

# ZODIAC AEROSPACE



## H1 2009/2010 Results presentation

MASTERING THE ELEMENTS

ZODIAC  
AEROSPACE 

# Key Events

- **Current Operating Income of €76.5 million in the first half of 2009/2010, in line with Group forecasts**
- **The first half of the year appears a low point in the economic situation for aircraft equipment manufacturers**
- **Major advances in new commercial aircraft programs**

# Key figures

€ millions	H1 2009/10	H1 2008/09	Δ
Revenue	<b>965.8</b>	1,107.4	-12.8%
Current Operating Income	<b>76.5</b>	115.2	-33.6%
<i>COI/Revenue</i>	<b>7.9%</b>	10.4%	
Net Earnings	<b>44.2</b>	62.1	-28.8%
Net Debt	<b>646</b>	882	
Gearing	<b>0.48</b>	0.67	
Average transaction (€/\$)	<b>1.45</b>	1.33	

# Quarterly sales variation shows improvement

## Consolidated Revenues

% change	reported			organic		
	Q1	Q2	H1	Q1	Q2	H1
<b><i>AeroSafety &amp; Technology</i></b>	-6,1%	-1,2%	<b>-3,6%</b>	-3,0%	+2,0%	<b>-0,4%</b>
<b><i>Aircraft Systems</i></b>	-21,5%	-29,8%	<b>-25,8%</b>	-16,6%	-24,9%	<b>-20,9%</b>
<b><i>Cabin Interiors</i></b>	-15,1%	-4,2%	<b>-9,8%</b>	-9,0%	+1,3%	<b>-4,1%</b>
<b><i>Total Group</i></b>	-14,9%	-10,7%	<b>-12,8%</b>	-9,7%	-5,7%	<b>-7,7%</b>

