



# ZODIAC AEROSPACE

BUSINESS REPORT 2015-2016



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# Profile

Zodiac Aerospace is a world leader in aerospace equipment and systems on board commercial, regional and business aircraft and helicopters, as well as a key player in air safety and teletransmission.

It develops and manufactures state-of-the-art solutions to improve on-board comfort and living conditions, as well as high technology systems that boost aircraft performance and enhance flight safety.

As well as developing a close relationship with its customers, airlines and aircraft manufacturers, Zodiac Aerospace provides them with worldwide assistance via a comprehensive service designed to meet the complex challenges of the aviation industry.



# The Group at a glance

5

## development principles

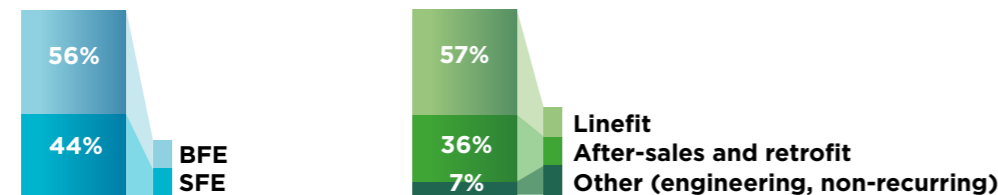
**Diversifying** into high technology business areas, through internal and external growth for an extended and coherent offering.  
**Focusing on niche markets** to strengthen or rapidly acquire a leading position.  
**Supporting our customers** over the long term through significant after-sales activity.  
**Ensuring** steady growth in earnings per share.  
**Aligning our operations** with the principles of the United Nations Global Compact.

1

## model of a balanced business mix

**BFE**, Buyer Furnished Equipment, equipment selected by the buyer of the aircraft, airline or leasing company: short cycles, high level of customization.

**SFE**, Supplier Furnished Equipment, equipment selected by the aircraft supplier, i.e. the manufacturer: long-term visibility, self-financing of development costs in case of selection.



BREAKDOWN OF REVENUE

1

## global network of Zodiac Aerospace Services after-sales service

**Spares supply:** 5 logistics centers in Atlanta, Dubai, Paris, Singapore, Sydney.  
**Component repair:** 19 centers worldwide.  
**Operator programs** invoiced by flight hour.  
**Product support** and training.

2

## areas of expertise provided by three branches

### Aerosystems, in-flight and on ground safety

#### Zodiac Aerosystems

- High-technology equipment and systems for-critical aircraft functions.
- Complete systems for enhanced safety.

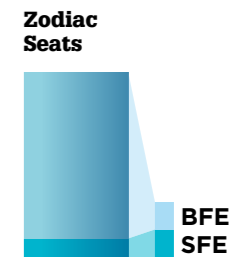
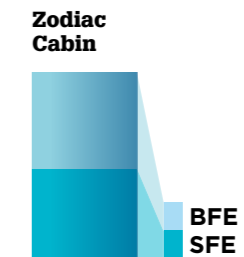
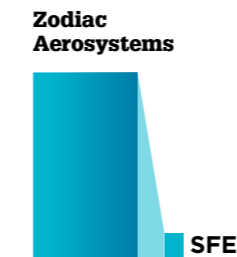
### Aircraft Interiors, on-board comfort and living conditions

#### Zodiac Cabin

- Overall design and production of cabin interiors.
- Cabin equipment solutions to optimize on-board service and passenger comfort.

#### Zodiac Seats

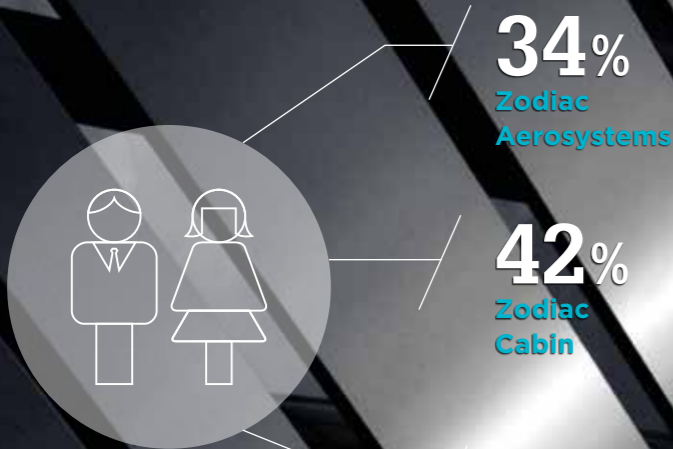
- A comprehensive and innovative range of seats.



REVENUE BY MARKETS

# 33,667

EMPLOYEES  
worldwide of whom  
67% outside Europe  
(France included)



€5,208M  
in consolidated  
revenue.

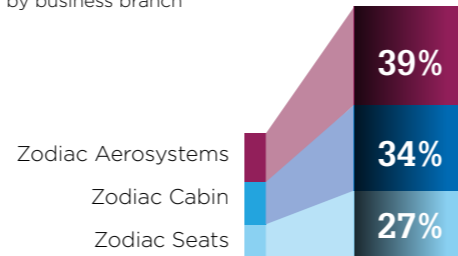
€269.5M  
in current operating  
income\*.

€108.1M  
in reported net income.

5.2%  
in operational margin\*.

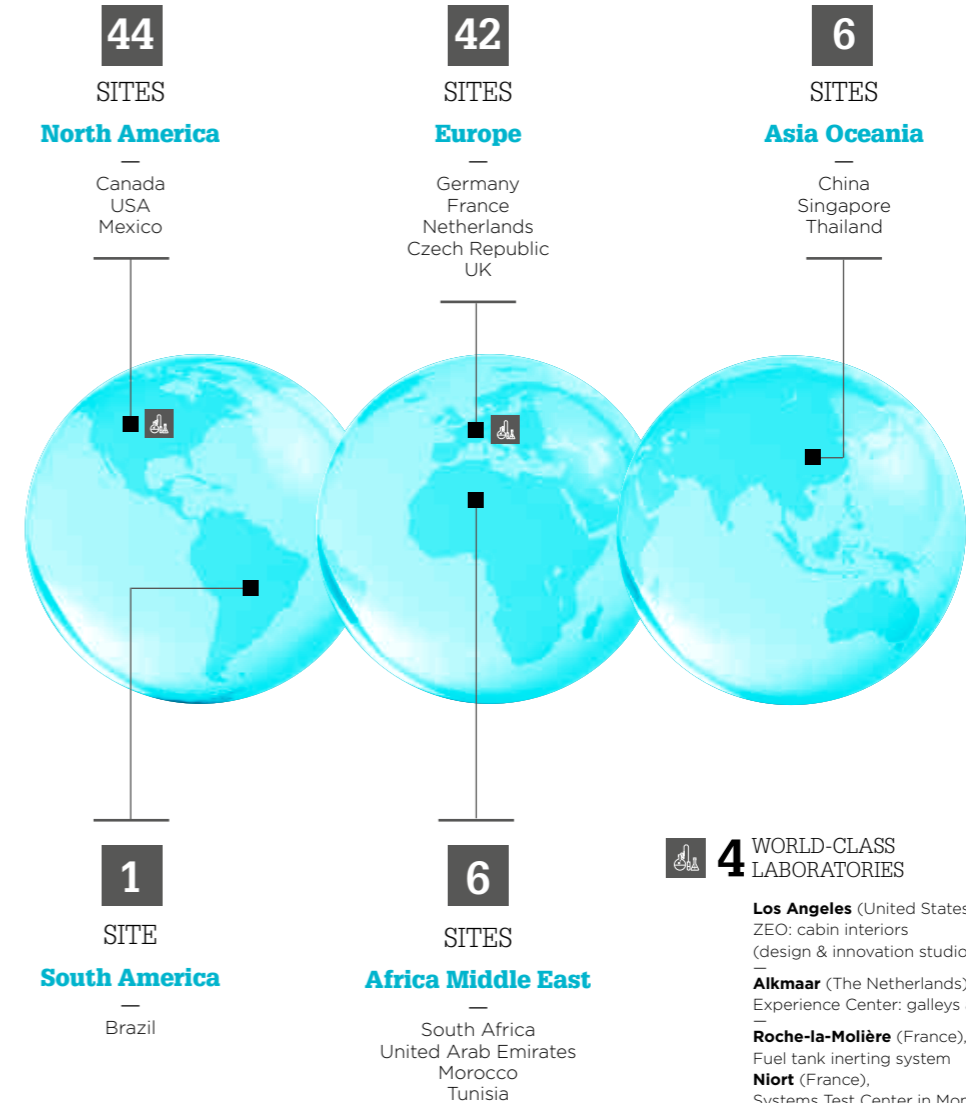
€0.59  
reported net earnings  
per share\*.

CONSOLIDATED REVENUE  
by business branch



\*Excluding the effect of IFRS 3.

## 99 SITES worldwide





# OUR STRATEGY

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**Olivier Zarrouati**, Chief Executive Officer

## Complete Group focus on operating performances

**W**ith customer satisfaction as our primary goal, we gradually restored our delivery performances in fiscal year 2015/2016. In particular, I would like to thank our employees whose massive support was, and still is, decisive in coping with the period of crisis faced by our Zodiac Seats and Zodiac Cabin branches. We also harnessed exceptional resources.

Our goal now is to restore our operational performance, by relying on

robust industrial processes. That is the ambition of our Focus transformation plan. In addition to rolling out a better operating reporting system during the fiscal year, we gradually implemented a set of standards common to all of the Group's companies, the Zodiac Aerospace Operating System.

Returning to industrial performance is the necessary condition for restoring our operating profitability. We have already taken actions to cut down incremental costs in order to gradually return to two-digit operating margin in fiscal year 2017/2018. We are determined to go further and to continue our efforts to ultimately bring the Group's operating margin to its historic levels.

At the same time, we continue to prepare the future and are actively investing in research and technology to meet the challenges of commercial aviation, such as the connected cabin or more electrical aircraft.

**We continue to prepare the future and are actively investing in research and technology to meet the challenges of commercial aviation.**

Thanks to our commitment to our customers, improved operating performances and strong capacity for innovation, we have been able to protect our commercial positions and win orders on the new programs which, after the completion of the development phases, will become the springboard for our future growth.

We still have other actions to pursue and achieve, and I'm convinced that thanks to the staunch commitment of all its teams and the unflinching support of its shareholders and customers, the Zodiac

Aerospace Group will emerge stronger from this crisis.

Lastly, on behalf of all, I would like to thank Jean-Jacques Jégou, our Vice-President, Administration and Finance, for his contribution to the Group's development. Jean-Jacques joined Zodiac in 1978 during the acquisition of Aérazur and brilliantly supported and assisted the Group for nearly forty years, until the arrival of his successor Didier Fontaine, to whom I extend a warm welcome.



# Restricted Executive Committee

At December 1, 2016

The Executive Board and Restricted Executive Committee meet to define and review the Group's major strategic directions and projects in terms of its business mix, investments and mergers and acquisitions. They monitor the goals and operating performance of each of the Group's entities. Chaired by Olivier Zarrouati, the Restricted Executive Committee, whose membership includes the Group's ten key functional and operational executives, reviews twice a month major issues regarding the Group's operation and performance.

**Olivier Zarrouati<sup>(1)</sup>** 1  
Chairman of the Executive Board and CEO

**Maurice Pinault<sup>(2)</sup>** 2  
Deputy CEO, Strategy and Business Development

**Christophe Bernardini<sup>(3)</sup>** 3  
CEO, Zodiac Cabin

**Jean-Michel Billig<sup>(4)</sup>** 4  
CEO, Zodiac Seats

**Bruno Delile<sup>(5)</sup>** 5  
CEO, Zodiac Aerospace Services

**François Feugier<sup>(6)</sup>** 6  
Group Chief Operating Officer

**Didier Fontaine<sup>(7)</sup>** 7  
Vice-President, Administration and Finance<sup>(3)</sup>

**Jean-Jacques Jégou<sup>(8)</sup>** 8  
Vice-President, Administration and Finance<sup>(3)</sup>

**Benoît Ribadeau-Dumas<sup>(9)</sup>** 9  
CEO, Zodiac Aerosystems

**Delphine Segura-Vaylet<sup>(10)</sup>** 10  
Executive Vice-President, Group Human Resources

**Pierre-Antony Vastra<sup>(11)</sup>** 11  
Executive Vice-President, Communication and Investor Relations

*The operation of the Restricted Executive Committee, the Supervisory Board and its three Committees is detailed in the "Governance" section of the 2015/2016 Annual Financial Report.*



- (1) Member of the Executive Board.  
(2) Effective January 1, 2017.  
(3) Didier Fontaine was appointed Vice-President, Administration and Finance on October 24, 2016, as a successor to Jean-Jacques Jégou who is supporting in this transition.

# Supervisory Board

The Supervisory Board supervises the proper operation of the Group and reports to the shareholders accordingly. It appoints the Chairman and members of the Executive Board and exercises control over the Group's management and administration.

In compliance with official guidelines on corporate governance, in 1995 the Board formed, at the recommendation of its Chairman, three special committees: the Audit Committee, the Compensation Committee and the Appointments Committee.



**Didier Domange**  
Chairman of the Supervisory Board

**Louis Desanges**  
Vice-Chairman

**Anne Aubert**  
Representative of the employees of the Zodiac Aerospace Group

**Estelle Brachlianoff<sup>(4)</sup>**

**Patrick Daher<sup>(4)</sup>**

**Élisabeth Domange**

**FFP Invest<sup>(4)</sup>**  
Represented by Frédéric Banzet

**FSP (Fonds stratégique de participation)<sup>(4)</sup>**  
Represented by Florence Parly

**Vincent Gerondeau<sup>(4)</sup>**

**Laure Hauseux<sup>(4)</sup>**

**Gilberte Lombard**

(4) Independent member according to the criteria defined in the AFEP/MEDEF Code.



**Maurice Pinault**, Deputy CEO for Strategy and Business Development

## Robust commercial and technological bases



“We are leaders on numerous segments through our three branches and we are also present on all new programs... We have a diversified customer base and our businesses are evenly distributed on the BFE<sup>1</sup> and SFE<sup>2</sup> markets.”

### How will you remember the past year?

**Maurice Pinault** > Considering our second half results, we are on track to restore our performance levels. I especially think that our seats and cabin interiors businesses have shown encouraging signs in catching up on delays and improving economic performances. Cabin interiors had to deal with a combination of reduced deliveries for historical programs coming to an end (Embraer E170 and E190, Bombardier CRJ, Dash 8 and Global 5000, Boeing B767, etc.) and a sharp rise in developments and delivery for the new programs: interior of the Bombardier CSeries, lavatories of the Airbus A350XWB, Aft complex of the Airbus A320, to name but a few.

