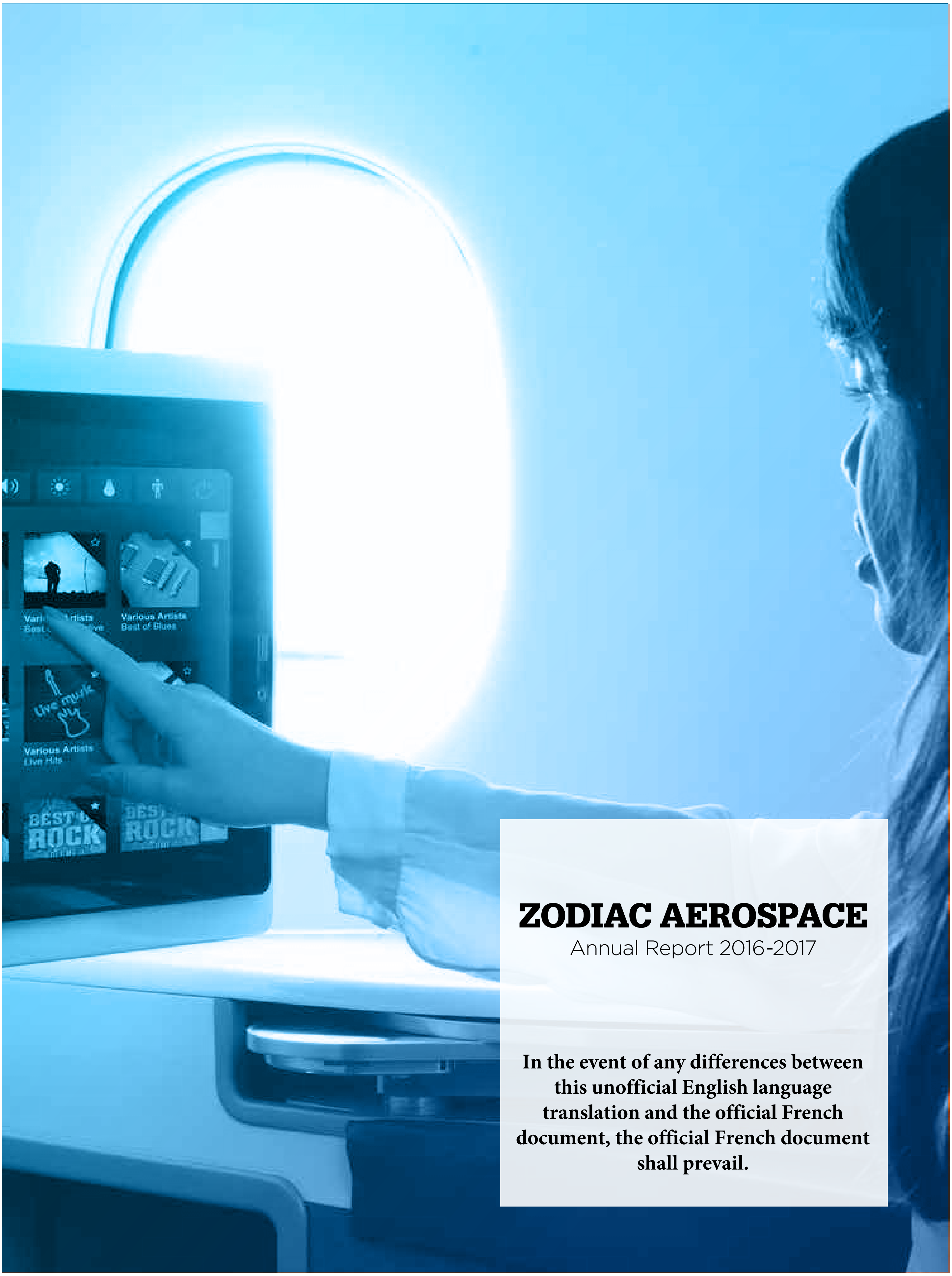


ZODIAC AEROSPACE

Annual Report 2016-2017

In the event of any differences between this unofficial English language translation and the official French document, the official French document shall prevail.

MASTERING THE ELEMENTS

ZODIAC AEROSPACE

Contents

ZODIAC AEROSPACE

Profile

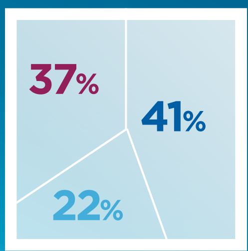
Zodiac Aerospace is a world leader in aerospace equipment and systems on board commercial, regional and business aircraft and helicopters, as well as a key player in air safety and teletransmission. It develops and manufactures state-of-the-art solutions to improve on-board comfort and living conditions, as well as high technology systems that boost aircraft performance and enhance flight safety.
As well as developing a close relationship with its customers, airlines and aircraft manufacturers, Zodiac Aerospace provides them with worldwide assistance via a comprehensive service designed to meet the complex challenges of the aviation industry.

The Group at a glance

32,567

EMPLOYEES WORLDWIDE

of whom 65% outside Europe (France included)



By branch – excluding holding companies.

€5,127 M
consolidated revenue.

€217.6 M
current operating income*.

€73.4 M
in reported net income.

4.2%
operational margin*.

€0.28
reported net earnings per share*.

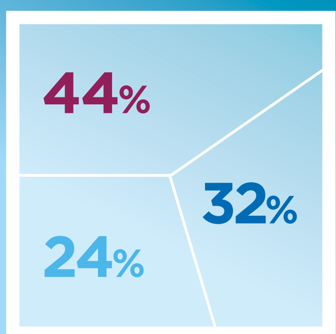
* Excluding the effect of IFRS 3.

Zodiac Aerosystems

Zodiac Cabin

Zodiac Seats

BREAKDOWN OF CONSOLIDATED REVENUE (by branch)



99 sites worldwide

NORTH AMERICA

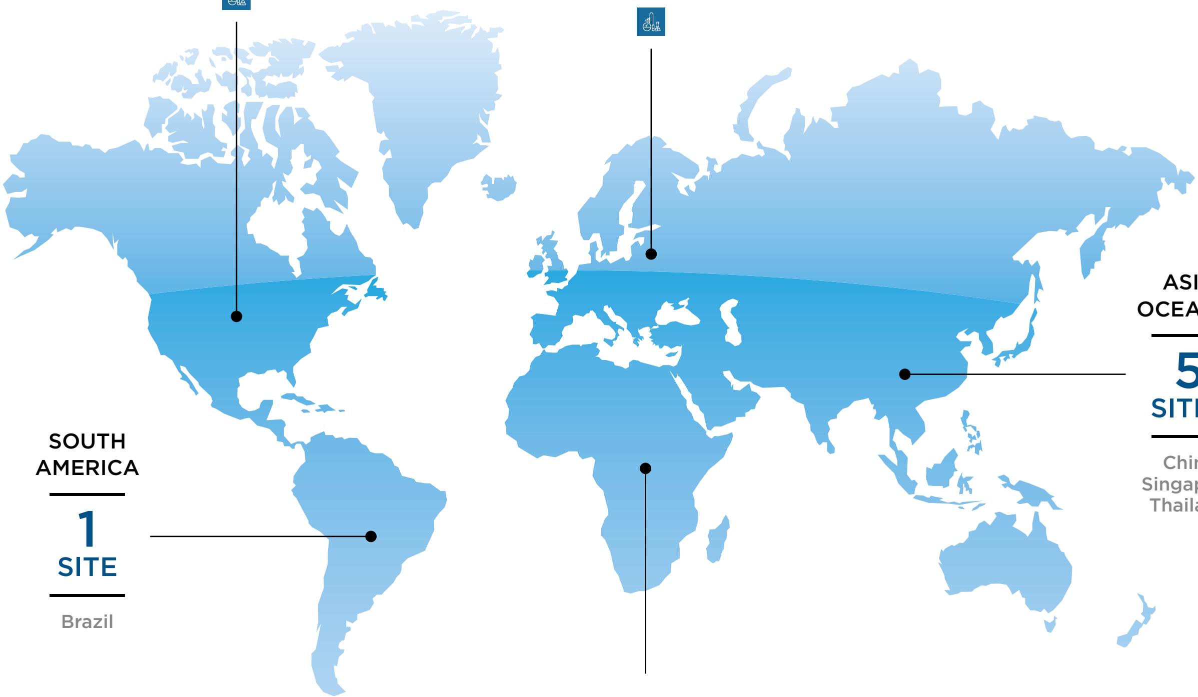
46 SITES

Canada
United States
Mexico

EUROPE

41 SITES

Germany
France
Netherlands
Czech Republic
United Kingdom



ASIA OCEANIA

5 SITES

China
Singapore
Thailand

SOUTH AMERICA

1 SITE

Brazil

AFRICA MIDDLE EAST

6 SITES

South Africa
United Arab Emirates
Morocco
Tunisia

4 | WORLD-CLASS INNOVATION CENTERS

Los Angeles (United States).
ZEO: cabin interiors (design & innovation studio)

—

Alkmaar (Netherlands).
Experience Center: galleys `and trolleys

—

Roche-la-Molière (France).
Fuel tank inerting systems
Niort (France).
Test Center in Montreuil laboratory: electrical systems (storage and distribution)

The Group at a glance

OUR BUSINESS MODEL

BFE, Buyer Furnished Equipment.
Equipment selected by the buyer of the aircraft, airline or leasing company: short cycles, high level of customization.

SFE, Supplier Furnished Equipment.
Equipment selected by the manufacturer, the aircraft supplier: long-term visibility, self-financing of development costs in case of selection.

21,800
civil aircraft fitted with the Group's products.

1 MILLION
Zodiac Aerospace seats in service in airline fleets worldwide.

OUR AREAS OF EXPERTISE

ONBOARD SYSTEMS, INFLIGHT AND ON GROUND SAFETY

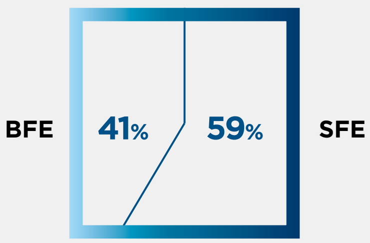
Zodiac Aerosystems
- High technology equipment and systems for critical aircraft functions.
- Complete systems for enhanced in-flight and on ground safety.

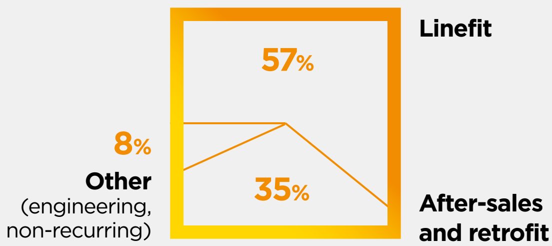
AIRCRAFT INTERIORS, ON-BOARD CABIN COMFORT AND LIVING CONDITIONS

Zodiac Cabin
- Overall design and manufacture of cabin interiors.
- Cabin equipment solutions to optimize on-board service and passenger comfort.

Zodiac Seats
- A comprehensive and innovative range of seats.

BREAKDOWN OF THE GROUP'S REVENUE (end-August 2017)





OUR STRATEGIC FOCUS LINES

Developing our global leadership position on niche markets.

Innovating to better serve our customers and strengthen air travel safety and passenger comfort.

Supporting our customers over the long term by developing our after-sales activities.

Aligning our operations with the principles of the United Nations Global Compact.

OUR GLOBAL NETWORK OF ZODIAC AEROSPACE SERVICES AFTER-SALES SERVICE

Spares Supply, supplies of spare parts, equipment and associated logistics.
5 logistics centers in Atlanta, Dubai, Paris, Singapore, Sydney.

Component Repair, equipment repair.
19 centers worldwide.

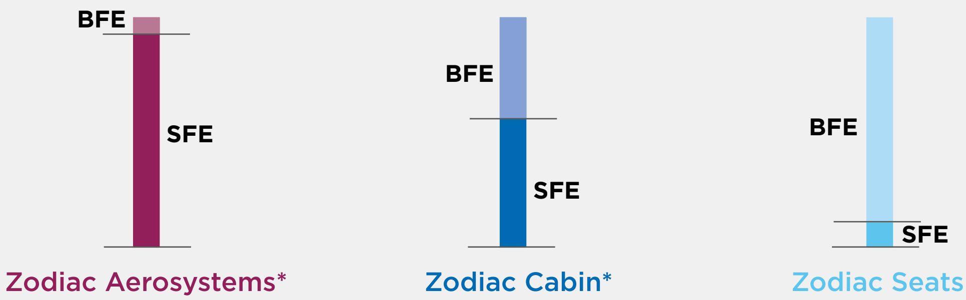
Operator Programs, dedicated support solutions.

Product Support, technical support and training.

50%
of commercial aircraft built each year, equipped with a galley manufactured by the Group.

MORE THAN 1 COMMERCIAL AIRCRAFT OUT OF 2
fitted with the Group's evacuation slides.

BREAKDOWN OF REVENUE (end-August 2017)



* Transfer of the IFE activity of Zodiac Cabin to Zodiac Aerosystems in 2016/2017.

Prioritizing Recovery

Yann Delabrière, Chairman of the Executive Board

The 2016/2017 fiscal year has been one of transition for Zodiac Aerospace. During the first half of the year, we were adversely impacted by manufacturing issues; a stark contrast with the second half of the year, in which we experienced a substantial operational, commercial and financial rebound.

Results from the second half of the year are encouraging. Firstly, as expected, the Aerosystems branch delivered solid revenue during the second half of the year, with organic growth up 5.5% compared to stable figures for the first half. Secondly, current operating income improved significantly during the second half with a figure of €229 million, compared to an €11 million operating loss during the first half. The Aerosystems and Cabin businesses were both major factors in this improvement. Lastly, we generated strong cash flow of €445 million during the second half of the year, enabling us to significantly reduce our net debt at the end of the fiscal year and demonstrate the Group's financial strength.

We must continue the recovery that began during the second half of the year. That is my commitment, and I share it with the rest of the Group's management and employees.

> “Improving our manufacturing performance has enabled us to reestablish a climate of trust with our customers. It is now up to us to maintain this trust by exceeding customers’ expectations.”

We have clearly identified and understood our priorities for the coming months. First and foremost, we have to rebuild normal relationships with all of our customers. These relationships deteriorated during the crisis, mainly due to delivery delays and issues with quality in our Cabin business. Improving our manufacturing performance has enabled us to reestablish a climate of trust with our customers. It is now up to us to maintain this trust by exceeding our customers’ expectations.
Therefore, our second priority is to improve our industrial performance over the long term. We are taking a pragmatic and disciplined approach to achieving this improvement so that we will see the results quickly, within a few months. Everyone’s efforts have started to pay off - the momentum recorded during the second half of the year is encouraging. We are fully committed to achieving operational excellence. That being said, I would like to thank our teams who have been working hard toward this goal.
Our third priority is preparing for the future. Zodiac Aerospace is already well-known for its ability to provide innovative solutions for environmental performance, energy efficiency and passenger comfort and safety, generating revenue, and differentiation for airlines. We at Zodiac Aerospace want to further improve this ability by stepping up our programs and getting ahead of the competition regarding all of the major issues that the aviation industry faces. We are also going to invest in modernizing and improving our industrial equipment and facilities with the strong cash flow we generated during the second half of the year.
Zodiac Aerospace is making the best possible preparations for its business combination transaction with Safran. We have started building momentum with our recovery efforts and will continue in this vein and at greater speed. The business combination of these two groups, who are leaders in their respective markets, will result in the creation of the third global largest company in the aerospace market excluding aircraft manufacturers. This new group, which will include 92,000 employees in 60 countries, will possess a stronger presence among aircraft manufacturers and airline companies, with a wide range of products and services as well as solid innovation capabilities to serve its customers. In an increasingly concentrated market, I am convinced that this new group will be best suited to meet new challenges in the aerospace sector, for both its customers and employees.
Zodiac Aerospace’s Supervisory Board appointed me to be the Group’s Chairman of the Executive Board on June 16, 2017. I am honored to be given the reins to one of the pioneers in the aerospace industry, a Group that has become a worldwide leader in aircraft and systems manufacturing over the past few decades. I am also honored to have the opportunity to bring my industrial experience to the Group as part of the clear mission of accelerating our operational recovery so we can begin the business combination with Safran. I am confidently and enthusiastically taking on and pursuing this mission not only because Zodiac Aerospace has a renowned portfolio of products and a customer base that encompasses nearly every aircraft manufacturer and airline company in the world, but also because we can count on our highly skilled and dedicated employees, which is the Group’s biggest strength. ■

The Executive Committee

AT AUGUST 31, 2017

Yann DELABRIÈRE [1] [2]
Chairman of the Executive Board

Maurice PINAULT [1]
Group Strategy and Business Development Director

Didier FONTAINE [1] [3]
Group Chief Financial Officer

Christophe BERNARDINI [4]
Managing Director, Zodiac Cabin

The Executive Board and Executive Committee* meet to define and review the Group's major strategic directions and projects in terms of its business mix, investments and mergers and acquisitions. They monitor the goals and operating performance of each Group entity.

Chaired by Yann Delabrière, the Executive Committee, whose membership includes the Group's key functional and operational executives, meets nearly every month to review major issues regarding the Group's operation and performance.

The operation of the Executive Committee is detailed in the Governance section of the annual report (page 32 onward).

Antoine DOUTRIAUX [5]
Managing Director, Zodiac Seats

François FEUGIER
Group Chief Operating Officer

Pierre-Antony VASTRA
Group Communication and Investor Relations Director

Bruno DELILE [6]
Managing Director, Zodiac Aerospace Services

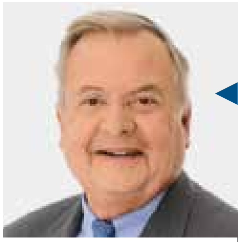
TK KALLENBACH [7]
Managing Director, Zodiac Aerosystems

Delphine SEGURA-VAYLET [8]
Group Human Resources Director

(1) Member of the Executive Board.
(2) Yann Delabrière replaced Olivier Zarrouati on June 16, 2017.
(3) Member of the Executive Board since June 5, 2017.
(4) Christophe Bernardini replaced Yannick Assouad on November 1, 2016.
(5) Antoine Doutriaux replaced Jean-Michel Billig on February 1, 2017.
(6) Bruno Delile replaced Christophe Bernardini on January 1, 2017.
(7) TK Kallenbach replaced Benoît Ribadeau-Dumas on June 8, 2017.
(8) Delphine Segura-Vaylet left the company on November 13, 2017.
** Restricted Executive Committee.*

Supervisory Board

AT AUGUST 31, 2017



The Supervisory Board supervises the proper operation of the Group and reports to the shareholders accordingly. It appoints the Chairman and members of the Executive Board and exercises control over the Group's management and administration.

In compliance with official guidelines on corporate governance, in 1995 the Board formed three special committees at the recommendation of its Chairman: the Audit Committee, the Compensation Committee and the Appointments Committee.

The operation of the Supervisory Board and its three Committees is detailed in the "Governance" section of the annual report (page 32 onward).

Didier DOMANGE
Chairman of the Supervisory Board

Louis DESANGES
Vice-Chairman

Anne AUBERT
Representative of the employees of the Zodiac Aerospace Group

Estelle BRACHLIANOFF[1]

Patrick DAHER[1]

Élisabeth DOMANGE

FIDOMA
Represented by Richard Domange

FFP Invest[1]
Represented by Frédéric Banzet

FSP (Fonds stratégique de participation) [1]
Represented by Isabelle Boccon-Gibod[2]

Vincent GERONDEAU[1]

Laure HAUSEUX[1]

Gilberte LOMBARD

(1) Independent member according to the criteria defined in the AFEP/MEDEF Code.
(2) Since 11 July in replacement of Florence Parly.

Business segments

ZODIAC AEROSYSTEMS

PAGE 14

Zodiac Aerosystems designs and proposes high technology systems and equipment for critical functions on board aircraft or on the ground:

- **safety** *(evacuation slides, emergency arresting systems, oxygen masks, etc.)*,
- **electrical systems** *(electric power management systems, lighting, etc.)*,
- **control** *(fuel management, telemetry, etc.)*,
- **water and waste management** *(lavatories, fluid management systems, etc.)*.

Zodiac Aerosystems also proposes:

- **innovative in-flight entertainment solutions,**
- **seat actuation systems.**

€2,235 M of revenue

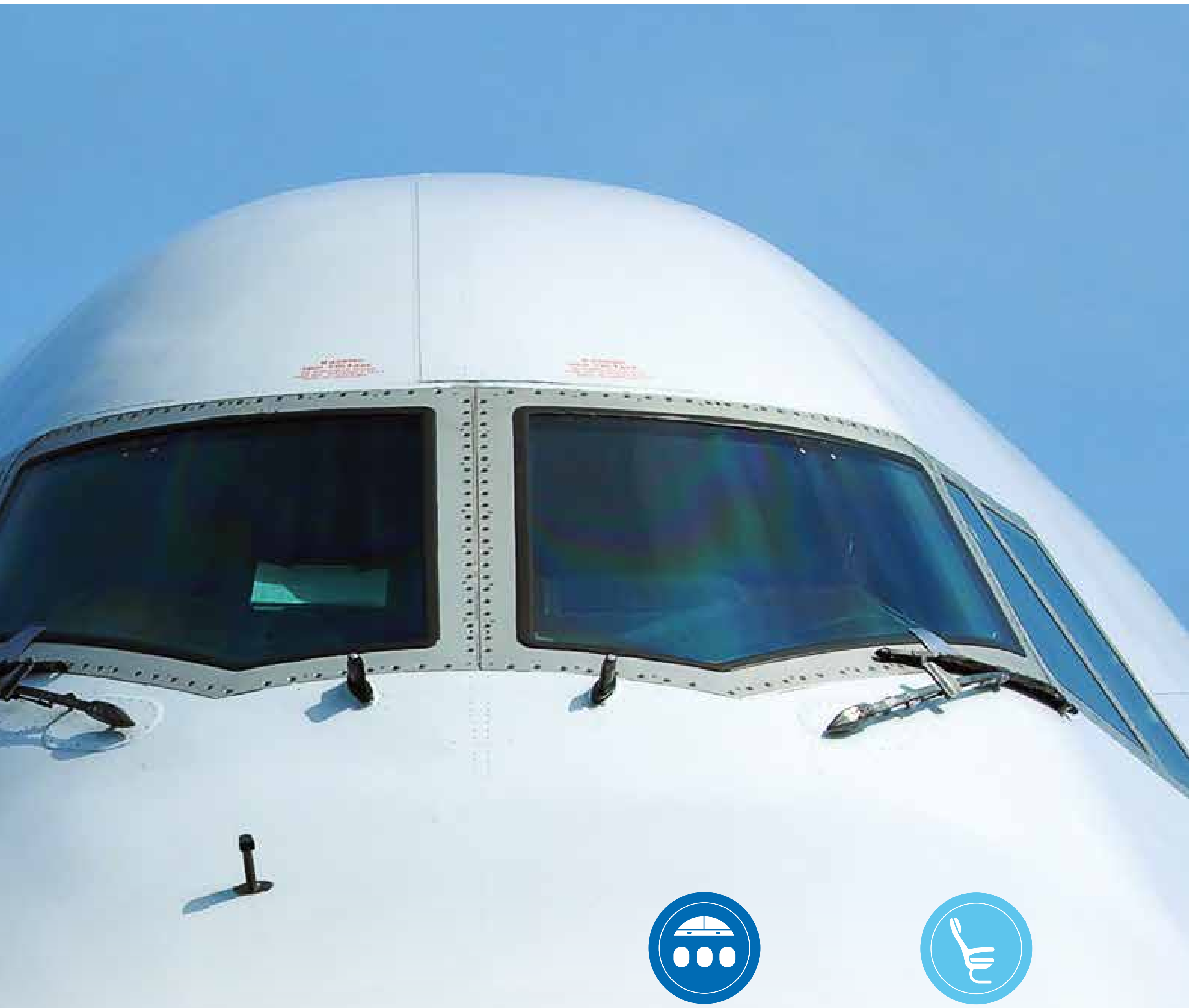
43.6% share of Group revenue

11,948 employees worldwide

16.4% operational margin*

€366 M in current operating income*

* Excluding the effect of IFRS 3.



AIRCRAFT INTERIORS

ZODIAC CABIN

PAGE 18

ZODIAC SEATS

PAGE 22

Aircraft Interiors specializes in all cabin elements, offering floor-to-ceiling integrated, optimized solutions:

- **complete cabin interiors,**
- **galleys and inserts,**
- **passenger and crew seats.**

ZODIAC CABIN

- Overall design and manufacture of cabin layouts and facilities.
- Cabin equipment solutions to optimize on-board service and passenger comfort.

ZODIAC SEATS

- A comprehensive and innovative range of seats.

€2,892 M
of revenue

56.4%
share of Group revenue

20,344
employees worldwide

-5.0%
operational margin*

€(145) M
in current operating income*

* Excluding the effect of IFRS 3.

Dynamic transformation and industrial recovery

The Group continues to roll out its recovery and transformation plan organized around three strategic priorities.

IMPROVING PERFORMANCE AT THE SERVICE OF CUSTOMERS

For Zodiac Aerospace, the first priority is to restore its performance with respect to delivery deadlines and quality requirements in all its relevant activities. The Group has made significant progress.

In particular, since June 2017, deliveries of Airbus A350XWB lavatories have been in accordance with the customer-approved revised timetable. Zodiac Cabin is still working tirelessly to reach a sustainable performance level, and the difficulties encountered by its Cabin Interior Solutions Division should not conceal the good performances of its other divisions. Zodiac Premium Galleys was awarded the Best Performer Gold 2016 trophy for meeting the deadlines for 100% of its deliveries.

More reliable and more responsive to deliver the best service level

With the support of the Focus teams, Zodiac Cabin has deployed QRQC[1], a method for solving quality problems quickly in twenty or more production units and more than 80 product lines. Objectives: to become more reliable and responsive to better serve its customers. QRQC mentors to receive prior training and good practices to be shared between the sites.

Zodiac Data Systems praised by Boeing

Zodiac Data Systems (ZDS) developed and supplied the in-flight data acquisition resources for Boeing B737Max tests. Late 2016, Boeing Tests & Evaluation brought together about one hundred ZDS employees and highlighted the performance of the instrumentation supplied and the punctual deliveries that were key to the continued on-schedule development of the Boeing B737Max.

Similarly, for more than one year now, Zodiac Seats US has been delivering its products with a 100% rate on its main programs and, although less impacted by the crisis, Zodiac Seats France still strives to meet its commitments. After dealing with some substantial difficulties, Zodiac Seats UK has improved its performances and returned, since June 2017, to on-time deliveries.

(1) Quick Response Quality Control.

RESTORING OPERATIONAL PERFORMANCE

Launched in April 2015, the first stage of the Focus plan was based on improving operational reporting and strengthening industrial processes, with a focus on the integrated planning of sales and operations and on inventories and supplies management. In 2016, the plan evolved to equip the Group with a robust Group-wide operating system, the "Zodiac Aerospace Operating System" (ZAOS).

In 2017, under the leadership of Yann Delabrière on his appointment as Chairman of the Executive Board, the deployment was accelerated with pragmatism, rigor and discipline, focusing on 23 priority sites and 49 «Essentials» standard processes applied to some twenty programs.

Industrial transformation also involves greater investments to modernize plants and the streamlining of engineering and manufacturing activities in North America. This investment growth is made possible by increasing the generation of net cash. After combining two divisions (Monuments and Interior Integration) at the end of 2016, Zodiac Cabin has launched its Manufacturing Footprint Organization, which seeks, notably through manufacturing transfers, to optimize its industrial activities, reduce its logistics costs and provide better service to its customers.

Investing to support the activity ramp-up of aircraft manufacturers

30% more surface area, reorganized production, and modernized equipment: the Zodiac Aerosystems plant in Loches is investing to address the needs of its customers and develop its production of wiring. Substantial investments have also been made in the Soliman sister plant in Tunisia, which manufactures landing gear cable harnesses for Airbus A320.

In line with this better, more responsive and more competitive customer service, Zodiac Aerospace Services has expanded the scope of its activity to include the after-sales service of Zodiac Cabin except for the galleys business. A similar approach has been launched with Zodiac Seats. There is also a plan to digitize the spare parts distribution service, which should be operational in 2017/2018.

This drive is already yielding results. Zodiac Cabin has made up for its delays, has supported the ramp-up of the A350XWB program and developed its galleys business, and its revenue returned to organic growth in the fourth quarter of the fiscal year (+3.2%). The industrial recovery of Zodiac Seats US is fully confirmed, while the recovery of Zodiac Seats Shells and Zodiac Seats France is well under way. The difficulties of Zodiac Seats UK linked to the ramp-up of the business class seats programs are being dealt with thanks to the availability of resources on other Group sites and the substantial work accomplished by the plant for engineering and program and production management.

Closer relations with Chinese operators

The purpose of the partnership concluded by Zodiac Aerospace Services and Sichuan Haite High Tech is to strengthen the MRO[1] industry in China and provide locally based repair capacities to Chinese operators. The repair facility is under construction in Chengdu.

PREPARING FOR THE FUTURE

The aim of the Group's third priority, R&D effort and technological innovation, is to prepare for the future and develop better solutions to meet the evolving expectations of its customers. The works concern environmental performance, energy efficiency (management of on-board electrical power, reduced mass), improvement of on-board safety and the passenger experience (comfort, IFE, connectivity).

(1) Maintenance Repair Overhaul.

Zodiac Aerosystems

5 DIVISIONS

Zodiac Safety Systems
Zodiac Electrical & Cockpit Systems
Zodiac Control Systems
Zodiac Fluid and Water & Waste Systems
Zodiac Connected Cabin

€2,235 M
of revenue

43.6%
share of Group revenue

11,948
employees worldwide

The fiscal year has been satisfactory for Zodiac Aerosystems with revenue up +3.4%. The robust performance of the commercial aviation business has made up for the sluggish business aviation, regional aviation and helicopters markets. The branch reported a significant rally in the second half: during this period, sales recorded organic growth of +5.5%, current operating income stood at €235.7 million (€130.6 million in the first half-year) and the operational margin grew by 19.5% (12.7% in the first half-year).

Principal sites

SOUTH AFRICA • GERMANY • CANADA • CHINA
UNITED STATES • FRANCE • MOROCCO • MEXICO
UNITED KINGDOM • TUNISIA

Activity growth was driven by the successful ramp-up of the A350XWB program to which Zodiac Aerosystems supplies the primary electrical power distribution, cockpit calculators, exterior lighting, pilots' oxygen system, evacuation slides and landing gear harnesses. The fiscal year was marked by the first MC-21 and C919 flights in May and by the first commercial flight of the CSeries between Zürich and London City airport in August, programs in which the Group is a major partner. Zodiac Aerosystems continued to support the growth of fleets in service, Airbus A320 and Boeing B777 in particular, with the support of Zodiac Aerospace Services.

FIRST PER FLIGHT-HOUR CONTRACT FOR A HELICOPTER FLEET

Zodiac Aerospace Services has signed a per-flight hour contract with Azur Hélicoptères, which runs a fleet of helicopters in south-eastern France. The aim is to support the company's growth by providing technical and logistical support.

Strong dynamism characterized the IFE[1] business as well, which continues to gain market shares with its RAVE™ system, Centric (touchscreen mounted on the back of the seat), and Wireless (accessible on personal electronic devices). RAVE™ is preparing to embark for the first time on new platforms, such as the A350XWB or the B777-X. Furthermore, for the second consecutive year, RAVE™ received in February 2017 the best IFE Seat Centric Award at the Aircraft Interiors Middle East show. After-sales service also stayed at a high level for both the distribution of spare parts and for maintenance. This service is also handled by Zodiac Aerospace Services which contributes to the growth of the maintenance market, in particular through per flight-hour support contracts with airlines.

First flight of the MC-21: Zodiac Aerospace, major partner of the program

The MC-21, Irkut's mid-haul aircraft, completed its maiden flight on May 28, 2017. Zodiac Aerosystems, which was in charge of the primary electrical power distribution and numerous systems (fuel, inerting, crew and passenger oxygen, water and waste management), also supplied different equipment, such as evacuation slides, cabin command system, windshield wipers and, through its Data Systems Division, participated in flight tests as a supplier of on-board aircraft and ground telemetry equipment. Irkut also entrusted the Group with the retrofitting of the cabin and cockpit and the supply of passenger and crew seats.

(1) In-Flight Entertainment.

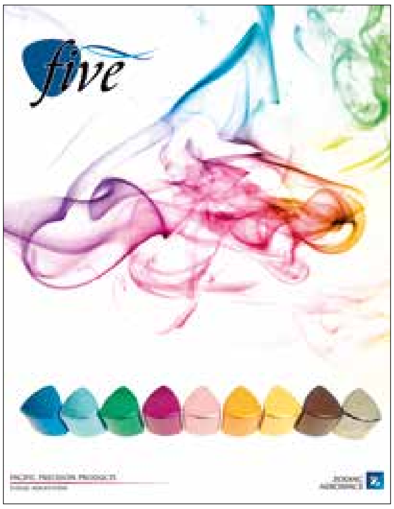
Zodiac Aerosystems

Evacuation products are a hit in business aviation

Bombardier selected Zodiac Aerospace at the end of 2016 to equip its mid- and large-sized business aircraft – Challenger 350, Challenger 650, Global 5000, Global 6000 in particular – with life rafts and life jackets.

The evacuation slides of COMAC C919: successful rollout

Zodiac Aerosystems supplied Chinese manufacturer Comac with the passenger oxygen and water and waste management systems of the C919 in addition to the evacuation slides and life rafts. The rollout of the slides had been tested successfully in November 2016 in Shanghai. An essential procedure before the maiden flight of the C919 on May 5, 2017. Comac also selected the Group for the pilot and crew seats, galleys, lavatories and cockpit reinforced security door for the C919.



FIVE, first fragrance delivery system for VIP aircraft cabins

After a last successful flight test, FIVE was presented in October 2017, at the NBAA show in Las Vegas, by Zodiac Pacific Precision which designs and produces equipment for oxygen systems intended for business aircraft in particular. The fast, adjustable intensity delivery of the fragrance can be limited to a specific area of the cabin.

Zodiac Aerospace Services

Per flight-hour contracts with 60% of the global fleets of Airbus A380. 2020 forecast: 25% of the Airbus A350 global fleet.

RAVE™

45 airline customers in early 2017 and 562 equipped aircraft.

Technological innovation: Software Technodays in Montreuil

The second Technodays event organized by the Zodiac Scientific Technical Council, dedicated to software, was attended by seven Zodiac Aerosystems business units. More and more of the Group's equipment operates with software, such as the LiSafe fuel gauge or the connected cabin, currently under development. The Group can also supply software-only products, for modular avionics, for example.

Eros oxygen masks on board the International Space Station

Wearing their spacesuits, Thomas Pesquet and his colleague Shane Kimbrough, stepped out into space on January 13, 2017 to change the batteries of the international space station. A job that lasted around six hours. Before putting on their spacesuits, the two astronauts performed a few hours of prior oxygenation with Zodiac Aerospace oxygen masks, in addition to physical exercises to evacuate nitrogen from their bodies.
Apart from a few changes, these masks are identical to the Eros masks worn by the pilots of most airlines to prevent hypoxia.

First flight for OBIGGS

OBIGGS[1], the on-board gas inerting system for fuel tanks developed by the Group, took its first flight in February 2017 on board Embraer's E2, representing the apex of eight years of development. The system will also equip Bombardier's Global 7000/8000 and Irkut's MC-21.

(1) On-Board Inerting Gas Generating System.

Zodiac Cabin

4 DIVISIONS

Zodiac Advanced Composites and Engineered Materials
Zodiac Cabin Interiors Solutions
Zodiac Custom Cabin & Integration
Zodiac Cabin Equipment

€1,646 M
of revenue

32.1%
share of Group revenue

13,278
employees worldwide

Principal sites

BRAZIL• CANADA • CZECH REPUBLIC • FRANCE
GERMANY • NETHERLANDS • MEXICO • SINGAPORE
THAILAND • TUNISIA • UNITED STATES

Zodiac Cabin had a mixed year that was marked by a gradual upturn in its activities, as it dealt with the replacement of mature programs by steadily developing new programs. For example, after a decline of -4.3% in the first half-year, its revenue increased +3.2% in organic terms in the fourth quarter, resulting in a -2.1% drop for the full fiscal year.

Official unveiling of the ECOS cabin at the 6th Zodiac Aerospace Airline Symposium

Organized by ZEO, Zodiac Cabin's industrial design studio based at Huntington Beach in the United States, the sixth edition of the Zodiac Aerospace Airline Symposium was attended by a hundred or more customers, representing airlines and leasing companies.
This was the opportunity to officially launch the model for the ECOS™ (Efficient Cabin Open Space) cabin. The ECOS cabin comes with Binsight third generation pivot overhead bins that are stronger and easier to close, the SpaceFlex V2 lavatory and galley complex, and the new PaxPOD passenger service units.

Zodiac Cabin teams are keeping pace with the ramp-up in production of new programs, in particular lavatories for the Airbus A350XWB and the SpaceFlex V2 galley/lavatory complex for the Airbus A320 family. The teams are also servicing the Bombardier G7000/8000 program, in the process of launching, in addition to Bombardier's CSeries for which the Group delivers the complete cabin interior (partitions, galleys, lavatories, overhead bins and stowage units, passenger service units, cockpit door). In August 2017, the CSeries took its first commercial flight between Zürich and London City airport, flying SWISS colors.
In this context, the priority given to service and customer satisfaction, particularly with respect to punctual deliveries and quality (see page 12), generated significant additional costs in the first half-year.
Catching up with delays, especially for deliveries of lavatories for the Airbus A350XWB which is now on the new client-approved revised contract schedule, the production ramp-up for programs, and the robust performance of the galleys business have brought significant improvement since the fourth quarter.
This momentum has been driven by the successful increase in the production of new lavatory manufacturing lines in Montreal and Herborn, the optimization of industrial activities through the Manufacturing Footprint Organisation project, and the transfer of after-sales services to Zodiac Aerospace Services (except for galleys).

794
A350 toilet shipsets delivered in 2016/2017.

620
ACP galley shipsets produced by the Pilsen plant and delivered to Airbus in 2016/2017.

20,911
record number of containers manufactured during the fiscal year.

Zodiac Cabin

Two finalists at the 2017 Crystal Cabin Awards

At the Hamburg 2017 Aircraft Interiors Expo in Germany, Zodiac Aerospace presented its latest innovations for cabin interiors, seats and on-board systems.
Two of its products were finalists at the Crystal Cabin Awards: the ECOS™ overhead bin system, sturdier, easier to close, and equipped with lights to indicate whether the bin is full or has space, and the Revolution™ lavatories. Made of composite and recyclable materials, the new lavatories are lighter in weight. Another advantage is that they use 33% less water than a standard lavatory.

Lamphun produces its 2 millionth trolley

The Lamphun plant in Thailand produced its 2 millionth trolley on November 7, 2016. This is another milestone for Zodiac AirCatering Equipment, which confirms its leadership in this developing market and has five manufacturing facilities in Lamphun.

Atmosphere Signature, the inserts range for business aviation

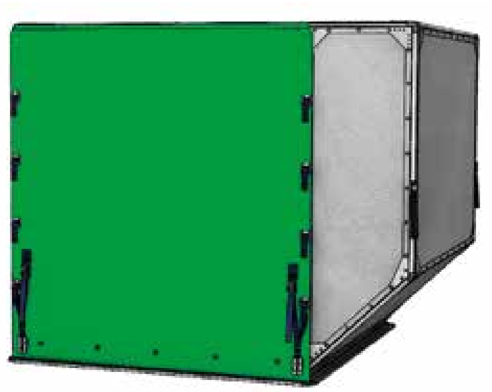
Designed to enhance passenger experience with aesthetically appealing, elegant galleys, the Atmosphere Signature inserts range harnesses the latest technologies for its ovens and microwave ovens. It is designed to enable more precise cooking and provide better-tasting food. The line was launched in 2017 at the Las Vegas NBAA Expo.

Luxury sky cruise on board the Crystal Skye

Greenpoint Technologies has delivered Crystal Skye to the pleasure travel specialist Crystal AirCruises. A Boeing B777-200LR VIP, it can welcome 88 passengers on-board for sky cruises and luxury charter flights. The aircraft has a vast lounge-dining area with a central bar, sofas, personalized ceilings and the largest wine cellar in the sky. Its Crystal Exclusive Class™ seats, a bespoke version of the Aura seat by Zodiac Seats, can be fully reclined and transformed into beds, thus guaranteeing comfortable in-flight rest.
During the fiscal year, Greenpoint Technologies also signed a cabin interior retrofitting contract for two Boeing B787 VVIPs. The two aircraft join the Boeing B787-8 reconfigured VVIP delivered in June 2016.

The SEN cargo container door receives the 2017 Inter Airport Europe Innovation Award

At the Inter Airport Europe Expo held in Munich, Zodiac AirCargo Equipment received the 2017 Inter Airport Innovation Award for its new cargo container door SEN (Secure, Ergonomic, Non-Velcro).
The innovative locking system of its doors ensures tight door closure without the need for Velcro and its known disadvantages; it is faster and easier, thus optimizing loading and unloading time.



A new arrival in the Herculight S family

After the successful commissioning of Herculight S, its lower deck cargo container selected in 2016 by Singapore Airlines Cargo, and its line of pallets, Zodiac AirCargo Equipment released an upper deck version on the market in 2017. Flexible, light and robust, it comes with the new SEN closing system.

ZODIAC AEROSPACE SERVICES ROLLS OUT ITS QUICK-RESPONSE CABIN CARE

With its Cabin Care services, Zodiac Aerospace Services is keeping pace with the growth of Vietnam Airlines' fleet of Airbus A350 and Boeing B787 aircraft. The Zodiac Aerospace Services teams assist the airline in the daily use of Group products by providing quick-response logistical (spare and repair parts) and technical support. Part of Zodiac Aerospace's goal of maintaining the very highest quality for its cabins.

Zodiac Seats

4 DIVISIONS

Zodiac Seats France
Zodiac Seats UK
Zodiac Seats USA
Zodiac Seats SFE

€1,246 M
of revenue

24.3%
share of Group revenue

7,066
employees worldwide

During the fiscal year, Zodiac Seats' revenue was down -9.6% in organic terms, as a result of development and production difficulties. The difficulties began with the Group's US plants in Gainesville and Santa Maria in 2014 and moved on, with less impact, to the Issoudun plant in France in 2015, then, at the end of 2016, to the Cwmbran plant in the United Kingdom. Zodiac Seats tirelessly continued to implement its recovery plan on all its sites, to improve its service level. The plan to extend the future activities of Zodiac Aerospace Services to seats is in line with this quick response and customer-centric strategy.

Principal sites

CHINA • FRANCE • MEXICO • TUNISIA
UNITED KINGDOM • UNITED STATES

The fiscal year was marked by new commercial success stories. In particular, the new Optima business class seat, rolled out by United Airlines as part of the Polaris project, was selected by Air France for its Airbus A350XWB and for the refurbishment of its Boeing B777-300ER leisure fleet. Air France also chose the economy class seat Z300 that is installed on its entire BEST fleet.
During the fiscal year, Zodiac Seats US returned to an operational performance in line with its customers' expectations. Highly focused on engineering and programs management, the Group's Gainesville plant in Texas achieved, in 2016/2017, a 100% on-time delivery rate at the expected quality, and has returned to profit. Emphasis has also been placed on industrial reorganization with, for example, the scheduled transfer of production from the Rancho Cucamonga site, dedicated to regional aircraft seats, to Texas and Mexico.
As part of this general momentum, Zodiac Seats France has reinforced its improvement initiatives as part of the Focus Plan.

The Group has harnessed significant resources, including on other sites, to settle the operational problems encountered by Zodiac Seats UK in the ramping up of a new business class seats program at the Cwmbran plant at the end of 2016. Since June 2017, Zodiac Seats UK has restored its timely delivery schedule and the recovery plan is proceeding as planned. However, catching up with delays and disruptions as rapidly as possible has generated significant additional costs.

Optima, the perfect balance of comfort and efficiency in business class

Officially launched at the 2017 Aircraft Interiors Expo in Hamburg, Optima sets a new standard in business class travel. Combining passenger experience and cabin efficiency, through a unique cabin configuration that mixes in-line and angled seats, Optima offers the perfect business class solution. Each passenger has direct aisle access, large surface areas and extensive stowage options. Thanks to the seating arrangement in the cabin and electrically actuated privacy screens, Optima can offer an exclusively private environment for travelers wanting to relax or facilitate interaction for passengers traveling together. With bed lengths up to 83.5" and the option for a centerline double bed, Optima creates a sleeping experience for travelers that would typically be associated with First Class travel.
Optima does not forget the requirements of airlines: the unique cabin layout, originally designed by Acumen, offers 15% more seats compared to standard business class products. Furthermore, thanks to its modular architecture, Optima can be easily customized. The presentation of Optima in Hamburg was very well received by both customers and the media.

Zodiac Seats

Supreme luxury first class for Singapore Airlines

The new first class suites developed by Singapore Airlines with the design studio Pierrejean and Zodiac Seats UK will equip the national airline's Airbus A380.
Located on the upper deck and separated by sliding doors for total privacy, they include a swivel armchair that can be reclined at 45° and, the new feature, a flat bed which separates the relaxation area from the working area. For traveling couples, the first two suites on the same side can be combined and the two beds converted into a double bed. The materials (leather of the armchair, wall upholstery, carpet) and the mood lighting enhances the sensation of luxury and privacy. This suite is equipped with an HD 32" screen which offers an extensive choice of on-demand films and videos. Delivered to Singapore Airlines in September 2017, the first suite was presented to the public in November. The first aircraft equipped with these new products will make its first commercial flight on December 18, on the Singapore-Sydney route. Delivered in 2018, four other new aircraft will be positioned on London, Shanghai, Hong Kong or Bombay. The retrofitting of the fleet's 14 Airbus A380s will continue until 2020.

THE SUPPORT OF ZODIAC AEROSPACE SERVICES

Zodiac Seats will rely on Zodiac Aerospace Services and on its logistics center in Singapore for the refurbishment of the cabins of Singapore Airlines' Airbus A330s, before they are returned to the leasing company that owns the aircraft.

Two Good Design Awards for Zodiac Seats

Zodiac Seats won Good Design Awards for two seats at the end of 2016, for the premium economy class seat of China Airlines (Taiwan) and the business class seat of Japan Airlines.
Present on board the Airbus A350 of China Airlines, the first is one of the largest seats on the market in its class. Its fixed shell seat back can be reclined without disturbing the other passengers.
The second seat is an adaptation of the Aries model for Japan Airlines, and is mounted on some of the airline's Boeing B777s. Aries provides direct access to aisles. The available space for passengers has been increased with work and dining areas and space for personal effects. Passenger privacy has also been improved with more space between the seats.

Eco seat Z100 arrives at Pax2Go

In September 2017, Pax2Go selected the economy class seat Z100 manufactured by Zodiac Seats US for its retrofitting programs. This Z100 version was designed and pre-certified for standard Airbus A320 and Boeing B737 configurations with the time between ordering and delivery reduced to three weeks. A timing adapted to the constraints of leasing aviation for the required maintenance inspections and refurbishment operations. Pax2Go is the only after-sales distributer for Zodiac Seats US' Z100, including distribution of spare and maintenance parts.

Skylounge Core, for a more personalized business class

As the latest arrival in the Skylounge family, the Skylounge Core business class armchair has been entirely redesigned to facilitate care and maintenance, with a modular architecture that now offers even more personalization possibilities. It was presented in 2017 at the Hamburg Aircraft Interiors Expo and at the Paris Air Show.

18 to 24 months
between the order and the first deliveries of a business class seat.

130,000
economy class pax(1) delivered in 2016/2017.

(1) Passenger seat place.

Financial informations

Consolidated Key Figures

KEY FIGURES

	2016/2017	2015/2016	Change 16/17-15/16
Reported figures:			
Sales revenue	**€5,127.1m**	**€5,208.2m**	**(1.6)%**
Number of employees [1]	33,186	33,015	0.5%
Current operating income	€217.6m	€269.6m	(19.3)%
Net income attributable to equity holders of the parent company	**€73.4m**	**€108.1m**	**(32.1)%**
Earnings per share attributable to equity holders of the parent company	€0.246	€0.382	(35.6)%
Proposed dividend [2]	–	€88.7m	(100)%
Debt/Equity	0.27	0.34	(20.6)%
Figures restated after excluding IFRS 3 impact:			
Current operating income [3]	€217.6m	€269.5m	(19.3)%
Net income attributable to equity holders of the parent company [4]	€82.4m	€165.7m	(50.3)%
Earnings per share attributable to equity holders of the parent company [4]	€0.278	€0.591	(53.0)%

OTHER FINANCIAL INDICATORS

	2016/2017	2015/2016	Change 16/17-15/16
Profitability			
Reported figures:			
Current operating income/Sales revenue	4.2%	5.2%	(18.0)%
Net income attributable to equity holders of the parent company / Equity at beginning of period [5]	2.4%	3.5%	(32.1)%
Figures restated after excluding IFRS 3 impact:			
Current operating income/Sales revenue	4.2%	5.2%	(18.0)%
Financial position			
Reported figures:			
Cash flow from operations	€233.4m	€326.5m	(28.5)%
Acquisition of tangible and intangible fixed assets	€195.3m	€210.2m	(7.1)%
Net equity after appropriation of earnings [6]	€3,185.5m	€3,128.9m	1.8%
Cost of net debt	€61.7m	€39.3m	56.9%

(1) Average number of permanent employees on the payroll during the fiscal year.

(2) After neutralization of treasury stock. No dividend will be proposed as of August 31, 2017.

(3) The IFRS 3 restatements pertain to items booked under mergers and acquisitions. These restatements in current operating income concern reversals of inventory adjustments. Added to the restated net income attributable to equity holders of the parent company are restated amortization of intangible assets valued at the time of the acquisitions, acquisition costs, and the related corporate tax. A reconciliation of current operating income and net income before and after IFRS 3 is included in the Management Report.

(4) As of August 31, 2016 before depreciation of the Contour trademark.

(5) Equity at the beginning of the fiscal year used in the calculation is equal to the net equity at the end of the fiscal year attributable to equity holders of the parent company, excluding net income of €3,111.0 million for the fiscal year.

(6) Equity after appropriation of earnings is equal to total shareholders' equity minus the dividend proposed. No dividend will be proposed as of August 31, 2017.

Management Report

REVENUE: BRISK ACTIVITY FOR AEROSYSTEMS AT THE END OF THE FISCAL YEAR

During fiscal year 2016/2017, Zodiac Aerospace generated revenue of €5,127.1 million, down -1.6% in reported data. Exchange rates had a positive effect of +0.4 points over the period, offsetting the -2.0% drop at like-for-like exchange rate and consolidation scope.

In the fourth quarter, revenue was €1,337.8 million, down -2.1% in reported data and up +0.2% in organic terms due to a negative dollar exchange rate effect of -2.3 points.

Aerosystems had a strong fiscal year by branch. The segment reported a strong organic growth rate for its sales. Cabin was up while Seats was down due to its industrial difficulties and the unfavorable comparison basis in the second half.

FISCAL YEAR 2016/2017 CURRENT OPERATING INCOME MEETS THE GUIDANCE GIVEN AT END-APRIL 2017

Current operating income for the fiscal year was €217.6 million, down -19.3% from €269.5 million in fiscal year 2015/2016, amounting to operational margin[1] of 4.2% versus 5.2%.

This result falls in the upper range of the annual target of current operating income between €200 and €220 million, and corresponds to a strong improvement in the second half, in which current operating income was €229 million, compared to €189 million in the second half of 2015/2016 and to a loss of €11 million in the first half of 2016/2017. The current operating margin was 4.2%, compared with 5.2% in 2015/2016. It was 8.5 % in the second half of fiscal 2016/2017 compared to 7.0% in the second half of 2015/2016.

By activity, Aerosystems improved its current operating income by €105 million between the first and second halves driven by buoyant activity in the second half, while Aircraft Interiors activities reduced their loss by €116 million thanks to improved operational performance.

In fiscal year 2016/2017, exchange rates had a positive impact of €16.6 million on operating income, broken down as a conversion gain of €24.2 million and a transaction loss of -€7.6 million. There was no impact from changes in consolidation. Research tax credit had a positive impact on the current operating income of €28.2 million, compared to €25.6 million in 2015/2016.

RESULTS BY ACTIVITY

Aerosystems (43.6% of total revenue) performed well during the fiscal year, with revenue up 3.4% over the full year, to €2,235.0 million. The branch reported a strong organic growth rate for its sales: +3.0% over the year, +5.5% in the second half and +6.4% in the fourth quarter alone. This growth was buoyed by the ramp-up of the A350XWB program, particularly for power distribution, and by a robust activity volume for the IFE division, which continues to gain market share.

Aerosystems posted a slight drop in current operating income before IFRS 3, by 2.8% to €366.4 million compared to €376.9 million, or a 16.4% margin rate. This can be attributed partly to a negative exchange rate impact of -€4.5 million (-€0.3 million for conversion impact and -€4.2 million for transaction). Aerosystems activities were especially busy in the second half, and that was reflected in substantial growth of current operating income: €235.7 million in the second half, up from €130.6 million in the first half. Operational margin amounted to 19.5% in the second half, compared to 12.7% in the first half and 19.0% in the second half of the previous year.

Aircraft Interiors activities (56.4% of total revenue) posted revenue of €2,892.1 million for fiscal year 2016/2017, down 5.1%.

- Cabin showed improvement. Its revenue fell by -2.1% in organic terms over the full year but has gradually improved. Following an organic decline of -4.3% in the first half, its revenue leveled off in the second half (+0.1%) and posted organic growth of +3.2% for the fourth quarter. This change reflects the offsetting of delays, the successful ramp-up of the A350XWB program and robust activity on galleys.
- Seats was down -10.2% during the fiscal year in reported data. In organic terms, its revenue fell by -9.6% over the year and by -13.0% in the fourth quarter due to the industrial difficulties facing the branch, sluggish activity and, in the second half, an unfavorable basis of comparison with the previous fiscal year.

Current operating income before IFRS 3 of **Aircraft Interiors activities** was -€144.7 million over the full fiscal year, compared to an operating loss of -€99.5 million in 2015/2016. This amount reflects production cost overruns in the Seats and Cabin branches, which strongly affected the first-half results. Current operating income before IFRS 3 of Aircraft Interiors activities in the first half was -€130.2 million. This loss fell to -€14.5 million in the second half, under the effect of the industrial recovery that is under way in the Cabin branch, which has offset its delays, and which is continuing in the Seats branch.

(1) Operational margin: Ratio of current operating income to revenue.

Current Operating Income

(in millions of euros)	Fiscal year 2016/2017			Fiscal year 2015/2016			Change (in %)		
	H1	H2	Total	H1	H2	Total	H1	H2	Total
Aerosystems	130.6	235.7	**366.4**	160.3	216.6	**376.9**	(18.5)%	8.9%	**(2.8)%**
Aircraft Interiors activities	(130.2)	(14.5)	**(144.7)**	(73.1)	(26.4)	**(99.5)**	78.0%	(44.9)%	**45.4%**
Holding company	(11.9)	7.8	**(4.1)**	(6.8)	(1.1)	**(7.9)**	75.1%	(842.2)%	**(47.7)%**
GROUP TOTAL	**(11.5)**	**229.0**	**217.6**	**80.4**	**189.1**	**269.5**	**(114.2)%**	**21.1%**	**(19.3)%**

NET INCOME AMOUNTED TO €73.4 MILLION, IN LINE WITH CURRENT OPERATING INCOME

Non-current items amounted to -€47.5 million against -€75.7 million in 2015/2016. Net income for the previous fiscal year included an expense of €58 million related to the depreciation of the Contour trademark. In 2016/2017, non-current operating items included an expense of €34.2 million related to restructuring costs at several production sites in the United States and costs related to the contemplated business combination transaction involving Zodiac Aerospace and Safran.

Operating income was €170.1 million versus €193.9 million in 2015/2016.

Cost of net debt dropped by €22.4 million following the establishment of multi-year currency hedges.

Tax liability was -€31.2 million versus -€39.6 million because of reduced pretax income, mainly in France, the United Kingdom and Germany, despite noted improvement in the United States. The climb in the tax rate to 29.4% from 26.0% in 2015/2016 mainly reflects the rising importance of the geographic distribution of pretax income generated in high-tax jurisdictions, namely, France and the United States.

Net income for 2016/2017 amounted to €73.4 million and net income attributable to equity holders of the parent company was €73.4 million, down -31.9% and -32.1% respectively.

IMPRESSIVE CASH GENERATION AND A SOLID FINANCIAL POSITION

The improvement plans established to better control cash generation have started to bear fruit. Net debt[1] fell sharply to €846.6 million, from €1,056.9 million at end-August 2016 and €1,325 million at end-February 2017, that is, a reduction of €478 million during the second half, while gearing was 2.28x versus 2.55x at end-August 2016, which was far below the level of 3x, as was mentioned in the presentation of the annual revenue. Gearing therefore stood at 0.27 at end-August 2017 versus 0.34 at end-August 2016.

Cash flow was €233.4 million, down -28.5% compared to 2015/2016 (€326.5 million), in line with the change in current operating income.

Cash generation was especially robust in the second half, at €445 million, as a result of efforts directed at the working capital requirement (WCR), particularly inventories and receivables. Trade WCR[2] represented 30.4% of revenue at end-2016/2017, compared to 33.2% of revenue in 2015/2016 and 37.4% of revenue in 2014/2015, a figure that represents a return to pre-crisis levels yet leaves room for improvement.

Concurrently with these efforts targeting WCR, investment expenditures were carefully managed. Capital expenditure was €195 million, or 3.8% of revenue, a decline from the previous fiscal year, when it was €210 million, or 4% of revenue.

Zodiac Aerospace's financial position was solid at the end of the fiscal year. The available amount on the confirmed lines of credit was €853 million and cash was €684 million, for a total liquidity of €1,537 million.

The banking covenant defined by the Club Deal financing is the ratio of net financial debt to EBITDA, the threshold of which was raised to 3.5x until August 31, 2018, versus 3x. At year end, this ratio was 2.28x.

AN OPERATING LOSS IN THE FIRST HALF

Unlike in the second half, the results of the first half were impacted by substantial cost overruns in the Aircraft Interiors activities, while Aerosystems contribution was limited due to lower revenue than expected in the second half.

Current operating income before IFRS 3 was -€11 million compared to €80 million in the first half of 2015/2016. It reflects the strong impact of approximately €200 million of additional costs, mainly attributable to Zodiac Seats UK and to the new Cabin activities that remain in a ramp-up phase.

The current operating income before IFRS 3 of Aircraft Interiors was a loss of -€130 million versus a loss of -€73 million in H1 2015/2016 impacted by some overrun costs resulting from the focus on service and customer satisfaction. The Cabin branch was impacted by high production cost overruns due to the ramp-up of new programs, in particular the Airbus A350 XWB, Spaceflex v2 lavatories for the A320 family, Bombardier C-Series and the starting costs of the Bombardier G7000/8000 business aircraft. In the Zodiac Seats branch, Seats US returned to normal operational performance, but Zodiac Seats UK encountered serious operational problems in the ramp-up of the business seats programs, which triggered unanticipated extra costs of around €40-50 million.

Meanwhile, Systems activities showed a slight slowdown, due to an unfavorable mix and sluggish activity in three units: Arresting Systems, Telemetry and IFE. Aerosystems' current operating income in the first half was down to €131 million (12.7% of sales), from €160 million in the first half of 2015/2016 (15.7% of sales). The three-point decrease is due to negative conditions of the activities' mix during the semester.

Trade WCR was €1,897 million, up €76 million compared to H1 2015/2016. This positive development resulted from actions undertaken by the Group regarding inventory and payment terms. Overall, operating WCR improved by one percentage point to 38.4% of revenue, from 39.5% in H1 2015/2016. Nonetheless, this level was markedly higher than the year-end WCR and the 30% pre-crisis level.

In the first half of 2016/2017, Capex amounted to €90 million, which was 3.7% of revenue, stable versus the first half of 2015/2016, of which €58 million of tangible assets and €32 million of intangible assets.

(1) Net financial debt does not include the €243 million in hybrid financing recognized under equity in accordance with IAS 32.

(2) Working capital requirement is the difference between the current assets and the current liabilities of the statement of financial position. Trade WCR focuses on operations (excluding potential tax impacts) and corresponds to inventories and work in progress plus net receivables minus net payables.

MAJOR CHANGES TO GOVERNANCE

Following the first-half operating loss and new negotiations with Safran in order to review the terms of the agreement announced on January 19, 2017 to take this strained operational position into account, the Supervisory Board decided to make changes at the governance level.

Olivier Zarrouati has placed his mandate as Chairman of the Executive Board at the disposal of the Supervisory Board. As proposed by the Board, Olivier Zarrouati accepted to remain Chairman of the Executive Board for a while, focusing his action on the finalization and execution of the deal with Safran. The Board asked Yann Delabrière to serve as its special adviser to lead the work of the Executive Board with a twofold task: to best help prepare for the business combination with Safran in the event of a successful outcome to the ongoing discussions, or if not, to help make the Group's standalone growth sustainable and lay the groundwork for putting in place the most effective operational governance for the future.

Following the agreement entered into with Safran on May 23, 2017 to combine the two companies, on June 5, 2017 the Supervisory Board appointed Yann Delabrière Chairman of the Executive Board of Zodiac Aerospace, to replace Olivier Zarrouati, with effect from June 16, 2017. Didier Fontaine was appointed member of the Executive Board starting June 5, 2017, replacing Benoît Ribadeau-Dumas, who was appointed Chief of Staff to the French Prime Minister. He remains Group Chief Financial Officer of Zodiac Aerospace. In addition, TK Kallenbach was appointed Managing Director of Zodiac Aerosystems, effective June 8, 2017, replacing Benoît Ribadeau-Dumas. He previously served as Managing Director of the Entertainment and Seat Technology Division.

