

LATÉCOÈRE

AEROSTRUCTURES
& INTERCONNECTION SYSTEMS

FY 2019 RESULTS

MARCH 10, 2020



▶ DISCLAIMER

Certain statements contained in this document are forward-looking statements. These statements includes, without limitation, statements that are predictions of or indicate future events, trends, plans, expectations or objectives. Examples of forward-looking statements include statements relating to business strategy, objectives, delivery schedules or future performance. Words such as “anticipates”, “believes”, “estimates”, “seeks”, “intends”, “may” and similar expressions are used to identify these forward-looking statements.

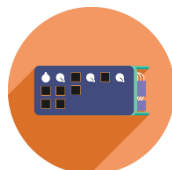
Such statements are, by their nature, subject to known and unknown risks and uncertainties. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements as these are dependent on risk factors such as the variation of the exchange rates, program delays, industrial risks relating to safety, the evolution of regulations and the general economic and financial conditions and other matters of national, regional and global scale, including those of a political, economic, competitive and regulatory nature. Please refer to the section “Risks management” of the latest Latécoère’s Annual Report, for a description of certain important factors, risks and uncertainties that may affect Latécoère’s business.

Latécoère makes no commitment to update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

LATÉCOÈRE IN 2019



3,807
DOORS IN 2019



48,043
COCKPIT PANELS
IN 2019



356
FUSELAGES IN
2019



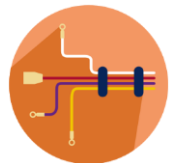
435
CAMERAS IN 2019



7,409
RACKS IN 2019



154
EQUIPPED SATELLITES
LAUNCHERS AND
CARGO CARRIERS FOR
ISS



65,096
HARNESSES IN 2019

KEY FIGURES

€713M
REVENUES



103
YEARS

2%
REVENUES ON R&T



5,187
EMPLOYEES

2.2B
BACKLOG



13
COUNTRIES

€36M
GROSS CAPEX*

*: Purchase of tangible and intangible assets, excluding €22.3M related to the acquisition of Bombardier's EWIS activity

FY 2019 HIGHLIGHTS

€ **713**M
REVENUE

+ **8.2**%
vs. 0.3% in 2018

6.2%

AEROSTRUCTURES
rec. EBITDA margin

vs. 4.7% in 2018

€ **60.5**M*

CASH FLOW in H2
2019

vs. €(33.1)M in H1 2019

1.09x

Book to Bill

vs. 1.09x in 2018

€ **47.6**M
Rec. EBITDA

vs. €54.5M in 2018

6.8%

INTERCONNECTION
SYSTEMS
rec. EBITDA margin

vs. 12.9% in 2018

82%

TRANSFORMATION
2020 TARGETED

Cost savings >€40M

€ **2.2**B

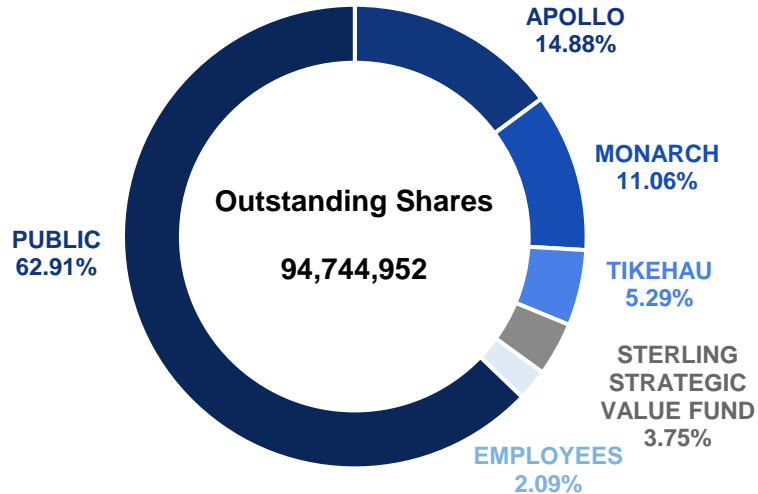
ORDER BOOK VALUE

vs. €2.1B in 2018

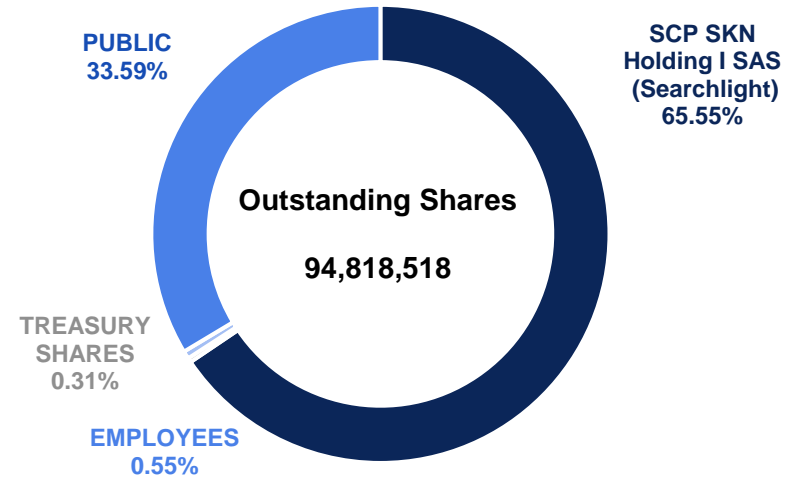
*: including €42 million inflow from Airbus reverse factoring program onboarding

SHAREHOLDING STRUCTURE

Shareholding structure
as of 31st December 2018



Shareholding structure
as of 31st December 2019



▶ CONTENTS

H2 & FY 2019 BUSINESS HIGHLIGHTS ——— +

H2 & FY 2019 FINANCIAL HIGHLIGHTS ——— +

OUTLOOK ——— +

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PART 1

H2 & FY 2019
BUSINESS
HIGHLIGHTS

THE BENEFITS OF TRANSFORMATION 2020

- Extension of Toulouse-Montredon site in France
- Inauguration of Belagavi site in India
- Extension of Plovdiv site in Bulgaria
- Final transfer of production of A320 Cockpit Control Panel to Had Soualem site in Morocco
- New Head Office in Toulouse in France

