

Zodiac Aerospace H1 2014/2015 Results presentation

April 22, 2015

Summary

- **A favorable environment**

- Increase in sales
- Improvement of the \$/€ exchange rates

- **Offset by the difficulties in the Seats activities**

- Production cost variances, extra costs and penalties weight on our results
- H1 Operating Income significantly impacted

- **Priority #1 is to resume on time deliveries**

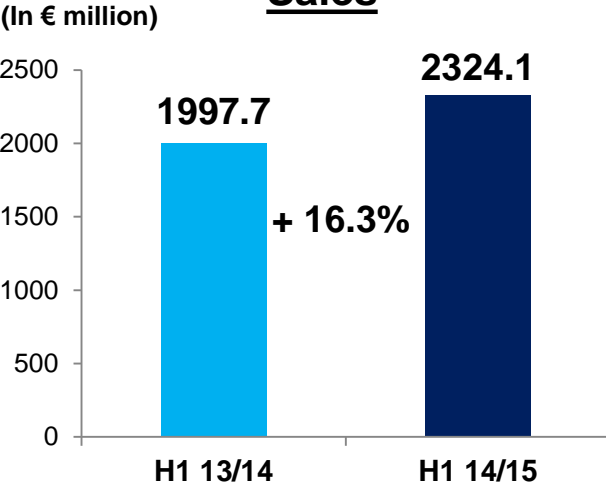
- Recovery plan being implemented
- Improvements in the various factories
- H2 will still be impacted

H1 2013/2014 Highlights

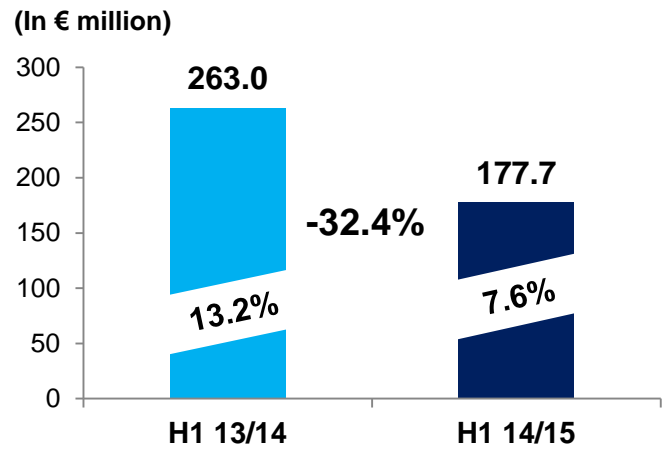


H1 14/15 results impacted by operational difficulties in Seats

Sales



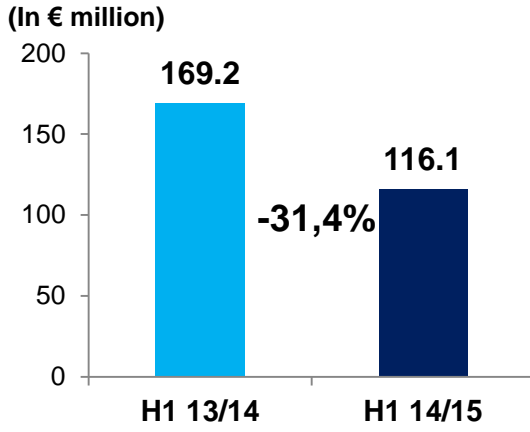
Current Operating Income*



€/€\$ (transaction)	1.36	1.28
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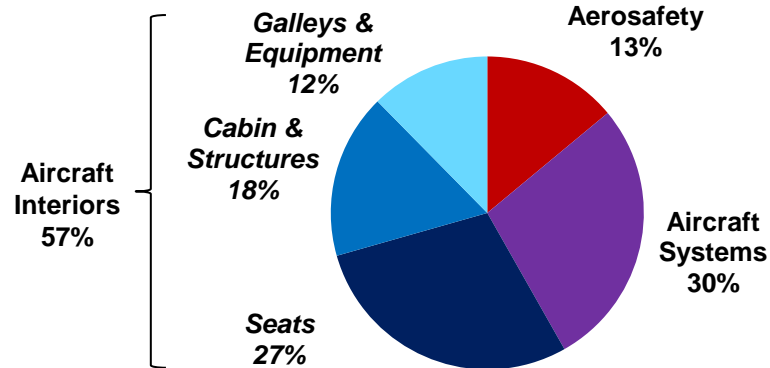
* Excluding IFRS3 impact

