

Regulated information, under embargo until 7 am on Wednesday 4<sup>th</sup> September 2019

## Latécoère's H1 2019 results reflect the improving underlying business and start-up cost requirements

- Transformation 2020 continues according to plan
- Aerostructures operational performance supported by strong growth
- Interconnection Systems recent wins imply start-up costs and new working capital requirements
- 2019 guidance unchanged, perspectives unveiled

Toulouse, September 4<sup>th</sup>, 2019 – Latécoère, a tier 1 partner to major international aircraft manufacturers, is announcing its first half results for the six months up to June 30<sup>th</sup>, 2019. These results were reviewed by the Company's Board of Directors on September 3<sup>rd</sup>, 2019.

(Audited – € million)	H1 2019	H1 2018
<b>Revenue</b>	<b>371.7</b>	<b>320.8</b>
Reported growth	15.9%	(8.5%)
Growth at constant exchange rates	13.1%	(2.9%)
<b>Recurring EBITDA *</b>	<b>28.1</b>	<b>20.9</b>
Recurring EBITDA * Margin on Revenue	7.6%	6.5%
<b>Recurring Operating Income</b>	<b>10.8</b>	<b>7.1</b>
Recurring Operating Margin on Revenue	2.9%	2.2%
<b>Non-recurring items</b>	<b>(7.9)</b>	<b>0.8</b>
o/w Sale of Toulouse-Périole	-	9.5
<b>Operating Income</b>	<b>2.9</b>	<b>8.0</b>
Net Cost of debt	(2.7)	(1.7)
Other financial income/(expense)	(5.2)	(3.3)
o/w Change in fair value of financial instruments	(3.9)	(4.4)
<b>Financial result</b>	<b>(7.9)</b>	<b>(5.0)</b>
Income tax	(1.0)	(0.2)
<b>Net Income</b>	<b>(5.9)</b>	<b>2.8</b>
<b>Operating free cash flow</b>	<b>(46.3)</b>	<b>(28.3)</b>

\* Recurring EBITDA corresponds to recurring operating income before recurring amortization, depreciation and impairment losses. Details of non-recurring items are presented in the Group's accounting principles from consolidation financial statements

**Yannick Assouad, Group Chief Executive Officer, commented:** "Latécoère's H1 2019 results reflect our overall improved competitiveness and capacity to innovate. Business operations have been improving in Aerostructures as a result of the ongoing deployment of our Transformation 2020 plan. In parallel, the recent business wins in Interconnections Systems has consolidated our leading position to win new markets in the near future and required start-up costs which impacted the division's operating

margin. Our 2019 objectives are unchanged as we continue to invest in Transformation 2020. Looking ahead, Latécoère should continue to make progress and generate positive operating free cash flow from 2020<sup>1</sup> as we remain fully committed to our strategy to establish Latécoère as a tier-one aerospace supplier supporting aircraft manufacturers in the deployment of their programs of the future.”

## First Half Year 2019 Highlights and Financial Summary

Latécoère’s 2019 financial results in the first half reflected strong business trends and demonstrated the Group’s ability to win new markets. The group’s revenue increased by 15.9% in H1 2019 to € 371.7 million, or 13.1% at constant exchange rates.

Latécoère’s H1 2019 recurring EBITDA amounted to € 28.1 million, representing a margin of 7.6%. Latécoère’s H1 2019 recurring operating income amounted to € 10.8 million compared to € 7.1 million in the same period of 2018, as it benefitted from the ongoing roll-out of Transformation 2020 plan.

Latécoère’s net financial result totalled € (7.9) million in H1 2019 due mainly to foreign exchange effects, compared to € (5.0) million in H1 2018.

The Group’s net income totalled € (5.9) million.

### Aerostructures

By division, Latécoère’s Aerostructures division posted a substantial 14.5% revenue growth at constant exchange rates, or 18.0% as reported for the first half of 2019. Revenue totalled € 215.3 million, reflecting the last catch-up effects resulting from operational disruptions experienced in 2018, which will not be repeated during the rest of the year.

Aerostructures (Audited – € million)	H1 2019	H1 2018
<b>Consolidated Revenue</b>	<b>215.3</b>	<b>182.5</b>
<i>Growth at constant exchange rates</i>	14.5%	(8.3)%
Inter-segment Revenue	8.9	7.1
<b>Revenue</b>	<b>224.2</b>	<b>189.6</b>
<b>Recurring EBITDA*</b>	<b>16.2</b>	<b>2.6</b>
<i>Recurring EBITDA* Margin on Revenue</i>	7.2%	1.4%
<b>Recurring Operating Income</b>	<b>8.7</b>	<b>(3.8)</b>
<i>Recurring Operating Margin on Revenue</i>	4.0%	(2.1)%

\* Recurring EBITDA corresponds to recurring operating income before recurring amortization, depreciation and impairment losses. Details of non-recurring items are presented in the Group’s accounting principles from consolidation financial statements

<sup>1</sup> excluding the IFRS 16 accounting standard impact of circa €20m which relate to the Group’s new headquarters under construction

The profitability of Aerostructures division continued to progress in the first half of 2019 as the division continued its transformation.