# Contents

First Half Highlights

First Half Results

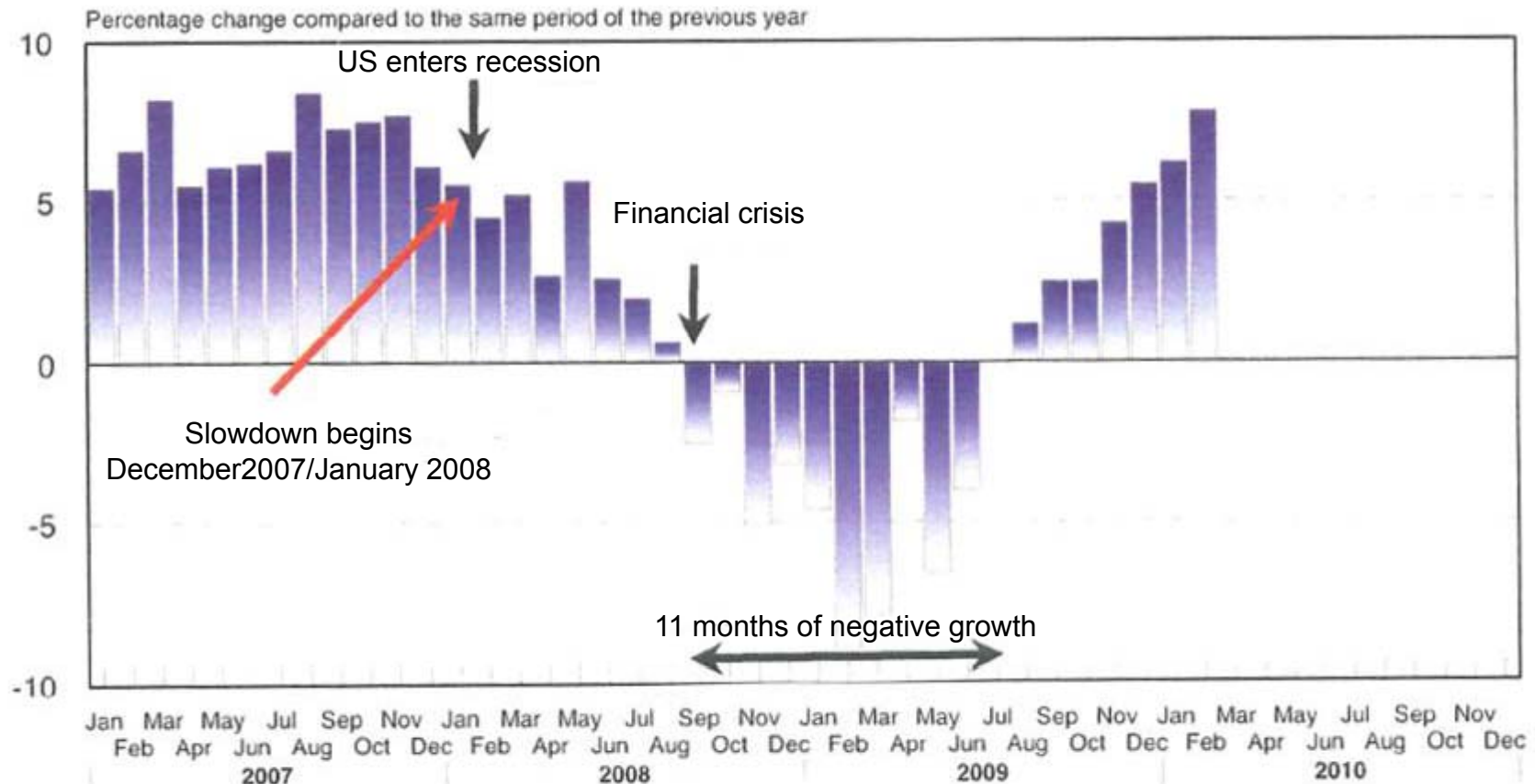
Strategy & Outlook

Calendar



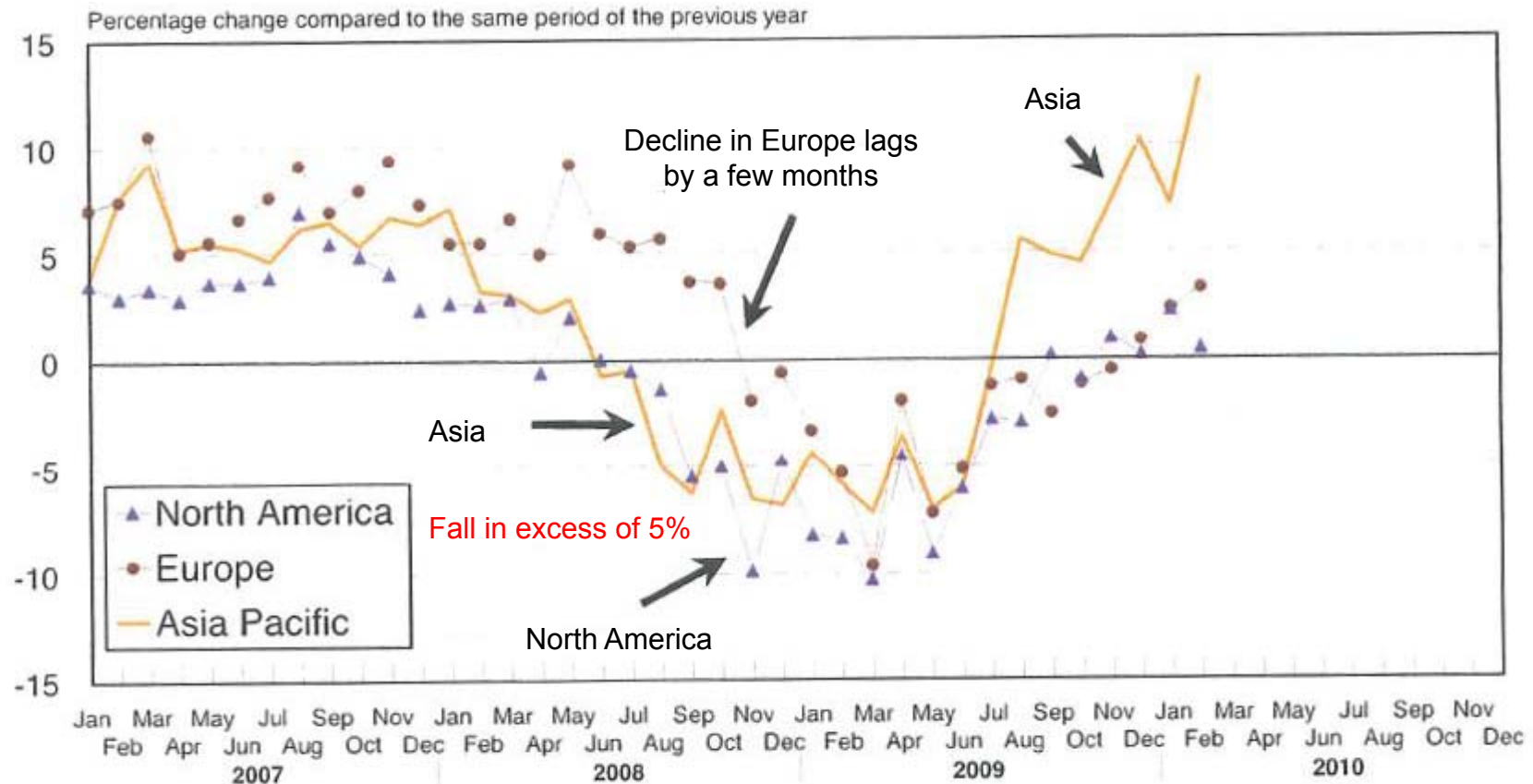
# First Half Sector highlights

## Air Traffic and load factor improve



# First Half Sector highlights

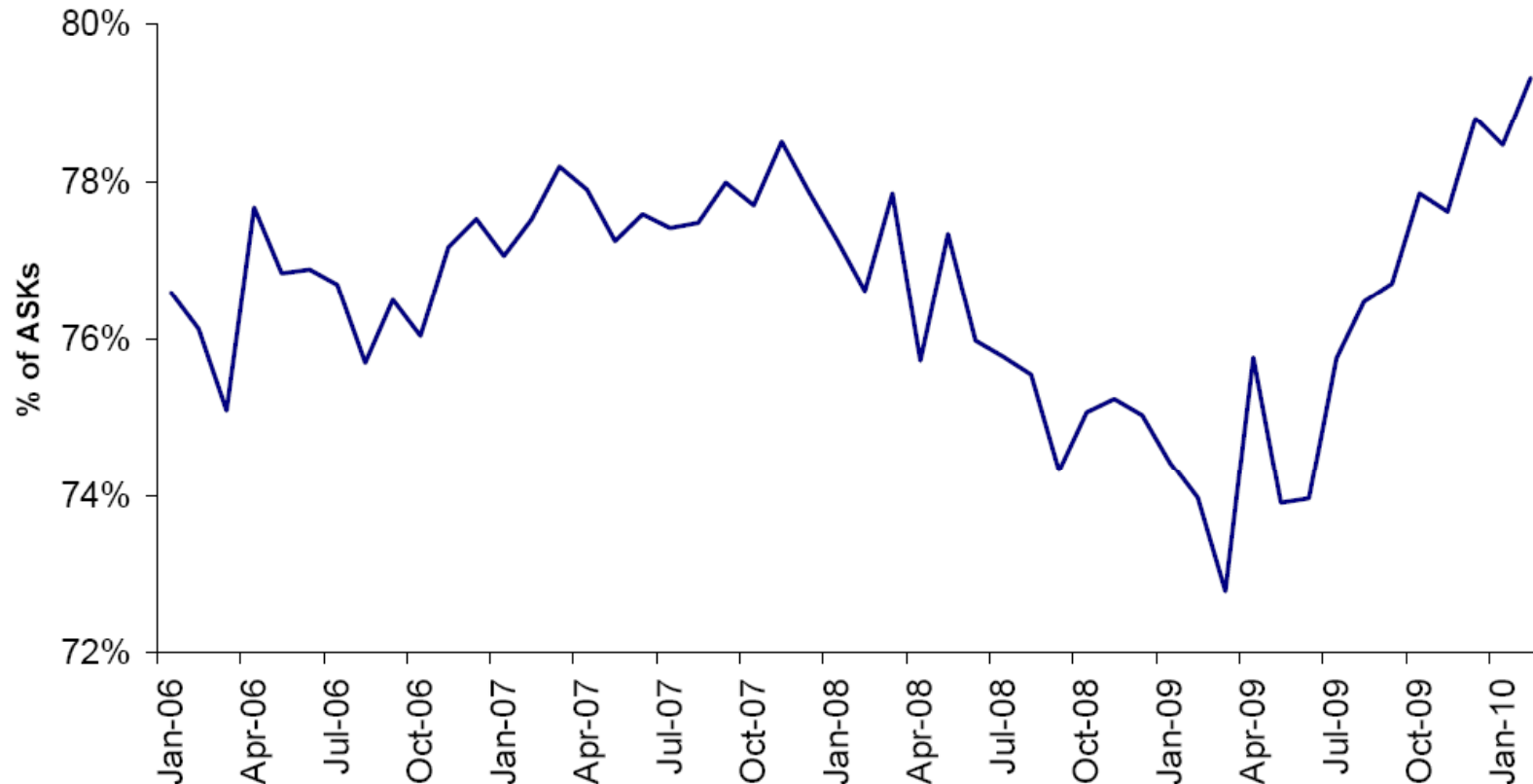
## Air Traffic and load factor improve



## First Half Sector highlights

# Air Traffic and load factor improve

Passenger Load Factor on International Market  
Seasonally Adjusted





# First Half Sector highlights

## Limited impact on large aircraft manufacturers production rates

monthly rate

		Pre crisis	adjusted	date	increase	date
Airbus	Single aisle	36	34	october 2009	36	dec 2010
	Long range	8,5	8,5		Jan. 09 "pause at 8,5"	
	Wide (380)	13	10		20	
Boeing	737	31,5			unchanged	
	767	1			unchanged	
	777	7	5	mid 2010	7	mid 2011 (vs mid 2012)
	747	2	1	mid 2010	2	mid 2011 (vs mid 2012)
Embraer	E-jets	14	7	summer 2009	↗	
Bombardier	CRJ	≈10		April 2010: "under review"		
Bombardier	Dash8	≈5		unchanged		
ATR	-42 / -72	≈5		unchanged		

# First Half Sector Highlights

## Programs update

- **OEM production rates to increase**
  - Actual decrease or low level of production
    - Decrease in production rate at Embraer, Airbus, Boeing, Bombardier
    - Continuing low level of deliveries to business jets
  - But announcements of output increases
    - Airbus single-aisle, Boeing 777, Embraer E-jets
  
- **Key program successes**
  - A400M : First flight on Dec 11, 2009
  - B787: First flight on Dec 15, 2009
  - EC175: First flight on Dec 17, 2009
  - B747-8: First flight on Feb 8, 2010



# First Half Sector Highlights

## Boeing 787 Dreamliner

- **Flight test program underway**
  - First flight on Dec 15, 2009
  - Boeing targeting certification for Q4 2010
  - Ultimate load wing up-bending test completed March 28
  - Expanded type inspection authorization (TIA) on April 20<sup>th</sup>
  - 4 aircraft flying
  - 505 flight hours performed
  
- **A significant contributor for Zodiac Aerospace future sales**
  - Shipset value of \$2.5m per aircraft (excluding seats)
  - 866 aircraft in Boeing's order book



# Aftermarket picking up

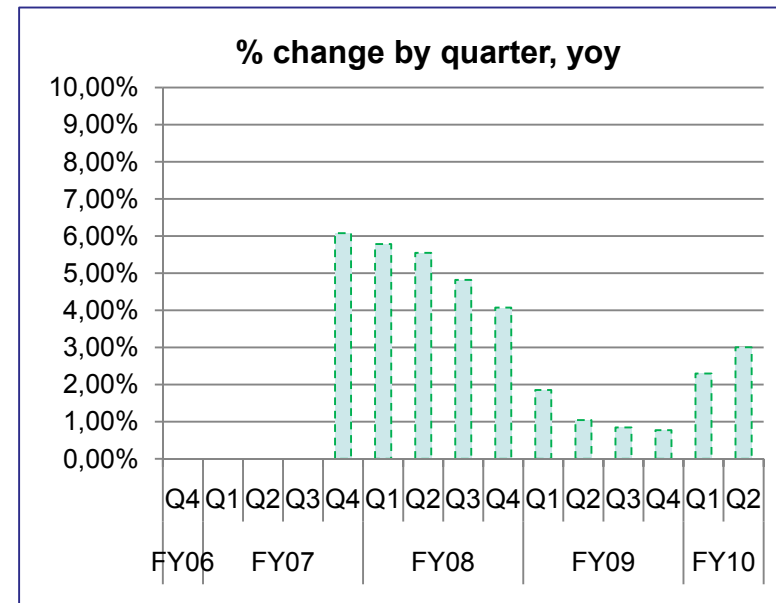
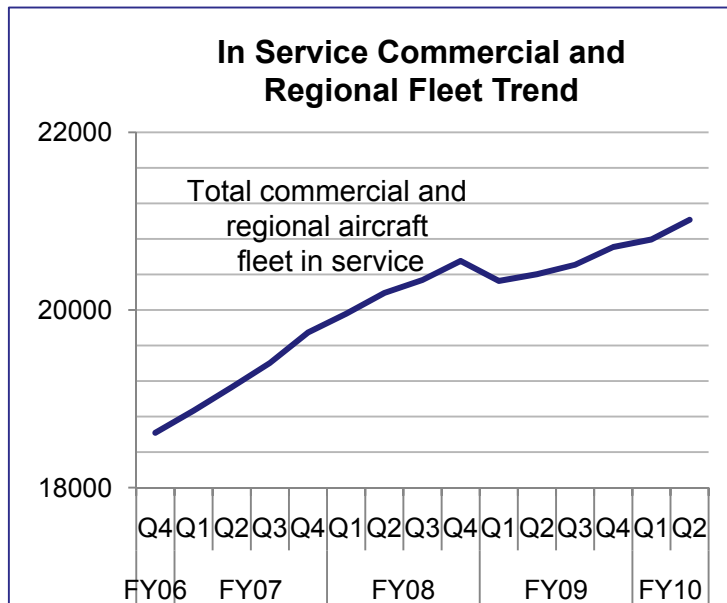
- **Aftermarket recovers in H1**

