GROUPE
LATECOERE

HALF YEAR FINANCIAL REPORT
2008

LATECOERE

French limited company (Société anonyme) with capital of €17,219,994.
Registered office: 135, rue de Périole, BP 25211, 31079 Toulouse Cedex 5, France.
Registration number : 572 050 169 R.C.S. Toulouse

Six month condensed financial statements for the period ending at June 30, 2008

MANAGEMENT REPORT

Activity and financial data for the first half of the year

Revenue

Growth continued during the first half of 2008. Revenue was €297,247 K during the first half of 2008 compared to €253,242 K during the first half of 2007, up 17 %. Adjusted for non recurring items and for the impact of the evolution of €/$ parity, organic growth was 14 % due to the increase in Airbus, Dassault and Embraer delivery rates. By business sector, revenues break down as follows:

- Aerostructures: €197,360 k (+ 21 %)
- Onboard wiring and systems: €82,022 k (+ 4%)
- Engineering and services : €17,865 k (+54%) ; these amounts include G2 Métric Company acquired on July 1, 2007 (€1.6 million)

Results

The operating result (EBIT) was €11,133 k, which represents an operational margin of 3.8%. During the first half of 2007, it was €20,668 k. This reduction is due to the expenses related to the end of the "Zéphyr" project (purchase of Airbus' Méaulte and Saint-Nazaire sites) and to a reduced contribution of forward contracts in US dollars.

The financial result, including unrealized gains on hedging instruments, was €1.4 million. This brings the net result to €8.5 million, showing a net margin on revenue of 2.8 %.

Financial position

The Group's overall net debt was controlled during the period. It was €360,914 k at June 30, 2008, compared to €376,955 k at December 31, 2007. This improvement results from actions to optimize working capital. The Group's priority is debt reduction. The Group breached certain financial covenants at December 31, 2007, but without any incidence on the maintenance of the Group's financial resources. Negotiations with financial partners are ongoing in order to adapt these covenants.

The Group is also negotiating with customers in order to improve payment terms and to consider payments in advance for development expenses.

Investments

The principal acquisitions of the 1st half of 2008 concern:

- plants and equipment relating to the finalization of the LATECOERE do BRASIL Company industrial building for €5 million
- investments relating to the business growth of the LETOV s.r.o. subsidiary for €2.2 million.

Order book

The Group's order book was €2,010 million at June 30, 2008 and represents approximately four years of revenue. This order book only takes into account firm orders announced by customers. Its increase is the result of large orders made by aircraft manufacturers at the beginning of the year.

"Défi 2011" Plan

This cost reduction plan was launched as soon as Airbus announced the stopping of the sale of its Méaulte and Saint-Nazaire sites; it rounds off the measures already included in the previous "Objectif 2009" plan. It combines the will to develop the engineering and services business with acceleration in the transfer of production to "low cost" countries. It is accompanied by the non-renewal of temporary staff contracts in support functions as well as a complete overhaul and simplification of the organization, of the reporting structure and of processes.

All of these actions aim to consolidate the Group's financial position and to reestablish a satisfactory profit level in the context of a lasting weakness of the dollar.

Future prospects

Business noted since the 1st of January 2008 allows the Group to confirm a revenue growth objective above 10 % for the year. The second half of the year will not benefit from the non-recurring financial items which contributed to the first half result's good performance; consequently, the year's net result is expected to be slightly positive, with an average US dollar exchange rate hedging at €1 = $1.35 for the year.

The improvement in the €/$ parity during the summer has allowed the establishment of new hedging programs securing 100 % of the estimated exposure of fiscal year 2009 at €1 = $1.48 and a third of the 2010 exposure at €1 = $1.40, while allowing the Group to profit from any potential revaluation of the US Dollar currency.

1. Consolidated Balance Sheet

ASSETS ('000 EURO)	Notes	30 june 2008	31 dec. 2007
Goodwill		2,378	2,378
Other intangible assets		2,006	2,498
Tangible assets	Note 5.1	104,466	94,570
Investments in associates (equity method)	Note 6	4,133	3,934
Other financial assets	Note 5.1	151	764
Deferred tax assets	Note 15	5	5
Hedging financial instruments	Note 10.1	1,024	924
Other non-current assets		0	2
Total non-current assets		**114,162**	**105,073**
Inventory	Note 7	649,815	643,330
Accounts receivable	Note 9	120,030	155,790
Tax receivable		1,165	8,614
Hedging financial instruments	Note 10.1	12,884	32,734
Financial Instruments at fair value through profit and loss	Note 10.2	26,195	12,194
Other current assets		1,104	737
Cash & Cash Equivalents		103,614	57,053
Total Current assets		**914,808**	**910,451**
Total Assets		**1,028,971**	**1,015,524**

LIABILITIES & SHAREHOLDERS' EQUITY ('000 EURO)	Notes	30 june 2008	31 dec. 2007
Share capital	Note 11	17,220	17,220
Premiums		69,611	68,452
Treasury stock	Note 11	1,682	1,810
Other Reserves		9,320	24,706
Accumulated Net Income		154,612	146,157
Shareholders' equity Group share		**252,446**	**258,345**
Minority Interests		297	260
Total Shareholder’s equity		**252,743**	**258,605**
Loans and bank borrowings	Note 14	314,748	307,754
Refundable Advances		53,381	57,361
Employee benefits	Note 13	11,882	11,198
Other provisions	Note 12	639	643
Deferred tax liabilities	Note 15	6,917	13,034
Other non-current liabilities		6	6
Total Non-current liabilities		**387,573**	**389,996**
Loans and bank borrowings (less than 1 year)	Note 14	133,873	103,545
Loans against receivables mobilization	Note 14	15,907	22,708
Refundable Advances		10,282	13,652
Accounts payable		206,009	212,798
Income tax liabilities		312	538
Other current liabilities		18,230	12,632
Financial Instruments at fair value through profit and loss	Note 10.2	4,043	1,048
Total Current liabilities		**388,655**	**366,922**
Total Liabilities		**776,228**	**756,919**
Total Shareholder’s Equity & Liabilities		**1,028,971**	**1,015,524**

