2014 Half-year report

GROUPE LATECOERE

CONTENTS

1 HALF-YEAR REPORT

The consolidated financial statements of the Group have been approved by the Management Board on August 26, 2014.

The Group's business

In € millions	June 30, 2014	June 30, 2013
Total revenue	**321,4**	**310,4**
EBIT	**16,4**	**17,8**
% of revenue	5,1%	5,7%
Net financial result	**-10,1**	**-14,6**
Realized gains and losses	-10,7	-9,9
Unrealized gains and losses	0,6	-4,8
Group net result	**5,0**	**1,3**

In € millions	June 30, 2014	Dec 31, 2013
Consolidated net debt	319,6	316,9
Shareholders' Equity (Group share)	130,6	130,5

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

Revenues grow in line with medium-term objectives

Group revenues increased by 3.6% over H1 2013 to €321.4 million (4.8% at a constant exchange rate).

The increased revenues mainly derived from the Aerostructure Industrial ability to keep up with the increased production rates (+7.3%, or +8.8% at a constant exchange rates) and from strong sales momentum in Services (+3.3%), especially in the tooling sector.

During the period, Interconnexion Systems revenues registered a slight 2.4% decline (-1.2% at a constant exchange rates), compared with H1 2013 when strong engineering revenues were driven by development of new programs.

Overall in H1 2014, Group revenues (+4.8% at a constant exchange rates) were in line with the medium-term annual growth objective of +4% targeted in the 2014-2016 Boost plan.

Moreover, the Group has continued to adapt to the challenges of serial programs ramp up.

At June 30, 2014, the order book which is based on a €/US$ exchange rate of 1.35 and includes only firm orders from aircraft manufacturers stood at €2.61 billion, up 1.1% during H1. The increase largely reflects new orders from Embraer and Airbus respectively for the E-Jet E2 and A320neo programs. This order book represents four years of revenues.

Operating result (EBIT) of €16.4 million

The Group's operating profit amounted to €16.4 million, i.e. 5.1% of revenues, compared with 5.7% during H1 2013. This modest pullback reflects:

- H1 2013 performance of the Interconnexion Systems branch driven by very strong activity in services which was not sustainable in H1 2014 due to the market's contraction as development of the new programs wound down;
- Start-up costs for the Mexican Aerostructure Industrial unit during H1 2014 which are by their nature non-recurring.

Profitability of Aerostructure Services mainly derives from the increase in the tooling business.

The net financial results amounted to -€10.1 million, compared with -€14.6 million during H1 2013. The improvement mostly derives from a positive currency effect during the period (change in fair value of financial instruments and positive revaluation of monetary assets and liabilities on the balance sheet, with no cash impact).

The net cost of debt was -€7.3 million, unchanged from H1 2013.

The Group net result increased to €5.0 million from €1.3 million in H1 2013.

The Group continued its euro-US hedging dollar policy to protect a budgeted euro exchange rate of $1.35/€. During summer, a stronger dollar enabled the Group to complete its hedging portfolio, bringing it to $300 million for 2015 and nearly 80% of that year's budgeted exposure.

Net debt under control at €320 million during H1 2014

Net debt amounted to €319.6 million compared with €316.9 million at December 31, 2013. This variation mainly results from the working capital changes including:

- a partial reversal of one-off items that had a favourable impact in 2013;
- a positive seasonal effect linked to H1; and
- a reduction in inventories of more than €6 million.

The Group points out that it obtained for the 2013 financial year a waiver on the syndicated loan covenants and that an agreement was reached with the banking pool to hold discussions on an overhaul of the financial structure during H2.

First operational results of the Performance component of Boost Plan

The Group launched Boost Plan in February 2014. The Executive Committee has approved 120 proposals, and the Plan has entered its implementation phase. At the end of H1, 73 actions had been rolled out.
Boost Plan aims to:

- put production back at the centre of the Group's operational systems;
- improve product quality and competitiveness by reducing production costs and saving on overhead expenses
- optimise the use of Group resources.

The first operational effects of the Performance component of Boost Plan are promising in this respect:

- <u>In production</u>, on-time delivery has improved through better management of upstream flows. As the supply chain has gradually been secured, the Group has made significant improvements in the timeliness of supplying parts to the production line. For illustrative purpose a new all-time low figures for missing parts has been achieved (reduction of more than a third versus end-2013). Rationalising the supplier list, implementing back-up sources, bringing production of some parts back in-house and optimising the logistics/supply organisation (initiated during H1) should put the Group on track to continue making more reliable "series" production processes. At the same time, implementation of a "quality wall" at each workshop entrance promoted a sharp fall-off of inadequate quality, particularly in Aerostructure Industrial.

- In cost savings and optimisation of resources to improve productivity and competitiveness, the Group has stepped up efforts to decrease assembly times and adapt support functions to the level of programs' maturity. Moreover, by bringing some previously sub-contracted design work back in-house, the Group has improved the profitability of the Services business. General Procurement has been centralised, thus achieving savings of 13% on a full-year basis for contracts negotiated over H1.

At the same time, the Management ensures that the Group is fulfilling the internal conditions necessary to achieve the results expected under Boost Plan (organisation and skills in line with the needs of Boost Plan, employee involvement and initiative, cultural change).

All these actions to strengthen operational fundamentals will contribute to a gradual recovery in Group profitability and enable the Group to secure a return to long-term cash generation as the plan is executed to fit the trajectory of the 2016 financial objectives announced in February.

Mexican production site fully operational

On April 10, 2014, Guillermo Padres Elias, Governor of the Mexican State of Sonora, the Group's Management Board, and the entire Latécoère-Mexico team inaugurated the Group's new base of North American operations in Hermosillo, the capital of Sonora in northwest Mexico.
The 8,000m^2 production facility already employs nearly 250 people. Highly qualified operators, technicians and engineers are currently producing complex electrical harnesses for Airbus and assembling part of the production of passenger doors for the Boeing 787. With this facility, Latécoère Group for the first time has a common industrial platform for Interconnexion Systems and Aerostructure.
The Mexican unit has already delivered its first passenger doors, 45 days ahead of the initial schedule. The new plant is thus helping the Group to keep pace as the B787 program ramps up.

Outlook

"The commitment of all our staff to Boost Plan, aiming to re-order the Group's financials and operationals, has enabled Latécoère to reap the initial rewards barely four months after launching the transformation plan. The successful start encourages us to maintain our efforts and stay focused on implementing our plan until we complete our recovery by 2016.
The aeronautics sector, buoyed by market momentum in commercial aviation, highlights at the same time our customers' very strong activity (as demonstrated by the order volume record at the Farnborough Air Show) and an absence of new programs which are replaced by re-engined versions. This situation requires that we should be able to keep up with the ramp-up of the programs which are in a series production phase and to offset weak demand in design by capturing new markets to help us grow.
Our H2 priorities are still the same. We plan to continue to focus on our three levers in order to improve operational performance: optimising resources, improving our control of production and development costs and lowering our breakeven point.

2014 will be a year of transition and stabilisation of financial results. We expect the second half of the year to show improvement in operating results", stated Frédéric Michelland, Chairman of Latécoère's Management Board.

Principal Risks and Uncertainties for the Remaining Six Months of 2014

The principal risks and uncertainties for the remaining six months of 2014 relate to change in the EUR/USD exchange rate.

Transactions with Related Parties

The transactions with related parties continued during H1 2014 on the basis of the same agreements as those applied at December 31, 2013.