ZODIAC AEROSPACE PURSUES THREE STRATEGIC PRIORITIES

Yann Delabrière, Chairman of the Executive Board, has set three strategic priorities for the Group.

First is to rebuild relationships with customers, which suffered during the crisis. Thanks to progress made in the Cabin and Seats branches in terms of quality and delivery times, the Group is well on its way to achieving this goal.

The second priority is to make these performances sustainable and achieve a level of operational excellence. This occurs first and foremost through the roll-out of the Zodiac Aerospace Operating System (ZAOS), which is being done pragmatically, comprehensively and methodically. Of the hundred-odd sites that make up Zodiac Aerospace, 23 have been designated high-priority sites where the ZAOS processes considered to be essential will be set up quickly, by the end of the first calendar quarter of 2018. This means that the Focus transformation plan, which was launched in 2015, is embarking on a new acceleration phase for key elements, following the ZAOS definition phase and the initial implementation phase of the plan.

Sustainable improvement in performance is also part of the Group's industrial transformation. This improvement is manifested in the streamlining of engineering and manufacturing activities in North America, in an increase in investment expenditures to modernize plants, and in an expansion of the scope of activity of Zodiac Aerospace Services, which will help it position itself at the forefront of customer service.

The third priority focuses on preparing for the future in terms of Research, Development and Technology in order to meet our customers' expectations when it comes to reducing environmental impact, improving energy efficiency and on-board comfort and safety, and in terms of generating more revenue and further differentiating for the airlines.

THE FOCUS PLAN

The Focus plan, which was announced in April 2015 concurrently with the creation of the post of Group Chief Operating Officer, is a transformation plan whose initial goals were to carry out a Group-wide roll-out of the tools and procedures that were deemed necessary after problems encountered at the time, mainly in the Seats Branch. A steering committee consisting of representatives of the branches and chaired by the Chief Operating Officer was set up to lead the Focus plan. When the plan was launched, the four main components were (i) enhancing operational reporting, (ii) "back to basics" concerning production processes, (iii) improving the supply chain and inventory management, and (iv) integrated planning of sales and operations. Against a backdrop of substantial business growth, through internal growth and growth by acquisition, the internal analysis revealed the need to formalize and implement a Group-wide operational management system based on standard procedures: the Zodiac Aerospace Operating System (ZAOS). Over time, the Focus plan was expanded, particularly with regard to Quality, which saw the incorporation of the QRQC (Quick Response, Quality Control) methodology. Fourteen key performance indicators were standardized and are analyzed on a monthly basis in a review of each branch's performance.

In parallel to the deployment of the Focus plan, recovery plans were set up at every site in difficulty in order to get back on track with on-time delivery and to provide the quality customers expect. This has been accomplished through hard work and the allocation of sizable additional resources, which have led to cost overruns and significant impact on the Group's results.

At the same time, in order to work further to rein in costs, the Group has begun conducting thorough analyses, known as "Deep Dives," of expenditures of sites selected for their size. The goal is to establish a three-year action plan that is approved by each site and aims to save money in areas identified by these analyses. Between January and end-August 2017, six sites were analyzed, and their action plans approved. These analyses will continue to be conducted over 2017/2018.

The Focus plan was the impetus for drafting and distributing all the manuals and/or standard procedures for the "design and industrial production," "program management," "purchasing" and "planning and producing" processes. These standards include the "maturity matrices," which the sites use to assess their level of deployment. The entire Zodiac Aerospace Operating System is now available in the form of standards or manuals for the design, program management and industrial production aspects.

Yann Delabrière, who was appointed Chairman of the Executive Board on June 16, 2017, signed off on the continuation of the Focus plan and the roll-out of the ZAOS operating system, and resolved to speed up this plan. In order to quickly achieve measurable improvement in the key performance indicators, it was decided to focus resources on 23 sites and 23 high-priority programs. Of these, 49 essential processes from the Zodiac Aerospace Operating System are currently being rolled out with guidance from experts in each area. At the other sites, the standards are still being rolled out but without the format of a specific organization. An ad hoc steering committee, chaired by the Group Chief Operating Officer, tracks the progress of the results and deployment on a monthly basis. On the whole, the project is currently in line with forecasts.

FINANCIAL OUTLOOK

In 2017/2018, Zodiac Aerospace will continue and speed up its industrial recovery and transformation.

The Group expects a slight decline in sales, which breaks down into a new growth in Aerosystems activities, at a pace similar to that of the previous fiscal year, a stabilization of Cabin activities and a new drop in Seats activity, impacted by past operational performance.

Current operating income is expected to increase significantly. As is the case for revenue, the second half will be markedly better than the first. Regarding exposure to currency adjustments, Zodiac Aerospace has established EUR/USD hedging for fiscal year 2017/2018: 90% of the EUR/USD net transaction exposure is hedged at a rate of $1.0941/€ (spot rate). Sensitivity to exchange rate is estimated at 168 basis points of impact on the current operating margin, for 10 cents fluctuation in EUR/USD parity.

Cash generation is expected to remain healthy, particularly in response to ongoing actions to reduce inventory, which in turn should enable an increase in production expenditure.

Reconciliation of income before/after IFRS 3

(in millions of euros)	Year ended Aug. 31, 2017	Year ended Aug. 31, 2016
Current operating income after IFRS 3	**218**	**270**
Inventory valuation	–	–
Current operating income before IFRS 3	**218**	**270**
Net income attributable to equity holders of the parent company after IFRS 3	**73**	**108**
Inventory valuation	–	–
Impairment	–	58
Amortization of intangible assets	13	17
Acquisition costs	–	–
Corporate income tax	(4)	(17)
Net income attributable to equity holders of the parent company before IFRS 3	**82**	**166**

Governance

The Supervisory Board of Zodiac Aerospace has confirmed that the Company continues to refer to the French AFEP-MEDEF Code, available on the AFEP and MEDEF websites, at the same time as applying a reasonable standard of governance that reflects the special characteristics of a Group with "longstanding major shareholders".

In connection with the contemplated business combination transaction with Safran announced on May 24, 2017, the Group's governance will be compelled to evolve in upcoming months.

The Company has also implemented the "Comply or Explain" rule provided for in the version of Article L. 225-68 of the French Commercial Code before the entry into force of the Order No. 2017-1162 of July 12, 2017 and referred to in Article 27.1 of the AFEP-MEDEF Code. It explains, where applicable, the reasons why some rules were not applied. The table on page 35 provides a summary of the provisions not adopted and the reasons for non-adoption.

The Company is managed by the Supervisory Board and the Executive Board under a dual management method. This structure separates the management functions exercised by the Executive Board and the control functions over this management, delegated to the Supervisory Board, a body representing the interests of shareholders.

The Executive Board ensures management of the Group using the powers granted to it by legal and regulatory provisions and defined by the Articles of Association. The Supervisory Board is responsible for ongoing control over management and receives the information it requires to perform this task.

THE EXECUTIVE BOARD AND RESTRICTED EXECUTIVE COMMITTEE

To ensure a balance of power and good governance, the Executive Board was assisted in its mission by a Restricted Executive Committee in fiscal year 2016/2017.

The Executive Board and the Restricted Executive Committee are responsible for examining the issues relating to the functioning and the operational performance of the Group twice per month and for deciding any necessary actions that arise. Chaired by the Chairman of the Executive Board, the Restricted Executive Committee comprises the Group Business Development Director, the Managing Directors of the Cabin and Seats branches and the Aerosystems activity, the Managing Director of Zodiac Aerospace Services, the Group Chief Financial Officer, the Group Chief Operating Officer, the Group Communication and Investor Relations Director, and the Group Human Resources Director.

The Executive Board was partially reorganized during fiscal year 2016/2017.

At its meeting of June 5, 2017, the Supervisory Board terminated the mandate of Olivier Zarrouati as a member of the Executive Board and Chairman of the Executive Board, with effect from June 15, 2017, and appointed Yann Delabrière, as a member of the Executive Board and Chairman of the Executive Board of Zodiac Aerospace, with effect from June 16, 2017, to replace Oliver Zarrouati for the remaining period of the latter's tenure.

The Zodiac Aerospace Group thanks Oliver Zarrouati for his contribution to the company's transformation and growth, making Zodiac Aerospace one of the global leaders in its sector.

Benoît Ribadeau-Dumas was appointed the French Prime Minister's Chief of Staff on May 16, 2017 and therefore resigned from his positions as Executive Board member and Managing Director of the Aerosystems activity on May 15, 2017. Zodiac Aerospace thanks Benoît Ribadeau-Dumas for his successful leadership of the Aerosystems activity and for his general contribution to the Group.

Didier Fontaine, Group Chief Financial Officer of Zodiac Aerospace, was appointed member of the Executive Board with effect from June 5, 2017, to replace Benoît Ribadeau-Dumas for the remaining period of the latter's tenure. Didier Fontaine joined the Group on September 19, 2016 and began his duties as Group Chief Financial Officer on October 24, 2016 to replace Jean-Jacques Jégou.

Maurice Pinault was reappointed to the Executive Board by the Supervisory Board on September 29, 2016.

Moreover, the Executive Board membership of Yannick Assouad had ended on September 9, 2016.

Consequently, at the time of the report of the Chairman of the Supervisory Board, the Executive Board had three members (Yann Delabrière, Chairman, Maurice Pinault, and Didier Fontaine).

The membership of the Restricted Executive Committee also changed during fiscal year 2016/2017.

Christophe Bernardini was appointed Managing Director of the Cabin branch with effect from November 1, 2016, replacing Yannick Assouad who left the Group on October 31, 2016.

Bruno Delile was appointed Managing Director of Zodiac Aerospace Services with effect from January 1, 2017 to replace Christophe Bernardini.

TK Kallenbach was appointed Managing Director of Zodiac Aerosystems, as of June 8, 2017, replacing Benoît Ribadeau-Dumas. He was previously Vice-President of the Entertainment and Seat Technology Division.

SUPERVISORY BOARD

The Supervisory Board ensures that the Company and Group operate correctly and reports to the shareholders. The Supervisory Board appoints the Chairman of the Executive Board and its members. It oversees the Group's management and administration.

Composition of the Supervisory Board

The Supervisory Board is currently composed of twelve members, including one member who represents Group employees. They are: Didier Domange as Chairman, Louis Desanges as Vice-Chairman, Patrick Daher, Élisabeth Domange, Laure Hauseux, Vincent Gerondeau, Gilberte Lombard, Estelle Brachlianoff, the company FFP Invest, represented by Frédéric Banzet, Fonds Stratégique de Participations (FSP), represented by Florence Parly, and subsequently by Isabelle Boccon-Gibod since July 11, 2017, following the appointment of Florence Parly as Minister for the Armed Forces, the company Fidoma, newly appointed member of the Supervisory Board by the Mixed General Meeting of January 19, 2017, represented by Richard Domange, and Anne Aubert, member representing the employees.

At the time of the report of the Chairman of the Supervisory Board, six members were defined as "independent" within the meaning of the AFEP-MEDEF Code, namely Patrick Daher, Laure Hauseux, Vincent Gerondeau, FFP Invest, represented by Frédéric Banzet, Estelle Brachlianoff, and Fonds Stratégique de Participations (FSP), represented by Isabelle Boccon-Gibod. These members provide the Board with wide-ranging experience in terms of their own industries and the international business environment.

The percentage of independent members as defined by the AFEP-MEDEF Code is therefore 55%, which is above the Code's required threshold[(1)].

Six members are women, including the employee representative. This gives a rate of 45% of female presence on the Supervisory Board, which means that Zodiac Aerospace meets and exceeds the provisions of the AFEP-MEDEF Code (requiring at least 40% women on the Board as from the 2016 General Meeting) and France's law of January 27, 2011 on gender equality on Boards of Directors and Supervisory Boards (requiring at least 40% women as from the 2017 General Meeting).[(2)]

In addition, at least two-thirds of members have international experience from current or past professional responsibilities.

Renewal of terms of office proposed to the General Meeting of January 9, 2018

On the recommendation of the Appointments Committee, the Supervisory Board will propose to the General Meeting of January 9, 2018 the renewal of the mandates of Patrick Daher and Louis Desanges for a two-year period expiring at the end of the General Meeting held to approve the accounts for fiscal year 2018/2019. It is specified that the appointments to the Supervisory Board of Didier Domange and Élisabeth Domange will end at the General Meeting of January 9, 2018, in accordance with the statutory clauses.

Accordingly, at the end of the General Meeting of January 9, 2018, the Supervisory Board will comprise ten members, one of them representing employees. Six will be independent (67%[(1)]) and five women (44%[(2)]).

The term of office for Supervisory Board members has been set at four years, in accordance with the recommendations of the AFEP-MEDEF Code (since January 8, 2014). As an exception, the terms of office of Supervisory Board members in effect at January 8, 2014 will continue until their original expiry date, and the statutory clauses referred to in the above introduction will apply to those who have reached the age limit of 70 (see Statutory information, Company administration, Supervisory Board – Article 19 of the Company's Articles of Association).

No Board member exercises any executive management function either at the Group's parent company or subsidiary level.

Furthermore, a proposal will be made to the General Meeting of January 9, 2018 to amend the Articles of Association of Zodiac Aerospace in order to provide the Vice-Chairman of the Supervisory Board with the option of convening the Supervisory Board, in accordance with the terms of the combination agreement signed with Safran on May 24, 2017.

Independence of members of the Supervisory Board

The Company subscribes to the independence criteria as set forth in the AFEP-MEDEF Code. A Board member is considered independent when he or she has no relationship of any kind with the Company, Group or its management that may influence his or her judgment.

The Supervisory Board, through its Appointments Committee, noted in particular that no member of the Supervisory Board had a business relationship with the Group, with the exception of Patrick Daher and/or the companies of which he is a director or Chairman. With regard to Patrick Daher and/or the companies of which he is a director or chairman, the Supervisory Board noted that the business connection with the Group is not material due to the low volume of services provided and/or products sold to the Daher Group companies, which represents less than 0.02% of the Zodiac Aerospace Group's sales revenue. Furthermore, the Daher Group hardly provides or sells any products or services to the companies of the Zodiac Aerospace Group.

It should also be noted that Patrick Daher is Non-Executive Chairman of the Daher Group.

The Supervisory Board also wishes to make it clear that Vincent Gerondeau's independent status would not be affected by the collective retention agreements to which he is a signatory and which are described in the "Shareholder Agreements" section on page 72 of this document. Said agreements are strictly limited to the retention and the non-transferability of the shares held by Vincent Gerondeau and his family group, and carry no rights or obligations that may influence his judgment.

Rules of professional conduct of members of the Supervisory Board

Every member of the Supervisory Board has signed the "Supervisory Board Member Charter" introduced in February 1997 and updated in 2006 and 2011, which sets out their rights and obligations (general and special rules). The Charter was revised in 2014 and is now known as "the Internal Rules of the Supervisory Board and its Committees". These internal rules include the Charter applicable to Board members as well as Zodiac Aerospace's Code of Stock Trading Ethics with which Board members agree to comply.

In addition, the internal rules of the Supervisory Board and its committees stipulate that each member of the Supervisory Board and its committees must inform the Supervisory Board of any conflict of interest that may arise. The Board member concerned cannot take part in deliberations or vote on a decision affecting him or her. No conflict of interest has been brought to the attention of the Supervisory Board.

Frequency of Supervisory Board Meetings

During the fiscal year, the Board met on sixteen scheduled occasions: on September 29 and November 21, 2016, January 18, January 19, January 14 , February 23, March 13, March 28, April 12, April 27, May 22, May 23, May 31, June 5, June 16 and July 12, 2017. The members of the Board were conscientious in their attendance at meetings, resulting in an attendance rate for the year of over 94%.

Operation of the Supervisory Board and activity in 2016/2017

At each Board meeting, members review business performance indicators against the forecast. They examine the Group's results as well as opportunities for new acquisitions and for disposing of companies that are not, or are no longer, compatible with the Group's core business. Major strategy meetings are held as and when required, notably concerning the business combination transaction between Zodiac Aerospace and Safran. The Board dedicates two meetings per year to reviewing the financial statements for the first half and the full year. It holds an "Outlook" seminar annually, primarily to examine development opportunities for the Group in terms of governance, organization and internal and external growth.

A portion of each Board meeting is dedicated to discussions that are not attended by Executive Board members ("executive sessions"). Supervisory Board members receive a copy of the draft minutes as quickly as possible after each meeting, prior to final approval at the subsequent meeting. The minutes are then entered in the minute book, and signed by the Chairman and one Board member.

During fiscal year 2016/2017, the Board mainly performed its functions in the following areas:

- the contemplated business combination transaction between Zodiac Aerospace and Safran, and in particular the review and approval of the terms of the business combination with Safran, as announced on

(1) In accordance with Article 8.3 of the AFEP-MEDEF Code, the member representing employees is not taken into account when calculating the percentage of independent members on the Supervisory Board.

(2) In accordance with Article 6.4 of the AFEP-MEDEF code (in its version applicable in November 2015) and Article L. 225-79-2 of the French Commercial Code, the employee representative is not taken into account to calculate the proportion of women on the Supervisory Board.

January 19 and May 24, 2017, and the appointment of the third-party expert;

- the annual and half-year financial statements and revised earnings estimates;
- the monitoring of strategic plans;
- the monitoring of the operational and financial performances of the Seats, Cabin and Aerosystems branches;
- the 2016/2017 budget, the financing policy, renewal of the Executive Board's authorization to issue endorsements, sureties and guarantees in the name of the Company;
- the reappointment of the statutory auditors and the review of financial press releases.

In terms of governance, the Board reviewed the following:

- the new composition of the Executive Board, with the departure of Olivier Zarrouati and the resignation of Benoît Ribadeau-Dumas, and the appointment of Yann Delabrière and Didier Fontaine as Chairman of the Executive Board and Executive Board member respectively;
- the financial conditions for the departure of Olivier Zarrouati;
- the appointment of Yann Delabrière as special adviser to the Executive Board prior to his appointment as Chairman of the Executive Board;
- the total compensation and number of performance shares granted to executive corporate officers, members of the Restricted Executive Committee who are not corporate officers, and Group employees;
- the compliance of the Group's governance with the recommendations of the AFEP-MEDEF as amended in November 2016 and the provisions of France's Sapin 2 Act.

On November 21, 2016, on the recommendation of the Board's Chairman and on the advice of the Appointments Committee, and in accordance with Article R. 225-56 of the French Commercial Code, the Supervisory Board renewed the special mandate that had been granted to Gilberte Lombard, on March 14, 2016, to handle relations between the Supervisory Board and Company shareholders until the end of fiscal year 2017. This mandate is renewable. Gilberte Lombard's powers in respect of this role are limited to those of the Supervisory Board and its Committees.

Assessment of the Board

In accordance with the recommendations of the AFEP-MEDEF Code, the Supervisory Board conducts an external assessment of the terms of its operations every three years and an internal assessment annually.

The external assessment was carried out for the 2014/2015 fiscal year by a specialist consulting firm.

The internal assessment for the 2015/2016 was conducted on the basis of a questionnaire sent to each Board member.

For fiscal year 2016/2017, the Supervisory Board discussed its operation when in session but considering the wide range of topics examined by the Board linked to the business combination transaction with Safran, it did not consider it appropriate to undertake an assessment of its operation. Another questionnaire-based internal assessment of the Supervisory Board's operation will be formally organized at a subsequent date.

Committees

In complying with official guidelines on corporate governance, and on the recommendation of its Chairman, the Supervisory Board formed three special committees in 1995: the Audit Committee, the Compensation Committee and the Appointments Committee.

All three Committees are regulated under the terms of the relevant dedicated chapters of the Internal Rules of the Supervisory Board and its Committees, which define their roles, composition, number of meetings, resources, members' compensation and the requirement for minutes to be drafted after each meeting.

Members who accept appointment to a Committee are expected to attend all meetings held by that Committee.

The Board introduced a temporary Strategy Committee on November 23, 2015 to provide it with regular updates on Group operations until such time as the operational problems of Aircraft Interiors branch are resolved.

The Audit Committee

The Audit Committee met seven times during the fiscal year. It met five times to examine in particular the Group's half-year and consolidated full-year financial statements, the main account closing options, the operational situation of the Cabin and Seats branches and associated risks (especially aircraft manufacturer risk), budgets and reforecasts, and review of financial press releases.

These meetings are held eight days before the Supervisory Board meeting convened to deliberate on the financial statements.

The Committee also met twice with the Audit and Internal Control Director to consider the following:

- Risk management:
  - monitoring of measures implemented since the last risk-related Audit Committee meeting;
  - presentation of the updated top group risks and risk mapping of Group risks;
  - report on progress made on the main risks identified (see chapter on Risk management) and related risk control plans;
  - review of commercial practices and agents' contracts;
  - review of risks associated with cybersecurity.
- Internal control:
  - monitoring the KPIs of the Focus transformation plan;
  - monitoring the new internal control KPIs;
  - monitoring the Restore Margin plan;
  - presentation and update of planned improvements to the system of ongoing internal control and review of the various data mining tools being introduced.
- Internal audit:
  - report on the latest assignments and newly identified areas of risk;
  - report on the recommendations of the late audit and action plans for the fiscal year.

The Audit Committee studied the situation of the mandates of the Statutory Auditors. After analysis and in the light of the new rules from the Audit Department, the Committee suggested a renewal of the mandate of the firm Fidaudit to the Supervisory Board.

In addition, the Audit Committee had a face-to-face meeting with the Auditors, reviewed the report of the Chairman of the Supervisory Board and the content of the financial press releases, and considered the fees paid to the Auditors.

During the fiscal year ended August 31, 2017, the Committee comprised the following five Board members (including three independent members): Laure Hauseux (Chairman), Gilberte Lombard, Louis Desanges, FFP Invest, represented by Frédéric Banzet, and FSP, represented by Florence Parly, then by Isabelle Boccon-Gibod. The meetings were also attended by the Statutory Auditors and the Group Chief Financial Officer.

The chairmanship of the Audit Committee was assigned to an independent member within the meaning of the AFEP-MEDEF Code.

The members of the Audit Committee have been specially selected for their financial and accounting skills based on their training and professional experience.

Compensation Committee

The Compensation Committee met eight times during the fiscal year. The Committee comprised four members during the fiscal year ended August 31, 2017: Patrick Daher (Chairman), Gilberte Lombard, Vincent Gerondeau, and Anne Aubert. The members are tasked by the Supervisory Board with submitting recommendations on the compensation paid to key Executive Board and Restricted Executive Committee members, allocating performance shares to these executives within the terms authorized by the General Meeting of Shareholders, setting the compensation paid to the Chairman of the Supervisory Board, and allocating the fees paid to Supervisory Board members.

At the time of the report of the Chairman of the Supervisory Board, the Committee comprised four members (including two independent members) and was chaired by an independent member within the strict definition of the AFEP-MEDEF Code. Anne Aubert, the Board member representing employees, has served on the Compensation Committee since November 23, 2015, in accordance with the recommendations of the AFEP-MEDEF Code.

The annual work of the Compensation Committee focused specifically on performance-related free share awards, the compensation of new Executive Board members and the financial terms of the departure of Olivier Zarrouati.

Appointments Committee

The Appointments Committee meets when required; it met twice during the fiscal year ended August 31, 2017. It has four members: Louis Desanges (Chairman), Estelle Brachlianoff, Vincent Gerondeau and FFP Invest, represented by Frédéric Banzet.

The Appointments Committee is tasked with reviewing the Board's composition and selecting Supervisory Board members and Group senior managers. It also reviews the criteria established for appointing Supervisory Board members, focusing in particular on aerospace or industrial experience, international experience, and independence within the meaning of the AFEP-MEDEF Code.

The Appointments Committee reviewed the criteria pertaining to the independence of the Board's members and approved the "independent" qualification of members Laure Hauseux, Patrick Daher, Vincent Gerondeau, FFP Invest, represented by Frédéric Banzet, FSP, represented by Florence Parly, then by Isabelle Boccon-Gibod as from July 11, 2017, and Estelle Brachlianoff for the fiscal year ended August 31, 2017.

The Appointments Committee's key tasks during the fiscal year specifically focused on reorganizing the membership of the Executive Board, and in particular the appointment of Didier Fontaine as Executive Board member, and on the renewal of the mission of Gilberte Lombard detailed above.

The Strategy Committee

The Strategy Committee was established on November 23, 2015 on a temporary basis. Its purpose is to provide Board members with regular updates on the Group's operations until such time as the Aircraft Interiors branch's operational problems are resolved. It met eleven times during fiscal year 2016/2017, and its meetings were attended by the Chairman of the Executive Board and the Group Chief Financial Officer.

The Strategy Committee was composed of four members: Didier Domange, Louis Desanges, Patrick Daher, the company FFP Invest, represented by Frédéric Banzet, and an additional member depending on the topics on the agenda, and was dissolved in June 2017 after the reorganization of the Executive Board.

The Strategy Committee reported on its meeting during Board sessions not attended by executives ("executive sessions").

After each Committee meeting, the Supervisory Board was informed of all proposals and observations made at the meeting.

Implementation of the "Comply or Explain" Rule of the AFEP-MEDEF Code

Provisions of the AFEP-MEDEF Code not adopted	Reason
Composition of the Audit Committee Article 15.1: The proportion of independent members of the Supervisory Board serving on the Audit Committee "should be at least two-thirds".	For the fiscal year ended August 31, 2017, the lower representation of independent members on the Audit Committee (three out of five) is due to the requalification during the fiscal year beginning September 1, 2015 of Gilberte Lombard, who lost her status as independent member, in strict application of the AFEP-MEDEF Code, on the basis that her term of office exceeded 12 years. Notwithstanding the length of her term, Gilberte Lombard has demonstrated great freedom of judgment and critical thinking with regard to executive management.
Composition of the Compensation Committee Article 17.1: The Committee should have a majority of independent directors.	For the fiscal year ended August 31, 2017, the lower representation of independent members on the Compensation Committee (two out of four) is due to the requalification during the fiscal year beginning September 1, 2015 of Gilberte Lombard, who lost her status as independent member, in strict application of the AFEP-MEDEF Code, on the basis that her term of office exceeded 12 years. Notwithstanding the length of her term, Gilberte Lombard has demonstrated great freedom of judgment and critical thinking with regard to executive management. Furthermore, in accordance with the recommendations of the AFEP-MEDEF Code, an independent member is appointed Chairman of the Compensation Committee and the Board member representing employees has been part of the Compensation Committee since November 23, 2015.

Composition of the Executive Board and the Supervisory Board

Executive Board at August 31, 2017

Yann Delabrière (1)
Chairman of the Executive Board

Maurice Pinault
Member

Didier Fontaine
Member (2)

Supervisory Board at August 31, 2017

Didier Domange
Chairman of the Supervisory Board

Louis Desanges
Vice-Chairman

Estelle Brachlianoff
Member

Patrick Daher
Member

Élisabeth Domange
Member

Laure Hauseux
Member

Vincent Gerondeau
Member

Gilberte Lombard
Member

FFP Invest
Member, represented by Frédéric Banzet

FSP
Member, represented by Isabelle Boccon-Gibod (3)

Fidoma
Member, represented by Richard Domange

Anne Aubert
Member representing employees

(1) Since June 16, 2017.
(2) Since June 5, 2017.
(3) Since July 11, 2017 to replace Florence Parly.

Details of the functions and other terms of office of members of the Supervisory and Executive Boards are provided on pages 37, 38, and 39 of this document.

Composition of the Restricted Executive Committee

Restricted Executive Committee at August 31, 2017

Yann Delabrière
Chairman of the Executive Board

Maurice Pinault
Member of the Executive Board
Group Strategy and Business Development Director

Didier Fontaine
Member of the Executive Board
Group Chief Financial Officer

Christophe Bernardini
Managing Director, Cabin branch

Antoine Doutriaux
Managing Director, Seats branch

Bruno Delile
Managing Director, Zodiac Aerospace Services

François Feugier
Group Chief Operating Officer

TK Kallenbach
Managing Director, Aerosystems activity

Delphine Segura Vaylet (4)
Group Human Resources Director

Pierre-Antony Vastra
Group Communication and Investor Relations Director

Statutory Auditors

Ernst & Young Audit

Fidaudit (a member of the Fiducial network)

(4) Left the Group on November 13, 2017..

APPOINTMENTS HELD BY SUPERVISORY BOARD MEMBERS

Members	Date of appointment	Date of last reappointment	End-of-term General Meeting	Position held in the Company	Other positions or offices held	Nationality
Didier Domange (74 years)	Apr. 24, 1966	Jan. 14, 2016	2018 (fiscal year 2016/2017)	- Chairman of the Supervisory Board	**Unlisted companies:** - Director of Zodiac Seats France - CICOR representative on the Board of Directors of Banque Transatlantique - Chairman of the Supervisory Board of Fidoma	French
Louis Desanges (70 years)	Feb. 20, 1981	Jan. 10, 2012	2018 (fiscal year 2016/2017)	- Vice-Chairman of the Supervisory Board - Chairman of the Appointments Committee - Member of the Audit Committee	**Unlisted companies:** - Chief Executive of Omnium Delabordère - Director of Ecod'Air El and Ecod'Air EA - Director of La Laiterie du Berger (Senegal)	French
Anne Aubert (46 years)	July 1, 2014	–	Jun. 30, 2018	- Member of the Supervisory Board, representative of Group employees - Member of the Compensation Committee since November 23, 2015	**Unlisted companies:** - Head of Programs – Zodiac Seats France	French
Estelle Brachlianoff* (45 years)	Jan. 14, 2016	–	2020 (fiscal year 2018/2019)	- Member of the Supervisory Board - Member of the Appointments Committee *Independent member*	**Listed companies:** - Senior Executive Vice-President Veolia UK & Ireland **Unlisted companies:** - Chairman of the French Chamber of Commerce in London	French
Patrick Daher* (68 years)	Jan. 8, 2014	–	2018 (fiscal year 2016/2017)	- Member of the Supervisory Board - Chairman of the Compensation Committee *Independent member*	**Listed companies:** - Director and Chairman of the Compensation Committees of LISI **Unlisted companies:** - Managing partner of Sogemarco-Daher - Non-Executive Chairman of Compagnie Daher - Vice-chairman of GIFAS - Chairman of GEAD - Chief Executive Officer of SIAE (Salon de l'Aéronautique et de l'Espace, since September 21, 2017)	French
Élisabeth Domange (74 years)	Feb. 19, 1982	Jan. 14, 2016	2018 (fiscal year 2016/2017)	- Member of the Supervisory Board	**Unlisted companies:** - Member of the Supervisory Board of Fidoma	French
FFP Invest, represented by Frédéric Banzet* (59 years)	Dec. 18, 2006	Jan. 9, 2013	2019 (fiscal year 2017/2018)	- Member of the Supervisory Board - Member of the Audit Committee - Member of the Appointments Committee *Independent member*	**Listed companies:** - Non-voting member of the Supervisory Board of PSA **Unlisted companies:** - Director of EPF - Chairman of the Board of Directors of FFP Investment UK - Director of: • FFP Investments US 1 Inc. • FFP US CC Inc. • FFP Investments US 2 Inc. • FFP US SRL Inc.	French
Vincent Gerondeau* (52 years)	Jan. 10, 2011	Jan. 19, 2017	2021 (fiscal year 2019/2020)	- Member of the Supervisory Board - Member of the Appointments Committee - Member of the Compensation Committee *Independent member*	**Unlisted companies:** - Chairman of Clairsys SAS - Permanent representative of Clairsys SAS, itself Chairman of Cordon Blanc Réceptions	French

* Supervisory Board members considered as independent.

Continuation of the table on the next page

Members	Date of appointment	Date of last reappointment	End-of-term General Meeting	Position held in the Company	Other positions or offices held	Nationality
Laure Hauseux (55 years)	Jan. 10, 2011	Jan. 19, 2017	2021 (fiscal year 2019/2020)	- Member of the Supervisory Board - Chairman of the Audit Committee *Independent member*	**Unlisted companies:** - Member of the Executive Board and Chairman of the Audit Committee of OBOL, France - Manager of SCI Le Nid	French
Gilberte Lombard (73 years)	Jan. 10, 1983	Jan. 19, 2017	2019 (fiscal year 2017/2018)	- Member of the Supervisory Board - Member of the Audit Committee - Member of the Compensation Committee	**Listed companies:** - Director, Chair of the Audit Committee, member of the HSE Committee (social and environmental responsibility) of CGG (formerly CGG Veritas) - Director, Chair of the Compensation Committee, member of the Audit Committee of Robertet SA **Unlisted companies:** - Director of Vernet Retraite	French
FSP, represented by Isabelle Boccon-Gibod (1) * (49 years)	Jan. 14, 2016	–	2020 (fiscal 2018/2019)	- Member of the Supervisory Board - Member of the Audit Committee *Independent member*	**Listed companies:** - Director, member of the Audit Committee and member of the Legrand Strategy Committee - Director and member of the Audit Committee (permanent representative of FSP) of Arkéma - Director, member of the Appointment and Compensation Committee of Sequana **Unlisted companies:** - Director of Paprec Group - Director of Centre Technique du Papier	French
FSP, formerly represented by Florence Parly (1) * (54 years)	Jan. 14, 2016	–	2020 (fiscal 2018/2019)	- Member of the Supervisory Board - Member of the Audit Committee *Independent member*	**Listed companies:** - Altran Board of Directors: • Independent Director • Chairman of the Appointments and Compensation Committee - Ingenico Board of Directors: • Independent Director • Chairman of the Audit and Financing Committee • Member of the Strategy Committee • Member of the Compensation, Appointments and Governance Committee **Unlisted companies:** (2) - CEO, Voyageurs, SNCF Mobilités	French
Fidoma, represented by Richard Domange (52 years)	Jan. 19, 2017	–	2021 (fiscal year 2019/2020)	- Member of the Supervisory Board	**Unlisted companies:** - Chairman of the Fidoma Executive Board	French

(1) Isabelle Boccon-Gibod was appointed permanent representative of FSP on July 11, 2017, to replace Florence Parly.
(2) Mandates held by Florence Parly until her appointment as Minister for the Armed Forces, on June 21, 2017.
* Supervisory Board members considered as independent.

APPOINTMENTS HELD BY EXECUTIVE BOARD MEMBERS

Members	Date of appointment and last reappointment	Position held in the Company	Other positions or offices held
Yann Delabrière	June 16, 2017	Chairman of the Executive Board	Director mandates: **Listed companies:** - Member of the Board of Directors of Cap Gemini - Member of the Board of Directors of Alstom **Unlisted companies:** - Vice-Chairman of Oberthur Morpho **Group Companies (unlisted companies):** - Zodiac US Corporation (USA)
Maurice Pinault	September 18, 1992 reappointed on September 29, 2016	Member of the Executive Board (1)	Director mandates: **Group Companies (unlisted companies):** • **France:** Zodiac Engineering, Zodiac Seats France • **Other countries:** Aerodesign de Mexico S.A. de C.V. (Mexico), Sicma Aero Seat Services (USA), Driessen Aerospace Group N.V. (Netherlands), Greenpoint Aerospace Inc. (USA), Greenpoint Technologies Inc. (USA)
Didier Fontaine	June 5, 2017	Member of the Executive Board	Director mandates: **Group Companies (unlisted companies):** • **France:** Immobilière Galli • **USA:** Zodiac US Corporation

(1) Mandate renewed until November 16, 2019.

POSITIONS OF MEMBERS OF THE EXECUTIVE BOARD WHOSE MANDATE ENDED DURING FISCAL YEAR 2016/2017

Members	Date of appointment and last reappointment	Date of appointment expiry	Position held in the Company	Other positions and mandates held during the fiscal year (2)
Olivier Zarrouati	November 15, 2007 reappointed on November 17, 2015	June 15, 2017	Chairman of the Executive Board	Director mandates: **Group Companies (unlisted companies):** **France:** Zodiac Engineering, Zodiac Seats France **Other countries:** Air Cruisers Company LLC (USA), Avox Systems Inc. (USA), C&D Aerospace Canada Co. (Canada), C&D Zodiac Inc. (USA), Esco (USA), Zodiac Interconnect UK Ltd (UK), Mag Aerospace Industries LLC (USA), Monogram Train LLC (USA), Zodiac Parachutes Industries of Southern Africa Pty (South Africa), Sicma Aero Seat Services (USA), Zodiac Aerospace Services UK Ltd (UK), Zodiac US Corporation (USA) **Non-Group Companies (listed companies):** • **France:** Coface SA, Member of the Board of Directors **Non-Group Companies (unlisted companies):** • **France:** Member of the Board of GIFAS, Member of the GEAD, Chairman of the ISAE-SUPAERO Foundation
Yannick Assouad	November 23, 2015	September 9, 2016	Member of the Executive Board	Director mandates: **Group Companies (unlisted companies):** • **France:** until October 18, 2016: Zodiac Actuation Systems • **Other countries:** until October 9, 2016: Zodiac Aerospace Holding Australia Pty Ltd (Australia); until October 31, 2016: Systems & Software Enterprises, LLC (USA), Innovative Power Solutions LLC (USA), JBR Technologies LLC (USA), Heath Tecna Inc. (USA), Greenpoint Aerospace Inc. (USA), Greenpoint Technologies Inc. (USA), Northwest Aerospace Technologies Inc. (USA), Driessen Aircraft Interior Systems Inc. (USA), The Richards Corp. (USA), C&D Zodiac Inc. (USA), C&D Aerospace Canada (Canada), Aerodesign de Mexico S.A. de C.V. (Mexico), Zodiac Cabin & Structure Support LLC (USA) **Non-Group Companies (listed companies):** • **France:** Members of the Board of Directors of Vinci
Benoît Ribadeau-Dumas	November 21, 2016	May 15, 2017	Member of the Executive Board	Director mandates: **Group Companies (unlisted companies):** • **France:** Zodiac Aerosafety Systems, Zodiac Aero Duct Systems, Zodiac Aerotechnics, Zodiac Aero Electric, Zodiac Fluid Equipment, Zodiac Hydraulics • **USA:** Esco, Pacific Precision Products, Zodiac Data Systems Inc., IDD Aerospace Corp., Mag Aerospace Industries LLC

(2) Until date of termination of their positions as members of the Executive Board.

Compensation and Benefits

The information and tables in this section:

- present the compensations of Executive Board members, executive corporate officers, the Chairman of the Supervisory Board, the sole non-executive corporate officer, the members of the Supervisory Board and the members of the Restricted Executive Committee who are not corporate officers;
- were prepared in accordance with the French AFEP-MEDEF Code (version dated November 2016) and its application guide;
- take account of the provisions of the French Law No. 2016-1691 of December 9, 2016 on transparency, anti-corruption measures and the modernization of economic life (the so-called "Sapin 2" Law);
- comply with the French AMF Recommendations No. 2012-02, (updated on December 22, 2015) on "Corporate governance and compensation for corporate directors and officers referring to the AFEP-MEDEF Code - Consolidated presentation of the recommendations contained in the AMF's annual reports", and with AMF Position–Recommendation No. 2009-16 (updated on April 13, 2015), constituting drafting guidelines for registration documents.

The Executive Board and the Supervisory Board of Zodiac Aerospace have opted to apply the AFEP-MEDEF Code recommendation on consulting shareholders with regard to individual compensation for executive corporate officers. Consequently, the necessary information for shareholders to consult regarding elements of compensation due, awarded or to be awarded for fiscal year 2016/2017 to executive corporate officers, is presented as defined by the AFEP-MEDEF Code and its implementation guide.

Furthermore, the compensation policy for corporate officers will be submitted to shareholders for approval at the General Meeting of January 9, 2018 in application of the new Article L. 225-82-2 of the French Commercial Code introduced in the Sapin 2 Law.

A. COMPENSATION OF THE SUPERVISORY BOARD

I. Compensation policy for members of the Supervisory Board

This section is the first part of the report described in Article L. 225-82-2 of the French Commercial Code. Pursuant to the said article, this report is subject to the approval of the General Meeting of January 9, 2018. This approval is requested through specific resolutions.

Compensation for Supervisory Board members is solely comprised of directors' fees, with the exception of the Chairman of the Supervisory Board, who receives a specific compensation for his duties as Chairman. The General Meeting awards Supervisory Board members an annual fixed sum, which is subsequently distributed by the Supervisory Board amongst its members as directors' fees.

Furthermore, pursuant to the provisions of the AFEP-MEDEF Code, the presence of directors at specialized committees can lead to the award of an additional amount of directors' fees. Similarly, the Supervisory Board can award exceptional compensation to some of its members for duties or assignments entrusted to them.

For fiscal year 2017/2018, the maximum amount of the directors' fees attributable to Board members was fixed at €400,000 by the Mixed General Meeting of January 10, 2011.

At its meeting of July 12, 2017, the Supervisory Board approved the renewal of directors' fees on an individual basis, on the same terms as those approved at the Board's meeting of September 29, 2016, according to the following criteria:

- the Chairman will receive €70,000;
- the Vice-Chairman will receive a supplementary fixed amount of €5,000 (he may be required to replace the Chairman if the latter is unable to attend);
- each of the members will be allocated a fixed annual sum of €15,000 (excluding the Chairman);
- an attendance bonus of €1,500 per meeting will be allocated, up to a maximum of €10,000.

Committee members will also receive additional flat fees in the following amounts:

- €6,000 for members of the Audit Committee and €10,000 for its Chairman;
- €4,000 for members of the Compensation Committee and €6,000 for its Chairman;
- €1,000 per meeting for members of the Appointments Committee, up to a maximum of €2,000.

Members of the Supervisory Board do not receive any compensation or benefit of any kind from Zodiac Aerospace or from the companies controlled within the meaning of Article L. 233-16 of the French Commercial Code, with the exception of the Chairman of the Supervisory Board, who receives a flat annual fee of €120,000 for his duties as Chairman in addition to increased directors' fees.

II. Actual compensation of members of the Supervisory Board during fiscal year 2016/2017

The Mixed General Meeting held on January 10, 2011 established the maximum amount of directors' fees payable to Board members as €400,000.

At its meeting of September 29, 2016, the Supervisory Board approved the renewal of directors' fees on an individual basis, on the same terms as those approved at the Board's meeting of November 23, 2015, according to the following criteria:

- the Chairman will receive €70,000;
- the Vice-Chairman will receive a supplementary fixed amount of €5,000 (he may be required to replace the Chairman if the latter is unable to attend);
- each of the members will be allocated a fixed annual sum of €15,000 (excluding the Chairman);
- an attendance bonus of €1,500 per meeting will be allocated, up to a maximum of €10,000.

Committee members will also receive additional flat fees in the following amounts:

- €6,000 for members of the Audit Committee and €10,000 for its Chairman;
- €4,000 for members of the Compensation Committee and €6,000 for its Chairman;
- €1,000 per meeting for members of the Appointments Committee, up to a maximum of €2,000.

Members of the Supervisory Board did not receive any compensation nor benefit of any kind from Zodiac Aerospace or from companies controlled within the meaning of Article L. 233-16 of the French Commercial Code, with the exception of the Chairman of the Supervisory Board received a flat annual fee of €120,000 for his duties as Chairman in addition to increased directors' fees.

Table 1. Directors' fees(1) and other compensation paid to non-executive corporate officers(2)

(in thousands of euros)		2016/2017	2015/2016
Non-executive corporate officers			
Didier Domange			
	- Directors' fees	70	70
	- Other compensation	120	120
Louis Desanges			
	- Directors' fees	42	42
	- Other compensation	–	–
Élisabeth Domange			
	- Directors' fees	22	24
	- Other compensation	–	–
FFP Invest, represented by Frédéric Banzet(3)			
	- Directors' fees	37	37
	- Other compensation	–	–
Vincent Gerondeau			
	- Directors' fees	33	33.5
	- Other compensation	–	–
Laure Hauseux			
	- Directors' fees	40	40
	- Other compensation	–	–
Gilberte Lombard			
	- Directors' fees	40	40
	- Other compensation	–	–
Patrick Daher			
	- Directors' fees	36	36
	- Other compensation	–	–
Estelle Brachlianoff (3)			
	- Directors' fees	20	20.5
	- Other compensation	–	–
Fidoma, represented by Richard Domange (4)			
	- Directors' fees	10	
	- Other compensation	–	
Florence Parly, permanent representative of FSP (5)			
	- Directors' fees	16(6)	13
	- Other compensation	–	–
Isabelle Boccon-Gibod, permanent representative of FSP (5)			
	- Directors' fees	–	–
	- Other compensation	–	–
Anne Aubert, employees' representative			
	- Directors' fees (7)	34	34
TOTAL DIRECTORS' FEES		**400**	**390**
TOTAL OTHER COMPENSATION		**120**	**120**
TOTAL		**520**	**510**

(1) Paid in September 2017 for fiscal year ended August 31, 2017.

(2) Members of the Supervisory Board, apart from the member of the Supervisory Board representing employees, do not receive any compensation or benefits of any kind from controlled companies within the meaning of Article L. 233-16 of the French Commercial Code.

(3) Appointed on January 14, 2016.

(4) Appointed on January 19, 2017.

(5) Isabelle Boccon-Gibod was appointed permanent representative of FSP on July 11, 2017, to replace Florence Parly.

(6) Florence Parly has waived her directors' fees for fiscal year 2016/2017.

(7) For the CFE-CGC Aeronautics, Space and Defense (AED) labor union.

B. COMPENSATION OF EXECUTIVE BOARD MEMBERS

I. Compensation policy for Executive Board members

This section is the first part of the report described in Article L. 225-82-2 of the French Commercial Code. Pursuant to the said article, this report is subject to the approval of the General Meeting of January 9, 2018. This approval is requested through specific resolutions.

a. Principles and criteria regulating the determination and compensation of Executive Board members

The compensation of executive corporate officers is determined by the Supervisory Board following a recommendation from the Compensation Committee.

The guiding principles on the basis of which the Supervisory Board determines the compensation of members of the Executive Board are as follows:

- The compensation policy must reflect the company's values and culture; the compensation tools and systems deployed must therefore be those considered as being best able to provide for sustainable performance and a long-term vision, as well as involvement in the entrepreneurial risk, particularly through share ownership.
- A significant proportion of the executive corporate officers' compensation (and that of members of the Restricted Executive Committee) must be a factor of performance, assessed over a certain length of time:
  - short-term through the achievement of annual targets,
  - long-term through profit-sharing tools,
  - for which the performance conditions and ultimate value depend on sustainable value creation for all shareholders.
- The levels of compensation for executive corporate officers (and for members of the Restricted Executive Committee) while being measured, must be competitive with the practices of groups comparable to Zodiac Aerospace (activities, degree of internationalization, size, profitability, market capitalization).
- All compensation components (fixed portion, annual variable portion, awards of stock options and free shares) and the balance between these components are taken into account to determine the compensation of executive corporate officers and members of the Restricted Executive Committee who are not corporate officers.
- Long-term compensation tools are a fundamental component of Zodiac Aerospace's entrepreneurial culture and its compensation policy.
- In 2011, Zodiac Aerospace decided to allocate performance shares (in the form of free shares) in addition to or as a replacement for stock options.
- Since September 1, 2015, stock options are no longer awarded to corporate officers and members of the Restricted Executive Committee.
- The obligation to retain shares awarded as free shares, for members of the Restricted Executive Committee and executive corporate officers, strengthens the convergence of interest between shareholding employees and external shareholders.
- Allocation of performance shares (in the form of free shares) to executive corporate officers and members of the Restricted Executive Committee are made at the same time of year, annually. The last allocation was made in May 2017.

b. Annual fixed compensation

General principles

The annual fixed compensation of Executive Board members is decided by the Supervisory Board at the proposal of the Compensation Committee in accordance with the principles and criteria recalled above, and in coherence with the experience of Executive Board members, the assignments given to them and particular situations. It is reviewed at relatively long periods.

The fixed compensation of some Executive Board members in respect of fiscal year 2016/2017 has been adapted to the context of the contemplated business combination transaction between Zodiac Aerospace and Safran. Indeed, with the prospect of a change of control of Zodiac Aerospace in the event of the successful completion of the public offer launched by Safran on the shares of Zodiac Aerospace, the Supervisory Board has decided to allocate an exclusively fixed compensation without any variable component to Yann Delabrière, appointed Chairman of the Executive Board on June 16, 2017.

To make up for the lack of variable component in Yann Delabrière's compensation and to align his overall compensation with both market practices and the average compensation level of Executive Board members in the past, the fixed compensation of Yann Delabrière has been raised with respect to the fixed compensation allocated to the Chairman of the Executive Board in previous fiscal years.

Fiscal year 2017/2018

The annual fixed compensation of Executive Board members was decided as follows for fiscal year 2017/2018:

- **Yann Delabrière, Chairman of the Executive Board**

Yann Delabrière, Chairman of the Executive Board, will receive a fixed compensation of a gross amount of €1,038,000 on or after June 16, 2017 and until the end of the General Meeting of January 9, 2018. This compensation takes account of the absence of variable compensation given to Yann Delabrière, and can be explained by the special assignment given to him in the context of the business combination transaction with Safran.

The Supervisory Board deliberated again on the compensation for Yann Delabrière and decided, at its October 30, 2017 meeting, at the recommendation of the Compensation Committee, to maintain his monthly compensation of €138,400 until the reorganization of the Executive Board scheduled after Safran's public offer on the share capital of Zodiac Aerospace, no later than June 30, 2018.

The Supervisory Board will deliberate again on the compensation of Yann Delabrière in the event that the Safran public offer on the share capital of Zodiac Aerospace is not completed by June 30, 2018.

- **Maurice Pinault, Executive Board member**

Maurice Pinault was employed in the Group for 14 years before being appointed as a member of the Executive Board on September 18, 1992. This appointment was renewed most recently on September 29, 2016. Maurice Pinault retained his employment contract as "Group Strategy and Business Development Director".

Maurice Pinault does not receive any compensation for his position as a member of the Executive Board.

Maurice Pinault will be paid for fiscal year 2017/2018, in respect of his employment contract, a gross annual fixed compensation of €372,000, equivalent to the amount paid in fiscal year 2016/2017.

- **Didier Fontaine, Executive Board member**

Didier Fontaine joined the Group on September 19, 2016 and began his duties as Group Chief Financial Officer on October 24, 2016. He was appointed Executive Board member by the Supervisory Board on June 5, 2017. He has retained his employment contract.

For his position as Executive Board member, Didier Fontaine will be paid, for fiscal year 2017/2018, a gross annual fixed compensation of €10,000 and a one-time, deferred compensation of €500,000 subject to the success of the public offer to be launched by Safran on the share capital of Zodiac Aerospace under the conditions set out in the business combination agreement concluded by Zodiac Aerospace and Safran on May 24, 2017.

Under his employment contract, Didier Fontaine will be paid a gross fixed annual compensation of €500,000 for fiscal year 2017/2018, identical to the amount paid in fiscal year 2016/2017 on an annual basis.

c. Short-term variable compensation

General principles

The annual variable compensation of Executive Board members:

- is fixed by the Supervisory Board at the proposal of the Compensation Committee in accordance with the principles and criteria recalled above; and
- is based on performance criteria adapted to the situation of each corporate officer.

The payment of the variable compensation of Executive Board members would in any case, be subject to the prior vote of the General Meeting.

Fiscal year 2017/2018

The annual fixed compensation of Executive Board members was decided as follows for fiscal year 2017/2018:

- **Yann Delabrière, Chairman of the Executive Board**

The Supervisory Board will not allocate variable compensation for the first part of fiscal 2017/2018 (until January 9, 2018) to Yann Delabrière. However, the Supervisory Board may, if necessary, grant Yann Delabrière a variable compensation for the second part of fiscal 2017/2018 at the proposal of the Compensation Committee, in the event that the delivery/settlement of Zodiac Aerospace shares at the end of the public offer launched by Safran is not completed by January 9, 2018.

- **Maurice Pinault, Executive Board member**

The Supervisory Board has decided to grant Maurice Pinault an annual variable compensation for fiscal year 2017/2018 for his employment contract, which can represent, exceptionally for this fiscal year, a maximum of €476,160, i.e. 128% of his fixed compensation, which is determined according to the terms below:

- 20% based on the individual, qualitative and quantitative performance criteria, which cannot be disclosed for reasons of confidentiality;
- 80% based on the Group's two purely quantitative performance criteria:
  - one criterion corresponding to the Group's EBITA target for fiscal year 2017/2018, representing 55% of the annual variable compensation;
  - one criterion corresponding to the Group's Free Cash Flow target, representing 25% of the annual variable compensation.

Each of these two quantitative criteria will be measured as follows, by comparing the indicator's actual result over the 2017/2018 period to the indicator's budgeted amount for the 2017/2018 fiscal year:

- for a ratio strictly below 80%, the target will be considered as not achieved (0%),
- 80% of the ratio, the target will be considered as 25% achieved;
- 100% of the ratio, the target will be considered as 60% achieved;
- 115% of the ratio, the target will be considered as 100% achieved;
- 125% of the ratio, the target will be considered as 130% achieved;
- for a ratio strictly above 125%, the target will be considered as achieved at 130%;
- progress will be proportional between the limits.

- **Didier Fontaine, Executive Board member**

The Supervisory Board has decided to grant Didier Fontaine an annual variable compensation for fiscal year 2017/2018 for his employment contract, that can represent, exceptionally for this fiscal year, a maximum of €480,000, i.e., 96% of his fixed compensation, which will be determined according to the same formula used to apply the variable compensation of Maurice Pinault for 2017/2018 described above.

d. Long-term profit sharing: performance share awards

Since January 14, 2016, free and performance share awards require a presence condition for their vesting, in addition to a holding obligation and performance conditions.

These awards are made on an annual basis.

Presence condition and length of the holding period

The presence condition necessary for the vesting of shares by corporate officers is three years after the award date. There is also the obligation to hold the shares for two years after the vesting date.

Performance conditions

Performance conditions apply to all shares awarded to corporate officers.

Performance conditions are assessed over a period of three consecutive fiscal years (the "**Reference period**"), according to the achievement level of the two targets set out in the Group's Business Plan: (i) the average EBITA calculated for these three fiscal years (ii) the organic growth rate of revenue, calculated over the same period.

These targets will be compared to the achievement, at the end of the Reference Period, and the total of the two achievement rates, factorized according to their respective weight, will give the overall achievement rate of the performance conditions.

These shares will be vested as follows:

- in full, if the performance conditions have an achievement rate of 100%;
- 50%, if the performance conditions have an achievement rate of 70%;
- between 50.01% and 100% of the full amount by applying a straight-line percentage if the overall performance conditions achievement rate is between 70% and 100%;
- no share if the overall achievement rate of the performance conditions is less than 70%.

The criteria used to evaluate the performance of corporate officers may change during fiscal year 2017/2018, especially in the event of a change of control of Zodiac Aerospace in connection with the contemplated business combination transaction with Safran.

e. Other compensation

Signing bonus

The award of a signing bonus may be decided, exceptionally, by the Supervisory Board to welcome a new officer arriving from outside the Zodiac Aerospace Group.

The payment of this bonus, which may be in different forms, is intended to compensate the officer for the loss of his/her previous benefits. Pursuant to Article 24.4 of the AFEP-MEDEF code, if such a bonus were to be decided, it would be clearly defined and its amount would be publicly disclosed when it is set, even in the event of stepped or deferred payment

Exceptional compensation

The award of an exceptional compensation can be decided by the Supervisory Board due to very specific circumstances, such as the completion of a particularly difficult, business-critical assignment for Zodiac Aerospace.

Pursuant to Article 24.3.4 of the AFEP-MEDEF Code, if the payment of such a compensation were to be decided, reasons would have to be provided and the completion of the event that led to its payment would have to be explained.

If the award of such a compensation were to be decided, its payment would in any case be contingent on the approval of the compensation for the officer concerned by the General Meeting.

Other benefits

Executive Board members benefit from the same collective plan as other Zodiac Aerospace executives regarding life, health and defined-contribution pension plans.

Maurice Pinault and Didier Fontaine also benefit from severance insurance and have access to a company car.

II. Actual compensation of Executive Board members in respect of fiscal year 2016/2017

a. Compensation of Yann Delabrière, Chairman of the Executive Board since June 16, 2017, in respect of fiscal year 2016/2017

Yann Delabrière was appointed Chairman of the Executive Board by decision of the Supervisory Board on June 16, 2017

Fixed compensation

Yann Delabrière, will receive a fixed gross compensation of €1,038,000 starting from June 16, 2017 and until the end of the General Meeting of January 9, 2018.

His fixed compensation, calculated in proportion to the time worked, amounts to €346,000 for fiscal year 2016/2017.

For information, Yann Delabrière also received compensation of €300,000 excluding tax for his role as special advisor to the Supervisory Board from April 27 to June 15, 2017. His appointment as Chairman of the Executive Board became effective on June 16, 2017.

Variable compensation

No variable compensation was awarded to Yann Delabrière for fiscal year 2016/2017.

Long-term profit-sharing tools

Yann Delabrière was not awarded any performance shares during fiscal year 2016/2017.

Collective life, health and defined-contribution pension plans

Yann Delabrière benefited from the same collective plan as other Zodiac Aerospace executives regarding life, health and defined-contribution pension plans.

Employer contributions paid into these plans in 2016/2015 amounted to €8,671.

b. Compensation of Maurice Pinault, Executive Board member, in respect of fiscal year 2016/2017

Fixed compensation

The fixed portion awarded to Maurice Pinault for his employment contract was determined by the Supervisory Board on September 24, 2013 at €372,000. This amount is unchanged since fiscal year 2012/2013; there is therefore no increase in the fixed compensation of Maurice Pinault for 2016/2017.

Variable compensation

For fiscal year 2016/2017, the variable compensation for Maurice Pinault was determined on the basis of a performance formula comprising the quantitative and qualitative targets linked to individual performance ("**Individual Performance**") and purely quantitative targets linked to the Group's economic performance (the "**Group's Performance**"), which was calculated alternatively on the basis of one of the two formulas described below ("**Formula 1**" and "**Formula 2**", and together the "**Group Formula**"). Formula 2 was developed to strengthen the involvement of all Group employees in the achievement of the economic and financial targets of the Group and branches. Exceptionally, these two formulas were applicable for fiscal year 2016/2017, with the adoption of the formula that gives the highest result for the variable portion:

Formula 1:

The Formula is:

- 30% based on the performance criteria, which cannot be disclosed for reasons of confidentiality;
- 70% based on a Group Performance criteria based on the Group's net profit according to the accounting standards and rules in force for the Zodiac Aerospace Group (the "**Net Income**" or "**NI**"), with the target for fiscal year 2016/2017 being equal to the average of the budgeted Net Income for fiscal 2016/2017 and the Group's Consolidated Net Income for fiscal year 2016/2017, calculated as follows:

$$\text{Target "n"} = \frac{\text{Actual net income for FY n - 1 + budget for FY n}}{2}$$

This quantitative criterion is measured by comparing the actual "NI" for fiscal year 2016/2017 with respect to target "n".

For this calculation:

- results from companies whose functional currency is not the euro are converted at the same exchange rate as that used for calculating the budget for fiscal year "n";
- transactions in a currency that is "foreign" to the functional currency are booked at their transaction rate (i.e. without any adjustment to net income), the aim being to retain the effect of decisions taken by the Executive Board and the Group's Chief Financial Officer, regarding the establishment of hedges for foreign currencies on the Group's net income.

Net income realized in fiscal year "n" is determined for the purposes of the calculation formula using the same criteria for currencies as those used for calculating the target for the fiscal year.

The variable portion linked to Group Performance will be a maximum of 100% of the amount of the fixed compensation if the target were 120% achieved; it will be 50% in the event of the 100% achievement of the targets and will be €0 if the target is 80% achieved; it changes proportionally between these limits.

Formule 2 :

Formula 2 is:

- 30% based on Individual Performance criteria, which cannot be disclosed for reasons of confidentiality;
- 70% based on two Group Performance Criteria:
  - a criterion based on the Group's EBITA, representing 70% of the Group's Performance (or 49% of the variable compensation);
  - a criterion based on the Group's Free Cash Flow, representing 30% of the Group's Performance (or 21% of the variable compensation).

For each of the Group's two Performance criteria described above, the variable portion is a maximum of 100% of the amount of the fixed compensation if the target is 100% achieved and is 0 euro if the target is 95% achieved; it varies on proportionally between these two limits.

The variable portion of Maurice Pinault for fiscal year 2016/2017 and payable on fiscal year 2017/2018 is €305,190, i.e., 82% of his annual fixed compensation, and was calculated with Formula 2.

Long-term profit-sharing tools

Maurice Pinault was awarded 34,000 performance shares (in the form of free shares) during fiscal year 2016/2017 (May 12, 2017 plan).

These shares are entirely subject to presence and performance conditions as described in page 43. In addition, there is also the obligation to hold the shares for two years after the vesting date.

Collective life, health and defined-contribution pension plans

Maurice Pinault benefits from the same collective plan as other Zodiac Aerospace executives regarding life, health and defined-contribution pension plans.

Employer contributions paid into these plans in 2016/2017 were:

- life/health plan: €2,750
- pension plan: €47,975

Maurice Pinault does not benefit from a "top-hat" retirement plan.

Benefits in kind

Maurice Pinault benefits from the provision of a company car, purchased by the Company for €70,000; its usage value for fiscal year 2016/2017 of €8,796 is included in the amount declared in benefits in kind.

Compensatory payments

As regards this office, Maurice Pinault is not entitled to any compensatory payment on termination of employment or change of position, or in respect of a non-compete clause.

As part of his employment contract, and pursuant to the Business Segments' Collective Agreement for the Metallurgy Industry, Maurice Pinault could benefit from the following payments:

- severance payment in the event that the employer terminates the employment contract;
- retirement gratuity in the event that Maurice Pinault claims his pension rights.