## Interconnection Systems

The Interconnection Systems division's revenue was up 11.3% at constant exchange rates and 13.1% on a reported basis, reaching € 156.4 million in H1 2019. An important milestone has been passed with the delivery of the entire EWIS harness set for the Mitsubishi MRJ 90, developed in only 1.5 years (architecture, design, manufacture and certification). Furthermore, Latécoère recently won the tender offer for the industrialization and production of Airbus Helicopters H160 cockpit EWIS. This new contract highlights the strong capability of the Group to enter new markets.

Interconnection Systems (Audited – € million)	H1 2019	H1 2018
<b>Consolidated Revenue</b>	<b>156.4</b>	<b>138.2</b>
<i>Growth at constant exchange rates</i>	<i>11.3%</i>	<i>5.2%</i>
Inter-segment Revenue	1.0	0.9
<b>Revenue</b>	<b>157.4</b>	<b>139.1</b>
<b>Recurring EBITDA*</b>	<b>11.9</b>	<b>18.2</b>
<i>Recurring EBITDA * Margin on Revenue</i>	<i>7.5%</i>	<i>13.1%</i>
<b>Recurring Operating Income</b>	<b>2.1</b>	<b>10.9</b>
<i>Recurring Operating Margin on Revenue</i>	<i>1.4%</i>	<i>7.9%</i>

\* Recurring EBITDA corresponds to recurring operating income before recurring amortization, depreciation and impairment losses. Details of non-recurring items are presented in the Group's accounting principles from consolidation financial statements

Latécoère's Interconnection Systems recurring EBITDA came to € 11.9 million compared to € 18.2 million in the same period a year ago as new long-term contracts required start-up costs. Furthermore, the division deployed additional production support costs to cope with multi-customer and multinational platforms which temporarily impacted the division's margins. These start-up investments are expected to continue for the remainder of 2019.

## Transformation 2020 update

Latécoère's transformation continues with both new work on the Montredon plant extension and the implementation of additional machining capacity. The delivery of the building extension is planned for September 6<sup>th</sup>, 2019 and ramp-up of the production of surface treatment in Q1 2020. Moreover, the site obtained the 14001 certification during the summer.

Furthermore, Latécoère's Plovdiv's site in Bulgaria was extended by 80% to 9,000 sqm with an expected capacity of over 200,000 hours of annual production by the end of 2019. Transfer from our Czech Republic site of A320 doors structure sub-assembly has been finalized as well as rack structure production.

Latécoère will also formally open its new site in Belagavi, India, on September 10<sup>th</sup>, 2019, where the F2000 main aircraft harness as well as a good portion of Thales IFE contract will ultimately be produced. This new Best Cost Facility complements our harness production system.

### **LiFi update**

Latécoère will present its LiFi technology at the APEX EXPO event in Los Angeles from September 9-12, 2019 after revealing its pioneering strategy at the International Paris Air Show in June 2019. Latécoère has been nominated as one of the finalist's nominees for the Crystal Cabin Award, which is an international prize for innovation in the aircraft cabin. The first commercial Air France flight will take place in Q3 2019 with 12 seats equipped with LiFi technology. After the Paris Air show, Latécoère received strong interests from numerous OEMs, airlines and in-flight entertainment suppliers in this new technology.

### **Debt and free cash flow**

The Group's H1 2019 operating free cash flow was € (46.3) million mainly due to working capital needs (receivables mainly as well as inventory), Interconnection Systems new business start-up costs and Transformation 2020 capex.

The Group implemented IFRS 16 which generated an increase of assets and debt of circa €20 million.

### **2019 guidance reiterated**

Latécoère confirms its outlook. In 2019, the Group is expected to deliver significant organic growth in sales, excluding currency effects, and to carry out significant investments to finalize the Transformation 2020 plan. Due to start-up costs in the Interconnection Systems division and progress towards the Transformation 2020 plan in the Aerostructures division, the Group will generate a positive recurring operating margin and a negative operating free cash flow after capital expenditures.

