

LATECOERE



HALF YEAR REPORT

2022

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1 HALF YEAR REPORT

The consolidated financial statements of the Group have been approved by the Board of Directors on September 19, 2022.

Mains events

- **Strong revenue growth in the first half of 2022 of +33.8%**
- **Improvement in recurring EBITDA of €16.1 million in H1 2022 despite inflation pressure and global adverse economic situation**
- **2022 outlook confirmed, including increased trading activity and significant improvement in recurring EBITDA**
- **Latécoère is on track to deliver on its M&A strategy: Post integration of Malaga Aerospace, Defence & Electronics Systems SA (MADES) as of May 2022, target is to close the acquisitions of Figeac Aero's Hermosillo industrial site (Mexico) and Avcorp Industries Inc. during Q4'2022**

1.1 1st half year 2022 results

(€ million)	Jun 30, 2022	Jun 30, 2021 ³
Revenue	242,3	181,1
<i>Reported growth</i>	33,8%	-21,9%
<i>On like-for-like and constant exchange rate basis¹</i>	18,8%	-31,7%
Recurring EBITDA²	(6,9)	(23,0)
<i>Recurring EBITDA margin on revenue</i>	-2,8%	-12,7%
Recurring operating income	(22,7)	(36,5)
<i>Recurring EBIT margin on revenue</i>	-9,4%	-20,2%
Non recurring items	0,3	(2,8)
<i>Other non recurring items</i>	0,3	(2,8)
Operating income	(22,4)	(39,3)
<i>Net Cost of debt</i>	(3,3)	(1,4)
<i>Other financial income/(expense)</i>	1,2	(14,2)
Financial result	(2,1)	(15,6)
<i>Income tax</i>	(2,8)	(1,7)
Net result	(27,3)	(56,6)
Operating free cash flows	(75,5)	(16,7)

¹ Growth at constant exchange rates and scope of consolidation: Organic growth is obtained by neutralizing the effect of the EUR/USD exchange rate (use of a constant exchange rate for the periods concerned) and by applying a constant scope of consolidation (neutralization of the impact of acquisitions/disposals).

² Recurring EBITDA corresponds to current operating income before depreciation, amortization and impairment of current tangible and intangible assets.

³ Adjusted data. See Note 4 to the Condensed Consolidated Financial Statements. In 2021, the Group presented, in parallel with the IFRS consolidated financial statements, an adjusted income statement (of a strictly non-accounting nature) mainly due to the significant volume of transactions that did not qualify as hedge accounting and which did not allow the Group to recognize the foreign exchange gains and losses arising from these instruments at the same level as the underlying asset concerned. As the use of instruments not qualifying for hedge accounting has become immaterial, the Group has concluded to no longer present adjusted financial statements from January 1, 2022. However, in order to ensure comparability of information, the Group presents adjusted data as of June 30, 2021 in its business report. The reconciliation table between the 2021 adjusted data and the consolidated data is available in Note 4 of the notes to the Group's condensed consolidated financial statements.

Latécoère's half-year financial results for 2022 reflect the increased level of production in the aeronautical sector as a whole. Revenues amounted to €242.3 million, up by €61.2 million or +33.8%. At constant exchange rates and scope, the increase was 18.8%. The increase in revenues benefited from higher production rates, notably for the A320 and Embraer programs, albeit the long-haul market segment continues to be challenging and impacted by the B787 production halt that ended in August 2022.

The Group also benefited over the period from the contribution of the activities of the new acquisitions, with a perimeter variance effect of €19.0 million, and a favorable currency effect of €14.1 million.

The Group reported a recurring EBITDA for the first half of 2022 of €(6.9) million, a demonstrable improvement of €16.1 million over the first half of 2021. This improvement was mainly driven by a recovery in margins in both business lines, in line with the recovery in production rates, and in addition by a favorable currency effect of €5.1 million and the impact of acquisitions €(0,7) million.

Latécoère's net financial income amounted to €2.1 million in the first half of 2022, compared with €(15.6) million in the first half of 2021. The previous period had been impacted by a one-off effect related to the amortization of the shareholder loan in the amount of €(16.4) million following its early repayment.

The Group's net income for the first half of 2022 amounted to €(27.3) million, compared with €(56.6) million for the previous period.

Free cash flow from operations for the period amounted to €(75.5) million, which was mainly impacted by an increased working capital requirement of €(38.0) million in connection with the recovery in activity, and by the acquisition of MADES for an amount of €(19.0) million.

At June 30, 2022, net debt amounted to €147.9 million, an increase of €83.0 million compared to December 31, 2021, mainly due to the €80.6 million reduction of the cash position. The cash position at June 30, 2022 was €197.0 million.

The hedging portfolio amounted to \$570 million at June 30, 2022 at an average EUR/USD rate of 1.16. Since June 30, 2022, the Group has continued to put in place hedges for 2024, enabling it to improve the average realized hedging rate.

Aerostructures

Revenues for Latécoère's Aerostructures Division rose by 22.3% at constant exchange rates and scope of consolidation, compared to €82.8 million for the first half of 2021. The segment's activity benefited from significant overall recovery in production rates, notably on the A320 and Embraer programs, despite ongoing production challenges of the Boeing 787 program, following the temporary halt in production in July 2021. Boeing has resumed 787 deliveries in August 2022, and Latécoère expect the Boeing 787 program will gradually resume production in the second half of 2022.

The division's recurring EBITDA amounted to €(2.4) million, an improvement of €11.1 million, benefiting in particular from the upturn in activity and the improvement in the hedged rate for the period.

Aerostructures (€ million)	30/06/2022	30/06/2021*
Consolidated revenue	114,9	82,8
<i>On like-for-like and constant exchange rate basis</i>	22,3%	-36,5%
Inter-segment revenue	11,6	10,2
Revenue	126,5	93,1
Recurring EBITDA	(2,4)	(13,5)
<i>Recurring EBITDA margin on revenue</i>	-1,9%	-14,5%
Recurring operating income	(11,2)	(21,0)
<i>Recurring EBIT margin on revenue</i>	-8,9%	-22,6%

* Adjusted data. See Note 4 to the Condensed Consolidated Financial Statements

Interconnection Systems

Revenues of €127.4 million were up 15.4% at constant exchange rates and scope of consolidation compared with €98.3 million in the first half of 2021. This growth is notably driven by the increase in deliveries from the A320 program.

Recurring EBITDA for the Interconnection Systems division reached €(4.5) million, up by +€4.0 million compared to the previous period, benefiting from the improving production dynamics for the A320 and A350 programs during the period.

