") represented by the issue, with the removal of preferential subscription rights, of a total number of one million four hundred thirty five thousand (1,435,000) bonds convertible in shares of Latécoère, each of a par value of ten Euros (€10), reserved for the lending banks of LATElec (the "**LATElec CB**").

In such context, Latécoère wishes to preserve the interest of its shareholders and might realize one or

more transactions with retention of preferential subscription rights, which is why you will be asked to delegate your authority to the Management Board to decide on the issue with the retention of preferential subscription rights of shares and or financial securities providing or being able to provide an entitlement to the share capital of the Company and/or its subsidiaries.

We draw your attention to the fact that the Company has already foreseen using a part of such overall delegation of authority with a view to reducing the dilution which could result from the issue of the CB and the LATElec CB. Thus, the Company has foreseen issuing, prior to the issue of the CB and the LATElec CB, 4,294,642 free share warrants ("BSA") to Latécoère shareholders which will be traded on Euronext Paris (the "SW").

In addition, under the terms of applicable laws, the Company will propose to you to decide on the issue, with the removal of the preferential right of subscription, of shares or financial securities providing or being able to provide an entitlement to the Company's share capital, reserved to the members of savings plans.

You will find before the examination of the resolutions which are submitted to you, a description of the functioning of corporate business during the previous year and since the beginning of this year in accordance with the provisions of Article R. 225-113 of the French Commercial Code.

### I - Functioning of corporate business during the previous year and since the beginning of this year

## Summary of the key consolidated aggregate figures

In millions of euros	2009	2008
• Revenue excluding non-recurring items	449.5	579.5
• Aerostructures non-recurring items*	-	104.4
<b>Revenue</b>	449.5	683.9
<b>Current operating result</b>	<b>10.1</b>	<b>31.9</b>
• Completion losses** recognized on		
▶ business jet dispute	- 68.8	
▶ reappraisal of the €/ \$ long-term exchange rate	-44.1	
<b>EBIT</b>	-102.8	31.9
• Realized financial result	-21.3	-35.4
• Unrealized financial result	17.6	-6.5
<b>Financial result</b>	- 3.7	- 41.9
<b>Net result Group share</b>	-91.2	-6.7
<b>Consolidated net debt</b>	359.2	336.0
<b>Shareholders' equity Group share</b>	143.3	220.8

\* Invoicing in 2008 of development work (€104.4 million)

\*\* Non-cash items

Following six years of continuous growth which have allowed us to go from revenue of €168 million in 2002 to revenue of €580 million in 2008, the cyclical downturn of the aeronautical sector weighed on the Group's business in 2009. The commercial aircraft series production rates have generally held up well, although they haven't succeeded in offsetting the strong drop in regional and business aircraft delivery rates. Thus, our Group posted 2009 revenue of €449 million, down by 22.4% compared to 2008 excluding non-recurring items (-18.4% at constant exchange rates and scope).

In order to face up to this downturn cycle, Latécoère strengthened its "Challenge 2011" ("Défi 2011") progress plan, aiming to lower its fixed costs base, to optimize its organization, to reduce its production cycles and to adapt its structure to an undervalued dollar for the long-term. These steps began to take effect in 2009 through the reduction of our staff and the reorganization of our manufacturing sites, and will fully bear fruit in 2010/2011. Thus, in the context of a sudden stall in activities related to business and regional aviation, the current operating result, which reflects the economic performance of the Group, remained positive at €10 million.

Two non-recurring items which didn't have an incidence on immediate cash position, affected, however, the

operating result through the recognition of losses on completion.

- First of all, this relates to a dispute which arose at the end of the year regarding the terms of performance of a business jet contract. As the Group has not yet been able to reach an acceptable compromise, in its 2009 financial statements Latécoère recognized a €69 million depreciation covering all of the losses to come over the term of this contract.
- The second item is related to the reappraisal of the USD/EUR exchange rate retained for the long-term in order to assess the savings of the programs followed in construction contracts. Out of prudence and in accordance with benchmarked practices in the sector, we have chosen to assume a long-term USD/EUR exchange rate of 1.35 compared to 1.25 previously used. The impact on the year is a €44 million depreciation charge to account for the future losses of certain construction contracts.

In these conditions, Latécoère posted a negative operating result of -€102.8 million.

The realized financial result (-€21.3 million) benefitted from the decline in short term rates in 2009, from exchange gains attributable primarily to hedges of the

Brazilian real and from the reimbursement of USD-denominated borrowings coming to maturity.

The unrealized financial result (+€17.6 million) reflects the impact of the reappraisal of financial balance sheet items and the change in the fair value of financial instruments (including changes in the time value of USD/CZK hedging instruments and the mark-to-market of other interest rate and foreign exchange instruments).

Latécoère has put in place additional hedging programs to cover its financial risks, primarily by using option collars hedging:

- hedging its USD exposure through the end of 2011, with USD/EUR exchange rates of - at the worst - 1.41 for 2010 and 1.37 for 2011, while retaining the ability to benefit to a certain extent from improvement in the latter,
- hedging its interest rate exposure on more than half of its debt over a four-year duration, while still profiting from short-term variable rates at levels deemed attractive.

Latécoère net result for the year 2009 is a loss of -€91.2 million, post recognition of tax losses carry-forward of +€17.2 million. As a consequence, the shareholders' equity Group share was €143.3 million.

Capital expenditures have been limited to €8.2 million, and were primarily related to the industrial and information systems master plans.

After reaching €379 million at the end of the first half of 2009, the Group's consolidated net debt was reduced to €359 million as of December 31, 2009 despite the unfavorable impact of the application of the French Economic Modernization Act (LME) which resulted in an approximately €40 million decrease in supplier credit. The Group had total consolidated net debt of €336 million as of December 31, 2008.

Furthermore, the Latécoère Company held commercial discussions with its customers to improve its programs financing which resulted, in particular, in \$55 million of cash inflows in the first quarter of 2010.

As of December 31, 2009 and based on a 1.40 USD/EUR exchange rate, the Group's order book -- which includes only firm orders from aircraft manufacturers -- amounted to €2.1 billion, a level comparable to the one recorded at the end of 2008, and which represents the equivalent of four years' revenue.

The Group won major contracts on the Airbus A350 program, primarily in onboard wiring (racks and wing harnesses) and tooling (final assembly chain of the aircraft, assembly of the center wing box and assembly of the engine support pylons), as well as aerostructures (nose fairing). Overall, the A350 program represents approximately USD 900 million in future revenues, based on the delivery of 800 aircraft.

During the first quarter of 2010, the Latécoère Group had revenue of €100.1 million, down by 19.7% in comparison to the first quarter of 2009. Restated for the impact of USD/EUR exchange rates, the Group's organic change was -21.1%. This beginning of the year was penalized by a high basis of comparison since in

the first quarter of 2009 the Group showed a decline limited to 7.7% of its revenue compared to the previous year.

The Group anticipates an increase in its workload from the second half of 2010, which will result gradually in recovery in its revenue. In this context, the Group expects a progressive improvement of its activity in 2010, anticipating revenues in line with 2009 and a return to growth in 2011.

In an extension of the profit warning of December 10, 2009, Latécoère held discussions with its banks in order to restructure its financial debt to align it to its financing capacity, which has been impaired by the combined effects of the cyclical downturn, the weakness of the US dollar against the euro and delays in major programs launched over the past few years by manufacturers. On that occasion, we asked for the temporary suspension of trading of Latécoère shares so as to protect the shareholders during the negotiations with the banks. As we were aware of the inconvenience and the concern that this could cause, we have insisted on adopting a tight schedule for these discussions to ensure a resumption of trading as soon as possible on the basis of clearer future prospects; which has been done since May 21, 2010 following the agreement reached with the banks.

Today, at the close of constructive discussions during which we sought to reassure all our partners:

1. The Group's financial structure has been strengthened by the conversion of €71.5 million of existing bank debt into five-year convertible bonds; These bonds will be convertible starting on the second anniversary of their issue, on the basis of one share of Latécoère stock at a value of €10, which is significantly higher than the share price at the time trading was suspended (€5.70);
2. Its liquidity has been ensured until the end of 2011;
3. The period of hedge cover of its dollar risk has been extended until the end of 2012.

All of these steps, through which the banks demonstrate their confidence in the Latécoère Group and their willingness to assist it, make up a consistent whole which responds to the needs of the firm and ensures it clarity.

This first step, which gives our Group a second wind, will now allow us to devote ourselves to our search for industrial and financial partners in order to shore up the Group's shareholders equity and to comfort our position as a first-class partner of aircraft manufacturers. The Group may now face its future with greater serenity and can rely on motivated employees, who have demonstrated their attachment to Latécoère, their involvement and their solidarity during a difficult period.

### ***The Latécoère Company***

The LATECOERE Company, the parent company, realized revenue of €329 million in 2009, which represents 58% of the consolidated revenue of the

Group after elimination of intercompany invoicing. Operations in US dollars are valued at the spot exchange rate of this currency, whereas the exchange gains or losses from the exchange rate hedging instruments (forward sales or collars) are noted in the financial result.

After taking into account provisions relating to the commercial dispute in connection with the performance of a business aircraft contract and the consequences of the new assumptions of the change in the dollar on the result at termination of construction contracts, operating result in 2009 was -€110.9 million.

The financial result, made up principally of the cost of debt (-€21.2 million), foreign exchange income (-€15 million) and a reversed provision for foreign exchange loss (+€8.3 million) was -€31.3 million.

Non-recurring result is -€0.6 million. This corresponds principally to various penalties for -€0.4 million and to the impact of accelerated fiscal depreciation for -€0.2 million.

In this context, the net result is negative: -€129.0 million. It was proposed to allocate the full amount to the "retained profit or loss brought forward" account.

As a consequence, the shareholders' equity at December 31, 2009 was €70.3 million, compared to €199.2 million at December 31, 2008.

No dividend will be paid for the year 2009. The number of shares is currently 8,609,997. Dividends paid out over the last three fiscal years were:

	Revenue eligible for tax reduction		Revenue not eligible for tax reduction	Number of shares
	Dividends	Other distributed revenue		
Fiscal year 2006 (*)	€ 6 457 498			8 609 997
Fiscal year 2007	€ 0			8 609 997
Fiscal year 2008	€ 0			8 609 997

\* Which amounts to a dividend of € 0.75 per share

The total of expenses and charges related to Articles 39-4 of the French General Tax Code, amounted to €72,311.

The Group had net debt of €252.7 million as of December 31, 2009; the Company mobilized an additional €10 million of the medium-term lines available; moreover, €1.5 million of payments due were reimbursed during the year; finally, €7.6 million of due payments at December 31, 2009 were extended in the negotiations undertaken in order to restructure the bank debt.

Consequently, you are asked to approve the following proposed texts of resolutions:

## **II - Presentation of the proposed resolutions to the Extraordinary General Meeting**

### **A - DELEGATION OF AUTHORITY TO THE MANAGEMENT BOARD TO DECIDE ON THE ISSUE, WITH RETENTION OF THE PREFERENTIAL RIGHT OF SUBSCRIPTION, OF SHARES AND/OR FINANCIAL SECURITIES GIVING OR BEING ABLE TO GIVE ACCESS TO THE CAPITAL OF THE COMPANY AND/OR ITS SUBSIDIARIES**

We remind you that under the terms of the Agreement, Latécoère's French lending banks have accepted to convert a part of their loan receivables into convertible bonds. In this framework, the Company wishes to be able to realize one or more transactions with retention of

preferential subscription rights, in order to lessen the shareholders' dilution.