- **Fleet in service increasing**

- The quarterly % change improvement indicates a strong growth in in-service fleet for FY10

- **Increased flying hours by the fleet in service**

- **Zodiac Services up and running**



# Aerosafety & Technology

*Emergency slides*

**world leader**

*Runway aircraft arresting systems*

**world leader**

*Parachutes*

**world co-leader**

*Rafts / floatation*

**world leader**

*Specialty wiring protection*

**world leader**

*Fuel cells, de-icers*

**world co-leader**

*Telemetry / mission recorders*

**European leader**

**Niche segments in consolidated markets**

**Protected technologies**

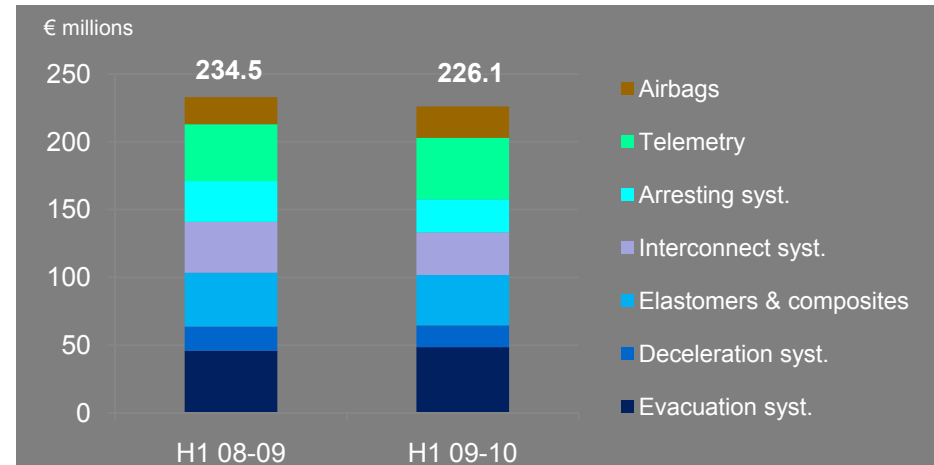
**Recognized leader in safety systems**



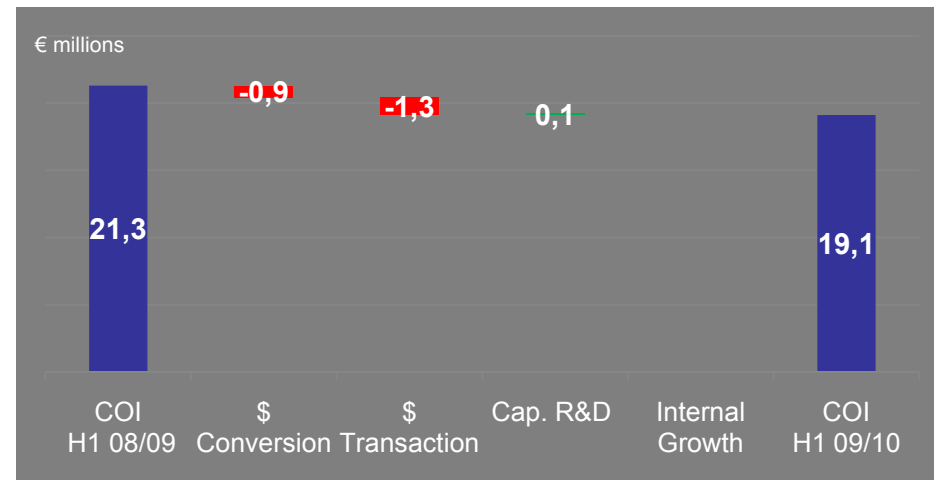
# Aerosafety & technology

## Key events

- **Slight decline of sales in H1 2009-10**
  - The decline in Aerosafety sales were compensated by better sales in the Technology side
  - Lower OEM sales compensated by better aftermarket
- **Good operating performance**
  - Some negative dollar impact
  - COI unchanged like-for-like, despite a lower volume



COI/REV	H1 08-09	H1 09-10
COI/REV	9.1%	8.5%



# Aircraft Systems

*Electrical power management*

*Oxygen*

*Fuel circulation*

*Lighting Systems*

*Actuators for seats*

*Windshield wipers*

**world leader**

**world leader**

**top 3 worldwide**

**top 3 worldwide**

**world leader**

**world leader**

**Recognized status as a tier 1 systems provider**

**Recognized technological leadership**

**Involvement in all new aircraft programs**



# Aircraft Systems

## Key events

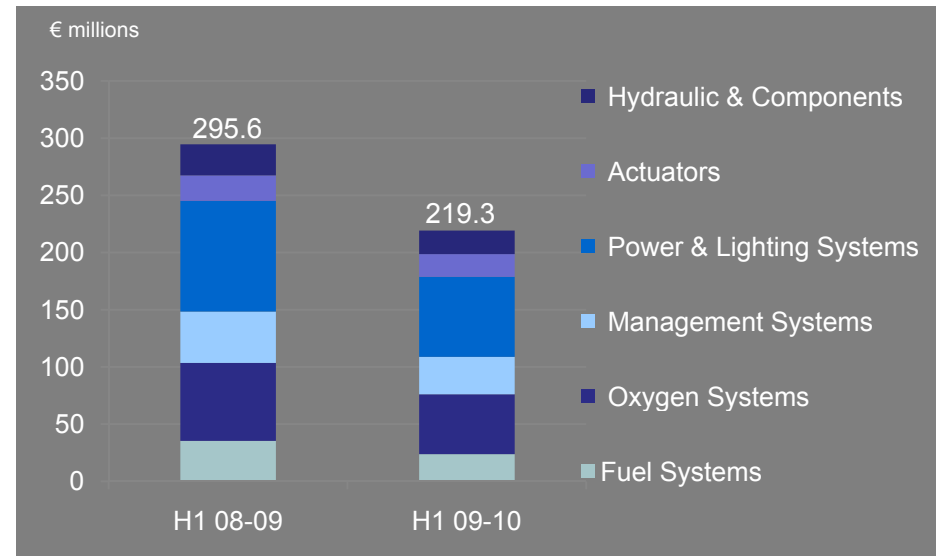
- **A difficult H1 combining**

- A significant decrease in revenues

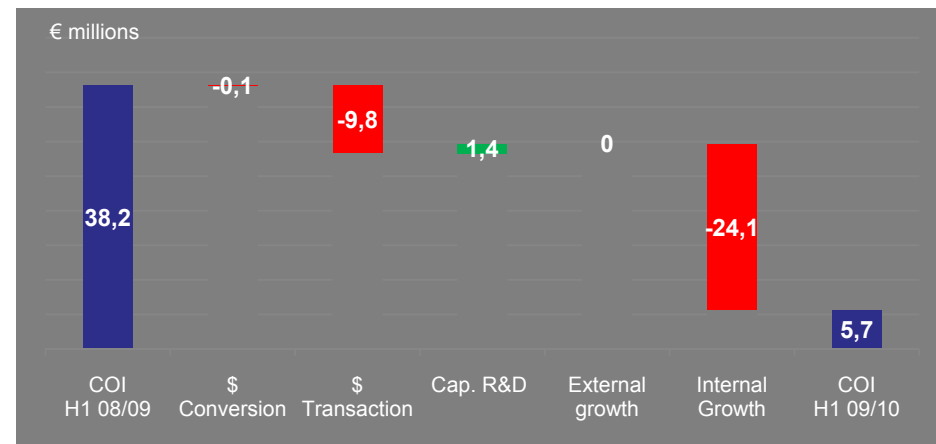
- Business jets
    - Regional aircraft
    - Helicopters
    - Defense

