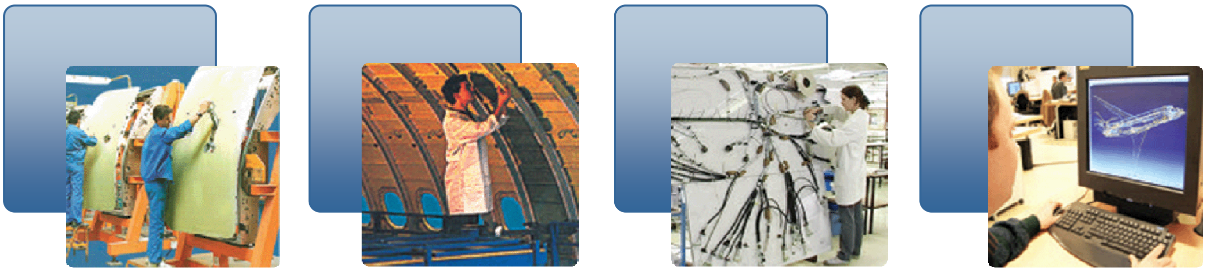
GROUPE LATECOERE



2010
Half-Year Report

This is a free translation into English of the "Rapport semestriel 2010" issued in French, and is provided solely for the convenience of English-speaking readers.

SUMMARY

1 HALF-YEAR REPORT

The consolidated financial statements of the Group were approved by the Management Board on August 3, 2010.

The Group's Business

(In € million)	June, 30 2010	June, 30 2009
Revenue	**217,0**	**238,6**
Operating income / loss (EBIT)	**13,4**	**6,9**
Operating margin	6,2%	2,9%
• Realized net financial result	-4,9	-5,9
• Unrealized net financial result	-9,0	12,3
Financial result	**-13,9**	**6,4**
Net income (Group share)	**0,4**	**9,7**
Net margin	0,2%	4,1%

(In € million)	June, 30 2010	Dec, 31 2009
Consolidated net debt	**351,0**	**359,2**
Shareholders' equity (Group share)	**113,1**	**143,3**

Revenue: - 9.0%

The Latécoère Group reports €217 million in revenue for the first half of 2010, down by 9% from the first half of 2009 (-12.1% at constant exchange rates).

After reporting a 19.7% revenue decline in the first quarter of 2010, Latécoère posted revenue of €117 million in the second quarter of 2010, a 2.6% increase over the same period last year.

This encouraging trend, linked to the stepping up of aircraft manufacturers' production rates, reflects the first signs of a recovery in air traffic. Moreover, it shows the Boeing 787 program's growing importance.

Operating profitability higher

EBIT is €6.5 million higher, at €13.4 million (6.2% of revenue), reflecting the positive the positive impacts of the measures undertaken by the Group in 2009 and 2010 to adapt and to streamline its operations in the context of a steep decline in revenue.

Net debt: €351 million (€359.2 million at December 31, 2009)/Financial result: -€13.9 million (+€6.3 million at June 3, 2009)

The Group recorded a consolidated net debt of €351 million as of June 30, 2010, showing an €8 million decrease from December 31, 2009; €335.5 million of that debt was medium- and long-term.

During the first half-year the Group posted $55 million in respect of an advance serving for the development of a program.

The reduction shown was limited by the combined effect of the recovery in the revenue posted for the second quarter (increase in the receivables item) and of the reduction of purchasing cycles (impact on supplier credit).

The realized net financial result (€4.9 million) benefitted from the favorable trend in interest rates, with a cost of debt decreasing €1.7 million to €6 million.

The unrealized net financial result was impacted primarily by changes in the fair value of the financial instruments used to hedge the Group's US dollar exposure over the period 2009 – 2011. This strategy generated an unrealized loss of €8.2 million due to the appreciation of the dollar at June 30, compared with a €5.2 million gain during the first half of 2009; this unrealized loss will have no impact on cash flow, as it reflects merely the mark to market of hedging instruments intended to be held until maturity.

The Group took advantage of the US dollar's rise against the euro in June to cover about half of its exposure for 2012.

Net result Group share: +€0.4 million

Net result Group share is positive at €0.4 million after recognition of tax income of €1 million.

Investments

The investments of the first half of 2010 were limited to €3 million and relate principally to the works for the extension and fitting out of a Latécoère Company production site for €0.6 million, industrial equipment for €0.6 million and investments relating to the construction of a building of the Tunisian subsidiary SEA LATelec for €0.4 million.

Headcount

Staff reduction measures continued during the first half of 2010 (staff reduction by approximately 5% on average) thus showing the Group's ability to adapt itself to changes in its workload.
The Group's average headcount at June 30, 2010 was 3,648, compared to 3,830 at December 31, 2009.

Future prospects

The first signs of a business recovery

Latécoère expects revenue to increase during the second half of 2010, and confirms that its target revenue for the full year is similar to the actual 2009 figure. The gradual improvement in the level of activity is expected to continue in 2011, allowing the Group to return to growth.

The will to contribute to industry consolidation

Building on its recognized position among global aircraft manufacturers and an order book that afford the Group high visibility, and after having adapted its industrial organization and restructured its debt, Latécoère intends to participate actively in the coming consolidation of the aerostructures sector.

Transactions with related parties

The transactions with related parties continued during the first half of 2010 on the basis of the same agreements as those applied at December 31, 2009.

Order book represents four years of revenue

On June 30, 2010, and on the basis of a EUR/USD exchange rate of 1.30, the order book -- which includes only firm orders announced by the aircraft manufacturers -- came to €2.2 billion. The order book represents the equivalent of four years of revenue and demonstrates the relevance of the multi-customer platform built by the Group, which is now positioned in the major, decisive programs launched for commercial, regional and corporate aircraft programs in the medium- and long-term.

Principal risks and uncertainties for the remaining six months of 2010

The principal risks and uncertainties for the remaining six months of 2010 relate to change in the EUR/USD exchange rate.

The latest news of the financial restructuring

Signature of an agreement with the banks

On May 18, 2010, Latécoère signed an agreement with its banks, thus concluding the discussions which started in December 2009.

These aimed to refinance the Group's bank debt given its repayment ability which was affected 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.

These negotiations were structured:

- on the basis of a recognition of a mismatch between the Group's financial structure and the increasing capital intensity of the sector;
- after taking into account the measures taken by the Company to adapt to the cyclical downturn and to emerge from the crisis even stronger;
- and around a strategic vision of the Latécoère Group's strengths and key position in the upcoming consolidation of the sector.

Highlights of the agreement between the Company and the banks, which has been the object of a Conciliation Agreement (*protocole de conciliation*) approved by the Commercial Court of Toulouse (*Tribunal de Commerce de Toulouse*) on May 19, 2010, are as follows:

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 shareholder, 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.

2. The lending banks granted a freezing of the principal of the medium-term debt up to and including December 31, 2011, 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.

3. The lending banks confirmed all the conditions of the short-term credit lines granted to the Latécoère Group up to and including December 31, 2011, 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 has indicated that it intended 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.

