LATÉCOÈRE

Half-year Report

2020

CONTENTS

1 HALF-YEAR REPORT

The consolidated financial statements of the Group have been approved by the Board of Directors on September 16, 2019.

Main events

- **Decline in Group revenue and recurring EBITDA predominately due to negative impact of Covid-19 on customer production rates**
- **Rapid and proactive measures taken to curtail operating costs and preserve Group liquidity**
- **Negative revenue trends to persist in H2 2020, partially offset by operating efficiency improvements**

INCOME STATEMENT

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

(Limited review - € million)	H1 2020	H1 2019
Revenue	**231.9**	**371.7**
Reported growth	*(37.6)%*	*15.9%*
Growth at constant exchange rates	*(36.8)%*	*13.1%*
Recurring EBITDA *	**(17.2)**	**28.1**
*Recurring EBITDA * Margin on Revenue*	*(7.4)%*	*7.6%*
Recurring Operating Income	**(34.0)**	**10.8**
Recurring Operating Margin on Revenue	*(14.6)%*	*2.9%*
Non-recurring items	**(34.6)**	**(7.9)**
o/w Assets depreciation	*(28.2)*	-
Operating Income	**(68.6)**	**2.9**
Net Cost of debt	(1.6)	(2.7)
Other financial income/(expense)	(11.7)	(5.2)
Financial result	**(13.3)**	**(7.9)**
Income tax	(12.1)	(1.0)
Net Income	**(94.0)**	**(5.9)**
Operating free cash flow	**(5.2)**	**(46.3)**

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

Philip Swash, Group Chief Executive Officer, commented: “Latécoère’s H1 2020 results are consistent with the challenges affecting the broader aerospace industry. The Covid-19 crisis has led a number of our key customers to curtail aircraft production, which has in turn stunted the “pre-Covid” top-line growth trends we were experiencing in both Aerostructure and Interconnected Systems. We expect lower than normal production rates to prevail for the remainder of the year, negatively impacting our full year 2020 revenues.”

“Although we cannot control the exogenous factors impacting our business, we have taken prudent measures since March to reduce operating costs and strengthen our liquidity. We have reduced capital expenditures and will continue to take steps to ensure our cost base is aligned with our operating environment while preserving our engineering and operational strengths. During this difficult period, we have put in place across all our facilities extensive sanitary measures to protect our employees’ health. We have also made every effort to stay close to our customers at all times and believe we are well positioned to quickly regain the positive momentum we had before the Covid-19 crisis began.”

First Half Year 2020 Highlights and Financial Summary

Latécoère’s 2020 half yearly financial results reflect the overall decline in production rates across the aerospace sector. As previously indicated, the crisis had a very strong impact on the second quarter with a decline in revenue of (56.8)% at constant exchange rates in this quarter alone. Overall in H1 2020, the Group revenue decreased by (37.6)% to € 231.9 million at constant exchange rates, or (36.8)% on an organic basis with all business segments being impacted.

Latécoère H1 2020 recurring EBITDA amounted to € (17.2) million, representing a margin of (7.4)%. Latécoère H1 2020 recurring operating income amounted to € (34) million compared to € 10.8 million in the same period of 2019.

Latécoère net financial results totalled € (13.3) million in H1 2020 compared to € (7.9) million in H1 2019. Financial results include foreign exchange losses for €(9.8) million and cost of debt limited to only €(1.6) million.

The Group net income totalled € (94) million. The anticipation of a slow recovery in air traffic and the knock on effects on the Aerospace industry has led the Group to impair some assets in the Aerostructures branch for €(28.2) million and depreciate the remaining deferred tax assets still accounted for in the balance sheet for €(10.1) million.

As a result of the strong measures taken to mitigate the effects of the crisis on Latécoère liquidity, Operating Free Cash Flow over the period was €(5.2) million compared to €(46.3) million a year ago. Net debt remained relatively stable at €(124) million including the € 60 million Prêt Garanti Etat loans announced with Q1 2020 results, versus €(115.8) million at the end of 2019, with a strong cash position of €44.5 million (vs €33.8 at the end of 2019).

Adaptation plan

The Group has taken swift action to mitigate the effects of the Covid-19 crisis, including reducing its overseas workforce by 35% in 2020. As a result, the Group booked one-time restructuring costs totalling €1.6 million for the period and anticipates additional one-time costs in the second half as it completes the restructuring of its operations outside of France.

Purchasing programs have also been scaled back in line with the subdued activity, decreasing by more than (40)% of raw materials, supplies expenses, and sub-contracting expenses. Work-in-progress and inventories have thus stabilized over the period at €176.3 million versus €179.8 at the end of 2019. Working Capital has also improved strongly to €176.5 million at the end of June versus €208.6 million in December 2019.

Capital expenditures have been reduced by (60)% to €6.4 million in H1 2020 compared to €16.2 million in H1 2019.

Despite the crisis, the Group intends to continue to invest in its future and will maintain its R&T efforts in 2020 at a level of €5.5 million similar to 2019. The 14% decrease in R&T expenses seen in H1 2020 at €2.5 million compared to H1 2019 (€2.9 million) is largely due to phasing of expenses on some programs.

Aerostructures

Revenue in Latécoère's Aerostructures division declined (41.7)% at constant exchange rates, or (42.7)% as reported for the first half of 2020. Revenue totalled € 123.5 million compared to € 215.3 million for the same period in 2019, in large part due to a €70 million reduction in production rates in the second quarter alone as a result of the temporary stoppage of our customers' production. The year-over-year Aerostructures revenue comparison is also affected by higher production rates in Q1 2019 as Latécoère insourced production of primary parts after the default of a supplier.

Recurring EBITDA in the division was €(9.1) million compared to €16.2 million in H1 2019, with the decline in production rates partially offset by a reduction in operating costs in response to Covid-19.

Aerostructures (Limited review - € million)	**H1 2020**	**H1 2019**
Consolidated Revenue	**123.5**	**215.3**
Growth at constant exchange rates	*(41.7)%*	*14.5%*
Inter-segment Revenue	11.1	8.9
Revenue	**134.6**	**224.2**
Recurring EBITDA*	**(9.1)**	**16.2**
Recurring EBITDA Margin on Revenue*	*(6.8)%*	*7.2%*
Recurring Operating Income	**(17.7)**	**8.7**
Recurring Operating Margin on Revenue	*(13.1)%*	*3.9%*

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

Interconnection Systems

The Interconnection Systems revenue of €108.5 million represents a (30.2)% decline at constant exchange rates and (30.7)% on a reported basis compared to €156.4 million in H1 2019. Consistent with the commercial pressure impacting the sector, approximately €35 million of this decline is attributable to production rate declines compounded by the decrease in development activity in the Mitsubishi Aircraft SpaceJet M90 program noted in Q1 as well as a decline in Kitting and Service activities.

Recurring EBITDA for Interconnection Systems was € (8.2) million compared to €11.9 million in H1 2019 affected similarly by the decline in production rates.

Due to the health crisis in Mexico and France, the closing of the acquisition of Bombardier Interconnection Systems activities has been delayed and is now anticipated to take place in the last quarter of the year. In a depressed environment, this acquisition is key to help the Group strengthen and diversify its business development on new platforms and in the North American market.

