GROUPE LATECOERE

2011 Registration document

Annual financial report

CONTENTS OF THE REGISTRATION DOCUMENT

This Registration Document contains all of the items of the Annual Financial Report

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

Visa of the French Financial Markets Authority (AMF)

This document is an unofficial translation of the French "document de référence" (Registration Document) which was filed with the French Financial Markets Authority (AMF) on April 26, 2012 under registration number R.12-016, in accordance with the AMF's General Regulation, and in particular its Article 212-13. This unofficial translation has been prepared by Latécoère for informational purposes only and has not been reviewed or registered with the AMF. The French "document de référence" may be used for purposes of a financial transaction if supplemented with an offering memorandum ("note d'opération") which has received a visa from the AMF. The French "document de référence" was prepared by the issuer and its signatories are responsible for its content. In the event of any ambiguity or discrepancy between this unofficial translation and the French "document de référence", the French version shall prevail. Registration pursuant to Article L. 621-8-1-I of the French monetary and financial code (Code monétaire et financier), was carried out after the AMF verified *"if the document is complete and comprehensible, and if the information which it contains is consistent"*. This doesn't involve the AMF's authentication of the accounting and financial items presented.

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

Growth and profitability, The LATECOERE Group concludes 2011 with good performances, reinforcing its recovery. We have met our objectives, with revenue growth of 23.9% to €575.6 million Euros, an operating margin of 7.8% and a controlled evolution of our debt. These results are due to the mobilization of our teams and their active participation in the streamlining and adapting initiatives undertaken during the past two years.

With an order book that represents more than four years of revenue, the Group fully benefits from the upward cycle of the aeronautical industry thanks, in particular, to strong positions acquired on the major programs launched by the main global aircraft manufacturers over the past decade. We thus reap the benefits of our policy of aggressive investment in research and development alongside the aircraft manufacturers, of which we are first-class partners.

Today we have unique know-how in the production of Aerostructures (aircraft fuselages and doors), and interconnexion systems for which we have expertise over the whole supply chain, from design to industrialization and manufacturing. This recognized expertise drives our services business, which had revenues growing by more than 30% in 2011, and now represents close to 14% of our revenue. Strengthened by these dynamics, we created a subsidiary in Canada in order to accelerate the development of this business in North America.

On the financial level, we reached an agreement with our banks at the end of the year, providing the Group with durable refinancing through syndications, significantly strengthening our balance sheet while reducing the dilution of shareholders. This agreement that was a determining factor puts an end to the period of uncertainty that began at the end of 2009, and ensures that the Group has the means for its growth.

For 2012, revenue growth is of 10% is anticipated, driven by the Aerostructures business, which is well positioned over the entire Airbus family, the Boeing 787 program and Embraer's regional aircraft. The priority will be the management of the ramp up of production rates and cash generation from programs reaching maturity.

2012 will mark a turning point for LATelec with the delivery of the first aircraft elements of the A350 program and the departure of Mr. Roland Tardieu; We salute the work accomplished under the presidency of this "intra-preneur" who created the interconnexion systems business within the Group, structured and developed it, making it number two worldwide in the sector.

Finally, we wanted to express to all of the firm's stakeholders - employees, shareholders, customers, suppliers and financial partners - our confidence in the future. The now-restructured LATECOERE Group is in a good position to capture growth and enhance the value of its industrial platform; more than ever, we are determined to have it play an active role in 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 2009, 2010 and 2011, and established in compliance with the IFRS system of reference as published by the IASB and adopted by the European Union.

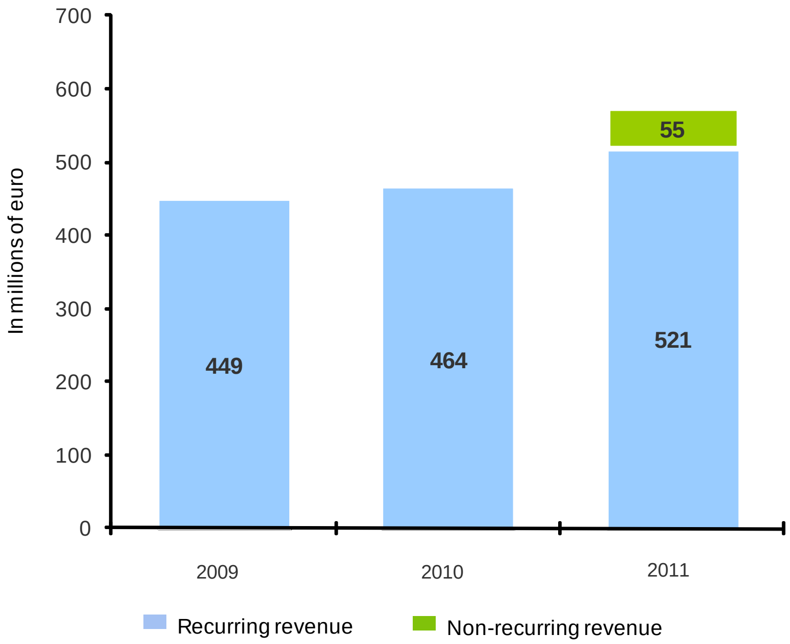
Summary Income Statement

In millions of euros	2011	2010	2009
Revenue excluding non-recurring items	**520,6**	**464,4**	**449,5**
Aerostructures non-recurring items*	55,0	-	-
Revenue	575,6	464,4	449,5
Current operating result	**44,7**	**27,5**	**10,1**
Non-current operating result	-	17,8	**-112,9**
EBIT	**44,7**	**45,3**	**-102,8**
Net financial result	**-43,1**	**-18,3**	**-3,7**
► of which realized gains and losses	-21,0	-10,9	-21,3
► of which unrealized gains and losses	-22,1	-7,3	17,6
Net income (loss) after minority interests	**6,6**	**29,9**	**-91,2**
Net Income (loss) after minority interests excluding unrealized financial result from financial instruments	**20,3**	**37,0**	**-99,1**
Consolidated net financial debt	**368,8**	**350,7**	**359,2**
Shareholder's Equity (Group share)	**169,4**	**170,9**	**143,3**
Shareholder's Equity (Group share) excluding fair value of the unrealized financial instruments	**182,7**	**167,0**	**131,1**

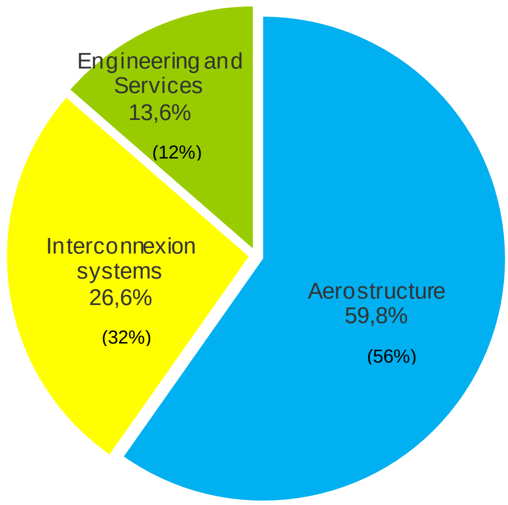
** Non recurring billings of developpment costs in 2011 (Press release - March 22, 2011)*

The LATECOERE Group discloses an aggregate to clarify its operational business: "current operating result". Current operating result reflects operating result excluding significant non recurring items (expenses or income), whose nature is unrelated to the Group's recurring operation and whose value is not predictive. Furthermore, unrealized financial result reflects unrealized potential financial gains or losses not having an impact on cash flow for the relevant year; it is primarily the change in fair value of financial instruments not qualified as hedging instruments.

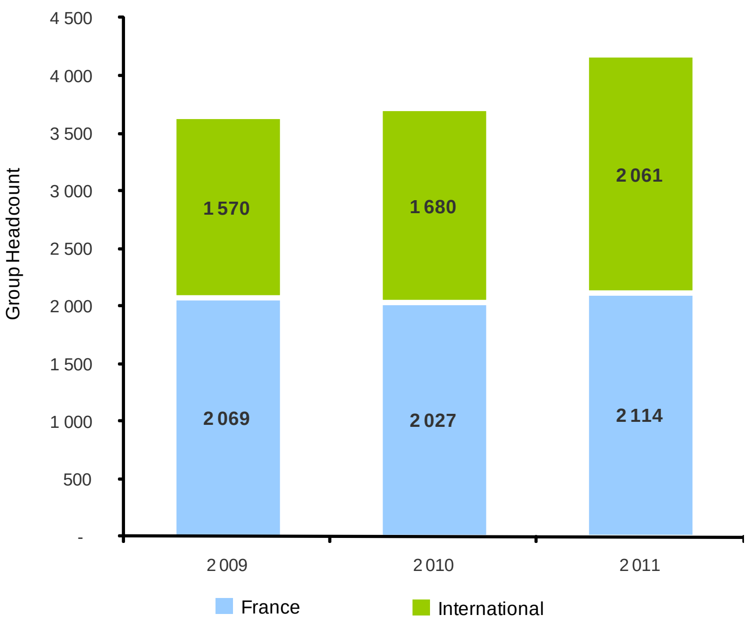
CHANGE IN GROUP REVENUE (In millions of Euros)



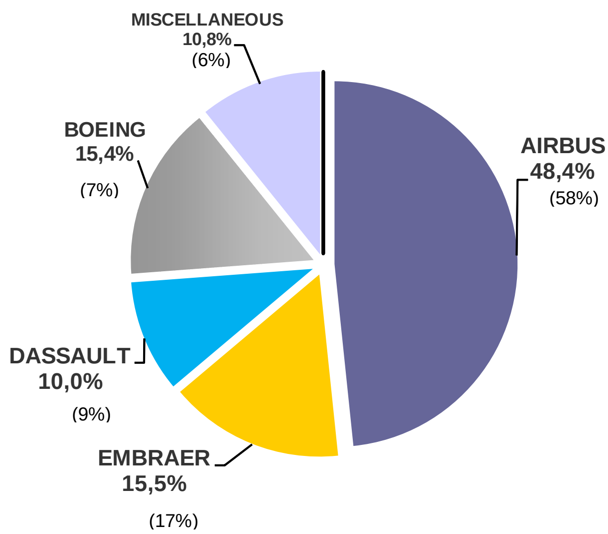
BREAKDOWN OF REVENUE BY BUSINESS IN 2011
(for reference, 2010 date are given in parentheses)



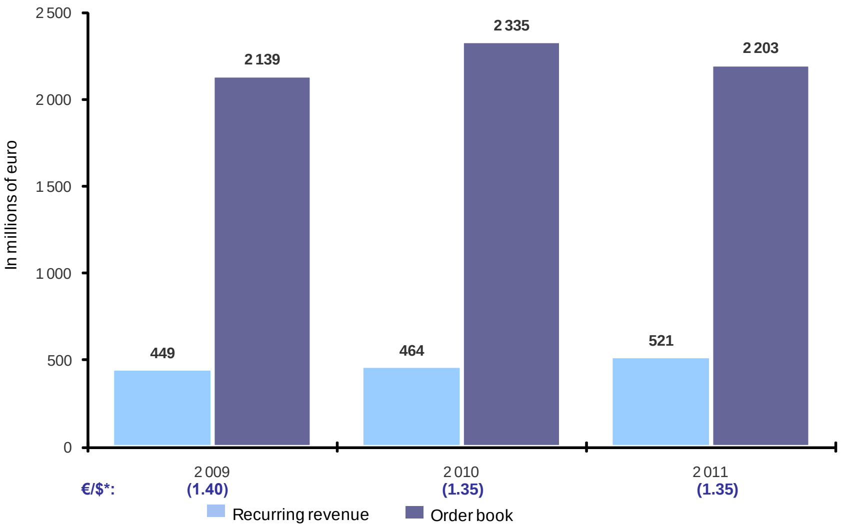
CHANGE IN HEADCOUNT REGISTERED TO THE GROUP (period end headcount)



BREAKDOWN OF REVENUE BY CUSTOMER IN 2011
(for reference, 2010 data are given in parentheses)

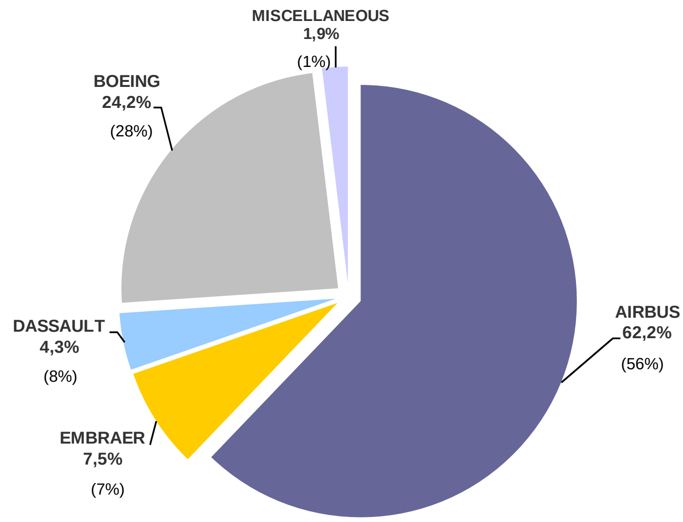


CHANGE IN REVENUE AND ORDER BOOK



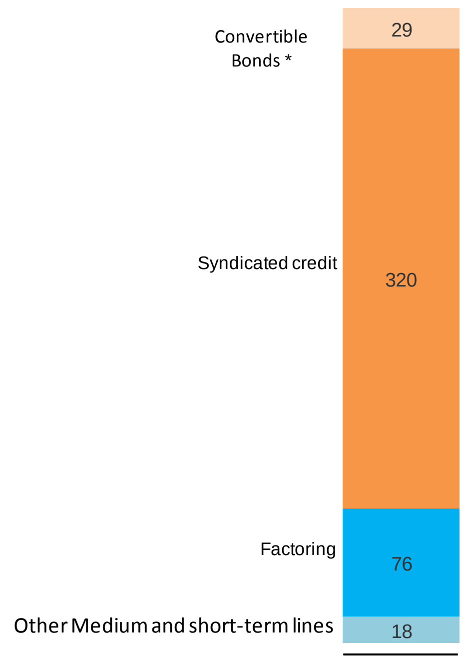
ORDER BOOK BY CUSTOMER AT 12/31/2011

(for reference, 2010 data are given in parentheses)



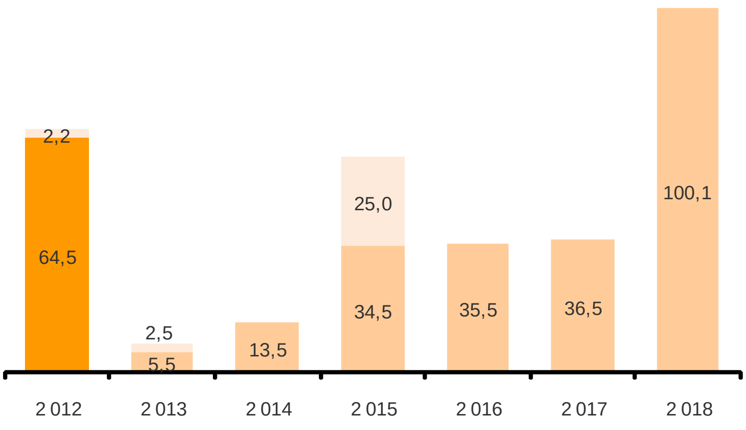
* Annual exchange rate used for the valuation of the order book

FINANCIAL DEBT AT 12/31/2011



∑ Available lines **	=	443 M€
Loan and Bank borrowing ***	[a] =	395,2 M€
Cash and cash equivalent	[b] =	26,4 M€
Net Debt	**[a-b]=**	**368,8 M€**

SYNDICATED CREDIT REPAYMENT SCHEDULE (In millions of euros)



The average maturity of Tranche B is 5.4 years (compared to 2.5 years previously for refinanced bilateral medium-term bank borrowings)
Details of the syndicated credit are set forth in paragraph 2.1.1 on pages 20 and 21, in paragraph 2.1.2 on page 22, in paragraph 2.2 on pages 23 and 24 and in note 14 to the consolidated financial statements on page 61.

* 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, 2011.
*** Loans and Bank borrowing correspond to credit lines drawn at December 31, 2011; all non-factoring credit lines were drawn.

DETAILS OF THE REFINANCING

	Before refinancing		After refinancing
Convertible Bonds	• **€71.5m.** Maturity: 30/07/2012 • Conversion period: 31/07/2012-30/07/2015		• **€28.6m.** Maturity: 30/07/2015 • Conversion period: 02/01/2012-30/07/2015
Medium-term loans	• Bilateral loan agreements amortizable on 4 years for €247.2m	Syndicated loan	• Syndicated loan of **€319.8m** with 3 tranches – Tranche A: €64.5m, one-year amortizing loan – Tranche B: €225.6m, seven-year amortizing loan – Tranche C: four-year revolver for an initial principal amount of €29.7m
Short-term loans	• Overdraft and spot lines for €29.7m confirmed until 30/06/2012	Syndicated loan	
Short-term loans	• Bilateral credit lines (« lignes d'excompte ») for €63.8m confirmed until 30/06/2012 • Diffult drawdown in practice	Factor	• Factoring agreement of €76m for 4 years
Currency hedging	• €/USD Currency hedging until the end of 2013		• Extension of existing currency hedging lines enabling the Group to hedge progressively its exposure to $ risk through the end of 2014
Other financing	• **€18.8m** including leasing		• **€18.8m** including leasing

Financial resources before refinancing = €431m → **Financial resources after refinancing = €443m**

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 which makes men surpass themselves in the name of a common ideal.

1930-1970 The years of diversification. By the end of the LATE 631 program, the French aeronautical industry begins its restructuring around the Dassault Company (military and business aircraft). Civil activities nationalized around the SNCASE, which will later become Sud-Aviation then Aérospatiale

1989 Launching of the employee buyout: 91% of the employees become shareholders of the Company. 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 Grospaud. 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)

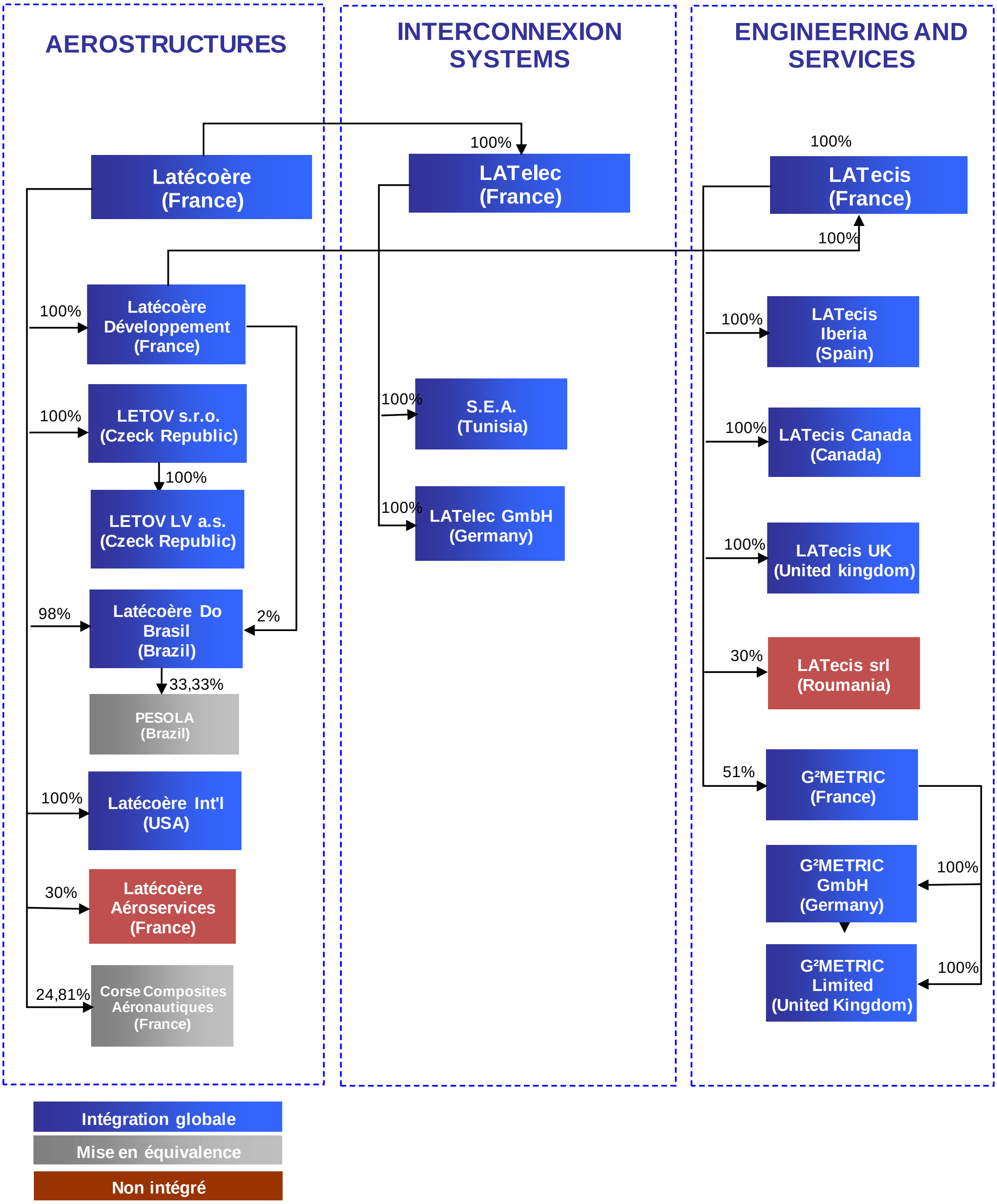
2008 Inauguration of LATelec Services Colomiers. LATECOERE do Brasil: opening of a second building. LATelec opens its second site in Marignane, near Eurocopter.

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.

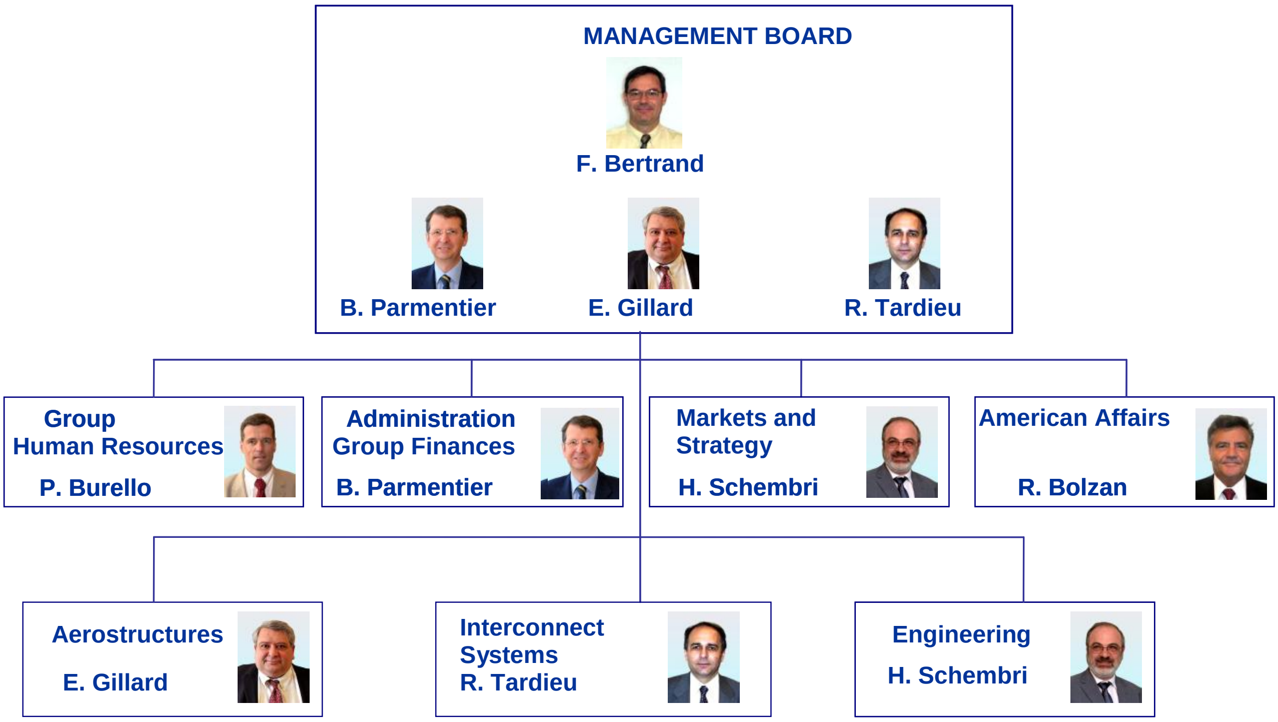
2011 The LATECOERE Group refinances and syndicates debt over seven years. The 100th A380 lower fuselage and the first A350 nose fairing come off the assembly lines.
LATECOERE won *the Innovation Award* awarded by the JEC in the *Aeronautics* category for its research work on composites, in particular on future doors.

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, 2011



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, B787, and Embraer ERJ 170/190) and cargo (A380, B777, Bombardier CRJ 700/900/1000, Embraer ERJ 170/190, and Dassault Falcon 7X)

The LATECOERE Company is among the first six European producers of fuselage elements and is the world's second manufacturer of aircraft doors (*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 B777; 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 2011 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. Market growth will continue in 2012, driven by an estimated 4% growth in air traffic (*source: "IATA"*)

More than half of 2011 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 partners[1], subject to the same constraints. The diversity of programs in which the company participates also spreads this risk. Refundable Advances obtained for some programs reduce the consequences of an unsuccessful program. Indeed, these advances are only refundable if the program succeeds.
- The majority of contracts are drawn up in dollars. In order to face up to this risk, the Company buys as much as possible in that currency. Exchange rate hedging instruments are subscribed in order to guarantee the dollar foreign exchange risk over a period of two years.
- The Company is the exclusive source of the products it manufactures. Every order booked by the aircraft manufacturers directly affects LATECOERE's order book (more than four years of revenue at year-end 2011), 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 Interconnexion Systems

The Group's Interconnexion Systems activities are concentrated in the LATelec Company and its

[1]A 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.

subsidiaries LATelec GmbH in Germany and SEA-LATélec 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 Interconnexion 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 Interconnexion 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 Interconnexion 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 Interconnexion 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:

- 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 and the SKYLANDER assembly line), integration (A400M electrical racks, 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 (Nantes, Bordeaux, Paris and Pertuis) 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 Inc in Montreal, Canada**: provides design services for Bombardier and Aérolia.
- **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, 2011
LATECOERE	Toulouse (Périole), France	Head office Design and production site	FL	946
LATECOERE	Cornebarrieu, France	Production site	T	126
LATelec	Labège, France	Head office Design and production site	FL et T	333
LATelec	Liposthey, France	Production site	FL	94
LATelec	Le Crès, France	Production site	O	99
LATelec	Colomiers, France	Production site	T	80
LATecis	Saint Foy d'Aigrefeuille, France	Head office and design site	O	388
LATecis	Saint Foy d'Aigrefeuille, France	Production site	FL	
Letov s.r.o	Prague, Czech Republic	Head office / Production site	O	609
LATECOERE do BRASIL	Jacarei, Brazil	Head office / Production site	O	423
LATECOERE Inc	Miami, USA	Head office	O	1
LATelec GmbH	Hamburg, Germany	Head office / Design site	T	71
SEA LATelec	Tunis, Tunisia	Head office / Production site	O	797
LATecis IBERIA	Getafe, Spain	Office	T	33
G²METRIC	Launaguet, France	Office	T	46

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

The Group continued to streamline the manufacturing organization of the main sites during the year 2011 in order to adapt the Group's fixed assets to production capacity. All fuselages for Embraer are produced in Brazil. The Czech subsidiary handles the bulk of the mass production runs of doors.

Furthermore, there are no significant costs 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 and MAAXIMUS in fuselages, COMDOR and ADDOR in composite doors, and ADRAC in composite structures), and other topics which have been designed in accordance with the CORAC (French Strategic Council for Civil Aeronautics Research) roadmap. These developments will allow the Group to master new technologies that will be used for the renewal of the "New Short Range" families (replacing the A320 and B737).

The main programs concern in particular:

- PAMELAT (**P**ointe **A**vant **MixtE LAT**ecoère): a project of LATECOERE on the design of nose section fuselage elements
- MAAXIMUS **(M**ore **A**ffordable **A**ircraft through e**X**tended, **I**ntegrated and **M**ature N**U**merical **S**izing): realization of a development platform for structures in composites
- COMDOR: design of a door structure in composite materials
- ADDOR: design and production of door sub-systems in composite materials
- ADRAC: design and production of rack elements in composite materials

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 étendue") Project (new-generation electrical racks), both related to the CORAC roadmap and eligible for the French public investment plan known as the "Grand Emprunt" (extraordinary borrowing to fund investment).