- A negative dollar impact

- **H1 is the low point**



COI/REV	12.9%	2.6%
---------	-------	------





# Cabin Interiors

## *Cabin Interiors*

- Turnkey Interiors **world leader**
- Waste & Water **world leader**
- Galley inserts
- Class dividers, composites **world leader**

## *Seats*

- Passenger seats **world co-leader**
- Technical seats

## *Galleys & Equipment*

- Trolleys **world leader**
- Galleys **world leader for narrowbodies**

**Recognized expertise and leadership in cabin integration and components**

**Technical and industrial regulatory barriers to market entry**

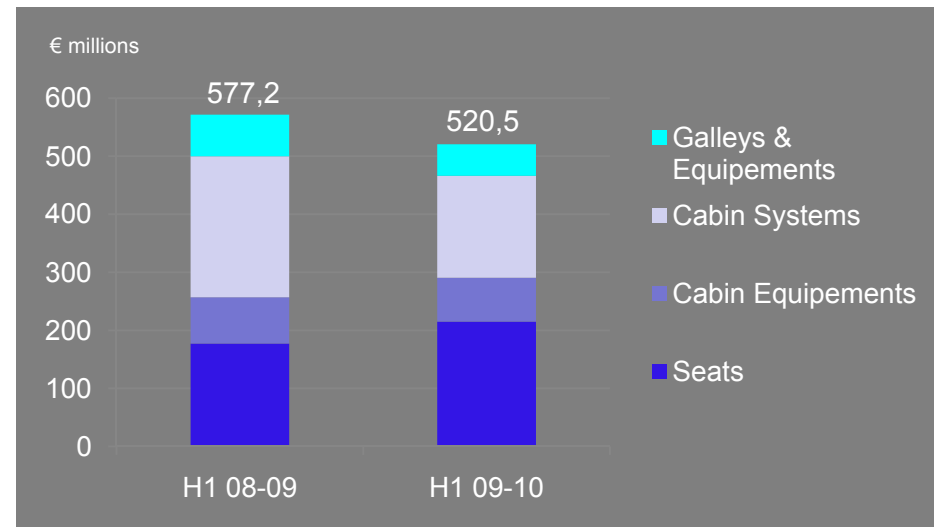
**Healthy market shares on the B787 and new programs**



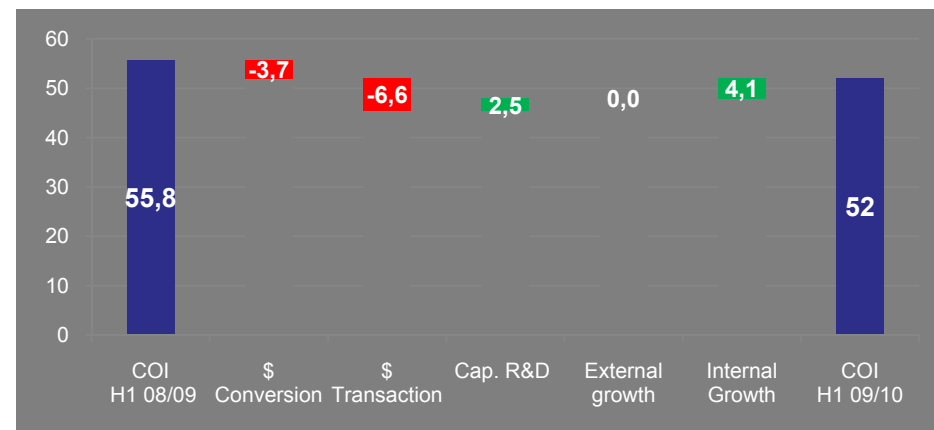
# Cabin interiors

## Key events

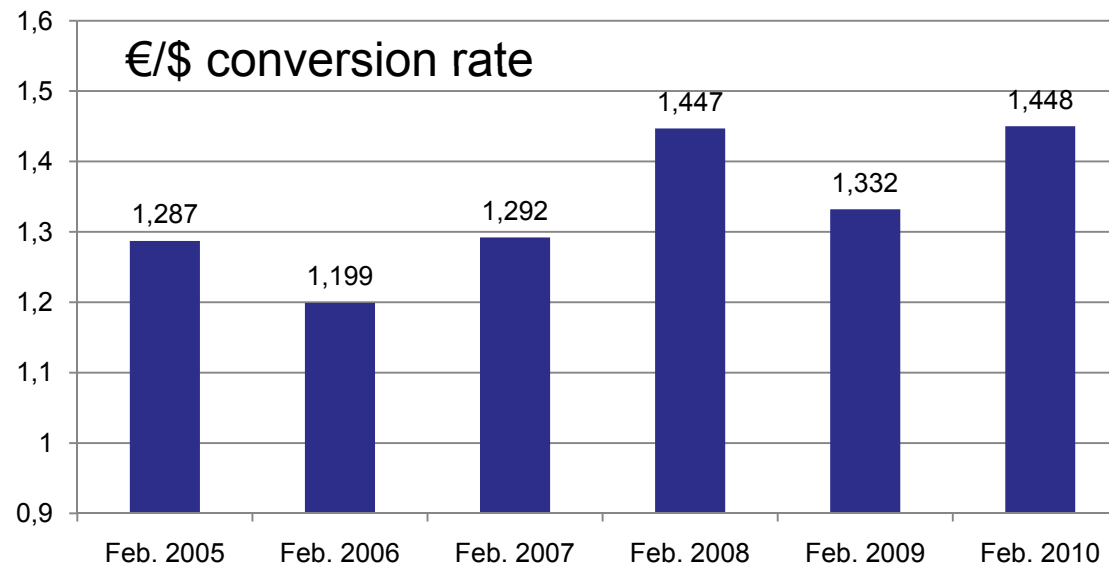
- **Activity is mixed**
  - H1 stronger signs of market recovery in Galley Equipment
  - Decline of production rates at some large customers, like Embraer, ...
  - ... but further increases announced
  - Significant improvements in the seating business
  - Good level of aftermarket



COI/REV	9.7%	10.0%
---------	------	-------



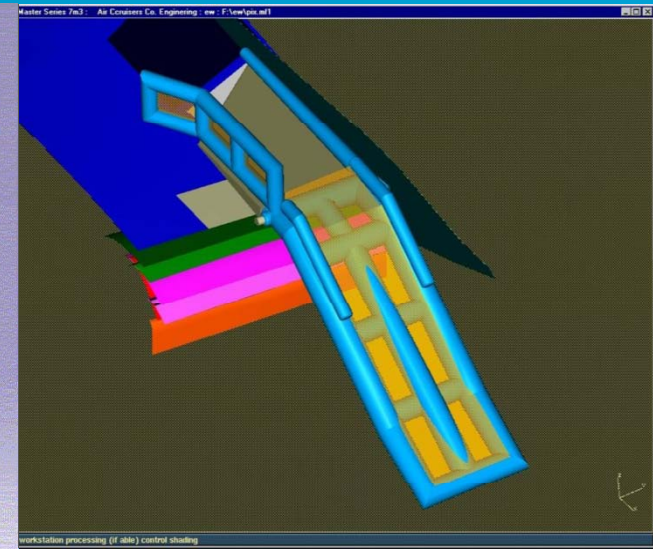
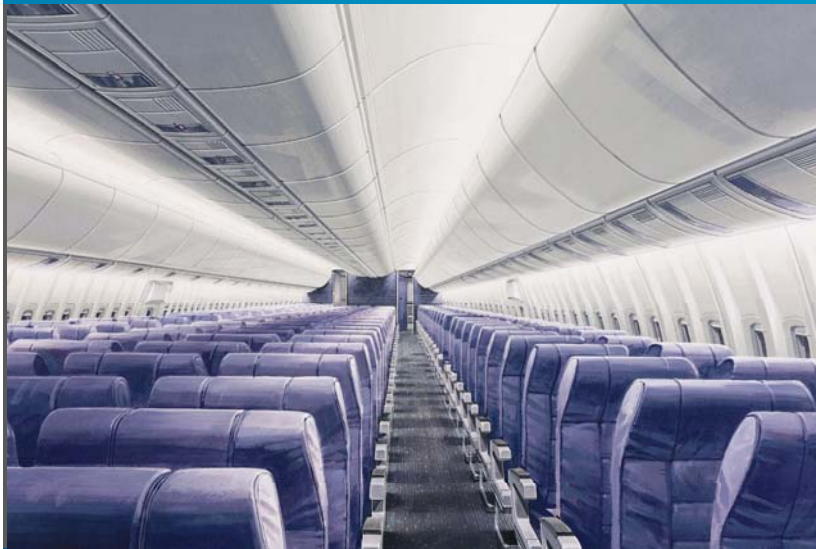
# A weak dollar environment in H1