2. Variation of Consolidated Shareholders' Equity

Variation of shareholder’s equity ('000 EURO)	Share capital	Premiums	Treasury stock	Reserves and Accumulated Results	Hedging financial instruments	Translation difference	Total Group share	Minority interests	Total
Shareholders' equity 12/31/2006	**17,220**	**69,611**	**1,790**	**134,941**	**38,062**	**1,453**	**263,077**	**0**	**263,077**
Capital variations		-1,159					-1,159		-1,159
Share-based payments							0		0
Transactions on treasury stock			20				20		20
Dividends				-6,457			-6,457		-6,457
Other variations				-287		-51	-338		-338
Net result for the period				17,960			17,960	61	18,021
Fixed assets : revaluation and disposals (1)							0		0
Financial instruments: change in fair value and transfer in profit and loss (2)					-15,029		-15,029		-15,029
Translation differences : change and transfer im profit and loss (3)						270	270	0	270
Income and expenses directly recorded in equity (1) + (2) + (3)	0	0	0	0	-15,029	270	-14,759	0	-14,759
Total income and expenses of the period	**0**	**0**	**0**	**17 960**	**-15,029**	**270**	**3,201**	**61**	**3,262**
Variation of consolidation scope							0	199	199
Shareholders' equity 12/31/2007	**17,220**	**68,452**	**1,810**	**146,157**	**23,033**	**1,673**	**258,345**	**260**	**258,605**
Capital variations		1,159					1,159		1,159
Share-based payments							0		0
Transactions on treasury stock			-127				-127		-127
Dividends							0	-16	-16
Other variations				3,392	-3,392		0		0
Net result for the period				8,455			8,455	53	8,508
Financial instruments: change in fair value and transfer in profit and loss (1)					-17,352		-17,352		-17,352
Translation differences: change and transfer in profit and loss (2)						1,966	1,966	0	1,966
Income and expenses directly recorded in equity (1) + (2)	0	0	0	0	-17,352	1,966	-15,386	0	-15,386
Total income and expenses of the period	**0**	**0**	**0**	**8,455**	**-17,352**	**1,966**	**-6,931**	**53**	**-6,878**
Shareholders' equity 06/30/2008	**17,220**	**69,611**	**1,683**	**158,004**	**2,289**	**3,639**	**252,446**	**297**	**252,743**

3. Consolidated Income Statement

INCOME STATEMENT ('000 EURO)	Notes	30 june 2008	30 june 2007
Revenue		297,247	253,242
Other operating revenue		455	454
Change in inventory: work-in-progress & finished goods		3,839	27,750
Raw material, Other Purchases & external charges		-179,656	-151,580
Personnel expenses		-102,854	-96,580
Taxes		-3,927	-4,359
Amortization		-6,304	-4,978
Net operating provisions charge		-66	-119
Depreciation of current assets		-2,152	-4,052
Foreign exchange gain/loss	Note 17	2,938	1
Other operating income		2,595	1,165
Other operating expenses		-982	-277
Operating income		**11,133**	**20,668**
Operating Income / Sales		3,75%	8,16%
Income from cash and cash equivalents	Note 18	0	-2
Interest expenses	Note 18	-11,941	-9,106
Net cost of debt		**-11,941**	**-9,108**
Other financial incomes	Note 18	3,388	843
Other financial expenses	Note 18	-432	-22
Change in fair value of financial instruments	Note 18	10,421	-407
Profit before tax		**12,570**	**11,974**
Result from associates	Note 6	192	8
Income tax	Note 19	-4,253	-3,981
Net result of consolidated companies		**8,508**	**8,001**
Group net result		**8,455**	**8,001**
Minority interests		-53	0
Group net result/ sales		2,84%	3,16%
Weighted average number of shares		8,604,396	8,607,118
Diluted earnings per share		0,98	0,93
Earnings per share		0,98	0,93

4. Consolidated Statement of Cash Flow

CASH FLOW STATEMENT ('000 EURO)	30 june 2008	30 june 2007
Consolidated net result	8,508	8,001
Adjustments related to non-cash activities		
Elim. of result from associates	-192	-8
Elim. of depreciation and provisions	6,984	5,978
Elim. of fair value gains/losses	-17,135	-6,713
Elim. of profit/loss on disposal and dilution profit and loss	-44	-1
Elim. of dividend income received	0	0
Cash flows after cost of debt and income taxes	**-1,878**	**7,257**
Income taxes	4,253	3,981
Interest expenses	11,941	9,108
Cash flows before cost of debt and income taxes	**14,316**	**20,346**
Changes in working capital	28,740	-42,328
Income tax paid	5,742	-4,481
Cash flows from operating activities	**48,798**	**-26,463**
Effect of subsidiaries acquisitions	0	0
Purchase of tangible and intangible assets	-11,498	-7,001
Purchase of financial assets	0	0
Increase (decrease) in loans and advances made	2	16
Proceeds from sale of tangible and intangible assets	77	376
Dividends received	0	0
Cash flows from investing activities	**-11,420**	**-6,609**
Expenses on increase of capital	1,159	0
Purchase of treasury shares	-127	68
Disposal of treasury shares		
Proceeds from borrowings (including refundable advances)	23,069	48,293
Repayments of borrowings (including refundable advances)	-23,880	-10,505
Financial interest paid	-12,838	-9,117
Dividends paid	0	-6,457
Other flow from financing operation	783	0
Cash flow from financing activities	**-11,835**	**22,282**
Effects of exchange rate changes	-85	9
Increase (decrease) in cash and cash equivalents	**25,458**	**-10,781**
Opening cash and cash equivalents position	-33,148	-10,001
Closing cash and cash equivalents position	-7,690	-20,788
	30 june 2008	**30 june 2007**
Cash and cash equivalents	103,614	21,102
Discounted receivables	-15,907	-28,070
Overdraft facilities	-95,398	-13,820
Cash and cash equivalents at year-end	-7,690	-20,788
	30/06/2008	**30/06/2007**
Dividends paid per share	0	0,95

5. Notes to the consolidated financial statements at June 30, 2008

General Information

Detail of certain balance sheet items

Detail of certain income statement items

Additional Information

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

The consolidated financial statements of the LATECOERE Group for the six (6) months ended on June 30, 2008, include the parent company and its subsidiaries (the whole being designated as "the Group") and the Group's share in associates.