Systèmes d'interconnexion (€ million)	30/06/2022	30/06/2021*
Consolidated revenue	127,4	98,3
<i>On like-for-like and constant exchange rate basis</i>	15,4%	-26,3%
Inter-segment revenue	0,5	0,5
Revenue	127,9	98,8
Recurring EBITDA	(4,5)	(9,5)
<i>Recurring EBITDA margin on revenue</i>	-3,5%	-9,6%
Recurring operating income	(11,4)	(15,6)
<i>Recurring EBIT margin on revenue</i>	-8,9%	-15,7%

* Adjusted data. See Note 4 to the Condensed Consolidated Financial Statements

1.2 FY 2022 outlook

The Group confirms its guidance for the fiscal year 2022 in terms of recurring EBITDA and free cash flow from operations, namely:

- Revenue growth in excess of +20% on a reported basis and organic growth (at constant exchange rates and scope of consolidation) at the high end of the range of 15 to 19%;
- Significant improvement in recurring EBITDA, derived from ongoing cost reduction arising from Latécoère's footprint optimization strategy and the ongoing recovery within the commercial aerospace sector, offset by inflationary pressure impacting 2022 and beyond. We expect EBITDA close to breakeven but still negative in 2022; and
- Operating free cash flow will be impacted by the remaining one off costs of Latécoère's restructuring plans, the increase in working capital due to revenue growth and key investments to strengthen Latécoère's competitive position, including M&A.

1.3 Subsequent events

No significant post closing events are to be reported.

1.4 Principal risks and uncertainties for the remaining six months of 2022

The main risks and uncertainties for the remaining six months of 2022 relate to:

- The maintenance of the production rates announced by the aircraft manufacturers;
- Supply difficulties linked to the Russo-Ukrainian conflict; and
- Inflation impacting notably raw material and logistics costs .

1.5 Transactions with related parties

Transactions with related parties continued during the first half of 2022 on the basis of the same agreements as applied at December 31, 2021.

1.6 Accounting Standards, Principles and Methods

The condensed consolidated financial statements for the six months ended June 30, 2022 have been prepared in accordance with IAS 34 (Interim Financial Reporting) and IFRS as adopted by the European Union as of June 30, 2022, which are available on the website <https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002>.

The interim financial statements follow the same accounting rules and methods as those adopted for the annual financial statements prepared as at December 31, 2021, as detailed in the 2021 universal registration document (note 1 to the consolidated financial statements).

2 RISKS FACTORS

The risks identified and presented in the 2021 universal registration document continue to be applicable to the Latécoère business and have not materially changed. These risks are described in chapter 2 of the registration document published on April 20, 2022 under number D.22-0324 with the AMF. The risks that have changed during the first half of 2022 are listed below.

Uncertainties concerning the evolution of the general economy and the aeronautics sector

Inflation constitutes a major focus of attention in 2022, with raw material prices, logistics costs and in particular energy prices having reached historic levels.

Conscious of these challenges, Latécoère is implementing a sustainable development policy in line with its raison d'être "To serve the aerospace sector with innovative solutions for a sustainable world". In this context, the Latécoère senior management has taken Sustainability and CO2 training courses designed to support and reinforce energy savings and the reduction of CO2 emissions. The Group's main sites have undergone an energy audit to identify and implement possible energy reductions. The Group is pursuing ISO 14001 certification (environmental requirements) for its sites, with two new audits in the first half of 2022 (certification obtained for Hermossillo in Mexico and pending for the Prague site in the Czech Republic).

Latécoère continues to monitor the consequences of the conflict in Ukraine on a weekly basis, with a focus on the rise in the price of certain raw materials and is implementing preventive actions.

Cyber security risk

The Group continues to focus on the high level of Cyber security threat to its business and is vigilant preventive actions. The remediation roadmap for the technical obsolescence continues, notably by accelerating the upgrades of the various systems to the latest versions available and by reinforcing the level of protection of the workstations both on site and remotely. In 2022, Latécoère strengthened its IT security team with the hiring of an expert in charge of reinforcing the detection and response to cyber threats.

The group also has created a Cybersecurity Committee which addresses the awareness of all employees to this risk.

Product quality or non-conformity

The group is deploying a "QUALITY ALWAYS" operational roadmap entirely dedicated to the quality of products delivered, with the ambition of becoming the benchmark in the aeronautics sector.

All employees, from top management to production units, from design offices to support functions, are aware of quality issues and are taking part in this improvement initiative.

The plan takes the form of 100-day "sprints", each with targeted priority actions, linked to the needs of the sites and concrete objectives to be achieved during this period. The first sprint was conducted from March to May 2022.

As an example of this continuous improvement, these 100-day sprints have generated the launch of Quality Management Visits (VMQ) within both branches, as well as the creation and training of a multi-site community dedicated to problem solving.

Health and safety risks for employees in the workplace

The health risks associated with Covid-19 will continue into 2022. Latécoère is adapting to the evolution of the epidemic and is putting in place restrictions as needed: postponing social events, face covering required, remote working, etc.

Difficulty in attracting and retaining talent

The "Great Resignation", which began in the United States in the wake of the pandemic, is currently impacting France, which is recording a record rate of resignations. To a lesser extent, Latécoère is also affected by this phenomenon. To mitigate this risk, the Company is maintaining a competitive compensation policy, organizing engagement surveys and promoting its CSR approach to better meet the expectations of current and future employees.

3 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2022

3.1 Half-year Consolidated Statement of financial position

('000 EURO)	Notes	June 30, 2022	Dec 31, 2021
Goodwill	5	28 584	16 431
Intangible assets	6	65 847	67 541
Tangible assets	6	153 476	155 433
Other financial assets	8	5 268	5 105
Deferred tax assets	16.2	766	913
Financial derivative instruments	10.1	292	4 299
Other non-current assets		1 417	775
TOTAL NON-CURRENT ASSETS		255 650	250 497
Inventories	7	156 756	124 298
Accounts receivable	9	127 432	85 771
Tax receivable	16.2	12 131	9 829
Financial derivative instruments	10.1	0	2 574
Other current assets		2 913	1 613
Cash & Cash Equivalents	8	197 030	277 659
TOTAL CURRENT ASSETS		496 262	501 746
TOTAL ASSETS		751 912	752 243

('000 EURO)	Notes	June 30, 2022	Dec 31, 2021
Share capital	11.1	133 913	132 746
Share premium		327 265	326 064
Treasury stock		-481	-477
Other reserves		-301 384	-196 695
Derivatives future cash flow hedges		-31 420	323
Group net result		-27 331	-110 975
EQUITY ATTRIBUTABLE TO PARENT OWNERS		100 562	150 986
NON-CONTROLLING INTERESTS		0	0
TOTAL EQUITY		100 562	150 986
Loans and bank borrowings	14.2	320 774	325 453
Refundable Advances	14.1	21 273	20 886
Employee benefits	13	12 549	16 060
Non-current provisions	12	26 779	25 281
Deferred tax liabilities	16.2	2 599	3 012
Financial derivative instruments	10.1	15 416	4 568
Other non-current liabilities		10 259	6 297
TOTAL NON-CURRENT LIABILITIES		409 648	401 557
Loans and bank borrowings (less than 1 year)	14.2	24 165	17 353
Refundable Advances	14.1	2 254	2 966
Current provisions	12	7 723	15 046
Accounts payable	15	152 730	122 729
Income tax liabilities		2 963	1 811
Contracts liabilities	17	31 261	33 700
Other current liabilities		4 618	4 262
Financial derivative instruments	10.1	15 988	1 832
TOTAL CURRENT LIABILITIES		241 702	199 700
TOTAL LIABILITIES		651 350	601 257
TOTAL EQUITY & LIABILITIES		751 912	752 243

