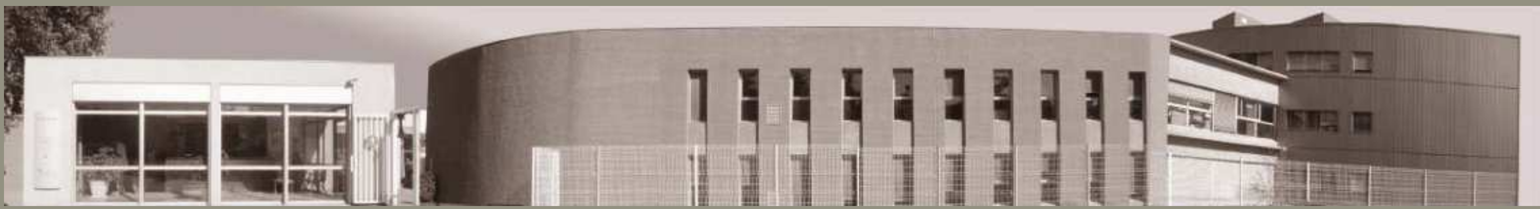
LATECOERE GROUP



2008

ANNUAL FINANCIAL REPORT

SUMMARY

1 PERSONS RESPONSIBLE AND STATUTORY AUDITORS

1.1 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

1.2 Statement of the person responsible for the Annual Financial Report

"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 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. "

The Chairman of the Management Board
François Bertrand

1.3 Statutory Auditors

KPMG Audit
9, avenue Parmentier -- 31022 Toulouse Cedex -- FRANCE
Statutory Auditor
Represented by Mr. Michel Dedieu and 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. François Pons
Appointed on: 6/10/1983; reappointed on: 6/03/2005
End of their appointment at the end of the Annual General Meeting that will rule on the financial statements for the fiscal year 2010.

Mr. Patrick Carricondo
9, avenue Parmentier -- 31022 Toulouse 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.

Mr. Thierry Chautant
42, avenue Georges Pompidou -- 69442 Lyons Cedex 03 -- FRANCE
Substitute statutory Auditor
Appointed on: 6/03/2005
End of their appointment at the end of the Annual General Meeting that will rule on the financial statements for the fiscal year 2010.

1.4 Fees Paid to the Statutory Auditors

	KMPG				GRANT THORTON				Other			
('000 EURO)	Amount		%		Amount		%		Amount		%	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Audit :												
Statutory audit,, certification, review of individual and consolidated financial statements	338	190	48%	35%	99	119	100%	100%	16	25	100%	100%
Other audit-related services	361	346	52%	65%	0	0	0%	0%	0	0	0%	0%
Sub-total	**699**	**536**	**100%**	**100%**	**99**	**119**	**100%**	**100%**	**16**	**25**	**100%**	**100%**
Other services, if applicable:												
- Legal, tax and labor	0	0	0%	0%	0	0	0%	0%	0	0	0%	0%
- Information Technology	0	0	0%	0%	0	0	0%	0%	0	0	0%	0%
- Internal Auditing	0	0	0%	0%	0	0	0%	0%	0	0	0%	0%
- Other	361	510	0%	0%	0	0	0%	0%	0	0	0%	0%
Sub-total	**361**	**510**	**0%**	**0%**	**0**	**0**	**0%**	**0%**	**0**	**0**	**0%**	**0%**
TOTAL	**1 059**	**1 046**	**100%**	**100%**	**99**	**119**	**100%**	**100%**	**16**	**25**	**100%**	**100%**

2 MANAGEMENT REPORT

Dear shareholders,

We have called you together in the Annual General Meeting, in accordance with law and the provisions of our by-laws, in order to request that you approve the financial statements for the fiscal year that ended on December 31, 2008.

The calling of this Annual General Meeting was lawfully done

The documents provided for by the regulations in force were sent to you or held at your disposal within the time allowed.

These documents were transmitted to the Works Council which had no matters to report.

The report that we present to you incorporates references to consolidated income as well as to activity of subsidiaries.

Your statutory auditors will give you in their reports any information as to the true and fair presentation of the annual financial statements and of the consolidated financial statements that are presented to you.

We are at your disposal to give any explanations and any additional information that might seem necessary to you.

2.1 Presentation of the Consolidated Financial Statements

The consolidated financial statements of fiscal year 2008 have been prepared in compliance with the IFRS as issued by the IASB. The Group has chosen not to apply by anticipation the standards and interpretations that will enter into force after December 31, 2008. The accounting policies and methods applied for the consolidated financial statements at December 31, 2008 are identical to those applied in the consolidated financial statements at December 31, 2007.

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 and liabilities designated at fair value through profit and loss.

New standards, amendments to standards or interpretations have been applied for the first time in 2008. This relates to:

- IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement";
- IFRS 7 (Amendment) "Financial Instruments: Disclosures, relating to the Reclassification of Financial Assets".
- IFRIC 11 "Group and Treasury Share Transactions";

These new standards, amendments to standards or interpretations have no impact on the consolidated financial statements at December 31, 2008.

New standards, amendments to standards or interpretation have not yet entered into force at December 31, 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 12 "Service Concession Arrangements" (interpretation not yet adopted by the European Union);
- IFRIC 13 "Customer Loyalty Programs", to be applied for annual periods beginning after July 1, 2008;
- IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (interpretation not yet adopted by the European Union);
- IFRIC 15 "Agreements for the Construction of Real Estate", to be applied for annual periods beginning after January 1, 2009;
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation", to be applied for annual periods beginning after October 1, 2008;
- IFRIC 17 "Distributions of Non-cash Assets to Owners", to be applied for annual periods beginning after July 1, 2009;
- IFRIC 18 "Transfer of Assets from Customers", to be applied for annual periods beginning after July 1, 2009;

- 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 IAS 1 (Revised) on the presentation of financial statements.

At December 31, 2008, 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, relate to construction contracts, on firm orders confirmed by aircraft manufacturers and on announced decreases in production rates. 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.

2.2 Analysis of the Business and of the Principal Risks

2.2.1 Highlights of Fiscal Year 2008

Change in the Group Consolidation Scope

There was no change in the Group Consolidation Scope during 2008.

The Stopping of the Sale of the Airbus sites (Méaulte and Saint-Nazaire)

At the beginning of 2007 LATECOERE responded to Airbus' request for it to be a candidate for the acquisition of the two sites of Méaulte and Saint-Nazaire. This project named "Zéphyr" which arose in a context where the worldwide aeronautical market, and particularly that of aerostructures, was in the process of consolidation, aimed to make a French leader in this field emerge.

In December 2007, the LATECOERE Group was selected as the preferred partner for the acquisition of these two sites. At the same time, the Group was preparing an increase of capital which would enable the purchase of the sites and strengthen financing opportunities in order to participate in new programs (A350, etc.).

On May 7, 2008, when the pool necessary for the operation's realization was almost finalized, 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.

Taking note of this halt, the Management Board immediately proposed to the Supervisory Board a number of measures in order to face up to the consequences of this new situation.

- Reappraisal of the partnership policy for the new programs,
- Development of the engineering and services business,
- Launch of a drastic cost reduction and process improvement plan: "Défi 2011"
- Increase in the transfer of production to low cost countries and rationalization of production in France
- Non-renewal of temporary staff contracts in administrative and technical functions.

Simultaneously, negotiations were launched with customers and financial partners. These negotiations aimed to stabilize and strengthen the Group's financial situation.

These negotiations took concrete form at the end of the year. They allowed an agreement to be reached with customers about the improvement of payment terms and about the anticipated payment of already-made development expenses, which were to be invoiced as product deliveries are made. In the financial statements, this operation results in non-recurring invoicing of €104.4 million, which increased the year's revenue by as much. The agreements with financial partners allow the Group to rely on the maintenance of resource ceilings over the upcoming two years and to profit from a one-year deferral in the repayment of medium- and long-term credits; applicable contractual financial covenants were reviewed, harmonized and adapted to the existing situation and to upcoming business prospects. They already apply to the 2008 financial statements and are respected.

2.2.2 Business during the year

2.2.2.1 Group

The growth of the aeronautical sector has contributed to the LATECOERE Group's growth since 2003. The invoicing in advance - compared with the initial contractual clauses - of development expenses mentioned above, , brought 2008 revenue to €683.9 million, a 39.8% increase in comparison to 2007 revenue. Adjusted for these sporadic elements and for the euro/dollar parity, organic growth between the two fiscal years comes to 16.8%. The share of revenue invoiced in dollars is valued at the spot exchange rate for such currency to which is added the impact of hedging instruments relating to these flows.

Business (revenue increased by the inventory variation), increased from €555,491k to €598,493k (+7%). This change takes into account the consequences of the sporadic invoicing of development expenses which contributed to the reduction of work-in-progress, but by way of compensation, development expenses were noted on programs under development (Boeing 787 and Airbus A400M). On the other hand, organic growth of business has also generated a growth of series work-in-progress.

The military sector remains of lesser importance (less than 2% of revenue).

In spite of the stopping of the "Zéphyr" project and the participation in the development of the forward nose fuselage of the A350, the Group is keen on remaining present in the area of composite materials. This presence is shown on the industrial level by its production of Boeing 787 passenger doors at the Letov site in the Czech Republic, and on the research and technology level by its participation, working closely with its customers, in several programs (PAMELAT, DEFI COMPOSITE, etc.).

Aerostructures (65%)

The revenue of the fiscal year for this business segment reached €479,581k, in total. This amount includes sporadic invoicing of development expenses of €104,400k; adjusted for these elements, growth for this segment comes to +15.5%. This increase is due to the increase in delivery rates to Embraer (ERJ 170 and 190), and to the different families of Airbus aircraft (in particular, the A320) and to sporadic invoicing. The Boeing 787 program delay only had a limited impact on the fiscal year.

The entry into service of a second building (7,100 m²) at LdB in Brazil should be noted; with this new resource, all of the fuselage sections of the Embraer 170/190 will soon be assembled on the spot.

Onboard wiring and systems (29%)

Revenue rose to €167,197k (+21.4%). This growth results from increases in the production rates of the Airbus (in particular, the A320 and A380) and Falcon programs.
It should be noted that there is no wiring business with respect to the Embraer programs. The growing importance of the German subsidiary -- LATelec GmbH -- has accompanied this growth.

Engineering and services (6%)

Revenue is €37,092k (+39%). It is principally realized by the LATecis subsidiary, about 20% of the business of which is done with the Group. The increase of revenue is due, on the one hand, to an increase in the business with its customer Airbus and, to a greater extent, to the increased production of tooling.

Order book

Following the records of new orders posted in 2007 by aircraft manufacturers, 2008 has seen a downturn relating to the orders placed by airline companies. The economic and financial crisis which marked the second part of the year accentuated this phenomenon. However, commercial success of Airbus, Embraer and Dassault added to that of the Boeing 787 results in a growth of the Group's order book to €2.012 billion (+11%), representing more than three years of revenue. Only firm orders booked by the aircraft manufacturers are taken into account.

Competitiveness, Quality and Service

The continuation of a cost and production cycles reduction policy is one of the major directions of the Group's efforts. This policy results in a greater and greater role of production realized by "low cost" sources (foreign subsidiaries and sub-contractors), while conserving the management, development and final assembly activities in Toulouse. Production management tools (ERP, kanban, etc.) allow a better control over the launching of production. The use of new computer tools (digital mockup, etc.) allows a reduction in development cycles.

The "Défi 2011" progress plan, launched following Airbus' announcement of the stopping of negotiations for the acquisition of the Méaulte and Saint-Nazaire sites ("Zéphyr" project) is meant to continue the effects of the "Objectif 2009" plan.

Through LATECOERE's EN 9100 qualification and its subsidiaries' obtaining the ISO 9001 V 2000 qualification, the Group shows its will to implement continuous improvement processes oriented toward the client's satisfaction. An ISO 14001 certification initiative was undertaken, two sites have already obtained this qualification and the progressive extension of this to the other sites is in progress.

The multiplicity of contracts and their administration involve strong growth in the customer support department. New means were set up in order to support the development.

A new organization, taking into account the consequences of the stopping of the "Zéphyr" project, is being established with the objective of reducing management levels in order to involve more directly and more quickly the various participants of the production chain and to facilitate the direct relationship with customers.

Consolidated Financial Situation and Income

The consequences of the stopping of the "Zéphyr" project are shown in the year's financial statements, particularly in the first half of the year. Approximately €6 million were posted directly, to which must be added the expenditures indirectly linked to this project. The operating result is €31,857k, representing 4.7% of revenue. The dollar's weakness during the first three quarters contributed to this decrease in profitability, with the previously-established dollar hedgings ending in July. During the dollar's relative reappreciation beginning in September, new hedges were positioned. These hedges entail forward sales or instruments in the form of "collars", which allow for a minimum guaranteed rate and to profit partially from a favorable change in the currency rate.

The financial result principally corresponds to the cost of the debt and the income and charges relating to purely financial items. This is €--41,948k compared to €--14,674k for the prior fiscal year. The financial result may be broken down in four main items: interest expense for €--23.3 million, the sum of the foreign exchange gains and losses realized for €--11.3 million, the reappraisal of the financial balance sheet items for €5 million and the change in fair value of financial instruments for €--11.5 million. The first two items led to real cash flows while the latter two only recognized unrealized items.
Note 10 to the consolidated financial statements provides details on derivative instruments having consequences on the financial result.

After taking into account the financial result, income tax and the result from associates, the Group net result is €-- 6,699k compared to €17,960k in 2007.

At December 31, 2008 the work-in-progress relating to construction contracts was €438,451k compared to €522,739k at December 31, 2007.

The valuation of this work-in-progress results from numerous estimates whose sensitivity assumptions are recalled in note 22 to the consolidated financial statements.

The shareholder's equity Group share at December 31, 2008 is €220,839k. It can be broken down as follows:

Capital and initial reserves	€239,847k
Hedging instruments not used	€--12,309k
Fiscal year net result	€--6,699k
Total shareholder's equity:	€220,839k

Net debt is €336,055k, which gives a debt equity ratio of: 151% compared to a net debt in 2007 of €376,955k.

This financial debt is subject to covenants of which the situation at year end is described in note 14.2 to the consolidated financial statements. Moreover, the construction contracts are the subject of a French Dailly Law assignment of receivables which may have arisen or may arise.

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.

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).

In 2008, the total of these research and development expenses was €28 million (5% of revenue) compared to €79 million in 2007. In 2009, research and development expenses will be very low. They will relate to the end of the development of the Boeing 787 and the Airbus A400M. The contracts obtained on the Airbus A350 shouldn't generate large expenses in 2009; moreover, the financing assistance obtained on that program won't create sizeable financial needs.

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

The Group also commits expenses for the development of new technologies (composite materials, etc.)

Investments and fixed assets

From the stopping of the "Zéphyr" project, the 2008 investment plan was revised downward. The amount of investments posted during the year was €18 million.

The main acquisitions of fiscal year 2008 relate to the construction of a second industrial building for the LATECOERE do BRASIL Company as well as acquisitions of equipment and tooling for the amount of €6 million, acquisitions of technical facilities, machinery and tooling in connection with the Letov s.r.o. Company's business growth for the amount of €4 million, the establishment of a new leasing contract for the amount of €1 million and various acquisitions of machinery and of tooling of the LATECOERE and LATelec companies for the amount of €3 million.

2.2.2.2 Parent company

The financial statements of the company at December 31, 2008 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

LATECOERE, the parent company, realized revenue of €481,097k in 2008. This amount includes the sporadic invoicing of development expenses for the amount of €104,400k. This represents 70% 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 from the exchange rate hedging instruments (forward sales) are noted in the financial result. Operating result is €--19,209k.

The financial result, made up principally of the cost of debt (€--15,824k), foreign exchange income (€806k) and revenue realized on exchange rate hedging on the dollar (€22,496k), was €6,898k.

Non-recurring result is €--402k. This corresponds principally to various penalties for €--212k and to losses on disposals for €--91k.

At December 31, 2008, the workforce consisted of 1,136 people of whom 80 on fixed term contracts, increased by 190 temporary staff.

Net Result, Appropriation and Dividends

Net profit, after deduction of taxes in the amount of €7,222,712, is negative: €--5,698,086
The proposed appropriation is as follows:

Unrestricted reserve:	€--5,698,086
Dividends:	€0

No dividend will be paid for fiscal year 2008. The number of shares is currently 8,609,997. Dividends paid out over the last three fiscal years were:

	Revenue eligible for tax reduction		Revenue not eligible for tax reduction	Number of shares
	Dividends	Other distributed revenue		
Fiscal year 2005 (*)	€ 8 179 497			8 609 997
Fiscal year 2006 (**)	€ 6 457 498			8 609 997
Fiscal year 2007	€ 0			8 609 997

* Which amounts to a dividend of € 0.95 per share
** Which amounts to a dividend of € 0.75 per share

The total of expenses and charges related to Articles 39-4 of the French General Tax Code, amounted to €84,075.

Inventories of raw materials and work-in-progress

The balance sheet at the closing of the fiscal year shows net inventories of raw materials of €41,617k.
Work in progress amounts to €432,991k, compared to €524,847k at December 31, 2007. This change takes into account the consequences of the sporadic invoicing of development expenses which contributed to the reduction of work-in-progress, but by way of compensation, development expenses were noted on programs under development (Boeing 787 and Airbus A400M). On the other hand, the organic growth of business generated growth of series work in progress.

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 €25 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 work 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 tangible assets amounted to €2,636k. It principally concerns technical facilities and machinery destined for production as well as general facilities related to fittings.

The computer investing activities of the fiscal year are financed by leasing or by financial leases.

Financial Debt

During the fiscal year 2008, the LATECOERE Company subscribed new borrowings for an amount of €25.7 million and repaid €27.2 million.

Agreements concluded with financial partners allow the Group to rely on the maintenance of short-term resource ceilings over the upcoming two years and to profit from a one-year deferral in the repayment of medium- and long-term credits. Applicable contractual financial covenants were reviewed, harmonized and adapted to the existing situation and to upcoming business prospects. They already apply to the 2008 financial statements and are respected.

The maximum amount of the whole of the lines in place is €305 million.

Refundable Advances

The company obtained refundable advances from official bodies and clients as additional financing of new programs (A380 and Falcon 7X); during the fiscal year, repayments were made, according to contractual conditions and deliveries of relevant products. At the end of fiscal year 2008, €58,840k was accounted for in the item "conditional advances".

2.2.3 Subsidiaries and other affiliates

2.2.3.1 Subsidiaries

LETOV s.r.o.

LETOV s.r.o., a wholly-owned subsidiary of the LATECOERE Company and 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 Latécoère.

The year 2008 was marked by the continuation of internal growth linked to the Airbus A320/A321 and A380, Embraer 170/190 and Dassault F7X programs and the beginning of a composite components production business for the Airbus and Boeing 787 programs.

There were 628 employees at December 31, 2008, increasing by 17% which was essentially centered on the recruitment of production staff for the assembly and machining businesses.

Revenue earned in 2008 was €30.5 million, increasing by 34% compared to 2007 with a slightly negative result (€--392k).

It should be noted that LETOV will benefit from the SAP management system, common to the aerostructures business, during the first half of 2009.

LATelec

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

LATelec's market has attained a high level of competitiveness in spite of the small number of actors. In this environment LATelec has reinforced its position among the 2 or 3 worldwide leaders of aeronautical and space wiring. This position is the result of a strategy of strong development of know-how through its entities in France and in Germany and simultaneously of the growth of its production in low cost zones. The establishment in Tunisia over ten years ago was sufficiently anticipated to be developed in an optimized manner and totally integrated in LATelec Group processes. This efficient industrial organization has allowed it to withstand the fall of the dollar and is an asset for the future.

The evolution of airplane onboard systems towards an ever increasing use of electricity as a source of energy or of the exchange of information is continuing. This trend reinforces the trade of LATelec as a specialist's trade; in order to follow this evolution the development of the R&D activity is an additional asset.

The 2009 revenue, penalized by the delay of the A400M in particular, should experience a decrease of approximately 10% compared to fiscal year 2008, this remaining nonetheless subject to the evolution of the economic climate. This projection is linked to the the situation known at the beginning of 2009. It is important to note that, despite ten years of strong growth, LATelec has always maintained a great flexibility of its structures in order to face up to the historical variations of the aeronautical business.

The results of the LATelec 2009 plan having been attained at the end of 2008, a new "LATelec 2011" progress plan will be launched in the first quarter in order to continue competitiveness efforts and will of course take into account the evolution of the situation.

The development of the A350's avionics bays, for which LATelec was chosen, will accelerate during the year. For the share which is not financed by the customer, the Group will call upon the refundable advances of the Civil Aeronautics Programs Office (DPAC).

After the crisis, during the sector's recovery and the starting up again of the A400M program, LATelec, involved in a growing manner in all the Airbus and Dassault programs, should return to two-digit growth.

During the fiscal year ended December 31, 2008:

Revenue was €165,764k;
The total of operating income is: €165,054k;
The total of operating expenses is: €150,745k;
The operating result comes to: €14,309k;
The operating net income before tax comes to: €13,193k.

Given these elements, the fiscal year result is a net profit of €7,261k.

At December 31, 2008, the total of the Company's balance sheet is: €168,204k.

SUBSIDIARIES

('000 EURO)	SEA-LATelec	LATelec GmbH
Sales	4 905	22 707
Net income	39	709

MAIN EVENTS OF THE YEAR 2008:

The year 2008 was marked for LATelec by increases in the production rates for all the series programs: Airbus A320, A330, Falcon 330, Falcon 900 Falcon 2000, Falcon 7X and ATR.

Deliveries relating to the A400M program were halted after the delivery of the fourth model following the freeze of the program by EADS; these will be suspended throughout the year 2009. LATelec was notified of the order of a study for the modifications intended to make the product certifiable.

