

H1 2015/2016 Results Presentation

ZODIAC AEROSPACE

Wednesday 20th April 2016

Safe Harbour statement

Certain statements contained in this document are forward-looking statements. These statements includes, without limitation, statements that are predictions of or indicate future events, trends, plans, expectations or objectives. Examples of forward-looking statements include statements relating to business strategy, objectives, delivery schedules or future performance. Words such as “anticipates”, “believes”, “estimates”, “seeks”, “intends”, “may” and similar expressions are used to identify these forward-looking statements.

Such statements are, by their nature, subject to known and unknown risks and uncertainties. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements as these are dependent on risk factors such as the variation of the exchange rates, program delays, industrial risks relating to safety, the evolution of regulations and the general economic and financial conditions and other matters of national, regional and global scale, including those of a political, economic, competitive and regulatory nature. Please refer to the section “Risks management” in page 29 of Zodiac Aerospace’s Annual Report for the year ended August 31, 2015, for a description of certain important factors, risks and uncertainties that may affect Zodiac Aerospace’s business.

Zodiac Aerospace makes no commitment to update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

H1 2015/2016 highlights

Highlights of H1 2015/16 presentation

- **FY 15/16 target confirmed**

- Current Operating income should be close to the level of 2014/15
- After a low H1 operating income of €80.4m, still under pressure of Aircraft Interiors activities
- H2 should show a significant improvement owing to a positive volume effect mainly, and to a lower extent, a decrease in extra costs and better control of overhead costs

- **A deep change in the Group's industrial organization**

- Besides the recovery plans in place in Seats and Cabin
- Zodiac Aerospace is pursuing the transformation of the Group via the Focus plan

Summary

H1 2015/2016 results

Aircraft Interiors

Seats

Cabin

Systems

Aerosafety

Aircraft Systems

Environment

Outlook

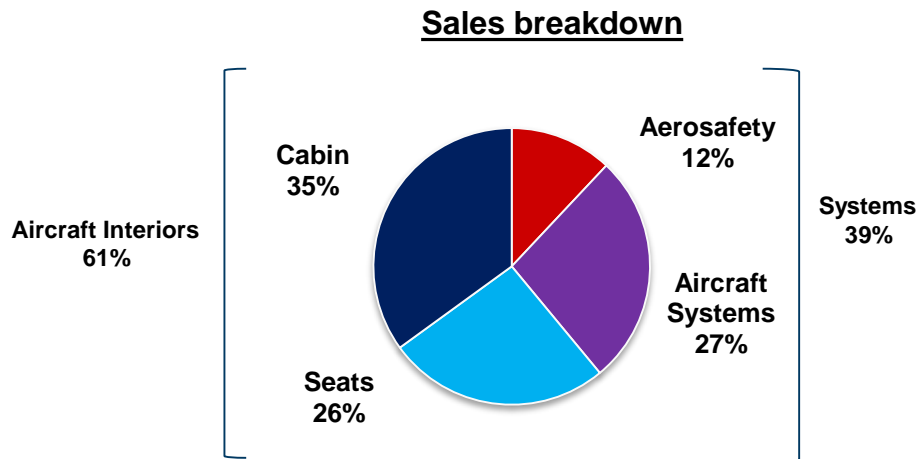
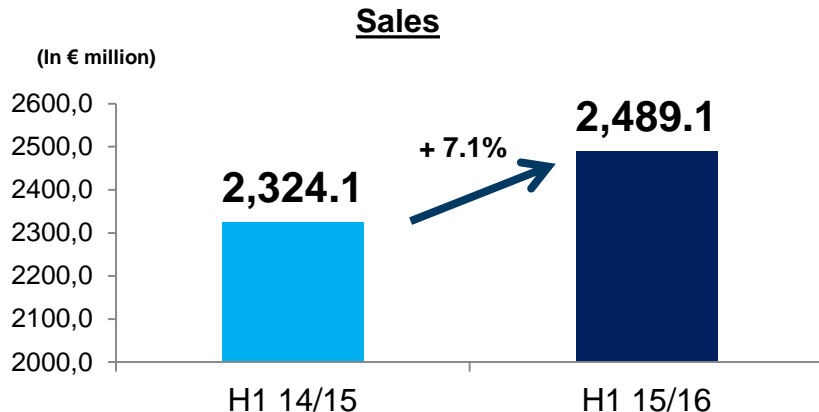
Organization – Restricted Executive Committee



■ Jean-Jacques Jégou, CFO, to retire at end 2016, as planned

H1 2015/2016 results

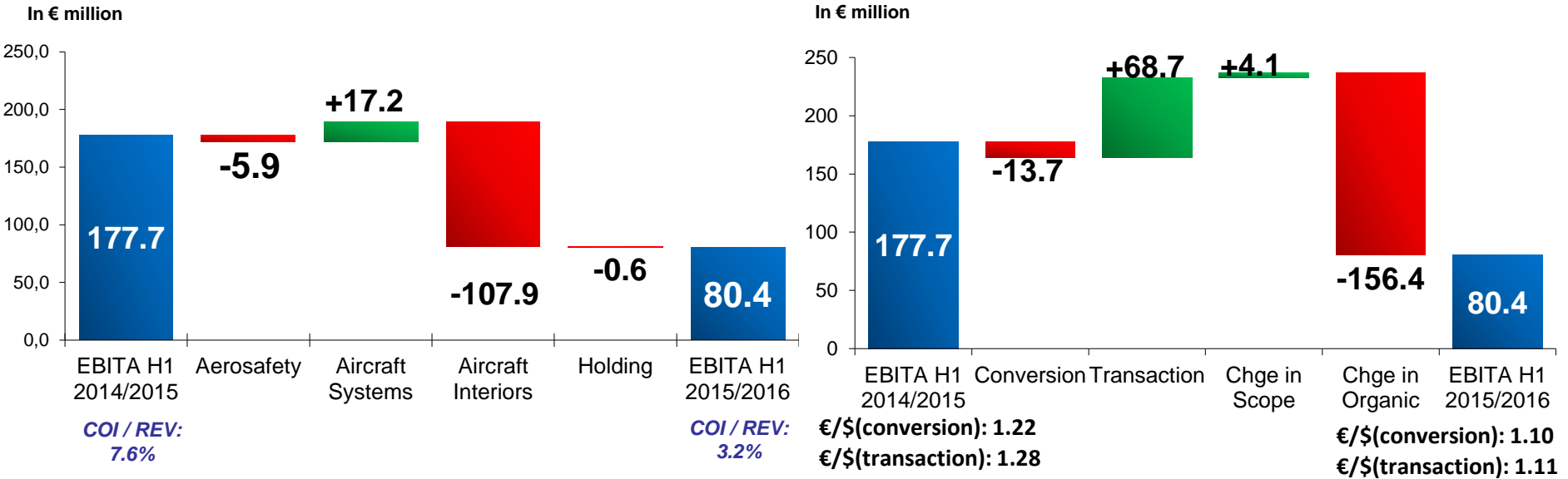
Increase in sales



▪ Sales were up 7.1% to €2,489m

- Strong positive exchange rate impact: 8.6pts
- Positive impact from consolidation scope: +0.2pts
- Change in organic -1.7%