3.2 Half-year Consolidated Income Statement

('000 EURO) - 6 months	Notes	June 30, 2022	June 30, 2021
Revenue		242 303	178 476
Other operating revenue		782	460
Change in inventory: work-in-progress & finished goods		7 100	-7 997
Raw material, Other Purchases & external charges	17	-168 108	-118 519
Personnel expenses	17	-97 622	-78 758
Taxes		-2 777	-2 431
Amortization		-15 797	-13 554
Net operating provisions charge		2 521	-3 609
Net depreciation of current assets		2 261	819
Other operating income	17	8 014	6 308
Other operating expenses		-1 355	-543
RECURRING OPERATING INCOME		-22 678	-39 348
Other non-recurring operating income and expenses	18	292	-2 753
OPERATING INCOME		-22 386	-42 101
Net Cost of debt		-3 328	-1 428
Foreign Exchange gains/losses		2 580	5 730
Change in fair value of financial derivative instruments		89	2 784
Other financial incomes and expenses		-1 457	-16 903
FINANCIAL RESULT	19	-2 116	-9 816
Income tax	20	-2 829	-1 700
NET RESULT FOR THE PERIOD		-27 331	-53 617
• Of which, Owners of the parent		-27 331	-53 617
• Of which, Non-controlling interests		0	0
NET RESULT (Group share) FOR THE PERIOD PER SHARE			
• Earnings per share	11.2	-0,05	-0,57
• Diluted earnings per share	11.2	-0,05	-0,57

3.3 Half-year Consolidated Statement of comprehensive income

<i>('000 EURO)</i>	June 30, 2022	June 30, 2021
NET RESULT FOR THE PERIOD (1)	-27 331	-53 617
OTHER COMPREHENSIVE INCOME:		
- Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain or loss for year relating retirements benefits	1 705	916
Others	0	260
Income tax related to items that will not be reclassified to profit or loss	0	-260
- Items that will be reclassified subsequently to profit or loss:		
Translation differences	1 534	1 594
Financial instruments (cash flow hedging) : change in fair value	-31 743	-139
Other components of comprehensive income	3 047	-117
Income tax related to items that may be reclassified to profit or loss	0	26
TOTAL OTHER COMPREHENSIVE INCOME (2)	-25 456	2 280
TOTAL COMPREHENSIVE INCOME (1+2)	-52 787	-51 337

3.4 Half-year Consolidated Statement of Cash-Flows

('000 EURO)	Notes	June 30, 2022	June 30, 2021
Net result for the period		-27 331	-53 617
Adjustments related to non-cash activities :			
Depreciation and provisions		10 062	15 571
Fair value gains/losses		-89	-2 784
Net (gains)/losses on disposal of assets (**)		-10 619	290
Other non-cash items		1 633	16 528
CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES		-26 344	-24 011
Income taxes		2 829	1 700
Net Cost of debt		2 098	1 435
CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES		-21 417	-20 876
Changes in inventories net of provisions		-15 993	10 999
Changes in client and other receivables net of provisions		-36 267	-7 585
Changes in suppliers and other payables		14 317	7 671
Income tax paid		-1 069	-3 095
CASH FLOWS FROM OPERATING ACTIVITIES		-60 429	-12 887
Effect of changes in group structure (*)		-18 965	3 973
Purchase of tangible and intangible assets (including changes in payables to fixed asset suppliers)		-8 215	-10 449
Purchase of financial assets		0	0
Increase (decrease) in loans and advances made		60	-504
Proceeds from sale of tangible and intangible assets (**)		11 000	92
Dividends received		0	0
CASH FLOWS FROM INVESTING ACTIVITIES		-16 120	-6 888
Proceeds from issue of shares		2 367	0
Purchase or disposal of treasury shares		-4	-4
Proceeds from borrowings	14.2	250	1 562
Repayments of borrowings	14.2	-205	0
Repayments of lease liabilities	14.2	-4 303	-2 815
Financial interest paid		-2 280	-1 516
Flows from refundable advances		-324	-635
Other flows from financing operation	14.2	0	811
CASH FLOW FROM FINANCING ACTIVITIES		-4 499	-2 596
Effects of exchange rate changes		419	270
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		-80 630	-22 102
Opening cash and cash equivalents position		277 620	77 589
Closing cash and cash equivalents position		196 990	55 487

(*) Composed of opening cash of Malaga Aerospace, Defence & Electronics Systems SA (MADES) and put option on this company paid at the end of May 2022

(**) Composed of a net gain on the sale of property complex (Lot 2 Périole) for 11 M€.

3.5 Half-year Consolidated Statement of changes in Equity

('000 EURO)							Total shareholders' equity		
	Share capital	Share Premium	Treasury shares	Reserves and Accumulated Results	Cash flow hedgings - financial instruments	Translation difference	Equity attributable to owners of parent	Non-controlling interests	TOTAL
Dec 31, 2020	189 637	213 658	-455	-349 599	509	-16 087	37 664	0	37 664
Capital variations (*)	-56 891	112 406		165 932			221 448		221 448
Share-based payments							0		0
Transactions on treasury stock			-22				-22		-22
Other variations							0		0
Transactions with owners	-56 891	112 406	-22	165 932	0	0	221 425	0	221 425
Net result for the period (1)				-110 975			-110 975	0	-110 975
Financial instruments (cash flow hedging): change in fair value and transfer in profit and loss					-186		-186		-186
Financial instruments: translation differences							0		0
Translation differences: change and transfer in profit and loss						1 638	1 638		1 638
Other variations				1 419			1 419		1 419
Other comprehensive income (2)	0	0	0	1 419	-186	1 638	2 872	0	2 872
TOTAL COMPREHENSIVE INCOME (1)+(2)	0	0	0	-109 556	-186	1 638	-108 103	0	-108 103
									0
Dec 31, 2021	132 746	326 064	-477	-293 222	323	-14 449	150 986	0	150 986
Capital variations (*)	1 167	1 200					2 367		2 367
Share-based payments							0		0
Transactions on treasury stock			-4				-4		-4
Autres variations							0		0
Transactions with owners	1 167	1 200	-4	0	0	0	2 363	0	2 363
Net result for the period (1)				-27 331			-27 331	0	-27 331
Financial instruments (cash flow hedging): change in fair value and transfer in profit and loss					-31 743		-31 743		-31 743
Financial instruments: translation differences							0		0
Translation differences: change and transfer in profit and loss						1 534	1 534		1 534
Other variations (**)				4 752			4 752		4 752
Other comprehensive income (2)	0	0	0	4 752	-31 743	1 534	-25 456	0	-25 456
TOTAL COMPREHENSIVE INCOME (1)+(2)	0	0	0	-22 578	-31 743	1 534	-52 787	0	-52 787
									0
June 30, 2022	133 913	327 265	-481	-315 800	-31 420	-12 915	100 562	0	100 562

First Half 2021

('000 EURO)							Total shareholders' equity restated		
	Share capital	Share Premium	Treasury shares	Reserves and Accumulated Results	Cash flow hedges - financial instruments	Translation difference	Equity attributable to owners of parent	Non-controlling interests	TOTAL
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

3.6 Notes to the Condensed Consolidated Financial Statements

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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, 2022, 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 19, 2022.