The Group also participates in and leads the NEXGED Project (door of the future system) in partnership with five manufacturers of components. This project has a total budget of €30 million (€15 million for the LATECOERE Company) and is scheduled for realization over the period from 2011 to 2015.

Finally, LATECOERE and AEROLIA have in full cooperation launched the OFFSET metallic technology project (relating to aircraft nose sections of a diameter less than 4 m.) with support from the French Civil Aviation Authority (DGAC).

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; it considers itself to be 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, and BOMBARDIER). The LATECOERE Group has built 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 2011

2.1.1 The Basic Essentials

Summary of the Key Consolidated Aggregate Figures

In millions of euros	2011	2010	2009
Revenue excluding non-recurring items	**520,6**	**464,4**	**449,5**
Aerostructures non-recurring items*	55,0	-	-
Revenue	575,6	464,4	449,5
Current operating result	**44,7**	**27,5**	**10,1**
Non-current operating result	-	17,8	**-112,9**
EBIT	**44,7**	**45,3**	**-102,8**
Net financial result	**-43,1**	**-18,3**	**-3,7**
► of which realized gains and losses	-21,0	-10,9	-21,3
► of which unrealized gains and losses	-22,1	-7,3	17,6
Net income (loss) after minority interests	**6,6**	**29,9**	**-91,2**
Net Income (loss) after minority interests excluding unrealized financial result from financial instruments	**20,3**	**37,0**	**-99,1**
Consolidated net financial debt	**368,8**	**350,7**	**359,2**
Shareholder's Equity (Group share)	**169,4**	**170,9**	**143,3**
Shareholder's Equity (Group share) excluding fair value of the unrealized financial instruments	**182,7**	**167,0**	**131,1**

** Non recurring billings of developpment costs in 2011 (Press release - March 22, 2011)*

A Year of Strong Growth

Group revenue excluding non-recurring items reached €520.6 million in 2011, up +12.1% compared to 2010, in line with stated objectives.

At a constant €/$ exchange rate, organic growth stood at 14.1%; the hedging instruments used limited the effect of a 4.7% decrease of the €/$ spot rate, which averaged 1.392 for 2011.

In Q1 2011, the Group also recorded additional non-recurring revenue of €55 million on the billing of development costs. As a result, total consolidated revenue reached €575.6 million.

All divisions are benefitting from the upward cycle of the aeronautical industry, with a strong growth momentum of Engineering & Services (+35.5%) recorded both in tooling and services; Aerostructures, present on all segments of the market, is capturing the full effect of the recovery (+11.7% excluding non-recurring billings of development costs).

Current Operating Margin Up Sharply

Adaptation and streamlining actions implemented since 2009 to restore the Group's profitability are paying off: current operating result (COR) was higher in all three divisions, rising 62.5% to €44.7 million; or 7.8% of total revenue, exceeding the previously announced forecast of over 7%.

The realized net financial result amounted to € -21.0 million compared to € -10.9 million recorded in 2010 which benefitted from an exchange gain of €4.3 million. The cost of debt amounted to €17.9 million, up 67 bps, of which 43 bps linked to changes in market rates.

At December 31, 2011, 64% of net financial debt is hedged for an average duration of 2.5 years through financial instruments capping risk on underlying market interest rates at 3.80% while continuing to benefit from variable rates.

USD Exposure Hedged through the End of March 2014

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

The Group only implements hedging instruments with closed risk positions (at defined rates, at the worst) allowing it to partially benefit from any rise in the American currency (option tunnels).

Exposure to the USD risk is accordingly hedged up to respectively

- 93% for 2012, guaranteeing a €/$ rate of at worst 1.336,
- 95% for 2013, guaranteeing a €/$ rate of at worst 1.366,
- and, at February 29, 2012, 27% for 2014, guaranteeing a €/$ rate of at worst 1.330.

The yearend closing €/$ spot of 1.29, together with a sharp increase in €/$ market volatility which reached close to 17% at the end of December 2011, penalized the unrealized financial result, due to the time values of the tunnels put in place; this negative impact has no present or future cash incidence as these tunnels are intended to be held to maturity in a hedging relationship.

Consequently, unrealized net financial result amounted to
€ -22.1 million weighing upon both net income after minority interests and shareholder's equity (Group share) which came in, respectively, at €6.6 million and €169.4 million.

Adjusted for changes in the fair values of financial hedging instruments, net income after minority interests would amount to €20.3 million and shareholder's equity (Group share) to €182.7 million.

A Controlled Evolution of Debt

EBITDA[1] amounted to €46.9 million in 2011.

Operating working capital needs rose by €12.4 million; inventories and physical work-in-progress were up €18.0 million, of which €7.0 million resulted from aircraft manufacturers' postponements of deliveries to H1 2012.

Work-in-progress driven by programs in development and accounted under construction contracts -- net of movements on related refundable advances --- mobilized €23.4 million, notably on the Boeing 787 and A350 programs.

Net capital expenditure was kept to €7.7 million, and it concerned primarily

- fitting work for buildings for €0.7 million;
- equipment and industrial plant for €2.4 million primarily relating to the LATECOERE and Letov s.r.o. companies
- and various fixed assets in progress for €2.2 million particularly related to the development of industrial equipment linked to the A350 program and the development of computer tools under the information systems master plan.

Under these conditions, and after factoring in realized financial expenses (€ -21.0 million), and other needs (€ -0.5 million), consolidated net financial debt rose by €18.1 million year-on-year to €368.8 million at December 31, 2011.

This limited increase must be appreciated in the light of sharp increases in delivery rates and pressure on the supply chain.

Debt Refinanced, Potential Dilution of Shareholders Significantly Reduced

At the end of the year, the Group reached an agreement with its banks for the refinancing of 96% of the Group's bank debt (excluding leasing) and 60% of the Convertible Bonds.

This agreement, which provides the Group with durable refinancing through syndications, significantly reduces the potential maximum dilution of shareholders from 36% to 18%; it is structured around four pillars:

1. Arrangement of a €319.8 million syndicated loan with three Tranches:
   - Tranche A: €64.5 million, one-year amortizing loan,
   - Tranche B: €225.6 million, seven-year amortizing loan, and,
   - Tranche C: four-year revolving credit for an initial principal amount of €29.7 million;

   with, respectively, the following margins, applied to market variable rates:

   - Tranche A: 150 basis points ("bps")
   - Tranche B:
     - 325 bps from 2012 to 2014

[1]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 of intangible and tangible fixed assets,

- 350 bps from 2015 to 2016
- 425 bps from 2017 to 2018

- Tranche C: 300 bps plus a variable element as a function of the use of the credit line.

2. Arrangement of a €76.0 million, four-year factoring agreement syndicated among four factoring companies;

3. Early redemption of 60% (4,290,000) of the Convertible Bonds, refinanced by the 2018 final repayment on Tranche B of the syndicated loan and obtaining of issuer calls on a total of 2,860,000 residual Convertible Bonds, exercisable at par, when the Latécoère share exceeds €13.0 on average over a period of three consecutive days;

4. Extension of existing currency hedging lines enabling the Group to hedge progressively its exposure to USD risk through the end of 2014.

The agreement reached puts an end to the period of uncertainty that began after LATECOERE encountered financial difficulties at the end of 2009, and demonstrates the Company's financial partners' commitment to standing by LATECOERE over the long term.

Favorable Outlook in a Bull Cycle

The Group enters 2012 strengthened; thanks to a multi-customer platform developed from complementary activities with multiple synergies, it has restored its fundamentals and can draw on an order book that represents more than four years of revenue at €2.2 billion, assuming a €/$ exchange rate of 1.35.

Based on the latest delivery rates announced by the aircraft manufacturers, the Group anticipates a further growth of its business in 2012,

- with revenue up by around 10%, excluding non-recurring billings of development costs. As the latter should reach €60 million in 2012, the overall increase in revenue is also expected to be 10%.
- current operating profitability in the continuity of 2011.

Net financial debt is expected to decrease by nearly €50 million in 2012.

2.1.2 Additional Information

Revenue of the Group

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

- **Aerostructures (59.8%):** Revenue in 2011 was €344.0 million, up 32.9%. Corrected for non-recurring billings of development costs for €55 million and for dollar foreign currency exchange effects, the organic change is +14.1%.

- **Interconnexion Systems (26.6%):** Revenue was €153.3 million, up 3.7%. The organic change was +5.7%.

- **13.6 Engineering and Services (13.6%):** Revenue was €78.3 million, up 35.5%. It is principally realized by the LATecis subsidiary.

Income Taxes

The Group posted tax income of €5.4 million including deferred tax income of €8.7 million and current income tax due of €3.2 million.

Inventories

Inventories and work-in-progress dropped in 2011 by €6.5 million to €481.2 million, primarily through the combined effect

- of an increase in inventories and physical work-in-progress (raw materials, parts and work-in-progress) of €18.3 million, of which €7 million resulted from aircraft manufacturers' postponements of deliveries to H1 2012; and
- of a drop of €24.8 million in non-recurring work-in-progress[2] (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 2011 of €55 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 given in notes 7 and 24 to the consolidated financial statements.

Shareholders' Equity

The shareholders' equity Group share at December 31, 2011 was €169,370k. It can be broken down as follows:
Capital and initial reserves €166,420k

[2] 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).

Hedging instruments not used	€ -3,698k
Fiscal year net result, Group share	€6,648k
Total	**€169,370k**

Refinancing of the Group's Debt

- **Arrangement of a €319.8 Million Syndicated Loan, of which €225.6 Million over Seven Years**[3]

LATECOERE finalized the arrangement of a €319.8 million syndicated loan, at the parent company's level -- LATECOERE SA -- with three Tranches. This syndicated loan replaces the existing bilateral loan agreements and ends the May 18, 2010 agreement.

- The €64.5 million Tranche A of the syndicated loan is amortized over one year. The equivalent of 26% of the medium-term bilateral loans refinanced will accordingly be repaid in 2012.
- The €225.6 million Tranche B of the syndicated loan is amortized over seven years. In particular, this Tranche will refinance 60% of the Convertible Bonds that are redeemed early. The installments on Tranche B of the syndicated loan increase progressively to reflect the Group's commitments in terms of development and the ramp-up of the programs on which the Group is positioned. Installments amount to:
  - €19.0 million over the period from 2013 to 2014,
  - €106.6 million over the period from 2015 to 2017, and
  - €100.0 million in 2018.

  The average maturity for Tranche B is 5.4 years (compared to 2.5 years previously for the refinanced medium-term bilateral bank borrowings).
- Tranche C of the syndicated loan consolidates the existing bilateral overdraft and spot lines into a single, confirmed *revolving* line of credit expiring on December 31, 2015. The principal amount is set at €29.7 million, decreasing to €27.5 million on December 31, 2012 and to €25.0 million on December 31, 2013.

LATECOERE committed to respect traditional financial covenants covering the period from 2013 to 2018, the definitions of which, as well as situation at year end, are described in note 14.2 to the consolidated financial statements. LATECOERE also provided traditional guarantees to the banks in the loan syndicate and to the Convertible Bondholders, notably pledging the shares of its LATelec and LATecis subsidiaries and certain real estate properties as collateral. These guarantees are described with the financial commitments appearing in note 26.1 to the consolidated financial statements.

- **Arrangement of a €76.0 Million, Four-year Factoring Agreement**

LATECOERE simultaneously arranged a €76.0 million, four-year factoring agreement that expires on December 31, 2015.

- **Treatment of the Convertible Bonds**

The agreement reached by LATECOERE and the banks provides for the early redemption of 4,290,000 Convertible Bonds (CB), which amounts to €42.9 million, equivalent to 60% of all Convertible Bonds, including 100% of the LATelec Convertible Bonds. This redemption is financed by the final payment of Tranche B of the syndicated loan in 2018.

The total number of CB is thus reduced from 7,150,000 to
2,860,000, exclusively issued by LATECOERE. The maximum potential dilution of LATECOERE shareholders is thus reduced from 36% to 18%.

LATECOERE holds issuer calls that may be exercised at par, starting on January 2, 2012 and until January 31, 2015, by three cumulative annual tranches, when the arithmetic average of the closing prices of LATECOERE shares -- calculated over a period of three consecutive trading days among the 20 trading days preceding the date on which LATECOERE notifies its decision to exercise each call -- exceeds 130% of the par value per unit of the CB, which amounts to €13.0.

Moreover, the CB holders approved, at General Meetings on December 21, 2011, the acceleration of the conversion period for the residual CB to January 2, 2012. The latter are convertible at any time between January 2, 2012 and July 30, 2015, the date on which the CB mature. The conversion price remains unchanged at €10.0 per LATECOERE share.

Share warrants ("BSA") having been issued simultaneously with the CB, a similar acceleration of the exercise period will be offered to warrant holders at an upcoming General Meeting of warrant holders to be held the same day as the LATECOERE Shareholders Meeting convened to approve the 2011 financial statements which is scheduled for May 3, 2012.

[3] The syndicated bank borrowings depreciation schedule is set forth on page 8. The December 22, 2011 press release sets forth the details of the refinancing of the debt.

2.2 Business of the Parent Company in 2011

The financial statements of the company at December 31, 2011 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 €399.7 million in 2011, 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. 2011 operating result is € +5.7 million compared to € +27.7 million in 2010 which benefitted from the recognition of a reversal for €17.8 million following the resolution of a commercial dispute regarding a business jet contract.

Financial result was € -12.3 million through the combined effect of the cost of debt (€ -22 million), foreign exchange income (€ +7.1 million) and income from dividends received by LATECOERE from its subsidiaries (€ +2 million).
Non-recurring result is € -0.2 million.
At December 31, 2011, the workforce consisted of 1,072 people, increased by 93 temporary staff.

Net Result, Appropriation and Dividends

Net result was positive at €1,133,048. 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 2011. The number of shares is 8,609,997 at December 31, 2011. Dividends paid out over the last three fiscal years were:

	Revenue eligible for tax deduction		Revenue not eligible for tax	Number of shares
	Dividends	Other distributed revenue		
Fiscal year 2008	0 €			8 609 997
Fiscal year 2009	0 €			8 609 997
Fiscal year 2010	0 €			8 609 997

The total of expenses and charges related to Articles 39-4 of the French General Tax Code, amounted to €67,049.

Inventories of Raw Materials and Works-in-Progress

The balance sheet at the closing of the year shows net inventories of raw materials of €30.8 million (compared to €28.0 million in 2010). Work-in-progress amounts to €355.1 million, compared to €367.3 million at December 31, 2010.

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 €30.6 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 €3.6 million. It principally concerns machine tools for production and the development of computer tools under the information systems master plan.

Net Financial Debt

During 2011, the LATECOERE Company refinanced its debt. This refinancing is structured around four pillars:

1. Arrangement of a €319.8 million syndicated loan with three Tranches:
    - Tranche A: €64.5 million, one-year amortizing loan,

- Tranche B: €225.6 million, seven-year amortizing loan,
- Tranche C: four-year revolving credit for an initial principal amount of €29.7 million,

2. Arrangement of a €76.0 million, four-year factoring agreement syndicated among four factoring companies, shared between the LATECOERE Company and the LATelec Company;
3. Early redemption of 2,855,000 of the Convertible Bonds, refinanced by the final repayment in 2018 on Tranche B of the syndicated loan and the obtaining of issuer calls on a total of 2,860,000 residual Convertible Bonds, exercisable at par, when the LATECOERE share exceeds €13.0 on average over a period of three consecutive days;
4. Extension of existing currency hedging lines enabling the company to hedge progressively its exposure to USD risk through the end of 2014.

The agreement signed with the banking partners has resulted in all of the refinanced debt being borne by the LATECOERE Company. That is why the net debt of the company increased from €258.2 million at December 31, 2010 to €344.7 million at December 31, 2011. This increase is to be compared with the increase in receivables related to other affiliates which went from €8.4 million at December 31, 2010 to €81.9 million at December 31, 2011[5].

Refundable Advances

The company obtained refundable advances from official bodies and customers as additional financing of new programs (A380 and Falcon 7X); during the fiscal year, repayments were made, as a function of contractual conditions and deliveries of relevant products. At the end of 2011, the amount registered in the balance sheet item "conditional advances” is €34.9 million.

Information on the French Suppliers Payment terms

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) are the following:

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.

At December 31, 2010, the balance of relevant accounts payable debt was €9.8 million with the following breakdown:

- 33% 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).
- 67% 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, 2010, this balance included 11% of past due debts.

Information on the French Customers payment Terms

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, 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.

At December 31, 2010, the balance of relevant account receivables was €36.4 million with the following breakdown:

- 82% 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

[5] Following the refinancing of the Group's debt, LATelec repaid its medium-term bank borrowings and redeemed its convertible bonds. The repayment and the redemption occurred through a loan granted by the LATECOERE Company to the LATelec Company for €75.9 million which was the subject of a related-party agreement

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

- 9% 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).
- 8% of invoices payable within 60 days net after the end of the month as from the invoice's date of issue (or of the receipt of the goods or of the performance of the service, as the case may be).
- 1% of invoices payable within 90 days after the end of the month ending on the 10th, as from the invoice's date of issue (or of the receipt of the goods or of the performance of the service, as the case may be).

At December 31, 2010, this balance included 13% of accounts receivable past due.

2.3 Businesses of the Subsidiaries and other Affiliates in 2011

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

The Company's 2011 business was marked by a continuation of its growth, with an increase in revenue of 11%, from CZK 1.66 billion to CZK 1.84 billion, principally resulting from an increase in sales of doors for the Airbus A380 and Embraer programs. Net profit is CZK -20.7 million, impacted by a negative foreign exchange income of CZK -17 million. Investments reached CZK 28 million in 2011.

There were 609 employees at December 31, 2011, increasing by 86 from December 31, 2010.

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 2011, LATECOERE do BRASIL revenue amounted to €17.1 million, almost all with the parent company. There were 423 employees at December 31, 2011, increasing by 86 from December 31, 2010, in order to respond to the evolution of Embraer's production rates. Its revenue was € -0.2 million. Investments reached €0.4 million in 2011.

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

LATECOERE International Inc

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

Its revenue amounted to €1.3 million in 2011, realized entirely with the parent company. The 2011 result is stable.

LATelec

LATelec, a wholly-owned subsidiary of the Latécoère Company, constitutes the Group's center of excellence in Interconnexion 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, 2011, the main results were the following:

Revenue was €147.9 million;
The total of operating income is: €155.5 million;
The total of operating expenses is: €142.4 million;
The operating result comes to: €13.1 million;
Operating net income before tax comes to: €14.1 million.

Given these elements, the result for the year is a net profit of €8.2 million.

At December 31, 2011, the total of the company's balance sheet is: €179.4 million.

Information on Subsidiaries:

('000 EURO)	SEA-Latelec	Latelec Gmbh
Sales	5 920	26 943
Net income	73	2 418

There was no change to the scope of LATelec and its establishments in 2011. Previously Director of Development, Daniel Bourgeois was appointed Managing Director at the end of the year.
The 2010-2011 firm plan was brought to a successful conclusion by reaching its expected objectives. The budget was also respected with some opportunities.
The series production rates of Airbus programs continuously increased throughout the year. The situation in Tunisia has, on the operational level, very much complicated efforts to meet time schedules with respect to customers. However LATelec made efforts which allowed it never to block the final assembly lines (FAL).
For LATelec, the A400M program is arriving at the beginning of series production with the delivery of its first two avionics bays destined for deliverable aircraft (MSN 7 and 8).

The development of the A350 insofar as the LATelec part (avionics bays, cockpit control harnesses and wing harnesses) is concerned, has followed Airbus's schedule, with the reaching of planned milestones. The design work of the in-flight test installation of the first aircraft had to integrate a high level of functional modifications which put the project under stress for LATelec.

The recovery of the space businesses continued, resulting from the mobilization of teams and the productivity investments realized.

As part of the LATelec 2011 improvement plan, the implementation of the "lean enterprise" concept has completed its training program and has entered into the realization phase for concrete projects for all of the sites.

On the Design Office side:

- In Germany, the development A350-900 wing wiring reached -- in terms of workload -- a maximum level at the end of the year. The A380 customized harnesses activity reached an optimal level of performance.
- In 2011, development of the Marignane site was able to be continued, to the satisfaction of the customer -- Eurocopter.
- In Tunisia, the growth begun in 2010 was followed by stability in 2011 as a result of events in Tunisia.

In terms of quality, our company policy sets a high level of demand for customer satisfaction, which was once again confirmed by the rating our customers gave us following contractual audits performed by them.

Registered workforce remained unchanged in France, and increased by 15% in Germany. Growth is about 20% in Tunisia (in particular in order to face up to increases in production rates but also to absenteeism).

LATECOERE Développement

This holding company, wholly-owned by LATECOERE, holds 2% of LATECOERE do BRASIL and 100% of the capital of LATecis. At the end of the year, LATECOERE carried out an increase of capital of LATECOERE do BRASIL in which LATECOERE Développement did not participate, thus greatly reducing its interest.

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 region -- at Ste. 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, 30% of the capital of LATecis srl based in Romania (the remaining 70% of the capital being held by the SC EMSIL TECHTRANS SRL Company) 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 2011, the growth of LATecis' business was maintained by the growing importance of design work realized in Canada for its customer Bombardier (C-Series program), the start of the aeronautical tooling business in England and in Germany, as well as the increase in production rates for Thalès in the defense field. In parallel, LATecis' development strategy in the nuclear field led to the creation of an agency in the PACA region of southeastern France, nearby Marcoule and Cadarache, and took concrete form with the award of the first contracts by the CEA.

LATecis had revenue of €73 million in 2011, with a result of €2.4 million. It had 388 employees at December 31, 2011. The LATecis IBERIA subsidiary had revenue of €2.4 million in 2011, with a positive net result of €0.2 million. Furthermore, the 2011 revenue of G²Métric was €8.9 million for a net result of €0.9 million, with a workforce of 46 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 2011, C.C.A. had revenue of €33.6 million and a positive net result of €0.4 million.

PESOLA

The PESOLA Company which is specialized in the production of machined small- to medium-dimensioned parts for the aeronautical industry, had revenue of €4.0 million, with a positive net result of €0.2 million.

2.4 Research & Development Expenses

In 2011, the total of research and development expenses was €45.8 million (8% of revenue) compared to €31 million in 2010. In 2012, expenses will be concentrated on the Boeing 787 and Airbus A350 programs under development; insofar as this last program benefits from financing assistance in the form of refundable advances, these expenditures should not create sizeable financial needs.

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

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 2012,

- with revenue up by around 10%, excluding non-recurring billings of development costs. As the latter should reach €60 million in 2012, the overall increase in revenue is also expected to be 10%.
- and current operating profitability in the continuity of 2011.

The Group's immediate priority, in line with those of the manufacturers, will be the management of the ramping up of production rates, in a context where the commercial success of the launching of the remotorized versions of existing single-aisle Airbus and Boeing aircraft postpones the launch of major new programs and thus the financing needs related to the associated developments.

Net financial debt net is expected to drop by close to €50 million in 2012 (in particular, given the cash inflows of non-recurring billings of development costs forecast for the year).

The amount of investment budgeted for 2012 which is approximately €21 million, including an envelope for the establishment of new Aerostructures and Interconnexion Systems production platforms in North America, 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
LATecis	1	0	0	0
LATECOERE Aéroservices	15 000	229	0	229
Corse Composites Aéronautiques	184 139	2 700	923	1 777
SUBSIDIARIES AND OTHER SHAREHOLDINGS		**45 854**	**5 720**	**40 134**
LATECOERE shares	13 975	124	0	124
SHORT-TERM INVESTMENTS	**13 975**	**124**	**0**	**124**

2.6.2 Five Years Record of the LATECOERE Company

(EURO)	Dec 31, 2007	Dec 31, 2008	Dec 31, 2009	Dec 31, 2010	Dec 31, 2011
Capital at year-end:					
Share Capital	17 219 994	17 219 994	17 219 994	17 219 994	17 219 994
Number of issued ordinary shares	8 609 997	8 609 997	8 609 997	8 609 997	8 609 997
Operations and results of the fiscal year:					
Sales excluding VAT	313 937 133	481 096 561	329 030 798	314 958 397	399 705 790
Income before tax, employee profit sharing, depreciation, amortization and provisions	19 723 441	-4 273 419	-50 917 903	10 817 505	-14 341 653
Income taxes	1 010 330	-7 222 712	-13 837 402	-7 347 069	-8 447 538
Employee profit sharing (legal and contractual)	2 523 923	208 116	0	2 249 829	546 035
Income after tax, employee profit sharing, depreciation, amortization and provisions	10 379 451	-5 698 086	-129 024 352	24 081 851	1 133 049
Dividend paid during the year (including withholding tax on securities)	6 456 773	0	0	0	0
Earnings per share:					
Earnings after tax and profit sharing, but before depreciation, amortization and provisions	1,9	0,3	-4,3	1,8	-0,7
Earnings after tax and profit sharing, depreciation, amortization and provisions	1,2	-0,7	-15,0	2,8	0,1
Dividend paid per share (excluding tax credit) in the year	0,7	0,0	0,0	0,0	0,0
Personnel :					
Average number of employees	1 117	1 166	1 088	1 024	1 022
Total remuneration	43 728 749	44 858 226	42 000 151	40 906 000	41 257 977
Total social charges and other personnel-related benefits	21 308 862	20 873 093	19 323 298	19 182 243	20 046 760

2.6.3 Subsequent Events

The Realization of Real Estate Operations

The LATECOERE Company regained full ownership of its Toulouse site located on rue Périole, pursuant to the exercise of options done in relation to the implementation of the syndicated loan.

In keeping with its commitments, the LATECOERE Company established a mortgage on the entire Toulouse site and the LATelec Company also implemented a mortgage on its Labège and Le Crès (located in Montpellier, France) sites.

Sale of Pesola Shares

On January 2, 2012, the LATECOERE Group, through its subsidiary LATECOERE do BRASIL, signed an agreement to sell a 33.33% stake in the Pesola Company for 1.35 million Brazilian reals.

Change in Governance

The beginning of 2012 was marked by the renewal of LATelec's governance upon the departure of Mr. Roland Tardieu whose term as a member of the Management Board of the LATECOERE Company ended on February 17.

The chairmanship of the LATelec Company was entrusted to Mr. François Bertrand who will be assisted by Mr. Daniel Bourgeois, Managing Director.

Mr. Roland Tardieu has not been replaced on the Management Board of the LATECOERE Company whose membership has been reduced as a result to three.

Strengthening of Equity

At March 16, 2012, 225,012 bonds were converted out of a total of 2,860,000, thus strengthening equity by €2,250,120.

