

# ZODIAC AEROSPACE

*Financial Report*

*First Half 2010/2011*



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Plaisir, le 15 Avril 2011

**Déclaration des Dirigeants**

A notre connaissance les comptes résumés pour le semestre écoulé sont établis conformément aux normes comptables applicables et donnent une image fidèle du patrimoine, de la situation financière et du résultat de la société et de l'ensemble des entreprises comprises dans la consolidation. Le rapport semestriel d'activité ci-joint, présente un tableau fidèle des événements importants survenus pendant les six premiers mois de l'exercice, de leur incidence sur les comptes, des principales transactions entre parties liées ainsi qu'une description des principaux risques et des principales incertitudes pour les six mois restants de l'exercice.

Olivier ZARROUATI  
Président du Directoire



Jean-Jacques JEGOU  
Directeur Administratif & Financier



In the first half of the year, sales revenue grew strongly by 35.6% to €1,309.5 million in terms of published data, and by 17.5% at like-for-like consolidation scope and exchange rate.

The companies acquired in the second half of the previous fiscal year (Cantwell Cullen and Quinson) and at the end of September 2010 (Sell) contributed 11.8% of the revenue growth achieved in the first half of the year.

Compared with the first half of 2009/2010, the euro/dollar exchange rate was more favorable at 1.35 (compared with 1.45) for currency conversions and 1.30 (compared with 1.44) for currency transactions.

## FINANCIAL RESULTS

Current operating income progressed very strongly to end the first half at €184.2 million (after recognition of €1.7 million in expenses as required by IFRS 3), compared with €76.5 million for the same period of the previous fiscal year.

Current operating income increased in all segments:

- Current operating income for the AeroSafety & Technology Segment grew by 39.5% from €19.1 million to €26.7 million, of which €1 million related to a change in accounting scope
- Current operating income for the Aircraft Systems Segment grew by 474.1% from €5.7 million to €32.5 million, of which €1 million related to a change in accounting scope
- Current operating income for the Cabin Interiors Segment grew by 149.2% from €52.0 million to €129.7 million, of which €14.2 million related to a change in accounting scope. This segment benefited greatly during the first half of the year from the recovery seen in the aircraft manufacturing market in general, and the cabin equipment and trolleys sector in particular. It should be noted that this six-month period also included the award of a major contract to supply aircraft-derived sanitary systems for high-speed trains in China. Lastly, the first half of 2010/2011 also included the effect of consolidating the financial results of Sell for the first time (these results refer to a 5-month period)

Non-current operating items represented a loss of €6.6 million, compared with a loss of €2.2 million in the first half of the previous fiscal year, essentially as a result of €5.4 million in expenses recognized as a result of applying IFRS 3 (order book amortization, acquisition expenses, etc.).

Our total financial expenses were up slightly at €14.2 million (1.1% of sales revenue), compared with €13.1 million (1.4% of sales revenue) for the first half of the previous year. This increase is attributable to the rise in our average financial debt, which relates essentially to the acquisition of Sell at the end of September 2010 at a cost of €213 million.

Published net income was €114.3 million, compared with €44.2 million for the first half of the previous year.

## BALANCE SHEET/FUNDING

Our non-current assets increased by €164.3 million to €1,761.4 million, compared with €1,597.1 million at August 31, 2010, principally as a result of:

- €202 million in goodwill and other intangible items as result of the Sell consolidation
- €17.2 million in additional capitalized development expenses net of amortization
- a €63.5 million decrease in the value of these assets as a result of changes in exchange rate

Our working capital requirement ratio remained consistent with that reported at August 31, 2010.

Our net financial debt rose from €514 million to €796 million at the end of February 2011. This increase is due essentially to the acquisition of Sell at a cost of €213 million and the increase in Working Capital Requirement made necessary by the marked increase in sales revenue, after deducting cash flow of €155 million.

## BUSINESS TRENDS

This half-year was marked by the continued recovery in our industry sector, following on from the strong growth seen in the second half of the previous fiscal year.

### **Aerosafety & Technology segment**

This segment reported sales revenue growth of 19.3% in terms of published data and 5.8% in terms of organic revenue growth, with total sales revenue for the period increasing from €226.1 million to €269.7 million driven by strong sales in its Evacuation Systems division (especially in the retrofit market) and equally impressive growth from its Emergency Arresting Systems division.

### **Aircraft Systems Segment**

Sales revenue for the first half of the year was €264.1 million, compared with €219.3 million for the same period of the previous fiscal year, reflecting a rise of 20.4% in terms of published data (12.2% in terms of organic revenue growth). Much of this increase was generated by improved sales in the executive aircraft market.

### **Cabin Interiors Segment**

This segment reported sales revenue of €775.7 million, compared with €520.5 million, reflecting an increase in terms of published data of 49.0% (24.6% in terms of organic revenue growth). The segment benefited from a recovering market, with growth being driven by Cabin Equipment (sanitary systems for aircraft and trains), Cabin Interiors (complete fitment) and the galleys and trolleys divisions.

## OUTLOOK FOR THE SECOND HALF OF THE YEAR

Trading conditions in the aerospace industry remain favorable overall.

On the basis of its results in the first half, Zodiac Aerospace has revised its targets upwards for the full 2010/2011 fiscal year. The Group is now forecasting sales revenue growth of between 15% and 20% (excluding exchange rate influences and any new acquisitions), with a current operating margin rate (current Operating Income/Sales Revenue) of above 13% on the basis of a euro/dollar exchange rate of 1.30.

