LATÉCOÈRE

# Half-year Report

2021

# CONTENTS

# 1 HALF-YEAR REPORT

The consolidated financial statements of the Group have been approved by the Board of Directors on September 13, 2021.

## Main events

- **2021 outlook confirmed, including improved activity and recurring margin in H2 2021 excluding the positive impact of the acquisition of TAC**
- **First half 2021 results still impacted by the effects of the crisis, but we expect the first quarter to be the low point**
- **Reported financials include the Bombardier's electrical wiring business in Querétaro (Mexico) from February 1, 2021, onwards, and Technical Airborne Components (TAC) as of May 1, 2021[1]**

## Major post-closing events

**Strengthening of the Group's balance sheet: capital increase of €222.4 million completed on August 4, 2021 and obtention of €130 million in French State backed loans (PGE); these resources will enable the Group to pursue its external growth strategy and secure its liquidity.**

## Foreword

In order to better monitor and compare its operational and financial performance, the Group has decided to disclose, alongside the consolidated financial statements, an adjusted income statement of :

- the exchange rate result of instruments not eligible for hedge accounting in IFRS standards. This result displayed as financial income in the consolidated accounts is reclassified as revenue (operating income) in the adjusted accounts ;
- changes in fair value which include all changes in the fair value of derivative instruments not eligible for hedge accounting and relating to cash flows for future periods and the revaluation at the hedged price of balance sheet positions (customers and suppliers denominated in USD) including the amount displayed in operating income;
- the deferred tax variations resulting from these items if necessary.

*1 In accordance with IFRS 10, the Group has controlled Technical Airborne Components (TAC) since the date of acquisition of the company's call option.*

**Transition table from the consolidated income statement to the adjusted income statement**

**Income statement 1st half of 2021**

| *('000 EURO)* | **Consolidated income statement June 30, 2021** | Hedging | | **Adjusted income statement June 30, 2021** |
|---|---|---|---|---|
| | | Exchange rate result | Change in fair value | |
| Revenue | 178 476 | 2 590 | | 181 066 |
| Other operating revenue | 460 | | | 460 |
| Change in inventory: work-in-progress & finished goods | -7 997 | | | -7 997 |
| Raw material, Other Purchases & external charges | -118 519 | | | -118 519 |
| Personnel expenses | -78 758 | | | -78 758 |
| Taxes | -2 431 | | | -2 431 |
| Amortization | -13 554 | | | -13 554 |
| Net operating provisions charge | -3 609 | | | -3 609 |
| Net depreciation of current assets | 819 | | | 819 |
| Other operating income | 6 308 | | 220 | 6 528 |
| Other operating expenses | -543 | | | -543 |
| **RECURRING OPERATING INCOME** | **-39 348** | **2 590** | **220** | **-36 538** |
| *Operating Income / Sales* | *-22,05%* | | | *-20,18%* |
| Other non-recurring operating income and expenses | -2 753 | | | -2 753 |
| **OPERATING INCOME** | **-42 101** | **2 590** | **220** | **-39 291** |
| Net Cost of debt | -1 428 | | | -1 428 |
| Foreign Exchange gains/losses | 5 730 | -2 590 | -438 | 2 702 |
| Change in fair value of financial derivative instruments | 2 784 | | -2 784 | 0 |
| Other financial incomes and expenses | -16 903 | | | -16 903 |
| **FINANCIAL RESULT** | **-9 816** | **-2 590** | **-3 222** | **-15 628** |
| Income tax | -1 700 | | | -1 700 |
| **NET RESULT FOR THE PERIOD** | **-53 617** | **0** | **-3 002** | **-56 619** |
| • Of which, Owners of the parent | -53 617 | 0 | -3 002 | -56 619 |
| • Of which, Non-controlling interests | 0 | 0 | 0 | 0 |

**Income statement 1st half of 2020**

| *('000 EURO)* | Consolidated income statement June 30, 2020 | Hedging | | Adjusted income statement June 30, 2020 |
|---|---|---|---|---|
| | | Exchange rate result | Change in fair value | |
| Revenue | 231 917 | | | 231 917 |
| Other operating revenue | 306 | | | 306 |
| Change in inventory: work-in-progress & finished goods | -6 751 | | | -6 751 |
| Raw material, Other Purchases & external charges | -148 475 | | | -148 475 |
| Personnel expenses | -90 395 | | | -90 395 |
| Taxes | -3 927 | | | -3 927 |
| Amortization | -16 727 | | | -16 727 |
| Net operating provisions charge | 870 | | | 870 |
| Net depreciation of current assets | -4 519 | | | -4 519 |
| Other operating income | 6 648 | | 3 190 | 9 838 |
| Other operating expenses | -2 915 | | | -2 915 |
| **RECURRING OPERATING INCOME** | **-33 967** | **0** | **3 190** | **-30 777** |
| *Operating Income / Sales* | *-14,65%* | | | *-13,27%* |
| Other non-recurring operating income and expenses | -34 627 | | | -34 627 |
| **OPERATING INCOME** | **-68 594** | **0** | **3 190** | **-65 404** |
| Net Cost of debt | -1 599 | | | -1 599 |
| Foreign Exchange gains/losses | -9 830 | | 282 | -9 549 |
| Change in fair value of financial derivative instruments | -755 | | 755 | 0 |
| Other financial incomes and expenses | -1 111 | | | -1 111 |
| **FINANCIAL RESULT** | **-13 295** | **0** | **1 037** | **-12 258** |
| Income tax | -12 128 | | | -12 128 |
| **NET RESULT FOR THE PERIOD** | **-94 016** | **0** | **4 227** | **-89 789** |
| • Of which, Owners of the parent | -94 016 | 0 | 4 227 | -89 789 |
| • Of which, Non-controlling interests | 0 | 0 | 0 | 0 |

## 1.1 1st half 2021 adjusted data results

All figures are expressed in adjusted figures, unless otherwise stated. The definitions of the restatements as well as the transition table from the consolidated income statement to the adjusted income statement for the first half of 2021 are available in note 4 of the appendices to the condensed consolidated financial statements.

| (Adjusted data - € million) | H1 2021 | H1 2020 |
|---|---|---|
| **Revenue** | **181.1** | **231.9** |
| *Reported growth* | *(21.9)%* | *(37.6)%* |
| *Growth at constant exchange rates* | *(31.7)%* | *(36.8)%* |
| **Recurring EBITDA *** | **(23.0)** | **(14.1)** |
| *Recurring EBITDA * Margin on Revenue* | *(12.7)%* | *(6.1)%* |
| **Recurring Operating Income** | **(36.5)** | **(30.8)** |
| *Recurring Operating Margin on Revenue* | *(20.2)%* | *(13.3)%* |
| **Non-recurring items** | **(2.8)** | **(34.6)** |
| *o/w Assets depreciation* | - | (28.2) |
| *Other non current items* | (2.8) | (6.4) |
| **Operating Income** | **(39.3)** | **(65.4)** |
| Net Cost of debt | (1.4) | (1.6) |
| Other financial income/(expense) | (14.2) | (10.7) |
| **Financial result** | **(15.6)** | **(12.3)** |
| Income tax | (1.7) | (12.1) |
| **Net Income** | **(56.6)** | **(89.8)** |
| **Operating free cash flow** | **(16.7)** | **(5.2)** |

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

Latécoère's half-year financial results for 2021 reflect the low level of production in the aeronautical sector as a whole. As previously indicated, the crisis continued into the first half of 2021, reaching its low point in the period. Overall, in the first half of 2021, the Group's revenue decreased by (21.9)% to €181.1 million on a reported basis or (31.7)% on a like-for-like basis, with all business segments being affected.

Recurring EBITDA in the first half of 2021 amounted to €(23.0) million, representing a margin of (12.7)%, in decline from the first half of 2020. Latécoère's current operating income in the first half of 2021 amounted to €(36.5) million, compared to €(30.8) million for the same period in 2020.

Latécoère's net financial result amounted to €(15.6) million in the first half of 2021 compared to €(12.3) million in the first half of 2020. Other financial income and expenses include the impact of the amortisation of the shareholder loan for an amount of €(16.4) million following the early repayment of the shareholder loan in August 2021 for an amount of €52.5 million in accordance with the conciliation protocol approved on July 2, 2021.

The Group's net result amounted to €(56.6) million in the first half of 2021 compared to a loss of €(89.9) million which included notably an asset impairment of the Aerostructures division of €(28.2) million.

Free cash flow from operations for the period was €(16.7) million compared to €(5.2) million a year ago.

Net debt increased by €64.4 million (€40.6 million excluding IFRS 16) and includes the impact of the accelerated amortisation of the shareholder loan of €16.4 million, the change in lease liabilities of €23.4 million (mainly related to the lease of the Group's new headquarters) and a deterioration in cash and cash equivalents of €22.1 million. The cash position at June 30, 2021 amounts to €55.6 million.

### Adaptation plan

Following previous announcements made, Latécoère has continued to further adjust its cost base and industrial footprint to ensure its long-term sustainability in the post Covid-19 reality.

### Aerostructures

Revenue in Latécoère's Aerostructures Division declined by (36.5)% at constant exchange rates and scope of consolidation, or by (32.9)% on a reported basis for the first half of 2021. The division's activity was penalised by low production rates and the temporary stoppage of production by one of the Group's customers.

In this context, the division's activity reached a low point in the first quarter of 2021 and amounted to €82.8 million in the first half of 2021 compared to €123.5 million for the same period in 2020. The division's recurring EBITDA amounted to €(13.5) million compared to €(6.6) million in H1 2020, with lower production rates partially offset by a reduction in operating costs in response to the Covid-19 crisis.

