

# ZODIAC AEROSPACE



Presentation of annual results for 2008/2009

November 23, 2009

MASTERING THE ELEMENTS

ZODIAC  
AEROSPACE 

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Key events of the fiscal year

2008/2009 Financial Statements

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# Key events

- **Faster than expected decline in the the aerospace equipment industry**
  - H1: slowdown in the seats market, strike at Boeing
  - H2: some recovery, but new difficulties in Q4 (program delays, destocking...)
- **Introduction of Zodiac Services**
  - Difficult start-up in September 2008. Progressive catch up in H2
  - Zodiac Services is now up and running smoothly
- **Continuation of our manufacturing optimization programs**
  - Restructuring initiatives are in place throughout the Group
- **The success of the cabin products integration strategy is proven**
  - Appointed by Irkut for the MC21 project

# Increased Current Operating Income

## Net earnings in line with forecast

## Debt reduction better than targeted

	2008/09	2007/08	Δ	Initial guidance
Revenue	<b>2.205.7</b>	2,014.5	+9.5%	
Current Operating Income	<b>249.4</b>	235.6	+5.9%	306
Net earnings	<b>172.9</b>	137.8	+25.5%	173
Earnings Per Share (EPS)	<b>3.28</b>	2.51	+30.7%	3.27
Net debt	<b>655</b>	751	-12.9%	slight reduction
average transaction (\$)	<b>1.35</b>	1.50		1.30

- Favorable trend in the \$ exchange rate over the year
- Tax impact of the disposal of our holding in Zodiac Marine&Pool

# Aerosafety & Technology

*Emergency evacuation systems*

*Emergency arresting systems*

*Deceleration systems*

*Elastomers and composites*

*Interconnect systems*

*Telemetry*

*Airbags*

**Niche segments in consolidated markets**

**Protected technologies**

**Low user tolerance to the risks of change**

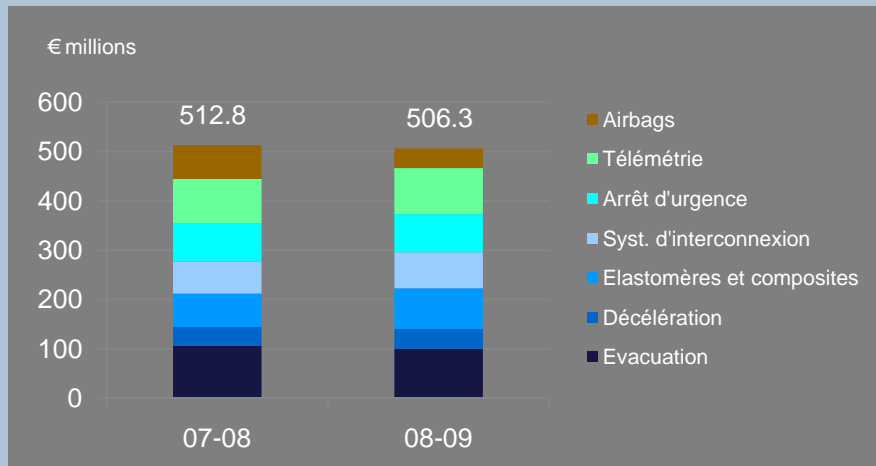




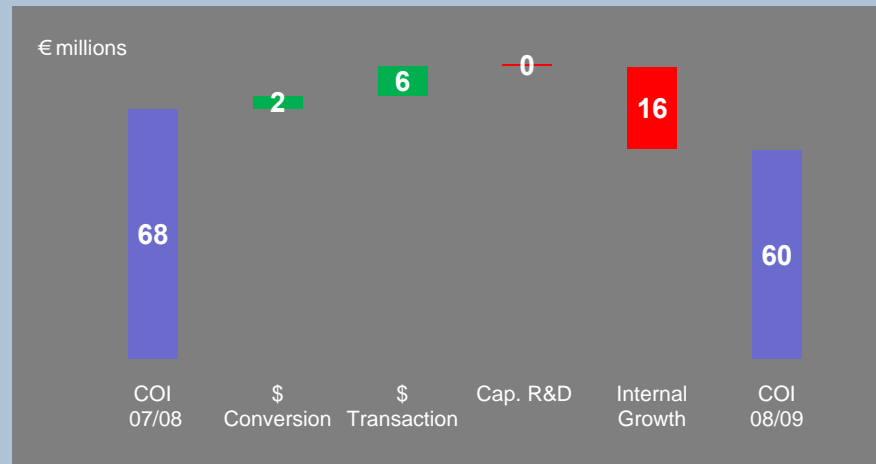
# Aerosafety & technology

## Key events

- A slight decline in Evacuation Systems
- Decline in Emergency Arresting Systems
- Good performances from Elastomers and Interconnect Systems
- A good year for our Telemetry businesses
- Sharp decline in Airbags, although this activity returned to profit by the end of the year following an operating loss in H1



COI/REV	13.2%	11.8%
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# Aircraft systems

*Power and lighting*

*Fuel systems*

*Oxygen systems*

*Computers*

*Hydraulics and components*

*Actuators*

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

**Recognized technological leadership**

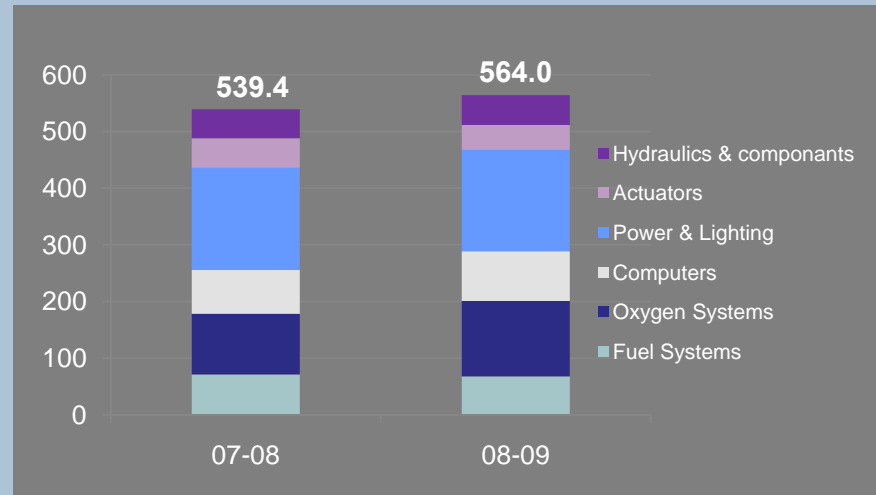
**Involvement in all new aircraft programs**



