# INTERCONNECTION SYSTEMS

LATÉCOÈRE

# UNIVERSAL REGISTRATION DOCUMENT **2020**

including the Annual Financial Report

# AERO STRUCTURES

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# UNIVERSAL REGISTRATION DOCUMENT 2020

including the Annual Financial Report

LATÉCOÈRE

## LE SAVOIR-FAIRE LATÉCOÈRE
**serving the industry of the future**

A leading player in the fields of Aerostructures and Interconnection systems, Latécoère works with the largest aircraft manufacturers and airlines, from the initial design stage to the manufacture of their products.

With one hundred years of experience in the aviation industry, Latécoère invests in R&T and new technologies in order to develop increasingly customizable innovative solutions.

www.latecoere.aero

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This translation has been prepared solely for the information and convenience of English-speaking readers. No assurances are given as to the accuracy or completeness of this translation, and the Group assumes no responsibility with respect to this translation or any misstatement or omission that may be contained therein. It is not a biding document and in the event of any ambiguity or discrepancy between this translation and the French Universal Registration Document, the French Universal Registration Document shall prevail."

Copies of the Universal Registration Document are available free of charge at the registered office of LATÉCOÈRE S.A.,135 rue de Périole, 31500 Toulouse.

The Universal Registration Document may also be consulted on the website of the Autorité des marchés financiers (**www.amf-france.org**) and on the website of LATÉCOÈRE S.A. (**www.latecoere.aero**).

# EXPERIENCE AT THE SERVICE OF AGILITY

**PHIL SWASH,**
**CHIEF EXECUTIVE OFFICER OF LATÉCOÈRE**

*"The engineering and operational capabilities of our business remain robust, resilient, and ready to rebound."*

Dear Fellow Shareholders,

Over the past year, our company, our industry, and our global community have faced one of the most widespread public health crises of the modern era. On behalf of everyone at Latécoère, our thoughts go out to those who have been personally affected by Covid-19.

As a company, our focus at the onset of the pandemic was to secure the health and safety of our employees. We took immediate steps to implement best-in-class sanitary protocols at all of our sites which have so far resulted in infection levels far below the regional norms wherever we operate. I am extremely proud of the professionalism and commitment demonstrated by all our employees throughout this challenging time.

From a financial perspective, Covid-19 has clearly had a very negative impact on our 2020 performance. As our main customers reduced, and in some cases suspended, aircraft production, so the demand for our products dramatically declined and this had obvious downstream implications on our business and our balance sheet. It was therefore necessary in 2020 to take action to secure the liquidity of the company by minimising expenditure, preserving cash and raising new financing.

At the same time, the actions we have taken to ensure that we emerge from the Covid-19 crisis stronger and more competitive company are entirely consistent with our long-term strategy. Our top priorities at the beginning of 2020 were, and remain today:

**1.** safety;

**2.** best-in-class customer service;

**3.** operational excellence – cost competitiveness;

**4.** cash preservation and generation;

**5.** investing in growth through M&A and innovation.

I am pleased that we made progress in each of these strategic areas last year. I was especially proud of the Latécoère team for significantly improving operational performance in Safety, Quality, Working-Capital efficiency and Delivery metrics. This demonstrates that the engineering and operational capabilities of our business remain robust, resilient, and ready to rebound.

### Operational Excellence

Our operational strategy is to manufacture our products using cost-competitive technologies in the best cost locations by applying lean manufacturing principles across our business, optimizing material flows and, ideally, doing so in close proximity to our customers.

Rather than disrupt our operational improvement program, the Covid-19 crisis emphasized the need to focus even more on improving our competitiveness if we are to pull through the crisis and ensure that the company and our shareholders benefit from the industry rebound, when it comes.

Consistent with this approach, we launched a restructuring programme outside of France in the spring of 2020 and then announced at the end of September a transformation plan designed to ensure Latécoère's long-term competitiveness in France. This plan aligns our manufacturing footprint with reduced order volumes while preserving our industrial capabilities, increasing the autonomy of our manufacturing sites and, where appropriate, diversifying our activities so that we can offer more to our customers now and in the future.

The plan, while necessary for us to manage short-term pressure and secure long-term success, means that we had to sadly dismiss over 1,000 employees. This was not an easy decision to make. The Board of Directors and entire management thank them for their contributions to the company over the years.

The fact that we have managed to carry out this plan in a climate of constructive social dialogue in France and abroad is consistent with our long-held values of being a socially responsible operator that respects local regulations. Latécoère collaborated with both its employee representative bodies as well as the governmental ministries responsible for employment, industry, and transport to save a significant number of jobs and avoid site closures in France.

### Financial Discipline

In order to meet our short-term operational cash needs while also retaining the ability to invest in future growth, we minimized cost, improved our working capital efficiency and accessed several loan facilities at favorable interest rates. Specifically, we joined many French businesses in taking advantage of the state sponsored Prêt Garanti par l'Etat (PGE) loan program. These loans are being used to fund our ongoing treasury needs.

We are also fortunate to have a supportive majority shareholder in Searchlight Capital Partners which has expressed its confidence in our long-term growth prospects through a €35 million loan due in April 2027.

### Investment in Growth

#### M&A

We expect industry consolidation to accelerate in response to the Covid-19 crisis and Latécoère will continue to play an active role in this process. M&A will be a key driver of our competitiveness and growth in the coming years. As such, we are regularly evaluating potential acquisitions that are aligned to our strategic goal of becoming a highly competitive, global champion with the capabilities to serve a diversified portfolio in aerospace, defence and adjacent markets. This is evidenced by our recently completed acquisition of Bombardier's Electrical Wiring and Information Systems business in Mexico.

#### Innovation

We also remain committed to organic growth through innovation and have protected a competitive level of R&T financing in our business plan. Doing so ideally positions us to work closely with our customers as well as national research institutions to develop new processes and product technologies so that we are a key part of the community developing the next generation of aeronautical systems. For example:

- the French Civil Aviation Authority (DGAC) and the Ministère des Finances in France have confirmed their support in the framework of the Plan de Relance to develop technologies enabling a greener aircraft. Latécoère is and remains a key player of the Civil Aviation Research Council (CORAC) family and is a participant in the green aircraft initiative;
- in 2019, we signed Memorandums of Understanding with Signify and Huneed Technologies to increase the scale of LightFidelity, or LiFi, which could revolutionize data transmission optics for avionics and the cabin. We have subsequently secured two launch customers for this technology.

Consistent with our focus on bringing the right technology to market at the right time with the right manufacturing process, we are also making strategic investments to bring smart factory technology and the highest level of automated production to our Interconnection Systems factories with the support of the French State, and both Occitanie and Nouvelle Aquitaine regions. This initiative is also supported by our teams' ongoing drive to reduce our impact on the environment and 2020 marked another significant step on this journey, internationally recognized by our receipt of the GAIA certification.

### Expectations for 2021

There are reasons to believe that the severity of the public health crisis will diminish in 2021 and that domestic and international commercial air travel will resume as it does. The short-term picture for aviation remains challenging, however, and several of our customers have already indicated that aircraft production will remain constrained in 2021. As a result, we expect that difficult conditions will continue into 2021 and we will continue to prioritize the use of our resources accordingly.

Against this backdrop, the Board and I believe that we have taken, and are continuing to take, the necessary responsible steps to ensure that Latécoère emerges from this period as a stronger, more competitive company. We look forward to sharing the long-term benefits of our efforts with you and thank you for your ongoing support of this great company.

Sincerely,

Philip Swash

THE STRENGTH OF A CENTURY-OLD HISTORY TO MEET THE NEW CHALLENGES OF THE AERONAUTICS SECTOR

# ONE BRAND

LATÉCOÈRE

# ONE MISSION

Propose, design and build innovative equipment to provide customized solutions to aircraft manufacturers and airlines

# ONE VISION

Become the reference in Aerostructures and Interconnection Systems

# VALUES

Boldness
Excellence
Commitment

## INTER-NATIONALI-ZATION

**2000 - 2015**

Operations in Tunisia, Brazil, Germany, Mexico, Morocco, etc.
And also:

**1988**

- First production of doors for the Airbus A320
- Purchase of on-board electrical wiring activity from Fournié Grospaud and birth of LATelec (now Latécoère Interconnection Systems)

**2006**

Start of production of composite doors in the Prague site, a first in aeronautics

**2013**

Selection for the design and manufacture of the Embraer E2 doors

## INDUSTRIAL REFOCUSING

**1927**

Disposal of CGEA and concentration on aircraft and seaplane production

**1930**

- Jean Mermoz carries out the first France to South America air mail link aboard a Laté 28
- **Succession of records thanks to innovative aircrafts**

## CONVERSION

**1917**

Reconversion of the family business taken over by PG Latécoère in the aeronautics industry

## TRANS-FORMATION

**2016**

Launch of the Transformation 2020 plan.

**2017**

Latécoère centenary

**2018**

Construction of a 4.0 elementary parts plant in Toulouse and of an assembly plant in Bulgaria

**2019**

First commercial flight with LiFi technology
Opening of a cabling plant in India

**2020**

First Boeing contract for the Interconnection Systems division

**2021**

Acquisition of Bombardier's interconnection systems and electrical wiring (EWIS) activities in Mexico
Launch of a Smart Factory project in France
Corporate and support teams meeting of two branches on the same site in Toulouse

## INDUSTRIAL REORIENTATION

**1948**

- Orientation towards special devices with Malafon anti-missile-launching-submarine torpedo
- **Latécoère, a Tier 1 equipment manufacturer, participates in the structuring of the industrial plan for modern aviation**

## DIVERSIFI-CATION

**Early 1920s**

Diversification with the creation of airlines through the CGEA (Compagnie Générale d'Entreprises Aéronautiques)

**1924**

First series production of Latécoère aircrafts

# EXCELLENCE
# AT A GLANCE

*Latécoère is a reference in Aerostructures and Interconnection Systems*

## 1

**WORLD LEADER**
IN AVIONICS RACKS

**WORLD INDEPENDENT LEADER**
IN AIRCRAFT DOORS

**EUROPEAN LEADER**
IN SATELLITE HARNESSES

**WORLD LEADER**
IN ELECTRICAL HARNESSES

**2,305**
RACKS IN 2020

**434**
FUSELAGES IN 2020

**2,259**
DOORS IN 2020

**1,169**
CAMERAS & EQUIPMENTS

**20**
SITES

**13**
COUNTRIES

**104**
YEARS

**49,980**
HARNESSES IN 2020

**4,172**
EMPLOYEES

**395**
EQUIPPED SATELLITES, LAUNCHERS AND ISS TANKERS

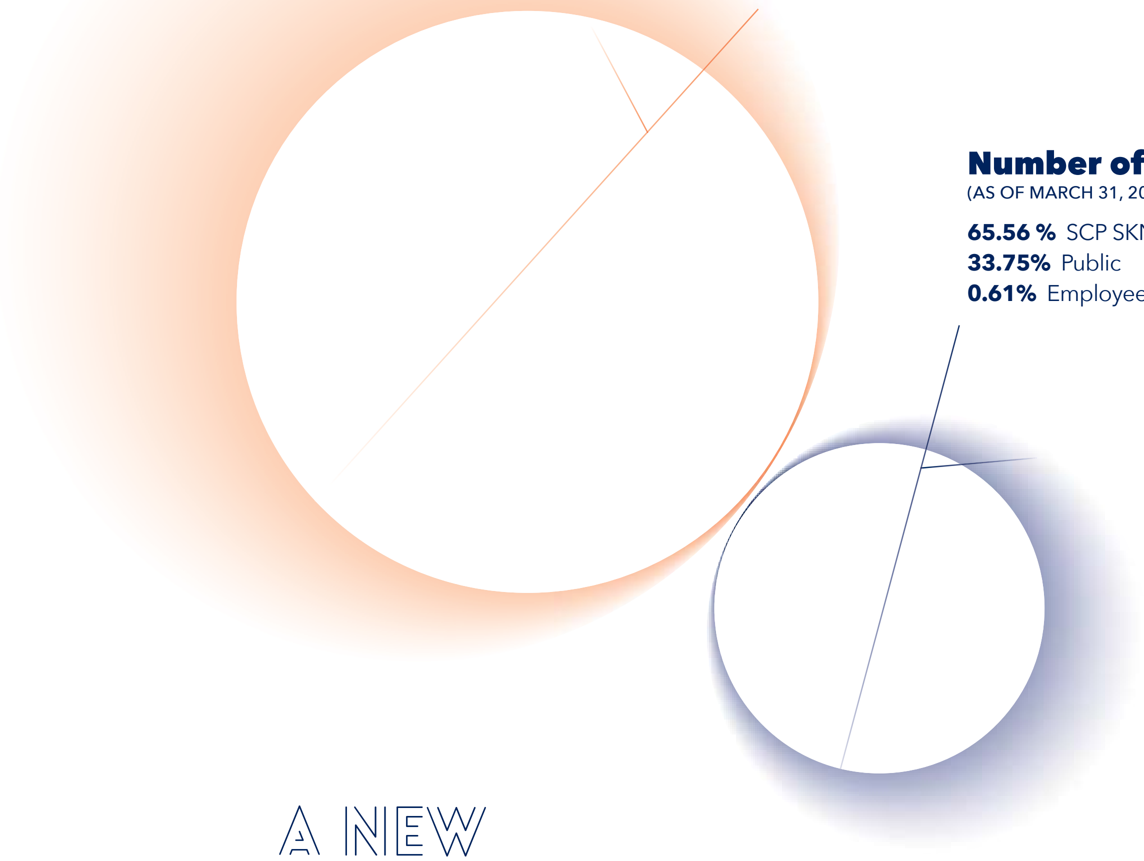
**25,964**
COCKPIT PANELS IN 2020

## Number of shares
(AS OF MARCH 31, 2021)

**65.62%** SCP SKN Holding I SAS
**33.69%** Public
**0.61%** Employees
**0.08%** Treasury shares

## Number of voting rights*
(AS OF MARCH 31, 2021)

**65.56 %** SCP SKN Holding I SAS
**33.75%** Public
**0.61%** Employees



# A NEW SHAREHOLDER TO IMPLEMENT THE GROWTH STRATEGY

**December 2019: successful takeover bid by Searchlight Capital Partners, which now holds 65.62% of the share capital and 65.71% of the voting rights*.**

**SHARE IDENTITY SHEET**

CODE ISIN:
FR0000032278 LAT

LISTING MARKET:
EURONEXT PARIS - COMPARTIMENT B

INDICES:
CAC ALL SHARES,
CAC INDUSTRIALS,
EN TECH CROISSANCE,
NEXT 150

* *Exercisable voting rights excluding non-voting shares (treasury shares).*

# THE LATÉCOÈRE
# BUSINESS MODEL

## A VALUE

## OUR RESOURCES

### INTELLECTUAL

**14** patents filed in 2020

### INDUSTRIAL

**LATMAT**
Automatic cabling machine
**20** plants in
**13** countries

### HUMAN

**4,172** employees
**41%** women
**2** ISO 45001 certified plants

### ENVIRONMENTAL

**8** ISO 14001 certified plants
Health Safety Environment Policy

### SOCIETAL

Ethics and anti-corruption charter

### FINANCIAL

Revenue of **€413.2M**, of which **€228.4M** for Aerostructures and **€184.8M** for Interconnection

**€12.5M** CAPEX

**€36.2M** in equity

**€207.2M** in purchases

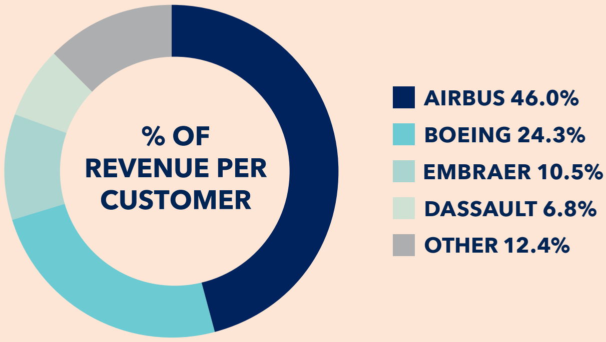
Purchases = **60%** of value: equipment and composites, elementary parts and raw materials

## A PURPOSE AT THE HEART

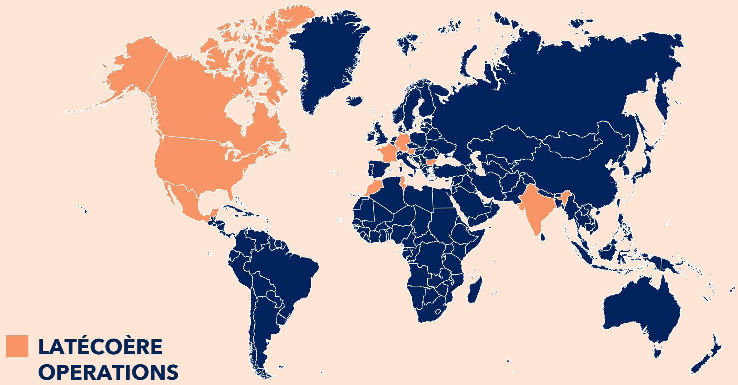
### OUR PURPOSE

Become the reference in Aerostructures and Interconnection Systems.

### DIVERSITY OF CUSTOMERS AND MARKETS




### A STRONG INDUSTRIAL FOOTPRINT...




### ...BASED ON FIVE PRIORITIES

- SAFETY
- CUSTOMER SATISFACTION
- OPERATIONAL EXCELLENCE
- LIQUIDITY PRESERVATION AND GENERATION
- A KEY ROLE IN THE CONSOLIDATION OF THE INDUSTRY

# CREATING PROCESS

## OF OUR STRATEGY

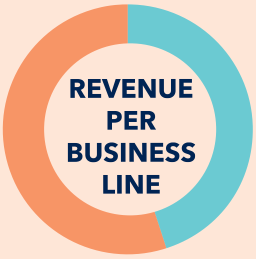
### OUR MISSION

Propose, design and build innovative equipment to provide customized solutions to aircraft manufacturers and airlines.

### OUR BUSINESS LINES AND ACTIVITIES

**N°1** in the world in aircraft doors

**Top 5** in Europe in fuselage sections




**N°1** in the world in avionics racks

**N°1** European in satellite harnesses

**N°2** in the world in onboard wiring

**AEROSTRUCTURES 55%**

- Machining
- Surface treatment
- Assembly
- Control
- Paint operation
- Weatherproofing
- Final control
- Shipment

**INTERCONNECTION 45%**

- UV laser cable cutting and printing
- End stripping and crimping (head A)
- Routing
- End stripping and crimping (head B)
- Electrical tests
- Final control
- Shipment

### OUR PROGRAMS

- **Large commercial and regional fleets**
  Airbus A320, A330, A350, A380, Boeing 787 et 777 Freighter, Embraer, Bombardier CRJ, ATR, ...
- **Business jets**
  Falcon 7X et 8X, Bombardier global 7000, Mitsubishi MRJ90, Embraer Legacy, ...
- **Military aircraft**
  Airbus A400M, Dassault Rafale
- **Space - Harnais Satellite Programs**
  ARTEMIS : Copernicus
  Electra : Biomass
  Airbus DS : BADR8, THURAYA4, SPAINSAT, ONESAT
  THALES : NILESAT 301, SES22

Co-development of programs through a Risk Sharing Partnership model equivalent to more than 50% of Group sales.

In addition to Design-and-Build, Latécoère is also involved in Build-to-Print, which consists of manufacturing products according to the client's exact specifications.

### OUR NEWS IN 2020

- Diversification with CAE (Respirators)
- Acquisition of the Querétaro site with Bombardier
- Acquisition of ACS (Aircraft Cabin Systems) in the USA
- Launch of the Smart Factory project for the Interconnection Systems division
- Mach One: new headquarters
- 2020 Aeronautical Innovation Award
- Covid-19 management

## VALUE CREATION

### INTELLECTUAL

**5.9%** of revenue in R&T and R&D expenditure

### INDUSTRIAL

AERO

**2,259** doors
**434** fuselage sections
OTD: **97%**

INTERCO

**395** harnesses to date in Orbit (onboard satellites, launchers and ISS tankers)
**129,980** harnesses (**49,980** harnesses + **80,000** respirator harnesses)
**25,964** cockpit panels
**2,305** racks
**1,169** cameras & equipment

### HUMAN

Lower frequency rate:
**1.9** in 2020 compared to **3.9** in 2019

### ENVIRONMENTAL

**0** environmental incidents

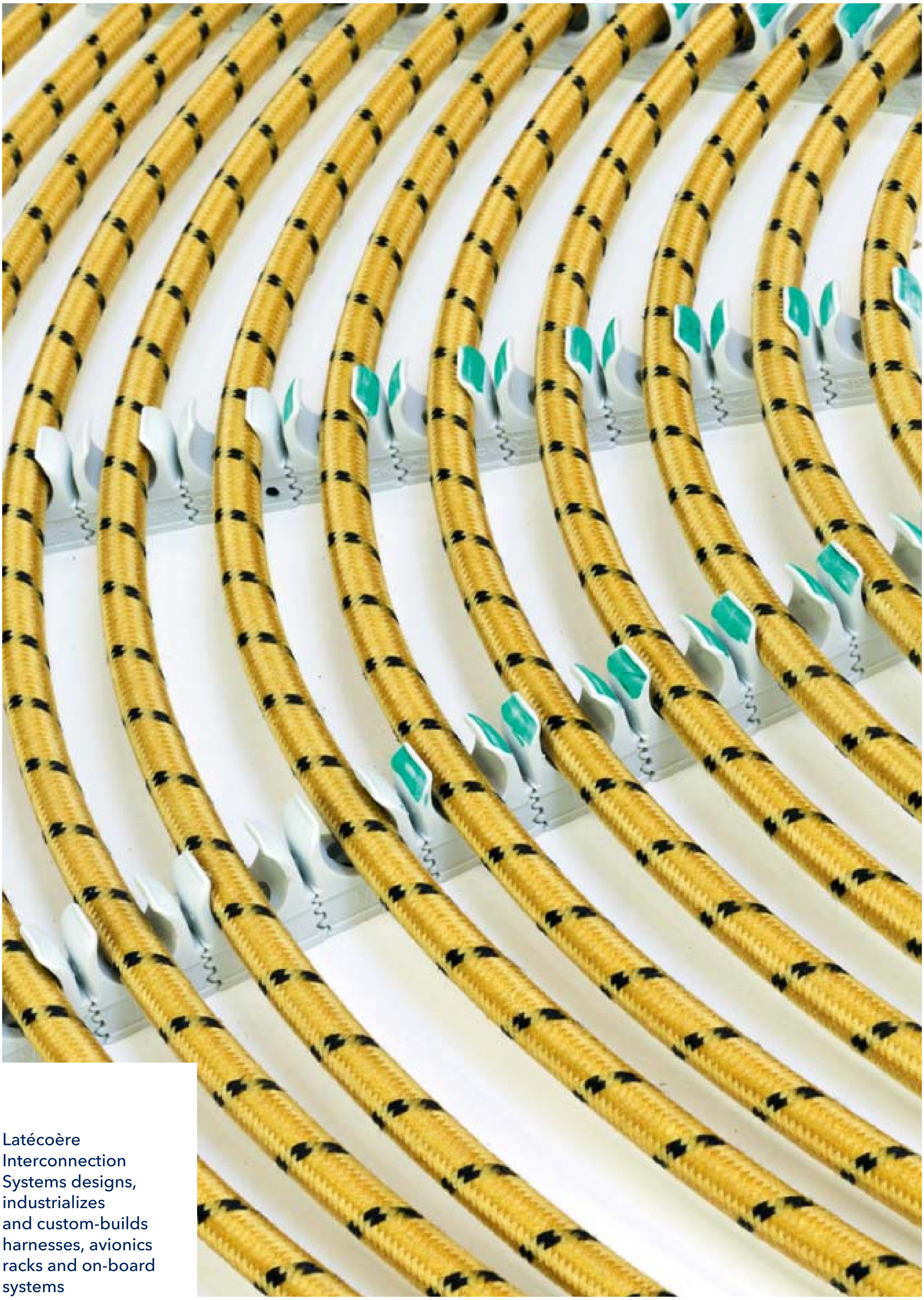
### SOCIETAL

**69%** of employees trained in the fight against corruption*

### FINANCIAL

Net income: **€189.6m**

*Aerostructures France scope*



Latécoère Interconnection Systems designs, industrializes and custom-builds harnesses, avionics racks and on-board systems

© Arnaud Späni

# PRESENTATION OF THE GROUP AND ITS ACTIVITIES

## 1.1 THE CHALLENGES OF THE AERONAUTICS MARKET

Faced with the changing needs of its customers, Latécoère has undergone a profound transformation as part of its 2020 transformation plan. Presented in June 2016, it initiated the strategic repositioning of the Group. The objective was to give it the means to be part of the next cycle of aeronautical programs expected for 2025 thanks to renewed competitiveness and investment capacity.

An in-depth transformation of the industrial structure was undertaken along three lines: improvement of competitiveness, consolidation and optimization of production sites, and greater proximity to customers. This redeployment made it possible to redistribute production on a global scale among European sites, by automating what could be automated, and to "best cost" countries where indispensable manual processes are possible thanks to a well-qualified workforce and adapted costs. Latécoère was thus able to optimize its sites. Latécoère's industrial plan has been optimized: automation, re-internalization, redistribution, specialization of plants.

With its industrial plan, product/process innovation, commercial offer, governance, corporate culture, etc., the Group was ready, at the start of 2020, to support the increase in production rates. The plan was to do so quickly, with a high standard of quality, and with cost management...

Over the past year, our company, our industry and our communities have faced an unprecedented health crisis. From the start of the pandemic, the priority was to ensure the health and safety of employees. The rapid roll-out of healthcare protocols has so far made it possible to maintain infection levels well below the regional data published wherever the Group operates. In a particularly chaotic context, the Latécoère teams have significantly improved their operational performance in terms of safety, quality, working capital and delivery. This shows that the four years dedicated to transforming the company are paying off. Without this in-depth work, the situation would not be identical today.

Tier 1 partner of the world's leading aircraft manufacturers, and Thales and Safran, Latécoère is present in all segments of the aeronautics (airliners, regional aircraft, business jets, military aircraft, helicopters) and space (satellites) industries. Before COVID-19, aircraft manufacturers and major equipment/system manufacturers relied on the robustness of their supply chains. This is, more than ever, the case.

The health crisis provided an opportunity to test the reliability of the Latécoère teams and organization. First, engineering capabilities are intact. Second, innovation goals remain high, even though choices had to be made. Organic growth relies heavily on innovation. Third, operations are robust - delivery times and delivery quality have not deteriorated during the health crisis. Three strengths that position the company favorably for the recovery as soon as there are signs of a rebound.

# 1.2 OBJECTIVES AND STRATEGY

## 1.2.1 A STRATEGY SERVING A VISION

### ONE VISION

To become the reference in Aerostructures and Interconnection Systems.

### ONE MISSION

Propose, design and build innovative equipment to provide customized solutions to aircraft manufacturers and airlines.

### VALUES

| Boldness | Excellence | Commitment |
|---|---|---|
| • Encouraging initiative<br>• Creating new business opportunities<br>• Showing ambition<br>• Being agile | • Focusing on customers and customer satisfaction<br>• Innovating in technical and organizational areas<br>• Being demanding and disciplined<br>• Living safety at all times | • Developing the employees<br>• Minimizing the impact of our activities on the environment<br>• Acting with transparency and fairness<br>• Working with others |

The growth strategy implemented by the Group is adapted to each of its business divisions:

For Aerostructures, the Group's ambition is to be a player in the ongoing consolidation of the sector.

For Interconnection Systems, the Group favors organic growth and product/platform development - external growth remains opportunistic.

## 1.2.2 THE ECONOMIC MODEL

Specificity of the aeronautics sector: a risk-sharing model between principals and equipment manufacturers on major programs. Co-development of programs through a Risk Sharing Partnership model for more than 50% of the Group's activities.

### ECONOMIC MODEL OF RISK SHARING (RISK SHARING PARTNER – RSP)

#### General Principles

The aeronautical sector has the specificity of a risk-sharing model between the aircraft manufacturers and the manufacturers of components on major programs. Thus, part of the risk is externalized by the aircraft manufacturer to the manufacturer of components, including the ramp-up risk. The consideration for this risk is the duration of this partnership, which is aligned with the lifetime of the aircraft giving the Group visibility over the long term.

The main challenges for subcontractors are:

- the financing of development costs at the start of the program, so-called Non-Recurring Costs or "NRC";
- the ability to standardize the production cycle in order to reach the breakeven point of the program and realize productivity gains on the unitary costs (so-called Recurring Costs or "RC") sufficient to absorb Non-Recurring Costs amortized on the number of aircraft.

The standardization of the product cycle may be subject to the following unforeseen events:

- rates too low preventing the decreases related to the experience effects;
- technical problems;
- supplies of suppliers;
- ramp-up requested by the aircraft manufacturers;
- configuration changes during the course of the program;
- price increases requested by suppliers.

In the event of major commercial success of an aircraft, the manufacturer of components directly benefits from the rate effect, the stability of the industrialization and the amortization of non-recurring costs.

### DEPTH OF THE ORDER BOOK

For the RSP contracts, the Company is the exclusive supplier of the manufactured products. Thus, every order booked by the aircraft manufacturer is directly reflected in Latécoère order book, giving it an excellent view of the level of activity over coming years. The duration of partnership contracts – more than 15 years – also allows the installation of suitable industrial means.

### VISIBILITY

The Group has strong visibility on its business due to the depth of its order book and the fixing of selling prices as soon as the contracts are signed.

### SALES PRICES AND CURRENCIES

Sales prices per item are generally fixed from the beginning of the contract and for the most part are expressed in dollars. The Group is implementing an industrial policy to reduce its natural exposure to the resulting currency risk, by increasing the share of its purchasing in dollars from its Euro bases and by developing a globalized network of industrial organizations. The policy is to systematically hedge residual exposure through financial instruments deployed over a sliding period of around 2 years.

### MAIN CHALLENGES

The main challenges for the Group are to hold to the originally costed development budget in the contract and the decrease of production costs.

### FINANCING

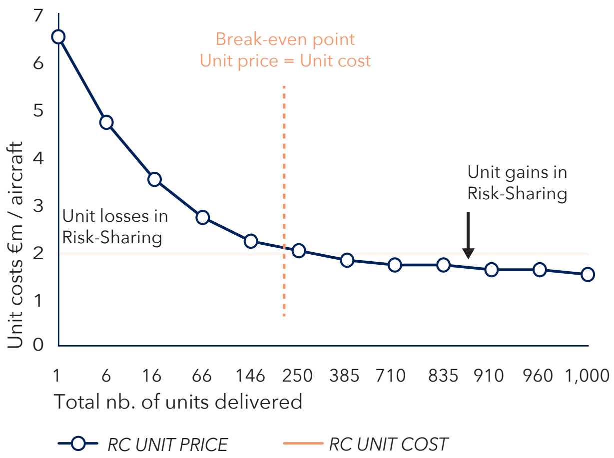
The Group finances the development phases and shares the "program" risk with the customer. This means that if the contractually specified number of aircraft is not reached, the development costs committed by the Group will not be fully depreciated and amortized. Moreover, this means that if the contractually specified number of aircraft is reached, but with a time lag relative to the initially provided deadlines, the return on investment for the Group will be longer.

This risk is partially reduced to the extent that:

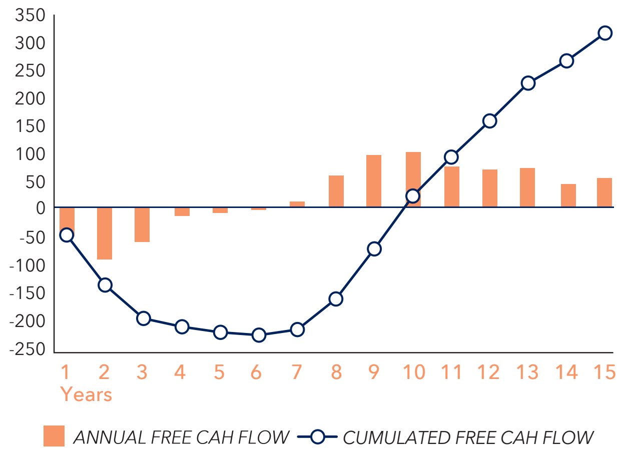
- it is shared because of the diversity of programs in which the Group is committed;
- it uses second-tier partners subject to symmetrical constraints;
- financing of these programs is partly provided by refundable advances that will not be in the case of failure.

The graphs below illustrate the business model of RSP contracts and free cash flow generation patterns of associated operations (cash flow from operations after taking into account the amount disbursed on investment):

**DECREASING RC CURVE AND EVOLUTION OF UNIT PROFITABILITY**




**FREE CASH FLOWS FROM ANNUAL/CUMULATIVE OPERATIONS**




## 1.2.3 ACTION PLANS

The aeronautics market was hit hard by the effects of the Covid-19 crisis, with a collapse in global air traffic in 2020, which led all aircraft manufacturers to significantly reduce their delivery schedules. As a result, all of the Group's activities were severely impacted by the health crisis.

- For the Aerostructures segment, activity decreased by 44%, impacted by the significant drop in deliveries for all the division's programs;
- For the Interconnection Systems segment, activity also suffered a significant decrease, of 39%, marked by the fall in deliveries of the division's programs and by reduced development activity.

After implementing health protocols aimed at ensuring a working environment adapted to the crisis for its employees, the Group supplied its customers throughout the year without disruption to its production chains.

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

- an adjustment in the workforce (mainly outside France) to 4,169 people at December 31, 2020, i.e. a decrease of 20% compared to December 31, 2019;
- a decrease in purchases of raw materials and goods consumed of 43% and in subcontracting of 44%;
- a 37% reduction in external expenses, mainly composed of fixed expenses, demonstrating the Group's ability to adapt to the sharp decline in its business;
- a significant decrease in its investments of €22.8 million, going from €35.3 million in 2019 to €12.5 million (excluding the impact of the acquisition of Bombardier activities for an amount of €22.3 million, recognized in 2019).

In addition, in order to adapt its cost structure, the Group announced, on September 25, 2020, a strategic plan on the transformation and organization of the company in France which would lead to the elimination of 475 jobs at the two Latécoère companies (Latécoère Aérostructures) and Latelec (Latécoère Systèmes d'Interconnections).

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

As such, at December 31, 2020, the Group recognized a restructuring provision in the amount of €20 million as a non-current expense. On January 29, 2021, an agreement was signed between management and the trade unions, which was validated by DIRECCTE on February 23, 2021. It now provides for:

- the elimination of 246 positions;
- 158 proposals to amend employment contracts for economic reasons;
- the creation of 33 positions, in addition to the currently vacant 32 positions.

## 1.2.4 THE INNOVATION STRATEGY FOR THE NEXT GENERATION OF AIRCRAFT

Latécoère is convinced that investment in promising new technologies will be an essential incremental element of its future growth and, as such, sustained its R&T efforts in 2020, to the tune of €5.9 million. These research efforts will be maintained in 2021 so that Latécoère can continue to offer innovative technologies to the market. Since 2014, the Group's cumulative investments - including aid - for the aviation of the future, amounted to €60 million.

R&T determines for the Group the potential value of each new technology and invests in numerous projects with a double logic: partnership and foresight. All of this obviously revolves around the issues at stake in the aeronautics sector.

Product design, prototypes manufacturing, testing and qualification, the various programs initiated by R&T are then steered by the R&D Department.

According to INPI, the Latécoère Group ranked fourth in the Occitanie region for the number of patents filed in 2019, after Airbus, Continental Group and Safran. We are also the leading medium-sized company in this regional ranking. Although the aerospace industry faces many challenges, it is essential to actively participate in research efforts for a greener aerospace industry. This ranking illustrates our strong contribution.

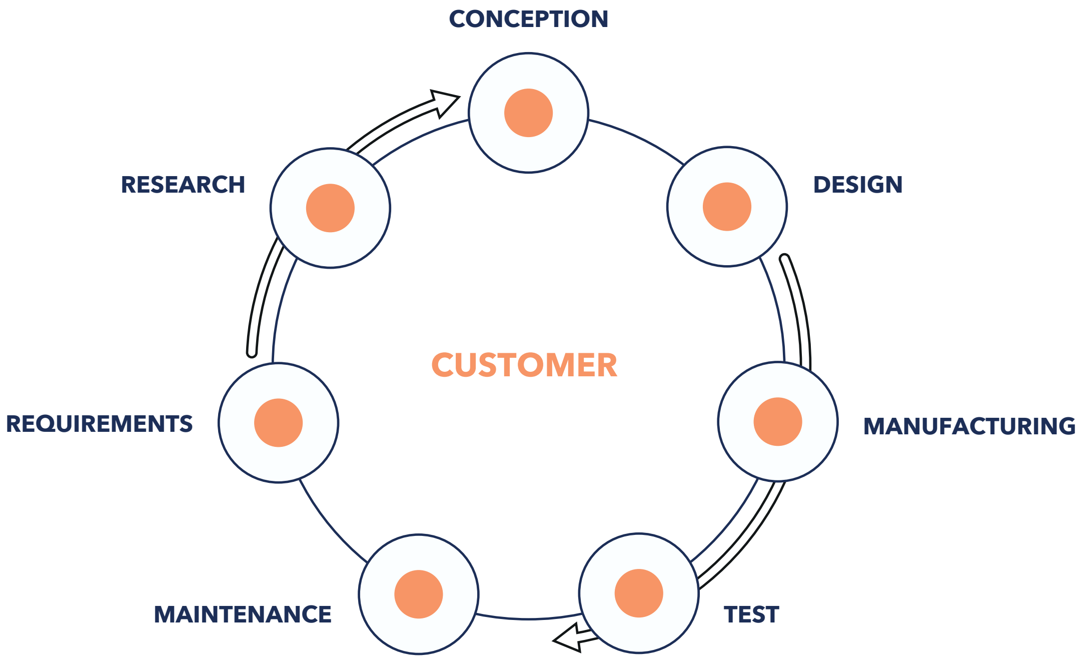
Latécoère also assists its customers in the upstream development of systems and products, whether through total or partial self-financing via external financing. Latécoère thus participates in calls for projects initiated by various regional, national or European bodies.

The Group supports the supply chain and collaborative industrial innovation by selecting SMEs with highly specialized expertise. They are also introduced to the constraints of the aeronautical sector by the Latécoère R&T teams.

Serge Bérenger, Director of Latécoère Innovation and R&T, is also a member of the Board of Directors of Aerospace Valley, which was created in 2005 to develop the competitiveness of the Occitanie & Nouvelle Aquitaine Aeronautics, Space and Embedded Systems cluster at the national, European and international level. The association brings together companies, research centers, training centers and institutions involved in the sector in both regions. At the same time, Serge Bérenger is the head of the "Propulsion and Embedded Energy" Ecosystem of Excellence. The five Ecosystems of Excellence constitute a privileged link between their members and the markets of the aeronautics, space and drone sectors. Emmanuel Dunouvion, a Latécoère Aerostructures engineer, is seconded - full time - to the "Structures, Materials and Processes" Ecosystem of Excellence. As an Aerospace Valley expert engineer, he is a technical expert for SMEs in his field. He supports them in their innovation journey, from project to product. Emmanuel helps define the resources to be mobilized. He also liaises with the right contacts within the Aerospace Valley team or with partners of the division's regional ecosystem.

As part of the recovery plan, and beyond the Group's historical area of influence in the Occitanie region, Latécoère is seeking partners in the Auvergne, Brittany, Ile-de-France and PACA regions, through its technical cooperation agreements.

## A GLOBAL APPROACH




## A PERMANENT INNOVATION APPROACH WITH R&T PROGRAMS DEVELOPED IN PARTNERSHIP WITH CUSTOMERS, SUPPLIERS, UNIVERSITIES OR INSTITUTIONAL INVESTORS

### Relations with CORAC *(Conseil pour la Recherche Aéronautique Civile* - Council for Civil Aeronautics Research)

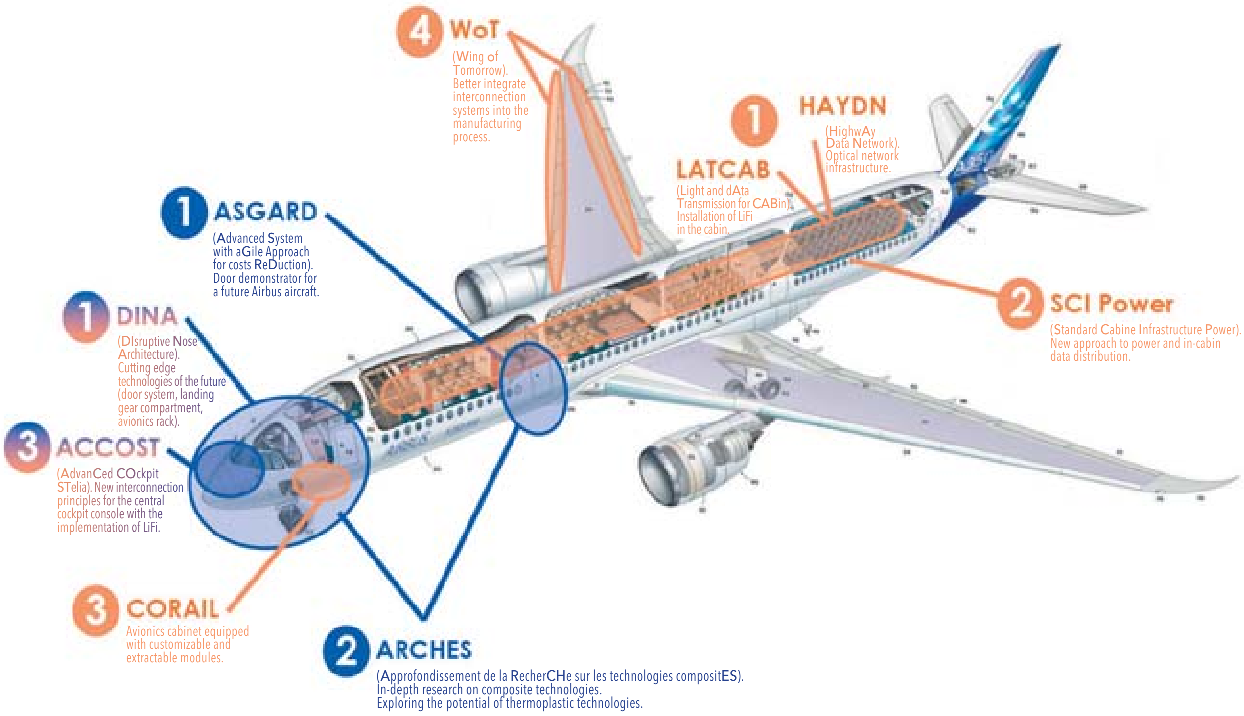
The Latécoère teams are involved in the work of CORAC, a State-industry consultative body dedicated to setting up the sector's national research program. This body is able to lead an entire sector through a continuous innovation approach. Chaired by the Minister of Transport, it brings together the managers of the companies and the heads of the administrations concerned to make major decisions concerning directives and budgets. A steering committee and various thematic committees meet on a monthly basis to build an updated research program based on high-level objectives set around the major themes of the environment, safety and competitiveness.

For example, as part of the work coordinated by CORAC, Latécoère teams are working on a new technological approach to the avionics rack, the arrival of LiFi in the cockpit, the multiplex optical network, and the automation of the door production process.

## PROJECTS STRUCTURED AROUND TWO AXES AND ESSENTIAL TO LATÉCOÈRE'S DIFFERENTIATION

- Race to the forefront of cooperation with aircraft manufacturers to get on board for future programs.
- Increase the market share of Latécoère innovative and competitive solutions on the existing fleet.

### THROUGH A FOCUSED R&T STRATEGY ON DEMONSTRATORS AND DIFFERENTIATING TECHNOLOGIES




### Aerostructures

1. Make a difference on structural elements and equipment through a systems approach.
2. Introduce and develop new technologies for the manufacture and assembly of metallic/composite materials in existing and future products: doors, complex fuselage assemblies, composite structures.

### Interconnection Systems

1. Developing an optical network for in-cab data transmission via LiFi.
2. Creating differentiation in the cab power infrastructure with converters and controllers.
3. Increasing the value of avionics racks and cockpit panels by adopting new standards.
4. Developing high-density cabling for extreme environments.

## ZOOM

### LiFi: transporting the Internet via a simple LED

**An emerging technology, LiFi (Light Fidelity) is revolutionizing data transmission optics for avionics and the cabin. It is a breakthrough innovation. Latécoère's ambition is to be the first to manufacture LiFi in the context of data transfer specific to IFE (In-Flight Entertainment). In 2019, Latécoère signed a strategic partnership on LiFi in commercial aircraft with Signify, the world leader in lighting, and Huneed Technologies, a South Korean aeronautics and defense specialist in electronics and data sharing software. This transition to the industrialization of its LiFi technology resulted in the creation of a dedicated Business Unit in 2020. A BU that has developed its technical platform and intends to establish its first contracts in 2021.**

**LiFi is:**

- **healthy.** Eliminates the "microwave" effect of WIFI (sensitivity to waves) and electro-magnetic disturbances in the cabin;
- **fast.** Exchanging multimedia data at very high speed for each passenger;
- **secure.** Securing the data exchanged for each passenger;
- **lightweight.** Reduce the on-board wiring mass (this is the end of the distribution boxes under the seats);
- **easy.** Eliminate "copper" cabling in favor of fiber for data exchange in the cabin (EWIS certification not required);
- **simple.** Offering an infrastructure that simplifies cab upgrades.

*© Olivier Moravik*

*Latécoère Interconnection Systems intends to open up the embedded LiFi technology market.*

## SMART FACTORY: the future of interconnection systems

**To support the sector, the French State and BPI France launched a major call for projects, as part of the aeronautical recovery plan, to support the modernization of companies. The Group applied for the RECITAL project, bringing together initiatives from the two divisions. The project was finally selected and now benefits from public subsidies, in addition to the investments made by the Group and its shareholders. For the Interconnection Systems division, the RECITAL project is reflected very concretely in the Smart Factory project.**

The aim is to achieve significant competitiveness gains through technological investments and breakthrough innovations, which aim to strengthen Latécoère Interconnection Systems' position in the market. More agile and more responsive, the division will be able to better meet customer needs.

Four key stages structure the project: the incubation of new processes, their development (prototyping), the demonstration that it works and that it creates value, and finally the reproduction of these processes on other sites. These actions concern all business lines: industrialization, production management, logistics, maintenance, diversification, etc. With the roll-out of these initiatives, the ultimate goal is to generate savings of €2 million in annual recurring costs.

The Liposthey site (Landes) has more than 30 years of experience in cabling, unique know-how in the division, and advantages in terms of geographical proximity to Airbus and Dassault Aviation. The site was therefore chosen to become a Smart Factory center of excellence. It will continue mass production but it will evolve to integrate the development and demonstration stages. It will host most initiatives, but the project is far from being limited to a single site. It will also rely on other sites which, due to their specialization, are adapted to the incubation of initiatives. For example, fiber optic work will be carried out at the Vendargues site. Lastly, processes which arrive at maturity will be duplicated on the division's sites in France and around the world: they will all benefit from Smart Factory advances.

It is a three-year project, but the first results will soon be available.

© Latécoère

*In March 2021, Liposthey welcomed Alain Rousset, the head of the Nouvelle Aquitaine region, who is determined to support the project.*

### 1.2.5 FINANCIAL AND NON-FINANCIAL TARGETS

The Covid-19 pandemic caused a collapse in air traffic in 2020, leading Latécoère's customers to significantly reduce their production volumes. Latécoère's financial results for the 2020 fiscal year were greatly affected. While the timetable for the resumption of air traffic remains uncertain due to the impacts of the Covid-19 crisis, Latécoère believes that 2021 will be a difficult year, with aircraft manufacturers likely to remain sluggish.

Consequently, the Group anticipates that:

- its **revenue** will be around 25% lower than in 2020, on an organic basis. The annual contribution from the acquisition of Bombardier EWIS will reduce the reported impact to approximately -10%;
- recurring **EBITDA** will improve by 20% over FY 2020 levels, demonstrating the Company's strong fundamentals as it completes its adaptation plan; however, it will likely remain in negative territory;
- **Operating Free cash flow** will remain negative, mainly due to the roll-out of the adaptation plan.

At the same time, the Group continues to invest in **employee protection** - in the context of the health crisis, but more broadly in its management of health and safety at work. For example, we are proud to regularly set new records for "accident-free days" in our plants around the world.

The **level of employee commitment** is also a dimension where the Group's efforts are continuous. In this respect, the Executive Committee endeavors to regularly inform all its senior executives (around 80 people) of Group developments as well as of financial and non-financial performance matters. In turn, these managers disseminate information among their teams. Internal communication tools reinforce the messages and help promote the expertise of the teams (intranet, internal TV, newsletters).

**Improving competitiveness** is also at the heart of efforts in 2021. Compliance with customer specifications (OQD - On Quality Delivery) and compliance with customer deadlines (OTD - On Time Delivery) must be at the highest level, even during a pandemic. The results are particularly encouraging.

Support for innovation remains a priority in order to ensure the presence of Latécoère solutions on future aircraft manufacturer platforms. Demonstrators, for both Aerostructures and Interconnection Systems, successfully pass their development stages, in consultation with the supervisory authorities (DGA, DGAC, CORAC, etc.) and aircraft manufacturers.

## 1.3 A GLOBAL OFFERING

### 1.3.1 COMPLEMENTARY EXPERTISE IN AERONAUTICS AND SPACE

Latécoère has a unique positioning combining know-how in the fields of Aerostructures and Interconnection Systems. These extended skills enable the Group to have a global approach, a source of technical, commercial and operational synergies.

The Group is present on the entire value chain of the aeronautics sector.


It is the partner of reference on major aeronautics and space programs thanks to its ability to offer customized solutions, but also to absorb high production rates.

## 1.3.2 AEROSTRUCTURES

**Top 5 European producers of fuselage components**
**The world's leading independent aircraft door manufacturer**

**EXPERTISE IN AEROSTRUCTURES**
*2 core businesses supported by services*

**DOORS**
*Passengers, service & cargo*

**FUSELAGES**
*Complex & standard*

*© Arnaud Späni*

*© iMagista / UIMM - Observatoire de la métallurgie*

**ENGINEERING**

**MAINTENANCE REPAIR AND OPERATION**

The Aerostructures Division provides design, industrialization and production services for aircraft structural components with two areas of expertise:

- **aircraft doors**

  With a unique experience on this demanding equipment in terms of safety and performance, Latécoère assists aircraft manufacturers in the development, manufacturing, certification and in-service support of their aircraft doors;
- **fuselage**

  Tier 1 partner on most major aeronautics programs Latécoère operates in both the commercial and military aviation sectors. It designs and produces fuselage components: sections, tail cones, front fairing… Watertight bulkheads also come out of its production units.

### The Aerostructures Division demonstrates its ability to react and adapt by winning a recurring contract.

**In June 2020, the Aerostructures division was selected by Airbus to lead the project to re-industrialize the passenger staircase of the VIP version of the Airbus A319/A320 Corporate Jet (ACJ), an XXL-sized business aircraft, in a segment less impacted by the health crisis than commercial aviation.** Customers who want the maximum amount of space to board the largest number of passengers opt for the ACJ range, which connects the major capitals with direct flights.


*© Airbus*

On board the aircraft, the four-meter-high electromechanical staircase folds and retracts into the hold under the door. It is standard equipment, i.e. present on all models in this aircraft range. The added value of such equipment? Greater autonomy at airports where the aircraft may land. It allows greater freedom of operation.

The production of the staircase is mainly internalized - to the tune of 70%. Latécoère sites are complementary. Some of the basic parts would be produced in the Toulouse-Montredon plant, the others in Prague, and the final assembly would be carried out in Gimont (Gers). It is also an inter-divisional project, since the Interconnection Systems teams will work on the electrical aspects of the staircase.

**ZOOM**

### ASGARD: AGILE methods

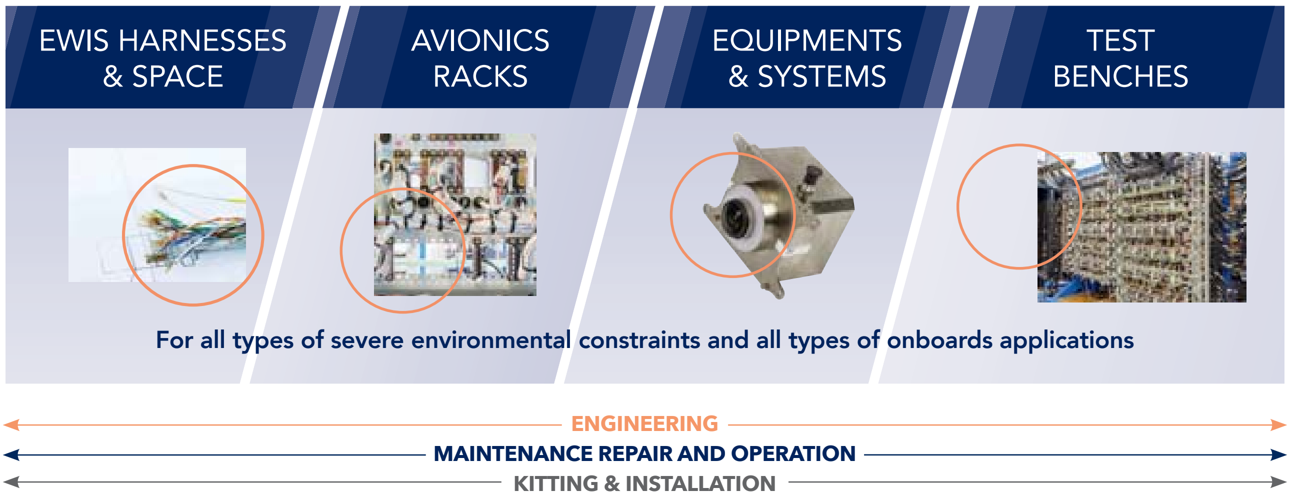
ASGARD's Scale 1 Cab Access Demonstrator breaks with the usual design and architecture of an aircraft door, thanks to a double approach process (AGILE method to reduce the development cycle) and product. From a technical point of view, the kinematics of the door, for example, is simplified.

In conjunction with the French Civil Aviation Authority (DGAC) and the Civil Aeronautics Research Council (CORAC), the objective is to demonstrate the reduction in cost, weight and set-up time using a system approach and according to customer requirements.

© Matthieu Sartre

## 1.3.3 INTERCONNECTION SYSTEMS

**N°2 in the world for electrical harnesses**
**N°1 worldwide in avionics racks**
**World leader in Equipment & Systems**



Latécoère's Interconnection Systems Division offer is intended for the aeronautics, defense and space sectors and must meet severe environmental constraints. It is organized around four areas of expertise:

- EWIS & Space Harnesses: Latécoère has a recognized experience on all types of electrical harnesses and on an entire aircraft (EWIS). With 300 harnesses (design and manufacture) in orbit, Latécoère is the European leader in the manufacture of satellite harnesses;
- Avionics racks: Latécoère supports aircraft manufacturers for development, manufacturing, certification and in-service support;
- Airborne Video Equipment & Systems: a pioneer in onboard video, Latécoère offers H265 enhanced HD cameras, 360° camera systems, solutions using artificial intelligence, predictive analytics, LiFi networks;
- Test benches: this "Test benches" division develops and manufactures test means (testing of systems, equipment…), wiring testers (for harnesses and cabinets…), as well as specific test means.

## Through the high number of contracts it has won, the Interconnection Systems division demonstrates its capacity to resolutely implement its strategy, notably in ancillary markets.

**In January 2020, Latécoère's Interconnection Systems division announced the signature of a five-year contract with Boeing for the delivery of the EWIS (Electrical Wiring Interconnection System) harnesses for the 777X.** This Boeing contract is a first in the division's history. Based on the Boeing 777, with the advanced technologies of the Boeing 787 Dreamliner, the 777X is the largest and most fuel-efficient twin-engine jet in the world.

*© Boeing*

**In May 2020, Latécoère Interconnection Systems was selected by Thales Alenia Space to supply the electrical harness for the service module of the Nilesat-301 geostationary telecommunications satellite.** As prime contractor, Thales Alenia Space is tasked by the Egyptian operator Nilesat with the design, manufacture, testing and in-orbit reception of the satellite. In addition, Thales Alenia Space will supply the Nilesat control centers in Cairo and Alexandria.

*© Thales Alenia Space*

**In July 2020, Latécoère Interconnection Systems launched the production of harnesses for CAE Air1 ventilators. It has also mobilized its sites in Laval (Canada) and Hermosillo (Mexico) at a very sustained pace to meet health needs.** CAE is a high-tech Canadian company that provides training and operational support solutions in the fields of civil aviation, defense and security, and healthcare. CAE has 10,000 employees in 35 countries.


*© Latécoère*

**In September, Aerion chose Latécoère Interconnection Systems to develop the video surveillance system for the AS2 supersonic business aircraft.** Manufacturing of the next-generation supersonic aircraft will begin in 2023 at Aerion Park, Florida. The video surveillance system developed by Latécoère will use advanced high-definition camera technology, coupled with integrated artificial intelligence, providing Aerion's AS2 business jet with cutting-edge capabilities to monitor the aircraft's surroundings during parking, taxiing and travel. Aerion's desire to make faster point-to-point travel possible begins with the launch of the new AS2. Designed to be environmentally-friendly from the first flight, the AS2 is the first supersonic aircraft designed to be powered by 100% synthetic fuel, reaching supersonic speeds in unparalleled luxury.

*© Aerion*

**In November, Latécoère Interconnection Systems announced an exclusive order for the industry's very first UHD 4K monitors with Digital Surround Sound on VVIP aircraft, through its American subsidiary Aircraft Cabin Systems (ACS).** ACS partnered with IDAIR GmbH, a long-standing customer, to equip VVIP aircraft under renovation with this innovative solution. IDAIR develops and supplies IFE Communications and CMS for VIP aircraft as well as customer products for commercial airlines.


*© IDAIR GmbH*

**In February 2021, Latécoère announced the completion of the acquisition of Bombardier's electrical interconnection and wiring systems (EWIS) activities in Querétaro, Mexico.** The two companies have also entered into a long-term supply agreement under which Latécoère will supply Bombardier with these same systems. EWIS from this site for all Bombardier platforms, including Global and Challenger aircraft. This acquisition allows Latécoère to expand its customer portfolio by serving, in addition to Bombardier, other customers such as Airbus Canada, MHIRJ and Avcorp. The Querétaro site specializes in the electrical harnesses and sub-assemblies required for the production of EWIS systems. Annual revenue for the business is estimated at approximately US$60 million. This acquisition allows Latécoère to expand its customer portfolio and strengthen its order book by serving other customers, as well as Bombardier, from this site.

*© Latécoère*

# 1.4 ORGANIZATION

## 1.4.1 A STRONGER INDUSTRIAL FOOTPRINT

Close to its customers Latécoère is present in 13 countries: Germany, Brazil, Bulgaria, Canada, United States, France, Japan, Morocco, Mexico, Czech Republic, Tunisia, India, and United Kingdom.

### MOVE TO NEW HEADQUARTERS IN TOULOUSE

For the first time in its history, Latécoère will house the support functions of its two divisions, Aerostructures and Interconnection Systems, in a single registered office, from the summer of 2021. Corporate functions will also be present at this HQ, which is designed to connect teams more effectively (design offices, R&T, etc.). This fluidity between interlocutors will benefit all Group sites directly.

© Latécoère

**MACH ONE**

the main office building is spread over six levels (ground floor + five floors). It has a surface area of 12,000 m². More than a hundred spaces will be reserved for bicycles and scooters.

© Latécoère

**MACH TWO**

the catering facilities cover an area of 1,850 m².

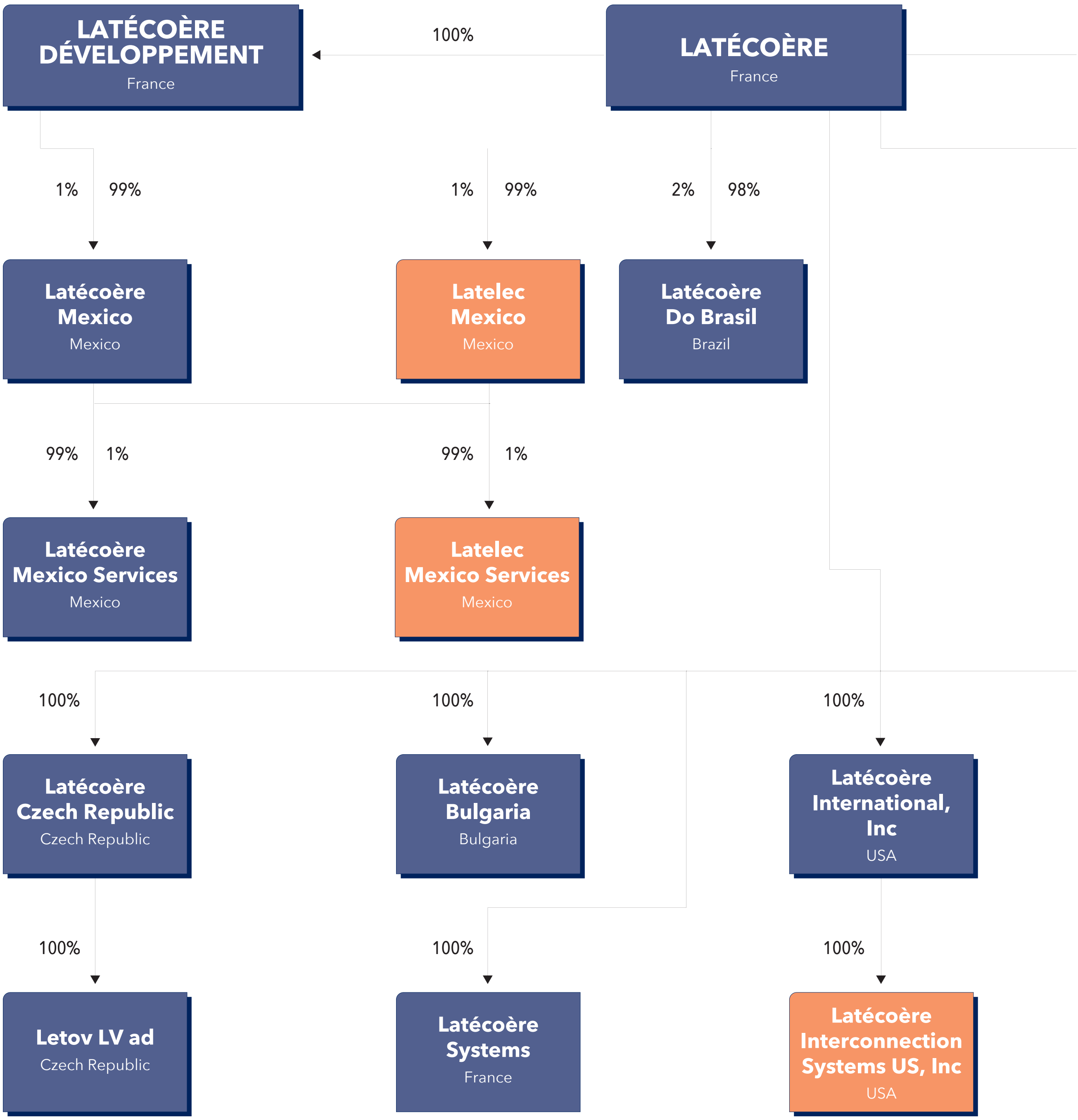

© Latécoère

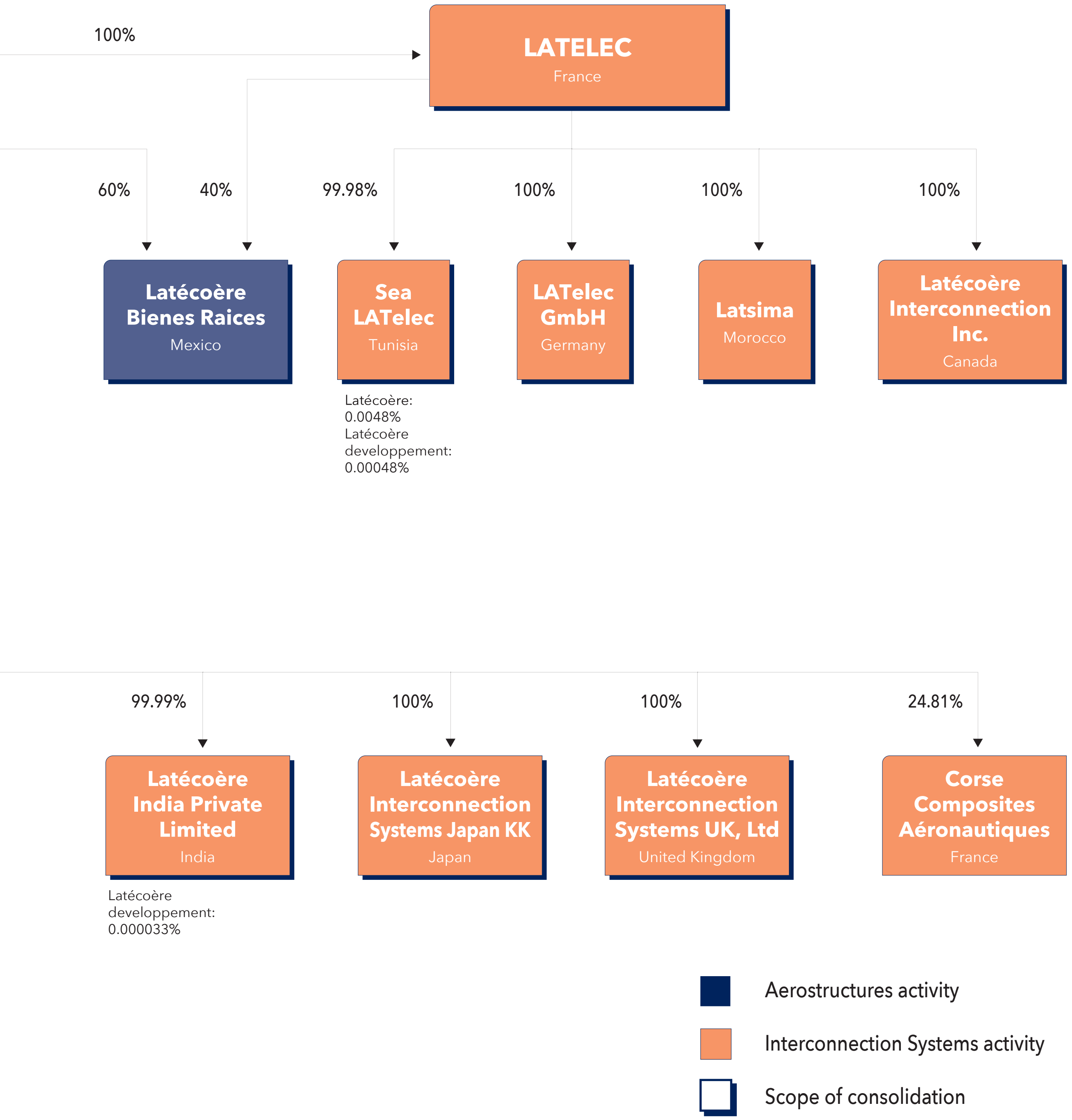
*The Querétaro site specializes in the electrical harnesses and sub assemblies required for the production of EWIS systems.*

### ACQUISITION OF A WIRING SITE IN MEXICO

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

### 1.4.2 LEGAL STRUCTURE

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LATELEC
France
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Latécoère Bienes Raices
Mexico
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Tunisia
LATelec GmbH
Germany
Latsima
Morocco
Latécoère Interconnection Inc.
Canada
Latécoère: 0.0048%
Latécoère developpement: 0.00048%
99.99%
100%
100%
24.81%
Latécoère India Private Limited
India
Latécoère Interconnection Systems Japan KK
Japan
Latécoère Interconnection Systems UK, Ltd
United Kingdom
Corse Composites Aéronautiques
France
Latécoère developpement: 0.000033%
Aerostructures activity
Interconnection Systems activity
Scope of consolidation

The optimization of the industrial organization is based on the Lean management principles

© Latécoère

# RISK FACTORS AND INTERNAL CONTROL



ANNUAL FINANCIAL REPORT

# 2.1 RISK FACTORS AND MITIGATION

Latécoère has conducted a review and assessment of the risks that could have an adverse effect on its business, financial position, results or reputation, based on their importance and probability of occurrence. In accordance with regulations, only those risks that are both significant and specific to Latécoère are presented below. The various risks presented are classified according to their potential impact (after taking into account the risk control measures adopted by Latécoère) and their probability of occurrence.

## 2.1.1 SUMMARY OF PRINCIPAL RISKS

Risk factors are presented in a limited number of categories depending on their nature. Within each category, the most important risk factors are presented first.

| Risk categories | Identified risks | | Assessment of residual risk (net risk) |
|---|---|---|---|
| **Business-related risk** | | | |
| | Supplier default | ● | High |
| | Cybersecurity and information system continuity risk | ● | High |
| | Program risk | | Moderate |
| | Customer dependence | | Moderate |
| | Country risk | | Moderate |
| | Problem with product quality | ● | Moderate |
| **Financial risks** | | | |
| | Liquidity risk | | High |
| | Risk related to exchange rates | | Moderate |
| **Risks related to the Group's strategy** | | | |
| | Risk of not participating in new programs | | High |
| | Risk related to external growth | | Moderate |
| | Risk related to Research and Development | | Moderate |
| | Risk related to a failure to execute industrial strategy | | Moderate |
| **Industrial and environmental risks** | | | |
| | Personal health and safety in the workplace | ● | High |
| | Loss or partial stoppage of a major industrial site | | Moderate |
| | Environmental impact of industrial sites | ● | Moderate |
| **Labor risks** | | | |
| | Attraction and retention of skills | ● | High |
| | Labor relations | ● | High |
| **Legal and regulatory risks** | | | |
| | Risk related to business ethics | ● | Moderate |
| | Intellectual property risk | | Moderate |
| | Major litigation | | Moderate |
| **Risks related to governance and share ownership structure** | | | |
| | Latécoère is controlled by a majority shareholder | | Moderate |
| **External environment risk** | | | |
| | Risk related to uncertainties regarding the evolution of the aeronautics sector due to the Covid-19 pandemic | | High |

STATEMENT OF NON-FINANCIAL PERFORMANCE ●

## 2.1.2 RISK MANAGEMENT

### BUSINESS-RELATED RISK

#### SUPPLIER DEFAULT

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| As a rule, Latécoère meets its procurement needs through partnerships created by its purchasing managers with other operating companies and suppliers.<br>Latécoère's suppliers have all been affected to a greater or lesser extent by the crisis linked to the Covid-19 pandemic.<br>Default by one or more sole source suppliers, delayed deliveries, problems of quality or any event impacting the supplier's production and time frames can impact the Group's business, alter its image due to late production and generate cost overruns altering its financial position.<br>Likewise, Latécoère could be found liable for breach of contractual obligations in terms of delivery times. | Monitoring through regular audits (quality and logistics).<br>Technical and organizational support for the supplier.<br>Assistance in the development of the maturity of suppliers through internal resources or through the GIFAS organization of which Latécoère is an executive member.<br>Development of double sources for the most critical supplies.<br>Legal monitoring of potential claims of sensitive suppliers.<br>Relationship management and reasonable control over continuity of supply.<br>Bringing back in-house the production of certain products.<br>Identification and termination of defaulting suppliers. | High |

#### CYBERSECURITY AND INFORMATION SYSTEM CONTINUITY RISK

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| The Group 's business depends on infrastructures and, more broadly, information systems which, once down, could have impacts on a number of operational processes (purchasing, sales, accounting, production, etc.), particularly those using the centralized SAP management system.<br>Cybersecurity risks may include compromising the confidentiality, integrity or availability of data and transactions made by information systems (system malfunction, data theft, destruction or loss of data integrity), and can be linked to external threats (denial of services, attempted intrusion, malware) or internal (malicious, data breach). Other types of indirect threats are also to be prevented such as those of social engineering type ("fraud to the President or the treasurer", blackmail , ransomware, etc.).<br>With the Covid-19 pandemic crisis, the risk of cyber attacks has increased.<br>Information owned by the Group represents a key issue in terms of industrial property and trade secrets, as well as its strategy and its most important assets. Putting the continuity of its systems in jeopardy would have a significant impact on the Group's operations and profitability. | Following the new headquarters project, the historical data centre was relocated to a specialised hosting location with state-of-the-art protection guarantees.<br>System update campaigns are implemented on a regular basis along with *ad hoc* actions to correct known critical vulnerabilities as soon as patches are available.<br>Security requirements are taken into account in IT and business projects from the design phase to integrate security by design.<br>A dedicated intranet [Security Hub] has been set up to continue raising awareness among remote users.<br>Communication on cybersecurity is conducted regularly to keep users informed and vigilant. | High |

## PROGRAM RISK

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| Latécoère's revenue depends directly on the volumes ordered by its purchasing managers, the continuity of the programs, the pace of production and its ability to respond to its customers' demand for innovation.<br>Changes in the pace of production, at both the high end and the low, stoppage of a program for lifetime reasons or, in rare cases, a malfunction of the aircraft, if it is not offset by a new program, would have a significant impact on Latécoère's earnings and outlook.<br>Moreover, each aeronautical program includes various factors that could make it less profitable than originally planned. The risk relates in particular to programs that involve large capital expenditures, for Development, Tooling and Capital Equipment.<br>Each program is also subject to random factors of production volumes as determined by the customers' decision-makers that might affect the timing of the Company's revenue stream.<br>The profitability and volume assumptions made by Latécoère might not be borne out and could impact the Company's revenue and cash position.<br>The aeronautics sector having been strongly impacted by the crisis linked to the Covid-19 pandemic, production volumes have been drastically reduced by Latécoère's customers, which had a very strong impact on its revenue in 2020. Before business returns to normal, further volume reductions could occur. | Positioning Latécoère on multiple tender offers in order to diversify customer programs.<br>Spending on Research and Development to meet the particular technical specifications of new programs and improve its competitive position.<br>Use of external growth as a means of business development and of enabling Latécoère to work on high-volume programs.<br>Use of second-tier "partners" as suppliers to distribute the investment risk.<br>Robust Program Management process to manage changes, track design maturity and carefully manage the "design-to-cost" process throughout the design and development phase of the program.<br>Obtaining refundable advances to finance a portion of Research and Development expenditures.<br>Negotiation with customers in the event of a customer driven event in order to protect the program profitability.<br>Insurance covering the risk of grounded flights. | Moderate |

## CUSTOMER DEPENDENCE

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| For the period ended December 31, 2020, Airbus represented 46% of Latécoère's revenue.<br>Latécoère's revenue therefore depends mostly on the size of Airbus orders and the continuity of programs from this customer.<br>Stoppage of one or more Airbus programs or a change in its backlog would have a significant effect on Latécoère's earnings and ability to survive.<br>In parallel with the effect of the Covid-19 crisis, which reduced Latécoère's production volumes for Airbus, this risk has been reduced thanks in particular to the acquisition of Bombardier's EWIS business. | Customer and segment diversification strategy, notably in North America and Asia.<br>Spending on Research and Development to meet the needs of a wider variety of customers.<br>Use of external growth as a means of business development and of enabling Latécoère to work on substantial programs. Targeted Merger & Acquisition to reduce customer and sector concentration.<br>Strengthening of the sales organization, notably in North America. | Moderate |

STATEMENT OF NON-FINANCIAL PERFORMANCE

## COUNTRY RISK

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| Operating in 13 countries, Latécoère works in areas and countries where economic or geopolitical disruptions can arise.<br>Local authorities may decide to impose restrictive policies on foreign investors, and factors of instability disrupting the functioning of a State (such as war, revolution, major social conflicts, pandemics or deep economic crisis) or affecting the financial context of the aeronautics industry are likely to temporarily compromise Latécoère's ability to continue its manufacturing operations and its deliveries in a given region.<br>Latécoère cannot state that its financial performance would not be affected if economic, competitive, political or regulatory conditions were upset or if there were an economic crisis in certain countries where it operates. | International expansion, with facilities on every continent, limits concentration risk and makes it possible to address competition through geographical diversification.<br>Potential country risks factored into the choice of plants, capital expenditure and location of manufacturing, scientific and business assets: ease of communications and the movement of goods, political stability, intellectual property protections, etc.<br>Documentation of crisis management at each site in France and abroad. | Moderate |

## PROBLEM WITH PRODUCT QUALITY

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| Defective quality in a product made or sold by Latécoère could impact the customer's procurement chain as well as its own production and result in cost overruns for the Group impacting its earnings and financial position.<br>Latécoère could also be cited by a customer for breach of warranty or liability in the event of a defective aircraft. | Strict quality standards (supplier selection, internal quality control procedures, etc.) per ISO 9001/EN 9100 V2016.<br>ISO 14001 certification; eight of the Group's plants have already been certified.<br>Standard reporting of manufacturing quality at every Latécoère site.<br>Carrying product liability insurance to cover the consequences of a product defect.<br>System for monitoring product quality at the customer level. | Moderate |

## FINANCIAL RISKS

### LIQUIDITY RISK

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| Latécoère must have access at all times to adequate financial resources not only to fund current business activities and the capital expenditures necessary to operations and growth, but also to cope with any unusual developments.<br>With the Covid-19 pandemic crisis, this risk has increased due in particular to the drop in revenue caused by the fall in production volumes.<br>A lack of liquidity would have consequences for the continuity of the Group activities, its ability to meet customer obligations, its reputation and its financial performance. | The Group manages its cash flow in a centralized way.<br>The surpluses or the financing needs of its subsidiaries are invested or financed by the parent company on market conditions.<br>The Group's Treasury Department manages the current and provisional financing activities of the Group and its capacity to face up to its financial commitments.<br>A specific and regular review of the risk and cash position is carried out by the Audit and Risk Committee.<br>To deal with its liquidity risk, the Group has set up a reverse factoring financing program in order to optimize available cash.<br>The details of the Group's financing are presented in Note 12.1 and 12.2 of the consolidated financial statements (see Chapter 5).<br>Group's exposure to liquidity risk is presented in Note 20.2 to the consolidated financial statements (see Chapter 5). | High |

STATEMENT OF NON-FINANCIAL PERFORMANCE

## RISK RELATED TO EXCHANGE RATES

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| Because of its international exposure and its customer invoicing in US dollars, the benchmark currency in the aeronautics industry, the Group faces foreign exchange risk, defined as the impact on the balance sheet and income statement of fluctuations in exchange rates.<br>The fluctuations of the parities may affect the operating margin, financial income, shareholders' equity and net debt.<br>With the Covid-19 pandemic crisis, this exposure of the Group has decreased as a result of the drop in revenue caused by the fall in production volumes. | The Group has developed a policy of natural hedging by carrying out a part of its purchases in USD and through its industrial footprint. Thus, the Group invoices approximately 85% of its sales in dollars and buys approximately 65% of supplies or subcontracting in dollars. The Group's natural hedging on the USD represents approximately 40% of revenue.<br>In order to manage its net residual net exposure, the Group uses financial hedging instruments, such as forward sales but also a combination of options with barriers and accumulators. The instruments set up generally hedge the Group's exposures over a period of two to three years.<br>Optimization actions are also implemented to improve the hedged rate. These actions are always conducted in order to preserve the Group's economic performance. They are based on products that may benefit from a partial improvement in the underlying parities, without jeopardizing the original hedged rate.<br>The underlying instruments of this strategy are mainly accumulators and the combination of optional instruments with or without barriers.<br>The foreign currency exposure risk is reported to the Audit and Risk Committee and periodically reviewed by the Board of Directors.<br>As at March 31, 2021, the Group hedged exposures from 2021 to mid-2023 in USD at target rates of between 1.15 and 1.18.<br>The Group's exposure to currency risk and the sensitivity analysis are detailed in Note 20.3 to the consolidated financial statements. The characteristics of the financial instruments are described in Notes 1.18 and 8 to the consolidated financial statements (see Chapter 5). | Moderate |

## RISKS LINKED TO THE GROUP'S STRATEGY

### RISK OF NOT PARTICIPATING IN NEW PROGRAMS

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| Not participating in new programs can have a significant impact on the implementation of Latécoère's strategy.<br>The aeronautics market is intensely competitive.<br>The programs that Latécoère obtains are basically won after an aircraft manufacturer starts a tender process, which the Company answers through a Request for Quotation.<br>The Group's principal competitors, both national and global, may have at their disposal, due to their size, financial, commercial, technical and human resources greater than the Group's and so be able to offer more competitive or innovative prices, products and services in the bidding process.<br>Furthermore, the Group's principal competitors could also develop long-term strategic or contractual relationships with customers or other competitors, or they could acquire companies or assets to extend their production capacity or ability to innovate, and so become ever more competitive. | Diversification of programs for the purpose of organic growth so the Group can become a key player in the sector.<br>5.9% of 2020 revenue was dedicated to Research and Development and Research and Technology to anticipate future technological developments. Maintaining of the Research and Development and Research and Technology budget despite the crisis.<br>Use of Merger & Acquisition as a means of business development and of enabling Latécoère to work on the new programs.<br>Strengthening of the sales organization, notably in North America.<br>Focus Research and Development and Research and Technology investment on programs which are in close co-operation with the leading customers.<br>Increased intimacy with customers. | High |

### RISK RELATED TO EXTERNAL GROWTH

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| It is very unlikely that any new commercial aircraft programme will be launched and/or generate significant revenues in the next five years.<br>As a result Latécoère must find diversification opportunities and execute Mergers & Acquisitions.<br>Latécoère is subject to the following risks in relation to M&A growth:<br>• failure to close targeted Merger & Acquisition deals;<br>• failure to integrate the businesses acquired in terms of employees, organizational structure or economics;<br>• failure of certain pre-existing contractual relationships resulting in heavy costs or loss of revenue;<br>• increased debt to finance acquisitions. | Strategic guidelines approved by the Board of Directors.<br>Support from independent advisors to validate the business acquisition plans and the valuation of identified targets.<br>Setting up dedicated teams to oversee projects and incorporate the new entities or businesses in keeping with the consolidation plan devised by management and the Board of Directors.<br>A structured process applicable to mergers and acquisitions to capture lessons from each acquisition and integrate into a robust M&A process within Latécoère. | Moderate |

STATEMENT OF NON-FINANCIAL PERFORMANCE

## RISK RELATED TO RESEARCH AND DEVELOPMENT

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| Research and Development activities are a key component of Latécoère's strategy. To further develop tomorrow's aviation technologies and thereby ensure Latécoère's future growth, the Company continuously invests in Research and Development (R&D) and Research and Technology (R&T) projects. These investments represented 5.9% of its 2020 revenue.<br>Latécoère's competitiveness could be impacted in the event of:<br>• research and development projects that fail to match the future needs of the market, in view of the long research and development cycles and the rapid change in regulations and customer wants and needs;<br>• mismatch of spending authorized for R&D projects by targeting markets without proven growth potential or on poorly planned time horizons;<br>• late identification of emerging technologies that could have an impact on its participation in future aeronautical programs;<br>• introduction of a disruptive innovation by a competitor that could expose Latécoère to loss of a competitive advantage in one of its business segments. | Establishment of partnerships for optimizing research and development costs and the potential return on technological innovations.<br>Study of customer feedback in order to meet actual demand.<br>Integrated process with Business teams and Central Innovation teams.<br>The search for public funding to maintain a high level of investment in research and technology (R&T).<br>Elaboration and implementation of a Strategic Plan. | Moderate |

## RISK RELATED TO A FAILURE TO EXECUTE INDUSTRIAL STRATEGY

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| Latécoère has defined an industrial strategy in order to meet its business and financial objectives.<br>The industrial strategy will develop the make-or-buy strategy, adapt the production footprint to simplify the logistic flow from Suppliers to Customers through transfer of production lines and stocks, increase maturity and autonomy of the production plants, optimize the use of assets, material and human resources through implementation of Integrated Business Planning, successfully integrate newly acquired businesses, take benefit of new technologies through innovative production processes (Smart Factory).<br>Failing to implement this industrial strategy will impair Latécoère's ability to meet cost and cash targets. | Industrial strategy is communicated throughout the organization to ensure alignment behind common objectives.<br>Main streams of the industrial strategy are integrated in each Latécoère Division strategic roadmap for the year 2021 with high priority.<br>They are managed with Latécoère Project Management methodology.<br>Progress is reviewed monthly at Division General Manager level with dedicated set of KPI.<br>Risks and deviation to the plan lead to mitigation and recovery actions. | Moderate |

## INDUSTRIAL AND ENVIRONMENTAL RISKS

### PERSONAL HEALTH AND SAFETY IN THE WORKPLACE

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| In the conduct of its business, the Latécoère Group is exposed to the risks of workplace accidents, occupational illnesses or illnesses linked generally to the working environment and recently to a pandemic such as the Covid-19 pandemic.<br>Furthermore, the increased use of remote working in the context of the Covid-19 health crisis has an additional psychological impact.<br>High rates of work-related accidents and occupational illnesses could harm Latécoère's image, disrupt the Company's operations and consequently have a negative impact on its costs, productivity and revenue. | Health & Safety policy established with ambitious objectives.<br>HSE network in all Group sites involved in the planning system.<br>Monthly meetings of the safety committees at each site and daily SQCDM meetings (Safety/Quality/Cost/Delay/Management).<br>Training of executives in basic principles of safety management.<br>Safety inspections by management in all locations.<br>Weekly reporting of safety performance to the Executive Committee.<br>Group-wide "safety alerts" and safety memo systems.<br>ISO 45001 Occupational health and safety management systems applied on two sites.<br>Information to employees on best practice - Moderate use of remote working where possible. | High |

### LOSS OR PARTIAL STOPPAGE OF A MAJOR INDUSTRIAL SITE

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| In its manufacturing activities, the Latécoère Group is exposed to the risk at its sites of fire or explosion due to combustible materials.<br>In addition, the activity of a site could be interrupted due to an external event independent of the Group's activity (natural disaster, health crisis, war, strike, etc.).<br>Such an event would have consequences on the continuity of the Group's business, the respect of its commitments to its customers and its results. | Taking into account fire safety before new plants are built or existing sites are remodeled, as well as installation of required equipment.<br>Periodic audits by insurers.<br>Insurance covering damage to Group property or assets or property entrusted to it, as well as the operating loss that may result from such damage for a period of 24 months of business.<br>Implementation of a business continuity plan that includes the transfer of programs from one site to another and the provision of safety stocks.<br>Increased opportunities for subcontracting and balance relationship with subcontractors. | Moderate |

STATEMENT OF NON-FINANCIAL PERFORMANCE

### ENVIRONMENTAL IMPACT OF INDUSTRIAL SITES

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| Given its manufacturing activities, the Latécoère Group is exposed to the risk of environmental harm that may arise from accidental pollution, its waste operations, its carbon footprint or possible new environmental regulations.<br>This risk may result in harm to the Group's public image or additional costs to bring the situation into compliance. | Implementation of an ISO 14001 certified environmental policy.<br>Management of the environment with the HSE network: Reporting system, objectives and risk monitoring.<br>Site under ICPE or IPPC.<br>Observance of the REACH regulations.<br>Adaptation to climate change and GHG emissions.<br>Implementation of a carbon footprint measurement process and implementation of carbon footprint reduction measures. | Moderate |

## LABOR RISKS

### ATTRACTION AND RETENTION OF SKILLS

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| Latécoère's success depends on the commitment of its employees and its ability to attract, retain and develop their skills.<br>Given the highly competitive and innovative environment in which the Group lives, it could encounter difficulties in attracting and retaining the talents and skills required for its business and the execution of its strategy.<br>In the context of the economic and health crisis linked to Covid-19 and its impact on the Group (redundancy plan, short term work (APLD), etc…), the risk of not being able to attract and retain high-potential employees has increased. | Close attention to the Latécoère "brand" as an employer.<br>Group HR policy rewarding employees commitment.<br>Remuneration policy.<br>Annual Latécoère Excellence Awards.<br>The setting up of the Management & Talent Review by way of a Leadership Program, plus succession and international mobility plans.<br>The setting up of a GPEC (forward management of jobs and skills plan) at all of the Group's sites and for all business lines. | High |

### LABOR RELATIONS

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| Within Latécoère, trade unions and employee representative bodies play a major historical role.<br>Lack of or poorly handled employee communications, especially in the period of crisis related to the Covid-19 pandemic, could impact the Group's performance (social movements) and the well-being of employees. | Mutual consultation among the employee representative bodies (IRP, their French acronym), the Human Resources Department, Executive Management and management teams.<br>Existence of a Group Committee. | High |

## LEGAL AND REGULATORY RISKS

### RISK RELATED TO BUSINESS ETHICS

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
| --- | --- | --- |
| Latécoère attaches particular importance to business ethics.<br>The multiplicity of private and public organisations and individuals involved in Latécoère's business activities and the Group's international development strategy make it especially vital for the Group to be diligent in seeing that its practices comply with ethics principles and anti-corruption laws.<br>Any doubt cast in this area would have significant consequences for the reputation, business and financial position of the Group. | Corruption prevention plan through employee awareness campaigns in the form of training sessions and annual meetings.<br>Creation of the anti-corruption Charter.<br>Use of software to analyze potential partners and parties with whom we might sign contracts to evaluate them in terms of ethics and anti-corruption.<br>Insertion of clauses concerning ethics and anti-corruption in contracts the Group signs. | Moderate |

### INTELLECTUAL PROPERTY RISK

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
| --- | --- | --- |
| Latécoère attaches particular importance to protecting its intellectual property by means of patents, trade secrets, trademarks and Soleau envelopes.<br>However, the Group is exposed to the risk of embezzlement of intellectual property, both as a victim and through inadvertent infringement, or of challenges to its rights possibly leading to litigation. Such situations would have a negative impact on the Group's business activities and public image. | Patent filings.<br>Classification of trade secrets and employee awareness-raising as to their protection.<br>Protection of its branding.<br>Actions to prevent, put a stop to, and penalize any infringement of its intellectual property rights.<br>Prior claims research.<br>Network of experts. | Moderate |

### MAJOR LITIGATION

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| There is no governmental, judicial or arbitration procedure – including any proceedings that the Company is aware of, which is pending or which it is threatened with – likely to have or which had in the last 12 months significant effects on the financial position or profitability of the Company and/or the Group.<br>Latécoère cannot guarantee, however, that in the future it will not be cited and involved in judicial, administrative or regulatory proceedings due to the Group's ever stricter regulatory environment, to default or breach of its obligations or to a breach by its customers, suppliers or partners of their obligations. | Recognition of adequate provisions.<br>Monitoring of legal disputes by the Legal Department and Executive Management.<br>Insurance covering the Group's civil liability. | Moderate |

## RISKS RELATED TO GOVERNANCE AND SHARE OWNERSHIP STRUCTURE

### LATÉCOÈRE IS CONTROLLED BY A MAJORITY SHAREHOLDER

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| At December 31, 2020, SCP SKN Holding I SAS (Searchlight) held 65.62% of the share capital and 65.57% of the actual voting rights (i.e. not including treasury stock) of Latécoère.<br>Natural persons associated with this shareholder are presently members of the Company's Board of Directors. As long as it maintains or increases its share of the equity, this shareholder will, and will remain able to, exercise influence over the appointment of Latécoère's Directors and executives, as well as over other corporate decisions requiring shareholder authorization. | Observance of the Middle Next Code recommendations with the presence of two independent members on the Board of Directors.<br>Transparent communications regarding minority shareholders. | Moderate |

## RISK RELATED TO EXTERNAL ENVIRONMENT

### RISK RELATED TO UNCERTAINTIES REGARDING THE EVOLUTION OF THE AERONAUTICS SECTOR DUE TO THE COVID-19 PANDEMIC

| Description of the risk | Risk mitigation plan | Assessment of residual risk (net risk) |
|---|---|---|
| Covid-19 had a significant impact on Latécoère's activities during the 2020 financial year, as national lockdown measures and border controls, with the halting of flights and partial or total closure of airports, led to a crisis within the sector, causing airlines to reduce their orders and aircraft manufacturers to cut back on production.<br>The health and therefore economic crisis that it caused also raised questions in the sector about its environmental impact.<br>In this uncertain environment, Latécoère's customers remain cautious and there is no immediate prospect of a return to normal flight schedules and therefore production rates.<br>The priorities of our customers post-Covid have become two-folds:<br>• secure operations and the robustness of their supply chain that is restructuring,<br>• prepare the next generation of short range aircraft, more disruptive, that will meet the expectations of a more digital and environmental-friendly air transportation.<br>A slow return of the aeronautical sector to normal growth would result in:<br>• a weakened revenue for an indefinite period;<br>• a reduction in profitability;<br>• a lack of liquidity;<br>• an inability to reposition employees on new programs and therefore new redundancies. | Such pandemic is likely to happen again and Latécoère must be prepared by capitalising on the Group's experience through a 'lessons learned' process, allowing for even faster deployment of proven effective measures:<br>• Implementing of the proven 3-phase approach (protect/adapt/restore)<br>• Ensure employees are safe and supported<br>• Develop remote working in a balanced way, in line with each one's role in the Group<br>• Protecting the Group's liquidity through rigorous cash flow monitoring<br>• Protect and develop suppliers and customers through a more local/regional supply chain<br>Communicate better on current environmental issues, and help accelerate the industry's transformation: be part of the change<br>Prepare for the next generation of aircraft, accelerate digitisation and modernise the Group's production tools and processes, ensure robustness and resilience of the supply chain, be compatible with sovereignty trends by zone (Europe, Americas, Asia).<br>Promote employee versatility through training and knowledge management and adapt the organisation accordingly.<br>Leverage public support from governments and regions where the Group operates in the most effective way to maintain operations and skills in those countries.<br>Accelerate the diversification of our business towards more countercyclical segments like military, space or cabin upgrades. | High |

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# 2.2 RISK MANAGEMENT

Risk management is an integral part of Latécoère's overall strategy, which pursues an ongoing development and improvement of its systems in this field.

