

Financial highlights herein are unaudited and are potentially subject to change following the final approval of the financial statements by the Board of Directors. Release of full annual results will be communicated in due course once a definitive view on potential non-cash intangible assets impairment has been determined and the financial statements have been approved by the Board of Directors

MARKET UPDATE

Latecoere delivers strong growth in 2023 despite challenging supply chain & inflationary pressures

- **Strong 2023 revenue growth of +32% to €615 million as the business continues to ramp-up production to support customer demand**
- **Recurring EBITDA loss of (€31.5) million, reflecting continuing inflationary pressures and a challenging global supply chain**
- **Good performance from all businesses acquired over the past 24 months with integration efforts progressing well**
- **Successful reconfiguration of the capital structure with €124 million rights issue and €183 million debt cancellation**

Toulouse, March 28, 2024 – Latecoere (“the Group”), a leading tier one partner to major international aircraft manufacturers publishes its financial highlights for the twelve-month period ended December 31, 2023; noting that the full release of annual results and the Group’s financial statements are postponed pending a definitive view on potential non-cash intangible assets impairment and the financial statements being approved by the Board of Directors.

The business continued on its solid growth trajectory from 2022 as the industry ramps up production after the COVID crisis. The business has focused on maximizing operational output for customers despite operating in a difficult environment, a fragile supply chain with many suppliers, especially in the aerostructures segment, struggling to ramp up and significant inflation especially in wages, raw materials and energy.

Greg Huttner, Group Chief Executive Officer, stated: *“2023 continued to be a challenging year for Latecoere and for the aerospace supply chain in general. However, we continued to strengthen our operations by (i) keeping our teams heavily focused on quality and on-time delivery (OTD), resolving supply challenges and (ii) progressing with our previously announced industrial transfers and related restructurings.*

As part of our overall strategy, we are specifically focused on:

- (i) investing in our people and organization structure including several key appointments bringing greater operational expertise to the team;
- (ii) improving operational performance;
- (iii) strengthening our operating platform through transformative investments to optimize our cost structure;
- (iv) effectively integrating and growing the strategic investments in assets made in 2021 and 2022; and
- (v) concluding ongoing OEM price and inflation pass through negotiations.

By focusing on navigating the current supply chain headwinds, and driving our operational transformation, we expect to continue to strengthen our business as we fully benefit from the ongoing recovery within the aerospace and defense industry. This execution of our strategy has contributed towards recent commercial contract wins within both our Aerostructures and Interconnection Systems businesses in North America and Europe, with both existing and new clients.”

2023 Financial Highlights¹

Group (€ million)	2022	2022		H2	2023
		restated ⁴	H1 restated ⁴		
Revenue	468,3	466,8	303,8	311,1	614,9
Reported growth	39,4%	39,4%	42,9%	19,7%	31,3%
Organic growth ²	16,5%	17,0%	15,2%	16,2%	15,7%
Recurring EBITDA ³	(8,5)	(5,7)	(17,6)	(13,9)	(31,5)
Recurring EBITDA margin on revenue	-1,8%	-1,2%	-5,8%	-4,5%	-5,1%
Operating free cash flows from continuing operations	(173,2)	(173,2)	(59,1)	(59,1)	(118,2)
Net Cash Flow	(203,7)	(203,7)	(28,1)	39,3	11,2
Cash and cash equivalents	73,9	73,9	45,8	85,1	85,1
Net Debt ⁵	297,1	297,1	370,3	125,2	125,2

¹ The 2023 Financial highlights are derived from consolidated financial statements prepared under IFRS as of 31 December 2023. These financial highlights are unaudited and are potentially subject to change following the final approval of the financial statements by the Board of Directors.

² Growth at constant exchange rates and scope of consolidation: Organic growth is obtained by neutralizing the effect of the EUR/USD exchange rate (use of a constant exchange rate for the periods concerned) and by applying a constant scope of consolidation (neutralization of the impact of acquisitions/disposals).

³ Recurring EBITDA corresponds to recurring operating income before depreciation, amortization and impairment of current tangible and intangible assets. Directors of the Group acknowledge that Recurring EBITDA is a non-GAAP measure but consider that this measure gives a meaningful representation of the Group's operating results from continuing operations as it is used both internally and in the Aerospace sector more broadly.

⁴ Restated data: the 2022 and H1 2023 Financial highlights have been restated to reflect purchase accounting adjustments under IFRS 3, recognized retrospectively in the opening balance sheets of the acquired entities prepared at the acquisition date.

⁵ Net Debt is presented excluding consideration of the Better Fortune clause (Retour à Meilleure Fortune) mechanism.

Full Year 2023 Financial Highlights Commentary

Group revenue reached €615 million for 2023, compared with €467 million in 2022, an increase of €148 million or +32% increase.

