Half-year report

2019

CONTENTS

1 HALF-YEAR REPORT

The consolidated financial statements of the Group have been approved by the Board of Directors on September 3, 2019.

Main events

- **Transformation 2020 continues according to plan**
- **Aerostructures operational performance supported by strong growth**
- **Interconnection Systems recent wins imply start-up costs and new working capital requirements**
- **2019 guidance unchanged, perspectives unveiled**

INCOME STATEMENT

All of the figures presented in this press release were prepared under IFRS.

(Audited – € million)	H1 2019	H1 2018
Revenue	**371.7**	**320.8**
Reported growth	*15.9%*	*(8.5%)*
Growth at constant exchange rates	*13.1%*	*(2.9%)*
Recurring EBITDA *	**28.1**	**20.9**
*Recurring EBITDA * Margin on Revenue*	*7.6%*	*6.5%*
Recurring Operating Income	**10.8**	**7.1**
Recurring Operating Margin on Revenue	*2.9%*	*2.2%*
Non-recurring items	**(7.9)**	**0.8**
o/w Sale of Toulouse-Périole	*-*	*9.5*
Operating Income	**2.9**	**8.0**
Net Cost of debt	(2.7)	(1.7)
Other financial income/(expense)	(5.2)	(3.3)
o/w Change in fair value of financial instruments	*(3.9)*	*(4.4)*
Financial result	**(7.9)**	**(5.0)**
Income tax	(1.0)	(0.2)
Net Income	**(5.9)**	**2.8**
Operating free cash flow	(46.3)	(28.3)

* Recurring EBITDA corresponds to recurring operating income before recurring amortization, depreciation and impairment losses.
Details of non-recurring items are presented in the Group's accounting principles from consolidation financial statements

Yannick Assouad, Group Chief Executive Officer, commented: " *Latécoère's H1 2019 results reflect our overall improved competitiveness and capacity to innovate. Business operations have been improving in Aerostructures as a result of the ongoing deployment of our Transformation 2020 plan. In parallel, the recent business wins in Interconnections Systems has consolidated our leading position to win new markets in the near future and required start-up costs which impacted the division's operating margin. Our 2019 objectives are unchanged as we continue to invest in Transformation 2020. Looking ahead, Latécoère should continue to make progress and generate positive operating free cash flow from 2020[1] as we remain fully committed to our strategy to establish Latécoère as a tier-one aerostructure supplier supporting aircraft manufacturers in the deployment of their programs of the future."*

First Half Year 2019 Highlights and Financial Summary

Latécoère's 2019 financial results in the first half reflected strong business trends and demonstrated the Group's ability to win new markets. The group's revenue increased by 15.9% in H1 2019 to € 371.7 million, or 13.1% at constant exchange rates.

Latécoère's H1 2019 recurring EBITDA amounted to € 28.1 million, representing a margin of 7.6%. Latécoère's H1 2019 recurring operating income amounted to € 10.8 million compared to € 7.1 million in the same period of 2018, as it benefitted from the ongoing roll-out of Transformation 2020 plan.

Latécoère's net financial result totalled € (7.9) million in H1 2019 due mainly to foreign exchange effects, compared to € (5.0) million in H1 2018.

The Group's net income totalled € (5.9) million.

Aerostructures

By division, Latécoère's Aerostructures division posted a substantial 14.5% revenue growth at constant exchange rates, or 18.0% as reported for the first half of 2019. Revenue totalled € 215.3 million, reflecting the last catch-up effects resulting from operational disruptions experienced in 2018, which will not be repeated during the rest of the year.

Aerostructures (Audited – € million)	**H1 2019**	H1 2018
Consolidated Revenue	**215.3**	**182.5**
Growth at constant exchange rates	*14.5%*	*(8.3)%*
Inter-segment Revenue	8.9	7.1
Revenue	**224.2**	**189.6**
Recurring EBITDA*	**16.2**	**2.6**
Recurring EBITDA Margin on Revenue*	*7.2%*	*1.4%*
Recurring Operating Income	**8.7**	**(3.8)**
Recurring Operating Margin on Revenue	*4.0%*	*(2.1)%*

* Recurring EBITDA corresponds to recurring operating income before recurring amortization, depreciation and impairment losses. Details of non-recurring items are presented in the Group's accounting principles from consolidation financial statements

The profitability of Aerostructures division continued to progress in the first half of 2019 as the division continued its transformation.

Interconnection Systems

The Interconnection Systems division's revenue was up 11.3% at constant exchange rates and 13.1% on a reported basis, reaching € 156.4 million in H1 2019. An important milestone has been passed with the delivery of the entire EWIS harness set for the Mitsubishi MRJ 90, developed in only 1.5 years (architecture, design, manufacture and certification). Furthermore, Latécoère recently won the tender offer for the industrialization and production of Airbus Helicopters H160 cockpit EWIS. This new contract highlights the strong capability of the Group to enter new markets.

[1] *excluding the IFRS 16 accounting standard impact of circa €20m which relate to the Group's new headquarters under construction*

Interconnection Systems (Audited – € million)	**H1 2019**	H1 2018
Consolidated Revenue	**156.4**	**138.2**
Growth at constant exchange rates	*11.3%*	*5.2%*
Inter-segment Revenue	1.0	0.9
Revenue	**157.4**	**139.1**
Recurring EBITDA*	**11.9**	**18.2**
*Recurring EBITDA * Margin on Revenue*	*7.5%*	*13.1%*
Recurring Operating Income	**2.1**	**10.9**
Recurring Operating Margin on Revenue	*1.4%*	*7.9%*

* Recurring EBITDA corresponds to recurring operating income before recurring amortization, depreciation and impairment losses. Details of non-recurring items are presented in the Group's accounting principles from consolidation financial statements

Latécoère's Interconnection Systems recurring EBITDA came to € 11.9 million compared to € 18.2 million in the same period a year ago as new long-term contracts required start-up costs. Furthermore, the division deployed additional production support costs to cope with multi-customer and multinational platforms which temporarily impacted the division's margins. These start-up investments are expected to continue for the remainder of 2019.

Transformation 2020 update

Latécoère's transformation continues with both new work on the Montredon plant extension and the implementation of additional machining capacity. The delivery of the building extension is planned for September 6th, 2019 and ramp-up of the production of surface treatment in Q1 2020. Moreover, the site obtained the 14001 certification during the summer.

Furthermore, Latécoère's Plovdiv's site in Bulgaria was extended by 80% to 9,000 sqm with an expected capacity of over 200,000 hours of annual production by the end of 2019. Transfer from our Czech Republic site of A320 doors structure sub-assembly has been finalized as well as rack structure production.

Latécoère will also formally open its new site in Belagavi, India, on September 10th, 2019, where the F2000 main aircraft harness as well as a good portion of Thales IFE contract will ultimately be produced. This new Best Cost Facility complements our harness production system.