Current Operating Income impacted by Aircraft Interiors*

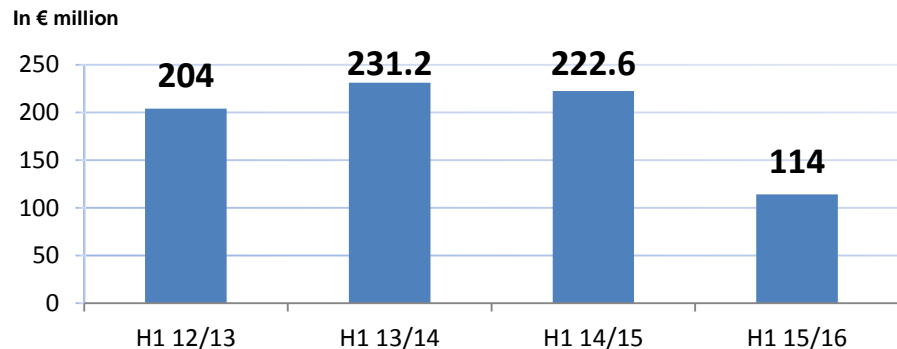


■ Difficulties concentrated in Aircraft Interiors

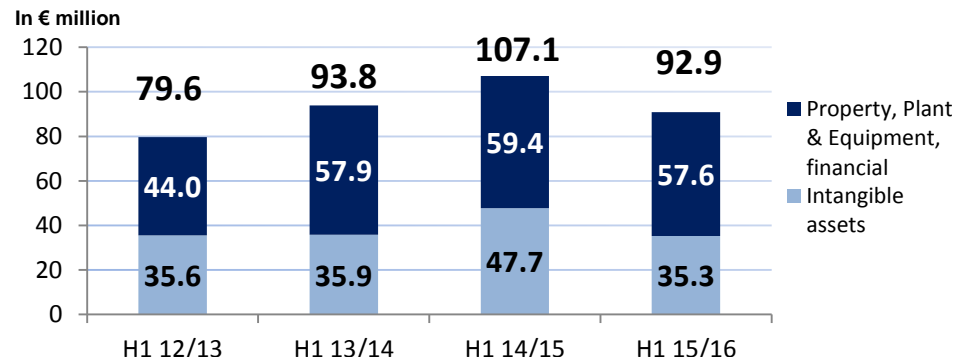
- Excess cost remains high
 - Estimated at around €110m in H1 2015/2016 compared to budget
- Impact of programs in ramp up phase and with lower profitability
- Lower seats sales in H1 compared to expectations

Cash flow and balance sheet items

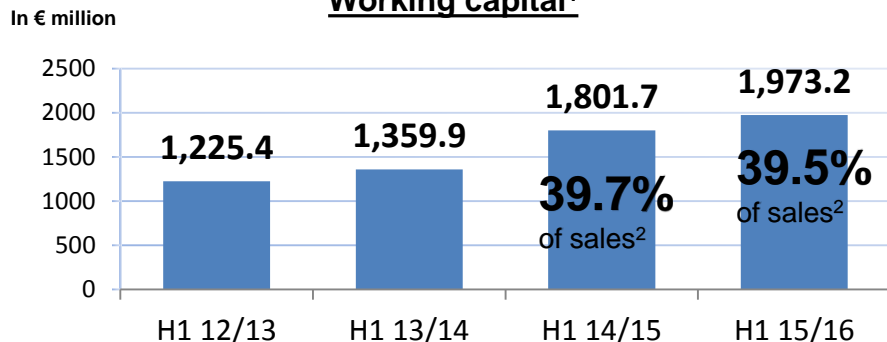
Cash Flow



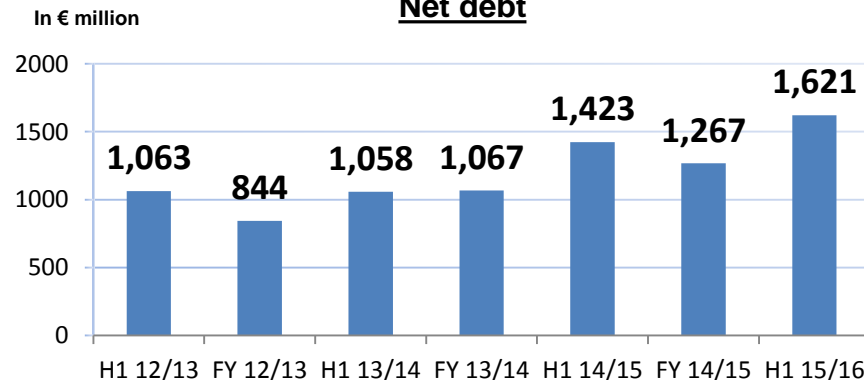
Capex



Working capital¹

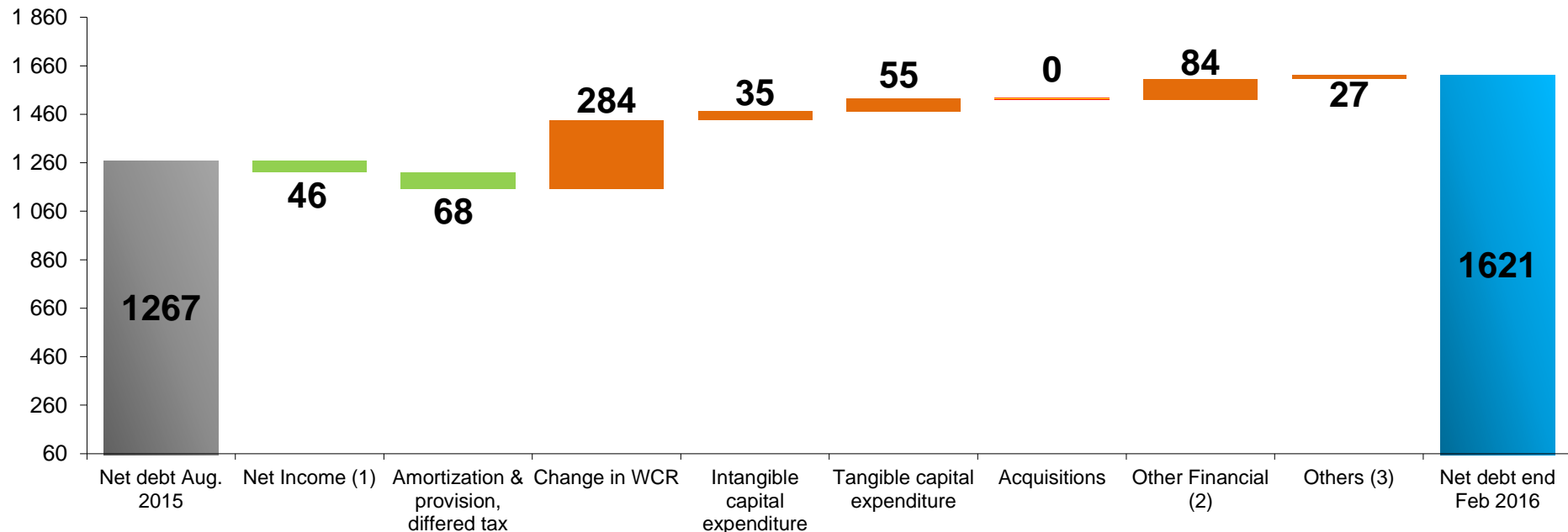


Net debt



Increase in net debt

In € million



- (1) Including Net Income from Equity Method
- (2) Including dividends
- (3) Including currency translation adjustments

