LATÉCOÈRE

Half-year report

2018

CONTENTS

1 HALF-YEAR REPORT

The consolidated financial statements of the Group have been approved by the Board of Directors on September 4, 2018.

Main events

- **2018, a year of transition towards state-of-the-art manufacturing facilities**
- **Good Progress of Transformation 2020, in line with the Group's roadmap**
- **Results temporarily impacted by start-up costs of new manufacturing plants and roll-out of the Transformation 2020 plan**
- **Sustained sales momentum**

INCOME STATEMENT

All of the figures presented in this press release were prepared under IFRS. The 2017 financial statements restated for the application of IFRS 15 are presented hereunder.

In € million	H1 2018	H1 2017 restated[1]
Revenues	320.8	350.4
Recurring EBITDA[2]	20.9	46.5
Recurring operating income (EBIT)	**7.1**	**33.2**
% of sales	*2.2%*	*9.5%*
Non-recurring operating income/(expense)	0.8	(1.3)
Operating income	**8.0**	**31.8**
Net interest expense	(1.7)	(3.8)
Other financial income/(expense)	(3.3)	24.1
Net financial income/(expense)	**(5.0)**	**20.3**
Income tax	(0.1)	(13.7)
Net income	**2.8**	**38.5**

[1] Restated for the application of IFRS 15, effective as of 1 January 2018

[2] Recurring EBITDA = Recurring operating income + Depreciation and amortisation of tangible and intangible assets

The financial statements for first half 2018 were approved by the Board of Directors at its meeting on 4 September 2018, the statements having been the subject of a limited review by the statutory auditors.

Revenues mainly impacted by currency effects

The Latécoère Group's first half 2018 revenues amounted to €320.8 million, down 8.5% as reported compared to the same period in 2017, significantly impacted by the depreciation of the US dollar. At constant exchange rates, Latécoère posted a 2.9% decrease in revenues in the first half, having no impact on forecasts for the year.

Aerostructures Division's revenues, down 8.3% at constant exchange rates (-13.8% based on reported data), mainly reflects the slowdown in production on the Embraer E1 program. The slowdowns announced in the A330 and A380 programs, seasonal A320 deliveries and the drop in contractual prices also contributed to the shift in pace in this division.

The Interconnection Systems division posted growth of 5.2% at constant exchange rates (-0.3% based on reported data). The decline in A380 invoicing and price impacts were largely offset by the contribution of new contracts signed in 2017, including the Mitsubishi Aircraft MRJ contract.

As a reminder, although a portion of the revenues is sensitive to the $ fluctuation, the Group's result is hedged, either naturally via purchases in $ and a global production network, or via hedging instruments.

Yearly €/$ Hedging of the Group:

	2018	2019	2020
Hedge in $ million	390	429	345
Hedged €/$ rate	1.16	1.18	1.24

Temporary decline in profitability

In line with expectations, the Group's EBIT amounted to €7.1 million in the first half of 2018, down from €33.2 million in 2017.

In € million	**Revenues**		**Recurring EBITDA**		**Recurring operating income (EBIT)**	
	H1 2018	H1 2017 restated[1]	H1 2018	H1 2017 restated[1]	H1 2018	H1 2017 Restated[1]
Aerostructures	182.5	211.8	2.6	24.7	(3.8)	18.5
Interconnection Systems	138.2	138.6	18.2	21.6	10.9	14.6
Total	**320.8**	**350.4**	**20.9**	**46.5**	**7.1**	**33.2**

[1] Restated for the application of IFRS 15, effective as of 1 January

Profitability in the two business lines suffered from the worsening €/$ exchange rate. For the Aerostructures Division, the decline is also linked to revisions in contractual pricing, the decrease in Embraer business volumes and temporary adjustments related to the launch of two new production sites. In addition, the division incurs extra costs related to the default of a major supplier. Its replacement which consists mainly of internalizing the production of primary parts, will be completed by the end of 2018.

Actions undertaken in 2017 (the social plan in France, transfer of production sites and reduction in procurement costs) enable these price revisions to be offset. As a result of these actions, margins on certain programs will continue to improve over the coming months.

Non-recurring expenses mainly consist of start-up costs at new manufacturing plants in Montredon and Bulgaria, resourcing activities, and the roll-out of the Transformation plan. Due to the recognition of capital gains generated by the sale of the first tranche of the Toulouse-Périole site, non-recurring income amounted to €0.8 million, up from an expense of €1.3 million one year earlier.

Debt expense decreased considerably following the financial restructuring undertaken at the end of 2017. A net financial expense of €5 million was recorded after accounting for the revaluation of balance sheet items and derivatives.

Net income amounted to €2.8 million (compared to €38.5 million in first half 2017).

One-off investments in competitive capabilities to drive future growth

The Group has ramped up its investment strategy and invested in safety stock to implement the Transformation plan under the best conditions and to ensure timely client deliveries. Accordingly, free cash flow from operations has temporarily resulted in a negative position of €28.3 million at 30 June 2018, including non-recurring income of €17.8 million. These items include expenditure related to the social plan (Plan de Sauvegarde de l'Emploi) and investments for the new manufacturing plants.

Update on the Transformation 2020 plan

The Group's Transformation 2020 plan is in full swing and advancing according to schedule. Over the first half of 2018, key milestones in the ramp-up of its manufacturing capabilities were achieved:

- at the end of June 2018, 172 departures or job reclassifications were carried out, out of the 233 positions impacted by the French social plan, with the remainder scheduled to take place before year end;
- construction completed and launch of production at the Plovdiv manufacturing plant in Bulgaria;
- construction completed and launch of production at the Montredon manufacturing plant in France;
- reorganisation of Group manufacturing employees, two-thirds of which are now based in best-cost countries.

Meanwhile, the Toulouse-Périole facility transfer is progressing; the first tranche has been sold and demolition works have begun. Agreements for the sale of the two remaining tranches have also been signed.

In addition to manufacturing plant transfers, the Group has launched procurement and redesign-to-cost projects, which will enable the Group to attain total cost reductions of more than €30 million per year by 2020.

Business momentum

The Transformation 2020 plan will endow the Group with competitive state-of-the-art manufacturing facilities, and upon completion of the plan the Group will be in prime position to pitch for new platforms that will be developed in the future.

Benefiting from strong business momentum in the Interconnection Systems division, the Latécoère Group continues to increase its market share in 2018 and support its clients, as demonstrated by the recent launch of a new site in India.

On 23 august, 2018, the Group signed a MoU (Memorandum of Understanding) with Future Aerospace Industry, based in Chengdu, Sichuan, and Taigui Application Technology based in Shanghai to create a Joint Venture, which primary objective is to win aerostructures contracts, and specifically doors on China airplane programs, including Comac Future Wide body.

China is the first commercial aviation market in the world. The country has the ambition to become an aerospace leader and has the financial and human resources to succeed. With this JV, the Group is opening the door of Chinese programs, that will grow in the future, but also of offset markets which generally come along the aircraft contracts that Latécoère traditional customers win in China.

2018 and 2019 outlook

The effects of the Transformation plan will pick up in the second half of 2018, with an expected improvement in the operating margin rate and free cash flow from operations to swing back to a positive position.

In 2019, efforts to reduce costs will be stepped up and should enable operating income to return to 2017 levels.

Subsequent events

On July 30, 2018, the Group set up a leasing operation with a pool of French banks refinancing the land and building at the Montredon site in Toulouse, where Groupe Latécoère's 4.0 plant was developed for 12.6 million euros.

Principal risks and uncertainties for the remaining six months of 2018

The Group has been informed of a problem of abnormal corrosion on parts developed and produced by Latécoère for several years. An analysis is underway to determine the technical and contractual responsibilities of the parties involved, as well as the elements covered by the insurance policies. Given the level of uncertainty, no provision has been recorded as of June 30, 2018. A follow-up will be carried out in the second half of 2018.
The other major risks and uncertainties for the remaining six months of the year are:

- the Group's ability to meet the key milestones of the Transformation 2020 plan and to implement the ramp-up of new manufacturing plant;
- the respect of the rates announced by the aircraft manufacturers in the context of an evolving supply chain;
- change in the EUR/USD exchange rate.

Transactions with related parties

Transactions with related parties continued during the first half of 2018 on the basis of the same agreements as those applied on December 31, 2017.

Accounting Standards, Principles and Methods

The Group's half-year condensed consolidated financial statements for the six months ended June 30, 2018 are prepared in accordance with IAS 34 "Interim Financial Reporting", which makes it possible to present a selection of notes to the financial statements. These condensed consolidated financial statements should therefore be read in conjunction with the consolidated financial statements for the 2017 financial year.

The 2017 annual consolidated financial statements and the condensed consolidated financial statements at June 30, 2018 are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. They also comply with the IFRS published by the IASB and the IFRS Interpretation Committee.

