

## 5.7 Consolidated financial statements at December 31, 2019

### 5.7.1 Consolidated statement of financial position

('000 EURO)	Notes	Dec 31, 2019	Dec 31, 2018
Intangible assets	4	77 799	91 525
Tangible assets	4	173 043	100 610
Other financial assets		3 698	3 695
Deferred tax assets	14.2	10 279	20 433
Financial derivative instruments	8.1	1 020	3 332
Other non-current assets		168	157
<b>TOTAL NON-CURRENT ASSETS</b>		<b>266 007</b>	<b>219 752</b>
Inventories	5.1	179 757	180 142
Accounts receivable	7	157 839	193 308
Tax receivable	14.1	16 003	19 659
Financial derivative instruments	8.1	1 897	5 261
Other current assets		2 232	1 550
Cash & Cash Equivalents		33 790	112 216
<b>TOTAL CURRENT ASSETS</b>		<b>391 518</b>	<b>512 136</b>
<b>TOTAL ASSETS</b>		<b>657 525</b>	<b>731 889</b>

('000 EURO)	Notes	Dec 31, 2019	Dec 31, 2018
Share capital	9.1	189 637	189 490
Share premium		213 658	215 008
Treasury stock		-1 842	1 587
Other reserves		-147 486	-140 108
Derivatives future cash flow hedges		-21 883	-9 424
Group net result		-32 864	6 013
<b>EQUITY ATTRIBUTABLE TO PARENT OWNERS</b>		<b>199 220</b>	<b>262 565</b>
<b>NON-CONTROLLING INTERESTS</b>		<b>0</b>	<b>0</b>
<b>TOTAL EQUITY</b>		<b>199 220</b>	<b>262 565</b>
Loans and bank borrowings	12.1	98 190	55 510
Refundable Advances	12.3	22 824	24 332
Employee benefits	11	20 400	17 495
Non-current provisions	10	8 876	9 488
Deferred tax liabilities	14.2	12	30
Financial derivative instruments	8.1	8 205	21 035
Other non-current liabilities		4 638	4 602
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>163 146</b>	<b>132 492</b>
Loans and bank borrowings (less than 1 year)	12.1	51 366	81 153
Refundable Advances	12.3	2 634	2 575
Current provisions	10	1 997	3 267
Accounts payable	13	146 292	180 291
Income tax liabilities		1 918	3 132
Contracts liabilities		43 609	54 137
Other current liabilities		4 055	2 690
Financial derivative instruments	8.1	43 288	9 588
<b>TOTAL CURRENT LIABILITIES</b>		<b>295 159</b>	<b>336 832</b>
<b>TOTAL LIABILITIES</b>		<b>458 305</b>	<b>469 323</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>657 525</b>	<b>731 889</b>

**5.7.2 Consolidated income statement**

('000 EURO)	Notes	Dec 31, 2019	Dec 31, 2018
Revenue		713 098	659 249
Other operating revenue		526	2 849
Change in inventory: work-in-progress & finished goods		-15 315	246
Raw material, Other Purchases & external charges	16	-459 211	-426 074
Personnel expenses		-203 885	-182 478
Taxes		-8 902	-8 727
Amortization		-35 796	-26 549
Net operating provisions charge	17	829	-3 253
Depreciation of current assets	17	3 614	-42
Other operating income	18	20 306	14 017
Other operating expenses		-3 431	-1 241
<b>RECURRING OPERATING INCOME</b>		<b>11 833</b>	<b>27 997</b>
Other non-recurring operating income and expenses	19	-21 426	-23 078
<b>OPERATING INCOME</b>		<b>-9 593</b>	<b>4 919</b>
Net Cost of debt		-5 261	-4 520
Foreign Exchange gains/losses		-3 567	389
Change in fair value of financial derivative instruments		-7 623	-6 349
Other financial incomes and expenses		-928	15 622
<b>FINANCIAL RESULT</b>	20	<b>-17 380</b>	<b>4 892</b>
Income tax	21	-5 892	-3 798
<b>NET RESULT FOR THE PERIOD</b>		<b>-32 864</b>	<b>6 013</b>
• Of which, Owners of the parent		-32 864	6 013
• Of which, Non-controlling interests		0	0
<b>NET RESULT (Group share) FOR THE PERIOD PER SHARE</b>			
• Earnings per share	9.1	-0,35	0,06
• Diluted earnings per share	9.1	-0,34	0,06

### 5.7.3 Consolidated comprehensive income statement

('000 EURO)	Dec 31, 2019	Dec 31, 2018
<b>NET RESULT FOR THE PERIOD (1)</b>	<b>-32 864</b>	<b>6 013</b>
<b>OTHER COMPREHENSIVE INCOME:</b>		
<b>- Items that will not be reclassified subsequently to profit or loss:</b>		
Actuarial gain or loss for year relating retirements benefits	-2 122	-1 340
Others	0	879
Income tax related to items that will not be reclassified to profit or loss	731	461
<b>- Items that will be reclassified subsequently to profit or loss:</b>		
Translation differences	441	-2 337
Financial instruments (cash flow hedging) : change in fair value and transfer in profit and loss	-18 976	-57 399
Other components of comprehensive income	-12 440	-2 269
Income tax related to items that may be reclassified to profit or loss	6 517	23 372
<b>TOTAL OTHER COMPREHENSIVE INCOME (2):</b>	<b>-25 849</b>	<b>-38 633</b>
<b>TOTAL COMPREHENSIVE INCOME (1+2)</b>	<b>-58 713</b>	<b>-32 620</b>

## 5.7.4 Consolidated statement of cash-flow

('000 EURO)	Dec 31, 2019	Dec 31, 2018
Net result for the period	-32 864	6 013
<b>Adjustments related to non-cash activities :</b>		
Depreciation and provisions	34 578	42 022
Fair value gains/losses	7 623	6 349
Net (gains)/losses on disposal of assets	-1 342	-9 943
Other non-cash items	1 528	-29 857
<b>CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES</b>	<b>9 522</b>	<b>14 583</b>
Income taxes	5 892	3 798
Net Cost of debt	5 265	4 520
<b>CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES</b>	<b>20 679</b>	<b>22 900</b>
Changes in inventories net of provisions	757	-19 357
Changes in client and other receivables net of provisions (*)	39 781	-40 177
Changes in suppliers and other payables	-32 329	19 345
Income tax paid	-5 707	-5 001
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>23 182</b>	<b>-22 290</b>
Effect of changes in group structure	378	0
Purchase of tangible and intangible assets (including changes in payables to fixed asset suppliers)	-58 714	-30 787
Purchase of financial assets	0	-353
Increase (decrease) in loans and advances made	-215	248
Proceeds from sale of tangible and intangible assets	2 344	12 987
Dividends received	4	4
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-56 203</b>	<b>-17 901</b>
Proceeds from issue of shares	-1 203	30
Purchase or disposal of treasury shares	-3 429	-45
Proceeds from borrowings	10 000	12 674
Repayments of borrowings	0	-1 660
Repayments of lease liabilities (**)	-5 082	0
Financial interest paid	-5 563	-4 523
Dividends paid	0	0
Flows from refundable advances	-1 448	547
Other flows from financing operation (*)	-34 343	-519
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>-41 068</b>	<b>6 504</b>
Effects of exchange rate changes	-253	-110
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>-74 342</b>	<b>-33 798</b>
Opening cash and cash equivalents position	108 103	141 901
Closing cash and cash equivalents position	33 762	108 103

(\*) The impact of the implementation of reverse factoring amounted to +€ 3.8m, of which + € 42m on the line "Changes in client and other receivables net of provisions" and - € 38.2m on the line "Other flows from financing operation" (see notes 7 and 12)

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

## 5.7.5 Consolidated statement of changes in equity

('000 EURO)	Share capital	Share Premium	Treasury shares	Reserves and Accumulated Results <sup>(*)</sup>	Cash flow hedgings - financial instruments	Translation difference	Equity attributable to owners of parent	Non-controlling interests	TOTAL
<b>Dec 31, 2017</b>	<b>188 790</b>	<b>215 008</b>	<b>1 632</b>	<b>-129 971</b>	<b>26 591</b>	<b>-6 707</b>	<b>295 342</b>	<b>-777</b>	<b>294 565</b>
Adoption of IFRS 9				-2 602	2 602		0		0
<b>Jan 1, 2018</b>	<b>188 790</b>	<b>215 008</b>	<b>1 632</b>	<b>-132 573</b>	<b>29 193</b>	<b>-6 707</b>	<b>295 342</b>	<b>-777</b>	<b>294 565</b>
Capital variations	700	0		0			700		700
Share-based payments				3 934			3 934		3 934
Transactions on treasury stock			-45				-45		-45
Dividends				0			0	0	0
<b>Transactions with owners</b>	<b>700</b>	<b>0</b>	<b>-45</b>	<b>3 934</b>	<b>0</b>	<b>0</b>	<b>4 589</b>	<b>0</b>	<b>4 589</b>
<b>Net result for the period (1)</b>				<b>6 013</b>			<b>6 013</b>	<b>0</b>	<b>6 013</b>
Financial instruments (cash flow hedging): change in fair value and transfer in profit and loss					-34 027		-34 027		-34 027
Financial instruments: Translation differences						1	1		1
Translation differences: change and transfer in profit and loss						-2 128	-2 128	-210	-2 338
Other variations (*)				-3 256			-3 256	988	-2 269
<b>Other comprehensive income (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-3 256</b>	<b>-34 027</b>	<b>-2 127</b>	<b>-39 410</b>	<b>777</b>	<b>-38 633</b>
<b>TOTAL COMPREHENSIVE INCOME (1)+(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2 757</b>	<b>-34 027</b>	<b>-2 127</b>	<b>-33 397</b>	<b>777</b>	<b>-32 620</b>
									<b>0</b>
<b>Dec 31, 2018</b>	<b>189 490</b>	<b>215 008</b>	<b>1 587</b>	<b>-123 281</b>	<b>-11 405</b>	<b>-8 834</b>	<b>262 565</b>	<b>0</b>	<b>262 565</b>
Reclassifying				-1 771	1 981	-210	0	0	0
Capital variations	147	-1 350		0			-1 203		-1 203
Share-based payments				0			0		0
Transactions on treasury stock			-3 429				-3 429		-3 429
Dividends				0			0	0	0
<b>Transactions with owners</b>	<b>147</b>	<b>-1 350</b>	<b>-3 429</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-4 632</b>	<b>0</b>	<b>-4 632</b>
<b>Net result for the period (1)</b>				<b>-32 864</b>			<b>-32 864</b>	<b>0</b>	<b>-32 864</b>
Financial instruments (cash flow hedging): change in fair value and transfer in profit and loss					-12 459		-12 459		-12 459
Financial instruments: translation differences							0		0
Translation differences: change and transfer in profit and loss						441	441	0	441
Other variations (**)				-13 831			-13 831	0	-13 831
<b>Other comprehensive income (2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-13 831</b>	<b>-12 459</b>	<b>441</b>	<b>-25 849</b>	<b>0</b>	<b>-25 849</b>
<b>TOTAL COMPREHENSIVE INCOME (1)+(2)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-46 695</b>	<b>-12 459</b>	<b>441</b>	<b>-58 713</b>	<b>0</b>	<b>-58 713</b>
									<b>0</b>
<b>Dec 31, 2019</b>	<b>189 637</b>	<b>213 658</b>	<b>-1 842</b>	<b>-171 747</b>	<b>-21 883</b>	<b>-8 603</b>	<b>199 220</b>	<b>0</b>	<b>199 220</b>

(\*) Including € 1.8 million of deferred taxes related to the correction of opening (base and tax rate)

(\*\*) Including € -14.2 million of deferred taxes capping (see note 14 on taxes)

## 5.7.6 Notes to the consolidated financial statements

---

### GENERAL INFORMATION

---

**NOTE 1** Accounting policies

**NOTE 2** Consolidation scope

**NOTE 3** Operational Segments

### BALANCE SHEET ITEMS

---

**NOTE 4** Fixed assets

**NOTE 5** Inventories, work in progress and manufacturing contracts

**NOTE 6** Financial assets

**NOTE 7** Accounts receivable

**NOTE 8** Derivative instruments

**NOTE 9** Shareholders' equity

**NOTE 10** Current and non-current provisions

**NOTE 11** Employee benefits

**NOTE 12** Financial liabilities

**NOTE 13** Accounts payable

**NOTE 14** Taxes

### INCOME STATEMENT DATA

---

**NOTE 15** Revenue

**NOTE 16** Raw materials, other purchases and external charges

**NOTE 17** Net operating provisions charge and impairment of current assets

**NOTE 18** Other income

**NOTE 19** Other non-recurring operating income and expenses

**NOTE 20** Financial results

**NOTE 21** Income taxes

### ADDITIONAL INFORMATION

---

**NOTE 22** Risk management

**NOTE 23** Average headcount

**NOTE 24** Financial commitments and contingent liabilities

**NOTE 25** Related parties

**NOTE 26** Statutory Auditors' Fees

**NOTE 27** Subsequent events

## INFORMATION ON THE GROUP

Latécoère is a French corporation ("société anonyme") headquartered in Toulouse, France, listed on Euronext Paris. (FR0000032278 - LAT).