Given the time necessary and the organizational constraints of convening a General Meeting, it is essential that the Management Board have the financial authorizations which offer it the possibility of issuing these share warrants with flexibility.

This is why, it is proposed to you, in accordance with the provisions of Articles L. 225-129 to L. 225-129-6, L. 225-132 and L. 228-91 to L. 228-93 of the French Commercial Code, to:

1. delegate your authority to the Management Board, with the right to sub-delegate under the conditions fixed by the law and regulations, to decide on, subject to the prior authorization of the Supervisory Board, in one or more times, in France or abroad, in the proportions or at the times it wishes, either in Euros, or in any other currency or monetary unit with reference to several currencies, with the retention of preferential subscription rights, the issue of shares, to the exclusion of preferred shares, and/or financial securities of whatsoever nature, with the exception of securities providing or being able to provide an entitlement to preferred shares, providing or being able to provide an entitlement to the Company's share capital (whether new or existing shares), it being specified that the paying-up of the shares and the financial securities may be done in cash, by set-off of certain receivables, which are liquid and due and held against the Company;

2. delegate your authority to the Management Board, with the power of sub-delegation under the conditions fixed by the law and regulations, to decide on, each

time subject to the prior authorization of the Supervisory Board, in one or more times, in France or abroad, in the proportion or at the times it wishes, either in Euros, or in any other currency or monetary unit with reference to several currencies, with the retention of preferential subscription rights, the issue of financial securities providing or being able to provide entitlement to the share capital of companies of which the Company holds directly or indirectly more than half of the capital;

3. decide that the nominal amount nominal of the increase(s) in capital likely to be realized immediately or subsequently pursuant to this delegation of authority may not exceed a maximum nominal amount of seventy-five million Euros (€75,000,000), or the exchange value of such amount at the date of decision for the issue, not taking into account the nominal amount of shares to be issued, where applicable, in respect of adjustments which must be carried out, in accordance with the provisions of laws and regulations as well as all applicable contractual stipulations, to preserve the rights of the holders of financial securities providing, or being able to provide entitlement to the Company's share capital, it being specified that the ceiling for the Company's increases in capital, with or without preferential right of subscription, provided for in the eighth, tenth and eleventh resolutions submitted to the General Meeting, will be deducted from this overall ceiling.

It will be proposed to you to:

- decide that the issue(s) likely to be decided by the Management Board pursuant to this delegation of authority will be reserved by preference to the shareholders who will be able to subscribe to securities not in excess of those they may subscribe to as of right ("souscrire à titre irréductible") in proportion to the number of shares then held by them;
- record the fact that the Management Board will have the right to institute the right to subscribe to securities in excess of those they may subscribe to as of right ("un droit de souscription à titre réductible") which will be exercised in proportion to the subscription rights which the shareholders have but within the limits of their requests;
- record the fact that this delegation of authority will, for the benefit of the holders of financial securities issued providing or being able to provide an entitlement to the Company's share capital, entail an automatic renunciation by the shareholders of their preferential subscription rights to the shares to which these securities will immediately or subsequently provide an entitlement;
- record the fact that, in accordance with Article L. 225-134 of the French Commercial Code, if the subscription not in excess of those they subscribe to as of right and, if the case arises, the subscription of securities in excess of those they may subscribe to as of right, have not accounted for the total issue of shares or financial securities providing or able to provide an entitlement to the

Company's share capital, the Management Board may use, under the terms and conditions provided for by the law and in the order that it will determine, one and/or the other of the following rights:

- to limit the issue to the amount of the subscriptions subject to the condition that this not be less than three-quarters of the decided issue;
- to allocate freely in whole or part the shares or, as the case may be, the financial securities providing or being able to provide an entitlement to the Company's share capital, the issue of which has been decided but hasn't been subscribed;
- to offer to the public on the French market or abroad in whole or part the shares or, as the case may be, the financial securities providing or being able to provide an entitlement to the Company's share capital, the issue of which has been decided but hasn't been subscribed;
- to decide that issue of warrants for the Company's shares will be able be performed by subscription offer, but also by the free allocation to the owners of existing shares, it being specified that the Management Board will have the right to decide that the fractional share allocation rights will not be negotiable and that the corresponding securities will be sold; and
- to state that the Management Board must report to the next Ordinary General Meeting, in accordance with the law and regulations, on the use made of the delegations of authority granted in this resolution.

In this context, it will be proposed to you to give all powers to the Management Board, with the right to sub-delegate under the terms and conditions provided for by the law and regulations, in order to implement this delegation of authority, and in particular:

- to decide on the increase of capital and to determine the securities to issue;
- to decide the amount of the increase in capital, the issue price of the securities to be issued as well as the amount of any accompanying premium, where applicable;
- to determine the dates and the terms of the increase in capital, the nature and characteristics of the securities to be issued;
- to determine the method of paying-up the shares or the financial securities providing or able to provide an entitlement to the Company's share capital, immediately or subsequently;
- to fix, if necessary, the terms for the exercise of the rights, where applicable, to convert, to exchange, to be refunded, including by the handing-over of the Company's assets such as securities already issued by the Company, attached to the shares or the financial securities providing or being able to

provide an entitlement to the Company's share capital to be issued immediately or subsequently and, in particular, to fix the date, even retroactively, as from which the new actions will carry dividend rights, as well as all other terms and conditions of the realization of the increase in capital;

- to fix the terms according to which the Company will have, where applicable, the right to buy or exchange on the stock market, at any time or during determined periods, the financial securities providing or being able to provide an entitlement to Company's issued share capital or to issue immediately or subsequently in order to cancel them or not, taking into account the legal provisions;
- to provide for the right potentially to suspend the exercise of rights attached to these securities in accordance with legal provisions;
- at its sole initiative, to deduct the expenses of the increase in capital from the amount of the premia which are related to it and to deduct from this amount the sums necessary to fund the legal reserve;
- to carry out all adjustments intended to take into account the incidence of transactions with respect to the Company's share capital, in particular in the event of modification of the par value of the shares, of increase in capital by incorporation of reserves, free attribution of shares, split or consolidation of shares, distribution of reserves or of any other assets, redemption of capital, or any other operation relating to the shareholders' equity, and to fix the terms by which the protection of the rights of the holders of securities providing or being able to provide an entitlement to the Company's share capital will be ensured, when applicable;
- to note the realization of each increase in capital and to amend the by-laws accordingly; and
- in a general manner, to enter into any agreement, in particular to carry off the issues foreseen successfully, to take any measures and to carry out all formalities useful for the issue, the listing and the financial servicing of the shares and/or the financial securities issued under the terms of this delegation as well as the exercise of the rights which are attached to it.

Finally, it will be proposed to you to grant this delegation of authority for a duration of twenty-six (26) months with effect from the General Meeting's decision.

As was exposed to you in introduction, the Company has already foreseen to use a part of this overall delegation of authority in order to lessen the dilution which might result from the issue of the CB and the LATElec CB. Thus, the Company has foreseen issuing, prior to the issue of the CB and the LATElec CB, 4,294,642 SW to Latécoère shareholders which will be traded on Euronext Paris.

#### **B - DELEGATION OF POWER TO THE MANAGEMENT BOARD IN ORDER TO**

#### **REALIZE THE RESERVED ISSUE OF CB BY THE COMPANY**

As previously stated, Latécoère's French lending banks have accepted to convert a part of their medium-term Latécoère loan receivables into bonds convertible into shares issued by Latécoère and fully paid-up by set-off with a proportionate share of those medium-term loan receivables.

In this respect, we propose to you, after having taken note:

- of this report on the issue by the Company of CB with removal of the preferential right of subscription;
- of the special report of the Company's auditors on the issue by the Company of CB with removal of the preferential right of subscription; and

by deciding within the framework of the provisions of Articles L. 228-91 et seq. of the French Commercial Code, and after having noted that the Company's share capital is fully paid-up,

1. to decide on the issue, with removal of the preferential right of subscription of the shareholders, of a maximum total number of 5,715,000 CB, representing a debenture loan in a maximum amount of €57,150,000 providing a right upon conversion to a maximum total amount of 5,715,000 new shares of the Company of a par value of €2 each, resulting in an increase in capital of €11,430,000;
2. to decide that the subscription of the CB will be reserved exclusively to banking establishments which hold medium-term Latécoère loan receivables and have accepted to subscribe to the CB for part their receivables, which constitute a category of persons meeting determined characteristics for the purposes of Article L. 225-138 of the French Commercial Code;
3. that the issue of the CB must be realized no later than December 31, 2010;
4. to decide that the main terms and conditions of the CB and the terms of their issue will be the following:

##### (i) Place of subscription - Payments

The subscription and payments will be received without charge at the registered office.

The CB must be fully paid-up at their subscription by set-off with certain, liquid and due Latécoère receivables the amount of which will be fixed by the Management Board and certified by the Company's auditors.

Moreover, the payment of the CB will be recorded by a certificate established by the Company's auditors.

The CB will be issued when they will have been fully subscribed and will carry dividend rights as from their issue date.

The CB will be issued at par at the price of ten Euros (€10) each, in accordance with the agreements resulting from the Agreement, and will be fully paid-up by their subscribers by set-off euro for euro with a part of their medium-term loan receivables, which have become due up to the amount in principal of the Latécoère Borrowings.

Subject to full payment of the subscription amount of the CB, the conversion of the CB into new ordinary shares of the Company will be done no later than five years after the issue date of the CB.

#### (ii) Characteristics of the CB

The CB will be issued exclusively in registered form and, in accordance with Article L. 211-4 paragraph 2 of the French Monetary and Financial Code, the rights of CB holders will be represented by an entry in the account under their name in the Company's registers. They will not be the object of any application for trading on a regulated market in France or abroad.

The CB will be divided into three tranches (Tranches I, II and III); the characteristics of the CB making up each of the tranches will be strictly identical, with the exception of the guarantees granted by the Company for each of the tranches so as to guarantee the reimbursement in cash:

- the Tranche I, representing 4,940,000 CB I, convertibles into new shares of the Company, of a par value per unit of €10; the CB I will not benefit from any surety or guarantee;
- the Tranche II, representing 225,000 CB II, convertible into new shares of the Company, of a par value per unit of €10; the reimbursement in cash of the CB II will be secured by a charge on the business ("nantissement du fonds de commerce") of Latécoère; and
- the Tranche III, representing 550,000 CB III, convertible into new shares of the Company, at a par value per unit of €10; the reimbursement in cash of the CB III will be secured by a security assignment of trade receivables.

The Company will be able, at its sole discretion, to proceed at any moment as from the issue of the CB and within the framework of a merger, subject to thirty calendar days' minimum notice, with the refund in advance in cash of the totality of the CB remaining in circulation, at their par value increased by accrued unpaid interest.