Interconnection Systems (Limited review - € million)	**H1 2020**	**H1 2019**
Consolidated Revenue	**108.5**	**156.4**
Growth at constant exchange rates	*(30.2)%*	*11.3%*
Inter-segment Revenue	0.5	1.0
Revenue	**108.9**	**157.4**
Recurring EBITDA*	**(8.2)**	**11.9**
*Recurring EBITDA * Margin on Revenue*	*(7.5)%*	*7.5%*
Recurring Operating Income	**(16.4)**	**2.1**
Recurring Operating Margin on Revenue	*(15.0)%*	*1.3%*

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

FY 2020 Outlook

Latécoère does not anticipate an improvement in market conditions during the second half of 2020 as high uncertainty remains as to the duration and intensity of the Covid-19 pandemic and its impact on the commercial aerospace sector. As a result, it expects FY 2020 revenues to decline by approximately (40)% compared to FY 2019. In the second half of the year, Latécoère will continue to deploy the necessary adaptation measures to adjust its activity to the slow recovery in air traffic expected in the coming years.

Latécoère does not intend to publish Q3 revenues this year and is re-evaluating the practice of quarterly revenue reporting on an ongoing basis.

Subsequent events

Since June 30, 2020 and until September 16, 2020, when the Board of Directors approved the financial statements, there has been no event likely to have a significant impact on the economic decisions made on the basis of present financial statements.

Principal risks and uncertainties for the remaining six months of 2020

The consequences of the crisis in the aeronautics sector have been brutal and are likely to be lasting for the next few years.

Over the remaining six months, and given the context of the current crisis, the main risks and uncertainties relate to:

- Maintaining the rates announced by aircraft manufacturers,
- The difficulty of supply,
- The Group's ability to execute its workload plan, taking into account the health measures and the adaptation plan put in place.

Transactions with related parties

Transactions with related parties continued during the first half of 2020 based on the same agreements as those applied on December 31, 2019.

Accounting Standards, Principles and Methods

The Group's half-year condensed consolidated financial statements for the six months ended June 30, 2020 are prepared in accordance with IAS 34 "Interim Financial Reporting", which makes it possible to present a selection of notes to the financial statements. These condensed consolidated financial statements should therefore be read in conjunction with the consolidated financial statements for the 2019 financial year.

The Groupe consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board on 30 June 2020. The Covid-19-Related Rent Concessions – amendment to IFRS 16 Leases issued by the IASB on May 28, 2020, and not yet adopted by the European Union, would have no significant impact on the Group's financial statements. There is no significant effect on these consolidated financial statements resulting from differences between IFRS as issued by the IASB and IFRS as adopted by the European Union.

International Financial Reporting Standards include IFRSs and IASs (International Accounting Standards) and the related interpretations as prepared by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

The interim consolidated financial statements for the six months ended 30 June 2020 for Groupe have been prepared using the same accounting policies as those used for the financial year ended 31 December 2019, except for the adoption of the new Amendments to IFRS 3, Definition of a Business, to IFRS 9, IAS 39, IFRS 7, Interest Rate Benchmark Reform, and to IAS 1 and IAS 8, Definition of Material, which were effective from January 1, 2020 and had no material impact on the condensed interim financial statements.

New standards and amendments not yet applicable

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

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

NEW IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS OF JANUARY 1, 2020

- Amendments to IFRS 3 « Business combinations » ;
- Amendments to IFRS 7 « Financial Instruments : Disclosures » ;
- Amendments to IFRS 9 « Financial Instruments » ;
- Amendments to IAS 1 « Presentation of Financial Statements » ;
- Amendments to IAS 8 « Accounting Policies, Changes in Accounting Estimates and Errors » ;
- Amendments to IAS 39 « Financial Instruments: Recognition and Measurement ».

NEW PUBLISHED IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EARLY ADOPTED BY THE GROUP AS OF JANUARY 1, 2020

None.

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

- IFRS 17 Insurance contracts, including Amendments to IFRS 17 ;
- Amendments to IFRS 4 Insurance Contracts – Extension of Temporary Exemption from applying IFRS 9 ;
- Amendment to IFRS 16 Leases – Covid-19-Related Rent Concessions (expected to have no significant impact).

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

Regarding IFRS 16 Leases :

- The lease term corresponds to the non-cancellable period of each lease, to which should be added any renewal option that the Group is reasonably certain to carry out, and any option of termination that the Group is reasonably certain to not carry out. Specifically, in the case of commercial leases in France (3-6-9 years), the Group used a maximum term of 9 years, in accordance with the opinion of the ANC (Autorité des Normes Comptables). However, IFRS Interpretation Committee decided on November 26 2019 that as long as either the lessor or the lessee has an economic incentive not to terminate the lease such that it would incur a penalty on termination that is more than insignificant, the contract is enforceable beyond the date on which the contract can be terminated. The group is currently assessing the impact of this decision on the lease liability and lease assets as of January 1, 2019.

- On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. Under these amendments, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee, that makes this election, accounts for any change in lease payments the same way it would account for the change under IFRS 16 if the change were not a lease modification. These amendments are effective from June 1, 2020 under IASB transition provisions but have not been adopted by the European Union to date. For the six months ended June 30, 2020, the Group did not identify any significant impact.

2 RISK FACTORS

Health risks, changes in economic conditions, programs

Since the emergence of COVID-19, the group has implemented strict and evolving health protocols to ensure the safety of employees everywhere in its factories. These protocols are adapted to the advice of WHO and to the directives of the national authorities taken in each of the countries where the Group operates. The work on safety carried out in recent years and the organization put in place at Group level have been assets in managing this crisis, enabling it to be reactive and to quickly adapt its protocols.

The Group has also reacted without delay to the reductions in production rates and volumes of its aircraft manufacturer customers by adjusting its own capacities as quickly as possible.

Latécoère has thus strengthened its adaptation plan and many actions have been taken, including:

- close management of the Group's activities which has led to a reduction in purchasing programs in line with the decline in activity and a slowdown in investment commitments as well as an acceleration of rationalization plan of industrial sites;
- the temporary closure of production sites, which allowed the operational deployment of suitable prevention and protection measures. At the same time, the use of teleworking has been generalized for people who can benefit from it ;
- a permanent adjustment of the workforce abroad ;
- a reduction in the use of temporary services in France and abroad ;
- the partial unemployment of some of its employees in countries where this measure exists.

The group is also in close contact with GIFAS (French Aerospace Industries Association) to coordinate the action of all players of the sector. Mobilization is total so that the economic continuity of our strategic sector is guaranteed in exemplary health conditions, in accordance with the will of the government.

Latécoère also seeks to maintain and sharpen its technological edge, thanks to sustained research and development spending. The uncertainty surrounding the economic situation in the sector creates the risk for Latécoère of not being able to execute its roadmap as initially planned.

Supplier risks

The sharp reduction in demand addressed to Latécoère and its suppliers increased the risk of failure of sensitive partners. The Group has completed and strengthened its arsenal of measures, in particular by creating observation bodies or even by initiating targeted actions such as monitoring the financial health of our suppliers or forecasting stocks in the event of identified weaknesses in order to avoid any problems.

Liquidity risk

In order to maintain a sufficient level of liquidity and balance sheet flexibility under current market conditions, the Group has signed “State Guaranteed Loans” (PGE - Prêts Garantis État) with a consortium of banks for a total of 60 million euros under the loan scheme guaranteed by the French State.

The Group regularly evaluates its cash flow forecasts over a rolling 12-month period. These forecasts are however subject to several uncertainties, including those linked to the establishment of additional financing, the terms and conditions of which are currently under discussion.