The consolidated financial statements of the Latécoère Group for the fiscal year ended on December 31, 2019, include the parent company and its subsidiaries (the whole being designated as "the Group") and its share of results in associates.

The consolidated financial statements of the Group were approved by the Board of Directors on March 6, 2020. They will be submitted to the Ordinary General Meeting that will take place May 13, 2020.

## NOTE 1 ACCOUNTING POLICIES

### 1.1 Basis of Preparation of the Financial Statements

The 2019 consolidated financial statements have been prepared in compliance with the IFRS as issued by the IASB and adopted by the European Union at December 31, 2019.

The system of reference IFRS includes the IFRS, the IAS (International Accounting Standards) as well as their SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) interpretations.

The financial statements are presented in €k rounded to the closest thousand euros.

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

### 1.2 Standards application, amendments and interpretations for the financial statements

The accounting principles used to prepare the Group's condensed consolidated financial statements for the period ended December 31, 2019 are identical to those used for the period ended December 31, 2018 with the exception of the new IFRS 16 "Leases" applicable as of January 1, 2019 and IFRIC 23 "Uncertainty over income tax treatments." IFRIC 23 and the amendments to IAS 19 and IAS 28, as well as the annual IFRS improvements, 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";
- Amendments to IFRS 9 "Prepayment features with negative compensation";
- Amendments to IAS 19 "Amendment, reduction or liquidation of an employee scheme";
- Amendments to IAS 28 "Interests in associates and joint ventures";
- Annual improvements of IFRS standards, 2015-2017 cycle.

*New published IFRS standards, amendments and interpretations adopted in advance 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;
- Amendments to IAS 1 and IAS 8 "Definition of the term material";
- Amendments to IFRS 3 "Definition of a business";
- Amendments to IFRS 9 and IFRS 7 "Interest rate benchmark reform";
- Revised Conceptual Framework for Financial Reporting, amendments to references to the conceptual framework in IFRS standards.

These new standards and amendments have not yet been adopted by the European Union and therefore may not be applied in advance, even if authorized by the standard.

#### Effects of first-time application of IFRS 16 "Leases."

The Latécoère Group applied IFRS 16 "Leases" as of January 1, 2019 (the mandatory application date). This standard replaces IAS 17, and the IFRIC 4, SIC 15 and SIC 27 guidance documents.

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

IFRS 16 calls for accounting for all leases on the lessee's balance sheet with the recognition of an asset (representing the right-of-use of the asset leased during the life of the agreement) and a liability (representing the obligation to make lease payments).

The assumptions used by the Latécoère Group among the transition and permanent treatment options provided by IFRS 16 are the following:

Transitional measures:

- Use of the simplified retrospective method. No restatement of comparative periods.
- As of January 1, 2019, waives remeasurement of the classification of old contracts treated according to IAS 17. The assets were reclassified as rights-of-use and the finance lease liabilities are presented with the lease liabilities. The provisions of IFRS 16 are now applied to events occurring after the transition date.
- The lease liability is measured at the present value of lease payments remaining due. The Group uses knowledge gained a posteriori, e.g., to determine the term of a lease agreement that contains renewal or termination options;
- The right-of-use at the transition date is equal to the lease liability, adjusted for lease payments made in advance or payable. The initial direct costs are included in the valuation of the right of use at the transition date;
- Exemption for old leases whose remaining term is less than 12 months at January 1, 2019 and low-value leases held by the Group (less than €5k);
- The discount rate applied at the transition date equals the marginal cost of borrowing identified over the remaining term of the leases;
- Instead of performing an impairment test on the right-of-use assets at the initial application date, the Group employed its historical measurements of the leases immediately before the effective date of IFRS 16.

Treatment from January 1, 2019 forward

- Exemption of new short-term leases (less than 12 months, including renewal periods to give economic incentives) and low-value leases;
- The term of the lease is equal to the non-cancelable period of each agreement, to which may be added any renewal option that the Group is reasonably certain to exercise and any cancellation option that the Group is reasonably certain not to exercise. In the specific case of the French commercial leases (3-6-9 years), the Group has assumed a maximum term of 9 years. The Group has read the decisions of the IFRS IC of November 26, 2019 on the measurement of the terms of leases renewable by tacit agreement or without a contractual expiration. The IFRS IC confirms that one must determine the enforceable period by taking an economic point of view, beyond the legal aspects. The Group may need to remeasure the terms of some of its leases. Nonetheless, no significant impact is expected;
- The present discount rate equals the marginal cost of borrowing identified over the remaining term of the leases grouped by similarity of the asset.

At their effective date, the leases as defined by IFRS 16 "Leases" are recorded:

- As fixed assets (right of use) in the amount of the lease liability (identified above) plus the advance payments made to the lessor, the initial direct costs incurred, the benefits received under the lease and an estimate of the dismantling and restoring costs, if any, of the property leased under the terms of the agreement; and
- As a financial liability in the amount of the lease payments over the term of the lease as identified above, present-value discounted in the aforementioned manner.
- A deferred tax was recognized on the difference between the rights of use and the lease liabilities, within the scope of IFRS 16, similarly to what was done in the case of finance leases.

At December 31, 2019 impairment tests were performed and did not disclose any losses of value.

**Impact of the first-time application of IFRS 16 on the 2019 consolidated financial statements****Consolidated income statement**

The impact of first-time application of IFRS 16 on the consolidated income statement for the period ended December 31, 2019 affected:

- Recurring operating income, amounting to €628k, reflecting a cancellation of lease expenses greater than the depreciation and amortization expense on the right of use;
- Financial net income of -€716k.

**Consolidated financial position**

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

- At January 1, 2019

Assets:

- The rights-of-use net of depreciation and amortization are recognized in tangible assets in the amount of €19.9 million.

On the liabilities side, debts for lease obligations are recognized in:

- Non-current financial liabilities in the amount of €16.8 million;
- Current financial liabilities in the amount of €3.0 million;
- Advance payment of €0.2 million.

- At December 31, 2019:

Assets:

- The rights-of-use net of depreciation and amortization are recognized in tangible assets in the amount of €26.8 million.

On the liabilities side, debts for lease obligations are recognized in:

- Non-current financial liabilities in the amount of €22.5 million;
- Current financial liabilities in the amount of €4.4 million.

**Consolidated statement of cash-flows**

The impact of the first-time application of IFRS 16 on the consolidated cash flow statement for the period ended December 31, 2019 resulted in:

- An improvement in net cash flows from operating activities of €4.4 million;
- A reduction in net cash flows from financing activities of -€4.4 million (repayment of lease liabilities of -€3.6 million and interest of -€0.8 million).

**Reconciliation between payments on operating leases at December 31, 2018 and the lease liability at December 31, 2019**

	Dec 31, 2018
<b>Rent on operating leases as of December 31, 2018 (published)</b>	<b>-6 917</b>
<i>Of which rent on low-value and short duration as of January 1, 2019</i>	<i>-3 188</i>
<i>Of which rent on lease liabilities related to IFRS 16</i>	<i>-3 730</i>
	Dec 31, 2019
Opening lease liabilities (Adoption of IFRS 16)	<b>19 758</b>
Lease liabilities related to real estate leasing as of January 1, 2019	10 884
New lease liabilities at the end of December	16 364
Repayment of lease liabilities in 2019 (Adoption of IFRS 16)	-3 565
Repayment of lease liabilities related to real estate leasing at the end of December	-684
<b>Closing lease liabilities</b>	<b>42 757</b>

**1.3. Use of estimates and assumptions**

The preparation of financial statements requires that the Management makes estimates and assumptions which have an impact on the application of accounting methods as well as on amounts of assets and liabilities, income and expenses.

The Group makes assumptions and regularly establishes, on these bases, estimates relating to its various businesses. These estimates have been made from past experience and other factors considered as reasonable in view of the circumstances; they integrate the economic conditions prevailing at the closing and the information available as of the date of preparation of the financial statements. The Group

management regularly reviews its estimates and assumptions 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 use of estimates and assumptions assumes a special importance principally for:

- developments capitalized costs (Note 4);
- employee benefits (Note 11);
- deferred tax assets (Note 14);
- provisions on inventory (Note 5);
- the recoverable value of intangible and tangible assets as well as their useful life (Note 4);
- the fair value of financial instruments (Note 8).

At December 31, 2019, the estimates and the assumptions retained for the consolidated financial statements were determined based on the elements in the Group's possession at the closing date and, in particular the commercial information (order book and rates) communicated by the various aircraft manufacturers and information from the prospects of the aeronautical market.

## 1.4 Subsidiaries

Companies controlled directly or indirectly by Latécoère are fully consolidated.

Control over a company exists when the Group:

- has power over this entity;
- is exposed to or has rights to variable returns from its involvement with that entity;
- has the ability to use its power over that entity to affect the amount of those returns.

The full consolidation method consists in integrating all assets, liabilities, income and expenses. The share of assets and income attributable to the minority shareholders is accounted for as minority interests in the consolidated balance sheet and the consolidated statement of income. Subsidiaries are integrated into the consolidation scope from the date when control is obtained.

All transactions between consolidated subsidiaries are eliminated, as are profits generated within the Group (capital gains, profits on inventories, dividends).

## 1.5 Associated companies

"Associated companies" means entities in which the Group exercises significant influence over financial and operational policy without having the exclusive or joint control. Significant influence is assumed to exist when the Group's interest is greater than or equal to 20%.

The consolidation method is the equity method, which consists in entering in the balance sheet an amount reflecting the Group's share of the net assets of the associate, increased, if applicable, by the goodwill generated by the original acquisition.

## 1.6 Removal from the scope of consolidation

The removal of a company from the scope of consolidation is effective as of the date sole or joint control or significant influence is relinquished.

Sales of shares that result in a loss of control are to be recognized in profit or loss and the gain or loss on disposal is to be calculated on the entire ownership interest at the date of the transaction.

## 1.7 Elimination of intercompany transactions

Intercompany transactions between consolidated subsidiaries are fully eliminated, as well as the resulting receivables and payables. The Group's internal income (dividends and income from disposals) is also eliminated from consolidated income.

## 1.8 Foreign currency translation

Foreign currency transactions are converted into euros by applying the exchange rate prevailing at the transaction date. The monetary assets and liabilities appearing in balance sheet at the closing date are translated by applying the exchange rate at such date. Foreign currency differences for commercial transactions are recognized in income.

## 1.9 Financial statements of foreign subsidiaries

Assets and liabilities of consolidated entities for which the functional currency is different from the euro are converted at the exchange rate at the closing date, with the exception of shareholders' equity, which is accounted for at the historical rate. Income and expenses are converted at the exchange rate in force at the relevant transaction date or, as a practical matter, at the rate which approaches it and which corresponds to the average rate for the period, except for cases of large fluctuations in exchange rates. Exchange rate variations resulting from these conversions are accounted for in consolidated shareholders' equity (translation differences in OCI).

In accordance with IAS 21, the exchange rate differences relating to permanent financing activities which are part of the net investment in a consolidated subsidiary are recorded in shareholders' equity (under translation differences). At disposal of these investments, the accumulated translation differences recorded in shareholders' equity will be recognized in the income statement.

### 1.10 Goodwill

Absence of goodwill.

### 1.11 Other intangible assets

Intangible assets are identifiable non-monetary assets (resulting from a legal right or which can be sold, transferred, rented or exchanged in an isolated manner or with a contract, or another asset or liability), without physical substance, held to be used for the production or the furnishing of goods or services, for rental to third parties or for administrative purposes.

Intangible assets must respond to the following criteria:

- probability of obtaining future economic benefits attributable to this asset;
- reliable valuation of the cost of the asset.

The depreciation and amortization method used reflects the consumption rate by the Company of the economic benefits of the fixed asset.

The intangible assets held by the Group are principally:

- developments costs;
- software and other licenses (amortized over four years).

Intangible assets are amortized over their useful life. The Group holds no intangible assets of indefinite useful life. The intangible assets acquired by the Group are accounted for at their cost reduced by the accumulated amortization and loss in value. If an indication of loss in value exists, an impairment test is carried out as described in Note 1.13. Any loss in value is recognized in operating income, on the line "other non-recurring operating income and expenses".

#### Intangible assets acquired in a business combination

Intangible assets acquired as part of a business combination are recognized at their fair value, separately from goodwill.

#### Separately acquired intangible assets

Intangible assets acquired separately are initially recognized at cost in accordance with IAS 38.