LiFi update

Latécoère will present its LiFi technology at the APEX EXPO event in Los Angeles from September 9-12, 2019 after revealing its pioneering strategy at the International Paris Air Show in June 2019. Latécoère has been nominated as one of the finalist's nominees for the Crystal Cabin Award, which is an international prize for innovation in the aircraft cabin. The first commercial Air France flight will take place in Q3 2019 with 12 seats equipped with LiFi technology. After the Paris Air show, Latécoère received strong interests from numerous OEMs, airlines and in-flight entertainment suppliers in this new technology.

Debt and free cash flow

The Group's H1 2019 operating free cash flow was € (46.3) million mainly due to working capital needs (receivables mainly as well as inventory), Interconnection Systems new business start-up costs and Transformation 2020 capex.

The Group implemented IFRS 16 which generated an increase of assets and debt of circa €20 million.

2019 guidance reiterated

Latécoère confirms its outlook. In 2019, the Group is expected to deliver significant organic growth in sales, excluding currency effects, and to carry out significant investments to finalize the Transformation 2020 plan. Due to start-up costs in the Interconnection Systems division and progress towards the Transformation 2020 plan in the Aerostructures division, the Group will generate a positive recurring operating margin and a negative operating free cash flow after capital expenditures.

Perspectives

Beyond 2019, the Group is currently expecting slightly lower Aerostructures division revenue in the next couple of years due to platform mix effects, whereas progress towards Transformation 2020 plan should compensate for pricing pressure and adverse currency impacts. Moreover, new business ramp-ups will continue in Interconnection Systems and the Interconnection Systems' margin should continue to be impacted by start-up costs related to new contracts in 2020. The division's operating margin should improve from 2021 onwards. Overall, Latécoère is anticipating delivering positive Group operating free cash flow from 2020[2].

Subsequent events

Since June 30, 2019 and until September 3, 2019, when the Board of Directors approved the financial statements, there has been no event likely to have a significant impact on the economic decisions made on the basis of present financial statements.

Principal risks and uncertainties for the remaining six months of 2019

- the Group's ability to contain the start-up costs of new business in the Interconnection Systems business.
- maintaining the rates announced by aircraft manufacturers in the context of an evolving supply chain
- evolution of the EUR / USD exchange rate

Transactions with related parties

Transactions with related parties continued during the first half of 2019 on the basis of the same agreements as those applied on December 31, 2018.

Accounting Standards, Principles and Methods

The Group's half-year condensed consolidated financial statements for the six months ended June 30, 2019 are prepared in accordance with IAS 34 "Interim Financial Reporting", which makes it possible to present a selection of notes to the financial statements. These condensed consolidated financial statements should therefore be read in conjunction with the consolidated financial statements for the 2018 financial year.

The 2018 annual consolidated financial statements and the condensed consolidated financial statements at June 30, 2019 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. They also comply with the IFRS published by the IASB and the IFRS Interpretation Committee.

The accounting principles used to prepare the Group's condensed consolidated financial statements at June 30, 2019 are identical to those used for the year ended December 31, 2018, with the exception of the new standards IFRS 16 "Leases" applicable on January 1, 2019 and the interpretation of IFRIC 23 "Uncertainty over Income Tax Treatments". The interpretation of IFRIC 23, the amendments to IAS 19 and IAS 28 and the annual improvements to IFRSs published 2015-2017 cycle had no impact on the financial statements.

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.

NEW IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS OF JANUARY 1, 2019

- IFRS 16, "Leases";
- IFRIC 23, Uncertainty over Income Tax Treatments;
- Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement";
- Amendments to IAS 28, "Investments in Associates and Joint Ventures";
- Annual Improvements to IFRSs published 2015-2017 cycle.

[2] *excluding the IFRS 16 accounting standard impact of circa €20m which relate to the Group's new headquarters under construction*

NEW PUBLISHED IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EARLY ADOPTED BY THE GROUP AS OF JANUARY 1, 2018

None.

NEW PUBLISHED IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE OR NOT EARLY ADOPTED BY THE GROUP

- Amendments to IFRS 10, Consolidated Financial Statements" - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;
- Revised Conceptual Framework for Financial Reporting, amendments to references to the conceptual framework in IFRS standards.

These new standards and amendements have not yet been adopted by the European Union and cannot therefore be applied ahead on their effective date even though early adoption is permitted by the texts concerned.

Impacts of the first application of IFRS 16 - Leases

Latécoère Group applied IFRS 16 – Leases at January 1, 2019 (mandatory application date). This standard replaces IAS 17 and the IFRIC 4, SIC 15 and SIC 27 interpretations.

For the lessees, recognition is now based on a single model, resulting from the elimination of the distinction between operating leases and finance leases.
IFRS 16 stipulates the recognition of any leases on the balance sheet of the lessees, with the recognition of an asset (representing the right-of-use of the leased asset for the term of the lease) and of a debt (for the obligation to pay rent).

Transition measures:

- Use of the simplified retrospective approach. No restatement of the comparative periods;
- At January 1, 2019, old leases under IAS 17 standard are exempt from re-assessment;
- The lease liability is assessed at the present value of the rental payments remaining due. The Group makes use of knowledge acquired after the fact, for example, to determine the term of a lease that contains renewal or termination options;
- The right-of-use as at the transition date is equal to the liability of the lease, adjusted for the amount of the rent payments paid in advance or to be paid. The initial direct costs are included in the valuation of the right-of-use on the transition date;
- Exemption of old leases whose remaining term is less than 12 months at January 1,2019, and the low-value leases held by the Group (inferior to five thousand euros);
- The discount rate applied on the transition date corresponds to the incremental borrowing rate determined on the remaining term of the leases for the entire Group;
- Instead of performing an impairment test of the asset rights-of-use at the initial date of application, the Group relied on its historical valuations of the value of the leases immediately before the date of application of IFRS 16.

2 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2019

2.1 Consolidated Statement of financial position

('000 EURO)	Notes	June 30, 2019	Dec 31, 2018
Intangible assets	4	85 475	91 525
Tangible assets	4	127 275	100 610
Other financial assets		3 802	3 695
Deferred tax assets	14.2	26 163	20 433
Financial derivative instruments	8.1	471	3 332
Other non-current assets		346	157
TOTAL NON-CURRENT ASSETS		**243 531**	**219 752**
Inventories	5	191 329	180 142
Accounts receivable	7	225 141	193 308
Tax receivable	14.1	21 620	19 659
Financial derivative instruments	8.1	2 773	5 261
Other current assets		4 063	1 550
Cash & Cash Equivalents		78 658	112 216
TOTAL CURRENT ASSETS		**523 584**	**512 136**
TOTAL ASSETS		**767 115**	**731 889**

