Consolidated financial statements at December 31, 2020

Consolidated statement of financial position

('000 EURO)	Notes	Dec 31, 2020	Dec 31, 2019
Intangible assets	4.1	56 022	77 799
Tangible assets	4.1	154 155	173 043
Other financial assets		4 291	3 698
Deferred tax assets	14.2	684	10 279
Financial derivative instruments	8.1	0	1 020
Other non-current assets		129	168
TOTAL NON-CURRENT ASSETS		**215 282**	**266 007**
Inventories	5	115 122	179 757
Accounts receivable	7	65 269	157 839
Tax receivable	14.1	11 509	16 003
Financial derivative instruments	8.1	3 347	1 897
Other current assets		1 816	2 232
Cash & Cash Equivalents	6	77 614	33 790
TOTAL CURRENT ASSETS		**274 676**	**391 518**
TOTAL ASSETS		**489 957**	**657 525**

('000 EURO)	Notes	Dec 31, 2020	Dec 31, 2019
Share capital	9.1	189 637	189 637
Share premium		213 658	213 658
Treasury stock		-455	-1 842
Other reserves		-177 595	-147 486
Derivatives future cash flow hedges		509	-21 883
Group net result		-189 566	-32 864
EQUITY ATTRIBUTABLE TO PARENT OWNERS		**36 188**	**199 220**
NON-CONTROLLING INTERESTS		0	0
TOTAL EQUITY		**36 188**	**199 220**
Loans and bank borrowings	12.1	215 546	98 190
Refundable Advances	12.2	22 359	22 824
Employee benefits	11	17 770	20 400
Non-current provisions	10	26 445	8 876
Deferred tax liabilities	14.2	29	12
Financial derivative instruments	8.1	0	8 205
Other non-current liabilities		3 650	4 638
TOTAL NON-CURRENT LIABILITIES		**285 799**	**163 146**
Loans and bank borrowings (less than 1 year)	12.1	9 707	51 366
Refundable Advances	12.2	2 254	2 634
Current provisions	10	18 096	1 997
Accounts payable	13	89 480	146 292
Income tax liabilities		2 745	1 918
Contracts liabilities		38 982	43 609
Other current liabilities		3 844	4 055
Financial derivative instruments	8.1	2 863	43 288
TOTAL CURRENT LIABILITIES		**167 970**	**295 159**
TOTAL LIABILITIES		**453 769**	**458 305**
TOTAL EQUITY & LIABILITIES		**489 957**	**657 525**

The audit procedures have been completed. Auditors' report will be issued after the review of the "annual financial report"

Consolidated income statement

('000 EURO)	Notes	Dec 31, 2020	Dec 31, 2019
Revenue	15	413 232	713 098
Other operating revenue		497	526
Change in inventory: work-in-progress & finished goods		-24 426	-15 315
Raw material, Other Purchases & external charges	16	-263 544	-459 211
Personnel expenses	16	-158 200	-203 885
Taxes		-5 940	-8 902
Amortization		-31 879	-35 796
Net operating provisions charge	16	-12 246	829
Net depreciation of current assets	16	155	3 614
Other operating income	16	13 486	20 306
Other operating expenses		-5 615	-3 431
RECURRING OPERATING INCOME		**-74 478**	**11 833**
Other non-recurring operating income and expenses	17	-98 304	-21 426
OPERATING INCOME		**-172 783**	**-9 593**
Net Cost of debt		-3 854	-5 261
Foreign Exchange gains/losses		-13 470	-3 567
Change in fair value of financial derivative instruments		16 240	-7 623
Other financial incomes and expenses		-1 574	-928
FINANCIAL RESULT	18	**-2 657**	**-17 380**
Income tax	20	-14 127	-5 892
NET RESULT FOR THE PERIOD		**-189 566**	**-32 864**
• Of which, Owners of the parent		-189 566	-32 864
• Of which, Non-controlling interests		0	0
NET RESULT (Group share) FOR THE PERIOD PER SHARE			
• Earnings per share	9.1	-2,00	-0,35
• Diluted earnings per share	9.1	-2,00	-0,35

The audit procedures have been completed. Auditors' report will be issued after the review of the "annual financial report"

Consolidated comprehensive income statement

('000 EURO)	Dec 31, 2020	Dec 31, 2019
NET RESULT FOR THE PERIOD (1)	**-189 566**	**-32 864**
OTHER COMPREHENSIVE INCOME:		
- Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain or loss for year relating retirements benefits	564	-2 122
Others (*)	194	0
Income tax related to items that will not be reclassified to profit or loss	-194	731
- Items that will be reclassified subsequently to profit or loss:		
Translation differences	-7 483	441
Financial instruments (cash flow hedging) : change in fair value and transfer in profit and loss	32 902	-18 976
Other components of comprehensive income (*)	9 675	-12 440
Income tax related to items that may be reclassified to profit or loss	-10 510	6 517
TOTAL OTHER COMPREHENSIVE INCOME (2)	**25 147**	**-25 849**
TOTAL COMPREHENSIVE INCOME (1+2)	**-164 419**	**-58 713**

(*) Including € +9.9 million of deferred taxes capping (see note 14 on taxes)

Consolidated statement of cash-flow

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Net result for the period	-189 566	-32 864
Adjustments related to non-cash activities :		
Depreciation and provisions	85 126	34 578
Fair value gains/losses	-16 240	7 623
Net (gains)/losses on disposal of assets	116	-1 342
Other non-cash items	1 445	1 528
CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES	**-119 119**	**9 522**
Income taxes	14 127	5 892
Net Cost of debt	3 854	5 265
CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES	**-101 139**	**20 679**
Changes in inventories net of provisions	57 799	757
Changes in client and other receivables net of provisions	93 490	39 781
Changes in suppliers and other payables	-60 098	-32 329
Income tax paid	-2 628	-5 707
CASH FLOWS FROM OPERATING ACTIVITIES	**-12 575**	**23 182**
Effect of changes in group structure	51	378
Purchase of tangible and intangible assets (including changes in payables to fixed asset suppliers)	-12 687	-58 714
Increase (decrease) in loans and advances made	-583	-215
Proceeds from sale of tangible and intangible assets	669	2 344
Dividends received	3	4
CASH FLOWS FROM INVESTING ACTIVITIES	**-12 547**	**-56 203**
Proceeds from issue of shares	0	-1 203
Purchase or disposal of treasury shares	1 388	-3 429
Proceeds from borrowings	124 362	10 000
Repayments of lease liabilities	-5 817	-5 082
Financial interest paid	-3 761	-5 563
Flows from refundable advances	-846	-1 448
Other flows from financing operation	-45 516	-34 343
CASH FLOW FROM FINANCING ACTIVITIES	**69 809**	**-41 068**
Effects of exchange rate changes	-860	-253
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**43 827**	**-74 342**
Opening cash and cash equivalents position	33 762	108 103
Closing cash and cash equivalents position	77 589	33 762