#### Research and development costs

Research expenses are accounted for in expenses. Development costs are activated in IFRS and recognized as assets when all the following criteria are met:

- the technical feasibility of completing the intangible asset in order to use or sell it;
- the intention to complete the intangible asset and use or sell it;
- the capacity to use or sell the intangible asset;
- the manner in which the intangible asset will generate probable future economic benefits;
- the availability of technical, financial and other resources in order to complete the development and to use or sell the intangible asset;
- the capacity to measure expenses reliably.

To date, the development expenses incurred by the Group have been generated through "Design & Build" partnership contracts.

### 1.12. Tangible assets

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

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

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

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

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

If an indication of loss in value exists, an impairment test is carried out as described in Note 1.13. Any loss in value is recognized in operating income, on the line "depreciation and amortization".

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

The depreciation and amortization periods associated with the groups and sub-groups of assets are as follows:

Group	Amortization period
Construction	15 - 40 years
General facilities	10 -20 years
Technical facilities	6 2/3 – 20 years
Tooling	3 years
Electronic equipment	5 years
Computer hardware	3 – 5 years
Transportation equipment	4 years
Office equipment	6 2/3 years
Furniture	10 years

### 1.13 Impairment of assets

The carrying value of the Group's assets (other than inventory and deferred tax assets) is examined at each closing date so as to appreciate if any indication of a loss in value exists. If such an indication is identified (reduction in market value or accelerated obsolescence, for example) an impairment test is carried out.

Concerning the intangible assets not yet available for use or for which the useful life is indefinite, and for goodwill, said impairment test is carried out at a minimum of once a year.

The impairment test consists in comparing the carrying value of the asset or of the relevant group of assets with its recoverable value.

The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use. The value in use is the discounted value of estimated future cash flows expected from the continuing use of the asset and from its disposal at the end of its useful life.

In order to determine the value in use of an asset, the Group uses:

- an estimate of the future cash flows (before income tax and financial cost) based on assumptions that keep the asset in its current condition and represent the best estimate of the economic conditions which will exist during the remaining useful life of the asset;
- the pre-tax discount rate that reflects the current market valuations of the time value of money and of the specific risks of the asset. The discount rate does not reflect the risks that have already been taken into account in the estimate of future cash flows.

An impairment loss is recorded if the carrying value of an asset is higher than its recoverable value.

The recoverable value shall be estimated for each asset individually. If that is not possible, IAS 36 states that companies shall determine the recoverable value of the cash-generating unit to which the asset belongs.

Assets are thus allocated to the Cash-Generating Units (the smallest identifiable group of assets the continuous use of which generates cash inflows that are largely independent of cash flows from other assets or groups of assets).

The fixed assets of each Group segment are not specific to a business or to a sector but are usable by the whole of the segment (no independence of cash inflows between them). Therefore, the Cash-Generating Units are the different segments of the Group taken individually.

An impairment loss accounted for in a Cash-Generating Unit is first allocated to the reduction in carrying value of any goodwill allocated to this Cash-Generating Unit, then to the reduction in carrying value of the other assets of the Unit, at the pro rata of the carrying value of each asset.

An impairment of goodwill cannot be reversed.

An impairment loss recognized for another asset is reversed if there has been a change in the estimates used in order to determine the recoverable value.

The carrying value of an asset, increased by reason of the reversal of a loss in value, must not be higher than the carrying value that would have been determined net of depreciation and amortization, if no loss of value had been accounted for.

### 1.14 Borrowing costs

Borrowing costs directly attributable to the purchase of tangible and intangible assets requiring at least twelve months of preparation before being put in service are included in the gross value of these assets referred to as "qualifying". The gross value of the Group's inventory fitting the definition of qualifying asset for the purposes of IAS 23 "Borrowing costs" is also adjusted.

When a qualifying asset is financed by a specific loan, the additional cost taken into account in its gross value corresponds to the interests actually accounted for over the period, net of the income received on the funds not yet used. When a qualifying asset is not financed by a specific loan, the borrowing cost capitalized corresponds to the average general debt rate over the period.

## 1.15 Inventories and work-in-progress

### Raw materials

The gross value of raw materials and supplies includes the purchase price and associated costs. Provisions for impairment are recognized on raw materials and equipment if their net realizable value is less than the carrying amount. Raw materials inventories are valued according to the weighted average price method.

### Work-in-progress (excluding construction contracts)

The gross value of work-in-progress is measured using the full cost method. Non-production costs (financial costs, marketing costs, unsuccessful proposal cost, administrative costs, etc.) are excluded from this valuation. Provisions for impairment are recognized on work-in-progress when its net realizable value is less than its carrying amount.

## 1.16 Revenue recognition

Revenue is recognized according to the following criteria:

- With respect to design & build contracts, the timing of the recognition of revenue earned from mass-produced items is recognized on delivery. Development costs (NRC - "non-recurring cost"), previously presented under "inventories and work in progress", are now presented as intangible and tangible assets because they are considered as costs of carrying out the production contract. These costs are depreciated and amortized using the external milestones method (number of aircraft delivered). Advances received (or pre-financing) for developments costs are now recognized on the balance sheet under the item "Liabilities on contracts" and then recycled in revenue when the produced items are delivered.
- for other types of contracts (other than services), revenue is recognized when control of each product is transferred, which is usually upon delivery.
- for service contracts, revenue is recognized on a percentage-of-completion basis (cost-to-cost method) when control is transferred over time, or once the performance obligation has been satisfied if control is transferred at a point in time. The percentage of completion method generally used by the Group is expense-based: revenue is recognized based on costs incurred to date in relation to all the costs expected upon completion.

## 1.17 Financial assets and liabilities

The Group applies IAS 32 and 9 and IFRS 7. These standards define four categories of financial assets and two categories of financial liabilities:

- financial assets and liabilities at fair value through profit and loss: it concerns derivative instruments which do not qualify for hedge accounting as well as cash flow investments designated at fair value through profit and loss;
- financial assets and liabilities available for sale valued at fair value with fair value variations recorded in shareholders' equity (the Group holds no such assets);
- financial assets held to maturity valued at amortized cost: to date, no assets enter in this family;
- loans and credits issued by the Company and valued at amortized cost;
- other financial liabilities valued at amortized cost, following the effective interest rate method.

These financial assets and liabilities are allotted to the balance sheet in current and non-current elements following their expiry date less than or greater than a year.

### Derivative instruments

The Group uses financial derivative instruments such as hedging contracts on foreign currency and on interest rates so as to hedge its current positions against foreign exchange exposure and interest rate risk. The hedging instruments are forward sales and purchases for the foreign currency and hedging for interest rates in the form of "collar". The derivative instruments are measured at fair value with fair value variations recognized in the income statement except for the hedging instruments identified below. An independent company measures the fair value of derivative instruments. It takes into account the value of the derivative instrument at the closing date ("mark to market"). The derivative instruments are recognized on the transaction date.

The Group generates a significant amount of its revenue in US dollars. Given the importance of these flows, a hedging strategy of future flows in this currency was put in place by applying the following principles:

- hedging of part of estimated future cash inflows with some customers;
- taking into account of a probability of realization of these future flows; this permits the appreciation of hedging needs relative to each hedged item for the application of the hedge accounting.

Similarly, a hedging strategy of future flow is also implemented for the following companies:

- Latécoère Czech Republic s.r.o.,
- The Mexican subsidiaries of the Group, Latécoère Mexico and LATelec Mexico
- The Brazilian subsidiary of Latécoère, Latécoère do Brasil

The derivative instruments subject to hedge accounting have been documented according to IFRS 9. Tests of effectiveness are realized at the implementation of hedging instruments and at each closing. Based on the hedge item, two kinds of hedge exist in the Group:

- the fair value hedge, which hedges the exposure to variation of fair value of an asset accounted for in the balance sheet as a result of the evolution of interest rates or of a currency;
- the cash flow hedge, which hedges the exposure to variations in future cash flows of existing or future assets or liabilities.

For the fair value hedge of existing assets or liabilities, the hedged share of these elements is valued in the balance sheet at its fair value. The variation of this fair value is recorded in the income statement where it is compensated by the symmetric fair value variations of financial hedging instruments, as far as their effectiveness.

The future cash flows hedge which qualifies for hedge accounting is treated in the consolidated financial statements of the Group as follows:

- the effective share of profit or loss on the hedging instruments is directly accounted for in shareholders' equity (net of deferred tax); the inefficient share and the time value of options (non-qualified) are immediately recognized in financial income;
- the profits or losses accounted for in shareholders' equity are recognized in the income statement of the period during the course of which the underlying hedged item is accounted for, such as when the forecasted revenue is realized.

At each closing date, every existing hedging instrument is subject to discounting of its fair value and updating of the effectiveness test specific to each hedge relationship. If a hedge proves ineffective at the end of the test, the hedge accounting ceases to be applied. Certain financial instruments are not treated as hedging instruments because they do not qualify for hedge accounting under IFRS 9. In such a case, the profits or the losses resulting from the fair value variations of these instruments are accounted for in financial income.

### Cash and cash equivalents

Cash and cash equivalents include cash funds and demand deposits. Bank overdrafts repayable on demand and financing under discounted receivables (not respecting the criteria for derecognition of assets) which forms an integral part of the Group's cash management are a component of cash and cash equivalents for the needs of the statement of cash flows. Short-term investments, very liquid, easily convertible in a known amount of cash and carrying a negligible risk of change in value are considered as the cash equivalents. These investments are measured at fair value.

### Borrowings

Financial debts are initially recognized at fair value on which are allocated the transactions costs directly attributable to the issuance of the liabilities. At the closing date, financial debts are valued at amortized cost, based on the effective interest rate method. The fair value of financial liabilities valued at amortized cost (fixed rate borrowings, essentially), disclosed in the notes, was determined by an independent organization on the basis of a valuation technique.

### Market value determination

Financial assets and liabilities at fair value through profit and loss and derivatives qualified as hedging instruments are measured and recognized at their market value at their first accounting date, as well as at subsequent valuation dates.

Market value is determined:

- either based on a price quoted on an active market;
- or based on a valuation technique using:
  - mathematical calculation methods based on recognized financial theories
  - parameters whose value is determined, in some cases, based on the price of instruments negotiated on active markets, and in others, based on statistical estimates or other quantitative methods

The distinction between the two valuation methods is applied depending on whether the market on which the instrument is negotiated is active or not.

A market is considered as active and thus liquid for a given instrument if transactions are regularly made on it or if transactions of instruments very similar to those subject to the valuation are carried out on it.

In compliance with IFRS 13, 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 1 "Market Price" category: financial instruments quoted on an active market;
- Level 2 "Model with observable parameters" category: financial instruments whose measurement uses valuation techniques based on observable parameters;
- Level 3 "Model with non-observable parameters" category: financial instruments whose measurement uses valuation techniques based in part or in whole on non-observable parameters; a non-observable parameter being defined as a parameter whose value results from assumptions or correlations which are neither based on observable market transaction prices for the same instrument at the valuation date, nor on observable market data available on the same date.

In the case of an inactive market evidenced, for example, by an increasing scarcity of counterparts, the Group may resort to mathematical models measuring risks based on assumptions that would normally be made by market participants, according to a time horizon corresponding to the term of the relevant instruments, in compliance with IFRS 9.

## 1.18 Accounts receivable

Accounts receivable are initially valued at fair value, then at amortized cost reduced by the amount of losses in value. The loss in value is recognized in the income statement.

As part of its short-term financing activities, the Group carries out discount receivables operations with certain financial partners. The corresponding financial assets are totally or partially derecognized if the discounted receivables contracts respect the following conditions:

- transfer of the contractual right to receive cash;
- disposal to a financial partner of the risks and rewards relating to the receivable;
- the financial partner bears entirely the risk of non-payment of the receivable for solely financial reasons; the Group remaining guarantor of all of the technical and industrial risks;

- the recovery of the receivable is the responsibility of the financial partner. However, the latter may contractually ask the Group to carry out the receivable collection on its behalf.

Contracts not respecting these criteria do not give rise to derecognition of receivables. However with the reverse factoring, the receivables sold to financial partner are no longer recognized in the balance sheet.

### 1.19 Accounts payable

Accounts payable are initially valued at their fair value, then at amortized cost.

### 1.20 Treasury shares

Treasury shares, whatever their use, are deducted from shareholders' equity. The income from the disposal of treasury shares is recognized directly in shareholders' equity, so that the eventual gain or loss on disposal does not affect the income statement of the fiscal year.

### 1.21 Provisions

The Group constitutes a provision as soon as:

- there exists a current obligation (legal or implicit) resulting from a past event;
- it is probable that an outflow of resources will be necessary to settle the obligation;
- the amount of this obligation can be estimated reliably.

The amount of the provision is determined on the basis of the best estimate relating to the obligation. The estimates made in relation to provisions are analyzed at each closing date and if necessary, the amount is updated.

A provision is kept in the financial statements until precise information (time period and amount) make it possible to establish its term. When the effect of the time value of money could be material, the provisions are discounted. The provisions noted by the Group have not been discounted.