The participation of LATelec in the reindustrialization of the A380 electrical harnesses was successfully continued, allowing Airbus to keep its delivery objectives for 2008. The engineering plateau established in Toulouse was as foreseen transferred to our Hamburg subsidiary at the beginning of December.

Space business has remained at a high level in spite of the difficult-to-manage expense fluctuations.

LATelec Services' business was transferred from the Cugnaux, France premises to a new establishment in Colomiers, France, in premises rented near Airbus. The doubling of space will allow the business' growth to continue.

A new establishment was opened near Eurocopter in Marignane, France. This establishment is intended to develop the research business for helicopters, which already employs approximately fifteen people.

En9100 certification was extended to the subsidiaries in Germany and Tunisia. On the other hand the ISO14001 certification initiative was implemented with the certification of the Labège, France establishment.

As the economic and financial results show, revenue growth reached 23%, increasing from €134 million to €165 million. Result has also improved as a consequence of the LATelec 2009 progress plan implemented by the end of 2006 and the joint development policy with our Tunisian subsidiary.

The French workforce has increased slightly: 667 people registered at December 31, 2008 (643 at December 31, 2007). That of the Tunisian subsidiary increased by 15%, reaching 695 people at year end. The LATelec GmbH subsidiary consolidates our position in Hamburg, Germany through an increase in its workforce to reach 48 people.

The development contract for the A350 bays for which LATelec was chosen at the end of 2008 took concrete form when signed in mid-January.

The DASSAULT Aviation business aircraft production rates were reduced for the Falcon 900 and 2000 and stabilized at four aircraft per month for the Falcon7X.

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 €11,642k in 2008, realized entirely with the parent company. The 2008 result is stable.

LATECOERE do Brasil

This subsidiary is held 51% by LATECOERE and 49% 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.

Investments reached €6 million in 2008, due to the growth of business. 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%).

In 2008 LATECOERE do BRASIL revenue amounted to €12,692k almost all with the parent company. Its workforce at December 31, 2008, numbered 425 people and its result was €--6,144k k, very strongly affected by the parity of the Real and by financial expenses on borrowings.

LATECOERE Développement

This holding company, wholly-owned by LATECOERE, holds 49% of LATECOERE do BRASIL and 100% of the capital of LATecis.

LATecis is the main engineering subsidiary of the LATECOERE Group. Its business covers the aeronautical and space sectors, as well as rail and automotive. Approximately 20% of its revenue is realized with the Group. LATecis, in addition to its establishment in the Toulouse region -- at Ste. Foy d'Aigrefeuille -- has local offices in Paris, Bordeaux and Nantes. It also holds 100 % of the capital of LATecis IBERIA, established in Seville, Spain, 85% of the capital of LATecis srl based in Romania (the remaining 15% of the capital being held by the DZ holding 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).

LATecis had revenue of €39,086k in 2008, with a result of €1,131k. It had 367 employees at December 31, 2008. The LATecis IBERIA subsidiary had revenue of €1,124k in 2008, with a net result of €--5k. Furthermore, the 2008 revenue of G²Métric was €4,439k for a net result of €348k, with a workforce of 29 employees. For its first year of operation, LATecis srl (Romania) realized revenue of €601k and a result of €--59k with a workforce of 18 people at December 31, 2008.

2.2.4 Investments in associates

LATECOERE AEROSERVICES

This company realizes maintenance and repair business and is held 30% by the LATECOERE Company (70% being held by the Pierre LATECOERE TECHNOLOGIES BV Company). In 2008, it had revenue of €15,911k, 98 employees, and a net result of €305k.

CORSE COMPOSITES AERONAUTIQUE (C.C.A.)

Since the beginning of 2003, 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 competences in the area of composite materials. In 2008, C.C.A. had revenue of €30,754k and a net result of €559k.

2.2.5 Sustainable development

2.2.5.1 Labor

The development of the LATECOERE Group is based on the skill and the involvement of the men and women who form it and are its principal assets. Labor policy is based on:
- Continuing training;
- The development of competences;
- An open and constructive labor dialogue through a contractual policy;
- Team spirit, the transmission of knowledge and know-how;
- Professional development by maintaining a safe framework and work conditions;
- The setting up of a socially-responsible insurance system.
- Employee shareholding.
- Non-discrimination on the basis of origins, sex, handicap, political or religious beliefs or labor union membership.

During the year the number of employees of the Group grew by 237 to reach 4,036 at December 31, 2008. The LATECOERE parent company witnessed a 50-person decrease in its workforce, which totals 1,136. Hiring was principally done by the foreign subsidiaries, LATECOERE do Brasil (81 people), LETOV (9 people), S.E.A. LATelec (94 people) and LATelec GmbH (12 people). This evolution is aimed at reinforcing their potential in order to improve the Group's competitiveness.

54% of this workforce works in France, 46% abroad. 54% is involved in the area of aerostructures, 35% in onboard wiring and systems and 11% in engineering.
Absenteeism remains relatively low. Prevention measures help to maintain a low level of accidents at the workplace.

The employees, through company investment funds and a non-trading company now hold 12.9% of the capital of the parent company. Four employees as well as a representative of the wage-saving scheme sit on the Supervisory Board.

The professional training budget represents close to 3% of the Group's total payroll.

Sums attributed pursuant to profit-sharing scheme were: in 2006, €4,825k; in 2007, €4,025k; and in 2008, €2,303k.

Furthermore, personnel-related information has been prepared and distributed in compliance with legal requirements.

2.2.5.2 Environment

As part of its sustainable development policy, the LATECOERE Group committed itself to an environmental management initiative; after the Gimont, France unit last year, the Labège, France site obtained ISO 14001 certification.
The LATECOERE Group is therefore determined to continue the actions permitting it:
- to be in compliance with the laws and regulations applicable to the businesses of the different sites.
- to preserve resources and the natural environment: energy savings, the most efficient consumption of chemical products and natural resources.
- to improve the management of the environmental impact relating to its businesses.

The follow-up of the environmental objectives and the active involvement of all will allow us to ensure a constant improvement of our environmental performance.

In order to follow-up on this initiative, the LATECOERE Group aims at obtaining ISO 14001 certification for the Toulouse and Cornebarrieu sites.

The Group's business has no harmful consequences on the environment (neither CO2 emissions nor waste water). When new facilities are established, environmental aspects are taken into account in order to reduce their impact in consultation with the official bodies, in all the countries where the Group is present. At this date, no environmental risk has been noted.

2.2.5.3 Relations with the Civil Society

The actions of the Group in this area related mainly to the following points:

Local economic development, relations with the authorities and interested parties, with strict political, religious and philosophical neutrality.

Respect of business ethics and deontology.

Openness to the scientific and academic communities, participation in professional training and in international exchanges of knowledge, technique and know-how.

Adoption of environmental and social criteria in relations with suppliers and sub-contractors.

2.2.6 Risk Management

A mapping of risks (occurrence/ impact) was established and is constantly updated. The Executive Committee analyzes the risks linked to the market, to the legal and regulatory requirements, as well as environmental risks.
All these risks are monitored by processes whose objectives are laid down by the Executive Committee. As soon as the Group has knowledge of a dispute it analyzes it with the relevant departments and with its external consultants. When the outcome of resources proves to be probable, a provision is recorded. To the managers' knowledge, there are no other exceptional facts or disputes that have, or may have a significant impact on the assets, the financial position, the business and the result of the Company and its subsidiaries. Except the risks mentioned below, there are no significant disputes in which the Company would be involved, with the exception of a potential dispute relating to the consequences of an appreciation of the basis of the business tax.
The main risks that have been identified and followed-up by the internal control procedures are the following:

2.2.6.1 Program Risk

The strategic choice of future programs is carried out in a changing technological environment. The profitability of the company depends upon the commercial success of the programs. This risk is limited for LATECOERE due to the level of performance of committed programs in the medium term and the diversity of programs on which the Group is involved. Refundable advances reduce this risk accordingly.

The program risk is monitored regularly as indicated below:

- The estimates of completion margin are updated quarterly as part of the establishment of consolidated statements for internal use,
- These estimates are selectively reviewed in case of a significant change in assumptions,
- These estimates are presented to the Audit and Financial Statements Committee at least twice a year

The Group's most important contracts are recorded as construction contracts. The valuation method for these works-in-progress is described in note 2.14 to the consolidated financial statements and the sensitivity of the contracts to the forward evolution of the dollar is presented in note 22.

The risk estimates for these programs are carried out through the regular review of sales schedule as a function of market prospects as well as information provided by customers, and of the estimate at completion of sales and cost prices for these programs.

Invoicing in advance for development expenses, up to now included in the work-in-progress, has contributed to reducing the financial consequences of potential risks linked to the sustainability of the relevant programs.

2.2.6.2 Financial Risks

Hedging instruments limit the consequences of debt rate volatility until the end of 2009.
The risk of dollar volatility is hedged by USD exchange rate hedging contracts for the period extending until mid-2011.

The risk on the evolution of debt and covenants included in contracts were the subject of negotiations with financial partners. To date the Group can rely on the maintenance of short-term resource ceilings over the upcoming two years and to profit from a one-year deferral in the repayment of medium- and long-term credits.
The covenants established already apply to the 2008 financial statements and are respected.

2.2.6.3 Foreign currency risk

Through its international exposure and invoicing in US dollars to its French clients 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 fluctuations of the parities may affect the operational margin, financial result, shareholder’s equity and net debt.

Exchange rate hedging €/$, BRL/$ and CZK/€ was implemented. Details of these derivative instruments and their impact on the financial statements appear in note 10 to the consolidated financial statements.

Furthermore, the Group invoices approximately 62% of its sales in dollars and buys approximately 47% of supplies or sub-contracting in dollars. The Group's net exposure to the US dollar reported in consolidated revenue (excluding non-recurring invoicing), comes to approximately 38%. The effect of the dollar exchange risk hedging operations on revenue reached €30,343k in 2008 and €31,994k in 2007.

The Group's exposure to the foreign exchange risk and the analysis of the sensitivity are detailed in note 20.3 to the consolidated financial statements. The characteristics of the financial instruments are described in notes 2.16 and 10 to the consolidated financial statements.
Cash forecasts are established in order to analyze more quickly these financial risks.

2.2.6.4 Interest Rate Risk

Almost all medium and long-term net debt is based on short-term floating rates. The LATECOERE Group benefits from hedging of interest rates ("collars") that allow it to limit the impact of a strong volatility in short-term rates on the cost of the debt. The average interest rate borne by the Group in 2008 was 5.3%. The interest rate contracts hedge the Group with a cap of 3.37% for about half of its debt until the end of 2009.

The Group's exposure to the interest rate risk and the sensitivity analysis are mentioned in note 21.4 to the consolidated financial statements.

2.2.6.5 Equity share risks

The Group holds essentially LATECOERE shares, the carrying value of which is adjusted according to the closing market prices. These shares are held in connection with a liquidity contract. Given the fact that at year end the LATECOERE Company only held 29,332 of its own shares, the equity share risk is non significant.

2.2.6.6 Credit risks

Because of the nature of the principal counterparts, the Group is not significantly exposed to credit risk 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.

2.2.6.7 Liquidity Risk

The analysis of this risk is treated in note 21.2 to the consolidated financial statements.

2.2.6.8 Product Risk

The aircraft manufacturer guarantees the airworthiness of delivered aircraft. In case of failure, LATECOERE, as a supplier, could be found liable. The very strict quality standards (selection of suppliers, internal quality control procedures, etc.) implemented in the ISO 9001 V 2000 EN 9100 system of reference by the companies of the Group, permit them to ensure 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.

2.2.6.9 Continuity of Information Systems

The Information Systems Department (DSI) is in charge of controlling this risk. It is in charge, in particular, of data integrity management. A disaster recovery plan has been set up. Improvements were made to the data backup systems and to the performance of the computer network. An analysis of the current situation is ongoing in order to lead to an overall information system master plan.

2.2.6.10 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 clients' programs. These contracts have been concluded for 2 or 3 years, relate to supply volumes and 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.

2.2.6.11 Other Risks

A risk manager is in charge of the security of assets through a policy of prevention relying on a team of correspondents throughout the Group companies.
Almost all of the risks of the Group's companies are covered by insurance policies. These concern the risk of destruction, the total amount of the damages guarantee is €250 million, and their consequences, operating loss, during a period of 15 months to a maximum amount of €90 million. Third party liabilities related to manufactured products are covered to a maximum of €750 million.

2.2.7 "Défi 2011"

With the stopping of the "Zéphyr" project, a new "Défi 2011" progress plan was launched. It rounds off the "Objectif 2009" plan, which was implemented in 2006.
"Défi 2011" is above all oriented toward an improvement of processes in order to harmonize the Company's different flows, in a lean enterprise initiative. This initiative will be accompanied by an upgrade of the information system and a strengthening of business line skills and will lead to a new industrial master plan.

2.2.8 Future prospects

At December 31, 2008, the order book, in which only firm orders booked by the aircraft manufacturers are taken into account, was up 11% to €2.012 billion. This represents more than three years of revenue. This increase results from the large number of new orders booked by all of the aircraft manufacturers (Airbus, Boeing, Embraer and Dassault).

Based on delivery forecasts announced by the aircraft manufacturers, the LATECOERE Group at constant scope expects fiscal year 2009 revenue to be around €530 million. Given the world economic situation, new decreases in production rates may occur without having a substantial impact on the order book.

2.3 Information likely to have an effect in the case of a public offering

2.3.1 Shareholders and the Stock Exchange

LATECOERE's shares are listed on EURONEXT Paris, of NYSE EURONEXT, compartment "B" until December 31, 2008, and since January 1, 2009 compartment "C". LATECOERE is a component of the following Indices: SBF 250, CAC SMALL 90, CAC MIDSMALL 190 and IAS.
ISIN: FR 0000032278
Currently its capital is made up of 8,609,997 shares with a nominal value of €2. The current analysis of shareholders is as follows:

Employees:
(through four company investment funds and a non-trading company)

FCPE "A":	0.3%
FCPE "B":	8.0%
FCPE "C":	0.2%
FCPE "D":	2.8%
Soc. Civ. de la Roseraie**:**	1.6%
Total Employees:	**12.9%**
MONDRIAN:	**8.3%**
PRIGEST:	**8.5%**
SALVEPAR:	**5.0%**
LATECOERE (self-holding)	**0.3%**
Market:	**65.0%**
Total :	**100.0%**

At December 31, 2008, to the Company's knowledge no other shareholder holds more than 5% of the capital or voting rights.

In 2008, the following crossings of thresholds were notified:
- April 30: Natixis Asset Management, on behalf of an FCPE, for regularization, upward crossing of the 5% of voting rights threshold.
- August 12: Capital Research Management, downward crossing of the 5% of voting rights threshold.
- December 24: Crédit Agricole Asset Management, on behalf of an FCPE, upward crossing of the 10% of voting rights threshold.

At December 31, 2008, the LATECOERE Company held 29,332 (0.3%) of its own shares. A TPI study performed in February 2009 shows that the Company has close to 14,000 shareholders.
The table below summarizes the movements on the treasury shares during the year.

Number of shares	Dec 31, 2007	Acquisitions	Disposals	Dec 31, 2008	% of ownership
LATECOERE Shares	3 544	82 446	56 658	29 332	0,34%

('000 EURO)	Dec 31, 2007	Acquisitions / Provisions	Disposals	Dec 31, 2008	Average purchase price
LATECOERE Shares	64	807	651	220	9,82

No company controlled by Latécoère has notified of any interest in the latter's capital.

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 by-laws.

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 does not exist any 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 by-laws are those foreseen by law.

The items relating to payment of the Management Board are part of the compensation conditions described below.

2.4 Information relating to the share buyback program

2.4.1 Prior Program report during fiscal year 2008

As part of a share buyback program between the date of opening and of closing of the past fiscal year, the Company proceeded with purchase and sale operations with respect to its own shares as follows:

Number of shares purchased: 82,446
Average purchase price: €10.41

Number of shares sold: 56,658
Average sale price: €11.49

Total amount of commission fees: 0

Number of shares registered at the closing of the fiscal year: 29,332

Value determined at the purchase price: €147,985
Nominal value: €219,847

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.

2.4.2 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 of June 26, 2009 for approval.

2.4.2.1 Prior Program report at 3/31/2009

The declaration of operations realized with respect to its own shares from June 28, 2008 to March 31, 2009 appears as follows:

	Total gross flow (1)		Position open at the beginning of the program	
	Purchase	Sale/Transfer	Positions open on purchases	Positions open on sales
Number of shares	52 172	32 577		
Average exercise price	€ 6,38	€ 6,79	None	None
Amount	€ 332 636	€ 221 081		

(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.

2.4.2.2 Breakdown by objectives of the shares of capital held at March 31, 2009

Number of shares held directly and indirectly: 35,272 representing 0.4% 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%

2.4.2.3 New Share Buyback Program

- **Approval of program:** Annual General Meeting of June 26, 2009
- **Relevant Shares**: common stock
- **Maximum percentage of capital for which buyback is approved**: 10% of capital (or 860,999 shares today), it being made clear that this limit must be seen in the context of the buyback date in order to take into account any applicable capital increase or reduction transactions which may occur during the term of the program. The number of shares taken into account for the calculation of this limit correspond to the number of shares purchased, reduced by the number of shares resold during the term of the program in connection with the liquidity objective. The company may not hold more than 10% of its own capital and, taking into account the number of shares already held in the amount of 35,272 at March 31, 2009 (or 0.4% of capital), the maximum amount of shares which may be purchased will be 825,728 shares (or 9.6% of capital) unless the shares already held are sold (or cancelled).
- **Maximum purchase price**: 40 Euros
- **Maximum amount of the program**: 33,029,120 Euros
- **Buyback Terms**: purchases, sales and transfers may be realized by any means on the market or by private sale, including by transactions for blocks of shares, it being understood that the resolution proposed for shareholder vote does not limit the share of the program which may be realized through the purchase of blocks of shares. These transactions may in particular be carried out during periods of public offers in compliance with Article 232-17 of the AMF's General Regulation, if on the one hand, the offer is paid entirely in cash and, on the other hand, the buyback transactions are realized in connection with the continuation of the performance of the ongoing program and that they are not likely to cause the offer to fail.

The objectives are as follows:

- Ensure the animation of the secondary market or the liquidity of the stock through an Investment Service Provider intermediary, through a liquidity contract consistent with the charter of deontology of the AMAFI, as accepted by the AMF,
- Keep the purchased shares and turn them over later for exchange or in payment in connection with eventual operations of growth, being specified that the shares acquired for this purpose cannot exceed 5% of the Company's capital,
- Grant share purchase options and other forms of allocation of shares to employees and group officers as set out in legal dispositions, in particular for profit-sharing, under a company savings scheme or by the allotment of free shares to employees,
- Ensure the hedging of securities giving right to an allotment of shares in the company within the framework of the regulations in force,
- Proceed with the cancellation of the shares acquired, subject to the approval to be given by this Annual General Meeting of Shareholders in its 1st extraordinary resolution.

- **Duration of program**: 18 months from the Annual General meeting of June 26, 2009 or until December 25, 2010.

2.5 Authorizations of a capital increase

Currently, there isn't any delegation of authority to the Management Board in order to proceed with increases in capital.

2.6 Other Information

2.6.1 Subsequent Events

The Supervisory Board met on January 6, 2009 and noted that the terms of the positions of François BERTRAND and Jean Jacques PIGNERES as Members of the Management Board were coming to an end. During this meeting, the Supervisory Board decided to bring the number of Management Board

Members to three and to set the term of the positions at six years, or until January 6, 2015. It renewed François BERTRAND's position as Chairman of the Management Board, it appointed Bertrand PARMENTIER as a Member and Managing Director, and it also appointed Roland TARDIEU as Member. The position of Jean Jacques PIGNERES, who will retire, was not renewed.

There were no other main events since year-end.

2.6.2 Investments

('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	13 290	1 485	11 804
LATECOERE do BRASIL	637	176	176	0
LATECOERE AEROSERVICES	15 000	229	0	229
Corse Composite Aéronautique	184 139	2 700	1 457	1 243
SUBSIDIARIES AND OTHER AFFILIATES		**25 108**	**3 118**	**21 989**
LATECOERE shares	29 332	220	72	148
SHORT-TERM INVESTMENTS	**29 332**	**220**	**72**	**148**

2.6.3 Significant Financial Commitments

This information is mentioned in note 25 to the consolidated financial statements. Significant financial commitments concern the borrowing contracts, guarantees granted to subsidiaries, cooperation and subcontract agreements related to sales contracts with customers, French Dailly Law assignments of receivables which may have arisen or may arise under construction contracts.