The goal of risk management is to anticipate the threats to which Latécoère is exposed and to identify future opportunities, so as to:

- preserve its assets, its employees and its reputation;
- promote the attainment of its strategic and business objectives;
- and ensure its long-term outlook.

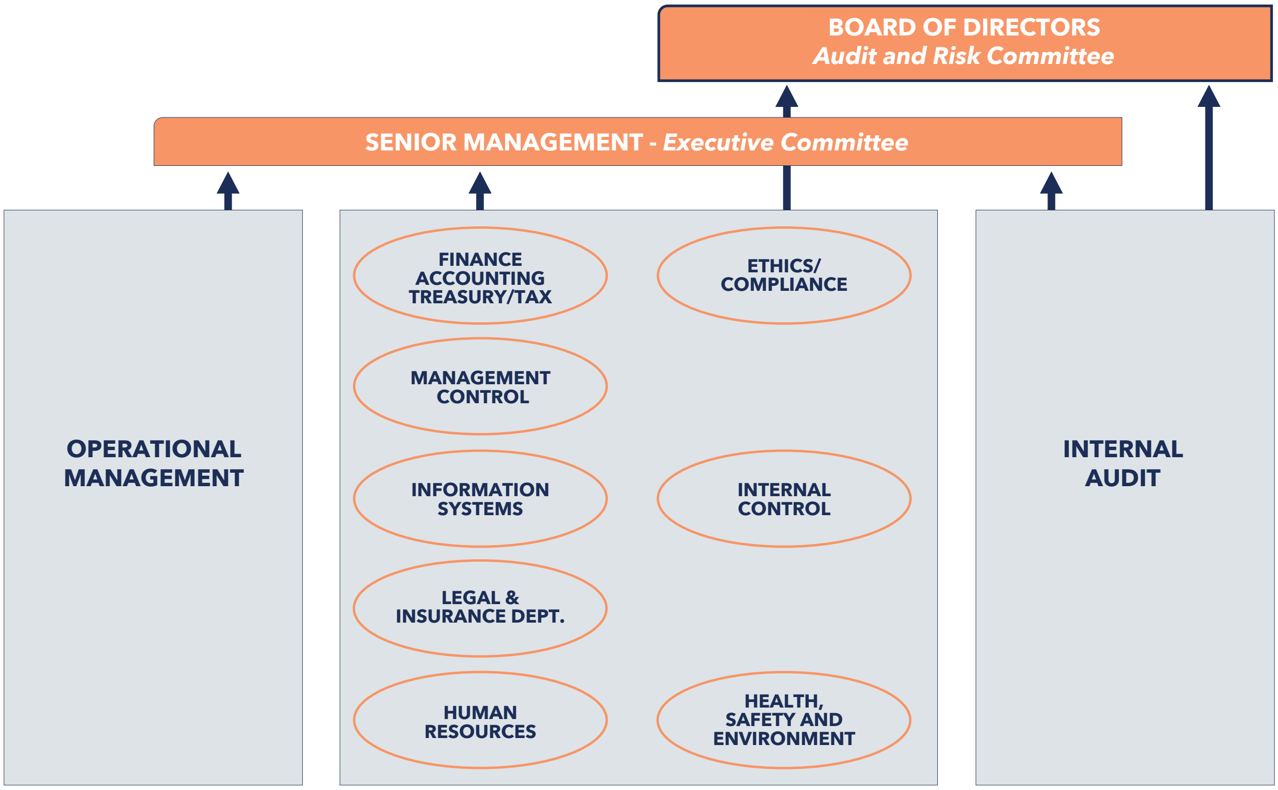
This section describes the internal control and risk management procedures implemented, in a purely descriptive manner, in accordance with the Reference Framework, supplemented by the Implementation Guide, established in 2010 under the auspices of the French financial markets authority (Autorité des Marchés Financiers – AMF).

The overall approach of the Group's risk management system can be schematized according to the model of the three lines of control.

Indeed, this involves taking into account the responsibilities of governance bodies and distinguishes between three function groups involved in risk management, namely:

- functions that endorse and manage risks;
- functions that monitor risks;
- functions that provide independent insurance.

The Group's risk management system can be described as follows.




## BOARD OF DIRECTORS

The Board of Directors sets the membership, powers and operating methods of the Audit and Risk Committee and approves the Management Report that includes the internal control and risk management procedures that have been put in place in the Group.

## AUDIT AND RISK COMMITTEE

The Audit and Risk Committee primarily monitors the effectiveness of the risk management and internal control systems within the Group. It periodically examines the principal risks identified by Executive Management, the operational outcomes of the risk management and internal control systems, and the effectiveness of the risk monitoring procedures.

It also ensures that appropriate action plans are instituted to remedy the malfunctions or weaknesses observed.

## EXECUTIVE MANAGEMENT

Executive Management sets the strategic guidelines, decides on the allocation of resources among the departments and divisions and sees to the implementation of an internal control system.

### EXECUTIVE COMMITTEE

The Executive Committee coordinates the risk mitigation process by reviewing the risk mapping and oversight of the real-time management of risks.

### OTHER PLAYERS

The Statutory Auditors, as part of their work on the statutory audit and the certification of the parent company and consolidated financial statements, make known any significant weaknesses in the internal control system as it regards the preparation and processing of accounting and financial data.

## 2.2.1 GOVERNANCE BY MANAGEMENT

### 2.2.1.1 DEFINITION AND GUIDELINES FOR INTERNAL CONTROL AND RISK MANAGEMENT

#### Definition

Internal control is defined in the Group as a process implemented by management and staff to provide reasonable assurance of control of operations with regard to the following objectives:

- reliability of financial and management information;
- compliance with applicable laws and regulations;
- implementation of instructions and guidelines set by Executive Management;
- due functioning of the Company's internal processes, particularly those contributing to the safeguarding of its assets;
- risk management;
- implementation and optimization of operations.

#### Guidelines

Latécoère relies on the reference framework on internal control adapted to VaMPs ("Valeurs Moyennes et Petites" or "Average and Small Values") defined by the French financial markets authority (AMF) in its recommendation of January 22, 2007 and updated in July 2010, while adapting it to its structure and its situation.

### 2.2.1.2 SCOPE OF INTERNAL CONTROL AND RISK MANAGEMENT

The internal control and risks management system is applied to the entire Group, which is defined as the parent company Latécoère as well as all companies consolidated according to the full consolidation method.

### 2.2.1.3 COMPONENTS OF THE LATÉCOÈRE GROUP'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

#### Control environment

Latécoère's internal control system is based on an operational organization broken down into several levels: the Executive Management, the Headquarters Support Departments, the Branch Directors and the operational staff.

Executive Management defines the strategic guidelines and arbitrates the allocation of resources between the departments. The Branch Directors exercise control over the performance of the operational staff and ensure a coordination and support role between the Group's entities, notably in terms of resource pooling, the allocation of the Research and Development efforts and the optimization of production allocation in industrial sites. Each level is directly involved in the implementation of internal control. In this context, the Group has set up operating principles and rules with an appropriate delegation of powers, established on the basis of the powers of the Chief executive officer, thus defining precisely the areas and the level of decision and control that can be taken by each operational manager.

The principles of action and behavior in the Group are set out in the Code of Ethics, which aims to ensure the Group's development in accordance with national and transnational laws and ethics. It attaches particular importance to the respect of fundamental rights: the prohibition of child labor, the work of the disabled, the fight against discrimination and harassment, health and safety at work. It affirms the Group's commitment to sustainable development: respect for the environment and continuous improvement of its protection is a priority for the Group. Finally, it deals with societal aspects and integrity in the conduct of business.

Available on the Group intranet and translated into six languages, the Code of Ethics is distributed to all Group employees.

Capitalizing on its Code of Ethics and integrity culture, the Group implements a compliance process under the auspices of the Legal Department, which has set up an anti-corruption and anti-competitive practices in-depth program, both specific and adapted to the regulatory constraints and culture of the countries in which Latécoère operates. This program relies in particular on annual and mandatory training campaigns for all Group Engineers and Managers. In 2018, the entire process was revised to take into account the provisions of the Sapin 2 law. In particular, the Group has drawn up a specific mapping of corruption risks and is currently implementing action plans to reduce these risks. In addition, the stock market Ethics Charter on the prevention of insider trading as well as the process of notification to the persons concerned have been updated following the entry into force of European regulation No. 596/2014 on market abuse (see Chapter 3, Section 3.2.3, "Rights and obligations of the Directors").

### Risk management assessment and process

The internal control procedures are part of an ongoing approach of risk identification, assessment and management that could affect the achievement of the objectives established by the Group. In particular, the assessment of risk factors helps to define appropriate control activities. This assessment is based on the risk mapping process that identifies, analyzes and monitors the evolution of major risks. Gross risk (inherent risk) is first evaluated. The procedures and controls implemented are identified in order to define a net risk (residual risk).

The risk management process is coordinated by the Executive Committee.

The latter notably reviews the risk mapping process and steers a dynamic risk management. This is based on the identification, for each major risk of the mapping, of a "risk owner", whose role is to monitor the evolution of the risk based on key indicators reviewed by the Executive Committee. Depending on the evolution of the risk and the associated control system, each risk owner presents an analysis of the level of risk that results in the implementation of action plans when necessary.

The dynamic risk management implemented by the Executive Committee is completed and enriched by risk monitoring carried out by the Legal Department. It is responsible, with the help of the functional networks, for the assessment and management of the risks that concern it as well as for the correct implementation of the regulations of the countries in which the Group operates. It must also ensure that the directives and recommendations defined at Group level are correctly applied within the operating entities.

Every month, risk mapping is updated and analyzed, then validated by the Executive Committee, based on a detailed analysis of the major risks and the monitoring carried out by the risk owners.

The main risks identified and their management methods are listed in Section 2.1 of this Chapter, "Risk factors".

They are:

- operational risks, which include risks related to aircraft manufacturer rates, supplier risks and raw material risks;
- legal risks that include, notably, product risks and the risk in the event of a breach of ethics and the law;
- financial risks that include raw material risk, currency risk, liquidity risk, interest rate risk, bank counterparty risk and equity share risk.

### Control activity

Control activities, conducted at all hierarchical and functional levels, aim to reduce the risks described above. They are mainly based on the application of standards and procedures that help to ensure the implementation of the guidelines issued by Executive Management and to provide reasonable assurance that major risks are dealt with.

## 2.2.1.4 INFORMATION AND COMMUNICATION

Relevant information, communicated within appropriate periods, provides all staff with the means to assume their responsibilities and carry out the controls incumbent upon them. Information from the management system is analyzed and communicated monthly to the operational staff.

## 2.2.1.5 PROCEDURE FOR PREPARING AND PROCESSING ACCOUNTING AND FINANCIAL INFORMATION FOR THE PARENT COMPANY AND CONSOLIDATED FINANCIAL STATEMENTS

The Finance Department is responsible for Financial Reporting, in liaison with Executive Management.

As such, the Finance Department is mainly in charge of:

- management control and promotion of the plan/budget/reporting cycle;
- accounting production and the establishment of the financial statements;
- cash flow management;
- management of currency and interest rate hedging;
- internal control.

Management control is organized at a double budgetary level by managerial and analytical nature/responsibility and by program/product line. Management control manages cost accounting by project, and in particular the monitoring and valuation of inventories and work-in-progress. Long-term contracts are subject to periodic revisions, depending on cost evolutions and the associated industrial scenarios.

The forecasts of the delivery rates of the different aircraft, which determine the workload schedules of the Aerostructures and Interconnection Systems activities and therefore the preparation of the budget and re-forecast during the fiscal year, are reviewed periodically.

The budget procedures defined on a cross-cutting basis at Group level are applied in the French and foreign subsidiaries. The monitoring of budget execution is the subject of monthly (key operational and financial indicators, income statements, cash forecasts) and quarterly reports (balance sheets, income statements, cash flow statement) involving all managers under the control of Executive Management.

The largest budget items (personnel expenses, raw material purchases, sub-contracting, investments) are analyzed and monitored monthly. The decisions that may impact these positions, and in particular the evolution of the Group's internal workforce, are subject to the approval of Executive Management.

The Company's accounting and administrative procedures have been updated based on the Company's key processes:

- procedures covering the following sub-processes: Planning (budget sub-process), Recording, Closing Accounts, Analyzing, Consolidating and Managing Financial Risks (notably currency risk);
- business line instructions explaining, for each sub-process, the tasks to be performed;

- tool guides mainly covering the Group's ERP, consolidation and treasury software, and reporting and analysis tools;
- most of this information is available through the Company's intranet and is applicable to the main foreign subsidiaries.

In addition to this system, the Group also relies on an IFRS accounting rules manual.

Accounting principles and IFRS restatements are centralized at the level of the parent company.

The Group's consolidated financial statements are prepared by the Finance Department of the parent company. This department is responsible for updating the consolidation procedures, training, and integrating subsidiaries within the scope of consolidation. It is also in charge of information processing, maintenance and development of the consolidation tool for the Group.

## 2.2.2 GOVERNANCE BY THE BOARD OF DIRECTORS

The Board of Directors sits at the top of the risk governance process. It works primarily through the Audit and Risk Committee, which submits to the Board its reports, work and recommendations in view of any decision about a significant risk. The mission of the Audit and Risk Committee, which was created within the Board of Directors, is, in terms of risk management:

**a)** in relation to accounting and finance:

- examining material risks and off-balance sheet commitments, and assessing the significance of any weaknesses or malfunctions disclosed to it, and informing the Board of Directors where applicable,

**b)** in relation to internal audit, internal control, and risk management, including in relation to compliance:

- monitoring the effectiveness of the risk management and internal control systems, and, where necessary, internal audit as regards the procedures relating to the drafting and processing of accounting and financial information within the Group. For this purpose, the committee ensures that risk management and internal control systems are in place, allowing the identification, analysis, management and also continual improvement of the prevention and management of all types of risk, in particular, risk liable to have an impact on the accounting and financial information, with which the Group may be faced in the context of its business activities, as well as compliance by the Group with the rules on compliance,
- receiving information on a regular basis from Executive Management on the organization and functioning of the risk management and internal control mechanisms,
- periodically examining the key risks identified by Executive Management, the results of the application of the risk management and internal control mechanisms, and the relevance of the risk monitoring procedures, and ensuring that appropriate action plans have been put in place to remedy any malfunctions or weaknesses revealed,
- being kept informed about the key malfunctions or weaknesses observed and the action plans defined by Executive Management,
- analyzing the internal control reports issued by the Statutory Auditors,
- monitoring issues relating to control and the process used to compile the financial and accounting information,
- verifying that internal procedures have been defined to gather and control information in order to guarantee that it is rapidly and reliably reported; examining the Statutory Auditors' action plan,
- hearing on a regular basis the reports by the Group's external auditors on the detailed methods used in their work, as well as the responses of Executive Management,
- examining and commenting on the section of the Management Report relating to the internal control and risk management procedures put in place by the Company,
- examining any internal control, risk management and internal audit matters submitted to it by the Board of Directors,
- requesting any relevant information from Executive Management.
- On all of these matters, the Audit and Risk Committee deals primarily with Executive Management, the Finance Department, the Legal, Insurance, Ethics and Compliance Department, and the Company's Statutory Auditors.

During the 2020 fiscal year, the Audit and Risk Committee examined the Company's principal risks and the implementation of the risk management system. It examined the findings of the major audits and saw that the necessary corrective measures were taken to deal with the malfunctions revealed, particularly concerning financial risks.

The Audit and Risk Committee also reviewed the general risk assessment and provided the Board of Directors, in a written memorandum, with recommendations as to the management of risks and the continuous improvement of the system.

The Board of Directors, based on summaries written and forwarded by the Audit and Risk Committee after each of its meetings, makes whatever decision is called for as to the management of risk – including financial, operational, strategic and internal control risks.

It reviews the Group's risks and opportunities regularly based on the work of Executive Management and the Executive Committee, and in particular whenever it examines the budget, the yearly and interim financial statements, or a strategic plan.

The robotization of the production tool is a key step towards improved productivity for Latécoère Aerostructures

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# CORPORATE GOVERNANCE

**The Company refers to the Code of Corporate Governance for listed companies published by Middlenext in its version dated September 2016 (available from the Middlenext website, *www.middlenext.com*). The implementation of the recommendations set out in the Middlenext Code is presented in this Chapter, Section 3.2.5, "Corporate Governance Code".**

**The information contained in this Chapter 3 forms the report on corporate governance required by Article L.225-37 of the French Commercial Code. The various elements of which this report is composed have been prepared by multiple Operational Divisions of Latécoère, in particular, the Legal, Financial, and Human Resources Divisions.**

**They were then examined by the Appointments and Compensation Committee for those sections within its scope, then by the Board of Directors.**

# 3.1 MANAGEMENT BODIES

## EXECUTIVE MANAGEMENT

### Operation methods adopted for the Executive Management of the Company

The Company has been a French corporation ("société anonyme") with a Board of Directors since September 22, 2015, date of the first meeting of its Board of Directors, by virtue of a resolution adopted at the Extraordinary General Meeting of the Company's Shareholders which took place on July 15, 2015, for the purpose of the modification of the methods used for the management and administration of the Company via a unitary board structure.

At this initial meeting, the Board of Directors opted to separate the roles of Chairman of the Board of Directors and Chief executive officer.

The Chairman organizes and manages the work of the Board of Directors and gives an account thereof to the General Meeting of Shareholders. He ensures that the Company's bodies are functioning correctly and that the Directors are able to perform their duties.

In accordance with the bylaws of the Company, the Chairman of the Board of Directors does not carry out any assignments in addition to those imposed by law. Pierre Gadonneix, Chairman of the Board of Directors and an Independent Director, has not carried out any assignments in addition to those imposed by law.

### Changes to the Executive Management

Yannick Assouad assumed the duties of Chief executive officer on November 10, 2016, date on which these were entrusted to her by the Board of Directors, and remained in office until March 17, 2020.

At a meeting held on March 17, 2020, the Board of Directors decided to terminate the appointment of Yannick Assouad as Chief executive officer with immediate effect. In addition, the Board of Directors decided to appoint Philip Swash, Director since January 22, 2020, as Chief executive officer, considering that, because of his career path, experience and success in his previous roles, he has all of the qualities required to contribute to the development of the Latécoère Group and help it get through the public health crisis caused by the Covid-19 virus.

The Board of Directors also appointed Thierry Mootz as the Company's Deputy Chief executive officer on March 17, 2020.

### Powers of the Chief executive officer

The Chief executive officer is vested with the widest possible powers to act under all circumstances in the name of the Company, within the limits imposed by the corporate purpose and subject to those limits defined by law and by the bylaws and/or by the Internal Regulations. He represents the Company with regard to third parties and before the courts.

However, pursuant to the Internal Regulations of the Board of Directors, the Chief executive officer must obtain the prior consent of the Board of Directors, voting on the basis of a simple majority of those members in attendance, deemed to be in attendance, or represented, for:

- any merger, de-merger, or partial spin-off involving the Company or its subsidiaries or any other transaction having a similar effect;
- the disposal, by the Company or its subsidiaries, of any material investments or strategic assets;
- the creation by the Company or its subsidiaries of any material joint venture;
- the acquisition, transfer or disposal (including via an option or lease management, as applicable) of (i) all assets, legal entities or business interests for an individual amount in excess of ten million euros (€10,000,000) [(1)] or (ii) any investment held in any other legal entity, excluding purely financial investments;
- the creation or closure of any other business branch contributing over ten million euros (€10,000,000) to the annual revenue generated by the Latécoère Group (the "Group"), or any significant change in or modification to the Group's core activities [(1)];
- any change in the tax residence of a Group company, other than in the Group company's country of residence;
- any significant amendments made to the bylaws of a Group company;
- any issuance, awarding or allocation by a Group company of securities of any kind whatsoever (including shares and bonus shares, options, warrants or other rights to subscribe for or purchase, either immediately or at a future date, such shares or bonus shares, and any shares which can be converted into, exchanged for, or repaid in such shares or bonus shares);

*(1) Do not require submissions for prior authorization from the Board of Directors when already covered by the approval of the Group's annual budget.*

- the examination and approval of the Latécoère consolidated financial statements for each fiscal year. Any change in the accounting and tax practices and principles adopted (other than local statutory or regulatory changes) for any Group company;
- the de-listing of the Company's shares;
- the approval and modification of the Group annual budget, including inter alia the investment budget and the Business Plan;
- the signature of any new borrowing arrangements as well as any significant modification or termination (including full repayment) of existing financing, excluding programs previously approved by the Board or below a threshold of five million euros (€5,000,000) per facility;
- any action requiring prior authorization from the lenders in the context of the financing arranged for Group companies or which constitutes a breach of the terms of such financing;
- any decision made by a Group company to grant a loan or a facility other than a commercial loan under ordinary commercial terms and conditions (and other than in the ordinary course of business) for an amount in excess of five million euros (€5,000,000) and other than a loan or facility granted by one Group company to another Group company;
- any deed via which a Group company grants or abandons a pledge, guarantee or security of any other kind or form of collateral concerning a commitment made by such company or by a third party, other than in the ordinary course of business and unless, with regard to the granting of this security or form of collateral, this has been specifically authorized on the basis of an existing loan and facility agreed by the relevant Group company;
- any proposal concerning the distribution of dividends and reserves by the Company;
- any related-party agreement (whether included in the budget or not), i.e. any agreement or arrangement by and between (i) a Group company, for the first part, and (ii) any shareholder, Director or executive of such Group company (or any person connected to this shareholder, Director or executive), for the second part (other than a Group company);
- the appointment, renewal or termination of the Statutory Auditors;
- any investment undertaking not included in the budget (including NRC) in an annual amount in excess of one million euros (€1,000,000 €)[1];
- the launch or settlement by a Group company of any dispute, arbitration proceedings or court claim of any kind where the amount at stake is in excess of one million euros (€1,000,000) (other than commercial contractual claims which must each be in excess of three million euros (€3,000,000) (per counterparty));
- the dissolution, liquidation or conversion into another type of company of any one of the Company's subsidiaries (except in the case of a conversion within the Group);
- any decision relating to the hiring, dismissal or substantial modification of the employment contract of an employee, Director or officer of a Group company whose total annual compensation exceeds two hundred thousand euros (€200,000) (excluding variable compensation) and of an employee, Director or officer of a Group company designated as a member of the Executive Committee;
- the abandonment or amendment of any non-compete or non-solicitation commitment stipulated in the employment contracts of the Company's Chief executive officer and of members of the Company's Executive Committee [1];
- the authorization or modification of (i) any profit-sharing agreement or other similar material incentive scheme or any redundancy or early retirement program for Group employees within any Group company, and any decision leading to an increase in the Group's total workforce of more than 4.5%, other than any decision resulting from the mandatory annual negotiations applicable in the ordinary course of business;
- any communication or press release relating to a significant event or an event liable to impact the reputation of the main shareholder;
- the signature, modification, renewal, or termination by any Group company of any agreement (including commercial agreements) generating annual income in excess of ten million euros (€10,000,000) or an annual charge in excess of one million euros (€1,000,000);
- any decision made by a Group company to present a non-binding letter of interest in the context of a merger and acquisition operation and to spend more than two hundred fifty thousand euros (€250,000) on due diligence investigations in the context of a potential investment in a legal entity or business;
- any decision having an impact on the share capital and/or quasi equity of a Group company;
- the selection:

**a)** of advertising and public relations advisors for the Company,

**b)** of any investment bank, and

**c)** of the key banks with which the Company has a relationship for borrowing, deposits, or other;

- any response to an invitation to tender launched by clients:
  - for Aerostructures:
    - for which the annual revenue generated by the contract at cruising speed is in excess of US$10 million,
    - for which the revenue over the entire term of the contract is in excess of US$100 million, or
    - for which the financing needs over a contract year are in excess of US$5 million or US$8 million over the term of the contract.

*(1) Do not require submissions for prior authorization from the Board of Directors when already covered by the approval of the Group's annual budget.*

- for Interconnection Systems:
  - for which the annual revenue generated by the contract at cruising speed is in excess of US$5 million,
  - for which the revenue over the entire term of the contract is in excess of US$50 million, or
  - for which the financing needs over a contract year are in excess of US$3 million or US$5 million over the term of the contract.
- any commitment to make one of the aforementioned decisions.

### Powers of the Deputy Chief executive officers

Further to a proposal from the Chief executive officer, the Board of Directors may appoint one or several natural persons tasked with assisting the former and given the title Deputy Chief executive officer, it being stipulated that the maximum number of Chief executive officers shall be five. The Deputy Chief executive officers have the same powers as the Chief executive officer. Pursuant to the Internal Regulations of the Board of Directors, the limit imposed on the powers of the Chief executive officer as listed above are applicable to the Deputy Chief executive officers.

## EXECUTIVE COMMITTEE

The Executive Committee is a support body of the Executive Management. The Executive Committee, a body involved in reflection, consultation, and operational management, is comprised of members appointed by Executive Management on the basis of their operational or functional responsibilities within the Group.

Its assignment consists of examining current issues facing the Group and strategic projects (development and organization of business). Meetings are held at least once per month.

The table below shows the composition of the Company's Executive Committee as at March 31, 2021.

| | Job title |
|---|---|
| Philip Swash | Chief executive officer – Director |
| Thierry Mootz | Deputy Chief executive officer – Director, Interconnection Systems Division |
| Grégoire Huttner | Director, Aerostructures Division |
| Michel Abaza | Group Chief Financial Officer |
| Hervé Blanchard | Group Human Resources Director |
| Serge Bérenger | Director of Research and Technology |

# 3.2 COMPOSITION OF THE BOARD, CONDITIONS OF PREPARATION AND ORGANIZATION OF THE BOARD'S WORK

## 3.2.1 COMPOSITION OF THE BOARD OF DIRECTORS

In accordance with Article 14.1 of the Company's bylaws, the Board of Directors consists of between three and 18 members appointed for terms of four years (or any other maximum number imposed as a result of an amendment to the legal provisions in force), it being stipulated that Directors who represent the employees are not taken into account when calculating the minimum and maximum number of Directors. As an exception, the bylaws state that the General Meeting may appoint certain Directors for a term of two or three years in order to allow the introduction or continuation of staggered appointments for Directors.

Directors are appointed by the General Meeting of Shareholders further to proposals made by the Board of Directors, which itself receives recommendations from the Appointments and Compensation Committee.

Directors may be re-elected. If one or several seats on the Board become vacant further to death or resignation, the Board of Directors may, between two General Meetings, and further to recommendations from the Appointments and Compensation Committee, make appointments on a provisional basis, in accordance with the law.

Directors may be dismissed at any time by the General Meeting of Shareholders.

As at December 31, 2020, the Company's Board of Directors was comprised of eight members including one Director representing the employees in accordance Article L.225-27-1 of the French Commercial Code in application of the law of August 17, 2015 on social dialog and employment.

The table below summarizes the composition of the Board of Directors during the 2020 fiscal year, as well as the changes made to the composition of the Board during this fiscal year.

| Composition of the Board of Directors at January 1, 2020 | Departure(s) | Renewal(s) | Appointment/ Co-option | Composition of the Board of Directors at December 31, 2020) |
|---|---|---|---|---|
| **Yannick ASSOUAD** (Chief Executive Officer) | **Resignation** (March 17, 2020) | - | - | - |
| **Pierre GADONNEIX** (Chairman of the Board of Directors – Independent Director) | - | - | - | **Pierre GADONNEIX** (Chairman of the Board of Directors – Independent Director) |
| **Isabelle AZEMARD** (Independent Director) | **Resignation** (January 22, 2020) | - | **Co-opting of Philip SWASH** (January 22, 2020) | **Philip SWASH** (Chief executive officer) |
| **Claire DREYFUS-CLOAREC** (Independent Director) | **Resignation** (March 17, 2020) | - | **Appointment of Laurence DORS** (June 11, 2020) | **Laurence DORS** (Independent Director) |
| **Ralf ACKERMANN** | | - | - | **Ralf ACKERMANN** |
| **Helen LEE BOUYGUES** | | - | - | **Helen LEE BOUYGUES** |
| **Nathalie STUBLER** (Independent Director) | **Resignation** (January 22, 2020) | - | **Co-opting of Caroline CATOIRE** (March 17, 2020) | **Caroline CATOIRE** |
| **Grégoire HUTTNER** | **Resignation** (March 17, 2020) | - | **Co-opting of Christophe VILLEMIN** (March 17, 2020) | **Christophe VILLEMIN** |
| **Valérie BOYER** (Director representing the employees) | - | - | - | **Valérie BOYER** (Director representing the employees) |
| **9 Directors** | | | | **8 Directors** |

The Directors appointed by the General Meeting or co-opted by the Board of Directors come from a range of backgrounds and have been chosen on the basis of their experience and skill in various business lines. Thanks to their experience, the Latécoère Directors have sound judgment and the ability to anticipate which enables them to take the appropriate action to serve the corporate interest of the Company. In addition, the presence of a Director representing the employees appointed by the Works' Council, replaced in late November 2019 by the Economic and Social Committee, allows the Board of Directors to benefit from this Director's knowledge of the Company, its business activities, and know-how.

The table below summarizes the key areas of expertise and experience of the Directors who make up the Board of Directors as at December 31, 2020:

| | Experience of Latécoère business lines | Air transport | International experience | Banking/ Finance/ Risk management | Industry | Strategy/ M&A/ Corporate restructuring and transformation | Commercial | Governance |
|---|---|---|---|---|---|---|---|---|
| **Philip SWASH** (Chief Executive Officer) | X | | X | | X | X | X | X |
| **Pierre GADONNEIX** (Chairman of the Board of Directors) | | | X | | X | | | X |
| **Caroline CATOIRE** (Independent Director) | | | X | X | | | | X |
| **Laurence DORS** (Independent Director) | X | | X | X | X | | | X |
| **Ralf ACKERMANN** | | | X | X | | X | | |
| **Helen LEE BOUYGUES** | | | X | X | | X | | X |
| **Christophe VILLEMIN** | | | X | X | | X | X | X |
| **Valérie BOYER** (Director representing the employees) | X | | | | X | | X | |

For detailed information on the appointments and duties performed by the members of the Board of Directors over the course of the last five fiscal years, as well as their experience and skills, see page 52 to 61 of this section, "Presentation of the Directors".

The term of appointment of the Chairman of the Board of Directors cannot be longer than the corresponding appointment as Director.

With the exception of the appointments of Laurence Dors and Valérie Boyer, which expire in 2024, all the current appointments of the other Directors appointed by the General Meeting will expire at the General Meeting of May 21, 2021 called to vote on the financial statements for the fiscal year ended in 2020.

At the General Meeting of May 13, 2019, the term of the Directors appointed or renewed in their appointments as from the date of this meeting was reduced from six to four years, all appointments then currently underway ending after the term initially agreed. The term of the appointments of those Directors representing the employees and appointed pursuant to Article L.225-27-1 of the French Commercial Code was also set at four years via a resolution adopted by the General Meeting of May 13, 2019, all appointments then currently underway ending after the term initially agreed.

Via a resolution adopted by this same meeting, Article 14.1 of the Company's bylaws was modified to include provision for the Directors' appointments to be renewed on a staggered basis. In this manner, as an exception to the four-year terms, the Ordinary General Meeting may appoint certain Directors for a term of two or three years in order to enable the introduction or continuation of staggered terms for Directors' appointments.

The current appointment of the Director representing the employees will come to an end after a term of six years starting from May 17, 2018, date of the initial appointment. If the position of Director representing the employees is unfilled for any reason whatsoever, the position shall be filled under the conditions defined by law, i.e. in accordance with the same methods used for the appointment of the Director representing the employees whose position is vacant. If the conditions for the implementations of the measures to ensure employee representation on the Board of Directors defined by law are no longer met, the appointment of the Director or Directors representing the employees shall end in advance with the adjournment of the meeting of the Board of Directors at which the Board of Directors acknowledges that the law no longer applies to Latécoère.

During the 2020 fiscal year, the Board of Directors made appointments on a provisional basis by co-opting:

- Philip Swash as replacement Isabelle Azemard, having resigned;
- Caroline Catoire as replacement Nathalie Stubler, having resigned;
- Christophe Villemin as replacement Grégoire Huttner, having resigned;

for the remaining term of the appointments of the latter, i.e. until the adjournment of the General Meeting called to vote on financial statements for the fiscal year ending on December 31, 2020.

These co-optations were ratified by the General Meeting of June 11, 2020.

Moreover, the General Meeting of June 11, 2020 appointed Laurence Dors as a new independent director for a period of 4 years, i.e. until the General Meeting called to approve the financial statements for the year ending 2023.

## INDEPENDENCE OF THE MEMBERS OF THE BOARD OF DIRECTORS

The classification of a Director as an Independent Director is debated by the Appointments and Compensation Committee on two separate occasions, when the new Director is appointed or co-opted and then each year prior to the preparation of the Annual Report.

In accordance with the Middlenext Code, the Company classes as independent all Directors who have no financial, contractual, family or other particularly close relationships which could compromise the exercise of their freedom of judgment.

In particular, in accordance with the most recent version of the Middlenext Code dated September 2016, Directors are presumed independent when:

- they are not, and have not been over the course of the five previous years, employees or executive corporate officers of the Company or of any company with the same group;
- they are not, and have not been over the course of the two previous years, in any significant business relationship with the Company or its group (client, supplier, competitor, service provider, creditor, banker, etc.), it being stipulated that the assessment of whether the relationship between the Company or the Group is significant or not is debated by the Board of Directors and the quantitative and qualitative criteria having led to this assessment (continuity, economic dependency, exclusivity, etc.) are detailed in the Annual Report; they are not the Lead shareholder of the Company and do not hold a significant percentage of the voting rights;
- they are not in any close relationship or have any close family ties to a corporate officer or a Lead shareholder;
- they have not acted as the Company's Statutory Auditor over the course of the previous six years.

### Analysis of the independence of the Directors at the moment of the appointment and renewal of appointment of the Directors

In the context of its co-opting decisions, the Board of Directors looks at recommendations made by the Appointments and Compensation Committee and analyzes the independence of the applicant for co-opting with regard to the independence criteria retained by the Middlenext Code.

Similarly, when the Board of Directors asks the General Meeting of Shareholders to appoint or renew the appointment of a Director who is classed as independent, it refers to the recommendations made by the Appointments and Compensation Committee and studies in advance the independence of the applicant being proposed for appointment and renewal with regard to the criteria set out above.

During the 2020 fiscal year, in the context of the Board of Directors' decision to co-opt Philip Swash, Caroline Catoire and Christophe Villemin and of the appointment of Laurence Dors by the General Meeting, the Appointments and Compensation Committee on February 24, March 16 and April 6, 2020 and the Board of Directors at its meeting held on January 22, March 17 and April 24, 2020, proceeded with a review of their independence and concluded that this was absent with regard to the independence criteria adopted by the Middlenext Code, with regard to Philip Swash, Caroline Catoire and Christophe Villemin, given their close relationship with the the company SCP SKN Holding I SAS, Lead shareholder of the Company, as designated by the latter to be appointed by the Board of Directors, and Philip Swash's mandate as Chief Executive Officer. On the other hand, it was concluded that Laurence Dors, appointed by the General Meeting of June 11, 2020 to replace Claire Dreyfus-Cloarec, who resigned on March 17, 2020, would be independent.

### Analysis of the independence of the Directors in the context of the preparation of the Annual Report

Pursuant to the Middlenext Code, a debate on the independence of the Directors in office was held at the meeting of the Board of Directors of March 15, 2021.

The Board of Directors examined the independence of its members as at December 31, 2020.

Upon completion of the analysis of the independence of the Directors currently in office, the Board of Directors, further to a recommendation from the Appointments and Compensation Committee, therefore deemed that this was composed of two Independent Directors out of a total of seven Directors (the Director representing the employees not being taken into account for this calculation) as at December 31, 2020, namely: Laurence Dors and Pierre Gadonneix.

The table below provides a summary as at December 31, 2020 of the situation of the Company's Directors with regard to the independence criteria featured in the Middlenext Code and repeated in the Internal Regulations:

**INDEPENDENCE OF THE DIRECTORS AS AT DECEMBER 31, 2020**

| | Employee/executive corporate officer over the course of the last five years (1) | Significant business relationships (1) | Lead shareholder or significant% of voting rights (1) | Close relationship or family tie (1) | Statutory Auditors (1) | Independent |
|---|---|---|---|---|---|---|
| **Pierre GADONNEIX** | 0 | 0 | 0 | 0 | 0 | YES |
| **Philip SWASH** | X | 0 | 0 | 0 | 0 | NO |
| **Caroline CATOIRE** | 0 | 0 | 0 | X | 0 | NO |
| **Laurence DORS** | 0 | 0 | 0 | 0 | 0 | YES |
| **Ralf ACKERMANN** | 0 | 0 | 0 | X | 0 | NO |
| **Helen LEE BOUYGUES** | 0 | 0 | 0 | X | 0 | NO |
| **Christophe VILLEMIN** | 0 | 0 | 0 | X | 0 | NO |
| **Valérie BOYER** | X | 0 | 0 | 0 | 0 | NO |

*(1) "0" indicates an independence criterion which has been met and "X" indicates an independence criterion which has not been met.*

## BALANCE WITHIN THE BOARD OF DIRECTORS

As at December 31, 2020, 42.86% of the Board of Directors were women [1] and the Board is therefore compliant with the rules of law on gender equality within Boards of Directors which sets a threshold of 40%. As at December 31, 2020, three women were sitting on the Board of Directors (Helen Lee Bouygues, Caroline Catoire and Laurence Dors).

Strengthened by the good gender balance within the Board of Directors, Latécoère intends to continue with its efforts to diversify the composition of the Board of Directors (see also Section 3.2.3 of this Chapter, sub-section "Assessment of the functioning of the Board").

## DIVERSITY POLICY OF THE BOARD OF DIRECTORS

At its meeting on December 5, 2018, the Board of Directors adopted the policy for diversity within this Board, examined and put forward by the Appointments and Compensation Committee.

The policy for diversity within Latécoère's Board of Directors is comprised of five criteria:

- preservation of gender equality in terms of representation, in accordance with the applicable regulations;
- plurality of experience and skills;
- finance;
- internationalization of the Board in connection with the internationalization of the Company;
- independence.

These five criteria should enable diversity within the Board which must have available the experience, expertise, and external approaches necessary in order to ensure the proper management of the business and to guarantee the success of its strategy.

In addition to gender balance, this policy is aimed at achieving continuous improvements in the functioning of the Board and the effectiveness of its management via the presence, on the Board, of a mix of skills, experience-based knowledge, independence, and knowledge of the aeronautics industry.

On December 5, 2018, the Board set quantifiable objectives for the promotion of diversity within the Board structured using the aforementioned five criteria, on the basis of the recommendations made by the Appointments and Compensation Committee.

The latter oversees the implementation of the policy, verifies the compliance of any appointment procedures with the objectives set by the Board of Directors, assesses the results of the policy by verifying whether the said objectives have been reached or not, and measures the effectiveness of the diversity policy with regard to the criteria on which it is based.

Each year, the Appointments and Compensation Committee provides the Board with a report on its work, on the results generated by the diversity policy, and the application of the five criteria set above.

In the context of its work the Appointments and Compensation Committee has monitored closely the achievement of the targets set for 2020 in the context of the policy to promote diversity within the Board of Directors. Moreover, these targets were updated, further to a proposal from the Appointments and Compensation Committee, for 2021 and subsequent fiscal years, at the November 24, 2020 meeting of the Board of Directors.

*(1) It should be recalled that in accordance with Article L.225-27-1 of the French Commercial Code, the Director representing the employees is not taken into account in the calculation of the proportion of Directors of each gender composing the Board of Directors.*

Pursuant to Article L.22-10-10 of the French Commercial Code, the table below describes the policy for diversity applied within the Board of Directors, indicating the criteria taken into account, the targets set by the Board of Directors, the detailed implementation methods, and the results achieved in the 2020 fiscal year.

| Criteria used | Targets | Detailed implementation methods and results achieved in the 2020 fiscal year |
|---|---|---|
| **Balanced gender representation** | Guarantee compliance with the legal minimum of 40% women Directors | Monitoring by the Appointments and Compensation Committee of the presence of women candidates in the context of co-opting and appointments completed in 2020, for the purpose of protecting the percentage of women members of the Board of Directors. Percentage of women sitting on the Board of Directors at end 2020: 42.86%. |
| **Plurality of experience and skills** | Develop the skills of certain Directors, at their request, in relation to understanding the challenges, business, and market for aeronautics. | No specific training in 2020 because of the Covid-19 crisis, but full information for new directors on their arrival concerning the challenges, strategy, business and aeronautics market through privileged exchanges with the Chairman of the Board of Directors and the Chief Executive Officer. |
| | Maintaining the on-boarding pathway for new Directors | No site visits or physical meetings at headquarters to integrate and meet all Board members.<br>Due to the Covid-19 crisis, the integration process was limited to privileged exchanges between the new directors and the Chairman/Chief Executive Officer and a few meetings for the new directors to meet with members of the management, the Chairman of the Board and some of the older directors. |
| | Maintaining a balance in the age diversity of directors | Monitoring by the Appointments and Compensation Committee of the presence of candidates of different ages in the context of co-optations and appointments made in 2020. The average age of directors in 2020 is 55 / the age of directors varies from 41 to 78. |
| **Finance** | Provide training for Directors upon request and for Directors representing the employees, on specific subjects enabling them to have a better understanding of the Group's strategy and the decisions made by the Board of Directors. | No request for training in 2020 due to the Covid-19 crisis, but full information for new directors on their arrival on the challenges, strategy, business and aeronautics market through privileged exchanges with the Chairman of the Board of Directors and the Chief Executive Officer.<br>In-house training of the employee representative director on the financial aspects of the Company's business to enable her to understand the financial decisions of the Board of Directors.<br>Monitoring by the Appointments and Compensation Committee of the financial skills of the Directors co-opted and appointed in 2020.<br>While none of the Directors required any specific training in this area, the Directors co-opted and appointed in 2020, namely Philip Swash, Caroline Catoire, Christophe Villemin and Laurence Dors all have considerable expertise in finance. |
| **Internationalization of the Board in connection with the internationalization of the Company.** | Maintaining or even increasing the number of external executives who are non-French nationals | Monitoring by the Appointments and Compensation Committee, in the context of the co-opting and appointments completed in 2020, of the presence of non-French candidates with international professional experience.<br>Number of non-French directors on December 31, 2020, following the co-option of three directors and the appointment of a new independent director: 3/8.<br>Of the 4 directors co-opted and appointed in 2020, all have a career that includes international experience and one of them is not a French national (British national). |
| **Independence** | Maintaining the required number of Independent Directors on the Board | Monitoring by the Appointments and Compensation Committee, in the context of the co-options and appointments of directors in 2020, of the achievement of this target.<br>Laurence Dors was appointed by the General Meeting as a new independent director on the proposal of the Board of Directors, in order to maintain the minimum number of independent directors required by the Middlenext Code. Consequently, the number of independent directors on the Board is 2 at the end of 2020. |

## GENDER DIVERSITY WITHIN THE EXECUTIVE COMMITTEE AND IN THE TOP 10% POSITIONS OF RESPONSIBILITY

At a meeting held on November 20, 2020, the Appointments and Compensation Committee made the following observations in relation to gender balance within the Executive Committee and in the top 10% of executive positions, which were then submitted to the Board of Directors and discussed thereby on November 24, 2020:

- at the end of 2020, the breakdown of the workforce within Latécoère's TOP Management was as follows: 87% men, 13% women;
- generally speaking, the proportion of women in the aeronautical industry as a whole remains low;
- action plan put in place and implemented in terms of recruitment for all categories of employee, training, compensation, and promotion;
- the need for a good gender balance within the ExCom was taken into account in the context of the revision of the executive succession plan in 2020;
- generally speaking, women remain relatively under-represented on the Executive and Management Committees;
- in 2020, the number of candidates for ExCom positions and key roles was insufficient so as to enable genuine mixed gender representation.

## ABOLITION OF THE POSITION OF LEAD INDEPENDENT DIRECTOR

The position of Lead Director created by the Board of Directors at its meeting of January 18, 2019, in particular to improve relations and communication with shareholders, was abolished by decision of the Board of Directors on June 11, 2020, the latter considering, following the public offer of SCP SKN Holding I SAS, and the resignation of Claire Dreyfus-Cloarec, first person appointed to this position, that the position no longer had any reason to exist, given the now restricted size of the Board of Directors and the dissociation between the functions of Chairman of the Board of Directors and Chief Executive Officer of the Company.

## PRESENTATION OF THE DIRECTORS

### PIERRE GADONNEIX ●

CHAIRMAN OF THE BOARD OF DIRECTORS
INDEPENDENT DIRECTOR
CHAIRMAN OF THE STRATEGY COMMITTEE
(since January 22, 2020)
MEMBER OF THE APPOINTMENTS AND COMPENSATION COMMITTEE

**Skills**

**NATIONALITY**
French

**AGE:** 78 years

**DATE FIRST APPOINTED TO THE BOARD OF DIRECTORS:**
06/29/2015

**(FORMER MEMBER OF THE SUPERVISORY BOARD FROM 08/31/2010 THROUGH 09/22/2015)**

**APPOINTMENT START DATE:** 9/22/2015

**APPOINTMENT END DATE:** GM called to vote on the financial statements for the fiscal year ended on 12/31/2020

**BUSINESS ADDRESS:**
EDF
9 avenue Percier
5e étage Présidence
75008 PARIS

**NUMBER OF SHARES HELD:** 0

A businessman, Pierre Gadonneix has spent most of his career in industry. In 1976, he acted as Technical Advisor to the cabinet of France's minister for Research and Industry.

Between 1978 and 1987, he was Director of Metallurgical, Mechanical, and Electrical Industries within France's Ministry for Industry and, in this context, took part in the restructuring of the French steel industry.

Chairman of Gaz de France between 1996 and 2004, Pierre Gadonneix joined the Company nine years earlier as Chief executive officer.

In 2004, he was appointed as Chairman and Chief executive officer of EDF and held this role until 2009.
Pierre Gadonneix is currently Honorary Chairman of EDF.

#### OFFICES AND MAIN POSITIONS HELD

**Main role outside of the Company during the 2020 fiscal year**

- Honorary Chairman of EDF

**Other offices and positions held in any company during the 2020 fiscal year (excluding latécoère subsidiaries)**

- Chairman, Rexecode
- Member of the Board of Directors, Conseil Français de l'Energie

#### OTHER OFFICES AND POSITIONS HELD IN ANY COMPANY (EXCLUDING A LATÉCOÈRE SUBSIDIARY) DURING THE LAST FIVE YEARS WHICH HAVE EXPIRED

- Chairman, Harvard Business School Club de France
- Member of the Economic, Social and Environmental Council
- Chairman, World Energy Council
- Member of the Board of Directors, Cercle de l'industrie

Experience of Latécoère business lines | Air transport | International experience | Banking/Finance/Risk management | Industry | Strategy/M&A/Corporate restructuring and conversion | Commercial | Governance

● INDEPENDENT DIRECTOR

## YANNICK ASSOUAD

CHIEF EXECUTIVE OFFICER (until March 17, 2020)
MEMBER OF THE STRATEGY COMMITTEE (until March 17, 2020)

**Skills**

**NATIONALITY**
French

**AGE:** 61 years

**DATE OF INITIAL APPOINTMENT**: 11/10/2016

**APPOINTMENT START DATE:** 11/10/2016

**APPOINTMENT END DATE**: GM called to vote on the financial statements for the fiscal year ended on 12/31/2020

**RESIGNED ON MARCH 17, 2020**

**BUSINESS ADDRESS:**
Latécoère
135 rue de Periole
31500 TOULOUSE

**NUMBER OF SHARES HELD:** 380,778

Yannick Assouad is a graduate of France's Institut National des Sciences Appliquées and of the Illinois Institute of Technology.

In parallel with her teaching duties at Ciefop Paris, she joined Thomson CSF (1986 to 1998) where she was in charge of the thermal and mechanical department, before moving to Honeywell Aerospace (1998 to 2003) as Chief Technical Officer, then Chief executive officer, then Chairwoman of Secan.

In 2003, she joined Zodiac Aerospace and held the position of General Manager – Inter-Departmental Services (2003 to 2008).

In 2008, after having joined the Executive Committee of Zodiac Aerospace, she created the group's services division which she ran until 2010 when she became General Manager of the Aircraft Systems division.

In May 2015, she took charge of the Cabin division, then newly-created by Zodiac Aerospace, and was appointed to the Management Board of Zodiac Aerospace in October of the same year, before joining the Company on November 10, 2016 as Chief executive officer and member of the Board of Directors, until March 17, 2020.

### OFFICES AND MAIN POSITIONS HELD

**Main role outside of the Company during the 2020 fiscal year**
- Company Director

**Other offices and positions held in any company during the 2020 fiscal year (excluding Latécoère subsidiaries)**
- Lead Independent Director, member of the Audit Committee, and Chairwoman of the Appointments and Governance Committee at Vinci
- Independent Director, ARKEMA
- Director, École Nationale d'Aviation Civile (ENAC)
- Deputy Chairwoman, GIFAS and GEAD
- Executive Vice President Avionics - Thales

### OTHER OFFICES AND POSITIONS HELD IN ANY COMPANY (EXCLUDING A LATÉCOÈRE SUBSIDIARY) DURING THE LAST FIVE YEARS WHICH HAVE EXPIRED

- Member of the Management Board, Zodiac Aerospace group
- Chairwoman and Director of companies within the Aircraft Systems division, then of the Cabins division, Zodiac Aerospace
- Director, Institut de recherche technologique de Saint-Exupéry

## ISABELLE AZEMARD

INDEPENDENT DIRECTOR (until January 22, 2020)
CHAIRWOMAN OF THE APPOINTMENTS AND COMPENSATION COMMITTEE (until January 22, 2020)

**Skills**

**NATIONALITY**
French

**AGE**: 69 years

**DATE OF INITIAL APPOINTMENT:** 10/28/2015

**APPOINTMENT START DATE:** 10/28/2015

**APPOINTMENT END DATE**: GM called to vote on the financial statements for the fiscal year ended on 12/31/2020

**RESIGNED ON JANUARY 22, 2020**

**BUSINESS ADDRESS:**
Latécoère
135 rue de Periole
31500 TOULOUSE

**NUMBER OF SHARES HELD:** 0

Isabelle Azemard is a graduate of the Institut Supérieur d'Électronique de Paris and an Auditor of the Institut des Hautes Études de la Défense Nationale.

Isabelle spent her entire career with the Thales group. She joined the Thomson-CSF aerial controls team in 1974. After 15 years in technical developments and then project management, she took over the commercial management of the Aerial Defense department, before moving to the group's Naval division.

She ran two sections of the Naval Division before joining the International Division in 2005. Here, she was responsible for overseeing several European regions until 2012, while also managing the Sales & Marketing department of the Thales group. She was a director of Latécoère from October 28, 2015 to January 22, 2020.

### OFFICES AND MAIN POSITIONS HELD

**Main role outside of the Company during the 2020 fiscal year**
- Director and member of the Governance and Compensation Committee, Mersen

**Other offices and positions held in any company during the 2020 fiscal year (excluding Latécoère subsidiaries)**
- Member of the Board of Directors, Axa Mutuelles Vie and Mutuelles IARD
- Joint manager of RTDE Conseil

### OTHER OFFICES AND POSITIONS HELD IN ANY COMPANY (EXCLUDING A LATÉCOÈRE SUBSIDIARY) DURING THE LAST FIVE YEARS WHICH HAVE EXPIRED

- Member of the Supervisory Board, Mersen
- Member of the Board of Directors, Majencia

## CLAIRE DREYFUS-CLOAREC

INDEPENDENT DIRECTOR AND LEAD INDEPENDENT DIRECTOR (until March 17, 2020)
CHAIRWOMAN OF THE AUDIT AND RISK COMMITTEE (until March 17, 2020)
MEMBER OF THE APPOINTMENTS AND COMPENSATION COMMITTEE (until January 22, 2020)
MEMBER OF THE STRATEGY COMMITTEE (from January 22, 2020 through March 17, 2020)

**Skills**

**NATIONALITY**
French

**AGE**: 74 years

**DATE FIRST APPOINTED TO THE BOARD OF DIRECTORS**: 06/29/2015

**(FORMER MEMBER OF THE SUPERVISORY BOARD FROM 6/30/2011 THROUGH 9/22/2015)**

**APPOINTMENT START DATE:** 9/22/2015

**APPOINTMENT END DATE**: GM called to vote on the financial statements for the fiscal year ended on 12/31/2020

**RESIGNED ON MARCH 17, 2020**

**BUSINESS ADDRESS:**
Latécoère
135 rue de Periole
31500 TOULOUSE

**NUMBER OF SHARES HELD:** 0

Claire Dreyfus-Cloarec is a graduate of France's École nationale d'administration, and holds a postgraduate degree (DEA) in economic sciences from the Paris-I university.

Claire Dreyfus-Cloarec served as Chief Financial Officer of Air France and Chief executive officer of Servair, before moving to the land-based transport industry. She was in particular responsible for financial matters at the French national railway company SNCF where she sat on the Executive Committee before acting as Chairwoman of SNCF Participations between 2004 and 2007. She was a director of Latécoère from June 29, 2015 to March 17, 2020.

### OFFICES AND MAIN POSITIONS HELD

**Main role outside of the Company during the 2020 fiscal year**

- Company Director

**Other offices and positions held in any company during the 2020 fiscal year (excluding Latécoère subsidiaries)**

- Member of the Supervisory Board and Audit and Compensation Committee, SA Aéroport de Montpellier Méditerranée
- Member of the Supervisory Board and chairwoman of the Audit and Compensation Committee, SA Aéroport de La Réunion Roland Garros
- Manager, CD-JC Conseils
- Member of the Board of Directors, Association de Réadaptation psychopédagogique et scolaire (ARPS)

### OTHER OFFICES AND POSITIONS HELD IN ANY COMPANY (EXCLUDING A LATÉCOÈRE SUBSIDIARY) DURING THE LAST FIVE YEARS WHICH HAVE EXPIRED

- FRAM, Chairwoman of the Supervisory Board
- Monoprix, Deputy Chairwoman of the Supervisory Board
- SA Aéroports de Lyon, Chairwoman of the Supervisory Board
- Member of the Supervisory Board of Latécoère, Chairwoman of the Audit and Accounts Committee and Member of the Strategy Committee until September 2015
- Chairwoman of the Supervisory Board, TKBlu Agency until December 2017
- Member of the LCL Obligations SICAV (open-ended investment scheme)

## NATHALIE STUBLER

INDEPENDENT DIRECTOR (until January 22, 2020)
CHAIRWOMAN OF THE STRATEGY COMMITTEE (until January 22, 2020)
MEMBER OF THE AUDIT AND RISK COMMITTEE (until January 22, 2020)

**Skills**

**NATIONALITY**
French

**AGE**: 52 years

**DATE OF INITIAL APPOINTMENT:** 1/20/2017

**APPOINTMENT START DATE:** 1/20/2017

**APPOINTMENT END DATE**: GM called to vote on the financial statements for the fiscal year ended on 12/31/2020

**RESIGNED ON JANUARY 22, 2020**

**BUSINESS ADDRESS:**
Transavia France
Zone Orlytech
3 allée Hélène Boucher
91550 Paray-Vieille-Poste

**NUMBER OF SHARES HELD:** 0

Nathalie Stubler is a graduate of France's École Polytechnique and École Nationale des Ponts et Chaussées.

Between 1992 and 2012, she held various positions at Air Inter and Air France in the Network, Marketing, Sustainable Development, Revenue Management, and Pricing divisions.

From 2013 onward, at the holding company Air France KLM, she successfully implemented strategic development and restructuring projects.

She has been CEO of Transavia France since January 2016. She was a director of Latécoère from January 20, 2017 to January 22, 2020.

### OFFICES AND MAIN POSITIONS HELD

**Main role outside of the Company during the 2020 fiscal year**

- Chairwoman and Chief executive officer, Transavia France

**Other offices and positions held in any company during the 2020 fiscal year (excluding Latécoère subsidiaries)**

- Director, ENPC
- Chairwoman of the Board of Directors, SMOOSS

### OTHER OFFICES AND POSITIONS HELD IN ANY COMPANY (EXCLUDING A LATÉCOÈRE SUBSIDIARY) DURING THE LAST FIVE YEARS WHICH HAVE EXPIRED

- Director, École Nationale d'Aviation Civile (ENAC)
- Member of the Board of Directors, Transavia France
- Member of the Board of Directors, Hop!
- Member of the Board of Directors, ATPCO

## CHRISTOPHE VILLEMIN

DIRECTOR (from March 17, 2020)
MEMBER OF THE APPOINTMENTS AND COMPENSATION COMMITTEE (from May 18, 2020)

**Skills**

**NATIONALITY**
French

**AGE**: 52 years

**DATE OF INITIAL APPOINTMENT:**
6/29/2015 until 6/26/2019, when he resigned

**NEW CO-OPTION ON: 3/17/2020**

**APPOINTMENT START DATE:** 9/22/2015, then 3/17/2020

**APPOINTMENT END DATE**: GM called to vote on the financial statements for the fiscal year ended on 12/31/2020

**RESIGNED ON JUNE 26, 2019 THEN CO-OPTED ON MARCH 17, 2020**

**BUSINESS ADDRESS:**
SCP EPC UK Limited
56 Conduit St Mayfair
London W1S2YZ
United Kingdom

**NUMBER OF SHARES HELD:** 0

Christophe Villemin joined the Alcan group in 1994 and held various management roles in the aluminum industry in Europe and the United States.

In 2002, he became Chief executive officer of Alcan Rolled Products in Switzerland (the former Alusuisse), before being appointed Chairman of Alcan's laminates business in 2005. In 2008, Christophe Villemin became Chairman of Alcan Global Aerospace, Transportation and Industry, and head of Innovation for the group.

In parallel, he founded the ski design company Black Crows in 2006. He received the Young Global Leader award at the World Economic Forum in 2008.

Christophe Villemin was Chairman of Constellium Aerospace and Transportation and also ran the group's Research and Technology Division.

He was an Operating Partner at Apollo Global Management in 2015 and a Director of Latécoère from 2015 to June 2019. Since January 2020, Christophe Villemin has been a Senior Advisor at Searchlight Capital Partners. On March 17, 2020 he rejoined the Board of Directors of Latécoère.

### OFFICES AND MAIN POSITIONS HELD

**Main role outside of the Company during the 2020 fiscal years**

- Senior Advisor at Searchlight Capital Partners

**Other offices and positions held in any company during the 2020 fiscal year (excluding Latécoère subsidiaries)**

- Chairman, Black Crows
- Manager of CVi Partners
- Director of Airopack BV
- Director, Radiooooo

### OTHER OFFICES AND POSITIONS HELD IN ANY COMPANY (EXCLUDING A LATÉCOÈRE SUBSIDIARY) DURING THE LAST FIVE YEARS WHICH HAVE EXPIRED

- Operating Partner chez Apollo Global Management

## VALÉRIE BOYER

DIRECTOR REPRESENTING THE EMPLOYEES

**Skills**

**NATIONALITY**
French

**AGE**: 44 years

**APPOINTMENT START DATE:** 5/17/2018

**APPOINTMENT END DATE**: 5/17/2024

**BUSINESS ADDRESS:**
Latécoère
135 rue de Periole
31500 TOULOUSE

**DATE OF INITIAL APPOINTMENT BY THE WORKS' COUNCIL**: 5/17/2018

**NUMBER OF SHARES HELD:** 0

Valerie Boyer is a graduate of the École Polytech Montpellier.

She joined Latécoère in the context of the development of the Falcon F7X after spending two years with Dassault Aviation in the technical department of the military division on behalf of Dassault Data Service.

A Latécoère employee since 2004, she held the positions of calculations manager, project manager, then head of fuselage architecture within the technical department.

Since 2015, within the program team, she has been in charge of the STELIA account consisting of four programs: the airtight bulkhead for the Beluga XL, the A350 nose fairing, the A380 lower nose section, the Overwing emergency doors for the Global 7500.

Valerie is passionate about aeronautics and holds a private pilot's license.

### OFFICES AND MAIN POSITIONS HELD

**Main role outside of the Company during the 2020 fiscal year**

None

**Other offices and positions held in any company during the 2020 fiscal year (excluding Latécoère subsidiaries)**

None

### OTHER OFFICES AND POSITIONS HELD IN ANY COMPANY (EXCLUDING A LATÉCOÈRE SUBSIDIARY) DURING THE LAST FIVE YEARS WHICH HAVE EXPIRED

None

## RALF ACKERMANN

DIRECTOR
MEMBER OF THE AUDIT AND RISK COMMITTEE
AND OF THE STRATEGY COMMITTEE (since January 22, 2020)
MEMBER OF THE APPOINTMENTS AND COMPENSATION COMMITTEE
(until May 18, 2020)

**Skills**

**NATIONALITY**
German

**AGE**: 41 years

**DATE OF INITIAL APPOINTMENT:**
3/2/2016 through 10/13/2017, date on which he resigned

**NEW CO-OPTION ON:**
6/26/2019

**APPOINTMENT START DATE**: 3/2/2016 then 6/26/2019

**APPOINTMENT END DATE**: GM called to vote on the financial statements for the fiscal year ended on 12/31/2020

**RESIGNED ON OCTOBER 13, 2017 THEN CO-OPTED ON JUNE 26, 2019**

**BUSINESS ADDRESS:**
SCP EPC UK Limited
56 Conduit St Mayfair
London W1S2YZ
United Kingdom

**NUMBER OF SHARES HELD:** 0

Ralf Ackermann is a Partner at Searchlight Capital Partners in London.

Before joining Searchlight in 2018, Ralf Ackerman was a Partner at Apollo Management, L.P. in London, where he was in charge of the "Opportunistic Credit Business" department in Europe and held a seat on the fund's European Management Committee. he was employed by Goldman Sachs prior to joining Apollo in 2007. He began his investment banking career at Greenhill & Co in 2002. Ralf Ackermann holds a Bachelor's degree from the London School of Economics and Political Science and was born in Trier in Germany.

### OFFICES AND MAIN POSITIONS HELD

**Main role outside of the Company during the 2020 fiscal year**

- Partner, Searchlight Capital Partners

**Other current positions and roles held in any company during the 2020 fiscal year (excluding Latécoère subsidiaries)**

- Chairman, SCP SKN HOLDING I SAS
- Chairman, SCP SKN HOLDING II SAS
- Chairman, SCP SKN HOLDING III SAS
- Director, Casual Dining Group
- Director, Airopack Technology

### OTHER OFFICES AND POSITIONS HELD IN ANY COMPANY (EXCLUDING A LATÉCOÈRE SUBSIDIARY) DURING THE LAST FIVE YEARS WHICH HAVE EXPIRED

- Director, SOF EPC UK Limited

## HELEN LEE BOUYGUES

DIRECTOR
CHAIRWOMAN OF THE APPOINTMENTS AND COMPENSATION COMMITTEE (since January 22, 2020) AND MEMBER OF THE AUDIT AND RISK COMMITTEE (since January 22, 2020)

**Skills**

**NATIONALITY**
American

**AGE**: 48 years

**DATE OF INITIAL APPOINTMENT:**
6/26/2019

**APPOINTMENT START DATE:** 6/26/2019

**APPOINTMENT END DATE**: GM called to vote on the financial statements for the fiscal year ended on 12/31/2020

**BUSINESS ADDRESS:**
SCP EPC UK Limited
56 Conduit St Mayfair
London W1S2YZ
United Kingdom

**NUMBER OF SHARES HELD:** 0

Helen Lee Bouygues holds a Bachelor of Arts degree in Political Science from Princeton university and a Master of Business Administration from Harvard Business School.

Helen Lee Bouygues began her career in 1995 at JP Morgan in the M&A department in New York and Hong Kong.

Between 2000 and 2004, she worked at Cogent Communications Inc. as Chief Operating Officer, Chief Financial Officer, and Treasurer.

She was then made Partner at Alvarez & Marsal Paris, before leaving to found her own consulting firm specializing in business and corporate turnaround and transformations in 2010.

In 2014, she joined McKinsey & Company in Paris as Partner and head of the Recovery and Transformation Services Division.

### OFFICES AND MAIN POSITIONS HELD

**Main role outside of the Company during the 2020 fiscal year**

- Chairwoman, LB Associés
- Founder, Reboot Foundation

**Other current positions and roles held in any company during the 2020 fiscal year (excluding Latécoère subsidiaries)**

- Director and Chairwoman of the Board of Directors, Conforama SA
- Director and member of the Audit and Compensation Committees, Burelle SA
- Director and member of the Audit Committee, CGG SA
- Director and member of the Audit and Compensation Committees, Neoen SA
- Director, Fives SAS
- Director and member of the Audit Committee, Novartex SAS

### OTHER OFFICES AND POSITIONS HELD IN ANY COMPANY (EXCLUDING A LATÉCOÈRE SUBSIDIARY) DURING THE LAST FIVE YEARS WHICH HAVE EXPIRED

None

## GREGOIRE HUTTNER

DIRECTOR (until March 17, 2020)
MEMBER THE STRATEGY COMMITTEE
(until March 17, 2020)

**Skills**

**NATIONALITY**
Franco-British

**AGE**: 46 years

**DATE OF INITIAL APPOINTMENT:**
6/26/2019

**APPOINTMENT START DATE:** 6/26/2019

**APPOINTMENT END DATE**: GM called to vote on the financial statements for the fiscal year ended on 12/31/2020

**RESIGNED ON MARCH 17, 2020**

**BUSINESS ADDRESS:**
SCP EPC UK Limited
56 Conduit St Mayfair
London W1S2YZ
United Kingdom

**NUMBER OF SHARES HELD:** 0

Grégoire Huttner was Group Transformation Officer of Imerys, global leader in industrial minerals, before being appointed General Manager of the Aerostructures Division of Latécoère Group and resigning from his position as Director of the Company on March 17, 2020.

Previously, in his capacity as Advisor to the venture capital firm Apollo Global Management, he advised industrial portfolio companies in relation to their development projects.

Prior to this, Grégoire Huttner managed the Strategy, Global Sales, and, finally, Marketing departments of the Aerospace and Transport division of Constellium, held by Apollo.

He began his career in strategy consulting with the Monitor Group, involved in particular in advising clients in the industrial assets sector in Europe, the United States, and South America.

Grégoire Huttner holds dual Franco-British nationality. He holds an MBA from the Kellogg School of Management at Northwestern university and an MSc in Management from HEC Paris.

### OFFICES AND MAIN POSITIONS HELD

**Main role outside of the Company during the 2020 fiscal year**

- Group Transformation Officer, Imerys

**OTHER OFFICES AND POSITIONS HELD IN ANY COMPANY DURING THE 2020 FISCAL YEAR (EXCLUDING LATÉCOÈRE SUBSIDIARIES)**

- Director, CAB 5-4

### OTHER OFFICES AND POSITIONS HELD IN ANY COMPANY (EXCLUDING A LATÉCOÈRE SUBSIDIARY) DURING THE LAST FIVE YEARS WHICH HAVE EXPIRED

- Advisor to Apollo Global Management
- Vice-Chairman, Global Sales & Marketing, Constellium

## PHILIP SWASH

CHIEF EXECUTIVE OFFICER (since March 17, 2020)
DIRECTOR (since January 22, 2020)
MEMBER OF THE STRATEGY COMMITTEE (since January 22, 2020)

**Skills**

**NATIONALITY** British

**AGE**: 57 years

**DATE OF INITIAL APPOINTMENT:**
1/22/2020

**DIRECTOR APPOINTMENT START DATE:** 1/22/2020

**CEO APPOINTMENT START DATE**:
3/17/2020

**DIRECTOR AND CEO APPOINTMENT END DATE**: GM called to vote on the financial statements for the fiscal year ended on 12/31/2020

**BUSINESS ADDRESS:**
Latécoère
135 rue de Periole
31500 Toulouse

**NUMBER OF SHARES HELD:** 0

Philip Swash is a Chartered Engineer of the Institute of Engineering & Technology, a Fellow of the Royal Aeronautical Society and an Honorary Fellow of Liverpool John Moores university. He holds a BEng (Hons) Degree in Mechanical & Production Engineering.

He began his career as a mechanical engineer. From 1995 to 2007, he was manager of Airbus Wing Manufacturing. From 2007 to 2018, Philip Swash worked at GKN where he held the positions of CEO of GKN European Aerospace & Global Special Products Group, CEO of GKN Land Systems & Group Executive Committee and then CEO of GKN Automotive and member of the Board of Directors of GKN PLC.

He left GKN PLC in May 2018 and founded his own consulting firm. Co-opted as Director of the Board of Directors of Latécoère on Searchlight's proposal on January 22, 2020, he was appointed Chief executive officer on March 17, 2020 and replaces Yannick Assouad.

### OFFICES AND MAIN POSITIONS HELD

**Main role outside of the Company during the 2020 fiscal year**

- Director, Phil Swash Ltd (consulting firm)

**Other offices and positions held in any company during the 2020 fiscal year (excluding Latécoère subsidiaries)**

- Consulting CEO, Caudwell Marine
- Interim Executive Chairman, Survitec Group

### OTHER OFFICES AND POSITIONS HELD IN ANY COMPANY (EXCLUDING A LATÉCOÈRE SUBSIDIARY) DURING THE LAST FIVE YEARS WHICH HAVE EXPIRED

- Chief executive officer, GKN Automotive
- Executive Director, GKN PLC
- Vice-President, CLEPA (European Automotive Suppliers Association)

Skills

## CAROLINE CATOIRE

DIRECTOR (since March 17, 2020)

**NATIONALITY** French

**AGE**: 65 years

**DATE OF INITIAL APPOINTMENT:** 3/17/2020

**APPOINTMENT START DATE:** 3/17/2020

**APPOINTMENT END DATE**: GM called to vote on the financial statements for the fiscal year ended on 12/31/2020

**BUSINESS ADDRESS:** SCP EPC UK Limited
56 Conduit St Mayfair
London W1S2YZ
United Kingdom

**NUMBER OF SHARES HELD:** 0

After graduating from France's École polytechnique, Caroline Catoire held various positions at Total between 1980 and 1998: within the Economic Research Division, the Oil Trading Division, then with the Finance Division as Head of Management Control, then Head of Corporate Finance. She then joined Société Générale as Head of Management Control in the Investment Banking Division (1999-2002). She enhanced her experience in the financial field by holding the position of Chief Financial Officer in various companies: Sita France, then Saur Group and Metalor Group. Since December 2015, she has worked as a consult in the finance sector.

### OFFICES AND MAIN POSITIONS HELD

**Main role outside of the Company during the 2020 fiscal year**

- Chairwoman, C2A Conseil

**Other offices and positions held in any company during the 2020 fiscal year (excluding Latécoère subsidiaries)**

- Independant director, Crédit Agricole SA: member of the Audit Committee and of the USA Risk Committee
- Independant director, Roquette group: member of the Audit Committee and Chairwoman of the ethics and sustainable development Committee
- Independant director, Maurel et Prom, Chairwoman of the Investment and Risk Committee, Member of the Audit Committee

### OTHER OFFICES AND POSITIONS HELD IN ANY COMPANY (EXCLUDING A LATÉCOÈRE SUBSIDIARY) DURING THE LAST FIVE YEARS WHICH HAVE EXPIRED

- Director and member of the Audit Committee, Maurel et Prom International

## LAURENCE DORS

DIRECTOR
CHAIRWOMAN OF THE AUDIT AND RISK COMMITTEE (since June 11, 2020)

**Skills**

**NATIONALITY** French

**AGE:** 64 years

**DATE OF INITIAL APPOINTMENT:** 6/11/2020

**APPOINTMENT START DATE:** 6/11/2020

**APPOINTMENT END DATE:** GM called to vote on the financial statements for the fiscal year ended on 12/31/2023

**BUSINESS ADDRESS:**
Latécoère
135 rue de Periole
31500 Toulouse

**NUMBER OF SHARES HELD:** 0

A graduate of the Ecole Normale Supérieure and the ENA, Laurence Dors began her career as a senior civil servant in the Ministry of Finance then in the offices of the Minister of the Economy (1994-1995) and the Prime Minister (1995-1997). She then held executive management positions in international industrial groups, notably in the aeronautics sector (Lagardère, EADS, Dassault Systèmes, Renault) before co-founding the consulting firm Theano Advisors (2012-2018). Specialist in governance issues, she sits on the Board of Directors of the French Institute of Directors, Capgemini and Crédit Agricole SA.

### OFFICES AND MAIN POSITIONS HELD

**Main role outside of the Company during the 2020 fiscal year**

- Independent director

**Other offices and positions held in any company during the 2020 fiscal year (excluding Latécoère subsidiaries)**

- Independent director of CAPGEMINI SE, Chairwoman of the Remuneration Committee, member of the Audit and Risk Committee and of the Ethics and Governance Committee
- Independent Director of CRÉDIT AGRICOLE S.A., Chairwoman of the Remuneration Committee, member of the Audit Committee and of the Nomination and Governance Committee
- Director of EGIS SA, Chairwoman of the Remuneration Committee, member of the Commitments Committee
- Director of the IFA (Institut Français des Administrateurs), Chairwoman of the Foresight and Research Committee
- Member of the Strategic Orientation Council of IHEAL (Institut des Hautes Études de l'Amérique latine)
- Member of the Steering Committee of the CEFA (Club Économique Franco-Allemand)

### OTHER OFFICES AND POSITIONS HELD IN ANY COMPANY (EXCLUDING A LATÉCOÈRE SUBSIDIARY) DURING THE LAST FIVE YEARS WHICH HAVE EXPIRED

- Director of the INHESJ (Institut National des Hautes Études de la Sécurité et de la Justice)
- Senior Partner of THEANO ADVISORS

The table below provides a summary of the composition of the Board of Directors and its committees as at December 31, 2020:

| Administrateurs | Age | Gender | Nationality | Independant | Number of appointments held with listed companies (excluding Latécoère) | Audit and Risk Committee | Appointments and Compensation Committee |
|---|---|---|---|---|---|---|---|
| Pierre Gadonneix | 78 | M | | YES | 1 | ✓ (Chair) (7) | ✓ |
| Philip Swash (2) | 57 | M | | NO | 0 | | |
| Laurence Dors (3) | 64 | F | | YES | 2 | ✓ (Chair) (8) | |
| Ralf Ackermann | 41 | M | | NO | 1 | ✓ | ✓ (9) |
| Helen Lee Bouygues | 48 | F | | NO | 3 | ✓ | ✓ (Chair) (10) |
| Christophe Villemin (4) | 52 | M | | NO | 0 | | ✓ (11) |
| Caroline Catoire (5) | 65 | F | | NO | 2 | | |
| Valérie Boyer<br>*Director representing the employeesles salariés* | 44 | F | | N/A | 0 | | |
| Number of meetings | | | | | | 13 | 6 |
| Attendance rate (6) | | | | | 0 | 90% | 100% |

*(1) Attendance rate at meetings of the Board of Directors (Director in attendance).*

*(2) Since January 22, 2020, date on which he was co-opted as replacement for Isabelle Azemard.*

*(3) Since June 11, 2020, date of her appointment by the General Meeting of Shareholders.*

*(4) Since March 17, 2020, date on which he was co-opted as replacement for Grégoire Huttner.*

*(5) Since March 17, 2020, date on which she was co-opted as replacement for Nathalie Stubler.*

*(6) The attendance rates shown in this table include participation by Directors whose appointments came to an end during the fiscal year 2020 (Isabelle Azemard, Yannick Assouad, Claire Dreyfus-Cloarec, Nathlie Stubler, Grégoire Huttner).*

*(7) Interim Chairman from March 17, 2020 until June 11, 2020.*

*(8) Member and Chairwoman since June 11, 2020.*

*(9) From January 22, 2020 until May 18, 2020.*

*(10) Chairwoman as of January 22, 2020.*

*(11) From May 18, 2020.*

*(12) Chairman as of January 22, 2020.*

*(13) From January 22, 2020.*

**Nationalities**

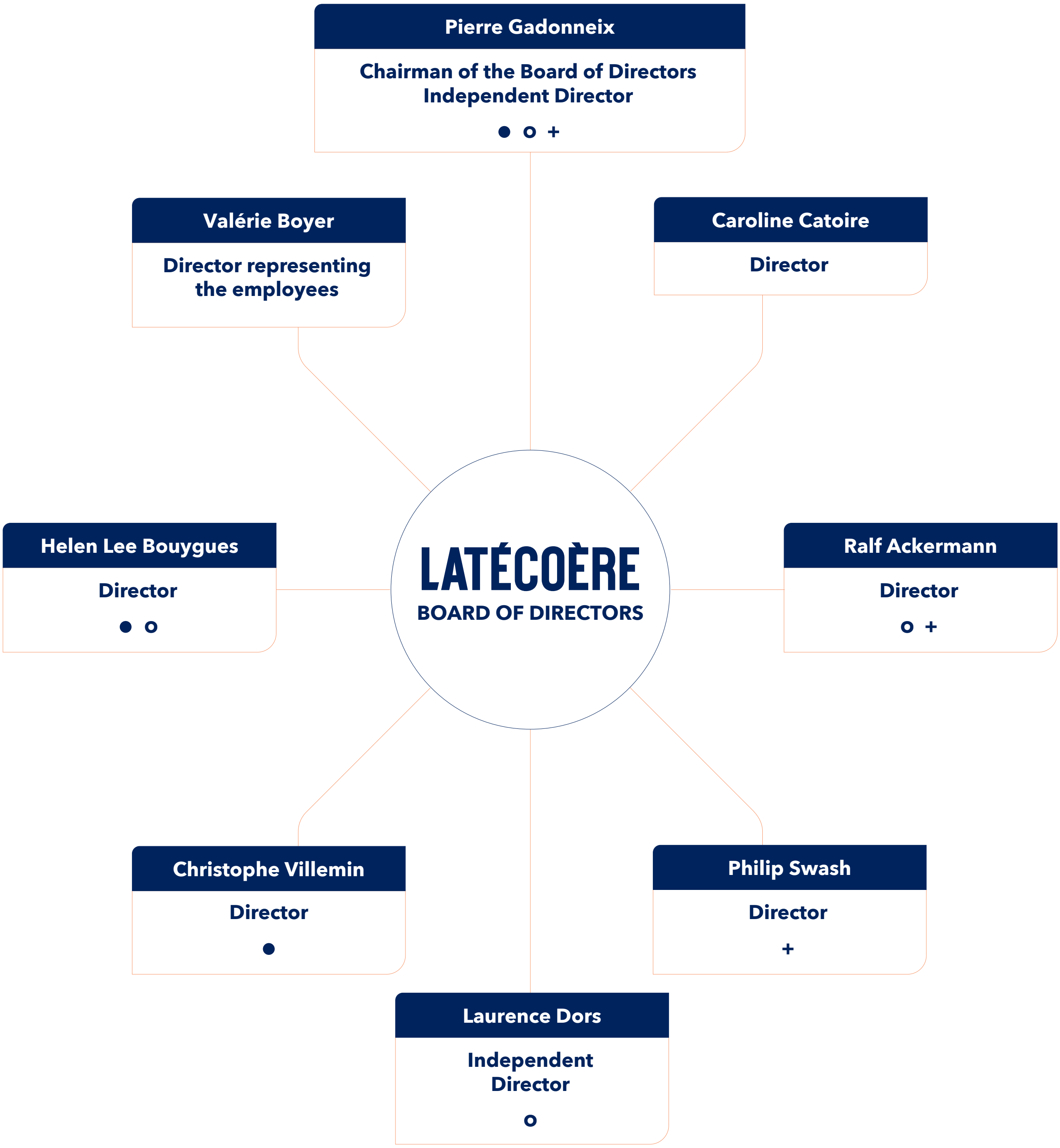
French British American German

| Strategy Committee | Start of 1st appointment | End of current appointment | Number of years on the Board | Attendance (1) |
|---|---|---|---|---|
| ✓ (Chair) (12) | 2015 | 2021 | 6 | 100% |
| ✓ (13) | 2020 | 2021 | 1 | 92% |
| | 2020 | 2024 | 1 | 100% |
| ✓ | 2016 | 2021 | 4 | 85% |
| | 2019 | 2021 | 2 | 100% |
| | 2015 | 2021 | 5 | 100% |
| | 2020 | 2021 | 1 | 100% |
| | 2018 | 2024 | 3 | 100% |
| 1 | | | | 13 |
| 100% | | | | 96% |

## 3.2.2 COMPOSITION OF THE BOARD OF DIRECTORS AND ITS COMMITTEES

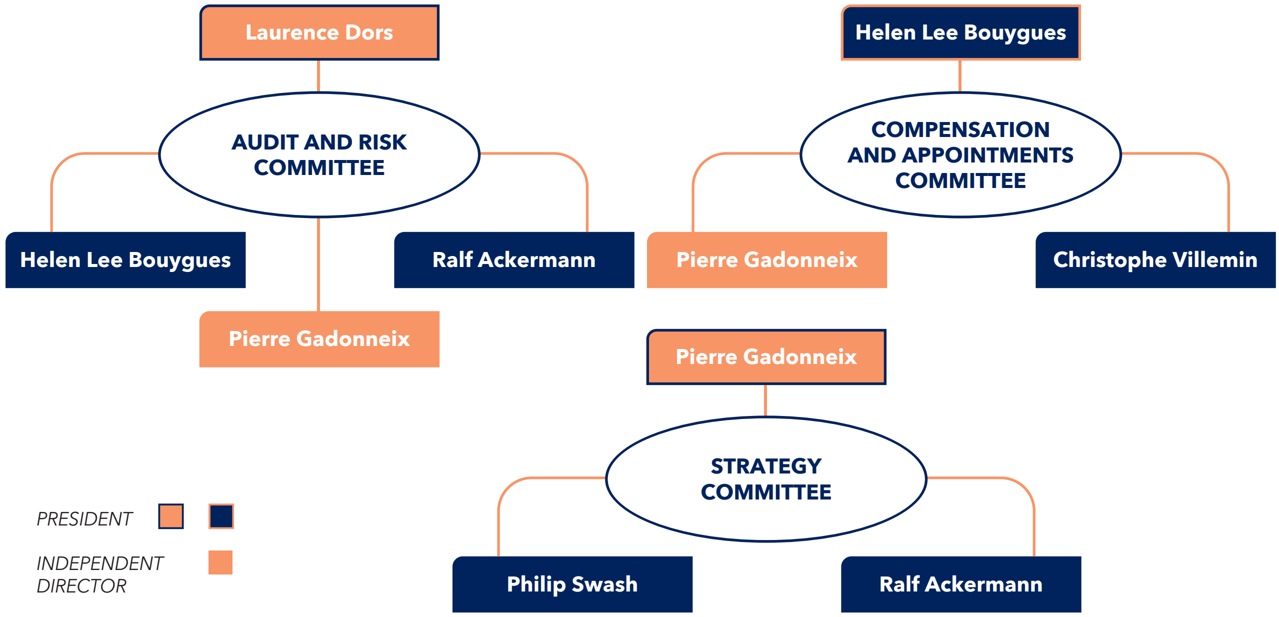
The composition of the Board of Directors and its committees as at December 31, 2020 and as at the date of this Universal Registration Document is set out below. As at the date of this Universal Registration Document, there are no events of which the Company is aware that are likely to have a potential material impact on corporate governance. A proposal will be made to the General Meeting of May 21, 2021, at the end of which they will expire, to renew all of the current directors' mandates, with the exception of the mandates of Laurence Dors and Valérie Boyer, which expire in 2024.