('000 EURO)	Notes	June 30, 2019	Dec 31, 2018
Share capital	9.1	190 337	189 490
Share premium		214 161	215 008
Treasury stock		-3 089	1 587
Other reserves		-132 479	-140 108
Derivatives future cash flow hedges		-19 256	-9 424
Group net result		-5 913	6 013
EQUITY ATTRIBUTABLE TO PARENT OWNERS		**243 760**	**262 565**
NON-CONTROLLING INTERESTS		0	0
TOTAL EQUITY		**243 760**	**262 565**
Loans and bank borrowings	12.2	82 105	55 510
Refundable Advances	12.1	23 496	24 332
Employee benefits	11	19 883	17 495
Non-current provisions	10	8 884	9 488
Deferred tax liabilities	14.2	2	30
Financial derivative instruments	8.1	15 394	21 035
Other non-current liabilities		3 528	4 602
TOTAL NON-CURRENT LIABILITIES		**153 292**	**132 492**
Loans and bank borrowings (less than 1 year)	12.2	100 636	81 153
Refundable Advances	12.1	2 607	2 575
Current provisions	10	2 170	3 267
Accounts payable	13	181 829	180 291
Income tax liabilities		2 030	3 132
Contracts liabilities		49 332	54 137
Other current liabilities		3 607	2 690
Financial derivative instruments	8.1	27 853	9 588
TOTAL CURRENT LIABILITIES		**370 063**	**336 832**
TOTAL LIABILITIES		**523 355**	**469 323**
TOTAL EQUITY & LIABILITIES		**767 115**	**731 889**

2.2 Consolidated Income Statement

('000 EURO)	Notes	June 30, 2019	June 30, 2018
Revenue		371 736	320 754
Other operating revenue		305	586
Change in inventory: work-in-progress & finished goods		5 255	-31
Raw material, Other Purchases & external charges	15	-250 964	-209 011
Personnel expenses		-105 730	-92 557
Taxes		-5 926	-5 557
Amortization		-17 298	-13 765
Net operating provisions charge		711	1 441
Depreciation of current assets		4 712	-495
Other operating income	16	8 952	6 242
Other operating expenses		-939	-478
RECURRING OPERATING INCOME		**10 814**	**7 130**
Other non-recurring income and expenses	17	-7 869	832
OPERATING INCOME		**2 945**	**7 962**
Net Cost of debt		-2 667	-1 737
Foreign Exchange gains/losses realized		-591	-866
Other financial incomes and expenses realized		-283	-175
Realized financial result		**-3 541**	**-2 778**
Change in fair value of financial derivative instruments		-3 876	-4 421
Other financial incomes and expenses unrealized		-472	2 158
Unrealized financial result		**-4 349**	**-2 263**
FINANCIAL RESULT	18	**-7 890**	**-5 041**
Income tax	19	-968	-162
NET RESULT FOR THE PERIOD		**-5 913**	**2 758**
• Of which, Owners of the parent		-5 913	2 758
• Of which, Non-controlling interests		0	0
NET RESULT (Group share) FOR THE PERIOD PER SHARE			
• Earnings per share	9.1	-0,06	0,03
• Diluted earnings per share	9.1	-0,06	0,03

2.3 Consolidated Statement of comprehensive income

('000 EURO)	June 30, 2019	June 30, 2018
NET RESULT FOR THE PERIOD (1)	**-5 913**	**2 758**
OTHER COMPREHENSIVE INCOME:		
- Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain or loss for year relating retirements benefits	-1 578	0
Other	0	0
Income tax related to items that will not be reclassified to profit or loss	543	0
- Items that will be reclassified subsequently to profit or loss:		
Translation differences	1 210	-2 584
Financial instruments (cash flow hedging) : change in fair value and transfer in profit and loss	-14 138	-33 429
Other components of comprehensive income (net of tax)	638	-45
Income tax related to items that may be reclassified to profit or loss	4 306	11 440
TOTAL OTHER COMPREHENSIVE INCOME (2):	**-9 019**	**-24 618**
Of which attributable to discontinued operations	*0*	*0*
TOTAL COMPREHENSIVE INCOME (1+2)	**-14 932**	**-21 860**
Of which, Owners of the parent	-14 932	-22 637
Of which, Non-controlling interests	0	777

2.4 Consolidated Statement of Cash-Flows

('000 EURO)	June 30, 2019	June 30, 2018
Net result for the period	-5 913	2 758
Adjustments related to non-cash activities :		
Depreciation and provisions	16 362	4 183
Fair value gains/losses	3 876	4 421
Net (gains)/losses on disposal of assets	-81	-10 174
Other non-cash items	667	2 390
CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES	**14 911**	**3 578**
Income taxes	968	162
Interest expenses	2 669	1 737
CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES	**18 548**	**5 477**
Changes in inventories net of provisions	-10 150	-8 893
Changes in client and other receivables net of provisions	-35 642	-37 897
Changes in suppliers and other payables	-2 939	20 707
Income tax paid	-4 025	-3 640
CASH FLOWS FROM OPERATING ACTIVITIES	**-34 208**	**-24 246**
Effect of changes in group structure	113	0
Purchase of tangible and intangible assets (including changes in payables to fixed asset suppliers)	-16 251	-20 877
Purchase of financial assets	0	0
Increase (decrease) in loans and advances made	-91	155
Proceeds from sale of tangible and intangible assets	84	12 987
Dividends received	3	3
CASH FLOWS FROM INVESTING ACTIVITIES	**-16 142**	**-7 733**
Proceeds from issue of shares	0	732
Purchase or disposal of treasury shares	-4 676	-72
Proceeds from borrowings	10 000	0
Repayments of borrowings	0	0
Repayments of lease liabilities *	-1 503	0
Financial interest paid	-2 605	-1 772
Dividends paid	0	-700
Flows from refundable advances	-803	-576
Other flows from financing operation	-72	12 617
CASH FLOW FROM FINANCING ACTIVITIES	**341**	**10 229**
Effects of exchange rate changes	103	-81
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-49 906**	**-21 830**