The Group maintains its full-year targets of a WCR/Sales Revenue ratio comparable to that reported for the 2009/2010 fiscal year, and a Net Debt/EBITDA ratio close to that reported at August 31, 2010, excluding new acquisitions.

## Consolidated Financial Statements

### I - Zodiac Aerospace Group Consolidated Balance Sheet at February 28, 2011 (in thousands of euros)

Assets		28/02/2011	31/08/2010	28/02/2010
<b>Non-current assets:</b>				
Goodwill	(note 7)	1,190,364	1,095,352	1,022,437
Intangible assets	(note 7)	307,788	241,197	216,389
Property, plant and equipment	(note 8)	247,778	244,229	247,129
Financial assets		12,362	12,985	11,701
Deferred tax assets	(note 9)	3,084	3,374	2,252
<b>Total non-current assets</b>	<b>(note 6)</b>	<b>1,761,376</b>	<b>1,597,137</b>	<b>1,499,908</b>
<b>Current assets:</b>				
Inventories and work in progress		580,986	507,867	488,949
Current tax assets		26,751	22,158	20,079
Trade and other receivables		566,589	493,456	461,586
Financial assets		201	248	457
Cash and cash equivalents		114,851	164,723	83,086
<b>Total current assets</b>		<b>1 289,378</b>	<b>1,188,452</b>	<b>1,054,157</b>
Held-for-sale assets		12,550	12,855	
<b>Total assets</b>	<b>(note 5)</b>	<b>3,063,304</b>	<b>2,798,444</b>	<b>2,554,065</b>

<b>Liabilities</b>	<b>28/02/2011</b>	<b>31/08/2010</b>	<b>28/02/2010</b>
<b>Equity:</b>			
Capital stock	11,268	11,235	11,168
Share premiums	88,337	84,076	76,268
Consolidated reserves	1,476,758	1,379,998	1,378,777
Currency translation adjustments	-90,269	12,990	-67,106
Remeasurement of financial instruments	8,846	652	-761
Consolidated net income (after minority interests)	114,374	148,473	44,043
Treasury stock	-90,609	-89,915	-89,923
<b>Equity after minority interests</b>	<b>1,518,705</b>	<b>1,547,509</b>	<b>1,352,466</b>
Minority interests	704	862	1,228
<b>Total equity</b>	<b>1,519,409</b>	<b>1,548,371</b>	<b>1,353,694</b>
<b>Non-current liabilities:</b>			
Provisions (note 12)	50,664	32,285	31,061
Debt (note 11)	673,426	511,655	440,779
Deferred taxes (note 9)	99,273	75,201	52,561
<b>Total non-current liabilities</b>	<b>823,363</b>	<b>619,141</b>	<b>524,401</b>
<b>Current liabilities:</b>			
Provisions (note 12)	50,869	44,485	42,171
Debt (note 11)	237,690	167,457	288,796
Current tax liabilities	26,652	16,195	21,065
Accounts payable	405,321	402,795	323,938
<b>Total current liabilities</b>	<b>720,532</b>	<b>630,932</b>	<b>675,970</b>
<b>Total liabilities</b>	<b>3,063,304</b>	<b>2,798,444</b>	<b>2,554,065</b>

## II - Zodiac Aerospace Group Consolidated Income Statement

(in thousands of euros)

	First half of 2011 to 28/02/11	Full year 2009/2010 to 31/08/10	First half of 2010 to 28/02/10
<b>Sales Revenue</b> (note 1)	<b>1,309,485</b>	<b>2,150,320</b>	<b>965,848</b>
Other revenues from operations	5,471	6,715	4,243
Total revenues	1,314,956	2,157,035	970,091
Purchases used in production	509,825	819,504	375,733
Personnel costs	413,017	697,153	335,027
External costs	194,591	302,274	142,381
Taxes other than income taxes	9,232	19,147	9,711
Depreciation and amortization	29,690	58,405	27,372
Charges to provisions	4,919	10,514	3,447
Changes in inventories of finished goods and work in progress	30,437	-9,033	110
Other operating income and expenses	127	-571	-79
<b>Current operating income</b> (note 2)	<b>184,246</b>	<b>240,434</b>	<b>76,451</b>
Non-current operating items	-6,633	-9,147	-2,270
Operating Income	177,613	231,287	74,181
Income from cash and cash equivalents	-598	1 548	465
Cost of gross debt	-13,252	-26,391	-13,124
Cost of net debt (note 3)	-13,850	-24,843	-12,659
Other financial income and expenses (note 3)	-312	-1,105	-455
Income taxes (notes 4 and 9)	49,166	57,062	16,909
<b>Net income</b>	<b>114,285</b>	<b>148,277</b>	<b>44,158</b>
Minority interest	-89	-196	115
<b>Group share</b>	<b>114,374</b>	<b>148,473</b>	<b>44,043</b>
<b>Earnings per share (after minority interests)</b>	<b>€2.14</b>	<b>€2.80</b>	<b>€0.83</b>
Diluted earnings per share (after minority interests)	€2.12 €	€2.79	€0.83



### III – Statement of net income and gains and losses recognized directly as equity

(in thousands of euros)

	First half of 2011 to 28/02/11	Full year 2009/2010 to 31/08/10	First half of 2010 to 28/02/10
Net income	114,285	148,277	44,158
Gains and losses recognized as equity before tax:			
Currency translation adjustments	-103,045	134,336	54,000
Remeasurement of hedging derivative instruments	12,830	1,598	-506
Tax on remeasurement of hedging derivative instruments	-4,416	-550	176
Total of gains and losses recognized directly as equity	-94,631	135,384	53,670
Net income and gains and losses recognized directly as equity	19,654	283,661	97,828
Minority interest	-158	-84	179
Group share	19,812	283,745	97,649