### COMPOSITION OF THE BOARD OF DIRECTORS AS AT DECEMBER 31, 2020 AND THE DATE OF THIS UNIVERSAL REGISTRATION DOCUMENT




o *Audit and Risk Committee* ● *Compensation and Appointments Committee* + *Strategy Committee*

## COMPOSITION OF THE COMMITTEES OF THE BOARD OF DIRECTORS AS AT DECEMBER 31, 2020 AND THE DATE OF THIS UNIVERSAL REGISTRATION DOCUMENT




## 3.2.3 PREPARATION AND ORGANIZATION OF THE WORK OF THE BOARD OF DIRECTORS

### INTERNAL REGULATIONS

Since September 22, 2015, the Board of Directors has a set of Internal Regulations, which are regularly updated, intended to set out the detailed methods for the functioning of the Board of Directors, in addition to the applicable laws and regulations and the bylaws of the Company. The most recent update to the Internal Regulations was adopted to the Board of Directors on January 19, 2021, as part of the modification of the rules for the transmission of preparatory documents for meetings of the Board and its committees.

The Audit and Risk Committee and the Appointments and Compensation Committee also each have their own Internal Regulations, while the other Board committees are governed by the relevant specific rules set out in the Board's Internal Regulations. The Internal Regulations can be found via the Company's website, *https://www.latecoere.aero/finance/informations-reglementees/*.

### RIGHTS AND OBLIGATIONS OF THE DIRECTORS

The Internal Regulations set out the obligations which must be complied with by the Directors. These obligations are aimed in particular at (i) ensuring that the Directors are familiar with the provisions applicable to them, (ii) avoiding conflicts of interest, (iii) ensuring that Directors devote the time and attention necessary to their duties, in accordance with the legal provisions applicable to the holding of multiple corporate offices, and (iv) with regard to non-public information, confirming that the Directors must consider themselves bound by a veritable non-disclosure obligation which goes beyond the simple obligation to act with discretion imposed by the legal instruments. They also remind Directors that, despite the fact that they may also be shareholders on an individual basis, they represent the shareholders as a body and must act in the corporate interest under all circumstances. Directors are also bound by a loyalty obligation. Moreover, members of the Board of Directors have an obligation to keep fully informed.

For this purpose, the Chairman of the Board provides Directors with all of the information and documents necessary to enable them to perform their assignment fully.

As compensation for their activities, the General Meeting may award a fixed annual amount to the Directors which is then distributed by the Board of Directors to its members. The Board of Directors may also award exceptional compensation to Directors for the assignments or roles entrusted thereto. The compensation paid to executive corporate officers is determined by the Board of Directors, on the basis of the opinion submitted by the Appointments and Compensation Committee. For further details regarding the compensation paid to Directors and executive corporate officers, please see Section 3.3. of this Chapter "Compensation of the Group's corporate officers".

Members of the Board of Directors are not required to own shares in the Company during the term of their office. However, Article 5 of the Internal Regulations requires those Directors who hold shares in the Company to register their shares.

Since November 2017, the Board of Directors has had a Financial Markets Code of Ethics in relation to trading in financial instruments and compliance with French legislation on insider trading and insider trading offenses, aimed in particular at governing any trading in the Company's financial instruments by the Directors, executive corporate officers, and members of the Executive Committee, or by any individual who may come to hold inside information. The Code of Ethics takes into account the entry into force of the EU Market Abuse Regulation 596/2014 of July 3, 2016 and the publication on October 26, 2016 of Position-Recommendation 2016-08 on permanent inside information and the management of inside information by the Autorité des Marchés Financiers (French Securities and Exchange Commission). In accordance with Article 5 of the Internal Regulations, each Director must comply strictly with the provisions of this Code of Ethics which forms an integral part of the Internal Regulations.

In particular, this Code of Ethics reminds the Chairman of the Board of Directors, the Chief executive officer, the Directors, and all assimilated executive officers, of the laws and regulations applicable with regard to the declaration of any trading in the Company's financial instruments.

The Financial Markets Code of Ethics prohibits any trading by any individual and at any time (including via the modification of an order) carried out on the basis of inside information concerning the Company or any other Group entity, on a proprietary basis or on behalf of a third party, either directly or indirectly, irrespective of the financial instrument in question (equities, bonds, etc., as well as all derivative financial instruments related thereto). This Code of Ethics also prohibits any individual in possession of inside information from disclosing or attempting to disclose, other than in the normal course of their professional activity or duties, any inside information relating to the Company or any other Group entity to any individual or entity, notably when the circumstances surrounding such disclosure could enable this individual or entity to complete one or several transactions involving the Company's financial instruments. In addition, advising any individual or entity to complete one or several trades in the Company's financial instruments on the basis of inside information relating to Latécoère or to any other Group entity is prohibited, as is encouraging any individual or entity to carry out such trades in the Latécoère financial instruments on the basis of such inside information.

The Financial Markets Code of Ethics imposes an obligation on the Chairman of the Board of Directors and on the Chief executive officer and the Directors, together with their spouses (if not separated), to register or deposit any shares held by them or by any non-adult children under their responsibility which have been issued by the Company or its subsidiaries, within one month following the date on which they acquire the capacity on the basis of which they are bound by these obligations, and within 20 days of the date on which they come into possession of the securities.

In addition, subject to those exceptions stipulated by the applicable regulations, it is prohibited in particular for the Directors, members of the Executive Committee, and any individual having permanent or regular access to inside information as well as for those employees of the Group who may feature on an occasional basis on the list of insiders drawn up by the Company, to complete one or multiple transactions involving Company equities, debt securities, or derivative instruments, or any financial instruments connected thereto (including the assignment of bonus shares and the exercise of share purchase or subscription options), on a proprietary basis or on behalf of third parties, either directly or indirectly, during the following abstention periods:

- during a period of at least 15 calendar days preceding the date of publication of the press release announcing the Company's annual revenue, of the press release announcing the Company's revenue for the first half year, and of the press releases announcing the Company's revenue for the first and third quarters;
- during a period of at least 30 calendar days preceding the date of publication of the press release announcing the Company's annual results and the press release announcing the Company's half-yearly results.

It is also noted compliance is also mandatory with the abstention periods defined by law and applicable to the granting of share purchase and subscription options by the Board of Directors (Article L.22-10-56 of the French Commercial Code) and to the assignment of bonus shares by their beneficiaries after the holding period (Article L.22-10-59 of the French Commercial Code).

In addition, according to this Code of Ethics, the Chairman of the Board of Directors, the Chief executive officer, the Directors, the assimilated executives and all individuals having close personal ties to the above, must comply with the information obligations with regard to the Company and the Autorité des Marchés Financiers (French Securities and Exchange Commission) in accordance with the regulations in force, further to the completion of any trades relating to the Company's equities or debt securities or to derivative instruments or other financial instruments related thereto.

Finally, in accordance with Article 5 of the Internal Regulations and with recommendation R1 of the Middlenext Code, the Directors make an undertaking to take part in all General Meetings of the Company's Shareholders, in the context of their duty of care.

## SPECIFIC RULES ON THE FUNCTIONING AND ORGANIZATION OF THE BOARD AND APPLICATION THEREOF

### Average convening notice for the Board

In accordance with the Internal Regulations, the Board of Directors meets at least once per quarter, on dates notified to each Director by the start of corporate fiscal year at the latest, and at any other time when required in the interests of the Company.

Meetings of the Board of Directors are on average convened with approximately five working days' notice, which allows the Directors to read all information of use for the holding of the meetings.

### Directors' representation

Directors may be represented at meetings of the Board of Directors by another Director, it being stipulated that each Director cannot represent more than one other Director at any one meeting. Power of attorney for such representation must be set out in writing. During the 2020 fiscal year, two Directors exercised the option to be represented. However, it is noted that due to the Covid-19 health crisis, only 3 out of a total of 13 meetings were held with directors physically present.

### Chairing of meetings of the Board

Meetings of the Board of Directors are chaired by the Chairman of the Board or, in his absence, by any potential Vice-Chairman or Director designated at the start of the meeting by the Board of Directors, on the basis of a simple majority of those Directors in attendance or represented. All 13 of the meetings of the Board of Directors which took place in the 2020 fiscal year were chaired by the Chairman of the Board.

### Participation in the deliberations of the Board by the Directors

The Internal Regulations allow Directors to participate in the deliberations of the Board of Directors via all video-conference or conference call methods which enable their identification and guarantee their effective participation. They are then deemed present for the calculation of the quorum and majority, except for the adoption of the decisions provided for respectively in Articles L.232-1 and L.233-16 of the French Commercial Code, namely the preparation of the annual financial statements (corporate and consolidated) and the Management Report of Latécoère and the Group. If this procedure is to be used for certain meetings, this is indicated by the Chairman in the notice of meeting.

### Decisions made by the Board

The Board of Directors has a quorum only if at least one half of its members are in attendance or deemed to be in attendance, represented members not being taken into account. Decisions are made on the basis of a majority of the votes cast by those members in attendance, deemed to be in attendance, or represented.

The meeting Chairman never has a casting vote in the event of there being no majority.

### Minutes of the decisions made by the Board

Each meeting leads to the drafting of minutes which are then signed by the meeting Chairman and by at least one other Director. The draft minutes for each meeting of the Board of Directors are sent or delivered to all Directors at the same time as a letter convening them to attend the next meeting, the agenda for which includes the approval of these minutes.

The deliberations of the Board of Directors include reference to any technical incidents relating to the video-conferencing or means of telecommunication used when a disturbance was caused as a result to the conduct of the session. The minutes of the meeting of the Board of Directors therefore allow a record of the work carried out by the Board of Directors to be kept.

### Frequency and duration of meetings of the Board and average rate of attendance by the Directors

The Board of Directors met on 13 occasions during the 2020 fiscal year, i.e. three times more than the minimum number of meetings required by the Internal Regulations, it being stipulated that, in total, the Board's committees met 20 times, including one joint meetings involving both the Audit and Risk Committee and the Strategy Committee.

During the 2020 fiscal year, all meetings of the Board of Directors were attended by the Company's Chief executive officer. However, discussions took place between the Directors without the Chief executive officer being present, in the context of the work carried out in preparation for the meetings of the Board and its committees, and following on from these meetings.

Meetings of the Board of Directors lasted for approximately one hour and forty-five minutes on average. The frequency and duration of the meetings of the Board of Directors mean that those subjects within the scope of Board of Directors could be examined and discussed in depth. The average attendance rate of Directors at Board meetings held during the 2020 fiscal year was: (i) 100% of Directors present or represented and (ii) 96% of Directors present (excluding represented Directors).

The table below sets out the average attendance rate at meetings of the Board of Directors for each individual Director (excluding Directors represented), for the fiscal year ended December 31, 2020:

| Director | Attendance rate |
|---|---|
| **Pierre Gadonneix** (Chairman of the Board of Directors and Independent Director) | 100% |
| **Yannick Assouad** (1) (Chief Executive Officer) | 100% |
| **Isabelle Azemard** (2) (Independent Director) | 100% |
| **Claire Dreyfus-Cloarec** (1) (Independent Director) | 75% |
| **Valérie Boyer** (Director representing the employees) | 100% |
| **Nathalie Stubler** (2) (Independent Director) | 100% |
| **Christophe Villemin** (3) (Director) | 100% |
| **Ralf Ackermann** (Director) | 85% |
| **Helen Lee Bouygues** (Director) | 100% |
| **Grégoire Huttner** (1) (Director) | 100% |
| **Caroline Catoire** (3) (Administrateur) | 100% |
| **Laurence Dors** (4) (Administrateur) | 100% |
| **Philip Swash** (3) (Directeur Général) | 92% |

*(1) Up until March 17, 2020, date of resignation from the role of Director.*

*(2) Up until January 22, 2020, date of resignation from the role of Director.*

*(3) Since March 17, 2020, date co-opted.*

*(4) Since June 11, 2020, date of her appointment by the General Meeting.*

## INFORMATION PROVIDED TO THE DIRECTORS

### Training provided to the Directors

New Directors of the Company are provided with training and benefit from interviews with the Executive Management and the Chairman of the Board of Directors which enables them to obtain a good understanding of the specific nature of the Company, its business lines, and its business segments. In addition, each year, the Director representing the employees receives specific training tailored to the performance of her duties and defined by the Board, in response to the legal requirements. So, since Valérie Boyer was appointed as Director representing the employees on May 17, 2018, interviews have been arranged with General Counsel, the Head of Human Resources, and the Chief Financial Officer, in order to increase her awareness of various subjects of relevance in the context of the performance of her duties.

These interviews continued in 2020, however, due to the Covid-19 crisis, she was not able to attend the training course for employee directors that had been approved for her by the Board of Directors on January 22, 2020, and provided by Sciences Po Paris.

In the context of the work carried out by the Board of Directors, each Director receives and may obtain disclosure of all of the information necessary for the performance of his or her assignment. Before each meeting of the Board of Directors, the Directors are sent, in a timely manner and, except in an emergency, at least 48 hours prior to the meeting, a file on the subject of all items featured on agenda which require specific analysis and advance consideration, whenever this is not prohibited by non-disclosure rules. If applicable, this file contains the minutes of the meetings of the committees and certain financial information. Any Director who has not been allowed to deliberate in full knowledge of the facts must inform the Chairman of the Board of this fact and require all of the information deemed necessary for the performance of his or her assignment. All requests for the information necessary for the completion of his or her assignment must be submitted to the Chairman of the Board. Generally speaking, each Director is provided with all of the information necessary for the performance of his or her assignment and may obtain the disclosure by the Chairman of the Board of all corresponding documents, once the Board of Directors has assessed the useful nature thereof.

The Chairman of the Board of Directors discloses on a permanent basis to the Directors any information concerning the Company of which he becomes aware and which he deems it appropriate to disclose. The Chairman also maintains regular contact with Executive Management and, in this context, ensures that all of the information concerning the Company is disclosed to the Board of Directors.

### Guests of the Board

During the 2020 fiscal year, the General Counsel, in his capacity as secretary to the Board of Directors, and the Chief Financial Officer, were both in attendance at almost all meetings of the Board of Directors. Other members of Group Management usually intervene on specific agenda items. However, during the course of 2020 and given the context of the health crisis, the interventions of other members of the

Management were less frequent. It should be noted that the Group Human Resources Director spoke at the Board of Directors' meeting regarding the implementation of a job-saving plan. The Company's Statutory Auditors attended 8 out of a total of 13 Board meetings in 2020.

## ASSIGNMENTS ENTRUSTED TO THE BOARD

The principal assignment of the Board of Directors, which is a collegial body mandated by the shareholders, is to determine the strategy for the business of the Company and ensure that this strategy is then implemented. Subject to those powers expressly awarded to General Meetings of Shareholders' and within the limits imposed by the corporate purpose, the Board of Directors examines all matters relating to the proper running of the Company and, via its deliberations, resolves all matters relating thereto.

In accordance with the laws, regulations, and statutory instruments applicable and with the provisions of the Internal Regulations, the Board of Directors in particular has jurisdiction in order:

- to convene General Meetings and set the agenda for such meetings;
- to approve the parent company financial statements, the consolidated financial statements, to draw up the Annual Management Report and the forward-looking management documents;
- to authorize any so-called "related-party" agreements;
- to appoint and dismiss the Chairman of the Board, the Chief executive officer, and as applicable any potential Deputy Chief executive officers, and to set the compensation paid thereto;
- to appoint the members of the committees;
- to distribute the Directors' fees;
- to transfer the registered office within France, subject to this decision being ratified by the next Ordinary General Meeting;
- to authorize any endorsements, security, and guarantees;
- to draw up the Corporate Governance Report;
- to issue any bonds and/or securities granting or not access to the share capital and having no dilutive effect;
- to finalize any draft plan of merger or de-merger;
- to authorize the Chief executive officer to proceed with any material transaction, i.e. the acquisition of any subsidiary or investment or of any other asset, for an amount in excess of €50 million;
- to authorize the Chief executive officer in order to sell off any significant investments or strategy assets;
- to authorize the Chief executive officer in relation to the creation of any material joint venture;
- to review the Group's industrial and financial strategy.

The Board of Directors is moreover kept informed about developments in the markets, in the competitor environment, and in relation to the main challenges being faced by the Company, including in relation to its social and environmental responsibility.

During the 2020 fiscal year, the main subjects submitted to the Board of Directors related in particular to:

- the financial position, cash position, and commitments made by the Group, and in particular:
  - the examination of the budget for the 2020 fiscal year,
  - the presentation by the Statutory Auditors of the parent company and consolidated financial statements for the 2019 fiscal year, as well as the presentation on the interim consolidated financial statements dated June 30, 2020,
  - the establishment of the Group's parent company and consolidated financial statements for the 2019 fiscal year,
  - the examination of the income for the first half of 2020, the forecasts for the second half of 2020, and the prospects for the 2020 fiscal year,
  - the establishment of the Management Report and the appendices thereto for the 2019 fiscal year,
  - the examination of the quarterly income and figures and the 2020 forward-looking management documents,
  - currency hedges,
  - the continuation of the liquidity agreement;
  - funding in the context of the crisis related to the Covid-19;
- the monitoring of all key strategies, in particular:
  - the discussion of acquisitions, the making of investments, and any contemplated strategic transactions,
  - changes in the industry and in the Group's strategic focuses particularly in the context of the Covid-19 crisis,
  - an update on developments in the markets and the competitor environment;
- executives' compensation, and in particular:
  - the variable part of the compensation paid to the Chief Executive Officer for the 2019 fiscal year,
  - the examination of the policy regarding the compensation paid to the Chairman of the Board for the 2020 fiscal year and of the corresponding report,
  - the examination of the policy regarding the compensation paid to the Chief executive officer for the 2020 fiscal year and of the corresponding report,
  - the adjustments made to the compensation paid to the Chief Executive Officer for the 2020 fiscal year,
  - the compensation policy for directors and committee members,
  - the compensation proposal for 2020 for members of the Executive Committee,
  - the plan for the allocation of performance shares to the Group's corporate officers and employees (MIP 2),
  - the succession and development plans of the Group's key executives;
- corporate governance and internal controls, and in particular:
  - the change in governance with the removal and replacement of the Chief Executive Officer and the appointment of a Deputy Chief Executive Officer,
  - the co-option of directors,
  - the composition of the committees,
  - the dissolution of the Beyond Committee and the abolition of the function of Lead Director,

- the Board's communication with minority shareholders,
- the examination of the Directors' situation with regard to the independence criteria adopted by the Internal Regulations,
- the examination of the key risks,
- the assessment of the functioning of the Board of Directors and the committees,
- the adoption within the Group of a diversity policy,
- the examination of gender balance on the Executive Committee and of gender balance in the top 10% of executive positions,
- the drafting of the Corporate Governance Report,
- the examination of the provisions of the Middlenext Code ("Comply or Explain") and the review of the points for particular attention set out in the Middlenext Code,
- the adaptation of the Internal Regulations in response to the changes made to the Board and its committees;
- financial transactions, and in particular:
  - endorsements, security and guarantees,
  - the subscription of PGE (State Guaranteed Loans) in the context of the Covid-19 crisis and of a shareholder loan from the majority shareholder;
- other questions, and in particular:
  - the monitoring of the evolution of the health and economic crisis linked to Covid-19,
  - the examination of the shareholding structure and the changes made thereto in the context of the success of the public offer initiated by SCP SKN Holding I S.A.S. (Searchlight),
  - the evolution of the composition of the Board of Directors and its committees in the context of the success of the public offer initiated by SCP SKN Holding I S.A.S. (Searchlight),
  - the examination of strategic decisions and commercial positions,
  - the convening of an Ordinary and Extraordinary General Meeting of Shareholders (including finalizing the draft resolutions and the Board of Directors' Report presenting the resolutions),
  - a review of all regulated agreements whose execution is continued,
  - the delivery of free shares following the final acquisition of the performance shares resulting from Tranche 1 of the MIP 2 plan,
  - the examination of press releases,
  - the training of the Director representing the employees,
  - the presentation of the diversity and equality within the Group,
  - the examination of the corporate and social (CSR) and safety policy,
  - the training policy for Group employees.

## THE COMMITTEES CREATED BY THE BOARD

The Board of Directors has created Board committees aimed at improving its functioning and providing effective assistance with the preparation of its decisions by issuing recommendations or non-binding opinions addressed to the Board of Directors. As at December 31, 2020, the committees within the Company's Board of Directors were as follows:

- the Appointments and Compensation Committee;
- the Audit and Risk Committee;
- the Strategic Committee.

The work carried out by the various committees during the 2020 fiscal year was presented on a regular basis to the Board of Directors during the course of the year in the form of reports.

### Appointments and Compensation Committee

The table below summarizes the composition of the Appointments and Compensation Committee, as well as the changes made to the composition thereof during the 2020 fiscal year.

| Composition of the committee as at January 1, 2020 | Departure | Appointment | Departure | Appointment | Composition of the committee as at December 31, 2020 |
|---|---|---|---|---|---|
| **Isabelle Azemard** (Chairwoman and Independent Director) | **Resignation** (January 22, 2020) | - | - | | - |
| **Pierre Gadonneix** (Independent Director) | - | - | - | | **Pierre Gadonneix** (Independent Director) |
| **Helen Lee Bouygues** | - | **Appointment as Chairwoman** (January 22, 2020) | | | **Helen Lee Bouygues** (Chairwoman) |
| **Claire Dreyfus-Cloarec** (Independent Director) | **Resignation** (January 22, 2020) | **Appointment of Ralf Ackermann** (January 22, 2020) | **Resignation** (May 18, 2020) | **Appointment of Christophe Villemin** (May 18, 2020) | **Christophe Villemin** |
| **4 MEMBERS** | | | | | **3 MEMBERS** |

One member of the Committee is independent and the position of Chair was entrusted to an independent Director until January 22, 2020. The Chief executive officer is not a member of the committee, however he is invited, along with the Group's Head of Human Resources, to each of its meetings, and is involved in the work of the committee relating to the examination of the compensation policy for non-executive corporate officers. The Chairman of the Board, the Chief executive officer, and the Head of Human Resources do not take part in the discussions and work relating to their own positions and compensation.

In accordance with its Internal Regulations, the Appointments and Compensation Committee is tasked in particular with:

**a) in relation to governance:**

- issuing an opinion on whether the positions of Chairman of the Board of Directors and Chief executive officer should be held jointly or individually;

**b) in relation to selection and appointment:**

- issuing an opinion on the contemplated appointment or dismissal of the Chairman of the Board of Directors,
- issuing an opinion on the contemplated appointment or dismissal of the Chief executive officer and the Deputy Chief executive officer or Officers by the Board of Directors, and the committee may also put forward its own candidates,
- being consulted on contemplated appointments or dismissals of Division Managers,
- making proposals on the selection of Directors and committee members and, more generally, on the composition of the Board of Directors and the committees; if applicable, the services of an external expert/firm may be called upon,
- drawing up a succession plan and assisting the Board of Directors with selecting and assessing the Chairman of the Board of Directors, the Chief executive officer, and the Deputy Chief executive officer or Officers, as applicable,
- being consulted on the succession plan and the choice of Division Managers,
- examining the independence of the Directors and candidates for the role of Director or member of a committee with regard to the standards and recommendations applicable in France and on the regulated market on which the Company's shares are admitted to trading, as well as the principles of corporate governance referred to by the Company;

**c) in relation to compensation:**

- making all recommendations to the Board of Directors in relation to the compensation and leaving bonuses awarded to the Chief executive officer or Deputy Chief executive officer or Officers.

  These recommendations relate to all elements making up the compensation paid to the Chief executive officer or Deputy Chief executive officer or Officers, including the allocation of share subscription options, share purchase options, or bonus shares, together with compensation and benefits of all kinds (including benefits relating to pensions and leaving bonuses), paid by the Company,
- examining and making recommendations on the definition of the quantitative and qualitative criteria associated with the variable portion of the compensation paid to the Chief executive officer or Deputy Chief executive officer or Officers.

  For each corporate fiscal year used as a reference, the committee examines and issues an opinion on the attainment by the Chief executive officer or Deputy Chief executive officer or Officers of the targets connected with the aforementioned quantitative and qualitative criteria for the said fiscal year, and on the corresponding amount of the variable part of their compensation. The committee examines and makes recommendations in relation to the updating of the aforementioned quantitative and qualitative criteria and on the annual re-assessment of the associated targets set for the Chief executive officer or Deputy Chief executive officer or Officers,
- being consulted on the definition of the quantitative and qualitative criteria associated with the variable part of the compensation paid to Division Managers.

For each corporate fiscal year used as a reference, the committee is consulted on the degree of attainment, by the Division Managers, of the targets linked to the quantitative and qualitative criteria for the said fiscal period, and on the corresponding portion of the variable part of their compensation,

- ensuring that the elements making up the compensation paid to the Chief executive officer, the Deputy Chief executive officer or Officers, and the Division Managers, are coherent with their annual performance reviews and with the Company's strategy, and then monitoring the application of these rules for the Chief executive officer and the Deputy Chief executive officer or Officers,
- ensuring that the compensation and other commitments made to the Chief executive officer, the Deputy Chief executive officer or Officers, and the Division Managers are in line with the provisions of the bylaws, as well as with the corporate governance principles referred to by the Company,
- being consulted by the Board of Directors on all plans concerning the contractual profit sharing policy for the Group's executive managers (corporate officers of subsidiaries and Executive Committee members) which could Lead to the allocation, in favor of the latter, of share subscription options, share purchase options, or even bonus shares, or, more generally, to the implementation of any other range of measures enabling access to the Company's share capital,
- being informed about the policy drawn up by the Company's Executive Management in relation to the compensation paid to the Group's executive managers (corporate officers of subsidiaries and Executive Committee members), in particular in relation to the principle of and detailed methods used for the awarding of the variable part of the compensation not linked to income.

It should be noted that, in the context of the performance of its selection and appointment assignment, the choice made by the committee of candidates for the position of Director is guided by the interests of the Company and of all of its shareholders. It may take the following factors into account: (i) balance sought in terms of the composition of the Board of Directors with regard to the composition of and changes in the shareholding structure of the Company, (ii) the gender balance, (iii) the potential representation of specific categories of interests, (iv) the advisability of renewing appointments, (v) the integrity, skills, international experience, nationality, and independence of each candidate, and (vi) the desirable number of Independent Directors. The committee must also make every effort to reflect a wide range of experiences and points of view. The Appointments and Compensation Committee must also make every effort, when issuing opinions or recommendations in relation to selections or appointments, to ensure that (i) there are at least two Independent Directors sitting on the Board, and (ii) the Chief executive officer is not a member of the Audit and Risk Committee. The committee produces its own reports on potential candidates before any steps are taken to contact them.

For the performance of its work, the committee may contact the Company's key executives or ask for external technical research on the subjects within its competence, in particular after having informed the Chairman of the Board and the Chief executive officer and subject to reporting on such measures to the Board of Directors.

It should be noted that the Annual Report provides information to the shareholders on the compensation paid to the corporate officers, on the principles and methods which determine the manner in which their compensation is set, and on the awarding of performance shares to the latter.

The Appointments and Compensation Committee met six times in 2020, with a 100% attendance rate. The table below sets out the average attendance rate for each member of the Appointments and Compensation Committee at meetings of this committee.

| Director | Attendance rate |
|---|---|
| **Isabelle Azemard** (1)<br>(Chairwoman and Independent Director) | 100% |
| **Pierre Gadonneix**<br>(Independent Director) | 100% |
| **Helen Lee Bouygues**<br>(Chairwoman as of January 22, 2020) | 100% |
| **Claire Dreyfus-Cloarec** (2)<br>(Independent Director) | 100% |
| **Ralf Ackermann** (3) | 100% |
| **Christophe Villemin** (4) | 100% |

*(1) Up until January 22, 2020, date of resignation from the role of Director.*

*(2) Up until January 22, 2020, date of resignation from the role of member.*

*(3) From January 22, 2020 until May 18, 2020.*

*(4) From May 18, 2020.*

At these meetings, the Appointments and Compensation Committee in particular:

- examined the independence of the Directors;
- examined the assessment of the functioning of the Board of Directors and committees for 2020 carried out in-house;
- implemented and monitored compliance with the policy for diversity within the Board of Directors;
- examined the results of the policy for diversity within the Board of Directors and prepared the adoption of the targets set by said policy for 2020 and subsequent fiscal years;
- examined the appointment of an Independent Director by the General Meeting;
- examined the co-opting of three Directors further to resignation;
- examined the appointment of these four Directors as member of one or several committees;
- studied the impacts of changes in the law and regulations, in particular in terms of governance, re-examined the succession and development plan for the Chief executive officer and the Group's key executives;
- monitored the implementation of the succession plan in the context of the replacement of the Manager of the Aerostructures Division and of the Group's Chief Financial Officer;
- reviewed the "Comply or Explain" table in applicable of the Middlenext Code;
- examined the draft Corporate Governance Report;
- examined diversity and equality within the Group. The committee therefore heard from the Head of Human Resources on diversity and equality, in particular, in relation to the key figures relating to diversity, gender equality, employees with disabilities, and also on the Group's expectations, challenges, and targets in relation to diversity;

- studied the question of Directors' compensation and notably that paid to the Lead Independent Director;
- studied the Chief executive officer's compensation policy, in particular in relation to the variable part thereof;
- studied proposed resolutions on the compensation paid to executive corporate officers in preparation for the General Meeting of Shareholders;
- examined the application of the plans for awarding bonus shares and performance shares to Group employees and corporate officers;
- examined the report on the compensation paid or awarded to executive corporate officers during the fiscal year ended December 31, 2019 ("*Ex-Post* Say on Pay");
- studied the compensation paid to members of the Executive Committee.

## Audit and Risk Committee

The table below summarizes the composition of the Audit and Risk Committee, as well as the changes made to the composition thereof during the 2020 fiscal year.

| Composition of the committee as at January 1, 2020 | Departure | Appointment | Departure | Appointment | Composition of the committeeas at December 31, 2020 |
|---|---|---|---|---|---|
| **Claire Dreyfus-Cloarec** (Chairwoman – Independent Director) | **Resignation** (March 17, 2020) | **Appointment of Pierre Gadonneix** Member and Chairman (March 17, 2020) | **Resignation from the office of Chairman** (June 11, 2020) | - | **Pierre Gadonneix** (Independent Director) |
| - | - | - | - | **Appointment of Laurence Dors** (June 11, 2020) | **Laurence Dors** (Chairman – Independent Director) |
| **Nathalie Stubler** (Independent Director) | **Resignation** (January 22, 2020) | **Appointment of Helen Lee Bouygues** (January 22, 2020) | - | - | **Helen Lee Bouygues** |
| **Ralf Ackermann** | - | - | - | - | **Ralf Ackermann** |
| **3 MEMBERS** | | | | | **4 MEMBERS** |

The position of Chair of the committee was entrusted to an Independent Director, in accordance with recommendation R6 of the Middlenext Code, as reiterated in the committee's Internal Regulations. The Chief executive officer is not a member of the Audit and Risk Committee but may be invited to its meetings.

When appointed, the members of the Audit and Risk Committee may if necessary be given training on the specific accounting, financial, and operational aspects relating to the Company and the Group. All of the current members of the Audit and Risk Committee have accounting and financial expertise as a result of their academic or professional careers. For detailed information regarding the experience of the members of the Audit and Risk Committee, please see Section 3.2.1, "Composition of the Board of Directors".

In accordance with Article L.823-19 of the French Commercial Code and with the Internal Regulations, the Audit and Risk Committee is tasked in particular with:

**a) in relation to the financial statements:**

- ensuring the relevance, permanence, due implementation of and compliance with the accounting methods adopted for the compilation of the parent company and consolidated financial statements as well as for the appropriate processing of all material transactions at the level of the Group's entities,
- ensuring the monitoring of the legal oversight of the parent company and consolidated financial statements by the Statutory Auditors upon finalization of the financial statements, proceeding with a preliminary examination thereof and issuing an opinion on the draft parent company, consolidated, half-yearly and annual financial statements prepared by the Finance Division, prior to their presentation to the Board of Directors. For this purpose, the draft financial statements and all other useful documents and information must be submitted to the Audit and Risk Committee before the financial statements are examined by the Board of Directors. In addition, the examination of the financial statements by the Audit and Risk Committee must be accompanied by (i) a note from the Statutory Auditors detailing the performance of their assignment and the conclusions of their work, which enables the committee to be informed of the key areas of risk or uncertainty in relation to the financial statements identified by the Statutory Auditors, their approach to the audit, and any difficulties that may have been experienced in their assignment, and (ii) a presentation by the Chief Financial Officer, describing the exposure to risk and any material off-balance sheet undertakings made by the business as well as the accounting options retained. The Audit and Risk Committee interviews the Statutory Auditors, the Finance Division (if applicable, in the absence of the Executive Management), and Executive Management, in particular, on the depreciation and amortization, provisions, recording of excess amounts, consolidation principles, and accounting methods retained,
- examining the draft interim financial statements, the draft half-yearly report and activity and income report prior to publication, and all financial statements drawn up for the requirements of specific transactions (contributions, mergers, transactions in the financial markets, release for payment of interim dividends, etc.),
- examining the scope of the consolidated companies and, if applicable, the reasons why certain companies may not be included therein,

- examining the risks and material off-balance sheet undertakings made, and assessing the scale of any weaknesses or malfunctions disclosed thereto, and informing the Board of Directors where applicable,
- examining the accounting and financial recording of any acquisition or divestment transactions, as applicable, and examining all significant transactions in the context of which a conflict of interests may arise;

**b) in relation to the internal audit, internal control, and risk management, including in relation to compliance:**

- monitoring the effectiveness of the risk management and internal control systems, and, if applicable, the internal audit concerning procedures relating to the drafting and processing of accounting and financial information within the Group. For this purpose, the committee ensures that risk management and internal control systems are in place, allowing the identification, analysis, management and also continual improvement of the prevention and management of all types of risk, in particular, risk liable to have an impact on the accounting and financial information, with which the Group may be faced in the context of its business activities, as well as adherence by the Group with the rules on compliance,
- receiving information on regular basis from Executive Management on the organization and functioning of the risk management and internal control systems,
- examining from time to time the key risks identified by Executive Management, the results of the application of the risk management and internal control systems, and the relevance of the risk monitoring procedures, and ensuring that appropriate action plans have been put in place to remedy any malfunctions or weaknesses revealed,
- being kept informed about the key malfunctions or weaknesses observed and the action plans defined by Executive Management,
- analyzing the internal control reports issued by the Statutory Auditors,
- ensuring that issues relating to control and the process used to compile the financial and accounting information are monitored,
- verifying that internal procedures have been defined for the gathering and control of information which guarantee that it is rapidly and reliably escalated; examining the Statutory Auditors' action plan,
- hearing on a regular basis the reports of the Group's external auditors on the detailed methods used in their work, as well as the responses from the Executive Management,
- examining and commenting on the section of the Management Report relating to the internal control and risk management procedures put in place by the Company,
- examining all questions relating to internal control, risk management, and the internal audit that may be submitted thereto by the Board of Directors; asking the Executive Management for any information;

**c) in relation to the Statutory Auditors:**

- assessing the degree of compliance with the rules, principles, and recommendations guaranteeing the independence of the Statutory Auditors and ensuring the monitoring of their independence, in particular, by examining with the Statutory Auditors the risks in relation to their independence and the safeguarding measures put in place to attenuate such risks,
- supervising the procedure by which the Statutory Auditors are selected or their appointments renewed, taking care that the best and not the cheapest candidates are retained, issuing an opinion on the fees charged for the performance of the legal control assignment, issuing a reasoned opinion on the choice of Statutory Auditors, and sharing its recommendations with the Board of Directors,
- obtaining disclosure of the fees paid by the Company and the Group to the firm and the network of Statutory Auditors, together with information on the services rendered in the context of work connected directly with the assignment entrusted to the Statutory Auditors, ensuring that the total or percentage represented by these fees as part of the total revenue of the firm and of the network of Statutory Auditors is not liable to jeopardize their independence,
- approving any services other than the certification of the financial statements;

**d) in relation to financial policy:**

- being kept informed by Executive Management about the Group's financial position, the methods and techniques used to define the financial policy; being kept informed on a regular basis about the Group's guidelines on financial strategy,
- examining, prior to circulation, all external announcements made by the Group on accounting and financial matters or which are liable to have an impact on the Group's financial position or outlook,
- giving an opinion on the resolutions presented to the General Meetings and which relate to the Company's parent company financial statements and to the Group's consolidated financial statements,
- at the request of Executive Management, giving an opinion on decisions relating to the allocation of resources which, either due to the beneficiaries thereof, or due to possible conflicts of interest, could generate interpretation difficulties as to their compliance with the law and statutory rules,
- examining all matters of a financial or accounting nature submitted there to by the Chairman, the Board of Directors, the Executive Management, or the Statutory Auditors, as well as any questions relating to conflicts of interest of which it becomes aware;

**e) in relation to all other reviews carried out in the context of its functions:**

- being kept informed by Executive Management and hearing on a regular basis from Financial Division about the Group's tax strategy and the implications thereof,
- being kept informed by Executive Management and hearing on a regular basis from the IT Services Division on the Group's governance and policy in terms of IT security and cyber-security,
- carrying out a periodic review of the Group's policy in terms of Ethics and Compliance, as well as the range of measures and procedures for the implementation thereof.

In addition, the Internal Regulations stipulate that the provision of any service in addition to the certification of the financial statements is subject, in accordance with the detailed methods set out in the French Commercial Code, to approval from the Audit and Risk Committee and to verification by the Statutory Auditor of its independence.

Regarding the approval of the Audit and Risk Committee, this is required when any services other than the certification of the financial statements are provided by the Statutory Auditor, or members of its network, in France or abroad, to the Company, to the entities which control or are controlled by the Company as per I and II of Article L.233-3 of the French Commercial Code. For this, the Audit and Risk Committee examines the nature and scope of the services subject to its approval with regard to the laws and regulations governing the independence of the Statutory Auditors.

The key points of contact for the Audit and Risk Committee are the Executive Management, the Finance Division, the Legal, Insurance, Ethics, and Compliance Divisions, as well as the Company's Statutory Auditors. Members of the Finance Division, and of the Legal, Insurance, Ethics, and Compliance Departments, and also the Company's Statutory Auditors, may be heard in the absence of the executive corporate officers and members of the Executive Management, at the discretion of the committee. The Audit and Risk Committee may hear from third parties from outside of the Company when this is of use for the performance of its assignments. The Audit and Risk Committee may also call upon the services of external appraisers, as required, taking care to ensure that these are competent and independent, subject to having given prior notice to the Chairman of the Board and the chief executive officer in particular. The committee cannot at its own initiative examine any questions which would fall outside the scope of its assignment. The committee does not have the power to make decisions.

The Audit and Risk Committee met thirteen times in 2020, with a 90% attendance rate.

The table below sets out the average attendance rate for each member of the Audit and Risk Committee at meetings of this committee.

| Director | Attendance rate |
|---|---|
| **Claire Dreyfus-Cloarec** (1)<br>(Chairwoman – Independent Director) | 100% |
| **Nathalie Stubler** (2)<br>(Independent Director) | 50% |
| **Ralf Ackermann** | 100% |
| **Helen Lee Bouygues** (3) | 100% |
| **Pierre Gadonneix** | 100% |
| **Laurence Dors** (4) | 100% |

*(1) Up until March 17, 2020, date of resignation from the role of Director.*

*(2) Up until January 22, 2020, date of resignation from the role of Director.*

*(3) Since January 22, 2020, date of her appointment as a member of the Committee to replace Nathalie Stubler.*

*(4) Since June 11, 2020, date of her appointment as a member and Chairwoman of the Committee.*

At these meetings, the Audit and Risk Committee in particular:

- examined the budget for the 2020 fiscal year;
- examined the draft financial statements as at December 31, 2019;
- examined the financial statements for the first half-year 2020 as well as the interim statements;
- reviewed all draft press releases containing financial information;
- examined the reports and listened to the conclusions of the Statutory Auditors;
- examined the Management Report for the 2019 fiscal year;
- reviewed and validated the figures and methods used to calculate the variable compensation of the Chief executive officer for 2019;
- examined and approved any "non-audit" assignments entrusted to the Statutory Auditors;
- heard from the Finance Department on the Group's financial policy and analyzed its financing capacity;
- monitored foreign exchange hedging and re-examined the hedging strategy;
- monitored the internal control and analyzed Group risk;
- monitored the roll out of the Cost Reduction Plan;
- reviewed and analyzed the key risks and opportunities;
- re-examined the Business Plan;
- studied the budgetary framework for 2021;
- examined the potential external growth transactions and their financial structuring.

The work of the Audit and Risk Committee was in line with the targets defined therefore during the course of the fiscal year. Sufficient time was provided for the finalization of the financial statements and the examination thereof. The work of the Audit and Risk Committee was facilitated by the presence of the Statutory Auditors and the Group's Chief Financial Officer at all meetings.

The presentations made by the Statutory Auditors essentially related to the conclusions of their audit of the parent company and consolidated financial statements, to their limited review of the half-yearly financial statements, and to the validation of the work (methodology and quantification) carried out by the Audit and Risk Committee and the Finance Division on these subjects. They did not highlight any difficulties encountered in the conduct of their assignment.

The Audit and Risk Committee did not express any reserves in relation to the parent company and consolidated financial statements or to the half-yearly documents as presented thereto.

## Strategic Committee

The table below summarizes the composition of the Strategic Committee, as well as the changes made to the composition thereof during the 2020 fiscal year.

| Composition of the committee as at January 1, 2020 | Appointment | Departure | Composition of the committee as at December 31, 2020 |
|---|---|---|---|
| **Pierre Gadonneix** (Independent Director) | **Appointment as Chairman** (January 22, 2020) | | **Pierre Gadonneix** (Chairman and Independent Director) |
| **Yannick Assouad** | | **Resignation** (March 17, 2020) | - |
| **Nathalie Stubler** (Chairwoman and Independent Director) | | **Resignation** (January 22, 2020) | - |
| **Grégoire Huttner** | | **Resignation** (March 17, 2020) | - |
| | **Appointment of Claire Dreyfus-Cloarec** (January 22, 2020) | **Resignation of Claire Dreyfus-Cloarec** (March 17, 2020) | - |
| | **Appointment of Ralf Ackermann** (June 22, 2020) | | **Ralf Ackermann** |
| | **Appointment of Philip Swash** (January 22, 2020) | | **Philip Swash** |
| **4 MEMBERS** | | | **3 MEMBERS** |

In the performance of its assignment, the Strategic Committee is able to invite and/or hear from persons from outside of the committee at its meetings, in particular on the basis of the agenda and the subjects discussed. These individuals may be from within or outside of the Group. The participation at meetings of the Strategy Committee by individuals other than members of such committee must be justifiable with regard to a particular role or skill set held thereby or specific knowledge necessary for the deliberations of the Strategy Committee.

In accordance with its Internal Regulations, the assignment of the Strategy Committee is to set out to the Board of Directors its opinions and recommendations in relation to:

- the Group's key strategies;
- the development policy (strategy agreements, partnerships).

The Strategic Committee therefore carries out preparatory analyses and studies aimed at facilitating the work of the Board of Directors, one of the key assignments of which consists of determining the strategic direction to be taken by Latécoère's business activities and ensuring the implementation thereof.

The Strategy Committee met once in 2020, jointly with the Audit and Risk Committee, with a 100% attendance rate.

The table below sets out the average attendance rate for each member of the Strategy Committee at meetings of this committee.

| Director (1) | Attendance rate |
|---|---|
| **Pierre Gadonneix** (Chairman and Independent Director) | 100% |
| **Ralf Ackermann** | 100% |
| **Philip Swash** | 100% |

*(1) Only directors in office at the time of the only meeting held in the year 2020 shall be considered*

At its meeting, the Strategic Committee has, jointly with the Audit and Risk Committee:

- analyzed the state of and trends in the aeronautics market;
- reviewed the Group's entire industrial and financial strategy;
- examined the goals set in relation to strategy and market positioning for the Group;
- analyzed and discussed potential acquisitions, investments, or joint ventures;
- studied internal and external growth opportunities;
- studied the investment strategy in terms of Research & Development;
- analyzed the financing capacity of the Group strategy;
- analyzed the competitor landscape.

### ASSESSMENT OF THE FUNCTIONING OF THE BOARD

An evaluation of the functioning methods, composition, and organization of the Board of Directors is carried out each year. This evaluation is aimed in particular at obtaining an update on the functioning method used by the Board of Directors and at verifying that the discussions held by the Board of Directors are appropriated organized and conducted.

The evaluation of the Board of Directors is carried out each year, either in the context of a discussion between the Directors at a meeting of the Board of Directors, or on the basis of a study carried out with the help of a specialist consulting firm.

This evaluation was carried out in-house, in accordance with recommendation R11 of the Middlenext Code, in the context of a discussion during a meeting of the Board of Directors, prepared by the Appointments and Compensation Committee. The evaluation was completed by questioning each Director in advance in order in particular to obtain his or her assessment of the functioning of the Board of Directors and any suggestions for potential improvements, as well as to assess the individual contribution made by each Director to the work of the Board of Directors. Among the subjects raised were, in particular, the information provided to the Directors, the structure and composition of the Board, its organization, the skills and profiles of the Directors, the internal dynamics within the Board of Directors, decision-making by the Board and its functioning, communication within the Board and the level of commitment shown by the Directors, as well as the functioning of the committees in general.

A summary of the evaluation was produced and examined by the Appointments and Compensation Committee then presented and discussed at the meeting of the Board of Directors held on March 6, 2020. The evaluation highlighted the Directors' overall positive assessment of the governance of the Company. Following this assessment, the Directors emphasized the mixture of skills and aptitudes to be found within the Board of Directors, necessary for the implementation of the Company's strategy. They also expressed their satisfaction with the quality of Board meetings, in terms of their preparation, frequency and duration. Relations between the Board of Directors and Executive Management are considered to be very satisfactory, and significant work has enabled the Board and Executive Management to align themselves on major issues, particularly strategy. The effective functioning and in-depth work carried out by the Special Committees, systematically fed back to the Board of Directors, was also noted, together with the positions adopted by the Independent Directors during discussions and their increased level of participation.

By analyzing this evaluation, the Board of Directors wished to continue to improve the balance of its composition, in particular in terms of skills related to the business activities of the Company, of the number of Independent Directors and/or reducing the number of Directors.

This evaluation in particular concluded that the Board of Directors wished to continue to develop debates during meetings, taking into account what was achieved at meetings of the committees, and to prefer that Directors are physically present at meetings, to continue to improve the quality of the discussions, and that meetings should be held at the Group's various different sites.

The development of the composition of the Board of Directors as well the succession plans are subjects of great interest to the Board of Directors. Moreover, this evaluation has led to recommendations regarding the definition of and respect for the roles of each committee, optimal use of the committees to improve the performance of the Board of Directors and increasingly effective reporting by the Executive Management.

### SUCCESSION PLAN

The assignments entrusted to the Appointments and Compensation Committee include that of drawing up a succession plan for the Chairman of the Board of Directors, the Chief executive officer, and the Division Managers.

A succession plan for all members of the Executive Committee (including the Chief executive officer), which is reviewed on a regular basis by the Appointments and Compensation Committee, as drawn up and validated by the latter at its meeting of June 13, 2018. This succession plan, which was subsequently updated at the Appointments and Compensation Committee meeting of November 20, 2020, covers:

- an immediate and temporary succession (case of an unforeseen and/or sudden succession);
- a succession in the medium-term (further to an immediate and temporary succession, or in the event of an early succession).

## 3.2.4 STATEMENTS RELATING TO CORPORATE OFFICERS

### CONFLICTS OF INTEREST

In order to avoid all potential conflicts of interest, the Internal Regulations impose compliance with strict obligations upon the Directors. In this respect, the Internal Regulations stipulate that:

- any Director concerned by a situation which suggests or could suggest the existence of a conflict of interests must as soon as possible inform the Chairman of the Board of Directors or, if the latter is involved, the Chairman of the Appointments and Compensation Committee (Article 5);
- any Director concerned by a situation which suggests or could suggest the existence of a conflict of interests must abstain from taking part in discussions and voting on the corresponding resolution, must not attend meetings of the Board of Directors while in a conflict of interests situation or, in the event of an extreme conflict of interests situation, must resign from the Board;
- during his or her term of appointment, each Director shall not hold any position in any company which is a competitor of the Company or of a Group company without having obtained prior consent from the Chairman of the Board of Directors or, if the latter is involved, from the Chairman of the Appointments and Compensation Committee;

- each Director has an obligation to declare to the Chairman of the Board of Directors and, more generally, to the Board of Directors, within one month following the end of the fiscal year:
  **(i)** where this is paid, owed to, or to be charged to any company controlled by the Company:
    - any compensation, Directors' fees, or benefits of any kind whatsoever, including in the form of the allocation of capital shares or debt securities, of shares granting access to the share capital or options, paid or to be paid on the basis of the past fiscal year, as applicable, making a distinction between the fixed, variable, and exceptional items of which it is made up, as well as the application criteria used for the calculation thereof or the circumstances under which these were established,
    - any benefits of any kind whatsoever corresponding to compensation, indemnities, or benefits ether due or liable to be due on the basis of the acceptance or termination of, or change in the duties entrusted or subsequently thereof, whether such benefits result from an employment contract or not,
    - any supplemental pension plan;

  **(ii)** any office held or duties performed within any other company during the fiscal year;

  **(iii)** over the last five (5) years, any office held outside of the Group controlled by the Company, any conviction for fraud, any incrimination and/or official sanction, and, in particular, any prohibition on acting in the capacity of member of the management or Supervisory Board or Board of Directors of an issuer.

The Chairman of the Board of Directors, was not aware in 2020 of any conflicts of interest and the Appointments and Compensation Committee, at its meeting on March 31, 2021, concluded that there were no conflicts of interest between the duties of the corporate officers with regard to the Company and their private interests and/or other duties.

To the best of the Company's knowledge, as of the date of this Universal Registration Document, no conflicts of interest exist between the duties of its corporate officers with regard to the Company and their private interests and/or other duties.

The Internal Regulations, including the rules relating to the prevention of conflicts of interest, can be obtained via the Company website (*www.latecoere.aero*).

## SERVICE CONTRACTS BETWEEN CORPORATE OFFICERS AND THE COMPANY OR ONE OF ITS SUBSIDIARIES

To the best of the Company's knowledge and as of the date of this Universal Registration Document, no service agreements have been concluded by and between the corporate officers and the Company or its subsidiaries which foresee the granting of benefits.

## OTHER STATEMENTS RELATING TO CORPORATE OFFICERS

In accordance with the provisions of the Internal Regulations, a Director must inform the Chairman of the Board, or if the Chairman himself is concerned, the Chairman of the Appointments and Compensation Committee, if he or she is contacted in relation to a role with a competitor company or one of the Group companies, in order to obtain prior consent for the holding of such office. In 2020, no Directors were offered a role in any competitor company or one of the Group companies.

To the best of the Company's knowledge, there are no family connections between members of the Board of Directors.

To the best of the Company's knowledge, and as of the date of this Universal Registration Document, over the last five years, (i) no corporate officer has been found guilty of fraud, (ii) no corporate officer has been associated with a bankruptcy, the placing of assets in escrow, or liquidation, (iii) no guilty verdict and/or official public sanction has been handed down in relation to a corporate officer by the statutory or regulatory authorities (including designated professional bodies), and (iv) no corporate officer has been prohibited by the courts from acting in the capacity of member of the Board of Directors or of the Management or Supervisory Board of an issuer or from taking part in the management or conduct of business of an issuer.

With the exception of the legal, regulatory, or statutory restrictions or those stipulated by the Financial Market Code of Ethics described in Section 3.2.2 of this Chapter, "Rights and obligations of the Directors", to the best of the Company's knowledge, and as of the date of this Universal Registration Document, there are no restrictions accepted by the corporate officers concerning the assignment, after a certain period time, of their investment in the share capital of the Company.

It is however stipulated that, as indicated in Section 3.3, the Chief executive officer is bound by certain retention obligations.

In the context of the change in Lead shareholder in favor of SCP SKN Holding I S.A.S (Searchlight) followed by the success of the Takeover Bid filed by the latter, three individuals designated by Searchlight (Ralf Ackermann, Grégoire Huttner and Hélène Lee Bouygues) were selected as Directors of Latécoère on June 26, 2019, on the basis of their skills in financial matters and corporate finance, and their significant experience in supporting businesses such as Latécoère.

A new Director designated by Searchlight, Mr. Philip Swash was moreover co-opted on January 22, 2020, taking to four the number of Directors designated by the majority shareholder.

On March 17, 2020, Grégoire Huttner was replaced by Christophe Villemin, also designated by Searchlight, and Caroline Catoire was co-opted as a Director, thereby taking the number of those designated by Searchlight on the Board of Directors to five. On the same date, Philip Swash replaced Yannick Assouad as the Company's Chief executive officer and Thierry Mootz was appointed as the Company's Deputy Chief executive officer.

However, there is no arrangement or agreement with clients or suppliers pursuant to which any one of the former could have been selected as a Director or member of the Executive Management of Latécoère.

## 3.2.5 CORPORATE GOVERNANCE CODE

Since May 17, 2010, the Company has referred to the Middlenext Corporate Governance Code for Small and Mid-Cap Companies of December 2009, as revised in September 2016 (the "Middlenext Code"). Moreover, the Board of Directors' Internal Regulations were modified on September 14, 2017 in order to integrate the changes made in the 2016 version of the Middlenext Code.

The Middlenext Code can be examined on the Middlenext website.

The Company's practices are in line with the recommendations set out in the Middlenext Code, which requires a detailed statement to be made on the application of its recommendations and explanations, if applicable, regarding the reasons why a company may not have implemented certain of these. For the 2020 fiscal year, this in fact relates to the recommendations described in the table below.

| Recommendations | Explanations |
|---|---|
| **Term of the appointments of the members of the Board**<br>(Recommendation R9 of the Middlenext Code)<br>*The Board is advised to monitor to ensure that the statutory term of the appointments is adapted in response to the specific needs of the business, within those limits set by law.*<br>*The staggered renewal of the appointments of the Directors is also recommended.* | This recommendation has not been applied in that it concerns the staggered renewal of the appointments of the Directors, changes to governance and end-dates of the appointment underway not yet having enabled this to be applied.<br>Nevertheless, the General Meeting held on May 13, 2019 approved a modification of the bylaws which will allow for the setting up of a staggered renewal of the directors' terms of office as of the General Meeting of 2021 when some of thescurrent terms of office expire. |
| **Compensation paid to the Directors**<br>(Recommendation R10 of the Middlenext Code)<br>*The payment of a minimum amount in Directors' fees is recommended, notably to Independent Directors. The distribution of the Directors' fees is determined by the Board and, in part, takes into account the assiduity demonstrated by the Directors and the time devoted by them to their role, including potential attendance at committee meetings.* | This recommendation has not been applied in that it concerns taking into account the assiduity demonstrated by the committee Chairmen, given the specific duties incumbent upon them. Given the effective participation by the committee Chairs in meetings of the various committees during the 2020 fiscal year (100%), modifying this point has not been considered necessary. |

## 3.2.6 AUTHORIZATIONS FOR SURETIES, ENDORSEMENTS AND GUARANTEES – ART. R.225-28 OF THE FRENCH COMMERCIAL CODE

Via a decision dated March 6, 2020, the Board of Directors authorized the Chief executive officer, for a period of 12 months, to issue sureties, endorsements and guarantees in the name of the Company in the amount of €60 million, and to maintain those sureties, endorsements and guarantees already issued. This undertaking was renewed in accordance with the same detailed methods by the Board of Directors on March 15, 2021.

During the 2020 fiscal year, the new undertakings of this kind given by the Chief executive officer of the Company were issued in favor of its direct and indirect subsidiaries, and for a total amount less than the cap set by the Board of Director.

## 3.2.7 AGREEMENTS UNDER ARTICLES L.225-38 *ET SEQ.* OF THE FRENCH COMMERCIAL CODE ALREADY APPROVED BY THE GENERAL MEETING AND WHOSE IMPLEMENTATION CONTINUED DURING THE FISCAL YEAR

There are no agreements that have already been approved by the General Meeting and that have continued to be executed during the past financial year.

In addition, the commitment previously made by the Company to Yannick Assouad in his capacity as Chief Executive Officer between November 10, 2016 and March 17, 2020 (payment of a severance indemnity in the event of termination and forced departure from the Group, except for serious or gross misconduct) was previously covered by Article L. 225-42-1 of the French Commercial Code and had been duly approved by the General Meeting.

Following the repeal of Article L. 225-42-1 of the French Commercial Code, this commitment was removed from the scope of regulated commitments. This type of commitment is now included in the compensation policy for executive officers and is therefore subject to an annual vote by shareholders.

## 3.2.8 AGREEMENTS AND COMMITMENTS UNDER ARTICLE L. 225-38 OF THE FRENCH COMMERCIAL CODE AUTHORISED DURING THE YEAR AND SUBMITTED FOR APPROVAL TO THE GENERAL MEETING OF MAY 21, 2021

During the year ended December 31, 2020, two new agreements covered by Article L. 225-38 of the French Commercial Code were authorised and concluded:

**Shareholder loan agreement**

By agreement dated October 2, 2020, SCP SKN UK Holding II Limited (controlling shareholder of SCP SKN Holding I S.A.S., which holds more than 10% of Latécoère's voting rights), granted Latécoère a loan with the following financial characteristics:

- loan amount: €35,000,000;
- maturity date: 78 months after the signature of the loan agreement subject to certain exceptions;
- option for the Company to prepay the loan at any time subject to the payment of a makewhole if such prepayment is made before the date falling 39 months after the signature of the loan agreement; and
- applicable interest rate of 12.50% p.a. PIK (Payement In Kind), increased to 15% p.a. as of the date falling 48 months after the signature of the loan contract.

**Tripartite subordination agreement**

By a second agreement dated October 2, 2020, the Company and SCP SKN UK Holding II Limited entered into a tripartite subordination agreement with the European Investment Bank (EIB) subordinating the rights of SCP SKN UK Holding II Limited under the shareholder loan to the rights of the EIB under a term loan dated December 5, 2017.

At its meeting on September 24, 2020, the Board of Directors of Latécoère authorised the conclusion of these two agreements after having:

-for the shareholder loan, taken note of the report drawn up in September by Associés en Finance, an independent expert appointed to study the risks and benefits of this loan for the Company, and concluding that it offers a solution to the Company which has no alternative in the difficult situation in which it finds itself, and

-in the case of the shareholder loan agreement and the tripartite subordination agreement, noted that the Company's interest in entering into these agreements is justified by the coherence and balance of the financial conditions accompanying the shareholder loan, by the continuation of activity and the obtaining of future financing that it allows, and by the absence of alternative financing for the Company.

Ralf Ackermann, in his capacity as a joint officer of SCP SKN UK Holding II Limited and Latécoère, and Christophe Villemin, in his capacity as senior advisor to Searchlight Capital Partners, did not take part in the deliberations or vote of the Board of Directors authorising these two agreements.

## 3.2.9 INTERNAL PROCEDURE FOR THE ASSESSMENT OF RELATED-PARTY AGREEMENTS AND DAY-TO-DAY AGREEMENTS ENTERED INTO UNDER ORDINARY TERMS AND CONDITIONS

In application of Law 2019-486 on Company growth and transformation of May 22, 2019, known as the "Pacte" law, the Board of Directors, at a meeting held on March 6, 2020, put in place an internal procedure (hereinafter, the "Procedure") to be followed by Group employees and members of the Board of Directors, aimed at:

- drawing attention to the regulatory framework applicable to regulated agreements;
- defining the criteria retained within the Latécoère Group to classify an agreement as a related-party agreement and, if applicable, submit it to the authorization procedure required by law;
- describing the procedure put in place for the annual examination of regulated agreements and the regular assessment of agreements relating to day-to-day operations entered into under ordinary terms and conditions.

Any agreement which is liable to constitute a related-party agreement at the level of the parent company is, prior to signature, submitted to the Finance Department and the Legal Department which, in conjunction notably with third parties and/or the relevant employees, then classify the agreement with regard to the criteria set out in the Procedure.

Regarding the monitoring of day-to-day agreements to which the legal oversight procedure does not apply, these are assessed on a regular basis, in particular in the context of their modification, renewal or termination by mutual agreement, and also subject to an annual assessment, prior to the finalization of the financial statements for the last fiscal year, in order to verify that the criteria adopted are all still being met.

A summary of the application of the Procedure regarding the identification of day-to-day agreements entered into by Latécoère is presented each year to the Audit and Risk Committee. This committee then reports to the Board of Directors on the work carried out.

## 3.2.10 AGREEMENTS REFERRED TO IN ARTICLE L.225-37-4, 2° OF THE FRENCH COMMERCIAL CODE

No agreements have been entered into, either directly or via a third party, between, firstly, one of the corporate officers or one of the shareholders holding more than 10% of the voting rights of a company, and, secondly, any other company in which the former holds more than one half of the share capital either directly or indirectly, other than agreements relating to day-to-day operations entered into under ordinary terms and conditions.

## 3.2.11 PROCEDURES FOR SHAREHOLDERS TO ATTEND THE GENERAL MEETING

General Meetings of Latécoère shareholders are called and held in accordance with the conditions provided for by law and the bylaws. Latécoère's rules relating to General Meetings of Shareholders and the detailed methods for the exercise of voting rights are set out in Articles 18 and 19 of the Company's bylaws, which are published on Latécoère's website. Article 18 of the Company's bylaws states since its amendment by the General Meeting of June 11, 2020, that double voting rights are attached to all registered shares which are fully paid-up, registered in the name of the same holder for at least two years.

## 3.2.12 ELEMENTS LIKELY TO HAVE AN IMPACT IN THE EVENT OF A TAKEOVER BID

### CAPITAL STRUCTURE AND DIRECT OR INDIRECT SHAREHOLDINGS IN THE COMPANY OF WHICH IT IS AWARE

Following the Takeover Bid launched by SCP SKN Holding I S.A.S (Searchlight) for the Company in 2019, Searchlight holds, as at December 31, 2020, 65.62% of the share capital and 65.57% of the voting rights of the Company and as a result, controls the Company. Searchlight therefore has a decisive influence over the corporate decisions and resolutions submitted for approval to the shareholders at a General Meeting (for example, the appointment of members of the Board of Directors, the approval of the financial statements, or any decision made to pursue transactions which are significant for the Company).

The structure of the Company's share capital is detailed in Chapter 6, Section 6.4.1 "Distribution of share capital".

All direct and indirect investments in the share capital of Company of which it is aware are detailed in Chapter 6, Section 6.4.2 "Direct or indirect shareholdings in the share capital of the Company of which it is aware (Articles L.233-7 and 233-12 of the French Commercial Code)".

### STATUTORY RESTRICTIONS ON THE EXERCISE OF VOTING RIGHTS AND THE TRANSFER OF SHARES OR CLAUSES OF AGREEMENTS BROUGHT TO THE ATTENTION OF THE COMPANY PURSUANT TO ARTICLE L.233-11 OF THE FRENCH COMMERCIAL CODE

The Company's bylaws (Article 9) impose a duty on the Company to provide information on any individual who could come to hold or cease holding a percentage equal to 0.5% of the share capital or voting rights of the Company or any multiple thereof, as from the date on which any one of these thresholds are crossed.

This obligation ceases to apply if a shareholder, alone or in concert, holds more than 50% of the voting rights.

In the event of non-compliance with this information obligation and at the request of one or several shareholders holding 2% of the voting rights, those voting rights exceeding the percentage of the fraction which should have been declared cannot be exercised by any General Meeting of shareholders which could be held up until the expiry of a period of two years following the date of regularization of the notification.

The rules applicable in relation to the crossing of thresholds are detailed in Chapter 6, Section 6.6.3, paragraph "Threshold crossing".

No other restrictions are imposed by the bylaws on the exercise of the voting rights.

### LIST OF HOLDERS OF ANY SECURITIES WITH SPECIAL CONTROL RIGHTS

With the exception of the double voting right attached to shares registered for at least two years in the name of the same shareholder, there are no shares which grant special control rights.

The double voting right applicable to Company shares is detailed in Chapter 7, Section 7.1.11 "Double voting right".

### POWERS OF THE BOARD OF DIRECTORS

In accordance with resolutions adopted by the shareholders at the General Meeting of Shareholders held on June 11, 2020, the Board of Directors can implement the financial authorizations and delegations granted by this same General Meeting of Shareholders even during any public takeover bid launched by a third party for the Company's shares.

These financial authorizations and delegations are described in Section 3.2.13 below.

### AGREEMENTS ENTERED INTO BY THE COMPANY WHICH ARE AMENDED OR TERMINATE IN THE EVENT OF A CHANGE OF CONTROL OF THE COMPANY UNLESS THIS DISCLOSURE, OTHER THAN IN THE CASE OF A LEGAL OBLIGATION TO DISCLOSE, WOULD SERIOUSLY HARM ITS INTERESTS

In the context of the loan agreed with the European Investment Bank, in the event of a change of control, the bank has the option to modify the terms and conditions of the agreement or, otherwise, to require early repayment of the loan.

The general purchasing terms and conditions imposed by certain of Latécoère's clients include a clause stipulating the possibility to terminate the agreement in the event of a change of control over Latécoère.

## AGREEMENTS PROVIDING FOR COMPENSATION FOR MEMBERS OF THE BOARD OF DIRECTORS OR EMPLOYEES, IF THEY RESIGN OR ARE DISMISSED WITHOUT REAL AND SERIOUS CAUSE OR IF THEIREMPLOYMENT IS TERMINATED DUE TO A TAKEOVER BID

The Board of Directors had granted Yannick Assouad a severance pay if her appointment as Chief executive officer were to be terminated at the initiative of the Company and she were to be obliged to leave the Group, subject to the Company having recorded positive net consolidated income, corrected for change in the fair value of financial instruments, during one of the two consecutive corporate fiscal years preceding the fiscal year during which she is obliged to step down from her duties as Chief executive officer and leave the Group. These conditions having been met at the time of the termination of Yannick Assouad's term of office as Chief executive officer on March 17, 2020, this severance payment was received by Yannick Assouad (see Section 3.3.3. B below).

In addition, Philip Swash, in his capacity as Chief Executive Officer since March 17, 2020, is entitled to a severance payment on substantially the same terms (for details, see section 3.3.3 C) paragraph C.4 below).

## AGREEMENTS BETWEEN SHAREHOLDERS OF WHICH THE COMPANY IS AWARE AND WHICH MAY RESULT IN RESTRICTIONS ON THE TRANSFER OF SHARES AND THE EXERCISE OF VOTING RIGHTS

To the best of the Company's knowledge, as of the date of this Universal Registration Document, there is no shareholders' agreement or treaty, the implementation of which could Lead to restrictions on the transfer of shares or the exercise of voting rights of the Company.

## CONTROL MECHANISMS FORESEEN FOR POSSIBLE EMPLOYEE SHAREHOLDING SYSTEMS, WHEN CONTROL RIGHTS ARE NOT EXERCISED BY EMPLOYEES

The voting rights attached to the Latécoère shares held by employees via the mutual fund (F.C.P.E.) are exercised by a representative appointed by the Supervisory Board of the mutual fund in order to represent the employees at the General Meeting of Shareholders.

The information relating to the shareholder employees is set out in Chapter 6, Section 6.4.5 "Employee share ownership".

## RULES APPLICABLE TO THE APPOINTMENT AND REPLACEMENT OF DIRECTORS AND THE AMENDMENT OF THE COMPANY'S BYLAWS

The rules applicable to the appointment and replacement of the members of the Board of Directors, and to the amendment of the Company's bylaws, are rules of law.

### 3.2.13 SUMMARY TABLE OF DELEGATIONS AND AUTHORIZATIONS GRANTED BY THE GENERAL MEETING TO THE BOARD OF DIRECTORS FOR CAPITAL INCREASES AND THE USE MADE OF THESE DELEGATIONS AND AUTHORIZATIONS DURING FY 2020

| Securities concerned<br>Date of the General Meeting<br>(duration of the authorization/delegation and end-date) | Maximum nominal amount of capital increase *(in € or in percentage of the share capital)* | Maximum nominal amount of debt securities *(in €)* | Comment/Use of delegations during the fiscal year |
|---|---|---|---|
| **1. INCORPORATION OF RESERVES, PROFITS, PREMIUMS OR OTHER** | | | |
| **Increase in the share capital by incorporation of reserves, profits, premiums or other items (A)**<br>AGM of June 11, 2020 – 25th resolution<br>Expires on August 11, 2022 (26 months) | 190 million (A) being included in the Overall Capital Ceiling | N/A | Not used during the fiscal year |
| **2. ISSUE WITH PREFERENTIAL SUBSCRIPTION RIGHTS** | | | |
| **Issuance of new shares and/or transferable securities conferring access to new shares, with maintenance of shareholders' preferential subscription rights (B)**<br>AGM of June 11, 2020 – 26th resolution<br>Expires on August 11, 2022 (26 months) | 190 million (B) being included in the Overall Capital Ceiling | 300 million (B) being included in the Overall Debt Ceiling | Not used during, the fiscal year |
| **3. ISSUE WITHOUT PREFERENTIAL SUBSCRIPTION RIGHTS** | | | |
| **Issuance of new shares and/or securities giving access to new shares or debt securities, with cancellation of the shareholders' preferential subscription rights through a public offer (excluding offers referred to in point 1 of Article L. 411-2 of the Monetary and Financial Code) (C)**<br>AGM of June 11, 2020 – 27th resolution<br>Expires on August 11, 2022 (26 months) | 190 million (C) being included in the Overall Capital Ceiling | 300 million (C) being included in the Overall Debt Ceiling | Not used during the fiscal year |
| **Issuance of new shares and/or securities giving access to new shares or debt securities, with cancellation of the shareholders' preferential subscription rights, by public offering referred to in 1° of Article L. 411-2 of the Monetary and Financial Code (D)**<br>AGM of June 11, 2020 – 28th resolution<br>Expires on August 11, 2022 (26 months) | 95 million (D) being included in the Overall Capital Ceiling | 150 million (D) being included in the Overall Debt Ceiling | Not used during the fiscal year |
| **Issuance of new shares and/or transferable securities conferring access to new shares as consideration for contributions in kind, without maintenance of shareholders' preferential subscription rights (E)**<br>AGM of June 11, 2020 – 29th resolution<br>Expires on August 11, 2022 (26 months) | 19 million (E) being included in the Overall Capital Ceiling | 30 million (E) being included in the Overall Debt Ceiling | Not used during the fiscal year |
| **Issuance of new shares and/or securities giving access to new shares as consideration for contributions of securities made in the context of a public offer with an exchange component initiated by the Company (F)**<br>AGM of June 11, 2020 – 30th resolution<br>Expires on August 11, 2022 (26 months) | 190 million (F) being included in the Overall Capital Ceiling | N/A | Not used during the fiscal year |

| Securities concerned<br>Date of the General Meeting<br>(duration of the authorization/ delegation and end-date) | Maximum nominal amount of capital increase *(in € or in percentage of the share capital)* | Maximum nominal amount of debt securities *(in €)* | Comment/Use of delegations during the fiscal year |
|---|---|---|---|
| **Issuance of new shares and/or securities giving access to new shares or debt securities, with cancellation of the shareholders' preferential subscription right, for the benefit of a category of persons meeting specified characteristics (G)**<br>AGM of June 11, 2020 – 31st resolution<br>Expires on December 11, 2021<br>(18 months) | 22 million<br>(G) being included in the Overall Capital Ceiling | 50 million<br>(G) being included in the Overall Debt Ceiling | Not used during the fiscal year |
| **Increase in the number of shares to be issued as part of a capital increase with or without maintenance of shareholders' preferential subscription rights (H)**<br>AGM of June 11, 2020 – 32nd resolution | Limited to 15% of the initial issuance (B, C, or D)<br>With PSR (B + H): included in the Overall Capital Ceiling<br>Without PSR (C+H or D+H): included in the Overall Capital Ceiling | | Not used during the fiscal year |
| **Overall limit to cash issue authorizations**<br>AGM of June 11, 2020 – 35th resolution | With and without PSR (A + B + C + D+ E + G): 190 million (Overall Capital Ceiling) | With and without PSR (A + B + C+ D + E + G): 300 million (Overall Debt Ceiling) | Not used during the fiscal year |
| **4. ISSUANCE FOR THE BENEFIT OF EMPLOYEES AND MANAGERS** | | | |
| **Issue of shares or securities giving access to the capital reserved for members of company savings plans with cancellation of the preferential subscription right in favour of the latter (I)**<br>AGM of June 11, 2020 – 34th resolution<br>Expires on August 11, 2022 (26 months) | 2% of the share capital on the date of the General Meeting<br>Individual and autonomous ceiling not included in the Overall Capital Ceiling | N/A | Not used during the fiscal year |
| **Grants of existing or future bonus shares of the Company, without preferential subscription rights, to employees and corporate officers of the Company and/or its affiliated companies (J)**<br>AGM of May 14, 2018 – 22nd resolution<br>Expired on July 14, 2021 (38 months)<br>Replaced by the delegation of the same nature of June 11, 2020 (see K below) | 3.5% of the total number of shares making up the share capital on the date of allocation<br>Individual and autonomous ceiling not included in the Overall Capital Ceiling | N/A | Allocation of free performance shares under Tranche 2 of Plan MIP 2 by the Board of Directors onsMarch 6, 2020<br>see section 6.6.2 |
| **Grants of existing or future bonus shares of the Company, without maintenance of preferential subscription rights, to all or certain categories of employees and to all or certain corporate officers of the Company and/or its affiliates (K)**<br>AGM of June 11, 2020 – 38th resolution<br>Expires on August 11, 2023 (38 months) | 3.5% of the total number of shares making up the share capital on the date of allocation<br>Individual and autonomous ceiling notincluded in the Overall Capital Ceiling | N/A | Not used during the fiscal year |
| **Issuance of share subscription and/or purchase options with waiver of preferential subscription rights to employees and, if applicable, corporate officers of the Company and related companies or groupings (L)**<br>AGM of June 11, 2020 – 39th resolution<br>Expires on August 11, 2023 (38 months) | 3.5% of the total number of shares making up the share capital on the date of issuance<br>Individual and autonomous ceiling notincluded in the Overall Capital Ceiling | N/A | Not used during the fiscal year |

# 3.3 COMPENSATION OF CORPORATE OFFICERS

## 3.3.1 COMPENSATION POLICIES FOR CORPORATE OFFICERS FOR FY 2021 (VOTE *EX ANTE)*

By way of an introduction, it should be recalled that the corporate officers' compensation policy as detailed below and established in application of Article L.22-10-8 of the French Commercial Code describes all component parts of the compensation awarded to the corporate officers of Latécoère on the basis of their appointments and explains the process adopted for its definition, distribution, revision and implementation.

The policy regarding the compensation awarded to the corporate officers of Latécoère consists of four separate policies, namely (i) the compensation policy applicable to the Chairman of the Board of Directors, (ii) the compensation policy applicable to the Chief executive officer, (iii) the compensation policy applicable to the Deputy Chief executive officer(s), and (iv) the compensation policy applicable to the Directors.

Each of these policies is submitted for approval to the General Meeting of Shareholders in application of Article L.22-10-8 II of the French Commercial Code. The compensation policy approved in year N applies to any person holding a corporate office in year N. The compensation policy described below will therefore be submitted for approval to the General Meeting of May 21, 2021. Moreover, when a corporate officer is appointed between two General Meetings of Shareholders, his or her compensation is then defined in application of the provisions of the compensation policy applicable thereto, as approved by the most recent General Meeting of Shareholders.

### General Principles

The compensation policy for corporate officers is set by the Board of Directors upon proposal by the Appointments and Compensation Committee, duly taking note of the principles listed in the MiddleNext Code, in its September 2016 version. Each year, it is put to the vote at the General Meeting of Shareholders in accordance with the regulations in force *(ex ante* vote).

As a result, in the development and determination of its executive compensation policy, Latécoère relies on the following seven principles: comprehensiveness, balance, benchmarking, consistency, readability, prudence and, lastly, transparency, and with this in mind takes into account the corporate interest, market practices and executive performance.

Latécoère measures compensation as a whole, considering every item granted or paid to executives, including the benefit represented by the severance pay they may receive. The components of their compensation are complementary and meet different objectives.

A balanced distribution between these various component parts is also sought in order for the compensation policy to act as an incentive over the long term, to remain competitive so as to guarantee the retention of talent, and to be in line with the corporate interest while enabling the implementation of the Company's strategy and contributing to the long-term application thereof.

The Board of Directors and the Appointments and Compensation Committee ensure the prevention and management of any conflict of interests that could arise in this decision-making process in accordance with the Company's policy on the prevention of conflicts of interest. In accordance with the applicable regulations, the Chairman of the Board of Directors, the Chief executive officer and the Deputy Chief executive officer or Officers do not take part in the deliberations or the voting on the compensation or commitments relating to them submitted to the Board of Directors.

In the context of its assignment, the Appointments and Compensation Committee invites the Group's Head of Human Resources to each of its meetings and involves the latter in its work when examining the compensation policy applicable to corporate officers. The committee nevertheless deliberates when no guests are present.

Each year, the Appointments and Compensation Committee launches a dialog with the members of the Audit and Risk Committee and with those of the Strategy Committee, in order to ensure that the compensation policy is being applied correctly with regard to the quantitative performance criteria on which it is based, the coherency of the contemplated performance criteria, and their relevance to the Company given its strategy, and in order to measure the financial impacts of the recommended compensation policy.

The compensation policy is not subject to annual revision. However, certain details concerning the application of the compensation policy, such as the performance criteria applicable to the variable part of the annual compensation paid to the Chief executive officer and the Deputy Chief executive officer(s), are defined each year by the Board of Directors on the basis of recommendations made by the Appointments and Compensation Committee.

After having consulted the Appointments and Compensation Committee and, if applicable, the Audit and Risk Committee and the Strategy Committee, the Board of Directors may decide to grant temporary exceptions with regard to the compensation policy applicable to the Chief executive officer and the Deputy Chief executive officer(s) in the event of exceptional circumstances and to the extent that the changes made are in line with the corporate interest and necessary in order to guarantee the sustainability and success of Latécoère's commercial strategy.

The elements of compensation for which an exception may be granted are the annual fixed compensation and the annual variable compensation. The exceptions may consist of an increase or a reduction in the compensation in question. Events liable to Lead to an exception to the compensation policy applicable to the Chief executive officer and Deputy Chief executive officer(s) are, by way of an example, exceptional external growth transactions or a major change in strategy.

The Appointments and Compensation Committee ensures that any changes in the compensation paid to corporate officers over the medium term remain in correlation with those made to the compensation paid to Group employees as a whole. Its objective is also to have the performance criteria applicable to the flexible part of the annual compensation of the Chief executive officer and the Deputy Chief executive officer(s) come into line with those applicable to the variable part of the compensation paid to the Company's key managers, namely the members of the Executive Committee, in particular with regard to quantitative criteria. This also applies to long-term compensation paid in shares.

The policy regarding compensation paid in shares seeks to involve the employees and corporate officers in the achievement of the Company's long-term strategy and in its sustainability.

The Board of Directors, further to recommendations made by the Appointments and Compensation Committee, sets several performance conditions attached to compensation paid in shares, taking care to align this with the Company's long-term performance. For this purpose, performance is measured on the basis of the Business Plan defined by the Board of Directors, taking into account, for certain conditions, performance over several years. The awarding of performance shares is also subordinate to attendance conditions at the end of the period for which the performance criteria must be met.

The failure or partial failure to fulfill the performance conditions is sanctioned by the loss of all or part of the initial amount allocated.

The performance conditions applicable to those shares already awarded cannot be modified subsequently.

## A. COMPENSATION POLICY FOR THE CHAIRMAN OF THE BOARD OF DIRECTORS

The various benefits in kind payable to the Chairman of the Board of Directors chiefly reflect the level of responsibility associated with his position and his competency in organizing and directing the work of the Company's Board.

The compensation policy applicable to the Chairman of the Board of Directors is the subject of a recommendation made by the Board of Directors' Appointments and Compensation Committee. The Chairman of the Board of Directors does not take part in the deliberations of the committee on the subject of his compensation.

### Annual fixed compensation

The compensation paid to the Chairman of the Board of Directors consists of fixed compensation set by the Board of Directors upon the advice of the Appointments and Compensation Committee. The maximum annual fixed compensation is set at €200,000. It is payable in 12 monthly installments and calculated, if necessary, pro rata temporis.

The compensation of the Chairman of the Board of Directors excludes any other compensation (including any compensation in respect of his duties as a Director – formerly Directors' fees) payable to non-executive corporate officers and subject to the items set forth below.

### Extraordinary bonus

The Company may pay the Chairman of the Board of Directors an extraordinary bonus to compensate him for his involvement in special circumstances affecting the Company or the Group. Payment of this bonus is subject to approval from the General Meeting (*ex-post* vote).

### Compensation due or that might become due as a result of termination of office

Severance pay may be granted to the Chairman of the Board of Directors should his service be terminated at the Company's initiative.

The amount of the payment is calculated on the total compensation received by the beneficiary of the payment during the fiscal year preceding that in which he ceased to serve as Chairman of the Board of Directors.

## B. COMPENSATION POLICY FOR THE CHIEF EXECUTIVE OFFICER

The compensation policy for the Chief executive officer covers the principles and criteria used to determine, allocate and award the fixed, variable and extraordinary components of the total compensation and the benefits of any kind payable to him. The policy is drawn up by the Board of Directors upon the recommendation of the Appointments and Compensation Committee and then submitted to the General Meeting of Shareholders. It remains applicable until modified.

The overall compensation paid to the Chief executive officer is calculated taking into account practices in the sector for companies comparable in size to Latécoère. This comparison is necessary to ensure that the Chief executive officer's compensation policy remains coherent and is vital for attracting and retaining key executives.

The Appointments and Compensation Committee also ensures that the overall compensation paid to the Chief executive officer is and remains balanced with regard to all of its component parts, fixed, variable, exceptional and long-term through performance shares and/or stock-options.

The compensation policy applicable to the Chief executive officer seeks to motivate and reward his performance via a significant part subject to the fulfillment of financial and non-financial criteria reflecting the operational and strategic targets set by the Company, while at the same time remaining compliant with the corporate interest and the objective of value creation.

The annual variable compensation and the long-term compensation in shares seek to bring the interest of the Chief executive officer into line with the interests of the shareholders and stakeholders.

The Chief executive officer receives compensation composed of a fixed annual payment, an annual variable payment, an exceptional payment and a long-term payment. Each of these component parts is set out below:

| Compensation items | Form of payment | Maximum amount | Ceiling | Performance conditions | Performance indicators | Relative weight of the indicator in the corresponding compensation item | Ceiling applicable to the annual variable part by criterion |
|---|---|---|---|---|---|---|---|
| Annual fixed part | Amount paid in cash over calendar year N in 12 monthly payments | Amount set by the Board: maximum €550,000 | Not applicable | no | Not applicable | Not applicable | Not applicable |
| Annual variable part | Amount paid in cash during the calendar year N+1 following approval by the General Meeting of Shareholders on the basis of an *ex post* vote | Amount of between 0 and the ceiling applicable to the annual variable part | X% of the fixed amount determined by the Board | yes | Group recurring EBITDA (at hedge rate) | 25% | 175% |
| | | | | | Group Free Cash Flow (before financing) | 25% | 175% |
| | | | | | Revenue organic growth | 20% | 175% |
| | | | | | Individual criteria | 30% | 120% |
| | | | | | **TOTAL ANNUAL VARIABLE PART** | **100%** | **158.50%** |
| Exceptional part | Amount paid in cash during calendar year N+1 following approval from the General Meeting of Shareholders in an *ex post* vote | Amount set by the Board | 100% of the annual fixed part | no | Not applicable | Not applicable | Not applicable |
| Long-term variable part | Delivery of Latécoère shares, subject to a performance condition, after a vesting period and a holding period of at least one year each | Number of shares set by the Board | 100% of ceiling applicable to the annual compensation (fixed and variable) | yes | Revenue | 33.1/3% | Not applicable |
| | | | | | EBITDA/revenue ratio | 33.1/3% | Not applicable |
| | | | | | Stock market performance (ratio change in the Latécoère share price/change in the aeronautical index) | 33.1/3% | Not applicable |
| | | | | | **TOTAL LONG-TERM VARIABLE PART** | **100%** | |

## Annual fixed compensation

The fixed portion of the annual compensation is reviewed every year by the Board of Directors, together with the opinion of the Appointments and Compensation Committee. It remains unchanged unless the Board of Directors votes otherwise upon the recommendation of the Appointments and Compensation Committee, particularly in light of market conditions and changes over time in the Company's financial position. It is payable in 12 monthly installments and calculated, if necessary, pro rata temporis. The maximum annual fixed compensation is set at €550,000.