### In this context, what were your relations with your customers?

**M. P.** > With our key customers, manufacturers and airlines, we intensified our discussions and forged closer ties to settle strained situations and agree on recovery and upgrade

plans, particularly in the context of our Focus plan. Most of our customers remained loyal to us. This loyalty was proven by the commercial success of Zodiac Seats with airlines such as Air France and United Airlines, or again the contracts secured by Zodiac Aerosystems with Boeing for example, for the telemetry of in-flight tests or for the Boeing B777X fuel gauging system, the first to benefit from our new LiSafe gauge technology.

### Apart from the confidence of your customers, what are your main strengths on the market?

**M. P.** > The market fundamentals are on our side. In our three branches, we are the global leaders on numerous segments and these segments represent 80% of our sales. Furthermore, we are positioned, for seats, galleys and lavatories, on the most attractive part of the market: long-haul aircraft which represent 80% of the market for the next two decades. And we are present on all the new commercial, regional and business aviation programs as well

as on the helicopter market. In addition, we have a diversified customer base and our businesses are evenly distributed on the BFE<sup>1</sup> and SFE<sup>2</sup> markets.

1. Buyer Furnished Equipment: the equipment is selected by the aircraft buyer, i.e., the airline or leasing company.  
2. Supplier Furnished Equipment: the equipment is selected by the aircraft supplier, i.e., the manufacturers.





**François Feugier**, Group Chief Operating Officer

## A better structured and better shared operational culture

### In what way is a balanced business mix a strength?

**M. P. >** The BFE market, where Zodiac Seats earns the bulk of its sales, operates in short cycles. That is why, after reorganizing its design engineering and resizing its capacities in California during the fiscal year, Zodiac Seats now has robust foundations for returning to operational performance. On the contrary, the SFE market on which Zodiac Aerosystems operates is characterized by long cycles with significant developments. Zodiac Cabin achieves part of its sales on that market: after their current production ramp-up phase, its new programs are expected to present a good profitability.

Lastly, I would like to add that the quality of our products and technologies, the improvement of our customer services and the extension, especially in the cabin, of our commercial offering for the optimum satisfaction of customer needs, are also critical competitive advantages.

### How are your technological innovation programs organized?

**M. P. >** They are conducted by our branches with the support of our four world-class laboratories based in Los Angeles for cabin interiors (ZEO), Alkmaar for galleys and trolleys (Experience Center), Roche-la-Molière for fuel tank inerting systems and Niort/Montreuil for electrical systems. We also maintain numerous partnerships with the scientific and industrial world. Our programs primarily target aviation safety, the electrical aircraft, and cabin experience.

### Will you renew your acquisitions policy?

**M. P. >** We continued to study the different projects presented to us, and the hybrid financing arranged in March 2016 was supposed to give us the resources to seize any opportunity. We are determined to continue our acquisition policy which, I repeat, is aimed at developing or consolidat-

ing our leadership in certain niches by aggregating skills. The difficulty lies in identifying the right targets and, so far, we have been fairly discerning in doing so.



“A more disciplined and more proactive monitoring of our operations, new robust operating standards shared by the entire Group, worldwide.”

## A better structured and better shared operational culture

### What are the goals of the Focus transformation plan?

**François Feugier** > The Focus plan aims to improve our operational performance and accelerate the achievement of our goals in terms of growth and profitability, as well as customer satisfaction. Achieving these goals required a more disciplined and more proactive monitoring of our operations, and the roll-out of new robust operating standards shared by the entire Group, worldwide.

### What are the main achievements of fiscal year 2015/2016?

**F. F.** > In September 2015, we began operational performance reviews, implemented across the Group, in branches and divisions. These monthly reviews allow us to monitor achievements and improvements, to identify budding difficulties and plan on the appropriate action, and to better anticipate any risks. The reviews cover a very large field, financial, industrial and organiza-

tional, and rely on a standard dashboard of 20 key performance indicators and a risk monitoring system.

We also defined eleven basic operational processes (“basics”) together with procedures for the supply and management of inventories and for the integrated scheduling of sales and operations with, to support each of them, a five-level maturity scale.

All the 58 operating entities performed self-assessments using this scale. After that, they drew up their roadmap in order to reach a maturity level of 3 by early 2017. In a second stage, our team of auditors checked these self-assessments which turned out to be a true reflection of actual situations in most cases.

### What performance indicators did you use?

**F. F.** > We wanted to cover all our business areas, but at the same be very clear and close to operations. We therefore drew up six catego-

ries and assigned indicators to each of them: sales (growth, on-time deliveries and quality), production (industrial capacity with respect to forecasts, anticipation of demand, labor and materials productivity), logistics (supplier quality and punctuality, inventory management), human resources (safety, turnover, absenteeism, budget performance), program management (compliance with six standard milestones, budget performance), innovation (expenditure commitments).

### Where are you regarding the roll-out of the Group standard procedures?

**F. F.** > At the end of July 2016, the Restricted Executive Committee validated the structure of the Group standard procedures, the Zodiac Aerospace Operating System. Its 13 processes were prepared by working groups, using the same methodology: identification of Group procedures, drafting a benchmark of common standards which is subsequently tested to ensure it can be

applied to all units, then corrected, edited and rolled out. Each process includes several businesses and is accompanied by a maturity grid (levels 1 to 5) which allows each unit to assess its progress and measure the remaining work and which makes auditing easier. The system is not set in stone: the processes are updated and corrected every two years.

### How were these transformations transmitted to the teams?

**F. F.** > Rolled out by a dedicated team made up of representatives from Group corporate functions and from its entities, the Focus plan is transmitted in each branch by a director of operations and by a team of 116 “change agents” present on the field, in the units. The change agents received prior training from the Human Resources teams, major stakeholders, critical to the success of the plan. There is also specific communication aimed at keeping our employees better informed, making the plan easy for

them to understand and, more generally, creating a feeling of belonging and a shared culture.

## Processes and businesses: staggered roll-out

- **February 2016**  
Operations Planning businesses and Logistics of the “Plan and Produce” process.
- **August 2016**  
Program Management Process and QRQC (Quick Response Quality Control), key principle of the «Assess and Improve» process.
- **November 2016**  
“Master Data Management” process aimed at harmonizing
- the Group’s data nomenclature (products, customers, suppliers).
- **Early 2017**  
“Promote and sell, Develop and Maintain” process. Manage Production Resources as well as Produce and Liberate businesses.
- **July 2017**  
“Innovation, Purchasing, Management of human resources and Customer service” process.



## Production programming

Zodiac Cockpit & Lighting Systems rolled out the Group's standards overall production planning on its sites in Besançon, France and Soliman, Tunisia.

*The two sites performed, in October and November 2016, reviews of their commercial plan, their production capacities and their inventories over five years.*

## Logistics - Precision of inventories

Knowing your inventories better was one of the improvement drivers adopted by Zodiac Water & Waste Systems, in Carson in California, after the Focus diagnostic performed in February 2016. In accordance with the Group standards, the unit therefore formalized its processes and strengthened its management, by rolling out for example, scanners to improve the monitoring of inventory movements.

*In Carson, inventory precision jumped from 82% on November 2015 to 94% on June 2016.*

## Program sheets

Use of a single format, the program sheets, for overall monitoring of the progress of a program in order to highlight the risk points, take anticipatory decisions and avoid start-up difficulties.

*Rollout of program sheets in all reviews performed by Zodiac Aerosystems, Zodiac Cabin and Zodiac Seats in Performance dialog meetings.*

## Quick Response Quality Control

The Zodiac Seats site in Issoudun in France, was the first in the Group to adopt, in autumn 2015, the QRQC, a method for solving problems quickly on the field, with emphasis on monitoring and responsiveness. Many managers were involved in the rollout of QRQC with their feedback formally integrated.

*At Issoudun, 321 problems were resolved between December 2015 and October 2016.*





**Thierry Rouge-Carrassat**, Group Chief Technology and Innovation Officer

## Technological innovation, growth and competitiveness driver



“Our capacity to innovate, reflect on new ways of traveling and a holistic approach to cabin design was rewarded in 2016 by a Crystal Cabin award and a Red Dot award.”

### What are the challenges of your works?

**Thierry Rouge-Carrassat** > The works conducted by our engineers with researchers from the scientific world and other industrialists seek to design and produce the most efficient equipment and systems, anticipate the changing needs of our customers and prepare tomorrow's technologies. All this in three priority fields: airline safety, the electrical aircraft, and cabin experience. We are working on the products but also on innovative processes, I'm thinking, for example, of our involvement in the project of the factory of the future in the context of CORAC<sup>3</sup>, especially on the Besançon site.

3. French Council for Civil Aeronautics Research.

### What leading advances do you retain from fiscal year 2015/2016 in the cabin field?

**T. R.-C.** > Our capacity to innovate, reflect on new ways of traveling and a holistic approach to cabin design was rewarded in 2016 by a Crystal Cabin award, Visionary Concept category, awarded to our Lifestyle concept at the Hamburg Aircraft Interiors trade show then by a Red Dot award, Design Concept category. A Crystal award, University category, rewarded the works of a student of the University of Delft (Netherlands) for a paper on Zodiac Seats: a head rest offering better performance and more intimacy. In Hamburg, we presented our Take Control seat concept, a seat which addresses sensory perception (smell, touch, hearing) as well as our Smart lock trolley with a PIN code locking system and a data recording system on the access to the trolley. Regarding the teams of our ZEO design studio, they are rolling out their Design Modular System to other equipment such as galleys and overhead bins:

**6%**  
of the revenue  
for R&D expenses.

**20**  
PhD students.

**231**  
Group experts,  
of whom 44 senior experts,  
3 fellows, 1 senior fellow.

## Technological innovation, growth and competitiveness driver

# 35

university  
partnerships in Europe  
and the United States.

already applied to lavatories, they provide advanced cabin customization from standard modules.

### Where are you on your works on the electrical aircraft?

**T. R.-C.** > They passed a major milestone with the opening at Plaisir of a laboratory dedicated to usage tests, in aerospace conditions, of the Fuel Cell developed with the CEA<sup>4</sup>. Our teams adapted the FC to aerospace mass and safety constraints, with the CEA contributing its expertise on the core part of the battery. Our Alkmaar entity also worked on the project which seeks in particular to integrate an FC into the galleys.

### How do you provide support to the Group's entities?

**T. R.-C.** > We give them access to our network of experts and search for financing sources to speed up

the development of their projects. We have had several successes during the fiscal year. At European level with the Volt programs, on the design of a high-voltage battery for helicopters, and IMACS, a project linked to the future cabin, focused on the integration of the FC into a galley and the modularity of service units (PSU<sup>5</sup>). In Germany as well, through the LuFo V program, with the Concabino project aimed at interconnecting the cabin equipment (galleys, seats, trolleys, etc.) to retrieve information on their use and engage in predictive maintenance. Lastly, in France, since the DGAC<sup>6</sup> contributed to our Caskahd project for developing ground/on-board connectivity solutions.

### Beyond financing?

**T. R.-C.** > We contribute to the creation and update of technological roadmaps for entities and provide them with access to the Group's top experts, by organizing Peer reviews.

An action undertaken by the Zodiac Scientific and Technical Council (ZSTC). Our experts, who are increasingly solicited, evaluate the new technologies, identify the risks and bring their technical support to the entities. Several projects under development benefited from this service, such as the new long-haul economy seat. We also assist entities in the search for partners by mobilizing our networks and our relations both with scientific institutions (ONERA and CETIM in France for example) as with European universities (Delft University in the Netherlands) and US universities and French Graduate Schools such as Polytechnique, Mines ParisTech and ISAE-SUPAERO.

Our support also includes the management of intellectual property: more than a hundred patents were filed during the fiscal year.

### What are the lessons learned from the Open Challenge Innovation?

**T. R.-C.** > This competition, open to all Group employees, involved submitting innovative ideas to the vote of an internal jury. It contributed to promoting the culture of innovation in the Group, at all levels and in all countries and in creating a community to share ideas and innovative practices. We continue to foster this mindset and to encourage it with new challenges.

# 2,800

participants in Open  
Challenge Innovation.

4. The French Alternative Energies and Atomic Energy Commission.  
5. Passenger Service Unit.  
6. The French Civil Aviation Authority.



**Christophe Bernardini**, CEO of Zodiac Aerospace Services in 2015/2016

## A sustained momentum on a very competitive market



“Primarily focused on the satisfaction of our customers, our teams are galvanized on improving the quality of our services every day and our contribution to the operational performance of our customers.”

### What is your assessment of fiscal year 2015/2016?

**Christophe Bernardini** > The results are rather positive since we continue to develop our four service ranges, with overall growth significantly higher than the global after-sales market.

In the Spares Supply activity, handled by five commercial offices and their logistics centers, we continue to improve our delivery performance and our customer service, provide better assistance to our customers in their operations through a better analysis of their needs and enhanced communication. We won numerous offers for retrofitting and improvement of existing equipment.

For Component Repair, performed by our 19 centers, we signed new long-term contracts, with for example Delta Air Lines, to service the evacuation slides of its fleet (about 450 airplanes) or again the Simmad<sup>7</sup> for the fleets of the French army.

Our teams also continued to provide daily product support worldwide to airlines and aircraft manufacturers, helping them improve their operational performance. Lastly, our maintenance by flight hour offer (Operator Programs) was selected by integrator AJW for all the Group's equipment on-board EasyJet's 250 Airbus A320 aircraft. We also expanded our range with a new service, Cabin Care.

**1,300**  
employees.

**5**  
logistics centers: Atlanta, Dubai, Paris, Singapore, Sydney.

**19**  
repair centers worldwide.

7. French Ministry of Defense structure dedicated to the management of through-life support for aerospace equipment.



## A sustained momentum on a very competitive market

# 2,200

customers, airlines,  
integrators,  
aircraft manufacturers.

# 150,000

Order lines  
delivered/year.

# 150,000

repaired equipment/year.

### What does Cabin Care entail?

**C. B. >** Cabin Care addresses a growing demand from our customers and seeks to provide support in the daily use of our seats and cabin products, through logistical (spares, repairs) and technical support to maintain their cabin at the highest quality level. Our offer may include the occasional restoration of seats and the cabin during aircraft major inspections. After a contract with Vietnam Airlines for restoring the business and economy class seats of the three Airbus A330 aircraft, we were selected by Singapore Airlines, Garuda, Bangkok Airways, and Philippines Airlines.