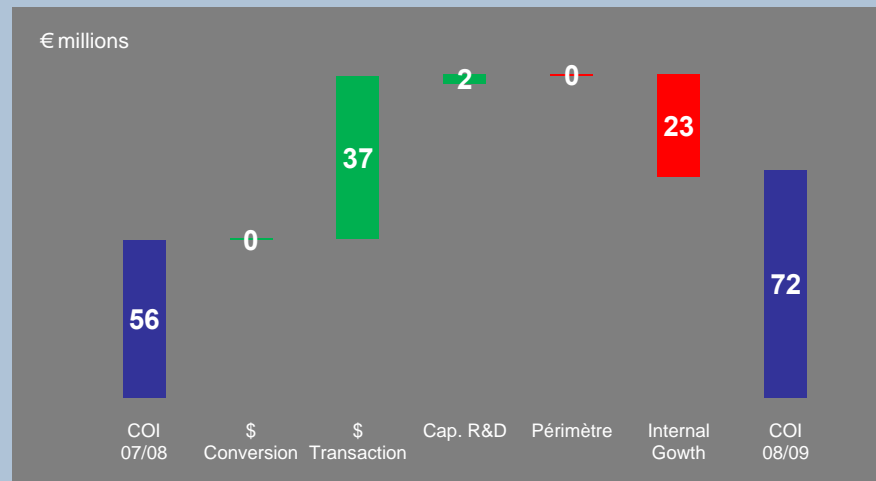
# Aircraft Systems

## Key events

- Positive impact of the dollar/euro exchange rate
- A good start to the year... but a final quarter that was impacted by destocking by business jets manufacturers
- Actuators suffered as a result of the slowdown in the aircraft seating market



COI/REV	10.4%	12.7%
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# Cabin interiors

*Seats*

*Cabin equipment*

*Cabin systems*

*Galleys and trolleys*

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

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

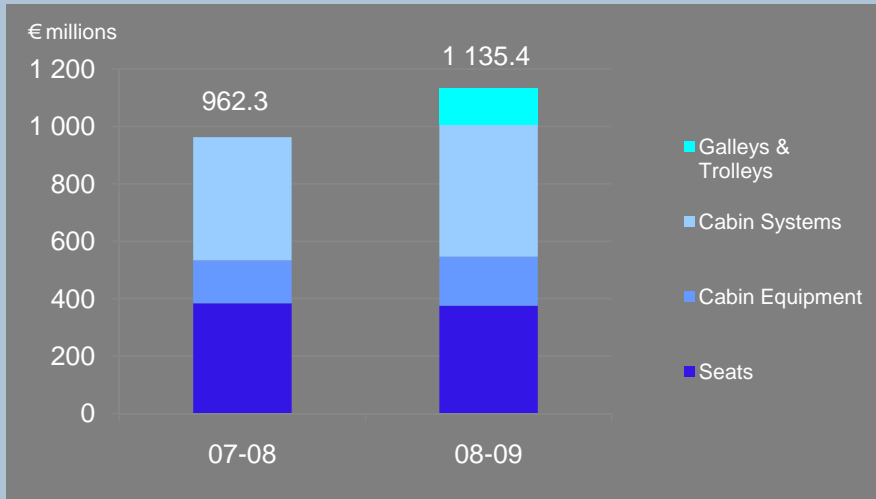
**Healthy market shares on the B787 and new programs**



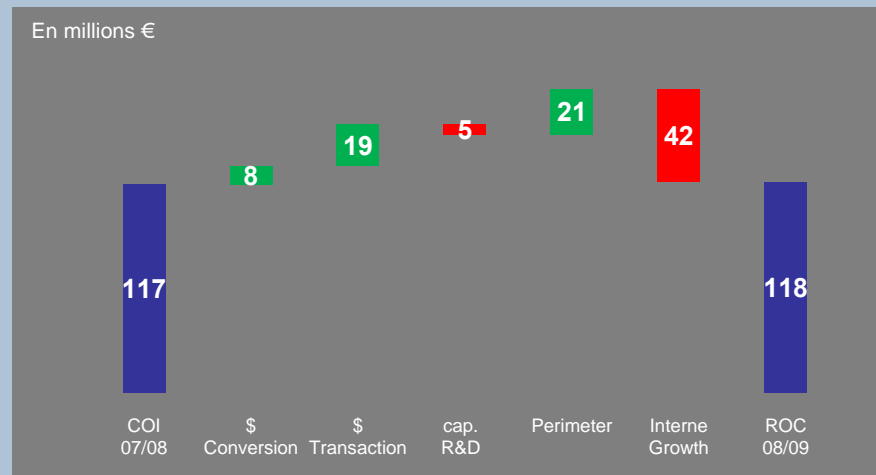
# Cabin interiors

## Key events

- Greater than forecast pressure on Seats in Q4
  - Delayed deliveries of new aircraft
  - Airlines in difficulties
  - Postponement of the Boeing 787 maiden flight
  
- Good performance from other areas
  
- First impact in Q4 of the reduced production rate at Embraer
  
- The three acquisitions made at the end of the 2007/2008 fiscal year performed well in their first year



COI/REV	12.1%	10.4%
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# Zodiac Services

## A strategic project

**Formation of a single entity to bring together the majority of the Group's after-sales services in order to:**

- Enable worldwide deployment of maintenance operations
- Boost sales (global service packages, commercial pressure, etc.)
- Develop after-sales partnerships
- Cut costs (elimination of intermediaries, rationalization of maintenance sites and logistics centers, etc.)
- Protect the spare parts market against the threat posed by PMA (Parts Manufacturer Approval) parts



# Zodiac Services

## Key events

- A wide-ranging project
  - The merging of 19 databases
  - Interconnection of 6 ERP systems
  - 100,000 listed products
  - 800 invoices per day
  - 5,000 active customers



- Up and running smoothly since the end of the fiscal year
  - Delays in Quarter 1 were stabilized in Quarter 2
  - Things started to take off in the second half of the year

