Zodiac Aerospace
FY 2013/2014 Results presentation

November 25, 2014

MASTERING THE ELEMENTS

ZODIAC AEROSPACE

Summary

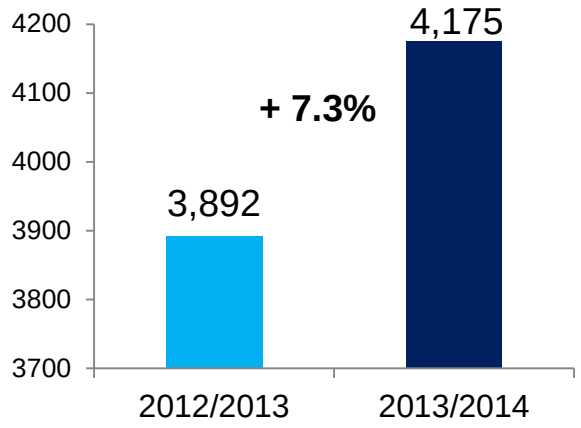
- **Organic growth for sales and current operating income in 2013/2014**
  - Revenue up +7.3% to €4,174.5m; up +7.7% in organic term
  - Current operating income up +2.1% in organic terms despite operational difficulties affecting Aircraft Interiors activities
- **A sound financial structure**
  - Three acquisitions in 2013/2014: TriaGnoSys, PPP and GreenPoint Technologies
  - Debt under control: net debt to equity came to 0.43
- **2014/2015 Outlook**
  - A market that benefits from growth in air traffic and the ramp up of civil aviation programs
  - Thanks to recovery plans put in place in its Seats segment, Zodiac Aerospace expects a steady return to a profitability level in keeping with Group standards for the full year

FY 2013/2014 Highlights

A mixed year in 2013/2014

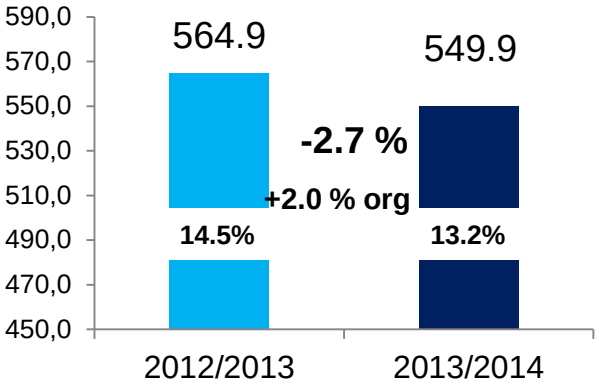
Sales

(In € million)



Current Operating Income*

(In € million)

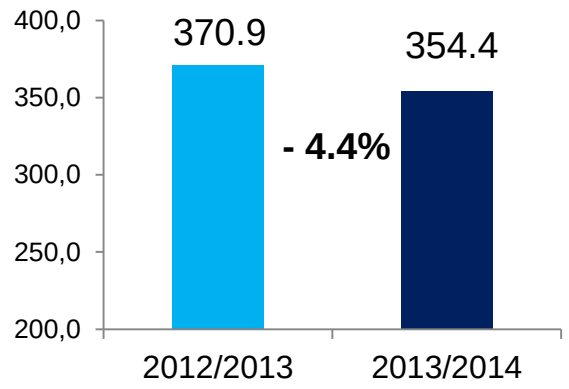


€/$ (transaction) 1.28 1.36

* Excluding IFRS3 impact

Net Earnings

(In € million)



