

Toulouse, 18 September 2017

2017 HALF-YEARLY RESULTS

- Sharp increase in adjusted recurring operating income to €33.1 million
- Positive free cash flow from operations
- Ongoing deployment of the Transformation 2020 plan
- Strong sales momentum

ADJUSTED INCOME STATEMENT

All of the figures in this press release are expressed in adjusted data unless otherwise indicated. Definitions for restatements and the table of reconciliation between the consolidated income statement and the adjusted income statement for the first half of 2017 are given at the end of this press release. Comparisons are based on the figures reported for financial year 2016.

<i>In € million</i>	H1 2016 ⁽¹⁾	H1 2017
Revenues	342.5	348.8
Recurring operating income adjusted	24.4	33.1
<i>As a % of revenue</i>	7.1%	9.5%
Non-recurring operating income and expenses	(31.3)	(1.3)
Operating income adjusted	(6.9)	31.8
Cost of net financial debt	(4.0)	(3.8)
Other financial income and expenses	(4.8)	(7.5)
Financial income adjusted	(8.8)	(11.3)
Net income adjusted	(19.4)	11.4

(1) Figures for 2016 have been restated for the sale of Latécoère Services in accordance with IFRS 5.

The accounts for the first half of 2017 were approved by the Board of Directors at its meeting of 14 September 2017. The accounts have been subject to a limited review by the Statutory Auditors and a report on the semi-annual financial information.

1.8% growth in activity (-1.2% at constant exchange rates)

Latécoère revenues stood at €348.8 million on 30 June 2017, up 1.8% in reported figures on the same period in 2016. The Group benefited from a positive currency effect linked to EUR/USD hedges. At constant exchange rates, Latécoère revenues decreased by 1.2% in the first half of 2017, which is consistent with forecasts given at beginning of the year.

The decrease in Aerostructures division revenues (2.7% at constant exchange rates) primarily reflects the slowdown in production for the Airbus A380 and the Falcon 7X/8X.

The Interconnection Systems division enjoyed an upturn in activity of 1.3% at constant exchange rates. The effects of the most recent acceleration of the A350 program were partially offset by lower volumes for the A380 and F7X/8X.

The projection of the backlog of aircraft manufacturers represents for Latécoère a volume of activity of € 2.3 billion (based on a EUR/USD exchange rate of 1.35), close to four years of revenues for the company.

Improvement in operating performance

Bolstered by the implementation of the Transformation 2020 plan, adjusted recurring operating income for the period increased sharply to €33.1 million compared with €24.4 million for the first six months of 2016. The Group's current operating margin increased 2.4 points to 9.5% of revenues.

Both divisions contributed to this positive performance, the primary drivers of which were:

- the successful transfer of production to "best cost" regions (Morocco, Tunisia and Mexico);
- the ongoing improvement in productivity for mature programs;
- the improvement in EUR/USD parity on which the Group was able to capitalize thanks to existing hedges.

With non-recurring expenses limited to €1.3 million, adjusted operating income came in at €31.8 million. Expenses essentially include costs linked to the start to operations at the new factories in Montredon in the outskirts of Toulouse and Plovdiv in Bulgaria.

Adjusted financial income amounted to a negative €11.3 million, impacted by the unfavorable currency effect on the revaluation of balance sheet assets and liabilities.

Adjusted net income amounted to a positive €11.4 million (vs. a negative €19.4 million on 30 June 2016).

Under IFRS, net income amounted to €21.1 million (vs. a negative €17.5 million on 30 June 2016).

The Group maintained its EUR/USD currency hedging policy. Despite the recent weakening of the dollar, the Group is covered for rates of around 1.16 at worst, until the end of 2019.

Positive free cash flow from operations

Net of the Group's commitments in non-recurring expenses (€12.1 million), which primarily include outgoings linked to the Group's job protection plan (*Plan de Sauvegarde de l'Emploi*) and investments linked to the new factories, Latécoère free cash flow from operations amounted to €13.6 million on 30 June 2017. As a result, recurring free cash flow from operations amounted to €25.7 million for the period, namely 7.4% of revenues.

The generation of free cash flow and deleveraging of Group debt resulted in a positive net cash position of €9.3 million on 30 June 2017.

Transformation 2020 plan update

Latécoère Transformation 2020 plan is on schedule. Many key milestones linked to the transformation of the Group industrial model were met during the first half of 2017:

- 95% of job cuts in France were achieved through Latécoère's voluntary redundancy program or internal transfers;
- construction work began at the Plovdiv site in Bulgaria;
- the first stone was laid in July for the Group's new factory in Toulouse where production is scheduled to begin in early 2018. The new factory has also been recognized by French association, the Alliance Industrie du Futur (AIF), as a showcase factory for the industry of the future (*Vitrine Industrie du Futur*);
- the transfer of the assembly of B787 doors to Mexico is underway and will be completed before the end of 2017.

The first step of the disposal of the site on Rue de Périole in the center of Toulouse is also on track, notably with the preparation of administrative authorizations. This operation will take place between 2018 and 2025 in order to adapt to the industrial calendar for Group transfers.

At the end of the Transformation 2020 plan, the Group will have the competitive and modern industrial capabilities needed to absorb additional volumes under optimized conditions.