Accounting Standards, Principles and Methods

The condensed consolidated financial statements at June 30, 2014 are established in compliance with IAS 34 "interim financial reporting". The Group has chosen not to apply by anticipation the standards and interpretations that will enter into force after June 30, 2014. The accounting rules and methods applied to the condensed consolidated financial statements at June 30, 2014 are identical to those applied in the consolidated financial statements at December 31, 2013 with the exception of standards, amendments and interpretations which are required to be applied as from January 1, 2014.

The financial statements are presented '000 EURO rounded to the closest thousand euros.

They are prepared on the basis of historical cost, with the exception of the following assets and liabilities which are valued at fair value: derivative financial instruments, financial instruments held for trading, financial instruments and liabilities designated at fair value through profit and loss.

The following standards and amendments were published in the Official Journal of the European Union at the closing date for these half-year financial statements and are applied for the first time at June 30, 2014:

- The amendments to IAS 32 relating to the rules for offsetting financial assets and financial liabilities;
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", and IAS 27 (Revised 2011) "Separate Financial Statements" - Investment entities
- Amendments to IAS 36 "Impairment of Assets" - Recoverable amounts disclosures for non-financial assets
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"; and IFRS 9 "Financial instruments: Classification and measurement of financial assets and financial liabilities" - Novation of derivatives and continuation of hedge accounting

Application of these standards and amendments has no significant impact on the financial statements at June 30, 2014

The Group has not opted for early application of IFRIC 21 “Levies”, and does not expect it to have a significant impact on recognition of the taxes concerned.

2 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2014

2.1 Consolidated Statement of financial position

('000 EURO)	Notes	June 30, 2014	Dec 31, 2013
Goodwill	5.2	1 300	1 300
Other intangible assets	5.1	2 520	1 782
Tangible assets	5.1	91 179	90 083
Investments in associates (equity method)		0	0
Other financial assets		5 882	6 171
Deferred tax assets	15.2	17 060	17 075
Financial derivative instruments	9.1	0	4 853
TOTAL NON-CURRENT ASSETS		**117 942**	**121 265**
Inventories	6.1	418 522	405 555
Accounts receivable	8	154 151	157 077
Tax receivable	15.1	29 683	26 850
Financial derivative instruments	9.1	6 489	11 277
Other current assets		2 492	1 259
Cash & Cash Equivalents		22 044	19 541
TOTAL CURRENT ASSETS		**633 381**	**621 560**
TOTAL ASSETS		**751 323**	**742 824**

('000 EURO)	Notes	June 30, 2014	Dec 31, 2013
Share capital	10.1	23 075	23 017
Share premium		93 030	92 800
Treasury stock		1 665	1 691
Other Reserves		4 745	9 549
Accumulated Net Income		8 077	3 471
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**130 591**	**130 528**
Non-controlling interests		1 344	1 657
TOTAL EQUITY		**131 935**	**132 185**
Loans and bank borrowings	13.2	231 209	5 658
Refundable Advances		38 290	38 147
Employee benefits	12	14 641	14 061
Other provisions	11	821	756
Deferred tax liabilities	15.2	9 506	12 186
Financial derivative instruments	9.1	138	0
Other non-current liabilities		18 328	16 745
TOTAL NON-CURRENT LIABILITIES		**312 933**	**87 551**
Loans and bank borrowings (less than 1 year)	13.2	110 471	330 832
Refundable Advances		957	896
Accounts payable	14	179 102	175 485
Income tax liabilities		1 470	1 464
Other current liabilities		11 713	9 151
Financial derivative instruments	9.1	2 742	5 261
TOTAL CURRENT LIABILITIES		**306 455**	**523 088**
TOTAL LIABILITIES		**619 388**	**610 639**
TOTAL EQUITY & LIABILITIES		**751 323**	**742 824**

2.2 Consolidated Income Statement

('000 EURO)	Notes	June 30, 2014	June 30, 2013
Revenue		321 434	310 355
Other operating revenue		295	328
Change in inventory: work-in-progress & finished goods		13 800	21 940
Raw material, Other Purchases & external charges	16	-196 386	-183 790
Personnel expenses		-122 750	-132 527
Taxes		-3 451	-4 319
Amortization		-5 779	-5 995
Net operating provisions charge		-110	971
Depreciation of current assets		1 497	5 260
Other operating income	17	9 469	8 633
Other operating expenses		-1 606	-3 048
OPERATING INCOME		**16 414**	**17 808**
Operating Income / Sales		*5,11%*	*5,74%*
Net Cost of debt		-7 255	-7 429
Foreign Exchange gains/losses realized		-1 875	-1 360
Other financial incomes and expenses realized		-1 566	-1 077
Realized financial result		**-10 696**	**-9 867**
Change in fair value of financial derivative instruments		775	-1 954
Other financial incomes and expenses unrealized		-147	-2 816
Unrealized financial result		**628**	**-4 771**
FINANCIAL RESULT	**18**	**-10 068**	**-14 637**
Result from associates		0	43
Income tax	19	-1 345	-1 959
NET RESULT FOR THE PERIOD		**5 001**	**1 254**
Of which, Owners of the parent		4 979	1 324
Of which, Non-controlling interests		22	-69
Group net result/ sales		*1,55%*	*0,43%*
Weighted average number of shares		**11 520 470**	**9 310 456**
Earnings per share	10.1	**0,43**	**0,14**
Diluted earnings per share	10.1	**0,39**	**0,14**

2.3 Consolidated Statement of comprehensive income

('000 EURO)	June 30, 2014	June 30, 2013
NET RESULT FOR THE PERIOD (1)	**5 001**	**1 254**
OTHER COMPREHENSIVE INCOME:		
- Items that will not be reclassified subsequently to profit or loss:		
Commitments to purchase minority interests	-373	-17
Actuarial gain or loss for year relating retirements benefits	0	0
Other	-266	0
- Items that will be reclassified subsequently to profit or loss:		
Translation differences	587	-1 486
Financial instruments (cash flow hedging) : change in fair value and transfer in profit and loss	-7 928	-1 693
Income tax related to items that may be reclassified to profit or loss	2 791	647
TOTAL OTHER COMPREHENSIVE INCOME (2):	**-5 190**	**-2 549**
TOTAL COMPREHENSIVE INCOME (1+2)	**-189**	**-1 294**
Of which, Owners of the parent	-199	-1 221
Of which, Non-controlling interests	11	-73

2.4 Consolidated Statement of Cash-Flows

('000 EURO)	June 30, 2014	June 30, 2013
Net result for the period	5 001	1 254
Adjustments related to non-cash activities :		
Result from associates	0	-43
Depreciation and provisions	6 135	288
Fair value gains/losses	-775	2 514
Other non-cash items	53	6
CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES	**10 413**	**4 020**
Income taxes	1 345	1 959
Interest expenses	7 255	7 625
CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES	**19 012**	**13 604**
Changes in inventories	-11 300	-22 092
Changes in client and other receivables	-622	1 228
Changes in suppliers and other payables	7 577	27 350
Income tax paid	-1 168	-1 393
CASH FLOWS FROM OPERATING ACTIVITIES	**13 499**	**18 697**
Effect of subsidiaries acquisitions	0	0
Purchase of tangible and intangible assets (including changes in payables to fixed asset suppliers)	-8 294	-8 036
Purchase of financial assets	-6	-50
Increase (decrease) in loans and advances made	-7	-813
Proceeds from sale of tangible and intangible assets	498	26
CASH FLOWS FROM INVESTING ACTIVITIES	**-7 808**	**-8 873**
Expenses on increase of capital	287	8
Purchase or disposal of treasury shares	-25	-15
Proceeds from borrowings	0	3
Repayments of borrowings	-1 891	-1 801
Financial interest paid	-5 744	-7 416
Dividends paid	0	-245
Flows from refundable advances	205	297
Other flows from financing operation [1]	4 837	-15 232
CASH FLOW FROM FINANCING ACTIVITIES	**-2 331**	**-24 401**
Effects of exchange rate changes	20	250
Other changes without cash impact	0	0
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3 380**	**-14 327**
Opening cash and cash equivalents position	17 894	26 485
Closing cash and cash equivalents position	21 273	12 158