The Group's consolidated financial statements were approved by the Management Board of September 23, 2008.

Note 1 - Main events

End of negotiations with Airbus

On May 7, 2008, when the LATECOERE Group had almost finalized the pool necessary for the operation's realization, Airbus interrupted the negotiations because of the international financial context and the weakness of the US dollar and terminated this operation which had mobilized great resources within the LATECOERE Group for 16 months. Direct expenses relating to this operation of approximately €6 million were recorded, to which additional indirect costs must be added.

Ongoing Negotiations

The Group is currently negotiating with customers in order to improve payment terms and to consider advance payments for development expenses. The breach of certain covenants has not had any incidence on financing lines as the banks have accepted to maintain them.

Evolution of exchange rate parities

At the closing of the financial statements, the evolution of exchange rate parities has led our Group to recognize a foreign exchange gain on the financial instruments at fair value.

Note 2 - Accounting Principles

The condensed consolidated financial statements at June 30, 2008 are prepared in compliance with IAS 34 "interim financial reporting". The Group has chosen not to apply by anticipation the standards and interpretations that will enter into force after June 30, 2008. The accounting principles and methods applied for the condensed consolidated financial statements at June 30, 2008 are identical to those applied in the consolidated financial statements at December 31, 2007 with the exception of the estimate of the variation of employee benefits which has been extrapolated on the basis of the information at December 31, 2007.

New standards, amendments to standards or interpretations have entered into force at June 30, 2008. This relates to:
- IFRIC 11 "Group and Treasury Share Transactions";
- IFRIC 12 "Service Concession Arrangements";
- IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".

These new standards, amendments to standards or interpretations have no impact on the consolidated financial statements at June 30, 2008.

New standards, amendments to standards or interpretation have not yet entered into force at June 30, 2008 and have not been early applied for the consolidated financial statements. This relates to:
- IFRS 2 (Amendment) "Share-based payments", to enter into force on January 1, 2009;
- IFRS 3 (Revised) "Business Combinations" and IAS 27 (amendment) "Consolidated and Separate Financial Statements", to enter into force on January 1, 2009;
- IFRS 8 "Operating Segments", to enter into force on January 1, 2009;
- IAS 23 (Revised) "Borrowing Costs", to enter into force on January 1, 2009;
- IAS 1 (Revised) "Presentation of Financial Statements", to enter into force on January 1, 2009;
- IFRIC 13 "Customer Loyalty Programs", to be applied for annual periods beginning after July 1, 2007;
- IAS 32 (Amendment) and IAS 1 (Amendment) "Puttable Instruments and Obligations Arising on Liquidation", to enter into force on January 1, 2009;

IAS 23 (Revised) "Borrowing Costs" may have an impact on the financial statements. IFRS 8 may have an impact on the presentation of operating segment information and Revised IAS 1 on the presentation of financial statements.

Basis of preparation of the financial statements:

The financial statements are presented in € k 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 designated at fair value through profit and loss.

The preparation of financial statements requires that the Management Board makes 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 21).

Note 3 - Consolidation scope

No change to the consolidation scope occurred during the first half of 2008.

As the Group has, directly or indirectly, exclusive control in all Group companies except LATECOERE Aéroservices, Pesola and Corse Composites Aéronautique, subsidiaries are fully consolidated. The 15 consolidated companies close their fiscal year at December 31, and prepared six month interim financial statements at June 30th.

Note 4 - Segment Information

A segment is a distinct component of the Group which is either committed in the supply of goods or dependent services (business segments), or in the supply of products or services in a particular economic environment (geographical segment - localization of customers), and that is exposed to risks and to a profitability different from those of other segments.

The Group has defined a primary breakdown by business segment. The business segments defined by the Group are:
- Aerostructures;
- onboard wiring and 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 LATECOERE Company are maintained in the aerostructures segment.

6/30/2008	**Aerostructures**	**%**	**Engineering and services**	**%**	**Onboard wiring and systems**	**%**	**Eliminations Inter-segment**	**%**	**Total**
Revenue of the business	204,856	69%	21,157	7%	83,522	28%	-12,289	-4%	297,247
Inter-sector revenue	-7,497	61%	-3,292	27%	-1,500	12%		0%	-12,289
Consolidated revenue	197,360	66%	17,865	6%	82,022	28%	0	0%	297,247
Operating Result	2,400	22%	1,159	10%	7,574	68%	0	0%	11,133
Operating result/revenue	*1.17%*		*5.48%*		*9.07%*				*3.75%*
Financial result	4,066	283%	-30	-2%	-2,601	-181%	1	0%	1,437
Income tax and miscellaneous	-2,132	50%	-398	9%	-1,723	41%	0	0%	-4,253
Result from associates	192	100%	0		0		0		192
Result: Group share	4,525		731		3,251		1		8,508
Result: Minority interests	0		-53		0		0		-53
Net result	4,525	54%	678	8%	3,251	38%	1	0%	8,455
Net result/revenue	*2.21%*		*3.20%*		*3.89%*				*2.84%*
Intangible fixed assets	1,069	53%	122	6%	815	41%	0	0%	2,006
Goodwill	1,077	45%	1,300	55%	0	0%	0	0%	2,378
Tangible fixed assets	86,381	83%	4,068	4%	14,008	13%	8	0%	104,466
Investments in associates	4,133	100%	0	0%	0	0%	0	0%	4,133
Other financial assets	117	77%	41	27%	-10	-7%	4	3%	151
Total non current assets	92,777	82%	5,532	5%	14,813	13%	12	0%	113,133
Inventories	577,912	89%	1,982	0%	70,822	11%	-900	0%	649,815
Trade & Other Receivables	77,067	64%	21,356	18%	66,782	56%	-45,175	-38%	120,030
Net debt	296,133	82%	4,316	1%	60,465	17%	0	0%	360,914
Accounts payable	188,125	91%	14,075	7%	48,983	24%	-45,175	-22%	206,009

