

# GROUPE LATECOERE

April 2008

Shareholder's Information N°19

## Founding the future

2007 was a year of strong growth (+ 13 %) and the fifth consecutive year of two-digit organic growth: our revenue nearly tripled between 2002 and 2007 !

But 2007 was also a transition year marked by two major events that will drastically change Latécoère.

1) Airbus chose Latécoère as preferred bidder of the Méaulte and Saint-Nazaire ville sites

Our current size allows us of to play a major role in the on-going consolidation in our industry. Indeed, through the impetus given by the major aircraft manufacturers (Airbus and Boeing), the Aerostructures business is in the process of being reorganized worldwide between selected "major" tier 1 suppliers ("super tier one").

In the future these major suppliers will be responsible for organizing the industry network, the tier 2 suppliers (in relation to the aircraft manufacturers) ; they will deliver complex and large-dimensioned aerostructure assemblies to the aircraft manufacturers.

In the context of its Power 8 program, Airbus had decided to divest some of its factories. Very naturally, we were interested in the French factories (Méaulte and Saint-Nazaire ville), with which we have long-standing industrial ties (Latécoère is a major supplier of Méaulte and St. Nazaire ville is a supplier of Latécoère).

The annual revenue of Méaulte/Saint-Nazaire will double the new Group's revenue in the short-term ; moreover, the strong growth of our segment fueled by new aircraft launch should allow us to reach a revenue of €1.5 billion in 2010. The new Group (creation is expected mid-2008) will then become one of the worldwide majors in Aerostructures ("Top 10").

2) Airbus preselects Latécoère as its partner for the realization (design and serie production) of the A350 nose section. While current aircraft have a metallic fuselage, the structure of the A350 will be built largely with new composite materials. These composite materials require a technological shift of our production tool. Our group, which already has a composites competency center in the Technical Department and a composites production center in our Letov (Prague) susidiary, will create a new factory for the production of the composite nose section of the A350 (an investment of approximately €100 million) on the Méaulte site.

The new Group that we are creating will form a solid economic entity, having strong positions (number 1 or 2 worldwide) within its main product lines: nose section fuselages, doors and onboard wiring. It will also have a good expertise of tomorrow technologies, thanks to the Technological Research efforts undertaken over the past several years that we wish to continue to pursue in the future.

We are already working on the new organization of the Group ; our teams have known and appreciated each other for a long time, which is a wonderful asset in successfully carrying out such a merger. Moreover, our ethics as well as our corporate cultures are identical.

**François Junca** Chairman of the Supervisory Board  
**François Bertrand** President and CEO

We must also carry on with our efforts to be more competitive because the new Group, from the outset, will be confronted with the continuing threat of a weak dollar.

Therefore, we are pursuing an industrial policy based on a division of operations between :

- our French entities dedicated to program management, design and integration of products, and manufacturing of complex parts,

- our low-cost subsidiaries dedicated to the production of parts and of sub-assemblies,

- our current suppliers and sub-contractors (our "tier 2").

The in-progress consolidation of the Aerostructures segment will result in the emergence of fewer and therefore, of larger and financially healthier suppliers, capable to join our efforts towards competitiveness and development of the new technologies.

The last three years were record years in terms of new orders by the major aircraft manufacturers.

Their backlogs have never been so full; they represent more than 5 years of activity and offer excellent visibility for our segment.

Our industry will experience a period of very strong growth. This is an exceptional environment to realize our operation and to successfully carry out all these changes !

This operation represents a major change for our Group. A significant reinforcement of our equity funding must finance this operation.

We are preparing an €300 million capital increase that will be shared between:

- our current shareholders : we acknowledge that they have accompanied us for many years and we plan to offer them to participate with preferential rights of subscription,  
- reserved investors, will reinforce the core group of our shareholders,

- and the employees (including those of Méaulte and St.Nazaire), because employee ownership has been key in our corporate culture for 20 years.