### On what progress targets are your teams galvanized?

**C. B. >** As their priority is to satisfy our customers, they are strongly committed to improving the quality of our services every day. First of all, this involves meeting repair and spares delivery deadlines and compliance with our support commitments stated in our flight hour contracts. And we have reached, and sometimes, slightly exceeded our goals.

Our teams also strive to provide daily support to our customers, allowing them to improve their operational performance. This involves a more responsive and more effective organization. For example, as part of the Focus plan, we are rolling out our Repair Operating System which presents a formal management standard (tools, methods, best practices) shared by our 19 repair stations. Furthermore, to continue our progress on an increasingly compet-

itive after-sales market which continuously offers broader choices to operators, we have created dedicated teams, in charge of anticipating, negotiating and proposing solutions on a case by case basis, for example for spare parts and surpluses. We also strengthened our interface with the Group's business units to identify new opportunities and develop alternative strategies and new services.

### What are the results of your "Winning with customers" campaign?

**C. B. >** Let's remember that the purpose of this campaign is to make our employees aware, first, of the changes on our markets which are increasingly competitive, and second, the importance of customer satisfaction and the need to strive every day to make that happen. More than 1,300 employees received training, some of them from the Group's busi-

ness units in relation with the Zodiac Aerospace Services teams. In accordance with our action plan, centered specifically on enhanced communication, our performance indicators are now posted on all our sites on special panels and all our teams are informed every month. We also publish a monthly in-house newsletter produced with the contribution of our employees.

In the light of the very positive results of this campaign, we launched a new step in September 2016, with the training of 300 new Group employees modeled on prior sessions combining the detailed presentation of our markets and testimonies of our customers on the requirements of their business area and their expectations from the Group in terms of quality, reliability, deadlines and transparency.

# 14,000

processed product support  
requests/year.

# 700

interventions on aircraft  
by the Product Support  
team.

# 550

aircraft receiving  
per flight hour support.



### SOCIAL RESPONSIBILITY COMMITMENTS

Act as a responsible player in accordance the principles of the United Nation's Global Compact and conduct long-term social-interest actions.



### HUMAN RESOURCES

Contribute to the personal fulfilment of employees by offering them rewarding career opportunities that are useful to the community.



### HEALTH-SAFETY, INDUSTRIAL RISKS

Protect employees and create a safer work environment for them.



### ENVIRONMENT

Keep the environmental footprint of our activities and our products under control; help to reduce pollution in the aviation industry.

## CORPORATE RESPONSIBILITY

“ Located in 16 countries, our Group pursues a responsible growth strategy in accordance with the United Nation's Global Compact, which we signed in 2014, and the values that have shaped our culture and which, throughout the world, unite our teams around the common ethical principles of integrity, honesty, equity and protection. Our 33,667 employees represent the primary strength of our Group. That is why we give absolute priority to their safety and health and we develop standards and procedures in a continuous improvement process. In particular, we systematically rolled out the collection and analysis process for “near-misses”, potentially dangerous situations, to begin very early prevention and awareness-raising actions for our employees. This initiative has yielded tangible results with, for example, a 14% reduction workplace accidents with lost days during the fiscal year. We also continued our actions to develop our Human Resources function, reduce our environmental footprint and strengthen the fight against corruption.”

**Olivier Zarrouati**  
Chief Executive Officer



### SOCIAL RESPONSIBILITY COMMITMENTS

# Responsible development

#### Ethical requirements

A signatory since 2014 of the United Nation's Global Compact, Zodiac Aerospace aligns its operations with the ten universal principles on human rights, labor standards, the environment and the fight against corruption. It continues a responsible growth strategy in accordance with international, national and local regulations as well as the ethical principles of integrity, honesty, equity and protection. Broadly inspired by the values that shaped the Group's culture, these principles guide its strategy, its work methods and its relations with its stakeholders. They are detailed in the Group's Code of Ethics and are mandatory for all employees.

#### Stronger anti-corruption measures

Available in French and in English on the intranet and distributed to all new employees, the Group's Code of Ethics includes a specific chapter dedicated to the fight against conflicts of interest and corruption. There is also the Stock Market Professional

## Responsible development

Ethics Code which specifies the rules of intervention on Zodiac Aerospace securities listed on the stock market in order to protect against the risks of breaches or insider trading. It recalls in particular the introduction of black-out periods preceding a financial publication and during which all transactions are forbidden.

These provisions are supplemented by the Manager's Charter and the special procedures for buyers. Prefaced by Olivier Zarrouati and the entire Restricted Executive Committee, and initiated by the division directors, the Manager's Charter strengthens the anti-corruption messages with the managers of the sites, who are invited to sign it. Distributed to all employees, it is translated into four languages and posted on the sites. Furthermore, since 2015, the "Doing business fairly" e-learning program has been offered to the 2,700 employees who are most exposed to the risks of corruption

and conflicts of interests (managers, buyers, sellers). The purpose of the program is to strengthen employee knowledge and help them take the right decisions and report any inappropriate actions.

### A responsible purchasing policy

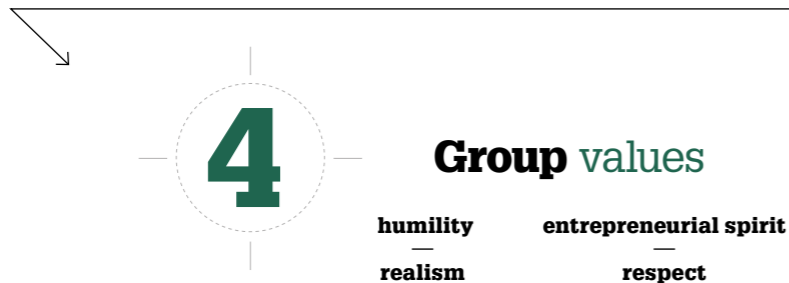
In its purchasing policy, the Group ensures compliance with regulations by its suppliers and their compliance with the international standards of the United Nations, the ILO and the OECD with respect to human rights, in particular the effective abolition of child labor, forced labor and the fight against corrupt practices. Applied to all suppliers and referenced in orders and purchasing agreements, "the requirements applicable to Group suppliers" also include environmental criteria. A signatory of the inter-company relations charter initiated by the French government, the Group has introduced an internal mediation system that can help resolve

any difficulties encountered by a supplier with any of the Group entities while performing their contract. This mediation is effective in Europe and in North America.

### Long-term community outreach initiatives

To protect entrepreneurial spirit, the Group leaves its entities a great deal of autonomy in their choice of partnership and philanthropy actions in the regions where they do business. The Group only intervenes to ensure that these local initiatives are in accordance with the Group's ethical rules and that they can be implemented in the long term. They essentially concern educational and cultural projects, support to people in difficulty and charity sports sponsorship. Zodiac Aerospace has chosen to limit the number of Group initiatives in which it gets involved in order to be more effective. Through financial and material support and the mobilization of its global

network and its contacts in the aerospace sector, it has been contributing since 2003 to the initiatives of the French Petits Princes association which makes dreams come true for seriously ill children. To supplement the Group's values of excellence and sharing, it is also involved in a number of philanthropic musical initiatives in support of young artists. Lastly, it joins in initiatives to promote entrepreneurial spirit and innovation and has created the Jean-Louis Gerondeau - Zodiac Aerospace prize with Ecole Polytechnique. For its fifth year, this prize was awarded to three start-up projects in the fields of robotics, health and aerospace.



**66%**  
of 2,700 employees took the "Doing business fairly" training.

**4**  
common ethical principles of integrity, honesty, equity and protection.





## Driving change through HR teams

As major stakeholders in the roll-out of the Focus plan, the Human Resources (HR) teams have been strengthened and reorganized to enhance their capacity to assist in the Group's transformation as close to the field as possible and continue their priority mission of managing talents to support its development.

### Teams at the forefront to ensure company-wide acceptance of the Focus plan

As soon as the Focus transformation plan was launched, the HR teams defined the roll-out program for the plan and transmitted it to employees to make it easy for everyone to fully understand and accept the plan, especially the managers. Hence the organization of change management courses for them. Another initiative: the creation, in the four entities, of a network of some hundred "change agents". Business or operational specialists, they are the interface between the field, management, and teams dedicated to Focus, after a change management course provided by a specialist firm.

### Management and business areas reference standards

Management reference standards formalizing the change in governance and work methods towards more information feedback and cross-disciplinary communication was also defined with the involvement of managers. Based on the Group's values, these reference standards provide them with recommendations on the conduct expected in their work with their peers, teams and managers. It is included in the assessment of their performance and also concerns all employees in their professional relations. Another action target for HR teams: satisfying new business needs, by developing skills and organizing training programs. The required business areas, posts and skills were defined and the internal

resources identified to ensure their availability and, if necessary, begin hiring staff. Emphasis was placed on operations, programs, quality and the supply chain. Lastly, the Group continued to define business area reference standards (nine major business areas broken down into sub-business areas) including a list of benchmark posts and expected skills, together with the roll-out of a business area skills assessment system.

### A proactive career management system

To support the Group's branches and businesses, HR teams contributed to the study about the effectiveness of the new organizational structures (critical size of entities, definition of roles and business areas, synergies), their implementation and the suitability of people for their functions. They also provided change management

**3 training sessions**

for change agents.

**61%**

of posts for 300 top managers (branches, divisions, business units) filled internally.

**PROFES-  
SIONAL  
EQUALITY**

The Group stepped up its initiatives to increase the number of women in positions of responsibility or technical business areas. These represent more than 26% of managerial staff and nearly 42% of non-managerial staff hired during the year. Furthermore, in its list of achievement for female presence on corporate executive boards, the French Ministry of Families, Childhood and Women's Rights singled out Zodiac Aerospace as the company that had made the most progress, climbing up from 76<sup>th</sup> place in 2015 to 26<sup>th</sup> place in 2016. ■

## Driving change through HR teams

### 20

**young people in VIE<sup>8</sup> welcomed every year of which 80% hired at the end of their assignment.**

### 199

**apprentices, from high-school graduates to those with master's degrees.**

### Nearly 3

**days of training per employee on average.**

support to internal teams and partners. Together with managers, they identified projected needs, first of all for key functions (engineering, operations, program management), and drew up internal mobility hiring plans. This system seeks to meet and anticipate the Group's qualitative and quantitative needs, promote synergies and propose diversified and rewarding professional careers for employees and for the Group. It is facilitated by the use of People reviews, during which the careers of the Group's 12,000 managerial staff are reviewed, and by the succession plans. Furthermore, in all entities, the creation of a monthly HR monitoring contributes to a more proactive career management and more mobility, by thoroughly consolidating all vacancy needs, from the operator to the director, and by giving employees better visibility on their career growth.

#### Recommended training for all

A driver for collective and personal performance, training was maintained

at a high level with nearly three days of training per employee on average. In France and in the United States for example, all operators recruited during the fiscal year were trained in their business area and workstation. Decentralized and managed by entities to respond to highly diversified local needs (business areas and techniques, safety, personal development, etc.), training is also organized at Group level, in connection with its strategic targets. Increasing use of coaching by managers. Increased coaching for future talents. After a pilot session for some fifteen young engineers from Europe, the United States and Asia, the Fast Track scheme will be repeated in 2017. The scheme gives young engineers the opportunity to try several jobs in different countries or branches, during four years under the guidance of an in-house mentor, while receiving training.

#### New hires to support growth and the transformation

During the fiscal year, Zodiac Aerospace hired, in all its business areas, 7,467 permanent or temporary employees. Its website, presenting the business areas

and vacancies in the subsidiaries, received over 27% additional applications in 2015/2016, underlining the Group's growing reputation on the international job market. To support the high hiring rate in the United States and in Mexico, the Zodiac Aerospace Talent Acquisition team, comprised of Group HR teams and North American and Mexican HR leaders specialized in hiring, help to develop of local hiring tools and networks and strengthen the talent attraction capacities in this Region.

The Group maintains an extensive offering of job opportunities to students who join the Group on VIE assignments<sup>8</sup>, training or work/study programs, and for young graduates. Partnerships with engineering schools to prepare students for the Group's business areas are being developed. The Group is very involved in France with Ecole Polytechnique, especially with the class of 2014 which it sponsored. It continues its initiatives in the academic world with BNP Paribas, through the Technological and Entrepreneurial Innovation chair of Ecole Polytechnique and ISAE SUPAERO for the purpose of training innovative talents

for tomorrow. The Group is also involved in educational initiatives to raise the awareness of high-school students to aerospace business areas.

#### A stronger organizational structure

The Group's HR teams that are very present in the field and part of each new structure, especially the branch management committees and the 18 divisions, were strengthened and made more professional. At Group level, experts in career management, hiring, compensation, training or CSR, were hired. Furthermore, a new HR system, common to all the companies, was implemented with the Zephir IT solution which collates relevant information on more than 33,000 permanent employees (skills, activities, chain of command, administrative data). Zephir is accessible to managers and employees and can be used by the latter to supplement their annual performance reviews and build their personal development plan.

### 160

**interns welcomed in France and internationally.**

### + than 90%

**positive recommendations from interns to obtain the Happy Trainees label.**

8. French International Volunteers in Business (VIE) Program.

## 7,467

**employees recruited.**

#### Breakdown of recruitments by country



**42%** in Mexico  
**30%** in the United States  
**8%** in France  
**6%** in Thailand  
**5%** in Tunisia  
**3%** in the United Kingdom  
**6%** in the rest of the world (Germany, Brazil, Canada, Morocco, Czech Republic, etc.)

#### Breakdown of recruitments by occupational category



**78.7%** Non-managerial staff  
**21.3%** Managerial staff

#### Breakdown of recruitments by gender



**61.5%** Men  
**38.5%** Women



## One mobilization, progress

The Group gives priority to workplace safety and employee health. In 2015/2016, safety measures improved with a low decline in the number of work-related accidents and a two-fold increase in the number of detected potentially dangerous situations and near-misses. Following the feedback on the Newport accident, progress was also made on industrial risk management.