- **Sensitivity to US\$ limited**
  - 1pp COI margin impact per 10 cts change in €/ \$ exchange rate
- **Partial dollar hedging in place for H2**

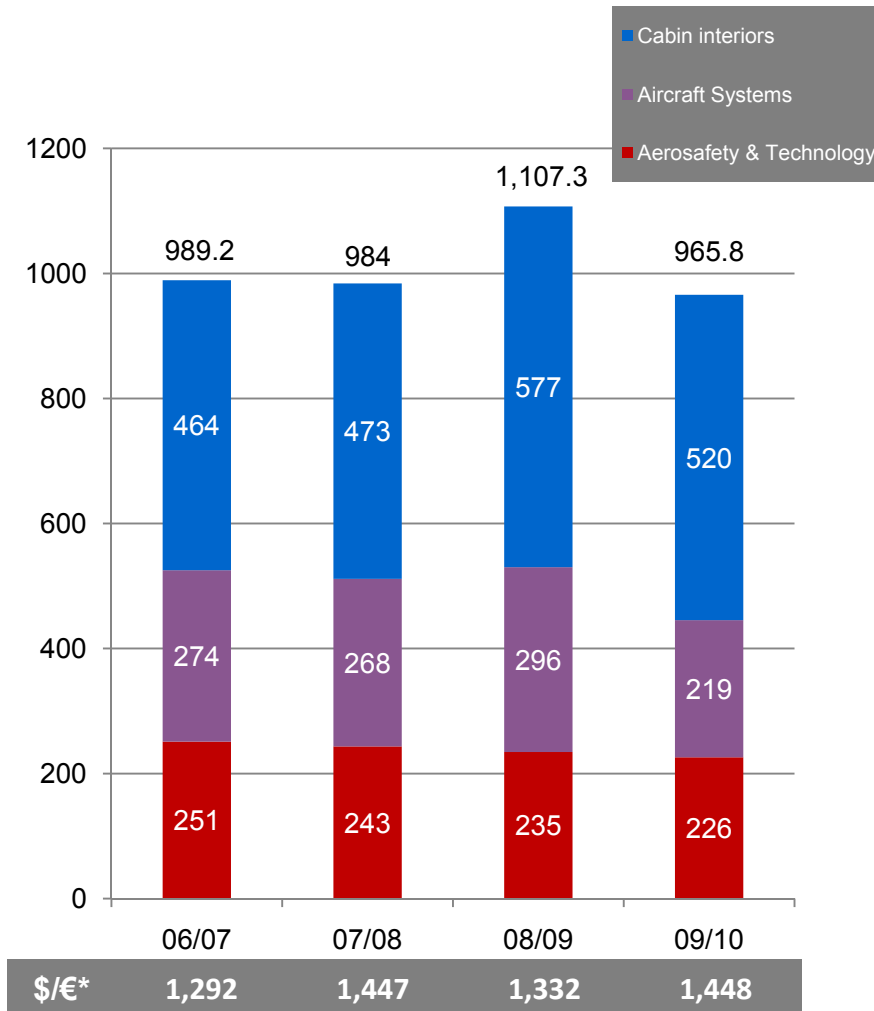
# Half Year Earnings 2009/2010

## Financial statements



April 23, 2010 - 20

# Revenue



- **Business volumes down**

- -12.8% reported

- **Down by 7.7% like-for-like**

- Particularly strong decrease for Aircraft Systems (-20.9%)

- Aerosafety stable (-0.4%)

- Cabin Interiors resisted well (-4.1%)

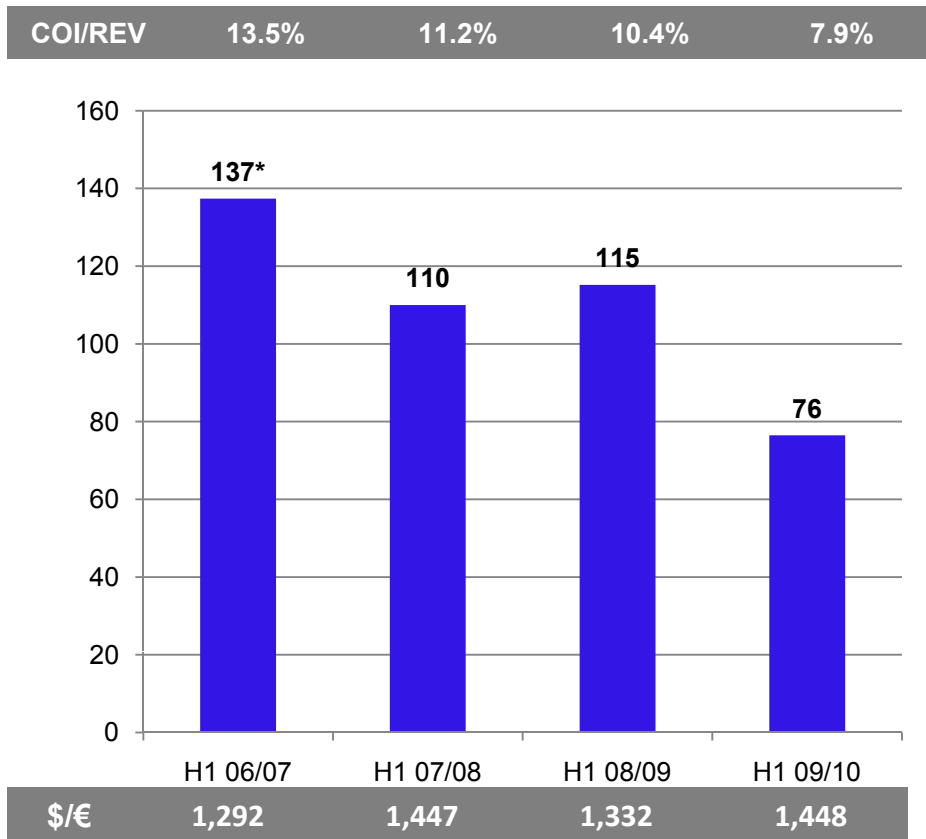
- **H1 appears to be low point**

- Both Aerosafety & Technology and Cabin Interiors reported better organic growth rate in Q2 compared to H1

