

## Latécoère Reports FY 2020 Results

- Revenue and recurring EBITDA decline as a result of Covid-19 industry-wide slowdown
- Decisive actions taken to mitigate the effects of the crisis, preserve liquidity and permanently improve operational efficiency
- 2021 expected to remain challenging

**Toulouse, March 16<sup>h</sup>, 2021** – 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 March 15, 2021, adopted and authorised the publication of Latécoère's financial statements for the twelve-month period ended December 31, 2020.

**Philip Swash, Group Chief Executive Officer, commented:** *“Over the past year, our company, our industry, and our global community have faced one of the most significant public health crises of the modern era. As a responsible company, our focus at the onset of the pandemic was to secure the health and safety of our employees. We took immediate steps to implement robust sanitary protocols at all of our sites which have so far resulted in infection levels far below the regional norms wherever we operate.*

*From a financial perspective, Covid-19 has clearly had a very negative impact on our 2020 performance. As our main customers reduced, and in some cases suspended, aircraft production, so the demand for our products dramatically declined and this had obvious downstream implications on our business and our balance sheet. It was therefore necessary to take action to secure the liquidity of the company by minimising expenditure, preserving cash and raising new financing.*

*At the same time, the actions we have taken to ensure that we emerge from the Covid-19 crisis stronger and more competitive company are also consistent with our long-term strategy. While doing so required that we make tough decisions and undertake a restructuring of our global manufacturing footprint, I was especially proud of the Latécoère team for significantly improving operational performance in Safety, Quality, Working-Capital efficiency and Delivery metrics. This demonstrates that the engineering and operational capabilities of our business remain robust, resilient, and ready to rebound.*

*While the fundamentals of our business are poised for an eventual recovery, the short-term picture for aviation remains challenging and several of our customers have already indicated that aircraft production will remain constrained in 2021. As a result, we expect that the difficult conditions will persist into 2021 and we will continue to prioritize the use of our resources accordingly.”*

## Full Year 2020 Highlights and Financial Summary

(Audited - € thousand)	2019	H1	H2	2020
<b>Revenue</b>	<b>713.1</b>	<b>231.9</b>	<b>181.3</b>	<b>413.2</b>
<i>Reported growth</i>	8.2%	-37.6%	-46.9%	-42.1%
<i>Growth at constant exchange rate</i>	7.0%	-36.8%	-44.8%	-40.7%
<b>Recurring EBITDA *</b>	<b>47.6</b>	<b>(17.2)</b>	<b>(25.4)</b>	<b>(42.6)</b>
<i>Recurring EBITDA margin on revenue</i>	6.7%	-7.4%	-14.0%	-10.3%
<b>Recurring operating income</b>	<b>11.8</b>	<b>(34.0)</b>	<b>(40.5)</b>	<b>(74.5)</b>
<i>Recurring EBIT margin on revenue</i>	1.7%	-14.6%	-22.3%	-18.0%
<b>Non recurring items</b>	<b>(21.4)</b>	<b>(34.6)</b>	<b>(63.7)</b>	<b>(98.3)</b>
<i>Impairment depreciation</i>	-	(28.2)	(11.9)	(40.1)
<i>Other non recurring items</i>	(21.4)	(6.4)	(51.8)	(58.2)
<b>Operating income</b>	<b>(9.6)</b>	<b>(68.6)</b>	<b>(104.2)</b>	<b>(172.8)</b>
<i>Net Cost of debt</i>	(5.3)	(1.6)	(2.3)	(3.9)
<i>Other financial income/(expense)</i>	(12.1)	(11.7)	12.9	1.2
<b>Financial result</b>	<b>(17.4)</b>	<b>(13.3)</b>	<b>10.6</b>	<b>(2.7)</b>
<i>Income tax</i>	(5.9)	(12.1)	(2.0)	(14.1)
<b>Net result</b>	<b>(32.9)</b>	<b>(94.0)</b>	<b>(95.5)</b>	<b>(189.6)</b>
<b>Operating free cash flows</b>	<b>(27.3)</b>	<b>(5.2)</b>	<b>(17.3)</b>	<b>(22.5)</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

The Covid-19 pandemic has caused a collapse of air traffic in 2020, leading Latécoère customers to materially reduce their production requirements. Latécoère's FY 2020 financial results have therefore been heavily impacted.

Continuing the trend which began in Q2 2020, the Covid-19 crisis negatively affected the second half of the year with revenue declining to €181.3 million from €231.9 million in H1 2020. Revenue for the full year totalled €413.2 million compared to €713.1 million in 2019. This represents a -42.1% decline on a reported basis (-40.7% on an organic basis).