[1] It corresponds essentially to short-term lines (factoring and short-term credit)

2.5 Consolidated Statement of changes in Equity

('000 EURO)	Share capital	Share Premium	Treasury stock	Reserves and Accumulated Results	Cash flow hedgings - financial instruments	Translation difference	Other variations	Equity attributable to owners of parent	Non-controlling interests	TOTAL
Dec 31, 2012	**18 648**	**75 321**	**1 675**	**91 280**	**1 355**	**-1 629**	**-1 679**	**184 971**	**1 680**	**186 651**
Capital variations	2	6						8		8
Share-based payments								0		0
Transactions on treasury stock			-15					-15		-15
Dividends								0	-245	-245
Other variations								0		
Transactions with owners	**2**	**6**	**-15**	**0**	**0**	**0**	**0**	**-7**	**-245**	**-252**
Net result for the period (1)				**1 324**				**1 324**	**-69**	**1 254**
Financial instruments (cash flow hedging): change in fair value and transfer in profit and loss					-1 036			-1 036		-1 036
Financial instruments: Translation differences					-10			-10		-10
Translation differences: change and transfer in profit and loss						-1 482		-1 482	-4	-1 486
Other variations							-17	-17		-17
Other comprehensive income (2)	**0**	**0**	**0**	**0**	**-1 046**	**-1 482**	**-17**	**-2 545**	**-4**	**-2 549**
TOTAL COMPREHENSIVE INCOME (1)+(2)	**0**	**0**	**0**	**1 324**	**-1 046**	**-1 482**	**-17**	**-1 221**	**-73**	**-1 294**
June 30, 2013	**18 649**	**75 327**	**1 660**	**92 604**	**309**	**-3 110**	**-1 696**	**183 743**	**1 361**	**185 104**
Dec 31, 2013	**23 017**	**92 800**	**1 691**	**11 290**	**9 678**	**-5 714**	**-2 233**	**130 528**	**1 657**	**132 185**
Capital variations	57	230						287		287
Share-based payments								0		0
Transactions on treasury stock			-25					-25		-25
Dividends								0	-325	-325
Other variations										
Transactions with owners	**23 075**	**93 030**	**1 665**	**11 290**	**9 678**	**-5 714**	**-2 233**	**130 790**	**1 333**	**132 122**
Net result for the period (1)				**4 979**				**4 979**	**22**	**5 001**
Financial instruments (cash flow hedging): change in fair value and transfer in profit and loss					-5 137			-5 137		-5 137
Financial instruments: Translation differences					-1			-1		-1
Translation differences: change and transfer in profit and loss						598		598	-11	587
Other variations							-639	-639		-639
Other comprehensive income (2)	**0**	**0**	**0**	**0**	**-5 137**	**598**	**-639**	**-5 178**	**-11**	**-5 190**
TOTAL COMPREHENSIVE INCOME (1)+(2)	**0**	**0**	**0**	**4 979**	**-5 137**	**598**	**-639**	**-199**	**11**	**-189**
June 30, 2014	**23 075**	**93 030**	**1 665**	**16 269**	**4 541**	**-5 115**	**-2 873**	**130 591**	**1 344**	**131 935**

2.6 Notes to the Condensed Consolidated Financial Statements

GENERAL INFORMATION

INCOME STATEMENT DETAIL

BALANCE SHEET DETAIL

ADDITIONAL INFORMATION

INFORMATION RELATIVE TO THE GROUP

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

The consolidated financial statements of the Latécoère Group for the half year ended on June 30, 2014, include the parent company and its subsidiaries (the whole being designated as "the Group") and the Group's share in associates.

The consolidated financial statements of the Group have been approved by the Management Board on August 26, 2014.

NOTE 1 MAIN EVENTS

Initial operational results of the Performance component of Plan Boost

The Group launched Boost Plan in February 2014. The Executive Committee has approved 120 proposals, and the Plan has entered the implementation phase. At the end of H1, 73 actions had been rolled out.
Boost Plan aims to:

- put production back at the centre of the Group's operational systems;
- improve product quality and competitiveness by reducing costs of production and finding savings on overheads;
- optimise use of Group resources.

The first operational effects of the Performance component of Boost Plan are promising in this respect:

- In production, compliance with customers' schedules has improved through better management of upstream flows. As the supply chain has gradually been secured, the Group has made significant improvements in the timeliness of supplying parts. It has also achieved new all-time low figures for missing items (a reduction of more than a third versus end-2013). Rationalising the supplier list, implementing back-up sources, bringing production of some parts back in-house, and optimising the logistics/supply organisation (initiated during H1) should put the Group on track to continue making "series" production processes more reliable. At the same time, implementation of a "quality wall" at each workshop entrance promoted a sharp fall-off of inadequate quality, particularly in Aerostructure Industrial.
- In cost savings and optimisation of resources to improve productivity and competitiveness, the Group has stepped up efforts to cut assembly times and adapt support functions to the level of programmes' maturity. Moreover, by bringing some previously sub-contracted research work back in-house, the Group has improved the profitability of the Services business. Purchasing has been centralised through General Services, achieving savings of 13% on a full-year basis for contracts negotiated in the current financial year.

At the same time, Latécoère's management ensures that the Group is fulfilling the internal conditions necessary to achieve the results expected under Boost Plan (organisation and skills in line with the needs of Boost Plan, employee involvement and initiative, cultural change).

All these actions to strengthen operational fundamentals will contribute to a gradual recovery in Group profitability and enable the Group to secure a return to consistent, long-term cash generation as the plan is executed to fit the trajectory of the 2016 financial objectives announced in February.

Mexican production site fully operational

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The Mexican unit has already delivered its first passenger doors, 45 days ahead of the initial schedule. The new plant is thus helping the Group to keep pace as the B787 programme ramps up.

NOTE 2 ACCOUNTING POLICIES

2.1 Basis of Preparation of the Financial Statements

The condensed consolidated financial statements at June 30, 2014 are prepared in compliance with IAS 34 "interim financial reporting". The Group has chosen not to apply by anticipation the standards and interpretations that will enter into force after June 30, 2014. The accounting rules and methods applied to the condensed consolidated financial statements at June 30, 2014 are identical to those applied in the consolidated financial statements at December 31, 2013 with the exception of standards, amendments and interpretations which are required to be applied as from January 1, 2014.

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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

The following standards and amendments were published in the Official Journal of the European Union at the closing date for these half-year financial statements and are applied for the first time at June 30, 2014:

- The amendments to IAS 32 relating to the rules for offsetting financial assets and financial liabilities;
- Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities", and IAS 27 (Revised 2011) "Separate Financial Statements" - Investment entities
- Amendments to IAS 36 "Impairment of Assets" - Recoverable amounts disclosures for non-financial assets
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"; and IFRS 9 "Financial instruments: Classification and measurement of financial assets and financial liabilities" - Novation of derivatives and continuation of hedge accounting

Application of these standards and amendments has no significant impact on the financial statements at June 30, 2014

The Group has not opted for early application of IFRIC 21 “Levies”, and does not expect it to have a significant impact on recognition of the taxes concerned.