Resumption of trading

On December 10, 2009, the Group requested that Latécoère shares be suspended from trading. On May 21, 2010, following the signature of an agreement with the banks, trading in the shares was resumed.

Issuance of a prospectus

On June 11, 2010, the Latécoère Group announced the making available to the public of a prospectus approved by the French Financial Markets Authority (*AMF*) on June 11, 2010 under the no. 10-174. That prospectus envisages the following operations, lying within the scope of the performance of the Conciliation Agreement approved by judgment of the Commercial Court of Toulouse on May 19, 2010:

- the issue and the trading on the Euronext Paris market of a bonus issue of 4,294,642 share warrants to shareholders of Latécoère;
- the subsequent trading on the Euronext Paris market of the new shares to be issued on conversion of bonds convertible in new shares of Latécoère S.A. and on the exercise of the share warrants (*BSA*).

The prospectus composed of the Company's *Document de Référence*, of an offering memorandum (*note d'opération*) and of the summary of the prospectus (included in the offering memorandum) is available without cost at the Company's registered office: 135, Rue de Périole, 31500 Toulouse, France, as well as on the web sites of the Company (www.latecoere.fr) and of the *AMF* (www.amf-france.org).

Combined Ordinary and Extraordinary General Meeting

On June 25, 2010, Latécoère held a Combined Ordinary and Extraordinary General Meeting to obtain:

- the approval of the accounts at December 31, 2009 (Ordinary General Meeting);
- the approval of all of the resolutions relating to the implementation of the provisions provided for in the Conciliation Agreement (Extraordinary General Meeting).

The Latécoère Group shareholders approved all of the resolutions submitted to their vote.

Thus, the Group has the authorizations necessary in order to:

- make a bonus issue of share warrants (*BSA*) to all shareholders, allowing them to subscribe to one new share at a price of €10 per share for each two existing shares they already own during the conversion period of the convertible bonds subscribed by the banks; the exercise of these share warrants could lead to the issue of a maximum number of 4,294,642 new shares;
- issue convertible bonds subscribed by the banks in the amount of €71.5 million, giving access to new shares with a par value of €2 per share, issued at a value of €10, thus allowing for the possible creation of 7.15 million new shares.

Bonus issue of share warrants and issue of the bonds convertible in Latécoère shares

In the course of the month of July 2010 and following the approval given by the shareholders to the proposals submitted to their votes during the Combined Ordinary and Extraordinary General Meeting of June 25, 2010,

- the Group has proceeded with a bonus issue of share warrants (*BSA*) to Latécoère's shareholders; this issue was the subject of NYSE Euronext notice number PAR_20100719_03931_EUR dated July 19, 2010; On July 29, 2010 these share warrants were admitted to trading on the Euronext Paris market.

- the Group and its lending partners signed amendments to the relevant financing agreements in accordance with the terms and conditions provided for in the Conciliation Agreement of May 18, 2010,
- the Group and its lending partners finalized the issuance contracts for the Convertible Bonds provided for in the Conciliation Agreement; the lending banks involved have converted a portion of their medium-term loan receivables into bonds convertible into Latécoère shares, issued on July 30, 2010 by Latécoère and LATelec. The terms and conditions of these convertible bonds were described in the prospectus approved by the French Financial Markets Authority (*AMF*) on June 11, 2010 under the no. 10-174.

All of these different steps have successfully concluded the Latécoère Group's financial restructuring process launched in December 2009.

Accounting standards, principles and methods

The consolidated financial statements at June 30, 2010 are established in compliance with IAS 34 "interim financial reporting". The Group has chosen not to apply by anticipation the standards and interpretations that will enter into force after June 30, 2010. The accounting rules and methods applied to the Condensed Consolidated Financial Statements at June 30, 2010 are identical to those applied in the consolidated financial statements at December 31, 2009 with the exception of standards, amendments and interpretations which are required to be applied as from January 1, 2010.

The financial statements are presented in '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.

New standards, amendments to standards and interpretations have entered into force as from January 1, 2010. This relates to:

- 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";
- Revised version of IFRS 3 "Business Combinations";
- IAS 27 (Amendment) "Consolidated and Separate Financial Statements";
- IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement - Reclassification of Financial Assets";
- IFRS 5 (Amendments) "Annual Improvements May 2008";
- IFRS 2 (Amendment) "Group Cash-settled Share-based Payment Transactions";
- Annual Improvements – April 2009.

These standards, amendments to standards and interpretations do not have a significant impact on the condensed consolidated financial statements at June 30, 2010.

The Group has not applied by anticipation standards and interpretations whose application was not mandatory at January 1, 2010.

Change in the Consolidation Scope

No variation of consolidation scope was noted during the first half of 2010.

2 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2010

2.1 Consolidated Balance Sheet

('000 EURO)	Notes	June 30, 2010	Dec 31, 2009
Goodwill	5.2	1 300	1 300
Other intangible assets	5.1	2 241	2 427
Tangible assets	5.1	98 009	97 278
Investments in associates (equity method)	6	3 405	3 359
Other financial assets		234	274
Deferred tax assets	15	29 781	12 340
Hedging financial instruments	10.1	663	11 850
Financial Instruments at fair value through profit and loss	10.1	0	663
Other non-current assets		0	0
TOTAL NON-CURRENT ASSETS		**135 633**	**129 491**
Inventories	7	466 364	456 454
Accounts receivable	9	139 262	109 335
Tax receivable		7 351	14 650
Hedging financial instruments	10.1	1 489	5 498
Financial Instruments at fair value through profit and loss	10.1	3 613	4 591
Other current assets		1 760	917
Cash & Cash Equivalents		12 020	9 797
TOTAL CURRENT ASSETS		**631 859**	**601 243**
TOTAL ASSETS		**767 493**	**730 734**

('000 EURO)	Notes	June 30, 2010	Dec 31, 2009
Share capital	11.2	17 220	17 220
Premiums		69 611	69 611
Treasury stock		1 710	1 657
Other Reserves		-23 773	7 018
Accumulated Net Income		48 304	47 831
SHAREHOLDERS' EQUITY GROUP SHARE		**113 073**	**143 338**
Minority Interests		538	525
TOTAL SHAREHOLDER'S EQUITY		**113 611**	**143 863**
Loans and bank borrowings	14.1	335 540	11 513
Refundable Advances		38 191	42 777
Employee benefits	13	12 549	11 852
Other provisions	12	1 138	1 444
Deferred tax liabilities	15	2 904	3 945
Hedging financial instruments	10.1	14 014	32
Financial Instruments at fair value through profit and loss	10.1	277	1 168
Other non-current liabilities	14.3	48 332	8 184
TOTAL NON-CURRENT LIABILITIES		**452 947**	**80 916**
Loans and bank borrowings (less than 1 year)	14.1	24 614	345 816
Loans against receivables mobilization	14.1	2 909	11 688
Refundable Advances		11 218	7 620
Accounts payable		114 480	121 199
Income tax liabilities		298	256
Other current liabilities		15 999	16 387
Hedging financial instruments	10.1	26 191	0
Financial Instruments at fair value through profit and loss	10.1	5 225	2 989
TOTAL CURRENT LIABILITIES		**200 934**	**505 955**
TOTAL LIABILITIES		**653 881**	**586 871**
TOTAL SHAREHOLDER'S EQUITY & LIABILITIES		**767 493**	**730 734**