It should be noted that the division's results take into account the activity of Technical Airborne Components (TAC) since the end of April 2021.

| **Aerostructures** (Adjusted data - € million) | **H1 2021** | **H1 2020** |
|---|---|---|
| **Consolidated Revenue** | 82.8 | 123.5 |
| *Growth at constant exchange rates* | *(36.5)%* | *(41.7)%* |
| Inter-segment Revenue | 10.2 | 11.1 |
| **Revenue** | **93.1** | **134.6** |
| **Recurring EBITDA*** | **(13.5)** | **(6.6)** |
| *Recurring EBITDA* Margin on Revenue* | *(14.5)%* | *(4.9)%* |
| **Recurring Operating Income** | **(21.0)** | **(15.1)** |
| *Recurring Operating Margin on Revenue* | *(22.6)%* | *(11.2)%* |

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

### Interconnection Systems

The revenue of €98.3 million was down (26.3)% at constant exchange rates and perimeter and (9.4)% on a reported basis, compared to €108.5 million in the first half of 2020. This decrease is attributable to the base effect between the pre-covid first quarter of 2020 and the first quarter of 2021. The change in revenue on a reported basis is due to lower production rates, particularly on the A350 and ATR programs, partially offset by the integration of the Bombardier activity for €18.9 million in the first half of 2021.

Recurring EBITDA for the Interconnection Systems reached €(9.5) million, compared to €(7.5) million in H1 2020, affected similarly by the decline in production rates.

| **Interconnection Systems** (Adjusted data - € million) | **H1 2021** | **H1 2020** |
|---|---|---|
| **Consolidated Revenue** | **98.3** | **108.5** |
| *Growth at constant exchange rates* | *(26.3)%* | *(30.2)%* |
| Inter-segment Revenue | 0.5 | 0.5 |
| **Revenue** | **98.8** | **108.9** |
| **Recurring EBITDA*** | **(9.5)** | **(7.5)** |
| *Recurring EBITDA * Margin on Revenue* | *(9.6)%* | *(6.9)%* |
| **Recurring Operating Income** | **(15.6)** | **(15.7)** |
| *Recurring Operating Margin on Revenue* | *(15.7)%* | *(14.5)%* |

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

## 1.2 First half 2021 consolidated results

| € million | H1 2021 | H1 2020 |
|---|---|---|
| **Revenue** | 178.5 | 231.9 |
| **Recurring EBITDA** | **(39.3)** | **(34.0)** |
| ***% of revenue*** | (22.0)% | (14.6)% |
| Non-recurring items | (2.8) | (34.6) |
| **Operating Income** | **(42.1)** | **(68.6)** |
| **Financial result** | **(9.8)** | **(13.3)** |
| Income Tax | (1.7) | (12.1) |
| **Net income** | **(53.6)** | **(94.0)** |

Consolidated revenue for the period came to €178.5 million , down €(53.4) million compared to the first half of 2020.

Consolidated current operating income amounted to €(39.3) million compared to €(34.0) million in the first half of 2020.

The financial result stands at €(9.8) million, and includes the cost of net debt of €(1.4) million, the amortization of the shareholder loan of €(16.4) million, foreign exchange gains of €5.7 million and the change in fair value of foreign exchange derivative instruments of €2.8 million.

Net income came out at €(53.6) million, a significant improvement of €40.4 million compared to the first half of 2020, which was impacted by an impairment of assets of €(28.2) million.

## 1.3 FY 2021 outlook

Following the Company's FY 2020 results press release published on March 16, 2021, and the amendment to the Latécoère 2020 Universal Registration Document filed on July 13, 2021, Latécoère is confirming the guidance previously published excluding the impact of acquisitions.

As a reminder, the Group's outlook for 2021 is as follows:
- Revenue will be around 25% lower than in 2020 on an organic basis. On a reported basis, the decline is expected to be around (10)%;
- Recurring EBITDA will improve by around 20% from FY 2020 levels, demonstrating the Group's strong fundamentals as it completes its adaptation plan; however, it will remain negative;
- Free Cash Flow from operations will remain negative partly due to the roll-out of the adaptation plan.

## 1.4 Subsequent events

**Recapitalisation and strengthening of the Group's liquidity**

In accordance with the terms of the conciliation protocol approved on July 7, 2021, the Group conducted recapitalization operations, the main measures of which are as follows:
- Capital increase completed at the beginning of August for an amount of €222.4 million, resulting in the issue of 436,165,182 new shares at a unit subscription price of €0.51;
- Obtention of new state guaranteed loans (PGE) in the amount of €130 million;
- Rescheduling of the repayment schedules of existing PGE and postponement of the maturity of loans contracted with the European Investment Bank (EIB) to 2027.

The proceeds from this recapitalisation were used to repay the shareholder loan for an amount of €52.5 million on September 6, 2021, and to finance the acquisition of Technical Airborne Components Industries (TAC) closed on August 31, 2021. The balance of the proceeds will be used to achieve external growth operations and more generally to finance the general needs of the Group, in the short and medium term.

**Acquisition of Technical Airborne Components (TAC)**

On August 31, 2021, the Group definitively acquired Technical Airborne Components (TAC), based in Belgium (Liège), from Searchlight Capital Partners. The investment company had acquired TAC from TransDigm Group Incorporated in April of this year and the Group held an option to purchase the company from Searchlight Capital Partners since that date. With a turnover of approximately €25 million and nearly 150 employees, TAC supplies parts for commercial aircraft, regional and business jets, helicopters, as well as for several military and space programmes.

## 1.5 Principal risks and uncertainties for the remaining six months of 2021

The consequences of the aeronautics crisis have been brutal and the level of uncertainty over the recovery schedule continues to prevail.

Over the remaining six months, and given the context of the current crisis, the main risks and uncertainties relate to:
- Maintaining the rates announced by aircraft manufacturers,
- The difficulty of supply,
- The Group's ability to execute its workload plan, taking into account the health measures and the adaptation plan put in place.

## 1.6 Transactions with related parties

During April 2021, the Group acquired from a company related to Searchlight Capital Partners a call option for Technical Airborne Components (TAC). The option validity is 6 months and the option price was € 2.4 million.

With the exception of this transaction, transactions with related parties continued during the first half of 2021 on the basis of the same agreements as those applied at December 31, 2020.

## 1.7 Accouting Standards, Principles and Methods

The condensed consolidated accounts at June 30, 2021 have been settled in accordance with IAS 34 (Interim financial reporting) and IFRS as adopted by the European Union on June 30, 2021 available on the website : *https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002.*

The interim accounts follow accounting rules and methods identical to those adopted for the annual accounts drawn up on December 31, 2020, as detailed in the 2020 universal registration document (note 1 of the appendix to the consolidated accounts).

# 2 RISK FACTORS

**Health risks, changes in economic conditions, programs**

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

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

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

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

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

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

**Supplier risks**

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

**Liquidity risk**

Although entering the health crisis with a limited debt, the Group used indebtedness in order to cope with the crisis and its liquidity situation worsened in light of the persistence of the current epidemic and its exceptional consequences.

In this context, negotiations have taken place between the Company and its banking institutions with a view to rescheduling the repayment of the first series of Prêts Garantis par l'Etat (PGE) for an amount of €60 million and of the second series of PGE for an amount of €28.2 million and obtaining new PGE for an amount of around €130 million to finance its restructuring plan.

It is under these circumstances that the Company has requested the appointment of a conciliator to supervise and secure the continuation of these discussions and to consider the terms of a restructuring of the Group's debt with a view to ensuring the continuation and sustainability of the business of the Group. By order of 11 May 2021, the President of the Toulouse Commercial Court appointed SELARL FHB, in the person of Maître Hélène Bourbouloux, as the Company's conciliator within the meaning of Article L. 611-4 of the Commercial Code, with the mission notably to assist the Company (i) in its negotiations in order, if necessary, to renegotiate its bank loans and/or to obtain new bank loans, (ii) in its negotiations with all its creditors, (iii) in its discussions with any person whom it would be useful to bring into the proceedings, in particular its majority shareholder, the State, its financial backers, etc., in the context of the search for new financing and (iv) in the drafting of a protocol and of the deeds that will enshrine the solution(s) adopted.

On 1st July 2021, the Company has signed a conciliation protocol with all of its present and future financial creditors and its majority shareholder. This protocol concludes the discussions relating to a comprehensive recapitalization of the Group under the aegis of the Comité Interministériel de Restructuration Industrielle (CIRI).

The protocol has been homologated by the Toulouse Commercial Court. Under the terms of the protocol, Latécoère's has undertaken to carry out a capital increase, with preferential subscription rights, for a minimum amount of €162.5 million, the prospectus for which must be approved by the AMF. As indicated above, it also provides for the obtaining by the company of new PGE loans for a principal amount of €130 million, the rescheduling of the existing PGE repayment calendars and the deferral of the maturity of the loans contracted with the European Investment Bank (EIB) to 2027.

In this context, there is no uncertainty relating to the going concern and that the Group has sufficient liquidity to meet its obligations over the next twelve months.