### **Perspectives**

Beyond 2019, the Group is currently expecting slightly lower Aerostructures division revenue in the next couple of years due to platform mix effects, whereas progress towards Transformation 2020 plan should compensate for pricing pressure and adverse currency impacts. Moreover, new business ramp-ups will continue in Interconnection Systems and the Interconnection Systems' margin should continue to be impacted by start-up costs related to new contracts in 2020. The division's operating margin should

improve from 2021 onwards. Overall, Latécoère is anticipating delivering positive Group operating free cash flow from 2020<sup>2</sup>.

## Upcoming publication

Third-quarter revenue on October 23, 2019

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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 aircrafts), specializing in two fields:*

- *Aerostructures (58% of total revenue): fuselage sections and doors.*
- *Interconnexion systems (42% of total revenue): onboard wiring, electrical harnesses and avionics bays.*

*At the 31<sup>st</sup> of December 2018, Latécoère employed 4,958 people in 13 different countries. Latécoère, a French corporation (société anonyme) with capital of €190,337,036 divided into 95,168,518 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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<sup>2</sup> excluding the IFRS 16 accounting standard impact of circa €20m which relate to the Group's new headquarters under construction

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## Glossary

### **Growth at constant exchange rate**

The Group measures the growth of its revenue exclusive of EUR/USD currency impacts to help understand revenue trends in its business.

The impact of exchange rate is offset by applying a constant EUR/USD exchange rate for the concerned periods.

### **Organic Growth**

Organic growth excludes EUR/USD currency impacts (by applying a constant exchange rate for the periods considered) and by applying a constant Group structure. The constant Group structure is obtained by:

- Eliminating revenues of companies acquired during the period,
- Adding to the previous period full-year revenues of companies acquired in the previous period,
- Eliminating revenues of companies sold during the current or comparable periods.

### **Recurring operating income**

In order to better reflect the current economic performance, the Group uses a sub-total named “recurring operating income” which excludes from operating income, non-recurring items (income or expenses) which are inherently difficult to predict due to their unusual, irregular or non-recurring nature. Details of non-recurring items are presented in the Group's accounting principles from consolidation financial statements.

### **EBITDA**

EBITDA corresponds to operating income before depreciation, amortization, and impairment losses.

### **Recurring EBITDA**

Recurring EBITDA corresponds to recurring operating income before recurring amortization, depreciation and impairment losses. Details of non-recurring items are presented in the Group's accounting principles from consolidation financial statements.

### **Operating free cash flow**

Operating free cash flow corresponds to cash flow from operating activities and from investing activities excluding income tax paid.

### **Recurring Operating free cash flow**

Recurring Operating free cash flow corresponds to operating cash flow excluding non-recurring items from operating activities and investing activities. Details of non-recurring items are presented in the Group's accounting principles from consolidation financial statements.

### **Net debt**

Net debt corresponds to loans and bank borrowings (over one year) and loans and bank borrowings (less than one year) which include factoring and bank overdrafts less cash and cash equivalents. Net debt also includes financial debt from finance lease contracts.

### **Backlog**

The backlog corresponds to firm orders published by OEMs (Original Equipment Manufacturers) and are not yet recognized in revenue.

## Summary P&L

(Audited – € million)	H1 2019	H1 2018
<b>Revenue</b>	<b>371.7</b>	<b>320.8</b>
<i>o/w Aerostructures</i>	224.2	189.6
<i>o/w Interconnection Systems</i>	157.4	139.1
<i>o/w Elimination inter-sector</i>	(9.9)	(8.0)
<b>Recurring EBITDA **</b>	<b>28.1</b>	<b>20.9</b>
<i>o/w Aerostructures</i>	16.2	2.6
<i>o/w Interconnection Systems</i>	11.9	18.2
<b>Recurring operating income</b>	<b>10.8</b>	<b>7.1</b>
<i>o/w Aerostructures</i>	8.7	(3.8)
<i>o/w Interconnection Systems</i>	2.1	10.9
<b>Non-recurring items</b>	<b>(7.9)</b>	<b>0.8</b>
<i>o/w A380 End of program impact</i>	-	-
<i>o/w Sale of first tranche of Toulouse-Pérille</i>	-	9.5
<i>o/w Other non-recurring items</i>	(7.9)	(10.3)
<b>Operating income</b>	<b>2.9</b>	<b>8.0</b>
Net Cost of debt	(2.7)	(1.7)
Other financial income/(expense)	(5.2)	(3.3)
<i>o/w Change in fair value of financial derivative instruments</i>	(3.9)	(4.4)
<i>o/w A380 End of program impact</i>	-	-
<b>Financial result</b>	<b>(7.9)</b>	<b>(5.0)</b>
Income tax	(1.0)	(0.2)
<b>Net result</b>	<b>(5.9)</b>	<b>2.8</b>