2.2 Consolidated Income Statement

('000 EURO)	June 30, 2010	June 30, 2009
Revenue	217 026	238 604
Other operating revenue	357	265
Change in inventory: work-in-progress & finished goods	22 545	30 754
Raw material, Other Purchases & external charges	-133 932	-148 439
Personnel expenses	-89 005	-98 808
Taxes	-3 552	-4 040
Amortization	-6 254	-5 621
Net operating provisions charge	266	-38
Depreciation of current assets	-3 359	-10 428
Foreign exchange gain/loss	4 647	156
Other operating income	4 800	3 647
Other operating expenses	-138	896
OPERATING INCOME	**13 402**	**6 949**
Operating Income / Sales	*6,18%*	*2,91%*
Net cost of debt	-5 996	-7 686
Change in fair value of financial instruments	-13 706	11 605
Other financial incomes and expenses	5 830	2 435
FINANCIAL RESULT	**-13 872**	**6 354**
Result from associates	-26	-357
Income tax	989	-3 254
NET RESULT OF CONSOLIDATED COMPANIES	**493**	**9 692**
Group net result	416	9 671
Minority interests	77	21
Group net result/ sales	*0,19%*	*4,05%*
Weighted average number of shares	**8 591 801**	**8 576 804**
Diluted earnings per share	**0,05**	**1,13**
Earnings per share	**0,05**	**1,12**

2.3 Statement of Recognised Income and Expenses

('000 EURO)	June 30, 2010	June 30, 2009
CONSOLIDATED NET RESULT FOR THE YEAR (1)	**493**	**9 692**
Translation differences	**548**	**-1 046**
Financial instruments: change in fair value and transfer in profit and loss	**-48 435**	**13 971**
Deferred taxes	**17 187**	**-4 321**
INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (2)	**-30 699**	**8 605**
TOTAL RECOGNISED INCOME AND EXPENSES (1+2)	**-30 206**	**18 297**
of which, Group net result	-30 283	18 276
of which, Minority interests	77	21

2.4 Consolidated Statement of Cash Flow

('000 EURO)	Notes	June 30, 2010	June 30, 2009
Consolidated net result		493	9 692
Adjustments related to non-cash activities :			
Result from associates	6	26	357
Depreciation and provisions		6 646	2 913
Fair value gains/losses		5 637	-8 282
Other non-cash items		54	5
Dividend income received		0	0
CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES		**12 856**	**4 685**
Income taxes	9	-989	3 254
Interest expenses	18	5 996	7 686
CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES		**17 862**	**15 625**
Changes in working capital		-8 963	-41 214
Income tax paid		6 715	3 812
CASH FLOWS FROM OPERATING ACTIVITIES		**15 614**	**-21 777**
Effect of subsidiaries acquisitions		0	0
Purchase of tangible and intangible assets		-3 143	-3 531
Purchase of financial assets		0	0
Increase (decrease) in loans and advances made		-26	1
Proceeds from sale of tangible and intangible assets		0	329
Dividends received		0	0
Other flow from investing activites		27	0
CASH FLOWS FROM INVESTING ACTIVITIES		**-3 143**	**-3 201**
Expenses on increase of capital		0	0
Purchase of treasury shares		-43	-141
Disposal of treasury shares		96	99
Proceeds from borrowings (including refundable advances)		454	11 462
Repayments of borrowings (including refundable advances)		-4 127	-12 366
Financial interest paid		-6 355	-7 812
Dividends paid		0	0
Other flow from financing operation		-834	5 920
CASH FLOW FROM FINANCING ACTIVITIES		**-10 810**	**-2 838**
Effects of exchange rate changes		48	77
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1 710**	**-27 739**
Opening cash and cash equivalents position		-5 364	3 910
Closing cash and cash equivalents position		-3 654	-23 829
Cash and cash equivalents		12 020	22 227
Discounted receivables		-2 909	-11 341
Overdraft facilities		-12 766	-34 715
CASH AND CASH EQUIVALENTS AT YEAR-END		**-3 654**	**-23 829**
Dividends paid per share		**0**	0

2.5 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**
SHAREHOLDER'S EQUITY 12/31/2008	**17 220**	**69 611**	**1 603**	**142 848**	**-12 309**	**1 865**	**220 839**	**405**	**221 244**
Transactions on treasury stock			-42				-42		-42
Dividends							0	-60	-60
Other variations							0		0
Net result for the period (1)				**9 671**			**9 671**	**21**	**9 692**
Financial instruments: change in fair value and transfer in profit and loss					9 651		9 651		9 651
Financial instruments: Translation differences					-342		-342		-342
Translation differences : change and transfer in profit and loss						-704	-704	0	-704
Income and expenses directly recorded in equity (2)	**0**	**0**	**0**	**0**	**9 309**	**-704**	**8 605**	**0**	**8 605**
TOTAL INCOME AND EXPENSES OF THE PERIOD (1)+(2)	**0**	**0**	**0**	**9 671**	**9 309**	**-704**	**18 276**	**21**	**18 297**
SHAREHOLDER'S EQUITY 06/30/2009	**17 220**	**69 611**	**1 561**	**152 520**	**-3 000**	**1 161**	**239 072**	**367**	**239 439**
SHAREHOLDER'S EQUITY 12/31/2009	**17 220**	**69 611**	**1 657**	**51 644**	**4 499**	**-1 294**	**143 337**	**525**	**143 863**
Capital variations							0		0
Share-based payments							0		0
Transactions on treasury stock			53				53		53
Dividends							0	-64	-64
Other variations				57		-92	-35		-35
Net result for the period (1)				**416**			**416**	**77**	**493**
Financial instruments: change in fair value and transfer in profit and loss					-31 247		-31 247		-31 247
Financial instruments: Translation differences					-177		-177		-177
Translation differences : change and transfer in profit and loss						725	725	0	725
Income and expenses directly recorded in equity (2)	**0**	**0**	**0**	**0**	**-31 424**	**725**	**-30 699**	**0**	**-30 699**
TOTAL INCOME AND EXPENSES OF THE PERIOD (1)+(2)	**0**	**0**	**0**	**416**	**-31 424**	**725**	**-30 283**	**77**	**-30 206**
SHAREHOLDER'S EQUITY 06/30/2010	**17 220**	**69 611**	**1 710**	**52 118**	**-26 925**	**-661**	**113 073**	**538**	**113 611**