The accounting principles used to prepare the Group's condensed consolidated financial statements at June 30, 2018 are identical to those used for the year ended December 31, 2017, with the exception of the new standards IFRS 15 "Revenue from Contracts with Customers" and IFRS 9 "Financial Instruments" applicable on January 1, 2018 (cf. Notes 2.2 and 2.4).

Regarding the application of IFRS 16 (applicable on January 1, 2019), studies are underway to identify the impacts of IFRS 16 on leases.

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

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

NEW IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS OF JANUARY 1, 2018

- IFRS 9, “Financial Instruments”;
- IFRS 15, “Revenue from Contracts with Customers”;
- Annual Improvements to IFRSs published 2014-2016 cycle;
- Amendments to IFRS 2, “Share-based Payment” – Classification and Measurement of Share based Payment Transactions IFRIC 22, “Foreign Currency Transactions and Advance Consideration”;
- Amendments to IAS 40, “Investment Property” – Transfers of Investment Property.

NEW PUBLISHED IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EARLY ADOPTED BY THE GROUP AS OF JANUARY 1, 2018

None.

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

- IFRS 16, “Leases”;
- 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 2015-2017 cycle;
- IFRIC 23, Uncertainty over Income Tax Treatments;
- Amendements to IAS 19 « Plan Amendment, Curtailment or Settlement »
- Revised Conceptual Framework for Financial Reporting, amendments to references to the conceptual framework in IFRS standards

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.

Impacts of the first application of IFRS 15 and IFRS 9 - Accounting principles

IFRS 15 – Revenue from contracts with customer

The Group has chosen to apply IFRS 15 retrospectively. The 2017 opening and closing balance sheets and the 2017 income statement have been restated.

The Group has carried out a contract type analysis to comply with the new IFRS 15.

As far as "Design & Build" type contracts are concerned, the Group believes that the specific development portion of the contract will not, as a rule, constitute a performance obligation because development cannot be dissociated from series production. Accordingly, development costs will still be capitalised.

Also, in the first financial years of a contract starting, IFRS 15 no longer allows recognition on the balance sheet of learning curve-related production costs, which are currently recycled to the income statement according to the decline in those costs actually observed. It has therefore an impact on the timing of recognition of the margins achieved on the various contracts. However, the timing of the recognition of revenue earned from series-produced items, currently booked on delivery, will remain unchanged.

IFRS 9 – Financial instruments

Regarding IFRS 9, the Group has decided to apply the three phases prospectively. The 2018 opening balance sheet has been restated.

The Group has not identified a significant change in the classification and measurement of financial assets given the nature of its operations.

The Group considers that its existing hedging relationships meeting the qualifying criteria as effective hedges continue to meet IFRS 9 hedge accounting criteria. The detailed analysis of IFRS 9 confirms the hedging relationship on the Knock-in barriers of forward exchange contracts. Indeed, this type of financial instrument does not generate risk or uncertainty for the Group (cap strike and notional amount are known at the inception of the contract). Knock-in barrier does not cause additional risk (no leverage or ratio effect, no indexation or condition without an economic link with the risk covered).

IFRS 16 - Leases

IFRS 16 changes lease accounting treatment for lessees. It will replace IAS 17, and the IFRIC 4, SIC 15 and SIC 27 guidance documents. Whereas, according to IAS 17, the accounting treatment of leases is determined by assessing the transfer of risks and rewards associated with ownership of the asset, IFRS 16 imposes a unique method of accounting recognition of lease agreements by lessees, impacting the balance sheet in a similar way to finance leases. It will come into force on January 1, 2019.

A measurement of the potential impacts on the Group's financial statements is in progress.

2 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AT JUNE 30, 2018

2.1 Consolidated Statement of financial position

('000 EURO)	Notes	June 30, 2018	Dec 31, 2017 restated (*)
Intangible assets	5.1	125 108	130 581
Tangible assets	5.1	97 910	86 819
Other financial assets		3 389	3 415
Deferred tax assets	15.2	13 681	967
Financial derivative instruments	9.1	364	23 993
Other non-current assets		129	147
TOTAL NON-CURRENT ASSETS		**240 580**	**245 922**
Inventories	6.1	169 026	162 125
Accounts receivable	8	188 828	152 861
Tax receivable	15.1	21 386	19 378
Financial derivative instruments	9.1	14 561	17 002
Other current assets		2 055	1 309
Cash & Cash Equivalents		120 118	141 992
Assets held for sale		0	2 331
TOTAL CURRENT ASSETS		**515 974**	**496 998**
TOTAL ASSETS		**756 554**	**742 920**

('000 EURO)	Notes	June 30, 2018	Dec 31, 2017 restated (*)
Share capital	10.2	189 490	188 790
Share premium		215 008	215 008
Treasury stock		1 560	1 632
Other reserves		-140 810	-140 252
Derivatives future cash flow hedges		7 204	26 591
Group net result		2 758	3 574
EQUITY ATTRIBUTABLE TO PARENT OWNERS		**275 210**	**295 342**
NON-CONTROLLING INTERESTS		0	-777
TOTAL EQUITY		**275 210**	**294 565**
Loans and bank borrowings	13.1	45 000	45 060
Refundable Advances	13.3	42 097	42 831
Employee benefits	12	16 164	15 651
Non-current provisions	11	2 781	9 170
Deferred tax liabilities	15.2	31	154
Financial derivative instruments	9.1	9 627	26
Contracts liabilities		48 043	52 234
Other non-current liabilities		20 321	19 721
TOTAL NON-CURRENT LIABILITIES		**184 064**	**184 848**
Loans and bank borrowings (less than 1 year)	13.1	89 698	77 126
Refundable Advances	13.3	2 515	2 357
Current provisions	11	13 774	17 089
Accounts payable	14	177 356	151 937
Income tax liabilities		1 474	2 998
Contracts liabilities		8 557	8 483
Other current liabilities		1 710	3 518
Financial derivative instruments	9.1	2 196	0
Liabilities held for sale		0	0
TOTAL CURRENT LIABILITIES		**297 280**	**263 507**
TOTAL LIABILITIES		**481 344**	**448 356**
TOTAL EQUITY & LIABILITIES		**756 554**	**742 920**

(*) The consolidated financial statement at December 31, 2017 differs from that presented in the 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

2.2 Consolidated Income Statement

('000 EURO)	Notes	June 30, 2018	June 30, 2017 restated (*)
Revenue		320 754	350 415
Other operating revenue		586	233
Change in inventory: work-in-progress & finished goods		-31	890
Raw material, Other Purchases & external charges	16	-209 011	-211 113
Personnel expenses		-92 557	-98 330
Taxes		-5 557	-4 960
Amortization		-13 765	-13 290
Net operating provisions charge		1 441	23
Depreciation of current assets		-495	832
Other operating income	17	6 242	9 197
Other operating expenses		-478	-728
RECURRING OPERATING INCOME		**7 130**	**33 168**
Other non-recurring operating income and expenses	18	832	-1 330
OPERATING INCOME		**7 962**	**31 838**
Net Cost of debt		-1 737	-3 843
Foreign Exchange gains/losses realized		-866	-4 586
Other financial incomes and expenses realized		-175	-1 211
Realized financial result		**-2 778**	**-9 640**
Change in fair value of financial derivative instruments		-4 421	32 996
Other financial incomes and expenses unrealized		2 158	-3 076
Unrealized financial result		**-2 263**	**29 920**
FINANCIAL RESULT	19	**-5 041**	**20 280**
Income tax	20	-162	-13 659
Net Result for the period from continuing operations		**2 758**	**38 459**
Net Result for the period from discontinued operations		0	0
NET RESULT FOR THE PERIOD		**2 758**	**38 459**
• Of which, Owners of the parent		2 758	38 226
• Of which, Non-controlling interests		0	233
Net Result for the period from continuing operations			
• Of which, Owners of the parent		2 758	38 226
• Of which, Non-controlling interests		0	233
Net Result for the period from discontinued operations			
• Of which, Owners of the parent		0	0
• Of which, Non-controlling interests		0	0
NET RESULT (Group share) FOR THE PERIOD PER SHARE			
• Earnings per share	10.2	0,03	0,41
• Diluted earnings per share	10.2	0,03	0,40
NET RESULT (Group share) FOR THE PERIOD PER SHARE			
• Earnings per share continuing operations	10.2	0,03	0,41
• Diluted earnings per share continuing operations	10.2	0,03	0,40
NET RESULT (Group share) FOR THE PERIOD PER SHARE			
• Earnings per share discontinued operations	10.2	0,00	0,00
• Diluted earnings per share discontinued operations	10.2	0,00	0,00

(*) The consolidated income statement at June 30, 2017 differs from that presented in the 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