## Annual variable compensation

The variable portion of the annual compensation is meant to reflect the personal contributions of executive corporate officers to the development of the Company and the improvement of its earnings. It is balanced against the fixed portion of the compensation.

Performance evaluation in terms of the variable compensation of the Chief executive officer takes into account financial and non-financial qualitative and quantitative criteria, which are ambitious and in line with the Group's strategy.

The variable portion is determined as a percentage of the fixed portion of the annual compensation, which may not exceed 160%, with a target of 100%.

The financial and individual objectives applicable to the variable compensation of the Chief executive officer are set yearly, for the year under way, by the Board of Directors, upon proposal by the Appointments and Compensation Committee, no later than at the start of each fiscal year and together with the approval of the Group's budget forecast for the year under consideration, in order to take into account Latécoère's strategic objectives.

Each year, the Board of Directors may, if so proposed by the Appointments and Compensation Committee, change the financial and individual objectives based on quantitative and qualitative criteria in order to tailor them and make them more consistent with the Company's situation, outlook for development and trend in financial performance.

Each year, simultaneously with the finalization of the Company's parent company and consolidated financial statements for the previous fiscal year, the Appointments and Compensation Committee assesses the achievement by the Chief executive officer of the targets linked to the quantitative and qualitative criteria on the basis of the factual items and figures provided by the Finance Department and Executive Management. It then reports on its work to the Board of Directors which assesses the Chief executive officer's performance criterion by criterion and records the size of the variable portion of his annual compensation for the past fiscal year based on the rate of satisfaction of the criteria.

The table below describes for the fiscal year 2021 the criteria applicable to the variable portion of the annual compensation of the Chief executive officer:

| Annual variable part | Ceiling as a percentage of the annual variable compensation | Criteria | Relative weight of the indicator in the corresponding compensation item | Explanation of the relevance of the indicators and detailed implementation methods |
|---|---|---|---|---|
| Financial performance criteria | 70% | Group recurring EBITDA (at hedge rate) | 25% | These three indicators give an understanding of the quality of the Group's economic and financial management from various complementary angles. The Group's financial performance is assessed through the three indicators referred to over, recorded as at December 31 of each year. The method consists in comparing the level of each of these indicators recorded as at December 31 of the past year (N) with that set by the Board of Directors for year N in the context of the Budget and in acknowledging the corresponding discrepancy. A bonus is associated with each performance indicator. The size of the bonus is based on the discrepancy observed between the level of attainment and the Budget for the corresponding indicator. This is within a range of between 0 and a ceiling equal to 175% of the value of the annual variable part which can be awarded on the basis of the criterion in question, in accordance with a table set by the Board. |
| | | Group Free Cash Flow (before financing) | 25% | |
| | | Revenue organic growth | 20% | |
| Individual performance criteria * | 30% | Performance and risk management | 10% | With this criterion, the Board intends to ensure that the risk management process is effective. |
| | | Management and commercial performance | 10% | The purpose of this criterion is to monitor the effectiveness of Group management with regard to the latter's commercial performance and profitability |
| | | Financial optimization and long-term viability of the Group | 10% | With this criterion, the Board intends to ensure that efficient organization structures and financial tools are put in place to ensure good governance. |

* *At the start of each year, the Board sets the targets and allocates a weighting coefficient to each to reflect its priorities. The Board may without restriction make changes to these indicators based on the environment and the context. As of the finalization of the financial statements for fiscal year N-1, the Board's decisions are made further to an examination of the recommendations made by the Appointments and Compensation Committee and after having allowed the Directors to hold discussions without any executive corporate officer being present. The Board sets the performance level for each target and calculates the corresponding bonus on this basis. The Chief executive officer does not take part in the deliberations and does not cast a vote.*

For confidentiality reasons in relation to the Group's strategy and targets, the level of attainment required (target) for the quantitative criteria as well as the details of the qualitative criteria, although pre-established precisely, cannot be disclosed. These criteria are always assessed taking into account performance at a Group level. There is no provision for the option to ask for the repayment of part of the annual variable compensation.

In accordance with Articles L.22-10-8 and L.22-10-34 of the French Commercial Code, the components of the Chief executive officer's variable compensation for fiscal year N-1 shall be paid in year N only after the Ordinary General Meeting has approved (in an *ex-post* vote) the fixed, variable and extraordinary items making up the total compensation and the benefits of any kind paid or granted to the Chief executive officer for fiscal year N-1.

### Exceptional compensation

The Chief Executive Officer may receive exceptional compensation up to a maximum amount corresponding to 100% of his or her annual fixed compensation if the Company carries out a significant strategic project.

In accordance with Articles L. 22-10-8 and L. 22-10-34 of the French Commercial Code, the components of the Chief Executive Officer's exceptional compensation for fiscal year N-1 shall be paid in year N only after the Ordinary General Meeting has approved (in an *ex-post* vote) the fixed, variable and extraordinary items making up the total compensation and the benefits in kind paid or granted to the Chief Executive Officer for fiscal year N-1.

### Payment on assumption of duties

The Chief executive officer may at the time of his or her hiring be awarded a signing bonus to make up for the loss of benefits he or she used to enjoy but must relinquish on joining the Company. The amount of such payment would be set by the Board of Directors, upon the advice from the Appointments and Compensation Committee.

The purpose of such a signing bonus would be notably to enable the Company to recruit experienced, competent executives in a highly competitive environment and give them an incentive to join the Group.

### Compensation due or that might become due as a result of termination of office

A severance payment may be made to the Chief executive officer should he or she terminate his or her service at the Company's initiative or be forced to leave the Group.

No severance pay shall be made should the Chief executive officer terminate his or her service at the Company's initiative or be forced to leave the Group if on the grounds of gross misconduct or negligence or if the Chief executive officer resigns that position and leaves the Group on his or her own initiative, unless the departure chosen by the Chief executive officer can be considered a forced departure in light of the surrounding circumstances.

Any severance payment potentially owed is subject to compliance with any performance conditions applicable to the beneficiary, assessed with regard to those of the Company.

Moreover, the payment may only be made with the prior acknowledgment by the Board of Directors that the conditions it imposed have been met.

The amount of the payment is calculated on the basis of total compensation – fixed, variable and in kind – received during the fiscal year preceding that in which the beneficiary is obliged to cease serving as an executive corporate officer and leaves the Group.

### Compensation in respect of duties as Director (formerly Directors' fees)

If the Chief executive officer also sits on the Board of Directors, he or she does not receive any compensation on the basis of these duties.

### Stock options and performance shares

The Chief executive officer is eligible for the performance-based incentive plans that the Company makes available to Group employees and executives, including stock subscription or purchase options and awards of shares conditioned on performance. Shares awarded for performance encourage those eligible to attain the Group's long-term objectives and create value that should flow to the shareholders. The potential awarding of performance shares to the Chief executive officer is decided after having taken into account the fulfillment of a presence condition and of the ambitious economic and stock market performance conditions set by the Board of Directors on the basis of recommendations made by the Appointments and Compensation Committee, and to the acknowledgment of the fulfillment of these conditions by the Board of Directors on the basis of the work carried out by the Appointments and Compensation Committee. The awarding of performance shares to the Chief executive officer in year 0, after acknowledgment of the fulfillment of attendance and performance conditions on December 31 in year -1, are followed by a vesting period and a holding period, each of a minimum of one year.

If the executive leaves during the fiscal year, the presence condition is not then met on December 31 of year N-1 and no shares can therefore be allocated to him in year 0 on the basis of year N-1.

Each allocation of performance shares to the Chief executive officer is completed in consideration of his overall compensation, of earlier allocations, and of allocations completed in favor of other employees.

The Chief executive officer is subject, while still in office, to a retention obligation imposing the holding of a number of registered shares in the Company corresponding to 5% of the shares acquired, in application of the provisions of Article L.225-197-1 II of the French Commercial Code.

### Benefits in kind

#### UNEMPLOYMENT INSURANCE

The Company may take out private unemployment insurance for the Chief executive officer (a policy type known by the French acronym GSC).

In addition, the Company may agree to offer him or her special compensation in the absence of payment by the private insurer should there be a waiting period or if the circumstances of his or her termination do not enable him or her to receive the coverage subscribed. This specific compensation can be cumulated with the compensation due or likely to be due on account of the termination of the duties.

#### HEALTH EXPENSES

The Chief executive officer benefits from the Company's coverage of his or her mutual or private health insurance.

#### OTHER BENEFITS

The Chief executive officer has the use of a company car.

The Company may also pay some or all of the Chief executive officer's relocation costs in first assuming his or her duties in the Group.

## C. COMPENSATION POLICY FOR THE DEPUTY CHIEF EXECUTIVE OFFICER (AND, WHERE APPLICABLE, ANY OTHER EXECUTIVE CORPORATE OFFICER)

The compensation policy for the Deputy Chief executive officer covers the principles and criteria used to determine, allocate and award the fixed, variable and extraordinary components of the total compensation and the benefits in kind payable to him. The policy is drawn up by the Board of Directors upon the recommendation of the Appointments and Compensation Committee and then submitted to the General Meeting of Shareholders. It remains applicable until modified.

The overall compensation paid to the Deputy Chief executive officer is calculated taking into account practices in the sector for companies comparable in size to Latécoère. This comparison is necessary to ensure that the Deputy Chief executive officer's compensation policy remains coherent and is vital for attracting and retaining key executives.

The Appointments and Compensation Committee also ensures that the overall compensation paid to the Deputy Chief executive officer is and remains balanced with regard to all of its component parts, fixed, variable, and long-term through performance shares.

The compensation policy applicable to the Deputy Chief executive officer seeks to motivate and reward his performance via a significant part subject to the fulfillment of financial and non-financial criteria reflecting the operational and strategic targets set by the Company, while at the same time remaining compliant with the corporate interest and the objective of value creation.

The annual variable compensation and the long-term compensation in shares seek to bring the interest of the Deputy Chief executive officer into line with the interests of the shareholders and stakeholders.

It is applicable to any and every other executive corporate officer other than the Chief executive officer.

When the Deputy Chief executive officer is otherwise bound to the Company by an employment contract, he may receive compensation under the said contract that continues, whether or not in addition to his compensation as Deputy Chief executive officer. All compensation, rights and benefits related to the employment contract are not covered by the provisions of Articles L.22-10-8 and L.22-10-34 II of the French Commercial Code and are therefore not subject to a vote at the Company's General Meeting of Shareholders.

The Deputy Chief executive officer can receive compensation composed of a fixed annual payment, an annual variable payment and a long-term payment. Each of these component parts is set out below:

| Compensation items | Form of payment | Maximum amount | Ceiling | Performance conditions | Performance indicators | Relative weight of the indicator in the corresponding compensation item | Ceiling applicable to the annual variable part by criterion |
|---|---|---|---|---|---|---|---|
| Annual fixed part | Amount paid in cash over calendar year N in 12 monthly payments | Amount set by the Board: maximum €275,000 | Not applicable | no | Not applicable | Not applicable | Not applicable |
| Annual variable part | Amount paid in cash during the calendar year N+1 following approval by the General Meeting of Shareholders on the basis of an *ex post* vote | Amount of between 0 and the ceiling applicable to the annual variable part | X% of the fixed amount determined by the Board | yes | Group recurring EBITDA (at hedge rate) | 12.5% | 175% |
| | | | | | Group Free Cash Flow (before financing) | 12.5% | 175% |
| | | | | | Revenue increment | 10% | 175% |
| | | | | | Other financial indicators | 25% | 175% |
| | | | | | Individual criteria | 40% | 150% |
| | | | | | **TOTAL ANNUAL VARIABLE PART** | **100%** | **165%** |
| Long-term variable part | Delivery of Latécoère shares, subject to a performance condition, after a vesting period and a holding period of at least one year each | Number of shares set by the Board | 100% of ceiling applicable to the annual compensation (fixed and variable) | yes | Revenue | 33.1/3% | Not applicable |
| | | | | | EBITDA/revenue ratio | 33.1/3% | Not applicable |
| | | | | | Stock market performance (ratio change in the Latécoère share price/change in the aeronautical index) | 33.1/3% | Not applicable |
| | | | | | **TOTAL LONG-TERM VARIABLE PART** | **100%** | |

## Annual fixed compensation

The fixed portion of the annual compensation is reviewed every year by the Board of Directors, together with the opinion from the Appointments and Compensation Committee. It remains unchanged unless the Board of Directors votes otherwise upon the recommendation of the Appointments and Compensation Committee, particularly in light of market conditions and changes over time in the Company's financial position. It is payable in 12 monthly installments and calculated, if necessary, pro rata temporis. Maximum annual fixed compensation is capped at €275,000.

## Annual variable compensation

The variable portion of the annual compensation is meant to reflect the personal contributions of executive corporate officers to the development of the Company and the improvement of its earnings. It is balanced against the fixed portion of the compensation.

The assessment of the achievement of the performance target relating to the variable compensation paid to the Deputy Chief executive officer, takes into account financial and non-financial quantitative and qualitative criteria which are ambitious and linked to the strategy of the Group.

The variable portion is determined as a percentage of the fixed portion of the annual compensation, which may not exceed 165%, with a target of 100%.

The individual and financial targets applicable to the variable compensation paid to the Deputy Chief executive officer are set each year, for the year underway, by the Board of Directors further to a proposal made by the Appointments and Compensation Committee, by the end of each corporate fiscal year at the same time that the forward-looking budget is approved by the Group for the fiscal year in question, in order to take into account Latécoère's strategic objectives.

Each year, the Board of Directors may, if so proposed by the Appointments and Compensation Committee, change the individual and financial objectives based on quantitative and qualitative criteria in order to tailor them and make them more consistent with the Company's situation, outlook for development and trends in financial performance.

Each year, simultaneously with the finalization of the Company's parent company and consolidated financial statements for the previous fiscal year, the Appointments and Compensation Committee assesses the achievement by the Chief executive officer of the targets linked to the quantitative and qualitative criteria on the basis of the factual items and figures provided by the Finance Department and Executive Management. It then reports on its work to the Board of Directors which assesses the Deputy Chief executive officer's performance criterion by criterion and records the size of the variable portion of his annual compensation for the past fiscal year based on the percentage reflecting the satisfaction of the criteria.

The table below describes, for the fiscal year 2021, the criteria applicable to the variable portion of the annual compensation of the Deputy Chief executive officer:

| Annual variable part | Ceiling as a percentage of the annual variable compensation | Criteria | Relative weight of the indicator in the corresponding compensation item | Explanation of the relevance of the indicators and detailed implementation methods |
|---|---|---|---|---|
| Financial performance criteria | 60% | Group recurring EBITDA (at hedge rate) | 12.5% | These indicators show the quality of the financial and economic management of the Group, from various complementary angles. The financial performance of the Group is assessed through the indicators referred to over, recorded as at December 31 of each year. The Board is free to set the other financial criteria according to the environment and context in which the Group finds itself. The method consists in comparing the level of each of these indicators recorded as at December 31 of the past year (N) with that set by the Board of Directors for year N in the context of the Budget and in acknowledging the corresponding discrepancy. A bonus is associated with each performance indicator. The size of the bonus is based on the discrepancy observed between the level of attainment and the Budget for the corresponding indicator. This is within a range of between 0 and a ceiling equal to 175% of the value of the annual variable part which can be awarded on the basis of the criterion in question, in accordance with a table set by the Board. |
| | | Group Free Cash Flow (before financing) | 12.5% | |
| | | Revenue increment | 10% | |
| | | Other financial criteria | 25% | |
| Individual performance indicators * | 40% | Industrial performance | 10% | Via this criterion, the Board intends to ensure the industrial performance of the Group's business, in particular via the commercial success of the aeronautical programs entrusted thereto. |
| | | Management and operational organization | 10% | This criterion is aimed at monitoring the effectiveness of the Group's management with regard to its operating organization |
| | | Commercial development and R&T | 5% | With this criterion, the Board intends to ensure the implementation of the development strategy in connection with Group innovation. |
| | | External growth and development | 10% | The purpose of this criterion is to monitor the implementation of the strategic objective defined by the Board in terms of external growth. |
| | | Management risk and opportunities | 5% | The purpose of this criterion is to monitor management of the Group's risks and opportunities balance. |

* *At the start of each year, the Board sets the targets and allocates a weighting coefficient to each to reflect its priorities. The Board may without restriction make changes to these indicators based on the environment and the context. As of the finalization of the financial statements for fiscal year N-1, the Board's decisions are made further to an examination of the recommendations made by the Appointments and Compensation Committee and after having allowed the Directors to hold discussions without any executive corporate officer being present. The Board sets the performance level for each target and calculates the corresponding bonus on this basis. The Deputy Chief executive officer does not take part in the deliberations and does not cast a vote.*

For confidentiality reasons in relation to the Group's strategy and targets, the level of attainment required (target) for the quantitative criteria as well as the details of the qualitative criteria, although pre-established precisely, cannot be disclosed. These criteria are always assessed taking into account performance at a Group level.

There is no provision for the option to ask for the repayment of part of the annual variable compensation.

In accordance with Articles L.22-10-8 and L.22-10-34 of the French Commercial Code, the items of the Deputy Chief executive officer's variable compensation for fiscal year N-1 shall be paid in year N only after the Ordinary General Meeting has approved (in an *ex-post* vote) the fixed, variable and extraordinary items making up the total compensation and the benefits in kind paid or granted to the Deputy Chief executive officer for fiscal year N-1.

## Payment on assumption of duties

The Deputy Chief executive officer may at the time of his or her hiring be awarded a signing bonus to make up for the loss of benefits he or she used to enjoy but must relinquish on joining the Company. The amount of such payment would be set by the Board of Directors, upon the advice from the Appointments and Compensation Committee.

The purpose of such a signing bonus would be notably to enable the Company to recruit experienced, competent executives in a highly competitive environment and give them an incentive to join the Group.

## Compensation due or that might become due as a result of termination of office

A severance payment may be made to the Deputy Chief executive officer should he or she terminate his or her service at the Company's initiative or be forced to leave the Group.

No severance pay shall be made should the Deputy Chief executive officer terminate his or her service at the Company's initiative or be forced to leave the Group on the grounds of gross misconduct or negligence or if the Deputy Chief executive officer resigns that position and leaves the Group on his or her own initiative, unless the departure chosen by the Deputy Chief executive officer can be considered a forced departure in light of the surrounding circumstances.

Any severance payment potentially owed is subject to compliance with any performance conditions applicable to the beneficiary, assessed with regard to those of the Company.

Moreover, the payment may only be made with the prior acknowledgment by the Board of Directors that the conditions it imposed have been met.

The amount of the payment is calculated on the basis of total compensation – fixed, variable and in kind – received during the fiscal year preceding that in which the beneficiary is obliged to cease serving as an executive corporate officer and leaves the Group.

## Compensation in respect of duties as Director (formerly Directors' fees)

If the Deputy Chief executive officer also sits on the Board of Directors, he or she does not receive any compensation on the basis of these duties.

## Stock options and performance shares

The Deputy Chief executive officer is eligible for the performance-based incentive plans that the Company makes available to Group employees and executives, including stock subscription or purchase options and awards of shares conditioned on performance. Shares awarded for performance encourage those eligible to attain the Group's long-term objectives and create value that should flow to the shareholders. The potential awarding of performance shares to the Deputy Chief executive officer is decided after having taken into account the fulfillment of a presence condition and of the ambitious economic and stock market performance conditions set by the Board of Directors on the basis of recommendations made by the Appointments and Compensation Committee, and to the acknowledgment of the fulfillment of these conditions by the Board of Directors on the basis of the work carried out by the Appointments and Compensation Committee. The awarding of performance shares to the Deputy Chief executive officer in year N, after acknowledgment of the fulfillment of attendance and performance conditions on December 31 in year N-1, are followed by a vesting period and a holding period, each of a minimum of one year.

If the executive leaves during the fiscal year, the presence condition is not then met on December 31 of year N-1 and no shares can therefore be allocated to him in year 0 on the basis of year N-1.

Each allocation of performance shares to the Deputy Chief executive officer is completed in consideration of his overall compensation, of earlier allocations, and of allocations completed in favor of other employees.

The Deputy Chief executive officer is subject, while still in office, to a retention obligation imposing the holding of a number of registered shares in the Company corresponding to 5% of the shares acquired, in application of the provisions of Article L.225-197-1 II of the French Commercial Code.

## Benefits in kind

### UNEMPLOYMENT INSURANCE

The Company may take out private unemployment insurance for the Deputy Chief executive officer (a policy type known by the French acronym GSC).

In addition, the Company may agree to offer him or her special compensation in the absence of payment by the private insurer should there be a waiting period or if the circumstances of his or her termination do not enable him or her to receive the coverage subscribed.

### OTHER BENEFITS

The Deputy Chief executive officer can have the use of a company car.

The Company may also pay some or all of the Deputy Chief executive officer's relocation costs in first assuming his or her duties in the Group.

### D. COMPENSATION POLICY FOR DIRECTORS

As part of the total compensation package for Board Directors authorized by the General Meeting, the terms on which payments are made to Directors are approved by the Board of Directors upon proposal by the Appointments and Compensation Committee.

The rules for compensating Directors were amended by the Board of Directors on December 5, 2018, principally to reflect their attendance records.

The way the annual fixed amount voted by the General Meeting is apportioned among the members of the Board of Directors and is decided at the full discretion of the Board of Directors, with the provision that the maximum that can be allocated to each member is €50,000 per year, excluding special compensation for the Committee Chairs and the Lead Independent Director for their services.

By way of exception, no compensation shall be paid to (i) members of the Board of Directors who are employees or corporate officers of a shareholder of the Company or of any legal entity directly or indirectly associated with a shareholder of the Company, (ii) the representative of shareholding employees, (iii) the Chief executive officer, (iv) the Deputy Chief executive officers, or (v) the Chairman of the Board of Directors. It should be noted that the Chief executive officer and the Chairman of the Board of Directors each receives specific compensation, set by the Board of Directors, for their duties as senior executives.

The allocation voted by the Board of Directors primarily reflects the attendance by each member of the Board and the time the member devotes to his or her responsibilities, including any work done on the committees. Indeed, Directors' compensation includes a fixed annual amount, calculated pro rata temporis for appointments which come to an end during the course of the fiscal year, to which a variable portion is added, awarded by the Board of Directors on the basis of attendance by Directors at meetings of the Board of Directors and of those committees of which they are members.

An exception to this rule is made for the chair of each committee, unless the latter is also the chair of the Board of Directors, who only receives, on the basis of their duties within the committee, annual fixed compensation of €10,000 in addition to any compensation to which they may be entitled as a Director.

The Lead Independent Director receives supplementary, yearly compensation set by the Board of Directors upon proposal by the Appointments and Compensation Committee.

In addition, some members of the Board of Directors may from time to time be given special assignments by the Board, for which they are compensated on a case-by-case basis.

Lastly, all members of the Board of Directors are entitled to reimbursement, upon submission of receipts, for travel expenses incurred in the performance of their duties.

The maximum overall annual compensation awarded to the Directors had been set at €480,000 by the General Meeting of Shareholders of June 29, 2015. No proposal to modify this amount will be made in 2021.

## 3.3.2 INFORMATION ON EMPLOYMENT AND/OR SERVICE CONTRACTS CONCLUDED BETWEEN CORPORATE OFFICERS AND THE COMPANY

None of the Company's officers has entered into a service contract with the Company.

On the other hand, the only corporate officers bound to the Company by an employment contract are:

- **Thierry Mootz Deputy Chief executive officer of Latécoère since March 17, 2020 and also employee of the Company since September 1, 2015.**

  After serving as Group Chief Operating Officer for four years, then as General Manager of the Group's Aerostructures division on an interim basis in 2019, he now holds the position of Director of the Interconnection Systems division. In this capacity, Thierry Mootz has also been a member of the Executive Committee since he joined Latécoère in 2015.

  The technical functions assigned to him under his employment contract are distinct from his duties as a corporate officer and he is, under the said contract, hierarchically subordinate to the Chief executive officer.

  The open-ended employment contract concluded between Thierry Mootz and the Company provides, except in the event of serious misconduct or force majeure, for a reciprocal notice period corresponding to the applicable legal and contractual notice periods and may be terminated in accordance with the law and case law. An indemnity for termination of the contract, corresponding to the average of the last 12 months of gross base salary that Thierry Mootz will have received under his employment contract and preceding the termination of his employment contract (less any legal or contractual severance pay that Thierry Mootz may have received), is also provided for in the event of dismissal, except in the event of dismissal for gross negligence or willful misconduct, and in the absence of an agreement between Thierry Mootz and the Company with respect to compensation for any prejudice that he may invoke as a result of the performance or termination of his contract.

  Thierry Mootz receives compensation exclusively under his continuing employment contract. He does not receive any compensation from his corporate office or from any other company of the Group in respect of any other function.

  Thierry Mootz's compensation under his employment contract, as provided for in his employment contract, consists of:

  - a fixed annual compensation of €275,000;
  - an annual variable compensation, the maximum amount of which is set at 165% of the annual fixed compensation;
  - benefits in kind corresponding to the provision of a company car;
  - an indemnity for the termination of his employment contract corresponding to 12 months' gross salary.

- **Valérie Boyer, Director representing employees**, who has an employment contract for an indefinite term with the Company for the position of Program Manager in the Aerostructures division. Her employment contract provides for a notice period in accordance with the applicable legal and contractual provisions and may be terminated in accordance with the law and case law.

Finally, it is indicated that the terms of office of the Directors are set out in Section 3.2.1 under "Presentation of the Directors".

## 3.3.3 COMPENSATION OF EXECUTIVE CORPORATE OFFICERS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020 AND PREVIOUS FISCAL YEARS (VOTE *EX POST)*

### A. COMPENSATION OF PIERRE GADONNEIX, CHAIRMAN OF THE BOARD OF DIRECTORS, FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020 AND PREVIOUS FISCAL YEARS

#### A.1 Compensation for the period ended December 31, 2020

In accordance with the compensation policy for the Chairman of the Board of Directors approved by the General Meeting of Shareholders of June 11, 2020 (16th resolution), the (gross) fixed compensation paid by Latécoère to Pierre Gadonneix for the 2020 fiscal year was €200,000.

In accordance with that same policy, no benefit in kind, variable or extraordinary compensation, grant of stock purchase or subscription options, grant of performance shares or Directors' fees was paid to the Chairman of the Board for that office. Neither was any compensation paid or awarded by a company within the consolidation scope of the Company.

Neither did he receive an extraordinary bonus or payment for termination of employment.

To the extent that these compensation items contain no variable part, the compensation granted to Pierre Gadonneix for the fiscal year ended December 31, 2020 is not directly linked to the Company's performance.

#### A.2 Summary table of the components of variable and extraordinary compensation of Pierre Gadonneix for the period ended December 31, 2020 and subject to approval by the General Meeting of Shareholders of May 21, 2021

In accordance with Articles L.22-10-8 and L.22-10-34 of the French Commercial Code, the components of compensation voted on *ex ante* must be submitted to the approval of the shareholders every year. Payment of the items of variable and extraordinary compensation is conditioned on the approval of the General Meeting of Shareholders (voting *ex post*).

The shareholders are asked in the 17th resolution submitted to the Combined General Meeting of Shareholders of May 21, 2021 to vote on the fixed, variable or extraordinary components of the total compensation and the benefits of any kind paid or granted in respect of the period ended December 31, 2020 to Pierre Gadonneix, Chairman of the Board of Directors, as presented below *(ex-post* vote):

| Items of the compensation of Pierre Gadonneix paid or granted for the period ended December 31, 2020 | Amounts or carrying value put to the vote | Comments |
|---|---|---|
| Fixed compensation | €200,000 (amounts paid) | – |
| Extraordinary bonus | None | – |
| Compensation due or that might become due as a result of termination of office | None | – |
| Stock options and performance shares | None | |
| Benefits in kind | None | |

#### A.3 Compensation for the period e nded December 31, 2019

**ANNUAL FIXED COMPENSATION**

In accordance with the compensation policy for the Chairman of the Board of Directors approved by the General Meeting of Shareholders of May 13, 2019, the (gross) fixed compensation paid by Latécoère to Pierre Gadonneix for the 2019 fiscal year was €200,000.

In accordance with that same policy, no benefit in kind, variable or extraordinary compensation, grant of stock purchase or subscription options, grant of performance shares or compensation due in respect of his duties as Director (formerly Director's fees) was paid to the Chairman of the Board for that office.

## A.4 Change in the compensation of the Chairman of the Board of Directors over the last two fiscal years

The following tables show the compensation paid and granted as well as the bonus shares granted to Pierre Gadonneix during the last two fiscal years.

### SUMMARY TABLE OF COMPENSATION, STOCK OPTIONS AND PERFORMANCE SHARES ALLOCATED TO PIERRE GADONNEIX (AMF TABLE 1)

| *In €* | 2019 | 2020 (1) |
|---|---|---|
| Compensation for the year | 200,000 | 200,000 |
| Valuation of multi-year variable compensation granted during the year | – | |
| Valuation of stock purchase options granted during the year | – | |
| Value of performance shares granted during the year | – | |
| **TOTAL** | **200,000** | **200,000** |

*(1) The items making up total compensation and the benefits of any kind paid or granted to the Chairman of the Board of Directors pursuant to the compensation policy for the Chairman of the Board of Directors are submitted to the vote of the General Meeting called to vote on the financial statements for the year ended December 31, 2020 (ex-post vote).*

### SUMMARY TABLE OF PIERRE GADONNEIX'S COMPENSATION (AMF TABLE 2)

| | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|
| *In €* | Amounts due | Amounts paid | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Fixed compensation | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 |
| Annual variable compensation | - | - | - | - | | |
| Multi-year variable compensation | - | - | - | - | | |
| Extraordinary compensation | - | - | - | - | | |
| Compensation due in respect of his duties as Director | - | - | - | - | | |
| • *o/w paid by Latécoère* | - | - | - | - | | |
| • *o/w paid by controlled companies* | - | - | - | - | | |
| Benefits in kind | - | - | - | - | | |
| **TOTAL** | **200,000** | **200,000** | **200,000** | **200,000** | **200,000** | **200,000** |

## A.5 Employment contracts, supplementary pension plan and indemnities (AMF Table 11)

| | Employment contract | Supplemental pension plans | Compensation or benefits due or likely to be due owing to termination or change of office | Payments in relation to a non-compete clause |
|---|---|---|---|---|
| | NO | NO | NO | NO |
| Pierre Gadonneix<br>Chairman of the Board of Directors since 9/22/2015<br>First appointed a Director: 9/22/2015<br>First appointed Chairman of the Board of Directors: 9/22/2015<br>Start date of term on the Board: 9/22/2015<br>End date of term as Director and Chairman of the Board of Directors: GM called to vote on the financial statements for the year ended 12/31/2020 | | | | |

### A.6 Equity ratios

In accordance with Article L.22-10-9 of the French Commercial Code, set out below are the (i) ratios between the compensation awarded to the Chairman of the Board of Directors and, firstly, the mean full-time equivalent compensation paid to employees of the Company excluding corporate officers and, secondly, the median full-time equivalent compensation aid to employees of the Company excluding corporate officers, as well as changes in this ratio over the last five fiscal years (L. 22-10-9, I., 6°) as well as (ii) the annual change in compensation, the Company's performance, the mean full-time equivalent compensation of the Company's employees excluding executives and the aforementioned ratio over the course of the last five fiscal years (L. 22-10-9, I., 7°).

This presentation was prepared in order to comply immediately with the new transparency requirements concerning executive compensation.

It may evolve depending on any subsequent official instructions or positions made known to companies.

| *In € thousand* | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Company performance Net income for the year** (1) | **6,322** | **3,574** | **6,013** | **(32,864)** | **(189,566)** |
| Change as a % | 247.4% | -43.5% | 68.2% | -646.5% | 476.9 % |
| Compensation of the Chairman of the Board of Directors (2) | 200 | 400 | 200 | 200 | 200 |
| Change as a % | 22% | 100% | -50% | 0% | 0 % |
| Average full-time equivalent compensation of the Company's employees (3) | 45.7 | 47.4 | 47.9 | 48.2 | 48.9 |
| Change as a % | 6.25% | 3.67% | 1.03% | 0.56% | 1.54 % |
| **Average pay ratio** | **4.4** | **8.4** | **4.2** | **4.1** | **4.1** |
| Median full-time equivalent compensation of the Company's employees (3) | 41.4 | 42.5 | 43.2 | 43.9 | 46,2 |
| Change as a % | 4.55% | 2.65% | 1.56% | 1.74% | 5.25 % |
| **Median pay ratio** | **4.8** | **9.4** | **4.6** | **4.6** | **4.3** |

*(1) Group consolidated net income.*

*(2) This compensation includes the fixed compensation and any exceptional compensation paid in year N.*

*(3) This compensation relates to the employees of the Latécoère SA structure and includes the fixed and variable amounts, any top-up amount paid, amounts received on the basis of contractual profit-sharing, the valuation (fair value) of the performance shares awarded, and all benefits in kind.*

## B. COMPENSATION OF YANNICK ASSOUAD, CHIEF EXECUTIVE OFFICER (UNTIL MARCH 17, 2020) FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020 AND PREVIOUS FISCAL YEARS

Given below is the compensation paid or granted by Latécoère to Yannick Assouad, Chief executive officer (until March 17, 2020), for the year ended December 31, 2020,svoted by the Board of Directors upon proposal by the Appointments and Compensation Committee and must be approved, as regards 2020, by the General Meeting of Shareholders in accordance with applicable law and regulations. It should be noted that Yannick Assouad does not have an employment contract with the Group.

### B.1 Compensation for the fiscal year ended December 31, 2020

In accordance with Article L.22-10-34, II of the French Commercial Code, the General Meeting of Shareholders must vote on the fixed, variable and extraordinary components of the total compensation and the benefits of any kind paid or granted to the Chief executive officer for the 2020 fiscal year pursuant to the compensation policy for the Chief executive officer approved by the General Meeting of Shareholders on June 11, 2020. It should be recalled that the payment of the 2020 variable compensation is subject to the approval of the General Meeting, it being specified that Yannick Assouad did not benefit from any variable nor exceptional compensation in respect of the 2020 fiscal year.

#### ANNUAL FIXED COMPENSATION

In accordance with the compensation policy for the Chief executive officer approved by the General Meeting of Shareholders of June 11, 2020 (17th resolution), and taking into account her dismissal on March 17, 2020, Yannick Assouad's fixed (gross) annual compensation for the 2020 financial year, i.e. €550,000, was paid to her on a pro rata basis, i.e. an amount of €116,666.63.

#### ANNUAL VARIABLE COMPENSATION

Given the dismissal of Yannick Assouad on March 17, 2020, no variable compensation was awarded or paid to her for the financial year 2020.

#### LONG-TERM COMPENSATION – PERFORMANCE SHARES

Pursuant to Article L.225-197-1 of the French Commercial Code, the total number of bonus shares may not exceed 10% of the share capital at the date of the Board of Directors' vote to grant them. It should be recalled that the ceiling on allotments foreseen in the eighteenth resolution of the General Meeting of Shareholders of June 3, 2016, which was in effect for 38 months, concerned 3,290,000 shares (or 3.5% of the equity capital as measured at December 31, 2015). The ceiling on allotments provided for in the twenty-second resolution of the General Meeting of May 14, 2018, which replaced the latter for a new term of 38 months, also applies to 3.5% of the share capital on the date of the allocation decision. The bonus shares in circulation on the day of the vote on the latter resolution represented 0.82% of the Company's share capital.

At its March 5, 2018 meeting, the Board of Directors acting on the recommendation of the Appointments and Compensation Committee voted that 250,000 performance shares subject to the rules of the bonus share plan known as MIP 2 (Tranche 3) could be allotted to Yannick Assouad under the eighteenth regulation passed by the General Meeting of Shareholders on June 3, 2016.

The allocation of performance shares to Yannick Assouad under MIP 2 (Tranche 3) was conditional on her presence in the Company on December 31, 2020, as well as on various performance criteria measured over the 2020 financial year.

Given Yannick Assouad's dismissal on March 17, 2020, the condition of presence was not met on December 31, 2020 and no shares were allocated to her under MIP 2 (Tranche 3) for the 2020 financial year.

#### COMPENSATION DUE OR THAT MIGHT BECOME DUE AS A RESULT OF TERMINATION OF OFFICE

In accordance with the compensation policy for the Chief Executive Officer approved by the General Meeting of May 13, 2019, Yannick Assouad benefited from a commitment corresponding to a severance payment in the event of termination of her duties at the Company's initiative and forced departure from the Group. The terms and conditions of this indemnity, approved by the Board of Directors onsNovember 10, 2016, on the recommendation of the Appointments and Remuneration Committee, were as follows:

As from the financial year starting on January 1, 2019, i.e. as soon as two full financial years have been completed under Yannick Assouad's term of office, the payment of this severance payment would be conditional on the Company achieving a positive consolidated net result, adjusted for the change in the fair value of financial instruments, during one of the two consecutive financial years preceding the financial year in which she would cease to perform her duties as Chief Executive Officer and would leave the Group.

No severance payment was due to her in the event of termination of her duties at the initiative of the Company and forced departure from the Group justified by serious misconduct or gross negligence on the part of Yannick Assouad or if she terminated her duties and left the Group at her own initiative, whatever the reasons.

The amount of the severance payment to which Yannick Assouad was entitled was equal to eighteen (18) months' gross remuneration calculated on the basis of the total gross remuneration - fixed, variable and benefits in kind - that she would have received during the financial year preceding that in which she would cease to perform her duties as Chief Executive Officer and would leave the Group.

As the conditions for granting the severance payment had been met at the time of Yannick Assouad's dismissal on March 17, 2020, this payment was received by Yannick Assouad, in accordance with the terms of the compensation policy approved by the General Meeting of May 13, 2019, and amounted to €1,331,406.44.

In addition, if the GSC cover from which Yannick Assouad benefited were to provide for a waiting period between the date of her departure and the date on which she could benefit from an indemnity under the GSC cover, the Company had to pay her an indemnity corresponding to the amount to which she would have been entitled under the said GSC cover, if the latter had been applicable immediately from the date of her departure, and until the end of said waiting period.

As the indemnity due under the GSC guarantee from which Yannick Assouad benefited did not take effect until April 16, 2020, the Company compensated the absence of indemnity between March 18, 2020 and April 15, 2020 for a net amount of 16,341 euros, corresponding to what she would have received under the GSC guarantee if the latter had taken over immediately from the date of her departure, to which amount social security charges were added, i.e. a total of 29,167.18 euros.

In addition, if, given the circumstances of the termination of her duties as Chief Executive Officer and her departure from the Group, the GSC guarantee from which Yannick Assouad benefited did not apply, the Company was to pay her a specific indemnity corresponding to the amount to which she could have been entitled under the said GSC guarantee, up to a maximum amount of one hundred and fifty thousand euros (€150,000.00) per year in accordance with the compensation policy approved by the General Meeting of May 13, 2019. This specific indemnity, which was to be cumulated, if necessary, with the above-mentioned termination indemnity, did not apply.

#### BENEFITS IN KIND

In the year ended December 31, 2020, from January 1 to March 17, 2020, Yannick Assouad received benefits in kind worth €33,382.20 consisting of the Company car of which she had use as well as the annual contributions to her executive unemployment insurance.

#### ABSENCE OF COMPENSATION IN RESPECT OF DUTIES AS DIRECTOR (FORMERLY DIRECTORS' FEES)

In accordance with the compensation policy for the Chief executive officer approved by the General Meeting of May 13, 2019, Yannick Assouad did not receive any compensation in connection with her services on the Board of Directors in the fiscal year ended December 31, 2020, from January 1 to March 17, 2020.

#### ABSENCE OF COMPENSATION PAID OR AWARDED BY A COMPANY WITHIN THE CONSOLIDATION SCOPE OF THE COMPANY

No compensation was paid or awarded by a company within the consolidation scope of the Company.

### B.2 Summary table of the components of variable and extraordinary compensation paid or granted to Yannick Assouad as a corporate officer for the period ended December 31, 2020 and subject to approval by the General Meeting of Shareholders of May 21, 2021

In accordance with Articles L.22-10-8 and L.22-10-34 of the French Commercial Code, the components of compensation voted on *ex ante* must be submitted to the approval of the shareholders every year. Payment of the items of variable and extraordinary compensation is conditioned on the approval of the General Meeting of Shareholders (voting *ex post)*.

The shareholders are asked in the 18th resolution submitted to the Combined General Meeting of Shareholders of May 21, 2021 to vote on the fixed, variable or extraordinary components of the total compensation and the benefits of any kind paid or granted in respect of the period ended December 31, 2020 to Yannick Assouad, Chief executive officer (until March 17, 2020), as presented below *(ex post* vote):

| Items of the compensation of Yannick Assouad paid or granted for the period ended December 31, 2020 | Amounts or carrying value put to the vote | Comments |
|---|---|---|
| Fixed compensation | **€116,667** (amounts paid) | Amount paid pro rata temporis in respect of Yannick Assouad's duties between January 1, 2020 and March 17, 2020, date of her dismissal |
| Variable compensation | **None** | Given her dismissal on March 17, 2020, no variable compensation was paid to Yannick Assouad for the 2020 financial year. See Section 3.3.3, subsection B, paragraph B.1 of this Universal Registration Document for a detailed presentation |
| Payment on assumption of duties | **None** | |
| Compensation due or that might become due as a result of termination of office | **€1,331,406** | Compensation paid to Yannick Assouad in connection with her dismissal on March 17, 2020. See Section 3.3.3, subsection B, paragraph B.1 of this Universal Registration Document for a detailed presentation. |
| Compensation due under the GSC waiting period | **€29,167** | Compensation paid for the waiting days between Yannick Assouad's dismissal and her coverage by the GSC Guarantee. See Section 3.3.3, subsection B, paragraph B.1 of this Universal Registration Document for a detailed presentation. |
| Stock options and performance shares: | | |
| • *o/w Stock options* | **None** | |
| • *o/w performance shares* | **None** | No free performance shares were granted in respect of the 2020 financial year to Yannick Assouad under MIP 2 Tranche 3, as the condition of her presence onsDecember 31 of that year was not met. See Section 3.3.3, subsection B, paragraph B.1 of this Universal Registration Document for a detailed presentation. |
| Benefits in kind | | |
| • *o/w Unemployment insurance* | **€32,765** | Private unemployment insurance (GSC) |
| • *Company car* | **€617** | Company car |

## B.3 Compensation for the fiscal year ended December 31, 2019

### ANNUAL FIXED COMPENSATION

The (gross) fixed compensation paid by Latécoère to Yannick Assouad for fiscal year 2018 was €550,000 in 2019.

### ANNUAL VARIABLE COMPENSATION

At its March 5, 2019 meeting, the Board of Directors upon proposal by the Appointments and Compensation Committee decided that for fiscal year 2019 the annual variable compensation of Chief executive officer Yannick Assouad would be based on quantitative criteria (Group economic EBIT, Group Free Cash Flow and Cost reduction L5 initiatives of the "Transformation 2020" Plan) and qualitative ones (communication, Corporate Social Responsibility, strategy and governance).

The amount of the variable portion in 2019 expressed as a percent the annual variable compensation for each of the criteria and the maximum amount of that variable portion (equal to 120% of the annual fixed compensation in the event of extraordinary performance) were set by the March 6, 2020 Board of Directors meeting, on the recommendation of the Appointments and Compensation Committee.

The decision to set the maximum amount of variable compensation expressed as a percentage at 120% of the annual fixed compensation was made by the Board of Directors on the recommendation of the Appointments and Compensation Committee on November 10, 2016 and confirmed on March 5, 2019 as a measure to incentivize the Company's operational performance, after research by the Appointments and Compensation Committee showed that Yannick Assoud's variable compensation was in keeping with compensation at comparable European manufacturing companies.

At its March 6, 2020 meeting, the Board of Directors acting on a proposal by the Appointments and Compensation Committee took official note that the percentage attainment of the quantitative criteria was 21% and of the qualitative criteria 27% of the annual fixed compensation due to Yannick Assouad for 2019 and accordingly set Yannick Assoud's variable compensation for 2019 at 48% of her annual fixed compensation due for the same year, or €264,000 (compared to €300,905 in 2018). On the recommendation of the Appointments and Compensation Committee, the Board of Directors evaluated the degree to which the quantitative and qualitative criteria were satisfied in the manner presented in the following table.

The following table highlights in summary form the quantitative and qualitative criteria employed, the percentage of annual fixed compensation to which all the quantitative and all the qualitative criteria contribute and the maximum amount of the variable portion for the year ended December 31, 2019.

| Quantitative criteria | Maximum amount of the variable portion as a% of annual fixed compensation | Amount of the variable portion obtained as a% of annual fixed compensation |
|---|---|---|
| Group economic EBIT [(1)]<br>Group Free Cash Flow<br>Cost reduction L5 initiatives of the "Transformation 2020" Plan | 84% | 21% |

| Quantitative criteria | Maximum amount of the variable portion as a% of annual fixed compensation | Amount of the variable portion obtained as a% of annual fixed compensation |
|---|---|---|
| • Communication<br>• Corporate Social Responsibility<br>• Strategy<br>• Governance | 36% | 27% |
| **TOTAL QUANTITATIVE AND QUALITATIVE CRITERIA** | **120%** | **48%** |

*(1) Calculated on a euro/dollar rate of 1.16 and on a constant business scope (excluding disposals/acquisitions).*

### LONG-TERM COMPENSATION – PERFORMANCE SHARES

Pursuant to Article L. 225-197-1 of the French Commercial Code,the total number of bonus shares may not exceed 10% of theshare capital at the date the Board of Directors votes to grantthem. The ceiling on allotments in the eighteenth resolution of the General Meeting of Shareholders of June 3, 2016, whichwas in effect for 38 months, specifi ed 3,290,000 shares (or 3.5% of the equity capital as measured on December 31, 2015). The ceiling on allotments provided for in the twenty-secondresolution of the Shareholders' Meeting of May 14, 2018, which replaced the latter for a new term of 38 months, also applies to 3.5% of the share capital on the date of the allocation decision. The bonus shares in circulation on the day of the vote on thelatter resolution represented 0.82 % of the Company's share capital.

At its March 5, 2018 meeting, the Board of Directors acting onthe recommendation of the Appointments and CompensationCommittee voted that 250,000 performance shares subject to the rules of the bonus share plan known as MIP 2 (Tranche 2) could be allotted to Yannick Assouad under the eighteenth resolution approved by the General Meeting of Shareholders on June 3, 2016. The grant of performance shares that could be allotted to Yannick Assouad under MIP 2 (Tranche 2) was conditioned on achieving measured performance for 2019 by attaining revenue and an EBITDA/revenue ratio greater than the minimum values set out in the MIP 2 Plan Rules and on the Business Plan approved by the Board of Directors on June 27, 2018. This awarding was also conditional upon the recording of a performance in the stock market in the 2019 fiscal year calculated by comparing changes in the market price for Latécoère shares expressed as a % between (i) the closing price for Latécoère shares on the final trading day of 2017, i.e. €5.71, and (ii) the closing price forLatécoère shares on the final trading day of the 2019 fiscal year and the change in the performance of the Aeronautics

Index between (i) the final trading day of 2017 and (ii) the final trading day of the 2019 fiscal year.

These performance criteria were deemed satisfied, fully or partly, if for each one the minimum was reached or exceeded as of December 31, 2019. For fiscal year 2019 the target values set by the MIP 2 (Tranche 2) Rules and by the Board of Directors were (i) as to revenue:at least more than 90% of the revenue in the business plan generated for the year ending December 31, 2019 and at most 120% of business plan revenue, (ii) as to the EBITDA margin:at least more than 90% of the EBITDA margin in the business plan achieved in the year ending December 31, 2019 and at most 110% of the business plan EBITDA margin, and (iii) as to stock market performance: at least more than 90% of the performance of the Aeronautic Index and at most 110% of the performance of the Aeronautic Index.

Thus, for each of these criteria:

- if the value attained in 2019 was less than or equal to 90% of the business plan objective or, in the case of stock performance, 90% of the performance of the Aeronautic Index, the criterion was not satisfied and the shares to be granted for that criterion were forgone;
- if the business plan objective or in the case of stock performance, 100% of the performance of the Aeronautic Index was achieved, then 50% of the performance shares available on the criterion were granted unconditionally;
- if the maximum target value was achieved, 100% of the performance shares available on the criterion were granted unconditionally.

Between these brackets, the percentage of performance shares granted on the criterion were determined by linear interpolation, with the remainder forgone.

The grant of 44,500 performance shares to Yannick Assouad became unconditional on March 6, 2020, after confirmation by the Board of Directors, after review by the Appointments and Compensation Committee of the achievement by Yannick Assouad of the presence condition as at December 31, 2019 and that the revenue condition stipulated for MIP 2 for fiscal year 2019 (Tranche 2) was satisfied at 53.40%, while the balance of shares to be granted on this and the other MIP 2 (Tranche 2) criteria was forgone.

The 44,500 performance shares granted to Yannick Assouad will vest after a one-year vesting period. She must then hold the shares for one year.

The performance shares granted to Yannick Assouad in 2020 for the 2019 fiscal year has a limited dilutive effect and represents less than 0.05% of the Company's share capital a tthe date this Universal Registration Document was prepared.

In addition, based on a valuation under IFRS of the 44,500 performance shares of €4.80 each, the grant made to Yannick Assouad in 2020 for the 2019 fiscal year represents €213,600 or 17.65% of her total maximum annual compensation (fixed and variable) for that year.

### COMPENSATION DUE OR THAT MIGHT BECOME DUE AS A RESULT OF TERMINATION OF OFFICE

Since Yannick Assouad did not terminate her services during the year ended December 31, 2019, no severance pay was due to her for that year.

### BENEFITS IN KIND

In the year ended December 31, 2019 Yannick Assouad received benefits in kind worth €36,699.29 consisting of the Company car of which she had use as well as the annual contributions to her executive unemployment insurance and to the collective compulsory plan for health and disability expenses.

### ABSENCE OF COMPENSATION IN RESPECT OF DUTIES AS DIRECTOR (FORMERLY DIRECTORS' FEES)

In accordance with the compensation policy for the Chief executive officer approved by the General Meeting of May 13, 2019, Yannick Assouad received no compensation in connection with her services on the Board of Directors in the year ended December 31, 2019.

## B.4 Historical data

### ANNUAL VARIABLE COMPENSATION

### TABLE SUMMARIZING TWO YEARS OF VARIABLE COMPENSATION FOR YANNICK ASSOUAD

| | 2019 | | 2020 | |
|---|---|---|---|---|
| *As a % of fixed portion* | **Actual** | **Maximum** | **Actual** | **Maximum** |
| Financial criteria | 21% | 84% | None | None |
| Individual criteria | 27% | 36% | None | None |
| **VARIABLE COMPENSATION** | **48%** | **120%** | **NONE** | **NONE** |

### LONG-TERM COMPENSATION – PERFORMANCE SHARES

The record of performance share grants, specifically including those to Yannick Assouad, is presented in the tables of this subsection, paragraph B.5, Table "**Record of bonus share awards, including specifically to the Chief executive officer**".

When the holding period, if any, set by the Board of Directors comes to an end, the Chief executive officer must retain in registered form a significant number of the performance shares granted until he or she leaves his or her position. This retention requirement applies to 5% of the performance shares granted unconditionally. Since joining the Group as Chief executive officer on November 10, 2016, Yannick Assouad has not sold any shares resulting from the unconditional grant of performance shares.

It should be recalled that since November 10, 2016 no stock purchase options have been granted. It should be noted that no delegations of authority are being prepared for the issuance of stock purchase options.

## B.5 Change in the compensation of the Chief executive officer over the last two fiscal years

The following tables show the compensation paid and granted as well as the options and shares granted to Yannick Assouad during the last two fiscal years.

### SUMMARY TABLE OF COMPENSATION, STOCK OPTIONS AND PERFORMANCE SHARES GRANTED TO YANNICK ASSOUAD (AMF TABLE 1)

| *In €* | 2019 | 2020 (1) |
|---|---|---|
| Compensation for the year | 814,000 | 1,510,623 |
| Valuation of multi-year variable compensation granted during the year | – | – |
| Valuation of stock purchase options granted during the year | – | – |
| Value of performance shares granted during the year (2) | 342,847 | 213,600 |
| **TOTAL** | **1,156,847** | **1,724,223** |

*(1) The items making up total compensation and the benefits in kind paid or granted to the Chief executive officer pursuant to the compensation policy for the Chief executive officer approved by the General Meeting of Shareholders of June 11, 2020 (Seventeenth Resolution) are submitted to the vote of the General Meeting called to vote on the financial statements for the year ended December 31, 2020 (ex-post vote).*
*Payment of variable compensation is subject to approval of these items by the shareholders.*

*(2) All performance shares granted to the Chief executive officer are conditioned on current employment, performance criteria and a holding requirement. The performance criteria that attach to the performance shares granted to the Chief executive officer during the 2019 and 2020 fiscal years are described in this subsection, paragraphs B.1 and B.3 under "Long-term compensation – Performance shares".*

### SUMMARY TABLE OF YANNICK ASSOUAD'S COMPENSATION (AMF TABLE 2)

| | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|
| *In €* | Amounts due | Amounts paid | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Fixed compensation | 550,000 | 550,000 | 550,000 | 550,000 | 116,667 | 116,667 |
| Annual variable compensation | 300,905 (2) | 510,125 (1) | 264,000 (2) | 300,905 (1) | 0 | 264,000 (1) |
| Multi-year variable compensation | - | - | - | - | - | - |
| Extraordinary compensation | - | - | - | - | 1,360,574 (3) | 1,360,574 (3) |
| Compensation in respect of duties as Director (formerly Directors' fees) | - | - | - | - | - | - |
| • *o/w paid by Latécoère* | - | - | - | - | - | - |
| • *o/w paid by controlled companies* | - | - | - | - | - | - |
| Benefits in kind (3) | 40,258 | 40,258 | 36,699 | 36,699 | 33,382 | 33,382 |
| **TOTAL** | **891,163** | **1,100,383** | **850,699** | **887,604** | **1,510,623** | **1,774,623** |

*(1) Amount of variable compensation for the previous fiscal year.*
*(2) Payment of variable compensation is subject to approval of these items by the shareholders.*
*(3) Corresponding to the compensation due to Yannick Assouad due to the termination of her duties on March 17, 2020 (€1,331,406.44) to which was added the compensation due for the waiting period for the GSC guarantee (€29,167.18).*
*(4) Company car, yearly payment into the executive unemployment insurance plan (GSC).*

### STOCK SUBSCRIPTION OR PURCHASE OPTIONS GRANTED TO YANNICK ASSOUAD DURING THE FISCAL YEAR (AMF TABLE 4)

| Number and date of the plan | Type of options (purchase or subscription) | Valuation of options according to the method adopted for the consolidated financial statements | Number of options granted during the period | Exercise price | Exercise period | Performance criteria |
|---|---|---|---|---|---|---|
| None | | | | | | |

### SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE YEAR BY YANNICK ASSOUAD (AMF TABLE 5)

| Number and date of the plan | Number of options exercised during the year | Exercise price |
|---|---|---|
| None | | |

### PERFORMANCE SHARES ALLOCATED DURING THE FISCAL YEAR TO YANNICK ASSOUAD (AMF TABLE 6)

| Performance shares granted to Yannick Assouad by the General Meeting of the Latécoère Shareholders during the year and by any Group company | Number and date of plan | Number of shares awarded during the year | Valuation of the shares by the method used for consolidated financial statements | Date of acquisition | Date of availability | Performance criteria |
|---|---|---|---|---|---|---|
| MIP 2 Tranche 2 Allocation on 3/6/2020 | | 44,500 | €213,600 | 3/6/2021 | 3/6/2022 (1) | (2) |

*(1) Obligation to retain in registered form at least 5% of the shares granted unconditionally until termination of office.*
*(2) All performance shares that may be granted to the Chief executive officer are conditioned on current employment, performance criteria and a holding requirement (see below). The performance criteria that attach to the performance shares awarded to the Chief executive officer during fiscal year 2020 are described in this subsection, paragraphs B.3 under "Long-term compensation – Performance shares".*

### PERFORMANCE SHARES THAT BECAME AVAILABLE TO YANNICK ASSOUAD DURING THE FISCAL YEAR (AMF TABLE 7)

| Number and date of the plan | Number of shares becoming available during the fiscal year | Vesting conditions |
|---|---|---|
| MIP 1 Tranche 3<br>Allocation on 3/5/2018 | 250 000 | (1) |

*(1) All performance shares attributable to the CEO are subject to the fulfilment of an Attendance Condition, performance criteria and a retention obligation. As a reminder, at its meeting on November 10, 2016, the Board of Directors, on the proposal of the Appointments and Compensation Committee, decided that 500,000 performance shares were attributable to Yannick Assouad, on the basis of the eighteenth resolution approved by the General Meeting of Shareholders on June 3, 2016, and of the free share allocation plan known as MIP 1 adopted by the Board of Directors on September 22, 2015. All the performance shares attributable to Yannick Assouad were conditional on the achievement of a performance measured over the 2017 financial year by the attainment of a stock market performance and a recurring Economic EBITDA higher than the values provided for by the MIP 1 Plan Regulations. These criteria were satisfied, partially or fully, if for each of them the minimum value was reached or exceeded on December 31, 2017, it being specified that the values set out in the MIP 1 Plan Regulations have not been subject to subsequent modification. The only changes made by the Board of Directors at its meeting of May 19, 2017 were to the duration of the vesting and retention periods for shares granted under the MIP 1 plan. For the 2017 financial year, the target values provided for in the MIP 1 Plan Regulations were respectively (i) more than €4.27 of the average closing price of the Latécoère share over the last three months prior to December 31, 2017 for the stock market performance criterion, and (ii) a minimum of €91,000,000 and a maximum of €118,900,000 achieved as at December 31, 2017, for the recurring economic EBITDA condition.*

*Thus:*

- *if the stock market performance criterion for the 2017 financial year was met, all the performance shares attributable to this criterion were definitively allocated; if not, the shares attributable to this criterion were lost;*
- *if the value of recurring economic EBITDA 2017 was less than or equal to EUR 91,000,000, the criterion was not met and the shares attributable under this criterion were lost;*
- *if the value of the 2017 recurring economic EBITDA was equal to EUR 100,300,000, 50% of the performance shares attributable under this condition were definitively allocated;*
- *if the value of the 2017 recurring economic EBITDA was equal to or greater than 118,900,000, 100% of the performance shares attributable under this condition were definitively granted.*

*Between these levels, the percentage of performance shares granted under the recurring Economic EBITDA criterion was to be determined by linear interpolation, with the balance lost.*

*The allocation of 250,000 performance shares to Yannick Assouad became definitive on March 5, 2018, following the determination by the Board of Directors, after review by the Appointments and Compensation Committee, that the stock market performance criterion had been met for the 2017 financial year, with the performance shares that could be allocated under the recurring economic EBITDA condition being forfeited as the criterion was not met.*

### HISTORY OF ALLOCATION OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS, INCLUDING SPECIFICALLY TO YANNICK ASSOUAD – INFORMATION ON SHARE SUBSCRIPTION OR PURCHASE OPTIONS (AS OF DECEMBER 31, 2020) (AMF TABLE 8)

None

### HISTORY OF FREE SHARE ALLOCATIONS, INCLUDING SPECIFICALLY TO THE CHIEF EXECUTIVE OFFICER – INFORMATION ON FREE SHARES ALLOCATED (AS OF DECEMBER 31, 2020) (AMF TABLE 10)

The following table presents the record of bonus share awards, specifically including those to Yannick Assouad.

| Plan | MIP 1 Plan Tranche 1 | MIP 1 Plan Tranche 2 | MIP 1 Plan Tranche 3 | MIP 1 Plan Tranche 4 | MIP 2 Plan Tranche 1 | 2018 Plan | MIP 2 Plan Tranche 2 | MIP 2 Plan Tranche 3 |
|---|---|---|---|---|---|---|---|---|
| **Date of Board of Directors decision as to shares to be granted to each beneficiary** | **9/22/2015** | **9/22/2015** | **11/10/2016 and 5/19/2017** | **3/5/2018** | **1/16/2018 and 3/5/2018** | **N/A** | **1/16/2018 and 3/5/2019** | **1/16/2018 and 3/6/2020** |
| Date of General Meeting | 7/15/2015 | 7/15/2015 | 6/3/2016 | 6/3/2016 and 5/14/2018 | 6/3/2016 and 5/14/2018 | 6/3/2016 | 6/3/2016 and 5/14/2018 | 6/3/2016 and 5/14/2018 |
| Total number of bonus shares to be granted conditionally | 350,050 | 495,894 | 847,132 | 847,132 | 513,100 | N/A | 568,800 | 568,800 |
| **Date of decision of the Board of Directors as to grant shares** | **3/2/2016** | **3/10/2017** | **3/5/2018** | **3/5/2019** | **3/5/2019** | **3/5/2018** | **3/6/2020 (1)** | **03/2021 (1)** |
| Total number of bonus shares granted | 350,050 | 0 | 423,566 | 0 | 146,292 | 471,900 | 87,985 | - |
| Share purchase date | | | | | | | | |
| • France | 3/2/2018 | 3/2/2019 | 3/5/2019 | N/A | 3/5/2020 | 3/5/2019 | 3/6/2021 | 03/2022 (2) |
| • Other countries | None | None | None | None | None | None | None | None |
| Availability date (end of holding period) – France and other countries | 3/2/2020 | 3/2/2021 | 3/5/2020 | N/A | 3/5/2021 | 3/5/2020 | 3/6/2022 | 03/2023 (2) |
| Number of shares granted conditionally to Yannick Assouad (3) | 0 | 0 | 500,000 | 500,000 | 250,000 | 0 | 250,000 | 250,000 |
| Number of shares granted to Yannick Assouad (3) | 0 | 0 | 250,000 | 0 | 71,278 | 0 | 44,500 | 0 |
| Performance criteria achievement rate | 100% | 0% | 50% | 0% | 28.51% | N/A | 17.8 % | - |
| Total number of shares vesting to Yannick Assouad | 0 | 0 | 250,000 | N/A | - | 0 | - | 0 |
| Cumulative number of lapsed and canceled shares | 0 | 495,894 | 423,566 | 847,132 | 366,808 | 57,600 | 480,815 | 379,502 |
| Bonus shares awarded remaining at close of year | 350,050 | 0 | 423,566 | 0 | 146,292 | 414,300 | 87,985 | 189,298 |

*(1) Approximate date depending on the date of the Board of Directors' Meeting.*
*(2) Approximate date depending on the date of assignment of shares by the Board of Directors.*
*(3) All performance shares that could be allotted to Yannick Assouad were conditioned on meeting performance criteria as well as a condition of presence. The performance criteria that attach to the performance shares granted to the Yannick Assouad for the 2019 and 2020 fiscal years are described in this subsection, paragraphs B.1 and B.3 under "Long-term compensation – Performance shares".*

## B.6 Employment contracts, supplementary pension plans and indemnities (AMF Table 11)

| | Employment contract | Supplemental pension plans | Compensation or benefits due or likely to be due owing to termination or change of office | Payments in relation to a non-compete clause |
|---|---|---|---|---|
| | **NO** | **NO** | **YES** | **NO** |
| **Yannick Assouad**<br>Chief executive officer from November 10, 2016 to March 17, 2020<br>First appointed a Director: November 10, 2016<br>First appointed Chief executive officer: November 10, 2016<br>Start date of term on the Board: 11/10/2016<br>End date of term as Director and Chief executive officer: GM called to vote on the financial statements for the year ended 12/31/2020. | | | A description of this payment appears in Section 3.3.3, paragraph B.1above | |

### B.7 Equity ratios

In accordance with Article L.22-10-9 of the French Commercial Code, set out below are the (i) ratios between the compensation awarded to the Chief executive officer and, firstly, the mean full-time equivalent compensation paid to employees of the Company excluding corporate officers and, secondly, the median full-time equivalent compensation aid to employees of the Company excluding corporate officers, as well as changes in this ratio over the last five fiscal years (L. 22-10-9, I., 6°) as well as (ii) "the annual change in compensation, the Company's performance, the mean full-time equivalent compensation of the Company's employees excluding executives and the aforementioned ratio" over the course of the last five fiscal years (L. 22-10-9, I., 7°).

This presentation was prepared in order to comply immediately with the new transparency requirements concerning executive compensation.

It may evolve depending on any subsequent official instructions or positions made known to companies.

| *In € thousand* | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Company performance Net income for the year** (1) | **6,322** | **3,574** | **6,013** | **(32,864)** | **(189,566)** |
| Change as a % | 247.4% | -43.5% | 68.2% | -646.5% | 476.9 % |
| Compensation of the Chief executive officer (2) | 1,085.3 (4) | 1,108.8 | 1,443.2 | 1,101.2 | 1,028.6 (5) |
| Change as a % | 80.5% | 2.2% | 30.2% | -23.7% | -6.6 % |
| Average full-time equivalent compensation of the Company's employees (3) | 45.7 | 47.4 | 47.9 | 48.2 | 48.9 |
| Change as a% | 6.25% | 3.67% | 1.03% | 0.56% | 1.54 % |
| **Average pay ratio** | **23.7** | **23.4** | **30.1** | **22.8** | **21.0** |
| Median full-time equivalent compensation of the Company's employees (3) | 41.4 | 42.5 | 43.2 | 43.9 | 46.2 |
| Change as a % | 4.55% | 2.65% | 1.56% | 1.74% | 5.25 % |
| **Median pay ratio** | **26.2** | **26.1** | **33.4** | **25.1** | **22.2** |

*(1) Group consolidated net income.*

*(2) This compensation includes the fixed amount paid in year N, the variable amount paid on the basis of year N-1 in year N, the IFRS value of any shares granted in year N on the basis of long-term compensation and all benefits in kind.*

*(3) This compensation relates to the employees of the Latécoère SA structure and includes the fixed and variable amounts, any top-up amount paid, amounts received on the basis of contractual profit-sharing, the valuation (fair value) of the performance shares awarded, and all benefits in kind.*

*(4) This compensation includes the fixed amount paid in year N, the variable amount paid on the basis of year N-1 in year N, the IFRS value of any shares granted in year N on the basis of long-term compensation, and all benefits in kind paid to the two Chief Executive Officers who succeeded each other in 2016.*

*(5) This compensation includes the fixed amount paid in year N, the variable amount paid on the basis of year N-1 in year N, the IFRS value of any shares granted in year N on the basis of long-term compensation, and all benefits in kind paid to the two Chief Executive Officers who succeeded each other in 2020.*

## C. COMPENSATIONSOF PHILIP SWASH, CHIEF EXECUTIVE OFFICER (FROM MARCH 17, 2020), FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

Given below is the compensation paid or granted by Latécoère to Philip Swash, Chief executive officer (since March 17, 2020), for the year ended December 31, 2020,svoted by the Board of Directors upon proposal by the Appointments and Compensation Committee and must be approved, as regards 2021, by the General Meeting of Shareholders in accordance with applicable law and regulations. It should be noted that Philip Swash does not have an employment contract with the Group.

### C.1 Compensation for the fiscal year ended December 31, 2020

In accordance with Article L.22-10-34, II of the French Commercial Code, the General Meeting of Shareholders must vote on the fixed, variable and extraordinary components of the total compensation and the benefits of any kind paid or granted to the Chief executive officer for the 2020 fiscal year pursuant to the compensation policy for the Chief executive officer approved by the General Meeting of Shareholders on June 11, 2020. It should be recalled that the payment of the 2020 variable compensation is subject to the approval of the General Meeting, it being specified that Philip Swash did not benefit from any variable nor exceptional compensation in respect of the 2020 fiscal year.

#### Annual fixed compensation

In accordance with the compensation policy for the Chief executive officer approved by the General Meeting of Shareholders of June 11, 2020 (17th resolution), and taking into account his appointment on March 17, 2020, Philip Swash's fixed (gross) annual compensation for the financial year 2020, amounted to €398,313.31 in respect of his duties, on a gross annual basis of €330,000 until May 18, 2020 and on a gross annual basis of €550,000, between May 18, and December 31, 2020.

### Annual variable compensation

At its meeting on March 15, 2021, the Board of Directors, which, on the recommendation of the Appointments and Compensation Committee, noted that the achievement rate of the financial performance criteria attached to Philip Swash's annual variable compensation was 0% while the individual performance criteria were partially met for the financial year 2020, also noted that Mr. Philip Swash had waived any annual variable remuneration for the financial year 2020.

Therefore, no variable compensation is or will be paid to Philip Swash for the financial year 2020.

### Annual variable compensation

No exceptional compensation was awarded or paid to Philip Swash for the financial year 2020.

### Long-term compensation – Stock-options and Performance shares

No stock options or performance shares were granted to Philip Swash for the financial year 2020.

### Compensation due or that might become due as a result of termination of office

As Philip Swash did not cease to hold office during the year ended December 31, 2020, no termination payments were due to him in respect of that year.

### Benefits in kind

Philip Swash received benefits in kind in the year ended December 31, 2020 amounting to EUR 2,597.41, corresponding to his private health insurance contributions.

### Absence of compensation in respect of duties as Director (formerly Directors' fees)

In accordance with the Compensation Policy for the Chief Executive Officer approved by the General Meeting of June 11, 2020, Philip Swash did not receive any compensation for the financial year ending December 31, 2020 during his term of office as Chief Executive Officer, i.e. between March 17, 2020 and December 31, 2020, in respect of his duties as director.

On the other hand, he will receive in 2021, in respect of his duties as director from January 22, 2020 to March 17, 2020, during which period he 17 March 2020, period during which he did not yet hold the position of Chief Executive Officer, the sum of EUR 8,337.50.

### Absence of compensation paid or awarded by a company within the consolidation scope of the Company

No compensation was paid or awarded to Philip Swash by a company within the consolidation scope of the Company.

## C.2 Summary table of the components of variable and extraordinary compensation paid or granted to Philip Swash as a corporate officer for the period ended December 31, 2020 and subject to approval by the General Meeting of Shareholders of May 21, 2021

In accordance with Articles L.22-10-8 and L.22-10-34 of the French Commercial Code, the components of compensation voted on *ex ante* must be submitted to the approval of the shareholders every year. Payment of the items of variable and extraordinary compensation is conditioned on the approval of the General Meeting of Shareholders (voting *ex post)*.

The shareholders are asked in the 19th resolution submitted to the Combined General Meeting of Shareholders of May 21, 2021 to vote on the fixed, variable or extraordinary components of the total compensation and the benefits of any kind paid or granted in respect of the period ended December 31, 2020 to Philip Swash, Chief executive officer (since March 17, 2020), as presented below *(ex post* vote):

| Items of the compensation of Philip Swash paid or granted for the period ended December 31, 2020 | Amounts or carrying value put to the vote | Comments |
|---|---|---|
| Fixed compensation | **€398,313** (amounts paid) | See Section 3.3.3, subsection C, paragraph C.1 of this Universal Registration Document for a detailed presentation. |
| Variable compensation | **None** | See Section 3.3.3, subsection C, paragraph C.1 of this Universal Registration Document for a detailed presentation. |
| Exceptional compensation | **None** | |
| Payment on assumption of duties | **None** | |
| Compensation due or that might become due as a result of termination of office | **None** | See Section 3.3.3, subsection C, paragraph C.1 of this Universal Registration Document for a detailed presentation. |
| Compensation in respect of duties as Director | **€8,338** | Amount due to Philip Swash in respect of his duties as a director between January 22, and March 17, 2020, prior to his appointment as Chief Executive Officer. See Section 3.3.3, subsection C, paragraph C.1 of this Universal Registration Document for a detailed presentation. |
| Stock options and performance shares: | | |
| • *o/w Stock options* | **None** | |
| • *o/w performance shares* | **None** | Philip Swash did not benefit from any free share plans in respect of the 2020 financial year. See Section 3.3.3, subsection C, paragraph C.1 of this Universal Registration Document for a detailed presentation. |
| Benefits in kind | | |
| • *o/w private health insurance* | **€2,597** | |
| • *set-up costs* | **None** | - |
| • *Company car* | **None** | - |

## C.3 Change in the compensation of the Chief executive officer over the last two fiscal years

The following tables show the compensation paid and granted as well as the options and shares granted to Philip Swash during the last two fiscal years.

### SUMMARY TABLE OF COMPENSATION, STOCK OPTIONS AND PERFORMANCE SHARES GRANTED TO PHILIP SWASH (AMF TABLE 1)

| *In €* | 2019 | 2020 [(1)] |
|---|---|---|
| Compensation for the year | None | 409,248 |
| Valuation of multi-year variable compensation granted during the year | None | None |
| Valuation of stock purchase options granted during the year | None | None |
| Value of performance shares granted during the year [(2)] | None | None |
| **TOTAL** | **NONE** | **409,248** |

*(1) The items making up total compensation and the benefits in kind paid or granted to the Chief executive officer pursuant to the compensation policy for the Chief executive officer approved by the General Meeting of Shareholders of June 11, 2020 (Seventeenth Resolution) are submitted to the vote of the General Meeting called to vote on the financial statements for the year ended December 31, 2020 (ex-post vote). Payment of variable compensation is subject to approval of these items by the shareholders.*

### SUMMARY TABLE OF PHILIP SWASH'S COMPENSATION (AMF TABLE 2)

| | 2018 | | 2019 | | 2020 | |
|---|---|---|---|---|---|---|
| *In €* | Amounts due | Amounts paid | Amounts due | Amounts paid | Amounts due | Amounts paid |
| Fixed compensation | - | - | - | - | 398,313 | 398,313 |
| Annual variable compensation | - | - | - | - | 0 [(1)] | - |
| Multi-year variable compensation | - | - | - | - | - | - |
| Extraordinary compensation | - | - | - | - | - | - |
| Compensation in respect of duties as Director (formerly Directors' fees) | - | - | - | - | 8,338 [(2)] | - |
| • *o/w paid by Latécoère* | - | - | - | - | *8,338* [(2)] | - |
| • *o/w paid by controlled companies* | - | - | - | - | - | - |
| Benefits in kind [(3)] | - | - | - | - | 2,597 | 2,597 |
| **TOTAL** | **NONE** | **NONE** | **NONE** | **NONE** | **409,248** | **400,910** |

*(1) The items making up total compensation and the benefits of any kind paid or granted to the Chief executive officer in 2020 are submitted to the vote of the General Meeting called to vote on the financial statements for the year ended December 31, 2020 (ex-post vote). Payment of variable compensation is subject to approval of these items by the shareholders.*

*(2) Amount to be paid in 2021 for the year 2020.*

*(3) Private health insurance premiums.*

### STOCK SUBSCRIPTION OR PURCHASE OPTIONS GRANTED TO PHILIP SWASH DURING THE FISCAL YEAR (AMF TABLE 4)

| Number and date of the plan | Type of options (purchase or subscription) | Valuation of options according to the method adopted for the consolidated financial statements | Number of options granted during the period | Exercise price | Exercise period | Performance criteria |
|---|---|---|---|---|---|---|
| None | | | | | | |

### SHARE SUBSCRIPTION OR PURCHASE OPTIONS EXERCISED DURING THE YEAR BY PHILIP SWASH (AMF TABLE 5)

| Number and date of the plan | Number of options exercised during the year | Exercise price |
|---|---|---|
| None | | |

### PERFORMANCE SHARES ALLOCATED DURING THE FISCAL YEAR TO PHILIP SWASH (AMF TABLE 6)

| Performance shares granted to Philip Swash by the General Meeting of the Latécoère Shareholders during the year and by any Group company | Number and date of plan | Number of shares awarded during the year | Valuation of the shares by the method used for consolidated financial statements | Date of acquisition | Date of availability | Performance criteria |
|---|---|---|---|---|---|---|
| None | | | | | | |

### PERFORMANCE SHARES THAT BECAME AVAILABLE TO PHILIP SWASH DURING THE FISCAL YEAR (AMF TABLE 7)

| Number and date of the plan | Number of shares becoming available during the fiscal year | Vesting conditions |
|---|---|---|
| None | | |

### HISTORY OF ALLOCATION OF SHARE SUBSCRIPTION OR PURCHASE OPTIONS, INCLUDING SPECIFICALLY TO PHILIP SWASH – INFORMATION ON SHARE SUBSCRIPTION OR PURCHASE OPTIONS (AS OF DECEMBER 31, 2020) (AMF TABLE 8)

None

### HISTORY OF FREE SHARE ALLOCATIONS, INCLUDING SPECIFICALLY TO THE CHIEF EXECUTIVE OFFICER – INFORMATION ON FREE SHARES ALLOCATED (AS OF DECEMBER 31, 2020) (AMF TABLE 10)

None

## C.4 Employment contracts, supplementary pension plans and indemnities (AMF Table 11)

| | Employment contract | Supplemental pension plans | Compensation or benefits due or likely to be due owing to termination or change of office | Payments in relation to a non-compete clause |
|---|---|---|---|---|
| | NO | NO | YES | NO |
| **Philip Swash**<br>Chief executive officer since March 17, 2020<br>First appointed as Director: January 22, 2020<br>First appointed as Chief executive officer: March 17, 2020<br>Start date of term on the Board: January 22, 2020<br>End date of term as Director and Chief executive officer: GM called to vote on the financial statements for the year ended 12/31/2020. | | | (1) | |

*(1) The terms and conditions of this severance payment, set by the Board of Directors on May 18, 2020, based on the recommendations of the Appointments and Compensation Committee, are consistent with those applied to previous Chief Executive Officers and comply with the provisions of the Middlenext Code. Philip Swash benefits from an indemnity corresponding to twelve (12) months' gross compensation calculated on the basis of the total gross compensation - fixed, variable and benefits in kind - that he will have received during the financial year preceding the financial year during which he will cease to perform his duties as Chief Executive Officer and will leave the Group.*

*The payment of this severance benefit will be conditional upon the Company achieving a positive consolidated net income, adjusted for the change in fair value of financial instruments, during one of the two consecutive financial years preceding the financial year in which he will cease to perform his duties as Chief Executive Officer and will leave the Group. In view of the specific situation relating to Covid-19, the condition that the Company achieve a positive consolidated net income, adjusted for the change in the fair value of financial instruments, will be deemed to have been met for the financial year 2020; however, this condition will again apply to the financial year 2021.*

*In addition, no severance payment shall be due in the event of termination of the functions of Chief Executive Officer of Philip Swash at the initiative of the Company and forced departure from the Group justified by serious misconduct or gross negligence on the part of Philip Swash or if he ceases to perform his duties and leaves the Group at his own initiative for any reason whatsoever.*

### C.5 Equity ratios

In accordance with Article L.22-10-9 of the French Commercial Code, set out below are the (i) ratios between the compensation awarded to the Chief executive officer and, firstly, the mean full-time equivalent compensation paid to employees of the Company excluding corporate officers and, secondly, the median full-time equivalent compensation aid to employees of the Company excluding corporate officers, as well as changes in this ratio over the last five fiscal years (L. 22-10-9, I., 6°) as well as (ii) "the annual change in compensation, the Company's performance, the mean full-time equivalent compensation of the Company's employees excluding executives and the aforementioned ratio" over the course of the last five fiscal years (L. 22-10-9, I., 7°). This presentation was prepared in order to comply immediately with the new transparency requirements concerning executive compensation.

It may evolve depending on any subsequent official instructions or positions made known to companies.

| *In € thousand* | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| **Company performance Net income for the year** (1) | **6,322** | **3,574** | **6,013** | **(32,864)** | **(189,566)** |
| Change as a % | 247.4% | -43.5% | 68.2% | -646.5% | 476.9 % |
| Compensation of the Chief executive officer (2) | 1,085.3 (4) | 1,108.8 | 1,443.2 | 1,101.2 | 1,028.6 (5) |
| Change as a % | 80.5% | 2.2% | 30.2% | -23.7% | -6.6 % |
| Average full-time equivalent compensation of the Company's employees (3) | 45.7 | 47.4 | 47.9 | 48.2 | 48.9 |
| Change as a % | 6.25% | 3.67% | 1.03% | 0.56% | 1.54 % |
| **Average pay ratio** | **23.7** | **23.4** | **30.1** | **22.8** | **21.0** |
| Median full-time equivalent compensation of the Company's employees (3) | 41.4 | 42.5 | 43.2 | 43.9 | 46.2 |
| Change as a % | 4.55% | 2.65% | 1.56% | 1.74% | 5.25 % |
| **Median pay ratio** | **26.2** | **26.1** | **33.4** | **25.1** | **22.2** |

*(1) Group consolidated net income.*

*(2) This compensation includes the fixed amount paid in year N, the variable amount paid on the basis of year N-1 in year N, the IFRS value of any shares granted in year N on the basis of long-term compensation and all benefits in kind.*

*(3) This compensation relates to the employees of the Latécoère SA structure and includes the fixed and variable amounts, any top-up amount paid, amounts received on the basis of contractual profit-sharing, the valuation (fair value) of the performance shares awarded, and all benefits in kind.*

*(4) This compensation includes the fixed amount paid in year N, the variable amount paid on the basis of year N-1 in year N, the IFRS value of any shares granted in year N on the basis of long-term compensation, and all benefits in kind paid to the two Chief Executive Officers who succeeded each other in 2016.*

*(5) This compensation includes the fixed amount paid in year N, the variable amount paid on the basis of year N-1 in year N, the IFRS value of any shares granted in year N on the basis of long-term compensation, and all benefits in kind paid to the two Chief Executive Officers who succeeded each other in 2020.*

## D. COMPENSATIONSOF THIERRY MOOTZ, DEPUTY CHIEF EXECUTIVE OFFICER (FROM MARCH 17, 2020), FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020

It is recalled that Thierry Mootz receives compensation exclusively in respect of his continuing employment contract. He does not receive any compensation for his position as Deputy Chief Executive Officer or from another Group company for any other position. Consequently, he did not receive any compensation of any kind in respect of his position as Deputy Chief Executive Officer for the financial year 2020.

For more details on Thierry Mootz's compensation in respect of his salaried functions, see Section 3.3.2 above, it being specified that this compensation is not subject to approval by the General Meeting of Shareholders.

## E. COMPENSATION OF NON-EXECUTIVE CORPORATE OFFICERS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2020 AND PREVIOUS FISCAL YEARS

The compensation paid to each Board Director in respect of 2020 is given in the following table. The Directors received no other compensation or benefit in respect of 2020. The Directors were granted no stock subscription or purchase options or performance shares. None of them holds stock subscription or purchase options.

The compensation paid for the 2020 fiscal year, the amount of which was validated by the Appointments and Compensation Committee at a meeting held on March 2, 2021, will be paid in 2021.

### SUMMARY TABLE OF COMPENSATION RECEIVED BY NON-EXECUTIVE CORPORATE OFFICERS (AMF TABLE 3)

| | Compensation paid or due (on the basis of fiscal year) for the office of Director | | | Other compensation paid or due (on the basis of fiscal year) (fixed, variable and extraordinary compensation; benefits in kind) | | |
|---|---|---|---|---|---|---|
| *In €* | **2018** | **2019** | **2020** | **2018** | **2019** | **2020** |
| **Current Directors** | | | | | | |
| Isabelle Azemard | 60,000 | 60,000 | 1,479 | - | - | - |
| Claire Dreyfus-Cloarec | 60,000 | 75,000 | 17,500 | - | - | - |
| Chantal Genermont (resigned June 26, 2019) | 50,000 | 19,500 | - | - | - | - |
| Matthew Glowasky (resigned June 26, 2019) | - | - | - | - | - | - |
| Valerie Boyer [(1)] (appointed May 17, 2018) | - | - | - | - | - | - |
| Alexander Humphreys (resigned June 26, 2019) | - | - | - | - | - | - |
| Jérémy Honeth (resigned June 26, 2019) | - | - | - | - | - | - |
| Nathalie Stubler | 50,000 | 60,000 | 3,979 | - | - | - |
| Christophe Villemin (resigned June 26, 2019 then co-opted on March 17, 2020) | 50,000 | 26,500 | 43,813 | - | - | - |
| Ralph Ackermann (resigned October 13, 2017 then co-opted June 26, 2019) | - | - | - | - | - | - |
| Helen Lee Bouygues (co-opted June 26, 2019) | - | 36,500 | 59,408 | - | - | - |
| Grégoire Huttner (co-opted June 26, 2019) | - | 34,000 | 12,188 | - | - | - |
| Philip Swash (co-opted on January 22, 2020 appointed as Chief Executive Officer on March 17, 2020) | - | - | 8,338 | - | - | - |
| Caroline Catoire (co-opted on March 17, 2020) | - | - | 38,813 | - | - | - |
| Laurence Dors (appointed on June 11, 2020) | - | - | 28,958 | - | - | - |
| **Previous Directors** | **-** | **-** | **-** | **-** | **-** | **-** |
| Jean-Louis Peltriaux [(1)] (resigned May 17, 2018) | - | - | - | - | - | - |
| Robert Seminara (resigned January 15, 2018) | - | - | - | - | - | - |
| **TOTAL COMPENSATION DUE FOR THE DUTIES PERFORMED AS DIRECTOR AND OTHER COMPENSATION** | **270,000** | **311,500** | **214,475** | **-** | **-** | **-** |

*(1) The salaries of Valérie Boyer, Director representing employees, and Jean-Louis Peltriaux, former Director representing employee shareholders, under their respective employment contracts and unrelated to the performance of their duties, are not mentioned in the above table.*


Facilitate the present and prepare for the future, the guiding principle of Human Resources Department in charge of developing the team's skills

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# STATEMENT OF NON-FINANCIAL PERFORMANCE

# 4.1 A CSR APPROACH AT THE HEART OF THE GROUP'S VALUES

Alongside audacity and excellence, commitment is one of the three Latécoère values that directs and guides the Group's decision-making and actions. The implementation of sustainable corporate responsibility is a non-negligible part of the economic performance of Latécoère, in addition to being a fundamental expectation of its stakeholders.

Latécoère's CSR commitment and performance were recognized by Gaïa Rating, the ESG (Environment, Social, Governance) rating agency of EthiFinance, in its annual ranking.

Since 2018, the Latécoère Group has been included in the Gaïa Index. In 2020, it obtained an overall score of 83/100 (compared with 80 in 2019), while the average score of the "Capital goods & industrial products" category was 51.

The Group excels on all the rating criteria, and ranks 14th out of the 230 SMEs and intermediate-sized companies assessed (compared to 32nd in 2019).

Since 2018, Latécoère has published an annual statement of non-financial performance, the purpose of which is to present the business model, the main non-financial risks, as well as the policies followed to prevent, mitigate and limit the occurrence of these risks and, lastly, to present the corresponding results and key performance indicators.