6/30/2007	**Aerostructures**	**%**	**Engineering and services**	**%**	**Onboard wiring and systems**	**%**	**Eliminations Inter-segment**	**%**	**Total**
Revenue of the Business	171,737	68%	16,047	6%	77,634	31%	-12,176	-5%	253,242
Inter-sector revenue	-6,737	55%	-4,438	36%	-1,001	8%		0%	-12,176
Consolidated revenue	165,000	65%	11,609	5%	76,633	30%	0	0%	253,242
Operating Result	11,668	56%	1,013	5%	7,986	39%	0	0%	20,668
Operating Result/Revenue	*8.45%*		*6.55%*		*5.91%*				*8.16%*
Financial result	-6,896	79%	-41	0%	-1,754	20%	-3	0%	-8,694
Income tax and miscellaneous	-1,612	40%	-325	8%	-2,044	51%	0	0%	-3,981
Result from associates	8	100%	0		0		0		8
Result: Group share	3,168		647		4,189		-3		8,001
Result: Minority interests	0		0		0		0		0
Net result	3,168	40%	647	8%	4,189	52%	-3	0%	8,001
Net result/Revenue	*1.84%*		*4.03%*		*5.40%*				*3.16%*
Intangible fixed assets	1,293	51%	102	4%	1,123	45%			2,518
Goodwill	1,077	56%	834	44%		0%			1,911
Tangible fixed assets	69,908	80%	3,438	4%	13,807	16%	8		87,161
Investments in associates	145	19%	32	4%	575	76%			752
Other financial assets	3,644	100%							3,644
Total non current assets	76,068	79%	4,406	5%	15,504	16%	8		95,986
Inventories	540,328	90%	1,387		61,417	10%	-900		602,233
Trade & Other Receivables	121,764	76%	15,657	10%	71,896	45%	-49,533	-31%	159,784
Net debt	-289,555	78%	-3,066	1%	-78,726	21%			-371,348
Accounts payable	187,311	97%	10,771	6%	43,907	23%	-49,533	-26%	192,457

Note 5 - Fixed Assets

5.1 Change in fixed assets

Gross value ('000)	12/31/2007	Currency variations	Variation of consolidation scope	Other (reclassifying)	Acquisitions	Disposals	6/30/2008
Franchises/patents/similar rights	5,033	1	0	0	265	-28	5,272
Other Intangible Fixed Assets	4,664	74	0	0	81	0	4,827
Goodwill	2,377	0	0	0	0	0	2,378
Land	3,902	135	0	0	0	0	4,037
Buildings	28,186	1,938	0	0	466	0	30,590
Plants & Equipment	64,911	3,156	0	458	5,995	-237	74,283
Other Fixed Assets	18,199	219	0	-62	930	-74	19,211
Fixed assets in progress	2,448	277	0	-297	3,634	0	6,062
Advanced payments on fixed assets	453	41	0	-109	0	0	384
Real estate leasing	26,481	0	0	0	0	0	26,481
Non current financial assets	1,242	0	0	-611	1,237	-1,238	629
Investments in associates	3,934	8	0	0	192	0	4,133
Total	161,829	5,850	0	-622	12,800	-1,577	178,287

Gross value ('000 EURO)	12/31/2006	Currency variations	Variation of consolidation scope	Other (reclassifying)	Acquisitions	Disposals	6/30/2007
Franchises/patents/similar rights	1,255	11	0	2,906	714	-376	4,509
Other Intangible Fixed Assets	7,638	-27	0	-2,915	31	0	4,727
Goodwill	1,911	0	0	0	0	0	1,911
Land	3,832	21	0	0	0	0	3,853
Buildings	23,536	-289	0	1,583	798	0	25,628
Plants & Equipment	54,840	-658	0	153	2,015	-3	56,347
Other Fixed Assets	15,646	-11	0	-770	2,289	-10	17,145
Fixed assets in progress	5,088	-128	0	-3,541	20	0	1,439
Advanced payments on fixed assets	333	-14	0	-30	127	0	416
Real estate leasing	26,423	0	0	1,052	0	0	27,474
Non current financial assets	1,219	0	0	0	85	-75	1,230
Investments in associates	3,621	14	0	0	8	0	3,644
Total	145,341	-1,081	0	-1,562	6,088	-463	148,323

Depreciation ('000 EURO)	12/31/2007	Currency variations	Variation of consolidation scope	Other (reclassifying)	Increase	Decrease	6/30/2008
Franchises/patents/similar rights	3,624	0	0	0	340	0	3,964
Other Intangible Fixed Assets	3,575	56	0	0	497	0	4,128
Buildings	2,841	178	0	0	573	0	3,592
Plants & Equipment	28,155	1,101	0	250	3,505	-232	32,779
Other Fixed Assets	10,916	140	0	-250	933	-74	11,664
Real estate leasing	8,086	0	0	0	461	0	8,548
Non current financial assets	478	0	0	0	0	0	478
Total	57,677	1,474	0	0	6,310	-307	65,153

Depreciation ('000 EURO)	12/31/2006	Currency variations	Variation of consolidation scope	Other (reclassifying)	Increase	Decrease	06/30/2007
Franchises/patents/similar rights	1,002	2	0	1,826	281	-12	3,100
Other Intangible Fixed Assets	5,423	-19	0	-1,836	50	0	3,618
Buildings	212	-23	0	1,526	483	0	2,197
Plants & Equipment	24,223	-291	0	-590	2,186	-2	25,527
Other Fixed Assets	9,072	-27	0	-771	1,518	0	9,792
Real estate leasing	8,901	0	0	-1,736	459	0	7,625
Non current financial assets	409	0	0	69	0	0	478
Total	49,242	-358	0	-1,511	4,978	-14	52,337