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	Total shareholders' equity restated		
							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
Capital variations	147	-1 350					-1 203		-1 203
Share-based payments							0		0
Transactions on treasury stock			-3 429				-3 429		-3 429
Other variations									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**		**-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		441
Conversion option embedded in convertible bonds							0		0
Other variations (*)				-13 831			-13 831		-13 831
Other comprehensive income (2)	**0**	**0**	**0**	**-13 831**	**-12 459**	**441**	**-25 849**	**0**	**-25 849**
									0
TOTAL COMPREHENSIVE INCOME (1)+(2)	**0**	**0**	**0**	**-46 695**	**-12 459**	**441**	**-58 713**	**0**	**-58 713**
									0
Dec 31, 2019	**189 637**	**213 658**	**-1 842**	**-171 747**	**-21 883**	**-8 603**	**199 220**	**0**	**199 220**
Capital variations							0		0
Share-based payments							0		0
Transactions on treasury stock			1 388				1 388		1 388
Dividends							0		0
Transactions with owners	**0**	**0**	**1 388**	**0**	**0**	**0**	**1 388**	**0**	**1 388**
Net result for the period (1)				**-189 566**			**-189 566**	**0**	**-189 566**
Financial instruments (cash flow hedging): change in fair value and transfer in profit and loss					22 392		22 392		22 392
Financial instruments: translation differences							0		0
Translation differences: change and transfer in profit and loss						-7 483	-7 483		-7 483
Other variations (**)				10 238			10 238		10 238
Other comprehensive income (2)	**0**	**0**	**0**	**10 238**	**22 392**	**-7 483**	**25 147**	**0**	**25 147**
									0
TOTAL COMPREHENSIVE INCOME (1)+(2)	**0**	**0**	**0**	**-179 328**	**22 392**	**-7 483**	**-164 419**	**0**	**-164 419**
									0
Dec 31, 2020	**189 637**	**213 658**	**-455**	**-351 074**	**509**	**-16 087**	**36 188**	**0**	**36 188**

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

(**) Including € +9.9 million of deferred taxes capping (see note 14 on taxes)

Notes to the consolidated financial statements

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, 2020, 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 15, 2021 and on April 12, 2021. They will be submitted to the Ordinary General Meeting.

NOTE 1 ACCOUNTING POLICIES

1.1 Basis of Preparation of the Financial Statements

The 2020 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, 2020.

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

New IFRS standards, amendments and interpretations effective as of January 1, 2020:

- Amendments to IFRS standards following the publication of the conceptual framework
- Amendments to IAS 1 « Presentation of Financial Statements » and IAS 8 « Accounting Policies, Changes in Accounting Estimates and Errors » ;
- Amendments to IFRS 3 « Business combinations » ;
- Amendments to IFRS 7 « Financial Instruments : Disclosures » and Amendments to IFRS 9 « Financial Instruments » ;
- Amendments to IFRS 16 «COVID-19-related Rent concessions»

The Group noted the IFRIC decision of December 2019 regarding IFRS 16, specifically concerning the terms of leases with automatic renewal clauses. The Group identified and analyzed the leases affected by this decision during 2020. The terms of these leases were adjusted wherever necessary in accordance with the IFRIC guidance.
The impact was not material for the Group at December 31, 2020.

The other standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2020 do not have a material impact on the Group's consolidated financial statements.

New published IFRS standards, amendments and interpretations adopted in advance 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:

- Amendments to IAS 1 « Presentation of financial statements » - Classification of liabilities as current or non-current;
- Amendments to IAS 28 « Investments in associates and joint ventures » and to IFRS 10 « Consolidated financial statement » - Sale or contribution of assets between an investor and its associate or joint venture;
- Annual Improvements to IFRS (2018-2020 cycle);
- Amendments to IAS 16 « Property, Plant and Equipment » - Proceeds before intended use;
- Amendments to IFRS 3 « Business Combinations » - Updating a reference to the conceptual framework;
- Amendments to IAS 37 « Provisions, contingent liabilities and contingent assets » - Cost of fulfilling a contract;
- Amendments to IFRS 9, IAS 39, IFRS 7 « Potential consequences of IBOR reform on financial information »;
- Amendments to IAS 8 « Definition of accounting estimates ».

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.

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);
- The recoverable value of intangible and tangible assets as well as their useful life (Note 4);
- Provisions on inventory (Note 5);
- The fair value of financial instruments (Note 8).
- Provision (note 10)
- Employee benefits (Note 11);
- Deferred tax assets (Note 14);

At December 31, 2020, 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 closing date are translated by applying the exchange rate at such date. Foreign currency differences for commercial transactions are recognized in the result.

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 "Other non-recurring operating income and expenses".

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 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 (after 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 after-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, case by case depending on the risk of recoverability.

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"), are 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 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 Lease (IFRS 16)

All property leases together with the Group’s main leases of groups of assets (vehicles, handling equipment, etc.) are accounted for in accordance with IFRS 16.
At the commencement of the lease:
- a lease liability is recognized for the present value of the lease payments to be made over the estimated term of the lease (fixed payments, plus variable lease payments that depend on an index or rate plus amounts expected to be payable by the lessee under residual value guarantees plus the exercise price of a purchase or extension option if the lessee is reasonably certain to exercise that option plus payments of penalties for terminating the lease, unless these are unlikely);
- a right-of-use asset is recognized for the amount of the lease liability, plus the amount of any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee (fees and commission) and an estimate of costs to be incurred in dismantling and removing the asset and/or restoring the site on which it is located or restoring the asset to the condition required by the lease.

The term of the lease is determined taking into account contractual provisions and provisions resulting from applicable laws and regulations. A nine-year term was initially adopted for “3/6/9”-type commercial leases in France following the introduction of IFRS 16. In December 2019, the IFRIC issued an agenda decision stating that the term to be used to measure lease assets and liabilities had to reflect the period during which the lessee is reasonably certain to continue the lease. The Group identified and analyzed its “3/6/9”-type commercial leases in 2020 and, where necessary, adjusted the lease terms in line with the IFRIC decision. The impact was not material for the Group.
After initial recognition of the lease:
- the lease liability is measured at amortized cost using the effective interest rate, which is equal to the discount rate initially applied;
- the right-of-use asset is depreciated on a straight-line basis over the term of the lease or over the useful life of the underlying asset if the purchase option is reasonably certain to be exercised. Where appropriate, an impairment loss may be recognized against the right-of-use asset.

In the event of a change in future lease payments resulting from a change in an index or rate used to determine those payments, the lease liability is remeasured using the initial discount rate. If the lease term is extended following the exercise of an extension option that was not initially taken into account, the lease liability is remeasured using a revised discount rate as determined at the date the option is exercised. In such cases, the change in the amount of the lease liability is recognized against a matching change in the amount of the right-of-use asset.

In accordance with the practical expedients offered by the standard, the Group has chosen not to apply IFRS 16 to short-term leases or leases of low-value assets. Payments made under such leases are expensed over the term of the lease.

1.18 Financial assets and liabilities

The Group applies IAS 32, IFRS 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.

1.19 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.

1.20 Accounts payable

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

1.21 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.

1.22 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.

1.23 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.

1.24 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.

1.25 Other income

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

1.26 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 and/or material nature.