Health, safety and environmental risks

In response to the risk of a new health crisis occurring or more broadly to take into account a possible increase in the frequency of this type of event, Latécoère has strengthened its action plans and, in particular, ensured the recovery homogeneous stocks of sanitary protection equipment across all of its sites. Staff are trained and informed on a regular basis and the management of each plant ensures compliance with the rules established by the Group, supplemented by local regulations in each country where it operates.

Data confidentiality risks

The pandemic has encouraged massive recourse to teleworking, particularly when containment measures have been decreed, a massive recourse to teleworking thus increasing the Group's exposure to cyber risk. The action plans initiated were maintained and awareness-raising and support actions were also strengthened.

Human Ressources risks

The economic situation has changed the working organization and in particular imposed a massive use of teleworking and partial activity measures. Action plans have been put in place to protect our employees from the risks associated with COVID. Other actions have also been taken to adjust the Group's productive capacity to a decreasing charge.

Insurance

The volatility of capital and insurance markets has been exacerbated by the current economic environment, which is causing an increase in premiums and a deterioration in the coverage offered. Latécoère has taken the necessary steps to avoid any risk of degrading its insurance coverage for accident risks to which Group entities and businesses are exposed. In this regard, insurers are provided with information about Latécoère's risk quality, any changes thereto and the maturity of its risk management system, mainly in order to inform and facilitate ongoing renewals. It should be noted that the insurance are still in place and that no cover has been withdrawn during this period.

3 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2020

3.1 Consolidated Statement of financial position

('000 EURO)	Notes	June 30, 2020	Dec 31, 2019
Intangible assets	4.1	72 256	77 799
Tangible assets	4.1	135 482	173 043
Other financial assets		3 499	3 698
Deferred tax assets	14.2	226	10 279
Financial derivative instruments	8.1	391	1 020
Other non-current assets		215	168
TOTAL NON-CURRENT ASSETS		**212 069**	**266 007**
Inventories	5.1	176 312	179 757
Accounts receivable	7	86 397	157 839
Tax receivable	14.1	15 972	16 003
Financial derivative instruments	8.1	2 519	1 897
Other current assets		2 745	2 232
Cash & Cash Equivalents		44 451	33 790
TOTAL CURRENT ASSETS		**328 396**	**391 518**
TOTAL ASSETS		**540 465**	**657 525**

('000 EURO)	Notes	June 30, 2020	Dec 31, 2019
Share capital	9.1	189 637	189 637
Share premium		213 658	213 658
Treasury stock		-547	-1 842
Other reserves		-187 290	-147 486
Derivatives future cash flow hedges		-21 567	-21 883
Group net result		-94 016	-32 864
EQUITY ATTRIBUTABLE TO PARENT OWNERS		**99 874**	**199 220**
NON-CONTROLLING INTERESTS		0	0
TOTAL EQUITY		**99 874**	**199 220**
Loans and bank borrowings	12.1	100 904	98 190
Refundable Advances	12.2	22 285	22 824
Employee benefits	11	21 347	20 400
Non-current provisions	10	7 432	8 876
Deferred tax liabilities	14.2	23	12
Financial derivative instruments	8.1	1 500	8 205
Other non-current liabilities		2 298	4 638
TOTAL NON-CURRENT LIABILITIES		**155 790**	**163 146**
Loans and bank borrowings (less than 1 year)	12.1	67 583	51 366
Refundable Advances	12.2	2 580	2 634
Current provisions	10	3 619	1 997
Accounts payable	13	116 095	146 292
Income tax liabilities		1 666	1 918
Contracts liabilities		41 254	43 609
Other current liabilities		2 314	4 055
Financial derivative instruments	8.1	49 691	43 288
TOTAL CURRENT LIABILITIES		**284 801**	**295 159**
TOTAL LIABILITIES		**440 591**	**458 305**
TOTAL EQUITY & LIABILITIES		**540 465**	**657 525**

3.2 Consolidated Income Statement

('000 EURO)	June 30, 2020	June 30, 2019
Revenue	231 917	371 736
Other operating revenue	306	305
Change in inventory: work-in-progress & finished goods	-6 751	5 255
Raw material, Other Purchases & external charges	-148 475	-250 964
Personnel expenses	-94 285	-105 730
Taxes	-3 927	-5 926
Amortization	-16 727	-17 298
Net operating provisions charge	870	711
Depreciation of current assets	-4 519	4 712
Other operating income	10 539	8 952
Other operating expenses	-2 915	-939
RECURRING OPERATING INCOME	**-33 967**	**10 814**
Other non-recurring operating income and expenses	-34 627	-7 869
OPERATING INCOME	**-68 594**	**2 945**
Net Cost of debt	-1 599	-2 667
Foreign Exchange gains/losses	-9 830	-1 298
Change in fair value of financial derivative instruments	-755	-3 876
Other financial incomes and expenses	-1 111	-48
FINANCIAL RESULT	**-13 295**	**-7 890**
Income tax	-12 128	-968
NET RESULT FOR THE PERIOD	**-94 016**	**-5 913**
• Of which, Owners of the parent	-94 016	-5 913
• Of which, Non-controlling interests	0	0
NET RESULT (Group share) FOR THE PERIOD PER SHARE		
• Earnings per share	-0,99	-0,06
• Diluted earnings per share	-0,98	-0,06

3.3 Consolidated Statement of comprehensive income

('000 EURO)	June 30, 2020	June 30, 2019
NET RESULT FOR THE PERIOD (1)	**-94 016**	**-5 913**
OTHER COMPREHENSIVE INCOME:		
- Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain or loss for year relating retirements benefits	0	-1 578
Others	0	0
Income tax related to items that will not be reclassified to profit or loss	0	543
- Items that will be reclassified subsequently to profit or loss:		
Translation differences	-7 149	1 210
Financial instruments (cash flow hedging) : change in fair value and transfer in profit and loss	1 123	-14 138
Other components of comprehensive income	208	638
Income tax related to items that may be reclassified to profit or loss	-808	4 306
TOTAL OTHER COMPREHENSIVE INCOME (2):	**-6 625**	**-9 019**
TOTAL COMPREHENSIVE INCOME (1+2)	**-100 642**	**-14 932**

3.4 Consolidated Statement of Cash-Flows

('000 EURO)	June 30, 2020	June 30, 2019
Net result for the period	-94 016	-5 913
Adjustments related to non-cash activities :		
Depreciation and provisions	46 445	16 362
Fair value gains/losses	755	3 876
Net (gains)/losses on disposal of assets	71	-81
Other non-cash items	1 874	667
CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES	**-44 871**	**14 911**
Income taxes	12 128	968
Net Cost of debt	1 593	2 669
CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES	**-31 150**	**18 548**
Changes in inventories net of provisions	-3 841	-10 150
Changes in client and other receivables net of provisions	69 795	-35 642
Changes in suppliers and other payables	-33 579	-2 939
Income tax paid	-1 248	-4 025
CASH FLOWS FROM OPERATING ACTIVITIES	**-23**	**-34 208**
Effect of changes in group structure	0	113
Purchase of tangible and intangible assets (including changes in payables to fixed asset suppliers)	-6 494	-16 251
Purchase of financial assets	0	0
Increase (decrease) in loans and advances made	57	-91
Proceeds from sale of tangible and intangible assets	1	84
Dividends received	0	3
CASH FLOWS FROM INVESTING ACTIVITIES	**-6 436**	**-16 142**
Proceeds from issue of shares	0	0
Purchase or disposal of treasury shares	1 296	-4 676
Proceeds from borrowings	60 000	10 000
Repayments of borrowings	0	0
Repayments of lease liabilities (*)	-2 816	-1 503
Financial interest paid	-1 448	-2 605
Dividends paid	0	0
Flows from refundable advances	-594	-803
Other flows from financing operation	-38 538	-72
CASH FLOW FROM FINANCING ACTIVITIES	**17 900**	**341**
Effects of exchange rate changes	-777	103
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**10 664**	**-49 906**
Opening cash and cash equivalents position	33 762	108 103
Closing cash and cash equivalents position	44 426	58 197