Net debt / Shareholders equity (gearing): 0.54

Financing

- **A solid financing structure**

- Club Deal: €1,030m, maturity extended to March 2021
- Euro PP : €230m, maturity 7 years
- Schuldschein: €535m. 1st tranche of €133m repaid in June 2016
- Hybrid financing: €250m; no maturity

- **Commercial paper program of €1bn**

- **Debt covenant**

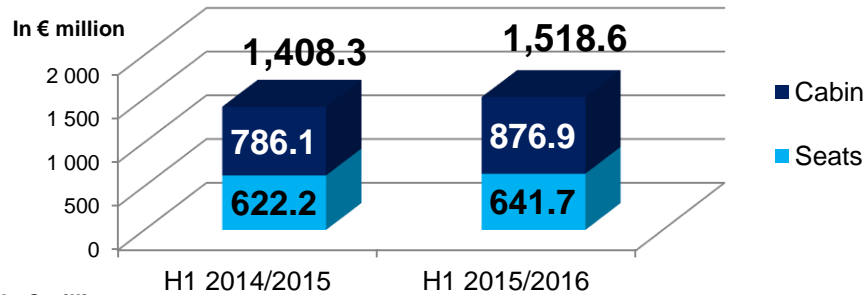
- Based on Club Deal contract. Applying to Euro PP and Schuldschein
- Adjusted net debt on adjusted EBITDA ratio ≤ 3 as defined in the “Club Deal” financing
 - measured at the end of fiscal year

Aircraft Interiors

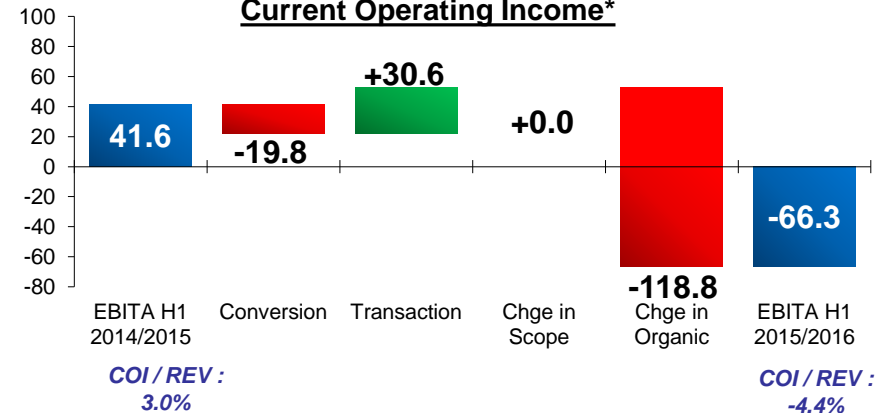
Seats
Cabin

Aircraft Interiors

Sales breakdown



Current Operating Income*



Sales

- +7.8% reported ; -1.1% organic
 - Seats : +3.1% reported ; -4.2% organic
 - Cabin : +11.5% reported ; +1.4% organic

EBITA impacted by high level of excess costs

- Production costs variances (labor, non quality, supply...)
- Excess costs (penalties, warranties, freight...)
- Ramp up of new programs with low profitability

Lower Seats sales than expected

Zodiac Seats

Zodiac Seats target : back to performance in terms of on time and on quality deliveries

- **Zodiac Seats primary objective is to protect its customers in terms of on time and on quality**
- **Recovery is ongoing thanks to both**
 - Extra task force efforts and day to day hands on operations management
 - Progressive transformation through processes management
- **Costs overrun are still high**
 - Lack of efficiency induced by firefighting mode & additional resources
 - Further improvement expected for engineering and production processes

Zodiac Seats Recovery is progressing

- **Recovery is now concentrated on a few B/C programs**
 - Most of the capacity issues have been addressed but the supply chain has to be further reinforced
 - Current need is focusing on further improving quality and solving certification issues on some new programs
 - Alongside with implementing the transformation plan
- **Delays of these few B/C programs are now due to only 3 sets of issues which are being solved**
 - Certification issue on one complex program (new platform, new technology, dynamic shell)
 - The development test has been passed recently, which opens door for certification
 - Poor industrialization of shells → manufacturing engineering skills renewed over the last 8 months ; redesign ongoing & finalized at c. 70% in June
 - Manual management of supply chain in Zodiac Seat Shells → implementation of MRP process ongoing since April 2016 in order to rely fully on an ERP by summer 2016

Zodiac Seats Transformation is progressing – processes are reengineered & organization is being strengthened

- **Business process reengineering is ongoing for all key processes taking into account specifics of Seats business (changing requirements late in the development esp.)**
 - **Phase I of process redesign was achieved in Jan16 and currently rolled out in each BU**
 - **Zodiac Seats management system will be renewed in Q2-16**
 - From a holding of independent BU...
 - ... to an integrated group managed to ensure Control & standardization, Support to BU, Synergies between BU
 - Management through process & factual KPI monitoring (Gate & MPS¹ adherences, Pick ups, Variances...)
 - **Mindset is changing at all levels with new people & new management methods**
 - QRQC¹ problem solving methodology is being rolled out to ensure issues are solved by each one at all levels²
 - Numerous improvement projects are progressing as part of Focus Seats project management system which encompasses c. 170 projects of various scales
- **Confidence in H2 forecast sales (increase of 20% against H1) & result (overheads realignment ongoing & variance reduction should deliver first results)**
- **On track to get back to nominal performance in 18 months**

Zodiac Seat Shells – resizing & reorganization going on

- A company not robust (relying on a couple of people vs. processes) gone through a steep ramp up (from 200 shells/month to 600 shells/month)
 - ➔ processes were not robust or not in place, resulting in poor operational & economical performance
- Process & organization are being rebuilt
 - Structural improvement done & pending (see illustrations)
 - Continuous improvement dynamic launched
 - ZSH management organization reshuffled in March 16 to ensure more robust problem solving & break silos in a 3 layers organization
 - QRQC implemented from mid-April
- Industrial footprint policy defined & under implementation
 - Workload shared across several suppliers
 - Job split of design between integrator & shell center reviewed
- ➔ Site scaled down to come back to performance