**IV - Statement of change in consolidated equity**  
(in thousands of euros)

	Capital stock	Share premiums	Reserves	Net income	Currency translation adjustments	Treasury stock	Remeasurement of financial instruments	Total equity after minority interests	Change in minority interests	Change in equity
Position at August 31, 2009	11,142	73,342	1 257,241	173,153	-121,029	-86,387	-468	1, 306,994	1,049	1,308,043
Currency translation adjustments					53,936			53,936	64	54,000
Remeasurement of financial instruments							-330	-330		-330
<b>Income recognized directly in equity (a)</b>	0	0	0	0	53,936	0	-330	53,606	64	53, 670
Net income for the year (b)				44,043				44,043	115	44,158
<b>Total income recognized for the year (a) + (b)</b>	0	0	0	44,043	53,936	0	-330	97,649	179	97,828
Capital increase	26	2 926						2,952		2,952
Acquisition or disposal of treasury stock						-3,536		-3,536		-3,536
Measurement of stock options			1,282					1,282		1,282
Dividends			-52,878					-52,878		-52,878
Other			173,132	-173,153	-13		37	3		3
Change of consolidation scope and capital increase on minority interests								0		0
Position at February 28, 2010	11,168	76,268	1,378,777	44,043	-67,106	-89,923	-761	1,352,466	1,228	1,353,694

	Capital stock	Share premiums	Reserves	Net income	Currency translation adjustments	Treasury stock	Remeasurement of financial instruments	Total equity after minority interests	Change in minority interests	Change in equity
Position at August 31, 2010	11,235	84,076	1,379,998	148,473	12,990	-89,915	652	1, 547,509	862	1,548,371
Currency translation adjustments					-102,976			-102,976	-69	-103,045
Remeasurement of financial instruments			220				8,194	8,414		8,414
<b>Income recognized directly in equity (a)</b>	0	0	220	0	-102,976	0	8,194	-94,562	-69	-94,631
Net income for the year (b)				114,374				114,374	-89	114,285
<b>Total income recognized for the year (a) + (b)</b>	0	0	220	114,374	-102,976	0	8,194	19,812	-158	19,654
Capital increase	33	4,261						4,294		4,294
Acquisition or disposal of treasury stock						-694		-694		-694
Measurement of stock options			1,180					1,180		1,180
Dividends			-53,393					-53,393		-53,393
Other			148,753	-148,473	-283			-3		-3
Change of consolidation scope and capital increase on minority interests								0		0
Position at February 28, 2011	11,268	88,337	1,476,758	114,374	-90,269	-90,609	8,846	1,518,705	704	1,519,409

## V - Consolidated statement of cash flows

(in thousands of euros)

	First half of 2011 to 28/02/11	Full year 2009/2010 to 31/08/10	First half of 2010 to 28/02/10
<b>Operating activities:</b>			
Net income	114,285	148,277	44,158
Depreciation, amortization and provisions	33,389	56,357	26,913
Capital gains	-48	1,422	131
Subsidies and deferred taxes (1)	6,270	26,010	-3,479
Stock options	1,180	2,442	1,282
Cash flow	155,076	234,508	69,005
Net change in inventories	-50,602	21,259	11,662
Net change in operating assets	-70,070	37,148	55,057
Net change in liabilities	-3,066	35,226	-28,534
Cash generated from operations	31,338	328,141	107,190
<b>Investing activities:</b>			
Acquisitions of assets:			
Intangible assets	-22,859	-35,077	-16,016
Property, plant and equipment	-24,384	-52,546	-23,797
Other	-373	-3,085	-2,592
Proceeds from disposals of fixed assets	2,856	1,684	1,878
Changes in receivables and payables relating to fixed assets	-2,419	610	-1,102
Acquisitions/disposals of entities, net of cash acquired (2)	-209,764	-64,901	-7,898
Cash generated from investments	-256,943	-153,315	-49,527
<b>Financing activities:</b>			
Change in long-term debt	238,051	-88,189	-21,759
Change in financial instruments	12,830	1,598	-505
Capital increase	4,294	10,827	2,952
Treasury stock	-694	-3,528	-3,536
Ordinary dividends paid by parent company	-53,393	-52,877	-52,878
Dividends paid to minority interests		-103	
Cash generated from financing	201,088	-132,272	-75,726
Currency translation adjustments at beginning of period	-17,938	15,431	5,107
Change in cash	-42,455	57,985	-12,956
Cash at beginning of period	146,773	88,788	88,788
Cash at end of period (note 10)	104,317	146,773	75,832

(1) At 31/08/2010, this amount included the final adjustment for the tax payable on the disposal of shares in the Marine Segment shown in the 'Acquisitions/disposals of entities, net of cash acquired' line.

(2) In the first half of 2010 and to 31/08/10 = includes payment of a tax balance relating to the Marine Segment disposal.