The CB will bear interest at the interest rate defined for a period of six (6) months to come which will be equal to the six-month Euribor rate predetermined at the

beginning of the period as noted at the European Central Bank's fixing at the issue date of the CB and subsequently at each anniversary date of the issue date, plus three hundred fifty basis points during the first two years following the issue date, and three hundred basis points thereafter. Interest will be payable in arrears.

At maturity, and subject to adjustments, the CB will be convertible into new shares of the Company as follows: there will be a conversion right attached to each CB, which will give the right to subscribe to one new share to be issued by the Company at a par value per unit of €2.

The CB, if entirely converted, will lead to an increase in the Company's share capital of a total nominal amount of €11,430,000, by issue of 5,715,000 common shares of a par value of €2 each, in accordance with the agreements resulting from the Agreement, to which will be added, where applicable, the nominal amount of the additional common shares to be issued in order to preserve, in the conditions foreseen by the terms and conditions of the CB, the rights of CB holders.

The maximum nominal amount of the increase in capital and the number of new shares to be issued following the conversion of the CB doesn't take into account the potential adjustments to be made in case of transactions with respect to the share capital referred to in Articles L.228-98 et seq. of the French Commercial Code or in accordance with the specific stipulations applicable to the CB under the contract for the CB.

The protection of the rights of CB holders will be ensured in accordance with the provisions of applicable laws and regulations.

Pursuant to Article L. 225-132 paragraph 6 of the French Commercial Code, the decision to issue CB carry along with it automatically, for the benefit of the holders of CB, the express waiver of the Company's existing shareholders to their preferential subscription rights to the new shares which will be issued in respect of the conversion of the CB.

#### (iii) New shares

If the CB are converted into new shares of the Company, the main terms and conditions and the terms of issue of such new shares will be the following:

- each of those new shares issued in conversion of the CB will be issued at a par value per unit of two (2) Euros;
- from their creation, such new shares will be subject to all the stipulations of the Company's by-laws and will be created with current dividend rights;
- the new shares will be entirely similar to the existing shares of the same category and will give right in particular to any dividend which would be paid, when applicable, as from the

date of conversion, subject to entry in account of the new shares resulting from the conversion of CB before the date of detachment of the coupon;

- the new shares will be the subject of an application for trading on the Euronext Paris market on the same quotation line as the existing shares.
5. to invest the Management Board with all powers, with the right to sub-delegate under the terms and conditions provided for by the law and regulations, in order to realize the issue of the CB, and in particular:
- to draw up the final list of the subscribers of CB and the number of CB to allocate to each of them;
  - to carry out the issue of the CB promptly and, in any event, no later than December 31, 2010;
  - to fix the characteristics and terms of the CB other than those provided for in this resolution;
  - to receive the subscriptions and to note these subscriptions, when applicable, by set-off with the certain, liquid and due Latécoère receivables;
  - to note the realization of each of the increases in capital resulting from the issue of the shares issued further to the conversions of the CB and to amend the by-laws of the Company accordingly;
  - to deduct the expenses, duties and fees caused by the issue of the CB from the amount of the corresponding share premium and to deduct from this amount the sums necessary to fund the legal reserve
  - to take, generally, all measures necessary and to conclude all agreements to enable the issue of the CB; and
  - to carry out all publication formalities and notifications required, and to apply for all authorizations which should prove themselves necessary to the realization and to the successful carrying off of the issue of CB.

In this context, and in accordance with the agreements resulting from the Agreement, I also ask you to remove, for all of the CB, the preferential subscription right of the shareholders and to reserve the subscription of all the CB exclusively to the banking establishments which hold medium-term Latécoère loan receivables designated by the Management Board, which constitute a category of persons meeting determined characteristics for the purposes of Article L. 225-138 of the French Commercial Code.

Finally, you will be asked to record that the Management Board will report to the next Ordinary General Assembly, in accordance with Articles 225-129-5 and L. 225-138 of the French Commercial Code, of the use made of the delegation granted in this resolution.

### **C - AUTHORIZATION OF THE ISSUE BY LATELEC OF LATELEC CB PROVIDING AN ENTITLEMENT TO THE SHARES OF THE COMPANY**

As previously stated, the French lending banks of LATElec have accepted to convert a part of their medium-term LATElec loan receivables into bonds convertible into shares issued by Latécoère and fully paid-up by set-off with a proportionate share of those medium-term loan receivables.

In this context, the Company committed itself to authorizing such issue of LATElec CB by LATElec, a company of which it holds directly or indirectly more than half of the capital, in accordance with the provisions of Articles L. 228-92 and L. 228-93 of the French Commercial Code.

Thus, you will be asked, in accordance with the provisions of Articles L. 228-92 and L. 228-93 of the French Commercial Code, to:

1. to record that, in accordance with the provisions of Articles L. 228-93 of the French Commercial Code, the Company holds directly or indirectly more than half of the capital of LATElec.

2. to authorize, in accordance with the provisions of Article L. 228-93 of the French Commercial Code and subject to the condition precedent of the realization of the issue of bonds convertible into shares of the Company by virtue the eighth and ninth resolutions, the issue of 1,435,000 LATElec CB by LATElec (i) representing a debenture loan in the maximum amount of €14,350,000 providing a right on conversion to a maximum total number of 1,435,000 new shares of the Company of a par value of €2 each, in accordance with the agreements resulting from the Agreement, (ii) of which the terms and conditions will be fixed by LATElec's member and (iii) reserved to the banking establishments holding LATElec medium-term loan receivables having accepted to subscribe LATElec CB for the amount of their LATElec receivables, which constitute a category of persons meeting determined characteristics for the purposes of Article L. 225-138 of the French Commercial Code and of which the final list of subscribers of LATElec CB and the number of LATElec CB to allocate to each of them will be drawn up by the Chairman of LATElec, in accordance with the agreements resulting from the Agreement.

You will also be asked to record that this decision will carry along with it:

- the authorization to carry out an increase in the Company's share capital in a maximum nominal amount of €2,870,000 for the issue of 1,435,000

- shares of a par value of €2 each, on conversion of the LATElec CB; and
- an express waiver by the Company's shareholders of their preferential right of subscription to the new shares of the Company to be issued on conversion of the LATElec CB to the above-mentioned banking establishments holding LATElec medium-term loan receivables;

Finally, you will be asked to give all powers to the Management Board, with the right to sub-delegate under the terms and conditions provided for by the law and regulations, in order:

- to note the conversion of the LATElec CB by their holders, the number of Latécoère shares issued in consideration of such conversion and the amount of the corresponding increase in capital;
- to decide on the current dividend rights of the new shares of the Company issued as a result of the conversion of LATElec CB and to make an application for trading on the Euronext Paris market

on the same quotation line as the existing shares; and

- to carry out, in accordance with law, the formalities subsequent to the increase in capital resulting from the conversion of LATElec CB, to modify the by-laws accordingly and to take all necessary measures to preserve the rights of the holders of the LATElec CB in the terms and conditions defined in Articles L. 228-99 et seq. of the French Commercial Code.

Finally, in accordance with Article R. 225-115 of the French Commercial Code, we inform you of the effect of this issue of LATElec CB on your shareholders' proportion share in the Company's shareholders' equity, as well as the theoretical impact of the issue on the current stock market value of the Latécoère shares:

Effect of the issue on the proportionate share of the shareholders' equity:

	<b>Proportionate share of consolidated shareholders' equity Group share (in Euros per share)</b>
Before the issue of LATElec CB	16.65
After the issue of 1,435,000 new shares from the conversion of the LATElec CB*	15.70
After the issue of 5,715,000 new shares from the conversion of the CB*	13.63
After the issue of the 4,294,642 new shares resulting from the exercise of the SW (assuming that the relevant shareholder exercises all of his SW)*	12.85

\* excluding transaction costs

Moreover, it is specified that the impact of the fair value of exchange rate hedging instruments on the Group's consolidated shareholders' equity at March 31, 2010 would be -€1.5 million.

Effect of the issue on the stock market value of the shares:

The theoretical impact on the current stock market value of the Latécoère shares is €5.05 (weighted average of closing rates of the 13 stock market sessions since the resumption of trading of the Latécoère shares on May 21, 2010 until June 9, 2010, date of this report, taking into account the suspension of the trading of the Latécoère shares for more than five months) of the issue of the conversion in new shares of all of the LATElec CB providing an entitlement to the share capital of Latécoère, would be the following:

	Number of shares	Stock market value (in Euros)
Before the issue of LATelec CB	8,609,997	5.05
New shares resulting from the conversion of the LATelec CB	1,435,000	10.00
After the issue of 1,435,000 new shares from the conversion of the LATelec CB	10,044,997	5.75
New shares resulting from the conversion of the CB	5,715,000	10.00
After the issue of 5,715,000 new shares from the conversion of the CB	15,759,997	7.29
New shares resulting from the conversion of the SW	4,294,642	10.00
After the issue of 4,294,642 new shares from the conversion of the SW (assuming that the relevant shareholder exercises all of his SW)	20,054,639	7.87

**D - DELEGATION OF AUTHORITY TO THE MANAGEMENT BOARD IN ORDER TO DECIDE ON THE ISSUE, WITH REMOVAL OF THE PREFERENTIAL RIGHT OF SUBSCRIPTION, OF SHARES OR OF FINANCIAL SECURITIES PROVIDING OR BEING ABLE TO PROVIDE ENTITLEMENT TO THE SHARE CAPITAL OF THE COMPANY RESERVED TO THE MEMBERS OF SAVINGS SCHEMES**

We remind you that by virtue of the provisions of Articles L. 225-129, L. 225-129-2, L. 225-129-6, L. 225-138 and L. 225-138-1 of the French Commercial Code, and, on the other hand, those of Articles L. 3332-18 et seq. of the French Labor Code ("Code du travail"), at the time of any decision of increase in capital by cash contribution, it is necessary that the General Meeting gives its opinion on a project for the increase in capital reserved to the employees. To this end, it will proposed to you:

1. to delegate your authority to the Management Board, with the power to sub-delegate under the conditions fixed by the law and regulations, to decide on, subject to the prior authorization of the Supervisory Board, in one or more times, in the proportion or at the times it wishes, the issue of shares, to the exclusion of preferred shares, and/or financial securities of whatsoever nature, with the exception of securities providing or being able to provide an entitlement to the share capital of the Company (whether new or existing shares), for the benefit of members of one or more company savings schemes (or any other scheme to the members of which Article L. 3332-18 the French Labor Code allows to reserve an increase in capital on equivalent terms and conditions) established within a firm or group of firms, whether French or foreign, entering into the consolidation scope or of combination of a combination of the Company's accounts in application of Articles L.

3344-1 and L. 3344-2 of the French Labor Code, it being specified that the payment of the shares and the other securities may be done in cash, or by set-off with certain, liquid and due Latécoère receivables;

2. decide that the amount of the increase(s) in capital likely to be realized immediately or subsequently pursuant to this delegation of authority may not exceed a maximum nominal amount of two million euros (€2,000,000), it being specified that the nominal amount stipulated above constitutes a ceiling which will be deducted from the overall ceiling provided for in the seventh resolution submitted to the General Meeting;

3. to remove the preferential right of subscription of the shareholders for the shares and financial securities providing or being able to provide an entitlement to the Company's share capital, the issue of which is likely to be realized pursuant to this delegation of authority, for the benefit of the beneficiaries stated above in paragraph 1.