2.3 Consolidated Statement of comprehensive income

('000 EURO)	June 30, 2018	June 30, 2017 restated (*)
NET RESULT FOR THE PERIOD (1)	**2 758**	**38 459**
OTHER COMPREHENSIVE INCOME:		
- Items that will not be reclassified subsequently to profit or loss:		
Actuarial gain or loss for year relating retirements benefits	0	0
Other	0	1 816
Income tax related to items that will not be reclassified to profit or loss	0	0
- Items that will be reclassified subsequently to profit or loss:		
Translation differences	-2 584	-1 444
Financial instruments (cash flow hedging) : change in fair value and transfer in profit and loss	-33 429	23 182
Other components of comprehensive income (net of tax)	-45	0
Income tax related to items that may be reclassified to profit or loss	11 440	-7 550
TOTAL OTHER COMPREHENSIVE INCOME (2):	**-24 618**	**16 004**
Of which attributable to discontinued operations	*0*	*0*
TOTAL COMPREHENSIVE INCOME (1+2)	**-21 860**	**54 463**
Of which, Owners of the parent	-22 637	54 278
Of which, Non-controlling interests	777	185
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO THE OWNERS OF THE PARENT ARISES FROM:	**-21 860**	**54 463**
- Continuing operations	-22 637	54 278
- Discontinued operations	0	0
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS ARISES FROM:	777	**185**
- Continuing operations	777	185
- Discontinued operations	0	0

(*) The consolidated statement of comprenhensive income at June 30, 2017 differs from that presented in the 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

2.4 Consolidated Statement of Cash-Flows

('000 EURO)	June 30, 2018	June 30, 2017 restated (*)
Net result for the period	2 758	38 459
Adjustments related to non-cash activities :		
Depreciation and provisions	4 183	8 236
Fair value gains/losses	4 421	-32 996
Net (gains)/losses on disposal of assets	-10 174	882
Other non-cash items	2 390	1 537
CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES	**3 578**	**16 118**
Income taxes	162	13 659
Interest expenses	1 737	3 843
CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES	**5 477**	**33 619**
Changes in inventories	-8 893	-6 396
Changes in client and other receivables	-37 897	-844
Changes in suppliers and other payables	20 707	1 107
Income tax paid	-3 640	-667
CASH FLOWS FROM OPERATING ACTIVITIES	**-24 246**	**26 819**
Purchase of tangible and intangible assets (including changes in payables to fixed asset suppliers)	-20 877	-13 237
Purchase of financial assets	0	-35
Increase (decrease) in loans and advances made	155	-621
Proceeds from sale of tangible and intangible assets	12 987	49
Dividends received	3	3
CASH FLOWS FROM INVESTING ACTIVITIES	**-7 733**	**-13 841**
Expenses on increase of capital	732	418
Purchase or disposal of treasury shares	-72	-46
Proceeds from borrowings	0	0
Repayments of borrowings	0	-4 838
Financial interest paid	-1 772	-4 120
Dividends paid	-700	0
Flows from refundable advances	-576	-497
Other flows from financing operation	12 617	-4 168
CASH FLOW FROM FINANCING ACTIVITIES	**10 229**	**-13 251**
Effects of exchange rate changes	-81	-198
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**-21 830**	**-471**

(*) The consolidated statement of cash flows at June 30, 2017 differs from that presented in the 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

2.5 Consolidated Statement of changes in Equity

('000 EURO)	Share capital	Share Premium	Treasury stock	Reserves and Accumulated Results (*)	Cash flow hedgings - financial instruments	Translation difference	Total shareholders' equity restated (*): Equity attributable to owners of parent	Non-controlling interests	TOTAL
Dec 31, 2016	**188 087**	**214 408**	**1 575**	**7 562**	**-5 918**	**-5 160**	**400 554**	**-925**	**399 629**
Adoption of IFRS 15				-172 223			-172 223		-172 223
Jan 1, 2017	**188 087**	**214 408**	**1 575**	**-164 661**	**-5 918**	**-5 160**	**228 331**	**-925**	**227 406**
Capital variations	311	107					418		418
Share-based payments				263			263		263
Transactions on treasury stock			-46				-46		-46
Dividends							0	0	0
Transactions with owners	**311**	**107**	**-46**	**263**	**0**	**0**	**634**	**0**	**634**
Net result for the period (1)				**38 226**			**38 226**	**233**	**38 459**
Financial instruments (cash flow hedging): change in fair value and transfer in profit and loss					15 632		15 632		15 632
Financial instruments: Translation differences						-22	-22		-22
Translation differences: change and transfer in profit and loss						-1 373	-1 373	-48	-1 422
Other variations (**)				1 816			1 816	0	1 816
Other comprehensive income (2)	**0**	**0**	**0**	**1 816**	**15 632**	**-1 395**	**16 053**	**-48**	**16 004**
TOTAL COMPREHENSIVE INCOME (1)+(2)	**0**	**0**	**0**	**40 042**	**15 632**	**-1 395**	**54 278**	**185**	**54 463**
30-juin-2017	**188 399**	**214 515**	**1 528**	**-124 356**	**9 713**	**-6 556**	**283 244**	**-740**	**282 504**
Dec 31, 2017	**188 790**	**215 008**	**1 632**	**-129 971**	**26 591**	**-6 707**	**295 342**	**-777**	**294 565**
Capital variations	700	0		0			700		700
Share-based payments				1 877			1 877		1 877
Transactions on treasury stock			-72				-72		-72
Dividends				0			0	0	0
Transactions with owners	**700**	**0**	**-72**	**1 877**	**0**	**0**	**2 505**	**0**	**2 505**
Net result for the period (1)				**2 758**			**2 758**	**0**	**2 758**
Financial instruments (cash flow hedging): change in fair value and transfer in profit and loss					-21 989		-21 989		-21 989
Financial instruments: translation differences						1	1		1
Translation differences: change and transfer in profit and loss						-2 374	-2 374	-210	-2 584
Conversion option embedded in convertible bonds							0		0
Other variations				-1 033			-1 033	988	-45
Other comprehensive income (2)	**0**	**0**	**0**	**-1 033**	**-21 989**	**-2 373**	**-25 395**	**777**	**-24 618**
									0
TOTAL COMPREHENSIVE INCOME (1)+(2)	**0**	**0**	**0**	**1 725**	**-21 989**	**-2 373**	**-22 637**	**777**	**-21 860**
									0
June 30, 2018	**189 490**	**215 008**	**1 560**	**-126 369**	**4 602**	**-9 080**	**275 210**	**0**	**275 210**

(*) The consolidated statement of changes in equity at December 31, 2016, June 30, 2017 and December 31, 2017 differs from that presented in the December 31, 2016, June 30, 2017 and December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

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

2.6 Notes to the Condensed Consolidated Financial Statements

INFORMATION RELATIVE TO THE GROUP

LATECOERE is a French corporation ("société anonyme") headquartered in Toulouse, France.

The consolidated financial statements of the Latécoère Group for the half year ended on June 30, 2018, 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 4th, 2018.

NOTE 1 MAIN EVENTS

Significant milestones for the Transformation 2020 plan were achieved in the first half of 2018:

- The end of construction and the start of production at the Toulouse-Montredon site
- The end of construction and start of production at the Plovdiv site in Bulgaria
- The sale of the first part of the Toulouse-Périole site

NOTE 2 ACCOUNTING POLICIES

2.1 Basis of Preparation of the Financial Statements

The condensed consolidated financial statements at June 30, 2018 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, 2017.

The Group has chosen not to apply by anticipation the standards and interpretations that will enter into force after June 30, 2018. The accounting rules and methods applied to the condensed consolidated financial statements at June 30, 2018 are identical to those applied in the consolidated financial statements at December 31, 2017 with the exception of standards, amendments and interpretations which are required to be applied as from January 1, 2018.

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

The accounting principles used to prepare the condensed consolidated financial statements at June 30, 2018 are the same as those used to prepare the 2017 annual consolidated financial statements, with the exception of new IFRS standards IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” which are required to be applied as from January 1, 2018 (refer to note 2.4).

Regarding the application of IFRS 16 (applicable on January 1, 2019), studies are underway to identify the impacts of IFRS 16 on leases.

NEW IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EFFECTIVE AS OF JANUARY 1, 2018

- IFRS 9, “Financial Instruments”;
- IFRS 15, “Revenue from Contracts with Customers”;
- Annual Improvements to IFRSs published 2014-2016 cycle;
- Amendments to IFRS 2, “Share-based Payment” – Classification and Measurement of Share based Payment Transactions IFRIC 22, “Foreign Currency Transactions and Advance Consideration”;
- Amendments to IAS 40, “Investment Property” – Transfers of Investment Property.

NEW PUBLISHED IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS EARLY ADOPTED BY THE GROUP AS OF JANUARY 1, 2018

None.

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

- IFRS 16, “Leases”;
- 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 2015-2017 cycle;
- IFRIC 23, Uncertainty over Income Tax Treatments;
- Amendements to IAS 19 « Plan Amendment, Curtailment or Settlement »
- Revised Conceptual Framework for Financial Reporting, amendments to references to the conceptual framework in IFRS standards

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.