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 course of the period of the change and subsequent periods if these are also affected by the change.

The judgments made by the Management Board having a significant impact on financial statements and estimates having an important risk of variations during the period, concern mainly the estimated margin on construction contracts (Note 6).

The estimate of the variation of employee benefits has been extrapolated on the basis of the information at December 31, 2013 since no significant change in assumptions has occurred during the first six months 2014.

At June 30, 2014, the estimates and the assumptions retained for the condensed consolidated financial statements were determined based on the elements in the Group's possession at the closing date and, particularly in the case of construction contracts, as a function of firm orders confirmed by aircraft manufacturers.

The Group agreed with its financial partners to review the whole of the syndicated loan's amortization profile by the end of 2014. In this context, the 2014 payments periods were postponed to the end of 2015. This deadline will be reassessed in the context of upcoming discussions.

NOTE 3 CONSOLIDATION SCOPE

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

	Company name	Country	Control %	Interest %	Consolidation method
Aerostructure segment:					
Aérostructure Industrial	LATECOERE	France		**Parent company**	
	LATECOERE do BRASIL	Brazil	100%	100%	Consolidation
	LATECOERE CZECH REPUBLIC s.r.o (ex LETOV s.r.o.)	Czech Republic	100%	100%	Consolidation
	LETOV LV a.s.	Czech Republic	100%	100%	Consolidation
	LATECOERE INC.	USA	100%	100%	Consolidation
	LATECOERE DEVELOPPEMENT	France	100%	100%	Consolidation
	LATECOERE BIENES RAICES	Mexico	100%	100%	Consolidation
	LATECOERE Mexico	Mexico	100%	0%	Consolidation
	LATECOERE Mexico Services	Mexico	100%	0%	Consolidation
Aerostructure Services	LATECOERE Services (ex LATecis)	France	100%	100%	Consolidation
	LATECOERE Services Iberia (ex LATecis Iberia)	Spain	100%	100%	Consolidation
	LATECOERE Services Limited (ex LATecis UK limited)	England	100%	100%	Consolidation
	LATECOERE Services Canada Inc. (ex LATecis Canada Inc.)	Canada	100%	100%	Consolidation
	LATECOERE services Gmbh	Germany	100%	100%	Consolidation
	G²METRIC	France	51%	51%	Consolidation
	G²METRIC GmbH	Germany	51%	51%	Consolidation
	G²METRIC Limited	England	51%	51%	Consolidation
Interconnexion System segment:					
	LATelec	France	100%	100%	Consolidation
	LATelec GmbH	Germany	100%	100%	Consolidation
	SEA LATelec	Tunisia	100%	100%	Consolidation
	LATelec Mexico	Mexico	100%	0%	Consolidation
	LATelec Mexico Services	Mexico	100%	0%	Consolidation

For information, there has been no change in scope during the period.

NOTE 4 OPERATIONAL SEGMENTS

The sectors or segments presented by the Group are distinct components of the Group which are committed in the supply of goods or dependent services (business segments), and that are exposed to risks and to a profitability different from those of other segments.

In accordance with IFRS 8, the information presented by segment is based on the Group's internal reporting, examined regularly by Senior Management.

The accounting methods used by the Group for the establishment of the information presented by operational segment in accordance with IFRS 8 are identical to those used by the Group for the establishment of its consolidated financial statements under IFRS standards.

The Group uses **Economic EBIT** as relevant key indicator to monitor the economic performance of the Group sectors.

Economic EBIT corresponds at the consolidated financial statements level, (i) operating result (EBIT), (ii) corrected by the change in non recurring costs work in progress net of associated depreciation and provision.

Consolidated Net debt represents loans and bank borrowing (non-current and current) net of cash and cash equivalents

('000 EUR) June 30, 2014	Aerostructure Industrial	%	Aerostructure Services¹	%	Intersegment eliminations	Aerostructures	%	Interconnexion Systems	%	Intersegment eliminations	Total
Revenue	189 902	59%	49 546	15%	-4 445	235 003	73%	102 230	32%	-15 798	321 434
Inter-segment revenue	-12 082	76%	-3 416	22%	4 445	-11 053	70%	-4 745	30%	15 798	0
Consolidated revenue	**177 820**	**55%**	**46 129**	**14%**		**223 950**	**70%**	**97 484**	**30%**	**0**	**321 434**
Economic EBIT	**-8 874**	**270%**	**2 771**	**-84%**	**0**	**-6 103**	**186%**	**2 977**	**-91%**	**-157**	**-3 283**
Economic EBIT / revenue	*-4,67%*		*5,59%*					***2,91%***			***-1,02%***
Operating result	**8 052**	**49%**	**2 771**	**17%**	**0**	**10 823**	**66%**	**5 748**	**35%**	**-157**	**16 414**
Operating result/revenue	*4,24%*		*5,59%*					***5,62%***			***5,11%***
Realized financial result	**-10 577**	**99%**	**39**	**0%**	**0**	**-10 538**	**99%**	**-157**	**1%**	**0**	**-10 696**
Unrealized financial result	**1 315**	**209%**	**-25**	**-4%**	**0**	**1 290**	**205%**	**-662**	**-105%**	**0**	**628**
Income tax and miscellaneous	873		-794		0	79		-1 425		0	-1 345
Net result	**-338**	**-7%**	**1 991**	**40%**	**0**	**1 653**	**33%**	**3 504**	**70%**	**-157**	**5 001**
Net result/revenue	*-0,18%*		*4,02%*			***0,70%***		***3,43%***			***1,56%***

('000 EUR) June 30, 2014	Aerostructure Industrial	%	Aerostructure Services¹	%	Intersegment eliminations	Aerostructures	%	Interconnexion Systems	%	Intersegment eliminations	Total
Intangible fixed assets	1 228	49%	812	32%	0	2 040	81%	480	19%	0	2 520
Goodwill	0	0%	1 300	100%	0	1 300	100%	0	0%	0	1 300
Tangible fixed assets	71 337	78%	5 671	6%	0	77 008	84%	14 163	16%	8	91 179
Other financial assets	80 064	0%	831	0%	0	80 895	0%	1 085	0%	-76 098	5 882
Total	**152 630**	**151%**	**8 614**	**9%**	**0**	**161 244**	**160%**	**15 728**	**16%**	**-76 090**	**100 882**
Net investments	6 317	81%	1 039	13%	0	7 356	94%	453	6%		7 809
Inventories	335 631	80%	411	0%	0	336 042	80%	83 436	20%	-956	418 522
Trade and other receivables	89 857	58%	46 507	30%	-2 603	133 761	87%	119 490	78%	-99 100	154 151
Net debt	307 318	96%	-2 913	-1%	0	304 405	95%	91 343	29%	-76 111	319 637
Accounts payable	203 923	114%	29 727	17%	-2 603	231 047	129%	47 155	26%	-99 100	179 102
Total Assets	**658 873**	**88%**	**57 739**	**8%**	**-2 603**	**714 010**	**95%**	**214 394**	**29%**	**-177 082**	**751 323**