Net Earnings*



* Excluding IFRS3 impact

Sales breakdown



WCR/Sales

39.7%* vs. **34.2%***

H1 2014/15 H1 2013/14

* Based on trade WCR

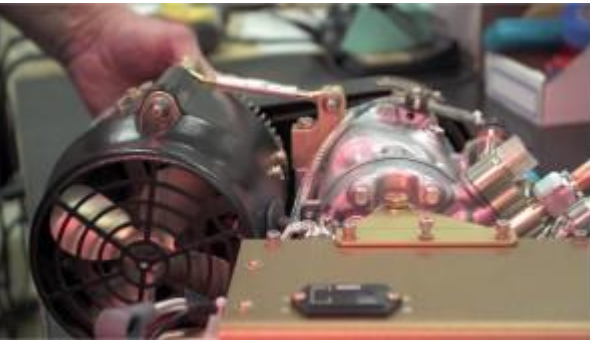
Gearing*

0.49 vs. **0.46**

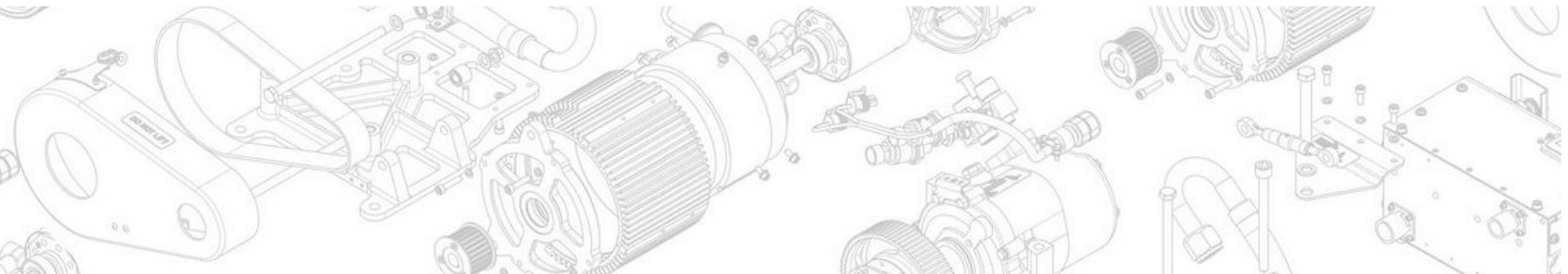
H1 2014/15 H1 2013/14

*net financial debt/ equity

Acquisition of Enviro Systems – Dec. 2014



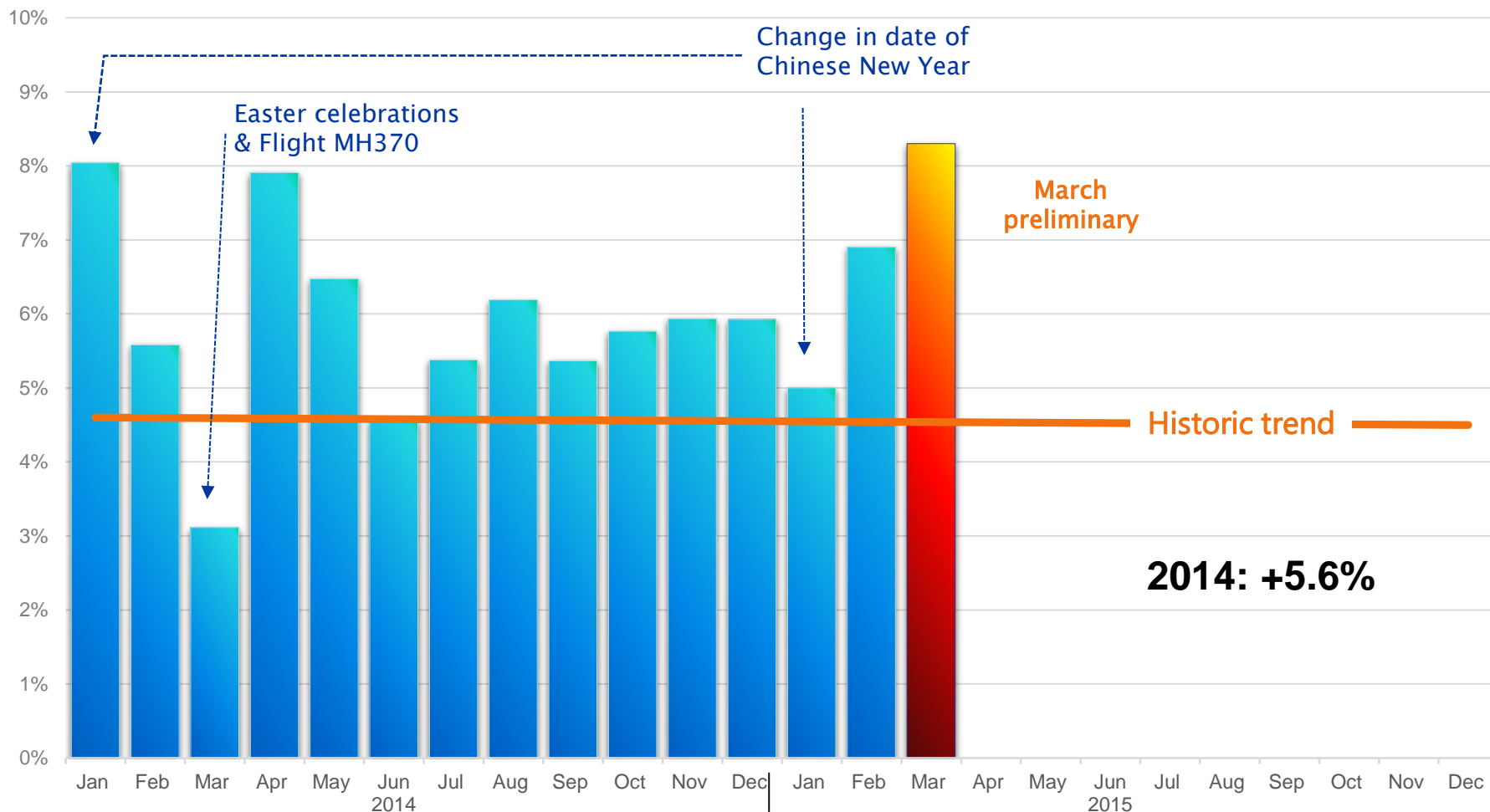
- US company founded in 1979, located in Seminole (Oklahoma) and employing approximately 160 people
- \$34m sales for FY14 (end sept)
- Enviro Systems manufacture environmental control systems consisting of bleed air mass inflow control systems, bleed air temperature control systems, and vapor cycle air conditioning systems for business, regional, military, and rotary wing aircraft



World Air Traffic Growth

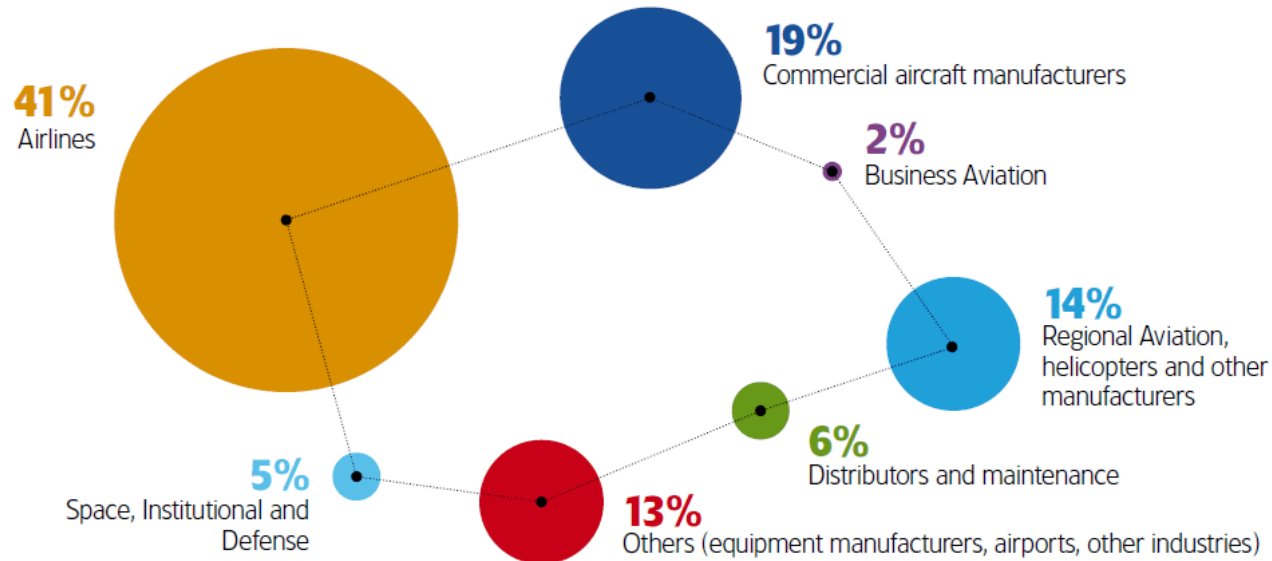
Revenue Passenger Km – Comparison with Historic Trend

Percentage change compared to same period in previous year



Zodiac Aerospace has a diversified mix of customers

- OE : 65% of sales
- Aftermarket (spares + repair + retrofit): 35% of sales
- A balanced revenue contribution



H1 2014/2015 Financial performance

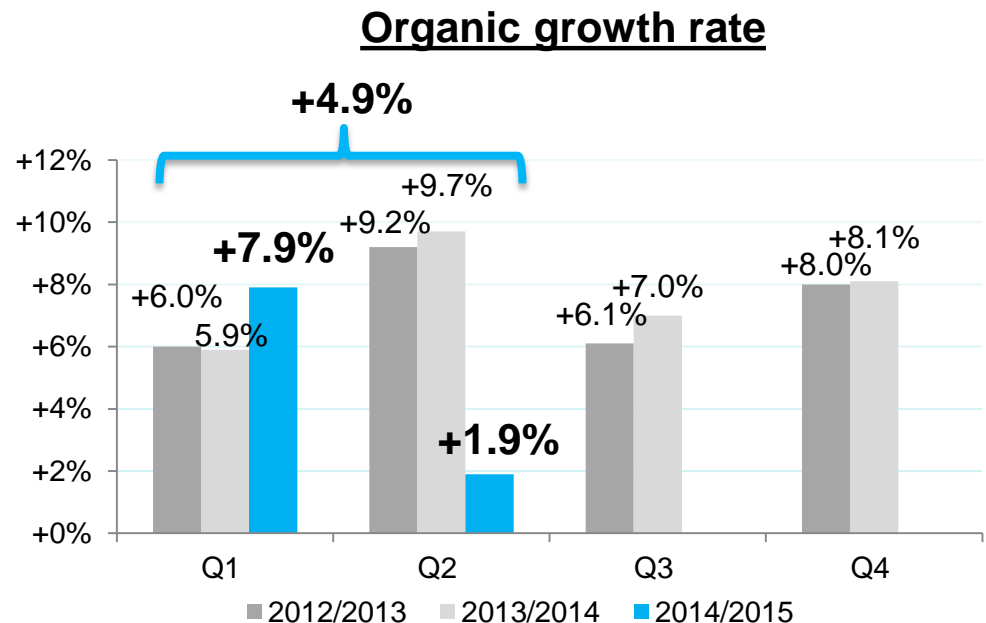
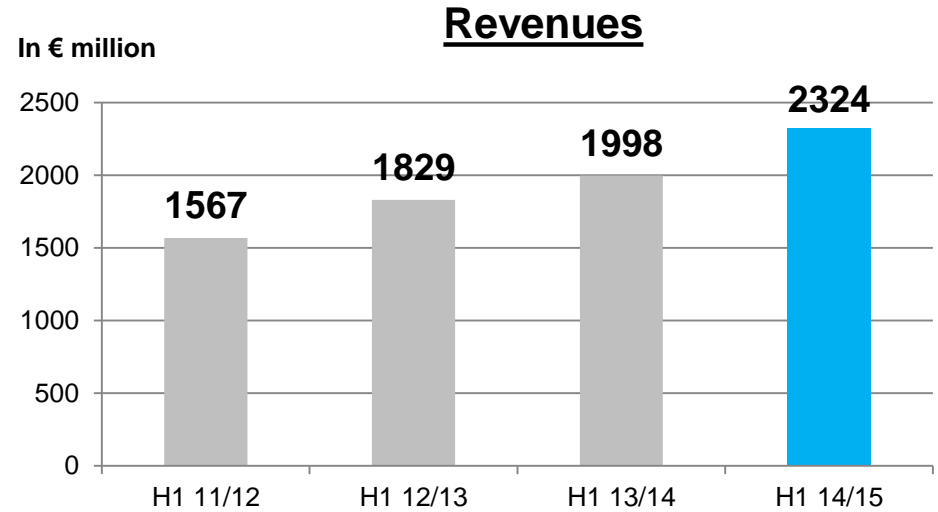