NOTE 1 MAIN EVENTS

Russian-Ukrainian conflict

The conflict in Ukraine started on the 24th of February 2022. It has a negligible impact on the Group activities considering that the Group is not used to working with Russian or Ukrainian business partners and that only few transactions could be concerned.

To this day, industrial sites are not significantly impacted by the increase in energy and raw material prices. Inflation effects are not material on the first semester 2022.

The Group closely monitor the situation to anticipate and take eventual measures to face the potential consequences of the crisis on its activities, customers, business partners, suppliers and ensure the safety of all its employees.

Change in scope

Integration of the company Malaga Aerospace, Defence & Electronics Systems SA (MADES):

By the end of May 2022, the company Latecoere bought the entity Malaga Aerospace, Defence & Electronics Systems SA (MADES). MADES is an electronics manufacturing services ("EMS") provider focused on printed circuit boards ("PCB") for high reliability applications across defense (~80% of sales), commercial aviation and industrial end markets (~20% of sales). MADES operates out of one site in Malaga (Spain) and employs circa 100 highly skilled staff for an annual revenue of € 30m.

The characteristics of this transaction are presented in Note 5.

NOTE 2 ACCOUNTING POLICIES

2.1 Basis of Preparation of the Financial Statements

The condensed consolidated financial statements at June 30, 2022 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, 2021.

The accounting rules and methods applied to the condensed consolidated financial statements at June 30, 2022 are identical to those applied in the consolidated financial statements at December 31, 2021 with the exception of standards, amendments and interpretations which are required to be applied as from January 1, 2022.

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, 2022 :

- Amendments to IAS 16, "Property, Plant and Equipment" – Proceeds before Intended Use.
- Amendments to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" – Onerous
- Contracts – Cost of Fulfilling a Contract.
- Annual Improvements to IFRSs published in May 2020 (2018-2020 cycle).
- Amendments to IFRS 3, "Business Combinations" – Reference to the Conceptual Framework.

The standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2022 do not have a material impact on the Group's consolidated 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, 2022 :

None.

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

- Amendments to IAS 1, "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 1, "Presentation of Financial Statements" and IFRS Practice Statement 2
- Disclosure of Accounting Policies.
- Amendments to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Accounting Estimates.
- Amendments to IAS 12, "Income Taxes" – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.
- 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.
- IFRS 17, "Insurance Contracts" and its amendments.

The amendments to IAS 1 – Classification of Liabilities as Current or Non-Current, IAS 12 and IAS 28/IFRS 10 have not yet been adopted by the European Union and cannot therefore be applied ahead of their effective date even where early adoption is permitted by the texts concerned. The other new standards, amendments and interpretations have not been early adopted by the Group.

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

The estimate of employee benefits at June 30, 2022 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 Group referring in particular to Iboxx Corp AA 10+ indice), the discount rate being increased from 0.98% to 3,28%. The impact of the reevaluation of the actualization rate has an impact of € 4.2m on the Equity.

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

- Assessment 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, 2022, the estimates and the assumptions retained for the condensed consolidated financial statements were determined based on the elements in the Group's possession at the closing date mainly concerning commercial information (order book and rates) communicated by the various aircraft manufacturers and information from the prospects of the aeronautical market.

NOTE 3 CONSOLIDATION SCOPE

Change in scope as of June 30, 2022

In accordance with the application of IFRS 10, the Latécoère Group took control of the company Malaga Aerospace, Defence & Electronics Systems SA (MADES) since the end of May 2022. As a result, the company MADES has been incorporated into the scope of the Group on the basis of its closing by the end of May 2022.

Detail of the consolidation scope at June 30, 2022

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	Bulgarie	100%	100%	Full consolidation
Shimtech de Mexico	Mexico	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
Malaga Aerospace, Defence & Electronics Systems SA (MADES)	Spain	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. Those activities are presented with more details on Part 1 of the Universal Document Registration 2021 of the Group.

4.1 Measurement of economic performance

Key indicators :

The monitoring of the operational and financial performance, as reviewed by the Group, is based on adjusted datas.

The Group uses the following key indicators:

- **Revenue**
- **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
- **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.

In 2021, the Group was publishing, in parallel with the consolidated accounts, an adjusted income statement (strictly non GAAP statement), mainly due to the significant amount of transactions not qualified for hedge accounting which not allowed the Group to register exchange gain and losses realized on these financial instruments at the same level than the underlying disclosure concerned.

In 2022, the use of financial instruments not qualified for hedge accounting has become non significant. By then, the Group has decided to stop the presentation of adjusted accounts as of the 1st of January 2022.

First Half 2022

('000 EURO) June 30, 2022	Aerostructures	Interconnection Systems	Intersegment eliminations	Total
Revenue	126 516	127 874	-12 087	242 303
Inter-segment revenue	-11 603	-484	12 087	0
Consolidated revenue	114 913	127 390	0	242 303
Recurring EBITDA	-2 411	-4 470	0	-6 881
Recurring operating income	-11 236	-11 441	0	-22 678
<i>Recurring operating income / revenue</i>	<i>-8,9%</i>	<i>-8,9%</i>		<i>-9,4%</i>
Other non recurring operating income and expenses	4 704	-4 412		292
Operating income	-6 532	-15 853	0	-22 386
Net investments (excluding disposal result)	-3 131	-4 643	0	-7 774

First Half 2021

('000 EURO)				
Adjusted data - 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
<i>Recurring operating income / revenue</i>	<i>-22,6%</i>	<i>-15,7%</i>		<i>-20,2%</i>
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	-6 597

Transition table from the consolidated income statement to the adjusted income statement, First Half 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
<i>Operating Income / Sales</i>	<i>-22,05%</i>			<i>-20,18%</i>
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

Balance sheet items as of June 30, 2022

('000 EURO)				
June 30, 2022	Aerostructures	Interconnection Systems	Intersegment eliminations	Total
<i>Goodwill</i>	2 229	26 355	0	28 584
<i>Intangible fixed assets</i>	19 393	46 454	0	65 847
<i>Tangible fixed assets</i>	122 898	30 579	0	153 476
<i>Other financial assets</i>	20 592	368	-15 693	5 268
Assets	165 111	103 756	-15 693	253 175
Inventories	70 221	86 551	-16	156 756
Trade and other receivables	76 678	58 631	-7 878	127 432
Other assets	176 169	38 862	-481	214 550
Total Segment Assets	488 180	287 800	-24 067	751 912
Provisions	33 066	1 436	0	34 502
Refundable Advances	14 000	9 527	0	23 527
Accounts payable	76 129	82 280	-5 679	152 730
Contracts liabilities	10 055	21 206	0	31 261
Other liabilities	26 608	22 011	-481	48 138
Total Segment Liabilities excluding financial debt	159 858	136 460	-6 160	290 158

Other assets of € 214.3m include in particular cash and cash equivalents for an amount of € 197.1m.