In this chapter, Latécoère highlights the way in which the Group interacts with its environment and its stakeholders in order to create shared values.

# 4.2 IDENTIFYING PRIORITIES: ANALYZING NON-FINANCIAL RISKS AND OPPORTUNITIES

## 4.2.1 THE MATERIALITY MATRIX

In 2018, Latécoère launched a process of reflection on its non-financial challenges and a materiality matrix was created, enabling the examination of its expectations against those of its stakeholders. The materiality matrix is used to identify and prioritize the Group's main challenges.

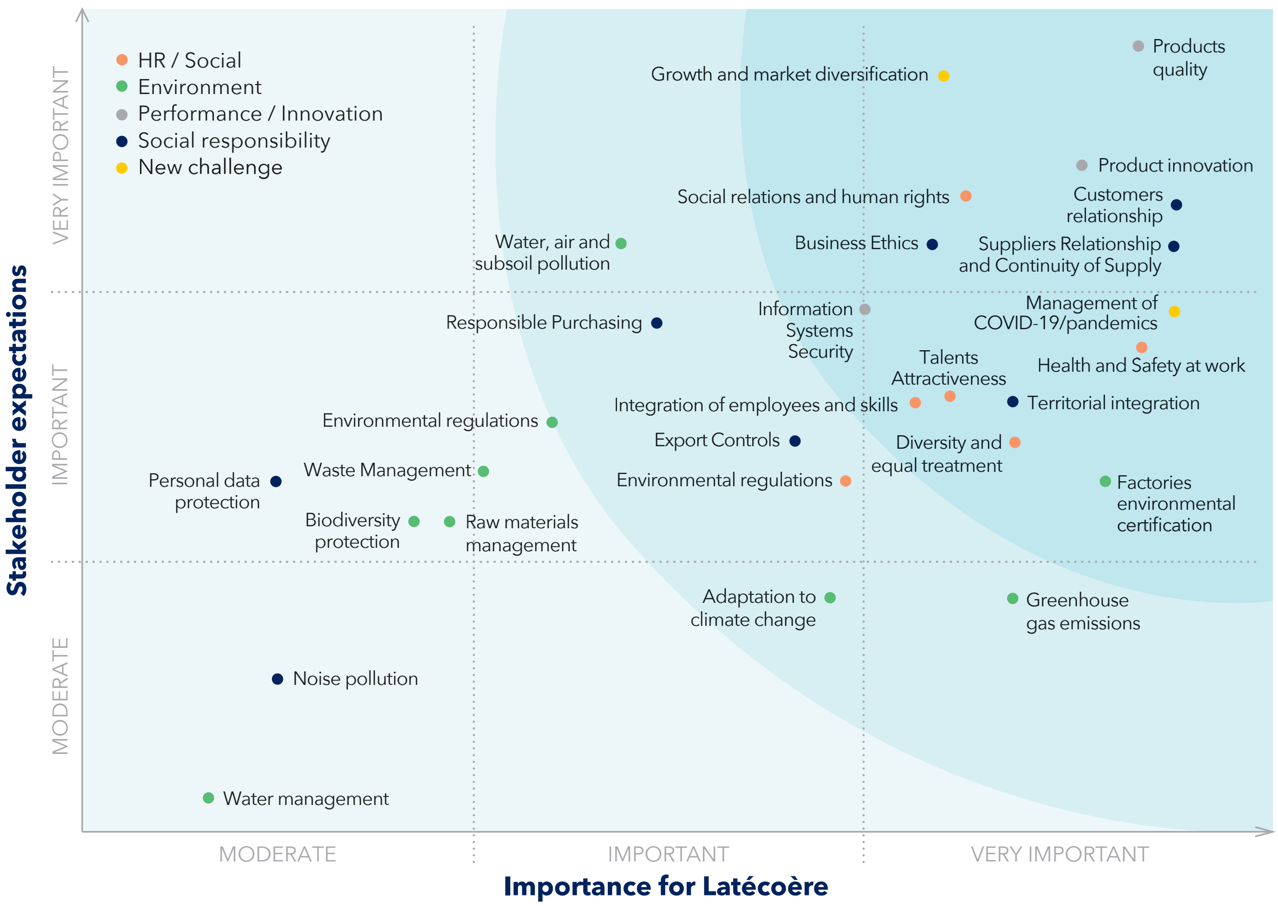
The business lines of Latécoère were mobilized to define:

1. A set of 26 CSR issues divided into four categories: HR and labor; environmental; performance and innovation; societal commitment. These were defined in accordance with regulations, best practices, CSR and reporting standards (SASB) and on the basis of interviews carried out with various Latécoère business lines. Each CSR issue was classified according to the "risk" and "opportunity" prisms. Clear definitions are provided for each risk;
2. A methodology for rating CSR issues:
   - under the "risk" prism, depending on their frequency and impact (financial, reputational, business continuity);
   - under the "opportunity" prism, according to their impact (financial, business continuity and reputational/ Management commitment).

For the 2020 fiscal year, work was done to update the materiality matrix. The objective was to update the positioning of the challenges in line with changes in stakeholder expectations and the Group's strategy. The impact of the COVID-19 health crisis on Latécoère's activities was taken into account. The rating of CSR challenges was updated in three stages:

- interviews with the various departments in charge of CSR issues in order to identify changes in stakeholder expectations and to understand trends, recent developments and highlights impacting the Group's challenges;
- a workshop on the positioning of each challenge, including the HR, HSE, Purchasing and Aerostructures and Interconnection divisions;
- a discussion and validation session with the Human Resources Director, member of the Executive Committee.

The issues located in the first two circles are identified as being Latécoère's priority CSR issues.




The aeronautics sector was severely shaken by the management of the COVID-19 health crisis throughout the year. The Group's challenge was to protect the health of its employees and implement health measures to prevent the spread of the coronavirus in the company. The slowdown in air transport also generated a sharp drop in activity across the entire sector. Latécoère was very responsive in adapting its organization and production facilities to cope with delays and cancellations of orders from its customers.

## CHANGES IN THE 2020 MATERIALITY ANALYSIS

The "Market growth and diversification" challenge was created. One of Latécoère's strategic objectives is to develop new businesses, notably in space and military programs, and to develop new markets in both divisions. This desire also meets one of the expectations of external stakeholders.

In this complicated period of health crisis, two HR challenges were magnified in particular in terms of importance for both stakeholders and Latécoère:

- attracting talent: as the workforce was scaled-back over the fiscal year, attracting and retaining talent are major challenges for stakeholders and Latécoère. It is crucial for Latécoère to recruit the right people for the positions to be filled, in Group roles which are technical and strategic;
- labor relations and human rights: in view of the socio-economic context of the countries in which the Group operates, discussions with social partners are a major challenge for the Group. The social plans and the Group's reorganization require high-quality labor relations in a transparent and constructive atmosphere with employee representatives.

Certain issues directly related to the business lines, such as "product quality", "product innovation" and "market growth and diversification" are dealt with in other parts of this Universal Registration Document (see section 1.1 and 1.2.4. of Chapter 1 and section 2.1. of Chapter 2. It should be noted that the risk of supplier failure as well as the risk related to business ethics and the risk related to security and continuity of the information system are addressed and explained in Chapter 2, section 2.1 of this Universal Registration Document.

### 4.2.2 AN APPROACH INVOLVING STAKEHOLDERS

Background work was carried out in 2018 to identify stakeholders and their expectations so as to ensure these were properly covered in the Group's CSR challenges and its CSR approach. This work made it possible to formalize a mapping exercise, which remained valid in 2020, covering its key stakeholders.

**EMPLOYEES**

- Latécoère employees
- Personnel representatives

**PARTNERS AND INDUSTRY PLAYERS**

- Customers
- Suppliers, service providers and sub-contractors
- Professional associations (GIFAS, IAQG)

**PUBLIC AUTHORITIES**

- Regulators and national public authorities
- Municipalities, departments and regions


**FINANCIAL COMMUNITY**

- Shareholders and investors
- Banks and insurance companies

**CIVIL SOCIETY**

- Media
- Local residents
- NGOs and associations
- Universities and schools

Stakeholder expectations were taken into account to help identify the priority CSR issues. Issues corresponding to the expectations of internal and external stakeholders that have a strong influence over the Group were given more weighting.

# 4.3 SELECTION OF RISKS FOR THE STATEMENT OF NON-FINANCIAL PERFORMANCE

Of the priority issues identified through the materiality analysis, 13 correspond to major risks to which Latécoère is exposed. The major CSR risks identified are the subject of commitments, action plans and associated key performance indicators which enable the measurement of their level of control and the implementation of improvement actions.

| | Issue | Associated risk | KPI |
|---|---|---|---|
| | COVID-19 management | The rapid and massive spread of the SARS Cov vitus has impacted the health of employees and threatened the Group's business continuity | % of sites that comply with Latécoère health crisis management standards |
| HR/Labor | Employee skills | Inappropriate management of skills, incompatibility between personnel skills required and technological and digital changes, loss of key know-how for business continuity | Number of training days per employee per year |
| | Attracting talent | Lack of attractiveness and non-retention of talent | Turnover rate |
| | Employee commitment | Deterioration of working conditions linked to COVID-19, affecting employee commitment to the Group | Absenteeism rate |
| | Labor relations and human rights | Deterioration in labor relations within the Company and non-compliance with social legislation | Number of collective agreements signed |
| | Health and safety at work | Decline in employee health and safety conditions | Frequency rate of accidents at work |
| Environment | Adaptation to climate change | Non-consideration of the consequences of climate change and non-adaptation of Latécoère activities | Greenhouse gas emissions by revenue |
| | Water, air and subsoil pollution | Environmental risks and risk of mass pollution associated with the business | Number of pollutants |
| Commitment | Customer relations | Deterioration in customer satisfaction | OTD (On Time Delivery) |
| | Relationship with suppliers and continuity of supply | Lack of a satisfactory relationship with suppliers, lack of supply | SOTD (Supplier On Time Delivery) |
| | Responsible purchasing | Risk of an environmental or labor problem at suppliers or subcontractors (pollution, accident, lack of respect for human rights) | % of contracts including the ethics charter |
| | Business ethics | Risks of corruption and poor competitive practices | • Number of corruption alerts<br>• % of employees trained in the fight against corruption |
| | Export control | Inadequate management of country/export/customs risks | • Percentage of employees trained among the population concerned<br>• Identification and training of one coordinator in the 7 targeted departments |

The non-financial risks listed above are in line with the significant and specific risks presented in Chapter 2, section 2.1 “Risk factors and mitigation” in order to ensure a consistent approach.

The risk related to COVID-19 management is addressed in a cross-functional manner by all departments impacted by the crisis in 2020. A summary of the health measures implemented is also presented in the section "Occupational health and safety at the heart of the Latécoère Group's commitment".

In the context of the health crisis, the risk related to "well-being" at work was reworked and redefined as a risk relating to "employee commitment". Retaining Latécoère’s talent by keeping employees invested in the company despite the context is a priority for the Group today.

# 4.4 DEVELOPING RESPONSIBLE PARTNERSHIP RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

Latécoère fully contributes to discussions, collaborations and synergies within the aerospace industry through the actions of the Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS) [French Aerospace Industries Association]. The Group's efficiency forms part of this collective work and benefits the entire industry in terms of industrial performance, economic competitiveness and relationships with the sector's customers and suppliers.

## 4.4.1 FOCUS ON CUSTOMER SATISFACTION

Latécoère is committed to ensuring that its customers are satisfied and helping to contribute to their performance. It focuses on delivery times and quality, as well a high level of responsiveness, in order to meet customer requirements. Customer satisfaction is one of the Group's strategic focuses, monitoring through key indicators validated by the Executive Committee.

Latécoère's organization structure has been designed to contribute to the performance of its customers, in particular through:

- A global positioning to ensure a local presence and offer an excellent service. While its historical headquarters remain in Toulouse, the Latécoère Group is present worldwide, close to its customers, like Airbus in Germany and France, Boeing in Mexico, Embraer in Brazil, Dassault in France, etc. Whether in Europe, Africa or Central America, its local production units offer the guarantee of close support to its customers and the streamlined transportation of the parts produced. For example, Latécoère recently completed the acquisition of interconnextion and electrical cabling systems (EWIS) activities near one of its customers, Bombardier, in Mexico, thereby limiting transport from Europe;
- Control over the availability of parts, through in-house production of an increasing number of product references. The in-house production of basic parts close to the distribution site enables better management of consignments;
- A collaborative organization for the expeditious treatment of customer returns. Latécoère has put in place QRQC (Quick Response Quality Control), a collaborative tool between Production and Quality which places the customer at the heart of improvement processes. This tool helps the teams to meet up as soon as an anomaly occurs, become more flexible and rapidly solve incidents. This tool is currently rolled out across all entities of the Group and made it possible to improve the overall level of product quality for Latécoère customers.

The mutual trust between Latécoère and its customers also leads to the development of joint projects. For example, the Interconnection Systems division seized the opportunity to diversify its activities in Canada alongside the integrator CAE, for the design and production of ventilators to save the lives of patients suffering from COVID-19.

At the same time, the Aerostructures division teams - alongside Groupe Institut de Soudure, Arkema, Hexcel and Stelia Aerospace - won the 2020 JEC Composites Aeronautics Innovation Award for their innovative thermoplastic composite welding technology project.

| Customer satisfaction | 2019 | 2020 |
|---|---|---|
| OTD (On Time Delivery) clients – Aerostructures | 91% | 97% |
| OTD (On Time Delivery) customers – Interconnection Systems | Airbus: 93%<br>Dassault: 64% | Airbus: 98%<br>Dassault: 95% * |

* *The increase in Dassault's OTD is explained by the slowdown in production rates combined with Latécoère's high level of punctuality and adaptability.*

The Group's quality standards, its end-to-end management processes and the high level of customer confidence contributed to increasing the Aerostructures business line's OTD in 2020.

Despite the difficulties related to the health crisis, Latécoère's work has remained timely and collaborative, demonstrating a high level of adaptability, consistent with Latéocoère's strategy of placing the customer at the heart of its processes.

## 4.4.2 SUPPLIERS: AN ESSENTIAL STAKEHOLDER IN LATÉCOÈRE ACTIVITIES

Suppliers are at the heart of the Group's commitments and strategy. With indicators validated and monitored on a monthly basis by the management committees of Latécoère's two divisions, the targets relating to suppliers are included and shared in the divisions' Purchasing Policy.

Good relations with suppliers and continuity of supply is a key challenge for Latécoère. This dimension was accentuated by the health crisis. COVID-19 impacted the entire Latécoère value chain. The Group was thus forced to prolong the cancellation and postponement of its orders to its suppliers. In order to mitigate the consequences of the health crisis, good relations and collaboration among Latécoère and its suppliers were key throughout the year. Moreover, the Group also relied on various solidarity mechanisms to promote the economic inclusion of small suppliers facing the most difficulties.

Performance therefore requires a network of outstanding suppliers that respect the need for compliance with international trade rules, environmental obligations and obligations relating to the health and safety of people and ethical and social rules. The global presence of Latécoère, designed to ensure a local presence which is as close as possible to its customers, is also a lever for the prioritization of suppliers located close to its plants.

In France, Latécoère's commitment to its suppliers is materialized through:

- Involvement in the national program for improving the performance of the aeronautics Supply Chain, launched by GIFAS and SPACE and known as "Industrial Performance". Specifically dedicated to the support and training of (very small, small, medium and intermediate-sized) companies in this sector, its aim is to enhance the delivery performance of the supply chain, improve the manufacturer/supplier relationship, boost the competitiveness of companies while improving working conditions, and to capitalize on and increase the number of jobs in the sector;
- The close monitoring of about a hundred suppliers which takes the form of a monitoring and development plan, which makes it possible to support their development on issues that are considered as potentially impactful;

| Supplier satisfaction | 2019 | 2020 |
|---|---|---|
| SOTD (Supplier On Time Delivery) – Aerostructures | 70% | 80% ** |
| SOTD (Supplier On Time Delivery) – Interconnection Systems | Data not available * | Data not available *** |

* *2019 data not available in this format due to system migration.*

** *Improvement related to procurement action plans and replanning related to COVID crisis management.*

*** *Collaborative data not availbale following the implementation of the ERP tool finalized in 2020.*

## 4.4.3 TOWARDS A RESPONSIBLE PURCHASING APPROACH

Latécoère applies a purchasing policy that is consistent with its industrial challenges. In order to meet the objectives of excellence and transparency, anti-corruption clauses and appendices have been introduced in the contracts and General Conditions of Purchase used by the Group, as well as clauses on undeclared work and, more generally, new social and environmental requirements.

This policy also guides the Group's purchases towards a gradual integration of societal responsibility by selecting and assessing its suppliers on the basis of ethical and environmental-protection criteria.

Latécoère signed an Ethics and Environment Charter, which is incorporated in all new contracts. This Charter describes the values and principles that underpin Latécoère's commitment: integrity, respect, honesty, quality, professionalism. Latécoère now intends to include compliance with this Charter in its matrices and supplier audits.

The Group also decided to dedicate a Chapter to ethics and the environment in its periodic reviews Manufacturing and Contractual Commitment Review and Strategic Fit Meeting. By promoting dialogue and communication with its suppliers, Latécoère also monitors compliance with commercial performance, logistics and quality obligations. Thus, the Group can meet regulatory requirements while being consistent with its CSR goals.

Moreover, all subcontractors and suppliers are asked to pay careful attention to rules pertaining to ethics, health and safety, and waste management as well as the REACH regulation (Registration, Evaluation, Authorization and Restriction of Chemicals). To do this, obtaining ISO 14001 certification is systematically required for certain categories of suppliers (chemical suppliers for example), or otherwise, is a decisive factor for selection.

An assessment grid, which includes notions of ethics and the environment, enables quick assessments of the degree of risk and guarantees compliance by any new supplier with the Group's principles. In 2020, as in 2019, 100% of new suppliers of Latécoère were subject to this prior assessment (excluding suppliers already producing for the programs considered).

These contractual obligations, with the addition of ethical and environmental criteria to supplier selection and audit processes, are the concrete representation of a strong ethical and responsible commitment between the parties.

| Responsible purchasing | 2019 | 2020 |
|---|---|---|
| % of new contracts that include the Latécoère Ethics Charter (since July 2017) | 100% | 100% |

# 4.5 EMPLOYEE DEVELOPMENT IN LINE WITH THE GROUP'S VISION AND VALUES

As the health crisis had a major impact on Latécoère's activities, the management and career development of its employees were a central concern for the Group. During this particular year, the Group focused on implementing a responsible employment policy, based on a constructive and close social dialogue, in order to address the need of adapting its resources to the Group's activities.

## 4.5.1 GROUP EMPLOYEES

### A YEAR TROUBLED BY THE HEALTH CRISIS: RESTRUCTURING AND MAPPING OF JOBS AND SKILLS

In a rapidly changing economic, technological and social environment, Latécoère focused its efforts on adapting the Group's jobs, workforce and the skills of its employees throughout the year.

Over 2020, the impact of Latécoère departures was not proportional to the decline in its revenue. The Group sought to reduce the number of forced departures as much as possible by prioritizing voluntary departure plans as early as practicable in order to secure employee career paths and support employees in their retraining, training of personal projects.

With this in mind, the development of Job Management and Career Pathways was essential in order to face the health crisis and demonstrate resilience in the aeronautical industry, which is also undergoing a restructuring phase. This approach reflects a shared desire to implement a system to anticipate needs in terms of skills and jobs, through ongoing and transparent dialogue with social partners, in order to allow the Company to adapt to changes in customer demand. The GEPP aims to be operational and pragmatic insofar as career paths aresadapted to the needs of the business lines.

To this end, the Group relied on a mapping exercise of the Group's business lines and skills initiated in 2019, which enabled it to build and update dashboards of human resources development projections by business line. The 17 business lines identified as critical in the medium term are being closely monitored by the Group's Executive Committee. This initiative enables Latécoère to have a strategic vision of the development of its businesses.

### A SPECIAL FOCUS ON CAREER MANAGEMENT AND ATTRACTING TALENT

Latécoère continued to develop tools and practices to make the assessment of employees' performance and development potential more efficient, reliable and equitable. Job and workforce management is thus enhanced to collectively thus enhanced to collectively understand crisis management, in order to reduce its impact on Latécoère and its employees.

The Group continued its efforts to identify career paths and define short and medium term succession plans. Since 2016, and again in 2020, these plans are presented during the Management Committees' "Management and Talent Reviews" for the Group's engineers, managers and managerial staff and managerial staff at most Group sites. Since 2019, they also concern "Key people", i.e. persons considered among all employees of the Group and across all plants, as strategic due to their knowledge, expertise and networks. This work was conducted to identify the risks associated with any absence and define action plans to address them.

Furthermore, through SAP's Success Factor, target setting and performance assessment campaigns in all Group plants follow the same calendar based on the civil year. In 2020, 1,830 interviews were recorded, and numerous interviews, conducted on a less formal basis, were conducted with production staff.

From year to year, employees can further formalize their desire for functional mobility through these appraisals, which in turn feed the processes and decisions implemented in relation to career management and mobility. Employees wishing to change their career path are then supported by Latécoère in order to have the best tools to continue their activity. Latécoère is also mindful of offering solidarity measures to employees leaving the Group, so they can continue to benefit from social benefits, even after their departure. For example, in Brazil, employees continue to benefit from medical protection for between six and nine months after leaving the Group.

In addition, this year, despite the context, Latécoère endeavored to continue to develop the careers of its employees as far as possible, and to promote their geographical mobility. For example, in 2020, a German employee benefited from an international mobility to India as a site manager, while Brazilian employees moved to Bulgaria from Mexico.

Also in 2020, Latécoère worked on reinforcing the autonomy of its subsidiaries in France in order to empower managers and give them more freedom to manage their sites.

To this end, Latécoère has implemented various mechanisms to continue to promote the professional development of its employees, demonstrating agility and adaptability in order to find solutions to face the health crisis, in collaboration with its stakeholders.

| Group workforce by country (permanent and fixed-term contracts) | 12/31/2019 | 12/31/2020 |
|---|---|---|
| France | 1,650 | 1,531 |
| Czech Republic | 771 | 496 |
| Germany | 115 | 95 |
| Bulgaria | 214 | 199 |
| Morocco | 301 | 243 |
| Tunisia | 936 | 456 |
| Mexico | 786 | 841 |
| Brazil | 290 | 173 |
| USA | 16 | 34 |
| Canada | 13 | 21 |
| United Kingdom | 5 | 7 |
| Japan | 1 | 1 |
| India | 90 | 75 |
| **TOTAL** | **5,188** | **4,172** |

| | 2019 | 2020 |
|---|---|---|
| Turnover | 15.7% | 27% |

## 4.5.2 LABOR RELATIONS AND HUMAN RIGHTS

The search for constructive social dialogue is a priority for each of the Group's companies. The labor relations model is based on dialogue between the employee representative bodies (French IRP) and the Human Resources Department, Executive Management, and the management teams.

Highlighted by the health crisis, labor relations with the Group's representative bodies and social partners were accelerated and very active throughout the year. The Group is today faced with an increasingly complex environment and needs to adapt to structural changes in the market by striving to establish, through social dialogue, the optimum balance between the Company's interests and those of its employees.

In 2015, the creation of a Group Committee, which brings together the social partners of the French companies, marked an additional step forward in establishing constructive and transparent discussions. This body now has its rightful place in the organizational structure.

In 2020, 11 collective agreements were signed by the Group: in France, Mexico, Czech Republic and Tunisia. These primarily concern the Annual Mandatory Negotiations (NOA), social dialogue and CSR, contractual profit-sharing, employee savings and bonuses.

In addition to the legal representation arrangements, Morocco has since 2016 had a social body comprised of employee representatives tasked with organizing internal team-building events. Bulgaria has a similar representation system.

On a more general scale, the Group is committed to ensuring its respect for human rights. The Group's Ethics Charter sets out the foundations of this commitment by describing the values and principles that Latécoère undertakes to respect in the conduct of its business throughout the world. These fundamentals values are integrity, respect, honesty, quality and professionalism.

The Charter applies to all staff, corporate officers and members of the management committees, as well as the Latécoère Group Executive Committee worldwide, in the day-to-day conduct of commercial, marketing, technical, legal, financial and administrative activities.

| Collective agreements | 2019 | 2020 |
|---|---|---|
| Number of collective agreements signed during the year | 23 | 11 |

### 4.5.3 PROMOTING PROFESSIONAL DEVELOPMENT: GROUP-WIDE TRAINING PATHWAYS

Despite the health crisis, it was important to continue to mobilize resources and systems to encourage employees to adapt, and to support them as far as possible in the development of their professional careers, taking into account the Group's needs.

These goals require addressing one key issue: training. Monitored by the HR community, training is a key driver for the adaptation to and integration of new skills to meet short, medium and long-term challenges.

Skills in engineering and in project and program management are the subject of particular attention while the Group establishes its new R&T ambitions, so as to build the capacity to join future aeronautical programs.

Most of the training programs aimed at adapting employees to changes in their workstations or preparing their career development within the Group have migrated online. In 2020, distance learning courses mainly covered APQP (Advanced Product Quality Planning), language training as well as office automation, lean management, and managerial skills.

With the opening and expansion of plants in the Czech Republic, Mexico, Morocco and Bulgaria, internal Professional Skills and Training Centers have multiplied. As a result, the Brazil, Mexico, Tunisia, Czech Republic and Toulouse and Gimont plants in France now have their own training centers. Although little used in 2020, the training centers have been preserved and maintained to be operational as soon as on-site activities resume.

Since 2015, the cross-referencing of Group-wide training bodies has enabled the development of training programs common to all Latécoère entities. Project management and management skills, shared by all Group entities, remain the main and the most successful themes. The standardization of tools and methods for project and program management supports this effort by facilitating the emergence of an active cross-sector community which has helped cultivate a Group culture.

The Latécoère Leadership Program also continued to grow in an adapted manner in 2020, despite the context of the health crisis. The fourth cohort is made up of young international talent from seven countries: Germany, Brazil, France, Morocco, Mexico,sthe Czech Republic and Tunisia. This 24-month course teaches the theory behind financial and commercial management and allows students to learn from experts about all of the Group's subsidiaries and businesses. It also gives the young managers the chance to lead Group-wide and international projects as part of their course, under the mentorship of Executive Committee members. Despite the COVID-19 health crisis, the Leadership Program was maintained and delivered online through three workshops. The themes of these workshops mainly focused on leadership profiles, company strategy, personal development and feedback on lockdowns in times of crisis.

| Training | 2019 | 2020 |
|---|---|---|
| Number of training days per employee on permanent contracts (average) | 4.6 | 2.2 * |
| Total number of training hours employees on permanent contracts | 167,466 | 72,403 |

* *The decrease in the average number of training days per permanent employee is related to the increase in telecommuting due to the health crisis.*

### 4.5.4 STRONG COMMITMENTS TO EQUAL OPPORTUNITIES

#### FIGHT AGAINST DISCRIMINATION:SINCREASE FEMALE REPRESENTATION AND INCLUSION OF PEOPLE WITH DISABILITIES

Although the aeronautics sector has historically been dominated by men, the Company is actively engaged to improve working conditions and promote equal opportunities for both women and men.

Across the Group's entire scope in 2020, over 40% of the workforce was female.

| Breakdown of Group workforce | 12/31/2019 | 12/31/2020 |
|---|---|---|
| Female | 40% | 41% |
| Male | 60% | 59% |
| Total number of staff period end | 5,188 | 4,172 |

Latécoère employs people with disabilities. In this context, at the Toulouse and Gimont Aerostructures sites, a structure has been set up to bring together people with disabilities: a social worker, members of the occupational health services and human resources staff.

## ACTIONS IN FAVOR OF THE EMPLOYMENT OF YOUNG PEOPLE

It is also by harnessing the potential of young people that the Company will be able to sustain its performance over the long term. The Latécoère Group believes that it is necessary to contribute to helping these young men and women to become responsible adults, well-integrated within their surroundings.

Thus, Latécoère wants to raise the interest of younger generations in its activity and promote the aeronautics sector through a proactive approach by forging relationships with higher education institutions and reaching out to students.

They address several objectives:

- Help young people discover its activities and the reality of its business lines by opening the doors of many of its plants to them. Thus, students of the National Institute of Applied Science and Technology in Tunis (INSAT) take part in visits of the production units. Similarly, in the Czech Republic, Latécoère regularly opens its doors to students and the teaching staff. This initiative is also carried out at the Hermosillo plant in Mexico, which twice a month and for several years now welcomes university students for detailed site visits;
- Support research and the development of knowledge in the sector through the organization of conferences and working groups targeting young people, by contributing to upgrading teaching programs;
- In Tunis, Latécoère assists INSAT students in their final year projects. Similarly, a partnership was signed two years ago between Latécoère and Institut National Supérieur Français d'Aéronautique et d'Espace (ISAE-SUPAERO), whereby students get support for the definition of their research topic and participate in conferences on innovation. In Hamburg, training programs are organized in addition to conferences organized for students of NIT university.

Although these initiatives and partnerships are still in place, they have slowed down significantly, and in some cases been suspended, since March 2020 due to the health crisis.

| Breakdown of workforce by age bracket | 12/31/2019 | 12/31/2020 |
|---|---|---|
| Under 30 years | 25% | 21% |
| 30 to 45 years | 49% | 50% |
| Over 45 years | 26% | 29% |

## 4.5.5 EMPLOYEE COMMITMENT

Employee commitment is addressed by all subsidiaries. Throughout 2020, memos, info sheets and managers have been made available to Latécoère employees so they have the resources they need to facilitate a transition to distance collaboration and remote working. Accordingly, Latécoère was able to demonstrate particular agility in working hand in hand with the HR teams and the business line teams during this difficult period.

Particular attention is given to psychosocial risks (PSR), including raising management awareness and the introduction of an occupational psychologist at the Toulouse and Gimont plants.

Thanks to on-site PSR representatives (managers, staff representatives, nurses and HSE Coordinators), risks are better identified. This also enables the more rapid establishment of a support protocol.

Along the same lines, surveys known as work environment and satisfaction surveys were conducted in 2020 in Bulgaria.

Certain Group plants also focus on actions to prevent illness. Thus, in Brazil, several initiatives have been implemented, including the development of an offer of walk-in consultations with a doctor or nurse, and encouragement of the practice of daily exercise at work.

In the same year, the Interconnection Systems branch launched a survey at the French, Tunisian and Czech plants on employee engagement and started a process for listening to its employees.

To this end, the Group's quality of life at work approach aims to promote not only the commitment, but also the professional motivation and loyalty of all employees, by aiming to reduce stress at work and absenteeism.

In-house employee mobilization is also achieved through various mechanisms, such as innovation and encouraging initiatives at Group level.

For example, 2019 saw the second edition of the Latécoère Innovation Awards, during which three new projects received an award and a special prize was awarded to the team in charge of Lifi aeronautical applications. A number of challenges existed at the plants, revolving around continuous improvement, before the launch of the Latécoère Innovation Awards (LIA). In fact, they are still in place. LIA, through its international dimension for the Group, contributes to reinforcing what could be called a "culture of innovation" that must be lived at all levels of the Company. LIA is also an opportunity to detect talent. In view of the constraints caused by the health crisis in 2020, the winners of the 2019 edition will receive their awards through a series of event scheduled in May 2021.

| Absenteeism rate * | 2019 | 2020 |
|---|---|---|
| Absenteeism rate | 4.4% | 5.4% |

* *The absenteeism rate includes absences linked to accidents and sickness (occupational and non-occupational), as well as unauthorized absences of one day or more.*

## 4.5.6 OCCUPATIONAL HEALTH AND SAFETY AT THE HEART OF THE LATÉCOÈRE GROUP'S COMMITMENT

Safety is at the core of the Latécoère Group's values.

The Health and Safety Policy, set up in 2016, established the Group's roadmap by setting ambitious workplace safety targets for all Latécoère plants. Updated in July 2020 and co-signed by the new Management, the H&S (Health and Safety) policy was renewed and communicated to all Group managers and employees.

Strengthened by its robust H&S policy, Latécoère is part of an ISO 45001 certification process for its factories. The Montredon (2019) and Gimont (2020) factories were the first to obtain ISO 45001 certification.

Key performance indicators have been established, monitored and reviewed on a monthly basis by Latécoère's Executive Committee.

Safety is everyone's business, but also remains a managerial responsibility.

Significant human resources have been devoted to the task:

- each plant has an H&S correspondent;
- HSE (Health, Security, Environment) Coordinator functions have been created in both the Aerostructures and Interconnection Systems divisions;
- a Group HSE Coordinator, at the head office level, ensures the consistency of the actions undertaken and compliance with the roadmap.

In addition, a "Safety Steering Committee" has been set up in each Aerostructures and Interconnection Systems plant. During the monthly meetings of this Safety Steering Committee, the Plant Director and his or her management team manage and coordinate the necessary safety actions in coordination with the H&S coordinator of the division.

Since 2017, all executive managers have been trained on basic safety management principles and on how to carry out "Managerial Safety Visits". These training courses have already been rolled out in the vast majority of Aerostructures and Interconnection Systems plants for all local managers, and are planned for 2021 for the most recently acquired or opened sites.

More in-depth training also takes place. For example, all employees at the Morocco site received safety training in 2020.

Managerial Safety Visits (MSV) were instituted following training at all plants in order to work on the human element and conduct, the main source of workplace accidents. These MSV are an opportunity to:

- enable safety-related dialogue between managers and employees;
- discuss safety best practices and regulations;
- develop the notion of independance regarding personnal safety.

In 2020, 1,330 MSV were carried out in Aerostructures plants, and 1,410 MSV were carried out in Systems Interconnection plants. The MSV are conducted at all levels, including by members of the Executive Committee who conduct them during on-site visits.

An alert system has been set up to inform top management of any accidents or "near-misses", together with a "Safety memo" system that enables the uniform application of necessary corrective measures and prevention best practices across all plants.

Within the Aerostructures and Interconnection Systems divisions, a visual management system SQCDM (Safety-Quality-Cost-Deadline-Management) has been introduced. Thus, production performance can be measured using various indicators, while reporting on safety issues and potential problems. To this end, the SQCDM system makes it possible to:

- visualize un "real time" and as close to the workstation as possible, the performance and/or safety risks in particular;
- gather on-the-ground feedback which is then analyzed and used to develop actions plans;
- involve and manage the operational teams, while involving the managers at daily SQCDM meetings.

Regarding communication, information screens broadcast prevention messages that are relayed by local managers during daily SQCDM meetings.

On-site safety awareness-raising is based on news from each site. For example, in November and December 2020, the sixteenth "security week" was held in Brazil and Mexico, against the backdrop of raising awareness of and preventing the COVID-19 health crisis. Equally, in the Czech Republic, awareness-raising sessions are coordinated by firefighters to ensure a full understanding of risks and actions to implement in the event of emergencies.

Latécoère's H&S (Health and Safety) policy, anchored in the Group's commitment, is central to the conduct of its business. Latécoère's tangible efforts have resulted in a fall in the accident frequency rate: from 3.9 in 2019 to 1.9 in 2020 for all permanent and temporary Group employees. The Aerostructures division saw the number of accidents with time off drop from 16 in 2019 to four in 2020, and Interconnection Systems from 23 in 2019 to nine in 2020.

| Health and safety | 2019 | 2020 |
|---|---|---|
| Frequency rate of accidents with time off | 3.9 | 1.9 |
| Severity rate of accidents with time off | 0.15 | 0.20 * |

* *The increase in the severity rate is linked to relapses related to accidents in previous years.*

## COVID-19 AND OCCUPATIONAL HEALTH

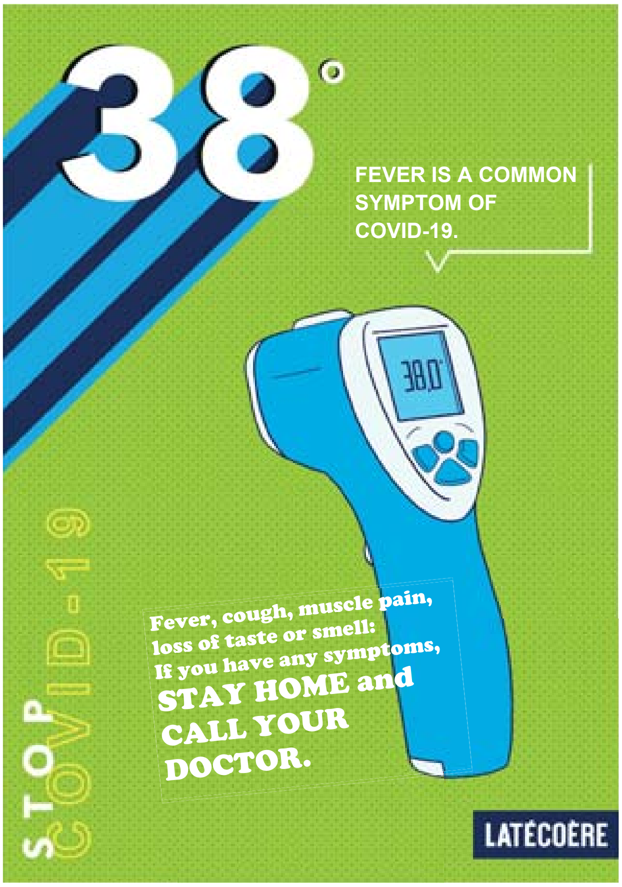
Since the start of the crisis, Latécoère has implemented strict and evolving safety protocols to ensure the health of employees at all Group plants. Although the health crisis was a new challenge, it also highlighted the significant work done on these subjects for several years. Indeed, the progress of the Health and Safety Policy has enabled the Group to be responsive and adaptable from the start of the health crisis thanks to the H&S network built in previous years.

In February 2020, a four-level action plan was prepared, validated by management and shared with the Group's shareholders. Latécoère employees received it in March 2020, when it was implemented at the time of the first lockdown.

To deal with the health crisis, a central committee devoted to COVID-19 was set up. During the year, in 2020, the committee met on a daily basis during lockdown periods, and on weekly basis the rest of the time. The establishment of key performance indicators, consolidated at Group level, has enabled Latécoère to be responsive and ensure the health and safety of its employees internationally.

At the same time, Health and Safety communication standards and campaigns have been developed and shared with all Latécoère plants to provide advice and raise employee awareness on being extra vigilant in both their personal and professional lives.

To this end, the implementation of health systems, complying with the regulations of each country, has made it possible to effectively protect the health of employees while allowing Latécoère's activities to be pursued. In addition, the health crisis has encouraged collaboration and mutual aid at Group level, between plants and divisions, ensuring a constant exchange of information and best practices.

# 4.6 THE ENVIRONMENT

The Group's environmental policy was approved and disseminated in July 2017, and updated in July 2020. It commits the Company to an approach that seeks to:

- extend ISO 14001 certification to all production sites;
- implement a day-to-day environment management system;
- respect for Latécoère obligations vis-à-vis its stakeholders;
- assessing the Group's carbon footprint and carrying out improvement actions.

The environmental policy is based on a detailed analysis of risks, incidents and environmental impacts with a view to prevention.

It encompasses all of the Group's processes by incorporating an approach that aims to improve environmental performance. To do this, each site manages its energy and water consumption in order to control them and develops biodiversity conservation actions.

Using a participatory approach, employees are regularly consulted and involved in the Group's environmental actions.

This environmental approach also comprises the establishment of:

- an environment function for the Group's various operational plants;
- an HSE function in every branch;
- a Group HSE function responsible for coordinating the approach and actions.

As part of the environmental policy, all plants must implement an environment management approach that includes an environmental report, environment-related targets, and the monitoring of environmental risks.

In 2018, a Steering Committee was set up with the Executive Committee to monitor and manage thesenvironmental goals set by the Group.

## 4.6.1 ENVIRONMENTAL CERTIFICATION OF PLANTS

One of the key components of the Group's environmental policy is the roll-out of ISO 14001 certifications. Previously set for 2021, Latécoère's goal of extending certification to all its sites has been postponed until 2023 due to delays stemming from the health crisis.

Changes in certifications are closely monitored by the Steering Committee. In 2020, eight sites were ISO 14001 certified:

- Aerostructures: Toulouse (since 2016), Gimont (since 2006), Jacareí in Brazil (since 2016), Montredon (since 2019);
- Interconnection Systems: Labège (since 2008), Colomiers (since 2010), Liposthey (since 2012), Had Soualem, in Morocco (since 2019).

| Environmental certification | 2019 | 2020 |
|---|---|---|
| Number of ISO 14001 certified plants | 8 | 8 |

## 4.6.2 AIR, WATER AND SUBSOIL POLLUTION

### SITES UNDER ICPE OR IPPC

The European plants classified as ICPE (Installation Classée pour la Protection de l'Environnement – Facilities Classified for Environmental Protection) or IPPC (Integrated Pollution Prevention and Control) have a legal obligation to monitor their VOC (Volatile Organic Compound) emissions as part of their manufacturing processes. As such, based on the results of the various audits and trends observed, the Group researches and implements the most efficient waste management solutions.

The Latécoère Group has no SEVESO-classified facilities.

The Prague plant is IPPC-classified (Integrated Pollution Prevention and Control), which demands a high level of environmental requirements and monitoring by the authorities in the Czech Republic.

For the French plants:

- Toulouse:
  - ICPE declarations of all mechanical metal working, quenching, painting and surface treatment activities,
  - environmental risks: airborne emissions, soil/subsoil pollution, noise pollution,
  - The quenching and surface treatment activities were transferred to Montredon in 2020. Following this transfer of activity, the decommissioning of the site is planned in 2021;
- Gimont:
  - ICPE declarations for the paint spraying activity,
  - environmental risks: airborne emissions;
- Montredon:
  - ICPE authorization for the surface treatment activity,
  - environmental risks: soil/subsoil pollution, noise pollution, airborne emissions.

The plants with the highest levels of wastewater discharge have signed agreements with water treatment plants. Treatment is incorporated upstream of the discharges so as to ensure the water released into the natural environment is already treated.

A project for improving the monitoring of VCO emissions at ICPE/IPPC plants at the European level is under way. In 2020, calculations were performed for the main contributing aerostructure plants (Toulouse, Montredon, Gimont, and Prague) for the two countries and include diffuse emissions and channeled emissions.

| | 2019 | | 2020 | |
|---|---|---|---|---|
| | France | Czech Republic | France | Czech Republic |
| COV diffuse + channeled (tonnes/year) | 2.6 | 12.9 | 1.7 | 6.9 |

## REACH REGULATION

The Group uses certain products and manufacturing processes (surface treatments) covered by the European REACH Regulation on chemical substances and preparations. These products, items and materials can include substances considered to be “extremely hazardous” within the meaning of the REACH Regulation, both internally and through authorized suppliers.

The components delivered by Latécoère are intended for integration within aircraft, and customers generally impose the use of certain materials and processes, which reduce the room for maneuver in terms of change.

A specific structure has been set up with a manager who oversees the activities concerned through a working group, which has identified the use of substances considered to be “hazardous” and the regulatory obligations imposed by REACH.

The main actions undertaken are as follows:

- customer communication on the presence of “candidate” substance whose content is greater than 0.1% in mass/mass ratio;
- a chemical products commission that makes decisions on any requests for purchases of new products so as to identify the presence of “hazardous” substances and encourage their substitution with less dangerous products;
- a Risk Committee to monitor calculations, substitution programs and prevention measures for products under authorization. This committee meets twice a year.

For all new projects, the REACH restrictions are taken into account from the design phase so as to select processes and components that do not contain any hazardous substances wherever possible.

The analyses are updated upon any change to the “candidate list” for all items currently awaiting delivery.

With a view to the continuous improvement of the system put in place, an audit of the REACH regulations was carried out on the Aerostructures division in 2020.

| Air, water and subsoil pollution | 2019 | 2020 |
|---|---|---|
| Number of pollutants | 0 | 0 |

## CIRCULAR ECONOMY

### Raw materials

The manufacture of elementary parts requires the machining of gross blanks, which produces metal swarf (of aluminum, steel, titanium, etc.). These machining activities are carried out at the Toulouse and Prague plants.

To optimize the use of resources, the Group orders pre-machined or pre-cut sheets from metal suppliers, which limits the production of cuttings and chips (swarf).

The supply of raw materials is outsourced to a “raw materials supplier” which offers the just-in-time delivery of the blocks required for manufacturing. This organization helps to restrict the consumption of raw materials to only what is needed, while limiting swarf and optimizing consumption.

However, it is not possible to eliminate the production of swarf of these precious and expensive metals entirely. A system is in place in Toulouse and in Prague to recover and sort these different types of metal cuttings with a view to them being recycled and reused by a specialist metal waste company.

### Waste

Upstream, using the “Buy to Fly” approach, the Group limits the purchase of raw materials to what is needed only in order to limit the waste generated. In addition, for each material, Latécoère considers recycling and recyclability in view of a "product life cycle" approach. Thus, Latécoère is part of the GIFAS Steering Committee on the "Recyclability of thermoplastics" working to structure the French plastics sector.

All Group plants adhere to the waste recycling process and have a system for the selective collection of waste. A project to reduce packaging waste was initiated in 2020, promoting the elimination of packaging in plastic boxes and the use of recycled crates.

Previously implemented at the company canteen at the head office and also in place at the Gimont site, the sorting of bio-waste has been temporarily suspended, since March

2020. This is because company restaurants have closed as a result of the health crisis.

Waste considered to be hazardous, generated by the use of chemical products, is treated in a specialist facility. Latécoère is supported by a consultancy company specializing in the transportation of hazardous materials, TMD Conseil, to ensure compliance with current regulations on the transportation of hazardous materials, including the disposal of "hazardous" chemical waste.

| **Circular economy** | | **2019** | **2020** |
|---|---|---|---|
| Volume of non-hazardous waste *(tonnes)* | Aerostructures – France | 201 | 126 |
| | Group | 777 | 613 |
| Volume of hazardous waste *(tonnes)* | Aerostructures – France | 117 | 66 |
| | Group | 2,335 | 1,469 * |
| Quantity of raw materials recovered *(tonnes)* | Group | 780 | 926 ** |

* *Of which 1,363 tonnes generated at Prague plant (specificities Surface treatment and machining).*

** *Including one-off recycling of 392 tonnes of waste in relation to the dismantling of two assembly lines in Toulouse and Gimont.*

## ADAPTATION TO CLIMATE CHANGE AND GHG EMISSIONS

Already concerned about its impact on the environment, the health crisis has highlighted the need for Latécoère to be a dynamic player in the transition to more sustainable production and consumption patterns over time.

In order to comply with the objectives of the Paris Agreement - to keep the rise in temperatures below 2 °C and to continue efforts to maintain it at 1.5 °C - the European Commission aims to achieve carbon neutrality in Europe by 2050. Aware of its impact and eager to be part of a dynamic in line with climate issues, Latécoère is developing a continuous approach to adapting to climate change.

This approach aims to:

- adopt a process for improving its environmental footprint and reducing its direct and indirect impacts;
- take better account of emissions related to the value chain (Scope 3);
- anticipate, through GIFAS working groups, political, regulatory and reputational risks (*e.g.* significant increase in fuel prices, growing expectations of stakeholders with respect to environmental criteria, etc.).

| **Scopes 1 & 2** | **2019** | **2020** |
|---|---|---|
| Electricity consumption *(millions of kWh)* | 32.6 | 26,9 |
| Gas consumption *(millions of kWh)* | 14.1 | 10.7 |
| Greenhouse gas emissions – Scope 1 & 2 *(tonnes of $CO_2$eq)* * | 16,032 | 12,720 |
| Greenhouse gas emissions by revenue *(tonnes of $CO_2$eq/€m)* | 22.5 | 30.8 ** |

* *Source of the ADEME emission factor taking into account local factors for each country.*

** *The increase in the rate of GHG emissions (scope 1 & 2) compared to revenue is linked to the sharp drop in revenue in 2020.*

In 2020, the Group continued to quantify emissions known as Scope 3, i.e. those due to upstream and downstream activities. For the most significant items that fall under the responsibility of the Group, Latécoère has started a gradual process aimed to define emission reduction action plans.

The calculations carried out in 2020 on Group scope make it possible to quantify the emissions generated during business travel. In addition, an analysis of GHG emissions in terms of the scope of influence from the shipment of components to the delivery of products is under way.

| **Scope 3** | **2020** |
|---|---|
| GHG emissions from business travel *(T $CO_2$ eq)* | 636 |

### LIST OF THE GROUP'S SCOPE 3 EMISSIONS

| Description | Degree of significance (0-3) * | Comments |
|---|---|---|
| **Use of products sold** | 3 | The particularly high significance of emissions falling in this category is due to the long life of an aircraft and the volume of products that can be used in an aircraft. Only aircraft manufacturers have the capacity to provide a reliable estimate of the volume of emissions.<br>To limit them, the Aerostructures and Interconnection Systems divisions are mobilizing and considerable efforts are being made in the design bureau during product design to limit the weight of on-board products. |
| **Upstream transportation of goods and internal logistics** | 2 | This category concerns inbound cargo by suppliers and site-to-site logistics. |
| **Capital property, assets under upstream leasing and investments** | 2 | Not currently prioritized, this category concerns the environmental impact of factories built or leased. |
| **Purchasing of goods and services** | 2 | This category concerns emissions related to the purchase of components and raw materials used in the composition of the products sold. |
| **Downstream transportation of goods** | 2 | Latécoère works on improving its cargo methods, i.e. of deliveries between factories then to customers, by limiting air transport wherever possible.<br>In 2020, where possible, direct delivery to customers was encouraged in order to avoid and minimize inter-site flows. |
| **End of life of products sold** | 2 | This category concerns emissions related to dismantling activities carried out by specialized companies. |
| **Emissions related to energy complementary to Scopes 1&2** | 1 | |
| **Commuting between home and work** | 1 | Initiatives have been implemented in certain countries with the provision of collective transport (Mexico, Brazil). |
| **Waste** | 1 | Initiatives are conducted to reduce the volume of waste and the associated emissions, through selective sorting and sorting at all plants. |
| **Business travel** | 1 | Work will be undertaken on employees' traveling modes. |
| **Transport of visitors and customers, upstream exemption, downstream leasing and other indirect emissions** | 0 | Emissions in this category are considered as being outside the scope or not relevant with regard to the Group's business. |

* *3 = very significant; 2 = significant; 1 = slightly significant; 0 = not significant.*

Latécoère relies on innovation as the main mechanism to adapt to climate change. With an Innovation Department spanning the two divisions, Latécoère is able to implement Group-wide research and innovation projects with the support of national and European institutions. Thus, the environmental dimension, and in particular adaptation to climate change, is a sine qua non criterion of the Group's research and innovation projects.

During the year, in 2020, these projects looked to reduce greenhouse gas emissions linked to the use of Latécoère products. Several strategic areas are prioritized: the transition from electric to optical for cables, reducing the mass of aircraft doors.

Latécoère is also a member of CORAC (Conseil pour la Recherche Aéronautique Civile - the Civil Aeronautics Research Council) alongside Safran, Airbus, Thales and many others. During an annual meeting, the main areas of research discussed are the environment, safety and competitiveness. Last June, the government announced a €1.5 billion grant for CORAC as part of the support plan for the aeronautics sector.

Internally, the energy transition is also promoted.

To encourage the transition to the use of low-carbon vehicles, four charging stations for electric vehicles were installed in Toulouse in 2017, followed by 12 in Montredon and two in Gimont. Latécoère is responsible for the charging of vehicles. In 2018, the Group stepped up its efforts by replacing its fleet with hybrid and electric cars.

Latécoère's own activity does not entail the adaptation of the plants to climate change when we consider the main indices, and in particular their location, outside flood risk areas.

The 2020 report on charging stations for electric cars is as follows:

| | Number of kmstravelled | Tonnes of $CO_2$ emissions avoided |
|---|---|---|
| Interconnection Systems | 180,000 | 12.4 |
| Aerostructures | 133,576 | 17 |

Latécoère's activity itself does not imply any adaptation of the sites to climate change if we consider the major indices and in particular their location, outside of flood zones.

## RAISING AWARENESS OF THE PRESERVATION OF THE ENVIRONMENT AND BIODIVERSITY

Latécoère is aware of the exponential importance of sustainable development for its activities, its value chain and its stakeholders. This is why the Group continues to foster the interest and motivation of its employees in order to guide them towards responsible behaviors.

For example, in Bulgaria, monthly e-commissions are held to share best environmental practices with employees, both in their professional and personal lives.

At the Periole plant, the setting up of three beehives containing close to 150,000 bees is another opportunity to raise awareness about environmental issues and the preservation of biodiversity. This initiative is an opportunity to inform and raise the awareness of all employees through seasonal internal mails, of issues linked to beekeeping, such as horticulture, the impacts of pesticides, the role of bees, etc.

Employees participate in several key moments of the beehive's life:

- discovery of beehives and initiation into beekeeping;
- participation in honey harvesting alongside the beekeeper in charge;
- distribution to each employee of a honeypot from the harvest.

# 4.7 SOCIETAL COMMITMENT

## 4.7.1 ANTI-CORRUPTION MEASURES

Corruption, defined as an action by which a person offers or grants an undue advantage to a person in exchange for an act falling within the function of the latter, is fraudulent and unethical behavior punishable by severe criminal and administrative penalties.

Over the course of the 2016 fiscal year, the Latécoère Group rolled out, across all of its entities, an ethics charter and an anti-corruption charter setting out the highest levels of requirements in this respect. The anti-corruption system was launched in 2018. This approach is supported by the Group Management and relayed by the management chain.

Preventing corruption forms part of the Group's security processes and takes the form, notably, of:

- the identification of at-risk situations and areas:
  - a mapping of exposure to corruption risks presented to and approved by the Executive Committee. It assesses the level of risk according to the internal department concerned, the external partners involved and the country in question;
- the application of rules and procedures:
  - employee compliance with professional ethics rules, by applying the rules set out in the ethics charter and the anti-corruption charter,
  - the management of partner relations via anti-corruption clauses and appendices added to the contracts and General Purchasing Conditions as well as the Latécoère ethics charter, now included in all new contracts;
  - awareness-raising and training:
  - regulatory training on corruption and the professional ethics rules through e-learning is provided to each new employee joining the Group;
- the establishment of a due diligence process:
  - the use of the Lexis Diligence tool, enabling operators to complete an anti-corruption risk assessment questionnaire for all potential suppliers and subcontractors. No risk-generating partner was identified over 2020.

To facilitate the notification of alerts:

- for employees: an alert notification system is available to employees and incorporated within the internal regulations;
- for suppliers and partners: a space is dedicated on the Group's website and provisions are included in contractual clauses.

Each year, new employees are invited to take an e-learning course dedicated to anti-corruption and ethical practices. This training emphasizes the importance of reporting cases of suspected or actual corruption.

The anti-corruption measures in place are regularly assessed based on criteria pertaining to each pillar of the Sapin II Law.

| | 2019 | 2020 |
|---|---|---|
| Number of corruption alerts – Group | 0 | 0% |
| % of employees trained in the fight against corruption – Aerostructures France | 56% | 69% * |

* *The increased training rate is correlated to the deployment of training initiated in 2018.*

## 4.7.2 COMBATING TAX EVASION

Latécoère complies with current tax regulations and, to this end, pays taxes in the countries in which it carries out its industrial activities.

## 4.7.3 EXPORT CONTROLS

Latécoère buys and sells goods and services to suppliers and customers all over the world. Any infringement of export control laws could result in a broad range of consequences, including financial penalties, sanctions and export or import bans.

In order to comply with requirements relating to export control, the Group applies the following standards:

- establishment of a dedicated structure;
- training and awareness-raising;
- identification of export authorization requirements;
- management of requests for export authorization;
- establishment of export authorizations;
- handling of incidents of non-compliance with applicable regulations.

Seven departments have been identified as concerned by export control: the Legal Department, Purchasing, the Trade and Programs Department, the Management and Finance Department, the Supply Chain, the Equipment & Systems BU and the Spatial BU.

In 2019, a general export control procedure was formalized, setting out, at the Group level, the implications of export control for the relevant business lines. Instructions specific to each of the identified business lines have been issued and incorporated into the Quality management system. At the operational level, they set out:

- the ranking of goods and technologies;
- the control of final uses and purposes;
- the export of controlled technologies;
- the method for submitting applications for transfer or export license to the French authorities.

Awareness-raising sessions were first provided to the Departments in 2018, and then organized for the staff concerned by export control in 2019, on the basis of a risk-based approach. Awareness-raising campaigns were continued in 2020, although the proportion of face-to-face training decreased as a result of the COVID-19 health crisis.

Staff working on high-risk projects were trained as a priority. A dedicated digital space was created in the Group intranet in order to share all resources relating to Export Control: news, applicable documents, regulations in force, basis of export control, etc.

| **Export control** | **2019** | **2020** |
|---|---|---|
| Percentage of employees trained * | 61% | 59% |
| Identification and training of a coordinator in the 7 targeted departments | 100% | 100% |

* *Percentage of employees who have received training since 2018 among the population concerned (excluding employees who have left the Group)*

## 4.7.4 MEASURES IMPLEMENTED TO COMBAT CYBERCRIME

The Group's cyber risks are reviewed on a quarterly basis with the Executive Committee. Specific information may be requested from the management committees of the divisions when required by current events

The growth and evolution of the "cyber" threats to which the company is exposed is taken into account in the management of IT projects and in operations to maintain the information system in operational condition. As soon as the lockdown was announced, all of the Group's employees were equipped with the necessary IT systems to enable them to work remotely: this operation took place without any interruption in service or deterioration in the security conditions of the IS.

An information site on best practices for protecting the Company, in terms of the protection of people, data, operations and products, was made available to the Group's employees. Regularly updated, it enables employees to learn more about said practices, train them to detect threats (such as phishing) and learn about the rules and best practices in force in the company. A dedicated address is available for any question or suspicion relating to the protection of the company: messages are processed by security experts within 24 hours. The email security systems are updated in real time to take into account the most recent phishing attempts.

Aware of the importance of the ecosystem in building an effective defense, the Group contributes to the AirCyber program, led by BoostAeroSpace on behalf of four European aeronautical contractors, which aims to increase the maturity of the cybersecurity supply chain. The security actions, information on threats and mutual assistance implemented as part of the program make it possible to consolidate cybersecurity actions within a framework recognized by our customers, aligned with industry standards.

## 4.7.5 COMPLIANCE WITH THE GDPR

EU Regulation 2016/679 of the European Parliament and of the Council of April 27, 2016, known as the "GDPR" (General Data Protection Regulation) came into force on May 25, 2018. Latécoère has rolled out a program that seeks to ensure its compliance with this regulation and with specific local laws.

This program, led and coordinated by the Group Legal Department, notably comprises:

- the roll-out of a GDPR awareness-raising course;
- the development of GDPR risk mapping and tools;
- the establishment of specific internal procedures.

## 4.7.6 REGIONAL INTEGRATION

The Group contributes to the promotion of exchanges and synergies between companies within the aerospace industry, through actions taken in France by GIFAS via GEAD (Groupement des Equipements Aéronautiques et de Défense - Aeronautical and Defense Equipment Group). The Latécoère teams are members of GITAS in Tunisia and GIMAS in Morocco.

Furthermore, Latécoère implements actions in favor of civil society in numerous fields and actively supports local communities by contributing to the economic and social development of regions.

The Group also relied on various solidarity mechanisms throughout the year to promote the implementation of concrete actions to combat the COVID-19 pandemic.

## CONTRIBUTION TO THE DEVELOPMENT OF LOCAL REGIONS

The aeronautics industry demonstrates a strong territorial presence as well as a particularly dynamic ecosystem, to which Latécoère actively contributes through its partnerships with its suppliers and customers. Through the diversity of its facilities in France, but also abroad, Latécoère demonstrates its strong commitment to promoting regional development, both in terms of protecting the environment and contributing to the vitality of regions.

None of the Group's plants is established on or close to a protected nature area (Natura 2000 in particular). However, when a location can have an impact on the environment and biodiversity, Latécoère fulfills its obligation of implementing mitigation measures so as to ensure the protection of species and the natural environment. For example, following the construction of its factories in Montredon, the Group strictly complied with regulations and kept inventories in order to be able to offset its impact on natural areas.

In this respect, a community volunteering project was organized in Launaguet in collaboration with a design office in order to participate in the revival of the wooden countryside by planting natural hedges. In Mexico, employees at the Hermosillo plant participated in the replanting of endemic plants at one of the boulevards of the commune, thus contributing to improving the quality of life of the local population.

The design of new buildings is an opportunity for Latécoère to imagine innovative solutions that protect the environment and the well-being of employees.

Thus, the new "MACH-ONE" Latécoère head office was designed to ensure full architectural integration, in accordance with high standards in terms of environment and employee working conditions. Located in the heart of Toulouse, this real estate project is also accompanied by the construction of housing, shops and public facilities. Thus fully integrating into the city, "MACH-ONE" is helping to revitalize the Roseraie district.

*© Latécoère*

It was developed taking into consideration the needs and expectations of the Group's employees through the mobilization of employee-ambassadors involved in the matter throughout 2019. Built according to state of the art rules in terms of energy and economic performance, "Mach One" meets HQE (High Environmental Quality) construction standards and incorporates very specific requirements. This new building is a project that combines eco-design with eco-management to ensure that the comfort and health of its occupants are taken into account, as well as the environment.

Following the discontinuation of activities at the Periole site, and alongside specialized design offices, Latécoère carried out soil pollution diagnostics on site. Based on the results of these assessments, Latécoère and the site's purchaser began appropriate clean-up work, supplemented by expert checks to ensure its effectiveness. Latécoère thus wants to enhance the value of the area so that it is properly integrated into the region. A first part of the site has already been fully decontaminated to build the new MACH-ONE head office and also to build housing.

Lastly, in 2020, Latécoère sold the land it owned historically in Montpellier in order to lease a building in Vendargues, which is more modern and meets industry standards, and is fully integrated into the region's industrial zone.

## CIVIC ACTIONS

The Latécoère Group has long been involved in civic life. Its actions aim to promote the historical, educational, cultural and human aspects of the history of aviation and to convey the values of sharing, openness and boldness while safeguarding a universal heritage.

### COVID-19

In view of the exceptional situation in 2020, solidarity initiatives have multiplied at Latécoère. The priority is to minimize the impact of the health crisis on the company, its employees and other stakeholders.

Various solidarity mechanisms were deployed throughout the year:

- Latécoère has provided support to various healthcare establishments and organizations. For example, the Labège, Liposthey, Toulouse Montredon and Vendargues sites donated visor racks, gloves and masks to EPHADs (care homes for dependent elderly people) and the Samu (emergency medical service).
- Latécoère also provided support to civil protection through the loan of two vehicles for several months to help them support isolated people (meals, medication, psychological support, logistics).
- These actions have also taken place at Group level. Notably, the donation of masks among French sites, or to other sites in short supply, such as the Hamburg site at the time of the peak of the health crisis last April. The Latécoère sites in Morocco and France donated several thousand surgical masks and several hundred FFP2 masks.

In France, in Toulouse and Gimont, following the discontinuation of on-site catering, Latécoère implemented a solution to provide food trucks every day of the week, and to deliver short-circuit organic meals to its employees, in partnership with a local company (Bocal en Boucle), so as not to penalize its employees. Moreover, in Japan, Latécoère employees benefited from one health check-up during 2020.

### Human exchange

- In addition to the COVID-19 solidarity actions established in 2020, other actions for Latécoère employees, their families and civil society in general were introduced.
- In France, Latécoère helped various organizations and NGOs through the donation of crates to Emmaüs and the recovery of corks alongside the Bouchons 31 association.
- In Brazil and Morocco, Latécoère sites offered support to the children of employees during the school year. For example, 40 school bags with school supplies were distributed in Morocco.

### Cultural exchange

Despite the health crisis, Latécoère made a point of maintaining historic partnerships in order to promote the aeronautics sector and the influence of its activity.

The Group is a member of the association of sponsors of the Orchestre National du Capitole de Toulouse (ONCT) which is made up of one hundred companies based in and around Toulouse and the Midi-Pyrénées and which share the same passion for music. Latécoère intends to contribute to the national and international promotion of the ONCT by financially supporting its international tours, its discography, etc.

On December 8, 2017, the Académie des Jeux Floraux signed an agreement with ENGIE, EDF, Pierre-Fabre and Latécoère, to hand out four prizes, bearing the names of captains of industry, including the Pierre-Georges-Latécoère prize. These rewards are awarded by the Jeux floraux to recognize a work of poetry or prose. The Académie des Jeux Floraux in Toulouse is Europe’s oldest learned society. In 2020, the Pierre-Georges-Latécoère Prize was awarded to Marc Bouriche of Maisons-Laffitte, in Yvelines, for his work *Eclaircies en haute mer*.

Lastly, in 2020 Latécoère initiated a partnership with L'Envol des Pionniers in Toulouse, the aim of which is to retrace the adventure of Aéropostale and remembrance of the pioneers of aeronautics.

# 4.8 METHODOLOGICAL NOTE

Indicators concerning the workforce, broken down by business sector, by geographical area, by age and by gender, permanent and fixed-term contract recruits, redundancies, training indicators, the number of accidents at work, and the absenteeism rate concern the financial consolidation scope of the Latécoère Group as at December 31, 2020.

Labor data excluding headcount does not cover the United Kingdom and Japan, which represent 0.2% of the consolidated Group's headcount. The number of training days per permanent employee corresponds to the number of training days provided to employees on permanent contracts / total workforce at the end of the period.

The OTD (On Time Delivery) corresponds, over a given period of time, to the number of products delivered on the customer requirement date out of all the deliveries made. The result of the OTD is obtained after joint approval with the customer on the delivery date.

For Aerostructures, the OTD is weighted according to the revenue of the product.

The SOTD (Supplier On Time Delivery) corresponds to the number of products delivered on the date of Latécoère's requirement out of all deliveries made (excluding delays not attributable to the supplier).

In 2020, the collaborative data of the Interconnection Systems division was not available following the implementation of the ERP tool finalized the same year. SOTD will be extended to Interconnection Systems in 2021.

Energy consumption can be calculated on a rolling year basis if the data is unavailable.

The rate of employees trained in export control corresponds to the proportion of people participating in awareness-raising initiatives on export control in the target population who can be brought to work on export control for Latécoère, whatever their contract: permanent contracts, fixed-term contracts, trainees, service providers, temporary workers.

The rate of employees trained in anti-corruption corresponds to the proportion of people who have received anti-corruption training in the last three years and who were present on December 31, divided by the number of employees who were present on December 31.

The indicator "% of employees trained in the fight against corruption" is limited to Aerostructures France, which represents 20% of the Group's workforce.

The target population corresponds to managers and administrative functions. The indicator will be extended to Interconnection Systems in France in 2021.

Turnover corresponds to the following ratio: Number of departures of permanent employees (excluding internal transfers)/average number of permanent employees.

COV emissions are limited to Aerostructures France and Czech Republic, which represent 72% of the Aerostructures workforce concerned. They will be measured and published for all plants from 2021.

The pollution number corresponds to air, ground or water pollution data communicated via a yellow or red alert.

GHG emissions take into account the consumption of electricity, natural gas, fuel, steam purchases and refrigerant gas leaks.

The quantity of raw material recovered corresponds to aluminium, titanium and other recovered metal shavings from production and the dismantling of industrial equipment.

Frequency rate and severity rate: the calculation of these rates encompasses all Group employees as well as temporary staff. Travel accidents are excluded.

For other qualitative and quantitative information, the scope is determined on a case-by-case basis.

| List of specific mandatory information (Article L.225-102-1) | Information |
|---|---|
| Social and environmental consequences of the business | The social and environmental consequences are described in the statement of non-financial performance |
| Respect for human rights | "Labor relations and human rights" |
| The fight against corruption | "Business ethics" |
| The fight against tax evasion | "Fighting tax evasion" |
| The circular economy | "Circular economy" |
| The collective agreements entered into by the Company and the impacts thereof on the Company's economic performance and regarding working conditions for employees and the measures implemented to fight discrimination and promote diversity | "Labor relations and human rights" |
| The fight against food waste | The fight against food waste is not an issue considered to be material in light of the Group's activity. |
| Diversity | "Diversity and equal treatment" |
| Disability | "Diversity and equal treatment" |
| Climate change | "Adaptation to climate change" |
| The fight against food insecurity, respect for animal well-being and responsible, fair-trade and sustainable food. | The fight against food insecurity, respect for animal well-being and responsible, fair-trade and sustainable food are not an issue considered to be material in light of the Group's activity. |

# 4.9 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL STATEMENT

*This is a free English translation of the Statutory Auditor's 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 standards applicable in France.*

For the year ended 31 December 2020

To the Annual General Meeting,

In our capacity as Statutory Auditor of your company (hereinafter the "entity") appointed as independent third party, and accredited by the French Accreditation Committee (*Comité Français d'Accréditation* or COFRAC) under number 3-1049[1], we hereby report to you on the consolidated non-financial statement for the year ended 31 December 2020 (hereinafter the "Statement"), included in the Group Management Report pursuant to the requirements of articles L. 225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

## RESPONSIBILITY OF THE ENTITY

The Management Board's is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available upon request at the entity's head office.

## INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the requirements of article L.822-11-3 of the French Commercial Code and the French Code of Ethics (Code de déontologie) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

### Responsibility of the Statutory Auditors appointed as independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R.225-105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the French anti-corruption and tax avoidance legislation nor on the compliance of products and services with the applicable regulations.

### Nature and scope of our work

The work described below was performed in accordance with the provisions of Article A.225-1 *et seq.* of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes* or CNCC) applicable to such engagements and with ISAE 3000[2]:

- We obtained an understanding of all the consolidated entities' activities, and the description of the principal risks associated;

(1) *Accreditation Cofrac Inspection, number 3-1049, scope available at www.cofrac.fr*

(2) *ISAE 3000: international standard on assurance engagements other than audits or reviews of historical financial information.*

- We assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- We verified that the Statement includes each category of social and environmental information set out in article L.225-102-1 III as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation set out in article L. 22-10-36, paragraph 2;
- We verified that the Statement provides the information required under article R. 225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L. 225-102-1 III, paragraph 2 of the French Commercial Code;
- We verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- We referred to documentary sources and conducted interviews to:
  - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented;
  - corroborate the qualitative information (measures and outcomes) that we considered to be the most important presented in Appendix. Concerning certain risks[(1)], our work was carried out on the consolidating entity, for the other risks, our work was carried out on the consolidating entity and on a selection of entities[4].
- We verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L. 233-16 of the French Commercial Code within the limitations set out in the Statement;
- We obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes that we considered to be the most important presented in Appendix, we implemented:
  - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
  - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities[(2)] and covers between 18% and 100% of the consolidated data selected for these tests;
- We assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

## MEANS AND RESOURCES

Our work was carried out by a team of five people between January and April 2021 and took a total of four weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted around fifteen interviews with the people responsible for preparing the Statement.

## CONCLUSION

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

*(1) Labour relations and human rights; Customer relations; Relationship with suppliers and continuity of supply; Responsible purchasing; B usiness ethics; Export control; COVID-19 management.*

*(2) Latécoère Plovdiv (Bulgaria), Latécoère SEA (Tunisia), Latécoère Périole (France), Latécoère Czech Republic (Czech Republic).*

## Comment

Without modifying our conclusion and in accordance with article A. 225-3 of the French Commercial Code, we have the following comment:

As indicated in paragraph 4.8 "methodological note" of the extra-financial performance statement, the reporting scope of the indicator “Volatile Organic Compounds diffuse and channelled” is limited to Aérostructure France and Czech Republic which covers 72% of the Aérostructure workforce, the reporting scope of the indicator “Percentage of employees trained in the fight against corruption” is limited to Aérostructure France which covers 20% of the consolidated workforce, and the reporting scope of the indicator “SOTD (Supplier On Time Delivery)” is limited to Aérostructure, which covers 44% of the consolidated workforce. A commitment has been made by the Group to extend these reporting scopes in 2021.

Paris-La Défense, on 21 April 2021

**KPMG S.A.**

| | |
|---|---|
| Fanny Houlliot | Éric Junières |
| *Partner* | *Partner* |
| *Sustainability Services* | |

## Appendix

| Qualitative information (actions and results) considered most important |
|---|
| Policies relating to professional development and assessment of employee skills |
| Measures facilitating working remotely |
| Realisation of Managerial Safety Visits (MSV) |
| Renewal of the H&S (Health and Safety) policy |
| Satisfaction and employee commitment surveys |
| Actions implemented to promote a circular economy |
| Audit of the REACH regulations |
| Greenhouse gas emission reduction strategies and results |
| Mapping of exposure to corruption risks |
| Actions in favour of innovation |
| Implementation of mitigation measures on the impact of factories on the natural environment |
| Solidarity actions related to COVID19 |

| Key performance indicators and other quantitative results considered most important |
|---|
| Group workforce |
| Turnover |
| Absenteeism rate |
| Number of training days per employee on a permanent contract |
| Frequency rate of accidents at work with time off for employees and temporary staff |
| Severity rate of accidents at work with time off for employees and temporary staff |
| Number of collective agreements signed during the year |
| Electricity consumption |
| Natural gas consumption |
| Greenhouse gas emissions scopes 1 and 2 by revenue |
| Quantity of raw materials recovered |
| Quantity of Volatile Organic Compounds emitted |
| Volume of hazardous and non-hazardous waste |
| Number of pollutants |
| Customer OTD (On Time Delivery) |
| SOTD (Supplier On Time Delivery) |
| Percentage of contracts that include the Latécoère Ethics Charter |
| Percentage of employees trained in the fight against corruption |
| Percentage of employees trained in export control among the concerned population |

Every day, meet the objective of operational excellence: quality, while respecting time and costs

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# FINANCIAL AND ACCOUNTING INFORMATION

# 5.1 GROUP ACTIVITIES IN 2020

## 5.1.1 OVERVIEW

| (Audited data – *in € million*) | 2019 | H1 | H2 | 2020 |
|---|---|---|---|---|
| **Revenue** | **713.1** | **231.9** | **181.3** | **413.2** |
| *Reported growth* | *8.2%* | *-37.6%* | *-46.9%* | *-42.1%* |
| *Growth at constant exchange rates* | *7.0%* | *-36.8%* | *-44.8%* | *-40.7%* |
| **Recurring EBITDA *** | **47.6** | **(17.2)** | **(25.4)** | **(42.6)** |
| *Recurring EBITDA margin on revenue* | *6.7%* | *-7.4%* | *-14.0%* | *-10.3%* |
| **Recurring operating income** | **11.8** | **(34.0)** | **(40.5)** | **(74.5)** |
| *Recurring operating margin on revenue* | *1.7%* | *-14.6%* | *-22.3%* | *-18.0%* |
| **Non-recurring items** | **(21.4)** | **(34.6)** | **(63.7)** | **(98.3)** |
| *of which impairment of asset* | | *(28.2)* | *(11.9)* | *(40.1)* |
| *of which other non-recurring items* | *(21.4)* | *(6.4)* | *(51.8)* | *(58.2)* |
| **Operating income** | **(9.6)** | **(68.6)** | **(104.2)** | **(172.8)** |
| Net cost of borrowed capital | (5.3) | (1.6) | (2.3) | (3.9) |
| Other financial income | (12.1) | (11.7) | 12.9 | 1.2 |
| **Financial income** | **(17.4)** | **(13.3)** | **10.6** | **(2.7)** |
| Income tax | (5.9) | (12.1) | (2.0) | (14.1) |
| **Net income** | **(32.9)** | **(94.0)** | **(95.5)** | **(189.6)** |
| **Operating free cash flow** | **(27.3)** | **(5.2)** | **(17.3)** | **(22.5)** |

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

### HIGHLIGHTS AND FINANCIAL SUMMARY

The Covid-19 pandemic has caused a collapse of air traffic in 2020, leading Latécoère customers to materially reduce their production requirements. Latécoère's FY 2020 financial results have therefore been heavily impacted.

Continuing the trend which began in Q2 2020, the Covid-19 crisis negatively affected the second half of the year with revenue declining to €181.3 million from €231.9 million in H1 2020. Revenue for the full year totalled €413.2 million compared to €713.1 million in 2019. This represents a -42.1% decline on a reported basis (-40.7% on an organic basis).

Latécoère's FY 2020 recurring EBITDA amounted to €-42.6 million, representing a margin of -10% vs +6.7% in 2019. Full year results were hit by the substantial volume reduction in both segments of the Group, with H2 activity considerably lower than H1 which benefitted from high production rates in Q1. The Group softened the overall margin impact of these trends by taking swift action to mitigate the effects of the crisis. These included reducing its global workforce, scaling back purchasing programs, reducing fixed costs and using short time work in countries where permitted.

FY 2020 recurring operating income amounted to €-74.5 million compared to €+11.8 million in the same period of 2019.

Non-recurring items of €-98.3 million are mainly derived from restructuring costs of €-30.2 million in France and abroad and a €-40.1 million impairment of some assets in Aerostructures. Inventory provisions of €-20.5 million were also accounted for to reflect slow moving parts (as a consequence of revised production rates) and the termination of a Mitsubishi M90 program. Finally, transformation and industrial transfer costs and some fees of €-10.6 million in connection with the acquisition of Bombardier EWIS activity were recorded in the year.

Financial results totalled €-2.7 million for FY 2020 compared to €-17.4 million in 2019. Financial results include cost of debt of €-3.9 million and foreign exchange gains of €1.2 million.

Group net income totalled €-189.6 million compared to €-32.9m in 2019, including €-14.1 million charge for income tax of which €-10.1m are deferred.

### Adaptation Plan

Latécoère launched significant restructuring programs in 2020 as part of its strategy to optimize its manufacturing processes and increase cost-competitiveness. These were deployed with the intention of mitigating the impact of the Covid-19 crisis in the short-term and positioning the Group for an eventual improvement in aeronautics industry commercial dynamics.

The Group reduced purchasing programs by -43% and subcontracting services by -44%. Fixed costs have decreased by -37% compared to 2019. Capital expenditures have been scaled down to €12.5 million compared to €39.5 million a year before, excluding the €22.3 million payment made for the acquisition of Bombardier EWIS activities in December 2019.

In 2020, the Group reduced its workforce of 1,475 employees, pending the implementation of the French social plan in 2021. Latécoère has successfully concluded negotiations with the unions in France which will allow the Group to adapt its resource levels to the forecasted customer needs. The Group booked one-time restructuring costs totalling €-20 million related to this social plan.

Latécoère continues to believe that investing in promising new technologies will be an essential element of its future growth and, as such, has maintained its R&T efforts in 2020 at a level of €5.9 million. Such efforts will be carried across 2021 to ensure that Latécoère can bring differentiating technologies to the market.

## Aerostructures

| Aerostructures (Audited data – *in € million*) | 2019 | H1 | H2 | 2020 |
|---|---|---|---|---|
| **Consolidated revenue:** | **411.4** | **123.5** | **105.0** | **228.4** |
| *Growth at constant exchange rates* | *5.8%* | *-41.7%* | *-44.5%* | *-43.1%* |
| *Inter-segment revenue* | *18.1* | *11.1* | *11.5* | *22.6* |
| **Revenue** | **429.5** | **134.6** | **116.4** | **251.0** |
| **Recurring EBITDA*** | **26.8** | **(9.1)** | **(14.4)** | **(23.5)** |
| *Recurring EBITDA margin on revenue* | *6.2%* | *-6.8%* | *-12.3%* | *-9.4%* |
| **Recurring operating income** | **10.8** | **(17.7)** | **(23.3)** | **(41.0)** |
| *Recurring operating margin on revenue* | *2.5%* | *-13.1%* | *-20.0%* | *-16.3%* |

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

Revenue in Latécoère's Aerostructures division declined -43% year-over-year on a constant currency basis to €228.4 million from €411.4 million in 2019 due to the reduction in production rates mirroring the slowdown in our customers' production. The year-over-year Aerostructures revenue comparison is also affected by higher production rates in Q1 2019 as Latécoère insourced production of primary parts after the default of a supplier.

Recurring EBITDA in the division was €-23.5 million compared to €26.8 million for FY 2019, with the decline in production rates partially offset by a reduction in operating costs in response to Covid-19. The recurring EBITDA has also been affected by an adverse EUR / USD achieved hedge rate at 1.22 vs 1.17 in 2019.

## Interconnection Systems

| Interconnection Systems (Audited data – *in € million*) | 2019 | H1 | H2 | 2020 |
|---|---|---|---|---|
| **Consolidated revenue:** | **30.7** | **108.5** | **76.4** | **184.8** |
| *Growth at constant exchange rates* | *8.5%* | -30.2% | -45.2% | -37.5% |
| *Inter-segment revenue* | *1.7* | 0.5 | 0.7 | 1.2 |
| **Revenue** | **303.4** | **108.9** | **77.1** | **186.0** |
| **Recurring EBITDA *** | **20.8** | **(8.2)** | **(11.0)** | **(19.2)** |
| *Recurring EBITDA margin on revenue* | *6.8%* | -7.5% | -14.3% | -10.3% |
| **Recurring operating income** | **1.1** | **(16.4)** | **(17.2)** | **(33.6)** |
| *Recurring operating margin on revenue* | *0.3%* | -15.0% | -22.3% | -18.0% |

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

Interconnection Systems FY 2020 revenue declined -37.5% year-over-year on an organic basis to €184.8 million from €301.7 million in 2019. Similarly, the division has seen its revenue decrease in line with the strong downward revision of customers' production rates, compounded with a reduction in its development activities notably with the termination of the Mitsubishi M90 program.

Recurring EBITDA for Interconnection Systems was -€19.2 million compared to €20.8 million for FY 2019. As with the Aerostructures, recurring EBIDTA was affected by the decline in production, reduced development activities, and an unfavourable EUR/USD hedge rate compared to 2019 (1.22 vs 1.17 in 2019).

Following delays related to the health crisis in Mexico and France, the Group completed its acquisition of Bombardier Interconnection Systems in February 2021. As previously indicated, Latécoère expects this acquisition to strengthen and diversify its business development on new platforms and in the North American market. This activity is expected to positively contribute to Interconnection Systems recurring EBITDA in 2021.

### Cash-flow from operating activities and net debt

Operating Free Cash Flow over the period was -€22.5 million (compared to -€27.3 million for 2019), of which -€20 million were related to non-recurring items. The Group has taken strong measures to improve its working capital needs by enrolling in the non-recourse factoring facility offered by a customer and by reducing the level of its inventories to €115.1 million compared to €179.8 million in 2019.

During the year, the Group announced that it entered into €123 million of new loan agreements in order to secure sufficient liquidity to enact its transformation plan and ensure its long-term competitiveness and growth. The loans are constituted of €88 million Prêt Garanti par l'Etat (PGE) and €35 million shareholder loan from an entity belonging to Searchlight Capital Partners.

As a result, net debt increased to -€147.6 million compared to -€115.8 million at the end of 2019, with a strong cash position of €77.6 million compared to €33.8 at the end of 2019.

## 5.1.2 ADDITIONAL INFORMATION

### GROUP REVENUE

The breakdown of revenue by business line is as follows:

- **Aerostructures (55%):** Revenue in Latécoère's Aerostructures division declined -43.1% year-over-year on a constant currency basis to €228.4 million from €411.4 million in 2019 due to the reduction in production rates mirroring the slowdown in our customers' production. The year-over-year Aerostructures revenue comparison is also affected by higher production rates in Q1 2019 as Latécoère insourced production of primary parts after the default of a supplier;
- **Interconnection Systems (45%):** Interconnection Systems FY 2020 revenue declined -37.5% year-over-year on an organic basis to €184.8 million from €301.7 million in 2019. Similarly, the division has seen its revenue decrease in line with the strong downward revision of customers' production rates, compounded with a reduction in its development activities notably with the termination of the Mitsubishi M90 program.

### INCOME TAX

The Group posted a tax expense of -€14.1 million including a current tax expense of -€4.0 million and a deferred tax expense of -€10.1 million.

### INVENTORIES AND WORK IN PROGRESS

Industrial inventories at December 31, 2020 amounted to €115.1 million and strongly decreased compared to 2019 (€179.8 million). This decrease takes into account in particular the depreciation of assets (recognized as a provision on raw materials inventories) of €18.7 million (see note 4.3).

### SHAREHOLDERS' EQUITY

Shareholders' equity, Group share, at December 31, 2020 was €36.2 million. It breaks down as follows:

| | |
|---|---|
| Capital and initial reserves | €225.3 million |
| Unrealized hedging instruments | €0.5 million |
| Income for the period, Group share | -€189.6 million |
| **TOTAL** | **€36.2 MILLION** |

# 5.2 PARENT COMPANY BUSINESS IN 2020

The parent company financial statements at December 31, 2020 have been prepared in accordance with regulations in force, in compliance with Regulation ANC 2014-03. Moreover, the Company applies the recommendations of the accounting plan of the aeronautical and space industry for the accounting treatment of some specific operations.

## BUSINESS

Latécoère, the parent company, generated revenue of €297.3 million in 2020, which represents 55.2% of the consolidated revenue of the Group after elimination of intercompany invoicing. Operations in US dollars are valued at the spot exchange rate of this currency. Revenue includes exchange rate gains or losses from the hedging instruments.

2020 operating income was -€77.4 million compared to -€54.1 million for 2019. This operating income includes non-current items related to the costs of the creation of the future plant located near Toulouse (Montredon) for -€1.0 million, but also transformation and adaptation costs of the historic site of Toulouse (Périole site) for -€3.7 million.

Financial income amounted to -€10.6 million, mainly due to foreign exchange losses (-€11.3 million).

Extraordinary income amounted to -€96.6 million and mainly includes the impact of the social adaptation plan for an amount of - €20 million as well as the impairmentsof assets for - €75.8 million.

At December 31, 2020, the workforce consisted of 819 employees.

## INCOME, APPROPRIATION AND DIVIDENDS

Net income was negative, at - €183,931,490. It was proposed to allocate the full amount to the “retained earnings” account.

A proposal will be made to the General Meeting of shareholders not to distribute any dividend in respect of the 2020 fiscal year.

Equity in the 2020 fiscal year didn't change compared to 2019. The number of shares at December 31, 2020 is 94,818,518.

The Company has not paid dividends in the last three fiscal years.

The total amount of spending and expenses related to Articles 39-4 of the French General Tax Code is €91,574.

## INVENTORIES OF RAW MATERIALS AND WORK IN PROGRESS

The balance sheet at the end of the fiscal year showed net inventories of raw materials of €9.9 million (compared to €14.7 million in 2019). Work in progress amounted to €43.3 million, compared to €143.7 million at December 31, 2019. This decrease primarily reflects the decline in activity linked to the health crisis and to the impairment of assets observed at December 31, 2020 for €75.8 million.

## RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are mainly recorded in connection with partnership contracts and do not give rise to the filing of patents in order to obtain patent right protection. They reached €8.3 million and correspond to non-recurring expenses on the programs that are re-invoiced to customers. These expenses, financed by the Company, are included in work in progress. They will be reincorporated in income depending on the stage of completion of the related contracts according to the contractual agreements defining, for each program, the number of aircraft retained by the aircraft manufacturers. The margin on the partnership contracts is recognized based on the stage of completion by consolidating the costs of these contracts, including the development costs.