Sales and Current Operating Income



Sales are further increasing

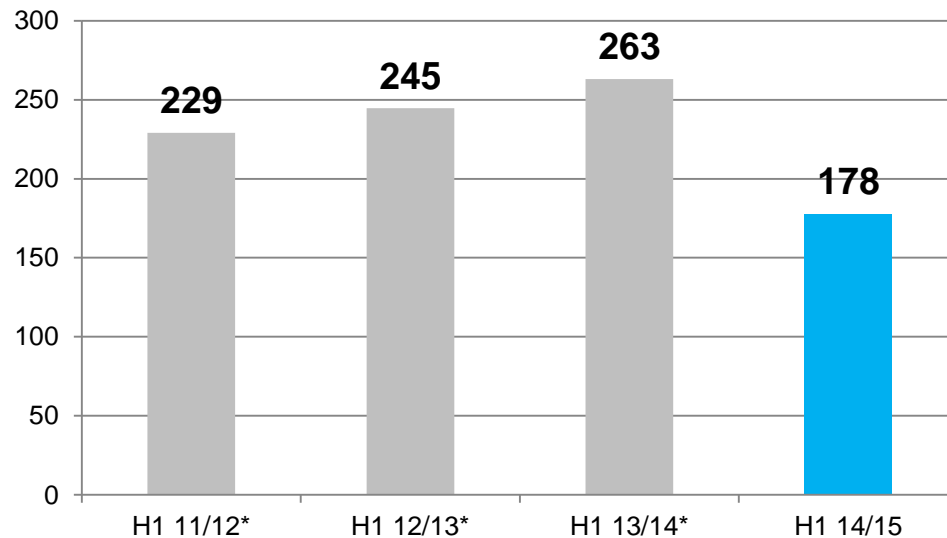
- 18 consecutive quarters of growth
- H1 sales are up 16.3%
 - +4.9pts organic
 - +3.6pts from scope
 - GreenPoint Technologies, PPP and Enviro Systems
 - +7.8pts from forex
- Underlying market is still increasing
 - Traffic was up +5.6% in 2014
 - Increase in production rates



COI** impacted by difficulties in Seats

Current Operating Income**

In € million



*Including R&D Tax credit

■ **Current Operating Income is impacted by the operational difficulties in Seats**

■ Despite an increase in volume and a positive dollar impact...

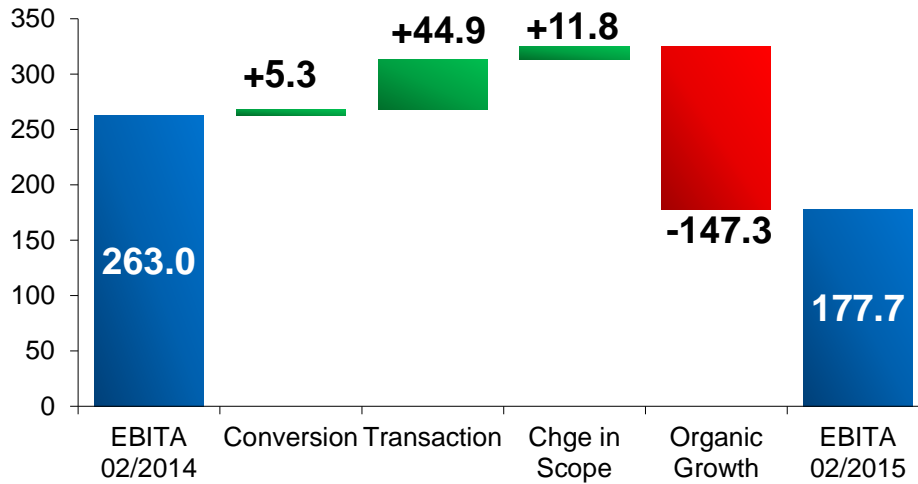
■ ...production cost variances, extra costs and penalties weight on our results

COI/Revenues	14.6%	13.4%	13.2%	7.6%
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€/\$ (conversion)	1.34	1.31	1.36	1.22
€/\$ (transaction)	1.34	1.29	1.36	1.28

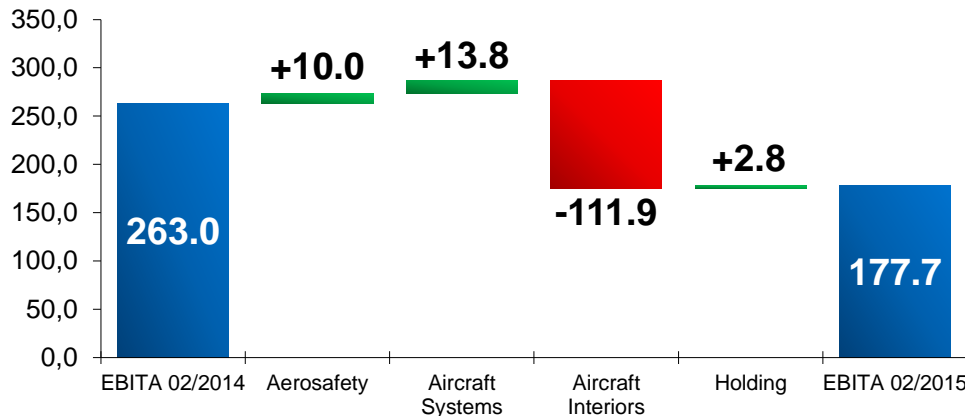
Current Operating Income* impacted by Seats

In € million



- Operating difficulties in seats offset the positive impacts of forex and scope

In € million



- As well as the increase in Aircraft Systems and AeroSafety Systems

€/\$(conversion): 1.36

€/\$(transaction): 1.36

€/\$(conversion): 1.22

€/\$(transaction): 1.28

Aircraft Interiors activities

Key events H1 2014/2015

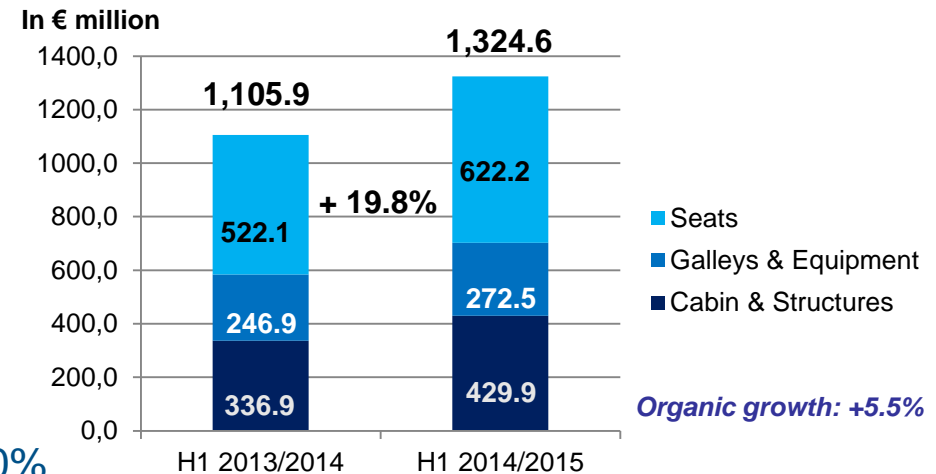
■ +19.8% increase in sales

- +5.5% like-for-like
- +5.8pts positive impact from the consolidation of GreenPoint Technologies
- +8.5pts from forex
- Seats (+19.2% reported ; +11.1% organic)
- Cabin & Structures (+27.6% reported ; -2.0% organic)
- Galleys & Equipment (+10.3% reported ; +4.1% organic)

