

Q2 & H1 2015/16 sales



MASTERING THE ELEMENTS

Page 1

Zodiac Aerospace - H1 2015/2016 sales

Summary

Our Environnement

H1 sales

Aircraft Interiors activities
Seats
Cabin

Financing

Outlook

Our Environnement

H1 sales

Aircraft Interiors activities
Seats
Cabin

Financing

Outlook

Environment

- **Air traffic continues to grow**
 - +6,5% in RPK* in 2015 (IATA)
- **Mixed evolutions by end market**
 - Commercial aircraft: ramp up of new programs
 - Regional aircraft: deliveries are stable while expecting new programs to ramp up
 - CSeries preparing EIS
 - MRJ continuing its flight test program
 - Roll out of Embraer E2 last February
 - Business Jets
 - Decrease of deliveries at some manufacturers
 - Delay in Dassault 5X program
 - Helicopters
 - Impact of low oil price on offshore exploration...
 - ...and on heavy civilian helicopter market
 - Globally, heading towards a plateau in terms of OEM deliveries
- **Increase in aftermarket**

Our Environnement

H1 sales

Aircraft Interiors activities
Seats
Cabin

Financing

Outlook

H1 sales

In millions of euros	1st half 2015/2016	1st half 2014/2015	% change	Exchange rates	Consolidation scope	Organic growth
Systems activities	970.5	915.8	+6.0%	+8.3%	+0.5%	-2.8%
<i>Zodiac AeroSafety</i>	293.1	296.0	-1.0%	+8.1%	-3.1%	-6.0%
<i>Zodiac Aircraft Systems</i>	677.4	619.8	+9.3%	+8.5%	+2.2%	-1.4%
Aircraft Interior activities	1518.5	1408.3	+7.8%	+8.9%	+0.0%	-1.1%
<i>Zodiac Seats</i>	641.4	622.2	+3.1%	+7.3%	+0.0%	-4.2%
<i>Zodiac Cabin</i>	877.1	786.1	+11.6%	+10.2%	+0.0%	+1.4%
Group total	2489.0	2324.1	+7.1%	+8.7%	+0.2%	-1.8%
€/\$(conversion)	1.11	1.27				

■ Systems activities

- Impact of dull helicopter and business jets segments

■ Aircraft Interiors

- Seats: overheat in H1 last year (+11,1% organic growth in H1 2014/2015)
- Cabin: unfavorable comparison basis on Entertainment and Seat Technologies division, slight decrease in VIP and Business Aircraft Interiors

Our Environnement

H1 sales

Aircraft Interiors activities
Seats
Cabin

Financing

Outlook

Aircraft Interiors activities weighting on Group's profitability

▪ Downgrading of FY2015/2016 outlook

- Seats: reinforcing/ accelerating recovery and industrial transformation plans
 - In particular on the Seat Shell facility in Santa Maria, CA
 - Implementation longer and more costly than planned
- Cabin: industrial transformation and reinforcement of current operations
 - Impact of A350XWB lavatories production ramp up, of setting a second line, and high production costs
 - Ramp up of new programs starting to travel alongside their learning curve
- Groupwide: deploying the Focus plan

▪ Warning on FY results

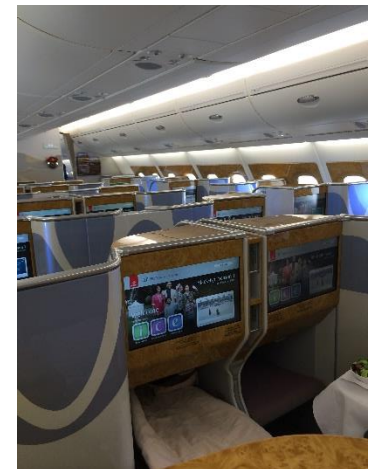
- The revised budget after 4 months of operations was within the November guidance
- January preliminary results, later confirmed by February results, showed a discrepancy against the revised monthly budget, prompting a complete review of the full fiscal financial year
- The spread between the revised budget and the guidance required the announcement of a profit warning, according to regulations.

Zodiac Seats pursuing the recovery and its transformation

- **The primary target of Zodiac Seats remains removing its delivery backlog and improving the quality of its deliverables, to sustain the trust of its customers**
- **Late backlog for seats deliveries is stabilized on average for 3 months**
 - The delays are concentrated around a few of the seats programs and are mainly connected to the seat shell activity
- **Zodiac Seats is continuing to roll out its recovery and transformation plans.**
- **For the time being, excess production costs and associated costs are high**
 - largely focused on the seat shell activity.