Impacts of the first application of IFRS 15 and IFRS 9 - Accounting principles

IFRS 15 – Revenue from contracts with customer

The Group has chosen to apply IFRS 15 retrospectively. The 2017 opening and closing balance sheets and the 2017 income statement have been restated. The detailed implications of the retrospective application of this standard are explained in Note 2.4.

The Group has carried out a contract type analysis to comply with the new IFRS 15.

As far as "Design & Build" type contracts are concerned, the Group believes that the specific development portion of the contract will not, as a rule, constitute a performance obligation because development cannot be dissociated from series production. Accordingly, development costs will still be capitalised.

Also, in the first financial years of a contract starting, IFRS 15 no longer allows recognition on the balance sheet of learning curve-related production costs, which are currently recycled to the income statement according to the decline in those costs actually observed. It has therefore an impact on the timing of recognition of the margins achieved on the various contracts. However, the timing of the recognition of revenue earned from series-produced items, currently booked on delivery, will remain unchanged.

Impacts on the presentation of accounts

Development costs (NRC "Non recurrurring cost"), previously presented under "Inventories and work in progress", are now presented as intangible and tangible fixed assets because they are considered as costs of carrying out the production contract. These costs are amortized using the external milestones method (number of aircraft delivered).

Advance payments (or pre-financing) from customers linked to development costs are now recognized on the balance sheet under "Contract liabilities" and then recycled in sales when the items produced are delivered.

In summary, the implementation of IFRS 15 does not have material impact on the annual revenue levels of the Group in its current configuration for consolidation purposes. There will also be no impact on associated cash flows.

IFRS 9 – Financial instruments

Regarding IFRS 9, the Group has decided to apply the three phases prospectively. The 2018 opening balance sheet has been restated.

The Group has not identified a significant change in the classification and measurement of financial assets given the nature of its operations.

The Group considers that its existing hedging relationships meeting the qualifying criteria as effective hedges continue to meet IFRS 9 hedge accounting criteria. The detailed analysis of IFRS 9 confirms the economic relationship of collar and forward with knock-in of forward exchange contracts. A standard in progress on macro-hedge relating to the application of IFRS 9 is being prepared by the IASB for the second half of 2018 in order to clarify the eligibility criteria for hedge accounting. The finalized text on macro-hedging (DP/2014/1, "Accounting for dynamic risk management: a portofolio valuation approach to macro hedging") may require a re-examination of the accounting options taken in IFRS 9 for half-year financial statements prepared at June 30, 2018.

The application of IFRS 9 led to the recognition of a reclassification in OCI in equity (Statements of recognized income and expenses) for an amount of + € 3.9 million.

Main Impacts on the presentation of accounts

The time value of financial instruments with knock-in barrier, previously recorded in financial income, is now recognized in equity.

IFRS 16 - Leases

IFRS 16 changes lease accounting treatment for lessees. It will replace IAS 17, and the IFRIC 4, SIC 15 and SIC 27 guidance documents. Whereas, according to IAS 17, the accounting treatment of leases is determined by assessing the transfer of risks and rewards associated with ownership of the asset, IFRS 16 imposes a unique method of accounting recognition of lease agreements by lessees, impacting the balance sheet in a similar way to finance leases. It will come into force on January 1, 2019.

A measurement of the potential impacts on the Group's financial statements is in progress.

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

The estimate of the variation of employee benefits has been extrapolated on the basis of the information at December 31, 2017.

At June 30, 2017, 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 Restatement of comparative periods

The consolidated financial statements as of June 30, 2017 and December 31, 2017, published in September 2017 and April 2018 respectively, have been restated to reflect the impacts of retrospectively applying IFRS 15 "Revenue from Contracts with Customers" (see Note 2.2).

2.4.1 Main key indicators

(€ million)	30-Jun-17		
	Reported	IFRS 15 adjust.	Restated
Revenue	348,8	1,6	**350,4**
Adjusted recurring operating income	33,1		
Recurring operating income	15,8	17,4	**33,2**
Adjusted operating income	31,8		
Operating income	14,4	17,4	**31,8**

(€ million)	31-Dec-17		
	Reported	IFRS 15 adjust.	Restated
Revenue	652,5	4,9	**657,4**
Adjusted recurring operating income	51,1		
Recurring operating income	21,7	30,2	**51,9**
Adjusted operating income	41,1		
Operating income	11,7	30,2	**41,9**

2.4.2 Consolidated income statement

The principal items restated in the income statement following the application of IFRS 15 are the following:

- **Revenue:** corresponds to revenue recycling of advances received for development costs upon delivery of produced items
- **Amortization and impairment losses:** corresponds to the amortization of development costs (NRC "Non recurring cost") reclassified as fixed assets
- **Stored production:** mainly corresponds to the cancellation of the change in the *"Non Recurring"* work-in-progress related to the curve and development costs (NRC "Non recurring cost")
- **Impact of changes in trade payables and other payables:** corresponds to the change in the item "Liabilities on contracts" and recognized in sales over the period
- **Other income:** corresponds to capitalized development costs for the period

Income statement as of June 30, 2017

('000 EURO)	June 30, 2017 Published	Restatements IFRS 15	June 30, 2017 Restated
Revenue	348 788	1 628	350 415
Other operating revenue	233		233
Change in inventory: work-in-progress & finished goods	-17 352	18 242	890
Raw material, Other Purchases & external charges	-211 113		-211 113
Personnel expenses	-98 330		-98 330
Taxes	-4 960		-4 960
Amortization	-7 088	-6 202	-13 290
Net operating provisions charge	-10	33	23
Depreciation of current assets	727	105	832
Other operating income	5 607	3 590	9 197
Other operating expenses	-728		-728
RECURRING OPERATING INCOME	**15 773**	**17 394**	**33 168**
Operating Income / Sales	*4,5%*		*9,5%*
Other non-recurring operating income and expenses	-1 330		-1 330
OPERATING INCOME	**14 443**	**17 394**	**31 838**
Net Cost of debt	-3 843		-3 843
Foreign Exchange gains/losses realized	-4 586		-4 586
Other financial incomes and expenses realized	-1 211		-1 211
Realized financial result	**-9 640**	**0**	**-9 640**
Change in fair value of financial derivative instruments	32 996		32 996
Other financial incomes and expenses unrealized	-3 076		-3 076
Unrealized financial result	**29 920**	**0**	**29 920**
FINANCIAL RESULT	**20 280**	**0**	**20 280**
Result from associates	0		0
Income tax	-13 659		-13 659
Net Result for the period from continuing operations	**21 064**	**17 394**	**38 459**
Net Result for the period from discontinued operations	0	0	0
NET RESULT FOR THE PERIOD	**21 064**	**17 394**	**38 459**
• Of which, Owners of the parent	20 831	17 394	38 226
• Of which, Non-controlling interests	233	0	233

Income statement as of December 31, 2017

('000 EURO)	Dec. 31, 2017 Published	Restatements IFRS 15	Dec. 31, 2017 Restated
Revenue	652 481	4 929	657 409
Other operating revenue	1 281		1 281
Change in inventory: work-in-progress & finished goods	-37 753	31 796	-5 956
Raw material, Other Purchases & external charges	-399 588		-399 588
Personnel expenses	-179 972		-179 972
Taxes	-8 684		-8 684
Amortization	-14 741	-11 810	-26 551
Net operating provisions charge	-360	274	-86
Depreciation of current assets	3 220	-1 398	1 822
Other operating income	8 953	6 404	15 356
Other operating expenses	-3 141		-3 141
RECURRING OPERATING INCOME	**21 696**	**30 194**	**51 890**
Operating Income / Sales	*3,3%*		*7,9%*
Other non-recurring operating income and expenses	-9 995		-9 995
OPERATING INCOME	**11 701**	**30 194**	**41 895**
Net Cost of debt	-7 997		-7 997
Foreign Exchange gains/losses realized	-7 241		-7 241
Other financial incomes and expenses realized	-4 755		-4 755
Realized financial result	**-19 994**	**0**	**-19 994**
Change in fair value of financial derivative instruments	31 298		31 298
Other financial incomes and expenses unrealized	-2 854		-2 854
Unrealized financial result	**28 444**	**0**	**28 444**
FINANCIAL RESULT	**8 451**	**0**	**8 451**
Result from associates	0		0
Income tax	-16 578		-16 578
Net Result for the period from continuing operations	**3 574**	**30 194**	**33 768**
Net Result for the period from discontinued operations	0	0	0
NET RESULT FOR THE PERIOD	**3 574**	**30 194**	**33 768**
• Of which, Owners of the parent	3 492	30 194	33 686
• Of which, Non-controlling interests	82	0	82