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

3.5 Consolidated Statement of changes in Equity

('000 EURO)	Share capital	Share Premium	Treasury shares	Reserves and Accumulated Results	Cash flow hedgings - financial instruments	Translation difference	**Equity attributable to owners of parent**	Non-controlling interests	TOTAL
Dec 31, 2018	**189 490**	**215 008**	**1 587**	**-123 281**	**-11 405**	**-8 834**	**262 565**	**0**	**262 565**
Reclassifying				-1 771	1 981	-210	0	0	0
Capital variations	147	-1 350					-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
Transactions with owners	**147**	**-1 350**	**-3 429**	**0**	**0**	**0**	**-4 632**	**0**	**-4 632**
Net result for the period (1)				**-32 864**			**-32 864**	**0**	**-32 864**
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
Other comprehensive income (2)	**0**	**0**	**0**	**-13 831**	**-12 459**	**441**	**-25 849**	**0**	**-25 849**
TOTAL COMPREHENSIVE INCOME (1)+(2)	**0**	**0**	**0**	**-46 695**	**-12 459**	**441**	**-58 713**	**0**	**-58 713**
Dec 31, 2019	**189 637**	**213 658**	**-1 842**	**-171 747**	**-21 883**	**-8 603**	**199 220**	**0**	**199 220**
Capital variations	0	0					0		0
Share-based payments				0			0		0
Transactions on treasury stock			1 296				1 296		1 296
Dividends				0			0	0	0
Transactions with owners	**0**	**0**	**1 296**	**0**	**0**	**0**	**1 296**	**0**	**1 296**
Net result for the period (1)				**-94 016**			**-94 016**	**0**	**-94 016**
Financial instruments (cash flow hedging): change in fair value and transfer in profit and loss					315		315		315
Financial instruments: translation differences							0		0
Translation differences: change and transfer in profit and loss						-7 149	-7 149	0	-7 149
Other variations				208			208	0	208
Other comprehensive income (2)	**0**	**0**	**0**	**208**	**315**	**-7 149**	**-6 625**	**0**	**-6 625**
TOTAL COMPREHENSIVE INCOME (1)+(2)	**0**	**0**	**0**	**-93 808**	**315**	**-7 149**	**-100 642**	**0**	**-100 642**
									0
June 30, 2020	**189 637**	**213 658**	**-547**	**-265 555**	**-21 567**	**-15 752**	**99 874**	**0**	**99 874**

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

3.6 Notes to the Condensed Consolidated Financial Statements

GENERAL INFORMATION

BALANCE SHEET DETAIL

INCOME STATEMENT DETAIL

ADDITIONAL INFORMATION

INFORMATION RELATIVE TO 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 half year ended on June 30, 2020, include the parent company and its subsidiaries (the whole being designated as "the Group") and the Group's share in associates.

The consolidated financial statements of the Group have been approved by the Board of Directors on September 16, 2020.

NOTE 1 ACCOUNTING POLICIES

1.1 Basis of Preparation of the Financial Statements

The condensed consolidated financial statements at June 30, 2020 are established in compliance with IAS 34 "interim financial reporting". For condensed accounts, they do not include all the information required by IFRS and should be read in conjunction with the Group's financial statements for the year ended December 31, 2019.

The accounting rules and methods applied to the condensed consolidated financial statements at June 30, 2020 are identical to those applied in the consolidated financial statements at December 31, 2019 with the exception of standards, amendments and interpretations which are required to be applied as from January 1, 2020.

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

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

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

The interim consolidated financial statements for the six months ended 30 June 2020 for Groupe have been prepared using the same accounting policies as those used for the financial year ended 31 December 2019, except for the adoption of the new Amendments to IFRS 3, Definition of a Business, to IFRS 9, IAS 39, IFRS 7, Interest Rate Benchmark Reform, and to IAS 1 and IAS 8, Definition of Material, which were effective from January 1, 2020 and had no material impact on the condensed interim financial statements.

NEW IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS OF JANUARY 1, 2020

- Amendments to IFRS 3 « Business combinations » ;
- Amendments to IFRS 7 « Financial Instruments : Disclosures » ;
- Amendments to IFRS 9 « Financial Instruments » ;
- Amendments to IAS 1 « Presentation of Financial Statements » ;
- Amendments to IAS 8 « Accounting Policies, Changes in Accounting Estimates and Errors » ;
- Amendments to IAS 39 « Financial Instruments: Recognition and Measurement ».

NEW PUBLISHED IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EARLY ADOPTED BY THE GROUP AS OF JANUARY 1, 2020

None.

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

- IFRS 17 Insurance contracts, including Amendments to IFRS 17 ;
- Amendments to IFRS 4 Insurance Contracts – Extension of Temporary Exemption from applying IFRS 9 ;
- Amendment to IFRS 16 Leases – Covid-19-Related Rent Concessions (expected to have no significant impact).

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

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

Following the variation of discounting rates, the estimate of employee benefits has been reevaluated at June 30, 2020. With no significant impact, long-service medals are still estimated on the information on December 31, 2019.

The use of estimates and assumptions is of particular importance mainly for:

- Capitalized development costs (note 4);
- Employee benefits (note 11);
- Deferred tax assets (note 14);
- Provisions on inventory (note 5);
- The recoverable amount of intangible and tangible assets as well as their useful life (note 4);
- The fair value of financial instruments (note 8).

At June 30, 2020, the estimates and the assumptions retained for the condensed consolidated financial statements were determined based on the elements in the Group's possession at the closing date mainly concerning commercial information (order book and rates) communicated by the various aircraft manufacturers and information from the prospects of the aeronautical market.

The impact of changes in the accounting estimate is recognized during the period of the change if it only affects that period or during the period of the change and subsequent periods if these are also affected by the change.

1.4 Impact of the Covid 19 pandemic

The aeronautics market was hit hard by the effects of the Covid-19 crisis, with a collapse in global air traffic during the first half of 2020, which led all aircraft manufacturers to sharply downward revise their delivery programs.
The first effects of this crisis began to materialize at the end of March and intensified during the 2nd quarter of 2020. Thus, the Group's activity at constant exchange rates decreased by 15.9% in the 1st quarter of 2020 and was down 56.8% over the 2nd quarter of 2020 compared to the same period of the previous fiscal year.

Adaptation plan

Since the appearance of COVID-19, the Group, under the supervision of the Executive Committee and the Board of Directors, has implemented a health crisis management system characterized by the implementation of the following measures, aimed, in particular, at ensuring the health and safety of its employees, and limiting the impact of the crisis on its activities and its fi nancial situation:

- Daily review of the situation of all Group sites by the Executive Committee;
- Weekly review of the Group’s fi nancial situation by the Audit and Risks Committee.

Initially, the temporary closure of production sites enabled the operational deployment of appropriate prevention and protection measures. At the same time, telework has been generalized where possible. The activity of all the production sites gradually restarted once the containment measures have been lifted, while respecting the safety instructions to reach today, a level of activity of around 80%.