The main development programs are committed with respect to customer contracts. Related risks are those described in the program risks. Furthermore, Latécoère does not receive any research grants for research and development programs.

In a few special cases and in a marginal way, the Company may be led to file patents.

## INVESTMENTS

The acquisitions of new assets amounted to €2.5 million (€13.0 million in 2019). This decrease in mainly due to the health crisis.

## NET FINANCIAL DEBT

At December 31, 2020, net debt was €134.7 million, rising up of €88.7 million, due to the the new financing obtained of €123.2 million ("PGE" loan for €88.2 million and shareholder loan for €35 million).

## REFUNDABLE ADVANCES

The Company obtained refundable advances from DGAC (Direction Générale de l’Aviation Civile) as additional financing of new programs (mainly A350 and Embraer E2); during the fiscal year, repayments were made, depending of

contractual conditions and deliveries of relevant products. At the end of the 2020 fiscal year, the amount registered in the balance sheet item “conditional advances” was €14.7 million.

## INFORMATION ON PAYMENT TERMS

Pursuant to the provisions of Article L 441-6-1 al. 1 of the Commercial Code, the table below summarizes the mandatory information on payment deadlines (outside the Group):

| | Article D.441 I.-1°: Invoices received not settled on the closing date of the fiscal year whose term has expired | | | | | Article D.441 I.-1°: Invoices issued but not settled at the end of the fiscal year whose term has expired | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days or more | Total (1 day and more) | 1 to 30 days | 31 to 60 days | 61 to 90 days | 91 days or more | Total (1 day and more) |
| **(A) LATE PAYMENT TRANCHES** | | | | | | | | | | |
| Number of invoices concerned | | | | | 211 | | | | | 145 |
| Total amount of invoices concerned including tax in K€ | 235 | 132 | 79 | 47 | 494 | 186 | 77 | 43 | 1,680 | 1,987 |
| Percentage of the total purchase amount for the fiscal year including tax | 0.1% | 0.0% | 0.0% | 0.0% | 0.2% | | | | | |
| Percentage of revenue for the fiscal year including tax | | | | | | 0.1% | 0.0% | 0.0% | 0.5% | 0.6% |
| **(B) INVOICES EXCLUDED FROM (A) RELATING TO DISPUTED OR UNRECOGNIZED DEBTS AND RECEIVABLES** | | | | | | | | | | |
| Number of invoices excluded | | | | | 515 | No invoice has been excluded | | | | |
| Total amount of invoices excluded (excluding tax) | 8 | 61 | 216 | 597 | 882 | | | | | |
| **(C) REFERENCE PAYMENT TERMS USED (CONTRACTUAL OR LEGAL DEADLINE – ARTICLE L.441-6 OR ARTICLE L.443-1 OF THE FRENCH COMMERCIAL CODE)** | | | | | | | | | | |
| Payment deadlines used to calculate late payments | The Company used contractual deadlines for the calculation of late payments. | | | | | The Company used contractual deadlines for the calculation of late payments. | | | | |

For information, there is no late payment on the Group's receivables and payables.

# 5.3 ACTIVITIES OF SUBSIDIARIES AND EQUITY INVESTMENTS IN 2020

## LATÉCOÈRE CZECH REPUBLIC S.R.O.

Latécoère Czech Republic s.r.o., a wholly-owned subsidiary of Latécoère, is located in Prague (Czech Republic). It constitutes the Group's center of excellence for the production of mechanical parts and the assembly of door structures and of avionics bays. This company invoices most of its production to Latécoère.

Revenue decreased of 44.8% from CZK3.67 to CZK2.03 billion. Net income was -CZK312.9 million. Investments reached CZK36.1 million in 2020.

Following the impact of the health crisis and the adaptation plans set up by the Group, the registered workforce was 496 people at December 31, 2020, down by 275 people compared to December 31, 2019.

## LATÉCOÈRE DO BRASIL

This subsidiary is held 98% by Latécoère and 2% by Latécoère Developpement.

The objective of this entity is to carry out, given its proximity to Embraer, the final assembly and the customizing of ERJ 170/190 aircraft family fuselage sections. Since 2010, all fuselage sections delivered to Embraer have been assembled at this site.

In 2020, Latécoère do Brasil generated revenue of BRL201.8 million, mainly through its customer Embraer and its parent company. In the same continuity of Latécoère Czech Republic s.r.o.,sits workforce registered as of December 31, 2020 is down by 117 people compared to December 31, 2019 and stands at 173 people. Its net profit amounts to BRL2.8 million. The level of investment in 2020 amounted to BRL2.2 million.

## LATÉCOÈRE INTERNATIONAL INC

The American subsidiary of the Latécoère Group which is wholly-owned by Latécoère is charged with covering the American market as regards marketing. It also ensures, when necessary, additional services for the North American market in support of the parent company.

Its revenue amounted to $1.8 million in 2020, generated almost entirely through the parent-company. Its income was at breakeven in 2020.

## LATELEC

LATelec, a wholly-owned subsidiary of Latécoère, is the Group's center of excellence in interconnection systems. LATelec holds 100% control of its subsidiaries in Germany, Morocco, Tunisia and Canada. In terms of strategy, it is solidly centered on its core business which is the interconnection of onboard electrical systems in the aeronautical and space sectors.

During the fiscal year ended December 31, 2020, the main results were the following:

- revenue amounted to €191.1 million;
- total of operating income amounted to: €187.3 million;
- total of operating expenses amounted to: €241.0 million;
- operating income amounted to: -€53.6 million;
- current income before tax amounted to: -€59.6 million.

In view of these items along with taxes and equity stakes, income for the period was a net loss of €61,547,839.

At December 31, 2020, the Company's total balance sheet amounted to €212.4 million.

The year 2020, marked by the health crisis linked to COVID-19, saw a 40% collapse in production rates and activity across all contracts and in particular for A320, A350 and ATR aircraft but also for Dassault. In addition, Mitsubishi has stopped the project of its M90 aircraft. "Design & build" development activities have also slowed down.

Despite the adversity affecting all customers, the company's productivity has remained satisfactory and has been improved on many sites.

In 2020, the company also acquired a new IT tool (SAP) allowing, among other things, to have better inventory control.

In 2021, the company anticipates a further decline in activity at constant scope and exchange rates. The year 2021 will also mark the finalization and integration of the Bombardier site in Querétaro, Mexico, which will provide a source of growth for the company.

### DATA FROM LATELEC SUBSIDIARIES

| *In € thousand* | SEA-LATelec | LATelec GmbH | LATsima | LATelec Canada |
|---|---|---|---|---|
| Revenue | 17,804 | 14,098 | 14,372 | 7,252 |
| Net income | -6,653 | 18 | 1,221 | 806 |

## 5.4 RESEARCH AND DEVELOPMENT EXPENSES

In 2020, total research and development expenses amounted to €13.7 million (3.3% of revenue) compared to €13.5 million in 2019, and were mainly attributable to the Mitsubishi M90, Honda Jet, Embraer (E2), Airbus (A320) and Boeing programs.

## 5.5 INFORMATION ON TRENDS

As the impact of Covid-19 continues to cast uncertainty over the timing of a gradual recovery in air traffic, Latécoère expects 2021 to be a challenging year as new aircraft production rates are likely to remain depressed. As a result, the Group expects in 2021:

- Revenue to be around 25% below 2020 on an organic basis. The full year contribution of the Bombardier EWIS acquisition will reduce the year-on-year impact to approximately -10%;
- Recurring EBITDA to improve by 20% from FY 2020 levels demonstrating the strong fundamentals of the business as it completes the adaptation plan, however it is likely to remain negative;
- Operating Free Cash Flow will remain negative mainly as a result of the roll out of the adaptation plan.

## 5.6 OTHER INFORMATION

### 5.6.1 INVENTORY OF LATÉCOÈRE SECURITIES

| *In € thousand* | Number of shares | Gross value | Net value |
|---|---|---|---|
| LATECOERE INTERNATIONAL Inc. | 600 | 541 | 541 |
| LATECOERE Developpement | 150,003 | 572 | 572 |
| LATelec | 1,900 | 7,600 | 7,600 |
| LATECOERE Czech Republic s.r.o. | N/A | 20,787 | 20,787 |
| LATECOERE Do Brasil | 30,339,461 | 13,425 | 13,425 |
| LATECOERE BIENES RAICES | 1 | 0 | 0 |
| SEA LATELEC | 10 | 0 | 0 |
| LATECOERE BULGARIA | 200 | 100 | 100 |
| LATECOERE IS JAPON | 100 | 38 | 38 |
| LATECOERE SYSTEMS | 1,000 | 1 | 1 |
| LATECOERE INDIA | 2,999,999 | 353 | 353 |
| LATECOERE LIS UK | 1,000 | 1 | 1 |
| LATECOERE Mexico | 1 | 0 | 0 |
| LATELEC Mexico | 1 | 0 | 0 |
| Corse Composites Aéronautiques | 184,139 | 2,700 | 2,700 |
| **SUBSIDIARIES AND PARTICIPATIONS** | | **46,119** | **46,119** |
| Treasury shares LATECOERE | 38,758 | 80 | 80 |
| **SECURITIES** | **38,758** | **80** | **80** |

## 5.6.2 LATÉCOÈRE RESULTS OVER THE LAST FIVE FISCAL YEARS

| *In €* | Dec. 31, 2016 | Dec. 31, 2017 | Dec. 31, 2018 | Dec. 31, 2019 | Dec. 31, 2020 |
|---|---|---|---|---|---|
| **Capital at year-end:** | | | | | |
| Share capital | 188,087,352 | 188,789,804 | 189,489,904 | 189,637,036 | 189,637,036 |
| Number of issued ordinary shares | 94,043,676 | 94,394,902 | 94,818,518 | 94,818,518 | 94,818,518 |
| **Operations and results of the fiscal year:** | | | | | |
| Revenue excluding tax | 492,963,332 | 447,778,619 | 469,077,918 | 484,298,413 | 297,264,697 |
| Income before tax, employee profit sharing, depreciation, amortization and provisions | -16,427,941 | 26,123,466 | -7,839,681 | -50,928,212 | -180,291,069 |
| Income tax | 8,958,023 | 5,766,383 | 1,761,193 | 1,352,987 | 669,050 |
| Employee profit sharing (legal and contractual) | -490,756 | -1,219,916 | 1,165,371 | 0 | 0 |
| Income after tax, employee profit sharing, depreciation, amortization and provisions | -39,410,112 | 32,160,830 | -14,863,189 | -24,116,104 | -183,931,490 |
| Dividend paid during the year (including withholding tax on securities) | 0 | 0 | 0 | 0 | 0 |
| **Earnings per share:** | | | | | |
| Earnings after tax and profit sharing, but before depreciation, amortization and provisions | 0.0 | 0.3 | -0.1 | -0.5 | -0.7 |
| Earnings after tax and profit sharing, depreciation, amortization and provisions | -0.4 | 0.3 | -0.2 | -0.3 | -1.9 |
| Dividend paid per share (excluding tax credit) in the year | 0 | 0 | 0 | 0 | 0 |
| **Personnel:** | | | | | |
| Average number of employees | 988 | 914 | 880 | 840 | 833 |
| Total remuneration | 48,108,669 | 44,289,230 | 40,664,671 | 44,046,515 | 43,052,527 |
| Total social charges and other personnel-related benefits | 22,334,173 | 19,434,026 | 19,539,310 | 18,490,414 | 16,221,111 |

## 5.6.3 EVENTS AFTER THE REPORTING PERIOD

### COMPLETION OF THE ACQUISITION OF BOMBARDIER'S INTERCONNECTION SYSTEMS AND ELECTRICAL WIRING ACTIVITIES IN QUERÉTARO (MEXICO)

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

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

### VALIDATION OF THE COLLECTIVE AGREEMENT ON THE EMPLOYMENT SAVING PLAN FOR LATÉCOÈRE SA

On January 29, 2021, an agreement was concluded between management and the trade unions and validated by DIRECCTE on February 23, 2021 and now provides for:

- the decrease of 246 positions;
- 158 proposals for changes to the employment contract for economic reasons;
- the creation of 33 positions, in addition to the 32 currently vacant positions.

# 5.7 2020 CONSOLIDATED FINANCIAL STATEMENTS

## 5.7.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *In € thousand* | Notes | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|
| Intangible assets | 4.1 | 56,022 | 77,799 |
| Tangible assets | 4.1 | 154,155 | 173,043 |
| Other financial assets | | 4,291 | 3,698 |
| Deferred taxes | 14.2 | 684 | 10,279 |
| Derivative financial instruments | 8.1 | 0 | 1,020 |
| Other non-current assets | | 129 | 168 |
| **TOTAL NON-CURRENT ASSETS** | | **215,282** | **266,007** |
| Inventories and work in progress | 5 | 115,122 | 179,757 |
| Trade receivables and other receivables | 7 | 65,269 | 157,839 |
| Tax receivable | 14.1 | 11,509 | 16,003 |
| Derivative financial instruments | 8.1 | 3,347 | 1,897 |
| Other current assets | | 1,816 | 2,232 |
| Cash and cash equivalents | 6 | 77,614 | 33,790 |
| **TOTAL CURRENT ASSETS** | | **274,676** | **391,518** |
| **TOTAL ASSETS** | | **489,957** | **657,525** |

| *In € thousand* | Notes | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|
| Share capital | 9.1 | 189,637 | 189,637 |
| Share premium | | 213,658 | 213,658 |
| Treasury shares | | -455 | -1,842 |
| Other reserves | | -177,595 | -147,486 |
| Derivative instruments used to hedge future cash flows | | 509 | -21,883 |
| Net income for the period | | -189,566 | -32,864 |
| **CAPITAL ISSUED AND RESERVED ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY** | | **36,188** | **199,220** |
| **NON-CONTROLLING INTERESTS** | | **0** | **0** |
| **TOTAL EQUITY** | | **36,188** | **199,220** |
| Loans and bank borrowings | 12.1 | 215,546 | 98,190 |
| Refundable advances | 12.2 | 22,359 | 22,824 |
| Employee benefits | 11 | 17,770 | 20,400 |
| Non-current provisions | 10 | 26,445 | 8,876 |
| Deferred taxes | 14.2 | 29 | 12 |
| Derivative financial instruments | 8.1 | 0 | 8,205 |
| Other non-current liabilities | | 3,650 | 4,638 |
| **TOTAL NON-CURRENT LIABILITIES** | | **285,799** | **163,146** |
| Borrowings and bank overdrafts | 12.1 | 9,707 | 51,366 |
| Refundable advances | 12.2 | 2,254 | 2,634 |
| Current provisions | 10 | 18,096 | 1,997 |
| Accounts payable | 13 | 89,480 | 146,292 |
| Income tax liabilities | | 2,745 | 1,918 |
| Contracts liabilities | | 38,982 | 43,609 |
| Other current liabilities | | 3,844 | 4,055 |
| Derivative financial instruments | 8.1 | 2,863 | 43,288 |
| **TOTAL CURRENT LIABILITIES** | | **167,970** | **295,159** |
| **TOTAL LIABILITIES** | | **453,769** | **458,305** |
| **TOTAL EQUITY AND LIABILITIES** | | **489,957** | **657,525** |

## 5.7.2 CONSOLIDATED INCOME STATEMENT

| *In € thousand* | Notes | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|
| Revenue | 15 | 413,232 | 713,098 |
| Other operating income | | 497 | 526 |
| Inventoried production | | -24,426 | -15,315 |
| Purchases used and external expenses | 16 | -263,544 | -459,211 |
| Personnel expenses | 16 | -158,200 | -203,885 |
| Taxes | | -5,940 | -8,902 |
| Depreciation, amortization and impairment | | -31,879 | -35,796 |
| Net operating provisions charge | 16 | -12,246 | 829 |
| Impairment of current assets | 16 | 155 | 3,614 |
| Other income | 16 | 13,486 | 20,306 |
| Other operating expenses | | -5,615 | -3,431 |
| **RECURRING OPERATING INCOME** | | **-74,478** | **11,833** |
| Other non-recurring operating income and expenses | 17 | -98,304 | -21,426 |
| **OPERATING INCOME** | | **-172,783** | **-9,593** |
| Net cost of debt | | -3,854 | -5,261 |
| Foreign exchange gains/losses | | -13,470 | -3,567 |
| Change in fair value of financial derivative instruments | | 16,240 | -7,623 |
| Other financial incomes and expenses | | -1,574 | -928 |
| **FINANCIAL INCOME** | **18** | **-2,657** | **-17,380** |
| Income tax | 20 | -14,127 | -5,892 |
| **NET INCOME** | | **-189,566** | **-32,864** |
| • *of which, owners of the parent* | | *-189,566* | *-32,864* |
| • *of which, non-controlling interests* | | *0* | *0* |
| **NET INCOME (GROUP SHARE) PER SHARE** | | | |
| • earnings per share | 9.1 | -2.00 | -0.35 |
| • diluted earnings per share | 9.1 | -2.00 | -0.35 |

## 5.7.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| **NET INCOME FOR THE PERIOD (1)** | **-189,566** | **-32,864** |
| **OTHER COMPREHENSIVE INCOME:** | | |
| • **Items that will not be reclassified subsequently to profit or loss:** | | |
| Actuarial gain or loss for the year relating to defined benefit plans | 564 | -2,122 |
| Other items * | 194 | 0 |
| Income tax related to items that will not be reclassified to profit or loss | -194 | 731 |
| • **Items that will be reclassified subsequently to profit or loss:** | | |
| Translation differences | -7,483 | 441 |
| Derivative instruments used to hedge future cash flows (changes in fair value and transfers to income) | 32,902 | -18,976 |
| Other comprehensive income * | 9,675 | -12,440 |
| Income tax related to items that may be reclassified to profit or loss | -10,510 | 6,517 |
| **TOTAL OTHER COMPREHENSIVE INCOME (2)** | **25,147** | **-25,849** |
| **TOTAL COMPREHENSIVE INCOME (1 + 2)** | **-164,419** | **-58,713** |

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

## 5.7.4 CONSOLIDATED STATEMENT OF CASH FLOWS

| *In € thousand* | **Dec. 31, 2020** | **Dec. 31, 2019** |
|---|---|---|
| Net income for the period | -189,566 | -32,864 |
| ***Adjustments related:*** | | |
| Depreciation, amortization and provisions | 85,126 | 34,578 |
| Elimination of revaluation gains/losses (fair value) | -16,240 | 7,623 |
| (Gains)/losses on disposal of assets | 116 | -1,342 |
| Other non-cash items | 1,445 | 1,528 |
| **CASH FLOW AFTER COST OF NET FINANCIAL DEBT AND TAX** | **-119,119** | **9,522** |
| Tax expense | 14,127 | 5,892 |
| Net cost of debt | 3,854 | 5,265 |
| **CASH FLOW BEFORE COST OF FINANCIAL DEBT AND TAX** | **-101,139** | **20,679** |
| Changes in inventories net of provisions | 57,799 | 757 |
| Changes in client and other receivables net of provisions * | 93,490 | 39,781 |
| Changes in suppliers and other payables | -60,098 | -32,329 |
| Income tax paid | -2,628 | -5,707 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | **-12,575** | **23,182** |
| Effect of changes in Group structure | 51 | 378 |
| Purchase of tangible and intangible assets (including changes in payables to fixed asset suppliers) | -12,687 | -58,714 |
| Increase (decrease) in loans and advances made | -583 | -215 |
| Sale of tangible and intangible assets | 669 | 2,344 |
| Dividends received | 3 | 4 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | **-12,547** | **-56,203** |
| Capital increase | 0 | -1,203 |
| Purchase or disposal of treasury shares | 1,388 | -3,429 |
| Proceeds from borrowings | 124,362 | 10,000 |
| Repayments of lease liabilities | -5,817 | -5,082 |
| Financial interest paid | -3,761 | -5,563 |
| Flows in relation to refundable advances | -846 | -1,448 |
| Other flows in relation to financing transactions | -45,516 | -34,343 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | **69,809** | **-41.068** |
| Effects of exchange rate changes | -860 | -253 |
| **INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **43,827** | **-74,342** |
| Opening cash and cash equivalents position | 33,762 | 108,103 |
| Closing cash and cash equivalents position | 77,589 | 33,762 |

## 5.7.5 STATEMENT OF CHANGES IN EQUITY

| *In € thousand* | Capital issued | Reserves linked to the capital | Treasury shares |
|---|---|---|---|
| **DEC. 31, 2018** | **189,490** | **215,008** | **1,587** |
| Reclassifying | | | |
| Capital transactions | 147 | -1,350 | |
| Share-based payment | | | |
| Transactions on treasury stock | | | -3,429 |
| Dividends | | | |
| Transactions with owners | 147 | -1,350 | -3,429 |
| Net income for the year (1) | | | |
| Derivative instruments used to hedge future cash flows (changes in fair value and transfers to income) | | | |
| Financial instruments: translation differences | | | |
| Translation differences: changes and transfer in profit and loss | | | |
| Other changes * | | | |
| Other comprehensive income (2) | 0 | 0 | 0 |
| **TOTAL COMPREHENSIVE INCOME (1) + (2)** | **0** | **0** | **0** |
| **DEC. 31, 2019** | **189,637** | **213,658** | **-1,842** |
| Capital transactions | | | |
| Share-based payment | | | |
| Transactions on treasury stock | | | 1,388 |
| Dividends | | | |
| Transactions with owners | 0 | 0 | 1,388 |
| Net income for the year (1) | | | |
| Derivative instruments used to hedge future cash flows (changes in fair value and transfers to income) | | | |
| Financial instruments: translation differences | | | |
| Translation differences: changes and transfer in profit and loss | | | |
| Other changes ** | | | |
| Other comprehensive income (2) | 0 | 0 | 0 |
| **TOTAL COMPREHENSIVE INCOME (1) + (2)** | **0** | **0** | **0** |
| **DEC. 31, 2020** | **189,637** | **213,658** | **-455** |

* *Including €-14.2 million of deferred taxes capping (see note 14 on taxes).*
** *Including €+9.9 million of deferred taxes capping (see note 14 on taxes).*

| Reserves and Accumulated Results | Derivative instruments used to hedge future cash flows | Translation differences | Equity attributable to owners of parent | Non-controlling interests | Total |
|---|---|---|---|---|---|
| **-123,281** | **-11,405** | **-8,834** | **262,565** | **0** | **262,565** |
| -1,771 | 1,981 | -210 | 0 | | 0 |
| | | | -1,203 | | -1,203 |
| | | | 0 | | 0 |
| | | | -3,429 | | -3,429 |
| | | | | | 0 |
| -32,864 | 0 | 0 | -4,632 | 0 | -4,632 |
| | -12,459 | | -12,459 | | -12,459 |
| | | | 0 | | 0 |
| | | 441 | 441 | | 441 |
| -13,831 | | | -13,831 | | -13,831 |
| -13,831 | -12,459 | 441 | -25,849 | 0 | -25,849 |
| **-46,695** | **-12,459** | **441** | **-58,713** | **0** | **-58,713** |
| **-171,747** | **-21,883** | **-8,603** | **199,220** | **0** | **199,220** |
| | | | 0 | | 0 |
| | | | 0 | | 0 |
| | | | 1,388 | | 1,388 |
| | | | 0 | | 0 |
| 0 | 0 | 0 | 1,388 | 0 | 1,388 |
| -189,566 | | | -189,566 | 0 | -189,566 |
| | 22,392 | | 22,392 | | 22,392 |
| | | | 0 | | 0 |
| | | -7,483 | -7,483 | | -7,483 |
| 10,238 | | | 10,238 | | 10,238 |
| 10,238 | 22,392 | -7,483 | 25,147 | 0 | 25,147 |
| **-179,328** | **22,392** | **-7,483** | **-164,419** | **0** | **-164,419** |
| **-351,074** | **509** | **-16,087** | **36,188** | **0** | **36,188** |

## 5.7.6 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

# INFORMATION ON THE GROUP

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

The consolidated financial statements of the Latécoère Group for the fiscal year ended on December 31, 2020, include the parent company and its subsidiaries (the whole being designated as "the Group") and its share of results in associates.

The consolidated financial statements of the Group were approved by the Board of Directors on March 15, 2021 and on April 12, 2021. They will be submitted to the Ordinary General Meeting.

# NOTE 1 ACCOUNTING PRINCIPLES

## 1.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The 2020 consolidated financial statements have been prepared in compliance with the IFRS as issued by the IASB and adopted by the European Union at December 31, 2020.

The system of reference IFRS includes the IFRS, the IAS (International Accounting Standards) as well as their SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) interpretations.

The financial statements are presented in €k rounded to the closest thousand euros.

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

## 1.2 IMPLEMENTATION OF STANDARDS, AMENDMENTS AND INTERPRETATIONS APPLICABLE TO THE FINANCIAL STATEMENTS

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

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

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

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

***New published IFRS standards, amendments and interpretations adopted in advance by the Group as of January 1, 2020:***

- None.

***New published IFRS standards, amendments and interpretations not yet effective or not early adopted by the Group:***

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

These new standards and amendments have not yet been adopted by the European Union and therefore may not be applied in advance, even if authorized by the standard.

## 1.3 USE OF ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires that Management make estimates and assumptions which have an impact on the implementation of accounting methods as well as on the amounts of assets and liabilities, income and expenses.

The Group makes assumptions and regularly establishes, on these bases, estimates relating to its various businesses. These estimates have been made from past experience and other factors considered as reasonable in view of the circumstances; they integrate the economic conditions prevailing at the closing and the information available as of the date of preparation of the financial statements. The Group management regularly reviews its estimates and assumptions on the basis of its past experience as well as other factors deemed reasonable, which constitutes the grounds for its appreciations of the carrying value of assets and liabilities.

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

The use of estimates and assumptions assumes a special importance principally for:

- developments capitalized costs (Note 4);
- the recoverable value of intangible and tangible assets as well as their useful life (Note 4);
- provisions on inventory (Note 5);
- the fair value of financial instruments (Note 8);
- provision (note 10);
- employee benefits (Note 11);
- deferred tax assets (Note 14).

At December 31, 2020, the estimates and the assumptions retained for the consolidated financial statements were determined based on the elements in the Group's possession at the closing date and, in particular the commercial information (order book and rates) communicated by the various aircraft manufacturers and information from the prospects of the aeronautical market.

## 1.4 SUBSIDIARIES

Companies controlled directly or indirectly by Latécoère are fully consolidated.

Control over a company exists when the Group:

- has power over this entity;
- is exposed to or has rights to variable returns from its involvement with that entity;
- has the ability to use its power over that entity to affect the amount of those returns.

The full consolidation method consists in integrating all assets, liabilities, income and expenses. The share of assets and income attributable to the minority shareholders is accounted for as minority interests in the consolidated balance sheet and the consolidated statement of income. Subsidiaries are integrated into the consolidation scope from the date when control is obtained.

All transactions between consolidated subsidiaries are eliminated, as is income generated within the Group (capital gains, profits on inventories, dividends).

## 1.5 ASSOCIATED COMPANIES

"Associated companies" means entities in which the Group exercises significant influence over financial and operational policy without having the exclusive or joint control. Significant influence is assumed to exist when the Group's interest is greater than or equal to 20%.

The consolidation method is the equity method, which consists in entering in the balance sheet an amount reflecting the Group's share of the net assets of the associate, increased, if applicable, by the goodwill generated by the original acquisition.

## 1.6 REMOVAL FROM THE SCOPE OF CONSOLIDATION

The removal of a company from the scope of consolidation is effective as of the date sole or joint control or significant influence is relinquished.

Sales of shares that result in a loss of control are to be recognized in profit or loss and the gain or loss on disposal is to be calculated on the entire ownership interest at the date of the transaction.

## 1.7 ELIMINATION OF INTERNAL GROUP TRANSACTIONS

Intercompany transactions between consolidated subsidiaries are fully eliminated, as well as the resulting receivables and payables. The Group's internal income (dividends and income from disposals) is also eliminated from consolidated income.

## 1.8 METHOD OF CONVERTING FOREIGN CURRENCY ITEMS

Foreign currency transactions are converted into euros by applying the exchange rate prevailing at the transaction date. The monetary assets and liabilities appearing in balance sheet at closing date are translated by applying the exchange rate at such date. Foreign currency differences for commercial transactions are recognized in the result.

## 1.9 FINANCIAL STATEMENTS OF FOREIGN ENTITIES

Assets and liabilities of consolidated entities for which the functional currency is different from the euro are converted at the exchange rate at the closing date, with the exception of shareholders' equity, which is accounted for at the historical rate. Income and expenses are converted at the exchange rate in force at the relevant transaction date or, as a practical matter, at the rate which approaches it and which corresponds to the average rate for the period, except for cases of large fluctuations in exchange rates. Exchange rate variations resulting from these conversions are accounted for in consolidated shareholders' equity (translation differences in OCI).

In accordance with IAS 21, the exchange rate differences relating to permanent financing activities which are part of the net investment in a consolidated subsidiary are recorded in shareholders' equity (under translation differences). At disposal of these investments, the accumulated translation differences recorded in shareholders' equity will be recognized in the income statement.

## 1.10 GOODWILL

Absence of goodwill.

## 1.11 OTHER INTANGIBLE ASSETS

Intangible assets are identifiable non-monetary assets (resulting from a legal right or which can be sold, transferred, rented or exchanged in an isolated manner or with a contract, or another asset or liability), without physical substance, held to be used for the production or the furnishing of goods or services, for rental to third parties or for administrative purposes.

Intangible assets must respond to the following criteria:

- probability of obtaining future economic benefits attributable to this asset;
- reliable valuation of the cost of the asset.

The depreciation and amortization method used reflects the consumption rate by the Company of the economic benefits of the fixed asset.

The intangible assets held by the Group are principally:

- developments costs;
- software and other licenses (amortized over four years).

Intangible assets are amortized over their useful life. The Group holds no intangible assets of indefinite useful life. The intangible assets acquired by the Group are accounted for at their cost reduced by the accumulated amortization and loss in value. If an indication of loss in value exists, an impairment test is carried out as described in Note 1.13. Any loss in value is recognized in operating income, on the line "other non-recurring operating income and expenses".

### Intangible assets acquired in a business combination

Intangible assets acquired as part of a business combination are recognized at their fair value, separately from goodwill.

### Separately acquired intangible assets

Intangible assets acquired separately are initially recognized at cost in accordance with IAS 38.

### Research and development expenses

Research expenses are accounted for in expenses. Development costs are activated in IFRS and recognized as assets when all the following criteria are met:

- the technical feasibility of completing the intangible asset in order to use or sell it;
- the intention to complete the intangible asset and use or sell it;
- the capacity to use or sell the intangible asset;
- the manner in which the intangible asset will generate probable future economic benefits;
- the availability of technical, financial and other resources in order to complete the development and to use or sell the intangible asset;
- the capacity to measure expenses reliably.

To date, the development expenses incurred by the Group have been generated through "Design & Build" partnership contracts.

## 1.12 TANGIBLE ASSETS

The tangible assets are accounted for at their directly attributable cost (including purchase price, taxes paid and direct purchase cost), reduced by accumulated depreciation and loss of value.

Subsequent expenses relating to tangible assets are accounted for as expenses of the fiscal year in which they are incurred if they maintain the performance level of the asset. They are added to the carrying value of the initial fixed asset if they generate future economic benefits higher than the initial level of performance and if their cost can be measured reliably.

When applicable, the total cost of an asset is broken down between its different constitutive elements (components) if their useful lives are different. Each element of the asset is depreciated over a different time period. The Group has defined families of assets that might be broken down, together with the useful lives of the components thus determined.

As the assets acquired by the Group are not meant to be resold before the end of their economic lives, no residual value has been applied to the different tangible assets.

The depreciation and amortization method reflects the rate of consumption of the future economic benefits relating to the asset.

If an indication of loss in value exists, an impairment test is carried out as described in Note 1.13.

Any loss in value is recognized in operating income, on the line "depreciation and amortization".

The grants received by the Group to finance industrial fixed assets are accounted for in deduction of the asset's original value.

The depreciation and amortization periods associated with the groups and sub-groups of assets are as follows:

| Group | Amortization period |
|---|---|
| Construction | 15-40 years |
| General facilities | 10-20 years |
| Technical facilities | 6-2/3-20 years |
| Tooling | 3 years |
| Electronic equipment | 5 years |
| Computer hardware | 3-5 years |
| Transport equipment | 4 years |
| Office equipment | 6 2/3 years |
| Furniture | 10 years |

## 1.13 IMPAIRMENT OF ASSETS

The carrying value of the Group's assets (other deferred tax assets) is examined at each closing date so as to appreciate if any indication of a loss in value exists. If such an indication is identified (reduction in market value or accelerated obsolescence, for example) an impairment test is carried out.

Concerning the intangible assets not yet available for use or for which the useful life is indefinite, and for goodwill, said impairment test is carried out at a minimum of once a year.

The impairment test consists in comparing the carrying value of the asset or of the relevant group of assets with its recoverable value.

The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use. The value in use is the discounted value of estimated future cash flows expected from the continuing use of the asset and from its disposal at the end of its useful life.

In order to determine the value in use of an asset, the Group uses:

- an estimate of the future cash flows (after income tax and financial cost) based on assumptions that keep the asset in its current condition and represent the best estimate of the economic conditions which will exist during the remaining useful life of the asset;
- the after-tax discount rate that reflects the current market valuations of the time value of money and of the specific risks of the asset. The discount rate does not reflect the risks that have already been taken into account in the estimate of future cash flows.

An impairment loss is recorded if the carrying value of an asset is higher than its recoverable value.

The recoverable value shall be estimated for each asset individually. If that is not possible, IAS 36 states that companies shall determine the recoverable value of the cash-generating unit to which the asset belongs.

Assets are thus allocated to the Cash-Generating Units (the smallest identifiable group of assets the continuous use of which generates cash inflows that are largely independent of cash flows from other assets or groups of assets).

The fixed assets of each Group segment are not specific to a business or to a sector but are usable by the whole of the segment (no independence of cash inflows between them). Therefore, the Cash-Generating Units are the different segments of the Group taken individually.

An impairment loss accounted for in a Cash-Generating Unit is first allocated to the reduction in carrying value of any goodwill allocated to this Cash-Generating Unit, then to the reduction in carrying value of the other assets of the Unit, case by case depending on the risk of recoverability.

An impairment of goodwill cannot be reversed.

An impairment loss recognized for another asset is reversed if there has been a change in the estimates used in order to determine the recoverable value.

The carrying value of an asset, increased by reason of the reversal of a loss in value, must not be higher than the carrying value that would have been determined net of depreciation and amortization, if no loss of value had been accounted for.

## 1.14 BORROWING COSTS

Borrowing costs directly attributable to the purchase of tangible and intangible assets requiring at least 12 months of preparation before being put in service are included in the gross value of these assets referred to as "qualifying". The gross value of the Group's inventories fitting the definition of qualifying asset for the purposes of IAS 23 "Borrowing costs" is also adjusted.

When a qualifying asset is financed by a specific loan, the additional cost taken into account in its gross value corresponds to the interests actually accounted for over the period, net of the income received on the funds not yet used. When a qualifying asset is not financed by a specific loan, the borrowing cost capitalized corresponds to the average general debt rate over the period.

## 1.15 INVENTORIES AND WORK IN PROGRESS

### Raw materials

The gross value of raw materials and supplies includes the purchase price and associated costs. Provisions for impairment are recognized on raw materials and equipment if their net realizable value is less than the carrying amount. Raw materials inventories are valued according to the weighted average price method.

### Work in progress (excluding construction contracts)

The gross value of work in progress is measured using the full cost method. Non-production costs (financial costs, marketing costs, unsuccessful proposal cost, administrative costs, etc.) are excluded from this valuation. Work in progress is impaired when its realizable value is under its carrying value.

## 1.16 REVENUE RECOGNITION

Revenue is recognized according to the following criteria:

- with respect to design & build contracts, the timing of the recognition of revenue earned from mass-produced items is recognized on delivery. Development costs (NRC – "non-recurring cost"), previously presented under "inventories and work in progress", are now presented as intangible assets and property plant and equipment because they are considered as costs of carrying out the production contract. These costs are depreciated and amortized using the external milestones method (number of aircraft delivered). Advances received (or pre-financing) for developments costs are now recognized on the balance sheet under the item "Liabilities on contracts" and then recycled in revenue when the produced items are delivered;
- for other types of contracts (other than services), revenue is recognized when control of each product is transferred, which is usually upon delivery;
- for service contracts, revenue is recognized on a percentage-of-completion basis (cost-to-cost method) when control is transferred over time, or once the performance obligation has been satisfied if control is transferred at a point in time. The method used to measure the percentage of completion used by the Group is generally the percentage-of-completion method: revenue is recognized on the basis of the costs incurred to date, divided by all costs expected at completion.

## 1.17 LEASE (IFRS 16)

All property leases together with the Group's main leases of groups of assets (vehicles, handling equipment, etc.) are accounted for in accordance with IFRS 16.

At the commencement of the lease:

- a lease liability is recognized for the present value of the lease payments to be made over the estimated term of the lease (fixed payments, plus variable lease payments that depend on an index or rate plus amounts expected to be payable by the lessee under residual value guarantees plus the exercise price of a purchase or extension option if the lessee is reasonably certain to exercise that option plus payments of penalties for terminating the lease, unless these are unlikely);
- a right-of-use asset is recognized for the amount of the lease liability, plus the amount of any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee (fees and commission) and an estimate of costs to be incurred in dismantling and removing the asset and/or restoring the site on which it is located or restoring the asset to the condition required by the lease.

The term of the lease is determined taking into account contractual provisions and provisions resulting from applicable laws and regulations.A nine-year term was initially adopted for "3/6/9"-type commercial leases in France following the introduction of IFRS 16. In December 2019, the IFRIC issued an agenda decision stating that the term to be used to measure lease assets and liabilities had to reflect the period during which the lessee is reasonably certain to continue the lease. The Group identified and analyzed its "3/6/9"-type commercial leases in 2020 and, where necessary, adjusted the lease terms in line with the IFRIC decision. The impact was not material for the Group.

After initial recognition of the lease:

- the lease liability is measured at amortized cost using the effective interest rate, which is equal to the discount rate initially applied;
- the right-of-use asset is depreciated on a straight-line basis over the term of the lease or over the useful life of the underlying asset if the purchase option is reasonably certain to be exercised. Where appropriate, an impairment loss may be recognized against the right-of-use asset.

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

In such cases, the change in the amount of the lease liability is recognized against a matching change in the amount of the right-of-use asset. In accordance with the practical expedients offered by the standard, the Group has chosen not to apply IFRS 16 to short-term leases or leases of low-value assets. Payments made under such leases are expensed over the term of the lease.

## 1.18 FINANCIAL ASSETS AND LIABILITIES

The Group applies IAS 32 and 9 and IFRS 7. These standards define four categories of financial assets and two categories of financial liabilities:

- financial assets and liabilities at fair value through profit and loss: it concerns derivative instruments which do not qualify for hedge accounting as well as cash flow investments designated at fair value through profit and loss;
- financial assets and liabilities available for sale valued at fair value with fair value variations recorded in shareholders' equity (the Group holds no such assets);
- financial assets held to maturity valued at amortized cost: to date, no assets enter in this family;
- loans and credits issued by the Company and valued at amortized cost;
- other financial liabilities valued at amortized cost, following the effective interest rate method.

These financial assets and liabilities are allotted to the balance sheet in current and non-current elements following their expiry date less than or greater than a year.

### Derivative instruments

The Group uses financial derivative instruments such as hedging contracts on foreign currency and on interest rates so as to hedge its current positions against foreign exchange exposure and interest rate risk. The derivative instruments used by the Group are forward sales and purchases of currencies, accumulators, combinations of optional instruments with or without activating or deactivating barriers.sAn independent company measures the fair value of derivative instruments. It takes into account the value of the derivative instrument at the closing date ("mark to market"). The derivative instruments are recognized on the transaction date.

The Group generates a significant amount of its revenue in US dollars. Given the importance of these flows, a hedging strategy of future flows in this currency was put in place by applying the following principles:

- hedging of part of estimated future cash inflows with some customers;
- taking into account of a probability of realization of these future flows; this permits the appreciation of hedging needs relative to each hedged item for the application of the hedge accounting.

A hedging strategy of future flow is also implemented for the Czech currency.s

The derivative instruments subject to hedge accounting have been documented according to IFRS 9. Tests of effectiveness are realized at the implementation of hedging instruments and at each closing. Based on the hedge item, two kinds of hedge exist in the Group:

- the fair value hedge, which hedges the exposure to variation of fair value of an asset accounted for in the balance sheet as a result of the evolution of interest rates or of a currency;
- the cash flow hedge, which hedges the exposure to variations in future cash flows of existing or future assets or liabilities.

For the fair value hedge of existing assets or liabilities, the hedged share of these elements is valued in the balance sheet at its fair value. The variation of this fair value is recorded in the income statement where it is compensated by the symmetric fair value variations of financial hedging instruments, as far as their effectiveness.

The future cash flows hedge which qualifies for hedge accounting is treated in the consolidated financial statements of the Group as follows:

- the effective share of profit or loss on the hedging instruments is directly accounted for in shareholders' equity (net of deferred tax); the inefficient share and the time value of options (non-qualified) are immediately recognized in financial income;
- the profits or losses accounted for in shareholders' equity are recognized in the income statement of the period during the course of which the underlying hedged item is accounted for, such as when the forecasted revenue is realized.

At each closing date, every existing hedging instrument is subject to discounting of its fair value and updating of the effectiveness test specific to each hedge relationship. If a hedge proves ineffective at the end of the test, the hedge accounting ceases to be applied. Certain financial instruments are not treated as hedging instruments because they do not qualify for hedge accounting under IFRS 9. In such a case, the profits or the losses resulting from the fair value variations of these instruments are accounted for in financial income.

## Cash and cash equivalents

Cash and cash equivalents include cash funds and demand deposits. Bank overdrafts repayable on demand and financing under discounted receivables (not respecting the criteria for derecognition of assets) which forms an integral part of the Group's cash management are a component of cash and cash equivalents for the needs of the statement of cash flows. Short-term investments, very liquid, easily convertible in a known amount of cash and carrying a negligible risk of change in value are considered as the cash equivalents. These investments are measured at fair value.

## Borrowings

Financial debts are initially recognized at fair value on which are allocated the transactions costs directly attributable to the issuance of the liabilities. At the closing date, financial debts are valued at amortized cost, based on the effective interest rate method. The fair value of financial liabilities valued at amortized cost (fixed rate borrowings, essentially), disclosed in the Notes, was determined by an independent organization on the basis of a valuation technique.

## Market value determination

Financial assets and liabilities at fair value through profit and loss and derivatives qualified as hedging instruments are measured and recognized at their market value at their first accounting date, as well as at subsequent valuation dates.

Market value is determined:

- either based on a price quoted on an active market;
- or based on a valuation technique using:
  - mathematical calculation methods based on recognized financial theories,
  - parameters whose value is determined, in some cases, based on the price of instruments negotiated on active markets, and in others, based on statistical estimates or other quantitative methods.

The distinction between the two valuation methods is applied depending on whether the market on which the instrument is negotiated is active or not.

A market is considered as active and thus liquid for a given instrument if transactions are regularly made on it or if transactions of instruments very similar to those subject to the valuation are carried out on it.

In compliance with IFRS 13, the Group distinguishes three categories of financial instruments according to the consequences that their characteristics have on their valuation method and bases itself on this classification in order to disclose some of the information required by IFRS 7:

- level 1 "Market Price" category: financial instruments quoted on an active market;
- level 2 "Model with observable parameters" category: financial instruments whose measurement uses valuation techniques based on observable parameters;

- level 3 "Model with non-observable parameters" category: financial instruments whose measurement uses valuation techniques based in part or in whole on non-observable parameters; a non-observable parameter being defined as a parameter whose value results from assumptions or correlations which are neither based on observable market transaction prices for the same instrument at the valuation date, nor on observable market data available on the same date.

In the case of an inactive market evidenced, for example, by an increasing scarcity of counterparts, the Group may resort to mathematical models measuring risks based on assumptions that would normally be made by market participants, according to a time horizon corresponding to the term of the relevant instruments, in compliance with IFRS 9.

## 1.19 TRADE AND OTHER RECEIVABLES

Accounts receivable are initially valued at fair value, then at amortized cost reduced by the amount of losses in value. The loss in value is recognized in the income statement.

As part of its short-term financing activities, the Group carries out discount receivables operations with certain financial partners. The corresponding financial assets are totally or partially derecognized if the discounted receivables contracts respect the following conditions:

- transfer of the contractual right to receive cash;
- disposal to a financial partner of the risks and rewards relating to the receivable;
- the financial partner bears entirely the risk of non-payment of the receivable for solely financial reasons; the Group remaining guarantor of all of the technical and industrial risks;
- the recovery of the receivable is the responsibility of the financial partner. However, the latter may contractually ask the Group to carry out the receivable collection on its behalf.

Factoring contracts not respecting these criteria do not give rise to derecognition of receivables. On the other hand, reverse factoring contracts do result in the derecognition of receivables.

## 1.20 TRADE AND OTHER PAYABLES

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

## 1.21 TREASURY SHARES

Treasury shares, whatever their use, are deducted from shareholders' equity. The income from the disposal of treasury shares is recognized directly in shareholders' equity, so that the eventual gain or loss on disposal does not affect the income statement of the fiscal year.

## 1.22 PROVISIONS

The Group constitutes a provision as soon as:

- there exists a current obligation (legal or implicit) resulting from a past event;
- it is probable that an outflow of resources will be necessary to settle the obligation;
- the amount of this obligation can be estimated reliably.

The amount of the provision is determined on the basis of the best estimate relating to the obligation. The estimates made in relation to provisions are analyzed at each closing date and if necessary, the amount is updated.

A provision is kept in the financial statements until precise information (time period and amount) make it possible to establish its term. When the effect of the time value of money could be material, the provisions are discounted. The provisions noted by the Group have not been discounted.

## 1.23 EMPLOYEE BENEFITS

The Group recognizes some employee benefits. After analyzing of the specific regulations of the countries in which the Group is present, it appears that these provisions concern principally French companies.

### Defined contribution plans

Contributions to a defined contribution plan are recognized in expenses when they are incurred.

### Retirement benefits

The obligations of the Group for retirement benefits consist in retirement severance pay at the time of the employee's retirement departure. In accordance with IAS 19, for defined benefit plans, the retirement liabilities are calculated according to the projected unit credit method. The Group's obligations for French companies' employees are estimated by an independent actuary. The method takes into account, on the basis of actuarial assumptions, the probable length of future service of the employee, the level of future compensation, life expectancy and employee turnover. The obligation, including Social Security charges, is discounted and is recognized on the basis of the years of service of the employees. Actuarial variations resulting from these assumptions have been recognized in non-recyclable OCI in shareholders' equity since 2010.

### Long-service awards

The Latécoère Group recognizes a provision on the basis of actuarial assumptions, the future level of compensation, life expectancy and employee turnover (IAS 19). The Group's obligations under the long-service awards (French companies only) are estimated by an independent actuary.

### Share-based payment

The Group recognizes a share-based payment cost related to the allocation of performance share plans to certain employees. This cost is valued on the basis of actuarial calculations. The main actuarial assumptions (volatility, return on equity) used by the Group are described in Note 9.3 on the performance share allocation plan.

## 1.24 PUBLIC FINANCING

The Group has obtained public financing for the development of some programs.

This financing, of the "refundable advances" type, bears interest contractually (calculated on the basis of a market interest rate) vis-à-vis the managing bodies. Consequently, these types of financing do not fall within the framework of public grant management and are outside the scope of IAS 20 insofar as the success of the program is likely.

At the outset, they are measured for the quid pro quo of the cash received. At each closing, they are valued according to the amortized cost method, calculated with the help of the effective interest rate.

These advances shall be repaid if the program succeeds, and repayments are made as deliveries of each financed product subject to an advance occur.

For certain contracts, after full repayment of the advance the Group continues to pay out a royalty as a function of the program's revenue, the latter being deemed an operating expense.

## 1.25 OTHER INCOME

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

## 1.26 OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

Other non-recurring income and expenses are representative of items which are inherently difficult to predict due to their unusual, irregular and/or material nature.

Other non-recurring income may include especially capital gains on disposal of investments or activities and capital gains on disposal of tangible and intangible assets arising from activities disposed of, or facing restructuring plans as well as any income associated to past disposals.

Other non-recurring expenses include especially capital losses on disposal of investments or activities and capital losses on disposal of tangible and intangible assets relating to activities facing restructuring plans as well as any costs associated to past disposals, restructuring costs, rationalization costs, significant impairment losses on assets, costs incurred to realize business combinations and depreciation and amortization expenses of assets exclusively acquired in the context of business combinations (technology, customer relations, margin in backlog, margin on inventory), litigation costs that have arisen outside the ordinary course of business and a portion of post-employment and other long-term defined benefit expenses (plan amendments, impacts of curtailments and settlements and actuarial gains and losses referring to long-term benefits other than post-employment benefits). Note 17 provides details on other non-recurring operating income and expenses items for the 2020 fiscal year.

## 1.27 INCOME TAX

The income tax includes the current income tax due and deferred tax. Tax is recognized in the income statement, unless it relates to items that are recognized directly in shareholders' equity. In such cases, it is recognized in shareholders' equity. The tax due is the amount of the estimated tax due for the period, taking into account any tax adjustment of the tax due relating to previous periods.

The deferred tax is determined according to the balance sheet liability method. It is calculated on the temporary differences between the carrying value of assets and liabilities and their tax value, with the exception of the following elements:

- goodwill;
- temporary differences relating to holdings insofar as they are not reversed in a foreseeable future.

The measurement of deferred tax assets and liabilities is based on the Group's estimate of their settlement, using the tax rates that were adopted or quasi-adopted at the closing date. A deferred tax asset is recognized only if the future pre-tax profits on which this tax could be applied are probable. The deferred tax assets are reduced when it is not probable that a sufficient profit will be realized. In accordance with IAS 12, the deferred tax assets and liabilities are not discounted.

## 1.28 IMPACT LINKED TO THE COVID-19 HEALTH CRISIS

The aeronautics market has suffered in full force the effects of the Covid-19 crisis, with a collapse in global air traffic in 2020, which has led all aircraft manufacturers to sharply downward revise their delivery programs. Thus, all of the Group's activities have been very strongly impacted by this health crisis.

- For the Aerostructures segment, activity decreased by -44% (-43% in organic growth) impacted by the significant drops in deliveries of all the branch's programs.
- For the Interconnection Systems segment, the activity also suffered a significant drop of -39% (-37% in organic growth) marked by the drop in deliveries of the branch's programs and by the decrease in development activity.

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

### Adaptation Plan

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

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

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

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

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

On January 29, 2021, an agreement was concluded between management and the trade unions and validated by DIRECCTE on February 23, 2021 and now provides for:

- the decrease of 246 positions;
- 158 proposals for changes to the employment contract for economic reasons;
- the creation of 33 positions, in addition to the 32 currently vacant positions.

### Business continuity and liquidity

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

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

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

Based on these cash flow projections, on the strategic plan and on the measures taken since the start of the Covid-19 crisis, the Board of Directors of the Latécoère Group approved the financial statements as of December 31, 2020 on a going concern basis.

### Impairment test

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

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

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

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

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

### Presentation of the impacts related to Covid-19

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

## NOTE 2 SCOPE OF CONSOLIDATION

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

| | Country | % of voting rights | % stake | Consolidation method |
|---|---|---|---|---|
| **Aerostructures segment** | | | | |
| Latécoère | France | | | **Parent company** |
| Latécoère do Brasil | Brazil | 100% | 100% | Full consolidation |
| Latécoère Czech Republic s.r.o | Czech Republic | 100% | 100% | Full consolidation |
| LETOV LV a.s. | Czech Republic | 100% | 100% | Full consolidation |
| Latécoère Inc. | USA | 100% | 100% | Full consolidation |
| Latécoère Developpement | France | 100% | 100% | Full consolidation |
| Latécoère Bienes Raices | Mexico | 100% | 100% | Full consolidation |
| Latécoère Mexico | Mexico | 100% | 100% | Full consolidation |
| Latécoère Mexico Services | Mexico | 100% | 100% | Full consolidation |
| Latécoère Bulgaria | Bulgaria | 100% | 100% | Full consolidation |
| **Interconnection Systems segment** | | | | |
| LATelec | France | 100% | 100% | Full consolidation |
| LATelec GmbH | Germany | 100% | 100% | Full consolidation |
| SEA LATelec | Tunisia | 100% | 100% | Full consolidation |
| LATelec Mexico | Mexico | 100% | 100% | Full consolidation |
| LATelec Mexico Services | Mexico | 100% | 100% | Full consolidation |
| LATsima | Morocco | 100% | 100% | Full consolidation |
| LATelec Interconnection Inc. | Canada | 100% | 100% | Full consolidation |
| Latécoère Interconnection Systems US | USA | 100% | 100% | Full consolidation |
| Latécoère Interconnection Systems UK | England | 100% | 100% | Full consolidation |
| Latécoère Interconnection Systems Japan | Japan | 100% | 100% | Full consolidation |
| Latécoère India Private Limited | India | 100% | 100% | Full consolidation |

# NOTE 3 OPERATING SEGMENTS

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

The business segments defined by the Group are:

- **Aerostructures;**
- **Interconnection Systems.**

These two segments represent the industrial activities of the Group and call upon the activities of subsidiaries where appropriate. Furthermore, expenses relating to Latécoère's position as the parent company are maintained in the Aerostructures segment.

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

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

## 3.1 MEASURING ECONOMIC PERFORMANCE

### 3.1.1 Key indicators by sector

The Group uses the following key indicators:

- **revenue;**
- **recurring operating income** (recurring EBIT). This indicator is intended to present the level of operational performance of the Group's divisions excluding non-recurring operating items;
- **recurring EBITDA** corresponds to recurring operating income before amortization, depreciation and impairment losses.

Lastly, **net debt** for the Group refers to current and non-current and loans and bank borrowings less cash and cash equivalents.

**INCOME STATEMENT BY OPERATIONAL SEGMENT 2020**

| **Dec. 31, 2020** – *In € thousand* | Aerostructures | Interconnection Systems | Intersegment eliminations | Total |
|---|---|---|---|---|
| Revenue | 250,133 | 186,026 | -22,927 | 413,232 |
| Inter-segment revenue | -21,709 | -1,218 | 22,927 | 0 |
| **CONSOLIDATED REVENUE** | **228,424** | **184,808** | **0** | **413,232** |
| **Recurring EBITDA** | **-23,499** | **-19,190** | **89** | **-42,599** |
| **Recurring operating income** | **-41,007** | **-33,560** | **89** | **-74,478** |
| *Recurring operating income/revenue* | *-16.4%* | *-18.0%* | | *-18.0%* |
| **Other non-recurring operating income and expenses** | **-76,938** | **-21,366** | **0** | **-98,304** |
| **Operating income** | **-117,946** | **-54,926** | **89** | **-172,783** |
| **Net investments (excluding disposal income)** | **-6,034** | **-6,452** | **0** | **-12,486** |

**INCOME STATEMENT BY OPERATIONAL SEGMENT 2019**

| **Dec. 31, 2019** – *In € thousand* | Aerostructures | Interconnection Systems | Intersegment eliminations | Total |
|---|---|---|---|---|
| Revenue | 429,550 | 303,417 | -19,868 | 713,098 |
| Inter-segment revenue | -18,124 | -1,744 | 19,868 | 0 |
| **CONSOLIDATED REVENUE** | **411,426** | **301,673** | **0** | **713,098** |
| **Recurring EBITDA** | **26,847** | **20,780** | **2** | **47,629** |
| **Recurring operating income** | **10,776** | **1,055** | **2** | **11,833** |
| *Recurring operating income/revenue* | *2.5%* | *0.3%* | | *1.7%* |
| **Other non-recurring operating income and expenses** | **-22,161** | **735** | **0** | **-21,426** |
| **Operating income** | **-11,385** | **1,790** | **2** | **-9,593** |
| **Net investments (excluding disposal income)** | **-24,310** | **-33,239** | **0** | **-57,549** |

### BALANCE SHEET BY OPERATIONAL SEGMENT 2020

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

### BALANCE SHEET BY OPERATIONAL SEGMENT 2019

| Dec. 31, 2019 – *In € thousand* | Aerostructures | Interconnection Systems | Intersegment eliminations | Total |
|---|---|---|---|---|
| Intangible assets | 26,040 | 51,758 | 0 | 77,799 |
| Tangible assets | 117,601 | 55,441 | 0 | 173,043 |
| Other financial assets | 14,595 | 309 | -11,206 | 3,698 |
| **TOTAL ASSETS** | **158,237** | **107,509** | **-11,206** | **254,539** |
| Inventories and work in progress | 100,459 | 79,403 | -106 | 179,757 |
| Trade and other receivables | 109,550 | 55,273 | -6,983 | 157,839 |
| Net debt | 109,360 | 10,011 | -3,606 | 115,765 |
| Accounts payable | 102,731 | 48,290 | -4,729 | 146,292 |
| Contracts liabilities | 10,964 | 32,645 | 0 | 43,609 |
| **TOTAL SEGMENT ASSETS** | **422,244** | **254,578** | **-19,296** | **657,525** |

# NOTE 4 FIXED ASSETS

## 4.1 CHANGE IN FIXED ASSETS

### GROSS VALUE OF FIXED ASSETS

| *In € thousand* | Dec. 31, 2019 | Currency variations | Reclassification | Acquisitions | Disposals | Dec. 31, 2020 |
|---|---|---|---|---|---|---|
| Capitalized development costs | 187,900 | 0 | 0 | 3,242 | 0 | 191,142 |
| Other intangible assets | 40,578 | -156 | 5,040 | 4,215 | -75 | 49,602 |
| **INTANGIBLE ASSETS** | **228,478** | **-156** | **5,040** | **7,457** | **-75** | **240,743** |
| Land | 5,596 | -256 | 0 | 0 | 0 | 5,340 |
| Buildings | 70,537 | -2,961 | 1,138 | 718 | -159 | 69,274 |
| Technical facilities, equipment & tooling | 126,653 | -5,598 | 6,563 | 3,292 | -134 | 130,776 |
| Other tangible assets | 20,912 | -639 | 62 | 551 | -147 | 20,739 |
| Fixed assets in progress | 15,582 | -118 | -11,959 | 2,137 | 0 | 5,642 |
| Advances and deposits on tangible assets | 23,346 | -31 | -301 | 627 | -42 | 23,600 |
| Contracts right of use * | 50,329 | -1,532 | -544 | 3,576 | -683 | 51,146 |
| **TANGIBLE ASSETS** | **312,956** | **-11,135** | **-5,040** | **10,901** | **-1,164** | **306,517** |

| *In € thousand* | Dec. 31, 2018 | Entry into scope | Change in accounting policies | Currency variations | Reclas-sification | Acquis-itions | Disposals | Dec. 31, 2019 |
|---|---|---|---|---|---|---|---|---|
| Capitalized development costs | 187,900 | | 0 | 0 | 0 | 0 | 0 | 187,900 |
| Other intangible assets | 35,432 | | 0 | 48 | 1,256 | 4,018 | -176 | 40,578 |
| **INTANGIBLE ASSETS** | **223,332** | | **0** | **48** | **1,256** | **4,018** | **-176** | **228,478** |
| Land | 5,987 | | 0 | 59 | 0 | 0 | -450 | 5,596 |
| Buildings | 71,267 | | 0 | 625 | -5,331 | 4,805 | -829 | 70,537 |
| Technical facilities, equipment & tooling | 105,917 | | 0 | 838 | 5,469 | 14,486 | -58 | 126,653 |
| Other tangible assets | 13,196 | 2 | 0 | 182 | 5,604 | 2,364 | -436 | 20,912 |
| Fixed assets in progress | 13,885 | | 0 | 34 | -5,094 | 6,756 | 0 | 15,582 |
| Advances and deposits on tangible assets | 297 | | 0 | 11 | -2,655 | 25,918 | -224 | 23,346 |
| Contracts right of use * | 13,204 | | 19,918 | 270 | -10 | 16,947 | 0 | 50,329 |
| **TANGIBLE ASSETS** | **223,752** | **2** | **19,918** | **2,019** | **-2,016** | **71,277** | **-1,996** | **312,956** |

* *With the adoption of IFRS 16 since January 1, 2019, real estate leasing is included in the contracts right of use.*

### DEPRECIATION AND AMORTIZATION OF FIXED ASSETS

| *In € thousand* | Dec. 31, 2019 | Impact of currency variations | Reclas-sification | Increase | Reversals | Dec. 31, 2020 |
|---|---|---|---|---|---|---|
| Capitalized development costs | 121,183 | 0 | 0 | 29,866 | 0 | 151,049 |
| Other intangible assets | 29,496 | -164 | 0 | 4,366 | -27 | 33,672 |
| **AMORTIZATION OF INTANGIBLE ASSETS** | **150,680** | **-164** | **0** | **34,232** | **-27** | **184,721** |
| Buildings | 34,382 | -1,405 | -4,128 | 1,858 | -154 | 30,552 |
| Technical facilities, equipment & tooling | 85,390 | -4,150 | 0 | 9,592 | -68 | 90,765 |
| Other tangible assets | 15,204 | -531 | 0 | 1,430 | -130 | 15,974 |
| Contracts right of use | 4,937 | -150 | 4,128 | 6,165 | -8 | 15,072 |
| **DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT** | **139,913** | **-6,237** | **0** | **19,045** | **-360** | **152,362** |

| *In € thousand* | Dec. 31, 2018 | Impact of currency variations | Reclas-sification | Increase | Reversals | Dec. 31, 2019 |
|---|---|---|---|---|---|---|
| Capitalized development costs | 106,394 | 0 | 0 | 14,789 | 0 | 121,183 |
| Other intangible assets | 25,413 | 54 | 0 | 4,194 | -164 | 29,496 |
| **AMORTIZATION OF INTANGIBLE ASSETS** | **131,807** | **54** | **0** | **18,983** | **-164** | **150,680** |
| Buildings | 36,849 | 276 | -4,558 | 2,350 | -535 | 34,382 |
| Technical facilities, equipment & tooling | 76,329 | 557 | 24 | 8,538 | -58 | 85,390 |
| Other tangible assets | 9,417 | 115 | 4,606 | 1,461 | -395 | 15,204 |
| Contracts right of use | 547 | 16 | -72 | 4,446 | 0 | 4,937 |
| **DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT** | **123,142** | **964** | **0** | **16,795** | **-988** | **139,913** |

### NET VALUE OF FIXED ASSETS

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Capitalized development costs | 40,092 | 66,717 |
| Other intangible assets | 15,930 | 11,082 |
| **INTANGIBLE ASSETS** | **56,022** | **77,799** |
| Land | 5,340 | 5,596 |
| Buildings | 38,722 | 36,155 |
| Technical facilities, equipment & tooling | 40,011 | 41,263 |
| Other tangible assets | 4,765 | 5,708 |
| Fixed assets in progress | 5,642 | 15,582 |
| Advances and deposits on tangible assets | 23,600 | 23,346 |
| Contracts right of use | 36,074 | 45,392 |
| **TANGIBLE ASSETS** | **154,155** | **173,043** |

| *In € thousand* | Dec. 31, 2019 | Dec. 31, 2018 |
|---|---|---|
| Capitalized development costs | 66,717 | 81,506 |
| Other intangible assets | 11,082 | 10,019 |
| **INTANGIBLE ASSETS** | **77,799** | **91,525** |
| Land | 5,596 | 5,987 |
| Buildings | 36,155 | 34,418 |
| Technical facilities, equipment & tooling | 41,263 | 29,588 |
| Other tangible assets | 5,708 | 3,779 |
| Fixed assets in progress | 15,582 | 13,885 |
| Advances and deposits on tangible assets | 23,346 | 297 |
| Contracts right of use * | 45,392 | 12,657 |
| **TANGIBLE ASSETS** | **173,043** | **100,610** |

* *Of which €26.8 million related to IFRS 16 and €18.6 million to real estate leasing.*

Intangible assets notably include development costs capitalized since the implementation of IFRS 15 as well as software and licenses relating to the Group’s information systems.

Development costs are based on forecasts made by the Group taking into account the commercial information (order book and rates) provided by the different aircraft manufacturers and information from the aerospace market outlook.

The development costs concern the following programs: A400M (electric racks), F7X (harness, rear fuselage section), Embraer ERJ 170/190 (fuselage section and doors) and A350 (harness).

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

The rights of use in the Group's contracts mainly involve real estate, vehicles and certain equipment necessary for the Group's operations.

The principal acquisitions of tangible and intangible assets in 2020 involved:

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

## 4.2 FINANCE LEASES

| In € thousand | Minimum future payments as of Dec. 31, 2020 | | | | Present value of minimum future payments as of Dec. 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than 1 year | From 1 to 5 years | Over 5 years | Total | Less than 1 year | From 1 to 5 years | Over 5 years | Total |
| Latécoère | 1,443 | 5,791 | 11,069 | 18,304 | 1,127 | 4,766 | 8,316 | 14,209 |
| **TOTAL** | **1,443** | **5,791** | **11,069** | **18,304** | **1,127** | **4,766** | **8,316** | **14,209** |

| In € thousand | Minimum future payments as of Dec. 31, 2019 | | | | Present value of minimum future payments as of Dec. 31, 2019 | | | |
|---|---|---|---|---|---|---|---|---|
| | Less than 1 year | From 1 to 5 years | Over 5 years | Total | Less than 1 year | From 1 to 5 years | Over 5 years | Total |
| Latécoère | 1,495 | 5,859 | 12,985 | 20,340 | 1,147 | 4,848 | 9,905 | 15,900 |
| **TOTAL** | **1,495** | **5,859** | **12,985** | **20,340** | **1,147** | **4,848** | **9,905** | **15,900** |

## 4.3 ASSET IMPAIRMENT TEST

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

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

The main CGUs identified and tested are the UGTs "Aerostructures" and "Interconnection systems".

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

- expected future cash flows are determined on the basis of five years forecast of the CGU tested;
- operating forecasts used to determine expected future cash flows take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macroeconomic assumptions;
- the value in use of CGUs in each scenario is equal to the sum of these discounted estimated future cash flows plus a terminal value, calculated by applying the growth rate expected for the relevant businesses to standardized cash flows representing long-term business activity;
- the growth rate used to calculate terminal value was set at 1.5% for all CGUs (2% in 2019);
- the benchmark discount rate used is 9.6%, and is applied to post-tax cash flows (8.4% in 2019).

The forecasts and assumptions used have been adjusted with the latest forecasted approved financial information presented to the Board of Directors.

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

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

| Growth rate *In M€* | WACC 9.1% | 9.6% | 10.1% |
|---|---|---|---|
| 1.0% | 4.0 | -7.2 | -17.1 |
| 1.5% | 12.4 | 0.0 | -10.9 |
| 2.0% | 21.9 | 8.2 | -3.8 |

A sensitivity analysis was also performed on the operating margin of the terminal value. A 50 basis point drop in the operating margin for the terminal value would lead to the recognition of an additional depreciation of €8.6 million. On the opposite, a 50 basis point increase in the terminal value operating margin would lead to a decrease in impairment of €8.6 million.

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

## NOTE 5 INVENTORIES AND WORK IN PROGRESS

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

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

## NOTE 6 FINANCIAL ASSETS

| *In € thousand* | Amortized cost | Financial assets at fair value through profit and loss | Derivatives classified as hedging | Dec. 31, 2020 | Fair value |
|---|---|---|---|---|---|
| Non-current financial assets | 4,291 | | | 4,291 | |
| Trade receivables and other receivables | 65,269 | | | 65,269 | |
| Financial instruments | | 2,666 | 681 | 3,347 | 3,347 |
| Cash and cash equivalents | 77,614 | 0 | | 77,614 | 0 |
| **TOTAL FINANCIAL ASSETS** | **147,174** | **2,666** | **681** | **150,521** | **3,347** |

| *In € thousand* | Level 1 | Level 2 | Level 3 | Fair value |
|---|---|---|---|---|
| Financial instruments | | 3,347 | | 3,347 |
| **TOTAL** | | **3,347** | | **3,347** |

| *In € thousand* | Amortized cost | Financial assets at fair value through profit and loss | Derivatives classified as hedging | Dec. 31, 2019 | Fair value |
|---|---|---|---|---|---|
| Non-current financial assets | 3,698 | | | 3,698 | |
| Trade receivables and other receivables | 157,839 | | | 157,839 | |
| Financial instruments | | 0 | 2,917 | 2,917 | 2,917 |
| Cash and cash equivalents | 33,790 | 0 | | 33,790 | 0 |
| **TOTAL FINANCIAL ASSETS** | **195,328** | **0** | **2,917** | **198,245** | **2,917** |

| *In € thousand* | Level 1 | Level 2 | Level 3 | Fair value |
|---|---|---|---|---|
| Financial instruments | | 2,917 | | 2,917 |
| **TOTAL** | **0** | **2,917** | **0** | **2,917** |

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

The cash and cash equivalents item includes bank debit balances of €73.6 million and cash available from factor of €4.0 million at December 31, 2020 compared to €33.8 million of bank debit balances at December 31, 2019.

## NOTE 7 TRADE AND OTHER ACCOUNTS RECEIVABLE

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Advances and deposits | 1,469 | 2,690 |
| Trade receivables * | 52,155 | 134,625 |
| Group current account | 0 | 0 |
| Tax receivables | 8,827 | 16,241 |
| Other receivables | 2,818 | 4,283 |
| **TOTAL RECEIVABLES** | **65,269** | **157,839** |
| Prepaid expenses | 1,795 | 2,210 |
| Other current assets | 21 | 22 |
| **TOTAL OTHER CURRENT ASSETS** | **1,816** | **2,232** |

* *At December 31, 2020, the amount of trade receivables assigned to the factor was €22.6 million. The amount financed by the factor on the basis of the assigned receivables amounted to - €0.8 million. At December 31, 2019, the amount of receivables assigned to the factor amounted to €85.6 million. The amount financed by the factor on the basis of the assigned receivables amounted to €75.3 million. As the Group remains responsible for collection of assigned customer receivables, these receivables continue to appear in assets.*

*As the Group remains responsible for collection of assigned customer receivables, these receivables continue to appear in assets.*

The precedence of trade receivables breaks down as follows:

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Trade receivables not past due | 51,389 | 120,239 |
| Trade receivables past due < 30 days | 231 | 6,367 |
| Trade receivables past due between 30 and 60 days | 242 | 1,527 |
| Trade receivables past due between 60 and 90 days | 133 | 1,503 |
| Trade receivables past due between 90 and 180 days | 158 | 3,097 |
| Trade receivables pas due > 6 months | 1,620 | 2,049 |
| Provision for doubtful receivables | -1,619 | -156 |
| **TRADE RECEIVABLES** | **52,155** | **134,625** |

## NOTE 8 DERIVATIVE INSTRUMENTS

Through its international exposure and invoicing in US dollars to its French customers, the Group is exposed to foreign currency risks. The exposure linked to fluctuations in the US dollar is partially hedged through forward sales contracts and option collars.

The Group consequently developed a policy of natural hedging by carrying out a part of its purchases in USD. Thus, the Group invoices approximately 85% of its sales in dollars and buys approximately 65% of supplies or subcontracting in dollars. The Group's natural hedging on the USD represents approximately 40%.

In order to manage its net residual exposure, the Group uses foreign exchange hedging financial instruments, of a forward sale, option collar or foreign exchange option type. The option collar hedging implemented allows the Group to benefit from an improvement in the EUR/USD rate.

The Group has also set upsexchange rate hedges aiming to protect against the fluctuations of the Czech crown with respect to the euro.

The change in fair value of financial instruments had a €16.2 million impact on financial income.

## 8.1 INFORMATION ON THE VALUE OF DERIVATIVE INSTRUMENTS AND NOTIONAL AMOUNTS HEDGED

In order to cover its foreign exchange risk, the Group primarily uses currency futures contracts and option collars.

| | Balance sheet position | | | Maturity | | |
|---|---|---|---|---|---|---|
| *In € thousand* | Assets | Liabilities | Notional * | Due within one year | Due between one and five years | Due after five years |
| **Instruments not eligible for hedge accounting:** | | | | | | |
| • Accumulator EUR/USD | 1,163 | 16 | 66,009 | 66,009 | 0 | 0 |
| • Forward purchase EUR/USD | 0 | 2,216 | -73,344 | -73,344 | 0 | 0 |
| • Currency option contracts EUR/USD | 1,503 | 548 | 162,986 | 162,986 | 0 | 0 |
| **Cash flow hedging:** | | | | | | |
| • Forward currency contracts CZK/EUR | 605 | 0 | 37,682 | 37,682 | 0 | 0 |
| • Forward currency contracts EUR/USD | 76 | 83 | 48,896 | 48,896 | 0 | 0 |
| **Foreign currency derivative instruments** | **1,844** | **2,315** | | | | |
| Instruments not eligible for hedge accounting | 2,666 | 2,780 | 155,652 | -7,334 | 0 | 0 |
| Instruments eligible for hedge accounting | 681 | 83 | 86,578 | 86,578 | 0 | 0 |
| **TOTAL DERIVATIVE INSTRUMENTS** | **3,347** | **2,863** | | | | |
| • *of which non-current derivative instruments* | *0* | *0* | | | | |
| • *of which current derivative instruments* | *3,347* | *2,863* | | | | |

* *Notional amounts are converted in thousands of euros by applying the exchange rate at the closing date.*

## 8.2 INFORMATION ON THE IMPACT OF DERIVATIVE INSTRUMENTS ON INCOME AND EQUITY

### IMPACT OF FUTURE CASH FLOW HEDGING

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Equity – Hedging instruments (net of tax) at the opening date | -21,883 | -9,424 |
| Equity change for the effective portion | 37,858 | -1,324 |
| Reclassification in net income for the period * | -5,038 | -17,630 |
| Translation differences | 66 | -18 |
| Tax effect on changes during the year | -10,495 | 6,513 |
| Equity – Hedging instruments (net of tax) at the closing date | 509 | -21,883 |

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

### IMPACT OF DERIVATIVE INSTRUMENTS TO WHICH HEDGE ACCOUNTING IS NOT APPLIED

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Fair value at the opening date | -16,354 | -8,730 |
| Impact before income taxes | 16,240 | -7,623 |
| Fair value at the closing date | -113 | -16,354 |

# NOTE 9 SHAREHOLDERS' EQUITY

## 9.1 SHARE CAPITAL AND EARNINGS PER SHARE

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Number of shares | 94,818,518 | 94,818,518 |
| Nominal value of each share | 2,00 | 2.00 |
| Share capital in euros | 189,637,036 | 189,637,036 |

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Averaged issued shares | 94,818,518 | 94,578,580 |
| Averaged treasury shares | 43,958 | 30,109 |
| **Weighted average shares (a)** | **94,774,560** | **94,548,471** |
| Dilutive impact performance scheme (b) | 712,084 | 1,338,890 |
| **Total of shares diluted (a+b)** | **95,486,644** | **95,887,361** |
| **NET INCOME (GROUP SHARE) IN EUROS** | **-189,566,244** | **-32,864,227** |
| Earnings per share | -2.00 | -0.35 |
| Diluted earnings per share | -2.00 | -0.35 |

## 9.2 TREASURY SHARES

| *Number of shares* | Dec. 31, 2018 | Acquisitions | Disposals | Dec. 31, 2020 | % of capital |
|---|---|---|---|---|---|
| Latécoère shares | 31,224 | 644,581 | 637,047 | 38,758 | 0.04% |

| *In € thousand* | Dec. 31, 2018 | Acquisitions | Disposals | Dec. 31, 2020 | % of capital |
|---|---|---|---|---|---|
| Latécoère shares | 120 | 1,354 | 1,394 | 80 | 2.11 |

Treasury share transactions are carried out as part of the liquidity contract managed by Gilbert Dupont.

## 9.3 PERFORMANCE SHARE PLAN

On January 16, 2018, the Board of Directors decided to extend existing Plan 1 by a new phase of allocation of free-shares in accordance with the authorization granted by the Combined General Meeting of June 3, 2016. These are subject to a condition of presence and conditions of economic and stock market performance. The main features of the plan are summarized in the table below:

| | Plan of Jan. 16, 2018 |
|---|---|
| Date of General Meeting | June 3, 2016 |
| Date of Board of Directors | January 16, 2018 |
| Total number of shares that may be granted | 1,829,700 |
| Vesting period | 3 tranches corresponding to fiscal years 2018, 2019 and 2020 |
| Acquisition time | 2 years starting from the assignment by the Board of Directors |
| Compulsory duration of the holding period of shares starting from the definitive acquisition | 2 years starting from the date of acquisition |
| Performance conditions | yes (see details hereafter) |

The performance conditions consist of:

- a stock performance criterion for a maximum total amount of 412,533 shares on the basis of an increase in the price of the share of Latécoère stock compared to a reference price fixed for each fiscal year (reference year) in respect of the years 2019 and 2020;
- an economic performance criterion for a maximum total amount of 708,583 shares based on a level of revenue achieved compared to a revenue target for each reference year in respect of fiscal years 2018, 2019 and 2020;
- an economic performance criterion for a maximum total amount of 708,583 shares based on a level of operating free cash flow achieved compared to an operating free cash flow target for each reference year in respect of fiscal years 2018, 2019 and 2020.

### INFORMATION ON THE FAIR VALUE OF THE PLAN

| Fair value | Plan of Jan. 16, 2018 |
|---|---|
| Share price at the date of grant | €4.82 |
| Latécoère share volatility | from 30 to 50% according to the horizon |
| Risk free rate of return | from -0.57% to -0.32% according to the horizon |
| Fair value of the option for the stock performance 2019 | €2.15 |
| Fair value of the option for the stock performance 2020 | €1.63 |
| Fair value of the option for the revenue and free cash flow performance plan | €4.81 |

The fair value of options, calculated by an external actuary, is determined, at the date of grant, from the Monte Carlo simulation model for the part relating to the stock exchange performance condition. The fair value of the shares attached to the non-market performance conditions corresponds to the value of the price at the grant date minus the sum of the discounted dividends during the vesting period.

The expense associated with each tranche corresponds to the probabilized fair value taking into account the probability of reaching the condition and the probability of presence of each employee at the acquisition date of the shares.

### INFORMATION ON THE EVOLUTION OF THE PLAN

During its meeting of December 5, 2018, the Board of Directors of Latécoère decided to modify the rules of the plan of allocation of free shares adopted on January 16, 2018. The conditions of attribution are modified for the Reference Fiscal Years of 2019 and 2020, with the exception of the condition of presence which remains unchanged for the duration of the Plan.

Hence:

- the revenue condition and the stock exchange performance condition are modified; and
- the free cash flow condition is deleted and replaced by the EBITDA/revenue condition.

The modification of the plan has no impact on the fair value of the plan.

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

## NOTE 10 CURRENT AND NON-CURRENT PROVISIONS

| *In € thousand* | Dec. 31, 2019 | Increase | Reversals | Reclassifying | Impact of currency variations | Dec. 31, 2020 |
|---|---|---|---|---|---|---|
| Non-current provisions | 8,876 | 19,225 | -6,391 | -221 | -367 | 21,122 |
| Provisions for restructuring (non-current) | 0 | 5,352 | | | | 5,323 |
| **Total non-current provisions** | **8,876** | **24,548** | **-6,391** | **-221** | **-367** | **26,445** |
| Current provisions | 1,030 | 1,000 | -6 | | 5 | 2,029 |
| Provisions for restructuring (current) | 967 | 15,254 | -154 | | 0 | 16,067 |
| **TOTAL CURRENT PROVISIONS** | **1,997** | **16,254** | **-160** | **0** | **5** | **18,096** |

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

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

## NOTE 11 EMPLOYEE BENEFITS

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Retirement benefits | 14, 916 | 17,519 |
| Long-service awards | 2,854 | 2,881 |
| **TOTAL** | **17,770** | **20,400** |

## 11.1 RETIREMENT BENEFITS

Retirement benefits recognized in the balance sheet at December 31, 2020 concern the French, Tunisian and Bulgarian companies. They have been calculated according to the method described in Note 1.23.

The calculation assumptions retained for French companies are the following:

- discount rate of 0.34% (0.70% in 2019) calculated on the basis of rates observed at December 31, 2020 for high quality corporate bonds, the Group using in particular the Iboxx Corp AA 10+ index;
- use of the INSEE 2015-2017 mortality table;
- employee turnover noted by age group and by company;
- age of retirement:
  - 63 progressively 66 according to year of birth for managers,
  - 61 progressively 64 according to birth year for non-managers;
- progression of salaries consistent with the average of the last years.

There were no deferred past service costs at the end of the 2020 and 2019 fiscal years. Actuarial variations are recognized in non-recyclable other comprehensive income in shareholder's equity and pursuant to IAS 19 "Employee benefits". The obligation is noted in the balance sheet as a non-current liability for the amount of the total obligation. The compensation to employees expected to leave in 2021 is €260 thousand.

An increase of 0.25 point of the discount rate would Lead to a decrease of the provision for retirement indemnities of -€590 thousand. For information purposes, and based on identical actuarial assumptions, the increase in commitments in 2021 should be (excluding departures) €821 thousand.

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| **Obligations at opening date** | **17,519** | **14,827** |
| Services cost of the period | 947 | 442 |
| Interest cost of the period | 120 | 249 |
| Contributions paid | -136 | -121 |
| Actuarial gains or losses (OCI) | -564 | 2,122 |
| Change in scope | -2,970 | 0 |
| **Obligations at closing date** | **14,916** | **17,519** |
| **Costs of the period:** | | |
| Services cost of the period | 947 | 442 |
| Interest cost of the period | 120 | 249 |
| **TOTAL** | **1,067** | **691** |

## 11.2 LONG-SERVICE AWARDS

Long-service awards benefits recognized in the balance sheet at December 31, 2020 concern the French companies. They have been calculated according to the method described in Note 1.23.

The calculation assumptions retained are the following:

- discount rate of 0.34% (0.55% in 2019) calculated on the basis of rates observed at December 31, 2020 for high quality corporate bonds, the Group using in particular the Iboxx Corp AA 10+ index;
- use of the INSEE 2015-2017 mortality table;
- employee turnover noted by age group and by company;
- age of retirement:
  - 63 progressively 66 according to year of birth for managers,
  - 61 progressively 64 according to birth year for non-managers;
- progression of salaries consistent with the average of the last years;

The compensation to employees expected to leave in 2021 is €243 thousand.

An increase of 0.25 point of the discount rate would Lead to a decrease of the provision for long-service awards of -€58 thousand. For information, and based on identical actuarial assumptions, the increase in commitments in 2020 (excluding departures) is expected to be €199 thousand.

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| **Obligations at opening date** | **2,881** | **2,668** |
| Opening correction | 221 | 0 |
| Services cost of the period | 610 | 115 |
| Interest cost of the period | 16 | 36 |
| Contributions paid | -191 | -105 |
| Actuarial gains or losses | -259 | 167 |
| Change in scope | -425 | 0 |
| **Obligations at closing date** | **2,854** | **2,881** |
| **Costs of the period:** | | |
| Services cost of the period | 610 | 115 |
| Interest cost of the period | 16 | 36 |
| **TOTAL** | **626** | **151** |

## NOTE 12 FINANCIAL LIABILITIES

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

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

| *In € thousand* | Level 1 | Level 2 | Level 3 | Fair value |
|---|---|---|---|---|
| Derivative financial instruments | 0 | 2,863 | 0 | 2,863 |
| **TOTAL** | **0** | **2,863** | **0** | **2,863** |

| *In € thousand* | Financial liabilities at fair value through profit and loss | Derivatives classified as hedging | Other financial liabilities | Dec. 31, 2019 | Fair value |
|---|---|---|---|---|---|
| Refundable advances | | | 25,459 | 25,459 | N/A * |
| EIB loan | | | 55,000 | 55,000 | 55,000 |
| Factoring | | | 41,630 | 41,630 | 41,630 |
| Lease liabilities ** | | | 42,757 | 42,757 | 42,757 |
| Unsecured banking facility and other | | | 10,168 | 10,168 | 10,168 |
| Other non-current liabilities | | | 4,638 | 4,638 | 4,638 |
| Derivative financial instruments | 16,354 | 35,139 | | 51,493 | 51,493 |
| Accounts payable | | | 146,292 | 146,292 | 146,292 |
| **TOTAL FINANCIAL LIABILITIES** | **16,354** | **35,139** | **325,945** | **377,438** | **351,979** |

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

** *Following the implementation of IFRS 16 on January 1, 2019 the leases under IAS 17 are now recognized in lease liabilities.*

| *In € thousand* | Level 1 | Level 2 | Level 3 | Fair value |
|---|---|---|---|---|
| Derivative financial instruments | 0 | 51,493 | 0 | 51,493 |
| **TOTAL** | **0** | **51,493** | **0** | **51,493** |

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

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

## 12.1 LOANS AND BANK BORROWINGS

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Bank loans – non-current | 143,200 | 55,000 |
| Lease liabilities – non-current | 33,431 | 37,254 |
| Other bank borrowings | 38,916 | 5,936 |
| Non-current liabilities | 215,546 | 98,190 |
| Factoring | 490 | 41,630 |
| Lease liabilities – current | 5,550 | 5,503 |
| Other bank borrowings | 3,667 | 4,233 |
| Current liabilities | 9,707 | 51,366 |
| **TOTAL LOANS AND BANK BORROWINGS** | **225,253** | **149,556** |

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

Debt reconciliation related to the factor (factoring):

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Receivables sold to the factor | 22,559 | 85,573 |
| Financing obtained from the factor | -818 | 75,263 |
| Cash available in balance sheet | 4,014 | 0 |
| Cash available from the factor | -2,707 | -33,633 |
| **DEBT - FACTORING** | **490** | **41,630** |

Cash available from the factor corresponds to receivables transferred directly and cashed by the factor between the last date of application for financing and the accounts closing date.

### Reverse factoring

In December 2019, the Latécoère Group joined in a financing arrangement of suppliers of a major customer (reverse factoring) involving receivables previously liquidated with a financial partner.

Under this reverse factoring arrangement, the invoices issued are paid immediately upon customer approval. Discounts are deducted, on the basis of a variable rate (a benchmark such as Libor USD + margin or Euribor + margin).

Involving as it does early payment, without recourse, this reverse factoring arrangement is de-consolidating, as opposed to a factoring agreement, which is not considered de-consolidating.

The terms and conditions of current loans are the following:

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

* *Multi-currency.*

The maturities of loans and bank borrowings are as follows:

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Maturing in: | | |
| 1 year or less | 9,707 | 51,366 |
| More than 1 year and less than 5 years | 124,207 | 78,860 |
| Beyond 5 years | 91,339 | 19,330 |
| **TOTAL** | **225,253** | **149,556** |

## 12.2 REFUNDABLE ADVANCES

Refundable advances for an overall amount of €24.6 million mainly relate to the A350 programs for €16.3 million. Advances shall be repaid if the program succeeds, and repayments are linked to the deliveries of each financed product. The repayment conditions have been established in the agreement signed with the lending organization.