Thus, it will be proposed to you:

- to decide that the issue price of the shares or the financial securities providing or being able to provide an entitlement to the Company's share capital will be determined on the terms and conditions provided for by Article L. 3332-19 of the Labor Code;
- to authorize the Management Board, on the terms and conditions of this delegation of authority, to carry out the assignments of shares to a company savings scheme in accordance with the applicable legal provisions;

Finally, it will be proposed to you to give all powers to the Management Board, with the right to sub-delegate under the terms and conditions provided for by the law

and regulations, in order to implement this delegation of authority, and in particular:

- to draw up on the legal terms and conditions the list of the companies of which the beneficiaries stated in paragraph 1 above will be able to subscribe the shares or the financial securities allocated for free and providing or being able to provide an entitlement to the Company's share capital as well as to issue and to benefit, where applicable, from shares or financial securities providing or being able to provide an entitlement to the Company's share capital;
- to decide that the subscriptions will be able to be realized directly by the beneficiaries, members of a company savings scheme, or through company investment funds or other structures or entities allowed by provisions of the applicable laws or regulations;
- to fix the terms and conditions, in particular of seniority, that the beneficiaries of increases in capital must fulfill;
- to fix the opening and closing dates of the subscriptions;
- to fix the amounts of issues which will be realized pursuant to this authorization and to fix in particular the issue prices, dates, period, terms and conditions of subscription, of payment, of delivery and dividend rights of securities, even retroactively, the rules of reduction applicable in case of oversubscription, as well as the other terms and conditions of the issues, within the limits of laws and regulations in force;
- in the case of the issue of new shares, deduct, when applicable, from the reserves, profits or share premia, the sums necessary for the payment of such shares;
- at its sole initiative, to deduct the expenses of the increase in capital from the amount of the premia which are related to it and to deduct from this amount the sums necessary to fund the legal reserve;
- to note the increase(s) in capital realized pursuant to this delegation of authority and to amend the by-laws accordingly;
- in a general manner, to enter into any agreement, in particular to carry off the issues foreseen

successfully, to take any measures and to carry out all formalities useful for the issue, the listing and the financial servicing of the shares and/or the financial securities issued under the terms of this delegation as well as the exercise of the rights which are attached to it.

Finally, it will be proposed to you to grant this delegation of authority for a duration of twenty-six (26) months with effect from the General Meeting's decision.

We remind you that this proposed resolution is presented to you in order to comply with the law but we insist on declaring ourselves in favor of the rejection by the General Meeting of this proposed resolution.

#### **E - POWERS FOR CARRYING OUT THE LEGAL FORMALITIES**

Finally, it will be proposed to you to invest all powers in the bearer of a copy or an extract of the minutes in order to perform all the formalities of filing or legal notice.

Such is the sense of the decisions that it is proposed for you to adopt. In the hope that we have convinced you of their validity, we remain, of course, at your disposal for any information or details that you may wish.

Signed in Toulouse,

On June 9, 2010

The Management Board

## 10.2 Resolutions submitted to a vote of the Combined Annual and Extraordinary General Meeting

The shareholders are convened to the registered office at 135, rue de Périole in Toulouse, Haute-Garonne, France, on Friday, June 25, 2010 at 10:30 a.m., in the combined annual and extraordinary general meeting in order to decide on the following agenda:

### Ordinary Resolutions

- Approval of the consolidated financial statements of the year ended on December 31, 2009,
- Approval of the financial statements of the year ended on December 31, 2009,
- Appropriation of result.
- Review of the auditor's special report on regulatory agreements and commitments,
- Fixing of the amount of attendance fees granted to the Members of the Supervisory Board,
- Authorization to be granted to the Management Board in order to have the Company buyback its own shares following the procedure in Article L. 225-209 of the French Commercial Code,

### Extraordinary Resolutions

- Delegation of authority to the Management Board to decide on the issue, with retention of the preferential right of subscription, of shares providing or being able to provide an entitlement to the share capital of the Company and/or its subsidiaries,
- Reserved issue of bonds convertible in shares for a maximum total amount of approximately €57,150,000,
- Removal of the preferential right of subscription to enable the issue of the CB,
- Authorization of the issue by LATELEC of convertible bonds providing an entitlement to shares of the Company for a maximum total amount of approximately €14,350,000,
- Delegation of authority to the Management Board to

decide on the issue, with removal of the preferential right of subscription, of shares or of financial securities providing or being able to provide entitlement to the share capital of the Company, reserved to the members of savings schemes,

- Powers for formalities

The proposed resolutions below will be submitted to a vote of the Meeting:

### Ordinary Resolutions

#### **First resolution - Approval of the consolidated financial statements**

The General Meeting, after having reviewed the reports of the Management Board, of Chairman of the Council and of the auditors on the consolidated financial statements at December 31, 2009, approves these financial statements as they have been presented, showing a loss (Group share) of €91,024,012.

#### **Second resolution - Approval of the financial statements**

The General Meeting, after having reviewed the reports of the Management Board and of the Comments of the Supervisory Board, of the Chairman of the Council and of the auditors on the year ended on December 31, 2009 approves, as they were presented, the financial statements fixed at this date and showing a net loss of €129,024,352.

The General Meeting approves particularly the total amount, which was €72,311, of the expenses and charges referred to in Articles 39-4 of the French General Tax Code ("Code Général des Impôts"), as well as the corresponding tax.

#### **Third resolution - Appropriation of result**

The General Meeting, on proposal of the Management Board, decides to carry out the appropriation of the year's loss which was €129,024,352 to the retained profit or loss brought forward account which will thereby be brought to €129,024,352.

In accordance with the provisions of Article 243 bis of the French General Tax Code, the Meeting notes that it was reminded that over that the last three years the dividend payments and income distributions were the following:

	Revenue eligible for tax reduction		Revenue not eligible for tax reduction	Number of shares
	Dividends	Other distributed revenue		
Fiscal year 2006 (*)	€ 6 457 498			8 609 997
Fiscal year 2007	€ 0			8 609 997
Fiscal year 2008	€ 0			8 609 997

\* Which amounts to a dividend of € 0.75 per share

#### Fourth resolution - Review of the auditor's report on regulatory agreements and commitments

The General Meeting, after having reviewed the auditor's special report mentioning the absence of new agreements of the kind referred to in Articles L. 225-86 et seq. of the French Commercial Code, purely and simply records this.

#### Fifth resolution – Fixing of the amount of attendance fees granted to the Members of the Supervisory Board

The General Meeting decided not to allocate attendance fees to the Members of the Supervisory Board. This decision applies to the current year.

#### Sixth resolution - Authorization to be granted to the Management Board in order to have the Company buyback its own shares following the procedure in Article L. 225-209 of the French Commercial Code

The General Meeting, having reviewed the report of the Management Board, authorizes the latter, for a period of eighteen months, pursuant to Articles L. 225-209 et seq. of the French Commercial Code, to carry out the purchase, in one or more times, when it shall so determine, of shares of the Company up to a limit of 10% of the number of shares making up the share capital adjusted, where appropriate, in order to take into account any applicable transactions for the increase or reduction in capital which may occur during the term of the program.

This authorization brings an end to the authorization granted to the Management Board at the Ordinary General Meeting of June 26, 2009.

The acquisitions may be carried out with a view to:

- Ensure the animation of the secondary market or the liquidity of LATECOERE stock through an Investment Service Provider intermediary, through a liquidity contract consistent with the charter of deontology of the AMAFI, as accepted by the AMF,
- Keep the purchased shares and turn them over later for exchange or in payment in connection with eventual operations of growth, being specified that the shares acquired for this purpose cannot exceed 5% of the Company's capital,
- Grant share purchase options and other forms of allocation of shares to employees and group officers as set out in legal dispositions, in particular

for profit-sharing, under a company savings scheme or by the allotment of free shares to employees,

- Ensure the hedging of securities giving right to an allotment of shares in the company within the framework of the regulations in force,
- Proceed with the cancellation of the shares acquired, in accordance with the approval given by the Annual General Meeting of Shareholders of June 26, 2009 in its 26th extraordinary resolution.

These share purchases could be operated by any means, including by acquisition of blocks of shares, and when the management board so wishes.

These transactions may in particular be carried out during periods of public offers in compliance with Article 232-15 of the AMF's General Regulation, if on the one hand, the offer is paid entirely in cash and, on the other hand, the buyback transactions are realized in connection with the continuation of the performance of the ongoing program and that they are not likely to cause the offer to fail.

The Company reserves the right to use option mechanisms or derivative instruments within the scope of the applicable regulations.

The maximum purchase price is fixed at €20 per share. In the event of transactions with respect to the capital and, in particular, the division or the consolidation of shares or of the allotment of free shares, the amount indicated above will be adjusted in the same proportions (multiplier coefficient equal to the ratio number of shares composing the capital before and after the operation).

The maximum amount of the transaction is thus fixed at €16,821,814.

The General Meeting invests all powers in the Management Board for the purpose of carrying out these transactions, to establish the terms and conditions, to conclude all agreements and to carry out any formalities.

### Extraordinary Resolutions

#### Seventh resolution - Delegation of authority to be granted to the Management Board to decide on the issue, with retention of the preferential right of subscription, of shares providing or being able to provide an entitlement to the share capital of the Company and/or its subsidiaries

The General Meeting, deciding with the required quorum and majority for extraordinary general meetings, after having reviewed the report of the Management Board and the auditor's special report, and in accordance with the provisions of Articles L. 225-129 to L. 225-129-6, L. 225-132 and L. 228-91 to L. 228-93 of the French Commercial Code:

1. delegates its authority to the Management Board, with the right to sub-delegate under the conditions fixed by the law and regulations, to decide on, subject to the prior authorization of the Supervisory Board, in one or more times, in France or abroad, in the proportions or at the times it wishes, either in Euros, or in any other currency or monetary unit with reference to several currencies, with the retention of preferential subscription rights, the issue of shares, to the exclusion of preferred shares, and/or financial securities of whatsoever nature, with the exception of securities providing or being able to provide an entitlement to preferred shares, providing or being able to provide an entitlement to the Company's share capital (whether new or existing shares), it being specified that the payment of the shares and the financial securities may be done in cash, by set-off of certain receivables, which are liquid and due and held against the Company;

2. delegates its authority to the Management Board, with the power of sub-delegation under the conditions fixed by the law and regulations, to decide on, each time subject to the prior authorization of the Supervisory Board, in one or more times, in France or abroad, in the proportion or at the times it wishes, either in Euros, or in any other currency or monetary unit with reference to several currencies, with the retention of preferential subscription rights, the issue of financial securities providing or being able to provide entitlement to the share capital of companies of which the Company holds directly or indirectly more than half of the capital;