## VI - Notes to the consolidated financial statements

### 1) List of consolidated companies at February 28, 2011

Fully-consolidated companies	Country	% ownership
Zodiac Aerospace	France	Parent company
Adder SAS	France	100.00
Aérazur	France	100.00
Aerodesign de Mexico SA	Mexico	100.00
Air Actuators Singapore	Singapore	100.00
Air Cruisers	U.S.A.	100.00
Amfuel	U.S.A.	100.00
Avox Systems	U.S.A.	100.00
Cantwell Cullen & Company	Canada	100.00
C & D Aerospace Canada Co	Canada	100.00
C & D Brasil Limitada	Brazil	100.00
C & D Zodiac Inc	U.S.A.	100.00
C&D Europe	France	100.00
Driessen Aerospace CZ SRO	Czech Republic	100.00
Driessen Aerospace Group NV	Netherlands	100.00
Driessen Aerospace USA Inc	USA	100.00
Driessen Aircargo Equipment BV	Netherlands	100.00
Driessen Aircargo Equipment Ltd	Thailand	100.00
Driessen Aircargo Equipment USA Inc	USA	100.00
Driessen Aircraft Interior Systems (Thailand) Ltd	Thailand	100.00
Driessen Aircraft Interior Systems Europe BV	Netherlands	100.00
Driessen Aircraft Interior Systems Inc	USA	100.00
Driessen Aircraft Interior Systems USA Inc	USA	100.00
Driessen Global Services BV	Netherlands	100.00
Driessen Services Bahrein	Bahrain	51.00
Driessen Services Brussels BV	Belgium	100.00
Driessen Services Inc	USA	100.00
Driessen Services Singapore Ltd	Singapore	100.00
DSF Wartung und reparatur von Flugzeugeinrichtungen GmbH	Germany	100.00
E Dyer Engineering Ltd	UK	100.00
ECE	France	100.00
Engineered Arresting Systems Corp	U.S.A.	100.00
Evac GMBH	Germany	100.00
Evac LTDA	Brazil	100.00
Evac Shanghai ETC	China	100.00
Gat-In-Es	France	100.00
Icore International Inc	U.S.A.	100.00
Icore International Ltd	UK	100.00
IDD Aerospace Corp	U.S.A.	100.00
Immobilière Galli	France	100.00
IN Services & Al Rumaithy Estab	UAE	49.00
IN Snec Holding	France	100.00
IN-Flex	France	100.00
IN-LHC	France	100.00
IN Services Asia	Hong Kong	100.00
Intertechnique	France	100.00
Monogram Aerospace Industries	U.S.A.	100.00
Parachutes Industries Southern Africa	South Africa	100.00
Pioneer	U.S.A.	100.00
Precilec	France	100.00
Quinson	France	100.00
Sell GmbH	Germany	100.00
Sell Holding Germany Gbmh	Germany	100.00
Sell Services France	France	100.00
Sell Services Germany GmbH	Germany	100.00
Sicma Aéro Seat	France	100.00
Sicma Aéro Seat Services	U.S.A.	100.00
Société Aéronautique Marocaine de décolletage Industriel	Morocco	100.00
The Richards Corp	U.S.A.	100.00
Weber Aircraft	U.S.A.	100.00
Zodiac Aerospace Maroc	Morocco	100.00
Zodiac Aerospace Tianjin Pte Ltd	China	100.00
Zodiac Aerospace UK Ltd	UK	100.00
Zodiac Automotive Tunisie	Tunisia	100.00
Zodiac Automotive Division	France	100.00
Zodiac Automotive UK	UK	100.00
Zodiac Cabin	France	100.00
Zodiac Cabin Controls GMBH	Germany	100.00
Zodiac Data Systems GmbH	Germany	100.00
Zodiac Data Systems Inc	U.S.A.	100.00
Zodiac Data Systems Ltd	UK	100.00
Zodiac Data Systems Sas	France	100.00
Zodiac Engineering	France	100.00
Zodiac Equipments Tunisie SARL	Tunisia	100.00
Zodiac Holding Airbag Espana SL	Spain	100.00
Zodiac Holding Sicma Aeroseat SL	Spain	100.00
Zodiac Seats Services Middle East	UAE	100.00
Zodiac Seats Tunisie SARL	Tunisia	100.00
Zodiac Services America LLC	U.S.A.	100.00
Zodiac Services Asia	Singapore	100.00
Zodiac Services Europe	France	100.00
Zodiac US Corporation	U.S.A.	100.00

## 2) Main exchange rates used in consolidation

	At February 28, 2011		At August 31, 2010		At February 28, 2010	
	Balance sheet	Income statement	Balance sheet	Income statement	Balance sheet	Income statement
US dollar	1.3834	1.3476	1.2680	1.369	1.3570	1.4477
Canadian dollar	1.3535	1.3598	1.3489	1.4311	1.4354	1.5318
South African rand	9.6400	9.4274	9.4044	10.2716	10.5049	10.8881
Pound sterling	0.8528	0.8522	0.8248	0.8737	0.8927	0.8941
Thai baht	42.3040	40.879	39.6700	44.9484	44.8690	42.2385
Czech crown	24.3530	24.6192	24.8500	25.6372	25.9700	25.8702

## 3) Accounting principles

### A) Accounting standard and basis for preparation of financial statements

#### a) Basis for preparation of financial statements

The Zodiac Aerospace Group consolidated financial statements for the six-month period ended February 28, 2011 have been prepared in accordance with the provisions contained in IAS 34 - Interim Financial Reporting. As summary financial statements, they do not include all the information required under IFRS, and should be read in combination with the Group annual consolidated financial statements for the fiscal year ended August 31, 2010 available from the Group website, subject to those features specific to the preparation of interim financial statements, as described below.

Although applicable for the period concerned, the following new standards and interpretations have had no significant effect on the consolidated financial statements to February 28, 2011:

- Amendments to IFRS 1 - Additional exemptions for first-time adopters
- Amendments to IFRS 2 – Group cash-settled share-based payment transactions
- Amendments to IAS 32 - Classification of rights issues
- Improvements to IFRSs (April 2009)
- Improvements to IFRSs (May 2010)
- IFRIC 15 - Agreements for the construction of real estate
- IFRIC 17 - Distributions of non-cash assets to owners
- IFRIC 18 - Transfers of assets from customers
- IFRIC 19 - Extinguishing financial liabilities with equity instruments

The principles applied by Zodiac Aerospace at February 28, 2011 do not differ from the IFRSs published by the IASB, since application of those amendments and interpretations whose implementation is compulsory for accounting periods commencing on or after September 1, 2010 as shown in the listing published by IASB but yet to become compulsory in the listing adopted by the European Union, will have no significant effect.

