

2012 Registration document



GROUPE
LATECOERE

CONTENTS OF THE REGISTRATION DOCUMENT

This Registration Document contains all of the items of the Annual Financial Report (AFR)

	MESSAGE FROM THE CHAIRMEN		p. 5
1	PRESENTATION OF THE GROUP AND ITS ENVIRONMENT		p. 6
	1.1 Key figures		p. 6
	1.2 Presentation of the LATECOERE Group		p. 9
	1.3 The Group's Businesses		p. 12
	1.4 Property, plant and equipment		p. 15
	1.5 Research & Development		p. 16
	1.6 Degree of dependence on patents or contracts		p. 17
2	BUSINESSES AND RESULTS	AFR	p. 18
	2.1 The Group's Business in 2012		p. 18
	2.2 Business of the Parent company in 2012		p. 22
	2.3 Business of the Subsidiaries and other affiliates in 2012		p. 24
	2.4 Research & Development Expenses		p. 26
	2.5 Information on Trends		p. 26
	2.6 Other information		p. 26
3	CONSOLIDATED FINANCIAL STATEMENTS	AFR	p. 28
	3.1 State of the consolidated financial situation		p. 28
	3.2 Consolidated Income Statement		p. 30
	3.3 State of the overall consolidated net result		p. 31
	3.4 Consolidated Statement of Cash Flow		p. 32
	3.5 Variation of Consolidated Shareholders' Equity		p. 33
	3.6 Notes to the consolidated financial statements		p. 34
	3.7 Report of the Statutory Auditors on the consolidated financial statements		p. 70
4	STATUTORY FINANCIAL STATEMENTS OF THE LATECOERE S.A. COMPANY	AFR	p. 72
	4.1 Balance Sheet of the LATECOERE S.A. Company		p. 72
	4.2 Income Statement of the LATECOERE S.A. Company		p. 74
	4.3 Statement of Cash Flows of the LATECOERE S.A. Company		p. 75

	4.4 Notes to the statutory financial statements		p. 76
	4.5 Report of the Statutory Auditors on the annual financial statements		p. 92
	4.6 Auditors' special report on regulatory agreements and commitments		p. 94
5	RISK FACTORS	AFR	p. 99
	5.1 Business Risks		p. 99
	5.2 Financial Risks		p. 100
	5.3 Other Risks		p. 102
6	GOVERNANCE AND INTERNAL CONTROL	AFR	p. 103
	6.1 The Management Board		p. 103
	6.2 The Supervisory Board		p. 108
	6.3 Report of the Chairman of the Supervisory Board on Corporate Governance and Internal Control		p.116
	6.4 Statutory Auditor's Report on the Report of the Chairman of the Supervisory Board		p. 133
7	SOCIAL AND ENVIRONMENTAL RESPONSIBILITY	AFR	P. 135
	7.1 Social responsibility		p. 135
	7.2 Environmental responsibility		p. 140
8	INFORMATION ON THE COMPANY, CAPITAL AND SHAREHOLDERS	AFR	p. 144
	8.1 Information about the Issuer		p. 144
	8.2 Information about Capital		p. 148
	8.3 Information about Shareholders		p. 151
	8.4 Stock Market Data		p. 153
	8.5 Information Policy		p. 155
9	PERSONS RESPONSIBLE AND STATUTORY AUDITORS		p. 156
	9.1 Person responsible for the document		p. 156
	9.2 Statement of the Persons Responsible for the Registration Document		p. 156
	9.3 Statutory Auditors		p. 157
	9.4 Fees Paid to the Statutory Auditors		p. 157

10	HISTORICAL INFORMATION		p. 158
11	ADDITIONAL INFORMATION	AFR	p. 159
	11.1 Documents Accessible to the Public		p. 159
	11.2 Publication of the Annual Information		p. 159
	11.3 Table of Concordance of the Registration Document		p. 160



The French "document de référence" was filed with the French Financial Markets Authority (AMF) on April 30, 2013 in accordance with Article 212-13 of the AMF's General Regulation. 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.

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) and on Latécoère S.A.'s web site (www.latecoere.fr).

Message from the Chairmen



Pierre Gadonneix, Chairman of the Supervisory Board
François Bertrand, C.E.O.

Building on an order book representing 3.5 years of revenue and strong positions acquired on major programs launched by the main manufacturers worldwide, the Latécoère Group has benefitted fully from growth in the civil aeronautics market, estimated at 5.3 % in 2012 (source: IATA).

Our Group closed 2012 with an 11.8% increase in its business to €643.6 million, higher than estimated. Revenue excluding non-recurring items was €581.1 million, up 11.6%. The strong growth momentum of our industrial activity is based on a strengthening of our production tool supported by specific actions on our supply chain (network of suppliers and sub-contractors). In order to support our growth, our Group recruited more than 400 employees in 2012, of which 270 in France. Our total headcount at the end of December 2012 was 4,288 employees (of which 52% in France).

We have continued our policy of international development, through:

- the creation of a new production site in Mexico, in order to serve the expected growth of business in North America, to enlarge our industrial footprint and diversify our sources of production, while reducing our firm's exposure to the dollar foreign exchange risk;
- the opening of a new subsidiary in Hamburg in order to extend our offer of services in the engineering, design and industrialization of aerostructures, by offering to our customers tailor-made solutions with a high technological value.

As a Tier 1 partner to major international aircraft manufacturers (Airbus, Boeing, Bombardier, Dassault, and Embraer), the Group thus strengthens its ability to support its customers abroad.

On the financial and manufacturing levels, in autumn 2012, Interconnection Systems were affected by movements suddenly disrupting Tunisian production in a context of political and social tensions. Industrial solutions securing the schedule of the deliveries to customers were immediately implemented, generating temporary overruns. This episode weighed on the 2012 operating margin of the Group, initially expected close to that of 2011 and reduced to 4.2% of consolidated revenue, based on a scenario assuming a return to a normal situation in 2013. In spite of these difficulties, our commitment to debt reduction was kept and debt decreased €46 million in 2012.

While it enters 2013, the Group has demonstrated its ability to manage its Tunisian crisis during the 4th quarter of 2012, without any delays for its customers, and has achieved its debt reduction target.

Priorities for 2013 are consistent with 2012: securing the supply chain while activity is growing with revenue expected up by about 5%, pursuing the continuous improvement of processes towards operational excellence that combines customer satisfaction and cash generation, and strengthening of operating margin towards 6% of revenue.

At the end of a year full of challenges, we would like to reaffirm to the whole of our group's stakeholders -- staff, shareholders, customers, suppliers, and financial partners -- our determination to drive the expected growth of our business, to increase the value our industrial organization, to continue the development of our offer of services and to contribute actively to the upcoming consolidation of the sector.

1 PRESENTATION OF THE GROUP AND ITS ENVIRONMENT

1.1 Key figures

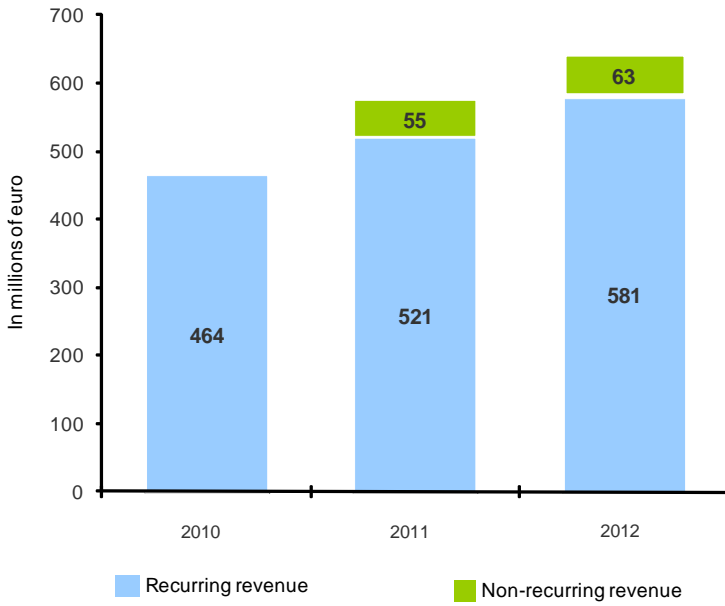
The key figures presented were taken from the IFRS financial statements published in respect of the years 2010, 2011 and 2012, and established in compliance with the IFRS system of reference as published by the IASB and adopted by the European Union.

Summary Income Statement

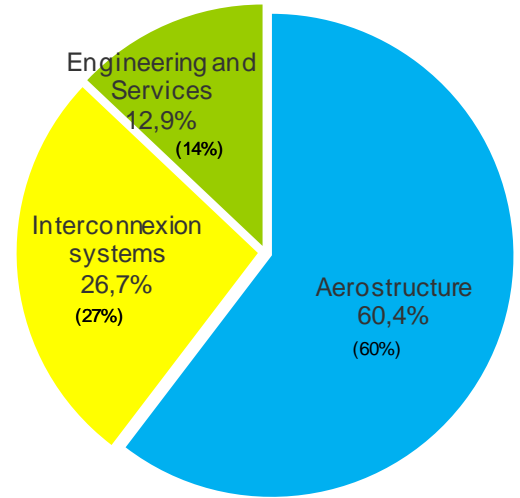
<i>In millions of euros</i>	2012	2011	2010
Revenue excluding non-recurring items	581,1	520,6	464,4
Non-recurring items – Aerostructure*	62,5	55,0	-
Total revenue	643,6	575,6	464,4
EBIT	26,8	44,7	45,3
Net financial result	-18,0	-43,1	-18,3
▶ Realized gains and losses	-22,2	-21,0	-10,9
▶ Unrealized gains and losses	4,3	-22,1	-7,3
Group net result	3,1	6,6	29,9
Group net result excl. unrealized gains & losses on non-settled financial hedging instruments	-2,8	20,3	37,0
Consolidated net debt	322,6	368,8	350,7
Shareholders' Equity (Group share)	185,0	169,4	170,9
Shareholders' Equity (Group share) adjusted for changes in the fair values of financial hedging instruments	190,4	182,7	167,0

* Non recurring billing of development costs (€ 62.5M in 2012 and € 55.0M in 2011)

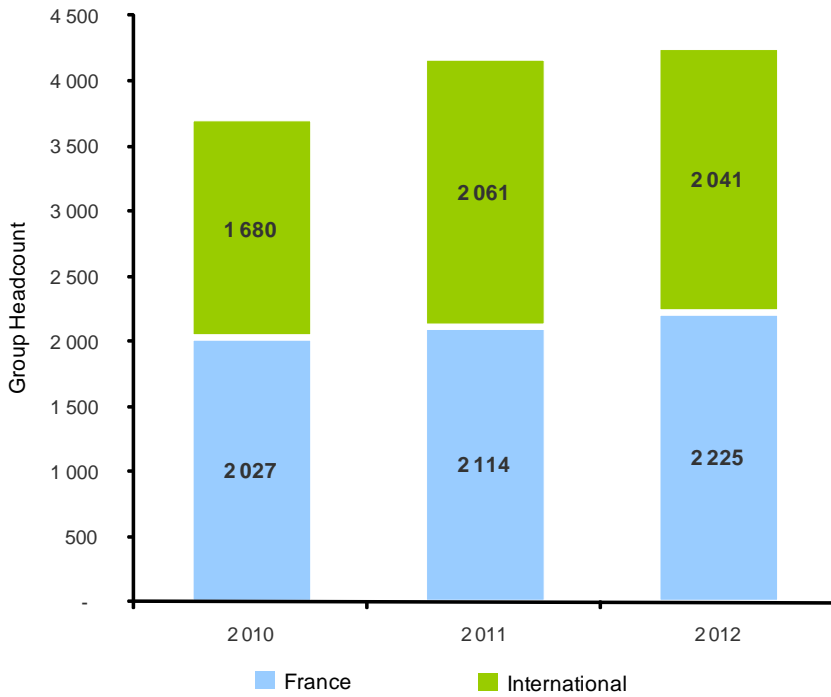
CHANGE IN GROUP REVENUE (In € m)



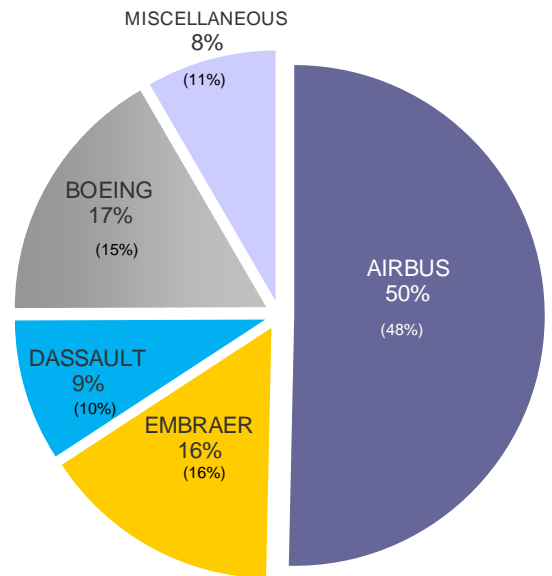
BREAKDOWN OF REVENUE BY BUSINESS IN 2012



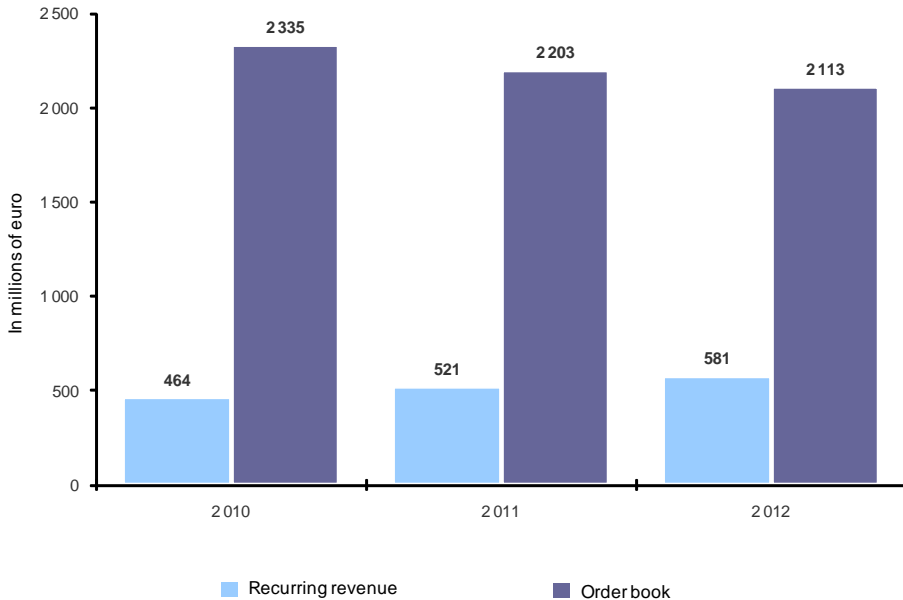
CHANGE IN HEADCOUNT REGISTERED TO THE GROUP



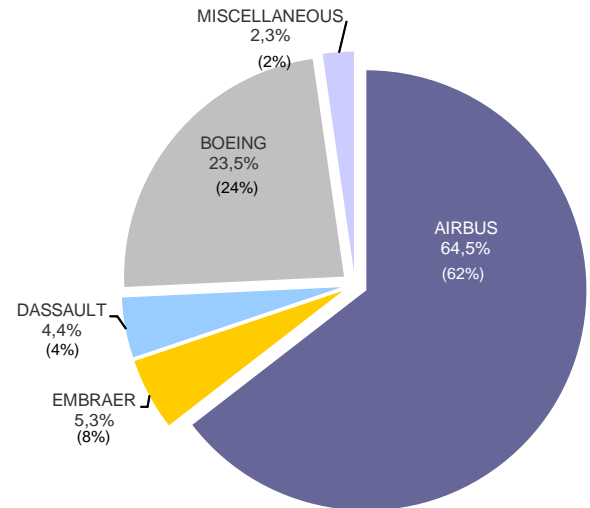
BREAKDOWN OF REVENUE BY CUSTOMER IN 2012
(for reference, 2011 data are given in parentheses)



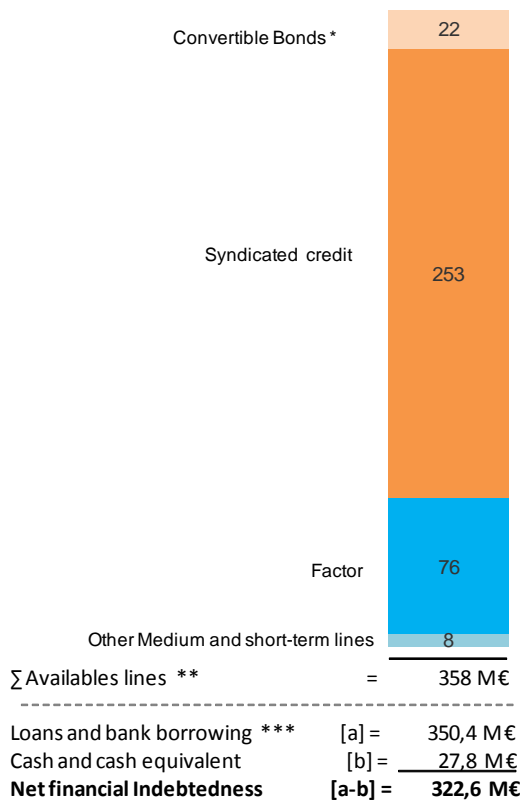
CHANGE IN REVENUE AND ORDER BOOK



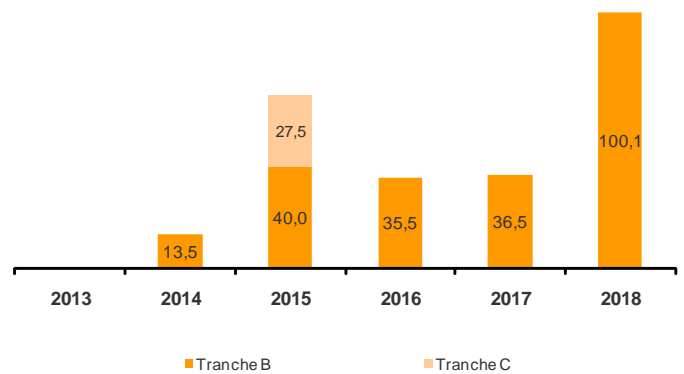
ORDER BOOK BY CUSTOMER AT 12/31/2012 (for reference, 2011 data are given in parentheses)



FINANCIAL RESOURCES AT 12/31/2012



SYNDICATED BANK BORROWINGS DEPRECIATION SCHEDULE ¹



¹ Taking into account the adjustment that was made during the 1st quarter of 2013

* The Convertible Bonds are convertible from January 2, 2012 until July 30, 2015. On the latter date, the amount not converted into shares will be refunded.

** Available lines correspond to the financial lines available implemented by the Group at December 31, 2012.

*** Loans and bank borrowing correspond to credit lines drawn at December 31, 2011; all non-factoring credit lines outside were drawn. The Group's liquidity risk is set forth on pages 102 and 103.

1.2 Presentation of the LATECOERE Group

1.2.1 History of the Group



Founded in 1917 by Pierre Georges Latécoère, the LATECOERE 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, LATECOERE 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 LATECOERE Group has made itself present today in all aeronautical segments by pursuing a strategy of growth based on partnership in the areas of aerostructures, onboard wiring and systems.

A major supplier of Airbus, the Brazilian company Embraer, Dassault Aviation and Boeing, the Group, with its international network of subsidiaries, partners and 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 Latécoère
- 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. LATECOERE realized its project, the link between France and South America where it arrived the first. LATECOERE sells its lines to Bouilloux Lafond. Aéropostale is born, and will later be succeeded by Air France.

1939 LATECOERE 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 that makes men surpass themselves in the name of a common ideal.

1930-1970 The years of diversification. By the end of the LATECOERE 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. LATECOERE opens itself up internationally and becomes the recognized Partner of the major manufacturers.

1997 BEAT, a design office specialized in aeronautical structure and the design and manufacturing of tooling, becomes a 56% owned subsidiary of the LATECOERE Group.

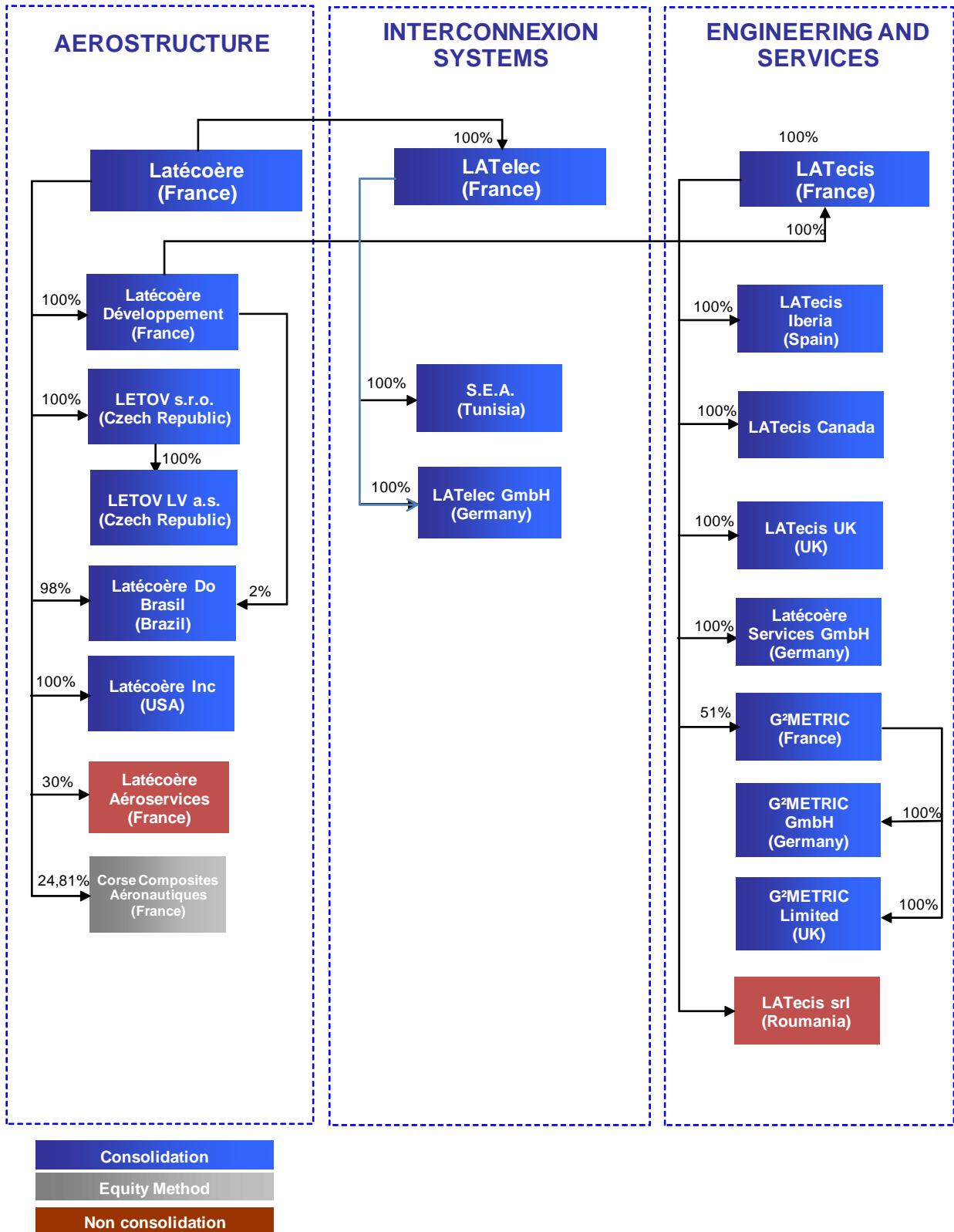
1998 Creation of LATElec (wholly-owned subsidiary of the Group), following the takeover of the wiring activity of Fournié Grosaud. LATElec quickly becomes the center of excellence in the field of the electric racks and in onboard wiring. Creation of SEA-LATElec in Tunisia, a wholly-owned subsidiary of LATElec. Successful exit of the employee buyout: The outcome of this operation, which was a success for all the participants, did not 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

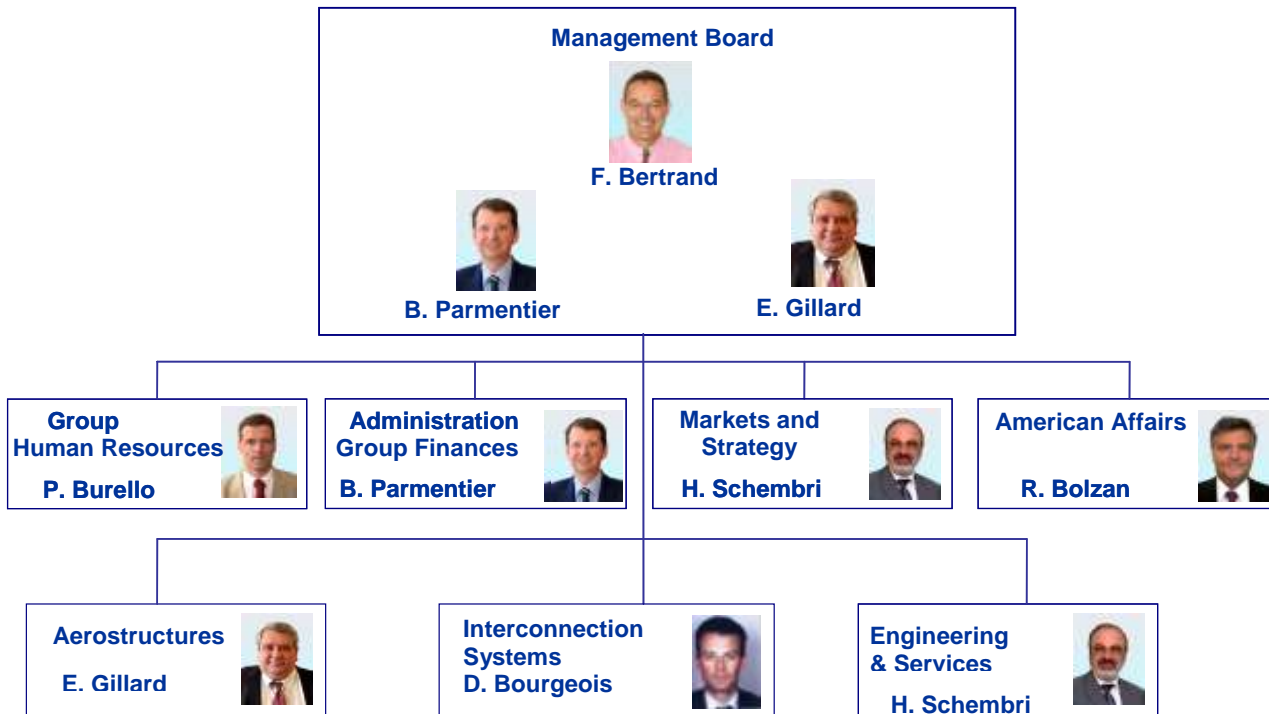
- the Gers, France dedicated to large fuselage sections for Airbus and Embraer.
- 2003** LATECOERE acquires 25% of the capital of Corse Composites Aéronautique (CCA). LATECOERE joins the original three shareholders of CCA - Airbus France, Dassault Aviation and Snecma - with the same level of rights.
- 2004** Creation of LATECOERE do Brasil. This wholly-owned subsidiary is located in Sao José dos Campos near Sao Paulo, Brazil. The creation of LATECOERE 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 LATECOERE and 70% by the Latécoère family): aerostructures assembly and aircraft maintenance. The aerostructures business was integrated into LATECOERE. Creation of LATElec GmbH in Hamburg, after Airbus Germany had chosen LATElec (a wholly-owned subsidiary of the LATECOERE Group) in order to realize electrical harnesses for the interior layout of the Airbus A380. LATECOERE acquires the remaining capital of BEAT, which becomes LATecis, a wholly-owned subsidiary of the Group. This operation strengthens the presence of LATECOERE'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 LATECOERE do Brasil factory. SEA LATElec Tunisie inaugurates a second factory (5,000 m²), 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 G²METRIC Company (measurement engineering business)
- 2008** Inauguration of LATElec Services Colomiers. LATECOERE do Brasil: opening of a second building. LATElec opens its tenth site in Marignane, near Eurocopter.
- 2009** LATecis opens a subsidiary in England
- 2010** Pierre Gadonneix elected Chairman of LATECOERE's Supervisory Board. Issue of convertible bonds in an amount of €71.5 million and bonus issue to all existing LATECOERE Company shareholders of Share Warrants (BSA). The LATECOERE Group is honored with two 2010 Best Supplier awards from Embraer in the "Aerostructures" and "Technical Support to Operators" categories. LATecis opens a subsidiary in Canada. G²METRIC opens a subsidiary in Germany.
- 2011** The LATECOERE Group refinances and syndicates debt over seven years. The 100th A380 lower fuselage and the first A350 nose fairing come off the assembly lines. LATECOERE won *the Innovation Award* awarded by the JEC in the *Aeronautics* category for its research work on composites, in particular on future doors.
- 2012** Start of direct deliveries of A320 doors to Airbus from Letov's Czech site. Latécoère delivers the 1,000th B787 door to Boeing. Latécoère launches LATvision, a range of external and internal onboard 360° video cameras (www.latvision.com). LATElec delivers its first elements of electrical wing harnesses, avionics bays and cockpit panels for the A350 and begins its production activity in Mexico.

1.2.2 Group Structure Chart



The percentages indicated in the structure chart reflect capital holdings

1.2.3 Simplified Group Organizational Chart at December 31, 2012



1.3 The Group's Businesses

The LATECOERE Group combines a multi-customer platform, a multi-segment product range, industrial activities and skills ranging from design to industrial realization, giving it a unique positioning in the market.

The main financial data by business are presented in paragraph 3 of this document in note 4 "Operational Segments" for the year 2011, and are incorporated by reference as indicated in paragraph 10 of this document for the years 2009 and 2010. Data on the LATECOERE Group's revenue are disclosed in note 17 to the consolidated financial statements.

1.3.1 Aerostructures

Aerostructures activities are carried out principally by the LATECOERE Company and its subsidiaries LATECOERE 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, Boeing 787, and Embraer ERJ 170/190) and cargo (A380, Boeing 777, 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 (*source: "Usine Nouvelle", June 2011*).

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, which consists in being a direct supplier of the manufacturer, associated with development and production of sub-assemblies of an aircraft program as part of a risk sharing. 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; A380; A350 and BOEING 777; and BOEING 787.

- **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.



The Aerostructures market in the United States is dominated by Vought and Spirit (resulting from the outsourcing of Boeing's aerostructures activities) and in Japan by dedicated subsidiaries of the Kawasaki and Mitsubishi Groups, four major players of the industrial consolidation carried out during the last decade. In Europe approximately fifteen players are present in this market, whose prospects of consolidation are very open; in particular, there are the Premium Aerotec subsidiary of EADS in Germany, GKN in England and four companies in France: two subsidiaries of EADS (Aérolia and Sogerma), Daher Aerospace and the LATECOERE Group.

This market was marked in 2012 by an exceptional level of aircraft sales (customer deliveries of Airbus and Boeing aircraft exceeded 1000 units), which resulted in an increase in aircraft manufacturers' production rates driven by a 5.3% growth in air traffic (source: "IATA").

More than half of 2012 LATECOERE Group revenue in Aerostructures, 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 partners¹, subject to the same constraints. The diversity of programs in which the company participates also spreads this risk. Refundable Advances obtained for some

¹A second-tier partner is a supplier not dealing directly with the manufacturer but with a Tier 1 supplier whose contract covers a long period with participation in development work.

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. The Group is implementing an industrial policy to reduce its natural exposure to the resulting currency risk, by increasing the share of its purchasing in dollars from its Euro bases and by development of a globalized network of industrial organizations. The policy is to systematically hedge residual exposure through financial instruments deployed over a sliding period of 24 to 36 months.
- The Company is the exclusive source of the products it manufactures. Every order booked by the aircraft manufacturers directly affects LATECOERE's order book (3.5 years of revenue at year-end 2012), 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:

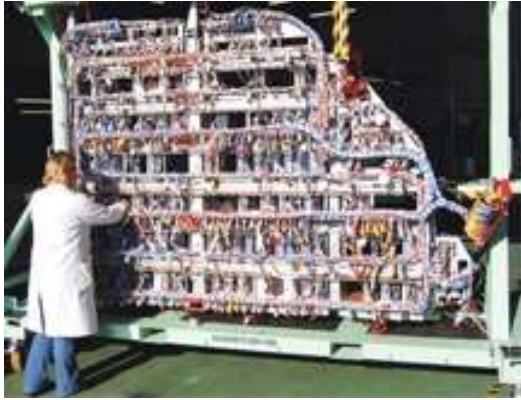
- **LATECOERE Toulouse: The Company's registered office:** In addition to the Group's management, Toulouse hosts the management and design office team for the aerostructures business. On this site the running of the industrial process, the assembly of fuselage section doors and the manufacture of metallic parts are carried out.
- **LATECOERE Gimont (in the French department of the Gers):** A secondary establishment, located 40 km. from Toulouse, especially dedicated to large-dimensioned structures (fuselage sections).
- **Letov s.r.o. - Czech Republic:** LETOV s.r.o., a wholly-owned subsidiary of LATECOERE, 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.
- **LATECOERE do Brasil:** LATECOERE do Brasil is located in Sao José dos Campos near Sao Paulo, Brazil. This entity assembles and equips all fuselage sections delivered to our customer Embraer.



1.3.2 Interconnection Systems

The Group's Interconnection 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 racks and bays, 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, May 2010*).

Apart from the aircraft manufacturers themselves, key market players are Labinal (Safran Group) and Fokker. This market enjoys a high outlook for growth linked to the increase in production rates requested by aircraft manufacturers and a trend to greater outsourcing of this activity by aircraft manufacturers.

LATElec is present on the main aeronautical programs:

- **Commercial Aircraft** (more than 100 seats): AIRBUS A318/319/320/321; A330/340; A380; A350
- **Regional Aircraft:** ATR
- **Business Aircraft:** DASSAULT Falcon 900, 2000 and Falcon 7X.
- **Military Aircraft:** AIRBUS A400M
- **Engines:** SAM 146 and ETRAS A380
- **Helicopters:** Lynx, Puma, and SuperPuma

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

- **Satellites:** for communications (ArabSat, Globalstar, Astra, etc.), scientific use (Myriad, Proteus, etc.), military use (Skynet, Syracuse) and orbital station use (ATV):
- **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. The location it opened 10 years ago in Tunisia now contributes to most programs, and by lowering the Group's cost structure has contributed greatly to the overall performance of the Interconnection Systems division.

With a core of activities and piloting still in the Greater Southwest of France, and in particular in the Midi-

Pyrenees region, the Interconnection 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 Interconnection Systems 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 Marignane, France:** Design office specialized in electric designs for Eurocopter
- **SEA-LATElec in Tunis:** The SEA-LATElec subsidiary is intended to receive an increasing share of the Interconnection Systems 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. Since 2011, it has also diversified its customer list, which now includes Ruag, List, Bucher, etc.

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 main players in the engineering market are the major general engineering companies such as Alten, Altran, Akka and more players more specialized in aeronautics, such as Assystem.

The originality of the positioning of LATEcis and its subsidiaries lies on the one hand in the combination of engineering, design and development of equipment know-how, and on the other hand in its integration into the LATECOERE Group, industrial player mastering the value chain from design to realization, with which it works jointly.

The LATEcis Company and its subsidiaries representing the engineering and services business intervene in industrial firms in the areas of aeronautics, space, defense and energy.

In order to optimize the quality of its services, LATEcis developed in parallel to its engineering business a services and proximity strategy. Its Bordeaux, Nantes, Paris and Pertuis, France 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:

- The design of structural elements: A380 nose section systems installation, work package ("WP") on the forward section of the BOMBARDIER C-Series, as well as various WPs on the A350 for AIRBUS
- Design and realization of assembly jigs (assembly line for A350 engine pylons, assembly line for the A350 center wing box, and the setting in reference of the A350 final assembly, integration (A400M avionics bays, etc.)



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 defense field, LATecis designed and realized radar antennae on behalf of Thalès and also works on various military nuclear-related projects with CEA Cesta.

In the energy field, LATecis designed and realized test mechanisms for CEA in connection with the dismantling of the Phénix power plant.

G² Metric, a 51%-held subsidiary of LATecis, has developed acknowledged expertise in the field of metrology (measurement by laser), which is used notably in the fine-tuning of tools, assembly lines and mountings in the aeronautics industry. G²Metric intervenes in other fields such as Space (Thalès Alenia Space, Astrium and CNES), Energy (CEA) and Automotive.

The core of the engineering and services business is located in the Midi-Pyrenees region; to offer its customers greater proximity of services, LATecis also has a network of branch offices in France and abroad. The main 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: provides local services.
- **LATecis UK in Broughton**: provides design and integration services for Airbus UK.
- **LATecis Canada in Montreal, Canada**: provides design services for Bombardier and Aéroliia.
- **G²METRIC in Toulouse-Launaguet**: Management and main design office team; furnishing of services in the Toulouse, France region.
- **G²METRIC GmbH in Büren**, Germany: provides local services.
- **G²METRIC Limited in Gerrards Cross**, England: provides local services.

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 ten countries. The table below presents the Group's main sites.

Company	Site	Activity	Occupancy*	Headcount as of Dec. 31, 2012
LATECOERE	Toulouse (Périole), France	Head office Design and production site	O	969
LATECOERE	Gimont, France	Production site	FL	119
LATelec	Labège, France	Head office Design and production site	FL et T	367
LATelec	Liposthey, France	Production site	FL	100
LATelec	Le Crès, France	Production site	O	99
LATelec	Colomiers, France	Production site	T	93
LATecis	Saint Foy d'Aigrefeuille, France	Head office and design site	O	397
LATecis	Saint Foy d'Aigrefeuille, France	Production site	FL	
Letov s.r.o	Prague, Czech Republic	Head office / Production site	O	636
LATECOERE do BRASIL	Jacarei, Brazil	Head office / Production site	O	389
LATECOERE Inc	Miami, USA	Head office	O	1
LATelec GmbH	Hamburg, Germany	Head office / Design site	T	83
SEA LATelec	Tunis, Tunisia	Head office / Production site	O	904
LATecis IBERIA	Getafe, Spain	Office	T	37
G ² METRIC	Launaguet, France	Office	T	53

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

The Group is working on a project for the establishment in Hermosillo, State of Sonora, Mexico of a dedicated industrial site under lease which will be shared out between its Aerostructures and Interconnection Systems businesses.

