

Toulouse, 25 July 2018

BUSINESS REPORT AS AT 30 JUNE 2018

Revenue of €320.8 million in the first six months of 2018, mainly impacted by currency effects

Ongoing roll-out of the Transformation 2020 plan

2018 and 2019 outlook

Application of IFRS 15 on 2017 comparative information

<i>(in € million)</i>	H1			
	2018	2017 Restated ¹	Change (%)	Change like-for-like (%)
Aerostructures	182.5	211.8	-13.8%	-8.3%
Interconnection Systems	138.2	138.6	-0.3%	5.2%
Total revenues	320.8	350.4	-8.5%	-2.9%

¹ Restated for the application of IFRS15 applicable from 1 January 2018

Latécoère's revenues amounted to €320.8 million in the first half of 2018, down 8.5% compared to the same period in 2017 based on reported figures, heavily impacted by the depreciation of the US dollar. At constant exchange rates, Latécoère posted a 2.9% decrease in revenues over the first six months of 2018, consistent with forecasts for the year.

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

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

Ongoing roll-out of the Transformation 2020 plan

Since March 2018, an increasing number of parts manufactured at the Toulouse-Montredon 4.0 plant obtained quality labels and certifications. These parts for the A320, B787, E1 and E2 programs are serving production lines. Meanwhile, the manufacture of avionic rack structures for the A350 was approved at the Plovdiv plant in Bulgaria.

The ramp-up of these two production units is progressing in line with expectations.

The first section of the Toulouse-Périole site was sold at the end of June and demolition work has begun.

2018 and 2019 outlook

Based on aircraft manufacturers' forecasts and new contracts signed, Latécoère expects to post slight organic growth in full 2018 year.

As announced, the cost of the Transformation 2020 plan and start-up costs for new plants will substantially dampen 2018 Group's profitability and cash generation.

In 2019, progress in cost reduction efforts are expected to bring operating income and FCF (before capex) back in line with 2017 levels.

Application of IFRS 15 on 2017, 2018 and 2019 comparative information

Applicable as of 1 January 2018, 2017 financial statements are restated in order to be comparable with the 2018 financial statements:

- No impact on cash flow
- Recurring Operating income under IFRS 15 close to adjusted recurring operating income presented to date
 - Adjusted financial statements no longer presented
- Design & Build contract development costs reclassified from Inventories to fixed assets. They are part of the serial production Cost of Sales.
- Advances received (or pre-financing) for these development costs are recorded as liabilities under "Contract liabilities" and posted in sales when goods produced are delivered.
- IFRS 15 no longer permits the manufacturing variance of the first financial years of production to be capitalized and deferred as part of the learning curve: cancellation of WIP "non-recurring" costs (curve), i.e. an impact on equity on the balance sheet

Next release: H1 2017 results on 5 September 2017 (before the opening of Euronext market)

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 (61% of total revenue): fuselage sections and doors.*
- *Interconnexion systems (39% of total revenue): onboard wiring, electrical harnesses and avionics bays.*

At 31 December 2017, Latécoère employed 4,451 people in 10 different countries. Latécoère, a French corporation (société anonyme) with capital of €188 789 804 divided into 94,394,902 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

<p>Latécoère Sebastien Rouge / Chief Financial Officer Tel.: +33 (0)5 61 58 77 00 sebastien.rouge@latecoere.aero</p>	<p>Actus finance & communication Corinne Puissant / Investor Relations Tel.: +33 (0)1 53 67 36 77 - cpuissant@actus.fr Anne-Catherine Bonjour / Media Relations Tel.: +33 (0)1 53 67 36 93 - acbonjour@actus.fr</p>
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