

Regulated information, under embargo until 7 am on Thursday 17<sup>th</sup> September 2020

## Latécoère Reports H1 2020 Results

- **Decline in Group revenue and recurring EBITDA predominately due to negative impact of Covid-19 on customer production rates**
- **Rapid and proactive measures taken to curtail operating costs and preserve Group liquidity**
- **Negative revenue trends to persist in H2 2020, partially offset by operating efficiency improvements**

**Toulouse, September 17<sup>th</sup>, 2020** – Latécoère, a tier 1 partner to major international aircraft manufacturers, today announced that its Board of Directors under the Chairmanship of Pierre Gadonneix, at their meeting on September 16, 2020, adopted and authorised the publication of Latécoère's financial statements for the six-month period ended June 30, 2020<sup>1</sup>.

**Philip Swash, Group Chief Executive Officer, commented:** *“Latécoère's H1 2020 results are consistent with the challenges affecting the broader aerospace industry. The Covid-19 crisis has led a number of our key customers to curtail aircraft production, which has in turn stunted the “pre-Covid” top-line growth trends we were experiencing in both Aerostructure and Interconnected Systems. We expect lower than normal production rates to prevail for the remainder of the year, negatively impacting our full year 2020 revenues.”*

*“Although we cannot control the exogenous factors impacting our business, we have taken prudent measures since March to reduce operating costs and strengthen our liquidity. We have reduced capital expenditures and will continue to take steps to ensure our cost base is aligned with our operating environment while preserving our engineering and operational strengths. During this difficult period, we have put in place across all our facilities extensive sanitary measures to protect our employees' health. We have also made every effort to stay close to our customers at all times and believe we are well positioned to quickly regain the positive momentum we had before the Covid-19 crisis began.”*

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A limited review of the financial statements has been performed by the statutory auditors.<sup>1</sup>

## First Half Year 2020 Highlights and Financial Summary

(Limited review - € million)	H1 2020	H1 2019
<b>Revenue</b>	<b>231.9</b>	<b>371.7</b>
<i>Reported growth</i>	<i>(37.6)%</i>	<i>15.9%</i>
<i>Growth at constant exchange rates</i>	<i>(36.8)%</i>	<i>13.1%</i>
<b>Recurring EBITDA *</b>	<b>(17.2)</b>	<b>28.1</b>
<i>Recurring EBITDA * Margin on Revenue</i>	<i>(7.4)%</i>	<i>7.6%</i>
<b>Recurring Operating Income</b>	<b>(34.0)</b>	<b>10.8</b>
<i>Recurring Operating Margin on Revenue</i>	<i>(14.6)%</i>	<i>2.9%</i>
<b>Non-recurring items</b>	<b>(34.6)</b>	<b>(7.9)</b>
<i>o/w Assets depreciation</i>	<i>(28.2)</i>	<i>-</i>
<b>Operating Income</b>	<b>(68.6)</b>	<b>2.9</b>
Net Cost of debt	(1.6)	(2.7)
Other financial income/(expense)	(11.7)	(5.2)
<b>Financial result</b>	<b>(13.3)</b>	<b>(7.9)</b>
Income tax	(12.1)	(1.0)
<b>Net Income</b>	<b>(94.0)</b>	<b>(5.9)</b>
<b>Operating free cash flow</b>	<b>(5.2)</b>	<b>(46.3)</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

Latécoère's 2020 half yearly financial results reflect the overall decline in production rates across the aerospace sector. As previously indicated, the crisis had a very strong impact on the second quarter with a decline in revenue of (56.8)% at constant exchange rates in this quarter alone. Overall in H1 2020, the Group revenue decreased by (37.6)% to € 231.9 million at constant exchange rates, or (36.8)% on an organic basis with all business segments being impacted.

Latécoère H1 2020 recurring EBITDA amounted to € (17.2) million, representing a margin of (7.4)%. Latécoère H1 2020 recurring operating income amounted to € (34) million compared to € 10.8 million in the same period of 2019.

Latécoère net financial results totalled € (13.3) million in H1 2020 compared to € (7.9) million in H1 2019. Financial results include foreign exchange losses for €(9.8) million and cost of debt limited to only €(1.6) million.