2.4.3 Consolidated statement of financial position

Consolidated statement of financial position at December 31, 2016

('000 EURO)	Dec. 31, 2016 Published	Restatements IFRS 15	Dec. 31, 2016 Restated
Goodwill	0		0
Intangible assets	12 894	125 631	138 525
Tangible assets	76 110		76 110
Investments in equity-accounted companies	0		0
Other financial assets	2 430		2 430
Deferred tax assets	27 516		27 516
Financial derivative instruments	0		0
Other non-current assets	156		156
TOTAL NON-CURRENT ASSETS	**119 107**	**125 631**	**244 737**
Inventories	391 051	-231 525	159 526
Accounts receivable	169 732	1 713	171 445
Tax receivable	22 787		22 787
Financial derivative instruments	449		449
Other current assets	1 808		1 808
Cash & Cash Equivalents	147 444		147 444
Assets held for sale	0		0
TOTAL CURRENT ASSETS	**733 271**	**-229 812**	**503 459**
TOTAL ASSETS	**852 378**	**-104 182**	**748 196**

('000 EURO)	Dec. 31, 2016 Published	Restatements IFRS 15	Dec. 31, 2016 Restated
Share capital	188 087		188 087
Share premium	214 408		214 408
Treasury stock	1 575		1 575
Other reserves	-3 631	-172 223	-175 854
Derivatives future cash flow hedges	-5 918		-5 918
Group net result	6 033		6 033
EQUITY ATTRIBUTABLE TO PARENT OWNERS	**400 554**	**-172 223**	**228 331**
NON-CONTROLLING INTERESTS	-925		-925
TOTAL EQUITY	**399 629**	**-172 223**	**227 406**
Loans and bank borrowings	78 225		78 225
Refundable Advances	42 614		42 614
Employee benefits	13 521		13 521
Non-current provisions	21 876	2 395	24 271
Deferred tax liabilities	527		527
Financial derivative instruments	22 562		22 562
Contract liabilities	0	60 717	60 717
Other non-current liabilities	18 332		18 332
TOTAL NON-CURRENT LIABILITIES	**197 657**	**63 112**	**260 769**
Loans and bank borrowings (less than 1 year)	67 420		67 420
Refundable Advances	1 294		1 294
Current provisions	13 786		13 786
Accounts payable	151 763		151 763
Income tax liabilities	1 006		1 006
Contract liabilities	0	4 929	4 929
Other current liabilities	3 229		3 229
Financial derivative instruments	16 594		16 594
Liabilities held for sale	0		0
TOTAL CURRENT LIABILITIES	**255 092**	**4 929**	**260 020**
TOTAL LIABILITIES	**452 749**	**68 041**	**520 790**
TOTAL EQUITY & LIABILITIES	852 378	-104 182	748 196

The main restated items of the balance sheet following the application of IFRS 15 are the following:

- **Intangible assets**: reclassification of development costs (*NRC "Non recurring cost"*) from "Inventories and work in progress" to "Intangible assets"
- **Stocks and work in progress**:
  - cancellation of WIP "*Non-recurring*" costs on equity relating to the curve for € 173 million
  - reclassification of WIP "*Non-recurring*" items relating to development costs (NRC "Non recurring cost") for € 125.6 million
  - reclassification of WIP *"Non-recurring*" items relating to payments received from customers in respect of development costs under "Contract liabilities" for € 65.6 million
- **Other reserves:** mainly corresponds to the cancellation of WIP "*Non-recurring*" relating to the curve for € -173 million
- **Contract liabilities:** corresponds to payments received from customers relating to development costs

Consolidated statement of financial position at December 31, 2017

('000 EURO)	Dec. 31, 2017 Published	Restatements IFRS 15	Dec. 31, 2017 Restated
Intangible assets	10 357	120 224	130 581
Tangible assets	86 819		86 819
Investments in equity-accounted companies	0		0
Other financial assets	3 415		3 415
Deferred tax assets	967		967
Financial derivative instruments	23 993		23 993
Other non-current assets	147		147
TOTAL NON-CURRENT ASSETS	**125 698**	**120 224**	**245 922**
Inventories	363 253	-201 127	162 125
Accounts receivable	151 148	1 713	152 861
Tax receivable	19 378		19 378
Financial derivative instruments	17 002		17 002
Other current assets	1 309		1 309
Cash & Cash Equivalents	141 992		141 992
Assets held for sale	2 331		2 331
TOTAL CURRENT ASSETS	**696 412**	**-199 414**	**496 998**
TOTAL ASSETS	**822 110**	**-79 190**	**742 920**

('000 EURO)	Dec. 31, 2017 Published	Restatements IFRS 15	Dec. 31, 2017 Restated
Share capital	188 790		188 790
Share premium	215 008		215 008
Treasury stock	1 632		1 632
Other reserves	1 777	-172 223	-170 446
Derivatives future cash flow hedges	26 591		26 591
Group net result	3 574	30 194	33 768
EQUITY ATTRIBUTABLE TO PARENT OWNERS	**437 370**	**-142 028**	**295 342**
NON-CONTROLLING INTERESTS	-777		-777
TOTAL EQUITY	**436 593**	**-142 028**	**294 565**
Loans and bank borrowings	45 060		45 060
Refundable Advances	42 831		42 831
Employee benefits	15 651		15 651
Non-current provisions	7 049	2 121	9 170
Deferred tax liabilities	154		154
Financial derivative instruments	26		26
Contract liabilities	0	52 234	52 234
Other non-current liabilities	19 721		19 721
TOTAL NON-CURRENT LIABILITIES	**130 493**	**54 356**	**184 848**
Loans and bank borrowings (less than 1 year)	77 126		77 126
Refundable Advances	2 357		2 357
Current provisions	17 089		17 089
Accounts payable	151 937		151 937
Income tax liabilities	2 998		2 998
Contract liabilities	0	8 483	8 483
Other current liabilities	3 518		3 518
Financial derivative instruments	0		0
Liabilities held for sale	0		0
TOTAL CURRENT LIABILITIES	**255 025**	**8 483**	**263 507**
TOTAL LIABILITIES	**385 517**	**62 838**	**448 356**
TOTAL EQUITY & LIABILITIES	822 110	-79 190	742 920

The main restated items of the balance sheet following the application of IFRS 15 are the following:

- **Intangible assets**: reclassification of development costs (*NRC "Non recurring cost"*) from "Inventories and work in progress" to "Intangible assets"
- **Stocks and work in progress**:
  - cancellation of WIP "*Non-recurring*" costs on equity relating to the curve for € 144 million
  - reclassification of WIP "*Non-recurring*" items relating to development costs (NRC "Non recurring cost") for € 120.2 million
  - reclassification of WIP *"Non-recurring*" items relating to payments received from customers in respect of development costs under "Contract liabilities" for € 60.7 million
- **Other reserves:** mainly corresponds to the cancellation of WIP "*Non-recurring*" relating to the curve for € -144 million
- **Contract liabilities:** corresponds to payments received from customers relating to development costs

2.4.4 Consolidated cash flow statement

('000 EURO)	June 30, 2017 Published	Restatements IFRS 15	June 30, 2017 Restated
Net result for the period	21 064	17 394	38 459
Adjustments for:			
Depreciation and provisions	2 066	6 170	8 236
Fair value gains/losses	-32 996		-32 996
Net (gains)/losses on disposal of assets	882		882
Other non-cash items	1 537		1 537
Cash flows before cost of debt and taxes	**-7 446**	**23 564**	**16 118**
Income taxes	13 659		13 659
Interest expenses	3 843		3 843
Cash flows before cost of debt and taxes	**10 055**	**23 564**	**33 619**
Changes in inventories net of provisions	11 951	-18 347	-6 396
Changes in client and other receivables net of provisions	-844		-844
Changes in suppliers and other payables	2 735	-1 628	1 107
Income tax paid	-667		-667
Cash flows from (used in) operating activities	**23 230**	**3 590**	**26 819**
Purchase of tangible and intangible assets (including changes in payables to fixed asset suppliers)	-9 647	-3 590	-13 237
Purchase of financial assets	-35		-35
Increase (decrease) in loans and advances made	-621		-621
Proceeds from sale of tangible and intangible assets	49		49
Dividends received	3		3
Cash flows from (used in) investing activities	**-10 251**	**-3 590**	**-13 841**
Proceeds from issue of shares	418		418
Purchase or disposal of treasury shares	-46		-46
Repayments of borrowings	-4 838		-4 838
Financial interest paid	-4 120		-4 120
Dividends paid	0		0
Flows from refundable advances	-497		-497
Other flows from financing operation	-4 168		-4 168
Cash flows from (used in) financing activities	**-13 251**	**0**	**-13 251**
Effects of exchange rate changes	-198		-198
Increase (decrease) in cash and cash equivalents	**-471**	**0**	**-471**

The main restated items of the consolidated cash-flow following the application of IFRS 15 are the following:

- **Elimination of depreciation and provisions:** mainly corresponds to the amortization of development costs (NRC "Non recurring cost") reclassified as fixed assets
- • **Impact of change in inventories:** mainly corresponds to the cancellation of the change in the "Non Recurring" work-in-progress relating to curve of development costs (NRC "Non recurring cost")
- • **Impact of changes in trade payables and other payables:** corresponds to the change in the item "Liabilities on contracts" and recognized in sales over the period
- • **Acquisition of property, plant and equipment and intangible assets:** corresponds to capitalized development costs for the period.