### 1.22 Employee benefits

The Group recognizes some employee benefits. After analyzing of the specific regulations of the countries in which the Group is present, it appears that these provisions concern principally French companies.

#### Defined contribution plans

Contributions to a defined contribution plan are recognized in expenses when they are incurred.

#### Retirements benefits

The obligations of the Group for retirement benefits consist in retirement severance pay at the time of the employee's retirement departure. In accordance with IAS 19, for defined benefit plans, the retirement liabilities are calculated according to the projected unit credit method. The Group's obligations for French companies' employees are estimated by an independent actuary. The method takes into account, on the basis of actuarial assumptions, the probable length of future service of the employee, the level of future compensation, life expectancy and employee turnover. The obligation, including social security charges, is discounted and is recognized on the basis of the years of service of the employees. Actuarial variations resulting from these assumptions have been recognized in non-recyclable OCI in shareholders' equity since 2010.

#### Employee long-service medals

The Latécoère Group recognizes a provision on the basis of actuarial assumptions, the future level of compensation, life expectancy and employee turnover (IAS 19). The Group's obligations under the long-service medals (French companies only) are estimated by an independent actuary.

#### Share-based payment

The Group recognizes a share-based payment cost related to the allocation of performance share plans to certain employees. This cost is valued on the basis of actuarial calculations. The main actuarial assumptions (volatility, return on equity) used by the Group are described in Note 9.3 on the bonus share allocation plan.

### 1.23 Public financing

The Group has obtained public financing for the development of some programs.

This financing, of the "refundable advances" type, bears interest contractually (calculated on the basis of a market interest rate) vis-à-vis the managing bodies. Consequently, this type of financing is not subject to IAS 20 on public grants, to the extent that the program will likely succeed.

At the outset, they are measured for the quid pro quo of the cash received. At each closing, they are valued according to the amortized cost method, calculated with the help of the effective interest rate.

These advances shall be repaid if the program succeeds, and repayments are made as deliveries of each financed product subject to an advance occur.

For certain contracts, after full repayment of the advance the Group continues to pay out a royalty as a function of the program's revenue, the latter being deemed an operating expense.

#### 1.24 Other income

The Group recognizes operating grants, research-based tax credits and competitiveness and employment tax credits, in particular, in other operating income.

#### 1.25 Other non-recurring operating income and expenses

Other non-recurring income and expenses are representative of items which are inherently difficult to predict due to their unusual, irregular or non-recurring nature.

Other non-recurring income may include capital gains on disposal of investments or activities and capital gains on disposal of tangible and intangible assets arising from activities disposed of, or facing restructuring plans as well as any income associated to past disposals.

Other non-recurring expenses include capital losses on disposal of investments or activities and capital losses on disposal of tangible and intangible assets relating to activities facing restructuring plans as well as any costs associated to past disposals, restructuring costs, rationalization costs, significant impairment losses on assets, costs incurred to realize business combinations and depreciation and amortization expenses of assets exclusively acquired in the context of business combinations (technology, customer relations, margin in backlog, margin on inventory), litigation costs that have arisen outside the ordinary course of business and a portion of post-employment and other long-term defined benefit expenses (plan amendments, impacts of curtailments and settlements and actuarial gains and losses referring to long-term benefits other than post-employment benefits). Note 19 provides details on other non-current operating income and expenses items for the 2019 fiscal year.

#### 1.26 Income tax

The income tax includes the current income tax due and deferred tax. Tax is recognized in the income statement, unless it relates to items that are recognized directly in shareholders' equity. In such cases, it is recognized in shareholders' equity. The tax due is the amount of the estimated tax due for the period, taking into account any tax adjustment of the tax due relating to previous periods.

The deferred tax is determined according to the balance sheet liability method. It is calculated on the temporary differences between the carrying value of assets and liabilities and their tax value, with the exception of the following elements:

- goodwill;
- temporary differences relating to holdings insofar as they are not reversed in a foreseeable future.

The measurement of deferred tax assets and liabilities is based on the Group's estimate of their settlement, using the tax rates that were adopted or quasi-adopted at the closing date. A deferred tax asset is recognized only if the future pre-tax profits on which this tax could be applied are probable. The deferred tax assets are reduced when it is not probable that a sufficient profit will be realized. In accordance with IAS 12, the deferred tax assets and liabilities are not discounted.

**NOTE 2 CONSOLIDATION SCOPE**

As the Group has, directly or indirectly, exclusive control of 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	Voting rights %	Interest %	Consolidation method
<b>Aerostructures segment:</b>				
LATECOERE	France			<b>Parent company</b>
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
<b>Interconnection Systems segment:</b>				
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
Latécoère Interconnection Systems Japan	Japan	100%	100%	Full consolidation
Latécoère India Private Limited	India	100%	100%	Full consolidation

**NOTE 3 OPERATIONAL SEGMENTS**

The sectors or segments presented by the Group are distinct components of the Group which are involved 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 Group are:

- **Aerostructures;**
- **Interconnection systems.**

These two segments represent the industrial activities of the Group and call upon the activities of subsidiaries where appropriate. Furthermore, expenses relating to Latécoère's position as the parent company are maintained in the Aerostructures segment.

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

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 divisions excluding non-recurring operating items.
- **Recurring EBITDA** corresponds to recurring operating income before depreciation, amortization and impairment losses on tangible and intangible assets.

Lastly, **net debt** for the Group refers to current and non-current borrowings and financial liabilities less cash and cash equivalents.

**Income statement by operational segments 2019**

('000 EURO) December 31, 2019	Aerostructures	Interconnection Systems	Intersegment eliminations	Total
Revenue	429 550	303 417	-19 868	713 098
Inter-segment revenue	-18 124	-1 744	19 868	0
<b>Consolidated revenue</b>	<b>411 426</b>	<b>301 673</b>	<b>0</b>	<b>713 098</b>
<b>Recurring EBITDA</b>	<b>26 847</b>	<b>20 780</b>	<b>2</b>	<b>47 629</b>
<b>Recurring operating income</b>	<b>10 776</b>	<b>1 055</b>	<b>2</b>	<b>11 833</b>
<i>Recurring operating income / revenue</i>	<i>2,5%</i>	<i>0,3%</i>		<i>1,7%</i>
<b>Other non recurring operating income and expenses</b>	<b>-22 161</b>	<b>735</b>		<b>-21 426</b>
<b>Operating income</b>	<b>-11 385</b>	<b>1 790</b>	<b>2</b>	<b>-9 593</b>
<b>Net investments (excluding disposal result)</b>	<b>-24 310</b>	<b>-33 239</b>	<b>0</b>	<b>-57 549</b>

**Income statement by operational segments 2018**

('000 EURO) December 31, 2018	Aerostructures	Interconnection Systems	Intersegment eliminations	Total
Revenue	399 062	276 827	-16 640	659 249
Inter-segment revenue	-14 863	-1 777	16 640	0
<b>Consolidated revenue</b>	<b>384 199</b>	<b>275 050</b>	<b>0</b>	<b>659 249</b>
<b>Recurring EBITDA</b>	<b>18 759</b>	<b>35 602</b>	<b>185</b>	<b>54 546</b>
<b>Recurring operating income</b>	<b>6 581</b>	<b>21 231</b>	<b>185</b>	<b>27 997</b>
<i>Recurring operating income / revenue</i>	<i>1,6%</i>	<i>7,7%</i>		<i>4,2%</i>
<b>Other non recurring operating income and expenses</b>	<b>-18 419</b>	<b>-4 658</b>		<b>-23 078</b>
<b>Operating income</b>	<b>-11 839</b>	<b>16 573</b>	<b>185</b>	<b>4 919</b>
<b>Net investments (excluding disposal result)</b>	<b>-18 228</b>	<b>-9 620</b>	<b>0</b>	<b>-27 848</b>

## Balance sheet by operational segments 2019

('000 EURO) December 31, 2019	Aerstructures	Interconnection Systems	Intersegment eliminations	Total
Intangible fixed assets	26 040	51 758	0	77 799
Tangible fixed assets	117 601	55 441	0	173 043
Other financial assets	14 595	309	-11 206	3 698
<b>TOTAL ASSETS</b>	<b>158 237</b>	<b>107 509</b>	<b>-11 206</b>	<b>254 539</b>
Inventories	100 459	79 403	-106	179 757
Trade and other receivables	109 550	55 273	-6 983	157 839
Net debt	109 360	10 011	-3 606	115 765
Accounts payable	102 731	48 290	-4 729	146 292
Contracts liabilities	10 964	32 645	0	43 609
<b>Total Segment Assets</b>	<b>422 244</b>	<b>254 578</b>	<b>-19 296</b>	<b>657 525</b>

## Balance sheet by operational segments 2018

('000 EURO) Dec 31, 2018	Aerstructures	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
<b>TOTAL ASSETS</b>	<b>123 296</b>	<b>80 135</b>	<b>-7 600</b>	<b>195 831</b>
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
<b>Total Segment Assets</b>	<b>519 817</b>	<b>230 092</b>	<b>-18 020</b>	<b>731 889</b>

## NOTE 4 FIXED ASSETS

## 4.1 Changes in fixed assets

Gross value of fixed assets

('000 EUR)	Dec 31, 2018	Perimeter entry	Change in accounting policies	Currency variations	Reclassifying	Acquisitions	Disposals	Dec 31, 2019
Capitalized development costs	187 900		0	0	0	0	0	187 900
Other Intangible Fixed Assets	35 432		0	48	1 256	4 018	-176	40 578
<b>INTANGIBLE ASSETS</b>	<b>223 332</b>		<b>0</b>	<b>48</b>	<b>1 256</b>	<b>4 018</b>	<b>-176</b>	<b>228 478</b>
Land	5 987		0	59	0	0	-450	5 596
Buildings	71 267		0	625	-5 331	4 805	-829	70 537
Plants & Equipment	105 917		0	838	5 469	14 486	-58	126 653
Other Fixed Assets	13 196	2	0	182	5 604	2 364	-436	20 912
Fixed assets in progress	13 885		0	34	-5 094	6 756	0	15 582
Advanced payments on fixed assets	297		0	11	-2 655	25 918	-224	23 346
Contracts right of use *	13 204		19 918	270	-10	16 947	0	50 329
<b>TANGIBLE ASSETS</b>	<b>223 752</b>	<b>2</b>	<b>19 918</b>	<b>2 019</b>	<b>-2 016</b>	<b>71 277</b>	<b>-1 996</b>	<b>312 956</b>

\* With the adoption of IFRS 16 since the 1st of January 2019, real estate leasing are included in the contracts right of use (of which € 26,8 million for IFRS 16 and € 23,5 million for real estate)

**Depreciation and amortization of fixed assets**

('000 EUR)	Dec 31, 2018	Currency variations	Reclassifying	Increase	Decrease	Dec 31, 2019
Capitalized development costs	106 394	0	0	14 789	0	121 183
Other Intangible Fixed Assets	25 413	54	0	4 194	-164	29 496
<b>AMORTIZATION INTANGIBLE ASSETS</b>	<b>131 807</b>	<b>54</b>	<b>0</b>	<b>18 983</b>	<b>-164</b>	<b>150 680</b>
Buildings	36 849	276	-4 558	2 350	-535	34 382
Plants & Equipment	76 329	557	24	8 538	-58	85 390
Other Fixed Assets	9 417	115	4 606	1 461	-395	15 204
Contracts right of use	547	16	-72	4 446	0	4 937
<b>AMORTIZATION TANGIBLE ASSETS</b>	<b>123 142</b>	<b>964</b>	<b>0</b>	<b>16 795</b>	<b>-988</b>	<b>139 913</b>

**Net value of fixed assets**

('000 EUR)	Dec 31, 2018	Dec 31, 2019
Capitalized development costs	81 506	66 717
Other Intangible Fixed Assets	10 019	11 082
<b>INTANGIBLE ASSETS</b>	<b>91 525</b>	<b>77 799</b>
Land	5 987	5 596
Buildings	34 418	36 155
Plants & Equipment	29 588	41 263
Other Fixed Assets	3 779	5 708
Fixed assets in progress	13 885	15 582
Advanced payments on fixed assets	297	23 346
Contracts right of use *	12 657	45 392
<b>TANGIBLE ASSETS</b>	<b>100 610</b>	<b>173 043</b>

\* Of which € 26,8 million related to IFRS 16 and € 18,6 million to real estate leasing

Intangible assets include development costs capitalized since the implementation of IFRS 15 and software and licenses relating to the Group's information systems.

Development costs are based on forecasts made by the Group taking into account the commercial information (order book and rates) provided by the different aircraft manufacturers and information from the aerospace market outlook.

The development costs concern the following programs: A400M (electric racks), F7X (harness, rear fuselage section), Embraer ERJ 170/190 (fuselage section and doors) and A350 (harness).

The rights of use in the Group's contracts mainly involve real estate, vehicles and certain equipment necessary for the Group's operations.