The Group net income totalled € (94) million. The anticipation of a slow recovery in air traffic and the knock on effects on the Aerospace industry has led the Group to impair some assets in the Aerostructures branch for €(28.2) million and depreciate the remaining deferred tax assets still accounted for in the balance sheet for €(10.1) million.

As a result of the strong measures taken to mitigate the effects of the crisis on Latécoère liquidity, Operating Free Cash Flow over the period was €(5.2) million compared to €(46.3) million a year ago. Net debt remained relatively stable at €(124) million including the € 60 million Prêt Garanti Etat loans announced with Q1 2020 results, versus €(115.8) million at the end of 2019, with a strong cash position of €44.5 million (vs €33.8 at the end of 2019).

### **Adaptation plan**

The Group has taken swift action to mitigate the effects of the Covid-19 crisis, including reducing its overseas workforce by 35% in 2020. As a result, the Group booked one-time restructuring costs totalling €1.6 million for the period and anticipates additional one-time costs in the second half as it completes the restructuring of its operations outside of France.

Purchasing programs have also been scaled back in line with the subdued activity, decreasing by more than (40)% of raw materials, supplies expenses, and sub-contracting expenses. Work-in-progress and inventories have thus stabilized over the period at €176.3 million versus €179.8 at the end of 2019. Working Capital has also improved strongly to €176.5 million at the end of June versus €208.6 million in December 2019.

Capital expenditures have been reduced by (60)% to €6.4 million in H1 2020 compared to €16.2 million in H1 2019.

Despite the crisis, the Group intends to continue to invest in its future and will maintain its R&T efforts in 2020 at a level of €5.5 million similar to 2019. The 14% decrease in R&T expenses seen in H1 2020 at €2.5 million compared to H1 2019 (€2.9 million) is largely due to phasing of expenses on some programs.

### **Aerostructures**

Revenue in Latécoère's Aerostructures division declined (41.7)% at constant exchange rates, or (42.7)% as reported for the first half of 2020. Revenue totalled € 123.5 million compared to € 215.3 million for the same period in 2019, in large part due to a €70 million reduction in production rates in the second quarter alone as a result of the temporary stoppage of our customers' production. The year-over-year Aerostructures revenue comparison is also affected by higher production rates in Q1 2019 as Latécoère insourced production of primary parts after the default of a supplier.

Recurring EBITDA in the division was €(9.1) million compared to €16.2 million in H1 2019, with the decline in production rates partially offset by a reduction in operating costs in response to Covid-19.

<b>Aerostructures</b> (Limited review - € million)	<b>H1 2020</b>	<b>H1 2019</b>
<b>Consolidated Revenue</b>	<b>123.5</b>	<b>215.3</b>
<i>Growth at constant exchange rates</i>	<i>(41.7)%</i>	<i>14.5%</i>
Inter-segment Revenue	11.1	8.9
<b>Revenue</b>	<b>134.6</b>	<b>224.2</b>
<b>Recurring EBITDA*</b>	<b>(9.1)</b>	<b>16.2</b>
<i>Recurring EBITDA* Margin on Revenue</i>	<i>(6.8)%</i>	<i>7.2%</i>
<b>Recurring Operating Income</b>	<b>(17.7)</b>	<b>8.7</b>
<i>Recurring Operating Margin on Revenue</i>	<i>(13.1)%</i>	<i>3.9%</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

## Interconnection Systems

The Interconnection Systems revenue of €108.5 million represents a (30.2)% decline at constant exchange rates and (30.7)% on a reported basis compared to €156.4 million in H1 2019. Consistent with the commercial pressure impacting the sector, approximately €35 million of this decline is attributable to production rate declines compounded by the decrease in development activity in the Mitsubishi Aircraft SpaceJet M90 program noted in Q1 as well as a decline in Kitting and Service activities.

Recurring EBITDA for Interconnection Systems was € (8.2) million compared to €11.9 million in H1 2019 affected similarly by the decline in production rates.