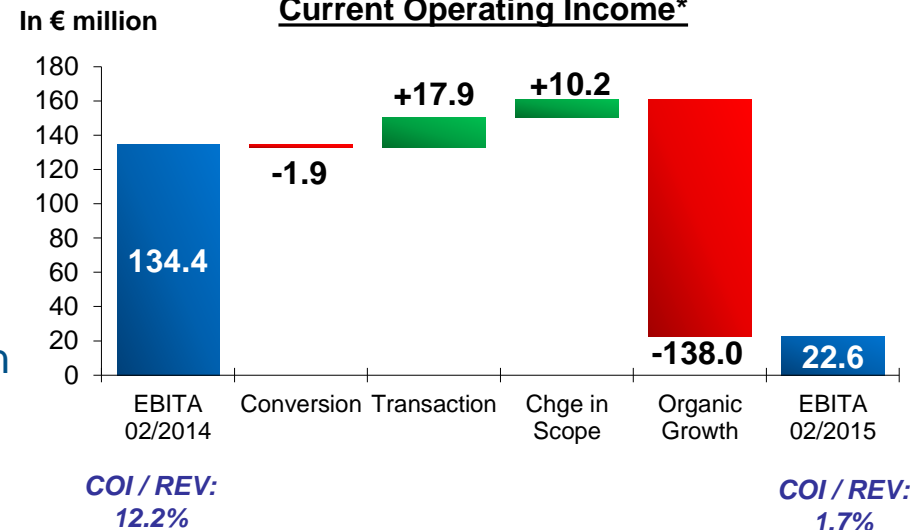
■ Decrease in COI*

- Impact of Seats
- Scope impact is related to the consolidation of GreenPoint Technologies
- Positive impact from forex (transaction)

Revenues



Current Operating Income*



Zodiac Aircraft Systems

Key Events H1 2014/2015

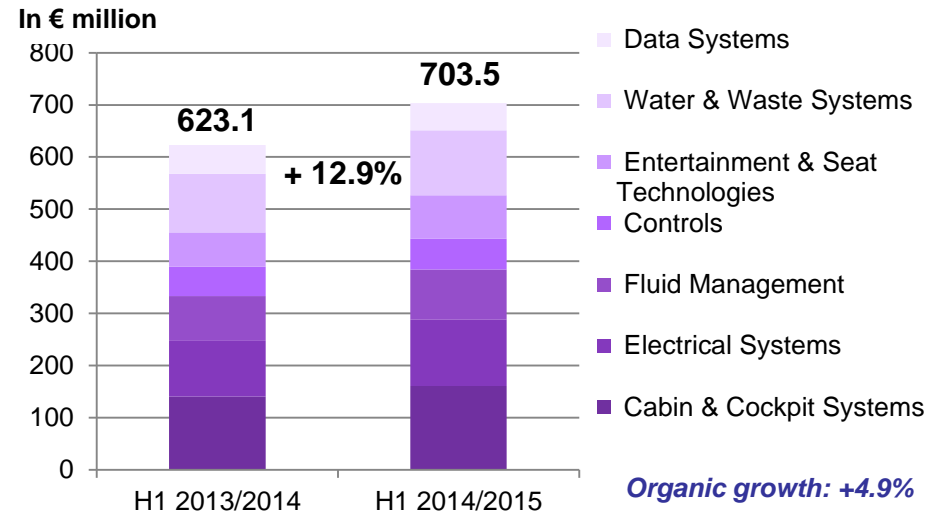
■ +12.9% increase in sales

- +4.9% like-for-like
- +1.4pt from scope
- +6.6pts from forex

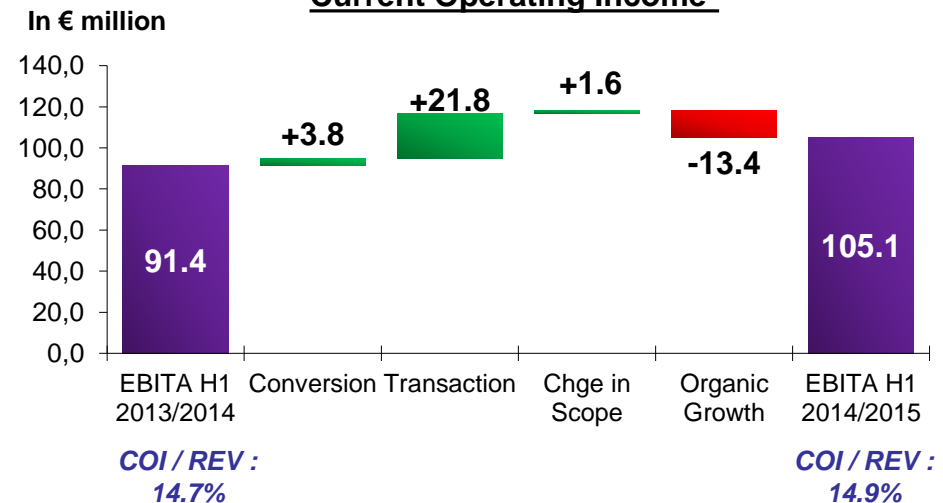
■ Positif impact of the dollar on COI*

- +15,1% to €105.1m
- 14.9% margin
- A positive impact of the €/ \$ rate

Revenues



Current Operating Income*



Zodiac AeroSafety

Key Events H1 2013/2014

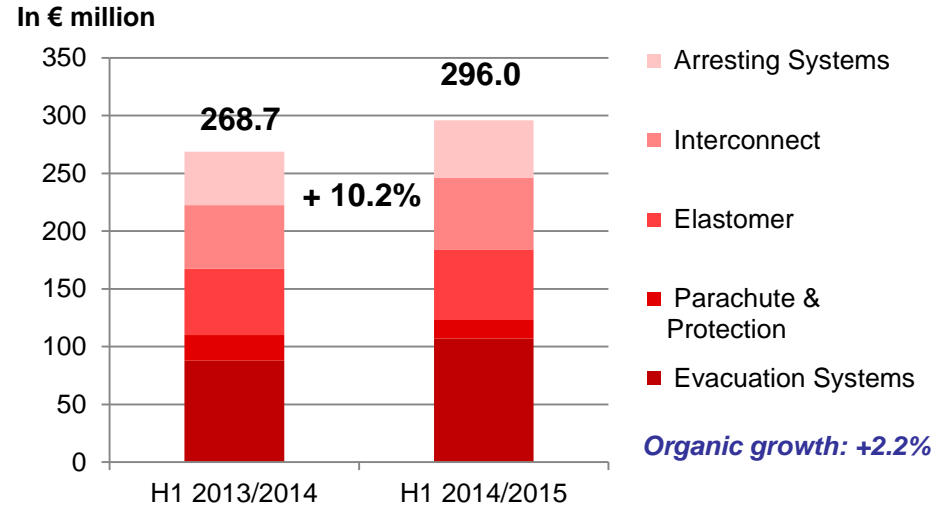
10.2% growth in H1

- +2.2% organic
 - Evacuation Systems and Interconnect are growing, while Elastomer and Arresting Systems are stable
- +8 pts linked to exchange rates