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 (PAMELAT, MAAXIMUS and OFFSET in fuselages, COMDOR and NEXGED in composite doors, and IDEES 5 in the study of the new generation of modular avionics and on themes 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 Boeing 737).

Major ongoing programs include:

- The **MAAXIMUS** (More Affordable Aircraft through eXtended, Integrated and Mature NUmerical Sizing) Project, led by Airbus, concentrates on the improvement of the composition and the design of fuselages aimed at a 50% reduction of assembly time and a 10% reduction of the weight of structures, with a lighter fuselage enabling lower carbon dioxide emissions,
- The **PAMELAT** Project relating to the study and development of composite materials for aircraft nose sections. It aims to contribute to the introduction of composite materials in the production of

aerostructures. This technological innovation meets performance criteria, in particular in terms of mass reduction, but also in terms of the absence of corrosion, damage tolerance, etc. These performance improvements should result in a reduction in operating costs (fuel consumption, inspections as a preventive measure, maintenance, etc.).

- The **OFFSET** Project (Optimized Front Fuselage Structure Enhanced Technologies) relating to aircraft nose sections of a diameter less than 4 m. in metallic technology (€16 million project in cooperation with AEROLIA).



- The **NEXGED** (Next Generation Door) Project for the design of a door of the future system demonstrator meeting the requirements of regulations in force, run by LATECOERE in collaboration with five manufacturers of components, which are members of GIFAS. Launched in 2011 and having a budget of €30 million of which €15 million for the LATECOERE Company. This project will continue into 2015.
- The **IDEES 5** Project: in partnership since 2009 with the prime contractor AIRBUS and several French manufacturers of components who are leaders in avionics, the LATElec and LATECOERE companies participate in the project in the design and development of demonstrators of cabinets for modular avionics. The LATECOERE Group's



budget for the project is €6 million with a termination in December 2013.

These programs are financed in part (in general, from 30% to 50%) by grants from the French State (operating grants and the research-based tax credit), and the remainder by self-financing.

Furthermore, the LATECOERE Group is an associate partner in the "Démonstrateur composite" Project (Aerostructures elements in composite materials) and a partner in the AME ("Avionique Modulaire Etendue") Project (new-generation avionics bays), both related to the CORAC roadmap and eligible for 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. Negotiations may lead the Group to receive advance repayments on an ad hoc basis.

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). Today, research & development efforts are mainly concentrated on the Boeing 787 doors and on the A350 programs.

1.6 Degree of dependence on patents or contracts

The Group files industrial patents in very special cases, most developments being performed on behalf of the Group's customers. However, either as part of its R&T, or in connection with the improvement of its manufacturing base, the Group regularly files patents in order to prepare its positioning on future programs. However, the Group considers itself to be relatively not very dependent on the stakes involved in this type of industrial property.

The aeronautical market is dominated by five major manufacturers (AIRBUS, BOEING, EMBRAER, DASSAULT, BOMBARDIER). The LATECOERE Group

took great pains to build a multi-customer and multi-segment industrial platform (commercial aircraft, regional and business aircraft) from a base historically centered on AIRBUS and DASSAULT. Today, the diversification of its contractors (the LATECOERE Group works with the five abovementioned major players with which it has developed strong and recognized positions) combined with the multiplicity of aeronautical programs on which the Group has positioned itself in each of its business lines, contributes to appreciably reduce its risks of dependence on one manufacturer or one contract.

2 BUSINESSES AND RESULTS

2.1 The Group's Business in 2012

2.1.1 The Basic Essentials

Summary of the key consolidated aggregate figures

<i>In millions of euros</i>	2012	2011	2010
Revenue excluding non-recurring items	581,1	520,6	464,4
Non-recurring items – Aerostructure*	62,5	55,0	-
Total revenue	643,6	575,6	464,4
EBIT	26,8	44,7	45,3
Net financial result	-18,0	-43,1	-18,3
▶ Realized gains and losses	-22,2	-21,0	-10,9
▶ Unrealized gains and losses	4,3	-22,1	-7,3
Group net result	3,1	6,6	29,9
Group net result excl. unrealized gains & losses on non-settled financial hedging instruments	-2,8	20,3	37,0
Consolidated net debt	322,6	368,8	350,7
Shareholders' Equity (Group share)	185,0	169,4	170,9
Shareholders' Equity (Group share) adjusted for changes in the fair values of financial hedging instruments	190,4	182,7	167,0

* Non recurring billing of development costs (€ 62.5M in 2012 and € 55.0M in 2011)

A year of strong growth

The Group closes FY 2012 with a higher than expected growth at 11.6% (excluding non-recurring items). Actions undertaken throughout the course of the year in order to reduce recurring tensions encountered at different levels of the supply chain in a context of sharp increase in industry volumes and to secure deliveries produced a positive outcome. The Group has demonstrated, thus, its ability to sustain successfully the sharp ramp-up of delivery rates to aircraft manufacturers, despite a severe crisis in Tunisia.

At constant €/US\$ exchange rate, organic growth stood at +7.8%.

In addition, the Group recorded €62.5 million of non-recurring revenue corresponding to billing of development costs. As a result, total consolidated revenue reached €643.6 million in 2012.

All divisions contributed to the continuous progression of activity with 5 consecutive semesters of growth at the end of 2012.

A Tunisian crisis accelerating the strategy of diversification of the Group's industrial locations

In order to ensure for the long term the most competitive costs while reducing exposure to the dollar, the Group is implementing an industrial strategy built on the development from French bases of an international network of complementary production platforms based on geographically diverse supply circuits.

This strategy led the Interconnection Systems business to set up as early as 1998 in Tunisia through the creation of the SEA LATElec subsidiary that has experienced a rapid development on mass production activities and contributed to the emergence of an aeronautical industrial center in Tunisia; at year end 2011 SEA LATElec thus had more than 900 employees, shared out over two industrial establishments, out of a total Interconnection Systems division headcount of 1,586 employees.

The Jasmine Revolution of January 2011 and its indirect consequences on the production environment required specific labor support and an adapted management to maintain the competitiveness of the production tool in the changing political and social context experienced in Tunisia. The actions implemented have thus allowed absorbing until autumn 2012 disturbances that were generated on the industrial level by this unstable environment and random developments.

The situation suddenly deteriorated in autumn 2012 due to unpredictable and non coordinated social movements, limited to a single establishment, which disrupted the entire production process of the Interconnection Systems division; these events led the firm to immediately implement industrial solutions reloading production outside the country to secure the schedule of deliveries to customers, generating temporary overruns which weighed on the Group's results.

In addition to the immediate management of the crisis that enabled LATElec to comply with its commitments to its customers, the Group, based on this experience, decided to reassess, interacting with its customers, its industrial strategy towards double sourcing schemes in order to better address country risks.

Accordingly, the Interconnection Systems business is accelerating the planned development of a plant in Mexico, while adapting its production capacities in Tunisia. The redeployment industrial plan progresses within financial estimates anticipated.

Decrease in EBIT resulting from Tunisian events; Recovery of Aerostructures in progress

Operating margin, previously expected close to 2011's level, decreases to 4.2% of consolidated revenue, in line with the profit warning dated October 31, 2012.

Tunisian events account for close to -€18M in this evolution, which includes impacts of the Interconnection Systems redeployment industrial plan on all involved programs.

The Aerostructures business is progressing with a contribution to EBIT of €18.6 million, which includes a €40 million consumption of non-recurring development work-in-process (versus €24 million in 2011) that reflects the fact that programs launched in the 2000's are becoming progressively mature. Accounts were closed in a prudent approach with no margin recognized on non-recurring billing of development costs.

The realized financial result amounted to -€22.2 million versus -€21.1 million in 2011; Cost of bank debt remained stable at 4.1%.

As of December 31, 2012, 73% of net financial debt is hedged until 2015 through financial instruments capping risk on underlying market interest rates at 3.30% (spread excluded).

US\$ exposure hedged through the end of March 2015

The Group hedges its industrial exposure to fluctuations in the US\$ through a policy designed to maintain a long term €/US\$ budgeted exchange rate of 1.35.

The Group exclusively uses hedging instruments with closed risk positions (exchange rate at worst defined) while partially benefiting from any rise in the American currency (collars). This strategy has enabled the Group to realize its 2012 exposure at an average €/US\$ rate of 1.3103.

The year-end €/US\$ closing spot rate of 1.3194 associated to a strong decrease in market volatility on the €/US\$ exchange rate, back to near 9% in December 2012 versus 17% the previous year, had a positive impact on the fiscal year unrealized financial result. As a reminder, this positive impact has no present or future cash incidence as collars are intended to be held to maturity. Unrealized net financial result amounted consequently to +€4.3 million versus -€22.1 million in 2011.

Net income after minority interests amounted to +€3.1M.

A significant decrease in debt in line with guidance

EBITDA² amounted to €32.7 million.

Operating working capital needs decreased by €3.4 million despite the strong growth in activity and in spite of recurring tensions on the supply chain, showing the results of structuring actions taken to reduce production cycles and optimize credit management:

- ▶ the inventories and work-in-progress resulted in a €1.2 million inflow through the effect of the decline in Aerostructures inventories and work-in-progress (decrease of €13.1 million) partly offset by rising Interconnection Systems inventories and work-in-progress (increase of €12.2 million of which approximately €7 million related to the implementation of circuits of production-reloading solutions to cope with the Tunisian crisis)
- ▶ customer work-in-progress decreases by €5.2 million versus a revenue up by 11.6%

Non recurring development work-in-process related to programs accounted under construction contracts, net of movements on related refundable advances, resulted in a €43.4 million inflow.

Net capital expenditures amounted to €13.4 million of which:

- ▶ €0.8 million in land and buildings
- ▶ €6.7 million in equipment and industrial plant of which €1.9 million relating to the development of new plants in Mexico,
- ▶ €3.6 million dedicated to the Information System (software and development)

695,996 Convertible Bonds (CBs) over a total number of 2,860,000 CBs have been converted during the fiscal year 2012 contributing to the strengthening of Shareholders' Equity by €7.0 million; Under these conditions, and after factoring realized financial result (-€22.2 million), income tax paid (-€2.3 million) and other needs (-€2.3 million), consolidated net financial debt stood at €322.6 million as of December 31, 2012, down by €46.2 million year on year.

Priorities for 2013 clearly established: pursuing growth and strengthening profitability

While it enters 2013, the Group has demonstrated its ability to manage its Tunisian crisis during the 4th quarter of 2012, under conditions that strongly impacted its profitability for 2012 but without any delays for its customers, and has achieved its debt reduction target.

Priorities for 2013 are consistent with 2012: securing the supply chain while activity is growing and pursuing the continuous improvement of processes towards operational excellence that combines customer satisfaction and cash generation.

Based on the latest delivery rates announced by the aircraft manufacturers, the Group anticipates a further growth of its business in 2013,

- ▶ with revenue expected up by about 5% on 2012 revenue excluding non recurring items,
- ▶ and a strengthening of operating margin towards 6% of revenue.

A €20 million temporary increase in net financial debt is expected in 2013, resulting essentially from the consequences of the Tunisian crisis, with debt reduction expected to resume in 2014.

Resource plan was adapted consequently, in the scope of existing contracts, with an increase of the upper limit of the factoring agreement (up by €8 million) in line with activity growth and an adjustment of 2013 amortization schedule (€8 million).

2.1.2 Additional Information

Revenue of the Group

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

² EBITDA, which refers in the consolidated financial statements to EBIT increased by (i) provisions net of reversals on working capital and for risks and expenses, and (ii) depreciation and amortization on intangible and tangible fixed assets,

- **Aerostructures (60.4%):** Revenue in 2012 was €388.6 million, up 13.0%. Corrected for non-recurring billings of development costs for €62.5 million and for dollar foreign currency exchange effects, the organic change is +6.9%.
- **Interconnection Systems (26.7%):** Revenue was €171.7 million, up 12.0%. The organic change was +10.1%.
- **Engineering and services (12.9%):** Revenue was €83.3 million, up 6.4%. It is principally realized by the LATecis subsidiary.

Income taxes

The Group posted income tax expense of €5.2 million including current income tax due of €2.6 million and deferred tax expense of €2.6 million.

Inventories

Inventories and work-in-progress dropped in 2012 by €36.2 million to €445.0 million, primarily through the combined effect

- ▶ of a slight increase in inventories and physical work-in-progress (raw materials, metallic parts and work-in-progress for production) of €3.4 million;
- ▶ of a drop of €39.7 million in non-recurring work-in-progress³ (development costs and learning curve), essentially for programs followed in construction contracts (IAS 11), taking into account in particular
 - billings of development work, including exceptional billing during 2012 of €62.5 million;
 - expenses devoted to programs in development and/or industrialization stages (primarily the A350 and Boeing 787),
 - drops in production costs per unit for programs in the maturity phase.

Additional information on inventories and work-in-progress is furnished in notes 7 and 24.

Shareholders' Equity

The shareholders' equity Group share at December 31, 2012 was €184,971k. It can be broken down as follows:

Capital and initial reserves	€180,492k
Impact of hedging instruments	€1,355k
Fiscal year net result, Group share	€3,124k
Total	€184,971k

³ Inventories and work-in-progress includes raw materials, parts and work-in-progress. Non-recurring work-in-progress is made up of the development costs of programs (non-recurring costs, or "NRC"), and the curve related to the decrease in costs recorded in the margin recognized based on the stage of completion in accordance with IAS 11 (Construction Contracts).

2.2 Business of the Parent company in 2012

The financial statements of the company at December 31, 2012 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 €445.6 million in 2012, which represents 60% 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. 2012 operating result was +€11.2 million compared to +€5.7 million in 2011.

Financial result was -€17.1 million through the combined effect of the cost of debt (-€21 million), foreign exchange income (-€2.4 million) and income from dividends

received by LATECOERE from its subsidiaries (+€2.7 million).

Non-recurring result is -€1.0 million including in particular the impact of accelerated fiscal depreciation for -€0.5 million.

At December 31, 2012, the workforce consisted of 1,088 employees, increased by 145 temporary staff.

Net Result, Appropriation and Dividends

Net result was negative at -€1,074,453. It was proposed to allocate the full amount to the "retained profit or loss brought forward" account.

It will be proposed to the general meeting of shareholders not to distribute any dividend with respect to 2012. The number of shares was 9,323,754 at December 31, 2012, up 713,757 shares compared to December 31, 2011. This increase is due to the exercise of 17,761 share warrants (BSA) and to the conversion in shares of 695,996 CBs (Bonds Convertible in Shares). Dividends paid out over the last three fiscal years were:

	Revenue eligible for tax		Revenue not eligible for tax deduction	Number of shares
	Dividends	Other distributed revenue		
Fiscal year 2010	0 €			8 609 997
Fiscal year 2011	0 €			8 609 997
Fiscal year 2012	0 €			9 323 754

The total of expenses and charges related to Articles 39-4 of the French General Tax Code, amounted to €38,094.

Inventories of Raw Materials and Works-in-Progress

The balance sheet at the closing of the year shows net inventories of raw materials of €31.7 million (compared to €30.8 million in 2011). Work-in-progress amounts to €306.1 million, compared to €355.1 million at December 31, 2011.

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 €24.8 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 assets amounted to €8.3 million. It principally concerns machine tools for production, the development of computer tools under the information systems master plan and the establishment of a new production platform in Mexico.

Net financial debt

At December 31, 2012, net debt was €269.5 million, a decrease of €75.2 million. The decrease in net debt corresponds in particular to the repayment of Tranche A of the Syndicated Loan for €64.5 million and to the

conversion of Bonds Convertible in Shares for an amount of €7.0 million.

Refundable Advances

The company obtained refundable advances from official bodies and customers as additional financing of new programs (A380 and A350); during the fiscal year, repayments were made, as a function of contractual conditions and deliveries of relevant products. At the end of 2012, the amount registered in the balance sheet item "conditional advances" is €31.0 million.

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:

At December 31, 2012, the balance of relevant accounts payable debt was €14.1 million with the following breakdown:

- 12% 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).
- 88% 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).

At December 31, 2012, this balance included 4% of past due debts.

At December 31, 2011, the balance of relevant accounts payable debt was €18.7 million with the following breakdown:

- 31% 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).
- 69% 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).

At December 31, 2011, this balance included 2% 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:

At December 31, 2012, the balance of relevant account receivables was €39.6 million with the following breakdown:

- 70% 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).
- 22% of invoices payable within 30 days after the end of the month ending on the 15th, 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).
- 7% 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 60 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).

At December 31, 2012, this balance included 9% of accounts receivable past due.

At December 31, 2011, the balance of relevant account receivables was €36.7 million with the following breakdown:

- 75% 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).
- 14% 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 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).
- 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, 2011, this balance included 6% of accounts receivable past due.

2.3 Businesses of the Subsidiaries and other affiliates in 2012

2.3.1 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 avionics bays. It is also the production center of doors in composite materials for the Boeing 787. This Company invoices most of its production to LATECOERE.

The Company's 2012 business was marked by a continuation of its growth, with an increase in revenue of 18%, from CZK 1.84 billion to CZK 2.17 billion, through the effect of increases in delivery rates of doors to the manufacturers (Airbus, Boeing and Embraer). Net profit is CZK 55.6 million, due to a positive foreign exchange income of CZK 51.0 million. Investments reached CZK 50.9 million in 2012.

There were 674 employees at December 31, 2012, increasing by 65 from December 31, 2011.

LATECOERE do BRASIL

This subsidiary is held 98% by LATECOERE and 2% 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. Since 2010, all fuselage sections delivered to Embraer have been assembled at this site.

In 2012, LATECOERE do BRASIL revenue amounted to €17.3 million, principally with the parent company. There were 343 employees at December 31, 2012, decreasing by 81 from December 31, 2011, in order to respond to the evolution of Embraer's production rates. Its positive result was €0.3 million. Investments reached €0.2 million in 2012.

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 €1.6 million in 2012, realized entirely with the parent company. The 2012 result is stable.

LATElec

LATElec, a wholly-owned subsidiary of the Latécoère Company, constitutes the Group's center of excellence in interconnection systems. LATElec holds 100% control of its subsidiaries in Germany and in Tunisia. It has developed, taking a significant share of the LATECOERE 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.

During the year ended December 31, 2012, the main results were the following:

Revenue was €168.3 million;
 The total of operating income is: €179.8 million;
 The total of operating expenses is: €178.1 million;
 The operating result comes to: €1.7 million;
 Operating net income before tax comes to: €2.9 million.

Given these elements, the result for the year is a net profit of €2.7 million.

At December 31, 2012, the total of the company's balance sheet is: €180.2 million.

Information on Subsidiaries:

(<i>'000 EURO</i>)	SEA-LATElec	LATElec GmbH
Sales	7 185	30 776
Net Income	-240	3 197

There was a change to the scope of LATElec in 2012 with the creation of LATElec Mexico at Hermosillo (State of Sonora, Mexico), which meets three goals:

- Production in the best-cost area
- Dollarization,
- Coming together with potential North American customers.

The year was strongly marked by the crisis, which disrupted the Tunisian production of the SEA LATElec subsidiary's Fouchana establishment. The genesis and the consequences of this crisis are discussed in paragraph 2.1.1 of this document, to which the reader may refer.

Furthermore,

- 2012 was the year of the on-schedule delivery of the first A350 products (avionics bays, wing harnesses, and Cockpit Control panels), which was hailed by Airbus.
- The German subsidiary LATElec GmbH posted a strong increase in its engineering and services business relating in particular to the development of the A350 program.

An ambitious transformation plan was launched to shore up the company's foundations, and restore operational excellence and profitability.

LATecis

LATecis is the main engineering subsidiary of the LATECOERE Group. Its business covers the aeronautical and space sectors, as well as defense and security, and more recently in the nuclear sector. LATecis, in addition to its establishment in the Toulouse, France region, in Sainte Foy d'Aigrefeuille, has local offices in Paris, Bordeaux, Nantes, as well as in the PACA region of southeastern France. It also holds 100 % of the capital of LATecis IBERIA, established in Seville, Spain, 100% of the capital of LATecis UK, 100% of the capital of LATecis Canada, 30% of LATecis srl based in Romania and 51% of the capital of G²Métric located nearby Toulouse (48% of the capital being held by the SARL AXYL and 1% by natural persons).

During 2012, LATecis SAS's level of business remains close to that of 2011, despite the sharp drop in business in the aeronautical tooling area due to the end of A350 program projects; the diversification of business in the space, defense and nuclear sectors has enabled it to offset this decrease in business in the aeronautical sector.

The year 2012 was also marked by the continuation of the LATecis subgroup's geographical development, with the creation of a subsidiary in Germany in order to accelerate the development initiated in 2011.

From a profitability standpoint, 2012 was marked by two events that significantly and negatively impacted profit and loss, with, on one hand, the provision for depreciation of trade receivables passed on Skyaircraft, a company in court-ordered restructuring, and, on the other hand, the difficulties encountered in Germany around the aeronautical tooling business: these two events weighed -- in the amount of €4 million -- on LATecis's operating result, which thus declined significantly compared to 2011.

LATecis had revenue of €72.7 million in 2012, with a result of €0.6 million. It had 419 employees at December 31, 2012. The LATecis IBERIA subsidiary had revenue of €3.9 million in 2012, with a positive net result of €0.3 million. Furthermore, the 2012 revenue of G²Métric was €8.5 million for a net result of €0.9 million, with a workforce of 59 employees.

2.3.2 Investments in associates

CORSE COMPOSITES AERONAUTIQUE (C.C.A.)

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 2012, C.C.A. had revenue of €36.8 million and a positive net result of €0.5 million.

2.4 Research & Development Expenses

In 2012, the total of these research and development expenses was €36 million (6% of revenue) compared to €46 million in 2011.

In 2013, the Research & Development effort will be primarily dedicated to the Airbus A350 program A350 in

the development stage, and to aircraft changes and product improvements on already marketed programs (Boeing 787, Airbus A380, and Dassault F7X).

2.5 Information on Trends

Based on the latest delivery rates announced by the aircraft manufacturers, the Group anticipates a further growth of its business in 2013,

- ▶ with revenue expected up by about 5% on 2012 revenue excluding non-recurring items
- ▶ and a strengthening of current operating margin towards 6% of consolidated revenue.

The 2013 priorities of the Group will be the strengthening of the supply chain and the continuation of the continuous improvement of processes towards operational excellence that combines customer satisfaction and cash generation, while a €20 million temporary increase in net financial debt is expected in 2013, resulting essentially from the consequences of the

Tunisian crisis. The debt reduction is expected to resume in 2014.

The resource plan was adjusted consequently, in the scope of existing contracts, with a postponement of the 2013 amounts due of the syndicated loan (€8 million) to 2015 and an increase of the upper limit of the factoring agreement by 10% to close to €84 million, in line with the activity growth.

The amount of investment budgeted for 2013 which is approximately €19 million primarily related to industrial facilities, and to the renewal of the industrial plant and information systems; this budget was established in line with the financial commitments subscribed under the syndicated loan agreement.

2.6 Other Information

2.6.1 Investments of the LATECOERE Company

('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	30 339 461	13 425	4 797	8 628
LATECOERE AEROSERVICES	15 000	229	229	0
Corse Composites Aéronautique	184 139	2 700	923	1 777
SUBSIDIARIES AND OTHER SHAREHOLDINGS		45 854	5 948	39 905
LATECOERE Shares	10 621	80	0	80
SHORT-TERM INVESTMENTS	10 621	80	0	80

2.6.2 Five Years Record of the LATECOERE Company

('000 EURO)	Dec 31, 2008	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011	Dec 31, 2012
Capital at year-end:					
Share Capital	17 219 994	17 219 994	17 219 994	17 219 994	18 647 508
Number of issued ordinary shares	8 609 997	8 609 997	8 609 997	8 609 997	9 323 754
Operations and results of the fiscal year:					
Sales excluding VAT	481 096 561	329 030 798	314 958 397	399 705 790	445 595 033
Income before tax, employee profit sharing, depreciation, amortization and provisions	-4 273 419	-50 917 903	10 817 505	-14 341 653	-14 825 268
Income taxes	-7 222 712	-13 837 402	-7 347 069	-8 447 538	-5 884 626
Employee profit sharing (legal and contractual)	208 116	0	2 249 829	546 035	25 050
Income after tax, employee profit sharing, depreciation, amortization and provisions	-5 698 086	-129 024 352	24 081 851	1 133 049	-1 074 453
Dividend paid during the year (including withholding tax on securities)	0	0	0	0	0
Earnings per share:					
Earnings after tax and profit sharing, but before depreciation, amortization and provisions	0,3	-4,3	1,8	-0,7	-1,0
Earnings after tax and profit sharing, depreciation, amortization and provisions	-0,7	-15,0	2,8	0,1	-0,1
Dividend paid per share (excluding tax credit) in the year	0	0	0	0	0
Personnel :					
Average number of employees	1 166	1 088	1 024	1 022	1 086
Total remuneration	44 858 226	42 000 151	40 906 000	41 257 977	44 159 106
Total social charges and other personnel-related benefits	20 873 093	19 323 298	19 182 243	20 046 760	21 088 034

2.6.3 Subsequent Events

No significant event occurred subsequent to year-end closing.

3 CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2012

3.1 State of the consolidated financial situation

('000 EURO)	Notes	Dec 31, 2012	Dec 31, 2011
Goodwill	5.2	1 300	1 300
Other intangible assets	5.1	1 890	1 634
Tangible assets	5.1	89 308	88 848
Investments in associates (equity method)	6	1 731	2 018
Other financial assets		3 788	3 302
Deferred tax assets	16.2	22 446	27 847
Financial Instruments	10.1	2 253	0
TOTAL NON-CURRENT ASSETS		122 717	124 949
Inventories	7	444 962	481 156
Accounts receivable	9	155 390	162 276
Tax receivable	16.1	18 674	12 784
Financial Instruments	10.1	324	1 561
Other current assets		945	942
Cash & Cash Equivalents		27 835	26 462
TOTAL CURRENT ASSETS		648 131	685 181
TOTAL ASSETS		770 848	810 130

('000 EURO)	Notes	Dec 31, 2012	Dec 31, 2011
Share capital	11.2	18 648	17 220
Premiums		75 321	69 611
Treasury stock		1 675	1 642
Other Reserves		5 311	306
Accumulated Net Income		84 016	80 591
SHAREHOLDERS' EQUITY GROUP SHARE		184 971	169 370
Minority Interests		1 680	1 194
TOTAL SHAREHOLDER'S EQUITY		186 650	170 564
Loans and bank borrowings	14.1	268 424	260 937
Refundable Advances	14.3	34 569	33 872
Employee benefits	13	14 612	13 855
Other provisions	12	3 701	3 705
Deferred tax liabilities	16.2	633	307
Financial Instruments	10.1	400	11 920
Other non-current liabilities		13 201	11 350
TOTAL NON-CURRENT LIABILITIES		335 541	335 946
Loans and bank borrowings (less than 1 year)	14.1	81 968	134 333
Refundable Advances	14.3	2 475	3 440
Accounts payable	15	143 579	141 087
Income tax liabilities		2 389	1 749
Other current liabilities		7 851	9 119
Financial Instruments	10.1	10 394	13 892
TOTAL CURRENT LIABILITIES		248 656	303 620
TOTAL LIABILITIES		584 197	639 566
TOTAL SHAREHOLDER'S EQUITY & LIABILITIES		770 848	810 130

3.2 Consolidated Income Statement

('000 EURO)	Notes	Dec 31, 2012	Dec 31, 2011
Revenue	17	643 588	575 567
Other operating revenue		990	828
Change in inventory: work-in-progress & finished goods		-49 258	-19 028
Raw material, Other Purchases & external charges	18	-340 880	-307 306
Personnel expenses		-226 082	-203 774
Taxes		-8 415	-8 036
Amortization		-11 666	-11 765
Net operating provisions charge		-2 917	-1 634
Depreciation of current assets	19	8 803	11 061
Other operating income	20	16 905	13 854
Other operating expenses		-4 256	-5 066
OPERATING INCOME		26 812	44 701
<i>Operating Income / Sales</i>		<i>4,17%</i>	<i>7,77%</i>
Net Cost of debt		-18 756	-17 866
Foreign Exchange gains/loss realized		-2 217	742
Other financial incomes and expenses realized		-1 249	-3 882
Realized financial result		-22 222	-21 005
Change in fair value of financial instruments		9 055	-20 244
Other financial incomes and expenses unrealized		-4 796	-1 854
Unrealized financial result		4 259	-22 099
FINANCIAL RESULT	21	-17 963	-43 104
Result from associates	6	115	215
Income tax	22	-5 250	5 398
NET RESULT OF CONSOLIDATED COMPANIES		3 713	7 209
Group net result		3 124	6 648
Minority interests		589	561
<i>Group net result/ sales</i>		<i>0,49%</i>	<i>1,16%</i>
Weighted average number of shares		9 311 690	8 595 629
Diluted earnings per share	11.2	0,40	0,75
Earnings per share	11.2	0,34	0,77

3.3 State of the overall consolidated net result

(000 EURO)	Dec 31, 2012		
	Gross Amount	Deferred tax	Net Amount
CONSOLIDATED NET RESULT FOR THE YEAR (1)	8 964	-5 250	3 713
Translation differences	-49	0	-49
Actuarial gain or loss for year relating retirements benefits	1 202	-419	783
Conversion option embedded in convertible bonds	0	0	0
Financial instruments: change in fair value and transfer in profit and loss	7 480	-2 426	5 053
Commitments to purchase minority interests	-479	0	-479
Other	-36	0	-36
INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (2)	8 118	-2 846	5 272
TOTAL RECOGNISED INCOME AND EXPENSES (1+2)	17 082	-8 096	8 986
of which, Group net result			8 430
of which, Minority interests			556

(000 EURO)	Dec 31, 2011		
	Gross Amount	Deferred tax	Net Amount
CONSOLIDATED NET RESULT FOR THE YEAR (1)	1 811	5 398	7 209
Translation differences	-1 590	0	-1 590
Actuarial gain or loss for year relating retirements benefits	-738	255	-483
Conversion option embedded in convertible bonds	-2 063	710	-1 353
Financial instruments: change in fair value and transfer in profit and loss	-5 769	2 011	-3 758
Commitments to purchase minority interests	-774	0	-774
Other	-149	0	-149
INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (2)	-11 082	2 976	-8 106
TOTAL RECOGNISED INCOME AND EXPENSES (1+2)	-9 270	8 374	-896
of which, Group net result			-1 415
of which, Minority interests			519

3.4 Consolidated Statement of Cash Flow

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Consolidated net result	3 713	7 209
Adjustments related to non-cash activities :		
Result from associates	-115	-171
Depreciation and provisions	6 434	8 360
Fair value gains/losses	-8 428	22 816
Other non-cash items	6	85
CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES	1 610	38 299
Income taxes	5 250	-5 398
Interest expenses	19 179	17 866
CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES	26 039	50 767
Changes in inventories	45 289	17 169
Changes in client and other receivables	-154	-4 216
Changes in suppliers and other payables	3 169	-41 697
Income tax paid	-2 293	-1 937
CASH FLOWS FROM OPERATING ACTIVITIES	72 050	20 087
Effect of subsidiaries acquisitions	538	-98
Purchase of tangible and intangible assets	-14 033	-8 358
Purchase of financial assets	0	-26
Increase (decrease) in loans and advances made	-290	-76
Proceeds from sale of tangible and intangible assets	326	1 041
CASH FLOWS FROM INVESTING ACTIVITIES	-13 460	-7 517
Expenses on increase of capital	178	0
Purchase or disposal of treasury shares	33	-94
Proceeds from borrowings	350	290 139
Repayments of borrowings ¹	-68 216	-293 372
Financial interest paid	-17 182	-17 522
Dividends paid	-70	-98
Flow from refundable advances	-268	-4 698
Other flow from financing operation ²	29 457	44 542
CASH FLOW FROM FINANCING ACTIVITIES	-55 718	18 897
Effects of exchange rate changes	445	-148
Other change without cash impact	236	0
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3 554	31 319
Opening cash and cash equivalents position	22 931	-8 388
Closing cash and cash equivalents position	26 485	22 931
Cash and cash equivalents	27 835	26 462
Discounted receivables	0	0
Overdraft facilities	-1 350	-3 530
CASH AND CASH EQUIVALENTS AT YEAR-END	26 485	22 931
Dividends paid per share	0	0

¹ Essentially corresponds to the tranche A of the syndicated loan (64.5 M€)

² Essentially corresponds to short-term lines (factoring and revolver line)

3.5 Variation of Consolidated Shareholders' Equity

('000 EURO)	Share capital	Premiums	Treasury stock	Reserves and Accumulated Results	Hedging financial instruments	Translation difference	Other variations	TOTAL Group share	Minority interests	TOTAL
SHAREHOLDER'S EQUITY 12/31/2010	17 220	69 611	1 759	81 508	59	11	734	170 902	773	171 675
Capital variations								0		0
Share-based payments								0		0
Transactions on treasury stock			-117					-117		-117
Dividends								0	-98	-98
Other variations								0		0
Net result for the period (1)				6 648				6 648	561	7 209
Financial instruments: change in fair value and transfer in profit and loss					-3 793			-3 793		-3 793
Financial instruments: Translation differences					35			35	0	35
Translation differences : change and transfer in profit and loss						-1 591		-1 591	1	-1 590
Conversion option embedded in convertible bonds							-1 353	-1 353		-1 353
Other variations ¹							-1 361	-1 361	-44	-1 405
Income and expenses directly recorded in equity (2)	0	0	0	0	-3 758	-1 591	-2 714	-8 063	-43	-8 106
TOTAL INCOME AND EXPENSES OF THE PERIOD (1)+(2)	0	0	0	6 648	-3 758	-1 591	-2 714	-1 415	519	-896
SHAREHOLDER'S EQUITY 12/31/2011	17 220	69 611	1 642	88 156	-3 698	-1 580	-1 980	169 370	1 194	170 564
Capital variations	1 428	5 710						7 138		7 138
Share-based payments								0		0
Transactions on treasury stock			33					33		33
Dividends								0	-70	-70
Net result for the period (1)				3 124				3 124	589	3 713
Financial instruments: change in fair value and transfer in profit and loss					5 081			5 081		5 081
Financial instruments: Translation differences					-28			-28		-28
Translation differences : change and transfer in profit and loss						-49		-49	-1	-49
Conversion option embedded in convertible bonds								0		0
Other variations ¹							301	301	-32	268
Income and expenses directly recorded in equity (2)	0	0	0	0	5 053	-49	301	5 305	-33	5 272
TOTAL INCOME AND EXPENSES OF THE PERIOD (1)+(2)	0	0	0	3 124	5 053	-49	301	8 430	556	8 986
SHAREHOLDER'S EQUITY 12/31/2012	18 648	75 321	1 675	91 280	1 355	-1 629	-1 679	184 971	1 680	186 650

¹ This item includes primarily the actuarial variations relating to retirement liabilities and the commitment to buyout minority interests.

3.6 Notes to the consolidated financial statements

GENERAL INFORMATION

- NOTE 1 Main events
- NOTE 2 Accounting policies
- NOTE 3 Consolidation scope
- NOTE 4 Operational segments

BALANCE SHEET DETAIL

- NOTE 5 Fixed Assets
- NOTE 6 Investments in associates
- NOTE 7 Inventories and work-in-progress and construction contracts
- 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 Other Liabilities
- NOTE 16 Taxes

INCOME STATEMENT DETAIL

- NOTE 17 Revenue
- NOTE 18 Raw Materials, Other Purchases & External Charges
- NOTE 19 Depreciation of current assets
- NOTE 20 Other Income and Expense
- NOTE 21 Detail of Consolidated Financial Income
- NOTE 22 Income taxes

ADDITIONAL INFORMATION

- NOTE 23 Risk Management
- NOTE 24 Average Headcount Registered
- NOTE 25 Financial commitments and contingent liabilities
- NOTE 26 Related Parties
- NOTE 27 Subsequent events

INFORMATION RELATIVE TO THE GROUP

LATECOERE is a French corporation ("société anonyme") headquartered in Toulouse, France

The consolidated financial statements of the LATECOERE Group for the fiscal year ended on December 31, 2012, include the parent company and its subsidiaries (the whole being designated as "the Group") and its share of results in associates.

The consolidated financial statements of the Group have been established by the Management Board on March 25, 2013. They will be submitted to the Annual General Meeting on May 24, 2013.

NOTE 1 MAIN EVENTS

Non-recurring invoicing of development work

The Group invoiced development work which had a positive impact on H1 2012 revenue for an amount of \$82 million or €62.5 million. At H1 2011, the Group had invoiced development work for an amount of \$75 million or €55 million.

Repayment of Tranche A of the Syndicated Loan

In compliance with the commitments undertaken in connection with the syndicated loan, the Group repaid Tranche A during H1 2012 (see Note 14 to the Consolidated Financial Statements).

Strengthening of Equity

At December 31, 2012, 695,996 bonds were converted out of a total of 2,860,000, and 17,761 share warrants (BSA) were exercised out of a total of 4,304,998, thus strengthening equity by €7,137,570 (see Note 11.2 to the Consolidated Financial Statements).

Tunisian Crisis

The LATELEC Company has been present in Tunisia since 1998 through its SEA-LATELEC subsidiary, which had more than 900 employees at year-end 2011. The Jasmine Revolution of January 2011 and its long-term consequences on the environment of the SEA-LATELEC subsidiary led the Group to reappraise the factoring of country risk into its industrial strategy. Indeed, after twenty-one months of delicate management that enabled it to absorb disturbances that were generated at an industrial level by an unstable environment with random evolutions, the Interconnection Systems business was severely affected in October 2012 by non coordinated social movements suddenly disrupting Tunisian production, which led the firm to immediately implement

industrial solutions reloading production outside the country to secure the schedule of deliveries to customers. In addition to the immediate management of the crisis that enabled LATELEC to comply with its commitments to its customers, the Group, based on this experience, decided to reassess, interacting with its customers, its industrial strategy towards double sourcing schemes in order to better address country risks.

The consequences of the Tunisian crisis weighed on the EBIT of the Group in the amount of approximately -€18 million.

NOTE 2 ACCOUNTING POLICIES

2.1 Basis of Preparation of the Financial Statements

The 2012 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, 2012.

The IFRS system of reference IFRS includes the IFRS, the IAS (International Accounting Standards) as well as their SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) interpretations.