('000 EUR) June 30, 2013	Aerostructure Industrial	%	Aerostructure Services[1]	%	Intersegment eliminations	Aerostructures	%	Interconnexion Systems	%	Intersegment eliminations	Total
Revenue	175 902	57%	48 954	16%	-4 273	220 583	71%	108 112	35%	-18 340	310 355
Inter-segment revenue	-11 387	62%	-3 000	16%	4 273	-10 115	55%	-8 225	45%	18 340	0
Consolidated revenue	**164 515**	**53%**	**45 953**	**15%**		**210 468**	**68%**	**99 886**	**32%**	**0**	**310 355**
Economic EBIT	**-874**	**-12%**	**2 497**	**33%**	**0**	**1 622**	**22%**	**5 936**	**79%**	**-35**	**7 524**
Economic EBIT / revenue	*-0,50%*		*5,10%*			***0,74%***		***5,49%***			***2,42%***
Operating result	**8 232**	**46%**	**2 497**	**14%**	**0**	**10 729**	**60%**	**7 113**	**40%**	**-35**	**17 808**
Operating result/revenue	*4,68%*		*5,10%*			***4,86%***		***6,58%***			***5,74%***
Realized financial result	**-10 049**	**102%**	**16**	**0%**	**0**	**-10 033**	**102%**	**166**	**-2%**	**0**	**-9 867**
Unrealized financial result	**-2 639**	**55%**	**-32**	**1%**	**0**	**-2 672**	**56%**	**-2 099**	**44%**	**0**	**-4 771**
Income tax and miscellaneous	662		-614		0	48		-2 007		0	-1 959
Net result	**-3 751**	**-299%**	**1 867**	**149%**	**0**	**-1 884**	**-150%**	**3 173**	**253%**	**-35**	**1 254**
Net result/revenue	*-2,13%*		*3,81%*			***-0,85%***		***2,93%***			***0,40%***

('000 EUR) Dec 31, 2013	Aerostructure Industrial	%	Aerostructure Services[1]	%	Intersegment eliminations	Aerostructures	%	Interconnexion Systems	%	Intersegment eliminations	Total
Intangible fixed assets	750	42%	739	41%	0	1 489	84%	293	16%	0	1 782
Goodwill	0	0%	1 300	100%	0	1 300	100%	0	0%	0	1 300
Tangible fixed assets	69 572	77%	5 548	6%	0	75 120	83%	14 954	17%	8	90 083
Other financial assets	80 056	0%	831	0%	-2 012	78 875	0%	1 392	0%	-74 096	6 171
Total	**150 379**	**151%**	**8 418**	**8%**	**-2 012**	**156 785**	**158%**	**16 640**	**17%**	**-74 088**	**99 336**
Net investments	11 525	66%	2 336	13%	0	13 861	80%	3 568	20%		17 429
Inventories	316 461	78%	735	0%	0	317 196	78%	89 158	22%	-799	405 555
Trade and other receivables	95 229	61%	43 051	27%	-1 974	136 306	87%	114 761	73%	-93 990	157 077
Net debt	301 192	95%	-2 487	-1%	-2 012	296 693	94%	94 363	30%	-74 108	316 948
Accounts payable	190 237	108%	30 086	17%	-1 974	218 349	124%	51 125	29%	-93 990	175 485
Total Assets	**639 810**	**86%**	**54 749**	**7%**	**-3 986**	**690 573**	**93%**	**222 932**	**30%**	**-170 681**	**742 824**

[1] previously called "Engineering and Services"

The elimination of inter-segments from "Other financial assets" and from net debt corresponds primarily to loans of subsidiaries related to the arrangement of the syndicated loan at the Latécoère Company level.

NOTE 5 FIXED ASSETS

5.1 Changes in Fixed Assets

('000 EUR)	Dec 31, 2013	Currency variations	Other	Acquisitions	Disposals	June 30, 2014
Franchises/patents/similar rights	10 491	17	920	194	-764	10 859
Other Intangible Fixed Assets	4 308	0	0	87	0	4 394
INTANGIBLE ASSETS	**14 799**	**17**	**920**	**281**	**-764**	**15 254**
Land	3 931	62	1	18	0	4 012
Buildings	36 132	504	207	246	-29	37 060
Plants & Equipment	87 590	1 021	485	2 593	-826	90 863
Other Fixed Assets	23 727	119	14	651	-2 054	22 458
Fixed assets in progress	14 402	-2	-1 626	3 801	-11	16 565
Advanced payments on fixed assets	3	0	0	7	0	10
Real estate leasing	27 681	0	0	0	0	27 681
TANGIBLE ASSETS	**193 466**	**1 705**	**-919**	**7 315**	**-2 919**	**198 648**

('000 EUR)	Dec 31, 2013	Currency variations	Other	Increase	Decrease	June 30, 2014
Franchises/patents/similar rights	8 869	12	0	517	-761	8 637
Other Intangible Fixed Assets	4 148	1	0	-52	0	4 097
AMORTIZATION INTANGIBLE ASSETS	**13 017**	**13**	**0**	**464**	**-761**	**12 734**
Buildings	10 842	134	0	746	-3	11 719
Plants & Equipment	62 476	923	0	3 510	-318	66 591
Other Fixed Assets	16 934	86	0	688	-2 050	15 657
Real estate leasing	13 132	0	0	370	0	13 502
AMORTIZATION TANGIBLE ASSETS	**103 384**	**1 143**	**0**	**5 314**	**-2 372**	**107 469**

('000 EUR)	Dec 31, 2013	June 30, 2014
Franchises/patents/similar rights	1 782	2 520
INTANGIBLE ASSETS	**1 782**	**2 520**
Land	3 931	4 012
Buildings	25 290	25 341
Plants & Equipment	25 114	24 272
Other Fixed Assets	6 794	6 801
Fixed assets in progress	14 402	16 565
Advanced payments on fixed assets	3	10
Real estate leasing	14 549	14 178
TANGIBLE ASSETS	**90 083**	**91 179**

Tangible and intangible investments of H1 2014 totaled €7.6 million, of which:

- Industrial plant and equipment for €4.3 million including €1.7 million due to development of new sites in Mexico;
- Computer projects and licenses for €2 million (principally information systems master plans);
- Computer hardware, and layouts and fitting work for €0.7 million;

5.2 Goodwill

('000 EUR)	June 30, 2014	Dec 31, 2013	Valuation method	Discounting rate	Discounting period	Growth rate
LATECOERE services	834	834	Cash flow method	8,5%	Infinite	2,0%
G2 METRIC	466	466		8,5%	Infinite	2,0%
CGU "Aerostructures"	**1 300**	**1 300**				

NOTE 6 INVENTORIES AND WORK-IN-PROGRESS AND CONSTRUCTION CONTRACTS

6.1 Detail of Inventories and Work-in-Progress

('000 EURO)	June 30, 2014			Dec 31, 2013			Variation		
	Gross	Provision	Net	Gross	Provision	Net	Gross	Provision	Net
Industrial Inventories	190 803	-17 102	173 701	198 784	-18 438	180 346	-7 981	1 336	-6 645
Work in progress - Non Recurring Cost	264 426	-19 605	244 821	244 990	-19 781	225 209	19 436	176	19 612
TOTAL	**455 229**	**-36 707**	**418 522**	**443 774**	**-38 219**	**405 555**	**11 455**	**1 512**	**12 967**

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

6.2 Construction Contracts

('000 EURO)	June 30, 2014	Dec 31, 2013
Amount due from customers (work in progress)	308	323
Amount due to customers	0	0
Revenue recognized from the origin of the contracts	2 763	2 619
Expenses incurred since the origin of the contracts	2 850	2 833
Refundable Advances	39	39

Construction contracts are based on forecasts made by the Group taking into account the commercial information (order book and production rates) released by the different aircraft manufacturers and the information coming from the outlook for the aeronautical market. Future costs are estimated on the basis of the industrial organizations of the Group.