# 2008/2009 Financial Statements

Revenue growth

Increased Current Operating  
Income

Financial expenses better than  
forecast

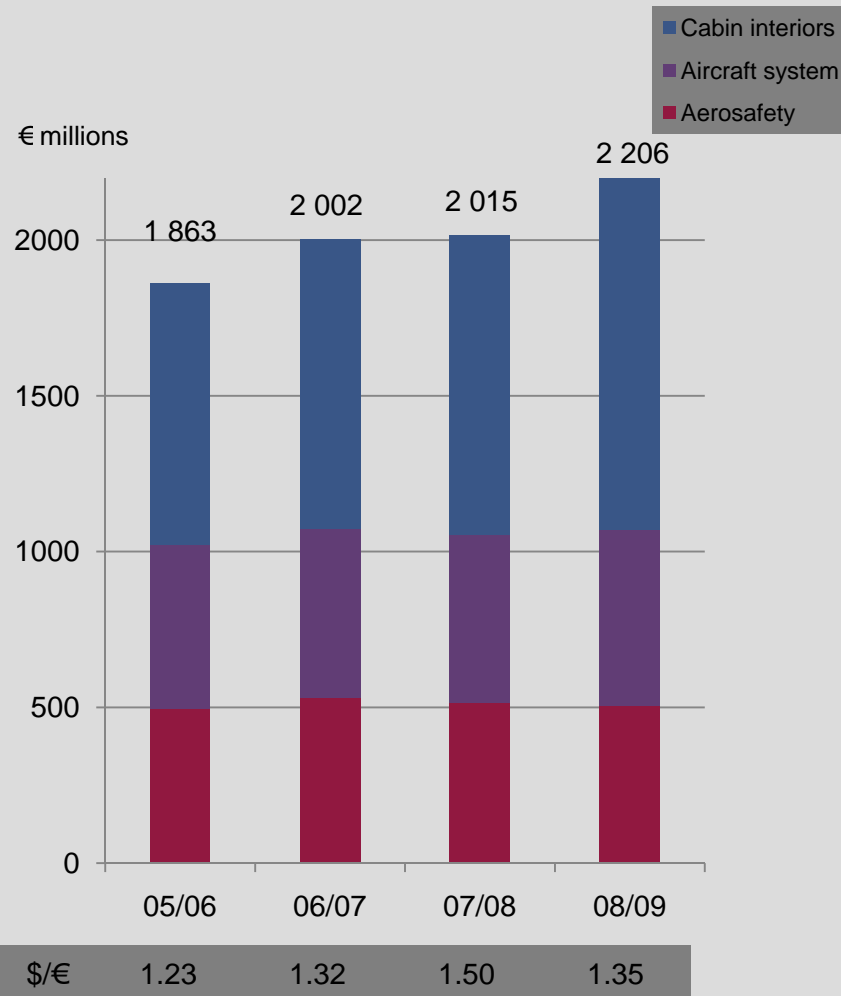
Net Earnings Per Share in line  
with forecast

€1 Dividend maintained





# Revenue

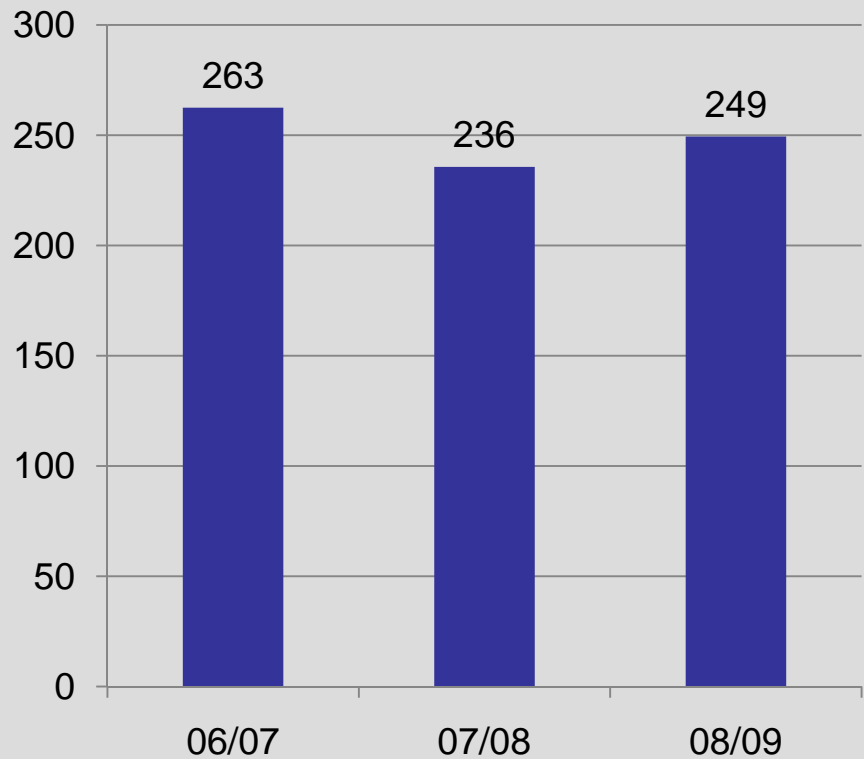


- **Business volumes up by 9.5%**
- **Down by 5.3% on a like-for-like basis**
- **Positive contribution from the most recent acquisitions**
  - Driessen, TIA and Adder
- **Marked dissymmetry between H1 and H2**

# Increased Current Operating Income (COI)

<b>COI/REV</b>	<b>13.1%</b>	<b>11.7%</b>	<b>11.3%</b>
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€ millions