(*) Application of IFRS 16 on the 1st of January 2019

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	Equity attributable to owners of parent	Non-controlling interests	TOTAL
Dec 31, 2017	**188 790**	**215 008**	**1 632**	**-129 971**	**26 591**	**-6 707**	**295 342**	**-777**	**294 565**
Capital variations	700	0		0			700		700
Share-based payments				1 877			1 877		1 877
Transactions on treasury stock			-72				-72		-72
Dividends				0			0	0	0
Transactions with owners	**700**	**0**	**-72**	**1 877**	**0**	**0**	**2 505**	**0**	**2 505**
Net result for the period (1)				**2 758**			**2 758**	**0**	**2 758**
Financial instruments (cash flow hedging): change in fair value and transfer in profit and loss					-21 989		-21 989		-21 989
Financial instruments: translation differences						1	1		1
Translation differences: change and transfer in profit and loss						-2 374	-2 374	-210	-2 584
Conversion option embedded in convertible bonds							0		0
Other variations				-1 033			-1 033	988	-45
Other comprehensive income (2)	**0**	**0**	**0**	**-1 033**	**-21 989**	**-2 373**	**-25 395**	**777**	**-24 618**
									0
TOTAL COMPREHENSIVE INCOME (1)+(2)	**0**	**0**	**0**	**1 725**	**-21 989**	**-2 373**	**-22 637**	**777**	**-21 860**
									0
June 30, 2018	**189 490**	**215 008**	**1 560**	**-126 369**	**4 602**	**-9 080**	**275 210**	**0**	**275 210**
Dec 31, 2018	**189 490**	**215 008**	**1 587**	**-123 281**	**-11 405**	**-8 834**	**262 565**	**0**	**262 565**
Reclassifying				-1 771	1 981	-210	0		0
Capital variations	847	-847					0		0
Share-based payments				802			802		802
Transactions on treasury stock			-4 676				-4 676		-4 676
Dividends							0		0
Transactions with owners	**847**	**-847**	**-4 676**	**802**	**0**	**0**	**-3 873**	**0**	**-3 873**
Net result for the period (1)				**-5 913**			**-5 913**		**-5 913**
Financial instruments (cash flow hedging): change in fair value and transfer in profit and loss					-9 832		-9 832		-9 832
Financial instruments: translation differences							0		0
Translation differences: change and transfer in profit and loss						1 210	1 210		1 210
Conversion option embedded in convertible bonds							0		0
Other variations				-397			-397		-397
Other comprehensive income (2)	**0**	**0**	**0**	**-397**	**-9 832**	**1 210**	**-9 019**	**0**	**-9 019**
									0
TOTAL COMPREHENSIVE INCOME (1)+(2)	**0**	**0**	**0**	**-6 310**	**-9 832**	**1 210**	**-14 932**	**0**	**-14 932**
									0
June 30, 2019	**190 337**	**214 161**	**-3 089**	**-130 559**	**-19 256**	**-7 834**	**243 760**	**0**	**243 760**

2.6 Notes to the Condensed Consolidated Financial Statements

INFORMATION RELATIVE TO THE GROUP

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

The consolidated financial statements of the Latécoère Group for the half year ended on June 30, 2019, 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 Board of Directors on September 3 , 2019.

NOTE 1 ACCOUNTING POLICIES

1.1 Basis of Preparation of the Financial Statements

The condensed consolidated financial statements at June 30, 2019 are established in compliance with IAS 34 "interim financial reporting". For condensed accounts, they do not include all the information required by IFRS and should be read in conjunction with the Group's financial statements for the year ended December 31, 2018.

The accounting rules and methods applied to the condensed consolidated financial statements at June 30, 2019 are identical to those applied in the consolidated financial statements at December 31, 2018 with the exception of standards, amendments and interpretations which are required to be applied as from January 1, 2019.

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.

1.2 Application of applicable standards, amendments and interpretations for the financial statements

The accounting principles used to prepare the Group's condensed consolidated financial statements at June 30, 2019 are identical to those used for the year ended December 31, 2018, with the exception of the new standards IFRS 16 "Leases" applicable on January 1, 2019 and the interpretation of IFRIC 23 “Uncertainty over Income Tax Treatments”. The interpretation of IFRIC 23, the amendments to IAS 19 and IAS 28 and the annual improvements to IFRSs published 2015-2017 cycle had no impact on the financial statements.

NEW IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS OF JANUARY 1, 2019

- IFRS 16, “Leases”;
- IFRIC 23,“Uncertainty over Income Tax Treatments”;
- Amendements to IAS 19 “Plan Amendment, Curtailment or Settlement” ;
- Amendments to IAS 28, “Investments in Associates and Joint Ventures” ;
- Annual Improvements to IFRSs published 2015-2017 cycle;

NEW PUBLISHED IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EARLY ADOPTED BY THE GROUP AS OF JANUARY 1, 2019

None.

NEW PUBLISHED IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE OR NOT EARLY ADOPTED BY THE GROUP

- Amendments to IFRS 10, Consolidated Financial Statements” - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;
- Revised Conceptual Framework for Financial Reporting, amendments to references to the conceptual framework in IFRS standards

These new standards and amendements have not yet been adopted by the European Union and cannot therefore be applied ahead on their effective date even though early adoption is permitted by the texts concerned.

Impacts of the first application of IFRS 16 – Leases

Latécoère Group applied IFRS 16 – Leases at January 1, 2019 (mandatory application date). This standard replaces IAS 17 and the IFRIC 4, SIC 15 and SIC 27 interpretations.

For the lessees, recognition is now based on a single model, resulting from the elimination of the distinction between operating leases and finance leases.

IFRS 16 stipulates the recognition of any leases on the balance sheet of the lessees, with the recognition of an asset (representing the right-of-use of the leased asset for the term of the lease) and of a debt (for the obligation to pay rent).

The assumptions used by Latécoère Group from among the transition and processing recognition options planned by IFRS 16 are the following:

Transition measures:

- Use of the simplified retrospective approach. No restatement of the comparative periods;
- At January 1, 2019, old leases under IAS 17 standard are exempt from re-assessment;
- The lease liability is assessed at the present value of the rental payments remaining due. The Group makes use of knowledge acquired after the fact, for example, to determine the term of a lease that contains renewal or termination options;
- The right-of-use as at the transition date is equal to the liability of the lease, adjusted for the amount of the rent payments paid in advance or to be paid. The initial direct costs are included in the valuation of the rightof-use on the transition date;
- Exemption of old leases whose remaining term is less than 12 months at 1 January 2019, and the low-value leases held by the Group (inferior to five thousand euros);
- The discount rate applied on the transition date corresponds to the incremental borrowing rate determined on the remaining term of the leases for the entire Group;
- Instead of performing an impairment test of the asset rights-of-use at the initial date of application, the Group relied on its historical valuations of the value of the leases immediately before the date of application of IFRS 16.

Processing from January 1, 2019 :

- Exemption of new short-term leases (term of less than 12 months including economic incentive renewal periods) and low-value leases;
- The lease term corresponds to the non-cancellable period of each lease, to which should be added any renewal option that the Group is reasonably certain to carry out, and any option of termination that the Group is reasonably certain to not carry out. Specifically, in the case of commercial leases in France (3-6-9 years), the Group used a maximum term of 9 years. The discount rate corresponds to the incremental borrowing rate determined on the remaining term of the leases by similar group of asset.

On the date of their entry into force, the leases, as defined by IFRS – 16 Leases are recognised:

- As fixed assets (right-of-use) for the amount of the debt of the rent payments (determined above), increased by advance payments made to the lessor, initial direct costs incurred, benefits received from the lease agreement, as well as an estimation of the costs of decommissioning or of refurbishing the leased asset according to the terms of the lease, if applicable; and
- As financial liabilities for the amount of rent payments over the term of the lease as determined above, discounted at the rate determined above.