At the same time, the Group launched an adaptation plan aiming to reduce operational expenses and guaranteeing business continuity, resulting in:

- an adaptation of the workforce according to the activity: partial unemployment in France, reduction of the workforce abroad, decrease in the number of temporary workers and non-renewal of fixed-term contracts ;
- a strict management of working capital requirements: adjustment of stocks and control of receivables ;
- a decrease in investments and reduction of operational costs by postponing or canceling non-priority expenses.

Business continuity and liquidity

In order to ensure it retains sufficient liquidity and balance sheet flexibility under the current market conditions, the Group initially implemented measures to postpone some of payment maturities (payroll taxes, negotiation of payment deferrals with certain suppliers, postponing of variable wages payment, etc.),savings measures with the immediate freeze of recruitments, of expenses for subcontractors and intellectual services and services, the freezing of investment expenses not essential to its daily operations, as well as measures of partial unemployment of a large part of its employees across all its sites. The Group has nevertheless endeavored to preserve its Research & Technology expenses.

At the same time, the Group has sought treasury funding. This is how in April 2020, the Group has signed PGE loans with a consortium of banks for a total of €60 million under the French government’s state-guaranteed loan scheme. These loans have strengthened the Group’s liquidity by enabling it to meet its immediate cash maturities; they have also been calibrated

to enable it to restart efficiently its production as soon as lockdowns across the countries in which it operates will be progressively lifted.

The Group regularly evaluates its cash flow forecasts over a rolling 12-month period. These forecasts are however subject to several uncertainties, including those linked to the establishment of additional financing, of which the terms and conditions are currently under discussion. Based on these cash flow projections, on the strategic plan and on the measures taken since the start of the Covid-19 crisis, the Board of Directors of the Latécoère Group approved the condensed half-year financial statements as of June 30, 2020 on a going concern basis.

Presentation of the impacts related to Covid-19

The impacts of the pandemic on the Group's business affect the entire income statement and balance sheet and are not isolated. The non recurring result mentioned in note 17 “Other non recurring income and expenses” mainly includes restructuring costs, rationalization costs in relation with the 2020 Transformation Plan, impairment losses, unchanged from previous years.

Impairment test

Given the scale of the downturn in activity, which itself is an indication of risk of impairment, the Group reviewed all its cash-generating units (CGUs) in the first half of 2020, because their activities were particularly affected by the decline in air traffic.

As of June 30, 2020, these analyzes led to the recognition of an impairment of the "Aerostructures" CGU for an amount of € 28.2 million, details of which can be found in note 4.1 "Impairment test".

NOTE 2 CONSOLIDATION SCOPE

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

Company name	Country	Voting rights %	Interest %	Consolidation method
structures segment:				
LATECOERE	France		**Parent company**	
LATECOERE do BRASIL	Brazil	100%	100%	Full consolidation
LATECOERE CZECH REPUBLIC s.r.o	Czech Republic	100%	100%	Full consolidation
LETOV LV a.s.	Czech Republic	100%	100%	Full consolidation
LATECOERE INC.	USA	100%	100%	Full consolidation
LATECOERE DEVELOPPEMENT	France	100%	100%	Full consolidation
LATECOERE BIENES RAICES	Mexico	100%	100%	Full consolidation
LATECOERE Mexico	Mexico	100%	100%	Full consolidation
LATECOERE Mexico Services	Mexico	100%	100%	Full consolidation
LATECOERE Bulgarie	Bulgaria	100%	100%	Full consolidation
connection Systems segment:				
LATelec	France	100%	100%	Full consolidation
LATelec GmbH	Germany	100%	100%	Full consolidation
SEA LATelec	Tunisia	100%	100%	Full consolidation
LATelec Mexico	Mexico	100%	100%	Full consolidation
LATelec Mexico Services	Mexico	100%	100%	Full consolidation
LATsima	Morocco	100%	100%	Full consolidation
LATelec Interconnection Inc.	Canada	100%	100%	Full consolidation
Latécoère Interconnection Systems US	USA	100%	100%	Full consolidation
Latécoère Interconnection Systems UK	England	100%	100%	Full consolidation
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 committed in the supply of goods or dependent services (business segments), and that are exposed to risks and to a profitability different from those of other segments.

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

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

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

3.1 Measurement of economic performance

3.1.1 Key indicators by sector

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

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

Half-year 2020

('000 EURO) *June 30, 2020*	Aerostructures	Interconnection Systems	Intersegment eliminations	Total
Revenue	134 584	108 925	-11 592	231 917
Inter-segment revenue	-11 117	-475	11 592	0
Consolidated revenue	**123 467**	**108 450**	**0**	**231 917**
Recurring EBITDA	-9 173	-8 156	89	**-17 240**
Recurring operating income	**-17 680**	**-16 377**	**89**	**-33 967**
Recurring operating income / revenue	*-13,1%*	*-15,0%*		*-14,6%*
Other non recurring operating income and expenses	**-33 977**	**-650**		**-34 627**
Operating income	**-51 656**	**-17 027**	**89**	**-68 594**
Net investments (excluding disposal result)	**-3 394**	**-2 971**	**0**	**-6 365**

Half-year 2019

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

Balance sheet items as of June 30, 2020

('000 EURO) *June 30, 2020*	Aerostructures	Interconnection Systems	Intersegment eliminations	Total
Intangible fixed assets	24 441	47 815	0	72 256
Goodwill	0	0	0	0
Tangible fixed assets	82 009	53 473	0	135 482
Other financial assets	14 729	296	-11 526	3 499
TOTAL ASSETS	**121 179**	**101 584**	**-11 526**	**211 237**
Inventories	102 103	74 225	-16	176 312
Trade and other receivables	58 210	40 285	-12 097	86 397
Net debt	119 369	8 592	-3 926	124 035
Accounts payable	84 754	41 184	-9 843	116 095
Contracts liabilities	10 763	30 491	0	41 254
Total Segment Assets	**337 423**	**226 886**	**-23 844**	**540 465**

Balance sheet items as of December 31, 2019

('000 EURO) *Dec 31, 2019*	Aerostructures	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
TOTAL ASSETS	**158 237**	**107 509**	**-11 206**	**254 539**
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
Total Segment Assets	**422 244**	**254 578**	**-19 296**	**657 525**

3.1.2 Reconciliation with Group data

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

('000 EURO)	June 30, 2020	June 30, 2019
(+) Operating income	-68 594	2 945
(-) Other non recurring operating income and expense	-34 627	-7 869
(-) Depreciation and impairment losses	-16 727	-17 298
Recurring EBITDA	**-17 240**	**28 112**

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

('000 EURO)	June 30, 2020	June 30, 2019
(+) Cash flow from investing activities	-6 436	-16 142
(-) Dividends received	0	3
(+) Gains or losses on disposals of assets	71	-81
Net investments (excluding disposal result)	**-6 365**	**-16 226**

NOTE 4 FIXED ASSETS

Gross value of fixed assets

('000 EUR)	Dec 31, 2019	Currency variations	Reclassifying	Acquisitions	Disposals	June 30, 2020
Capitalized development costs	187 900	0	0	0	0	187 900
Other Intangible Fixed Assets	40 578	-173	299	1 671	-68	42 308
INTANGIBLE ASSETS	**228 478**	**-173**	**299**	**1 671**	**-68**	**230 208**
Land	5 596	-236	0	0	0	5 360
Buildings	70 537	-3 169	438	257	-160	67 902
Plants & Equipment	126 653	-6 009	1 282	1 338	-28	123 236
Other Fixed Assets	20 912	-632	8	420	-3	20 705
Fixed assets in progress	15 582	-122	-1 737	2 836	0	16 559
Advanced payments on fixed assets	23 346	-49	-290	76	-30	23 054
Contracts right of use	50 329	-1 414	-12	268	0	49 172
TANGIBLE ASSETS	**312 956**	**-11 632**	**-311**	**5 196**	**-220**	**305 988**