### There have been multiple initiatives contributing to progress

On the field, entities rely on the Group health-safety plan and its standards and procedures. On most sites, the health-safety manager verifies the roll-out of the Group's policy and compliance with local regulations. The roll-out of procedures and team training in many entities strengthened the detection and analysis of potentially dangerous situations and near-misses, as well as their prevention. That is the case, for example, for the Texan facility of Gainesville with the roll-out of the SOAR<sup>9</sup> forms. Furthermore, mobilization is encouraged through the distribution, by the safety network, of the *Cap Prévention* bimonthly newsletter which illustrates the practices of the ten best entities. Mobilization of management at the highest level is

also encouraged. Considering its very positive feedback, training in a culture of safety and leadership given to some sixty managers (directors of divisions, operations or sites) in North America will be extended to managers in Europe and to the Group's Restricted Executive Committee. A Health, Safety & Environment video was also made, mainly for new employees. Translated into several languages, it presents the Group's process and displays its determination to make each of its employees an active safety player on a daily basis.

### Promoting experience feedback and good practice sharing

In Europe and in North America, the health-safety committees contribute to discussions between safety managers on operational themes (safety challenge, muscle warm-ups, safety minute, etc.) and on the Group's regulation and procedures. Furthermore, in North America, Webex training programs bring together every two months, by telephone and on-line, some twenty or more safety managers to share operating methods and good practices on operational issues such as lockout/tagout procedures or the management of confined spaces.

9. Safety Observation Action Report.

**16,917**

employees trained in health and safety.

**80%**

of potentially dangerous situations and near misses detected, treated and followed by actions in the week after they were recorded.

**38**

entities certified OHSAS 18001 of which three in 2015/2016 (Compiègne, Saint-Crépin Ibouvilliers in France and Tiflet in Morocco).

## THE STOP™ PROGRAM

Rolled out in Caudebec-lès-Elbeuf, it seeks to develop a culture of safety, improve workplace behavior and reduce the number of accidents. A guide containing these principles is being distributed. ■



## One mobilization, progress

# 13

**sites trained  
in ergonomics.**

# 28

**ergonomic sites  
in progress.**

For example, following a WebEx training at the end of 2015 attended by 18 HSE managers of the Group in the United States, a program was prepared to enhance the safety of presses during use and maintenance. It was rolled out on all Zodiac Cabin sites in the United States, after training local teams and HSE managers. From fiscal year 2016/2017, this initiative will be taken up by the other Group sites to support their progress.

### **Ergonomics, a key prevention factor, starts with training**

On production sites, they pave the way for upgrades in workstations or means of production prepared from the Group's simplified quotation standard. Post-training follow-up measures progress and supports entities in their works in progress. During the fiscal year, 115 employees were trained in Europe and in North America.

In offices, a standard was provided for each employee to assess their own posture at their work station and to define an action plan if necessary.

### **Managing industrial risk contributes to the Group's long-term sustainability**

It is organized around two priority targets: fire protection and business continuity plans. With respect to fire risks and natural disasters, the sites are classified from A (highly protected) to D by our insurer. The Group has set itself the goal of ensuring that all its sites are classified between A and C (low risk). 88 of the 91 sites were classified A, B or C in 2015/2016 and actions were implemented to strengthen the protection of the three sites with medium risk (D). The methods for restarting production operations in the event of an accident are covered by a Group standard which

includes management and communication rules and, on more than fifteen sites, by business continuity plans. The action plan rolled out in the Group following the feedback on the accident of July 2015 at the Newport facility (United States) resulted in documentary, organizational and operational improvements. Operations to restart all activities at the Newport facility began at the end of the fiscal year.

## **20 BEST PRACTICES FOR SAFETY AND ERGONOMICS**

Improvement, for example, of a handling process or equipment of a work station, posted in 2015/2016 based on the Group's best practices accessible to all employees. ■

**2014/2015**



**2015/2016**





## A collective momentum

Environmental performance, ISO 14001 management, chemical product management, ecodesign: Zodiac Aerospace structures its environmental policy around these four work targets, translated into fifteen goals. This process is leveraged by procedures and standards aimed at reducing the environmental impact of the Group's activities.

# 44

### production sites certified ISO 14001.

Renewal every three years of employee training on ISO 14001 certified sites. Interconnected internal audits on 33 production sites.

In France, the new ICPE<sup>10</sup> regulation and the Seveso 3 directive have changed the nomenclature of chemical products and the methods for calculating danger level thresholds, requiring the Group's 28 sites to update their inventory of dangerous substances. An in-house tool facilitated this verification and all HSE managers have been trained to use the tool. ■

### Tools improve the management of chemical products

The Group, which uses around 12,000 chemical products, some of which are classified as dangerous, has developed tools to better protect its employees, increase the use of substitution products and achieve more proactive management. Information on the composition of each chemical product, its level of danger, the precautions to take for its use (safety, protection, shipping) are listed in the Safety Data Sheets (SDS) which also include information on suppliers. The sheets are frequently updated, to ensure that they are always less than three years old. In France, at the end of August 2016, 80% of SDS were dated less than three years (70% at the beginning of the year). Accessible to all employees in the Quick-

SDS databases (France, Tunisia, Morocco) and Sitehawk (North America), they can be used to prioritize actions. These databases will be rolled out in 2017 on sites not yet covered in Europe (United Kingdom, Czech Republic) and in Asia. A standard authorization process was also defined for all levels of materials or chemical product and safety-environment managers can ban the use of a product or material if they identify such material as dangerous. For example, 46 products were refused in Europe in 2015/2016, which represents 6.8% of authorization requests. There is also a decision-making tool used by all Group HSE managers, to ensure that the product meets the Group's criteria and the requirements of the REACH regulation.

### The ZEN Chemicals & REACH community facilitates discussion for better coordination of substitutions

To successfully eliminate each year 20% of the products or materials containing a chemical substance that presents a threat to people or the environment, the majority of operational entities have drawn up a substitution plan. The plan is structured around two priorities: on one hand the substances specified by the REACH regulation and type 1 CMR<sup>11</sup> (proven carcinogenic) added by the Group; secondly, products labeled dangerous for the environment and suspected carcinogens. The Group's plan is based on data from these plans. Since May 2016, the ZEN Chemicals & REACH Community offer support to users of Quick-SDS and Sitehawk and encourages information sharing to facilitate the identification of chemical products that meet the Group's

# 4,800

chemical products SDS in France.

# 8,000

chemical products SDS in North America.

10. Listed facilities for environmental protection.  
11. Carcinogenic, mutagenic or toxic for reproduction.

The ISO 14001/18001 certified sites conduct internal audits every year on topics such as the Group's standards, management of chemical products, training and communication plans or the organizational system. The opportunity to increase discussions, share experiences and strengthen the environment network. ■

## A collective momentum

priority criteria and to coordinate the substitution plans.

### Increasingly numerous initiatives to reduce and recover waste

The proactive waste reduction policy continues with the goal of recovering at least 80% and recycling at least 45% of waste. In 2015/2016, 60% of the waste produced by the Group was recovered: 47% was recycled and the rest incinerated to generate energy.

There are numerous initiatives on tertiary activity sites: organization of collective sorting of household waste or installation of compactors for recyclable waste, for example in Lancaster and Everett in the United States. Manufacturing sites on the other hand, reduce their product wastes by modifying their process or their equipment, or by specifically analyzing their raw materials consumption and the related wastes. For example, the Slough facility which produces rubber

hoses in the United Kingdom, changed its welding machine which produced too much waste. Another example: the Floation devices plant of the Cognac-Merpins site reduced its use of glue, which dropped from 8 tons in 2014/2015 to 5.6 t, as well as the associated waste, which dropped from 2.5 tons in 2014/2015 to 0.9t.

### Energy consumption has fallen

Waste reduction initiatives include the optimization of energy use and reduction of associated greenhouse gas effect. Their overall reduction (-2% in 2015/2016) stems from less consumption of gas (-9%), while electricity consumption remains stable. The use of energy-saving LED lights is becoming widespread on sites, for example in 2015/2016 in the United Kingdom (Slough, Cwmbran), in France (Auxerre, Les Ulis, Châteaudun) or in the United States (Gainesville, Marysville, Santa-Maria).

**60%**  
of waste recovered  
of which  
47% recycled.

**89%**  
of waste recovered  
of which  
60% recycled on  
European sites.

Better insulated buildings also mean less energy consumption and improved employee comfort. The sites are also investing in equipment with enhanced environmental and economic performance. In Niort, the replacement of fuel oil by natural gas has reduced heating costs by 25% and CO<sub>2</sub> emissions by 150 tons. Cwmbran is examining plans to replace old air-conditioning units by more efficient systems. The replacement could lead to annual energy savings of 83,000 kWh. In Cognac-Merpins, a new automated and variable output air treatment facility adapts the fresh air intake to the COV<sup>12</sup> content of the plant and reduces energy consumption, while maintaining good air quality.

### Ecodesign shows an interest in 3D printing

Nine pilot sites continue their work to quantify the environmental impacts of different products with the EIME life cycle

analysis software, enhanced by the addition of new modules used to fine-tune the analyses. Thus, after confirming the environmental advantage of lithium-ion batteries compared to nickel-cadmium technology, the Montreuil site compared the traditional process of battery manufacture and 3D printing. Advantage of 3D printing: less raw material losses, as a result of a larger quantity of single block units, and improved recyclability. The Roche-la-Molière site also compared 3D manufacturing to the traditional production of a fuel inerting system component on a machine, and arrived at the same conclusions. The Auxerre site, which started the process in September 2015, has focused its work on collecting information and methods.

*12. Composés organiques volatils (Volatile organic compounds).*

In Plaisir, the solvent used by one of the plants to remove silver and machining dust on gauge tubes was replaced by cleaning with distilled tap water and ultrasound. Result: annual solvent consumption reduced by half (-1,400 liters), for annual water consumption of around 6,000 liters. ■

**-2%**  
of energy consumption.  
Performance of energy  
audits on 8 sites in France.

Employee participation in waste collection in a neighborhood of the city of Lancaster in the United States, tree planting in Grombalia in Tunisia to celebrate Earth day, development of carpooling between Roche-la-Molière and Lyon: galvanization of employees for the environment exceeds the Group's borders. ■



# OUR BUSINESSES

AEROSYSTEMS 48  
AIRCRAFT INTERIORS 56

**AEROSYSTEMS**  
page 48



# Major player of cabin comfort and high technology systems

**21,800**

civil aircraft fitted with the Group's products and systems.

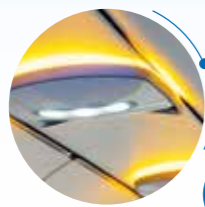
More than **1** aircraft out of 2 fitted with the Group's evacuation slides.

**1 million**

Group seats in service in airline fleets.

**50%**

of commercial aircraft built each year, equipped with a galley manufactured by the Group.



Zodiac Cabin



**AIRCRAFT INTERIORS**

page 56



Zodiac Seats





# Zodiac Aerosystems



## 4 Divisions

- Zodiac Safety systems -
- Zodiac Electrical & Cockpit systems -
- Zodiac Control systems -
- Zodiac Fluid and Water & Waste systems -

# €2,032.9

million in revenue

share in the Group's revenue  
**39%**

employees worldwide  
**11,415**

in operational margin\*  
**17.5%**

in current operating income\*  
**€355.2M**

## Principal sites

Canada • China • France • Germany  
Mexico • Morocco • South Africa  
Tunisia • United Kingdom • United States

\*Excluding the effect of IFRS 3.

“Our goal is to better serve our customers and develop our internal synergies. And to do so while preserving the Group’s core strength: responsive units, with a strong entrepreneurial spirit, but which share more among them and which are better managed and controlled.”

**Benoît Ribadeau-Dumas**  
CEO, Zodiac Aerosystems

### The former Aircraft Systems and Aerosafety branches merged during the fiscal year. With what goals?

**Benoît Ribadeau-Dumas** > Our reorganization is part of the general framework of the Group's Focus transformation plan. We want to improve our service to customers, first by offering them the assurance that they will benefit from the same best development and production standards in all of the Group's entities, but also by strengthening our guidance and by developing operation, commercial and technical synergies between our units.

### How did you proceed?

**B. R.-D.** > We reorganized our operation by product line, into four sufficient-sized divisions to improve the control of our activities. Units serving the same customer and/or contributing to the same products, for example, fuel systems and tanks or pumps, or again water management systems and manufacturers of conduits and connections, were grouped together in the same divisions. Thus, each division combines one or two tier-one systems suppliers and various equipment suppliers.

The goal is to enhance our value added and improve customer service through stronger internal synergies. And to do so while preserving the Group's core strength: responsive, independent units, with a strong entrepreneurial spirit, which remains the Group's DNA, but which share more and are better managed and controlled. At the same time, we strengthened and enhanced the professional dimension of our cross-disciplinary functions: purchasing, quality, operational

excellence, human resources, management of key customer accounts. Our organization is currently well integrated by each of our employees and we rolled it out very rapidly thanks to their commitment.

### How did the fiscal year 2015/2016 go for you?

**B. R.-D.** > The year was mixed. We were impacted by the weakness of the business jets and helicopter markets, linked in particular to the slowdown in offshore prospecting. Furthermore, in the United States, we had to cope with a significant drop in the market of EMAS arresting systems, since many American airports are now equipped. The parachute activity has also hit a trough.

On the other hand, our deliveries to support the ramp-up of Boeing and Airbus programs, in particular for the A350XWB, were steady and compliant with our goals. On the A350XWB, we are delivering, for example, the electric distribution, cockpit calculators, external lighting, pilots' oxygen system, evacuation slides and landing gear harnesses. We also supplied Bombardier with several systems (slides, electrical distribution, pilots' oxygen, lavatories) for the C Series which came into service in summer 2016. Our teams continued their developments for the full fuel systems of Embraer's new generation of regional aircraft (E2) and Bombardier Global 7000/8000 business jets.

These developments resulted in one-off incremental costs. The developments of electrical systems for Dassault's Falcon 5X and Irkut's MC21 and those of Water & Waste Management systems for Embraer (E2), Irkut (MC21) and Comac (C919) were also continued at the same time.

### What are the focus areas of your R&D works?

**B. R.-D.** > We continue to work on the electrical aircraft and in the context of the GENOME program in which we are co-leaders with Airbus, we are developing new electrical architectures. We are also developing with the CEA<sup>13</sup> an on-board fuel cell (FC) that we are testing in aviation conditions with a special laboratory opened in 2016 in Plaisir. Furthermore, we were selected by the European Clean Sky 2 program to develop our integrated Remote Data & Power Cabinet solution with Dassault and to advance in the detection systems for icy conditions. We are also stakeholders in the German LuFo V program for lighting systems and cabin management. In France we are continuing, with the support of the DGAC<sup>14</sup>, our Caskahd project for developing ground/on-board connectivity solutions.

