



## COMMUNIQUÉ DE PRESSE

Toulouse, 30 April 2015

### SIGNATURE OF AN AGREEMENT IN RELATION TO THE FINANCIAL RESTRUCTURING OF LATECOERE

- Agreement between Latécoère and its principal creditors regarding the financial restructuring of the Group.
- Strengthening of the equity of Latécoère by an amount of 278 million Euros split between:
  - Firstly, a reserved share capital increase of 55.6 million Euros;
  - Secondly, a public share capital increase (preserving existing shareholders' preferential subscription rights) of 222.5 million Euros.
- The proceeds of the share capital increases will be allocated between:
  - Debt reduction of 178 million Euros;
  - A cash injection of 100 million Euros.
- Reduction of long term financial debt to 100 million Euros, implying a reduction of financial costs by approximately 50% on the basis of the average interest rate for the duration of the reinstated debt.
- Creation of a stable long-term shareholder structure composed of the investment management firms Apollo and Monarch, who will become the reference shareholders of the Group.
- Intention of the principal shareholders of the Group to vote in favor of all resolutions related to the restructuring.
- Strengthening and simplifying of the Group's governance structure via a new Board of Directors to reflect the new shareholding structure of the Group.



Latécoère SA announces the execution of an agreement with its principal creditors, funds managed or advised by affiliates of Apollo Global Management, LLC (NYSE: APO) (together with its consolidated subsidiaries, “Apollo”), an affiliated entity of Monarch Alternative Capital LP (“Monarch”) and other creditors together accounting for c.88% of the total outstanding commitments under Latécoère’s syndicated credit facility.

The completion of the transaction contemplated in this agreement will allow Latécoère to put an end to its financial over-indebtedness by strengthening its equity and restoring its debt to a level compatible with the long-term nature of its activities. Due to a much improved liquidity position, the agreement enables the company to continue the important operational restructuring process undertaken over the course of the past year and to implement the strategic and commercial repositioning required to face its competitive challenges and to adapt to market developments.

### Strengthening of the equity of the Group

The strengthening of the equity will take place by way of two successive share capital increases in the total aggregate amount of 278 million Euros. These share capital increases, which will be subject to the approval of the general shareholders’ meeting of Latécoère, are expected to be implemented as follows:

- firstly, a reserved share capital increase in the amount of 55.6 million Euros, by issuing 6.9 million new shares of Latécoère at a price of 8.06 Euros per share, such shares to be paid-up by way of a debt for equity swap by the company’s creditors;
- secondly, a public share capital increase, backstopped by all of the creditors and with existing shareholders’ preferential subscription rights preserved, in the amount of 222.5 million Euros, by issuing 74.2 million new shares of Latécoère on the basis of 4.0 new shares for 1 existing share after the reserved share capital increase, at a price of 3.0 Euros per share.

The reserved portion of the share capital increase will account for 20% of the total aggregate amount of the combined share capital increases. The proceeds of both share capital increases will be allocated as follows: 178 million Euros to reduce or repay debt under the existing syndicated credit facility (which totals 278 million Euros before the restructuring), and 100 million Euros to finance the performance and development plan that the company intends to implement with the support of its new shareholders.

Further to the reserved share capital increase, creditors are expected to own 37.4% of the share capital of Latécoère. Following the public capital increase with existing shareholders’ preferential subscription rights preserved, the creditors’ shareholding would range between 37.4% of the share capital of Latécoère, if the public share capital increase is fully subscribed by the existing shareholders and 87.5% if existing shareholders do not subscribe at all to the public share capital increase.



In other words, an existing shareholder holding 1.00% of the total share capital of Latécoère before the reserved share capital increase would hold 0.63% of the share capital after the restructuring assuming such existing shareholder exercises all of its preferential subscription rights in respect of the public capital increase, and 0.12% if such shareholder does not subscribe to the public share capital increase.

Further to the public capital increase with existing shareholders' preferential subscription rights preserved, Apollo and Monarch shareholding should range between 25.1% and 45.9% on the basis of their current exposure under the syndicated credit facility and the subscription of each of the other lenders to the public share capital increase in accordance with its respective backstop undertaking. This is why Apollo and Monarch have solicited from the French Financial Market Regulator an exemption to the obligation to launch a tender offer in accordance with article 234-9 2° of the General Regulations of the French Financial Market Regulator (AMF). Apollo and Monarch have undertaken not to sell their shares prior to 31 December 2016.

The increases in the share capital will lead to the strengthening of the equity of Latécoère in an amount of 278 million Euros. As a result, the pro forma consolidated shareholders' equity of Latécoère would amount to 389 million Euros as of 31 December 2014, which represent a significant increase compared to consolidated shareholders' equity (group share) of 111 million Euros as of 31 December 2014.

An independent expert will be appointed by the company pursuant to article 261-2 of the General Regulations of the French Financial Market Regulator (règlement général de l'AMF), and will provide a detailed opinion with respect to the fairness of the proposed restructuring.

