Toulouse, 5 September 2018

2018 HALF-YEARLY RESULTS

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

INCOME STATEMENT

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

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

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

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

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

Revenues mainly impacted by currency effects

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

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

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

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

Yearly €/$ Hedging of the Group:

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

Temporary decline in profitability

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

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

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

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

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

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

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

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

One-off investments in competitive capabilities to drive future growth

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

Update on the Transformation 2020 plan

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

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

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

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

Business momentum

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

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

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

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

2018 and 2019 outlook

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

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

Pierre Gadonneix, Chairman of the Latécoère Board of Directors, said: "*The Group has structured itself to invest in long-term initiatives and 2018 is characterized by non-recurring expenses. Restoring Latécoère to its full potential will enable the Group to sustain profitable growth.*"

Yannick Assouad, Group CEO, made the following comments: *"2018 is a pivotal year for Latécoère's Transformation plan, and it is a period of major investments. We are on the right track and remain confident in our ability to implement initiatives that will contribute to the Group's success. The significant commercial successes of the Interconnection Systems division have been confirmed and will continue over the coming months. At the same time, we are continuing our efforts to diversify our programs in the Aerostructures division."*

Next release: Q3 2018 revenues, 24 October 2018 after market close

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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 94,744,952 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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APPENDICE

Definitive restatement of historical data under IFRS 15

Reconciliation of key indicators

(€ million)	30-Jun-17		
	Reported	IFRS 15 impact	Restated
Revenue	348.8	1.6	**350.4**
Adjusted recurring operating income	33.1	n/a	n/a
Recurring operating income	15.8	17.4	**32.2**
Adjusted operating income	31.8	n/a	n/a
Operating income	14.4	17.4	**31.8**

(€ million)	31-Dec-17		
	Reported	IFRS 15 impact	Restated
Revenue	652.5	4.9	**657.4**
Adjusted recurring operating income	51.1	n/a	n/a
Recurring operating income	21.7	30.2	**51.9**
Adjusted operating income	41.1	n/a	n/a
Operating income	11.7	30.2	**41.9**

After application of IFRS 15, restated recurring operating income (EBIT) becomes close to the adjusted recurring operating income.

Impact of the application of IFRS 15 on economic performance measures

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

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

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

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

Impact of the application of IFRS 15 on 2017 revenues by operating segment and quarter

(€ million)	Q1 2017		
	Reported	IFRS 15 impact	Restated
Aerostructures	102.1	0.0	102.1
Interconnection Systems	70.5	2.0	72.5
Total revenues	**172.6**	**2.0**	**174.6**

(€ million)	Q2 2017		
	Reported	IFRS 15 impact	Restated
Aerostructures	109.7	0.0	109.7
Interconnection Systems	66.5	-0.3	66.2
Total revenues	**176.2**	**-0.3**	**175.8**

(€ million)	Q3 2017		
	Reported	IFRS 15 impact	Restated
Aerostructures	92.4	0.0	92.4
Interconnection Systems	52.2	1.5	53.7
Total revenues	**144.6**	**1.5**	**146.1**

(€ million)	Q4 2017		
	Reported	IFRS 15 impact	Restated
Aerostructures	92.8	0.0	92.8
Interconnection Systems	66.3	1.8	68.1
Total revenues	**159.1**	**1.8**	**160.9**

H1 2017 income statement adjusted for IFRS 15

(€ million)	30-Jun-17		
	Reported	IFRS 15 impact	Restated
Revenue	348.8	1.6	350.4
Recurring EBITDA[1]	**40.6**	**5.9**	**46.5**
Recurring operating income	**15.8**	**17.4**	**33.2**
as % of revenue	*4.5%*		*9.5%*
Non-recurring operating income and expenses	-1.3		-1.3
Operating income	**14.4**	**17.4**	**31.8**
Cost of net financial debt	-3.8		-3.8
Other financial debt	24.1		24.1
Financial income	**20.3**	**0.0**	**20.3**
Income tax	-13.7		-13.7
Net result for the period from continuing operations	**21.1**	**17.4**	**38.5**

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

FY 2017 income statement adjusted for IFRS 15

(€ million)	31-Dec-17		
	Reported	IFRS 15 impact	Restated
Revenue	652.5	4.9	657.4
Recurring EBITDA[1]	**65.9**	**12.6**	**78.4**
Recurring operating income	**21.7**	**30.2**	**51.9**
as % of revenue	*3.3%*		*7.9%*
Non-recurring operating income and expenses	-10.0		-10.0
Operating income	**11.7**	**30.2**	**41.9**
Cost of net financial debt	-8.0		-8.0
Other financial debt	16.4		16.4
Financial income	**8.5**	**0.0**	**8.5**
Income tax	-16.6		-16.6
Net result for the period from continuing operations	**3.6**	**30.2**	**33.8**

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

Operating Segment information restated for IFRS 15 – at 30 June 2017 and 31 December 2017

(€ million)	30-Jun-17		
	Reported adjusted data	Restated IFRS data	**Change**
Aerostructures	17.1	18.5	1.3
Interconnection Systems	15.8	14.6	-1.3
Intersegment elim.	0.1	0.1	0.0
Recurring operating income	**33.1**	**33.2**	**0.0**

(€ million)	31-Dec-17		
	Reported adjusted data	Restated IFRS data	**Change**
Aerostructures	24.7	26.8	2.1
Interconnection Systems	26.1	24.8	-1.3
Intersegment elim.	0.3	0.3	0.0
Recurring operating income	**51.1**	**51.9**	**0.8**

Simplified balance sheet restated for IFRS 15 at 31 December 2017

(€ million)	31-Dec-17			
	Reported	Restated	Change	
Intangible and tangible assets	97.2	217.4	120.2	a)
Inventories	363.3	162.1	-201.1	b)
Accounts receivable	151.1	152.9	1.7	
Tax receivable	19.4	19.4	0.0	
Financial derivative instruments	41.0	41.0	0.0	
Other assets	8.2	8.2	0.0	
Cash & Cash Equivalents	142.0	142.0	0.0	
Total assets	**822.1**	**742.9**	**-79.2**	
Equity	436.6	294.6	-142.2	c)
Loans and bank borrowings	122.2	122.2	0.0	
Refundable Advances	45.2	45.2	0.0	
Provisions & Employee benefits	39.8	41.9	2.1	
Accounts payable	151.9	151.9	0.0	
Contracts liabilities	0.0	60.7	60.7	d)
Other liabilities	26.4	26.4	0.0	
Total Equity & Liabilities	**822.1**	**742.9**	**-79.2**	

a) Reclassification of development costs (NRC "*Non-recurring cost*") from "Inventories and WIP" to "Intangible & Tangible assets"

b) Corresponds to:
- The impact of the cancellation of WIP "Non-recurring" costs on equity relating to the curve. amounting to €144 million
- Reclassification of WIP "*Non-recurring*" items relating to development costs (NRC "Non-recurring cost") of €120.2 million
- Reclassification of WIP "*Non-recurring*" items relating to payments received from customers in respect of development costs of €60.7 million

c) Mainly corresponds to the cancellation of WIP "*Non-recurring*" costs relating to the curve of €144 million

d) Corresponds to payments received from customers relating to development costs