2008 will be a year of drastic change for our Group and its stakeholders, and we depend on the participation of everyone to make the Latécoère Group a major player of the worldwide aeronautical industry.

**François Junca** Chairman of the Supervisory Board  
**François Bertrand** President and CEO

# Highlights

## The new Latécoère Group with Méaulte and St. Nazaire

The new Group is strengthening its presence in the production of aerostructures (fuselage sections and doors), and will perpetuate the sites and employment in Méaulte and St. Nazaire

### A key position in its market:

- European leader for nose sections.
- Worldwide leader for doors.
- Number 2 rank worldwide for onboard wiring.
- Leader worldwide for electrical racks.

### In this new Group, Latécoère contributes

its international dimension. Latécoère is the only supplier of Aerostructures working for all major world aircraft manufacturers. Its strong design office. A composites factory for fuselages in Méaulte. Its mastery of an international supply chain.



**MEAULTE** : Located near Albert in Picardy, the Méaulte site is actively contributing to the success of the whole of Airbus programs. This center of excellence, of a surface area of 41 hectares and a workforce of more than 1300 employees, is specialized in the manufacture of nose sections for all of the aircraft of the Airbus family (from the A318 to the A380, as well as the A400M and soon, the future A350).

Méaulte contributes its expertise in the nose and cockpit units. Its know-how in robotic assembly.



**SAINT NAZAIRE** : This industrial site, with a surface area of 7 hectares and a workforce of 550 people, is specialized in the stretching and mechanical machining of large 3-D cockpit panels (breakthrough innovation) and fuselage frames. Its second segment of activity concerns the high speed machining of structural elements in extrusions and the production of sheet metal parts in integrated process. St Nazaire contributes its expertise in the forming and machining of large dimension panels. Its expertise in sheet metal elements. Its know-how in the development of technologies that respect the environment.

Latécoère and Méaulte/ St.Nazaire share : A similar business culture and work ethics and a common determination to reach the same objectives :

- succeed in the industry transformation to composites,
- and create a French "high tech" composites center.

## A new Low-cost subsidiary

In the context of its strong business growth (an expected increase of more than 40% over the upcoming 3 years), the Latécoère group, which is a "Tier 1" partner of the major world aircraft manufacturers, decided to create a subsidiary and an aeronautical industrial park regrouping Latécoère and some of its suppliers in a "low-cost" country (most likely in North Africa).

The creation of this "low-cost" subsidiary will reinforce an international industrial organization of the Group that has already proven itself, with :

- Latécoère do Brasil, its subsidiary dedicated to the assembly of EMBRAER fuselages.
- LETOV (in Czech Republic) for doors.
- SEA LATElec (in Tunisia) for onboard wiring.

This "low-cost" subsidiary will allow the Group to preserve and develop employment in France, in particular in new business lines, (more than 500 jobs will thus be created at the Latécoère sites in Toulouse, Gimont and Cornebarrieu, as well as the sites in Méaulte and St.Nazaire). This subsidiary will also allow the Group to gain international market share.

### This project's two major directions are:

1-To create a Latécoère production subsidiary specialized in the assembly of sub-assemblies coming from the Méaulte and the Latécoère Toulouse sites.

These are activities which will require mastery of assembly technology, of manual and semi-automatic riveting, and of special processes (fitting out, making watertight, painting, etc.). This new subsidiary will benefit from the Group's efficient piloting tools and methods : Integrated information system (ERP), technical data management tools (CAO, etc.).

Management and management control tools and methods. Qualification of processes.

Transfers of technology and of related know-how.

Piloting and performance optimization systems

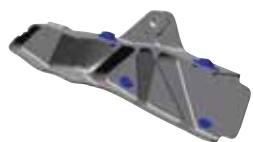
2-To federate a network of partners and sub- contractors responsible for the realization of parts and of sub-assemblies coming from the Méaulte, Saint Nazaire and Latécoère sites.