- Aircraft Systems reached a low point

# Current Operating Income (COI)

€ millions

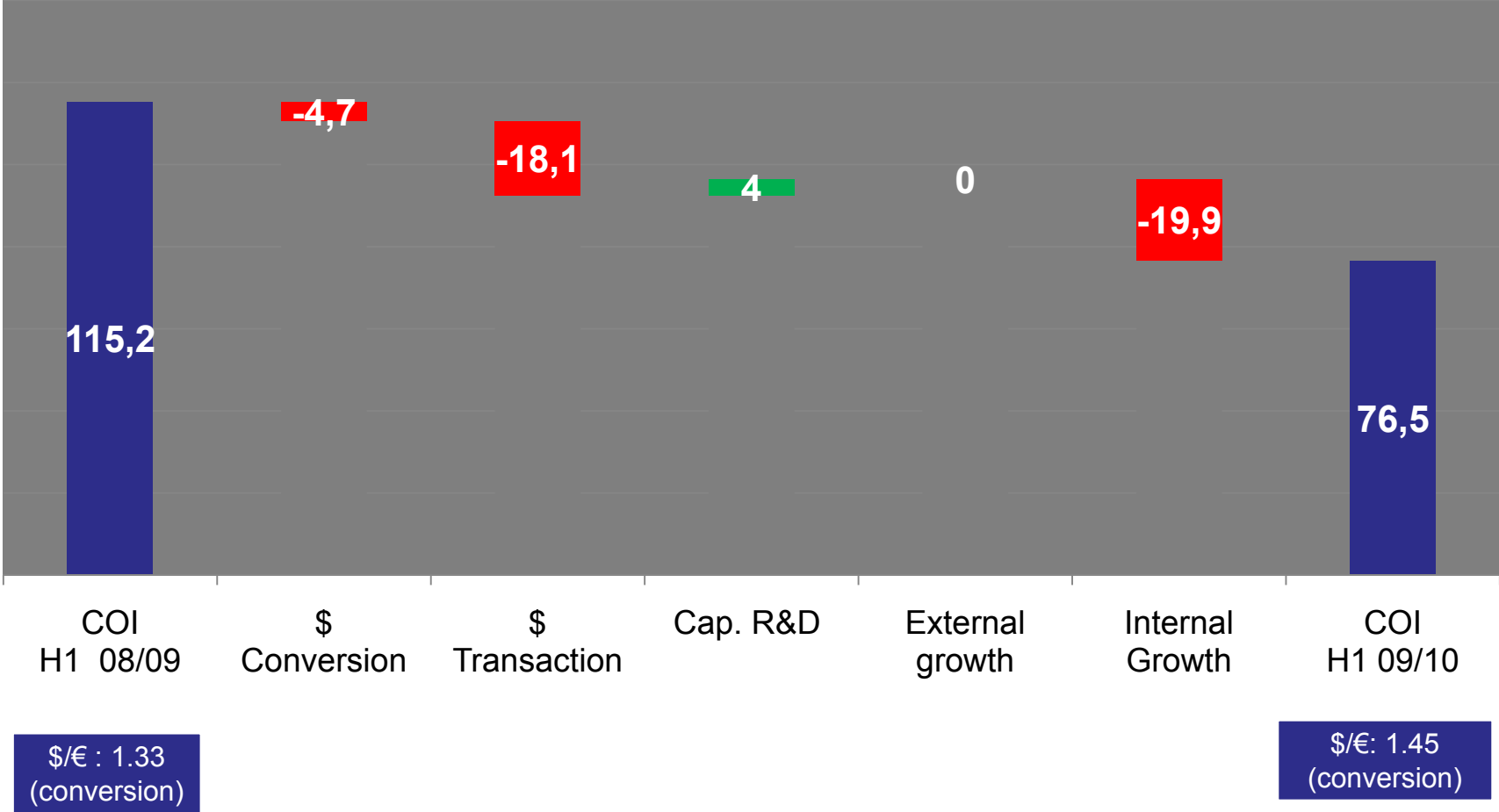


\* Marine excluded (22,1M€)

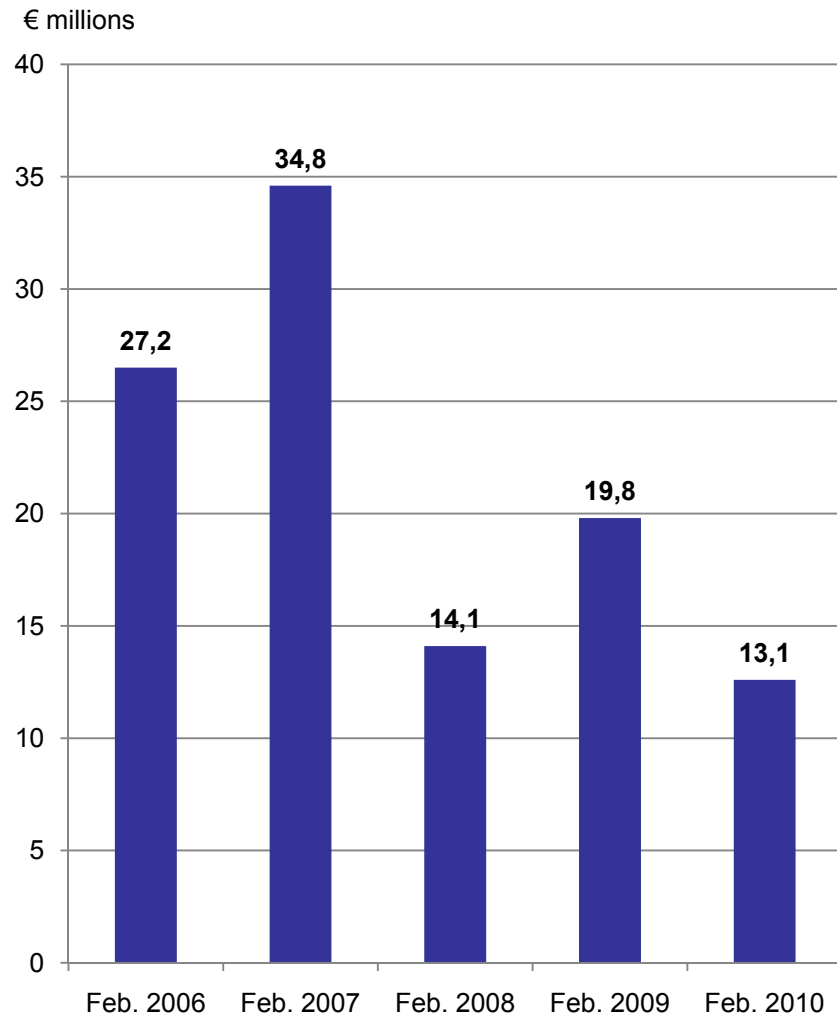
- **As expected, H1 is weak**
  - Accumulation of negative items over the H1
- **Mixed evolution by segment**
  - Low contribution from Aircraft Systems
  - Aerosafety & Technology resists well
  - Cabin Interiors increases organically, owing to internal flexibility

# Current Operating Income (COI)

€ millions



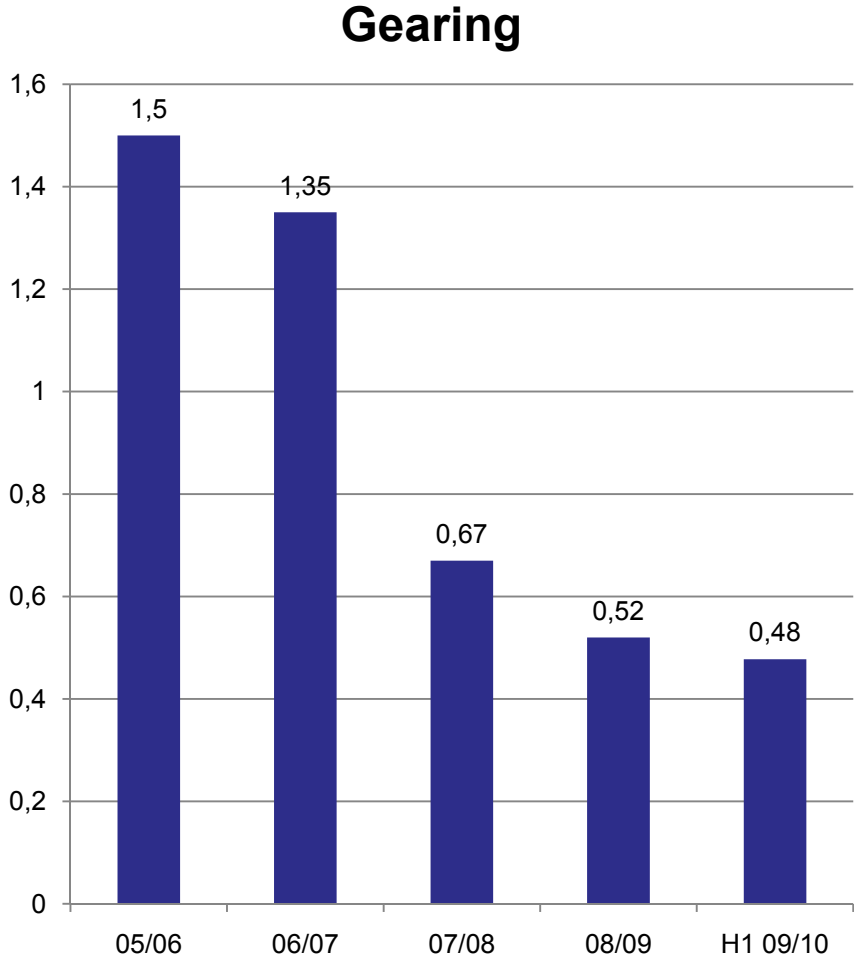
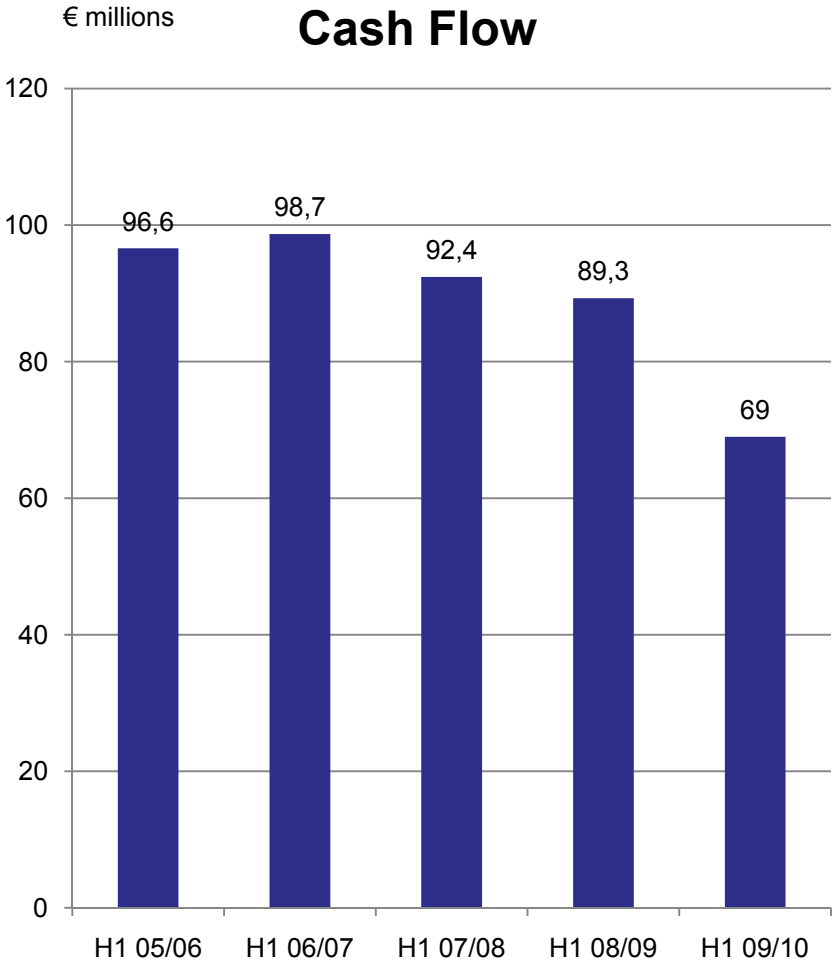
# Financial expenses