Amortization of fixed assets

('000 EUR)	Dec 31, 2019	Currency variations	Reclassifying	Increase	Decrease	June 30, 2020
Capitalized development costs	121 183	0	0	5 333	0	126 516
Other Intangible Fixed Assets	29 496	-193	0	2 158	-27	31 435
AMORTIZATION INTANGIBLE ASSETS	**150 680**	**-193**	**0**	**7 491**	**-27**	**157 951**
Buildings	34 382	-1 465	0	1 180	-158	33 938
Plants & Equipment	85 390	-4 429	-110	4 383	23	85 258
Other Fixed Assets	15 204	-521	0	739	8	15 431
Contracts right of use	4 937	-153	24	2 872	0	7 679
Impairment of assets	0	0	0	28 200	0	28 200
AMORTIZATION TANGIBLE ASSETS	**139 913**	**-6 568**	**-86**	**37 374**	**-127**	**170 506**

Net value of fixed assets

('000 EUR)	Dec 31, 2019	June 30, 2020
Capitalized development costs	66 717	61 384
Other Intangible Fixed Assets	11 082	10 873
INTANGIBLE ASSETS	**77 799**	**72 256**
Land	5 596	5 360
Buildings	36 155	33 964
Plants & Equipment	41 263	37 979
Other Fixed Assets	5 708	5 274
Fixed assets in progress	15 582	16 559
Advanced payments on fixed assets	23 346	23 054
Contracts right of use	45 392	41 492
Impairment of assets	0	-28 200
TANGIBLE ASSETS	**173 043**	**135 482**

4.1 Test de dépréciation

Given the scale of the downturn in activity, which itself is an indication of risk of impairment, the Group reviewed all its cash-generating units (CGUs) in the first half of 2020.

The main CGUs identified and tested are the UGTs « Aerostructures » and « Interconnexion systems ».

The main assumptions used in determining the value in use of CGUs are as follows:

- expected future cash flows are determined on the basis of a four or fiive years forecast of the CGU tested ;
- operating forecasts used to determine expected future cash flows take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macroeconomic assumptions ;
- the value in use of CGUs in each scenario is equal to the sum of these discounted estimated future cash flows plus a terminal value, calculated by applying the growth rate expected for the relevant businesses to standardized cash flows representing long-term business activity ;
- the growth rate used to calculate terminal value was set at 2% for all CGUs (2% in 2019) ;
- the benchmark discount rate used is 9.6%, and is applied to post-tax cash flows (8.4% in 2019).

The forecasts and assumptions used have been adjusted with the latest forecasted approved financial information presented to the Board of Directors meeting on August 13, 2020.

This results in a depreciation of the assets of the "Aerostructures" CGU for an amount of € 28.2 million. The allocation of this depreciation by type of tangible asset will be made during the second half of 2020.

In addition, a sensitivity study on the "Aerostructures" CGU was carried out by changing the main assumptions of discount rates and infinite growth, presented below:

		WACC		
	in M€	**9,1%**	**9,6%**	**10,1%**
Growth rate	**1,5%**	2,3	-11,7	-24,0
	2,0%	15,8	0,0	-13,8
	2,5%	31,4	13,3	-2,3

A sensitivity analysis was also performed on the operating margin of the terminal value. A 50 basis point drop in the operating margin for the terminal value would lead to the recognition of an additional depreciation of € 10.0 million. On the opposite, a 50 basis point increase in the terminal value operating margin would lead to a decrease in impairment of € 10.0 million.

On the “Interconnexion Systems” CGU, the variation in the discount rate of +/- 0.5% and the variation in the perpetual growth rate of +/- 0.5% did not lead to values in use lower than the net book values.

NOTE 5 INVENTORIES AND WORK-IN-PROGRESS

('000 EUR)	June 30, 2020			Dec 31, 2019			Variation		
	Gross	Provision	Net	Gross	Provision	Net	Gross	Provision	Net
Industrial Inventories	192 345	-16 033	176 312	192 865	-13 109	179 757	-521	-2 924	-3 445

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

NOTE 6 FINANCIAL ASSETS

Fair value of financial assets

The fair value of financial assets recorded at amortized cost is close to the carrying amount.

The Group distinguishes three categories of financial instruments according to the consequences that their characteristics have on their valuation method and bases itself on this classification in order to disclose some of the information required by IFRS 7:

- Level One "Market Price" category: financial instruments quoted on an active market;
- Level Two "Model with observable parameters" category: financial instruments whose valuation uses valuation techniques based on observable parameters;
- Level Three "Model with non-observable parameters".

('000 EURO)	Amortized cost	Financial assets at fair value through profit and loss	Hedging instruments	June 30, 2020	Fair value
Non current financial assets	3 499			3 499	
Trade receivables and other receivables	86 397			86 397	
Financial instruments		0	2 909	2 909	2 909
Cash and cash equivalent	44 451	0		44 451	0
TOTAL FINANCIAL ASSETS	**134 348**	**0**	**2 909**	**137 257**	**2 909**

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments		2 909		2 909
TOTAL	**0**	**2 909**	**0**	**2 909**

('000 EURO)	Amortized 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
TOTAL FINANCIAL ASSETS	**195 328**	**0**	**2 917**	**198 245**	**2 917**

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments		2 917		2 917
TOTAL	**0**	**2 917**	**0**	**2 917**

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

NOTE 7 RECEIVABLES AND OTHER CURRENT ASSETS

('000 EURO)	June 30, 2020	Dec 31, 2019
Advanced payments	3 230	2 690
Trade receivables*	66 714	134 625
Group current account	0	0
Tax receivables	11 180	16 241
Other current receivables	5 273	4 283
TOTAL RECEIVABLES	**86 397**	**157 839**
Prepaid expenses	2 723	2 210
Other current assets	21	22
TOTAL OTHER CURRENT ASSETS	**2 745**	**2 232**

(*) At June 30, 2020, the amount of trade receivables assigned to the factor was €19.1 million. The amount financed by the factor on the basis of the assigned receivables amounted to €5.7 million. At December 31, 2019, the amount of receivables assigned to the factor amounted to €85.6 million. The amount financed by the factor on the basis of the assigned receivables amounted to €75.3 million.
As the Group remains responsible for collection of assigned customer receivables, these receivables continue to appear in assets.