If either of these events had occurred on August 31, 2017, the amounts payable would have been:

- severance payment: 18 months,
- retirement gratuity: 5 months,

of gross fixed and variable salary for the preceding twelve months.

c. Compensation of Didier Fontaine, Executive Board member since June 5, 2017, in respect of fiscal year 2016/2017

Fixed compensation

In respect of his membership on the Executive Board, Didier Fontaine will be paid an annual fixed compensation in the gross amount of €10,000 and a one-time, deferred compensation in the amount of €500,000 subject to the success of the public offer to be launched by Safran on the share capital of Zodiac Aerospace under the conditions set out in the business combination agreement concluded by Zodiac Aerospace and Safran on May 24, 2017.

Didier Fontaine will continue his duties as Group Chief Financial Officer, since his employment contract is maintained under the same terms. For information, Didier Fontaine receives an annual fixed compensation of €500,000 under his employment contract.

Variable compensation

Didier Fontaine does not receive any compensation for his position as a member of the Executive Board.

For information, the variable portion awarded to Didier Fontaine under his employment contract for fiscal year 2016/2017 was determined on the basis of the Group Formula described above in section II.b. Variable compensation.

For fiscal year 2016/2017, Didier Fontaine will exceptionally be paid a variable compensation guaranteed at 100% of his maximum ceiling, which is equal to 75% of the fixed compensation received under the employment contract (€500,000), i.e. €375,000.

Long-term profit-sharing tools

Didier Fontaine was awarded 25,000 performance shares (in the form of free shares) during fiscal year 2016/2017 (May 12, 2017 plan).

These shares are entirely subject to presence and performance conditions as described in page 43. In addition, there is also the obligation to hold the shares for two years after the vesting date.

Collective life, health and defined-contribution pension plans

Didier Fontaine benefited from the same collective plan as other Zodiac Aerospace executives regarding life, health and defined-contribution pension plans.

Employer contributions paid into these plans in 2016/2017 were:

- life/health plan €2,559
- pension plan €45,730

Maurice Pinault does not benefit from a "top-hat" retirement plan.

Benefits in kind

Didier Fontaine benefits from the provision of a company car, purchased by the Company for €74,000; its value in use for fiscal year 2016/2017 of €7,639 is included in the amount declared in benefits in kind.

Compensatory payments

Under his employment contract, Didier Fontaine benefits from a specific termination compensation in the event of severance (other than for gross misconduct) which will be paid in the event of a severance notice within twelve months of a change of control in the Group or a modification in the Group's governance structure or a major change in the membership of the Group Executive Board that might occur within 36 months after the hiring date, that is until September 18, 2019.

This compensatory payment amounts to one year of fixed salary in force on the severance date, plus a target variable compensation in force on the severance date.

Exceptional compensation

Due to the exceptional services rendered by Mr. Didier Fontaine in upgrading the Group's accounts and financial management and the security of bank financing, the Executive Board has decided to award him an exceptional compensation in the context of his employment contract for an amount of €500,000.

Half of this exceptional compensation was paid on June 30, 2017 and the balance will be payable on June 30, 2018, provided that Didier Fontaine is still a Group employee on that date.

d. Compensation of Executive Board members who left their positions during the fiscal year, in respect of fiscal year 2016/2017

(i) Olivier Zarrouati

Olivier Zarrouati was a full-time employee of the Group for nine years prior to being appointed Member and Chairman of the Executive Board on November 15, 2007. This appointment was renewed on November 17, 2011 and November 17, 2015, until June 15, 2017 when his mandates as Executive Board member and Chairman of the Executive Board have been terminated.

Olivier Zarrouati had resigned from his employment contract on December 1, 2009.

Financial conditions for the departure of Olivier Zarrouati

The Supervisory Board decided, at the recommendation of the Compensation Committee that Olivier Zarrouati would receive the elements below in respect of fiscal year 2016/2017:

- fixed annual compensation paid in proportion to the time worked until June 15, 2017 on the basis of a compensation due in respect of fiscal year 2016/2017 which was fixed at a gross amount of €620,000, unchanged with respect to the fixed compensation in fiscal year 2015/2016, amounting to €490,833 for fiscal year 2016/2017;
- an exceptional compensation in the gross amount of €620,000 paid on June 30, 2017. This exceptional compensation takes into account the work accomplished by Olivier Zarrouati since his appointment and the key role he played in the negotiations of the business combination agreement with Safran, which marks a major milestone in the life of the Zodiac Aerospace Group;
- a non-compete payment, equal to one-year's compensation calculated on the basis of the (fixed and variable) compensation received in the last twelve months preceding his departure date, payable every month, i.e., €620,000 payable over twelve months effective from his departure from the Company, i.e., on June 15, 2017. For fiscal year 2016/2017, the amount of the non-compete payment owed to Olivier Zarrouati amounts to €129,167.

Olivier Zarrouati will not be paid an annual variable compensation for fiscal year 2016/2017 due to his departure before the end of the fiscal year.

Pursuant to the provisions of the plan regulations, Olivier Zarrouati has lost the benefit of the performance shares not vested at June 15, 2017, or those awarded on April 25, 2016.

Pursuant to the recommendations of the AFEP-MEDEF Code, the amount of the exceptional compensation and the non-compete payment made to Olivier Zarrouati on the occasion of his departure, i.e., a total gross amount of €1,240,000, does not exceed two years of fixed compensation.

Collective life, health and defined-contribution pension plans

Olivier Zarrouati benefited from the same collective plan as other Zodiac Aerospace executives regarding life, health and defined-contribution pension plans.

Employer contributions paid into this plan in 2016/2017, defined in proportion to the time worked until June 15, 2017 were as follows:

- life/health plan:	€2,579
- pension plan:	€32,735

Olivier Zarrouati did not benefit from a "top-hat" retirement plan.

Benefits in kind

Olivier Zarrouati benefited from severance insurance taken out with GSC. The 2016/2017 contribution was €4,074 and is included in the amount declared under benefits in kind.

Olivier Zarrouati also benefited from the provision of a company car, purchased by the Company for €64,500; its usage value for fiscal year 2016/2017 of €6,125 is included in the amount declared in benefits in kind. Olivier Zarrouati purchased his company car at its net book value, i.e., €0.

(ii) Benoît Ribadeau-Dumas

Benoît Ribadeau-Dumas was appointed to the Executive Board on November 21, 2016. Following the announcement of his appointment as Chief of Staff for the French Prime Minister, he resigned from the Executive Board on May 15, 2017.

Benoît Ribadeau-Dumas joined Zodiac Aerospace Group in September 2015 as Managing Director of Aerosystems, created from the combination of the Aircraft Systems and AeroSafety branches, and retained his employment contract as Aerosystems Managing Director until May 15, 2017.

Benoît Ribadeau-Dumas did not receive any compensation for his position as a member of the Executive Board.

Fixed compensation

Under his employment contract, Benoît Ribadeau-Dumas was paid a fixed annual compensation calculated in proportion to the time worked until May 15, 2017 amounting to €311,882 for fiscal year 2016/2017.

Variable compensation

Under his employment contract, for fiscal year 2016/2017, the variable compensation for Benoît Ribadeau-Dumas was determined as follows:

- 20% on a discretionary basis decided by the Chairman of the Executive Board; and
- 80% on the basis of a performance formula taking into account the Group's Individual Performance targets and quantitative targets, calculated alternatively on the basis of one of the formulas described below ("**Formula A**" and "**Formula B**", and together, the "**Branch formula**"), with the adoption of the formula that gives the highest result for the variable compensation. Formula B was developed to strengthen the involvement of all Group employees in the achievement of the economic and financial targets of the Group and branches.

Formula A:

Formula A is:

- 30% based on the performance criteria, which cannot be disclosed for reasons of confidentiality;
- 70% based on three Performance criteria of the Aerosystems branch (the "**Branch**"):
  - EBITA, or operating income, representing 70% of the Branch's performance, with the target calculated as follows:

$$\text{Target "n"} = \frac{\text{Actual EBITA n - 1 + budget EBITA n}}{2}$$

  This quantitative criterion is measured by comparing the Branch's actual EBITA for fiscal year 2016/2017 with respect to target "n". This variable portion is a maximum of 100% if the target is 125% achieved and 0% if it is 75% achieved; it varies proportionally between these two limits.
  - a percentage of reduction of Working Capital Requirement between fiscal year "n - 1" and fiscal year "n", representing 30% of the Branch's performance, for which the calculation formula cannot be disclosed for confidentiality reasons;
  - achievement of an "on-time delivery" rate to customers.

Formula B:

Formula B is:

- 30% based on Individual Performance criteria, which cannot be disclosed for reasons of confidentiality;
- 70% based on the Branch's two Performance Criteria:
  - a criterion based on the Branch's EBITA, representing 70% of the Branch's Performance (or 49% of the variable compensation);
  - a criterion based on the Branch's Free Cash Flow, representing 30% of the Branch's Performance (or 21% of the variable compensation).

For each of the Branch's two Performance criteria described above, the variable portion is a maximum of 100% of the amount of the fixed compensation if the target is 100% achieved and is €0 if the target is 95% achieved; it varies proportionally between these two limits.

The variable portion due to Benoît Ribadeau-Dumas for fiscal year 2016/2017 and payable in proportion to the time worked until May 15, 2017 is €312,067, i.e., 92% of his annual fixed compensation, and was calculated with Formula B.

Long-term profit-sharing tools

20,000 performance shares (in the form of free shares) were allocated to Benoît Ribadeau-Dumas for fiscal year 2016/2017. Pursuant to the provisions of the plans' regulations, Benoît Ribadeau-Dumas lost the benefit of the performance shares not yet vested on May 15, 2017, when he left the Group.

Collective life, health and defined-contribution pension plans

Benoît Ribadeau-Dumas benefited from the same collective plan as other Zodiac Aerospace executives regarding life, health and defined-contribution pension plans.

Employer contributions paid into this plan in 2016/2017, defined in proportion to the time worked until May 15, 2017 were as follows:

- life/health plan:	€2,236
- pension plan:	€33,926

Benefits in kind

Benoît Ribadeau-Dumas also benefited from the provision of a company car, purchased by the Company for €70,000; its usage value for fiscal year 2016/2017 of €5,071 is included in the amount declared in benefits in kind. Benoît Ribadeau-Dumas purchased his company car at its net book value, i.e., €54,000.

(iii) Yannick Assouad

Yannick Assouad was appointed to the Executive Board on November 23, 2015 and left the Group on October 31, 2016. Her Executive Board membership ended on September 9, 2016.

Yannick Assouad did not receive any compensation for her position as a member of the Executive Board. Yannick Assouad maintained her employment contract as Managing Director, Cabin branch until she left the Group on October 31, 2016.

Fixed compensation

The annual fixed portion of Yannick Assouad's compensation approved by the Supervisory Board on April 19, 2016 was €355,000. This fixed portion, expressed in proportion to the time worked under Yannick Assouad's employment contract, i.e., until October 31, 2016 amounted thus to €59,393 for fiscal year 2016/2017.

Variable compensation

No variable compensation in respect of fiscal year 2016/2017 is owed to Yannick Assouad, given her departure from the Group on October 31, 2016.

Long-term profit-sharing tools

Yannick Assouad did not benefit from the performance share award during fiscal year 2016/2017. Pursuant to the provisions of the plans' regulations, Yannick Assouad lost the benefit of the performance shares not vested at September 9, 2016.

Collective life, health and defined-contribution pension plans

Yannick Assouad benefited from the same collective plan as other Zodiac Aerospace executives regarding life, health and defined-contribution pension plans.

Employer contributions paid into this plan in 2016/2017 (defined in proportion to the time worked under her employment contract, i.e., until October 30, 2016 were as follows:

- life/health plan:	€675
- pension plan:	€7,672

Yannick Assouad did not benefit from a "top-hat" retirement plan.

Benefits in kind

Yannick Assouad benefited from a company car, for which the usage value in fiscal year 2016/2017 was €1,381 (defined in proportion to the time worked under her employment contract, i.e., until October 31, 2016) and included in the amount declared in benefits in kind.

e. Mimic diagrams pursuant to the recommendations of the AMF and of the AFEP-MEDEF Code

Table 2. Summary of compensations (including fixed compensation, variable compensation, exceptional compensation, directors' fees and benefits in kind) and stock options awarded to each executive corporate officer

(in euros)	2016/2017	2015/2016
Yann Delabrière, Chairman of the Executive Board (1)		
Compensation due for the period	€346,000	N/A
Valuation of free shares awarded during the period	N/A	N/A
TOTAL	**€346,000**	**N/A**
Maurice Pinault, Member of the Executive Board		
Compensation due for the period	€685,986	€380,796
Valuation of free shares awarded during the period	€658,240	€591,260
TOTAL	**€1,344,226**	**€972,056**
Didier Fontaine, Member of the Executive Board (2)		
Compensation due for the period	€1,498,769	N/A
Valuation of free shares awarded during the period	€484,000	N/A
TOTAL	**€1,982,769**	**N/A**

(1) Since June 16, 2017.
(2) Since June 5, 2017.

Table 2b. Summary of compensations (including fixed compensation, variable compensation, exceptional compensation, directors' fees and benefits in kind) and stock options awarded to each

(in euros)	2016/2017	2015/2016
Olivier Zarrouati, Chairman of the Executive Board (1)		
Compensation due for the period	€1,741,032	€632,882
Valuation of free shares awarded during the period	N/A	€1,165,130
TOTAL	**€1,741,032**	**€1,798,012**
Yannick Assouad, Member of the Executive Board (2)		
Compensation due for the period	€9,082	€306,021
Valuation of free shares awarded during the period	N/A	€591,260
TOTAL	**€9,082**	**€897,281**
Benoît Ribadeau-Dumas, Member of the Executive Board (3)		
Compensation due for the period	€441,255	N/A
Valuation of free shares awarded during the period	N/A	N/A
TOTAL	**€441,255**	**N/A**

(1) Until June 15, 2017.
(2) Member of the Executive Board from November 23, 2015 to September 9, 2016.
(3) Member of the Executive Board from November 21, 2016 to May 15, 2017.

Table 3. Summary of each executive corporate officer's compensation

(in euros)	2016/2017		2015/2016	
	Amounts due	Amounts paid	Amounts due	Amounts paid
Yann Delabrière, Chairman of the Executive Board (1)				
Fixed compensation	€346,000	€346,000	N/A	N/A
Variable compensation	–	–	N/A	N/A
Exceptional compensation	–	–	N/A	N/A
Directors' fees	–	–	N/A	N/A
Benefits in kind	–	–	N/A	N/A
TOTAL	**€346,000**	**€346,000**	**N/A**	**N/A**
Maurice Pinault, Member of the Executive Board				
Fixed compensation	€372,000	€372,000	€372,000	€372,000
Variable compensation	€305,190	€0	€0	€0
Exceptional compensation	–	–	–	–
Directors' fees	–	–	–	–
Benefits in kind	€8,796	€8,796	€8,796	€8,796
TOTAL	**€685,986**	**€380,796**	**€380,796**	**€380,796**
Didier Fontaine, Member of the Executive Board (2)				
Fixed compensation (3)	€121,944	€121,944	N/A	N/A
Variable compensation	€375,000	N/A	N/A	N/A
Exceptional compensation	€500,000	€250,000	N/A	N/A
Exceptional compensation tied to the success of the public offer to be launched by Safran	€500,000	N/A	N/A	N/A
Directors' fees	–	N/A	N/A	N/A
Benefits in kind (4)	€1,825	€1,825	N/A	N/A
TOTAL	**€1,498,769**	**€373,769**	**N/A**	**N/A**

(1) Since June 16, 2017.

(2) Since June 5, 2017. Fixed remuneration is linked to the employment contract and to membership of the Executive Board. Variable compensation and exceptional compensation are linked to the employment contract. Exceptional compensation tied to the success of the public offer to be launched by Safran is linked to membership of the Executive Board.

(3) Amount defined in proportion to the time worked as a member of the Executive Board (from June 5, 2017 to August 31, 2017).

(4) See above.

Table 3b. Summary of each former executive corporate officer's compensation

(in euros)	2016/2017 Amounts due	2016/2017 Amounts paid	2015/2016 Amounts due	2015/2016 Amounts paid
Olivier Zarrouati, Chairman of the Executive Board (1)				
Fixed compensation	€490,833	€490,833	€620,000	€620,000
Variable compensation	–	–	€0	€0
Exceptional compensation	€620,000	€620,000	–	–
Directors' fees	–	–	–	–
Benefits in kind	€10,199	€10,199	€12,882	€12,882
Non-compete payment	€620,000	€129,167	–	–
TOTAL	**€1,741,032**	**€1,250,199**	**€632,882**	**€632,882**
Yannick Assouad, Member of the Executive Board				
Fixed compensation (2)	€8,875	€8,875	€274,274	€274,274
Variable compensation	–	€32,802 (3)	€25,343	€163,453 (4)
Exceptional compensation	–	–	–	€30,000
Directors' fees	–	–	–	–
Benefits in kind (5)	€207	€207	€6,404	€6,404
TOTAL	**€9,082**	**€41,884**	**€306,021**	**€474,131**
Benoît Ribadeau-Dumas, Member of the Executive Board (6)				
Fixed compensation	€223,611	€223,611	N/A	N/A
Variable compensation	€214,164	€259,200 (7)	N/A	N/A
Exceptional compensation	–	–	N/A	N/A
Directors' fees	–	–	N/A	N/A
Benefits in kind (8)	€3,480	€3,480	N/A	N/A
TOTAL	**€441,255**	**€486,291**	**N/A**	**N/A**

(1) Until June 15, 2017.
(2) Amount defined in proportion to the time worked as a member of the Executive Board (from November 23, 2015 to September 9, 2016).
(3) Amount paid under her employment contract for fiscal year 2015/2016.
(4) Amount paid under her employment contract for fiscal year 2014/2015.
(5) Amount defined in proportion to the time worked as a member of the Executive Board (from November 23, 2015 to September 9, 2016).
(6) Member of the Executive Board from November 21, 2016 to May 15, 2017.
(7) Amount paid under his employment contract for fiscal year 2015/2016.
(8) Amount defined in proportion to the time worked as a member of the Executive Board (from November 21, 2016 to May 15, 2017).

Table 4. Summary of employment contract, supplementary pension contract, compensatory payment and benefits for executive corporate officers

Name	Employment contract Yes	Employment contract No	Supplementary pension plan Yes	Supplementary pension plan No	Compensatory payment or benefits due or likely to be due on termination or change of function Yes	Compensatory payment or benefits due or likely to be due on termination or change of function No	Compensatory payment due under a non-compete clause Yes	Compensatory payment due under a non-compete clause No
Yann Delabrière **Chairman of the Executive Board**		X		X		X		X
Maurice Pinault **Member of the Executive Board**	X			X	X			X
Didier Fontaine **Member of the Executive Board**	X			X	X			X

Table 4b. Summary of employment contract, supplementary pension contract, compensatory payment and benefits for executive corporate officers

Name	Employment contract		Supplementary pension plan		Compensatory payment or benefits due or likely to be due on termination or change of function		Compensatory payment due under a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Olivier Zarrouati **Chairman of the Executive Board**		X		X		X	X	
Yannick Assouad **Member of the Executive Board**	X			X	X			X
Benoît Ribadeau-Dumas **Member of the Executive Board**	X			X		X		X

Table 5. Stock options exercised during the fiscal year for each executive corporate officer

Name	No. and date of plan	Number of options exercised in the fiscal year	Exercise price
Yann Delabrière	–	–	–
Maurice Pinault	–	–	–
Didier Fontaine	–	–	–

Table 5b. Stock options exercised during the fiscal year for each former executive corporate officer

Name	No. and date of plan	Number of options exercised in the fiscal year	Exercise price
Olivier Zarrouati	–	–	–
Benoît Ribadeau-Dumas	–	–	–
Yannick Assouad	Plan 9 - Dec. 10, 2009	41,670	€4.72
Yannick Assouad	Plan 10 - Dec. 10, 2010	67,500	€10.15
Yannick Assouad	Plan 11b - Dec. 29, 2011	89,950	€12.47

Table 6. Performance shares awarded during the fiscal year to each executive corporate officer

Name	No. and date of plan	Number of shares awarded during the fiscal year	Valuation of shares based on the method used for the consolidated financial statements	Vesting date	Availability date	Performance conditions
Yann Delabrière	–	–	–	–	–	–
Maurice Pinault	Plan 12 - May 12, 2017	34,000	€658,240	May 12, 2020	May 12, 2022	Yes
Didier Fontaine	Plan 12 - May 12, 2017	25,000	€484,000	May 12, 2020	May 12, 2022	Yes

Table 6b. Performance shares awarded during the fiscal year to each former executive corporate officer

Name	No. and date of plan	Number of shares awarded during the fiscal year	Valuation of shares based on the method used for the consolidated financial statements	Vesting date	Availability date	Performance conditions
Olivier Zarrouati	–	–	–	–	–	–
Benoît Ribadeau-Dumas	–	–	–	–	–	–
Yannick Assouad	–	–	–	–	–	–

Table 7. Performance shares that became available during the fiscal year for each executive corporate officer

Name	No. and date of plan	Number of shares vested during the fiscal year	Vesting date	Transferability date	Vesting conditions
Yann Delabrière	–	–	–	–	–
Maurice Pinault	–	–	–	–	–
Didier Fontaine	–	–	–	–	–

Table 7b. Performance shares that became available during the fiscal year for each former executive corporate officer

Name	No. and date of plan	Number of shares vested during the fiscal year	Vesting date	Transferability date	Vesting conditions
Olivier Zarrouati	–	–	–	–	–
Benoît Ribadeau-Dumas	–	–	–	–	–
Yannick Assouad	–	–	–	–	–

Table 8. Information on the requirements to retain shares issued from the exercise of options and awards of performance-based free shares applicable to executive corporate officers

Name	Plan	Quantity	Description of requirement to continue holding shares
Yann Delabrière	None	None	
Maurice Pinault	2007 options	35,000	Until date of termination of office on Executive Board
	2011 Performance-based free shares	50,000	Until date of termination of office on Executive Board
	2016 Performance-based free shares	3,000	Until date of termination of office on Executive Board
	2017 Performance-based free shares	3,000	Until date of termination of office on Executive Board
Didier Fontaine	2017 Performance-based free shares	3,000	Until date of termination of office on Executive Board

Table 8b. Information on the requirements to retain shares issued from the exercise of options and free share awards applicable to former executive corporate officers

Name	Plan	Quantity	Description of requirement to continue holding shares
Olivier Zarrouati	None	None	None
Benoît Ribadeau-Dumas	None	None	None
Yannick Assouad	None	None	None

III. Summary of elements of compensation due or awarded for fiscal year 2016/2017, submitted for shareholder approval at the Mixed General Meeting on January 9, 2018

a. Compensation due or awarded for fiscal year 2016/2017 to Yann Delabrière, Chairman of the Executive Board (1)

Elements of compensation	Fiscal year 2016/2017	Details
Fixed	€346,000	Yann Delabrière, receives a fixed compensation of a gross amount of €1,038,000 on or after June 16, 2017 and until the end of the General Meeting of January 9, 2018. His fixed compensation, calculated in proportion to the time worked, amounts to €346,000 for fiscal year 2016/2017.
Variable	€0	No variable compensation was awarded to Yann Delabrière for fiscal year 2016/2017.
Multi-year variable	N/A	Yann Delabrière did not receive any compensation in this respect.
Directors' fees	N/A	Members of the Executive Board do not receive directors' fees.
Life/health and pension plans	None	Yann Delabrière benefited from the same collective plan as other Zodiac Aerospace executives. The amount of employer contributions paid into the life/health and supplementary pension plans (excluding French Social security), in proportion to the time worked, starting from June 16, 2017, was €8,671.
Benefits in kind	None	Yann Delabrière did not receive any benefit in kind.
Award of stock options	No award	Yann Delabrière did not receive any award in this respect during fiscal year 2016/2017.
Award of performance-based free shares	No award	Yann Delabrière did not receive any award in this respect during fiscal year 2016/2017.
Non-compete payment	N/A	Yann Delabrière is not subject to a non-compete agreement.
Compensatory payment or benefits due or likely to be due on termination or change of function	N/A	Yann Delabrière does not benefit from a commitment in this respect.

(1) Chairman of the Executive Board and member of the Executive Board since June 16, 2017.

b. Compensation due or awarded for fiscal year 2016/2017 to Maurice Pinault, Member of the Executive Board

Elements of compensation	Fiscal year 2015/2016	Fiscal year 2016/2017	Details
Fixed	€372, 000	€372, 000	Fixed gross compensation under his employment contract determined by the Supervisory Board on September 24, 2013, representing no change compared to fixed compensation for fiscal year 2015/2016.
Variable	€0	€305,190	Set at a maximum of €372,000 on the basis of a performance formula comprising (i) quantitative and qualitative targets linked to individual performance for 30% and (ii) purely quantitative targets linked to the Group's economic performance for 70%. Exceptionally for fiscal year 2016/2017, this performance formula was calculated alternatively on the basis of two formulas described in the Company's 2016/2017 annual report, "Compensations and Benefits", Section "II b. Variable compensation", with the adoption of the formula that gives the highest result for the variable portion. The variable portion paid for fiscal year 2016/2017 was €305,190.
Multi-year variable	N/A	N/A	Maurice Pinault does not benefit from any compensation in this respect.
Directors' fees	N/A	N/A	Members of the Executive Board do not receive directors' fees.
Life/health and pension plans	€43,950	€50,725	Maurice Pinault benefited from the same collective plan as other Zodiac Aerospace executives. Employer's contributions paid into the life/health plan amounted to €2,750 and €47,975 into the contribution pension plan (excluding French Social Security).
Benefits in kind	€8,796	€8,796	Maurice Pinault benefited from a company car, for which the usage value in fiscal year 2016/2017 was €8,796.
Award of stock options	No award	No award	Maurice Pinault was not awarded any such stock options during fiscal year 2016/2017.
Award of performance-based free shares	€591,260	€658,240	Performance shares are awarded at the same time of year, every year. These awards are entirely subject to conditions of presence in the company and performance conditions. Maurice Pinault was awarded 34,000 performance shares during fiscal year 2016/2017.
Non-compete payment	N/A	N/A	Maurice Pinault is not subject to a non-compete agreement.
Compensatory payment or benefits due or likely to be due on termination or change of function	No payment	No payment	As part of his employment contract, and pursuant to the Business Segments' Collective Agreement for the Metallurgy Industry, Maurice Pinault could benefit from the following payments: - severance payment in the event of termination of the employment contract by the employer (18 months of gross fixed and variable salary) [1]; - lump-sum retirement gratuity if Maurice Pinault chooses to implement his pension rights (5 months of gross fixed and variable salary) [1] at August 31, 2017. (1) Based on the preceding 12 months.

c. Compensation due or awarded for fiscal year 2016/2017 to Didier Fontaine, Member of the Executive Board [1]

Elements of compensation	Fiscal year 2016/2017	Details
Fixed	€510,000 (+ €500,000)	For his position as Executive Board member, Didier Fontaine will be paid a gross annual fixed compensation of €10,000 and a one-time, deferred compensation of €500,000 subject to the success of the public offer to be launched by Safran on the share capital of Zodiac Aerospace under the conditions set out in the business combination agreement concluded by Zodiac Aerospace and Safran on May 24, 2017. In addition, Didier Fontaine benefits from a fixed annual compensation of €500,000 under his employment contract.
Variable	€375,000	Under his employment contract, for fiscal year 2016/2017, Didier Fontaine will exceptionally be paid a variable compensation guaranteed at 100% of his maximum ceiling, which is equal to 75% of the fixed compensation of €500,000, i.e. €375,000.
Exceptional	€500,000	The Executive Board awarded Didier Fontaine an exceptional compensation of €500,000 in connection with his employment contract in recognition of the exceptional services rendered by Didier Fontaine in updating the accounting and financial management system and the security of bank financing. Half of this exceptional compensation was paid on June 30, 2017 and the balance will be paid on June 30, 2018, provided that Didier Fontaine is still a Group employee on that date.
Multi-year variable	N/A	Didier Fontaine does not benefit from any compensation in this respect.
Directors' fees	N/A	Members of the Executive Board do not receive directors' fees.
Life/health and pension plans	€48,289	Didier Fontaine benefits from the same collective plan as other Zodiac Aerospace executives. Employer's contributions paid into the life/health plan amounted to €2,559 and €45,730 into the contribution pension plan (excluding French Social Security).
Benefits in kind	€7,639	Didier Fontaine benefited from a company car, for which the usage value in fiscal year 2016/2017 was €7,639.
Award of stock options	No award	Didier Fontaine was not awarded any such stock options during fiscal year 2016/2017.
Award of performance-based free shares	€484,000	Performance shares are awarded at the same time of year, every year. These awards are entirely subject to conditions of presence in the company and performance conditions. Didier Fontaine was awarded 25,000 performance shares during fiscal year 2016/2017.
Non-compete payment	N/A	Didier Fontaine is not subject to a non-compete agreement.
Compensatory payment or benefits due or likely to be due on termination or change of function	No payment	Under his employment contract, Didier Fontaine benefits from a specific termination compensation in the event of severance (other than for gross misconduct) which will be paid in the event of a severance notice within twelve months of a change of the Group's control or a change in the membership of the Group Executive Board or a major change in the membership of the Group Executive Board that might occur within 36 months after the hiring date, that is until September 18, 2019. This compensatory payment amounts to one year of fixed salary in force on the severance date, plus a target variable compensation in force on the severance date.

(1) Member of the Executive Board since June 5, 2017.

d. Compensation due or awarded for fiscal year 2016/2017 to Olivier Zarrouati, Chairman of the Executive Board [1]

Elements of compensation	Fiscal year 2015/2016	Fiscal year 2016/2017	Details
Fixed	€620,000	€490,833	Gross fixed compensation paid in proportion to time worked until June 15, 2017, on the basis of an annual gross fixed compensation of €620,000, unchanged compared to the fixed compensation of fiscal year 2015/2016.
Variable	€0	€0	Due to his departure from the Group on June 15, 2017, Olivier Zarrouati did not receive any variable compensation for fiscal year 2016/2017.
Multi-year variable	N/A	N/A	Olivier Zarrouati does not benefit from any compensation in this respect.
Directors' fees	N/A	N/A	Members of the Executive Board do not receive directors' fees.
Life/health and pension plans	€43,950	€35,314	Olivier Zarrouati benefited from the same collective plan as other Zodiac Aerospace executives. Employer's contributions paid into the life/health plan in proportion to the time worked until June 15, 2017, amounted to €2,579 and €32,735 into the contribution pension plan (excluding French Social Security).
Benefits in kind	€12,882	€10,199	Olivier Zarrouati benefited from: - severance insurance taken out with GSC, for which the contribution for fiscal year 2016/2017 was €4,074; - a company car, for which the usage value in fiscal year 2016/2015 was €6,125.
Award of stock options	No award	No award	Olivier Zarrouati was not awarded any such stock options during fiscal year 2016/2017.
Award of perfomance-based free shares	€1,165,130	No award	Olivier Zarrouati did not benefit from any award in this respect during fiscal year 2016/2017 and furthermore, lost the benefit of non-vested performance shares.
Non-compete payment	No payment	€129,167	Following his departure from the Group on June 15, 2017, Olivier Zarrouati received a non-compete compensatory payment equal to the compensation for one year calculated on the basis of the (fixed and variable) compensation received during the last twelve months preceding his departure date, payable every month during this period, or €620,000 payable over twelve months, of which €129,167 were paid in fiscal year 2016/2017.
Exceptional compensation	N/A	€620,000	Considering the work accomplished by Olivier Zarrouati since his appointment and the key role he played in the negotiations of the business combination agreement with Safran, which marks a major milestone in the life of the Zodiac Aerospace Group, the Supervisory Board decided to award Olivier Zarrouati an exceptional compensation in the gross amount of €620,000. Pursuant to the recommendations of the AFEP-MEDEF Code, the amount of the exceptional compensation and the non-compete payment made to Olivier Zarrouati on the occasion of his departure, i.e., a total gross amount of €1,240,000, does not exceed two years of fixed compensation.

(1) End of the mandate as Chairman and member of the Executive Board, on June 15, 2017.

e. Compensation due or awarded for fiscal year 2016/2017 to Benoît Ribadeau-Dumas, Member of the Executive Board [2]

Elements of compensation	Fiscal year 2016/2017	Details
Fixed	€311,882	Gross fixed compensation paid in proportion to the time worked under the employment contract of Benoît Ribadeau-Dumas.
Variable	€312,067	Set at a maximum of €331,667 under his employment contract on the basis of (i) discretionary targets up to 20% of the variable compensation and (ii) of a performance formula incorporating individual performance targets and the Group's quantitative performance targets up to 80% of the variable compensation. This performance formula was calculated alternatively on the basis of two formulas integrating (a) individual performance criteria for 30% and (b) performance quantitative criteria of the branch concerned up to 70%, described in the Company's 2016/2017 annual report, Chapter "Compensations and Benefits", Section "II. d. (ii) Variable compensation", with the adoption of the formula that gives the highest result for the variable portion. The variable compensation paid for fiscal year 2016/2017, in proportion to time worked was €312, 067.
Multi-year variable	N/A	Benoît Ribadeau-Dumas does not benefit from any compensation in this respect.
Directors' fees	N/A	Members of the Executive Board do not receive directors' fees.
Life/health and pension plans	€36,162	Benoît Ribadeau-Dumas benefited from the same collective plan as other Zodiac Aerospace executives. Employer's contributions paid into the life/health plan in proportion to the time worked until May 15, 2017, amounted to €2,236 and €33,926 into the contribution pension plan (excluding French Social Security).

Continuation of the table on the next page

Elements of compensation	Fiscal year 2016/2017	Details
Benefits in kind	€5,071	Benoît Ribadeau-Dumas benefited from a company car, for which the usage value in fiscal year 2016/2017 was €5,071.
Award of stock options	No award	Benoît Ribadeau-Dumas did not benefit from any award in this respect during fiscal year 2016/2017 and furthermore, lost the benefit of non-vested performance shares.
Award of performance-based free shares	No award	20,000 performance shares were awarded to Benoît Ribadeau-Dumas for fiscal year 2016/2017. Benoît Ribadeau-Dumas lost the benefit of the performance shares not yet vested on May 15, 2017, when he left the Group.
Non-compete payment	N/A	Benoît Ribadeau-Dumas is not subject to a non-compete agreement.
Compensatory payment or benefits due or likely to be due on termination or change of function	N/A	Benoît Ribadeau-Dumas did not receive any severance pay under his employment contract.

(2) Member of the Executive Board from November 21, 2016 to May 15, 2017.

f. Compensation due or awarded for fiscal year 2016/2017 to Yannick Assouad, Member of the Executive Board (1)

Elements of compensation	Fiscal year 2015/2016	Fiscal year 2016/2017	Details
Fixed	€274,274	€59,393	Fixed gross compensation under her employment contract determined by the Supervisory Board on April 19, 2016, defined in proportion to the time worked until the end of Yannick Assouad's employment contract on October 31, 2016.
Variable	€32,802	€0	Due to her departure from the Group on October 31, 2016, Yannick Assouad did not receive any variable compensation for fiscal year 2016/2017.
Multi-year variable	N/A	N/A	Yannick Assouad did not receive any compensation in this respect.
Directors' fees	N/A	N/A	Members of the Executive Board do not receive directors' fees.
Life/health and pension plans	€33,956	€8,347	Yannick Assouad benefited from the same collective plan as other Zodiac Aerospace executives. Employer's contributions paid into the life/health plan amounted to €675 and €7,672 into the contribution pension plan (excluding French Social Security), defined in proportion to the time worked until the termination of Yannick Assouad's employment contract on October 31, 2016.
Benefits in kind	€6,404	€1,381	Yannick Assouad benefited from a company car, for which the usage value in fiscal year 2016/2017 was €1,381 defined in proportion to the time worked until the termination of Yannick Assouad's employment contract on October 31, 2016.
Award of stock options	No award	No award	Yannick Assouad was not awarded any such stock options during fiscal year 2016/2017.
Award of performance-based free shares	€591,260	No award	Yannick Assouad did not benefit from any award in this respect during fiscal year 2016/2017 and furthermore, lost the benefit of non-vested performance shares.
Non-compete payment	N/A	N/A	Yannick Assouad is not subject to a non-compete agreement.
Compensatory payment or benefits due or likely to be due on termination or change of function	No payment	No payment	Yannick Assouad did not receive any severance pay under her employment contract.

(1) End of the mandate as member of the Executive Board on September 9, 2016.

g. Compensation due or awarded for fiscal year 2016/2017 to Didier Domange, Chairman of the Supervisory Board

Elements of compensation	Fiscal year 2015/2016	Fiscal year 2016/2017	Details
Directors' fees	€70,000	€70,000	At its meeting of September 29, 2016, the Supervisory Board approved on the same terms as those approved at the Board's meeting of November 23, 2015, the amount of directors' fees awarded to the Chairman of the Supervisory Board for up to €70,000.
Other compensation	€120,000	€120,000	For his position as Chairman of the Supervisory Board, Didier Domange was paid a fixed annual compensation of €120,000.

C. COMPENSATION POLICY FOR MEMBERS OF THE RESTRICTED EXECUTIVE COMMITTEE WHO ARE NOT CORPORATE OFFICERS

I. Fixed and variable compensation

In addition to their fixed salary, Members of the Executive Committee who are not corporate officers benefit from a variable portion payable for fiscal year "n", which, depending on the positions held, is based on:

- the Branch Formula described in pages 46 and 47 for the members of the Restricted Executive Committee holding a management position in a Business Unit, Division, Branch, Activity or any pertinent scope; and
- the Group Formula described in pages 44 and 45 for members of the Restricted Executive Committee holding a group-level position in the Group.

II. Performance shares

Performance-based free shares (mechanism applicable from January 14, 2016)

These awards are entirely contingent on conditions of presence in the company and performance conditions.

These awards are made on an annual basis.

(i) The presence condition is three years from the date of the allocation (additional to this condition is a retention period of two years after the vesting date).

(ii) The performance conditions apply to a percentage of the number of shares awarded, which is 100% of the award for members of the Restricted Executive Committee who are not corporate officers.

The calculation formula for the performance target is identical for all beneficiaries. It is assessed over three consecutive fiscal years, depending on the level of achievement of two targets defined in the Group's Business Plan: the average EBITA calculated over three fiscal years and the organic growth rate of revenue, calculated over the same period. These targets will be compared to the achievement, at the end of the reference period, and the total of the achievement rates, factorized according to their respective weight, will give the overall achievement rate of the performance target.

These shares will be vested as follows:

- in full if the overall performance target achievement rate is 100%;
- at 50% of the full amount if the overall performance target achievement rate is 70%;
- between 50.01% and 100% of the full amount by applying a straight-line percentage if the overall performance target achievement rate is between 70% and 100%;
- no share if the overall achievement rate of the performance target is less than 70%.

III. Annual compensation and performance-based free share awards

a. Compensation

There were ten members of the Restricted Executive Committee in fiscal year 2016/2017, the same number as in 2015/2016. The total compensation paid to these members for the first half of fiscal year 2016/2017 was €4,233k fixed and €665k variable, plus €870k of exceptional compensation and €74k in benefits in kind, amounting to a total of €5,842k including compensation paid to members of the Executive Board. In the previous fiscal year, total compensation for the Restricted Executive Committee amounted to €3,536k fixed and €494k variable, plus €74k benefits in kind, representing a total of €4,105k.

b. Stock options and/or performance-based free shares

During the fiscal year, a total of 147,000 free shares and performance shares were awarded to members of the Restricted Executive Committee who were not corporate officers, with a vesting date of May 12, 2020 and a transferability date of May 12, 2022.

During the fiscal year, a total of 5,000 stock options were exercised by members of the Restricted Executive Committee who were not corporate officers.

The members of the Restricted Executive Committee have made a formal commitment not to engage in risk-hedging transactions either on shares issued from the exercise of options or from free shares, through to the end of the retention period applicable to the shares. To the Company's knowledge, no hedging instruments have been put in place.

D. OTHER INFORMATION

Table 9. History of stock option awards to employees or corporate officers (the information is given for on-going plans)

	Plan No. 8	Plan No. 9	Plan No. 10	Plan No. 11a	Plan No. 11b	Plan No. 12	Plan No. 13	Plan No. 14	TOTAL
Date of General Meeting	Jan. 8, 2008	Jan. 8, 2008	Jan. 8, 2008	Jan. 10, 2011	Jan. 10, 2011	Jan. 10, 2011	Jan. 10, 2011	Jan. 8, 2014	
Date of Supervisory Board or Executive Board meeting	Dec. 4, 2008	Dec. 10, 2009	Dec. 10, 2010	Dec. 29, 2011	Dec. 29, 2011	May 13, 2013	Dec. 4, 2013	Feb. 12, 2015	
Total number of shares that may be subscribed or purchased	723,500	752,000	827,250	499,475	309,950	1,043,500	1,196,250	1,277,900	6,629,825
Number that may be subscribed or purchased by corporate officers:									
- Olivier Zarrouati	–	–	–	–	–	–	–	–	–
- Maurice Pinault	–	–	–	–	160,000	–	–	–	160,000
- Yannick Assouad	20,000	50,000	67,500	–	89,950	–	–	–	227,450
Start date for exercise of options **"Date D"**	Dec. 4, 2009	Dec. 10, 2010	Dec. 10, 2011	Dec. 29, 2012	Dec. 29, 2012	May 13, 2014	Dec. 4, 2014	Feb. 12, 2015	
Expiration date	Dec. 4, 2016	Dec. 10, 2017	Dec. 10, 2018	Dec. 29, 2019	Dec. 29, 2019	May 13, 2021	Dec. 4, 2021	Feb. 12, 2023	
Subscription or purchase price	€5.87	€4.72	€10.15	€12.47	€12.47	€18.91	€24.34	€29.50	
Exercise procedure (when the plan contains several tranches)	• 50% on Date D • 50%, one year after Date D	• 50% on Date D • 50%, one year after Date D	• 50% on Date D • 50%, one year after Date D	• 50% on Date D • 50%, one year after Date D	• 1st quarter on Dec. 29, 2012 • Each subsequent quarter on successive anniversary dates of Date D	• 50% on Date D • 50%, one year after Date D	• 50% on Date D • 50%, one year after Date D	• 50% on Date D • 50%, one year after Date D	
Number of shares subscribed at Aug. 31, 2017	622,875	577,580	576,045	287,550	189,950	269,294	21,119	–	2,544,413
Aggregate number of stock options canceled or null and void	100,625	119,000	95,000	62,000	–	572,744	765,375	642,685	2,357,429
Stock options remaining at year-end	–	55,420	156,205	149,925	120,000	201,462	409,756	635,215	1,727,983

Table 10. History and information on performance-based free shares to employees or corporate officers

	Plan No. 4	Plan No. 5	Plan No. 6	Plan No. 7	Plan No. 8
Date of General Meeting	Jan. 10, 2011	Jan. 10, 2011	Jan. 10, 2011	Jan. 10, 2011	Jan. 8, 2014
Date of Supervisory Board or Executive Board meeting	Jun. 5, 2013	Jun. 5, 2013	Dec. 4, 2013	Dec. 4, 2013	Feb. 12, 2015
Total number of shares awarded	130,190	37,505	164,855	54,170	134,805
Number of shares awarded to corporate officers:					
- Yann Delabrière	–	–	–	–	–
- Olivier Zarrouati	–	–	–	–	–
- Maurice Pinault	–	–	–	–	–
- Yannick Assouad	–	–	–	–	–
- Didier Fontaine	–	–	–	–	–
- Benoît Ribadeau-Dumas	–	–	–	–	–
Vesting date	Jun. 5, 2015 Jun. 5, 2017 (1)	Jun. 5, 2015	Dec. 4, 2015 Dec. 4, 2017 (1)	Dec. 4, 2015 Dec. 4, 2017 (1)	Feb. 12, 2017 Feb. 12, 2019 (1)
Date of end of retention period	Jun. 5, 2017	Jun. 5, 2017	Dec. 4, 2017	Dec. 4, 2017	Feb. 12, 2019
Performance condition	For 50% of shares awarded	For 80% of shares awarded	For 50% of shares awarded	For 80% of shares awarded	For 50% of shares awarded
Number of shares vested at Aug. 31, 2017	118,782	37,505	111,868	30,932	87,122
Aggregate number of shares canceled or null and void	11,408	–	35,297	13,238	31,680
Performance-based free shares remaining at year-end	–	–	17,690 (2)	10,000	16,003

(1) At the time of the award, beneficiaries who were not tax-resident in France could opt for either of the following:
- vesting four years after the award date;
- vesting two years after the award date followed by a two-year retention period.

(2) These remaining shares correspond to shares awarded to employees who were not tax-resident in France and who opted for vesting four years after the award date.

	Plan n° 9	Plan n° 10	Plan n° 11	Plan n° 12	TOTAL
Date of General Meeting	Jan. 8, 2014	Jan. 8, 2014	Jan. 14, 2016	Jan. 14, 2016	
Date of Supervisory Board or Executive Board meeting	Feb. 12, 2015	Feb. 12, 2015	Apr. 25, 2016	May 12, 2017	
Total number of shares awarded Number of shares awarded to corporate officers:	53,001	250,800	766,601	703,940	2,295,867
- Yann Delabrière	–	–	–	–	–
- Olivier Zarrouati	–	–	67,000	–	67,000
- Maurice Pinault	–	–	34,000	34,000	68,000
- Yannick Assouad	–	–	34,000	–	34,000
- Didier Fontaine	–	–	–	25,000	25,000
- Benoît Ribadeau-Dumas	–	–	–	20,000(4)	–
Vesting date	Feb. 12, 2017	(3)	Apr. 25, 2019 Apr. 25, 2021	May 12, 2020 May 12, 2022	
Date of end of retention period	Feb. 12, 2019	(3)	Apr. 25, 2019 Apr. 25, 2021	May 12, 2020 May 12, 2022	
Performance condition	For 80% of shares awarded	(3)	No performance condition for other beneficiaries of the Group plan. For 100% of shares awarded to the Comex and the Executive Board, and 50% for other beneficiaries	No performance condition for other beneficiaries of the Group plan. For 100% of shares awarded to the Comex and the Executive Board, and 50% for other beneficiaries	
Number of shares vested at Aug. 31, 2017	29,848	–	2,500	–	418,557
Aggregate number of shares canceled or null and void	23,153	125,400	51,660	24,700	316,536
Performance-based free shares remaining at year-end	–	125,400	712,441	679,240	1,560,774

(3) Plan No. 10 specifically concerns executives from Greenpoint Technologies, which was acquired in June 2014. The vesting period is 2 years for 50% of the shares, plus a two-year retention period. For 25% of the performance-related shares for fiscal year 2016/2017, the vesting period is 3 years with a 1-year retention period. For 25% of the shares related to performance in fiscal year 2017/2018, the vesting period is four years, with no retention period.

(4) 20,000 performance shares which should have been awarded to Benoît Ribadeau-Dumas under plan no. 12 were canceled due to his departure from the Group on May 15, 2017.

Table 11. Declaration of Company share trading by senior management and similar persons (as governed by Article 621-18-2 of the French law of July 20, 2005 and AMF regulation 223-22a *et seq.*)

During the period from September 1, 2016 to August 31, 2017, 22 transactions were carried out in this respect. They are detailed in the following summary statement.

Person concerned (full name and job title)	Type of financial instrument	Type of transaction	Date of transaction	Number of shares/ securities	Unit price (in euros)
FFP Invest, Legal Entity Member of the Supervisory Board	Shares	Vesting (share-based dividends)	Feb.14, 2017	119,829	20.02
Fidoma, Legal Entity Member of the Supervisory Board (1)	Shares	Purchase	Nov. 24, 2016	25,000	20.6497
	Shares	Purchase	Nov. 25, 2016	25,000	20.2313
	Shares	Purchase	Nov. 29, 2016	25,000	20.6926
	Shares	Purchase	Nov. 29, 2016	25,000	20.4238
	Shares	Purchase	Nov. 30, 2016	25,000	20.8054
	Shares	Purchase	Dec. 1, 2016	25,000	20.849
	Shares	Purchase	Dec. 2, 2016	25,000	20.597
	Shares	Purchase	Dec. 5, 2016	20,000	20.916
	Shares	Vesting (share-based dividends)	Feb. 14, 2017	193,677	20.02
Élisabeth Domange Member of the Supervisory Board	Shares	Vesting (share-based dividends)	Feb. 14, 2017	8,991	20.02
	Shares	Vesting (share-based dividends)	Feb. 14, 2017	7,165	20.02
Yannick Assouad Member of the Restricted Executive Committee (2)	Shares	Exercise of stock options	Sep. 20, 2016	41,670	4.72
	Shares	Exercise of stock options	Sep. 20, 2016	67,500	10.15
	Shares	Exercise of stock options	Sep. 20, 2016	89,950	12.47
Didier Domange (3) Chairman of the Supervisory Board	Shares	Purchase	Jan. 26, 2017	1,450	19.66
	Shares	Purchase	Jan. 26, 2017	1,450	19.66
	Shares	Purchase	Mar. 23, 2017	645	22.25
Olivier Zarrouati, Chairman of the Executive Board (4)	Shares	Vesting (share-based dividends)	Feb. 14, 2017	387	20.02
	Shares	Vesting (share-based dividends)	Feb. 14, 2017	2,609	20.02
Pierre-Antony Vastra Member of the Restricted Executive Committee	Shares	Exercise of stock options	Dec. 2, 2016	5,000	5.87
Richard Domange, Permanent Representative of Fidoma Member of the Supervisory Board (1)	Shares	Vesting (share-based dividends)	Feb. 14, 2017	4,080	20.02
Maurice Pinault, Executive Board member	Shares	Vesting (share-based dividends)	Feb. 8, 2017	32,700	20.02
	Shares	Vesting (share-based dividends)	Feb. 14, 2017	9,829	20.02
	Shares	Vesting (share-based dividends)	Feb. 14, 2017	12,692	20.02

(1) Since January 19, 2017.
(2) Until September 9, 2016.
(3) Transactions performed by an independent agent under a discretionary management mandate.
(4) Until June 16, 2017.

Risk Management

PRESENTATION OF THE GROUP'S MAIN RISKS

The Zodiac Aerospace Group is exposed to human, organizational, financial, industrial, commercial and reputational issues through its multiple activities, sites, and countries in which it operates. Consequently, the Group has placed the safety of its employees and co-contractors, the interests of customers and consumers, the protection of the assets entrusted by its shareholders, the environment, and compliance with regulations as major topics of concern at the core of its risk management policy.

Moreover, as an aerospace supplier, the Group has to cope with external risks that are specific to its business sector or more globally linked to the world economy and to climate change.

Furthermore, the priorities that Zodiac Aerospace set itself for the 2016/2017 fiscal year concerned:

- restoring the margin;
- customer satisfaction;
- operational performance;
- program management;
- purchasing;
- organization.

The Zodiac Aerospace Group applies a responsible risk-management policy to deal with the risks inherent in its activity. The recognition and handling of these risks is based on an organizational structure that is both central and local, and relies primarily on the operational departments, but also on the support functions, the risk management function, internal control and internal audit.
The risks likely to affect the priorities set by the Group, its activities, its reputation, financial position and its capacity to achieve its long term goals are described below.

1. BUSINESS RISKS

A. Sector risks

As a leading aerospace industry player, the Group is particularly sensitive to the following risks:

1. Downturn in the aerospace industry cycle

The flow of orders for aircraft tends to be cyclical. It is driven by trends in passenger traffic, the rate at which airline fleets age and are replaced, equipment specification decisions and the financial health of airlines and other actors within the sector. The Zodiac Aerospace Group considers that these cycles may affect the level of its business and have an unfavorable effect on its future financial position.

Unpredictable influences, such as terrorism, pandemics, natural disasters, air disasters and a sharp rise in energy costs, may also have significant repercussions for air traffic and, therefore, for the aircraft equipment markets served by Zodiac Aerospace.

In 2016/2017, approximately 83% of the Group's adjusted consolidated sales revenue was generated from civil aviation.

2. Market assessment

The business sectors in which Zodiac Aerospace is involved demand significant levels of investment, particularly in terms of research and development. These investment programs depend on long-term profitability. However, the market and profitability assumptions adopted by the Group may prove inaccurate, with the result that products in which these investments have been made may not be sufficiently successful in commercial terms to earn a satisfactory return on the initial investment (see note on intangible assets).

3. Reduction in defense orders

A reduction in defense contract budgets or the postponement of certain programs could affect the military activities of Zodiac Aerospace. In 2016/2017, approximately 8% of the Group's consolidated revenue was generated from defense markets. The Zodiac Aerospace Group complies with the provisions of the Oslo agreement.

4. Competition and program delays

Zodiac Aerospace faces competition in all its markets.

The financial and program assumptions set by the Group have been incorporated into the process of preparing the budget and the business plan.

Difficulties encountered by some aircraft construction companies on their programs may result in changes to delivery schedules and delays in the planned completion of new aircraft, which could affect the rate at which Zodiac Aerospace earns revenue from its aerospace business.

5. Climate change risks

The aerospace industry evolves to meet the expectations of consumers but also to address global environmental challenges and climate change. To address these new issues, the Group relies on its capacity to innovate to offer products that are lighter, more efficient, or which use low-carbon energy sources and to increasingly incorporate eco-design into the development of these new products.

Furthermore, to date, Zodiac Aerospace has not identified significant and specific financial risks associated with climate change, despite the fact that the Group is established in many countries. However, the Group has set up business continuity plans to prepare for the potential occurrence of natural disasters (see § N.1.b).

B. Risks related to our global presence

Local, regional and international economic conditions may also have an impact on the Group's activities, and therefore on its financial results.

These risks include:

1. Country risks

Due to its presence in 16 countries, the Group may be exposed to:

- political risks:
  - measures or decisions taken by local authorities (e.g. embargoes, nationalizations);
  - social risks (general strikes, civil disturbances);
  - terrorism;
- and/or economic or financial risks:
  - currency depreciation;
  - foreign exchange shortages.

2. Currency and Interest rate risks

• Currency risk

The Zodiac Aerospace Group, due to its aerospace activities, is exposed primarily to the fluctuations of the US dollar ($), mostly in the euro/dollar exchange rate and to a lesser extent, in the exchange rates of other currencies (GBP, CAD, MXN, CZK and THB).

In 2016/2017, approximately 49% of Group sales revenue was generated by its U.S.-based subsidiaries. In addition, approximately 46% of total Group sales revenue is billed by its European companies. The Group is therefore exposed to euro/dollar exchange rate risks (see Note 2.B to the consolidated financial statements).

To limit the direct impact of fluctuations in the euro/dollar exchange rate, the Zodiac Aerospace Group is taking action to increase the percentage of dollar-denominated purchases made by its bases outside the United States.

This provides a "natural" hedge against the dollar, covering approximately 36.7% of dollar sales generated in the 2016/2017 fiscal year by companies located in countries other than the United States. The Group also uses financial instruments to hedge the residual transaction exposure of its asset and/or liability positions and, where necessary, its future dollar transaction flows.

The Group is also exposed to a currency risk known as "translation" risk that results from fluctuations in the exchange rate between the euro and the major foreign currencies (US dollar, pound sterling, Canadian dollar and Mexican peso).

The holding of substantial assets in non-Euro zone currencies and the conversion into euros of the accounts of subsidiaries using a non-euro functional currency can significantly impact some items on the Group's balance sheet (including equity) and statement of profit and loss.

• Interest rate risk

The majority of Group debt is subject to interest at a variable rate. Details of interest rate and currency risks are given in Note 2 to the consolidated financial statements.

The approach adopted is to hedge the risk posed by variable rates using fixed-rate swaps, the effect of which is to provide partial fixed-rate funding for the Group.

(in millions of euros)	Aug. 31, 2017
Fixed rate borrowings	324.3
Floating rate borrowings	1,206.0
Interest rate swap	(50.0)
NET EXPOSURE TO INTEREST RATE RISK	1,156.0

2. OPERATIONAL AND STRATEGIC RISKS

A. External growth risks

The leadership strategy implemented by the Zodiac Aerospace Group for more than 30 years has been supported by an ongoing policy of combining organic growth with external growth.

External growth requires the ability to ensure the effective integration of the companies acquired and maximize the benefits of synergies. The Zodiac Aerospace Group has developed this ability over many years of successful acquisitions. The progress of integration initiatives is regularly monitored at Restricted Executive Committee and Branch Committee meetings.

Nevertheless, despite the resources implemented and efforts made toward the integration process, success can never be certain at the outset, and may depend on external factors.

B. Supply chain risks

Due to the Group's external growth and the relocation of some procurement to the dollar area, the Group has developed a branch-based structure to manage risks relating to the supply chain, such as management of supplier relations, monitoring critical suppliers, improving the quality and punctuality of deliveries, improving the process of analyzing and selecting suppliers, and managing framework agreements

The Group Purchasing Director, under the authority of the Group Chief Operating Officer, has strengthened the systematic application within the branches of Group-wide tools and standards for monitoring performance and analyzing supplier risk.

C. Dependence of suppliers

No Group supplier accounts for more than 2% of the Group's purchases. The risks of dependence on suppliers are therefore limited, and concern only limited parts of the Zodiac Aerospace Group's activities. However, to manage these risks, the Zodiac Aerospace Group has set up and continues to deploy mechanisms (such as a Business Continuity Plan, commodity management, etc.) that are used to anticipate and mitigate these risks.

D. Contractual risks

Each year, the Group's different entities sign numerous contracts. Whether it concerns new contracts or renewal of contracts, the clauses proposed by our customers may be too binding in terms of liability limit and type, too disproportionate in terms of penalties, or even not protective enough in terms of intellectual property. Beyond purely financial concerns, the Group's reputation may be impacted.

The probability of this risk occurring is aggravated by the Group's diversified customer portfolio and strong decentralization. In return, this same portfolio diversification limits Zodiac Aerospace's dependence on each of its customers, thus offering the Group a greater capacity for negotiation.

To improve the management of this risk and limit its impact, the legal teams of the Group and of its different entities are increasingly involved and more importantly, at an increasingly early stage, in negotiations. At the same time, Group standard contracts and clauses are proposed to the different entities.

E. Industrial transfer risks

Depending on internal and external factors, Zodiac Aerospace may be compelled to partly or fully transfer activities from one Group site to another. Group procedures define the rules applicable to such transfers in order to limit the related risks (industrial, human, etc.). Feedback from major transfers is organized in order to learn from the experience and improve the control of these risks. The Group is currently revising these standards to increase focus on the preparatory phases and the organization of transfers.

F. Information system risks

Due to its mergers and acquisitions policy, the Group was and is still confronted with a large diversity of tools. The Group is therefore continuing with its deployment of compatible information systems in all its subsidiary companies as part of enhancing service to customers and improving management quality. In this context, investment is being focused on deploying a limited number of software packages within the Group. with the aim of reducing installation and usage risks, as well as minimizing the risks posed by obsolete local systems.

The increased dependence on using the same information systems throughout the Group may give rise to risks concerning data integrity and confidentiality and the potential interruption of IT services. A broad range of resources are in place to counter these risks, such as hardware redundancy, backup procedures, rebooting procedures, the management of user access rights, etc. Long periods of testing prior to the live introduction of new systems combined with continuous monitoring of a rigorous information systems policy (by the Steering Committee) are designed to ensure reliability, confidentiality, appropriate separation of tasks, and the necessary availability. However, despite such safeguards, organizational, technical or human failures could result in a loss of data, errors and/or delays prejudicial to the smooth running of the company, and therefore its financial results.

G. Risks related to information systems security

With the multiplication of communicating peripherals, the increasingly large volumes of stored and exchanged data, the increase in both the power and frequency of attacks, Zodiac Aerospace must protect itself against attempts to illegally seize its information capital, sabotage its systems or hijack its data for ransom (ransomware).

As the Group operates IT infrastructure within its offices and remotely (SaaS mode), it has strengthened its data protection policy in order to protect itself from the main threats facing all companies.

This includes increased employee awareness and recognition of this subject as a key risk, but also the implementation of suitable operating resources in terms of IT security.

This applies, for example, to user authentication and authorization, as well as securing fixed and mobile workstations, exchanges with our partners and the physical security of our data centers.

Defining and improving security processes for Group information systems are the responsibility of an Information Systems Security Manager (ISSM).

Information system security is regularly audited by both internal and external services.

H. Commodity risks

The Group has no significant direct exposure to fluctuations in the price and/or availability of commodities and energy. Any indirect exposure results primarily from the business activities pursued by its customers, which may be affected by the price per barrel of oil. This is the case with airlines, for example, and can be a source of solvency risk for them. As a result, the Group has no hedging policy in place for commodities and/or energy.

Furthermore, the Group takes measures designed to reduce its environmental footprint in order to deal with the risks of shortages, especially of water, which some of its facilities may encounter in the future.

Lastly, the Group takes measures to ensure its compliance with regulations concerning minerals from conflict zones.

I. Human resources risks

Managing human resources is a major risk for the Group. That is why it closely monitors the succession plans for the Group's key positions (in particular positions in the hierarchy between "n - 1" and "n - 3"), performs regular reviews and establishes business area and skills reference standards. It ensures that key positions are covered by at least one potential successor and consolidates all development plans for potential successors for these key positions at Group level.

In addition, the Group has introduced a management system for its community of technical experts. These experts have been identified and are recognized in order to enhance and develop their skills over the long term and to facilitate the transfer of knowledge when necessary.

J. New product development risk

The Group draws on its innovative capacity to design increasingly effective systems that address its customers' requirements, underpinned throughout by the Group's structure which focuses on monitoring technological developments.