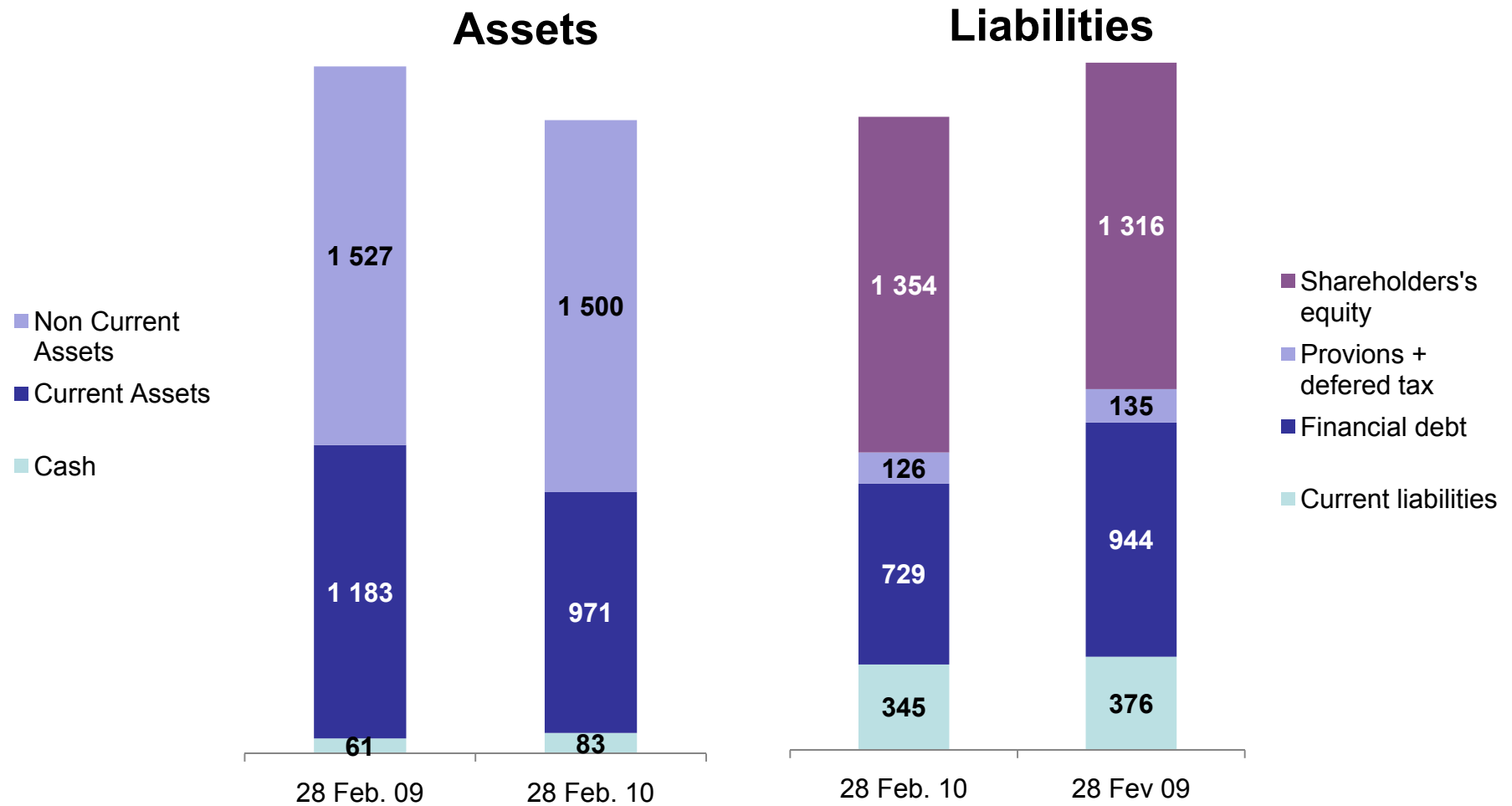
- Cash flow in line...
- and positive WCR impact...
- results in a lower net debt...
- and in lower financial expenses



# Cash flow and gearing



# Balance sheet



# Cash flow statement

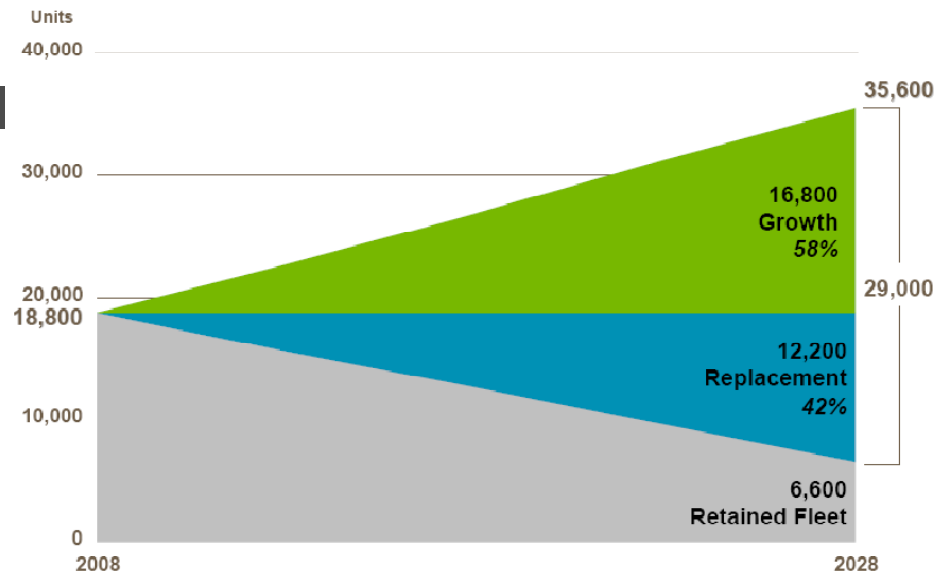
€ millions	H1 2009/2010	H1 2008/2009
<b>OPERATING ACTIVITIES</b>		
Cash flow	69,0	89,3
Change in WCR	38,2	-81,2
<b>Cash generated from operations</b>	<b>107,2</b>	<b>8,1</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of intangible assets	-16,0	-14,4
Acquisition/disposal of tangible assets and others	-25,6	-32,9
Acquisition/disposal of entities, net of cash acquired	-7,9	-20,1
<b>Cash generated from investments</b>	<b>-49,5</b>	<b>-67,4</b>
<b>FINANCING TRANSACTIONS</b>		
Change in long-term debt	-21,8	142,1
Treasury stock	-3,5	-12,0
Other	2,5	1,5
Dividends	-52,9	-52,7
<b>Cash generated from financing</b>	<b>-75,7</b>	<b>78,9</b>
Currency translation adjustments at beginning of period	5,1	4,4
<b>Change in cash</b>	<b>-12,9</b>	<b>24,0</b>

