

Regulated information, embargoed until 5.45pm CET on Wednesday 5<sup>th</sup>, December 2018

## Latécoère adjusts its outlook for 2019

- **Faster than expected revenue growth in Interconnection Systems will drive the Group's organic growth in 2019**
- **Group's 2019 recurring operating margin will reflect:**
  - **Additional Interconnection Systems start-up costs and investments to support growth**
  - **A deteriorating Aerostructures product mix and delayed benefit of the insourcing of primary parts**

**Toulouse, December 5<sup>th</sup>, 2018** – Latécoère, a tier 1 partner to major international aircraft manufacturers, has reviewed its FY 2018 and FY 2019 outlook and announces updated perspectives.

Pierre Gadonneix, Chairman of the Latécoère Board of Directors, said:

*“Latécoère is constantly adapting to its changing environment and the Group proved this once again in 2018. More than ever, Latécoère remains on the right path to achieve its long-term objectives as the Group made the right investments in production and operations. The strong momentum of our Interconnection Systems division and the ongoing transformation of our Aerostructures division position us perfectly to respond to our customers’ needs.”*

Yannick Assouad, Group Chief Executive Officer, added:

*“The business wins recorded by Latécoère’s Interconnection Systems division in 2018 will require new start-up costs. Seizing these opportunities will grow our market share but will impact the division’s profitability in 2019, paving the way for a new margin expansion period in the following years. In our Aerostructures division, transformation is ongoing following the launch of new state-of-the-art facilities. Although we are already benefitting from a lower cost base, the recent re-insourcing of certain critical parts combined with adverse revenue mix effects delayed our plans for this division. We remain totally focused on executing our Transformation 2020 Plan whilst our robust balance sheet provides us with the financial strength to invest in our future.”*

### Interconnection Systems

Latécoère is gaining market share in the cabin environment and recorded very significant new contract wins in 2018, including the harnesses for Thales’ IFE (In Flight Entertainment), fitting numerous new and retrofitted aircrafts. This trend is a major growth driver for the division and for the Group in 2019. However, the magnitude of new contracts requires a capacity upgrade, and generates material start-up costs. Similar start-up cost increases occurred in 2018 with the contracts already won in 2017, thus Latécoère is confident that the 2018 new contracts will become margin accretive from 2020 onwards.

### Aerostructures

Latécoère’s Aerostructures division is pursuing its transformation following the launch of state-of-the-art manufacturing facilities which reduces its global cost base and provides the industrial means to compete for future platform tenders. However, the division’s revenue mix will remain

impacted in 2019 by the faster decline of older airplane programs, the Embraer E1 and A330 programs in particular. In addition, following the defection of a major supplier in 2018, the Group was constrained to amend the insourcing programme of primary aerostructure parts. This process is now expected to last longer and some of the cost reductions originally planned in 2019 will occur one year later.

## Updated Group perspectives

Even if uncertainties remain regarding the settlement of commercial negotiations, Latécoère's previous expectations remain valid for 2018, with Group revenue to be in line with 2017 excluding currency effects, and H2 recurring margin to be better than H1.

In 2019, Latécoère now expects to deliver significant organic revenue growth excluding currency effects. Additional start-up costs in Interconnection Systems and the ongoing transformation of Aerostructures are expected to result in a low single-digit recurring operating margin and negative operating free cash flow. This is in contrast with previous expectations of ongoing revenue growth, with earnings and cash flow comparable to 2017.

## Upcoming publication

2018 revenues, 30 January 2019, after market close.

## 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), specialising in two fields:*

- *Aerostructures (61% of total revenue): fuselage sections and doors.*
- *Interconnection 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 € 189,489,904 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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