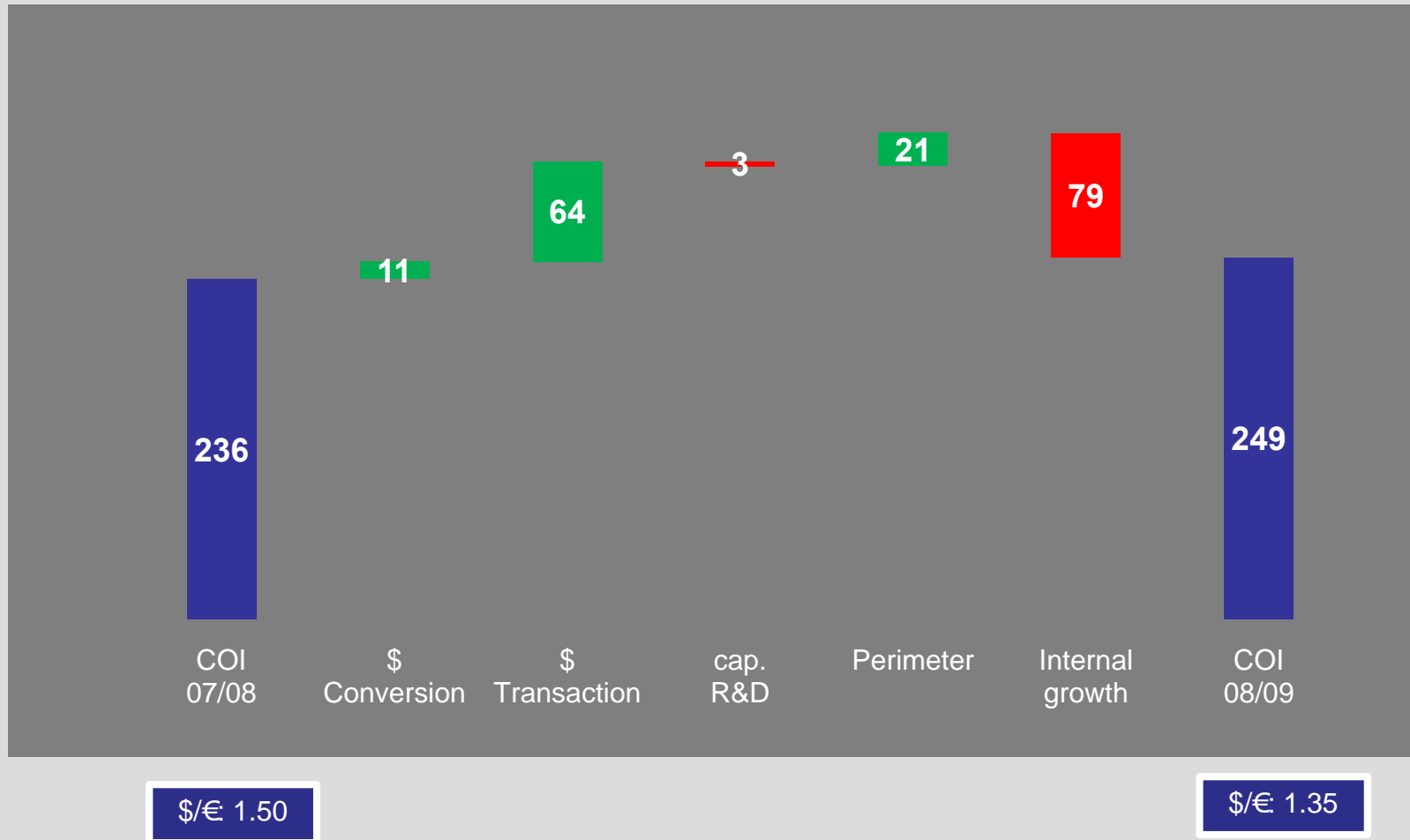


<b>\$/€</b>	<b>1.32</b>	<b>1.50</b>	<b>1.35</b>
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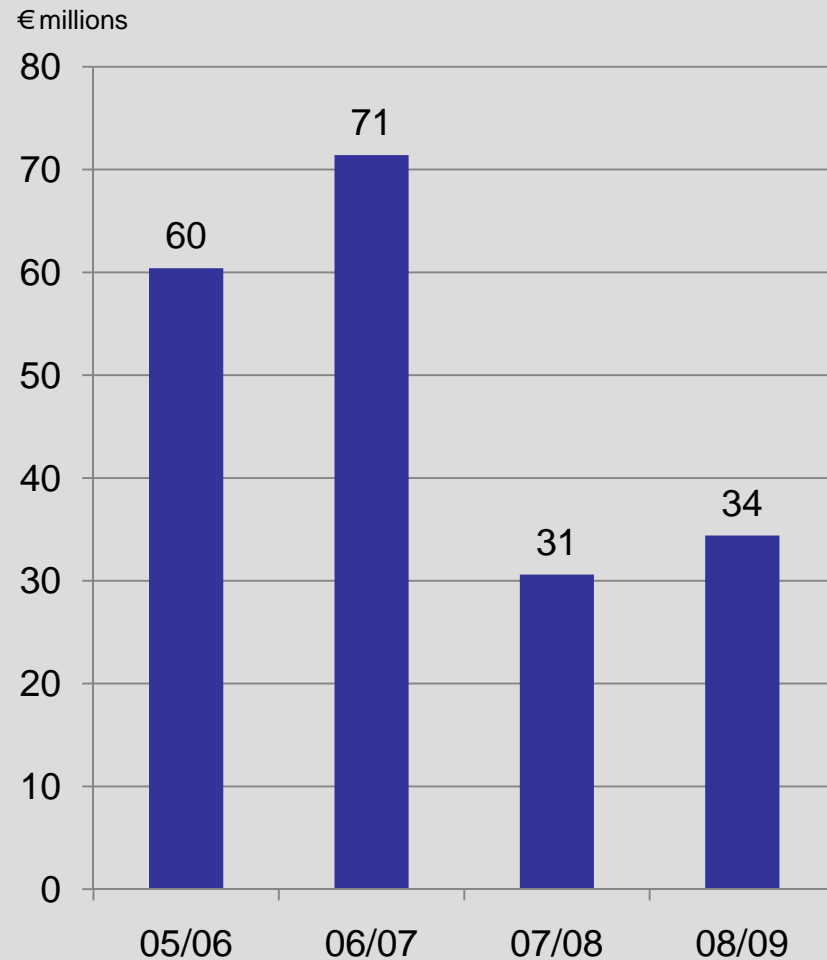
- **Double-figure ratios**
- **Up by 5.9%**
- **Positive contribution from the \$ rate and recent acquisitions**

# Current Operating Income (COI)

€ millions



# Financial expenses better than forecast



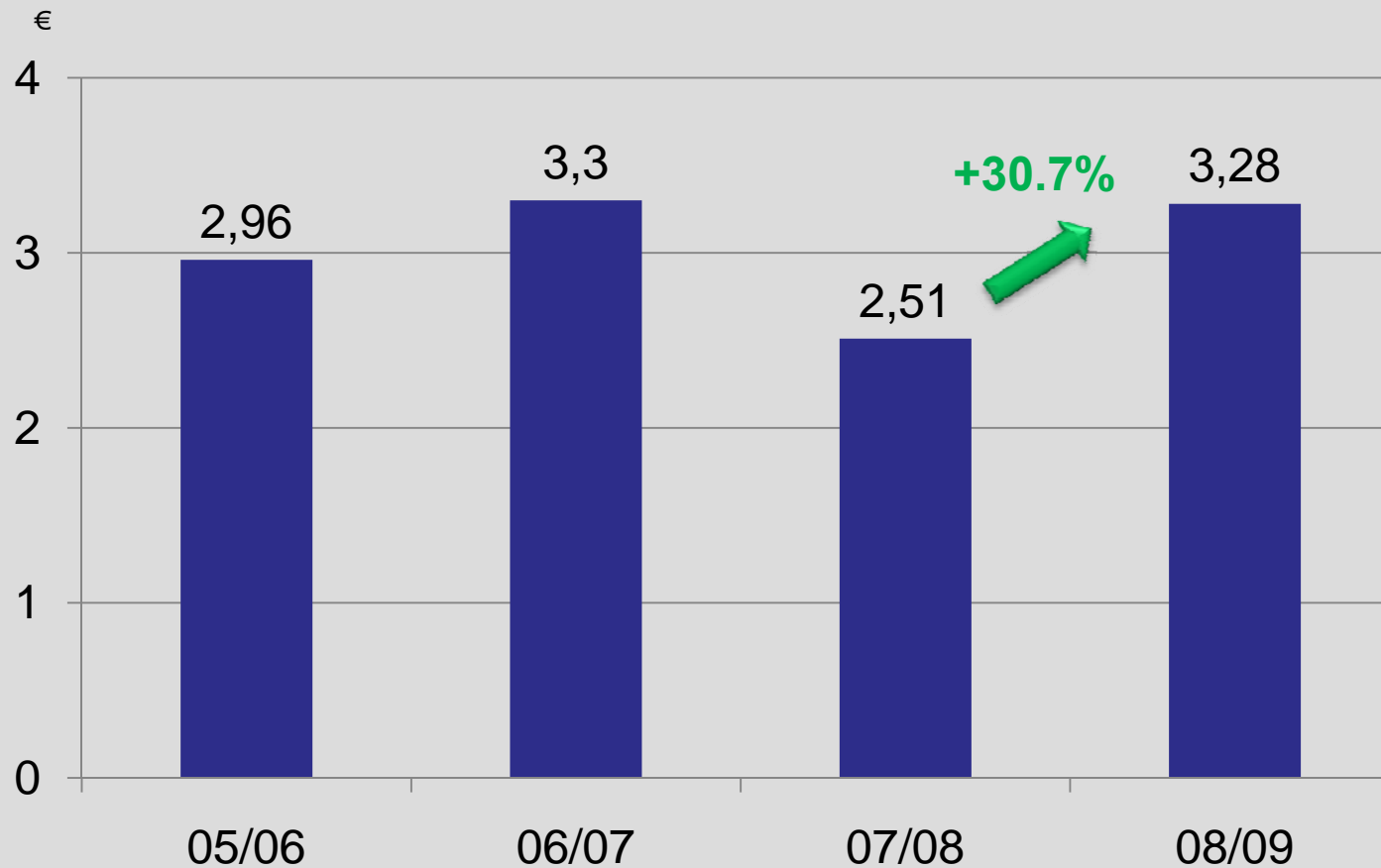
- Reduction in debt
- Cost of debt under control
  - Fall in interest rates
  - compensating the impact of renegotiation of syndicated loan conditions in March 2009