3. decides that the nominal amount nominal of the increase(s) in capital likely to be realized immediately or subsequently pursuant to this delegation of authority may not exceed a maximum nominal amount of seventy-five million Euros (€75,000,000), or the exchange value of such amount at the date of decision for the issue, not taking into account the nominal amount of shares to be issued, where applicable, in respect of adjustments which must be carried out, in accordance with the provisions of laws and regulations as well as all applicable contractual stipulations, to preserve the rights of the holders of financial securities providing, or being able to provide entitlement to the Company's share capital, it being specified that the ceiling for the Company's increases in capital, with or without preferential right of subscription, provided for in the eighth, tenth and eleventh resolutions submitted to the General Meeting, will be deducted from this overall ceiling;

The General Meeting:

- decides that the issue(s) likely to be decided by the Management Board pursuant to this delegation of authority will be reserved by preference to the shareholders who will be able to subscribe to securities not in excess of those they may subscribe to as of right ("souscrire à titre irréductible") in proportion to the number of shares then held by them;
- records the fact that the Management Board has the right to institute the right to subscribe to securities in excess of those they may subscribe to as of right ("un droit de souscription à titre réductible") which will be exercised in proportion to the subscription rights which the shareholders have but within the limits of their requests;
- records the fact that this delegation of authority carries along with it, for the benefit of the holders of financial securities issued providing or being able to provide an entitlement to the Company's share capital, an automatic waiver by the shareholders of their preferential subscription rights to the shares to which these securities will immediately or subsequently provide an entitlement;
- records the fact that, in accordance with Article L. 225-134 of the French Commercial Code, if the subscription not in excess of those they subscribe to as of right and, if the case arises, the subscription of securities in excess of those they may subscribe to as of right, have not accounted for the total issue of shares or financial securities providing or able to provide an entitlement to the Company's share capital, the Management Board may use, under the terms and conditions provided for by the law and in the order that it will determine, one and/or the other of the following rights:
  - to limit the issue to the amount of the subscriptions subject to the condition that this not be less than three-quarters of the decided issue;
  - to allocate freely in whole or part the shares or, as the case may be, the financial securities providing or being able to provide an entitlement to the Company's share capital, the issue of which has been decided but hasn't been subscribed;
  - to offer to the public on the French market or abroad in whole or part the shares or, as the case may be, the financial securities providing or being able to provide an entitlement to the Company's share capital, the issue of which has been decided but hasn't been subscribed;
- decides that issues of warrants for the Company's shares will be able to be performed by subscription offer, but also by the free allocation to the owners of existing shares, it being specified that the Management Board will have the right to decide that the fractional share allocation rights will not be negotiable and that the corresponding securities will be sold; and
- states that the Management Board must report to the next ordinary general meeting, in

accordance with the law and regulations, on the use made of the delegations of authority granted in this resolution.

The General Meeting invests all powers in the Management Board, with the right to sub-delegate under the terms and conditions provided for by the law and regulations, in order to implement this delegation of authority, and in particular:

- to decide on the increase in capital and to determine the securities to issue;
- to decide the amount of the increase in capital, the issue price of the securities to be issued as well as the amount of any accompanying premium, where applicable;
- to determine the dates and the terms of the increase in capital, the nature and characteristics of the securities to be issued;
- to determine the method of payment of the shares or the financial securities providing or able to provide an entitlement to the Company's share capital, immediately or subsequently;
- to fix, if necessary, the terms for the exercise of the rights, where applicable, to convert, to exchange, to be refunded, including by the handing-over of the Company's assets such as securities already issued by the Company, attached to the shares or the financial securities providing or being able to provide an entitlement to the Company's share capital to be issued immediately or subsequently and, in particular, to fix the date, even retroactively, as from which the new actions will carry dividend rights, as well as all other terms and conditions of the realization of the increase in capital;
- to fix the terms according to which the Company will have, where applicable, the right to buy or exchange on the stock market, at any time or during determined periods, the financial securities providing or being able to provide an entitlement to Company's issued share capital or to issue immediately or subsequently in order to cancel them or not, taking into account the legal provisions;
- to provide for the right potentially to suspend the exercise of rights attached to these securities in accordance with legal provisions;
- at its sole initiative, to deduct the expenses of the increase in capital from the amount of the premia which are related to it and to deduct from this amount the sums necessary to fund the legal reserve;
- to carry out all adjustments intended to take into account the incidence of transactions with respect to the Company's share capital, in particular in the event of modification of the par

value of the shares, of increase in capital by incorporation of reserves, free attribution of shares, split or consolidation of shares, distribution of reserves or of any other assets, redemption of capital, or any other operation relating to the shareholders' equity, and to fix the terms by which the protection of the rights of the holders of securities providing or being able to provide an entitlement to the Company's share capital will be ensured, when applicable;

- to note the realization of each increase in capital and to amend the by-laws accordingly; and
- in a general manner, to enter into any agreement, in particular to carry off the issues foreseen successfully, to take any measures and to carry out all formalities useful for the issue, the listing and the financial servicing of the shares and/or the financial securities issued under the terms of this delegation as well as the exercise of the rights which are attached to it.

This delegation of authority is granted for a duration of twenty-six (26) months with effect from this General Meeting.

#### **Eighth resolution - Reserved issue of bonds convertible in shares for a maximum total amount of approximately €57,150,000**

The General Meeting, deciding with the required quorum and majority for extraordinary general meetings, after having reviewed the report of the Management Board and the auditor's special reports pursuant to Articles L. 225-135, L. 225-138 and L. 228-92 of the French Commercial Code, in accordance with the provisions of Articles L. 225-129, L. 225-129-1, L. 225-138 and L. 228-91 et seq. of the French Commercial Code, and after having noted that the Company's share capital is fully paid-up, decides, subject to the adoption by the General Meeting of the ninth and tenth resolutions:

- the issue, with removal of the preferential right of subscription of the shareholders, of a maximum total number of 5,715,000 bonds convertible into shares (CB), representing a debenture loan in a maximum amount of €57,150,000 providing a right upon conversion to a maximum total amount of 5,715,000 new shares of the Company of a par value of €2 each, resulting in an increase in capital of a maximum nominal amount of €11,430,000; The CB must be fully paid-up at their subscription by set-off with certain, liquid and due Latécoère receivables the amount of which will be fixed by the Management Board and certified by the Company's auditors; Moreover, the payment of

- the CB will be recorded by a certificate established by the Company's auditors;
- that the subscription of the CB will be reserved exclusively to banking establishments which hold medium-term Latécoère loan receivables and have accepted to subscribe to the CB for part their receivables, which constitute a category of persons meeting determined characteristics for the purposes of Article L. 225-138 of the French Commercial Code; and
- that the issue of the CB must be realized no later than December 31, 2010.

The General Meeting decides to set the main characteristics of the CB as follows:

- the CB will be divided into three tranches (Tranches I, II and III), the characteristics of the CB making up each of the tranches will be strictly identical, with the exception of the guarantees granted by the Company for each of the tranches so as to guarantee the reimbursement in cash;
- the Tranche I, representing 4,940,000 CB I, convertible into new shares of the Company, of a par value per unit of €10; the CB I will not benefit from any surety or guarantee;
- the Tranche II, representing 225,000 CB II, convertible into new shares of the Company, of a par value per unit of €10; the reimbursement in cash of the CB II will be secured by a charge on the business ("nantissement du fonds de commerce") of Latécoère; and
- the Tranche III, representing 550,000 CB III, convertible into new shares of the Company, at a par value per unit of €10; the reimbursement in cash of the CB III will be secured by a security assignment of trade receivables;
- The Company will be able, at its sole discretion, to proceed at any moment as from the issue of the CB and within the framework of a merger, subject to thirty calendar days' minimum notice, with the refund in advance in cash of the totality of the CB remaining in circulation, at their par value increased by accrued unpaid interest;
- The CB will bear interest at the interest rate defined for a period of six (6) months to come which will be equal to the six-month Euribor rate predetermined at the beginning of the period as noted at the European Central Bank's fixing at the issue date of the CB and subsequently at each anniversary date of the issue date, plus three hundred fifty basis points during the first two years following the issue date, and three hundred basis points thereafter. Interest will be payable in arrears.

- At maturity, and subject to adjustments, the CB will be convertible into new shares of the Company as follows: there will be a conversion right attached to each CB, which will give the right to subscribe to one new share to be issued by the Company at a par value per unit of €2; and
- The CB will be issued and held exclusively in registered form. They will not be the object of any application for trading on a regulated market in France or abroad.

The General Meeting decides:

- that the maximum nominal amount of the increase in capital and the number of new shares to be issued following the conversion of the CB doesn't take into account the potential adjustments to be made in case of transactions with respect to the share capital referred to in Articles L.228-98 et seq. of the French Commercial Code or in accordance with the specific stipulations applicable to the CB under the contract for the CB;
- that pursuant to Article L. 225-132 paragraph 6 of the French Commercial Code, this issue of CB carries along with it, for the benefit of the holders of the CB, a waiver by the existing shareholders of their preferential rights of subscription to the new shares which will be issued on conversion of the CB; and
- that the new shares of the Company issued from the conversion of the CB will have current dividend rights, and will give right to any dividend which would be paid, when applicable, as from the date of conversion, subject to entry in account of the new shares resulting from the conversion of CB before the date of detachment of the coupon. They will be subject to all the stipulations of the Company's by-laws and will be entirely similar to the existing shares. They will be the subject of an application for trading on the Euronext Paris market on the same quotation line as the existing shares.

The General Meeting invests all powers in the Management Board, with the right to sub-delegate under the terms and conditions provided for by the law and regulations, in order to realize the issue of the CB, and in particular:

- to draw up the final list of the subscribers of CB and the number of CB to allocate to each of them;
- to carry out the issue of the CB promptly and, in any event, no later than December 31, 2010;

- to fix the characteristics and terms of the CB other than those provided for in this resolution;
- to receive the subscriptions and to note these subscriptions, when applicable, by set-off with the certain, liquid and due Latécoère receivables;
- to note the realization of each of the increases in capital resulting from the issue of the shares issued further to the conversions of the CB and to amend the by-laws of the Company accordingly;
- to take, generally, all measures necessary and to conclude all agreements to enable the issue of the CB; and
- to carry out all publication formalities and notifications required, and to apply for all authorizations which should prove themselves necessary to the realization and to the successful carrying off of the issue of CB;

The General Meeting decides that the Management Board will have the right to decide to deduct the expenses, duties and fees caused by the issue of the CB from the amount of the corresponding share premium and to deduct from this amount the sums necessary to fund the legal reserve.

The General Meeting records that the Management Board will report to the next ordinary general meeting, in accordance with Articles L. 225-129-5 and L. 225-138 of the French Commercial Code, of the use made of the delegation granted in this resolution;

#### **Ninth resolution - Removal of the preferential right of subscription to enable the issue of the CB**

The General Meeting, deciding with the required quorum and majority for extraordinary general meetings, after having reviewed the report of the Management Board and the auditor's special report pursuant to Article L. 225-138 II of the French Commercial Code, in accordance with the provisions of Article L. 225-135 paragraph 1 of the French Commercial Code, decides, subject to the adoption by the General Meeting of the previous resolution, to remove the preferential right of subscription of the shareholders in respect of the subscription of the CB referred to in the eighth resolution above and to reserve the subscription entirely for the benefit of banking establishments which hold medium-term Company loan receivables designated by the Management Board, which constitute a category of persons meeting determined characteristics for the purposes of Article L. 225-138 of the French Commercial Code.