2023 organic revenue growth, at constant exchange rates and perimeter scope, amounted to a €66 million increase or +16%, as a result of higher production rates, most notably from the B787 program recovery in Aerostructures and A350 and ATR programs in Interconnection Systems.

The Group also benefited over the period from the contribution of acquired activities made in 2022, with a full year revenue benefit of these acquisitions realized in 2023. This perimeter effect amounted to +€88 million when comparing 2023 revenues to those reported in 2022.

In addition, Group revenue benefited from favorable currency effect of €19 million for the FY2023, as compared to a favorable currency effect of €25.5 million in 2022.

The Group reported a recurring EBITDA of (€31.5) million for 2023, a deterioration of (€25.8) million vs 2022 Restated. This deterioration was mainly due to (i) significant cost over-runs arising from supply chain constraints, resulting in higher conversion and freight costs, and (ii) inflationary pressures in 2023, resulting from further increases in material and labour costs, not fully recovered from customers.

Net Cash flow for the period amounted to €11.2 million, reflecting the successful rights issue of €124.4 million offsetting Operating free cash-flow losses from continuing operations of €118.2 million; plus cash flow from discontinued operations of €7.6 million.

Operating free cash flow from continuing operations amounting to cash flow losses of €118.2 million reflects the recurring EBITDA losses of €31.5 million plus (i) non-recurring costs of €35.7 million related to the ongoing transfers of work and related restructuring, (ii) further investments of €19.5 million into capital expenditures, particularly in North America and (iii) €30.3 million investment into net working capital supporting the increase in the OEM demand requirements.

At the end of December 2023, cash and cash equivalent stood at €85.1 million, improving by €11.2 million from December 31, 2022. The net debt at the end of December 2023 stood at €125.2 million¹ following debt cancellation of €183 million.

¹ Excluding consideration of the Better Fortune clause (Retour à Meilleure Fortune) mechanism

Aerostructures Divisional Commentary

2023 revenues for Latecoere's Aerostructures Division rose by +45% to €375 million compared with €258 million in 2022. At constant exchange rates and perimeter scope, 2023 revenues rose by €41 million (17%). The segment's activity benefited from OEM production rate recovery, notably on the B787 program. Full-year contribution of the acquisitions made in 2022 to 2023 revenues is €94 million compared to €15.8 million in 2022 (the post-acquisition period from November 7, 2022).

The division's recurring EBITDA amounted to (€30.3) million, a deterioration of €30 million compared with 2022, due primarily to significant inflation, multiple supply chain challenges and related cost over runs adversely impacting performance. This was compounded by protracted customer negotiations on inflation pass through, particularly impacting H2 2023.

The division's operating free cash-flows amounted to (€103.2) million, impacted by the deterioration of recurring EBITDA; the incurrence of non-recurring costs for €21.3 million related to work package transfers and related restructuring, capital expenditures of €16.1 million and €24 investment in working capital to support the increase in OEM demand requirements.

Aerostructures (€ million)	2022	2022 restated**	H1 restated**	H2	2023
Consolidated revenue*	259,1	257,6	190,2	184,7	374,9
Reported growth	47,6%	46,8%	65,5%	23,9%	44,7%
Organic growth	26,3%	27,3%	22,3%	11,4%	16,9%
Inter-segment revenue	21,5	21,5	11,2	44,5	55,7
Revenue	280,6	279,1	201,4	229,2	430,5
Recurring EBITDA*	(2,5)	(0,3)	(11,0)	(19,3)	(30,3)
Recurring EBITDA margin on revenue	-0,9%	-0,1%	-5,5%	-8,4%	-7,0%
Operating free cash flows from continuing operations*	(22,0)	(22,0)	(50,6)	(52,6)	(103,2)

* The 2023 Financial highlights are derived from consolidated financial statements prepared under IFRS as of 31 December 2023. These financial highlights are unaudited and are potentially subject to change following the final approval of the financial statements by the Board of Directors.

** Restated data: the 2022 and H1 2023 Financial highlights have been restated to reflect purchase accounting adjustments under IFRS 3, recognized retrospectively in the opening balance sheets of the acquired entities prepared at the acquisition date.

Interconnection Systems Divisional Commentary

2023 revenues for Latecoere's Interconnection Systems Division rose +14.7% to €240 million compared with €209 million in 2022. At constant exchange rates and perimeter scope, 2023 revenues rose by €25.3 million (+14.2%). This growth was achieved through the increase in deliveries from the A350 and ATR programs offsetting A320 production downgrades in first half of 2023. 2023 full-year effect of the acquisitions made in 2022 is €10.2 million.

The division's recurring EBITDA amounted to (€1.2) million, an improvement of +€4.8 million compared with 2022, benefiting from the improving production rates for the A350 and ATR programs, pro-active management of fixed costs and full-year contribution of acquisitions made in 2022; with an improving performance in H2 2023.