Net value ('000 EURO)	6/30/2007	12/31/2007	6/30/2008
Franchises/patents/similar rights	1,409	1,409	1,308
Other Intangible Fixed Assets	1,107	1,089	699
Goodwill	1,911	2,377	2,378
Land	3,853	3,902	4,037
Buildings	24,425	25,345	27,992
Plants & Equipment	30,820	36,756	41,504
Other Fixed Assets	7,353	7,282	7,547
Fixed assets in progress	1,439	2,448	6,062
Advanced payments on fixed assets	416	453	384
Real estate leasing	18,855	18,394	16,939
Non current financial assets	751	764	151
Investments in associates	3,644	3,934	4,133
Total	95,984	104,152	113,133

The expenses of Technological Research (R&T) were not recognized as an intangible asset.

Furthermore, the intangible fixed assets include in particular contracts valued through a business combination carried out in August 2004 for an amount of €2,832 k. These contracts are depreciated over a five-year period. The net amount of these contracts was €470 k June 30, 2008.

The principal acquisitions of the 1st half of 2008 concern the plants and equipment relating to the finalization of the industrial building of the LATECOERE do BRASIL Company for €5.1 million (including fixed assets in progress) and the investments relating to the growth in business of the LETOV s.r.o. subsidiary for €2.2 million. The acquisitions of the 1st half of 2007 corresponded in particular to the finalization of the industrial building (construction, plant and equipment) of LETOV s.r.o. for €2.7 million and to investments relating to the growth of business of the LATECOERE do BRASIL subsidiary for €800 k.

5.2 Finance lease contracts

The assets under finance lease contracts are taken up in the table below:

Description	**Company**	**Purchase option**	**Restrictions**	**Minimum future payments**				**Present value of Minimum future payments**			
				Less than 1 year	**From 1 to 5 years**	**Over 5 years**	**Total**	**Less than 1 year**	**From 1 to 5 years**	**Over 5 years**	**Total**
Real estate lease-back	LATECOERE	No	None	1,466	4,808	3,563	9,838	1,090	3,756	3,251	8,096
Real estate lease-back	LATelec	No	None	378	789	329	1,497	320	687	323	1,331
Real estate lease-back	LATecis	No	None	74	165	0	240	65	162	0	227
Real estate lease-back	CCA	No	None	39	0	0	39	39	0	0	39

Note 6 - Investments in associates

Contribution of associates to the income statement:

	6/30/2008	**6/30/2007**
PESOLA	19	-233
Corse Composites Aéronautique	98	133
LATECOERE AEROSERVICES	74	108
Total	192	8

Detail of investments in associates:

	6/30/2008	**12/31/2007**
PESOLA	228	201
Corse Composites Aéronautique	2,132	2,034
LATECOERE AEROSERVICES	1,773	1,699
Total	4,133	3,934

Note 7 - Detail of Inventories & Work in Progress

	6/30/2008			12/31/2007		
	Gross Amount	Depreciation	Net Amount	Gross Amount	Depreciation	Net Amount
Raw materials	61,305	6,216	55,089	58,097	5,016	53,081
Work-in-progress – construction contracts	521,645	0	521,645	522,739	0	522,739
Work-in-progress – Other	100,356	27,275	73,081	102,905	35,395	67,510
Total	683,306	33,490	649,815	683,741	40,412	643,330

Construction contracts are detailed in Note 21.

Note 8 - Financial assets

	Notes	6/30/2008 Carrying value	6/30/2008 Fair value	12/31/2007 Carrying value	12/31/2007 Fair value
Non-current financial assets (1)	Note 5.1	151	151	764	764
Non-current hedging financial instruments (2)	Note 10.1	1,024	1,024	924	924
Accounts receivable (1)	Note 9	120,030	120,030	155,790	155,790
Tax assets		1,165	1,165	8,614	8,614
Current hedging financial instruments (2)	Note 10.1	12,884	12,884	32,734	32,734
Financial instruments at fair value (3)	Note 10.2	26,195	26,195	12,194	12,194
Other current assets (1)		1,104	1,104	737	737
Cash and equivalent (1)		103,614	103,614	57,053	57,053
Total financial assets		266,167	266,167	268,809	268,809

(1) at amortized cost
(2) derivatives at fair value
(3) at fair value through profit and loss

The cash and cash equivalents corresponds principally to the Group current account denominated in US dollars.

Note 9 - Receivables

The receivables on the balance sheet are broken down as follows:

	6/30/2008	12/31/2007
Advanced payments	1,701	2,621
Accounts receivable	102,407	135,628
Of which discount of receivables	15,907	22,708
Group current account	245	249
Tax receivables	14,488	16,174
Other receivables	1,189	1,118
Total receivables	120,030	155,790

Note 10 - Derivative instruments

10.1 Financial Instruments following Hedge Accounting

The management of exchange rate risks at the Group level consists of hedging the future cash flows relating to commercial contracts for which the invoicing ("underlying") is denominated in the US dollar. This hedging policy applies just as well for the invoices issued (revenue) by the Group as for the invoices received (expenses).

To date, the Group hedges part of its foreign exchange rate exposure (client cash inflows) through forward sales implemented in relation to the different commercial contracts. This management method allows the hedge accounting to be applied to the consolidated financial statements; the impacts of fair value variations of hedging instruments are recorded in the operating result.

The foreign exchange rate exposure relating to the cash outflows may be hedged through forward purchases defined as a function of future cash flows on the contracts set up with suppliers. Depending on the nature of these contracts (term, recurrence, etc.) the hedge accounting is applied or not.