Balance sheet items as of June 30, 2021

('000 EURO)				
June 30, 2021	Aerostructures	Interconnection Systems	Intersegment eliminations	Total
<i>Intangible fixed assets</i>	18 898	48 643	0	67 541
<i>Tangible fixed assets</i>	126 919	28 514	0	155 433
<i>Other financial assets</i>	19 888	253	-15 036	5 105
Assets	165 705	77 410	-15 036	228 080
Inventories	65 150	59 164	-16	124 298
Trade and other receivables	47 915	45 292	-7 435	85 771
Other assets	260 228	53 147	-845	312 530
Total Segment Assets	538 999	236 577	-23 332	752 243
Provisions	37 482	2 845	0	40 327
Refundable Advances	14 324	9 527	0	23 852
Accounts payable	74 866	53 058	-5 195	122 729
Contracts liabilities	10 291	23 409	0	33 700
Other liabilities	22 803	11 317	-845	33 275
Total Segment Liabilities excluding financial debt	159 765	100 157	-6 040	253 882

Other assets of € 312.5m include in particular cash and cash equivalents for an amount of € 277.6m.

4.1.3 Reconciliation with Group data

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

<i>('000 EURO)</i>	June 30, 2022	Adjusted datas - June 30, 2021
(+) Operating income	-22 386	-39 291
(-) Other non recurring operating income and expense	292	-2 753
(-) Depreciation and impairment losses	-15 797	-13 554
Recurring EBITDA	-6 881	-22 984

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

<i>('000 EURO)</i>	June 30, 2022	Adjusted datas - June 30, 2021
(+) Cash flow from investing activities	-10 619	-6 888
(-) Dividends received	0	0
(+) Gains or losses on disposals of assets	2 845	290
Net investments (excluding disposal result)	-7 774	-6 598

NOTE 5 GOOD WILL

('000 EUR)	Dec 31, 2021	Change in scope	June 30, 2022
Bombardier EWIS	14 202		14 202
Technical Airborne Components (TAC)	2 229		2 229
Malaga Aerospace, Defence & Electronics Systems SA (MADES)		12 153	12 153
Goodwill	14 202	12 153	26 355

Bombardier EWIS :

Within the context of the completion in 2021 of the acquisition of the electrical interconnection and wiring systems (EWIS) business of Bombardier in Querétaro, Mexico, the asset purchase contract includes an earn-out clause for a maximum of \$ 5 million depending on a target level of activity, due in January 2023.

As actual activity is on line with the target, the amount of the provision already recognized in the account has been maintained for \$ 5m in the accounts as of June 30, 2022.

Malaga Aerospace, Defence & Electronics Systems SA (MADES) :

According to IFRS 10, the Group has controlled Malaga Aerospace, Defence & Electronics Systems SA (MADES) since May 31, 2022.

As a result, MADES has been integrated within the scope of the Group in the « Interconnexion Systems » CGU.

The acquisition price is € 19.3m to which an earn-out clause must be added. The amount of the earn-out clause will reach a maximum of € 4m already recognized in the account in « Other liabilities » by the end of June 2022.

Calculation of good will :

Acquisition Price	= 19,3 M€
Earn-Out Clause	= 4 M€
Fair value of assets	= 11,1 M€
Total good will	= 12,2 M€

The acquisition of MADES provides Latécoère with vertical integration opportunities, better meeting the full product requirements of its Electrical Wiring Interconnection Systems ("EWIS") customer base. MADES also provides Latécoère with new solutions to serve the future generation aircraft.

Net asset contributed is mainly composed of € 3.2m of fixed assets and € 13.1m of inventories.

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

The Group carried out a review of its good will at June 30, 2022 and did not identify any indication of impairment. Tests will be carried out on December 31, 2022.

NOTE 6 FIXED ASSETS**Gross value of fixed assets**

Valeurs Brutes Immobilisations

('000 EUR)	Dec 31, 2021	Change in scope	Currency variations	Reclassifying	Acquisitions	Disposals	June 30, 2022
Capitalized development costs	196 757		15		1 646		198 417
Brand	996						996
Customer relationship	7 154						7 154
Backlog	660						660
Licenses	4 807						4 807
Softwares	40 790		43	687	10		41 529
Other Intangible Fixed Assets	11 086		0	-902	1 879		12 063
INTANGIBLE ASSETS GROSS VALUE	262 250	0	58	-215	3 534	0	265 627
Land	8 130	307	87			-80	8 445
Buildings	80 239	6 586	1 155	849	212	-605	88 436
Plants & Equipment	149 756	14 660	2 064	754	652	-582	167 304
Other Fixed Assets	20 958	1 159	306	98	725	-58	23 189
Fixed assets in progress	4 076	61	159	-1 356	358		3 298
Advanced payments on fixed assets	1 758	154	5	-131	614	-7	2 392
Contracts right of use	80 161		1 326		732		82 219
TANGIBLE ASSETS GROSS VALUE	345 079	22 927	5 102	215	3 292	-1 332	375 283

Amortization of fixed assets

('000 EUR)	Dec 31, 2021	Change in scope	Currency variations	Reclassifying	Increase	Decrease	June 30, 2022
Capitalized development costs	156 181				2 954		159 135
Brand	0						0
Customer relationship	504				335		839
Backlog	296				222		518
Licenses	345				243		588
Softwares	32 561		39		1 275		33 876
Other Intangible Fixed Assets	4 822		2				4 823
AMORTIZATION INTANGIBLE ASSETS	194 709	0	41	0	5 030	0	199 779
Buildings	43 656	5 534	564	-967	2 065	-313	50 538
Plants & Equipment	110 777	12 735	1 585	976	4 899	-580	130 392
Other Fixed Assets	16 811	1 257	262	-9	610	-58	18 874
Contracts right of use	18 402		405		3 196		22 003
AMORTIZATION TANGIBLE ASSETS	189 646	19 526	2 815	0	10 771	-951	221 807