The division's Operating free cash-flows from continuing operations amounted to (€14.9) million, improving by +€8.7 million compared to 2022. This improvement reflects stronger EBITDA, better working capital management and lower non recurring costs.

Interconnection Systems (€ million)	2022	2022 restated**	H1 restated**	H2	2023
Consolidated revenue*	209,2	209,2	113,6	126,4	240,0
<i>Reported growth</i>	30,3%	30,3%	16,3%	13,2%	14,7%
<i>Organic growth</i>	7,1%	7,1%	6,5%	21,8%	14,2%
Inter-segment revenue	1,6	1,6	1,3	57,0	58,3
Revenue	210,8	210,8	114,9	183,4	298,3
Recurring EBITDA*	(6,0)	(6,0)	(6,6)	5,4	(1,2)
<i>Recurring EBITDA margin on revenue</i>	-2,8%	-2,8%	-5,7%	2,9%	-0,4%
Operating free cash flows from continuing operations*	(23,6)	(23,6)	(8,6)	(6,4)	(14,9)

* The 2023 Financial highlights are derived from consolidated financial statements prepared under IFRS as of 31 December 2023. These financial highlights are unaudited and are potentially subject to change following the final approval of the financial statements by the Board of Directors.

** Restated data: the 2022 and H1 2023 Financial highlights have been restated to reflect purchase accounting adjustments under IFRS 3, recognized retrospectively in the opening balance sheets of the acquired entities prepared at the acquisition date. The interconnection Systems division is not impacted by retrospective IFRS 3 restatements in FY2022.

Full Year 2024 Outlook

2023 continued to be a challenging period for the aerospace supply chain industry in general and for Latecoere in particular. Management expects these challenges to continue into 2024, with persistent inflationary pressures, challenges arising from operating within a constrained aerospace supply chain. In addition, the OEM price and inflation pass through negotiations referred to above are progressing but are more protracted and more time consuming than anticipated. The Group is targeting to make material progress in H1 2024. Therefore Latecoere will not be providing guidance at this time until there is further clarity on the timing and magnitude of the negotiations.

Non-cash intangible assets impairment

Full annual impairment test for goodwill and other intangibles is performed at year end, in compliance with IAS 36. Fair values are determined based on a multicriteria approach, including Discounted Cash-Flows ("DCF"), consistent with the methodology applied previously.

The Group's Management and its auditors are currently evaluating the Group's long term financial forecasts to fully conclude on the Group's non-cash intangible assets impairment results. Such long term financial forecasts are ultimately dependent on a number of variables including the outcome of the ongoing negotiations referred to above.

Basis of presentation

In order to determine an appropriate basis for preparing the financial statements and the presented financial highlights for the year ended 31 December 2023, the Board of Directors has assessed the going concern assumption by evaluating the 2024 budget and various alternative financial forecast scenarios over a horizon of at least one year, and analyzing in particular the Group's commercial activity in the context of ongoing customer negotiations, the Group's business activity in the context of increasing OEM volume demands and taking into account the current state of the aerospace supply chain.

The 2024 budget as prepared by management and approved by the Board of Directors assumes an increase in OEM aircraft build rate and therefore increasing demand for the Group's output, continuing cost inflation throughout the supply chain, and certain levels of price increases and inflation pass-through to customers. The 2024 budget makes it possible to ensure a level of liquidity that is considered sufficient over a horizon of at least one year.

Post-closing events

Latecoere announced on 4 February 2024 that it had suffered a fire in its Hermosillo plant in Mexico, specially relating to a building housing its surface treatment facility. The fire was extinguished by the local fire brigade with no people injured. Damage was limited to the surface treatment and painting building. The machining and sheet metal production buildings were unaffected. A task force has been set up to address the resulting impact of this fire incident.

Given the ongoing negotiations with OEM customers and the operational recovery at the Hermosillo plant (including the processing of property damage and business interruption insurance claims), the Board of Directors has decided to postpone the date of its shareholders meeting – initially scheduled on 13 May 2024 – to 28 June 2024 and will meet in the course of April to approve the Group's financial statements and give a full earnings release.

About Latecoere

Tier 1 to the world's leading OEMs (Airbus, BAE Systems, Boeing, Bombardier, Dassault Aviation, Embraer, Honda Aircraft Company, Lockheed Martin, RTX, Thales), Latecoere serves aerospace with innovative solutions for a sustainable world. The Group operates in all segments of the aerospace industry (commercial, regional, business, defense and space) in two business areas:

- *Aerostructures (55% of sales): doors, fuselage, wings and empennage, struts & rods and customer services*
- *Interconnection Systems (45% of sales): wiring, avionics racks, onboard equipment, electronic systems and customer services.*

As of December 31, 2023, the Group employed 5,497 people in 14 countries. Latecoere is listed on Euronext Paris - Compartment B, ISIN Code: FR001400JY13 - Reuters: AEP.PA - Bloomberg: AT.FP

Latecoere

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