2.6.4 Five Years record

En euros	**Dec 31, 2004**	**Dec 31, 2005**	**Dec 31, 2006**	**Dec 31, 2007**	**Dec 31, 2008**
Capital at year-end:					
Share Capital	11 940 310	17 219 994	17 219 994	17 219 994	17 219 994
Number of issued ordinary shares	5 970 155	8 609 997	8 609 997	8 609 997	8 609 997
Operations and results of the fiscal year:					
Sales excluding VAT	194 712 215	224 559 506	279 326 396	313 937 133	481 096 561
Income before tax, employee profit sharing, depreciation, amortization and provisions	41 038 060	46 209 095	32 763 028	19 723 441	-4 273 419
Income taxes	7 327 434	8 484 553	6 912 320	1 010 330	-7 222 712
Employee profit sharing (legal and contractual)	2 180 917	2 894 000	3 522 841	2 523 923	208 116
Income after tax, employee profit sharing, depreciation, amortization and provisions	17 433 796	17 854 488	17 882 114	10 379 451	-5 698 086
Dividend paid during the year (including withholding tax on securities)	4 363 730	5 667 959	8 176 737	6 456 773	0
Earnings per share:					
Earnings after tax and profit sharing, but before depreciation, amortization and provisions	5,3	4,0	2,6	1,9	0,3
Earnings after tax and profit sharing, depreciation, amortization and provisions	2,9	2,1	2,1	1,2	-0,7
Dividend paid per share (excluding tax credit) in the year	0,7	0,7	0,9	0,7	0
Personnel :					
Average number of employees	814	1 032	1 168	1 117	1 166
Total remuneration	30 055 379	38 044 429	42 072 330	43 728 749	44 858 226
Total social charges and other personnel-related benefits	14 125 438	18 781 100	20 688 919	21 308 862	20 873 093

2.6.5 Corporate Officers

2.6.5.1 Positions and duties

Supervisory Board:

Name	Positions	Duties		Other positions	Other current duties	Duties (except subsidiaries) during the last 5 years, already expired	Number of shares owned
		Nature	Expiring				
François JUNCA (74)	None	Chairman of the Supervisory Board	June, 30 2009	Member of the Audit & Financial Statement Committee and of the Nomination & Compensation Committee	Director IRDI Director SBCIC Chairman of the Supervisory Board PROMOLOGIS	Chairman of the Supervisory Board LATECOERE AEROSERVICES	14 935
Pierre LATECOERE (45)	None	Vice Chairman of the Supervisory Board	June, 30 2009		Chairman of the Supervisory Board LATECOERE AEROSERVICES	Chairman of the Board of Directors ETAMIC	110
Pierre ALESI (76)	None	Member of the Supervisory Board	June, 30 2009	President of the Nomination & Compensation Committee	Director CORSE COMPOSITES AERONAUTIQUE	None	10
Christian BEUGNET (65)	Secrétaire général	Member of the Supervisory Board	June, 30 2009		Director CORSE COMPOSITES AERONAUTIQUE	None	10
Gérard CAVERIVIERE (56)	Directeur de l'amélioration continue	Member of the Supervisory Board	June, 30 2009	Member of the Nomination & compensation Committee	None	None	34
Jean Claude CHAUSSONNET (67)	None	Member of the Supervisory Board	June, 30 2009		Dircetor CORSE COMPOSITES AERONAUTIQUE Director RECAERO	None	10
Patrick CHOLLET (46)	None	Member of the Supervisory Board	June, 30 2009	Member of the Audit & Financial Statement Committee	Chairman CHOLLET Finances Investissements	None	99
Hervé COSTES (57)	Technician manager, Secretary of the Works Council	Member of the Supervisory Board	June, 30 2009	Member of the Nomination & Compensation Committee	None	None	42
Christian REYNAUD (64)	None	Member of the Supervisory Board	June, 30 2009	President of the Audit and Financial Statement Committee	Chairman of the Board and CEO, IRDI Director MIDI PYRENEES CREATION Director FONDS D'AMORCAGE MIDI PYRENEES Vice chairman of the Supervisory Board, SOCRI Chairman of the Supervisory Board, ICSO GESTION Chairman SORID	None	200
Yves DA COSTA (40)	Quality Technician and union representative	Member of the Supervisory Board	June, 30 2009		None	None	10
Banque Populaire Occitane represented by Alain CONDAMINAS (52)	None	Member of the Supervisory Board	June, 30 2009		Director CELAD S.A., Director SOTEL S.A. Managing Director, BPO Director MULTICROISSANCE S.A.S Director NATIXIS ASSET MANAGEMENT Member of the Supervisory Board, ABP IARD Member of the Supervisory Board, IRDI Director IBP Director Natixis Securities Director SMC Director SOCAMA 31 General Manager SNC IMMOCARSO Chairman GIE CARSO MATERIEL	Chairman of the Board and CEO, FINEXPLUS S.A. Director, MAISON DU COMMERCANT Member of the Supervisory Board, NOVACREDIT	373 145
SALVEPAR represented by Didier ALIX (62)	None	Member of the Supervisory Board	June, 30 2011		President of the Supervisory Board, SOGEBAIL Président du Conseil de Surveillance, KOMERCNI BANKA Managing Director, Société Générale Director FRANFINANCE Chairman Société de Gestion St. Jean de Passy Director YVES ROCHER Director SG de banque du Cameroun Director SG de banque de Côte d'Ivoire Director, NSGB Director BRD (Roumanie) Director, SG de banque du Sénégal Member of the Supervisory Board, SG Maroc	Director, SG de banque du Liban	432 911
Jean Louis PELTRIAUX (42) representing the FCPE "B" of LATECOERE employees	Cost control manager and cash manager of the Works Council	Member of the Supervisory Board	June, 30 2009		None	None	10

Management Board:

Name	Position	Duties		Other positions	Other current duties	Duties (except subsidiaries) during the last 5 years, already expired	Number of shares owned
		Nature	Expiring				
François BERTRAND (53)	Managing Director	Chairman of the Management Board	Jan, 6 2009		Director, SEA LATelec (TUNISIE) Director, Banque Populaire Toulouse Midi Pyrénées		90
Jean Jacques PIGNERES (63)	Senior Vice President - Finance and Administration	Member of the Management Board	Jan, 6 2009		Member of the Supervisory Board, LATECOERE AEROSERVICES Chairman LATECOERE DEVELOPPEMENT Member of the Executive Committee, LATelec Director, SEA	Member of the Executive Committee LATecis	25

To the best of the Company's knowledge and at the date of the establishment of this document, no Member of the Supervisory Board or the Management Board, over 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.

2.6.5.2 Remunerations

A) Summary table of remuneration and of options allocated to each corporate officer

In euros	Fiscal Year N	Fiscal Year N-1
François JUNCA, Chairman of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table B)	90 405	91 075
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**90 405**	**91 075**
Pierre LATECOERE, Vice chairman of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table B)	1 000	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**1 000**	**0**
Pierre ALESI, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table B)	1 000	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**1 000**	**0**
Christian BEUGNET, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table B)	216 824	176 869
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**216 824**	**176 869**
Gérard CAVERIVIERE, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table B)	108 231	110 265
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**108 231**	**110 265**

In euros	Fiscal Year N	Fiscal Year N-1
Jean Claude CHAUSSONNET, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table B)	61 000	60 000
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**61 000**	**60 000**
Patrick CHOLLET, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table B)	1 000	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**1 000**	**0**
Hervé COSTES, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table B)	68 748	68 874
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**68 748**	**68 874**
Christian REYNAUD, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table B)	1 000	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**1 000**	**0**
Yves DA COSTA, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table B)	31 150	35 268
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**31 150**	**35 268**
Banque Populaire Occitane, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table B)	1 000	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**1 000**	**0**
SALVEPAR, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table B)	1 000	0
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**1 000**	**0**
Jean Louis PELTRIAUX, Member of the Supervisory Board		
Remuneration relating to the fiscal year (detailed in table B)	70 127	72 963
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**70 127**	**72 963**
François BERTRAND, Chairman of the Management Board		
Remuneration relating to the fiscal year (detailed in table B)	551 298	197 646
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**551 298**	**197 646**
Jean Jacques PIGNERES, Member of the management Board		
Remuneration relating to the fiscal year (detailed in table B)	284 417	181 314
Value of the options allocated during the fiscal year		
Value of the performance shares allocated during the fiscal year		
TOTAL	**284 417**	**181 314**

B) Recapitulative table of remuneration of each corporate officer

In euros	Fiscal year N-1		Fiscal year N	
	Amount due	Amount paid	Amount due	Amount paid
François JUNCA, Chairman of the Supervisory Board				
Fixed remuneration	86 600	86 600	88 332	88 332
Variable compensation				
Exceptional remuneration				
Attendance fees	1 000	1 000	0	0
Benefits in kind	2 805	2 805	2 743	2 743
TOTAL	**90 405**	**90 405**	**91 075**	**91 075**
Pierre LATECOERE, Vice Chairman of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees	1 000	1 000	0	0
Benefits in kind				
TOTAL	**1 000**	**1 000**	**0**	**0**
Pierre ALESI, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees	1 000	1 000	0	0
Benefits in kind				
TOTAL	**1 000**	**1 000**	**0**	**0**
Christian BEUGNET, Member of the Supervisory Board				
Fixed remuneration	141 596	141 596	145 673	145 673
Variable compensation**	71 839	76 945	28 992	71 839
Exceptional remuneration				
Attendance fees	1 000	1 000	0	0
Benefits in kind	2 389	2 389	2 204	2 204
TOTAL	**216 824**	**221 930**	**176 869**	**219 716**
Gérard CAVERIVIERE, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation**	88 354	88 354	91 100	91 100
Exceptional remuneration	16 500	17 000	16 500	16 500
Attendance fees	1 000	1 000	0	0
Benefits in kind	2 377	2 377	2 665	2 665
TOTAL	**108 231**	**108 731**	**110 265**	**110 265**
Jean Claude CHAUSSONNET, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration	60 000	60 000	60 000	105 000*
Attendance fees	1 000	1 000	0	0
Benefits in kind				
TOTAL	**61 000**	**61 000**	**60 000**	**0**
** among which 45 000 euros from N-1*				
Patrick CHOLLET, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees	1 000	1 000	0	0
Benefits in kind				
TOTAL	**1 000**	**1 000**	**0**	**0**
Hervé COSTES, Member of the Supervisory Board				
Fixed remuneration	60 748	60 748	61 789	61 789
Variable compensation	7 000	7 000	7 085	7 085
Exceptional remuneration				
Attendance fees	1 000	1 000	0	0
Benefits in kind				
TOTAL	**68 748**	**68 748**	**68 874**	**68 874**

In euros	Fiscal year N-1		Fiscal year N	
	Amount due	Amount paid	Amount due	Amount paid
Christian REYNAUD, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees	1 000	1 000	0	0
Benefits in kind				
TOTAL	**1 000**	**1 000**	**0**	**0**
Yves DA COSTA, Member of the Supervisory Board				
Fixed remuneration	28 778	28 778	32 601	32 601
Variable compensation	2 372	2 372	2 667	2 667
Exceptional remuneration				
Attendance fees	0	0	0	0
Benefits in kind				
TOTAL	**31 150**	**31 150**	**35 268**	**35 268**
Banque Populaire Occitane, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees	1 000	1 000	0	0
Benefits in kind				
TOTAL	**1 000**	**1 000**	**0**	**0**
SALVEPAR, Member of the Supervisory Board				
Fixed remuneration				
Variable compensation				
Exceptional remuneration				
Attendance fees	1 000	1 000	0	0
Benefits in kind				
TOTAL	**1 000**	**1 000**	**0**	**0**
Jean Louis PELTRIAUX, Member of the Supervisory Board				
Fixed remuneration	60 627	60 627	62 963	62 963
Variable compensation	8 500	8 500	10 000	10 000
Exceptional remuneration				
Attendance fees	1 000	1 000	0	0
Benefits in kind				
TOTAL	**70 127**	**70 127**	**72 963**	**72 963**
François BERTRAND, Chairman of the Management Board				
Fixed remuneration	172 257	172 257	177 200	177 200
Variable compensation**	359 193	384 727	0	359 193
Exceptional remuneration				
Attendance fees				
Benefits in kind	19 848	19 848	20 446	20 446
TOTAL	**551 298**	**576 832**	**197 646**	**556 839**
Jean Jacques PIGNERES, Member of the Management Board				
Fixed remuneration	156 754	156 754	161 120	161 120
Variable compensation**	107 758	115 418	0	107 758
Exceptional remuneration				
Attendance fees				
Benefits in kind	19 905	19 905	20 194	20 194
TOTAL	**284 417**	**292 077**	**181 314**	**289 072**

*** 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.*

C) Table of attendance fees

In euros	Attendance fees paid in N-1	Attendance fees paid in N
François JUNCA	1 000	0
Pierre LATECOERE	1 000	0
Pierre ALESI	1 000	0
Christian BEUGNET	1 000	0
Gérard CAVERIVIERE	1 000	0
Jean Claude CHAUSSONNET	1 000	0
Patrick CHOLLET	1 000	0
Hervé COSTES	1 000	0
Christian REYNAUD	1 000	0
Yves DA COSTA	0	0
Banque Populaire Occitane (represented by Alain CONDAMINAS)	1 000	0
SALVEPAR (represented by Didier ALIX)	1 000	0
Jean Louis PELTRIAUX (representing the FCPE "B" of LATECOERE employees)	1 000	0

D) 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						

E) Subscription or share purchase options exercised during the year by each corporate officer

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

F) 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					

G.) 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			

Every Member of the Supervisory Board must hold at least one share of the Company's stock.

The amount of the sums reserved for retirement and other personnel-related benefits for the Members of the Supervisory Board is €106,358.

Neither compensation (including conditional or deferred) nor benefits in kind were granted by one of the subsidiaries to any of the Members of the Supervisory Board.

The salaries received by the Members of the Management Board correspond to their functional and technical activities exercised within the Company. The bonuses and benefits of the Management Board are calculated on the basis of consolidated net result. The variable share, paid at the beginning of 2008, was calculated on the basis of the consolidated net result of fiscal year 2007. The salaries, bonuses and advantages are gross sums. There is no share allotment or stock options plan, nor any special executive retirement scheme.

2.6.5.3 Management Board

Corporate officer	Contract of employment		Additional retirement programme		Allowance or benefit due or likely to be due following cessation or change in position		Compensation for non compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
François BERTRAND, *Chairman of the Management Board* Appointed Jan, 7 2003, duty expiring Jan, 6 2009	X			X	X			X
Jean Jacques PIGNERES, Member of the Management Board Appointed Jan, 7 2003, duty expiring Jan, 6 2009	N/A			X	X			X

Both Members of the Management Board may benefit, in the case of the end of their position for any other reason than a resignation or a retirement departure, from an allowance corresponding to eighteen months of gross compensation. This guarantee was granted to them on their appointment on January 7, 2003, and it was ratified by decisions of the Supervisory Board on June 27, 2008 and the Annual General Meeting on the same date, in order to become compliant with the TEPA law.

The amount of the sums reserved for retirement and other personnel-related benefits for the Members of the Management Board is €456,806.

Neither compensation (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 Supervisory Board met on January 6, 2009 and noted that the terms of the positions of François BERTRAND and Jean Jacques PIGNERES were coming to an end. It proposed to bring the number of Management Board Members to three. Consequently, Mr. François Bertrand was renewed in his duties as Chairman.
The Supervisory Board appointed Mr. Bertrand PARMENTIER as a Member and Managing Director. Mr. Bertrand PARMENTIER joined the Company on July 1, 2008; he was hired with a view to replacing Mr. Jean Jacques PIGNERES who will retire and therefore, consequently, whose Management Board position was not renewed. Mr. Bertrand PARMENTIER is 53 years old and was educated at HEC. Before joining the LATECOERE Company, Mr. Bertrand PARMENTIER was Managing Director of the Pierre Fabre S.A. Company, the holding company at the head of Laboratoires Pierre FABRE.
The Supervisory Board also decided to appoint Mr. Roland TARDIEU as a Member of the Management Board. Mr. Roland TARDIEU is 59 years old; he has been part of the LATECOERE Company since 1986 and he holds the office of Chairman of LATelec, a subsidiary specialized in onboard wiring and systems, and he also is a Member of the Executive Committee.
The term of the positions of the Members of the Management Board was set at six years, or until January 6, 2015.

Compensation for the new Management Board Members was set by the Supervisory Board on the advice of the Compensation Committee. They are detailed below, in compliance with the recommendations of the AFEP – MEDEF.

Mr. François Bertrand will receive an annual salary of €220,000, reviewed annually in accordance with the average of the increases allocated to the other executives. A bonus of 20% based on this compensation will be added to it. Mr. François Bertrand will benefit 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 will be made available to him. He will have no other benefits, allocation of shares, stock options or special executive retirement scheme.

Mr. Bertrand PARMENTIER will receive 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 compensation will be added to it. Mr. Bertrand PARMENTIER will benefit 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 will be made available to him. He will have no other benefits, allocation of shares, stock options or special retirement arrangements.

Mr. Roland TARDIEU will receive 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 compensation will be added to it. Mr. Roland TARDIEU will benefit from a variable bonus of 0.15%, based on the Group net result, to which will be 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 will be made available to him. He will have no other benefits, allocation of shares, stock options or special retirement arrangements.

2.6.5.4 Attendance Fees

Given the results and the financial position of the Company, the distribution of attendance fees to the Members of the Supervisory Board will not be proposed at the next meeting.

2.6.5.5 Employees

At year-end the number of shares of the Company's capital held by employees as defined in Article L. 225-102 of the French Commercial Law represented 12.9% of the capital stock of the Company.

2.6.6 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
April, 30 2008	Patrick CHOLLET	Member of the Supervisory Board	Sale	13,70	400	5 480	Latécoère shares	Euronext Paris
May, 2 2008	Patrick CHOLLET	Member of the Supervisory Board	Sale	13,77	800	11 016	Latécoère shares	Euronext Paris
May, 5 2008	Patrick CHOLLET	Member of the Supervisory Board	Sale	14,00	400	5 600	Latécoère shares	Euronext Paris

3 CONSOLIDATED FINANCIAL STATEMENTS AT DECEMBER 31, 2008

3.1 Consolidated Balance Sheet

('000 EURO)	Notes	Dec 31, 2008	Dec 31, 2007
Goodwill	5.3	2 378	2 378
Other intangible assets	5.2	1 426	2 498
Tangible assets	5.1	96 893	94 570
Investments in associates (equity method)	6	4 234	3 934
Other financial assets		238	764
Deferred tax assets	15	6 013	5
Hedging financial instruments	10.1	3 610	924
Other non-current assets		0	2
TOTAL NON-CURRENT ASSETS		**114 792**	**105 073**
Inventories	7	562 787	643 330
Accounts receivable	9	188 464	155 790
Tax receivable		8 978	8 614
Hedging financial instruments	10.1	1 348	32 734
Financial Instruments at fair value through profit and loss	10.1	97	12 194
Other current assets		928	737
Cash & Cash Equivalents		19 882	57 053
TOTAL CURRENT ASSETS		**782 484**	**910 451**
TOTAL ASSETS		**897 276**	**1 015 524**

('000 EURO)	Notes	Dec 31, 2008	Dec 31, 2007
Share capital	11.2	17 220	17 220
Premiums	11.4	69 611	68 452
Treasury stock	11.3	1 603	1 810
Other Reserves		-7 053	24 706
Accumulated Net Income		139 457	146 157
SHAREHOLDERS' EQUITY GROUP SHARE		**220 838**	**258 345**
Minority Interests		405	260
TOTAL SHAREHOLDER'S EQUITY		**221 244**	**258 605**
Loans and bank borrowings	14.1	335 668	307 754
Refundable Advances		47 011	57 361
Employee benefits	13	10 749	11 198
Other provisions	12	618	643
Deferred tax liabilities	15	715	13 034
Financial Instruments at fair value through profit and loss	10.1	2 165	0
Other non-current liabilities		5	6
TOTAL NON-CURRENT LIABILITIES		**396 931**	**389 996**
Loans and bank borrowings (less than 1 year)	14.1	10 014	103 545
Loans against receivables mobilization	14	10 256	22 708
Refundable Advances		11 829	13 652
Accounts payable		215 205	212 798
Income tax liabilities		1 677	538
Other current liabilities		8 526	12 632
Hedging financial instruments	10.1	8 614	
Financial Instruments at fair value through profit and loss	10.1	12 982	1 048
TOTAL CURRENT LIABILITIES		**279 101**	**366 922**
TOTAL LIABILITIES		**676 032**	**756 919**
TOTAL SHAREHOLDER'S EQUITY & LIABILITIES		**897 276**	**1 015 524**

3.2 Consolidated Income Statement

('000 EURO)	Notes	Dec 31, 2008	Dec 31, 2007
Revenue	16	683 870	489 349
Other operating revenue		1 105	1 595
Change in inventory: work-in-progress & finished goods		-85 377	66 142
Raw material, Other Purchases & external charges		-354 680	-313 022
Personnel expenses		-197 758	-186 012
Taxes		-8 327	-7 164
Amortization		-12 604	-10 076
Net operating provisions charge		0	-89
Depreciation of current assets	18	-4 270	-6 773
Foreign exchange gain/loss		917	2 857
Other operating income	17	9 811	4 032
Other operating expenses		-830	-1 700
OPERATING INCOME		**31 857**	**39 138**
Operating Income / Sales		*4,66%*	*8,00%*
Net cost of debt		-23 343	-19 618
Change in fair value of financial instruments		-11 471	4 226
Other financial incomes and expenses		-7 135	718
FINANCIAL RESULT	**19**	**-41 948**	**-14 674**
Result from associates	6	280	588
Income tax	20	3 273	-7 030
NET RESULT OF CONSOLIDATED COMPANIES		**-6 538**	**18 021**
Group net result		-6 699	17 960
Minority interests		161	61
Group net result/ sales		*-0,98%*	*3,67%*
Weighted average number of shares		**8 595 700**	**8 607 118**
Diluted earnings per share		**-0,78**	**2,09**
Earnings per share		**-0,78**	**2,09**

3.3 Consolidated Statement of Cash Flow

('000 EURO)	Notes	Dec 31, 2008	Dec 31, 2007
Consolidated net result		-6 538	18 021
Adjustments related to non-cash activities :			
Result from associates	6	-280	-588
Depreciation and provisions		15 278	10 526
Fair value gains/losses		13 392	1 007
Other non-cash items		1 258	-21
Dividend income received		0	-1
CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES		**23 110**	**28 945**
Income taxes	20	-3 273	7 030
Interest expenses	19	23 343	19 618
CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES		**43 180**	**55 593**
Changes in working capital		51 255	-47 051
Income tax paid		-444	-13 151
CASH FLOWS FROM OPERATING ACTIVITIES		**93 991**	**-4 608**
Effect of subsidiaries acquisitions		-54	-1 015
Purchase of tangible and intangible assets		-17 387	-16 540
Purchase of financial assets		0	0
Increase (decrease) in loans and advances made		-26	-42
Proceeds from sale of tangible and intangible assets		48	440
Dividends received		0	1
CASH FLOWS FROM INVESTING ACTIVITIES		**-17 419**	**-17 155**
Expenses on increase of capital		0	-1 113
Purchase of treasury shares		-858	-1 332
Disposal of treasury shares		651	1 352
Proceeds from borrowings (including refundable advances)		28 625	88 194
Repayments of borrowings (including refundable advances)		-42 879	-64 111
Financial interest paid		-25 717	-17 863
Dividends paid		-16	-6 457
Other flow from financing operation		845	0
CASH FLOW FROM FINANCING ACTIVITIES		**-39 349**	**-1 328**
Effects of exchange rate changes		-165	-42
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**37 058**	**-23 132**
Opening cash and cash equivalents position		-33 148	-10 001
Closing cash and cash equivalents position		3 910	-33 148
Cash and cash equivalents		19 882	57 053
Discounted receivables		-10 256	-22 708
Overdraft facilities		-5 717	-67 493
CASH AND CASH EQUIVALENTS AT YEAR-END		**3 910**	**-33 148**

3.4 Variation of Consolidated Shareholders' Equity

('000 EURO)	Share capital	Premiums	Treasury stock	Reserves and Accumulated Results	Hedging financial instruments	Translation difference	TOTAL Group share	Minority interests	TOTAL
SHAREHOLDER'S EQUITY 12/31/2006	**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 (1)				**17 960**			**17 960**	**61**	**18 021**
Fixed assets : revaluation and disposals							0		0
Financial instruments: change in fair value and transfer in profit and loss					-15 029		-15 029		-15 029
Translation differences : change and transfer in profit and loss						270	270	0	270
Income and expenses directly recorded in equity	**0**	**0**	**0**	**0**	**-15 029**	**270**	**-14 759**	**0**	**-14 759**
Total income and expenses of the period (1)+(2)	**0**	**0**	**0**	**17 960**	**-15 029**	**270**	**3 201**	**61**	**3 262**
Variation of consolidation scope							0	199	199
SHAREHOLDER'S 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			-207				-207		-207
Dividends							0	-16	-16
Other variations				3 391	-3 391		0		0
Net result for the period (1)				**-6 699**			**-6 699**	**161**	**-6 538**
Financial instruments: change in fair value and transfer in profit and loss					-31 951		-31 951		-31 951
Translation differences : change and transfer in profit and loss						192	192	1	192
Income and expenses directly recorded in equity	**0**	**0**	**0**	**0**	**-31 951**	**192**	**-31 759**	**1**	**-31 758**
Total income and expenses of the period (1)+(2)	**0**	**0**	**0**	**-6 699**	**-31 951**	**192**	**-38 458**	**161**	**-38 297**
SHAREHOLDER'S EQUITY 12/31/2008	**17 220**	**69 611**	**1 603**	**142 848**	**-12 309**	**1 865**	**220 839**	**405**	**221 244**

3.5 Notes to the Consolidated Financial Statements

GENERAL INFORMATION

BALANCE SHEET DETAIL

INCOME STATEMENT DETAIL

ADDITIONAL INFORMATION

INFORMATION RELATIVE TO THE GROUP

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

The consolidated financial statements of the LATECOERE Group for the fiscal year ended on December 31, 2008, 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 26, 2009. They will be submitted to the Annual General Meeting on June 30, 2009.