Net value of fixed assets

('000 EUR)	Dec 31, 2021	Change in scope	Currency variations	Reclassifying	Increase	Decrease	June 30, 2022
Capitalized development costs	40 576	0	15	0	-1 308	0	39 282
Brand	996	0	0	0	0	0	996
Customer relationship	6 650	0	0	0	-335	0	6 315
Backlog	364	0	0	0	-222	0	142
Licenses	4 462	0	0	0	-243	0	4 219
Softwares	8 229	0	3	687	-1 266	0	7 653
Other Intangible Fixed Assets	6 265	0	-2	-902	1 879	0	7 240
INTANGIBLE ASSETS NET VALUE	67 542	0	17	-215	-1 496	0	65 848
Land	8 130	307	87	0	0	-80	8 445
Buildings	36 584	1 052	592	1 817	-1 854	-292	37 898
Plants & Equipment	38 979	1 926	479	-221	-4 248	-2	36 912
Other Fixed Assets	4 147	-98	45	107	114	0	4 315
Fixed assets in progress	4 076	61	159	-1 356	358	0	3 298
Advanced payments on fixed assets	1 758	154	5	-131	614	-7	2 392
Contracts right of use	61 759	0	921	0	-2 464	0	60 216
TANGIBLE ASSETS NET VALUE	155 433	3 401	2 287	215	-7 479	-381	153 476

6.1 Impairment of assets

The depreciation registered in the 2020 sanitary crisis context for € 40.1m is still registered in the account at the end of June 2022. The Group carried out a review of its assets at June 30, 2022 and did not identify any indication of impairment. Tests will be carried out on December 31, 2022.

NOTE 7 INVENTORIES AND WORK-IN-PROGRESS

('000 EUR)	June 30, 2022			Dec 31, 2021		
	Gross	Provision	Net	Gross	Provision	Net
Raw materials and supplies	109 416	-34 902	74 514	89 127	-34 958	54 169
Work-in-progress and finished goods	91 781	-9 539	82 242	80 749	-10 619	70 130
Industrial Inventories	201 197	-44 441	156 756	169 876	-45 577	124 298

The amount of inventories relating to changes in scope amounted to € 13.1m for the company MADES.

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, 2022	Fair value	Level of Fair Value
Non current financial assets	5 268			5 268	5 268	
Trade receivables and other receivables	127 432			127 432	127 432	
Derivative instruments in assets		292	0	292	292	Level 2
Cash and cash equivalent	197 030			197 030	197 030	
TOTAL FINANCIAL ASSETS	329 730	292	0	330 023	330 023	

As of June 30, 2022, other non current financial assets are mainly composed of :

- € 3.6m of non consolidated shares (of which € 2.7m of shares Corse Composites Aéronautiques owned at 24,81% et € 0.9m of Caeli Nova shares)
- € 1.7m of loans, guarantees and other receivables.

('000 EURO)	Amortized cost	Financial assets at fair value through profit and loss	Hedging instruments	Dec 31, 2021	Fair value	Level of Fair Value
Non current financial assets	5 105			5 105	5 105	
Trade receivables and other receivables	85 771			85 771	85 771	
Derivative instruments in assets		44	6 829	6 873	6 873	Level 2
Cash and cash equivalent	277 659	0		277 659	277 659	
TOTAL FINANCIAL ASSETS	368 536	44	6 829	375 409	375 409	

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.

The line « Cash and cash equivalents » is related to debtor bank accounts.

NOTE 9 RECEIVABLES AND OTHER CURRENT ASSETS

(<i>'000 EURO</i>)	June 30, 2022	Dec 31, 2021	Var.
Advanced payments	3 052	2 475	577
Trade receivables*	93 222	68 233	24 989
Group current account	-41	-33	-7
Tax receivables	14 199	12 030	2 169
Other current receivables	16 999	3 067	13 932
TOTAL RECEIVABLES	127 432	85 771	41 661
Prepaid expenses	2 909	1 610	
Other current assets	4	4	
TOTAL OTHER CURRENT ASSETS	2 913	1 816	

The amount of account receivable is given after provision registration.

The increase at June 30, 2022 in other receivables is mainly due to the sale of the second part of the historic site of Toulouse-Periole for € 13.2m (VAT included). Cash has been received on the 1st of July 2022.

NOTE 10 DERIVATIVE INSTRUMENTS

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

The Group's hedging strategy has not changed regarding to what was described in the account on December 31, 2021.

(<i>'000 EURO</i>)	Balance sheet position		Notional*	Maturity		
	Assets	Liabilities		< 1 year	From 1 to 5 years	> 5 years
Derivative instruments not designed as a hedge:						
- SWAP EUR/USD	0	106	9 627	0	0	0
- CVA/DVA - EUR/USD	292	0	0	292	0	0
Cash flow hedging:						
- Currency option contracts EUR/USD	0	24 122	394 724	211 902	154 039	0
- Forward currency contracts EUR/USD	0	7 176	154 039	4 415	154 039	0
Foreign currency Derivative instruments	292	31 404				
Financial instruments not designed as a hedge	292	106	9 627	9 627	0	0
Cash flow hedging	0	31 298	548 763	240 685	308 077	0
TOTAL OF DERIVATIVES INSTRUMENTS	292	31 404				
of which non current derivative instruments	292	15 416				
of which current derivative instruments	0	15 988				

Notional is valued in euro K 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, 2022	Dec 31, 2021
Equity - Hedging instruments (net of tax) at the opening date	323	509
Equity change for the effective portion	-27 951	-2 345
Reclassification in net result of the period (*)	-3 791	2 192
Translation differences	0	-24
Deferred tax variation	0	-9
Equity - Hedging instruments (net of tax) at the closing date	-31 420	323

Impact of derivative instruments to which hedge accounting is not applied

('000 EURO)	June 30, 2022	Dec 31, 2021
Fair value at the opening date	28	-113
Recorded through income statement before Taxes	159	141
Fair value at the closing date	186	28

Hedging is not applicable to the derivative instruments mentioned above. As a consequence, all the fair value variance of these derivative is registered as financial result in the accounts.

NOTE 11 SHAREHOLDERS' EQUITY

11.1 Breakdown of Capital

	June 30, 2022	Dec 31, 2021
Number of shares	535 650 357	530 983 700
Nominal value of each share (in euro)	0,25	0,25
Share Capital	133 912 589	132 745 925

During the first half 2022, the company carried out a capital increase of € 2.4m by issuing 4.6 million of new shares together with shares premium. The nominal value has not changed since the closing of December 31, 2021.

All shares were fully paid.

11.2 Earning per share

	June 30, 2022	Dec 31, 2021
Averaged issued shares	531 757 179	277 649 703
Averaged treasury shares	54 764	54 764
Weighted average shares (a)	531 702 415	277 594 939
Dilutive impact performance scheme (b)	0	0
Total of shares diluted (a+b)	531 702 415	277 594 939
Net result - Group Share (in euro)	-27 330 673	-110 975 069
Earnings per share (in euro)	-0,05	-0,40
Diluted earnings per share (in euro)	-0,05	-0,40

The shares related to the free shares allocation plan concluded on the first half 2022 (cf Note 13.2) have not been included in the earning per share calculation because they have not been issued yet at June 30, 2022.