\* Recurring EBITDA corresponds to recurring operating income before recurring amortization, depreciation and impairment losses. Details of non-recurring items are presented in the Group's accounting principles from consolidation financial statements

## Summary Balance Sheet

<b>ASSETS</b>		
<b>(Audited – € thousand)</b>	<b>Jun 30, 2019</b>	<b>Dec 31, 2018</b>
Intangible assets	85,475	91,525
Tangible assets	127,275	100,610
Other financial assets	3,802	3,695
Deferred tax assets	26,163	20,433
Financial derivative instruments	471	3,332
Other non-current assets	346	157
<b>TOTAL NON-CURRENT ASSETS</b>	<b>243,531</b>	<b>219,752</b>
Inventories	191,329	180,142
Accounts receivable	225,141	193,308
Tax receivable	21,620	19,659
Financial derivative instruments	2,773	5,261
Other current assets	4,063	1,550
Cash & Cash Equivalents	78,658	112,216
<b>TOTAL CURRENT ASSETS</b>	<b>523,584</b>	<b>512,136</b>
<b>TOTAL ASSETS</b>	<b>767,115</b>	<b>731,889</b>

## LIABILITIES & EQUITY

(Audited – € thousand)	Jun 30, 2019	Dec 31, 2018
Share capital	190,337	189,490
Share premium	214,161	215,008
Treasury stock	(3,089)	1,587
Other reserves	(132,479)	(140,108)
Derivatives future cash flow hedges	(19,256)	(9,424)
Group net result	(5,913)	6,013
<b>EQUITY ATTRIBUTABLE TO PARENT OWNERS</b>	<b>243,760</b>	<b>262,565</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>0</b>	<b>0</b>
<b>TOTAL EQUITY</b>	<b>243,760</b>	<b>262,565</b>
Loans and bank borrowings	82,105	55,510
Refundable Advances	23,496	24,332
Employee benefits	19,883	17,495
Non-current provisions	8,884	9,488
Deferred tax liabilities	2	30
Financial derivative instruments	15,394	21,035
Other non-current liabilities	3,528	4,602
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>153,292</b>	<b>132,492</b>
Loans and bank borrowings (less than 1 year)	100,636	81,153
Refundable Advances	2,607	2,575
Current provisions	2,170	3,267
Accounts payable	181,829	180,291
Income tax liabilities	2,030	3,132
Contracts liabilities	49,332	54,137
Other current liabilities	3,607	2,690
Financial derivative instruments	27,853	9,588
<b>TOTAL CURRENT LIABILITIES</b>	<b>370,063</b>	<b>336,832</b>
<b>TOTAL LIABILITIES</b>	<b>523,355</b>	<b>469,323</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>767,115</b>	<b>731,889</b>

## Summary Cash Flow Statement

(Audited – € thousand)	Jun 30, 2019	Jun 30, 2018
Net result for the period	(5,913)	2,758
<b>Adjustments related to non-cash activities:</b>		
Depreciation and provisions	16,362	4,183
Fair value gains/losses	3,876	4,421
Net (gains)/losses on disposal of assets	(81)	(10,174)
Other non-cash items	667	2,390
<b>CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES</b>	<b>14,911</b>	<b>3,578</b>
Income taxes	968	162
Interest expenses	2,669	1,737
<b>CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES</b>	<b>18,548</b>	<b>5,477</b>
Changes in inventories net of provisions	(10,150)	(8,893)
Changes in client and other receivables net of provisions	(35,642)	(37,897)
Changes in suppliers and other payables	(2,939)	20,707
Income tax paid	(4,025)	(3,640)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>(34,208)</b>	<b>(24,246)</b>
Effect of changes in group structure	113	0
Purchase of tangible and intangible assets (including changes in payables to fixed asset suppliers)	(16,251)	(20,877)
Purchase of financial assets	0	0
Increase (decrease) in loans and advances made	(91)	155
Proceeds from sale of tangible and intangible assets	84	12,987
Dividends received	3	3
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(16,142)</b>	<b>(7,733)</b>
Proceeds from issue of shares	0	732
Purchase or disposal of treasury shares	(4,676)	(72)
Proceeds from borrowings	10,000	0
Repayments of borrowings	0	0
Repayments of lease liabilities	(1,503)	0
Financial interest paid	(2,605)	(1,772)
Dividends paid	0	(700)
Flows from refundable advances	(803)	(576)
Other flows from financing operation	(72)	12,617
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>341</b>	<b>10,229</b>
Effects of exchange rate changes	103	(81)
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(49,906)</b>	<b>(21,830)</b>