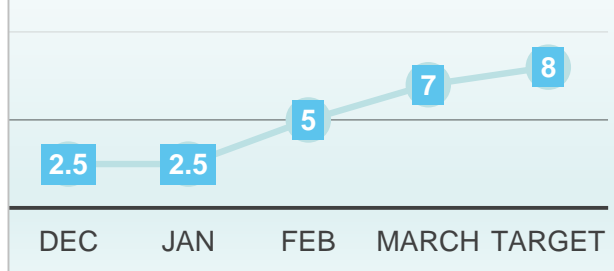
Issue	Solution	Date
Design or ME issues & competency management	Redesign in plateau mode with suppliers Tolerance stack up analysis in place	Jan16 to Oct16 Mar16/Apr16
Poor industrialization	Renewed industrialization team	Summer 15
Engineering delays & issues with configuration management	DLOB tracker & configuration management tools built in Jan16 & extended to all programs since Mar16	Jan16 & Mar16
Supply chain management issues	OSS team + root cause analysis & actions (requirements flow down esp)	Since Feb16
Uncontrolled average 50% inefficiency	Implementation of clocking & MRP principles	Mid-May 16
Manufacturing defects & reworks	Statistical process control launched in for Fill & Fair/Bonding / Décor / Paint processes	From Mar16

Zodiac Cabin

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

- Operational performance is hampered by the ramp up of new programs
 - Ramp up of A350XWB lavatories:
 - Improvement of the Cypress (CA, USA) production line
 - Second line set in Montréal, Canada
 - Ramp up of lavatory retrofit programs with airlines
- Beginning to ramp up the Spaceflex v2 program
 - Combined galley and lavatory linefit option for the Airbus A320 family

Total Monthly Lavatories Production Rate (shipset)



Zodiac Cabin: Branch Profitability under pressure

- **Profitability affected by ramping up programs**
 - Lower profitability of the programs that are currently ramping up... (A350XWB Lavatories, A320 SpaceFlex v2, CSeries)...
 - ...compared to the ones that are phased out (Embraer platforms, following EZAir inception) ...
 - ...or slowing down (Bombardier regional and business aircraft)
- **Start up costs and cost overruns due to in service issues, non quality, expedited purchases and penalties**
- **Also affected by indirect resource inefficiencies**
 - At our former C&D and Heath Tecna sites
 - Following the implementation of a modern ERP package and of the processes that go with it
- **Improvement will come from:**
 - Learning curve on new programs
 - Redesign to improve manufacturability
 - Working on the purchasing costs

Zodiac Cabin: Industrial Restructuring

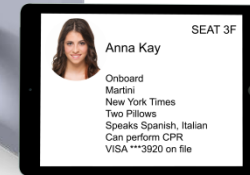
- **Reorganization of the branch, and adding new resources**
 - In particular regarding production and manufacturing engineering
- **Ongoing improvements**
 - The establishment of more robust production processes (Focus plan)
 - Supported by a stronger training effort on the establishment and use of IT systems for production.
- **Industrial restructuring on production sites in the USA**
 - Optimizing the industrial footprint
 - Moving to facilities in cost competitive countries when automatization of industrial processes is impossible
- **Target to get back to operational performance in 18 months**



Zodiac Cabin: Opportunities in Retrofit

Airlines are looking for ways:

- To optimize the use of the airplane real estate to increase the revenue: more seats (combined aft galley/Lav complex) or others (beds, bars etc)
- To ease the baggage management burden, having pax taking care of their own luggage, through bigger bins... Improving turnaround time
- To improve pax environment: Led mood lighting
- To offer their passengers a modern IFE (simple and reliable) and connectivity

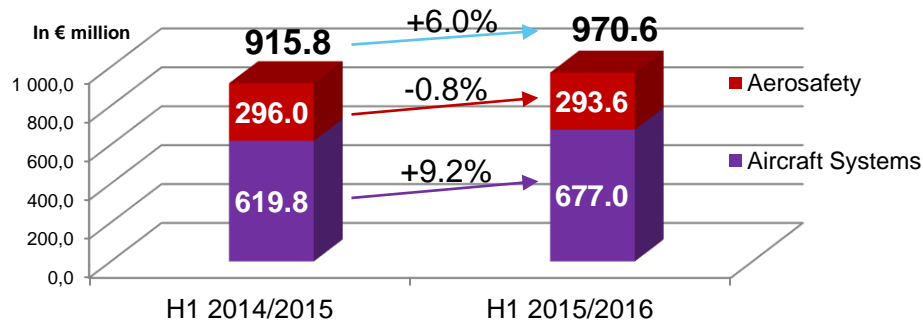


Aerosystems

Aerosafety
Aircraft Systems

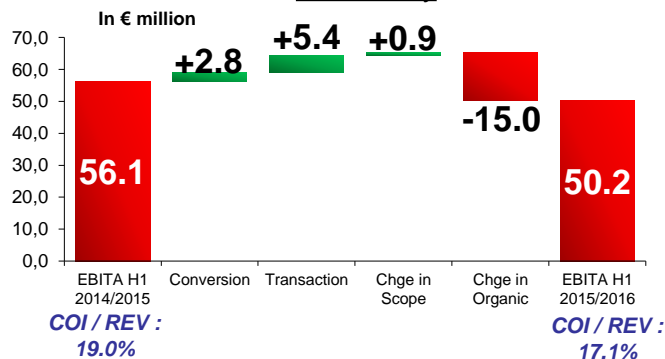
Aerosystems: H1'16 results

Sales breakdown

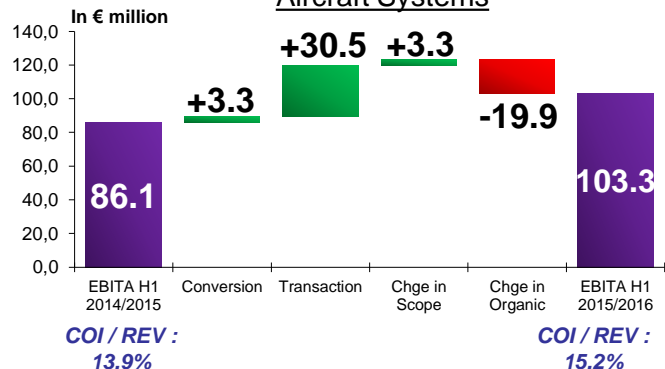


Current Operating Income*

Aerosafety



Aircraft Systems



*Excluding IFRS3 impact

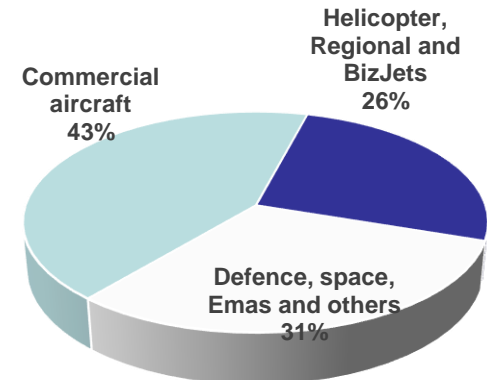
- Sales: Both Aerosafety and Aircraft Systems were impacted by lower sales to Helicopter, Business jets and Regional jets markets
 - Aerosafety: Sales down -0.8% ; -5.8% organic
 - Lower activity for Helicopter, Parachute & Protection and Arresting Systems
 - Aircraft Systems: Sales up 9.2% ; -1.4% organic
- Current Operating Income: positive forex impact offsets the reduced margin due to low BizJet and Helicopter activity, high development costs, new programs not yet at max rate (A350XWB) and soft aftermarket sales due to comparison basis