3 CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2011

3.1 State of the Consolidated Financial Situation

('000 EURO)	Notes	Dec 31, 2011	Dec 31, 2010
Goodwill	5.2	1 300	1 300
Other intangible assets	5.1	1 634	2 387
Tangible assets	5.1	88 848	95 179
Investments in associates (equity method)	6	2 018	3 471
Other financial assets		3 302	214
Deferred tax assets	16	27 847	16 975
Financial Instruments	10.1	0	7 459
TOTAL NON-CURRENT ASSETS		**124 949**	**126 985**
Inventories	7	481 156	487 691
Accounts receivable	9	162 276	158 424
Tax receivable		12 784	9 521
Financial Instruments	10.1	1 561	8 281
Other current assets		942	1 128
Cash & Cash Equivalents		26 462	10 301
TOTAL CURRENT ASSETS		**685 181**	**675 346**
TOTAL ASSETS		**810 130**	**802 331**

('000 EURO)	Notes	Dec 31, 2011	Dec 31, 2010
Share capital	11.2	17 220	17 220
Premiums		69 611	69 611
Treasury stock		1 642	1 759
Other Reserves		306	7 008
Accumulated Net Income		80 591	75 304
SHAREHOLDERS' EQUITY GROUP SHARE		**169 370**	**170 902**
Minority Interests		1 194	773
TOTAL SHAREHOLDER'S EQUITY		**170 564**	**171 675**
Loans and bank borrowings	14.1	260 937	331 489
Refundable Advances	14.3	33 872	29 262
Employee benefits	13	13 855	13 399
Other provisions	12	3 705	2 076
Deferred tax liabilities	16	307	1 137
Financial Instruments	10.1	11 920	1 705
Other non-current liabilities		11 350	10 068
TOTAL NON-CURRENT LIABILITIES		**335 946**	**389 135**
Loans and bank borrowings (less than 1 year)	14.1	134 333	29 544
Refundable Advances	14.3	3 440	12 748
Accounts payable	15	141 087	175 744
Income tax liabilities		1 749	1 551
Other current liabilities		9 119	13 252
Financial Instruments	10.1	13 892	8 682
TOTAL CURRENT LIABILITIES		**303 620**	**241 521**
TOTAL LIABILITIES		**639 566**	**630 656**
TOTAL SHAREHOLDER'S EQUITY & LIABILITIES		**810 130**	**802 331**

3.2 Consolidated Income Statement

('000 EURO)	Notes	Dec 31, 2011	Dec 31, 2010
Revenue	17	575 567	464 429
Other operating revenue		828	770
Change in inventory: work-in-progress & finished goods		-19 028	49 115
Raw material, Other Purchases & external charges	18	-307 306	-283 678
Personnel expenses		-203 774	-182 188
Taxes		-8 036	-7 691
Amortization		-11 765	-12 460
Net operating provisions charge		-1 634	-703
Depreciation of current assets	19	11 061	8 031
Other operating income	20	13 854	12 064
Other operating expenses		-5 066	-2 348
OPERATING INCOME		**44 701**	**45 341**
Operating Income / Sales		*7,77%*	*9,76%*
Net Cost of debt		-17 866	-15 164
Foreign Exchange gains/loss realized		742	4 277
Other financial incomes and expenses realized		-3 882	-66
Realized financial result		**-21 005**	**-10 953**
Change in fair value of financial instruments		-20 244	-9 885
Other financial incomes and expenses unrealized		-1 854	2 582
Unrealized financial result		**-22 099**	**-7 302**
FINANCIAL RESULT	**21**	**-43 104**	**-18 256**
Result from associates	6	215	33
Income tax	22	5 398	3 057
NET RESULT OF CONSOLIDATED COMPANIES		**7 209**	**30 176**
Group net result		6 648	29 863
Minority interests		561	312
Group net result/ sales		*1,16%*	*6,43%*
Weighted average number of shares		**8 595 629**	**8 591 801**
Diluted earnings per share	11.2	**0,75**	**2,75**
Earnings per share	11.2	**0,77**	**3,48**

3.3 State of the Overall Consolidated Net Result

('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

('000 EURO)	Dec 31, 2010		
	Gross Amount	Deferred tax	Net Amount
CONSOLIDATED NET RESULT FOR THE YEAR (1)	**27 118**	**3 057**	**30 176**
Translation differences	1 305	0	1 305
Actuarial gain or loss for year relating retirements benefits	-1 390	478	-912
Conversion option embedded in convertible bonds	4 765	-1 641	3 124
Financial instruments: change in fair value and transfer in profit and loss	-7 678	3 238	-4 440
Commitments to purchase minority interests	-1 535	0	-1 535
Other	84	-29	55
INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY (2)	**-4 448**	**2 047**	**-2 401**
TOTAL RECOGNISED INCOME AND EXPENSES (1+2)	**22 344**	**5 430**	**27 774**
of which, Group net result			27 463
of which, Minority interests			311

3.4 Consolidated Statement of Cash Flow

('000 EURO)	Dec 31, 2011	Dec 31, 2010
Consolidated net result	7 209	30 176
Adjustments related to non-cash activities :		
Result from associates	-171	-33
Depreciation and provisions [1]	8 360	6 885
Fair value gains/losses	22 816	7 473
Other non-cash items	85	-203
Dividend income received	0	0
CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES	**38 299**	**44 297**
Income taxes	-5 398	-3 057
Interest expenses	17 866	15 164
CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES	**50 767**	**56 404**
Changes in working capital [1]	-28 743	-25 192
Income tax paid	-1 937	4 181
CASH FLOWS FROM OPERATING ACTIVITIES	**20 087**	**35 392**
Effect of subsidiaries acquisitions	-98	-63
Purchase of tangible and intangible assets	-8 358	-7 704
Purchase of financial assets	-26	0
Increase (decrease) in loans and advances made	-76	-32
Proceeds from sale of tangible and intangible assets	1 041	203
Dividends received	0	0
Other flow from investing activites	0	27
CASH FLOWS FROM INVESTING ACTIVITIES	**-7 517**	**-7 569**
Expenses on increase of capital	0	63
Purchase or disposal of treasury shares	-94	98
Proceeds from borrowings [2]	290 139	410
Repayments of borrowings [3]	-293 372	-5 710
Financial interest paid	-17 522	-15 090
Dividends paid	-98	-64
Flow from refundable advances	-4 698	-8 387
Other flow from financing operation	47 637	-7
Increase (decrease) in loans and advances made from financing activities [5]	-3 095	0
CASH FLOW FROM FINANCING ACTIVITIES	**18 897**	**-28 687**
Effects of exchange rate changes	**-148**	**26**
Other change without cash impact	0	-2 186
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**31 319**	**-3 024**
Opening cash and cash equivalents position	-8 388	-5 364
Closing cash and cash equivalents position	22 931	-8 388
Cash and cash equivalents	26 462	10 301
Discounted receivables	0	-5 604
Overdraft facilities	-3 530	-13 085
CASH AND CASH EQUIVALENTS AT YEAR-END	**22 931**	**-8 388**
Dividends paid per share	**0**	0

[1] To clarify its Consolided Cash low statement, the Group discloses from december 31, 2011 the line "changes in working capital" excluding the provisions change. Provisions change are now posted in line "Depreciations and provisions". The FY 2010 reclassifying impact is 8 031 K€ and 10 364 K€ for the FY 2011
[2] Corresponds to the tranche A and B of the syndicated loan (290 M€)
[3] Of which 290 M€ corresponding to the ending of the previous debt (May, 18, 2010 loan agreement)
[4] Essentially corresponds to short-term lines (factoring and revolver line)
[5] Corresponds to guarantee funds from factoring agreement

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 12/31/2009	**17 220**	**69 611**	**1 657**	**51 645**	**4 499**	**-1 294**	**0**	**143 337**	**525**	**143 863**
Capital variations								0		0
Share-based payments								0		0
Transactions on treasury stock			101					101		101
Dividends								0	-64	-64
Other variations								0		0
Net result for the period (1)				**29 863**				**29 863**	**312**	**30 176**
Financial instruments: change in fair value and transfer in profit and loss					-4 113			-4 113		-4 113
Financial instruments: Translation differences					-326			-326		-326
Translation differences : change and transfer in profit and loss						1 305		1 305		1 305
Conversion option embedded in convertible bonds							3 124	3 124		3 124
Other variations¹							-2 391	-2 391	-1	-2 392
Income and expenses directly recorded in equity (2)	**0**	**0**	**0**	**0**	**-4 439**	**1 305**	**734**	**-2 400**	**-1**	**-2 401**
TOTAL INCOME AND EXPENSES OF THE PERIOD (1)+(2)	**0**	**0**	**0**	**29 863**	**-4 439**	**1 305**	**734**	**27 463**	**311**	**27 774**
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 variations¹							-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**

¹ Including actuarial gain or loss for year relating retirements benefits and commitments to purchase minority interests

3.6 Notes to the Consolidated Financial Statements

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, 2011, include the parent company and its subsidiaries (the whole being designated as "the Group") and its share of results in associates.

The Group's consolidated financial statements were approved by the Management Board of February 13, 2012. They will be submitted to the Annual General Meeting on May 3, 2012.

NOTE 1 MAIN EVENTS

Strong Growth of Revenue

In 2011, the Group posted revenue excluding non-recurring items of €520.6 million, up 12.1% year on year, in line with announced objectives.

At a constant €/$ exchange rate, organic growth stood at 14.1%; the hedging instruments used limited the effect of a 4.7% decrease of the €/$ spot rate, which averaged 1.392 for 2011.

In Q1 2011 the Group also recorded additional non-recurring revenue of €55 million corresponding to billing of development costs (refer to press release dated March 22, 2011). As a result, total consolidated revenue reached €575.6 million.

All divisions are benefitting from the upward cycle of the aeronautical industry, with a strong growth momentum of Engineering & Services (+35.5%) recorded both in tooling and services; Aerostructures, present on all segments of the market, is capturing the full effect of the recovery (+11.7% excluding non-recurring billings of development costs).

Refinancing of the Debt

At the end of the year, the Group reached an agreement with its banks (refer to press release dated December 22, 2011) for the refinancing of 96% of the Group's bank debt (excluding leasing) and 60% of the Convertible Bonds.

This agreement, which provides the Group with durable refinancing through syndications, significantly reduces the potential maximum dilution of shareholders from 36% to 18%; it is structured around four pillars:

1. Arrangement of a €319.8 million syndicated loan with three Tranches:
    - Tranche A: €64.5 million, one-year amortizing loan,
    - Tranche B: €225.6 million, seven-year amortizing loan,
    - Tranche C: four-year revolving credit for an initial principal amount of €29.7 million;
2. Arrangement of a €76.0 million, four-year factoring agreement syndicated among four factoring companies;
3. Early redemption of 60% (4,290,000) of the Convertible Bonds, refinanced by the 2018 final repayment on Tranche B of the syndicated loan and obtaining of issuer calls on a total of 2,860,000 residual Convertible Bonds, exercisable at par, when the Latécoère share exceeds €13.0 on average over a period of three consecutive days;
4. Extension of existing currency hedging lines enabling the Group to hedge progressively its exposure to USD risk through the end of 2014.

The agreement reached puts an end to the period of uncertainty that began after LATECOERE encountered financial difficulties at the end of 2009, and demonstrates the Company's financial partners' commitment to standing by LATECOERE over the long term.

NOTE 2 ACCOUNTING POLICIES

2.1 Basis of Preparation of the Financial Statements

The 2011 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, 2011.

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, 2011. This concerns:

- IAS 24 Revised "Related Party Disclosures";
- IFRIC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments" » ;
- The "Classification of Rights Issues" amendment to IAS 32 "Financial Instruments: Presentation";
- The "Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters" amendments to IFRS 1;
- The "Prepayments of a Minimum Funding Requirement" amendments to IFRIC 14;
- The Annual Improvements (2008-2010) of the IFRS.

These standards, amendments to standards or interpretations do not have a significant impact on the consolidated financial statements at December 31, 2011.

Furthermore, the Group has decided not to apply by anticipation the amendments to IFRS 7 "Financial Instruments: Disclosures – Transfers of Financial Assets" adopted by the European Union in 2011 whose application is not mandatory.

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 2012:

- 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";
- IFRIC Interpretation 20 "Stripping Costs in the Production Phase of a Surface Mine";
- The amendments to IAS 1 entitled "Presentation of Items of Other Comprehensive Income";
- The amendments 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 estimates and the underlying assumptions have been made from past experience and other factors considered as reasonable in view of the circumstances. Thus, they serve as the basis for the exercise of judgment necessary for the determination of the carrying value of assets and liabilities that cannot be obtained directly from other sources. Actual values may differ from estimated values.

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

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

- the estimated margin for construction contracts (note 24);
- 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, 2011, the accounting estimates used in the preparation of the financial statements were performed in a context where economic prospects were definitely difficult to grasp. The estimates and the assumptions retained for the consolidated financial statements were determined based on the elements in the Group's possession at the closing date and, in particular, relating to construction contracts, as a function of firm orders confirmed by aircraft manufacturers. The Group has noted a trend of production rate change announcements, increasing the difficulty to grasp the assumptions to be retained for the closing of the financial statements. However, only public information was taken into account in the estimates and assumptions retained by the Group at year-end.

On the basis of cash flow forecasts, the Group considers that the cash flow needs of 2012 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 which they are incurred if they maintain the performance level of the asset. They are added to the carrying value of the initial fixed asset if they generate future economic benefits higher than the initial level of performance and if their cost can be measured reliably.

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

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

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

If an indication of loss in value exists, an impairment test is carried out as described in note 2.12.
Any loss in value is recognized in operating result, on the line "depreciation amortization".

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

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

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

(*) the amortization period depends on the components identified

2.12 Impairment of Assets

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

Concerning the intangible assets not yet available for use or for which the useful life is indefinite, and for the goodwill, such impairment test is carried out at a minimum of once a year.

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

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

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

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

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

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

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

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

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

An impairment of goodwill cannot be reversed.

An impairment loss recognized for another asset is reversed if there has been a change in the estimates used in order to determine the recoverable value.
The carrying value of an asset, increased by reason of the reversal of a loss in value, must not be higher than the carrying value that would have been determined net of depreciation, if no loss of value had been accounted for.

2.13 Borrowing Costs

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

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

2.13 Lease Agreements

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

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

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

2.15 Inventories & Work-in-Progress

Raw Materials

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

Work-in-Progress (excluding Construction Contracts)

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

Construction/Partnership Contracts

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

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

The accounting for these contracts responds to the following criteria:
The principal revenues and costs of construction contracts are:
a) for revenues:

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

b) for costs:

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

The margin is recognized by reference to the stage of completion and calculated in relation to the delivery of elements ("milestones").
Actually, the Group invoices on delivery and all the invoicing is due by the customer whatever the outcome of the program.
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. The fair value of derivative instruments is measured by an independent company. It takes into account the value of the derivative instrument at closing date ("mark to market"). The derivative instruments are recognized on the transaction date.

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

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

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

- the effective share of profit or loss on the hedging instruments is directly accounted for in shareholders' equity (net of deferred tax); the inefficient share and the time value of options (non-qualified) are immediately recognized in 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 Buy-out Minority Interests

In accordance with IAS 32, the commitment to buy-out 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) do not allow its conclusion to be decided. When the effect of the time value of money could be material, the provisions are discounted. The provisions noted by the Group have not been discounted.

2.22 Employee Benefits

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

Defined Contribution Plans

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

Retirement Liabilities

The obligations of the Group for retirement benefits consist in retirement severance pay at the time of the employee's retirement departure. In accordance with IAS 19, for defined benefit plans, the retirement liabilities are calculated according to the projected unit credit method. The Group's obligations for French companies' employees are estimated by an independent actuary. The method takes into account, on the basis of actuarial assumptions, the probability of the length of future service of the employee, the level of future remuneration, the life expectancy and employee turnover. The obligation, including social security charges, is discounted and is accounted for on the basis of the years of service of the employees. Actuarial variations resulting from these assumptions 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 which are accounted for directly in shareholders' equity. In such case, it is accounted for in shareholders' equity. The tax due is the amount of the estimated tax due for the period, taking into account any tax adjustment of the tax due relating to previous periods.

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

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

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

NOTE 3 CONSOLIDATION SCOPE

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

No variation of consolidation scope was noted during 2011.

Company name & Haedquarter address	SIREN Code (EIN)	Control %	Interest %	Consolidation method
LATECOERE do BRASIL Avenida Correga 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
LETOV LV a.s. Letov Letecka Vyroba a.s. Beranovich, 65 199 02 Prague 9 – Letnany Czech Republic	None	100.00 %	100.00 %	Consolidation
LATECOERE INC. 1000 Brickel av. – suite 641 Miami Florida 33131 USA	None	100.00 %	100.00 %	Consolidation
LATECOERE DEVELOPPEMENT 135, Rue de Périole 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
SEA LATelec 13, Rue 8612 Impasse n°5 ZI Charguia 1 2035 Tunis Carthage Tunisia	None	100.00 %	100.00 %	Consolidation
LATecis 1, Avenue P.G. Latécoère 31570 Saint Foy d'Aigrefeuille France	378 735 534	100.00 %	100.00 %	Consolidation

Company name & Haedquarter address	SIREN Code (EIN)	Control %	Interest %	Consolidation method
LATecis IBERIA C/ San Vincente, 30 28903 Getafe – Madrid Spain	None	100.00 %	100.00 %	Consolidation
G²METRIC 40 Chemin Cazalbarbier 31140 Launaguet France	410 949 879	51.00%	51.00%	Consolidation
LATecis UK Limited The Business & Technology Centre 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
G²METRIC GmbH Zeppelinring 1-6, 33142 Büren Germany	None	51.00%	51.00%	Consolidation
G²METRIC Limited 16 Woodlands Gerrards Cross BUCKINGHAMSHIRE Angleterre SL9 8DD	None	51.00%	51.00%	Consolidation
Corse Composites Aéronautique Z.I. du Vazzio 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
PESOLA Rua José de Campos 270 Bairro de Jardim 12236-650 Sao José dos Campos Brazil	None	33.33 %	33.33%	No consolidation
LATecis srl Sect. 6, Bd. Timisoara nr. 100G Bucuresti Romania	None	30.00 %	30.00 %	No consolidation

For information, the Group no longer exercises significant influence over the LATECOERE Aéroservices Company. Therefore, this company was deconsolidated as of July 1, 2011 and the financial asset was recorded in assets available for sale.

The Group also sold 70% of LATecis Srl and that company was deconsolidated as from July 1, 2011.

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;
- Interconnexion 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 is identical to that used by the Group for the establishment of its consolidated financial statements under IFRS standards.

It should be noted that four 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.

('000 EUR) **Dec. 31, 2011**	Aerostructures	%	Engineering and services	%	Interconnexion Systems	%	Intersegment eliminations	%	Total
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**
Operating result/revenue	*6,02%*		*6,04%*		*11,32%*				***7,77%***
Financial result	**-36 898**	**86%**	**176**	**0%**	**-6 383**	**15%**			**-43 104**
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**
Net result/revenue	*-1,13%*		*4,30%*		*4,88%*				***1,25%***
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

('000 EUR) Dec 31, 2010	Aerostructures	%	Engineering and services	%	Onboard wiring and systems	%	Intersegment eliminations	%	Total
Revenue	277 977	60%	63 813	14%	150 182	32%	-27 544	-6%	464 429
Inter-segment revenue	-19 143	70%	-5 975	22%	-2 425	9%		0%	-27 544
Consolidated revenue	**258 834**	**56%**	**57 838**	**12%**	**147 757**	**32%**	**0**	**0%**	**464 429**
Operating result	**26 831**	**59%**	**2 884**	**6%**	**15 626**	**34%**	**0**	**0%**	**45 341**
Operating result/revenue	*9,65%*	*0%*	*4,52%*	*0%*	*10,40%*	*0%*	*0%*	*0%*	***9,76%***
Financial result	**-18 499**	**101%**	**92**	**-1%**	**151**	**-1%**	**0**	**0%**	**-18 256**
Income tax and miscellaneous	9 192		-926		-5 209		0	0%	3 057
Result from associates	33	100%	0	0%	0	0%	0	0%	33
Result: Group share	17 558		1 738		10 568		0	0%	29 863
Result: Minority interests	0		312		0		0	0%	312
Net result	**17 558**	**58%**	**2 050**	**7%**	**10 568**	**35%**	**0**	0%	**30 176**
Net result/revenue	*6,32%*	*0%*	*3,21%*	*0%*	*7,04%*	*0%*	*0%*	*0%*	***6,50%***
Intangible fixed assets	1 630	68%	472	20%	285	12%	0	0%	2 387
Goodwill	0	0%	1 300	100%	0	0%	0	0%	1 300
Tangible fixed assets	75 916	80%	5 650	6%	13 606	14%	8	0%	95 179
Investments in associates	3 471	100%	0	0%	0	0%	0	0%	3 471
Other fixed assets	61	29%	57	27%	95	44%	0	0%	214
Total	**81 078**	**79%**	**7 479**	**7%**	**13 986**	**14%**	**8**	0%	**102 551**
Acquisition of tangible and intangible fixed assets	3 203	43%	1 487	20%	2 812	37%	0	0%	7 502
Inventories	424 967	87%	1 295	0%	62 329	13%	-900	0%	487 691
Trade and other receivables	95 258	60%	32 987	21%	76 757	48%	-46 578	-29%	158 424
Net debt	279 385	80%	-176	0%	71 523	20%		0%	350 732
Accounts payable	174 392	99%	22 671	13%	25 251	14%	-46 570	-26%	175 744
Total Assets	643 269	80%	45 736	6%	161 951	20%	-48 625	-6%	802 331

.

NOTE 5 FIXED ASSETS

5.1 Changes in Fixed Assets

('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 ASSSETS	**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, 2009	Currency variations	Other	Acquisitions	Disposals	Dec 31, 2010
Franchises/patents/similar rights	8 124	136	36	826	-135	8 988
Other Intangible Fixed Assets	4 053	0	0	13	-3	4 063
Goodwill	1 300	0	0	0	0	1 300
Land	4 104	193	0	0	0	4 297
Buildings	33 547	1 356	2 042	1 750	-6	38 689
Plants & Equipment	79 837	2 989	719	1 622	-1 009	84 158
Other Fixed Assets	20 257	324	-242	1 305	-252	21 393
Fixed assets in progress	445	2	-1 031	1 888	0	1 304
Advanced payments on fixed assets	1 360	-1	-1 524	245	0	80
Real estate leasing	27 681	0	0	0	0	27 681
Long-term Investments	752	0	22	61	-105	692
Investments in associates	3 359	37	42	33	0	3 471
GROSS ASSSETS	**184 819**	**5 036**	**63**	**7 744**	**-1 510**	**196 115**

('000 EUR)	Dec 31, 2009	Currency variations	Other	Increase	Decrease	Dec 31, 2010
Franchises/patents/similar rights	5 772	63	0	896	-105	6 626
Other Intangible Fixed Assets	3 978	2	0	59	0	4 038
Buildings	5 285	284	0	2 124	0	7 692
Plants & Equipment	41 153	1 605	0	7 332	-831	49 260
Other Fixed Assets	13 672	177	-19	1 221	-250	14 802
Real estate leasing	9 840	0	0	828	0	10 667
Long term investments	478	0	0	0	0	478
AMORTIZATIONS	**80 178**	**2 131**	**-19**	**12 460**	**-1 186**	**93 564**

('000 EUR)	Dec 31, 2010	Dec 31, 2011
Franchises/patents/similar rights	2 362	1 634
Other Intangible Fixed Assets	25	0
Goodwill	1 300	1 300
Land	4 297	4 150
Buildings	30 996	29 086
Plants & Equipment	34 898	29 161
Other Fixed Assets	6 591	6 307
Fixed assets in progress	1 304	3 934
Advanced payments on fixed assets	80	20
Real estate leasing	17 013	16 190
Long-term Investments	214	3 302
Investments in associates	3 471	2 018
NET ASSETS	**102 551**	**97 101**

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

The main tangible and intangible acquisitions of 2011 relate to fitting work for buildings for €0.7 million; of equipment and industrial plant for €2.4 million primarily relating to the LATECOERE and Letov s.r.o. companies and various fixed assets in progress for €2.2 million particularly related to the development of industrial equipment linked to the A350 program and the development of computer tools under the information systems master plan. These infrastructure investments are not specific to a given aircraft program.

The main financial acquisitions relate to the establishment of guarantee funds for the factoring agreement in the amount of €3.1 million.

.

At year-end, there existed guarantees (pledges and mortgages) on the Group's tangible fixed assets amounting to €12 million.

5.2 Goodwill

('000 EUR)	Dec 31, 2011	Dec 31, 2010	Valuation method	Discounting rate	Discounting period	Growth rate
LATecis	834	834	Discounted future	8%	Infinity	2,0%
G2 METRIC	466	466	cash flow method	8%	Infinity	2,0%
TOTAL	**1 300**	**1 300**				

5.3 Finance Lease Contracts

(000 EUR)	Minimum future payments as of Dec 31, 2011				Present value of minimum future payments as of Dec 31, 2011			
	Less tan 1 year	From 1 to 5 years	Over 5 years	**Total**	Less tan 1 year	From 1 to 5 years	Over 5 years	**Total**
Fructicomi 1	0	0	0	0	0	0	0	0
Fructicomi 2	562	1 124	0	1 686	491	1 062	0	1 553
Batimap	640	2 560	480	3 680	494	2 232	469	3 194
LATECOERE	**1 202**	**3 684**	**480**	**5 366**	**985**	**3 294**	**469**	**4 747**
Auximur 1	0	0	0	0	0	0	0	0
Auximur 2	0	0	0	0	0	0	0	0
LB 1	48	64	0	112	42	59	0	101
LB 2	47	187	158	392	35	154	147	337
LATelec	**95**	**251**	**158**	**504**	**77**	**214**	**147**	**438**
LB 2	124	496	849	1 469	63	283	689	1 034
LATecis	**124**	**496**	**849**	**1 469**	**63**	**283**	**689**	**1 034**
TOTAL	**1 421**	**4 431**	**1 487**	**7 339**	**1 126**	**3 790**	**1 304**	**6 220**

5.4 Impairment Test of Assets

In accordance with the principle stated in note 2.12, the accounting value of each Cash-Generating Unit (CGU) was the subject of a comparison with the highest amount of the market value and the value in use, defined as equal to the sum of the discounted cash flows calculated from information resulting from the plan at medium long-term.
For all of the CGUs, the discount rate of the cash flows using the average cost of capital is 8%. It is based on a market rate without risk increased by a risk premium. This rate is calculated after tax and is applied to cash flows after tax. A single discount rate was used for all the CGUs insofar as the specific risks of each CGU were taken into account in the forward-looking cash flows.

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

At December 31, 2011, the tests carried out on all of the Group's CGUs did not lead to the recognition of depreciation.

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

Furthermore, a 2.5% increase in the discount rate would have led to the recognition of depreciation.

NOTE 6 INVESTMENTS IN ASSOCIATES

('000 EURO)	Dec 31, 2011	Dec 31, 2010
PESOLA	44	107
Corse Composites Aéronautiques	126	-279
LATECOERE AEROSERVICES	44	206
RESULT FROM ASSOCIATES	**215**	**33**

('000 EURO)	Dec 31, 2011	Dec 31, 2010
PESOLA	400	389
Corse Composites Aéronautiques	1 618	1 491
LATECOERE AEROSERVICES	0	1 591
INVESTMENTS IN ASSOCIATES	**2 018**	**3 471**

Since July 1, 2011, the Group no longer exercises significant influence over the LATECOERE Aéroservices Company. Consequently, this company's shares no longer appear on the "investments in associates" line. As from July 1, 2011, the financial asset was accounted for on the "Other financial assets" line.

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

('000 EURO)	PESOLA	CCA	TOTAL
Fixed assets	1 282	4 101	5 383
Inventories & work in progress	774	16 709	17 484
Trade receivables	520	4 937	5 456
Other receivables	191	8 173	8 396
Cash and cash equivalent	146	6 002	6 148
TOTAL ASSETS	**2 913**	**39 922**	**42 867**
Shareholders' equity	1 145	4 409	5 554
Autres fonds propres	0	15 797	15 797
Provisions	233	3 708	3 942
Financial liabilities	0	35	35
Trade payables	775	6 056	6 831
Social and tax liabilities	0	2 452	2 452
Ohters liabilities	760	7 465	8 257
TOTAL SHAREHOLDER'S EQUITY & LIABILITIES	**2 913**	**39 922**	**42 867**
Revenue	3 976	33 590	37 566
Net result	120	451	571

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

NOTE 7 DETAILS OF INVENTORIES & WORK-IN-PROGRESS

('000 EURO)	Dec 31, 2011			Dec 31, 2010		
	Brut	Provisions	Net	Brut	Provisions	Net
Industrial Inventories	194 688	-25 173	169 515	176 394	-25 147	151 248
Work in progress - Non Recurring Cost	401 532	-89 891	311 641	437 928	-101 485	336 443
TOTAL	**596 220**	**-115 064**	**481 156**	**614 322**	**-126 632**	**487 691**

Inventories and work-in-progress dropped in 2011 by €6.5 million to €481.2 million, primarily through the combined effect:

- of an increase in inventories and physical work-in-progress (raw materials, parts and work-in-progress) of €18.3 million, of which €7 million resulted from aircraft manufacturers' postponements of deliveries to H1 2012;
- of a drop of €24.8 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 2011 of €55 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).

Additional information on the construction contracts is furnished in note 24.

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, 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**

('000 EURO)	Loans and receivables at amortised cost	Financial assets at fair value through profit and loss	Hedging instruments	Dec 31, 2010	Fair value	Financial instrument (cat 1)	Financial instrument (cat 2)
Non current financial assets	214			214			
Trade receivables and other receivables	158 424			158 424			
Financial instruments		4 491	11 249	15 740	15 740		15 740
Cash and cash equivalent		10 301		10 301	3 253	3 253	
TOTAL FINANCIAL ASSETS	**158 638**	**14 792**	**11 249**	**184 679**	**18 993**	**3 253**	**15 740**

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

NOTE 9 RECEIVABLES

('000 EURO)	Dec 31, 2011	Dec 31, 2010
Advanced payments	331	504
Trade receivables	142 336	140 790
Of which discount of receivables	*41 394*	*5 604*
Of which discount of receivables non cash received at closing	*43 287*	*0*
Group current account	655	247
Tax receivables	13 234	12 262
Other current receivables	5 721	4 620
TOTAL RECEIVABLES	**162 276**	**158 424**

Following the refinancing of the debt concluded on December 21, 2011, the Group has a factoring credit line. As part of that agreement, the gross amount of receivables assigned to the factor is €84.6 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, 2011	Dec 31, 2010
Trade receivables non past due	132 537	128 954
Past due trade receivables < 30 days	5 386	6 946
Past due trade receivables between 30 and 60 days	1 732	3 044
Past due trade receivables between 60 and 90 days	127	93
Past due trade receivables between 90 and 180 days	1 198	1 501
Past due trade receivables > 6 months	1 552	445
Provision for doubful debt	-196	-194
TRADE RECEIVABLES	**142 336**	**140 790**

NOTE 10 DERIVATIVE INSTRUMENTS

New hedging financial instruments (EUR/USD) for a total amount of $471 million were put in place during 2011 to extend 2012 hedging by €129 million and to cover the dollar exposure until 2013 for €342 million.