2.6 Notes to the Condensed Consolidated Financial Statements

GENERAL INFORMATION

NOTE 1 Main events

NOTE 2 Accounting policies

NOTE 3 Consolidation scope

NOTE 4 Operational segments

INCOME STATEMENT DETAIL

NOTE 16 Detail of foreign exchange gains and losses

NOTE 17 Other income and expense

NOTE 18 Detail of Consolidated Financial Income

NOTE 19 Income taxes

BALANCE SHEET DETAIL

NOTE 5 Fixed Assets

NOTE 6 Investments in associates

NOTE 7 Detail of Inventories & Work-in-Progress

NOTE 8 Financial Assets

NOTE 9 Receivables

NOTE 10 Derivative instruments

NOTE 11 Shareholders' Equity

NOTE 12 Non-current Provisions

NOTE 13 Employee Benefits

NOTE 14 Financial Liabilities

NOTE 15 Deferred taxes

ADDITIONAL INFORMATION

NOTE 20 Risk Management

NOTE 21 Construction Contracts

NOTE 22 Financial commitments and contingent liabilities

NOTE 23 Related Parties

NOTE 24 Subsequent events

INFORMATION RELATIVE TO THE GROUP

Latécoère is a French corporation (*société anonyme*) headquartered in Toulouse, France

The consolidated financial statements of the Latécoère Group for the six (6) months ended on June 30, 2010, include the parent company and its subsidiaries (the whole being designated as "the Group") and the Group's share in associates.

The consolidated financial statements of the Group were approved by the Management Board on August 3, 2010.

NOTE 1 MAIN EVENTS

Signature of an agreement with the banks

On May 18, 2010, Latécoère signed an agreement with its banks concluding the discussions which started in December 2009.

These aimed to refinance the Group's bank debt given its repayment ability which was affected 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.

These negotiations were structured:

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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 shareholder, 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.

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3. The lending banks confirmed all the conditions of the short-term credit lines granted to the Latécoère Group up to and including December 31, 2011, 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 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 has indicated that it intended 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.

Resumption of trading

On December 10, 2009, the Group requested that Latécoère shares be suspended from trading. On May 21, 2010, following the signature of an agreement with the banks, trading in the shares was resumed.

Protection for US dollar exposure

Following the agreements signed with the banks, Latécoère set up exchange rate hedging instruments on favorable market conditions in order to cover its US dollar exposure for a nominal amount of $134.5 million.

Additional hedging will be set up using the strengthening of the US dollar.

NOTE 2 ACCOUNTING POLICIES

2.1 Basis of preparation of the financial statements:

The consolidated financial statements at June 30, 2010 are established in compliance with IAS 34 "interim financial reporting". The Group has chosen not to apply by anticipation the standards and interpretations that will enter into force after June 30, 2010. The accounting rules and methods applied to the condensed consolidated financial statements at June 30, 2010 are identical to those applied in the consolidated financial statements at December 31, 2009 with the exception of standards, amendments and interpretations which are required to be applied as from January 1, 2010.

The financial statements are presented in '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 and interpretations have entered into force as from January 1, 2010. This relates to:

- 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";
- Revised version of IFRS 3 "Business Combinations";
- IAS 27 (Amendment) "Consolidated and Separate Financial Statements";
- IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement - Reclassification of Financial Assets";
- IFRS 5 (Amendments) "Annual Improvements May 2008";
- IFRS 2 (Amendment) "Group Cash-settled Share-based Payment Transactions";
- Annual Improvements – April 2009.

These standards, amendments to standards and interpretations do not have a significant impact on the condensed consolidated financial statements at June 30, 2010.
The Group has not applied by anticipation standards and interpretations whose application was not mandatory at January 1, 2010.

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. Thus, they serve 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 21).

The estimate of the variation of employee benefits has been extrapolated on the basis of the information at December 31, 2009.

At June 30, 2010, 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, particularly in the case of construction contracts, as a function of firm orders confirmed by aircraft manufacturers and of announced decreases in production rates.

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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.

No variation of consolidation scope was noted during the first half of 2010.

Company name & Haedquarter address	SIREN Code (EIN)	Control %	Interest %	Consolidation method
LATECOERE do BRASIL Getulio Domelles Vargas, 3320 CEP 12305-010 Jacarei Brésil	None	100.00 %	100.00 %	Consolidation
LETOV s.r.o. Letov Letecka Vyroba s.r.o. Beranovich, 65 199 02 Prague 9 – Letnany République Tchèque	None	100.00 %	100.00 %	Consolidation
LETOV LV a.s. Letov Letecka Vyroba a.s. Beranovich, 65 199 02 Prague 9 – Letnany République Tchèque	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 Allemagne	None	100.00 %	100.00 %	Consolidation
SEA LATelec 13, Rue 8612 Impasse n°5 ZI Charguia 1 2035 Tunis Carthage Tunisie	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 Vincente, 30 28903 Getafe – Madrid Espagne	None	100.00 %	100.00 %	Consolidation
G²METRIC 40 Chemin Cazalbarbier 31140 Launaguet	410 949 879	51.00%	51.00%	Consolidation
LATecis srl Sect. 6, Bd. Timisoara nr. 100G Bucuresti Roumanie	None	85.00 %	85.00 %	Consolidation
LATecis UK Limited The Business & Technology Centre (F011) Bessemer Drive Stevenage – SG1 2DX Angleterre	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 Brésil	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 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 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 Latécoère 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.

('000 EUR) June 30, 2010	Aerostructures	%	Engineering and services	%	Onboard wiring and systems	%	Intersegment eliminations	%	Total
Revenue	129 791	60%	27 067	12%	70 901	33%	-10 732	-5%	217 026
Inter-segment revenue	-6 461	60%	-3 173	30%	-1 098	10%		0%	-10 732
Consolidated revenue	**123 329**	**57%**	**23 894**	**11%**	**69 803**	**32%**	**0**	**0%**	**217 026**
Operating result	**3 934**	**29%**	**1 762**	**13%**	**7 706**	**57%**	**0**	**0%**	**13 402**
Operating result/revenue	*3,03%*		*6,51%*		*10,87%*				***6,18%***
Financial result	**-15 365**	**111%**	**67**	**0%**	**1 425**	**-10%**	**0**	**0%**	**-13 872**
Income tax and miscellaneous	4 618		-594		-3 035		0	0%	989
Result from associates	-26	100%	0		0		0		-26
Result: Group share	-6 839		1 159		6 097		0		416
Result: Minority interests	0		77		0		0		77
Net result	**-6 839**	**-1386%**	**1 236**	**251%**	**6 097**	**1236%**	**0**	0%	**493**
Net result/revenue	*-5,27%*		*4,57%*		*8,60%*				***0,23%***
Intangible fixed assets	1 876	84%	158	7%	208	9%	0	0%	2 241
Goodwill	0	0%	1 300	100%	0	0%	0	0%	1 300
Tangible fixed assets	78 437	80%	5 568	6%	13 996	14%	8	0%	98 009
Investments in associates	3 405	100%	0	0%	0	0%	0	0%	3 405
Other fixed assets	55	24%	99	42%	74	32%	6	3%	234
Total	**83 773**	**80%**	**7 124**	**7%**	**14 277**	**14%**	**14**	0%	**105 189**
Acquisition of tangible and intangible fixed assets	1 575	50%	901	29%	667	21%	0	0%	3 143
Inventories	399 718	86%	1 390	0%	66 156	14%	-900	0%	466 364
Trade and other receivables	86 166	62%	27 303	20%	73 540	53%	-47 746	-34%	139 262
Net debt	279 552	80%	-887	0%	72 379	21%	0	0%	351 045
Accounts payable	162 625	105%	15 203	10%	24 967	16%	-47 746	-31%	155 049
Total Assets	**613 219**	**80%**	**39 955**	**5%**	**163 903**	**21%**	**-49 585**	**-6%**	**767 493**