Other non-recurring income may include especially 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 especially 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 17 provides details on other non-recurring operating income and expenses items for the 2020 fiscal year.

1.27 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.

1.28 Impact linked to the Covid-19 health crisis

The aeronautics market has suffered in full force the effects of the Covid-19 crisis, with a collapse in global air traffic in 2020, which has led all aircraft manufacturers to sharply downward revise their delivery programs. Thus, all of the Group's activities have been very strongly impacted by this health crisis.
- For the Aerostructures segment, activity decreased by -44% (-43% in organic growth) impacted by the significant drops in deliveries of all the branch's programs.
- For the Interconnection Systems segment, the activity also suffered a significant drop of -39% (-37% in organic growth) marked by the drop in deliveries of the branch's programs and by the decrease in development activity.

After having implemented health protocols aimed at ensuring a working environment adapted to the crisis for its employees, the Group delivered its customers throughout the year and without disruption to its production lines.

Adaptation Plan

To adapt to this new environment, the Group immediately implemented a plan to reduce operating expenses and guarantee business continuity, resulting in:

- An adjustment in the headcount (mainly outside France) to 4,169 people at December 31, 2020, a decrease of 20% compared to December 31, 2019
- A decrease in purchases of raw materials and consumed goods by -43%, in subcontracting by -44%
- A reduction in external charges of -37% mainly composed of fixed charges demonstrating the Group's ability to adapt to the sudden drop in its activity
- A significant decrease in its investments of - € 22.8m from € 35.3m in 2019 to € 12.5m (excluding the impact relating to the acquisition of Bombardier's activities for an amount of € 22.3m recognized in 2019)

In addition, in order to adapt its cost structure, the Group announced on September 25, 2020 a strategic plan for the transformation and organization of the company in France which would lead in particular to the reduction of 475 positions within the two companies, Latécoère and Latelec.

Negotiations with employee representative bodies led to the signing, in mid-January 2021, of two agreements relating to the implementation of long-term partial activity (APLD) over a period of two years, making it possible to decrease the number of job cuts to 246.

As of December 31, 2020, on this basis, the Group recognized a restructuring provision for an amount of € 20 million as a non-current expense (see Note 10 and 17).

On January 29, 2021, an agreement was concluded between management and the trade unions and validated by DIRECCTE on February 23, 2021 and now provides for:
- the decrease of 246 positions
- 158 proposals for changes to the employment contract for economic reasons
- the creation of 33 positions, in addition to the 32 currently vacant positions

Business continuity and liquidity

During fiscal year 2020, the Group obtained “PGE” loans (Loans Guaranteed by the French State) with a group of banks for a total amount of 88 million euros and a shareholder loan for an amount of 35 million euros.

As of December 31, 2020, the Group had cash of 77.6 million euros, enabling it to meet its short-term cash payments. Nevertheless, for the sake of anticipation, and in view of an activity forecast to decline in 2021 compared to that of 2020, the Group has updated its cash flow forecasts over a rolling 12-month period. These forecasts are subject to several uncertainties, including the level of activity and the timing of expenditure for the adaptation plan, and therefore include the establishment of additional financing, the terms and conditions of which are currently under discussion. Thus, in the first quarter of 2021, the Group is studying with its banking and financial partners the establishment of new financing enabling it to cover its identified liquidity needs over the 2021-2025 period, including the needs arising from the deadlines of repayment of its PGE debt (from 2022). This new financing would include a new tranche of PGE loans for a maximum amount of 130 million euros, as well as alternative financing for indicative amounts of 70 million euros; among these, there is the implementation of leases on certain real estate assets in France and abroad and the setting up of secure financing on the Group's inventories. Obtaining this funding is necessary to enable the Group to implement its transformation plan for 2021 and 2022.

In this context of uncertainty, the Group has prepared alternative cash forecasts on a 12-month rolling basis, including in particular a partial obtaining assumption of these additional funding and a shift of their implementation, and measures cash flow optimization.
Based on these alternative cash flow forecasts, the Group would have sufficient liquidity to meet its short-term cash flow maturities.

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 financial statements as of December 31, 2020 on a going concern basis.

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.

In the second half of the year, the Group carried out an annual impairment test on all CGUs, once the data in the medium-term plan had been updated and validated by the top management.

In accordance with the methodology used within the Group, the value in use of the CGUs is calculated using cash flows forecast established over a period consistent with the life of the assets in each CGU. The forecasts and assumptions used are those adopted by the Group in the medium-term plan updated at the start of 2021 for the next five years.

They take into account the commercial information (order book and rates) provided by the different aircraft manufacturers and information from the aerospace market outlook.

As of December 31, 2020, these tests led to the recognition of a loss in value of the assets of the "Aerostructures" CGU of € 40.1 million, details of which can be found in note 4.3 "Impairment test".

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 operational income and expenses” mainly includes restructuring costs, rationalization costs in relation with the 2020 Transformation Plan, impairment losses.

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
Aerostructures segment:				
LATECOERE	France		**Parent company**	
LATECOERE do BRASIL	Brazil	100%	100%	Full consolidation
LATECOERE CZECH REPUBLIC s.r.o	Czech Republic	100%	100%	Full consolidation
LETOV LV a.s.	Czech Republic	100%	100%	Full consolidation
LATECOERE INC.	USA	100%	100%	Full consolidation
LATECOERE DEVELOPPEMENT	France	100%	100%	Full consolidation
LATECOERE BIENES RAICES	Mexico	100%	100%	Full consolidation
LATECOERE Mexico	Mexico	100%	100%	Full consolidation
LATECOERE Mexico Services	Mexico	100%	100%	Full consolidation
LATECOERE Bulgarie	Bulgaria	100%	100%	Full consolidation
Interconnection Systems segment:				
LATelec	France	100%	100%	Full consolidation
LATelec GmbH	Germany	100%	100%	Full consolidation
SEA LATelec	Tunisia	100%	100%	Full consolidation
LATelec Mexico	Mexico	100%	100%	Full consolidation
LATelec Mexico Services	Mexico	100%	100%	Full consolidation
LATsima	Morocco	100%	100%	Full consolidation
LATelec Interconnection Inc.	Canada	100%	100%	Full consolidation
Latécoère Interconnection Systems US	USA	100%	100%	Full consolidation
Latécoère Interconnection Systems UK	England	100%	100%	Full consolidation
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 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 2020

('000 EURO) *Dec 31, 2020*	Aerostructures	Interconnection Systems	Intersegment eliminations	Total
Revenue	250 133	186 026	-22 927	413 232
Inter-segment revenue	-21 709	-1 218	22 927	0
Consolidated revenue	**228 424**	**184 808**	**0**	**413 232**
Recurring EBITDA	-23 499	-19 190	89	**-42 599**
Recurring operating income	**-41 007**	**-33 560**	**89**	**-74 478**
Recurring operating income / revenue	*-16,4%*	*-18,0%*		*-18,0%*
Other non recurring operating income and expenses	**-76 938**	**-21 366**		**-98 304**
Operating income	**-117 946**	**-54 926**	**89**	**-172 783**
Net investments (excluding disposal result)	**-6 034**	**-6 452**	**0**	**-12 486**