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	> 5 years
Foreign currency risk						
Financial instruments not designed as a hedge						
- Forward currency contracts **BRL/USD**	0	970	20 867	11 593	9 274	0
- Currency option contracts ** and forward currency contracts EUR/USD	352	14 048	98 153	0	98 153	0
- Currency option contracts **EUR/CZK** **	0	300	***			
Cash flow hedging						
- Forward currency contracts **EUR/USD**	392	2 368	69 770	69 770	0	0
- Forward currency contracts **CZK/EUR**	0	119	18 000	14 000	4 000	0
- Currency option contracts **EUR/USD** *(intrinseque value)*	817	3 268	410 870	244 706	166 164	0
- Currency option contracts **EUR/CZK** *(intrinseque value)*	0	86	18 000	6 000	12 000	
Foreign currency risk total	**1 561**	**21 159**	**635 660**	**346 068**	**289 591**	**0**
Financial instruments not designed as a hedge						
- Collar	0	4 653	235 000	****		
Interest rate risk total	**0**	**4 653**	**235 000**			
Financial instruments not designed as a hedge	352	19 971	354 020	11 593	107 427	0
Cash flow hedgind	1 210	5 841	516 640	334 476	182 164	0
FINANCIAL INSTRUMENTS TOTAL	**1 561**	**25 812**	**870 660**	**346 068**	**289 591**	**0**
of which non current financial instruments	0	11 920				
of which current financial instruments	1 561	13 892				

*Notional is converted in euro K by applying the exchange rate at the closing date
** Time value and Ineffectiveness of intrinseque value
*** 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 contract EUR / USD (intrinsic value)"
**** These instuments cover a risk rate of nominal € 235 million until end 2012 on a nominal basis to € 175 million in early 2013 until early 2015.

In order to ensure the coherence of the information furnished, the analysis of the periods of interest rate risk hedging instruments (€235 million) corresponds to that given in note 23.4. These instruments cover the debt of the Group to a total value of €235 million over the period 2012 and to a total value of €175 million over the period 2013-2014.

10.2 Information on the Impact of Derivative Instruments on Income and Shareholders' Equity

Impact of future cash flow hedging

('000 EURO)	Dec 31, 2011	Dec 31, 2010
Fair value at the opening date	**59**	**4 499**
Equity change for the effective portion	-530	-9 931
Reclasssified in income when the hedged element affects profit and loss	-5 282	1 851
Recorded through income statement	43	402
Deffered tax variation	2 011	3 238
Fair value at the closing date	**-3 698**	**59**

The reclassification in the year's net result has primarily impacted revenue by the amount of €6,189k.

Impact of Derivative Instruments to which Hedge Accounting is not Applied

('000 EURO)	Dec 31, 2011	Dec 31, 2010
Fair value at the opening date	**-1 877**	**1 098**
Recorded through income statement before Taxes	-17 743	-2 975
Fair value at the closing date	**-19 620**	**-1 877**

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 LATECOERE Group considers it a principle of good governance to monitor shareholders' equity and debt. The ratio between these two items is subject to the contractual restrictions contained in the financial covenants mentioned in Note 14. The consequences of these covenants are generally an adaptation of the conditions for the granting of credits by banks.

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, 2011	Dec 31, 2010
Number of shares	8 609 997	8 609 997
Nominal value of each share (in euro)	2,00	2,00
Share Capital	17 219 994	17 219 994

	Dec 31, 2011	Dec 31, 2010
Averaged issued shares	8 609 997	8 609 997
Averaged treasury shares	14 368	10 768
Weighted average shares (a)	**8 595 629**	**8 599 229**
Dilutive impact of convertible bonds (b)	2 860 000	2 979 167
Dilutive impact of share purchase warrant (c)	0	0
Total of shares diluted (a+b+c)	**11 455 629**	**11 578 396**
Net resultat - Group Share (in euro) (d)	6 647 859	29 863 433
Result impact of Convertible bonds (e)	1 898 147	1 964 359
Diluted result (d+e)	**8 546 006**	**31 827 792**
Earnings per share (in euro)	0,77	3,47
Diluted earnings per share (in euro)	0,75	2,75

11.3 Treasury Shares

Number of shares	Dec 31, 2010	Acquisitions	Disposals	Dec 31, 2011	% of ownership
LATECOERE Shares	4 377	152 226	142 628	13 975	0,16%

('000 EURO)	Dec 31, 2010	Acquisitions / Provisions	Disposals	Dec 31, 2011	Average purchase price
LATECOERE Shares	29	1 474	1 380	124	9,76

('000 EURO)	Amount in Equity
Impact of adjustment of treasury shares in Equity at 12/31/2008	**1 603**
Adjustment of treasury shares of fiscal year	55
Impact of adjustment of treasury shares in Equity at 12/31/2009	**1 657**
Adjustment of treasury shares of fiscal year	101
Impact of adjustment of treasury shares in Equity at 12/31/2010	**1 759**
Adjustment of treasury shares of fiscal year	-94
Impact of adjustment of treasury shares in Equity at 12/31/2011	**1 665**

NOTE 12 NON-CURRENT PROVISIONS

('000 EURO)	Dec 31, 2010	Increase	Write-backs used	Write-backs not used	Dec 31, 2011
Provisions	**2 076**	**1 629**	**0**	**0**	**3 705**

The provisions for risks and expenses at year-end include in particular a provision for tax relating to the reintegration of lands under a real estate lease-back agreement for an amount of €610k and a provision for loss on completion for an amount of €2,894k.

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, 2011.

('000 EURO)	Dec 31, 2010	Increase	Write-backs used	Write-backs not used	Dec 31, 2011
Retirement bonus	12 302	1 171	-753	0	12 722
Long-service medals	1 096	112	-74	0	1 134
TOTAL	**13 399**	**1 283**	**-827**	**0**	**13 855**

13.1 Retirement Benefits

Retirement liabilities accounted for at December 31, 2011 relate to France only and were calculated according to the method described in note 2.22 of this document.
The calculation assumptions retained are the following:

- discount rate of 4.4% (compared to 4.2% in 2010) calculated on the basis of rates observed at December 31, 2011 for high quality corporate bonds;
- use of the TH-002/TF-002 mortality table;
- employee turnover noted by age group and by company;
- age of retirement departure: 66 years old;
- progression of salaries consistent with the average of the last years ;
- Rate of inflation : 2%

There exists no deferred past service costs at the year-ends 2010 and 2011. 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 no deferred actuarial variations nor deferred past service costs exist. The retirement severance pay relating to employees who should leave in 2012 is €77k.
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 2012 provision should be (excluding departures) €1,569k.

('000 EURO)	Dec 31, 2011	Dec 31, 2010
Increase	1 171	1 992
Decrease	-753	-525
Contributions paid	1 656	1 177
NET COST (REVENUE) OF THE YEAR	**2 074**	**2 645**
of wich		
Actuarial gains or losses	738	1 390
Interest cost	498	568
Services cost	839	686
TOTAL	**2 074**	**2 645**

13.2 Employee Long-service Medals

The obligation under long-service medals accounted for at December 31, 2011 was calculated according to the method described in note 2.22 of this document.
The calculation assumptions retained are the following:

- discount rate of 4.4% (compared to 4.20% in 2010) calculated on the basis of rates observed at December 31, 2011 for high quality corporate bonds;
- use of the TH-002/TF-002 mortality table;
- employee turnover noted by age group and by company;
- progression of salaries consistent with the average of the last years (for the company taking the referenced salaries) ;
- Rate of inflation of 2%.

The long-service medal bonus pay relating to employees who should leave in 2012 is €85k.
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 2012 provision should be (excluding departures) €88k.

('000 EURO)	Dec 31, 2011	Dec 31, 2010
Increase	38	195
Decrease	0	-115
Contributions paid	74	108
NET COST (REVENUE) OF THE YEAR	**112**	**188**
of wich		
Actuarial gains or losses	44	117
Interest cost	45	52
Services cost	23	19
TOTAL	**112**	**188**

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, 2011, the provision amounted to €415k compared to €348k at December 31, 2010.

NOTE 14 FINANCIAL LIABILITIES

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel 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)*

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel liabilities	Dec 31, 2010	Fair value
Refundable Advances			42 010	42 010	42 010
Discounted Receivables			5 604	5 604	5 604
Debenture loan			67 278	67 278	67 278
Bank loans			260 009	260 009	261 110
Finance lease			7 348	7 348	6 930
Unsecured banking facility			20 794	20 794	20 794
Other non-current liabilities			10 068	10 068	10 068
Financial instruments *	6 367	4 019		10 386	10 386
Accounts payable			175 744	175 744	175 744
TOTAL FINANCIAL LIABILITIES	**6 367**	**4 019**	**588 855**	**599 242**	**599 925**

** financial instrument (cat 2)*

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

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

14.1 Loans and Bank Borrowings

('000 EURO)	Dec 31, 2011	Dec 31, 2010
Debenture loan	27 379	67 278
Bank loans - non current	228 464	257 872
Leasing - non current	5 094	6 339
Non-current liabilities	**260 937**	**331 489**
Bank loans - current	65 195	2 137
Leasing - current	1 126	1 009
Factoring and revolver credit *	62 595	
Other short term credit	5 417	26 398
Current liabilities	**134 333**	**29 544**
TOTAL OF LOAN AND BANK BORROWINGS	**395 270**	**361 033**

*The Group has a revolving credit facility maturing on December 31, 2013 with a maximum of €29.6 million at December 31, 2011 which was mobilized in full at that date, reduced to €27.5 million at December 31, 2012 and to €25.0 million at December 31, 2013.

At the end of the year, the Group reached an agreement with its banks for the refinancing of 96% of the Group's bank debt (excluding leasing) and 60% of the Convertible Bonds.

This agreement, which provides the Group with durable refinancing through syndications, significantly reduces the potential maximum dilution of shareholders from 36% to 18%; it is structured around four pillars:

1. Arrangement of a €319.8 million syndicated loan with three Tranches:
    - Tranche A: €64.5 million, one-year amortizing loan,
    - Tranche B: €225.6 million, seven-year amortizing loan, and
    - Tranche C: four-year revolving credit for an initial principal amount of €29.7 million;
2. Arrangement of a €76.0 million, four-year factoring agreement syndicated among four factoring companies;
3. Early redemption of 60% (4,290,000) of the Convertible Bonds, refinanced by the 2018 final repayment on Tranche B of the syndicated loan and obtaining of issuer calls on a total of 2,860,000 residual Convertible Bonds, exercisable at par, when the Latécoère share exceeds €13.0 on average over a period of three consecutive days;
4. Extension of existing currency hedging lines enabling the Group to hedge progressively its exposure to USD risk through the end of 2014.

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

('000 EURO)	Currency	Interest rate	Maturity	Dec 31, 2011	
				Notional	Actual
Debenture loan	EURO	EURIBOR+ marge	2015	28 600	27 379
Syndicated loan - Tranche A	EURO	EURIBOR+ marge	2012	64 529	64 529
Syndicated loan - Tranche B	EURO	EURIBOR+ marge	2018	225 610	216 763
Syndicated loan - Tranche C (revolver credit)	EURO	EURIBOR+ marge	2015	29 652	29 652
Bank borrowings with guarantee	EURO	4,8%-5,9%	2014-2016	21 059	11 196
Bank borrowings with guarantee	EURO	EURIBOR+ marge	2016	1 500	866
Factoring	EURO/USD	EURIBOR/LIBOR	2015	76 000	32 943
Finance lease	EURO	4,7%-7,2%	2010-2020	25 013	6 220
Unsecured banking facility and other	EURO	EURIBOR +	n/a	5 721	5 721
TOTAL OF LOAN AND BANK BORROWINGS				**477 684**	**395 270**

14.2 Financial Ratios ("covenants")

Covenants on Medium-term Bank Borrowings

The syndicated loan established on December 21, 2011 replaces the existing bilateral loan agreements which constituted most of the medium-term debt of the LATECOERE Group. Consequently, all of the financial covenants included in these agreements have lapsed.

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 interest rate and foreign exchange risk hedging instruments intended to be held until maturity, 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, 2011, the Group respected these commitments.

Financial Commitments on Bonds Convertible in Shares

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

The financial covenants relating to the LATelec Convertible Bonds lapsed with the early redemption in full of the related convertible bonds.

The financial covenants relating to the bonds include new ratios that the LATECOERE Group 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 which 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 CB; 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, 2011, the Group respected these commitments.
.

14.3 Refundable Advances

The most significant refundable advance relates to the A380 programs (€27 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, 2011	Dec 31, 2010
Trade payables	95 100	78 636
Employee related liabilities	27 907	27 499
State payables	10 110	9 866
Credit balance on trade receivables and advance payments from customers	3 749	56 429
Other creditors	4 221	3 315
ACCOUNTS PAYABLE	**141 087**	**175 744**

At December 31, 2010, accounts receivable credit balances included a customer advance relating to the financing of development work associated with a program in an amount of €55 million transformed into revenue during 2011.

NOTE 16 DEFERRED TAXES

('000 EURO)	Dec 31, 2011	Dec 31, 2010
Deferred tax assets	16 975	12 340
Refundable Advances	-1 137	-3 945
DEFERRED TAX AT OPENING	**15 838**	**8 395**
Deferred tax Income (Expense) recognised in P&L	8 666	5 262
Deferred tax variation recognised directly in equity	3 036	2 181
DEFERRED TAX AT CLOSING	**27 541**	**15 838**
Of which Deferred tax assets	27 847	16 975
Of which Deferred tax liabilities	-307	-1 137

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

('000 EURO)	Dec 31, 2011	Dec 31, 2010
Tangible and intangible assets	-6 193	-5 406
Financial instruments	7 938	-549
Retirement bonus	4 217	4 050
Other provisions	-1 866	-1 765
Loan and bank borrowings	-1 324	1 064
Loss carry-forwards	22 315	17 215
Other	2 454	1 229
NET DEFERRED TAX ASSETS (LIABILITIES)	**27 541**	**15 838**

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, 2011, compared to €17.2 million at December 31, 2010. Over the French tax consolidation scope, deferred tax assets in an amount of €4.5 million were not recognized in 2011. The Group's tax losses 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, 2011		Dec 31, 2010	
	Amount	%	Amount	%
Civil business	558 035	97,0%	454 759	97,9%
Military business	17 532	3,0%	9 669	2,1%
TOTAL	**575 567**	**100,0%**	**464 429**	**100,0%**

BY GEOGRAPHICAL ZONE

('000 EURO)	Dec 31, 2011		Dec 31, 2010	
	Amount	%	Amount	%
France	325 391	56,5%	278 984	60,1%
Export	250 176	43,5%	185 444	39,9%
TOTAL	**575 567**	**100,0%**	**464 429**	**100,0%**

BY GEOGRAPHICAL MARKET (DIRECT EXPORTS)

('000 EURO)	Dec 31, 2011		Dec 31, 2010	
	Amount	%	Amount	%
Europe	379 914	66,0%	337 517	72,7%
America	192 017	33,4%	124 874	26,9%
Asia	2 658	0,5%	2 037	0,4%
Other	978	0,2%	0	0,0%
TOTAL	**575 567**	**100,0%**	**464 429**	**100,0%**

BY NATURE

('000 EURO)	Dec 31, 2011		Dec 31, 2010	
	Amount	%	Amount	%
Revenue - Construction contrats	295 872	51,4%	201 982	43,5%
Revenue - Goods	182 789	31,8%	175 677	37,8%
Revenue - Services	96 906	16,8%	86 770	18,7%
TOTAL	**575 567**	**100,0%**	**464 429**	**100,0%**

NOTE 18 RAW MATERIALS, OTHER PURCHASES & EXTERNAL CHARGES

('000 EURO)	Dec 31, 2011	Dec 31, 2010
Raw material used	-86 425	-75 718
Cost of goods sold	-2 362	-1 585
Sub-contracting	-161 847	-150 533
External charges	-56 672	-55 843
RAW MATERIAL, OTHER PURCHASES & EXTERNAL CHARGES	**-307 306**	**-283 678**

A reclassification was made during 2010 from the "Raw material, Other Purchases & external charges" line toward the "Personnel expenses" line for an amount of €7,077k.

NOTE 19 DEPRECIATION OF CURRENT ASSETS

The amount of net provisions for 2011 primarily includes a reversal used in 2011 pursuant to IAS 11 on construction contracts.

NOTE 20 OTHER INCOME

The amount of other income includes, in particular, grants and research-based tax credits for €8.4 million, own work capitalized for €2.9 million and the exchange rate hedging relating to the EUR/CZK hedging for €0.9 million.

NOTE 21 DETAIL OF FINANCIAL INCOME

('000 EURO)	Dec 31, 2011	Dec 31, 2010
Interest expense - net	-17 866	-15 164
Foreign Exchange gains/loss realized :	742	4 277
- derivative instuments EUR/USD	**372**	**-2 848**
- other derivative instrument	**1 884**	**2 674**
- Foreign Exchange gains/loss realized	**-1 513**	**4 451**
Other realized financial expenses / income	-3 882	-66
Realized net financial result	**-21 005**	**-10 953**
Change in fair value of financial instruments :	-20 244	-9 885
- Change in fair value of currency derivative instruments EUR/USD *	**-14 669**	**-2 768**
- Change in fair value of other currency derivative instruments	**-5 501**	**-5 526**
- Change in fair value of interest rate contract	**-74**	**-1 591**
Valuation of items on balance sheet at the closing date	327	3 824
Other unrealized financial expenses / income	-2 181	-1 241
Unrealized net financial result	**-22 099**	-7 302
FINANCIAL RESULT	**-43 104**	**-18 256**

** the fair value variation of EUR/USD foreign exchange derivative instruments exchange corresponds in essence to the time value of collars.*

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, 2011	Dec 31, 2010
Current income taxes	-3 268	-2 205
Deferred taxes	8 666	5 262
TOTAL	**5 398**	**3 057**

2.2.3 Reconciliation between the French Corporate Income Tax Rate and the Group's Effective Tax Rate

('000 EURO)	Dec 31, 2011
Group net result of consolidated companies	**7 209**
- Consolidated tax expense (due and deferred)	5 398
Pre-tax consolidated result (before Group/minority interests share)	**1 811**
- Result from associates	215
Pre-tax consolidated result (A)	**1 597**
Theoretical tax rate (current rate applicable to parent company) (B)	**36,10%**
Theoretical tax expense (A*B)	**-576**
Items taxed at the reduced rate or not taxed	-278
Effect of the tax rate variations on deferred taxes	-467
Unreported tax losses *	322
Loss carry forward recognized	5 100
Other	-399
Tax reductions / tax credits **	1 697
Sub-total	***5 975***
ACTUAL TAX EXPENSE	**5 398**
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 Credit Risk

Because of the nature of the principal counterparts, the Group is not exposed to credit risk in any major way and foresees no default of third parties which could have a significant impact on the financial statements of the Group. At year end, the Group had identified no significant credit risk on these assets due but not depreciated. Furthermore, the degree of dependence on main customers remains limited, the Group benefitting from a firm orderbook distributed evenly among its principal customers.

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. The financial interest was calculated on the basis of the 2011 variable rate for the share of variable rate financial liabilities. The financial liabilities by maturity are analyzed as follows:

('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 (instrinseque value)	5 841	-5 841	-3 834	-2 006	0
TOTAL FINANCIAL LIABILITIES	**590 859**	**-699 687**	**-281 344**	**-215 669**	**-202 674**

('000 EURO)	Dec 31, 2010				
	Carrying value	Undiscounted cash flow	Less than 1 year	From 1 to 5 years	Over 5 years
Refundable Advances	42 010	-74 096	-13 615	-8 419	-52 062
Discounted Receivables	5 604	-5 604	-5 604		
Syndicated loan - Tranche C (revolver credit)	67 278	-90 796	-1 596	-89 200	
Bank loans	260 009	-313 213	-17 638	-290 060	-5 515
Finance lease	7 348	-8 790	-1 451	-5 041	-2 298
Commercial paper and other financial debts	20 794	-20 794	-20 794		
Other creditors	185 812	-130 792	-129 257		-1 535
FINANCIAL LIABILITIES (except derivative instr.)	**588 855**	**-644 085**	**-189 955**	**-392 720**	**-61 410**
Derivative instruments (instrinseque value)	4 019	-4 019	-3 931	-88	0
TOTAL FINANCIAL LIABILITIES	**592 874**	**-648 104**	**-193 886**	**-392 808**	**-61 410**

At December 31, 2010, a customer advance in an amount of €55 million received by the Group in connection with development work associated with an aeronautical program has been accounted for on the "Other Liabilities" line. For that reason, this advance does not correspond to cash flow.

The refinancing of the Group's debt on December 21, 2011 ensured the Group the resources necessary for its future business.

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 64% of its sales in dollars and buys approximately 48 % of supplies or sub-contracting in dollars. The effect of the dollar exchange risk hedging operations on revenue was € +6,190k in 2011 compared to € -4,298k in 2010.
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, 2011 and does not reflect all future hedging. Furthermore, the estimated net flows in US dollars in 2012 and 2013 have been fully hedged.

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

	Dec 31, 2011		Dec 31, 2010	
	'000 $	'000 €	'000 $	'000 €
Accounts Receivable	87 453	67 589	97 530	72 991
Accounts Payable	-35 800	-27 668	-21 285	-15 929
Other (advanced payments suppliers and customers)	3 462	2 675	0	0
Net debt	6 011	4 646	2 100	1 572
NET EXPOSITION BEFORE HEDGING	**61 126**	**47 242**	**78 346**	**58 633**
Hedging instruments for the receivables on the balance sheet	0	0	22 500	16 839
NET EXPOSITION AFTER HEDGING	**61 126**	**47 242**	**55 846**	**41 794**

A sensitivity analysis was carried out, based on the assumption of a €0.05 fall in relation to the dollar on the basis of the Group's net balance sheet exposure at December 31, 2011. This variation would have resulted in a pre-tax decrease in result of €1.8 million compared to a pre-tax decrease in result of €1.5 million in 2010.
Furthermore, a sensitivity analysis was carried out on the basis of a portfolio of derivatives qualified with cash flow hedging and held at year-end. A €0.05 decrease in relation to the dollar would result in a decrease of pre-tax result of €0.1 million and a reduction of pre-tax shareholders' equity of €20.9 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 cent fall of the dollar/real parity. These variations would have resulted in a pre-tax decrease in result of €0.6 million.
A sensitivity analysis was carried out, based on the assumption of a 5 cent fall of the Euro/Czech crown (koruna) parity. These variations would have resulted in a pre-tax decrease in shareholders' equity of €0.1 million.

The foreign currency exposure on the other currencies 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, 2011	Dec 31, 2010
Financial assets	Fixed rate	0	0	0	**0**	0
	Adjustable rate	27 117	0	0	**27 117**	10 515
Financial liabilities	Fixed rate	-7 755	-15 551	-31 422	**-54 728**	-70 844
	Adjustable rate	-130 018	-113 583	-134 254	**-377 854**	-327 199
NET EXPOSURE BEFORE HEDGING	Fixed rate	-7 755	-15 551	-31 422	**-54 728**	-70 844
	Adjustable rate	-102 901	-113 583	-134 254	**-350 737**	-316 684
Derivative financial instruments	Fixed rate	0	0	0	**0**	0
	Adjustable rate	111 702	123 298	0	**235 000**	235 000
NET EXPOSURE AFTER HEDGING	Fixed rate	-7 755	-15 551	-31 422	**-54 728**	-70 844
	Adjustable rate	8 801	9 715	-134 254	**-115 737**	-81 684

Financial assets and financial liabilities concern balance sheet items which are carrying interest

Almost all medium and long-term net debt is based on short-term floating rates. The average interest rate borne by the Group in 2011 was 4.9%. In 2009, the LATECOERE Group set-up hedging of interest rates

("collar") that allows it to limit the impact of a strong increase in short-term rates on the cost of the debt until the period 2013-2015. The rate guaranteed for the Group is limited at 3.7% for the period for 2012 for an amount of €235 million and at 3.9% over the period going from 2013 to 2014 for an amount of €175 million.
These derivative financial instruments were shared out pro rata the net exposure before hedging (on the periods of less than a year and of one to five years) in the table presented above.

The sensitivity tests implemented were made on a hedging of interest rates net basis. By taking as an assumption a 100 basis point increase in short-term rates, the impact on the Group's pre-tax result would be an increase in financial costs of €1,157k at December 31, 2011 compared to an increase of financial costs of €817k at December 31, 2010.

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 2 or 3 years, include price clauses which either make them constant for the duration of the contract, or cause them to evolve according to an index provided for in advance, on the average lower than the past increases. In some contracts, the raw material is consigned by the client, which reduces the risk for the Group.

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, 2011 is €124k.

Given the fact that at year end the Latécoère Company only held 13,975 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 CONSTRUCTION CONTRACTS

('000 EURO)	Dec 31, 2011	Dec 31, 2010
Amount due from customers (work in progress)	337	356
Amount due to customers	3	56
Revenue recognized from the origin of the contracts	2 032	1 736
Expenses incurred since the origin of the contracts	2 471	2 201
Refundable Advances	37	42

Construction contracts are based on forecasts made by the Group taking into account the commercial information (order book and production rates) released by the different aircraft manufacturers and the information coming from the outlook for the aeronautical market. Future costs are estimated on the basis of the industrial organizations of the Group. Furthermore, the dollar flows (revenue and expenses) representing a significant share of the total flows, the Group founded its projections on assumptions of the future evolution of the dollar in relation to the duration of contracts. This last assumption could be reviewed depending on the outlook for the currency evolution and its impact on the projections.
The main construction contracts relate to the following programs: A380 (lower part of the nose section, doors of upper deck, electrical racks, commercial harnesses), A400M (electrical rack), F7X (harnesses, rear fuselage section), Embraer ERJ 170/190 (fuselage section and doors), 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 2012 to 2014 would not have a significant impact on the margin recognized at December 31, 2011 and a 0.02 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 25 AVERAGE HEADCOUNT REGISTERED

	Dec 31, 2011				Dec 31, 2010
	Executives & management	Administration	Blue-collars	Total Employees	Total Employees
LATECOERE	298	547	178	1 022	1 024
LATECOERE do BRASIL	19	97	298	414	319
LETOV s.r.o.	10	203	354	567	517
LATECOERE Inc.	0	1	0	1	1
LATelec	116	255	236	608	615
SEA LATelec	35	96	665	797	672
LATecis	211	173	0	384	363
LATelec GmbH	26	37	8	71	58
G²Metric	30	15	0	45	38
G²Metric GmbH	2	5	0	7	3
G²Metric UK	2	1	0	3	0
LATecis Ibéria	2	26	0	28	24
LATecis srl	3	12	0	14	22
LATecis Canada	1	1	0	2	0
LATecis UK	6	0		6	8
TOTAL GROUPE	**760**	**1 469**	**1 739**	**3 968**	**3 663**

NOTE 26 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

26.1 Financial Commitments

Following the refinancing of the debt realized on December 21, 2011, the main financial commitments were reviewed. The amount of the commitments given by the Group at year end was as follows:

('000 EURO)	Dec 31, 2011				Dec 31, 2010
	< To 1year	From 1 to 5 years	> 5 years	Total	Total
Trade receivables given as security (1)	32 943			**32 943**	94 955
Securities, collateral and mortgages (2)	64 160	84 332	129 436	**277 928**	42 791
Guarantees accorded				**0**	26 568
Construction contracts Pledges				**0**	112 295
TOTAL	**97 103**	**84 332**	**129 436**	**310 871**	**284 546**

(1) The trade receivables given as security at December 31, 2011 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 €45.1 million, and intangible items not recognized to the balance sheet for €232.8 million.

2.6.2 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 €5.6 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 which could have an impact on the method of renewal or of termination of these contracts.

26.3 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.

26.4 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 27 RELATED PARTIES

27.1 Main Flows with Related Parties

Relations during 2011 with associates as determined at December 31, 2011:

('000 EURO)	Latécoère	CCA
Revenue	0	1 228
Purchasing	1 228	0
Trade receivables	34	0
Trade payables	0	34

Relations during 2011 with companies not included in the consolidation scope as determined at December 31, 2011:

('000 EURO)	LATecis	LATecis srl
Revenue	0	1 222
Purchasing	1 222	0
Trade receivables	389	68
Trade payables	68	389

('000 EURO)	Latécoère	Latécoère Aeroservices
Revenue	0	60
Purchasing	60	0
Trade receivables	379	359
Trade payables	359	379

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

27.2 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, 2011 the amount of €2,805k (of which €604k relates to retirement liabilities and €23k relates to long-service medals). At December 31, 2010, the total of remuneration was €2,445k (of which €542k relating to retirement liabilities and €26k relating to long-service medals).