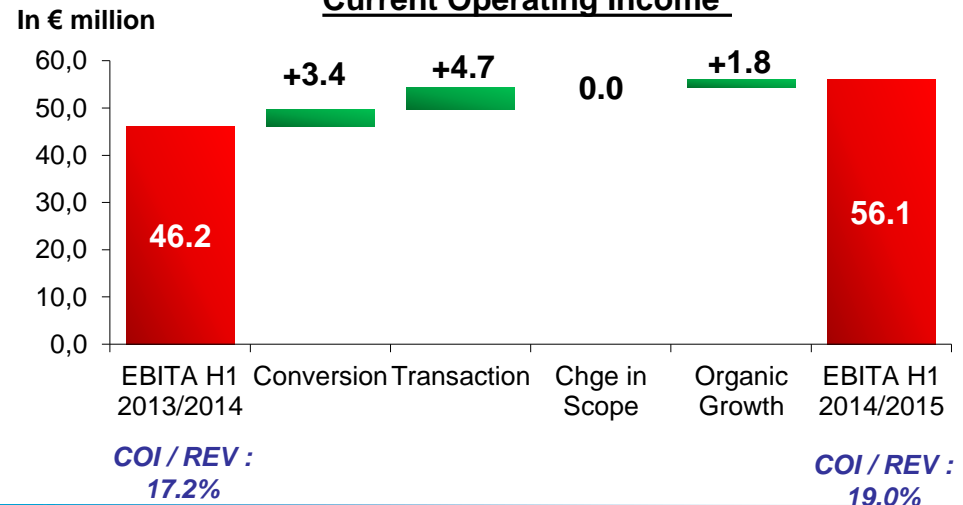
Increase in operating income

- Positive impact of the forex
- Slight increase in organic growth

Revenues



Current Operating Income*

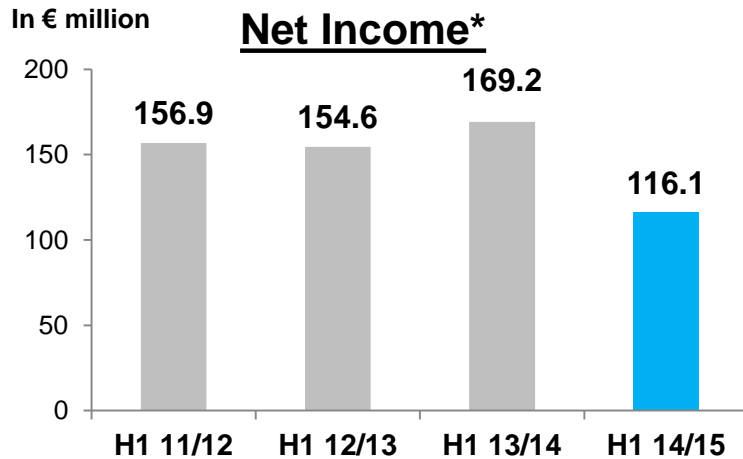
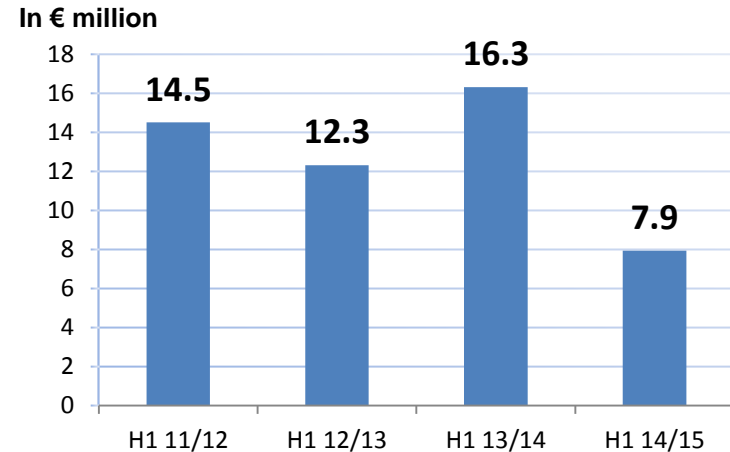


P&L, cash flow and balance sheet items



Decrease in net income...

Financial expenses



■ Decrease in Financial expenses

- Gross financial cost is €-14.9m vs. €-15.9m in H1 2013/2014
- The impact of the increase of the average debt is compensated by lower cost of debt

■ Other P&L items

■ Non current operating

- €-12.6m in H1 2014/2015 vs. €-10m in H1 2013/2014
- Mainly related to IFRS 3 (€-11.2m vs. €-8.6m in H1 2013/2014)

■ Income tax

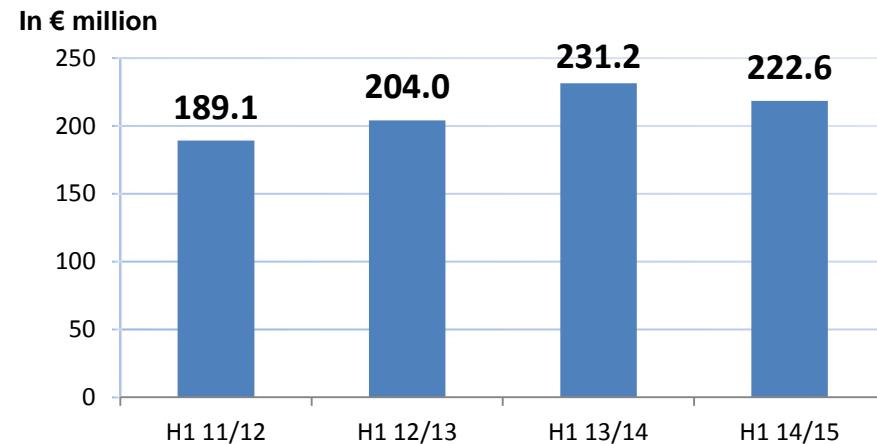
- €-47.3m in H1 2014/2015 vs. €-74.2m in H1 2013/2014
- Implied rate is 30.1% in H1 2014/2015 vs. 31.4% in H1 2013/2014
- Tax credit is now included in the Operating Income

■ Net income*

- Down 31.4% at €116.1m

Seats impacting cash flow and WCR

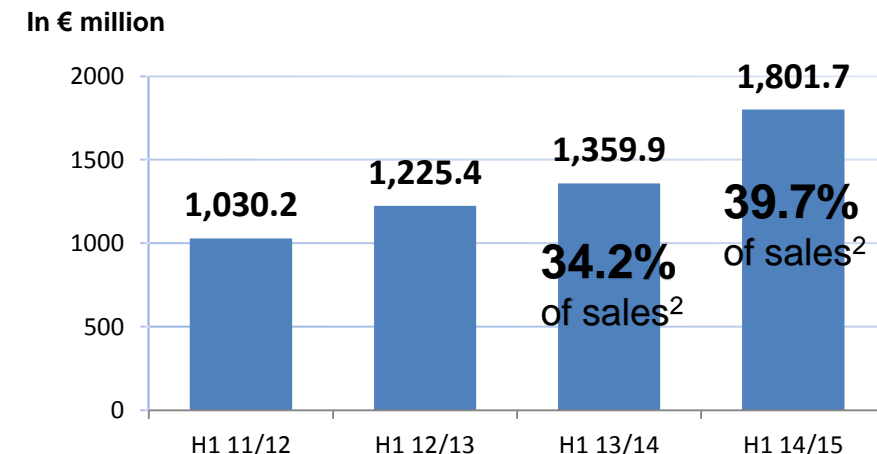
Cash Flow



■ Cash Flow

- Down 3.7% at €222.6m
- Impact of the Seats

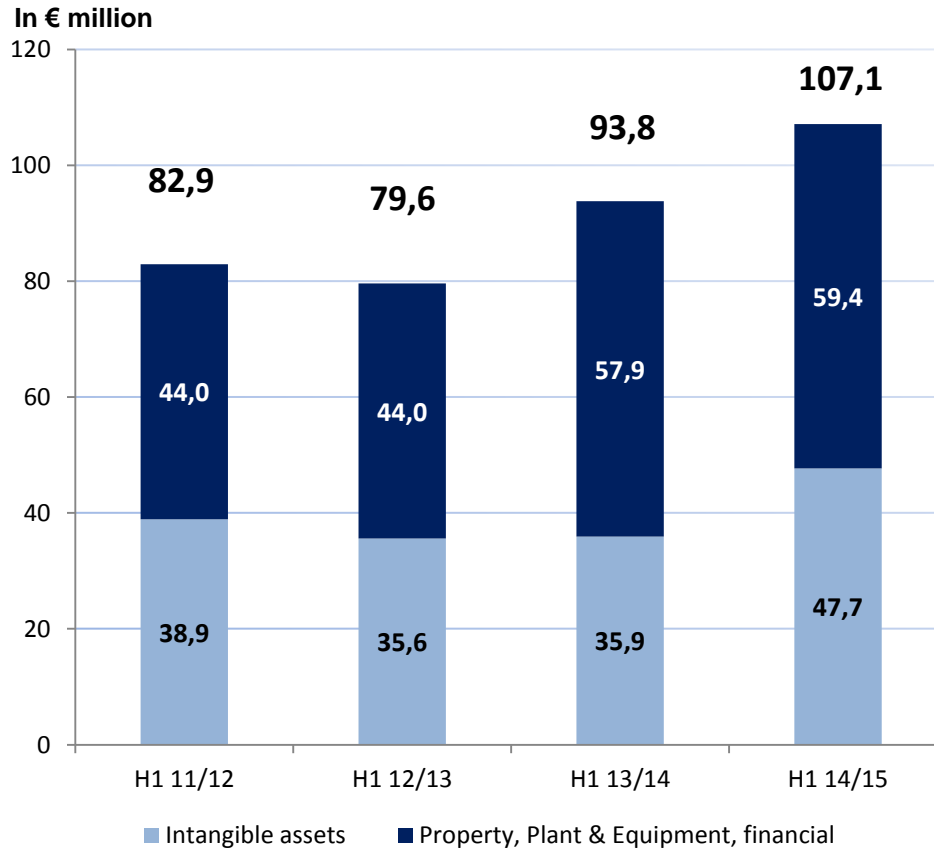
Working capital¹



■ WCR

- Also impacted by the Seats difficulties
- Priority given to resume on time deliveries to the customer results in higher inventories and work in progress