# Asset measurement and management

- **Disposal at nominal price of the remaining equity holding in Zodiac Marine Holding (which owns Zodiac Marine & Pool or ZMP), became effective on August 31, 2009**
  - Capital loss in non-current operating income
  - Impact of capital loss related tax on the FY tax charge

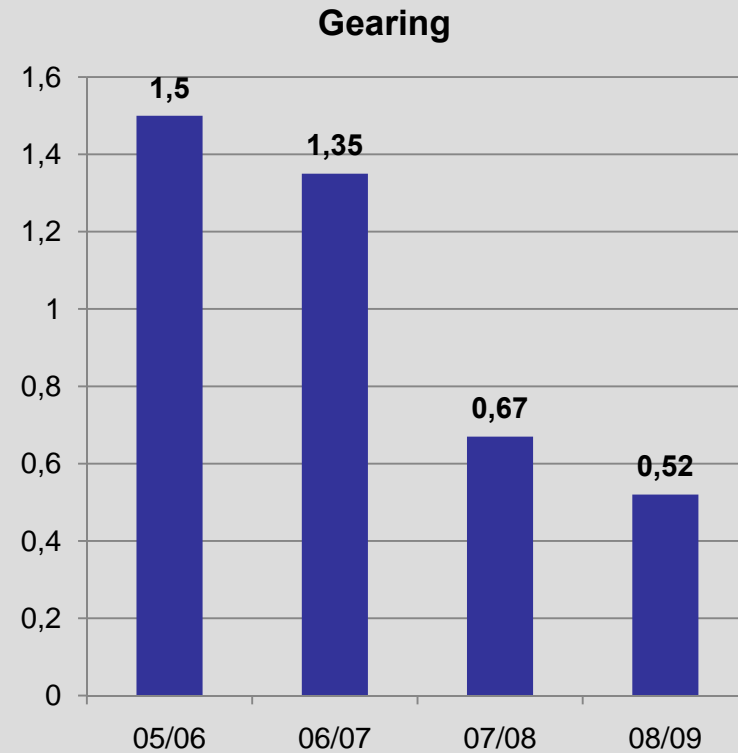
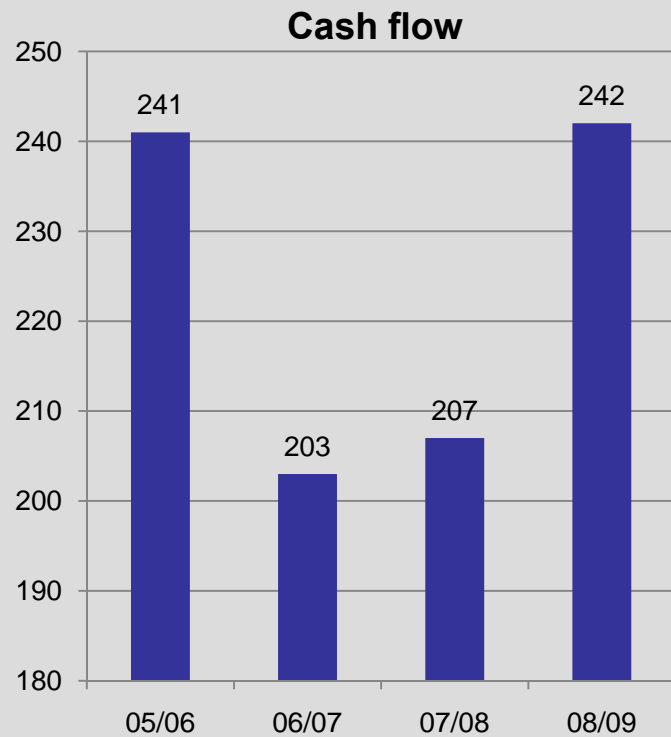