The principal acquisitions of fixed assets in 2019 involved:

- Software as far as intangible assets were concerned
- The construction of a production plant in Bulgaria (€3.1 million)
- Capital expenditures as part of the Transformation Plan, notably in connection with the "Vitrine Industrie du Futur" [manufacturing window onto the future] label plant located on the outskirts of Toulouse (Montredon) including rights of use for the new machines and for expansion of the Monredon site (€9.5 million).
- The rights of use from leases of buildings in various subsidiaries (€5.7 million).

In addition, the Group has signed an agreement to acquire the Bombardier interconnection and electric cable systems businesses from Querétaro, on which a €22.3 million advance has already been paid.

**4.2 Finance leases**

('000 EUR)	Minimum future payments as of Dec 31, 2019				Present value of minimum future payments as of Dec 31, 2019			
	Less than 1 year	From 1 to 5 years	Over 5 years	Total	Less than 1 year	From 1 to 5 years	Over 5 years	Total
LATECOERE	1 495	5 859	12 985	20 340	1 147	4 848	9 905	15 900
<b>TOTAL</b>	<b>1 495</b>	<b>5 859</b>	<b>12 985</b>	<b>20 340</b>	<b>1 147</b>	<b>4 848</b>	<b>9 905</b>	<b>15 900</b>

### 4.3 Asset impairment test

In accordance with the principle stated in Note 1.13, the carrying amount of each Cash-Generating Unit (CGU) was compared with the higher of market value and value in use, defined as equal to the sum of the discounted cash flows calculated from information resulting from the plan at medium long-term.

For all of the CGUs, the discount rate of the cash flows using the weighted average cost of capital was 8.4% (as it had been at December 31, 2018). It is based on a market rate without risk increased by a risk premium. This rate is calculated after tax and is applied to cash flows after tax. A single discount rate was used for all the CGUs insofar as the specific risks of each CGU were taken into account in the forward-looking cash flows.

The terminal value was determined from normalized cash flow to which a perpetuity growth rate of 2% was applied (without any change compared to 2018).

At December 31, 2019 none of the tests performed on any of the Group CGUs resulted in recognition of an impairment loss.

A sensitivity analysis was performed on all of the CGUs of the Group by changing the main assumptions used, namely:

- an increase in the discount rate of 50 basis points;
- a reduction in the perpetual growth rate of 50 basis points;
- a reduction in the operating margin of the terminal value of 50 basis points.

Changes applied to these main assumptions taken one by one did not to values in use lower than the net carrying amounts.

## NOTE 5 INVENTORIES AND WORK-IN-PROGRESS

('000 EUR)	Dec 31, 2019			Dec 31, 2018			Variation		
	Gross	Provision	Net	Gross	Provision	Net	Gross	Provision	Net
<b>Industrial Inventories</b>	192 865	-13 109	179 757	195 866	-15 724	180 142	-3 001	2 616	-385

## NOTE 6 FINANCIAL ASSETS

('000 EURO)	Amortised cost	Financial assets at fair value through profit and loss	Hedging instruments	Dec 31, 2019	Fair value
Non current financial assets	3 698			3 698	
Trade receivables and other receivables	157 839			157 839	
Financial instruments		0	2 917	2 917	2 917
Cash and cash equivalent	33 790	0		33 790	0
<b>TOTAL FINANCIAL ASSETS</b>	<b>195 328</b>	<b>0</b>	<b>2 917</b>	<b>198 245</b>	<b>2 917</b>

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments		2 917		2 917
<b>TOTAL</b>	<b>0</b>	<b>2 917</b>	<b>0</b>	<b>2 917</b>

('000 EURO)	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
<b>TOTAL FINANCIAL ASSETS</b>	<b>309 220</b>	<b>3 283</b>	<b>5 310</b>	<b>317 813</b>	<b>8 593</b>

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments		8 593		8 593
<b>TOTAL</b>	<b>0</b>	<b>8 593</b>	<b>0</b>	<b>8 593</b>

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

The cash and cash equivalents item includes bank debit balances of €33.8 million at December 31, 2019 compared to €112.2 million at December 31, 2018.

## NOTE 7 RECEIVABLES

('000 EURO)	Dec 31, 2019	Dec 31, 2018
Advanced payments	2 690	6 568
Trade receivables*	134 625	163 518
Group current account	0	382
Tax receivables	16 241	17 276
Other current receivables	4 283	5 564
<b>TOTAL RECEIVABLES</b>	<b>157 839</b>	<b>193 308</b>
Prepaid expenses	2 210	1 548
Other current assets	22	2
<b>TOTAL OTHER CURRENT ASSETS</b>	<b>2 232</b>	<b>1 550</b>

(\*) At December 31, 2019, the amount of trade receivables assigned to the factor was €85.6 million. The amount financed by the factor on the basis of the assigned receivables amounted to €75.2 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.

The precedence of trade receivables breaks down as follows:

('000 EURO)	Dec 31, 2019	Dec 31, 2018
Trade receivables non past due	120 239	154 183
Past due trade receivables < 30 days	6 367	797
Past due trade receivables between 30 and 60 days	1 527	1 530
Past due trade receivables between 60 and 90 days	1 503	1 604
Past due trade receivables between 90 and 180 days	3 097	2 181
Past due trade receivables > 6 months	2 049	3 223
Provision for doubtful debt	-156	0
<b>TRADE RECEIVABLES</b>	<b>134 625</b>	<b>163 518</b>

**NOTE 8 DERIVATIVE INSTRUMENTS**

Through its international exposure and invoicing in US dollars to its French customers, the Group is exposed to foreign currency risk. The exposure linked to fluctuations in the US dollar is partially hedged through forward sales contracts and option "collars".

The Group consequently developed a policy of natural hedging by carrying out a part of its purchases in USD. Thus, the Group invoices approximately 85% of its sales in dollars and buys approximately 65% of supplies or subcontracting in dollars. The Group's natural hedging on the USD represents approximately 40%.

In order to manage its net residual exposure, the Group uses exchange hedging financial instruments, of the forward sale or option collar hedging nature. Option collar hedging implemented gives the Group the possibility to benefit from an improvement in the EUR/USD rate.

The Group has also set up the following exchange rate hedges:

- aiming to protect against the fluctuations of the Czech crown with respect to the euro,
- aiming to protect against the fluctuations of the Brazilian real with respect to the USD dollar.

The change in fair value of financial instruments had a -€7.6 million impact on financial income.

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

In order to cover its foreign exchange risk, the Group primarily uses currency futures contracts and option collars.

('000 EURO)	Balance sheet position		Notional*	Maturity		
	Assets	Liabilities		< 1 year	From 1 to 5 years	> 5 years
<b>Derivative instruments not designed as a hedge:</b>						
- Accumulator EUR/USD	0	1 329	30 176	10 682	19 494	0
- Currency option contracts EUR/USD	0	15 025	219 779	200 285	19 494	0
<b>Cash flow hedging:</b>						
- Forward currency contracts BRL/USD	398	0	6 676	6 676	0	0
- Forward currency contracts CZK/EUR	2 193	0	82 082	44 400	37 682	0
- Forward currency contracts EUR/USD	325	35 139	481 351	367 634	113 717	0
<b>Foreign currency Derivative instruments</b>	<b>2 917</b>	<b>51 493</b>				
Financial instruments not designed as a hedge	0	16 354	249 955	210 967	38 989	0
Cash flow hedging	2 917	35 139	570 110	418 710	151 400	0
<b>TOTAL OF DERIVATIVES INSTRUMENTS</b>	<b>2 917</b>	<b>51 493</b>				
of which non current derivative instruments	1 020	8 205				
of which current derivative instruments	1 897	43 287				

\*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)	Dec 31, 2019	Dec 31, 2018
<b>Equity - Hedging instruments (net of tax) at the opening date</b>	-9 424	26 591
Equity change for the effective portion	-1 324	-58 381
Reclassification in net result of the period (*)	-17 630	5 731
Translation differences	-18	519
Deferred tax variation	6 513	16 117
<b>Equity - Hedging instruments (net of tax) at the closing date</b>	<b>-21 883</b>	<b>-9 424</b>

(\*) of which € -19.3 million positively impacted the Group's revenue as of December 31, 2019 (versus € 4.9 million as of December 31, 2017)

## Impact of derivative instruments to which hedge accounting is not applied

('000 EURO)	Dec 31, 2019	Dec 31, 2018
<b>Fair value at the opening date</b>	-8 730	1 587
Impact first application of IFRS 9 on opening date	0	-3 968
Recorded through income statement before Taxes	-7 623	-6 349
<b>Fair value at the closing date</b>	<b>-16 354</b>	<b>-8 730</b>

## NOTE 9 SHAREHOLDERS' EQUITY

## 9.1 Breakdown of capital and earnings per share

	Dec 31, 2019	Dec 31, 2018
Number of shares	94 818 518	94 744 952
Nominal value of each share (in euro)	2,00	2,00
Share Capital	189 637 036	189 489 904

Equity in 2019 increased by €847k after delivery of the shares in Tranche 3 of the restricted stock plan (MIP 1) and decreased by -€700k after cancellation of the treasury shares acquired in the share buyback program.

	Dec 31, 2019	Dec 31, 2018
Averaged issued shares	94 578 580	94 686 450
Averaged treasury shares	30 109	28 089
<b>Weighted average shares (a)</b>	<b>94 548 471</b>	<b>94 658 362</b>
Dilutive impact performance scheme (b)	1 338 890	1 843 500
<b>Total of shares diluted (a+b)</b>	<b>95 887 361</b>	<b>96 501 862</b>
<b>Net result - Group Share (in euro)</b>	<b>-32 864 227</b>	<b>6 013 085</b>
Earnings per share (in euro)	-0,35	0,06
Diluted earnings per share (in euro)	-0,34	0,06
<b>Net result - Group Share (in euro) - continuing operations</b>	<b>-32 864 227</b>	<b>6 013 085</b>
Result impact of Convertible bonds	-0,35	0,06
Diluted earnings per share (in euro)	-0,34	0,06

## 9.2 Treasury shares

Number of shares	Dec 31, 2018	Acquisitions	Disposals	Dec 31, 2019	% of ownership
LATECOERE Shares	29 972	896 503	895 251	31 224	0,03%
(’000 EURO)	Dec 31, 2018	Acquisitions	Disposals	Dec 31, 2019	Average purchase price
LATECOERE Shares	79	3 145	3 104	120	3,42

Treasury share transactions are carried out as part of the liquidity contract managed by Gilbert Dupont.

## 9.3 Plan for the grant of performance shares

### Plan 1

Pursuant to the authorization granted by the Extraordinary General Meeting of July 15, 2015, the Board of Directors implemented a plan for the grant of performance shares for the benefit of some members of the Executive Committee. These are subject to a condition of presence and conditions of economic and stock market performance. The main features of the plan are summarized in the table below:

	09/22/2015 Plan
Assembly date	July 15, 2015
Date of Board of Directors	September 22, 2015
Total number of shares that may be granted	2 333 680
Vesting period	4 installments corresponding to the financial years 2015, 2016, 2017 and 2018
Acquisition time	two years starting from the assignment by the Board of Directors
Compulsory duration of the holding period of shares starting from the definitive acquisition	two years starting from the date of acquisition
Performance conditions	yes (see detail hereafter)

The performance conditions consist of:

- of a stock performance criterion for a maximum total amount of 1,166,840 shares on the basis of an increase in the price of the share of Latécoère stock compared to a reference price fixed for each fiscal year (reference year) in respect of the years 2015 to 2018,
- of an economic performance criterion for a maximum total amount of 1,166,840 shares as a function of the level of recurring Economic EBITDA recorded for each reference year in respect of the years 2015, 2016, 2017 and 2018.

### Information on the fair value of the plan

Fair value	09/22/2015 Plan
Share price at the date of grant	3.4 €
Latécoère share volatility	40%
Risk free rate of return	0.05%
Fair value of the option for the stock performance	1.85 €
Fair value of the option for the EBITDA performance	0.50 €
<b>Fair value of the option</b>	<b>1.17 €</b>

The fair value of options, calculated by an external actuary, is determined, at the date of grant, from the Monte Carlo simulation model for the part relating to the stock performance condition and from the Black & Scholes model for the part relating to the economic performance (EBITDA) condition. The fair value of the plan is €2.7 million. The expense is spread out over the vesting period.