This means that the Group is susceptible to the impact of all risks relating to the new product development process, such as delays or additional costs. These problems within the development process may also result in organizational difficulties in production.

This risk could occur despite the procedures in place within the Group.

K. Risks related to products sold

The Group may face quality issues with its products, which could lead to a recall campaign for the products involved or the loss of airworthiness certificates.

Our customers would be the first people impacted by such issues. For the Group, there would be financial repercussions (additional costs linked to modifying the products, possible investigations, etc.), as well as an impact on the Group's reputation.

In order to manage this risk, the Quality teams within the entities have strengthened their monitoring procedures.

The Group's Quality Department is rolling out various tools to help local teams with this monitoring, for example, by developing training modules on key subjects or by adding to the standards.

The Zodiac Aerospace Group is exposed to the risk of warranty actions filed by customers and consumers, and has made reasonable allowances for such risks (see Note 22 to the consolidated financial statements). The Zodiac Aerospace Group has civil liability insurance to cover any instances of defective products that might cause damage to third parties (see section on insurance below).

The Group was and could be liable for penalty payments where delivery lead times are not met.

L. Ethics risk

Due to its international presence and its business sectors, the Group is subject to the national legislation of different countries and international standards governing anti-corruption, as well as business ethics in general.

In the first half of 2017, the Group defined and implemented an action plan in order to comply with the new French regulations concerning corruption.

Conduct by Group employees which is contrary to the Group's ethical rules or which violates applicable laws and regulations could expose Zodiac Aerospace to criminal and civil sanctions and affect its reputation or its shareholder value.

The Group's Code of Ethics applies to all employees and formalizes the Group's commitments in terms of integrity and compliance with applicable legal requirements.

A worldwide training program for employees exposed to these risks has been introduced in previous years. In connection with recent regulatory changes, the Group plans to update the training modules and redeploy them starting from end 2017.

To meet these regulatory requirements linked to the prevention of corruption and more generally, to business ethics, and to address the complexity arising from extraterritoriality and the numerous regulatory changes in the different countries where the Group operates, Zodiac Aerospace continued to strengthen its compliance program in fiscal year 2016/2017. This resulted in the creation during 2017 of an Ethics and Compliance Committee, organized around five core functions (Human Resources, Legal, Ethics, Finance and Risk Management). The Committee is tasked with:

- ensuring compliance with the fundamental principles in the area of ethics, corruption, respect of human rights, business rights;
- ensuring regulatory watch updates;
- representing Zodiac Aerospace during discussions relating to regulatory changes with a potentially strong impact on the Group;
- supervising the proper recognition and implementation of regulations;
- ensuring the transmission and processing of any report of conduct that does not comply with internal and external rules.

M. Fraud risks

Direct or indirect fraud attempts (fraud regarding the chairman, identity theft or change of supplier bank account details, etc.) are increasingly frequent. For several years now, Zodiac Aerospace has been rolling out targeted training courses and regularly carries out awareness campaigns for all its employees. Nevertheless, Zodiac Aerospace cannot guarantee a total absence of risk.

N. Industrial risks relating to safety and the environment

The Group has continued its actions to improve industrial risk management and protect its property.

1. Damage to goods and operating losses

a. Partnership with insurance company

For many years, to safeguard its future, the Group has conducted an industrial risk management policy. Its priorities are to improve fire protection on its sites by acting on the engineers' inspection reports submitted by our insurance company, FM Insurance, and to deploy a business continuity plan.

Twenty-eight production units were classified as HPR (Highly Protected Risk) sites in 2016/2017, representing one-third of Group sites. This is our insurer's own classification. It is based on the identification and measurement of sites visited. The scope changes annually, modifying the data year-on-year.

A risk matrix drafted per site, based on visit reports by engineers employed by the insurance company who are specialists in risk management, contributes to improving protection of sites against fire and natural disasters and to the deployment of a business continuity plan at all "sensitive" sites.

This risk matrix includes the classification established by our insurer's local engineers and is used to evaluate the level of the risk relating to the site. It also helps identify sites that are sensitive to climate change and therefore exposed to risks related to climate change.

The Group has identified: :

- three sites which have significant potential exposure to rising water levels;
- three sites which are potentially exposed to increased risk of tornadoes.

RISK CLASSIFICATION

Classification	August 2013	August 2014	August 2015	August 2016	August 2017
A(1)	21	26	27	27	28
B(2)	13	15	15	19	20
C(2)	38	39	42	42	44
D(3)	5	4	4	3	1
E(4)	0	0	0	0	0
TOTAL SITES	77	84	88	91	93

(1) A: HPR (Highly Protected Risk).
(2) B and C: low risk.
(3) D: medium risk.
(4) E: high risk.

The number of sites included has increased from 77 sites at the end of fiscal year 2012/2013 to 93 sites this fiscal year.

For several fiscal years now, no site has been classified E. The last site classified D implemented an action plan that should guarantee positive changes in upcoming months.

The sites continue their actions to maintain a good protection level in order to achieve the goal set by the Group, namely 100% of sites classified between A and C

b. Business continuity plan

Although the production and/or assembly of the Group's products are located at various sites around the world, the Group ensures the ongoing management of business continuity plans (BCP) in order to minimize the risks posed by accidental interruption of production at any of its sites. More than twenty production units have a BCP.

The Group continues to deploy its plans. In particular, these BCPs are designed to identify the risks and methods for restarting internal and sub-contracted production activities in the event of a major disaster at one of its sites.

2. Environmental risks

Audits are carried out at the sites and a Group standard will allow conditions for the storage of hazardous products to be established and define the means of protection and intervention in the event of accidental pollution. Specific management is launched whenever there is suspicion of past pollution.

The Group complies with current regulations when suspending or significantly modifying its business activities. The Group is not subject to compulsory financial guarantees for its French sites.

A network of environmental experts present in most of sites ensures quantitative and qualitative monitoring of waste. In order to limit the landfilling of waste, the sites implement solutions to encourage recycling and recovery businesses. These two indicators are monitored at Group level.

Sites with ISO 14001 certification track all the approvals of waste management service providers and for other sites, awareness-raising measures are being implemented.

Each site complies with national waste treatment regulations.

The Group has also implemented a system to monitor the regulations for the use of chemical products at its sites. This also helps to prevent obsolescence and comply with the marketing conditions of these products.

Constantly, the Group tracks the prohibition and obsolescence of chemical products. It has instituted several standards in this respect.

3. Risks related to the transportation of hazardous goods

The Group is subject to different regulations relating to the transport of dangerous goods (international, European and national regulations). A Group standard has been set up to harmonize practices and ensure that the entities comply with all applicable regulations.

O. Legal - litigation risks

1. Industrial property

The Group invests heavily in research and innovation to strengthen its competitiveness in its historical markets and to develop in new niche markets.

Manufacturing and design procedures are drawn up by the research and development teams and are protected by patents in preparation for the Group's positioning in future programs.

The Group's business does not depend on third-party patents.

The Technical and Innovation Department ensures the governance and coordination of innovation through a Group Scientific and Technical Council.

2. Litigation

There are no exceptional events and instances of litigation other than those referred to in Note 24.2 to the consolidated financial statements.

During the last 12 months, there were no other governmental, judicial or arbitration proceedings, including any proceedings of which the Group was aware, that were adjourned or threatened, and which had, or posed the potential to have, any significant effect on the financial position or profitability of the Group other than that reflected in the financial statements or referred to in the notes to the financial statements.

3. FINANCIAL AND MARKET RISKS

A. Counterparty risk management

The following transactions have the potential to pose a counterparty risk for the Group:

1. Derivatives

The Group conducts transactions in these instruments for the sole purpose of reducing its overall exposure to exchange rate and interest rate risks arising as a result of its current business operations.

These transactions are limited to organized markets and OTC transactions with leading operators.

Details of the risks relating to exchange rates, interest rates and associated instruments are given in Note 2 to the consolidated financial statements.

2. Temporary financial investments

Given its financial position, any cash surpluses held by the Group are short-term; any such surpluses are invested in top-quality, extremely short-term monetary instruments and traded with leading banks.

3. Trade receivables

At August 31, 2017, the Group had not identified any significant counterparty risk remaining unprovisioned in its financial statements. The variety and multiplicity of the Group's marketing networks limit both the risk and likelihood of customer receivables having a major impact on its consolidated financial statements. The category of customers with the potential to pose a more significant risk is that of airlines, which are specifically monitored in terms of their consolidated indebtedness using a process; this could lead to the suspension of supplies until the risk can be minimized by obtaining payment guarantees and/or through debt collection (see Note 2 to the consolidated financial statements).

B. Liquidity risk management

Group financial management is centralized and, where legislation permits, all cash surpluses and capital requirements of the Group companies are invested in, or funded by, the parent company. See Note 21 "Financial liabilities" in the financial statements.

The central cash management team provides the Group with the ability to meet its financial commitments by maintaining a level of cash, cash equivalents and confirmed credit facilities compatible with its needs.

Details of the maturity dates of the hedging instruments used and available sources of funding are given in Notes 21.1 and 21.2 to the consolidated financial statements.

The Group reduced its financing risk by introducing the following mechanisms in March 2016:

- an open-ended hybrid instrument for a total of €250 million;
- and a Euro PP of €230 million over a period of seven years, maturing in March 2023.

The Group also has a €1.03 billion Club Deal, signed on March 14, 2014, giving it access to additional liquidity when necessary. This funding, for an initial period of five years, may be extended for an additional year at the request of Zodiac Aerospace during each of the two years following its set-up. This contractual facility was exercised in March 2015 and March 2016. These two extensions were accepted by all the banks participating in the Club Deal. The initial maturity of March 14, 2019 was therefore extended to March 11, 2021.

After repaying the first maturity of the Schuldschein loan in July 2013, for an amount of €133 million in July 2016, the Group had an amount of €402 million under this financing:

- €243 million maturing in 2018;
- €159 million maturing in 2020.

In June 2017, the Group renegotiated the covenant applicable to all these loans. The agreement was obtained for nearly all the loans. Only the €27 million held by the Schuldschein investors was refused. The Group therefore arranged the early repayment of these amounts by withdrawals from a credit facility set up for this purpose.

This credit facility, arranged on June 7, 2017, matures on December 31, 2018 and is subject to the same covenant as the Group's other loans.

The total amount of the Schuldschein of July 2013 is therefore €375 million after early repayment, broken down into two tranches::

- €221 million maturing in 2018;
- €154 million maturing in 2020.

The covenant threshold on all the loans should now be less than or equal to:

- 3.50 at August 31, 2017 and August 31, 2018;
- 3.25 at August 31, 2019;
- 3.00 at August 31, 2020 and thereafter.

C. Tax risks

Due to its presence in numerous countries, the Zodiac Aerospace Group is subject to a variety of national tax legislations. Given that the tax laws and regulations applicable in the different countries where the Group carries out its activities do not always provide clear or definitive guidelines, the tax treatment applied to the Group's structures and operations is based on its interpretation of the applicable tax laws and regulations. Zodiac Aerospace cannot guarantee that these interpretations will not be challenged by the competent tax authorities or that the laws and regulations applicable in some of these countries will not be subject to changes, fluctuating interpretations or contradictory applications. However, to date, there is no indication of any tax risks likely to generate significant financial impacts.

INSURANCE AND RISK COVERAGE

The Group's policy on insurance is to protect its assets against risks that could adversely affect its business. In addition to transferring risks to insurers, the Zodiac Aerospace Group also applies a protection and prevention policy.

1. Integrated worldwide programs

The Group has put in place a global program with leading insurers to cover its main risks, specifically property damage and consequential operating losses, and public liability.

- **Damage to property and operating losses**

Under a policy underwritten by FM Insurance, the Group has cover for fire, explosion and other risks of damage to property and consequential operating losses of up to €300 million per claim, per year, or for all industrial and warehousing site claims combined per year.

This cover was calculated using an assumed maximum level of risk, in agreement with the insurance company and its appraisers. There are lower thresholds for other types of more specific or localized claims, such as earthquakes in some regions with Group sites, as defined above.

This cover factors in the protective measures in place on Group sites, which are subject to Prevention Engineering inspections conducted by the specialist services of FM Insurance.

- **Public liability**

All Group subsidiaries are included in a worldwide public liability insurance program that covers their operating liability and the liability arising from the products they manufacture, via two policies: one is specific to the aerospace businesses and one to other Group businesses.

Cover is based on quantification of the risks that the Group can reasonably be expected to incur as a result of its business activities. The Group also holds liability insurance cover for its directors and officers under the terms of a special insurance policy contracted for the purpose.

- **Transportation**

The Group's transport insurance covers damage to goods transported irrespective of the mode of transport: by sea, land or air, worldwide.

This program covers transport risks to €4 million per event.

2. Local insurance policies

For more specific risks, each Group company takes out its own insurance policies locally to cover its own needs.

Shareholder's Information

A STOCK MARKET YEAR MARKED BY THE COMBINATION WITH SAFRAN

In fiscal year 2016/2017, the stock market performance of the Zodiac Aerospace share was primarily linked to the contemplated business combination transaction between Safran and Zodiac Aerospace announced on January 19, 2017. Prior to this announcement, the stock market price had increased from €20 to €23 from September 2016 to January 2017. In May 2017, Safran and Zodiac Aerospace announced a revised offer, taking into account in particular, the slower than anticipated absorption of delivery delays. Under the revised plan, a primary takeover bid in cash will be launched at a price of €25 per Zodiac Aerospace share. According to the timetable for this business combination transaction, authorizations from the different country competition authorities should be obtained by the end of the 2017 calendar year, to allow the launch of the public tender offer and a settlement-delivery at the beginning of 2018. This announcement had an impact on the stock market price, which gradually moved towards €25 and settled at €24.31 at August 31, 2017.

€0.28
reported net earnings per share excluding IFRS 3.

€24.31
share closing price at August 31, 2017.

COMMUNICATION WITH SHAREHOLDERS

On the website www.zodiacaerospace.com, shareholders have a dedicated page which gives them access to the agenda of financial publications for the fiscal year as well as preparatory documents for the General Meeting of Shareholders, with the possibility of downloading the documents. The results of votes, published after the General Meeting, and the ex-dividend and payment dates are also published. This page also allows access to the stock price, press releases and all regulated reporting.

On the website, shareholders may consult information about the Group and its strategy, positioning, commitment to sustainable development and product offering via a comprehensive, illustrated directory of its systems and products. The Group also communicates news through social networks (twitter @ZodiacAerospace, Facebook, LinkedIn, Pinterest, etc.).

For the publication of half-year and annual results, quarterly revenue, as well as for the General Meeting, an audio webcast allows live access or replays of the presentations.

The link is posted on the website, from which the presentation material and the press release (in French and/or in English) can also be downloaded.

SHARE CAPITAL AND SHAREHOLDING

At August 31, 2017, Zodiac Aerospace's share capital stood at €11,707,670.76 divided into 292,691,769 shares.

The Company's bylaws allow double voting rights to the shares that are held in registered form for more than four years. At August 31, 2017, voting rights amounted to 378,514,134 gross votes and 365,866,438 net votes, in other words, restated for the 12,647,696 treasury shares held by the Company.

CONTACTS US

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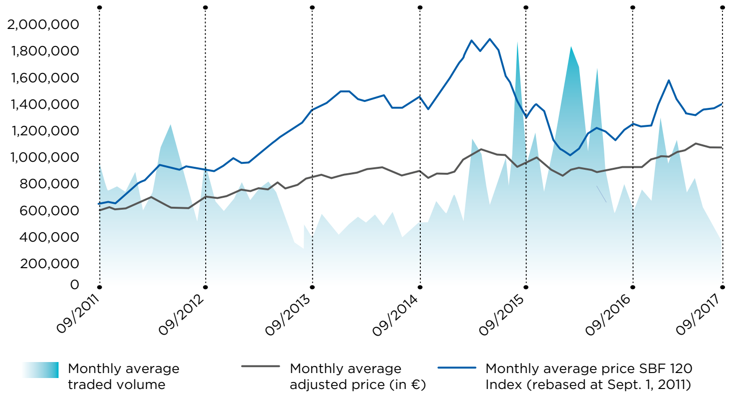
By e-mail
actionnaires@zodiacaerospace.com

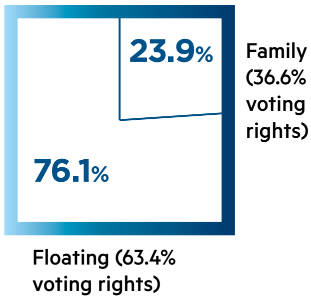
2012-2017

ZODIAC AEROSPACE SHARE TREND



BREAKDOWN OF CAPITAL

At August 31, 2017



	Fiscal year 2012/2013	Fiscal year 2013/2014	Fiscal year 2014/2015	Fiscal year 2015/2016	Fiscal year 2016/2017
HIGH/LOW (CLOSING PRICE) IN EUROS					
High	22.46	26.90	35.73	28.20	**28.70**
Low	14.75	21.40	22.43	14.48	**20.05**
Price at August 31	21.91	24.83	27.11	20.40	**24.31**
Number of shares at August 31	285,628,640	288,434,325	289,404,257	290,072,433	**292,691,769**
Market capitalization in €K at August 31	6,258,124	7,161,824	7,829,425	5,917,477	**7,115,337**
AVERAGE DAILY TRADED VOLUME					
Shares	637,970	476,271	727,521	1,228,730	**759,977**
Capital in €K	11,321.51	11,738.77	21,138.47	25,274.53	**18,037.95**

Source: NYSE-Euronext Paris.

Zodiac Aerospace shares are listed on Euronext Paris. Zodiac Aerospace is part of the Euronext CAC NEXT 20 index, which comprises the 20 biggest companies in terms of free-float market capitalization after those of the CAC 40.

Zodiac Aerospace shares are also included in a number of all-share market indices: Euronext 100, CAC Aerospace & Defense, CAC Industrials, CAC Large 60, Dow Jones Euro Stoxx, Dow Jones Euro Stoxx Industrial, Dow Jones Global Industrials, Dow Jones Stoxx 600, Euronext Next 150, SBF 250, SBF 120, and SBF 80.

Furthermore, for the second consecutive year, Zodiac Aerospace is listed in the FTSE4Good index in recognition of its commitment in the area of social and environmental responsibility.

Zodiac Aerospace shares are eligible for the Deferred Settlement Service (SRD – Service de règlement différé) and employee savings plan (PEA).

In the ICB [1] classification system, the shares are listed under Supersector 2700 – Industrial Goods & Services – and Sector 2710 – Aerospace & Defense.

- Euronext/ISIN code: FR0000125684
- Ticker symbol: ZC.

(1) Industry Classification Benchmark.

STOCK OPTIONS

For many years, Zodiac Aerospace has allocated stock options to its corporate officers and employees in France and abroad as an incentive, and to reward them for their loyalty to the Group by giving them the opportunity to gain from increases in the Zodiac Aerospace share price over the long term. The Supervisory Board has granted prior authorization for any stock option plan within the overall terms approved by the General Meeting of Shareholders.

The stock option plans still in force expire after a period of eight years. The stock options were granted without discount at 100% of the market value and can be exercised in tranches:

- under the arrangements for annual stock option awards, half the options are granted on each anniversary of the grant date;
- options granted to Restricted Executive Committee members under four-year plans may be exercised in quarters on each anniversary of the grant date.

This exercise period may differ for options allocated to new members of the Restricted Executive Committee between two separate four-year periods.

The Mixed General Meeting of January 14, 2016 approved the early termination of the authorization granted to the Executive Board by the Mixed General Meeting of January 8, 2014 to grant options to subscribe for or purchase Company shares to eligible Company or Group employees and corporate officers. As a result, no stock options have been granted since that date.

ALLOCATION OF FREE SHARES

On May 12, 2017 the Executive Board allocated 703,940 free shares under the annual plan. These allocations were granted under the authorizations given by the General Meeting of Shareholders on January 14, 2016.

Under this plan, a performance condition is applied to 50% of the shares allocated to non-members of the Restricted Executive Committee, and to 100% of the shares granted to Restricted Executive Committee members and corporate officers.

SHARES HELD BY CORPORATE OFFICERS

	Number of registered shares held at Aug. 31, 2017
Executive Board members	
Yann Delabrière	0
Didier Fontaine	0
Maurice Pinault	2,423,941
Supervisory Board members	
Didier Domange	1,124,127
Louis Desanges	2,833,339
Élisabeth Domange	4,337,817
Gilberte Lombard	2,500
FFP Invest	15,113,464
Vincent Gerondeau, including joint holdings	3,850,088
Laure Hauseux	2,500
Patrick Daher	1,007
Estelle Brachlianoff	500
Fonds Stratégique de Participation (FSP)	10,817,885
Fidoma	24,427,608

SHAREHOLDER AGREEMENTS

It should be noted that some shareholders are bound by a collective agreement to retain their shares, concluded pursuant to Articles 787 B and 885 I *bis* of the French General Tax Code, registered on June 20, 2016 with the French Tax authorities. This collective agreement runs for a period of two years and may be tacitly renewed for 12-month periods (unless terminated by one of the parties).

As at August 31, 2017, shares subject to the above-mentioned agreements represented approximately 23% of the capital and 34% of total voting rights attached to the shares issued by Zodiac Aerospace.

Also as at that date, shareholders who were corporate officers or held over 5% of the capital or voting rights and had signed the aforementioned agreements were: the Louis Desanges family, the Didier Domange family, the Vincent Gerondeau family, and the Maurice Pinault family.

It should be noted that some shareholders are bound by a collective agreement to retain their shares, concluded pursuant to Article 885 I *bis* of the French General Tax Code, registered on December 21, 2005 with the French Tax authorities. This collective agreement runs for a period of six years as from that date and may be tacitly renewed for 12-month periods (unless terminated by one of the parties). This agreement is still in effect. It also grants the signatories a mutual right of first refusal on the locked-up shares.

Some shareholders also entered into a non-transferability agreement on June 18, 2012 to further consolidate their collective lock-up agreements under specific tax regimes.

This agreement was for an initial period of one year and may be tacitly renewed for 12-month periods. The agreement is still in effect. By way of exception, the non-transfer agreement provides for an option to transfer 10% of the shares locked up by each signatory, on condition that the aggregate number of shares under the agreement does not represent less than 20% of Zodiac Aerospace share capital and voting rights.

Furthermore, in connection with the contemplated business combination transaction with Safran, some shareholders who signed the aforesaid collective commitment to retain their shares on June 20, 2016, concluded with Safran on June 13, 2017:

- a commitment to freeze and tender to the takeover bid announced by Safran on the Zodiac Aerospace shares, under which these shareholders agree to freeze trading on their Zodiac Aerospace shares, then to tender all or part of them to the takeover bid, representing a total of 18.62% of the capital of Zodiac Aerospace; and
- a residual interest commitment, under which Safran and the signatory shareholders have committed to mutually-binding purchase and sale agreements for securities representing a total of 4.76% of the capital of de Zodiac Aerospace.(1)

POTENTIAL NUMBER OF SHARES AT AUGUST 31, 2017

The following table shows the theoretical total number of shares following issue of all those new shares that would be created if all stock options were exercised.

THEORETICAL CHANGE IN THE TOTAL NUMBER OF SHARES	Shares outstanding (excl. treasury stock)	Maximum potential number of shares
Ordinary shares issued at August 31, 2017	280,044,073	292,691,769
Stock options	1,727,983	1,727,983
Allotment of free shares	1,560,774	1,560,774
MAXIMUM TOTAL NUMBER OF SHARES	**283,332,830**	**295,980,526**

SHARE BUYBACK PROGRAM

At the General Meeting of January 19, 2017, the shareholders renewed the authorization previously granted to the Executive Board, acting under the terms of Articles L. 225-209 *et seq.* of the French Commercial Code, to buy back ordinary shares of the Company up to a maximum of 10% of the total number of shares constituting its capital stock on the date of purchase. This authorization was granted for a period of 18 months, expiring on July 19, 2018.

In accordance with the provisions of Article L.225-209, paragraph 2 of the French Commercial Code, the Executive Board reports that during the 2016/2017 fiscal year, the Company did not exercise the authorization granted by shareholders at the General Meeting of January 19, 2017.

The Company exercised the authorization granted by the General Meeting of January 8, 2008, and between February and September 2008 acquired shares with the eventual aim of using them in the form of share swaps, payments or other means of transaction for potential future acquisitions. The total number of shares held for this purpose at August 31, 2016 was 12,811,222 shares. On February 12 and June 5, 2017, 163,526 of those shares were withdrawn and granted to Group employees for the vesting of the free shares that had been granted to them. Consequently, the number of treasury shares at August 31, 2017 was reduced to 12,647,696, corresponding to 4.32% of capital on that date.

(1) The main terms of these commitments and the identity of the signatories can be found in the AMF's publication D&I 217C1251 dated June 16, 2017..

Principal Provisions of the Company Articles of Association

Company name

Zodiac Aerospace

Registered office

61 rue Pierre Curie
78370 Plaisir - France

Legal form, nationality and governing law

French société anonyme (Joint Stock Company) with an Executive Board and a Supervisory Board, subject to current and future French legal and regulatory provisions.

Date of incorporation and duration

The Company was created in 1908.

The term of the Company will expire on March 12, 2033, unless the Company is dissolved prior to that date or its term is extended.

Trade and companies register

729 800 821 RCS Versailles
NAF code: 7010Z

Fiscal year

September 1 to August 31.

Corporate purpose (Article 3 of the Articles of Association)

- The design, construction, sale, purchase, lease and representation of all maritime and aerial navigation equipment of all kinds and all materials..
- The design, construction, sale, purchase, hire and representation of all objects, whether or not made of rubber and in particular but not limited to: pneumatic watercraft and equipment; balloons and other airborne devices; sports and camping gear; protective and other clothing; storage equipment; tents and hangars, whether pneumatic or not.
- The purchase, sale and operation of all patents for inventions concerning the objects mentioned in paragraphs 1 and 2 of this Article; the purchase, sale and operation of all licenses related to them; and the design, refinement and production of all structures and equipment and production of all industrial structures, equipment and facilities relating to them.
- The creation of or participation in the creation of any companies, associations, groupings or generally any industrial or financial tangible or intangible asset transactions related directly or indirectly to the aforementioned object or to any similar or connected objects or objects that could facilitate the application, production and development thereof or potentially able to strengthen the material or moral position of the Company or its subsidiaries.

Distribution of earnings (Article 44 of the Articles of Association)

Distributable earnings consist of net profit for the fiscal year, minus prior losses and those sums to be transferred to a reserve in accordance with the law and the Articles of Association, plus any retained earnings brought forward. The Annual Ordinary General Meeting has sole authority for deciding on the allocation of distributable earnings, and it may also resolve to distribute sums taken from the reserves available to it. Where this is the case, its resolution will expressly identify those reserve items from which the distribution will be made. Dividend payments will always be deducted firstly from the distributable earnings for the fiscal year.

Apart from capital reductions, no distribution may be made to shareholders at any time when the equity of the Company is or would subsequently fall below the amount of capital plus reserves that the law and the Articles of Association do not allow to be distributed.

CORPORATE GOVERNANCE

Executive Board (Articles 15 to 17 of the Articles of Association)

The Company is managed by an Executive Board under the oversight of a Supervisory Board; the Executive Board may have between two and seven members, all of whom must be individuals, but not necessarily Company employees or shareholders in the Company.

Executive Board members are appointed by the Supervisory Board, which appoints one of them as Chairman.

The Executive Board is appointed for a term of four years.

In respect of third parties, the Executive Board is vested with the most extensive powers to act on behalf of the Company in all circumstances. It exercises these powers within the full extent of the corporate purpose, and subject to those expressly granted by law to the Supervisory Board and Shareholders' Meetings.

The Chairman of the Executive Board represents the Company in its dealings with third parties.

Supervisory Board (Articles 18 to 24 of the Articles of Association)

The Supervisory Board comprises at least three and at most twelve members who are appointed and may be dismissed by the Ordinary General Meeting as well as the member of the Supervisory Board representing the employees. The latter is not included when determining the number of Supervisory Board members. When the number of Supervisory Board members is less than or equal to twelve, a member of the Supervisory Board representing the employees is elected for a four-year term by Company and subsidiary employees, in compliance with the provisions of Article L. 225-79 III paragraph 1 of the French Commercial Code.

Supervisory Board members are appointed for a term of four years.

The age limit for Supervisory Board membership is 70, and applies equally to individuals and representatives of legal entities. However, Supervisory Board members reaching this age limit may be reappointed on two occasions, each of no longer than two successive years.

All “non-employee” Supervisory Board members are required to hold 500 shares during their term in office. These shares are registered and may not be transferred until after the General Meeting called to approve the annual financial statements and discharge the outgoing or resigning Board member.

The Supervisory Board provides permanent supervision of the Executive Board’s management of the Company, and gives the Executive Board the prior authorizations required to conclude transactions for which its authorization is required.

The Supervisory Board appoints the members of the Executive Board and its Chairman. The Supervisory Board may dismiss Executive Board members and is responsible for setting their compensation

SHAREHOLDERS’ MEETINGS AND VOTING RIGHTS

Shareholders’ Meetings are convened, held and transact business as provided by law.

All shareholders may participate in the Company’s General Meetings, either in person or through an authorized representative. The right of shareholders to participate in General Meetings is subject to the registration of the shares in the name of the shareholder or the intermediary registered on behalf of the shareholder (pursuant to legal provisions) at 00:00 hours, Paris time, on the second business day preceding the General Meeting.

Any shareholder unable to attend the General Meeting personally may, pursuant to legal provisions, choose from one of the following options:

- give proxy to the Chairman of the General Meeting;
- give proxy to their spouse or partner with whom they have a civil partnership or any other person;
- vote by mail, or, where applicable and on the prior decision of the Company’s Executive Board as communicated in the Notice of Meeting, by internet.

In principle, each share entitles its holder to one vote.

However, a double voting right is attributed to all fully paid-up shares for which evidence can be shown that the share register has contained an entry in the name of the same shareholder for at least four years.

The provisions of the French Commercial Code require that this double voting right terminates as of right when a share is converted to a bearer share. The double voting right will also terminate as of right in the event of a share transfer where such transfer involves a change of ownership. Where transfers are made for the purpose of surety, usufruct or loan, the shares concerned will retain this right.

Furthermore, shares transferred by way of inheritance, liquidation of communal property by spouses or deed of gift to a spouse or parent with entitlement to inherit will also retain the double voting right.

Disclosure thresholds (Article 9 of the Articles of Association)

Any person, whether acting alone or in concert with others, who holds or may come to hold, a proportion of Company capital stock equivalent to 2% or more of the capital stock, or a multiple thereof, will be required to notify the Company of the total number of Company shares held, whether directly, indirectly or in concert with others within 15 days of reaching such threshold.

Failure to comply with this obligation and subject to a request recorded in the minutes of the General Meeting by one or more shareholders holding at least 2% of the capital stock or a multiple thereof, will result in the shares exceeding the 2% threshold which should have been disclosed being stripped of their voting right for all General Meetings of shareholders which are held for a period of two years following the date on which the failure to make the disclosure has been remedied.

Any person, acting alone or in concert, is also required to inform the Company within the above-mentioned 15-day period, if the percentage of capital they own falls below 2% of the capital or a multiple of this percentage.

Identification of shareholders (Article 9 of the Articles of Association)

The Company may, at any time, request the registrar, on payment of the corresponding fee, to provide the name, address and nationality of holders of securities conferring an immediate or deferred right to vote at its shareholder meetings, as well as the number of securities held by each holder and any restrictions that may apply to the securities concerned.

Description of provisions whose effect would be to delay, defer or prevent a change in control

The Articles of Association contain no specific provisions whose effect would be to delay, defer or prevent a change of control of the Company.

LOCATION WHERE COMPANY DOCUMENTS MAY BE CONSULTED

The following Company documents may be consulted at the Company’s Legal Department – 61 rue Pierre Curie – 78370 Plaisir – France:

- the Articles of Association;
- the annual reports;
- the parent company financial statements and consolidated financial statements of Zodiac Aerospace and other documents pursuant to Articles L. 225-115 and R. 225-83 of the French Commercial Code.

The annual reports containing the parent company financial statements and consolidated financial statements of Zodiac Aerospace may be consulted and downloaded from the website at:

www.zodiacaerospace.com.

Corporate social responsibility

Introduction

PRINCIPLES SHARED BY ALL

A signatory since 2014 of the United Nation's Global Compact, Zodiac Aerospace pursues a responsible growth strategy that respects the ten universal principles on human rights, labor standards, the environment and the fight against corruption, as well as international, national and local regulations.

The Group's Ethics Code, which is frequently updated, available in French and in English on the Intranet, and given to all new employees, brings together its teams, worldwide, around the common ethical principles that have shaped its culture. The Code contains a specific chapter dedicated to the fight against conflicts of interest and corruption, and a code of stock trading ethics. These provisions are supplemented by the *Leadership model* and the special procedures for buyers. Through its responsible buying policy, the Group shares its ethical requirements with its direct partners, suppliers and sub-contractors.

ENHANCED ETHICAL COMMITMENTS

Work is currently ongoing to update the Ethics Code, and in particular, to strengthen the Group's commitments towards its stakeholders, employees and partners (in order, for instance, to promote equality and diversity, fight against anti-competition practices or prevent influence peddling), and its corporate, societal and environmental commitments. An Ethics and Compliance Committee was created in 2017. The Committee has defined a roadmap validated in July by the Executive Committee, and which focuses on five themes: human rights and the duty of care, the protection of personal data, the fight against corruption, competition, and export control.

6TH EDITION OF THE JEAN-LOUIS GERONDEAU/ZODIAC AEROSPACE AWARD

The prize was awarded in 2017 to three projects in the fields of cybersecurity (Seald), scientific teaching (Vittascience) and healthcare (Zeta).

COMMUNITY OUTREACH INITIATIVES

Although the Group gives its entities the freedom to choose their local partnership and philanthropy actions, it still checks the compliance of their initiatives with its ethical rules and the possibility of implementing them in the long term. These initiatives mainly concern educational and cultural projects, support to people in difficulty, and sports and charity-related philanthropy.

To be more effective, Zodiac Aerospace has chosen to focus its Group actions on support to the initiatives of the *Association Petits Princes* and, through the Jean-Louis Gerondeau/Zodiac Aerospace Award created jointly with the Ecole Polytechnique, on innovative projects proposed by teams from the university's entrepreneurial ecosystem. A number of the businesses thus created since 2012, such as Ynsect, Rythm, Wandercraft, Cardiologs or Foressea Robotics, continue to grow in the nutrition, healthcare and robotics sectors.

A PARTNER COMMITTED TO PETITS PRINCES

Since 2003, Zodiac Aerospace has contributed financial and material support to the initiatives of *Petits Princes*, a charity that makes dreams come true for very sick children.

In 2017, Mouniré and Alexis were able to swim with dolphins in Antibes, Nathan went to Japan and Coralie took a flight in a hot-air balloon. The Group also contributed to the *Atelier Savane* project of the Hôpital Trousseau in Paris, which offers young patients the opportunity to discover wildlife in Africa. Furthermore, at the Paris Air Show, it gave two teenagers the opportunity to watch flight demonstrations, meet aviation professionals in the Aircraft Careers

pavilion and even take a shot at flying on the French Air Force flight simulator under the guidance of an instructor.

4 Group values:
humility, realism, entrepreneurial spirit and respect.

4 common ethical principles
of integrity, honesty, equity and protection.

TWICE AS MANY EXPERTS AS IN 2013

The Group continues to invest in its skills in all technological fields. In 2017, it launched a new call for the appointment of experts. Goals: define solutions today and anticipate future needs. This community of technical experts, divided into four levels according to their level of expertise, consisted of 209 members in 2016 (115 in 2013), with most of them assigned to design analysis, airworthiness and systems.

MOBILITY
80%
of positions of responsibility filled internally since 2017.

CHANGE MANAGEMENT
153
change agents and leaders trained in the Group.

PROGRAM MANAGEMENT
More than 250
people (out of the 500 concerned) trained in at least one of the modules from April to October 2017.

ANNUAL ASSESSMENT REVIEWS
92%
of executives finalized their electronic form online, in Zephir.

ZODIAC AEROSPACE JOBS REPOSITORY
174
generic jobs grouped into 9 Job Functions and 54 sub-Job families.

HR MOMENTUM FOCUSED ON TALENTS

The Human Resource (HR) teams work closely on the ground to meet a dual challenge: to assist the Group's transformation and to offer its employees professional paths that are both diversified and rewarding for them and for the company. For instance, in September 2016, the teams rolled out the Zephir HR information system which compiles all employee-related data on one system: jobs repository, individual profiles, professional development plans, annual assessment reviews. It also hosts the mobility portal which identifies internal and external job vacancies posted by the Group's different businesses.

With Zephir, employees can manage their individual profile and express their growth wishes in the company in order to organize their professional path together with their manager and the HR teams. Together, the Group's talents, HR departments and management track the business trends and prepare the leaders of tomorrow by adapting professional paths and training to the potential of each one.

With Zephir, the managers and HR can also track and project the workforce and organizations of operational entities in order to better anticipate resource and mobility needs.

TRAINING, A TRANSFORMATION AND PERFORMANCE DRIVER

Since 2016, several workshops have been organized in the Group to facilitate the sharing of methodology and tools around change management and to train change agents and leaders who implement the Group's transformation on the ground. In 2017, as part of the Focus plan the HR teams also rolled out Group training on program management, one of the key challenges for the Group's transformation. In addition to a general module on the basics and leadership, this training course includes specialized modules (scheduling, costs, risk management, contracts, etc.) with case studies. The course comes with a mobile application which allows participants to continue learning even after sessions.

HEALTH, SAFETY, ENVIRONMENT: AN UPDATED GROUP POLICY, MORE INVOLVED MANAGERS

Since 2014, the Group's Health, Safety, Environment policy (HSE) is the formal expression of the Group's commitment to strengthen its actions to improve health and occupational safety and limit its environmental impact.

Signed by Yann Delabrière, Chairman of the Executive Board, it was updated in September 2017. It emphasizes, in particular, the greater involvement of all Group managers and the need for all its employees to comply with the 10 basic HSE rules adopted in August to improve protection and safety. It also reasserts the Group's environmental goals: reduce water and energy consumptions, recycle waste, promote ecodesign, replace dangerous materials. The reduction of greenhouse gas emissions (GHG), a major focus of the environmental policy, is monitored through the carbon footprint report which, for the first time, includes Zodiac Seats emissions linked to scope 3 (1).

BETTER ORGANIZED, MORE EFFECTIVE

The merger of the Environment department and Health, Safety and Industrial Risks department at the end of 2016 resulted in a new organizational structure for the Group. Goals: facilitate synergies, optimize HSE tools and their use, strengthen the Group's support to entities and improve exchanges through a network linking more than 80 HSE experts. After consulting some fifty HSE managers, two work priorities were adopted: strengthen communication between the Group and the sites, improve the visibility of the HSE function.

BETTER STRUCTURED, BETTER SHARED HSE ACTIONS

The first actions to improve safety have been launched, such as the monthly sharing of KPIs between all entities to disseminate the results of the Group, branches and divisions and supply the site or BU directors with a simple and clear tool that allows them to situate and challenge their performances. Other actions are under way: for example, revising the HSE function's positioning within the entities' structural organization, or rolling out vision-conference training/information sessions. A well-established practice in the United States, these allows HSE managers to come together to share their operating methods and best operational practices (for example, use and maintenance of presses).

The Group also continues to rollout its hazardous materials replacement plan to reduce the impact on its employees and environment as well as tools to improve handling of chemical products. Regularly updated and accessible to teams in the Quick-SDS (2) and Sitehawk (3) bases, the SDS (4) sheets contain information on each chemical product and its suppliers. In addition to this, any new chemical product entry requires a standard approval process validated by the local HSE managers and a decision help tool is available to ensure the product's compatibility with the Group's criteria and the requirements of the REACH regulation (5).

44
production sites that are ISO 14001 certified.

1st
site to be ISO 14001 certified under the 2015 version for La Courneuve.

27
production sites benefit from crossed internal audits.

every 3 years
renewal of the training of the employees of ISO 14001 certified sites.

5,274 SDS (4)
for chemical products in France, Tunisia and Morocco.

8,000 SDS (4)
for chemical products in North America.

(1) Indirect emissions produced by product suppliers and users.
(2) In France, Tunisia and Morocco.
(3) In North America, the United Kingdom, the United Arab Emirates and in Singapore.
(4) Safety data sheets.
(5) European Regulation on the registration, evaluation, authorization and restriction of chemical substances.

EMAS SYSTEM

At the Logan facility in New Jersey, the cement for the components of the EMAS [1] is cast in a mold. Using hammers to break the mold entailed risks (loss of hearing, reduced attention, etc.): the hammers have therefore been replaced by automatic keys which improve the safety of operators and ergonomics.

HEALTH-SAFETY: ENHANCED VIGILANCE, CONTINUOUS IMPROVEMENT

Mobilization is still very strong on the ground and safety results keep on improving. The number of work-related injuries with days off (333 injuries) has dropped by 10% compared to 2015/2016 and the detection of potentially dangerous situations and near injuries has increased by 7%.

Procedures for reporting potentially dangerous situations and near injuries have been set up in most entities. Some sites, such as Niort and Plaisir, have launched “risk hunts” to raise the awareness of their employees and make them more active participants in their own safety. The opportunity to strengthen dialog and the safety culture.

Plans to improve the ergonomics of workstations have also raised strong mobilization. During the fiscal year, 152 people were trained by the Group’s Safety & Ergonomics expert and 11 sites conducted ergonomics projects with the support of the expert.

ENVIRONMENT: A COLLECTIVE MOMENTUM CONDUCIVE TO PROGRESS

Selective sorting, modification of production processes and equipment, analysis of consumptions and related wastes: there are numerous initiatives to reduce and reclaim wastes. Emphasis is also placed on reducing energy consumption and GHG emissions by implementing the widespread use of LED light bulbs, improving insulation or again replacing inefficient equipment (air-conditioning units of the Cwmbran facility, Bellingham’s compressors and extraction systems for example).

A WELCOME REVOLUTION™ FOR THE ENVIRONMENT

Developed by Zodiac Water & Waste, the Revolution™ lavatory combines lightness (-3 kg compared to classic lavatories), efficiency (-30% of water consumption) and recyclability of 70% to 75% of its components.

16,452
potentially dangerous situations or near injuries reported.

70%
of reports processed within five business days.

41
entities OHSAS 18001 certified including Loches and Dubai in 2016/2017.

(1) Engineered Materials Arrestor System.

Entities continued their efforts to replace chemical products. For example, Zodiac Aero Evacuation Systems developed a patented method for assembling part of the inflatable life rafts without glue, by hot gas welding (heat sealing) and by radio frequencies (impermeability). A process which reduces the exposure of workers to chemical products and atmospheric emissions.

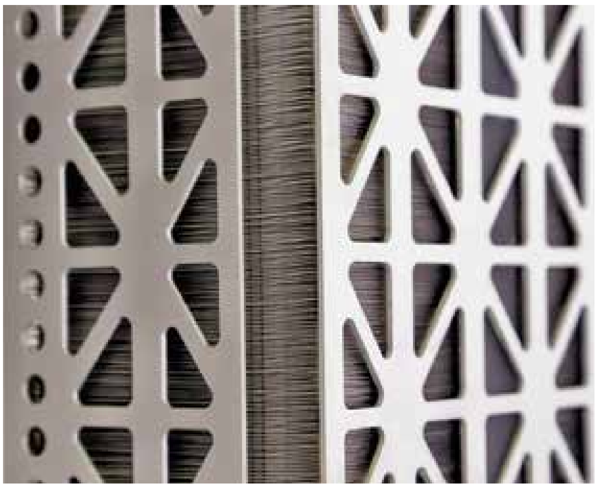
The application of ecodesign in new product designs is developing with, for example, the Revolution™ lavatory or the container developed by Zodiac Aircargo: its 51 kg (37% less than traditional containers) will help to reduce fuel consumption.

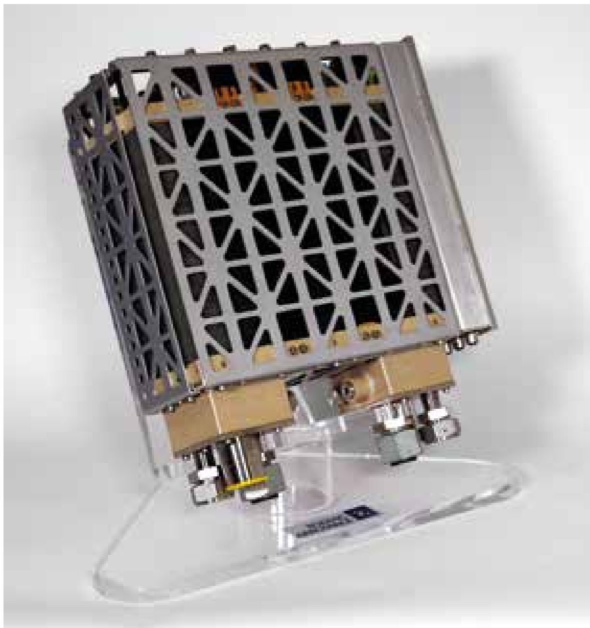
REACH:
ANTICIPATING CHANGES

Experience sharing, tests, monitoring achievements in the aviation industry through GIFAS [1] and IAEG [2], opening of a ZEN community involving purchasing, quality and sales teams: a task force is anticipating the future ban on the use of chromates under the REACH regulation. Used in surface treatments, chromates enhance anti-corrosion strength.

FC: FIRST KWH DELIVERED

Source of «clean» energy, the fuel cell (FC) produces electricity, water, heat, and oxygen-depleted air from hydrogen and oxygen. It can be used as an auxiliary or back-up energy source to power, for example, a galley or replace a RAT [3]. With the CEA, which contributes its expertise on the core section of the cell, the Zodiac Aerospace teams have adapted the FC to constraints linked to mass and aviation safety. The FC utilization test laboratories in





Plaisir have tested and validated the equipment and sub-assemblies of the system which delivered its first kilowatt hours at the end of 2016.

(1) Groupement des Industries Françaises Aéronautiques et Spatiales (French Aerospace Industries Association).
(2) International Aerospace Environmental Group.
(3) Ram Air Turbine, backup wind turbine power generator.

Ethical and Social Responsibility Commitments

1. VALUES AND ETHICS IN THE ZODIAC AEROSPACE GROUP

Zodiac Aerospace's development has always centered on four core values, which constitute its philosophy and are the cornerstones of its growth. They are:

- **Humility**, which involves listening, understanding and learning from others. It also involves the right to make mistakes and the duty to learn from them.
- **Realism**, which requires decisions to be based solely on established facts so that the issues and challenges to be addressed can be tackled objectively.
- **Entrepreneurial spirit**, which means daring to take a risk, working hard and surpassing oneself. It also means working together, trusting oneself and being trusted by others. Entrepreneurial spirit means having a responsible attitude toward the use of company resources.
- **Respect**, which includes respect for our undertakings, our employees, our customers and our partners. It also means respect for one's own work and that of others.

The Group's Code of Ethics is a code of conduct for employees in relation to their environment. The Code is available to all Group employees on the Group's intranet and is given to each new Group employee. This Code is based on honesty, integrity, fairness and protection.

- **Honesty** includes first and foremost objectivity of information: communicating openly and transparently so that the information transmitted is relevant and objective, and ensuring that information within the organization and directed to partners is conveyed in the same way. Secondly, all Group employees are expected to behave in accordance with moral rules both internally and externally. As such, all employees must provide frank, direct answers to the questions they are asked. Sincerity and honesty must prevail at all times and in all actions.
- **Integrity** is present in all aspects of the Group's operations. It covers many areas, including respect for the laws prevailing in all the Group's host countries, respect for customers and their needs and expectations, respect for the confidentiality of operations, and respect for the rules relating to paid activities outside the Group or gifts such as those described in the Code of Ethics.
- **Fairness** primarily involves equal opportunities for all Group employees. To this end, no employee shall be subject to any discrimination. Promotion must be made purely on the basis of an employee's professional performance, and recruitment solely on a candidate's professional skills. The Group places the Zodiac Aerospace workforce at the center of its development strategy. Within Zodiac Aerospace, fairness means using and promoting to the greatest extent possible the skills network that exists in the Group to boost its competitiveness and the quality of the services it provides to customers. With regard to suppliers, the principle of fairness means offering all suppliers, partners and subcontractors opportunities for success within a framework of open competition and in a spirit of mutually beneficial cooperation. Zodiac Aerospace selects the best suppliers based on objective criteria while ensuring that they abide by the same ethical rules as Group companies and, most of all, by the laws governing labor, jobs, safety, health, environmental protection and anti-corruption.
- **Protection** means that for every project, Zodiac Aerospace personnel must keep in mind the imperatives of quality, health, safety and environmental protection. Line management must protect and respect the dignity and privacy of each employee by creating an environment where moderation and discernment prevent bullying or abuse. Managers must do all they can to ensure that the employees for whom they are responsible can flourish. Everyone must be made aware of the importance of protecting our shareholders' investments. Providing a return on investment must be our first goal so that we can improve and grow our business over the long term.

This Code of Ethics is updated on a regular basis. It was reviewed in particular to reinforce anti-corruption measures in all the Group's host countries. A new update is in process in order to make it compliant with recent regulatory changes.

In addition to the Code of Ethics, the Group has a Code of Stock Trading Ethics, which sets out the rules for trading in Zodiac Aerospace shares. It is designed to prevent the risk of breaches and insider trading. In particular, the Code notes the introduction of black-out periods preceding a financial publication, during which all transactions are prohibited.

The Group's values and Code of Ethics are also complemented by the Environment and Risk Charter and various undertakings made by the Group, such as in the area of gender equality. The Code of Ethics can be strengthened by creating specific provisions for particular groups of people. For example, particular emphasis is placed on anti-corruption awareness for managers and buyers.

In fiscal year 2014/2015, the Group launched a transformation plan called Focus in response to the problems encountered by the Seats branch. The plan ensures that various initiatives continue to be pursued within the Group. The plan's deployment continued into the 2016/2017 fiscal year, still with the intention of giving the Group a set of procedures and standards common to all Group entities (the Zodiac Aerospace Operating System). The transformation plan has its own support teams and also receives considerable support from teams in Human Resources.

2. FAIR PRACTICES

2.1. The Global Compact

The Zodiac Aerospace Group joined the United Nations Global Compact in 2014, after ascertaining the compliance of its operations.

By joining the Global Compact, Zodiac Aerospace reaffirmed its commitment to align its operations and strategies with ten universally accepted principles in the areas of human rights, labor standards, the environment and anti-corruption. The 10 Principles of the Global Compact are derived from the Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

This commitment was reconfirmed in 2016.

The principles, per category, are as follows:

(source: Global Compact – www.unglobalcompact.org):

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure that they are not complicit in human rights abuses.

Labor

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. The elimination of all forms of forced and compulsory labor;
5. The effective abolition of child labor; and
6. The elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges;
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

10. Businesses should work against corruption in all its forms, including extortion and bribery.

2.2 Anti-corruption

The Group's entire management, starting with the members of the Executive Board and the Restricted Executive Committee, is committed to fighting corruption.

The Zodiac Aerospace Group's current Code of Ethics includes a specific chapter on combating conflicts of interest and corruption. Actions in this regard are reiterated in the procedures provided to the Group's buyers and in the code of conduct sent to Group managers.

This code, currently available to approximately 16,000 employees, is the subject of regular awareness-raising initiatives to emphasize the message with managers and ensure massive dissemination inside the Group. In addition, a communication plan will be rolled out to support the dissemination of the Code of Ethics, after its update.

A Manager's Charter, which includes a foreword by the Chairman of the Executive Board, has been distributed to all Group employees. Site managers are invited to sign the Code of Ethics and the signed document is then displayed at their site to publicize their commitment.

The Human Resources Department has also implemented a procedure whereby all new hires are given a copy of the Code of Ethics when they join the Group.

In addition, Zodiac Aerospace has introduced an e-learning program for Group employees most exposed to the risk of corruption (mainly managers, buyers and sellers – some 3,000 people in total). The aim is to increase their knowledge of the issue and help them make the right decisions and report anything inappropriate. After the success of the previous operation, launched in May 2015 and continued during fiscal year 2015/2016, new actions have been planned for the end of 2017, after revising the Code of Ethics and updating tools to reflect recent regulatory changes.

2.3 Oslo Convention

The Zodiac Aerospace Group complies with the Oslo Convention on Cluster Munitions. In past years there has been just one potentially relevant contract, for a brake parachute manufactured by a subsidiary in the United States. This was reported in late 2010, before the business concerned was sold. No other Group activity is concerned. Although this happened in the past, the Group remains extremely attentive to compliance with the Oslo convention and checks the compliance of acquired businesses during acquisition transactions.

2.4 Subcontracting and suppliers

Zodiac Aerospace harmonizes Group procurement practices as and when necessary. The associated standards are currently being rolled out as required.

They include societal and environmental aspects.

The Group's procurement policy states that:

- Zodiac Aerospace expects regulatory compliance from its suppliers;
- Suppliers are expected to comply with the international standards of the International Labor Organization, OECD and United Nations in the area of human rights and especially the effective abolition of child labor, forced labor and corrupt practices;
- Zodiac Aerospace is committed to safeguarding the environment;
- Employees in contact with suppliers must adhere to rules of conduct relating to the prevention of conflict of interest and anti-corruption.

"Environmental" aspects have been added to a Group document entitled "Requirements Applicable to Zodiac Aerospace Suppliers," which was sent to all suppliers in January 2014 with the inclusion of the Environmental aspects. This document is referenced on all purchase orders and in procurement contracts.

The Group's procurement policy and procedures are maintained by a Group procurement committee (the Zodiac Procurement Council), which is tasked with ensuring roll-out to all Group entities.

A Group procedure has been established for reporting information to the Zodiac Procurement Council on issues such as a supplier's non-compliance with Group standards or the employment of practices – in particular, counterfeiting – that could jeopardize air transport safety. In consequence, the Zodiac Procurement Council may decide to remove a particular supplier from the supplier list for all Group entities.

The Zodiac Aerospace Group is also a signatory to the Charter of Inter-company Relations, introduced by the French government.

In relation to this, the Group has introduced an internal mediation system that can help resolve any difficulties encountered by a supplier with any of the Group entities during the execution of their contract. The system is in place in Europe and North America.

3. TERRITORIAL, ECONOMIC AND SOCIAL IMPACT OF THE COMPANY'S BUSINESS ACTIVITY

The Zodiac Aerospace Group operates in 16 countries worldwide, with a particularly significant presence in France and the United States.

The Group's activities contribute to the development of the local social and economic fabric since the majority of employees are drawn from the local population.

Relations with local stakeholders are managed by the sites, to which Zodiac Aerospace gives considerable autonomy.

4. PARTNERSHIP AND PHILANTHROPY INITIATIVES

As part of the Zodiac Aerospace entrepreneurial spirit, Group entities around the world are given a substantial amount of autonomy with which to choose local partnerships and sponsorship initiatives. The Group intervenes only to ensure that such initiatives comply with the Group's ethics and are sustainable.

Many Group entity initiatives are implemented locally and cover social and educational outreach, sports sponsorship to benefit local causes, and cultural sponsorship.

At the Group level, Zodiac Aerospace limits the number of initiatives in which it gets involved in order to be more effective. One of the charitable organizations it has supported both financially and materially is the French association Petits Princes (Little Princes), which helps seriously ill children. The Group uses its global network and contacts in the aerospace industry to help turn the dreams of these children into reality.

These initiatives carried out by the Group or its entities are regularly showcased and shared with all employees through our intranet site or the in-house magazine.

Due Diligence Plan

The Group has taken the new law on due diligence into account. An action plan has been defined by the Ethics and Compliance Committee, validated and approved by the Risks Committee and the Group's Restricted Executive Committee. At this stage of progress of the action plan, it is premature to detail the Group's Due Diligence Plan. The plan and its first results will therefore be communicated in the next annual report.

However, it is important to stress that risk mapping, which is the first step in the process and is under finalization at the time of drafting this document, has not revealed any issues that might not have been identified until now by the Group, and which might not have already been mentioned in the Risk Management chapter of this document.

Furthermore, after the law was enacted, it was decided that the system for collating reports needed to be updated. The plan has been presented to the Restricted Executive Committee. It will subsequently be presented to the employee representative bodies before rollout.

Zodiac Seats France is a French *société anonyme* located in Issoudun, central France, and a Group subsidiary affected by France's Grenelle environment law. The indicators regarding this subsidiary are reported as and when the various issues are covered in this report.

Human Resources

1. EMPLOYMENT

At August 31, 2017, there were 32,568 permanent Group employees. This number is down 3.26% compared to August 31, 2016.

At August 31, 2017, the countries with the most employees were, in descending order, the United States, France, Mexico, Germany, Thailand, Tunisia, the United Kingdom and Canada.

Breakdown of workforce by country

	Aug. 31, 2016	Aug. 31, 2017
USA	11,658	10,306
France*	6,917	7,011
Mexico	5,173	4,659
Germany	1,992	2,007
Thailand	1,844	1,887
Tunisia	1,897	2,012
UK	1,480	1,572
Canada	892	1,165
Other	1,814	1,949
TOTAL	**33,667**	**32,568**
** Including Zodiac Seats France*	*1,193*	*1,205*

The tables below show the breakdown of employees by gender, business branch, region, age group, length of service and grade at August 31, 2016 and 2017.

Breakdown by gender

	Aug. 31, 2016	Aug. 31, 2017
Total number of employees	**33,667***	**32,568***
Women	32%	32%
Men	68%	68%
** Including Zodiac Seats France*		
Total number of employees	*1,193*	*1,205*
Women	*21%*	*22%*
Men	*79%*	*78%*

Breakdown of Group workforce

	Aug. 31, 2016	Aug. 31, 2017
Zodiac Aerosystems	33.9%	36.7%
Aircraft Interiors [(1)]	65.4%	62.5%
Holding	0.7%	0.8%

Breakdown of workforce by geographic region

	Aug. 31, 2016	Aug. 31, 2017
France	21%	21%
Europe (excl. France)	12%	14%
USA	35%	32%
Rest of the world	32%	33%

Breakdown of workforce by age group

	Aug. 31, 2016	Aug. 31, 2017
< 30 years old	23%	17%
30 to 39 years	29%	33%
40 to 49 years	23%	23%
≥ 50 ans	25%	27%
Zodiac Seats France:		
< 30 years old	*10%*	*6%*
30 to 39 years	*24%*	*27%*
40 to 49 years	*39%*	*36%*
≥ 50 ans	*27%*	*31%*

Breakdown of workforce by length of service

	Aug. 31, 2016	Aug. 31, 2017
< 5 years	53%	45%
5 to 14 years	33%	40%
15 to 24 years	9%	9%
≥ to 25 years	5%	6%
Zodiac Seats France:		
< 5 years	*34%*	*31%*
5 to 14 years	*22%*	*22%*
15 to 24 years	*31%*	*34%*
≥ to 25 years	*13%*	*12%*

Distribution of managerial staff or equivalent

	Aug. 31, 2016	Aug. 31, 2017
% of managerial staff in workforce	**29%**	**29%**
% of women managerial staff	23%	24%
% of men managerial staff	77%	76%
Zodiac Seats France:		
% of managerial staff in workforce	*31%*	*32%*
% of women managerial staff	*20%*	*20%*
% of men managerial staff	*80%*	*80%*

(1) Activities include the Zodiac Seats and Zodiac Cabin branches

1.1 New hires and departures

Permanent hires

	Aug. 31, 2016	Aug. 31, 2017
Total number of permanent hires	**7,467**	**6,303**
Women	38%	39%
Men	62%	61%
Zodiac Seats France:		
Total number of permanent hires	*155*	*90*
Women	*25%*	*27%*
Men	*75%*	*73%*

Approximately 22% of new hires were in the United States and 42% in Mexico – countries where the employee turnover rate is highest.

Departures

	Aug. 31, 2016	Aug. 31, 2017
Total number of permanent departures	**6,487**	**7,438**
Layoffs	933	2,220
Resignations	4,232	4,135
Other	1,322	1,083
Zodiac Seats France:		
Total number of permanent departures	*53*	*75*
Layoffs	*5*	*1*
Resignations	*18*	*29*
Other	*30*	*45*

1.2 Compensation

The Zodiac Aerospace Group's approach to compensation (salary and benefits) is guided by a double imperative: external competition, with wages and benefit plans positioned relative to the local market, and internal equity. These common principles are adapted at the local level according to such parameters as social legislation, the economic context and the employment market of the different countries in which the Group operates.

General raises and merit raises are given annually. Group companies may also use tools that reward collective performance (for example, profit sharing and incentives in France, and profit sharing in the United States), plus base salary supplements, such as a bonus or variable element, depending on Group policy and annual regulations, to recognize performance. In addition, contribution pension systems are in place in some countries, notably France (with the PERCO collective retirement savings plan) and the United States.

The Group also pays particular attention to health and life insurance for its employees and nearly 90% of the Group's employees are covered by a death benefit policy.(1)

2. ORGANIZATION OF WORKING TIME

The average working week is set according to local legislation. It is under 40 hours at most subsidiaries.

Depending on the prevailing legislation, various provisions are designed to foster a balance between work and private life and promote equal opportunities. For example, over 90% of non-managerial employees in France enjoy flexible working hours.

- **Absenteeism:**

For fiscal year 2016/2017, the absenteeism indicator concerns France and the United States determined on the basis of independent calculation methods due to the statutory requirements applicable in each of these countries. Therefore, these figures cannot be compared with each other and are presented separately. The figures presented include unauthorized absences and absences due to illness, including occupational, and workplace or travel-related injuries.

Absenteeism in France is reported in calendar days. More specific details on the calculation method adopted are provided in the note on methodology.