#### **Tenth resolution - Authorization of the issue by LATElec of convertible bonds providing an entitlement to shares of the Company for a maximum total amount of approximately €14,350,000**

The General Meeting, deciding with the required quorum and majority for extraordinary general meetings, after having reviewed the report of the Management Board and the auditor's special report, and in accordance with the provisions of Articles L. 228-92 and L. 228-93 of the French Commercial Code:

1. records that, in accordance with the provisions of Article L.228-93 of the French Commercial Code, the Company holds directly or indirectly more than half of the capital of LATElec.

2. authorizes, in accordance with the provisions of Article L. 228-93 of the French Commercial Code and subject to the condition precedent of the realization of the issue of bonds convertible into shares of the Company by virtue the eighth and ninth resolutions, the issue of 1,435,000 LATElec CB by LATElec (i) representing a debenture loan in the maximum amount of €14,350,000 providing a right on conversion to a maximum total number of 1,435,000 new shares of the Company of a par value of €2 each, in accordance with the agreements resulting from the Agreement, (ii) of which the terms and conditions will be fixed by LATElec's member and (iii) reserved to the banking establishments holding LATElec medium-term loan receivables having accepted to subscribe LATElec CB for the amount of their LATElec receivables, which constitute a category of persons meeting determined characteristics for the purposes of Article L. 225-138 of the French Commercial Code and of which the final list of subscribers of LATElec CB and the number of LATElec CB to allocate to each of them will be drawn up by the Chairman of LATElec.

The General Meeting records that this decision carries along with it:

- the authorization to carry out an increase in the Company's share capital in a maximum nominal amount of €2,870,000 for the issue of 1,435,000 shares of a par value of €2 each, on conversion of the LATElec CB; and
- an express waiver by the Company's shareholders of their preferential right of subscription to the new shares of the Company to be issued on conversion of the LATElec CB to the above-mentioned banking establishments holding LATElec medium-term loan receivables;

The General Meeting invests all powers in the Management Board, with the right to sub-delegate under  
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the terms and conditions provided for by the law and regulations, in order:

- to note the conversion of the LATElec CB by their holders, the number of Latécoère shares issued in consideration of such conversion and the amount of the corresponding increase in capital;
- to decide on the current dividend rights of the new shares of the Company issued as a result of the conversion of LATElec CB and to make an application for trading on the Euronext Paris market on the same quotation line as the existing shares; and
- to carry out, in accordance with law, the formalities subsequent to the increase in capital resulting from the conversion of LATElec CB, to modify the by-laws accordingly and to take all necessary measures to preserve the rights of the holders of the LATElec CB in the terms and conditions defined in Articles L. 228-99 et seq. of the French Commercial Code.

**Eleventh resolution - Delegation of authority to the Management Board to decide on the issue, with removal of the preferential right of subscription, of shares or of financial securities providing or being able to provide entitlement to the share capital of the Company, reserved to the members of savings schemes**

The General Meeting, deciding with the required quorum and majority for extraordinary general meetings, after having reviewed the report of the Management Board and the auditor's special report, and in accordance with, on the one hand, the provisions of Articles L. 225-129, L. 225-129-2, L. 225-129-6, L. 225-138 and L. 225-138-1 of the French Commercial Code, and, on the other hand, those of Articles L. 3332-18 et seq. of the French Labor Code:

1. delegates its authority to the Management Board, with the power to sub-delegate under the conditions fixed by the law and regulations, to decide on, subject to the prior authorization of the Supervisory Board, in one or more times, in the proportion or at the times it wishes, the issue of shares, to the exclusion of preferred shares, and/or financial securities of whatsoever nature, with the exception of securities providing or being able to provide an entitlement to the share capital of the Company (whether new or existing shares), for the benefit of members of one or more company savings schemes (or any other scheme to the members of which Article L. 3332-18 the French Labor Code allows to reserve an increase in capital on equivalent terms and conditions) established within a firm or group of firms, whether French or foreign, entering into the consolidation scope or of combination of the Company's accounts in application of Articles L. 3344-1 and L. 3344-2 of the French Labor Code, it being specified that the payment

of the shares and the other securities may be done in cash, or by set-off with certain, liquid and due Company receivables;

2. decides that the amount of the increase(s) in capital likely to be realized immediately or subsequently pursuant to this delegation of authority may not exceed a maximum nominal amount of two million euros (€2,000,000), it being specified that the nominal amount stipulated above constitutes a ceiling which will be deducted from the overall ceiling provided for in the seventh resolution submitted to the General Meeting;

3. removes the preferential right of subscription of the shareholders for the shares and financial securities providing or being able to provide an entitlement to the Company's share capital, the issue of which is likely to be realized pursuant to this delegation of authority, for the benefit of the beneficiaries stated above in paragraph 1.

The General Meeting:

- decides that the issue price of the shares or the financial securities providing or being able to provide an entitlement to the Company's share capital will be determined on the terms and conditions provided for by Article L. 3332-19 of the French Labor Code;
- authorizes the Management Board, on the terms and conditions of this delegation of authority, to carry out the assignments of shares to a company savings scheme in accordance with the applicable legal provisions;

The General Meeting invests all powers to the Management Board, with the right to sub-delegate under the terms and conditions provided for by the law and regulations, in order to implement this delegation of authority, and in particular:

- to draw up on the legal terms and conditions the list of the companies of which the beneficiaries stated in paragraph 1 above will be able to subscribe the shares or the financial securities allocated for free and providing or being able to provide an entitlement to the Company's share capital as well as to issue and to benefit, where applicable, from shares or financial securities providing or being able to provide an entitlement to the Company's share capital;
- to decide that the subscriptions will be able to be realized directly by the beneficiaries, members of a company savings scheme, or through company investment funds or other structures or entities allowed by provisions of the applicable laws or regulations;
- to fix the terms and conditions, in particular of seniority, that the beneficiaries of increases in capital must fulfill;

- to fix the opening and closing dates of the subscriptions;
- to fix the amounts of issues which will be realized pursuant to this authorization and to fix in particular the issue prices, dates, period, terms and conditions of subscription, of payment, of delivery and dividend rights of securities, even retroactively, the rules of reduction applicable in case of oversubscription, as well as the other terms and conditions of the issues, within the limits of laws and regulations in force;
- in the case of the issue of new shares, to deduct, when applicable, from the reserves, profits or share premia, the sums necessary for the payment of such shares;
- at its sole initiative, to deduct the expenses of the increase in capital from the amount of the premia which are related to it and to deduct from this amount the sums necessary to fund the legal reserve;
- to note the increase(s) in capital realized pursuant to this delegation of authority and to amend the by-laws accordingly;
- in a general manner, to enter into any agreement, in particular to carry off the issues foreseen successfully, to take any measures and to carry out all formalities useful for the issue, the listing and the financial servicing of the shares and/or the financial securities issued under the terms of this delegation as well as the exercise of the rights which are attached to it.

This delegation of authority is granted for a duration of twenty-six (26) months with effect from this General Meeting.

#### Twelfth resolution – Formalities

The General Meeting invests all powers in the bearer of a counterpart, a copy or an extract of these minutes in order to perform all the formalities of filing or legal notice.

The General Meeting includes all shareholders, whatever the number of shares they hold.

The right to take part in general meetings is justified by the registration of the shares in the name of the shareholder or the intermediary registered for his account, at the third working day preceding the meeting at zero hour, Paris time:

- either in the registered securities accounts held by the Company,
- or in the accounts of bearer shares held by the authorized intermediary.

The registration of the shares to the bearer is noted by a certificate of interest delivered by the authorized intermediary. In order to take part in the meeting, this certificate of interest must be transmitted to Crédit Agricole Investor Services Corporate Trust; 14 rue Rouget de Lisle; 92862 Issy les Moulineaux cedex 09, France, in order to obtain an admission card, or be presented the day of the meeting by the shareholder if he hasn't received his admission card.

If unable to attend the meeting personally, shareholders may choose one of the three following options:

- To give a proxy to their spouse or to another shareholder;
- To address a proxy to the company without indicating a position;
- To vote by postal ballot.

A single form of postal ballot or proxy and its annexes will be sent to the registered shareholders.

Holders of bearer shares must request that Crédit Agricole Investor Services Corporate Trust; 14 rue Rouget de Lisle, 92862 Issy les Moulineaux cedex 09, France, send them a single form of postal ballot or proxy. Requests must be received no later than six days before the date of the meeting in order to be valid.

This form must be returned, accompanied for the holders of bearer shares by their certificate of interest, in such a way that the services of Crédit Agricole Investor Services Corporate Trust; 14 rue Rouget de Lisle; 92862 Issy les Moulineaux cedex 09 receive it no later than three days before the holding of the meeting.

Requests by shareholders to include proposed resolutions on the agenda must be sent to the registered office by registered letter return receipt requested no later than twenty-five days before the holding of the general meeting.

In accordance with Article R. 225-84 of the French Commercial Code, any shareholder can address written questions to the Chairman of the Management Board of the company from the date of this notice until the fourth working day prior to the date of the general meeting, or June 21, 2010. These written questions must be sent by registered letter return receipt requested addressed to the registered office. They must be accompanied by a certificate of entry in account.

This notice constitutes notice of the meeting subject to no modification being made to the meeting agenda.

#### The Management Board

### **10.3 Report of the Statutory Auditors on the transactions relating to the capital provided for in the seventh, eighth, ninth, tenth and eleventh resolutions of the Extraordinary General Meeting on June 25, 2010**

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As statutory auditors of your Company, and in fulfillment of the missions provided for by the French Commercial Code, we present below our report on the transactions on which you have been asked to decide.

#### **1 Issue of shares and/or of miscellaneous securities with retention of the preferential right of subscription (seventh resolution)**

In fulfillment of the mission provided for in the French Commercial Code, and in particular in Article L. 228-92, we present below our report on the proposals of delegations to the management board of different issues of common stock and securities, transactions on which you have been asked to decide.

Your management board proposes to you, on the basis of its report to delegate to it, for a duration of twenty-six (26) months, the authority to decide on the following transactions and to fix the final terms and conditions of these issues: issue of common stock and/or of securities providing an entitlement to new shares of the company or any other company of which it directly or indirectly holds more than the half of capital, with the retention of the preferential right of subscription, including the possibility of the free attribution of share warrants to holders of existing shares.

The overall nominal amount of the increases in capital likely to be realized immediately or subsequently may not exceed €75,000,000 pursuant to the seventh, eighth, ninth, tenth and eleventh resolutions.

It is the responsibility of your management board to establish a report in compliance with Articles R. 225-113, R. 225-114 and R. 225-117 of the French Commercial Law. We are responsible to give our opinion on the fair presentation of the quantified information taken from the accounts and on certain other information concerning these transactions, given in this report.

We have implemented the procedures that we have considered necessary with regard to the professional policy of the "Compagnie nationale des commissaires aux comptes" relating to this mission. These procedures consisted in checking the content of the report of the management board related to these transactions and the terms of the determination of the issue price of shares of capital to be issued.

As the management report does not specify the terms of the determination of the issue price of shares of capital to be issued in the implementation of this seventh resolution, we are unable to give our opinion on the choice of the elements of the calculation of the issue price.