('000 EUR) June 30, 2009	Aerostructures	%	Engineering and services	%	Onboard wiring and systems	%	Intersegment eliminations	%	Total
Revenue	151 383	63%	22 623	9%	79 066	33%	-14 468	-6%	238 604
Inter-segment revenue	-9 264	64%	-3 975	27%	-1 229	8%		0%	-14 468
Consolidated revenue	**142 119**	**60%**	**18 648**	**8%**	**77 837**	**33%**	**0**	**0%**	**238 604**
Operating result	**-1 838**	**-26%**	**-122**	**-2%**	**8 909**	**128%**	**0**	**0%**	**6 949**
Operating result/revenue	*-1,21%*		*-0,54%*		*11,27%*				***2,91%***
Financial result	**6 474**	**102%**	**11**	**0%**	**-131**	**-2%**	**0**	**0%**	**6 354**
Income tax and miscellaneous	-704	22%	-28	1%	-2 523	78%	0	0%	-3 254
Result from associates	-357	100%	0		0		0		-357
Result: Group share	3 576		-161		6 256		0		9 671
Result: Minority interests	0		21		0		0		21
Net result	**3 576**	**37%**	**-140**	**-1%**	**6 256**	**65%**	**0**	0%	**9 692**
Net result/revenue	*2,36%*		*-0,62%*		*7,91%*				***4,06%***
Intangible fixed assets	572	61%	86	9%	277	30%	0	0%	935
Goodwill	1 077	45%	1 300	55%	0	0%	0	0%	2 378
Tangible fixed assets	80 202	81%	5 147	5%	13 832	14%	8	0%	99 188
Investments in associates	3 905	100%	0	0%	0	0%	0	0%	3 905
Other fixed assets	12	5%	96	40%	74	31%	56	23%	237
Total	**85 768**	**80%**	**6 629**	**6%**	**14 183**	**13%**	**64**	0%	**106 644**
Acquisition of tangible and intangible fixed assets	2 178	62%	442	13%	911	26%	0	0%	3 531
Inventories	509 455	88%	2 870	0%	69 940	12%	-900	0%	581 366
Trade and other receivables	81 856	61%	20 853	15%	58 577	43%	-26 282	-19%	135 005
Net debt	301 968	81%	4 019	1%	67 360	18%	0	0%	373 347
Accounts payable	128 035	89%	14 174	10%	28 519	20%	-26 282	-18%	144 446
Total Assets	**704 309**	**81%**	**32 201**	**4%**	**157 497**	**18%**	**-29 354**	**-3%**	**864 652**

NOTE 5 FIXED ASSETS

5.1 Change in fixed assets

('000 EUR)	Dec 31, 2009	Currency variations	Other	Acquisitions	Disposals	June 30, 2010
Franchises/patents/similar rights	8 124	99	-27	292	-110	8 377
Other Intangible Fixed Assets	4 053	0	27	0	-3	4 077
Goodwill	1 300	0	0	0	0	1 300
Land	4 104	208	0	0	0	4 312
Buildings	33 547	1 900	2 192	307	0	37 947
Plants & Equipment	79 837	3 131	3	618	-66	83 523
Other Fixed Assets	20 257	309	-283	692	-113	20 863
Fixed assets in progress	445	2	-547	1 013	0	914
Advanced payments on fixed assets	1 360	12	-1 366	8	-3	12
Real estate leasing	27 681	0	0	0	0	27 681
Long-term Investments	752	-1	-35	-61	57	712
Investments in associates	3 359	33	39	-26	0	3 405
GROSS ASSSETS	**184 819**	**5 694**	**4**	**2 844**	**-238**	**193 123**

('000 EUR)	Dec 31, 2009	Currency variations	Other	Increase	Decrease	June 30, 2010
Franchises/patents/similar rights	5 772	50	0	451	-80	6 192
Other Intangible Fixed Assets	3 978	2	0	42	0	4 021
Buildings	5 285	226	-132	740	0	6 120
Plants & Equipment	41 153	1 306	308	3 929	-66	46 630
Other Fixed Assets	13 672	155	-177	681	-92	14 241
Real estate leasing	9 840	0	0	412	0	10 251
Long term investments	478	0	0	0	0	478
AMORTIZATIONS	**80 178**	**1 739**	**0**	**6 254**	**-238**	**87 934**

('000 EUR)	Dec 31, 2009	June 30, 2010
Franchises/patents/similar rights	2 352	2 185
Other Intangible Fixed Assets	75	56
Goodwill	1 300	1 300
Land	4 104	4 312
Buildings	28 262	31 827
Plants & Equipment	38 684	36 893
Other Fixed Assets	6 585	6 622
Fixed assets in progress	445	914
Advanced payments on fixed assets	1 360	12
Real estate leasing	17 841	17 429
Long-term Investments	274	234
Investments in associates	3 359	3 405
NET ASSETS	**104 641**	**105 189**

The investments of the first half of 2010 were limited to €3 million and relate principally to the extension and fitting out work for a Latécoère Company production site for €0.6 million, industrial equipment for €0.6 million and investments relating to the construction of a building of the Tunisian subsidiary SEA LATelec for €0.4 million.

5.3 Goodwill

('000 EUR)	June 30, 2010	Dec 31, 2009
LATecis	834	834
G2 METRIC	466	466
TOTAL	**1 300**	**1 300**

5.4 Finance lease contracts

(000 EUR)	Minimum future payments as of June, 30 2010				Present value of minimum future payments as of June 30, 2010			
	Less tan 1 year	From 1 to 5 years	Over 5 years	Total	Less tan 1 year	From 1 to 5 years	Over 5 years	Total
Fructicomi 1	-	-	-	-	-	-	-	-
Fructicomi 2	562	1 967	0	2 529	455	1 789	0	2 244
Batimap	640	2 560	1 440	4 640	459	2 076	1 356	3 892
LATECOERE	**1 202**	**4 527**	**1 440**	**7 169**	**914**	**3 866**	**1 356**	**6 136**
Auximur 1	112	0	0	112	110	0	0	110
Auximur 2	15	0	0	15	15	0	0	15
LB 1	48	136	0	183	39	122	0	160
LB 2	47	187	228	463	34	147	207	388
LATelec	**222**	**323**	**228**	**773**	**197**	**268**	**207**	**673**
LB 1	74	79	0	153	71	24	0	95
LB 2	124	496	1 128	1 747	54	257	806	1 117
LATecis	**198**	**575**	**1 128**	**1 901**	**125**	**281**	**806**	**1 213**
TOTAL	**1 621**	**5 425**	**2 796**	**9 843**	**1 237**	**4 415**	**2 370**	**8 022**