NOTE 1 MAIN EVENTS

1.1 Stopping of the Airbus sites sale project

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. The direct expenses of this operation included in accounting were approximately €6 million to which must be added the additional indirect costs.

1.2 Commercial negotiations

Negotiations with the Group's customers took place during the 2nd half of 2008 in connection with the "Défi 2011" plan. They resulted in:

- an improvement in payment terms for French customers;
- the advance payment of development work already carried out and for which the contractual invoicing was initially spread out over time, which was materialized in sporadic invoicing for an amount of €104.4 million.

1.3 Negotiations with financial partners

The Group also finalized agreements with its financial partners in order to strengthen and secure its financial structure for the years to come. The Group's banks renewed their confidence on this occasion by confirming:

- all of the Group's short-term resources, usually renewable every year, for 2009 and 2010;
- a one-year deferral in the repayment at term of the Group's medium- and long-term credits, which will maintain a level of resources in 2009 identical to that of 2008;
- the implementation of financial covenants of credit agreements with new ratios, common to all of the banks and adapted to the current situation and to the Group's business forecast. These new ratios, net debt/pro forma equity funding and net debt/pro forma Ebitda, are applicable to fiscal year 2008's financial statements.

NOTE 2 Accounting Policies

2.1 Basis of preparation of the financial statements:

The consolidated financial statements of fiscal year 2008 have been prepared in compliance with the IFRS as issued by the IASB. The Group has chosen not to apply by anticipation the standards and interpretations that will enter into force after December 31, 2008. The accounting principles and methods applied for the consolidated financial statements at December 31, 2008 are identical to those applied in the consolidated financial statements at December 31, 2007.

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 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, 2008. This relates to:

- IAS 39 (Amendment) "Financial Instruments: Recognition and Measurement";
- IFRS 7 (Amendment) "Financial Instruments: Disclosures, relating to the Reclassification of Financial Assets".
- IFRIC 11 "Group and Treasury Share Transactions";

These new standards, amendments to standards or interpretations have no impact on the consolidated financial statements at December 31, 2008.

New standards, amendments to standards or interpretations have not yet entered into force at December 31, 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 12 "Service Concession Arrangements" (interpretation not yet adopted by the European Union);
- IFRIC 13 "Customer Loyalty Programs", to be applied for annual periods beginning after July 1, 2008;
- IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (interpretation not yet adopted by the European Union);
- IFRIC 15 "Agreements for the Construction of Real Estate", to be applied for annual periods beginning after January 1, 2009;
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation", to be applied for annual periods beginning after October 1, 2008;
- IFRIC 17 "Distributions of non-cash assets to owners", to be applied for annual periods beginning after July 1, 2009;
- IFRIC 18 "Transfer of Assets from Customers", to be applied for annual periods beginning after July 1, 2009;
- 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 IAS 1 (Revised) on the presentation of financial statements.

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. 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 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 22) and employee benefits (note 13).

At December 31, 2008, 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, relate to construction contracts, as a function of firm orders confirmed by aircraft manufacturers and of announced decreases in production rates. 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.

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 are defined as holdings in which the LATECOERE Company exercises significant influence (with at least 20% of voting rights). Significant influence exists when the parent company has the power to participate in the financial and operational policy of the subsidiary without having control.
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, 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 operating result and differences for borrowings in foreign currency are recognized in financial 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

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 2.14.

2.11 Tangible Assets

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

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

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

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

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

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

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

Furthermore, the Group 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

(*) 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 business segment (no independence of cash inflows between them). Therefore, the Cash-Generating Units are the different business segments 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 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.

2.14 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 is depreciated when its realization value is under its 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 goods 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.
It is also possible that additional invoicing 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.

2.15 Revenue Recognition

Revenue is recognized according to the following criteria:

- for contracts falling within the criteria of IAS 11, refer to note 2.14;
- 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 generally 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.

2.16 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 and combinations of puts and calls for the foreign currency hedging and collars for interest rates hedging. 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.

Impact of hedging instruments

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 Latécoère 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 until 2011.

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 income;
- 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;

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 income statement.

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 company 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.

2.17 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.

2.18 Other Liabilities

Other liabilities are initially valued at their fair value, then at amortized cost.

2.19 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.

2.20 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.

2.21 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. The amount recorded in income statement during the period relating to these defined contribution plans is an expense of €320k.

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 are entirely recognized in income statement for the period.

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). 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.

2.22 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.

2.23 Customer Financing

The Group has obtained customer financing in the form of refundable advances in connection with the development of certain programs.

2.24 Other operating income

The Group recognizes operating grants and the research-based tax credit, in particular, in other operating income.

2.25 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 LATECOERE AEROSERVICES, PESOLA and Corse Composites Aéronautique, subsidiaries are consolidated by full consolidation. The 15 companies forming part of the consolidation scope close their financial statements on December 31. No change to the consolidation scope occurred during 2008.

Company name & Haedquarter address	SIREN Code (EIN)	Control %	Interest %	Consolidation method
LATECOERE do BRASIL Getulio Domelles Vargas, 3320 CEP 12305-010 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 BP 5211 31079 Toulouse cedex 5	388 377 269	100.00 %	100.00 %	Consolidation
LATelec Z.I. La Bourgade Rue Max Planck 31315 Labège	420 742 660	100.00 %	100.00 %	Consolidation
LATelec GmbH Hein-SaB-Weg 38 D- 21129 Hamburg 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	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	378 735 534	51.00%	51.00%	Consolidation
LATecis srl Sect. 6, Bd. Timisoara nr. 100G Bucuresti Rumania	None	85.00 %	85.00 %	Consolidation
Corse Composites Aéronautique Z.I. du Vazzio 20090 Ajaccio	325 396 471	24.81 %	24.81%	Equity method
LATECOERE AEROSERVICES Route de Toulouse 31700 Cornebarrieu	352 373 492	30,00%	30,00%	Equity method
PESOLA Rua José de Campos 270 Bairro de Jardim 12236-650 Sao José dos Campos Brazil	None	33.33 %	33.33%	Equity method

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; and
- engineering and services.

These three segments represent the industrial activities of the Group and call upon the activities of subsidiaries where appropriate. Furthermore, expenses relating to the position of the parent company of the LATECOERE Company are maintained in the aerostructures segment.

('000 EUR) *Dec 31, 2008*	Aerostructures	%	Engineering and services	%	Onboard wiring and systems	%	Intersegment eliminations	%	Total
Revenue	498 025	73%	44 057	6%	169 857	25%	-28 068	-4%	683 870
Inter-segment revenue	-18 444	66%	-6 964	25%	-2 660	9%		0%	-28 068
Consolidated revenue	**479 581**	**70%**	**37 092**	**5%**	**167 197**	**24%**	**0**	**0%**	**683 870**
Operating result	**13 086**	**41%**	**1 980**	**6%**	**16 791**	**53%**	**0**	**0%**	**31 857**
Operating result/revenue	*2,63%*		*4,49%*		*9,89%*				***4,66%***
Financial result	**-38 026**	**91%**	**-103**	**0%**	**-3 820**	**9%**	**0**	**0%**	**-41 948**
Income tax and miscellaneous	8 319	254%	-607	-19%	-4 440	-136%	0	0%	3 273
Result from associates	280	100%	0		0		0		280
Result: Group share	-16 340		1 270		8 532		0		-6 538
Result: Minority interests	0		161		0		0		161
Net result	**-16 340**	**256%**	**1 431**	**-22%**	**8 532**	**-134%**	**0**	0%	**-6 377**
Net result/revenue	*-3,28%*		*3,25%*		*5,02%*				***-0,93%***
Intangible fixed assets	971	68%	121	8%	334	23%	0	0%	1 426
Goodwill	1 077	45%	1 300	55%	0	0%	0	0%	2 378
Tangible fixed assets	77 825	80%	5 014	5%	14 045	14%	8	0%	96 893
Investments in associates	4 234	100%	0	0%	0	0%	0	0%	4 234
Other fixed assets	49	20%	43	18%	74	31%	72	30%	238
Total assets	**84 156**	**80%**	**6 478**	**6%**	**14 454**	**14%**	**80**	0%	**105 168**
Acquisition of tangible and intangible fixed assets	14 333	82%	514	3%	2 540	15%	0	0%	17 387
Inventories	491 867	87%	3 438	1%	68 382	12%	-900	0%	562 787
Trade and other receivables	129 439	69%	21 853	12%	82 686	44%	-45 514	-24%	188 464
Net debt	262 910	78%	755	0%	72 392	22%	0	0%	336 056
Accounts payable	193 546	90%	17 003	8%	50 170	23%	-45 514	-21%	215 205

('000 EUR) *Dec 31, 2007*	Aerostructures	%	Engineering and services	%	Onboard wiring and systems	%	Intersegment eliminations	%	Total
Revenue	337 699	69%	37 065	8%	140 059	29%	-25 473	-5%	489 349
Inter-segment revenue	-12 765	50%	-10 384	41%	-2 325	9%		0%	-25 473
Consolidated revenue	**324 934**	**66%**	**26 681**	**5%**	**137 734**	**28%**	**0**	**0%**	**489 349**
Operating result	**23 337**	**60%**	**2 576**	**7%**	**13 213**	**34%**	**0**	**0%**	**39 125**
Operating result/revenue	*8,45%*		*6,55%*		*5,91%*				***8,00%***
Financial result	**-10 533**	**72%**	**-89**	**1%**	**-4 053**	**28%**	**0**	**0%**	**-14 674**
Income tax and miscellaneous	-3 159	45%	-741	11%	-3 130	45%	0	0%	-7 030
Result from associates	588	100%	0		0		0		588
Result: Group share	10 233		1 745		6 030		0		18 008
Result: Minority interests	0		-61		0		0		-61
Net result	**10 233**	**57%**	**1 684**	**9%**	**6 030**	**34%**	**0**	0%	**17 947**
Net result/revenue	*3,03%*		*4,54%*		*4,31%*				***3,67%***
Intangible fixed assets	1 180	47%	109	4%	1 209	48%	0	0%	2 498
Goodwill	1 077	45%	1 300	55%	0	0%	0	0%	2 378
Tangible fixed assets	76 964	81%	3 771	4%	13 827	15%	8	0%	94 570
Investments in associates	3 934	100%	0	0%	0	0%	0	0%	3 934
Other fixed assets	116	15%	44	6%	601	79%	3	0%	764
Total assets	**83 271**	**80%**	**5 223**	**5%**	**15 637**	**15%**	**11**	0%	**104 143**
Acquisition of tangible and intangible fixed assets	14 444	87%	435	3%	1 661	10%	0	0%	16 540
Inventories	573 915	89%	1 088	0%	69 226	11%	-900	0%	643 330
Trade and other receivables	108 844	70%	21 240	14%	86 042	55%	-60 336	-39%	155 790
Net debt	291 690	77%	3 580	1%	81 685	22%	0	0%	376 955
Accounts payable	210 447	99%	14 276	7%	48 412	23%	-60 336	-28%	212 798

('000 EUR) Dec 31, 2008	Europe	Americas	Other	Inter-segment eliminations	TOTAL
Goodwill	2 378		0		2 378
Other intangible fixed assets	1 148	70	208		1 426
Land	4 061	874	1 123		6 058
Buildings	34 632	6 869	2 123		43 624
Industrial equipment and technical facilities	25 578	8 324	2 025		35 927
Other fixed assets	6 064	697	474		7 235
Fixed assets in progress	3 897	22	0		3 918
Advenced payments on fixed assets	103	0	26		130
Total tangible fixed assets	**74 335**	**16 787**	**5 771**	**0**	**96 893**
Acquisition of tangible and intangible fixed assets	9 958	6 659	769		17 387
Investments in associates	4 093	140			4 234
Deferred taxes assets	3 628	2 385			6 013
Hedging instruments - non current portion	3 610				3 610
Other non current assets	0				0
Total non current assets	**11 332**	**2 526**	**0**	**0**	**13 857**

('000 EUR) Dec 31, 2007	Europe	Americas	Other	Inter-segment eliminations	TOTAL
Goodwill	2 378				2 378
Other intangible fixed assets	2 296	108	94		2 498
Land	4 070	1 090	891		6 051
Buildings	34 439	5 013	2 136		41 588
Industrial equipment and technical facilities	25 373	8 960	2 423		36 756
Other fixed assets	6 333	532	418		7 283
Fixed assets in progress	1 840	597			2 437
Advenced payments on fixed assets	411		42		453
Total tangible fixed assets	**72 466**	**16 192**	**5 910**	**0**	**94 568**
Acquisition of tangible and intangible fixed assets	8 461	7 185	894		16 540
Investments in associates	3 732	201			3 933
Deferred taxes assets	5				5
Hedging instruments - non current portion	924				924
Other non current assets	762		1	3	766
Total non current assets	**5 423**	**201**	**1**	**3**	**5 628**

The detail of revenue by zone and geographical market is found in note 16.

NOTE 5 FIXED ASSETS

5.1 Change in fixed assets

('000 EUR)	Dec 31, 2007	Currency variations	Other	Acquisitions	Disposals	Dec 31, 2008
Franchises/patents/similar rights	5 033	-47	0	358	0	5 344
Other Intangible Fixed Assets	4 664	-13	7	326	-28	4 956
Goodwill	2 378	0	0	0	0	2 378
Land	3 902	-252	0	258	0	3 909
Buildings	27 192	-1 785	1 563	3 945	0	30 916
Plants & Equipment	64 911	-3 074	617	7 975	-434	69 994
Other Fixed Assets	18 199	-284	293	1 452	-314	19 345
Fixed assets in progress	2 448	-129	-1 149	2 748	0	3 918
Advanced payments on fixed assets	453	19	-342	0	0	130
Real estate leasing	27 474	0	-994	1 200	0	27 681
Long-term Investments	1 242	-2	-665	254	-112	716
Investments in associates	3 934	-34	54	280	0	4 234
GROSS ASSSETS	**161 829**	**-5 601**	**-615**	**18 796**	**-889**	**173 520**

('000 EUR)	Dec 31, 2007	Currency variations	Other	Increase	Decrease	Dec 31, 2008
Franchises/patents/similar rights	3 624	-20	0	705	0	4 309
Other Intangible Fixed Assets	3 575	-13	0	1 002	0	4 565
Buildings	2 841	-160	0	1 125	0	3 806
Plants & Equipment	28 155	-845	0	7 082	-325	34 066
Other Fixed Assets	10 916	-108	0	1 607	-305	12 110
Real estate leasing	8 086	0	0	930	0	9 017
Long term investments	478	0	0	0	0	478
AMORTIZATIONS	**57 677**	**-1 146**	**0**	**12 451**	**-630**	**68 352**

('000 EUR)	Dec 31, 2006	Currency variations	Other	Acquisitions	Disposals	Dec 31, 2007
Franchises/patents/similar rights	1 255	4	3 159	992	-377	5 033
Other Intangible Fixed Assets	7 636	17	-3 044	55		4 664
Goodwill	1 911		466			2 377
Land	3 832	70	0			3 902
Buildings	23 536	708	3 463	478		28 186
Plants & Equipment	54 840	1 018	2 417	7 724	-1 088	64 911
Other Fixed Assets	15 646	63	906	1 624	-41	18 199
Fixed assets in progress	5 088	21	-7 673	5 002		2 438
Advanced payments on fixed assets	324	12	-44	161		453
Real estate leasing	26 423		58			26 481
Long-term Investments	1 219	-1	6	236	-219	1 242
Investments in associates	3 621	21	-297	588		3 934
GROSS ASSSETS	**145 331**	**1 934**	**-582**	**16 861**	**-1 725**	**161 819**

('000 EUR)	Dec 31, 2006	Incidence des var. de change	Other	Dotations	Reprises	Dec 31, 2007
Franchises/patents/similar rights	1 002	-1	2 029	607	-13	3 624
Other Intangible Fixed Assets	5 423	14	-1 916	53		3 575
Buildings	1 980	52	-258	1 067		2 841
Plants & Equipment	24 223	285	-1 175	5 876	-1 055	28 155
Other Fixed Assets	9 072	29	294	1 552	-31	10 916
Real estate leasing	7 133	-1	34	921		8 086
Long term investments	409		69			478
AMORTIZATIONS	**49 242**	**379**	**-922**	**10 076**	**-1 098**	**57 677**

('000 EUR)	Dec 31, 2006	Dec 31, 2007	Dec 31, 2008
Franchises/patents/similar rights	253	1 409	1 035
Other Intangible Fixed Assets	2 213	1 089	391
Goodwill	1 911	2 378	2 378
Land	3 832	3 902	3 909
Buildings	21 556	24 351	27 110
Plants & Equipment	30 616	36 756	35 927
Other Fixed Assets	6 574	7 282	7 235
Fixed assets in progress	5 088	2 448	3 918
Advanced payments on fixed assets	324	453	130
Real estate leasing	19 289	19 388	18 664
Long-term Investments	810	764	238
Investments in associates	3 621	3 934	4 234
NET ASSETS	**96 088**	**104 152**	**105 168**

The Technological Research (R&T) expenses were not recognized as an intangible asset. The intangible fixed assets include contracts valued through a business combination in August 2004 for a gross amount of €2,832k. These contracts were entirely amortized at December 31, 2008.

The main acquisitions of fiscal year 2008 relate to the construction of a second industrial building for the LATECOERE do BRASIL Company as well as acquisitions of equipment and tooling for the amount of €6 million, acquisitions of technical facilities, machinery and tooling in connection with the Letov s.r.o. Company's business growth for the amount of €4 million, the establishment of a new leasing contract for the amount of €1 million and various acquisitions of machinery and of tooling of the LATECOERE and LATelec companies for the amount of €3 million.

At the closing, there exists collateral of €19.6 million on the tangible fixed assets.

5.2 Detail of the other intangible fixed assets

('000 EUR)	Dec 31, 2008	Dec 31, 2007
Gespac contracts	0	939
LATECOERE software	517	918
Contributions of the other companies	909	641
TOTAL	**1 426**	**2 498**

The Gespac contracts were totally amortized at year-end 2008.