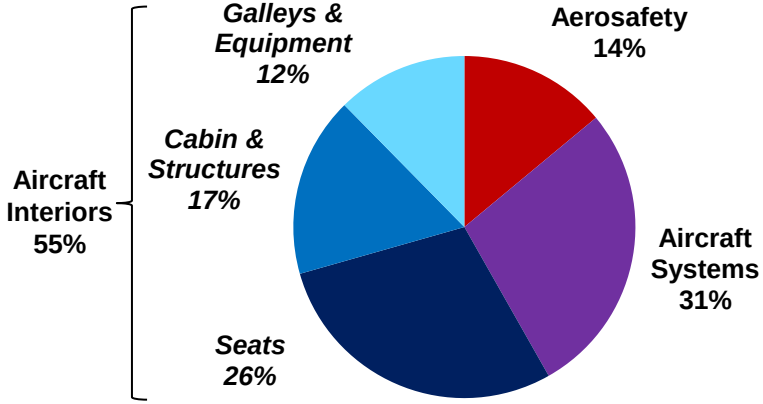
Net Debt to EBITDA

1.42* vs. 1.26

2013/14 2012/13

* Excluding Greenpoint acquisition debt

Sales breakdown



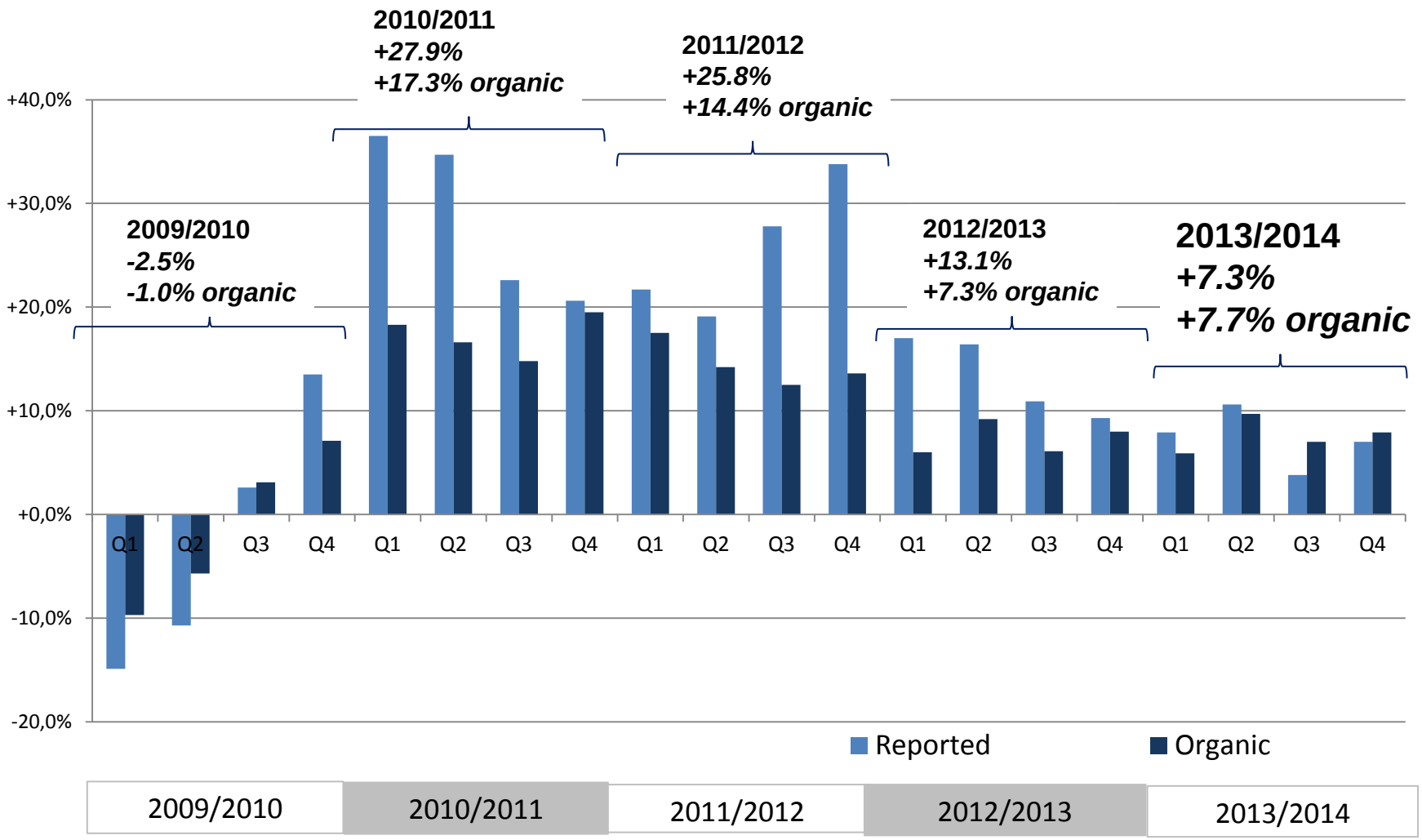
WCR/Sales

34.3%* vs. 30.3%*

2013/14 2012/13

* Based on trade WCR

18 consecutive quarters of growth

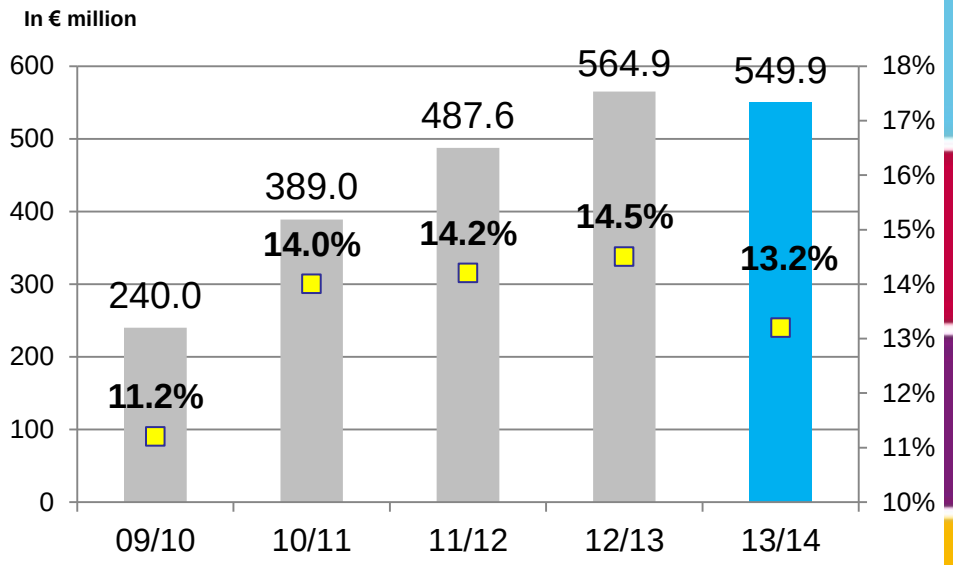


€/$ transaction	*1.37*	*1.35*	*1.32*	*1.28*	*1.36*

Current Operating Income impacted by G&E, Seats and dollar

- **Current Operating income**
  - +2.0% organic
  - Reported 549.9 M€ -2.7%
- **Impacted by dollar**
  - €41.1m impact
- **And Aircraft Interiors**
  - Difficulties in G&E in H1 and seats in H2
  - Around 1 percentage point impact on margin

Current Operating Income*



Treatment of Research Tax Credit in France in future reporting.

- Reported Current Operating Income will integrate the Research tax Credit which was previously recorded in tax.
- On this basis 2013/14 published COI* is €567.3m vs. €584.9m in 2012/13 (-3.1%)

* Excluding IFRS3 impact

3 acquisitions during 2013/2014 FY

- **September, 2013**

TriaGnoSys is a German based company specialized in inflight connectivity and wireless entertainment and cabin systems

TriaGnoSys

- **February, 2014**

PPP develops and manufactures equipment for Oxygen systems for business Jet aviation and other specialized companies such as cabin completion centers.

Pacific Precision Product (PPP)

- **June, 2014**

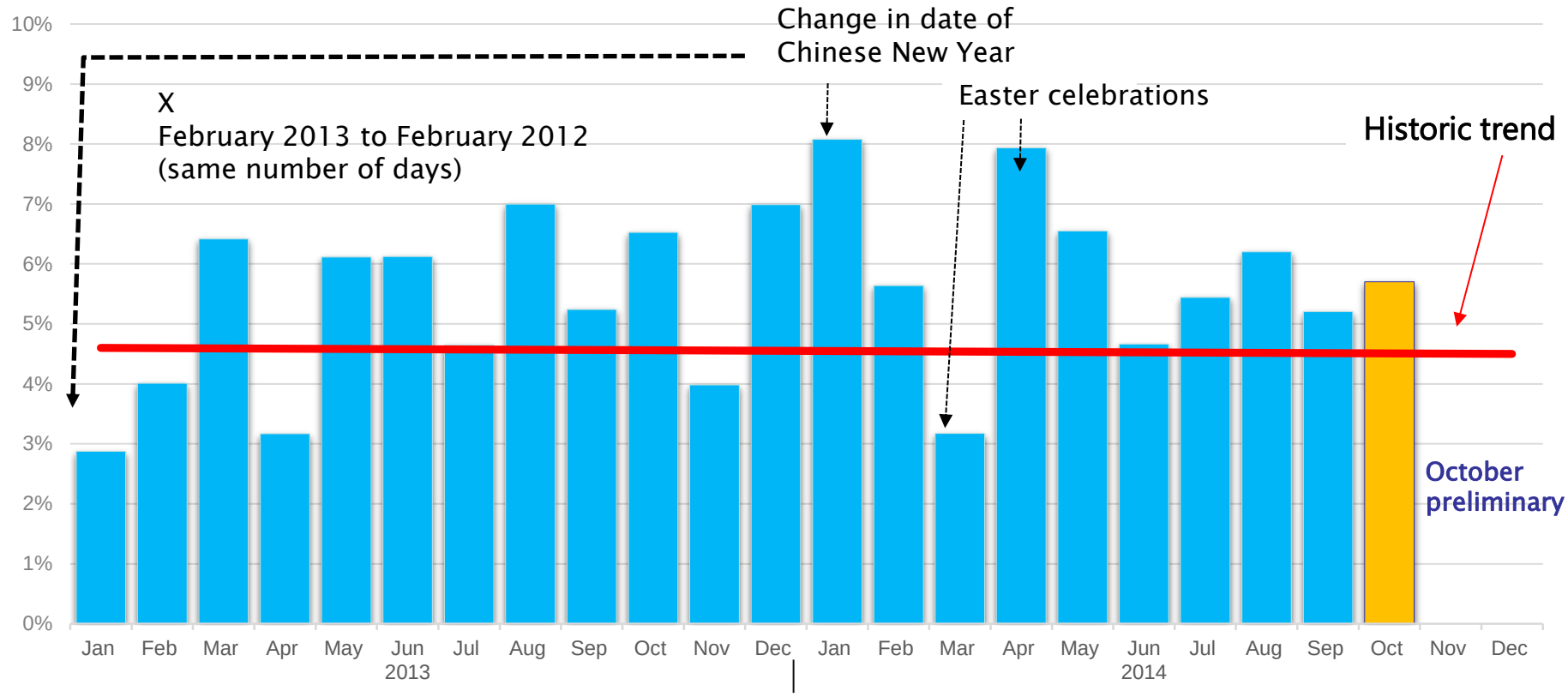
Greenpoint is a world leader in VIP Cabin Interiors for widebody aircraft and a BBJ completion center.