**Health, safety and environmental risks**

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

**Data confidentiality risks**

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

**Human Ressources risks**

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

**Insurance**

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

# 3 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2021

## 3.1 Half-year Consolidated Statement of financial position

| ('000 EURO) | Notes | June 30, 2021 | Dec 31, 2020 |
|---|---|---|---|
| Goodwill | 5 | 23 177 | 0 |
| Intangible assets | 6 | 60 994 | 56 022 |
| Tangible assets | 6 | 152 037 | 154 155 |
| Other financial assets | | 4 800 | 4 291 |
| Deferred tax assets | 16.2 | 547 | 684 |
| Other non-current assets | | 422 | 129 |
| **TOTAL NON-CURRENT ASSETS** | | **241 977** | **215 282** |
| Inventories | 7 | 127 150 | 115 122 |
| Accounts receivable | 9 | 82 354 | 65 269 |
| Tax receivable | 16.2 | 11 821 | 11 509 |
| Financial derivative instruments | 10.1 | 4 371 | 3 347 |
| Other current assets | | 2 722 | 1 816 |
| Cash & Cash Equivalents | 8 | 55 561 | 77 614 |
| **TOTAL CURRENT ASSETS** | | **283 979** | **274 676** |
| **TOTAL ASSETS** | | **525 956** | **489 957** |

| ('000 EURO) | Notes | June 30, 2021 | Dec 31, 2020 |
|---|---|---|---|
| Share capital | 11.1 | 23 705 | 189 637 |
| Share premium | | 213 658 | 213 658 |
| Treasury stock | | -459 | -455 |
| Other reserves | | -198 809 | -177 595 |
| Derivatives future cash flow hedges | | 370 | 509 |
| Group net result | | -53 617 | -189 566 |
| **EQUITY ATTRIBUTABLE TO PARENT OWNERS** | | **-15 153** | **36 188** |
| **NON-CONTROLLING INTERESTS** | | 0 | 0 |
| **TOTAL EQUITY** | | **-15 153** | **36 188** |
| Loans and bank borrowings | 14.2 | 204 525 | 215 546 |
| Refundable Advances | 14.1 | 21 724 | 22 359 |
| Employee benefits | 13 | 17 403 | 17 770 |
| Non-current provisions | 12 | 21 510 | 26 445 |
| Deferred tax liabilities | 16.2 | 51 | 29 |
| Other non-current liabilities | | 5 062 | 3 650 |
| **TOTAL NON-CURRENT LIABILITIES** | | **270 276** | **285 799** |
| Loans and bank borrowings (less than 1 year) | 14.2 | 63 043 | 9 707 |
| Refundable Advances | 14.1 | 2 254 | 2 254 |
| Current provisions | 12 | 24 577 | 18 096 |
| Accounts payable | 15 | 140 801 | 89 480 |
| Income tax liabilities | | 1 222 | 2 745 |
| Contracts liabilities | 15 | 35 736 | 38 982 |
| Other current liabilities | | 1 974 | 3 844 |
| Financial derivative instruments | 10.1 | 1 226 | 2 863 |
| **TOTAL CURRENT LIABILITIES** | | **270 832** | **167 970** |
| **TOTAL LIABILITIES** | | **541 108** | **453 769** |
| **TOTAL EQUITY & LIABILITIES** | | **525 956** | **489 957** |

## 3.2 Half-year Consolidated Income Statement

| ('000 EURO) | Notes | June 30, 2021 | June 30, 2020 |
|---|---|---|---|
| Revenue | | 178 476 | 231 917 |
| Other operating revenue | | 460 | 306 |
| Change in inventory: work-in-progress & finished goods | | -7 997 | -6 751 |
| Raw material, Other Purchases & external charges | 17 | -118 519 | -148 475 |
| Personnel expenses (*) | 17 | -78 758 | -90 395 |
| Taxes | | -2 431 | -3 927 |
| Amortization | | -13 554 | -16 727 |
| Net operating provisions charge | | -3 609 | 870 |
| Net depreciation of current assets | | 819 | -4 519 |
| Other operating income (*) | 17 | 6 308 | 6 648 |
| Other operating expenses | | -543 | -2 915 |
| **RECURRING OPERATING INCOME** | | **-39 348** | **-33 967** |
| Other non-recurring operating income and expenses | 18 | -2 753 | -34 627 |
| **OPERATING INCOME** | | **-42 101** | **-68 594** |
| Net Cost of debt | | -1 428 | -1 599 |
| Foreign Exchange gains/losses | | 5 730 | -9 830 |
| Change in fair value of financial derivative instruments | | 2 784 | -755 |
| Other financial incomes and expenses | | -16 903 | -1 111 |
| **FINANCIAL RESULT** | 19 | **-9 816** | **-13 295** |
| Income tax | 16 | -1 700 | -12 128 |
| **NET RESULT FOR THE PERIOD** | | **-53 617** | **-94 016** |
| • Of which, Owners of the parent | | -53 617 | -94 016 |
| • Of which, Non-controlling interests | | 0 | 0 |
| **NET RESULT (Group share) FOR THE PERIOD PER SHARE** | | | |
| • Earnings per share | 11.2 | -0,57 | -0,99 |
| • Diluted earnings per share | 11.2 | -0,57 | -0,99 |

(*) At June 30, 2020, a reclassification was made from "Other operating income" to "Personnel expenses" for € 3.9 million following the reallocation of a part of operating expenses transfer.

## 3.3 Half-year Consolidated Statement of comprehensive income

| ('000 EURO) | June 30, 2021 | June 30, 2020 |
|---|---|---|
| **NET RESULT FOR THE PERIOD (1)** | **-53 617** | **-94 016** |
| **OTHER COMPREHENSIVE INCOME:** | | |
| **- Items that will not be reclassified subsequently to profit or loss:** | | |
| Actuarial gain or loss for year relating retirements benefits | 916 | 0 |
| Others | 260 | 0 |
| Income tax related to items that will not be reclassified to profit or loss | -260 | 0 |
| **- Items that will be reclassified subsequently to profit or loss:** | | |
| Translation differences | 1 594 | -7 149 |
| Financial instruments (cash flow hedging) : change in fair value and transfer in profit and loss | -139 | 1 123 |
| Other components of comprehensive income | -117 | 208 |
| Income tax related to items that may be reclassified to profit or loss | 26 | -808 |
| **TOTAL OTHER COMPREHENSIVE INCOME (2)** | **2 280** | **-6 625** |
| **TOTAL COMPREHENSIVE INCOME (1+2)** | **-51 337** | **-100 642** |

## 3.4 Half-year Consolidated Statement of Cash-Flows

| ('000 EURO) | Notes | June 30, 2021 | June 30, 2020 |
|---|---|---|---|
| Net result for the period | | -53 617 | -94 016 |
| ***Adjustments related to non-cash activities :*** | | | |
| Depreciation and provisions | | 15 571 | 46 445 |
| Fair value gains/losses | | -2 784 | 755 |
| Net (gains)/losses on disposal of assets | | 290 | 71 |
| Other non-cash items | | 16 528 | 1 874 |
| **CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES** | | **-24 011** | **-44 871** |
| Income taxes | | 1 700 | 12 128 |
| Net Cost of debt | | 1 435 | 1 593 |
| **CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES** | | **-20 876** | **-31 150** |
| Changes in inventories net of provisions | | 10 999 | -3 841 |
| Changes in client and other receivables net of provisions | | -7 585 | 69 795 |
| Changes in suppliers and other payables | | 7 671 | -33 579 |
| Income tax paid | | -3 095 | -1 248 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | **-12 887** | **-23** |
| Effect of changes in group structure (*) | | 3 973 | 0 |
| Purchase of tangible and intangible assets (including changes in payables to fixed asset suppliers) | | -10 449 | -6 494 |
| Purchase of financial assets | | 0 | 0 |
| Increase (decrease) in loans and advances made | | -504 | 57 |
| Proceeds from sale of tangible and intangible assets | | 92 | 1 |
| Dividends received | | 0 | 0 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | **-6 888** | **-6 436** |
| Purchase or disposal of treasury shares | | -4 | 1 296 |
| Proceeds from borrowings | 16 | 1 562 | 60 000 |
| Repayments of borrowings | 16 | 0 | 0 |
| Repayments of lease liabilities | 16 | -2 815 | -2 816 |
| Financial interest paid | | -1 516 | -1 448 |
| Dividends paid | | 0 | 0 |
| Flows from refundable advances | | -635 | -594 |
| Other flows from financing operation | 16 | 811 | -38 538 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | **-2 596** | **17 900** |
| Effects of exchange rate changes | | 270 | -777 |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **-22 102** | **10 664** |
| Opening cash and cash equivalents position | | 77 589 | 33 762 |
| Closing cash and cash equivalents position | | 55 487 | 44 426 |

(*) Composed of opening cash of Technical Airborne Components (TAC) and put option on this company paid in April 2021

## 3.5 Half-year 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 | Total shareholders' equity restated: Non-controlling interests | Total shareholders' equity restated: TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **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 |
| Other variations | | | | | | | | | 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 |
| Conversion option embedded in convertible bonds | | | | | | | 0 | | 0 |
| 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** |
| Capital variations (**) | -165 932 | | | 165 932 | | | 0 | | 0 |
| Share-based payments | | | | | | | 0 | | 0 |
| Transactions on treasury stock | | | -4 | | | | -4 | | -4 |
| Dividends | | | | | | | 0 | | 0 |
| **Transactions with owners** | **-165 932** | **0** | **-4** | **165 932** | **0** | **0** | **-4** | **0** | **-4** |
| **Net result for the period (1)** | | | | **-53 617** | | | **-53 617** | **0** | **-53 617** |
| Financial instruments (cash flow hedging): change in fair value and transfer in profit and loss | | | | | -139 | | -139 | | -139 |
| Financial instruments: translation differences | | | | | | | 0 | | 0 |
| Translation differences: change and transfer in profit and loss | | | | | | 1 594 | 1 594 | | 1 594 |
| Other variations | | | | 825 | | | 825 | | 825 |
| **Other comprehensive income (2)** | **0** | **0** | **0** | **825** | **-139** | **1 594** | **2 280** | **0** | **2 280** |
| | | | | | | | | | 0 |
| **TOTAL COMPREHENSIVE INCOME (1)+(2)** | **0** | **0** | **0** | **-52 791** | **-139** | **1 594** | **-51 337** | **0** | **-51 337** |
| | | | | | | | | | **0** |
| **June 30, 2021** | **23 705** | **213 658** | **-459** | **-237 933** | **370** | **-14 493** | **-15 153** | **0** | **-15 153** |

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

(**) Capital reduction by reducing the nominal value of the shares (see note 11)