Impacts of the first application of IFRS 16 on the 2019 consolidated the financial statements

Consolidated income statement

The impact of the first-time application of IFRS 16 on the consolidated income statement at the end of June 2019 concerns :
- The recurring operating income for an impact of € 263k representing the amortization expense of the rights of use replacing the lease expense;
- The financial result for a negative impact of € 347k.

Consolidated balance sheet

The impact of the first-time application of IFRS 16 on the consolidated balance sheet concerns:

- As of January 1,2019 :

For the assets :
- The rights of use net of amortization recognized in the tangible assets for € 19.9 million.

For the liabilities, the lease liabilities are recognized under:
- Non-current financial liabilities for € 16.8 million;
- Current financial liabilities for € 3.0 million;
- Advance payments for € 0.2 million.

- As of June 30,2019 :

For the assets :
- The rights of use net of amortization recognized in the tangible assets for € 19.7 million.

For the liabilities, the lease liabilities are recognized under:
- Non-current financial liabilities for € 16.6 million;
- Current financial liabilities for € 3.2 million.

Consolidated statements of cash flows

The impact of the first-time application of IFRS 16 on the consolidated statement of cash flows at the end of June 2019 concerns:
- An increase of the net cash from operating activities for € 1.8 million;
- A decrease of the net cash from financing activities (payment of lease liabilities) for € (1.8) million.

Reconciliation between rent on operating leases as of December 31, 2018 and debt on leases as of June 30, 2019

('000 EURO)	**Dec 31, 2018**
Rent on operating leases as of December 31, 2018 (published)	**-6 917**
Of which rent on low-value and short duration as of January 1, 2019	*-3 188*
Of which rent on lease liabilities related to IFRS 16	*-3 730*

('000 EURO)	**June 30, 2019**
Opening lease liabilities (1st application of IFRS 16)	**19 758**
New lease liabilies at the end of June	1 530
Repayment of lease liabilities at the end of June	-1 503
Closing lease liabilities	**19 785**

1.3 Use of estimates and assumptions specific to half-year consolidated financial statements

Following the variation of discounting rates, the estimate of employee benefits has been reevaluated at June 30, 2019. With no significant impact, long-service medals are still estimated on the information on December 31, 2018.

At June 30, 2019, 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 mainly concerning commercial information (order book and rates) communicated by the various aircraft manufacturers and information from the prospects of the aeronautical market.

NOTE 2 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
Aerostructures segment:				
LATECOERE	France		**Parent company**	
LATECOERE do BRASIL	Brazil	100%	100%	Full consolidation
LATECOERE CZECH REPUBLIC s.r.o	Czech Republic	100%	100%	Full consolidation
LETOV LV a.s.	Czech Republic	100%	100%	Full consolidation
LATECOERE INC.	USA	100%	100%	Full consolidation
LATECOERE DEVELOPPEMENT	France	100%	100%	Full consolidation
LATECOERE BIENES RAICES	Mexico	100%	100%	Full consolidation
LATECOERE Mexico	Mexico	100%	100%	Full consolidation
LATECOERE Mexico Services	Mexico	100%	100%	Full consolidation
LATECOERE Bulgarie	Bulgaria	100%	100%	Full consolidation
Interconnection Systems segment:				
LATelec	France	100%	100%	Full consolidation
LATelec GmbH	Germany	100%	100%	Full consolidation
SEA LATelec	Tunisia	100%	100%	Full consolidation
LATelec Mexico	Mexico	100%	100%	Full consolidation
LATelec Mexico Services	Mexico	100%	100%	Full consolidation
LATsima	Morocco	100%	100%	Full consolidation
LATelec Interconnection Inc.	Canada	100%	100%	Full consolidation
Latécoère Interconnection Systems US	USA	100%	100%	Full consolidation
Latécoère Interconnection Systems UK	England	100%	100%	Full consolidation

Companies Latécoère Interconnection Systems US and Latécoère Interconnection Systems UK have entered the scope of consolidation starting January 1, 2019.

NOTE 3 OPERATIONAL SEGMENTS

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

The business segments defined by the Groupe are:
- Aerostructures,
- Interconnection Systems.

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

3.1 Measurement of economic performance

3.1.1 Key indicators by sector

The Group uses the following key indicators:
- **Revenue**
- **Recurring operating income** (Recurring EBIT). This indicator is intended to present the level of operational performance of the Group's business lines excluding non recurring operating items
- **Recurring EBITDA** which corresponds to recurring operating income before depreciation, amortization, depreciation and impairment losses of property, plant and equipment and intangible assets.

Finally, the **net debt** corresponds for the Group to current and non-current borrowings and debt minus cash and cash equivalents.

Half-year 2019

('000 EURO) *June 30, 2019*	Aérostructures	Systèmes d'interconnexion	Elimination inter-secteur	Total
Revenue	224 215	157 377	-9 856	371 736
Inter-segment revenue	-8 881	-975	9 856	0
Consolidated revenue	**215 334**	**156 402**	**0**	**371 736**
Recurring EBITDA	16 218	11 873	22	**28 112**
Recurring operating income	**8 671**	**2 121**	**22**	**10 814**
Recurring operating income / revenue	*4,0%*	*1,4%*		*2,9%*
Other non recurring operating income and expenses	**-7 869**	**0**		**-7 869**
Operating income	**802**	**2 121**	**22**	**2 945**
Net investments (excluding disposal result)	**-10 055**	**-6 171**	**0**	**-16 226**

Half-year 2018

('000 EURO) *June 30, 2018*	Aérostructures	Systèmes d'interconnexion	Elimination inter-secteur	Total
Revenue	189 610	139 146	-8 001	320 754
Inter-segment revenue	-7 086	-914	8 001	0
Consolidated revenue	**182 523**	**138 231**	**0**	**320 754**
Recurring EBITDA	2 583	18 223	83	**20 890**
Recurring operating income	**-3 817**	**10 864**	**83**	**7 130**
Recurring operating income / revenue	*-2,1%*	*7,9%*		*2,2%*
Other non recurring operating income and expenses	**832**	**0**		**832**
Operating income	**-2 985**	**10 864**	**83**	**7 962**
Net investments (excluding disposal result)	**-12 431**	**-5 479**	**0**	**-17 909**

Balance sheet items as of June 30, 2019

('000 EURO) June 30, 2019	Aerostructures	Interconnection Systems	Intersegment eliminations	Total
Intangible fixed assets	28 109	57 366	0	85 475
Tangible fixed assets	99 737	27 537	0	127 275
Other financial assets	10 939	463	-7 600	3 802
TOTAL ASSETS	**138 785**	**85 366**	**-7 600**	**216 551**
Inventories	116 494	74 921	-86	191 329
Trade and other receivables	145 755	84 057	-4 671	225 141
Net debt	48 019	55 979	0	103 999
Accounts payable	130 781	55 564	-4 517	181 829
Contracts liabilities	11 154	38 178	0	49 332
Total Segment Assets	**533 449**	**270 839**	**-37 172**	**767 115**