Remuneration due in 2011 for all of the Members of in Supervisory Board was €329k. At December 31, 2010, remuneration due for all of the Members of the Supervisory Board was €178k.

27.3 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; interconnexion systems; and engineering and services. Every company which is a leader in a business has subsidiaries (in France or abroad) that enable it to respond to its industrial needs. Given the general organization of the Group, the different companies that form part of the scope of consolidation can have industrial and commercial relations between themselves so as to respond to the production needs of each entity. Group transactions being variable, it is not possible a priori to define their annual amounts.

The conditions of payment applicable between the different companies of the Group match those applicable for other suppliers and take into account, as appropriate, occasional needs related to centralized cash flow management.

The 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 28 SUBSEQUENT EVENTS

The Realization of Real Estate Operations

The LATECOERE Company regained full ownership of its Toulouse site located on rue Périole, pursuant to the exercise of options done in relation to the implementation of the syndicated loan.

In keeping with its commitments, the LATECOERE Company established a mortgage on the entire Toulouse site and the LATelec Company also implemented a mortgage on its Labège and Crès (located in Montpellier, France) sites.

Sale of Pesola Shares

On January 2, 2012, the LATECOERE Group, through its subsidiary LATECOERE do BRASIL, signed an agreement to sell a 33.33% stake in the Pesola Company for 1.35 million Brazilian reals.

Change in governance

The beginning of 2012 was marked by the renewal of LATelec's governance upon the departure of Mr. Roland Tardieu whose term as a member of the Management Board of the LATECOERE Company ended on February 17.

The chairmanship of the LATelec Company was entrusted to Mr. François Bertrand who will be assisted by Mr. Daniel Bourgeois, Managing Director.

Mr. Roland Tardieu has not been replaced on the Management Board of the LATECOERE Company whose membership has been reduced as a result to three.

Strengthening of Equity

At March 16, 2012, 225,012 bonds were converted out of a total of 2,860,000, thus strengthening equity by €2,250,120.

3.7 Report of the Statutory Auditors on the Consolidated Financial Statements

Dear Shareholders,

Following our appointment as statutory auditors by your General Meeting, we have audited the accompanying consolidated financial statements of Latécoère S.A. for the year ended December 31, 2011:

- the audit of the consolidated financial statements of the Latécoère S.A. company, as they accompany this report;
- the justification of our assessments;
- the specific verification foreseen by law.

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

Opinion on the Consolidated Financial Statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit 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 consolidated financial statements give a true and fair view of the assets and liabilities, of the financial position of the Group as at December 31, 2011 and of the results of its operations for the year then ended in accordance with IFRSs as adopted by the EU.

Without qualifying our opinion, we draw attention to the following notes to the consolidated financial statements: "Main events – Refinancing of the Debt" and "14.1 – Loans and bank borrowings", which presents the details of the refinancing of the Group's financial debt following the new agreements reached with the French bank creditors at the end of December 2011.

Justification of Our Assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters.

Note 2.17 to the consolidated financial statements discloses the methods applied for recording hedging financial instruments detailed in note 10 to the consolidated financial statements and note 22.3 to the consolidated financial statements presents the Company's sensitivity to the dollar/euro parity on construction contracts.
In the context of our assessment of the accounting principles of your company, we have verified that these accounting methods and the related information disclosed in the notes were appropriate, and we have assessed their correct implementation.
Furthermore, your group recognizes the results on long-term contracts under the stage of completion method as described in note 2.15 to the consolidated financial statements. When applicable, your Company depreciates inventories & work-in-progress relating to these contracts, as indicated in note 7 to the consolidated financial statements. 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.
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.

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 4, 2012	Paris, April 4, 2012
KPMG Audit IS	Grant Thornton *French Member of Grant Thornton International*
Christian Libéros *Partner*	Gilles Hengoat *Partner*

4 STATUTORY FINANCIAL STATEMENTS OF THE LATECOERE S.A. COMPANY. AT DECEMBER 31, 2011

4.1 Balance Sheet of the LATECOERE S.A. Company

('000 EURO)	Gross	Amortization	Dec 31, 2011	Dec 31, 20010
Research and development expenditure	0	0	0	0
Other intangible fixed assets	4 770	4 136	634	652
Intangible fixed assets	**4 770**	**4 136**	**634**	**652**
Land	284		284	284
Buildings	1 178	496	682	594
Plant, equipment and tooling	24 183	18 713	5 471	5 806
Other tangible fixed assets	11 200	8 698	2 502	2 428
Fixed assets in progress	2 825		2 825	1 144
Advance payments			0	0
Tangible fixed assets	**39 669**	**27 907**	**11 762**	**10 255**
Other shareholdings	45 854	5 720	40 134	40 134
Other long-term investments	81 928		81 928	8 358
Other fixed shares	25		25	25
Loans	409	409	0	0
Other financial fixed assets	2 639	12	2 627	65
Financial fixed assets	**130 855**	**6 141**	**124 714**	**48 582**
Fixed assets	**175 294**	**38 184**	**137 110**	**59 489**
Raw materials	39 043	8 273	30 770	28 005
Work-in-process	411 158	88 379	322 779	335 546
Intermediate and finished products	43 753	11 448	32 305	31 733
Intermediate and finished products	**493 954**	**108 100**	**385 854**	**395 284**
Advances, payments on account	60		60	276
Trade accounts receivable	25 605	124	25 481	83 877
Other receivables	109 419		109 419	50 196
Short-term investments	0		0	0
Cash and bank	5 706		5 706	1 340
Prepayments, unrealized exchange losses	1 199		1 199	488
	0		0	**2 539**
CURRENT ASSETS	**635 943**	**108 223**	**527 719**	**534 000**
TOTAL ASSETS	**811 236**	**146 407**	**664 829**	**593 489**

('000 EURO)	Dec 31, 2011	Dec 31, 20010
Share capital	17 220	17 220
Share premium	69 611	69 611
Legal reserve	1 722	1 722
Regulated reserves		
Other reserves	107 496	107 496
Retained earnings	-104 943	-129 024
Income for the year (profit or loss)	1 133	24 082
Tax based provisions	3 657	3 510
Shareholders' equity	**95 897**	**94 617**
Refundable advances	34 912	42 010
Total equity	**130 809**	**136 627**
Provisions for risks and expenses	**3 609**	**2 603**
Debenture loan	28 600	57 150
Loans and debts from financial institution	321 828	202 415
Other loans and financial liabilities		
Advances and down payments received	180	55 020
Trade accounts payable	79 455	68 118
Tax, personnel and social security	16 214	19 205
Due for fixed assets	528	259
Other liabilities	80 205	50 314
Deferred income-unrealized exchange gains	3 402	1 778
Total liabilities	**530 412**	**454 260**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**664 829**	**593 489**

4.2 Income Statement of the LATECOERE S.A Company

('000 EURO)	Dec 31, 2011	Dec 31, 20010
Sale of goods purchased for resale	0	0
Production sold (goods)	377 959	283 981
Production sold (services)	21 747	30 977
Net sales	**399 706**	**314 958**
Change in inventory (WIP and finished goods)	-23 189	36 029
Capitalized production	2 015	1 516
Operating grants	3 036	3 375
Write-back of provisions and amortization, expense transfers	20 001	14 189
Other income	258	288
Other operation income	2 122	55 397
Operation income	**401 827**	**370 356**
Purchase of goods	0	0
Purchase of raw materials and other supplies	36 827	27 737
Changes in inventory (raw materials, supplies)	-2 839	5 269
Other purchases and external expenses	281 386	240 192
Taxes, duties and similar	4 450	4 517
Wages and salaries	42 684	42 286
Social security	20 047	19 182
Depreciation, amortization	3 813	2 229
Provisions on current assets	8 432	106
Other operation expenses	1 310	1 116
Operation expenses	**396 109**	**342 634**
NET OPERATING INCOME	**5 719**	**27 722**
NET FINANCIAL INCOME	**-12 268**	**-8 430**
INCOME BEFORE TAX	**-6 549**	**19 292**
NET EXCEPTIONAL EXPENSES	**-220**	**-307**
Employee profit sharing	546	2 250
Tax on profit	-8 448	-7 347
TOTAL INCOME	**428 003**	**390 628**
TOTAL EXPENDITURE	**426 870**	**366 546**
NET INCOME	**1 133**	**24 082**

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

('000 EURO)	Dec 31, 2011	Dec 31, 20010
Net income	1 133	24 082
Elim of depreciation and provisions [1]	-5 452	-7 706
Elim of profit/loss on disposal	0	54
Cash flow	**-4 319**	**16 430**
Changes in working capital [1]	4 917	-10 604
Cash flow from operating activities	**598**	**5 826**
Purchase of tangible and intangible assets	-3 647	-3 314
Proceed of sale of tangible and intangible assets	377	289
Cash flows from (used in) investing activities	**-3 270**	**-3 025**
Dividends paid	0	0
Increase (decrease) in capital	0	0
Proceeds from borrowings [2]	290 139	26
Repayments of borrowings [3]	-206 011	0
Shares in subsidiary companies flow	-73 570	0
Flow from refundable advances	-7 098	-8 387
Disposal (acquisition) of treasury shares	-94	98
Other flow from financing operation	22 952	0
Increase (decrease) in loans and advances made from financing activities	-2 479	0
Cash flows from (used in) financing activities	**23 839**	**-8 263**
Increase (decrease) in cash and cash equivalents	**21 167**	**-5 462**
Opening cash position	-16 615	-11 153
Closing cash position	4 552	-16 615
Cash and cash equivalents	5 706	1 340
Overdraft facilities	-1 155	-12 351
Discounted receivables	0	-5 604
CASH AND CASH EQUIVALENTS AT YEAR-END	**4 552**	**-16 615**

[1] To clarify its Consolided Cash low statement, the Group discloses from december 31, 2011 the line "changes in working capital" excluding the provisions change. Provisions change are now posted in line "Depreciations and provisions". The FY 2010 reclassifying impact is 10 100 K€ and 8 398 K€ for the FY 2011

[2] Corresponds to the tranche A and B of the syndicated loan (290 M€)

[3] Corresponds to the ending of the previous debt (May, 18, 2010 loan agreement)

[4] Corresponds mainly to Subsidiary loans related to syndicated loan set up for 76 886 K€

[5] Corresponds to guarantee funds from factoring agreement

4.4 Notes to the Corporate Financial Statements at December 31, 2011

These documents are annexed to the balance sheet before apportionment of the fiscal year ending on December 31, 2011 totaling €664,829,385, and to the income statement of the fiscal year presented in the form of a list, showing total income of €428,002,620, total expenditure of €426,869,571, and net income of €1,133,048.

The relevant year covers a period of 12 months from January 1, 2011 to December 31, 2011.

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

Strong Growth of Revenue

In 2011, the Group posted revenue of €399.7 million, up +26.9% year on year.

In Q1 2011 the Group recorded non-recurring revenue of €55 million corresponding to billing of development costs (refer to press release dated March 22, 2011), which is included in the 2011 revenue. LATECOERE Company revenue in 2011 excluding non-recurring items is €344.7 million, up 9.4%, benefitting from the upward cycle of the aeronautical industry.

Refinancing of the Debt

At the end of the year, the Group reached an agreement with its banks (refer to press release dated December 22, 2011) for the refinancing of 96% of the Group's bank debt (excluding leasing) and 60% of the Convertible Bonds.

This agreement has resulted in all of the refinanced debt being borne by the LATECOERE Company. This refinancing is structured around four pillars:

1. Arrangement of a €319.8 million syndicated loan with three Tranches:
    - Tranche A: €64.5 million, one-year amortizing loan,
    - Tranche B: €225.6 million, seven-year amortizing loan,
    - Tranche C: four-year revolving credit for an initial principal amount of €29.7 million;
2. Arrangement of a €76.0 million, four-year factoring agreement syndicated among four factoring companies, shared between the LATECOERE Company and the LATelec Company;
3. Early redemption of 2,855,000 of the Convertible Bonds, refinanced by the final repayment in 2018 on Tranche B of the syndicated loan and obtaining of issuer calls on a total of 2,860,000 residual Convertible Bonds, exercisable at par, when the LATECOERE share exceeds €13.0 on average over a period of three consecutive days;
4. Extension of existing currency hedging lines enabling the company to hedge progressively its exposure to USD risk through the end of 2014.

NOTE 2 ACCOUNTING POLICIES

2.1 Presentation of the Financial Statements

The financial statements of the Company at December 31, 2011 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 estimates and the underlying assumptions have been made from past experience and other factors considered as reasonable in view of the circumstances. They serve thus as the basis for the exercise of judgment necessary for the determination of the carrying value of assets and liabilities that cannot be obtained directly from other sources. Actual values may differ from estimated values.

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

The judgments made by the Management Board, having a significant impact on financial statements and estimates having an important risk of variations during the period, concern mainly the estimated margin on construction contracts (note 2.7), provisions on inventory, the recoverable value of long-term investments, and employee benefits (note 5).

At December 31, 2011, the accounting estimates used in the preparation of the financial statements were performed in a context where economic prospects were definitely difficult to grasp. The estimates and the assumptions retained for the consolidated financial statements were determined based on the elements in the Company's possession at the closing date and, in particular, relate to construction contracts, as a function of firm orders confirmed by aircraft manufacturers and of announced decreases in production rates. The Company has noted a trend of production rate change announcements, increasing the difficulty to grasp the assumptions to be retained for the closing of the financial statements. However, only public information was taken into account in the estimates and assumptions retained by the Company at year-end.

2.3 Research & Development Costs

At December 31, 2011, research & development expenses are recorded as expenses with the exception of development expenditures relating to construction contracts which are recognized as work-in-progress.

2.4 Other Intangible Fixed Assets

Composed essentially of computer software, they are measured on the basis of acquisition cost (purchase price and associated costs) or at their production cost (own work capitalized). The interest costs on loans specific to own work capitalized are not included in the cost of production.

For fixed assets which use reducing balance methods for tax purposes the difference with respect to book depreciation is shown as accelerated fiscal depreciation in regulated provision. Other intangible fixed assets are amortized over their duration of use.

2.5 Tangible Fixed Assets

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

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

When applicable, the total cost of an asset is broken down between its different constitutive elements (components) if their useful lives are different. Each element of the asset is depreciated over a different time period. The 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 Group's assets (other than inventory and deferred tax assets) is examined at each closing so as to appreciate if any indication of a loss in value exists. If such an indication is identified an impairment test is carried out. The impairment test consists in comparing the carrying value of the asset or of the relevant group of assets with its recoverable value.
The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use. The value in use is the discounted value of estimated future cash flows expected from the continuing use of the asset and from its disposal at the end of its useful life.
In order to determine the value in use of an asset, the LATECOERE Company uses:

- estimates of future cash flows (before income tax and financial cost) based on assumptions that keep the asset in its current condition and represent the best estimate of the economic conditions which will exist during the remaining useful life of the asset,
- the pre-tax discount rate which reflects the current market valuations of the time value of money and of the specific risks of the asset. The discount rate does

not reflect the risks which have already been taken into account in the estimate of future cash flows.

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

2.6 Shareholdings and Other Long-term Investments

Shareholdings

Shareholdings are initially measured at their price or subscription price. At each year end, their value in use is determined by taking into account the net equity and potential profitability of each holding.

Other Long-term Investments

Their gross value includes their purchase price excluding associated costs.

2.7 Inventories and Work-in-Progress

Raw Materials

The gross value of raw materials and supplies includes the purchase price and associated costs. Valuation is made at the weighted average price. Provisions for depreciation are constituted on the raw materials and facilities which have not moved during the year and for which no use is foreseen in the short-term.

Work-in-Progress (excluding Construction Contracts)

The gross value of work-in-progress is measured using the full cost method excluding non-production costs (financial expenses, marketing costs, currency without follow-up, cost administration, etc.). Work-in-progress is depreciated when its realization value is under its 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 which figure in the balance sheet include exclusively accelerated fiscal depreciation. Accelerated fiscal depreciation represents the difference between straight-line depreciation to determine net operating income and the accelerated depreciation authorized by the current tax legislation.

2.12 Recording of Foreign Currency Operations

The LATECOERE Company, for transactions carried out in foreign currencies (essentially the U.S. dollar), manages its exposure by covering the expected cash inflows with forward sales of currencies. Foreign currency transactions are converted into Euros by applying the exchange rate prevailing at the transaction date. Receivables denominated in dollars are converted at year end using the rate of the forward exchange contracts. Other receivables and liabilities denominated in other currencies are converted using the closing exchange rate. Exchange rate differences are posted in financial result and the hedging instruments are detailed in off-balance sheet commitments.

2.13 Employee Long-service Medals

In compliance with recommendation n° 2003-R-01 of the "Conseil National de la Comptabilité" (Regulation n° 2000-06 on liabilities), the LATECOERE Company set up a provision in 2004 for employee long-service awards, calculated in compliance with IAS 19 (using actuarial assumptions, the level of future remuneration, life expectancy and employee turnover rates). At December 31, 2011, this provision was revalued and amounts to €1,062k compared to €1,029k at December 31, 2010.

2.14 Recognition of Revenue

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

2.15 Borrowings Issue Expense

Following the refinancing of the debt realized on December 21, 2011, the financial debt under the conciliation protocol signed on May 18, 2010 was wiped out. Consequently, the borrowings issue expense of the latter was fully amortized in 2011.
Pursuant to the available tax option (Article 39-1-1 c), the Company has elected to account for borrowings issue expense for new borrowings in expenses.

NOTE 3 FIXED ASSETS

('000 EURO)	Dec 31, 20010	Acquisitions	Transfer	Disposals	Dec 31, 2011
Intangible fixed assets	**4 552**	**302**	**41**	**126**	**4 770**
Land	284			0	284
Buildings constructed on leasehold land	1 039	139	0		1 178
Plant, industrial equipment and tooling	23 682	623	204	326	24 183
Fixtures and fittings	8 293	262	359	345	8 569
Vehicles	242			36	206
Office equipment, I.T., furniture	2 487	37		99	2 425
Fixed assets in progress	1 144	2 285	-604		2 825
Tangible fixed assets	**37 171**	**3 346**	**-41**	**807**	**39 669**
Shares in subsidiary companies	45 854	0		0	45 854
Receivables concerning associated companies	8 358	76 437		2 867	81 928
Other long-term investments	25				25
Loans, other financial fixed assets	474	4 180		1 606	3 048
Financial fixed assets	**54 711**	**80 617**	**0**	**4 473**	**130 855**
TOTAL GROSS FIXED ASSETS	**96 435**	**84 264**	**0**	**5 406**	**175 293**

NOTE 4 DEPRECIATION

('000 EURO)	Dec 31, 20010	Increase	Decrease	Dec 31, 2011
Intangible fixed assets	**3 900**	**267**	**32**	**4 136**
Buildings constructed on leasehold land	445	51		496
Plant, industrial equipment and tooling	17 877	1 076	239	18 713
Fixtures and fittings	6 063	317	199	6 181
Vehicles	242	0	36	206
Office equipment, I.T., furniture	2 290	70	48	2 312
Tangible fixed assets	**26 917**	**1 513**	**523**	**27 907**
TOTAL AMORTIZATIONS	**30 817**	**1 781**	**555**	**32 043**

('000 EURO)	straight-line method	double declining method	Accelerated fiscal depreciation	
			Increase	Decrease
Intangible fixed assets	**267**	**0**	**231**	**250**
Buildings constructed on leasehold land	51		10	20
Plant, industrial equipment and tooling	1 076		400	249
Fixtures and fittings	317		86	62
Vehicles	0			
Office equipment, I.T., furniture	70		0	0
Tangible fixed assets	**1 513**	**0**	**496**	**330**
TOTAL BREAKDOWN OF DEPRECIATION	**1 781**	**0**	**727**	**580**

NOTE 5 PROVISIONS

('000 EURO)	Dec 31, 20010	Increase	Decrease	Dec 31, 2011
Accelerated fiscal depreciation	3 510	727	580	3 657
Regulated provision	**3 510**	**727**	**580**	**3 657**
Foreign exchange losses	51	989	51	989
Provisions for taxes	610			610
Provisions for taxes	1 942	68	0	2 010
Total provisions for risks and expenses	**2 603**	**1 057**	**51**	**3 609**
Provisions for financial assets	6 128	12	0	6 141
Provisions for stocks and work-in-process	119 175	1 172	12 248	108 100
Provisions for trade accounts receivable	113	11	0	124
Total provisions on assets	**125 416**	**1 195**	**12 248**	**114 364**
TOTAL PROVISIONS	**131 529**	**2 979**	**12 879**	**121 630**

('000 EURO)	Increase	Decrease
Operating	1 263	12 248
Financial	989	51
Exceptional	727	580
TOTAL	**2 979**	**12 879**

The other provisions for risks correspond to €1,062k in respect of Long-Service Medals and €773k in respect the retirement liabilities of LATECOERE AEROSTRUCTURE. The change in the provision on inventories and work-in-progress corresponds in essence to a reversal used in 2011 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	81 928	911	81 017
Loans	409		409
Other financial fixed assets	2 639	125	2 514
Other trade accounts receivable	25 605	25 605	
Payroll and similar accounts	96	96	
Social security and other similar organizations	0	0	
State and other community bodies	22 832	11 193	11 639
Group and shareholders	39 858	39 858	0
Miscellaneous	46 633	46 633	
Prepayments expenses	208	208	
TOTAL RECEIVABLES	**220 207**	**124 628**	**95 579**
Loans granted during the year	0		
Reimbursements obtained during the year	0		

('000 EURO)	Gross Amount	Due within one year	Due between one and five years	Due after five years
Refundable Advances	34 912	3 422	3 157	28 333
Debenture loan	28 600		28 600	
Loans due within 1 year at origin	31 389	31 389		
Loans due after 1 year at origin	290 439	64 829	89 060	136 550
Trade accounts payable	79 455	79 455		
Payroll and similar accounts	5 524	5 524		
Social security and other similar organizations	7 170	7 170		
State : tax on profits	1 219	1 219		
State : value added tax	623	623		
State : other taxes and duties	1 677	1 677		
Due for fixed assets	528	528		
Group current accounts	67 620	67 620		
Other liabilities	12 585	12 585		
Deferred income	0	0		
TOTAL LIABILITIES	**561 742**	**276 043**	**120 817**	**164 883**
Loans obtained during the year	290 139			
Loans reimbursed during the year	206 011			

NOTE 7 LOANS AND BANK BORROWINGS

('000 EURO)	Currency	Interest rate	Maturity	Dec 31, 2011	
				Nominal value	Carrying value
Debenture loan	EURO	EURIBOR+ marge	2015	28 600	28 600
Syndicated loan - Tranche A	EURO	EURIBOR+ marge	2012	64 529	64 529
Syndicated loan - Tranche B	EURO	EURIBOR+ marge	2018	225 610	225 610
Syndicated loan - Tranche C (revolver credit)	EURO	EURIBOR+ marge	2015	29 652	29 652
Unsecured banking facility and other	EURO	EURIBOR + Marge	n/a	1 454	1 454
TOTAL OF LOAN AND BANK BORROWINGS				**349 845**	**349 845**

Issue of bonds convertible in shares

Following the refinancing of the debt, the Company early redeemed 2,855,000 of the Convertible Bonds refinanced by the final repayment in 2018 on Tranche B of the syndicated loan and obtained issuer calls on a total of 2,860,000 residual Convertible Bonds, exercisable at par, when the LATECOERE share exceeds €13.0 on average over a period of three consecutive days.

Covenants on medium-term bank borrowings

The syndicated loan established on December 21, 2011 replaces the existing bilateral loan agreements which constituted most of the medium-term debt of the LATECOERE Group. Consequently, all of the financial covenants included in these agreements have lapsed.

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 Economic 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:
- Economic 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 interest rate and foreign exchange risk hedging instruments intended to be held until maturity, 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 €8.4 million for 2011.
- A €7 million limit for additional indebtedness of the Group

At December 31, 2011, the Company respected these commitments.

Financial commitments on bonds convertible in shares

Under the issuance contracts for the residual convertible bonds, the Company committed on the basis of the consolidated financial statements of the Group to respect:
- A minimum level for shareholders' equity; that level was €151 million at December 31, 2011.
- A minimum level for EBITDA; that level was €38 million for 2011.
- A limit for investments; this limit was €14 million for 2011.
- A limit for additional indebtedness contracted of €10 million per Group company

At December 31, 2011, the Company respected these commitments.

NOTE 8 REFUNDABLE ADVANCES

The most significant refundable advance relates to the A380 programs (€27 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, 2011	Dec 31, 20010
Invoices to be issued	671	2 487
Accrued interest receivable, other	0	0
Total income accruals	**2 487**	**2 487**
Accrued interest on loans	300	417
Supplier invoices not yet received	30 513	32 386
Tax, personnel and social security	7 404	9 266
Interest accrued on overdraft	61	456
Other (1)	12 628	10 981
Total expense accruals	**53 505**	**53 505**
Insurance premiums	111	215
Miscellaneous expenses	96	222
Total prepayments (net)	**208**	**437**

NOTE 10 SHAREHOLDERS' EQUITY

The share capital is €17,219,994, and breaks down as follows:

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

('000 EURO)	Amount
Shareholders' equity as of 31/12/09	**70 313**
Premium	0
2010 Net income	24 082
Distribution of dividends in 2009	0
Charge in regulated provisions	222
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 (1)	**95 897**

(1) Including unavailable reserves for hedging of treasury shares in an amount of €124k.

Treasury Shares

Number of shares	Dec 31, 2010	Acquisitions	Disposals	Dec 31, 2011	% of ownership
LATECOERE Shares	4 377	152 226	142 628	13 975	0,16%

('000 EURO)	Dec 31, 2010	Acquisitions / Provisions	Disposals	Dec 31, 2011	Average purchase price
LATECOERE Shares	29	1 474	1 380	124	9,76

Share Warrants (BSA)

At December 31, 2011, the number of share warrants actually in circulation was 4,304,988 at a price of €1.99 per BSA.

NOTE 11 REVENUE

BY BUSINESS

('000 EURO)	Dec 31, 2011		Dec 31, 20010	
	Amount	%	Amount	%
Civil business	395 606	99,0%	311 006	98,7%
Military business	4 099	1,0%	3 953	1,3%
TOTAL	**399 706**	**100,00%**	**314 958**	**100,00%**

BY GEOGRAPHICAL ZONE

('000 EURO)	Dec 31, 2011		Dec 31, 20010	
	Amount	%	Amount	%
France	133 361	33,4%	126 397	40,1%
Export	266 345	66,6%	188 562	59,9%
TOTAL	**399 706**	**100,00%**	**314 958**	**100,00%**

BY GEOGRAPHICAL MARKET (DIRECT EXPORTS)

('000 EURO)	Dec 31, 2011		Dec 31, 20010	
	Amount	%	Amount	%
Europe	213 871	53,5%	193 884	61,6%
North America	97 478	24,4%	41 745	13,3%
Asia	2 647	0,7%	1 923	0,6%
Other	85 710	21,4%	77 406	24,6%
TOTAL	**399 706**	**100,00%**	**314 958**	**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, 2011	Dec 31, 20010
Financial income from shareholdings	3 048	5 212
Other interest and similar income	8	14
Write-back of provision and transfer of expenses	785	3
Foreign exchange gains	21 438	14 407
Net income from sales of short-term investments	0	3
Financial income	**25 279**	**19 639**
Financial provision	1 001	51
Interest and related expenses	22 151	12 051
Foreign exchange losses	14 371	15 968
Net loss on sales of short-term investments	23	0
Financial expenses	**37 547**	**28 069**
NET FINANCIAL INCOME	**-12 268**	**-8 430**

NOTE 13 INCOME TAX

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

('000 EURO)	Gross amount	Tax write-back and deduction	Tax basis	Tax	After tax amount
Income before exceptional items, profit sharing and tax	-6 549	0	-6 549	-1 096	-7 645
Net exceptional income	-220	3	-216	-36	-256
Contractual profit sharing	-546				-546
Legal profit sharing	0				0
Tax credits	4 217				4 217
Miscellaneous	5 363				5 363
NET INCOME BEFORE/AFTER TAX	**2 266**	**3**	**-6 765**	**-1 133**	**1 133**

The "Other" item includes, in particular, tax savings for an amount of €5.6 million relating to the tax consolidation.