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, 2012. This concerns:

- Amendment to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets. This amendment adds to the disclosures in respect of transfers of financial assets, such as securitization or assignment of receivables transactions.

This amendment does not have a significant impact on the disclosures already made by the Group.

Furthermore, the Group has decided not to apply by anticipation the following texts, which should be subject to an approval by the European Union no earlier than 2013:

- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosure of Interests in Other Entities";
- IAS 27 "Separate Financial Statements" (2011);
- IAS 28 "Investments in Associates and Joint Ventures" (2011);
- IFRS 13 "Fair Value Measurement";
- The amendments to IAS 1 entitled "Presentation of Items of Other Comprehensive Income";
- The amendment to IAS 12 entitled "Deferred Tax: Recovery of Underlying Assets";
- The amendments to IAS 19 "Employee Benefits" relating to defined benefit plans;
- the IFRS 1 amendments entitled "Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters";
- The amendments to IAS 32 relating to the rules for offsetting financial assets and financial liabilities;
- The amendments to IFRS 7 on the disclosure to be made relating to the offsetting of financial assets and financial liabilities.

The Group is currently evaluating the potential impact of these amendments.

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 Group makes assumptions and regularly establishes, on these bases, estimates relating to its various businesses. These estimates have been made from past experience and other factors considered and other factors considered as reasonable in view of the circumstances; they integrate the economic conditions prevailing at the closing and the information available as of the date of preparation of the financial statements. The Management Board regularly reviews its estimates and assumptions 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 23);
- 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, 2012, the accounting estimates used in the preparation of the financial statements were performed in a worldwide economic context with a still high degree of volatility with regard to economic prospects. 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.

Likely cash flow tensions being anticipated during 2013, induced in particular by the Tunisian crisis, the resource plan was adapted consequently, in the scope of existing contracts, with an increase of the upper limit of the factoring agreement (up by €8 million) in line with activity growth and a postponement of the 2013 amounts due of the syndicated loan (€8 million) to 2015.

Given these adjustments, on the basis of these forecasts, the Group considers that the cash flow needs of 2013 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" means entities in which the Group exercises significant influence over financial and operational policy without having the exclusive or joint control. Significant influence is assumed to exist when the Group's interest is greater or equal to 20%.

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 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

Since January 1, 2010

Business Combinations are accounted for according to IFRS 3 (Revised). Identifiable assets acquired and liabilities recovered are valued at fair value at the date of acquisition and, when applicable, the interest not giving control in the acquired company is valued either at fair value, or at the share in the net identifiable assets (including adjustments of fair value) of the acquired entity. This option is available on a case-by-case basis for each business combination transaction. The direct costs related to the acquisition (transaction costs) are included in expenses for the period during which they are incurred. Any share previously held in the acquired business, before the taking of control, is revalued at its fair value and the corresponding income or loss is posted in result.

Identifiable assets and liabilities recovered are valued at fair value at the date of acquisition and changes in fair value will be noted in the future in result beyond the appropriation period of one year. Contingent price adjustments of business combinations are valued at fair value at the date of acquisition.

After the date of acquisition, the price adjustment is valued at its fair value at each closing of the financial statements. Beyond the appropriation period, any subsequent change to this fair value will be recorded in result. The purchase price paid by the buyer, which includes a contingent portion, is valued and recognized at its fair value at the date of acquisition, subsequent variations to fair value of the contingent portion present in liabilities, being recognized in accordance with IAS 39, IAS 37 or other applicable IFRS, will be accounted for in net result, or in Income and expenses accounted for directly in shareholders' equity.

At the date of acquisition, the goodwill determined at the occasion of each business combination may be valued either on the basis of the share of the net acquired assets (including adjustments for fair value), or on the basis of the overall value of the business.

If they are generated by the acquisition of integrated companies or proportionally integrated companies, positive goodwill are posted to balance sheet assets in the item "Goodwill" and negative goodwill (badwill) is immediately recorded in the income statement. On the other hand, goodwill from the acquisition of associates is posted on the line "investments in associates" in accordance with IAS 28.

Goodwill may be corrected within the appropriation period of one year after the date of acquisition in order to take into account the final estimate of the fair value of acquired assets and liabilities. Beyond that period, the adjustments are posted in result.

Goodwill is not amortized but is subject to impairment tests on at least an annual basis and in case of indications of loss in value.

Before January 1, 2010

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 in 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 that 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 that 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 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.

Additional invoicing may also 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.

Construction contracts covering several years, during the first years the Group is brought to note in the balance sheet costs of production (curve), which will subsequently be recycled in income statement according to the decrease really observed.

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. An independent company measures the fair value of derivative instruments. 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.

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 LATECOERE 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.

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, which 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 financial result;
- 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, such as when the forecasted revenue is realized.

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 financial result.

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.

Convertible Bonds

Bonds convertible in Group shares are accounted for by distinguishing two components:

- a debt component accounted for at amortized cost, calculated using the market effective interest rate estimated for an equivalent non-convertible debenture loan. It is accounted for net of its share of issue expense;
- a conversion option component accounted for in shareholders' equity for an amount equal to the difference between the issue value of the convertible bond and the debt component. It is accounted for net of its share of issue expense and corresponding deferred taxes.

The entering into the accounts in shareholders' equity of the conversion option is required by the fact that it is at a fixed parity (fixed amount of shares given against a fixed amount of bonds). Its value is not reappraised later on, except in the event of a change in the estimated term of the convertible bond. On the other hand, it will be adjusted in the event of conversion requests. In addition, a deferred tax liability is calculated on the basis of the gross value of the option and is also recognized in shareholders' equity.

Commitment to buyout minority interests

In accordance with IAS 32, commitments to buyout minority shares in the Group's subsidiaries are recognized to the balance sheet in non-current liabilities. The counterpart for this debt is recognized in deduction of the shareholders' equity Group share. The debt is reappraised at each closing at the current repayment value, which is to say the current value of the strike price of put option. Any change in value is accounted for in shareholders' equity.

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) does 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 have been recognized in shareholders' equity since 2010.

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). The 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 that 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 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 2012.

Company name & Headquarter address	SIREN Code (EIN)	Control %	Interest %	Consolidation method
LATECOERE do BRASIL Avenida Correaga Dorneles Varga, N° 3320 Bairro Corrego Seco - 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
LETOVLV 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 31079 Toulouse cedex 5 France	388 377 269	100.00 %	100.00 %	Consolidation
LATElec Z.I. La Bourgade 762 Rue Max Planck - CS 57632 31676 LABEGE Cédex France	420 742 660	100.00 %	100.00 %	Consolidation
LATElec GmbH Ruschweg 25 21129 Hamburg Germany	None	100.00 %	100.00 %	Consolidation
SEALATElec 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 France	378 735 534	100.00 %	100.00 %	Consolidation

Company name & Headquarter 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 ² METRIC 40 Chemin Cazalbarbier 31140 Launaguet France	410 949 879	51.00%	51.00%	Consolidation
LATecis UK Limited The Business & Technology Centre (F011) Bessemer Drive Stevenage – SG1 2DX England	None	100.00 %	100.00 %	Consolidation
LATecis Canada Inc. 3200 Autoroute Laval Laval, Quebec H7T 2H6 Canada	None	100.00%	100.00%	Consolidation
G ² METRIC GmbH Zeppelinring 1-6, 33142 Büren Germany	None	51.00%	51.00%	Consolidation
G ² METRIC Limited 16 Woodlands Gerrards Cross BUCKINGHAMSHIRE England	None	51.00%	51.00%	Consolidation
Corse Composites Aéronautique Z.I. du Vazio 20090 Ajaccio France	325 396 471	24.81 %	24.81%	Equity method
LATECOERE AEROSERVICES Route de Toulouse 31700 Cornebarrieu France	352 373 492	30,00%	30,00%	No consolidation
LATECOERE services GmbH Ruschweg 25 21129 Hamburg Germany	None	100,00%	100,00%	Consolidation
LATElec Mexico Hermosillo, Sonora Mexico 83145 Mexico	None	100,00%	0,00%	Consolidation
LATElec Mexico Services Hermosillo, Sonora Mexico 83145 Mexico	None	100,00%	0,00%	Consolidation

The LATECOERE Group through its subsidiary LATECOERE do BRASIL sold a 33.33% stake in the PESOLA Company for an amount of 1.35 million Brazilian reals. At December 31, 2012 the Group no longer holds any PESOLA Company shares.

By a judgment of December 20, 2012, the Commercial Court of Toulouse placed the Latécoère Aéroservices Company in court-ordered restructuring ("redressement judiciaire"). the LATECOERE Group no longer consolidates this company since 2011, no longer exercising any significant influence and being a silent shareholder. The LATECOERE Group does not hold in its financial statements at December 31, 2012 any asset that has not been written-down.

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 adoption of IFRS 8 has not modified the nature of the segments previously presented.

The business segments defined by the Group are:

- aerostructures;
- Interconnection systems ;
- 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 are identical to those used by the Group for the establishment of its consolidated financial statements under IFRS standards.

It should be noted that three customers of the Group each represent more than 10% of total consolidated revenue. The analysis of revenue by customer is presented in Chapter 1 of this registration document.

(<i>'000 EUR</i>)	Aerostructures	%	Engineering and services	%	Interconnexion Systems	%	Intersegment eliminations	%	Total
Dec 31, 2012									
Revenue	407 472	63%	87 459	14%	180 219	28%	-31 563	-5%	643 588
Inter-segment revenue	-18 883	60%	-4 118	13%	-8 562	27%	0	0%	-31 563
Consolidated revenue	388 590	60%	83 341	13%	171 658	27%	0	0%	643 588
Operating result	18 646	70%	2 237	8%	5 851	22%			26 812
<i>Operating result/revenue</i>	<i>4,58%</i>		<i>2,56%</i>		<i>3,25%</i>				<i>4,17%</i>
Realized financial result	-19 480	88%	144	-1%	-2 887	13%	0	0%	-22 222
Unrealized financial result	3 450	81%	-175	-4%	984	23%	0	0%	4 259
Income tax and miscellaneous	-1 765		-916		-2 568		0	0%	-5 250
Result from associates	115	100%	0	0%	0	0%	0	0%	115
Result: Group share	966		756		1 325		78	0%	3 124
Result: Minority interests	0		534		55		0	0%	589
Net result	966	26%	1 290	35%	1 380	37%	78	2%	3 713
<i>Net result/revenue</i>	<i>0,24%</i>		<i>1,47%</i>		<i>0,77%</i>				<i>0,58%</i>
Intangible fixed assets	1 270	67%	371	20%	249	13%	0	0%	1 890
Goodwill	0	0%	1 300	100%	0	0%	0	0%	1 300
Tangible fixed assets	69 178	77%	5 405	6%	14 717	16%	8	0%	89 308
Investments in associates	1 731	100%	0	0%	0	0%	0	0%	1 731
Other fixed assets	80 324	0%	110	0%	1 187	0%	-76 102	0%	5 519
Total	152 503	153%	7 186	7%	16 153	16%	-76 094	-76%	99 748
Acquisition of tangible and intangible fixed assets	9 549	68%	1 699	12%	2 845	20%			14 092
Inventories	367 514	83%	239	0%	78 031	18%	-822	0%	444 962
Trade and other receivables	87 460	56%	37 463	24%	92 173	59%	-61 706	-40%	155 390
Net debt	322 638	100%	-1 746	-1%	77 778	24%	-76 114	-24%	322 556
Accounts payable	138 090	96%	26 395	18%	40 800	28%	-61 706	-43%	143 579
Total Assets	668 086	87%	45 895	6%	199 156	26%	-142 313	-18%	770 822

('000 EUR)	Aerostructures		Engineering and services		Interconnexion Systems		Intersegment eliminations		Total
Dec. 31, 2011		%		%		%		%	
Revenue	361 796	63%	83 902	15%	157 749	27%	-27 880	-5%	575 567
Inter-segment revenue	-17 803	64%	-5 608	20%	-4 469	16%		0%	-27 880
Consolidated revenue	343 993	60%	78 294	14%	153 280	27%	0	0%	575 567
Operating result	21 776	49%	5 068	11%	17 857	40%			44 701
<i>Operating result/revenue</i>	<i>6,02%</i>		<i>6,04%</i>		<i>11,32%</i>				<i>7,77%</i>
Realized financial result	-18 839	90%	122	-1%	-2 288	11%	0	0%	-21 005
Unrealized financial result	-18 058	82%	54	0%	-4 095	19%	0	0%	-22 099
Income tax and miscellaneous	10 807		-1 639		-3 771		0	0%	5 398
Result from associates	215	100%	0	0%	0	0%	0	0%	215
Result: Group share	-4 100		3 044		7 703		0	0%	6 648
Result: Minority interests	0		561		0		0	0%	561
Net result	-4 100	-57%	3 606	50%	7 703	107%	0	0%	7 209
<i>Net result/revenue</i>	<i>-1,13%</i>		<i>4,30%</i>		<i>4,88%</i>				<i>1,25%</i>
Intangible fixed assets	1 240	76%	174	11%	220	13%	0	0%	1 634
Goodwill	0	0%	1 300	100%	0	0%	0	0%	1 300
Tangible fixed assets	69 528	78%	5 258	6%	14 054	16%	8	0%	88 848
Investments in associates	2 018	100%	0	0%	0	0%	0	0%	2 018
Other fixed assets	78 480	0%	38	0%	724	0%	-75 940	0%	3 302
Total	151 265	156%	6 770	7%	14 997	15%	-75 932	-78%	97 101
Acquisition of tangible and intangible fixed assets	4 921	59%	1 192	14%	2 244	27%			8 358
Inventories	414 908	86%	541	0%	66 608	14%	-900	0%	481 156
Trade and other receivables	105 800	65%	35 378	22%	109 076	67%	-87 979	-54%	162 276
Net debt	367 888	100%	-5 590	-2%	82 461	22%	-75 952	-21%	368 808
Accounts payable	160 631	114%	28 175	20%	40 259	29%	-87 979	-62%	141 087
Total Assets	722 807	89%	49 822	6%	202 701	25%	-165 199	-20%	810 130

NOTE 5 FIXED ASSETS

5.1 Changes in Fixed Assets

('000 EUR)	Dec 31, 2011	Currency variations	Other	Acquisitions	Disposals	Dec 31, 2012
Franchises/patents/similar rights	8 963	-3	430	727	-5	10 112
Other Intangible Fixed Assets	4 063	0	-2	97	0	4 159
Goodwill	1 300	0	0	0	0	1 300
Land	4 150	-158	0	303	0	4 295
Buildings	38 081	-792	130	485	-12	37 892
Plants & Equipment	83 720	-1 145	1 353	4 758	-480	88 206
Other Fixed Assets	21 741	-197	-165	1 561	-347	22 594
Fixed assets in progress	3 934	-9	-1 738	5 990	0	8 178
Advanced payments on fixed assets	20	0	-4	18	0	34
Real estate leasing	27 681	0	0	0	0	27 681
Long-term Investments	5 416	-25	139	3 737	-3 410	5 832
Investments in associates	2 018	0	-2	115	-400	1 731
GROSS ASSETS	201 087	-2 328	141	17 793	-4 653	212 014

('000 EUR)	Dec 31, 2011	Currency variations	Other	Increase	Decrease	Dec 31, 2012
Franchises/patents/similar rights	7 273	-13	0	910	-5	8 166
Other Intangible Fixed Assets	4 119	3	0	94	0	4 215
Buildings	8 996	-185	-11	1 508	-12	10 295
Plants & Equipment	54 559	-919	30	7 110	-210	60 571
Other Fixed Assets	15 434	-122	-20	1 221	-122	16 392
Real estate leasing	11 491	0	0	823	0	12 314
Long term investments	2 114	0	-69	0	0	2 044
AMORTIZATIONS	103 986	-1 237	-69	11 666	-349	113 997

('000 EUR)	Dec 31, 2010	Currency variations	Other	Acquisitions	Disposals	Dec 31, 2011
Franchises/patents/similar rights	8 988	-87	56	646	-639	8 963
Other Intangible Fixed Assets	4 063	-1	-16	16	0	4 063
Goodwill	1 300	0	0	0	0	1 300
Land	4 297	-147	0	0	0	4 150
Buildings	38 689	-1 389	33	749	0	38 081
Plants & Equipment	84 158	-2 473	140	2 387	-492	83 720
Other Fixed Assets	21 393	-226	352	1 379	-1 157	21 741
Fixed assets in progress	1 304	-8	-639	3 277	0	3 934
Advanced payments on fixed assets	80	-2	-66	8	0	20
Real estate leasing	27 681	0	0	0	0	27 681
Long-term Investments	692	0	1 538	3 274	0	5 416
Investments in associates	3 471	-33	-1 591	171	0	2 018
GROSS ASSETS	196 115	-4 366	-193	11 907	-2 288	201 087

('000 EUR)	Dec 31, 2010	Currency variations	Other	Increase	Decrease	Dec 31, 2011
Franchises/patents/similar rights	6 626	-67	0	832	-118	7 273
Other Intangible Fixed Assets	4 038	-5	-1	87	0	4 119
Buildings	7 692	-275	0	1 578	0	8 996
Plants & Equipment	49 260	-1 417	-67	7 152	-368	54 559
Other Fixed Assets	14 802	-134	-6	1 278	-506	15 434
Real estate leasing	10 667	0	0	823	0	11 491
Long term investments	478	0	1 635	0	0	2 114
AMORTIZATIONS	93 564	-1 897	1 561	11 750	-993	103 986

('000 EUR)	Dec 31, 2011	Dec 31, 2012
Franchises/patents/similar rights	1 634	1 890
Other Intangible Fixed Assets	0	0
Goodwill	1 300	1 300
Land	4 150	4 295
Buildings	29 086	27 597
Plants & Equipment	29 161	27 635
Other Fixed Assets	6 307	6 202
Fixed assets in progress	3 934	8 178
Advanced payments on fixed assets	20	34
Real estate leasing	16 190	15 367
Long-term Investments	3 302	3 788
Investments in associates	2 018	1 731
GROSS ASSETS	97 101	98 017

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

The main intangible and tangible acquisitions of 2012 concern equipment and industrial tools for €4.8 million primarily relating to the LATECOERE, LATElec and Letov s.r.o. companies and various fixed assets in progress for €5.9 million particularly related to the development of computer tools under the information systems master plan for €2.9 million and acquisitions relating to the

establishment of new production platforms in Mexico for the Aerostructures and Interconnection Systems divisions for €1.9 million.

The long-term investments correspond primarily to security funds relating to the factoring agreement.

At year-end, there existed guarantees (pledges and mortgages) on the Group's tangible fixed assets amounting to €9 million.

5.2 Goodwill

('000 EURO)	Dec 31, 2012	Dec 31, 2011	Valuation method	Discounting rate	Discounting period	Growth rate
LATecis	834	834	Discounted future	8%	Infiny	2,0%
G2 METRIC	466	466	cash flow method	8%	Infiny	2,0%
TOTAL	1 300	1 300				

5.3 Finance lease contracts

('000 EUR)	Minimum future payments as of Dec 31, 2012				Present value of minimum future payments as of Dec 31, 2012			
	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
Batimap	640	2 400	0	3 040	518	2 182	0	2 701
LATECOERE	640	2 400	0	3 040	518	2 182	0	2 701
LB 1	48	16	0	64	44	15	0	59
LB 2	47	187	111	345	37	159	104	300
LATElec	95	203	111	409	81	175	104	360
LB 2	124	496	725	1 345	67	302	605	974
LATecis	124	496	725	1 345	67	302	605	974
TOTAL	859	3 099	836	4 794	667	2 659	710	4 035

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 weighted average cost of capital is 8.3% at December 31, 2012 compared to 8% at December 31, 2011. 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, 2012, 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:

- an increase in the discount rate of 50 basis points;
- a decrease in the perpetuity growth rate of 50 basis points;
- a decrease in the operating margin of the terminal value of 50 places basis points

Taken individually, the changes in these main assumptions did not lead to values in use lower than the net book values.

Furthermore, a 90 basis point increase in the discount rate would have led to the recognition of a provision.

NOTE 6 INVESTMENTS IN ASSOCIATES

('000 EURO)	Dec 31, 2012	Dec 31, 2011
PESOLA	0	44
Corse Composites Aéronautiques	115	126
LATECOERE AEROSERVICES	0	44
RESULT FROM ASSOCIATES	115	215

('000 EURO)	Dec 31, 2012	Dec 31, 2011
PESOLA	0	400
Corse Composites Aéronautiques	1 731	1 618
INVESTMENTS IN ASSOCIATES	1 731	2 018

The LATECOERE Group through its subsidiary LATECOERE do BRASIL sold a 33.33% stake in the PESOLA Company for an amount of 1.35 million Brazilian reals. At December 31, 2012 the Group no longer holds any PESOLA Company shares.

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

('000 EURO)	CCA
Fixed assets	4 230
Inventories & work in progress	25 597
Trade receivables	4 937
Other receivables	-844
Cash and cash equivalent	6 002
TOTAL ASSETS	39 922
Shareholders' equity	4 912
Other Equity (Tax regulated provision and refundable advance)	22 964
Provisions	3 550
Financial liabilities	250
Trade payables	6 056
Social and tax liabilities	2 452
Ohters liabilities	-263
TOTAL SHAREHOLDER'S EQUITY & LIABILITIES	39 922
Revenue	36 763
Net result	511

NOTE 7 INVENTORIES AND WORK-IN-PROGRESS AND CONSTRUCTION CONTRACTS

7.1 Detail of Inventories & Work-in-Progress

('000 EURO)	Dec 31, 2012			Dec 31, 2011		
	Gross	Provision	Net	Gross	Provision	Net
Industrial Inventories	193 587	-20 612	172 975	194 688	-25 173	169 515
Work in progress - Non Recurring Cost	357 762	-85 775	271 987	401 532	-89 891	311 641
TOTAL	551 349	-106 387	444 962	596 220	-115 064	481 156

Inventories and net work-in-progress dropped in 2012 by €36.2 million to €445.0 million, primarily through the combined effect:

- ▶ of a slight increase in inventories and physical work-in-progress (raw materials, metallic parts and work-in-progress for production) of €3.4 million;
- ▶ of a decrease of €39.7 million in non-recurring work-in-progress (the development costs for programs and the curve), essentially for programs followed in construction contracts (IAS 11), taking into account in particular
 - billings of development work, including exceptional billing during 2012 of €62.5 million;

- expenses devoted to programs in development and/or industrialization stages (primarily the A350 and Boeing 787),
- drops in production costs per unit for programs in the maturity phase.

inventories and work-in-progress includes raw materials, parts and work-in-progress. Non-recurring work-in-progress is made up of the development costs of programs (NRC work-in-progress), and the curve recognized in accordance with IAS 11 (Construction Contracts).

7.2 Construction Contracts

(000 EURO)	Dec 31, 2012	Dec 31, 2011
Amount due from customers (work in progress)	292	337
Amount due to customers	3	3
Revenue recognized from the origin of the contracts	2 359	2 032
Expenses incurred since the origin of the contracts	2 614	2 471
Refundable Advances	37	37

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, avionics bays, commercial harnesses),

A400M (avionics bay), F7X (harnesses, rear fuselage section), Embraer ERJ 170/190 (fuselage section and doors), and Boeing 787 (passenger doors). 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 2013 to 2015 would not have a significant impact on the margin recognized at December 31, 2012 and a 0.13 point decrease of the completion margins for construction contracts. A longer-term change to the EUR/USD exchange rates would have an impact on the organization of the Group's industrial processes.

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, 2012	Fair value	Financial instrument (cat 1)	Financial instrument (cat 2)
Non current financial assets	3 788			3 788			
Trade receivables and other receivables	155 390			155 390			
Financial instruments		1 109	1 468	2 577	2 577		2 577
Cash and cash equivalent		27 835		27 835	2 194	2 194	
TOTAL FINANCIAL ASSETS	159 178	28 944	1 468	189 590	4 771	2 194	2 577

(000 EURO)	Loans and receivables at amortised cost	Financial assets at fair value through profit and loss	Hedging instruments	Dec 31, 2011	Fair value	Financial instrument (cat 1)	Financial instrument (cat 2)
Non current financial assets	3 302			3 302			
Trade receivables and other receivables	162 276			162 276			
Financial instruments		352	1 210	1 561	1 561		1 561
Cash and cash equivalent		26 462		26 462	11 353	11 353	
TOTAL FINANCIAL ASSETS	165 578	26 813	1 210	193 601	12 915	11 353	1 561

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

The cash and cash equivalents item includes bank debit balances of €25.6 million at December 31, 2012 compared to €15.1 million at December 31, 2011 and short-term investments available and without risk of significant change in value of €2.2 million at December 31, 2012 compared to €11.4 million at December 31, 2011.

NOTE 9 RECEIVABLES

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Advanced payments	171	331
Trade receivables	136 995	142 336
<i>Of which discount of receivables</i>	76 108	41 394
<i>Of which discount of receivables non cash received at closing</i>	0	43 287
Group current account	264	655
Tax receivables	11 304	13 234
Other current receivables	6 656	5 721
TOTAL RECEIVABLES	155 390	162 276

As part of the Group's factoring agreement, the gross amount of receivables assigned to the factor is €76.1 million. As the Group remains responsible for collection of assigned customer receivables, these receivables continue to appear in assets.

The antecedence of trade receivables breaks down as follows:

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Trade receivables non past due	130 596	132 537
Past due trade receivables < 30 days	3 126	5 386
Past due trade receivables between 30 and 60 days	963	1 732
Past due trade receivables between 60 and 90 days	1 040	127
Past due trade receivables between 90 and 180 days	1 820	1 198
Past due trade receivables > 6 months	1 277	1 552
Provision for doubtful debt	-1 828	-196
TRADE RECEIVABLES	136 995	142 336

NOTE 10 DERIVATIVE INSTRUMENTS

New hedging financial instruments (EUR/USD) for a total amount of \$362.7 million were put in place during 2012 to cover the dollar exposure until 2014 for €358.7 million. The Group also implemented new hedging financial

instruments (EUR/CZK) during 2012 for an overall amount of €4 million to complete the CZK hedging until 2013.

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

In order to cover its foreign exchange risk, the Group primarily uses currency futures contracts or option collars. The interest rate risk is covered by caps and interest rate swaps.

('000 EURO)	Balance sheet position		Notional*	Maturity		
	Assets	Liabilities		< To 1year	From 1 to 5 years	> 5 years
Financial instruments not designed as a hedge						
- Forward currency contracts BRL/USD	0	367	9 095	9 095	0	0
- Currency option contracts ** and forward currency contracts EUR/USD	1 109	4 589	***			0
- Currency option contracts EUR/CZK **		108	***			
Cash flow hedging						
- Forward currency contracts EUR/USD	294	1 310	110 353	65 939	44 414	0
- Forward currency contracts CZK/EUR	87		4 000	4 000	0	0
- Currency option contracts EUR/USD (<i>intrinsic value</i>)	1 011	185	423 753	196 301	227 452	0
- Currency option contracts EUR/CZK (<i>intrinsic value</i>)	76		16 000	16 000	0	0
Foreign currency risk total	2 577	6 559	563 201	291 335	271 866	0
Financial instruments not designed as a hedge						
- Collar ****	0	4 236	295 000	60 000	235 000	
Interest rate risk total	0	4 236	295 000	60 000	235 000	
Financial instruments not designed as a hedge	1 109	9 300	304 095	69 095	235 000	0
Cash flow hedging	1 468	1 495	554 106	282 240	271 866	0
FINANCIAL INSTRUMENTS TOTAL	2 577	10 795	858 201	351 335	506 866	0
of which non current financial instruments	2 253	400				
of which current financial instruments	324	10 394				

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

** Correspond essentially to time value and digital option

*** To avoid redundancy of information, the total notional amount of currency options EUR / USD (intrinsic value and time value) is mentioned in the line "Currency option"

**** These instruments cover the debt of the Group to a total value of €295 million over the period through the end of January 2013 and to a total value of €235 million over the period 2013-2014 and to a total value of €50 million over the period 2015.

In order to ensure the coherence of the information furnished, the analysis of the periods of interest rate risk hedging instruments corresponds to that given in note 23.4. These instruments cover the debt of the Group to a total value of €295 million over the period through the end of January 2013 and to a total value of €235 million over the period 2013-2014 and to a total value of €50 million over the period 2015.

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

Impact of future cash flow hedging

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Fair value at the opening date	-3 698	59
Equity change for the effective portion	5 859	-530
Reclassified in income when the hedged element affects profit and loss	1 655	-5 282
Translation differences	-34	43
Deferred tax variation	-2 426	2 011
Fair value at the closing date	1 355	-3 698

The reclassification in the year's net result has primarily impacted revenue by the amount of -€1,157k.

Impact of derivative instruments to which hedge accounting is not applied

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Fair value at the opening date	-19 620	-1 877
Recorded through income statement before Taxes	11 429	-17 743
Fair value at the closing date	-8 191	-19 620

In particular, fair value includes the time value of option collars, BRL/USD currency futures contracts and interest rate derivative instruments. Their fair value variations are recognized in financial result.

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

Furthermore, the Group has a policy of purchasing and selling its own shares, with the principal objective of market animation (detailed in note 11.3).

11.2 Breakdown of capital and earnings per share

	Dec 31, 2012	Dec 31, 2011
Number of shares	9 323 754	8 609 997
Nominal value of each share (in euro)	2,00	2,00
Share Capital	18 647 508	17 219 994

In 2012, 695,996 bonds were converted out of a total of 2,860,000; furthermore, 17,761 share warrants (BSA) were exercised out of a total of and 4,304,998, thus strengthening equity by €7,137,570, of which €1,427,514 of authorized capital and €5,710,056 of share premium.

	Dec 31, 2012	Dec 31, 2011
Averaged issued shares	9 323 754	8 609 997
Averaged treasury shares	12 064	14 368
Weighted average shares (a)	9 311 690	8 595 629
Dilutive impact of convertible bonds (b)	2 164 004	2 860 000
Dilutive impact of share purchase warrant (c)	0	0
Total of shares diluted (a+b+c)	11 475 694	11 455 629
Net resultat - Group Share (in euro) (d)	3 124 370	6 647 859
Result impact of Convertible bonds (e)	1 510 940	1 898 147
Diluted result (d+e)	4 635 310	8 546 006
Earnings per share (in euro)	0,34	0,77
Diluted earnings per share (in euro)	0,40	0,75

11.3 Treasury Shares

Number of shares	Dec 31, 2011	Acquisitions	Disposals	Dec 31, 2012	% of ownership
LATECOERE Shares	13 975	237 770	241 124	10 621	0,11%
('000 EURO)	Dec 31, 2011	Acquisitions / Provisions	Disposals	Dec 31, 2012	Average purchase price
LATECOERE Shares	123,6	2 086	2 129	80,2	7,55

NOTE 12 NON-CURRENT PROVISIONS

('000 EURO)	Dec 31, 2011	Increase	Write-backs used	Write-backs not used	Dec 31, 2012
Provisions	3 705	832	-836	0	3 701

The provisions for risks and expenses at year-end include in particular a provision for loss on completion for an amount of €2,717k.

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, 2012.

('000 EURO)	Dec 31, 2011	Increase	Write-backs used	Write-backs not used	Dec 31, 2012
Retirement bonus	12 722	195	-184	0	12 733
Long-service medals	1 134	832	-86	0	1 879
TOTAL	13 855	1 027	-271	0	14 612

13.1 Retirement Benefits

Retirement liabilities accounted for at December 31, 2012 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 2.5% (compared to 4.4% in 2011) calculated on the basis of rates observed at December 31, 2012 for high quality corporate bonds, the Group using in particular the iBoxx index;
- use of the TH-002/TF-002 mortality table;

- employee turnover noted by age group and by company;
- age of retirement departure: 66 years old;
- progression of salaries consistent with the average of the last years ;

There exists no deferred past service costs at the year-ends 2011 and 2012. Actuarial variations are recognized in shareholder's equity since 2010 in accordance with the option offered by IAS 19 "Employee Benefits", to recognize the entirety of actuarial variations in the period in which they are produced, outside of the income statement in the state of the overall consolidated net result. The obligation 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 long-service medal bonus pay relating to employees who should leave in 2013 is €188k.

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 2013 provision should be (excluding departures) €1,356k.

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Increase	195	1 171
Decrease	-184	-753
Contributions paid	191	1 656
NET COST (REVENUE) OF THE YEAR	202	2 074
of wich		
Actuarial gains or losses	-1 202	738
Interest cost	580	498
Services cost	824	839
TOTAL	202	2 074

13.2 Employee long-service medals

The obligation under long-service medals accounted for at December 31, 2012 was calculated according to the method described in note 2.22 of this document.

The calculation assumptions retained are the following:

- discount rate of 2.5% (compared to 4.4% in 2011) calculated on the basis of rates observed at December 31, 2012 for high quality corporate bonds, the Group using in particular the iBoxx index;
- use of the TH-002/TF-002 mortality table;
- employee turnover noted by age group and by company;
- age of retirement departure: 66 years old;

- progression of salaries consistent with the average of the last years ;

The long-service medal bonus pay relating to employees who should leave in 2013 is €188k.

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 2013 provision should be (excluding departures) €111k.

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Increase	746	38
Decrease	0	0
Contributions paid	86	74
NET COST (REVENUE) OF THE YEAR	832	112
of wich		
Actuarial gains or losses	752	44
Interest cost	50	45
Services cost	30	23
TOTAL	832	112

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, 2012, the provision amounted to €431k compared to €415k at December 31, 2011.

NOTE 14 FINANCIAL LIABILITIES

(000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financial liabilities	Dec 31, 2012	Fair value
Refundable Advances			37 044	37 044	37 044
Debenture loan			20 842	20 842	20 842
Syndicated loan - Tranche B			217 263	217 263	217 263
Syndicated loan - Tranche C (revolver credit)			27 500	27 500	27 500
Other Bank loans			9 241	9 241	9 413
Factoring			67 994	67 994	67 994
Finance lease			4 035	4 035	4 203
Unsecured banking facility and other			3 517	3 517	3 517
Other non-current liabilities			13 201	13 201	13 201
Financial instruments *	9 300	1 495		10 795	10 795
Accounts payable			143 579	143 579	143 579
TOTAL FINANCIAL LIABILITIES	9 300	1 495	544 216	555 010	555 351

* financial instrument (cat 2)

(000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financial liabilities	Dec 31, 2011	Fair value
Refundable Advances			37 312	37 312	37 312
Debenture loan			27 379	27 379	27 379
Syndicated loan - Tranche A and B			281 293	281 293	281 293
Syndicated loan - Tranche C (revolver credit)			29 652	29 652	29 652
Other Bank loans			12 062	12 062	11 251
Factoring			32 943	32 943	32 943
Finance lease			6 220	6 220	6 265
Unsecured banking facility and other			5 721	5 721	5 721
Other non-current liabilities			11 350	11 350	11 350
Financial instruments *	19 971	5 841		25 812	25 812
Accounts payable			141 087	141 087	141 087
TOTAL FINANCIAL LIABILITIES	19 971	5 841	585 018	610 830	610 064

* financial instrument (cat 2)

The fair value of accounts payable is treated as its 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 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 are not subject to hedging.

14.1 Loans and Bank Borrowings

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Debtenture loan	20 842	27 379
Bank loans - non current	244 214	228 464
Leasing - non current	3 368	5 094
Non-current liabilities	268 424	260 937
Bank loans - current	7 290	65 195
Leasing - current	667	1 126
Factoring and revolver credit	70 494	62 595
Other short term credit	3 517	5 417
Current liabilities	81 968	134 333
TOTAL OF LOAN AND BANK BORROWINGS	350 392	395 270

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

('000 EURO)	Currency	Interest rate	Maturity	Dec 31, 2012	
				Notional	Actual
Debtenture loan	EURO	EURIBOR+	2015	28 600	20 842
Syndicated loan - Tranche B	EURO	EURIBOR+	2018	225 610	217 263
Syndicated loan - Tranche C (revolver credit)	EURO	EURIBOR+	2015	29 652	27 500
Bank borrowings with guarantee	EURO	3,0%-4,8%-5,9%	2014-2016	21 209	7 998
Bank borrowings with guarantee	EURO	EURIBOR+	2016	1 500	1 243
Factoring	EURO/USD	EURIBOR/LIBOR	2015	76 000	67 994
Finance lease	EURO	4,7%-7,2%	2010-2020	25 013	4 035
Unsecured banking facility and other	EURO	EURIBOR+	n/a	3 517	3 517
TOTAL OF LOAN AND BANK BORROWINGS				411 101	350 392

14.2 Financial ratios ("covenants")

Financial commitments on the syndicated loan

The syndicated loan includes covenants implementing new ratios. The LATECOERE Group committed to respect:

- A minimum level of consolidated net debt to EBIT (ratio R1);
- A minimum level of consolidated net debt to consolidated equity funding (ratio R2);
- A minimum level of free cash flow (ratio R3)

These ratios will first be applied to the year ending on December 31, 2013. The additional aggregates are defined as follows:

- EBIT: means, at the consolidated financial statements level, (i) current operating result, (ii) corrected by the amount of the variation of the work-in-progress NRC, by the amount of the variation of the work-in-progress curve and the amount of the variation of the provisions

on work-in-progress NRC and curve, (iii) restated for commissions and banking services accounted for in operational expenses.

- Consolidated equity funding: means the Shareholders' equity Group share, or, at the consolidated financial statements level, the sum of: (i) share capital, (ii) share premia, (iii) adjusted reserves (including the other reserves and retained result)(iv) net of the fair value of unsettled interest rate and foreign exchange risk hedging instruments, translation differences and minority interests.
- Free cash flow: means, at the consolidated financial statements level, (i) the consolidated net debt at the beginning of the period, (ii) reduced by the consolidated net debt at the end of the period, (iii) increased by the sum of the new medium- and long-term bank debts (of a duration exceeding one year) established during the period.

Furthermore, the Group has undertaken a certain number of additional commitments, which are common in this type of transaction, governing respectively the policy of industrial investments and/or those dedicated to external growth transactions, sales of assets, the raising of new debt and the granting of new guarantees and of off-balance sheet commitments.

At December 31, 2012, the Group respected these commitments.

Financial commitments on bonds convertible in shares

Amendments to the issuance contracts for convertible bonds of July 2010 were signed in December 2011 as part of the refinancing of the debt. In particular, they modified the covenants.

The financial covenants relating to the bonds include ratios, which the LATECOERE Group undertakes to respect, based on the consolidated financial statements:

- A minimum level of consolidated net debt to consolidated equity funding;
- A minimum level of free cash flow.