Income statement by operational segments 2019

('000 EURO) *Dec 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
Consolidated revenue	**411 426**	**301 673**	**0**	**713 098**
Recurring EBITDA	26 847	20 780	2	**47 629**
Recurring operating income	**10 776**	**1 055**	**2**	**11 833**
Recurring operating income / revenue	*2,5%*	*0,3%*		*1,7%*
Other non recurring operating income and expenses	**-22 161**	**735**		**-21 426**
Operating income	**-11 385**	**1 790**	**2**	**-9 593**
Net investments (excluding disposal result)	**-24 310**	**-33 239**	**0**	**-57 549**

Balance sheet by operational segments 2020

('000 EURO) *Dec 31, 2020*	Aerostructures	Interconnection Systems	Intersegment eliminations	Total
Intangible fixed assets	7 121	48 901	0	56 022
Tangible fixed assets	100 031	54 124	0	154 155
Other financial assets	15 706	254	-11 669	4 291
TOTAL ASSETS	**122 857**	**103 280**	**-11 669**	**214 469**
Inventories	59 431	55 707	-16	115 122
Trade and other receivables	40 381	32 383	-7 496	65 269
Net debt	154 548	-2 840	-4 068	147 639
Accounts payable	63 693	31 024	-5 237	89 480
Contracts liabilities	11 824	27 158	0	38 982
Total Segment Assets	**295 169**	**214 498**	**-19 710**	**489 957**

Balance sheet by operational segments 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**

NOTE 4 FIXED ASSETS

4.1 Changes in fixed assets

Gross value of fixed assets

('000 EUR)	Dec 31, 2019	Currency variations	Reclassifying	Acquisitions	Disposals	Dec 31, 2020
Capitalized development costs	187 900	0	0	3 242	0	191 142
Other Intangible Fixed Assets	40 578	-156	5 040	4 215	-75	49 602
INTANGIBLE ASSETS	**228 478**	**-156**	**5 040**	**7 457**	**-75**	**240 743**
Land	5 596	-256	0	0	0	5 340
Buildings	70 537	-2 961	1 138	718	-159	69 274
Plants & Equipment	126 653	-5 598	6 563	3 292	-134	130 776
Other Fixed Assets	20 912	-639	62	551	-147	20 739
Fixed assets in progress	15 582	-118	-11 959	2 137	0	5 642
Advanced payments on fixed assets	23 346	-31	-301	627	-42	23 600
Contracts right of use	50 329	-1 532	-544	3 576	-683	51 146
TANGIBLE ASSETS	**312 956**	**-11 135**	**-5 040**	**10 901**	**-1 164**	**306 517**

('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
INTANGIBLE ASSETS	**223 332**		**0**	**48**	**1 256**	**4 018**	**-176**	**228 478**
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
TANGIBLE ASSETS	**223 752**	**2**	**19 918**	**2 019**	**-2 016**	**71 277**	**-1 996**	**312 956**

* 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, 2019	Currency variations	Reclassifying	Increase	Decrease	Dec 31, 2020
Capitalized development costs	121 183	0	0	29 866	0	151 049
Other Intangible Fixed Assets	29 496	-164	0	4 366	-27	33 672
AMORTIZATION INTANGIBLE ASSETS	**150 680**	**-164**	**0**	**34 232**	**-27**	**184 721**
Buildings	34 382	-1 405	-4 128	1 858	-154	30 552
Plants & Equipment	85 390	-4 150	0	9 592	-68	90 765
Other Fixed Assets	15 204	-531	0	1 430	-130	15 974
Contracts right of use	4 937	-150	4 128	6 165	-8	15 072
AMORTIZATION TANGIBLE ASSETS	**139 913**	**-6 237**	**0**	**19 045**	**-360**	**152 362**

('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
AMORTIZATION INTANGIBLE ASSETS	**131 807**	**54**	**0**	**18 983**	**-164**	**150 680**
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
AMORTIZATION TANGIBLE ASSETS	**123 142**	**964**	**0**	**16 795**	**-988**	**139 913**

Net value of fixed assets

('000 EUR)	Dec 31, 2019	Dec 31, 2020
Capitalized development costs	66 717	40 092
Other Intangible Fixed Assets	11 082	15 930
INTANGIBLE ASSETS	**77 799**	**56 022**
Land	5 596	5 340
Buildings	36 155	38 722
Plants & Equipment	41 263	40 011
Other Fixed Assets	5 708	4 765
Fixed assets in progress	15 582	5 642
Advanced payments on fixed assets	23 346	23 600
Contracts right of use	45 392	36 074
TANGIBLE ASSETS	**173 043**	**154 155**

('000 EUR)	Dec 31, 2018	Dec 31, 2019
Capitalized development costs	81 506	66 717
Other Intangible Fixed Assets	10 019	11 082
INTANGIBLE ASSETS	**91 525**	**77 799**
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
TANGIBLE ASSETS	**100 610**	**173 043**

* 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).

Following the impairment tests of assets carried out at December 31, 2020 which led to an impairment of € 40.1 million (see note 4.3), the development costs of the “Aerostructures” branch were depreciated for an amount of € 21.4 million. Thus, the amount capitalized as of December 31, 2020 amounts to € 40.1 million.

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 tangible and intangible assets in 2020 involved:

- Development costs for € 3.2 million, notably in connection with the development of the doors of the new Dassault Falcon for € 1.3 million and the development relating to the LIFI (Light Fidelity) activity for € 1.3 million;
- IT investments for € 4.2 million;
- Industrial equipment for 5.4 M € (including in particular the surface treatment line and riveting and machining machines);
- The rights of use from leases of buildings in various subsidiaries (€ 3.6 million).

4.2 Finance leases

(000 EUR)	Minimum future payments as of Dec 31, 2020				Present value of minimum future payments as of Dec 31, 2020			
	Less tan 1 year	From 1 to 5 years	Over 5 years	Total	Less tan 1 year	From 1 to 5 years	Over 5 years	Total
LATECOERE	1 443	5 791	11 069	18 304	1 127	4 766	8 316	14 209
TOTAL	**1 443**	**5 791**	**11 069**	**18 304**	**1 127**	**4 766**	**8 316**	**14 209**

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

4.3 Asset 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.

In the second half of the year, the Group carried out an annual impairment test on all CGUs, once the data in the medium-term plan had been updated and validated by the top management.

The main CGUs identified and tested are the UGTs « Aerostructures » and « Interconnection 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 five 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 1.5% 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.

This results in a depreciation of the assets of the "Aerostructures" CGU for an amount of € 40.1 million. The allocation of this depreciation has been recognized on intangible assets for € 21.4 million and on inventories (temporary overstock as of December 31, 2020) for € 18.7 million (see note 5).

In addition, a sensitivity study of depreciation 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	**1,0%**	4,0	-7,2	-17,1
	1,5%	12,4	0,0	-10,9
	2,0%	21,9	8,2	-3,8

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 € 8.6 million. On the opposite, a 50 basis point increase in the terminal value operating margin would lead to a decrease in impairment of € 8.6 million.