## NOTE 13 TRADE AND OTHER ACCOUNTS PAYABLE

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Accounts payable | 45,312 | 98,360 |
| Employee related liabilities | 31,031 | 31,671 |
| Tax payables | 5,756 | 5,971 |
| Customer accounts payable | 5,093 | 10,131 |
| Other liabilities | 2,287 | 159 |
| **TOTAL ACCOUNTS PAYABLE** | **89,480** | **146,292** |

## NOTE 14 TAXES

### 14.1 TAX RECEIVABLES

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

### 14.2 DEFERRED TAXES

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Deferred tax assets | 10,279 | 20,433 |
| Deferred tax liabilities | -12 | -30 |
| **DEFERRED TAXES AT OPENING** | **10,267** | **20,402** |
| Deferred tax income (expense) for the period | -10,073 | -2,364 |
| Deferred tax variation recognized directly in equity | 461 | -7,771 |
| **DEFERRED TAXES AT CLOSING** | **655** | **10,267** |
| Of which deferred tax assets | 684 | 10,279 |
| Of which deferred tax liabilities | -29 | -12 |

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

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

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

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

## NOTE 15 REVENUE

| | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| *In € thousand* | Amount | % | Amount | % |
| Civil business | 398,405 | 96.4% | 695,199 | 97.5% |
| Military business | 14,827 | 3.6% | 17,899 | 2.5% |
| **TOTAL** | **413,232** | **100.0%** | **713,098** | **100.0%** |

| | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| *In € thousand* | Amount | % | Amount | % |
| France | 181,077 | 43.8% | 317,013 | 44.5% |
| Export | 232,155 | 56.2% | 396,086 | 55.5% |
| **TOTAL** | **413,232** | **100.0%** | **713,098** | **100.0%** |

| | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| *In € thousand* | Amount | % | Amount | % |
| Europe | 236,644 | 57.3% | 407,348 | 57.1% |
| America | 166,794 | 40.4% | 268,986 | 37.7% |
| Asia | 8,861 | 2.1% | 36,302 | 5.1% |
| Other items | 933 | 0.2% | 463 | 0.1% |
| **TOTAL** | **413,232** | **100.0%** | **713,098** | **100.0%** |

## NOTE 16 DETAIL OF OTHER COMPONENTS OF THE RECURRING OPERATING INCOME

### RAW MATERIALS, OTHER PURCHASES AND EXTERNAL CHARGES

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Raw material consumed | -101,495 | -176,048 |
| Cost of goods sold | -161 | -1,275 |
| Sub-contracting | -101,108 | -180,340 |
| External charges | -60,779 | -101,548 |
| **PURCHASES USED AND EXTERNAL EXPENSES** | **-263,544** | **-459,211** |

### PERSONNEL COSTS

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

### NET PROVISIONS / IMPAIRMENT OF CURRENT ASSETS

| | Dec. 31, 2020 | | | Dec. 31, 2019 | | |
|---|---|---|---|---|---|---|
| *In € thousand* | Increase | Reversal | Net | Increase | Reversal | Net |
| **Net operating provisions charge** | **-18,012** | **5,766** | **-12,246** | **-4,721** | **5,550** | **829** |

| | Dec. 31, 2020 | | | Dec. 31, 2019 | | |
|---|---|---|---|---|---|---|
| *In € thousand* | Increase | Reversal | Net | Increase | Reversal | Net |
| Receivables | -1,539 | 73 | -1,466 | 0 | 100 | 100 |
| Inventories | -3,099 | 4,720 | 1,621 | -2,156 | 5,670 | 3,514 |
| **NET PROVISIONS/IMPAIRMENT OF CURRENT ASSETS** | **-4,638** | **4,794** | **155** | **-2,156** | **5,771** | **3,614** |

### OTHER INCOME

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

## NOTE 17 OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Impairment losses | -40,100 | 0 |
| Restructuration costs | -26,809 | -1,778 |
| Other non-recurring items | -31,395 | -19,648 |
| **OTHER NON-RECURRING OPERATING INCOME AND EXPENSES** | **-98,304** | **-21,426** |
| • *of which expenses* | *-102,500* | *-23,005* |
| • *of which incomes* | *4,196* | *1,579* |

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

- a provision related to the Employment Saving Plan (PSE) in France for LATECOERE of -€20 million;
- a reversal of provision for retirement commitments and long-service awards for +€3.4 million related to the Employment Saving Plan (PSE);
- costs related to the restructuring plan on the various sites located outside France for -€10.2 million.

At December 31, 2020, other non-recurring items amounted to -€31.4 million correspond to:

- provision on inventories for -€20.5 million;
- conversion and adaptation costs for the historic Toulouse site (Périole site) and industrial transfer towards other French sites for -€4.7 million;
- rationalization and growth operations costs of -€5.9 million.

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

- a reversal of a provision for A380 inventory overruns of +€0.9 million;
- the capital gain on the sale of a real estate complex of +€0.7 million;
- conversion and adaptation costs for the historic Toulouse site (Périole site) and industrial transfer towards other French sites for -€4.1 million;
- rationalization and growth operations costs of -€11.6 million;
- industrial transfer costs to the new production site in Bulgaria for -€1.7 million;-costs related to the creation of the factory of the future located near Toulouse (Montredon) for -€3.8 million.

## NOTE 18 BREAKDOWN OF FINANCIAL INCOME

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Net cost of debt | -3,854 | -5,261 |
| • *of which financial charges related to interest-bearing liabilities* | *-3,909* | *-5,737* |
| • *of which financial income related to cash and cash equivalents* | *56* | *475* |
| Foreign Exchange gains/losses | -13,470 | -3,567 |
| Change in fair value of financial instruments | 16,240 | -7,623 |
| Other financial expenses | -1,790 | -1,291 |
| Other financial income | 217 | 363 |
| **FINANCIAL INCOME** | **-2,657** | **-17,380** |
| • *of which financial expenses* | *-19,170* | *-31,097* |
| • *of which financial income* | 16,513 | 13,717 |

## NOTE 19 TAX EXPENSE

### 19.1 TAX CONSOLIDATION AGREEMENT

In France, since the 2009 fiscal year, Latécoère has made itself the only entity responsible for corporate tax, for additional contributions based on the corporate tax, and for the annual flat-rate taxation due in respect of the tax Group which includes the Latécoère, LATelec, and Latécoère Développement companies.

Under the tax consolidation agreement, the tax-consolidated subsidiaries bear their own tax expense, as they would had there not been tax consolidation, and pay the corresponding amounts due to Latécoère, by way of contribution to the payment of the tax-Group's taxes.

### 19.2 INCOME TAX EXPENSE

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Tax liabilities | -4,053 | -3,527 |
| Deferred taxes | -10,073 | -2,364 |
| **TOTAL** | **-14,127** | **-5,892** |

### 19.3 RECONCILIATION OF THEORETICAL AND ACTUAL TAX

| *In € thousand* | Dec. 31, 20 | Dec. 31, 19 |
|---|---|---|
| **Consolidated net income of consolidated companies** | **-189,566** | **-32,864** |
| • Consolidated tax expense (due and deferred) | -14,127 | -5,892 |
| **Pre-tax consolidated income (before Group/minority interests share)** | **-175,440** | **-26,972** |
| • Income from associates | 0 | 0 |
| **Consolidated income before tax (A)** | **-175,440** | **-26,972** |
| **Theoretical tax rate (current rate applicable to parent company) (B)** | **34.43%** | **34.43%** |
| **Theoretical tax expense (A*B)** | **60,404** | **9,287** |
| Permanent differences | -6,447 | 7,413 |
| Effect of reduced tax rates | -375 | 1,355 |
| Tax reductions/tax credits * | 421 | 685 |
| Tax losses arising during the period not activated ** | -54,608 | -12,621 |
| Tax losses carried forward | -2,733 | -5,781 |
| Other items | -10,789 | -6,230 |
| **SUB-TOTAL** | **-74,531** | **-15,179** |
| **ACTUAL TAX EXPENSE** | **-14,127** | **-5 ,892** |
| **EFFECTIVE TAX RATE** | **N/A** | **N/A** |

* *This amount essentially reflects the research tax credit and the CICE.*

** *The unused tax losses are without carry-forward limit.*

## NOTE 20 RISK MANAGEMENT

### 20.1 COUNTERPARTY RISK

The Group is mainly exposed to credit and counterparty risk relating to customers, derivative financial instruments and short-term financial investments.

The risk of default of counterparties relating to customers is very limited due to the credit quality of the main customers (Tier 1 aircraft manufacturers) of the Aerostructures and Interconnection Systems divisions.

At year-end, the Group had identified no significant credit risk on these assets due but without recognition of a provision.

The Group implements derivative financial instruments with the goal of reducing its exposure to foreign currency and interest rate risks. These transactions are contracted by private agreement with tier 1 banks.

Cash is invested through risk-free monetary instruments with Tier 1 banking institutions.

### 20.2 LIQUIDITY RISK

The Group manages its cash flow in a centralized way. The surpluses or the financing needs of its subsidiaries are invested or financed by the parent company on market conditions.

The Group's cash flow department manages the current and provisional financing activities of the Group and its capacity to face up to its financial commitments.

At the closing date, the Group had drawn down all the resources at its disposal including the factoring whose operating principle required the mobilization of all receivables attached to customers assigned without regard to actual cash needs.

The details of the Group's financing are presented in Note 12.1 and 12.2 of the consolidated financial statements.

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

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

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

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

## 20.3 CURRENCY RISK

Through its international exposure and invoicing in US dollars to its French customers, the Group is exposed to foreign currency risks. The risk linked to fluctuations in US dollars is partially hedged through forward sales contracts and option "collars".

The Group invoices approximately 85% of its sales in dollars and buys approximately 65% of supplies or sub-contracting in dollars. The effect of the dollar exchange risk hedging operations on revenue was -€14.5 million in 2020 compared to -€19.3 million in 2019.

The Latécoère Group's USD hedging policy limits the impact of currency variations on the individual and consolidated financial statements. It should be noted that this table hereafter only reflects the situation noted at December 31, 2020 and does not reflect all future hedging. The impact of foreign currency exposure with respect to the income statement is detailed in Note 18.

### A) EXPOSURE AND SENSITIVITY TO THE DOLLAR

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

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

At December 31, 2020 the Group had not set up hedging instruments to hedge its balance sheet exposure.

A sensitivity analysis was carried out, based on the assumption of a 5% change of the dollar in relation to the euro on the basis of the Group's net balance sheet exposure at December 31, 2020. This variation would have resulted in a pre-tax decrease in income of €996k at December 31, 2020 compared to a pre-tax decrease in income of €1,845k at December 31, 2019.

### B) SENSITIVITY ON TRANSACTIONAL FLOWS IN DOLLARS

A sensitivity analysis was performed on the flows relating to transactions performed in USD by companies whose functional currency is the euro net of the impact of EUR/USD exchange rate hedging for the period.

| | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| **Hypothesis of variation in the euro/US dollar** | -5% | +5% | -5% | +5% |
| Average rate during the period | **1.141** | | **1.120** | |
| Average rate after sensitivity test | 1.084 | 1.198 | 1.064 | 1.176 |
| Operating income | 1,616 | -1,462 | 6,811 | -448 |
| Financial income | -668 | 604 | 0 | 0 |
| **PRE-TAX INCOME** | **948** | **-858** | **6,811** | **-448** |

### C) SENSITIVITY OF DOLLAR DERIVATIVE FINANCIAL INSTRUMENTS

A sensitivity analysis was carried out on the basis of a portfolio of derivatives classified as cash flow hedging and held at year-end. A 5% increase of the dollar in relation to the euro would result in an increase of pre-tax earnings of +€1.6 million and a reduction of pre-tax shareholders' equity of €1.0 million. A 5% decrease of the dollar in relation to the euro would result in a decrease of pre-tax earnings of -€3.6 million and a reduction of pre-tax shareholder's equity of €1.3 million.

### Other foreign currency risks

The Group has set-up exchange rate hedges to protect itself against fluctuations of the Czech crown with respect to the euro linked to its Latécoère Czech Republic s.r.o. subsidiary. These financial instruments are described in Note 8.

A sensitivity analysis was carried based on the assumption of a 5% increase in the euro over the Czech crown (CZK) on the basis of a hedge portfolio held at the end of the fiscal year. This increase would not have an impact on pre-tax income, and would lead to a pre-tax reduction in shareholders' equity of €3.2 million.

The foreign currency risk on other currencies is not considered significant in view of the Group's exposure to them.

### Conversion exchange rate risk

Conversion exchange rate risk corresponds to the risk of the conversion into euros of the financial statements of companies whose functional currency is different than the euro. The main companies of which the functional currency is other than the euro are Latécoère Czech Republic (EUR/CZK exposure), Latécoère do Brasil (EUR/BRL exposure), SEA-LATelec (EUR/TND exposure), LATsima (EUR/MAD exposure) and the Mexican subsidiaries (EUR/MXN exposure).

A sensitivity test was implemented on subsidiaries whose amounts are significant (Latécoère Czech Republic and Latécoère do Brasil). Thus, a devaluation of 5% of the BRL and CZK compared to the euro would result in a decrease in shareholders' equity at December 31, 2020 of -€1.5 million compared to -€ 2.3 million at December 31, 2019. It should be recalled that the amount of the conversion reserve in shareholders' equity amounts to -€16.9 million at December 31, 2020 compared to -€8.6 million at December 31, 2019.

## 20.4 INTEREST RATE RISK

| *In € thousand* | | Due within one year | Due between one and five years | Due after five years | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|---|---|---|
| | Fix rate | 0 | 0 | 0 | 0 | 0 |
| **Financial assets** | Variable rate | 77,614 | 0 | 0 | 77,614 | 33,790 |
| **Financial liabilities** | Fix rate | -350 | -64,126 | -88,820 | -153,295 | -30,095 |
| | Variable rate | -2,389 | -65,287 | -27,059 | -94,735 | -149,556 |
| | **Fix rate** | **-350** | **-64,126** | **-88,820** | **-153,295** | **-30,095** |
| **NET EXPOSURE BEFORE HEDGING** | **Variable rate** | **75,225** | **-65,287** | **-27,059** | **-17,121** | **-115,765** |
| | Fix rate | 0 | 0 | 0 | 0 | 0 |
| Derivative financial instruments | Variable rate | 0 | 0 | 0 | 0 | 0 |
| | **Fix rate** | **-350** | **-64,126** | **-88,820** | **-153,295** | **-30,095** |
| **NET POSITION AFTER HEDGING** | **Variable rate** | **75,225** | **-65,287** | **-27,059** | **-17,121** | **-115,765** |

At December 31, 2020 the Group had not set up instruments to hedge interest rates.The sensitivity test used was carried out on a net interest rate hedge basis for variable rate borrowings at December 31, 2020. By taking as an assumption a 100 basis point increase in short-term rates, the impact on the Group's pre-tax income would be -€0.6 million.

## 20.5 RAW MATERIAL RISK

The Latécoère Group is exposed to raw material risk relating to its purchasing of raw materials, essentially aluminum, steel and titanium. Since 2007, the Group has negotiated contracts with its main suppliers, either independently, or through its customers' programs. These contracts have been concluded for two or three years and include price clauses that either make them constant for the duration of the contract, or cause them to evolve according to an index provided for in advance, on average lower than past increases. In some contracts, the raw material is assigned by the customer, which reduces the risk for the Group.

## 20.6 RISK IN RELATION TO SHARES

The Group holds essentially Latécoère shares, the carrying value of which is adjusted according to the closing market prices. The treasury shares are recognized as a deduction of shareholders' equity in the consolidated financial statements. The value of treasury shares at December 31, 2020 was €80k.

In view of the fact that at the end of the year the Company only held 38,758 of its own shares, as part of a liquidity contract, the risk in relation to shares is not significant.

Furthermore, the Group does not hold any other significant listed shares and for this reason is not exposed to the risk of the fluctuation of share prices.

# NOTE 21 AVERAGE HEADCOUNT

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

# NOTE 22 FINANCIAL COMMITMENTS AND CONTINGENT LIABILITIES

## 22.1 FINANCIAL COMMITMENTS

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

| | Dec. 31, 2020 | | | | Dec. 31, 2019 |
|---|---|---|---|---|---|
| *In € thousand* | Due within one year | Due between one and five years | Due after five years | Total | Total |
| Trade receivables given as guarantees (1) | 490 | 0 | 0 | 490 | 41,630 |
| Securities, collateral and mortgages (2) | 3,169 | 2,773 | 0 | 5,942 | 10,057 |
| **TOTAL** | **3,659** | **2,773** | | **6,432** | **51,687** |

*(1) The trade receivables provided as guarantees correspond to the receivables financed by the Factor pursuant to the factoring agreement.*
*(2) The pledges are related to Group tax receivables.*

### 22.2 COMMITMENTS UNDER OPERATING LEASES

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

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

With the application of IFRS 16 at January 1, 2019, the remaining commitments under operating leases are those which have a low value (< €5 thousand) and a short term (<12 months).

### 22.3 OTHER COMMITMENTS

In the course of its ordinary business, the Group has purchasing commitments related to production. These commitments are based primarily on forecasts of the production rates of the aircraft manufacturers and are realized at normal market conditions.

The Group has also, in the course of its ordinary business, given commitments to its customers and to customs authorities for a total amount of €0.6 million.

### 22.4 OTHER CONTINGENT LIABILITIES

The Group did not identify any other contingent liabilities.

### 22.5 NON-CONSOLIDATED ENTITIES

Latécoère holds 24.81% of the capital of Corse Composite Aéronautique.

This investment by Latécoère, along with the other shareholders, Airbus, Dassault and SAFRAN, allows the Group to reinforce its competencies in the area of composite materials.

The Group exercises no significant influence on the Corse Composites Aéronautique company since April 1, 2013. Therefore, that company was deconsolidated and the financial assets have been classified in other financial assets.

The information below summarizes the main financial indicators of Corse Composites Aeronautique (data at 100%):

- 2019 revenue: €44.3 million;
- 2019 net income: -€6.0 million.

The Group did not provide financial support to Corse Composites Aeronautique.

## NOTE 23 RELATED PARTIES

### 23.1 MAIN FLOWS WITH RELATED PARTIES

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

| *In € thousand* | Latécoère Group | CCA |
|---|---|---|
| Revenue | 0 | 438 |
| Purchasing | 438 | 0 |
| Trade receivables | 0 | 88 |
| Trade payables | 88 | 0 |

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

### 23.2 EXECUTIVE COMPENSATION

The Group has defined as "key managers" the individuals holding the following positions:

- members of the Board of Directors of Latécoère;
- members of the Executive Committee of Latécoère;
- directors or managers of consolidated subsidiaries.

For all the individuals falling in the above definition, the total compensation, and benefits acquired or to be acquired at December 31, 2020 amounted to €4,164k against €3,567k at December 31, 2019. The amount relating to retirement benefits and long service medals was €291k for 2020 against €265k for 2019.

Compensation due in respect of 2020 to all of the members of the Board of Directors for their work therein was €512k. At December 31, 2019, compensation due to all the members of the Board of Directors for their work therein was €470k.

There is no supplementary pension plan at the Group level.

### 23.3 MAIN RELATIONS BETWEEN LATÉCOÈRE AND ITS SUBSIDIARIES

The main Group flows concern economic flows relating to the production of sub-assemblies.

The Group is organized around two business segments: "Aerostructures" and "Interconnection Systems". Every company that is a leader in a business has subsidiaries (in France or abroad) that enable it to respond to its industrial needs. Given the general organization of the Group, the different companies that form part of the scope of consolidation may have industrial and commercial relations between themselves so as to respond to the production needs of each entity. Group transactions being variable, it is not possible a priori to define their annual amounts.

The conditions of payment applicable between the different companies of the Group match those applicable for other suppliers and take into account, as appropriate, occasional needs related to centralized cash flow management.

Latécoère, the parent company of the Group, centralizes some global management activities with respect to the subsidiaries (general management, insurance and risk management, financial management, etc.). Therefore, it invoices its subsidiaries for management fees, integrating the cost relating to these items.

Furthermore, as part of its centralized cash flow management, Latécoère may grant its (directly held) subsidiaries advances on current accounts (short term cash flow) or loans (medium or long term) to enable the financing of real estate and industrial investments. Short term financing is subject to regulated agreements and carries interest. Loans are subject to specific contracts, which state the object of the loan, its duration, as well as the interest rate applied.

In some cases, this method of financing internal to the Group may be set up between a Latécoère subsidiary and its indirect subsidiary or subsidiaries, the procedures and conditions remaining identical to those described above. With the exception of companies of the Group and of the Key Manager relationships mentioned above, there exists no significant operation with related parties outside the Group.

In France, since the 2009 fiscal year, Latécoère has made itself the only entity responsible for corporate tax, for additional contributions based on the corporate tax, and for the annual flat-rate taxation due in respect of the tax Group which includes the Latécoère, LATelec, and Latécoère Développement companies. Latécoère Services, since its disposal, is no longer part of the tax Group.

Under the tax consolidation agreement, the tax-consolidated subsidiaries bear their own tax expense, as they would had there not been tax consolidation, and pay the corresponding amounts due to Latécoère, by way of contribution to the payment of the tax-Group's taxes.

## NOTE 24 FEES PAID TO THE STATUTORY AUDITORS

Pursuant to ANC Regulation n° 2016-09 of December 2, 2016, the following table presents the fees due to the Group's Statutory Auditors, included in the consolidated income statement for the year, with a distinction being made between the fees relating to the certification of the financial statements and those relating, where applicable, to other services. The fees mentioned for subsidiaries relate to those which are fully consolidated.

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

# NOTE 25 SUBSEQUENT EVENTS

## COMPLETION OF THE ACQUISITION OF BOMBARDIER'S INTERCONNECTION SYSTEMS AND ELECTRICAL WIRING ACTIVITIES IN QUERÉTARO (MEXICO)

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

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

## VALIDATION OF THE COLLECTIVE AGREEMENT ON THE EMPLOYMENT SAVING PLAN FOR LATÉCOÈRE SA

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

## 5.7.7 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

*This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English-speaking users.*

*This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the annual general meeting of LATECOERE S.A.

### OPINION

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying consolidated financial statements of LATECOERE S.A. for the year ended 31 December 2020.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2020 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

### BASIS FOR OPINION

#### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

#### Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from 1 January 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

### JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

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

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

## Going concern

**IDENTIFIED RISK**

The aeronautic sector has been heavily impacted by the sanitary crisis along the financial year ended 31 December 2020. The collapse of air traffic worldwide has led aircraft manufacturers to reduce drastically their aircraft delivery programs.

Severely constrained by this drop in business, the group has faced significant operating losses that conducted management to update its cash flow forecast in order to evaluate the group's ability to face its cash maturities over a rolling period of 12 months.

These forecast, based on the group activity level and the timing of expenses of the adaptation plan, are uncertain by nature and include additional financing assumptions as described in note 1.28 to the consolidated financial statements.

In this context, the Board of Directors' evaluation of the group's ability to continue as a going concern requires significant judgment linked to the uncertainties on the business prospects and the group's ability to establish additional financing.

On this basis, we consider that the use of the going concern assumption in the preparation of the consolidated financial statements is a key audit matter.

**OUR RESPONSE**

We have evaluated the final assessment by the Board of Directors of the group's ability to continue as a going concern and the assumptions and documentation on which this assessment is based. Our work mainly consisted in:

- verifying the consistency of the business assumptions underlying the cash forecast with the latest budget forecast reviewed by the Board of Directors and assessed the reasonableness and consistency of these assumptions as a whole, with the economic context of the aeronautic sector.
- reviewing the documentation underlying the assumptions of additional financing measures that are under discussion;
- assessing the reasonableness of the adapted actions of additional financing and cash optimization measures included in management's alternative cash projections;
- assessing the appropriateness of the information provided in Note 1.28 to the consolidated financial statements.

## Impairment of assets

**IDENTIFIED RISK**

In the constrained context described above and in accordance with IAS 36, the group has conducted its annual impairment test of its cash-generating units (CGU), based on the budget data and mid-term plan updated in February 2021.

At 31 December 2020, an impairment of the assets of the "Aerostructure" branch (AS) for a total amount of €.40.1m has been recognized in net result as presented in note 4.3 to the consolidated financial statements.

Those impairment tests, based on expected future discounted cash flows, include business forecast and structuring assumptions, such as the discount rate and growth rate, that require significant judgment from management.

On this basis, we consider that this is a key audit matter.

**OUR RESPONSE**

Concerning the AS branch, we have, with the assistance of our specialists:

- verified the consistency of business assumptions with the budget and mid-term plan updated in February 2021 for the upcoming 5-year period;
- reconciled the 2021 delivery rates from aircraft manufacturers with delivery rates assumptions used in the 2021 budget;
- performed a critical analysis of the model that management used in its determination of the value in use of the CGU's assets and notably of the discount rate and growth rate applied, and the methods of calculation;
- compared the revenue growth expected over the 2022 – 2025 period with the economic data of the aeronautic sector.
- examined the documentation underlying impairment allocation on the "Aerostructure" CGU's assets;
- assessed the appropriateness of the information provided in notes 1.28 and 4.3 to the consolidated financial statements.

For the CGU "Interconnection Services", we have also performed a critical analysis of the model used to determine the value in use of the assets and the sensitivity of this model to the main assumptions of discount rate and growth rate.

### Revenue recognition in accordance with IFRS 15

**IDENTIFIED RISK**

The group generates its revenue through various types of construction contrats of avionics subassemblies, whose duration covers several exercises and including in some cases development activities, or service contracts. Revenue recognition relating to these contracts is complex due to the range of activities and types of contracts, different by clients.

In accordance with IFRS 15, the group performs an analysis of new contracts to determine the appropriate revenue recognition method, as indicated in note 1.16 to the consolidated financial statements.

Revenue recognition under IFRS 15 is a key point of the audit as the analysis of the different types of contracts requires a significant amount of judgment through:

- the identification of the contract within the meaning of IFRS 15, which defines the rights and obligations of the parties;
- the identification of distinct performance obligations, including the specific development activities of the contracts;
- the determination of the method of revenue recognition (overtime or at a point in time), particularly for sales of studies.

**OUR ANSWER**

Our work consisted in:

- assessing the conformity of the accounting methods presented in Note 1.16 to the consolidated financial statements with IFRS 15;
- reviewing the group's procedures and controls implemented concerning the analysis of contracts and revenue determination and tested the operational effectiveness of these controls;
- on a selection of the most significant new contracts in terms of contribution to consolidated revenue, assessing the relevance of the analyzes by typology of contracts conducted by the group and carry out a critical examination of:
  - criteria used to characterize contracts within the meaning of IFRS 15;
  - distinctives performance obligations identified;
  - method of revenue recognition with regard to the technical characteristics of the performance obligations and the contractual clauses that may have an impact on the transfer of control of the goods and services provided for in the contract;
- testing, for a sample of individual transactions, the appropriateness of revenue recognition in accordance with IFRS 15;
- assessing the appropriateness of the information provided in notes 1.16 of the consolidated financial statements.

## EUR / USD currency hedging and derivative financial instruments

### IDENTIFIED RISK

The Group generates a significant portion of its sales and purchases in foreign currencies, mainly in US dollars. In order to hedge its foreign exchange risk, it implements a foreign exchange hedging policy based on the management of a portfolio of derivative financial instruments (forward sales, option tunnels, accumulators, etc.).

The recognition of derivative financial instruments depends on whether or not they are designated as hedging instruments if they comply with the hedge accounting criteria established by IFRS 9.

For fair value hedges of existing assets or liabilities, the hedged portion of these items is measured on the balance sheet at fair value. The change in this fair value is recorded in the income statement, where it is offset by symmetrical fair value changes in financial hedging instruments, within the limit of their effectiveness.

For future cash flow hedges, the effective portion of the income or loss on the hedging instrument is recognized directly in equity (other comprehensive income) and then reported in the income statement in the period in which the hedged underlying is recognized in the income statement, the ineffective portion is recognized immediately in the financial result. Gains or losses arising from changes in the fair value of financial instruments that are not treated as hedging instruments are recognized in financial income.

On the balance sheet, the portfolio of derivative instruments is valued at fair value in accordance with IFRS 9, corresponding to a net asset of € 0.5 million on the group's balance sheet as 31 December 2020.

These derivative instruments have also generated an operating expense of € 5.0 million, a financial profit of € 16.2 million recognized in the 2020 income statement and a pre-tax impact of € +37.9 million on equity.

We have considered accounting of hedging instruments as a key audit matter because of the significance of these commitments in the assessment of the group's financial performance and the judgment applied to determine the fair values (FV) measurement whose estimate, entrusted to an independent expert, depends not only on the characteristics of the contracts but also on assumptions based on observable market data such as price volatility and interest rates.

### OUR ANSWER

We obtained an understanding of the internal control procedures relating to the currency hedging policy implemented by the Group.

With the assistance of our experts, we also have:

- analyzed the subscription contracts of the main new types of derivative instruments;
- verified the designation of derivative financial instruments in accordance with IFRS 9, as well as the associated accounting entries in the consolidated financial statements;
- assessed the consistency of the fair value measurements estimated by the independent expert with the groups's consolidated financial statements and verified that there were no significant difference between these fair value measurements and the corresponding bank external confirmations;

We have also assessed the appropriateness of the information provided in notes 1.18 and 8 of the consolidated financial statements.

### Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations of the Group's information given in the management report of the Board of Directors.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial statement required by Article L.225-102-1 of the French Commercial Code (Code de commerce), is included in the Group's information given in the management report, it being specified that, in accordance with the provisions of Article L. 823-10 of this Code, we have verified neither the fair presentation nor the consistency with the consolidated financial statements of the information contained therein and this information must be reported by an independent third party.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Format of presentation of the consolidated financial statements intended to be included in the annual financial report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the consolidated financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation N° 2019/815 of 17 Decembre 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the consolidated financial statements intended to be included in the annual financial report mentionnedin Article L.451-1-2,I of the French Monetary and Financial Code (code monétaire et financier).

#### APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as statutory auditors of LATECOERE S.A. by the Annual General Meeting held on 3 June 2005 for Grant Thornton and on 25 June 1993 for KPMG. Moreover, the company Fidulor, a member of the Grant Thornton network since 2002, was previously Statutory Auditor of LATECOERE SA since June 10, 1983.

As at 31 December 2020, Grant Thornton and KPMG were respectively in the 35th year and 27th year of total uninterrupted engagement since securities of the Company were admitted to trading on a regulated market.

#### RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

#### STATUTORY AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

**Objectives and audit approach**

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements.
- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.

- Evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

**Report to the Audit Committee**

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this audit report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory Auditors

Labège, on the 22 April 2021

**KPMG Audit**

***Department of KPMG S.A.***

Eric Junières

Partner

Neuilly-sur-Seine, on the 22 April 2021

**Grant Thornton**

***French Member of Grant Thornton International***

Pascal Leclerc

Partner

# 5.8 2020 PARENT COMPANY FINANCIAL STATEMENTS

## 5.8.1 BALANCE SHEET

| *In € thousand* | Gross amount | Dep./Amort. Prov. | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|---|---|
| Start-up costs | 9,011 | 9,011 | 0 | 1,287 |
| Goodwill | 500 | 500 | 0 | 0 |
| Software | 23,981 | 21,347 | 2,634 | 4,065 |
| Fixed intangible assets in progress | 3,801 | 0 | 3,801 | 0 |
| Intangible assets | 37,293 | 30,858 | 6,435 | 5,352 |
| Land | 417 | 0 | 417 | 417 |
| Buildings | 4,925 | 1,521 | 3,404 | 3,245 |
| Technical facilities, tooling | 49,730 | 31,455 | 18,275 | 16,710 |
| Other tangible assets | 7,226 | 6,290 | 936 | 1,061 |
| Fixed assets in progress | 804 | 0 | 804 | 9,688 |
| Advances and deposits | 0 | 0 | 0 | 77 |
| Tangible assets | 63,102 | 39,266 | 23,836 | 31,199 |
| Other investments | 46,119 | 0 | 46,119 | 46,119 |
| Receivable related to investments | 20,758 | 0 | 20,758 | 19,958 |
| Other long-term investments | 25 | 0 | 25 | 25 |
| Loans | 176 | 176 | 0 | 0 |
| Other long-term financial assets | 2,803 | 0 | 2,803 | 2,251 |
| Long-term financial assets | 69,881 | 176 | 69,706 | 68,353 |
| **FIXED ASSET** | **170,276** | **70,300** | **99,976** | **104,904** |
| Raw materials | 15,796 | 5,914 | 9,882 | 14,712 |
| Work in progress | 99,145 | 76,403 | 22,742 | 119,575 |
| Intermediate and finished products | 25,198 | 4,666 | 20,532 | 24,121 |
| Inventories and work in progress | 140,139 | 86,983 | 53, 156 | 158,408 |
| Advances, deposits paid on orders | 312 | 0 | 312 | 881 |
| Trade account receivables | 41,238 | 1,618 | 39,620 | 28,820 |
| Other receivables | 215,634 | 0 | 215,634 | 183,690 |
| Cash and bank | 50,950 | 144 | 50,806 | 20,955 |
| Receivables | 308,134 | 1,762 | 306,372 | 234,346 |
| Prepaid expenses, deferred expenses | 854 | 0 | 854 | 769 |
| Accruals and deferred income | 854 | 0 | 854 | 769 |
| Loan issuance costs to be spread | 0 | 0 | 0 | 0 |
| **CURRENT ASSETS** | **449,127** | **88,746** | **360,382** | **393,523** |
| Translation differences | 2,742 | 0 | 2,742 | 2,997 |
| **TOTAL ASSETS** | **622,145** | **159,046** | **463,099** | **501,423** |

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Share capital or individual capital | 189,637 | 189,637 |
| Share premiums | 213,658 | 213,658 |
| Legal reserve | 1,722 | 1,722 |
| Other reserves | 106,796 | 106,796 |
| Retained earnings | -250,791 | -226,675 |
| Income for the year | -183,931 | -24,116 |
| Regulated provisions | 3,753 | 4,191 |
| Shareholders' equity | 80,844 | 265,214 |
| Refundable advances | 15,086 | 15,701 |
| Total equity | 95,930 | 280,915 |
| Provisions for risks | 3,069 | 3,762 |
| Provisions for expenses | 43,178 | 10,756 |
| Total provisions for risks and expenses | 46,247 | 14,518 |
| Borrowings and debt from credit institution | 185,536 | 66,951 |
| Advances and deposits received for orders in progress | 1,260 | 1,260 |
| Trade accounts payable | 69,445 | 92,250 |
| Tax and social security payables | 19,684 | 19,835 |
| Debt on fixed assets and related accounts | 990 | 740 |
| Other liabilities | 39,237 | 21,949 |
| Deferred income | 2,160 | 2,507 |
| Total liabilities | 318,312 | 205,492 |
| Translation differences | 2,611 | 498 |
| **TOTAL LIABILITIES** | **463,099** | **501,423** |

## 5.8.2 INCOME STATEMENT

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Production sold (goods) | 280,355 | 480,652 |
| Production sold (services) | 16,910 | 3,646 |
| Net revenue | 297,265 | 484,298 |
| Inventoried production | -23,991 | -43,118 |
| Capitalized production | 138 | 4,306 |
| Operating grants | 2,660 | 4,799 |
| Reversals of depreciation and amortization, provisions, transfers of expenses | 13,598 | 25,049 |
| Other income | 6,456 | 4,726 |
| Operating income | 296,125 | 480,062 |
| Purchase of raw materials and other supplies | 19,701 | 36,736 |
| Changes in inventories (raw materials, supplies) | 1,153 | 4,192 |
| Other purchases and external expenses | 246,920 | 404,913 |
| Taxes, duties and similar | 2,723 | 5,891 |
| Wages and salaries | 43,053 | 44,047 |
| Social security expenses | 16,221 | 18,490 |
| Depreciation, amortization and provisions (fixed assets) | 8,710 | 8,570 |
| Provisions for current assets + contingencies and charges | 26,436 | 5,883 |
| Other operation expenses | 8,569 | 5,424 |
| Operating expenses | 373,486 | 534,146 |
| **NET OPERATING INCOME** | **-77,361** | **-54,084** |
| Financial income from shareholdings | 2,651 | 11,528 |
| Other interest and similar income | 51 | 469 |
| Reversals on provisions, transfers of expenses | 1,940 | 4,902 |
| Foreign exchange gains | 18,667 | 2,079 |
| Net income from sales of marketable securities | 102 | 48 |
| Financial income | 23,412 | 19,026 |
| Financial provision | 323 | 1,861 |
| Interest and related expenses | 3,746 | 3,973 |
| Foreign exchange losses | 29,947 | 2,726 |
| Net loss on sales of marketable securities | 0 | 0 |
| Financial expenses | 34,016 | 8,560 |
| **FINANCIAL INCOME** | **-10,604** | **10,465** |
| **CURRENT INCOME BEFORE TAX** | **-87,965** | **-43,619** |
| Exceptional income from management transactions | 60 | 8,089 |
| Exceptional income from capital transactions | 93 | 843 |
| Reversals on provisions, transfers of expenses | 1,741 | 14,399 |
| Exceptional income | 1,894 | 23,331 |
| Exceptional expenses on management transactions | 393 | 1,042 |
| Exceptional expenses from capital transactions | 532 | 2,324 |
| Exceptional provisions | 97,604 | 1,815 |
| Exceptional expenses | 98,529 | 5,181 |
| **EXCEPTIONAL INCOME** | **-96,636** | **18,150** |
| Employee profit sharing | 0 | 0 |
| Income tax | 669 | 1,353 |
| **TOTAL INCOME** | **321,431** | **522,418** |
| **TOTAL EXPENSES** | **505,362** | **546,534** |
| **NET INCOME** | **-183,931** | **-24,116** |

## 5.8.3 CASH FLOW STATEMENT

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Net income | -183,931 | -24,116 |
| Elimination of depreciation, amortization and provisions | 116,921 | 2,320 |
| Cash flow | -67,010 | -21,796 |
| Change in WCR net of provisions | -16,139 | -33,133 |
| Cash flow from operating activities | -83,149 | -54,928 |
| Total investments | -2,520 | -12,995 |
| Total sales | 90 | 976 |
| Cash flows from (used in) investing activities | -2,430 | -12,020 |
| Increase (decrease) in capital | 0 | -1,203 |
| Proceeds from bank borrowings | 123,200 | 10,000 |
| Repayments of bank borrowings | -4,128 | 0 |
| Flows in relation to investments | 0 | 227 |
| Flows in relation to refundable advances | -616 | -1,011 |
| Disposal (acquisition) of treasury shares | 40 | -41 |
| Net change in loans and advances granted | -1,380 | -10,470 |
| Cash flows from (used in) financing activities | 117,116 | -2,497 |
| **CHANGE IN CASH AND CASH EQUIVALENTS** | **31,537** | **-69,445** |
| Opening cash position | 19,077 | 88,523 |
| Closing cash position | 50,614 | 19,077 |
| Cash and cash equivalents | 50,806 | 20,955 |
| Overdraft facilities | -191 | -1,877 |
| **CASH AND CASH EQUIVALENTS** | **50,614** | **19,077** |

## INFORMATION ABOUT THE COMPANY

Latécoère is a company under French law ("société anonyme") headquartered at 135 Rue de Périole, Toulouse, France and listed on Euronext Paris. (FR0000032278 – LAT).

## 5.8.4 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

These documents are appended to the balance sheet before apportionment of the fiscal year ended December 31, 2020, totaling €463,099 thousand, and to the income statement of the fiscal year, presented in list form, showing total income of €321,431 thousand, total expenses of €505,362 thousand, and negative income of -€183,931 thousand.

The fiscal year under review covers a period of 12 months from January 1, 2020 to December 31, 2020.

The notes and the tables herein form an integral part of the parent company financial statements. The financial statements are presented in €k rounded to the closest thousand euros.

### DETAILED SUMMARY OF THE NOTES TO THE FINANCIAL STATEMENTS

# NOTE 1 ACCOUNTING PRINCIPLES

## 1.1 PRESENTATION OF THE FINANCIAL STATEMENTS

The parent company financial statements at December 31, 2020 have been prepared in accordance with regulations in force, in compliance with ANC Regulation 2014-03. Moreover, the Company applies the recommendations of the accounting plan of the aeronautical and space industry for the accounting treatment of some specific operations.

## 1.2 ASSUMPTIONS AND ESTIMATES

The preparation of financial statements requires that the Management make estimates and assumptions which have an impact on the application of accounting methods as well as on amounts of assets and liabilities, income and expenses.

The Company makes assumptions and regularly establishes, on these bases, estimates relating to its various businesses. These estimates have been made from past experience and other factors considered as reasonable in view of the circumstances; they integrate the economic conditions prevailing at the closing and the information available as of the date of preparation of the financial statements. The Management regularly reviews its estimates and assumptions on the basis of its past experience as well as other factors deemed reasonable, which constitutes the grounds for its appreciations of the carrying value of assets and liabilities.

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

The judgments made by the Management, having a significant impact on the financial statements and the estimates presenting an important risk of variations during the period, concern mainly the estimated margin on construction contracts (Note 1.6), provisions on inventories, the recoverable value of operating assets, long-term financial assets, and employee benefits (Note 16.2).

At December 31, 2020, the accounting estimates used in the preparation of the financial statements were performed in a worldwide economic context with a still high degree of volatility with regard to economic prospects. The estimates and the assumptions retained for the financial statements were determined based on the elements in the company possession at the closing date and, in particular:

- commercial information (order book and rates) communicated by the various aircraft manufacturers and information from the prospects of the aeronautical market;
- the long-term outlook for the dollar.

## 1.3 OTHER INTANGIBLE ASSETS

Composed essentially of computer software, they are measured on the basis of acquisition cost (purchase price and associated costs) or at their production cost (capitalized production). The interest costs on loans specific to capitalized production are not included in the cost of production.

The difference between economic amortization, based on the useful life, and amortization calculated on the basis of the tax period is recorded as a depreciation/amortization allowance. Other intangible fixed assets are amortized over their duration of use.

## 1.4 TANGIBLE ASSETS

The tangible fixed assets are accounted for at their directly attributable cost (including purchase price, taxes paid and direct purchase cost), reduced by accumulated depreciation and loss of value.

Subsequent expenses relating to tangible fixed assets are accounted for as expenses of the fiscal year in which they are incurred if they maintain the performance level of the asset. They are added to the carrying value of the initial fixed asset if they generate future economic benefits higher than the initial level of performance and if their cost can be measured reliably.

When applicable, the total cost of an asset is broken down between its different constitutive elements (components) if their useful lives are different. Each element of the asset is depreciated over a different time period. Latécoère has defined families of assets that might be broken down, together with the useful lives of the components thus identified.

As the assets acquired by Latécoère are not meant to be resold before the end of their economic lives, no residual value has been applied to the different tangible fixed assets.

The depreciation and amortization method reflects the rate of consumption of the future economic benefits relating to the asset.

The grants received by Latécoère as assistance to the financing of industrial fixed assets are accounted for in deduction of the original value of the asset.

Furthermore, Latécoère has not chosen the option of integrating, in the cost of fixed asset, the financial costs relating to the specific financing of this asset.

The depreciation and amortization periods associated with the groups and sub-groups of assets are as follows:

| Group | Amortization period |
|---|---|
| Construction | 15-40 years |
| General facilities | 10-20 years |
| Technical facilities | 6-2/3-20 years |
| Tooling | 3 years |
| Electronic equipment | 5 years |
| Computer hardware | 3-5 years |
| Transport equipment | 4 years |
| Office equipment | 6 2/3 years |
| Furniture | 10 years |

In general, Latécoère has opted for the use of the straight-line method of depreciation and amortization for all of its assets. However, according to nature and specificity of the asset, the declining depreciation/amortization method may be applied.

### Impairment of assets

The carrying value of the Company's assets is examined at each closing so as to appreciate if any indication of a loss in value exists. If such an indication is identified, an impairment test is carried out. The impairment test consists in comparing the carrying value of the asset or of the relevant group of assets with its recoverable value.

The recoverable value of an asset is the higher of its fair value less costs to sell and its value in use. The value in use is the discounted value of estimated future cash flows expected from the continuing use of the asset and from its disposal at the end of its useful life.

In order to determine the value in use of an asset, Latécoère uses:

- estimates of future cash flows (post income tax and financial cost) based on assumptions that keep the asset in its current condition and represent the best estimate of the economic conditions which will exist during the remaining useful life of the asset;
- the post-tax discount rate that reflects the current market valuations of the time value of money and of the specific risks of the asset. The discount rate does not reflect the risks that have already been taken into account in the estimate of future cash flows.

An impairment is recorded if the carrying value of an asset is higher than its recoverable value.

An impairment loss is recognized on a case-by-case basis depending on the recoverability risk of the asset or the group of assets concerned.

## 1.5 EQUITY INVESTMENTS AND OTHER LONG-TERM FINANCIAL ASSETS

### Shareholdings

Shareholdings are initially measured at their price or subscription price. At each year-end, their value in use is determined by taking into account the net equity and potential profitability of each holding.

### Other long-term financial assets

Their gross value includes their purchase price excluding associated costs.

## 1.6 INVENTORIES AND WORK IN PROGRESS

### Raw materials

The gross value of raw materials and supplies includes the purchase price and associated costs. Valuation is made at the weighted average price. Provisions for impairments are constituted on the raw materials and facilitiesfor which no use is foreseen in the short-term.

### Work in progress excluding construction contracts

The gross value of work in progress is measured using the full cost method excluding non-production costs (financial expenses, marketing costs, estimates without follow-up, administrative costs, etc.). Work in progress is impaired when its realizable value is under its carrying value.

### Construction contracts (long-term contracts)

Latécoère has concluded partnership contracts with some of its customers, the characteristics of which are those of construction contracts:

- contract relating to the production of a group of assets closely interrelated or interdependent in terms of design, technology and function;
- which covers several fiscal years.

The principal income and costs of construction contracts are:

**a) for income:**

- the initial amount of revenue agreed in the contract;
- the modifications in contract work or the claims to the extent that it is probable that they give rise to revenue and that they can be measured reliably.

**b) for costs:**

- the costs directly related to the contract;
- the costs attributable to the contract activity in general and which can be allocated to the contract;
- all other costs that can specifically be charged to the customer according to the terms of the contract.

The margin is recognized by reference to the stage of completion and calculated in relation to the delivery of elements ("milestones"). Latécoère invoices on delivery and all the invoicing is due by the customer whatever the outcome of the program.

Additional invoicing may also be carried out subsequently (modifications or additional work). A study is undertaken on a case-by-case basis in order to define elements permitting the determination of the stage of completion ("milestones").

The estimated margin is calculated on the basis of a forecast including the technical and budgetary elements determined at the inception. This margin is revised periodically according to the costs and products generated over the period and yet to come. When the foreign exchange exposure is hedged, the impact of this hedging is integrated in the calculation of the estimated margin. When the forecast margin is negative, it is immediately recognized in the income statement.

Construction contracts covering several fiscal years, during the first fiscal years the Company is brought to note in the balance sheet costs of production, which will subsequently be recycled in income statement according to the decay really observed.

Construction contracts are based on forecasts made by Latécoère taking into account the commercial information (order book and production rates) released by the different aircraft manufacturers and the information coming from the outlook for the aeronautical market. Future costs are estimated on the basis of the industrial organizations set up by Latécoère. Furthermore, the dollar flows (revenue and expenses) representing a significant share of the total flows, the Group founded its projections on a historical analysis of the dollar, assumptions of the future evolution of the dollar in relation to the duration of contracts. This last assumption could be reviewed depending on the outlook for the currency evolution and its impact on the projections.

## 1.7 REVENUE RECOGNITION

Revenue is recognized according to the following criteria:

- for construction contracts, please refer to Note 1.6;
- for other types of contracts (other than services), revenue is recognized when the main part of risks and rewards are transferred to the buyer, which occurs on delivery;
- for service contracts, revenue is recognized by reference to the stage of completion based on the actual advancement of work on the basis of costs recorded in relation to total estimated costs.

## 1.8 RECEIVABLES

Receivables are valued at their nominal value. The risks of non-recovery are provided for as required at the end of each year.

## 1.9 MARKETABLE SECURITIES

They are exclusively made up of securities (other than treasury shares). Their gross value includes their purchase price excluding associated costs. When the inventory value is under their gross value, a provision for impairment is constituted.

## 1.10 PROVISIONS FOR RISKS

Provisions are established in compliance with Regulation CRC 2000-06 on liabilities. Risks known at the date of the closing of the financial statements are subject to a review and a provision is made.

## 1.11 REGULATED PROVISIONS

Regulated provisions that feature in the balance sheet include, exclusively, special depreciation/amortization allowances. Special depreciation/amortization allowances comprise the difference between straight-line depreciation/amortization recorded under operating income and the declining depreciation/amortization authorized by the tax legislation in force.

## 1.12 FOREIGN CURRENCY TRANSACTIONS

### Foreign currency transactions

Transactions in foreign currencies are translated using the exchange rates prevailing at the transaction date.

Payables and receivables in foreign currencies are revalued at the closing exchange rate of December 31, with unrealized gains and losses resulting from this revaluation being recorded in translation differences. Provisions are created for unrealized foreign exchange losses for the period ended December 31, except for losses offset against potential gains in the same currency and with the same maturity.

Exchange gains or losses relating operating items are recorded in operating income. Exchange gains or losses relating financial items are recorded in financial income.

### Currency hedges

#### HEDGING TRANSACTIONS

The market values of financial instruments on transactions qualifying for hedge accounting known as "hedging transactions" are not recorded on the Company's balance sheet but are recorded as off-balance sheet commitments.

Unrealized exchange gains or losses are not recognized in the income statement. Conversely, realized gains and losses on these transactions are recognized in the income statement symmetrically with the hedged item.

In most cases, the Company hedges its invoicing flow in USD. Thus, the income from these hedges is recorded in revenue.

#### SPECULATIVE TRANSACTIONS

The market values of financial instruments on transactions that do not qualify for hedge accounting, known as "speculative transactions", are recorded in the Company's balance sheet.

Unrealized gains and losses are subject to a financial provision and realized gains and losses on these transactions are recorded in financial income.

## 1.13 LONG-SERVICE AWARDS

In compliance with recommendation n°. 2003-R-01 of the "Conseil National de la Comptabilité" (Regulation n° 2000-06 on liabilities), Latécoère set up a provision for employee long-service medals, calculated in compliance with IAS 19 (using actuarial assumptions, the level of future compensation, life expectancy and employee turnover rates).

## 1.14 REVENUE RECOGNITION

Revenue is recognized on product delivery or upon the provision of services.

## 1.15 TAXES

Since the 2009 fiscal year, Latécoère has made itself the only entity responsible for corporate tax, for additional contributions based on the corporate tax, and for the annual flat-rate taxation due in respect of the tax Group which includes the Latécoère, LATelec, and Latécoère Développement companies.

Under the tax consolidation agreement, the tax-consolidated subsidiaries bear their own tax expense, as they would had there not been tax consolidation, and pay the corresponding amounts due to Latécoère, by way of contribution to the payment of the tax-Group's taxes.

## 1.16 IMPACT LINKED TO THE COVID-19 HEALTH CRISIS

The aeronautics market has suffered in full force the effects of the Covid-19 crisis, with a collapse in global air traffic in 2020, which has led all aircraft manufacturers to sharply downward revise their delivery programs. Thus, the companysactivities have been very strongly impacted by this health crisis. Activity decreased by -39%, impacted by the significant drops in deliveries of all programs.

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

### Adaptation Plan

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

- a decrease in purchases of raw materials and consumed goods by -46%;
- a reduction in external charges of -39% mainly composed of fixed charges demonstrating the company's ability to adapt to the sudden drop in its activity;
- a significant decrease in its investments of -€9.6m from €12.0m in 2019 to € 2.4m.

In addition, in order to adapt its cost structure, thescompany announced on September 25, 2020 a strategic plan for the transformation and organization of the company in France.

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

As of December 31, 2020, on this basis, the company recognized a restructuring provision amounting to €20 million as a non-current expense (see Note 4 and 15).

On January 29, 2021, an agreement was concluded between management and the trade unions and validated by DIRECCTE on February 23, 2021 and now provides for:

- the decrease of 246 positions;
- 158 proposals for changes to the employment contract for economic reasons;
- the creation of 33 positions, in addition to the 32 currently vacant positions.

### Business continuity and liquidity

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

As of December 31, 2020, the company had cash of 50.6 million euros, enabling it to meet its short-term cash payments. Nevertheless, for the sake of anticipation, and in view of an activity forecast to decline in 2021 compared to that of 2020, the company has updated its cash flow forecasts over a rolling 12-month period at Group level. These forecasts are subject to several uncertainties, including the level of activity and the timing of expenditure for the adaptation plan, and therefore include the establishment of additional financing, the terms and conditions of which are currently under discussion. Thus, the company is studying with its banking and financial partners the establishment of new financing enabling it to cover its identified liquidity needs over the 2021-2025 period, including the needs arising from the deadlines of repayment of its PGE debt (from 2022). This new financing would include a new tranche of PGE loans for a maximum amount of 130 million euros, as well as alternative financing for indicative amounts of 70 million euros; among these, there is the implementation of leases on certain real estate assets in France and abroad and the setting up of secure financing on the Group's inventories. Obtaining this funding is necessary to enable the company to implement its transformation plan for 2021 and 2022.

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

Based on these cash flow projections, on the strategic plan and on the measures taken since the start of the Covid-19 crisis, the Board of Directors of the Latécoère company approved the financial statements as of December 31, 2020 on a going concern basis.

### Impairment test

The extent of the decline in activity and its repercussions on the aeronautics sector is an indication of impairment. The company therefore carried out an annual impairment test on these assets, once the data in the medium-term plan have been updated and validated by the Board of Directors.

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

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

As of December 31, 2020, these tests led to the recognition of a loss in value of the assets of €75.8 million, details of which can be found in note 5 "Impairment test".

## NOTE 2 FIXED ASSETS

| *In € thousand* | Dec. 31, 2019 | Acquisitions | Reclassification | Disposals/ scrapping | Dec. 31, 2020 |
|---|---|---|---|---|---|
| Start-up costs | 9,011 | 0 | 0 | 0 | 9,011 |
| Goodwill | 500 | 0 | 0 | 0 | 500 |
| Software | 22,154 | 588 | 1,239 | 0 | 23,981 |
| Fixed intangible assets in progress | 0 | 0 | 3,801 | 0 | 3,801 |
| **INTANGIBLE ASSETS** | **31,664** | **588** | **5,040** | **0** | **37,292** |
| Land | 417 | 0 | 0 | 0 | 417 |
| Buildings | 4,486 | 333 | 106 | 0 | 4,925 |
| Technical facilities, industrial equipment & tooling | 44,496 | 1,473 | 3,760 | 0 | 49,730 |
| General facilities | 5,711 | 45 | 32 | 0 | 5,788 |
| Transport equipment | 92 | 0 | 0 | 0 | 92 |
| Office equipment, IT, furniture | 1,332 | 5 | 9 | 0 | 1,346 |
| Tangible assets in progress | 9,688 | 63 | -8,948 | 0 | 804 |
| Advances and deposits | 77 | 12 | 0 | 90 | 0 |
| **TANGIBLE ASSETS** | **66,299** | **1,932** | **-5,040** | **90** | **63,101** |
| Other investments | 46,119 | 0 | 0 | 0 | 46,119 |
| Receivable related to investments | 19,958 | 927 | 0 | 127 | 20,757 |
| Other long-term investments | 25 | 0 | 0 | 0 | 25 |
| Other long-term financial assets | 2,506 | 2,300 | 0 | 1,827 | 2,979 |
| **LONG-TERM FINANCIAL ASSETS** | **68,608** | **3,227** | **0** | **1,954** | **69,881** |
| **TOTAL GROSS FIXED ASSETS** | **166,571** | **5,746** | **0** | **2,043** | **170,274** |

## NOTE 3 DEPRECIATION AND AMORTIZATION

| *In € thousand* | Dec. 31, 2019 | Increase | Dec. 31, 2020 |
|---|---|---|---|
| Start-up costs | 7,724 | 1,287 | 9,011 |
| Goodwill | 500 | 0 | 500 |
| Software | 18,089 | 3,258 | 21,347 |
| **INTANGIBLE ASSETS** | **26,313** | **4,545** | **30,858** |
| Buildings | 1,240 | 280 | 1,520 |
| Technical facilities, industrial equipment & tooling | 27,786 | 3,669 | 31,455 |
| General facilities | 4,785 | 167 | 4,951 |
| Transport equipment | 92 | 0 | 92 |
| Office equipment, IT, furniture | 1,197 | 50 | 1,247 |
| **TANGIBLE ASSETS** | **35,100** | **4,165** | **39,266** |
| **TOTAL DEPRECIATION AND AMORTIZATION** | **61,413** | **8,710** | **70,123** |

| *In € thousand* | Straight-line method | Declining method | Special depreciation/ amortization allowances | |
|---|---|---|---|---|
| | | | Increase | Reversals |
| **INTANGIBLE ASSETS** | **4,545** | **0** | **587** | **965** |
| Buildings | 280 | 0 | 36 | 14 |
| Technical facilities, industrial equipment & tooling | 3,669 | 0 | 64 | 160 |
| General facilities | 167 | 0 | 15 | 0 |
| Transport equipment | 0 | 0 | 0 | 0 |
| Office equipment, IT, furniture | 50 | 0 | 0 | 0 |
| **TANGIBLE ASSETS** | **4,165** | **0** | **115** | **174** |
| **TOTAL BREAKDOWN OF INCREASES FOR THE YEAR** | **8,710** | **0** | **701** | **1,139** |

## NOTE 4 PROVISIONS

| *In € thousand* | Dec. 31, 2019 | Increase | Reversals | Dec. 31, 2020 |
|---|---|---|---|---|
| Special depreciation/amortization allowances | 4,191 | 701 | 1,139 | 3,753 |
| **Regulated provisions** | **4,191** | **701** | **1,139** | **3,753** |
| Provisions for foreign exchange losses | 2,997 | 2,742 | 2,997 | 2,742 |
| Other provisions for risk and expenses | 11,521 | 39,129 | 7,145 | 43,505 |
| **Total provisions for risks and expenses** | **14,518** | **41,870** | **10,142** | **46,247** |
| Provisions for the impairment of fixed assets | 0 | 0 | 0 | 0 |
| Provisions for the impairment of long-term financial assets | 254 | 0 | 78 | 175 |
| Provisions for the impairment of inventories and work in progress | 6,874 | 80,108 | 0 | 86,982 |
| Provisions for the impairment of trade receivables | 79 | 1,539 | 0 | 1,618 |
| Others provisions for impairment | 0 | 144 | 0 | 144 |
| **Provisions for impairments** | **7,207** | **81,791** | **78** | **88,920** |
| **TOTAL PROVISIONS** | **25,916** | **124,363** | **11,360** | **138,920** |

| *In € thousand* | Increase | Reversals |
|---|---|---|
| Operating | 26,436 | 7,679 |
| Financial | 323 | 1,940 |
| Exceptional | 97,604 | 1,741 |
| **TOTAL** | **124,363** | **11,360** |

At December 31, 2020 oher provisions for risks and expenses of -€39.1 million mainly included:

- the provision relating to social plan for €20 million;
- a provision for depollution of the historic site of Toulouse-Périole for €1 million;
- disputes over commercial contracts for an amount of €18 million.

Provisions for inventories and work in progress include in particular an impairment of assets for an amount of €75.8 million detailed in note 5.

## NOTE 5 IMPAIRMENT OF ASSET

The extent of the decline in activity and its repercussions on the aeronautics sector is an indication of impairment. The company therefore carried out an annual impairment test on these assets, once the data in the medium-term plan have been updated and validated by the Board of Directors.

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

- expected future cash flows are determined on the basis of five years forecast of the assets tested;
- operating forecasts used to determine expected future cash flows take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macroeconomic assumptions;
- the value in use of assets in each scenario is equal to the sum of these discounted estimated future cash flows plus a terminal value, calculated by applying the growth rate expected for the relevant businesses to standardized cash flows representing long-term business activity;
- the growth rate used to calculate terminal value was set at 1.5%;
- the benchmark discount rate used is 9.6%, and is applied to post-tax cash flows.

The forecasts and assumptions used have been adjusted with the latest forecasted approved financial information presented to the Board of Directors.

This results in a depreciation of the assets for an amount of €75.8 million. This depreciation has been allocated on inventories relating to construction contracts (see note 6) recognized in "Work in progress".

## NOTE 6 INVENTORIES

| *In € thousand* | Gross amount | Amortization | 31 déc. 2020 |
|---|---|---|---|
| Raw materials | 15,796 | 5,914 | 9,882 |
| Work-in-progress * | 99,145 | 76,403 | 22,742 |
| • of which learning curve | 68,545 | 62,800 | 5,745 |
| • of which NRC | 13,106 | 13,030 | 76 |
| Intermediate and finished products | 25,198 | 4,666 | 20,532 |
| **INDUSTRIAL INVENTORIES** | **140,139** | **86,983** | **53,156** |

* *Including € 75.8 million of impairment allocated on work-in-progress inventories relating to "construction contracts" as follows:-*
*- €62.8 million on learning curve;-*
*- €13.0 million on NRC (non-recurring costs)*

## NOTE 7 STATEMENT OF RECEIVABLES AND PAYABLES

| *In € thousand* | Gross amount | Due within one year | Due after one year |
|---|---|---|---|
| Receivable related to investments | 20,758 | 5,900 | 14,858 |
| Loans | 176 | 84 | 92 |
| Other long-term financial assets | 2,803 | 218 | 2,585 |
| Doubtful or disputed trade accounts receivable | 1,636 | 1,636 | |
| Other trade accounts receivable | 39,603 | 39,603 | |
| Payroll and similar accounts | 12 | 12 | |
| Social security and other similar organizations | 499 | 499 | |
| State and other local authorities | 16,049 | 9,819 | 6,230 |
| Group and associates | 173,622 | 173,622 | |
| Miscellaneous | 25,452 | 25,452 | |
| Prepaid expenses | 854 | 854 | |
| **TOTAL STATEMENT OF RECEIVABLES** | **281,463** | **257,698** | **23,764** |
| Loans granted during the year | 0 | | |
| Reimbursements obtained during the year | 78 | | |

The receivables greater than one year relating to the line “State and other local authorities” correspond to tax credits (primarily, the CIR and CICE).

| *In € thousand* | Gross amount | Due within one year | Due between one and five years | Due after five years |
|---|---|---|---|---|
| Refundable advances | 15,086 | 1,088 | 2,309 | 11,688 |
| Loans due within 1 year at origin | 191 | 191 | | |
| Loans due after 1 year at origin | 143,467 | 267 | 143,200 | |
| Miscellaneous loans and bank borrowings | 41,878 | 3,176 | 38,701 | |
| Trade accounts payable | 69,445 | 69,445 | | |
| Payroll and similar accounts | 9,874 | 9,874 | | |
| Social security and other similar organizations | 7,158 | 7,158 | | |
| State: income tax | 0 | | | |
| State: value added tax | 1,326 | 1,326 | | |
| State: other taxes and duties | 1,325 | 1,325 | | |
| Due for fixed assets, related accounts | 990 | 990 | | |
| Group and associates | 30,204 | 30,204 | | |
| Other liabilities | 9,033 | 4,877 | 831 | 3,325 |
| Deferred income | 2,160 | 2,160 | | |
| **TOTAL STATEMENT OF LIABILITIES** | **332,137** | **132,082** | **185,042** | **15,013** |
| Loans obtained during the year | 88,200 | | | |
| Loans reimbursed during the year | 0 | | | |

# NOTE 8 LOANS AND BANK BORROWINGS

| | | | | Dec. 31, 2020 | |
|---|---|---|---|---|---|
| *In € thousand* | Currency | Interest rate | Maturity | Nominal value | Carrying value |
| EIB loan | EURO | EURIBOR + margin | 2024-2026 | 55,000 | 55,000 |
| State guaranteed loan | EURO | Fixed rate | 2026 | 88,200 | 88,200 |
| Shareholders loan | EURO | Fixed rate | 2027 | 35,000 | 35,000 |
| **TOTAL LOANS AND BANK BORROWINGS** | | | | **178,200** | **178,200** |

## FINANCIAL COMMITMENT ON THE LOAN OF THE EUROPEAN INVESTMENT BANK

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

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

# NOTE 9 REFUNDABLE ADVANCES

Repayable advances relate to the A350 (€6.8 million), A380 (€1.3 million) and Embrear (€6.6 million) programs. Advances shall be repaid if the program succeeds, and repayments are linked to the deliveries of each financed product. The repayment conditions have been established in the agreement signed with the lending organization.

## NOTE 10 ACCRUED INCOME, ACCRUED EXPENSES, PREPAID EXPENSES AND DEFERRED REVENUE

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Invoices to be issued | 1,877 | 4,574 |
| Accrued interest receivable + miscellaneous | 182 | 37 |
| **Total income accruals** | **2,060** | **4,611** |
| Accrued interest on loans | 267 | 23 |
| Supplier invoices not yet received | 16,655 | 35,378 |
| Tax and social security expenses payable | 14,236 | 12,561 |
| Interest accrued on overdraft | 12 | 16 |
| Other items | 4,723 | 3,964 |
| **Total expense accruals** | **35,893** | **51,942** |
| Insurance premiums | 161 | 235 |
| Miscellaneous expenses | 693 | 534 |
| **Total prepaid expenses** | **854** | **769** |
| **Total deferred revenue** | **2,160** | **2,507** |

## NOTE 11 SHAREHOLDERS' EQUITY

### 11.1 BREAKDOWN OF CAPITAL AND EARNINGS PER SHARE

Latécoère shares are listed on EURONEXT PARIS, NYSE EURONEXT compartment "B". ISIN code: FR 0000032278.

The share capital is €189,637,036 and breaks down as follows:

| *In € thousand* | Number | Nominal value |
|---|---|---|
| Total shares at beginning of year | 94,818,518 | 2.00 |
| Shares issued during the year | 0 | 2.00 |
| Decrease of capital during the year | 0 | 2.00 |
| Total shares at end of year | 94,818,518 | 2.00 |

| *In € thousand* | Amount |
|---|---|
| Shareholders' equity at Dec. 31, 2018 | 290,119 |
| Premiums + capital increase | -1,203 |
| 2019 income | -24,116 |
| Distribution of 2018 dividends | 0 |
| Regulated provisions | 413 |
| Shareholders' equity at Dec. 31, 2019 | 265,214 |
| Premiums + capital increase | 0 |
| 2020 income | -183,931 |
| Distribution of 2019 dividends | 0 |
| Regulated provisions | -438 |
| Shareholders' equity at Dec. 31, 2020 (1) | 80,844 |

*(1) Of which unavailable reserves to hedge treasury shares amounting to €80 thousand.*

## 11.2 TREASURY SHARES

| *Number of shares* | Dec. 31, 19 | Acquisitions | Disposals | Dec. 31, 20 |
|---|---|---|---|---|
| LATECOERE shares | 31,224 | 644,581 | 637,047 | 38,758 |

| *In € thousand* | Dec. 31, 19 | Acquisitions | Disposals | Dec. 31, 20 |
|---|---|---|---|---|
| LATECOERE shares | 120 | 1,354 | 1,394 | 80 |

## 11.3 PLAN FOR THE GRANT OF PERFORMANCE SHARES

On January 16, 2018, the Board of Directors decided to extend existing Plan 1 by a new phase of allocation of free-shares in accordance with the authorization granted by the Combined General Meeting of June 3, 2016. These are subject to a condition of presence and conditions of economic and stock market performance. The main features of the plan are summarized in the table below:

| | Plan of Jan. 16, 2018 |
|---|---|
| Date of General Meeting | June 3, 2016 |
| Date of Board of Directors | January 16, 2018 |
| Total number of shares that may be granted | 1,829,700 |
| Vesting period | 3 tranches corresponding to fiscal years 2018, 2019 and 2020 |
| Acquisition time | 2 years starting from the assignment by the Board of Directors |
| Compulsory duration of the holding period of shares starting from the definitive acquisition | 2 years starting from the date of acquisition |
| Performance conditions | yes (see details hereafter) |

The performance conditions consist of:

- a stock performance criterion for a maximum total amount of 412,533 shares on the basis of an increase in the price of the share of Latécoère stock compared to a reference price fixed for each fiscal year (reference year) in respect of the years 2019 and 2020;
- an economic performance criterion for a maximum total amount of 708,583 shares based on a level of revenue achieved compared to a revenue target for each reference year in respect of fiscal years 2018, 2019 and 2020;
- an economic performance criterion for a maximum total amount of 708,583 shares based on a level of operating free cash flow achieved compared to an operating free cash flow target for each reference year in respect of fiscal years 2018, 2019 and 2020.

### Information on the fair value of the plan

| Fair value | Plan of Jan. 16, 2018 |
|---|---|
| Share price at the date of grant | €4.82 |
| Latécoère share volatility | from 30 to 50% according to the horizon |
| Risk free rate of return | from -0.57% to -0.32% according to the horizon |
| Fair value of the option for the stock performance 2019 | €2.15 |
| Fair value of the option for the stock performance 2020 | €1.63 |
| Fair value of the option for the revenue and free cash flow performance plan | €4.81 |

The fair value of options, calculated by an external actuary, is determined, at the date of grant, from the Monte Carlo simulation model for the part relating to the stock exchange performance condition. The fair value of the shares attached to the non-market performance conditions corresponds to the value of the price at the grant date minus the sum of the discounted dividends during the vesting period.

The expense associated with each tranche corresponds to the probabilized fair value taking into account the probability of reaching the condition and the probability of presence of each employee at the acquisition date of the shares.

### Information on the evolution of the plan

During its meeting of December 5, 2018, the Board of Directors of Latécoère decided to modify the rules of the plan of allocation of free shares adopted on January 16, 2018. The conditions of attribution are modified for the Reference Fiscal Years of 2019 and 2020, with the exception of the condition of presence which remains unchanged for the duration of the Plan.

Hence:

- the revenue condition and the stock exchange performance condition are modified; and
- the free cash flow condition is deleted and replaced by the EBITDA/revenue condition.

The modification of the plan has no impact on the fair value of the plan.

| | Dec. 31, 2020 |
|---|---|
| Number of shares attributable at the beginning of the period | 1,829,700 |
| Shares granted on previous periods | 146,292 |
| Shares granted during the period | 87,985 |
| Shares acquired by beneficiaries | 146,292 |
| Shares canceled | 1,406,123 |
| **NUMBER OF SHARES ATTRIBUTABLE AT THE END OF THE PERIOD** | **189,300** |

## NOTE 12 REVENUE

### BY SEGMENT

| | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| *In € thousand* | Amount | % | Amount | % |
| Civil business | 292,883 | 99% | 477,364 | 99% |
| Military business | 4,382 | 1% | 6,934 | 1% |
| **TOTAL** | **297,265** | **100%** | **484,298** | **100%** |

### BY GEOGRAPHICAL ZONE

| | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| *In € thousand* | Amount | % | Amount | % |
| France | 79,417 | 27% | 140,643 | 29% |
| Export | 217,848 | 73% | 343,655 | 71% |
| **TOTAL** | **297,265** | **100%** | **484,298** | **100%** |

### BY GEOGRAPHICAL MARKET (DIRECT EXPORTS)

| | Dec. 31, 2020 | | Dec. 31, 2019 | |
|---|---|---|---|---|
| *In € thousand* | Amount | % | Amount | % |
| Europe | 125,682 | 42% | 226,823 | 47% |
| America | 167,818 | 56% | 252,784 | 52% |
| Asia | 2,881 | 1% | 4,588 | 1% |
| Other items | 883 | 0% | 104 | 0% |
| **TOTAL** | **297,265** | **100%** | **484,298** | **100%** |

It should be noted that this breakdown does not show the final destination of products manufactured. Indeed, most sales to our French customers (Airbus France, Dassault, etc.) may end up being exported.

## NOTE 13 FINANCIAL INCOME

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Financial income from shareholdings | 2,651 | 11,528 |
| Other interest and similar income | 51 | 469 |
| Reversal of provision and transfer of expenses | 1,940 | 4,902 |
| Foreign exchange gains | 18,667 | 2,079 |
| Miscellaneous exceptional expenses | 102 | 48 |
| **FINANCIAL INCOME** | **23,412** | **19,026** |
| Financial provision | 323 | 1,861 |
| Interest and related expenses | 3,746 | 3,973 |
| Foreign exchange losses | 29,947 | 2,726 |
| Net expenses on sales of marketable securities | 0 | 0 |
| **FINANCIAL EXPENSES** | **34 016** | **8,560** |
| **FINANCIAL INCOME** | **-10,604** | **10,465** |

## NOTE 14 CORPORATE INCOME TAX

The taxes related to each income are determined by taking into account the tax write-back and deductions practiced and the tax rates applicable to the operations concerned.

| *In € thousand* | Gross amount | Tax write-back and deduction | Tax basis | Tax | After tax amount |
|---|---|---|---|---|---|
| Income before exceptional items, profit sharing and tax | -87,965 | | | | -87,965 |
| Exceptional income | -96,636 | | | | -96,636 |
| Contractual profit sharing | 0 | | | | 0 |
| Employee profit sharing | 0 | | | | 0 |
| Tax credits | 669 | | | | 669 |
| Miscellaneous | 0 | | | | 0 |
| **ACCOUNTING INCOME** | **-183,931** | **0** | **0** | **0** | **-183,931** |

The “Miscellaneous” item includes tax savings relating to the tax consolidation.

As of December 31, 2020, the Company’s tax loss amounted to €455.9 million.

## NOTE 15 EXCEPTIONAL INCOME AND EXPENSES

| *In € thousand* | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Increase in special depreciation/amortization allowances | 701 | 1,288 |
| Exceptional expenses on management transactions | 443 | 1,078 |
| Asset value of fixed assets sold | 482 | 2,288 |
| Exceptional depreciation, amortization and provisions | 96,903 | 528 |
| **TOTAL EXCEPTIONAL EXPENSES** | **98,529** | **5,181** |
| Reversal of special depreciation/amortization allowances | 1,139 | 874 |
| Income from fixed assets sold | 0 | 839 |
| Exceptional income on management transactions | 153 | 8,092 |
| Other exceptional income | 601 | 13,525 |
| **TOTAL EXCEPTIONAL INCOME** | **1,894** | **23,331** |
| **EXCEPTIONAL INCOME** | **-96,636** | **18,150** |

Exceptional income, amounting to -€96.6 million, mainly includes; the impact of the social adaptation plan amounting to -€20.0 million; the impairment of asset amounting to -€ 75.8 million (see note 5).

## NOTE 16 FINANCIAL COMMITMENTS

### 16.1 REAL ESTATE LEASING

| | Minimum future payments as of Dec. 31, 2020 | | | | Present value of minimum future payments as of Dec. 31, 2020 | | | |
|---|---|---|---|---|---|---|---|---|
| *In € thousand* | Less than 1 year | From 1 to 5 years | Over 5 years | Total | Less than 1 year | From 1 to 5 years | Over 5 years | Total |
| **Total** | **1,443** | **5,791** | **11,069** | **18,304** | **1,127** | **4,766** | **8,316** | **14,209** |

Lease payments for FY 2020 amount to €1,441 thousand, compared to €1,064 thousand in 2019. The depreciation and amortization expense would have been €845 thousand in 2020 if the building had been acquired by the Company.

### 16.2 RETIREMENT BENEFITS

Retirement obligations not recognized on the balance sheet are estimated to be, at December 31, 2020, €7,833 thousand, including Social Security expenses, compared to €10,373 thousand for the previous fiscal year. The retirement benefits recognized in the balance sheet, in the amount of €507 thousand, are subsequent to the merger and acquisition of Latécoère Aérostructures.

The retirement benefits are calculated according to recommendation No. 2013-02 of the "Conseil National de la Comptabilité". The Company's obligations with respect to its commitments towards the personnel of the French companies have been estimated by an independent actuary, using the projected credit unit method.

This method takes into account, on the basis of actuarial assumptions, the probability of the length of future service of the employee, the level of future compensation, life expectancy and employee turnover.

The calculation assumptions retained are the following:

- discount rate of 0.34% (0.70% in 2019) calculated on the basis of rates observed at December 31, 2020 for high quality corporate bonds, the Group using in particular the Iboxx Corp AA 10+ index;
- use of the INSEE 2015-2017 mortality table;
- employee turnover noted by age group and by company;
- age of retirement:
  - 63 progressively 66 according to year of birth for managers,
  - 61 progressively 64 according to birth year for non-managers;
- progression of salaries consistent with the average of the last years.

The obligation is calculated inclusive of social contributions. It is accounted for as the prorata of years of service of the employees.

### 16.3 FINANCIAL COMMITMENTS ON FOREIGN CURRENCY CONTRACTS AND FOREIGN EXCHANGE HEDGES

The principal hedging methods are the following:

- hedged transactions: estimate of the future cash inflows or outflows of each period;
- hedging techniques: use of forward sales and purchases of currencies, accumulators, combinations of optional instruments with or without activating or deactivating barriers.

The total amount of hedging contracts (forward contracts and options) in USD amounted to US$251 million at December 31, 2020, compared to US$822 million at the end of the previous fiscal year. These commitments, which are borne legally by the Latécoère Company, cover all of the euros/USD foreign exchange risk of the Group.

### 16.4 COMMITMENTS GRANTED TO GROUP COMPANIES

The parent company (Latécoère) has given a support commitment to its Czech subsidiary (Latécoère Czech Republic) for a period of 12 months.

### 16.5 GUARANTEED DEBT

Guarantees given amount to €26.4 million and are mainly made up of pledges made as part of the factoring agreement for €20.5 million and €5.9 million as part of CIR/CICE. Some contracts include covenants and financial commitments described in Note 8.

### 16.6 OTHER INFORMATION

Latécoère and LATelec are joint parties to a factoring agreement for a maximum amount of €50.0 million of work in progress financed, which is applicable to both companies (Latécoère and LATelec).

For Latécoère, at December 31, 2020, the amount of receivables assigned to the factor amounted to €20.6 million. The amount financed by the factor on the basis of the assigned receivables amounted to -€1.3 million. At December 31, 2019, the amount of receivables assigned to the factor amounted to €79.5 million. The amount financed by the factor on the basis of the assigned receivables amounted to €70.7 million.

In the course of its ordinary business, Latécoère has purchasing commitments related to production. These commitments are based primarily on forecasts of the production rates of the aircraft manufacturers and are realized at normal market conditions.

The Company has also given commitments to customs for a total amount of €0.6 million.

## NOTE 17 IMPACT OF EXCEPTIONAL TAX PROVISIONS ON INCOME

| *In € thousand* | Amount | Impact |
|---|---|---|
| Net income for the year | -183,931 | -183,931 |
| Increase in special depreciation/amortization allowances | 701 | 701 |
| Reversal of special depreciation/amortization allowances | 1,139 | -1,139 |
| Tax reduction due to charge | 199 | -199 |
| Tax increase due to write-backs | 324 | 324 |
| **INCOME EXCLUDING THE IMPACT OF TAX EXEMPTIONS** | | **-184,245** |

## NOTE 18 DEFERRED TAX POSITION

| *In € thousand* | Amount | Impact |
|---|---|---|
| Special depreciation/amortization allowances | 3,753 | -970 |
| Employee profit sharing | 0 | 0 |
| ORGANIC | -810 | 230 |
| Provisions for retirement departure | 507 | -131 |
| Translation differences – liabilities | 2,611 | -742 |
| **DEFERRED TAX POSITION** | **6,062** | **-1,612** |

## NOTE 19 AVERAGE HEADCOUNT

| | Dec. 31, 2020 | Dec. 31, 2019 |
|---|---|---|
| Managers | 344 | 335 |
| Employees, Technicians and Supervisors | 421 | 435 |
| Workers | 67 | 70 |
| **TOTAL** | **832** | **840** |

## NOTE 20 EXECUTIVE COMPENSATION

Compensation paid to members of the executive bodies and the management bodies (the Company's 10 highest salaries) totaled €2,945 thousand in 2020.

## NOTE 21 TABLE OF SUBSIDIARIES AND EQUITY INVESTMENTS

| *In € thousand* | Share capital | Retained earnings | Share % | Carrying value of holding | Loans and advances outstanding not yet reimbursed | Revenue of last fiscal year | Income for the past year | Dividends received during last fiscal year | Guarantees and securities given by the Company |
|---|---|---|---|---|---|---|---|---|---|
| **Latécoère International Inc.**<br>1000 Brickel av. – suite 641<br>Miami Florida 33131<br>USA | 489 | 108 | 100% | 541 | 127 | 1,613 | 3 | 0 | 0 |
| **Latécoère Developpement**<br>135 rue de Périole<br>31500 Toulouse<br>France | 600 | 822 | 100% | 572 | 0 | 0 | 11 | 0 | 0 |
| **LATelec**<br>Z.I. La Bourgade<br>rue Max Planck<br>31315 Labège<br>France | 7,600 | 64,771 | 100% | 7,600 | 0 | 196,744 | -63,009 | 0 | 0 |
| **Latécoère Czech Republic s.r.o.**<br>Letov Letecka Vyroba<br>Beranovich, 65<br>199 02 Praha 9 – Letnany<br>Czech Republic | 24,080 | 12,232 | 100% | 20,787 | 0 | 76,560 | -11,826 | 0 | 0 |
| **Latécoère do Brasil**<br>Av Getulio Dorneles Vargas<br>3,320 12305-010<br>Jacarei (SP)<br>Brazil | 4,861 | 0 | 98% | 13,425 | 0 | 34,253 | 480 | 0 | 0 |
| **Corse Composites Aéronautiques**<br>Z.I. Du Vazzio<br>20090 AJACCIO<br>France | 1,707 | 5,650 | 25% | 2,700 | 0 | 44,884 | -6,440 | 0 | 0 |
| **Latécoère Bulgaria**<br>1142 SOFIA neighbourhood<br>of Sredets, 21 boulevard Patriarh<br>Evtimly, entrance V, floor 3, apt. 5 | 102 | -3,250 | 100% | 100 | 15,221 | 19,705 | 94 | 0 | 0 |
| **Latécoère Bienes Raices**<br>1 calle Pierre-Georges Latécoère<br>Colonia La Manga<br>Hermosillo, Sonora 83220<br>Mexico | 0 | -1,031 | 60% | 0 | 0 | 204 | -248 | 0 | 0 |
| **Latécoère Mexico**<br>1 calle Pierre-Georges Latécoère<br>Colonia La Manga<br>Hermosillo, Sonora 83220<br>Mexico | 0 | 814 | 99% | 0 | 0 | 5,675 | 207 | 0 | 0 |
| **LATelec Mexico**<br>1 calle Pierre-Georges Latécoère<br>Colonia La Manga<br>Hermosillo, Sonora 83220<br>Mexico | 0 | -467 | 99% | 0 | 0 | 10,504 | -895 | 0 | 0 |
| **Latécoère Interconnection Systems Japan K.K.**<br>2-65-27 Kusunoki, Yatomi City,<br>Aichi Prefecture | 40 | 59 | 100% | 38 | 0 | 686 | 37 | 0 | 0 |
| **Latécoère India Private Limited**<br>Belgaum<br>Kamataka<br>India | 335 | -693 | 100% | 353 | 1,661 | 2 941 | -752 | 0 | 0 |
| **Latécoère Interconnection Systems UK**<br>Bristol and bath science park,<br>BRISTOL, BS16 7FR<br>England | 1 | 6 | 100% | 1 | 0 | 653 | 144 | 0 | 0 |

Items of the balance sheet of companies whose functional currency is one other than the euro were converted at the closing rate and the items of the income statement at the average rate for the relevant period.

## NOTE 22 RELATED PARTIES

| *In € thousand* | Amounts concerning companies: which are subsidiaries (over 50% controlled) | with which the Company has an equity interest |
|---|---|---|
| Equity investments | 43,419 | 2,700 |
| Other receivables related to investments | 16,882 | 0 |
| Miscellaneous receivables | 175,090 | 0 |
| Trade account receivables | 30,923 | 0 |
| Trade accounts payable | 40,608 | 0 |
| Miscellaneous debts | 30,204 | 0 |
| Operating income | 58,661 | 0 |
| Operating expenses | 108,346 | 0 |
| Financial income | 2,648 | 0 |
| Financial expenses | 464 | 0 |

## NOTE 23 INFORMATION ON RISKS

### 23.1 COUNTERPARTY RISK

Due to the nature of the Company's principal counterparties, the Company is not materially exposed to credit risk and does not anticipate any third party defaults that could have a material impact on the Company's financial statements. At the end of the fiscal year, the Company had not identified any significant credit risk on these assets due but not yet the object of a provision.

The Company uses derivative financial instruments with the goal of reducing its exposure to foreign currency and interest rate risks. These transactions are based on over-the-counter contracts with tier 1 banks and for this reason do not present any default risk.

Cash is invested through risk-free monetary instruments with Tier 1 banking institutions.

### 23.2 CURRENCY RISK

Through its international exposure and invoicing in US dollars to its French clients, the Company is confronted with foreign currency exposure. The exposure linked to dollar's fluctuations is partially hedged through forward sales and purchases contracts of currencies, accumulators, combinations of optional instruments with or without activating or deactivating barriers.. The dollar rate and the associated foreign exchange rate exposure are part of the estimated future assumptions for the determination of margins on construction contracts.

## NOTE 24 SUBSEQUENT EVENTS

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

On January 29, 2021, an agreement was concluded between management and the trade unions and validated by DIRECCTE on February 23, 2021. This topic is detailed in note 1.16.

## 5.8.5 STATUTORY AUDITORS' REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2020

*This is a translation into English of the statutory auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.*

*This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the management report and other documents provided to shareholders.*

*This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the annual general meeting of LATECOERE S.A.,

### OPINION

In compliance with the engagement entrusted to us by your annual general meeting, we have audited the accompanying financial statements of LATECOERE S.A. for the year ended 31 December 2021.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at 31 December 2020 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

### BASIS FOR OPINION

#### Audit Framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

#### Independence

We conducted our audit engagement in compliance with independence requirements of the French Commercial Code (code de commerce) and the French Code of Ethics (code de déontologie) for statutory auditors for the period from 1 January 2020 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014.

### JUSTIFICATION OF ASSESSMENTS - KEY AUDIT MATTERS

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

It is in this complex and evolving context that, in accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

## Going concern

**IDENTIFIED RISK**

The aeronautic sector has been heavily impacted by the sanitary crisis along the financial year ended 31 December 2020. The collapse of air traffic worldwide has led aircraft manufacturers to reduce drastically their aircraft delivery programs.

Severely constrained by this drop in business, the company has faced significant operating losses that conducted management to update its cash flow forecast in order to evaluate the company's ability to face its cash maturities over a rolling period of 12 months.

These forecast, based on the group activity level and the timing of expenses of the adaptation plan, are uncertain by nature and include additional financing assumptions as described in note 1.16 to the statutory financial statements.

In this context, the Board of Directors' evaluation of the company's ability to continue as a going concern requires significant judgment linked to the uncertainties on the business prospects and the company's ability to establish additional financing.

On this basis, we consider that the use of the going concern assumption in the preparation of the statutory financial statements is a key audit matter.