NOTE 8 DERIVATIVE INSTRUMENTS

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

('000 EURO)	Balance sheet position		Notional*	Maturity		
	Assets	Liabilities		< 1 year	From 1 to 5 years	> 5 years
Derivative instruments not designed as a hedge:						
- Accumulator EUR/USD	0	1 050	26 790	24 647	2 143	0
- KO EUR/USD	0	2 569	80 371	80 371	0	0
- Currency option contracts EUR/USD	0	13 490	152 706	152 706	0	0
			0	0	0	0
Cash flow hedging:						
- Forward currency contracts BRL/USD	0	1 338	6 698	6 698	0	0
- Forward currency contracts MXN/USD	0	1 007	6 714	6 714	0	0
- Forward currency contracts CZK/EUR	0	272	59 882	22 200	37 682	0
- Forward currency contracts EUR/USD	2 909	31 466	676 326	628 460	47 866	0
Foreign currency Derivative instruments	**2 909**	**51 191**				
Financial instruments not designed as a hedge	0	17 108	259 868	257 725	2 143	0
Cash flow hedging	2 909	34 083	749 620	664 072	85 548	0
TOTAL OF DERIVATIVES INSTRUMENTS	**2 909**	**51 191**				
of which non current derivative instruments	391	1 500				
of which current derivative instruments	2 519	49 691				

*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)	June 30, 2020	Dec 31, 2019
Equity - Hedging instruments (net of tax) at the opening date	**-21 883**	**-9 424**
Equity change for the effective portion	16 114	-1 324
Reclassification in net result of the period (*)	-15 065	-17 630
Translation differences	60	-18
Deferred tax variation	-794	6 513
Equity - Hedging instruments (net of tax) at the closing date	**-21 567**	**-21 883**

(*) of which € -10.8 million negatively impacted the Group's revenue and € -2.7 million the Group's fianncial result as of June 30, 2020 (versus € -19.3 million in the Group's revenue as of December 31, 2019)

Impact of derivative instruments to which hedge accounting is not applied

('000 EURO)	June 30, 2020	Dec 31, 2019
Fair value at the opening date	**-16 354**	**-8 730**
Impact first application of IFRS 9 on opening date	0	0
Recorded through income statement before Taxes	-755	-7 623
Fair value at the closing date	**-17 108**	**-16 354**

NOTE 9 SHAREHOLDERS' EQUITY

9.1 Breakdown of Capital

	June 30, 2020	Dec 31, 2019
Number of shares	94 818 518	94 818 518
Nominal value of each share (in euro)	2,00	2,00
Share Capital	189 637 036	189 637 036

	June 30, 2020	Dec 31, 2019
Averaged issued shares	94 818 518	94 578 580
Averaged treasury shares	39 709	30 109
Weighted average shares (a)	**94 778 809**	**94 548 471**
Dilutive impact performance scheme (b)	743 300	1 338 890
Total of shares diluted (a+b)	**95 522 109**	**95 887 361**
Net result - Group Share (in euro)	**-94 016 357**	**-32 864 227**
Earnings per share (in euro)	-0,99	-0,35
Diluted earnings per share (in euro)	-0,98	-0,34

All shares were fully paid.

9.2 Treasury Shares

Number of shares	Dec 31, 2019	Acquisitions	Disposals	June 30, 2020	% of ownership
LATECOERE Shares	31 224	337 307	337 722	30 809	0,03%

('000 EURO)	Dec 31, 2019	Acquisitions	Disposals	June 30, 2020	Average purchase price
LATECOERE Shares	120	815	866	69	2,87

NOTE 10 CURRENT AND NON-CURRENT PROVISIONS

('000 EURO)	Dec 31, 2019	Increase	Write-backs	Reclassifying	Currency variations	June 30, 2020
Non-current provisions	8 876	2 610	-3 556	-227	-270	7 432
Provisions for restructuring (non current)	0					0
TOTAL non current provisions	**8 876**	**2 610**	**-3 556**	**-227**	**-270**	**7 432**
Current provisions	1 030	1 013	0		0	2 043
Provisions for restructuring (current)	967	700	-91			1 576
TOTAL current provisions	**1 997**	**1 713**	**-91**	**0**	**0**	**3 619**

NOTE 11 EMPLOYEE BENEFITS

('000 EURO)	June 30, 2020	Dec 31, 2019
Retirement bonus	18 106	17 519
Long-service medals	3 242	2 881
TOTAL	**21 347**	**20 400**

The pension obligations and commitments for long-service medals recognized at 30 June 2020 were evaluated based on parameters used in a calculation at December 31, 2019.

NOTE 12 FINANCIAL LIABILITIES

12.1 Detail of Financial liabilities

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel liabilities	June 30, 2020	Fair value
Refundable Advances			24 865	24 865	N/A(*)
EIB loan (European Investment Bank)			55 000	55 000	55 000
State guaranteed loan			60 000	60 000	60 000
Factoring			2 811	2 811	2 811
Lease liabilities			40 295	40 295	40 295
Unsecured banking facility and other			10 381	10 381	10 381
Other non-current liabilities			2 298	2 298	2 298
Derivated financial instruments	17 108	34 083		51 191	51 191
Accounts payable			116 095	116 095	116 095
TOTAL FINANCIAL LIABILITIES	**17 108**	**34 083**	**311 745**	**362 936**	**338 071**

*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	51 191	0	51 191
TOTAL	**0**	**51 191**	**0**	**51 191**

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel liabilities	31 déc. 2019	Fair value
Refundable Advances			25 459	25 459	N/A(*)
EIB loan (European Investment Bank)			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
Derivated financial instruments	16 354	35 139		51 493	51 493
Accounts payable			146 292	146 292	146 292
TOTAL FINANCIAL LIABILITIES	**16 354**	**35 139**	**325 945**	**377 438**	**351 979**

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

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

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments	0	51 493	0	51 493
TOTAL	**0**	**51 493**	**0**	**51 493**

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

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

12.2 Loans and Bank borrowings

('000 EURO)	June 30, 2020	Dec 31, 2019
Bank loans - non current	60 000	55 000
Lease liabilities - non current (*)	34 840	37 254
Autres dettes financières	6 064	5 936
Non-current liabilities	**100 904**	**98 190**
Bank loans - current (**)	55 000	0
Factoring	2 811	41 630
Lease liabilities - current (*)	5 455	5 503
Other short term credit	4 317	4 233
Current liabilities	**67 583**	**51 366**
TOTAL OF LOAN AND BANK BORROWINGS	**168 487**	**149 556**

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

(**) See note 12.3 for more information on the reclassifying of € 55 million in bank loans - current

('000 EURO)	Currency	Interest rate	Maturity	June 30, 2020	
				Notional	Actual
EIB loan (European Investment Bank)	EURO	EURIBOR + margin	2024	55 000	55 000
State guaranteed loan	EURO	N/A	N/A	60 000	60 000
Factoring	EURO/USD	EURIBOR + margin	2020	100 000	2 811
Rental obligations debts	N/A(*)	N/A	N/A	N/A	40 295
Unsecured banking facility and other	EURO	EURIBOR + margin	N/A	10 381	10 381
TOTAL OF LOAN AND BANK BORROWINGS				**253 981**	**168 487**

(*) Multi-currencies

Debt reconciliation related to the factor (factoring) :

('000 EURO)	June 30, 2020	Dec 31, 2019
Receivables sold to the factor	19 124	85 573
Financing obtained from the factor	5 709	75 263
Cash available from the factor	-2 898	-33 633
DEBT - FACTORING	**2 811**	**41 630**

12.3 Financial ratios ("covenants")

Financial commitment on the loan of the European Investment Bank

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

They have not been fulfilled as at June 30, 2020.

A request for non-application of the waiver clause was submitted to the EIB in June. The agreement in principle was obtained mid-July subject to obtaining additional financing (State guaranteed loan and shareholder loan) currently under negotiation. As this agreement took place after June 30, the corresponding debt (€ 55 million) was reclassified as current financial debt.