The amount the issue price of the shares of capital to be issued not having been fixed, we express no opinion on the final conditions under which the issues will be realized.

In compliance with Article R. 225-116 of the French Commercial Code, we will establish a supplementary report, when applicable, at the time of use of these authorizations by your management board in the case of the issue of common shares and/or of securities providing an entitlement to share capital.

#### **2 Issue of bonds convertible into shares of the company with a removal of the preferential right of subscription (eighth and ninth resolutions)**

In fulfillment of the mission provided for in the French Commercial Code, and in particular in Articles L. 225-135, L. 225-138 and L. 228-92, we present our report on the proposed issue of convertible bonds providing an entitlement to share capital, transactions on which you have been asked to decide.

Your management board proposes to you, on the basis of its report, to delegate to it, until December 31, 2010, the power to fix the terms of these issues, and to remove your preferential right of subscription to enable the issue of convertible bonds providing an entitlement to new shares of the company, presenting the following characteristics (eighth and ninth resolutions):

- issue reserved to banking establishments which hold medium-term loan receivables of the company;
- division of the convertible bonds into three tranches, each with identical characteristics with the exception of the guarantees granted by the company;

- for a maximum amount of €57,150,000, issued for a par value per unit of €10, representing a maximum number of 5,715,000 convertible bonds to be issued;
- to be paid-up at their subscription by set-off with the certain, liquid and due receivables of the company;
- each convertible bond providing a right to one new share to be issued for a par value per unit of €2, resulting in an increase in capital of a maximum nominal amount of €11,430,000.

It is the responsibility of your management board to establish a report in compliance with Articles R. 225-113 and R. 225-114 of the French Commercial Code. We are responsible to give our opinion on the fair presentation of the quantified information taken from the accounts and on certain other information concerning these transactions, given in this report.

We have implemented the procedures that we have considered necessary with regard to the professional policy of the "Compagnie nationale des commissaires aux comptes" relating to this mission. These procedures consisted in checking the content of the report of the management board related to these transactions and the terms of the determination of the issue price of shares of capital to be issued.

Subject to the further review of the terms and conditions of the proposed issues, we have nothing to report on the terms of the determination of the issue price of the share of capital to be issued given in the report of the management board pursuant to the eighth and ninth resolutions.

The amount the issue price of the shares of capital to be issued not having been fixed, we express no opinion on the final conditions under which the issues will be realized and, as a consequence, on the proposal to remove the preferential right of subscription which is made to you in the eighth<sup>and</sup> ninth resolutions, it being reminded that the transactions for the issue of convertible bonds are intended to be in accordance with the conciliation agreement signed with the banks.

In compliance with Article R. 225-116 of the French Commercial Code, we will establish a supplementary report at the time of realization of these transactions by your management board.

### **3 Issue by LATElec of securities providing a right to the attribution of new share of the company (tenth resolution)**

In fulfillment of the mission provided for in Articles L. 228-92 and L. 228-93 of the French Commercial Code, we present our report on the proposed issue by the LATElec Company of bonds convertible in shares of the Latécoère S.A. Company with removal of the preferential right of subscription, transaction on which you have been asked to decide.

These LATElec convertible bonds offer the following characteristics:

- issue reserved to banking establishments which hold medium-term loan receivables of the LATElec company;
- for a maximum amount of €14,350,000, issued for a par value per unit of €10, representing a maximum number of 1,435,000 convertible bonds to be issued;
- to be paid-up at their subscription by set-off with the certain, liquid and due receivables of the LATElec company;
- each convertible bond providing a right to one new share of the Latécoère S.A. Company to be issued for a par value per unit of €2, resulting in an increase in capital of a maximum nominal amount of €2,870,000.

It is the responsibility of your management board to establish a report in compliance with Articles R. 225-113, R. 225-114 and R. 225-115 of the French Commercial Code. We are responsible to give our opinion on the fair presentation of the quantified information taken from the accounts and on certain other information concerning these transactions, given in this report.

We have implemented the procedures that we have considered necessary with regard to the professional policy of the "Compagnie nationale des commissaires aux comptes" relating to this mission. These procedures consisted in checking:

- the information provided in the report of the management board on the reasons for the proposal to remove the preferential right of subscription, on the grounds for the choice of the elements of calculation of the issue price and on its amount as well as on the fair value of the hedging instruments at March 31, 2010;
- the quantified information taken from the consolidated financial statements for the year ended on December 31, 2009 and approved by the management board. We have performed an audit of these consolidated financial statements in accordance with French professional standards.

We have nothing to report on:

- the fair presentation of the quantified information taken from the consolidated financial statements of the company and provided in the report of the management board;

- the proposal to remove the preferential right of subscription made to you as well as the choice of the elements of calculation of the issue price of the shares of capital to be issued and its amount;
- the presentation of the transaction on the situation of holders of shares of capital and securities providing an entitlement to share capital assessed in relation to the shareholders' equity and on the stock market value of the shares.

**4 Issue of shares and of securities reserved to the members of a company savings scheme in accordance with the provisions of the French Commercial Code and of Articles L. 3332-18 et seq. of the French Labor Code (eleventh resolution)**

In fulfillment of the mission provided for in Articles L. 225-135, et seq. of the French Commercial Code, we present our report on the proposed delegation to the management board of the authority to decide to carry out an increase in capital, in one or more times, by the issue of shares of capital with the removal of the preferential right of subscription, for a maximum nominal amount of €2,000,000, it be specified that this ceiling of €2,000,000 is included in the overall ceiling of €75,000,000 for any increase in capital likely to be realized by virtue of the delegations and authorizations granted in connection with this meeting, transaction on which you have been asked to decide.

These increases in capital have been submitted for your approval in accordance with Article L. 225-129-6 of the French Commercial Code and L. 3332-18 et seq. of the French Labor Code.

Your management board proposes to you, on the basis of its report, to delegate to it for a duration of twenty-six (26) months, the authority to decide on one or more increases in capital and to waive your preferential right of subscription to the shares of capital to be issued. When applicable, it will be up to it to fix the terms and conditions of issue for these transactions.

It is the responsibility of your management board to establish a report in compliance with Articles R. 225-113, R. 225-114 and R. 225-117 of the French Commercial Code. We are responsible to give our opinion on the fair presentation of the quantified information taken from the accounts, on the proposal to remove the preferential right of subscription and on certain other information concerning the issue, given in this report.

We have implemented procedures that we have considered necessary with regard to the professional policy of the "Compagnie nationale des commissaires aux comptes" relating to this mission. These procedures consisted in checking the content of the report of the body having authority related to this transaction and the terms of the determination of the issue price of shares of capital to be issued.

Subject to the further review of the terms and conditions of the increases in capital which will be decided, we have nothing to report on the terms of the determination of the issue price of the shares of capital to be issued given in the report of the management board.

The amount the issue price of the shares of capital to be issued not having been fixed, we express no opinion on the final conditions under which the issues will be realized and, as a consequence, on the proposal to remove the preferential right of subscription which is made to you.

In compliance with Article R. 225-116 of the French Commercial Code, we will establish a supplementary report, when applicable, at the time of use of these authorizations by your management board.

The Statutory Auditors

Toulouse Labège, June 9, 2010

Paris, June 9, 2010 9 juin 2010

KPMG Audit  
A division of KPMG S.A.

Grant Thornton  
French Member of Grant Thornton International

Christian Libéros  
Partner

François Pons  
Partner

# 11 HISTORICAL INFORMATION

Pursuant to Article 28 of Regulation (EC) N° 809/2004 of the European Commission of April 29, 2004, the following information is incorporated by reference in this "document de référence":

- The 2008 consolidated financial statements and the 2008 financial statements, as well as the reports of the auditors relating to the year ended on December 31, 2008 appear in paragraphs 3 and 4 of the annual financial report for the year 2008 filed with the French Financial Markets Authority (AMF);
- the key financial information, the Management Report of the Company and of the Group and the whole of the financial information related to the year ended on December 31, 2008 appear at paragraph 2 of the annual financial report for the year 2008 filed with the AMF and on our website dated April 30, 2009;
- The 2007 consolidated financial statements and the 2007 financial statements, as well as the reports of the auditors relating to the year ended on December 31, 2007 appear in paragraphs 3 and 4 of the annual financial report for the year 2008 filed with the French Financial Markets Authority (AMF);
- the key financial information, the Management Report of the Company and of the Group and the whole of the financial information related to the year ended on December 31, 2007 appear at paragraph 2 of the annual financial report for the year 2007 filed with the AMF and on our website dated April 30, 2008;

# 12 PERSONS RESPONSIBLE AND STATUTORY AUDITORS

## 12.1 Person responsible for the document

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François Bertrand, Chairman of the Management Board, appointed on January 7, 2003 and reappointed on January 6, 2009 for a term of six years

## 12.2 Statement of the persons responsible for the "Document de Référence"

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"Having taken all reasonable care to ensure that such is the case, I hereby declare that, to the best of my knowledge, the information contained in this "Document de référence" accurately reflects the facts and contains no omission likely to affect its meaning. I hereby declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the company and of the consolidated entities; and that the management report set forth in chapter 4 of the "Document de référence", includes a fair review of the development and performance of the business, the results and financial position of the company and of the consolidated entities together with a description of the principal risks and uncertainties that they face.

I have obtained a letter from the statutory auditors certifying that they have verified the financial and accounting information provided in this document and that they have read the document in entirety.

The consolidated financial statements of the year ended on December 31, 2009, presented in the "Document de référence", have been the subject of a report of the statutory auditors, set forth in chapter 5.7 of such document which contains comments regarding the conditions of a dispute with a customer, the entry in current liabilities of all of the financial debt subject to covenants, the description of the Group's liquidity risks and the agreements concluded with financial partners.

The consolidated financial statements of the year ended on December 31, 2008, presented in the 2008 Annual Financial Report and incorporated by reference in this document in chapter 11, have been the subject of a report of the statutory auditors, set forth in chapter 3.6 of such Annual Financial Report, which contains comments regarding the consequences on revenue of sporadic invoicing and the financial expense related to the time value of foreign exchange options.

The consolidated financial statements of the year ended on December 31, 2007, presented in the 2007 Annual Financial Report and incorporated by reference in this document in chapter 11, have been the subject of a report of the statutory auditors, set forth in chapter 3.6 of such Annual Financial Report, which contains

comments regarding the situation of covenant ratios on financial loans, the analysis of sensitivity to the dollar/euro parity on construction contracts and the change in Research-based Tax Credit Presentation."

The Chairman of the Management Board  
François Bertrand

## 12.3 Statutory auditors

### **KPMG Audit, A division of KPMG S.A.**

Rue Carmin, BP 17610, 31676 Labège Cedex, France

Statutory Auditor

Represented by Mr. Christian Libéros

Appointed on: 6/25/1993; reappointed on: 6/27/2008

End of their appointment at the end of the Annual General Meeting, which will rule on the financial statements for the fiscal year 2013.

### **GRANT THORNTON**

100, rue de Courcelles, 75017 Paris, France

Statutory Auditor

Represented by Mr. François Pons

Appointed on: 6/10/1983; reappointed on: 6/03/2005

End of their appointment at the end of the Annual General Meeting, which will rule on the financial statements for the fiscal year 2010.