Greenpoint Technologies

Traffic is still increasing

Revenue Passenger Km – Raw Data

Percentage change compared to same period in previous year



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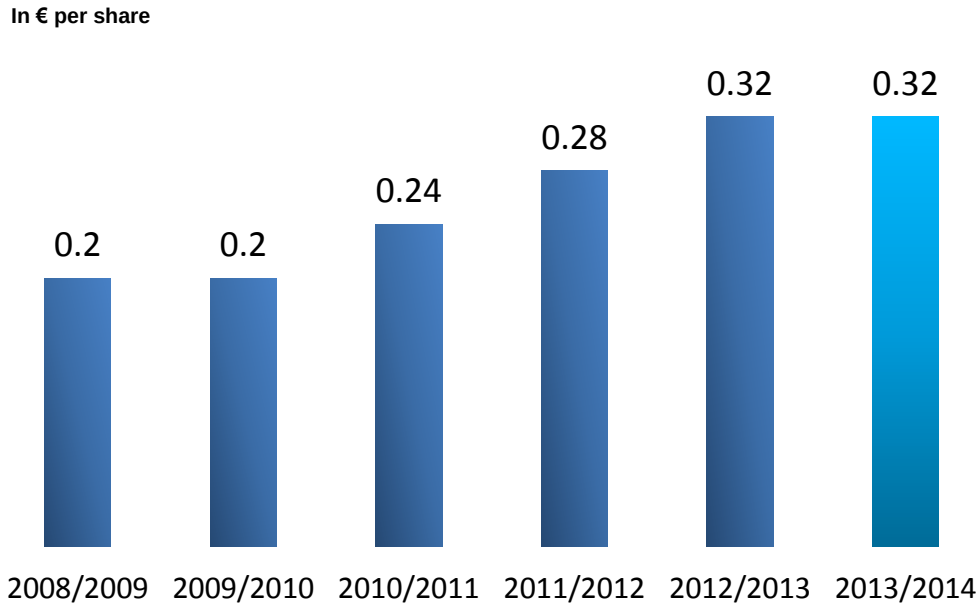
Still a buoyant environment

- **Traffic is experiencing a sustained growth**
- **Civilian aircraft deliveries are increasing**
  - Current programs sustain a high production rate
  - New program developping
    - Boeing 787-8 and -9 are still ramping up
    - Airbus A350XWB was certified and is starting ramp up
    - Bombardier Cseries CS100 & CS300 pursuing their flight tests
    - Followed by further development of MRJ, C919, MC21
- **Launch of new programs**
  - Zodiac Aerospace selected aboard AVIC's MA700 new turboprop at Zhuhai Airshow
  - Oxygen, WWS, De-icing and wipers
- **Good level of aftermarket**

Dividend proposed at €0.32



2008/09 to 2012/2013 figures are adjusted dividend by the split by five of the par value of Zodiac Aerospace share

- **The supervisory board will propose the distribution of a €0.32 dividend per share at the General Shareholders' meeting on January 15, 2015**

FY2013/2014 Financial performance

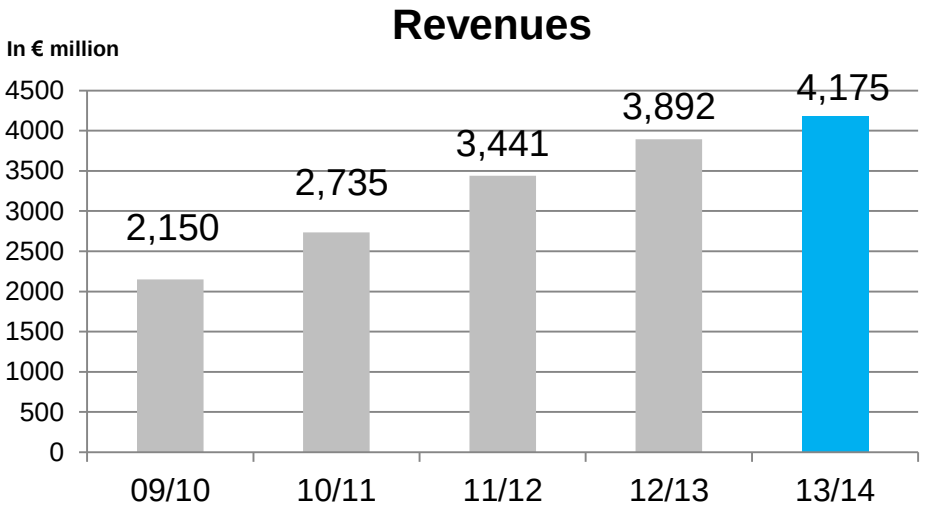
Financial highlights

(€ million)	2013/2014	2012/2013	*% change*
Revenue	**4,174.5**	**3,891.6**	***+7.3%***
COI before IFRS3	**549.9**	**564.9**	***–2.7%***
COI before IFRS3 / Revenue	***13.2%***	***14.5%***	
Current Operating Income	*549.0*	*564.3*	*–2.7%*
COI /Revenue	*13.2%*	*14.5%*	
Net income attributable to equity holders of the parent	**354.4**	**370.9**	***–4.4%***
Net income before IFRS3	**369.1**	**388.5**	***–5.0%***
EPS attributable to equity holders of the parent	**1.29**	**1.36**	***–5.2%***
EPS before IFRS3	1.35	1.43	*–5.7%*
Net debt/ Equity ratio	**0.43**	**0.39**	
Net debt / EBITDA	1.42*	1.26	
€/$ (Transaction)	1.36	1.28	
€/$ (Conversion)	1.36	1.31	

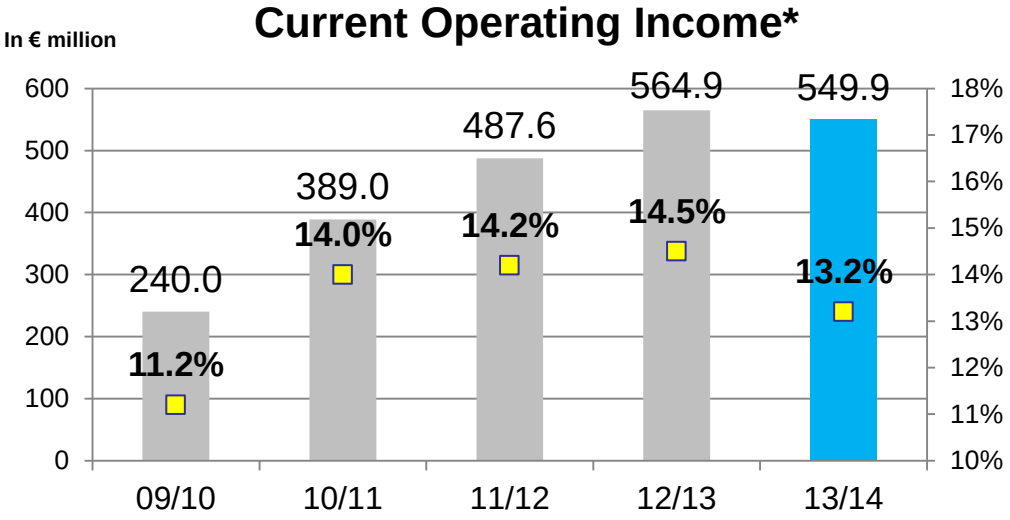
- **Scope : TriaGnoSys and Zodiac AeroDuct Systems (ex ACC-La Jonchère): 12 month ; NAT, IPS and PPP: 6 month ; Zodiac Inflight Innovation (ex IMS): 4 month**
- **IFRS3 in COI : €-0.9m in 2013/2014 vs. €-0.6m in 2012/13**

*Excluding Greenpoint acquisition debt

Another year of growth



- of sales
  - +7.3% to €4,174.5m
  - +7.7% organic growth
  - +2.7% from acquisitions
  - -3.1% from exchange rates