Aerosystems: Characteristics

- **New activity created on Sept. 1st, 2015, merging Aerosafety and Aircraft Systems branches**
 - Sales revenues 2014/15: €1.95bn*;
 - COI margin: 16%
- **Large variety of activities & business models:**
 - Niche positioning on more than 30 lines of products, following strong internal and external growth
 - Ramp up in systems: Strong Tier 1 position on Evacuation, Floats & Rafts, Electricity, Oxygen, Water & Waste, Fuel Management, etc.
 - Balanced customer base
 - Vertically integrated businesses: engineering and manufacturing skills
 - Significant after sales content
- **Overall good operational maturity**
- **Good aftermarket organization supported by Zodiac Aerospace Services**



Sales by end market



Aerosystems: priorities

Organize, control and structure

- **Lessons learnt from Seats and Cabin difficulties**
- **New organization in place, with stronger transverse functions**
- **Focus plan being deployed, in particular to secure ramp up**

Resume with Growth / Protect and grow our market share

- **Continue selective ramp up towards systems**
- **Continue internal and external growth**

Defend our added value in front of more demanding customers

- **Innovation**
- **Continued Focus on Costs**
- **Better Customer focus**
- **Better after sales support**

Our Environment

Our environment

- **Commercial aircraft: ramp up of new programs**
 - A350XWB
- **Regional aircraft: deliveries are stable while expecting new programs to ramp up**
 - Bombardier CSeries preparing Entering Into Service (EIS)
 - Mitsubishi MRJ pursuing its flight test program
 - Roll out of Embraer E2 last February
- **Business Jets and Helicopters under pressure**
 - Bizjets: Decrease of deliveries at some manufacturers ; Delay in Dassault 5X program
 - Helicopters: Impact of low oil price on offshore exploration and on heavy civilian helicopter market
- **Increase in aftermarket, supporting the fleet in service**

Business model

■ Aerosystems

- Model based on many stable SFE aircraft programs, most of them with a good level of maturity
- and a relatively visible aftermarket business.

■ Aircraft Interiors

- Seats, is mainly BFE (93%), with a short product cycle
 - The initial difficulties on seats were largely based on capacity ; this problem is now almost solved, with a late backlog that was essentially burnt down on H2 15.
 - The situation highlighted a lack of robustness of processes, currently being addressed
 - The recovery takes longer than expected initially because of sub-par engineering on some products (mostly developments done in Santa Maria).
- Cabin combines BFE (45%) and SFE (55%) programs
 - The SFE programs and their overruns, were largely responsible for Cabin's problems
 - Phasing out of longstanding programs, replaced by ramping up ones, impacting profitability in the years of transition

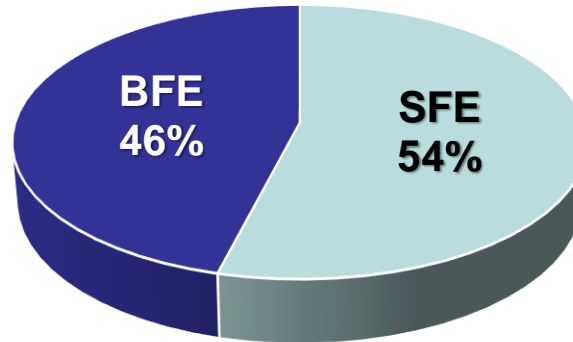
Our business model combines BFE and SFE

B.F.E. (Buyer Furnished Equipment)

Selected by the Buyer of the aircraft, i.e. the airline or the leasing Company

- Products either providing the airline the possibility to differentiate (interiors), or with high aftermarket content (engines, brakes¹...)
- Short cycles and less predictable than SFE
- High degree of customization
- **Seats (93%) and part of Cabin (45%)**

Sales²



S.F.E. (Supplier Furnished Equipment)

Selected by the Supplier of the aircraft, i.e. the airframer

- Provides long term visibility
- If selected at the launch of the program, need to self finance the development cost
- Ramp up at lower margin, followed by production and then aftermarket with higher margin
- No order book, just the visibility provided by the customer's
- **Aerosystems (close to 100%) and part of Cabin (55%, including items on catalogue)**

Commercial development

▪ AIX Hamburg show

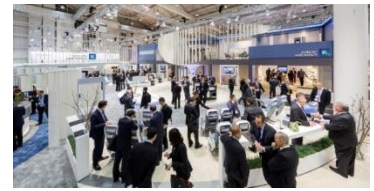
- Aircraft Interiors show in Hamburg is the world's largest professional show dedicated to Aircraft Interiors
- Attendance did further increase compare to last year
- Crystal Cabin Award « Visionary concept » for the LifeStyle cabin

▪ Strong commercial activities

- E.g. Air France announced during the show the selection of Zodiac Aerospace for the whole retrofit of their A330 fleet (Business, Premium and eco as well as IFE)

▪ The Zodiac Aerospace brand is strong

- Work in progress to assess pros and cons to move to a single brand
 - + e.g. Simplified communication towards stakeholders
 - - associated impact of other brands depreciation



A strong presence on every new platform

- A supplier to all aircraft manufacturer, with a strong presence on every new platform:
 - Commercial (>100pax): Boeing, Airbus, COMAC (C919), Irkut (MC21)
 - Regional: Embraer (E2), Bombardier (Cseries), COMAC (ARJ21), MRJ...
 - Business: Dassault Falcon, Gulfstream, Bombardier (Global 7000/8000)
 - Helicopters: Airbus Helicopter, Sikorsky, Agusta...
- Both in aircraft interiors and systems



MRJ First Flight



Comac 919 Roll Out

Outlook

Outlook

▪ 2015/2016 target confirmed

- Full year Current Operating Income should be close to the one of FY 2014/15
 - H2 to show significant improvement compared to H1
 - Mainly owing to volume effect : higher sales in H2 compared to H1 for both Aerosystems and Seats
 - And to a lower extend a) lower provision and cost for penalties, settlement costs, inventory obsolescence and b) better control of overheads
- Banking covenant should be respected
 - Also without taking into account the hybrid financing

▪ Medium term

- Back to operational performance in Seats and Cabin in 18 months

▪ Financial hedging in place

- H2 2015/16: 92% of H2 budgeted transaction exposure hedged at 1.10 \$/€
- FY2016/17: 40% of estimated \$/€ exposure at 1,12\$/€ ; 40% of \$ against CAD, GBP and MXN

Appendix

Appendix A-1: H1 2015/16 sales

In million of euros	1st half 2015/2016	1st half 2014/2015	% change	Exchange rates	Consolidation scope	Organic growth
Systems Activities	970.6	915.8	+6.0%	+8.3%	+0.5%	-2.8%
<i>Zodiac Aerosafety</i>	293.6	296.0	-0.8%	+8.1%	-3.1%	-5.8%
<i>Zodiac Aircraft Systems</i>	677.0	619.8	+9.2%	+8.4%	+2.2%	-1.4%
Aircraft Interior Activities	1518.5	1408.3	+7.8%	+8.9%	+0.0%	-1.1%
<i>Zodiac Seats</i>	641.6	622.2	+3.1%	+7.3%	+0.0%	-4.2%
<i>Zodiac Cabin</i>	876.9	786.1	+11.5%	+10.1%	+0.0%	+1.4%
Group Total	2489.1	2324.1	+7.1%	+8.6%	+0.2%	-1.7%
€/\$(conversion)	1.11	1.27				