### 1st half 2020

| ('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 | Total shareholders' equity restated: Non-controlling interests | Total shareholders' equity restated: TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **Dec 31, 2019** | **189 637** | **213 658** | **-1 842** | **-171 747** | **-21 883** | **-8 603** | **199 220** | **0** | **199 220** |
| Capital variations | 0 | 0 | | | | | 0 | | 0 |
| Share-based payments | | | | 0 | | | 0 | | 0 |
| Transactions on treasury stock | | | 1 296 | | | | 1 296 | | 1 296 |
| Dividends | | | | 0 | | | 0 | 0 | 0 |
| **Transactions with owners** | **0** | **0** | **1 296** | **0** | **0** | **0** | **1 296** | **0** | **1 296** |
| **Net result for the period (1)** | | | | **-94 016** | | | **-94 016** | **0** | **-94 016** |
| Financial instruments (cash flow hedging): change in fair value and transfer in profit and loss | | | | | 315 | | 315 | | 315 |
| Financial instruments: translation differences | | | | | | | 0 | | 0 |
| Translation differences: change and transfer in profit and loss | | | | | | -7 149 | -7 149 | 0 | -7 149 |
| Other variations | | | | 208 | | | 208 | 0 | 208 |
| **Other comprehensive income (2)** | **0** | **0** | **0** | **208** | **315** | **-7 149** | **-6 625** | **0** | **-6 625** |
| **TOTAL COMPREHENSIVE INCOME (1)+(2)** | **0** | **0** | **0** | **-93 808** | **315** | **-7 149** | **-100 642** | **0** | **-100 642** |
| | | | | | | | | | **0** |
| **June 30, 2020** | **189 637** | **213 658** | **-547** | **-265 555** | **-21 567** | **-15 752** | **99 874** | **0** | **99 874** |

## 3.6 Notes to the Condensed Consolidated Financial Statements

### GENERAL INFORMATION



### BALANCE SHEET DETAIL



### INCOME STATEMENT DETAIL



### ADDITIONAL INFORMATION

## INFORMATION RELATIVE TO THE GROUP

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

The consolidated financial statements of the Latécoère Group for the half year ended on June 30, 2021, include the parent company and its subsidiaries (the whole being designated as "the Group") and the Group's share in associates.

The consolidated financial statements of the Group have been approved by the Board of Directors on September 13, 2021.

## NOTE 1 MAIN EVENTS

**Adaptation plan in the light of the health crisis**

The first half of 2021 confirms a low level of activity, still affected by the effects of the health crisis and down compared to the activity of the first half of 2020 and of the second half of 2020 at constant perimeter.
The countries are faced with very different health situations as well as a heterogeneous pace of vaccination deployment depending on the region, with impacts on the conditions of air traffic, underlying of the Group's activity.

Faced with the uncertainty of the pace of the resumption of air traffic, the Group continued its efforts initiated in 2020, namely:

- The continued reduction in labor costs, consolidating the savings made over the course of fiscal year 2020;
- The continuation of partial activity in the first half of 2021;
- The pursuit of industrial rationalization.

On June 30, 2021, the Group also launched operations to recapitalize and strengthen its liquidity, which will enable the Group to restore its balance sheet and provide the necessary financial resources to carry out external growth operations and more generally to finance the Group's general corporate needs, at short and medium term.

**Launch of operations to recapitalize and strengthen the Group's liquidity**

The Latécoère company opened a conciliation procedure on May 11, 2021 under the aegis of the CIRI (Interministerial Committee for Industrial Restructuring), the aim of which is to recapitalize the Group and strengthen its liquidity.
The main terms of the conciliation concerned:

- The rescheduling of the repayment of existing state guaranteed loans (PGE) and of the EIB loan including an extension of the maturity of the EIB loan to 2027;
- The granting of new PGE loans amounting to €130 million ;
- A commitment by the shareholder to vote, subscribe and pay up a capital increase of a minimum amount of € 162.5 million ;
- The repayment of all of the shareholder's debt for an amount of € 52.5 million.

**Change in scope**

• **Integration of the company Technical Airborne Components (TAC):** At the end of April 2021, the company Latécoère bought from Searchlight a call giving it the possibility of buying the company Technical Airborne Components (TAC). Details of this transaction are presented in Note 5.
• **Integration of Bombardier's interconnection systems and electrical cabling activities in Querétaro (Mexico):** The Group has integrated Bombardier's interconnection systems and electrical cabling activities since February 2021. This integration has been considered like a business combination.

**Rental of the new head office**

Since the first half of 2021, the Group has rented its new head office. The characteristics of this transaction are presented in note 14.

## NOTE 2 ACCOUNTING POLICIES

### 2.1 Basis of Preparation of the Financial Statements

The condensed consolidated financial statements at June 30, 2021 are established in compliance with IAS 34 "interim financial reporting". For condensed accounts, they do not include all the information required by IFRS and should be read in conjunction with the Group's financial statements for the year ended December 31, 2020.

The accounting rules and methods applied to the condensed consolidated financial statements at June 30, 2021 are identical to those applied in the consolidated financial statements at December 31, 2020 with the exception of standards, amendments and interpretations which are required to be applied as from January 1, 2021.

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

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

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

*NEW IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS OF JANUARY 1, 2021*

- Amendments to IFRS 4 “Insurance Contracts” – Extension of Temporary Exemption from applying IFRS 9 ;
- Amendments to IFRS 9, “Financial Instruments” and IFRS 7, “Financial Instruments: Disclosures” – Interest Rate Benchmark Reform Phase 2.

These texts applicable from January 1, 2021 had no significant impact on the condensed financial statements.

The other accounting principles and methods used for the preparation of these condensed consolidated financial statements are identical to those applied for the last annual financial statements with the exception of the assessment of the income tax expense.

*NEW PUBLISHED IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EARLY ADOPTED BY THE GROUP AS OF JANUARY 1, 2021*

None.

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

- IFRS 17, “Insurance Contracts”
- Amendments to IAS 1, “Presentation of Financial Statements” – Classification of Liabilities as Current or Non–Current
- Amendments to IAS 1, “Presentation of Financial Statements” and IFRS Practice Statement 2 – Disclosure of Accounting Policies
- Amendments to IAS 28, “Investments in Associates and Joint Ventures” and IFRS 10, “Consolidated Financial Statements” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Annual Improvements to IFRSs published in May 2020 (2018-2020 cycle)
- Amendments to IAS 16, “Property, Plant and Equipment” – Proceeds before Intended Use
- Amendments to IFRS 3, “Business Combinations” – Reference to the Conceptual Framework
- Amendments to IAS 37, “Provisions, Contingent Liabilities and Contingent Assets” – Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Accounting Estimates
- Amendments to IFRS 16, “Leases” – Covid-19-Related Rent Concessions beyond June 30, 2021
- Amendments to IAS 12, “Income Taxes” – Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

The estimate of employee benefits at June 30, 2021 have been discounted taking into account the significant changes that have affected the yield on bonds issued by first-tier companies (reference used to determine the discount rates), the discount rate being increased from 0.33% to 0.81%.

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

- Assesment of goodwill (note 5);
- The recoverable amount of intangible and tangible assets as well as their useful life (note 6);
- Provisions on inventory (note 7);
- The fair value of financial instruments (note 9) ;
- Assessment of deferred tax assets (note 16.2).

At June 30, 2021, the estimates and the assumptions retained for the condensed consolidated financial statements were determined based on the elements in the Group's possession at the closing date mainly concerning commercial information (order book and rates) communicated by the various aircraft manufacturers and information from the prospects of the aeronautical market.

## 2.4 Business continuity

Latécoère launched major restructuring programs in 2020 as part of its strategy to optimize its manufacturing processes and improve its cost competitiveness. These have been deployed with the objective of mitigating the impact of the Covid-19 crisis in the short term and of positioning the Group in good condition when the commercial dynamics of the aeronautics industry resume. Faced with the uncertainty of the pace of the recovery in air traffic, the Group has continued its efforts initiated in 2020 and has sufficient liquidity to meet its deadlines over the next twelve months.

In the first half of the year, the Group launched an operation to recapitalize and strengthen its liquidity, which resulted in particular in obtaining new state guaranteed loans (PGE) for € 130 million and in carrying out a capital increase in August for a gross amount of € 222.4 million (see subsequent event).

## NOTE 3 CONSOLIDATION SCOPE

### Change in scope as of June 30, 2021

In accordance with the application of IFRS 10, the Latécoère Group took control of the company Technical Airborne Components (TAC) since the end of April 2021. As a result, the company Technical Airborne Components (TAC) has been incorporated into the scope of the Group.

### Detail of the consolidation scope at June 30, 2021

As the Group has, directly or indirectly, exclusive control in all Group companies subsidiaries are consolidated by full consolidation. All the companies within the scope close their accounts on December 31, with the exception of Latécoère India private limited which closes its accounts on March 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 |
| Technical Airborne Components (TAC) | Belgium | 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 4 OPERATIONAL SEGMENTS

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

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

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

### 4.1 Measurement of economic performance

#### 4.1.1 Presentation of adjusted data

In order to enhance the monitoring and comparability of its operational and financial performance, the Group presents, in parallel with the consolidated accounts, an adjusted income statement of :
- the exchange rate result of instruments not eligible for hedge accounting in IFRS standards. This result displayed as financial income in the consolidated accounts is reclassified as revenue (operating income) in the adjusted accounts ;
- changes in fair value which include all changes in the fair value of derivative instruments not eligible for hedge accounting and relating to cash flows for future periods and the revaluation at the hedged price of balance sheet positions (customers and suppliers denominated in USD) including the amount displayed in operating income;
- the deferred tax variations resulting from these items if necessary.