These are activities which will require expertise in manufacturing of aeronautical sheet metal parts, in machining of small to medium-dimensioned parts, in producing composite materials, and technologies using non-destructive testing and surface treatment, and qualifications in accordance with the EN 9100 system of reference.

### Example of new flows :

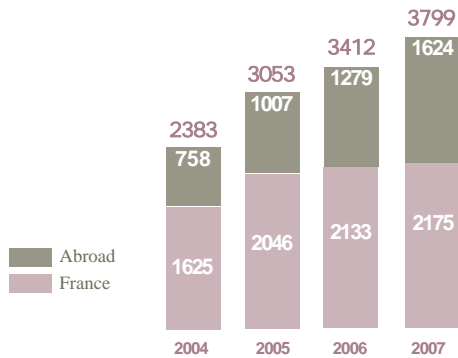
The subsidiary will receive large dimensioned parts (panels, stringers, frames, etc.) and complex parts produced in France, and small and medium dimensioned parts produced by local sub-contractors.

It will supply sub-assemblies to the new Group's French factories for final assembly and integration.

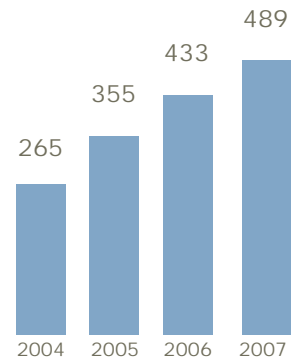


# Activity & Backlog

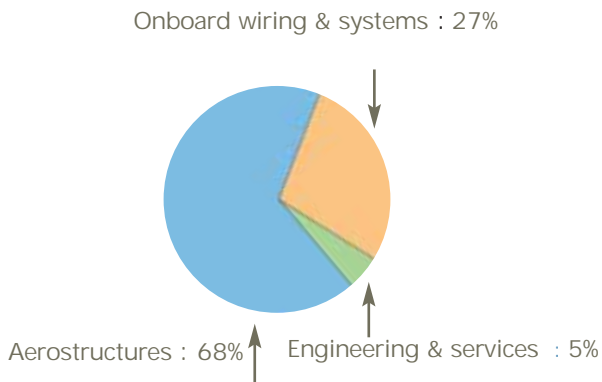
Workforce year end



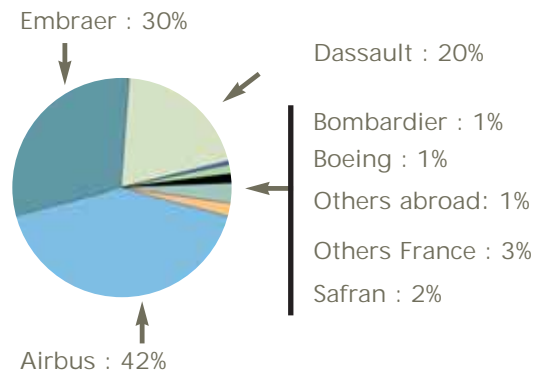
Revenue (EM)



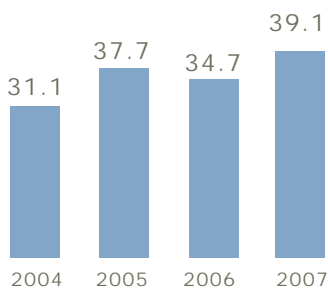
Breakdown of revenue by activity



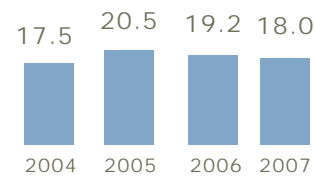
Breakdown of revenue by customer



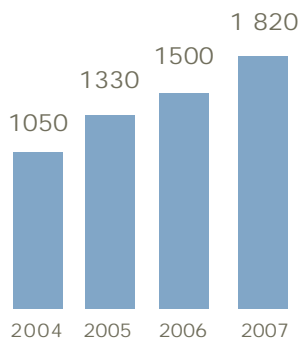
Ebit (EM)