Latécoère's FY 2020 recurring EBITDA amounted to € -42.6 million, representing a margin of -10% vs +6.7% in 2019. Full year results were hit by the substantial volume reduction in both segments of the Group, with H2 activity considerably lower than H1 which benefitted from high production rates in Q1. The Group softened the overall margin impact of these trends by taking swift action to mitigate the

effects of the crisis. These included reducing its global workforce, scaling back purchasing programs, reducing fixed costs and using short time work in countries where permitted.

FY 2020 recurring operating income amounted to €-74.5 million compared to €+11.8 million in the same period of 2019.

Non-recurring items of €-98.3 million are mainly derived from restructuring costs of €-30.2 million in France and abroad and a €-40.1 million impairment of some assets in Aerostructures. Inventory provisions of €-20.5 million were also accounted for to reflect slow moving parts (as a consequence of revised production rates) and the termination of a Mitsubishi M90 program. Finally, transformation and industrial transfer costs and some fees of €-10.6 million in connection with the acquisition of Bombardier EWIS activity were recorded in the year.

Financial results totalled €-2.7 million for FY 2020 compared to €-17.4 million in 2019. Financial results include cost of debt of €-3.9 million and foreign exchange gains of €1.2 million.

Group net income totalled €-189.6 million compared to €-32.9m in 2019, including €-14.1 million charge for income tax of which €-10.1m are deferred.

### **Adaptation Plan**

Latécoère launched significant restructuring programs in 2020 as part of its strategy to optimize its manufacturing processes and increase cost-competitiveness. These were deployed with the intention of mitigating the impact of the Covid-19 crisis in the short-term and positioning the Group for an eventual improvement in aeronautics industry commercial dynamics.

The Group reduced purchasing programs by -43% and subcontracting services by -44%. Fixed costs have decreased by -37% compared to 2019. Capital expenditures have been scaled down to €12.5 million compared to €39.5 million a year before, excluding the €22.3 million payment made for the acquisition of Bombardier EWIS activities in December 2019.

In 2020, the Group reduced its workforce by 26% (1475 employees), pending the implementation of the French social plan in 2021. Latécoère has successfully concluded negotiations with the unions in France which will allow the Group to adapt its resource levels to the forecasted customer needs. The Group booked one-time restructuring costs totalling €-20 million related to this social plan.

Latécoère continues to believe that investing in promising new technologies will be an essential element of its future growth and, as such, has maintained its R&T efforts in 2020 at a level of €5.9 million. Such efforts will be carried across 2021 to ensure that Latécoère can bring differentiating technologies to the market.

### Aerostructures

Aerostructures (Audited - € thousand)	2019	H1	H2	2020
Consolidated revenue	411.4	123.5	105.0	228.4
<i>Growth at constant exchange rate</i>	5.8%	-41.7%	-44.5%	-43.1%
Inter-segment revenue	18.1	11.1	11.5	22.6
<b>Revenue</b>	<b>429.5</b>	<b>134.6</b>	<b>116.4</b>	<b>251.0</b>
<b>Recurring EBITDA *</b>	<b>26.8</b>	<b>(9.1)</b>	<b>(14.4)</b>	<b>(23.5)</b>
<i>Recurring EBITDA margin on revenue</i>	6.2%	-6.8%	-12.3%	-9.4%
<b>Recurring operating income</b>	<b>10.8</b>	<b>(17.7)</b>	<b>(23.3)</b>	<b>(41.0)</b>
<i>Recurring EBIT margin on revenue</i>	2.5%	-13.1%	-20.0%	-16.3%

\* 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

Revenue in Latécoère's Aerostructures division declined -43% year-over-year on a constant currency basis to €228.4 million from €411.4 million in 2019 due to the reduction in production rates mirroring the slowdown in 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 €-23.5 million compared to €26.8 million for FY 2019, with the decline in production rates partially offset by a reduction in operating costs in response to Covid-19. The recurring EBITDA has also been affected by an adverse EUR / USD achieved hedge rate at 1.22 vs 1.17 in 2019.

### Interconnection Systems

Interconnection Systems (Audited - € thousand)	2019	H1	H2	2020
Consolidated revenue	301.7	108.5	76.4	184.8
<i>Growth at constant exchange rate</i>	8.5%	-30.2%	-45.2%	-37.5%
Inter-segment revenue	1.7	0.5	0.7	1.2
<b>Revenue</b>	<b>303.4</b>	<b>108.9</b>	<b>77.1</b>	<b>186.0</b>
<b>Recurring EBITDA *</b>	<b>20.8</b>	<b>(8.2)</b>	<b>(11.0)</b>	<b>(19.2)</b>
<i>Recurring EBITDA margin on revenue</i>	6.8%	-7.5%	-14.3%	-10.3%
<b>Recurring operating income</b>	<b>1.1</b>	<b>(16.4)</b>	<b>(17.2)</b>	<b>(33.6)</b>
<i>Recurring EBIT margin on revenue</i>	0.3%	-15.0%	-22.3%	-18.0%

\* 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 FY 2020 revenue declined -37.5% year-over-year on an organic basis to €184.8 million from €301.7 million in 2019. Similarly, the division has seen its revenue decrease in line with the strong downward revision of customers' production rates, compounded with a reduction in its development activities notably with the termination of the Mitsubishi M90 program.