On the “Interconnection 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)	Dec 31, 2020			Dec 31, 2019			Variation		
	Gross	Provision	Net	Gross	Provision	Net	Gross	Provision	Net
Raw materials and supplies	85 135	-37 761	47 375	82 854	-4 718	78 136	2 281	-33 043	-30 762
Work-in-progress and finished goods	78 958	-11 210	67 747	110 011	-8 391	101 620	-31 054	-2 819	-33 873
Industrial Inventories	164 093	-48 971	**115 122**	192 865	-13 109	**179 757**	**-28 773**	**-35 862**	**-64 635**

The provision for industrial inventories of - € 49.0 million at December 31, 2020 includes the depreciation of assets of - € 18.7 million (recognized in provision of raw material) following the impairment test carried out at the end of the financial year (see note 4.3).

NOTE 6 FINANCIAL ASSETS

('000 EURO)	Amortized cost	Financial assets at fair value through profit and loss	Hedging instruments	Dec 31, 2020	Fair value
Non current financial assets	4 291			4 291	
Trade receivables and other receivables	65 269			65 269	
Financial instruments		2 666	681	3 347	3 347
Cash and cash equivalent	77 614	0		77 614	0
TOTAL FINANCIAL ASSETS	**147 174**	**2 666**	**681**	**150 521**	**3 347**

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments		3 347		3 347
TOTAL	**0**	**3 347**	**0**	**3 347**

('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 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 € 73.6 million and cash available from factor of € 4.0 million at December 31, 2020 compared to € 33.8 million of bank debit balances at December 31, 2019.

NOTE 7 RECEIVABLES

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Advanced payments	1 469	2 690
Trade receivables*	52 155	134 625
Group current account	0	0
Tax receivables	8 827	16 241
Other current receivables	2 818	4 283
TOTAL RECEIVABLES	**65 269**	**157 839**
Prepaid expenses	1 795	2 210
Other current assets	21	22
TOTAL OTHER CURRENT ASSETS	**1 816**	**2 232**

(*) At December 31, 2020, the amount of trade receivables assigned to the factor was €22.6 million. The amount financed by the factor on the basis of the assigned receivables amounted to - €0.8 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.

The precedence of trade receivables breaks down as follows:

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Trade receivables non past due	51 389	120 239
Past due trade receivables < 30 days	231	6 367
Past due trade receivables between 30 and 60 days	242	1 527
Past due trade receivables between 60 and 90 days	133	1 503
Past due trade receivables between 90 and 180 days	158	3 097
Past due trade receivables > 6 months	1 620	2 049
Provision for doubful debt	-1 619	-156
TRADE RECEIVABLES	**52 155**	**134 625**

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 in 2020 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 + € 16.2 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
Derivative instruments not designed as a hedge:						
- Accumulator EUR/USD	1 163	16	66 009	66 009	0	0
- Forward purchase EUR/USD	0	2 216	-73 344	-73 344	0	0
- Currency option contracts EUR/USD	1 503	548	162 986	162 986	0	0
Cash flow hedging:						
- Forward currency contracts CZK/EUR	605	0	37 682	37 682	0	0
- Forward currency contracts EUR/USD	76	83	48 896	48 896	0	0
Foreign currency Derivative instruments	**1 844**	**2 315**				
Financial instruments not designed as a hedge	2 666	2 780	155 652	155 652	0	0
Cash flow hedging	681	83	86 578	86 578	0	0
TOTAL OF DERIVATIVES INSTRUMENTS	**3 347**	**2 863**				
of which non current derivative instruments	0	0				
of which current derivative instruments	3 347	2 863				

*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, 2020	Dec 31, 2019
Equity - Hedging instruments (net of tax) at the opening date	**-21 883**	**-9 424**
Equity change for the effective portion	37 858	-1 324
Reclassification in net result of the period (*)	-5 038	-17 630
Translation differences	66	-18
Deferred tax variation	-10 495	6 513
Equity - Hedging instruments (net of tax) at the closing date	**509**	**-21 883**

(*) of which € -14.5 million negatively impacted the Group's revenue as of December 31, 2020 (versus € -19.3 million as of December 31, 2019)

Impact of derivative instruments to which hedge accounting is not applied

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Fair value at the opening date	**-16 354**	**-8 730**
Recorded through income statement before Taxes	16 240	-7 623
Fair value at the closing date	**-113**	**-16 354**

NOTE 9 SHAREHOLDERS' EQUITY

9.1 Breakdown of capital and earnings per share

	Dec 31, 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

	Dec 31, 2020	Dec 31, 2019
Averaged issued shares	94 818 518	94 578 580
Averaged treasury shares	43 958	30 109
Weighted average shares (a)	**94 774 560**	**94 548 471**
Dilutive impact performance scheme (b)	712 084	1 338 890
Total of shares diluted (a+b)	**95 486 644**	**95 887 361**
Net result - Group Share (in euro)	**-189 566 244**	**-32 864 227**
Earnings per share (in euro)	-2,00	-0,35
Diluted earnings per share (in euro)	-2,00	-0,35

9.2 Treasury shares

Number of shares	Dec 31, 2019	Acquisitions	Disposals	Dec 31, 2020	% of ownership
LATECOERE Shares	31 224	644 581	637 047	38 758	0,04%

('000 EURO)	Dec 31, 2019	Acquisitions	Disposals	Dec 31, 2020	Average purchase price
LATECOERE Shares	120	1 354	1 394	80	2,11

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

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 frome 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.

	Dec. 31, 2020
Number of shares attributable at the beginning of the period	1 829 700
Shares granted on previous periods	146 292
Shares granted during the period	87 985
Shares acquired by beneficiaries	146 292
Shares canceled	1 406 123
Number of shares attributable at the end of the period	**189 300**

NOTE 10 CURRENT AND NON-CURRENT PROVISIONS

('000 EURO)	Dec 31, 2019	Increase	Write-backs	Reclassification	Currency variations	Dec 31, 2020
Non-current provisions	8 876	14 548	-6 391	-221	-367	16 445
Provisions for restructuring (non current)	0	10 000				10 000
TOTAL non current provisions	**8 876**	**24 548**	**-6 391**	**-221**	**-367**	**26 445**
Current provisions	1 030	6 254	-6		5	7 283
Provisions for restructuring (current)	967	10 000	-154		0	10 813
TOTAL current provisions	**1 997**	**16 254**	**-160**	**0**	**5**	**18 096**

Provisions for a total amount of € 40.1 million include in particular the provision relating to LATECOERE's social plan for € 20 million, disputes over commercial contracts for € 18.2 million, and an additional provision for the decontamination of the historic site of Toulouse-Périole for € 1 million. Reversals include the use of the provision on commercial contracts for € 6.1 million.

The provision relating to the social plan of € 20 million covers the social and support costs related to the departures of employees under the agreement signed on January 29, 2021. This provision is based on the best estimate based on the information available to the date of preparation of accounts. It is possible that the final cost differ from this estimate.