NOTE 3 CONSOLIDATION SCOPE

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

Company name	Country	Control %	Interest %	Consolidation method
Aerostructures segment:				
LATECOERE	France		**Parent company**	
LATECOERE do BRASIL	Brazil	100%	100%	Full consolidation
LATECOERE CZECH REPUBLIC s.r.o	Czech Republic	100%	100%	Full consolidation
LETOV LV a.s.	Czech Republic	100%	100%	Full consolidation
LATECOERE INC.	USA	100%	100%	Full consolidation
LATECOERE DEVELOPPEMENT	France	100%	100%	Full consolidation
LATECOERE BIENES RAICES	Mexico	100%	100%	Full consolidation
LATECOERE Mexico	Mexico	100%	100%	Full consolidation
LATECOERE Mexico Services	Mexico	100%	100%	Full consolidation
LATECOERE Bulgarie	Bulgaria	100%	100%	Full consolidation
Interconnection Systems segment:				
LATelec	France	100%	100%	Full consolidation
LATelec GmbH	Germany	100%	100%	Full consolidation
SEA LATelec	Tunisia	100%	100%	Full consolidation
LATelec Mexico	Mexico	100%	100%	Full consolidation
LATelec Mexico Services	Mexico	100%	100%	Full consolidation
LATsima	Morocco	100%	100%	Full consolidation
LATelec Interconnection Inc.	Canada	100%	100%	Full consolidation

The company LATelec Interconnection Inc. (Canada) has entered the scope of consolidation starting January 1, 2018.

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.

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

4.1 Measurement of economic performance

4.1.1 Impact of the application of IFRS 15 on measuring economic performance

Until 31 December 2017, the Group reported consolidated IFRS financial statements and, in parallel, published an adjusted income statement which included as main alternative performance indicator the “adjusted recurring operating income” (strictly non-accounting in nature).

The application of IFRS 15, as of 1 January 2018, led the Group to no longer recognize extra production costs or the early phase of the contract (curve) on the balance sheet. As a reminder, these costs were expensed when decrease in production costs were actually observed.

As a consequence, adjusted recurring operating income presented until 31 December 2017 is close to recurring operating income under IFRS 15.

The Group therefore no longer considers it necessary to present adjusted financial statements.

4.1.2 Key indicators by sector

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

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

Half-year 2018

('000 EURO) June 30, 2018	Aerostructures	Interconnection Systems	Intersegment eliminations	Total
Revenue	189 610	139 146	-8 001	320 754
Inter-segment revenue	-7 086	-914	8 001	0
Consolidated revenue	**182 523**	**138 231**	**0**	**320 754**
Recurring EBITDA	2 588	18 223	83	**20 895**
Recurring operating income	**-3 817**	**10 864**	**83**	**7 130**
Recurring operating income / revenue	*-2,1%*	*7,9%*		*2,2%*
Other non recurring operating income and expenses	**832**	**0**		**832**
Operating income	**-2 985**	**10 864**	**83**	**7 962**
Net investments (excluding disposal result)	**-12 431**	**-5 479**	**0**	**-17 909**

Half-year 2017

('000 EURO) *June 30, 2017*	Aerostructures	Interconnection Systems	Intersegment eliminations	Total (*)
Revenue	222 653	139 810	-12 048	350 415
Inter-segment revenue	-10 861	-1 187	12 048	0
Consolidated revenue	**211 792**	**138 623**	**0**	**350 415**
Recurring EBITDA	24 727	21 583	149	**46 458**
Recurring operating income	**18 462**	**14 557**	**149**	**33 168**
Recurring operating income / revenue	*8,7%*	*10,5%*		*9,5%*
Other non recurring operating income and expenses	**-1 282**	**-48**	**0**	**-1 330**
Operating income	**17 179**	**14 509**	**149**	**31 838**
Net investments (excluding disposal result)	**-8 896**	**-4 066**	**0**	**-12 962**

(*) The income statement by operational segments at June 30, 2017 differs from that presented in the June 30, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

Balance sheet items as of June 30, 2018

('000 EURO) June 30, 2018	Aerostructures	Interconnection Systems	IFRS 5 Impact	Intersegment eliminations	Total
Intangible fixed assets	54 703	70 404		0	125 108
Tangible fixed assets	81 403	16 507		0	97 910
Other financial assets	10 563	425		-7 600	3 389
TOTAL ASSETS	**146 670**	**87 337**		**-7 600**	**226 407**
Inventories	114 436	54 800		-210	169 026
Trade and other receivables	132 792	59 156		-3 120	188 828
Net debt	1 975	12 604		0	14 580
Accounts payable	130 389	49 932		-2 965	177 356
Total Segment Assets	**557 877**	**212 914**	**0**	**-14 237**	**756 554**

Balance sheet items as of December 31, 2017

('000 EURO) Dec 31, 2017	Aerostructures	Interconnection Systems	IFRS 5 Impact	Intersegment eliminations	Total (*)
Intangible fixed assets	56 093	74 489		0	130 581
Tangible fixed assets	69 970	14 519	2 331	0	86 819
Other financial assets	10 601	454		-7 639	3 415
TOTAL ASSETS	**136 663**	**89 461**	**2 331**	**-7 639**	**220 815**
Inventories	116 784	45 634		-293	162 125
Trade and other receivables	100 989	54 225		-2 353	152 861
Net debt	-42 410	22 643		-39	-19 806
Accounts payable	117 046	37 089		-2 199	151 937
Total Segment Assets	**551 979**	**215 869**	**0**	**-24 928**	**742 920**

(*) The balance sheet statement by operational segments at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

4.1.3 Reconciliation with Group data

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

('000 EURO)	June 30, 2018	June 30, 2017 restated (*)
(+) Operating income	7 962	31 838
(-) Other non recurring operating income and expense	832	-1 330
(-) Depreciation and impairment losses	-13 765	-13 290
Recurring EBITDA	**20 895**	**46 458**

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

('000 EURO)	June 30, 2018	June 30, 2017 restated (*)
(+) Cash flow from investing activities	-7 733	-13 841
(-) Dividends received	3	3
(+) Gains or losses on disposals of assets	-10 174	882
Net investments (excluding disposal result)	**-17 909**	**-12 962**

(*) The income statement by operational segments at June 30, 2017 differs from that presented in the June 30, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods

NOTE 5 FIXED ASSETS

Gross value of fixed assets

('000 EUR)	Dec 31, 2017 restated (*)	Currency variations	Other	Acquisitions	Disposals	June 30, 2018
INTANGIBLE ASSETS	**218 062**	**-85**	**151**	**3 007**	**-143**	**220 991**
Land	5 296	-145	8 906	774	0	14 830
Buildings	61 681	-1 395	1 320	6 013	-2 835	64 785
Plants & Equipment	104 243	-2 169	5 588	957	-5 252	103 368
Other Fixed Assets	12 473	-184	144	850	-266	13 017
Fixed assets in progress	20 744	-60	-8 135	8 612	0	21 160
Advanced payments on fixed assets	461	0	-710	504	-43	212
Real estate leasing	7 808	0	-7 264	0	0	544
TANGIBLE ASSETS	**212 707**	**-3 954**	**-151**	**17 710**	**-8 395**	**217 916**

Amortization of fixed assets

('000 EUR)	Dec 31, 2017 restated (*)	Currency variations	Other	Increase	Decrease	June 30, 2018
AMORTIZATION INTANGIBLE ASSETS	**87 481**	**-105**	**-26**	**8 674**	**-143**	**95 881**
Buildings	33 993	-672	4 061	2 409	-1 887	37 903
Plants & Equipment	77 789	-1 858	81	2 099	-5 805	72 306
Other Fixed Assets	9 753	-198	5	596	-612	9 544
Real estate leasing	4 365	0	-4 121	10	0	253
AMORTIZATION TANGIBLE ASSETS	**125 899**	**-2 728**	**26**	**5 114**	**-8 305**	**120 006**

Net value of fixed assets

('000 EUR)	Dec 31, 2017 restated (*)	June 30, 2018
INTANGIBLE ASSETS	**130 581**	**125 110**
Land	5 296	14 830
Buildings	27 688	26 882
Plants & Equipment	26 455	31 062
Other Fixed Assets	2 720	3 473
Fixed assets in progress	20 744	21 160
Advanced payments on fixed assets	472	212
Real estate leasing	3 444	291
TANGIBLE ASSETS	**86 819**	**97 910**

(*) The balance sheet statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

NOTE 6 INVENTORIES AND WORK-IN-PROGRESS

('000 EUR)	June 30, 2018			Dec 31, 2017 restated (*)			Variation		
	Gross	Provision	Net	Gross	Provision	Net	Gross	Provision	Net
Industrial Inventories	184 709	-15 683	169 026	177 366	-15 241	162 125	7 343	-442	6 901