NOTE 6 INVESTMENTS IN ASSOCIATES

('000 EURO)	June 30, 2010	June 30, 2009
PESOLA	4	63
Corse Composites Aéronautiques	-150	-319
LATECOERE AEROSERVICES	120	-101
RESULT FROM ASSOCIATES	**-26**	**-357**

('000 EURO)	June 30, 2010	Dec 31, 2009
PESOLA	282	245
Corse Composites Aéronautiques	1 621	1 771
LATECOERE AEROSERVICES	1 502	1 343
INVESTMENTS IN ASSOCIATES	**3 405**	**3 359**

NOTE 7 DETAIL OF INVENTORIES & WORK IN PROGRESS

('000 EURO)	June 30, 2010			Dec 31, 2009		
	Gross	Provision	Net	Gross	Provision	Net
Raw materials	73 180	11 997	61 183	83 094	11 283	71 811
Work in progress - Construction contracts	426 085	104 359	321 725	404 609	99 927	304 682
Work in progress - Other	104 932	21 477	83 455	103 185	23 223	79 961
TOTAL	**604 198**	**137 834**	**466 364**	**590 887**	**134 433**	**456 454**

The increase of inventories & work in progress followed in construction contracts is in particular due to the Boeing 787 program which is in the starting phase.
The increase of the other inventories and work in progress may principally be explained by the shift in production rates for the "Aerostructures" segment (in particular, the door manufacture programs) as well as by the development expenses of the A350 program.

Additional information on the construction contracts is given in Note 21.

NOTE 8 FINANCIAL ASSETS

('000 EURO)	Loans and receivables at amortised cost	Financial assets at fair value through profit and loss	Hedging instruments	June 30, 2010
Non current financial assets	234			234
Non current hedging financial instruments			663	663
Non current financial instruments at fair value through profit and loss		0		0
Trade receivables and other receivables	139 262			139 262
Current hedging financial instruments			1 489	1 489
Financial assets at fair value through profit and loss		3 613		3 613
Cash and cash equivalent		12 020		12 020
TOTAL FINANCIAL ASSETS	**139 497**	**15 633**	**2 152**	**157 282**

('000 EURO)	Loans and receivables at amortised cost	Financial assets at fair value through profit and loss	Hedging instruments	Dec 31, 2009
Non current financial assets	274			274
Non current hedging financial instruments			11 850	11 850
Non current financial instruments at fair value through profit and loss		663		663
Trade receivables and other receivables	109 335			109 335
Current hedging financial instruments			5 498	5 498
Financial assets at fair value through profit and loss		4 591		4 591
Cash and cash equivalent		9 797		9 797
TOTAL FINANCIAL ASSETS	**109 609**	**15 052**	**17 348**	**142 008**

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)	June 30, 2010	Dec 31, 2009
Advanced payments	583	537
Trade receivables	123 585	95 844
Of which discount of receivables	*2 909*	*11 688*
Group current account	263	221
Tax receivables	10 303	9 299
Other current receivables	4 529	3 434
TOTAL RECEIVABLES	**139 262**	**109 335**

NOTE 10 DERIVATIVE INSTRUMENTS

New hedging financial instruments (EUR/USD) for a total amount of $134.5 million were put in place during the first half of 2010 to cover the dollar exposure until 2012.

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 1year	From 1 to 5 years	> 5 years
Foreign currency risk						
Financial instruments not designed as a hedge						
- Forward currency contracts **BRL/USD**	2 272	0	16 543	11 246	5 297	0
- Currency option contracts **EUR/USD** **	1 340	277	***			
Cash flow hedging						
- Forward currency contracts **EUR/USD**		3 765	75 381	26 485	48 896	0
- Forward currency contracts **CZK/EUR**	2 152	0	45 000	30 000	15 000	0
- Currency option contracts **EUR/USD** *(intrinseque value)*	0	36 441	398 908	209 844	189 064	0
Total	**5 765**	**40 483**	**535 832**	**277 576**	**258 256**	**0**
Interest rate risk						
Financial instruments not designed as a hedge						
- Collar	0	5 225	235 000	****		
Total	**0**	**5 225**	**235 000**			
TOTAL FINANCIAL INSTRUMENTS NOT DESIGNED AS A HEDGI	**3 613**	**5 502**	**251 543**	**11 246**	**5 297**	**0**
TOTAL CASH FLOW HEDGING	**2 152**	**40 206**	**519 289**	**266 330**	**252 959**	**0**

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

Impact of future cash flow hedging

('000 EURO)	June 30, 2010	Dec 31, 2009
Fair value at the opening date	**17 315**	**-3 656**
Equity change for the effective portion	-48 409	25 046
Reclasssified in income when the hedged element affects profit and loss	-6 960	-4 075
Fair value at the closing date	**-38 053**	**17 315**

The large change in the fair value of derivative instruments during the first half of the year is due to a strong variation in the foreign exchange rates of hedged currencies (in particular the EUR/USD exchange rate), in a context of great volatility on the financial markets.

Impact of derivative instruments to which hedge accounting is not applied

('000 EURO)	June 30, 2010	Dec 31, 2009
Fair value at the opening date	**1 098**	**-15 049**
Recorded through income statement	-2 988	16 148
Fair value at the closing date	**-1 890**	**1 098**

NOTE 11 SHAREHOLDERS' EQUITY

11.1 Capital management policy

The Latécoère 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.

11.2 Breakdown of capital

	June 30, 2010	Dec 31, 2009
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

	June 30, 2010	June 30, 2009
Averaged issued shares	8 609 997	8 609 997
Averaged treasury shares	18 196	33 193
Weighted average shares	8 591 801	8 576 804
Net resultat - Group Share (in euro)	416 441	9 671 111
Earnings per share (in euro)	0,05	1,13
Diluted earnings per share (in euro)	0,05	1,13

All shares were fully paid.

11.3 Treasury Shares

Number of shares	Dec 31, 2009	Acquisitions	Disposals	June 30, 2010	% of ownership
LATECOERE Shares	19 909	8 328	17 707	10 530	0,12%

('000 EURO)	Dec 31, 2009	Acquisitions / Provisions	Disposals	June 30, 2010	Average purchase price
LATECOERE Shares	128	31	96	63	5,14

NOTE 12 NON-CURRENT PROVISIONS

('000 EURO)	Dec 31, 2009	Increase	Write-backs used	Write-backs not used	June 30, 2010
Provisions	**1 444**	**0**	**-306**	**0**	**1 138**

No significant provision was accounted for during the first half of 2010. The provisions for risks and expenses at June 30, 2010 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 €529k.