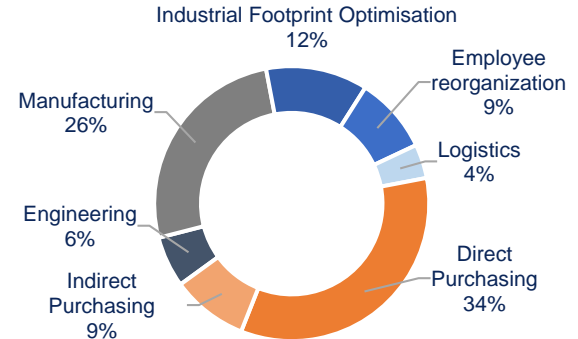
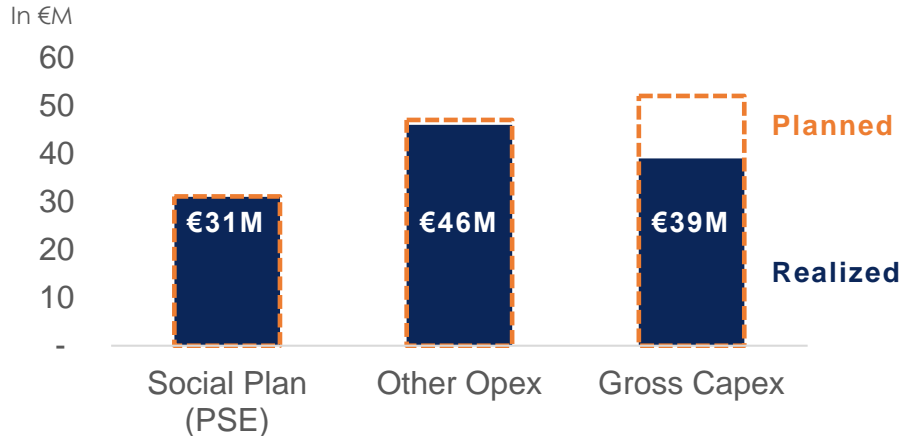
PROGRESS TOWARDS TRANSFORMATION 2020

c. 91%
SPENT VS.
PLAN
 as of Dec. 31st, 2019

82%
OF INITIAL
TARGETED
SAVINGS
SECURED
 as of Dec. 31st, 2019

>€40M
COST
REDUCTION
PLAN
OBJECTIVE

c.€130M
INVESTMENTS
OVER 3 YEARS



TRANSFORMATION 2020

Extension of Toulouse-Montredon site



- ISO 14001 certification obtained in Summer 2019
- 5 additional digitally controlled machines in 2019 for a higher production power
- 3,000 sqm extension to accommodate surface treatment and painting activities
- Close to 900 Part Numbers re-internalized since the launch of the plant
- Objective to reach the full production rate of 330,000 parts per year in 2021
- Ramp-up of the production of surface treatment in Q1 2020

€8M
Capex
Invested

95%
Internalization
of surface
treatment

TRANSFORMATION 2020

Inauguration of Belagavi site



- Official opening with customers on Sept. 10, 2019
- Initial site of 4,400 sqm with 70 employees (300 in 2022)
- Activities on site:
 - For **Dassault Aviation**, Latécoère is manufacturing the radio Navigation harness of the Falcon 2000 and will transfer in 2020 the main harness of the same aircraft
 - Start of the production in May 2019
 - For **THALES Avionics Inc.**, Latécoère is manufacturing IFE harnesses for various platforms such as B777 or B737, A320 and various airlines such as Emirates, British Airways, Qatar, etc.
 - Start of the production in June 2019

TRANSFORMATION 2020

Extension of Plovdiv site



- Extension of 2,600 m² for a total production area of 6,600 m²
- Transfer of A320 doors structure sub-assembly
- Production of the A350 nose fuselage
- Rack structure production transfer finalized
- Total investment budget of around €15 million

TRANSFORMATION 2020

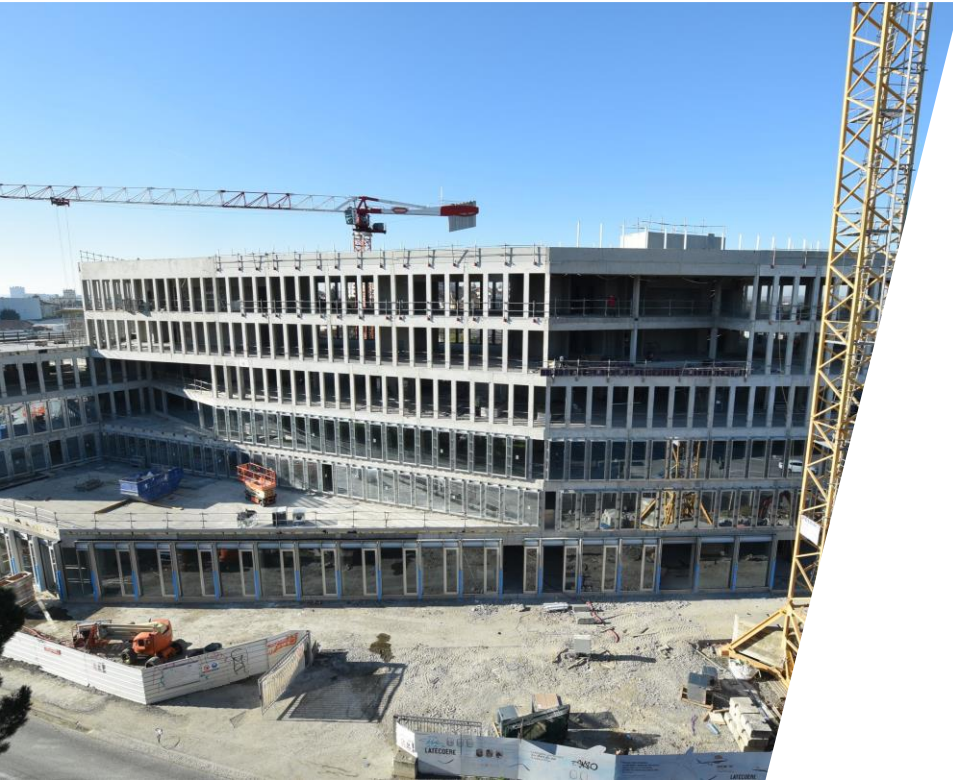
Final transfer of production of A320 Cockpit Control Panel to Had Soualem



- Transfer finalised from Colomiers/Labège production site
- Step by step transfer (first manufacturing then test)
- Smooth Ramp Up: Started with a rate of 50% in March 2018 to reach 90% in April 2019
- Approximately 29,000 to be delivered in 2020

TRANSFORMATION 2020

New Head Office in Toulouse



- Final step of Transformation 2020
- The office will bring together the teams of two divisions and the corporate teams
- Promotion of better synergies between teams
- Eco-friendly building

A GOOD BUSINESS MOMENTUM

- New EWIS contract for the Boeing 777X
- Boeing 787 passenger doors contract extension
- Acquisition of Bombardier's EWIS business

A GOOD BUSINESS MOMENTUM

New EWIS contract for the Boeing 777X



- Latécoère Interconnection Systems division's first collaboration on EWIS with Boeing
- Long term contract with Boeing to supply Electrical Wiring Interconnection Systems (EWIS) harnesses
- First electrical harnesses to be delivered in 2020.
- This build-to-print production will use automatic connection machines (LATMAT) starting 2021

A GOOD BUSINESS MOMENTUM

Boeing 787 passenger doors contract extension



- Latécoère will deliver 787 passenger doors until 2029
- According to forecast, this will represent 5,600 doors

A GOOD BUSINESS MOMENTUM

Cash Acquisition of Bombardier's EWIS business in Querétaro



- \$50 million acquisition of EWIS activities and related assets as well as a skilled workforce specializing in harnessing and electrical sub-assemblies in Querétaro
- Strengthening the relationship with Bombardier and other related customers

The transaction is subject to customary conditions and approvals and is expected to close in the first half of 2020.