Balance sheet items as of December 31, 2018

('000 EURO) Dec 31, 2018	Aerostructures	Interconnection Systems	Intersegment eliminations	Total
Intangible fixed assets	29 108	62 417	0	91 525
Tangible fixed assets	83 292	17 318	0	100 610
Other financial assets	10 896	400	-7 600	3 695
TOTAL ASSETS	**123 296**	**80 135**	**-7 600**	**195 831**
Inventories	111 887	68 362	-108	180 142
Trade and other receivables	133 281	64 647	-4 620	193 308
Net debt	4 178	20 269	0	24 447
Accounts payable	131 456	53 299	-4 465	180 291
Contracts liabilities	11 249	42 887	0	54 137
Total Segment Assets	**519 817**	**230 092**	**-18 020**	**731 889**

3.1.2 Reconciliation with Group data

Recurring EBITDA is reconciled with the Group's operating income as follows:

('000 EURO)	June 30, 2019	June 30, 2018
(+) Operating income	2 945	7 962
(-) Other non recurring operating income and expense	-7 869	832
(-) Depreciation and impairment losses	-17 298	-13 765
Recurring EBITDA	**28 112**	**20 895**

The net investment (excluding the disposal result) is reconciled with the elements of the cash flow statement as follows:

('000 EURO)	June 30, 2019	June 30, 2018
(+) Cash flow from investing activities	-16 142	-7 733
(-) Dividends received	3	3
(+) Gains or losses on disposals of assets	-81	-10 174
Net investments (excluding disposal result)	**-16 226**	**-17 909**

NOTE 4 FIXED ASSETS

Gross value of fixed assets

('000 EUR)	Dec 31, 2018	Change in accounting policies	Currency variations	Reclassifying	Acquisitions	Disposals	Incoming entities	June 30, 2019
Franchises/patents/similar rights	187 900	0	0	0	551	0		188 451
Other Intangible Fixed Assets	35 432	0	40	1 256	1 811	-167		38 372
INTANGIBLE ASSETS	**223 332**	**0**	**40**	**1 256**	**2 362**	**-167**	**0**	**226 823**
Land	5 987	0	54	0	0	0		6 041
Buildings	71 267	0	587	-5 495	532	0		66 892
Plants & Equipment	105 917	0	922	3 072	3 342	-30	2	113 224
Other Fixed Assets	13 196	0	121	5 578	820	-47	134	19 803
Fixed assets in progress	13 885	0	19	-4 140	7 768	0		17 533
Advanced payments on fixed assets	297	0	7	-271	855	0		888
Real estate leasing	13 204	19 918	0		1 530	0		34 651
TANGIBLE ASSETS	**223 752**	**19 918**	**1 711**	**-1 256**	**14 847**	**-77**	**136**	**259 031**

Amortization of fixed assets

('000 EUR)	Dec 31, 2018	Currency variations	Reclassifying	Increase	Decrease	June 30, 2019
Franchises/patents/similar rights	106 394	0	0	7 643	0	114 037
Other Intangible Fixed Assets	25 413	46	0	2 017	-164	27 311
AMORTIZATION INTANGIBLE ASSETS	**131 807**	**46**	**0**	**9 660**	**-164**	**141 348**
Buildings	36 849	272	-4 555	1 169	-2	33 732
Plants & Equipment	76 329	688	25	3 844	-30	80 856
Other Fixed Assets	9 417	93	4 603	653	-34	14 731
Real estate leasing	547	0	-72	1 962	0	2 437
AMORTIZATION TANGIBLE ASSETS	**123 142**	**1 052**	**0**	**7 628**	**-66**	**131 757**

Net value of fixed assets

('000 EUR)	Dec 31, 2018	June 30, 2019
Franchises/patents/similar rights	81 506	74 414
Other Intangible Fixed Assets	10 019	11 061
INTANGIBLE ASSETS	**91 525**	**85 475**
Land	5 987	6 041
Buildings	34 418	33 160
Plants & Equipment	29 588	32 368
Other Fixed Assets	3 779	5 071
Fixed assets in progress	13 885	17 533
Advanced payments on fixed assets	297	888
Real estate leasing	12 657	32 214
TANGIBLE ASSETS	**100 610**	**127 275**

NOTE 5 INVENTORIES AND WORK-IN-PROGRESS

('000 EUR)	June 30, 2019			Dec 31, 2018			Variation		
	Gross	Provision	Net	Gross	Provision	Net	Gross	Provision	Net
Industrial Inventories	203 233	-11 904	191 329	195 866	-15 724	180 142	7 367	3 820	11 187

Industrial inventories include raw materials, parts and work-in-progress.

NOTE 6 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 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".

('000 EURO)	Loans and receivables at amortised cost	Financial assets at fair value through profit and loss	Hedging instruments	June 30, 2019	Fair value
Non current financial assets	3 802			3 802	
Trade receivables and other receivables	225 141			225 141	
Financial instruments		1 300	1 944	3 245	3 245
Cash and cash equivalent	78 658			78 658	0
TOTAL FINANCIAL ASSETS	**307 601**	**1 300**	**1 944**	**310 845**	**3 245**

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments		3 245		3 245
Cash and cash equivalent				0
TOTAL	**0**	**3 245**	**0**	**3 245**

('000 EURO)	Loans and receivables at amortised cost	Financial assets at fair value through profit and loss	Hedging instruments	Dec 31, 2018	Fair value
Non current financial assets	3 695			3 695	
Trade receivables and other receivables	193 308			193 308	
Financial instruments		3 283	5 310	8 593	8 593
Cash and cash equivalent	112 216	0		112 216	0
TOTAL FINANCIAL ASSETS	**309 220**	**3 283**	**5 310**	**317 813**	**8 593**

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments		8 593		8 593
Cash and cash equivalent				0
TOTAL	**0**	**8 593**	**0**	**8 593**

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 7 RECEIVABLES AND OTHER CURRENT ASSETS

('000 EURO)	June 30, 2019	Dec 31, 2018
Advanced payments	10 551	6 568
Trade receivables*	188 827	163 518
Group current account	0	382
Tax receivables	22 524	17 276
Other current receivables	3 239	5 564
TOTAL RECEIVABLES	**225 141**	**193 308**
Prepaid expenses	4 060	1 548
Other current assets	3	2
TOTAL OTHER CURRENT ASSETS	**4 063**	**1 550**

(*) At June 30, 2019, the amount of trade receivables assigned to the factor was €110.2 million. The amount financed by the factor on the basis of the assigned receivables amounted to €98.9 million. At December 31, 2018, the amount of receivables assigned to the factor amounted to €113.7 million. The amount financed by the factor on the basis of the assigned receivables amounted to €101.9 million.
As the Group remains responsible for collection of assigned customer receivables, these receivables continue to appear in assets.