### Information on the evolution of the plan

	31-déc-19
Number of shares attributable at the beginning of the plan	2 333 680
Shares granted on previous periods	773 616
Shares granted during the period	0
Shares acquired during the period by the beneficiaies	423 566
Shares canceled	1 560 064
<b>Number of shares attributable at the end of the period</b>	<b>0</b>

### Plan 2

On January 16, 2018, the Board of Directors decided to extend the existing Plan 1 by a new phase of allocation of free-shares in accordance with the authorization granted by the Ordinary and Extraordinary General Meeting of June 3, 2016. These are

subject to a condition of presence and conditions of economic and stock market performance. The main features of the plan are summarized in the table below:

	01/16/2018 Plan
Assembly date	June 3, 2016
Date of Board of Directors	January 16, 2018
Total number of shares that may be granted	1 829 700
Vesting period	3 installments corresponding to the financial years 2018, 2019 and 2020
Acquisition time	two years starting from the assignment by the Board of Directors
Compulsory duration of the holding period of shares starting from the definitive acquisition	two years starting from the date of acquisition
Performance conditions	yes (see detail hereafter)

The performance conditions consist of:

- of a stock performance criterion for a maximum total amount of 412,533 shares on the basis of an increase in the price of the share of Latécoère stock compared to a reference price fixed for each fiscal year (reference year) in respect of the years 2019 and 2020,
- of an economic performance criterion for a maximum total amount of 708,583 shares based on a level of revenue achieved compared to a revenue target for each reference year in respect of the years 2018, 2019 and 2020,
- of an economic performance criterion for a maximum total amount of 708,583 shares based on a level of Operating Free Cash-flow achieved compared to an Operating Free Cash-flow target for each reference year in respect of the years 2018, 2019 and 2020.

### Information on the fair value of the plan

Fair value	01/16/2018 Plan
Share price at the date of grant	4,82 €
Latécoère share volatility	from 30 to 50% according to the horizon
Risk free rate of return	from - 0,57% to - 0,32% according to the horizon
Fair value of the option for the stock performance 2019	2,15 €
Fair value of the option for the stock performance 2020	1,63 €
Fair value of the option for the revenue and free cash-flow performance	4,81 €

The fair value of options, calculated by an external actuary, is determined, at the date of grant, from the Monte Carlo simulation model for the part relating to the stock performance condition. The fair value of the shares attached to the non-market performance conditions corresponds to the value of the price at the grant date minus the sum of the discounted dividends during the vesting period.

The expense associated with each tranche corresponds to the probabilized fair value taking into account the probability of reaching the condition and the probability of presence of each employee at the acquisition date of the shares.

### Information on the evolution of the plan

During its meeting of December 5, 2018, the Board of Directors of Latécoère decided to modify the rules of the plan of allocation of free-shares adopted on January 16, 2018. The conditions of attribution are modified for the Reference Fiscal Years of 2019 and 2020, with the exception of the condition of presence which remains unchanged for the duration of the Plan.

Hence:

- The revenue condition and the stock exchange performance condition are modified; and
- The Free Cash-Flow condition is deleted and replaced by the EBITDA / revenue condition.

The modification of the plan has no impact on the fair value of the plan.

	31-déc-19
Number of shares attributable at the beginning of the plan	1 829 700
Shares granted on previous periods	
Shares granted during the period	146 290
Shares acquired during the period by the beneficiaies	
Shares canceled	445 810
<b>Number of shares attributable at the end of the period</b>	<b>1 383 890</b>

### **Free share plan for employees**

In accordance with the authorization granted by the Ordinary and Extraordinary General Meeting of June 3, 2016, the Board of Directors proceeded on March 5, 2018 to the allocation of free shares for the benefit of Latécoère and LATElec employees and executive directors. The main features are presented in the table below:

	03/05/2018 Plan
Assembly date	June 3, 2016
Date of Board of Directors	March 5, 2018
Total number of shares that may be granted	300 by employees
Vesting period	one year
Acquisition time	one year starting from the assignment by the Board of Directors
Possible first sale date for non-paid shares to the employee savings plan (PEE)	March 6, 2020
Possible first sale date for paid shares to the employee savings plan (PEE)	At the end of a period of 5 years from the payment to the PEE
Performance conditions	no

### Information on the fair value of the plan

	03/05/2018 Plan
Fair value	
Share price at the date of grant	4,71 €
<b>Fair value of the option</b>	<b>4,71 €</b>

The associated expense corresponds to the probabilized fair value, taking into account the probability of presence of each employee at the acquisition date of the shares.

### Information on the evolution of the plan

414,300 shares were unconditionally granted on March 5, 2019 using treasury shares acquired in the share buyback program.

**NOTE 10 CURRENT AND NON-CURRENT PROVISIONS**

('000 EURO)	Dec 31, 2018	Increase	Write-backs	Currency variations	Dec 31, 2019
Non-current provisions	9 488	2 937	-3 560	11	8 876
Provisions for restructuring (non current)	0				0
<b>TOTAL non current provisions</b>	<b>9 488</b>	<b>2 937</b>	<b>-3 560</b>	<b>11</b>	<b>8 876</b>
Current provisions	1 131	30	-137	6	1 030
Provisions for restructuring (current)	2 136		-1 169		967
<b>TOTAL current provisions</b>	<b>3 267</b>	<b>30</b>	<b>-1 306</b>	<b>6</b>	<b>1 997</b>

Provisions notably cover legal disputes over sales contracts. Reversals include the use of the PSE provision (-€1.2 million), use of the provision following cessation of the A380 program for (-€1 million) and the reversal of an unneeded provision for a commercial dispute for (-€0.7 million).

**NOTE 11 EMPLOYEE BENEFITS**

('000 EURO)	Dec 31, 2019	Dec 31, 2018
Retirement bonus	17 519	14 827
Long-service medals	2 881	2 668
<b>TOTAL</b>	<b>20 400</b>	<b>17 495</b>

**11.1 Retirement benefits**

Retirement benefits recognized in the balance sheet at December 31, 2019 concern the French, Tunisian and Bulgarian companies. They have been calculated according to the method described in Note 1.22.

The calculation assumptions retained for French companies are the following:

- discount rate of 0.70% (1.65% in 2018) calculated on the basis of rates observed at December 31, 2019 for high quality corporate bonds, the Group using in particular the Iboxx Corp AA 10+ index;
- use of the INSEE 2011-2013 mortality table;
- employee turnover noted by age group and by company;
- age of retirement departure:
  - 63 years progressively 66 according to year of birth for managers,
  - 61 years progressively 64 according to birth year for non-managers,
- progression of salaries consistent with the average of the last years.

There were no deferred past service costs at the end of the 2019 and 2018 fiscal years. Actuarial variations are recognized in non-recyclable other comprehensive income in shareholder's equity and pursuant to IAS 19 "Employee benefits". The obligation is noted in the balance sheet as a non-current liability for the amount of the total obligation. The compensation to employees expected to leave in 2020 is €161k.

An increase of 0.25 point of the discount rate would lead to a decrease of the provision for retirement severance pay of -€600k. For information, and based on identical actuarial assumptions, the increase in commitments in 2020 should be (excluding departures) €1,185k.

('000 EURO)	Dec 31, 2019	Dec 31, 2018
<b>Obligations at opening date</b>	<b>14 827</b>	<b>13 156</b>
Services cost of the period	442	278
Interest cost of the period	249	187
Contributions paid	-121	-134
Actuarial gains or losses (OCI)	2 122	1 340
<b>Obligations at closing date</b>	<b>17 519</b>	<b>14 827</b>
<b>Costs of the period:</b>		
Services cost of the period	442	278
Interest cost of the period	249	187
<b>TOTAL</b>	<b>691</b>	<b>465</b>

## 11.2 Employee long-service awards

Retirement benefits recognized in the balance sheet at December 31, 2019 concern the French companies. They have been calculated according to the method described in Note 1.22.

The calculation assumptions retained are the following:

- discount rate of 0.55% (1.35% in 2017) calculated on the basis of rates observed at December 31, 2019 for high quality corporate bonds, the Group using in particular the Iboxx Corp AA 10+ index;
- use of the INSEE 2011-2013 mortality table;
- employee turnover noted by age group and by company;
- age of retirement departure:
  - 63 years progressively 66 according to year of birth for managers,
  - 61 years progressively 64 according to birth year for non-managers,
- progression of salaries consistent with the average of the last years;

The compensation to employees expected to leave in 2020 is €207k.

An increase of 0.25 point of the discount rate would lead to a decrease of the provision for long-service medals of -€75k. For information, and based on identical actuarial assumptions, the increase in commitments in 2020 (excluding departures) is expected to be €234k.

('000 EURO)	Dec 31, 2019	Dec 31, 2018
<b>Obligations at opening date</b>	<b>2 668</b>	<b>2 495</b>
Services cost of the period	115	122
Interest cost of the period	36	35
Contributions paid	-105	-195
Actuarial gains or losses	167	211
<b>Obligations at closing date</b>	<b>2 881</b>	<b>2 668</b>
<b>Costs of the period:</b>		
Services cost of the period	115	122
Interest cost of the period	36	35
<b>TOTAL</b>	<b>151</b>	<b>157</b>

## NOTE 12 FINANCIAL LIABILITIES

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financial liabilities	Dec 31, 2019	Fair value
Refundable Advances			25 459	25 459	N/A <sup>(1)</sup>
Syndicated loan - Tranche B			55 000	55 000	55 000
Factoring			41 630	41 630	41 630
Lease liabilities (**)			42 757	42 757	42 757
Unsecured banking facility and other			10 168	10 168	10 168
Other non-current liabilities			4 638	4 638	4 638
Derived financial instruments	16 354	35 139		51 493	51 493
Accounts payable			146 292	146 292	146 292
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>16 354</b>	<b>35 139</b>	<b>325 945</b>	<b>377 438</b>	<b>351 979</b>

<sup>(1)</sup>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 adoption 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	51 493	0	51 493
<b>TOTAL</b>	<b>0</b>	<b>51 493</b>	<b>0</b>	<b>51 493</b>

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financial liabilities	Dec 31, 2018	Fair value
Refundable Advances			26 906	26 906	N/A <sup>(*)</sup>
Syndicated loan - Tranche B			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
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>12 013</b>	<b>18 610</b>	<b>348 461</b>	<b>379 084</b>	<b>352 178</b>

(\*) 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
<b>TOTAL</b>	<b>0</b>	<b>30 623</b>	<b>0</b>	<b>30 623</b>

The fair value of the accounts payable is treated at 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 using the effective interest rate ("EIT"). The financial liabilities whose balance sheet value differs from fair value are fixed rate loans and bank borrowings, which are not subject to hedging.

## 12.1 Loans and bank borrowings

('000 EURO)	Dec 31, 2019	Dec 31, 2018
Bank loans - non current	55 000	45 000
Lease liabilities - non current (*)	37 254	10 158
Autres dettes financières	5 936	352
<b>Non-current liabilities</b>	<b>98 190</b>	<b>55 510</b>
Factoring	41 630	76 537
Lease liabilities - current (*)	5 503	772
Other short term credit	4 233	3 844
<b>Current liabilities</b>	<b>51 366</b>	<b>81 153</b>
<b>TOTAL OF LOAN AND BANK BORROWINGS</b>	<b>149 556</b>	<b>136 663</b>

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

Change in loans and bank borrowings are only due to cash flow variations.

### Debt reconciliation related to the factor (factoring):

('000 EURO)	Dec 31, 2019	Dec 31, 2018
Receivables sold to the factor	85 573	113 662
Financing obtained from the factor	75 263	101 942
Cash available from the factor	-33 633	-25 405
<b>DEBT - FACTORING</b>	<b>41 630</b>	<b>76 537</b>

Cash available from the factor corresponds to receivables transferred directly and cashed by the factor between the last date of application for financing and the accounts closing date.

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

('000 EURO)	Currency	Interest rate	Maturity	Dec 31, 2019	
				Notional	Actual
EIB loan	EURO	EURIBOR + margin	2024	55 000	55 000
Factoring	EURO/USD	EUR/LIB. + margin	2020	100 000	41 630
Rental obligations debts	N/A(*)	N/A	N/A	N/A	42 757
Unsecured banking facility and other	EURO	EURIBOR + margin	N/A	10 168	10 168
<b>TOTAL OF LOAN AND BANK BORROWINGS</b>				<b>193 768</b>	<b>149 556</b>

(\*) Multi-currencies

Latécoère obtained global financing of €55 million from the European Investment Bank (EIB) to support its development. At December 31, 2019, the amounts drawn was €55 million.

#### Reverse factoring:

In December 2019, the Latécoère Group entered a supplier financing program for a major client (reverse factoring) relating to receivables previously sold to a financial partner (the factor).

As part of this reverse factoring program, invoices issued are paid immediately upon approval by the customer. Discount costs are deducted, based on a variable rate (standard Libor USD + margin or Euribor + margin).

As this is a non-recourse prepayment, the receivables sold are no longer recognized in the balance sheet unlike the factoring contract of which the receivables remain in the balance sheet.

Thus, the receivables of the customer concerned by the reverse factoring program were derecognized for an amount of €42m as of 12/31/2019 and the associated debt to the financial partner (the factor) was settled for an amount of €38.2m. The effect on the Group's cash position at 12/31/2019 amounted to + €3.8m, of which + €42m on the line "change in client and other receivables net of provisions" and of -€38.2m on the line "Other flows from financing operation" of the cash flow statement.