5.3 Goodwill

('000 EUR)	Dec 31, 2008			Valuation method	Discounting rate	Discounting period	Growth rate
	Gross value	Impairment	Net Value				
LATecis	834	0	834	Discounted future cash flow method	8%	Infinity	2%
LATECOERE AEROSTRUCTURE	1 077	0	1 077		8%	Infinity	2%
G2 METRIC	466	0	466		8%	Infinity	2%
TOTAL	**2 378**	**0**	**2 378**				

5.4 Finance lease contracts

('000 EUR)	Minimum future payments as of Dec, 31 2008				Present value of minimum future payments as of Dec, 31 2008			
	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
Fructicomi 1		-	-	-	-	-	-	-
Fructicomi 2	703	2 108	562	3 373	421	1 919	544	2 885
Batimap	640	2 560	2 400	5 600	427	1 931	2 182	4 541
LATECOERE	**1 343**	**4 668**	**2 962**	**8 973**	**849**	**3 850**	**2 727**	**7 425**
Auximur 1	225	225	0	449	207	218	0	425
Auximur 2	59	44	0	103	54	43	0	97
LB 1	48	191	16	255	36	164	15	214
LB 2	47	187	299	533	32	140	264	436
LATelec	**378**	**648**	**315**	**1 340**	**329**	**564**	**280**	**1 172**
LB 1	74	135	0	209	66	129	0	195
LB 2	124	496	1 239	1 859	50	313	826	1 189
LATecis	**198**	**630**	**1 239**	**2 068**	**116**	**442**	**826**	**1 384**
LB 1		0		0	0	0	0	0
CCA	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**1 919**	**5 946**	**4 516**	**12 381**	**1 293**	**4 856**	**3 832**	**9 982**

NOTE 6 INVESTMENTS IN ASSOCIATES

('000 EURO)	PESOLA	CCA	LATECOERE AEROSERVICES	TOTAL
Fixed assets	877	3 980	5 728	10 585
Inventories & work in progress	659	5 514	2 295	8 468
Trade receivables	379	4 785	5 138	10 302
Other receivables	0	4 588	788	5 376
Cash and cash equivalent	237	4 247	450	4 935
TOTAL ASSETS	**2 152**	**23 114**	**14 399**	**39 665**
Shareholders' equity	382	7 073	3 550	11 006
Autres fonds propres	0	5 758	1 516	7 274
Provisions	51	1 601	0	1 652
Financial liabilities	0	17	4 024	4 041
Trade payables	1 240	6 326	3 334	10 900
Social and tax liabilities	29	1 709	1 457	3 195
Ohters liabilities	450	6 388	518	7 356
TOTAL SHAREHOLDER'S EQUITY & LIABILITIES	**2 152**	**23 114**	**14 399**	**39 665**
Revenue	1 959	30 908	15 911	48 778
Net result	-303	560	305	561

('000 EURO)	Dec 31, 2008	Dec 31, 2007
PESOLA	-81	-127
Corse Composites Aéronautiques	232	588
LATECOERE AEROSERVICES	129	127
RESULT FROM ASSOCIATES	**280**	**588**

('000 EURO)	Dec 31, 2008	Dec 31, 2007
PESOLA	140	201
Corse Composites Aéronautiques	2 266	2 034
LATECOERE AEROSERVICES	1 827	1 699
INVESTMENTS IN ASSOCIATES	**4 234**	**3 934**

NOTE 7 DETAIL OF INVENTORIES & WORK IN PROGRESS

('000 EURO)	Dec 31, 2008			Dec 31, 2007		
	Gross	Provision	Net	Gross	Provision	Net
Raw materials	67 590	6 714	60 876	58 097	5 016	53 081
Work in progress - Construction contracts	438 581	0	438 581	522 739	0	522 739
Work in progress - Other	94 655	31 325	63 330	102 905	35 395	67 510
TOTAL	**600 826**	**38 038**	**562 787**	**683 741**	**40 412**	**643 330**

At December 31, 2008, the reduction of work-in-progress of production originates mainly from sporadic invoicing of development expenses.
At year-end the provision for inventories & work in progress other than construction contracts principally corresponds to intermediate products provisions of €10 million pertaining to obsolescence, and work in progress provisions of €21 million for modification work and/or retrofitting to come.
Additional information on the construction contracts is furnished in note 22.

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, 2008	Financial instrument (cat 1)	Financial instrument (cat 2)	Fair value
Non current financial assets	238			238		238	238
Non current hedging financial instruments			3 610	3 610		3 610	3 610
Trade receivables and other receivables	188 464			188 464		188 464	188 464
Current hedging financial instruments			1 348	1 348		1 348	1 348
Financial assets at fair value through profit and loss		97		97		97	97
Cash and cash equivalent		19 882		19 882	15 769	4 113	19 882
TOTAL	**188 702**	**19 979**	**4 958**	**213 639**	**15 769**	**197 869**	**213 639**

('000 EURO)	Loans and receivables at amortised cost	Financial assets at fair value through profit and loss	Hedging instruments	Dec 31, 2007	Financial instrument (cat 1)	Financial instrument (cat 2)	Fair value
Non current financial assets	765			765		765	765
Non current hedging financial instruments			924	924		924	924
Trade receivables and other receivables	155 790			155 790		155 790	155 790
Current hedging financial instruments			32 734	32 734		32 734	32 734
Financial assets at fair value through profit and loss		12 194		12 194		12 194	12 194
Cash and cash equivalent		57 053		57 053		57 053	57 053
TOTAL FINANCIAL ASSETS	**156 555**	**69 247**	**33 657**	**259 459**	**0**	**259 459**	**259 459**

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, 2008	Dec 31, 2007
Advanced payments	1 925	2 621
Trade receivables	172 438	135 628
Of which discount of receivables	*10 256*	*22 708*
Group current account	835	249
Tax receivables	11 679	16 174
Other current receivables	1 586	1 118
TOTAL RECEIVABLES	**188 464**	**155 790**

NOTE 10 DERIVATIVE INSTRUMENTS

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

('000 EURO)	Balance sheet position		Notional*	Maturity		
	Assets	Liabilities		< To 1year	From 1 to 5 years	> 5 years
Foreign currency risk						
Financial instruments not designed as a hedge						
- Forward currency contracts **BRL/USD**	0	9 511	61 076	41 316	19 760	0
- Currency option contracts **EUR/USD** *(time value)*		4 465	344 902	129 338	215 564	0
Cash flow hedging						
- Forward currency contracts **EUR/USD**	187	8 614	144 284	140 548	3 736	0
- Forward currency contracts **CZK/EUR**	1 514	0	90 000	30 000	60 000	0
- Currency option contracts **EUR/USD** *(intrinseque value)*	3 257		86 225		86 225	0
Total	**4 958**	**22 590**	**726 488**	**341 202**	**385 286**	**0**
Interest rate risk						
Financial instruments not designed as a hedge						
- Collar	97	1 170	150 000	150 000	0	0
Total	**97**	**1 170**	**150 000**	**150 000**	**0**	**0**
TOTAL FINANCIAL INSTRUMENTS NOT DESIGNED AS A HEDGE	**97**	**15 146**	**211 076**	**191 316**	**19 760**	**0**
TOTAL CASH FLOW HEDGING	**4 958**	**8 614**	**320 509**	**170 548**	**149 962**	**0**

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

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

Impact of future cash flow hedging

('000 EURO)	Dec 31, 2008	Dec 31, 2007
Fair value at the opening date	**33 658**	**64 550**
Equity change for the effective portion	-23 435	6 660
Qualifying in hedge accounting [1]	15 964	0
Reclasssified in income when the hedged element affects profit and loss	-29 842	-37 552
Fair value at the closing date	**-3 656**	**33 658**

[1] *Forward currency contract CZK/EUR is qualified as a hedge accounting since July 1st 2008*

In compliance with IAS 39, the Group decided to qualify its CZK/EUR hedging instruments in the "derivatives subject to measurement under hedge accounting requirements" category beginning on July 1, 2008. These derivative instruments were previously included in the "Financial instruments at fair value through profit or loss" category. Fair value variations prior to July 1, 2008 were posted in income statement. Fair value variations after July 1, 2008 follow the hedge accounting described in note 2.16.
The fair value of these hedging instruments at June 30, 2008 was €16 million. The impact on shareholders' equity at year-end is €--11 million before taxes. The impact on net result of the fair market variation on the first half of 2008 is €11 million.

Impact of derivative instruments to which hedge accounting is not applied

('000 EURO)	Dec 31, 2008	Dec 31, 2007
Fair value at the opening date	**11 146**	**4 095**
Recorded through income statement	-10 231	7 051
Qualifying in hedge accounting [1]	-15 964	0
Fair value at the closing date	**-15 049**	**11 146**

[1] Forward currency contract CZK/EUR is qualified as a hedge accounting since July 1st 2008

Incidence of revaluation in income and shareholders' equity of derivative instruments

At year-end 2008, the fair value valuation of derivative instruments (option collars) of the Group was impacted by the atypical volatility recorded at December 31, 2008. Indeed, the end of year 2008 was marked by tensions in a context of reduced activity evidenced by a sharp increase in the implicit volatility of foreign exchange currency options at the money over the Group's hedging horizons of one to three years. This disturbance of the markets deteriorated the time value of option collars implemented by the Group under its medium-term hedging policy and the variation of which was accounted for in financial result.

Furthermore, the total net unrealized losses recognized in 2008 operating result are €--11.5 million pre-tax and the net unrealized losses after taxes registered in shareholders' equity at year-end are €--12 million.

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.

11.2 Breakdown of capital

	Dec 31, 2008	Dec 31, 2007
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, 2008	Dec 31, 2007
Averaged issued shares	8 609 997	8 609 997
Averaged treasury shares	14 297	2 740
Weighted average shares	8 595 700	8 607 257
Net resultat - Group Share (in euro)	-6 699 279	17 959 626
Earnings per share (in euro)	-0,78	2,09

All shares were fully paid.

11.3 Treasury Shares

Number of shares	Dec 31, 2007	Acquisitions	Disposals	Dec 31, 2008	% of ownership
LATECOERE Shares	3 544	82 446	56 658	29 332	0,34%

('000 EURO)	Dec 31, 2007	Acquisitions / Provisions	Disposals	Dec 31, 2008	Average purchase price
LATECOERE Shares	64	807	651	220	9,82

('000 EURO)	Amount in Equity
Elimination of treasury shares at the opening	-87
Elimination of gain/loss from disposals of treasury shares (net of tax)	1 887
Impact of adjustment of treasury shares in Equity at 12/31/2006	**1 790**
Adjustment of the treasury shares of fiscal year	20
Impact of adjustment of treasury shares in Equity at 12/31/2007	**1 810**
Adjustment of the treasury shares of fiscal year	-207
Impact of adjustment of treasury shares in Equity at 12/31/2008	**1 603**

11.4 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

('000 EURO)	Dec 31, 2007	Increase	Write-backs used	Write-backs not used	Dec 31, 2008
Provisions	**643**	**41**	**-65**	**0**	**618**

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.

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.
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, 2008.

('000 EURO)	Dec 31, 2007	Increase	Write-backs used	Write-backs not used	Dec 31, 2008
Retirement bonus	10 256	217	-679	0	9 794
long-service medals	942	23	-10	0	955
TOTAL	**11 198**	**240**	**-689**	**0**	**10 749**

13.1 Retirement Benefits

Retirement liabilities accounted for at December 31, 2008 were calculated according to the method described in Note 2.21 of this document.
The calculation assumptions retained are the following:

- discount rate of 5.30% (compared to 4.8% in 2007) calculated on the basis of the ten-year French Treasury bond rate (OAT) increased by a credit spread;
- use of the TH-002/TF-002 mortality table;
- employee turnover noted by age group and by company;
- age of retirement departure: 65 years old;
- progression of salaries consistent with the average of the last years.

There exists no deferred past service costs at the year-ends 2007 and 2008. The actuarial variations have been totally recognized in the income statement of the fiscal year. The obligations are noted in the balance sheet as a non-current liability for the amount of the total obligation, as there exists no deferred actuarial variations nor deferred past service costs. The retirement severance pay relating to employees who should leave in 2009 is €403k.
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 2009 provision should be (excluding departures) €1.2 million.

('000 EURO)	Dec 31, 2008	Dec 31, 2007
Increase	217	367
Decrease	-679	-47
Contributions paid	1 996	78
NET COST (REVENUE) OF THE YEAR	**1 534**	**398**
of which :		
Actuarial gains or losses	410	-853
Interest cost	461	473
Services cost	664	777
TOTAL	**1 534**	**398**

13.2 Employee long-service medals

The obligation under long-service medals accounted for at December 31, 2008 was calculated according to the method described in Note 2.21 of this document.
The calculation assumptions retained are the following:

- discount rate of 5.30% (compared to 4.8% in 2007) calculated on the basis of the ten-year French Treasury bond rate (OAT) increased by a credit spread;
- 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).

The long-service medal bonus pay relating to employees who should leave in 2009 is €11k.
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 2009 provision should be (excluding departures) €43k.

('000 EURO)	Dec 31, 2008	Dec 31, 2007
Increase	23	57
Decrease	-10	0
Contributions paid	102	107
NET COST (REVENUE) OF THE YEAR	**115**	**164**
of which :		
Actuarial gains or losses	40	43
Interest cost	44	43
Services cost	31	78
TOTAL	**115**	**164**

13.3 Individual Right to Training

The obligation under the individual right to training accounted for at December 31, 2008 was calculated according to the method described in Note 2.21 of this document. At December 31, 2008, the provision amounted to €237k compared to €186k at December 31, 2007.

NOTE 14 FINANCIAL LIABILITIES

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel liabilities	Dec 31, 2008	Fair value*
Refundable Advances			58 840	58 840	58 840
Discounted Receivables			10 256	10 256	10 256
Bank loans			329 279	329 279	327 635
Finance lease			9 982	9 982	9 982
unsecured banking facility			6 421	6 421	6 421
Other non-current liabilities			5	5	5
Financial instruments at fair value	15 146	8 614		23 760	23 760
Accounts payable			215 205	215 205	215 205
Income tax			1 677	1 677	1 677
TOTAL FINANCIAL LIABILITIES	**15 146**	**8 614**	**631 663**	**655 424**	**653 780**

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel liabilities	Dec 31, 2007	Fair value*
Refundable Advances			71 013	71 013	71 013
Discounted Receivables			22 708	22 708	22 708
Bank loans			333 307	333 307	332 014
Finance lease			10 499	10 499	10 499
unsecured banking facility			6 421	6 421	6 421
Other non-current liabilities			173	173	173
Financial instruments at fair value	1 048			1 048	1 048
Accounts payable			212 798	212 798	212 798
Income tax			538	538	538
TOTAL FINANCIAL LIABILITIES	**1 048**	**0**	**657 458**	**658 506**	**657 213**

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

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

14.1 Loans and Bank Borrowings

('000 EURO)	Dec 31, 2008	Dec 31, 2007
Bank loans - non current	278 753	299 572
Leasing - non current	8 689	8 793
Non-current liabilities	**287 441**	**308 365**
Bank loans - non current	50 526	33 735
Leasing - non current	1 293	1 706
Bank overdraft, commercial paper and other financial debts	16 677	90 201
Current liabilities	**68 496**	**125 642**
TOTAL OF LOAN AND BANK BORROWINGS	**355 937**	**434 007**

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

('000 EURO)	Currency	Interest rate	Maturity	Dec 31, 2008	
				Nominal value	Carrying value
Bank borrowings with guarantee	EURO	EURIBOR+ margin	2009-2015	387 600	294 119
Bank borrowings with guarantee	EURO	T4M + margin	2010-2014	9 500	4 380
Bank borrowings with guarantee	EURO	3,8%-5,9%	2014-2020	40 840	30 780
Finance lease	EURO	4,8%-7,2%	2008-2020	25 013	9 982
Commercial paper and other financial debts	EURO	EUR. / T4M+	n/a	6 421	6 421
Loans against receivables mobilization	EURO	EURIBOR + margin	n/a	10 256	10 256
TOTAL OF LOAN AND BANK BORROWINGS				**479 630**	**355 937**

The borrowings set up at the Group level can be used in currencies other than the Euro.

14.2 Financial ratios

Some financing contracts are subject to covenants. The covenants mentioned in the medium term financing contracts relate to respect by the Group of ratios. At December 31, 2007, certain of these ratios exceeded those defined in the contracts. The discussions entered into with the Group's financial partners in accordance with contractual provisions resulted in:

- obtaining a waiver for the 2007 financial statements
- the definition of new ratios, common to all of the banks and adapted to the current situation and to the Group's business prospects.

These new ratios: net debt/pro forma equity funding and net debt/pro forma Ebitda, are applicable to fiscal year 2008's financial statements and have been respected. The amount of the relevant total liabilities was €316 million at December 31, 2008.

14.3 Refundable Advances

The most significant refundable advances concern the F7X (€15 million) and A380 (€42 million) programs. These 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 DEFERRED TAXES

('000 EURO)	Dec 31, 2008		Dec 31, 2007	
	Actif	Passif	Actif	Passif
Temporary differences*	1 157	-94		-999
Tax losses				
Deferred taxes from consolidation booking	4 856	810	5	14 034
TOTAL	**6 013**	**715**	**5**	**13 034**

The main source of deferred taxes relates to the valuation of derivative instruments. Deferred taxes recognized through shareholders' equity relates to the valuation of hedging instruments and was €4 million at December 31, 2008 (deferred tax asset) compared to €12 million at December 31, 2007 (deferred tax liability).

NOTE 16 REVENUE

BY BUSINESS

('000 EURO)	Dec 31, 2008		Dec 31, 2007
	Amount	%	%
Civil business	674 616	98,6%	98,2%
Military business	9 254	1,4%	1,8%
TOTAL	**683 870**	**100,0%**	**100,0%**

BY GEOGRAPHICAL ZONE

('000 EURO)	Dec 31, 2008		Dec 31, 2007
	Amount	%	%
France	454 967	66,5%	57,8%
Export	228 903	33,5%	42,2%
TOTAL	**683 870**	**100,0%**	**100,0%**

BY GEOGRAPHICAL MARKET (DIRECT EXPORTS)

('000 EURO)	Dec 31, 2008		Dec 31, 2007
	Amount	%	%
Europe	494 200	72,3%	67,7%
North America	16 919	2,5%	2,0%
Asia	5 895	0,9%	0,3%
Other	166 856	24,4%	30,0%
TOTAL	**683 870**	**100,0%**	**100,0%**

BY NATURE

('000 EURO)	Dec 31, 2008		Dec 31, 2007
	Amount	%	%
Revenue - Construction contrats	408 738	59,8%	49,7%
Revenue - Goods	183 277	26,8%	35,1%
Revenue - Services	91 855	13,4%	15,2%
TOTAL	**683 870**	**100,0%**	**100,0%**

NOTE 17 OTHER INCOME

The amount of other income includes in particular grants and research-based tax credits for €7.6 million.

NOTE 18 DETAIL OF FOREIGN EXCHANGE GAINS AND LOSSES

('000 EURO)	Dec 31, 2008	Dec 31, 2007
Exchange rate gains/loss realized during the year on commercial operations	4 290	-4 590
Valuation of the receivables and liabilities at the closing date	-4 102	1 886
Change in fair value of financial instruments	729	5 561
TOTAL	**917**	**2 857**

NOTE 19 DETAIL OF FINANCIAL INCOME

('000 EURO)	Dec 31, 2008	Dec 31, 2007	Var.
Interest expense - net	-23 343	-19 618	-3 725
Foreign Exchange gains/loss realized	-11 316	5 021	-16 337
- derivative instuments EUR/USD	**-11 302**	**0**	**-11 302**
- other derivative instrument	**3 626**	**1 357**	**2 269**
- Foreign Exchange gains/loss realized on financial operations	**-3 640**	**3 664**	**-7 304**
Valuation of the financial items on balance sheet at the closing date	5 003	-2 595	7 598
Change in fair value of financial instruments :	-11 471	4 226	-15 697
- Change in fair value of currency option contract (time value)	**-4 465**	**0**	**-4 465**
- Change in fair value of forward currency contract	**-1 598**	**3 987**	**-5 584**
- Change in fair value of interest rate contract	**-5 408**	**240**	**-5 647**
Other financial expenses / income	-822	-1 708	886
FINANCIAL RESULT	**-41 948**	**-14 674**	**-27 274**

NOTE 20 INCOME TAXES

20.1 Income tax expense

('000 EURO)	Dec 31, 2008	Dec 31, 2007
Current income taxes	-1 219	-6 621
Deferred taxes	4 491	-410
TOTAL	**3 273**	**-7 030**

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

('000 EURO)	Dec, 31 2008	Dec, 31 2007
Group net result of consolidated companies	**-6 538**	**18 021**
- Consolidated tax expense (due and deferred)	-3 273	7 030
- depreciation of goodwill	0	0
Pre-tax consolidated result (before Group/minority interests share)	**-9 811**	**25 051**
- Result from associates	280	588
Pre-tax consolidated result (A)	**-10 091**	**24 463**
Theoretical tax rate (current rate applicable to parent company) (B)	**34,43%**	**34,43%**
Theoretical tax expense (A*B)	**-3 474**	**8 423**
Items taxed at the reduced rate or not taxed	-368	539
Effect of the tax rate variations on deferred taxes	19	243
Unreported tax losses *	-1 255	371
Other	252	-10
Tax reductions / tax credits **	1 150	249
Sub-total	***-202***	***1 392***
ACTUAL TAX EXPENSE	**-3 273**	**7 030**
EFFECTIVE TAX RATE	**32,43%**	**28,74%**

** The unused tax losses are without carryforward limit*
*** This amount essentially corresponds to the research-based tax credit*

NOTE 21 RISK MANAGEMENT

21.1 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.