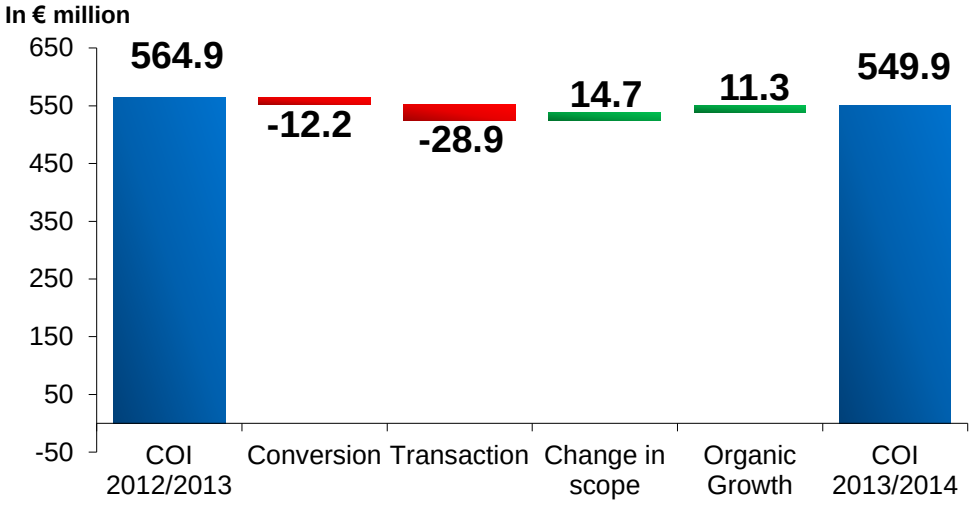


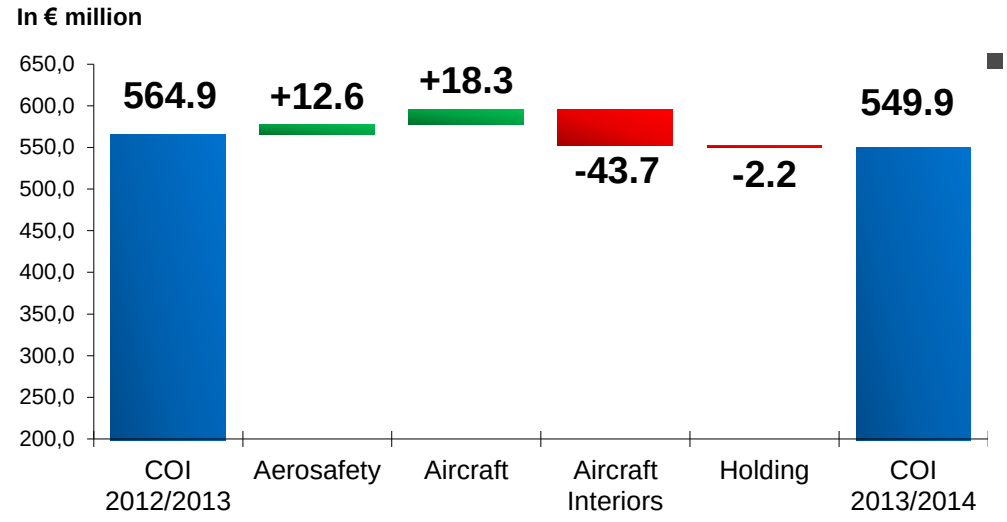
€/$ (conversion)	1.37	1.39	1.31	1.31	1.36
€/$ (transaction)	1.37	1.35	1.32	1.28	1.36

- COI*
  - +2.0% organic
  - -2.7% reported to €549.9m
  - 13.2% COI* margin
  - 13.6% COI* margin with integration of the Research tax Credit

*Excluding IFRS3 impact

Some Headwinds in 2013/2014





€/$(conversion): 1.31
€/$(transaction): 1.28

€/$(conversion): 1.36
€/$(transaction): 1.36

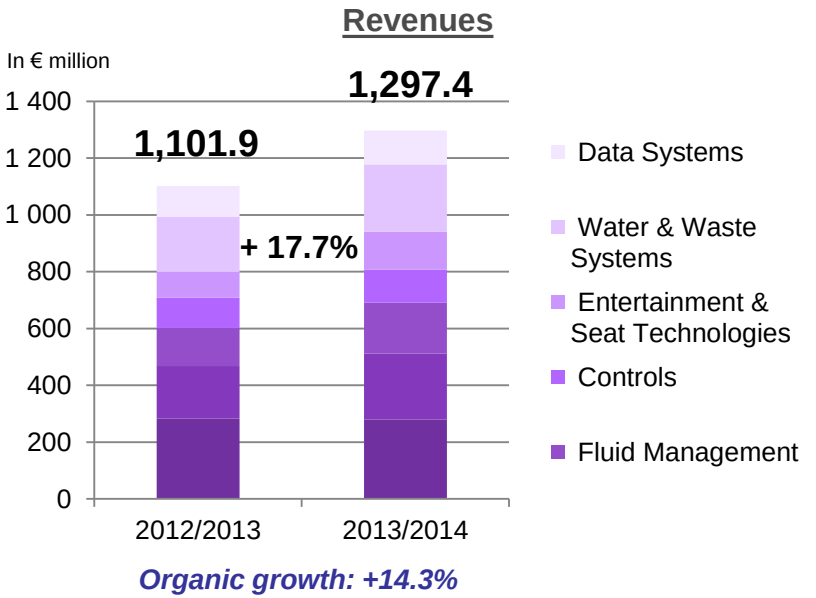
- **+2.0% organic growth**
- **-2.7% reported, to 549.9 M€**
- **13.2% margin vs. 14.5% in 12/13**

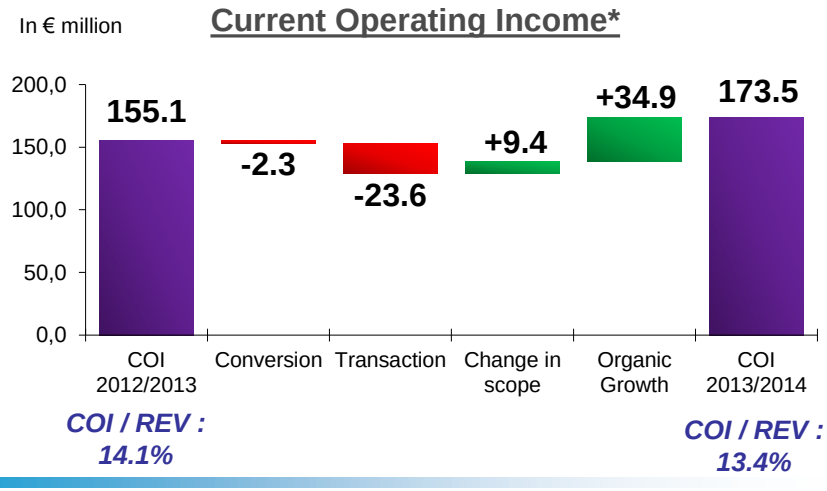
- **A mixed year**
  - Good for AeroSafety and Aircraft Systems
  - A negative Dollar impact
  - Headwinds for Aircraft Interiors
    - Galleys & Equipment in H1
    - Seats in H2

*Excluding IFRS3 impact

Zodiac Aircraft Systems Key Events 2013/2014

- **+17.7% increase in sales**
  - External growth +6.5pts
  - Forex -3.1pts
  - Organic growth +14.3pts
- **+11.8% increase in COI***
  - +22.9% organic
  - Positive impact from acquisitions (+€9.4m)
  - Offset by negative dollar impact (€-25.9m ; -17.2pts)
  - COI margin 13.4% reported ; 14.6% organic
- **The segment still benefit from increases in production rates and programs ramp up**