Absenteeism rates have been calculated for France. The first absenteeism rate presented includes absences linked to long-term illness (absence for more than 30 days):

Absenteeism rate in France	Aug. 31, 2016	Aug. 31, 2017
Absenteeism	3.49%	3.93%
Zodiac Seats France:		
Absenteeism	*3.92%*	*5.02%*

In order to reflect the operational reality of the sites, during the fiscal year, Zodiac Aerospace changed the definition of absenteeism to exclude absences linked to long-term illness. The absenteeism figures based on this new definition are as follows:

Absenteeism rate in France	Aug. 31, 2017
Absenteeism	1.57%
Zodiac Seats France:	
Absenteeism	*2.15%*

Absenteeism in the United States is reported in business days. The calculation of this indicator does not include long-term absences. More specific details on the calculation method adopted are provided in the note on methodology.

Absenteeism rate in the United States	Aug. 31, 2017
Absenteeism	1.73%

The ultimate goal is to make this indicator more reliable by providing more specific details on the components of a single calculation method and by ensuring that this calculation method is adapted and applied to all Group entities.

(1) 100% of employees at Zodiac Seats France.

3. SOCIAL DIALOGUE

Among the many stakeholders with whom Zodiac Aerospace maintains or intends to develop regular dialogue, employees and their representatives are the main priority.

In France, for instance, regular social dialogue takes place within the subsidiaries' staff representative bodies:

- works councils;
- workplace health and safety committees (CHSCT);
- staff representatives;
- specialized committees, some of which are the result of company agreements: an economic committee, a strategic workforce planning committee, a joint-trades observatory, an equal opportunities committee and an occupational-stress steering committee;
- a Group Committee, comprising members of various French works councils, which meets once a year.

A member of staff elected by employees of the French entities serves on the Supervisory Board and has voting rights.

The majority of subsidiaries outside France have employee representatives.

Topics covered by social dialogue vary from company to company. However, they include key issues such as duration and organization of work, health and safety, quality of life in the workplace, equal opportunities, compensation, training, and strategic workforce planning. Agreements on these issues are signed locally and not consolidated at Group level.

In fiscal year 2016/2017, the main negotiations in France related to the renewal of gender equality agreements, "generation contracts" (agreements to offer open-ended contracts to young people and hire or maintain jobs for seniors), strategic workforce planning, profit sharing and telecommuting. Agreements were also signed on the introduction of a time savings account (CET) and group retirement savings plan (PERCO).

For Zodiac Seats France, eight Workplace Health and Safety Committee meetings (four ordinary and four extraordinary) were held; and there were 23 Works Council meetings, including 11 extraordinary meetings primarily linked to the extension of premises, temporary changes in work organization and the acquisition of an SME business.

All internal communication actions, whether Group-wide, local, or within branches, are encouraged: newsletters, intranet sites, webcasts, and internal events, in addition to more extensive use of personnel briefing meetings aimed at providing Group employees with better information about the development and outlook for the Group and for their entity.

4. TRAINING

The Group's training focuses on four major challenges:

- sharing the fundamentals of Group culture, in particular in the fields of leadership, ethics, and health, safety and the environment;
- strengthening key skills in all our businesses and maintaining a high capacity for innovation and the operational performance of teams;
- promoting the integration and professional development of employees through training on the Group, management and personal development;
- supporting the Group's policy of mobility and diversity, particularly through language learning;
- supporting the Focus transformation plan in implementing new processes, methods, and tracking key performance indicators, including a training program to support the change.

In 2017, a development plan on the Program Management business area family was set up at Group level to support the performance improvement strategy for Programs, an important aspect of the transformation undertaken by the Group.

This plan concerns all employees working in Program Management and involves training sessions, specifically concerning the fundamentals of the business area, planning, cost control, risk management, contracts and also proposes PMP certification.

In 2016/2017, the Group provided an average of 3.2 days of training per employee.

Average number of training days per employee

	Aug. 31, 2016	Aug. 31, 2017
France*	2.6	2.5
USA	2.5	2.3
Competitive cost countries	3.7	4.9
Rest of the world	2.8	3.2
TOTAL	**2.9**	**3.2**
* *Including Zodiac Seats France*	*3.0*	*3.2*

5. EQUAL OPPORTUNITIES

5.1 Anti-discrimination policy

Zodiac Aerospace aims to make diversity within its teams a driving force in its development. The Group stresses the principle of non-discrimination, both in recruitment and management. In France, this principle is reiterated in agreements or action plans on generation contracts (agreements to offer open-ended contracts to young people and hire or maintain jobs for seniors).

The Group also takes part in initiatives to raise awareness among young people of careers in aerospace, well before the actual recruitment process.

Entities operate an active work-experience policy, whereby young people are offered opportunities in a broad range of business lines. In the 2016/2017 fiscal year, 236 people were given work-experience contracts.

Qualification-based training actions for operators are set up locally. A return-to-work program, which combines temporary employment contracts with certificate-based training, has been set up at the Niort and Issoudun sites. Cable fitter, production logistics pilot, numerical control machine operator, etc. (Metallurgy Qualification Certificate). These training programs are recognized in France and throughout the sector. This format is an opportunity for participants to acquire a recognized equivalence diploma and validate their experience.

Another site in Issoudun helps employees find jobs at the end of their temporary employment contracts. Interested parties receive career guidance from a specialist firm and job training if possible. More than a hundred people have benefited from this program carried out in Issoudun: among them, 52 finalized their career plan and received qualification-based training or a skills mobility passport.

In the United States, most Group entities have implemented positive-action programs to prevent discrimination against employees or new hires. In Texas, Zodiac Aerospace works with local authorities to help people enter the workforce. It hosts visits from students or industries, gives teachers the opportunity to observe its operations, and organizes job fairs.

5.2 Professional gender equality

The Group's performance depends strongly on its capacity to appoint the most suitable, competent person, whether male or female, to each position. In France, this principle is underscored by agreements or action plans regarding professional gender equality.

More broadly, the Group makes sure that new hires reflect the demographics of the applicant population and that internal promotions are in keeping with the gender breakdown of its workforce. The proportion of women holding a managerial or executive position currently stands at 24%.

It also strives to ensure that women who start or return from maternity leave are not penalized in terms of personal advancement. Equally, it ensures that employees on family leave incur no career interruptions, offering those concerned the option of training to acquire new skills and the resources they need to organize their work schedule, and keep in touch with the company during their absence.

To support this trend, women are offered specific training courses, such as female leadership training. The creation of women's networks is also encouraged and initiated locally.

"Z'Elles", the first women's network created within Zodiac Seats France in 2017, has established contacts with other business women's networks. This networking structure is designed to create a momentum by encouraging mentoring, the search for the appropriate initiatives to address professional difficulties or work/life balance and, lastly, to propose initiatives that contribute to better gender diversity in the Business Unit.

5.3 Measures promoting the employment and inclusion of people with disabilities

The Group supports workforce entry, vocational training and job retention of people with disabilities. It is committed to promoting the direct hiring of people with disabilities, particularly through relationships with recruitment agencies and employment agencies, and collaboration with the protected sector. Locally, workstation adjustments, job modifications or internal transfers help those employees registered as disabled retain jobs suited to their skills and motivation levels, which in turn produces better working conditions. Employee awareness raising actions are organized: Disability Day in Montreuil, articles in internal newsletters. Agreements in this area are negotiated locally with social partners.

6. NOTE ON METHODOLOGY: HUMAN RESOURCES INDICATORS

Quantitative information about the Zodiac Aerospace Group's global workforce reflects the total of all the fully consolidated subsidiaries.

An HR information system, shared by all companies, was introduced at the end of the 2015/2016 fiscal year. It collects information on almost 33,000 employees (93% of the Group's workforce) so that the Group can develop appropriate indicators.

Permanent staff: these are employees paid by the Zodiac Aerospace Group whose work for the Group is not limited to a fixed term.

Figures relating to permanent staff have been extracted from the new HR information system. However, for the handful of companies not yet integrated into the system, information still has to be retrieved manually.

Length of service is calculated based on the date of entry in the Zodiac Aerospace Group.

Managerial or equivalent staff: for indicators concerning managers, an equivalent category has been defined for countries outside France. For example, in the United States, employees with a job status of "manager" or "professional" are considered managers.

Recruitment: recruitment figures for 2016/2017 include all permanent staff hired during the period. They also include employees who switched from temporary or fixed-term contracts to permanent contracts.

Recognition of new hires and departures: Recognition of new hires and departures: new hires and departures are recognized on the basis of movements identified in Group companies' payroll tools.

Absenteeism in France: In France, absence days are counted in calendar days for all permanent employees. The calculation includes unauthorized absences, absences due to illness, occupational illness, and workplace or travel-related injuries.

Absenteeism rate is calculated as follows: the total number of absence days in the year over the sum for all the months of the fiscal year of the number of calendar days of the month x the total number of permanent staff employed in France at the end of each month.

Absenteeism in the United States: absence days are calculated in business days for permanent staff employed in the United States, i.e. the actual absence days. The calculation includes unauthorized absences, absences due to illness, occupational illness, and workplace or travel-related injuries.

Absenteeism rate is calculated as follows: the total number of absent days in the year over a total number of theoretical worked days, i.e., the annual number of business days x the total number of permanent staff at the end of the fiscal year.

Training: the figures for training are calculated on a base of 98% of the permanent workforce.

Health, Safety and Environment

In September 2017, the Health, Safety and Environment (HSE) policy was revised and signed by the Group's Chairman of the Executive Board, Yann Delabrière. The revision notably added the 10 fundamental Health, Safety and Environment rules, which were defined at the end of the year. These 10 rules are the basics to be maintained or set up on sites in order to improve the protection and safety of our employees. The revised policy continues to demonstrate the Group's commitment to step up its actions to improve the occupational health and safety of its employees, limit its environmental footprint and consolidate its industrial risk management policy.

The Environment, Safety and Industrial Risks Departments were combined into a single Department in 2016/2017. The Health, Safety, Environment and Industrial Risks Department ensures that all Group entities implement the Health, Safety and Environment policy, which translates the Group's goals and ambitions into action.

They are supported by safety and environment road maps that have been developed over the past several years. Most Group entities have safety and environment experts who ensure that this Group policy and the related road maps are followed and that local applicable regulations and internal requirements are applied. In 2016/2017, more than 80 full-time equivalent jobs[(1)] in the Group were devoted to health, safety and the environment. The Group Health, Safety, Environment and Industrial Risks Department coordinates this network of representatives and has several tasks:

- monitoring the health, safety and environmental performances of each one;
- handling all issues related to health, safety and the environment;
- promoting and enforcing internal standards;
- supporting the Business Units/sites in the implementation and monitoring of plans to substitute chemicals.

1. GENERAL ENVIRONMENTAL/ HEALTH AND SAFETY POLICY

In addition to abiding by stricter legislation on the environment and safety, Zodiac Aerospace has implemented its own framework.

A system for complying with regulatory issues (monitoring and identifying actions to be adopted) has been set up in most countries.

In addition, the French, Tunisian, Moroccan, and US entities use a software program to monitor the safety data sheets of chemical products, which measure the impact of changes in REACH regulations. A standard to help interpret and implement the REACH regulation is available. It is used to manage monitoring of registrations, and monitor substances in articles. The purchasing departments are responsible for verifying that suppliers take into account the regulatory changes.

In addition to regulatory compliance, the Group requires its entities to look for opportunities to replace CMRs (carcinogenic, mutagenic and reprotoxic chemicals) used at their sites. This action is also part of an approach to reduce the risks to the health and safety of employees and upstream and downstream users. A periodic report is sent to the Group's Health, Safety, Environment and Industrial Risks Department.

A Group standard describes the selection criteria for materials and chemicals, the authorization process for a new material or chemical, and prioritizes those that need to be replaced, according to their proven or suspected level of danger. The Health, Safety, and Environment managers will prohibit any new materials or chemicals they consider a danger to people and the environment.

To improve the management and promote the improvement of health, safety and environmental performance of its production sites, the Group is setting up environmental management systems and has initiated a certification process for its sites based on ISO 14001[(2)] standard and OHSAS 18001 requirements.

To date, slightly more than 40% of the Group's sites are ISO 14001 certified and/or OHSAS 18001 certified. In this fiscal year, a task force was created to incorporate the requirements of the new version of ISO 14001. The Courneuve site was the first site to earn this new certification.

All staff at the certified sites receive environmental training at least once every three years and related information at least once per quarter. The sites use a variety of communication channels. For example, information is circulated through newsletters or the intranet, via communication screens in high-traffic areas, or during themed days, which are an opportunity to engage employees in topics related to health, safety and the environment. At Group level, eight articles were published on the Health, Safety and Environment intranet.

2. OCCUPATIONAL HEALTH AND SAFETY

2.1 Injury rate

The Group continues to make workplace health and safety a priority in all its entities. To this end, a number of tools and standards have been instituted in all Group entities.

For several fiscal years, data on accident-related events such as near-misses, potentially hazardous situations, ffirst aids and work-related injuries have been centralized at Group level.

Given the importance of analyzing near misses and potentially hazardous situations, the Group places strong emphasis on educating operating entities on the need to monitor, analyze and report these events to the Group so that preventive actions can be put in place at the earliest stage. In this fiscal year, the Group continued to teach employees to recognize potentially hazardous situations and near misses. All entities, including Zodiac Seats France, have rolled out a data-gathering process on such events, which should prevent potential injuries.

Other centralized and consolidated data include the number, circumstances and causes of workplace injuries. This shared information boosts prevention by allowing other Group companies to see what corrective actions have been implemented and use this knowledge to avoid similar situations at their own sites.

An internal rating system for the seriousness of injuries with days lost has been operating for several fiscal years, in order to track the improvement in risk management by entity.

Above a certain level of seriousness, local management should sent an injury report and a trouble-shooting analysis to the Group's senior management team. This report details the circumstances of the injury, the root causes, and the actions put in place for the short and medium term.

(1) At Zodiac Seats France: five full-time equivalent jobs are devoted to HSE

(2) Zodiac Seats France has been ISO 14001 certified since 2008, including design activities.

Breakdown of the number of injuries with at least one day of work lost by region and by branch

	Aug. 31, 2015 Injuries(1) with at least one day of work lost	Aug. 31, 2016 Injuries(1) with at least one day of work lost	Aug. 31, 2017 Injuries(1) with at least one day of work lost
By region			
France*	106	105	98
Other European countries	64	52	63
USA	71	38	45
Other American countries	96	109	80
Rest of the world	93	65	47
TOTAL	**430**	**369**	**333**
** Including Zodiac Seats France*	*18*	*14*	*14*
By branch			
Zodiac Aerosystems	168	164	123
Zodiac Cabin	166	140	158
Zodiac Seats	90	55	47
Zodiac Services Activities	6	10	5
TOTAL	**430**	**369**	**333**

(1) Figures include Zodiac Aerospace employees (permanent and fixed term contracts) and temporary employees. Travel-related injuries and service providers are not included in the figures.

For the past two fiscal years, across the Group, the number of injuries with days lost has fallen. Our injury frequency index, calculated by applying this number to the Group's total workforce and multiplying by 1,000, This index has been stable for the last two fiscal years.[2]

This stabilization reflects not only the broad extent to which entities are monitoring local actions, but also the involvement of all management levels.

The table above shows the breakdown of the number of injuries with at least one day of work lost by region and by branch in the last three fiscal years. There have been no fatal injuries in the Group in the last three fiscal years.[3]

The roll-out of internal procedures and tools is gradually being extended to cover the entire Group scope. Action plans continue to be implemented at each entity[4] to eliminate potentially hazardous situations.

2.2 Occupational illness

Each Group entity monitors the occurrence of occupational illnesses among its employees. This is conducted at the local level in order to take account of each country's legislation.

No reported occupational illness has resulted in a permanent partial disability rate in the last fiscal year.[5]

Because the Group's activities involve manual and precision work, the main occupational illnesses are associated with certain movements and working postures principally affecting the upper limbs.[5] These operations are reviewed at least annually during workstation risk assessments and action plans are implemented where necessary.

The following table shows the breakdown of occupational illnesses reported across all entities in France and the United States:

Reported occupational illnesses by region

	Aug. 31, 2015	Aug. 31, 2016	Aug. 31, 2017**
France*	16	17	16*
USA	67	79	60
TOTAL	**83**	**96**	**76**
**Including Zodiac Seats France*			*3*

(**) These figures may change depending on the judgments of the local authorities.

(2) The frequency index of Zodiac Seats France in August 2017 was 7. (It was 9 in August 2016).s

(3) There have been no fatal injuries at Zodiac Seats France in the last three fiscal years.

(4) Including Zodiac Seats France.

(5) Identical analysis for Zodiac Seats France..

To improve continuously the working conditions of its employees, the Group strongly encourages its entities to perform ergonomic assessments of workstations. The Group safety and ergonomics manager continued to offer entities training in a simple ergonomic method of rating workstation. This training involved multi-disciplinary teams comprising representatives from the methods, health, and safety departments, as well as members of the Workplace Health & Safety Committee and the Operating Excellence Department. The training has already resulted in ergonomic improvements to many workstations. The initiative has been implemented in most entities in Europe and in the United States and all entities in Thailand, Singapore and Dubai. The training is based on a Group standard that has been developed to help entities conduct studies on workstations. Post-training monitoring not only measures progress but also supports entities in their various tasks.

A new standard aimed at office workers was prepared. It allows workers to assess their own posture at their workstation and, where necessary, follow an action plan to improve it.

At the same time, as part of preventing occupational stressful/harsh working conditions*, French entities have continued their action plans to prevent work situations that could become "stressful/harsh" in the French legal sense. (* Fewer than half of the French employees are exposed to at least one stress factor[(1)]).

2.3 Other actions lead to employee's health and safety

In addition to drafting regular reports, the Group's Health, Safety, Environment and Industrial Risks Department has implemented a number of actions to improve collaboration between sites, develop local initiatives and promote the health and safety of its employees.

Audits between Group entities were carried out to verify the implementation of Group health, safety and environment standards. These audits were conducted according to a Group standard that has been in place for several fiscal years. The entities' Health, Safety and Environment managers performed these audits. Weak points and opportunities for improvement revealed during the audits are consolidated into a Group action plan that can be shared throughout the Group's Health, Safety, and Environment manager network.

For several years, Health, Safety and Environment committee meetings have been held in France, North America and Europe for the safety managers of the entities in these three regions. These meetings are aimed at benchmarking and sharing best practice on health, safety and environmental matters. They also provide an opportunity to present the Group's standards, focus on various specific regulatory points, and highlight best practices already in place at Group sites. The Group is aiming to extend this type of committee meeting to all the countries in which the Group is located.

In an effort to improve further benchmarking and sharing between the entities, a best practice database has been in place at the Group level for several years. It is intended to facilitate dialogue between the entities. The entities upload details of their procedures into the database so that the Group Health, Safety, Environment and Industrial Risk Director can validate them as "best practice". Published best practices may eventually become Group standards. In this fiscal year, 27 best practices were posted, two were rejected and 25 were validated and disseminated to the entire network. Some were used as material to revise certain Group standards. Best practices are accessible to all employees on the Group intranet. A "best practice" officer's contact details are also available to encourage dialogue between the entities.

The Group continued to roll out Group standards which are intended to make best practice consistent throughout the Group. These standards have been formulated through working parties and are designed to address actual issues faced by different Group entities. Several Group entity representatives validate them. The implementation of new standards over the previous fiscal year – particularly a standard to improve the use of presses or Computer Numerical Control (CNC) machines – has helped entities improve their safety culture. At the sites' request, new standards are pending validation. They should strengthen, among other things, the health, safety and environment culture.

Improving the safety culture also involves training. Numerous training programs were offered to employees including training related to specific risks such as working in confined spaces, working at heights, fire risk management, handling goods, driving rolling equipment, ergonomics and using an external cardiac defibrillator. In addition, most new employees were educated about health, safety and environmental issues during their job orientation.

All these training programs enable our employees to be players for safety on a daily basis.

2.4 Consumer health and safety measures

In conducting its operations, the Zodiac Aerospace Group applies a responsible risk-management policy designed in particular to safeguard the health and safety of customers and consumers. Some of our products contribute directly to passenger safety, such as life jackets, evacuation slides, seat belts, oxygen systems and flotation systems. Our approach to quality can be found in all our businesses and at all Group levels. This approach is supported by an organizational structure geared toward customers and by managing product safety, especially through product certification and the licenses held by our companies. This approach, which incorporates consumer health and safety, develops and improves air safety management in all areas of design, production and maintenance. At the same time it implements an air safety assurance system that includes performance monitoring, reporting and ongoing improvement.

(1) 1.76% of employees at Zodiac Seats France were exposed to at least one of the 10 stress factors that came into effect in July 2016; action plans are under way.

3. ENVIRONMENTAL IMPACT OF THE SITES' ACTIVITIES

The environmental issues of the Zodiac Aerospace Group are related to the activities of its production sites and to the products developed by the Group.

The Zodiac Aerospace Group has formalized what it considers to be the key environmental issues and is taking a number of steps to address them. Its priority is to lower Carbon Dioxide (CO_2) emissions, find substitutes for hazardous chemicals, reduce the waste generated and improve waste treatment.

3.1 Energy efficiency and greenhouse gas emissions

Reducing Greenhouse Gas (GHG) emissions and energy consumption is a key component of the Group's health, safety and environmental policy. This is reflected in particular in the Group's target of a 3% reduction in the energy consumed by its buildings and production processes.

Statutory energy audits were carried out by affected sites in Europe. Action will be monitored and positive feedback will be translated into best practice to be instituted throughout the Group.

Scopes 1(1) and 2(2) GHG emissions are monitored and Zodiac Aerospace has implemented concrete reduction initiatives such as the replacement of energy-intensive equipment by energy efficient equipment.

Refrigeration systems are subject to monitoring and specific emission limits due to their impact on the ozone layer. They account for less than 5% of the Group's scope 1 greenhouse gas emissions.

The Group also quantifies other indirect emissions(3) generated by business travel, commuting and waste treatment. Purchases of products and services as well as freight were included in the reporting scope.

The balance of GHG emissions on scopes 1 and 2 have fallen by 3,535 metric tons CO2 equivalent in gross data (-3%) compared to the previous year.

Scope 1 emissions are up, reflecting the 9% increase in gas consumptions. Scope 2 emissions are mainly linked to indirect emissions linked to electricity consumption. The decline observed on this item follows the decline in the electricity consumptions of American sites where electricity is mainly generated from fossil-fuel sources.

In connection with French decree 2016-1138, which concerns the listing of "significant direct and indirect emission items on the entire value chain of the company, in other words including upstream and downstream of its activity", the Group hired a consultancy firm. The latter assisted the Group in this process by beginning to identify, based on an analysis by order of magnitude, significant GHG emission items linked to the Group's activity. It appeared that the "use of products sold" item, in other words, the emissions associated with the usage phase of aircraft furnished by Zodiac Aerospace, was the Group's only significant item in its value chain, as this item alone accounted for more than 80% of the Group's emissions.

The Group's Seats branch, which accounts for around 1/4 of the Group's revenue, was thoroughly analyzed. The emissions associated with this item for the usage phase are 12.2 Mtonnes of CO_2 equivalent.

Group-level emissions were estimated by extrapolating the emissions with respect to revenue. However, given the high level of uncertainty, Zodiac Aerospace preferred to analyze two other branches in order to reduce the uncertainty. Depending on the outcome of these analyses, an action plan will be prepared over the next fiscal year and will be linked to the actions already undertaken in terms of eco-design.

GHG breakdown by region

(metric tons of CO_2 equivalent)	GHG breakdown 2015/2016		GHG breakdown 2016/2017	
	Scope 1 86 sites - 97% of workforce	Scope 2 86 sites - 97% of workforce	Scope 1 92 sites - 99% of workforce	Scope 2 92 sites - 99% of workforce
France*	10,385	3,615	10,645	3,851
Other European countries	3,333	7,734	3,023	7,624
USA	10,018	49,588	13,550	46,324
Other American countries	2,075	19,652	2,116	16,312
Rest of the world	745	17,407	1,361	16,210
TOTAL	**26,556**	**97,996**	**30,695**	**90,321**
** Including Zodiac Seats France*	*1,652*	*484*	*1,731*	*482*

(1) GHG (Greenhouse Gas) Protocol Scope 1: direct emissions produced from stationary and mobile sources held by or owned by the company.

(2) GHG Protocol Scope 2: emissions related to purchased electricity.

(3) GHG Protocol Scope 3: all other emissions indirectly produced by activities or the exercise of powers of the company and not recorded in Scopes 1 and 2.

Energy consumption by source and by region

(in thousands of kWh)	Gas			Electricity			Fuel oil		
	2015/2016 72 sites 88% of the workforce	2016/2017 72 sites 89% of the workforce	2016/2017 90 sites 99% of the workforce	2015/2016 72 sites 88% of the workforce	2016/2017 72 sites 89% of the workforce	2016/2017 90 sites 99% of the workforce	2015/2016 72 sites 88% of the workforce	2016/2017 72 sites 89% of the workforce	2016/2017 90 sites 99% of the workforce
France*	42,460	45,486	45,495	46,403	45,248	46,961	2,830	413	413
Other European countries	16,849	11,637	12,228	15,261	14,725	15,920	–	1,133	1,133
USA	48,028	62,041	63,866	78,054	74,310	88,744	60	353	353
Other American countries	10,353	9,743	9,820	38,777	37,949	39,527	–	2	2
Rest of the world	169	191	488	31,106	31,288	31,882	1,937	2,264	2,264
TOTAL	**117,859**	**129,098**	**131,897**	**209,601**	**203,520**	**223,034**	**4,827**	**4,165**	**4,165**
** Including Zodiac Seats France*	*7,218*		*8,142*	*6,168*		*5,877*	–		–

The Group's total energy consumption is stable overall compared to the previous fiscal year, with a limited increase of 1% in gross data, all energy types included.

By energy type, the balance is more contrasted with a 9% increase in gas consumptions and a 3% reduction in electricity consumption on a like-for-like basis. The spike in gas consumption can be mainly explained by climate factors. In fact, winter 2015/2016 was particularly mild in the United States and France, while winter 2016/2017 was harsher. A drop in electricity consumption was recorded on most sites, reflecting the efforts to keep consumptions under control, mainly by rolling out the use of LED-based lighting; an initiative that will be repeated in the next fiscal year.

The use of fuel oil has become a marginal energy source for the Group, as it now accounts for 1% of total consumption.

To date, the Group's use of renewable energies is hardly significant, consisting mainly of solar panels on some of its buildings and renewable energies distributed by local grids.

The potential impact of climate change on the Group is discussed under "Risk management."

3.2 Air

Atmospheric emissions are not among the environmental issues that the Group considers a priority for its operations.

Those identified at its sites primarily fall into two categories:

- emissions related to energy combustion (mainly heating);
- emissions related to solvents, which are channeled, treated as necessary (using filters, scrubbers, oxidizers, etc.), and tested regularly.

The Group's sites adhere to an emission-reduction policy that was introduced several years ago. Measures include replacing solvents with detergents and using less volatile solvents and water-based processes.

3.3 Waste

The Group had set the following targets for 2020:

- reduce its waste production;
- achieve a recycling rate greater than 45% at least;
- limit use of landfill.

During the fiscal year, the quantity of waste produced fell by 5% (like-for-like) and 61% of waste was recovered, 46% of which was recycled. The Group's recycling rate target has been achieved.

The Group is also seeking ways for sites to improve their waste monitoring (including tracking and quality).

An annual management review is also used to track these data and define appropriate action.

The quantity of recycled waste has fallen (-11% at like-for-like data), which reflects, on one hand, the reductions in the quantity of waste generated, but on the other hand, a decline in the sorting quality. The Group's recycling rate has thus fallen from 49% to 46%.

However, energy recovery solutions are increasingly used, in particular in Tunisia where the waste is now sent to cement plants to replace fossil fuels. This has impacted the recovery rate, which changed from 60% to 61% at Group level.

Amount of total waste by region

(metric tons)	2015/2016 73 sites 92% of the workforce	2016/2017 73 sites 91% of the workforce	2016/2017 88 sites 98% of the workforce
France*	3,530	3,408	3,439
Other European countries	1,928	1,851	2,090
USA	9,646**	8,657	9,211
Other American countries	4,354	3,859	3,859
Rest of the world	3,504	4,086	4,102
TOTAL	**22,962**	**21,861**	**22,701**
** Including Zodiac Seats France*	*886*		*851*

(**) These data have changed due to an adjustment of the units used to measure waste tonnage.

Amount of waste recycled and recovered by region

(metric tons)	Waste: Material recycling			Waste: incineration with energy recovery			Waste: landfill		
	2015/2016 73 sites 92% of the workforce	2016/2017 73 sites 91% of the workforce	2016/2017 88 sites 98% of the workforce	2015/2016 73 sites 92% of the workforce	2016/2017 73 sites 91% of the workforce	2016/2017 88 sites 98% of the workforce	2015/2016 73 sites 92% of the workforce	2016/2017 73 sites 91% of the workforce	2016/2017 88 sites 98% of the workforce
France*	1,970	1,782	1,805	1,173	1,223	1,230	386	403	404
Other European countries	1,312	1,163	1,226	399	480	600	216	208	263
USA	4,558**	3,914	4,263	282**	325	346	4,806**	4,419	4,592
Other American countries	1,792	1,374	1,374	393	468	468	2,169	2,017	2,017
Rest of the world	1,529	1,723	1,723	340	786	792	1,636	1,576	1,586
TOTAL	**11,161**	**9,956**	**10,391**	**2,587**	**3,282**	**3,436**	**9,213**	**8,623**	**8,862**
** Including Zodiac Seats France*	*697*		*669*	*39*		*–*	*151*		*182*

(**) These data have changed due to an adjustment of the units used to measure waste tonnage.

Waste recycling and recovery rate by region

	Recycling rate			Recovery rate		
(in %)	2015/2016 73 sites 92% of the workforce	2016/2017 73 sites 91% of the workforce	2016/2017 88 sites 98% of the workforce	2015/2016 73 sites 92% of the workforce	2016/2017 73 sites 91% of the workforce	2016/2017 88 sites 98% of the workforce
France*	56%	52%	52%	89%	88%	88%
Other European countries	68%	63%	59%	89%	89%	87%
USA	47%**	45%	46%	50%**	49%	50%
Other American countries	41%	36%	36%	50%	48%	48%
Rest of the world	44%	42%	42%	53%	61%	61%
TOTAL	**49%**	**46%**	**46%**	**60%**	**61%**	**61%**
** Including Zodiac Seats France*	*79%*		*79%*	*83%*		*79%*

(**) These data have changed due to an adjustment of the units used to measure waste tonnage.

3.4 Water

The Group's activities generate very little industrial wastewater.[1]

Process water, mainly from surface treatment (at five production sites), is treated and the effluent is either sent to approved specialists or treated at the site's detoxification plant.

Water use, already low, continued to fall, with a reported drop of 1% (like-for-like). The efforts are visible in particular in Mexico, Canada and in the United States where leak detection programs have been set up.

Water use by the various production units is shown in the following table.

(1) Zodiac Seats France is not affected

Water use by region

(thousands of m^3)	2015/2016 73 sites 92% of the workforce	2016/2017 73 sites 91% of the workforce	2016/2017 84 sites 97% of the workforce
France*	142	133	136
Other European countries	32	33	36
USA	269	258	274
Other American countries	108	100	100
Rest of the world	124	143	143
TOTAL	**675**	**667**	**689**
** Including Zodiac Seats France*	6		7

3.5 Soil

The risks of pollution have been identified and are mainly accidental chemical spills.[(1)]

To manage these risks, the Group has developed a standard and rules aimed at preventing pollution risks, concerning the storage and reconditioning of chemical products in particular, or waste that may be sources of contamination. Accordingly, containments, double-walled tanks with alarm, absorbent materials, etc. are rolled out and are frequently checked for compliance.

In order to improve soil protection, actions have been implemented by the sites such as covering waste areas, the reconstruction of concrete slabs, the installation of means of intervention and employee training.

Lastly, some sites have been equipped with piezometers in order to monitor the underground water for any migration of pollutants towards sensitive zones outside the sites. Specific management is launched, whenever there is suspicion of past pollution.

As a precaution, the Group also carries out a soil audit before any planned acquisition to assess the site's condition and the environmental impact risks.

4. ENVIRONMENTAL IMPACT OF OUR PRODUCTS AND ECO-DESIGN

Hazardous materials continue to be substituted as part of the plan rolled out and launched by the Group since June 2009. Any new chemical product used in the production is validated by the Health, Safety, Environment managers of the sites depending on the particular manufacturing processes.

Similarly, the Group continues to take into account the environmental impact of its products throughout their life cycle (design, manufacture, transportation, use, recycling and end of life). The revision of ISO 14001 led to changes in the Group's internal standards in order to integrate the life cycle perspective.

Furthermore, several Business Units are involved in an eco-design process. Some Business Units use the EIME software or a simplified method developed by the Group to analyze the environmental impact of products. Life-cycle assessment (LCA) continues to be used to identify sub-assemblies with the least environmental impact and compare alternative solutions. Some of the Business Units that had conducted LCAs in previous fiscal years are now reaping the benefits and eco-designing their next-generation products.[(2)]

Skills sharing is key to the success of this approach, so the Business Units involved share information and best practices on the company's social media via the Zodiac Aerospace Ecodesign Community.

5 . NON-MATERIAL ISSUES FOR THE GROUP

5.1 Biodiversity

The impact of activities on biodiversity is limited because production units are generally located on small sites in industrial zones.

5.2 Noise and odors

Although the Group's activities generate little noise or odor, these issues are still of concern. Noise pollution most commonly comes from refrigeration, compression and air treatment facilities, for which precautions are taken to limit noise impact. The sound levels on sites and at the boundaries of properties are checked periodically.

5.3 Food waste

Although this issue does not affect the Group, the few sites with a company restaurant are vigilant about this point.

6. NOTE ON METHODOLOGY: ENVIRONMENTAL INDICATORS

Reporting does not include sites with fewer than 25 employees and an exclusively tertiary activity (representing less than 1% of the covered workforce).

Scope 3 of the Greenhouse Gas balance sheet was based on the Seats branch.

For some sites, data was extrapolated for the twelfth month since data was not available at the time of publication of the annual report.

(1) No such accidents were recorded by Zodiac Seats France.

(2) Zodiac Seats France is one of the players involved in this initiative.

Independent Third-Party Report on Consolidated Social, Environmental and Societal Information included in the Management Report

To the Shareholders,

In our capacity as an independent third party organization accredited by the French Accreditation Committee COFRAC[1] under number 3-1050 and a member of the network of one of the statutory auditors of Zodiac Aerospace, we have prepared our report on consolidated social, environmental and societal information for the fiscal year ended August 31, 2017, presented in the management report, hereinafter referred to as the "CSR Disclosures", in accordance with Article L. 225-102-1 of the French Commercial Code.

The responsibility of the company

The Executive Board is responsible for preparing a management report that includes the CSR Disclosures provided for under Article R. 225-105-1 of the French Commercial Code, prepared in accordance with the standards (the "Standards") used by the company, the key elements of which are presented in the "Corporate Social Responsibility" section of the management report and available from the Company.

Independence and quality control

Our independence is defined in the regulations, our profession's Code of Ethics, and the provisions contained in Article L. 822-11 of the French Commercial Code. In addition, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with the ethical rules, professional standards and applicable laws and regulations.

The responsibility of the independent third-party

Based on our audit, it is our responsibility to:

- certify that the required CSR Disclosures are included in the management report or are the subject, if omitted, of an explanation pursuant to the third paragraph of Article R. 225 105 of the French Commercial Code (Certificate of inclusion of CSR Disclosures);
- express a conclusion, with a moderate level of assurance, on the fact that the CSR Disclosures are, in all material respects, presented fairly in accordance with the Standards used (Reasoned opinion on the fairness of the CSR Disclosures).

Our audit involved five people and took place between June and October 2017 for a total period of approximately ten weeks.

We conducted the audit described below in accordance with professional standards applicable in France, with the decree of May 13, 2013, which determines the manner in which the independent third party conducts its mission, and with international standard ISAE 3000[2] regarding reasoned opinion on the fairness of the CSR disclosures.

1. CERTIFICATION OF THE INCLUSION OF CSR DISCLOSURES

Nature and extent of audit

We have familiarized ourselves with the presentation of the sustainable development guidelines, in accordance with the social and environmental consequences linked to the Company's business activities, and with its societal commitments, and, where applicable, with the initiatives or programs arising therefrom, based on meetings with the managers of the departments concerned.

We compared the CSR Disclosures presented in the management report to the list specified in Article R. 225-105-1 of the French Commercial Code.

If certain consolidated information was lacking, we verified that explanations were provided in accordance with Article R. 225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Disclosures covered the scope of consolidation, i.e. the Company and its subsidiaries within the meaning of Article L. 233-1 of the French Commercial Code and the companies it controls within the meaning of Article L. 233-3 of said Code, within the limits specified in the note on methodology presented in the "Corporate Social Responsibility" section of the management report, particularly the limitation of the absenteeism indicator to the scope of France and the United States.

Conclusion

Based on our audit and taking into account the above-mentioned limits, in our opinion the management report includes the required CSR Disclosures.

2. REASONED OPINION ON THE FAIRNESS OF THE CSR DISCLOSURES

Nature and extent of audit

We held six meetings with the persons responsible for preparing the CSR Disclosures in conjunction with the Environment, HR and Occupational Health and Safety departments and for the information-gathering process, and, where applicable, the persons responsible for the internal control and risk management procedures, in order to:

- assess the appropriateness of the Standards in terms of their relevance, comprehensiveness, reliability, neutrality and clarity, taking into account, where appropriate, best practices in the industry;
- verify the implementation of a collection, compilation, processing and control process for exhaustive and consistent CSR Disclosures, and review the internal control and risk management procedures relating to the preparation of the CSR Disclosures.

[1] Accreditation scope available at www.cofrac.fr

[2] ISAE 3000 – Assurance engagements other than audits or reviews of historical information.

We determined the nature and extent of our tests and controls on the basis of the nature and materiality of the CSR Disclosures with regard to the Company's characteristics, social and environmental issues pertaining to its business activities, sustainable development guidelines, and best practices in the sector.

For the CSR Disclosures we considered the following information to be the most material[3] :

- At the level of the parent entity, we consulted documentary sources and held meetings to corroborate the qualitative information (organization, policies, initiatives, etc.), implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and consolidation of data, and checked for coherence and consistency with the other information provided in the management report;
- At the level of the entities that we selected[4] according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify the correct application of procedures, and implemented detailed tests on the basis of sampling, which consisted of verifying the calculations and reconciling the supporting documents. The sample selected represents on average 15% of the workforce and between 10% and 29% of the quantitative environmental information presented[5].

For other consolidated CSR Disclosures, we assessed the consistency of the information with our knowledge of the Company.

Lastly, we assessed the relevance of the explanations regarding the total or partial absence of particular information, where applicable.

We believe that the sampling methods and size of the samples that we selected when exercising our professional judgment enable us to draw a conclusion expressing moderate assurance; a more definite conclusion would have required more extensive verification work. Due to the use of sampling techniques and other limits inherent to the functioning of any information and internal control system, the risk of not detecting a material misstatement in the CSR Disclosures cannot be completely eliminated.

Conclusion

Based on this audit, we did not identify any material misstatements that call into question the fact that the CSR Disclosures, taken as a whole, are presented fairly, in accordance with the Standards.

Observations

Without qualifying our conclusion above, we draw your attention to the following:

- The absenteeism indicator is reported for a limited scope (France, on one hand, and the United States, on the other hand, representing a total of 52% of the Group's workforce); however, it is up compared to the previous years where the indicator was reported for France only (about 20% of the workforce).
- The indicator for the number of training days per employee is underestimated because the reporting date for sites to send information to the Group for this year-end was brought forward.

Paris-La Défense, November 8, 2017

Independent third-party
Ernst & Young et Associés

Christophe Schmeitzky
Sustainable Development
Partner

Bruno Perrin
Partner

[3] **Social information:**
Indicators (quantitative information): employees, recruitments and dismissals, work-related accidents, training days per employee, absenteeism.

Environmental and societal information:
Indicators (qualitative and quantitative information): general policy on the environment, waste management, sustainable use of resources (energy and water consumption), climate change (the significant items on greenhouse gas emissions generated due to the company's activity, especially the use of the goods and services that it produces); taking social and environmental responsibility into account in relations with suppliers and subcontractors.

[4] Issoudun (France), Roche-la-Molière (France), Saint-Crépin (France), Bellingham (United States), Marysville (United States), Tijuana (Mexico) sites

[5] Employees: 15%; energy consumption (MWh): 29% (o/w 22% electricity); waste production (metric tons): 19%; water consumption (m3): 10%.

Financial statements

Foreword

This document is a translation of the French "Rapport annuel".

In case of difficulty, refer to the French text.

Statement by Management

Plaisir, October 25, 2017

To our knowledge, the financial statements for the fiscal year ended August 31, 2017 have been prepared in accordance with the applicable accounting standards and present fairly the assets, financial position and results of operations of all the entities comprised in the consolidation of the Zodiac Aerospace Group, and the annual business report is a fair presentation of the information referred to in Article 222-3 (4) of the General Regulations of the AMF.

Yann Delabrière Chairman of the Executive Board	Didier Fontaine Group Chief Financial Officer

Consolidated financial statements

Consolidated Statement of Financial Position

Assets

(in thousands of euros)	Notes	Amount at Aug. 31, 2017	Amount at Aug. 31, 2016
Goodwill	(Notes 3.8 and 13.1)	1,915,313	1,994,687
Intangible assets	(Notes 3.8, 13.2 and 13.3)	651,720	653,554
Property, plant and equipment	(Note 14)	496,651	492,988
Investments in associates and joint ventures		1,361	1,605
Loans		34,712	24,533
Other non-current financial assets	(Note 16)	18,214	12,257
Deferred tax assets	(Note 11)	14,627	6,102
TOTAL NON-CURRENT ASSETS		**3,132,598**	**3,185,726**
Inventories	(Notes 3.9 and 17)	1,181,805	1,360,124
Trade receivables	(Notes 2 and 3.10)	971,846	1,046,469
Advances to suppliers and employees		9,907	11,320
Current tax assets	(Note 11)	106,865	144,379
Other current assets	(Note 18)	47,231	48,167
Other financial assets:			
- loans and other current financial assets		51,461	6,466
Cash and cash equivalents	(Note 19)	683,762	268,780
TOTAL CURRENT ASSETS		**3,052,877**	**2,885,705**
HELD-FOR-SALE ASSETS (1)		**–**	**686**
TOTAL ASSETS		**6,185,475**	**6,072,117**

(1) At August 31, 2016, the amounts pertained to buildings held for sale (see Note 14).

Equity and Liabilities

(in thousands of euros)	Notes	Amount at Aug. 31, 2017	Amount at Aug. 31, 2016
Capital	(Note 20)	11,708	11,603
Share premium	(Note 20)	193,696	147,761
Consolidated reserves and hybrid loan		2,801,643	2,769,111
Currency translation adjustments		147,034	279,026
Fair value adjustment of financial instruments		36,977	(15,813)
Net income		73,417	108,053
Treasury stock		(80,050)	(83,303)
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		**3,184,425**	**3,216,438**
Non-controlling interests			
- in equity		1,411	1,587
- currency translation adjustments		(325)	(260)
- in consolidated net income		16	(175)
Non-controlling interests		**1,102**	**1,152**
EQUITY		**3,185,527**	**3,217,590**
Non-current provisions	(Notes 3.11 and 22.2)	130,644	148,694
Non-current financial liabilities	(Note 21)	599,890	984,706
Other non-current financial liabilities		385	3,546
Deferred tax liabilities	(Note 11)	149,805	148,323
TOTAL NON-CURRENT LIABILITIES		**880,724**	**1,285,269**
Current provisions	(Notes 3.11 and 22.1)	165,224	165,367
Current financial liabilities	(Notes 19 and 21)	930,486	340,968
Other current financial liabilities		3,947	20,349
Trade payables	(Note 3.12)	506,179	542,051
Liabilities to employees and payroll liabilities	(Note 3.13)	248,182	228,674
Current tax liabilities		29,429	29,220
Other current liabilities	(Note 23)	235,777	242,629
TOTAL CURRENT LIABILITIES		**2,119,224**	**1,569,258**
TOTAL EQUITY AND LIABILITIES		**6,185,475**	**6,072,117**

Consolidated Statement of Profit and Loss

(in thousands of euros)	Notes	Amount at Aug. 31, 2017	Amount at Aug. 31, 2016
Sales revenue	(Notes 3.1, 3.2 and 3.3)	5,127,142	5,208,176
Other revenue from operations		25,861	27,788
Purchases used in the business		2,301,799	2,392,125
Personnel costs	(Note 5)	1,668,180	1,570,451
External costs		644,616	734,351
Taxes other than income tax		45,190	43,079
Depreciation and amortization		147,351	138,716
Charges to provisions		96,650	86,037
Changes in inventories of finished goods and work in progress [1]		(30,054)	(811)
Other operating income and expenses	(Note 7)	(1,598)	(799)
CURRENT OPERATING INCOME	**(Notes 1-Y, 3.4 and 8)**	**217,565**	**269,595**
Non-current operating items	(Note 8)	(47,501)	(75,665)
OPERATING INCOME		**170,064**	**193,930**
Income/(expenses) related to cash and cash equivalents		(22,444)	(3,543)
Cost of gross debt		(39,285)	(35,799)
Cost of net debt	(Notes 3.6 and 9)	(61,729)	(39,342)
Other financial income and expenses	(Notes 3.6 and 10)	(1,921)	(2,401)
Income tax	(Notes 3.7 and 11)	(31,242)	(39,602)
Results of companies accounted for by the equity method		(1,739)	(4,707)
NET INCOME	**(Note 3.5)**	**73,433**	**107,878**
Attributable to non-controlling interests		16	(175)
Attributable to equity holders of the parent company		73,417	108,053
EARNINGS PER SHARE (ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY)	**(Note 12)**	**€0.246**	**€0.382**
DILUTED EARNINGS PER SHARE (ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY)	**(Note 12)**	**€0.244**	**€0.380**

(1) Changes in inventories of components and goods are included under “Purchases used in the business”.

Consolidated Statement of Comprehensive Income

(in thousands of euros)	Amount at Aug. 31, 2017	Amount at Aug. 31, 2016
NET INCOME	**73,433**	**107,878**
Other comprehensive income:		
- currency translation adjustments (1)	(130,306)	(34,433)
- restatement of hedging derivative instruments	75,181	(22,420)
- tax on restatement of hedging derivative instruments	(24,305)	6,226
Other items to be reclassified to profit	**(79,430)**	**(50,627)**
- actuarial gains and losses	22,860	(19,404)
- tax on actuarial gains or losses	(8,950)	5,148
Other items not to be reclassified to profit	**13,910**	**(14,256)**
TOTAL OF GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	**(65,520)**	**(64,883)**
NET INCOME AND GAINS AND LOSSES RECOGNIZED DIRECTLY IN EQUITY	**7,913**	**42,995**
Attributable to non-controlling interests	(49)	(232)
Attributable to equity holders of the parent company	7,962	43,227

(1) Most of the currency translation is related to changes in the euro/US dollar exchange rate.

Consolidated Statement of Cash Flows [1] [2]

(in thousands of euros)	Notes	Amount at Aug. 31, 2017	Amount at Aug. 31, 2016
Operating activities:			
Net income		73,433	107,878
Results of companies accounted for by the equity method		1,739	4,707
Depreciation, amortization and provisions		178,535	217,243
Losses (gains) on disposals		1,617	244
Deferred taxes	(Note 11)	(27,450)	(4,044)
Expenses on stock options and free shares awarded to employees		5,533	5,611
Other		(40)	(5,117)
CASH FLOW FROM OPERATIONS		**233,367**	**326,522**
Net change in inventories	(Note 6)	118,419	(19,428)
Net change in operating assets		77,135	(98,578)
Net change in debt		14,993	49,474
CASH FLOW FROM CONTINUING OPERATIONS		**443,914**	**257,990**
Investing activities:			
Acquisitions of non-current assets:			
- intangible assets	(Note 13.2)	(76,149)	(84,825)
- property, plant and equipment	(Note 14.1)	(119,127)	(125,355)
- other		(16,985)	(11,280)
Proceeds from sale of property, plant and equipment		9,643	15,332
Changes in receivables and payables relating to fixed assets		(4,405)	976
Acquisitions/disposals of entities, net of cash acquired		–	534
CASH FLOW FROM INVESTMENTS		**(207,023)**	**(204,618)**
Financing activities:			
Change in debt		187,342	(115,347)
Hybrid loan [3]		(4,986)	248,049
Increase in equity	(Note 20.1)	10,810	5,808
Treasury stock		2,209	1,103
Ordinary dividends paid by parent company [4]		(53,538)	(88,450)
Dividends paid to non-controlling interests		(1)	(2)
CASH FLOW FROM FINANCING ACTIVITIES		**141,836**	**51,161**
Currency translation adjustments, beginning of period		21,391	(8,159)
CHANGE IN CASH AND CASH EQUIVALENTS		**400,118**	**96,374**
CASH AT BEGINNING OF PERIOD		**249,158**	**152,784**
CASH AT END OF PERIOD	**(Note 19)**	**649,276**	**249,158**

(1) The Group did not record any transactions between shareholders during the period.

(2) No activities are currently in the process of being sold.

(3) At August 31, 2016, the amount represents the hybrid financing agreement signed in March 2016, net of interest, classified as equity pursuant to IAS 32 (see Note 20.2). At Aug. 31, 2017, amount of interest paid over the fiscal year, net of taxes.

(4) €53,538k of the dividends amounting to €88,768k recognized for fiscal year 2016/2017 were paid in cash.

Statement of Change in Consolidated Equity

(in thousands of euros)	Capital	Share premiums	Reserves	Net income attributable to equity holders of the parent company	Currency translation adjustments	Treasury shares	Restatement of financial instruments [1]	Equity attributable to equity holders of the parent company	Non-controlling interests	Change in equity
BALANCE AT AUGUST 31, 2015	**11,576**	**141,980**	**2,436,351**	**184,762**	**313,402**	**(85,436)**	**1,658**	**3,004,293**	**(327)**	**3,003,966**
Currency translation adjustments					(34,376)			(34,376)	(57)	(34,433)
Revaluation of financial instruments			1,277				(17,471)	(16,194)		(16,194)
Actuarial gains and losses			(14,256)					(14,256)		(14,256)
Income recognized directly in equity (a)			(12,979)		(34,376)		(17,471)	(64,826)	(57)	(64,883)
Net income for the fiscal year (b)				108,053				108,053	(175)	107,878
Income recognized for the fiscal year (a)+(b)			(12,979)	108,053	(34,376)		(17,471)	43,227	(232)	42,995
Capital increase	27	5,781						5,808		5,808
Acquisition or disposal of treasury shares [2]			(1,030)			2,133		1,103		1,103
Valuation of options on stock options and free share awards			5,611					5,611		5,611
Dividends [3]			(88,450)					(88,450)	(2)	(88,452)
Hybrid loan [4]			248,049					248,049		248,049
Other [5]			181,559	(184,762)				(3,203)	1,713	(1,490)
BALANCE AT AUGUST 31, 2016	**11,603**	**147,761**	**2,769,111**	**108,053**	**279,026**	**(83,303)**	**(15,813)**	**3,216,438**	**1,152**	**3,217,590**
Currency translation adjustments			390		(131,211)		580	(130,241)	(65)	(130,306)
Revaluation of financial instruments			(553)		(781)		52,210	50,876		50,876
Actuarial gains and losses			13,910					13,910		13,910
Income recognized directly in equity (a)			13,747		(131,992)		52,790	(65,455)	(65)	(65,520)
Net income for the fiscal year (b)				73,417				73,417	16	73,433
Income recognized for the fiscal year (a)+(b)			13,747	73,417	(131,992)		52,790	7,962	(49)	7,913
Capital increase	105	45,935						46,040		46,040
Acquisition or disposal of treasury shares [2]			(1,044)			3,253		2,209		2,209
Valuation of options on stock options and free share awards			5,533					5,533		5,533
Dividends [3]			(88,768)					(88,768)	(1)	(88,769)
Hybrid loan [4]			(4,986)					(4,986)		(4,986)
Other [5]			108,050	(108,053)				(3)		(3)
BALANCE AT AUGUST 31, 2017	**11,708**	**193,696**	**2,801,643**	**73,417**	**147,034**	**(80,050)**	**36,977**	**3,184,425**	**1,102**	**3,185,527**

(1) The "Fair value adjustment of financial instruments" column includes fair value of the interest rate hedge (see Note 2 – Interest rate risk management) and the impact of exchange rate hedging derivatives in accordance with IAS 39 (see Note 2 – Currency exchange rate risk management). From the -€15,813k appearing as revaluation of financial instruments at August 31, 2016, €15,056k was recycled as income during the fiscal year and -€757k was maintained in equity because they represent the impact of the rate hedge maturing July 25, 2018.

(2) Shares acquired under a "liquidity agreement" and share buyback program.

(3) Dividends in the amount of €88,768k recognized for fiscal year 2016/2017 were paid in cash (€53,538k) and shares (€35,230k), including €70k recognized in equity and €35,160k recognized as premium.

(4) At August 31, 2016, the amount represents the hybrid financing agreement signed in March 2016, net of interest, classified as equity pursuant to IAS 32 (see Note 20.2). At Aug. 31, 2017, amount of interest paid over the fiscal year, net of taxes.

(5) Including appropriation of prior fiscal year profit to reserves.

Notes to the Consolidated Financial Statements

PRINCIPAL EVENT OF THE PERIOD

Contemplated business combination transaction between Zodiac Aerospace and Safran

On May 24, 2017, Safran and Zodiac Aerospace signed a business combination agreement defining the final terms of their contemplated business combination transaction, which was initially announced on January 19, 2017. Under the terms of this agreement, and subject to the satisfaction of certain conditions, Safran will file a public tender offer for the capital of Zodiac Aerospace consisting of the following:

- a main uncapped tender offer in cash for 100% of the capital of Zodiac Aerospace (with the exception of treasury shares) at a price of €25 per Zodiac Aerospace share;
- a secondary exchange offer capped at around 31.4% of the capital of Zodiac Aerospace targeted, to be remunerated in preferred shares of Safran stock with an exchange ratio calculated on the basis of the ratio between a price of 24 euros per Zodiac Aerospace share and the market value of the Safran shares of common stock, framed by a collar mechanism of - 5/+ 5%, resulting in a ratio between 0.300 and 0.332 of a Safran preferred share for one share of Zodiac Aerospace. The preferred shares will have the same features as the common shares, but will be non-transferable for a period of three years from the settlement-delivery of the public tender offer.

The success of the public offer will depend in particular on reaching (i) the legal threshold for expiration of 50% of the capital or voting rights of Zodiac Aerospace; (ii) a voluntary waiver threshold set at 66.67% of the voting rights of Zodiac Aerospace; and (iii) obtaining, as necessary, certain regulatory authorizations required for control of concentrations.

In particular, this project could, in the absence of an agreement by the parties in question, trigger the implementation of change in control and non-compete clauses or other specific legal, regulatory or contractual provisions covering, for example, sales or supply contracts or agreements with partners.

The Group has not identified any impact to be reflected in the consolidated financial statements at August 31, 2017.

Discussions are in progress with the different parties and relevant authorities in order to find, if necessary, appropriate solution before the effective execution date of the business combination.

The principal issues analyzed are essentially related to the following:

a) Financing

The Group has identified in its principal financing agreements accelerated repayment clauses that would or, as applicable, could be implemented because of the change in control of Zodiac Aerospace, two in particular that would lead to heavy economic penalty conditions or to automatic repayment.

b) Commercial contracts

The main commercial contracts have been analyzed: the authorizations and/or information necessary are currently be handled. The Group does not anticipate any special difficulty.

c) Pension plans

The Group has not identified any pension plan financing that would have to be renegotiated because of the contemplated business combination transaction with the Safran Group.

At August 31, 2017, the costs paid in the preparation of this transaction have been recognized in the statement of profit and loss as "Non-current operating items" in the amount of €27.1 million.

Until the transaction is finalized, the two companies continued to conduct their businesses independently.

NOTE 1 - ACCOUNTING PRINCIPLES

The consolidated financial statements of the Zodiac Aerospace Group were approved by the Executive Board at its meeting on October 25, 2017. Amounts are expressed in thousands of euros unless otherwise stated. The accounting principles and policies applied by the Group are described below.

A) Basis for preparation of financial statements

In compliance with European Regulation 1606/2002 of July 19, 2002 on International Financial Reporting Standards (IFRS), the Zodiac Aerospace Group's consolidated financial statements for the fiscal year ended August 31, 2017, which include comparative figures for the previous fiscal year, have been prepared in accordance with IAS/IFRS and their IASB interpretations (SIC and IFRIC) applicable on August 31, 2017, as adopted by the European Union at that date..

B) Accounting standards

The accounting principles applied are consistent with those used for the preparation of the Group's annual consolidated financial statements for the fiscal year ended August 31, 2016. The new standards and interpretations applicable to the period ended August 31, 2017 are as follows:

- Amendments to IFRS 10, IFRS 12 and IAS 28 – Investment Entities: application of the consolidation exemption;
- Amendments to IAS 27 – Equity method in separate financial statements;
- Amendment to IAS 1 – Presentation of financial statements: disclosure initiative;
- IFRS Annual Improvements cycle 2012 - 2014;
- Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortization;
- Amendment to IFRS 11 – Joint Arrangements: Acquisition of an Interest in Joint Operation.

Application of the new standards had no material impact on the financial statements at August 31, 2017.

Moreover, the Zodiac Aerospace Group did not apply the following standards and interpretations, the application of which became mandatory after August 31, 2017 or which had not been endorsed by the European Union as of August 31, 2017.

Endorsed standards and amendments whose application is not mandatory for the fiscal year ended August 31, 2017:

- IFRS 9 – Financial Instruments;
- IFRS 15 – Revenue from Contracts with Customers.

IFRS 15 "Revenue from Contracts with Customers" will replace IAS 11 and IAS 18 for fiscal years beginning on or after January 1, 2018. Because of its offset fiscal year (September 1, to August 31), the Group will apply this new standard as of September 1, 2018.

With regard to the impacts of this standard, the Group has conducted an analysis of the differences between the current principles for recognizing revenue and the new provisions of IFRS 15 by type of contract.

The primary impacts of the application of this standard should be the following:

- for mixed contracts (particularly those covering a development phase combined with series deliveries), the recognition of revenue as costs are incurred that is currently applied will be impacted by IFRS 15 leading to a shift in the study revenue to the series life period;
- a reduction in revenue due to the effect of reclassifying certain expenses (provisions for penalties and concessions) as a deduction from revenue;
- for maintenance contracts at flight time, the transition from recognition of revenue at the rate of invoicing to recognition of revenue as costs are incurred.

The Group will communicate the impacts of IFRS 15 at the time of its half-year financial statements and will confirm the transition procedures in this context.

In addition, the process for determining the potential impacts of IFRS 9 is in progress.

Standards and amendments not endorsed as of August 31, 2017:

- IFRS 14 – Regulatory deferral accounts;
- IFRS 16 – Leases;
- IFRS 17 – Insurance Contracts;
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;
- Amendments to IAS 12 - Recognition of deferred tax assets for unrealized losses;
- Amendments to IAS 7 - Disclosure initiative;
- Clarification of IFRS 15 – Revenue from contracts with customers;
- Amendments to IFRS 2 - Classification and measurement of share-based payment transactions;
- Amendment to IFRS 4 – Application of IFRS 9 Financial instruments with IFRS 4 Insurance contracts;
- IFRS annual improvements cycle 2014-2016;
- IFRIC 22 - Foreign currency transactions and advance consideration;
- Amendment to IAS 40 – Transfers of investment property;
- IFRIC 23 – Uncertainty over Income Tax Treatments.

The Zodiac Aerospace Group is in the process of identifying the potential impacts of these new standards, interpretations, amendments and/or revisions on the Group's consolidated financial statements.

C) Bases of valuation

The financial statements of the Zodiac Aerospace Group are prepared according to the historical cost principle, except for derivatives and financial assets available for sale that are measured at fair value.

Certain standards in the international accounting system provide for options regarding the valuation and accounting treatment of assets and liabilities.

In particular, the Group has opted to value its inventories at the initial cost determined according to the "First-In, First-Out" method (IAS 2).

D) Use of estimates and assumptions

The preparation of financial statements requires the Group management team to make estimates and use assumptions that affect the value of assets and liabilities shown in the consolidated statement of financial position and the amount of income and expenses shown in the statement of profit and loss. Management revises its estimates and assumptions on an ongoing basis, according to all the factors on which it bases its assessment.

Actual future amounts may differ significantly from these estimates as a result of different assumptions or conditions.

These estimates and assumptions relate mainly to the measurement of deferred tax assets, provisions, employee benefits, share-based payments and those used to test asset impairment and the procedures for capitalizing development costs.

The accounting methods which require the Group to make significant estimates are as follows:

Provisions for contractual compensation (see Note 22)

Provisions for contractual compensation are recognized when the Group has not fulfilled its contractual obligations or has received a quantified claim from one of its customers. The amount provisioned is defined by management on the basis of the following factors:

- the legal analysis of the contractual obligations and a reasonable estimate of the damage suffered by the customer if the Group is obligated to indemnify such damage; for contractual compensation in which the amount depends on meeting future performance obligations, the analysis of the Group's operating ability to meet those obligations; for specific compensation related to the quality of delivered products, the estimated costs to repair or replace those products;
- the history of the sales relationship with the customer and level of contractual compensation paid for similar claims in the past.