Lastly, the Group has not applied the following standards and interpretations, which had either not been adopted by the European Union by February 28, 2011, or were due to become compulsorily applicable after February 28, 2011:

- Standards adopted:
  - o IAS 24 - Related party disclosures
  - o Improvements to IFRSs (May 2010)
  - o Amendment to IFRIC 14 - Prepayments of a minimum funding requirement
- Standards not adopted:
  - o IFRS 9 - Financial instruments
  - o Amendment to IFRS 7 - Disclosures – transfer of financial assets
  - o Amendment to IFRS 1 - Severe hyperinflation and removal of fixed dates for first-time adopters
  - o Amendment to IAS 12 - Tax recovery of underlying assets

Zodiac Aerospace is in the process of identifying the potential impacts on the Group consolidated financial statements. At this stage of its analysis, the Group does not anticipate any significant impact on its consolidated financial statements.

#### b) Income tax

For the purpose of preparing interim financial statements, the income tax charge (current and deferred) is calculated by applying the estimated annual average rate for the current fiscal year to the accounting income figure for period.

#### c) Impairment of assets

At February 28, 2011, the Group had identified no indicator occurring during the first half of the year suggesting actual or potential loss of value in its long-term assets (goodwill and activated development costs).

#### d) Post-balance sheet date events

There were no significant post period-end events.

### **4) Special features of the first half**

#### a) Key events

At the end of September 2010, Zodiac Aerospace finalized its 100% acquisition of the Sell Group (comprising essentially Sell GmbH) from Premium Aircraft Interiors in a deal valuing the company at a total of €213 million.

Announced on July 5, 2010, this acquisition will strengthen the position of the Zodiac Aerospace Group in the cabin interiors market.

Sell is fully consolidated and contributed to Group income over the 5-month period prior to the end of February 2011.

In accordance with the provisions of IFRS 3 (revised), the Group has measured the assets acquired and the liabilities assumed at fair value on the date of acquisition.

The result is a preliminary goodwill figure, which may be adjusted during a maximum period of 12 months from the date of acquisition in order to reflect any new information regarding the facts and circumstances prevailing on the date of acquisition. The provisional allocation of the acquisition price breaks down as follows:

(in thousands of euros)	Assets and liabilities acquired prior to provisional allocation of the acquisition price	PAP	After provisional allocation of the acquisition price
Assets	8,891	63,118	72,009
Inventories	39,799	1,735	41,534
Trade and other receivables	28,488		28,488
Cash and cash equivalents	2,863		2,863
<b>Total Assets</b>	<b>80,041</b>	<b>64,853</b>	<b>144,894</b>
Provisions	26,576		26,576
Financial debt	92,952		92,952
Accounts payable, payroll, deferred taxes and other payables	29,667	18,188	47,855
<b>Total Liabilities</b>	<b>149,195</b>	<b>18,188</b>	<b>167,383</b>
Acquisition price			120,613
Goodwill			143,102

The principal outcome of the fair value measurement applied to the assets acquired is the recognition of intangible assets valued at €58.9 million (brands, customers and order book) and the re-measurement of property, plant and equipment (€4.2 million) and inventories (€1.7 million).

The impact of the Sell acquisition on the Group consolidated income statement to the end of February 2011 is detailed in the following table:

**Sell - Simplified Income Statement for the period October 2010 to February 2011 after application of IFRS3**

(in thousands of euros)	
Revenue	90,231
Recurring operating income	14,167
Non-current operating items	-2,202
Operating Income	11,965
Financial expenses	-1,450
Income tax charge	3,166
Net income	7,349

(b) Seasonality

The Group has no area of business significantly affected by seasonal factors.

## Notes to the financial statements

### Note 1 – Sales revenue

#### **Consolidated sales revenue at February 28, 2011 by segment and customer location**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	121,356	108,288	40,057	269,701
Aircraft Systems	151,156	80,178	32,733	264,067
Cabin Interiors	160,563	375,115	240,039	775,717
Total	433,075	563,581	312,829	1,309,485

#### **Consolidated sales revenue at February 28, 2010 by segment and customer location**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	122,704	69,186	34,210	226,100
Aircraft Systems	129,178	67,056	23,040	219,274
Cabin Interiors	141,238	240,467	138,769	520,474
Total	393,120	376,709	196,019	965,848

#### **Consolidated sales revenue by segment with a breakdown of inter-segment revenues at February 28, 2011**

(in thousands of euros)	Sales revenue including inter-segment	Inter-segment sales revenue	Consolidated sales revenue
Aerosafety & Technology	273,111	3,410	269,701
Aircraft Systems	270,478	6,411	264,067
Cabin Interiors	776,513	796	775,717
Total	1,320,102	10,617	1,309,485

#### **Consolidated sales revenue by segment with a breakdown of inter-segment revenues at February 28, 2010**

(in thousands of euros)	Sales revenue including inter-segment	Inter-segment sales revenue	Consolidated sales revenue
Aerosafety & Technology	229,138	3,038	226,100
Aircraft Systems	223,661	4,387	219,274
Cabin Interiors	521,246	772	520,474
Total	974,045	8,197	965,848