21.2 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. At the end of 2008, the financing lines in place and in the process of being set up are sufficient to face up to obligations flowing from the foreseeable business in fiscal year 2009. Undiscounted cash flows integrate financial interest. The financial interest was calculated on the basis of the 2008 variable rate for the share of variable rate financial liabilities. The financial liabilities by maturity are analyzed as follows:

	Dec 31, 2008				
('000 EURO)	**Carrying value**	Undiscounted cash flow	Less than 1 year	From 1 to 5 years	Over 5 years
Refundable Advances	58 840	-94 083	-14 179	-29 842	-50 062
Discounted Receivables	10 256	-10 256	-10 256		
Bank loans	329 279	-400 967	-4 950	-318 514	-77 503
Finance lease	9 982	-12 381	-1 919	-5 946	-4 516
Commercial paper and other financial debts	6 421	-6 421	-6 421		
Dettes et autres créditeurs	1 682	-1 682	-1 682		
FINANCIAL LIABILITIES (except derivative instr.)	416 458	-525 789	-39 406	-354 302	-132 081
Derivative instruments	23 760	-23 760	-21 596	-2 123	-41
TOTAL FINANCIAL LIABILITIES	**440 219**	**-549 550**	**-61 001**	**-356 425**	**-132 123**

	Dec 31, 2007				
('000 EURO)	**Carrying value**	Undiscounted cash flow	Less than 1 year	From 1 to 5 years	Over 5 years
Refundable Advances	71 013	-107 125	-16 026	-43 234	-47 865
Discounted Receivables	22 708	-22 708	-22 708	0	0
Bank loans	333 306	-397 820	-48 599	-310 798	-38 423
Finance lease	10 499	-12 714	-2 192	-5 948	-4 574
Commercial paper and other financial debts	67 328	-67 328	-67 328		
Dettes et autres créditeurs	167	-167	-165		-2
FINANCIAL LIABILITIES (except derivative instr.)	505 021	-607 862	-157 018	-359 981	-90 863
Derivative instruments	1 048	-1 048	-1 048		
TOTAL FINANCIAL LIABILITIES	**506 069**	**-608 910**	**-158 066**	**-359 981**	**-90 863**

At the end of 2008 agreements were finalized with all the Group's financial partners, which secured its financial structure for 2009 in particular, thanks to:

- the confirmation of the Group's short-term resources for 2009 and 2010 (short-term credits, commercial paper, overdrafts, discount lines, etc.)
- the one-year deferral in the repayment at term of medium- and long-term credits, which will maintain a level of resources identical to that of 2008.

21.3 Foreign Currency Exposure

US Dollar Foreign Currency Exposure

Through its international exposure and invoicing in US dollars to its French clients 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 62% of its sales in dollars and buys approximately 47% of supplies or sub-contracting in dollars. The effect of the dollar exchange risk hedging operations on revenue was €30,343k in 2008 and €31,994k in 2007.
The Group's USD hedging policy limits the impact of currency variations on the individual and consolidated financial statements. It should be noted that this table only reflects the situation noted at December 31, 2008 and does not reflect all future hedging. Furthermore, the estimated net flows in US dollars in 2009 and 2010 have been fully hedged.

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

	Dec 31, 2008		Dec 31, 2007	
	'000 $	'000 €	'000 $	'000 €
Accounts Receivable	141 153	95 886	107 227	72 839
Hedging instruments for the receivables on the balance sheet	1 300	31 576	17 200	15 384
Accounts Receivable not hedged	139 853	100 491	90 027	61 155
Accounts Payable	79 004	56 768	71 242	48 395
Other (advanced payments suppliers and customers)	-988	-710	697	473
Cash & Cash Equivalents	2 322	1 668	74 300	50 472
NET EXPOSURE	**64 159**	**46 101**	**92 387**	**62 759**

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, 2008. This variation would have resulted in a pre-tax decrease in result of €1.5 million compared to a pre-tax decrease in result of €2 million in 2007.
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 €1.2 million and a reduction of pre-tax shareholders' equity of €6.7 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 €0.05 fall in relation to the real and a $0.05 fall in relation to the real. These variations would have resulted in a pre-tax decrease in result of €0.7 million and a pre-tax decrease in shareholders' equity of €0.2 million.
The exposure on the TND (Tunisian dinar) and the Romanian LEU is not deemed significant in view of the Group's exposure to these currencies.

21.4 Interest Rate Risk

('000 EURO)	Less than 1 year	From 1 to 5 years	Over 5 years	Dec 31, 2008	Less than 1 year	From 1 to 5 years	Over 5 years	Dec 31, 2007
Fixed rates	-1 263	6 122	13 096	17 955	6 456	21 080	15 126	42 662
Variable rates	-49 528	-322 868	-56 092	-428 489	119 186	250 197	21 962	391 345
TOTAL OF LOAN AND BANK BORROWINGS	**-50 791**	**-316 747**	**-42 996**	**-410 534**	**125 642**	**271 277**	**37 088**	**434 007**

Almost all medium and long-term net debt is based on short-term floating rates. The LATECOERE Group set-up during the course of fiscal year 2005 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. The average interest rate borne by the Group in 2008 was 5.3%. The interest rate contracts hedge the Group with a cap of 3.27% for half of its debt until the end of 2008 and 3.37% for the other half until the end of 2009.

The sensitivity tests implemented were made on a hedging of interest rates net basis. By taking as an assumption a one-percent increase in short-term rates, the impact on the Group's pre-tax result would be an increase in financial costs of €718k at December 31, 2008 compared to an increase of financial costs of €913k at December 31, 2007.

21.5 Raw Material Risk

The Latécoère Group is exposed to raw material risk relating to its purchasing for raw materials, essentially aluminum, steel and titanium. During 2007, the Group negotiated contracts with its main suppliers, either independently, or through its clients' programs. These contracts have been concluded for 2 or 3 years, relate to supply volumes and 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. As a whole, the Group estimated its exposure to a strong increase of prices of its main raw materials as not significant.

21.6 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, 2008 is €220k.
Impact on treasury shares of price decrease of 10%:

- Weighted average price on December 12, 2008 €7.5
- LATECOERE share price on Dec. 31, 2008 €4.9
- Share price after 10% drop €6.7

Given the fact that at year end the LATECOERE Company only held 29,332 of its own shares, the equity share risk is non significant.

NOTE 22 CONSTRUCTION CONTRACTS

('000 EURO)	**Dec 31, 2008**	**Dec 31, 2007**
Inventories and work in progress	439	523
Revenue recognized from the origin of the contracts	1 323	891
Expenses incurred since the origin of the contracts	1 760	1 397
Refundable Advances	59	71

Construction contracts are based on forecasts made by the Group taking into account the commercial information (backlog 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 dollars 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), B787 (passenger doors), A340 WBI (lower part of the forward nose fuselage, upper fuselage section), and Falcon 900/2000 Easy (wiring). Detailed information by program (and in particular, the margins of construction contracts) cannot be communicated, for confidentiality reasons. Certain assumptions were reviewed during 2008 as a function of the advancement 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. Furthermore, the number of aircraft of the A330/A340 WBI programme was again revised downward.
A €0.05 downward evolution of the USD rate assumptions over the period 2009 to 2011 would have a €2 million impact on the margin recognized at December 31, 2008 and a 0.2 point decrease of the margins at completion for construction contracts. A longer term change to the €/$ exchange rates would have an impact on the organization of the Group's industrial processes.

NOTE 23 AVERAGE HEADCOUNT

	Dec 31, 2008					Dec 31, 2007	
	Executives & management	Administration	Blue-collars	**Total Employees**	Temporary staff	**Total Employees**	Temporary staff
LATECOERE	309	611	246	1 166	207	1 177	200
LATECOERE do BRASIL	19	89	321	429	0	293	0
LETOV s.r.o.	9	220	397	625	13	583	11
LATECOERE Inc.	3	1	0	4	1	5	2
LATelec	99	267	299	665	163	643	212
SEA LATelec	21	69	561	651	71	576	47
LATecis	161	184	0	345	8	319	5
LATelec GmbH	21	17	5	43	0	28	0
G²Metric	17	8	0	25	0	22	0
LATecis Ibéria	1	19	0	20	0	15	0
LATecis srl	3	10	0	13	0	2	0
TOTAL GROUP	**663**	**1 493**	**1 828**	**3 985**	**463**	**3 663**	**477**

NOTE 24 KEY MANAGERS REMUNERATION AND OTHER BENEFITS

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, 2008 the amount of €3,825k (of which €1,046k relates to retirement liabilities and €93k relates to long-service medals). At December 31, 2007, the total of remuneration was €3,311k (of which €907k relating to retirement liabilities and €57k relating to long-service medals).

NOTE 25 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

25.1 Financial Commitments

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

('000 EURO)	Dec 31, 2008				Dec 31, 2007
	< To 1year	From 1 to 5 years	> 5 years	**Total**	Total
Trade receivables given as security	137 379			137 379	120 055
Discounting of receivables *(1)*	226			226	15 967
Sub-contracting agreements	6 166			6 166	4 000
Cooperation agreements	2 266	2 278		4 545	20 369
Securities, collateral and mortgages *(2)*	971	13 815	21 904	36 690	52 216
Guarantees accorded		4 943	7 809	12 752	14 643
TOTAL	**147 009**	**21 036**	**29 713**	**197 758**	**227 250**

(1) At December 31, 2008, the LATECOERE Company realized discounting of receivables for an effective amount of €226k 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 €20.2 million and intangible items not recognized to the balance sheet for €16.5 million.

Some construction contracts have also been given as security. The amount of this security relating to receivables which may arise was €128 million at

December 31, 2008. These amounts were respectively €155 million in 2007 and €145 million in 2006.

25.2 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.

25.3 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 business tax. The LATECOERE Company contests the tax adjustments proposed by the Tax authority, which have not been the object of a provision.

NOTE 26 RELATED PARTIES

Group flows of the integrated companies:

('000 EURO)	Latécoère	LETOV sro	LdB	LAT. Inc.	LATelec	SEA	LATelec GmbH	LATecis	Other subsidiaries	**Dec 31, 2008**
Revenue	29 687	29 834	12 488	11 642	3 744	4 905	20 605	6 905	1 350	121 159
Purchasing	62 929	11 057	0	0	41 799	487	761	3 793	334	121 159
Trade receivables	26 121	8 736	1 562	1 546	1 085	253	927	6 007	180	46 418
Trade payables	18 468	14 599	0	0	11 684	99	0	1 234	333	46 418

Group flows of associates:

('000 EURO)	Latécoère	CCA	Latécoère Aeroservices	**Dec 31, 2008**
Operating revenue	235	2 517	1 267	4 019
Purchasing	3 784	0	235	4 019
Trade receivables	137	842	343	1 323
Trade payables	1 186	0	137	1 323

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 management fees to its subsidiaries, integrating the cost relating to these items.

Furthermore, as part of the centralized cash flow management, the LATECOERE Company can grant to its subsidiaries (directly held) advances on current account (short-term cash flow) or loans (medium- or long-term) to finance property 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 intra-Group financing may be set up between a subsidiary of the LATECOERE Company and its indirect subsidiary/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 does not exist any significant operation with related parties outside the Group.

3.6 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, 2008:

- 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for that 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, 2008 and of the results of its operations for the year ended in accordance with IFRSs as adopted by the EU.
Without qualifying our opinion, we draw attention to the notes to the consolidated financial statements disclosing at paragraph 1.2 the consequences on revenue of sporadic invoicing realized on some contracts and at note 19 the financial expense of 4.5 million Euros related to the time value of foreign exchange options.

Justification of our assessments

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

- As indicated in the first part of our report, note 1.2 to the consolidated financial statements exposes the consequences on revenue of sporadic invoicing realized on some contracts during the fiscal year, and note 19 to the consolidated financial statements, the effects of fair value treatment of financial instruments.

  Furthermore, note 2.16 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 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 group, we have verified that these accounting methods and the related information disclosed in the notes were appropriate, and we have assessed their correct implementation.

- The group recognizes the results on long-term contracts under the stage of completion method as described in notes 2.14 and 22 to the consolidated financial statements. This margin on construction contracts is based on estimates, relating mainly to industrial assumptions and US dollar exchange rate. At December 31, 2008, the accounting estimates used in the preparation of the financial statements were performed in a context where economic prospects were definitely difficult to grasp. These conditions are described in note 2.3 to the consolidated financial statements.

  In this uncertain context and on the basis of information available, our work consisted of assessing the data and assumptions underlying these valuations of margins retained and of reviewing the calculations of the group. In the context of our appreciation, we verified the reasonableness of these estimates.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

Specific verification

In accordance with professional standards applicable in France, we have also verified the information relative to the group given in the parent company's management report.
We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

The Statutory Auditors

Toulouse, on April 20, 2009

KPMG Audit
A division of KPMG S.A.

Christian Libéros
Partner

Paris, on April 20, 2009

Grant Thornton
French Member of Grant Thornton International

François Pons
Partner

4 STATUTORY FINANCIAL STATEMENTS OF THE LATECOERE S.A COMPANY AT DECEMBER 31, 2008

4.1 Balance Sheet of the LATECOERE S.A. Company

('000 EURO)	Gross	Amortization	Dec 31, 2008	Dec 31, 2007
Research and development expenditure			0	0
Other intangible fixed assets	3 960	3 137	823	1 125
Intangible fixed assets	**3 960**	**3 137**	**823**	**1 125**
Land	329		329	329
Buildings	578	340	238	288
Plant, equipment and tooling	24 059	16 220	7 839	7 829
Other tangible fixed assets	11 031	7 658	3 373	3 969
Fixed assets in progress	883		883	117
Advance payments			0	0
Tangible fixed assets	**36 880**	**24 217**	**12 662**	**12 532**
Other shareholdings	25 108	1 099	24 009	24 009
Other long-term investments	6 594		6 594	7 890
Other fixed shares	25		25	25
Loans	409	409	0	0
Other financial fixed assets	315	72	243	333
Financial fixed assets	**32 450**	**1 579**	**30 871**	**32 257**
Fixed assets	**73 290**	**28 934**	**44 356**	**45 914**
Raw materials	46 188	4 571	41 617	36 678
Work-in-process	401 676	22 808	378 867	478 588
Intermediate and finished products	62 639	8 516	54 123	46 260
Intermediate and finished products	**510 503**	**35 895**	**474 607**	**561 526**
Advances, payments on account	1 772		1 772	1 722
Trade accounts receivable	131 594	57	131 536	101 212
Other receivables	39 496		39 496	34 956
Short-term investments	9 572		9 572	0
Cash and bank	2 176		2 176	40 375
Prepayments, unrealized exchange losses	5 322		5 322	474
CURRENT ASSETS	**700 434**	**35 953**	**664 481**	**740 264**
TOTAL ASSETS	**773 724**	**64 887**	**708 837**	**786 178**

('000 EURO)	Dec 31, 2008	Dec 31, 2007
Share capital	17 220	17 220
Share premium	69 611	68 452
Legal reserve	1 722	1 722
Regulated reserves		
Other reserves	113 194	102 815
Retained earnings		
Income for the year (profit or loss)	-5 698	10 379
Tax based provisions	3 142	3 100
Shareholders' equity	**199 192**	**203 689**
Conditional advances	58 840	71 013
Total equity	**258 031**	**274 702**
Provisions for risks and expenses	**10 540**	**2 299**
Loans and debts from financial institution	240 175	295 782
Advances and down payments received	672	3 117
Trade accounts payable	136 762	127 961
Tax, personnel and social security	24 626	21 844
Due for fixed assets	853	971
Other liabilities	37 179	59 231
Deferred income-unrealized exchange gains		272
Total liabilities	**440 266**	**509 177**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**708 837**	**786 178**

4.2 Income Statement of the LATECOERE S.A Company

('000 EURO)	Dec 31, 2008	Dec 31, 2007
Sale of goods purchased for resale	0	0
Production sold (goods)	455 374	297 330
Production sold (services)	25 723	16 607
Net sales	**481 097**	**313 937**
Change in inventory (WIP and finished goods)	-95 911	56 424
Operating grants	4 149	525
Write-back of provisions and amortization, expense transfers	7 459	5 068
Other income	362	359
Other operation income	-83 941	62 376
Operation income	**397 156**	**376 313**
Purchase of goods	102	71
Purchase of raw materials and other supplies	50 223	47 079
Changes in inventory (raw materials, supplies)	-6 162	-8 559
Other purchases and external expenses	293 313	261 159
Taxes, duties and similar	5 478	4 527
Wages and salaries	45 948	45 289
Social security	20 873	21 309
Depreciation, amortization	2 790	3 034
Provisions on current assets	3 762	9 528
Other operation expenses	38	26
Operation expenses	**416 365**	**383 463**
NET OPERATING INCOME	**-19 209**	**-7 151**
Financial income from shareholdings	1 091	959
Other interest and similar income	634	541
Write-back of provision and transfer of expenses	0	2 142
Foreign exchange gains	58 759	45 706
Net income from sales of short-term investments	34	8
Financial income	**60 518**	**49 357**
Financial provision	8 363	0
Interest and related expenses	18 034	15 350
Foreign exchange losses	27 171	11 979
Net loss on sales of short-term investments	51	3
Financial expenses	**53 620**	**27 331**
NET FINANCIAL INCOME	**6 898**	**22 026**
INCOME BEFORE TAX	**-12 311**	**14 875**
Exceptional income from revenue operations	67	9
Exceptional income from capital transactions	150	499
Write-back of provisions and transfer or expenses	687	715
Exceptional income	**904**	**1 223**
Exceptional expenses from revenue operations	212	709
Exceptional expenses from capital transactions	325	540
Exceptional provisions	769	935
Exceptional expenses	**1 306**	**2 184**
NET EXCEPTIONAL EXPENSES	**-402**	**-961**
Employee profit sharing	208	2 524
Tax on profit	-7 223	1 010
TOTAL INCOME	**458 578**	**426 892**
TOTAL EXPENDITURE	**464 276**	**416 513**
NET INCOME	**-5 698**	**10 379**

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

('000 EURO)	Dec 31, 2008	Dec 31, 2007
Net income	-5 698	10 379
Elim of depreciation and provisions	11 142	1 261
Elim of profit/loss on disposal	1 247	-26
Cash flow	**6 691**	**11 614**
Changes in working capital	33 971	-7 161
Cash flow from operating activities	**40 662**	**4 452**
Purchase of tangible and intangible assets	-2 870	-3 899
Proceed of sale of tangible and intangible assets	1 519	692
Incidence des variations de périmètre		
Cash flows from (used in) investing activities	**-1 351**	**-3 206**
Dividends paid	0	-6 457
Augmentation (réduction) de capital	0	-1 159
Proceeds from borrowings (incl. Conditional advances)	27 540	42 717
Repayments of borrowings (incl. Conditional advances)	-43 605	-53 381
Disposal (acquisition) of treasury shares	-156	23
Cash flows from (used in) financing activities	**-16 221**	**-18 256**
Increase (decrease) in cash and cash equivalents	**23 090**	**-17 010**
Opening cash position	-25 254	-8 244
Closing cash position	-2 164	-25 254
Cash and cash equivalents	11 748	40 375
Overdraft facilities	-3 657	-48 699
Discounted receivables	-10 256	-16 929
CASH AND CASH EQUIVALENTS AT YEAR-END	**-2 164**	**-25 254**

4.4 Notes to the statutory financial statements at December 31, 2008

These documents are annexed to the balance sheet before apportionment of the fiscal year ending on December 31, 2008 totaling €708,837,427, and to the income statement of the fiscal year presented in the form of a list, showing total income of €458,577,629, total expenditure of €464,275,716, and net income of €-- 5,698,086.

The relevant fiscal year covers a period of 12 months from January 1, 2008 to December 31, 2008.

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

1.1 Stopping of the Airbus sites sale project

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. The direct expenses of this operation included in accounting were approximately €6 million to which must be added the additional indirect costs.

1.2 Commercial negotiations

Negotiations with the Group's customers took place during the 2nd half of 2008 in connection with the "Défi 2011" plan. They resulted in:

- an improvement in payment periods for French customers;
- the advance payment of development work already carried out and for which the contractual invoicing was initially spread out over time, which was materialized in sporadic invoicing for an amount of €104.4 million.

1.3 Negotiations with financial partners

The Company also finalized agreements with its financial partners in order to strengthen and secure its financial structure for the years to come. The banks renewed their confidence on this occasion by confirming:

- all of the Company's short-term resources, usually renewable every year, for 2009 and 2010;
- a one-year deferral in the repayment at term of the Company's medium- and long-term credits, which will maintain a level of resources in 2009 identical to that of 2008;
- the implementation of financial covenants of credit agreements with new ratios, common to all of the banks and adapted to the current situation and to business prospects. These new ratios, net debt/pro forma equity funding and net debt/pro forma Ebitda, are applicable to fiscal year 2008's financial statements.

NOTE 2 ACCOUNTING PRINCIPLES AND METHODS

2.1 Presentation of the financial statements

The financial statements of the company at December 31, 2008 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 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) and employee benefits (note 5).

At December 31, 2008, 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, 2008, research & development expenses are recorded as expenses with the exception of development expenses 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

(*) the amortization period depends on the components identified

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 acquisition 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.
At the end of 2008, these principally consisted of:

- the lessee advance payment held as security on the real estate lease. This sum is restituted to the LATECOERE Company by deduction from rental payments.
- treasury stock held. At December 31, 2008, the Company held 29,332 treasury shares (0.34% of capital) which amounts to a balance sheet value of €220k. As appropriate, LATECOERE books a provision for depreciation for treasury stock. This provision corresponds to the difference between the acquisition value and the inventory value determined on the share price at the closing date.

2.7 Inventories

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, unsuccessful proposal cost, administration costs, 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 with the characteristics of construction contracts:

- contract relating to the production of a group of goods 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:

- 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.
It is also possible that additional invoicing 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.

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 t he "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, 2008, this provision was revalued and amounts to €904k compared to €913k at December 31, 2007.