Stability of tangible capex in H1 2014/2015

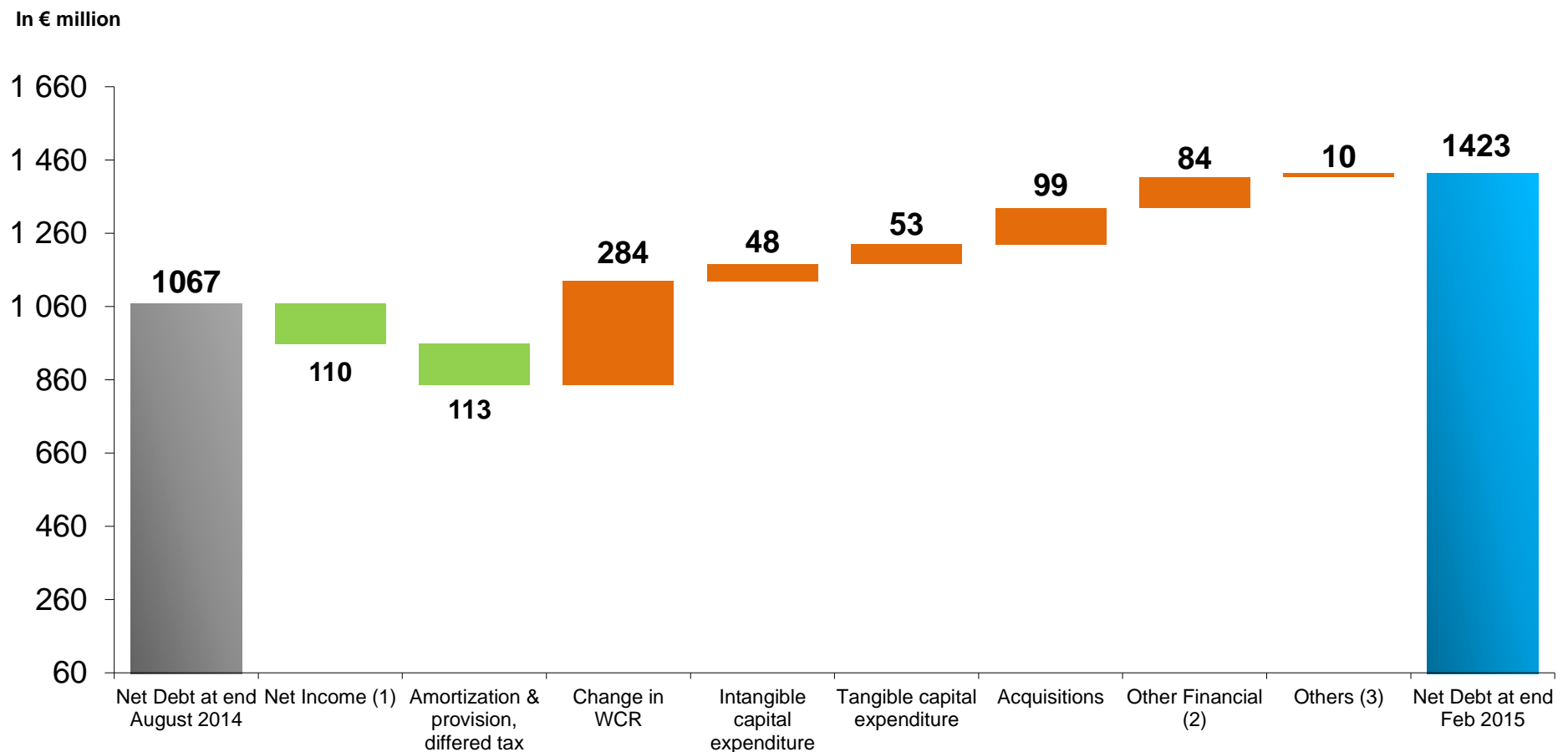


■ Intangible capital expenditures

- €36.5m of capitalized development costs in H1 2014/2015 vs. 32.7m on 2013/2014

■ Tangible capex is stable

Lower net income and WCR increase result in increase in net debt compared to end 2013/2014



(1) Including Income from Associates

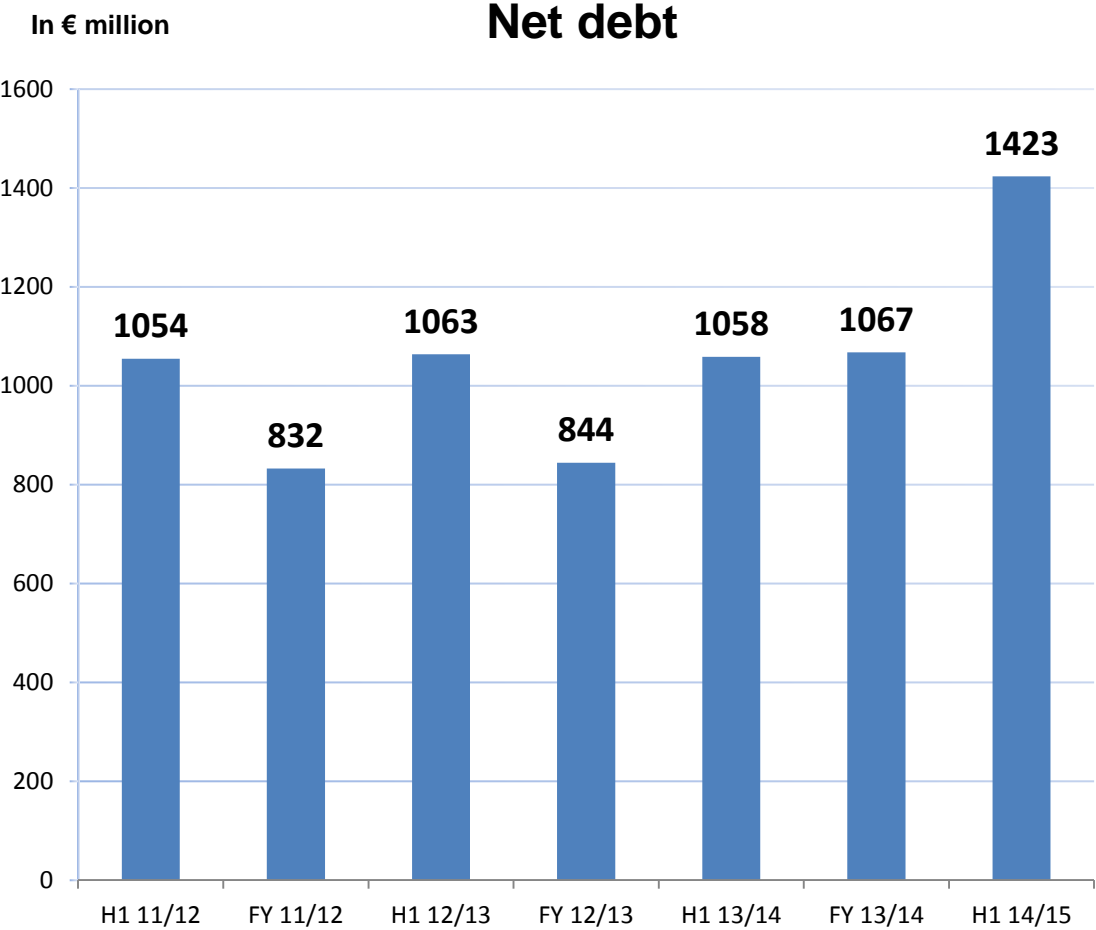
(2) Including dividends

(3) Including currency adjustments

Acquisitions: Enviro Systems

Gearing is stable

Gearing ⁽¹⁾	0.59	0.42	0.52	0.39	0.46	0.43	0.49
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- Still a significant external growth potential
- Gearing is stable at 0.49 vs. 0.46 at end Feb. 14
- Maturity of syndicated loan extended by 1 year until 2020

(1) Net financial debt / equity after dividend

Focus on Zodiac Seats

Situation – sum up

- **Strong commercial success and delays in development in 2013/14**
- **Difficulties to ramp up in Q4 2013/2014**
- **Production problems appeared deeper than expected**
 - Longer and more costly to solve than expected at beginning of the FY
 - Whole leadership team is hands on
- **Implementation of a solid recovery plan, including reorganization of the segment**
- **Priority #1 is to resume as soon as possible OTD* to customers**
- **Strong financial impact on H1 accounts**



Industrial Battle Plan

▪ Implemented:

- since November 2014
- and reinforced in January 2015

▪ Managerial changes:

- done

▪ Main actions:

- Increase internal capacity
 - machines, SqM, assembly lines, warehouse, extended shifts
- Stabilize supply chain capacity
- Stabilize industrial management
- Reengineer manufacturing processes
- Drive Action on HR: staffing and training

Effects of the battleplan

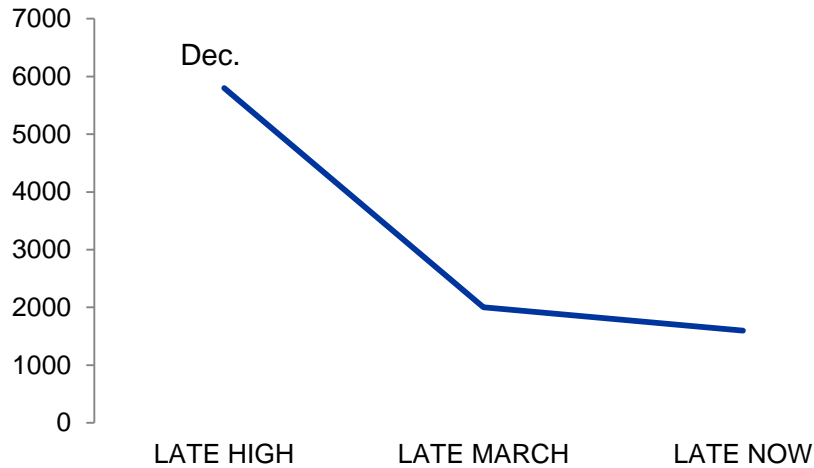
- **Strengthening the operations**
 - Change of the management model, implementing a full operational reporting line

- **Reengineering of all the processes in every BU**
 - Alignment and standardization

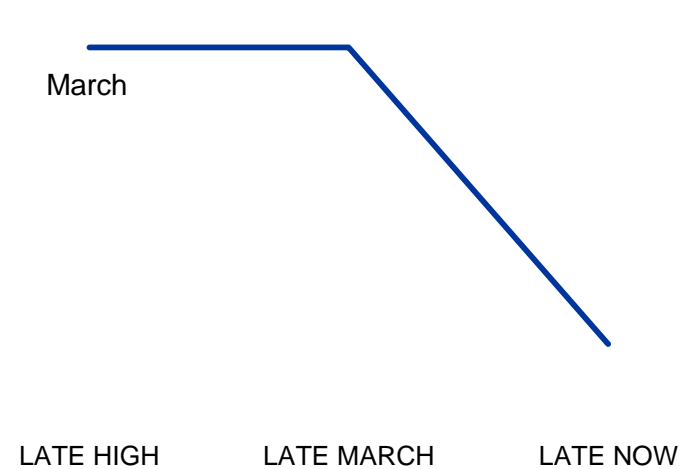
- **Burn down Seats behind schedule**

Seats behind schedule (pax)

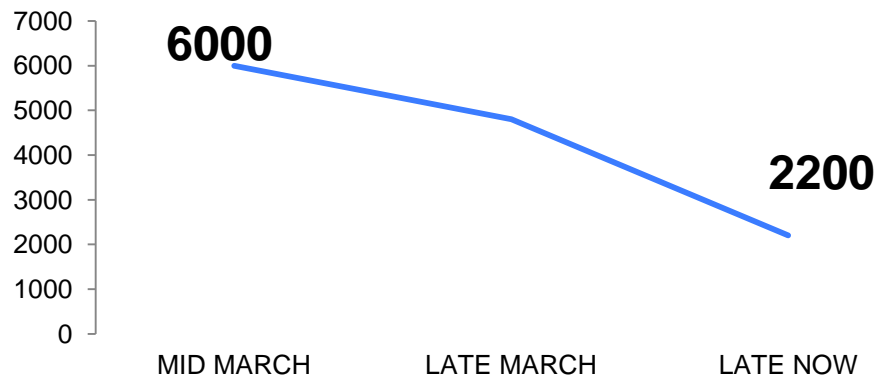
Seats US



Seats FR



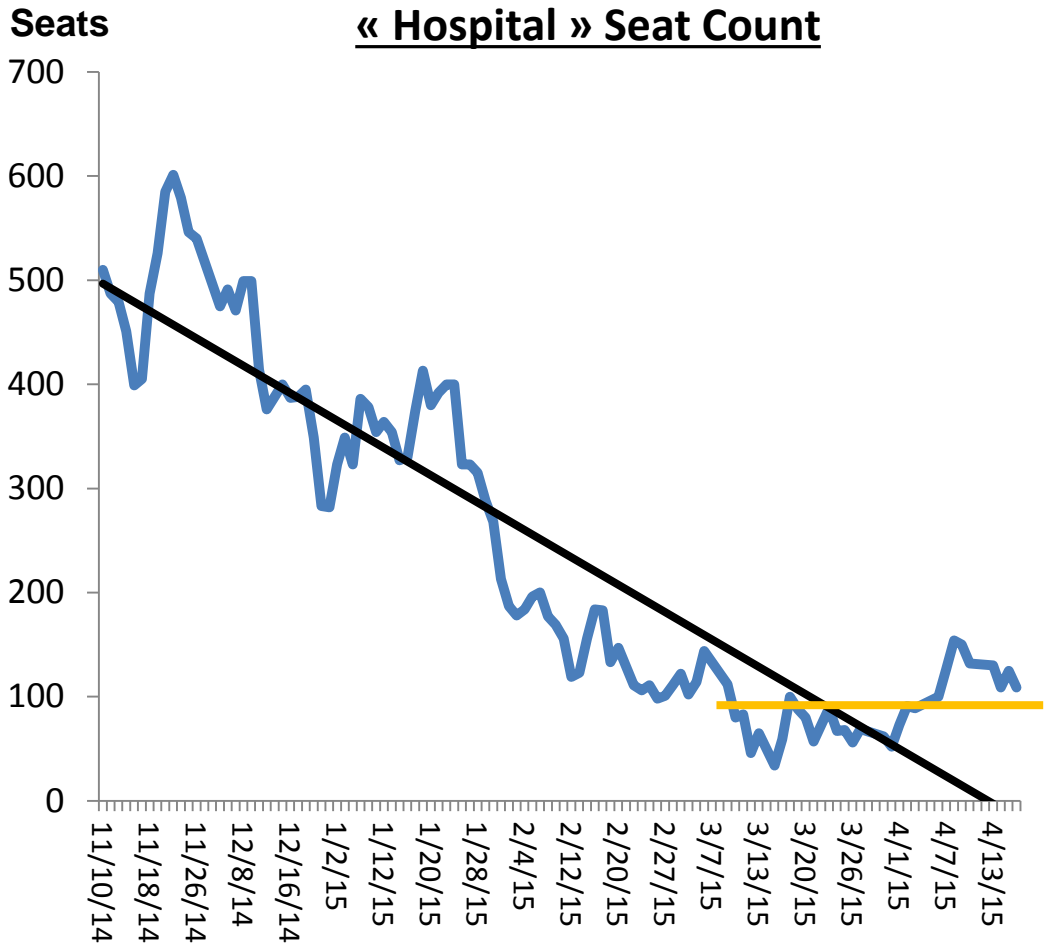
Total Seats



Current is 2,200pax, for a **daily capacity** which increased from **600 mid March to 700 today**

EXAMPLE of reducing inefficiencies:

- Seats
« hospital » in
Gainesville
- Implementing a
change in
behavior



Zodiac Seats Transformation plan

Zodiac Seats Transformation Plan

<p>I. Strengthen program management</p> <ul style="list-style-type: none"> Capture & manage requirements Manage product & process engineering changes Develop robust planning & risk management, enforce gate discipline Monitor progress and react swiftly (R3) Develop cross-site program management 	<p>II. Ensure robustness of product & process development</p> <ul style="list-style-type: none"> Optimize and harmonize Engineering processes, ways of working, tools Design & enforce product, process & equipment standards Monitor progress of engineering deliverables and react swiftly Manage development resources load vs. capacity and plan accordingly Ensure representativeness & flexibility of prototype production Improve certification process performance Design working instructions with operators Allocate a dedicated team to secure a smooth indus & ramp up 	<p>III. Ensure reliability of internal / external Supply chain</p> <ul style="list-style-type: none"> Rationalize supplier portfolio Improve robustness of ordering & scheduling process Improve internal / external supplier relationship & performance 	<p>IV. Improve manufacturing performance</p> <ul style="list-style-type: none"> Adjust capacity to load and define S&OP and MPS Monitor adherence to MPS and react swiftly (R3) Improve quality performance (production, programs, purchasing, system) Reduce total lead time 	<p>V. Enhance after-market performance</p> <ul style="list-style-type: none"> Improve forecast of repair & spares Improve repair & spares OTD Reduce total lead time
<p>VI. Develop and align organization, tools and resources</p>	<p>Improve Branch and BU organization & governance</p>	<p>Ensure & develop people engagement</p>	<p>Upgrade and harmonize tools & Information systems</p>	<p>Plan and monitor resources</p>