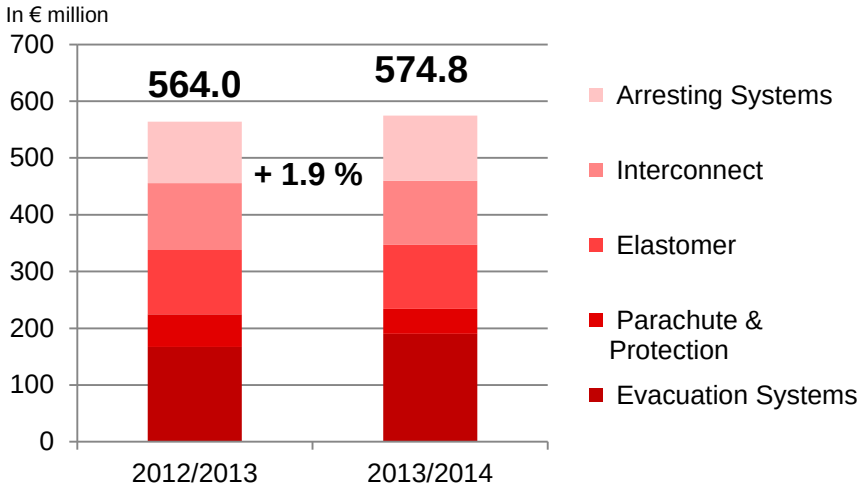


*Excluding IFRS3 impact

Zodiac AeroSafety Key Events 2013/2014

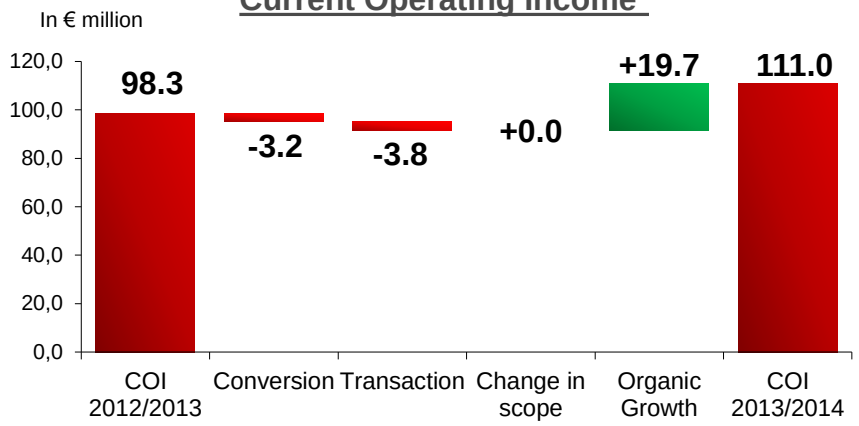
- **+5.2% organic growth in sales**
  - +1.9% reported, to €574.8m
  - Strong negative dollar impact (-3.3pts)
- **Another increase in Current operating income***
  - +12.8% to €111m
  - +19.9% increase organic
  - Negative dollar impact (€-7.0m)
- **Another improvement in COI margin, to 19.3%**
  - A good year for Emergency Evacuation, Interconnect Systems and Arresting Systems
  - Further improvement in Elastomers and Parachute & Protection

Revenues



Organic growth: +5.2%

Current Operating Income*



COI / REV : 17.4%

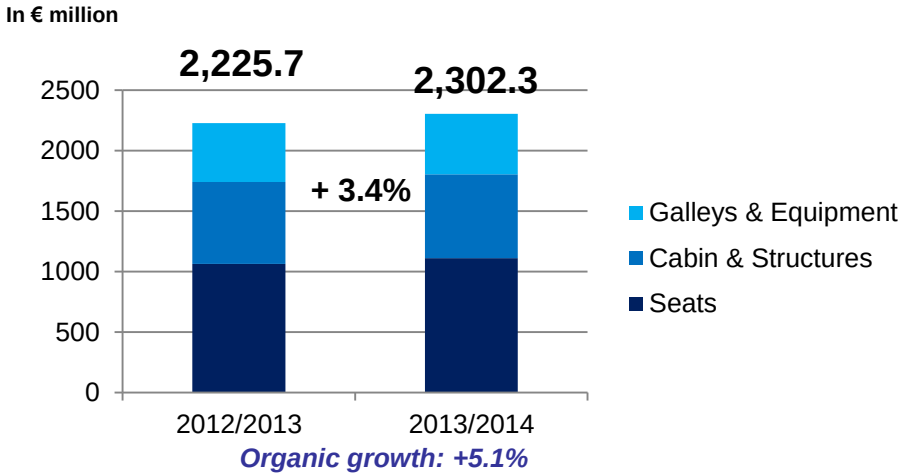
COI / REV : 19.3%

*Excluding IFRS3 impact

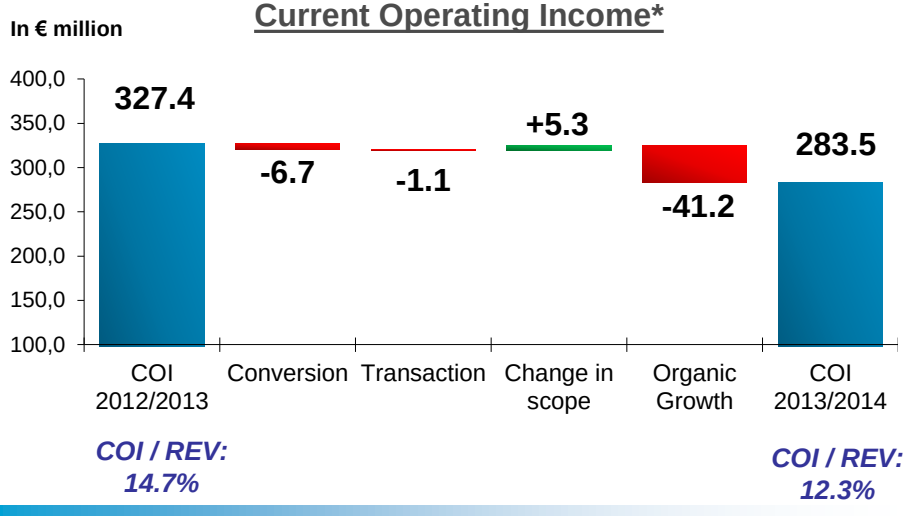
Aircraft Interiors activities
Key events 2013/2014

- **Sales up +3.4% to €2,302.3m**
  - +5.1% before dollar (-3.0 percentage points) and consolidation scope (up 1.3 percentage points)
  - Seats: +4.6% reported and +6.8% organic
  - Cabin & Structures :+2.2% reported ; +1.9% organic. Ramp up of JV with Embraer
  - Galleys & Equipment: +2.6% reported and +5.7% organic. Deliveries back on track
- **+COI* impacted by Seats, dollar and Galleys**
  - -13.4% reported and -12.6% organic
    - G&E difficulties in H1
    - Seats growth difficulties in H2
  - Consolidation effect wiped out by negative dollar impact