The forward sales contracts hedging the exchange rate risk of unrealized invoicing (underlying) were $60.6 million at June 30, 2008 and are allocated as follows:

	LATECOERE		LATelec		Total	
Year	Current contracts ('000 USD)	Fair value ('000 EURO)	Current contracts ('000 USD)	Fair value ('000 EURO)	Current contracts ('000 USD)	Fair value ('000 EURO)
6/30/2008-6/30/2009	29,800	10,604	17,800	2,280	47,600	12,884
6/30/2009-6/30/2010	0	0	13,000	1,024	13,000	1,024
Total 2008 – 2010	29,800	10,604	30,800	3,304	60,600	13,908

	6/30/2008	12/31/2007
Balance in opening shareholder’s equity	23,034	38,063
Variation for the period (1)	-20,744	-15,029
Closing balance	2,290	23,034
(1) of which Fair value outflow of shareholder’s equity to be transferred in revenue	-28,436	-31,991
Deferred taxes	9,791	11,015
Change in fair value of financial instruments remaining in shareholder’s equity	-3,200	9,070
Deferred taxes	1,102	- 3,123
Total	-20,744	-15,029
Balance to the balance sheet:		
Non-current	1,024	924
Current	12,884	32,734
Total	13,908	33,658
Of which proceeds in shareholder’s equity	3,492	35,129
Net of deferred taxes	2,290	23,034

At each closing, the fair value of every existing hedging instrument is restated and the effectiveness test specific to each hedge relationship is updated. If a hedge proves ineffective at the end of the test, the hedge accounting ceases to be applied.

The determination of this fair value depends on the monetary characteristics at the closing date as well as the evolution of rate curves used over the period to determine the forward rate of hedging instruments so revalued.

Thereby, shareholders' equity and at term the cash-flows are directly affected by items relating to the financial and monetary markets.

Certain financial instruments are not treated as hedging instruments because they do not respond to certain qualification criteria set by IAS 39. In such case, the profits or the losses resulting from the fair value variations of these instruments are accounted for in income statement (see below).

10.2 Financial instruments at fair value through profit and loss

	6/30/2008	12/31/2007
Financial instrument – current assets	26,195	12,194
Financial instrument – current liabilities	4,043	1,048
Total	22,152	11,146
Impact P&L	10,421	4,268
Deferred tax asset		9
Deferred tax liability	5,461	3,266

These financial instruments are exchange-rate and interest rate hedging derivative financial instruments.
The Group has decided to reduce the amount of fair value of its financial instruments from an initial amount of €15.1 million to a final amount of €9.7 million because of the great appreciation of certain currencies noted between the closing date of the period and the date of closure of the financial statements and due to the confirmation of this trend for the end of the the fiscal year 2008.

10.2.1 Exchange Rate Hedging:

The Group has set-up exchange rate hedges aimed at protecting the flows of euros of its subsidiary LETOV s.r.o. against the evolution of the Czech crown (koruna). Forward sales contracts hedging the foreign exchange risk reached €100.9 million at June 30, 2008. The impact of the variation of hedging valuations is recognized in financial result.

	LETOV s.r.o.	
Year	Current contracts ('000 EURO)	Fair value (gross amount) ('000 EURO)
6/30/2008-06/30/2009	25,900	4,416
6/30/2009-6/30/2010	30,000	4,923
6/30/2010-6/30/2011	30,000	4,420
6/30/2011-12/31/2011	15,000	2,206
Total 2008– 2011	100,900	15,964

The Group has set-up exchange rate hedges to protect the flows of dollars of its LATECOERE do BRASIL subsidiary against the evolution of the Brazilian real. Forward sales contracts hedging the unrealized foreign exchange risk reached €51.9 million at June 30, 2008. The impact of the variation of hedging valuations is recognized in financial result.

	LATECOERE do BRASIL	
Year	Current contracts ('000 USD)	Fair value (gross amount) ('000 EURO)
6/30/2008-6/30/2009	16,500	2,834
6/30/2009-6/30/2010	15,100	1,873
6/30/2010-6/30/2011	13,800	561
6/30/2011-12/31/2011	6,500	-137
Total 2008– 2011	51,900	5,130

The Group set-up new exchange rate hedges aimed at protecting the Group's residual US dollar flows during fiscal year 2008. Forward sales contracts hedging the unrealized foreign exchange risk reached €90 million at June 30, 2008. The impact of the variation of hedging valuations is recognized in financial result.

	LATECOERE	
Year	Current contracts ('000 USD)	Fair value (gross amount) ('000 EURO)
6/30/2008-12/31/2008	90,000	-3,905

10.2.2 Interest Rate Hedging

The Group has set-up interest rate hedging - "collar" - in order to limit the impact of a strong increase of the interest rate (euribor 1 month) on the cost of debt. These two hedgings are not linked to specific financing contracts; they cover in a global manner the debt of the Group. At June 30, 2008, the fair value accounted for in relation to these hedging instruments was €4,963 k.

	6/30/2008	12/31/2007
Financial instrument – current assets	4,963	4,362
Financial instrument – current liabilities	0	27
Total	4,963	4,335
Impact P&L	628	240
Deferred tax asset	1,709	1,492

Note 11 - Shareholders' Equity

11.1 Breakdown of capital

At June 30, 2008, there exist no shares for which the issuance was authorized by the annual general meeting but not yet issued. Moreover, all shares issued during the capital increases were fully paid.

Recap. of shares	6/30/2008	12/31/2007
Number of shares	8,609,997	8,609,997
Par value of one share	€2.00	€2.00
Share Capital	€17,219,994	€17,219,994

	6/30/2008	12/31/2007	6/30/2007
Average issued shares	8,609,997	8,609,997	8,609,997
Average treasury shares	5,600	2,740	2,879
Weighted average shares	8,604,397	8,607,257	8,607,118
Result ('000 EURO)	8,455	17,960	8,001
Diluted earnings per share (in EUR)	0.98	2.09	0.93

11.2 Share premium

Expenses (principally financial and legal fees) relating to a future increase of capital for the Zéphyr project were incurred in 2007. Following the breaking-off of this project and the abandonment of the increase of capital during the first half of 2008, the amount of these expenses was reversed from the share premium. These expenses were recorded in the income statement on the line "Raw material, Other Purchases & external charges".