BUSINESS OVERVIEW – OPERATIONS AND CUSTOMERS

The opportunity to acquire a large part of Bombardier's platforms EWIS content

Business overview

A state-of-the-art standalone facility



- Over 100,000 square feet
- Strategically located in Querétaro, Mexico
- ~1.9M direct labor hours production capacity
- Part of broader Bombardier manufacturing cluster and Aerospace excellence center

Wide Range of Products



- Mid-fuse harnesses
- Cockpit harnesses
- Box assembly
- Landing gear harnesses
- Interconnectors
- Other harnesses

Customer overview

Business Jets

BOMBARDIER



Learjet 75



Challenger 350 & 650



Global 5000/6000/7500

Commercial Aviation

BOMBARDIER



CRJ 700/900/1000 ⁽¹⁾



Q400

Supplier to External Parties

Tier 1



Tier 2



(1) Sale of CRJ program to Mitsubishi Heavy Industries announced on June 25th 2019 and expected to close 1H 2020; (2) Through Bombardier Aviation's site in Belfast, Northern Ireland

A GOOD BUSINESS MOMENTUM

A global increase in production rates

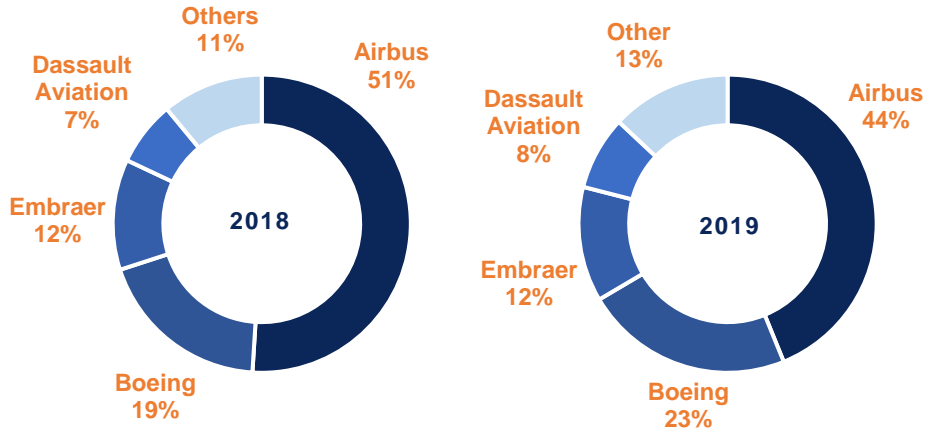
- **Aerostructures**'s profitability was driven by higher volumes, notably on the Boeing B787.
- **Interconnection Systems** confirmed the very good momentum in cabin and kitting activities. The increase in production rates for Airbus A350, A320 and Dassault programs was partly offset by reduced rates on Airbus A330, A400M and ATR programs.

Delivery rates by aircraft	2018	2019	
A320 - Doors *	391	347	↘
A320 - Interconnection Systems	644	684	↗
A350 - EWIS & Racks	92	109	↗
Embraer E1 – Doors	75	86	↗
Embraer E1 - Fuselages	87	67	↘
Embraer E2 – Doors	6	28	↗
Boeing 787 – Doors	143	167	↗
Dassault F7X/F8X - Fuselages	23	27	↗
Dassault F7X/F8X - EWIS	21	24	↗

*Only 50% of OEM production manufactured by Latécoère

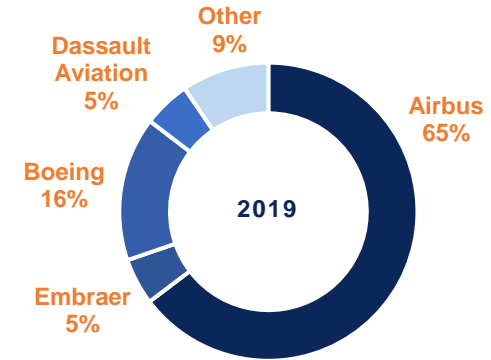
A MULTI-CUSTOMER PLATFORM

REVENUE SPLIT



1.09 Book to Bill

OEM ORDER BOOK PROJECTION*



€2.2B > 3 years

* Based on €/€ exchange rate of 1.24

GO-TO-MARKET INNOVATION

- Supporting Aerostructures and Interconnection Systems to win new business
- An effort of 2% of sales in innovation to support growth
- Pursuing differentiation and strengthening our goodwill
- LiFi technology by Latécoère takes off

R&T CHALLENGES AND TARGETS

Supporting Aerostructures and Interconnection Systems to win new business

Significant new business opportunities drive our R&T roadmaps in time-to-market

- Lead the competition for the new aircraft through cooperation with the airframers
- Increase marketshare on the existing fleet with innovative and competitive solutions

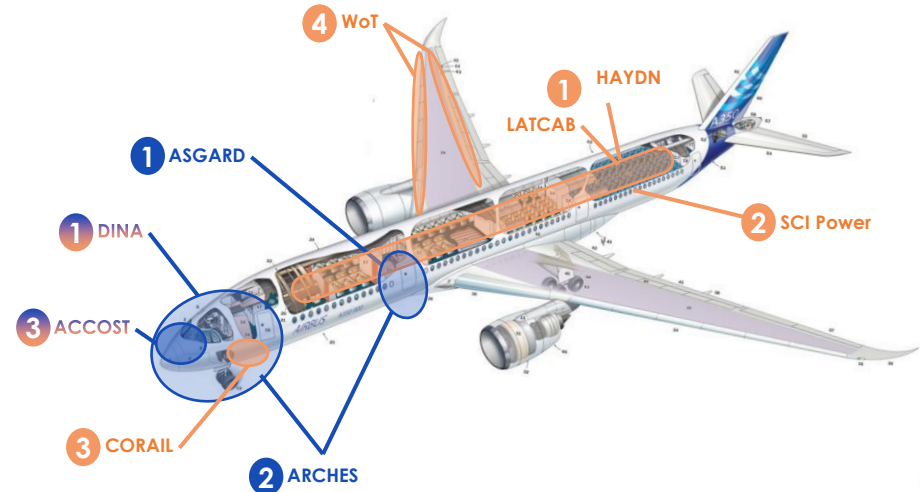
Aerostructures

1. Build differentiation on structural components and equipment through a system approach.
2. Increase value on metallic and composite manufacturing & assembly technologies for core and new products: doors, complex fuselage assemblies, composite structures.