**Transition table from the consolidated income statement to the adjusted income statement**

| ('000 EURO) | Consolidated income statement June 30, 2021 | Hedging | | Adjusted income statement June 30, 2021 |
|---|---|---|---|---|
| | | Exchange rate result | Change in fair value | |
| Revenue | 178 476 | 2 590 | | 181 066 |
| Other operating revenue | 460 | | | 460 |
| Change in inventory: work-in-progress & finished goods | -7 997 | | | -7 997 |
| Raw material, Other Purchases & external charges | -118 519 | | | -118 519 |
| Personnel expenses | -78 758 | | | -78 758 |
| Taxes | -2 431 | | | -2 431 |
| Amortization | -13 554 | | | -13 554 |
| Net operating provisions charge | -3 609 | | | -3 609 |
| Net depreciation of current assets | 819 | | | 819 |
| Other operating income | 6 308 | | 220 | 6 528 |
| Other operating expenses | -543 | | | -543 |
| **RECURRING OPERATING INCOME** | **-39 348** | **2 590** | **220** | **-36 538** |
| *Operating Income / Sales* | *-22,05%* | | | *-20,18%* |
| Other non-recurring operating income and expenses | -2 753 | | | -2 753 |
| **OPERATING INCOME** | **-42 101** | **2 590** | **220** | **-39 291** |
| Net Cost of debt | -1 428 | | | -1 428 |
| Foreign Exchange gains/losses | 5 730 | -2 590 | -438 | 2 702 |
| Change in fair value of financial derivative instruments | 2 784 | | -2 784 | 0 |
| Other financial incomes and expenses | -16 903 | | | -16 903 |
| **FINANCIAL RESULT** | **-9 816** | **-2 590** | **-3 222** | **-15 628** |
| Income tax | -1 700 | | | -1 700 |
| **NET RESULT FOR THE PERIOD** | **-53 617** | **0** | **-3 002** | **-56 619** |
| • Of which, Owners of the parent | -53 617 | 0 | -3 002 | -56 619 |
| • Of which, Non-controlling interests | 0 | 0 | 0 | 0 |

| ('000 EURO) | Consolidated income statement June 30, 2020 | Hedging | | Adjusted income statement June 30, 2020 |
|---|---|---|---|---|
| | | Exchange rate result | Change in fair value | |
| Revenue | 231 917 | | | 231 917 |
| Other operating revenue | 306 | | | 306 |
| Change in inventory: work-in-progress & finished goods | -6 751 | | | -6 751 |
| Raw material, Other Purchases & external charges | -148 475 | | | -148 475 |
| Personnel expenses | -90 395 | | | -90 395 |
| Taxes | -3 927 | | | -3 927 |
| Amortization | -16 727 | | | -16 727 |
| Net operating provisions charge | 870 | | | 870 |
| Net depreciation of current assets | -4 519 | | | -4 519 |
| Other operating income | 6 648 | | 3 190 | 9 838 |
| Other operating expenses | -2 915 | | | -2 915 |
| **RECURRING OPERATING INCOME** | **-33 967** | **0** | **3 190** | **-30 777** |
| *Operating Income / Sales* | *-14,65%* | | | *-13,27%* |
| Other non-recurring operating income and expenses | -34 627 | | | -34 627 |
| **OPERATING INCOME** | **-68 594** | **0** | **3 190** | **-65 404** |
| Net Cost of debt | -1 599 | | | -1 599 |
| Foreign Exchange gains/losses | -9 830 | | 282 | -9 549 |
| Change in fair value of financial derivative instruments | -755 | | 755 | 0 |
| Other financial incomes and expenses | -1 111 | | | -1 111 |
| **FINANCIAL RESULT** | **-13 295** | **0** | **1 037** | **-12 258** |
| Income tax | -12 128 | | | -12 128 |
| **NET RESULT FOR THE PERIOD** | **-94 016** | **0** | **4 227** | **-89 789** |
| • Of which, Owners of the parent | -94 016 | 0 | 4 227 | -89 789 |
| • Of which, Non-controlling interests | 0 | 0 | 0 | 0 |

### 4.1.2 Key indicators by sector

The Group uses the following key indicators:

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

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

#### Half-year 2021

| *('000 EURO)* *Ajusted datas - June 30, 2021* | Aerostructures | Interconnection Systems | Intersegment eliminations | Total |
|---|---|---|---|---|
| Revenue | 93 056 | 98 770 | -10 760 | 181 066 |
| Inter-segment revenue | -10 242 | -518 | 10 760 | 0 |
| **Consolidated revenue** | **82 814** | **98 252** | **0** | **181 066** |
| **Recurring EBITDA** | **-13 519** | **-9 464** | 0 | **-22 984** |
| **Recurring operating income** | **-20 988** | **-15 550** | **0** | **-36 538** |
| *Recurring operating income / revenue* | *-22,6%* | *-15,7%* | | *-20,2%* |
| **Other non recurring operating income and expenses** | **-1 998** | **-755** | | **-2 753** |
| **Operating income** | **-22 985** | **-16 306** | **0** | **-39 291** |
| **Net investments (excluding disposal result)** | **437** | **-7 034** | **0** | **-6 598** |

#### Half-year 2020

| *('000 EURO)* *Ajusted datas - June 30, 2020* | Aerostructures | Interconnection Systems | Intersegment eliminations | Total |
|---|---|---|---|---|
| Revenue | 134 584 | 108 925 | -11 592 | 231 917 |
| Inter-segment revenue | -11 117 | -475 | 11 592 | 0 |
| **Consolidated revenue** | **123 467** | **108 450** | **0** | **231 917** |
| **Recurring EBITDA** | **-6 616** | **-7 523** | 89 | **-14 050** |
| **Recurring operating income** | **-15 122** | **-15 744** | **89** | **-30 777** |
| *Recurring operating income / revenue* | *-11,2%* | *-14,5%* | | *-13,3%* |
| **Other non recurring operating income and expenses** | **-33 977** | **-650** | | **-34 627** |
| **Operating income** | **-49 099** | **-16 394** | **89** | **-65 404** |
| **Net investments (excluding disposal result)** | **-3 394** | **-2 971** | **0** | **-6 365** |

### Balance sheet items as of June 30, 2021

| ('000 EURO) June 30, 2021 | Aerostructures | Interconnection Systems | Intersegment eliminations | Total |
|---|---|---|---|---|
| *Intangible fixed assets* | *12 955* | *48 039* | *0* | *60 994* |
| *Tangible fixed assets* | *121 750* | *30 287* | *0* | *152 037* |
| *Other financial assets* | *17 889* | *263* | *-13 353* | *4 800* |
| Assets | 152 594 | 78 590 | -13 353 | 217 830 |
| Inventories | 62 657 | 64 510 | -16 | 127 150 |
| Trade and other receivables | 51 068 | 36 561 | -5 275 | 82 354 |
| Other assets | 58 339 | 40 546 | -263 | 98 621 |
| **Total Segment Assets** | **324 657** | **220 206** | **-18 908** | **525 956** |
| Provisions | 45 308 | 778 | 0 | 46 086 |
| Refundable Advances | 14 451 | 9 527 | 0 | 23 978 |
| Accounts payable | 99 678 | 44 143 | -3 021 | 140 801 |
| Contracts liabilities | 10 565 | 25 171 | 0 | 35 736 |
| Other liabilities | 15 701 | 11 501 | -263 | 26 939 |
| **Total Segment Liabilities excluding financial debt** | **185 703** | **91 121** | **-3 284** | **273 540** |

Other assets of € 98.6m include in particular cash and cash equivalents for an amount of € 55.6m.

### Balance sheet items as of December 31, 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* |
| 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 |
| Other assets | 72 499 | 23 128 | -529 | 95 098 |
| **Total Segment Assets** | **295 169** | **214 498** | **-19 710** | **489 957** |
| Provisions | 43 867 | 673 | 0 | 44 541 |
| Refundable Advances | 15 086 | 9 527 | 0 | 24 613 |
| Accounts payable | 63 697 | 31 024 | -5 242 | 89 480 |
| Contracts liabilities | 11 824 | 27 158 | 0 | 38 982 |
| Other liabilities | 18 756 | 12 674 | -529 | 30 900 |
| **Total Segment Liabilities excluding financial debt** | **153 231** | **81 057** | **-5 771** | **228 516** |

Other assets of € 95.1m include in particular cash and cash equivalents for an amount of € 77.6m.

#### 4.1.3 Reconciliation with Group data

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

| *('000 EURO)* | Ajusted datas - June 30, 2021 | Ajusted datas - June 30, 2020 |
|---|---|---|
| (+) Operating income | -39 291 | -65 404 |
| (-) Other non recurring operating income and expense | -2 753 | -34 627 |
| (-) Depreciation and impairment losses | -13 554 | -16 727 |
| **Recurring EBITDA** | **-22 984** | **-14 050** |

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

| *('000 EURO)* | Ajusted datas - June 30, 2021 | Ajusted datas - June 30, 2020 |
|---|---|---|
| (+) Cash flow from investing activities | -6 888 | -6 436 |
| (-) Dividends received | 0 | 0 |
| (+) Gains or losses on disposals of assets | 290 | 71 |
| **Net investments (excluding disposal result)** | **-6 598** | **-6 365** |

## NOTE 5 GOODWILL

| *('000 EUR)* | Dec 31, 2020 | Change in scope | June 30, 2021 |
|---|---|---|---|
| Bombardier EWIS | 0 | 12 638 | 12 638 |
| Technical Airborne Components (TAC) | 0 | 10 539 | 10 539 |
| **Goodwill** | **0** | **23 177** | **23 177** |

#### Technical Airbone Components (TAC)

During the month of April 2021, the Group acquired from the company from Searchlight Capital Partners a call option for 100% of the shares of Technical Airborne Components (TAC). The option validity is 6 months.

According to IFRS 10, the Group has controlled Technical Airborne Components (TAC) since that date. As a result, TAC has been integrated within the scope of the Group in the "Aerostructures" CGU.