## Note 2 – Current operating income

### **Current operating income at February 28, 2011 by segment and asset location**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	13,498	11,832	1,347	26,677
Aircraft systems	26,243	5,357	897	32,497
Cabin Interiors	63,003	64,957	1,728	129,688
Zodiac Aerospace	-4,585	-31		-4,616
Total	98,159	82,115	3,972	184,246

### **Current operating income at February 28, 2010 by segment and asset location**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	9,793	8,463	861	19,117
Aircraft systems	3,892	675	1,094	5,661
Cabin Interiors	7,544	43,153	1,340	52,037
Zodiac Aerospace	-912	544	4	-364
Total	20,317	52,835	3,299	76,451

## Note 3 – Cost of net financial debt and other financial income and expenses

### **Cost of net financial debt and other financial income and expenses at February 28, 2011 by segment and region**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	-38	-980	-141	-1,159
Aircraft Systems	-548	-223	-139	-910
Cabin Interiors	-1,461	-399	91	-1,769
Zodiac Aerospace	-10,448	124		-10,324
Total	-12,495	-1,478	-189	-14,162

### **Cost of net financial debt and other financial income and expenses at February 28, 2010 by segment and region**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	-277	212	-251	-316
Aircraft Systems	-94	-138	-116	-348
Cabin Interiors	357	-1,248	-136	-1,027
Zodiac Aerospace	-11,736	313		-11,423
Total	-11,750	-861	-503	-13,114

## Note 4 – Income tax

### **Income tax charge at February 28, 2011 by segment and region**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	2,909	3,998	5	6,912
Aircraft Systems	5,506	2,205	-54	7,657
Cabin Interiors	16,997	22,908	428	40,333
Zodiac Aerospace	-5,769	33		-5,736
Total	19,643	29,144	379	49,166

### **Income tax charge at February 28, 2010 by segment and region**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	1,705	2,677	149	4,531
Aircraft Systems	-1,015	161	23	-831
Cabin Interiors	1,859	15,395	5	17,259
Zodiac Aerospace	-4,156	106		-4,050
Total	-1,607	18,339	177	16,909

## Note 5 - Total assets

### **Total assets by segment and region at February 28, 2011**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	228,767	221,721	24,644	475,132
Aircraft Systems	695,741	86,627	27,341	809,709
Cabin Interiors	720,358	942,329	35,853	1,698,540
Zodiac Aerospace	79,867	56		79,923
Total	1,724,733	1,250,733	87,838	3,063,304

### **Total assets by segment and region at August 31, 2010**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	229,035	225,883	23,522	478,440
Aircraft Systems	661,538	91,263	25,947	778,748
Cabin Interiors	367,273	994,240	35,718	1,397,231
Zodiac Aerospace	143,990	35		144,025
Total	1 401,836	1,311,421	85,187	2,798,444

## Note 6 - Total non-current assets

### **Total non-current assets by segment and region at February 28, 2011**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	77,720	107,856	9,449	195,025
Aircraft Systems	452,545	51,041	15,107	518,693
Cabin Interiors	403,335	583,488	11,178	998,001
Zodiac Aerospace	49,657			49,657
Total	983,257	742,385	35,734	1,761,376

### **Total non-current assets by segment and region at August 31, 2010**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	77,347	113,809	8,747	199,903
Aircraft Systems	438,184	55,512	14,679	508,375
Cabin Interiors	190,997	634,463	12,701	838,161
Zodiac Aerospace	50,698			50,698
Total	757,226	803,784	36,127	1,597,137

## Note 7 - Intangible assets and goodwill

### **Intangible assets and goodwill by segment and region at February 28, 2011**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	51,433	92,392	658	144,483
Aircraft Systems	396,954	43,350	6,724	447,028
Cabin Interiors	373,961	531,576	26	905,563
Zodiac Aerospace	1,078			1,078
Total	823,426	667,318	7,408	1,498,152

### **Intangible assets and goodwill by segment and region at August 31, 2010**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	51,469	96,364	681	148,514
Aircraft Systems	384,572	47,178	7,012	438,762
Cabin Interiors	173,575	574,675	16	748,266
Zodiac Aerospace	1,007			1,007
Total	610,623	718,217	7,709	1,336,549

## Note 8 - Net property, plant and equipment

### **Net property, plant and equipment by segment and region at February 28, 2011**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	24,188	14,730	8,551	47,469
Aircraft Systems	54,996	7,639	8,329	70,964
Cabin Interiors	28,002	47,310	10,990	86,302
Zodiac Aerospace	43,043			43,043
<b>Total</b>	<b>150,229</b>	<b>69,679</b>	<b>27,870</b>	<b>247,778</b>

### **Net property, plant and equipment by segment and region at August 31, 2010**

(in thousands of euros)	Europe	Americas	Other	Total
Aerosafety & Technology	23,795	16,607	7,821	48,223
Aircraft Systems	52,962	8,265	7,578	68,805
Cabin Interiors	16,268	54,833	12,490	83,591
Zodiac Aerospace	43,610			43,610
<b>Total</b>	<b>136,635</b>	<b>79,705</b>	<b>27,889</b>	<b>244,229</b>

## Note 9 – Income taxes

### **Balance sheet: Deferred taxes**

(in thousands of euros)	At 28/02/11	At 31/08/10	At 28/02/10
Deferred tax assets	3,084	3 374	2 252
Deferred tax liabilities	99,273	75 201	52 561
<b>Total net deferred taxes</b>	<b>-96,189</b>	<b>-71 827</b>	<b>-50 309</b>
Breakdown of net amount by category:			
Employee benefits	17,205	17,710	20,400
Depreciation of inventories, stocks and associated general expenditure	16,017	17,304	17,880
Intercompany inventory profit	18,186	15,903	16,438
Development costs	-74,036	-70,531	-63,583
Goodwill	-60,891	-66,256	-52,455
Restatement of regulated provisions	-3 891	-4,123	-3,843
Other (1)	-8,779	18,166	14,854
<b>Total net deferred taxes</b>	<b>-96,189</b>	<b>-71,827</b>	<b>-50,309</b>

(1) including deferred taxes on measurement variances.