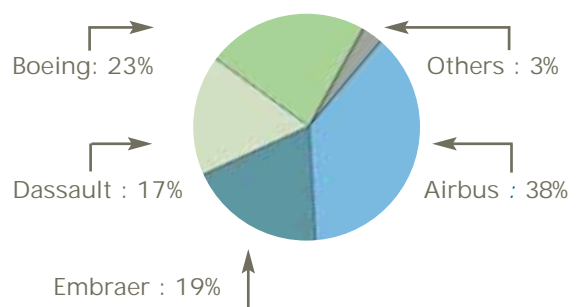
Net income (EM)



Backlog (EM)



Backlog by customer



# Financial results

## Income statement EM

EM	2007	2006	2006/2007
Revenue	489.3	432.7	+ 13.1%
Ebit	39.1	34,7	+ 12.7%
Ebit margin	8.0%	8,0%	
Net income	18.0	19,2	-6.3%
Net income margin	3.7%	4,4%	

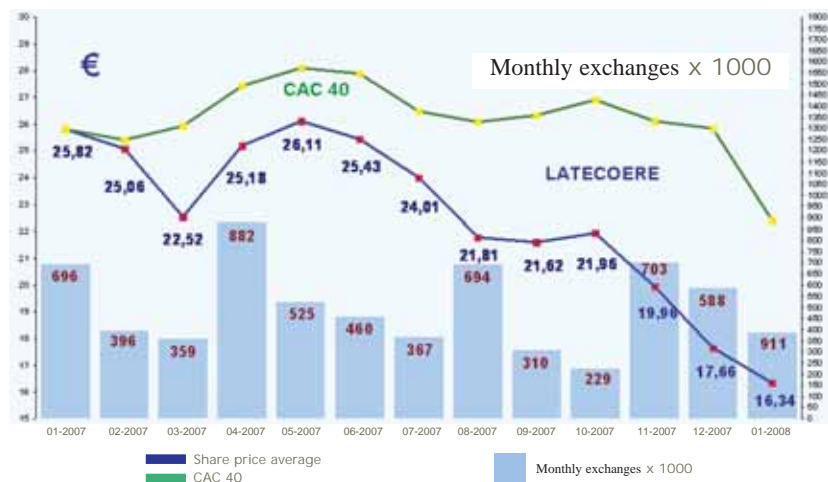
## Balance sheet

EM	31/12/07	31/12/06
Fixed assets	104.2	96.1
Inventories & work in progress	643.3	574.9
Customers	135.6	116.9
Others assets	75.3	91.9
Cash & equivalents	57.1	12.8
Balance sheet total	1015.5	892.6
Shareholders' equity	258.6	263.1
Financial debt	434.0	334.6
Suppliers	154.8	138.4
Others liabilities	168.1	156.5
Net debt	376.9	321.8
Net debt / Shareholders equity	146%	122%

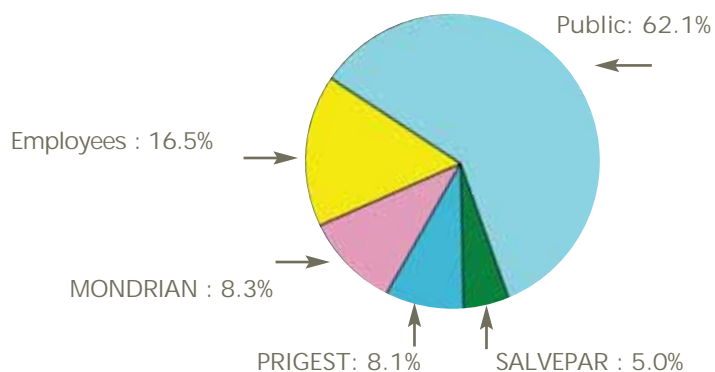
## Dividend

The next Ordinary General Meeting of Shareholders will be asked to approve distribution of a dividend of E 0.50 per share  
 Paiement on June 30, 2008  
 Payout : 24%

## Share price average



## Shareholders structure



## Contact

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