Revenues

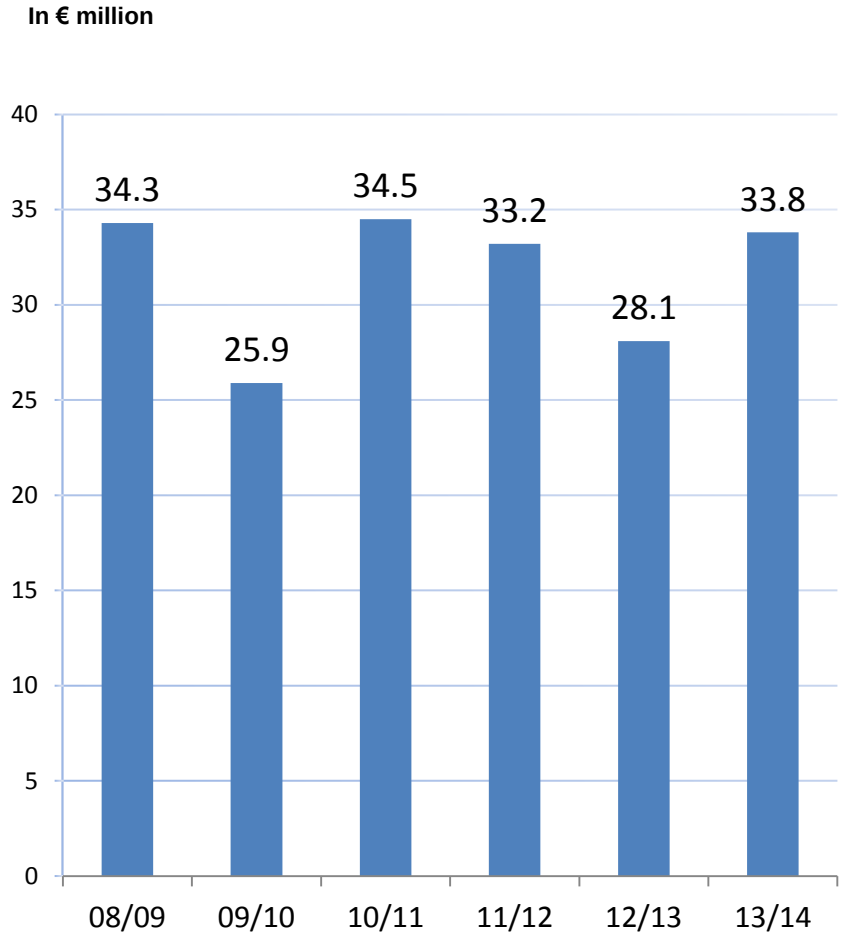


Current Operating Income*



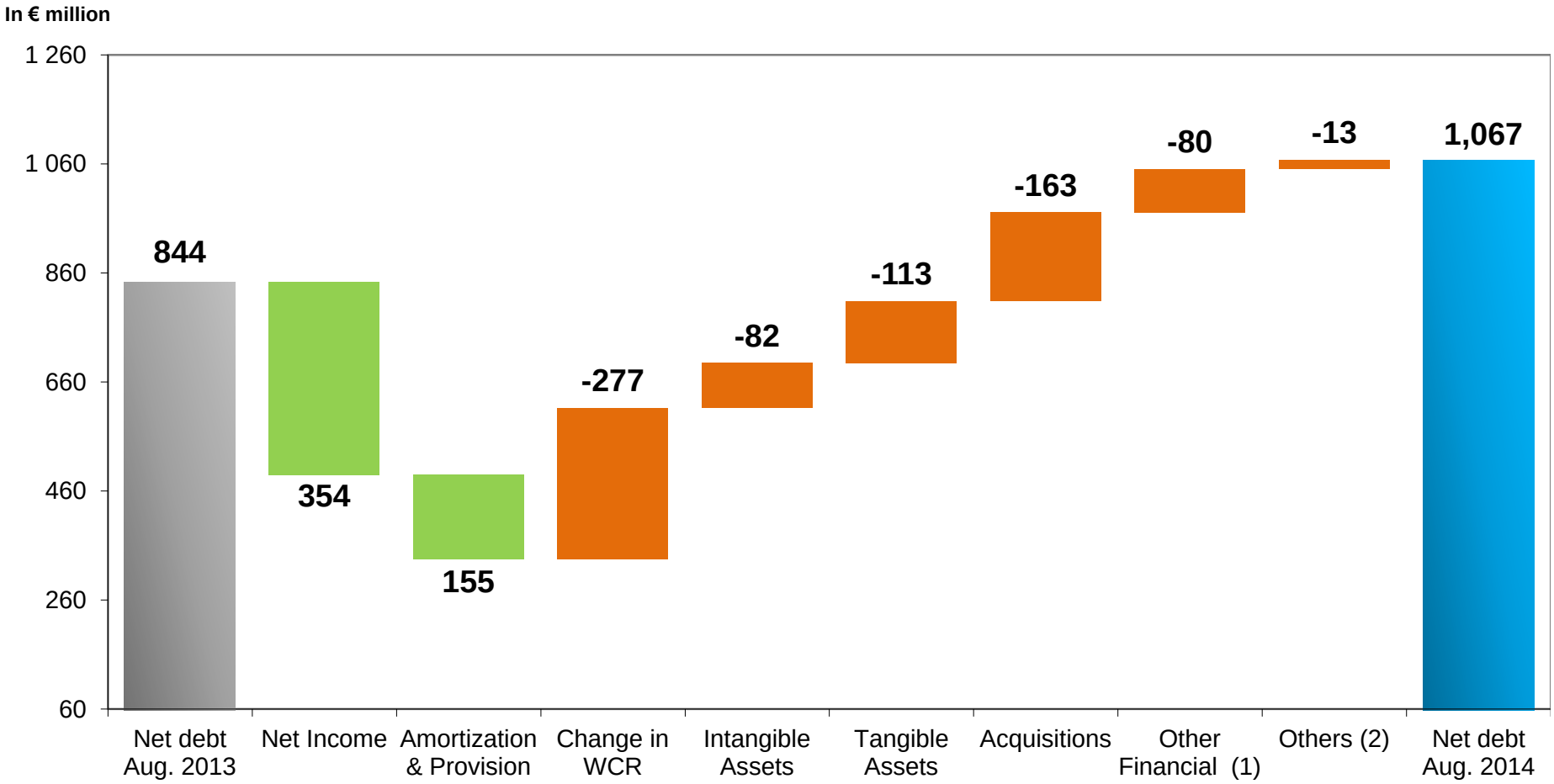
* Excluding IFRS3 impact

in financial expenses…



- **Increase in Financial expenses**
  - Amortization of the previous “Club Deal” cost for € -1.1M
  - Increase of the average cost of the debt to 2.71% vs. 2.33%
- **Other P&L items**
  - Income tax
    - From €141.6m in 12/13 to €136.0m in 13/14
    - 27.7% vs 27.6% implicit rate
    - With restatement of research tax credit, tax is €-153.4 vs. €-161.6m
  - Non-current operating items
    - €-24.6m vs €-23.2m
    - Mainly related to IFRS 3

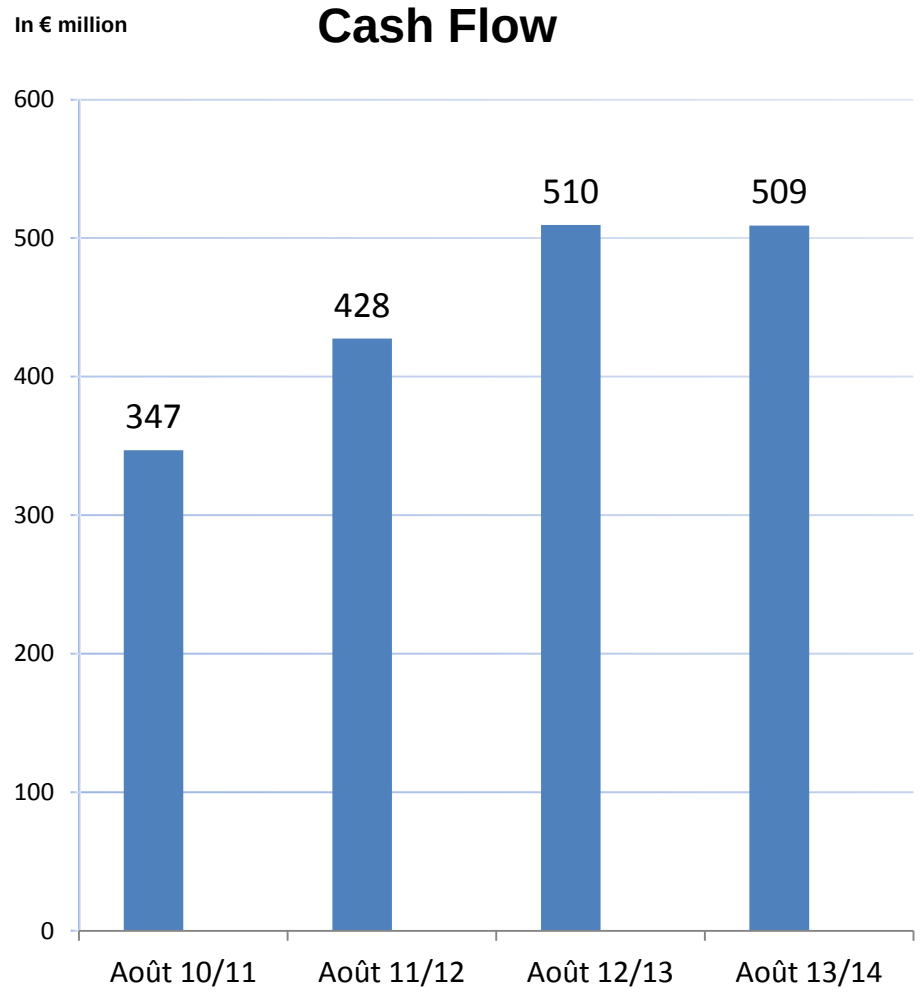
Acquisitions and WCR increase result in increase in net debt compared to end 2012/2013