NOTE 14 NON-RECURRING EXPENSES AND INCOME

('000 EURO)	Dec 31, 2011	Dec 31, 20010
Accelerated fiscal depreciation	727	689
Extraordinary expenses for revenue operations	11	22
Net book value of fixed asset disposals	377	54
Other exceptional expense	0	175
TOTAL EXCEPTIONAL EXPENSE	**1 116**	**940**
Write-back of accelerated fiscal depreciation	580	467
Proceed from fixed asset disposals	0	0
Revenue operations	111	128
Other exceptional income	205	37
TOTAL EXCEPTIONAL INCOME	**896**	**633**

NOTE 15 FINANCIAL COMMITMENTS

15.1 Real Estate Leasing

('000 EURO)	Initial cost	Amount paid		Amounts due			
		In current year	Aggregate	Within 1 year	From 1 to 5 years	After 5 years	Total due
Land and building Fériole 1993	7 851	0	12 021	0	0	0	0
Building Fériole 2002	5 005	562	5 058	562	1 124	0	1 686
Land and building Gimont 2002	6 791	640	5 370	640	2 560	480	3 680
TOTAL	**19 648**	**1 202**	**22 449**	**1 202**	**3 684**	**480**	**5 366**

15.2 Retirement Liabilities

Retirement benefits unrecognized in the balance sheet are estimated at December 31, 2011 to be €7,981k, including social charges, compared to €7,916k for the prior fiscal year. The share of the retirement liabilities recognized in balance sheet in the amount of €773k 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 obligation, including social security charges, is discounted at the rate of 4.40% compared to 4.20% in 2010. 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 $749 million at December 31, 2011 compared to $455 million at year-end 2010.
These commitments, which are borne legally by the LATECOERE Company, cover all of the €/$ 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 €12.1 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.
Securities given totaled €266 million and were primarily constituted of charges 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, 2011 is €25.1 million

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.

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.

NOTE 16 INCIDENCES OF TAX MEASURES ON THE RESULT

('000 EURO)	Amount	Impact
Net income of year	1 133	1 133
Charge for accelerated fiscal depreciation	727	727
Write-back of accelerated fiscal depreciation	580	-580
Tax reduction due to charge	250	-250
Tax increase due to write-back	200	200
NET INCOME BEFORE IMPACT OF TAX MEASURES		**1 229**

NOTE 17 DEFERRED TAX SITUATION

('000 EURO)	Amount	Impact
Accelerated fiscal depreciation	-3 657	1 259
Employee profit sharing	0	0
ORGANIC	649	-234
Provisions for retirement departure	773	-266
Unrealized exchange gains	3 402	-1 228
DEFERRED TAX SITUATION	**1 167**	**-470**

NOTE 18 AVERAGE HEADCOUNT REGISTERED

	Dec 31, 2011	Dec 31, 20010
Managers	298	283
Monthly-paid employees	547	548
Employees paid on monthly basis	178	192
TOTAL	**1 022**	**1 024**

NOTE 19 DIRECTOR COMPENSATION

The remuneration allotted for members of the Supervisory Board and the management bodies (the Company's 10 highest salaries) totals €1,982k for 2011.

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 U.S.A.	464	103	100%	541	239	1 326	0	0	0
LATECOERE Développement 135 rue de Périole BP 5211 31079 Toulouse cedex 5	600	2 399	100%	572	0	0	480	500	0
LATELEC Z.I. La Bourgade rue Max Planck 31315 Labège	7 600	36 605	100%	7 600	75 952	147 880	8 205	2 050	0
LATECOERE AEROSERVICES * Route de Toulouse 31700 Cornebarrieu	2 500	1 917	30%	229	0	21 098	-6 115	0	0
LLV s.r.o. Letov Letecka Vyroba Beranovich, 65 199 02 Praha 9 - Letnany Czech Republic	24 505	-586	100%	20 787	0	74 838	-818	0	11 196
LATECOERE Do Brasil Av Dr. Joao Batista de Souza Soares Sao Jose Dos Campos Brazil	12 824	-3 426	98%	8 628	5 737	17 108	-189	0	0
Corses Composites Aéronautiques Z.I. Du Vazzio 20090 AJACCIO	1 707	2 251	24,81%	1 777	0	33 590	451	0	0
LATecis 1, Avenue P.G. Latécoère 31570 Saint Foy d'Aigrefeuille	4 500	1 487	0%	0	0	72 957	2 388	102	0

** The accounts of the LATECOERE Aéroservices Company are interim. A reappraisal of fixed assets in underway, which will result in an increase in the amount of the Company's "reserves and retained profit or loss brought forward".*

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	2 006
Other receivables related to shareholdings	81 928	0
Miscellaneous receivables	39 858	0
Trade account receivables	15 226	359
Trade accounts payable	15 150	413
Miscellaneous debts	67 748	0
Operating income	61 071	0
Operating expenses	100 558	1 289
Financial income	3 044	0
Financial expenses	1 843	0

NOTE 22 INFORMATION ON RISKS

22.1 Credit Risk

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

22.2 Foreign Currency Exposure

Through its international exposure and invoicing in US dollars to its French 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 2012 to 2014 would not have a significant impact on the margin recognized at December 31, 2011 and a decrease of the completion margins for construction contracts. A longer term change to the €/$ exchange rates would have an impact on the organization of the 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 2011 was 4.9%. The LATECOERE Group set-up during the course 2009 hedging of interest rates ("collar") that allow it to limit the impact of a strong increase in short-term rates on the cost of the debt until the period 2013-2015. The rate guaranteed for the Group is limited at 3.7% for 2012 and at 3.9% over the period going from 2013 to 2014.

NOTE 23 INDIVIDUAL RIGHT TO PROFESSIONAL TRAINING

The obligation under the individual right to training ("DIF") accounted for at December 31, 2011 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, 2011, the amount of the estimated commitment was €222k.

4.5 Report of the Statutory Auditors on the Annual Financial Statements

Dear Shareholders,

Following our appointment as statutory auditors by your General Meeting, we have audited the accompanying statutory financial statements of Latécoère S.A. for the year ended December 31, 2011:

- the audit of the statutory financial statements of the Latécoère S.A. Company as they accompany this report ;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Management Board. Our role is to express an opinion on these financial statements based on our audit.

Opinion on the Statutory Financial Statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit 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 Company's financial position and its assets and liabilities as of December 31, 2011, and of the results of its operations for the year then ended in accordance with the accounting rules and principles applicable in France.

Without qualifying our opinion, we draw attention to the following notes to the statutory financial statements: "Note 1 - Main events – Refinancing of the Debt" and "Note 7 – Loans and bank borrowings", which present the details of the refinancing of the company's financial debt following the new agreements reached with the French bank creditors in December 2011.

Justification of Our Assessments

In accordance with the requirements of article L. 823-9 of the French Commercial Code (Code de Commerce) relating to the justification of our assessments, we bring to your attention the following matters:
Note 2.12 to the statutory financial statements discloses the accounting methods applied for recording currency operations and note 22.2 to the statutory financial statements presents the Company's sensitivity to the dollar/euro parity on construction contracts.

In the context of our assessment of the accounting principles of your company, we have verified that these accounting methods and the related information disclosed in the notes were appropriate, and we have assessed their correct implementation.
Moreover, your company recognizes the results on construction contracts under the stage of completion method as described in note 2.7 to the statutory financial statements. When applicable, your company depreciates inventories & work-in-progress relating to these contracts, as indicated in note 5 to the statutory financial statements. 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. 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 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.

With respect to the information provided in application of the provisions of Article L. 225-102-1 of the French Commercial Code on the remunerations and benefits paid to the corporate officers as well as on the commitments given to them, we have verified their agreement with the financial statements or with the data having served in the establishment of these financial statements and, as appropriate, with items collected by your company from the companies controlling your company or controlled by it. On the basis of our work, we certify the accuracy and the fair presentation of this information.

Toulouse-Labège, April 4, 2012

KPMG Audit IS

Christian Libéros
Partner

Paris, April 4, 2012

Grant Thornton
French Member of Grant Thornton International

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, 2011, of agreements and commitments already approved by the General Meeting.

We have the implemented procedures that we have considered necessary with regard to the professional policy of the "Compagnie nationale des commissaires aux comptes" relating to this mission. These procedures consisted in checking the agreement of information which was given to us with the background documents from which it results.

1. Agreements and Commitments Submitted to the General Meeting for Approval

Agreements and Commitments Authorized during the Year Ended December 31, 2011

Pursuant to Article L. 225-88 of the French Commercial Code, we have been informed of the following agreements and commitments which have received the prior authorization of your Supervisory Board.

1.2. 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 swapping 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 2011.

1.3. *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 and redemption 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 pooling 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, 2011 is €75,886,663 and the amount of investment income is €65,305.

1.4. *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 Développment 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 31, 2011, the amount of advances into current account at December 31, 2011 is €1,132,274 and the amount of interest is €974.

1.5. *Agreement for the Sale of a LATecis Share by 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 Group, Latécoère committed to acquire a LATecis share from Latécoère Développement.

Terms: Latécoère Développement sold a LATecis share for €81.

Latécoère paid in full the price and acquired full ownership of a LATecis share on December 21, 2011.

Agreements and Commitments Authorized since the Closing

We have been informed of the following agreements and commitments which have been authorized since the closing, and which had received the prior authorization of your Supervisory Board.

1.6. *Special Compensation for Mr. Pierre Gadonneix*

People 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 2011.

1.7. *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.

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

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

Description: Payment in the event of ceasing of duties.

Terms: subject to the approval by the General Meeting of the Shareholders, Mr. Roland Tardieu will receive a payment due by reason of the ceasing of his duties, recorded during the Supervisory Board meeting of February 17, 2012, in the amount of €150,000, justified by the realization of quantitative objectives during the performance of his duties.

Agreements and Commitments not Authorized beforehand

Pursuant to Articles L. 225-90 and L. 823-12, we inform you that the following agreements and commitments, by omission, have not received the prior authorization of your Supervisory Board.

1.9. *Reinvoicing Agreement among the Latécoère Company, LATelec and LATecis*

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

Description: reinvoicing of the costs and expenses incurred by Latécoère as part of the negotiations leading to an agreement with the banks on the refinancing of the Group's bank debt and the Convertible Bonds.

Terms: Latécoère, LATelec and LATecis entered into an agreement in which provision is made for Latécoère to reinvoice to LATelec and LATecis part of the costs relating to the negotiation on behalf of the Group.

During 2011, your Company reinvoiced costs and expenses to LATelec for an amount of €1,016,845 and to LATecis for an amount of €68,218.

Please note that, at its meeting of February 17, 2012, your Supervisory Board decided to authorize this agreement retrospectively.

2. Agreements and Commitments Already Approved by the General Meeting

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. *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, 2011 and the interest paid or received.

Company	Receivables	Payables	Financial expenses	Financial income
Letov	18 088 342			291 548
LATecis	2 903		175 671	302
LATelec	11 335 199	66 200 000	1 653 671	65 211
Latécoère Développement			14 279	
Latécoère Do Brasil	8 515 000			344 384

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.

The cash flow agreement with Latécoère Aéroservices ended on January 1, 2011.

2.2. *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 2011, LATelec invoiced Latécoère €1,247,637 under this agreement.

2.3. *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, will end on August 31, 2012.

In 2011, the fee amounted to €30,000.

2.4. *Agreement with the LATecis Company*

Description: Group services.

Terms: the Group services provided by Latécoère to the LATecis Company are covered by 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 reinvoicing of costs incurred by the parent company on the order and for the account of the subsidiary.

In 2011, the amount invoiced by your Company was €1,782,519 excluding VAT.

2.5. *Other Agreements 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 Interconnexion 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 reinvoicing of costs incurred by the parent company on the order and for the account of the subsidiary.

In 2011, the amount invoiced by your Company was €2,968,789 excluding VAT.

2.6. *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, 2011 and the interest received.

Company	Receivables	Financial income
Latécoère Développement		20 071
Latécoère Intl. Inc.	239 466	10 001
Latécoère Do Brasil	5 677 578	238 319

2.7. *Agreement with the Latécoère Aéroservices Company*

Description: Commercial lease of property at Cornebarrieu, France.

Terms: these were agreed by the parties on the basis of an independent appraisal. The term of the lease is nine years commencing on January 1, 2005 with a rent which is revised on an annual basis.

Rent paid by your Company to Latécoère Aéroservices for 2011 was €93,633 excluding VAT.

This agreement ended upon the final vacating of the occupied areas in February 2011.

Paris and Toulouse-Labège, April 4, 2012.

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 can 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 enable 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 2011, 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. Moreover, refundable advances obtained also make it possible to reduce this risk because reimbursements depend on the deliveries carried out.

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, a product liability insurance policy has been taken out by the Group.

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 which limit the impact of price fluctuations. Market purchases constitute only a negligible portion of procurement, and represent the only part of our raw material purchasing subjected to price fluctuations.

5.1.5 Legal and Tax Risks

The LATECOERE Company is subject to a tax audit as mentioned in note 26.4 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. Difficulties or failures of suppliers could affect the supply chain; result in additional costs or production delays. However, to limit this risk the Group maintains a policy of personalized monitoring which consists of:

- monitoring through regular audits,
- technical, quality and organizational assistance.

In addition, the Group is implementing a policy of securing its key supplies, particularly through the establishment of double sources.

5.1.7 Sensitive Geographical Areas Risk

The Political events that have occurred in North Africa and environmental developments in Asia have not significantly impacted the LATECOERE Group.

The LATECOERE Company has two suppliers in Japan. One of them is one of the sources of titanium; delivery periods have been extended, but the impact was very low due to its absorption in the production cycle and the existence of other sources. The second supplier is a source of electronic components; the existence of stocks on both sides and the establishment of a special monitoring cell at LATECOERE have allowed it to offset any impact on the business of the Company.

The LATECOERE Company has no supplier in North Africa, however, some of its suppliers have establishments in that geographical area. The impact was mainly on delivery periods, however this was quickly cleared during 2011 without any impact on deliveries to the end customers.

The LATelec Company has been present in Tunisia since 1998 through its SEA-LATelec subsidiary. The events in January 2011 made the running of the subsidiary trickier in a context marked by more-difficult-to-predict absenteeism rates and required a temporary reinforcement of French teams on site. SEA-LATelec with the support of LATelec has managed so far to ensure a delivery level and quality required for the end customers. The amount of net fixed assets located in Tunisia is €6,294k at December 31, 2011. In 2011, purchases made by the Group at the SEA-LATelec Company totaled €5,739k.

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 64% of its sales in dollars and buys approximately 48% of supplies or sub-contracting in dollars. The Group's natural hedging on the USD represents approximately 29%.

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, 2011, the Group has hedged its exposure until 2013 by forward sale and option tunnel hedging at EUR/USD rates of, at the worst, 1.336 for 2012 and 1.366 for 2013.

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.r.o. 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 € +6.2 million in 2011 compared to € -4.3 million in 2010.

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 interest rates on which its debt is indexed. The average interest rate borne by the Group in 2011 was 4.9%.

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)

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, 2011 is €124k.

Given the fact that at year end the Latécoère Company only held 13,975 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 Credit Risks

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

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 has the following financial resources: Debt, borrowings in the form of a syndicated loan at the parent company level, medium-term credit lines at the level of certain subsidiaries, revolving line of credit and factoring line. At the closing, some of these resources had not been used.

At the end of the year, the Group reached an agreement with its banks for the refinancing of 96% of the Group's bank debt (excluding leasing) and 60% of the Convertible Bonds.

This agreement, which provides the Group with durable refinancing through syndications, significantly reduces the potential maximum dilution of shareholders from 36% to 18%; it is structured around four pillars:

1. Arrangement of a €319.8 million syndicated loan with three Tranches:
   - Tranche A: €64.5 million, one-year amortizing loan,
   - Tranche B: €225.6 million, seven-year amortizing loan,
   - Tranche C: four-year revolving credit for an initial principal amount of €29.7 million;
2. Arrangement of a €76.0 million, four-year factoring agreement syndicated among four factoring companies;
3. Early redemption of 60% (4,290,000) of the Convertible Bonds, refinanced by the 2018 final repayment on Tranche B of the syndicated loan and obtaining of issuer calls on a total of 2,860,000 residual Convertible Bonds, exercisable at par, when the Latécoère share exceeds €13.0 on average over a period of three consecutive days;
4. Extension of existing currency hedging lines enabling the Group to hedge progressively its exposure to USD risk through the end of 2014.

The agreement reached puts an end to the period of uncertainty that began after LATECOERE encountered financial difficulties at the end of 2009, and demonstrates the Company's financial partners' commitment to standing by LATECOERE over the long term.

The borrowing schedule for the Group's bank debt is reported in note 23.2 to the consolidated financial statements.

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, 2011, 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) is in charge of controlling this risk.
In particular, it is in charge of data integrity management. 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.
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. This implementation is 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.
A methodology of project monitoring enables these human and financial investments to be tracked 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 Middlenext 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 terminated the position of the Management Board Member 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 (56)	President and CEO	Chairman of the Management Board	6-Jan-15	Jan-03	Director, SEA LATelec (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 (56)	Managing Director and CFO	Member of the Management Board	6-Jan-15	Jan-09	None	Managing Director of Pierre Fabre SA	0
Roland TARDIEU (62)	None	Member of the Management Board	6-Jan-15	Jan-09	Chairman, LATelec Director, SEA	None	0
Eric GILLARD (55)	Director of Aerostructure	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, has been part of the LATECOERE Company since 1986; until February 17, 2012, he held the office of Chairman of LATelec, a subsidiary specialized in interconnexion 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 of Options Allocated to Each Member of the Management Board

(EURO)	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)	442 167	414 481
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**442 167**	**414 481**
Bertrand PARMENTIER, Member of the management Board		
Remuneration relating to the fiscal year (detailed in table 6.1.2.2)	332 463	378 807
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**332 463**	**378 807**
Roland TARDIEU, Member of the management Board		
Remuneration relating to the fiscal year (detailed in table 6.1.2.2)	223 232	216 875
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**223 232**	**216 875**
Eric GILLARD, Member of the management Board		
Remuneration relating to the fiscal year (detailed in table 6.1.2.2)	277 289	218 818
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**277 289**	**218 818**

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	222 021	222 021	222 021	222 021
Variable compensation*	193 400	44 400	171 400	193 400
Exceptional remuneration	2 500	2 500	2 000	2 000
Attendance fees				
Benefits in kind	24 246	24 246	19 060	19 060
TOTAL	**442 167**	**293 167**	**414 481**	**436 481**
Bertrand PARMENTIER, Member of the management Board				
Fixed remuneration	204 021	204 021	204 021	204 021
Variable compensation*	106 800	40 800	97 300	106 800
Exceptional remuneration	500	500	56 800	300
Attendance fees				
Benefits in kind	21 142	21 142	20 686	20 686
TOTAL	**332 463**	**266 463**	**378 807**	**331 807**
Roland TARDIEU, Member of the management Board				
Fixed remuneration	132 000	132 000	132 000	132 000
Variable compensation*	86 900	56 307	80 400	86 900
Exceptional remuneration				
Attendance fees				
Benefits in kind	4 332	4 332	4 475	4 475
TOTAL	**223 232**	**192 639**	**216 875**	**223 375**
Eric GILLARD, Member of the management Board				
Fixed remuneration	140 421	140 421	140 421	140 421
Variable compensation*	133 080	85 700	74 080	73 080
Exceptional remuneration	500	500	300	300
Attendance fees				
Benefits in kind	3 288	3 288	4 017	4 017
TOTAL	**277 289**	**229 909**	**218 818**	**217 818**

* 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	Exercice 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	Availibility 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 fiscla 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	Non	Yes	Non	Yes	Non	Yes	Non
François BERTRAND, *Chairman of the Management Board* Appointed Jan, 7 2009, duty expiring Jan, 6 2015	X			X	X			X
Bertrand PARMENTIER, *Managing Director and CFO* Appointed Jan, 7 2009, duty expiring Jan, 6 2015	X			X	X			X
Roland TARDIEU *Member of the Management Board* Appointed Jan, 7 2009, duty expiring Jan, 6 2015	N/A*			X	X			X
Eric GILLARD, *Director of Aerostructure Division* Appointed Aug, 31 2010, duty expiring Jan, 6 2015	X			X		X		X

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

* Roland TARDIEU has no contract of employment w ith Latécoère and nor w ith any company of the Group

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 Middlenext corporate governance code for mid-cap issuers, to which the Company refers since May 11, 2010.[6]

Mr. François Bertrand receives an annual salary of €222,000, reviewed annually in accordance with the average of the increases allocated to the other executives. A bonus of 20% based on this remuneration is added to it. Mr. François Bertrand benefits from a variable bonus of 0.90%, based on the Group net result, calculated on the result of year N and paid in year N+1, at the closing of the financial statements. A company car is made available to him. He has no other benefits, allocation of shares, stock options or special executive retirement scheme.

Mr. Bertrand Parmentier receives an annual salary of €204,000, reviewed annually in accordance with the average of the increases allocated to the other executives. A bonus of 20% based on this remuneration is added to it. Mr. Bertrand PARMENTIER benefits from a variable bonus of 0.40%, based on the Group net result, calculated on the result of year N and paid in year N+1, at the closing of the financial statements. A company car is made available to him. He has no other benefits, allocation of shares, stock options or special executive retirement scheme.

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

Appointed to the Management Board on August 31, 2010, Mr. Eric Gillard receives an annual salary of €140,400, reviewed annually in accordance with the average of the increases allocated to the other executives. A bonus of 20% based on this remuneration is added to it, as well as a variable bonus equal to 0.15% of the operating result of the Group.

In addition, starting in 2011 Mr. Eric Gillard benefits from a variable bonus, linked to a "Revenue minus Expenses" objective for the Aerostructures division for year N, for which meeting the target value will result in a bonus of 20% of his annual salary, and which may vary from a minimum of 10% to a maximum of 30%, depending on achievements; this bonus is paid in Year N+1, at the closing of the financial statements. A company car is made available to him. He has no other benefits, allocation of shares, stock options or special executive retirement scheme.

In respect of 2011[7], the Supervisory Board on a proposal from the Nominations and Compensation Committee of December 9, 2011, decided

(i) not to revise the annual salaries of the Management Board members based on the average increases allocated to the other executives in 2011;

(ii) to correct the Group's net result for the year, as the basis for calculating the variable bonus of Management Board members

- for the impact unrealized financial result corresponding to fair value variation of hedging financial instruments, to the extent that this unrealized financial result is without impact on the Group's cash flow as they are instruments intended to be held to maturity in a hedging relationship;
- for the impact of the recognition of costs related to the refinancing of the Group entered into at year end, which will be amortized in the consolidated financial statements over the term of the financings;

the amount of the Group's net result reconstituted after taking into account these corrections is €14,121,000.

(iii) to double the 2011 variable compensation attributable to Bertrand Parmentier, given the role played by the latter in the refinancing of the Group entered into during 2011.

The amount of the Group's net result after taking into account these corrections is €14,121,000.

Upon termination of their employment contract for any reason other than resignation or retirement, Mr. François Bertrand and Mr. Bertrand Parmentier will receive a payment:

- calculated on the basis of their seniority, by applying the scale foreseen by the French collective bargaining agreement of engineers and managers in the Metallurgy sector, which limits to 18 months the maximum amount attributable for this reason;

[6]The 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.

7 The Chairman of the Supervisory Board's report deals with the evolution of the Management Board remuneration system beginning in 2012, on pages 121 et seq.

- increased by one month for each "consolidated operating result/consolidated revenue" ratio point above 10% noted during the year prior to the termination of their employment contract.

Mr. Eric Gillard will receive no payment due or likely to be due by reason of the ceasing or modification of his duties.

In the case of Mr. Roland Tardieu, who prematurely ceased his duties as a Member of the Company's Management Board in accordance with the decision of the Supervisory Board of January 25, 2012, he was paid until March 31, 2012 and he will receive a payment due by reason of the ceasing of his duties, in the amount of €150,000, in excess of a year's salary, justified by the realization of quantitative objectives[8] during the performance of his duties, subject to the approval of the General Meeting of the Company's Shareholders to be held on May 3, 2012.

The Supervisory Board, after consulting with the Nominations and Compensation Committee, decided to propose an evolution of the scheme applicable to these payments due or likely to be due by reason of the ceasing or the modification of the duties of their beneficiary, which will be submitted for the approval of the General Meeting of the Company's Shareholders to be held on May 3, 2012.

If the evolution of the scheme was adopted, Mr. François Bertrand and Mr. Bertrand Parmentier, respectively as Chairman and Members of the Management Board, would receive a payment due or likely to be due by reason of the ceasing or modification of their duties, corresponding to eighteen months of total compensation calculated on the average of the past three years closed, and the granting of which would be conditional upon the following:

- a ceasing or a modification in duties initiated by the Company, it being specified that in compliance with the MiddleNext corporate governance code to which Latécoère refers, this payment may be made in case of the imposed ceasing or modification of duties, which is to say, not resulting from a voluntary decision of the interested party.

- 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 premature termination.

We note that, in the case of a change in duties within the LATECOERE Group, the making of a payment under this provision would not be justified under the Company's corporate governance rules.
This payment scheme will replace the prior scheme, which resulted from the decision to appoint them on January 6, 2009 that was ratified by decisions of the Supervisory Board of the same date and the Annual General Meeting of June 26, 2009.

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

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

However, it will be proposed at the General Meeting of the Company's Shareholders to be held on May 3, 2012 to authorize the Management Board to make a free grant of the Company's existing shares, or its shares to be issued, for the benefit of certain categories of the Company's employees or eligible corporate officers, it being noted that, insofar as the corporate officers are concerned, the free grant by the Management Board of the Company's shares would be conditional upon the realization of qualitative and quantitative performance criteria, determined by the Supervisory Board after consulting with the Nominations and Compensation Committee.

The amount of the sums reserved for retirement and other personnel-related benefits for the Members of the Management Board is €0.2 million.

[8] The quantitative objectives used were the contribution to operating result and the evolution of the net debt of the current accounts entering into the intra-group cash flow agreement, a related-party agreement; the values of the objectives associated with these quantitative criteria are not disclosed in any detailed manner for confidentiality reasons.

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	Transaction amount *(euros)*	Stock concerned	Transaction location
				NONE				

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					
Pierre GADONNEIX (69)	None	Chairman of the Supervisory Board	General meeting 2015	Aug-10	President of the strategic committee	Chairman of world Energy Council	Director of National Fondation of Political Science Chairman of the Board of Directors of EDF Chaiman and Chief Executive Officer of EDF Director of Edison Chairman of the Board of Directors of Electra, of Transalpina di Energia, of the EDF Diversiterre Foundation and of the Group'action CO2 Association Member of the Board of Directors of the Foundation for Tomorrow's Energies the Association of the French gas Member of the Economic and Social Council Member of Atomic Energy Committee, the Advisory Council of the Banque de France and the National Committee for Vital Importance Lines of Business (Comité National des secteurs d'activité d'importance vitale (CNSAIV)), High Comitee for transparency information on nuclear safety.	1 000
Jean Claude CHAUSSONNET (70)	None	Vice Chairman of the Supervisory Board	General meeting	Jan-03	Member of the Audit & Financial Statement	None	Director of RECAERO Director of CORSE COMPOSITES AERONAUTIQUE	168
Jean Jacques PIGNERES (66)	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 Chairman LATECOERE DEVELOPPEMENT	Director of SEA	42
Claire DREYFUS-CLOAREC (65)	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 (since january 2012)	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 Grand Port Maritime de Rouen, Member of Supervisory Board. SICAV LCL Obligations, 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	0
Christian DUVILLET (63)	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-Guyanne Chairman of SCHILTIGHEIM Distribution Chairmain of Atelier-Galerie 1911 Paris Chairmain of CD Consulting Director of EUROCASH Schiltigheim	Managing Director of LCL Member of executive committee of Crédit Agricole Group Chairmain of Crédit Agricole Crédit Inssurance Director ofAmundi, Predica, Crédit Agricole Assurance, Crédit Agricole Consumer Finance (Sofinco) and Uniedition	1 000
Jean GOUMY (65)	None	Member of the Supervisory Board	General meeting 2017	Jun-11	Member of the strategic committee and member of the nomination & compensation committee (sincejanuary 2012)	None	Director of ALD INTERNATIONAL, SOGEBAIL, CGA Compagnie générale d'affacturage, SOGEPROM, GENEFIM	0
Pierre LATECOERE (48)	None	Member of the Supervisory Board	General meeting 2015	Jan-03	Member of the Nomination & compensation Committee	Chairman of the Supervisory Board LATECOERE AEROSERVICES	None	120
Christian BEUGNET (68)	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 (49)	None	Member of the Supervisory Board	General meeting 2015	Jan-03	Member of the Audit & Financial Statement Committee	Chairman CHOLLET Finances Investissements	None	100
Hervé COSTES (60)	Technician manager, Secretary of the Works Council	Member of the Supervisory Board	General meeting 2015	Jan-03	Member of the Nomination & compensation Committee	None	None	42
Christian REYNAUD (67)	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 MIDI PYRENEES	Chairman of the Board and CEO, IRDI Director MIDI PYRENEES CREATION Vice chairman of the Supervisory Board, SOCRI Chairman of the Supervisory Board, ICSO GESTION	600
Yves DA COSTA (43)	Quality Technician and union representative	Member of the Supervisory Board	General meeting 2015	Jun-09	None	None	None	10
Jean Louis PELTRIAUX (45) representing the FCPE "B" of LATECOERE employees	Cost control manager and cash manager of the Works Council	Member of the Supervisory Board	General meeting 2015	Jun-06	None	None	None	14

In 2011, after consulting with and receiving the recommendations of the Nominations and Compensation Committee, the Supervisory Board:

- appointed as a Member of the Supervisory Board, Christian Duvillet (on February 16, 2011), a consultant who had held the positions of Managing Director of LCL and member of the Executive Committee of Crédit Agricole SA until the end of 2010, to replace Mr. Gérard Caverivière, who had resigned;
- asked the Management to submit to a vote at the General Meeting of the Shareholders on June 30, 2011, which approved them, the appointments as new members of the Supervisory Board of:
  - Claire Dreyfus-Cloarec, a consultant at CD-JC Conseils, and former Managing Director Economy and Finance and Member of the SNCF Executive Committee (2000-2007),
  - Jean Goumy, currently retired, spent his entire career at Société Générale where he served as Director of Major Corporate Clients of the French branch network until May 2009.
- appointed:
  - as members of the Strategy Committee -- Christian Duvillet (on February 16, 2011), Claire Dreyfus-Cloarec and Jean Goumy (on August 31, 2011);
  - as a Member of the Nominations and Compensation Committee, Christian Duvillet (on February 16, 2011), to replace Mr. Gérard Caverivière who resigned;

The General Meeting of June 30, 2011 also ratified the appointments as members of the Supervisory Board of:

- Mr. Pierre Gadonneix, which occurred during its meeting of August 31, 2010, to replace Mr. Pierre Alesi who resigned; during this same meeting, Pierre Gadonneix was appointed Chairman of the Supervisory Board.