NOTE 11 EMPLOYEE BENEFITS

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Retirement bonus	14 916	17 519
Long-service medals	2 854	2 881
TOTAL	**17 770**	**20 400**

11.1 Retirement benefits

Retirement benefits recognized in the balance sheet at December 31, 2020 concern the French, Tunisian and Bulgarian companies. They have been calculated according to the method described in Note 1.23.
The calculation assumptions retained for French companies are the following:

- discount rate of 0.34% (0.70% in 2019) calculated on the basis of rates observed at December 31, 2020 for high quality corporate bonds, the Group using in particular the Iboxx Corp AA 10+ index;
- use of the INSEE 2015-2017 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 2020 and 2019 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 2021 is € 260k.
An increase of 0.25 point of the discount rate would lead to a decrease of the provision for retirement severance pay of - € 590k. For information, and based on identical actuarial assumptions, the increase in commitments in 2021 should be (excluding departures) € 821k.

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Obligations at opening date	**17 519**	**14 827**
Services cost of the period	947	442
Interest cost of the period	120	249
Contributions paid	-136	-121
Actuarial gains or losses (OCI)	-564	2 122
Change in scope	-2 970	
Obligations at closing date	**14 916**	**17 519**
Costs of the period:		
Services cost of the period	947	442
Interest cost of the period	120	249
TOTAL	**1 067**	**691**

11.2 Employee long-service awards

Retirement benefits recognized in the balance sheet at December 31, 2020 concern the French companies. They have been calculated according to the method described in Note 1.23.
The calculation assumptions retained are the following:

- discount rate of 0.34% (0.55% in 2019) calculated on the basis of rates observed at December 31, 2020 for high quality corporate bonds, the Group using in particular the Iboxx Corp AA 10+ index;
- use of the INSEE 2015-2017 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 2021 is € 243k.

An increase of 0.25 point of the discount rate would lead to a decrease of the provision for long-service medals of - € 58k. For information, and based on identical actuarial assumptions, the increase in commitments in 2021 (excluding departures) is expected to be € 199k.

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Obligations at opening date	**2 881**	**2 668**
Correction ouverture	221	
Services cost of the period	610	115
Interest cost of the period	16	36
Contributions paid	-191	-105
Actuarial gains or losses	-259	167
Change in scope	-425	
Obligations at closing date	**2 854**	**2 881**
Costs of the period:		
Services cost of the period	610	115
Interest cost of the period	16	36
TOTAL	**626**	**151**

NOTE 12 FINANCIAL LIABILITIES

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel liabilities	Dec 31, 2020	Fair value
Refundable Advances			24 613	24 613	N/A(*)
EIB loan (European Investment Bank)			55 000	55 000	55 000
State guaranteed loan			88 200	88 200	88 200
Shareholders loan			36 162	36 162	36 162
Factoring			490	490	490
Lease liabilities (**)			38 981	38 981	38 981
Unsecured banking facility and other			6 420	6 420	6 420
Other non-current liabilities			3 650	3 650	3 650
Derivated financial instruments	2 780	83		2 863	2 863
Accounts payable			89 480	89 480	89 480
TOTAL FINANCIAL LIABILITIES	**2 780**	**83**	**342 996**	**345 858**	**321 245**

*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	2 863	0	2 863
TOTAL	**0**	**2 863**	**0**	**2 863**

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel liabilities	Dec 31, 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 PASSIFS FINANCIERS	**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
Instruments financiers dérivés	0	51 493	0	51 493
TOTAL	**0**	**51 493**	**0**	**51 493**

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 used the effective interest rate ("EIR"). 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, 2020	Dec 31, 2019
Bank loans - non current	143 200	55 000
Lease liabilities - non current	33 431	37 254
Other short term credit	38 916	5 936
Non-current liabilities	**215 546**	**98 190**
Factoring	490	41 630
Lease liabilities - current	5 550	5 503
Other short term credit	3 667	4 233
Current liabilities	**9 707**	**51 366**
TOTAL OF LOAN AND BANK BORROWINGS	**225 253**	**149 556**

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

Debt reconciliation related to the factor (factoring):

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Receivables sold to the factor	22 559	85 573
Financing obtained from the factor	-818	75 263
Cash available in balance sheet	4 014	0
Cash available from the factor	-2 707	-33 633
DEBT - FACTORING	**490**	**41 630**

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.

Reverse factoring :

In December 219, 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.

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

('000 EURO)	Currency	Interest rate	Maturity	Dec 31, 2020	
				Notional	Actual
EIB loan	EURO	EURIBOR + margin	2024-2026	55 000	55 000
State guaranteed loan	EURO	Fixed rate	2026	88 200	88 200
Shareholders loan	EURO	Fixed rate	2027	35 000	36 162
Factoring	EURO/USD	EUR./LIB. + margin	2020	100 000	490
Rental obligations debts	N/A(*)	N/A	N/A	N/A	38 981
Unsecured banking facility and other	EURO	EURIBOR + margin	N/A	6 420	6 420
TOTAL OF LOAN AND BANK BORROWINGS				**313 220**	**225 253**

The maturities of borrowings and financial liabilities are as follows:

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Maturing in:		
1 year or less	9 707	51 366
More than 1 year and less than 5 years	124 207	92 122
Beyond 5 years	91 339	6 068
TOTAL	**225 253**	**149 556**

12.2 Refundable advances

Refundable advances for an overall amount of € 24.6 million mainly relate to the A350 programs for € 16.3 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, 2020	Dec 31, 2019
Trade payables	45 312	98 360
Employee related liabilities	31 031	31 671
State payables	5 756	5 971
Credit balance on trade receivables and advance payments from customers	5 093	10 131
Other creditors	2 287	159
ACCOUNTS PAYABLE	**89 480**	**146 292**

NOTE 14 TAXES

14.1 Tax receivable

The amount recorded at December 31, 2020 of € 11.5 million corresponds mainly to tax credits for € 9.8 million (the research-based tax credit and the competitiveness and employment tax credit (CICE)) which will be reimbursed between 2021 and 2024.

14.2 Deferred taxes

('000 EURO)	Dec 31, 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	-10 073	-2 364
Deferred tax variation recognised directly in equity	461	-7 771
DEFERRED TAX AT CLOSING	**655**	**10 267**
Of which Deferred tax assets	684	10 279
Of which Deferred tax liabilities	-29	-12

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

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Tangible and intangible assets	-2 574	-2 805
Financial instruments	47	17 623
Retirement bonus	4 902	5 702
Other provisions (regulated provision)	-3 130	-2 153
Loan and bank borrowings	0	443
Loss carry-forwards	10 074	10 074
Other	1 296	-1 526
GROSS DEFERRED TAX ASSETS (LIABILITIES)	**10 616**	**27 358**
Capping of deferred tax assets (*)	-9 961	-17 092
NET DEFERRED TAX ASSETS (LIABILITIES)	**655**	**10 267**

(*) Change in 2020 is + € 9.9 million by equity and - €2.7 million by result (- €14.2 million by equity and - €2.9 million by result in 2019)

As of December 31, 2020, the deferred tax asset not recognized in respect of tax loss carry forwards amounted to € 121 million, taking into account a rate of 28.4% (amount exclusively from the French tax group scope).