11.3 Treasury Shares

Number of shares	Dec 31, 2021	Acquisitions	Disposals	June 30, 2022	% of ownership
LATECOERE Shares	73 547	461 132	430 231	104 448	0,02%
(000 EURO)	Dec 31, 2021	Acquisitions	Disposals	June 30, 2022	Average purchase price
LATECOERE Shares	39	210	206	43	1,30

As an application for IAS 32 – 33, all treasury shares are directly registered in Equity.

NOTE 12 CURRENT AND NON-CURRENT PROVISIONS

('000 EURO)	Dec 31, 2021	Change in scope	Increase	Write-backs used	Write-backs not used	Reclassification	Currency variations	June 30, 2022
Non-current provisions	25 281	356	5 333	-1 073	-3 134	15		26 779
Provisions for restructuring (non current)	0		0					0
TOTAL non current provisions	25 281	356	5 333	-1 073	-3 134	15	0	26 779
Current provisions	1 167		1 900	-138				2 930
Provisions for restructuring (current)	13 879		887	-9 919		-15		4 793
TOTAL current provisions	15 046	0	2 787	-10 057	0	-15	0	7 723

An increase in provision of € 1.9m has been registered related to the decontamination costs of the historic site of Toulouse-Pérole (second part of the site).

The remaining amount of provision increase on the period is due to provision to cover litigations on commercial contracts : late penalty fees, suppliers claims,:

€ 2.8m related to revaluation of litigation costs

€ 1.9m related to new litigation born on the period

Reversal used mainly concern the provision for restructuring related to the PSE for € 9.7m.

Unused provisions are due to risks that are extinguished or settled by a lower outflow of resources than that estimated on the basis of the information available at the end of the previous period (late penalty fees, suppliers claims essentially).

NOTE 13 EMPLOYEE BENEFITS

13.1 Retirement benefits and long medals engagement.

('000 EURO)	June 30, 2022	Dec 31, 2021
Retirement bonus	9 529	13 312
Long-service medals	3 020	2 748
TOTAL	12 549	16 060

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, 2022.

13.2 Allocation of free performance shares

Since it has been created, Latecoere Group has established various plan for the grant of free performance shares.

The Shareholder's Meeting gathered on the 30th of March 2022 and implemented a new plan for the grant of free performance shares for the benefit of some members of the Executive Committee and any of the employees, with cancellation of the preferential subscription right .

The key features of the plan are the following :

- Beneficiaries of the plan : Employees and Executive Committee of yhe Company
- The grant of the shares is subjected to presence conditions – one year after their allocation date (except few cases mentioned in the Rules of the Plan 2022), if the beneficiary is still complying the presence conditions.
- Performance shares will have to be kept for a period ending at theend of the second anniversary of the date of allocation (except few cases mentioned in the Rules of the Plan 2022)
- The Rules of the Plan 2022 mention a total of 100.000 shares : 59.500 free shares have been effectively allocated

The parity of conversion is based on the Internal Rate of Return of the financial investor since the Realization Date – meaning the 4th of August 201, until the Conversion Date – meaning the first of these two dates : 1st of January 2027 or the Exit Date, which is the date of an operation or expiry date six months after the realization of the considered operations.

The number of free performance share to be issued, and the number of ordinary shares which could result of the conversion of these preference shares won't be above 10% of the total amount of share composing the share capital of the Company at the date of allocation by the Board.

In the accounts, the valuation of the plan is 530 K€ registered in personnel expenses ((Note 17 – personnel expenses / employee profit sharing)

NOTE 14 FINANCIAL LIABILITIES

14.1 Detail of Financial liabilities

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financial liabilities	June 30, 2022	Fair value	Level of Fair Value
Refundable Advances			23 527	23 527	N/A ^(*)	
EIB loan (European Investment Bank)			55 184	55 184	55 184	
State guaranteed loan			220 079	220 079	220 079	
Lease liabilities			60 625	60 625	60 625	
Unsecured banking facility and other			9 051	9 051	9 051	
Other non-current liabilities			10 259	10 259	10 259	
Derivated financial instruments	106	31 298		31 404	31 404	Level 2
Accounts payable			152 730	152 730	152 730	
TOTAL FINANCIAL LIABILITIES	106	31 298	531 455	562 859	539 332	

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financial liabilities	Dec 31, 2021	Fair value	Level of Fair Value
Refundable Advances			23 852	23 852	N/A ^(*)	
EIB loan (European Investment Bank)			55 205	55 205	55 205	
State guaranteed loan			218 528	218 528	218 528	
Lease liabilities			63 182	63 182	63 182	
Unsecured banking facility and other			5 891	5 891	5 891	
Other non-current liabilities			6 297	6 297	6 297	
Derivated financial instruments	17	6 384		6 400	6 400	Level 2
Accounts payable			122 729	122 729	122 729	
TOTAL PASSIFS FINANCIERS	17	6 384	495 684	502 085	478 232	

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").

14.2 Loans and Bank borrowings

('000 EURO)	Dec 31, 2021	Entrée de périmètre	Increase	Decrease	Non Cash changes	Reclassifying	June 30, 2022
Bank loans - non current	269 445	2 866	0	-138	0	-4 740	267 433
Lease liabilities - non current	54 638	0	0	0	0	-2 667	51 971
Other short term credit (*)	1 371	0	0	0	0	0	1 371
Non-current liabilities	325 453	2 866	0	-138	0	-7 407	320 774
Bank loans - current	5 886	0	250	-67	1 778	4 740	12 588
Factoring (*)	0	0	0	0	0	0	0
Lease liabilities - current	8 544	0	0	-4 303	1 747	2 667	8 654
Other short term credit (*)	2 922	0	0	0	0	0	2 922
Current liabilities	17 353	0	250	-4 370	3 525	7 407	24 165
TOTAL OF LOAN AND BANK BORROWINGS	342 806	2 866	250	-4 508	3 525	0	344 939

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

'000 EURO)	Currency	Interest rate	Maturity	June 30, 2022	
				Notional	Actual
EIB loan	EURO	EURIBOR + margin	2027	55 000	55 184
State guaranteed loan	EURO	Fixed rate	2024-2027	218 200	220 079
Rental obligations debts	N/A(*)	N/A	N/A	N/A	60 625
Unsecured banking facility and other	EURO	Taux Fixe / Taux variables	N/A	9 051	9 051
TOTAL OF LOAN AND BANK BORROWINGS				410 851	344 939

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 until December 31, 2023. No early repayment could be asked until that date even if financial ratios are not satisfied.

The EIB loan also include a financial covenant to ensure the level of consolidated cash flow at a minimum of € 20m until December 2023.

NOTE 15 PAYABLES AND OTHER LIABILITIES

('000 EURO)	June 30, 2022	Dec 31, 2021
Trade payables	87 608	74 320
Employee related liabilities	39 971	36 121
State payables	8 731	5 394
Credit balance on trade receivables and advance payments from customers	15 798	6 821
Other creditors	622	73
ACCOUNTS PAYABLE	152 730	122 729

('000 EURO)	June 30, 2022	Dec 31, 2021
Contracts liabilities	31 261	33 700

The revenue recognized in the first half of 2022 relating to contract liabilities included in liabilities at the start of the period amounted to € 2.4 million.