  Pierre Gadonneix was born on January 10, 1943. With a PhD in Business Economics from Harvard Business School, he is also an alumnus of France's Ecole Polytechnique and a graduate of the Ecole Nationale Supérieure du Petrole et des Moteurs, and holds a Bachelor of Science degree in Economics. Pierre Gadonneix, Honorary Chairman of EDF, is Chair of the World Energy Council (WEC). An experienced businessman, Pierre Gadonneix has spent most of his career in industry. In 1976 he served as Technical Advisor to the Minister of Industry and Research. From 1978 to 1987 he was Director of Metallurgical, Engineering and Electrical Industries in the Ministry of Industry and, in this context, made a significant contribution to the restructuring of the French steel industry. Pierre Gadonneix served as Chairman of Gaz de France from 1996 to 2004, after joining the company nine years previously as Chief Operating Officer. In 2004 he was appointed Chairman and CEO of EDF, a position he held until 2009.
- and of Christian Duvillet.

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 of 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)	50 000	150 000
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**50 000**	**150 000**
Jean Claude CHAUSSONNET, Vice chairman of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	97 760	99 223
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**97 760**	**99 223**
Claire DREYFUS-CLOAREC, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	0	10 000
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**0**	**10 000**
Christian DUVILLET, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	0	10 000
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**0**	**10 000**
Jean GOUMY, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	0	10 000
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**0**	**10 000**
Jean Jacques PIGNERES, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	30 000	30 000
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**30 000**	**30 000**
Christian BEUGNET, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	0	10 000
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**0**	**10 000**
Gérard CAVERIVIERE, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	113 613	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**113 613**	**0**
(Gérard CAVERIVIERE is no longer member since February 16, 2011)		

(EURO)	Fiscal Year N-1	Fiscal Year N
Patrick CHOLLET, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	0	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**0**	**0**
Hervé COSTES, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	72 052	73 133
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**72 052**	**73 133**
(Hervé COSTES is no longer member since January 25, 2012)		
Yves DA COSTA, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	35 006	35 919
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**35 006**	**35 919**
Pierre LATECOERE, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	0	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**0**	**0**
Christian REYNAUD, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	0	10 000
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**0**	**10 000**
SALVEPAR, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	0	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**0**	**0**
(SALVEPAR is no longer member since June 30, 2011)		
Jean Louis PELTRIAUX, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table 6.2.2.2)	77 497	84 143
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**77 497**	**84 143**

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	50 000	50 000	150 000	150 000
Variable compensation				
Exceptional remuneration				
Attendance fees				
Benefits in kind				
TOTAL	**50 000**	**50 000**	**150 000**	**150 000**
Jean Claude CHAUSSONNET, Vice chairman of the Supervisory Board				
Fixed remuneration	90 000	90 000	90 000	90 000
Variable compensation				
Exceptional remuneration				
Attendance fees				
Benefits in kind	7 760	7 760	9 223	9 223
TOTAL	**97 760**	**97 760**	**99 223**	**99 223**
Claire DREYFUS-CLOAREC, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees			10 000	
Benefits in kind				
TOTAL	**0**	**0**	**10 000**	**0**
Christian DUVILLET, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees			10 000	
Benefits in kind				
TOTAL	**0**	**0**	**10 000**	**0**
Jean GOUMY, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees			10 000	
Benefits in kind				
TOTAL	**0**	**0**	**10 000**	**0**
Jean Jacques PIGNERES, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration	30 000	30 000	30 000	30 000
Attendance fees				
Benefits in kind				
TOTAL	**30 000**	**30 000**	**30 000**	**30 000**
Christian BEUGNET, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees			10 000	
Benefits in kind				
TOTAL	**0**	**0**	**10 000**	**0**
Gérard CAVERIVIERE, Member of the Supervisory Board				
Fixed remuneration	90 501	90 501		
Variable compensation	17 200	17 200		
Exceptional remuneration	2 500	2 500		
Attendance fees				
Benefits in kind	3 412	3 412		
TOTAL	**113 613**	**113 613**	**0**	**0**
(Gérard CAVERIVIERE is no longer member since February 16, 2011)				

(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				
Benefits in kind				
TOTAL	**0**	**0**	**0**	**0**
Hervé COSTES, Member of the Supervisory Board				
Fixed remuneration	62 652	62 652	66 033	66 033
Variable compensation	6 900	6 900	7 100	7 100
Exceptional remuneration	2 500	2 500		
Attendance fees				
Benefits in kind				
TOTAL	**72 052**	**72 052**	**73 133**	**73 133**
(Hervé COSTES is no longer member since January 25, 2012)				
Yves DA COSTA, Member of the Supervisory Board				
Fixed remuneration	31 830	31 830	33 174	33 174
Variable compensation	2 676	2 676	2 745	2 745
Exceptional remuneration	500	500		
Attendance fees				
Benefits in kind				
TOTAL	**35 006**	**35 006**	**35 919**	**35 919**
Christian REYNAUD, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees			10 000	
Benefits in kind				
TOTAL	**0**	**0**	**10 000**	**0**
Pierre LATECOERE, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees				
Benefits in kind				
TOTAL	**0**	**0**	**0**	**0**
SALVEPAR, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees				
Benefits in kind				
TOTAL	**0**	**0**	**0**	**0**
(SALVEPAR is no longer member since June 30, 2011)				
Jean Louis PELTRIAUX, Member of the Supervisory Board				
Fixed remuneration	66 097	66 097	70 793	70 793
Variable compensation	9 000	9 000	13 350	13 350
Exceptional remuneration	2 400	2 400		
Attendance fees				
Benefits in kind				
TOTAL	**77 497**	**77 497**	**84 143**	**84 143**

The fixed remunerations of the Members of the Supervisory Board (Chairman and Vice-Chairman) correspond to payments made in respect of their office. Benefits in kind are exclusively linked to the use of a company car (Mr. Jean-Claude Chaussonnet)

6.2.2.3 Table of Attendance Fees

Euros	Attendance fees paid in N-1	Attendance fees paid in N	
		Amount due	Amount paid
Pierre GADONNEIX	0	0	0
Jean Claude CHAUSSONNET	0	0	0
Claire DREYFUS-CLOAREC	0	10 000	0
Christian DUVILLET	0	10 000	0
Jean GOUMY	0	10 000	0
Jean Jacques PIGNERES	0	0	0
Christian BEUGNET	0	10 000	0
Patrick CHOLLET	0	0	0
Hervé COSTES	0	0	0
Yves DA COSTA	0	0	0
Pierre LATECOERE	0	0	0
Christian REYNAUD	0	10 000	0
Jean Louis PELTRIAUX (representing the FCPE "B" of LATECOERE employees)	0	0	0

The General Meeting of the shareholders held on June 30, 2011 voted a budget of €50,000 for attendance fees. These were shared out, in a different manner from that proposed by the MiddleNext Code and solely for 2011, between the members of the Supervisory Board on the basis of €10,000 for the chairmanship of a Committee and €10,000 for participation on the Strategic Committee, which amounts may not be drawn concurrently with any other remuneration already allocated by the Company on other grounds

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	Exercice 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	Availibility 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 fiscla 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	Transaction amount *(euros)*	Stock concerned	Transaction location
NONE								

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 Members of the Supervisory Board whose positions ended in 2010

The Members of the Supervisory Board whose positions ended in 2011:

- Gérard Caverivière (on February 14, 2011), whose position was assumed by Christian Duvillet
- SALVEPAR (on June 30, 2011) at the expiry of its position.

6.2.5 Events Post Closing

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. The appointment of Valérie Guimber will be submitted for ratification to the next general meeting of shareholders planned for May 3, 2012. Valérie Guimber will carry on with the position of Hervé Costes, which ends at the close of the annual general meeting that will rule on the financial statements for 2015, or at the latest by June 30, 2015.

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

- Claire Dreyfus-Cloadec, 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.

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 21, 2012 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 Middlenext 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")). Middlenext is a representative association which 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 Middlenext 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 Middlenext 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 Middlenext 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

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

Remuneration System in Force

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.

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.

As for the compensation paid in 2011 with respect to 2010, this variable share was based on the following elements:

- on the Group's net result for the Chairman, Mr. François Bertrand, and the Managing Director, Mr. Bertrand Parmentier, respectively, at 0.90% and 0.40%;
- on two components combining an employee profit-sharing scheme at 0.15% of the Group's net result and an employee profit-sharing scheme on the performance of the operational division for which they are responsible for the two other Members of the Management Board (Mr. Roland Tardieu and Mr. Eric Gillard), respectively determined as follows:
  - for Mr. Roland Tardieu, 0.25% on the operating result of the LATelec subsidiary, of which he is the Chairman;
  - for Mr. Eric Gillard, starting in 2011, the implementation of a variable bonus, linked to a "Revenue minus Expenses" objective for the Aerostructures division for year N, for which meeting the target value will result in a bonus of 20% of his annual salary, and which may vary from a minimum of 10% to a maximum of 30%, depending on achievements; this bonus will be paid in Year N+1, at the closing of the financial statements.

In respect of 2011, the Supervisory Board on a proposal from the Nominations and Compensation Committee of December 9, 2011, decided:

- to correct the Group's net result for the year, as the basis for calculating the variable bonus of Management Board members:
  - for the impact unrealized financial result corresponding to fair value variation of hedging financial instruments, to the

extent that this unrealized financial result is without impact on the Group's present and future cash flow as they are instruments intended to be held to maturity in a hedging relationship;

- for the impact of the recognition of costs related to the refinancing of the Group entered into at year end, which will be amortized in the consolidated financial statements over the term of the financings;

the amount of the Group's net result reconstituted after taking into account these corrections is €14,121,000.

(iii) to double the 2011 variable compensation attributable to Bertrand Parmentier, given the role played by the latter in the refinancing of the Group entered into during 2011.

Evolution of the Remuneration System in 2012: 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 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.

the variable share of the remuneration of Management Board members will now be 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.

For 2012, the amounts of the variable share of the remuneration for each of the Management Board members, for a 100% realization of the target objectives of each of the Management Board members, were set by the Supervisory Board consistent with what application of the existing system would have given in the 2012 budget, it being noted that this variable remuneration will be in any event and in continuation of the existing system, capped at 50% of total remuneration.

6.3.1.1.3 Other Elements of Remuneration

Remuneration System in Force

<u>Payment due or likely to be due by reason of the ceasing or the change of duties of the executive</u>

- Upon termination of their employment contract for any reason other than resignation or retirement, Mr. François Bertrand and Mr. Bertrand Parmentier will receive a payment:

- calculated on the basis of their seniority, by applying the scale foreseen by the French collective bargaining agreement of engineers and managers in the Metallurgy sector, which limits to 18 months the maximum amount attributable for this reason;
- increased by one month for each "consolidated operating result/consolidated revenue" ratio point above 10% noted during the year prior to the termination of their employment contract.

- Mr. Eric Gillard will receive no payment due or likely to be due by reason of the ceasing or modification of his duties.

- In the case of Mr. Roland Tardieu, who prematurely ceased his duties as a Member of the Company's Management Board, he was paid until March 31, 2012 in accordance with the decision of the Supervisory Board of January 25, 2012, and he 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 objectives during the performance of his duties, subject to the approval of the General Meeting of the Company's Shareholders to be held on May 3, 2012.

<u>Retirement</u>

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.

<u>Benefits in Kind</u>

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

<u>Stock Options</u>

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

Evolution of the Remuneration System in 2012: other Elements of Remuneration

During its meeting on March 21, 2012, the Supervisory Board, after consulting the Nominations and Compensation Committee, decided to change the elements of remuneration described below.

<u>Payment Due or Likely to Be Due by Reason of the Ceasing or the Change of Duties of the Executive</u>

Instead and in place of the existing system, the Supervisory Board asked the Management Board to submit to the General Meeting of the Company's shareholders to be held on 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. 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.

<u>Performance Shares</u>

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.

Consequently, it will be proposed at the General Meeting of the Company's Shareholders to be held on May 3, 2012 to authorize the Management Board to make a free grant of performance shares to the above-mentioned persons.

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.

6.3.1.1.4 Points to Watch Out for

As the Middlenext 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.

The Supervisory Board has allowed the Management Board the opportunity to share out the management duties among its members; those in force during 2011 were approved as a function of the competences of each one, by the Management Board at its August 31, 2010 meeting held following the Supervisory Board that appointed Eric Gillard:

- 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 Interconnexion 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;

- Until the termination of his position as a Management Board Member, Roland Tardieu was more particularly in charge of the Interconnexion Systems business of the Group (LATelec and its subsidiaries).

Following the departure of Roland Tardieu from the Management Board on February 17, 2012, and the decision of the Supervisory Board not to replace him on the Management Board whose membership has been reduced as a result to three, François Bertrand has taken over the responsibility within the Management Board for the running of the Interconnexion Systems business of the Group; as from February 17, 2012 he 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.

In addition to periodical meetings of the Management Board, its Members participate weekly in Executive Committee meetings which gather together the Company's main directors. These meetings are privileged place of exchange on the strategy and the correct operation of the Group

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 -- determined according to the method detailed in paragraphs 6.1.1.2 and 6.1.1.3 above: 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 went from 12 to 13 members from February 2011 to March 2012.

Out of the thirteen members of the Supervisory Board today, 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 Middlenext Code and ratified by the Nominations and Compensation Committee.

Two women have joined the Supervisory Board over the past twelve 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 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 Middlenext Code of Corporate Governance. On October 27, 2010, the Supervisory Board amended these bylaws by including the creation of a Strategy Committee. These bylaws are signed by all members of the Supervisory Board when they enter into their position.

Rules of Ethics

The bylaws of the Supervisory Board and of its Committees recall the rules of ethics which 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 Middlenext 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.

The tables presented in paragraphs 6.1.1 and 6.2.1 note the positions held respectively by the members of the Managing Board and Supervisory Board.

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 2011 and Q1 2012

The Board met six times in 2011 and three times in Q1 2012.

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 89%.

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:

- The Supervisory Board proceeded:
  - with the review of the 2010 consolidated financial statements and statutory financial statements (meeting of March 17, 2011);
  - of the H1 2011 consolidated financial statements (meeting of August 31, 2011);
  - of the 2011 consolidated financial statements and statutory financial statements (meeting of !February 17, 2012);

  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 meetings of April 18, 2011 and of May 20, 2011, the Supervisory Board ratified all documents established by the Management Board with a view to the Ordinary and Extraordinary General Meetings of June 30, 2011.
- 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.
- 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 BSA holders of May 3, 2012

Concerning the economic and financial situation of the Group:

- Throughout 2011, 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 search process for a partnership,
  - of the monitoring of the performance of the Memorandum of Understanding signed with the banks on May 18, 2010,
  - and of the refinancing negotiations.
- At its December 9, 2011 meeting, and after having heard the report of the Chairman of the Strategy Committee, the Supervisory Board approved the draft refinancing agreement with the banks of the pool presented by the Management Board as well as the terms and conditions of the Conciliation Protocol relating to it; it authorized the Management Board to (i) sign the conciliation protocol, the syndicated loan agreement, the amendment to the issuance contract of the LATECOERE Convertible Bonds, the amendment to the issuance contract of the LATelec Convertible Bonds as well as any agreements, instruments and documents necessary, (ii) proceed with the early repayment of bank borrowings granted by the short- and medium-term bank creditors, (iii) authorize the giving of sureties and guarantees and (iv) pre-approve and authorize the entering into of regulated agreements.

As regards corporate governance

- The Chairman of the Audit and Financial Statements Committee reported to the Board on March 17, 2011 about the work of the Committee in the appointment of the college of auditors for the period 2011-2016 due to the coming to an end of the positions of statutory auditors and substitute statutory auditors of GRANT THORNTON. On recommendation of the Committee, the Supervisory Board approved the renewal of the positions of the GRANT THORNTON firm and asked the Management Board to submit a resolution in this respect for the vote of the General Meeting of the Company of June 30, 2011.
- After consulting with and receiving the recommendations of the Nominations and Compensation Committee, the Supervisory Board:
  - appointed as a Member of the Supervisory Board:
    - Christian Duvillet (meeting of February 16, 2011), a consultant who had held the positions of Managing Director of LCL and member of the Executive Committee of Crédit Agricole SA until the end of 2010, to replace Mr. Gérard Caverivière; this appointment was approved by the General Meeting of the shareholders of the Company on June 30, 2011;
    - Valérie Guimber (meeting of January 25, 2012), an employee of LATelec, to replace Hervé Costes, who resigned; this appointment will be submitted for ratification of the General Meeting of the shareholders of the Company of May 3, 2012;
  - asked the Management Board to submit to a vote at the General Meeting of the Shareholders on June 30, 2011, which approved them, the appointments as new members of the Supervisory Board of:
    - Claire Dreyfus-Cloarec, a consultant at CD-JC Conseils, and former Managing Director Economy and Finance and Member of the SNCF Executive Committee (2000-2007),
    - Jean Goumy, currently retired, spent his entire career at Société Générale where he served as Director of Major Corporate Clients of the French branch network until May 2009.
  - appointed:
    - as members of the Strategy Committee -- Christian Duvillet (on February 16, 2011), Claire Dreyfus-Cloarec and Jean Goumy (on August 31, 2011);
    - as a Members of the Nominations and Compensation Committee, Christian Duvillet (on February 16, 2011), to replace Mr. Gérard Caverivière who resigned, and Jean Goumy (on February 17, 2012);
    - Member of the Audit and Financial Statements Committee, Claire Dreyfus-Cloarec (meeting of January 25, 2012).
- Concerning the remuneration of the managing corporate officers, the Supervisory Board has 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 General Meeting of the shareholders of the Company which will be held on May 3, 2012 to approve a resolution 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; asked the Management Board to submit to a vote at the General Meeting of the Shareholders a resolution ratifying the agreed provisions;

- 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 LATECOERE 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 shareholders of the Company to be held on May 3, 2012;
  - 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.

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 to be held on May 3, 2012.

As regards remuneration of the Supervisory Board members

- At its December 23, 2010 meeting, the Supervisory Board, after advice and recommendations of Nominations and Compensation Committee, approved the principle of a remuneration of the Members of the Strategy Committee and of the Chairmen of the Audit and Financial Statements Committee and the Nominations and Compensation Committee, in the amount of €10,000 per year and per Member, which amount may not be drawn concurrently with any other remuneration already allocated by the Company on other grounds.

  Consequently, a budget of €50,000 for attendance fees was submitted by the Management Board to a vote of the General Meeting of the shareholders of June 30, 2011 which approved it; it was shared out between the members of the Supervisory Board according to the method referred to above.

  The Chairman and the Vice Chairman of the Supervisory Board receive remuneration as indicated in the table appearing in paragraphs 6.2.2.1 and 6.2.2.2.

- 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 to be held 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.
  - 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 LATECOERE's participation in the consolidation trend in the aeronautical sector and of the merger of the LATECOERE

Group with and industrial partner which may result, the payment of which would be conditional upon the realization of such a merger between the LATECOERE 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 are independent: Christian Reynaud, Jean-Claude Chaussonnet, Claire Dreyfus-Cloarec and Patrick Chollet. Four of these 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 six times between December 2010 and February 2012; in particular, its work in covered:

- the review of the 2011 budget (December 23, 2010 meeting);
- the terms of the Boeing 787 passenger door program and the commercial negotiations related to it (meetings of December 23, 2011 and February 16, 2012);
- the approval of the 2010 financial statements (February 16, 2011 meeting);
- the appointment of the Auditors (February 16, 2011 meeting);
- the review of the updating of the medium-term business plan used in the search process for a partnership (February 16, 2011 meeting);
- approval of the H1 2011 financial statements (August 31, 2011 meeting);
- the terms of the refinancing then being negotiated with the banks (December 9, 2011 meeting);
- the review of the 2012 budget (meetings of December 9, 2011 and January 25, 2012);
- the approval of the 2011 financial statements (February 16, 2012 meeting);
- interest rate risk and foreign exchange rate risk hedging policy (February 16, 2012);
- the stakes of the main construction contracts (February 16, 2012 meeting).

This Committee's participation rate was 100% 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 Duvillet and Jean Goumy (since February 17, 2012, to replace Hervé Costes, who resigned);
- four members of which are considered as independent under the Middlenext Code: Christian Duvillet, 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 seven times between February 2011 and March 2012; 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 (meetings of February 16, 2011, May 20, 2011, December 9, 2011, and February 17, 2012) the carrying out of which was described in paragraph 6.3.1.2;
- on the Management Board's composition (December 9, 2011 meeting), the carrying out of which was described in paragraphs 6.1 and 6.3.1.1;
- 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 16, 2011, March 17, 2011, December 9, 2011, February 17, 2012, March 7, 2012 and March 21, 2012), the implementation of which was described in paragraphs 6.1.2.7, 6.3.1.1.2 and 6.3.1.1.3.

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 85% 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 Duvillet, 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 seven times in 2011 on, respectively, February 4, March 17, April 18, June 30, July 22, August 31, and October 3, with a participation rate of 94%.

It was closely associated with the search process for a partnership undertaken by the Group and with its repositioning as well as with the refinancing negotiations.

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 during the past eighteen months, it was decided that the Supervisory Board would make a formal assessment of its work during 2012.

Points to Watch Out for Relating to the Supervisory Function

As the Middlenext 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. The interests of the employee shareholders are represented by three members, and the interests of the other shareholders are represented by eight independent members.

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 Middlenext 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 Middlenext 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 paragraph 8.3 "Information about Shareholders".

6.3.1.3.3 Points to Watch Out for Relating to the Sovereign Function

As the Middlenext 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.

6.2.3.2 Procedures Relating to the Preparation and Processing of Accounting and Financial Information

The financial management, working closely with the Management Board, is responsible for the financial information.
For this reason, the financial management is principally in charge of:

- monthly reports,
- management of currency exchange rate hedging,
- projected cash management,
- quarterly, semi-annual and annual financial reports,
- the budgetary process,
- internal audit, and
- controlling.

The controlling department manages the cost accounting by business and, in particular the follow-up and the valuation of inventories and work in progress. Controlling is subdivided into product lines. There also exists a controlling of the purchasing, systems and equipment, and development businesses.
Each month, a business report is established by the controlling department for the Management, who liaises with accounting and finance in connection with the monthly financial statements.
Forecasts of delivery rates of the various airplanes, which form the basis for the workload and thus for the establishment of the budget, are reviewed periodically.
The budgetary procedures which existed in the parent company organization have now been extended to all French and foreign subsidiaries.
All managers are involved in this budget review under the control of the Management Board.
The most significant budget items (personnel costs, materials and sub-contracting purchases and investment activities) are analyzed and monitored periodically. Decisions which might have an effect on these items and in particular the evolution of internal personnel in the Group are submitted for the approval of the Senior Management.
The Company's accounting and administrative procedures were completely updated during 2011. Most are applicable in the Group's other companies, in particular in the foreign subsidiaries.
The organization and the responsibilities of the finance and accounting departments of the foreign subsidiaries were finalized. Visits as well as meetings bringing together the persons in charge of finance and accounting at the different sites are organized in order to ensure a follow-through of the procedures and their application.
The distribution of the responsibilities for the accounting tasks has been clearly defined and a calendar of the deadlines to be respected was communicated to all of the Group's directors of finance.
Periodically the foreseeable evolutions of the accounting and finance departments are examined as a function of the changes to, or evolutions in, workload and scope.
The accounting principles and the IFRS adjustments are centralized at the parent company level.
The Group's consolidated financial statements are established by the parent company's financial management. That department is in charge of the updating of consolidation procedures, training and the inclusion of subsidiaries within the consolidation scope. Moreover, it is in charge of the processing of information, the maintenance and development of the consolidation tools for the Group.
Long-term contracts (construction contracts) are the subject of periodic revisions based on evolution of costs, the €/$ parity and industrial processes.
Internal audits relate to specific controls on points which might be identified as sensitive.
The frequency of the controls organized by internal audit, in order to ensure that the procedures manual is being correctly followed, is to be increased.

6.3.2.1.3 Accounting and Financial Information System

The information and reporting systems available to the Group allow it to monitor performances regularly and with precision, thus contributing to the attainment of these goals.

The computer tools have developed and were adapted to the increasing requirements of the Company's management in the areas of quality, relevance, information availability and exhaustiveness, while ensuring a reinforcement of controls.
The accounting and financial information system is based mainly on the SAP software package. Use of this software package has been extended to all of the Aerostructures division companies.
The scope of this system covers financial accounting, controlling, purchasing, orders management and invoicing, the supply chain and production management.

An Information System master plan (SDSI) defined in 2010 that should enable the alignment of the Information System to strategy and operational needs, while improving the performances and security of infrastructures, was in its general design phase in 2011. In parallel, among the projects launched as part of the Finance Information System, the dematerialization of supplier invoices was successfully put in place in July 2011, the dematerialization of bank flows, together with the adaptation to the new SEPA European format, will be finalized in Q1 2012 and the automation of financial reporting related to the budget process and to medium- and long-term planning should be applied to the drawing up of the 2013 budget.

The organization and functioning of the whole of the information system are subject to precise rules relating to system access, validation of the processing, closing procedure, data retention, and the verification of recordings. Furthermore, key controls were implemented so as to secure critical transactions.

A document called the “Information System Security Policy” defines the rules to apply in order to ensure the availability, the integrity and the confidentiality of the applications making up the information system.
Data are saved on a regular basis and backups are clearly identified.
The frequency of backups and the time necessary for the recuperation of data in case of trouble satisfy the needs of the production chain and remain within acceptable limits.
Total system-wide backups are performed before each change or important evolution (migration) of the system or of an application.
Data storage media are preserved remotely from the source data in another building and profit from a controlled access and are also made safe by fire protection.

The correct operation and the effectiveness of the backup are checked each day. Corrective measures are foreseen in the event of dysfunction.
Recoveries may only be done by a technician duly authorized to perform them.

The SAP application, considered as a critical application, is the object of special measures to ensure its optimal availability. The servers and storage units were selected to limit any disturbance of operations related to a minor breakdown thanks to the duplication of sensitive equipment (disks, power supply, and network cards).

The computerized procedures, in particular the interfaces, are designed to pass on an alarm in case of dysfunction. Daily monitoring of the good execution of these procedures is ensured by the operations department using batch management tools and suitable supervision.

The risks which may affect the accounting and financial information are related to the correct operation of the circuits of this information and to the validity of the assumptions taken into account. The accepted assumptions are submitted to the Audit and Financial Statements Committee.

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 LATECOERE, this risk is shared out because the company uses second-tier "partners" as suppliers, who are subject to the same risks. The refundable advances obtained also make it possible to reduce this risk because reimbursements depend on the deliveries carried out. Moreover, the Group may occasionally open negotiations with its customers which enable it to reduce this risk. 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 2011, 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. Moreover, refundable advances obtained also make it possible to reduce this risk because reimbursements depend on the deliveries carried out.