NOTE 15 REVENUE

	Dec 31, 2020		Dec 31, 2019	
	Amount	%	Amount	%
Civil business	398 405	96,4%	695 199	97,5%
Military business	14 827	3,6%	17 899	2,5%
TOTAL	**413 232**	**100,0%**	**713 098**	**100,0%**

('000 EURO)	Dec 31, 2020		Dec 31, 2019	
	Amount	%	Amount	%
France	181 077	43,8%	317 013	44,5%
Export	232 155	56,2%	396 086	55,5%
TOTAL	**413 232**	**100,0%**	**713 098**	**100,0%**

('000 EURO)	Dec 31, 2020		Dec 31, 2019	
	Amount	%	Amount	%
Europe	236 644	57,3%	407 348	57,1%
America	166 794	40,4%	268 986	37,7%
Asia	8 861	2,1%	36 302	5,1%
Other	933	0,2%	463	0,1%
TOTAL	**413 232**	**100,0%**	**713 098**	**100,0%**

NOTE 16 DETAIL OF OTHER COMPONENTS OF THE RECURRING OPERATING INCOME

Raw materials, other purchases and external charges

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Raw material consumed	-101 495	-176 048
Cost of goods sold	-161	-1 275
Sub-contracting	-101 108	-180 340
External charges	-60 779	-101 548
RAW MATERIAL, OTHER PURCHASES & EXTERNAL CHARGES	**-263 544**	**-459 211**

Personnel costs

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Wages and salaries	-102 595	-120 954
Social charges	-33 783	-40 417
External employees	-16 267	-33 816
Employee profit sharing	-496	-969
Post employment benefits	-1 441	-605
Other employee costs	-3 617	-7 125
PERSONNEL EXPENSES	**-158 200**	**-203 885**

Net operating provisions charge and impairment of current assets

('000 EURO)	Dec 31, 2020			Dec 31, 2019		
	Increase	Write-back	Net	Increase	Write-back	Net
Net operating provisions charge	-18 012	5 766	**-12 246**	-4 721	5 550	**829**

('000 EURO)	Dec 31, 2020			Dec 31, 2019		
	Increase	Write-back	Net	Increase	Write-back	Net
Receivables	-1 539	73	**-1 466**		100	**100**
Invetories	-3 099	4 720	**1 621**	-2 156	5 670	**3 514**
Net depreciation of current assets	**-4 638**	**4 794**	**155**	**-2 156**	**5 771**	**3 614**

Other income

At December 31, 2020 other income (€ 13.5 million) primarily included subsidies and tax credits (research tax credit) of € 7.6 million, capitalized production of € 3.9 million.

NOTE 17 OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Impairment losses	-40 100	0
Restructuration costs	-26 809	-1 778
Other non-recurring items	-31 395	-19 648
Other non-recurring operating income and expenses	**-98 304**	**-21 426**
of which expenses	***-102 500***	***-23 005***
of which incomes	***4 196***	***1 579***

At December 31, 2020, the restructuration costs for - € 26.8 million derive from

- a provision related to the Employment Saving Plan (PSE) in France for LATECOERE of - € 20 million;
- a reversal of provision for retirement commitments and long-service awards for + € 3.4 million related to the Employment Saving Plan (PSE);

- costs related to the restructuring plan on the various sites located outside France for - € 10.2 million.

At December 31, 2020, other non-recurring items amounted to - € 31.4 million correspond to:
- provision on inventories for - € 20.5 million;
- conversion and adaptation costs for the historic Toulouse site (Périole site) and industrial transfer towards other French sites for - € 4.7 million;
- rationalization and growth operations costs of - € 5.9 million.

At December 31, 2019, other non-recurring items amounted to - € 19.6 million correspond to:
- 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 (Périole 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.

NOTE 18 FINANCIAL RESULT

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Net Cost of debt	-3 854	-5 261
Of which financial charges related to interest-bearing liabilities	-3 909	-5 737
Of which financial income related to cash and cash equivalents	56	475
Foreign Exchange gains/losses	-13 470	-3 567
Change in fair value of financial instruments	16 240	-7 623
Other financial expenses	-1 790	-1 291
Other financial income	217	363
FINANCIAL RESULT	**-2 657**	**-17 380**
Of which financial charges	-19 170	-18 218
Of which financial income	16 513	838

NOTE 19 INCOME TAXES

19.1 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.

19.2 Income tax expense

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Current income taxes	-4 053	-3 527
Deferred taxes	-10 073	-2 364
TOTAL	**-14 127**	**-5 892**

19.3 Reconciliation between the theoretical tax expense and the actual tax expense

('000 EURO)	December 31, 2020	December 31, 2019
Group net result of consolidated companies	**-189 566**	**-32 864**
- Consolidated tax expense (due and deferred)	-14 127	-5 892
Pre-tax consolidated result (before Group/minority interests share)	**-175 440**	**-26 972**
- Result from associates	0	0
Pre-tax consolidated result (A)	**-175 440**	**-26 972**
Theoretical tax rate (current rate applicable to parent company) (B)	**34,43%**	**34,43%**
Theoretical tax expense (A*B)	**60 404**	**9 287**
Permanent Differences	-6 447	7 413
Effect of reduced tax rates	-375	1 355
Tax reductions / tax credits *	421	685
Unreported tax losses **	-54 608	-12 621
Tax losses carried forward	-2 733	-5 781
Other items	-10 789	-6 230
Sub-total	**-74 531**	**-15 179**
ACTUAL TAX EXPENSE	**-14 127**	**-5 892**
EFFECTIVE TAX RATE	**N/A**	**N/A**

**This amount essentially reflects the research tax credit and the CICE*
***The unused tax losses are without carry-forward limit*

NOTE 20 RISK MANAGEMENT

20.1 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.

20.2 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.

Liquidity impact linked to the Covid-19 health crisis is presented in Note 1.28.

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).

In view of the current situation linked to the health crisis, the Group obtained from the EIB the suspension of the test on financial covenants as of December 31, 2020.

20.3 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 65% of supplies or sub-contracting in dollars. The effect of the dollar exchange risk hedging operations on revenue was - € 14.5 million in 2020 compared to - € 19.3 million in 2019.

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, 2020 and does not reflect all future hedging. The impact of foreign currency exposure with respect to the income statement is detailed in Note 18.

a) Exposure and balance sheet sensitivity to the dollar

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

	Dec 31, 2020		Dec 31, 2019	
	'000 $	'000 €	'000 $	'000 €
Accounts Receivable	57 660	46 989	126 492	112 597
Accounts Payable	-56 144	45 754	-45 721	-40 699
Other (including advanced payments suppliers and customers)	7 346	5 987	-43 801	-38 990
Net debt	16 811	13 699	6 555	5 835
NET EXPOSITION BEFORE HEDGING	**25 672**	**112 428**	**43 525**	**38 744**
Hedging instruments for the receivables on the balance sheet	0	0	0	0
NET EXPOSITION AFTER HEDGING	**25 672**	**112 428**	**43 525**	**38 744**

At December 31, 2020 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, 2020. This variation would have resulted in a pre-tax decrease in income of € 996k at December 31, 2020 compared to a pre-tax decrease in income of € 1,845k at December 31, 2019.