Appendix A-2: H1 2015/16 income statement

Income Statement	H1 2015/2016	H1 2014/2015	% change
Revenue	2 489.1	2 324.1	+7.1%
Depreciation charge	67.7	55.1	
Charges to provisions	45.2	46.9	
Current operating income	80.4	177.6	-54.7%
Non-current operating income	-10.7	-12.6	
Operating income	69.7	165.0	-57.7%
Cost of net debt	-13.6	-7.2	89.8%
Other financial income and expenses	-0.7	-0.7	
Income taxes	-9.5	-47.3	-79.9%
Results of companies accounted for using the equity method	-2.4	-1.1	
Net income	43.5	108.7	-60.0%
Net income attributable to Non Group shareholders	-0.2	0.0	
Net income attributable to Group shareholders	43.7	108.6	-59.8%

Appendix A-3: H1 2015/16 Balance sheet

Condensed balance sheet							
In million of euros	02/29/16	08/31/15	02/28/15		02/29/16	08/31/15	02/28/15
				Equity			
Goodwill	2 035.4	2 023.4	2 027.8	Capital	2 943.3	2 819.2	2 786.1
Intangible assets *	706.0	698.1	695.3	Income	43.7	184.8	108.6
Property, plant & equipment	477.6	464.0	448.5	Net position	2 987.0	3 004.0	2 894.8
Other, including deferred taxes	33.1	44.2	34.4	Prov. and deferred taxes	284.7	286.0	284.5
Non-current assets	3 252.1	3 229.7	3 206.0	Financial liabilities	1 158.8	831.6	890.7
				Non-current liabilities	1 443.5	1 117.6	1 175.2
Inventories	1 460.5	1 340.7	1 286.1	Prov. Risks & Contingencies	158.0	171.0	133.5
Trade receivables	1 111.9	1 011.0	1 121.2	Financial liabilities	598.4	598.7	636.6
Other	219.1	171.4	147.7	Accounts payables	420.2	432.8	416.9
Cash and cash equivalents	135.8	163.6	104.0	Employees	206.2	218.6	189.9
Current liabilities	2 927.3	2 686.7	2 659.0	Other	366.8	374.4	428.1
				Current liabilities	1 749.6	1 795.5	1 805.0
Assets held for sale	0.7	0.7	10.0				
Total assets	6 180.1	5 917.1	5 875.0	Total liabilities	6 180.1	5 917.1	5 875.0

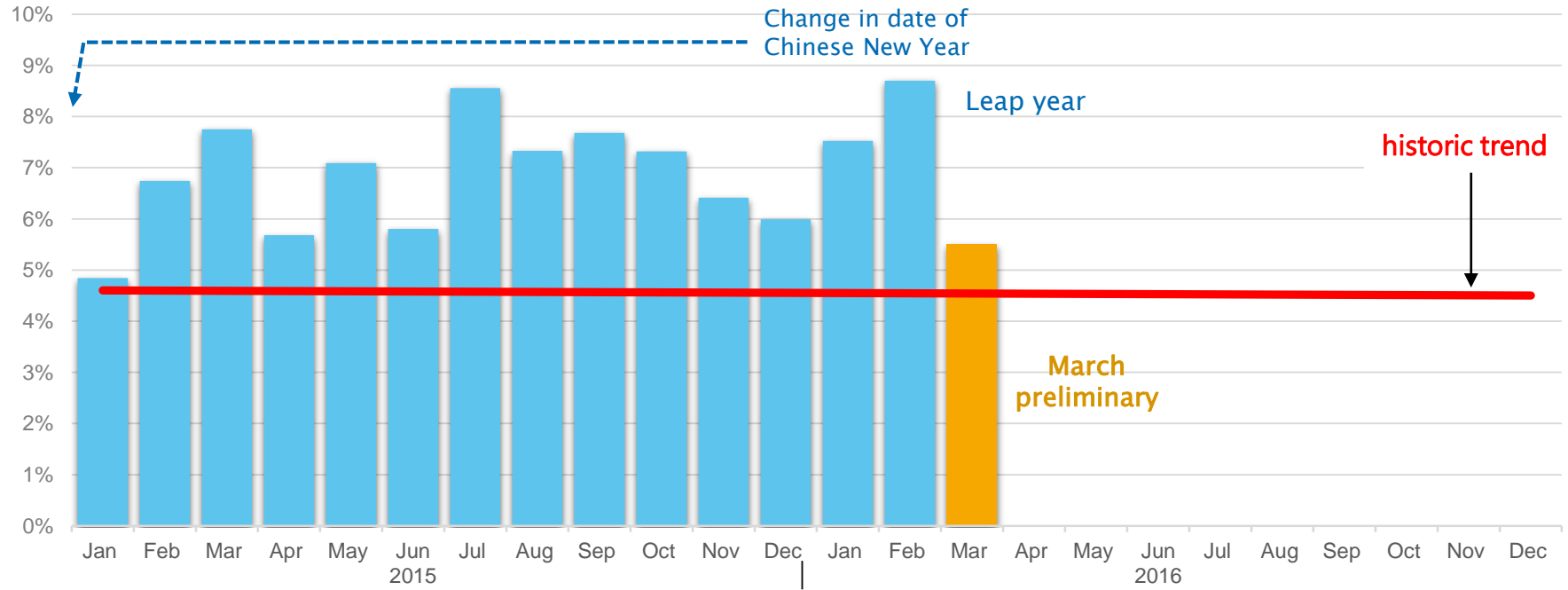
Appendix A-4: H1 2015/16 cash flow statement

Cash flow statement		
In million of euros	H1 2015/2016	H1 2014/2015
OPERATING ACTIVITIES		
Cash flow from operations	114.0	222.6
Change in WCR	-284.0	-284.4
Cash flow generated from continuing operations	-170.0	-61.8
INVESTMENT OPERATIONS		
Acquisition of intangible fixed assets	-35.3	-47.7
Acquisition of tangible fixed assets	-54.1	-58.7
Changes to the scope of consolidation	6.0	-99.2
Cash flow from investments in continuing operations	-83.4	-205.5
FINANCING OPERATIONS		
Change in financial debt	330.7	270.0
Treasury stock	-0.7	0.6
Increase in equity	4.8	3.3
Dividends	-88.5	-88.1
Cash flow from the financing of continuing operations	246.4	185.9
Currency translation adjustments, beginning of period	-16.2	-3.5
Change in cash position	-23.2	-84.9

Appendix A-5: World Air Traffic Growth

Revenue Passenger Km – Comparison with Historic Trend

Percentage change compared to same period in previous year



Appendix A-6: A diversified range of products

AIRCRAFT INTERIORS



Cabin

Overall design and production of cabin interiors and equipment solutions for onboard service and passenger comfort.