Interconnection Systems

1. Shift to optics : develop optical network for data & LiFi transmission in cabin.
2. Build differentiation on cabin power infrastructure with converters and controllers.
3. Increase value on rack and cockpit equipment with new standard for Racks and cockpit panels.
4. Develop high density wiring in harsh environment

Through a focused R&T strategy on demonstrators and differentiating technologies

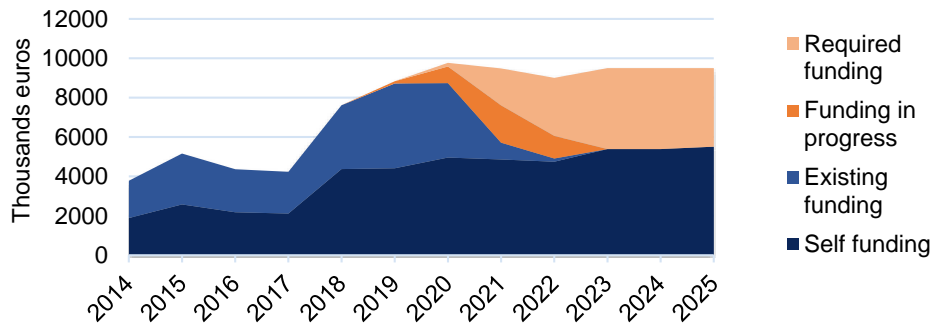


R&T FINANCIALS

An effort of 2% of sales in innovation to support growth

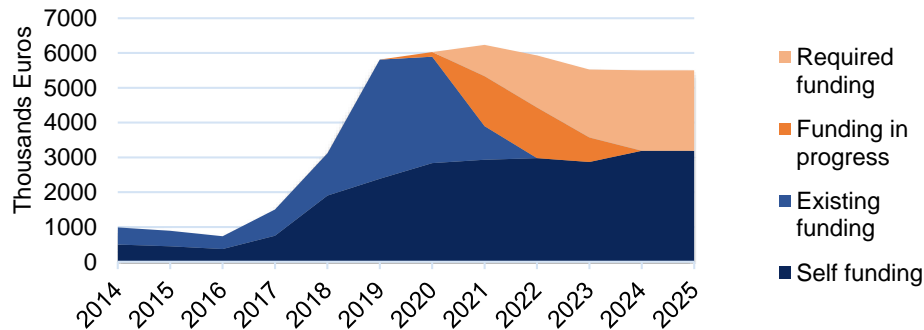
AEROSTRUCTURES – Win the new aircraft

➔ Reinforce the R&T effort : from 5M€ to 9M€ over 2017-2025



INTERCONNECTION – Disrupt cabin and develop capabilities

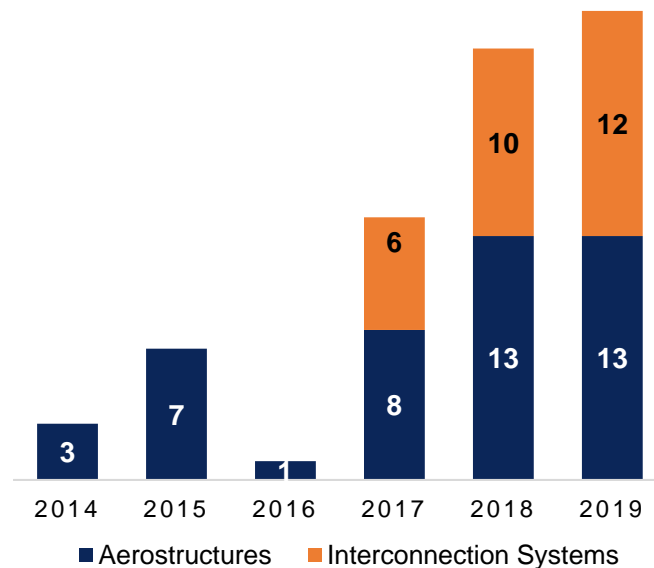
➔ Foster the R&T activity : 5M€ to 6M€ over the 2017-2025 period



Leading to a shift in patent registrations

➔ A portfolio of 142 patents

Patent Family 1st Registration



BRINGING GO-TO-MARKET INNOVATION

LiFi technology by Latécoère takes off



At the International Paris Air Show, Air France, Latécoère and Ubisoft promoted their new LiFi (Light Fidelity) technology using light to transmit data and run an in-flight video game tournament.

On October 30th, 2019, Air France tested the very first flight equipped with LiFi technology developed by Latécoère on board the commercial flight AF6114 operated by Airbus A321 from Paris-Orly to Toulouse.



Huneed Technologies



In October 2019, Latécoère announced the industrial scale-up of its LiFi technology, thanks to a first MoU signed with Signify and a second MoU signed with Huneed Technologies.



READY FOR THE AVIATION GREEN DEAL

- How Latécoère is contributing to an environmentally responsible aviation

READY FOR THE AVIATION GREEN DEAL

How Latécoère is contributing to an environmentally responsible aviation



Impact of Latécoère's activities under control

- 8/16 sites certified ISO-14001 (4 Interconnection Systems and 4 Aerostructures)
- Certification planned in 2020 (Hermosillo, Chargaia & Fouchana, Vendargues), 2021 (Plovdiv, Hambourg) and 2022 (Belagavi, Prague)

Corporate culture

- International launch in 2019 of the "Green Week" based on initiatives taken by the production sites.



Calculation of the group's carbon footprint planned in 2020 by Bureau Veritas

Focusing on the elements within our perimeter and on which we have a power of influence:

- Direct emissions
- Indirect emissions related to electricity and steam/hot/cold consumption
- Upstream/downstream freight transport, business travel

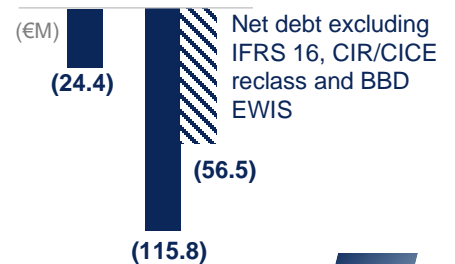
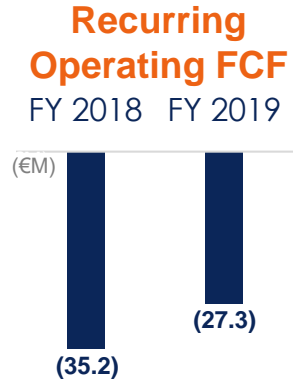
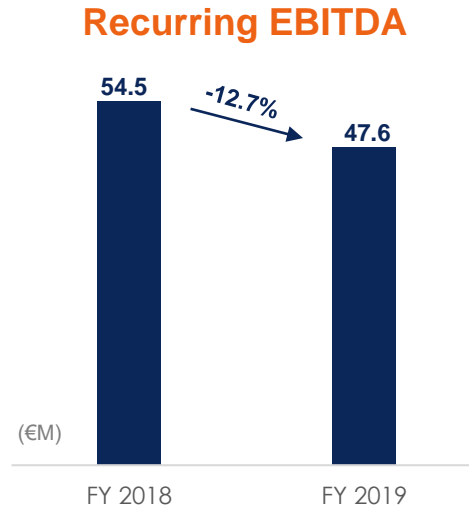
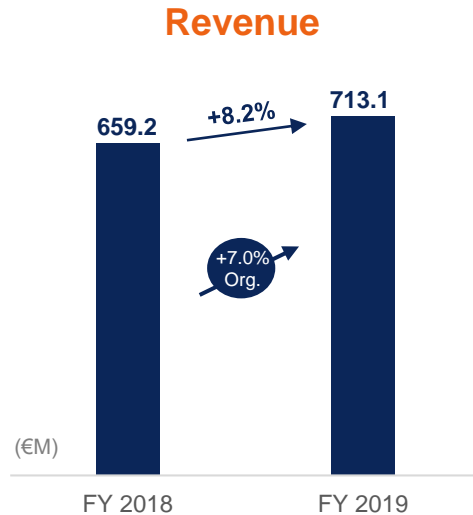
A photograph of three male technicians in a factory setting, working on a large, white, rectangular electronic device. They are wearing dark blue polo shirts and safety glasses. The technician on the left is using a red power drill. The technician in the center is leaning over the device, and the technician on the right is wearing yellow gloves. The background is a blue, diamond-patterned wall. The device they are working on has various green and white components. The overall scene is brightly lit.