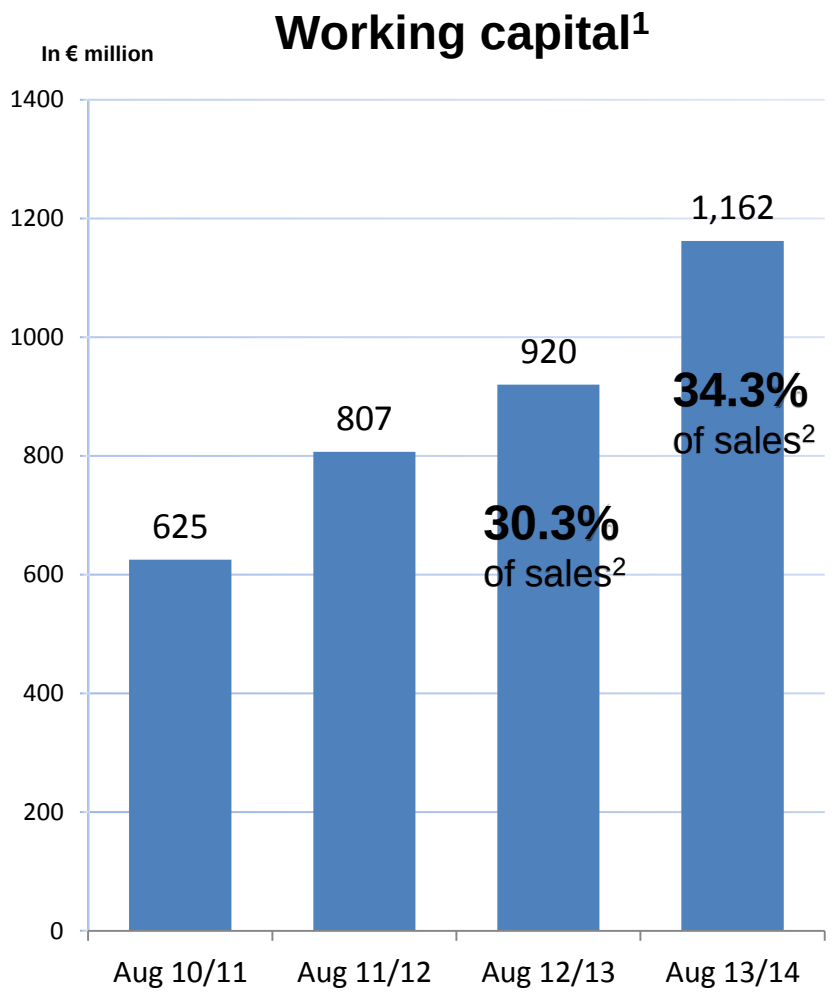


(1) Including dividends
(2) Currency translation adjustments and Net Income from Equity Method

Acquisitions: TriaGnoSys (september 2013), PPP (february 2014), GreenPoint (June 2014, consolidated from 31/8/2014)

Cash Flow is stable while working cap increases, reflecting Cabin issues





(1) Based on trade WCR
(2) Excluding acquisitions

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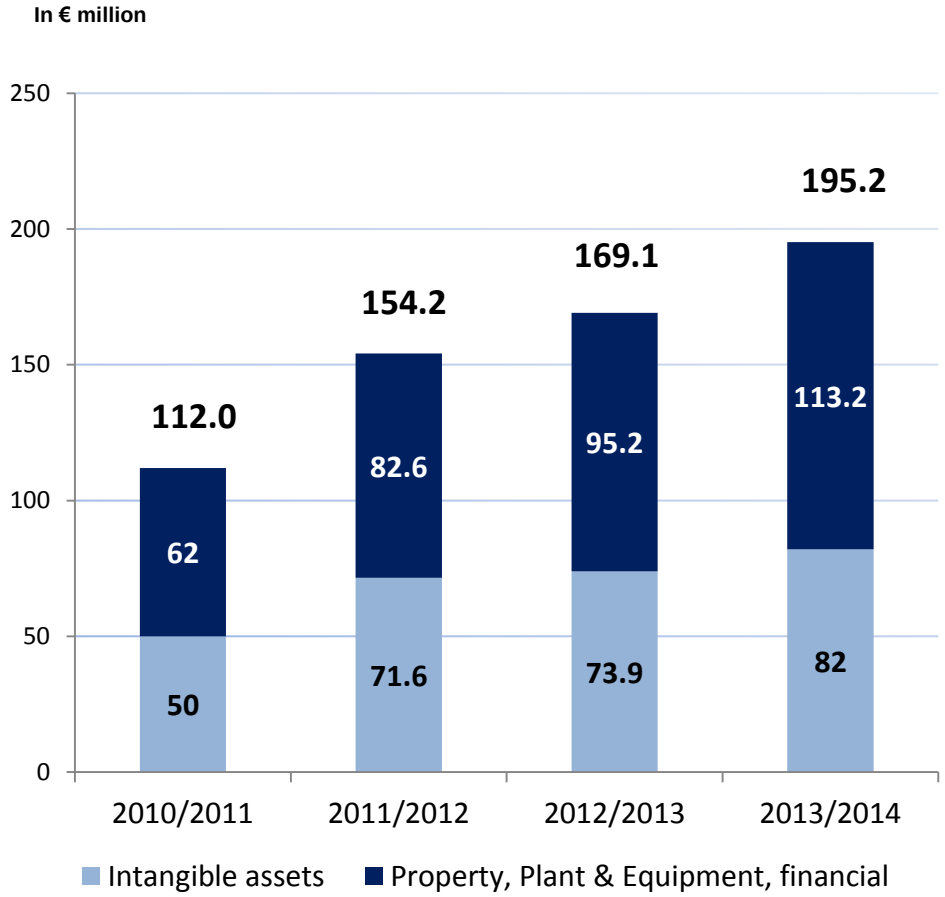
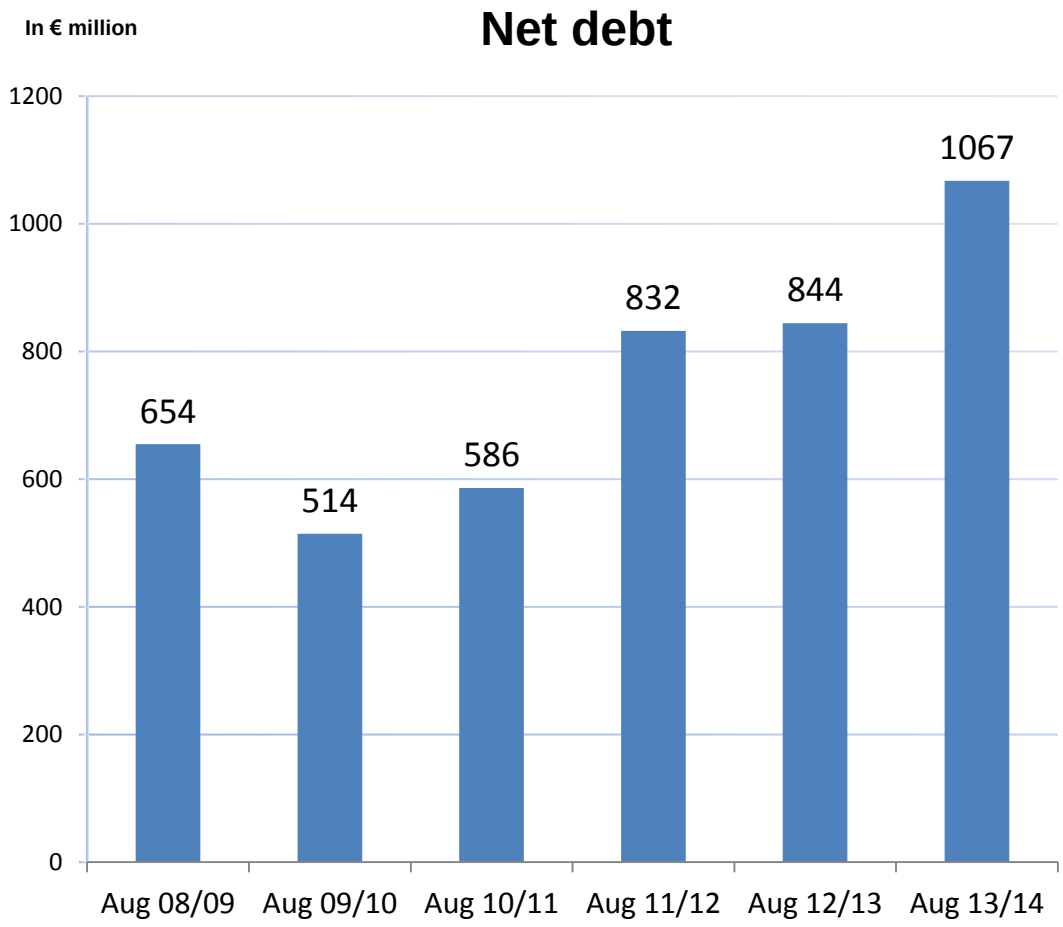
Capex increase linked to investment in new programs and increase in production capacities