Furthermore, the dollar flows (revenue and expenses) representing a significant share of the total flows, the Group founded its projections on assumptions of the future evolution of the dollar in relation to the duration of contracts. This last assumption could be reviewed depending on the outlook for the currency evolution and its impact on the projections.

The main construction contracts relate to the following programs: A380 (lower part of the nose section, doors of upper deck, electrical racks, commercial harnesses), A400M (electrical rack), F7X (harnesses, rear fuselage section), Embraer ERJ 170/190 (fuselage section and doors), and Boeing 787 (passenger doors). Detailed numbers by program (and in particular, the margins of construction contracts) cannot be communicated, for confidentiality reasons.

NOTE 7 FINANCIAL ASSETS

Fair value of financial assets

The fair value of financial assets recorded at amortized cost is close to the carrying amount. The Group uses the following hierarchy of inputs to determine the fair value of its financial assets:

- Category 1 (cat1): inputs that reflect quoted prices for identical assets or liabilities in active markets;
- Category 2 (cat 2): directly or indirectly observable inputs other than quoted prices for identical assets or liabilities in active markets;
- Category 3(cat 3): unobservable inputs.

('000 EURO)	Loans and receivables at amortised cost	Financial assets at fair value through profit and loss	Hedging instruments	June 30, 2014	Fair value
Non current financial assets	5 882			5 882	
Trade receivables and other receivables	154 151			154 151	
Financial instruments		649	5 840	6 489	6 489
Cash and cash equivalent	14 027	8 016		22 044	8 016
TOTAL FINANCIAL ASSETS	**174 061**	**8 665**	**5 840**	**188 566**	**14 505**

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments		6 489		6 489
Cash and cash equivalent	8 016			8 016
TOTAL	8 016	6 489	0	14 505

('000 EURO)	Loans and receivables at amortised cost	Financial assets at fair value through profit and loss	Hedging instruments	Dec 31, 2013	Fair value
Non current financial assets	6 171			6 171	
Trade receivables and other receivables	157 077			157 077	
Financial instruments		892	15 238	16 130	16 130
Cash and cash equivalent	10 210	9 331		19 541	9 331
TOTAL FINANCIAL ASSETS	**173 459**	**10 223**	**15 238**	**198 920**	**25 461**

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments		16 130		16 130
Cash and cash equivalent	9 331			9 331
TOTAL	**9 331**	**16 130**	**0**	**25 461**

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

NOTE 8 RECEIVABLES AND OTHER CURRENT ASSETS

('000 EURO)	June 30, 2014	Dec 31, 2013
Advanced payments	496	417
Trade receivables	135 443	137 008
Of which discount of receivables	*65 739*	*81 107*
Group current account	81	127
Tax receivables	11 354	13 746
Other current receivables	6 776	5 779
TOTAL RECEIVABLES	**154 151**	**157 077**

NOTE 9 DERIVATIVE INSTRUMENTS

New hedging financial instruments (EUR/CZK) for a total amount of €24 million were put in place during H1 2014 to provide hedging until 2015.

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

('000 EURO)	Balance sheet position		Notional*	Maturity		
	Assets	Liabilities		< 1 year	From 1 to 5 years	> 5 years
Derivative instruments not designed as a hedge:						
- Forward currency contracts BRL/USD	0	**294**	**4 393**	4 393	0	0
- Currency option contracts ** and forward currency contracts EUR/USD	**649**	0	**			
- Currency option contracts EUR/CZK **	0	**736**	**			
Cash flow hedging:						
- Forward currency contracts EUR/USD	**376**	**0**	**14 643**	14 643	0	0
- Currency option contracts EUR/USD (intrinsic value) ***	**5 464**	**0**	**220 457**	220 457	0	0
- Currency option contracts EUR/CZK (intrinsic value)	**0**	**405**	**36 000**	24 000	12 000	0
Foreign currency Derivative instruments	**6 489**	**1 434**	**275 493**	**263 493**	**12 000**	**0**
Financial instruments not designed as a hedge:						
- Collar ****	**0**	**1 445**	**235 000**	185 000	50 000	0
Interest rate Derivative instruments	**0**	**1 445**	**235 000**	**185 000**	**50 000**	
Financial instruments not designed as a hedge	649	2 475	239 393	189 393	50 000	0
Cash flow hedgind	5 840	405	235 100	259 100	12 000	0
TOTAL OF DERIVATIVES INSTRUMENTS	**6 489**	**2 880**	**474 493**	**448 493**	**62 000**	**0**
of which non current derivative instruments	0	138				
of which current derivative instruments	6 489	2 742				

*Notional is converted in euro K by applying the exchange rate at the closing date
** Correspond essentially to time value and digital option
*** To avoid redundancy of information, the total notional amount of currency options EUR / USD (intrinsic value and time value) is mentioned in the line "Currency option contract EUR / USD (intrinsic value)"
**** These instuments cover the debt of the Group to a total value of € 235 million until end of 2014 and to a total value of € 50 million over the period 2015.

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

Impact of future cash flow hedging

('000 EURO)	June 30, 2014	Dec 31, 2013
Equity - Hedging instruments (net of tax) at the opening date	**9 678**	**1 355**
Equity change for the effective portion	-3 313	14 807
Reclasssified in income when the hedged element affects profit and loss	-4 614	-2 055
Translation differences	-1	34
Deferred tax variation	2 791	-4 462
Equity - Hedging instruments (net of tax) at the closing date	**4 541**	**9 678**

Impact of derivative instruments to which hedge accounting is not applied

('000 EURO)	June 30, 2014	Dec 31, 2013
Fair value at the opening date	**-3 564**	**-8 191**
Recorded through income statement before Taxes	1 738	4 627
Fair value at the closing date	**-1 826**	**-3 564**

NOTE 10 SHAREHOLDERS' EQUITY

10.1 Breakdown of Capital

	June 30, 2014	Dec 31, 2013
Number of shares	11 537 317	11 508 593
Nominal value of each share (in euro)	2,00	2,00
Share Capital	23 074 634	23 017 186

28 724 share warrants (BSA) were exercised during H1 2014.

	June 30, 2014	June 30, 2013
Averaged issued shares	11 530 926	9 324 513
Averaged treasury shares	10 455	14 057
Weighted average shares (a)	**11 520 470**	**9 310 456**
Dilutive impact of convertible bonds (b)	0	2 164 004
Dilutive impact of share purchase warrant (c)	1 190 918	0
Total of shares diluted (a+b+c)	**12 711 388**	**11 474 460**
Net resultat - Group Share (in euro) (d)	4 979 000	1 323 855
Result impact of Convertible bonds (e)	0	557 075
Diluted result (d+e)	**4 979 000**	**1 880 930**
Earnings per share (in euro)	0,43	0,14
Diluted earnings per share (in euro)	0,39	0,14

All shares were fully paid.

10.2 Treasury Shares

Number of shares	Dec 31, 2013	Acquisitions	Disposals	June 30, 2014	% of ownership
LATECOERE Shares	8 200	341 516	337 743	11 973	0,10%

('000 EURO)	Dec 31, 2013	Acquisitions / Provisions	Cessions	June 30, 2014	Average purchase price
LATECOERE Shares	104	4 837	4 800	141	11,81

NOTE 11 NON-CURRENT PROVISIONS

('000 EURO)	Dec 31, 2013	Increase	Write-backs used	Write-backs not used	June 30, 2014
Provisions	**756**	**303**	**-237**	**0**	**821**

NOTE 12 EMPLOYEE BENEFITS

('000 EURO)	June 30, 2014	Dec 31, 2013
Retirement bonus	12 619	12 084
Long-service medals	2 022	1 977
TOTAL	**14 641**	**14 061**

Retirement liabilities and the obligation under long-service medals accounted for at June 30, 2014 were calculated according to the method accepted during the calculation carried out at December 31, 2013.