PART 2

FY 2019
FINANCIAL
HIGHLIGHTS

Z21

FY 2019 FINANCIAL HIGHLIGHTS



2019 CONDENSED P&L

(€ million)	FY 2018	H1 2019	H2 2019	FY 2019
Revenue	659.2	371.7	341.4	713.1
o/w Aerostructures	399.1	224.2	205.3	429.5
o/w Interconnection Systems	276.8	157.4	146.0	303.4
o/w elimination inter-sector	(16.6)	(9.9)	(10.0)	(19.9)
Recurring EBITDA *	54.5	28.1	19.5	47.6
o/w Aerostructures	18.8	16.2	10.6	26.8
o/w Interconnection Systems	35.6	11.9	8.9	20.8
Recurring operating income	28.0	10.8	1.0	11.8
o/w Aerostructures	6.6	8.7	2.1	10.8
o/w Interconnection Systems	21.2	2.1	(1.1)	1.1
Non recurring items	(23.1)	(7.9)	(13.6)	(21.4)
o/w A380 End of program impact	(12.6)	-	-	-
o/w Other non recurring items	(10.5)	(7.9)	(13.6)	(21.4)
Operating income	4.9	2.9	(12.5)	(9.6)
Net Cost of debt	(4.5)	(2.7)	(2.6)	(5.3)
Other financial income/(expense)	9.4	(5.2)	(6.9)	(12.1)
Financial result	4.9	(7.9)	(9.5)	(17.4)
Income tax	(3.8)	(1.0)	(4.9)	(5.9)
Net result	6.0	(5.9)	(27.0)	(32.9)

2019 hedged rate at 1.17
vs 1.16 in 2018

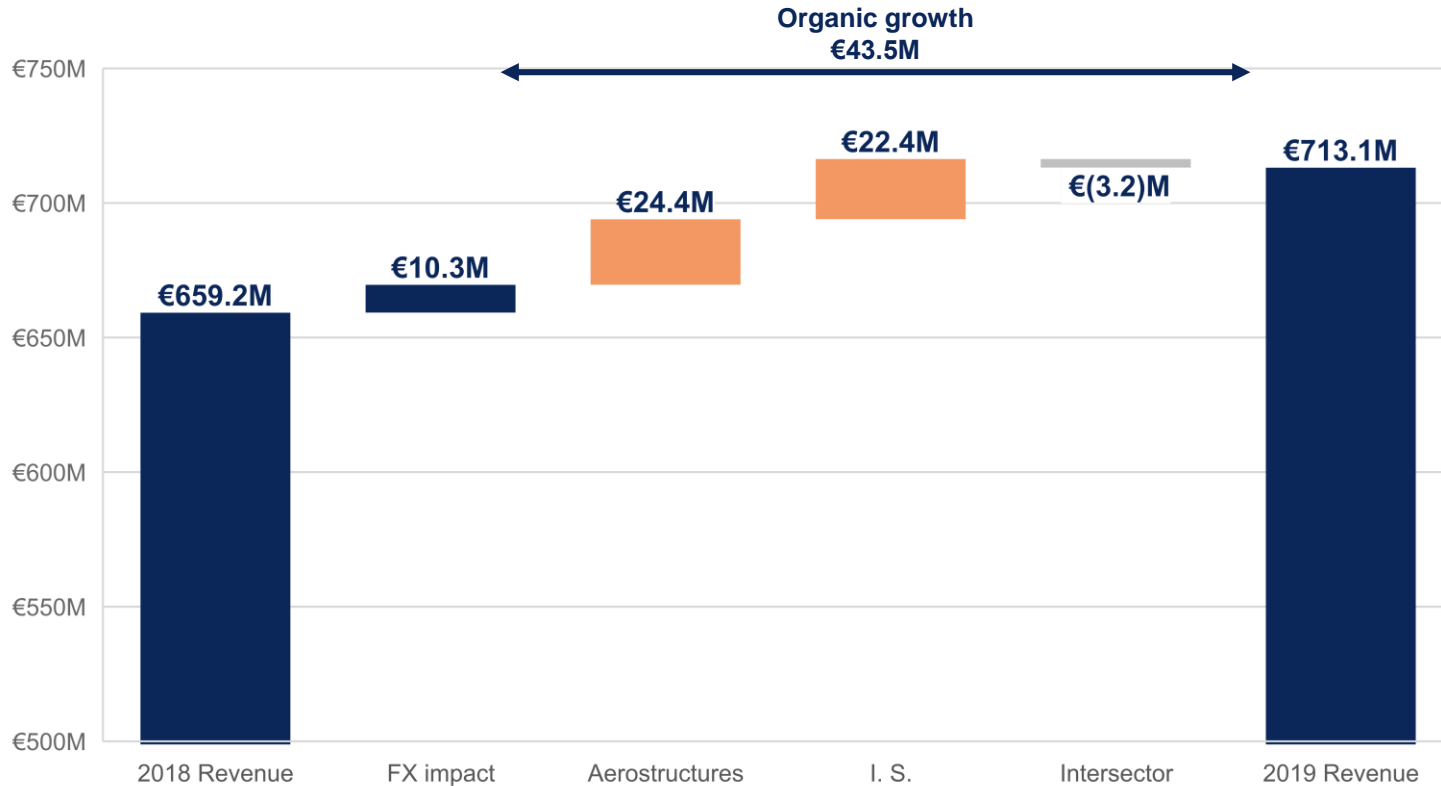
Incl. new sites (Montredon, Bulgaria)
start up costs, transfer costs and
transformation/transaction fees