- **Intangible capital expenditures**
  - €71.4m of gross capitalized development costs in FY 2013/2014 vs. €62,8 m in FY 2012/2013
    - Amortization €-21,3 M in 2013/14 vs €-16M in 2012/13
  - Mainly related to the development of the A350XWB

Still a significant external growth potential

Gearing[1]	0.52	0.34	0.38	0.42	0.39	0.43



- Gearing is increasing to 0.43, reflecting the acquisitions of the year
- Zodiac Aerospace has the capacity to pursue its external growth strategy

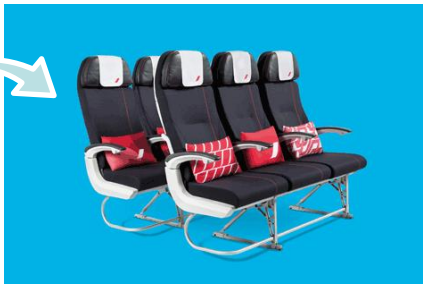
(1) Net financial debt / equity after dividend

Focus on Zodiac Seats

A strong commercial success

- **A strong commercial success**
  - High book to bill ratio and strong order book
  - 40% global market share for linefit in the last 4 years

- **Owing to a full renewal of the seat range**



A busy activity in development and production

- **Many Head of Version to develop**
  - Especially on new aircraft B787)
- **Adapting rapidly our production system**
  - A strong increase in headcount
    - + 58% in Gainesville, TX
    - +23% in Santa Maria, CA
    - +97% in Chihuahua, Mexico
    - + 21% in Soliman, Tunisia
    - +18% in Issoudun, France
    - +12% in Cwnbran, UK
- **Coping with higher barrier to entry**
  - High level of customization
  - New rules for certification
    - Head twist measures for new generation of seats demanded by FAA

New tests for seats

- **The FAA Requirement aims at reducing injury on passengers of oblique seats**
  - Each occupant of a seat positioned at more than 18° angle (to the vertical plane containing the airplane centerline) must be protected from head injury.
  - FAA invited comments from a working group (seat suppliers are part of it) in order to freeze some of the parameters linked to:
    - Neck injury and Spine & torso injury
- **Test Impacts**
  - Change in HIC (head injury criteria) measurement require use of new dummy with more neck movement possibilities
  - Before After
  - Additional sensors on torso required for additional measurements

What we encountered

- **Development delays in H1**
  - Owing to many Head of Version (HoV) to develop resulting in overwhelming the engineering and design teams
  - Delays in certification programs
- **Difficulties in ramping up production in H2 2013/2014**
  - Supply chain under pressure
  - Strong ramp up to cope with
  - With the priority to deliver our customers
- **Resulting in extra costs / production variances**
  - Need to set parallel production lines
  - Cost of supply / late ordering
  - Extra labor costs
  - Air Freight
  - Customer claims for penalties
- **H2 13/14 and H1 14/15 under pressure**
  - Strike at Zodiac Seats US in October

The recovery plan

- **Customer First**
  - Quickly return to normal On Time Delivery performance
  - Temporary extra costs for production
    - Labor, shipping…
  - Burn down delays
- **Adapt organization**
  - More centralization at segment level
  - Enhance the robustness of processes
  - Improve supply chain control and tackle shortages
- **Increase capacity**
  - Additional production capacity
  - Extra staffing for operations
  - Tackle supply chain shortages

Outlook

Outlook

- **Good prospect growth for sales**
  - Organic growth will continue, fuelled by traffic growth
  - Capability to follow external growth opportunities
- **A better currency environment**
  - 73% of net budgeted $ transaction exposure for 2014/15 is hedged at 1.28
  - Sensitivity to dollar (all cross) is 115 bp for 10 cents change
- **COI margin to improve**
  - Recovery plan in Seats will allow to progessively restore margin to Group standard levels

Appendices

P&L

Cash Flow Statement

Balance Sheet

Appendices: Income statement

Income statement	2013/2014	2012/2013	Change %
Revenue	**4,174.5**	**3 891.6**	**+7.3%**
Depreciation charge	93.9	81.9	
Charges to provisions	33.7	24.6	
Current operating income	**549.0**	**564.3**	**-2.7%**
Non-current operating income	−24.6	−23.2	
Operating income	**524.4**	**541.1**	**-3.1%**
Cost of net debt	−31.3	−25.7	+21.7%
Other financial income and expenses	−2.5	−2.4	
Tax expense	−136.0	−141.6	-4.0%
Results of companies accounted for by the equity method	−1.1	−0.7	
Net income from continuing operations	**353.6**	**370.7**	**−4.6%**
Net income from discontinued operations	–	–	
Net income	**353.6**	**370.7**	**−4.6%**
Net income excluding equity holders of the parent	−0.8	−0.2	
Net income attributable to equity holders of the parent	354.4	370.9	−4.4%

Appendices: Cash flow statement

Simplified cash flow statement		
(€ million)	2013/2014	2012/2013
OPERATING ACTIVITIES		
Cash flow from operations	509.2	509.5
Change in WCR	−277.4	−117.9
Cash flow from continuing operations	231.8	391.6
Cash flow from operations of businesses being sold	–	–
INVESTMENT OPERATIONS		
Acquisition of intangible fixed assets	−82.0	−73.9
Acquisition of tangible and other fixed assets	−121.7	−95.8
Changes to the scope of consolidation	−162.7	−159.6
Cash flow from investments in continuing operations	−366.5	−329.3
Cash flow from investments of operations being discontinued and assets held for sale	–	–
FINANCING OPERATIONS		
Change in debt	236.1	1.1
Treasury stock	−0.1	−0.6
Increase in equity	8.0	11.3
Dividends	−87.8	−76.1
Cash flow from the financing of continuing operations	156.2	−64.3
Currency translation adjustments, beginning of period	−4.6	−8.2
Change in cash position	16.9	−10.2

Appendices: Balance sheet

Simplified balance sheet					
(€ million)	08/31/2014	08/31/2013		08/31/2014	08/31/2013
Non-current assets	2,821.4	2,488.0	Net equity	2,561.5	2,285.5
Current assets	2,026.7	1,684.1	Provisions and deferred taxes	362.5	293.2
Cash and equivalents	166.7	156.8	Financial liabilities	1,234.0	1,000.6
			Other current liabilities	866.6	751.0
Assets held for sale	9.8	1.4	Liabilities held for sale	–	–
	5,024.6	**4,330.3**		**5,024.6**	**4,330.3**

The audit of the consolidated financial statements is currently being finalized. The audit report will be issued following completion of the review of the notes to the consolidated financial statements.

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Next meetings:

2014/15 Q1 sales revenue	**December 11, 2014** ***(after closing)***
2014/15 Q2 sales revenue	**March 19, 2015** ***(after closing)***
Financial results for the first half of 2014/2015	**April 22, 2015** ***(before opening)***

Access to the complete financial calendar on our website: http://www.zodiacaerospace.com/en/evenements