These ratios will first be applied to the year ending on December 31, 2013. The definitions of the aggregates that enter into the calculation of these ratios are identical to those accepted for the syndicated loan.

In the amendments signed, the Group has subscribed new commitments which replace the debt limitation and the limitation on the granting of guarantees commitments of the issuance contract for the LATECOERE CBs; these new commitments that govern respectively the policy of industrial investments and/or those dedicated to external growth transactions, the raising of new debt and the granting of new guarantees, were harmonized with those of the syndicated loan.

At December 31, 2012, the Group respected these commitments.

14.3 Refundable Advances

Refundable advances for an overall amount of €37 million relate to the A380 programs for €26 million and to the A350 programs for €11 million. 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 OTHER LIABILITIES

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Trade payables	90 361	95 100
Employee related liabilities	31 024	27 907
Tax payables	13 154	10 110
Credit balance on trade receivables and advance payments from customers	5 596	3 749
Other creditors	3 444	4 221
ACCOUNTS PAYABLE	143 579	141 087

NOTE 16 TAXES

16.1 Income Tax Receivable

The amount recorded at December 31, 2012 of €18.7 million corresponds to a carry-back for an amount of €5.4 million and to tax credits for €12.8 million (primarily, the research-based tax credit).

16.2 Deferred Taxes

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Deferred tax assets	27 847	16 975
Refundable Advances	-307	-1 137
DEFERRED TAX AT OPENING	27 541	15 838
Deferred tax Income (Expense) recognised in P&L	-2 615	8 666
Deferred tax variation recognised directly in equity	-3 112	3 036
DEFERRED TAX AT CLOSING	21 813	27 541
Of which Deferred tax assets	22 446	27 847
Of which Deferred tax liabilities	-633	-307

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

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Tangible and intangible assets	-4 491	-6 193
Financial instruments	2 836	7 938
Retirement bonus	4 251	4 217
Other provisions	-2 107	-1 866
Loan and bank borrowings	-1 770	-1 324
Loss carry-forwards	22 315	22 315
Other	777	2 454
NET DEFERRED TAX ASSETS (LIABILITIES)	21 813	27 541

The main sources of deferred tax assets were the recognition of the loss carry-forwards from the French tax group in an amount of €22.3 million at December 31, 2012. Over the French tax consolidation scope, deferred tax assets in an amount of €7.1 million were not recognized in 2012. The Group's tax losses come from the French tax group and may be carried forward without limit in time. In order to assess its ability to reclaim these assets, the Group takes into account estimates of the future tax results of the tax consolidation scope over a period generally of five years.

NOTE 17 REVENUE

BY BUSINESS

'000 EURO)	Dec 31, 2012		Dec 31, 2011	
	Amount	%	Amount	%
Civil business	623 453	96,9%	558 035	97,0%
Military business	20 135	3,1%	17 532	3,0%
TOTAL	643 588	100,0%	575 567	100,0%

BY GEOGRAPHICAL ZONE

'000 EURO)	Dec 31, 2012		Dec 31, 2011	
	Amount	%	Amount	%
France	355 154	55,2%	325 391	56,5%
Export	288 434	44,8%	250 176	43,5%
TOTAL	643 588	100,0%	575 567	100,0%

BY GEOGRAPHICAL MARKET (DIRECT EXPORTS)

('000 EURO)	Dec 31, 2012		Dec 31, 2011	
	Amount	%	Amount	%
Europe	421 774	65,5%	379 914	66,0%
America	218 357	33,9%	192 017	33,4%
Asia	2 026	0,3%	2 658	0,5%
Other	1 431	0,2%	978	0,2%
TOTAL	643 588	100,0%	575 567	100,0%

BY NATURE

('000 EURO)	Dec 31, 2012		Dec 31, 2011	
	Amount	%	Amount	%
Revenue - Construction contrats	326 915	50,8%	295 872	51,4%
Revenue - Goods	206 670	32,1%	182 789	31,8%
Revenue - Services	110 003	17,1%	96 906	16,8%
TOTAL	643 588	100,0%	575 567	100,0%

NOTE 18 RAW MATERIALS, OTHER PURCHASES & EXTERNAL CHARGES

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Raw material used	-113 744	-86 425
Cost of goods sold	-1 683	-2 362
Sub-contracting	-167 541	-161 847
External charges	-57 912	-56 672
RAW MATERIAL, OTHER PURCHASES & EXTERNAL CHARGES	-340 880	-307 306

NOTE 19 DEPRECIATION OF CURRENT ASSETS

The amount of net provisions for 2012 primarily includes a reversal used in 2012 in accordance with IAS 11 on construction contracts) of €10.4 million and a provision for depreciation of trade receivables of -€1.7 million for the SKYAIRCRAFT company of the GECl Group (Skylander program).

NOTE 20 OTHER INCOME

The amount of other income includes, in particular, grants for €8.2 million, research-based tax credits for €5.4 million, and capitalized production for €1.7 million.

NOTE 21 DETAIL OF FINANCIAL INCOME

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Interest expense - net	-18 756	-17 866
Foreign Exchange gains/loss realized :	-2 217	742
- derivative instruments EUR/USD	-1 908	372
- other derivative instrument	-910	1 884
- Foreign Exchange gains/loss realized	601	-1 513
Other realized financial expenses / income	-1 249	-3 882
Realized net financial result	-22 222	-21 005
Change in fair value of financial instruments :	9 055	-20 244
- Change in fair value of currency derivative instruments EUR/USD	7 938	-14 669
- Change in fair value of other currency derivative instruments	700	-5 501
- Change in fair value of interest rate contract	418	-74
Valuation of items on balance sheet at the closing date	-2 968	327
Other unrealized financial expenses / income	-1 828	-2 181
Unrealized net financial result	4 259	-22 099
FINANCIAL RESULT	-17 963	-43 104

Fair value variation of EUR/USD foreign exchange derivative financial instruments comes in essence from an assessment of the time value of options. In respect of 2012, the inefficient share of hedging is -€108k.

In respect of 2012, the other realized financial expense and income includes primarily the impact of the amortization of the costs of the renegotiation of the debt using the effective interest rate (EIR) method for an amount of -€928k. In respect of 2012, the other unrealized financial expense and income includes in particular the accrued interest on refundable advances for an amount of -€1,258k and the cost of financing retirement liabilities for an amount of -€580k.

NOTE 22 INCOME TAXES

22.1 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.

22.2 Income tax expense

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Current income taxes	-2 635	-3 268
Deferred taxes	-2 615	8 666
TOTAL	-5 250	5 398

22.3 Reconciliation between the French corporate income tax rate and the Group's effective tax rate

('000 EURO)	Dec 31, 2012
Group net result of consolidated companies	3 713
- Consolidated tax expense (due and deferred)	-5 250
Pre-tax consolidated result (before Group/minority interests share)	8 964
- Result from associates	115
Pre-tax consolidated result (A)	8 848
Theoretical tax rate (current rate applicable to parent company) (B)	36,10%
Theoretical tax expense (A*B)	-3 194
Items taxed at the reduced rate or not taxed	-1 740
Effect of the tax rate variations on deferred taxes	770
Unreported tax losses *	-2 895
Other	-258
Tax reductions / tax credits **	2 068
Sub-total	-2 056
ACTUAL TAX EXPENSE	-5 250
EFFECTIVE TAX RATE	n/a

* The unused tax losses are without carry-forward limit

** This amount essentially corresponds to the research-based tax credit

NOTE 23 RISK MANAGEMENT

23.1 Counterparty Risk

The Group is mainly exposed to credit and counterparty risk relating to customers and derivative financial instruments and short-term financial investments.

The risk of default of counterparties relating to customers is very limited due to the category of the main customers (Tier 1 aircraft manufacturers) of the Aerostructures and Interconnection Systems divisions.

Counterparties relating to the Engineering and Services division are more numerous and may present a higher risk. However, this risk is judged to be of lesser importance with respect to the Group's main counterparties.

23.2 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 presented in the tables below integrate financial interest.

At year-end, the Group had identified no significant credit risk on these assets due but not depreciated.

The Group implements derivative financial instruments with the goal of reducing its exposure to foreign currency and interest rate risks. These transactions are contracted by private agreement with tier 1 banks and for this reason do not present any default risk.

Due to its financial structure, the Group is only surplus in cash over short periods. Cash is invested through risk-free monetary instruments with tier 1 banking establishments.

The financial interest was calculated on the basis of the 2012 variable rate for the share of variable rate financial liabilities. The financial liabilities by maturity are analyzed as follows:

(000 EURO)	Dec 31, 2012				
	Carrying value	Undiscounted cash flow	Less than 1 year	From 1 to 5 years	Over 5 years
Refundable Advances	37 044	-78 271	-2 247	-13 773	-62 251
Debenture loan	20 842	-23 533	-725	-22 808	
Syndicated loan - Tranche B	217 263	-266 419	-8 009	-155 308	-103 102
Syndicated loan - Tranche C (revolver credit)	27 500	-29 818	-908	-28 911	
Other bank loans	9 241	-9 903	-3 866	-6 036	
Factoring	67 994	-67 994	-67 994		
Finance lease	4 035	-4 794	-859	-3 099	-836
Other short term credit	3 517	-3 517	-3 517		
Unsecured banking facility and other	156 780	-156 780	-153 993		-2 787
FINANCIAL LIABILITIES (except derivative instr.)	544 216	-641 029	-242 118	-229 936	-168 975
Derivative instruments (intrinsic value)	1 495	-1 495	-1 457	-38	0
TOTAL FINANCIAL LIABILITIES	545 711	-642 524	-243 575	-229 974	-168 975

(000 EURO)	Dec 31, 2011				
	Carrying value	Undiscounted cash flow	Less than 1 year	From 1 to 5 years	Over 5 years
Refundable Advances	37 312	-66 665	-3 011	-12 140	-51 513
Debenture loan	27 379	-33 301	-1 372	-31 929	
Syndicated loan - Tranche A and B	281 293	-347 900	-75 558	-124 976	-147 366
Syndicated loan - Tranche C (revolver credit)	29 652	-34 249	-3 397	-30 852	
Other bank loans	12 062	-13 291	-3 958	-9 334	
Factoring	32 943	-32 943	-32 943		
Finance lease	6 220	-7 339	-1 421	-4 431	-1 487
Other short term credit	5 721	-5 721	-5 721		
Unsecured banking facility and other	152 437	-152 437	-150 128		-2 308
FINANCIAL LIABILITIES (except derivative instr.)	585 018	-693 846	-277 509	-213 663	-202 674
Derivative instruments (intrinsic value)	5 841	-5 841	-3 834	-2 006	0
TOTAL FINANCIAL LIABILITIES	590 859	-699 687	-281 344	-215 669	-202 674

23.3 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 68% of its sales in dollars and buys approximately 42% of supplies or sub-contracting in dollars. The effect of the dollar exchange

risk hedging operations on revenue was -€1,157k in 2012 compared to +€6,190k in 2011.

The LATECOERE 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, 2012 and does not reflect all future hedging. Furthermore, the estimated net flows in US dollars in 2013 and 2014 have been fully hedged.

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

	Dec 31, 2012		Dec 31, 2011	
	'000 \$	'000 €	'000 \$	'000 €
Accounts Receivable	92 376	70 012	87 453	67 589
Accounts Payable	-23 857	-18 081	-35 800	-27 668
Other (advanced payments suppliers and customers)	-77 557	-58 780	3 462	2 675
Net debt	15 235	11 547	6 011	4 646
NET EXPOSITION BEFORE HEDGING	6 198	4 698	61 126	47 242
Hedging instruments for the receivables on the balance sheet	0	0	0	0
NET EXPOSITION AFTER HEDGING	6 198	4 698	61 126	47 242

A sensitivity analysis was carried out, based on the assumption of a 5% fall of the dollar in relation to the euro on the basis of the Group's net balance sheet exposure at December 31, 2012. This variation would have resulted in a pre-tax decrease in result of €0.2 million compared to a pre-tax decrease in result of €2.2 million in 2011.

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 5% decrease of the dollar in relation to the euro would result in a decrease of pre-tax result of €13.0 million and a reduction of pre-tax shareholders' equity of €13.4 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 5% fall of the dollar/real parity. These variations would have resulted in a pre-tax decrease in result of €0.4 million.

A sensitivity analysis was carried out, based on the assumption of a 5% fall of the Euro/Czech crown (koruna) parity. These variations would have resulted in a pre-tax decrease in result of €0.1 million and a pre-tax reduction in shareholders' equity of €0.6 million.

The foreign currency exposure on the other currencies is not considered significant in view of the Group's exposure to them.

23.4 Interest Rate Risk

(000 EURO)		Less than 1 year	From 1 to 5 years	Over 5 years	Dec 31, 2012	Dec 31, 2011
Financial assets	Fixed rate	2 194	0	0	2 194	0
	Adjustable rate	28 099	0	0	28 099	27 117
Financial liabilities	Fixed rate	-6 418	-20 203	-22 776	-49 397	-54 728
	Adjustable rate	-103 364	-135 431	-99 244	-338 039	-377 854
NET EXPOSURE BEFORE HEDGING	Fixed rate	-4 224	-20 203	-22 776	-47 203	-54 728
	Adjustable rate	-75 265	-135 431	-99 244	-309 940	-350 737
Derivative financial instruments	Fixed rate	0	0	0	0	0
	Adjustable rate	83 947	151 053	0	235 000	235 000
NET EXPOSURE AFTER HEDGING	Fixed rate	-4 224	-20 203	-22 776	-47 203	-54 728
	Adjustable rate	8 682	15 622	-99 244	-74 940	-115 737

In order to reflect the economic reality of interest rate hedging, this table does not take into account interest rate derivative financial instruments expiring in January 2013 for an amount of €60 million.

Almost all medium and long-term net debt is based on short-term floating rates. Cost of bank debt is 4.13% on average in 2012. The overall average interest rate borne by the Group (including as well the amortization of the issue expense of the convertible bonds through the effective interest rate and the interest share of repayments of refundable advances occurring during the year) in 2012 is 5.2%.

The LATECOERE Group set-up hedging of interest rates that allows it to limit the impact of a strong increase in short-term rates on the cost of the debt until the period 2014-2015. The rate guaranteed for the Group is limited

at 3.1% for the period going from 2013 to 2014 for an amount of €235 million and at 3.7% in 2015 for an amount of €50 million.

This table does not take into account the expiry of derivative financial instruments. 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 €749k at December 31, 2012 compared to an increase of financial costs of €1,157k at December 31, 2011.

23.5 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 two or three years, include price clauses that 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.

23.6 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, 2012 is €119k.

Given the fact that at year end the Latécoère Company only held 11,631 of its own shares, the equity share risk is not significant.

Furthermore, the Group does not hold any other significant listed shares and for this reason is not exposed to the risk of the fluctuation of share prices.

NOTE 24 AVERAGE HEADCOUNT REGISTERED

	Dec 31, 2012				Dec 31, 2011
	Executives & Management	Administration	Blue-collars	Total	Total
LATECOERE	320	577	190	1 086	1 022
LATECOERE do BRASIL	17	100	272	389	414
LETOV s.r.o.	8	230	398	636	567
LATECOERE Inc.	0	1	0	1	1
LATelec	121	256	249	626	608
SEA LATelec	36	105	763	904	797
LATecis	222	174	0	397	384
LATelec GmbH	32	39	12	83	71
G²Metric	36	17	0	53	45
G²Metric GmbH	4	5	0	9	7
G²Metric UK	1	2	3	7	3
LATecis Ibéria	2	35	0	37	28
LATecis srl	0	0	0	0	14
LATecis Canada	3	8	0	11	2
LATecis UK	1	0	0	1	6
LATECOERE Services GmbH	3	0	0	3	0
TOTAL GROUPE	807	1 548	1 887	4 241	3 968

NOTE 25 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

25.1 Financial Commitments

The amount of the commitments given by the Group at year end was as follows:

('000 EURO)	Dec 31, 2012				Dec 31, 2011
	< To 1 year	From 1 to 5 years	> 5 years	Total	Total
Trade receivables given as security (1)	67 994			67 994	32 943
Securities, collateral and mortgages (2)	8 085	78 223	130 602	216 910	277 928
TOTAL	76 079	78 223	130 602	284 904	310 871

(1) The trade receivables given as security correspond to the receivables financed by the Factor pursuant to the factoring agreement.

(2) These securities relate to asset items recognized to the balance sheet for €37.6 million, and intangible items not recognized to the balance sheet for €179.3 million.

25.2 Commitments under Operating Leases

Within the framework of its operation, the Group is caused to set up operating leases. The amount of the expense for the year was €5.3 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.);
- real estate leasing;
- other leasing (as needed).

All these contracts do not include any specific clause that could have an impact on the method of renewal or of termination of these contracts.

25.3 Other Commitments

In the course of its ordinary business; the Group has purchasing commitments related to production. These

commitments are based primarily on forecasts of the production rates of the aircraft manufacturers and are realized at normal market conditions.

The Group has also, in the course of its ordinary business, given commitments to its customers and to customs for a total amount of €1,577k.

25.4 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

26.1 Main flows with related parties

Relations during 2012 with associates as determined at December 31, 2012:

('000 EURO)	Latécoère	CCA
Revenue	0	1 490
Purchasing	1 490	0
Trade receivables	151	0
Trade payables	0	151

Transactions with related parties are done on a market-price basis.

26.2 Director Compensation

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, 2012 the amount of €2,459k (of which €298k relates to retirement liabilities and €38k relates to long-service medals). At December 31, 2011, the total of remuneration was €2,805k (of which €604k relating to retirement liabilities and €23k relating to long-service medals).

Remuneration due in 2012 for all of the Members of in Supervisory Board was €313k. At December 31, 2012, remuneration due for all of the Members of the Supervisory Board was €329k.

26.3 Main Relationships between the LATECOERE Company and Its Subsidiaries

The main Group flows concern economic flows relating to the production of sub-assemblies.

The Group is organized around three businesses: aerostructures; interconnection systems; and engineering and services. Every company that 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 may 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 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 exists no significant operation 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

No significant event occurred subsequent to year-end closing.

3.7 Report of the Statutory Auditors on the consolidated financial statements

Dear Shareholders,

In compliance with the assignment entrusted to us by your annual general meeting, we hereby report to you, for the year ended 31 December 2012, on:

- the audit of the accompanying consolidated financial statements of Latécoère S.A. ;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors, Our role is to express an opinion on these consolidated 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 involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities, and the financial position of the Group as at December 31, 2012 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 remind you, as indicated in note 2.3 to the consolidated financial statements, of the adaptation measures of the plan of financial resources implemented by the Group.

Justification of Our Assessments

The accounting estimates used in the preparation of the consolidated financial statements at December 31, 2012 were performed in a context where economic prospects were definitely difficult to grasp. It is in this context that, in accordance with the provisions of Article L. 823-9 of the French Commercial Code (Code de Commerce), we have proceeded with our assessments that we bring to your attention.

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.

Furthermore, your group recognizes the results on long-term contracts under the stage of completion method as described in note 2.15 to the consolidated financial statements.

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.

The results on construction contracts are based on estimates, relating mainly to industrial assumptions and foreign currency exchange rates, realized under the control of the Management Board. When applicable, negative forward-looking results are immediately recorded in result, as mentioned in note 2.15 to the consolidated financial statements.

These estimates are based on assumptions which are by their very nature uncertain, as indicated in note 2.3 to the consolidated financial statements, the realizations being likely to differ sometimes significantly from the estimated data used.

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, of comparing the valuations of results on completion to prior

periods with corresponding realizations, and of reviewing the calculations of the Company and examining the approval procedures for these estimates by the Management Board.

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

Toulouse-Labège, April 26, 2013

KPMG Audit IS

Christian Libéros
Partner

Paris, April 26, 2013

Grant Thornton
French Member of Grant Thornton International

Gilles Hengoat
Partner

4 STATUTORY FINANCIAL STATEMENTS OF THE LATECOERE S.A. COMPANY, AT DECEMBER 31, 2012

4.1 Balance Sheet of the LATECOERE S.A. Company

('000 EURO)	Gross	Amortization	Dec 31, 2012	Dec 31, 2011
Intangible fixed assets	5 457	4 482	975	634
Land	505		505	284
Buildings	2 831	607	2 224	682
Plant, equipment and tooling	25 707	19 653	6 054	5 471
Other tangible fixed assets	11 458	9 051	2 407	2 502
Fixed assets in progress	7 021		7 021	2 825
Advance payments			0	0
Tangible fixed assets	47 521	29 311	18 210	11 762
Other shareholdings	45 854	5 948	39 905	40 134
Other long-term investments	79 369		79 369	81 928
Other fixed shares	25		25	25
Loans	409	409	0	0
Other financial fixed assets	2 545	0	2 545	2 627
Financial fixed assets	128 201	6 357	121 844	124 714
Fixed assets	181 179	40 150	141 030	137 110
Raw materials	39 442	7 767	31 675	30 770
Work-in-process	356 164	82 368	273 797	322 779
Intermediate and finished products	39 855	7 561	32 294	32 305
Intermediate and finished products	435 461	97 696	337 765	385 854
Advances, payments on account	51		51	60
Trade accounts receivable	6 239	3	6 235	25 481
Other receivables	78 086		78 086	109 419
Short-term investments	10		10	0
Cash and bank	9 303		9 303	5 706
Prepayments, unrealized exchange losses	1 433		1 433	1 199
CURRENT ASSETS	530 583	97 699	432 883	527 719
TOTAL ASSETS	711 762	137 849	573 913	664 829

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Share capital	18 648	17 220
Share premium	75 321	69 611
Legal reserve	1 722	1 722
Other reserves	107 496	107 496
Retained earnings	-103 809	-104 943
Income for the year (profit or loss)	-1 074	1 133
Tax based provisions	4 150	3 657
Shareholders' equity	102 453	95 897
Refundable advances	31 044	34 912
Total equity	133 497	130 809
Provisions for risks and expenses	3 782	3 609
Debenture loan	21 640	28 600
Loans and debts from financial institution	255 580	321 828
Other loans and financial liabilities	1 580	0
Advances and down payments received	66	180
Trade accounts payable	63 388	79 455
Tax, personnel and social security	21 619	16 214
Due for fixed assets	277	528
Other liabilities	71 846	80 205
Deferred income-unrealized exchange gains	638	3 402
Total liabilities	436 634	530 412
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	573 913	664 829

4.2 Income Statement of the LATECOERE S.A Company

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Production sold (goods)	425 113	377 959
Production sold (services)	20 482	21 747
Net sales	445 595	399 706
Change in inventory (WIP and finished goods)	-58 882	-23 189
Capitalized production	1 208	2 015
Operating grants	7 334	3 036
Write-back of provisions and amortization, expense transfers	20 866	20 001
Other income	473	258
Other operation income	-29 000	2 122
Operation income	416 595	401 827
Purchase of raw materials and other supplies	34 189	36 827
Changes in inventory (raw materials, supplies)	-400	-2 839
Other purchases and external expenses	286 150	281 386
Taxes, duties and similar	4 633	4 450
Wages and salaries	45 895	42 684
Social security	21 088	20 047
Depreciation, amortization	1 797	3 813
Provisions on current assets	10 678	8 432
Other operation expenses	1 338	1 310
Operation expenses	405 368	396 109
NET OPERATING INCOME	11 227	5 719
NET FINANCIAL INCOME	-17 131	-12 268
INCOME BEFORE TAX	-5 904	-6 549
NET EXCEPTIONAL EXPENSES	-1 030	-220
Employee profit sharing	25	546
Tax on profit	-5 885	-8 448
TOTAL INCOME	436 316	428 003
TOTAL EXPENDITURE	437 390	426 870
NET INCOME	-1 074	1 133

4.3 Statement of Cash Flows of the LATECOERE S.A. Company

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Net income	-1 074	1 133
Elim of depreciation and provisions	-7 873	-5 452
Elim of profit/loss on disposal	0	0
Cash flow	-8 947	-4 319
Changes in working capital	88 107	4 917
Cash flow from operating activities	79 160	598
Purchase of tangible and intangible assets	-8 566	-3 647
Proceed of sale of tangible and intangible assets	8	377
Incidence des variations de périmètre		
Cash flows from (used in) investing activities	-8 558	-3 270
Dividends paid	0	0
Increase (decrease) in capital	178	0
Proceeds from borrowings ¹	0	290 139
Repayments of borrowings ²	-62 666	-206 011
Shares in subsidiary companies flow ³	2 559	-73 570
Flow from refundable advances	-3 868	-7 098
Disposal (acquisition) of treasury shares	43	-94
Other flow from financing operation	-2 152	22 952
Increase (decrease) in loans and advances made from financing activities	51	-2 479
Cash flows from (used in) financing activities	-65 855	23 839
Increase (decrease) in cash and cash equivalents	4 748	21 167
Opening cash position	4 552	-16 615
Closing cash position	9 299	4 552
Cash and cash equivalents	9 313	5 706
Overdraft facilities	-14	-1 155
Discounted receivables	0	0
CASH AND CASH EQUIVALENTS AT YEAR-END	9 299	4 552

¹ For FY 2011, corresponds to the tranche A and B of the syndicated loan (290 M€)

² For FY 2012, correspond mainly to repayment of the syndicated loan - Tranche A. For FY 2011, corresponds to the ending of the previous debt (May, 18, 2010 loan agreement)

³ For FY 2011, corresponds mainly to Subsidiary loans related to syndicated loan set up for 76 886 K€

For FY 2011, corresponds to guarantee funds from factoring agreement

4.4 Notes to the Corporate Financial Statements at December 31, 2012

These documents are annexed to the balance sheet before apportionment of the fiscal year ending on December 31, 2012 totaling €573,912,956, and to the income statement of the fiscal year presented in the form of a list, showing total income of €436,315,912, total expenditure of €437,390,365, and net loss of -€1,074,453.

The relevant year covers a period of 12 months from January 1, 2012 to December 31, 2012.

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

Non-recurring invoicing of development work

The company invoiced development work which had a positive impact on H1 2012 revenue for an amount of \$82 million or €62.5 million. At H1 2011, the Group had invoiced development work for an amount of \$75 million or €55 million.

Repayment of Tranche A of the Syndicated Loan

In compliance with the commitments undertaken in connection with the syndicated loan, the company repaid Tranche A during H1 2012 (see Note 6 to the Corporate Financial Statements).

Strengthening of Equity

At December 31, 2012, 695,996 bonds were converted out of a total of 2,860,000, and 17,761 share warrants (BSA) were exercised out of a total of 4,304,998, thus strengthening equity by €7,137,570 (see Note 10 to the Corporate Financial Statements).

NOTE 2 ACCOUNTING POLICIES

2.1 Presentation of the financial statements

The financial statements of the Company at December 31, 2012 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.

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 Company makes assumptions and regularly establishes, on these bases, estimates relating to its various businesses. These estimates have been made from past experience and other factors considered and other factors considered as reasonable in view of the circumstances; they integrate the economic conditions prevailing at the closing and the information available as of the date of preparation of the financial statements. The Management Board regularly reviews its estimates and assumptions 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), provisions on inventory, the recoverable value of long-term investments, and employee benefits (note 5).

At December 31, 2012, the accounting estimates used in the preparation of the financial statements were performed in a worldwide economic context with a still high degree of volatility with regard to economic prospects. 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, relating to construction contracts, as a function of firm orders confirmed by aircraft manufacturers.

Likely cash flow tensions being anticipated during 2013, induced in particular by the Tunisian crisis, the resource plan was adapted consequently, in the scope of existing contracts, with an increase of the upper limit of the factoring agreement (up by €8 million) in line with activity growth and a postponement of the 2013 amounts due of the syndicated loan (€8 million) to 2015.

Given these adjustments, on the basis of these forecasts, the Group considers that the cash flow needs of 2013 will be met.

2.3 Research & Development Costs

At December 31, 2012, 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 that 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 in 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 LATECOERE Company 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 Company'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 that 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 that 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 that 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, estimates without follow-up, administrative costs, 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.

Additional invoicing may also 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.

Construction contracts covering several years, during the first years the Company is brought to note in the balance sheet costs of production, which will subsequently be recycled in income statement according to the decay really observed.

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 that 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, 2012, this provision was revalued and amounts to €1,475k compared to €1,062k at December 31, 2011.

2.14 Recognition of revenue

Revenue is recognized on product delivery or upon the provision of services.

2.15 Taxes

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 3 FIXED ASSETS

('000 EURO)	Dec 31, 2011	Acquisitions	Transfer	Disposals	Dec 31, 2012
Intangible fixed assets	4 770	249	438	0	5 457
Land	284	221			505
Buildings constructed on leasehold land	1 178	1 653			2 831
Plant, industrial equipment and tooling	24 183	1 462	88	26	25 707
Fixtures and fittings	8 569	239			8 808
Vehicles	206				206
Office equipment, I.T., furniture	2 425	19			2 444
Fixed assets in progress	2 825	4 723	-526		7 021
Tangible fixed assets	39 669	8 317	-438	26	47 521
Shares in subsidiary companies	45 854				45 854
Receivables concerning associated companies	81 928	3 176		5 735	79 369
Other long-term investments	25				25
Loans, other financial fixed assets	3 048	2 088		2 182	2 954
Financial fixed assets	130 855	5 264	0	7 917	128 201
TOTAL GROSS FIXED ASSETS	175 293	13 830	0	7 944	181 179

The LATECOERE Company regained full ownership of its Toulouse site located on rue de Périole, pursuant to the exercise of its contract option. The amount of acquisitions accounted for relating to this exercise of option is €221k for the land and €1,635k for the buildings. The fixed assets in progress acquired during 2012 for €4.7 million include particularly the development of computer tools under the information systems master plan for €2.8 million and acquisitions relating to the establishment of new production platforms in Mexico for €1.9 million.

NOTE 4 DEPRECIATION

('000 EURO)	Dec 31, 2011	Increase	Decrease	Dec 31, 2012
Intangible fixed assets	4 136	346	0	4 482
Buildings constructed on leasehold land	496	111		607
Plant, industrial equipment and tooling	18 713	979	39	19 653
Fixtures and fittings	6 181	315	0	6 495
Vehicles	206	0	0	206
Office equipment, I.T., furniture	2 312	45	8	2 349
Tangible fixed assets	27 907	1 451	47	29 311
TOTAL AMORTIZATIONS	32 043	1 797	47	33 793

('000 EURO)	straight-line method	double declining method	Accelerated fiscal depreciation	
			Increase	Decrease
Intangible fixed assets	346	0	383	219
Buildings constructed on leasehold land	111		14	0
Plant, industrial equipment and tooling	979		513	250
Fixtures and fittings	315		79	27
Vehicles	0			
Office equipment, I.T., furniture	45		0	0
Tangible fixed assets	1 451	0	606	278
TOTAL BREAKDOWN OF DEPRECIATION	1 797	0	989	496

NOTE 5 PROVISIONS

('000 EURO)	Dec 31, 2011	Increase	Decrease	Dec 31, 2012
Accelerated fiscal depreciation	3 657	989	496	4 150
Regulated provision	3 657	989	496	4 150
Foreign exchange losses	989	244	0	1 233
Provisions for taxes	610		610	0
Provisions for taxes	2 010	553	14	2 549
Total provisions for risks and expenses	3 609	797	624	3 782
Provisions for financial assets	6 141	229	12	6 357
Provisions for stocks and work-in-process	108 100	0	10 403	97 696
Provisions for trade accounts receivable	124	0	120	3
Total provisions on assets	114 364	229	10 536	104 056
TOTAL PROVISIONS	121 630	2 015	11 657	111 988

('000 EURO)	Increase	Decrease
Operating	413	10 538
Financial	473	12
Exceptional	1 129	1 106
TOTAL	2 015	11 657

The other provisions for risks include in particular the provision in respect of Long-Service Medals for €1,475k and the provision in respect of retirement liabilities from LATECOERE AEROSTRUCTURE for €759k. The change in the provision on inventories and work-in-progress corresponds in essence to a reversal used in 2012 under the accounting of construction contracts.

NOTE 6 ANALYSIS OF RECEIVABLES AND OF LIABILITIES

('000 EURO)	Gross Amount	Due within one year	Due after one year
Receivable related to associates	79 369	1 041	78 328
Loans	409		409
Other financial fixed assets	2 545	81	2 463
Other trade accounts receivable	6 239	6 239	
Payroll and similar accounts	136	136	
Social security and other similar organizations	0	0	
State and other community bodies	24 199	6 062	18 137
Group and shareholders	27 358	27 358	0
Miscellaneous	26 392	26 392	
Prepayments expenses	196	196	
TOTAL RECEIVABLES	166 842	67 505	99 337
Loans granted during the year	0		
Reimbursements obtained during the year	0		

The receivables of greater than one year relating to the line "State and other authorities" correspond to a carry-back for an amount of €5.4 million and to tax credits for €12.1 million (primarily, the research-based tax credit).

('000 EURO)	Gross Amount	Due within one year	Due between one and five years	Due after five years
Refundable Advances	31 044	2 399	10 618	18 026
Debenture loan	21 640		21 640	
Loans due within 1 year at origin	29 386	4 386	25 000	
Loans due after 1 year at origin	227 773	7 663	120 090	100 020
Other loans and financial debts	0	0		
Trade accounts payable	63 388	63 388		
Payroll and similar accounts	6 939	6 939		
Social security and other similar organizations	7 854	7 854		
State : tax on profits	1 240	1 240		
State : value added tax	3 706	3 706		
State : other taxes and duties	1 878	1 878		
Due for fixed assets	277	277		
Group current accounts	58 115	58 115		
Other liabilities	13 730	13 730		
Deferred income	0	0		
TOTAL LIABILITIES	466 974	171 579	177 348	118 046
Loans obtained during the year	0			
Loans reimbursed during the year	64 529			

NOTE 7 LOANS AND BANK BORROWINGS

('000 EURO)	Currency	Interest rate	Maturity	Dec 31, 2012	
				Nominal value	Carrying value
Debenture loan	EURO	EURIBOR+ margin	2015	28 600	21 640
Syndicated loan - Tranche B	EURO	EURIBOR+ margin	2018	225 610	225 610
Syndicated loan - Tranche C (revolver credit)	EURO	EURIBOR+ margin	2015	29 652	27 500
Unsecured banking facility and other	EURO	EURIBOR+ margin	n/a	4 050	4 050
TOTAL OF LOAN AND BANK BORROWINGS				287 912	278 800

Bonds Convertible in Shares

In 2012, 695,996 bonds were converted out of a total of 2,860,000. As a consequence the bond debt dropped to €6,960k to reach an amount of €21,640k at December 31, 2012.

Syndicated Loan

In compliance with the commitments undertaken in connection with the syndicated loan, the Group repaid Tranche A during H1 2012 for an amount of €64,529k.

Financial commitments on the renegotiated bank debt

The syndicated loan includes covenants implementing new ratios based on the Group's consolidated financial statements. The LATECOERE Group committed to respect:

- A minimum level of consolidated net debt to EBIT (ratio R1);
- A minimum level of consolidated net debt to consolidated equity funding (ratio R2);
- A minimum level of free cash flow (ratio R3)

These ratios will first be applied to the year ending on December 31, 2013. The additional aggregates are defined as follows:

- EBIT: means, at the consolidated financial statements level, (i) current operating result, (ii) corrected by the amount of the variation of the work-in-progress NRC, by the amount of the variation of the work-in-progress curve and the amount of the variation of the provisions on work-in-progress NRC and curve, (iii) restated for commissions and banking services accounted for in operational expenses.
- Consolidated equity funding: means the Shareholders' equity Group share, or, at the consolidated financial statements level, the sum of: (i) share capital, (ii) share premia, (iii) adjusted reserves (including the other reserves and retained result)(iv) net of the fair value of unsettled interest rate and foreign exchange risk hedging instruments, translation differences and minority interests.
- Free cash flow: means, at the consolidated financial statements level, (i) the consolidated net debt at the beginning of the period, (ii) reduced by the consolidated net debt at the end of the period, (iii)

increased by the sum of the new medium- and long-term bank debts (of a duration exceeding one year) established during the period.

two other commitments were undertaken in the syndicated loan contract:

- A limit to the Group's investments; this limit was €21.5 million for 2012.
- A €7 million limit for additional indebtedness of the Group

At December 31, 2012, the Company respected these commitments.

Financial commitments on bonds convertible in shares

Amendments to the issuance contracts for convertible bonds of July 2010 were signed in December 2011 as part of the refinancing of the debt. In particular, they modified the covenants.

The financial covenants relating to the bonds include ratios, based on the Group's consolidated financial statements, which the LATECOERE Company undertakes to respect:

- A minimum level of consolidated net debt to consolidated equity funding;
- A minimum level of free cash flow.

These ratios will first be applied to the year ending on December 31, 2013. The definitions of the aggregates that enter into the calculation of these ratios are identical to those accepted for the syndicated loan.

In the amendments signed, the Group has subscribed new commitments which replace the debt limitation and the limitation on the granting of guarantees commitments of the issuance contract for the LATECOERE CBs; these new commitments that govern respectively the policy of industrial investments and/or those dedicated to external growth transactions, the raising of new debt and the granting of new guarantees, were harmonized with those of the syndicated loan.

At December 31, 2012, the Company respected these commitments.

NOTE 8 REFUNDABLE ADVANCES

The most significant refundable advance relates to the A380 programs (€26 million). 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, 2012	Dec 31, 2011
Invoices to be issued	475	671
Accrued interest receivable, other	0	0
Total income accruals	475	671
Accrued interest on loans	2 163	300
Supplier invoices not yet received	24 008	30 513
Tax, personnel and social security	9 036	7 404
Interest accrued on overdraft	14	61
Other	12 329	12 628
Total expense accruals	47 551	50 906
Insurance premiums	74	111
Miscellaneous expenses	121	96
Total prepayments (net)	196	208

NOTE 10 SHAREHOLDERS' EQUITY

The share capital is €18,647,508, and breaks down as follows:

	Number	Nominal value
Total shares at beginning of year	8 609 997	2,00
Shares issued during the year	713 757	2,00
Shares exchanged during the year	0	
Total shares at end of year	9 323 754	2,00

During 2012, 713,757 shares were issued in the following manner:

- 695,996 bonds were converted into shares;
- 17,761 share warrants (BSA) were converted into shares.