Note 12 - Non-current Provisions

	12/31/2007	Increase	Write-backs used	Write-backs not used	6/30/2008
Provisions	643	20	-24		639

The provisions for risks and expenses at the closing of the fiscal year include in particular a provision for tax relating to the reintegration of lands under a real estate lease-back agreement for an amount of €549 k.

Note 13 - Employee Benefits

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 accounted for by the Group at June 30, 2008.

	12/31/2007	Increase	Write-backs used	Write-backs not used	6/30/2008
Retirement liabilities	10,256	619			10,875
Long-service medals	942	66			1,007
Total	11,198	684			11,882

<u>Retirement Liabilities</u>

Retirement liabilities accounted for at June 30, 2008 were calculated on the basis of assumptions used for the calculation carried out at December 31, 2007

<u>Long-Service Medals</u>

The obligation under long-service medals accounted for at June 30, 2008 was calculated on the basis of assumptions used for the calculation carried out at December 31, 2007.

<u>Individual Right to Professional Training</u>

The obligation under the individual right to professional training accounted for at June 30, 2008 was calculated using the same assumptions that were accepted at December 31, 2007. At June 30, 2008, the amount of the provision recorded was €250 k.

Note 14 – Loans and bank borrowings

	Carrying value	Less than 1 year	From 1 to 5 years	Over 5 years
Discounted receivables	15,907	15,907		
Bank loans	342,788	36,220	247,308	59,261
Finance Leases	9,654	1,474	4,605	3,574
Bank short term credit lines	96,179	96,179		
Total of loans and bank borrowings	464,528	149,780	251,913	62,835

At December 31, 2007, certain of these ratios exceeded those defined the contracts. The amount of the relevant total liabilities was €241 million at December 31, 2007 and €242 million at June 30, 2008. The Group has received confirmation from its financial partners that these breaches have no incidence on either the repayment schedules or the costs of these debts.

Note 15 - Deferred taxes

	Timing differences *	Loss carryforward	Adjustment	Total
6/30/2008				
Deferred tax credit (liability)	-2,131		9,048	6,917
Deferred tax debit (asset)	0	0	5	5
12/31/2007				
Deferred tax credit (liability)	-999		14,034	13,034
Deferred tax debit (asset)	0	0	5	5

*from the individual financial statements

Deferred taxes recognized through shareholders' equity relate to the valuation of hedging instruments and were €3 million at June 30, 2008 compared to €12 million at December 31, 2007. The adjustments arise principally from derivative instruments for which the amount of deferred taxes was €10 million at June 30, 2008 compared to €11.6 million at December 31, 2007.

Note 17 - Detail of foreign exchange gains and losses

('000 EURO)	6/30/2008	6/30/2007
Exchange rate gains/loss realized during the period on commercial operations	-2,415	-1,474
Valuation of the receivables and liabilities at the closing date	1,480	260
Change in fair value of financial instruments	3,873	1,215
Total	2,938	1

Note 18 - Detail of Consolidated Financial Income

('000 EURO)	6/30/2008	6/30/2007
Interest expense	-11,941	-9,106
Income from cash and cash equivalents	0	-2
–Net cost of debt	-11,941	-9,108
Other financial expenses (1)	-432	-22
Other financial income (1)	3,388	843
Variation of fair value of financial instruments	10,421	-407
Financial result	1,437	-8,694
(1) Of which exchange rate gains/loss on financial operations*	2,784	373

*excluding the impact of the variations of fair value of financial instruments

Note 19 – Income taxes

	6/30/2008	6/30/2007
Current Income Taxes	-1,481	-3,805
Deferred taxes	-2,772	-176
Total	-4,253	-3,981

From the year ended December 31, 2007 on, the research-based tax credit having the nature of a grant is recorded in operating result. Furthermore, the Company is subject to a tax audit. To date, no notice has been established by the tax authorities.

Note 20 - Risk Management

Except as specified below, the Group's exposure to the principal risks did not significantly change during the first half of 2008. These risks are described in paragraph 2.2.5 of the 2007 annual financial report.

20.1 Liquidity Risk

In order to face up to its liquidity risk, the Group uses borrowings, short term credit lines, authorized overdrafts and discount lines. At the closing date, the Group also has unused lines of credit. At June 30, 2008, this amount was €58 million.

20.2 US Dollar Foreign Currency Exposure

The LATECOERE Group's USD hedging policy during 2008 has limited the impact of the fall in the US dollar on the individual and consolidated financial statements of the Group.

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

	6/30/2008		12/31/2007	
	'000 USD	'000 EUR	'000 USD	'000 EUR
Accounts Receivable	105,669	71,781	107,227	72,839
Hedging instruments relating to receivables on the balance sheet	33,200	31,576	17,200	15,384
Accounts Receivable without currency hedge	72,469	45,971	90,027	61,155
Accounts Payable	82,404	52,274	71,242	48,395
Other (advanced payments suppliers and customers)	-982	-623	697	473
Cash & equivalents	156,165	99,064	74,300	50,472
Net exposure	147,211	93,385	92,387	62,759

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 June 30, 2008 and does not reflect all future hedging. Furthermore, the estimated net flows in US dollars in the second half of the year have been fully hedged.

A sensitivity analysis was carried out, based on the assumption of a €0.10 fall in relation to the dollar. This variation would have had a €3 million negative impact on operating result.