Recurring EBITDA for Interconnection Systems was €-19.2 million compared to €20.8 million for FY 2019. As with the Aerostructures, recurring EBITDA was affected by the decline in production, reduced

development activities, and an unfavourable EUR/USD hedge rate compared to 2019 (1.22 vs 1.17 in 2019).

Following delays related to the health crisis in Mexico and France, the Group completed its acquisition of Bombardier Interconnection Systems in February 2021. As previously indicated, Latécoère expects this acquisition to strengthen and diversify its business development on new platforms and in the North American market. This activity is expected to positively contribute to Interconnection Systems recurring EBITDA in 2021.

### **Cash-flow from operating activities and net debt**

Operating Free Cash Flow over the period was €-22.5 million (compared to €4.8 million for 2019), of which €-20 million were related to non-recurring items. The Group has taken strong measures to improve its working capital needs by enrolling in the non-recourse factoring facility offered by a customer and by reducing the level of its inventories to €115.1 million compared to €179.8 million in 2019.

During the year, the Group announced that it entered into €123 million of new loan agreements in order to secure sufficient liquidity to enact its transformation plan and ensure its long-term competitiveness and growth. The loans are constituted of €88 million *Prêt Garanti par l'Etat* (PGE) and €35 million shareholder loan from an entity belonging to Searchlight Capital Partners.

As a result, net debt increased to €-147.6 million compared to €-115.8 million at the end of 2019, with a strong cash position of €77.6 million compared to €33.8 at the end of 2019.

### **FY 2021 Outlook**

As the impact of Covid-19 continues to cast uncertainty over the timing of a gradual recovery in air traffic, Latécoère expects 2021 to be a challenging year as new aircraft production rates are likely to remain depressed. As a result, the Group expects 2021:

- Revenue to be around 25% below 2020 on an organic basis. The full year contribution of the Bombardier EWIS acquisition will reduce the year-on-year impact to approximately -10%
- Recurring EBITDA to improve by 20% from FY 2020 levels demonstrating the strong fundamentals of the business as it completes the adaptation plan, however it is likely to remain negative.
- Operating Free Cash Flow will remain negative mainly as a result of the roll out of the adaptation plan.

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## About Latécoère

As a "Tier 1" international partner of the world's major aircraft manufacturers (Airbus, Boeing, Bombardier, Dassault, Embraer and Mitsubishi Aircraft), Latécoère is active in all segments of the aeronautics industry (commercial, regional, business and military aircraft), in two areas of activity:

- *Aerostructures (55% of turnover): fuselage sections and doors.*
- *Interconnection Systems (45% of turnover): wiring, electrical furniture and on-board equipment.*

As of December 31, 2020, the Group employed 4,169 people in 13 different countries. Latécoère, a French limited company capitalised at €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

### 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)	Dec 31, 2020	Dec 31, 2019
Revenue	413,232	713,098
Other operating revenue	497	526
Change in inventory: work-in-progress & finished goods	-24,426	-15,315
Raw material, Other Purchases & external charges	-263,544	-459,211
Personnel expenses	-158,200	-203,885
Taxes	-5,940	-8,902
Amortization	-31,879	-35,796
Net operating provisions charge	-12,246	829
Net depreciation of current assets	155	3,614
Other operating income	13,486	20,306
Other operating expenses	-5,615	-3,431
<b>RECURRING OPERATING INCOME</b>	<b>-74,478</b>	<b>11,833</b>
<i>Operating Income / Sales</i>	<i>-18.02%</i>	<i>1.66%</i>
Other non-recurring operating income and expenses	-98,304	-21,426
<b>OPERATING INCOME</b>	<b>-172,783</b>	<b>-9,593</b>
Net Cost of debt	-3,854	-5,261
Foreign Exchange gains/losses	-13,470	-3,567
Change in fair value of financial derivative instruments	16,240	-7,623
Other financial incomes and expenses	-1,574	-928
<b>FINANCIAL RESULT</b>	<b>-2,657</b>	<b>-17,380</b>
Income tax	-14,127	-5,892
<b>Net Result for the period from continuing operations</b>	<b>-189,566</b>	<b>-32,864</b>
Net Result for the period from discontinued operations	0	0
<b>NET RESULT FOR THE PERIOD</b>	<b>-189,566</b>	<b>-32,864</b>
• Of which, Owners of the parent	-189,566	-32,864
• Of which, Non-controlling interests	0	0
<b>NET RESULT (Group share) FOR THE PERIOD PER SHARE</b>		
• Earnings per share	-2.00	-0.35
• Diluted earnings per share	-2.00	-0.34