# Net Earnings Per Share: in line with forecast



# Cash flow growth and significant decrease of gearing

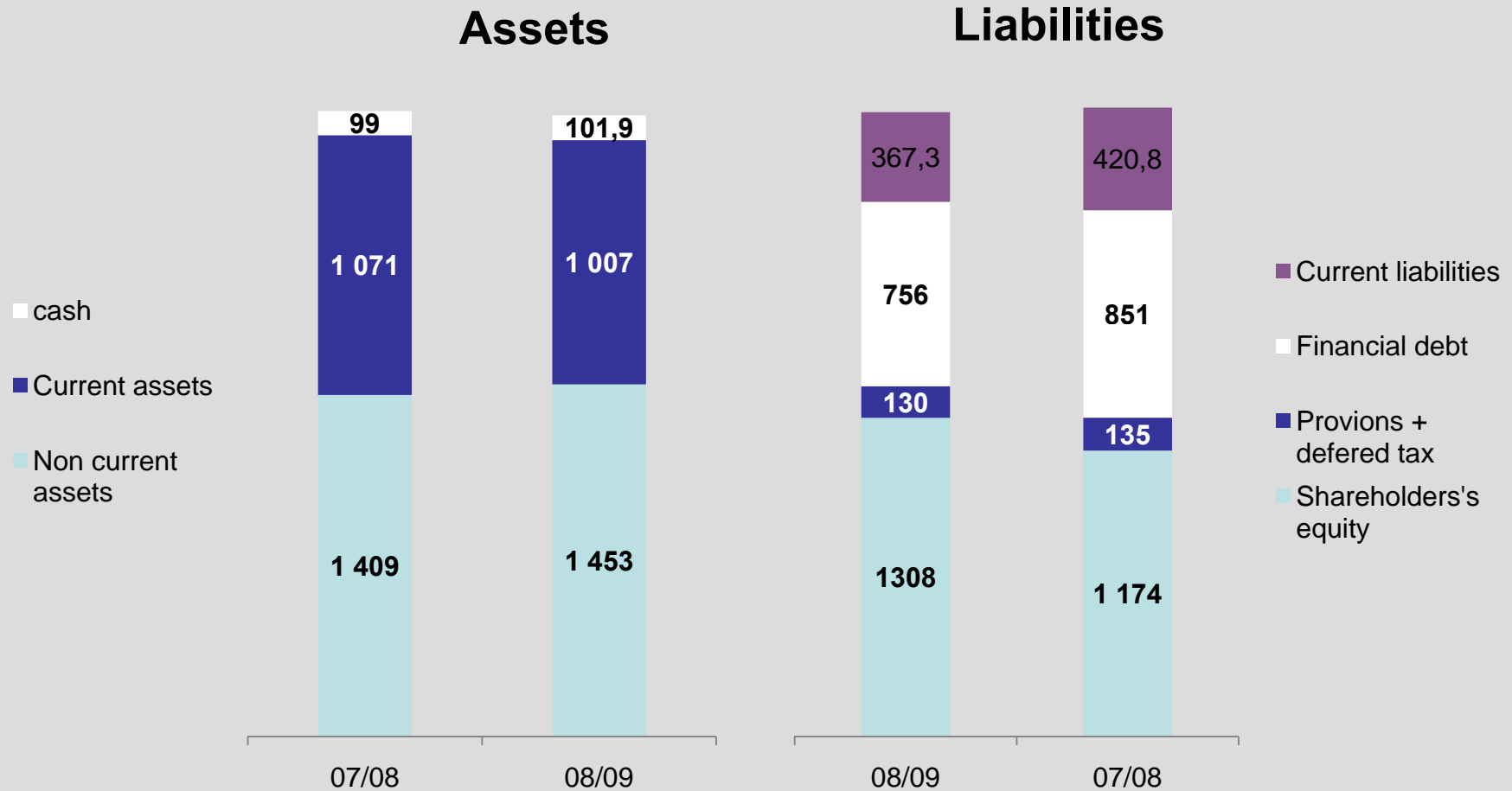
€ millions



# Group funding

- **Zodiac Aerospace has a syndicated loan that was renegotiated on March 10, 2009 and is structured as follows:**
  - **Tranche A: €228.9 million with a due date of June 11, 2010**
  - **Tranche B: €700 million**
    - €9 million with a due date of June 14, 2010
    - €691 million with a due date of June 14, 2011
  
- **The market for commercial paper is trading again**
  
- **No covenants issue**

# Balance sheet: Improvement in WCR

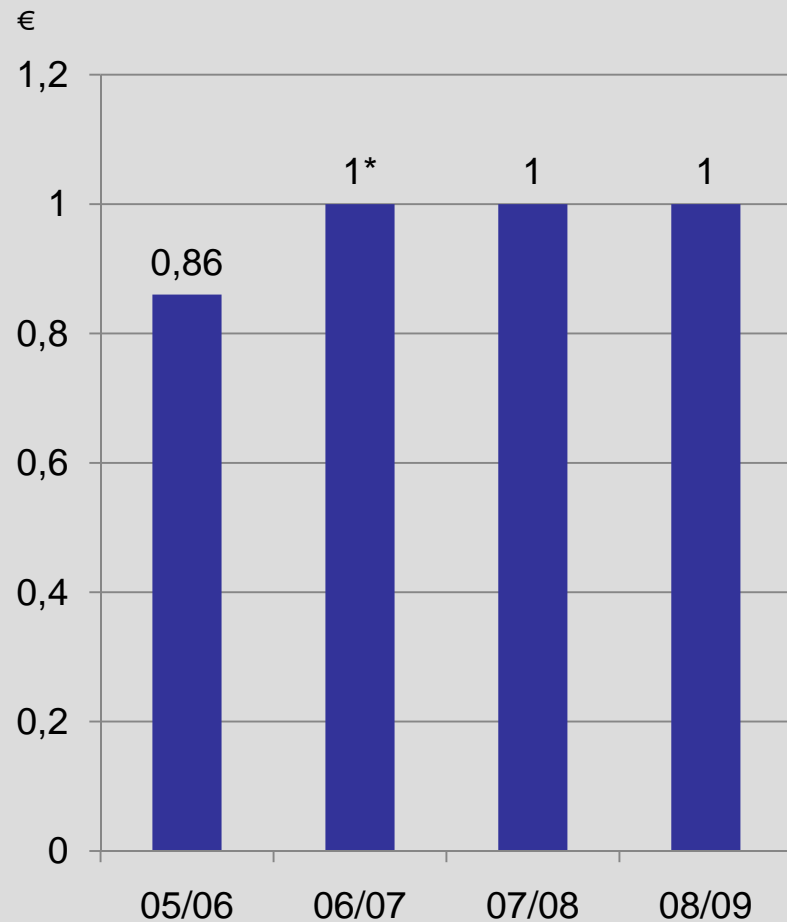


# Cash flow statement

€ millions	August 2009
<b>OPERATING ACTIVITIES</b>	
Cash flow	242
Change in WCR	42.5
Cash generated from operations	284.5
<b>INVESTING ACTIVITIES</b>	
Acquisition of non-current assets	-36.4
Other	-65.3
Changes to the scope of consolidation	-18.8
Cash generated from investments	-120.5
<b>FINANCING TRANSACTIONS</b>	
Change in long-term debt	-42.2
Treasury stock	-4.9
Other	0.1
Dividends	-52.7
Cash generated from financing	99.7
Currency translation adjustments at beginning of period	-1.9
<b>Change in cash</b>	<b>62.4</b>



# Dividend



**At the general meeting of shareholders on January 11, 2010, the supervisory board will propose the distribution of a €1 dividend**

\* Excl. the extraordinary dividend of €2 paid following the disposal of Zodiac Marine operations