The amount of the acquisition is estimated at € 35.4 million to which is added the amount of the option paid by the Group in the amount of € 2.4 million. At the end of April 2021, TAC's net assets amounted to € 27.3 million, including € 6.4 million in cash. The revenue taken into account in the Group's half-year consolidated financial statements amounts to € 6.3 million and corresponds to two months of activity.

*Calculation of goodwill:*

Acquisition price = € 35.4 million
Call option price = € 2.4 million
Net assets at the end of April 2021 = € 27.3 million
**Total goodwill = € 10.5 million**

The acquisition of TAC was made as part of the implementation of the Group's external growth strategy. TAC is one of the main European players in the connecting rod market for the aeronautical industry. With around € 25 million of revenue and nearly 150 employees, TAC supplies parts for commercial aircraft, regional and business jets, helicopters, as well as for several military and space programs. It thus has an attractive portfolio of customers, reinforced by long-term contracts, and access to rapidly growing programs such as the A320.

The goodwill allocation will be made within 12 months of the acquisition of the company.

**Bombardier's electrical wiring and interconnection systems activities**

The revenue taken into account in the Group's half-year consolidated financial statements amounts to € 18.9 million and corresponds to five months of activity.

*Calculation of goodwill:*

Estimated acquisition price = € 25.6 million
Fair value of assets acquired = € 13.0 million
**Total goodwill = € 12.6 million**

This acquisition is also part of the implementation of the Group's external growth strategy.

Bombardier's interconnection and electrical wiring systems business for Global, Challenger and Learjet aircraft in particular is estimated at approximately $ 80 million. Around 700 qualified employees are dedicated to the production of EWIS systems at the site based in Querétaro (Mexico).

The goodwill allocation will be made within 12 months of the acquisition of the company.

## NOTE 6 FIXED ASSETS

### Gross value of fixed assets

| ('000 EUR) | Dec 31, 2020 | Change in scope | Currency variations | Reclassifying | Acquisitions | Disposals | June 30, 2021 |
|---|---|---|---|---|---|---|---|
| Capitalized development costs | 191 142 | | | 0 | 1 442 | 0 | 192 583 |
| Other Intangible Fixed Assets | 49 602 | 6 200 | 75 | | 2 467 | -7 | 58 337 |
| **INTANGIBLE ASSETS** | **240 743** | **6 200** | **75** | **0** | **3 909** | **-7** | **250 920** |
| Land | 5 340 | 463 | 75 | 1 837 | 0 | 0 | 7 715 |
| Buildings | 69 274 | 4 971 | 1 119 | -1 752 | 328 | 0 | 73 940 |
| Plants & Equipment | 130 776 | 15 822 | 2 268 | -4 118 | 628 | -900 | 144 476 |
| Other Fixed Assets | 20 739 | 1 660 | 228 | 10 | 399 | -192 | 22 844 |
| Fixed assets in progress | 5 642 | 0 | 25 | -680 | 740 | -238 | 5 488 |
| Advanced payments on fixed assets | 23 600 | 261 | 36 | -25 871 | 3 318 | 0 | 1 345 |
| Contracts right of use | 51 146 | 0 | 452 | 3 843 | 20 127 | -17 | 75 551 |
| **TANGIBLE ASSETS** | **306 517** | **23 178** | **4 201** | **-26 730** | **25 539** | **-1 347** | **331 358** |

As of June 30, 2021, € 25.6 million presented so far in advances and down payments on fixed assets and related to the acquisition of Bombardier's activities have been reclassified as follows:
- € 13.0 million in stock of raw materials and work in progress;
- the balance of € 12.6 million has been reclassified as provisional goodwill and will not be subject to a more detailed allocation until the second half of 2021.

### Amortization of fixed assets

| ('000 EUR) | Dec 31, 2020 | Change in scope | Currency variations | Reclassifying | Increase | Decrease | June 30, 2021 |
|---|---|---|---|---|---|---|---|
| Capitalized development costs | 151 049 | | 0 | 0 | 2 731 | 0 | 153 781 |
| Other Intangible Fixed Assets | 33 672 | 1 352 | 91 | 0 | 1 035 | -5 | 36 145 |
| **AMORTIZATION INTANGIBLE ASSETS** | **184 721** | **1 352** | **91** | **0** | **3 767** | **-5** | **189 926** |
| Buildings | 30 552 | 3 314 | 584 | 5 082 | 1 269 | -22 | 40 779 |
| Plants & Equipment | 90 765 | 11 918 | 1 733 | 0 | 4 501 | -1 512 | 107 404 |
| Other Fixed Assets | 15 974 | 1 426 | 187 | 0 | 675 | -60 | 18 201 |
| Contracts right of use | 15 072 | | 105 | -6 210 | 3 969 | 0 | 12 936 |
| **AMORTIZATION TANGIBLE ASSETS** | **152 362** | **16 658** | **2 608** | **-1 127** | **10 414** | **-1 594** | **179 321** |

**Net value of fixed assets**

| ('000 EUR) | Dec 31, 2020 | June 30, 2021 |
|---|---|---|
| Capitalized development costs | 40 092 | 38 802 |
| Other Intangible Fixed Assets | 15 930 | 22 192 |
| **INTANGIBLE ASSETS** | **56 022** | **60 994** |
| Land | 5 340 | 7 715 |
| Buildings | 38 722 | 33 161 |
| Plants & Equipment | 40 011 | 37 072 |
| Other Fixed Assets | 4 765 | 4 642 |
| Fixed assets in progress | 5 642 | 5 488 |
| Advanced payments on fixed assets | 23 600 | 1 345 |
| Contracts right of use | 36 074 | 62 615 |
| **TANGIBLE ASSETS** | **154 155** | **152 037** |

**6.1 Impairment of assets**

The Group carried out a review of its assets at June 30, 2021 and did not identify any indication of impairment. Tests will be carried out on December 31, 2021.

## NOTE 7 INVENTORIES AND WORK-IN-PROGRESS

| ('000 EUR) | June 30, 2021 | | | Dec 31, 2020 | | | Variation | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gross | Provision | Net | Gross | Provision | Net | Gross | Provision | Net |
| Raw materials and supplies | 94 819 | -38 814 | 56 005 | 85 135 | -37 761 | 47 375 | 9 684 | -1 054 | 8 630 |
| Work-in-progress and finished goods | 81 824 | -10 679 | 71 145 | 78 958 | -11 210 | 67 747 | 2 867 | 531 | 3 398 |
| **Industrial Inventories** | 176 644 | -49 493 | **127 150** | 164 093 | -48 971 | **115 122** | **12 551** | **-522** | **12 028** |

The amount of inventories relating to changes in scope amounted to € 21.5 million (including € 8.5 million for TAC and € 13.0 million for Bombardier's activities).

## NOTE 8 FINANCIAL ASSETS

**Fair value of financial assets**

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

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

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

| ('000 EURO) | Amortized cost | Financial assets at fair value through profit and loss | Hedging instruments | June 30, 2021 | Fair value |
|---|---|---|---|---|---|
| Non current financial assets | 4 800 | | | 4 800 | |
| Trade receivables and other receivables | 82 354 | | | 82 354 | |
| Financial instruments | | 3 897 | 474 | 4 371 | 4 371 |
| Cash and cash equivalent | 55 561 | 0 | | 55 561 | 0 |
| **TOTAL FINANCIAL ASSETS** | **142 714** | **3 897** | **474** | **147 085** | **4 371** |

| ('000 EURO) | Level 1 | Level 2 | Level 3 | Fair value |
|---|---|---|---|---|
| Financial instruments | | 4 371 | | 4 371 |
| **TOTAL** | **0** | **4 371** | **0** | **4 371** |

| ('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** |

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

## NOTE 9 RECEIVABLES AND OTHER CURRENT ASSETS

| ('000 EURO) | June 30, 2021 | Dec 31, 2020 |
|---|---|---|
| Advanced payments | 3 308 | 1 469 |
| Trade receivables* | 57 518 | 52 155 |
| Group current account | 427 | 0 |
| Tax receivables | 8 362 | 8 827 |
| Other current receivables | 12 739 | 2 818 |
| **TOTAL RECEIVABLES** | **82 354** | **65 269** |
| | | |
| Prepaid expenses | 2 701 | 1 795 |
| Other current assets | 21 | 21 |
| **TOTAL OTHER CURRENT ASSETS** | **2 722** | **1 816** |

(*) At June 30, 2021, the amount of trade receivables assigned to the factor was €0.3 thousand. The amount financed by the factor on the basis of the assigned receivables amounted to - €0.4 million. At December 31, 2020, the amount of receivables assigned to the factor amounted to €22.6 million. The amount financed by the factor on the basis of the assigned receivables amounted to -€0.8 million.
As the Group remains responsible for collection of assigned customer receivables, these receivables continue to appear in assets.

The increase at June 30 in other receivables is mainly due to the establishment of two sales and leasebacks on January 1 for € 5.0 million, but which will not be paid until July 1, 2021.