### **Mr. Patrick Carricondo**

Rue Carmin, BP 17610, 31676 Labège Cedex, France

Substitute statutory Auditor

Appointed on: 5/06/2004, reappointed on: 6/27/2008

End of their appointment at the end of the Annual General Meeting, which will rule on the financial statements for the fiscal year 2013.

### **Mr. Thierry Chautant**

42, avenue Georges Pompidou, 69442 Lyons Cedex 03, France

Substitute statutory Auditor

Appointed on: 6/03/2005

End of their appointment at the end of the Annual General Meeting, which will rule on the financial statements for the fiscal year 2010.

## 1.4 Fees Paid to the Statutory Auditors

('000 EURO)	KPMG				GRANT THORNTON				Autres CAC			
	Amount		%		Amount		%		Amount		%	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
<b>Audit :</b>												
<b>Statutory audit, certification, review of individual and consolidated financial statements</b>												
- Issuer	135	262	43%	25%	118	94	95%	95%				
- Subsidiaries	146	76	47%	7%	6	5	5%	5%	16		100%	
<b>Other engagements and services directly related to the statutory audit engagement</b>												
- Issuer	16	361	5%	34%								
- Subsidiaries												
<b>Sub-total</b>	<b>297</b>	<b>699</b>	<b>95%</b>	<b>66%</b>	<b>124</b>	<b>99</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>16</b>	<b>0%</b>	<b>100%</b>
<b>Other services, if applicable:</b>												
- Legal, tax and labor	17		5%	0%								
- Information Technology			0%	0%								
- Internal Auditing			0%	0%								
- Other		361	0%	34%								
<b>Sub-total</b>	<b>17</b>	<b>361</b>	<b>5%</b>	<b>34%</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>0%</b>	<b>0</b>	<b>0</b>	<b>0%</b>	<b>0%</b>
<b>TOTAL</b>	<b>314</b>	<b>1 059</b>	<b>100%</b>	<b>100%</b>	<b>124</b>	<b>99</b>	<b>100%</b>	<b>100%</b>	<b>0</b>	<b>16</b>	<b>0%</b>	<b>100%</b>

# 13 ADDITIONS TO THE ANNUAL FINANCIAL REPORT

## 13.1 Independence of the Members of the Supervisory Board

This paragraph completes paragraph 7.1 of the Report of the Chairman of the Supervisory Board on Corporate Governance and Internal Control.

The Nominations and Compensation Committee, in light of an independent audit based on the recommendations of the AFEP-MEDEF, found five Members of Supervisory Board to be independent. Indeed, these Members:

- are neither employees nor holders of an operational position within the Group,
- are neither corporate officers of a company, nor directors of a company which holds directly or indirectly a position as director within the Group,
- are neither customers, nor suppliers, nor investment bankers, nor commercial bankers that are material nor commercial bankers for whom the Group represents a significant share of their business
- do not have a close family tie with a corporate officer
- have not been auditors of the firm during the previous five years
- have not been a director of the company for more than twelve years

The Group does not respect all of the recommendations of the AFEP-Medef in connection with the independence insofar as only 38% of the Members of Supervisory Board are regarded as independent. The goal is to have this percentage increase to reach the threshold of the recommendations, or 50%.

## 13.2 Additional information relating to the Members of the Supervisory Board

In respect of their positions, the Members of the Supervisory Board are domiciled at c/o LATECOERE, 135, Rue de Périole, BP 25211, 31079 Toulouse cedex 05, France.

Name	Positions	Duties		First appointment Date	Other positions	Other current duties	Duties (except subsidiaries) during the last 5 years, already expired	Number of shares owned
		Nature	Expiring					
Jean Claude CHAUSSONNET (68)	None	Chairman of the Supervisory Board	General meeting 2015	Jan-03		Director RECAERO	Director CORSE COMPOSITES AERONAUTIQUE	10
Jean Jacques PIGNERES (64)	None	Vice Chairman of the Supervisory Board	General meeting 2015	Jun-09	Member of the Audit & Financial Statement Committee	Member of the Supervisory Board, LATECOERE AEROSERVICES Chairman LATECOERE DEVELOPPEMENT Director, SEA		25
Pierre LATECOERE (46)	None	Member of the Supervisory Board	General meeting 2015	Jan-03	Member of the Nomination & compensation Committee	Chairman of the Supervisory Board LATECOERE AEROSERVICES	Chairman of the Board of Directors ETAMIC	110
Pierre ALESI (77)	None	Member of the Supervisory Board	General meeting 2015	Jan-03		Director CORSE COMPOSITES AERONAUTIQUE	None	10
Christian BEUGNET (66)	Secrétaire général	Member of the Supervisory Board	General meeting 2015	Jan-03	President of the Nomination & Compensation Committee	Director CORSE COMPOSITES AERONAUTIQUE	None	10
Gérard CAVERIVIERE (57)	Directeur de l'amélioration continue	Member of the Supervisory Board	General meeting 2015	Jan-03	Member of the Nomination & compensation Committee	None	None	34
Patrick CHOLLET (47)	None	Member of the Supervisory Board	General meeting 2015	Jan-03	Member of the Audit & Financial Statement Committee	Chairman CHOLLET Finances Investissements	None	99
Hervé COSTES (57)	Technician manager, Secretary of the Works Council	Member of the Supervisory Board	General meeting 2015	Jan-03	Member of the Nomination & compensation Committee	None	None	42

Name	Positions	Duties		First appointment Date	Other positions	Other current duties	Duties (except subsidiaries) during the last 5 years, already expired	Number of shares owned
		Nature	Expiring					
<b>Christian REYNAUD (65)</b>	None	Member of the Supervisory Board	General meeting 2015	Jan-03	President of the Audit and Financial Statement Committee	Chairman of the Board and CEO, IRDI Director MIDI PYRENEES CREATION Director FONDS D'AMORCAGE MIDI PYRENEES Vice chairman of the Supervisory Board, SOCRI Chairman of the Supervisory Board, ICISO GESTION Chairman SORID	None	200
<b>Yves DA COSTA (41)</b>	Quality Technician and union representative	Member of the Supervisory Board	General meeting 2015	Jun-09		None	None	10
<b>SALVEPAR represented by Didier ALIX (63)</b>	None	Member of the Supervisory Board	General meeting 2011	Jun-06		President of the Supervisory Board, SOGEBAIL President of the Supervisory Board, KOMERCNI BANKA Managing Director, Société Générale Director FRANFINANCE Chairman Société de Gestion St. Jean de Passy Director YVES ROCHER Director SG of Cameroun bank Director SG of Côte d'Ivoire bank Director, NSGB Director BRD (Romania) Director, SG of Sénégal bank Member of the Supervisory Board, SG Maroc	Director, SG de banque du Liban	432 911
<b>Jean Louis PELTRIAUX (43) representing the FCPE "B" of LATECOERE employees</b>	Cost control manager and cash manager of the Works Council	Member of the Supervisory Board	General meeting 2015	Jun-06		None	None	10

### Members of the Supervisory Board whose positions ended in 2009

Name	Positions	Duties		First appointment Date	Other positions	Other current duties	Duties (except subsidiaries) during the last 5 years, already expired	Number of shares owned
		Nature	Expiring					
<b>François JUNCA (74)</b>	None	Chairman of the Supervisory Board	June, 30 2009	Jan-03	Member of the Audit & Financial Statement Committee and of the Nomination & Compensation Committee	Director IRDI Director SBCIC Chairman of the Supervisory Board PROMOLOGIS	Chairman of the Supervisory Board LATECOERE AEROSERVICES	47 678
<b>Banque Populaire Occitane represented by Alain CONDAMINAS (52)</b>	None	Member of the Supervisory Board	June, 30 2009	Jan-03		Director CELAD S.A., Director SOTEL S.A. Managing Director, BPO Director MULTICROISSANCE S.A.S Director NATIXIS ASSET MANAGEMENT Member of the Supervisory Board, ABP IARD Member of the Supervisory Board, IRDI Director IBP Director Natixis Securities Director SMC Director SOCAMA 31 General Manager SNC IMMOCARSO Chairman GIE CARSO MATERIEL	Chairman of the Board and CEO, FINEXPLUS S.A. Director, MAISON DU COMMERCANT Member of the Supervisory Board, NOVACREDIT	329318

## 13.3 Additional information relating to the Members of the Management Board

In respect of their positions, the Members of the Management Board are domiciled at c/o LATECOERE, 135, Rue de Périole, BP 25211, 31079 Toulouse cedex 05, France.

Name	Positions	Duties		First appointment Date
		Nature	Expiring	
<b>François BERTRAND (54)</b>	President and CEO	Chairman of the Management Board	06-Jan-15	Jan-03
<b>Bertrand PARMENTIER (54)</b>	Managing Director and CFO	Member of the Management Board	06-Jan-15	Jan-09
<b>Roland TARDIEU (60)</b>		Member of the Management Board	06-Jan-15	Jan-09

Corporate officer	Contract of employment		Additional retirement programme		Allowance or benefit due or likely to be due following cessation or change in position		Compensation for non compete clause	
	Yes	Non	Yes	Non	Yes	Non	Yes	Non
<b>François BERTRAND,</b> <i>Chairman of the Management Board</i> Appointed Jan, 7 2009, duty expiring Jan, 6 2015	X			X	X			X
<b>Bertrand PARMENTIER,</b> <i>Managing Director and CFO</i> Appointed Jan, 7 2009, duty expiring Jan, 6 2015	X			X	X			X
<b>Roland TARDIEU</b> <i>Member of the Management Board</i> Appointed Jan, 7 2009, duty expiring Jan, 6 2015		N/A		X	X			X

The employment contract of François BERTRAND and Bertand PARMENTIER have been suspended for the duration of their position.

The severance pay of the Members of the Management Board, for a departure for any other reason than resignation or retirement, is calculated on the basis of their seniority and may be increased by one month for each "consolidated operating result/consolidated revenue" ratio point above 10% noted during the year prior to the termination of their employment contract. Furthermore, no special executive retirement scheme has been implemented.

## 13.4 Additional information relating to the attendance fees

### Members of the Supervisory Board whose positions ended in 2009

<i>In euros</i>	Attendance fees paid in N-1	Attendance fees paid in N
François JUNCA	0	0
Banque Populaire Occitane (represented by Alain CONDAMINAS)	0	0

## 13.5 Additional information relating to the Shareholders

A provision of the agreement signed with the banks as part of the renegotiation of the bank debt applies to the control of the company. Indeed, in case of change of the first shareholder of Latécoère resulting from the entry to the capital of an investor taking a participation higher than 33% of the capital or designating the majority of the members of the Supervisory Board, the representatives of the respective groups of the holders of Latécoère Convertible Bonds, on instruction of each of the respective groups, could together require the advance repayment of the whole amount (and only of the whole amount) of the Latécoère Convertible Bonds still in circulation.

# 14 TABLE OF CONCORDANCE OF THE REGISTRATION DOCUMENT

In order to facilitate the reading of the "document de référence", the following thematic table allows the identification of the main sections required by the Regulation (EC) N° 809/2004 of the Commission of April 29, 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council.

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