('000 EURO)	Amount
Shareholders' equity as of 31/12/10	94 617
Premium	0
2011 Net income	1 133
Distribution of dividends in 2010	0
Charge in regulated provisions	147
Shareholders' equity as of 31/12/11	95 897
Increase in share capital	7 138
2012 Net income	-1 074
Distribution of dividends in 2011	0
Charge in regulated provisions	493
Shareholders' equity as of 31/12/12 (1)	102 453

(1) Including unavailable reserves for hedging of treasury shares in an amount of €80k.

Treasury Shares

Number of shares	Dec 31, 2011	Acquisitions	Disposals	Dec 31, 2012	% of ownership
LATECOERE Shares	13 975	237 770	241 124	10 621	0,11%

('000 EURO)	Dec 31, 2011	Acquisitions / Provisions	Disposals	Dec 31, 2012	Average purchase price
LATECOERE Shares	123,6	2 086	2 129	80,2	7,55

Share Warrants (BSA)

At December 31, 2012, the number of share warrants actually in circulation was 4,287,237 at a price of €1.18 per share warrant.

NOTE 11 REVENUE

BY BUSINESS

('000 EURO)	Dec 31, 2012		Dec 31, 2011	
	Amount	%	Amount	%
Civil business	441 540	99,1%	395 606	99,0%
Military business	4 055	0,9%	4 099	1,0%
TOTAL	445 595	100,00%	399 706	100,00%

BY GEOGRAPHICAL ZONE

('000 EURO)	Dec 31, 2012		Dec 31, 2011	
	Amount	%	Amount	%
France	157 950	35,4%	133 361	33,4%
Export	287 645	64,6%	266 345	66,6%
TOTAL	445 595	100,00%	399 706	100,00%

BY GEOGRAPHICAL MARKET (DIRECT EXPORTS)

('000 EURO)	Dec 31, 2012		Dec 31, 2011	
	Amount	%	Amount	%
Europe	234 167	52,6%	213 871	53,5%
America	112 787	25,3%	97 478	24,4%
Asia	1 900	0,4%	2 647	0,7%
Other	96 742	21,7%	85 710	21,4%
TOTAL	445 595	100,00%	399 706	100,00%

It should be noted that this breakdown does not show the final destination of products manufactured. Indeed, most sales to our French customers (Airbus France, Dassault, etc.) may end up being exported.

NOTE 12 FINANCIAL INCOME

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Financial income from shareholdings	6 901	3 048
Other interest and similar income	2	8
Write-back of provision and transfer of expenses	12	785
Foreign exchange gains	10 297	21 438
Net income from sales of short-term investments	5	0
Financial income	17 217	25 279
Financial provision	473	1 001
Interest and related expenses	21 163	22 151
Foreign exchange losses	12 702	14 371
Net loss on sales of short-term investments	10	23
Financial expenses	34 348	37 547
NET FINANCIAL INCOME	-17 131	-12 268

NOTE 13 INCOME TAX

The taxes related to each income are determined by taking into account the tax write-back and deductions practiced and the tax rates applicable to the operations concerned.

('000 EURO)	Gross amount	Tax write-back and deduction	Tax basis	Tax	After tax amount
Income before exceptional items, profit sharing and tax	-5 904		-5 904	0	-5 904
Net exceptional income	-1 030		-1 030	0	-1 030
Contractual profit sharing	-25				-25
Legal profit sharing	0				0
Tax credits	5 416				5 416
Miscellaneous	468				468
NET INCOME BEFORE/AFTER TAX	-1 074	0	-6 934	0	-1 074

The "Other" item includes, in particular, tax savings for an amount of €489k relating to the tax consolidation.

NOTE 14 NON-RECURRING EXPENSES AND INCOME

('000 EURO)	Dec 31, 2012	Dec 31, 2011
Accelerated fiscal depreciation	989	727
Extraordinary expenses for revenue operations	1 178	11
Net book value of fixed asset disposals	1 367	377
Other exceptional expense	0	0
TOTAL EXCEPTIONAL EXPENSE	3 534	1 116
Write-back of accelerated fiscal depreciation	496	580
Proceed from fixed asset disposals	1 380	0
Revenue operations	9	111
Other exceptional income	619	205
TOTAL EXCEPTIONAL INCOME	2 504	896

NOTE 15 FINANCIAL COMMITMENTS
15.1 Real estate leasing

<i>Write-back of accelerated fiscal</i>	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 Gimont 2002	6 791	640	6 010	640	2 400	0	3 040
TOTAL	6 791	640	6 010	640	2 400	0	3 040

15.2 Retirement Liabilities

Retirement benefits unrecognized in the balance sheet are estimated at December 31, 2012 to be €7,228k, including social charges, compared to €7,981k for the prior fiscal year. The share of the retirement liabilities recognized in balance sheet in the amount of €759k 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, life expectancy and employee turnover.

The calculation assumptions retained are the following:

- discount rate of 2.5% (compared to 4.4% in 2011) calculated on the basis of rates observed at December 31, 2012 for high quality corporate bonds, the Group using in particular the iBoxx index;

- use of the TH-002/TF-002 mortality table;
- employee turnover noted by age group and by company;
- age of retirement departure: 66 years old;
- progression of salaries consistent with the average of the last years ;

The obligation is calculated inclusive of social contributions. It is accounted for as the prorata 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 guaranteeing at worst the underlyings covered.

The total amount of hedging contracts (forward contracts and option collars) in US\$ is \$705 million at December 31, 2012, compared to \$749 million at year-end 2011. These commitments, which are borne legally by the LATECOERE Company, cover all of the €/€ foreign exchange risk of the Group.

15.4 Commitments Made to Group Companies

The amount of commitments given (comfort letter and joint and several guarantee) by the LATECOERE Company to Group companies is €8.0 million.

15.5 Guarantees given in respect of liabilities

In connection with the refinancing of the debt, the financial commitments of the LATECOERE Company were reviewed. Guarantees given totaled €190 million and were primarily constituted of pledges agreements and mortgages. Some contracts include covenants and financial commitments described in note 7.

15.6 Other information

The LATECOERE Company and the LATElec Company are joint parties to a €76 million four-year factoring agreement for financed work-in-progress, shared between them. The theoretical ceiling for financed work-in-progress for the LATECOERE Company is €51.7

million. The amount of receivables financed at December 31, 2012 is €51.6 million

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

In the course of its ordinary business; the LATECOERE Company has purchasing commitments related to production. These commitments are based primarily on forecasts of the production rates of the aircraft manufacturers and are realized at normal market conditions.

The Company has also given commitments to customs for a total amount of €0.6 million.

NOTE 16 INCIDENCES OF TAX MEASURES ON THE RESULT

('000 EURO)	Amount	Impact
Net income of year	-1 074	-1 074
Charge for accelerated fiscal depreciation	989	989
Write-back of accelerated fiscal depreciation	496	-496
Tax reduction due to charge	341	-341
Tax increase due to write-back	171	171
NET INCOME BEFORE IMPACT OF TAX MEASURES		-751

NOTE 17 DEFERRED TAX SITUATION

('000 EURO)	Amount	Impact
Accelerated fiscal depreciation	-4 150	1 429
Employee profit sharing	0	0
ORGANIC	714	-258
Provisions for retirement departure	759	-261
Unrealized exchange gains	638	-230
DEFERRED TAX SITUATION	-2 038	679

NOTE 18 AVERAGE HEADCOUNT REGISTERED

	Dec 31, 2012	Dec 31, 2011
Managers	320	298
Monthly-paid employees	577	547
Employees paid on monthly basis	190	178
TOTAL	1 086	1 022

NOTE 19 DIRECTOR COMPENSATION

In 2012, the remuneration allotted for members of the Supervisory Board and the management bodies (the Company's 10 highest salaries) totals €2,010k.

NOTE 20 TABLE OF SUBSIDIARIES AND SHAREHOLDINGS

(000 EURO)	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
LATECOERE Inc. 1000 Brickel av. - suite 641 Miami Florida 33131 USA	455	101	100%	541	208	1 556	0	0	0
LATECOERE Développement 135 rue de Périole 31500 Toulouse France	600	2 879	100%	572	0	0	807	800	0
LATELEC Z.I. La Bourgade rue Max Planck 31315 Labège France	7 600	42 110	100%	7 600	76 116	168 292	2 718	2 410	0
LATECOERE AEROSERVICES * Route de Toulouse 31700 Cornebarrieu France	2 500	6 668	30%	0	0	21 098	-6 115	0	0
LLV s.r.o. Letov Letecká Vyroba Beranovich, 65 199 02 Praha 9 - Letnany Czech Republic	25 124	2 042	100%	20 787	0	86 278	2 212	0	7 998
LATECOERE Do Brasil Av Getulio Dorneles Vargas 3,320 12305-010 Jacarei (SP) Brazil	11 460	-3 224	98%	8 628	3 044	17 316	305	0	0
Corses Composites Aéronautiques Z.I. Du Vazzio 20090 AJACCIO France	1 707	2 694	24,81%	1 777	0	36 763	511	0	0
LATecis 1, Avenue P.G. Latécoère 31570 Saint Foy d'Aigrefeuille France	4 500	3 075	0%	0	0	72 718	613	0	0

*The financial statements presented in the table correspond to the final financial statements for 2011.

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	38 128	1 777
Other receivables related to shareholdings	79 369	0
Miscellaneous receivables	27 358	0
Trade account receivables	6 143	253
Trade accounts payable	13 570	1 421
Miscellaneous debts	52 284	2 141
Operating income	59 105	3 336
Operating expenses	100 924	4 684
Financial income	4 260	49
Financial expenses	2 360	18

NOTE 22 INFORMATION ON RISKS

22.1 Counterparty Risk

Because of the nature of the principal counterparties, 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.

The Company implements derivative financial instruments with the goal of reducing its exposure to foreign currency and interest rate risks. These transactions are contracted by private agreement with tier 1 banks and for this reason do not present any default risk.

Because of its financial structure, the Company is only surplus in cash over short periods. Cash is invested through risk-free monetary instruments with tier 1 banking establishments.

22.2 Foreign Currency Exposure

Through its international exposure and invoicing in US dollars to its French clients 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 2013 to 2015 would not have a significant impact on the margin recognized at December 31, 2012 and a decrease of the completion margins for construction contracts of 0.13 points. A longer term change to the €/ \$ exchange rates would have an impact on the organization of the Company'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 2012 was 5.2%. 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. Without taking into account the interest rate hedging of €60 million expiring in January 2013, the rate guaranteed for the Group is limited at 3.1% for the period going from 2013 to 2014 for an amount of €235 million and at 3.7% in 2015 for an amount of €50 million.

NOTE 23 INDIVIDUAL RIGHT TO PROFESSIONAL TRAINING

The obligation under the individual right to training ("DIF") accounted for at December 31, 2012 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, 2012, the amount of the estimated commitment was €230k.

4.5 Report of the Statutory Auditors on the annual financial statements

Dear Shareholders,

In compliance with the assignment entrusted to us by the annual general meeting, we hereby report to you, for the year ended 31 December 2012, on:

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

These financial statements have been approved by the Board of Directors. 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 financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the financial statements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2012 and of the results of its operations for the year then ended in accordance with French accounting principles.

Without qualifying our opinion, we remind you, as indicated in note 2.2 to the statutory financial statements, of the adaptation measures of the plan of financial resources implemented by the Company.

Justification of Our Assessments

The accounting estimates used in the preparation of the annual financial statements at December 31, 2012 were performed in a context where economic prospects were definitely difficult to grasp. It is in this context that, in accordance with the provisions of Article L. 823-9 of the French Commercial Code (Code de Commerce), we have proceeded with our assessments that we bring to your attention.

Note 2.12 to the statutory financial statements discloses the accounting methods applied for recording currency operations.

Your Company recognizes the results on construction contracts under the stage of completion method as described in note 2.7 to the statutory financial statements.

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.

The results on construction contracts are based on estimates, relating mainly to industrial assumptions and foreign currency exchange rates, realized under the control of the Management Board. When applicable, negative forward-looking results are immediately recorded in result, as mentioned in note 2.7 to the statutory financial statements.

These estimates are based on assumptions which are by their very nature uncertain, as indicated in note 2.2 to the statutory financial statements, the realizations being likely to differ sometimes significantly from the estimated data used.

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, of comparing the valuations of results on completion to prior periods with corresponding realizations, and of reviewing the calculations of the Company and examining the approval procedures for these estimates by the Management Board.

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 French 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 Management Board, and in the documents addressed to the shareholders with respect to the financial position and the financial statements.

Concerning the information given in accordance with the requirements of article L.225-102-1 of the French Commercial Code ("Code de commerce") relating to remunerations and benefits received by the directors and any other commitments made in their favour, we have verified its consistency with the financial statements or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your Company from companies controlling your Company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

Toulouse-Labège, April 26, 2013

Paris, April 26, 2013

KPMG Audit IS

Grant Thornton
French Member of Grant Thornton International

Christian Libéros
Partner

Gilles Hengoat
Partner

4.6 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.

It is our responsibility to present to you, on the basis of the information available, the main characteristics and provisions of agreements and commitments of which we have been informed or that we would have discovered during our engagement, without commenting on their usefulness or merit nor performing any specific procedures aimed at identifying other agreements and commitments which may exist. For the purpose of approving these agreements, it is your responsibility, in accordance with article R. 225-58 of the French Commercial Code, to assess the benefits arising from entering into such agreements and commitments.

Furthermore, we are responsible, when applicable, to inform you of the information provided for in Article R. 225-58 of the French Commercial Code relating to the performance, during the year ended on December 31, 2012, of agreements and commitments already approved by the General Meeting.

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 agreement of information that was given to us with the background documents from which it results.

1. Agreements and commitments submitted to the General Meeting for approval

Agreements and commitments authorized during the year ended December 31, 2012

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.

2. Agreements and commitments approved during previous years, which remained in force during this year

Pursuant to Article R. 225-57 of the French Commercial Code, we have been informed that the following agreements and commitments, already approved by the general meeting during previous years, remained in force during the year.

2.1. Agreement with the LATecis Company

Description: Group services.

Terms: the Group services provided by Latécoère to the LATecis Company concern:

- A general assistance agreement, paying on the one hand for a part of the benefit of belonging to a renown aeronautical group and being based on a vehicle listed on the stock market, and on the other hand for the general assistance services (advice on general policy, strategic orientations, offerings, institutional communication, etc.) ; the remuneration amounts to 1.2% of consolidated revenue (outside the group) of the Interconnection Systems division.
- A technical services agreement, for services committed by Latécoère as the Group holding company, including legal assistance, in insurance, tax, financial management, information technology, human resources, and in marketing, as well as the re-invoicing of costs incurred by the parent company on the order and for the account of the subsidiary.

In 2012, the amount invoiced by your Company was €1,493,819 excluding VAT.

2.2. Other agreement with the LATElec Company

Description: Group services

Terms: the Group services provided by Latécoère to the LATElec Company concern:

- A general assistance agreement, paying on the one hand for a part of the benefit of belonging to a renown aeronautical group and being based on a vehicle listed on the stock market, and on the other hand for the general assistance services (advice on general policy, strategic orientations, offerings, institutional communication, etc.); the remuneration amounts to 1.2% of consolidated revenue (outside the group) of the Interconnection Systems division.
- A technical services agreement, for services committed by Latécoère as the Group holding company, including legal assistance, in insurance, tax, financial management, information technology, human resources, and in marketing, as well as the re-invoicing of costs incurred by the parent company on the order and for the account of the subsidiary.

In 2012, the amount invoiced by your Company was €2,535,790 excluding VAT.

2.3. Cash flow agreement

Description: cash flow agreement between your company and its subsidiaries, designed to facilitate cash flows within the group.

Terms: Advances are remunerated at one-month Euribor +1.95% for those in Euros and at one-month Libor + 1.95% for those in dollars.

The following table summarizes for each company the loans (in Euros) at December 31, 2012 and the interest paid or received.

Company	Receivables	Payables	Financial expenses	Financial income
Letov Letecká Vyroba	21 298 242			659 636
LATecis		2 140 000	18 154	
LATElec		51 400 000	2 307 076	
Latécoère Développement		830 000	13 401	
Latecoere do Brasil	5 109 000			276 643
G2 Métric		1 575 000	9 770	

In accordance with Article 5 of the agreement, a revision of the remuneration of intra-group advances was carried out and has been effective since January 1, 2012 on the following terms: Advances are remunerated at three-month Euribor +3.3% for those in Euros and at three-month Libor +3.3% for those in dollars.

2.4. Granting of loans

Description: Your Company has granted loans to several subsidiaries. These loans earn interest at a fixed rate of 4% per year.

The following table summarizes for each company the loans (in Euros) at December 31, 2012 and the interest received.

Company	Receivables	Financial income
Latecoere International	208 348	9 768
Latecoere do Brasil	3 044 044	178 544

2.5. Foreign currency management agreement

Description: Equalization of exchange gains and losses.

Terms: the Latécoère Company has defined a strategy for U.S. dollar exchange rate hedging and realizes all transactions with the trading floors for all of the companies of the Group, including LATElec. In accordance with the applicable accounting standards, hedging instruments implemented are individually allocated to the various contracts of the companies of the Group. In order to limit the impact of these hedging instruments for each of the companies of the Group, an agreement was signed between Latécoère and LATElec in order to establish an equalization mechanism that would allow them to benefit eventually from the same overall hedging.

In 2012, Latécoère invoiced LATElec €111,525 under this agreement.

2.6. Agreement with Mr. Jean-Jacques Pignères

Description: consultancy services agreement.

Terms: Corporate secretary work related to corporate governance, coordination of the employee shareholding and assistance in the institutional financial communication was entrusted to Mr. Jean-Jacques Pignères. This agreement, which was signed on August 31, 2010, ended on August 31, 2012.

In 2012, the fee amounted to €20.000.

2.7. Shareholder Loan Agreement with LATElec

Persons concerned: LATElec of which Latécoère holds directly or indirectly more than 10% of the voting rights and Mr. Roland Tardieu (Member of the Latécoère Management Board and Chairman of LATElec).

Description: as part of the refinancing of the Latécoère Group, LATElec repaid in full its existing medium-term bank borrowings and redeemed in full the LATElec Convertible Bonds. The repayment occurred through an advance into current account by Latécoère.

Terms: advance into current account for a maximum amount of €75,886,663 remunerated under the same conditions as the cash flow agreement, for a duration of 7 years, the repayment of which shall be made under the conditions provided for in the syndicated loan agreement.

The agreement took effect on December 22, 2011, the amount of advances into current account at December 31, 2012 is €75,886,663 and the amount of investment income recognized is €2,987,630.

2.8. Shareholder Loan Agreement with Latécoère Développement

Persons concerned: Latécoère Développement of which Latécoère holds directly or indirectly more than 10% of the voting rights, and Mr. Jean-Jacques Pignères (Member of the Latécoère Supervisory Board and Chairman of Latécoère Développement).

Description: as part of the refinancing of the Latécoère Group, Latécoère Développement repaid in full its existing medium-term bank borrowings. The repayment occurred through an advance into current account by Latécoère.

Terms: advance into current account for a maximum amount of €1,132,274 remunerated under the same conditions as the cash flow agreement, for a duration of 7 years, the repayment of which shall be made under the conditions provided for in the syndicated loan agreement. The agreement took effect on December 22, 2011.

The amount of advances into current account was totally repaid on February 16, 2012 and the investment income recognized in 2012 was €6,462.

2.9. Payment Due to the Ceasing or Modification of an Officer's Duties

Persons concerned: Mr. Roland Tardieu Tardieu, Member of the Management Board.

Description: Payment in the event of ceasing of duties.

Terms: Mr. Roland Tardieu will receive a payment due by reason of the ceasing of his duties, in the amount of €150,000, justified by the realization of quantitative and qualitative objectives during the performance of his duties.

During the Supervisory Board meeting of February 17, 2012, the Supervisory Board noted the early ceasing of duties of Member of the Management Board Roland Tardieu and the realization of the quantitative and qualitative criteria that were conditions for the final granting of a departure payment.

The Combined Annual and Extraordinary General Meeting held on May 3, 2012 approved the carrying out of this commitment through a payment of €150,000.

Agreements and commitments approved during previous years, which were not performed in 2012.

Furthermore, we have been informed of the continuation of the following agreements and commitments, already approved by the General Meeting during previous years, which were not performed during 2012.

2.10. Security Agreement on Current Account Credit Balances

Persons concerned: LATElec of which Latécoère holds directly or indirectly more than 10% of the voting rights and Mr. Roland Tardieu (Member of the Latécoère Management Board and Chairman of LATElec).

Description: the pledging as security of credit balances of current accounts and sub-accounts of current accounts.

Terms: The LATECOERE and LATElec companies declare that, in order to guarantee the repayment of the sums due by one or the other of them to NATIXIS FACTOR, they allocate especially for the benefit of NATIXIS FACTOR, which accepts the principle:

- the credit balances of their current account,
- their sub-accounts of the current account, called "Reserve" ("Réserve"), corresponding to the proportionate share of receivables financed and not realized,
- their sub-accounts of the current account, called "guarantee funds" ("fonds de garantie"), and in accordance with Articles 2353 et seq. of the French Civil Code, and Articles L. 521-1 et seq. of the French Commercial Code.

The agreement took effect on the date of the first use of the factoring -- December 22, 2011 -- and had no impact on 2012.

2.11. Special Compensation for Mr. Pierre Gadonneix

Persons concerned: Mr. Pierre Gadonneix, Chairman of the Supervisory Board of Latécoère.

Description: special compensation in case of the realization of a merger between the Latécoère Group and an industrial partner.

Terms: allotment of a fixed salary of €175,000

This agreement has had no impact on 2012.

2.12. Payment Due to the Ceasing or Modification of an Officer's Duties

Persons concerned: Mr. François Bertrand, Chairman of the Management Board, Mr. Bertrand Parmentier, Member of the Management Board and Managing Director, and Mr. Eric Gillard, Member of the Management Board..

Description: Obligation to make a severance payment in the event their duties cease.

Terms: evolution for 2012 of the terms and conditions of the payment due or likely to be due by reason of the ceasing or the modification of the duties of members of the Management Board. From now on it would be set at 18 months' total remuneration calculated on the average of the past three years closed. Its granting would be conditional upon (i) the ceasing or a modification in duties initiated by the Company and (ii) the realization of quantitative performance criteria consisting in the realization by the Company of a consolidated net result, corrected for fair value variation of financial instruments, which is positive during one of the two fiscal years preceding the ceasing or the modification of duties.

This agreement has had no impact on 2012.

Paris and Toulouse-Labège, April 26, 2013

The Statutory Auditors

Grant Thornton
French Member of Grant Thornton International

KPMG AUDIT IS

Gilles Hengoat
Partner

Christian Libéros
Partner

5 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.

5.1 Business Risks

5.1.1 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 Group 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.

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 the Group, 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 enables it to reduce this risk. These negotiations support and secure the financing of the relevant programs.

5.1.2 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 2012, about 97% 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.

5.1.3 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, aim 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, the Group has taken out a product liability insurance policy.

5.1.4 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 that 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.

5.1.5 Legal and Tax Risks

The LATECOERE Company is subject to a tax audit as mentioned in note 25.4 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.

5.1.6 Supplier Risk

In general, the LATECOERE Group works through partnerships with partners and suppliers. Events likely to affect these partners may affect the Group's business (additional costs, production delays, etc.). In order to limit this risk the Group takes various actions:

- monitoring through regular audits (quality and logistics),
- technical and organizational assistance,
- assistance in the development of the maturity of suppliers through internal resources or through the SPACE organization of which LATECOERE is an executive member,
- the development of double sources for the most critical supplies.
- Legal monitoring of potential claims of sensitive suppliers

5.2 Financial Risks

5.2.1 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, shareholders' equity and net debt.

The Group consequently developed a policy of natural hedging by carrying out a part of its purchases in USD. Thus, the Group invoices approximately 68% of its sales in dollars and buys approximately 42% of supplies or sub-contracting in dollars. The Group's natural hedging on the USD represents approximately 30%.

In order to manage its net residual exposure, the Group uses exchange hedging financial instruments, of the forward sale or option collar hedging nature. Option

5.1.7 Sensitive Geographical Areas Risk

The LATElec Company has been present in Tunisia since 1998 through its SEA-LATElec subsidiary, which had more than 900 employees at year-end 2011. The Jasmine Revolution of January 2011 and its long-term consequences on the environment of the SEA-LATElec subsidiary led the Group to reappraise the factoring of country risk into its industrial strategy. Indeed, after twenty-one months of delicate management that enabled it to absorb disturbances that were generated at an industrial level by an unstable environment with random evolutions, the Interconnection Systems business was severely affected in October 2012 by non coordinated social movements suddenly disrupting Tunisian production, which led the firm to immediately implement industrial solutions reloading production outside the country to secure the schedule of deliveries to customers. In addition to the immediate management of the crisis that enabled LATElec to comply with its commitments to its customers, the Group, based on this experience, decided to reassess, interacting with its customers, its industrial strategy towards double sourcing schemes in order to better address country risks. This direction, which was already prevailing within the Aerostructures business, has now been extended to the Interconnection Systems business.

collar hedging implemented give the Group the possibility to benefit from an improvement in the EUR/USD rate.

At December 31, 2012, the Group has hedged approximately 90% of its exposure until the end of 2014 by forward sale and collar hedging at EUR/USD rates of, at the worst, 1.364 for 2013 and 1.322 for 2014. At March 26, 2013, approximately one quarter of the 2015 exposure is hedged in the same manner at EUR/USD rates of, at the worst, 1.335.

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.

The effect of the dollar exchange risk hedging operations on revenue was -€1.2 million in 2012 compared to +€6.2 million in 2011.

The Group's exposure to foreign exchange risk and the sensitivity analysis are detailed in Note 23.3 to the consolidated financial statements. The characteristics of the financial instruments are described in notes 2.17 and 10 to the consolidated financial statements.

5.2.2 Interest Rate Risk

Almost all net debt is based on short-term floating rates. The LATECOERE Group benefits from hedging of interest rates (exchange of variables index with cap protecting on increase) that allow it to limit the impact of a strong volatility in the rates on which its debt is indexed. The average interest rate borne by the Group in 2012 was 5.2%.

The Group's exposure to the interest rate risk and the sensitivity analysis are mentioned in Note 23.4 to the consolidated financial statements.

5.2.3 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, 2012 is €80k.

Given the fact that at year end the Latécoère Company only held 10,621 of its own shares, the equity share risk is not significant. Furthermore, the Group does not hold any other significant listed shares and for this reason is not exposed to the risk of the fluctuation of share prices.

5.2.4 Counterparty Risk

The Group is mainly exposed to credit and counterparty risk relating to customers and derivative financial instruments and short-term financial investments.

The risk of default of counterparties relating to customers is very limited due to the category of the main customers (Tier 1 aircraft manufacturers) of the Aerostructures and Interconnection Systems divisions.

Counterparties relating to the Engineering and Services division are more numerous and may present a higher risk. However, this risk is judged to be of lesser importance with respect to the Group's main counterparties.

At year-end, the Group had identified no significant credit risk on these assets due but not depreciated.

The Group implements derivative financial instruments with the goal of reducing its exposure to foreign

currency and interest rate risks. These transactions are contracted by private agreement with tier 1 banks and for this reason do not present any default risk.

Because of its financial structure, the Group is only surplus in cash over short periods. Cash is invested through risk-free monetary instruments with tier 1 banking establishments.

5.2.5 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 refinanced 96% of its bank debt in 2011 by implementing a syndicated loan and a factoring agreement (factor, syndicated among four factoring companies). In light of the Tunisian crisis, these lines have been adjusted with a 10% increase of the upper limit of the factoring agreement to close to €84 million, in line with activity and revenue growth, and a postponement of the 2013 amounts due of the syndicated loan (€8 million) to the end of 2015.

At closing, the Group had drawn all of the resources made available to it. However, the factor mechanism, which requires a mobilization of all of the receivables attached to assigned customers without any tie to real cash flow needs, had as a consequence the generation of an active cash flow which accounts for most of the €27.8 million of cash and cash equivalents recognized at December 31, 2012.

Some financing contracts are subject to covenants, set forth in note 14.2 to the consolidated financial statements. The main ratios will apply for the first time, however, to the year ending on December 31, 2013. Furthermore, the Group has undertaken a certain number of additional commitments, which are common in connection with a syndicated loan as well as with amendments to issuance contracts for convertible bonds, governing respectively the policy of industrial investments and/or those dedicated to external growth transactions, sales of assets, the raising of new debt and the granting of new guarantees and of off-balance sheet commitments.

At December 31, 2012, the Group respected these commitments.

The Group's exposure to liquidity risk is presented in note 23.2 to the consolidated financial statements. On these bases, the Group proceeded with a specific review of its liquidity risk and it considers itself to be able to face up to its future amounts due.

5.3 Other Risks

5.3.1 Continuity of Information Systems

The Information Systems Department (DSI) guarantees the continuity of the array of services tied to the Information Systems (SI).

An Information System master plan (SDSI) approved in 2010 enables the alignment of the Information System to strategy and operational needs, while improving the performances and security of infrastructures. The SDSI implements information system solutions to meet business requirements outlined in formally described processes, based in particular on a policy of standards and of tested and robust software packages to ensure sustainability of these solutions in time while benefitting from the latest technical and functional improvements. Its implementation is progressing according to plan, which is revised each year.

The DSI has among its missions, the maintenance in operational condition and the management of the integrity of the Information Systems. That is based on the Information Systems Security Policy and audited and updated every year. Since 2011, an information systems risk management plan sets priorities and associated actions to reduce exposure to external and internal risks.

A methodology of project management enables these human and financial investments to be monitored and guaranteed.

5.3.2 Insurance

The subscription of Group insurance contracts enables a very wide range of risks to be covered in an optimized way, including:

- damage to property or assets of the Group or for property entrusted to it, as well as the operating loss that may result from such damage for a period of 18 months of business,
- the risk of the calling into question of the Group's liability for claims occurring during the performance of services or to guarantee the consequences of product defects including for an aeronautical or space product, in case of an accident,
- the risk of grounding flights,

In addition, local insurance programs are subscribed in countries where the Group is established if it is to cover specific risks or to respond to local insurance regulations.

6 GOVERNANCE AND INTERNAL CONTROL

The Company has adopted the AFEP-MEDEF's listed companies' corporate governance code, and referred to it during 2009. However, on some points the organization of the Company's governance is not entirely in compliance with this code, which is more particularly used by large companies.

On April 21, 2010, the new Middelnext corporate governance code was reported to the Supervisory Board. After studying this new code, the Supervisory Board decided on May 17, 2010 to refer to it from that moment on.

6.1 The Management Board

6.1.1 Positions and Duties

In 2011, the Management Board had four members with positions running until January 6, 2015,

- of which three were appointed at the beginning of 2010: François Bertrand, Chairman of the Management Board, Bertrand Parmentier, Managing Director and Roland Tardieu

- and a fourth, Eric Gillard, also Director of the Aerostructures division, was appointed on August 31, 2010.

The Supervisory Board ceased the duties of Member of the Management Board Roland Tardieu on February 17, 2012. He has not been replaced.

Name	Positions	Duties		First appointment Date	Other current duties	Duties (except subsidiaries) during the last 5 years, already expired	Number of shares owned
		Nature	Expiring				
François BERTRAND (57)	President and CEO	Chairman of the Management Board	6-Jan-15	Jan-03	Director, SEALATElec (TUNISIA) Director, GIFAS Chairman of "Coopération Scientifique -Aéronautique Espace et Systèmes Embarqués - AESE" Fondation Member of the "Banque de France / Midi-Pyrénées" Board Director of Toulouse Capitole University (UT1)	None	90
Bertrand PARMENTIER (57)	Managing Director and CFO	Member of the Management Board	6-Jan-15	Jan-09	Chairman of LATECOERE DEVELOPPEMENT	Managing Director of Pierre Fabre SA	0
Eric GILLARD (56)	Director of Aerostructure Division	Member of the Management Board	6-Jan-15	Aug-10	None	None	0

François BERTRAND, born on May 14, 1955, a graduate of the Ecole Polytechnique and holder of an MBA (University of California at Berkeley), joined LATECOERE in 1988. He first held the position of General Secretary then Assistant Managing Director. Managing Director since 1995, he is a Director of the Company since 1989. In 2003, he became Chairman of the Management Board

Bertrand PARMENTIER, born on June 13, 1955, graduated from HEC. Before joining the LATECOERE Company in 2008, he was Managing Director of the Pierre Fabre S.A. Company, the holding company at the head of Laboratoires Pierre FABRE.

Roland TARDIEU, born on August 20, 1949, joined the LATECOERE Company in 1986; from 1998 until February 17, 2012, he held the office of Chairman of LATElec, a subsidiary specialized in interconnection systems.

Eric GILLARD, born on August 16, 1956, is the holder of a DEA degree in Chemistry and a graduate of the IAE de Toulouse School of Management. In 1984, Eric Gillard joined Aérospatiale. In 2004 he became Director of Purchasing - Aerostructures with responsibility for Airbus's major subcontractors abroad. He joined LATECOERE as Director of Purchasing in 2008, and was then made Director of Operations in 2009. He was

subsequently appointed Director of the Aerostructures division in 2010.

To the Company's knowledge, and at the date of the establishment of this document, 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.

Furthermore, to the Company's knowledge, there exists no conflict of interest between the duties of each of the Members of the Management Board with respect to the Company and their private interests or other duties. Moreover, there is no service contract between a Management Board member and the Latécoère Company or any of its subsidiaries.

6.1.2 Remuneration

6.1.2.1 Summary Table of Remuneration and Options Allocated to Each Member of the Management Board

<i>(EURO)</i>	Fiscal Year N-1	Fiscal Year N
François BERTRAND , Chairman of the Management Board		
Remuneration relating to the fiscal year (detailed in table 6.1.2.2)	414 481	424 384
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	414 481	424 384
Bertrand PARMENTIER , Member of the management Board		
Remuneration relating to the fiscal year (detailed in table 6.1.2.2)	378 807	392 703
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	378 807	392 703
Eric GILLARD , Member of the management Board		
Remuneration relating to the fiscal year (detailed in table 6.1.2.2)	218 818	250 845
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	218 818	250 845
Roland TARDIEU , Member of the management Board		
Remuneration relating to the fiscal year (detailed in table 6.1.2.2)	216 875	150 000
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	216 875	150 000

6.1.2.2 Recapitulative Table of Remuneration of Each Member of the Management Board

(EURO)	Fiscal year N-1		Fiscal year N	
	Amount due	Amount paid	Amount due	Amount paid
François BERTRAND , Chairman of the Management Board				
Fixed remuneration	266 421	266 421	266 430	266 430
Variable compensation*	127 000	149 000	135 747	127 000
Exceptional remuneration	2 000	2 000	2 400	2 400
Attendance fees				
Benefits in kind	19 060	19 060	19 807	19 807
TOTAL	414 481	436 481	424 384	415 637
Bertrand PARMENTIER , Member of the management Board				
Fixed remuneration	244 821	244 821	244 830	244 830
Variable compensation*	56 500	66 000	126 824	56 500
Exceptional remuneration	56 800	300	440	56 971
Attendance fees				
Benefits in kind	20 686	20 686	20 609	20 609
TOTAL	378 807	331 807	392 703	378 910
Eric GILLARD , Member of the management Board				
Fixed remuneration	168 501	168 501	168 510	168 510
Variable compensation*	46 000	45 000	77 624	46 000
Exceptional remuneration	300	300	471	471
Attendance fees				
Benefits in kind	4 017	4 017	4 240	4 240
TOTAL	218 818	217 818	250 845	219 221
Roland TARDIEU , Member of the management Board				
Fixed remuneration	132 000	132 000		
Variable compensation*	80 400	86 900	150 000	150 000
Exceptional remuneration				
Attendance fees				
Benefits in kind	4 475	4 475		
TOTAL	216 875	223 375	150 000	150 000

(Roland TARDIEU is no longer member since January 25, 2012)

* 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.

6.1.2.3 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
None						

6.1.2.4 Subscription or Share Purchase Options Exercised During the Year to Each Corporate Officer

Options exercised by each corporate officer (name list)	N° and date of the plan	Number of options exercised during the fiscal year	Exercise price
None			

6.1.2.5 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
None					

6.1.2.6 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
None			

6.1.2.7 Other Contractual Elements

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	No	Yes	No	Yes	No	Yes	No
François BERTRAND , <i>Chairman of the Management Board</i> Appointed Jan, 7 2009, duty expiring Jan, 6 2015	X			X	X			X
Bertrand PARMENTIER , <i>Managing Director and CFO</i> Appointed Jan, 7 2009, duty expiring Jan, 6 2015	X			X	X			X
Eric GILLARD , <i>Director of Aerostructure Division</i> Appointed Aug, 31 2010, duty expiring Jan, 6 2015	X			X		X		X

Remuneration for the new Management Board Members was set by the Supervisory Board on the advice of the Nominations and Compensation Committee. They are detailed below, in compliance with the recommendations of the Middenext corporate governance code for mid-cap issuers, to which the Company refers since May 11, 2010.⁴

During its meeting on March 21, 2012, the Supervisory Board, after consulting the Nominations and Compensation Committee, decided to adapt the remuneration system for Management Board members so as better to align it to the Group's quantitative and qualitative priorities.

The annual remuneration of members of the Management Board is comprised of a fixed part and a variable part.

Determination of the fixed share

The Supervisory Board, after consulting with the Nominations and Compensation Committee, defined the fixed share of the annual remuneration of each Member of the new Management Board on his appointment on, respectively,

- January 6, 2009 for Mr. François Bertrand, Mr. Bertrand Parmentier and Mr. Roland Tardieu; and
- August 31, 2010, for Mr. Eric Gillard.

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.

It is broken down in respectively

- €266,400 for Mr. François Bertrand;
- €244,800 for Mr. Bertrand Parmentier;
- €168,480 for Mr. Eric Gillard.

During its meeting of March 26, 2013 the Supervisory Board, on a proposal of the Nominations and Compensation Committee decided to raise the annual fixed share of the remuneration of Eric Gillard to €180,000 as from January 1, 2013 as a result of the widening of the scope of his responsibilities in the division of duties of the Management Board.

Determination of the variable share of remuneration

The Supervisory Board, after consulting with the Nominations and Compensation Committee, also defined the variable share of the remuneration of each Member of the new Management Board. This variable

⁴The level of achievement required for the quantitative criteria for calculating the variable elements of remuneration was determined precisely but cannot be made public for confidentiality reasons.

share is based on the degree of attainment of a certain number of qualitative and quantitative objectives, which will not be disclosed in any detailed manner for confidentiality reasons. These percentages were established so that the variable share, as a function of the Group's results, remains inferior to 50% of total remuneration.