## Balance Sheet

### ASSETS

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Intangible assets	56,022	77,799
Tangible assets	154,155	173,043
Other financial assets	4,291	3,698
Deferred tax assets	684	10,279
Financial derivative instruments	0	1,020
Other non-current assets	129	168
<b>TOTAL NON-CURRENT ASSETS</b>	<b>215,282</b>	<b>266,007</b>
Inventories	115,122	179,757
Accounts receivable	65,269	157,839
Tax receivable	11,509	16,003
Financial derivative instruments	3,347	1,897
Other current assets	1,816	2,232
Cash & Cash Equivalents	77,614	33,790
<b>TOTAL CURRENT ASSETS</b>	<b>274,676</b>	<b>391,518</b>
<b>TOTAL ASSETS</b>	<b>489,957</b>	<b>657,525</b>

*(Liabilities & Equity Next Page)*

## LIABILITIES & EQUITY

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Share capital	189,637	189,637
Share premium	213,658	213,658
Treasury stock	-455	-1,842
Other reserves	-177,595	-147,486
Derivatives future cash flow hedges	509	-21,883
Group net result	-189,566	-32,864
<b>EQUITY ATTRIBUTABLE TO PARENT OWNERS</b>	<b>36,188</b>	<b>199,220</b>
<b>NON-CONTROLLING INTERESTS</b>	<b>0</b>	<b>0</b>
<b>TOTAL EQUITY</b>	<b>36,188</b>	<b>199,220</b>
Loans and bank borrowings	215,546	98,190
Refundable Advances	22,359	22,824
Employee benefits	17,770	20,400
Non-current provisions	26,445	8,876
Deferred tax liabilities	29	12
Financial derivative instruments	0	8,205
Other non-current liabilities	3,650	4,638
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>285,799</b>	<b>163,146</b>
Loans and bank borrowings (less than 1 year)	9,707	51,366
Refundable Advances	2,254	2,634
Current provisions	18,096	1,997
Accounts payable	89,480	146,292
Income tax liabilities	2,745	1,918
Contracts liabilities	38,982	43,609
Other current liabilities	3,844	4,055
Financial derivative instruments	2,863	43,288
Liabilities held for sale	0	0
<b>TOTAL CURRENT LIABILITIES</b>	<b>167,970</b>	<b>295,159</b>
<b>TOTAL LIABILITIES</b>	<b>453,769</b>	<b>458,305</b>
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>489,957</b>	<b>657,525</b>

## Cash Flow Statement

('000 EURO)	Dec 31, 2020	Dec 31, 2019
Net result for the period	-189,566	-32,864
<b>Adjustments related to non-cash activities:</b>		
Result from associates	0	0
Depreciation and provisions	85,126	34,578
Fair value gains/losses	-16,240	7,623
Net (gains)/losses on disposal of assets	116	-1,342
Other non-cash items	1,445	1,528
<b>CASH FLOWS AFTER COST OF DEBT AND INCOME TAXES</b>	<b>-119,119</b>	<b>9,522</b>
Income taxes	14,127	5,892
Net Cost of debt	3,854	5,265
<b>CASH FLOWS BEFORE COST OF DEBT AND INCOME TAXES</b>	<b>-101,139</b>	<b>20,679</b>
Changes in inventories net of provisions	57,799	757
Changes in client and other receivables net of provisions	93,490	39,781
Changes in suppliers and other payables	-60,098	-32,329
Income tax paid	-2,628	-5,707
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>-12,575</b>	<b>23,182</b>
Effect of changes in group structure	51	378
Purchase of tangible and intangible assets (including changes in payables to fixed asset suppliers)	-12,687	-58,714
Increase (decrease) in loans and advances made	-583	-215
Proceeds from sale of tangible and intangible assets	669	2,344
Dividends received	3	4
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>-12,547</b>	<b>-56,203</b>
Proceeds from issue of shares	0	-1,203
Purchase or disposal of treasury shares	1,388	-3,429
Proceeds from borrowings	124,362	10,000
Repayments of lease liabilities	-5,817	-5,082
Financial interest paid	-3,761	-5,563
Flows from refundable advances	-846	-1,448
Other flows from financing operation	-45,516	-34,343
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>69,809</b>	<b>-41,068</b>
Effects of exchange rate changes	-860	-253
Other changes without cash impact	0	0
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>43,827</b>	<b>-74,342</b>
Opening cash and cash equivalents position	33,762	108,103
Closing cash and cash equivalents position	77,589	33,762