Warranty (see Note 22)

A provision is recognized to cover anticipated warranty claims covering products sold during the fiscal year or in previous fiscal years (as a result of duration of the warranty that varies one product line to another); the amount of this provision is estimated on the basis of the cost history specific to each type of warranty. The assumptions used in measuring these provisions are based on actual sales levels and on the information currently available on warranty claims on products sold before the balance sheet closing date.

Pensions and other long-term employee benefits and post-employment benefits (see Note 22)

The Group participates in pension plans in compliance with the laws and practices of each country in which it is located.

For the basic plans and other defined contribution plans, the Group recognizes the contributions to be paid as expenses when they are due, and no provision is recognized; the Group has no commitment beyond the contributions paid. For defined benefit plans, the provisions are booked in accordance with IAS 19 Revised "Employee Benefits" and are determined as follows: the actuarial method used is the "projected unit credit method", which stipulates that each period of service results in the recognition of one unit with rights to the benefit, and separately measures each of these units to obtain the final obligation. These calculations integrate assumptions on mortality, employee turnover and forecasts of future salaries. Changes in actuarial assumptions are recognized in equity on the statement of financial position.

Tests for valuing goodwill and other non-current assets

Tests for impairment and goodwill are sensitive to operating assumptions used in the medium-term financial projections, assumptions about exchange ratio, and about the weighted average costs of Group capital used to discount future cash flows.

The valuation parameters used and the sensitivities to impairment tests are detailed in Note 13.1.

Methods of capitalizing development costs

They are sensitive to assumptions of economic profitability on projects as described in Note J 2.

Recoverability of deferred tax assets

The value placed on deferred tax assets in general, and those arising as a result of brought forward negative tax balances in particular, may vary according to the assumptions adopted by the same medium-term financial forecasts used for goodwill impairment testing.

E) Consolidation principles

Companies over which Zodiac Aerospace exercises control, whether directly or indirectly, are fully consolidated.

Companies over which Zodiac Aerospace exercises significant influence are accounted for by the equity method. The joint venture EZ Air Interior Ltd, 50%-owned by Zodiac Aerospace and 50% by Embraer, is accounted for by the equity method.

A list of consolidated subsidiary companies and holdings is given in Note 27.

In the case of consolidated companies, intra-Group balance sheet items and transactions are eliminated in full.

Company disposals made during the fiscal year are recognized in the consolidated financial statements with effect from the date on which effective control was lost.

Company acquisitions made during the fiscal year are recognized in the consolidated financial statements with effect from the date on which effective control was gained.

F) Translation of foreign subsidiaries' financial statements expressed in foreign currencies

The financial statements of foreign subsidiaries that report in a currency other than the euro are translated into euros, the currency in which Zodiac Aerospace presents its financial statements, as follows:

- assets and liabilities: in euros based on the exchange rate at the period end;
- statement of profit and loss: in euros based on the average exchange rate for each currency over the period.

The resulting translation adjustments are recognized in equity under "Currency translation adjustments."

When a foreign company is disposed of, cumulative currency variances are recognized in the statement of profit and loss as a component of profit or loss on disposal.

None of the Group's foreign subsidiaries reports in the currency of a hyperinflationary economy.

Main exchange rates used in consolidation

	At August 31, 2017		At August 31, 2016	
	Statement of Financial Position	Net income	Statement of Financial Position	Net income
US dollar	1.1825	1.0987	1.1132	1.1107
Canadian dollar	1.4970	1.4505	1.4583	1.4736
South African rand	15.4568	14.7798	16.1731	16.3789
Pound sterling	0.9197	0.8681	0.8481	0.7720
Thai baht	39.2470	38.0822	38.5490	39.4278
Czech crown	26.1010	26.7522	27.0260	27.0471

G) Foreign currency transactions

The recognition and measurement of foreign currency transactions are defined by IAS 21, "Effects of Changes in Foreign Exchange Rates." In accordance with this standard, foreign currency transactions are converted into euros at the period-end exchange rates, and the resulting differences are recognized in the statement of profit and loss.

"Translation differences" presented in the accounts are the result of the difference in exchange rates between fiscal year "n - 1" and "n" applied to the income of subsidiaries that report in currencies other than the euro.

"Transaction differences" are the result of exchange rates used to book sale and purchase transactions in a currency other than the currency of the entity concerned.

H) Property, plant and equipment and finance leases

Property, plant and equipment are recognized in the statement of financial position at their acquisition (including related expenses) or production cost, less accumulated depreciation and charges for impairment.

Depreciation is calculated on a straight-line basis over the useful life of the asset, determined on the basis of the consumption pattern of expected future economic benefits.

In most cases, useful lives are determined as follows:

- buildings and improvements: 10 to 40 years depending on the type of building;
- plant and equipment: 3 to 8 years depending on use;
- IT equipment and furniture: 3 to 10 years depending on use;

Lease agreements that transfer the risks and rewards of ownership to Zodiac Aerospace (finance lease agreements) are recognized as property, plant and equipment, and the corresponding liability is recognized as debt.

Impairment tests are applied whenever there is an indication of impairment.

I) Business combinations

Business combinations are recognized by applying the acquisition method, as required by IFRS 3 (revised).

The difference between the acquisition cost plus the fair value of non-controlling interests and the net balance of the fair value of the acquired entity's identifiable assets and liabilities, is recognized as goodwill if this difference is positive, and through income if it is negative.

When measuring the non-controlling interests of each business combination, the Group opts to base its valuation either on the share of net assets acquired, or on the fair value of those assets.

The total amount of goodwill may be adjusted during the one-year post-acquisition measurement period.

Goodwill is not amortized, but is subject to impairment testing whenever there is an indication of impairment, and at least once per year for year-end. Goodwill is allocated to cash-generating units (CGUs).

In accordance with IFRS 3 (revised):

- Acquisition expenses are charged when they are incurred to the “Non-current operating items” line of the statement of profit and loss;
- Conditional earnouts are measured at fair value and taken into account when calculating the acquisition cost.

The measurement of acquired assets and liabilities assumed, recognized on the date of first consolidation may be adjusted during the valuation period (one year maximum after the acquisition date) based on additional information related to facts and circumstances existing on the acquisition date.

J) Intangible assets

Intangible assets mainly comprise development costs, brands, patents and licenses.

1 - Intangible assets acquired separately or as part of a business combination

Intangible assets acquired separately are recognized at acquisition cost and subsequently amortized over their useful life, which does not exceed 20 years.

Intangible assets (primarily brands) resulting from the valuation of the assets of the entities acquired are recognized in the statement of financial position at fair value, which is generally determined based on an external appraisal.

Intangible assets are subject to impairment testing wherever there is an indication of impairment.

2 - Internally generated intangible assets

The majority of these assets refer to development costs.

Under the terms of IAS 38, “Intangible Assets,” development costs must be capitalized where the following can be demonstrated:

- the intention and financial and technical ability to complete the development project;
- the probability that the future economic benefits attributable to the development costs will flow to the company;
- the development costs can be measured reliably.

For projects that meet these criteria, the capitalization of costs begins on the date of selection of the product by the aircraft manufacturer. The development project is considered completed on the date of qualification of the product by the aircraft manufacturer or the date of commencement of series production. Costs incurred during a phase of further development can also be capitalized until the date of the aircraft’s certification.

Capitalized costs are costs directly attributable to the program. They are capitalized up to the limit of the amount of the quotation for initial development. Any amount in excess of this quotation is recognized as expenditure, unless the need to make major modifications to the developed product results in revision of the selling price of the product concerned.

Research and development costs that do not meet the above criteria are entered as expenses for the fiscal year in which they arise.

In the context of development projects, some costs may be billed to the customer. These are either a full or partial assumption of the development costs (“non-recurring costs”) by the customer as part of a global contract or a separate invoicing of billing elements (for example, prototypes or pre-production).

If the customer is contractually committed to paying for all or a fraction of development costs, whatever the ultimate number of aircraft sold over the term of the contract, the costs in question in that case are receivables for billable studies. They are therefore charged to work in progress.

If there is no firm commitment to support the development costs, they can be capitalized in “Property, plant and equipment”, provided they have met the criteria for capitalization.

Capitalized development costs are amortized over the projected quantity of billable units commencing at the start of the relevant program’s operations. Where applicable, this allocation is supplemented to increase the expense to the equivalent of a minimum straight-line amount of amortization.

On some new programs (B787, A350), the aircraft manufacturers draw up a catalog of “recommended” buyer-furnished equipment (BFE) products that are pre-certified for airlines by the aircraft manufacturer. The development costs of products accepted onto the aircraft manufacturer’s catalog are only capitalized if there is a significantly high level of intention on the part of the airlines to purchase our “cataloged” products. In this case, the corresponding development costs are booked to intangible assets and amortized over five years from the date of the first delivery of the cataloged product.

IFEC (In-Flight Entertainment Connectivity) technology developments, although not part of a “sole source” selection, are recognized as intangible assets if they meet IAS 38 criteria. They are amortized over four years from the date they are first commissioned

K) Financial assets

All the financial assets other than hedging derivatives shown in the statement of financial position fall into the “loans and receivables” category defined by IAS 39.

These financial assets comprise investments in non-consolidated companies classified as available-for-sale financial assets, loans, deposits and guarantees.

1 - Available-for-sale financial assets

Equity investments in non-consolidated companies are initially entered at their acquisition cost, and are then assessed at their fair value once fair value can be valued reliably.

None of these investments relate to listed companies.

Where fair value cannot be reliably assessed, the recoverable amount is determined on the basis of the Group share of the net asset, anticipated future profitability and growth prospects of the entity in which the investment is made.

Changes in the fair value of available-for-sale financial assets are recorded in equity as a separate line item until the shares are effectively sold. Where there are circumstances indicating that an impairment loss is permanent, this loss is recognized in income.

2 - Loans, deposits and guarantees

Loans, deposits and guarantees are recognized at amortized cost and are depreciated when there is objective evidence of impairment.

L) Inventories

The Group measures its inventories at cost, calculated using the "First In, First Out" method, in accordance with IAS 2, "Inventories." Inventories are measured at the lower of cost and net realizable value (which is the estimated selling price less the estimated costs necessary to realize the sale).

Inventories are impaired on the basis of stock item obsolescence or lack of sales, both of which reduce their net realizable value. Impairment write-backs are justified by the disposal of the inventories concerned.

M) Trade and other receivables

Trade receivables are recognized at their initial invoice amount minus impairment provisions for unrecoverable amounts. A provision is made where there is objective evidence to indicate that the Zodiac Aerospace Group will be unable to recover these receivables. Unrecoverable receivables are written off when identified as unrecoverable.

The Group may, on occasion, need to obtain part of its financing through agreements to transfer its trade receivables to financial institutions.

N) Cash and cash equivalents

Cash and short-term deposits recorded in the statement of financial position comprise cash-in-bank, cash-on-hand and short-term deposits with an initial maturity period of less than three months.

For purposes of the consolidated statement of cash flows, cash and cash equivalents include cash and cash equivalents as defined above, minus short-term bank borrowings.

O) Costs associated with share capital increase

External costs relating directly to a capital increase are recognized net of tax by deduction from share premiums when a tax saving is generated.

P) Treasury stock

Purchases of treasury stock are entered as a deduction from equity, based on the acquisition cost of the shares. Gains and losses made on the sale of treasury stock are recognized net of tax in the consolidated reserves.

Q) Provisions

In accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets," the Group recognizes provisions when it has an obligation to a third party as a result of a past event, and it is probable that settlement will result in an outflow of resources representing economic benefits and when the amount of the loss or liability can be reliably measured (see Note 22 Provisions).

If this loss or liability is not probable and cannot be valued reliably but remains possible, the Group then recognizes a contingent liability among its commitments.

Provisions are discounted when the effect is significant. For the Group, the impact of this rule relates almost exclusively to provisions for employee benefits.

Provisions that are, by their nature, part of the normal operating cycle of the operations concerned are recognized as current provisions in the statement of financial position. This applies to provisions for guarantees or litigation.

R) Taxes

Deferred taxes are recognized using the variable balance sheet liability method for all timing differences between the tax basis of assets and liabilities shown in the consolidated statement of financial position and their tax base on the balance sheet closing date.

Deferred tax assets for all timing differences or deductible losses are recognized to the extent that it is probable that a taxable profit will be available against which the deductible items can be charged, unless the deferred tax asset arises from differences between the carrying amount of an asset or liability and its tax value resulting from the initial recognition of an asset or liability as part of a transaction that is not a business combination or which, as of the transaction date, does not affect taxable income.

Deferred tax liabilities are recognized, except where they result from a difference between the carrying amount of an asset or liability and its tax value resulting from the initial accounting treatment of an asset or liability as part of a transaction that is not a business combination or which does not affect taxable income on the transaction date, and except where they result from impairment of goodwill that is not deductible for tax purposes.

In accordance with IAS 12, these deferred taxes are not discounted.

Deferred tax assets and liabilities are offset between companies in a tax consolidation arrangement within a single national group.

The amount of research tax credits is classified as a reduction of "Personnel costs".

S) Financial liabilities and derivative financial instruments

1 – Financial liabilities

Financial liabilities consist primarily of current and non-current debt with financial institutions. These liabilities are initially entered on the books at fair value, which includes, as appropriate, any directly related transaction costs. They are then valued at amortized cost, based on the effective interest rate.

2 – Derivative financial instruments

The Group uses derivative financial instruments mainly to manage and hedge the effect of exchange rate fluctuations on its foreign currency revenues. The Group does not use derivative financial instruments for speculative purposes. Depending on the type of risk to be hedged, the Group uses contracts such as swaps, options and forward transactions.

Some of these hedges cover the trade receivables and/or payables recorded in the statements of financial position of Group companies. At the fiscal year-end, the Fair Value Hedge contracts are estimated at fair value. Any currency gains or losses representing the effective portion of these hedges are recognized as operating income. Such gains or losses arising from changes in fair value offset any currency gains or losses arising from the conversion of foreign-currency receivables at the fiscal year-end exchange rate, as required by IAS 21, "The Effects of Changes in Foreign Exchange Rates." The ineffective portions of hedges are included in financial income.

Variances in the fair value of derivatives are recognized immediately as profit or loss where the following criteria are not met:

- the hedged item must be clearly identified at the time the corresponding hedge is implemented, and the hedging relationship must be formally documented and shown to be effective;
- the effectiveness of the hedge must be determined in a reliable manner;
- the effectiveness of the hedge must be tested regularly throughout the period while it is in place.

The Group may also hedge projected cash flows, whether for recurring operating cash flow or for acquisitions or disposals of equity investments. As required by IAS 39, these hedges on provisional flows are treated as Cash Flow Hedges. At the balance sheet date, the financial instruments corresponding to these hedges are recognized in the statement of financial position at their fair value. The change in fair value representing the effective portion of such hedges is recorded in equity under a separate heading until the hedged cash flow is effectively realized. It is then transferred to the statement of profit and loss when the underlying item is entered as income. The ineffective portions of hedges are included in financial income.

IFRS 7 "Financial Instruments: Required Disclosures" establishes a fair value hierarchy and distinguishes three levels:

- Level 1: quoted prices for identical assets and liabilities (i.e., identical to the ones being measured) obtained on the measurement date in an active market to which the entity has access;
- Level 2: the input data are observable data, but do not correspond to the prices quoted for identical assets or liabilities;
- Level 3: the input data are not observable (for example, data generated by extrapolations). This level is applied when there is no market or observable data and the company is required to use its own assumptions to estimate the data that others in the market would have used to measure the fair value of the asset.

The interest-rate and currency hedging derivatives used by the Group are instruments whose value is estimated using a measurement technique based on observable data, thus presenting Level 2 reliability.

There is no hedging policy for the statements of financial position of foreign entities.

Most of the Group's foreign currency exposure arises from transactions between its European entities and customers buying in US dollars.

The Group is also exposed to the risk of fluctuations in the interest rates on borrowed funds through its various variable rate financing agreements. These fluctuations may be hedged through financial instruments (see Note 2).

T) Pension benefits and similar obligations

In terms of defined benefit plans, the Group has a range of obligations in respect of pensions and similar arrangements in France and abroad:

- In France, these commitments relate:
  - chiefly to severance pay on retirement governed by existing collective agreements or company agreements;
  - and, to a lesser degree, the costs represented by long-service bonuses and awards.
- Outside France, the main obligations are the (defined-benefit) pension plans of two US subsidiaries (Air Cruisers and Avox Systems) and of a German subsidiary.

1 – Defined benefit plans

For defined-benefit pension plans and related medical insurance plans, the costs of the benefits given is determined using the Projected Unit Credit Method; actuarial measures are performed at the end of each fiscal year by independent actuaries.

These calculations include demographic assumptions (retirement date, personnel turnover rate, mortality) and financial assumptions (discount rate, rate of salary increase).

Where plans are financed, the assets are vested with outside benefit payment organizations.

A provision is made for any shortfall between the fair value of assets and the discounted value of obligations due under the plan concerned.

The cumulative effect of actuarial gains and losses resulting from adjustments derived from experience or changes in assumptions based on the general economic, financial or demographic situation (including changes in the discount rate, annual wage increases and term of business operation, etc.) are immediately recognized in the Group's liabilities, through a separate item in equity, "Other items of comprehensive income," pursuant to IAS 19 (revised).

The cost of post-employment benefits is shown in the statement of profit and loss as follows:

- current service costs (i.e. for the period) and past service costs are included in personnel costs;
- the difference between the income from return expected and the actual return on plan assets as well as the charge reflecting the accretion expense of the pension obligation are presented as financial expense or income;
- the impact of any plan reductions or liquidations.

The full amount of provisions for post-employment benefits is recognized under "Non-current provisions" in the statement of financial position.

2 – Defined-contribution plans

Amounts due in respect of these plans are recorded as expenses for the period.

U) Share-based compensation

As required by IFRS 2, stock option and purchase plans granted to employees and members of the Management Board must be measured at their fair value, calculated on the date these options were awarded.

The fair value of services rendered by employees as consideration for the options granted is expensed and recorded on the basis of the services at the time they are rendered. This expense is measured on the basis of actuarial calculations built on behavioral assumptions derived from past observations. The cost is spread over the benefit vesting period. The total amount of the expense to be recognized is measured by reference to the fair value of the options granted, using the binomial model.

The expense is booked under gains and losses recognized in equity.

V) Revenues

As required by IAS 18, "Revenue," sales of finished goods and merchandise are recognized in "Sales revenues" when the risks and rewards incident to ownership are transferred, i.e., in most cases, when the goods are shipped.

Revenues generated from sales of services are recognized over the contract period and in accordance with the terms and conditions of the contract. They are recognized where the outcome of the transaction can be estimated reliably, and by reference to the stage of completion of the services provided by the Group. Revenues from the performance of long-term contracts are recognized using the percentage of completion method, and determined either as a percentage of actual costs incurred in relation to projected total spending through to completion, or using contractually defined technical stages and, particularly, the essential phases of the contract's performance (proof of installation or delivery of equipment).

Sales are shown net of all volume and trade discounts. Likewise, the cost of sales-related marketing initiatives is deducted from sales revenue.

W) Impairment of assets

Goodwill and intangible assets with an indefinite useful life are not amortized but are subject to impairment testing whenever there is an indication of impairment, and at least once per year at the fiscal year-end.

Other non-current assets with a finite life (amortized intangible assets and depreciable property, plant and equipment) are subject to impairment testing whenever there is an indication that their carrying amount may not be recoverable.

Capitalized development costs are tested for impairment project-by-project on the basis of discounted projections of the future cash flows relative to each project. These tests compare the carrying amount of an asset with its recoverable amount.

The recoverable value of an asset or group of assets is defined as the fair value (minus selling costs) or the value in use, whichever is the higher. Value in use is measured by discounting estimated future cash flows using a reference rate that reflects the Group's weighted average cost of capital.

Impairment tests are conducted for each asset individually, unless the asset – taken in isolation – does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, as is the case for goodwill, which in principle does not generate independent cash flows, the recoverable value of the asset is determined at the level of the cash-generating unit (CGU) to which the asset belongs, which is the smallest homogeneous group of identifiable assets that generates cash flows largely independent of those from other assets or groups of assets. A list of CGUs is provided in Note 13.1.

At each balance sheet date, Group companies identify any events or circumstances that could result in an asset losing its value. Such events or circumstances include significant long-term unfavorable changes affecting the Group's economic environment (sales markets, sources of supply, index and/or cost trends, etc.) or its assumptions and targets (medium-term plan, profitability forecasts, market share, order book, regulations, litigation, etc.).

Where such events or circumstances exist, the recoverable amount of the individual asset is measured. Where its carrying value is higher than its recoverable amount, the asset is treated as having lost value and its carrying value is reduced to reflect its recoverable value by recognizing an impairment loss.

Where it is not possible to estimate the recoverable value of an individual asset, the recoverable value of the CGU to which the asset belongs is calculated.

Where a test conducted on the assets of a Group company reveals a loss of value in the CGU, this loss of value is allocated in the first instance to goodwill, then to the assets of the unit concerned pro-rata of their carrying value.

Where loss of value is proven, any impairment recognized as goodwill becomes permanent. For other assets, loss of value indices are analyzed on each subsequent balance sheet date, and if there are favorable changes in the estimates that previously resulted in an impairment, an impairment reversal is recognized in the statement of profit and loss for the fiscal year pursuant to IAS 36.

X) Held-for-sale assets and discontinued operations

A non-current asset, or group of assets and liabilities, is recognized as held for sale when the majority of its value will be recovered as the result of sale, rather than as a result of continued use.

This definition applies if the asset is available for immediate sale and if such a sale is highly probable. At the balance sheet date, held-for-sale assets are measured at their carrying value or adjusted to their estimated disposal value minus selling costs if this value is less than the carrying value.

Y) IFRS financial information presentation principles

The Group has elected to segregate significant non-recurring items within its operating income.

The non-recurring portion is shown after the "Current operating income" (COI) subtotal under the heading "Non-current operating items"; the resulting subtotal is "Operating income."

The "Financial Debt" aggregate used by the Group in its communication is the sum of the "Current and Non-current Financial Liabilities" items minus the "Cash and Cash Equivalents" item.

The presentation of the statement of financial position and statement of profit and loss has been revised in accordance with IAS 1, "Presentation of Financial Statements."

On the statement of financial position, the assets and liabilities that are part of the Group's operating cycle are classified as current.

All other assets and liabilities are classified as non-current.

In applying IAS 1 (revised), the Group has chosen to present income and expenses recognized in two financial statements: a statement of profit and loss and a statement of comprehensive net income.

In accordance with the requirements of IFRS 3 (revised), a "restated" net earnings per share figure is calculated for the Group to eliminate the effects of business disposals and the impact of the acquisition costs incurred as part of external growth transactions.

Z) Earnings per share

Earnings per share are calculated in accordance with IAS 33 "Earnings per Share."

Basic earnings per share are calculated by dividing the net income attributable to equity holders of the parent company by the weighted average number of common shares outstanding over the period. Treasury shares are deducted from the average number of shares outstanding.

Diluted earnings per share are calculated by dividing the Group's net income after minority interests, adjusted for dilutive instruments, by the weighted average number of shares outstanding over the period, adjusted for the potential number of dilutive common shares.

NOTE 2 - FINANCIAL RISK MANAGEMENT

A) Interest rate risk

Financing for all Group subsidiaries is centralized. At August 31, 2017 the Group's debt was primarily exposed to fluctuations in the Euribor.

The Group holds an interest-rate swap to hedge the fluctuations in the 6-month Euribor expiring on July 25, 2018, in the amount of €50 million and at a rate of 1.11%.

The fair value of the hedges used by the Group at August 31, 2017 was:

Swap	Nominal value	Within one year	Over one year	Fair value (1)
	(in thousands of euros)			(in thousands of euros)
EUR	50,000	50,000	–	(688)

(1) This equates to the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

At August 31, 2017, the impact of this market value was recognized in equity in the amount of €688k.

Based on current and non-current financial liabilities of €1,530 million at August 31, 2017 (see Note 21 – Financial liabilities), taking into account the portion of variable rate borrowings of €1,206 million and based on non de-designated hedges remaining at the fiscal year end, an interest rate fluctuation of 10 basis points over the past fiscal year would have generated financial expenses of:

- €1.22 million excluding the impact of rate hedges;
- €1.17 million including the impact of the rate hedges.

B) Currency exchange rate risk

1. Hedging

Virtually all the Group's exposure to currency risk in its business and manufacturing operations is in the form of exposure to the US dollar.

The hedging instruments used by the Group at August 31, 2017 to hedge currency risks are:

Currency 1/Currency 2 forward sales	Nominal value	Under one year	Over one year	Fair value (1)
	(in thousands of Currency 1)			(in thousands of euros)
USD/EUR	1,027,995(2)	863,405	164,590	55,223
USD/GBP	94,520(2)	82,320	12,200	(3,316)
USD/CAD	38,960(2)	33,760	5,200	(301)
USD/MXN	50,422(2)	42,993	7,429	(186)
USD/CZK	21,000(2)	21,000	–	17
EUR/ZAR	122(2)	122	–	(1)
EUR/GBP	1,029(2)	1,029	–	(18)

(1) This equates to the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
(2) i.e. €1,084,952k.

Currency 1/Currency 2 forward purchases	Nominal value	Under one year	Over one year	Fair value (1)
	(in thousands of Currency 1)			(in thousands of euros)
EUR/GBP	7,425(2)	7,425	–	48
USD/CAD	3,230(2)	3,230	–	41
USD/GBP	6,700(2)	6,700	–	39

(1) This equates to the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
(2) i.e. €15,696k.

Statement of financial position value (in thousands of euros)	Assets		Equity and liabilities	
	Current	Non-current	Current	Non-current
Fair value hedges	5,287	–	1,055	–
Cash flow hedges	40,287	10,304	2,893	384

At August 31, 2017, cash flow hedges were put in place in the amount of:

- $815 million to hedge 83% of our net exposure to fluctuations in the USD/EUR exchange rate (revenue – purchases) estimated for the 2017/2018 fiscal year;
- $85.2 million to hedge 64% of our net exposure to fluctuations in the USD/GBP exchange rate (revenue – purchases) estimated for the 2017/2018 fiscal year;
- $34.4 million to hedge 54% of our net exposure to fluctuations in the USD/CAD exchange rate (revenue – purchases) estimated for the 2017/2018 fiscal year;
- $45 million to hedge 49% of our net exposure to fluctuations in the USD/MXN exchange rate (revenue – purchases) estimated for the 2017/2018 fiscal year;
- $21 million to hedge 21% of our net exposure to fluctuations in the USD/CZK exchange rate (sales revenue – purchases) estimated for the 2017/2018 fiscal year;

The impact of the fair value of those hedges on equity was a positive €47,313k at fiscal year-end, including €9,920k with maturity greater than one year.

A 10-cent fluctuation in the dollar exchange rate against the main currencies used in the Group would have had an impact of €380 million on the sales revenue for the fiscal year.

The fluctuation primarily affects the euro/dollar exchange rate; the average transaction rate was 1.11 for the fiscal year, as for the previous fiscal year.

A 10-cent fluctuation (from 1.12 to 1.22) in the average dollar transaction rate on net flows and from its cross-exchange rates with the other currencies would have had a negative impact, excluding the hedge, of €96 million on current operating income.

A 10-cent fluctuation (from 1.10 to 1.20) in the dollar conversion rate and its cross exchange rates with the other currencies would have had a positive impact of around €0.3 million on current operating income.

The impact on the current operating income of the currency hedges set up during fiscal year 2016/2017 (difference between the average monthly rate of currencies and the spot rate of hedges) was a negative €31.7 million.

2. Exposure

The analysis of the Group's exposure to balance sheet exchange rate risks is based on the notional amounts of transactions denominated in a currency other than the reporting currency of the company concerned at the balance sheet date.

The only significant currency in the Group is the US dollar, and the relevant amounts are:

(in millions of USD)	At August 31, 2017
Financial assets	518.9
Financial liabilities	268.8
Net exposure before hedging	250.1
Hedging derivatives	207.5
Net exposure after hedging	42.6

The analysis of the sensitivity of Group net income to the US dollar exchange rate risk measures the effect of a shift in the value of this currency on the net US dollar position.

At August 31, 2017, an increase of 10% in the fiscal year-end US dollar exchange rate with each of the currencies, based on the balance sheet exposure, would have increased Group net income by the amounts shown below. For the purposes of this analysis, all other variables, especially interest rates, have been assumed unchanged:

(in millions of euros)	At August 31, 2017
Impact on net income (1)	3.9

(1) Based on an average corporate income tax rate of 22.6%.

C) Liquidity risk

(in thousands of euros)	Book value at the balance sheet date	Not yet due and < 30 days overdue, not impaired	Overdue by more than 30 days and not impaired on the balance sheet date (number of days)					Overdue and impaired
			31-90	91-180	181-360	> 361	Total	
Trade receivables at Aug. 31, 2016	1,046,469	883,712	81,512	47,867	18,693	13,695	161,767	990
Trade receivables at Aug. 31, 2017	971,846	779,502	117,503	18,933	25,930	27,573	189,939	2,405

Trade receivables outstanding was down 7.1%.

Future cash flows related to financial liabilities

	2017/2018	2018/2019	2019/2020	2020/2021	After 2021
Gross financial liabilities (in € thousands) (1)	(977,035)	(74,246)	(200,169)	(219,429)	(292,241)
Interest rate hedging derivatives (in € thousands) (2)	(415)	–	–	–	–
Trade payables (in € thousands)	(671)	–	–	–	–
Currency hedging derivatives – USD flows (in $ thousands)	(209,213)	(24,829)	–	–	–
Currency hedging derivatives – EUR flows (in € thousands)	54,098	–	–	–	–
Currency hedging derivatives – CAD flows (in C$ thousands)	32,255	6,443	–	–	–
Currency hedging derivatives – CZK flows (in CZK thousands)	90,783	–	–	–	–
Currency hedging derivatives – GBP flows (in £ thousands)	56,649	9,147	–	–	–
Currency hedging derivatives - MXN flows (in MXN thousands)	687,031	139,195	–	–	–
Currency hedging derivatives - THB flows (in THB thousands)	–	–	–	–	–
Currency hedging derivatives - ZAR flows (in ZAR thousands)	1,900	–	–	–	–

(1) Financial liabilities and interest flows based on an assumed constant interest rate of 3.00% throughout the period

(2) Interest flows related to hedging rate swaps against 6-month Euribor, for which the variable rate is estimated at 0.20 over the reporting period.

NOTE 3 - SEGMENT REPORTING

Segment reporting is presented in accordance with IFRS 8.

The operational activities of the Group are structured and managed separately to reflect the nature of the products and services supplied. Each segment represents a strategic business area offering distinct products and serving distinct markets. These segments are reflected in the internal reporting structure used by the Group management team in managing the business as a whole.

Since September 1,, 2015, the Group has been organized into two activities that correspond to the reporting segments:

- Aerosystems activity primarily including businesses linked to the so-called "SFE" - (Supplier Furnished Equipment), whose direct customers are manufacturers of aircraft, helicopters, spacecraft. This business includes the AeroSafety and Aircraft Systems branches.
- Aircraft Interiors activity, consisting for the most part of businesses related to the "BFE" (Buyer Furnished Equipment) market, on which the direct customers are primarily airlines. This activity continue to unite the Seats and Cabin branches.

To carry out these combinations, the Group reviewed the following characteristics:

- customer profile ("SFE" or "BFE" markets), which determine the economic characteristics and structure the risks of these activities;
- regulatory environment;
- positioning within the Group's strategy.

The above two activities are supported by Zodiac Aerospace Services, an internal structure dedicated to after-sales service.

Since the internal systems used to analyze performance and allocate resources also operate on a geographical basis, the Group also presents its segment reporting in terms of the following regions:

- France ;
- Other countries in Europe;
- USA;
- Other countries in the Americas;
- Rest of the world.

The data analyzed by geographic region are broken down by operating country, except for sales revenues, which are broken down by the geographic region of customer location.

Description of reportable segments

Aerosystems

This segment designs, develops, manufactures and markets:

- aircraft evacuation systems: evacuation slides for commercial aircraft, emergency floats for helicopters, etc.;
- emergency arresting systems for military and commercial applications;
- elastomer systems and technologies, protection parachutes (military and commercial);
- electric power management systems, actuators, sensors and electric motors;
- on-board computers, fuel systems and oxygen systems;
- hydraulic and regulation systems, water distribution and sanitary systems;
- aerospace telemetry and telecommunication systems, steam cycle air conditioning, bleed air control and cabin pressure systems;
- IFEC (In Flight Entertainment and Connectivity) systems.

Aircraft Interiors

In this segment, the Group designs, develops, manufactures and markets, mainly for the civil aviation market:

- passenger seats (all classes: first, business and economy), and crew seats;
- complete cabin interiors, overhead bins, class-separator partitions, trim panels, and cabin retrofit solutions, especially for VIP-format wide-bodied aircraft;
- refrigeration systems, trolleys, galleys, cargo containers, etc.

In terms of customer portfolio concentration, the Group has two customers with which it generates more than 10% of total Group revenue (€1,228.3 million) from different operating sectors, compared with one customer that generated more than 10% of sales revenue in the amount of €595.8 million last year.

A - STATEMENT OF PROFIT AND LOSS

Note 3.1 - Breakdown of consolidated revenue by segment and geographic area of customer location

(in thousands of euros)	France	Other European countries	USA	Other American countries	Rest of the world	**Total**
At August 31, 2016 (1)						
Aerosystems activities	592,068	469,976	680,389	128,944	289,274	**2,160,651**
Aircraft Interiors activities	114,825	590,578	1,104,338	283,815	953,969	**3,047,525**
TOTAL	**706,893**	**1,060,554**	**1,784,727**	**412,759**	**1,243,243**	**5,208,176**
At August 31, 2017						
Aerosystems activities	618,244	474,147	689,109	113,601	339,908	**2,235,009**
Aircraft Interiors activities	84,692	692,082	1,001,318	272,911	841,130	**2,892,133**
TOTAL	**702,936**	**1,166,229**	**1,690,427**	**386,512**	**1,181,038**	**5,127,142**

(1) The Connected Cabin (formerly Entertainment) division, which was included at August 31, 2016 in the Aircraft Interiors activities, was incorporated into the Aerosystems activities at September 1, 2016, after the operational restructuring. The figures above reflect this reclassification.

Note 3.2 - Breakdown of consolidated revenue by segment and by operating location

(in thousands of euros)	France	Other European countries	USA	Other American countries	Rest of the world	**Total**
At August 31, 2016 (1)						
Aerosystems activities	1,023,912	126,115	839,670	24,212	146,742	**2,160,651**
Aircraft Interiors activities	586,899	637,489	1,742,231	60,285	20,621	**3,047,525**
TOTAL	**1,610,811**	**763,604**	**2,581,901**	**84,497**	**167,363**	**5,208,176**
At August 31, 2017						
Aerosystems activities	1,065,640	114,686	886,944	23,921	143,818	**2,235,009**
Aircraft Interiors activities	523,652	668,115	1,619,158	50,795	30,413	**2,892,133**
TOTAL	**1,589,292**	**782,801**	**2,506,102**	**74,716**	**174,231**	**5,127,142**

(1) The Connected Cabin (formerly Entertainment) division, which was included at August 31, 2016 in the Aircraft Interiors activities, was incorporated into the Aerosystems activities at September 1, 2016, after the operational restructuring. The figures above reflect this reclassification.

Note 3.3 - Breakdown of consolidated revenue by segment with breakdown of inter-segment revenue

(in thousands of euros)	Sales revenue including inter-segment	Inter-segment sales revenue	**Consolidated sales revenue**
At Aug. 31, 2016 (1)			
Aerosystems activities	2,275,950	(115,299)	**2,160,651**
Aircraft Interiors activities	3,218,810	(171,285)	**3,047,525**
TOTAL	**5,494,760**	**(286,584)**	**5,208,176**
At August 31, 2017			
Aerosystems activities	2,339,990	(104,981)	**2,235,009**
Aircraft Interiors activities	3,063,108	(170,975)	**2,892,133**
TOTAL	**5,403,098**	**(275,956)**	**5,127,142**

(1) The Connected Cabin (formerly Entertainment) division, which was included at August 31, 2016 in the Aircraft Interiors activities, was incorporated into the Aerosystems activities at September 1, 2016, after the operational restructuring. The figures above reflect this reclassification.

Note 3.4 - Current operating income by segment and by region

(in thousands of euros)	France	Other European countries	USA	Other American countries	Rest of the world	**Total**
At August 31, 2016 (1)						
Aerosystems activities	186,950	17,373	158,785	3,508	10,336	**376,952**
Aircraft Interiors activities	25,912	107,781	(246,510)	3,707	9,607	**(99,503)**
Zodiac Aerospace	(7,810)	–	(44)	–	–	**(7,854)**
TOTAL	**205,052**	**125,154**	**(87,769)**	**7,215**	**19,943**	**269,595**
At August 31, 2017						
Aerosystems activities	190,534	14,999	145,847	2,097	12,875	**366,352**
Aircraft Interiors activities	(12,018)	(2,114)	(122,380)	(15,513)	7,346	**(144,679)**
Zodiac Aerospace	(3,450)	–	(658)	–	–	**(4,108)**
TOTAL	**175,066**	**12,885**	**22,809**	**(13,416)**	**20,221**	**217,565**

(1) The Connected Cabin (formerly Entertainment) division, which was included at August 31, 2016 in the Aircraft Interiors activities, was incorporated into the Aerosystems activities at September 1, 2016, after the operational restructuring. The figures above reflect this reclassification.

Note 3.5 - Net income by segment

(in thousands of euros)	Aerosystems activities	Aircraft Interiors activities	Zodiac Aerospace	**Total**
At August 31, 2016 (1)				
Net income	239,230	(115,262)	(16,090)	**107,878**
At August 31, 2017				
Net income	243,598	(141,576)	(28,589)	**73,433**

(1) The Connected Cabin (formerly Entertainment) division, which was included at August 31, 2016 in the Aircraft Interiors activities, was incorporated into the Aerosystems activities at September 1, 2016, after the operational restructuring. The figures above reflect this reclassification.

Note 3.6 - Financial income by segment and by region

(in thousands of euros)	France	Other European countries	USA	Other American countries	Rest of the world	**Total**
At August 31, 2016 (1)						
Aerosystems activities	(9,628)	326	(692)	374	(763)	**(10,383)**
Aircraft Interiors activities	(707)	1,308	(11,049)	(2,753)	(823)	**(14,024)**
Zodiac Aerospace	(19,467)	–	2,131	–	–	**(17,336)**
TOTAL	**(29,802)**	**1,634**	**(9,610)**	**(2,379)**	**(1,586)**	**(41,743)**
At August 31, 2017						
Aerosystems activities	(18,042)	(677)	226	235	(228)	**(18,486)**
Aircraft Interiors activities	(2,831)	(5,976)	(17,803)	(300)	(1,592)	**(28,502)**
Zodiac Aerospace	(19,277)	–	2,615	–	–	**(16,662)**
TOTAL	**(40,150)**	**(6,653)**	**(14,962)**	**(65)**	**(1,820)**	**(63,650)**

(1) The Connected Cabin (formerly Entertainment) division, which was included at August 31, 2016 in the Aircraft Interiors activities, was incorporated into the Aerosystems activities at September 1, 2016, after the operational restructuring. The figures above reflect this reclassification.

Note 3.7 - Income tax by segment and by region

(in thousands of euros)	France	Other European countries	USA	Other American countries	Rest of the world	Total
At August 31, 2016 (1)						
Aerosystems activities	(61,387)	(3,942)	(55,335)	(1,123)	(1,707)	**(123,494)**
Aircraft Interiors activities	(8,718)	(12,082)	97,071	(805)	(1,047)	**74,419**
Zodiac Aerospace	6,469	–	3,004	–	–	**9,473**
TOTAL	**(63,636)**	**(16,024)**	**44,740**	**(1,928)**	**(2,754)**	**(39,602)**
At August 31, 2017						
Aerosystems activities	(44,002)	(283)	(49,676)	(718)	(2,615)	**(97,294)**
Aircraft Interiors activities	5,909	(12,139)	48,899	4,984	(1,264)	**46,389**
Zodiac Aerospace	22,928	–	(3,265)	–	–	**19,663**
TOTAL	**(15,165)**	**(12,422)**	**(4,042)**	**4,266**	**(3,879)**	**(31,242)**

(1) The Connected Cabin (formerly Entertainment) division, which was included at August 31, 2016 in the Aircraft Interiors activities, was incorporated into the Aerosystems activities at September 1, 2016, after the operational restructuring. The figures above reflect this reclassification.

B - STATEMENT OF FINANCIAL POSITION ITEMS

Note 3.8 - Intangible assets and goodwill by segment and by region

(in thousands of euros)	France	Other European countries	USA	Other American countries	Rest of the world	Total
At August 31, 2016 (1)						
Aerosystems activities	627,113	33,697	510,169	29,966	7,520	**1,208,465**
Aircraft Interiors activities	34,550	543,799	837,894	3,997	1,368	**1,421,608**
Zodiac Aerospace	18,186	–	(18)	–	–	**18,168**
TOTAL	**679,849**	**577,496**	**1,348,045**	**33,963**	**8,888**	**2,648,241**
At August 31, 2017						
Aerosystems activities	618,689	34,227	501,292	28,757	7,056	**1,190,021**
Aircraft Interiors activities	35,830	528,024	779,670	4,416	1,720	**1,349,660**
Zodiac Aerospace	27,369	–	(17)	–	–	**27,352**
TOTAL	**681,888**	**562,251**	**1,280,945**	**33,173**	**8,776**	**2,567,033**

(1) The Connected Cabin (formerly Entertainment) division, which was included at August 31, 2016 in the Aircraft Interiors activities, was incorporated into the Aerosystems activities at September 1, 2016, after the operational restructuring. The figures above reflect this reclassification.

Note 3.9 - Inventories by segment and by region

(in thousands of euros)	France	Other European countries	USA	Other American countries	Rest of the world	Total
At August 31, 2016 (1)						
Aerosystems activities	275,359	26,797	190,559	6,947	40,402	**540,064**
Aircraft Interiors activities	121,798	107,436	519,872	25,249	45,705	**820,060**
Zodiac Aerospace	–	–	–	–	–	**–**
TOTAL	**397,157**	**134,233**	**710,431**	**32,196**	**86,107**	**1,360,124**
At August 31, 2017						
Aerosystems activities	259,182	24,681	193,431	4,620	40,252	**522,166**
Aircraft Interiors activities	93,963	130,376	369,499	24,956	40,845	**659,639**
Zodiac Aerospace	–	–	–	–	–	**–**
TOTAL	**353,145**	**155,057**	**562,930**	**29,576**	**81,097**	**1,181,805**

(1) The Connected Cabin (formerly Entertainment) division, which was included at August 31, 2016 in the Aircraft Interiors activities, was incorporated into the Aerosystems activities at September 1, 2016, after the operational restructuring. The figures above reflect this reclassification.

Note 3.10 - Customers by segment and by region

(in thousands of euros)	France	Other European countries	USA	Other American countries	Rest of the world	**Total**
At August 31, 2016 (1)						
Aerosystems activities	213,046	22,570	183,693	4,021	23,718	**447,048**
Aircraft Interiors activities	99,021	113,319	372,252	9,011	3,211	**596,814**
Zodiac Aerospace	2,607	–	–	–	–	**2,607**
TOTAL	**314,674**	**135,889**	**555,945**	**13,032**	**26,929**	**1,046,469**
At August 31, 2017						
Aerosystems activities	215,359	21,232	173,122	3,187	18,054	**430,954**
Aircraft Interiors activities	49,277	91,458	383,921	8,787	4,432	**537,875**
Zodiac Aerospace	3,017	–	–	–	–	**3,017**
TOTAL	**267,653**	**112,690**	**557,043**	**11,974**	**22,486**	**971,846**

(1) The Connected Cabin (formerly Entertainment) division, which was included at August 31, 2016 in the Aircraft Interiors activities, was incorporated into the Aerosystems activities at September 1, 2016, after the operational restructuring. The figures above reflect this reclassification.

Note 3.11 - Current and non-current provisions by segment and by region

(in thousands of euros)	France	Other European countries	USA	Other American countries	Rest of the world	**Total**
At August 31, 2016 (1)						
Aerosystems activities	77,481	5,628	33,027	379	864	**117,379**
Aircraft Interiors activities	33,323	64,098	91,959	1,220	1,913	**192,513**
Zodiac Aerospace	4,169	–	–	–	–	**4,169**
TOTAL	**114,973**	**69,726**	**124,986**	**1,599**	**2,777**	**314,061**
At August 31, 2017						
Aerosystems activities	76,776	5,369	30,812	181	1,517	**114,655**
Aircraft Interiors activities	41,129	75,831	53,170	2,228	2,299	**174,657**
Zodiac Aerospace	4,257	–	2,300	–	–	**6,557**
TOTAL	**122,162**	**81,200**	**86,282**	**2,409**	**3,816**	**295,869**

(1) The Connected Cabin (formerly Entertainment) division, which was included at August 31, 2016 in the Aircraft Interiors activities, was incorporated into the Aerosystems activities at September 1, 2016, after the operational restructuring. The figures above reflect this reclassification.

Note 3.12 - Trade payables by segment and by region

(in thousands of euros)	France	Other European countries	USA	Other American countries	Rest of the world	**Total**
At August 31, 2016 (1)						
Aerosystems activities	126,081	11,502	72,962	2,313	8,079	**220,937**
Aircraft Interiors activities	50,779	60,059	167,661	12,977	14,018	**305,494**
Zodiac Aerospace	15,620	–	–	–	–	**15,620**
TOTAL (2)	**192,480**	**71,561**	**240,623**	**15,290**	**22,097**	**542,051**
At August 31, 2017						
Aerosystems activities	115,563	9,817	71,098	1,480	6,209	**204,167**
Aircraft Interiors activities	34,007	80,863	124,678	14,267	13,662	**267,477**
Zodiac Aerospace	34,535	–	–	–	–	**34,535**
TOTAL (3)	**184,105**	**90,680**	**195,776**	**15,747**	**19,871**	**506,179**

(1) The Connected Cabin (formerly Entertainment) division, which was included at August 31, 2016 in the Aircraft Interiors activities, was incorporated into the Aerosystems activities at September 1, 2016, after the operational restructuring. The figures above reflect this reclassification.

(2) Payments made from September 1 to September 10, 2016: €184.7 million.

(3) Payments made from September 1 to September 10, 2017: €175.9 million.

Note 3.13 - Liabilities to employees and payroll liabilities by segment and by region

(in thousands of euros)	France	Other European countries	USA	Other American countries	Rest of the world	**Total**
At August 31, 2016 (1)						
Aerosystems activities	88,899	4,741	22,319	356	5,905	**122,220**
Aircraft Interiors activities	15,025	18,091	52,351	9,406	3,814	**98,687**
Zodiac Aerospace	7,767	–	–	–	–	**7,767**
TOTAL	**111,691**	**22,832**	**74,670**	**9,762**	**9,719**	**228,674**
At August 31, 2017						
Aerosystems activities	94,365	4,673	22,848	336	5,560	**127,782**
Aircraft Interiors activities	17,289	18,697	51,880	9,955	3,918	**101,739**
Zodiac Aerospace	18,661	–	–	–	–	**18,661**
TOTAL	**130,315**	**23,370**	**74,728**	**10,291**	**9,478**	**248,182**

(1) The Connected Cabin (formerly Entertainment) division, which was included at August 31, 2016 in the Aircraft Interiors activities, was incorporated into the Aerosystems activities at September 1, 2016, after the operational restructuring. The figures above reflect this reclassification.

Note 3.14 - Ratio of operational WCR to revenue (1)

(in %)	France	Other European countries	USA	Other American countries	Rest of the world	**Total**
At August 31, 2016 (2)						
Aerosystems activities	33.3%	29.9%	34.4%	35.6%	26.2%	**33.0%**
Aircraft Interiors activities	27.5%	23.2%	38.4%	35.2%	181.1%	**34.0%**
Zodiac Aerospace	–	–	–	–	–	**–**
TOTAL (3)	**30.4%**	**24.3%**	**37.1%**	**35.3%**	**45.3%**	**33.3%**
At August 31, 2017						
Aerosystems activities	31.4%	29.6%	32.7%	27.1%	24.3%	**31.3%**
Aircraft Interiors activities	19.3%	19.2%	38.2%	40.2%	108.6%	**30.9%**
Zodiac Aerospace	–	–	–	–	–	–
TOTAL (3)	**25.5%**	**20.7%**	**36.3%**	**36.0%**	**39.1%**	**30.4%**

(1) Operational WCR = inventories + trade receivables - accounts payable.

(2) The Connected Cabin (formerly Entertainment) division, which was included at August 31, 2016 in the Aircraft Interiors activities, was incorporated into the Aerosystems activities at September 1, 2016, after the operational restructuring. The figures above reflect this reclassification.

(3) The Working Capital Requirement to revenue ratio (converted at the August 2017 closing rate over the two fiscal years) decreased from 33.3% in August 2016 to 30.4% of revenue in August 2017.

NOTE 4 - REVENUE FROM ORDINARY ACTIVITIES

(in thousands of euros)	**Aug. 31, 2017**	**Aug. 31, 2016**
Sales of goods	4,717,184	4,834,383
Sales of services	409,958	373,793
Interest	1,981	1,935
Royalties	2,473	5,158
TOTAL	**5,131,596**	**5,215,269**

NOTE 5 - PERSONNEL COSTS

Note 5.1 - Breakdown of costs

(in thousands of euros)	**Aug. 31, 2017**	**Aug. 31, 2016**
Payroll and fringe benefits (1)	1,651,581	1,553,928
Profit-sharing	11,066	10,912
Fair value of stock options and free shares	5,533	5,611
TOTAL	**1,668,180**	**1,570,451**

(1) Including €696k in social security charges related to stock options at August 31, 2016. No social security expense recorded at August 31, 2017 because of a change in the law.

Note 5.2 - Share-based payments

1) Stock options

The Combined Shareholders' Meetings on January 8, 2008, January 10, 2011 and January 8, 2014 authorized the Executive Board to award stock options to employees of Group companies on one more occasions.

The main features of these plans are as follows:

Year of plan inception	Subscription price in euros	Exercisable until	Number of options not exercised at Aug. 31, 2017
Dec. 10, 2009	4.72	Dec. 10, 2017	55,420
Dec. 10, 2010	10.15	Dec. 10, 2018	156,205
Dec. 29, 2011	12.47	Dec. 29, 2019	269,925
May 13, 2013	18.91	May 13, 2021	201,462
Dec. 4, 2013	24.34	Dec. 4, 2021	409,756
Feb. 12, 2015	29.50	Feb. 12, 2023	635,215
TOTAL			**1,727,983**

Please note that following the approval of the resolutions by the Shareholders' Meeting on January 14, 2016, stock options are no longer awarded.

The number of options granted during the fiscal year and their weighted average exercise price are shown below:

Number of options	2016/2017	2015/2016
At September 1	**2,825,413**	**3,685,468**
Issued	–	–
Canceled	(184,750)	(115,699)
Expired	(53,125)	(76,180)
Exercised	(859,555)	(668,176)
At August 31	**1,727,983**	**2,825,413**
Weighted average exercise price at August 31 (in euros)	**€21.84**	**€18.03**

The exercise of stock options in fiscal year 2016/2017 resulted in the creation of the equivalent of 859,555 shares total.

The 859,555 options exercised during fiscal year 2016/2017 resulted in the issue of 859,555 new shares between September 1, 2016 and August 31, 2017, at an average allotment price of €12.574.

The expense recorded for the fiscal year for stock options and free shares amounted to €5,533k, compared with €5,611k for fiscal year 2015/2016.

Social security charges totaling €696k were added to these amounts in fiscal year 2015/2016. No social security charge was recognized in fiscal year 2016/2017.

2) Free share awards

Under this annual plan, 630,050 free shares shares were awarded. For each beneficiary, excluding the members of the Restricted Executive Committee (for these members, see "Compensation and Benefits"), up to 100% of the total portion will be vested subject to continuing employment at the end of three years, i.e. on May 12, 2020 (except in the event of death), plus a performance condition for 50% of the total portion.

Subject to the performance condition, the shares are vested if two objectives are reached, assessed over a period of three consecutive fiscal years as defined in the Group's Business Plan: the average EBITA calculated over these three fiscal years and the organic growth rate of revenue, calculated over the same period. These targets will be compared to the achievement, at the end of the reference period, and the total of the two achievement rates, factorized according to their respective weight, will give the overall achievement rate of the performance target.

These shares will be vested as follows:

- in full, if the performance target has an achievement rate of 100%;
- 50%, if the performance target has an achievement rate of 70%;
- between 50.01% and 100% of the full amount by applying a straight-line percentage if the overall performance target achievement rate is between 70% and 100%;
- no share if the overall achievement rate of the performance target is less than 70%.

	3 +2 shares awarded in May 2017 (1)	3 +0 shares awarded in May 2017 (2)
Fair value	€19.36	€21.25
Factors of the Black & Scholes evaluation model used:		
- share price on date of grant	€22.89	€22.89
- estimated volatility	44.00%	44.00%
- risk-free interest rate	(0.04)%	(0.04)%
- estimated dividend yield	1.50%	1.50%

(1) Three-year vesting period, two-year retention period.
(2) Three-year vesting period, no retention period.

Ten (10) shares were allotted to each employee in France, representing a total of 73,890 free shares subject only to a condition of employment at the end of three years, i.e. on May 12, 2020.
The number of free shares allotted to employees of the Group during the fiscal year changed as follows:

Number of free shares allotted and outstanding	2016/2017	2015/2016
At Septembre 1	**1,104,638**	**617,156**
Awarded	703,940	766,601
Vested	(133,899)	(162,175)
Canceled	(113,905)	(116,944)
At August 31	**1,560,774**	**1,104,638**

3) Stock options and/or free shares for corporate officers:

1. Stock options

a. Until August, 2014:

Options expire after a period of eight years. They are awarded with no discount to the share price and a quarter of the whole award can be exercised from each successive anniversary of the award date.

The award is made every four years, except for awards to corporate officers joining the company between two four-yearly awards.

The award is made during the first four months of the fiscal year, unless exceptional legal constraints prevail, and the award price is based on the average share price over the 20 trading days preceding the award date.

The beneficiaries of stock option plans can opt for free shares instead of the stock options awarded, at the rate of one free share for every three stock options.

No stock options were awarded to corporate officers in fiscal year 2015/2016.

A member of the Executive Board exercised their options three times in fiscal 2016/2017, for 41,670, 67,500 and 89,950 options. These exercises resulted in the creation of 199,120 shares.

b. Effective September 1, 2014

Corporate officers are no longer offered a choice between stock options and performance shares; they are only awarded performance shares, all of which are subject to a 100% performance condition.

2. Award of performance-based free shares

Awards of performance shares (in the form of free shares) carry two conditions for vesting:
- employment,
- performance.

a. The employment condition required for vesting of the shares for corporate offices is three years after the award date (plus a retention period of two years after the vesting date).

b. The performance condition applies to a percentage of the number of shares awarded, that amount being 100% of the award.

The formula used to calculate the performance target is based on a period of three consecutive fiscal years set in the Group's Business Plan: the average EBITA calculated over those three fiscal years and the organic growth rate of revenue, calculated over the same period. These targets will be compared to the achievement, at the end of the reference period, and the total of the achievement rates, factorized according to their respective weight, will give the overall achievement rate of the performance target.

These shares will be vested as follows:
- in full, if the performance target has an achievement rate of 100%;
- 50%, if the performance target has an achievement rate of 70%;
- between 50.01% and 100% of the full amount by applying a straight-line percentage if the overall performance target achievement rate is between 70% and 100%;
- no share if the overall achievement rate of the performance target is less than 70%.

4) Stock options and free shares for eligible Group employees

During the fiscal year, 227 employees who are not members of the Executive Committee were granted a total of 403,950 free shares (annual plan). These free shares are subject to presence and performance conditions (for 50% of the total portion).
The 10 largest free share awards totaled 246,000 shares.
The 10 largest numbers of options exercised during the 2016/2017 fiscal year totaled 380,670 options.
Excluding members of the Executive Committee, the 10 largest numbers of options exercised during the fiscal year was 151,550 options.

NOTE 6 - CHANGE IN INVENTORIES (1)

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
Change in inventories recognized during the fiscal year (2)	(110,541)	71,607
Inventory impairment charge recognized during the fiscal year	(21,045)	(64,206)
Reversals of inventory impairment during the fiscal year	13,167	12,027
TOTAL	**(118,419)**	**19,428**

(1) Inventories of components, sub-assemblies, work in progress, goods and finished products.

(2) Changes in inventories of components and sub-assemblies are recognized under “Purchases used in the business” in the statement of profit and loss.

The inventories to sales revenue ratio (converted at the fiscal year-end rate) was 24.0% at the end of August 2017, compared with 26.3% the previous fiscal year, at constant rates.

NOTE 7 - OTHER OPERATING INCOME AND EXPENSES

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
Gain/(loss) on sale of fixed assets	(1,501)	(2,174)
Restructuring costs	–	–
Other	(97)	1,375
TOTAL	**(1,598)**	**(799)**

NOTE 8 - NON-CURRENT OPERATING ITEMS

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
Restructuring costs (1)	(7,232)	(2,200)
Impairment (2)	–	(57,540)
Amortization of intangible assets (3)	(13,065)	(17,482)
Acquisition costs	–	–
Other (4)	(27,204)	1,557
TOTAL	**(47,501)**	**(75,665)**

(1) At August 31, 2016 and August 31, 2017, this amount includes restructuring costs for several US production sites.

(2) Impairment loss for Contour trademark.

(3) Amortization of order books and customer portfolio measured as part of acquisitions.

(4) At August 31, 2017, this amount includes costs related to the contemplated business combination transaction between Zodiac Aerospace and Safran Groups.

NOTE 9 - COST OF NET DEBT

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
Financial income	1,981	1,935
Foreign exchange gains/(losses)	(5,818)	(467)
Difference between spot and forward currency rates	(18,607)	(5,011)
INCOME/(EXPENSES) RELATED TO CASH AND CASH EQUIVALENTS	**(22,444)**	**(3,543)**
COST OF GROSS DEBT	**(39,285)**	**(35,799)**
TOTAL	**(61,729)**	**(39,342)**

The cost of net financial debt rose €22.4 million, primarily because of the impact of term points on currency hedges taken to cover our net transaction exposures to currency fluctuations. This impact was €18.6 million over the fiscal year. The average outstanding financing amount increased by approximately €100 million, but the average cost of our loans was 2.01% over the period, versus 2.03% over the previous fiscal year; the complete cost of our financial resources (including the costs for various banking services was 2.29%, versus 2.26% over the previous fiscal year.

NOTE 10 - OTHER FINANCIAL INCOME AND EXPENSES

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
Net charges to and reversals of provisions	269	626
Net accretion expense on pension obligations (net of returns)	(2,190)	(3,027)
TOTAL	**(1,921)**	**(2,401)**

NOTE 11 - TAXES

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
1) Statement of financial position		
Deferred taxes:		
- Deferred tax assets	14,627	6,102
- Deferred tax liabilities	(149,805)	(148,323)
NET DEFERRED TAXES	**(135,178)**	**(142,221)**
Breakdown of net amount by category:		
- Employee benefits	54,657	64,061
- Depreciation of inventories, stocks and associated general expenditure	56,536	53,453
- Intercompany inventory profit	39,445	36,944
- Development costs	(158,045)	(165,278)
- Goodwill (1)	(192,611)	(187,406)
- Regulated provisions adjustments	(6,104)	(6,031)
- Deficits carried forward (2)	53,145	–
- Other (3)	17,799	62,036
NET DEFERRED TAXES	**(135,178)**	**(142,221)**
2) Statement of profit and loss		
Deferred taxes and taxes payable:		
- deferred taxes	27,450	4,044
- taxes payable	(58,692)	(43,646)
TAXES	**(31,242)**	**(39,602)**
3) UNRECOGNIZED TAX CREDITS OR TAX LOSSES (4)	**18,803**	**10,942**

(1) Including deferred tax liabilities on fiscally amortizable goodwill.

(2) The change in this item essentially comes from activating the net tax loss realized by the American companies during the period.

(3) The change in this item comes essentially from the reversals of provisions for risks not previously deducted for tax purposes.

(4) The amount at August 31, 2017 does not include the amount due within one year. The change from August 31, 2016 essentially reflects the losses from the Seats UK business.

Effective tax rate

(in thousands of euros)

	Aug. 31, 2017	Aug. 31, 2016
Net income	**73,433**	**107,878**
Results of companies accounted for by the equity method	**(1,739)**	**(4,707)**
Income tax	**(31,242)**	**(39,602)**
Pre-tax income	**106,414**	**152,187**
Tax rate	**34.43%**	**38.00%**
Theoretical tax	(36,638)	(57,831)
Impact of tax rates in countries other than France	(15,658)	16,429
Tax credit for training	96	139
Other	20,958	1,661
CONSOLIDATED INCOME TAX	**(31,242)**	**(39,602)**
EFFECTIVE TAX RATE	**29.36%**	**26.02%**

Current tax assets reported in the statement of financial position for a net amount of €107 million at August 31, 2017 are primarily composed of net tax receivables related to tax deficits that will be recovered by charging against the tax paid for previous fiscal years, installments paid on the corporate tax in France and the United States, and receivables for research, competitiveness and jobs tax credits and for VAT.

Following a recent decision of the French Constitutional Council, the Group has recognized in its consolidated statements a tax receivable of €9.5 million, representing the reimbursement expected from the 3% tax on dividends paid by Zodiac Aerospace SA between 2014 and 2017, which were ruled unconstitutional.

The beneficial effect of taking into account the tax receivable related to the 3% tax is offset by the impairment from tax losses from the Seats UK business for an equivalent amount.