The variable share of the remuneration of Management Board members is, since 2012, based

- for 60% of its amount on three quantitative criteria associated with objectives of operating profitability, debt reduction and return on capital employed (ROCE)
 - ▶ fixed at the consolidated Group level and weighted in an egalitarian manner for the Chairman, François Bertrand, and the Managing Director, Bertrand Parmentier;
 - ▶ fixed for Eric Gillard, Member of the Management Board more particularly in charge of the Aerostructures business, for respectively:
 - 40% of the consolidated Group level (with respective weightings of 20% for debt reduction, 10% for operating profitability, and 10 % for return on capital employed),
 - 20% at the Aerostructures division level on an objective of contribution to the operating profitability of the branch of business,
- for 40% of its amount on qualitative criteria associated with objectives respectively of management for 15%, of progress plan for 10%, of preparation for the future and customer satisfaction for 10%, and of governance (relations with the Supervisory Board) for 5%.

The target quantitative and qualitative objectives associated with the criteria thus defined as well as the amounts of the variable share of the remuneration for a 100% realization of such target objectives will be approved at the beginning of each year at the occasion of the approval of the budgets.

The values of the objectives associated with these quantitative criteria will not be disclosed in any detailed manner for confidentiality reasons.

During its meeting of March 26, 2013 the Supervisory Board, on a proposal of the Nominations and Compensation Committee set the variable shares of the Management Board Members for 2012 as a function of performances realized with respect to objectives assigned, at, respectively

- €135,747 for François Bertrand, corresponding to a performance rate of 61.7%,
- €126,824 for Bertrand Parmentier, corresponding to a performance rate of 76.9%,
- €77,624 for Eric Gillard corresponding to a performance rate of 91.3%.

Other elements of remuneration

Payment due or likely to be due by reason of the ceasing or the change of duties of the executive

During its meeting of March 21, 2012, the Supervisory Board, after consultation with the Nominations and Compensation Committee, asked the Management Board to submit to the General Meeting of the Company's Shareholders of May 3, 2012, draft resolutions aimed at changing the terms and conditions of the payment due or likely to be due by reason of the ceasing or the change of duties of Management Board members.

These resolutions which were approved by the General Meeting of the Shareholders of May 3, 2012 provide that the payment due or likely to be due by reason of the ceasing or the change of duties of Management Board members shall be from that moment on fixed at eighteen months of remuneration total calculated on the average of the past three fiscal years closed. Its granting would be conditional upon (i) the ceasing or a modification in duties initiated by the Company and (ii) the realization of quantitative performance criteria consisting in the realization by the Company of a consolidated net result, corrected for fair value variation of financial instruments, which is positive during one of the two fiscal years preceding the ceasing or the modification of duties.

Mr. Roland Tardieu, who on February 17, 2012 prematurely ceased his duties as a Member of the Company's Management Board, received a payment of €150,000 due by reason of the ceasing of his duties, in accordance with the terms of the resolution approved by the General Meeting of the Shareholders on May 3, 2012.

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.

The amount of the sums reserved for retirement and other personnel-related benefits for the Members of the Management Board is €0.1 million.

Benefits in kind

The Members of the Management Board benefit from a company car which is taken into account as a benefit in kind.

Stock options

No stock option or free attribution of shares scheme exists within the Group.

6.1.2.8 Recapitulative State of Stock Transactions of Corporate Officers, of High Officials and Their Close Ones during the Year

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

6.1.3 Business Address

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. Telephone Number: +33 5 61 58 77 00

6.2 The Supervisory Board

6.2.1 Positions and Duties

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					
							Director of National Fondation of Political Science	
Pierre GADONNEX (70)	None	Chairman of the Supervisory Board	General meeting 2015	Aug-10	President of the strategic committee	Chairman of world Energy Council	Chairman of the Board of Directors of EDF Chairman and Chief Executive Officer of EDF Director of Edison Chairman of the Board of Directors of Electra, of Transalpinia di Energia, of the EDF Diversifier Foundation and of the Groupaction CO2 Association	1 000
Jean Claude CHAUSSONNET (71)	None	Vice Chairman of the Supervisory Board	General meeting 2015	Jan-03	Member of the Audit & Financial Statement Committee and the nomination & compensation committee	None	Director of RECAERO Director of CORSE COMPOSITES AERONAUTIQUE	168
Jean Jacques PIGNERES (67)	None	Member of the Supervisory Board	General meeting 2015	Jun-09	Member of the Audit & Financial Statement Committee	Member of the Supervisory Board, LATECOERE AEROSERVICES	None	42
Claire DREYFUS-CLOAREC (66)	None	Member of the Supervisory Board	General meeting 2017	Jun-11	Member of the strategic committee and member of the Audit & Financial Statement Committee and the nomination & compensation committee	SA Aéroport de Montpellier Méditerranée, Member of Supervisory Board and member of the audit and compensation committee SA Aéroport de La Réunion Roland Garros, Member of Supervisory Board and Chairman of the audit and compensation committee SA Aéroports de Lyon, Chairman of the Supervisory Board FRAM, Chairman of the Supervisory Board SICAV LCL Obligations, Member of Supervisory Board.	Grand Port Maritime de Rouen, Member of Supervisory Board. SNCF Participations, Chairman EUROFIMA, Chairman of the Management Board SeaFrance, Chairman of the Supervisory Board Naviland Cargo, Member of the Supervisory Board	100
Christian DUVILLET (64)	None	Member of the Supervisory Board	General meeting 2015	Jun-11	Member of the strategic committee and member of the nomination & compensation committee	Chairman and Director of COOP ALSACE Chairman of Banque Française Commerciale Antilles-Guyenne Chairman of HyperCoop SA Strasbourg Administrateur EUROCASH Schiltigheim	Managing Director of LCL Member of executive committee of Crédit Agricole Group Chairman of Crédit Agricole Crédit Assurance Director of Fenudi, Predica, Crédit Agricole Assurance, Crédit Agricole Consumer Finance (Sofico) and Unisédion Chairman of SCHILTIGHEIM Distribution Chairman of Atelier-Galerie 1911 Paris Chairman of CD Consulting	1 000
Jean GOUJY (66)	None	Member of the Supervisory Board	General meeting 2017	Jun-11	Member of the strategic committee and member of the nomination & compensation committee	None	Director of ALD INTERNATIONAL, SOGEBAL, CGA Compagnie générale d'afacturage, SOGEPROM, GENEFIM	10
Pierre LATECOERE (49)	None	Member of the Supervisory Board	General meeting 2015	Jan-03	Member of the Nomination & compensation Committee	None	Chairman of the Supervisory Board LATECOERE AEROSERVICES	55
Christian BEUGNET (69)	None	Member of the Supervisory Board	General meeting 2015	Jan-03	Chairman of the Nomination & compensation Committee	Director of CORSE COMPOSITES AERONAUTIQUE	None	14
Patrick CHOLLET (50)	None	Member of the Supervisory Board	General meeting 2015	Jan-03	Member of the Audit & Financial Statement Committee	Chairman CHOLLET Finances Investissements	None	100
Christian REYNAUD (68)	None	Member of the Supervisory Board	General meeting 2015	Jan-03	Chairman of the Audit & Financial Statement Committee and Member of strategic committee	Chairman SORID Director FONDS D'AMORCAGE MDI PYRENEES	Chairman of the Board and CEO, IRDI Director MDI PYRENEES CREATION Vice chairman of the Supervisory Board, SOCRI Chairman of the Supervisory Board, ICSSO GESTION	460
Yves DA COSTA (44)	Quality Technician and union representative	Member of the Supervisory Board	General meeting 2015	Jun-09	None	None	None	10
Valérie GUMBER (46)	Sales and contract Manager of LATElec	Member of the Supervisory Board	General meeting 2015	May-12	None	None	None	20
Jean Louis PELTRIAUX (46) représentant le FCPE "B" des salariés LATECOERE	Cost control manager and cash manager of the Works	Member of the Supervisory Board	General meeting 2015	Jun-06	None	None	None	14

During its January 25, 2012 meeting, the Supervisory Board duly noted the resignation of Mr. Hervé Costes, who retired.

On advice of the Nominations and Compensation Committee, the Supervisory Board decided to appoint Valérie Guimber, salaried technician manager at the LATElec Company, to replace Hervé Costes, whose functions she will carry on, and which end at the close of the annual general meeting that will rule on the financial statements for 2014, or at the latest by June 30, 2015.

The appointment of Valérie Guimber was ratified at the general meeting of shareholders on May 3, 2012.

After consulting with and receiving the recommendations of the Nominations and Compensation Committee, the Supervisory Board appointed:

- ▶ Claire Dreyfus-Cloarec, as Member of the Audit and Financial Statements Committee, during its meeting of January 25, 2012;
- ▶ Jean Goumy, as Member of the Nominations and Compensation Committee, during its meeting of February 17, 2012.

To the Company's knowledge, 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. Moreover, there is no service contract between a Supervisory Board member and the Latécoère Company or any of its subsidiaries with the exception of the Agreement entered into with Mr. Jean Jacques Pignères and described in paragraph 2.3 of the Auditors' special report on regulatory agreements and commitments.

6.2.2 Remuneration

6.2.2.1 Summary Table of Remuneration and Options Allocated to Each Corporate Officer

(EURO)	Fiscal Year N-1	Fiscal Year N
Pierre GADONNEIX , Chairman of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	150 000	150 000
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	150 000	150 000
Jean Claude CHAUSSONNET , Vice chairman of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	99 223	47 010
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	99 223	47 010
Claire DREYFUS-CLOAREC , Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	10 000	14 320
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	10 000	14 320
Christian DUVILLET , Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	10 000	13 930
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	10 000	13 930
Jean GOU MY , Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	10 000	15 000
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	10 000	15 000
Jean Jacques PIGNERES , Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	30 000	26 960
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	30 000	26 960
Christian BEUGNET , Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	10 000	15 000
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	10 000	15 000
Patrick CHOLLET , Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	0	6 960
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	0	6 960

(EURO)	Fiscal Year N-1	Fiscal Year N
Pierre LATECOERE , Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	0	2 750
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	0	2 750
Christian REYNAUD , Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	10 000	14 660
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	10 000	14 660
Hervé COSTES , Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	73 133	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	73 133	0
<i>(Hervé COSTES is no longer member since January 25, 2012)</i>		
Yves DA COSTA , Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	35 919	37 134
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	35 919	37 134
Valérie GIMBER , Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	0	60 073
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	0	60 073
<i>(Valérie GIMBER is member of the Supervisory Board since May 03, 2012)</i>		
Jean Louis PELTRIAUX , Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	84 143	87 915
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	84 143	87 915

6.2.2.2 Recapitulative Table of Remuneration of Each Corporate Officer

(EURO)	Fiscal year N-1		Fiscal year N	
	Amount due	Amount paid	Amount due	Amount paid
Pierre GADONNEIX , Chairman of the Supervisory Board				
Fixed remuneration	150 000	150 000	150 000	150 000
Variable compensation				
Exceptional remuneration				
Attendance fees				
Benefits in kind				
TOTAL	150 000	150 000	150 000	150 000
Jean Claude CHAUSSONNET , Vice chairman of the Supervisory Board				
Fixed remuneration	90 000	90 000	22 500	22 500
Variable compensation				
Exceptional remuneration				
Attendance fees			21 430	0
Benefits in kind	9 223	9 223	3 080	3 080
TOTAL	99 223	99 223	47 010	25 580
Claire DREYFUS-CLOAREC , Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees	10 000		14 320	10 000
Benefits in kind				
TOTAL	10 000	0	14 320	10 000
Christian DUVILLET , Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees	10 000		13 930	10 000
Benefits in kind				
TOTAL	10 000	0	13 930	10 000
Jean GOMY , Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees	10 000		15 000	10 000
Benefits in kind				
TOTAL	10 000	0	15 000	10 000
Jean Jacques PIGNERES , Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration	30 000	30 000	20 000	20 000
Attendance fees			6 960	0
Benefits in kind				
TOTAL	30 000	30 000	26 960	20 000
Christian BEUGNET , Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees	10 000	0	15 000	10 000
Benefits in kind				
TOTAL	10 000	0	15 000	10 000

(EURO)	Fiscal year N-1		Fiscal year N	
	Amount due	Amount paid	Amount due	Amount paid
Patrick CHOLLET , Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees			6 960	0
Benefits in kind				
TOTAL	0	0	6 960	0
Christian REYNAUD , Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees	10 000		14 660	10 000
Benefits in kind				
TOTAL	10 000	0	14 660	10 000
Pierre LATECOERE , Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees			2 750	0
Benefits in kind				
TOTAL	0	0	2 750	0
Hervé COSTES , Member of the Supervisory Board				
Fixed remuneration	66 033	66 033		
Variable compensation	7 100	7 100		
Exceptional remuneration				
Attendance fees				
Benefits in kind				
TOTAL	73 133	73 133	0	0
<i>(Hervé COSTES is no longer member since January 25, 2012)</i>				
Yves DA COSTA , Member of the Supervisory Board				
Fixed remuneration	33 174	33 174	34 303	34 303
Variable compensation	2 745	2 745	2 831	2 831
Exceptional remuneration				
Attendance fees				
Benefits in kind				
TOTAL	35 919	35 919	37 134	37 134
Valérie GUMBER , Member of the Supervisory Board				
Fixed remuneration			57 585	57 585
Variable compensation			2 488	2 488
Exceptional remuneration				
Attendance fees				
Benefits in kind				
TOTAL	0	0	60 073	60 073
<i>(Valérie GUMBER is member of the Supervisory Board since May 03, 2012)</i>				
Jean Louis PELTRIAUX , Member of the Supervisory Board				
Fixed remuneration	70 793	70 793	73 695	73 695
Variable compensation	13 350	13 350	14 220	14 220
Exceptional remuneration				
Attendance fees				
Benefits in kind				
TOTAL	84 143	84 143	87 915	87 915

The fixed remunerations of the Members of the Supervisory Board (Chairman and Vice-Chairman) correspond to payments made in respect of their office.

6.2.2.3 Table of Attendance Fees

The General Meeting of the shareholders of May 3, 2012 adopted a resolution to raise the total annual amount allocated to attendance fees to €120,000. This decision is valid for 2012 and following years until subsequent decision of the General Meeting.

On advice of the Nominations and Compensation Committee, the members of the Supervisory Board decided to share out this amount among the members of the Supervisory Board according to their attendance at meetings of that Board and their contribution to the work of the Committees

The sharing out of attendance fees for 2012 was decided by the Supervisory Board of March 26, 2013 on a proposal of the Nominations and Compensation Committee.

(EURO)	Attendance fees paid in N-1	Attendance fees paid in N	
		Amount due	Amount paid
Pierre GADONNEIX	0	0	0
Jean Claude CHAUSSONNET	0	21 430	0
Claire DREYFUS-CLOAREC	10 000	14 320	10 000
Christian DUVILLET	10 000	13 930	10 000
Jean GOUMY	10 000	15 000	10 000
Jean Jacques PIGNERES	0	6 960	0
Christian BEUGNET	10 000	15 000	10 000
Patrick CHOLLET	0	6 960	0
Pierre LATECOERE	0	2 750	0
Christian REYNAUD	10 000	14 660	10 000
Valérie GUIMBER	0	0	0
Yves DA COSTA	0	0	0
Hervé COSTES	0	0	0
Jean Louis PELTRIAUX (representing the FCPE "B" of LATECOERE employees)	0	0	0

6.2.2.4 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
None						

6.2.2.5 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 fiscal year	Exercise price
None			

6.2.2.6 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
None					

6.2.2.7 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
None			

6.2.2.8 Recapitulative State of Stock Transactions of Corporate Officers, of High Officials and Their Close Ones during the Year

Transaction date	Name	Duty/position	Type of transaction	Unit price * (euros)	Quantity	Stock concerned	Transaction location
26-Apr-12	DREYFUS CLOAREC Claire	Member of Supervisory Board	Buy	9,56	100	Latécoère shares	Nyse Euronext Paris
31-May-12	DUVILLET Christian	Member of Supervisory Board	Buy	9,75	1 000	Latécoère shares	Nyse Euronext Paris
23-Apr-12	GOUMY Jean	Member of Supervisory Board	Buy	9,00	10	Latécoère shares	Nyse Euronext Paris
19-Oct-12	PIGNERES Jean-Jacques	Member of Supervisory Board	Buy	9,33	995	Latécoère shares	Nyse Euronext Paris
29-Oct-12	PIGNERES Jean-Jacques	Member of Supervisory Board	Sell	8,18	-995	Latécoère shares	Nyse Euronext Paris

* corresponds to the closing price of Latécoère shares at the date of the transaction

6.2.3 Business Address

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. Telephone Number: +33 5 61 58 77 00

6.2.4 Events Post Closing

No significant event occurred subsequent to year-end closing.

6.3 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 and the application of the principle of balanced representation of women and men, 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 for approval on March 26, 2013 and transmitted to the auditors.

6.3.1 Corporate Governance

The Company has adopted the AFEP-MEDEF's listed companies' corporate governance code, and referred to it during 2009.

However, on some points the organization of the Company's governance is not in compliance with this code, which is more particularly used by large companies.

On April 21, 2010, the Middelnext corporate governance code was reported to the Supervisory Board. After studying this new code, the Supervisory Board decided on May 17, 2010 to refer to it from that moment on.

Indeed, this new code is more specifically intended for securities listed on Euronext Paris compartments "B" and "C", which is to say, small caps and mid-caps ("VAMPs"). Middelnext is a representative association that groups together these mid-caps. This code follows the report: "Frame of reference for a reasonable governance of French companies" published in 2009 ("Référentiel pour une gouvernance raisonnable des entreprises françaises"/Gomez report). It includes two categories of proposals:

- the recommendations and rules to which the Company that adopts this code should subscribe ; and
- the points to watch out for, subjects to which the company that adopts code should wonder about.

These proposals are aimed at the three powers:

- Executive: the Management Board;
- Supervisory: the Supervisory Board;
- Sovereign: the Meeting of the Shareholders;

The Middelnext code of corporate governance for mid-cap issuers, to which the Company now refers, includes recommendations. The Chairman's report should clearly indicate how they apply, or the reasons why they were not applied ("apply or explain").

6.3.1.1 The Executive Power: the Management Board

In accordance with the Middelnext recommendations, the terms and conditions of remuneration of the Members of the Management Board are clearly explained in this report and in the registration document of the Group.

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 Middelnext listed companies' corporate governance code for mid-cap issuers, it ensured that the remuneration policy implemented for Members of the Management Board appointed after the adoption of such code were in compliance with the latter and has referred to its recommendations, after consulting with the Nominations and Compensation Committee, in

order to set the remuneration of Members of the Management Board appointed after such adoption.

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, payments due or likely to be due by reason of the ceasing or the change in duties, etc.).

6.3.1.1.1 Corporate Office and Employment Contract

The Company applies the following treatment of the dual status as a corporate officer with an employment contract:

- after advice of the Nominations and Compensation Committee, the Supervisory Board has suspended the employment contracts of Mr. François Bertrand, Chairman of the Management Board, and of Mr. Bertrand Parmentier, Member of the Management Board and Managing Director, for the duration of their corporate office. It has explained the reasons for this during the report to the General Meeting of June 26, 2009 which followed their appointment;
- the employment contract of Mr. Eric Gillard was not suspended ;
- Mr. Roland Tardieu, whose position as a Member of the Management Board ended on February 17, 2012, did not have an employment contract.

6.3.1.1.2 Elements of Principal Remuneration

During its meeting on March 21, 2012, the Supervisory Board, after consulting the Nominations and Compensation Committee, decided to adapt the remuneration system for Management Board members so as better to align it to the Group's quantitative and qualitative priorities.

The annual remuneration of members of the Management Board is comprised of a fixed part and a variable part.

Determination of the fixed share

The Supervisory Board, after consulting with the Nominations and Compensation Committee, defined the fixed share of the remuneration of each Member of the new Management Board on his appointment on, respectively,

- January 6, 2009 for Mr. François Bertrand, Mr. Bertrand Parmentier and Mr. Roland Tardieu; and
- August 31, 2010, for Mr. Eric Gillard.

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.

At its meeting of March 21, 2012, the Supervisory Board, on a proposal from the Nominations and Compensation Committee, decided that the fixed share of the remuneration of Management Board members which until now it had been foreseen to reappraise annually based on the average of the evolution of the remuneration of the Group's executives, will no longer be indexed, this provision applying as of 2011.

During its meeting of March 26, 2013 the Supervisory Board, on a proposal of the Nominations and Compensation Committee decided to raise the annual fixed share of the remuneration of Eric Gillard to as from January 1, 2013 as a result of the widening of the scope of his responsibilities in the division of duties of the Management Board.

Determination of the variable share of remuneration

The Supervisory Board, after consulting with the Nominations and Compensation Committee, also defined the variable share of the remuneration of each Member of the new Management Board. This variable share is based on the degree of attainment of a certain number of qualitative and quantitative objectives, which will not be disclosed in any detailed manner for confidentiality reasons. These percentages were established so that the variable share, as a function of the Group's results, remains inferior to 50% of total remuneration.

The variable share of the remuneration of Management Board members is, since 2012, based

- for 60% of its amount on three quantitative criteria associated with objectives of operating profitability, debt reduction and return on capital employed (ROCE)
 - ▶ fixed at the consolidated Group level and weighted in an egalitarian manner for the Chairman, François Bertrand, and the Managing Director, Bertrand Parmentier;
 - ▶ fixed for Eric Gillard, Member of the Management Board more

particularly in charge of the Aerostructures business, for respectively:

- 40% of the consolidated Group level (with respective weightings of 20% for debt reduction, 10% for operating profitability, and 10 % for return on capital employed),
- 20% at the Aerostructures division level on an objective of contribution to the operating profitability of the branch of business,
- for 40% of its amount on qualitative criteria associated with objectives respectively of management for 15%, of progress plan for 10%, of preparation for the future and customer satisfaction for 10%, and of governance (relations with the Supervisory Board) for 5%.

The target quantitative and qualitative objectives associated with the criteria thus defined as well as the amounts of the variable share of the remuneration for a 100% realization of such target objectives, will be approved at the beginning of each year at the occasion of the approval of the budgets.

The values of the objectives associated with these quantitative criteria will not be disclosed in any detailed manner for confidentiality reasons.

6.3.1.1.3 Other Elements of Remuneration

Payment due or likely to be due by reason of the ceasing or the change of duties of the executive

During its meeting of March 21, 2012, the Supervisory Board, after consultation with the Nominations and Compensation Committee, asked the Management Board to submit to the General Meeting of the Company's Shareholders of May 3, 2012, draft resolutions aimed at changing the terms and conditions of the payment due or likely to be due by reason of the ceasing or the change of duties of Management Board members.

These resolutions which were approved by the General Meeting of the Shareholders of May 3, 2012 provide that the payment due or likely to be due by reason of the ceasing or the change of duties of Management Board members shall be from that moment on fixed at eighteen months of remuneration total calculated on the average of the past three fiscal years closed. Its granting would be conditional upon (i) the ceasing or a modification in

duties initiated by the Company and (ii) the realization of quantitative performance criteria consisting in the realization by the Company of a consolidated net result, corrected for fair value variation of financial instruments, which is positive during one of the two fiscal years preceding the ceasing or the modification of duties.

Mr. Roland Tardieu, who on February 17, 2012 prematurely ceased his duties as a Member of the Company's Management Board, received a payment of €150,000 due by reason of the ceasing of his duties, in accordance with the terms of the resolution approved by the General Meeting of the Shareholders on May 3, 2012.

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 car which is taken into account as a benefit in kind.

Performance shares

During its meeting of March 21, 2012, the Supervisory Board, after consulting with the Nominations and Compensation Committee,

- proposed to the Management Board that there be implemented a system of free grant of the Company's existing shares, or its shares to be issued, for the benefit of certain categories of the Group's employees and the Company's eligible corporate officers.
- In the event that approval is given by the shareholders to the Management Board, the free grant of shares to the corporate officers will be conditional upon the realization of qualitative and quantitative performance criteria to be determined by the Management Board subject to expressly foreseen and justified exceptions.

The corresponding resolution that was submitted to the General Meeting of the Company's shareholders of May 3, 2012 was not approved.

Stock options

No stock option or free attribution of shares scheme exists within the Group.

6.3.1.1.4 Points to Watch Out for

As the Middelnext corporate governance code recommends, the Company will display great vigilance about the points to watch out for, listed below.

The Management Board, which was composed of four members until February 17, 2012, has dropped to three members since the early ceasing of duties of Roland Tardieu; François Bertrand has taken over the responsibility within the Management Board for the running of the Interconnection Systems business of the Group. Reciprocally, as from February 17, 2012, François Bertrand was appointed Chairman of the LATelec Company, it being noted that a Managing Director position was created to help him, to which Daniel Bourgeois -- until then Assistant Managing Director of LATelec in charge of development -- was appointed.

The Supervisory Board has allowed the Management Board the opportunity to share out the management duties among its members:

- those in force during 2012 were approved as a function of the competences of each one, by the Management Board at its February 17, 2012 meeting:
 - ▶ François Bertrand, Chairman, coordinates the Group's businesses; he is more particularly in charge of management of the following functions:
 - Strategy and Marketing,
 - Human Resources,
 - Running of the Interconnect Systems business (LATelec and its subsidiaries) since the termination of the position of Management Board Member Roland Tardieu,
 - Supervision of the Engineering and services business (LATecis and its subsidiaries).
 - Bertrand Parmentier, Managing Director, is more particularly in charge of the Finance, Legal, Insurance, Information Systems and Financial Institution Communication functions;
 - ▶ Eric Gillard is more particularly in charge of the Aerostructures business of which he runs the operational functions.
- During its meeting of March 25, 2013, the Management Board decided to change the dividing out of duties among its members in line with the attachment of the sub-group

made up of the LATecis Company and its subsidiaries in the Aerostructures business:

- ▶ François Bertrand, Chairman, coordinates the Group's businesses; he is more particularly in charge of management of the following functions:
 - Strategy and Marketing
 - Human Resources
 - Running of the Interconnection Systems business
 - Running of the transversal Engineering and Services Portal
- ▶ Bertrand Parmentier, Managing Director, is more particularly in charge of the Finance, Legal, Insurance, Information Systems and Financial Institution Communication functions;
- ▶ Eric Gillard, Member, is more particularly in charge of the Aerostructures business, enlarged to LATecis and its subsidiaries, of which he runs the operational and functional functions.

The Management Board is supported by an Executive Committee (COMEX) put together of members of the Management Board and of other members designated by the Management Board - after consultation with the Chairman of the Supervisory Board - due to their operation or functional responsibilities in the Group.

The Executive Committee has for mission the handling of subjects of current development to the Company, as well as strategic projects (development and organization of the Company's and the Group's businesses). It meets each week.

The remuneration of the Members of the Management Board is decided by the Supervisory Board on a proposal of the Nominations and Compensation Committee. It is composed of two parts -- fixed and variable: a fixed share corresponding to their competence and in their field of responsibility, and a variable share based on the degree of attainment of a certain number of qualitative and quantitative objectives. The weighting between fixed and variable remuneration was set so as not to limit the judgment capacity of the Members of the Management Board and thus to thwart the spirit of their mission.

Furthermore, the Nominations and Compensation Committee sees to the development of the Members of the Management Board according to their age and their responsibilities. It periodically reports about this to the Supervisory Board.

6.3.1.2 The Supervisory Power: the Supervisory Board

Composition

The Supervisory Board is composed of thirteen members; eight of them: Pierre Gadonneix, Jean-Claude Chaussonnet, Patrick Chollet, Claire Dreyfus-Cloarec, Christian Duvillet, Jean Goumy, Pierre Latécoère and Christian Reynaud, are considered as independent, after studying the criteria indicated in the recommendations of the Middenext Code and ratified by the Nominations and Compensation Committee.

Two women have joined the Supervisory Board over the past twenty-four months, respectively Claire Dreyfus-Cloarec, appointed by the General Meeting of the shareholders on June 30, 2011, and Valérie Guimber, representative of the employees, appointed on January 25, 2012, and ratified by the General Meeting of the shareholders of May 3, 2012 in replacement of Hervé Costes, who had resigned. The Company is in compliance with Act No. 2011-103 of January 27, 2011 relating to the balanced representation of women and men on boards of directors and supervisory boards and to professional equality.

Two members of the Supervisory Board, Yves da Costa, an employee of LATECOERE, and Valérie Guimber, an employee of LATElec, represent the employees on the Board; in addition, Jean-Louis Peltriaux, an employee of the LATECOERE Company, represents the corporate mutual fund ("Fonds Commun de Placement d'Entreprise (FCPE)" "B"), that holds shares of the Company.

Internal bylaws

On May 19, 2006 the Supervisory Board adopted bylaws, which had been updated on April 24, 2009 to include in particular the bylaws of the Audit and Financial Statements Committee and the Nominations and Compensation Committee. An update was carried out during the Supervisory Board meeting of May 17, 2010 in order to ratify the adoption of the Middenext Code of Corporate Governance. On October 27, 2010, the Supervisory Board amended these bylaws by including the creation of a Strategy Committee. All members of the Supervisory Board sign these bylaws when they enter into their position.

Rules of ethics

The bylaws of the Supervisory Board and of its Committees recall the rules of ethics that the Members of the Board must follow. At the time of their appointment, each Member receives a copy of the internal bylaws as well as a Middenext code of

corporate governance. Every Member must sign these bylaws.

In addition, 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.

Choice of the Members of the Supervisory Board

Future Members of the Supervisory Board are co-opted or appointed by the Supervisory Board, after consulting with the Nominations and Compensation Committee. During the vote submitted to the General Meeting, their CVs, their career histories and their competences are explained.

Term of positions

In order to fully benefit from the competence of the Members and given the long business cycle of the Group, the term of the positions was set at six years.

Briefing of Members

Any new Member without prior knowledge of the Group and of its business benefits from a detailed presentation of the distinctive features of the segment and of the companies, accompanied by a visit to the main sites of production and a meeting with the main managing executives.

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.

Every time a Member of the Board so asks, the Chairman communicates to him, to the extent possible, the additional information and documents that he 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.

Meetings of the Supervisory Board

The Supervisory Board meets at least four times per year. Notification is made by any means.

A provisional schedule of meetings is proposed to the Supervisory Board for the year no later than the first meeting following the opening of the fiscal year, for the following fiscal year.

Before each meeting and within approximately one week before the date set, the Supervisory Board members receive by mail or by e-mail, the agenda as well as a draft of the minutes of the previous meeting.

The Chairman proposes the agenda. It takes into account the work of the Supervisory Board's committees and of the proposals made by Supervisory Board members.

The presence of at least half of the Members of the Supervisory Board is required in order for the decisions to be valid.

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 will have the deciding vote, in the case of a tie vote.

Activities of the Supervisory Board during 2012 and Q1 2013

The Board met six times in 2012 and one time in Q1 2013.

The meetings are held at the registered office.

Over this period, the total attendance of the members to the Meetings of the Supervisory Board comes to 87%.

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.

In accordance with the provisions of its internal bylaws, certain decisions of the Supervisory Board have been prepared by the specialized committees that it created, and which report to it their work and which submit to it their advice and proposals.

The main activities of the Supervisory Board during this period were the following:

As part of its mission of control:

- At its January 25, 2012 meeting, the Supervisory Board ratified the proposed budget for 2012 presented by the Management Committee and reviewed by the Audit and Financial Statements Committee whose chairman reported on the works recommending its approval.
- The Supervisory Board proceeded:
 - with the review of the 2011 consolidated financial statements and statutory financial statements (meeting of February 17, 2012);
 - of the H1 2012 consolidated financial statements (meeting of August 31, 2012);

- of the 2012 consolidated financial statements and statutory financial statements (meeting of March 26, 2013);

approved by the Management Board. These financial statements and the elements of the forward-looking situation which accompany them were the subject of detailed presentations by the Managing Director & CFO, followed by reports of the Chairman of the Audit and Financial Statements Committee and the auditors on the procedures carried out and the conclusions of their work; they were approved by the Supervisory Board.

- At its March 21, 2013 meeting, the Supervisory Board ratified the proposed budget for 2013 presented by the Management Committee and reviewed beforehand on December 19, 2012 and February 13, 2013 by the Audit and Financial Statements Committee whose chairman reported on the works recommending its approval.
- At its March 21, 2012 meeting, the Supervisory Board ratified all documents established by the Management Board with a view to
 - the Ordinary and Extraordinary General Meetings of shareholders of May 3, 2012;
 - the General Meeting of share warrants holders of May 3, 2012

Concerning the economic and financial situation of the Group:

- Throughout 2012, the Supervisory Board was kept regularly informed by the Chairman of the Management Board, particularly at the occasion (i) of presentations of quarterly reports and (ii) reports of the work of the Strategy Committee
 - of significant events of the Group's business, of the economic climate in the aeronautical industry, of the evolution of the business of branches, of the financial position of the Group, of foreign exchange rate hedging as well as of the significant commercial negotiations in progress;
 - of the economics of major programs,
 - of the evolution of the situation in Tunisia,
 - of the advancement of the establishment projects in Mexico,
 - of the transformation plans conducted in the business divisions,
 - of the monitoring of performance of the refinancing agreements concluded in December 2011,

As regards corporate governance

- After consulting with and receiving the recommendations of the Nominations and Compensation Committee, the Supervisory Board:
 - has appointed as a Member of the Supervisory Board, Valérie Guimber (meeting of January 25, 2012), employee of LATELEC, in replacement of Mr. Hervé Costes, who had resigned; this appointment was by the General Meeting of the Company's shareholders of May 3, 2012;
 - appointed:
 - ▶ Jean Goumy, as Member of the Nominations and Compensation Committee (meeting of February 17, 2012);
 - ▶ Member of the Audit and Financial Statements Committee, Claire Dreyfus-Cloarec (meeting of January 25, 2012).
- With respect to managing corporate officers' remuneration, the Supervisory Board accepted
 - at its January 25, 2012 meeting, the proposal of the Nominations and Compensation Committee relating the terms of departure of Roland Tardieu; it asked the Management Board to submit a resolution to the General Meeting of the Company's shareholders of May 3, 2012 aimed at approving the signing of a commitment taken for the benefit of Mr. Roland Tardieu and consisting in the making of a payment, due by reason of the early ceasing of his duties, in an amount of €150.000; this resolution was approved by such meeting;
 - at its March 21, 2012 meeting, the proposals of the Nominations and Compensation Committee of December 9, 2011 on the fixing of the variable compensation of the members of the Management Board for 2011. During the same meeting, it approved the Committee's proposals;
 - ▶ no longer to index the fixed compensation of the Management Board, which has not changed since their respective appointments, on the basis of the average of the increases of the Latécoère executives; it ratified the determination criteria as well as the associated objectives and proportions, of the variable shares proposed by the Committee for 2012;
 - ▶ to establish a long-term remuneration mechanism taking the form of a grant of performance shares; it has asked the Management Board to submit a resolution authorizing the Management Board to proceed with free grants of existing shares or shares to be issued, for the benefit of certain categories of the employees and of eligible corporate officers, to the General Meeting of the Company's shareholders of May 3, 2012; this resolution was not approved by such meeting ;
 - ▶ to change the calculation method for the payment due or likely to be due by reason of the ceasing or the change of duties of its beneficiary as set forth in paragraph 6.1.7; it has asked the Management Board to submit three resolutions, approving the commitments undertaken for the benefit of Mr. François Bertrand, Mr. Bertrand Parmentier and Mr. Eric Gillard, at the General Meeting of shareholders of May 3, 2012, which approved them.
 - at its March 26, 2013 meeting, the proposals of the Nominations and Compensation Committee of the same day relating
 - ▶ to the assessment of the results obtained by the members of the Management Board in relation to quantitative and qualitative objectives contributing to the establishment of the variable share of their remuneration in respect of 2012;
 - ▶ to the change in the fixed remuneration and the variable share of the remuneration of Eric Gillard for the realization of 100% of his objectives;
 - ▶ to the determination of quantitative and qualitative objectives contributing to the establishment of the variable share of the remuneration of the Management Board in respect of 2013;

As regards labor policy

- Concerning employee shareholding, the Supervisory Board after advice and recommendations of Nominations and Compensation Committee, approved at its March 21, 2012 meeting, the Management Board proposal aimed at submitting a resolution giving a delegation of authority to the Management Board to decide on the issue of shares and/or financial securities providing or being able to provide an entitlement to the share capital of the Company reserved to members of a company employee shareholding plan at the General Meeting of shareholders of the Company of May 3, 2012 ; this resolution was adopted by such meeting.

As regards remuneration of the Supervisory Board members

- The Supervisory Board, at its March 21, 2012 meeting, after advice and recommendations of the Nominations and Compensation Committee,
 - asked the Management Board to submit to the General Meeting of the shareholders of the Company on May 3, 2012, a resolution to raise the total annual amount allocated to attendance fees to €120.000, to be shared out among the members of the Supervisory Board according to their contribution to the work of the Committees, provided that the total 2012 remuneration of members of the Supervisory Board in respect of their positions, if the resolution was adopted, remain lower than in 2011 in light of the decision also taken at this same Board meeting to terminate the fixed monetary compensation of the Vice Chairman of the Supervisory Board at the end of Q1 2012. This resolution was adopted by the General Meeting of the shareholders of May 3, 2012.
 - approved the special compensation of Mr. Pierre Gadonneix, set at €175.000 in respect of the role that the Chairman of the Supervisory Board would have to play as part of Latécoère's participation in the consolidation trend in the aeronautical sector and of the merger of the Latécoère Group with an industrial partner which may result, the payment of which would be conditional upon the realization of such a merger between the Latécoère Group and an industrial partner. The allocation of this special compensation, subject to the provisions of Articles L. 225-86 to L. 225-90 of the

French Commercial Code pursuant to Article L. 225-84 of the same Code, was approved by the Supervisory Board of March 21, 2012.

The Supervisory Board committees

The Supervisory Board established three committees to assist it in its work

- two standing committees: the Audit and Financial Statements Committee and the Nominations and Compensation Committee,
- and a Strategy Committee.

The Audit and Financial Statements Committee

The Audit and Financial Statements Committee has five members. They are: Christian Reynaud (Chairman), Jean-Claude Chaussonnet, Claire Dreyfus-Cloarec, Jean-Jacques Pignères and Patrick Chollet.

four members are considered as independent under the Middlednext Code: Christian Reynaud, Jean-Claude Chaussonnet, Claire Dreyfus-Cloarec and Patrick Chollet.