Including, in 2019:
FX impact of €(3.6)M
change in fair value of €(7.6)M

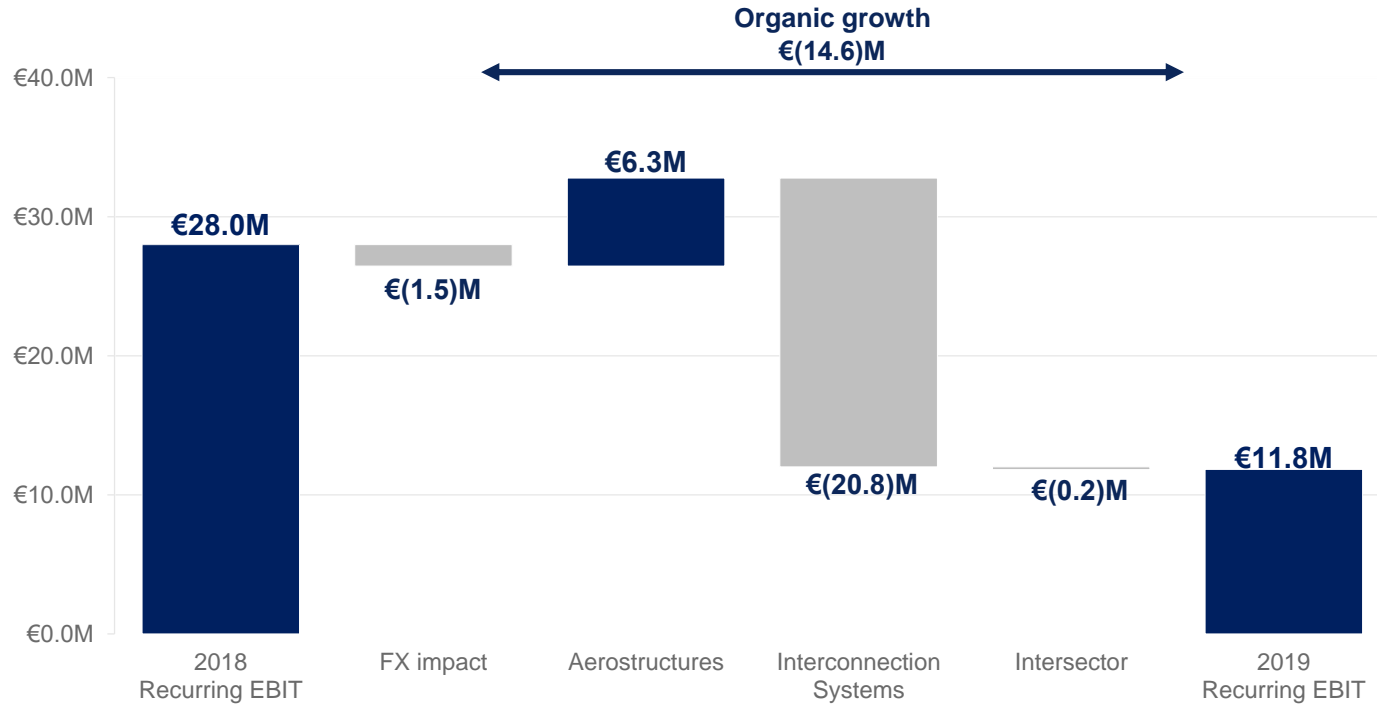
and in 2018:
A380 impact of €16.7M
change in fair value of €(6.3)M

* Recurring EBITDA = Recurring operating income + Depreciation and amortization of tangible and intangible assets

REVENUE BRIDGE



RECURRING EBIT BRIDGE



RESULTS BY BUSINESS UNIT

(€ million)	2019	Aerostructures	Interconnection Systems	Inter-sector
Revenue	713.1	429.5	303.4	(19.9)
<i>Growth in %</i>	8.2%	7.1%	9.7%	n/a
<i>Organic growth in %</i>	7.0%	5.8%	8.5%	n/a
Recurring operating income	11.8	10.8	1.1	0.0
<i>% of revenues</i>	1.7%	2.5%	0.3%	n/a
<i>Recurring operating income margin variation (vs FY2018)</i>	-2.6bps	+0.9bps	-7.3bps	n/a

FOCUS ON AEROSTRUCTURE PROFITABILITY

(€million)	2018	2019	Change	Organic Change
Revenue (outside group)	384.2	411.4	7.1%	5.8%
Inter-sector	14.9	18.1		
Total Revenue	399.1	429.5	7.6%	
Recurring EBIT	6.6	10.8	4.2	
% of revenue	1.6%	2.5%	+0.9bps	
Non recurring items	(18.4)	(22.2)		
EBIT	(11.8)	(11.4)		

Revenue

- Positive impact on FX
- Positive impact on production rate
- Strong activity on customer support activities and NRC invoicing
- Pressure on prices

Recurring EBIT

- Negative FX hedge rate impact
- Good performance from customer support and development (NRC) activities
- Higher volumes
- Negative impact on sales price
- Negative impact on new sites ramp-up

FOCUS ON INTERCONNECTION SYSTEMS PROFITABILITY

(€ million)	2018	2019	Change	Organic Change
Revenue (outside group)	275.0	301.7	9.7%	8.5%
Inter-sector	1.8	1.7		
Revenue	276.8	303.4	9.6%	
Recurring EBIT	21.2	1.1	(20.2)	
% of revenue	7.7%	0.3%	-7.3bps	
Non recurring items	(4.7)	0.7		
EBIT	16.6	1.8		