### What were your primary industrial investments?

**B. R.-D.** > We are strengthening our industrial capacities to prepare the ramp-up of new programs, such as Airbus A320neo with the extension of our activities to Chihuahua (evacuation slides, lavatories) or for the LEAP new generation engine with the construction of a new building in Compiègne. The increase of the capacities of our Roche-la-Molière site is in line with this same momentum. The site will supply to our OBIGGS<sup>15</sup> generator of oxygen-depleted gas for Embraer's E2 fuel tanks and Bombardier's Global 7000/8000, as well as the new NARANG refueling pods for Rafale aircraft. In Tunisia, we also strengthened harness activities and the wiring of our Soliman facility.

### What are your major commercial successes?

**B. R.-D.** > We signed several significant contracts: for the Boeing B777X, we will supply the evacuation slides as well as the fuel gauging system, for which we will roll out our LiSafe gauge for the first time. Based on fiber optic, LiSafe reduces the vulnerability of aircraft made of composite materials in the presence of electromagnetic phenomena. We were also selected by Airbus for the fuel system (circulation and gauging) of the A321 Long range and Embraer for the landing gear harnesses of the E2. In the area of general aviation, I could also mention our selection by Textron for the air-conditioning and cooling systems of its new generation of aircraft, or again, in the military domain, the new guided parachuting SMT system for the French special forces.

13. The French Alternative Energies and Atomic Energy Commission.

14. The French Civil Aviation Authority.

15. On-Board Inerting Gas Generating System.



# Trajectories

## 2015-2016



### Capacity extension to Compiègne

With the construction of a 4,000 m<sup>2</sup> building on its Compiègne site, Zodiac Aero Duct Systems has bolstered its industrial capacity in order to back the ramp-up of the LEAP program, the new generation engine developed by engine manufacturer Safran Aircraft Engines and the US company General Electric through their joint company CFM International. This engine will be one of the two possible choices for the Airbus A320neo, but will also be installed on all Boeing B737Max and was adopted as the only western engine for the C919 of the Chinese Comac.

Zodiac Aero Duct Systems designs and manufactures high temperature, high pressure, titanium, nickel alloy and stainless steel pneumatic pipes, in particular for air-conditioning and de-icing systems. ●

### New drop test zone at Caudebec-lès-Elbeuf

With its new test lab, Zodiac Aerosafety Systems strengthens its autonomy for helicopter fuel systems certification tests. Structures weighing up to 10 tons may be dropped from a height of 15 meters, without any impact on the immediate environment. ●



### New investment at Roche-la-Molière

Equipped since 2011 with a new laboratory for fuel tanks, the Roche-la-Molière site has begun a new extension of its premises with the construction of 3,700 m<sup>2</sup> of additional buildings and their equipment. This investment accompanies the Group's development on the inerting market, which consists in replacing the air in the tank with an inert or oxygen-depleted gas, in order to reduce the risk of explosion. Progress for on-board safety. ●

## 38%

of revenue in commercial aviation.

## 26%

of revenue in the helicopters, regional aviation and business aviation markets.

## 33%

of the electrical distribution market (primary and secondary).



### Ice crystals: an innovative detection system

Since 2015, the regulation on aircraft protection against ice includes the risk linked to the presence of ice crystals at high altitude. Zodiac Sensing & System Management, which chairs a EUROCAE<sup>16</sup> working group in charge of defining the minimum performances of the detection systems for these new ice phenomena, conducted investigative studies with aircraft manufacturers and developed two detection systems: one for icy conditions, and the other for ice crystal risk. These two pieces of equipment were installed in autumn 2015 on two Airbus (A320 and A340) for flight tests, with excellent results. In

January and February 2016, an Airbus A340 equipped by Zodiac Aerospace led a flight test campaign in the storm cells of the Darwin area, in Australia and above the Indian Ocean. ●

### Besançon 2020: an expanding facility

Selected after the governmental request for projects for the factory of the future, the Besançon 2020 project seeks to improve the productivity of Zodiac Cockpit & Lighting Systems. In 2016, an additional floor was built on top of the manufacturing plant without interrupting production. The Group's primary production site for cockpit equipment and lights (in particular those of Airbus A350), the factory also manufactures oxygen masks for pilots. It handles the management of the first cluster of aerospace companies based in Franche-Comté. Labeled by Gifas<sup>17</sup>, the cluster comprises six other regional companies identified by 300 suppliers as critical partners, with the goal of fostering progress in the aerospace sector supply chain. ●



### 10th success for the EMASMAX® system

In January 2016, the EMASMAX® system installed at the end of the Chicago airport runway successfully handled the emergency landing of a Falcon 20. The crew was not wounded and the aircraft barely damaged. The runway was operational on the same day, after minor repairs. Rolled out on 110 runways of 66 airports, the EMASMAX® system, composed of cellular concrete cement blocks, allows an airplane to brake when it goes off the runway. ●

16. European Organization for Civil Aviation Equipment.

17. Groupement des Industries Françaises Aéronautiques et Spatiales (French Aerospace Industries Association).

## 19%

of revenue in the other sectors (including space, airports, etc.).



### Zodiac Oxygen Systems on board the P8

Zodiac Oxygen Systems will supply its crew oxygen system and its MF 20 mask to the US Navy's P-8 patrol aircraft (Poseidon). The MF 20 combines the benefits of the crew masks intended for commercial aviation and those used in military transport aircraft. ●

### Arresting systems: contract in Egypt

Continuing its development on the Middle-Eastern market of aircraft arresting systems, Zodiac Arresting Systems (ZAS) was selected by the Egyptian air force to supply military aircraft arresting systems and the associated support. These systems secure the emergency arrest of both commercial or military aircraft, in case of approach or landing in distress. A global leader of the sector, ZAS presented, at the 2016 Farnborough trade show, its portable arresting system PortArrest®

and the BAK-12TM energy absorption module. ●

### Airbus A350XWB electrical distribution system: successful ramp up

The production rate of the EPDS electrical distribution system of the Airbus A350XWB doubled in 2016, thanks to the substantial investments made at the Niort site for the production start of assembly flows of distribution boxes and the performance of functional tests and acceptance trials before delivery to Airbus. And to do so, while maintaining on-time delivery performances compliant with the customer's expectations. This ramp-up will continue in upcoming years in accordance with the goals communicated by Airbus. ●

### Opening on the US market for Zodiac Aero Duct Systems and Zodiac Fluid Equipment

Traditionally present especially on the European market, Zodiac Aero Duct Systems and Zodiac Fluid Equipment crossed an essential milestone in their conquest of the North-American market. Zodiac Aero Duct Systems was certified "Gold supplier" by UTC, a rare distinction which rewards a timely and faultless production. Zodiac Fluid Equipment obtained the Nadcap certificate for the manufacture of its flexible clamps. A criti-

cal step in the accreditation process of products under qualification for US standards. ●

### Zodiac Data Systems: confirmed position with Boeing

Already selected in 2014 by Boeing Test & Evaluation for the B737Max flight tests, which had a successful certification campaign, Zodiac Data Systems was selected again in 2016 and will supply data acquisition resources for Boeing B777X flight trial data as well as the video and avionic bus recording resources. A choice driven by the reliability and measuring quality of its equipment which enhance the precision of the simulation model. Another advantage: minimum wiring which leads to time savings and reduced weight appreciated by aircraft manufacturers and facilitates the supervision of the entire trial facility. ●



**17%**  
of revenue  
in the defense sector.

## Best PRACTICES

The roll-out of the Focus plan helped to improve and stabilize the operational performances of Zodiac Aerosystems. The units strengthened their operational processes by adapting the Group's Operational System (ZAOS) and by rolling out its standards, especially with regard to integrated planning and logistics management. Under the leadership of the Zodiac Aerosystems Operational Excellence teams, ten or more units received assistance, in several stages, to roll out the best operational standards. This roll-out, which will continue in 2017 to cover the entire scope, takes place in project mode. The goal is to ensure rapid progression of the maturity of targeted processes (planning and logistics in 2016) and to address the major operational challenges identified locally.

### 2016 Major works in progress

- Implementation of an **Industrial and Commercial** process (PIC).
- Development of the **Demand Management** function.
- Definition and application of **Logistics Policies** (inventory, service rate, etc.).
- Implementation of a **Statistical Process Control** (MPS) methodology on certain industrial manufacturing lines.
- Strengthening of **Management of Inventories**.

### 2016 operational performances

- Constant improvement of **on-time delivery to customers** moved from 91% in August 2015 to 96% in August 2016.
- **92%** of on-time supplier deliveries on average.
- Improvement of **on-time deliveries in program development** which reached 80%.



Passenger and crew seats, complete cabin interiors, on-board galleys and culinary equipment: Aircraft Interiors has extensive expertise in all cabin components and proposes optimized and integrated solutions, from floor to floor.

**€3,175.3**  
million in revenue

share in the Group's revenue

**61%**

in operational margin\*

**-2.4%**

employees worldwide

**22,008**

in current operating income\*

**€-77.8M**



ZODIAC CABIN

58



ZODIAC SEATS

66

# Aircraft Interiors

\*Excluding the effect of IFRS 3.



# Zodiac Cabin



- 6 Divisions**
- Zodiac Advanced Composites and Engineered Materials -
  - Zodiac Cabin Equipment -
  - Zodiac Connected Cabin -
  - Zodiac Monuments -
  - Zodiac Cabin Integration Interiors -
  - Zodiac VIP & Business Aircraft Interiors -

- 1 Joint-Venture**
- EZ Air (50%) -

**€1,787.4**  
million in revenue

share in the Group's revenue  
**34%**

employees worldwide  
**13,938**

### Principal sites

Brazil • Canada • Czech Republic • France • Germany  
Mexico • Netherlands • Thailand • Tunisia  
United Kingdom • United States

“Our developments, both industrial and managerial, began bearing fruit at the end of the fiscal year, where we recorded organic growth of 11.4% in the 4<sup>th</sup> quarter. They give the basis for a return to robust operational performance.”

**Yannick Assouad**  
CEO - Zodiac Cabin in 2015/2016



### What were the highlights in fiscal year 2015/2016 for you?

**Yannick Assouad** > First of all, our new organizational structure, resulting, at the end of 2015, from the merger with the former Cabin & Structures and Galleys & Equipment branches which teamed up with the Connected Cabin division from the Aircraft Systems branch. The Cabin & Structures and Galleys & Equipment entities shared very similar skills and the same contacts, for the development of programs with aircraft manufacturers and for linefit or retrofit solutions for airlines. It therefore made commercial and industrial sense to combine them within Zodiac Cabin. This new organization in six divisions was accompanied by in-depth changes.

### What are the key features of these changes?

**Y. A.** > The first concerned our industrial management. Based on a failure mode analysis of the past organization and our Focus transformation plan, we implemented a standard ERP<sup>18</sup> system which collates our data (products, customers, suppliers) and steers our processes, specifically the production process. With the goal, of course, of improving our industrial and commercial data, our reporting system and our operational and financial performances. The second change concerned our teams and our management, with numerous hires, at all levels (divisions, business units, facilities), primarily in the purchasing, methods and industrialization, facility management functions. These industrial as well as managerial changes, began bearing fruit at the end of

the fiscal year. They form the foundation for a return to robust operational performance.

### What kind of results do you need to measure this progress?

**Y. A.** > From our indicators, oriented in the right direction at the end of the year. Especially, our organic growth reached +11.4% for the fourth quarter alone, +5.9% for the entire fiscal year. We focused our efforts on supporting the ramp-up of the new programs. Thus, for the Airbus A350XWB lavatories, we improved our Cypress production line in the United States and completely dedicated it to this program. We also added a second assembly line in our Montreal facility and created a third line at the beginning of the summer at our Herborn German site, which began deliveries in September. Thanks to this, at the end of the year, we were able to resolve most operational difficulties and commit to supporting the ramp-up of the Airbus A350XWB. With respect to our other programs, they are on the right track. This is evidenced by the supply to Bombardier of all the interior equipment of the CSeries, which made a very successful entrance into commercial service in summer 2016, or again the delivery to Airbus, early September 2016, of our 100th SpaceFlex system which features a galley and two lavatories and offers the possibility of adding up to two rows of seats for the aircraft of the A320 family. We also delivered the first C919 galleys whose maiden flight was scheduled by COMAC before 2016.

### What were your primary industrial investments?

**Y. A.** > In the United States, we decided at the end of the fiscal year, to combine the manufacture of monuments, lavatories in particular, from the Cypress, Bolsa and La Palma sites on a single site, next to the Huntington Beach site. With the aim of improving the effectiveness of our logistics circuits, our inventory management and our purchases. In Europe, I have already mentioned the extension of our capacities to Herborn where the addition of lavatory activity to the manufacturing of galleys seeks to support the ramp-up of the new programs and strengthen the Group's European positions on this segment.

### What about your commercial success stories?

**Y. A.** > There were many of them and they demonstrate that our customers still trust us. Already present on the Airbus and Boeing airplanes for retrofitting, our RAVE™ in-flight entertainment (IFE) systems are now referenced as linefit solutions on all Airbus platforms and the Boeing B737Max and B777X programs. In this context, we won several contracts, in particular with SAS and Virgin, respectively for their Airbus A330 and A350, and Flydubai for its Boeing B737. Our galleys activity also performed very well on the Airbus A320 and Boeing B737 market and we recorded the first orders for the B737Max. Not forgetting our exceptional sales of trolleys and containers, especially through a multi-year contract with Qatar Airways. In business aviation, we were selected by Bombardier for numerous interior elements of its Global 7000 under development.

### What is the status on your major developments?

**Y. A.** > As I said earlier, we revamped our organizational structure to better support the numerous new programs and we continue to develop steadily. We have practically finished the interior program for Irkut's MC21 and are carrying out, through the EZ Air joint venture, the program for the full interior of the E2, the next generation of Embraer's regional jet. The first prototype has been delivered. We are also working on the next generation of overhead bins and lavatories for the Airbus A330neo as well as on the Boeing B787-10 galleys. The Greenpoint Technologies teams are developing innovative systems for the VVIP layout of a second Boeing B787, in particular for mounting the cabin interior on the aircraft's composite structure. The Boeing B747 can benefit from a patented solution, AeroLoft, designed to equip the upper deck of a bedroom. These innovative systems and these developments are the engines for our future growth.