Financial commitment on the factoring contract

The factoring contract includes financial covenants that commit the Group to i) respect a minimum level of adjusted economic EBIT, calculated quarterly on a rolling 12-month basis and ii) to respect a minimum level of cash, measured monthly.
At June 30, 2020 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.
An amendment to the contract was signed in August, of which the main measures are:

- the elimination of financial covenants
- the establishment of a subcontracting reserve
- an increase in the factoring and financing commission

NOTE 13 PAYABLES AND OTHER LIABILITIES

('000 EURO)	June 30, 2020	Dec 31, 2019	Var
Trade payables	63 730	98 360	-34 630
Employee related liabilities	37 830	31 671	6 159
State payables	6 928	5 971	956
Credit balance on trade receivables and advance payments from customers	6 034	10 131	-4 098
Other creditors	1 573	159	1 414
ACCOUNTS PAYABLE	**116 095**	**146 292**	**-30 198**

NOTE 14 TAXES

14.1 Income Tax Receivable

The amount recorded at June 30, 2020 for € 15.9 million corresponds to tax credits for € 14.1 million (primarily, the research-based tax credit and the competitiveness and employment tax credit (CICE)).

14.2 Deferred Taxes

('000 EURO)	June 30, 2020	Dec 31, 2019
Deferred tax assets	10 279	20 433
Deferred tax liabilities	-12	-30
DEFERRED TAX AT OPENING	**10 267**	**20 402**
Deferred tax Income (Expense) recognised in P&L	-10 470	-2 364
Deferred tax variation recognised directly in equity	407	-7 771
DEFERRED TAX AT CLOSING	**204**	**10 267**
Of which Deferred tax assets	226	10 279
Of which Deferred tax liabilities	-23	-12

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

('000 EURO)	June 30, 2020	Dec 31, 2019
Tangible and intangible assets	-2 336	-2 805
Financial instruments	15 728	17 623
Retirement bonus	5 898	5 702
Other provisions (regulated provision)	-2 729	-2 153
Loan and bank borrowings	134	443
Loss carry-forwards	0	10 074
Other	-190	-1 526
GROSS DEFERRED TAX ASSETS (LIABILITIES)	**16 506**	**27 358**
Capping of deferred tax assets (*)	-16 302	-17 092
NET DEFERRED TAX ASSETS (LIABILITIES)	**204**	**10 267**

(*) Of which € 0.8 million by equity (€ -14,2 million by equity and € -2,9 million by result in 2019)

As of June 30, 2020, the recoverability of deferred tax assets was assessed based on the latest information available and resulting from the COVID-19 pandemic. This led to the impairment of loss carried-forward amounting to 10.1 million euros, still recognized as an asset on the balance sheet.

NOTE 15 RAW MATERIALS, OTHER PURCHASES & EXTERNAL CHARGES

('000 EURO)	June 30, 2020	June 30, 2019
Raw material consumed	-50 983	-99 560
Cost of goods sold	-140	-168
Sub-contracting	-64 343	-100 498
External charges	-33 009	-50 737
RAW MATERIAL, OTHER PURCHASES & EXTERNAL CHARGES	**-148 475**	**-250 964**

NOTE 16 OTHER OPERATING INCOME

At June 30, 2020, the other income for € 10.5 million includes in particular tax credit (research-based tax credits and CICE-crédit d'impôt pour la compétitivité et l'emploi) for € 4.1 million, own work capitalized for € 2.1 million and operating expenses transferred for € 4.0 million.

NOTE 17 OTHER NON RECURRING INCOME AND EXPENSES

At June 30, 2020, other non-recurring income (€ 0.6 million) and expenses (-€ 35.2 million) amounted to -€ 34.6 million and involved :

- the capital gain on the sale of a real estate complex of +€0.6 million;
- conversion and depolution costs for the historic Toulouse site (Périole site) and industrial transfer towards other French sites for -€1.5 million;
- rationalization and growth operations costs of -€2.8 million;
- industrial transfer costs to the new production site in Bulgaria for -€0.1 million;
- costs related to the creation of the factory of the future located near Toulouse (Montredon) for -€0.9 million;
- costs related to restructuration plans for -€1.7 million;
- impairment of assets for -€28.2 million.

NOTE 18 DETAILS OF FINANCIAL INCOME

('000 EURO)	June 30, 2020	June 30, 2019
Net Cost of debt	-1 599	-2 667
Of which financial charges related to interest-bearing liabilities	-1 663	-2 897
Of which financial income related to cash and cash equivalents	64	229
Foreign Exchange gains/losses	-9 830	-1 298
Change in fair value of financial instruments	-755	-3 876
Other financial expenses	-1 299	-440
Other financial income	188	392
FINANCIAL RESULT	**-13 295**	**-7 890**
Of which financial charges	-28 475	-20 098
Of which financial income	15 180	12 209

NOTE 19 INCOME TAXES

('000 EURO)	June 30, 2020	June 30, 2019
Current income taxes	-1 658	-2 207
Deferred taxes	-10 470	1 239
TOTAL	**-12 128**	**-968**

NOTE 20 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

20.1 Financial Commitments

The Group's financial commitments and contingent liabilities did not change significantly during H1 2020.

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

Within the framework of its operation, the Group is caused to set up operating leases. The main contracts are the following:

- leasing of vehicles;
- leasing of computer and office equipment (general and technical office data processing equipment, photocopiers, fax machines, etc.);
- other leasing (as needed).

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

20.3 Other Contingent Liabilities

At 30 June 2020, the Group has not identified any other significant contingent liabilities.

NOTE 21 SUBSEQUENT EVENTS

Since June 30, 2020 and until September 16, 2020, when the Board of Directors approved the financial statements, there has been no event likely to have a significant impact on the economic decisions made on the basis of present financial statements.

4 STATEMENT BY THE PERSON RESPONSIBLE FOR THE REPORT

"I hereby declare that, to the best of my knowledge, the condensed financial statements for the first-half 2020 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the company and of the consolidated entities; and that the half-year report set forth in chapter 1 of this report, includes a fair review of the important events which occurred during the first six months of the year, their impact on the financial statements for the half year, the principal transactions between related parties together with a description of the principal risks and uncertainties for the remaining six months of the year."

Toulouse, the 16th of September 2020

Philip Swash
Chief Executive Officer

5 STATUTORY AUDITORS' REPORT ON THE 2020 CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

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

From the period from January 1 to June 30, 2020

To the Shareholders,

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

- the review of the accompanying condensed half-yearly consolidated financial statements of Latécoère S.A., for the period from January 1 to June 30, 2020.
- the verification of the information presented in the half-yearly management report.

These condensed half-yearly consolidated financial statements are the responsibility of the Board of Directors on September 16, 2020, on the basis of the information available on that date in an evolving context of the crisis linked to Covid-19 and difficulties in understanding its impacts and the consequences and future prospects. Our role is to express a conclusion on these financial statements based on our review.

I. Conclusion on the financial statements

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

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

Without qualifying our conclusion, we draw your attention to the matter set out in note 1.4 "Impact of the Covid 19 pandemic "to the condensed half-yearly consolidated financial statements which sets out, in the context of the health crisis facing the aeronautics sector, the measures implemented by the Group, the aid mechanisms deployed by the French State, as well as the impact on the condensed half-yearly consolidated financial statements at June 30, 2020.

II. Specific verification

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

Labège, September 18, 2020
KPMG Audit
Department of KPMG S.A.

Eric Junières
Partner

Neuilly-sur-Seine, September 18, 2020
Grant Thornton
Member of Grant Thornton international

Pascal Leclerc
Partner

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