Due to the health crisis in Mexico and France, the closing of the acquisition of Bombardier Interconnection Systems activities has been delayed and is now anticipated to take place in the last quarter of the year. In a depressed environment, this acquisition is key to help the Group strengthen and diversify its business development on new platforms and in the North American market.

<b>Interconnection Systems</b> (Limited review - € million)	<b>H1 2020</b>	<b>H1 2019</b>
<b>Consolidated Revenue</b>	<b>108.5</b>	<b>156.4</b>
<i>Growth at constant exchange rates</i>	<i>(30.2)%</i>	<i>11.3%</i>
Inter-segment Revenue	0.5	1.0
<b>Revenue</b>	<b>108.9</b>	<b>157.4</b>
<b>Recurring EBITDA*</b>	<b>(8.2)</b>	<b>11.9</b>
<i>Recurring EBITDA* Margin on Revenue</i>	<i>(7.5)%</i>	<i>7.5%</i>
<b>Recurring Operating Income</b>	<b>(16.4)</b>	<b>2.1</b>
<i>Recurring Operating Margin on Revenue</i>	<i>(15.0)%</i>	<i>1.3%</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

## FY 2020 Outlook

Latécoère does not anticipate an improvement in market conditions during the second half of 2020 as high uncertainty remains as to the duration and intensity of the Covid-19 pandemic and its impact on the commercial aerospace sector. As a result, it expects FY 2020 revenues to decline by approximately (40)% compared to FY 2019. In the second half of the year, Latécoère will continue to deploy the necessary adaptation measures to adjust its activity to the slow recovery in air traffic expected in the coming years.

Latécoère does not intend to publish Q3 revenues this year and is re-evaluating the practice of quarterly revenue reporting on an ongoing basis.

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## About Latécoère

*Latécoère is a tier 1 partner to major international aircraft manufacturers (Airbus, Embraer, Dassault, Boeing, Bombardier and Mitsubishi Aircraft), in all segments of the aeronautical market (commercial, regional, corporate and military aircraft), 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 30 June 2020, Latécoère employed 4,714 people in 13 different countries. Latécoère, a French corporation (société anonyme) with capital of €189,637,036 divided into 94,818,518 shares with a par value of €2, is listed on Euronext Paris - Compartment B. ISIN codes: FR0000032278 - Reuters: LAEP.PA - Bloomberg: LAT.FP*

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## **Appendix – Table of content**

Glossary

Profit & Loss

Balance Sheet

Cash Flow Statement

## 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.

## Profit & Loss

('000 EURO)	June 30, 2020	June 30, 2019
Revenue	231 917	371 736
Other operating revenue	306	305
Change in inventory : work-in-progress & finished goods	-6 751	5 255
Raw material, Other Purchases & external charges	-148 475	-250 964
Personnel expenses	-94 285	-105 730
Taxes	-3 927	-5 926
Amortization	-16 727	-17 298
Net operating provisions charges	870	711
Depreciation of current assets	-4 519	4 712
Other operating income	10 539	8 952
Other operating expenses	-2 915	-939
<b>RECURRING OPERATING INCOME</b>	<b>-33 967</b>	<b>10 814</b>
Other non-recurring operating income and expenses	-34 627	-7 869
<b>OPERATING INCOME</b>	<b>-68 594</b>	<b>2 945</b>
Net Cost of debt	-1 599	-2 667
Foreign Exchange gains/losses	-9 830	-1 298
Change in fair value of financial derivative instruments	-755	-3 876
Other financial incomes and expenses	-1 111	-48
<b>FINANCIAL RESULTS</b>	<b>-13 295</b>	<b>-7 890</b>
Income tax	-12 128	-968
<b>NET RESULT FOR THE PERIOD</b>	<b>-94 016</b>	<b>-5 913</b>
<ul style="list-style-type: none"> <li>• Of which, Owners of the parent</li> <li>• Of which, non-controlling interests</li> </ul>	<ul style="list-style-type: none"> <li>-94 016</li> <li>0</li> </ul>	<ul style="list-style-type: none"> <li>-5 913</li> <li>0</li> </ul>