Sales momentum and outlook

Latécoère's Interconnection Systems division's strong sales momentum continued in the first half of 2017.

New development began on a few contracts: EWIS systems for the MRJ90, landing gear wiring for Héroux-Devtek Inc., cabin systems and engine harnesses. Prototypes were delivered and series production began on various programs.

More recently, new contracts were signed with Boeing (B777 and B777X video surveillance system), Airbus Helicopters (cockpit panels) and Airbus Defense & Space (satellite harnesses).

These new markets are a clear indication of the Group's ambition and the competitiveness of its industrial and technical platforms. At constant exchange rates, they will set the division firmly on track to growth in 2018-2020.

To secure its positioning on new development programs, Latécoère Aerostructures division is optimizing its industrial resources and strengthening its ties with its principal contractors. Focused on the optimal execution of its order book, the Aerostructures teams have been researching a certain number of opportunities in "Build to Print" that will ensure a stable level of activity in the coming years.

At the same time, the Group is increasing its R&T capabilities and reinforcing its technological collaboration with its clients and suppliers to offer more innovative products and processes that meet market needs.

Targets for 2017

Latécoère confirms its 2017 roadmap: despite slightly lower revenues at constant exchange rates, the Group expects to see an improvement in adjusted recurring operating income and positive free cash flow.

Pierre Gadonneix, Chairman of the Board of Directors, said: *"Latécoère solid results in the first half of 2017 not only confirm its performance in 2016, but are also a clear indication that recovery measures have been effective and the Group is able to deliver profitable growth."*

Yannick Assouad, Chief Executive Officer for the Group said: *"The major commercial successes enjoyed by the Interconnection Systems division prove that the Group has some of the best engineering and industrialization capabilities in its sector. The Group's close collaboration with the world's leading aircraft manufacturers and its robust industrial performance are major assets for the consolidation of the aeronautics sector"*.

Next publication: Q3 2017 revenues on 26 October 2017 (after the stock exchange closes)

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 two fields:

- Aerostructures Industrial (65% of total revenue): fuselage sections and doors.
- Interconnection Systems (35% of total revenue): onboard wiring, electrical harnesses and avionics bays.

At 31 December 2016, Latécoère employed 4,338 people in 8 different countries.

Latécoère, a French corporation (société anonyme) with capital of €188,398,504 divided into 94,199,252 shares with a par value of €2 per share, is listed on Euronext Paris - Compartment B. ISIN codes: FR0000032278 - Reuters: LAEP.PA - Bloomberg: LAT.FP

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Reconciliation between the consolidated income statement and the adjusted consolidated income statement

('000 EURO)	June 30, 2017		Work-in-progress "Non recurring cost"	Reclassification of currency €/\$ hedge	Faire value for derivative instruments	June 30, 2017	
	IFRS data					Adjusted data	
Revenue	348 788						348 788
Recurring Operating Income (EBIT)	15 773		18 751	-1 406			33 119
<i>Operating Income / Revenue</i>	<i>4,5%</i>						<i>9,5%</i>
Other non-recurring operating income and expenses	-1 330						-1 330
Operating income	14 443		18 751	-1 406	0		31 788
Net Cost of debt	-3 843						-3 843
Other financial result	24 123		0	1 406	-32 996		-7 468
Financial Result	20 280		0	1 406	-32 996		-11 310
Income tax	-13 659		-6 456	0	11 084		-9 030
Net Result for the period from continuing operations	21 064		12 295	0	-21 912		11 448
Net Result for the period from discontinued operations	0		0	0	0		0
NET RESULT FOR THE PERIOD	21 064		12 295	0	-21 912		11 448
Of which, Owners of the parent	20 831						11 215
Of which, Non-controlling interests	233						233

('000 EURO)	June 30, 2016		Work-in-progress "Non recurring cost"	Reclassification of currency €/\$ hedge	Faire value for derivative instruments	June 30, 2016	
	IFRS data					Adjusted data	
Revenue	342 528						342 528
Recurring Operating Income (EBIT)	20 874		9 733	-6 177			24 430
<i>Operating Income / Revenue</i>	<i>6,1%</i>						<i>7,1%</i>
Other non-recurring operating income and expenses	-31 332						-31 332
Operating income	-10 457		9 733	-6 177	0		-6 901
Net Cost of debt	-4 039						-4 039
Other financial result	192		0	6 177	-11 142		-4 772
Financial Result	-3 846		0	6 177	-11 142		-8 811
Income tax	-4 133		-3 351	0	3 837		-3 648
Net Result for the period from continuing operations	-18 437		6 382	0	-7 305		-19 360
Net Result for the period from discontinued operations	911		0	0	39		950
NET RESULT FOR THE PERIOD	-17 526		6 382	0	-7 266		-18 409
Of which, Owners of the parent	-17 712						-18 594
Of which, Non-controlling interests	186						186

Restatements between consolidated and adjusted income statements derive from:

- changes in Non-Recurring work in progress (nets of reserves) pursuant to the application of IAS11 (construction contracts);
- the impact of gains and losses on €/\$ hedging instruments recognized under financial expenses in accordance with IFRS even though related to operations;
- changes in mark to market of foreign exchange interest rate hedging instruments (recorded under the unrealized financial result caption); and
- corresponding tax impacts of such restatements (theoretical tax rate of 34.43%).