**Income statement: Breakdown of deferred/current taxes**

(in thousands of euros)	At 28/02/11	At 31/08/10	At 28/02/10
Deferred taxes	6,270	19,655	-3,479
Current taxes	42,896	37,407	20,388
<b>Total taxes</b>	<b>49,166</b>	<b>57,062</b>	<b>16,909</b>

Effective tax rate			
	At 28/02/11	At 31/08/10	At 28/02/10
<b>Effective tax rate</b>			
Pre-tax income	<b>163,451</b>	<b>205,339</b>	<b>61,067</b>
Tax rate	34.43%	34.43%	34.43%
Theoretical tax	56,276	70,698	21,025
Incidence of reduced-rate risk		-142	
Impact of tax rates in countries other than France (1)	-2,344	452	-855
Disposals of equity holdings		-1,209	
Tax credit for research and training	-5,134	-14,122	-4,453
Other	368	1,385	1,192
<b>Consolidated income tax</b>	<b>49,166</b>	<b>57,062</b>	<b>16,909</b>
<b>Effective tax rate</b>	<b>30.08%</b>	<b>27.79%</b>	<b>27.69%</b>

(1) Including production tax credit in the US.

**Note 10 – Cash**

(in thousands of euros)	At 28/02/11	At 31/08/10	At 28/02/10
Cash and cash equivalents	114,851	164,723	83,086
Negotiable securities			246
Current financial liabilities	-237,690	-167,457	-288,796
Commercial paper and other lines of short-term credit	226,000	148,000	215,000
Current portion of long-term loans and reimbursable advances	1,156	1,507	66,296
Banks	-10,534	-17,950	-7,500
<b>Net cash</b>	<b>104,317</b>	<b>146,773</b>	<b>75,832</b>

## Note 11 - Debt

(in thousands of euros)	At 28/02/11	At 31/08/10	At 28/02/10
<b>A. Non-current financial debt</b>			
Confirmed syndicated loan (EUR)	610,000	450,000	420,000
Confirmed syndicated loan (USD)			
Confirmed syndicated loan (CAD)	46,260	46,061	
Syndicated loan costs	-6,105	-7,022	-1,809
Non-current portion of other borrowings and unconfirmed loans	23,271	22,616	22,588
<b>Non-current financial debt</b>	<b>673,426</b>	<b>511,655</b>	<b>440,779</b>
<b>B. Current financial liabilities</b>			
Commercial paper (EUR)	226,000	148,000	215,000
Confirmed syndicated loan (EUR)			65,000
Current portion of amounts due to banks, other borrowings and unconfirmed loans	11,690	19,457	8,796
<b>Current financial liabilities</b>	<b>237,690</b>	<b>167,457</b>	<b>288,796</b>
<b>Total</b>	<b>911,116</b>	<b>679,112</b>	<b>729,575</b>

The syndicated loan is subject to a covenant in the form of the 'Debt/EBITDA' ratio, as defined in the loan agreement. Under the terms of the contract, this is measured at the year-end and must not exceed 3.5 at August 31, 2011.

## Note 12 - Provisions

(in thousands of euros)	Opening balance at Aug. 31, 2010	Currency translation adjustments	Change in scope (1)	Changes during the period			Other	Closing balance at Feb. 28, 2011
				Charges	Reversals (used provisions)	Reversals (unused provisions)		
Medical cover for US pensioners	4,100	-342		115		-111		3,762
Lump-sum retirement benefits	26,411		17,670	751	-496			44,336
Other	1,774		801		-9			2,566
<b>Total non-current</b>	<b>32,285</b>	<b>-342</b>	<b>18,471</b>	<b>866</b>	<b>-505</b>	<b>-111</b>	<b>0</b>	<b>50,664</b>
Guarantees	27,811	-715	750	2,315	-763	-119		29,279
Litigation and insurance deductibles	3,474	-75		1,466	-816	-127		3,922
Restructuring and diversification	4,904	-8		1,083	-1,620	-170		4,189
Taxes	1,466	-66	18	17	-45	-174		1,216
Other	6,830	-288	7,339	1,526	-2,833	-311		12,263
<b>Total current</b>	<b>44,485</b>	<b>-1,152</b>	<b>8,107</b>	<b>6,407</b>	<b>-6,077</b>	<b>-901</b>	<b>0</b>	<b>50,869</b>
<b>Total</b>	<b>76,770</b>	<b>-1,494</b>	<b>26,578</b>	<b>7,273</b>	<b>-6,582</b>	<b>-1,012</b>	<b>0</b>	<b>101,533</b>

(1) The change in scope refers to Sell GmbH joining the Group. The main provisions refer to a pension plan and provisions for early retirement, as well as provisions for losses on completion, future cost prices of goods sold and environmental provisions.

## Note 13 - Off-balance sheet commitments and contingent assets/liabilities

### **Note 13.1 - Off-balance sheet commitments**

(in thousands of euros)	At 28/02/11	At 31/08/10	At 28/02/10
Commitments given:			
Long-term leases (1)	77,921	97,373	69,303
Actuarial gains and losses on employee benefit obligations (2)	5,997	6,351	1,929
Other guarantees given (3)	8,740	7,502	4,397
Commitments received under contracts	271	296	276

(1) This amount includes commitments on revocable and irrevocable leases.