**OUR RESPONSE**

We have evaluated the final assessment by the Board of Directors of the company's ability to continue as a going concern and the assumptions and documentation on which this assessment is based. Our work mainly consisted in:

- verifying the consistency of the business assumptions underlying the cash forecast with the latest budget forecast reviewed by the Board of Directors and assessed the reasonableness and consistency of these assumptions as a whole, with the economic context of the aeronautic sector.
- reviewing the documentation underlying the assumptions of additional financing measures that are under discussion;
- assessing the reasonableness of the adapted actions of additional financing and cash optimization measures included in management's alternative cash projections
- assessing the appropriateness of the information provided in Note 1.16 to the statutory financial statements.

## Impairment of assets

**IDENTIFIED RISK**

In the constrained context described above, the company has conducted an impairment test of its assets, based on the budget data and mid-term plan updated in February 2021, as described in notes 1.2 and 1.16 to the statutory financial statements.

At 31 December 2020, an impairment of assets for a total amount of €.75.8m has been recognized in net result as presented in note 5 to the financial statements.

Those impairment tests, based on expected future discounted cash flows, include business forecast and structuring assumptions, such as the discount rate and growth rate, that require significant judgment from management.

On this basis, we consider that this is a key audit matter.

**OUR RESPONSE**

With the assistance of our specialists, we have:

- verified the consistency of business assumptions with the budget and mid-term plan updated in February 2021 for the upcoming 5-year period;
- reconciled the 2021 delivery rates from aircraft manufacturers with delivery rates assumptions used in the 2021 budget;
- performed a critical analysis of the model that management used in its determination of the value in use of the company's assets and notably of the discount rate and growth rate applied, and the methods of calculation;
- compared the revenue growth expected over the 2022 – 2025 period with the economic data of the aeronautic sector.
- examined the documentation underlying impairment allocation on the company's assets;
- assessed the appropriateness of the information provided in notes 1.2, 1.16 and 5 to the statutory financial statements.

### Revenue recognition on construction contracts

**IDENTIFIED RISK**

The company generates a significant share of its revenue through construction contracts of avionics subassemblies whose duration covers several exercises.

The company invoices at the delivery of each subassembly and all the invoicing done is earned regardless of the outcome of the program. As a result, the revenue and the estimated margin are recognized at the stage of completion which is determined for each program in relation to the delivery of the shipsets ("milestones") as indicated in note 1.6 of the notes to the financial statements.

The estimated margin at completion is calculated for each program on the basis of a forecast including the technical and budgetary elements. This margin is revised periodically according to the costs and products realized over the period and remaining to come. When the forecast margin is negative, it is immediately recognized in the income statement.

We considered that the assessment of revenue and margin at completion and the valuation of the productions costs recognized in the balance sheet for programs under construction are key points of the audit due to their sensitivity to the assumptions made by the Management.

**OUR ANSWER**

We have particularly:

- reviewed the company's procedures and controls implemented concerning the revenue determination and estimating margins at completion by program and tested the operational effectiveness of these controls;
- tested the company's controls regarding the concordance of invoicing with the deliveries made;
- tested, for a sample of individual transactions, the appropriateness of the revenue recognition with regard to the corresponding sales documents;
- for a selection of the most significant construction contracts in terms of contribution to revenue and operating profit:
  - met with program managers,
  - reconciled the accounting data with program data
  - corroborated the percentage of completion retained by examining in particular the technical documentation and the order books of the customers concerned,
  - compared the estimates of the previous periods with the corresponding outcomes,
  - compared the cumulative results with the forecasted margin estimates by program,
  - and assessed the reasonableness of future cost estimates.

Lastly, we assessed the appropriateness of the information provided in Note 1.6 to the statutory financial statements.

## SPECIFIC VERIFICATIONS

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations.

### Information given in the management report and in the other documents with respect to the financial position and the financial statements provided to the Shareholders

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the management report of the Board of Directors and in the other documents with respect to the financial position and the financial statements provided to Shareholders.

We attest the fair presentation and the consistency with the financial statements of the information relating to payment deadlines mentioned in Article D.441-6 of the French Commercial Code (*Code de commerce*).

### Information relating to corporate governance

We attest that the section of the management report devoted to corporate governance sets out the information required by Articles L.225-37-4, L22-10-10 and L.22-10-9 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L.22-10-9 of the French Commercial Code (code de commerce) relating to remunerations and benefits received by or awarded to the directors and any other commitments made in their favour, we have verified the consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlled companies included in the scope of consolidation. Based on these procedures, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public takeover bid or exchange offer, provided pursuant to Article L.22-10-11 of the French Commercial Code, we have agreed this information to the source documents communicated to us. Based on these procedures, we have no observations to make on this information.

### Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Format of presentation of the financial statements intended to be included in the Annual Financial Report

In accordance with Article 222-3, III of the AMF General Regulation, the Company's management informed us of its decision to postpone the presentation of the financial statements in compliance with the European single electronic format as defined in the European Delegated Regulation No 2019/815 of 17 December 2018 to years beginning on or after January 1st, 2021. Therefore, this report does not include a conclusion on the compliance with this format of the presentation of the financial statements intended to be included in the annual financial report mentioned in Article L.451-1-2, I of the French Monetary and Financial Code (code monétaire et financier).

### Appointment of the Statutory Auditors

We were appointed as statutory auditors of LATECOERE S.A. by the Annual General Meeting held on 3 June 2005 for Grant Thornton and on 25 June 1993 for KPMG. Moreover, the company Fidulor, a member of the Grant Thornton network since 2002, was previously Statutory Auditor of LATECOERE SA since June 10, 1983.

As at 31 December 2020, Grant Thornton and KPMG were respectively in the 35th year and 27th year of total uninterrupted engagement since securities of the Company were admitted to trading on a regulated market.

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

### Statutory Auditors' Responsibilities for the Audit of the Financial Statements

#### *OBJECTIVES AND AUDIT APPROACH*

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (code de commerce), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein.
- Evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

### REPORT TO THE AUDIT COMMITTEE

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) N° 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (code de commerce) and in the French Code of Ethics *(code de déontologie)* for statutory auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

The Statutory Auditors

Labège, on the 22 April 2021

**KPMG Audit**

***Department of KPMG S.A.***

Éric Junières

*Partner*

Neuilly-sur-Seine, on the 22 April 2021

**Grant Thornton**

***French Member of Grant Thornton International***

Pascal Leclerc

*Partner*

# 5.9 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

**Annual General Meeting held to approve the financial statementsfor the year ended on December 31, 2020**

*This is a translation into English of the statutory Auditors' special report on related-party agreements issued in French and it is provided solely for the convenience of English speaking users.This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.It should be understood that the agreements reported on are only those provided by the French Commercial Code and that thereport does not apply to those related-party transactions described in IAS 24 or other equivalent accounting standards.*

To the Shareholders,

In our capacity as Statutory Auditors of your company, we hereby present to you our report on related-party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements that have been disclosed to us or that we may have identified as part of our engagement, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of article R. 225-31 of the French Commercial Code (Code de commerce), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R. 225-31 of the French Commercial Code in relation to the performance during the year of agreements already approved by the Annual General Meeting.

We performed the procedures that we deemed necessary in accordance with professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux comptes) applicable to this engagement. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

## AGREEMENTS SUBMITTED FOR THE APPROVAL OF THE ANNUAL SHAREHOLDER MEETING

In accordance with the provisions of article L. 225-40 of the French Commercial Code (Code de commerce), we have been informed of the following agreements which have been subject to prior authorization by your Board of Directors throughout the year.

*Agreements with SCP SKN UK Holding II Limited (controlling shareholder of SCP SKN Holding I S.A.S., which holds more than 10% of Latécoère S.A. voting rights)*

### 1. Shareholder loan

#### NATURE AND PURPOSE

Subscription of a shareholder loan from SCP SKN UK Holding II Limited dated 2 October 2020

#### TERMS AND CONDITIONS

Your Board of Directors, gathered on 24 September 2020, has authorized the subscription of a shareholder loan from SCP SKN UK Holding II Limited with the following terms and conditions:

- Amount: 35.000.000 €
- Maturity date: 78 months subject to specific exceptions
- Possibility to prepay the loan at any time with a *makewhole* clause without discounting (payment of capital and interest until the Termination Date) if such prepayment is made within 39 months; and
- Interest rate of 12.5% *per annum* accrued on the principal amount of the loan, increased to 15% *per annum* after 48 months.

At 31 December 2020, the principal amount of the loan is 35.947.917 €, including 947.917 € of accrued interests.

#### REASONS JUSTIFYING THE INTEREST FOR YOUR COMPANY

Your Board of Directors, having considered the report by *Associés en Finance*, the independent expert in charge of evaluating the risks and benefits of this loan for the company, has assessed that the benefit of the subscription of this loan for your company was supported by the consistency and the balance of its financial terms and conditions, and to enable the company to continue its activity and obtain new financing.

### 2. Tripartite subordination agreement

**NATURE AND PURPOSE**

Conclusion of a tripartite agreement on the subordination of the shareholder loan granted by SCP SKN UK Holding II Limited to the rights of the EIB on October 2, 2020.

**TERMS AND CONDITIONS**

Your Board of Directors, gathered on 24 September 2020, authorized your company to enter into a tripartite subordination agreement with SCP SKN UK Holding II Limited and BEI, subordinating the rights of SCP SKN UK Holding II Limited to the claims of BEI under the term loan dated 5 December 2017.

**REASONS JUSTIFYING THE INTEREST FOR YOUR COMPANY**

Your Board of Directors has supported this agreement by the same reasons described in the Shareholder loan agreement presented above.

## AGREEMENTS ALREADY APPROVED BY THE ANNUAL SHAREHOLDER MEETING

We hereby inform you that we were not advised of any agreements previously approved by the General Meeting of Shareholders, the execution of which continued during the past financial year.

Neuilly-sur-Seine and Labège, on the 22 April 2021

The Statutory Auditors

| Grant Thornton | KPMG Audit |
| --- | --- |
| *French Member of Grant Thornton International* | *Department of KPMG S.A.* |
| Pascal Leclerc | Éric Junières |
| Partner | *Partner* |


R&T is at the forefront of the strategy, with programs such as ASGARD, a demonstrator for the cabin access function, developed using agile methods

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# CAPITAL AND SHAREHOLDING



ANNUAL FINANCIAL REPORT

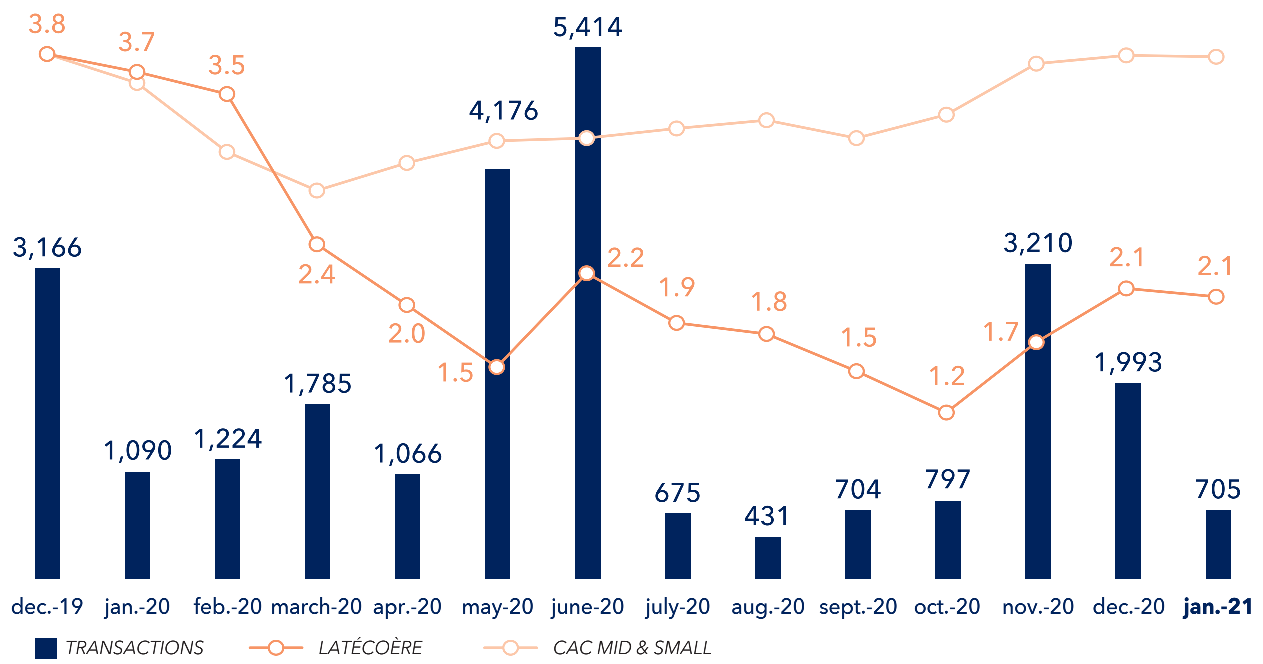
# 6.1 STOCK MARKET DATA

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| Stock market capitalization at end of year *(in € millions)* | 263.4 | 365.9 | 192.0 |
| Number of shares | 94,744,952 | 94,818,518 | 94,818,518 |
| Highest price *(in €)* | 6.00 | 3.90 | 3.87 |
| Lowest price *(in €)* | 2.32 | 2.62 | 1.02 |
| Average closing price *(in €)* | 4.40 | 3.46 | 2.26 |
| End of period price *(in €)* | 2.78 | 3.86 | 2.025 |

## 6.1.1 CHANGES IN SHARE PRICES

| | Stock market price *(in €)* | | | Number of securities exchanged |
|---|---|---|---|---|
| **Date** | **+ high** | **+ low** | **Closing (average)** | **Euronext volume** |
| December 2019 | 3.88 | 3.50 | 3.81 | 3,165,521 |
| January 2020 | 3.87 | 3.50 | 3.68 | 1,089,768 |
| February 2020 | 3.67 | 3.00 | 3.52 | 1,224,260 |
| March 2020 | 3.24 | 1.79 | 2.43 | 1,785,463 |
| April 2020 | 2.23 | 1.74 | 1.99 | 1,065,706 |
| May 2020 | 2.06 | 1.24 | 1.54 | 4,176,493 |
| June 2020 | 3.10 | 1.76 | 2.22 | 5,413,987 |
| July 2020 | 2.17 | 1.50 | 1.86 | 675,145 |
| August 2020 | 1.95 | 1.46 | 1.78 | 430,691 |
| September 2020 | 1.83 | 1.13 | 1.51 | 704,083 |
| October 2020 | 1.34 | 1.02 | 1.21 | 796,560 |
| November 2020 | 2.23 | 1.08 | 1.72 | 3,209,793 |
| December 2020 | 2.53 | 1.86 | 2.11 | 1,992,760 |

## 6.1.2 SHARE PRICE AND MONTHLY TRANSACTIONS



# 6.2 RELATIONS WITH THE FINANCIAL COMMUNITY

The Finance Department assumes the interface between the Group and the financial community composed of individual shareholders, institutional investors and financial analysts. It intends to provide real-time, clear, rigorous and transparent information to all of these market players. It aims at keeping them informed of the Group's strategy, its products, activity, financial results, medium-term objectives and the means to achieve them. Latécoère makes a specific, constantly updated Section under the heading "Finance" available on its website *www.latecoere.aero* available to the financial community and all its shareholders.

Information regarding the Company can be found there, in particular:

- the Universal Registration Document, including the Annual Financial Report (which in turn includes the Corporate Governance Report) and the Half-Year Financial Report ("Annual and half-year reports");
- all publications, financial presentations and press releases ("Financial News" section);
- information intended for individual shareholders and information relating to the General Meeting ("Regulated information" section).

With regard to financial analysts, investment fund managers and other finance professionals, Latécoère's financial communication is based, in particular, on:

- frequent meetings with analysts and investors, both in France and abroad;
- periodic press releases on the Company's results or highlights;
- contacts with players of the regional or national, specialized or general press.

## 6.2.1 INSTITUTIONAL INVESTORS

The Finance Department interacts closely and continuously with the financial community, in particular, each time financial results are published or when exceptional events are announced. Throughout the year, it endeavors to meet its shareholders, investors and financial analysts at the registered office, in the Paris financial center or at its production sites.

## 6.2.2 INDIVIDUAL SHAREHOLDERS

Latécoère maintains constant dialog with its individual shareholders. Therefore, they have access to all the regulated and useful information on the Group's website. Through its securities division, the Finance Department provides individual shareholders with a regular point of contact (see Section 6.2.4 of this Chapter, "Contact").

## 6.2.3 EMPLOYEE SHAREHOLDERS

Since 2010, Latécoère has been committed to a policy of employee share ownership and grant of bonus shares aimed at promoting the development of employee share ownership over time.

In 2015, Latécoère launched a share subscription offer reserved for employees.

In addition to the communication tools deployed for individual shareholders, which are also intended for employee shareholders, telephone information platforms set up by the banks managing employee share ownership plans are available to employees throughout the year to answer their questions. For more information, refer to Section 6.4.5 of this Chapter, "Employee share ownership".

## 6.2.4 CONTACT

**Latécoère**

135 Rue de Periole

31500 Toulouse – France

**Institutional investors and financial analysts**

Michel Abaza, Chief Financial Officer

*Tel: +33 (0) 5 61 58 77 00*

*michel.abaza@latecoere.aero*

**Individual shareholders**

*Tel: +33 (0) 5 61 58 77 00*

*Email: servicetitres@latecoere.aero*

For any questions relating to registered shares:
CACEIS

*Tel: +33 (0) 1 57 78 00 00*

## 6.2.5 PROVISIONAL TIMETABLE OF FINANCIAL PUBLICATIONS

Annual General Meeting: May 21, 2021

Half-year results 2021: September 14, 2021

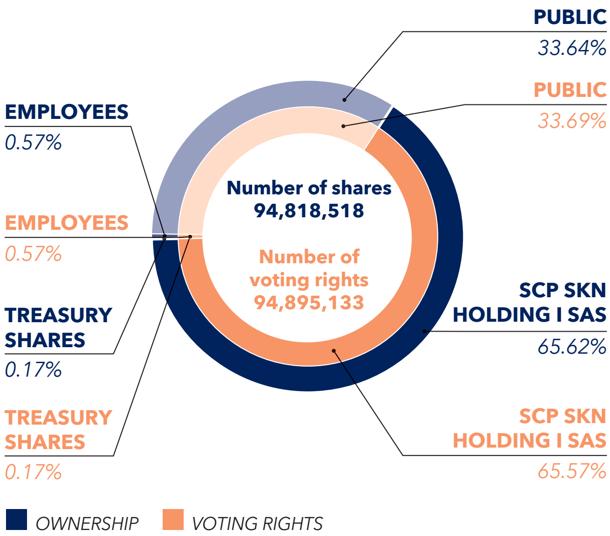
# 6.3 DIVIDENDS PAID

In accordance with the Law, it should be recalled that Latécoère has not paid any dividend in the last three years. While remaining consistent with market practices, the Group wishes to continue sharing its earnings with its shareholders as soon as the Group's earnings and financial position permit it.

# 6.4 SHAREHOLDERS

## 6.4.1 SHARE CAPITAL

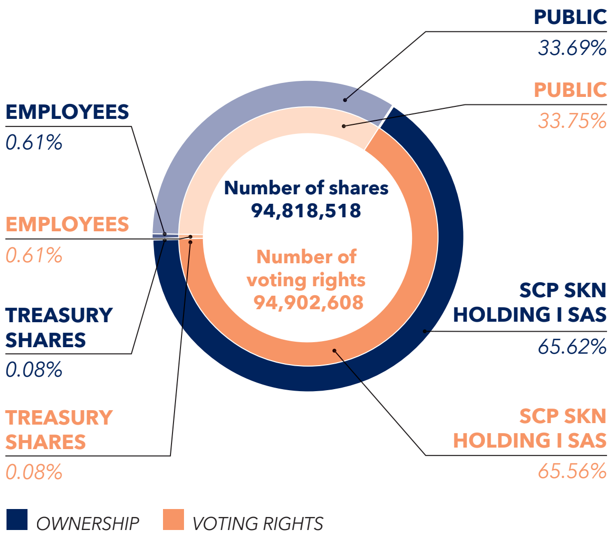
**DISTRIBUTION OF SHARE CAPITAL AS OF DECEMBER 31, 2020**




As % of ownership

(as % of voting rights)

**DISTRIBUTION OF SHARE CAPITAL AS OF MARCH 31, 2021**




As % of ownership

(as % of voting rights)

## 6.4.2 DIRECT OR INDIRECT STAKES IN THE COMPANY'S SHARE CAPITAL OF WHICH IT IS AWARE (ARTICLES L.233-7 AND L.233-12 OF THE FRENCH COMMERCIAL CODE)

The distribution of share capital and voting rights presented below has been drawn up:

- with regard to the number of shares and voting rights held, based on information brought to the Company's attention, pursuant to Articles L.233-7 and L.233-12 of the French Commercial Code and, where applicable, based on information voluntarily provided by the Company's shareholders;
- with regard to the percentage of shares and voting rights held by each shareholder, based on the Company's capital and voting rights as of December 31 of each of the two years considered (2019 and 2020).

As of December 31, 2020, the Company's capital was divided into 94,818,518 shares, including 158,756 treasury shares, corresponding to 94,895,133 theoretical and 94,736,377 actual voting rights. The difference between the number of shares and the number of voting rights is linked to the existence of a double voting right. The difference between the number of theoretical and actual voting rights corresponds to the number of treasury shares held by the Company.

As of March 31, 2021, the Company's capital is divided into 94,818,518 shares, including 76,267 treasury shares, corresponding to 94,902,608 theoretical and 94,826,341 actual voting rights.

| | December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | Number of shares | % of ownership | Number of theoretical voting rights (1) | % of theoretical voting rights | Number of actual voting rights (2) | % of actual voting rights |
| Apollo Global Management | 14,093,887 | 14.88 | 14,093,887 | 14.70 | 14,093,887 | 14.70 |
| Monarch Alternative Capital LP | 10,474,668 | 11.06 | 10,474,668 | 10.92 | 10,474,668 | 10.93 |
| **TOTAL APOLLO/MONARCH CONCERT** | **24,568,555** | **25.93** | **24,568,555** | **25.62** | **24,568,555** | **25.63** |
| Tikehau | 5,010,695 | 5.29 | 5,620,932 | 5.86 | 5,620,932 | 5.86 |
| Employee share ownership (3) | 1,982,004 | 2.09 | 2,507,004 | 2.61 | 2,507,004 | 2.62 |
| Treasury shares | 29,972 | 0.03 | 29,972 | 0.03 | - | - |
| Public | 63,153,726 | 66.66 | 63,170,025 | 65.87 | 63,170,025 | 65.89 |
| **TOTAL** | **94,744,952** | **100** | **95,896,488** | **100** | **95,866,516** | **100** |

*(1) Registered shares held by same owner for four years carry double voting rights (see Chapter 7, Section 7.1.11, "Double voting rights"). The total number of theoretical voting rights is calculated on the basis of all the shares, including shares without voting rights (treasury shares) (Article 223-11 of the AMF's General Regulations).*

*(2) The total number of actual voting rights is calculated on the basis of all the shares less the shares without voting rights (treasury shares).*

*(3) For more information on the employee share ownership plan, see Section 6.2.3, "Employee shareholders", of this Chapter.*

| | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | Number of shares | % of ownership | Number of theoretical voting rights (1) | % of theoretical voting rights | Number of actual voting rights (2) | % of actual voting rights |
| SCP SKN Holding I SAS | 62,152,806 | 65.55 | 62,152,806 | 65.17 | 62,152,806 | 65.37 |
| Employee share ownership (3) | 508,438 | 0.54 | 508,438 | 0.53 | 508,438 | 0.53 |
| Treasury shares | 297,514 | 0.31 | 297,514 | 0.31 | - | - |
| Public | 31,859,760 | 33.60 | 32,418,525 | 33.99 | 32,418,525 | 34.10 |
| **TOTAL** | **94,818,518** | **100** | **95,377,283** | **100** | **95,079,769** | **100** |

*(1) Registered shares held by same owner for four years carry double voting rights (see Chapter 7, Section 7.1.11, "Double voting rights"). The total number of theoretical voting rights is calculated on the basis of all the shares, including shares without voting rights (treasury shares) (Article 223-11 of the AMF's General Regulations).*

*(2) The total number of actual voting rights is calculated on the basis of all the shares less the shares without voting rights (treasury shares).*

*(3) For more information on the employee share ownership plan, see Section 6.2.3, "Employee shareholders" and Section 6.4.5, "Employee share ownership" of this Chapter.*

| | December 31, 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Number of shares | % of ownership | Number of theoretical voting rights (1) | % of theoretical voting rights | Number of actual voting rights (2) | % of actual voting rights |
| SCP SKN Holding I SAS | 62,218,199 | 65.62 | 62,218,199 | 65.57 | 62,218,199 | 65.68 |
| Employee share ownership (3) | 543,082 | 0.57 | 543,167 | 0.57 | 543,167 | 0.57 |
| Treasury shares (4) | 158,756 | 0.17 | 158,756 | 0.17 | _ | _ |
| Public | 31,898,481 | 33.64 | 31,975,011 | 33.69 | 31,975,011 | 33.75 |
| **TOTAL** | **94,818,518** | **100** | **94,895,133** | **100** | **94,736,377** | **100** |

*(1) Registered shares held by same owner for two years carry double voting rights (see Chapter 7, Section 7.1.11, "Double voting rights"). The total number of theoretical voting rights is calculated on the basis of all the shares, including shares without voting rights (treasury shares) (Article 223-11 of the AMF's General Regulations).*

*(2) The total number of actual voting rights is calculated on the basis of all the shares less the shares without voting rights (treasury shares).*

*(3) For more information on the employee share ownership plan, see Section 6.2.3, "Employee shareholders" and Section 6.4.5, "Employee share ownership" of this Chapter.*

*(4) For more information on treasury shares, see Section 6.5.1, "Transactions carried out by the Company on its own securities during the 2020 fiscal year", of this Chapter.*

| | March 31, 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Number of shares | % of ownership | Number of theoretical voting rights [1] | % of theoretical voting rights | Number of actual voting rights [2] | % of actual voting rights |
| SCP SKN Holding I SAS | 62,218,199 | 65.62 | 62,218,199 | 65.56 | 62,218,199 | 65.61 |
| Employee share ownership [3] | 574,997 | 0.61 | 575,082 | 0.61 | 575,082 | 0.61 |
| Treasury shares [4] | 76,267 | 0.08 | 76,267 | 0.08 | | |
| Public | 31,949,055 | 33.69 | 32,033,060 | 33.75 | 32,033,060 | 33.78 |
| **TOTAL** | **94,818,518** | **100** | **94,902,608** | **100** | **94,826,341** | **100** |

*(1) Registered shares held by same owner for two years carry double voting rights (see Chapter 7, Section 7.1.11, "Double voting rights"). The total number of theoretical voting rights is calculated on the basis of all the shares, including shares without voting rights (treasury shares) (Article 223-11 of the AMF's General Regulations).*

*(2) The total number of actual voting rights is calculated on the basis of all the shares less the shares without voting rights (treasury shares).*

*(3) For more information on the employee share ownership plan, see Section 6.2.3, "Employee shareholders" and Section 6.4.5, "Employee share ownership" of this Chapter.*

*(4) For more information on treasury shares, see Section 6.5.1, "Transactions carried out by the Company on its own securities during the 2020 fiscal year", of this Chapter.*

### SHAREHOLDINGS REPRESENTING MORE THAN 5% OF THE SHARE CAPITAL OR VOTING RIGHTS

To the best of the Company's knowledge, as of December 31, 2020, there were no other shareholders, directly or indirectly, holding 5% or more of the Company's capital or voting rights that:

- SCP SKN Holding I SAS, which, directly or indirectly, held 62,218,199 shares, i.e. 65.62% of the capital and 65.57% of the voting rights of the Company.

To the best of the Company's knowledge, as of March 31, 2021, there were no other shareholders, directly or indirectly, holding 5% or more of the Company's capital or voting rights that:

- SCP SKN Holding I SAS, which, directly or indirectly, held 62,218,199 shares, i.e. 65.62% of the capital and 65.56% of the voting rights of the Company.

### CROSSING LEGAL, REGULATORY AND STATUTORY THRESHOLDS

Between January 1, 2020 and March 31, 2021, Latécoère was was not notified of any declaration of crossing of legal and regulatory thresholds. [1]

Between January 1, 2020 and March 31, 2021, Latécoère was notified of the following declarations of crossing of statutory thresholds:

- SCP SKN Holding I S.A.S. declared in a letter dated January 22, 2020 that it had exceeded the statutory threshold of 65% of the voting rights, taking into account the new number of voting rights as at January 10, 2020 published by the Company, and that it held 62,152,806 shares on that date, representing 65.55% of the Company's capital and 65.17% of the voting rights. SCP SKN Holding I S.A.S. also declared on that date that it held 65.86% of the capital on the basis of the assimilation of Latécoère's own shares that it controls since the result of the public tender offer.

## 6.4.3 INTERESTS OF CORPORATE OFFICERS IN THE CAPITAL OF LATÉCOÈRE

As of December 31, 2020, the Chief Executive Officer, the Chairman of the Board of Directors and the directors had no personal interest in the share capital of Latécoère.

The number of shares held by each Director in the year 2020 is shown in Chapter 3, Section 3.2.1, "Composition of the Board of Directors".

*(1) Information from the declarations of threshold crossing published by the AMF.*

## 6.4.4 TRANSACTIONS CARRIED OUT BY EXECUTIVES AND CORPORATE OFFICERS ON THE COMPANY'S SECURITIES

To the best of the Company's knowledge, the following declarations have been sent to the AMF, by persons required to file a declaration, for publication on its site (*https://www.amf-france.org*):

| Officer's names | Transaction date | Financial instrument | Nature of the transaction | Numlber of financial instruments | Unit price *(in €)* |
|---|---|---|---|---|---|
| **SCP SKN Holding I S.A.S SAS** [(1)] related to Ralf Ackermann | 08/01/2020 | Share | Call option | 187,200 | 0.00 |
| **SCP SKN Holding I S.A.S SAS** [(1)] related to Ralf Ackermann | 05/02/2020 | Share | Acquisition | 800 | 3.5350 |
| **SCP SKN Holding I S.A.S SAS** [(1)] related to Ralf Ackermann | 05/02/2020 | Share | Acquisition | 8,200 | 3.56 |
| **SCP SKN Holding I S.A.S SAS** [(1)] related to Ralf Ackermann | 05/02/2020 | Share | Acquisition | 150 | 3.5650 |
| **SCP SKN Holding I S.A.S SAS** [(1)] related to Ralf Ackermann | 05/02/2020 | Share | Acquisition | 5,850 | 3.5750 |
| **SCP SKN Holding I S.A.S SAS** [(1)] related to Ralf Ackermann | 05/02/2020 | Share | Acquisition | 15,000 | 3.5646 |
| **SCP SKN Holding I S.A.S SAS** [(1)] related to Ralf Ackermann | 06/02/2020 | Share | Acquisition | 1,000 | 3.56 |
| **SCP SKN Holding I S.A.S SAS** [(1)] related to Ralf Ackermann | 06/02/2020 | Share | Acquisition | 677 | 3.5650 |
| **SCP SKN Holding I S.A.S SAS** [(1)] related to Ralf Ackermann | 06/02/2020 | Share | Acquisition | 67 | 3.58 |
| **SCP SKN Holding I S.A.S SAS** [(1)] related to Ralf Ackermann | 06/02/2020 | Share | Acquisition | 22,730 | 3.5950 |
| **SCP SKN Holding I S.A.S SAS** [(1)] related to Ralf Ackermann | 06/02/2020 | Share | Acquisition | 11,969 | 3.60 |
| **SCP SKN Holding I S.A.S SAS** [(1)] related to Ralf Ackermann | 06/02/2020 | Share | Acquisition | 5,992 | 3.5975 |
| **SCP SKN Holding I S.A.S SAS** [(1)] related to Ralf Ackermann | 07/02/2020 | Share | Acquisition | 432 | 3.59 |
| **SCP SKN Holding I S.A.S SAS** [(1)] related to Ralf Ackermann | 07/02/2020 | Share | Acquisition | 7,526 | 3.60 |
| **Yannick Assouad** [(2)] | 05/03/2020 | Share | Acquisition of bonus shares under performance conditions | 71,278 | 0.00 |
| **Serge Berenger** [(3)] | 05/03/2020 | Share | Acquisition of bonus shares under performance conditions | 3,507 | 0.00 |
| **Thierry Mootz** [(3)] | 05/03/2020 | Share | Acquisition of bonus shares under performance conditions | 11,775 | 0.00 |
| **Hervé Blanchard** [(3)] | 05/03/2020 | Share | Acquisition of bonus shares under performance conditions | 8,553 | 0.00 |
| **Denis Bretagnolle** [(3)] | 05/03/2020 | Share | Acquisition of bonus shares under performance conditions | 11,404 | 0.00 |

*(1) These are the persons required to make a declaration pursuant to Article L.621-18-2 a), b) and c) of the French Monetary and Financial Code, the persons referred to in Article L.621-18-2, c) of the French Monetary and Financial Code including persons with close personal ties to the directors.*

*(2) Chief Executive Officer until March 17, 2020.*

*(3) These are the persons required to make a declaration pursuant to Article L.621-18-2 a), b) and c) of the French Monetary and Financial Code, the persons referred to in Article L.621-18-2, b) of the French Monetary and Financial Code including the members of the Executive Committee.*

No other Director or corporate officer has declared to have carried out transactions on the Company's securities during the fiscal year ended December 31, 2020

### 6.4.5 EMPLOYEE SHARE OWNERSHIP

As part of the bonus share allocation plans, employees hold 543,082 shares directly in registered form and indirectly through FCPE B as of December 31, 2020, i.e. 0.57% of the share capital.

As of December 31, 2019, they held 508,438 shares, i.e. 0,54% of the share capital.

## 6.5 SHARE BUYBACK PROGRAM

The information below includes the information to be included in the Board of Directors' Report of pursuant to the provisions of Article L.225-211 of the French Commercial Code as well as the information relating to the description of the share buyback program pursuant to Article 241-2 of the General Regulations of the French Securities and Exchange Commission (AMF).

### 6.5.1 TRANSACTIONS CARRIED OUT BY THE COMPANY ON ITS OWN SECURITIES DURING THE 2020 FISCAL YEAR

#### OVERVIEW OF THE AUTHORIZATIONS CONFERRED UPON THE BOARD OF DIRECTORS

Under its tenth resolution, the General Meeting of May 13, 2019 authorized the Board of Directors (with the option of sub-delegation) to buy shares of the Company or have them purchased for a period of 18 months, as part of the implementation of a share buyback program.

The maximum purchase price was set at €6 per share and the number of shares to be acquired could not exceed 10% of the share capital and the number of shares held by the Company, at any time, could not exceed 10% of the shares making up the share capital.

Subsequently, the Combined General Meeting of June 11, 2020 authorized the Board of Directors to transact on the shares of the Company, for a period of 18 months without the number of shares to be acquired exceeding 10% of the share capital and with a maximum purchase price of €6 per share.

As of June 11, 2020 and for the unused portion, this authorization canceled the authorization granted by the General Meeting of May 13, 2019.

Making use of these authorizations, the liquidity contract concluded by the Company Gilbert Dupont on November 9, 2015 and updated on December 13, 2018 within the context of the change in the applicable regulations, was tacitly renewed for a period of one year. The resources allocated to the liquidity contract, as of December 31, 2020, were 38,758 shares and €74,278.88 in liquidity compared to 31,224 shares and €108,833.95 in liquidity at the end of the 2019 fiscal year. It may be noted that 11,631 Latécoère shares and a sum of €156,565.51 in liquidity had been allocated for the implementation of the liquidity contract on the date of signature thereof in 2015.

The authorization granted by the General Meeting of June 11, 2020, in effect on the date of filing this Universal Registration Document, will end on December 11, 2021.

It will be proposed to the General Meeting to be held on May 21, 2021 to authorize the Board of Directors to intervene on the Company's shares within the framework of a new share buyback program, the terms of which are described below in the paragraph "Share buyback program submitted to the next General Meeting to be held on May 21, 2021".

**Situation as of 12/31/2020**

| | |
|---|---|
| % of capital held directly or indirectly including: | 0.17% |
| • *to cover an existing plan of bonus share grants* | *119,998* |
| • *intended to be canceled* | *None* |
| • *intended to ensure the liquidity of the Latécoère share* | *38,758* |
| Total number of shares canceled in the last 24 months | 350,000 |
| Number of shares held | 158,756 |
| Market value of the portfolio * | €321,481 |

* *Based on the closing price as of 12/31/2020, i.e. €2.025.*

### SUMMARY TABLE AT END OF THE 2020 FISCAL YEAR

The table below provides details of the transactions carried out by the Company on its own shares as part of the share buyback program during the 2020 fiscal year.

| | Cumulated gross flows | | | | | |
|---|---|---|---|---|---|---|
| | Liquidity contract | | Transactions carried out excluding liquidity contracts | | | |
| Transactions | Purchasing | Sale | Purchasing | Sale | Transfer | Cancellation |
| Number of shares | 644,581 | 637,047 | 0 | 0 | 146,292 (1) | 0 |
| Average price *(in €)* | 2.11 | 2.14 | - | - | - | - |
| **AMOUNT** | **1,353,713** | **1,319,158** | **-** | **-** | **-** | **-** |

*(1) Shares transferred to employees in respect of the acquisition of shares from Tranche 1 of Plan MIP 2.*

### SHARES ALLOCATED TO COVER THE STOCK OPTION AND BONUS SHARE PROGRAM

During the 2020 fiscal year, Latécoère did not buy back any shares outside its liquidity contract. Of the 266,290 repurchased shares allocated to cover free share plans remaining at December 31, 2019, 146,292 were issued to the Company's employees on March 5, 2020, under Tranche 1 of Plan MIP 2. As at December 31, 2020, the balance of repurchased shares allocated to cover the Company's free share plans amounts to 119,998.

### SHARES ALLOCATED TO THE IMPLEMENTATION OF A LIQUIDITY CONTRACT

As part of the liquidity contract signed with an investment services provider on November 9, 2015, then on December 13, 2018, after updating as part of the change in applicable regulations, Latécoère acquired 644,581 shares at an average price of €2.11 and sold 637,047 shares at an average price of €2.14 during the year ended December 31, 2020. The trading costs and the costs related to the implementation of the liquidity contract with the investment service provider amounted to a total of €26,500.

These shares had not been reallocated for other objectives specified by the share buyback program.

### DISTRIBUTION BY TARGET OF TREASURY SHARES AT DECEMBER 31, 2020

| Number of shares | Targets |
|---|---|
| 38,758 | Liquidity contract |
| 119,998 | Allocation of bonus shares to employees or corporate officers of the Company or its Group |
| - | Cancellation |
| - | External growth |

## 6.5.2 SHARE BUYBACK PROGRAM SUBMITTED TO THE NEXT GENERAL MEETING OF MAY 21, 2021

The Ordinary and Extraordinary General Meeting of Shareholders, which will be convened for May 21, 2021, will be asked to end the twenty-second resolution voted by the General Meeting of June 11, 2020 and to authorize, by voting a new resolution, the implementation of a new share buyback program, in accordance with the provisions of Articles L.22-10-62 *et seq.* of the French Commercial Code and Regulation n° 596/2014 of the European Parliament and of the Council of April 16, 2014 as well as any other provisions that may come into force.

The description of this new share buyback program can be found below.

### OBJECTIVES OF THE NEW SHARE BUYBACK PROGRAM

As part of the new share buyback program, which will be submitted to the Ordinary and Extraordinary General Meeting of Shareholders of May 21, 2021, Latécoère intends to proceed with the buyback of its own shares or have the buyback carried out, in order to:

- implement any stock option plan of the Company under the provisions of Articles L.225-177 *et seq.* of the French Commercial Code or any similar plan; and/or
- allocate or transfer shares to employees under the profit-sharing scheme or the implementation of any Company or Group savings plan (or similar plan) under the conditions stipulated by law, in particular Articles L.3332-1 *et seq.* of the Labor Code; or

- allocate bonus shares under the provisions of Articles L.225-197-1 *et seq.* of the French Commercial Code; or
- in general, honor the obligations related to stock option plans or other plans to allocate shares to the issuer's or an associated company's employees or corporate officers; or
- deliver shares during the exercise of rights attached to the securities giving access to the capital through redemption, conversion, exchange, presentation of a warrant or in any other way; or
- cancel all or part of the securities thus bought back; or
- allow an investment services provider to act on the secondary market or ensure liquidity of Latécoère's share by means of a liquidity agreement in compliance with the practice accepted by the regulations, it being specified that in this context, the number of shares taken into account for the calculation of the aforementioned limit corresponds to the number of shares purchased, less the number of shares sold; or
- keep the shares purchased and issue them again subsequently in exchange or as payment for external growth operations; or
- implement any market practice that may be admitted by the Autorité des Marchés Financiers (French Securities and Exchange Commission), and more generally, carry out any other transaction in accordance with the existing regulations. In such a case, the Company will inform its shareholders by way of a press release.

### NUMBER OF SHARES AND SHARE OF CAPITAL HELD BY THE ISSUER AT MARCH 31, 2021

As of March 31, 2021, the total number of shares held directly or indirectly held by Latécoère is 76,267 shares, representing 0.08% of the Company's capital.

### MAXIMUM SHARE OF THE SHARE CAPITAL TO BE ACQUIRED, MAXIMUM NUMBER AND CHARACTERISTICS OF THE SHARES THAT MAY BE ACQUIRED UNDER THE NEW SHARE BUYBACK PROGRAM

Maximum portion of the capital, including the buyback will be authorized as part of the new share buyback program, will be 10% of the shares constituting the Company's capital (this being, for information, made up of 94,818,518 shares as of March 31, 2021), it being specified that the number of shares acquired with a view to their retention and subsequent delivery in the context of a merger, demerger or contribution transaction may not exceed 5% of its share capital.

In accordance with the provisions of Article L.225-210 of the French Commercial Code, the number of shares that Latécoère shall hold at any given time may not exceed 10% of the shares constituting the Company's capital on the date in question.

Considering the securities already held, i.e. 76,267 shares as of March 31, 2021 (0.08% of the capital), and subject to any adjustments affecting the number of shares held by the Company and the amount of the Company's capital after the Ordinary and Extraordinary General Meeting of May 21, 2021, the buybacks could relate to 9,405,996 shares, i.e. 9.92% of the capital based on the share capital as of March 31, 2021.

The securities that Latécoère plans to acquire are exclusively shares.

### MAXIMUM UNIT PURCHASE PRICE AUTHORIZED

The maximum purchase price of the shares as part of the new share buyback program will be €6 per share, it being specified that this price may be adjusted in the event of a change in the nominal value of the share, capital increase through incorporation of reserves, bonus share grant, stock split or reverse stock split, distribution of reserves or of all other assets, amortization of capital, or any other transaction relating to shareholders' equity, so as to take the impact of these transactions on the value of the share into account.

The total maximum amount authorized for implementation of the new share buyback program will be fixed at €6, including charges and commissions. Latécoère reserves the possibility of using the entire authorized program.

### DURATION OF THE NEW SHARE BUYBACK PROGRAM

In accordance with the resolution that will be submitted for approval to the Ordinary and Extraordinary General Meeting of Shareholders of May 21, 2021, the new share buyback program may be implemented over a period of 18 months following the date on which the meeting is held, i.e. until November 21, 2022.

## 6.5.3 CANCELLATION OF TREASURY SHARES

Under the terms of its thirty-sixth resolution, the Ordinary and Extraordinary General Meeting of Shareholders of June 11, 2020 has authorized the Board of Directors (and this for a period of 26 months from the date of said meeting) to reduce the share capital through the cancellation of treasury shares, provided that the number of shares canceled in any given period of 24 months does not exceed 10% of the Company's capital.

The Board of Directors did not make use of this authorisation during the year ended December 31, 2020.

The General Meeting of May 21, 2021 will be asked to renew this authorisation for a further period of 26 months.

# 6.6 ADDITIONAL INFORMATION ON THE SHARE CAPITAL

## 6.6.1 CHANGES IN SHARE CAPITAL

In the last three years, Latécoère's capital has evolved as follows:

| FY | Nature of the transaction | Amount of changes *(in euros)* Nominal | Issue premium | Total amount | Number of shares issued or canceled | Number of shares making up the share capital | Amount of share capital |
|---|---|---|---|---|---|---|---|
| 2018 | Capital increase following bonus share grants | 700,100 | 0 | 700,100 | 350,050 | 94,744,952 | 189,489,904 |
| 2019 | Capital increase following bonus share grants | 847,132 | 0 | 847,132 | 423,566 | 95,168,518 | 190,337,036 |
| 2019 | Decrease in capital following the cancelation of treasury shares | 700,000 | 502,606 (1) | 1,202,606 | 350,000 | 94,818,518 | 189,637,036 |
| 2020 | None | - | - | - | - | 94,818,518 | 189,637,036 |

*(1) Difference between the buyback price of the 350,000 treasury shares and their nominal value charged to the "Issue premium" account.*

As of December 31, 2020, the share capital was made up of 94,818,518 shares with a nominal unit value of €2, fully paid up and admitted for trading on the regulated market of Euronext Paris.

As of the date of this Universal Registration Document, the share capital amounted to €189,637,036 and was composed of 94,818,518 shares.

As of December 31, 2020, there are no current plans relating to shares that can be issued by exercising subscription options granted to Group employees and corporate officers.

To the Company's knowledge, no Company share has been pledged.

It is specified that a proposal will be made to the General Meeting of May 21, 2021 to reduce the nominal value of Latécoère shares from 2 euros to 0.25 euros as part of a reduction in the Company's capital motivated by losses, as a result of which the share capital would be reduced from 189,637,036 euros to 23,704,629.50 euros and would remain composed of 94,818,518 shares.

## 6.6.2 OTHER SECURITIES GIVING ACCESS TO THE SHARE CAPITAL – STOCK OPTION PLANS AND ALLOCATION OF FREE SHARES

### STOCK OPTIONS IN EFFECT AS OF DECEMBER 31, 2020

The Ordinary and Extraordinary General Meeting of Shareholders of June 11, 2020, in its thirty-ninth resolution, authorised the Board of Directors (for a period of 38 months from the date of the said Meeting) to grant share subscription and/or purchase options to employees and, where applicable, to corporate officers of the Company and of related companies or groups.

The Board of Directors did not make use of this authorisation during the financial year ended December 31, 2020.

A proposal will be made to the General Meeting of May 21, 2021 to renew this authorisation for a further period of 38 months.

No share subscription or purchase plans are in progress.

Companies associated with Latécoère do not grant share subscription or purchase options.

## BONUS SHARE GRANTS AS OF DECEMBER 31, 2020

As of December 31, 2020, if the maximum number of shares attributable and attributed under the bonus share plans (277,283) were issued, they would represent 0.29% of the share capital.

| | MIP 1 | | | | 2018 Plan | MIP 2 | | |
|---|---|---|---|---|---|---|---|---|
| | Tranche 1 | Tranche 2 | Tranche 3 | Tranche 4 | - | Tranche 1 | Tranche 2 | Tranche 3 |
| **Date of the General Meeting** | **7/15/2015** | | | | **6/3/2016** | **6/3/2016** | **6/3/2016 and 5/14/2018** | **6/3/2016 and 5/14/2018** |
| Date of the Board of Directors' decision regarding shares granted to the beneficiaries | 09/22/2015 | 09/22/2015 | 11/10/2016 and 5/19/2017 | 3/5/2018 | N/A | 1/16/2018 and 3/5/2018 | 1/16/2018 and 3/5/2019 | 1/16/2018 and 3/6/2020 |
| **TOTAL NUMBER OF BONUS SHARES TO BE GRANTED CONDITIONALLY** | **350,050** | **495,894** | **847,132** | **847,132** | **N/A** | **513,100** | **568,800** | **568,800** |
| • *of which total number of shares granted to corporate officers* | *315,046* | *234,532* | *500,000* | *500,000* | *N/A* | *250,000* | *250,000* | *250,000* |
| • *of which total number of shares granted to employees* | *35,004* | *261,362* | *347,132* | *347,132* | | *263,100* | *318,800* | *318,800* |
| • *of which number of corporate officers* [(1)] | *2* | *2* | *1* | *1* | | *1* | *1* | *1* |
| • *of which number of employees* | *2* | *7* | *6* | *6* | | *15* | *20* | *18* |
| Date of the Board of Directors' decision regarding shares granted to the beneficiaries | 3/2/2016 | 3/10/2017 | 3/5/2018 | 3/5/2019 | 3/5/2018 | 3/5/2019 | 3/6/2020 | 03/2021 [(2)] |
| **TOTAL NUMBER OF BONUS SHARES GRANTED** | **350,050** | **0** | **423,566** | **0** | **471,900** | **146,292** | **87,985** | **-** |
| • *of which total number of shares granted to corporate officers* | *315,046* | *0* | *250,000* | *0* | *0* | *71,278* | *44,500* | *-* |
| • *of which total number of shares granted to employees* | *35,004* | *0* | *173,566* | *0* | *471,600* | *75,014* | *43,485* | *-* |
| • *of which number of corporate officers* [(1)] | *2* | *2* | *1* | *1* | *0* | *1* | *1* | *1* |
| • *of which number of employees* | *2* | *7* | *6* | *6* | *1572* | *15* | *20* | *18* |
| **SHARE PURCHASE DATE** | | | | | | | | |
| Chairman of the Board/CEO/Executive Committee | 3/2/2018 | 3/2/2019 | 3/5/2019 | N/A | 3/5/2019 | 3/5/2020 | 3/6/2021 | 03/2022 [(3)] |
| Other managers | None | None | None | None | | 3/5/2020 | 3/6/2021 | - |
| All employees | None | None | None | None | | None | None | None |
| **DATE OF AVAILABILITY** | | | | | | | | |
| Chairman of the Board/CEO/Executive Committee | 3/2/2020 | 3/2/2021 | 3/5/2020 | N/A | | 3/5/2021 | 3/6/2022 | 03/2023 [(3)] |
| Other managers | - | - | - | - | 3/5/2020 | 3/5/2021 | 3/6/2022 | 03/2023 [(3)] |
| All employees | - | - | - | - | - | - | - | - |
| Performance criteria | | | | | | | | |
| Chairman of the Board/CEO/Executive Committee | Stock market performance/ Economic EBITDA | Stock market performance/ Economic EBITDA | Stock market performance/ Economic EBITDA | Stock market performance/ Economic EBITDA | N/A | Revenue/free cash flow Revenue/free cash flow | Revenue Ratio EBITDA/ Revenue Stock market performance | Revenue Ratio EBITDA/ Revenue Stock market performance |
| Other managers | - | - | - | - | | Revenue/free cash flow Revenue/free cash flow | Revenue Ratio EBITDA/ Revenue Stock market performance | Revenue Ratio EBITDA/ Revenue Stock market performance |
| All employees | - | - | - | - | | | | |

| | MIP 1 | | | | 2018 Plan | MIP 2 | | |
|---|---|---|---|---|---|---|---|---|
| | Tranche 1 | Tranche 2 | Tranche 3 | Tranche 4 | - | Tranche 1 | Tranche 2 | Tranche 3 |
| **Performance criteria achievement rate** | | | | – | | | | |
| Chairman of the Board/CEO/ Executive Committee | 100% | 0% | 50% | 0% | | 28.5% | 17.8 % | - |
| Other managers | - | - | - | - | - | 28.5% | 17.8 % | - |
| All employees | - | - | - | - | - | – | – | – |
| Cumulative number of shares canceled or voided at year-end | | 495,894 | 423,566 | 847,132 | 57,600 | 366,808 | 480,815 | 379,502 |
| **Cumulative number of remaining shares granted at year-end** | **350,050** | **0** | **423,566** | **0** | **414,300** | **146,292** | **87,985** | **189,298** |
| **Number of beneficiaries at year-end** | **4** | **0** | **7** | **0** | **1,381** | **16** | **19** | **15** |

*(1) In other words, the CEO and/or the Deputy CEO in office on the date of assignment.*
*(2) Approximate date depending on the date of the Board of Directors' meeting.*
*(3) Approximate date depending on the date of assignment of shares by the Board of Directors.*

## 6.6.3 OTHER INFORMATION ON THE SHARE CAPITAL

### CHANGE OF CONTROL

As of the date of this Universal Registration Document, the Company is controlled by SCP SKN Holding I S.A.S, which holds 65.62% of the capital and 65.56% of the voting rights. To the Company's knowledge, there are no shareholders' pacts or agreements, the implementation of which could, at a later date, result in a change in its control.

Moreover, to the Company's knowledge, no provision of the bylaws, charter or regulation could delay, defer or prevent a change in its control.

### THRESHOLD CROSSING

Under the terms of Article L.233-7 of the French Commercial Code, any natural or legal person, acting alone or in concert, who comes to own a number of shares representing more than 5%, 10%, 15%, 20%, 25%, 30%, 33.33%, 50%, 66.66%, 90% or 95% of the capital or voting rights of the Company, must inform the Company and the AMF by letter indicating the total number of shares and voting rights he/she/it holds, at the latest before the close of trading on the fourth trading day following the day the threshold is crossed. Threshold crossings declared to the AMF are made public by the latter. This notification is also transmitted, within the same deadlines and under the same conditions, when the number of shares or voting rights falls below the thresholds referred to above. In the absence of having been duly declared, the shares exceeding the fraction which should have been declared in accordance with the legal provisions recalled above do not have voting rights for any shareholders' meeting that would be held until the end of a two-year period following the date of regularization of the notification.

Article 9 of Latécoère's bylaws further provides that any natural or legal person who crosses the threshold of 0.5% of the capital or voting rights of the Company (or any multiple of this threshold) (upward or downward), directly or indirectly, alone or in concert, has the obligation to inform the Company by registered letter with acknowledgment of receipt, within 4 days of crossing the said threshold, specifying its identity as well as that of people acting in concert with it. This obligation also applies to the holder of shares in accordance with the seventh paragraph of Article L.228-1 of the French Commercial Code, for all of the shares for which he/she/it is registered account holder.

Under the same conditions, this notification must be renewed in the event that the threshold of 1% of the share capital or voting rights is exceeded or fallen below, and thereafter for each threshold of the share capital or voting rights of the company containing the fraction of 0.5% of the share capital or voting rights above the threshold of one percent (1%) of the share capital or voting rights of the Company. This obligation shall cease to apply in the event of a holding, alone or in concert, of more than 50% of the voting rights.

In the event of non-compliance with the obligation to report the crossing of statutory thresholds, the sanctions provided for in Article L.233-14 of the French Commercial Code apply, subject to a request to that effect, presented by one or more shareholders holding at least 2% of the share capital or voting rights, or recorded in the minutes of the General Meeting.

### IDENTIFICATION OF SHAREHOLDERS

The Company's shares, whatever their form (registered or bearer), give rise to an account entry in the name of their owner under the conditions and according to the methods provided for by the laws and regulations in force.

However, any intermediary can be registered on behalf of the owners of securities who do not have their domicile on French territory, within the meaning of Article 102 of the French Civil Code. This registration can be done in the form of a collective account or in several individual accounts, each corresponding to an owner. At the time of account opening with the Company or the financial intermediary managing the Company's account, the registered intermediary must inform the latter that it is holding the shares on behalf of another party.

The Company is entitled to identify all holders of securities conferring, immediately or in future, the right to vote at its meetings in accordance with the procedure specified in Article L.228-2 *et seq.* of the French Commercial Code.

For the purpose of identifying the holders of shares in bearer form, the Company has the right, under the conditions provided for by the applicable laws and regulations, to request at any time, at its own expense, that the central depository in charge of its securities issue account provide the name or Company name, nationality, year of birth or of incorporation, and the address of the holders of securities conferring, immediately or in future, the right to vote at its meetings as well as the number of securities held by each and any restrictions that may apply to such securities.

With respect to the list issued by the aforementioned institution, the Company has the right to ask the persons appearing on this list, either through this institution or directly, whom the Company believes may be registered on behalf of third parties, for information concerning the owners of the aforementioned securities, under the same conditions. If one of the persons mentioned on the list is an intermediary, it must disclose the identity of the shareholders for whom it is acting. The information is then provided directly to the authorized financial intermediary, which must forward it either to the Company or the aforementioned central depository, as the case may be.

For registered shares giving immediate or future access to the capital, the intermediary holding the shares on behalf of a third party must disclose the identity of the shareholder for whom it is acting as well as the quantity of the shares held by each of them, upon simple request by the Company or its representative, which may be made at any time.

Moreover, the Company may request any legal entity owning more than 2.5% of the Company's capital or voting rights to disclose the identity of the persons holding, directly or indirectly, more than a third of its share capital or voting rights.

If an individual or corporate shareholder is asked to provide information in accordance with the above conditions and fails to provide it by the applicable deadline, or provides incomplete or incorrect information relating to his capacity or the shareholders or the quantity of shares held by each of them, the shares or securities giving immediate or future access to the capital and for which this person is registered in the shareholder's account shall be stripped of voting rights for all shareholders' meetings held until the identification request has been fulfilled, and the payment of any corresponding dividends shall be deferred until that date.

Moreover, in the event that a registered person should knowingly fail to comply with these provisions, the Court having jurisdiction in the territory of the Company's registered office may, at the request of the Company or of one or more shareholders holding at least 5% of the capital, partially or completely disqualify the questionable shares from voting and potentially from receiving the dividend, for a total of no more than five year.


To gain a foothold on the future markets, Latécoère invests in LiFi, a secured and high-speed connection system on board using light for data transmission

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# ADDITIONAL INFORMATION



ANNUAL FINANCIAL REPORT

# 7.1 INFORMATION ABOUT LATÉCOÈRE

## 7.1.1 NAME AND REGISTERED OFFICE

The Company is known as Latécoère. Its registered office is at: 135 Rue de Périole – 31500 Toulouse. The telephone number of the registered office is: +33 (0)5 61 58 77 00.

## 7.1.2 LEGAL FORM AND LEGISLATION

Latécoère is a public limited company with a Board of Directors, subject to French law, in particular to the provisions of Book II of the French Commercial Code and to a certain number of provisions of the regulatory part of the French Commercial Code.

## 7.1.3 CORPORATE GOVERNANCE

In the interest of transparency and public information, the Company has established a set of measures aiming to comply with the guidelines concerning the principles of corporate governance. For more information, refer to the Corporate Governance Report found in Chapter 3 "Corporate governance".

## 7.1.4 DATE OF INCORPORATION AND DURATION

The Company was incorporated on May 31, 1922 and its term is 99 years from May 31, 1972 following its extension.

## 7.1.5 CORPORATE PURPOSE

The Company's corporate purpose is defined in Article 3 of its bylaws as follows:

- the study, design, manufacture, sale, installation, lease, maintenance and operation of all parts and sets of parts or mechanical, hydraulic, electrical, electro-mechanical and electronic equipment, used directly or indirectly in the aeronautical or space industry and more generally in all industries referring to means of locomotion or testing in the aeronautical, terrestrial and maritime fields as well as in the related industries;
- the study, takeover and acquisition of all patents, licenses, processes and trademarks, their use, concession, contributions and sale to all people and in all countries.

Investments in French or foreign companies or groups by any means, whatever their form, which may be related directly or indirectly to the corporate purpose or may facilitate its implementation.

And more generally, all industrial, commercial, tangible or intangible transactions, whether on moveable or fixed assets, which may be directly or indirectly related to the corporate purpose and to all similar or related purposes.

## 7.1.6 RCS – LEI

The Company is registered in the Toulouse Trade and Companies Register since July 19, 1960, under number: 572 050 169 RCS Toulouse and registered in the world directory of the LEI (Legal Entity Identifier) under the code: 969500F9H7I22AX1D138.

## 7.1.7 CORPORATE FISCAL YEAR

The corporate fiscal year is of 12 months, from January 1, to December 31.

## 7.1.8 RIGHT TO A SHARE OF THE PROFITS

Each share gives right to a share in the profits that is proportional to the share of capital that it represents.

Distributable profit is made up of profit for the fiscal year, less previous losses and the levy for the legal reserve, plus the profit carried forward. In addition, the General Meeting of Shareholders may decide, under the conditions provided for by law, to distribute sums taken from available reserves and/or the retained earnings account; in this case, the decision of the General Meeting of Shareholders must expressly indicate the reserve items from which the withdrawals are made.

The General Meeting of Shareholders can decide on the distribution of dividends to shareholders only after having approved the financial statements for the previous fiscal year and recorded the existence of amounts available for distribution.

The terms of payment of the dividend are set by the General Meeting of Shareholders or by the Board of Directors.

Under the conditions provided for by law, the Board of Directors may decide to distribute an interim dividend for the previous or current fiscal year, before the financial statements for the fiscal year have been approved, and fix the amount and date of the distribution thereof.

## 7.1.9 RIGHT TO THE LIQUIDATION SURPLUS

After redemption of the nominal value of the shares, net assets are shared equally among all the shares.

### 7.1.10 GENERAL MEETINGS

Ordinary and Extraordinary General Meetings of Shareholders are called, held and vote in accordance with the conditions provided for by law.

In accordance with Article R.22-10-28 of the French Commercial Code, the right to participate in General Meetings is subject to the book-entry of securities in the name of the shareholder or intermediary registered on their behalf at midnight Paris time, on the second working day preceding the meeting, either in the registered securities accounts held by the Company, or in the bearer securities accounts held by an authorized intermediary.

Registration of securities in the bearer securities accounts held by the authorized financial intermediary is recorded by a certificate of attendance issued by the latter, which must be attached to the postal ballot form, to the proxy or to the request for an admission card drawn up in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary.

Subject to the foregoing, any shareholder has the right to participate in General Meetings, provided that his shares are fully paid-up.

Failing to attend the meeting personally, any shareholder can choose between one of the following three formulas:

- give a proxy to another shareholder, to his/her spouse, partner with whom he/she has concluded a civil solidarity pact or through any other individual or entity of his/her choice;
- postal ballot; or
- send a power of attorney to the Company without indicating any representative, under the conditions provided for by the laws and regulations in force.

Shareholders may, under the conditions provided for by law and regulations, send their proxy and postal ballot form concerning any General Meeting of Shareholders, either in paper form or by electronic transmission.

The minutes of the meetings are drawn up, and their copies or extracts are certified and issued in accordance with the law.

### 7.1.11 DOUBLE VOTING RIGHTS

Each member of the meeting has as many votes as he owns or represents shares.

However, until June 11, 2020, Article 18 of the Company's bylaws provided, since the General Meeting of July 20, 1988 which instituted it, for a double voting right attributed to all fully paid-up shares with proof of nominative registration, for at least four (4) years, in the name of the same shareholder. Since the General Meeting of June 11, 2020, which amended it, Article 18 of the bylaws provides that double voting rights are granted to all fully paid-up shares that have been registered for at least two (2) years.

In addition, in the event of a capital increase through the incorporation of reserves, profits or issue premiums, a double voting right is conferred, upon their issuance, to registered bonus shares granted to a shareholder on the basis of old shares where he/she has this right.

Double voting rights automatically cease for any share that has been converted to the bearer form or transferred. However, the aforementioned two-year period is not interrupted and the acquired right is retained in the event of transfer as a result of succession, sharing of community of property between spouses or gift inter vivos for the benefit of a spouse or a relative entitled to inherit.

### 7.1.12 CHANGE IN SHARE CAPITAL AND RIGHTS ATTACHED TO SHARES

Any change in the capital or voting rights attached to the securities making them up is subject to legal requirements, as the bylaws do not indicate specific provisions.

## 7.2 INFORMATION ON SUBSIDIARIES AND EQUITY INVESTMENTS

The Group's general organization is described in Chapter 1, "Overview of the Group and its environment".

Latécoère SA, which centralizes the Aérostructures business for France, is the head of tax consolidation in France.

Excluding exceptions, Latécoère SA centralizes market risk management (notably foreign exchange and interest rate risk, raw material risk) to which the operating subsidiaries are exposed.

Latécoère SA also centralizes the financing requirements of its Aérostructures subsidiaries. The Group also defends the reputation of the Latécoère brand.

Control and support functions common to Group companies (accounting, legal services, IT engineering, purchasing policy and coordination, communication and business development, Research and Development management and strategy, quality audit, etc.) are managed by Latécoère SA.

The list of consolidated companies is given in Chapter 5, Section 5.7.6, Note 2 of the Notes to the consolidated financial statements, "Scope of consolidation" (this list also indicates their geographic location). The situation of Latécoère's subsidiaries and direct shareholdings is presented in the table in Chapter 5, Section 5.8.4, Note 21 of the Notes to the Company's financial statements, "Table of subsidiaries and shareholdings".

# 7.3 DOCUMENTS AVAILABLE

Company press releases, registration documents or universal registration documents (including in particular, Company and Group historical financial information) filed with the Autorité des Marchés Financiers (AMF), and, where applicable, their updates, are available on the Company's website at the following address: *www.latecoere.aero*.

In accordance with Article 221-3 of the AMF General Regulations, regulated information (defined in Article 221-1 of the AMF General Regulations) is posted on the Company's website (*www.latecoere.aero*) for five years and on the website of the French Directorate of Legal and Administrative Information (*www.info-financiere.fr),* the official French mechanism for centralized storage of regulated information. They are kept on the Company's website for at least five years from their date of publication, with the exception of registration documents or universal registration documents and half-yearly Financial Reports, which are kept for at least 10 years.

In accordance with the recommendations of the AMF, the Internal Regulations and the bylaws of the Company are available on the Company's website. They can also, like the minutes of the General Meetings, the reports of the Statutory Auditors and all other corporate documents, be consulted at the Company's registered office under the conditions provided for by law and by the bylaws.

Furthermore, the declarations of legal threshold crossing are published on AMF's website (*www.amf-france.org*).

# 7.4 INFORMATION ABOUT THE STATUTORY AUDITORS

## 7.4.1 PRINCIPAL AND ALTERNATE STATUTORY AUDITORS

### PRINCIPAL STATUTORY AUDITORS

- KPMG S.A, represented by Mr. Éric Junières – 3 Cours du Triangle Immeuble le Palatin – 92939 Paris-La Défense Cedex:
  - member of the Versailles Regional Company of Statutory Auditors;
  - start date of the term of office: General Meeting dated June 11, 2020 (3rd term of office),
  - date of expiry of the term of office: term of office expiring at the end of the Ordinary General Meeting called to vote on the financial statements for the fiscal year ended December 31, 2025;
- GRANT THORNTON, represented by Mr. Pascal Leclerc – 29, rue du Pont – 92200 Neuilly-sur-Seine:
  - member of the Versailles Regional Company of Statutory Auditors,
  - start date of the term of office: General Meeting of June 29, 2017 (2nd term of office),
  - date of expiry of the term of office: term of office expiring at the end of the Ordinary General Meeting called to vote on the financial statements for the fiscal year ended December 31, 2022.

### ALTERNATE STATUTORY AUDITORS

None

# 7.5 PERSONS RESPONSIBLE

## 7.5.1 DESIGNATION OF THE PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT CONTAINING THE ANNUAL FINANCIAL REPORT

Philip Swash, Chief executive officer of Latécoère.

## 7.5.2 STATEMENT BY THE PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT CONTAINING THE ANNUAL FINANCIAL REPORT

"After having taken all reasonable measures to this effect, I certify that the information contained in this Universal Registration Document is, to my knowledge, consistent with facts and does not include any omission that is likely to alter its scope.

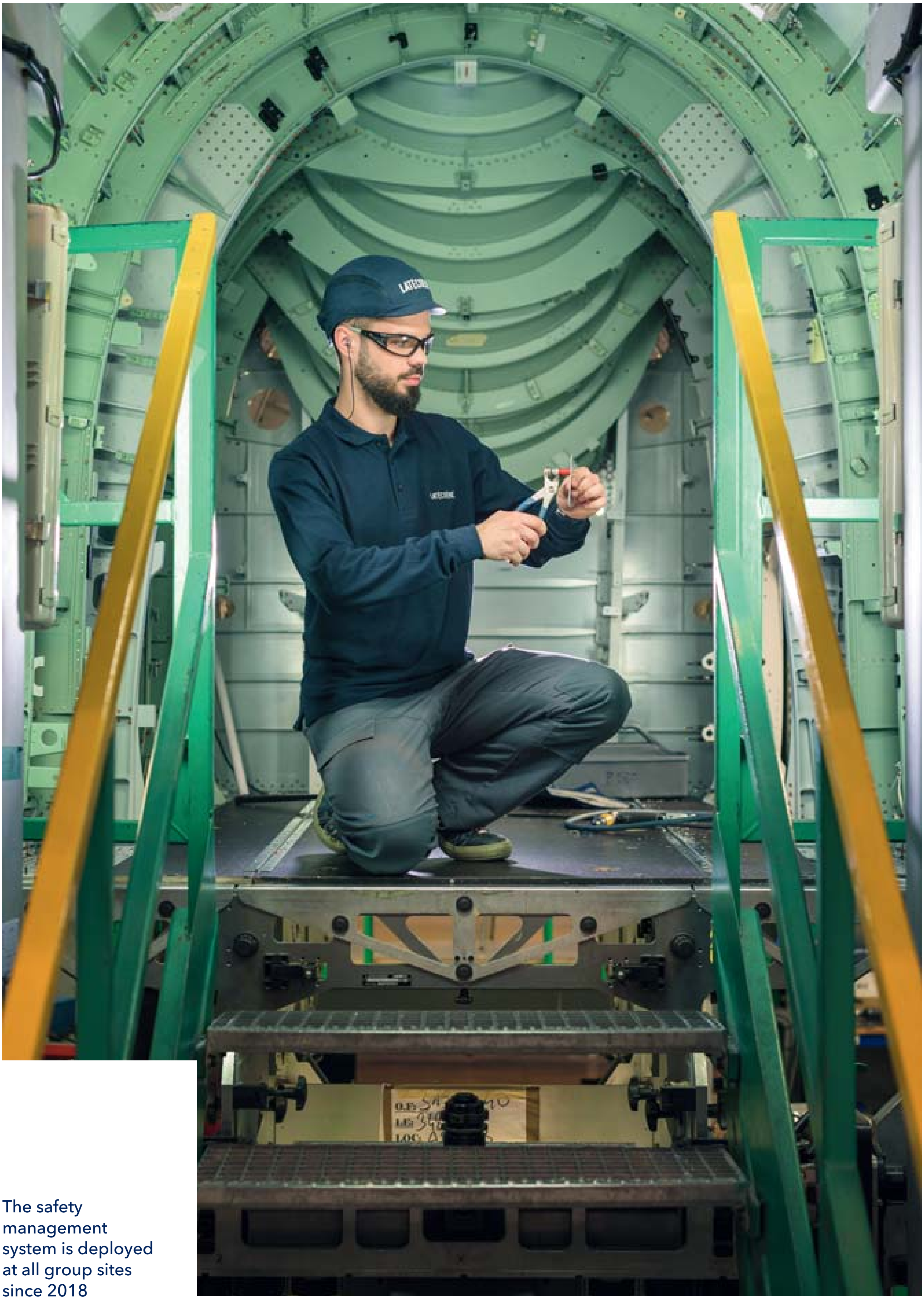
I certify that, to the best of my knowledge, the financial statements have been drawn up in accordance with the applicable accounting standards and give a true picture of the assets, financial position and income of the Company and all the consolidated companies, and that the information included in the Management Report listed in the cross-reference table in Chapter 8, Section 8.1.3 of this Universal Registration Document presents a true picture of the business development, income and financial position of the Company and all the consolidated companies as well as a description of the main risks and uncertainties they face.

I have obtained a letter of completion from the Statutory Auditors, in which they indicate that they have verified the information relating to the financial position and the financial statements given in this Universal Registration Document, and that they have read the Universal Registration Document as a whole."

Toulouse, April 21, 2021

**Philip Swash**

Chief executive officer



The safety management system is deployed at all group sites since 2018

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# ANNEXES

# 8.1 CROSS-REFERENCE TABLES

## 8.1.1 CROSS-REFERENCE TABLE OF THE UNIVERSAL REGISTRATION DOCUMENT AND INCORPORATION BY REFERENCE

This cross-reference table includes the items covered by Annexes I and II of the Delegated (EU) Regulation 2019/980 of the Commission dated March 14, 2019 and refers to pages of this Universal Registration Document, which has information relating to each of these items.

The following items are included by reference in this Universal Registration Document:

- the consolidated and parent company financial statements as of December 31, 2019 and the related Statutory Auditors' reports, presented respectively in Chapters 5.7 (page 196) and 5.8 (page 161) of the 2019 Registration Document No. D.20-0437 filed with the Autorité des Marchés Financiers on April 30, 2020;
- the consolidated and parent company financial statements as of December 31, 2018 and the related Statutory Auditors' reports, presented in Chapters 5.7 (page 112) and 5.8 (page 161) respectively of the 2018 Registration Document No. D.19-0365 filed with the Autorité des Marchés Financiers on April 19, 2019.

**DELEGATED (EU) REGULATION 2019/980 OF THE COMMISSION DATED MARCH 14, 2019 – ANNEXES I AND II**

| No. | Heading | Chapter/Section |
|---|---|---|
| **1** | **Persons responsible, information from third-parties, expert reports and approval of the competent authority** | **Chapter 7** |
| 1.1 | Persons responsible for the information contained in the Registration Document | 7.5.1 |
| 1.2 | Declaration of persons responsible | 7.5.2 |
| **2** | **Statutory Auditors** | **Chapter 7** |
| 2.1 | Name and address of the Statutory Auditors | 7.4.1 |
| 2.2 | Changes in Statutory Auditors | N/A |
| **3** | **Risk factors** | **2.1** |
| **4** | **Information concerning the issuer** | **Chapter 7** |
| 4.1 | Company name and commercial name of the issuer | 7.1.1 |
| 4.2 | Registration place and number and LEI of the issuer | 7.1.6 |
| 4.3 | Issuer's date of incorporation and term | 7.1.4 |
| 4.4 | Registered office and legal form of the issuer, legislation governing its activities, country of origin, address and telephone number of its registered office, website address | 7.1.1/7.1.2/7.3 |
| **5** | **Business overview** | |
| 5.1 | Main business activities | 1.3 |
| 5.1.1 | Nature of transactions carried out by the issuer and its main business activities | 1.2.4/1.3 |
| 5.2 | Main markets | 1.1/1.3 |
| 5.3 | Important events in the development of the issuer's activities | 1.2.3/1.2.4/1.3 |
| 5.4 | Strategy and objectives | 1.2 |
| 5.5 | Degree of dependence on patents or licenses, industrial, commercial or financial contracts or new manufacturing processes | 1.2./1.2.4/1.3/2.1 |
| 5.6 | Competitive position | |
| 5.7 | Investments | |
| 5.7.1 | Major investments made by the issuer | 1.4/5.2/5.7.6 (Note 4) |
| 5.7.2 | The issuer's major investments or investments for which firm commitments were made, their geographical distribution and their financing method | 5.2/5.7.6 (Note 4) |
| 5.7.3 | Joint ventures and companies in which the issuer owns a portion of the capital that is likely to have a significant impact on the evaluation of its assets and liabilities, its financial position and its results | N/A |
| 5.7.4 | Environmental issues that may affect the issuer's use of its property, plant and equipment. | 4.6 |

| No. | Heading | Chapter/Section |
|---|---|---|
| **6** | **Organizational structure** | |
| 6.1 | Summary description of the Group | 1.4.2 |
| 6.2 | List of major subsidiaries | 1.4.2/5.7.6 (Note 2)/5.8.4 (Note 21) |
| **7** | **Review of financial position and results** | |
| 7.1 | Financial position | 5.1/5.2./5.3/5.4 |
| 7.2 | Net operating income | |
| 7.2.1 | Major factors | 5.1.1 |
| 7.2.2 | Explanation of the changes made in the financial statements | 5.1.1 |
| **8** | **Cash position and capital** | |
| 8.1 | Issuer's capital | 5.1.2/5.7.5 |
| 8.2 | Cash flow(s) | 5.7.4 |
| 8.3 | Financing requirements and structure | 5.7.6 (Note 12) |
| 8.4 | Information concerning any restrictions on the use of capital that have materially affected or may materially affect, directly or indirectly, the issuer's operations | N/A |
| 8.5 | Information concerning the sources of financing expected to make the investments referred to in 5.7.2 | N/A |
| **9** | **Regulatory environment** | **2.1** |
| **10** | **Information on trends** | |
| 10.1 | Indication of the principal trends since the end of the last fiscal year | 5.5/5.6.3 |
| 10.2 | Known trends likely to have a significant impact on the issuer's outlook | 5.5/5.6.3/5.7.6 (Note 1) |
| **11** | **Profit forecasts or estimates** | **N/A** |
| **12** | **Administrative, management and supervisory bodies and Executive Management** | |
| 12.1 | Board of Directors and Executive Management | 3.1/3.2 |
| 12.2 | Conflicts of interests at the level of the administrative, management and supervisory bodies and of the Executive Management | 3.2.4 |
| **13** | **Compensation and benefits** | |
| 13.1 | Compensation and benefits paid or granted | 3.3 |
| 13.2 | Amounts provisioned or recorded for the payment of pensions, retirement or other benefits. | 5.7.6 (Note 25.2)/5.8.4 (Note 14.2) |
| **14** | **Working of the administrative and management bodies** | |
| 14.1 | Date of expiry of current terms of office | 3.2.1 |
| 14.2 | Service contracts providing for the grant of benefits | N/A |
| 14.3 | Information on the Audit Committee and the Compensation Committee | 3.2.3 |
| 14.4 | Declaration of compliance with the existing corporate governance regime | 3.2.5 |
| 14.5 | Potential significant impact on corporate governance | 3.2.2 |
| **15** | **Employees** | |
| 15.1 | Number of employees and breakdown of workforce | 4.5.1/5.7.6 (Note 21) |
| 15.2 | Investments and stock options of corporate officers | 3.2.1/3.3/6.6.2 |
| 15.3 | Agreement providing for profit sharing in the issuer's capital | 6.4.5 |
| **16** | **Principal shareholders** | **6.4** |
| 16.1 | Threshold crossing | 6.4.2 |
| 16.2 | Existence of different voting rights | 6.4.2/7.1.11 |
| 16.3 | Information on the issuer's control | 2.1/3.2.12/6.4 |
| 16.4 | Agreement whose implementation could Lead to a change of control in the future | N/A |
| **17** | **Transactions with related parties** | **5.7.6 (Note 23)** |

| No. | Heading | Chapter/Section |
|---|---|---|
| **18** | **Financial information concerning the assets and liabilities, financial position and results of the issuer** | |
| 18.1 | Historic financial information | 5.7/5.8 |
| 18.2 | Financial information relating to intermediaries and others | N/A |
| 18.3 | Audit of historic annual financial information | 5.8 |
| 18.4 | Pro forma financial information | N/A |
| 18.5 | Dividend policy | 6.3 |
| 18.6 | Legal and arbitration procedures | 2.1 |
| 18.7 | Significant change in the financial position | N/A |
| **19** | **Additional information** | |
| 19.1 | Share capital | 6.4/6.6 |
| 19.1.1 | Amount of issued and authorized capital | 3.2.13/6.6 |
| 19.1.2 | Shares not representing the capital, number and main features | N/A |
| 19.1.3 | Number, carrying value and par value of shares held by the issuer, or on its behalf, or by its subsidiaries | 6.5.1 |
| 19.1.4 | Amount of convertible or exchangeable securities or securities with warrants, with mention of the terms and conditions of conversion, exchange or subscription | N/A |
| 19.1.5 | Information on the conditions governing any acquisition rights and/or obligations attached to the capital subscribed, but not paid up, or on any undertaking to increase capital | 3.2.13/6.6.1/6.6.2 |
| 19.1.6 | Information on the capital of any member of the Group subject to an option or a conditional or unconditional agreement to place it under option and details of such options, including the identity of the persons to whom they relate | N/A |
| 19.1.7 | History of the share capital | 6.4.2/6.6.1 |
| 19.2 | Articles of association and bylaws | |
| 19.2.1 | Corporate purpose | 7.1.5 |
| 19.2.2 | Rights, privileges and restrictions attached to each existing category of shares | 7.1.8 to 7.1.11 |
| 19.2.3 | Provisions of the issuer's Articles of Association, bylaws, charter or regulation that would have an effect of delaying, deferring or preventing a change in control | 6.6.3 |
| **20** | **Major contracts** | **N/A** |
| **21** | **Documents available** | **7.3** |

## 8.1.2 CROSS-REFERENCE TABLE OF THE ANNUAL FINANCIAL REPORT

In order to facilitate the reading of the Annual Financial Report, the following table makes it possible to identify the principal information stipulated by Article L.451-1-2 of the French Monetary and Financial Code and Article 222-3 of the AMF General Regulations.

| Headings of Article L.451-12 of the French Monetary and Financial Code and Article 222-3 of the AMF General Regulations | Chapter/Section |
|---|---|
| **1. 2020 parent company financial statements** | **5.8** |
| **2. 2020 consolidated financial statements** | **5.7** |
| **3. 2020 Management Report of the Board of Directors including the statement of non-financial performance** | |
| Objective and exhaustive analysis of the Company's and Group's business, results and financial position (including the debt situation) | 5.1/5.2/5.3 |
| Key financial performance indicators and where applicable, the non-financial indicators of the Company and the Group | 5.1.1/5.2/Chapter 4 |
| Main risks and uncertainties of the Company and the Group | 2.1/5.5/5.7.6 (note 1) |
| Internal control and risk management procedures relating to the preparation and processing of the Company's and Group's accounting and financial information | 2.2.1 |
| Objective and policy for hedging transactions for which the Company's and Group's hedge accounting is used<br>Exposure of the Company and the Group to price, credit, liquidity and cash flow risks<br>Use of the Company's and Group's financial instruments | 5.7.6 (Note 8/Note 20)<br>2.1/5.7.6 (Note 20)<br>5.7.6 (Note 8/Note 20) |
| The Company's and Group's financial risks linked to the effects of climate change and overview of the measures taken to reduce them (low carbon strategy) | 2.1/4.6 |
| The Company's acquisition and disposal of its own shares (share buyback) | 5.7.6 (Note 9.2)/6.5 |
| **4. Statement of the person responsible for the 2020 Annual Financial Report** | **7.5.2** |
| **5. Report of the Statutory Auditors on the 2020 parent company Financial Statements** | **5.8.5** |
| **6. Report of the Statutory Auditors on the 2020 Consolidated Financial Statements** | **5.7.7** |

### 8.1.3 CROSS-REFERENCE TABLE FOR THE MANAGEMENT REPORT PROVIDED FOR IN ARTICLES L.225-100 *ET SEQ.* OF THE FRENCH COMMERCIAL CODE

In order to make it easy to read the Management Report as provided for under the French Commercial Code, the following table makes it possible to identify the principal information required for this purpose in the Registration Document.

| Headings of the 2020 Management Report | Chapter/Section |
|---|---|
| The Company's and Group's position during the past fiscal year, foreseeable trend and major events since the end of the reporting period | 5.1/5.2/5.3/5.4/5.5/5.6 |
| Company's and Group's business and results by business sector | 1.3/5.1 |
| Objective and exhaustive analysis of the Company's and Group's business, results and financial position (including the debt situation) | 5.1/5.2 |
| Key financial performance indicators and where applicable, the non-financial indicators of the Company and the Group | Chapter 4/5.1/5.2 |
| Main risks and uncertainties of the Company and the Group | 2.1 |
| Internal control and risk management procedures relating to the preparation and processing of the Company's and Group's accounting and financial information | 2.2.1 |
| Objective and policy for hedging transactions for which the Company's and Group's hedge accounting is used | 5.7.6 (Note 8/Note 22) |
| Exposure of the Company and the Group to price, credit, liquidity and cash flow risks<br>Use of the Company's and Group's financial instruments | 2.1/5.7.6 (Note 22)<br>5.7.6 (Note 8/Note 22) |
| The Company's and Group's financial risks linked to the effects of climate change and overview of the measures taken to reduce them (low carbon strategy) | 2.1/4.6 |
| Company's and Group's research and development business | 1.2.4/5.4 |
| Branches | N/A |
| Breakdown and changes in the shareholding structure | 6.4 |
| Name of controlled companies and share of the capital that they own | 1.4.2/5.7.6 (Note 2) |
| Major holdings for the fiscal year in companies having their registered office on French territory | N/A |
| Cross-holdings | N/A |
| Profit sharing statement in the share capital | 6.4.1/6.4.5 |
| The Company's acquisition and disposal of its own shares (share buyback) | 6.5 |
| Adjustments in securities giving access to the capital in case of financial transactions | N/A |
| Adjustments in securities giving access to the capital and stock-options in case of share buyback | N/A |
| Dividends distributed in the last three fiscal years | 5.2/6.3 |
| Spending and expenses that are not tax deductible | 5.2 |
| Injunctions or financial penalties for anti-competitive practices | N/A |
| Payment periods and breakdown of the balance of trade payables and receivables | 5.2 |
| Amount of inter-company loans | N/A |
| Information relating to the operation of a SEVESO installation (Art. L.515-8 of the French Environment Code) | N/A |
| Vigilance plan | N/A |
| Statement of transactions on securities of persons exercising managerial responsibilities and closely related persons. | 6.4.4 |
| **Statement of non-financial performance (SNFP)** | **Chapter 4** |
| Business model | Introduction - Latécoère in Brief |
| Main extra-financial risks | Chapter 4 |
| Due diligence policies and procedures | Chapter 4 |
| Publication of key performance indicators | Chapter 4 |
| Report on government payments | N/A |
| Table of Company results in each of the last five fiscal years | 5.6.2 |
| **Corporate Governance Report** | **Chapter 3** |

# 8.2 GLOSSARY

## FINANCIAL GLOSSARY

### Growth at constant exchange rate

The Group measures the growth of its revenue exclusive of EUR/USD currency impacts to help understand revenue trends in its business.

The impact of exchange rate is offset by applying a constant EUR/USD exchange rate for the concerned periods.

### Organic growth

Organic growth excludes EUR/USD currency impacts (by applying a constant exchange rate for the periods considered) and by applying a constant Group structure.

The constant Group structure is obtained by:

- eliminating revenues of companies acquired during the period;
- adding to the previous period full-year revenues of companies acquired in the previous period;
- eliminating revenues of companies sold during the current or comparable periods.

### EBITDA

EBITDA corresponds to operating income before depreciation, amortization andsimpairment of assets.

### Recurring EBITDA

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

### Operating free cash flow

Operating free cash flow corresponds to cash flow from operating activities and from investing activities excluding income tax paid.

### Recurring operating free cash flow

Recurring operating free cash flow corresponds to operating cash flow excluding non-recurring items from operating activities and investing activities. Details of non-recurring items are presented in the accounting principles in the Group’s consolidation financial statements.

### Recurring operating income

In order to better reflect the current economic performance, the Group uses a sub-total named “recurring operating income” which excludes from operating income non-recurring items (income or expenses) which are inherently difficult to predict due to their unusual, irregular or non-recurring nature. Details of non-recurring items are presented in the accounting principles in the Group’s consolidation financial statements.

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on PEFC certified paper produced from sustainably managed forest.

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