Four members were chosen according to their experience and their skill in finance and accounting.

The Chairman of the Supervisory Board, Pierre Gadonneix, regularly participates in meetings of this Committee.

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.

During these meetings dedicated to the annual and semi-annual closings, it informs the Supervisory Board of its comments on these financial statements.

The Audit and Financial Statements Committee met eight times between January 2012 and March 2013; in particular, its work in covered:

- review of the 2012 budget (January 25, 2012 meeting);
- approval of the 2011 financial statements (February 16, 2012 meeting);
- interest rate risk and foreign exchange rate risk hedging policy (meetings of February 16, 2012, August 31, 2012 and February 13, 2013);

- the stakes of the main construction contracts (meetings of February 16, 2012, August 31, 2012 and February 13, 2013)
- technical review of resolutions 12 to 16 (relating to the right to issue shares and/or securities giving access or able to give access to capital of the Company and/or securities giving a right to the allocation of debt securities) submitted for the approval of the General Meeting of Latécoère's shareholders of May 3, 2012;
- review of the proposed 2011 Registration Document;
- approval of the H1 2012 financial statements (August 31, 2012 meeting);
- analysis of the consequences of the Tunisian crisis and the establishment of the profit warning press release of October 31, 2012 (meetings of October 31, 2012, December 19, 2012, February 13, 2013 and March 26, 2013)
- review of the 2013 budget (meetings of December 19, 2012 and February 13, 2013)
- approval of the 2012 financial statements (meetings of February 13, 2013 and March 26, 2013)

This Committee's participation rate was 79% for the relevant period.

Members of the Audit and Financial Statements Committee had at their disposition analyses and financial and accounting documents related to their work; they had the possibility of listening to the auditors, the Managing Director & CFO as well as, as a function of the agenda, the relevant Members of the Management Board.

The Audit and Financial Statements Committee regularly 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 Nominations and Compensation Committee,

- has five members: Christian Beugnet (Chairman), Jean-Claude Chaussonnet, Pierre Latécoère, Christian Duville and Jean Goumy (since February 17, 2012, to replace Hervé Costes, who resigned);
- four members of which are considered as independent under the Middlednext Code: Christian Duville, Jean Goumy, Jean-Claude Chaussonnet and Pierre Latécoère.

The Chairman of the Supervisory Board, Pierre Gadonneix, regularly participates in meetings of this Committee.

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 the Supervisory Board, the 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 Nominations and Compensation Committee met four times between February 2012 and March 2013; in particular, it worked on and formulated recommendations to the Supervisory Board:

- on the appointment of new Members of the Supervisory Board and of its Committees (February 17, 2012 meeting);
- on the terms of the remuneration of members of the Management Board, of certain categories of the salaried employees and of the Supervisory Board, as well as the issue of shares and/or financial securities reserved to members of a company employee shareholding plan (meetings of February 17, 2012, March 7, 2012, March 21, 2012 and March 26, 2013);
- on the establishment of objectives contributing to the determination of elements of the variable remuneration of Members of the Management Board and the monitoring of their realization (meetings of February 17, 2012 and March 26, 2013);
- on the allocation of the budget for attendance fees approved for 2012 among the Members of the Supervisory Board (March 26, 2013 meeting)

The Nominations and Compensation Committee has regularly reported its work to the Supervisory Board, which duly noted it and followed the whole of the recommendations therein.

This Committee's participation rate was 87% for the relevant period.

The Strategy Committee

This Committee which was created in Q4 2010, today has six members: Pierre Gadonneix (Chairman), Jean-Claude Chaussonnet, Christian Duville, Claire Dreyfus-Cloarec, Jean Goumy and

Christian Reynaud; the Members of the Management Board participate in meetings of this Committee.

The task of the Strategy Committee is to advise the Supervisory Board on the major strategic orientations of the Group and on the development policy presented by the Management Board (strategic agreements, partnerships, financial and stock market strategies).

The Strategy Committee met four times during the period 2012 -- Q1 2013, on, respectively, June 22, 2012, July 31, 2012, October 31, 2012 and February 13, 2013, with a participation rate of 83%.

Members of the Strategy Committee had at their disposition analyses and financial and accounting documents related to their work; they had the possibility of listening to the company's advisors who intervened on the processes examined.

The Strategy Committee has regularly reported its work to the Supervisory Board, which duly noted it and followed the whole of the recommendations therein.

Evaluation of the Supervisory Board's work

As the Company's governance was the subject of extensive changes since 2010, the Supervisory Board decided to make a formal assessment of its work during 2012. The rate of meetings of the Board of its Committees and the complexity of the subjects treated throughout 2012, led the Supervisory Board to consider the realization of this exercise during 2013 as even more relevant.

6.3.1.2.3 Points to Watch Out for Relating to the Supervisory Function

As the Middenext corporate governance code recommends, the Company will display great vigilance about the following points.

Separation of powers

The missions and roles of the Supervisory Board and of the Management Board are clearly defined in the Supervisory Board's bylaws ("règlement intérieur") and the Company's bylaws ("statuts").

Supervisory duty

The Management Board regularly reports its decisions and its findings to the Supervisory Board. The two first committees created, the Nominations and Compensation Committee and the Audit and Financial Statements Committee, contribute through their work to the knowledge and the information of the Supervisory Board. The creation

of the Strategy Committee in 2010 has strengthened the Board's involvement.

The Composition of the Supervisory Board ensures the representativeness of the shareholders. Three members represent the interests of the employee shareholders, and eight independent members represent the interests of the other shareholders.

Material means

As previously stated, all items that enable the Supervisory Board to act are passed on to it, beforehand where possible, allowing it to know the subjects treated and to form its own opinion.

The Board's decisions are reported in the minutes, which lay out the different opinions expressed before the collegial decision-making.

Furthermore, any new Member without prior knowledge of the Group and of its business benefits from a detailed presentation of the distinctive features of the segment and of the companies, accompanied by a visit to the main sites of production and a meeting with the main managing executives.

Appropriate competence

The Members of the Supervisory Board are chosen according to their career history, their experience and their competences. Some have more particularly a high level of experience in industry in general and aeronautics in particular. Others have a more financial profile. The presence of Members who are independent in the sense of the recommendations of the Middenext Code ensures the diversity necessary to the usefulness of the supervision of the executive power.

Work-exercise conditions

The remuneration of the Members of the Supervisory Board (cf., preceding chapter) does not make them dependent on the Company. The six-year term of their position, is sufficiently long in order to enable them to benefit from the effect of experience.

6.3.1.3 The Sovereign Power: The General Meeting of the shareholders

As the Middelnext corporate governance code recommends, the Company will display great vigilance about the following points.

6.3.1.3.1 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 bylaws:

"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."

6.3.1.3.2 Elements Likely to Have an Effect in the Case of a Public Offering

These items are disclosed in the paragraph "Information about Shareholders" of the Registration Document.

6.3.1.3.3 Points to Watch Out for Relating to the Sovereign Function

As the Middelnext corporate governance code recommends, the Company will display great vigilance about the following points.

Informing the shareholders about risks

The Company's business risks are clearly explained in the published documents. The registration document, containing the financial statements approved by the Management Board, resumes all these risks; it is examined by the Supervisory Board and explained to the Meeting of shareholders before asking them for approval.

Choice of the Members of the Supervisory Board

The historical or major shareholders choose the Members of the Supervisory Board charged with representing them. In particular, the employee shareholders choose their representatives.

Participation in votes

During the Meetings of shareholders, a quorum is always widely exceeded, ensuring the validity of decisions and showing the involvement of the shareholders.

Protection of minority interests

Transactions with related parties are clearly explained in Registration Document. Regulated agreements are also explained. They are the subject of a report of the auditors, included in Registration Document. All of this information is brought to the attention of the shareholders prior to the General Meeting.

Management of the shareholder's base over the long-term

In spite of the very large dispersion of its shareholder's base, the Company benefits from a high degree of shareholder loyalty and sees to its management over the long-term.

6.3.2 Internal Control and Risk Management Procedures

6.3.2.1 The Internal Control Procedures

6.3.2.1.1 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, and updated in July 2010, relating to mid- and small-cap issuers.

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.

6.3.2.1.2 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:

- management control and the running of the planning/budget/reporting cycle,
- the production of accounting data and the establishment of the financial statements,
- projected cash management,
- management of currency exchange rate and interest rate hedging,
- internal control.

Management control is organized in a dual level; budgetary -- by nature/managerial responsibility; and analytical -- by program/product line. The controlling department manages the cost accounting by business and, in particular the follow-up and the valuation of inventories and work in progress. Long-term contracts (construction contracts) are the subject of periodic revisions based on evolution of costs, the €/€ parity and associated industrial scenarios.

Forecasts of delivery rates of the various airplanes, which determine the workload schedules of the

Aerostructures and Interconnection Systems businesses and thus the establishment of the budget and revised estimates during the fiscal year, are reviewed periodically.

The budgetary procedures set transversally at the Group level extend to the French and foreign subsidiaries. The monitoring of the implementation of the budgets is the subject of monthly reports (key operational and financial indicators, income statements, and cash forecasts) and quarterly (balance sheets, income statements, statements of flows) involving all managers under the oversight of the Management Board.

The most significant budget items (personnel costs, materials and sub-contracting purchases, and investment activities) are analyzed and monitored on a monthly basis. Decisions that 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 Company's accounting and administrative procedures were completely updated during 2011 based on the Company's key processes:

- procedures covering the following sub-processes: Forecast (budgetary sub-process), Record, Close the financial statements, Analyze, Consolidate and Manage the Financial Risks (in particular the foreign currency exchange risk and the interest rate risk)
- trade instructions explaining the tasks to perform for each sub-process
- tool guides covering principally the Group's ERP, the consolidation and cash flow software, and reporting and analysis tools

Most of its information is available through the Company's intranet and is applicable to the main foreign subsidiaries.

In addition to this system, the Group also relies on a manual of IFRS accounting principles.

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.

6.3.2.1.3 Accounting and Financial Information System

The Accounting and Financial Information System meets the requirements of the accounting and management control processes defined by the Financial Management.

It is based on the SAP software package. This solution, which has been extended to all of the Aerostructures division companies, covers mainly financial accounting, controlling, purchasing, orders management and invoicing, the supply chain and production management.

The Information System master plan (SDSI), defined in 2010, has for objective to evolve this solution towards a finance "core-model" applicable throughout the Latécoère Group. The detailed design conducted in 2012, will enable the realization of developments in 2013 for an operational deployment from 2014 on.

The conformity of the developments with regard to business requirements is guaranteed by a strict maintenance process entrusted to the Group's internal SAP competence center.

This system is supervised by an internal operations department that ensures the availability of data and the monitoring of interfaces with the company's other systems that supply the SAP management system.

Two independent and redundant Data Centers ensure continuity of the service by the replication of data between them through a redundant local network.

A backup strategy shared between the businesses and the Information Systems Department (DSI) guarantees data restoration in case of an incident or for each need of the businesses.

This strategy defines in particular the frequency of backups, storage conditions and conservation times for physical media.

Control of the risks associated with information systems is described in Chapter 5 -- "Risk Factors", in paragraph 5.3.1.

6.3.2.1.4 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.

6.3.2.2 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 mapping of risks was updated in 2010. The main risks were reviewed, and the persons who manage them were identified. First, the gross risk (inherent risk) was evaluated. The procedures and controls implemented were identified so as to define net risk (remaining risk). This analysis did not uncover any new risks nor any change in assessment upon their control by the Company. The Company proceeded with a limited review of risks during 2011 and did not detect significant change in the mapping.

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

6.3.2.2.1 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 Group 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.

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 the Group, 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 enables it to reduce this risk. These negotiations support and secure the financing of the relevant programs.

6.3.2.2.2 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 2012, about 97% 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.

6.3.2.2.3 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 irrefragable 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.

6.3.2.2.4 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 that 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.

6.3.2.2.5 Legal and Tax Risks

The LATECOERE Company is subject to a tax audit as mentioned in note 25.4 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.

6.3.2.2.6 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, shareholders' equity and net debt.

The Group consequently developed a policy of natural hedging by carrying out a part of its purchases in USD. Thus, the Group invoices approximately 68% of its sales in dollars and buys approximately 42% of supplies or sub-contracting in dollars. The Group's natural hedging on the USD represents approximately 30%.

In order to manage its net residual exposure, the Group uses exchange hedging financial instruments, of the forward sale or option collar hedging nature. Option collar hedging implemented give the Group the possibility to benefit from an improvement in the EUR/USD rate.

At December 31, 2012, the Group has hedged approximately 90% of its exposure until the end of 2014 by forward sale and collar hedging at EUR/USD rates of, at the worst, 1.364 for 2013 and 1.322 for 2014. At March 26, 2013, approximately one quarter of the 2015 exposure is hedged in the same manner at EUR/USD rates of, at the worst, 1.335.

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.

The effect of the dollar exchange risk hedging operations on revenue was -€1.2 million in 2012 compared to +€6.2 million in 2011.

The Group's exposure to foreign exchange risk and the sensitivity analysis are detailed in Note 23.3 to the consolidated financial statements. The characteristics of the financial instruments are described in notes 2.17 and 10 to the consolidated financial statements.

6.3.2.2.7 Interest Rate Risk

Almost all net debt is based on short-term floating rates. The LATECOERE Group benefits from hedging of interest rates (exchange of variables index with cap protecting on increase) that allow it to limit the impact of a strong volatility in the rates on which its debt is indexed. The average interest rate borne by the Group in 2012 was 5.2%.

The Group's exposure to the interest rate risk and the sensitivity analysis are mentioned in Note 23.4 to the consolidated financial statements.

The variable rate indexes accepted as part of the refinancing of the Group's debt at the end of 2011 have not been substantially modified. Only the structure of debt (type and maturity) and associated economic conditions have been the main objects of the refinancing. Therefore, the interest rate hedging instruments previously implemented by the Group have been maintained (type of income and maturity)

6.3.2.2.8 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, 2012 is €80k.

Given the fact that at year end the Latécoère Company only held 10,621 of its own shares, the equity share risk is not significant. Furthermore, the Group does not hold any other significant listed shares and for this reason is not exposed to the risk of the fluctuation of share prices.

6.3.2.2.9 Counterparty Risk

The Group is mainly exposed to credit and counterparty risk relating to customers and derivative financial instruments and short-term financial investments.

The risk of default of counterparties relating to customers is very limited due to the category of the main customers (Tier 1 aircraft manufacturers) of the Aerostructures and Interconnection Systems divisions.

Counterparties relating to the Engineering and Services division are more numerous and may present a higher risk. However, this risk is judged to be of lesser importance with respect to the Group's main counterparties.

At year-end, the Group had identified no significant credit risk on these assets due but not depreciated.

The Group implements derivative financial instruments with the goal of reducing its exposure to foreign currency and interest rate risks. These transactions are contracted by private agreement with tier 1 banks and for this reason do not present any default risk.

Because of its financial structure, the Group is only surplus in cash over short periods. Cash is invested through risk-free monetary instruments with tier 1 banking establishments.

6.3.2.2.10 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 refinanced 96% of its bank debt in 2011 by implementing a syndicated loan and a factoring agreement (factor, syndicated among four factoring companies). In light of the Tunisian crisis, these lines have been adjusted with a 10% increase of the upper limit of the factoring agreement to close to €84 million, in line with activity and revenue

growth, and a postponement of the 2013 amounts due of the syndicated loan (€8 million) to the end of 2015.

At closing, the Group had drawn all of the resources made available to it. However, the factor mechanism, which requires a mobilization of all of the receivables attached to assigned customers without any tie to real cash flow needs, had as a consequence the generation of an active cash flow which accounts for most of the €27.8 million of cash and cash equivalents recognized at December 31, 2012.

Some financing contracts are subject to covenants, set forth in note 14.2 to the consolidated financial statements. The main ratios will apply for the first time, however, to the year ending on December 31, 2013. Furthermore, the Group has undertaken a certain number of additional commitments, which are common in connection with a syndicated loan as well as with amendments to issuance contracts for convertible bonds, governing respectively the policy of industrial investments and/or those dedicated to external growth transactions, sales of assets, the raising of new debt and the granting of new guarantees and of off-balance sheet commitments.

At December 31, 2012, the Group respected these commitments.

The Group's exposure to liquidity risk is presented in note 23.2 to the consolidated financial statements. On these bases, the Group proceeded with a specific review of its liquidity risk and it considers itself to be able to face up to its future amounts due.

6.3.2.2.11 Continuity of Information Systems

The Information Systems Department (DSI) guarantees the continuity of the array of services tied to the Information Systems (SI).

An Information System master plan (SDSI) approved in 2010 enables the alignment of the Information System to strategy and operational needs, while improving the performances and security of infrastructures. The SDSI implements information system solutions to meet business requirements outlined in formally described processes, based in particular on a policy of standards and of tested and robust software packages to ensure sustainability of these solutions in time while benefitting from the latest technical and functional improvements. Its implementation is progressing according to plan, which is revised each year.

The DSI has among its missions, the maintenance in operational condition and the management of the integrity of the Information Systems. That is based on the Information Systems Security Policy and

audited and updated every year. Since 2011, an information systems risk management plan sets priorities and associated actions to reduce exposure to external and internal risks.

A methodology of project management enables these human and financial investments to be monitored and guaranteed.

6.3.2.2.12 Supplier Risk

In general, the LATECOERE Group works through partnerships with partners and suppliers. Events likely to affect these partners may affect the Group's business (additional costs, production delays, etc.). In order to limit this risk the Group takes various actions:

- monitoring through regular audits (quality and logistics),
- technical and organizational assistance,
- assistance in the development of the maturity of suppliers through internal resources or through the SPACE organization of which LATECOERE is an executive member,
- the development of double sources for the most critical supplies.
- Legal monitoring of potential claims of sensitive suppliers

6.3.2.2.13 Sensitive Geographical Areas Risk

The LATelec Company has been present in Tunisia since 1998 through its SEA-LATElec subsidiary, which had more than 900 employees at year-end 2011. The Jasmine Revolution of January 2011 and its long-term consequences on the environment of the SEA-LATElec subsidiary led the Group to reappraise the factoring of country risk into its industrial strategy. Indeed, after twenty-one months of delicate management that enabled it to absorb disturbances that were generated at an industrial level by an unstable environment with random evolutions, the Interconnection Systems business was severely affected in October 2012 by non coordinated social movements suddenly disrupting Tunisian production, which led the firm to immediately implement industrial solutions reloading production outside the country to secure the schedule of deliveries to customers. In addition to the immediate management of the crisis that enabled LATelec to comply with its commitments to its customers, the Group, based on this experience, decided to reassess, interacting with its customers, its industrial strategy towards double sourcing schemes in order to better address country risks. This direction, which was already prevailing within the Aerostructures business, has now been extended to the Interconnection Systems business.

6.3.2.2.14 Insurance

The subscription of Group insurance contracts enables a very wide range of risks to be covered in an optimized way, including:

- damage to property or assets of the Group or for property entrusted to it, as well as the operating loss that may result from such damage for a period of 18 months of business,
- the risk of the calling into question of the Group's liability for claims occurring during the performance of services or to guarantee the consequences of product defects including for an

aeronautical or space product, in case of an accident,

- the risk of grounding flights,

In addition, local insurance programs are subscribed in countries where the Group is established if it is to cover specific risks or to respond to local insurance regulations.

Toulouse, March 26, 2013

Chairman of the Supervisory Board

6.4 Auditor's Report in Application of Article L. 225-235 of the French Commercial Law (Code de Commerce) Concerning the Report by the Chairman of the Supervisory Board of Latécoère S.A., with Respect to the Internal Control Procedures Covering the Preparation and Processing of Accounting and Financial Information

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, 2012.

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.

Toulouse-Labège and Paris, April 26, 2013

The Statutory Auditors

KPMG Audit IS

Grant Thornton

French Member of Grant Thornton International

Christian Libéros
Partner

Gilles Hengoat
Partner

7 SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

7.1 Social Responsibility

7.1.1 An International Group with Humanistic Values

Founded in 1917 by Pierre Georges Latécoère, 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 LATECOERE lines where prestigious pilots like Mermoz, Saint-Exupéry or Guillaumet illustrated themselves.

Among staff members, this fascinating history has shaped a strong sense of belonging in relation to their company.

This pride of belonging is reinforced by the fact that employees are the first shareholders of the company.

Today, the Latécoère Group is a major supplier of Airbus, Boeing, the Brazilian company Embraer, Dassault Aviation and Bombardier.

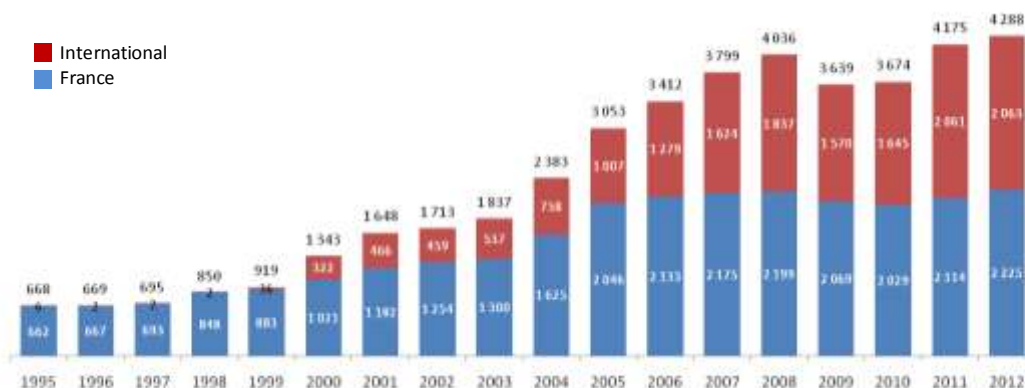
The Group, with its international network of subsidiaries, partners and sub-contractors, forms a competitive and flexible industrial unit, able to adapt itself to the cycles of the aeronautical industry in a globalized world.

Between tradition and modernity, the spirit of Antoine de Saint-Exupéry still lingers in the company.

One is reminded of the humanist values that the great man embodied, and that the company's staff strives daily to put to practice within the company.

7.1.2.2 Headcount of the Group

Change in the Number of Employees registered to the Group (Headcount at Dec, 31)



These data appear in the personnel-related information that the Group companies establish in accordance with laws in force.

These founding and humanistic values are an ever-recurrent theme in the company's actions:

- Employment -- a strong value
- A social climate that favors the involvement of all
- Diversity and equal opportunity
- Its civic commitments

7.1.2 Employment -- a Strong Value

7.1.2.1 Skilled and Sustainable Jobs

The occupations offered by the company are mainly skilled jobs, which is an asset for the employability of employees.

Great importance is placed on keeping staff members employed. Which allows us to say that, in spite of the difficulties that the company may have faced, no layoff plan has been implemented in more than 40 years.

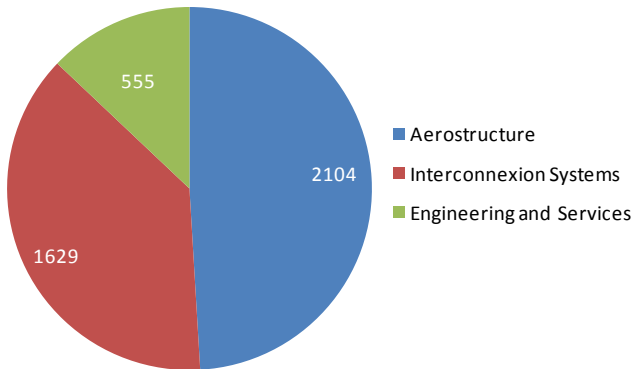
The company believes in the potential of youth and after a rigorous selection, responsibilities are entrusted to the youngest of its employees.

Thus, employment represents a strong value for the company, on which the company plays close attention.

The Group also relies on a forward-looking management of headcount, and a policy of evaluation and development of technical and managerial skills.

From 2013, the Latécoère Group will have an HR information system for all of its businesses and subsidiaries.

Analysis of the headcount by division



7.1.2.3 Lifelong Training

Placing employment at the heart of its values involves a preferred access to lifelong training. That is why the company has several internal Training Centers: at Latecoere Do Brasil, at SEA in Tunisia, in France at LATecis, and soon in Gimont.

LATECOERE Group	2012
% of the Group Payroll dedicated to the training	2,07%
Training hours	63 560
Number of trained employees	3 941
Number of trained employees - Men	2 259
Number of trained employees - Women	467

Training activities are designed to adapt employees to their changing needs, whether in technical training, languages or management, for example.

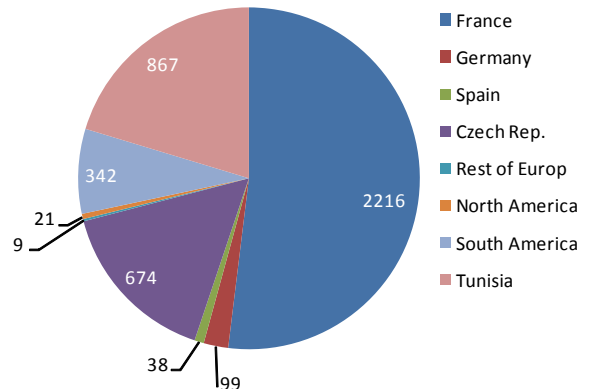
Training activities also aim to respond to employees' expectations of career development or personal development:

- In Brazil, half of the tuition is financed for employees who wish to take evening training courses
- In France, through the Social Promotion of Work base system (evening classes) and non-vocational training modules
- Still in France, through the making available to Latécoère managers of management workshops ("Ateliers du Management"). Managers have the opportunity to attend workshops on the basis of the topics treated (emotional intelligence, leadership, manage Generation Y, etc.)

7.1.2.4 Work Safety

Nobody should be harmed because of his work. It is based on this simple principle that an ambitious project to improve work safety was implemented.

Analysis of the headcount by country



A steering committee, a Project group, and the support of an outside firm are the pillars for strengthening adherence, involvement and the contribution of all of the personnel.

A review of the state of Health and Safety in the Workplace (SSE) was realized in 2012 through a diagnosis, the assessment of occupational hazards and an analysis of the environment. In addition, a health and safety in the workplace policy was developed, and its deployment was initiated, notably through the training of the project team on this topic and the launching of communication actions.

Indicator	Latécoère	Letov	LdB	LATElec	LATecis
Frequency rate *	14,9	10,84	6,37	4,49	5,97
Severity rate *	0,62	0,22	0,04	0,33	0,06

(*) The frequency rate is the number of work accidents with lost time multiplied by 1,000,000 and divided by the number of hours worked; the severity rate is the number of compensated days multiplied by 1,000 and divided by the number of hours worked.

Next Steps

In 2013, Latécoère will implement the Health Safety Environment action plan through actions of informing, awareness raising and training for all personnel on the requirements of the OHSAS 18001 standard.

7.1.3 The Labor Dialogue

7.1.3.1 A Corporate Culture

At Latécoère, the corporate culture is built on labor dialogue in each of the Group's companies. The labor relations model is based on consultation.

A briefing is given to employees once or twice a year in each of the subsidiaries. Following the presentation made by Senior Management, the floor is freely given to employees, who may ask any questions that they wish.

The labor unions benefit from open and constructive discussions and exchanges with the Human Resources Management, the Senior Management, and the Supervisory Staff. They participate in the definition of organizations beyond the simple legal obligations.

In 2012, eight collective agreements were signed within the Group.

7.1.3.2 Employee Shareholding

At Latécoère, employees are the first shareholders. Employee shareholding is thus a strong value of the Company.

At December 31, 2012, employees represented 11.8 % of the capital and 18.2 % of voting rights and have three seats on the Supervisory Board.

This approach has been recognized by the financial community: in 2007, the Latécoère Company won the third prize for Employee Shareholding and in 2009, that for Informing Employee Shareholders.



7.1.4 Diversity and Equal Opportunity

7.1.4.1 Equal Opportunity: Disability

Studies show that employees with a disability expect from work recognition of their value, and their ability to contribute and participate in developing their company. This is exacerbated by the fact that these employees have often had more difficulty than others in accessing employment. Skills and disability are not incompatible, however, far from it.

A structure grouping together Disability advisors has been set up within the company: it groups together a Social Worker, and members of the Occupational Health and Human Resources Departments.

It ensures continued employment, thus in 2011, this network worked successfully on the continuation of employment of an employee, with the assistance of the SAMETH (support service for continued employment).

It also ensures the recruitment of disabled employees. As an example, Latécoère recruited seven disabled persons. LATecis continues to commit to diversity and implements employment and training actions in favor of so-called "priority" publics. Thus, it recruited, with a vocational training contract at the end of it all, a senior, unemployed person declared to be a disabled worker following an occupational disease. This action was undertaken with success in partnership with the French unemployment office ("Pôle Emploi"), the Fund Management Organization for the Professional Integration of People with Disabilities ("Agefiph") and

the accredited fund-collecting agency whose role is to develop vocational training in enterprises ("OPCA") of the sector.

LATECOERE Group	2012
Number of disabled employees	85

This structure of disability advisors ensures solidarity actions in favor of sheltered workshops.

"This year, Latécoère is participating in the financing of the L'Arche community of Toulouse, an Establishment and Service of Assisted Employment (ESAT). This will help to promote the accession of people with disabilities taken in, to an occupation, to more autonomy and thus to a true social and professional insertion". Arnaud Perrin, Disability advisor, a member of the Latécoère Human Resources team.

7.1.4.2 Employment of Women

Although the aeronautical sector is historically a man's world, the company is progressing in order to improve working conditions and promote equal opportunities between men and women.

In 2011, the Latécoère Group signed the "Réseau-lement Egalité" charter of the association by the same name, which works for the equality of women and men in the French department of the Gers with the objective of promoting the recruitment of women in the aeronautical trades.

The agreements in the matter of equality of women and men in the workplace relate to four work areas:

- Private life -- work life balance
- Employment and remuneration
- Training
- Promotions and career path

LATECOERE Group	2012
Employment of Women (%)	32%

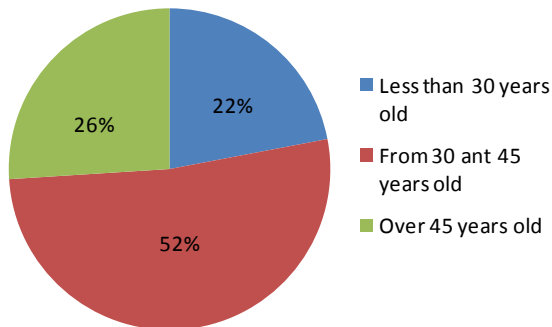
"Management listens to us on issues of equality and diversity. We will be vigilant so that this subject leads to a groundbreaking agreement" Laure Matignon, CFE-CGC union representative.

Next Steps

In the private life-work life balance area, Latécoère plans to develop a charter of best practices for meeting schedules.

7.1.4.3 Employment of Seniors

Analysis of the headcount by age



At LATECOERE, capital in the form of the knowledge of seniors is considered as an asset for the company. It is in this spirit that a Senior agreement was signed in 2009.

It provides for actions to promote access to training, internal mobility, the development of tutorship, careers, situations of arduousness and recruitment. In short, actions related to the agreement are an additional source of motivation for the second half of the Career.

A monitoring of the implementation of the actions is planned and presented annually to the social partners.

A Senior advisor was appointed to support these actions and to ensure that they are followed by tangible effects.

At Latécoère, seniors are offered the chance to carry out skills assessments and nearly half of them seize the opportunity to do so.

7.1.4.4 Equal Opportunity: Diversity

To respect and to promote the principle of non-discrimination in all its forms and in all stages of human resource management is part of the company's values.

By these actions, the group seeks to reflect the diversity of the French society and its particular cultural and ethnic diversity in the workforce and different skill levels.

The company's employees are aware that they have everything to gain by banishing from their work attitudes insidious -- and perceived as trivial -- forms of discrimination in the workplace.

As early as 2007, the company signed the Diversity Charter, in favor of diversity and against discrimination.



Awareness-raising actions as to the stakes of non-discrimination and diversity were conducted among

managers and employees involved in recruitment and the training and management of careers.

Next Steps

With that same desire to combat discrimination and to commit to diversity, LATElec will use the recruitment by simulation method on an experimental basis, the need being to reinforce its teams in an employment pool facing a shortage of cable fitters. This method allows for the selection of candidates by testing their skills using practical exercises, rather than relying on the analysis of a résumé. Teams will mobilize themselves in 2013 with the French unemployment office in order to develop the test associated with the cable fitter trade.

7.1.5 Our Civic Commitment

7.1.5.1 Youth

Too many young people in the world grow up in an environment that confronts them with major challenges on the road to adulthood.

Faced with changing times, the LATECOERE Group believes it is necessary to help turn these young people into responsible and supportive women and men, who are well integrated into their environment.

Its commitment with DYNAMECA, the Production School of the Toulouse ICAM School of Engineering, dedicated to integrating young people, reflects the same desire.

LATECOERE Group	2012
Number of school and university trainees	357

Next Steps

In 2013, as part of the "Classe en entreprise" project, Latécoère will host for three days on its premises a ninth grade class, which will follow a course on the company's premises and benefit from this in order to discover four of our trades. The objective is multiple but it allows, among other things, to give middle school students a clear vision of the workplace and the trades that await them.

By rewarding its employees who donate blood with "Vitalpass" vouchers, the Czech subsidiary expresses its pride and gratitude towards employees who show solidarity.

By participating in actions for the disadvantaged infants in Brazil, the Group's employees are proud to participate in solidarity actions.

"We went to celebrate Christmas in the "Maria de Nazaré" Center of Jacareí to bring gifts to disadvantaged children under four years of age. It was an unforgettable moment for everyone." Isabel Pereira, Head of HR of Latecoere Do Brasil.

7.1.5.2 Promoter of a humanist management

The Latécoère Group bets on the long-term opening of its Management.

Pierre Burello, its Head of HR, is the Chairman of GERME, Groupes d'Entraînement et de Réflexion au Management des Entreprises), which is a national network for managerial perfection for executives or business leaders (very small businesses). GERME has 1300 members in France today.

The Latécoère Group thus contributes to the improvement of management practices of French companies, whatever their size or their business.

In 2011, the GERME association was the winner of the Humanist Management Prize (Prix du Management Humaniste), awarded by the Académie des Sciences Morales et Politiques.

In addition, a number of personal initiatives are developing within the Group and are encouraged, such as, for example, the collection of eyeglasses for the benefit of the Congolese population.

An Ethical Charter has been in place for several years within the company to explain the social values that lead it. The Group is committed to not having recourse to child labor, to condemn and to prohibit itself from resorting to any form of forced or compulsory labor. It also recognizes the principles of freedom of association, protection of the right to organize and collective bargaining in its midst.

7.1.5.3 Our Civic Involvement

Whether in France, in Tunisia, in the Czech Republic or in Brazil, the Latécoère Group remains alert to be integrated into its environment. Its objective is twofold: to be involved in civic life and support associations that advance society towards greater solidarity.

By seconding staff to the Aerospace Valley competitiveness cluster, the company makes its expertise available for collaborative projects among SMEs, laboratories and universities.

By teaching in schools (INSA, Université Paul Sabatier, SUPAERO, etc.) or participating on their boards of directors (ICAM, ESTACA, and the Aircraft Producer Association), the group's employees donate their time and expertise to help train the young.

By being an initiator of the creation of the GITAS (Groupement des Industries Tunisiennes Aéronautiques et Spatiales) in Tunisia, the Latécoère Group has contributed to promote exchanges, cooperation and synergies among the companies of the aeronautical and space sector established in Tunisia.

7.1.5.4 Sub-contracting & Suppliers

In 2010, Latécoère signed the Charter governing relations between the major manufacturers and the SMEs. Through ten commitments to responsible purchasing this charter defines a set of principles involved in building a balanced and sustainable relationship between major manufacturers and SMEs, particularly concerning:

- Financial equity
- Collaboration between major manufacturers and SMEs
- Control of dependency rates
- The role of major manufacturers in their industry
- Sustainable development impacts and territorial responsibility

Moreover, the group's Legal Department's mission is to integrate the new social and environmental requirements in the General Terms and Conditions of Purchase used by the company and its subsidiaries. Thus, our subcontractors and suppliers are asked to pay special attention to the ethical, health and safety, and waste management regulations, and the Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH).

7.2 Environmental Responsibility

The LATECOERE Group operates in sectors of activity (Aerostructures and Interconnection Systems) that have a limited environmental impact and pose no major risks to the environment. However, the LATECOERE Group wanted to integrate the preservation of the environment dimension into its activities and is committed to this in an environmental management initiative. Of the Group's twelve production sites, five sites have obtained the ISO 14001 certification, and five others have begun the process in order that their organization meets the requirements of that standard.

In 2011, as part of the extension of its environmental involvement, the LATECOERE Group commissioned an assessment mission on the consideration of environmental aspects in the various businesses and sites of the Group. The findings of this report show that the Group assimilates the identified risks associated with its activities, and is constantly trying to reduce their potential impacts on the environment. Some means for improvement have, however, been identified, and their implementation by the Group has been undertaken.

The LATECOERE Group continues actions enabling it:

- to assimilate changes in laws and regulations applicable to the businesses of the various sites;
- to assess its level of compliance, and to take the necessary measures to comply with these requirements;
- to preserve resources and the natural environment, in particular by favoring energy savings, and the most efficient consumption of chemical products and natural resources;
- continuously to improve prevention of the potential environmental impacts relating to its activities.

7.2.1 General Environmental Policy

The LATECOERE Group decided to implement an environmental policy characterized by the establishment of a certification process and application of the ISO 14001 standard in most of the subsidiaries and sites of the Group. This approach includes the establishment of an environment function for the various operational sites of the Group. The Liposthey site obtained the ISO 14001 certification in 2012. It thereby joined the four other sites (Gimont, Labège, Colomiers and Sainte-Foy d'Aigrefeuille) that previously obtained their certification. These sites represent the three businesses of the Group, which are grouped together in the Aerostructures, Interconnection Systems and Engineering and Services divisions. In order to continue and generally apply the efforts undertaken, five other Group sites have begun the process of implementing an ISO 14001 environmental management system. These are the Jacarei (Brazil), Prague (Czech Republic), and Périole (France) sites, as well as the two Tunisian sites (Chargia and Fouchana). For the Jacarei and Prague sites and the Tunisian sites, compliance in relation to

requirements for the standard will be carried out during 2013 with a view to certification in 2014. For the Périole site, compliance shall be carried out during 2013 and 2014. It should be noted that the Prague site is classified IPPC (Integrated Pollution Prevention and Control), which positions it at a very high level of requirements and environmental monitoring by the relevant authority.