NOTE 13 FINANCIAL LIABILITIES

13.1 Detail of Financial liabilities

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel liabilities	June 30, 2014	Fair value
Refundable Advances			39 247	39 247	39 247
Syndicated loan - Tranche B			218 615	218 615	218 615
Syndicated loan - Other tranches			52 500	52 500	52 500
Other Bank loans			4 128	4 128	4 324
Factoring			59 852	59 852	59 852
Finance lease			3 036	3 036	3 061
Unsecured banking facility and other			3 549	3 549	3 549
Other non-current liabilities			18 328	18 328	18 328
Financial instruments	2 475	405		2 880	2 880
Accounts payable			179 102	179 102	179 102
TOTAL FINANCIAL LIABILITIES	**2 475**	**405**	**578 357**	**581 237**	**581 457**

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments	0	2 880	0	2 880
TOTAL	0	2 880	0	2 880

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel liabilities	Dec 31, 2013	Fair value
Refundable Advances			39 042	39 042	39 042
Syndicated loan - Tranche B			218 564	218 564	218 564
Syndicated loan - Other tranches			27 500	27 500	27 500
Other Bank loans			5 684	5 684	5 679
Factoring			78 858	78 858	78 858
Finance lease			3 371	3 371	3 401
Unsecured banking facility and other			2 512	2 512	2 512
Other non-current liabilities			16 745	16 745	16 745
Financial instruments	4 456	806		5 261	5 261
Accounts payable			175 485	175 485	175 485
TOTAL FINANCIAL LIABILITIES	**4 456**	**806**	**567 761**	**573 022**	**573 048**

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments	0	5 261	0	5 261
TOTAL	0	5 261	0	5 261

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

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

13.2 Loans and Bank borrowings

('000 EURO)	June 30, 2014	Dec 31, 2013
Bank loans - non current	228 843	2 955
Leasing - non current	2 366	2 703
Non-current liabilities	**231 209**	**5 658**
Bank loans - current	46 401	248 793
Leasing - current	670	669
Factoring	59 852	78 858
Other short term credit	3 549	2 512
Current liabilities	**110 471**	**330 832**
TOTAL OF LOAN AND BANK BORROWINGS	**341 680**	**336 489**

The Group has obtained "waivers" from the banks subsequent to the rupture of the syndicated loan covenants at 31 December 2013. Therefore, the Group has classified the medium-term debt under "Bank loans – non current" at June 30, 2014.

('000 EURO)	Currency	Interest rate	Maturity	June 30, 2014	
				Notional	Actual
Syndicated loan - Tranche B	EURO	EURIBOR+ margin	2018	225 610	218 615
Syndicated loan - other tranches	EURO	EURIBOR+ margin	2015	54 652	52 500
Bank borrowings with guarantee	EURO	3,0%-4,8%-5,9%	2014-2016	21 209	3 401
Bank borrowings with guarantee	EURO	EURIBOR+ margin	2016	1 500	727
Factoring	EURO/USD	EURIBOR/LIBOR + margin	2015	83 600	59 852
Finance lease	EURO	4,7%-7,2%	2010-2020	25 013	3 036
Unsecured banking facility and other	EURO	EURIBOR + margin	n/a	3 549	3 549
TOTAL OF LOAN AND BANK BORROWINGS				**443 733**	**341 680**

The Group agreed with its financial partners to review the whole of the syndicated loan's amortization profile by the end of 2014. In this context, the 2014 payments periods were postponed to the end of 2015. This deadline will be reassessed in the context of upcoming discussions.

NOTE 14 OTHER LIABILITIES

('000 EURO)	June 30, 2014	Dec 31, 2013
Trade payables	86 283	107 350
Employee related liabilities	50 906	33 823
State payables	12 651	12 158
Credit balance on trade receivables and advance payments from customers	15 444	11 253
Other creditors	13 818	10 901
ACCOUNTS PAYABLE	**179 102**	**175 485**

NOTE 15 TAXES

15.1 Income Tax Receivable

The amount recorded at June 30, 2014 for €29.7 million corresponds to a carry-back for an amount of €5.4 million and to tax credits for €24.3 million (primarily, the research-based tax credit).

15.2 Deferred Taxes

('000 EURO)	June 30, 2014	Dec 31, 2013
Deferred tax assets	17 075	22 446
Deferred tax liabilities	-12 186	-633
DEFERRED TAX AT OPENING	**4 890**	**21 813**
Deferred tax Income (Expense) recognised in P&L	-351	-11 738
Deferred tax variation recognised directly in equity	3 015	-5 185
DEFERRED TAX AT CLOSING	**7 554**	**4 890**
Of which Deferred tax assets	17 060	17 075
Of which Deferred tax liabilities	-9 506	-12 186

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

('000 EURO)	June 30, 2014	Dec 31, 2013
Tangible and intangible assets	-4 354	-4 501
Financial instruments	-1 420	-4 000
Retirement bonus	4 216	3 980
Other provisions (regulated provision)	-2 222	-2 127
Loan and bank borrowings	-1 372	-1 414
Loss carry-forwards	11 854	11 854
Other	852	1 098
NET DEFERRED TAX ASSETS (LIABILITIES)	**7 554**	**4 890**

The main sources of deferred tax assets were the recognition of the loss carry-forwards from the French tax group in an amount of €11.9 million at June 30, 2014. Over the French tax consolidation scope, deferred tax assets in an amount of €45.4 million were not recognized at June 30, 2014. The Group's tax losses come from the French tax group and may be carried forward without limit in time. In order to assess its ability to reclaim these assets, the Group takes into account estimates of the future tax results of the tax consolidation scope over a period generally of five years.

NOTE 16 RAW MATERIALS, OTHER PURCHASES & EXTERNAL CHARGES

('000 EURO)	June 30, 2014	June 30, 2013
Raw material consumed	-64 715	-65 608
Cost of goods sold	-901	-575
Sub-contracting	-95 748	-85 571
External charges	-35 022	-32 036
RAW MATERIAL, OTHER PURCHASES & EXTERNAL CHARGES	**-196 386**	**-183 790**

NOTE 17 OTHER INCOME AND EXPENSE

At June 30, 2014, the other income includes in particular grants and tax credit (research-based tax credits and CICE “crédit d’impôt pour la compétitivité et l’emploi”) for €5.0 million, and own work capitalized for €3.7 million.

NOTE 18 DETAIL OF FINANCIAL RESULT

('000 EURO)	June 30, 2014	June 30, 2013
Interest expense - net	-7 255	-7 429
Foreign Exchange gains/losses realized :	-1 875	-1 360
- derivative instuments EUR/USD	**-362**	**-2 936**
- other derivative instrument	**-818**	**-144**
- Foreign Exchange gains/loss realized	**-695**	**1 720**
Other realized financial expenses / income	-1 566	-1 077
Realized net financial result	**-10 696**	**-9 867**
Change in fair value of financial instruments :	775	-1 954
- Change in fair value of currency derivative instruments EUR/USD	**-1 313**	**-920**
- Change in fair value of other currency derivative instruments	**1 163**	**-1 782**
- Change in fair value of interest rate contract	**924**	**747**
Valuation of items on balance sheet at the closing date	935	-2 143
Other unrealized financial expenses / income	-1 082	-674
Unrealized net financial result	**628**	**-4 771**
FINANCIAL RESULT	**-10 068**	**-14 637**

NOTE 19 INCOME TAXES

('000 EURO)	June 30, 2014	June 30, 2013
Current income taxes	-994	-2 463
Deferred taxes	-351	504
TOTAL	**-1 345**	**-1 959**

NOTE 20 RISK MANAGEMENT

Excepted precisions explained below, The Group's exposure to the principal risks did not significantly change during H1 2014. These risks are described in Note 22 to the consolidated financial statements of the 2013 Registration Document.