Seats

A comprehensive and innovative seats offer

SYSTEMS



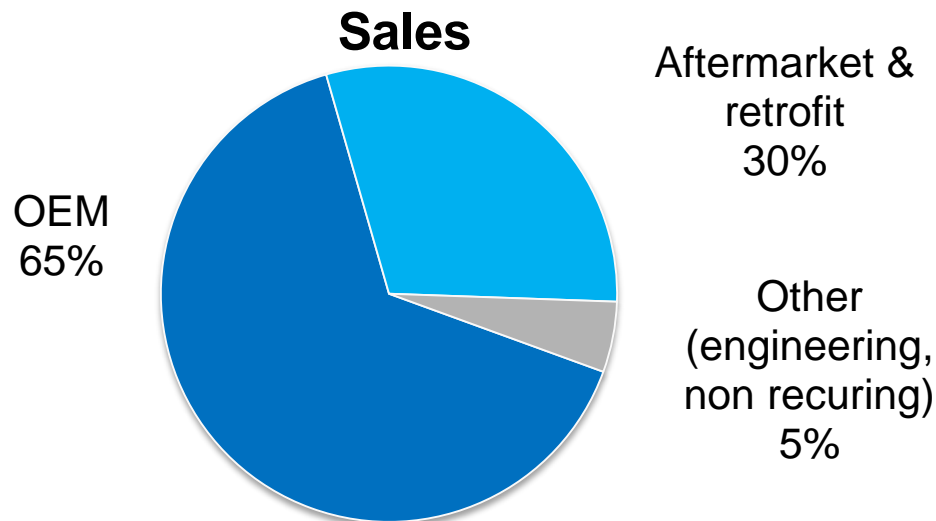
Aerostystems

High-technology equipment and systems for critical aircraft functions and in-flight and on-ground safety

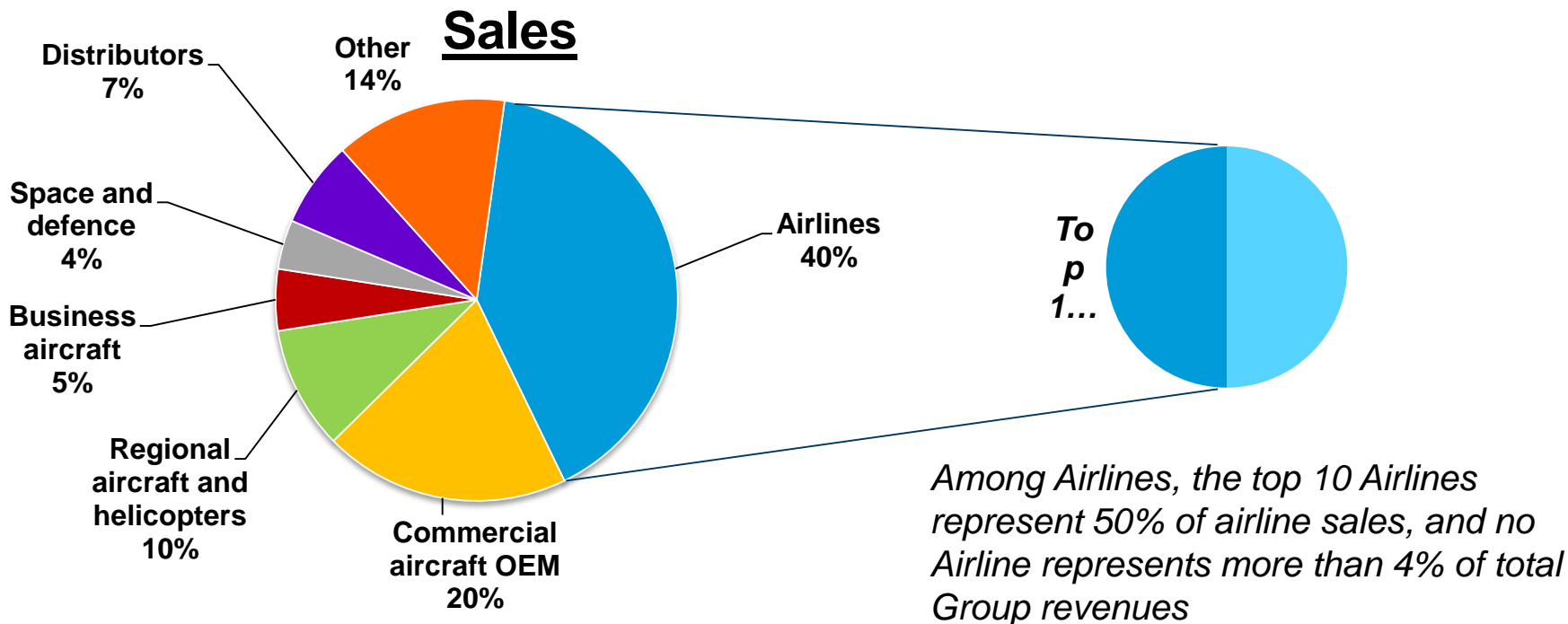


Appendix A-7: Balanced mix between OEM and aftermarket

- Zodiac Aerospace has a balanced mix between OEM and aftermarket



Appendix A-8: A balanced exposure to end markets and Airlines



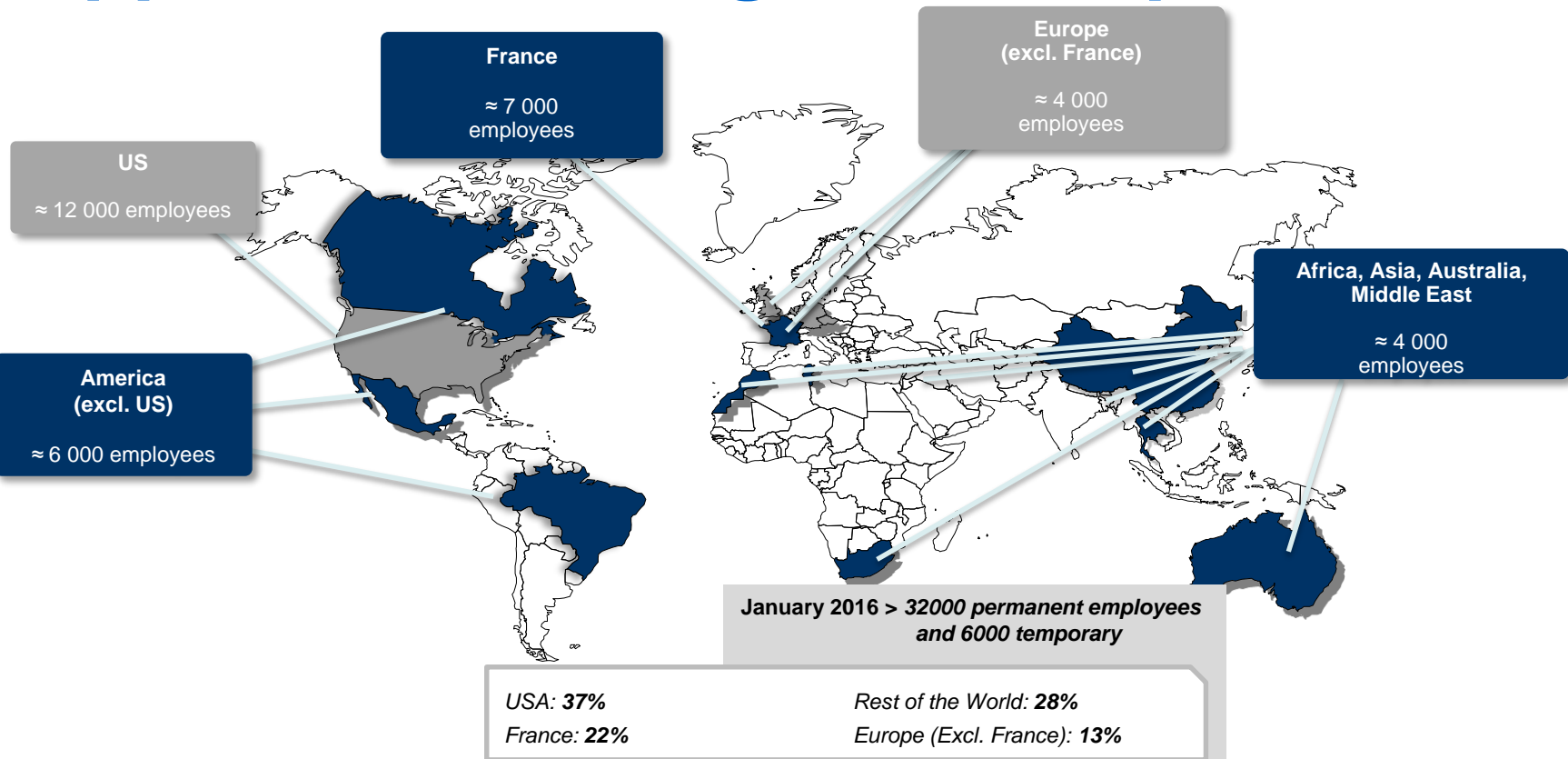
Appendix A-9: Positioning (SFE)