Note 21 - Construction Contracts

The total of costs incurred and of revenues recognized on construction contracts in progress at year-end since their beginning is broken down as follows:

In millions of euros	6/30/2008	12/31/2007
Inventory and work in progress	522	523
Revenue recognized from the origin of the contracts	1,080	891
Expenses incurred since the origin of the contracts	1,599	1,397
Refundable Advances	63	71

The main construction contracts relate to the following programs: A380 (lower part of the nose section, doors of upper deck, electrical racks, commercial harnesses), A400M (electrical rack), F7X (harnesses, rear fuselage section), Embraer ERJ 170/190 (fuselage section and doors), B787 (passenger doors), A340 WBI (lower part of the forward nose fuselage, upper fuselage section), and Falcon 900/2000 Easy (wiring). Detailed numbers by program (and in particular, the margins of construction contracts) cannot be communicated, for confidentiality reasons.

Certain assumptions were reviewed at June 30, 2008 as a function of the evolution of commercial negotiations, of the future evolution of the US dollar in relation to the duration of contracts and of the impacts from the "Défi 2011" savings plan.

Note 22 - Financial Commitments and contingent liabilities

22.1 Financial Commitments

The amount of commitments given and/or received by the Group was as follows:

('000 EUR)	6/30/2008				2007
	Total 2008	To 1 Year	From 1 to 5 years	Beyond 5 years	Total
Trade receivables given as security	82,320	82,320	0	0	120,055
Discounting of Receivables *(1)*	20,777	20,777	0	0	15,967
Sub-contracting agreements	2,000	2,000	0	0	4,000
Cooperation agreements	17,299	6,345	10,955		20,369
Securities, collateral and mortgages *(2)*	54,752	7,530	38,472	8,750	52,216
Guarantees accorded	13,553	1,217	5,012	7,324	14,643
Total	190,701	120,189	54,439	16,074	227,250

(1) At June 30, 2008, LATECOERE and LATelec realized discounting of receivables for an effective amount of €20,777 k having a direct impact on the level of trade receivables given as security. This operation was realized with financial partners and resulted in an increase of cash flow, a reduction of trade receivables and of the other receivables item.

(2) These securities relate to tangible items for €19.7 million and intangible items not recognized in the balance sheet for €35 million.

Some construction contracts have also been given as security. The amount of this security relating to receivables which may arise was €196,492 k at June 30, 2008. This amount was €155,309 k at December 31, 2007.

22.2 Commitments under Operating Leases

During the ordinary course of its operations the Group enters into operating leases. The main contracts are the following:
- leasing of vehicles;
- leasing of computer and office equipment (general and technical office data processing equipment, photocopiers, fax machines, etc …);
- other leasing (as needed).

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

Note 23 - Related Parties

Group flows of the integrated companies

6/30/2008	Total	LATECOERE	LETOV sro	LETOV as	LATECOERE do BRASIL	LAT. Inc.	LATelec	SEA	LATelec GmbH	LATecis	LATecis Ibéria	G² Metric	LATecis Srl
Revenue	56,424	13,344	13,855	74	4,951	5,025	1,939	2,290	11,038	3,342	194	72	300
Purchasing	56,424	28,121	5,864	60	0	0	19,972	262	256	1,685	204	0	0
Customers	35,488	16,515	5,067	131	1,084	993	1,474	355	3,755	5,875	117	48	74
Liabilities	35,488	13,920	9,657	58	0	0	10,141	50	127	1,243	292	0	0

Group flows of associates

6/30/2008	Total	LATECOERE	CCA	Latécoère Aéroservices
Operating income	2,424	121	1,678	625
Purchasing	2,424	2,303	0	121
Customers	897	145	500	253
Liabilities	897	753	0	145

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

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

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

The LATECOERE Company, the parent company of the Group, centralizes some global management actions with respect to subsidiaries (general management, insurance and risk management, financial management, etc.). Therefore, it invoices its subsidiaries for management fees, integrating the cost relating to these items.

Furthermore, within the framework of the centralized cash flow management, the LATECOERE Company can be caused to 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(s), the procedures and conditions remaining identical to those described above.

AUDITOR'S REPORT ON THE 2008 CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the statutory auditors' review report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and is construed in accordance with French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity of statutory auditors and in accordance with the requirements of Articles L. 232-7 of the French company law (Code de commerce) and L. 451-1-2 III of French monetary and financial code (Code monétaire et financier), we hereby report to you on:

- the review of the accompanying condensed half-year consolidated financial statements of Latécoère S.A. for the six-month period ended June 30, 2008 and
- the verification of information contained in the half-year management report..

These condensed half-year consolidated financial statements are the responsibility of the Management Board. Our responsibility is to express a conclusion on these financial statements based on our review.

I. – Conclusion on the half-year financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical procedures. for a review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-year consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - the IFRS standard adopted by the European Union applicable to interim financial information.

Without qualifying the conclusion expressed above, we draw your attention to the following notes to the consolidated financial statements:

- Note 14 disclosing the company's situation regarding covenant ratios at June 30, 2008 and the confirmation of the relevant banks of the maintenance of the original repayment terms for the loans,
- the significant events which specify the advance payment of development costs by one of the principal customers of the of the Group.

II. – Specific verification

We have also verified the information given in the half-year management report concerning the condensed half-year consolidated financial statements that were the object of our review.
We have no matters to report as to its fair presentation and consistency with the condensed half-year consolidated financial statements.

Toulouse, October 1st 2008	Lyon, October 1st 2008
KPMG Audit *Department of KPMG S.A.*	Grant Thornton *French Member of GRANT THORNTON International*
Christian Libéros *Partner*	François Pons *Partner*

STATEMENT BY THE PERSON RESPONSIBLE FOR THE 2008 HALF YEAR FINANCIAL REPORT

"We hereby declare that, to the best of our knowledge, the condensed interim consolidated financial statements included in the interim financial report have been prepared under generally accepted accounting principles 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 interim management report on page 1 includes a fair review of the material events that occurred in the first six months of the financial year and their impact on the interim financial statements, a description of the main related-party transactions and a discussion of the principal risks and uncertainties for the remaining six months of the year."

The Chairman of the Management Board
François Bertrand