NOTE 8 DERIVATIVE INSTRUMENTS

8.1 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:						
- Accumulator EUR/USD	0	701	**15 817**	0	15 817	0
- Currency option contracts EUR/USD	1 300	13 206	**231 107**	175 747	55 360	0
Cash flow hedging:						
- Forward currency contracts BRL/USD	604	0	**6 591**	6 591	0	0
- Forward currency contracts MXN/USD	141	0	**5 009**	5 009	0	0
- Forward currency contracts CZK/EUR	1 199	0	**60 000**	36 000	24 000	0
- Forward currency contracts EUR/USD	0	28 548	**493 224**	120 089	373 134	0
- Currency option contracts EUR/USD	0	791	**355 121**	329 388	25 733	0
Foreign currency Derivative instruments	**3 245**	**43 246**				**0**
Financial instruments not qualified as hedge accounting	1 300	13 907	246 924	175 747	71 178	0
Financial instruments qualified as hedge accounting	1 944	29 339	919 944	497 076	422 868	0
TOTAL OF DERIVATIVES INSTRUMENTS	**3 245**	**43 246**				
of which non current derivative instruments	471	15 394				
of which current derivative instruments	2 773	27 853				

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

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

Impact of future cash flow hedging

('000 EURO)	30-juin-19	31-déc.-18
Equity - Hedging instruments (net of tax) at the opening date	**-9 424**	**26 591**
IFRS 9 application on opening	0	2 602
Equity change for the effective portion	-10 994	-62 350
Reclasssified in income when the hedged element affects profit and loss (*)	-3 133	5 731
Translation differences	-27	519
Deferred tax variation	4 322	17 483
Equity - Hedging instruments (net of tax) at the closing date	**-19 256**	**-9 424**

(*) of which € (4.1) million positively impacted the Group's revenue as of June 30, 2019 (versus € 4.9 million as of December 31, 2018)

Impact of derivative instruments to which hedge accounting is not applied

('000 EURO)	30-juin-19	31-déc.-18
Fair value at the opening date	**-8 730**	**1 587**
IFRS 9 application on opening	0	-3 968
Recorded through income statement before Taxes	-3 876	-6 349
Fair value at the closing date	**-12 607**	**-8 730**

NOTE 9 SHAREHOLDERS' EQUITY

9.1 Breakdown of Capital

	June 30, 2019	Dec 31, 2018
Number of shares	95 168 518	94 744 952
Nominal value of each share (in euro)	2,00	2,00
Share Capital	190 337 036	189 489 904

During the 1st half of 2019, a capital increase reserved for MIP 1 Plan (see details in the financial statements 2018) was made for € 847k.

	June 30, 2019	June 30, 2018
Averaged issued shares	95 030 450	94 394 902
Averaged treasury shares	555 260	26 318
Weighted average shares (a)	**94 475 189**	**94 368 584**
Dilutive impact performance scheme (b)	1 338 889	2 722 900
Total of shares diluted (a+b)	**95 814 078**	**97 091 484**
Net result - Group Share (in euro)	**-5 913 305**	**2 758 478**
Earnings per share (in euro)	-0,06	0,03
Diluted earnings per share (in euro)	-0,06	0,03

All shares were fully paid.

9.2 Treasury Shares

Number of shares	Dec 31, 2018	Acquisitions	Disposals	June 30, 2019	% of ownership
LATECOERE Shares	29 972	1 790 966	795 921	1 025 017	1,08%

('000 EURO)	Dec 31, 2018	Acquisitions / Provisions	Disposals	June 30, 2019	Average purchase price
LATECOERE Shares	79	5 846	2 478	3 447	3,19

NOTE 10 CURRENT AND NON-CURRENT PROVISIONS

('000 EURO)	Dec 31, 2018	Increase	Write-backs	Currency variations	June 30, 2019
Non-current provisions	9 488	2 133	-2 764	27	8 884
Provisions for restructuring (non current)	0				0
TOTAL non current provisions	**9 488**	**2 133**	**-2 764**	**27**	**8 884**
Current provisions	1 131	2	-132	1	1 002
Provisions for restructuring (current)	2 136	0	-968	0	1 167
TOTAL current provisions	**3 267**	**2**	**-1 100**	**1**	**2 170**

NOTE 11 EMPLOYEE BENEFITS

('000 EURO)	June 30, 2019	Dec 31, 2018
Retirement bonus	17 102	14 827
Long-service medals	2 781	2 668
TOTAL	**19 883**	**17 495**

Following the variation of discounting rates, the estimate of employee benefits has been reevaluated at June 30, 2019. With no significant impact, long-service medals are still estimated on the information on December 31, 2018.

NOTE 12 FINANCIAL LIABILITIES

12.1 Detail of Financial liabilities

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel liabilities	June 30, 2019	Fair value
Refundable Advances			26 104	26 104	N/A(*)
EIB loan			55 000	55 000	55 000
Factoring			76 810	76 810	76 810
Lease liabilities (**)			30 375	30 375	30 375
Unsecured banking facility and other			20 555	20 555	20 555
Other non-current liabilities			3 528	3 528	3 528
Derivated financial instruments	13 907	29 339		43 246	43 246
Accounts payable			181 829	181 829	181 829
TOTAL FINANCIAL LIABILITIES	**13 907**	**29 339**	**394 200**	**437 447**	**411 343**

(*) The fair value of repayable advances can not be measured reliably due to the uncertainty of the amounts to be repaid and their repayment dates.

(**) Following the application of IFRS 16 on the 1st of January 2019 the leases under IAS 17 are now recognized in lease liabilities (see note 1.2)

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments	0	43 246	0	43 246
TOTAL	**0**	**43 246**	**0**	**43 246**

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel liabilities	Dec 31, 2018	Fair value
Refundable Advances			26 906	26 906	N/A(*)
EIB loan			45 000	45 000	45 000
Factoring			76 537	76 537	76 537
Finance lease			10 929	10 929	10 929
Unsecured banking facility and other			4 196	4 196	4 196
Other non-current liabilities			4 602	4 602	4 602
Derivated financial instruments	12 013	18 610		30 623	30 623
Accounts payable			180 291	180 291	180 291
TOTAL FINANCIAL LIABILITIES	**12 013**	**18 610**	**348 462**	**379 085**	**352 178**

*The fair value of repayable advances can not be measured reliably due to the uncertainty of the amounts to be repaid and their repayment dates.