2.14 Recognition of revenue

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

NOTE 3 FIXED ASSETS

('000 EURO)	Dec 31, 2007	Acquisitions	Transfer	Disposals	Dec 31, 2008
Intangible fixed assets	**3 708**	**252**	**0**	**0**	**3 960**
Land	329				329
Buildings constructed on leasehold land	578				578
Plant, industrial equipment and tooling	22 789	1 792	164	357	24 059
Fixtures and fittings	8 336	7		9	8 334
Vehicles	255			12	242
Office equipment, I.T., furniture	2 596	72		214	2 455
Fixed assets in progress	117	601	-164		883
Tangible fixed assets	**35 000**	**2 472**	**0**	**592**	**36 880**
Shares in subsidiary companies	25 108				25 108
Receivables concerning associated companies	7 890			1 296	6 594
Other long-term investments	25				25
Loans, other financial fixed assets	745	156		176	724
Financial fixed assets	**33 767**	**156**	**0**	**1 473**	**32 450**
TOTAL GROSS FIXED ASSETS	**72 475**	**2 880**	**0**	**2 065**	**73 290**

NOTE 4 DEPRECIATION

('000 EURO)	Dec 31, 2007	Increase	Decrease	Dec 31, 2008
Intangible fixed assets	**2 583**	**554**		**3 137**
Buildings constructed on leasehold land	290	50		340
Plant, industrial equipment and tooling	14 960	1 515	255	16 220
Fixtures and fittings	4 991	410	9	5 392
Vehicles	253	1	12	242
Office equipment, I.T., furniture	1 974	261	210	2 024
Tangible fixed assets	**22 468**	**2 236**	**487**	**24 217**
TOTAL AMORTIZATIONS	**25 051**	**2 790**	**487**	**27 354**

('000 EURO)	straight-line method	double declining method	Accelerated fiscal depreciation	
			Increase	Decrease
Intangible fixed assets	**554**		**105**	**368**
Buildings constructed on leasehold land	50			
Plant, industrial equipment and tooling	1 515		538	238
Fixtures and fittings	410		86	76
Vehicles	1			
Office equipment, I.T., furniture	261		0	5
Tangible fixed assets	**2 236**	**0**	**624**	**319**
TOTAL BREAKDOWN OF DEPRECIATION	**2 790**	**0**	**729**	**687**

NOTE 5 PROVISIONS

('000 EURO)	Dec 31, 2007	Increase	Decrease	Dec 31, 2008
Accelerated fiscal depreciation	3 100	729	687	3 142
Regulated provision	**3 100**	**729**	**687**	**3 142**
Foreign exchange losses		8 294	0	8 294
Provisions for taxes	569	41		610
Provisions for taxes	1 730		94	1 637
Total provisions for risks and expenses	**2 299**	**8 335**	**94**	**10 540**
Provisions for financial assets	1 510	69	0	1 579
Provisions for stocks and work-in-process	38 655	3 706	6 465	35 895
Provisions for trade accounts receivable	1	56		57
Total provisions on assets	**40 166**	**3 831**	**6 465**	**37 532**
TOTAL PROVISIONS	**45 566**	**12 894**	**7 246**	**51 215**

('000 EURO)	Increase	Decrease
Operating	3 762	6 559
Financial	8 363	0
Exceptional	769	687
TOTAL	**12 894**	**7 246**

The other provisions for risks correspond to €904k in respect of Long-Service Medals and €733k in respect of the retirement liabilities of LATECOERE AEROSTRUCTURE. Provisions for foreign exchange losses of €8.3 million correspond to an unrecognized loss on non-qualified hedging derivative financial instruments for €3.3 million and an unrecognized loss of €5 million related to the revaluation at year-end of items in currency of the balance sheet.

NOTE 6 ANALYSIS OF RECEIVABLES AND OF LIABILITIES

('000 EURO)	Gross Amount	Due within one year	Due after one year
Receivable related to associates	6 594	314	6 280
Loans	409		409
Other financial fixed assets	315	275	40
Doubtful or disputed trade accounts receivable			
Other trade accounts receivable	131 594	131 594	
Payroll and similar accounts	84	84	
Social security and other similar organizations	6	6	
State and other community bodies	16 471	16 471	
Group and shareholders	22 251	22 251	
Miscellaneous	682	682	
Prepayments expenses	335	335	
TOTAL RECEIVABLES	**178 742**	**172 014**	**6 728**
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	58 840	11 829	45 272	1 739
Loans due within 1 year at origin	13 912	13 912		
Loans due after 1 year at origin	225 996	2 274	193 228	30 494
Other loans and financial debts	267	267		
Trade accounts payable	136 762	136 762		
Payroll and similar accounts	5 591	5 591		
Social security and other similar organizations	7 434	7 434		
State : tax on profits	0	0		
State : value added tax	9 486	9 486		
State : other taxes and duties	2 115	2 115		
Due for fixed assets	853	853		
Group current accounts	27 411	27 411		
Other liabilities	9 768	9 768		
Deferred income	0	0		
TOTAL LIABILITIES	**498 434**	**227 701**	**238 500**	**32 233**
Loans obtained during the year	25 672			
Loans reimbursed during the year	27 193			

NOTE 7 LOANS AND BANK BORROWINGS

('000 EURO)	Currency	Interest rate	Maturity	Dec 31, 2008	
				Nominal value	Carrying value
Bank borrowings with guarantee	EURO	EUR. / T4M+ margin	2009-2015	318 050	226 262
Commercial paper and other financial debts	EURO	EUR. / T4M+ margin	n/a	3 657	3 657
Loans against receivables mobilization	EURO	EURIBOR + Margin	n/a	10 256	10 256
TOTAL OF LOAN AND BANK BORROWINGS				**331 962**	**240 175**

Some financing contracts are subject to covenants. The covenants mentioned in the medium term financing contracts relate to respect by the Group of ratios calculated on aggregates derived from the financial statements. At December 31, 2007, certain of these ratios exceeded those defined in the contracts. The discussions entered into with the Group's financial partners in accordance with contractual provisions resulted in:

- obtaining a waiver of cash flow solvency clauses for the 2007 financial statements
- the definition of new ratios, common to all of the banks and adapted to the current situation and to the Group's business prospects.

These new ratios: net debt/pro forma equity funding and net debt/pro forma Ebitda are applicable to fiscal year 2008's financial statements and have been respected. The amount of the relevant total liabilities was €221 million at December 31, 2008.

NOTE 8 REFUNDABLE ADVANCES

The most significant refundable advances concern the F7X (€15 million) and A380 (€42 million) programs. These 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, 2008	Dec 31, 2007
Invoices to be issued	4 272	12 753
Accrued interest receivable, other	5	173
Total income accruals	**4 278**	**12 926**
Accrued interest on loans	267	2 637
Supplier invoices not yet received	25 810	26 028
Tax, personnel and social security	7 055	10 374
Interest accrued on overdraft	634	758
Other (1)	9 741	10 603
Total expense accruals	**43 508**	**50 400**
Insurance premiums	185	194
Miscellaneous expenses	150	280
Total prepayments (net)	**335**	**474**

(1) This post includes an expense to be paid of €9.2 million relating to the interest rate hedging agreement implemented by the Group. This amount corresponds to the annual loan interest to be paid to the bank.

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 31/12/06	**200 746**
Expenses relating to a futur increase of capital (1)	-1 159
Premium	0
2007 Net income	10 379
Distribution of dividends in 2006	-6 457
Charge in regulated provisions	180
Shareholders' equity as of 31/12/07	**203 689**
Write back of expenses relating to a futur increase of capital (1)	1 159
Premium	0
2008 Net income	-5 698
Distribution of dividends in 2007	0
Charge in regulated provisions	42
Shareholders' equity as of 31/12/08 (2)	**199 192**

(1) 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".

(2) Including unavailable reserves for hedging of treasury shares in an amount of €148k.

NOTE 11 REVENUE

('000 EURO)	Dec 31, 2008		Dec 31, 2007	
	Amount	%	Amount	%
Civil business	476 464	99,0%	309 433	98,6%
Military business	4 632	1,0%	4 504	1,4%
TOTAL	**481 097**	**100,00%**	**313 937**	**100,00%**

('000 EURO)	Dec 31, 2008		Dec 31, 2007	
	Amount	%	Amount	%
France	278 102	57,8%	149 530	47,6%
Export	202 995	42,2%	164 407	52,4%
TOTAL	**481 097**	**100,00%**	**313 937**	**100,00%**

('000 EURO)	Dec 31, 2008		Dec 31, 2007	
	Amount	%	Amount	%
Europe	308 653	64,2%	169 300	53,9%
North America	16 919	3,5%	9 884	3,1%
Asia	2 638	0,5%	1 062	0,3%
Other	152 886	31,8%	133 691	42,6%
TOTAL	**481 097**	**100,00%**	**313 937**	**100,00%**

It should be noted that this breakdown does not show the final destination of products manufactured. Indeed, about 90% of sales to our French customers (Airbus France, Dassault, etc.) may end up being exported.

NOTE 12 FINANCIAL INCOME

('000 EURO)	Dec 31, 2008	Dec 31, 2007
Financial income from shareholdings	1 091	959
Other interest and similar income	634	541
Write-back of provision and transfer of expenses	0	2 142
Foreign exchange gains	58 759	45 706
Net income from sales of short-term investments	34	8
Financial income	**60 518**	**49 357**
Financial provision	8 363	0
Interest and related expenses	18 034	15 350
Foreign exchange losses	27 171	11 979
Net loss on sales of short-term investments	51	3
Financial expenses	**53 620**	**27 331**
NET FINANCIAL INCOME	**6 898**	**22 026**

The financial charges principally include an unrecognized loss on non-qualified hedging derivative financial instruments for €3.3 million and an unrecognized loss of €5 million relating to revaluation at year-end of the currency items of the balance sheet.

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. The taxes included the standard rate (33.33%) as well an additional contribution of 3.3% based on the tax at the standard rate after a reduction of €763k.

('000 EURO)	Gross amount	Tax write-back and deduction	Tax basis	Tax	After tax amount
Income before exceptional items, profit sharing and tax	-12 311	2 029	-10 281	-3 427	-8 884
Net exceptional income	-402	41	-361	-120	-282
Contractual profit sharing	-208	0	-208	-69	-139
Legal profit sharing	0	0	0	0	0
Tax credits	2 997	-2 997		-2 997	-2 997
Impact on foundation and miscellaneous	609	-609		-609	609
NET INCOME BEFORE/AFTER TAX	**-9 315**	**-1 536**	**-10 851**	**-7 223**	**-11 693**

At December 31, 2008, the Company's amount of carry-back is €3.6 million and the amount of research-based tax credit is €3 million.

NOTE 14 NON-RECURRING EXPENSES AND INCOME

('000 EURO)	Dec 31, 2008	Dec 31, 2007
Accelerated fiscal depreciation	729	894
Provisions for tax (property finance lease)	41	41
Provisions for tax disputes		
Extraordinary expenses for revenue operations	212	709
Net book value of fixed asset disposals	137	408
Other exceptional expense	189	132
TOTAL EXCEPTIONAL EXPENSE	**1 306**	**2 184**
Write-back of accelerated fiscal depreciation	687	715
Proceed from fixed asset disposals	46	434
Revenue operations	67	9
Other exceptional income	104	65
TOTAL EXCEPTIONAL INCOME	**904**	**1 223**

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 Périole 1993	7 851	538	12 021				
Building Périole 2002	5 005	562	3 372	703	2 108	562	3 373
Land and building Gimont 2002	6 791	640	4 000	640	2 560	2 400	5 600
TOTAL	**19 648**	**1 740**	**19 393**	**1 343**	**4 668**	**2 962**	**8 973**

15.2 Retirement Liabilities

Retirement benefits unrecognized in the balance sheet are estimated at December 31, 2008 to be €6,564k, including social charges, compared to €7,160k for the prior fiscal year. The share of the retirement liabilities recognized in balance sheet in the amount of €733k 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, the life expectancy and employee turnover.

The obligation, including social security charges, is discounted at a discount rate of 5.30% (compared to 4.8% in 2007). 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;

- average exchange rate of contracts: average exchange rate of contracts very slightly higher than the average rate of the customer contracts in progress.

The total amount of hedging contracts (forward contracts and option collars) in US$ is $780 million at December 31, 2008 compared to $105.4 million at year-end 2007.

15.4 Bank guarantees accorded

The total amount of bank guarantees accorded is €101.62 million:
- €0 accorded on contracts;
- €101.62 million given to subsidiaries (guarantees on borrowings).

15.5 Guarantees given in respect of liabilities

The amount of financial debt is €226 million and is guaranteed:
- up to €10.5 million through real securities (pledges of purchased goodwill and equipment);
- up to €197 million through existing and future assignments of receivables arising out of commercial contracts. Some contracts include covenants aimed principally at the balance sheet rations calculated on the basis of the consolidated financial statements;
- up to €18 million not being subject to any particular guarantee.

15.6 Other information

At 31/12/2008, the LATECOERE Company realized discounting of receivables for an effective amount of €226k, lowering the level of trade receivables. The amount at December 31, 2007 was €6.1 million.

Furthermore, 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 business tax. The LATECOERE Company contests the tax adjustments proposed by the Taxing authority, which have not been the object of a provision.

NOTE 16 INCIDENCE OF TAX MEASURES ON THE RESULT

('000 EURO)	Amount	Impact
Net income of year	-5 698	-5 698
Charge for accelerated fiscal depreciation	729	729
Write-back of accelerated fiscal depreciation	687	-687
Tax reduction due to charge	251	-251
Tax increase due to write-back	236	236
NET INCOME BEFORE IMPACT OF TAX MEASURES		**-5 671**

NOTE 17 DEFERRED TAX SITUATION

('000 EURO)	Amount	Impact
Accelerated fiscal depreciation	-3 142	1 082
Employee profit sharing	0	0
ORGANIC	802	-276
Provisions for retirement departure	733	-252
Unrealized exchange gains	6	-2
DEFERRED TAX SITUATION	**-1 601**	**551**

NOTE 18 AVERAGE HEADCOUNT

	Dec 31, 2008		Dec 31, 2007	
	Employees	Personal made available to the company	Employees	Personal made available to the company
Managers	309		295	
Monthly-paid employees	611		617	
Employees paid on monthly basis	246		265	
Temporary staff		207		200
TOTAL	**1166**	**207**	**1177**	**200**

NOTE 19 DIRECTOR COMPENSATION

The remuneration allotted for members of the Supervisory Board and the management bodies (the Company's 10 highest salaries) totals €2,252k.

NOTE 20 TABLE OF SUBSIDIARIES AND SHAREHOLDINGS

('000 EURO)	Share capital	Retained earnings	Holding %	Carrying value of holding	Loans and advances outstanding not yet reimbursed	Sales in last financial year	Net income of last financial year	Dividends received during last financial year	Guarantees and securities given by the Company
LATECOERE Inc. 1000 Brickel av. - suite 641 Miami Florida 33131 USA	431	103	100%	541	298	11 642	1	0	36
LATECOERE Développement 135 rue de Périole BP 5211 31079 Toulouse cedex 5	600	391	100%	572	2 159	0	285	0	0
LATELEC Z.I. La Bourgade rue Max Planck 31315 Labège	7 600	19 838	100%	7 600	0	165 764	7 261	0	75 885
LATECOERE AEROSERVICES Route de Toulouse 31700 Cornebarrieu	2 500	745	30%	229	611	15 911	305	0	0
LLV s.r.o. Letov Letecka Vyroba Beranovich, 65 199 02 Praha 9 - Letnany Czech Republic	16 000	-1 714	100%	13 290	0	30 533	-391	0	25 736
LATECOERE Do Brasil Av Dr. Joao Batista de Souza Soares Sao Jose Dos Campos Brazil	405	-544	51%	0	25 777	12 692	-6 144	0	0
Corses Composites Aéronautiques Z.I. Du Vazzio 20090 AJACCIO	1 707	2 287	24,81%	1 777	0	30 908	560	0	0

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	22 003	2 006
Other receivables related to shareholdings	6 594	0
Miscellaneous receivables	28 204	3
Trade account receivables	26 121	137
Trade accounts payable	17 558	1 186
Miscellaneous debts	21 641	611
Operating income	29 687	236
Operating expenses	62 769	3 784
Financial income	1 077	11
Financial expenses	2 148	3

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 2009 to 2011 would have a €2 million impact on the margin recognized at December 31, 2008 and a 0.2 point 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. During the course of fiscal year 2005, the Company implemented hedging of interest rates ("collars") that allow it to limit the impact of a strong increase in short-term rates on the cost of the debt. The interest rate contracts hedge the Group with a cap of 3.27% for half of its debt until the end of 2008 and 3.37% for the other half until the end of 2009.

NOTE 23 DIF

The obligation under the individual right to training accounted for at December 31, 2008 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, 2008, the amount of the estimated commitment is €129k.

4.5 Auditor's general report

To the 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, 2008:

- 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 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for that 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, 2008, 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 note to the consolidated financial statements disclosing the consequences on revenue of sporadic invoicing realized on some contracts (note 1.2).

Justification of our assessments

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

- As indicated in the first part of our report, note 1.2 to the statutory financial statements exposes the consequences on revenue of sporadic invoicing realized on some contracts during the fiscal year.

Furthermore, note 2.12 to the statutory financial statements discloses the 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.

- The group recognizes the results on long-term contracts under the stage of completion method as described in note 2.7 to the statutory financial statements. This margin on construction contracts is based on estimates, relating mainly to industrial assumptions and US dollar exchange rate. At December 31, 2008, the accounting estimates used in the preparation of the financial statements were performed in a context where economic prospects were definitely difficult to grasp. These conditions are described in note 2.2 to the statutory financial statements.

In this uncertain context and on the basis of information available, our work consisted of assessing the data and assumptions underlying these valuations of margins retained and of reviewing the calculations of the company. In the context of our appreciations, we verified the reasonableness of these estimates.
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.
We have no matters to report regarding:

- the fair presentation of the information given in the management report of the executive board, and in the documents addressed to the shareholders with respect to the financial position and the financial statements,
- the fair presentation of the information given in the management report of the Management Board in respect of remunerations and benefits granted to the relevant company officers and any commitments given to them in connection with, or subsequent to, their appointment, termination or change in function.

In accordance with French law, we ascertained that the information relating to the acquisition of shares and controlling interests and the identity of shareholders and voting rights were given in the management report of the Management Board.

The Statutory Auditors

Toulouse, on April 20, 2009

KPMG Audit
A division of KPMG S.A.

Christian Libéros
Partner

Paris, on April 20, 2009

Grant Thornton
French Member of Grant Thornton International

François Pons
Partner

4.6 Auditors' special report

Dear Shareholders,

As statutory auditors of your Company, we present our report on regulatory agreements and commitments.

We are not responsible for performing any specific procedures aimed at identifying other agreements and commitments which may exist. Our only responsibility is to present to you the main characteristics and provisions of agreements and commitments of which we have been informed, without commenting on their usefulness or merit. For the purpose of approving these agreements, it is your responsibility, in accordance with article R225-58 of the French Commercial Law (Code de Commerce), to assess the benefits arising from entering into such agreements and commitments.

Absence of notice of agreement or commitment

We inform you that we have not been notified of any agreement or commitment entered into during the year, as defined in article L. 225-86 of the French Commercial Law (Code de Commerce).

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

Furthermore, in application of the French Commercial Law, we have been informed that the following agreements and commitments, approved during previous years, remained in force during the year.

1.1. *Cash flow agreement*

Description: The cash flow agreement between your company and its subsidiary, designed to facilitate cash flows within the group, continued during the year. Advances are remunerated at Euribor + 0.70% for those in Euros and at Libor + 0.70% for those in dollars.

The following table summarizes for each company the current account balance (in Euros) at December 31, 2008 and the interest paid or received during the year.

Company	Receivable Dec 31, 2008	Payable Dec 31, 2008	Financial expenses	Financial incomes
Letov				
LATecis	156		23 546	
Latécoère Aéroservices	610 621	3 066	3 066	10 621
LATelec		27 407 903	1 986 916	
Latécoère Développement	135 182	327	6 559	5 265
Latécoère Do Brasil	21 505 509			758 128

1.2. *Granting of loans*

Description: Your Company has granted loans to several subsidiaries. These loans are remunerated on the same terms as cash flow advances.

The following table summarizes for each company the loans (in Euros) at December 31, 2008 and the interest received.

Company	Receivable Dec 31, 2008	Financial incomes
Latécoère Développement	2 023 500	94 042
Latécoère Intl. Inc.	298 121	12 406
Latécoère Do Brasil	4 272 004	206 673

1.3. Other agreements with the Latécoère Aéroservices Company

Description: I.T. and accounting services agreement.

Terms: Your company invoices the Latécoère Aéroservices Company for I.T. and accounting services calculated on the basis of 1.5% of the subsidiary's revenue.
In 2008, the amount invoiced by your Company was €235,500 excluding VAT.

Description: Commercial lease of property at Cornebarrieu, France

Terms: These were agreed by a two parties on the basis of an independent appraisal. The term of the lease is nine-years commencing January 1, 2005 with a rent which is revised on an annual basis.
In 2008, rental payments made amounted to €1,218,400 excluding VAT.

1.4. Other agreements with the LATelec Company

Description: Administrative and technical services agreement.

Terms: The administrative and technical services supplied to the LATelec Company are invoiced on the basis of an annual fee calculated as 2.75% of the subsidiary's revenue. In 2008, the amount invoiced by your Company was €4,493,145 excluding VAT.

1.5. Agreement entered into with Pierre Latécoère

Description: Rental of offices located at 79, avenue Marceau, Paris, France.

Terms: The rent paid under this agreement in 2008 amounted to €215,860 excluding VAT, and the amount of the rental deposit as of December 31, 2008 was €53,965.
This agreement ended on December 31, 2008.

1.6. Agreement entered into with Jean-Claude Chaussonnet

Description: Consultancy services agreement.

Terms: An assignment of reviewing and organizing the relationships between your Company and your subsidiaries was entrusted to Mr. Jean-Claude Chaussonnet. In 2008, the fee amounted to €105,000.

1.7. Commitments in favor of some of the Members of your Company's Management Board applicable in the event their duties come to an end

People concerned: Mr. François Bertrand, Chairman of the Management Board, Mr. Jean-Jacques Pignères, Member of the Management Board, at December 31, 2008.

Description: Obligation to make a severance payment in the event their duties come to an end.

Terms: Mr. François Bertrand and Mr. Jean-Jacques Pignères may benefit, in the event their duties come to an end for any other reason than a resignation or a retirement departure, from a severance payment calculated on the basis of the maximum foreseen by the collective bargaining agreement currently in effect for executives (corresponding to eighteen months of gross compensation). This payment will be increased by one month for each "consolidated operating result/consolidated revenue" ratio point above 10%, as calculated during the corporate fiscal year preceding the termination of their employment contract.