The LATECOERE Group is determined to continue actions enabling it to ensure the continuous improvement of its environmental performance. The establishment of procedures to control emergency situations to prevent negative impacts in the event of an accident is widespread on sites where the potential for environmental impact is assessed as high.

So as to establish an environmental management system locally, the LATECOERE Group has created the function of environmental manager on its major sites. This first step has helped structure actions at sites to control environmental impacts linked to their operation.

As a result of the 2011 environmental audit, the LATECOERE Group decided to have a central coordinating structure to improve the alignment of activities to the environmental strategy of the Group, provide regulatory monitoring, and promote the exchange of good practices in the Group.

Five sites have implemented participatory organizations, based on information and training to all their employees, to ensure environmental management over the long term, and ensure a good overall management around operating activities.

This organization is deployed unevenly on all other sites and the Group wishes in the future to develop generally these training and awareness raising initiatives regarding environmental issues. The objective has been set to deploy this training and information in five other Group sites from now until the end of 2013.

The LATECOERE Group regularly conducts a fire risk assessment. By this action, the Group limits the risk to the environment.

Other measures directly related to the environment are deployed or being deployed. This is particularly true of measures taken in the context of the European Regulation REACH on chemical substances and preparations.

The Group uses products, items or materials containing substances known as being "of very high concern" under the REACH Regulation, internally (mainly in Prague), and through qualified suppliers. The elements that the Group delivers are destined to be incorporated into aircraft, and most of the time its customers impose on it the materials and processes that must be used,

leaving very small room to maneuver for changes. With monitoring of regulatory developments performed by an outside body, the LATECOERE companies, after having identified the presence of these substances in articles delivered, set up a traceability of these chemical substances, incorporate the constraints to the use of certain chemical preparations in their manufacturing processes and products, may have to manage obsolescence or the banning of a substance, and its potential substitution by other authorized substances with the consent of their customers, and if necessary inform the European Chemicals Agency (ECHA), as well as their customers.

7.2.2 Sustainable Use of Resources

The materials and processes used by the LATECOERE Group are largely defined by the customers and allow little additional savings. However, Group initiatives have

helped to limit the use of resources such as the ordering of prefabricated or preformed plates from the suppliers of metals, which limited the production of shavings.

Water and energy consumption are monitored through annual reports, some of which, depending on the site, are provided to the competent administrations.

Water consumption is overall controlled on all Group sites. The trend shows a decrease in consumption over the last two years, and this trend is particularly significant on the Périole site where water consumption was reduced by two-thirds. The overall water consumption of the Group was 56,500 m³ in 2013. The supply was not subject to local constraints this year. The table below shows the evolution of water consumption over the past two years for all the sites. It should be noted that the consumption of the Aerostructures division represents more than 70% of the Group's total consumption.

	Aerostructure				Engineering & Services	Interconnexion Systems						Total
	Toulouse	Gimont	LdB	LLV	Ste Foy	Tarbes	Liposthey	Labège	Colomiers	Le Cres	SEA (Chargia + Fouchana)	
Water consumption in m ³												
2010	12 194	3 863	10 400	13 000	1 400	450	760	1 500	325	1 200	9 870	54 962
2011	14 989	3 978	13 554	11 800	1 245	409	762	3 370	670	1 049	10 113	61 939
2012	14 288	3 900	10 358	12 700	811	463	699	3 112	650	1 033	8 512	56 526

Energy consumption is down overall by around 12% between 2010 and 2012. However, it will be essential, at the level of the various business lines, to identify the correlation between energy consumption and production capacity. In total, the Group consumed 22.67 million kWh in 2012.

	Aerostructure				Engineering & Services	Interconnexion Systems						Total
	Toulouse	Gimont	LdB	LLV	Ste Foy	Tarbes	Liposthey	Labège	Colomiers	Le Cres	SEA (Chargia + Fouchana)	
Energy consumption in million kWh												
2010	11,61	3,02	1,37	5,5	0,71	0,32	0,59	0,92	0,2	0,6	0,92	25,76
2011	7,56	1,49	1,65	6,55	0,5	0,4	0,55	0,84	0,19	0,53	1,52	21,78
2012	7,29	1,36	1,70	7,35	0,55	0,41	0,51	0,85	0,19	0,54	1,92	22,67

It appears that the Aerostructures business represents 78% of Group consumption and is thus much more energy-intensive than the other businesses.

The Périole site has also, without considering the effects of production, reduced its energy consumption by 37% between 2010 and 2012, after a 20% reduction between

2008 and 2010. The potential for decrease is considered as low for the other sites, which are relatively new.

The optimization of the use of the surface area of sites is a subject both for the business model and environmental management. The economical use of land is integrated into the Group's strategy for rationalizing sites.

Generally, sites are densely built, in an effort to optimize the space used for production. The Group is trying to be economical in the use of land, and thus limit its impact on the building up of land. Excluding the Gimont site, which constitutes a land reserve for the Group, on average 50% of land is occupied by buildings. The overall space used for all of its businesses is 359.000 m². There have been no significant changes in floor space during 2012.

7.2.3 Pollution and Waste Management

As for the recycling of waste, all the sites participate in the initiative and have implemented a selective sorting collection system. However, there is a quantification effort to be made on numerous sites. This will involve the intervention of the central environmental group structure that will define the parameters to take into account and the materials to follow.

The European sites, classified either under Classified Installations for Environmental Protection or IPPC, have a legal obligation to monitor their emissions of VOC (volatile organic chemicals) at the level of the production process. Thus, as a function of the findings of the different audits and the trends identified, the Group looks for the most effective solutions to implement in order to reduce emissions.

7.2.4 Contribution to the Adaptation to, and the Fight against Global Warming

The Group is at the beginning of the definition of its strategy for adapting to climate change. Over recent

years it has given priority to reducing greenhouse gas emissions by adapting its manufacturing base.

The main source of greenhouse gas emissions in the LATECOERE Group is related to its energy consumption. Thus, preference was given in recent years to reducing consumption on the oldest site (the Périole site), which showed significant potential for improvement. The reduction of energy consumption on this site of about 50% in four years has reduced the Group's overall consumption by about 20% and thereby contributed to reducing the emission of greenhouse gas. The choice of a supply of natural gas for the Périole site's energy needs also has a positive effect with regard to emissions. This observation will be verified in the future by establishing a correlation between energy consumption and the site's production.

On the other hand, in 2012 the LATECOERE Group conducted a review of greenhouse gas emissions for its French sites. This review focused on emissions for 2011 and concerning scopes 1 and 2 detailed in Article 75 of Act No. 2010-788 of July 12, 2010. The synthetic review of greenhouse gas emissions is presented below. It shows proportionally very high emissions for the Interconnection Systems division. These high emissions are explained in particular by a very large percentage of fugitive direct emissions (34% of total emissions compared to 5% for Aerostructures and Engineering and Services). This abnormal proportion of fugitive emissions was analyzed: it is primarily attributable to significant breakdowns in the Colomiers and Liposthey establishments during the reporting period. The necessary repairs have since been carried out.

	Aerostructures		Engineering & Services	Interconnection Systems					TOTAL
	Toulouse	Gimont	Sainte Foy	Tarbes	Liposthey	Labège	Colomiers	Le Cres	
Greenhouse Gas Emissions (T Eq Co2)									
2011	547,7		103,4	75,4	125,0	127,2	115,7	109,3	1 203,6

Given the interest of these analyses, the LATECOERE Group intends to extend these measures to the non-French Group sites and, in 2013, will analyze which means should be implemented to collect the elements serving as a basis for this evaluation.

As for the consideration of the impacts of climate change, on first approach, the activity of LATECOERE on its sites itself does not enable the identification of major indications regarding needs to adapt. In particular, the sites are not located in flood zones.

At the level of its business, the Group is obviously sensitive to the issue since its customers and the professional associations to which it belongs have made the adaptation to climate change one of the main stakes for progress in the years to come.

7.2.5 Protection of Biodiversity

None of the Group's sites is located in a specifically protected natural area, in particular Natura 2000 as regards the European sites, or in the immediate vicinity of such an area. Thus, priority actions are oriented around the operation of sites to continuously decrease the industrial impact on the environment and therefore also on biodiversity, more broadly.

The impact of the Group's activities on biodiversity is analyzed on first approach by its industrial emissions and land use. The sites which discharge the most wastewater signed waste agreements with sewage treatment plants for a better processing of their wastewater in the treatment before the introduction of the treated wastewater into the natural environment.

Thus, strengthened by the analysis made on the risks to the environment, the Group has not found it necessary to establish provisions and guarantees.

8 INFORMATION ON THE COMPANY, CAPITAL AND SHAREHOLDERS

8.1 Information about the Issuer

Company Form

The LATECOERE Company was organized as a French corporation ("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 bylaws, 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 bylaws).

The Company's activities are subject to French law.

Name (Article 2 of the bylaws)

The Company is referred to as LATECOERE.

Purpose (Article 3 of the bylaws)

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 bylaws)

The registered office of the Company is at 135 rue de Périole, Toulouse, Haute-Garonne, France.

Duration (Article 5 of the bylaws)

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 bylaws)

The fiscal year begins on January 1 and ends on December 31.

Secondary Office

Zone artisanale La Fourcade, 32200 Gimont, France

Rights and Obligations Attached to the Shares (Article 13 of the bylaws)

The possession of a share includes, by rights, adherence to the bylaws 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 that 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 bylaws)

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 bylaws)

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 and Crossings of Thresholds (Article 9 of the bylaws)

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% of the share capital or of voting rights of the Company, 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 (whether upward or downward), of each threshold of the share capital or of voting rights of the Company containing the fraction of 1%, beyond the statutory threshold of 5%. We note that the calculation of the above-mentioned fractions of the share capital or of voting rights of the Company will be made in accordance with the provisions of the French Commercial Code relating to the calculation of holding disclosure thresholds.

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 bylaws)

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 that 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 bylaws)

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

The general meeting may allocate to the members of the supervisory board, in remuneration for their activity and in the form of an attendance fee, a fixed annual sum that the general meeting determines without being bound by provisions in the bylaws or previous decisions. The amount of it is charged to operating expenses and is maintained until further notice. 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 bylaws, of a charter or regulation could have as its effect the delay, deferral, or prevention of a change in control.

Information on Holdings

No significant acquisition of a holding, within the meaning of Article L. 233-6 Commercial Code, occurred during 2012.

8.2 Information about Capital

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

(9,323,754) shares of common stock with a par value of TWO EUROS (€2) each.

The capital of the company is fully paid-up at December 31, 2012.

8.2.1 Share Capital at December 31, 2012 (Article 8 of the bylaws)

The authorized capital was EIGHTEEN MILLION SIX HUNDRED FORTY-SEVEN THOUSAND FIVE HUNDRED EIGHT EUROS (€18,647,508). It is divided into NINE MILLION THREE HUNDRED TWENTY-THREE THOUSAND SEVEN HUNDRED FIFTY-FOUR

8.2.2 Unissued Authorized Capital

Currently, there is not any delegation of authority to the Management Board in order to proceed with increases in capital.

8.2.3 Potential Share Capital

Bonds Convertible in Shares

The bonds convertible in shares are convertible at any time between January 2, 2012 and July 30, 2015, the date on which the convertible bonds mature. The conversion price is €10.0 per LATECOERE share.

In 2012, 695,996 bonds convertible in shares were converted. At December 31, 2012, the number of bonds convertible in shares was 2,164,004 compared to 2,860,000 at December 31, 2011.

Share Warrants

Share warrants ("BSA") having been issued simultaneously with the convertible bonds.

On July 29, 2010, these share warrants were admitted to trading on the Euronext Paris market under the ISIN code FR0010910562. Each share warrant gives a right to subscribe to one new share at a fixed price of €10 per new share. The theoretical number of share warrants at December 31, 2012 was 4,287,237 on the basis of the total number of LATECOERE Company shares reduced by the number of treasury shares.

In 2012, 17,761 share warrants (BSA) were exercised.

8.2.4 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		
Fiscal year 2008				
None			17 219 994	8 609 997
Fiscal year 2009				
None			17 219 994	8 609 997
Fiscal year 2010				
None			17 219 994	8 609 997
Fiscal year 2011				
None			17 219 994	8 609 997
Fiscal year 2012				
Bonds converted	1 391 992	5 567 968	1 391 992	695 996
Share purchase w warrant issued	35 522	142 088	35 522	17 761
TOTAL	1 427 514	5 710 056	18 647 508	9 323 754

No company controlled by LATECOERE has notified of any holding of the latter's capital. To the issuer's knowledge, no shares have been entered in a pledged financial instruments account.

8.2.5 Treasury Stock

At December 31, 2012, the LATECOERE Company held 10,621 (0.11%) of its own shares. The table below summarizes the movements on the treasury shares during 2012.

<i>Number of shares</i>	Dec 31, 2011	Acquisitions	Disposals	Dec 31, 2012	% of ownership
LATECOERE Shares	13 975	237 770	241 124	10 621	0,11%
<i>('000 EURO)</i>	Dec 31, 2011	Acquisitions / Provisions	Disposals	Dec 31, 2012	Average purchase price
LATECOERE Shares	123,6	2 086	2 129	80,2	7,55

8.2.6 Information Relating to the Share Buyback Program

8.2.6.1 Prior Program Report during 2012

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: 237,770
 Average purchase price: €8.77

Number of shares sold: 241,124
 Average sale price: €8.79

Total amount of commission fees: 0

Number of shares registered at the closing of the year: 10,621

Value determined at the purchase price: €93,180
 Nominal value: €21,242

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.

8.2.6.2 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 on May 24, 2013.

Prior Program report at 2/28/2013

The declaration of operations realized with respect to its own shares from 3/01/2012 to 2/28/2013 appears as follows:

	Total gross flow (1)		Position open at the beginning of the	
	Purchases	Sales / transfer	Position open on purchases	Position open on sales
Number of shares	287 562	281 121	Néant	Néant
Average exercise price	8,70	8,64		
Amount	2 502 592	2 429 170		

(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.

8.2.6.3 Breakdown by Objectives of the Shares of Capital Held at February 28, 2013

Number of shares held directly and indirectly: 10,912 representing 0.1% 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%

8.2.6.4 Proposed Share Buyback Program

- **Approval of program:** General Meeting of May 24, 2013
- **Relevant Shares:** common stock

- **Maximum percentage of capital for which buyback is approved:** 10% of the Company's capital, or as an indication, and without taking into account treasury stock held by the Company, nine hundred thirty-two thousand four hundred seventy-five (932,475) of the Company's shares at December 31, 2012, representing a theoretical maximum number of eighteen million six hundred forty-seven thousand five hundred eight euros (€18.647.508), it being noted that this limit applies to an amount of the Company's capital which will, if applicable, be adjusted to take account of transactions affecting the capital which occur after the General Meeting.
- **Maximum purchase price:** €20
- **Maximum amount of the program:** €18,647,508
- **Terms:** The acquisition of the Company's shares may be realized at any time, excluding periods of public offerings of the Company's capital, and by any means, on any market, off the market, by private sale, including by acquisition of blocks of shares, through the use of optional mechanisms or through the use of other forward financial instruments traded on a regulated stock market or by private sale, potentially by any third party acting on behalf of the Company in accordance with the provisions of the last paragraph of Article L. 225-206 of the French Commercial Code.
- their remittance following the exercise of rights attached to financial securities giving a right by repayment, conversion, exchange, presentation of an obligation or any other manner to the allocation of shares of the Company;
- the implementation of (i) share purchase option plans, (ii) share bonus issue plans, (iii) employee shareholding transactions reserved to members of a company employee shareholding plan realized in accordance with Articles L. 3331-1 et seq. of the French Labor Code ("Code du travail"), by the sale of shares previously acquired by the Company in connection with this resolution, or in which provision is made for a bonus issue of such shares in connection with a subscription in securities of the Company and/or a substitution of the undervalue and/or (iv) allocations of shares benefitting employees and/or managing corporate officers of the Company and/or companies that are affiliated with it, according to applicable legal and regulatory provisions; and/or
- the animation of the market of shares of the Company through a liquidity contract consistent with a charter of deontology recognized by the Financial Markets Authority ("AMF").
- **Duration of program:** 18 months from the General Meeting of May 24, 2013.

The objectives are as follows:

- their cancellation, subject to the approval of the twentieth resolution submitted to this General Meeting;
- the retention for the remittance of shares of the Company for exchange or in payment in external growth transactions, in accordance with recognized market practices and applicable regulations;

8.2.7 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.

8.3 Information about Shareholders

8.3.1 Analysis of the Shareholders and Voting Rights

	Dec 31, 2012		Dec 31, 2011		Dec 31, 2010	
	shareholders %	voting rights %	shareholders %	voting rights %	shareholders %	voting rights %
Employees	11,8%	18,2%	12,9%	19,0%	12,4%	17,2%
PRIGEST	9,0%	8,0%	9,7%	8,5%	9,3%	8,3%
FINANCIERE DE L'ECHIQUIER	5,0%	4,4%	0,0%	0,0%	0,0%	0,0%
TIKEHAU	4,5%	8,0%	0,0%	0,0%	0,0%	0,0%
ALURA	3,2%	2,8%	0,0%	0,0%	0,0%	0,0%
MONETA	3,2%	2,8%	0,0%	0,0%	0,0%	0,0%
SALVEPAR	0,0%	0,0%	5,0%	8,8%	5,0%	9,0%
WELLINGTON	0,0%	0,0%	0,0%	0,0%	7,0%	6,2%
Market	63,2%	55,8%	72,4%	63,7%	66,3%	59,3%
TOTAL	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%

***Employees:**

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

FCPE "A":	0.4%
FCPE "B":	10.5 %
Soc. Civ. de la Roseraie:	<u>0.9 %</u>
Total Employees:	11.8 %

At December 31, 2012, 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 2012, the following crossings of thresholds were notified:

- February 29: SALVEPAR:, downward crossing of the 5% of the capital threshold.
- December 20, FINANCIERE DE L'ECHIQUIER, upward crossing of the 5% of the capital threshold

A TPI study performed in January 2013, shows that the Company has close to 12,000 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 the event of a change of the first shareholder of LATECOERE resulting from the entry to the capital of an investor taking a holding 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 LATECOERE 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 LATECOERE Convertible Bonds still in circulation. The amount of the Convertible Bonds outstanding at December 31, 2012 was €21.6 million.

Situation at February 28, 2013

	As of February 28, 2013	
	shareholders %	voting rights %
Employees	11,8%	19,4%
PRIGEST	9,0%	7,8%
FINANCIERE DE L'ECHIQUIER	5,2%	4,6%
TIKEHAU	4,5%	7,9%
ALURA	3,2%	2,8%
MONETA	3,2%	2,8%
Market	63,1%	54,8%
TOTAL	100,0%	100,0%

8.3.2 Other Information

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 bylaws.

A right to double voting rights was conferred to certain of the Company's shares (Article 18 the bylaws). This provision was implemented at the General Meeting of July 20, 1988. We remind you that according to law, the right to double voting ceases for any share which has been converted to bearer status or transferred, except any transfer from registered owner to registered owner following a succession or a family donation.

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 exists no 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 bylaws 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 above.

The voting rights attached to the Latécoère 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.

8.4 Stock Market Data

Number of Shares Listed at December 31, 2012

At December 31, 2012, the Company totals 9,323,754 shares listed, representing 10,562,601 voting rights.

Identification sheet and stock marketplace

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

Share Price Detail

	Highest share price	Lowest share price (closing)	Average price traded	Number of shares
January-12	11,33	9,11	9,94	599 405
February-12	12,30	10,70	11,68	705 308
March-12	11,90	10,64	11,50	708 538
April-12	11,80	8,51	10,02	443 160
May-12	10,02	8,87	9,46	159 862
June-12	9,95	9,01	9,29	136 143
July-12	10,22	9,35	9,60	155 484
August-12	10,03	9,16	9,33	277 228
September-12	9,79	8,88	9,41	208 444
October-12	9,40	8,13	8,57	399 484
November-12	8,23	6,55	7,37	692 174
December-12	7,86	7,26	7,58	333 738
January-13	9,26	7,81	8,78	413 619
February-13	9,18	8,35	8,81	199 200

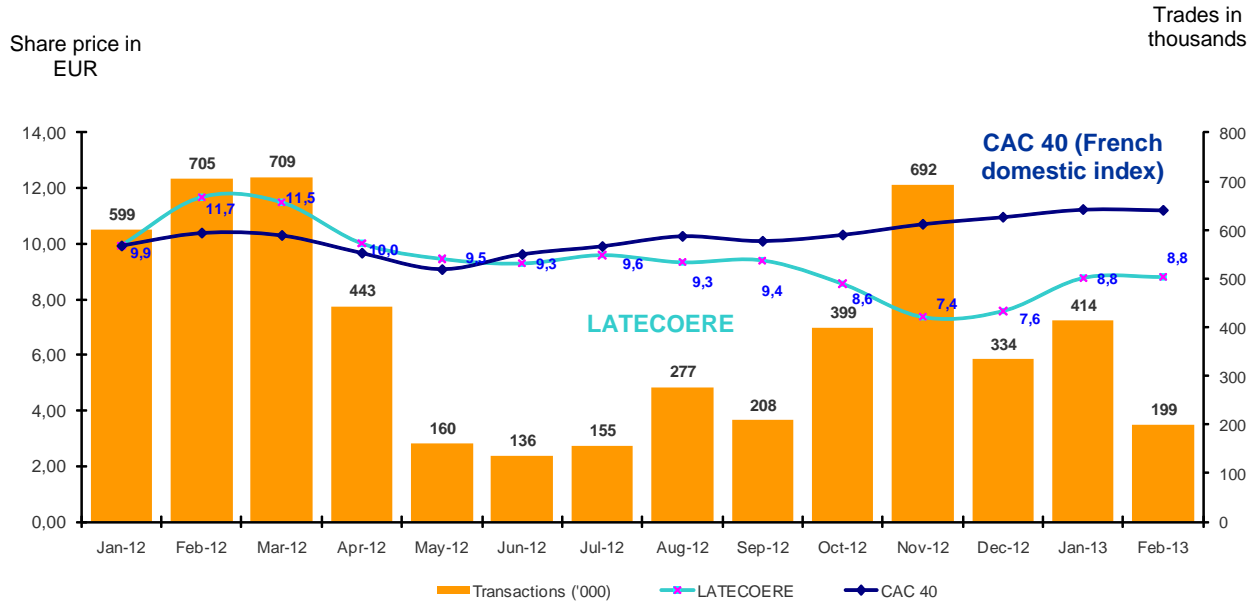
Source: SYMEX Economics SA

Share Warrant (BSA) Price Detail

	Highest share price	Lowest share price (closing)	Average price traded	Number of shares
January-12	3,23	3,10	3,17	27 408
February-12	3,28	3,19	3,28	4 791
March-12	3,28	2,51	3,00	239 347
April-12	3,06	2,11	2,52	161 482
May-12	2,49	2,03	2,20	86 122
June-12	2,29	1,88	2,10	73 173
July-12	2,37	1,90	2,04	93 065
August-12	2,30	1,84	1,98	128 625
September-12	2,10	1,64	1,91	79 990
October-12	1,90	1,47	1,61	177 665
November-12	1,46	0,98	1,10	279 822
December-12	1,20	1,02	1,10	121 276
January-13	1,96	1,08	1,72	199 290
February-13	1,92	1,50	1,72	112 998

Source: SYMEX Economics SA

Share price changes



8.5 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) allowing a direct access to all the Company's general or financial information.

Publication schedule

Ordinary General Meeting: May 24, 2013
First Quarter 2013 Revenue: May 14, 2013
First Half 2013 Revenue: July 25, 2013
First Half 2013 Results: August 30, 2013
Third Quarter 2013 Revenue: October 31, 2013
2013 Annual Revenue: February 2014 (Date to Be Decided)

Director of financial communications

Bertrand Parmentier
Managing Director
Tel.: +33 (0)5 61 58 77 00
bertrand.parmenier@latecoere.fr

9 PERSONS RESPONSIBLE AND STATUTORY AUDITORS

9.1 Person Responsible for the Document

François Bertrand, Chairman of the Management Board, appointed on January 7, 2003 and reappointed on January 6, 2009 for a term of six years

9.2 Statement of the Persons Responsible for the Registration Document

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 Registration Document (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 which appears in 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 financial information presented in the Registration Document has been covered in reports by the Statutory Auditors, which contain observations, appearing in chapter 3.7 of such document concerning the adaptation measures of the plan of financial resources implemented by the Group.

The historical financial information presented in the 2011 Registration Document and the 2010 Registration Document have been covered in reports of the Statutory Auditors, which contain observations, appearing in chapter 3.7 of the 2011 Reference Document and in chapter 3.7 of the 2010 Registration Document.

The Chairman of the Management Board
François Bertrand

9.3 Statutory Auditors

KPMG Audit IS

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 that 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. Gilles Hengoat

Appointed on: 6/10/1983; reappointed on: 6/30/2011

End of their appointment at the end of the Annual General Meeting that will rule on the financial statements for the fiscal year 2016.

Mr. Jean Luc Decornoy

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 that will rule on the financial statements for the fiscal year 2013.

INSTITUT DE GESTION ET D'EXPERTISE COMPTABLE (IGEC)

3 rue Léon Jost, 75017 Paris, France

Substitute Statutory Auditor Represented by Mr. Vincent Papazian

Appointed on: 6/30/2011

End of their appointment at the end of the Annual General Meeting that will rule on the financial statements for the fiscal year 2016.

9.4 Fees Paid to the Statutory Auditors

('000 EURO)	KPMG				GRANT THORNTON			
	Amount		%		Amount		%	
	2012	2011	2012	2011	2012	2011	2012	2011
Audit :								
Statutory audit, certification, review of individual and consolidated financial statements								
- Issuer	178	171	46%	47%	134	128	96%	96%
- Subsidiaries	184	178	47%	49%	5	4	3%	3%
Other engagements and services directly related to the statutory audit engagement								
- Issuer	26	17	7%	5%	1	1	0%	1%
- Subsidiaries	0	0	0%	0%	0	0	0%	0%
Sub-total	388	366	100%	100%	139	133	100%	100%
Other services, if applicable:								
- Legal, tax and labor	0	0	0%	0%	0	0	0%	0%
- Information Technology	0	0	0%	0%	0	0	0%	0%
- Internal Auditing	0	0	0%	0%	0	0	0%	0%
- Other	0	0	0%	0%	0	0	0%	0%
Sub-total	0	0	0%	0%	0	0	0%	0%
TOTAL	388	366	100%	100%	139	133	100%	100%

10 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 registration document ("document de référence"):

- the 2011 consolidated financial statements and the 2011 financial statements, as well as the reports of auditors for the year ended December 31, 2011, appear in paragraphs 3 and 4 of the registration document ("document de référence") for the year 2011 filed with the French Financial Markets Authority (AMF) on April 26, 2012 under number R.12-016;
- 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, 2011 appear at paragraphs 2, 5, 6, 7 and 8 of the registration document ("document de référence") for the year 2011 filed with the French Financial Markets Authority (AMF) on April 26, 2012 under number R.12-016;
- the 2010 consolidated financial statements and the 2010 financial statements, as well as the reports of auditors for the year ended December 31, 2010, appear in paragraphs 3 and 4 of the registration document ("document de référence") for the year 2010 filed with the French Financial Markets Authority (AMF) on June 30, 2011 under number R.11-044;
- 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, 2010 appear at paragraph 2 of the annual financial report for the year 2010 filed with the AMF and on our website dated April 30, 2011.

11 ADDITIONAL INFORMATION

11.1 Documents Accessible to the Public

All legal documents relating to the LATECOERE Company to be made available to shareholders may be consulted at the registered office of the Company. Furthermore, the LATECOERE Group makes available to its shareholders on its website (www.latecoere.fr) a wide range of documents (financial press releases, financial reports, registration documents, presentations to analysts, etc.).

11.2 Publication of the Annual Information

Date	Support	Informations
10-Feb-12	Press release	2011 Revenue
21-Feb-12	Press release	2011 Results : Profitable growth, debt refinanced: a stronger Group
13-Apr-12	Press release	Annual General Meeting dated May, 03 2012 - Share purchase warrant owner
13-Apr-12	Press release	Annual General Meeting dated May, 03 2012
27-Apr-12	Web site and release	Release of the 2011 Registration Document
10-May-12	Press release	2012 first quarter revenue in strong growth +19.9% excluding non-recurring items
18-May-12	Web site and release	2011 final statutory and consolidated Financial Statement
30-May-12	Press release	Latécoère Group opens a production facility in Mexico
27-Jul-12	Press release	2012 H1 revenue + 11.1% excluding non-recurring items
31-Aug-12	Press release	H1 2012 results : In line with guidance
14-Sep-12	Web site and release	Release of the 2012 Half year Financial Report
31-Oct-12	Press release	YTD revenue at September 30 up by 11.7% (excluding non-recurring items)

11.3 Table of Concordance of the Registration Document

EC Regulation no. 809/2004 Annex 1 headings	2012 Registration Document section	Page
1 PERSONS RESPONSIBLE		
1.1 Name and positions of the persons responsible	9.1 Person responsible for the document	156
1.2 Declaration by the persons responsible	9.2 Statement of the persons responsible for the Registration Document	156
2 STATUTORY AUDITORS		
2.1 Names and addresses of the issuer's auditors	9.3 Statutory auditors	157
2.2 Auditors that have resigned	- n/a	-
3 SELECTED FINANCIAL INFORMATION		
3.1 Selected historical financial information	1.1 Key figures	6
3.2 Selected financial information for interim periods	- n/a	-
4 RISK FACTORS	5 Risk factors	99
5 INFORMATION RELATING TO THE ISSUER		
5.1 History and development of the issuer	1.2.1 History of the Group	9
• Legal and commercial name of the issuer	8.1 General information about the Company	144
• Place of registration of the issuer and its registration number	8.1 General information about the Company	144
• Date of incorporation and the length of life of the issuer	8.1 General information about the Company	144
• Domicile and legal form of the issuer, legislation under which the issuer operates, its country of incorporation, and the address and telephone number of its registered office	8.1 General information about the Company	144
• Important events in the development of the issuer's business	1.2.1 History of the Group	9
5.2 Investments		
• Past principal investments	3.6 Note 5 to the consolidated financial statements	48-49
• Principal investments in progress	10 History of the Group	158
• Future principal investments	3.6 Note 5 to the consolidated financial statements	48-49
	2.5 Information on trends	26
	5.3.1 Continuity of Informations Systems	102
6 BUSINESS OVERVIEW		
6.1.1 Nature of the issuer's operations and its principal activities	1.3 The Group's businesses	12
6.1.2 New products	n/a	
6.2 Principal markets	1.3 The Group's businesses	12
6.3 Exceptional factors	2.1.1 The Basic Essentials	18
6.4 Extent to which the issuer is dependent on patents or licenses, industrial contracts or manufacturing processes	2.1.1 The Basic Essentials	18
	1.5 Research and Development	16
6.5 Competitive position	5 Risk factors	99
	1.3 Research and Development	12
7 ORGANIZATIONAL STRUCTURE		
7.1 Brief description of the Group	1.2 Presentation of the LATECOERE Group	9
7.2 List of significant subsidiaries	1.2.2 Group Structure Chart	11
8 PROPERTY, PLANT AND EQUIPMENT		
8.1 Material property, plant and equipment	1.4 Property, plant and equipment	15-16
8.2 Environmental issues	7.2 Environment	140
9 OPERATING AND FINANCIAL REVIEW		
9.1 Financial position	2.1.1 The Basic Essentials	18-21
	2.2 Business of the Parent Company in 2012	22
	2.3 Business of the Subsidiaries and Other Affiliates in 2012	23
	3.6 Note 11.2 to the consolidated financial statements	55
	3.6 Note 14.1 to the consolidated financial statements	59
	3.6 Note 14.2 to the consolidated financial statements	59
9.2 Operating results	2.1.1 The Basic Essentials	18
10 CAPITAL RESOURCES		
10.1 Issuer's capital resources	2.1.2 Additional Information	20
	3.5 Variation of Consolidated Shareholders' Equity	33
	3.6 Note 11 to the consolidated financial statements - Shareholders' equity	55
	5.2.5 Liquidity Risk	101
10.2 Sources and amounts of cash flows	3.4 Consolidated Statement of Cash Flow	32
	3.6 Note 23.2 to the consolidated financial statements - Liquidity risk	64-65
	5.2.5 Liquidity Risk	101
10.3 Borrowing requirements and the funding structure of the issuer	3.6 Note 14 to the consolidated financial statements - Financial liabilities	58
10.4 Restrictions on the use of capital resources	5 Risk factors	99
10.5 Information regarding the anticipated sources of funds	5.2.5 Liquidity Risk	101
11 RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES		
	1.5 Research & Development	16
	2.4 Research & Development cost	26
	3.6 Note 2.10 to the consolidated financial statements	38
12 TREND INFORMATION		
	Message from the Chairmen	5
	2.1.1 The Basic Essentials	18
	2.5 Information on trends	26
13 PROFIT FORECASTS OR ESTIMATES	2.5 Information on trends	26

EC Regulation no. 809/2004 Annex 1 headings	2012 Registration Document section	Page
14 ADMINISTRATIVE, MANAGEMENT, AND SUPERVISORY BODIES AND EXECUTIVE MANAGEMENT		
14.1 Members of the administrative and management bodies	6.1 The Management Board 6.2 The Supervisory Board 6.3.1.1 The Management Board 6.3.1.2 The Supervisory Board	103 108 116 120
14.2 Administrative and management bodies conflicts of interest	6.1.1 Positions and duties 6.2.1 Positions and duties 6.3.1.2 The Supervisory power : the Supervisory Board	103 108 120
15 REMUNERATION AND BENEFITS		
15.1 Remuneration paid and benefits in kind	6.1.2 Remunerations 6.2.2 Remunerations	104 110
15.2 Amounts set aside or accrued to provide pension, retirement or similar benefits	6.1.2.7 Other contractual elements	106
16 BOARD PRACTICES		
16.1 Date of expiration of the current terms of office	6.2.1 Positions and duties	108
16.2 Members of the administrative or management bodies' service contracts with the issuer or any of its subsidiaries	4.6 Auditors' special report on regulatory agreements and commitments	94
16.3 Information about Board committees	6.3.1.2 The Supervisory power : the Supervisory Board	120
16.4 Statement of compliance with the corporate governance regime in force	6.3 Report of the chairman of the supervisory board on corporate governance and internal control	116
17 EMPLOYEES		
17.1 Number and breakdown of employees	7.1 Social Responsibility	135
17.2 Shareholdings and stock options	6.1.2 Remunerations	104
17.3 Arrangements for involving the employees in the capital of the issuer	8.3.1 Analysis of the shareholders and voting rights	151
18 MAJOR SHAREHOLDERS		
18.1 Major shareholders	8.3.1 Analysis of the shareholders and voting rights	151
18.2 Breakdown of voting rights	8.3.1 Analysis of the shareholders and voting rights	151
18.3 Controlling shareholder	8.2 Informations about Shareholders	148-149
18.4 Shareholder agreements	8.3.1 Analysis of the shareholders and voting rights 8.3.2 Other information	151 152
19 RELATED-PARTY TRANSACTIONS	3.6 Note 26 to the consolidated financial statements	68
20 FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES		
20.1 Historical financial information	3.1 and 3.2 State of the consolidated financial situation and consolidated Income Statement	28-30
20.2 Pro forma financial information	- n/a	-
20.3 Financial statements	4 Statutory financial statements of the latecoere s.a. company.	72
20.4 Auditing of historical annual financial information	4.5 Report of the Statutory Auditors on the annual financial statements 3.7 Report of the Statutory Auditors on the consolidated financial statements	92 70
20.5 Age of latest financial information	11.2 Publication of the annual information	159
20.6 Interim and other financial information	- n/a	-
20.7 Dividend policy	8.2.7 Dividend distribution policy	151
20.8 Legal and arbitration proceedings	5.1.5 Legal and Tax Risks 2.1.1 The Basic Essentials 3.6 Note 25.4 to the consolidated financial statements	100 18 68
20.9 Significant change in the issuer's financial or trading position	2.1.1 The Basic Essentials	18
21 ADDITIONAL INFORMATION		
21.1 Share capital		
21.1.1 • Amount of issued capital	8.2.1 Share capital at December 31, 2012 (Article 8 of the by-laws)	148
• Shares not representing capital	- n/a	-
21.1.3 • Shares held by the issuer	8.2.5 Treasury shares	149
21.1.4 • Convertible securities, exchangeable securities or securities with warrants	8.2.3 Potential shares capital	148
21.1.5 • Information about and terms of any acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital	3.6 Note 14.1 to the consolidated financial statements 8.2.3 Potential shares capital	59 148
21.1.6 • Information about any capital of any member of the Group which is under option or agreed conditionally or unconditionally to be put under option	2.6.3 The Basic Essentials 8.2.3 Potential shares capital	27 148
21.1.7 • History of share capital	8.2.4 Change in the authorized capital during the past five years	149
21.2 Bylaws		
• Issuer's corporate purpose	8.1 General information about the Company	144
• Provisions of the issuer's bylaws with respect to administrative, management and supervisory bodies	8.1 General information about the Company	144-148
• Rights, preferential rights and restrictions attached to shares	8.1 General information about the Company	144
• Change in shareholder rights	8.1 General information about the Company	144
• Notice of meeting and admission to shareholders' meetings	8.1 General information about the Company	144
• Change in control	8.1 General information about the Company	148
• Share ownership threshold	8.1 General information about the Company 8.3.1 Analysis of the Shareholders and Voting Rights	145 151
22 MATERIAL CONTRACTS	1.3 The Group's businesses	12
23 THIRD PARTY INFORMATION, STATEMENTS BY EXPERTS AND DECLARATIONS OF INT	- n/a	-
24 DOCUMENTS ON DISPLAY		
	11.1 Documents accessible to the public	159
	11.2 Publication of the annual information	159
25 INFORMATION ON HOLDINGS		
	2.3 Subsidiaries and other affiliates	23
	3.6 Note 3 to the consolidated financial statements	44
	4.4 Note 20 to the statutory financial statements	89



GROUPE
LATECOERE

Siège social - Headquarters
135 rue de Périole - BP 25211
31079 Toulouse cedex 5 - France
Tel: +33 (0)5 61 58 77 00 - Fax: +33 (0)5 61 58 97 38

www.latecoere.fr