NOTE 13 EMPLOYEE BENEFITS

('000 EURO)	Dec 31, 2009	Increase	Write-backs used	Write-backs not used	June 30, 2010
Retirement bonus	10 836	657	0	0	11 493
Long-service medals	1 016	40	0	0	1 056
TOTAL	**11 852**	**697**	**0**	**0**	**12 549**

Retirement Liabilities and the obligation under long-service medals accounted for at June 30, 2010 were calculated according to the method accepted during the calculation carried out at December 31, 2009.

The obligation under the individual right to professional training accounted for at June 30, 2010 was calculated according to the same method that was accepted at December 31, 2009. The amount of the provision at June 30, 2010 has not changed significantly in comparison to the amount at December 31, 2009.

NOTE 14 FINANCIAL LIABILITIES

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel liabilities	**June 30, 2010**
Refundable Advances			49 409	49 409
Discounted Receivables			2 909	2 909
Bank loans			332 487	332 487
Finance lease			8 022	8 022
Unsecured banking facility			19 646	19 646
Other non-current liabilities			48 332	48 332
Financial instruments at fair value	7 716	37 992		45 708
Accounts payable			114 480	114 480
TOTAL FINANCIAL LIABILITIES	**7 716**	**37 992**	**575 284**	**620 993**

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

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 at amortized cost, calculated used the effective interest rate (*TIE*).

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

14.1 Loans and Bank Borrowings

('000 EURO)	**June 30, 2010**	**Dec 31, 2009**
Bank loans - non current	328 755	4 165
Leasing - non current	6 785	7 348
Non-current liabilities	**335 540**	**11 513**
Bank loans - current	3 732	333 337
Leasing - current	1 237	1 345
Bank overdraft, commercial paper and other financial debts	22 554	22 822
Current liabilities	**27 523**	**357 504**
TOTAL OF LOAN AND BANK BORROWINGS	**363 063**	**369 017**

Following the signature of an agreement with our financial partners which led in particular to a freezing of the principal of the medium term debt up to and including December 31, 2011, the Group recorded its relevant medium-term debt on the line "Bank loans -- non-current" at June 30, 2010.

The refinancing of the Group's bank debt was treated as an insignificant change to the existing debt from the point of view of the IAS 39 criteria of analysis. Consequently, the Group has chosen to adjust the existing debt by the amount of the refinancing costs which are €3.4 million. The latter are amortized over the remaining term of the negotiated debt through their being taken into account in the effective interest rate of the debt.

14.2 Financial ratios

Some financing contracts are subject to covenants. The covenants mentioned in the medium-term financing contracts relate to respect by the Group of ratios: Net debt/pro forma equity funding and net debt/pro forma Ebitda.

Under the Conciliation Agreement signed with the financial partners of the Group on May 18, 2010, the clauses relating to the observation of these ratios are suspended up to and including December 31, 2011.

14.3 Other non-current liabilities

This item includes in particular an amount of $55 million (or €40.6 million) which the Group received during the first half of 2010 in respect of an advance for a program.

NOTE 15 DEFERRED TAXES

('000 EURO)	June 30, 2010	Dec 31, 2009
Deferred tax assets	12 340	6 013
Refundable Advances	-3 945	-715
DEFERRED TAX AT OPENING	**8 395**	**5 298**
Deferred tax Income (Expense) recognised in P&L	1 579	11 391
Deferred tax variation recognised directly in equity	16 903	-8 294
DEFERRED TAX AT CLOSING	**26 877**	**8 395**
Of which Deferred tax assets	29 781	12 340
Of which Deferred tax liabilities	-2 904	-3 945

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

('000 EURO)	June 30, 2010	Dec 31, 2009
Tangible and intangible assets	-5 651	-5 660
Financial instruments	14 094	-6 194
Retirement bonus	3 753	3 418
Other provisions	-1 681	-1 603
Loan and bank borrowings	2 749	2 979
Loss carry-forwards	17 215	17 215
Other	-3 602	-1 761
NET DEFERRED TAX ASSETS (LIABILITIES)	**26 877**	**8 395**

At June 30, 2010 the main sources of deferred tax assets were the recognition of the loss carry-forwards from the French tax Group and deferred taxes from the valuation of financial instruments.

NOTE 16 DETAIL OF FOREIGN EXCHANGE GAINS AND LOSSES

('000 EURO)	June 30, 2010	June 30, 2009
Exchange rate gains/loss realized during the year on commercial operations	5 163	-2 796
Valuation of the receivables and liabilities at the closing date	-1 279	2 554
Change in fair value of financial instruments	763	398
TOTAL	**4 647**	**156**

NOTE 17 OTHER INCOME AND EXPENSE

At June 30, 2010, the other income includes in particular grants and research-based tax credits for €2.5 million and own work capitalized for €0.7 million.

NOTE 18 DETAIL OF FINANCIAL INCOME

('000 EURO)	June 30, 2010	June 30, 2009
Interest expense - net	-5 996	-7 686
Foreign Exchange gains/loss realized	1 046	1 345
- derivative instuments EUR/USD	**0**	**-5 484**
- other derivative instrument	**1 154**	**37**
- Foreign Exchange gains/loss realized on financial operations	**-108**	**6 792**
Valuation of the financial items on balance sheet at the closing date	4 727	694
Change in fair value of financial instruments :	-13 706	11 605
- Change in fair value of currency option contract*	**-8 245**	**5 181**
- Change in fair value of forward currency contract	**-3 224**	**9 049**
- Change in fair value of interest rate contract	**-2 237**	**-2 625**
Other financial expenses / income	57	395
FINANCIAL RESULT	**-13 872**	**6 354**

NOTE 19 INCOME TAXES

('000 EURO)	June 30, 2010	June 30, 2009
Current income taxes	-590	-354
Deferred taxes	1 579	-2 900
TOTAL	**989**	**-3 254**

The Group's effective tax rate at June 30, 2010 was -4.5%. This rate is explained in particular by the charging of the pre-tax profits on the tax losses which may be carried forward and by tax credits.

NOTE 20 RISK MANAGEMENT

Except as specified below, the Group's exposure to the principal risks did not significantly change during the first half of 2010. These risks are described in Note 21 to the consolidated financial statements of the 2009 Registration Document.

20.1 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 liabilities by maturity are analyzed as follows:

('000 EURO)	June 30, 2010				
	Carrying value	Undiscounted cash flow	Less than 1 year	From 1 to 5 years	Over 5 years
Refundable Advances	49 409	-82 265	-13 333	-16 592	-52 339
Discounted Receivables	2 909	-11 688	-11 688		
Bank loans	332 487	-390 648	-13 688	-234 321	-142 639
Finance lease	8 022	-9 843	-1 621	-5 425	-2 796
Commercial paper and other financial debts	19 646	-11 134	-11 134		
Other creditors	162 812	-162 812	-122 243	-40 569	
FINANCIAL LIABILITIES (except derivative instr.)	575 284	-668 389	-173 707	-296 908	-197 775
Derivative instruments (instrinseque value)	40 206	-40 206	-24 897	-15 309	0
TOTAL FINANCIAL LIABILITIES	**615 490**	**-708 595**	**-198 604**	**-312 217**	**-197 775**

('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
Facilité bancaire	11 134	-11 134	-11 134		
Other creditors	129 383	-129 383	-129 383		
FINANCIAL LIABILITIES (except derivative instr.)	548 797	-649 552	-185 680	-380 475	-83 397
Derivative instruments (instrinseque value)	7 215	-7 215	-1 469	-5 746	0
TOTAL FINANCIAL LIABILITIES	**556 012**	**-656 767**	**-187 149**	**-386 221**	**-83 397**

20.2 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'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 June 30, 2010.