NOTE 12 - EARNINGS PER SHARE

		Aug. 31, 2017	Aug. 31, 2016
Numerator (in thousands of euros):			
Net income attributable to equity holders of the parent company [(1)]	(a)	68,431	105,894
Denominator:			
Weighted average number of shares for the fiscal year	(b)	278,606,718	276,858,756
Stock options and free share allotments		1,863,393	1,890,446
Diluted weighted average number of shares for the fiscal year	(c)	280,470,111	278,749,202
Net earnings per share (in euros)	**(a) / (b)**	**0.246**	**0.382**
Diluted net earnings per share (in euros)	**(a) / (c)**	**0.244**	**0.380**
Net earnings per share restated for IFRS 3 impact (in euros) [(2)]		**0.278**	**0.591**
Diluted net earnings per share restated for IFRS 3 impact (in euros) [(2)]		**0.276**	**0.587**

(1) Pursuant to IAS 33, net income attributable to equity holders of the parent company used as a basis to calculate net earnings per share, was restated for the net interest on the hybrid loan.

(2) At August 31, 2016, net income was restated for the depreciation of the Contour trademark.

NOTE 13 - INTANGIBLE ASSETS AND GOODWILL

Note 13.1 - Goodwill

(in thousands of euros)

	Amount at Aug. 31, 2015	Currency translation adjustements	Change in consolidation scope	Change Reclassifications	Impairment	Balance at Aug. 31, 2016
Gross	2,134,845	(25,573)	–	(2,826)	–	2,106,446
Impairment	111,491	268	–	–	–	111,759
Net goodwill	**2,023,354**	**(25,841)**	**–**	**(2,826)**	**–**	**1,994,687**

	Amount at Aug. 31, 2016	Currency translation adjustements	Change in consolidation scope	Change Reclassifications (1)	Impairment	Balance at Aug. 31, 2017
Gross	2,106,446	(83,623)	–	2,421	–	2,025,244
Impairment	111,759	(2,395)	–	567	–	109,931
Net goodwill	**1,994,687**	**(81,228)**	**–**	**1,854**	**–**	**1,915,313**

(1) Reclassified from other intangible assets.

The cash-generating units (CGUs) identified by the Group within the meaning of IAS 36, "Impairment of Assets," mirror the organizational structure of the Group by business segment or by product line for the Aerosystems activities. There are a total of nine units.

Net goodwill breaks down as follows:

(in millions of euros)	Aug. 31, 2017 Gross	Aug. 31, 2017 Impairment	Aug. 31, 2017 Net	Aug. 31, 2016 Net
CGU (1):				
AeroSafety	100.8	4.7	96.1	101.1
Aircraft	486.2	40.0	446.2	456.3
Telemetry	48.6	12.6	36.0	36.0
Water and waste	159.8	26.4	133.4	140.9
Connected Cabin	55.6	–	55.6	57.9
Seats	329.9	26.2	303.7	321.9
Commercial Interiors	422.4	–	422.4	443.8
Premium Interiors	223.4	–	223.4	237.3
Equipments	198.5	–	198.5	199.4
TOTAL	**2,025.2**	**109.9**	**1,915.3**	**1,994.6**

(1) See definition in Note 1-W.

Cash flow projections

The recoverable value of the CGUs is determined by reference to their useful value, based on the cash flow projections established from business plans over a 4-year period.

The business plans of Zodiac Aerospace are established by the operational entities. They are reviewed and amended by the financial and operational manager of the branch and by the Group's financial management, the Executive Committee and the Executive Board (bottom-up approach).

Specifically, the forecasts for sales revenues are prepared on the basis of the forecasts issued by the aircraft makers (primarily the order book), by other outside sources (press releases, industry press, etc.) and the best estimates of management (sales negotiations in progress, feedback from aeronautical trade shows, etc.). These sources are continually monitored by the Group, and the forecasts are revised based on changes in our business and the new elements from aircraft manufacturers as well as these outside sources.

Beyond the four-year horizon, flows are extrapolated by applying a forecast growth rate for the markets in question. As for the previous fiscal year, the perpetuity growth rate was maintained at 2% for all CGUs.

Projections for the "Seats" and "Commercial Interiors" CGUs

The operational difficulties faced by the "Seats" and "Commercial Interiors" CGUs presented on March 14 and April 28, 2017 were taken into account in the development of the cash forecasts in April 2017. They had an impact on the calendar and the volume of the sale forecasts, as well as the related production costs in the forms of cost overruns related to the industrial production and the remediation plans implemented, reducing the EBITA margin rate in the business plans. These effects were reassessed in the context of the annual test.

The cash flow projections of the business plans also took into account the impacts of the different remediation plans communicated to the market, such as:

- the industrial relaunch plan: addition of new internal and external sources for the seat shells, addition of additional capacities, etc.
- the "Focus" transformation plan: focus on the supply chain, on inventory management and on integrated planning of sales and operations, more frequent operational report, and redeployment of the internal "Back to Basics" procedures.

The Group will approach its historic level of profitability (before major operational difficulties) at the end of the four-year forecast period based on a favorable Euro / Dollar exchange rate (strong dollar) with a different relative share of the activities taking into account technological developments.

Determination of the key main assumptions:

- A discount rate corresponding to the weighted average cost of capital for the Group, which is 8.0% for all the CGUs for 2015/2016 and for 2016/2017. This rate is corroborated by and independent expert and is based on the following assumptions:
  1) The expected profitability rate, which corresponds to the discounting of cash surpluses.
  2) The risk rate, which integrates the anticipated variability of movements in the price of the share in question (including changes in the economic environment, ratings from financial rating agencies, and sector risk).
  3) The calculation of the illiquidity coefficient that takes into account the structural liquidity (float portion of the market capitalization) and the economic contextual liquidity (trading volumes recorded on the market in the short term).

The Group operates in 16 politically stable countries. The CGUs and underlying activities are global. The risks are taken into account, as necessary, to determine cash flows by measuring the margins generated.

- The perpetuity growth rate set at 2% for fiscal years 2015/2016 and 2016/2017.
- The fixed euro/dollar exchange rate of 1.18 (closing rate) over the entire period with crossed exchange rates against the dollar for the other transaction currencies (GBP, CAD, MXN, THB, CZK), which differs from the assumption used for fiscal 2015/2016, which was set at 1.15.

Results of impairment tests by CGU

Based on the previous items, the Group performed an impairment test on all CGUs. This test did not result in recognition of impairment over fiscal year 2016/2017; it also did not result in impairment over fiscal 2015/2016.

Sensitivity analyses

As part of fiscal year-end procedures on August 31, 2017, the Group conducted a sensitivity analysis for each CGU at the closing rate by lowering the following key assumptions by 50 basis points:

- change in the discount rate;
- change in the long-term growth rate;
- change in the margin rate for each year of the business plan, including in constant years.

Taken separately or cumulatively, these changes in assumptions do not result in the recording of impairment losses. Taken collectively, they would drive down the surplus of the recoverable value of the CGUs over their carrying value by 24% to 45%, with the exception of the Commercial Interiors CGU for which this surplus would decline by 81%.

Note 13.2 - Intangible assets: gross

(in thousands of euros)	Amount at Aug. 31, 2016	Currency translation adjustments	Change in consolidation scope	Increases	Decreases	Reclassifications (3)	Balance at Aug. 31, 2017
Set up costs	101	–	–	–	–	–	101
Development costs (1)	626,053	(15,914)	–	55,635	–	–	665,774
Patents and registered trademarks	85,865	(1,315)	–	7	(15)	–	84,542
Software	101,252	(1,967)	–	10,768	(1,682)	675	109,046
Order books and customer portfolios (2)	164,215	(8,319)	–	–	–	–	155,896
Other intangible assets	31,358	(1,808)	–	9,739	–	(1,948)	37,341
TOTAL	**1,008,844**	**(29,323)**	**–**	**76,149**	**(1,697)**	**(1,273)**	**1,052,700**

(1) Costs incurred mainly from the A350, G8000, Embraer E-Jet, A330, and B777X programs. The development costs maintained in operating income after capitalization and customer invoicing, excluding amortization of capitalized development costs, amounted to €229.5 million in 2016/2017, contrasted with €298.6 million in 2015/2016, representing a decrease of 23.1%, and -16.3% at constant exchange rates.

(2) Valued at the time of acquisition.

(3) €2,421k reclassified in goodwill.

Note 13.3 - Intangible assets: amortization

(in thousands of euros)	Amount at Aug. 31, 2016	Currency translation adjustments	Change in consolidation scope	Increases	Decreases	Reclassifications [3]	Balance at Aug. 31, 2017
Set up costs	101	–	–	–	–	–	101
Development costs [1]	160,550	(5,144)	–	37,821	–	–	193,227
Patents and registered trademarks	10,631	(429)	–	520	–	–	10,722
Software	81,494	(1,586)	–	9,636	(1,645)	(5)	87,894
Order books and customer portfolios [2]	98,271	(5,422)	–	12,543	–	–	105,392
Other intangible assets	4,243	(223)	–	188	–	(564)	3,644
TOTAL	**355,290**	**(12,804)**	**–**	**60,708**	**(1,645)**	**(569)**	**400,980**
NET AMOUNT OF INTANGIBLE ASSETS	**653,554**	**(16,519)**	**–**	**15,441**	**(52)**	**(704)**	**651,720**

(1) Amortizations applied primarily to the A350, B787 and A380 programs.
(2) Valued at the time of acquisition.
(3) Including €567k reclassified in goodwill.

NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

The production building in Liberty (USA), classified as assets held for sale at August 31, 2016, were partially returned to service during the fiscal year because of an increase in production; this building is no longer for sale as of August 31, 2017 and was reclassified in property, plant and equipment at a gross value of €4,002k and €3,306k in depreciation.

Note 14.1 - Property, plant and equipment: gross

(in thousands of euros)	Amount at Aug. 31, 2016	Currency translation adjustments	Change in consolidation scope	Increases	Decreases	Reclassifications	Balance at Aug. 31, 2017
Land and land development	20,920	(515)	–	81	(10)	727	21,203
Buildings and improvements	355,670	(8,944)	–	18,580	(3,787)	12,547	374,066
Equipment, furnishings, fixtures and other	881,911	(27,456)	–	71,618	(23,045)	19,683	922,711
Assets under construction	49,343	(1,095)	–	28,848	(194)	(29,656)	47,246
TOTAL	**1,307,844**	**(38,010)**	**–**	**119,127**	**(27,036)**	**3,301**	**1,365,226**

Note 14.2 - Property, plant and equipment: depreciation

(in thousands of euros)	Amount at Aug. 31, 2016	Currency translation adjustments	Change in consolidation scope	Increases	Decreases	Reclassifications	Balance at Aug. 31, 2017
Land and land development	2,101	(60)	–	153	–	–	2,194
Buildings and improvements	184,934	(4,691)	–	19,426	(3,271)	3,573	199,971
Equipment, furnishings, fixtures and other	627,821	(19,604)	–	79,509	(21,514)	198	666,410
TOTAL	**814,856**	**(24,355)**	**–**	**99,088**	**(24,785)**	**3,771**	**868,575**
NET AMOUNT OF PROPERTY, PLANT AND EQUIPMENT	**492,988**	**(13,655)**	**–**	**20,039**	**(2,251)**	**(470)**	**496,651**

Finance Leases

Property, plant and equipment include the following leased assets:

(in thousands of euros)	Aug. 31, 2017
Equipment, furnishings, fixtures and other	
Gross amount	1,716
Accumulated amortizations	1,716
Net carrying amount	–
Due within 1 year	–
Due in 1 to 5 years	–
Due in more than 5 years	–
Future minimum payments	–

NOTE 15 - TRADE RECEIVABLES

In accordance with IAS 39, the Group derecognizes trade receivables once contractual rights to cash flows and most of the risks and benefits attached to those receivables have been transferred. The amount of the receivables assigned was €170.6 million at August 31, 2017, versus €97 million at August 31, 2016.

Transfers of receivables where there may be recourse against the transferor in the event of financial default of the debtor are not derecognized. The costs of transferring the receivables are included in financial income.

NOTE 16 - OTHER NON-CURRENT FINANCIAL ASSETS

The other non-current financial assets recognized on the statement of financial position in the amount of €18,214k, primarily represent the following:

- an interest-bearing account at the EONIA rate for €875k;(1)
- financial instruments in the amount of €10,302k;
- the remaining balance is composed essentially of deposits and guarantees.

(1) Cash amounts representing the balance of the unused amount at August 31, 2017 made available to the service provider, for which it did not buy shares of the Group.

NOTE 17 - INVENTORIES

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
Components and sub-assemblies	815,867	928,734
Work in progress	265,858	321,850
Finished products	323,754	333,984
GROSS TOTAL	**1,405,479**	**1,584,568**
PROVISIONS FOR IMPAIRMENT	**223,674**	**224,444**
TOTAL	**1,181,805**	**1,360,124**

No inventory items have been offered as collateral for liabilities.

NOTE 18 - OTHER CURRENT ASSETS

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
Other payables	18,476	18,915
Prepaid expenses	28,755	29,252
TOTAL	**47,231**	**48,167**

NOTE 19 - CASH

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
CASH AND CASH EQUIVALENTS (1)	**683,762**	**268,780**
Current financial liabilities	(930,486)	(340,968)
of which commercial paper and other short-term lines of credit	673,000	319,500
of which current portion of long-term borrowings and repayable advances	223,000	1,846
BANK BORROWINGS	**(34,486)**	**(19,622)**
NET CASH	**649,276**	**249,158**

(1) The "Cash and cash equivalents" item is composed solely of our bank account balances. There is no instrument that is considered by the Group as a cash equivalent. Moreover, the Group has no cash balances subject to restrictions.

NOTE 20 - EQUITY

Note 20.1 - Capital stock

	Number of shares (in thousands)	Capital (in thousands of euros)	Share premium (in thousands of euros)	Total (in thousands of euros)
AT AUGUST 31, 2015	**289,404**	**11,576**	**141,980**	**153,556**
Premium-related costs	–	–	–	–
Options exercised	668	27	5,781	5,808
Dividends	–	–	–	–
AT AUG. 31, 2016	**290,072**	**11,603**	**147,761**	**159,364**
Premium-related costs	–	–	–	–
Options exercised	860	35	10,775	10,810
Dividends	1,760	70	35,160	35,230
AT AUG. 31, 2017 (1)	**292,692**	**11,708**	**193,696**	**205,404**

(1) Including 12,668,000 treasury shares representing 4.3% of the capital stock as of August 31, 2017.

Note 20.2 - Hybrid loan

Zodiac Aerospace set up a hybrid instrument on March 22, 2016 for an amount of €250 million. This instrument has an unlimited life span. This instrument can be redeemed by the Company two years after its arrangement, on March 22, 2018, and subsequently at each payment date for quarterly coupons. The coupon amount is equal to the 3-month Euribor rate for the period, plus a fixed margin until March 22, 2018. On that date, this margin will be adjusted upward by a fixed supplement until March 22, 2020, the date on which a final fixed upward adjustment applicable to the life of the instrument will be made. If the Company does not pay dividends to its shareholders, it could, in a discretionary manner, report the payment of the instrument's coupon, which would then be capitalized. This instrument does not give entitlement to capital in any form whatsoever.

NOTE 21 - FINANCIAL LIABILITIES

Note 21.1 - Breakdown of financial liabilities

(in thousands of euros)	Interest rate (1)	Maturity	Aug. 31, 2017	Aug. 31, 2016
A. Non-current financial liabilities				
Confirmed Club Deal (USD)	2.049	(3)	166,541	335,826
Confirmed Club Deal (GBP)	1.298	(3)	10,003	–
Euro PP (EUR)	3.364	(4)	230,000	230,000
Schuldschein (EUR)	2.978	(4)	154,000	402,000
Loan costs			(8,544)	(5,348)
Other borrowings and unconfirmed credit non-current portion	NS	(5)	47,890	22,228
TOTAL (2)			**599,890**	**984,706**
B. Current financial liabilities				
Commercial paper (EUR)	0.104		673,000	319,500
Schuldschein (EUR)	2.376	(4)	221,000	–
Bank overdrafts, spot lines, other borrowings and unconfirmed loans, current portion	NS	(6)	36,486	21,468
TOTAL			**930,486**	**340,968**
CURRENT AND NON-CURRENT FINANCIAL LIABILITIES			**1,530,376**	**1,325,674**

(1) Average interest rate for the fiscal year, excluding amortization of loan arrangement fees.

(2) Maturities and distribution of the loans and confirmed lines of credit by currency (equivalents in thousands of euros at Aug. 31, 2017) are presented below:

Distribution by maturity		Distributed by currency	
2018/2019	27,697	Euro	422,503
2019/2020	153,620	Dollar US	167,384
2020/2021	172,880	Canadian Dollar	–
After 2021	245,693	Pound sterling	10,003

(3) On March 14, 2014, the Group set up a “Club Deal” in the amount of €1,030 billion for a period of five years, renewable for an additional year at the request of Zodiac Aerospace for the next two years. The Group therefore used its contractual option to extend the maturity for an additional year, and this extension was accepted by all banks participating in the “Club Deal”. The initial maturity date was therefore extended to March 11, 2021.

(4) In March 2016, Zodiac Aerospace set up a “Euro PP” in the amount of €230 maturing in seven years on March 10, 2023. This “Euro PP” was used to refinance the existing €125 million Euro PP maturing in July 2018, and the first €133 million tranche of the “Schuldschein” maturing in July 2016.

After repaying this first installment of the “Schuldschein”, Zodiac Aerospace has a residual facility of €402 million, in two tranches:

- a tranche with an initial maturity of five years with a payment date on July 25, 2018, for an amount of €243 million;
- a tranche with an initial maturity of seven years with a payment date on July 27, 2020, for an amount of €159 million.

In June 2017, Zodiac Aerospace renegotiated the covenant governing all these financing arrangements. Agreement was reached on almost all of the financing arrangements. Only the €27 million held by Schuldschein investors was refused. These investments resulted in early repayment by drawing from a line of credit obtained for this purpose.

This line of credit set up on June 7, 2017 has a payment date on December 31, 2018 and is subject to the same covenant as the other financing arrangements.

The total amount of the July 2013 Schuldschein is therefore €375 million after the accelerated repayment, divided into two tranches:

- the tranche maturing on July 25, 2018, for an amount of €221 million;
- the tranche maturing on July 27, 2020, for an amount of €154 million.

(5) Primarily after August 2018.

(6) One to three months, renewable.

Note 21.2 - Covenants

The Group is only bound by one bank covenant, with respect to the Club Deal, the Euro PP and the Schuldschein, which is the "adjusted net debt to adjusted EBITDA" ratio as defined in the financing agreements.

In June 2017, Zodiac Aerospace renegotiated the covenant governing all these financing arrangements. The threshold in the covenant on all financing must now be less than or equal to:

- 3.50 at August 31, 2017 and August 31, 2018;
- 3.25 at August 31, 2019;
- 3.00 at August 31, 2020 and thereafter.

In July 2016, the Group renegotiated the definition of Net Financial Debt for 96% of the total amount of its financing. It no longer includes the impact of the fair value of its currency hedges. Negotiations are underway in an effort to obtain this change on the remaining 4%.

At August 31, 2017, the Group's net financial debt, defined as the sum of current and non-current debt minus cash and cash equivalents, stood at €846.6 million, versus €1,056.9 million at August 31, 2016. Net financial debt adjusted for the mark-to-market impact of currency hedges stood at €795.1 million.

The covenant based on the ratio between Net Debt, i.e., €846.6 million and EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) adjusted for other items stipulated by contract, i.e. €372 million, had been met at August 31, 2017 with a ratio of 2.28. It is also met in its definition including the fair value of currency hedges, equaling 2.14.

NOTE 22 - PROVISIONS

Note 22.1 - Current provisions

(in thousands of euros)	Amount at Aug. 31, 2016	Currency translation adjustments	Change in consolidation scope	Changes during the fiscal year: Charges	Reversals (provisions used)	Reversals (provisions unused)	Reclassifications	Balance at Aug. 31, 2017
Guarantees	87,488	(3,017)	–	37,469	(26,803)	(4,037)	(157)	90,943
Litigation and insurance deductibles	5,748	(28)	–	6,034	(1,645)	(865)	(635)	8,609
Restructuring and diversification	290	(64)	–	855	(113)	–	–	968
Taxes other than income tax	119	(1)	–	–	(113)	–	(5)	–
Other	71,722	(2,222)	–	66,672	(52,829)	(14,226)	(4,413)	64,704
TOTAL CURRENT	**165,367**	**(5,332)**	**–**	**111,030**	**(81,503)**	**(19,128)**	**(5,210)**	**165,224**

Warranty provisions

Warranty provisions include general statistical provisions and provisions for specific warranties and for post-delivery finishing work.

Provisions for risks - Other

"Other" current provisions primarily consist of provisions for claims and penalties on various commercial contracts for €44.9 million, and provisions for concessions granted to customers for €9.1 million.

The theoretical maximum exposure for all possible customer claims and penalties in connection with commercial relations is €91.7 million, a portion of which is disputed by the Group. These provisions reflect the Group management's best estimates.

Our Group has also issued claims totaling €18.4 million against a number of customers for various supplements which the Group believes are contractually due and which were the subject of counter-claims from those same customers in the amount of €0.5 million, i.e., a net balance of €17.9 million, including €3.0 million recognized as receivables in the Group's financial statements.

Note 22.2 - Non-current provisions

(in thousands of euros)	Amount at Aug. 31, 2016	Currency translation adjustments	Change in consolidation scope	Changes during the fiscal year: Charges	Reversals (provisions used)	Reversals (provisions unused)	Reclassifications (1)	Balance at Aug. 31, 2017
Pension plans and lump-sum retirement benefit	136,075	(713)	–	11,290	(5,135)	(289)	(22,860)	118,368
Other	12,619	(7)	–	525	(861)	–	–	12,276
TOTAL NON-CURRENT	**148,694**	**(720)**	**–**	**11,815**	**(5,996)**	**(289)**	**(22,860)**	**130,644**

(1) Actuarial gains or losses.

Provisions for employee benefits – post-employment benefits

1. Defined-contribution pension and medical insurance plans

All the Group's French employees are covered by defined-contribution plans. These plans are managed by the Government. The Group's only obligation is to make the contributions required to finance these benefits, which are calculated as a percentage of salaries paid.

The annual expense for defined contribution pension plans was €82.8 million over fiscal year 2016/2017, compared to €77.2 million over the 2015/2016 fiscal year.

2. Defined-benefit pension and medical insurance plans

The best estimate of the contributions to be paid into the plan for fiscal year 2016/2017 is €4.6 million based on the legal retirement age of the employees concerned.

2.1 France

In accordance with the law and the applicable collective bargaining agreements, the Group is required to pay lump-sum retirement benefits to its French employees in the form of a one-time payment due when the employee retires. Under these plans, employees receive retirement benefits when they reach the statutory retirement age. The Group does not fund these commitments in advance.

The present value of the pension obligation, the service cost over the period and past service costs have been calculated using the Projected Unit Credit Method (see Paragraph T of Note 1, "Accounting principles").

The Group has adopted the following main actuarial assumptions:

	2016/2017	2015/2016
Discount rate	1.67%	0.78%
Estimated future increase in salaries	2.50%	2.50%
Employee turnover rate	< 30 years = between 4.18% and 4.42% p.a. 30-53 years = between 0% and 3.98% p.a. > 53 years = 0.26% p.a.	< 30 years = 4.37% p.a. 30-53 years = 1.54% p.a. > 53 years = 0.23% p.a.
Retirement age	60 to 62 years	60 to 62 years

The mortality table used is the INSEE TD-TV 12-14 table.

The discount rate used is based on iBoxx Corporate AA.

2.2 United States

The Group has only two defined-benefit plans in place: one at Air Cruisers and the other at Avox Systems, both of which were "frozen" prior to August 31, 2009.

Under these plans, employees receive retirement benefits when they reach an age between 60 and 65 years. The Group is bound by obligations to finance these plans.

The present value of the pension obligation, the service cost over the period and past service costs have been calculated using the Projected Unit Credit Method (see Paragraph T of Note 1, "Accounting principles").

The most recent actuarial valuations of the plan assets and of the present value of the pension obligations were carried out on the dates and by the actuarial firms shown below:

Subsidiary	Date of most recent valuation	Actuarial firm
Air Cruisers Company	August 31, 2017	John Hancock Plan Services
Avox Systems	August 31, 2017	Burke Group

The Group has adopted the following main actuarial assumptions:

	2016/2017	2015/2016
Discount rate	3.64%	3.19%

At August 31, these assets were placed as follows:

- for Air Cruisers: 43% in equities, 37% in bonds, and 20% in real estate income and other investments;
- for Avox Systems, 77% in equities, 20% in bonds, and 3% in real estate income and other investments.

The fair value of the funds of the financed plans, at the balance sheet date, can be analyzed as follows: €11,838k in equities, €6,475k in bonds and €2,870k in real estate income and other investments.

Two US companies of the Group (Mag Aerospace Industries Inc. and Pioneer Aerospace Corp.) participate in a multi-employer defined-benefit retirement plan for the portion of their employees who are union members. The plan is sponsored by said unions and organized on the principle of pooling risks among all participants (several hundred employers). The employers therefore finance the plan through a contribution rate determined by the Board of Trustees and applicable in the same manner to all participants.

Pursuant to IAS 19 (revised), these plans are recognized as defined-contribution schemes. The "employer" contributions paid for fiscal year 2016/2017 for the two plans amounted to US$387k and US$126k.

2.3 Germany

The Group maintains a current defined-benefit plan for Sell GmbH valued at €35,573k. This plan covers 1,594 active employees, 151 employees in early retirement, 326 retired employees and 94 widows and widowers.

Only employees with more than five years' service are eligible for this defined-benefit plan, a qualification which currently applies to 77% of those covered by pension provision.

The actuarial method applied is the Projected Unit Credit Method (cf. Paragraph T of Note 1 "Accounting principles"). The discount rate applied for fiscal year 2016/2017 is 1.67% with an assumed salary increase of 3%.

The main actuarial assumptions used in the plan are as follows:

	2016/2017	2015/2016
Discount rate	1.67%	0.78%

3. Change in the financial position of the defined-benefit plans

3.1 Net pension charge recognized in the statement of profit and loss

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
Cost of services provided during the period	8,225	6,251
Interest expense on the obligation	2,247	3,335
Interest income on plan assets	(478)	(1,078)
Past service cost	(38)	1,258
Plan settlements	–	–
Plan liquidations	(348)	–
TOTAL CHARGE FOR THE FISCAL YEAR	**9,608**	**9,766**

3.2 Reconciliation of the amount recognized in the statement of financial position

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
Actuarial liability on funded plans	32,897	40,186
Fair value of funded plans (1)	(21,183)	(24,327)
DEFICIT (SURPLUS) ON FUNDED PLANS	**11,714**	**15,859**
Actuarial liability on non-funded plans	106,654	120,216
Cap on contingent assets	–	–
PROVISIONED IN THE STATEMENT OF FINANCIAL POSITION	**118,368**	**136,075**

(1) See details in Table 3.4 below.

3.3 Change in the actuarial liability of funded and non-funded plans

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
ACTUARIAL LIABILITY AT THE START OF THE FISCAL YEAR	**160,401**	**135,730**
Cost of services provided during the period	8,225	6,251
Interest expense	2,247	3,335
Actuarial gains and losses based on experience	(2,054)	(1,192)
Actuarial gains and losses based on changes in demographic assumptions	(1,674)	3,523
Actuarial gains and losses based on changes in financial assumptions	(18,690)	16,444
Currency translation adjustments	(2,038)	307
Benefits paid	(6,126)	(5,255)
Past service cost	(38)	1,258
Plan settlement	(1,793)	–
Change in consolidation and other	1,090	–
ACTUARIAL LIABILITY AT THE END OF THE FISCAL YEAR (1)	**139,550**	**160,401**

(1) Includes €32,897k for funded plans and €106,654k for unfunded plans.

In June 2017, Zodiac Aerospace proposed to around 140 former employees who have not yet retired and are beneficiaries of the Air Cruisers defined benefit plan to convert their rights into a single payment in capital. This program is completely voluntary. Fifty-four individuals (around 39%) selected this option to convert their rights into a single capital payment, representing a total payment amount of US$1,587k. These payments were made in July 2017 and come entirely from the funds invested. These payments constitute a settlement of the employee benefit obligation for the individuals who participated in the offer. The corresponding obligation to the US$1,587k is US$1,970k. The difference is a gain of US$383k recognized in 2017.

3.4 Change in the fair value of the funds underlying funded plans

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
FAIR VALUE AT THE START OF THE FISCAL YEAR	**(24,327)**	**(24,202)**
Interest income on plan assets	(478)	(1,078)
Actuarial gains and losses based on experience	–	234
Actuarial gains and losses based on changes in demographic assumptions	–	–
Actuarial gains and losses based on changes in financial assumptions	(456)	(603)
Employer contributions and benefits paid	1,339	1,501
Plan settlements	1,445	–
Currency translation adjustments	1,294	(179)
FAIR VALUE AT THE END OF THE FISCAL YEAR	**(21,183)**	**(24,327)**

NOTE 23 - OTHER CURRENT LIABILITIES

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
Other payables	51,386	56,287
Amounts owed to customers	158,429	146,908
Deferred income	25,962	39,434
TOTAL	**235,777**	**242,629**

NOTE 24 - OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

Note 24.1 - Off-balance sheet commitments

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
Commitments given		
Long-term rentals (1) (2)	221,705	268,063
Other guarantees given	9,471	13,394
Collateral	–	–
Commitments received under contracts	–	–

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

(2) The change between the two fiscal years includes - €9.8 million related to the impacts from fluctuating conversion rates.

N.B. : Zodiac Aerospace also:

- posted a guarantee bond with the Amsterdam commercial court to cover the consolidated debts of the Driessen Group holding company and its Dutch subsidiaries to avoid the need to prepare and file locally consolidated financial statements for the Driessen sub-group. This guarantee may not exceed €10 million;
- provided the following guarantees in the context of major sales contracts won by its subsidiaries:
  - in March 2014, for the benefit of Emirates, on behalf of Sell GmbH, for the duration of its contractual obligations and for a maximum amount of US$15 million;
  - in May 2015 (as amended in November 2015), for the benefit of Airbus, on behalf of Systems and Software Enterprises, LLC (Zodiac Inflight Innovations), for the duration of its contractual obligations;
  - in October 2016, for the benefit of Boeing, on behalf of C&D Zodiac Inc and Zodiac Seats US, for the duration of its contractual obligations;
  - in March 2017, for the benefit of Airbus, on behalf of each company - Zodiac Seats US, Zodiac Seats France, Zodiac Seats UK - for a maximum amount of €10 million for each company and a duration of five years that may be renewed.

Operating lease commitments

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
- Within 1 year	47,962	48,363
- 1 to 5 years	122,394	147,250
- Over 5 years	51,349	72,450
Minimum payments	221,705	268,063

These commitments consist of rent for a site in California, whose intended industrial use has been modified by the Group. The Group believes that it can find a sub-lessee within about six months at comparable financial terms.

Note 24.2 - Contingent liabilities

A single contingent liability identified concerns two disputes relating to an underground water pollution incident identified after the Group's acquisition of a US company. The generating event of the pollution dates from prior to the acquisition date. The financial consequences of this pollution are covered under the terms of a contractual guarantee made by the seller to the Zodiac Aerospace Group. This guarantee was assumed by the successor to the seller.

In March 2009, the Group learned of the successor's bankruptcy, and was advised by its lawyers that, as a result of this eventuality, there was a contingent risk liability that could pass to the Zodiac Aerospace Group.

In June 2017, the judgment on the first case was rendered in favor of the Group. It was not held liable for the damage or the associated reparation costs.

The judgment in the second dispute is still pending. The uncertainty regarding the transfer of liability to the Zodiac Aerospace Group and the estimated total cost of cleaning up the polluted sites prohibits the Group from reasonably determining potential impacts on cash resources.

NOTE 25 - RELATED PARTIES

The Group's related parties are as follows: the shareholders of Zodiac Aerospace S.A. (particularly FFP Invest and Fonds Stratégique de Participations), the companies controlled by these same shareholders, the companies under joint control, the companies under significant influence, the officers and members of the Supervisory Board.

1.1 Relations with affiliates

The amounts of the transactions carried out over fiscal year 2016/2017 are presented below:

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
Revenue and other revenues from operations	32,436	35,334
Purchases used in the business and other external costs	2,488	2,240
Financial income	823	706
Loans and other receivables	50,425	50,924
Borrowings and other payables	2,488	2,251

1.2 Transactions with the main corporate officers

a) Salaries and benefits of the members of the Executive Board (1)

(in euros)	Fixed	Variable and exceptional compensation	Benefits in kind	Total
TOTAL (2)	1,563,263	1,291,169	24,507	2,878,939

(1) Members of the Executive Board do not receive any compensation or benefit of any kind from controlled companies within the meaning of Article L. 233-16 of the French Commercial Code.

(2) A breakdown of this total is provided in the "Compensation and benefits" chapter.

b) Stock options and free shares

	Total (1) Plan 2011 b	Total Plan of April 25, 2016	Total Plan of May 12, 2017
1. Stock options:			
Options not exercised at Aug. 31, 2016	120,000		
Awards for the fiscal year	–		
Options exercised in 2016/2017	–		
Options not exercised at Aug. 31, 2017	120,000		
Exercise price (in euros)	12.47		
Expiration date	Dec. 29, 2019		
2. Free shares:			
Shares in vesting period at Aug. 31, 2016		135,000	–
Awards for the fiscal year		–	79,000
Cancellations during the year		(101,000)	(20,000)
Vesting date		Apr. 25, 2019	May 12, 2020
Shares vested at Aug. 31, 2017		–	–
Shares pending vesting at Aug. 31, 2017		34,000	59,000

(1) Concerns Maurice Pinault only (plan of Dec. 29, 2011).

1.3 Compensation of Restricted Executive Committee members

a) Compensation

Their total compensation paid over fiscal year 2016/2017 was €4,233k in fixed compensation, €665k in variable compensation, €870k in exceptional compensation, €74k in benefits in kind, a total of €5,842k, including compensation of the members of the Executive Board (the details of which are provided in the section "Compensation and Benefits", Note B.1 a) and b)). In the previous fiscal year, these compensations amounted to 3,536k in fixed compensation, €494k in variable, and €74k in in-kind benefits, a total of €4,104k.

In addition to their fixed salary, they receive a variable portion. For fiscal year 2016/2017, variable compensation was determined based on a performance formula that integrates the Individual Performance targets and quantitative targets for the Group's performance, calculated alternatively based on one of the two formulas described below ("**Formula A**" and "**Formula B**" and, together, the "**Branch Formula**"); the formula that gives the higher variable portion of net income is used:

Formula A:

Formula A is based on the following:

- 30% on Individual Performance Criteria, which cannot be disclosed for confidentiality reasons;
- 70% on three Performance criteria at the Group level or at the operational branch level, depending on the position of the beneficiary:
  - Net Income or EBITA (depending on position), accounts for 70% of the Performance of the Group or an Operational Branch, the target of which is calculated as follows:

    $$\text{Target "n"} = \frac{\text{Net Income or EBITA recorded n - 1 + Net Income or EBITA in budget n}}{2}$$

    This quantitative criterion is measured by comparing Group Net Income or the real EBITA of one (depending on position) for the fiscal year 2016/2017 in relation to the target "n". This variable portion is a maximum of 100% if the target reached is 125%, and 0% if the target is 75% achieved; it varies in a straight line between these two extremes;
  - a percentage reduction of the Working Capital Requirement between fiscal year "n - 1" and fiscal year "n", accounting for 30% of the Branch's Performance, the calculation formula of which cannot be disclosed for confidentiality reasons;
  - achievement of a customer "on-time delivery" rate.

Formula B

Formula B is based on the following:

- 30% on Individual Performance Criteria, which cannot be disclosed for confidentiality reasons;
- 70% on two Performance criteria at the Group or Branch level (depending on the position of the beneficiary):
  - one criterion based on the EBITA of the Group or the Branch, accounting for 70% of the Performance (49% of the variable compensation);
  - one criterion based on the Free Cash Flow of the Group or the Branch, which accounts for 30% of the Performance (21% of the variable compensation).

For each of the two Group or Branch performance criteria listed above, the variable portion is a maximum of 100% of the amount of fixed compensation if the target is 100% achieved and €0 if it is 95% achieved; it varies proportionally between these two limits.

b) Stock options and free shares

For this fiscal year, Restricted Executive Committee members (including Corporate Officers) were awarded a total of 226,000 free shares, fully subject to performance conditions, with a vesting date of May 12, 2020, and transferability date of May 12, 2022.

Stock options are no longer awarded.

NOTE 26 - POST FISCAL YEAR-END EVENTS

There were no material post fiscal year-end events.

NOTE 27 - LIST OF CONSOLIDATED COMPANIES AT AUGUST 31, 2017

Fully consolidated companies	Country	Group's % interest
Zodiac Aerospace	France	Parent company
Aerodesign de Mexico SA	Mexico	100.00
Air Cruisers Company LLC	USA	100.00
Avox Systems	USA	100.00
C&D Aerospace Canada Co	Canada	100.00
C&D Brasil Limitada	Brazil	100.00
C&D Zodiac Inc.	USA	100.00
Cantwell Cullen & Company Inc.	Canada	100.00
Driessen Aerospace Group NV	Netherlands	100.00
Driessen Aircargo Equipment USA, Inc.	USA	100.00
Driessen Aircraft Interior Systems, Inc.	USA	100.00
Driessen Aircraft Interior Systems USA, Inc.	USA	100.00
Driessen Services Bahrain	United Arab Emirates	51.00
E Dyer Engineering Ltd	UK	100.00
Engineered Arresting Systems Corp.	USA	100.00
Enviro Systems	USA	100.00
Esco Airport Safety Technologies (Beijing) Co., Ltd	China	55.00
Evac GmbH	Germany	100.00
Evac LTDA	Brazil	100.00
Evac Shanghai ETC	China	100.00
Greenpoint Aerospace Inc.	USA	100.00
Greenpoint Air Leasing	USA	100.00
Greenpoint Technologies Inc.	USA	100.00
Heath Tecna	USA	100.00
Icore International Inc.	USA	100.00
IDD Aerospace Corp.	USA	100.00
Immobilière Galli	France	100.00
IN Services Asia	Hong Kong	100.00
Innovative Power Solutions LLC	USA	100.00
JBR Technologies, LLC (1)	USA	100.00
Mag Aerospace Industries Inc.	USA	100.00
Monogram Train LLC	USA	100.00
MTA Plateforme d'Essais	France	100.00
Northwest Aerospace Technologies	USA	100.00

(1) Formerly Base2.

Fully consolidated companies	Country	Group's % interest
Pacific Precision Products	USA	100.00
Parachutes Industries of Southern Africa PTY (PISA)	South Africa	100.00
Pioneer Aerospace Corp.	USA	100.00
Sell GmbH	Germany	100.00
Sell Services Germany GmbH	Germany	100.00
Sicma Aero Seat Services	USA	100.00
Société Marocaine de Décolletage Industriel	Morocco	100.00
Systems And Software Enterprises, LLC (2)	USA	100.00
The Richards Corp.	USA	100.00
TriaGnoSys GmbH	Germany	100.00
Zodiac Actuation Systems	France	100.00
Zodiac Aero Duct Systems	France	100.00
Zodiac Aero Electric	France	100.00
Zodiac Aerosafety Systems	France	100.00
Zodiac Aerospace Equipo de Mexico	Mexico	100.00
Zodiac Aerospace Germany Investment GmbH	Germany	100.00
Zodiac Aerospace Information Systems	France	100.00
Zodiac Aerospace (Jiangsu) Co., Ltd	China	51.00
Zodiac Aerospace Maroc	Morocco	100.00
Zodiac Aerospace Services Asia	Singapore	100.00
Zodiac Aerospace Services Europe	France	100.00
Zodiac Aerospace Services Middle East DWC LLC	United Arab Emirates	100.00
Zodiac Aerospace Services UK Ltd	UK	100.00
Zodiac Aerospace Tianjin Pte Ltd	China	100.00
Zodiac Aerospace UK Investment Ltd	UK	100.00
Zodiac Aerotechnics	France	100.00
Zodiac Aircargo Equipment BV	Netherlands	100.00
Zodiac Aircargo Equipment Ltd	Thailand	100.00
Zodiac Aircatering Equipment Europe BV	Netherlands	100.00
Zodiac Aircatering Equipment (Thailand) Ltd	Thailand	100.00
Zodiac Automotive Tunisie	Tunisia	100.00
Zodiac Cabin & Structure Support	USA	100.00
Zodiac Cabin Controls GmbH	Germany	100.00
Zodiac Cabin Interiors Europe	France	100.00

(2) Formerly Zodiac Inflight Innovations.

Fully consolidated companies	Country	Group's % interest
Zodiac Coating	France	100.00
Zodiac Composite Monuments Tunisie	Tunisia	100.00
Zodiac Data Systems	France	100.00
Zodiac Data Systems GmbH	Germany	100.00
Zodiac Data Systems Inc.	USA	100.00
Zodiac Data Systems Investment	France	100.00
Zodiac Engineering	France	100.00
Zodiac Equipments Tunisie	Tunisia	100.00
Zodiac Fal Support France SARL	France	100.00
Zodiac Fluid Equipment	France	100.00
Zodiac Galleys Europe SRO	Czech Republic	100.00
Zodiac Hydraulics	France	100.00
Zodiac Interconnect UK (3)	UK	100.00
Zodiac Seats California	USA	100.00
Zodiac Seats France	France	100.00
Zodiac Seat Shells US LLC	USA	100.00
Zodiac Seats Tunisie SARL	Tunisia	100.00
Zodiac Seats UK Ltd	UK	100.00
Zodiac Seats US LLC	USA	100.00
Zodiac Services Americas LLC	USA	100.00
Zodiac US Corporation	USA	100.00

(3) Formerly Icore International Ltd.

Fully consolidated by the equity method	Country	Group's % interest
EZ Air Interior Ltd	Ireland	50.00

Report of the Statutory Auditors on the Consolidated Financial Statements

To the Zodiac Aerospace General Meeting,

OPINION

In accordance with the terms of our appointment by your General Meetings, we have conducted an audit of the Zodiac Aerospace consolidated financial statements for the fiscal year ended August 31, 2017 as appended to this report.

In our opinion, the consolidated financial statements present, in all material respects, a fair view of the results of operations for the fiscal year as well as of the assets and financial position at the end of the fiscal year for the entity consisting of the companies included within the consolidated Group in accordance with International Financial Reporting Standards, as adopted in the European Union.

Our opinion above is consistent with the contents of our report to the Audit Committee.

BASIS OF OUR OPINION

Auditing standards

We conducted our audit in accordance with generally accepted auditing standards applicable in France. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities as per these standards are listed in the "Statutory Auditors' responsibilities related to the audit of the consolidated financial statements" section of this report.

Independence

We carried out our audit assignment from September 1, 2016 through the date we issued our report in compliance with the applicable independence requirements, and above all, we did not provide any services prohibited by Article 5, paragraph 1 of EU regulation No. 537/2014 or by the Statutory Auditors' Code of Ethics.

JUSTIFICATION OF OUR ASSESSMENTS - KEY POINTS OF THE AUDIT

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to justifying our assessments, we would like to draw your attention to some key points of the audit pertaining to risks of material misstatement, which we feel, in our professional opinion, were the most important points for the fiscal year's consolidated financial statement audit, as well as the responses we provided when faced with these risks.

Our assessments, and our opinion as expressed above, were made in the context of the audit of the consolidated financial statements taken as a whole. We do not have an opinion on any items from these consolidated financial statements taken individually.

Assessment of development costs

Risk identified

As of August 31, 2017, the net amount of development costs totaled €473 million. The Group fixes costs incurred under customer program development when it meets the criteria defined by IAS 38 - "Intangible assets".

Note 1-J in the Notes to the financial statements describes the conditions for recognizing development costs incurred as well as conditions for amortizing them. As described in this note, development costs are only recognized if the Group demonstrates:

- the intention and financial and technical ability to complete the development project;
- the probability that the future economic benefits attributable to the development costs will flow to the company;
- the development costs can be measured reliably.

Capitalized development costs are amortized over the projected quantity of billable units starting from the beginning of the relevant program's operations. Where applicable, this allocation is supplemented to increase the expense to the equivalent of a minimum straight-line amount of amortization.

Regarding some new programs that have a catalog of pre-certified products recommended by the aircraft manufacturer and in-flight entertainment and connectivity technology developments, development costs are each amortized over five years starting from the catalog product's first delivery and amortized over four years starting from the date they are first commissioned.

We believe that measuring these development costs in assets on the statement of financial position and determining the details around their amortization are key points of the audit due to (i) the judgment necessary to measure development expenditure that can be capitalized, and (ii) the judgment necessary to discover the estimates and assumptions used to determine how long development costs should be amortized, which are most often based on uncertain estimates of projected quantities of units to be sold.

Our response

As part of our audit approach, our work consisted of:

- reviewing work carried out by the Group to determine if capitalized development costs complied with IAS 38;
- researching the main methods for amortizing development costs;
- confirming how reasonable the main data and assumptions that led to these projected quantities of units to be sold to determine amortization are, in particular via discussions with management;
- having discussions with management to familiarize ourselves with changes in the market or in technology for projects for which development costs have been capitalized to verify that these changes have been reasonably taken into account in determining the assets' recoverable amount;
- studying the appropriateness of the information provided in Notes 1-J and 13-2 of the Notes to the consolidated financial statements.

Impairment tests on goodwill

Risk identified

As of August 31, 2017, the value of goodwill recognized under business combinations within the different business branches amounted to €2 billion.

We believe that the value of goodwill is a key point of the audit because (i) of the significance of goodwill to the Group's financial statements (ii) of the judgment necessary to determine cash generating units (CGUs) and (iii) of the assumptions, estimates and valuations used in determining their recoverable amount based on future discounted cash flows as indicated in Notes 1-D, 1-I and 1-W of the Notes to the consolidated financial statements.

Our response

We have reviewed the work carried out by the Group regarding methods for determining cash generating units, estimates and assumptions used by the Group to determine recoverable amount and methods for implementing impairment tests.

Our audit approach also included calling upon valuation experts to:

- study the suitability of the discount rate and perpetuity growth rate used;
- analyze and assess assumptions and main cash flow estimates in conjunction with the budgets and underlying operational data;
- study cash generating units that have a similar carrying amount to the estimated recoverable amount, CGUs whose performance has been impacted by recent operational problems and CGUs whose cash flow estimates are more volatile due to changes in the market or with future sales conditions;
- analyze sensitivity tests created by the Group and conduct our own sensitivity analyses to verify that only a sensitivity significantly larger than the assumptions could lead the Group to recognize an impairment of assets to be tested.

Assessment of risks and litigation

Risk identified

The Group conducts its business with major aircraft manufacturers and global airline companies in sometimes complex and rapidly-changing regulatory, technical, commercial and legal environments. Against this backdrop, and considering the operational difficulties the Group has experienced over the past few years, the activities and certain contractual commitments that the Group has made with customers could result in risks, litigation, penalties or contentious situations that could be subject to negotiations, legal proceedings, arbitration and/or claims.

As stated in Notes 1.D, 1.Q, 22 and 24.2 of the Notes to the consolidated financial statements, the Group has made judgments on a case-by-case basis when assessing risks incurred and has created provisions as soon as they forecast a likely outflow of resources that can be reliably estimated.

We consider this subject as a key point of the audit considering (i) the uncertainty around the outcome of ongoing legal proceedings, (ii) the high level of judgment required to determine provisions in multiple regulatory contexts and under sometimes complex commercial and technical situations and (iii) the potentially significant impact of these complex environments on income and consolidated equity if these estimates should be off.

Our response

As part of our audit of the consolidated financial statements, our work consisted in particular of:

- reviewing procedures implemented by the Group to identify and list out all risks and litigation;
- becoming aware of the Group's risk analysis and commercial litigation, corresponding documentation for each, and written consultations with external advisors, where applicable;
- studying the main risks identified with the help of our experts, particularly tax experts, and reviewing assumptions management used to measure the amount of these provisions.

VERIFICATION OF DISCLOSURES ABOUT THE GROUP PROVIDED IN THE MANAGEMENT REPORT

In accordance with generally accepted auditing standards applicable in France, we also carried out the specific verifications required by law on the disclosures about the Group presented in the Executive Board's management report.

We have no comments to make on the fair presentation and consistency with the consolidated financial statements.

DISCLOSURES RESULTING FROM OTHER LEGAL AND REGULATORY OBLIGATIONS

Appointment of the Statutory Auditors

We were appointed as the Statutory Auditors for Zodiac Aerospace's financial statements by the General Meeting that approved the financial statements for the fiscal year ended August 31, 2011 for FIDAUDIT (which replaced Fideuraf after it was acquired by FIDAUDIT in 2005) and ended August 31, 1991 for Ernst & Young Audit. This position was previously held by other entities, whose records could not be recovered.

RESPONSIBILITIES OF MANAGEMENT AND PERSONS INVOLVED IN THE CORPORATE GOVERNANCE OF THE CONSOLIDATED FINANCIAL STATEMENTS

It is management's responsibility to ensure that the consolidated financial statements present a fair view in accordance with IFRS as adopted by the European Union and to implement the level of internal controls it deems necessary to ensure that the consolidated financial statements do not contain any material misstatements, such as misstatements due to fraud or resulting from errors.

When the consolidated financial statements are prepared, it is management's responsibility to assess the company's ability to continue operating, to present the necessary information related to continuing operations and to apply the going concern accounting principle, unless it plans to liquidate the company or cease operations.

It is the Audit Committee's responsibility to monitor how financial information is prepared and to monitor how effective the internal control and risk management systems are, as well as internal audit systems, where applicable, in preparing and processing accounting and financial information.

The consolidated financial statements have been approved by the Executive Board.

STATUTORY AUDITORS' RESPONSIBILITIES RELATING TO AUDITING THE CONSOLIDATED FINANCIAL STATEMENTS

Audit objective and approach

We are responsible for preparing a report on the consolidated financial statements. Our goal is to obtain reasonable assurance that the consolidated financial statements, taken as a whole, are free of material misstatements. Reasonable assurance means having a high level of assurance, without guaranteeing that an audit performed in accordance with professional standards can systematically detect any material misstatement. Misstatements can come from fraud or result from errors and are considered material when one can reasonably expect that said misstatement, taken individually or combined, could influence any business decision that a financial statements user could make based on the financial statements.

As defined in Article L. 823-10-1 of the French Commercial Code, our assignment to certify the financial statements does not guarantee your company's viability or the quality of its management.

Statutory Auditors use their professional judgment throughout the audit they conduct in accordance with applicable professional standards in France. In addition:

- they identify and assess risks of the consolidated financial statements containing material misstatements either resulting from fraud or errors, they define and implement audit procedures to address these risks and they collect what they deem as sufficient and appropriate information to form the basis of their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from an error because fraud could involve collusion, falsification, voluntary omissions, false statements or circumventing internal control;
- auditors familiarize themselves with relevant information for the audit in order to define the most suitable audit procedures, and not to express an opinion on the effectiveness of internal control;
- auditors assess the appropriateness of the accounting methods used, the reasonable nature of the accounting estimates made by management, as well as the reasonable nature of the disclosures provided for the estimates used in the consolidated financial statements;
- auditors use information collected to assess the appropriateness of management's implementation of the going concern principle, and if there are any major uncertainties regarding events or circumstances likely to raise doubt about the company's ability to continue operating. This assessment is based on information collected up to the date of the report, but keep in mind that circumstances or events after this date could raise doubt about continuing operations. If the auditors conclude that a significant uncertainty exists, they will draw the readers' attention to their report on information provided in the consolidated financial statements about this uncertainty, or if the information is not provided or relevant, they will create a qualified opinion or will refuse to certify the report;
- the auditors assess how the entire consolidated financial statements are presented and evaluates whether the consolidated financial statements reflect underlying transactions and events well enough to give an accurate picture;
- regarding the financial information of persons or entities included in the scope of consolidation, the auditors collect the information they deem sufficient and appropriate to express an opinion on the consolidated financial statements. The auditors are responsible for managing, supervising and carrying out the audit of the consolidated financial statements as well as the opinion expressed on these financial statements.

Audit Committee report

We submit a report to the Audit Committee which includes, in particular, the scope of our audit work and the working schedule implemented as well as findings from our work. We also point out any major weaknesses in internal control regarding procedures for preparing and processing accounting and financial information that we have identified, when applicable.

Among the items included in the Audit Committee report are risks of material misstatements that we deem to be the most important for the consolidated financial statement audit, which consequently make up the key points of the audit. These points are described in this report.

We also provide the Audit Committee with a statement as provided for in Article 6 of EU regulation No. 537-2014 confirming their independence within the meaning of applicable regulations in France as defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Statutory Auditors' Code of Ethics. When applicable, we discuss risks to our independence and safeguard measures implemented with the Audit Committee.

Paris-La Défense, November 16, 2017

The Statutory Auditors

Fidaudit Member of the Fiducial network	Ernst & Young Audit
Bruno Agez	Valérie Quint

Statutory Auditors' Fees and fees charged by the members of their networks paid by the Group

	Ernst & Young				Fidaudit			
	Amount (excl. tax)	%			Amount (excl. tax)	%		
(in thousands of euros)	2017	2017	2016	2016	2017	2017	2016	2016
Audit								
Auditing, certification, review of individual and consolidated financial statements:								
- Issuer	472	11.1%	225	5.5%	187	53.1%	165	51.2%
- Fully consolidated subsidiaries	3,400	79.7%	3,580	88.0%	160	45.5%	157	48.8%
SUBTOTAL	**3,872**	**90.7%**	**3,805**	**93.5%**	**347**	**98.6%**	**322**	**100%**
Services other than account certification								
- Issuer	191	4.5%	60	1.5%	–	–	–	–
- Fully consolidated subsidiaries	206	4.8%	204	5.0%	5	1.4%	–	–
SUBTOTAL	**397**	**9.3%**	**264**	**6.5%**	**5**	**1.4%**	**-**	**-**
TOTAL	**4,269**	**100%**	**4,069**	**100%**	**352**	**100%**	**322**	**100%**

Fees for Ernst & Young Audit other works and services in 2016/2017

The firm EY Audit was brought in to perform the following in fiscal year 2016/2017:

- procedures relating to the contemplated business combination transaction with Safran;
- a diagnostic as part of applying IFRS 15 "Income from continuing operations drawn from customer contracts";
- various certifications related to obtaining financing.

Fees for Fidaudit other work and services in 2016/2017

The Fidaudit firm was brought in to perform the following in fiscal year 2016/2017:

- various certifications related to obtaining financing.

Zodiac Aerospace parent company financial statements

Report of the Supervisory Board to the Mixed General Meeting on January 9, 2018

Dear Shareholders,

In accordance with our Articles of Association, this General Meeting has been called to deliberate on the financial statements for the fiscal year ended August 31, 2017 and vote on the resolutions put forward by the Executive Board.

In accordance with the legal provisions, the details of the Board and Committee meetings are provided under "Preparation and organization of the work of the Supervisory Board."

During this fiscal year, your Supervisory Board met sixteen times.

On the recommendation of the Appointments Committee, the Supervisory Board unanimously renewed the granting to Gilberte Lombard of a special assignment consisting in handling relations between your Supervisory Board and Company shareholders on a temporary basis.

The Executive Board was partially reorganized during fiscal year 2016/2017. The Board's initial members were Olivier Zarrouati (Chairman), Maurice Pinault and Yannick Assouad.

Ms. Assouad resigned on September 9, 2016 and was replaced by Benoît Ribadeau-Dumas, who also resigned on May 15, 2017, following his appointment as Chief of Staff to the French Prime Minister.

On June 5, 2017, Didier Fontaine, Group Chief Financial Officer, was appointed member of the Executive Board to replace Benoît Ribadeau-Dumas.

On June 5, 2017, Olivier Zarrouati's Executive Board membership and position as Chairman of the Executive Board were terminated with effect from June 15, 2017. Mr. Zarrouati was replaced on June 16, 2017 by Yann Delabrière, who was appointed Chairman of the Executive Board.

The Executive Board membership of Maurice Pinault was renewed on September 29, 2016.

On August 31, 2017, the Executive Board members included:

- Yann Delabrière, Chairman of the Executive Board;
- Maurice Pinault, member;
- Didier Fontaine, member.

During this fiscal year, due to the exercise of stock options and the award of free shares, the Company's capital on August 31, 2017 amounted to €11,707,670.76, made up of 292,691,769 shares.

The Supervisory Board also authorized the requalification of 100,000 treasury shares and their allocation to an account entitled "Allocation to employees under stock option plans and/or free share awards."

From January 1 to September 30, 2017, the share's average comparable price stood at €24.44 against €19.89 over the same period in the previous fiscal year from January 1 to October 31, 2016. The market close high/low for that same period was €28.70/€20.86 compared with €22.37/€14.48 in 2016. Daily stock transactions remained active with some 761,196 trades.

The Executive Board will ask you to renew the authorization granted by the Mixed General Meeting of January 19, 2017 under the resolutions related to ordinary business, to buy back the Company's shares on the stock market for up to 10% of the capital, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code, the French Financial Markets Authority (AMF) General Regulations, and European Regulation 536/2014 of April 14, 2014.

The Company used the authorization in force under a liquidity contract set up on January 18, 2007. As a result, at August 31, 2017, it held 20,000 of its own shares purchased at an average price of €24.30 per share. The Company also withdrew 163,526 shares from the treasury shares to be awarded to employees under the vesting of the free shares granted by the Executive Board on June 5, 2013 and February 12, 2015. The remaining 12,647,696 treasury shares account for 4.32% of shares outstanding at August 31, 2017.

We hereby submit for your approval, the renewal of the mandates of Patrick Daher and Louis Desange, which will be expiring shortly, for a period of two years. Patrick Daher meets the requirements set out in the AFEP-MEDEF Code regarding the independence of members of the Supervisory Board.

We draw your attention to the fact that the mandates of Élisabeth Domange and Didier Domange have expired and have not been renewed in accordance with the statutory clauses. We also draw your attention to the fact that the mandate of SAREX, substitute auditor, has expired and has not been renewed in accordance with statutory legal provisions.

We also submit for your approval, the renewal of the mandate of Fidaudit, statutory auditor.

We also request your vote ("Say on Pay") regarding the elements of the compensation due or awarded to corporate executive officers for fiscal year 2016/2017 (even if the mandate of some of them ended during the year); these officers include Yann Delabrière, Didier Fontaine, Maurice Pinault, Olivier Zarrouati, Benoît Ribadeau-Dumas, Yannick Assouad and Didier Domange. Details of these compensations will be provided by the Chairman of the Compensation Committee.

Furthermore, pursuant to the new provisions of Article L. 225-82-2 of the French Commercial Code introduced by the "Sapin 2" Law on December 9, 2016, your vote is now requested on the compensation policy for the Supervisory Board and Executive Board members ("*ex ante* Say on Pay").

Furthermore, a proposal will be made to you to amend the Company's articles of association to incorporate the possibility for the Vice-Chairman of the Supervisory Board to convene a Supervisory Board meeting, pursuant to the terms of the business combination agreement signed with Safran on May 24, 2017.

The Supervisory Board is very attentive to the recommendations surrounding good corporate governance. These have significantly increased in number since the 1990s. The Board is committed to complying with the AFEP-MEDEF Corporate governance Code, while at the same time applying a reasonable standard of governance that reflects the special characteristics of a Group with family and major shareholders. During the fiscal year, the Board applied the independence criterion within the strict meaning of the AFEP-MEDEF Code.

At each of its meetings and through its committee meetings, the Supervisory Board was properly informed of the operations carried out by the Company and its subsidiaries and was able to exercise oversight under the best conditions, even though this fiscal year was heavily impacted by some very significant exceptional factors.

The Strategy Committee, created in 2015 on a temporary basis, with the purpose of having regular updates on the Group's operations until such time as the Aircraft Interiors branch's operational problems are resolved, continued to supervise these difficulties. This committee was dissolved in June 2017, after the reorganization of the Executive Board.

The annual and consolidated financial statements and the report of the Executive Board were submitted to the Supervisory Board at its meeting on October 30 for verification and control. The Supervisory Board also reviewed the ordinary and extraordinary resolutions that will be submitted for your vote.

During this fiscal year, your Supervisory Board extensively debated and approved the principle and terms of the business combination transaction with Safran.

Pursuant to Article L. 225-68 of the French Commercial Code, we have no criticism or comments to make regarding the report and the financial statements presented by the Executive Board. The Supervisory Board therefore recommends that you approve them and vote on the resolutions that will be submitted to you.

The Supervisory Board.

Report of the Chairman of the Supervisory Board
on the preparation and organization of the Supervisory Board's work and on risk management and internal control procedures

This report was drafted and is presented in accordance with the provisions of Article L. 225-68 of the French Commercial Code.

This report covers:

- the conditions governing the preparation and organization of the Supervisory Board's work during the fiscal year ended August 31, 2017;
- the internal control procedures implemented by Zodiac Aerospace.

The Group complies with the rules contained in the French AFEP-MEDEF code of corporate governance of December 2008, last revised in November 2016. The Group applies these rules in their entirety, while at the same time applying a reasonable standard of governance that reflects the special characteristics of a Group with family and major shareholders.

The other measures taken by the Supervisory Board for the fiscal year beginning September 1, 2016 are presented under "Governance."

The Group applies the recommendations regarding senior management company representatives of listed companies (see under "Compensation and Benefits", page 40), particularly the obligation to retain a portion of shares resulting from stock options or free shares (see section B. "Compensation for Executive Board members", page 42).