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, 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, 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 which limit the impact of price fluctuations. Market purchases constitute only a negligible portion of procurement, and represent the only part of our raw material purchasing subjected to price fluctuations.

6.3.2.2.5 Legal and Tax Risks

The LATECOERE Company is subject to a tax audit as mentioned in note 26.4 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 64% of its sales in dollars and buys approximately 48% of supplies or sub-contracting in dollars. The Group's natural hedging on the USD represents approximately 29%.

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 gives the Group the possibility to benefit from an improvement in the EUR/USD rate.

At December 31, 2011, the Group has hedged its exposure until 2013 by forward sale and option tunnel hedging at EUR/USD rates of, at the worst, 1.336 for 2012 and 1.366 for 2013.

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.r.o. 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 € +6.2 million in 2011 compared to € -4.3 million in 2010.

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 interest rates on which its debt is indexed. The average interest rate borne by the Group in 2011 was 4.9%.

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, 2011 is €124k.

Given the fact that at year end the Latécoère Company only held 13,975 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 Credit Risks

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

6.3.2.2.10 Liquidity Risk

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

In order to face up to its liquidity risk, the Group has the following financial resources: Debt, borrowings in the form of a syndicated loan at the parent company level, medium-term credit lines at the level of certain subsidiaries, revolving line of credit and factoring line. At the closing, some of these resources had not been used.

At the end of the year, the Group reached an agreement with its banks for the refinancing of 96% of the Group's bank debt (excluding leasing) and 60% of the Convertible Bonds.

This agreement, which provides the Group with durable refinancing through syndications, significantly reduces the potential maximum dilution of shareholders from 36% to 18%; it is structured around four pillars:

1. Arrangement of a €319.8 million syndicated loan with three Tranches:
   - Tranche A: €64.5 million, one-year amortizing loan,
   - Tranche B: €225.6 million, seven-year amortizing loan,
   - Tranche C: four-year revolving credit for an initial principal amount of €29.7 million;
2. Arrangement of a €76.0 million, four-year factoring agreement syndicated among four factoring companies;
3. Early redemption of 60% (4,290,000) of the Convertible Bonds, refinanced by the 2018 final repayment on Tranche B of the syndicated loan and obtaining of issuer calls on a total of 2,860,000 residual Convertible Bonds, exercisable at par, when the Latécoère share exceeds €13.0 on average over a period of three consecutive days;
4. Extension of existing currency hedging lines enabling the Group to hedge progressively its exposure to USD risk through the end of 2014.

The agreement reached puts an end to the period of uncertainty that began after LATECOERE encountered financial difficulties at the end of 2009, and demonstrates the Company's financial partners' commitment to standing by LATECOERE over the long term.

The borrowing schedule for the Group's bank debt is reported in note 23.2 to the consolidated financial statements.

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, 2011, 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) is in charge of controlling this risk.
In particular, it is in charge of data integrity management. 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.
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. This implementation is 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.
A methodology of project monitoring enables these human and financial investments to be tracked 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. Difficulties or failures of suppliers could affect the supply chain, result in additional costs or production delays. However, to limit this risk the Group maintains a policy of personalized monitoring which consists of:
- monitoring through regular audits,
- technical, quality and organizational assistance.

In addition, the Group is implementing a policy of securing its key supplies, particularly through the establishment of double sources.

6.3.2.2.13 Sensitive Geographical Areas Risk

The Political events that have occurred in North Africa and environmental developments in Asia have not significantly impacted the LATECOERE Group.

The LATECOERE Company has two suppliers in Japan. One of them is one of the sources of titanium; delivery periods have been extended, but the impact was very low due to its absorption in the production cycle and the existence of other sources. The second supplier is a source of electronic components; the existence of stocks on both sides and the establishment of a special monitoring cell at LATECOERE have allowed it to offset any impact on the business of the Company.

The LATECOERE Company account has no supplier in North Africa, however, some of its suppliers have establishments in that geographical area. The impact was mainly on delivery periods; however this was quickly cleared during 2011 without any impact on deliveries to the end customers.

The LATelec Company has been present in Tunisia since 1998 through its SEA-LATelec subsidiary. The events in January 2011 made the running of the subsidiary trickier in a context marked by more-difficult-to-predict absenteeism rates and required a temporary reinforcement of French teams on site. SEA-LATelec with the support of LATelec has managed so far to ensure a delivery level and quality required for the end customers.

6.3.2.2.12 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 21, 2012

Chairman of the Supervisory Board

6.4 Auditor's Report in Application of Article L. 4-235 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, 2011.

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 4, 2012

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 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.
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 LATECOERE 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: responsibility, the pioneer spirit, a sense of effort, solidarity and integrity,

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
- Its civic commitments

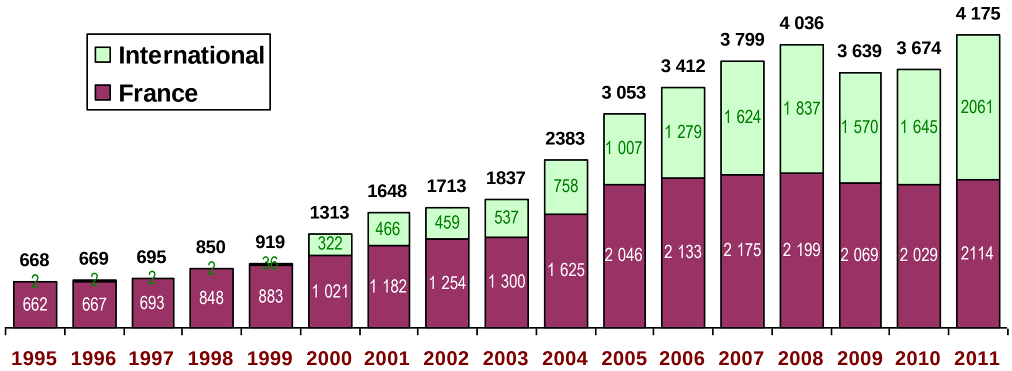
7.1.2 Employment -- a Strong Value

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 pays close attention.

Change in the Number of Employees Registered to the Group



Headcount at December 31

These data appear in the personnel-related information that the Group companies establish in accordance with legislation in force.

7.1.2.2 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.
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.
Diagnosis, assessment, training and awareness raising, integration of the requirements as adopted by the OHSAS 18001 standard in the mapping of Processes and audits are its main stages.

Indicator	LATECOERE France	Letov	LDB	LATELEC	LATECIS
Frequency rate	15,44	10,15	12,7	11,55	7,52
Severity rate	0,23	0,19	n/a	0,26	0,09

(*) 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
The LATECOERE Group utilizes a Health Safety Environment action plan in the 2012 Progress Plan

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	2011
% of the Group Payroll dedicated to the training	2,40%
Training hours	28 958
Number of trained employees	2 590
Number of trained employees - Men	1 879
Number of trained employees -Women	431

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

Next Steps
In 2012, the LATECOERE Group will open a training center in Gimont, in the French department of the Gers, dedicated to the promotion of the aeronautical trades

7.1.3 The Labor Dialogue

7.1.3.1 A Corporate Culture

At LATECOERE, 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 2009, as part of its optimization operations for its industrial organization, the LATECOERE Company redeployed its activities located at Cornebarrieu (the Toulouse region) on other sites; 150 people were concerned. Thanks to a solid social dialogue, the closing was able to occur smoothly and all those who wished to continue working in the Group benefited from a placement.

7.1.3.2 Employee Shareholding

At LATECOERE, employees are the first shareholders. Employee shareholding is thus a strong value of the Company.

At December 31, 2011, employees represented 12.9 % of the capital and 19 % of voting rights and have three seats on the Supervisory Board.

This approach has been recognized by the financial community: in 2007, the LATECOERE Company won the third prize for Employee Shareholding and in 2009, that for Informing Employee Shareholders.

7.1.3.3 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, the recruitment of disabled employees and solidarity actions in favor of sheltered workshops. 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).

LATECOERE Group	2011
Number of disabled employees	86

"We implement simple and practical actions in favor of the continued employment of disabled workers, and of the perspective on disability". Arnaud Perrin, Disability advisor, a member of the Human Resources team.

7.1.3.4 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 LATECOERE Group signed the "Réseau-lument 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.

In its Letov subsidiary, in the Czech Republic, financial support is in place to help support the cost of kindergartens.

Three draft agreements are being negotiated of which the chosen areas of work are following:

- Private life -- work life balance
- Employment and remuneration
- Training and career

LATECOERE Group	2011
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.

7.1.3.5 Employment of Seniors

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.

In 2010:

- 160 LATECOERE France Seniors have entered into a career management plan
- 118 questionnaires were sent to LATelec Seniors. Half of the respondents wished to extend the plan by benefitting from a dedicated interview.

"We carefully ensure that the ambitious provisions contained in the Seniors agreement are followed by actions". Catherine Pignères Boutonnet, Senior advisor, member of the LATECOERE France Human Resources team.

7.1.3.6 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.

CHARTE DE LA diversité SIGNATAIRE

Next Steps
In 2012, the training of managers and employees involved in recruitment and the training and management of careers as to the stakes of non-discrimination and diversity will be conducted.

7.1.4 Our Civic Commitment

7.1.4.1 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.

Along with BOEING France and as part of its partnership with the "Restos du Coeur", the company hosted troubled youth in 2011 in order to train them and insert them professionally.

LATECOERE Group	2011
Number of school and university trainees	279

7.1.4.2 Promoter of Humanistic Management

The LATECOERE 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. GERME is a national network for managerial perfection for executives or business leaders (very small businesses).
The LATECOERE Group 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.

7.1.4.3 Our Civic Involvement

Whether in France, in Tunisia, in the Czech Republic or in Brazil, the LATECOERE 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.

In being an initiator of the creation of the GITAS (Groupement des Industries Tunisiennes Aéronautiques et Spatiales) in Tunisia, the LATECOERE Group has contributed to promote exchanges, cooperation and synergies among the companies of the aeronautical and space sector established in Tunisia.

An Ethical Charter has been in place for several years within the company to explain the social values that lead it.

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 Jacareï 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.

7.1.4.4 Sub-contracting & Suppliers

In 2010, LATECOERE 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 manufactuers 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 activities -- in particular manufacturing -- of the LATECOERE Group have a low to moderate environmental impact and do not present a major risk 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 its twelve production sites, four sites of the Group have obtained the ISO 14001 certification, and four others have begun the process in order that their organization meet 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 ways to progress have been identified and will be implemented by the Group.

Thus, the LATECOERE Group wishes to continue the actions that enable it:

- to preserve resources and the natural environment: energy savings, the most efficient consumption of chemical products and natural resources;
- continuously to improve prevention of the potential environmental impacts relating to its activities;
- 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.

7.2.1 General Environmental Policy

LATECOERE's environmental policy is 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 almost all the operational sites of the Group. The Group conducted a first audit in July 2006 which showed that the system of environmental management implemented at certain sites responded to the requirements of the ISO 14001 standard. Thus, four French sites of the Group have since obtained ISO 14001 certification: Gimont, Labège, Colomiers and Sainte-Foy-d'Aigrefeuille, representing the three businesses of the Group which are grouped together in the Aerostructures, Interconnexion Systems and Engineering & Services divisions. Four other sites have begun the process in order to meet the requirements of the ISO 14001 standard, in order to continue and generally apply the efforts undertaken. 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 still too high.

The allocation of the function of environmental manager on major sites has enabled LATECOERE to establish an environmental management system locally. This first step has helped structure actions at sites to control environmental impacts due 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 and promote the exchange of good practices in the Group. This structure is run by a member of the Executive Committee and has as its main mission:

- to update the assessment of potential risks of facilities, products and of activities, whether the means of prevention are sufficient to prevent accidents which could have a dangerous effect on people and the adjacent environment (particularly for customers, company staff and people living near production sites);
- to periodically visit facilities to detect anomalies;
- to use incidents and internal or external good examples to promote Continuous Progress through feedback;
- to minimize water, energy, raw materials, and packaging consumption, and encourage recycling or reclamation of waste;
- foster improvements by continuous progress by implementing an ISO 14001 environmental management system in all major sites;
- provide regulatory monitoring to control the adaptation to changing requirements.

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 implements 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 which must be used, leaving very small room to maneuver for changes. With monitoring of regulatory developments performed by an outside body, the LATECOERE Company, after having identified the presence of these substances in articles delivered, sets up a traceability of these chemical substances, incorporates the constraints to the use of certain chemical preparations in its manufacturing processes and its products, may have to manage obsolescence or the banning of a substance, and its potential substitution by other authorized substances with the consent of its customers, and if necessary inform the European Chemicals Agency (ECHA), as well as its customers.

7.2.2 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.

7.2.3 Sustainable Use of Resources

The Group has little influence on the consumption of raw materials because the materials and processes 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. The correlation between consumption and production should on the other hand be defined in the future in order to interpret and track data from one year to another.

Water consumption is overall controlled on all Group sites. The trend shows a decrease in consumption over the last three 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 55,000 m^3 in 2010. The supply was not subject to local constraints this year. The table below shows the evolution of water consumption over the past three years for the Aerostructures division sites, which represent approximately 70% of the Group's total consumption. The Group has set as one of its objectives the obtaining of up-to-date data more quickly.

Aerostructure water consumption evolution (m^3)

	Périole	Gimont	LdB	Letov
Fiscal Year 2010	12 194	1 628	10 400	13 000
Fiscal Year 2009	18 383	4 985	10 000	12 000
Fiscal Year 2008	34 069	4 616	13 000	13 500

Energy consumption is down overall by around 1% between 2009 and 2010. 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 25.76 million kWh in 2010.

Group Energy consumption evolution

	Aerostructure				Interconnexion System						Engineering and Service	TOTAL
Energy consumption in million kWh	Périole	Gimont	LdB	Letov	Tarbes	Liposthey	Labège	Colomires	Le Cres	SEA	Ste Foy	
Fiscal year 2010	11,61	3,02	1,37	5,5	0,32	0,59	0,92	0,2	0,6	0,92	0,71	**25,76**
Fiscal year 2009	12,31	3,03	1,39	4,93	0,24	0,56	0,99	0,19	0,59	0,99	0,83	**26,05**

It appears that the Aerostructures business represents 83% 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 20% 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 m^2.

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 20% has reduced the Group's overall consumption by about 10% 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.

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 which it represents in the profits and in the corporate assets.

If necessary, and subject to imperative regulations, all shares shall be grouped, indistinctly of any exemptions or tax charges, such as for all taxes for which the company is likely to take responsibility, before carrying out any redemption during the Company's existence or at its winding-up, so that, taking into account their respective face values, all the shares then existing receive the same net sum, whatever their origin or their creation date.

Allocation and Distribution of Profits – Surplus upon Winding-Up (Article 21 of the 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 which must be submitted to the Annual General Meeting.

The Supervisory Board sets the method and the amount of the remuneration of each of the Members of the Management Board in its decision to appoint them.

The disposal of real property, the total or partial disposal of equity holdings, the giving of sureties, as well as securities, avals and guarantees are subject to the authorization of the Supervisory Board. The non-compliance with this provision may only be raised against third parties in the cases provided for by law.

However, as an internal measure which may not be raised against third parties, loans, borrowings, purchasing, exchange and sales of commercial establishments; the purchasing and exchange of buildings, the formation of companies and all contributions to companies whether already formed or to be formed, as well as all taking of an equity interest in these companies, must be authorized beforehand by the Supervisory Board.

Supervisory Board (Article 15 of the 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 2011.

8.2 Information about Capital

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

8.2.1 Share Capital at December 31, 2011 (Article 8 of the Bylaws)

The authorized capital was SEVENTEEN MILLION TWO HUNDRED NINETEEN THOUSAND NINE HUNDRED NINETY-FOUR EUROS (€17,219,994). It is divided into EIGHT MILLION SIX HUNDRED NINE THOUSAND NINE HUNDRED NINETY-SEVEN (€8,609,997) shares of common stock with a par value of TWO EUROS (€2) each.
The capital of the company is fully paid-up at December 31, 2011.

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

Following the renegotiation of the debt concluded on December 21, 2011, the Group has early redeemed 60% (4,290,000) of the Convertible Bonds. Accordingly, the total number of bonds convertible into shares was reduced from 7,150,000 to 2,860,000.

Furthermore, the conversion period for the residual convertible bonds was brought forward to January 2, 2012. The latter are convertible at any time between January 2, 2012 and July 30, 2015, the date on which the convertible bonds mature. The conversion price remains unchanged at €10.0 per LATECOERE share.

Share Warrants

Share warrants ("BSA") having been issued simultaneously with the convertible bonds, a similar acceleration of the exercise period will be offered to warrant holders at an upcoming General Meeting of warrant holders to be held the same day as the LATECOERE Shareholders Meeting convened to approve the 2011 financial statements which is scheduled for May 3, 2012.

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, 2011 was 4,304,988 on the basis of the total number of LATECOERE Company shares reduced by the number of treasury shares.

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 2007				
None			17 219 994	8 609 997
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

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, 2011, the LATECOERE Company held 13,975 (0.16%) of its own shares. The table below summarizes the movements on the treasury shares during 2011.

Number of shares	Dec 31, 2010	Acquisitions	Disposals	Dec 31, 2011	% of ownership
LATECOERE Shares	4 377	152 226	142 628	13 975	0,16%

('000 EURO)	Dec 31, 2010	Acquisitions / Provisions	Disposals	Dec 31, 2011	Average purchase price
LATECOERE Shares	29	1 474	1 380	124	9,76

8.2.6 Information Relating to the Share Buyback Program

8.2.6.1 Prior Program Report during 2011

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: 152,226
Average purchase price: €9.84

Number of shares sold: 142,628
Average sale price: €9.68

Total amount of commission fees: 0

Number of shares registered at the closing of the year: 13,975

Value determined at the purchase price: €137,514
Nominal value: €27,950

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 3, 2012.

Prior Program Report at February 29, 2012

The declaration of operations realized with respect to its own shares from 4/01/2011 to 2/29/2012 appears as follows:

	Total gross flow (1)		Position open at the beginning of the program	
	Purchases	Sales / transfer	Position open on purchases	Position open on sales
Number of shares	108 135	107 362	Néant	Néant
Average exercise price	10,10	9,97		
Amount	1 092 359	1 070 515		

(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 29, 2012

Number of shares held directly and indirectly: 4,471 representing 0.05% of the Company's capital.
Number of shares held broken down by objective:

- Market animation through a liquidity contract: 100%
- External growth transaction: 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 3, 2012
- **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, eight hundred sixty one thousand (861,000) of the Company's shares at December 31, 2011, representing a theoretical maximum number of seventeen million two hundred nineteen thousand nine hundred ninety-four Euros (€17,219,994), 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**: €17,219,994
- **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.

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;
- 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 3, 2012.

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, 2011		Dec 31, 2009		Dec 31, 2009	
	% de Capital	% de droit de vote	% de Capital	% de droit de vote	% de Capital	% de droit de vote
Salariés	12,9%	19,0%	12,4%	17,2%	15,0%	19,8%
MONDRIAN	0,0%	0,0%	0,0%	0,0%	8,3%	7,4%
PRIGEST	9,7%	8,5%	9,3%	8,3%	8,5%	7,6%
WELLINGTON	0,0%	0,0%	7,0%	6,2%	0,0%	0,0%
SALVEPAR	5,0%	8,8%	5,0%	9,0%	5,0%	8,8%
Marché	72,4%	63,7%	66,3%	59,3%	63,2%	56,4%
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":	11.2 %
FCPE "C":	0.1 %
FCPE "D":	0.1 %
Soc. Civ. de la Roseraie**:**	1.0 %
Total Employees:	**12.9 %**

At December 31, 2011, 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 2011, the following crossings of thresholds were notified:

- March 25: Wellington, downward crossing of the 5% of voting rights.

A TPI study performed in February 2012 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, 2011 was €28.6 million.

Position at March 31, 2012

	March, 31 2012	
	shareholders %	voting rights %
Employees	12,5%	18,6%
PRIGEST	7,9%	7,0%
SALVEPAR	4,9%	8,6%
LATECOERE (self-holding)	0,0%	0,0%
Market	74,7%	65,9%
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 LATECOERE shares held by the employees through F.C.P.E. actions LATECOERE are exercised by a representative named by the supervisory board of F.C.P.E. for the purpose of representing it at the Annual General Meeting.

8.4 Stock Market Data

Number of Shares Listed at December 31, 2011

At December 31, 2011, the Company totals 8,609,997 shares listed, representing 9,672,598 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-11	9,20	6,82	7,98	665 965
February-11	9,68	8,53	9,19	379 714
March-11	12,20	7,95	9,55	1 973 250
April-11	12,10	10,61	11,57	800 533
May-11	11,74	10,58	11,23	280 758
June-11	12,37	10,25	11,30	569 815
July-11	12,20	10,05	11,12	350 281
August-11	10,80	8,02	9,81	541 072
September-11	11,29	8,40	9,27	331 840
October-11	9,04	8,20	8,69	187 934
November-11	8,78	6,81	7,79	197 481
December-11	9,46	7,01	7,94	339 758
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

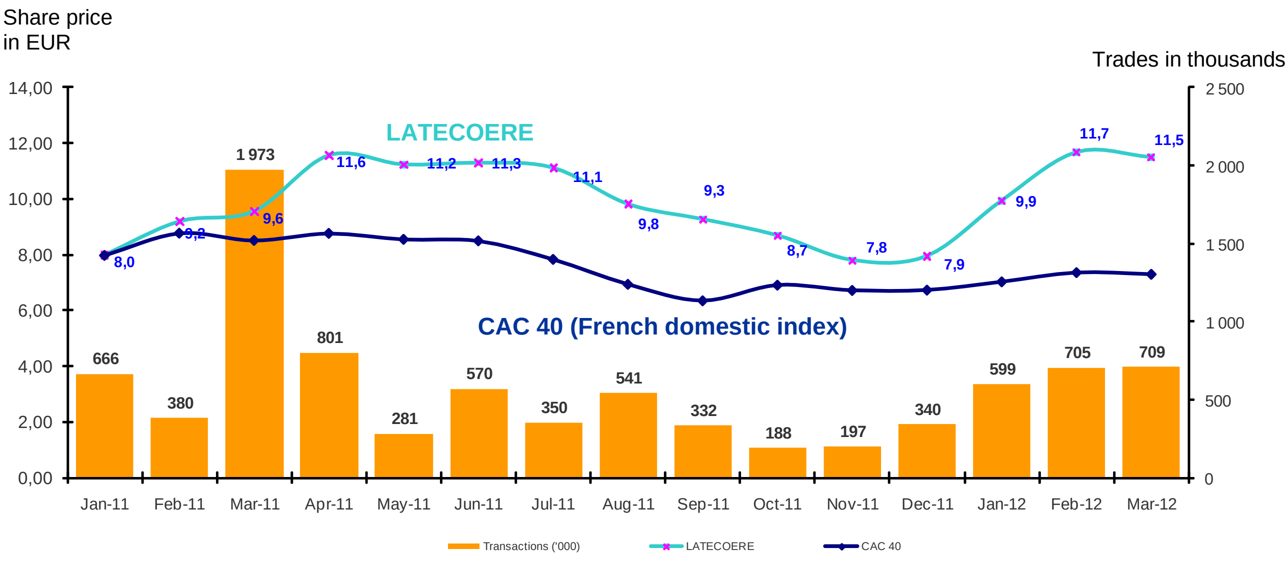
Source: SYMEX Economics SA

Share Warrant (BSA) Price Detail

	Highest share price	Lowest share price (closing)	Average price traded	Number of shares
January-11	2,15	1,00	1,48	557 242
February-11	2,40	1,89	2,18	490 331
March-11	3,65	1,71	2,32	1 229 717
April-11	2,92	2,80	2,85	7 081
May-11	3,05	2,86	2,92	4 197
June-11	3,57	2,71	3,14	297 943
July-11	3,05	2,84	3,03	1 768
August-11	2,87	2,85	2,86	6 663
September-11	2,92	2,90	2,90	15 057
October-11	3,10	2,90	2,90	11 112
November-11	3,16	3,10	3,10	2 108
December-11	3,26	3,15	3,16	3 851
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

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 3, 2012
First Quarter 2012 Revenue: May 10, 2012
First Half 2012 Revenue: July 26, 2012
First Half 2012 Results: August 31, 2012
Third Quarter 2012 Revenue: October 31, 2012
2012 Annual Revenue: February 2013 (Date to Be Decided)

Director of Financial Communications

Bertrand Parmentier
Managing Director
Tel.: +33 (0)5 61 58 77 00
bertrand.parmentier@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 terms of the refinancing of the group's financial debt following the agreements concluded with the French bank creditors in December 2011.

The historical financial information presented in the 2010 Registration Document and the 2009 Registration Document have been covered in reports of the Statutory Auditors, which contain observations, appearing in chapter 3.7 of the 2010 Reference Document and in chapter 5.7 of the 2009 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: 06/30/2011
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: 06/30/2011
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				Autres CAC			
	Amount		%		Amount		%		Amount		%	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Audit :												
Statutory audit, certification, review of individual and consolidated financial statements												
- Issuer	171	209	47%	50%	128	136	96%	96%				
- Subsidiaries	178	167	49%	40%	4	4	3%	3%				
Other engagements and services directly related to the statutory audit engagement												
- Issuer	17	23	5%	5%	1	1	1%	1%				
- Subsidiaries												
Sub-total	**366**	**399**	**100%**	**95%**	**133**	**141**	**100%**	**100%**	**0**	**0**	**0%**	**0%**
Other services, if applicable:												
- Legal, tax and labor	0	21	0%	5%								
- Information Technology			0%	0%								
- Internal Auditing			0%	0%								
- Other			0%	0%					0	3		
Sub-total	**0**	**21**	**0%**	**5%**	**0**	**0**	**0%**	**0%**	**0**	**3**	**0%**	**0%**
TOTAL	**366**	**420**	**100%**	**100%**	**133**	**141**	**100%**	**100%**	**0**	**3**	**0%**	**0%**

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 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.
- the 2009 consolidated financial statements and the 2009 financial statements, as well as the reports of auditors for the year ended December 31, 2009, appear in paragraphs 5 and 6 of the registration document ("document de référence") for the year 2009 filed with the French Financial Markets Authority (AMF) on June 11, 2010 under number R.10-043;
- 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, 2009 appear at paragraph 4 of the annual financial report for the year 2009 filed with the AMF and on our website dated June 14, 2010;

11 ADDITIONAL INFORMATION

11.1 Documents Accessible to the Public

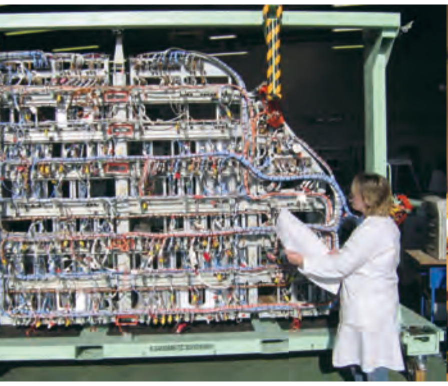
All legal documents relating to the LATECOERE Company to be made available to shareholders may be consulted at the registered office of the Company. Furthermore, the LATECOERE Group makes available to its shareholders on its website (www.latecoere.fr) a wide range of documents (financial press releases, financial reports, registration documents, presentations to analysts, etc.).

11.2 Publication of the Annual Information

Date	Support	Informations
04-Jan-11	Press release	LATecis expands in Canada
27-Jan-11	Press release	Latécoère reaches an agreement with Boeing on 787 Program
10-Feb-11	Press release	Confirmed growth in 4th quarter revenue
22-Mar-11	Press release	2010 : Turnaround Annual consolidated results
29-Apr-11	Web site and release	Release of the 2010 Annual Financial Report
12-May-11	Press release	2011 first quarter revenue in strong growth + 19.6% excluding non-recurring items
09-Jun-11	Press release	Annual General Meeting dated June, 30 2011
01-Jul-11	Web site and release	Release of the 2010 Registration Document
28-Jul-11	Press release	2011 H1 revenue in strong growth + 20.4% excluding non-recurring items
26-Aug-11	Press release	2010 final statutory and consolidated Financial Statement
31-Aug-11	Press release	H1 2011 Results
01-Sep-11	Web site and release	Release of the 2011 Half year Financial Report
03-Nov-11	Press release	Revenue through September 30 up by 16.8% (excluding non-recurring items)
22-Dec-11	Press release	Latécoère Group refinances debt Latécoère Group refinances debt
23-Dec-11	Press release	Latécoère Group revenue growth target Latécoère Group revenue growth target

11.3 Table of Concordance of the Registration Document

Table of Concordance with the Annual Financial Report



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