The Group's foreign currency exposure in dollars is the following:

	June 30, 2010		Dec 31, 2009	
	'000 $	'000 €	'000 $	'000 €
Accounts Receivable	87 162	71 031	71 872	49 888
Accounts Payable	-29 573	-24 100	-40 594	-28 178
Other (advanced payments suppliers and customers)	0	0	0	0
Net debt	-18 333	-14 940	6 070	4 213
NET EXPOSITION BEFORE HEDGING	**39 256**	**31 991**	**37 348**	**25 924**
Hedging instruments for the receivables on the balance sheet	30 000	24 448	0	0
NET EXPOSITION AFTER HEDGING	**9 256**	**7 543**	**37 348**	**25 924**

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 June 30, 2010. This variation would have resulted in a pre-tax decrease in result of €0.3 million compared to a pre-tax decrease in result of €0.9 million at December 31, 2009.

NOTE 21 CONSTRUCTION CONTRACTS

('000 EURO)	June 30, 2010	Dec 31, 2009
Amount due from customers (work in progress)	322	305
Amount due to customers	1	1
Revenue recognized from the origin of the contracts	1 552	1 533
Expenses incurred since the origin of the contracts	1 980	1 961
Refundable Advances	49	50

Construction contracts are based on forecasts made by the Group taking into account the commercial information (order book 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 dollar 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), Boeing 787 (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.

A €0.05 downward evolution of the USD rate assumptions over the period 2011 to 2012 would have a **€**0.1 million impact on the margin recognized at June 30, 2010 and a decrease of the completion margins for construction contracts of 0.8%. A longer term change to the EUR/USD exchange rates would have an impact on the organization of the Group's industrial processes.

NOTE 22 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

22.1 Financial Commitments

The main variations of the Group's financial commitments between December 31, 2009 and June 30, 2010 relate to the discounting of receivables which went from €2,313k at December 31, 2009 to €0k at June 30, 2010.

22.2 Commitments under Operating Leases

During the ordinary course of its operations the Group enters into operating leases. 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.

22.3 Other Contingent Liabilities

The Latécoère 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 Latécoère Company contests the tax adjustments proposed by the Taxing authority, which have not been the subject of a provision.

NOTE 23 RELATED PARTIES

Group flows of associates:

('000 EURO)	Latécoère	CCA	Latécoère Aeroservices	**June 30, 2010**
Operating revenue	292	560	523	1 376
Purchasing	1 084	0	292	1 376
Trade receivables	264	184	0	447
Trade payables	184	0	264	447

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 scope of consolidation 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 centralized cash flow management.

The Latécoère 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 relative costs of these items.

NOTE 24 SUBSEQUENT EVENTS

Bonus issue of share warrants and issue of the bonds convertible in Latécoère shares

In the course of the month of July 2010 and following the approval given by the shareholders to the proposals submitted to their votes during the Combined Ordinary and Extraordinary General Meeting of June 25, 2010,

- the Group has proceeded with a bonus issue of share warrants (*BSA*) to Latécoère's shareholders; this issue was the subject of NYSE Euronext notice number PAR_20100719_03931_EUR dated July 19, 2010; On July 29, 2010 these share warrants were admitted to trading on the Euronext Paris market.
- the Group and its lending partners signed amendments to the relevant financing agreements in accordance with the terms and conditions provided for in the Conciliation Agreement of May 18, 2010,
- the Group and its lending partners finalized the issuance contracts for the Convertible Bonds provided for in the Conciliation Agreement; the lending banks involved have converted a portion of their medium-term loan receivables into bonds convertible into Latécoère shares, issued on July 30, 2010 by Latécoère and LATelec. The terms and conditions of these convertible bonds were described in the prospectus approved by the French Financial Markets Authority (*AMF*) on June 11, 2010 under the no. 10-174.
- The Convertible Bond agreements contain new financial commitments, based on minimum levels of equity funding and of EBITDA. At June 30, 2010, these levels were respected.

3 STATEMENT BY THE PERSON RESPONSIBLE FOR THE REPORT

"I hereby declare that, to the best of my knowledge, the condensed financial statements for the first half 2010 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 half-year report set forth in chapter 1 of this report, includes a fair review of the important events which occurred during the first six months of the year, their impact on the financial statements for the half year, the principal transactions between related parties together with a description of the principal risks and uncertainties for the remaining six months of the year. "

Toulouse, August 3, 2010

The Chairman of the Management Board
François Bertrand

4 AUDITORS' REPORT ON THE 2010 CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

Mesdames, Messieurs les Actionnaires,

Following our appointment as statutory auditors by your General Meeting and in application of Article L. 451-1 of the French monetary and financial code (*Code monétaire et financier*), we hereby report to you on:

- the limited review of the accompanying condensed half-year consolidated financial statements of the Latécoère S.A. Company, for the period from January 1, 2010 to June 30, 2010;
- the verification of the information contained in the half-year report.

These condensed consolidated half-year financial statements are the responsibility of the Management Board, in a context of great volatility on the financial markets, and of an economic and financial crisis, described in the half-year report and characterized by a context where economic prospects were definitely difficult to grasp, particularly with respect to construction contracts. Our role is to express our conclusion on these financial statements based on our limited review.

I. – Conclusion on the financial statements

We conducted our limited review in accordance with professional standards applicable in France. A limited review essentially consists in having discussions with the members of the Management in charge of financial and accounting matters and in planning and performing analytical procedures. This work is less extensive than that required for an audit performed in accordance with professional standards applicable in France. Accordingly, the assurance obtained through a limited review that the financial statements, taken as a whole, are free of material misstatement, is a moderate assurance, lower than that obtained through an audit.

We have noticed no material misstatements of a nature to raise questions as to the compliance of the consolidated half year financial statements with IAS 34 - in accordance with the IFRS as adopted by the European Union relating to intermediate financial reporting, based on our limited review.

Without qualifying our opinion, we draw attention to the notes to the consolidated financial statements disclosing the conditions for the re-classifying in non-current liabilities of financial debts, following the memorandum of agreement concluded with the financial partners leading, in particular, to the postponement of the date for payment up to and including December 31, 2011 and set out in Note 14.1.

II. – Specific verification

We have also verified the information given in the six month report commenting upon the condensed consolidated half year financial statements with which our limited review was concerned. We have no matters to report as to its fair presentation and its consistency with the consolidated half year financial statements.

Toulouse Labège, August 4, 2010

KPMG Audit
A division of KPMG S.A.

Christian Libéros
Partner

Paris, August 4, 2010

Grant Thornton
French Member of Grant Thornton International

François Pons
Partner