(*) The balance sheet statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

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

NOTE 7 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)	Loans and receivables at amortised cost	Financial assets at fair value through profit and loss	Hedging instruments	June 30, 2018	Fair value
Non current financial assets	3 389			3 389	
Trade receivables and other receivables	188 828			188 828	
Financial instruments		0	14 924	14 924	14 924
Cash and cash equivalent	119 822	297		120 118	297
TOTAL FINANCIAL ASSETS	**312 038**	**297**	**14 924**	**327 259**	**15 221**

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments		14 924		14 924
Cash and cash equivalent	297			297
TOTAL	**297**	**14 924**	**0**	**15 221**

('000 EURO)	Loans and receivables at amortised cost	Financial assets at fair value through profit and loss	Hedging instruments	Dec 31, 2017 restated (*)	Fair value
Non current financial assets	3 415			3 415	
Trade receivables and other receivables	152 861			152 861	
Financial instruments		1 613	39 382	40 995	40 995
Cash and cash equivalent	141 666	326		141 992	326
TOTAL FINANCIAL ASSETS	**297 942**	**1 939**	**39 382**	**339 264**	**41 321**

('000 EURO)	Level 1	Level 2	Level 3	Fair value
Financial instruments		40 995		40 995
Cash and cash equivalent	326			326
TOTAL	**326**	**40 995**	**0**	**41 321**

(*) The balance sheet statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

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 8 RECEIVABLES AND OTHER CURRENT ASSETS

('000 EURO)	June 30, 2018	Dec 31, 2017 restated (*)
Advanced payments	8 117	6 856
Trade receivables**	157 482	125 274
Group current account	0	289
Tax receivables	16 185	14 954
Other current receivables	7 045	5 489
TOTAL RECEIVABLES	**188 828**	**152 861**
Prepaid expenses	2 052	1 307
Other current assets	2	2
TOTAL OTHER CURRENT ASSETS	**2 055**	**1 309**

(*) The balance sheet statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

(**) At June 30, 2018, the amount of trade receivables assigned to the factor was €119.4 million. The amount financed by the factor on the basis of the assigned receivables amounted to €108.8 million. At December 31, 2017, the amount of receivables assigned to the factor amounted to €95.8 million. The amount financed by the factor on the basis of the assigned receivables amounted to €86.9 million.
As the Group remains responsible for collection of assigned customer receivables, these receivables continue to appear in assets.

NOTE 9 DERIVATIVE INSTRUMENTS

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

('000 EURO)	Balance sheet position		Notional*	Maturity		
	Assets	Liabilities		< 1 year	From 1 to 5 years	> 5 years
Derivative instruments not designed as a hedge:						
- Accumulator EUR/USD	0	72	**25 733**	0	25 733	0
- Currency option contracts EUR/USD	0	6 731	**210 156**	0	210 156	0
Cash flow hedging:						
- Forward currency contracts EUR/USD	974	3 389	**493 224**	120 089	373 134	0
- Forward currency contracts CZK/EUR	193	863	**60 000**	36 000	24 000	0
- Currency option contracts EUR/USD	13 757	768	**355 121**	329 388	25 733	0
Foreign currency Derivative instruments	**14 924**	**11 823**				**0**
Financial instruments not designed as a hedge	0	6 803	235 890	0	235 890	0
Cash flow hedging	14 924	5 020	908 344	485 477	422 868	0
TOTAL OF DERIVATIVES INSTRUMENTS	**14 924**	**11 823**				**0**
of which non current derivative instruments	364	9 627				
of which current derivative instruments	14 561	2 196				

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

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

Impact of future cash flow hedging

('000 EURO)	June 30, 2018	Dec 31, 2017 restated (*)
Equity - Hedging instruments (net of tax) at the opening date	**-5 918**	**-7 245**
Equity change for the effective portion	-36 986	-7 405
Reclasssified in income when the hedged element affects profit and loss (**)	7 540	9 722
Translation differences	-21	-238
Deferred tax variation	10 081	-753
Equity - Hedging instruments (net of tax) at the closing date	**-25 305**	**-5 918**

(*) The balance sheet statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

(**) of which € 7.1 million positively impacted the Group's revenue as of June 30, 2018 (versus € -0.5 million as of December 31, 2017)

Impact of derivative instruments to which hedge accounting is not applied

('000 EURO)	June 30, 2018	Dec 31, 2017 restated (*)
Fair value at the opening date	**-29 691**	**-12 766**
Recorded through income statement before Taxes	22 888	-16 925
Fair value at the closing date	**-6 803**	**-29 691**

(*) The balance sheet statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

NOTE 10 SHAREHOLDERS' EQUITY

10.1 Breakdown of Capital

	June 30, 2018	31-déc.-17
Number of shares	94 744 952	94 394 902
Nominal value of each share (in euro)	2,00	2,00
Share Capital	189 489 904	188 789 804

During the 1st half of 2018, a capital increase reserved for employees was made in the amount of €700 thousand.

	June 30, 2018	June 30, 2017 restated (*)
Averaged issued shares	94 394 902	94 199 252
Averaged treasury shares	26 318	32 693
Weighted average shares (a)	**94 368 584**	**94 166 559**
Dilutive impact performance scheme (b)	2 722 900	1 692 460
Total of shares diluted (a+b)	**97 091 484**	**95 859 019**
Net result - Group Share (in euro)	**2 758 478**	**38 225 771**
Earnings per share (in euro)	0,03	0,41
Diluted earnings per share (in euro)	0,03	0,40
Net result - Group Share (in euro) - continuing operations	**2 758 478**	**38 225 771**
Result impact of Convertible bonds	0,03	0,41
Diluted earnings per share (in euro)	0,03	0,40
Net result - Group Share (in euro) - discontinued operations	**0**	**0**
Earnings per share (in euro)	0,00	0,00
Diluted earnings per share (in euro)	0,00	0,00

(*) The income statement at June 30, 2017 differs from that presented in the June 30, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

All shares were fully paid.

10.2 Treasury Shares

Number of shares	31-déc.-17	Acquisitions	Disposals	June 30, 2018	% of ownership
LATECOERE Shares	20 204	552 131	533 648	38 687	0,04%

('000 EURO)	31-déc.-17	Acquisitions / Provisions	Cessions	June 30, 2018	Average purchase price
LATECOERE Shares	71	2 838	2 725	184	5,25

NOTE 11 CURRENT AND NON-CURRENT PROVISIONS

('000 EURO)	Dec 31, 2017 restated (*)	Increase	Write-backs	Currency variations	Reclassement	June 30, 2018
Non-current provisions	3 072	47	-275	-62		2 781
Provisions for restructuring (non current)	6 099				-6 099	0
TOTAL non current provisions	**9 170**	**47**	**-275**	**-62**	**-6 099**	**2 781**
Current provisions	157	1 000	-151	-6		1 000
Provisions for restructuring (current)	16 932		-10 256		6 099	12 774
TOTAL current provisions	**17 089**	**1 000**	**-10 407**	**-6**	**-6 099**	**13 774**

(*) The income statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

NOTE 12 EMPLOYEE BENEFITS

('000 EURO)	June 30, 2018	31-déc.-17 retraité (*)
Retirement bonus	13 659	13 156
Long-service medals	2 505	2 495
TOTAL	**16 164**	**15 651**

(*) The balance sheet statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

The pension obligations and commitments for long-service medals recognized at 30 June 2018 were evaluated based on parameters used in a calculation at December 31, 2017.

NOTE 13 FINANCIAL LIABILITIES

13.1 Detail of Financial liabilities

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel liabilities	June 30, 2018	Fair value
Refundable Advances			44 612	44 612	N/A(*)
Syndicated loan - Tranche B			45 000	45 000	45 000
Factoring			89 604	89 604	89 604
Finance lease			32	32	32
Unsecured banking facility and other			62	62	62
Other non-current liabilities			20 321	20 321	20 321
Derivated financial instruments	6 802	5 020		11 822	11 822
Accounts payable			177 356	177 356	177 356
TOTAL FINANCIAL LIABILITIES	**6 802**	**5 020**	**376 987**	**388 809**	**344 197**

('000 EURO)		Level 1	Level 2	Level 3	Fair value
Financial instruments		0	11 822	0	11 822
TOTAL		**0**	**11 822**	**0**	**11 822**

('000 EURO)	Financial liabilities at fair value through profit and loss	Hedging instruments	Other financiel liabilities	Dec 31, 2017 restated (*)	Fair value
Refundable Advances			45 188	45 188	N/A(**)
Syndicated loan - Tranche B			45 000	45 000	45 000
Factoring			77 056	77 056	77 056
Finance lease			105	105	105
Unsecured banking facility and other			26	26	26
Other non-current liabilities			19 721	19 721	19 721
Derivated financial instruments	0	26		26	26
Accounts payable			151 937	151 937	151 937
TOTAL FINANCIAL LIABILITIES	**0**	**26**	**339 031**	**339 058**	**293 870**

(*) The balance sheet statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

(**) 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	26	0	26
TOTAL	**0**	**26**	**0**	**26**

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.