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

Agreements and commitments concluded after year-end and authorized beforehand

We also bring to your attention the following agreements that your Supervisory Board deemed useful to be submitted for your approval even though they relate to fiscal year 2009.

Commitments in favor of some of the Members of your Company's Management Board applicable in the event their duties come to an end following a decision of the Supervisory Board on January 6, 2009.

People concerned: Mr. Bertrand Parmentier, Managing Director, and Mr. Roland Tardieu, Member of the Management Board.

Description: The Supervisory Board of January 6, 2009 which appointed new Members of the Management Board, authorized severance payment commitments in the event of the end of the latter's duties.

Terms: Mr. Bertrand Parmentier and Mr. Roland Tardieu may benefit, in the event their duties come to an end for any other reason than a resignation or a retirement departure, from a severance payment calculated on the basis of the scale foreseen by the collective bargaining agreement currently in effect for executives. This payment will be increased by one month for each "consolidated operating result/consolidated revenue" ratio point above 10%, as calculated during the corporate fiscal year preceding the termination of their employment contract.

Paris and Toulouse, April 20, 2009.

The Statutory Auditors

KPMG Audit
A division of KPMG S.A.

Christian Libéros
Partner

Grant Thornton
French Member of Grant Thornton International

François Pons
Partner

5 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, 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 on April 24, 2009 and transmitted to the statutory auditors.

5.1 Corporate governance

An audit of the compliance of the Company's governance with the AFEP MEDEF code of December 2008 was conducted with the help of an external consultant.

Consequently, the Company decided to refer to this code available on the MEDEF's website, referred to hereinafter as "the Code of Reference".

However, the organization of the Company's governance isn't entirely in compliance with this code on some points. These differences are detailed below.

- **Relating to the independence of the Members of the Supervisory Board:**

  Currently, only three Members out of the thirteen who make up the Supervisory Board, or 23%, are qualified as "independent". These are: Mr. Pierre ALESI, Mr. Patrick CHOLLET and Mr. Christian REYNAUD. The Nominations and Compensation Committee, following an examination of the criteria set out in the AFEP -- MEDEF code recommendations, proposed to the Supervisory Board that the following Members should also be considered as "independent": Mr. Jean-Claude CHAUSSONNET and Mr. Pierre LATECOERE. Indeed, following a detailed review of their respective situations and relations with the Company, these two Members fulfill the conditions for independence. Consequently, five Members out of thirteen, or 38%, may be considered as "independent".
  The objective is, however, that such ratio increase so as to reach the recommendation's threshold of 50%.

- **Relating to the term of the positions of the Members of the Supervisory Board:**

  For historical reasons, the term of the positions of the Members of the Board is statutorily fixed at the legal maximum or six years, and not four as recommended in the Code of Reference. In addition, no staggering of the terms of the positions has been organized. In this respect it hasn't been deemed useful to propose a modification of the by-laws to the Annual General Meeting.

- **Relating to the evaluation of the Supervisory Board's work:**

  The Supervisory Board has not yet begun the process of the evaluation of its work. This initiative should be implemented by the Supervisory Board which will be renewed at the 2009 Annual General Meeting.

- **Regarding the Nominations and Compensation Committee:**

  The Supervisory Board dated February 27, 2009 widened the responsibilities of the Compensation Committee which became the Nominations and Compensation Committee.

  This Committee is currently composed of four members, Mr. Pierre ALESI (Chairman), Mr. François JUNCA, Mr. Gérard CAVERIVIERE and Mr. Hervé COSTES. Only one of them is qualified as independent. The composition of this Nominations and Compensation Committee will be reviewed at the close of the Annual General Meeting which will renew the Supervisory Board in June 2009. On this occasion the number of independent Members will be re-examined.

- **Relating to attendance fees**:

  To date, and with regard to their symbolic character, attendance fees are allotted in a uniform and fixed amount manner between the Members of the Supervisory Board. If they were to evolve significantly, a new method of distribution would be considered.

- **Relating to the compensation of managing corporate officers:**

  During its November 28, 2008 meeting, the Supervisory Board took note of the AFEP - MEDEF recommendations dated October 6, 2008, since incorporated in the December 2008 Code.

  This Code recommends that the Chairman of the Management Board not be both a corporate officer and an employee under an employment contract. Mr. François Bertrand, Chairman of the Management Board, currently benefits from an employment contract which was suspended when he was appointed Managing Director in 1995 and this suspension was extended when he was appointed Chairman of the Management Board on January 7, 2003. With regard to the distinctive features of the Latécoère Company and in particular of its Management who were employees and whose situation is comparable to that of the other upper managing executives of the Group, it was nevertheless decided to maintain the dual status as corporate officer with an employment contract of Mr. François Bertrand, Chairman of the Management Board.

The Supervisory Board appointed on January 6, 2009 the Members of the new Management Board, Mr. François Bertrand, Chairman; Mr. Bertrand PARMENTIER, Managing Director and Mr. Roland Tardieu, Member; it also set their compensation, after consultation with the Nominations and Compensation Committee. This compensation is detailed in the management report.

5.1.1 The Supervisory Board and the Committees

5.1.1.1 The Supervisory Board

The Composition of the Supervisory Board

The Supervisory Board is composed of thirteen members:

- It is headed up by Mr. François JUNCA and Mr. Pierre LATECOERE is its Vice-Chairman.
- The detailed composition of the Supervisory Board and the information on each of its Members are indicated in the management report.

Among the Members of the Board, three of them: Mr. Pierre ALESI, Mr. Patrick CHOLLET and Mr. Christian REYNAUD, are currently deemed independent. The Compensation Committee, after reading the criteria indicated in the AFEP – MEDEF Code recommendations, proposed to the Supervisory Board that Mr. Jean-Claude CHAUSSONNET and Mr. Pierre LATECOERE be considered as well as independent.

Moreover, 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.

Among the Supervisory Board's Members, four have been elected among the employee shareholders. These are: Mr. Christian BEUGNET (retired on December 31, 2008), Mr. Gérard CAVERIVIERE, Mr. Hervé COSTE and Mr. Yves DA COSTA. In addition Mr. Jean-Louis PELTRIAUX represents the FCPE "B" of the Latécoère employees.

The co-existence of positions

A table of the management report (§ 2.6.5.1) discloses the positions held by the Members of Supervisory Board and of the Management Board.

The conditions of the preparation of the Board's work

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 beforehand.

The financial statements, approved by the Management Board, as well as the draft report were transmitted to the Members of the Supervisory Board before the meeting called to examine them.

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 within the same time periods.

The Holding of Meetings of the Supervisory Board

Written notification was given at least two weeks in advance.

The meetings are held at the registered head office.

The Board met five times in 2008.

Over this period, the total attendance of the Members to the Meetings of the Supervisory Board comes to 83%.

The Supervisory Board met on January 6, 2009 in order to appoint the Members of the new Management Board and to set their compensation, after consulting with the Compensation Committee. The details of these appointments and of their consequences are set out in the management report.

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.

The by-laws ("règlement intérieur") of the Supervisory Board

On May 19, 2006 the Supervisory Board adopted by-laws which were updated on April 24, 2009 to include in particular the by-laws of the Audit and Financial Statements Committee and the Nominations and Compensation Committee.

The by-laws of the Supervisory Board will be available on the Company's website.

Subjects debated during the Board meetings and report of activity

During its quarterly meetings, the Supervisory Board examined the Management Board report with respect to the period ended and in particular the semi-annual and annual results. These results were subject beforehand to the comments of the Audit and Financial Statements Committee.

A special meeting was held on June 4, 2008 to examine the consequences of the stopping of the "Zéphyr" project on the business and the prospects of the Company and the Group. On proposal of the Management Board, an organization and reduction of costs action plan ("Défi 2011") was adopted. This plan has been the subject of a detailed presentation to the whole of the personnel in order to obtain its adherence and mobilization. A follow-up committee was appointed for this plan.
During this meeting, the consequences of the TEPA law on the terms of the ending of contract of the Members of the Management Board were examined and a decision justifying the conditions applied to them was proposed to the Annual General Meeting of June 27 which adopted it.

The June 27 meeting was exclusively dedicated to the presentation of the new medium- and long-term plan, established by the Management Board to take into account the quantified consequences of the stopping of the "Zéphyr" project. Since that date, the agenda of each Supervisory Board meeting includes a point relating to the implementation and the follow-up of such plan.

During its November 28, 2008 meeting, the Supervisory Board examined the recommendations of the AFEP – MEDEF concerning the compensation of corporate officers and, as it happens, the two Members of the Management Board. The Supervisory Board indicated its adherence to the principles of these recommendations, pointing out, however, a reservation concerning the co-existence of a corporate officer position and an employment contract for the Chairman of the Management Board, by reason of the distinctive features of the Company and in particular of its Management having been employees and being treated similarly to the other managing executives of the Group. A release was published on this occasion.
At this meeting, a reflection on the Company's future governance, the positions of the Members of the Management Board coming to an end on January 6, 2009 and that of nearly all the Members of the Supervisory Board, no later than June 30, 2009 were also on the agenda.

5.1.1.2 Organization and functioning of the specialized Committees

The Board has put together two Committees:

The Audit and Financial Statements Committee

The Audit and Financial Statements Committee is composed of three Members, each of whom is competent in financial and accounting matters. They are: Mr. Christian REYNAUD (Chairman), Mr. François JUNCA and Mr. Patrick CHOLLET ; two are independent -- Mr. Christian REYNAUD and Mr. Patrick CHOLLET.

The missions of the Committee are the following: It is responsible for the follow-up of the process of drawing up the financial information, of the efficiency of the internal control systems and of risk management. It issues recommendations regarding the appointment of the auditors and ensures itself of the statutory control they perform.

The Committee met six times in 2008 and realized the following work:

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

Following the stopping of the "Zéphyr" project, it met several times to examine the new medium- and long-term plan developed by the Management Board. In particular, it looked at the consequences on business, the forward-looking results and the cash flow of the Group which were taken into account in this plan. Relationships with the banks and the renegotiation of financial resource lines and their conditions were studied in depth. Discussions with some customers which led to advance payment of development expenses were also part of the agenda of these meetings. It presented its observations and comments to the Supervisory Board.

This Committee's participation rate is: 100%

The Members of the Audit and Financial Statements Committee had sufficient time to examine the financial and accounting documents, and had the possibility of listening to the auditors, the Financial Director and the Director of the Controlling Department.

The Audit and Financial Statements Committee reported its work to the Supervisory Board which duly noted it and followed the whole of the recommendations therein.

The Compensation Committee

The Compensation Committee is composed of four Members. These are: Mr. Pierre ALESI (Chairman), Mr. François JUNCA, Mr. Gérard CAVERIVIERE and Mr. Hervé COSTES ; one of them, Mr. Pierre ALESI, is independent.

The missions of the Compensation Committee are the following: it makes all recommendations to the Supervisory Board concerning the compensation of Members of the Management Board and monitors the application of these recommendations for which it reports to the Supervisory Board. It examines the consequences of legal provisions concerning the Members of the Management Board.

The Committee met three times in 2008 and realized the following work:

It ratified the compensation allotted to the Members of the Management Board, and in particular the variable share based on the fiscal year 2007 results.

During its meeting of June 4, 2008, it examined the consequences of the TEPA law on the terms of the ending of contracts of Members of the Management Board and it proposed to the Supervisory Board a decision justifying the conditions which are applied to them. This decision was taken up again by the Annual General Meeting of June 27 which adopted it.

On November 28, 2008, it looked into the Company's and the Group's future governance, the positions of the Members of the Management Board coming to an end on January 6, 2009 and that of nearly all the Members of the Supervisory Board ending no later than June 30, 2009. It also examined the recommendations of the AFEP – MEDEF concerning the compensation of corporate officers and, in particular, the Members of the Management Board. It issued a recommendation that was taken up again and justified by the Supervisory Board.

It also met on January 6, 2009 to examine the compensation proposals of the Members of the new Management Board which it presented to the Supervisory Board on the same day, proposals which the Supervisory Board accepted and which are detailed in the management report.

This Committee's participation rate is: 100%

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

The Supervisory Board decided on February 27, 2009, to extend the missions of this Committee which becomes the Committee of Nominations and Compensation.

5.1.2 Principles and rules for the determination of the compensation of corporate officers

5.1.2.1 Compensation of the Members of the Supervisory Board (attendance fees)

In light of the results and the Company's financial situation, it is proposed to the Annual General Meeting that attendance fees not be allotted to the Members of the Supervisory Board.

5.1.2.2 Compensation of officers

The Supervisory Board decides on the compensation policy for corporate officers and the compensation of each of them, on proposal of the Nominations and Compensation Committee. The Company proposes to adopt the AFEP-MEDEF's listed companies corporate governance code, and has referred to its recommendations, after consulting with the Compensation Committee, in order to set the compensation of Members of the Management Board

This policy applies in an exhaustive manner to fixed, variable and non-recurring compensation to which are added benefits of whatsoever nature granted by the Company (retirement, severance pay, etc.)

It is determined not only as a function of work carried out, of the results obtained, and of the responsibility assumed, but also with regard to the practices observed in comparable firms and the compensation of the other managers of the Company.

Determination of the fixed share of compensation

The Supervisory Board, after consultation with the Compensation Committee, defined the fixed share of the compensation of each Member of the new Management Board on its appointment, on January 6, 2009. 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. An annual reappraisal of this fixed share as a function of the average change of executive compensation in the Group is foreseen.

Determination of the variable share of compensation

The Supervisory Board, after consultation with the Compensation Committee, also defined the variable share of the compensation of each Member of the new Management Board on its appointment, on January 6, 2009.

This variable part for the three Members is based on the Group's net result. The percentage granted to each Member is the following:

0.90 % for the Chairman, François Bertrand, 0.40% for the Managing Director, Bertrand PARMENTIER and 0.15% for the other Member, Roland TARDIEU, who also benefits from 0.25% on the operating result of the LATelec subsidiary, of which he is the Chairman.

These percentages were established so that the variable share, as a function of the Group's results, remains inferior to 50% of total compensation.

Stock options and stock grants

The Company has allotted neither stock options nor stock grants.

Payments, benefits and compensation allotted to the officers because of the expiry or modification of their duties

During its meeting of June 4, 2008, and following consultation with the Compensation Committee, the Supervisory Board examined the consequences of the TEPA law on the terms of the ending of contracts of Members of the Management Board and it proposed to the Supervisory Board a decision justifying the conditions which are applied to them. This decision was taken up again by the Annual General Meeting of June 27 which adopted it. It is set forth in detail below.

in application of the provisions of article L.225-79-1 of the French Commercial Law (Code de Commerce), the Supervisory Board, after taking note of the views of the Compensation Committee, decided that Mr. François Bertrand, Chairman of the Management Board, will be paid, in the event of the termination of his currently-suspended employment contract, for reasons other than his resignation or retirement, severance pay calculated on the basis of the maximum foreseen by the collective bargaining agreement currently in force for executives (corresponding to 18 months of gross compensation). This payment will be increased by one month for each "consolidated operating result/consolidated revenue" ratio point above 10%.

The payment will be calculated based on a twelfth of the compensation paid during the corporate fiscal year preceding the termination of his employment contract. The Operational Margin retained will be that of the same corporate fiscal year.

The same decision was made for the benefit of Mr. Jean Jacques PIGNERES, Member of the Management Board.

Retirement

The Members of Management Board do not benefit from any special executive retirement scheme other than the statutory supplementary pension allotted to all the Company's other executive employees.

Benefits in kind

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

5.1.3 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 by-laws :

"Shareholder Meetings are convened and decide in the conditions provided for by the French Commercial Law.

They are reunited 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. "

5.1.4 Elements likely to have an effect in the case of a public offering

These elements are disclosed in the management report of the Management Board (§2.3).

5.2 Internal control and risk management procedures

5.2.1 The internal control procedures

5.2.1.1 Definition and objective of internal control

The Group's internal control is linked to the statutory framework applicable to listed companies. It is inspired by the framework of reference published by the AMF in 2008 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.

5.2.1.2 Procedures relating to the preparation and processing of accounting and financial information

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

- 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 programs 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 activities.
Each month, a business report is established by the controlling department for the Management, which 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 Accounting and Administrative Procedures Manual of the Company was revised during the year. It should be extended to the Group's other companies and in particular to the foreign subsidiaries.
A more detailed formalization of the organization and the responsibilities of the finance and accounting departments of the foreign subsidiaries is being drafted.
Visits as well as meetings bringing together the persons in charge of finance and accounting at the different sites are organized regularly 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 is communicated to the whole of the Group.
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 system for the Group.
A change in the consolidation system is foreseen in order to obtain a consolidation by business levels.
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. A detailed review of the various processes involved in production was implemented. Meetings included in the "Défi 2011" plan were regularly held. The findings were released to Senior Management, as well as to the various relevant departments.

An internal audit charter will be drafted and presented to the Audit and Financial Statements Committee. 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.

5.2.1.3 Accounting and Financial Information System

The information and reporting systems available to the Group allow it to monitor regularly and with precision performances 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. This software package will be extended to all companies in the aerostructures business.
The scope of this system covers financial accounting, controlling, purchasing, orders management and invoicing, the supply chain and production management.

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 recording. 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 is 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 (discs, 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 IT 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.

5.2.1.4 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 was part of compartment "B" of NYSE Euronext (and since January 1, 2009 it is part of compartment "C"), 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.

5.2.2 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 principal risks that have been identified and followed-up by the internal control procedures are the following:

5.2.2.1 Program Risk

The strategic choice of future programs is carried out in a changing technological environment. The profitability of the company depends upon the commercial success of the programs. The program risks are subject to regular monitoring as indicated below.

- The Group financial forecasts are based on delivery assumptions and are updated periodically according to information received from customers or from the market.
- The estimates of completion margins on construction contracts are updated quarterly within the framework of the establishment of consolidated statements; they are selectively reviewed in case of a significant change in assumptions; they are the subject of a presentation to the Audit and Financial Statements Committee twice a year.
- The euro/dollar parities are the subjects of estimates reviewed periodically on the basis of market information collected by the Group.

The new organization implemented during the year involves the operational managers more in the identification and evaluation of these risks.

5.2.2.2 Financial Risk

The development of new programs involves increased needs for financing, of which the needs are evaluated in connection with plans covering several years, which makes it possible to analyze the supervening of this risk.

The Group has a net exposure to the foreign exchange risk for dollars for approximately 45% of its business. Forward contracts in dollars guarantee this net exposure until June 30, 2008. New hedging instruments may be put in place depending on market position.

Sensitivity analyses for the evolution of exchange rates and interest rates are realized periodically. The implementation of potential hedging instruments arises as a result of these analyses as a function of the market position. The new hedging instruments with respect to the dollar that were put in place during the year had consequences on the year's financial result because of the volatility of that currency. The consequences of the application of IFRS standards on the financial instruments made more complex their entering into the accounts. The terms were studied in depth with the help of consultants and auditors.

The stopping of the "Zéphyr" project and the delivery delays on new programs aggravated the Group's cash flow situation. Negotiations with banks allowed the strengthening of financial resources over the next three years, by adapting the conditions of their application.

5.2.2.3 Raw Material Risk

The supply of raw materials for which the price has experienced a certain tension over the last fiscal years is monitored and medium-term supply contracts, with price evolution guarantees included in customer contracts and the possibility of profiting from preferential purchase conditions in relationship with the customers were implemented.

The Management communicates on risks in compliance with legal and regulatory obligations in force through information given in the management report and the reference document.
This information is also transmitted to the Audit Committee and to the Supervisory Board.

Toulouse, April 24, 2009

Chairman of the Supervisory Board

5.3 Auditor's report in application of Article L. 225-235 of the French Commercial Law (Code de Commerce) concerning the Report by the Chairman of the Supervisory Board of Latécoère S.A., with respect to the internal control procedures covering the preparation and processing of accounting and financial information

Dear Shareholders,

As statutory auditors of the LATECOERE S.A Company and in application of the terms of Article L. 225-235 of the French Commercial Law, 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 Law for the year ended December 31, 2008.

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 Law 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 Law, 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 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 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 Law.

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 Law.

Paris and Toulouse, April 24, 2009

The Statutory Auditors

KPMG Audit
A division of KPMG S.A.

Christian Libéros
Partner

Grant Thornton
French Member of Grant Thornton International

François Pons
Partner

6 PUBLICATION OF THE ANNUAL INFORMATION

During fiscal year 2008, the Company published the following information by various means.

Date	Media	Information
01-Feb-08	Press release	2007 Revenue and 2008 outlook
17-Mar-08	Press release	2008 Results, takeover of sites in Méaulte and Saint Nazaire Ville
01-Apr-08	Press release	The works' council unanimously accepts the Méaulte and St Nazaire Ville sites takeover project
15-Apr-09	Web site	Shareholders' Information n°21
16-Apr-09	Individual release	Shareholders' Information n°21
07-May-08	Press release	Interruption of the discussions on taking over the Méaulte and St Nazaire Ville sites
07-May-08	Press release	Interview with François JUNCA, Chairman of the Supervisory Board
14-May-08	Press release	2008 First Half-year Revenue and outlook
14-May-08	Press release	Release of the 2007 Annual Financial Report
14-May-08	Web site	Release of the 2007 Annual Financial Report
27-May-08	Press release	Details of release of documents necessary to prepare the Annual General Meeting dated June, 27 2008
10-Jun-08	Press release	Report from the Supervisory Board on the stopping of the Méaulte and St Nazaire Ville sites takeover project
02-Jul-08	Press release	Interview with François JUNCA, Chairman of the Supervisory Board
30-Sep-09	Web site	Release of the 2008 First Half-year Financial Report
01-Oct-08	Press release	Release of the 2008 First Half-year Financial Report, "Défi 2011" plan
18-Nov-08	Press release	Year-to-date revenues as of September, 30th 2008 and outlook
10-Dec-08	Press release	Position of the Company towards the AFEP-MEDEF recommendations