#### Maturity:

The maturities of borrowings and financial liabilities are as follows:

('000 EURO)	Dec 31, 2019	Dec 31, 2018
Maturing in:		
1 year or less	51 366	81 153
More than 1 year and less than 5 years	78 860	49 441
Beyond 5 years	19 330	6 068
<b>TOTAL</b>	<b>149 556</b>	<b>136 663</b>

## 12.2 Refundable advances

Refundable advances for an overall amount of €25.5 million mainly relate to the A350 programs for €16.6 million. Advances shall be repaid if the program succeeds, and repayments are linked to the deliveries of each financed product. The repayment conditions have been established in the agreement signed with the lending organization.

## NOTE 13 ACCOUNTS PAYABLE

('000 EURO)	Dec 31, 2019	Dec 31, 2018
Trade payables	98 360	119 230
Employee related liabilities	31 671	31 453
State payables	5 971	8 929
Credit balance on trade receivables and advance payments from customers	10 131	6 748
Other creditors	159	13 930
<b>ACCOUNTS PAYABLE</b>	<b>146 292</b>	<b>180 291</b>

**NOTE 14 TAXES**

---

**14.1 Tax receivable**

The amount recorded at December 31, 2019 of €16.0 million corresponds mainly to tax credits for €13.5 million (the research-based tax credit and the competitiveness and employment tax credit (CICE)).

## 14.2 Deferred taxes

('000 EURO)	Dec 31, 2019	Dec 31, 2018
Deferred tax assets	20 433	967
Deferred tax liabilities	-30	-154
<b>DEFERRED TAX AT OPENING</b>	<b>20 402</b>	<b>813</b>
Deferred tax Income (Expense) recognised in P&L	-2 364	1 355
Deferred tax variation recognised directly in equity	-7 771	18 235
<b>DEFERRED TAX AT CLOSING</b>	<b>10 267</b>	<b>20 403</b>
Of which Deferred tax assets	10 279	20 433
Of which Deferred tax liabilities	-12	-30

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

('000 EURO)	Dec 31, 2019	Dec 31, 2018
Tangible and intangible assets	-2 805	-3 007
Financial instruments	17 623	6 422
Retirement bonus	5 702	4 791
Other provisions (regulated provision)	-2 153	-1 962
Loan and bank borrowings	443	1 063
Loss carry-forwards	10 074	12 924
Other	-1 526	171
<b>GROSS DEFERRED TAX ASSETS (LIABILITIES)</b>	<b>27 358</b>	<b>20 403</b>
Capping of deferred tax assets (*)	-17 092	
<b>NET DEFERRED TAX ASSETS (LIABILITIES)</b>	<b>10 267</b>	<b>20 403</b>

(\*) Of which € -14,2 million by equity and € -2,9 million by result

The main sources of net deferred taxes were the recognition of the loss carry-forwards from the French tax group in an amount of €10.1 million at December 31, 2019.

## NOTE 15 REVENUE

('000 EURO)	Dec 31, 2019		Dec 31, 2018	
	Amount	%	Amount	%
Civil business	695 199	97,5%	641 498	97,3%
Military business	17 899	2,5%	17 751	2,7%
<b>TOTAL</b>	<b>713 098</b>	<b>100,0%</b>	<b>659 249</b>	<b>100,0%</b>

('000 EURO)	Dec 31, 2019		Dec 31, 2018	
	Amount	%	Amount	%
France	317 013	44,5%	318 977	48,4%
Export	396 086	55,5%	340 272	51,6%
<b>TOTAL</b>	<b>713 098</b>	<b>100,0%</b>	<b>659 249</b>	<b>100,0%</b>

('000 EURO)	Dec 31, 2019		Dec 31, 2018	
	Amount	%	Amount	%
Europe	407 348	57,1%	397 867	60,4%
America	268 986	37,7%	229 967	34,9%
Asia	36 302	5,1%	30 515	4,6%
Other	463	0,1%	900	0,1%
<b>TOTAL</b>	<b>713 098</b>	<b>100,0%</b>	<b>659 249</b>	<b>100,0%</b>

## NOTE 16 RAW MATERIALS, OTHER PURCHASES AND EXTERNAL CHARGES

('000 EURO)	Dec 31, 2019	Dec 31, 2018
Raw material consumed	-176 048	-160 619
Cost of goods sold	-1 275	-616
Sub-contracting	-180 340	-168 946
External charges	-101 548	-95 893
<b>RAW MATERIAL, OTHER PURCHASES &amp; EXTERNAL CHARGES</b>	<b>-459 211</b>	<b>-426 074</b>

## NOTE 17 NET OPERATING PROVISIONS CHARGE AND IMPAIRMENT OF CURRENT ASSETS

('000 EURO)	Dec 31, 2019			Dec 31, 2018		
	Increase	Write-back	Net	Increase	Write-back	Net
<b>Net operating provisions charge</b>	-4 721	5 550	<b>829</b>	-5 217	1 963	<b>-3 253</b>

('000 EURO)	Dec 31, 2019			Dec 31, 2018		
	Increase	Write-back	Net	Increase	Write-back	Net
Receivables		100	<b>100</b>	-79	0	<b>-79</b>
Inventories	-2 156	5 670	<b>3 514</b>	-1 355	1 392	<b>37</b>
<b>Depreciation of current assets</b>	<b>-2 156</b>	<b>5 771</b>	<b>3 614</b>	<b>-1 434</b>	<b>1 392</b>	<b>-42</b>

## NOTE 18 OTHER INCOME

At December 31, 2019 other income (€20.3 million) primarily included subsidies and tax credits (the research tax credit and the competitiveness and employment tax credit) of €9.1 million, capitalized production of €4.2 million and transferred operating expenses of €2.5 million.

## NOTE 19 OTHER NON-RECURRING INCOME AND EXPENSES

At December 31, 2019, other non-recurring income (€1.6 million) and expense (-€23.0) million amounted to -€21.4 million and involved:

- a reversal of a provision for A380 inventory overruns of +€0.9 million
- the capital gain on the sale of a real estate complex of +€0.7 million;
- conversion and adaptation costs for the historic Toulouse site (Pérole site) and industrial transfer towards other French sites for -€4.1 million;
- rationalization and growth operations costs of -€11.6 million;
- industrial transfer costs to the new production site in Bulgaria for -€1.7 million;
- costs related to the creation of the factory of the future located near Toulouse (Montredon) for -€3.8 million;
- costs relating to the Employment Saving Plan (PSE) for -€1.8 million.

## NOTE 20 FINANCIAL INCOME

('000 EURO)	Dec 31, 2019	Dec 31, 2018
Interest expense - net	-5 261	-4 520
<i>Of which financial charges related to interest-bearing liabilities</i>	-5 737	-5 309
<i>Of which financial income related to cash and cash equivalents</i>	475	789
Foreign Exchange gains/losses	-3 567	1 041
Change in fair value of financial instruments	-7 623	-6 349
Other financial expenses	-1 291	-2 055
Other financial income	363	16 774
<b>FINANCIAL RESULT</b>	<b>-17 380</b>	<b>4 892</b>
Of which financial charges	-31 097	-27 372
Of which financial income	13 717	32 263

The fair value variation of foreign exchange on derivative financial instruments arose largely from a revaluation of the instruments not eligible for hedge accounting. No hedge ineffectiveness was noted for the 2019 fiscal year.

In respect of 2018, other financial income and expenses primarily include the termination impact of the A380 program for + €16.7 million.

## NOTE 21 INCOME TAXES

## 21.1 Tax consolidation agreement

In France, since the 2009 fiscal year, Latécoère has made itself the only entity responsible for corporate tax, for additional contributions based on the corporate tax, and for the annual flat-rate taxation due in respect of the tax Group which includes the Latécoère, LATelec, and Latécoère Développement companies.

Under the tax consolidation agreement, the tax consolidated subsidiaries bear their own tax expense, as they would had there not been tax consolidation, and pay the corresponding sums to Latécoère, by way of contribution to the payment of taxes of the tax Group.

## 21.2 Income tax expense

('000 EURO)	Dec 31, 2019	Dec 31, 2018
Current income taxes	-3 527	-5 153
Deferred taxes	-2 364	1 355
<b>TOTAL</b>	<b>-5 892</b>	<b>-3 798</b>

### 21.3 Reconciliation between the theoretical tax and the actual tax

('000 EURO)	Dec 31, 2019
<b>Group net result of consolidated companies</b>	<b>-32 864</b>
- Consolidated tax expense (due and deferred)	-5 892
<b>Pre-tax consolidated result (before Group/minority interests share)</b>	<b>-26 972</b>
- Result from associates	0
<b>Pre-tax consolidated result (A)</b>	<b>-26 972</b>
<b>Theoretical tax rate (current rate applicable to parent company) (B)</b>	<b>34,43%</b>
<b>Theoretical tax expense (A*B)</b>	<b>9 287</b>
Permanent Differences	7 413
Effect of reduced tax rates	1 355
Tax reductions / tax credits *	685
Unreported tax losses **	-12 621
Tax losses carried forward adjustment	-5 781
Other items	-6 230
<b>Sub-total</b>	<b>-15 179</b>
<b>ACTUAL TAX EXPENSE</b>	<b>-5 892</b>
<b>EFFECTIVE TAX RATE</b>	<b>N/A</b>

\*This amount essentially reflects the research tax credit and the CICE

\*\*The unused tax losses are without carry-forward limit

## NOTE 22 RISK MANAGEMENT

### 22.1 Counter-party risk

The Group is mainly exposed to credit and counterparty risk relating to customers, derivative financial instruments and short-term financial investments.

The risk of default of counterparties relating to customers is very limited due to the credit quality of the main customers (Tier 1 aircraft manufacturers) of the Aerostructure and Interconnection Systems divisions.

At year-end, the Group had identified no significant credit risk on these assets due but without recognition of a provision.

The Group implements derivative financial instruments with the goal of reducing its exposure to foreign currency and interest rate risks. These transactions are contracted by private agreement with tier 1 banks.

Cash is invested through risk-free monetary instruments with tier 1 banking establishments.

### 22.2 Liquidity risk

The Group manages its cash flow in a centralized way. The surpluses or the financing needs of its subsidiaries are invested or financed by the parent company on market conditions.

The Group's cash flow department manages the current and provisional financing activities of the Group and its capacity to face up to its financial commitments.

At the closing date, the Group had drawn down all the resources at its disposal including the factoring whose operating principle required the mobilization of all receivables attached to customers assigned without regard to actual cash needs.

The details of the Group's financing are presented in Note 12.1 and 12.2 of the consolidated financial statements.

### 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). They have been fulfilled as at December 31, 2019.

### Financial commitment on the factoring contract

The factoring contract includes financial covenants that commit the Group to i) respect a minimum level of recurring operating income, calculated quarterly on a rolling 12-month basis and ii) to respect a minimum level of cash, measured monthly. At December 31, 2019 the covenant on the minimum cash level was fulfilled. However, the covenant on the minimum recurring operating income was not fulfilled. This breach of covenant does not jeopardize the financing obtained or require the repayment of this line. It opens the possibility for the factoring company to set up a dedicated reserve for outsourcing risk which would not affect the Group's financial balances.

## 22.3 Foreign currency exposure

### Dollar currency risk

Through its international exposure and invoicing in US dollars to its French customers, the Group is exposed to foreign currency risks. The risk linked to fluctuations in US dollars is partially hedged through forward sales contracts and option "collars".

The Group invoices approximately 85% of its sales in dollars and buys approximately 60% of supplies or sub-contracting in dollars. The effect of the dollar exchange risk hedging operations on revenue was -€19.3 million in 2019 compared to +€4.9 million in 2018.

The Latécoère 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 hereafter only reflects the situation noted at December 31, 2019 and does not reflect all future hedging. The impact of foreign currency exposure with respect to the income statement is detailed in Note 20.

#### a) Exposure and balance sheet sensitivity to the dollar

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

	Dec 31, 2019		Dec 31, 2018	
	'000 \$	'000 €	'000 \$	'000 €
Accounts Receivable	126 492	112 597	143 490	125 318
Accounts Payable	-45 721	-40 699	-58 165	-50 799
Other (including advanced payments suppliers and customers)	-43 801	-38 990	-80 613	-70 404
Net debt	6 555	5 835	25 745	22 485
<b>NET EXPOSITION BEFORE HEDGING</b>	<b>43 525</b>	<b>38 744</b>	<b>30 457</b>	<b>26 600</b>
Hedging instruments for the receivables on the balance sheet	0	0	0	0
<b>NET EXPOSITION AFTER HEDGING</b>	<b>43 525</b>	<b>38 744</b>	<b>30 457</b>	<b>26 600</b>

At December 31, 2019 the Group had not set up hedging instruments to hedge its balance sheet exposure.