# Trajectories

## 2015-2016

### Record production ramp-up of the second lavatories line in Montreal

To accompany the ramp-up of the Airbus A350XWB, Zodiac Cabin decided in August 2015 to create a second lavatories assembly line at its Montreal facility. Barely three months later, the new line delivered its first manufactured products. One year later, the facility was producing the equipment necessary for four airplanes. ●



### Two awards for the Lifestyle concept

Recognized in 2016 by a Crystal Cabin award and a Red Dot award, the Lifestyle concept developed by Zodiac Seats proposes a new futuristic vision of cabin layout and passenger experience. The innovative concepts included: an open bar area and catering in the front, the transformation of part of the hold and the overhead bin space into cabins with beds, the fitting of a passageway along the windows to create an aisle and a cruise experience. ●



### Commercial boom of the CSeries with the Group's cabin and seats

On July 16, 2016, Bombardier's CSeries carried out its first commercial flight under the colors of the SWISS airline company. Zodiac Cabin supplied Bombardier the full interior of the cabin with a particularly innovative design and enhanced comfort (walls, galleys, lavatories, overhead bins and stowage units, passenger servicing units, cockpit door) and Zodiac Seats, the seats. ●

# 80%

of the galleys of Boeing B737 aircraft.

### Some sixty entirely retrofitted cabins for Delta Air Lines Airbus aircraft



The complete retrofit of the cabins of 126 Airbus A320s and A319s belonging to Delta Air Lines continued: from May 2015 to September 2016, some sixty retrofitted cabins were delivered to the company. Developed by ZEO, the Zodiac Cabin design and innovation studio, the new ECOS (Efficient Cabin-Open Space) cabin interior, features very innovative products and solutions: enhanced capacity swiveling overhead bins, SpaceFlex AftComplex solution which combines lavatories and galley in a single unit at the back of the aircraft door and frees up available space in the cabin, or again the PaxPod PSU light which features a passenger servicing unit and LED ambient lighting. ●



### Delivery of the first Boeing B787-8, VVIP version

In Geneva, at the EBACE trade show dedicated to business aviation, Greenpoint Technologies presented in May 2016, the first Boeing B787-8 fitted in VVIP configuration. The machine was delivered to its customer in June. The teams of Greenpoint Technologies continue, at Moses Lake close to Seattle, the VVIP upgrade of a second Boeing B787-8 and the related developments. ●

### The 1,000<sup>th</sup> Airbus A320 galley delivered in June 2016 under the SFE contract signed in 2012



These galleys are manufactured in Pilsen in the Czech Republic and Grombalia in Tunisia. This thousandth galley was intended for the Jet Blue airline. ●

### Smarter, safer: the Smart Lock Trolley

Launched in 2016, the Smart Lock Trolley benefits from secure access, thanks to its smart lock system with PIN code and data recording. The chiller trolley, which can be used to keep meal trays on board the return flight of a rotation, was also launched on the market. ●



### Team project at the Newport facility

At the Newport facility, the construction of a new prepreg manufacturing line (40 meters long), replacing the line destroyed in the July 2015 accident, started in September 2016. Drawing lessons from the feedback of the accident, it relies on a proactive risk analysis and management approach and on a federating team project. ●



### Espresso, a new on-board delight

Presented in 2016 at the Hamburg Trade Show, the espresso machine, sold since July 2016 completes the Symphony™ and Concert™ range of inserts (galley equipment). Qualified for all Boeing and Airbus platforms, including the A350XWB, the 1,000<sup>th</sup> oven of the Concert™ range was delivered at the end of 2015. More than 20 airlines fly with Concert™ products as they appreciate the light weight, ease of use, and performance. ●

**66%**  
of galleys selected on Boeing 737MAX aircraft.

### New generation of overhead bins

Developed by ZEO as part of the new ECOS (Efficient Cabin Open Space) program, the 3<sup>rd</sup> generation swiveling overhead bins are both more robust and easier to close. ●



### Air purification system: a new market

Partner of Aviation Clean Air (ACA), Greenpoint Aerospace is certified to install and sell the ACA air purification system which removes smells as well as pathogenic agents and allergens present in the cabin. ●

### Nearly 2,500 Herculight S containers for Singapore Airlines Cargo



According to the contract signed in April 2016, Zodiac Cabin Equipment will supply to Singapore Airlines Cargo nearly 2,500 Herculight S containers in two very customized configurations to meet the needs of the airline. A leader on its market, the Herculight S range was launched in 2014. Depending on whether they are built in composite panels or in full aluminum, the weight of containers varies between 51kg and 65 kg. The range is completed by a series of light pallets. ●

### Delivery of the 300<sup>th</sup> IFE Rave™ Wireless system (accessible on personal electronic devices).

## Best PRACTICES

The Zodiac Cabin Focus team brought its active support to the units in the implementation of new standards for the Group and the identification of the main progress routes, in particular for the Integrated Planning of Sales and Operations and Logistics, the first standards rolled out in the Group.

Thanks to which, Zodiac Cabin has reported its first **progress in compliance with its contractual delivery commitments**.

Thus, from August 2015 to August 2016:

- **better monitoring** of suppliers contributed to improving on-time deliveries, from 71% to 86%,
- **the non-compliance rate** was cut by more than 2.5 dropping from 7,300 produced parts per million (ppm) to less than 3,000 ppm,
- **greater precision in the measuring of inventories** will recurrently help to improve production continuity. For example, for a unit of commercial aviation Inserts, this precision reached 99% at the end of August 2016 (81% at the end of August 2015).

- **Set up of a standard ERP system** in 14 sites, primarily in the United States.
- **Roll-out of the Delta M3 project** as backup, on four improvement lines. Data integrity and exhaustiveness. Management of production integrating manufacturing orders. Data extraction. Accounting and budget monitoring.
- **Logistics, Sales control and Operations:** assessment of the processes of all Zodiac Cabin sites, at a maturity level ranging between 2 and 3 (on a scale of 5).
- **Logistics:** numerous improvements in warehouses (bar codes in particular).
- **QRQC (Quick Response to Quality Crisis):** set up on the site of Cypress which manufactures Airbus A350XWB lavatories.



4

### Divisions

- Zodiac Seats France -
- Zodiac Seats UK -
- Zodiac Seats US -
- Zodiac Seats SFE -

€1,387.9

million in revenue

share in the Group's revenue

27%

employees worldwide

8,070

# Zodiac Seats



“We clarified our governance, strengthened our management, strove for better integration, rolled out a new operational system (engineering and production) and hired new staff to bolster our skills. These developments, at the end of November 2016, allowed us to catch up with delivery delays in France and in the United States.”

**Jean-Michel Billig**  
CEO, Zodiac Seats

### Principal sites

- China • France • Germany • Mexico
- Tunisia • United Kingdom • United States



### What were your priorities during the fiscal year?

**Jean-Michel Billig >** Our first priority was to catch up with delivery delays, which primarily affected our US units, and to improve the quality of delivered products to strengthen our customers' trust. At the end of September 2016, our Gainesville Texan facility had returned to normal. As had the French sites concerned. These delays, focused on certain seat programs, were mostly linked to the back shell activity of our Santa Maria Californian facility, highly complex technical products, intended for business class seats. Indeed, they require specific development for each configuration decided by the customers, meet high certification standards and include production constraints inherent in composite materials.

At Santa Maria, we improved the supply chain as well as the design and production process. Furthermore, we are redesigning the size of the facility to restore its profitability. More generally, we have rebalanced our back shell activities by raising the capacities of our Saint-Crépin (France) site, where we have created a design and prototype center, and our Camberley (United Kingdom) site. On the latter site, we are preparing the ramp-up of our Cwmbran facility which will be coping with the development of several relatively complex business class seats. We also qualified external suppliers. In the longer term, we are determined to continue our transformation in accordance with our plan.

### Apart from the rebalancing of your back shell productions, what are your main changes?

**J.-M. B. >** We clarified our governance, strengthened our management, strove for better integration, rolled out a new operational (engineering and production)

system and hired new staff to bolster our skills. There is still a lot to be done, but these developments allowed us, at the end of November 2016, to catch up with delivery delays in France and in the United States.

### Why is more integration required?

**J.-M. B. >** We wanted to pool our resources more, standardize and make our methods and processes more robust (purchases, design, manufacturing), optimize the feedback from our difficulties and our successes through the exchange of good practices. To do so, we set up a matrix organization which integrates our critical functions (engineering including R&T, purchases/logistics/manufacturing, information system, quality, sales, etc.) while preserving the agility required for our divisions to adapt to market changes and seize opportunities. They handle the interface with our customers and carry our operational and economic performance goals.

### How did you proceed?

**J.-M. B. >** For purchases for example, we undertook to streamline our portfolio of suppliers, improve our commercial relations with them and better formalize our contractual relations. In terms of the design, we adopted a unique staking for the programs' developments (number of milestones, terminology, expected results) and strengthened our rigor in passing these milestones. This allows us to have better control of deadlines and costs. Furthermore, right from the first development phases, we organize an advanced consultation between our teams respectively in charge of design, concept and manufacturing: this convergence phase contributes to a precise definition of the product at a very early

stage. Lastly, we standardize sub-assemblies that are not visible, such as the bottom structure of seats. We intend to apply the same teamwork used in integrating the engineering function to manufacturing as well. And it continues: we adjust, but we build, with the aim of returning to performance. Thus, quite recently in October 2016, we combined the activities of our Rancho Cucamonga sites in California (passenger seats) and Issoudun (helicopter crew seats and flight crew seats) in the Zodiac Seats SFE division to give it the necessary resources to grow on this market where we have efficient solutions to offer.

### What new products did you present at the Hamburg Aircraft Interiors trade show?

**J.-M. B. >** In April 2016, for the last edition of the Aircraft Interiors Expo, the largest trade show devoted to cabin interiors, we presented new products for long-haul business classes (Cirrus NG seats selected by a major company and Aura HD), and for short-haul business classes (electrical z600) as well as crew seats such as the Zenkeri® for the Cabin crew. Furthermore, we continue to develop a lighter seat for economy class. More broadly, our transformation plan includes an R&T part: we pooled our R&T, now steered by a manager who streamlines the projects launched by our sites to optimize budgets, share feedback and eliminate duplicates. Our R&T plan is organized around four areas: comfort, new features, cost reduction, weight reduction. It is translated into sub-projects conducted under the aegis and with funding from CORAC<sup>19</sup>, such as the Passenger Seat of the future program, and conducted by others in partnership with research institutes, sub-contractors, foam suppliers, or other Group entities, in particular on composite and thermoplastic materials.

### What major contracts did you win during the fiscal year?

**J.-M. B. >** For business class, a major client selected us for its long-haul fleet. Furthermore, United Airlines tasked us, as part of its Polaris program, to linefit and retrofit the business classes of its Boeing B777 fleet and retrofit the B767 fleet. ANA did the same for its Boeing B777s. We are going back to first class with the contract signed with a large Far-Eastern company for its Boeing B777s. Furthermore, Air France entrusted us with the retrofitting of seats for its Airbus A330s, in business class, premium economy and economy. We were also selected by numerous airlines such as Etihad, China Eastern and Air New Zealand for economy class projects. I believe our commercial success reflects our capacity to remain innovative and generally, while being highly demanding, our customers continued to trust us.

<sup>19</sup> French Council for Civil Aeronautics Research.

# Trajectories 2015-2016

## Development in Cwmbran of a building dedicated to the United Airlines Optima seat

Zodiac Seats UK has started manufacturing Optima seats on its Cwmbran site. The seats are especially designed by design firm Priestman Goode and developed by Acumen for the United Airlines Polaris program. Focused on upgrad-

ing its long-haul business class and passenger experience, this program was presented by the company to the press and to its customers and suppliers at a launch event organized in June 2016 in New York. The Optima seat offers direct access to the central aisle, 180° flat tilt and is extendable up to 1.98m in length. A special building has been equipped in Cwmbran to manufacture these seats. ●



## Success of the Cirrus NG in Hamburg

Zodiac Seats has developed a NG (New Generation) version of its Cirrus seat, a flagship product already chosen by numerous airlines such as Air France for its Best program, Cathay Pacific, China Eastern, Delta Air Lines, Finnair, SriLankan Airlines, Vietnam Airlines, etc. Arranged in "V" configuration, the Cirrus seats combine a very spacious cabin space with a well isolated private space thanks to a movable partition. Presented at the Hamburg Expo where it was hailed by the industry, the Cirrus NG has been enhanced with several new

**18 to 24**  
months to launch a new  
business seat on the market  
(preparation of the concept,  
modeling, prototyping,  
industrialization, certification).

features, stowage units facing the passenger and a horizontal pivoting tablet in particular. It was selected in 2016 by a first customer for the business class launch of its Airbus A350XWB. ●

## Aura HD, the high density business seat

Thanks to its ingenious configuration system, the Aura HD seat presented in Hamburg, provides the passenger with a greater sense of spaciousness and privacy and offers airlines the possibility of a cabin composed of seats with corner beds and seats with totally flat beds, without loss of density. Designed to be easily customized and tailored to single-aisle airliners, it offers 15% of additional bed space compared to business class seats with the same pitch<sup>20</sup> and more legroom. Not to mention, for the in-flight entertainment system, a screen that can be as large as 22 inches. ●



## Continued upscaling of Air France's long-haul cabins

Air France has chosen the Group's seats to replace those of some fifteen or more Airbus A330s which will be entirely retrofitted starting from the end of 2017. In total, 3,400 seats, in business class (Cirrus), premium economy (Premium Airgo FX) and economy (Z302). Zodiac Aerospace had already been selected to retrofit the business and economy class seats of Air France's 44 Boeing B777s in the context of the airline's Best program. "Since the first flight fitted with Best cabins to New York in June 2014, our customers have been clamoring for it. If Air France is back in the race as one of the best airlines in the world, it's partly thanks to this very high quality offering. Fitting our Airbus

**31**  
Boeing B777s of Air France  
fitted with new business  
and economy class seats  
at end September 2016.

A330 fleet with these cabins is therefore the next logical step in Air France's upscaling strategy for its products and services", declared Frédéric Gagey, CEO of Air France in April 2016. ●

## Zenkeri®: enhanced comfort for commercial flight crew

Modular, comfortable, light and economical (20% less components and weight), the seats for the commercial flight crew (CFC) of the new Zenkeri® range feature cutting-edge components, such as a taut canvas back which moves into position when the back is tilted or when the seat unfolds. At the request of CFCs, the entire mechanism has been reviewed to facilitate the unfolding and stowing of seats. The range includes a High-Comfort seat which has a leg rest in the place of the traditional strut and with a back that tilts at 45° (10° more than competitor seats). ●



20. Space between the seats.



## Crystal Cabin award for a retractable headrest concept

At the Hamburg 2016 Aircraft Interiors Expo, Manon Kühne, from the Delft (Netherlands) technical university, received in partnership with Zodiac Aerospace a Crystal Cabin award for her ingenious retractable headrest concept intended for economy and premium economy class seats. A much-appreciated comfort on long-haul flights. ●



## Posture is two-times champion

Already rewarded in 2015 with a Red Dot award for the Posture seat, the R&D team of Zodiac Seats US based in Chihuahua received, in 2016, the Mexican National Design Award in the Transport Products category. Equipped with a mechanical system which provides passengers with a dynamic support, this economy and premium economy class seat adapts to the morphological characteristics of the passenger for enhanced comfort. It was presented, with the other winning concepts, in the Mexican Glocal design magazine and at the Mexico Franz Mayer museum. ●

## Augmented reality seats with What'seat

Augmented reality inserts 2D or 3D synthetic images on real world images using a cell phone camera (or special video goggles). The Zodiac Seats marketing team harnessed this technology to create the What'seat application, available since



## More than 30

Airbus A350s fitted at the end of 2016 with the new business class seats.