NOTE 16 TAXES**16.1 Income Tax Receivable**

The amount recorded at June 30, 2022 for € 12.1 million corresponds to tax credits for € 8.9 million (primarily, the research-based tax credit and the competitiveness and employment tax credit (CICE)) which will be paid between 2022 and 2025.

16.2 Deferred Taxes

('000 EURO)	June 30, 2022	Dec 31, 2021
Deferred tax assets	913	684
Deferred tax liabilities	-3 012	-29
DEFERRED TAX AT OPENING	-2 099	655
Deferred tax Income (Expense) recognised in P&L	85	287
Deferred tax variation recognised directly in equity	181	-3 040
DEFERRED TAX AT CLOSING	-1 832	-2 098
Of which Deferred tax assets	766	913
Of which Deferred tax liabilities	-2 599	-3 012

Analysis by nature of deferred taxes is presented below:

('000 EURO)	June 30, 2022	Dec 31, 2021
Tangible and intangible assets	-1 807	-2 441
Other	-25	343
NET DEFERRED TAX ASSETS (LIABILITIES)	-1 832	-2 099

NOTE 17 DETAIL OF OTHER COMPONENTS OF THE RECURRING OPERATING INCOME**Raw material, others purchases and external charges**

('000 EURO)	June 30, 2022	June 30, 2021
Raw material consumed	-63 140	-56 562
Cost of goods sold	-1 899	-18
Sub-contracting	-51 564	-34 078
External charges	-51 504	-27 860
RAW MATERIAL, OTHER PURCHASES & EXTERNAL CHARGES	-168 106	-118 519

Personnel expenses

('000 EURO)	June 30, 2022	June 30, 2021
Wages and salaries	-65 774	-52 040
Social charges	-20 342	-16 547
External employees	-5 837	-5 857
Employee profit sharing	-1 399	-1 284
Post employment benefits	-454	-332
Other employee costs	-3 816	-2 698
PERSONNEL EXPENSES	-97 622	-78 758

Other operating income

As of June 30, 2022, other operating income (+ € 8 million) includes in particular subsidies and tax credits (research tax credits and tax credit for competitiveness and employment) for an amount of € 4.2 million and capitalized production for an amount of € 2.6 million.

NOTE 18 OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

('000 EURO)	June 30, 2022	June 30, 2021
Impairment losses	0	0
Restructuration costs	-1 100	-34
Other non-recurring items	1 392	-2 719
Other non-recurring operating income and expenses	292	-2 753
<i>of which expenses</i>	<i>-10 708</i>	<i>-5 665</i>
<i>of which incomes</i>	<i>11 000</i>	<i>2 912</i>

At June 30, 2022, other non-recurring income for € 11 million and expenses (€ 10.7 million) amounted to € 0.3 million and involved :

- Sale profit of the second part of the historic site of Toulouse-Periole € 11 M
- Growth operations costs of (€ 1.1) million ;
- Costs related to internal restructuration plans for (€ 1.1) million ;
- Cost for sale of assets for (€ 2.5) million (of which (€ 1.9) million depolition costs for the historic Toulouse site (Péριοle site – 2nd part)
- Rationalization cost for (€ 3,7) million.

NOTE 19 DETAILS OF FINANCIAL INCOME

('000 EURO)	June 30, 2022	June 30, 2021
Net Cost of debt	-3 328	-1 428
<i>Of which financial expenses related to interest-bearing liabilities</i>	-3 335	-1 430
<i>Of which financial income related to cash and cash equivalents</i>	6	3
Foreign Exchange gains/losses	2 580	5 730
Change in fair value of financial instruments	89	2 784
Other financial expenses	121	-16 925
Other financial income	-1 578	22
FINANCIAL RESULT	-2 116,021	-9 817
Of which financial expenses	-22 182	-27 382
Of which financial income	20 066	17 566

As of June 30, 2021 other financial expenses included the revaluation of the shareholder loan for € 16.4 million.

NOTE 20 INCOME TAXES

('000 EURO)	June 30, 2022	June 30, 2021
Current income taxes	-2 914	-1 127
Deferred taxes	85	-573
TOTAL	-2 829	-1 700

NOTE 21 ENGAGEMENTS FINANCIERS ET PASSIFS EVENTUELS

21.1 Financial Commitments

Bombardier EWIS :

Within the context of the completion in 2021 of the acquisition of the electrical interconnection and wiring systems (EWIS) business of Bombardier in Querétaro, Mexico, the asset purchase contract includes an earn-out clause for a maximum of \$ 5 million depending on a target level of activity, due in January 2023.

As actual activity is on line with the target, the amount of the provision already recognized in the account has been maintained for \$ 5m in the accounts as of June 30, 2022.

Malaga Aerospace, Defence & Electronics Systems SA (MADES) :

Within the context of the completion in 2022 of the acquisition of the company Malaga Aerospace, Defence & Electronics Systems SA (MADES), the purchase contract includes an earn-out clause which will reach a maximum of € 4m already recognized in the account in « Other liabilities » by the end of June 2022 because it is highly likely that the targeted objectives will be achieved.

Apart from those points, 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 1.2), 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

The Group is working on a reclassification of the proposed tax reassessment received in 2021 thanks to procedure L62A of the French Guide of Fiscal Procedures.

After analysis by the Group's advisors, the amount that could be paid after the reclassification has been estimated as non significant and no provision has been made as of June 30, 2022.

NOTE 22 RELATED PARTIES

There is no significant transaction concluded with related parties that would not have been already included in the condensed consolidated statement as of June 30, 2022.

NOTE 23 SUBSEQUENT EVENTS

Since June 30, 2022 and until September 19, 2022, when the Board of Directors approved the financial statements, there has been no event likely to have a significant impact on the economic decisions made on the basis of present financial statements.

4 STATEMENT BY THE PERSON RESPONSIBLE FOR THE REPORT

"I hereby declare that, to the best of my knowledge, the condensed financial statements for the first-half 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 19th of September 2022

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 2022 Half-yearly Financial Information

For the period from January 1 to June 30, 2022

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, 2022.
- the verification of the information presented in the half-yearly management report.

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

I. Conclusion on the financial statements

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

A review of interim financial information consists principally of making inquiries of persons responsible for financial and accounting matters and applying analytical procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France.

Consequently, our assurance that the financial statements, taken as a whole, are free of material misstatement, obtained in the context of a limited review, is a moderate assurance, lower than that obtained in the context of an audit.

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

II. Specific verification

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

Labège, September 19, 2022
KPMG S.A

Eric Junières
Partner

Neuilly-sur-Seine, September 19, 2022
Grant Thornton
Member of Grant Thornton international

Pascal Leclerc
Partner

AEROSTRUCTURES

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