## NOTE 10 DERIVATIVE INSTRUMENTS

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

| ('000 EURO) | June 30, 2021 | | Notional* | Maturity | | |
|---|---|---|---|---|---|---|
| | Assets | Liabilities | | < 1 year | From 1 to 5 years | > 5 years |
| **Derivative instruments not designed as a hedge:** | | | | | | |
| - Accumulator EUR/USD | 1 143 | 790 | 107 708 | 107 708 | 0 | 0 |
| - Currency option contracts EUR/USD | 2 754 | 435 | 302 928 | 302 928 | 0 | 0 |
| **Cash flow hedging:** | | | | | | |
| - Forward currency contracts CZK/EUR | 474 | 0 | 19 774 | 19 774 | 0 | 0 |
| **Foreign currency Derivative instruments** | **4 371** | **1 226** | | | | |
| Financial instruments not designed as a hedge | 3 897 | 1 226 | 410 636 | 107 708 | 0 | 0 |
| Cash flow hedging | 474 | 0 | 19 774 | 19 774 | 0 | 0 |
| **TOTAL OF DERIVATIVES INSTRUMENTS** | **4 371** | **1 226** | | | | |
| of which non current derivative instruments | 0 | 0 | | | | |
| of which current derivative instruments | 4 371 | 1 226 | | | | |

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

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

#### Impact of future cash flow hedging

| ('000 EURO) | June 30, 2021 | Dec 31, 2020 |
|---|---|---|
| **Equity - Hedging instruments (net of tax) at the opening date** | **509** | **-21 883** |
| Equity change for the effective portion | -2 685 | 37 858 |
| Reclassification in net result of the period (*) | 2 561 | -5 038 |
| Translation differences | -16 | 66 |
| Deferred tax variation | 0 | -10 495 |
| **Equity - Hedging instruments (net of tax) at the closing date** | **370** | **509** |

(*) of which € -0.6 million negatively impacted the Group's revenue as of June 30, 2021 (versus € -14.5 million as of December 31, 2020)

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

| ('000 EURO) | June 30, 2021 | Dec 31, 2020 |
|---|---|---|
| **Fair value at the opening date** | **-113** | **-16 354** |
| Recorded through income statement before Taxes | 2 784 | 16 240 |
| **Fair value at the closing date** | **2 671** | **-113** |

## NOTE 11 SHAREHOLDERS' EQUITY

### 11.1 Breakdown of Capital

| | June 30, 2021 | Dec 31, 2020 |
|---|---|---|
| Number of shares | 94 818 518 | 94 818 518 |
| Nominal value of each share (in euro) | 0,25 | 2,00 |
| Share Capital | 23 704 630 | 189 637 036 |

During the first half of 2021, the company carried out a capital reduction of € 165.9 million (by clearance of reserves), by reducing the nominal value of the shares from € 2 to 0.25 cents per share.

All shares were fully paid.

### 11.2 Earning per share

| | June 30, 2021 | Dec 31, 2020 |
|---|---|---|
| Averaged issued shares | 94 818 518 | 94 818 518 |
| Averaged treasury shares | 38 822 | 43 958 |
| **Weighted average shares (a)** | **94 779 696** | **94 774 560** |
| Dilutive impact performance scheme (b) | 77 916 | 712 084 |
| **Total of shares diluted (a+b)** | **94 857 612** | **95 486 644** |
| **Net result - Group Share (in euro)** | **-53 616 803** | **-189 566 244** |
| Earnings per share (in euro) | -0,57 | -2,00 |
| Diluted earnings per share (in euro) | -0,57 | -2,00 |

The capital increase carried out after the closing in early August for an amount of € 222.4 million resulted in the issue of 436,165,182 new shares and will have a dilutive effect in the second half of 2021.

### 11.3 Treasury Shares

| *Number of shares* | Dec 31, 2020 | Acquisitions | Disposals | June 30, 2021 | % of ownership |
|---|---|---|---|---|---|
| LATECOERE Shares | 38 758 | 253 167 | 248 177 | 43 748 | 0,05% |

| *('000 EURO)* | Dec 31, 2020 | Acquisitions | Disposals | June 30, 2021 | Average purchase price |
|---|---|---|---|---|---|
| LATECOERE Shares | 80 | 493 | 488 | 84 | 1,94 |

## NOTE 12 CURRENT AND NON-CURRENT PROVISIONS

| ('000 EURO) | Dec 31, 2020 | Change in scope | Increase | Write-backs | Reclassification | Currency variations | June 30, 2021 |
|---|---|---|---|---|---|---|---|
| Non-current provisions | 21 122 | | 6 966 | -3 552 | -4 677 | 59 | 19 918 |
| Provisions for restructuring (non current) | 5 323 | | 0 | | -3 731 | | 1 592 |
| **TOTAL non current provisions** | **26 445** | **0** | **6 966** | **-3 552** | **-8 408** | **59** | **21 510** |
| Current provisions | 2 029 | 2 | 87 | 0 | 4 677 | 17 | 6 812 |
| Provisions for restructuring (current) | 16 067 | | 0 | -2 033 | 3 731 | 0 | 17 765 |
| **TOTAL current provisions** | **18 096** | **2** | **87** | **-2 033** | **8 408** | **17** | **24 577** |

Increase and write-backs on the period mainly relate to disputes over commercial contracts. The write-backs used over the period amounted to € 3.5m. Current and non-current provisions amount to € 46.1 million and mainly include a provision relating to the LATECOERE social plan for € 18.5 million and disputes over commercial contracts for € 23.2 million.

The reclassification of € 8.4 million from non-current provisions to current provisions corresponds to the update of the provision's maturity relating to the social plan.

## NOTE 13 EMPLOYEE BENEFITS

| ('000 EURO) | June 30, 2021 | Dec 31, 2020 |
|---|---|---|
| Retirement bonus | 14 359 | 14 916 |
| Long-service medals | 3 044 | 2 854 |
| **TOTAL** | **17 403** | **17 770** |

The pension obligations and commitments for long-service medals recognized at the end of June have been updated according to the parameters available on June 30, 2021.
In addition, the Group took note of the IFRS-IC decision of April 2021 regarding the allocation of employee benefits to periods of service. A study will be made on this subject during the second semester.

## NOTE 14 FINANCIAL LIABILITIES

### 14.1 Detail of Financial liabilities

| ('000 EURO) | Financial liabilities at fair value through profit and loss | Hedging instruments | Other financiel liabilities | June 30, 2021 | Fair value |
|---|---|---|---|---|---|
| Refundable Advances | | | 23 978 | 23 978 | N/A(*) |
| EIB loan (European Investment Bank) | | | 55 000 | 55 000 | 55 000 |
| State guaranteed loan | | | 88 200 | 88 200 | 88 200 |
| Shareholders loan | | | 52 522 | 52 522 | 52 522 |
| Lease liabilities | | | 62 389 | 62 389 | 62 389 |
| Unsecured banking facility and other | | | 9 458 | 9 458 | 9 458 |
| Other non-current liabilities | | | 5 062 | 5 062 | 5 062 |
| Derivated financial instruments | 1 226 | 0 | | 1 226 | 1 226 |
| Accounts payable | | | 140 801 | 140 801 | 140 801 |
| **TOTAL FINANCIAL LIABILITIES** | **1 226** | **0** | **437 409** | **438 635** | **414 656** |

*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 | 1 226 | 0 | 1 226 |
| **TOTAL** | **0** | **1 226** | **0** | **1 226** |

| ('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 PASSIFS FINANCIERS** | **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** |

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

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

## 14.2 Loans and Bank borrowings

| ('000 EURO) | Dec 31, 2020 | Increase | Decrease | Non-cash changes | Reclassifying | June 30, 2021 |
|---|---|---|---|---|---|---|
| Bank loans - non current | 143 200 | 1 562 | | | | 144 762 |
| Lease liabilities - non current | 33 431 | | | 25 544 | -3 342 | 55 632 |
| Other short term credit (*) | 38 916 | 1 378 | | | -36 162 | 4 131 |
| **Non-current liabilities** | **215 546** | **2 940** | **0** | **25 544** | **-39 505** | **204 525** |
| Factoring (*) | 490 | | -490 | | | 0 |
| Lease liabilities - current | 5 550 | | -2 815 | 679 | 3 342 | 6 757 |
| Other short term credit (*) | 3 667 | | -77 | 16 534 | 36 162 | 56 286 |
| **Current liabilities** | **9 707** | **0** | **-3 382** | **17 213** | **39 505** | **63 043** |
| **TOTAL OF LOAN AND BANK BORROWINGS** | **225 253** | **2 940** | **-3 382** | **42 757** | **0** | **267 568** |

(*) Variation of factoring and other short term credit are displayed in the other flows of financing operation in the statement of cash flows

The shareholder loan was repaid in full in August 2021 in accordance with the contractual dispositions of the loan and in line with the conciliation protocol. Consequently, it was reassessed to take into account all the interest charges that would have had to be paid if the loan had gone to term. The impact of this revaluation at amortized cost comes to € 16.4 million with no cash impact at the end of June 2021. Thus, the entire loan has been reclassified as current financial debt.

The changes lease liabilities correspond mainly to the rental of the Group's new head office for an amount of € 19.2 million, the characteristics of which are as follows:

- Start date: January 2021
- Contractual duration: 12 years
- Amortization period: 12 years
- Discount rate: 2.2%
- Amount of the rental debt at the start of the contract: € 19.9 million.

The discount rate applied corresponds to the borrowing rate that the Group would have to pay if it borrowed money on the market to finance itself.

| ('000 EURO) | Currency | Interest rate | Maturity | June 30, 2021 | |
|---|---|---|---|---|---|
| | | | | 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 | 2021 | 35 000 | 52 522 |
| Rental obligations debts | N/A(*) | N/A | N/A | N/A | 62 389 |
| Unsecured banking facility and other | EURO | EURIBOR + margin | N/A | 9 458 | 9 458 |
| **TOTAL OF LOAN AND BANK BORROWINGS** | | | | **316 258** | **267 568** |

(*) Multi-currencies

Debt reconciliation related to the factor (factoring) :

| ('000 EURO) | June 30, 2021 | Dec 31, 2020 |
|---|---|---|
| Receivables sold to the factor | 26 | 22 559 |
| Financing obtained from the factor | -362 | -818 |
| Cash available in balance sheet | 1 322 | 4 014 |
| Cash available from the factor | -960 | -2 707 |
| **DEBT - FACTORING** | **0** | **490** |

## 14.3 Financial ratios (“covenants”)

**Financial commitment on the loan of the European Investment Bank**

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

Given the situation linked to the health crisis, the Group obtained from the EIB the suspension of the test on financial covenants as of June 30, 2021.