### **Reducing the syndicated debt by 64%**

Following the share capital increases, the residual syndicated debt will be reduced to 100 million Euros (i.e., a decrease of 64% compared with the debt under the syndicated credit facility of an initial amount of 278 million Euros) and will have a 5-year maturity. It will be a senior facility with margin ranging between 500/850 basis points paid in cash and in PIK (Payment in Kind) with an Euribor floor of 0.5%. The debt will be fully repaid at the maturity date, but may be partially prepaid with effect from 2017 through a cash sweep provision applying to 50% of the cash flow generated by the Company in one year in excess of 20 million Euros, the amounts prepaid being capped to a maximum total amount equal to EUR 20 million euros per financial year.

The financial restructuring will enable Latécoère to significantly improve its debt ratios and to reduce the cost of its debt by approximately 50%, the financial charges expected during the first year of credit will amount to c. 5 million Euros against c. 12.5 million Euros.



### **New governance structure**

Apollo and Monarch will become the reference shareholders of Latécoère, and will hold a minimum stake of approximately 25% of the total share capital.

At the next general shareholders' meeting of Latécoère, it will be proposed to the shareholders that a one-tier governance structure with a Board of Directors be established, thus simplifying the current two-tier governance structure which comprises a Supervisory Board and a Managing Board. This new governance structure will be aimed at strengthening the decision making power of the Board of Directors. The shareholders will be asked to confirm the appointment of the current President of the Supervisory Board, Mr. Pierre Gadonneix, and the current President of the Managing Board of Latécoère, Mr. Frédéric Michelland, in their new positions, respectively, as Chairman of the Board of Directors and as Chief Executive Officer of the Group.

At this same general shareholders' meeting, the shareholders will be asked to vote on the composition of the Board of Directors in order to take into account the new shareholding structure of the Group. Depending on the actual shareholding of Apollo and Monarch further to completion of the financial restructuring, the number of their representatives at the Board of Directors will be either 5 or 6 (out of a total of 11 directors).

### **Support of the main shareholders**

Salvepar, as well as the employee mutual fund FCPE B, together accounting for 11.8% of the share capital and 19.7% of the voting rights of the company, have provided their support and have expressed their intent to vote in favor of the resolutions related to the restructuring.

### **Next steps**

Latécoère has requested that the trading of its shares be suspended on 29 April 2015. Trading shall resume on 04 May 2015, as from market opening.

The agreement has already been approved by the Latécoère Supervisory Board, and is now subject to the satisfaction of a number of customary conditions precedent, including, in particular, the obtaining of the consent of all creditors, the execution of a conciliation agreement (protocole de conciliation) and its definitive approval (homologation) by the Commercial Court of Toulouse (Tribunal de Commerce de Toulouse), the detailed opinion of the independent expert concluding on the fairness of the proposed restructuring, the obtaining from the French Financial Market Regulator of an exemption in favor of the new shareholders to the obligation to launch a tender offer, and the passing of all resolutions submitted to the shareholders' general meeting in relation to the proposed restructuring.



It is contemplated that the general shareholders meeting will be held no later than 30 June 2015, and the share capital increases are expected to be completed before the end of the third quarter of 2015.

Pierre Gadonneix, Chairman of the Supervisory Board of Latécoère, stated: *“I would like to thank all the creditors and the Managing Board for their constructive spirit in reaching this agreement. It is a well-balanced and crucial agreement that enables the Group to significantly strengthen its equity, whilst limiting the potential dilution of our shareholders, and reduces its debt by almost 2/3rd. We believe this agreement enables the Group to secure its future industrial activities and to reposition itself as a leader of the aeronautical sector”*.

Frédéric Michelland, President of the Managing Board of Latécoère, stated: *“This agreement marks a new step in the restructuring process of Latécoère. We believe it will enable the Group to restore its indebtedness to a sustainable level and provide the flexibility required to implement its strategic goals. With a new shareholding structure and a healthier financial situation, Latécoère will again be able to invest and develop itself in the interest of all of the stakeholders”*.

#### About Latécoère

Latécoère is a tier 1 partner to major international aircraft manufacturers (Airbus, Embraer, Dassault, Boeing and Bombardier), in all segments of the aeronautical market (commercial, regional, corporate and military aircraft), specializing in three fields:

- Aerostructure Industrial (57% of total revenue): fuselage sections and doors.
- Aerostructure Services (15% of total revenue): design, stress analysis and definition of industrial products - design, manufacturing & maintenance of tooling and special assemblies
- Interconnexion Systems (28% of total revenue): onboard wiring, electrical harnesses and avionics bays.

The Group employed as of December 31, 2014 4,815 people, in 10 countries.

Latécoère had total consolidated revenue of €664.1 million in 2014 and its order book stood at €2.66 billion (based on a USD/EUR exchange rate of 1.35).

Latécoère, a French corporation (société anonyme) with capital of €23,017,186 divided into 11,508,593 shares with a par value of €2 per share is listed on Euronext Paris - Compartment C.

ISIN code: FR0000032278 - Reuters code: LAEP.PA - Bloomberg code: LAT.FP

		
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