13.2 Loans and Bank borrowings

('000 EURO)	June 30, 2018	Dec 31, 2017 restated (*)
Bank loans - non current	45 000	45 000
Leasing - non current	0	61
Non-current liabilities	**45 000**	**45 061**
Leasing - current	32	43
Factoring	89 604	77 056
Other short term credit	62	26
Current liabilities	**89 698**	**77 125**
TOTAL OF LOAN AND BANK BORROWINGS	**134 698**	**122 186**

(*) The balance sheet statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

Rapprochement de la dette liée au factor (affacturage) :

('000 EURO)	June 30, 2018	Dec 31, 2017 restated (*)
Receivables sold to the factor	119 352	95 812
Financing obtained from the factor	108 814	86 860
Cash available from the factor	-19 210	-9 804
DEBT - FACTORING	**89 604**	**77 056**

(*) The balance sheet statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

('000 EURO)	Currency	Interest rate	Maturity	June 30, 2018	
				Notional	Actual
EIB loan	EURO	EURIBOR + margin	2024	55 000	45 000
Factoring	EURO/USD	EURIBOR/LIBOR + margin	2019	100 000	89 604
Finance lease	EURO	4,7%-7,2%	2020	544	32
Unsecured banking facility and other	EURO	EURIBOR + margin	n/a	62	62
TOTAL OF LOAN AND BANK BORROWINGS				**184 206**	**134 698**

13.3 Financial ratios ("covenants")

Financial commitment on the loan of the European Investment Bank

The EIB loan includes financial covenants that commit the Group to i) respect a maximum level of leverage ratio (gross debt / Economic EBITDA), ii) respect a minimum level of financial expense coverage ratio (Economic EBITDA / financial expenses).) and (iii) respect a minimum level of liquidity ratio (Economic EBIT). They will be applicable on the accounts closed as at June 30, 2018.

Financial commitment on the factoring contract

The factoring contract includes financial covenants that commit the Group to i) respect a minimum level of adjusted economic EBIT, calculated quarterly on a rolling 12-month basis and ii) to respect a minimum level of cash, measured monthly.

NOTE 14 PAYABLES AND OTHER LIABILITIES

('000 EURO)	June 30, 2018	Dec 31, 2017 restated (*)
Trade payables	118 557	93 626
Employee related liabilities	33 698	37 004
State payables	7 236	6 891
Credit balance on trade receivables and advance payments from customers	5 021	1 004
Other creditors	12 845	13 238
ACCOUNTS PAYABLE	**177 356**	**151 763**

(*) The balance sheet statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

NOTE 15 TAXES

15.1 Income Tax Receivable

The amount recorded at June 30, 2018 for €21.4 million corresponds to tax credits for €20 million (primarily, the research-based tax credit and the competitveness and employment tax credit (CICE)).

15.2 Deferred Taxes

('000 EURO)	June 30, 2018	Dec 31, 2017 restated (*)
Deferred tax assets	967	27 516
Deferred tax liabilities	-154	-527
DEFERRED TAX AT OPENING	**813**	**26 990**
Deferred tax Income (Expense) recognised in P&L	1 776	-12 249
Deferred tax variation recognised directly in equity	11 062	-13 929
DEFERRED TAX AT CLOSING	**13 650**	**812**
Of which Deferred tax assets	13 681	967
Of which Deferred tax liabilities	-31	-154

(*) The balance sheet statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

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

('000 EURO)	June 30, 2018	Dec 31, 2017 restated (*)
Tangible and intangible assets	-3 022	-3 166
Financial instruments	-1 292	-13 087
Retirement bonus	4 394	4 124
Other provisions (regulated provision)	-2 137	-2 768
Loan and bank borrowings	1 374	-1 318
Loss carry-forwards	12 924	12 924
Other	1 409	4 104
NET DEFERRED TAX ASSETS (LIABILITIES)	**13 650**	**812**

(*) The balance sheet statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

The main sources of deferred tax assets were the recognition of the loss carry-forwards from the French tax group in an amount of €12.9 million at June 30, 2018. The Group's tax losses come from the French tax group and may be carried forward without limit in time. In order to assess its ability to reclaim these assets, the Group takes into account estimates of the future tax results of the tax consolidation scope over a period generally of five years.

NOTE 16 RAW MATERIALS, OTHER PURCHASES & EXTERNAL CHARGES

('000 EURO)	**June 30, 2018**	**June 30, 2017 restated (*)**
Raw material consumed	-75 751	-59 785
Cost of goods sold	-204	-149
Sub-contracting	-88 643	-114 478
External charges	-44 412	-36 700
RAW MATERIAL, OTHER PURCHASES & EXTERNAL CHARGES	**-209 011**	**-211 113**

(*) The consolidated income statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

NOTE 17 OTHER INCOME

At June 30, 2018, the other income includes in particular tax credit (research-based tax credits and CICE- crédit d'impôt pour la compétitivité et l'emploi) for €3.3 million, and own work capitalized for €2.2 million.

NOTE 18 OTHER NON RECURRING INCOME AND EXPENSE

The Group presented in non-recurring income and expenses:
- items whose non-recurring nature makes it unlikely that they will occur in the future;
- elements that are not part of the company's day-to-day operations.

As at June 30, 2018, other non-recurring income and expenses relate to:
- net proceeds from the sale of Phase 1 of the Périole site for € 9.5 million
- expenses related to the deployment of the 2020 transformation plan, mainly related to the transfer of production and the development of new manufacturing sites in Toulouse and Bulgaria for € 8.7 million.

NOTE 19 DETAILS OF FINANCIAL INCOME

('000 EURO)	June 30, 2018	June 30, 2017 restated (*)
Interest expense - net	-1 722	-3 842
Foreign Exchange gains/losses realized :	-705	-4 585
- derivative instuments EUR/USD	0	-1 406
- other derivative instrument	0	256
- Foreign Exchange gains/loss realized	-705	-3 435
Other realized financial expenses / income	-350	-1 213
Realized net financial result	**-2 778**	**-9 640**
Change in fair value of financial instruments :	-4 421	32 996
- Change in fair value of currency derivative instruments EUR/USD	-4 421	31 770
- Change in fair value of other currency derivative instruments	0	497
- Change in fair value of interest rate contract	0	730
Valuation of items on balance sheet at the closing date	2 461	-2 769
Other unrealized financial expenses / income	-303	-307
Unrealized net financial result	**-2 264**	**29 920**
FINANCIAL RESULT	**-5 041**	**20 280**

(*) The consolidated income statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

NOTE 20 INCOME TAXES

('000 EURO)	June 30, 2018	June 30, 2017 restated (*)
Current income taxes	-1 921	-2 792
Deferred taxes	1 759	-10 867
TOTAL	**-162**	**-13 659**

(*) The consolidated income statement at December 31, 2017 differs from that presented in the December 31, 2017 consolidated financial statements published since it has been adjusted to reflect the impacts of retrospectively applying new standard IFRS 15 "Revenue from Contracts with Customers" as of January 1, 2018 with restatement of comparative periods (see notes 2.2 and 2.4).

Deferred taxes relate to EUR 1.5 million of EUR / USD foreign exchange derivatives.

NOTE 21 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

21.1 Financial Commitments

The Group's financial commitments and contingent liabilities did not change significantly during H1 2018.

21.2 Commitments under Operating Leases

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

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

All these contracts do not include any specific clause that could have an impact on the method of renewal or of termination of these contracts.

21.3 Other Contingent Liabilities

At 30 June 2018, the Group has not identified any other significant contingent liabilities.

NOTE 22 SUBSEQUENT EVENTS

On July 30, 2018, the Group set up a leasing operation with a pool of French banks refinancing the land and building at the Montredon site in Toulouse, where Groupe Latécoère's 4.0 plant was developed for 12.6 million euros.

3 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 2017 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 4th september 2018

Yannick Assouad
Chief Executive Officer

4 STATUTORY AUDITORS' REPORT ON THE 2016 CONDENSED HALF-YEAR CONSOLIDATED FINANCIAL STATEMENTS

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

From the period from January 1 to June 30, 2018

To the Shareholders,

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

the review of the accompanying condensed half-yearly consolidated financial statements of Latécoère S.A., for the period from January 1 to June 30, 2018.
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 of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

Without qualifying our conclusion, we draw your attention to the matter set out in note 2.2 to the condensed half-yearly consolidated financial statements regarding changes in accounting policies related to the first application of IFRS 15 “Revenue from Contracts with Customers” and IFRS 9 “Financial Instruments” effective since January 1, 2018.

II. Specific verification

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

Labège, on the 4 septembre 2018
KPMG Audit
Department of KPMG S.A.

Michel Dedieu
Partner

Eric Junières
Partner

Neuilly-sur-Seine, on the 4 septembre 2018
Grant Thornton
Member ofr Grant Thornton international

Pascal Leclerc
Partner

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