Regional aviation	CABIN	SYSTEMS
C919 (China)	★★	★
Cseries (Canada)	★★★	★★★★
MC21 (Russia)	★★★	★★★
MRJ (Japan)	★★★	★★
E2 (Brasil)	★★★	★★★★

Business Jets	CABIN	SYSTEMS
G650 (Gulfstream)	★	★★
G7000 / 8000 (Bombardier)	★★	★★
F5X (Dassault)		★★★

Commercial aviation	CABIN	SYSTEMS
Boeing 787	★★	★★
Boeing 777		★
Boeing 737		★
Airbus A350	★★	★★★★
Airbus A330		★
Airbus A380		★★
Airbus A320		★

Appendix A-10: A global footprint



Appendix A-11: Acquisitions



1978
1990

EFA •
Aérzur •
Parachutes de
France •
Superflexit •
Plastiremo •
**Air
Cruisers** •
Pioneer •
Kléber Industries



1992
1995

**Weber
Aircraft** •
**Sicma
Aero
Seat** •
Amfuel



1997
1999

**MAG
Aérospace**
•
**Intertech
nique**



2002
2004

Heim •
ESCO •
Simula •
Icore •
Evac •
**Avox
Systems**



2005
2008

C&D •
Enertec •
PISA • TIA •
Adder •
Driessen



2010
2012

Quinson • Cantwell
Cullen & Co •
Sell GmbH
• Heath Tecna •
**Contour
Aerospace**
• IMS • NAT

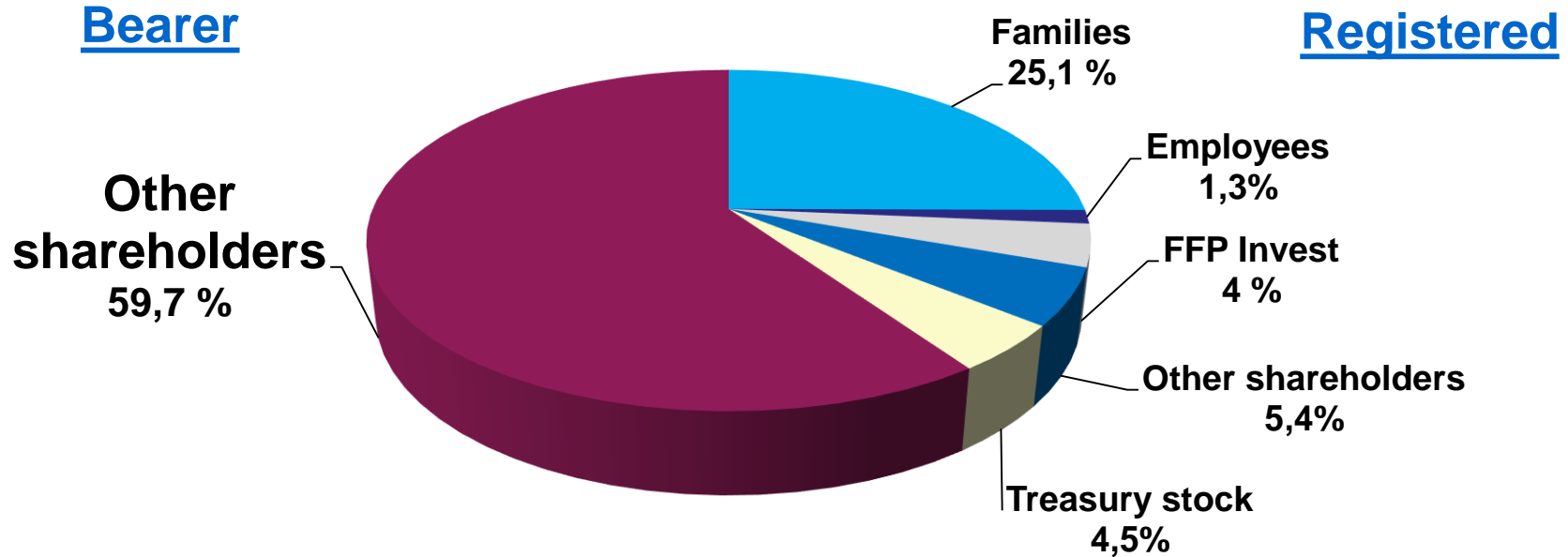


2013
2014

IPS • La Jonchère •
Bureau d'études de
Threesixty Aerospace •
TriaGnoSys •
PPP •
**Greenpoint
Technologies**
• Enviro
Systems

Appendix A-12: Shareholding structure

Breakdown of Zodiac Aerospace capital stock (at August, 31st 2015)



About Zodiac Aerospace

Zodiac Aerospace is a world leader in aerospace equipment and systems for commercial, regional and business aircrafts and for helicopters and spacecrafts. It develops and manufactures state-of-the-art solutions to improve comfort and facilities on board aircrafts and high-technology systems to increase aircraft performance and flight safety. Zodiac Aerospace has 35,000 employees worldwide and generated revenue of €4.9 billion in 2014/2015.

www.zodiacaerospace.com

Next meetings:

Q3 2015/16 revenue
Q4 2015/16 revenue
FY 2015/16 results

June 14, 2016 (after stock exchange closing)
September 14, 2016 (after closing)
November 22, 2016

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