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, 2020		Dec 31, 2019	
Hypothesis of variation in the euro / US dollar	-5%	+5%	-5%	+5%
Average rate during the period	**1,141**		**1,120**	
Average rate after sensitivity test	**1,084**	**1,198**	**1,064**	**1,176**
Operating result	1 616	-1 462	6 811	-448
Financial result	-668	604	0	0
RESULT BEFORE TAX	**948**	**-858**	**6 811**	**-448**

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 an increase of pre-tax earnings of + €1.6 million and a reduction of pre-tax shareholders' equity of - € 1.0 million. A 5% decrease of the dollar in relation to the euro would result in a decrease of pre-tax earnings of - € 3.6 million and a reduction of pre-tax shareholder's equity of - € 1.3 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 €3.2 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, 2020 of - € 1.5 million compared to - € 2.3 million at December 31, 2019. It should be recalled that the amount of the conversion reserve in shareholders' equity amounts to - €16.9 million at December 31, 2020 compared to - €8.6 million at December 31, 2019.

20.4 Interest rate risk

('000 EURO)		Less than 1 year	From 1 to 5 years	Over 5 years	**Dec 31, 2020**	**Dec 31, 2019**
Financial assets	Fix rate	0	0	0	**0**	0
	Variable rate	77 614	0	0	**77 614**	33 790
Financial liabilities	Fix rate	-350	-64 126	-88 820	**-153 295**	-30 095
	Variable rate	-2 389	-65 287	-27 059	**-94 735**	-149 556
NET EXPOSURE BEFORE HEDGING	Fix rate	-350	-64 126	-88 820	**-153 295**	-30 095
	Variable rate	75 225	-65 287	-27 059	**-17 121**	-115 765
Derivative financial instruments	Fix rate	0	0	0	**0**	0
	Variable rate	0	0	0	**0**	0
NET EXPOSURE AFTER HEDGING	Fix rate	-350	-64 126	-88 820	**-153 295**	-30 095
	Variable rate	75 225	-65 287	-27 059	**-17 121**	-115 765

At December 31, 2020 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, 2020. 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 - €0.6 million.

20.5 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.

20.6 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, 2020 was € 80k.

In view of the fact that at the end of the year the Company only held 38,758 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 21 AVERAGE HEADCOUNT

	Dec 31, 2020				Dec 31, 2019
	Executives & Management	Administration	Blue-collars	Total	Total
LATECOERE	344	421	67	833	840
LATECOERE do BRASIL	25	65	120	210	314
LATECOERE Czech Republic s.r.o.	37	237	382	656	806
LATECOERE Mexico	41		108	149	183
LATECOERE Inc.	6	1		7	7
LATECOERE Bulgaria	8	64	140	212	179
Aerostructures	**461**	**788**	**817**	**2 066**	**2 328**
LATelec	262	272	225	758	814
SEA LATelec	61	107	546	714	940
LATelec GmbH	32	52	19	103	115
LATelec Mexico	111		487	598	601
LATsima	29	58	179	266	291
LATelec Interconnection Inc. (Canada)	5		33	38	22
Latécoère Interconnection Systems US	4	2	7	13	9
Latécoère Interconnection Systems UK	6			6	5
Latécoère Interconnection Systems Japan	1			1	1
Latécoère India Private Limited	5	16	66	87	47
Interconnection Systems	**516**	**507**	**1 562**	**2 584**	**2 843**
GROUP	**976**	**1 295**	**2 379**	**4 650**	**5 171**

NOTE 22 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

22.1 Financial commitments

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

('000 EURO)	Dec 31, 2020				Dec 31, 2019
	< 1 year	*From 1 to 5 years*	*> 5 years*	*Total*	*Total*
Trade receivables given as security (1)	490	0	0	**490**	76 537
Securities, collateral and mortgages (2)	3 169	2 773	0	**5 942**	13 526
TOTAL	**3 659**	**2 773**	**-**	**6 432**	**90 063**

(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.

22.2 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).

22.3 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.

22.4 Other contingent liabilities

The Group did not identify any other contingent liabilities.

22.5 Non-consolidated entities

Latécoère holds 24.81% of the capital of CORSE COMPOSITE AERONAUTIQUE (CCA).
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%):
- 2020 revenue: € 44.3 million
- 2020 net income: - € 6.0 million

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

NOTE 23 RELATED PARTIES

23.1 Main flows with related parties

Relations during 2020 with non-consolidated entities at December 31, 2020:

('000 EURO)	Latecoere Group	CCA
Revenue	0	438
Purchasing	438	0
Trade receivables	0	88
Trade payables	88	0

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

23.2 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, 2020 amounted to €4,164k against €3,567k at December 31, 2019. The amount relating to retirement benefits and long service medals was €291k for 2020 against €265k for 2019.

Compensation due in respect of 2020 to all of the members of the Board of Directors for their work therein was €512k. At December 31, 2019, 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.

23.3 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 24 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		%	
	2020	2019	2020	2019	2020	2019	2020	2019
A) Fees for the certification of accounts								
A.1) Latécoère (issuer)	241	207	50%	47%	177	168	98%	75%
A.2) Subsidiaries	195	176	41%	40%	4	4	2%	2%
Sub-total	**437**	**383**	**91%**	**86%**	**181**	**172**	**100%**	**77%**
A) Fees for other services								
A.1) Latécoère (issuer)	32	60	7%	13%	0	52	0%	23%
A.2) Subsidiaries	12	1	2%	0%	0	0	0%	0%
Sub-total	**44**	**61**	**9%**	**14%**	**0**	**52**	**0%**	**23%**
TOTAL	**481**	**444**	**100%**	**100%**	**181**	**225**	**100%**	**100%**

NOTE 25 SUBSEQUENT EVENTS

Completion of the acquisition of Bombardier's interconnection systems and electrical wiring activities in Querétaro (Mexico)

Latécoère announced on February 16, 2021 the completion of the acquisition of the electrical interconnection and wiring systems (EWIS) business of Bombardier in Querétaro, Mexico. The two companies have also entered into a long-term supply agreement whereby Latécoère will supply Bombardier with these same EWIS systems from this site for all Bombardier platforms, including Global and Challenger aircraft. This acquisition allows Latécoère to expand its customer portfolio by serving, in addition to Bombardier, other customers such as Airbus Canada, MHIRJ and Avcorp.

The Querétaro site specializes in the electrical harnesses and sub-assemblies required for the production of EWIS systems. The activity's annual revenue is estimated at approximately US $ 60 million. This acquisition allows Latécoère to expand its customer portfolio and strengthen its order book by serving other customers beyond Bombardier from this site.

Validation of the collective agreement on the employment saving plan for Latécoère SA

On January 29, 2021, an agreement was concluded between management and the trade unions and validated by DIRECCTE on February 23, 2021. This topic is detailed in note 1.28.