Focus on Seat shells

- **Seat shells are a big integral part of a business class seat**
 - they can account for between 50% and 60% of the value
 - complex technical products
 - customers have rigorous demands in terms of perceived quality
 - A specific development process is required for each configuration decided by customers (customization)
 - production constraints inherent in composite-material products
 - seats must conform to high standards of certification.
- **Zodiac Seat Shells makes composite shells for business class seats**
 - Around 1800 employees in Santa Maria, CA
 - A dramatic transformation of the business
 - Doubling the size
 - Evolving towards a more « industrial » production system



Seats : cost overruns and induced costs remains at high level

- **The priority placed on safeguarding customers is now reflected in a costs which are higher than expected**
 - excess production costs
 - in service support costs
- **Operational progress achieved is below initial forecasts**
 - Operational improvements...
 - ... but still many ongoing tasks
- **Expected improvements are late to come**
 - Learning curve
 - inadequate logistics performance (internal supply chain)
 - availability of spare-parts below production requirements
- **Ineffective engineering on a set of programs developed by the Santa Maria site**
 - at a time of poor program management and creation of design dossiers.
 - Where possible, some of these programs will be redesigned

Recovery of Zodiac Seats

- **To restore its industrial and financial performance, Zodiac Seats implements structural actions :**
 - change of industrial scale
 - The branch is redefining its governance
 - working on better integration and introducing a new engineering and production operating system
 - Hiring in progress to increase and renew competencies
 - Change in operations
 - making production transfers to spread the load more evenly
 - working on improving the engineering and program management functions as well as the supply chain
 - **SeatShells: specific actions deployed**
 - S&OP: Focus Seats plan
 - Engineering: creation of a shell design competence center, development of new technologies
 - Searching additional capacities: find and develop new suppliers, internal production transfers
- **Mid term improvement**
 - a significant portion of the current excess costs are concentrated on just a few programs whose deliveries will cease at the end of the 2016 calendar year
- **Target to get back to operational performance in 18 months**

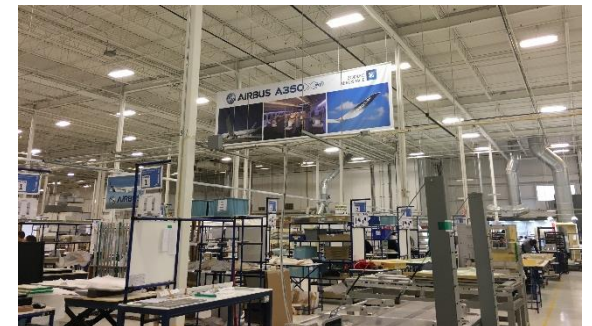
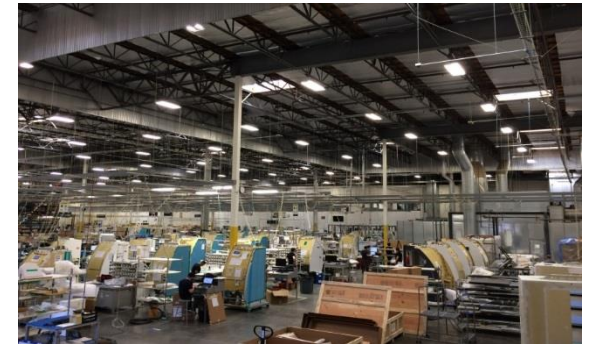
Cabin : Operational performance of the branch affected by ramping up programs

- Operational performance is hampered by the ramp up of new programs
 - Ramp up of A350XWB lavatories:
 - Improvement of the Cypress (CA, USA) production line
 - Second line set in Montréal, Canada
 - Increasing production rate from 2 shipset per month to 8 in a few months. Rate 5 achieved in February
 - Ramp up of lavatories retrofit programs with airlines
- preparing to ramp up the Spaceflex v2 program
 - a combined galley and lavatory linefit option for the Airbus A320 family
- with insufficient profitability of the programs that are currently ramping up
 - Redesign work following in service problems
 - Cost overruns due to non quality, purchasing and penalties
 - Cost moving alongside the learning curve



Cabin : industrial restructuration

- **Industrial restructuring on production sites in the USA**
- **Ongoing improvements concern**
 - The establishment of more robust production processes (Focus plan)
 - supported by a stronger training effort on the establishment and use of IT systems for production.
- **Reorganization of the branch, and adding new resources**
 - In particular regarding production
- **Target to get back to operational performance in 18 month**
 - Longer for financial performance



Our Environnement

H1 sales

Aircraft Interiors activities
Seats
Cabin

Financing

Outlook

A solid financing structure

- **Increasing the amount and extending the average maturity of our financing**
 - finance general requirements and potential acquisition opportunities
- **Group global confirmed cash capacity of €2,070 million ¹**
 - **Club Deal (€1030m)**
 - Maturity extended to March 2021, accepted by all participating banks
 - **Euro Private Placement (€230m)**
 - 7 years maturity
 - Replacing the previous €125m euro PP
 - Anticipating the repayment of 1st Schuldschein instalment (€125m in July 2016 over total of €535m)
 - **Setting Hybrid financing (€250m)**
 - no fixed maturity
 - New financing, accounted in shareholders' fund according to IAS32
- **Commercial paper program for €1bn**
 - €458m used at 29/02/16

Our Environnement

H1 sales

Aircraft Interiors activities
Seats
Cabin

Financing

Outlook

Outlook

- Reinforcing recovery and transformation plans
- Revising the length of operational margin improvement plans
 - FY2015/16 Current Operating Income should be close to the level of 2014/15
- A solid and reinforced financial structure
- Ongoing financial closing work and annual forecast analysis to prepare the H1 results presentation on April 20th, 2016