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments	0	30 623	0	30 623
TOTAL	**0**	**30 623**	**0**	**30 623**

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

12.2 Loans and Bank borrowings

('000 EURO)	June 30, 2019	Dec 31, 2018
Bank loans - non current	55 000	45 000
Lease liabilities - non current (*)	26 411	10 158
Other short term credit	693	352
Non-current liabilities	**82 105**	**55 510**
Factoring	76 810	76 537
Lease liabilities - current (*)	3 964	772
Other short term credit	19 862	3 844
Current liabilities	**100 636**	**81 153**
TOTAL OF LOAN AND BANK BORROWINGS	**182 740**	**136 663**

(*) Following the application of IFRS 16 on the 1st of January 2019 the leases under IAS 17 are now recognized in lease liabilities (see note 1.2)

('000 EURO)	Currency	Interest rate	Maturity	June 30, 2019	
				Notional	Actual
EIB loan	EURO	EURIBOR + margin	2024	55 000	55 000
Factoring	EURO/USD	EURIBOR/LIBOR + margin	2019	100 000	76 810

Debt reconciliation related to the factor (factoring) :

('000 EURO)	June 30, 2019	Dec 31, 2018
Receivables sold to the factor	110 172	113 662
Financing obtained from the factor	98 908	101 942
Cash available from the factor	-22 099	-25 405
DEBT - FACTORING	**76 810**	**76 537**

12.3 Financial ratios ("covenants")

Financial commitment on the loan of the European Investment Bank

The EIB loan includes financial covenants that commit the Group to i) respect a maximum level of leverage ratio (gross debt / Economic EBITDA), ii) respect a minimum level of financial expense coverage ratio (Economic EBITDA / financial expenses).) and (iii) respect a minimum level of liquidity ratio (Economic EBIT).

Financial commitment on the factoring contract

The factoring contract includes financial covenants that commit the Group to i) respect a minimum level of adjusted economic EBIT, calculated quarterly on a rolling 12-month basis and ii) to respect a minimum level of cash, measured monthly.

NOTE 13 PAYABLES AND OTHER LIABILITIES

('000 EURO)	June 30, 2019	Dec 31, 2018
Trade payables	119 200	119 230
Employee related liabilities	33 568	31 453
State payables	8 610	8 929
Credit balance on trade receivables and advance payments from customers	6 570	6 748
Other creditors	13 881	13 930
ACCOUNTS PAYABLE	**181 829**	**180 291**

NOTE 14 TAXES

14.1 Income Tax Receivable

The amount recorded at June 30, 2019 for € 21.6 million corresponds to tax credits for € 19.5 million (primarily, the research-based tax credit and the competitveness and employment tax credit (CICE)).

14.2 Deferred Taxes

('000 EURO)	June 30, 2019	Dec 31, 2018
Deferred tax assets	20 433	967
Deferred tax liabilities	-30	-154
DEFERRED TAX AT OPENING	**20 403**	**813**
Deferred tax Income (Expense) recognised in P&L	1 776	1 355
Deferred tax variation recognised directly in equity	3 983	18 235
DEFERRED TAX AT CLOSING	**26 161**	**20 403**
Of which Deferred tax assets	26 163	20 433
Of which Deferred tax liabilities	-2	-30

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

('000 EURO)	June 30, 2019	Dec 31, 2018
Tangible and intangible assets	-2 886	-3 007
Financial instruments	12 070	6 422
Retirement bonus	5 515	4 791
Other provisions (regulated provision)	-1 966	-1 962
Loan and bank borrowings	756	1 063
Loss carry-forwards	12 170	12 924
Other	502	171
NET DEFERRED TAX ASSETS (LIABILITIES)	**26 161**	**20 403**

The main sources of deferred tax assets were the recognition without time limitation of the loss carry-forwards from the French tax group in an amount of € 12.2 million at June 30, 2019.
The Group takes into account estimates of the future tax results of the tax consolidation scope over a period generally of five years.

NOTE 15 RAW MATERIALS, OTHER PURCHASES & EXTERNAL CHARGES

('000 EURO)	June 30, 2019	June 30, 2018
Raw material consumed	-99 560	-75 751
Cost of goods sold	-168	-204
Sub-contracting	-100 498	-88 643
External charges	-50 737	-44 412
RAW MATERIAL, OTHER PURCHASES & EXTERNAL CHARGES	**-250 964**	**-209 011**

NOTE 16 OTHER OPERATING INCOME

At June 30, 2019, the other income for € 9.0 million includes in particular tax credit (research-based tax credits and CICE- crédit d'impôt pour la compétitivité et l'emploi) for € 4.0 million, own work capitalized for € 2.2 million and operating expenses transferred for € 1.8 million.

NOTE 17 OTHER NON RECURRING INCOME AND EXPENSES

At June 30, 2019, other non-recurring income and expenses concern :

- reversal of provision for A380 excess inventory of € 0.9 million;
- conversion and adaptation costs for the historic Toulouse site (Périole site) and industrial transfer towards other French sites for € (1.5) million;
- rationalization costs for € (3.7) million;
- industrial transfer costs to the new production site in Bulgaria for € (0.5) million;
- costs related to the creation of the factory of the future located near Toulouse (Montredon) for € (2.4) million;
- costs related to the Employment Saving Plan (PSE) for € (0.7) million.

NOTE 18 DETAILS OF FINANCIAL INCOME

('000 EURO)	June 30, 2019	June 30, 2018
Interest expense - net	-2 667	-1 737
Foreign Exchange gains/losses realized :	-591	-866
Other realized financial expenses / income	-283	-175
Realized net financial result	**-3 541**	**-2 778**
Change in fair value of financial instruments	-3 876	-4 421
Valuation of items on balance sheet at the closing date	-707	2 461
Other unrealized financial expenses / income	235	-303
Unrealized net financial result	**-4 349**	**-2 663**
FINANCIAL RESULT	**-7 890**	**-5 041**

NOTE 19 INCOME TAXES

('000 EURO)	June 30, 2019	June 30, 2018
Current income taxes	-2 207	-1 921
Deferred taxes	1 239	1 759
TOTAL	**-968**	**-162**

NOTE 20 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

20.1 Financial Commitments

The Group's financial commitments and contingent liabilities did not change significantly during H1 2019.

20.2 Commitments under operating Leases (low value and short duration)

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.);
- other leasing (as needed).

With the application of IFRS 16 as of January 1, 2019 (see note 1), the commitments under the remaining operating leases are those with a low value (<€ 5k) and a short duration(< 12 months).

20.3 Other Contingent Liabilities

At 30 June 2019, the Group has not identified any other significant contingent liabilities.

NOTE 21 SUBSEQUENT EVENTS

Since June 30, 2019 and until September 3, 2019, when the Board of Directors approved the financial statements, there has been no event likely to have a significant impact on the economic decisions made on the basis of present financial statements.

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 2019 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, the 3rd September 2019

Yannick Assouad
Chief Executive Officer

4 STATUTORY AUDITORS' REPORT ON THE 2019 CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

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

From the period from January 1 to June 30, 2019

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, 2019.
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors. 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 1.2 to the condensed half-yearly consolidated financial statements regarding changes in accounting policies related to the first application of IFRS 16 “Leases” effective since January 1, 2019.

II. Specific verification

We have also verified the information presented in the half-yearly financial 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.

Labège, on the 5 septembre 2019
KPMG Audit
Department of KPMG S.A.

Eric Junières
Partner

Neuilly-sur-Seine, on the 5 septembre 2019
Grant Thornton
Member ofr Grant Thornton international

Pascal Leclerc
Partner

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