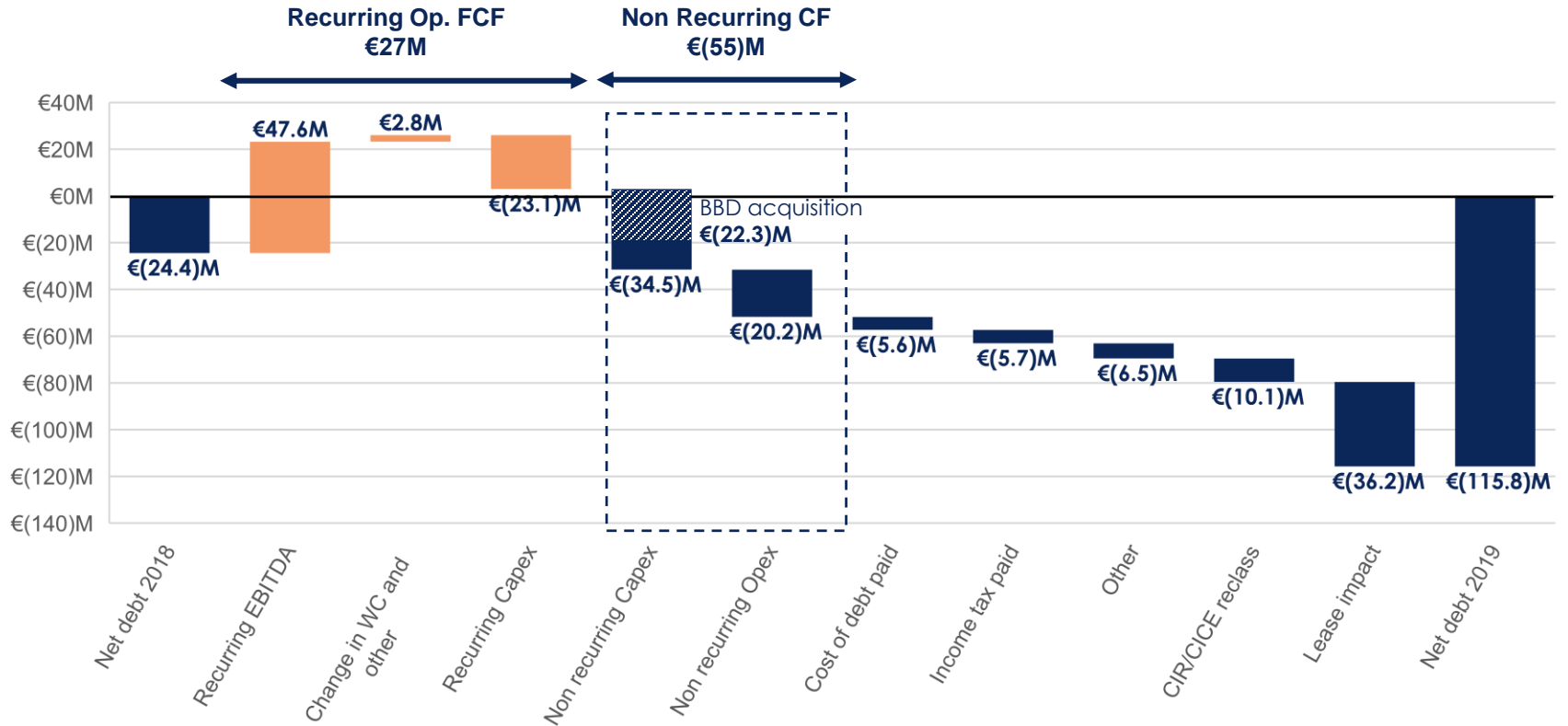
Revenue

- Positive impact on FX
- Increase in production rate
- Strong activity in Cabin

Recurring EBIT

- Higher volume
- New contract ramp-up costs
- Indirect overcosts related to suppliers crisis and delayed internal reorganisation

2019 OPERATING CASH FLOW AND NET DEBT



RESEARCH & DEVELOPMENT AND RESEARCH & TECHNOLOGY BY ACTIVITY

in m€	2019	Aerostructures	Interconnection Systems	2018	Aerostructures	Interconnection Systems
R&D expenses	(13.5)	(8.7)	(4.8)	(11.5)	(9.2)	(2.3)
R&T expenses	(10.9)	(5.3)	(5.6)	(10.3)	(7.5)	(2.7)
Total expenses	(24.3)	(14.0)	(10.4)	(21.8)	(16.7)	(5.0)
% of revenues	3.4%	3.3%	3.4%	3.3%	4.2%	1.8%
Tax credit & Grants	9.2	5.9	3.3	6.2	4.2	2.0
Total expenses after tax credit & Grants	(15.2)	(8.1)	(7.1)	(15.6)	(12.5)	(3.1)
Gross capitalized R&D	-	-	-	2.1	0.9	1.3
Amortized R&D	(14.8)	(1.3)	(13.5)	(12.0)	(1.0)	(10.9)
P&L R&D and R&T in recurring operating income	(30.0)	(9.4)	(20.6)	(25.5)	(12.7)	(12.7)
% of revenues	4.2%	2.2%	6.8%	3.9%	3.2%	4.6%

NET DEBT

Net debt	2018	2019
Bank Loan	45.0	55.0
Factor	76.5	41.6
Finance Lease (including IFRS 16) *	10.9	42.8
Other financial debt	0.0	10.2
Gross Debt	132.5	149.6
Net Cash	108.0	33.8
Net Debt	24.4	115.8

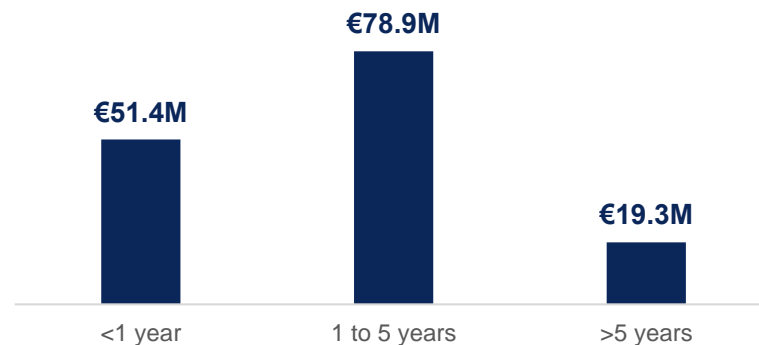
* IFRS 16 impact of €26.9m as of December 31st, 2019

Net Debt
<60%
Shareholders' equity

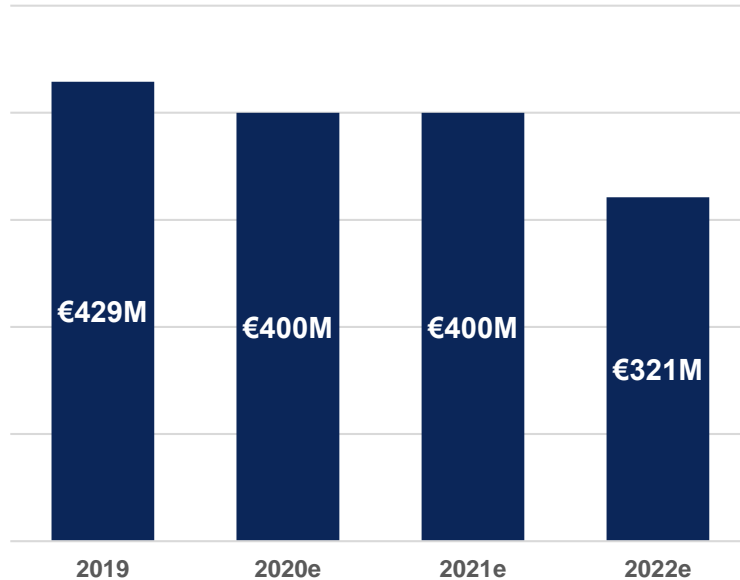
Net Debt
<2.5x
Recurring EBITDA
(<2.0x recurring EBITDA excluding BBD EWIS)



Gross debt repayment schedule (Dec 31st, 2019)



HEDGING PORTFOLIO



Portfolio as of March 9, 2020 = \$1,051M

- New hedges put in place in 2020 for \$300m
- FY 2020 and FY 2021 fully secured
- FY 2022 secured for > 75%

	2019	2020e	2021e	2022e
New guidance	1.17	1.19-1.21	1.19-1.21	1.18-1.21
<i>Old guidance</i>	<i>1.18</i>	<i>1.24</i>	<i>1.23-1.25</i>	<i>n/a</i>

A large industrial robotic arm with a bright orange frame and a white lattice-patterned end effector is positioned in a factory. The background shows blue structural elements, safety railings, and various cables. The scene is brightly lit, typical of an industrial environment.