# Strategy and outlook

A difficult economic environment in 2009/2010

A very favorable post-crisis outlook



# A low visibility in 2009/2010

Late cyclicity of the aircraft  
equipment industry

Uncertainty over the recovery in air  
passenger traffic

Adjustment of aircraft manufacturer  
production rates

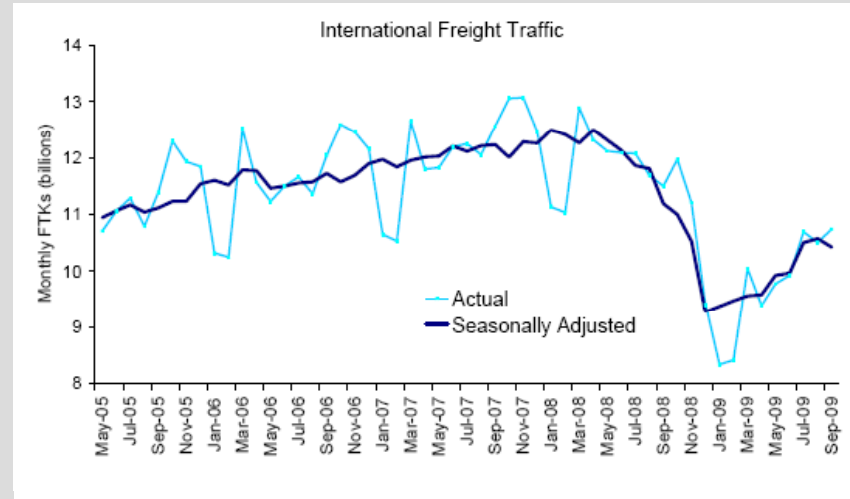
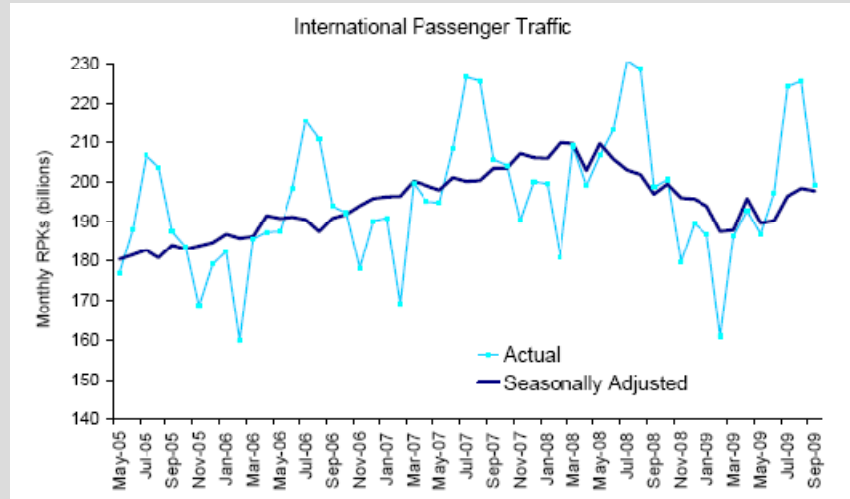
Negative impact of the \$ rate

Impact imposed by the stock levels  
held by manufacturers



# A delayed industry cycle

Source: IATA September 2009



# Adjustment of manufacturer production rates (SFE)

## ▪ Business aviation

- The majority of the slowdown was seen in 2009
- Indications of stabilization

## ▪ Regional aircraft

- Turboprops: well sustained
- Jets: slowdown experienced in 2009

## ▪ Commercial aircraft

- Narrowbodies (A320, B737): limited sensitivity for Zodiac
- Widebodies/jumbo:
  - A380 - growth, but very slow growth
  - B777 - slowdown at the end of the fiscal year
  - B787 - awaiting production start-up

# Airlines market (BFE)

## A selective slowdown

- **New aircraft**

- General slowdown consistent with that seen in SFE
- A significant proportion of the business depends on the B787

- **Retrofit/refurbishment**

- Differing situations

- **Customer risk**

- Detailed proactive management
- Focusing on the quality of customer accounts

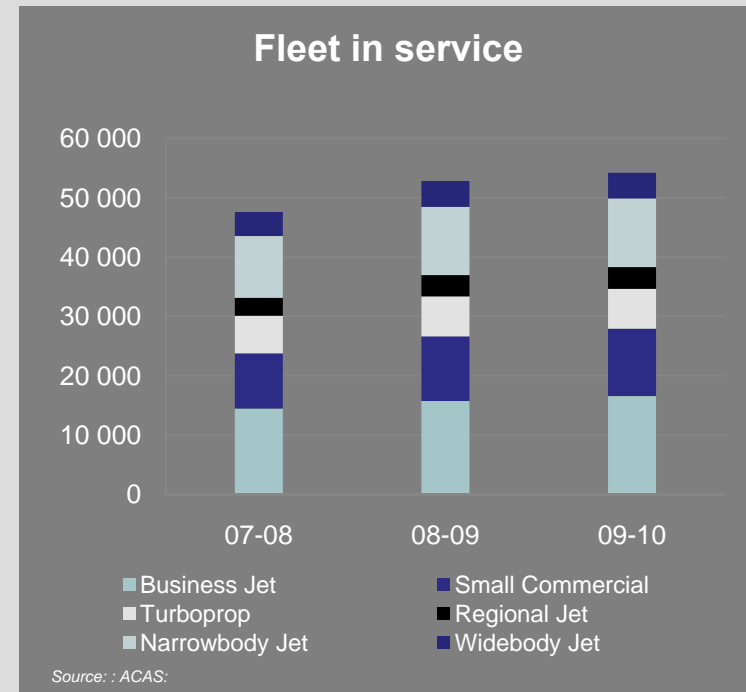
# After-sales

## ▪ Trends

- ↑ The active worldwide fleet continues to grow
- ? Limited visibility of airline stock levels
- ↓ The level of consumption relates directly to the number of flying hours

## ▪ Prudent targets

## ▪ Gradual increase in business at Zodiac Services



# Outlook for 2009/2010

## Reduced visibility

### ▪ \$ strategy

- A competitiveness issue that calls for manufacturing solutions
- Continued "dollarization" of production costs
- Continued development of low-cost production sites
- No standardized hedging strategy, but rather an opportunist approach

### ▪ Outlook

- The Group believes it will reach profitability of **8%** in 2009/2010
  - Based on an average \$/€ exchange rate of **1.50**
  - \$ sensitivity: **1 pp COI margin** / 10 ct change of exchange rate



# A very favorable post-crisis outlook

Prospects for industry recovery from 2011 onwards

A presence in all new programs with shipsets on the increase

Stronger after-sales market presence

External growth potential

Structural optimization of production: flexibility and smoothing of the \$ effect



# Prospects for recovery from 2011 onwards

- **Recovery in passenger traffic**
- **Faster replacement of old aircraft by more efficient models**
  - To limit the impact of fuel price rises
  - To limit environmental impact
  - To respond to increased maintenance regulation
- **The changing competitive landscape amongst aircraft manufacturers**
  - Concentration of the aircraft manufacturer catalog on programs where Zodiac has the strongest presence
    - Increasing importance of new programs: A380, A350XWB and B787
  - Upscale movement of the regional segment
    - More aircraft manufacturers

# Very good timing for Zodiac

- **A presence in all future projects**
  - **Commercial airliners:**
    - Airbus (A380 and A350XWB)
    - Boeing (B787 and 747-8)
    - Irkut (MC 21)
  - **Regional aircraft**
    - Bombardier, Embraer, Sukhoi, etc.
  