(2) Net of deferred taxes

(3) Including a €3,957,000 guarantee issued by Zodiac Aerospace in favor of the Federal Insurance Company (CHUBB) as security for performance bonds issued by this insurer to certain customers of our ESCO companies to underwrite fulfillment of their commercial contracts (installation of arresting barriers and systems for civil and military aircraft). The total usable guarantee issued by Zodiac Aerospace in this respect is \$10 million (€7.2 million at the exchange rate prevailing at the end of the period).

N.B.: Zodiac Aerospace has also:

- posted a guarantee bond at the Amsterdam commercial court to cover the consolidated debts of the Driessen Group holding company and its Dutch subsidiaries to avoid the need to submit Dutch GAAP consolidated financial statements for the Driessen sub-group. This guarantee may not exceed €10 million
- provided a guarantee for a customer of its Sicma Aero Seat subsidiary as part of securing a contract to supply a significant volume of seats for Sicma Aero Seat and the Group. This guarantee expires on December 31, 2015.
- provided two performance bonds to two customers during the first half of the year as part of gaining major contracts:
  1. for the supply of seats by its subsidiary company Weber Aircraft
  2. for the supply of seats and cabin fittings by its subsidiary companies Weber Aircraft and C&D Zodiac Inc.

### **Note 13.2 - Contingent assets and liabilities**

At February 28, 2011, there was no change regarding the contingent assets and liabilities identified in the Group Annual Report to August 31, 2010.

## Note 14 - Information on related parties

### **Transactions with executives and officers**

#### Compensation and benefits

(in euros)	Fixed	Variable (1)	Benefits in kind (vehicle)	Total
Maurice Pinault	150,000	78,435	2,490	230,925
Olivier Zarrouati	250,000	176,112	2,250	428,362
Total	400,000	254,547	4,740	659,287

(1) The variable amounts shown are based on those paid for the 2010/2011 fiscal year applied pro-rata to the first 6 months of the current year.

## Stock options

	Maurice Pinault		Olivier Zarrouati		
	Plan 04	Plan 07b	Plan 04	Plan 07a	Plan 07b
Options outstanding at August 31, 2010	79,350	84,640	63,480	79,350	63,480
Options exercised in the first half of 2010/2011	25,000		46,309		
Options outstanding at February 28, 2011	54,350	84,640	17,171	79,350	63,480
Option price (in euros)	23.83	41.11	23.83	49.29	41.11
Expiry date	12/02/2012	03/12/2015	12/02/2012	13/02/2015	03/12/2015

## Remuneration paid to Executive Committee members

There are 9 Executive Committee members.

In the first half of 2010/2011, they received compensation totaling €2,299,000, of which €1,176,000 related to the fixed element.

The variable element is calculated as follows:

- 0 to 175% of fixed salary to reflect the degree to which operating profit and capital employed targets are met
- 0 to 100% of fixed salary to reflect the degree to which the net income target is met

A total of 32,000 stock options were granted to Executive Committee members in the first half of 2010/2011.



## Statutory Auditors' report on the financial information for the first half of the fiscal year

FIDEURAF  
A member of the Fiducial network  
41, rue du CapitaineGuynemer  
92925 Paris-La Défense Cedex  
S.A. capitalized at €160,000

Statutory Auditor  
Member of the Compagnie  
Régionale de Versailles

ERNST & YOUNG Audit  
Faubourg de l'Arche  
11, allée de l'Arche  
92037 Paris-La Défense Cedex  
S.A.S. with variable capital

Statutory Auditor  
Member of the Compagnie  
Régionale de Versailles

Zodiac Aerospace

Period from September 1, 2010 to February 28, 2011

To the Shareholders,

In accordance with the terms of our appointment by your Annual General Meetings, and in accordance with Clause L. 451-1-2 III of the French Monetary and Financial Code, we have:

- conducted a limited examination of the summary consolidated half-year financial statements for Zodiac Aerospace for the period from September 1, 2010 to February 28, 2011, as appended to this report
- verified the information contained in the business report for the half-year

These summary consolidated half-year financial statements have been prepared under the responsibility of the Executive Board. Our role is to express our conclusion regarding these financial statements based on our limited examination.

### 1. Conclusion regarding the consolidated financial statements

We have conducted our limited examination in accordance with professional standards applicable in France. A limited examination consists essentially of meeting with those executive board members responsible for accountancy and finance and applying a series of analytical procedures. The work involved is less extensive than that required for an audit conducted in accordance with professional standards applicable in France. Consequently, the assurance that, in overall terms, the consolidated financial statements are free of material misstatement on the basis of limited examination is necessarily a guarded assurance that cannot be as strongly stated as that provided in the context of a full audit.

Our limited examination has revealed no significant anomalies that could compromise the compliance of the summary consolidated half-year financial statements with the IAS 34 accounting standard – the IFRS Interim Financial Reporting standard, as adopted by the European Union.

### 2. Specific verification

We have also verified the information contained in the business report for the half-year, which comments on the summary consolidated half-year financial statements that have been the subject of our limited examination.

We have no comments to report concerning the fair presentation and consistency of such information with the summary consolidated half-year financial statements.

Paris-La Défense, April 27, 2011

The Statutory Auditors

FIDEURAF  
a Member of the Fiducial network

Jean-Pierre Boutard

ERNST & YOUNG Audit

Laurent Miannay

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of 11,267,854 euros – 729 800 821 R.C.S. Versailles

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