October 2016 in the AppStore (Apple) and PlayStore (Google). What'seat allows any holder of Zodiac Seats commercial brochures - they serve as the trigger - to visualize certain seats as well as their main characteristics and information in augmented reality using interactive features. An innovative way to discovering, or rediscovering, the branch's products. ●

## Best PRACTICES

- **Engineering:** definition of the organization model featuring governance and a tool for managing the engineering cost with respect to resources.
- **Development programs:** operational piloting processes on more than 30% of the programs.
- **Quality:** roll-out of a quality management system (harmonization of criteria and processes) in the United States and France.
- **Zodiac Seats France, Zodiac Seats US**
  - Roll-out of the QRQC (Quick Response to Quality Crisis): 3,500 problems solved in 12 months.
- **Zodiac Seats US**
  - 100% on-time deliveries since July 2016.
  - Complete catchup with lateness at the end of August 2016.
- **Santa Maria (California)**
  - Since May 2016, new MRP processes for manufacturing planning and management (precise analysis of the capacity and load for each workstation).
  - Measuring of inventories: 95% precision at end August 2016 (35% mid-2015).

**7**  
formal milestones  
in program development,  
from the contract review  
to delivery of the first  
aircraft shipset.

# OUR PERFORMANCES

FINANCIAL RESULTS **76**

STOCK MARKET INDICATORS **80**

CONSOLIDATED FINANCIAL STATEMENTS **82**

NON-FINANCIAL INDICATORS **86**

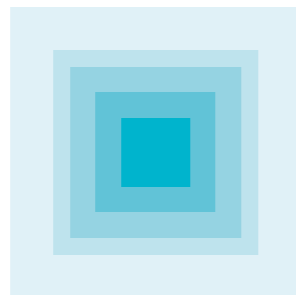
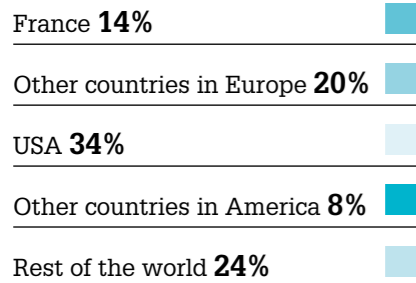
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2	84	30.4	8.18	1.59	33.42
3	63	22.42	6.94	2.61	41.09
4	94	34.96	5.7	3	43.69
5	84	30.4	8.18	3	41.58
6	63	22.42	6.94	2.46	59.8



# Fiscal year 2015/2016 in figures

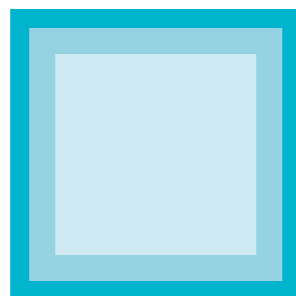
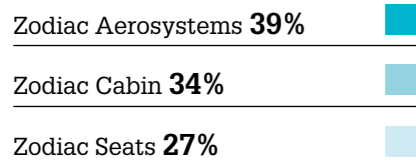
## Consolidated revenue

by region



## Consolidated revenue

by business branch



**€5,208M**

in consolidated revenue.

**€269.5M**

in current operating income\*.

**€108.1M**

in reported net income.

**5.2%**

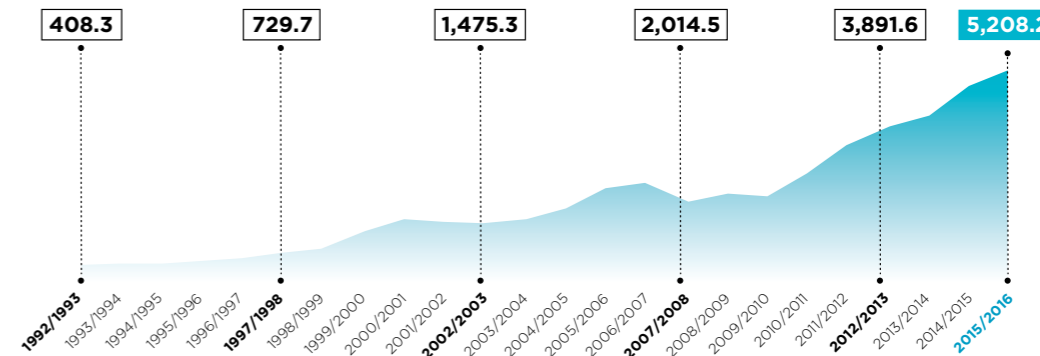
in operating margin\*.

**€0.59**

reported net earnings per share\*.

## Change in consolidated revenue

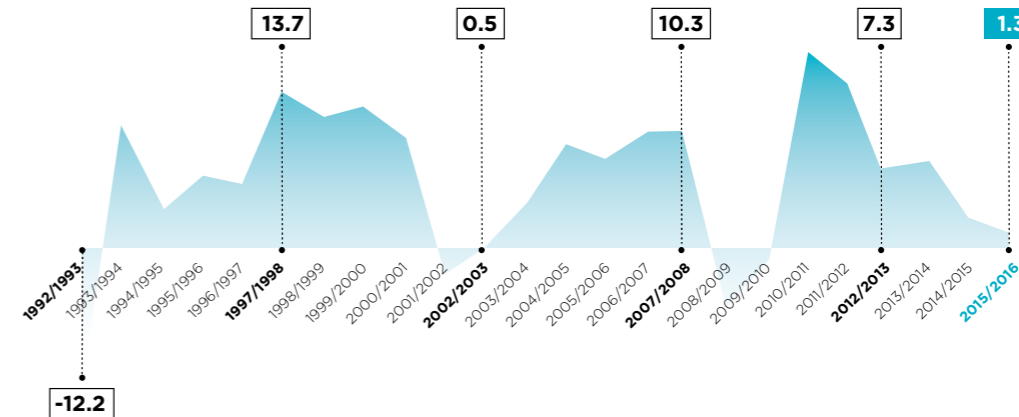
(in € million)



Disposal of Marine activities in 2007/2008

## Organic growth rate of consolidated revenue

(in %)

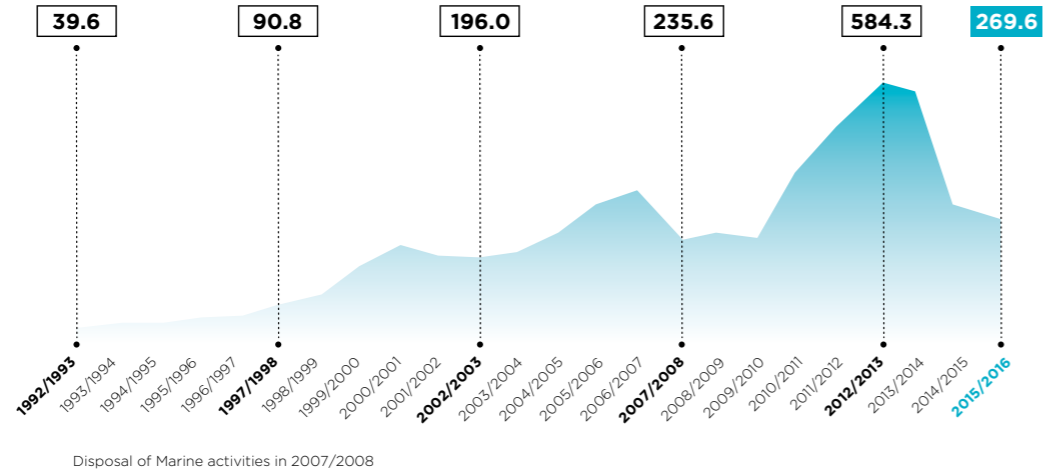


\*Excluding the effect of IFRS 3.

# Fiscal year 2015/2016 in figures

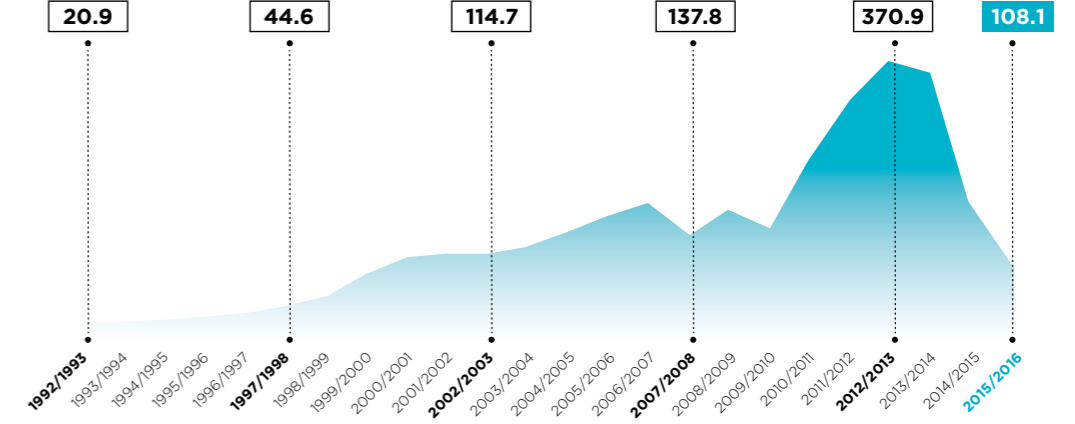
## Current operating income

(in € million)



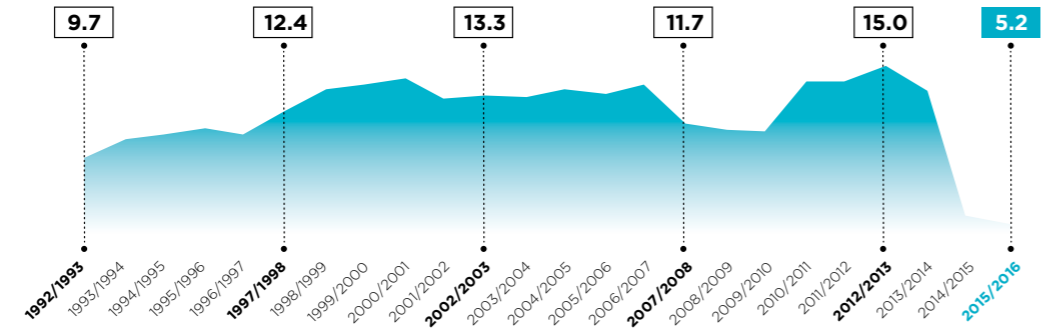
## Net income attributable to equity holders of the parent company

(in € million)



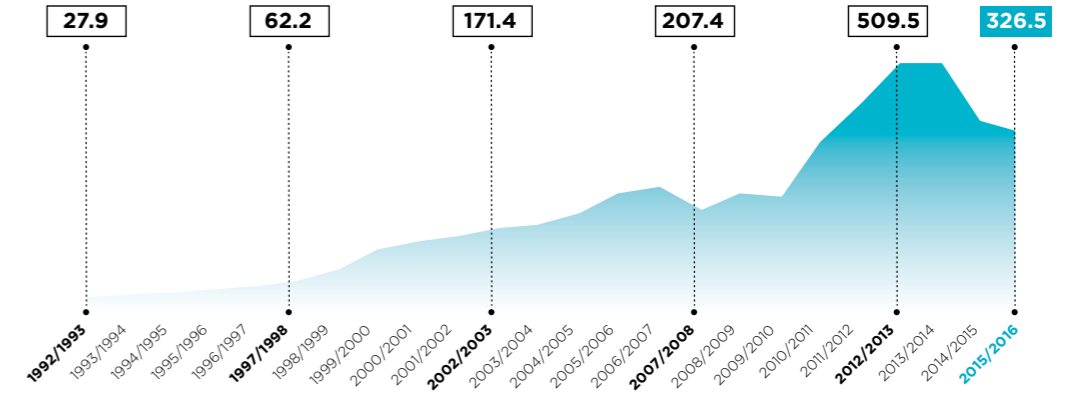
## Net margin

(in %)



## Gross cash flow

(in € million)



# Zodiac Aerospace share

## €0.59

reported net earnings  
per share excluding  
IFRS 3.

## €0.32

of net dividend  
per share proposed  
at the General Meeting  
of Shareholders  
with payment in cash  
or in cash and shares.

## €20.40

share closing price  
at August 31, 2016.

### Stock market performance impacted by business difficulties of Aircraft Interiors

In fiscal year 2015/2016, the Zodiac Aerospace share price trend was once again affected by the difficulties encountered by Aircraft Interiors activities. Hovering between €25 and €30 at the beginning of September 2015, the stock price was impacted at the end of September 2015 by the revision of the Group's objectives then, again, in March 2016. The gradual eradication of production difficulties and delivery delays for Zodiac Seats and Zodiac Cabin sustained share performance and reassured the market during the second part of the fiscal year. However, the slower than anticipated eradication of delivery delays and profit warnings linked to the financial impact of these delays generally weighed on the stock price which settled at €20.40 at August 31, 2016.