A sensitivity analysis was carried out, based on the assumption of a 5% change of the dollar in relation to the euro on the basis of the Group's net balance sheet exposure at December 31, 2019. This variation would have resulted in a pre-tax decrease in income of €1,845k at December 31, 2019 compared to a pre-tax decrease in income of €1,267k at December 31, 2018.

#### b) Sensitivity to transaction flows in dollars

A sensitivity analysis was performed on the flows relating to transactions performed in USD by companies whose functional currency is the euro net of the impact of EUR/USD exchange rate hedging for the period.

	Dec 31, 2019		Dec 31, 2018	
<b>Hypothesis of variation in the euro / US dollar</b>	-5%	+5%	-5%	+5%
Average rate during the period	1,120		1,181	
Average rate after sensitivity test	1,064	1,176	1,122	1,241
Operating result	6 811	-448	5 976	-2 461
Financial result	0	0	0	0
<b>RESULT BEFORE TAX</b>	<b>6 811</b>	<b>-448</b>	<b>5 976</b>	<b>-2 461</b>

### c) Sensitivity of dollar derivative financial instruments

A sensitivity analysis was carried out on the basis of a portfolio of derivatives classified as cash flow hedging and held at year-end. A 5% increase of the dollar in relation to the euro would result in a reduction of pre-tax earnings of €10.4 million and an increase of pre-tax shareholders' equity of €22.3 million.

#### Other foreign currency risks

The Group has set-up exchange rate hedges to protect itself against fluctuations of the Czech crown with respect to the euro linked to its Latécoère Czech Republic s.r.o. subsidiary. These financial instruments are described in Note 8.

A sensitivity analysis was carried based on the assumption of a 5% increase in the euro over the Czech crown (CZK) on the basis of a hedge portfolio held at the end of the fiscal year. This increase would not have an impact on pre-tax income, and would lead to a pre-tax reduction in shareholders' equity of €4.1 million.

The foreign currency risk on other currencies is not considered significant in view of the Group's exposure to them.

#### Conversion exchange rate risk

Conversion exchange rate risk corresponds to the risk of the conversion into euros of the financial statements of companies whose functional currency is different than the euro. The main companies of which the functional currency is other than the euro are Latécoère Czech Republic (EUR/CZK exposure), Latécoère do Brasil (EUR/BRL exposure), SEA-LATElec (EUR/TND exposure), LATsima (EUR/MAD exposure) and the Mexican subsidiaries (EUR/MXN exposure).

A sensitivity test was implemented on subsidiaries whose amounts are significant (Latécoère Czech Republic and Latécoère do Brasil). Thus, a devaluation of 5% of the BRL and CZK compared to the euro would result in a decrease in shareholders' equity at December 31, 2019 of -€2.3 million compared to -€2.5 million at December 31, 2018. It should be recalled that the amount of the conversion reserve in shareholders' equity amounts to €8.6 million at December 31, 2019 compared to €9.0 million at December 31, 2018.

## 22.4 Interest rate risk

('000 EURO)		Less than 1 year	From 1 to 5 years	Over 5 years	Dec 31, 2019	Dec 31, 2018
<b>Financial assets</b>	Taux fixe	0	0	0	0	0
	Taux variable	33 790	0	0	33 790	112 216
<b>Financial liabilities</b>	Taux fixe	-1 215	-10 413	-18 467	-30 095	-34 024
	Taux variable	-51 366	-98 190	0	-149 556	-136 616
<b>NET EXPOSURE BEFORE HEDGING</b>	Taux fixe	-1 215	-10 413	-18 467	-30 095	-34 024
	Taux variable	-17 575	-98 190	0	-115 765	-24 400
Derivative financial instruments	Taux fixe	0	0	0	0	0
	Taux variable	0	0	0	0	0
<b>NET EXPOSURE AFTER HEDGING</b>	Taux fixe	-1 215	-10 413	-18 467	-30 095	-34 024
	Taux variable	-17 575	-98 190	0	-115 765	-24 400

At December 31, 2019 the Group had not set up instruments to hedge interest rates.

The sensitivity test used was carried out on a net interest rate hedge basis for variable rate borrowings at December 31, 2019. By taking as an assumption a 100 basis point increase in short-term rates, the impact on the Group's pre-tax income would be -€1.2 million.

## 22.5 Raw material risk

The Latécoère Group is exposed to raw material risk relating to its purchasing of raw materials, essentially aluminum, steel and titanium. Since 2007, the Group has negotiated contracts with its main suppliers, either independently, or through its customers' programs. These contracts have been concluded for two or three years and include price clauses that either make them constant for the duration of the contract, or cause them to evolve according to an index provided for in advance, on average lower than past increases. In some contracts, the raw material is assigned by the customer, which reduces the risk for the Group.

## 22.6 Risk in relation to shares

The Group holds essentially Latécoère shares, the carrying value of which is adjusted according to the closing market prices. The treasury shares are recognized as a deduction of shareholders' equity in the consolidated financial statements. The value of treasury shares at December 31, 2019 was €120k.

In view of the fact that at the end of the year the Company only held 31,224 of its own shares, as part of a liquidity contract, the risk in relation to shares is not significant.

Furthermore, the Group does not hold any other significant listed shares and for this reason is not exposed to the risk of the fluctuation of share prices.

## NOTE 23 AVERAGE HEADCOUNT

	Dec 31, 2019				Dec 31, 2018
	Executives & Management	Administration	Blue-collars	Total	Total
LATECOERE	335	435	70	840	880
LATECOERE do BRASIL	27	106	180	314	342
LATECOERE Czech Republic s.r.o.	39	279	488	806	788
LATECOERE Mexico	53		130	183	178
LATECOERE Inc.	6	1		7	8
LATECOERE Bulgaria	8	46	125	179	78
<b>Aerostructures</b>	<b>469</b>	<b>867</b>	<b>993</b>	<b>2 328</b>	<b>2 275</b>
LATelec	273	274	266	814	732
SEA LATelec	63	125	753	940	874
LATelec GmbH	37	52	26	115	110
LATelec Mexico	109		491	601	443
LATsima	28	40	224	291	269
LATelec Interconnection Inc. (Canada)	4		18	22	19
Latécoère Interconnection Systems US		3	6	9	0
Latécoère Interconnection Systems UK	5			5	0
Latécoère Interconnection Systems Japan	1			1	0
Latécoère India Private Limited	3	7	37	47	0
<b>Interconnection Systems</b>	<b>523</b>	<b>501</b>	<b>1 820</b>	<b>2 843</b>	<b>2 447</b>
<b>GROUP</b>	<b>992</b>	<b>1 368</b>	<b>2 812</b>	<b>5 171</b>	<b>4 722</b>

## NOTE 24 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

### 24.1 Financial commitments

The commitments given by the Group at the end of the year were as follows:

('000 EURO)	Dec 31, 2019				Dec 31, 2018
	< 1 year	From 1 to 5 years	> 5 years	Total	Total
Trade receivables given as security (1)	41 630	0	0	41 630	76 537
Securities, collateral and mortgages (2)	4 115	5 942	0	10 057	13 526
<b>TOTAL</b>	<b>45 745</b>	<b>5 942</b>	<b>-</b>	<b>51 687</b>	<b>90 063</b>

- (1) The trade receivables provided as guarantees correspond to the receivables financed by the Factor pursuant to the factoring agreement
- (2) The pledges are related to Group tax receivables.

## 24.2 Commitments under operating leases

Within the framework of its operation, the Group is led 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 at January 1, 2019 (see Note 1.2), the remaining commitments under operating leases are those which have a low value (<€5k) and a short term (<12 months).

## 24.3 Other commitments

In the course of its ordinary business, the Group has purchasing commitments related to production. These commitments are based primarily on forecasts of the production rates of the aircraft manufacturers and are realized under normal market conditions.

The Group has also, in the course of its ordinary business, given commitments to its customers and to customs authorities for a total amount of €0.6 million.

## 25.4 Other contingent liabilities

The Group did not identify any other contingent liabilities.

## 24.5 Non-consolidated entities

Latécoère holds 24.81% of the capital of CORSE COMPOSITE AERONAUTIQUE.

This investment by Latécoère, along with the other shareholders, Airbus, Dassault and SAFRAN, allows the Group to reinforce its competencies in the area of composite materials.

The Group exercises no significant influence on the Corse Composites Aéronautique company since April 1, 2013. Therefore, that company was deconsolidated and the financial assets have been classified in other financial assets.

The information below summarizes the main financial indicators of CORSE COMPOSITES AERONAUTIQUE (data at 100%):

- 2019 revenue: €77.4 million (€73.9 million in 2018)
- 2019 net income: €2.1 million (€1.7 million in 2018)

The Group did not provide financial support to CORSE COMPOSITE AERONAUTIQUE.

## NOTE 25 RELATED PARTIES

### 25.1 Main flows with related parties

Relations during 2019 with non-consolidated entities at December 31, 2019:

	Latecoere Group	CCA
Revenue	0	510
Purchasing	721	0
Trade receivables	0	97
Trade payables	97	0

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

### 25.2 Management compensation

The Group has defined as "key managers" the individuals holding the following positions:

- members of the Board of Directors of Latécoère;
- members of the Executive Committee of Latécoère;
- directors or managers of consolidated subsidiaries.

For all the individuals falling in the above definition, the total compensation, and benefits acquired or to be acquired at December 31, 2019 amounted to €3,567k against €3,721k at December 31, 2018. The amount relating to retirement benefits and long service medals was €265k for 2019 against €229k for 2018.

Compensation due in respect of 2019 to all of the members of the Board of Directors for their work therein was €470k. At December 31, 2018, compensation due to all the members of the Board of Directors for their work therein was €470k.

There is no supplementary pension plan at the Group level.

### 25.3 Main relations between Latécoère and its subsidiaries

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

The Group is organized around two business segments: "Aerostructures" and "Interconnection Systems". Every company that is a leader in a business has subsidiaries (in France or abroad) that enable it to respond to its industrial needs. Given the general organization of the Group, the different companies that form part of the scope of consolidation may have industrial and commercial relations between themselves so as to respond to the production needs of each entity. Group transactions being variable, it is not possible a priori to define their annual amounts.

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

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

Furthermore, as part of its centralized cash flow management, Latécoère may grant its (directly held) subsidiaries advances on current accounts (short term cash flow) or loans (medium or long term) to enable the financing of real estate and industrial investments. Short term financing is subject to regulated agreements and carries interest. Loans are subject to specific contracts, which state the object of the loan, its duration, as well as the interest rate applied.

In some cases, this method of financing internal to the Group may be set up between a Latécoère subsidiary and its indirect subsidiary or subsidiaries, the procedures and conditions remaining identical to those described above. With the exception of companies of the Group and of the Key Manager relationships mentioned above, there exists no significant operation with related parties outside the Group.

In France, since the 2009 fiscal year, Latécoère has made itself the only entity responsible for corporate tax, for additional contributions based on the corporate tax, and for the annual flat-rate taxation due in respect of the tax Group which includes the Latécoère, LATElec, and Latécoère Développement companies. LATÉCOÈRE Services, since its disposal, is no longer part of the tax Group.

Under the tax consolidation agreement, the tax consolidated subsidiaries bear their own tax expense, as they would had there not been tax consolidation, and pay the corresponding sums to Latécoère, by way of contribution to the payment of taxes of the tax Group.

## NOTE 26 STATUTORY AUDITORS' FEES

Pursuant to ANC regulation n°2016-09 of December 2, 2016, the following table presents the fees due to the Group's Statutory Auditors, included in the consolidated income statement for the year, with a distinction being made between the fees relating to the certification of the financial statements and those relating, where applicable, to other services. The fees mentioned for subsidiaries relate to those which are fully consolidated.

(000 EURO)	KPMG				GRANT THORNTON			
	Amount		%		Amount		%	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>A) Fees for the certification of accounts</b>								
A.1) Latécoère (issuer)	191	199	42%	42%	152	161	68%	93%
A.2) Subsidiaries	176	194	38%	41%	4	4	2%	2%
<b>Sub-total</b>	<b>367</b>	<b>392</b>	<b>80%</b>	<b>83%</b>	<b>156</b>	<b>165</b>	<b>70%</b>	<b>95%</b>
<b>A) Fees for other services</b>								
A.1) Latécoère (issuer)	70	69	15%	14%	68	9	30%	5%
A.2) Subsidiaries	21	13	5%	3%	0	0	0%	0%
<b>Sub-total</b>	<b>91</b>	<b>82</b>	<b>20%</b>	<b>17%</b>	<b>68</b>	<b>9</b>	<b>30%</b>	<b>5%</b>
<b>TOTAL</b>	<b>459</b>	<b>474</b>	<b>100%</b>	<b>100%</b>	<b>225</b>	<b>174</b>	<b>100%</b>	<b>100%</b>

## NOTE 27 SUBSEQUENT EVENTS

In view of our knowledge at the present moment, and bearing in mind that we have no companies in China or any relation to that country impacting our business activities, the Corona virus should not have a direct impact on our financial statements.