- **... with higher-value shipset packages**
  - A more diverse and more technologically-advanced range
  
  - An integrated range



A380



B787



A350XWB



CRJ Series

# Integrated Cabins

An emerging opportunity offered by narrowbodies from new manufacturers

- **From the manufacturer viewpoint**

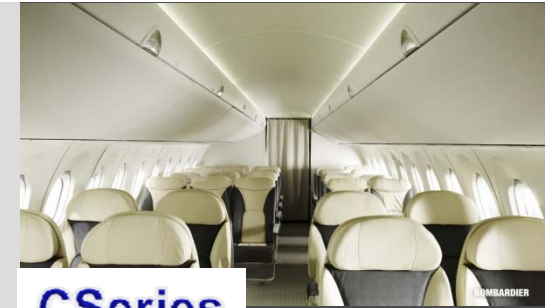
- The need to address every aspect of onboard passenger management
- The need for a dependable independent equipment provider capable of designing and supplying an integrated range at competitive cost
- ➔ **Zodiac Aerospace is the only player in the market capable of providing this response**

- **Projects in progress**

- Bombardier CSeries
- Irkut MC21

- **A gateway for other Group products**

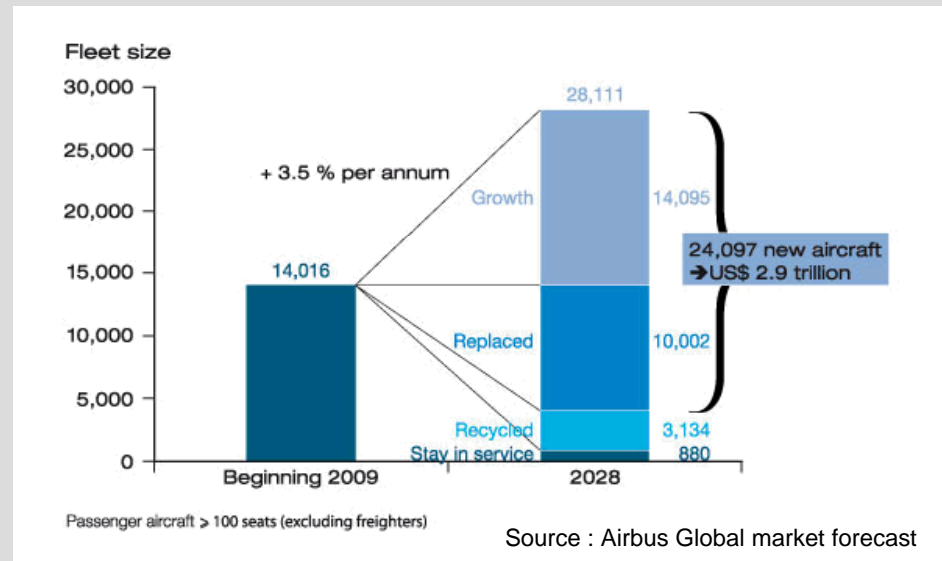
- MC21: distribution of electrical power, oxygen, fuel and inerting systems



# After-sales

## ■ Trends

- A structural growth market
  - The global airline fleet is growing by 3.5% per year, on average (2.9% in 08/09)
  - The fleet is set to double in 20 years
- Airlines are demanding a comprehensive package and global presence
- Some airlines are looking for more sophisticated ranges
- Requirement for excellence in logistics and after-sales service
- A broad spread of levels of sophistication amongst airlines
- Development of a parallel product offer



**Zodiac Services** is the response to these major trends

# Greater external growth potential

- **Diversification in the aerospace industry is increasing the number of possible targets in a market that remains highly fragmented**
- **An integrated range that facilitates synergies**
- **A solid culture of external growth**
- **Low gearing ratio**

# Production structure optimization

- **Two goals**

- To achieve flexibility of manufacturing costs, whilst maintaining high quality
- Dollarization of costs

- **Continuing commitment to optimization**

- A culture of imposing strict controls on general expenditure
- Continued adaptation of production sites
  - 6 programs in place



**Canada**  
550 employees

**Marocco**  
1 site  
40 employees

**UK**  
300 employees

**Netherlands**  
100 employees

**France**  
5 500 employees

**Germany**  
270 employe

**USA**  
7 500 employés

**Czech Republic**  
1 site  
280 employees

**Mexico**  
2 sites  
930 employees

**Tunisia**  
3 sites  
1 200 employees

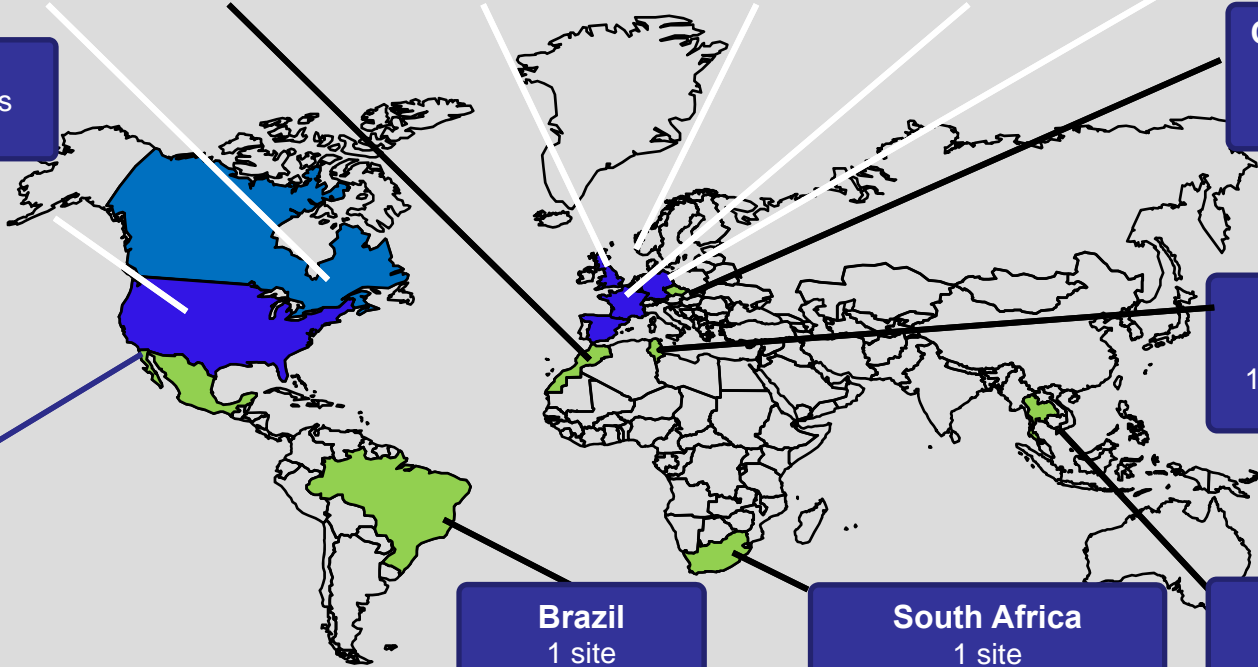
**Brazil**  
1 site  
430 employees

**South Africa**  
1 site  
150 employees

**Thailand**  
1 site  
800 employees

**Oct. 2009 ≈ 18 000 employees**

France	35%
North america	45%
RoW	20%







## A solid business model

- **New markets, OEM and after-sales, driven by long-term growth in air traffic**
- **Solid market presence**
- **Favorable development of the mix (new aircraft programs)**
- **Productivity gains**
- **The ability to defend our margins**
- **A consolidating player**

# Timetable

Date	Événement
16/12/09	Q1 sales
11/01/10	Shareholder's meeting
16/03/10	Q2 and H1 sales
23/04/10	H1 results



Contributing to  
Aerospace Legend  
since 1896