# Strategy & Outlook



# Industry megatrends / Strong prospects

- Industry resists well in general despite a crisis of unprecedented severity
- Strong need for new aircraft
  - Renewal of the fleet in service
  - Additional aircraft to meet with traffic increase



Source : Airbus Global Market forecast

- Fleet in service to increase, generating more spare parts business
- Incumbents advantaged by strong barriers to entry
  - Cost of development
  - 30 year+ program lifetime
  - Larger packages being procured by aircraft manufacturers
  - Increasingly strong and complex regulation, driven by safety concerns

# Zodiac Aerospace Main Strengths

- **World leadership in many key areas**
- **Balanced customer mix**
- **Global footprint**
- **Strong culture of external growth**
- **Tried and trusted technology**
- **Mastery of international certification issues**
- **Optimized Aftermarket organization**

# Focus on the Seat Market

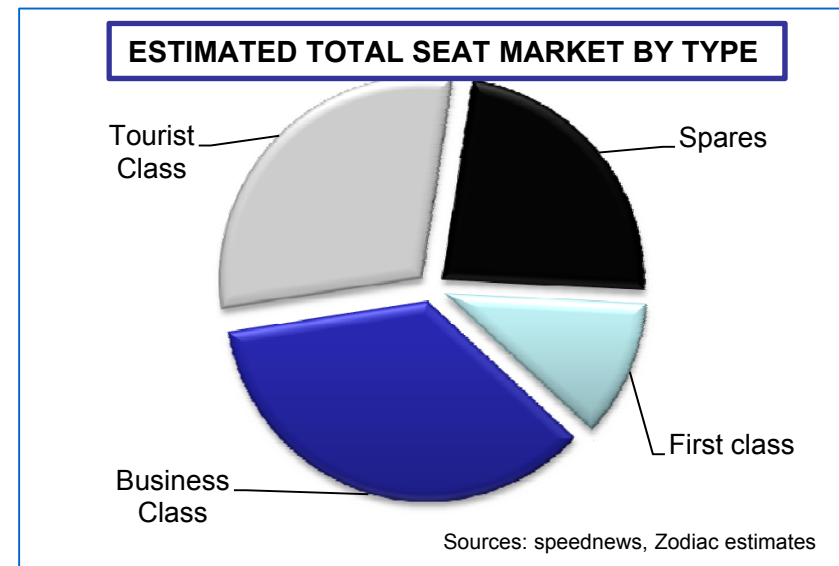
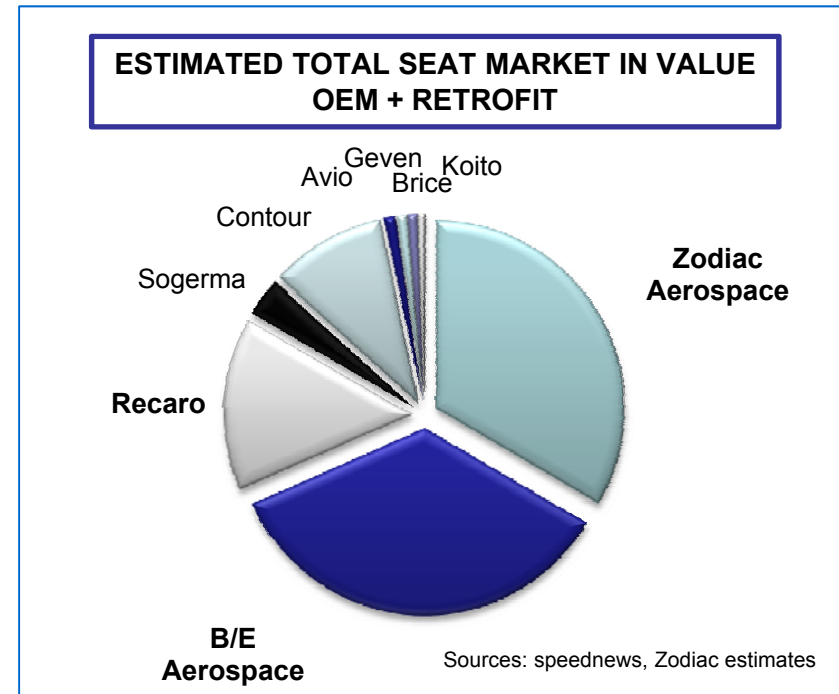
Good example of Zodiac Aerospace strategy

- World leadership in niche market
- With strong barrier to entry
- And significant aftermarket content



# Seat Market

- **Market worth \$ 2bn / year on estimate**
  - Around 300,000 pax/year (e)
  - Around 2/3 OE, 1/3 refurbishing
  - Zodiac Aerospace is world co-leader
  
- **Trend**
  - First Class ▼
  - Business class ▲
  - Economy / Tourist ▲





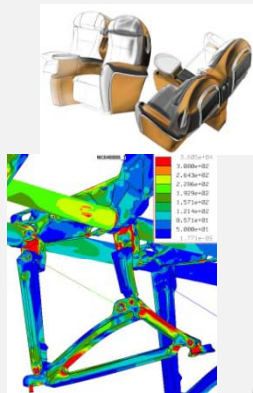
# Complex Technology and process

- Lead time: 12-15 months for OEM wide-body / 9-12 months for OEM narrow-body,
- Development: up to 24 months for new First or business class seats, 12 to 18 months for new economy class

## Example of a 12-months basic lead time for an existing platform

Design

4 months



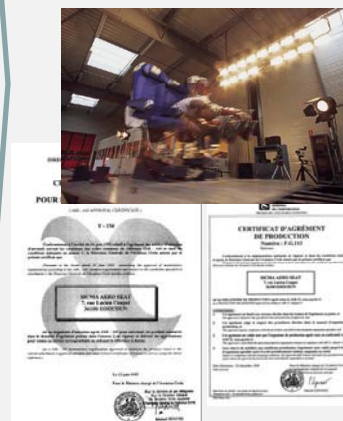
Tooling and test seat production

4 months



Testing and reports to complete certification

2 months



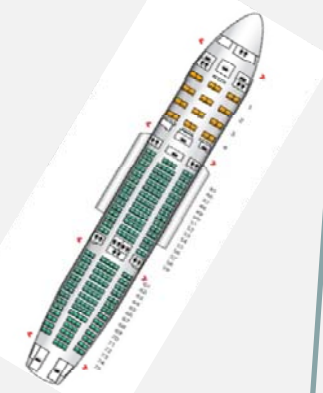
FAI  
(First Article Inspection)

1 month



Producing and delivering the first ship set

1 month



# Outlook

## Improved visibility

- Recovery confirmed in aftermarket
- Air traffic picking up
- Outlook good for key air industry programs
- Zodiac confirms its target for 2009/2010



# Market Outlook: Better Visibility

- **Recovery in aftermarket**
  - Fleet in service increasing
  - Global airlines flight hours increasing
  
- **Air traffic picking up**
  - Passenger and cargo
  - Improvement in load factors
  
- **Outlook good for key air industry programs**
  - Quickening pace of output, production on larger scale
    - Airbus, Boeing production rates increase announced
  - Good progress in the Boeing 787 certification program
    - Boeing plans EIS for Q4 2010

# Zodiac Aerospace Outlook

- **H1 was low point, cumulating negative elements**
  
- **FY 2009/2010 target confirmed**
  - Slight organic decline in business volumes (mid single digit decrease)
  - 8% operating profitability on assumed average €/ \$ parity 1.50 and sensitivity of 1pp for 10 cts change
    - The exchange rate or H2 should be better, owing to partial dollar hedge
  - Net income trend keeps pace with current operating income growth

# Zodiac Aerospace longer term outlook

- **A significant supplier of current programs**
  - Will benefit from the catch up in deliveries
- **Well positioned on all new programs**
  - Recognised as a Tier 1 supplier in all its markets
  - Boeing 787, Airbus A350XWB, Bombardier CSeries, Irkut MC21...
- **Structured to capture more aftermarket business**
  - The new internal organisation, Zodiac Services is up and running
- **Ready to seize external growth opportunities, leveraging strong balance sheet structure**
  - A low level of gearing and a good cash generation
- **Improving cost structure and decreasing exposure to dollar/euro exchange rate**
  - Lowering the transaction impact of the dollar owing to development of production in competitive cost countries, and owing to new programs

# Timetable

Date	Event
June 15, 2010 (post market)	Q3 sales



Contributing to  
Aerospace Legend  
since 1896

MASTERING THE ELEMENTS

ZODIAC  
AEROSPACE 