## Balance Sheet

### ASSETS

('000 EURO)	June 30, 2020	June 30, 2019
Intangible assets	72 256	77 799
Tangible assets	135 482	173 043
Other financial assets	3 499	3 698
Deferred tax assets	226	10 279
Financial non-current assets	391	1 020
Other non-current assets	215	168
<b>TOTAL NON-CURRENT ASSETS</b>	<b>212 069</b>	<b>266 007</b>
Inventories	176 312	179 757
Accounts receivable	86 397	157 839
Tax receivable	15 972	16 003
Financial derivate instruments	2 519	1 897
Other current assets	2 745	2 232
Cash & Cash Equivalents	44 451	33 790
<b>TOTAL CURRENT ASSETS</b>	<b>328 396</b>	<b>391 518</b>
<b>TOTAL ASSETS</b>	<b>540 465</b>	<b>657 525</b>

## LIABILITIES & EQUITY

('000 EURO)	June 30, 2020	June 30, 2019
Share capital	189 637	189 637
Share premium	213 658	213 658
Treasury stock	-547	-1 842
Other reserves	-187 290	-147 486
Derivates future cash flow hedges	-21 567	-21 883
Group net result	-94 016	-32 864
<b>EQUITY ATTRIBUTABLE TO PARENTS OWNERS</b>	<b>99 874</b>	<b>199 220</b>
<b>NON CONTROLLING INTERESTS</b>	<b>0</b>	<b>0</b>
<b>TOTAL EQUITY</b>	<b>99 874</b>	<b>199 220</b>
Loans and banks borrowings	100 904	98 190
Refundable Advances	22 285	22 824
Employee benefits	21 347	20 400
Non-current provisions	7 432	8 876
Deferred tax liabilities	23	12
Financial derivative instruments	1 500	8 205
Other non-current liabilities	2 298	4 638
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>155 790</b>	<b>163 146</b>
Loans and bank borrowings (less than 1 year)	67 583	51 366
Refundable Advances	2 580	2 634
Current provisions	3 619	1 997
Accounts payable	116 095	146 292
Income tax liabilities	1 666	1 918
Contracts liabilities	41 254	43 609
Other current liabilities	2 314	4 055
Financial derivative instruments	49 691	43 288
<b>TOTAL CURRENT LIABILITIES</b>	<b>284 801</b>	<b>295 159</b>
<b>TOTAL LIABILITIES</b>	<b>440 591</b>	<b>458 305</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>540 465</b>	<b>657 525</b>

## Cash Flow Statement

('000 EURO)	June 30, 2020	June 30, 2019
Net result for the period	-94 016	-5 913
<b>Ajustement related to non-cash activities :</b>		
Depreciation and provisions	46 445	16 362
Fair value gains/losses	755	3 876
Net (gains)/losses on disposal assets	71	-81
Other non-cash items	1 874	667
<b>CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES</b>	<b>-44 871</b>	<b>14 911</b>
Income taxes	12 128	968
Net Cost of debt	1 593	2 669
<b>CASH FLOWS BEFORE COST OF DEBT AND INCOME TAX</b>	<b>-31 150</b>	<b>18 548</b>
Changes in inventories net of provisions	-3 841	-10 150
Changes in client and other receivables net of provisions	69 795	-35 642
Changes in suppliers and other payables	-33 759	-2 939
Income tax paid	-1 248	-4 025
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>-23</b>	<b>-34 208</b>
Effect of changes in group structure	0	113
Purchase of tangible and intangible assets (including changes in payables to fixed asset suppliers)	-6 494	-16 251
Purchase of financial assets	0	0
Increase (decrease) in loans and advances made	57	-91
Proceeds from sales of tangible and intangible assets	1	84
Dividends received	0	3
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-6 436</b>	<b>-16 142</b>
Proceeds from issue of shares	0	0
Purchase or disposal of treasury shares	1296	-4 676
Proceeds from borrowings	60 000	10 000
Repayment of borrowings	0	0
Repayments of lease liabilities	-2 816	-1 503
Financial interest paid	-1 448	-2 605
Dividends paid	0	0
Flows from refundable advances	-594	-803
Other flows from financing operation	-38 538	-72
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>17 900</b>	<b>341</b>
Effects of exchange rate changes	-777	103
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>10 664</b>	<b>-49 906</b>