PART 3

OUTLOOK

2020 OUTLOOK

Key assumptions

FY2020 guidance

- Increased rates for the Embraer E2 and Airbus A320 family
- Positive contribution from Interconnection Systems' new business
- Soft demand on twin aisle programs both at Airbus and Boeing
- Price reduction on Airbus programs in both divisions
- Lower production rates for the Embraer E1 and Dassault Aviation's F7X/F8X programs
- Excluding impact of the acquisition of Bombardier EWIS activity and Coronavirus crisis
- Group revenue to decline by circa 5% at constant exchange rates
- Low-single digit Group recurring operating margin
- Positive operating free cash flow



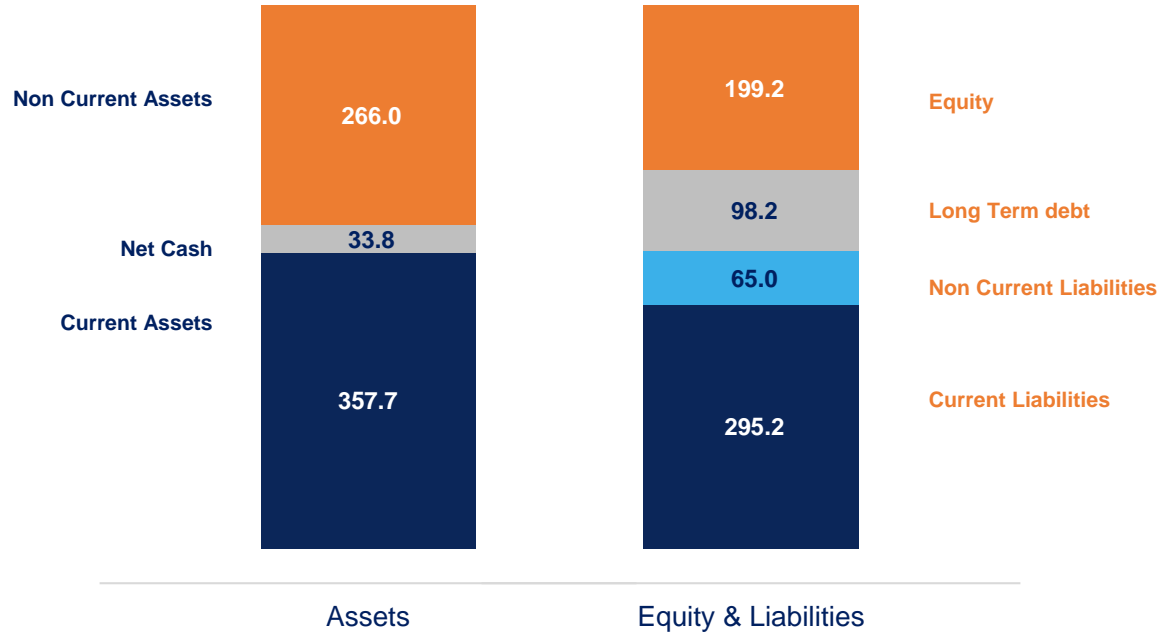
THANK
YOU

A technician in a dark t-shirt is seen from the side, focused on working with a dense array of cables in a network switch or patch panel. The cables are organized into horizontal bundles, some secured with white zip ties. The background is filled with more rows of similar equipment, creating a sense of a large-scale data center environment. The lighting is somewhat dim, with a blueish tint, and there's a diagonal orange line running across the image.

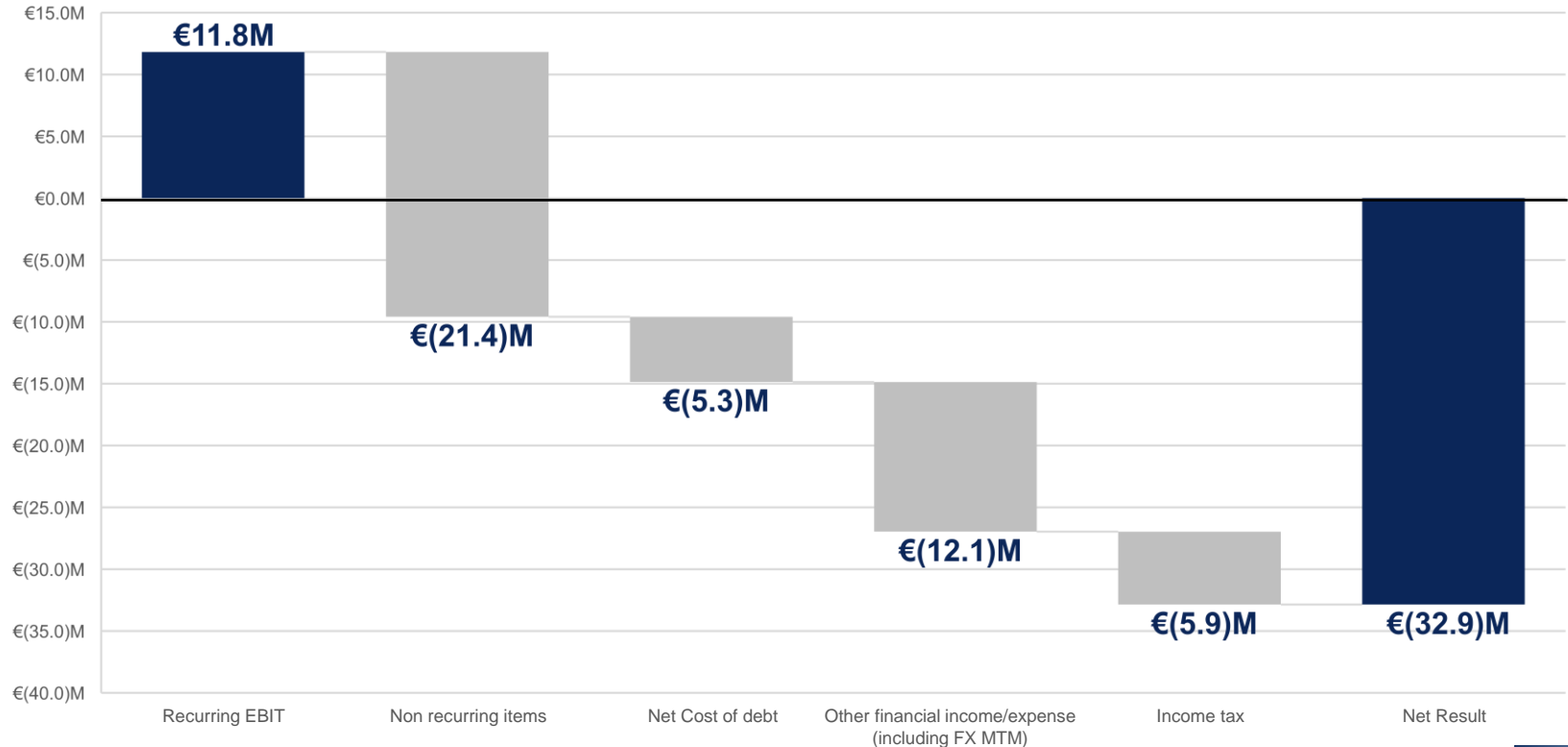
PART 5

APPENDIX

2019 CONDENSED BALANCE SHEET



2019 REC. OPERATING INCOME TO 2019 NET PROFIT



LATECOERE PURCHASING: WORLD-WIDE SINGLE SOURCES



Based on Tier-1 main sites and available information about tier-1 sub-sites
Annual spending based on 2019 figures