## NOTE 15 PAYABLES AND OTHER LIABILITIES

| ('000 EURO) | June 30, 2021 | Dec 31, 2020 |
|---|---|---|
| Trade payables | 51 965 | 45 312 |
| Employee related liabilities | 39 276 | 31 031 |
| State payables | 5 425 | 5 756 |
| Credit balance on trade receivables and advance payments from customers | 5 202 | 5 093 |
| Other creditors | 38 932 | 2 287 |
| **ACCOUNTS PAYABLE** | **140 801** | **89 480** |

As of June 30, 2021, other creditors include the purchase price of TAC for € 35.4 million.

| ('000 EURO) | June 30, 2021 | Dec 31, 2020 |
|---|---|---|
| Contracts liabilities | 35 736 | 38 982 |

The revenue recognized in the first half of 2021 relating to contract liabilities included in liabilities at the start of the period amounted to € 2.1 million.

## NOTE 16 TAXES

### 16.1 Income Tax Receivable

The amount recorded at June 30, 2021 for € 11.8 million corresponds to tax credits for € 9.9 million (primarily, the research-based tax credit and the competitiveness and employment tax credit (CICE)) which will be paid between 2021 and 2024.

### 16.2 Deferred Taxes

| ('000 EURO) | June 30, 2021 | Dec 31, 2020 |
|---|---|---|
| Deferred tax assets | 684 | 10 279 |
| Deferred tax liabilities | -29 | -12 |
| **DEFERRED TAX AT OPENING** | **655** | **10 267** |
| Reclassement comptes sociaux | -220 | 0 |
| Deferred tax Income (Expense) recognised in P&L | 43 | -10 073 |
| Deferred tax variation recognised directly in equity | 18 | 461 |
| **DEFERRED TAX AT CLOSING** | **496** | **655** |
| Of which Deferred tax assets | 547 | 684 |
| Of which Deferred tax liabilities | -51 | -29 |

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

| ('000 EURO) | June 30, 2021 | Dec 31, 2020 |
|---|---|---|
| Tangible and intangible assets | -2 234 | -2 574 |
| Financial instruments | -914 | 47 |
| Retirement bonus | 4 707 | 4 902 |
| Other provisions (regulated provision) | -3 076 | -3 130 |
| Loan and bank borrowings | 0 | 0 |
| Loss carry-forwards | 10 074 | 10 074 |
| Other | 5 901 | 1 296 |
| **GROSS DEFERRED TAX ASSETS (LIABILITIES)** | **14 459** | **10 616** |
| Capping of deferred tax assets | -13 963 | -9 961 |
| **NET DEFERRED TAX ASSETS (LIABILITIES)** | **496** | **655** |

The significant increase in "other" gross deferred tax assets is linked to the revaluation of the shareholder loan at amortized cost (see note 14.2). This variation has no impact on the Group's net deferred taxes as it is fully capped.

As of June 30, 2021, the amount of tax losses carried forward for the Group is € 464.8 million.

## NOTE 17 DETAIL OF OTHER COMPONENTS OF THE RECURRING OPERATING INCOME

**Raw material, others purchases and external charges**

| ('000 EURO) | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Raw material consumed | -56 562 | -50 983 |
| Cost of goods sold | -18 | -140 |
| Sub-contracting | -34 078 | -64 343 |
| External charges | -27 860 | -33 009 |
| **RAW MATERIAL, OTHER PURCHASES & EXTERNAL CHARGES** | **-118 519** | **-148 475** |

**Personnel expenses**

| ('000 EURO) | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Wages and salaries | -52 040 | -56 765 |
| Social charges | -16 547 | -18 207 |
| External employees | -5 857 | -11 334 |
| Employee profit sharing | -1 284 | -333 |
| Post employment benefits | -332 | -530 |
| Other employee costs | -2 698 | -3 226 |
| **PERSONNEL EXPENSES** | **-78 758** | **-90 395** |

**Other operating income**

As of June 30, 2021, other operating income (+ € 6.3 million) includes in particular subsidies and tax credits (research tax credits and tax credit for competitiveness and employment) for an amount of € 3.9 million and capitalized production for an amount of € 2.0 million.

## NOTE 18 OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

| ('000 EURO) | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Impairment losses | | -28 200 |
| Restructuration costs | -34 | -1 687 |
| Other non-recurring items | -2 719 | -4 740 |
| Other non-recurring operating income and expenses | **-2 753** | **-34 627** |
| *of which expenses* | ***-5 665*** | ***-35 227*** |
| *of which incomes* | ***2 912*** | ***600*** |

At June 30, 2021, other non-recurring income (€ 2.9 million) and expenses (-€ 5.7 million) amounted to -€ 2.8 million and involved :

- income related to compensation received following the termination of the Mitsubishi M90 program for € 2.9 million;
- rationalization and growth operations costs of -€5.7 million;

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

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

## NOTE 19 DETAILS OF FINANCIAL INCOME

| ('000 EURO) | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Net Cost of debt | -1 428 | -1 599 |
| *Of which financial expenses related to interest-bearing liabilities* | -1 430 | -1 663 |
| *Of which financial income related to cash and cash equivalents* | 3 | 64 |
| Foreign Exchange gains/losses | 5 730 | -9 830 |
| Change in fair value of financial instruments | 2 784 | -755 |
| Other financial expenses | -16 925 | -1 299 |
| Other financial income | 22 | 188 |
| **FINANCIAL RESULT** | **-9 816** | **-13 295** |
| Of which financial expenses | -27 382 | -28 475 |
| Of which financial income | 17 566 | 15 180 |

As of June 30, other financial expenses include the revaluation of the shareholder loan for € 16.4 million (see note 14.2).

## NOTE 20 INCOME TAXES

| ('000 EURO) | June 30, 2021 | June 30, 2020 |
|---|---|---|
| Current income taxes | -1 127 | -1 658 |
| Deferred taxes | -573 | -10 470 |
| **TOTAL** | **-1 700** | **-12 128** |

## NOTE 21 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

### 21.1 Financial Commitments

Bombardier's asset purchase contract includes an earn-out clause for a maximum of $ 5 million depending on a target level of activity. As actual activity is below target, no amount has been recognized in the accounts as of June 30, 2021.

Apart from this point, the Group's financial commitments did not change significantly during the half-year.

### 21.2 Commitments under operating Leases (low value and short duration)

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

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

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

### 21.3 Other Contingent Liabilities

In 2021, the Group was subject to a tax audit. Some adjustments were accepted for a non significant amount. Those concerning the transfer pricing policy with the subsidiary Latécoère Do Brazil are disputed on the basis of a documented analysis of the Group's advisors. As this is an uncertain tax position, no provision has been made as of June 30, 2021.

## NOTE 22 RELATED PARTIES

During April 2021, the Group acquired from Searchlight Capital Partners a call option for Technical Airborne Components (TAC). The option validity is 6 months and the option price was € 2.4 million. The acquisition price of the company (TAC) amounts to € 35.4 million.

## NOTE 23 SUBSEQUENT EVENTS

**Recapitalization and strengthening of the Group's liquidity**

In accordance with the terms of the conciliation protocol approved on July 7, 2021, the Group carried out recapitalization operations, the main measures of which are as follows:

• Capital increase carried out in early August for an amount of € 222.4 million, resulting in the issue of 436,165,182 new shares at a unit subscription price of 0.51 euros ;
• Obtaining new state guaranteed loans (PGE) for € 130 million ;
• Rescheduling of the repayment of existing PGE and the postponement of the maturity of loans contracted with the European Investment Bank (EIB) to 2027.

The proceeds from this capital increase were used to repay the shareholder loan for an amount of € 52.5 million and to finance the acquisition of Technical Airborne Components Industries (TAC) for an amount of € 35.4 million. The balance of the proceeds from this capital increase will be used to provide the financial means necessary to carry out external growth operations and more generally to finance the Group's general corporate needs, at short and medium term.

**Acquisition of Technical Airborne Components (TAC)**

On August 31, 2021, the Group definitively acquired Technical Airborne Components (TAC) based in Belgium (Liège) from Searchlight Capital Partners. The investment company had bought TAC from TransDigm Group Incorporated in April this year and the Group held a call option of this company since that date from Searchlight Capital Partners.

# 4 STATEMENT BY THE PERSON RESPONSIBLE FOR THE REPORT

"I hereby declare that, to the best of my knowledge, the condensed financial statements for the first-half 2021 have been prepared in accordance with the applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and results of the company and of the consolidated entities; and that the half-year report set forth in chapter 1 of this report, includes a fair review of the important events which occurred during the first six months of the year, their impact on the financial statements for the half year, the principal transactions between related parties together with a description of the principal risks and uncertainties for the remaining six months of the year."

Toulouse, the 13th of September 2021

Thierry Mootz
Chief Executive Officer

# 5 STATUTORY AUDITORS' REPORT ON THE 2021 CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

« This is a free translation into English of the Statutory Auditors' review report on the half-yearly financial information issued in French and is provided solely for the convenience of English speaking readers. This report includes information relating to the specific verification of information given in the Group's half-yearly management report.This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France. »

**Latécoère S.A.**

Head office : 135, rue de Périole - 31500 Toulouse

**Statutory Auditors' Review Report on the 2021 Half-yearly Financial Information**

For the period from January 1 to June 30, 2021

To the Shareholders,

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

- the limited review of the accompanying condensed half-yearly consolidated financial statements of Latécoère S.A., for the period from January 1 to June 30, 2021.
- the verification of the information presented in the half-yearly management report.

Due to the global crisis related to the Covid-19 pandemic, the condensed half-yearly consolidated financial statements have been prepared and reviewed under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies' internal organization and the performance of our review procedures.

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

### I. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

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

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

**II. Specific verification**

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

| | |
|---|---|
| Labège, September 13, 2021 | Neuilly-sur-Seine, September 13, 2021 |
| KPMG S.A | Grant Thornton |
| | *Member of Grant Thornton international* |
| Eric Junières | Pascal Leclerc |
| *Partner* | *Partner* |

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