20.1 Liquidity Risk

In order to face up to its liquidity risk, the Group uses borrowings, short-term credit lines, authorized overdrafts and discount lines. The Group also has unused lines of credit. The financial liabilities by maturity are analyzed as follows:

('000 EURO)	June 30, 2014				
	Carrying value	Undiscounted cash flow	Less than 1 year	From 1 to 5 years	Over 5 years
Refundable Advances	39 247	-73 715	-1 683	-19 153	-52 880
Syndicated loan - Tranche B	218 615	-254 676	-25 252	-229 424	
Syndicated loan - Other tranches	52 500	-54 377	-26 443	-27 934	
Other bank loans	4 128	-8 084	-3 477	-4 057	-549
Factoring	59 852	-59 852	-59 852		
Finance lease	3 036	-3 514	-811	-2 154	-549
Other short term credit	3 549	-3 549	-3 549		
Accounts payable	197 429	-197 429	-183 013	-9 555	-4 861
FINANCIAL LIABILITIES (except derivative instr.)	**578 357**	**-655 197**	**-304 081**	**-292 277**	**-58 840**
Derivative instruments (instrinseque value)	405	-405	-405		
TOTAL FINANCIAL LIABILITIES	**578 762**	**-655 602**	**-304 486**	**-292 277**	**-58 840**

('000 EURO)	Dec 31, 2013				
	Carrying value	Undiscounted cash flow	Less than 1 year	From 1 to 5 years	Over 5 years
Refundable Advances	39 042	-73 540	-1 968	-18 068	-53 504
Syndicated loan - Tranches B	218 564	-258 681	-8 009	-250 672	
Syndicated loan - Other tranches	27 500	-28 826	-868	-27 958	
Other bank loans	5 684	-6 035	-2 932	-3 103	
Factoring	78 858	-78 858	-78 858		
Finance lease	3 371	-3 935	-827	-2 443	-665
Other short term credit	2 512	-2 512	-2 512		
Accounts payable	192 229	-192 229	-181 962	-5 779	-4 488
FINANCIAL LIABILITIES (except derivative instr.)	**567 761**	**-644 617**	**-277 935**	**-308 024**	**-58 657**
Derivative instruments (instrinsic value)	806	-806	-806		
TOTAL FINANCIAL LIABILITIES	**568 567**	**-645 422**	**-278 741**	**-308 024**	**-58 657**

20.2 Foreign Currency Exposure

US Dollar Foreign Currency Exposure

Through its international exposure and invoicing in US dollars to its French customers, the Group is confronted with foreign currency exposure. The exposure linked to fluctuations in US dollars is partially hedged through forward sales contracts and option "collars". The dollar rate and the associated foreign exchange rate exposure are part of the estimated future assumptions for the determination of margins on construction contracts.

The LATECOERE Group's USD hedging policy limits the impact of currency variations on the individual and consolidated financial statements. It should be noted that this table only reflects the situation noted at June 30, 2014.

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

	June 30, 2014		Dec 31, 2013	
	'000 $	'000 €	'000 $	'000 €
Accounts Receivable	114 857	84 095	128 818	93 407
Accounts Payable	-37 749	-27 639	-39 945	-28 964
Other (including advanced payments suppliers and customers)	-74 157	-54 295	-96 326	-69 847
Net debt	7 825	5 729	2 271	1 647
NET EXPOSITION BEFORE HEDGING	**10 776**	**7 890**	**-5 181**	**-3 756**
Hedging instruments for the receivables on the balance sheet	0	0	0	0
NET EXPOSITION AFTER HEDGING	**10 776**	**7 890**	**-5 181**	**-3 756**

A sensitivity analysis was carried out, based on the assumption of a 5 cents fall of the dollar in relation to the euro on the basis of the Group's net balance sheet exposure at June 30, 2014. This variation would have resulted in a pre-tax decrease in result of €415k at June 30, 2014

NOTE 21 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

21.1 Financial Commitments

The Group's financial commitments and contingent liabilities did not change significantly during H1 2014 with the exception of trade receivables given as security in connection with the factoring agreement which went from €78,858k at December 31, 2013 to € 59,852k at June 30, 2014.

21.2 Commitments under Operating Leases

Within the framework of its operation, the Group is caused to set up 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.);
- real estate leasing;
- other leasing (as needed).

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

21.3 Other Contingent Liabilities

The LATECOERE Company is currently subject to a tax audit.
Moreover, there remains a potential dispute relating to the consequences of an appreciation of the basis of the local business tax. The LATECOERE Company contests the tax adjustments proposed by the Taxing authority, which have not been the subject of a provision.

NOTE 22 RELATED PARTIES

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

Relations between the Latécoère Group and related parties during H1 2014 remained comparable to those for 2013. No significant transaction which was extraordinary, either by its nature or its amount, occurred during H1 2014. Furthermore, the principles of remuneration and benefits granted to the Group's managing executives and corporate officers remained significantly unchanged during H1 2014.

NOTE 23 SUBSEQUENT EVENTS

No significant event occurred subsequent to year-end closing.

3 STATEMENT BY THE PERSON RESPONSIBLE FOR THE REPORT

"I hereby declare that, to the best of my knowledge, the condensed financial statements for the first-half 2014 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 half-year report set forth in chapter 1 of this report, includes a fair review of the important events which occurred during the first six months of the year, their impact on the financial statements for the half year, the principal transactions between related parties together with a description of the principal risks and uncertainties for the remaining six months of the year. "

Toulouse, August 26, 2014

The Chairman of the Management Board
Frédéric Michelland

4 STATUTORY AUDITORS' REPORT ON THE 2013 CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

For the period from January 1 to June 30, 2014

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' meeting and in accordance with the requirements of article L. 451-1-2 III of the French Monetary and Financial Code ("*Code monétaire et financier*"), we hereby report to you on:

- the review of the accompanying condensed half-yearly consolidated financial statements of Latécoère S.A., for the period from January 1 to June 30, 2014.
- the verification of the information presented in the half-yearly management report.

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

I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed half-yearly consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 - standard of the IFRSs as adopted by the European Union applicable to interim financial information.

Without qualifying our conclusion, we draw your attention to the matter set out in note 2.3 to the condensed half-yearly consolidated financial statements regarding the adaptation measures of the plan of financial resources implemented by the Group.

II. Specific verification

We have also verified the information presented in the half-yearly management report on the condensed half-yearly consolidated financial statements subject to our review. We have no matters to report as to its fair presentation and consistency with the condensed half-yearly consolidated financial statements.

Toulouse-Labège, on the 29 August 2014

KPMG Audit
Department of KPMG S.A.

Michel Dedieu
Partner

Paris, on the 29 August 2014

Grant Thornton
Member of Grant Thornton International

Gilles Hengoat
Partner

GROUPE
LATECOERE

Siège social / *Headquarters*
135 rue de Périole - BP 25211
31079 Toulouse cedex 5 - France
Tel: +33 (0)5 61 58 77 00 - Fax: +33 (0)5 61 58 97 38

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