### Investor information

On the website [www.zodiacaerospace.com](http://www.zodiacaerospace.com), shareholders have a dedicated page which gives them access to the agenda of financial publications for the fiscal year as well as preparatory documents for the General Meeting of Shareholders, with the possibility of downloading the documents. The results of votes, published after the General Meeting, and the dates of dividend ex-date and payment are also published. This page also allows access to the stock price, press releases and all regulated reporting. Furthermore, shareholders may consult on the website information about the Group and its strategy, positioning, commitment to sustainable development and product offering via a comprehensive, illustrated directory of its systems and products. The Group also communicates

news through social networks (twitter @ZodiacAerospace, Facebook, LinkedIn, Pinterest, etc.). For the meeting with analysts to present earnings and telephone conferences for the presentation of quarterly revenue, an audio webcast can be followed live or in replay after the presentation. The link is posted online on

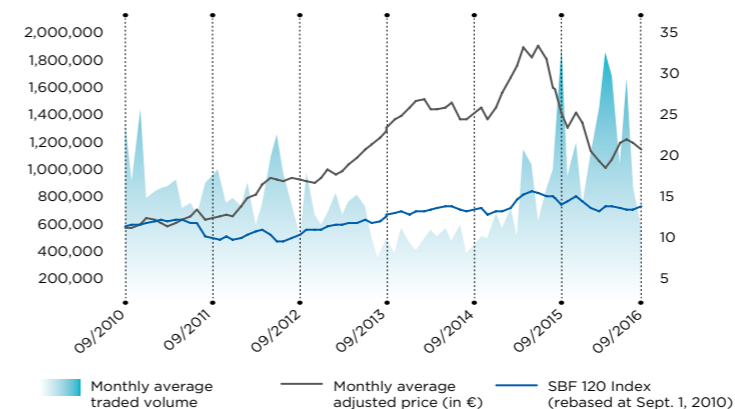
the website which offers the possibility of downloading the presentation material and the press release (in French and/or in English).

### Share capital and shareholding

At August 31, 2016, Zodiac Aerospace's share capital stood at €11,602,897.32 divided into 290,072,433 shares.

The company's bylaws allow double voting rights to the shares that are held in registered form for more than four years. At August 31, 2016, voting rights amounted to 375,465,301 gross votes and 362,654,079 net votes, in other words, restated for the 12,811,222 treasury shares held by the company.

### 2011-2016 Zodiac Aerospace share trend



### Breakdown of capital at August 31, 2016



**76.2% Free Float**  
(63.4% voting rights)  
**23.8% Families**  
(36.6% voting rights)

## CONTACT US

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Zodiac Aerospace shares are listed on Euronext Paris. Zodiac Aerospace is part of the Euronext CAC NEXT 20 index, which comprises the 20 biggest companies in terms of free-float market capitalization after those of the CAC 40.

Zodiac Aerospace shares are also included in a number of multi-sector market indices: Euronext 100, CAC Aerospace & Defense, CAC Industrials, CAC Large 60, Dow Jones Euro Stoxx, Dow Jones Euro Stoxx Industrial, Dow Jones Global Industrials, Dow Jones Stoxx 600, Euronext Next 150, SBF 250, SBF 120, and SBF 80.

Zodiac Aerospace shares are eligible for the Deferred Settlement Service (SRD - Service de règlement différé) and employee savings plan (PEA).

In the ICB<sup>21</sup> classification, it comes under 2700 - Industrial Goods & Services, and segment 2710 - Aerospace & Defense.

• Euronext/ISIN code: FR0000125684

• Ticker symbol: ZC

<sup>21</sup> Industry Classification Benchmark.

	Fiscal Year 2011/2012	Fiscal Year 2012/2013	Fiscal Year 2013/2014	Fiscal Year 2014/2015	Fiscal Year 2015/2016
<b>High/Low (closing price)</b>					
High in €	16.97	22.46	26.90	35.73	<b>28.20</b>
Low in €	10.54	14.75	21.40	22.43	<b>14.48</b>
Price in € at August 31	15.16	21.91	24.83	27.11	<b>20.40</b>
Number of shares at August 31	283,722,195	285,628,640	288,434,325	289,404,257	<b>290,072,433</b>
Market capitalization in €k at August 31	4,331,273	6,258,124	7,161,824	7,829,425	<b>5,917,477</b>
<b>Average daily traded volume</b>					
Shares	821,660	637,970	476,271	727,521	<b>1,228,730</b>
Capital in €k	11,717.27	11,321.51	11,738.77	21,138.47	<b>25,274.53</b>

Source: NYSE-Euronext Paris.



# Consolidated Statement of Financial Position

## ASSETS

<i>(in thousands of euros)</i>	Amount at Aug. 31, 2016	Amount at Aug. 31, 2015
Goodwill	1,994,687	2,023,354
Intangible assets	653,554	698,149
Property, plant and equipment	492,988	464,008
Investment in associates and joint ventures	1,605	8,352
Loans	24,533	20,587
Other non-current financial assets	12,257	14,016
Deferred tax assets	6,102	1,225
<b>Total non-current assets</b>	<b>3,185,726</b>	<b>3,229,691</b>
Inventories	1,360,124	1,340,700
Current tax assets	144,379	104,383
Trade receivables	1,046,469	1,010,990
Advances to suppliers and employees	11,320	16,393
Other current assets	48,167	38,655
Other financial assets:		
- loans and other current financial assets	6,466	11,970
Cash and cash equivalents	268,780	163,616
<b>Total current assets</b>	<b>2,885,705</b>	<b>2,686,707</b>
<b>HELD-FOR-SALE ASSETS<sup>(1)</sup></b>	<b>686</b>	<b>680</b>
<b>TOTAL ASSETS</b>	<b>6,072,117</b>	<b>5,917,078</b>

(1) At August 31, 2015 and August 31, 2016, the amounts pertained to buildings held for sale.

## EQUITY AND LIABILITIES

<i>(in thousands of euros)</i>	Amount at Aug. 31, 2016	Amount at Aug. 31, 2015
Capital	11,603	11,576
Share premium	147,761	141,980
Consolidated reserves and hybrid loan	2,769,111	2,436,351
Currency translation adjustments	279,026	313,402
Fair value adjustment of financial instruments	(15,813)	1,658
Net income attributable to equity holders of the parent company	108,053	184,762
Treasury shares	(83,303)	(85,436)
<b>Equity attributable to equity holders of the parent company</b>	<b>3,216,438</b>	<b>3,004,293</b>
Non-controlling interests:		
- in equity	1,587	108
- currency translation adjustments	(260)	(204)
- in consolidated net income	(175)	(231)
<b>Non-controlling interests</b>	<b>1,152</b>	<b>(327)</b>
<b>Equity</b>	<b>3,217,590</b>	<b>3,003,966</b>
Non-current provisions	148,694	122,073
Non-current financial liabilities	984,706	831,648
Other non-current financial liabilities	3,546	485
Deferred tax liabilities	148,323	163,433
<b>Total non-current liabilities</b>	<b>1,285,269</b>	<b>1,117,639</b>
Current provisions	165,367	171,047
Current financial liabilities	340,968	598,661
Other current financial liabilities	20,349	21,889
Trade payables	542,051	432,816
Liabilities to employees and payroll liabilities	228,674	218,602
Current tax liabilities	29,220	60,349
Other current liabilities	242,629	292,109
<b>Total current liabilities</b>	<b>1,569,258</b>	<b>1,795,473</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,072,117</b>	<b>5,917,078</b>

# Consolidated Statement of Profit and Loss

(in thousands of euros)	Amount at Aug. 31, 2016	Amount at Aug. 31, 2015
Sales revenue	5,208,176	4,931,754
Other revenue from operations	27,788	23,490
Purchases used in production	2,392,125	2,147,270
Personnel costs	1,570,451	1,490,378
External costs	734,351	814,719
Taxes other than income taxes	43,079	39,666
Depreciation and amortization	138,716	117,426
Charge to provisions	86,037	95,770
Changes in inventories of finished goods and work in progress <sup>(1)</sup>	(811)	63,877
Other operating income and expenses	(799)	(115)
<b>Current operating income</b>	<b>269,595</b>	<b>313,777</b>
Non-current operating items	(75,665)	(21,914)
<b>Operating income</b>	<b>193,930</b>	<b>291,863</b>
Income/(expenses) related to cash and cash equivalents	(3,543)	2,815
Cost of gross debt	(35,799)	(29,786)
Cost of net debt	(39,342)	(26,971)
Other financial income and expenses	(2,401)	(1,954)
Income taxes	(39,602)	(75,734)
Results of companies accounted for by the equity method	(4,707)	(2,673)
<b>NET INCOME</b>	<b>107,878</b>	<b>184,531</b>
Attributable to non-controlling interests	(175)	(231)
Attributable to equity holders of the parent company	108,053	184,762
<b>BASIC EARNINGS PER SHARE (ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY)</b>	<b>€0.382</b>	<b>€0.670</b>
<b>DILUTED EARNINGS PER SHARE (ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY)</b>	<b>€0.380</b>	<b>€0.665</b>

(1) Changes in inventories of components and goods are included under "Purchases used in production".

# Consolidated Statement of Cash Flows<sup>(1)(2)</sup>

(in thousands of euros)	Amount at Aug. 31, 2016	Amount at Aug. 31, 2015
<b>Operating activities:</b>		
Net income	107,878	184,531
Results of companies accounted for by the equity method	4,707	2,673
Depreciation, amortization and provisions	217,243	218,982
Capital gains	244	(7,424)
Deferred taxes	(4,044)	(13,450)
Stock options	5,611	6,632
Other	(5,117)	(106)
<b>CASH FLOW FROM OPERATIONS</b>	<b>326,522</b>	<b>391,838</b>
Net change in inventories	(19,428)	(237,687)
Net change in operating assets	(98,578)	(60,491)
Net change in debt	49,474	60,203
<b>CASH FLOW FROM CONTINUING OPERATIONS</b>	<b>257,990</b>	<b>153,863</b>
<b>Investing activities:</b>		
Acquisitions of non-current assets:		
- intangible assets	(84,825)	(85,033)
- property, plant and equipment	(125,355)	(119,825)
- other	(11,280)	(15,185)
Proceeds from sale of property, plant and equipment	15,332	26,100
Changes in receivables and payables relating to fixed assets	976	3,388
Acquisitions/disposals of entities, net of cash acquired	534	(95,034)
<b>CASH FLOW FROM INVESTMENTS</b>	<b>(204,618)</b>	<b>(285,589)</b>
<b>Financing activities:</b>		
Change in debt	(115,347)	194,913
Hybrid loan	248,049	-
Increase in equity	5,808	8,837
Treasury stock	1,103	(1,944)
Ordinary dividends paid by parent company	(88,450)	(88,105)
Dividends paid to minority interests	(2)	-
<b>CASH FLOW FROM THE FINANCING OF OPERATIONS</b>	<b>51,161</b>	<b>113,701</b>
Currency translation adjustments, beginning of period	(8,159)	15,139
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>96,374</b>	<b>(2,886)</b>
<b>CASH AT BEGINNING OF PERIOD</b>	<b>152,784</b>	<b>155,670</b>
<b>CASH AT END OF PERIOD</b>	<b>249,158</b>	<b>152,784</b>

(1) The Group did not record any transactions between shareholders during the period.

(2) No activities are currently in the process of being sold.

# Key environmental indicators

■ **Accident with environmental impact:** none recorded.

■ **Gradual soil pollution:** none recorded.

■ **Gradual pollution of the natural environment:** none recorded.

■ **Active chronic soil pollution:** none recorded.

■ **Greenhouse gas emissions quota trading:** not applicable to any site.

■ **Regulation for Listed Facilities for Environmental Monitoring (ICPE):**

- No site subject to registration.
- Nine sites subject to declaration of which five to periodic inspection.
- Five sites subject to authorization.

At August 31	2014/2015	2015/2016	2015/2016
<b>ENERGY</b> (thousands of kWh)	(72 sites - 88% of workforce)	(72 sites - 88% of workforce)	(86 sites - 97% of workforce)
Electricity	203,511	209,603	<b>222,891</b>
Gaz	123,962	117,859	<b>121,554</b>
Fuel	4,529	4,826	<b>4,826</b>
<b>TOTAL</b>	<b>332,202</b>	<b>332,288</b>	<b>349,271</b>

At August 31	2014/2015	2015/2016	2015/2016
<b>WATER</b> (thousands of m <sup>3</sup> )	(73 sites - 92% of workforce)	(73 sites - 92% of workforce)	(79 sites - 95% of workforce)
<b>TOTAL</b>	<b>786</b>	<b>675</b>	<b>686</b>

At August 31	2014/2015	2015/2016	2015/2016
<b>WASTE</b> (tons)	(73 sites - 92% of workforce)	(73 sites - 92% of workforce)	(79 sites - 95% of workforce)
Landfill	9,941	9,416	<b>9,465</b>
Material recycling	12,965	11,474	<b>11,534</b>
Energy recovery	2,354	2,603	<b>2,624</b>
<b>TOTAL</b>	<b>25,260</b>	<b>23,493</b>	<b>23,524</b>
<b>% recovered</b>	<b>61%</b>	<b>60%</b>	<b>60%</b>
<b>o/w % recycled</b>	<b>51%</b>	<b>49%</b>	<b>49%</b>

# Permanent paid employees at August 31

	2014*	2015*	2016
<b>Aerosystems</b>	<b>11,132</b>	<b>11,708</b>	<b>11,415</b>
O/w companies: in France	5,105	5,217	<b>5,111</b>
in Europe (excluding France)	503	568	<b>551</b>
in the United States	2,960	2,833	<b>2,505</b>
in the rest of the world	2,564	3,090	<b>3,248</b>
<b>Aircraft Interiors</b>	<b>18,427</b>	<b>20,470</b>	<b>22,008</b>
O/w companies: in France	1,227	1,314	<b>1,562</b>
in Europe (excluding France)	3,207	3,301	<b>3,594</b>
in the United States	7,580	8,446	<b>9,153</b>
in the rest of the world	6,413	7,409	<b>7,699</b>
<b>Zodiac Cabin</b>	<b>11,328</b>	<b>12,516</b>	<b>13,938</b>
<b>Zodiac Seats</b>	<b>7,099</b>	<b>7,954</b>	<b>8,070</b>
<b>Holdings companies</b>	<b>149</b>	<b>210</b>	<b>244</b>
<b>GROUP TOTAL</b>	<b>29,708</b>	<b>32,388</b>	<b>33,667</b>
O/w companies: in France	6,478	6,741	<b>6,917</b>
in Europe (excluding France)	3,710	3,869	<b>4,145</b>
in the United States	10,539	11,279	<b>11,658</b>
in the rest of the world	8,981	10,499	<b>10,947</b>

\*Reconstitution of 2014 and 2015 workforce depending on the Group's 2016 organization.



**Zodiac Aerospace Group Corporate Communication**

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**Written by:** Anne de Beco / **Financial statements prepared by:** Gillet M&M, Vitafree

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ZODIAC AEROSPACE - A French Société Anonyme (SA) with an Executive Board and a Supervisory Board and capital of €11,602,897.32 - 729 800 821 RCS Versailles