A strong capacity to innovate and a strong interest from customers

- Large attendency at Aircraft Interiors Expo (AIX) in 2015
- New products introduced
 - Fusio: business/first seat
 - Z60: super high density and comfort economy class
 - L3: the lightest seat on the market (4kg/pax) for economy class. 1 launch customer booked
- Book to bill ratio at end February >1



Zodiac Aerospace: Emerging stronger

▪ Group transformation plan *FOCUS*

- Evolution of the management model towards more centralization
- Strengthening operations and densifying reporting
- Transformation towards operational excellence
- Supported by external consultants

FY2014/15 outlook

2014/2015 outlook

- **Increase in sales in a buoyant environment**
- **Financial hedges in place**
 - Remaining of FY14/15, net budgeted \$/€ transaction exposure is 92% hedged at 1.27 \$/€
 - Estimated FY15/16 \$/€ transaction exposure is now 50% hedged at 1.108 \$/€
- **Based upon H1 results and current projections, the Group targets a FY14/15 COI close to FY13/14 reported COI**

Appendices

Financial Summary

P&L

Cash Flow Statement

Balance Sheet

Summary

<i>(€ million)</i>	H1 2014/2015	H1 2013/2014	% change
Revenue	2,324.1	1,997.7	+16.3%
Current operating income before IFRS 3	177.7	263.0	-32.4%
COI before IFRS 3/ Sales revenue	7.6%	13.2%	
Current operating income	177.6	262.7	-32.4%
COI/REV	7.6%	13.1%	
Net income attributable to equity holders of the parent company	108.6	162.8	-33.3%
Net income before IFRS 3	116.1	169.2	-31.4%
Net debt	1,423.3	1,058.0	+34.5%
Net debt-to-equity ratio	0.49	0.46	
€/€ (Transaction)	1.28	1.36	
€/€ (Conversion)	1.22	1.36	

- The consolidation of PPP and Enviro Systems in the Aircraft Systems Segment and Greenpoint Technologies in the Cabin & Structures Segment contributed a positive 3.6 percentage points
- IFRS 3 impact on Current Operating Income: -€0.1m in H1 2014/2015 compared to -€0.4m in H1 2013/2014
- COI includes an €8.5m restatement related to the research tax credit, compared to €7.4m in H1 2013/2014

Appendices: Income statement

Income statement	H1 2014/2015	H1 2013/2014	% change
Sales revenue	2,324.1	1,997.7	+16.3%
Depreciation charge	55.1	44.7	
Charges to provisions	46.9	16.3	
Current operating income	177.6	262.7	-32.4%
Non-current operating income	-12.6	-10.0	
Operating income	165.0	252.7	-34.7%
Cost of net debt	-7.2	-15.6	-53.8%
Other financial income and expenses	-0.7	-0.7	
Income taxes	-47.3	-74.2	-36.2%
Results of companies accounted for using the equity method	-1.1	0.2	
Income from continuing operations	108.7	162.4	-33.1%
Net income from discontinued operations	-	-	
Net income	108.7	162.4	-33.1%
Net income attributable to minority interests	0.0	-0.4	
Net income attributable to equity holders of the parent company	108.6	162.8	-33.3%

Appendices: Cash flow statement

Simplified cash flow statement		
In millions of euros	H1 2014/2015	H1 2013/2014
Operating activities		
Cash flow from operations	222.6	231.2
Change in WCR	-284.4	-208.1
Cash flow generated from continuing operations	-61.8	23.1
Cash flow generated from operations of businesses being sold	-	-
INVESTMENT OPERATIONS		
Acquisition of intangible fixed assets	-47.7	-35.9
Acquisition of tangible fixed assets and other capital investments	-58.7	-56.9
Changes to the scope of consolidation	-99.2	-52.1
Cash flow from investments in continuing operations	-205.5	-144.9
Cash flow from investments of operations being discontinued and assets held for sale	-	-
FINANCING OPERATIONS		
Change in financial debt	270.0	104.4
Treasury stock	0.6	0.5
Increase in equity	3.3	5.8
Dividends	-88.1	-87.8
Cash flow from the financing of continuing operations	185.9	22.9
Currency translation adjustments, beginning of period	-3.5	-10.2
Change in cash position	-84.9	-109.1

Appendices: Balance sheet

Summary balance sheet							
In millions of euros	Feb. 28, 2015	Aug. 31, 2014	Feb. 28, 2014		Feb. 28, 2015	Aug. 31, 2014	Feb. 28, 2014
				Equity			
Goodwill	2,027.8	1,779.3	1,592.7	Capital	2,786.1	2,207.1	2,123.1
Intangible assets	695.3	619.1	569.0	Earnings	108.6	354.4	162.8
Property, plant & equipment	448.5	396.2	363.4	Equity	2,894.8	2,561.5	2,285.9
Other, including deferred taxes	34.4	26.8	18.0	Prov. & deferred tax	284.5	270.2	237.3
Non-current assets	3,206.0	2,821.4	2,543.1	Financial liabilities	890.7	840.6	723.2
				Financial debt	1,175.2	1,110.7	960.5
Inventories	1,286.1	1,008.3	935.8	Prov. Contingencies & liabilities	133.5	92.3	84.4
Trade receivables	1,121.2	897.4	833.1	Financial liabilities	699.8	396.6	404.4
Other	147.7	121.0	96.0	Accounts payable	416.9	379.3	341.4
Cash and cash equivalents	104.0	166.7	67.3	Employees	189.9	195.7	162.6
Current liabilities	2,659.1	2,193.4	1,932.3	Other	364.9	288.4	237.5
				Non-current liabilities	1,805.0	1,352.3	1,230.4
Assets held for sale	10.0	9.8	1.3				
Total assets	5,875.0	5,024.6	4,476.7	Total liabilities	5,875.0	5,024.6	4,476.7

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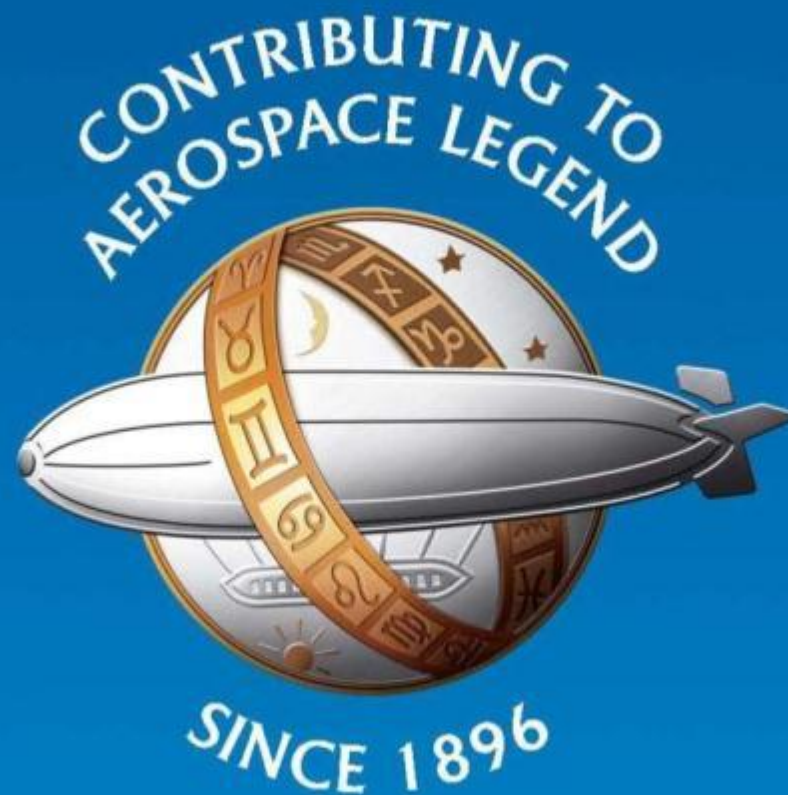
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Next meetings:

Q3 sales revenue
Q4 sales revenue
FY Results

*June 11, 2015 (after stock exchange closing)
September 15, 2015 (after stock exchange closing)
November 24th, 2015 (before stock market opening)*