



Press release

Toulouse – May 3, 2010 - 8:00 a.m.

2009 Annual Results

Audited accounts

(In € million)	2009	2008
• Revenue excluding extraordinary items	449.5	579.5
• Extraordinary items Aerostructure*	-	104.4
Total revenue	449.5	683.9
Recurring operating income	10.1	31.9
• Losses on completion** recognized on		
▶ a business jet dispute	- 68.8	
▶ reassessment of €/€ long term exchange rate	-44.1	
Operating income / loss (EBIT)	-102.8	31.9
• Realized net financial result	-21.3	-35.4
• Unrealized net financial result	17.6	-6.5
Net financial income (charges)	- 3.7	- 41.9
Net income (Group share)	-91.2	-6.7
Consolidated net debt	359.2	336.0
Shareholders' equity (Group share)	143.3	220.8

* Invoicing in 2008 of €104.4 million of development costs

** Non cash items

Revenue decreased by 22.4% due to downturn in aeronautic cycle and continued weakness of USD

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

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

- Latécoère posted a negative EBIT contribution of €102.8 million, including the impacts of:
 - (i) a dispute over a business jet contract that arose at the end of the year and, that resulted, in accordance with IAS 11, in the recognition of a loss on completion calculated over the life of the program

This dispute is regarding the conditions of execution of a business jet contract. As Latécoère has not yet been able to reach an acceptable compromise, the Group recognized a €68.8 million depreciation in respect of this contract, covering all of the losses to come and assuming no change in USD/EUR exchange rates.

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(ii) the reassessment of the USD/EUR exchange rate on completion at 1.35

The persistent weakness and high volatility of the dollar has led the Group, out of prudence and in accordance with benchmarked practices in the industry, to reassess long-term USD/EUR parity (beyond five years) at 1.35, compared with the 1.25 that the Group had previously used in its projections. Overall, it impacts the 2009 exercise through the recognition of a €44.1 million depreciation charge to account for the future losses of certain construction contracts.

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

- **Substantial improvement in financial results**

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

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

- **Net loss of €91.2 million**

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

A year of adaptation and transformation

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

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

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

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

However, the Group has been careful not to disrupt its supply chain by avoiding re-internalization of work packages; the impact of the downturn in production rates was negotiated on fair terms with Latécoère's suppliers, with however a certain time lag due to the length of procurement cycles.

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Physical inventories and work-in-process were reduced by €30 million during the year, which should continue over 2010.

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

Indebtedness under control, improved hedging of financial risks

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

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

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

In addition, Latécoère entertained commercial discussions with its clients to improve its programs financing which resulted, in particular, in the collection of \$55 million in the first quarter of 2010.

Strong business prospects, a strategy of sustained excellence

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

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

Recent manufacturers' announcements of increased production rates tend to confirm that the lowest point of the downturn cycle was reached in Q4 2009. In this context, the Group expects a progressive improvement of its activity in 2010 anticipating revenues in line with 2009 and a return to growth in 2011.

The Research and Technology activity has initiated new developments, in line with the ongoing projects in fuselages, specially in composite doors and structures, which have been designed in accordance with the CORAC (Research Council for Civil Aviation) 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).

In parallel, Latécoère's EN 9100 (AS 9100) qualification was renewed early 2010, confirming the Group's ability to implement sustainable, continuous improvement processes oriented towards customer satisfaction. The Group continued its ISO 14001 certification program in relation to

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environmental management: two sites have already been certified, and the Group is pursuing its efforts.

Constructive discussions with the Group's lending banks in order to strengthen its liquidity and expand its hedging currency.

As stated in its December 10, 2009 press release, the Group started its discussions in December with its French lending partners to negotiate the restructuring of its financial debt. The overall objective is to align the Group's debt to its financial capacity, which has been impaired by the combined effects of the downturn in aeronautic cycle, the weakness of the USD against the EUR and delays in major programs launched over the past few years by manufacturers.

These discussions are progressing in an open and constructive way, and have already led to significant results.

Up to now, the banks have agreed:

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

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

About Latécoère

Latécoère is a tier 1 partner to major international aircraft manufacturers (Airbus, Embraer, Dassault, Boeing and Bombardier), in all segments of the aeronautical market (commercial, regional, corporate and military aircraft), specializing in three fields:

- *Aerostructures (58% of total revenue): fuselage sections and doors.*
- *Onboard Wiring and Systems (33% of total revenue): onboard wiring, electrical harnesses and avionics bays.*
- *Engineering and Services (9% of total revenue): research, design, and manufacturing of equipment.*

The Group employs close to 3,650 people, in nine countries.

Latécoère had total consolidated revenues of €450 million in 2009, and as of December 31, 2009 its order book stood at €2.1 billion (based on a USD/EUR exchange rate of 1.40).

Latécoère is listed on Euronext Paris - Compartment C

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