CONDITIONS GOVERNING THE PREPARATION AND ORGANIZATION OF THE WORK OF THE SUPERVISORY BOARD

The Supervisory Board ensures that the Company and Group operate correctly and reports to the shareholders. The Supervisory Board appoints the Chairman and members of the Executive Board.

It oversees the Group's management and administration.

A) Composition of the Supervisory Board

Every member of the Supervisory Board has signed the "Supervisory Board Member Charter" introduced in February 1997 and updated in 2006 and 2011, which sets out all their rights and obligations (general and special rules). Overhauled in 2014 to take account of the revised recommendations in June 2013 of the AFEP-MEDEF Code, the Charter is now known as the "Internal Rules of the Supervisory Board and its Committees". These internal rules include the charter applicable to Board members as well as the Zodiac Aerospace Group's Code of Stock Trading Ethics with which Board members agree to comply. The Internal Rules are available on the Company's website.

The Supervisory Board is currently composed of twelve members, including one member who represents Group employees. They are: Didier Domange as Chairman, Louis Desanges as Vice-Chairman, Patrick Daher, Élisabeth Domange, Laure Hauseux, Vincent Gerondeau, Gilberte Lombard, Estelle Brachlianoff, the company FFP Invest, represented by Frédéric Banzet, Fonds Stratégique de Participations (FSP), represented by Florence Parly, then by Isabelle Boccon-Gibod since July 11, 2017, following the appointment of Florence Parly as Minister for the Armed Forces, the company Fidoma, newly appointed member of the Supervisory Board by the Mixed General Meeting of January 19, 2017, represented by Richard Domange, and Anne Aubert, member representing the employees.

The Supervisory Board discussed the independence criteria and also noted the absence of any business relationship between Supervisory Board members and the Group, with the exception of Patrick Daher and/or the companies of which he is the director or Chairman, as described in the chapter on "Governance", "Independence of Supervisory Board members", page 33.

Six members of the Board are women, including the employee representative who was not counted when establishing the percentage of women on the Board, in accordance with the provisions of article L. 255-79-2 of the French Commercial Code. The composition of the Supervisory Board therefore complies with the provisions of the French Law of January 27, 2011 on gender equality for boards of directors and supervisory boards. No Board member exercises any executive management function either at Group parent company or subsidiary level. (See under "Governance," pages 37 and 38, for information on other offices held by members of the Supervisory Board.)

B) Frequency of Supervisory Board meetings

During the fiscal year, the Board met on sixteen scheduled occasions: September 29 and November 21, 2016, January 18, January 19, February 14, February 23, March 13, March 28, April 12, April 27, May 22, May 23, May 31, June 5, June 16 and July 12, 2017. Board members were diligent in their attendance at meetings, resulting in an average attendance rate of over 94%.

C) Supervisory Board operation and activity in 2016/2017

At each Board meeting, members review business performance indicators against the budgets, the Group's results, external growth through acquisitions, and disposal of activities or companies that are not, or are no longer, compatible with the Group's core business. Major strategy meetings are held as and when required. The Board dedicates three meetings per year to reviewing the financial statements for the first half and the full year. It also holds an "Outlook" seminar annually, primarily to examine development opportunities for the Group in terms of governance, organization and internal and external growth. A portion of each Board meeting is dedicated to discussions that are not attended by Executive Board members ("executive session").

Supervisory Board members receive a copy of the draft minutes as quickly as possible after each meeting, prior to final approval at the subsequent meeting. The minutes are then entered in the minute book, and signed by the Chairman and one Board member.

In terms of governance, the Board reviewed the following:

- the new composition of the Executive Board, with the departure of Olivier Zarrouati and the resignation of Benoît Ribadeau-Dumas, and the appointment of Yann Delabrière and Didier Fontaine as Chairman of the Executive Board and Executive Board member respectively;
- the financial conditions for the departure of Olivier Zarrouati;
- the appointment of Yann Delabrière as special adviser to the Executive Board prior to his appointment as Chairman of the Executive Board;
- the total compensation and number of performance shares granted to company representatives, members of the Restricted Executive Committee who are not company representatives, and Group employees;

- the compliance of the Group's governance with the recommendations of the AFEP-MEDEF Code as amended in November 2016 and the provisions of France's "Sapin 2" Law.

On November 21, 2016, on the recommendation of the Board's Chairman on the advice of the Appointments Committee, and in accordance with Article R. 225-56 of the French Commercial Code, the Supervisory Board renewed the special mandate that had been granted to Gilberte Lombard, on March 14, 2016, to handle relations between the Supervisory Board and Company shareholders until the end of fiscal year 2017. This mandate is renewable. Gilberte Lombard's powers in respect of this role are limited to those of the Supervisory Board and its Committees.

D) Committees

In complying with official guidelines on corporate governance, and at the recommendation of its Chairman, the Supervisory Board formed three special committees in 1995: the Audit Committee, the Compensation Committee and the Appointments Committee. All three Committees are regulated under the terms of the relevant dedicated chapters of the Internal Rules of the Supervisory Board and its Committees, which define their roles, composition, number of meetings, resources, members' compensation and the requirement for minutes to be drafted after each meeting. Acceptance of an appointment to the Committees means attending all meetings held by those Committees.

The Audit Committee met seven times during the fiscal year. It met five times to examine in particular the Group's half-year and consolidated full-year financial statements, the main account closing options, the operational situation of the Cabin and Seats branches and associated risks (especially aircraft manufacturer risk), budgets and reforecasts reviews, and review of financial press releases.

The Committee also met twice with the Audit and Internal Control Director to consider the following:

- Risk management:
  - the monitoring of measures implemented since the last risk-related Audit Committee meeting;
  - the presentation of the update of the top Group risks and the mapping of Group risks;
  - the report on progress made on the main risks identified (see chapter on "Risk management"); and related risk control plans;
  - the review of commercial practices and agents' contracts;
  - review of risks associated with cybersecurity.
- Internal control:
  - monitoring the KPIs of the Focus transformation plan;
  - monitoring the new internal control KPIs;
  - monitoring the Restore Margin plan;
  - the presentation and update of planned improvements to the system of ongoing internal control and review of the various Data Mining tools being introduced.
- Internal audit:
  - report on the latest assignments and newly identified areas of risk;
  - report on the recommendations of the late audit and action plans for the fiscal year.

The Audit Committee studied the situation of the mandates of the Statutory Auditors. After analysis and in the light of the new rules from the Audit Department, the Committee suggested a renewal of the mandate of the firm Fidaudit to the Supervisory Board.

In addition, the Audit Committee had a face-to-face meeting with the Statutory Auditors, reviewed the report of the Chairman of the Supervisory Board and the content of the financial press releases, and considered the fees paid to the Statutory Auditors.

During the fiscal year ended August 31, 2017, the Committee comprised the following five Board members (including three independent members): Laure Hauseux (Chairman), Gilberte Lombard, Louis Desanges, FFP Invest, represented by Frédéric Banzet, and FSP, represented by Florence Parly, then by Isabelle Boccon-Gibod. The meetings were also attended by the Statutory Auditors and by the Group Chief Financial Officer.

The chairmanship of the Audit Committee was assigned to an independent member within the strict meaning of the AFEP-MEDEF Code.

The members of the Audit Committee have been specially selected for their financial and accounting skills based on their training and professional experience.

The Compensation Committee met eight times during the fiscal year. The Committee comprised four members during the fiscal year ended August 31, 2017: Patrick Daher (Chairman), Gilberte Lombard, Vincent Gerondeau, and Anne Aubert. The members are tasked by the Supervisory Board with submitting recommendations on the compensation paid to key Executive Board and Restricted Executive Committee members, allocating performance shares to these executives within the terms authorized by the General Meeting of Shareholders, setting the compensation paid to the Chairman of the Supervisory Board, and allocating the fees paid to Supervisory Board members.

The annual work of the Compensation Committee focused specifically on performance-related free share awards, the compensation of new Executive Board members and the financial terms of the departure of Olivier Zarrouati.

The Appointments Committee met twice during the fiscal year ended August 31, 2017. It has four members: Louis Desanges (Chairman), Estelle Brachlianoff, Vincent Gerondeau, and FFP Invest, represented by Frédéric Banzet.

The Appointments Committee is tasked with reviewing the Board's composition and selecting Supervisory Board members and Group senior managers. It also reviews the criteria established for appointing Supervisory Board members, focusing in particular on aerospace or industrial experience, international experience, and independence within the meaning of the AFEP-MEDEF Code.

The Appointments Committee reviewed the criteria pertaining to the independence of the Board's members and approved the "independent" qualification of members Laure Hauseux, Patrick Daher and Vincent Gerondeau, FFP Invest, represented by Frédéric Banzet, FSP, represented by Florence Parly, then by Isabelle Boccon-Gibod as from July 11, 2017, and Estelle Brachlianoff for the fiscal year ended August 31, 2017.

The Appointments Committee's key tasks during the fiscal year specifically focused on reorganizing the membership of the Executive Board, and in particular the appointment of Didier Fontaine as Executive Board member, and on the renewal of the mission of Gilberte Lombard detailed above.

The Strategy Committee was established on November 23, 2015 on a temporary basis. Its purpose is to provide Board members with regular updates on the Group's operations until such time as the Aircraft Interiors branch operational problems are resolved. It met eleven times during fiscal year 2016/2017, and its meetings were attended by the Chairman of the Executive Board and the Group Chief Financial Officer.

The Strategy Committee was composed of four members: Didier Domange, Louis Desanges, Patrick Daher, the company FFP Invest, represented by Frédéric Banzet and an additional member depending on the topics on the agenda.

This Strategy Committee was dissolved in June 2017, after the reorganization of the Executive Board.

The Strategy Committee reported on its meeting during Board sessions not attended by executives ("executive sessions").

After each Committee meeting, the Supervisory Board was informed of all proposals and observations made at the meeting.

TRAINING OF SUPERVISORY BOARD MEMBERS

Supervisory Board members must have extensive knowledge of the Group's specific nature, businesses and business areas.

All Board members or any person proposed to the General Assembly for such a position can receive the training required to serve on the Board, either before their appointment or during their term of office.

This training is offered, organized and paid for by the Group.

ASSESSMENT OF THE SUPERVISORY BOARD OPERATION

In accordance with the recommendations of the AFEP-MEDEF Code, the Supervisory Board conducts an external assessment of the terms of its operations every three years and an internal assessment annually.

The external assessment was carried out for the 2014/2015 fiscal year by a specialist consulting firm.

The internal assessment for the 2015/2016 was conducted on the basis of a questionnaire sent to each Board member.

Under fiscal year 2016/2017, the Supervisory Board debated about the terms of its operation when in session, but considering the wide range of topics examined by the Board linked to the contemplated business combination transaction with Safran, the latter did not consider it appropriate to assess its terms of operation. Another questionnaire-based internal assessment of the Supervisory Board's operation will be formally organized at a subsequent date.

INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

This part of the report is based on the AMF (*Autorité des Marchés Financiers*) reference framework of July 22, 2010 regarding risk management and internal control procedures. The purpose is to report to shareholders on the preparation and organization of the work of the Supervisory Board as well as internal control systems established by the Zodiac Aerospace Group for the fiscal year ended August 31, 2017.

A) Risk Management and Internal Control Environment of the Zodiac Aerospace Group

Historically, Zodiac Aerospace was an international industrial Group with a decentralized structure: each subsidiary directly managed the operational aspects of its business and was responsible for implementing internal control procedures in accordance with the Group's standard as defined and coordinated by the Group's executive management.

For more than two years now, the Group has been rolling out a more centralized structure, specifically to manage internal control procedures more effectively and ensure they comply with the Group's standard.

In fiscal year 2016/2017, the Group continued to roll out the Focus transformation plan launched in 2015. ZAOS (Zodiac Aerospace Operating System), a tool describing the Group's processes and therefore a basic pillar of internal control, has been completed with chapters entitled Market & Sell, Develop & Sustain and Plan & Produce. Furthermore, in order to continue improving the Group's operational performances in a robust and sustainable manner, a special effort, condensed over eight months, 23 sites and 23 key programs, was launched at the end of July 2017: the Focus Acceleration Plan.

B) Internal Control Procedures

1) Definition and purpose of the procedures

The Zodiac Aerospace Group defines internal control as a process implemented by its Executive Board, Restricted Executive Committee, executive officers and personnel. It is designed to:

- help monitor its business activities, the effectiveness of its operations and the efficient use of its resources;
- provide reasonable assurance about the company's risks, whether these are operating, financial or compliance risks.

In particular, the internal control process aims to ensure:

- legal and regulatory compliance and ethical conduct;
- application of instructions and guidelines issued by the Group;
- proper functioning of the Group's internal processes;
- reliability of financial information.

Through its Audit Committee, the Supervisory Board is kept informed of major changes in internal control procedures and may carry out any specific checks it deems appropriate.

This procedure is based on the Group's structure and internal control environment and is part of an ongoing process to identify, assess and manage risk factors that may affect the fulfillment of objectives and opportunities to improve performance.

However, internal control cannot absolutely guarantee that the Company's goals will be reached.

2) Organization of the procedures

As part of the Focus transformation plan, the Group decided to strengthen the culture of operational excellence that applies throughout the Group. It is also crucial that the Group's Business Units comply with Zodiac Aerospace standards (ZA-Standards). To ensure such compliance by the Business Units, the Group decided to upgrade its internal control procedures and organize them into three management lines:

- The first management line is operational management at each site to ensure that Group procedures are applied on a daily basis and that their application is monitored.
- The second management line involves a number of different players:
  - the Group's support-related departments (for example, Finance, Purchasing, Human Resources, Information Systems, Operational Excellence, and Communication) and the Risk Management Department. These departments identify risks and develop action plans to improve risk management within the Group's processes;
  - the Internal Control Department, which coordinates the entire self-assessment program of the second management line and implements ongoing control (based on questionnaires and automatic indicators) applicable to all Group processes;
  - the Quality and Operations (Q&O) audit division, which conducts ad hoc, on-site checks for compliance with aerospace regulations and the ZA-Standards relating to operating processes.
- The third and last management line is Group Internal Audit. Internal Audit provides an independent, objective opinion on the effectiveness of the first two management lines through:
  - local on-site audits;
  - Group audits (a process that is audited Group-wide);
  - project audits (review of the risks of a major project for the Group: industrial transfer, new product/program, migration of an ERP, etc.).

  It also identifies potential major risks not covered by the Business Units' operational management or the Group support-function departments.

In the same vein, the Group is continuing its efforts to improve its ZIPS (Zodiac Aerospace Integrated Process System) tool, which allows harmonized processes to be shared with all Group Business Units as part of the Focus transformation plan.

This comprehensive tool gives the Group's Business Units direct access to the following information:

- the standard procedures for harmonized processes;
- the Group's main risks;
- key internal control information related to these major risks;
- in addition to ERP procedures.

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C) Key players in the Group's Risk Management and Internal Control

1) Players involved in the three management lines

a) The Executive Board and branch management (Restricted Executive Committee)

The Chairman of the Executive Board delegates authority to branch management for the support and monitoring of the business of companies within their respective branches concerning:

- setting targets in accordance with those defined by the Chairman of the Executive Board and presented to the Supervisory Board for the Group as a whole;
- performance monitoring;
- implementation of decisions on strategic issues related to Group companies and authorized by the Supervisory Board.

b) The Audit Committee

As part of their assignment to audit and certify the annual and consolidated financial statements, the Statutory Auditors may review the procedures and processes that the Company uses to prepare accounting and financial information.

The Audit Committee:

- meets with the Statutory Auditors regarding their assignment;
- reviews the accounts and accounting procedures presented by the Executive Board and management;
- reviews the results of audits and work related to internal control;
- monitors risks;
- reviews risk mapping.

2) First management line

The first management line is operational management at each Group branch (site, Business Unit and division). Operational management ensures that Group processes are applied and that the main risks to the Business Units are managed effectively.

3) Second management line

The second management line involves a number of different players:

a) Group support-function departments

The first player comprises all the departments that provide support functions at Group level, such as Industrial Safety, the Environment, Human Resources, Operational Excellence, Finance, Communication and Information Systems.

These departments are responsible for defining Group procedures with the support of the branches' business process owners and for ensuring that the Group's operating teams receive training.

Administration and Finance Department

The Group Chief Financial Officer manages accounting and financial operations under the authority of the Chairman of the Executive Board. The Finance and Administration Department has one Finance Department per branch, a Reporting and Statutory Consolidation Department, a tax function, and a treasury and finance function, organized as follows:

- A branch finance director, whose internal control task is to implement financial and accounting internal control. The branch finance director has local, decentralized teams within the various Group companies to help prepare financial information in compliance with internal rules.
- A department dedicated to reporting and consolidation, responsible for preparing and presenting the Group's statutory consolidated financial statements, implementing the Group's consolidated budget, and analyzing the Group's financial data.
- A Tax Director, who provides support to entities on tax legislations and during tax audits. He also monitors tax consolidations within the Group and checks that they are all consistent. These efforts are carried out with the support of recognized external tax experts.
- A treasury and finance function responsible for:
  - implementing the Group's financial policy;
  - optimizing management of the balance sheet and the financial position;
  - implementing the risk management policy on exchange rate and interest rate risks.

All Group credit lines are set up by the parent company, Zodiac Aerospace; no subsidiary has the authority or power to negotiate and set up local lines of credit.

The central function implements the hedging mechanism for currency exchange approved by the Chairman of the Executive Board and Group Chief Financial Officer; this mechanism requires systematic hedging of the currency exchange position at the end of each month in addition to forward hedges. (The latter are decided by the Chairman of the Executive Board in consultation with the Restricted Executive Committee and the Supervisory Board).

For the annual financial statements, branch managers and financial officers issue a letter of representation to the Chairman of the Executive Board and Group Chief Financial Officer, attesting to the accuracy and completeness of the financial information submitted for consolidation.

Information Systems Department

The Group Information Systems Department is headed by the Director of Group Information Systems, who reports to the Group's Chief Financial Officer.

The goal of the Zodiac Aerospace Group's centralized information system is to meet requirements regarding reliability, availability and traceability of information.

To ensure these tools are used correctly and that the information is relevant, an operating manual tailored to user needs has been disseminated.

The Group has also implemented mechanisms to safeguard information systems and computer data integrity.

An Information Systems Committee meets at least three times a year. It comprises the Chairman of the Executive Board, the Group Chief Financial Officer, the Group's Chief Information Systems Officer, the Group Chief Operating Officer and managers of branches and activities.

The Committee is responsible for establishing and maintaining an information system road map to meet the Group's organizational needs and general development policy. In this regard, it suggests IT project types and priorities for allocating resources.

Legal, Safety and Industrial Risks Departments

The General Counsel and the Director of Health, Safety, Environment and Industrial Risks report to the Group Chief Financial Officer.

The monitoring of Group objectives and legal obligations regarding safety in Group entities is entrusted to the Director of Health, Safety, Environment and Industrial Risks, who ensures that rules and procedures are correctly implemented and modified as necessary, and that the relevant managers of the various Group entities receive appropriate training. To this end, committees meet several times a year and a risk report is distributed to Group managers.

b) Quality and Operations Departments

Quality assurance for programs, products and services is delegated to the operational units. The Quality function is therefore integrated within each business, ensuring that systems, products and services meet customer needs and encouraging responsiveness.

The objectives and legal obligations regarding quality in Group entities are monitored by a team within the holding company which ensures that rules and procedures are correctly implemented and modified as necessary, and that the relevant managers of the various Group entities receive appropriate training. To this end, committees meet several times a year and a quarterly risk report is distributed to Group managers.

Since mid-2016, the Quality and Operations (Q&O) audit division has been conducting ad hoc, on-site checks for compliance with aerospace regulations and the ZA-Standards relating to operating processes.

c) Internal Control and Risk Management Departments

According to the AMF reference framework, "Risk management is the business of every stakeholder in a company. It should be comprehensive and cover all the company's activities, processes and assets. [...] Risk represents the possibility of an event occurring that could affect the company's personnel, assets, environment, objectives or reputation."

Risk management therefore has a broad scope that extends beyond the strictly financial framework. It is a key management process concerning all the Group's senior managers and employees.

The goals of risk management are to:

- create and preserve the Group's value, assets and reputation;
- safeguard decision-making and operational procedures to help achieve objectives;
- ensure all employees have the same vision of the key risks.

The Group has an on-going risk-identification process managed by the Internal Control and Audit Department. The Group's Business Units regularly identify and assess the major risks with regard to their objectives and to those of the Group.

These self-assessments are then reviewed by Risk Managers (cross-functional Group operational executives) so that an action plan can be drawn up and implemented to improve control over these risks. An interview process has also been introduced for Group managers in order to identify the main areas of risk for the Group.

The Group's main risks are detailed under «Risk Management,» page 64.

The Internal Control department, which reports to the Audit and Internal Control Department, coordinates the entire self-assessment program of the second management line and sets up a system of permanent control over all Group processes.

The results are reported periodically to:

- provide the assurance that the procedures are being applied and are understood and effective (including an annual assessment of the application of the procedures for each company);
- identify any obstructions to applying the procedures;
- identify and share best practices to improve performance;
- warn about major malfunctions;
- make recommendations for improvement.

d) Ethics and Compliance Committee

In 2017, the Group decided to set up an Ethics and Compliance committee.

This entity is tasked with, firstly, ensuring the Group's compliance with regulations in force in the Group's different host countries, and secondly, and ultimately, after implementing legal administrative processes, handle the warnings or report actions that may be related to:

- a serious or flagrant violation of the law, of a regulation, or of an international undertaking duly ratified or approved by France, or of a unilateral act of an international organization taken on the basis of such an undertaking;
- a serious breach of the human rights and fundamental liberties, health and safety of persons and of the environment, as a result of the Group's activities/businesses;
- conduct or a situation contrary to the Group's Code of Ethics;
- a serious threat or prejudice for the general interest;
- any event that could be damaging to the interests of the Group and/or of one or several of its employees, affecting its/their reputation, incurring its/their liability.

4) Third management line

The Internal Audit Department is attached to the Control and Internal Audit Director who reports to the Group Chief Financial Officer and to the Chairman of the Executive Board. The Control and Internal Audit Director also reports to the chair of the Audit Committee.

Internal audit is an independent and objective activity which gives the Group reasonable assurance about the degree of control over its operations. It also offers advice for their improvement and helps create added value. It is tasked with helping the Zodiac Aerospace Group to reach its objectives by evaluating, through a systematic and methodological approach, its risk management, control, and governance processes and by making proposals to strengthen their effectiveness.

Internal Audit is involved in all Group companies on both operational and /or financial matters.

Internal Audit provides a detailed report of its work to the audited entity's management and to the management of the branch and of the division. A summary report, focusing on the critical and major recommendations, is sent to the Group's financial and senior management at the end of each task.

A monthly dashboard by branch is also drawn up to monitor the local management's commitment to carrying out the recommendations in a timely manner.

Internal Audit meets periodically with the Statutory Auditors to discuss internal control matters. It also reports on its work to the Audit Committee in specific meetings held regularly for this purpose.

In accordance with professional standards, an Internal Audit Charter officially defines the tasks, powers and responsibilities of the Internal Audit department. This charter has been in effect since September 2013, and was revised in June 2017 to make it more compatible with existing processes. The charter has been signed by each internal auditor and is communicated to the audited entities at each audit engagement.

Internal Audit operates within the framework of a plan set annually and presented to the Audit Committee. This action plan operates over a three-year period to verify and reinforce understanding and implementation of internal control procedures as well as the correct application of procedures in force.

The risk management procedure is an important part of the development of the audit plan, which is prepared based on interviews with the operational executives of the Group's branches. It also takes into account the specifics of the Business Units (size, income contribution, and results of previous audits).

About thirty audits are carried out each year. The recommendations of past missions are monitored and reinforced by the use of an internal auditing tool as well as on-site follow-up audits.

The audit plan revised every quarter. The audit plan may be amended depending on various elements (new risk area, analysis of indicators, interviews).

Report of the Executive Board to the Mixed General Meeting on January 9, 2018

Dear Shareholders,

We have called you to this Annual General Meeting, in accordance with legal requirements and the Company's Articles of Association, to submit for your approval the financial statements for 2016/2017.

Zodiac Aerospace is the Group's parent company and acts as the general manager for the industrial aspects of all Group businesses and provides services to Group companies accordingly.

This report only deals with Zodiac Aerospace operations; the Group's operations as a whole are analyzed in the report on the consolidated financial statements.

I – STATEMENT OF PROFIT AND LOSS

2016/2017 SALES REVENUE

Zodiac Aerospace's revenue was €160,228k, up from €135,109k the previous fiscal year.

It can be broken down as follows:

	2016/2017	2015/2016
Rents and rental charges	€1,893k	€1,903k
Group services	€134,314k	€108,750k
Account fee	€24,021k	€24,456k
TOTAL	**€160,228k**	**€135,109k**

Rents and rental charges remain constant with respect to the prior fiscal year.

Group services represents the Management Fees invoiced by the holding company to its subsidiaries, for the various services rendered by Zodiac Aerospace to those subsidiaries. The increase in centralized functions, in particular for those of the Seats and Cabin branches, combined with a new invoicing method, generated an increase of €25,564k compared to the prior period.

Account fee, which represents the amount of specific expenses (insurance, tax, etc.) borne by the holding company on behalf of its subsidiaries and charged back to them, is practically at the same level as fiscal year 2015/2016.

Revenue is up 18.59% compared to the prior fiscal year.

OPERATING INCOME

As a result of the increase in revenue, operating loss was reduced by €2,249k, dropping from €9,096k to €6,847k.

NET FINANCIAL INCOME/EXPENSE

Dividends from the subsidiaries amounted to €75,802k, down from €166,202k the previous fiscal year.

Other interest income, generated by lending to subsidiaries, stood at €34,750k versus €23,081k for the previous period.

Interest expense increased by 25.14%, from €42,486k to €53,167k, mainly due to the increase in our needs. Furthermore, external resources averaged 2.01%, down from 2.05% in the previous fiscal year. Other financial charges include charges to provisions on the EZ Air Interior Limited loan of €11,734k.

No impairment provisions were booked for treasury shares due to their below-market book cost.

Financial income thus stands at €43,192k.

CORPORATE TAX

Tax assets of €16,163k recorded in the financial statements comprised:

- credit from Zodiac Aerospace's own income €19,152k
- tax consolidation effects €(1,608)k
- cultural sponsorship €225k
- a 3% contribution on dividends paid in January 2017 €(1,606)k

2016/2017 INCOME

Pre-tax income stood at €8,863k, down from €135,999k the previous fiscal year. This decline can be mainly explained by the change in dividends received from our subsidiaries, €90,400k, and recognition of exceptional charges, for €27,062k, relating to the contemplated combination with the Safran Group.

2016/2017 WORKFORCE

The permanent workforce at the fiscal year-end totaled 277 employees versus 245 at August 31, 2016.

II – STATEMENT OF FINANCIAL POSITION

INTANGIBLE ASSETS

The increase in this line item can be explained by:

- the acquisition of licenses in the amount of €5,328k as part of the continued deployment of our IS tools in Group subsidiaries;
- the cost of renegotiating the terms of the Group's financing concerning in particular the financial covenant thresholds applicable to the "Club Deal", the "Euro PP" and the "Schuldschein", and the arrangement fees for the €5,742k credit facility on June 7, 2017.

The depreciation charge for these line items amounted to €4,943k.

PROPERTY, PLANT AND EQUIPMENT

This increased by €1,601k in gross value during the fiscal year and the charges amounted to €1,635k.

EQUITY INVESTMENT ACTIVITY

a) Equity investments

Gross share value remains unchanged for the fiscal year, while the net value was written back for €700k.

b) Other long-term investments

Inventory of negotiable securities held in the portfolio at August 31, 2017:

- Liquidity agreement

The amounts represent a liquidity agreement arranged with Kepler Cheuvreux (formerly Crédit Agricole Cheuvreux) to boost the liquidity of transactions and to keep the share price in euros stable, used in the form of 20,000 shares in your Company, in the amount of €458k. The cash balance made available to Kepler Cheuvreux under this agreement is invested in an interest-paying current account and the amount of €825k is recorded in the statement of financial position under "Other financial assets."

- Treasury shares

The amounts represent the cost of implementing the share buyback program set up with a service provider in February 2008, involving a maximum of 5% of the capital and used in the form of 13,900,000 Company shares. On February 12 and June 5, 2017, a total of 163,526 shares were withdrawn in respect of the delivery of shares issued under annual plans. The balance of shares held in respect of the share buyback program numbered 12,647,696 representing 4.32% of the shares outstanding and valued at €81,268k.

OPERATING RECEIVABLES

The €7.9 million increase was largely due to the Government line item, with €5.1 million corresponding to an interim tax payment surplus in respect of the last fiscal year, and €2.6 million corresponding to an increase in receivables from our subsidiaries.

LOANS TO GROUP COMPANIES

At August 31, 2017, the subsidiaries had an outstanding balance of €1,224,993k, versus €1,086,045k at August 31, 2016. This did not include the temporary addition of amounts to be collected in respect of consolidation for tax purposes, namely €13,641k, compared with €9,240k for the previous fiscal year.

The lending subsidiaries had an outstanding balance of €1,071,860k, versus €766,891k at August 31, 2016, added to this are the amounts generated by the tax consolidation for €16,299k versus €24,262k the previous year.

Net lending by subsidiaries to Zodiac Aerospace, excluding the tax consolidation effect, fell by €166,021k, dropping from €319,155k to €153,134k.

INFORMATION ON THE PAYMENT TERMS OF SUPPLIERS AND CUSTOMERS MENTIONED IN ARTICLE D. 441-4 OF THE FRENCH COMMERCIAL CODE

Pursuant to the provisions of the French Commercial Code, the payment terms of our suppliers and customers are detailed below, in accordance with the decree of March 20, 2017:

- invoices received and issued, payable but outstanding on the fiscal year's reporting date;
- invoices received and issued, paid late during the fiscal year.

Invoices received and issued, payable but outstanding on the fiscal year's reporting date

	Article D. 441 I, 1° of the French Commercial Code: **Invoices received, payable but outstanding on the fiscal year's reporting date**					Article D. 441 I, 2° of the French Commercial Code: **Invoices issued, payable but outstanding on the fiscal year's reporting date**				
(in euros)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Late payment categories										
Number of invoices concerned					*657*					*175*
Total amount of invoices concerned ex. VAT	5,424,696	1,274,887	1,326,622	1,986,732	10,012,937	4,137,698	532,287	1,779,654	924,434	7,374,073
Percentage of the total amount, ex. VAT of invoices received in the fiscal year	5.1%	1.2%	1.3%	1.9%	9.4%					
Percentage of the total amount, ex. VAT of invoices issued in the fiscal year						2.6%	0.3%	1.1%	0.6%	4.6%
(B) Excluded invoices from (A) relating to non-recorded disputed payables and receivables										
Number of excluded invoices	–	–	–	–	–	–	–	–	–	–
Total amount ex. VAT of excluded invoices	–	–	–	–	–	–	–	–	–	–
(C) Reference payment terms used (contractual or legal term - Article L 441-6 or Article L 441-3 of the French Commercial Code)										
Payment terms used to calculate late paymentt	Contractual and legal terms of 0 - 60 days.					Contractual and legal terms of 0 - 60 days.				

Invoices received and issued, paid late during the fiscal year

(in euros)	Article D. 441 II of the French Commercial Code: **Invoices received, paid late during the fiscal year**					Article D. 441 II of the French Commercial Code: **Invoices issued, paid late during the fiscal year**				
	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (1 day and more)
(A) Late payment categories										
Number of invoices concerned					*5,521*					–
Total amount of invoices concerned ex. VAT	42,575,786	24,946,724	6,396,840	5,505,664	79,425,014	110,829,834	22,100,533	6,189,138	3,449,722	145,569,228
Percentage of the total amount, ex. VAT of invoices received in the fiscal year	30.8%	18.1%	4.6%	4.0%	57.5%					
Percentage of the total amount, ex. VAT of invoices issued in the fiscal year						45.5%	9.1%	2.5%	1.4%	58.5%
(B) Excluded invoices from (A) relating to non-recorded disputed payables and receivables										
Number of excluded invoices	–	–	–	–	–	–	–	–	–	–
Total amount ex. VAT of excluded invoices	–	–	–	–	–	–	–	–	–	–
(C) Reference payment terms used (contractual or legal term - Article L 441-6 or Article L 441-3 of the French Commercial Code)										
Payment terms used to calculate late paymentt	Contractual and legal terms of 0 - 60 days.					Contractual and legal terms of 0 - 60 days.				

EQUITY

Before dividend distribution, equity was down €17,707k from €868,273 to €850,566k.

This change can be broken down as follows:

• net income for fiscal year 2016/2017	€25,026k
• increase in revenue from the issue of 859,555 shares(1) in respect of stock options	€46,038k
• change in regulated provisions	€(4)k
• distributed dividends(2)	€(88,767)k
	€(17,707)k

EQUITY EQUIVALENTS

In March 2016, Zodiac Aerospace set up an open-ended hybrid instrument for a total of €250 million, classified on the statement of financial position under "Equity equivalents." This instrument was maintained at August 31, 2017 and does not give access to any potential creation of new shares or share-based derivatives.

FINANCIAL LIABILITIES

The "Club Deal" of March 14, 2014 in the amount of €1,030 million was signed for an initial period of five years. It could be extended for an additional year at the request of Zodiac Aerospace during each of the subsequent two years, on the anniversary of its set-up.

Zodiac Aerospace used its contractual option on two occasions to extend the maturity for an additional year and this extension was accepted by all banks participating in the "Club Deal". The initial maturity date was therefore extended to March 11, 2021.

As at August 31, 2017, €176.5 million had been used from this loan.

In March 2016, a "Euro PP" financing was arranged in the amount of €230 million with a seven-year maturity, maturing on March 10, 2023.

This Euro PP was introduced to refinance the existing €125 million Euro PP maturing in July 2018, and the first €133 million tranche of the Schuldschein maturing in July 2016.

(1) Excluding the creation of 1,759,781 shares awarded as dividends.
(2) Dividends paid in cash, €53,537k, and by creation of 1,759,781 shares for €70k with a share premium of €35,161k.

After repaying this first installment of the Schuldschein, Zodiac Aerospace has a residual facility of €402 million, in two tranches:

- a five-year initial maturity, maturing on July 25, 2018, in the amount of €243 million;
- a seven-year initial maturity, maturing on July 27, 2020, in the amount of €159 million.

In June 2017, Zodiac Aerospace renegotiated the covenant applicable to all these loans. The agreement was obtained for nearly all the loans. Only €27 million held by the Schuldschein investors were refused. These investments resulted in early repayment by withdrawals from a credit facility set up for this purpose.

This credit facility, arranged on June 7, 2017, matures on December 31, 2018 and is subject to the same covenant as the other loans.

The total amount of the Schuldschein of July 2013 is therefore €375 million after early repayment, broken down into two tranches:

- the tranche maturing on July 25, 2018, for an amount of €221 million;
- the tranche maturing on July 27, 2020, for an amount of €154 million.

The covenant threshold on all the loans should now be less than or equal to:

- 3.50 at August 31, 2017 and August 31, 2018;
- 3.25 at August 31, 2019;
- 3.00 at August 31, 2020 and thereafter.

The covenant (ratio of net debt to consolidated EBITDA), including or not the positive mark-to-market of our currency hedging instruments, was complied with at August 31, 2017.

In addition, our commercial paper program amounted to €673 million at the balance-sheet date, added to which were foreign currency advances of €24.9 million.

RISK HEDGING

a) Interest rate risk:

Zodiac Aerospace has set up interest rate swaps to hedge against changes in the 6-month Euribor implemented under the Schuldschein financing and covering the period from July 25, 2013 to July 25, 2018, for a total of €50 million at a rate of 1.11%.

b) Currency risk:

At August 31, 2017, Zodiac Aerospace had active currency hedges to cover:

- a portion of 2016/2017 revenue: $212.1 million on behalf of its subsidiaries and $10.2 million on its own behalf;
- a portion of 2016/2017 purchases: GBP0.9 million, €7.4 million and ZAR1.9 million on behalf of its subsidiaries;
- a portion of 2017/2018 revenue: $959.9 million on behalf of its subsidiaries and $40.7 million on its own behalf.

STOCK OWNERSHIP

A total of 292,691,769 shares were outstanding at August 31, 2017.

In fiscal year 2016/2017, 859,555 shares were created by the exercise of stock options and 1,759,781 were created for share-based dividend payments on February 14, 2017.

At August 31, 2017, holders of registered shares accounted for 41.6% of the shares and 53.3% of the voting rights restated for treasury shares. The breakdown of Zodiac Aerospace capital on that date, to the best of the Company's knowledge, is shown in the table on the following page. The number of shares held by employees was 4,178,190, representing 1.4% of the capital stock, and 6,573,213 of voting rights representing 1.8% of the total.

Also, as far as the Company is aware, none of the "other shareholders" in the table below holds 5% or more of the capital or voting rights. In addition, pursuant to the French law on employee savings plans of February 19, 2001, the proportion of capital stock held by Company employees and staff of related companies within the meaning of Article L. 225-180 of the French Commercial Code regarding collective management plans was less than 3%.

At August 31, 2017, the Company had not received any disclosures regarding treasury stock pursuant to Article L. 233-12 of the French Commercial Code. During the fiscal year, and pursuant to Article L. 233-7 of the French Commercial Code, the Company received one disclosure regarding share ownership crossing the legal threshold of 5% of Zodiac Aerospace capital:

- On March 13, 2017, Artisan Partners Limited Partnership, a U.S. company organized under the laws of the State of Delaware, acting on behalf of funds that it manages, announced that it had crossed the threshold of 5% of the capital and held 14,590,924 shares on behalf of the fund, representing 4.99% of the capital and 3.86% of the voting rights on the date of that transaction.

It should be noted that some shareholders are bound by a collective agreement to retain their shares, concluded pursuant to Articles 787 B and 885 I *bis* of the French General Tax Code, registered on June 20, 2016 with the tax authorities. This collective agreement for short term share retention runs for a period of two years. It may be tacitly renewed for 12-month periods (unless terminated by one of the parties).

As at August 31, 2017, shares subject to the above-mentioned agreements represented approximately 23% of the capital and 34% of total voting rights attached to the shares issued by Zodiac Aerospace.

Also as at that date, shareholders who were company representatives or held over 5% of the capital or voting rights and had signed the aforementioned agreements were: the Louis Desanges family, the Didier Domange family, the Vincent Gerondeau family, and the Maurice Pinault family.

It should be noted that some shareholders are bound by a collective agreement to retain their shares, concluded pursuant to Article 885 I *bis* of the French General Tax Code and registered on December 21, 2005 with the tax authorities. That collective agreement runs for a period of six years as from that date and may be tacitly renewed for 12-month periods (unless terminated by one of the parties). This agreement is still in effect. It also grants the signatories a mutual pre-emption right on the locked-up shares.

Some shareholders also entered into a non-transferability agreement on June 18, 2012 to further consolidate their collective lock-up agreements under specific tax regimes.

This agreement was for an initial period of one year and may be tacitly renewed for 12-month periods. The agreement is still in effect. By way of exception, the non-transfer agreement provides for an option to transfer 10% of the shares locked up by each signatory, on condition that the aggregate number of shares under the agreement does not represent less than 20% of Zodiac Aerospace share capital and voting rights.

Furthermore, in connection with the contemplated business combination transaction with Safran, some shareholders who signed the aforesaid collective commitment to retain their shares on June 20, 2016, concluded with Safran on June 13, 2017:

- a commitment to freeze and tender to the takeover bid announced by Safran on the Zodiac Aerospace shares, under which these shareholders agree to freeze trading on their Zodiac Aerospace shares, then to tender all or part of them to the takeover bid, representing a total of 18.62% of the capital of Zodiac Aerospace; and
- a residual interest commitment, under which Safran and the signatory shareholders have committed to mutually-binding purchase and sale agreements for securities representing a total of 4.76% of the capital of Zodiac Aerospace.[1]

(1) The main terms of these commitments and the identity of the signatories can be found in the AMF's publication D&I 217C1251 dated June 16, 2017.

Breakdown of capital stock at August 31, 2017

	Capital stock		Voting rights	
	Number of registered shares	%	Number of votes	%
Registered				
Families	69,871,621	23.9%	134,083,691	36.6%
Employees	4,178,190	1.4%	6,573,213	1.8%
FFP Invest	15,113,464	5.2%	26,755,099	7.3%
Other shareholders	19,510,485	6.7%	27,084,122	7.4%
Treasury stock	12,647,696	4.3%	–	–
TOTAL REGISTERED SHARES	**121,321,456**	**41.5%**	**194,496,125**	**53.2%**
Bearer				
OTHER SHAREHOLDERS	**171,370,313**	**58.5%**	**171,370,313**	**46.8%**
TOTAL	**292,691,769**	**100%**	**365,866,438**	**100%**

Stock options

The Mixed General Meeting of January 14, 2016 approved the early termination of the authorization granted to the Executive Board by the Mixed General Meeting of January 8, 2014 to grant options to subscribe for or purchase Company shares to eligible Company or Group employees and corporate officers. As a result, no stock options have been allocated since 2016/2017.

Free share allocation

A total of 703,940 free shares (0.24% of the capital) was allocated by the Executive Board between September 1, 2016 and August 31, 2017, after consultation with the Supervisory Board.

The conditions under which these may be granted are governed by the law and the rules laid down by the Mixed General Meeting of January 14, 2016.

Share buyback program

The Company did not make use of the authorization renewed by the General Meeting of Shareholders on January 19, 2017. On February 12 and June 5, 2017, 163,526 shares were withdrawn and allocated to Group employees for the vesting of the free shares that had been allocated to them. Consequently, the number of treasury shares at August 31, 2017 was reduced to 12,647,696, corresponding to 4.32% of capital stock on that date.

Liquidity agreement

The liquidity agreement, set up by the Company on January 18, 2007, was renewed in 2011. This agreement is intended to boost the liquidity of transactions and keep share prices stable (see § "Equity investment activity/b").

Movements on this contract during the fiscal year were as follows:

- 837,930 shares were purchased at an average price of €21.90;
- 925,578 shares were purchased at an average price of €22.50.

There was no trading fee, but there was an annual lump-sum commission of €36k and annual discretionary compensation of €24k.

There was no reallocation of these shares. These shares, 20,000 in total, represent 0.00683% of the number of shares outstanding at August 31, 2017, for a value of €458k.

Furthermore, the cash balance made available to Kepler Cheuvreux under this agreement is invested in an interest-paying current account and totals €825k.

AUTHORIZATIONS AND DELEGATIONS GIVEN TO THE EXECUTIVE BOARD

These authorizations and delegations are shown in the tables below.

Status of authorizations and delegations in progress and granted to the Executive Board by the Mixed General Meeting of Shareholders on January 14, 2016 and January 19, 2017

Authorization to buy back and cancel treasury stock

Type	Authorization date	Maturity/ term	Maximum amount authorized at August 31, 2017	Use at August 31, 2017
Authorization for the Company to buy and sell its own shares. (1)	January 19, 2017 (6th resolution)	July 19, 2018 (18 months) (1)	Buyback of a number of shares such that the number of shares held by the Company does not exceed 10% of the shares comprising the capital. Maximum amount of €300 million	Movements over the fiscal year:(2) - purchase: 0 - sale: 0
Authorization to reduce the capital by canceling shares purchased by the Company under its share buyback program.	January 19, 2017 14th resolution)	July 19, 2018 (18 months) (1)	Cancellation of no more than 10% of capital per 24-month period.	Shares canceled during the fiscal year: 0

(1) A proposal will be made to the General Meeting on January 9, 2018 to renew this authorization in accordance with the draft wording of the resolutions that will be put to the vote of shareholders.

(2) Not part of the liquidity agreement.

Delegations for the purpose of increasing the capital

Type	Authorization date	Maturity/ term	Maximum nominal amount of issue authorized	Means of determining the issue price	Use at August 31, 2017
Delegation to increase the capital by a rights issue of ordinary shares and/or other negotiable securities giving access to equity.	January 19, 2017 (15th resolution)	March 19, 2019 (26 months) [(1)]	€2,500,000 [(1)(2)(3)]	Unrestricted	None
Delegation to increase the capital by the incorporation of profits, reserves or premiums.	January 19, 2017 (16th resolution)	March 19, 2019 (26 months) [(1)]	Within the overall limit of the sums that can be incorporated into the capital on the date of their incorporation.	-	None
Delegation to increase the capital by a non-rights issue of ordinary shares and/or other negotiable securities giving access to equity through a public offering.	January 19, 2017 (17th resolution)	March 19 2019 (26 months) [(1)]	€1,200,000 [(1)(2)(3)]	Issue price at least equivalent to the weighted average share price for the three market trading sessions immediately prior to the price being set, reduced where applicable by a 5% discount.	None
Delegation to increase the capital by a non-rights issue of ordinary shares and/or other negotiable securities giving access to equity through a private offering.	January 19, 2017 (18th resolution)	March 19, 2019 (26 months) [(1)]	€1,200,000 [(1)(2)(3)] (limit for all delegations granted by the Mixed General Meeting under the terms of the 15th resolution).	Issue price at least equivalent to the weighted average share price for the three market trading sessions immediately prior to the price being set, reduced where applicable by a 5% discount.	None
Delegation to increase the number of securities to be issued in the event of a rights or non-rights issue to raise capital, decided pursuant to the 15th, 17th and/or 18th resolutions referred to above.	January 19, 2017 (19th resolution)	March 19, 2019 (26 months) [(1)]	Up to the limit specified in the resolution pursuant to which the initial issue was decided.[(1)(2)(3)]	At the same price as that used for the initial issue.	None
Delegation to increase the capital by issuing ordinary shares and/or other negotiable securities giving access to equity through a public exchange offer initiated by the Company.	January 19, 2017 (20th resolution)	March 19, 2019 (26 months) [(1)]	€1,200,000 [(1)(2)(3)]	Unrestricted	None
Delegation to increase the capital by issuing ordinary shares and/or other negotiable securities giving access to equity, in payment for contributions in kind.	January 19, 2017 (21st resolution)	March 19, 2019 (26 months) [(1)]	Up to a limit of 10% of the share capital.[(1)(2)(3)]	Unrestricted	None
Delegation to increase the capital by issuing shares reserved for members of a company savings plan established in accordance with Articles L. 3332-1 *et seq.* of the French Labor Code, canceling the members' preemptive subscription rights.	January 19, 2017 (22th resolution)	March 19, 2019 (26 months) [(1)]	€300,000	Issue price cannot be lower than the minimum price provided for by legal and regulatory provisions prevailing at the time of the issue.	None

(1) The total nominal amount of negotiable securities representing debt instruments that give access to capital thus issued may not exceed €300,000,000, which is the limit for all negotiable securities whose issue is delegated pursuant to the 17th, 18th, 19th, 20th and 21st resolutions.

(2) The total nominal amount of capital increases made under the 17th, 18th, 19th, 20th, and 21st resolutions may not exceed the overall nominal limit of €2,500,000 set in the 15th resolution.

(3) The nominal amount of the capital increases made under the 19th resolution will be deducted from the amount stipulated in the 17th resolution, based on the assumption of a capital increase without preemptive subscription rights.

Status of authorizations and delegations in progress and granted to the Executive Board by the Mixed General Meeting of Shareholders on January 14, 2016

Authorization for the purpose of awarding free Company shares to eligible employees and/or company representatives of the Company or its parent Group

Type	Authorization date	Maturity/ term	Maximum amount authorized	Means of determining the option exercise price and/or issue price	Use at August 31, 2017
Authorization to allocate free shares to eligible employees and company representatives of the Company or its parent Group	January 14, 2016 (17th resolution)	March 14, 2018, (26 months) (1)	The total number of free shares granted may not represent more than 0.6% of the capital, or 0.3% per annual plan (1)	–	1,470,541

(1) A proposal will be made to the General Meeting on January 9, 2018 to renew this authorization in accordance with the draft wording of the resolutions that will be put to the vote of shareholders.
It should be noted that within these ceilings and sub-ceilings, the total number of free shares granted to company representatives may not represent more than 0.17% of the Company's capital, or 0.085% per annual plan.

DRAFT DELEGATIONS AND AUTHORIZATIONS TO BE PUT TO THE VOTE AT THE NEXT MIXED GENERAL MEETING OF SHAREHOLDERS ON JANUARY 9, 2018

Since the following authorizations, granted by the Mixed General Meeting on January 19, 2017 (under the terms of its 6th and 14th resolutions) authorizing the Executive Board to buy the Company's own shares and cancel them, are due to expire in 2018, the Executive Board proposes that the Mixed General Meeting of Shareholders convened on January 9, 2018 should grant the Executive Board new authorizations of the same nature, up to a limit of €300 million, involving a maximum of 5% and 10% of the capital respectively, with a maximum unit purchase value per share of €35 for a period of 18 months:

- Authorization to be granted to the Executive Board for the Company to buy and sell its own shares (5th resolution);
- Authorization to be granted to the Executive Board to reduce the share capital via the cancellation of shares held by the Company per the share buyback program (21th resolution).

Given that the following authorization granted by the Mixed General Meeting of January 14, 2016 (pursuant to the 17th resolution) for the purpose of authorizing the Executive Board to grant free Company shares to employees and company representatives of the Company or its Group, will expire in 2018, the Executive Board proposes to the Mixed Shareholders' Meeting convened on January 9, 2018, to give the Executive Board the same kind of authorization again; for a period of 26 months, on the proviso that the total number of awarded free shares cannot represent more than 0.6% of the capital (22nd resolution).

- The Executive Board proposes to the Mixed General Meeting of shareholders convened on January 9, 2018, to give another delegation of authority to the Executive Board to increase the capital by issuing shares reserved for members of a company savings plan established in accordance with Articles L. 3332-1 *et seq.* of the French Labor Code, canceling the members' preemptive subscription rights (23rd resolution).

DRAFT AMENDMENTS TO THE ARTICLES OF ASSOCIATION TO BE PUT TO THE VOTE AT THE NEXT MIXED GENERAL MEETING OF SHAREHOLDERS ON JANUARY 9, 2018

The Board of Directors proposes to the General Meeting of Shareholders convened on January 9, 2018, the following changes to the Company's Articles of Association:

- Article 19 – "Term of office" (24th resolution);
- Article 20 – "Qualifying shares" (25th resolution);
- Article 21 – "Organization and functioning of the Supervisory Board" (26th resolution);
- Article 25 – "Appointment - Powers" (27th resolution).

ALLOCATION OF NET INCOME

The Executive Board proposes that no dividend should be paid for the fiscal year ended August 31, 2017, and that the entire net profit for fiscal year 2016/2017 should be allocated as follows:

Distributable earnings for the period	€25,025,506.09
Allocation to the legal reserve	€(10,477.35)
Appropriation of the entire balance to Retained Earnings	€25,015,028.74
Retained earnings after allocation	€573,983,797.92

In accordance with Article 243 *bis* of the French General Tax Code, the dividends paid out for the previous three fiscal years are as follows:

Fiscal year ended:	August 31, 2016	August 31, 2015	August 31, 2014
Total number of shares (1)	277,404,533	276,405,154	275,329,159
Dividend per share (2)	€0.32 (3)	€0.32	€0.32

(1) Number of shares giving entitlement to a dividend payment (reduced by the number of treasury shares held on the dividend payment date).

(2) Amount eligible for 40% tax relief as per Article 158-3-2° of the French Tax Code for individuals domiciled in France for tax purposes.

(3) Note that the Mixed General Meeting of January 19, 2017 gave each shareholder the option of receiving half of their dividend payment, in either cash or shares.

FORECASTS FOR THE 2017/2018 FISCAL YEAR

The Company will continue to act as the Group's industrial holding company and to provide services to Group companies.

It will also continue to cash dividends from its French and foreign subsidiaries.

In the context of the planned combination with Safran announced on May 24, 2017, Safran is expected to take over Zodiac Aerospace in the event of a successful outcome to the primary public cash offer and the subsidiary capped public exchange offer to be launched shortly by Safran on the entire capital of Zodiac Aerospace. The Zodiac Aerospace Group will therefore be integrated into the Safran Group at the end of this transaction.

Statement of Financial Position

Assets

(in thousands of euros)	Notes	Gross amount	Depreciation, amortization or impairment	Net at Aug. 31, 2017	Net at Aug. 31, 2016
Intangible assets	(Note 1.A and Appendices 1 and 2)	43,213	20,793	22,420	10,947
Property, plant and equipment	(Appendices 1 and 2)	27,757	19,797	7,960	7,944
Long-term investments	(Note 1.B and Appendix 3)	1,945,776	5,716	1,940,060	1,946,133
TOTAL NON-CURRENT ASSETS		**2,016,746**	**46,306**	**1,970,440**	**1,965,074**
Operating receivables		36,907	-	36,907	29,055
Other receivables and loans to subsidiaries		1,238,634	15,079	1,223,555	1,092,058
Liquid assets		532,612	-	532,612	159,398
Prepaid expenses		4,163	-	4,163	3,617
TOTAL CURRENT ASSETS	**(NOTE 1.C)**	**1,812,316**	**15,079**	**1,797,237**	**1,284,128**
TOTAL ASSETS		**3,829,062**	**61,385**	**3,767,677**	**3,249,202**

Equity and liabilities

(in thousands of euros)	Notes	Net at Aug. 31, 2017	Net at Aug. 31, 2016
Capital		11,708	11,603
Share premiums		239,053	193,119
Revaluation adjustments		252	252
Legal reserve		1,160	1,158
Reserve for long-term capital gains		–	–
Other reserves		23,827	23,827
Retained earnings		548,969	494,403
Net income for the fiscal year		25,026	143,336
Regulated provisions	(Note 2)	571	575
TOTAL EQUITY	**(Note 6)**	**850,566**	**868,273**
EQUITY EQUIVALENTS	**(Note 6B)**	**250,000**	**250,000**
PROVISIONS FOR RISKS AND CONTINGENCIES	**(Note 2)**	**2,736**	**2,459**
Financial liabilities		2,602,314	2,099,934
Operating liabilities		61,483	27,536
Other liabilities		578	1,000
TOTAL LIABILITIES	**(Note 4)**	**2,664,375**	**2,128,470**
TOTAL EQUITY AND LIABILITIES		**3,767,677**	**3,249,202**

Statement of Profit and Loss

(in thousands of euros)	Notes	Amount At Aug. 31, 2017	Amount at Aug. 31, 2016
Revenue from operations			
Sales revenue	(Note 7)	160,228	135,109
Other income		3,822	185
		164,050	**135,294**
Operating expenses			
Raw materials, external costs and other supplies		105,985	97,986
Taxes other than income taxes		1,846	1,460
Personnel costs	(Note 8)	55,780	38,866
Depreciation and amortization		7,286	6,078
		170,897	**144,390**
OPERATING INCOME		**(6,847)**	**(9,096)**
Financial income			
Income from equity investments	(Appendix 4)	75,802	166,202
Other interest and similar income		34,750	23,085
Currency gains		6	–
Reversals of provisions		776	–
		111,334	**189,287**
Interest and similar expenses			
Interest expense		53,167	42,486
Currency losses		3,206	1,212
Allocations and other financial charges		11,769	267
		68,142	**43,965**
NET FINANCIAL INCOME	**(Note 9)**	**43,192**	**145,322**
INCOME BEFORE TAX AND EXCEPTIONAL ITEMS		**36,345**	**136,226**
Exceptional revenue			
Operating activities		15	1
Capital transactions		69	858
Reversals of provisions		346	235
		430	**1,094**
Exceptional charges			
Operating activities		27,516	–
Capital transactions		54	1,120
Depreciation charge and provisions		342	201
		27,912	**1,321**
NET EXCEPTIONAL PROFIT/(LOSS)	**(Note 10)**	**(27,482)**	**(227)**
INCOME TAX	**(Note 11)**	**(16,163)**	**(7,337)**
TOTAL REVENUE		**275,814**	**325,675**
TOTAL EXPENSES		**250,788**	**182,339**
NET INCOME FOR THE FISCAL YEAR		**25,026**	**143,336**

Notes to the Financial Statements

I. ACCOUNTING PRINCIPLES AND METHODS

Zodiac Aerospace's statement of financial position and statement of profit and loss have been prepared in euros in accordance with the provisions of the General Chart of Accounts, as required by Regulation 2014-03 of the French Accounting Standards Authority.

Amounts are expressed in thousands of euros unless otherwise stated.

The main principles applied are as follows:

a) Software is posted to intangible assets and amortized on a straight-line basis over a one- to four-year term. Start-up costs are amortized on a straight-line basis over one to five years.

b) Property, plant and equipment are recognized at acquisition cost or, for items invoiced to ourselves, at cost.

Depreciation is calculated over the useful life of fixed assets which is generally as follows:

- Buildings: 20 years;
- Plant and equipment: 10 years;
- IT equipment: 3 to 4 years;
- Rolling stock: 4 to 5 years.

For fixed assets, for which the declining method of depreciation is used for tax purposes, the difference between straight-line and total depreciation is recognized under tax-based amortization and depreciation.

c) Investments in unconsolidated subsidiaries are valued at acquisition costs (excluding associated expenses) or at contributed value. An impairment provision is booked when the realizable value is lower than the booked net carrying amount.

In the case of the acquisition of companies carrying fixed or variable earn-out clauses based on their future economic performance, such companies are recognized in addition to the acquisition costs of the securities. This is offset by a liabilities entry under other sundry creditors, provided that the payments are probable and the amounts are reliably measurable. The estimate of these commitments is reviewed and may be adjusted at each fiscal year-end depending on achievement of targets and updated projections.

d) Investment securities are valued at average weighted price.

e) Foreign currency transactions

Payables and receivables in foreign currency are recorded at their equivalent value in euros at the rate of exchange:

- at the maturity date when there is future hedging in place;
- at the year-end date for the rest.

Income and expenses in foreign currency are posted to the financial statements at the average rate of the month in which they are recognized.

f) Financial instruments

Interest-rate hedges are set up through instruments listed on organized or over-the-counter markets and only present negligible counterparty risks.

The results generated by them are recognized symmetrically to the results generated by the hedged items.

II. NOTES TO THE FINANCIAL STATEMENTS

These financial statements include items resulting from our Company's election to apply the tax treatment for company groups (French General Tax Code (CGI), Article 223 A to Q). For fiscal year 2016/2017, this election concerns the following subsidiaries: Zodiac Aerosafety Systems, Zodiac Seats France, Immobilière Galli, Zodiac Coating, Zodiac Aerotechnics, Zodiac Aero Electric, Zodiac Data Systems Investment, Zodiac Fluid Equipment, Zodiac Hydraulics, Zodiac Actuation Systems, Zodiac Data Systems, Zodiac Aerospace Services Europe, Zodiac Cabin Interiors Europe, Zodiac Fal Support France SARL, Zodiac Engineering and Zodiac Aero Duct Systems and MTA Plateforme d'Essais. Each company computes its tax as if it were not consolidated. The companies post to their accounts any tax credits that may arise from the consolidated tax group's results.

III. NOTES TO THE STATEMENT OF FINANCIAL POSITION

NOTE 1 – ASSET ITEMS

Note 1.A – Intangible assets and property, plant and equipment

1. Intangible assets

Intangible assets include:

- a gross amount of €15,061k (net amount of €8,404k after amortization) for current lines of credit;
- operating licenses, the most significant being those for ERP Movex/M3 and the personnel management tool, for a gross value of €21,769k and a net value of €7,633k.
- assets under construction, for €6,383k.

2. Property, plant and equipment

See Appendices 1 and 2.

Note 1.B - Long-term investments

A. EQUITY INVESTMENTS

There was no change during the fiscal year.

B. OTHER LONG-TERM INVESTMENTS

Inventory of negotiable securities held in the portfolio on August 31, 2017:

1. Liquidity agreement

- The amounts represent a liquidity agreement arranged with Kepler Cheuvreux (formerly Crédit Agricole Cheuvreux) to boost the liquidity of transactions and to keep the share price in euros stable, used in the form of 20,000 shares in the Company, in the amount of €458k. The cash balance made available to Kepler Cheuvreux under this agreement is invested in an interest-paying current account and totals €825k.

2. Treasury shares

- The amounts represent the cost of implementing the share buyback program set up with a service provider in February 2008, involving a maximum of 5% of the capital and used in the form of 13,900,000 Company shares. On February 12 and June 14, 2017, a total of 163,526 shares were taken out of circulation in order to be awarded to employees, under the definitive vesting of the shares awarded under the free share plan. The total of 12,647,696 shares were held for the share buyback program, representing 4.32% of outstanding shares, at a value of €81,268k.

3. Shares in companies not listed on an official stock market: none.

Note 1.C - Debt maturity schedule

(in thousands of euros)	Amount Net	Up to 1 year max	More than 1 year
Fixed assets			
Loans to affiliates	–	–	–
Other long-term investments	82,563	1,295	81,268
TOTAL NON-CURRENT ASSETS	**82,563**	**1,295**	**81,268**
Current assets			
Trade receivables and operating receivables	36,907	36,907	–
Other receivables(1)	1,223,555	1,223,555	–
Liquid assets	532,612	532,612	–
Prepaid expenses	4,163	4,163	–
TOTAL CURRENT ASSETS	**1,797,237**	**1,797,237**	**–**

(1) including €1,224,993k representing the offset of loan drawdowns provided to subsidiaries as needed and €13,641k of income tax prepayments to be recovered from our tax-consolidated subsidiaries, after deducting a provision for the loan to the Australian subsidiary of €3,345k and to the EZ Air Interior Ltd subsidiary of €11,734k.

NOTE 2 – PROVISIONS

(in thousands of euros)	Amount at Aug. 31, 2016	Charges for the fiscal year	Reversals for the fiscal year	Balance at Aug. 31, 2017
Provisions for contingencies and losses(1)	2,459	505	228	2,736
Tax-based amortization and depreciation	575	342	346	571

(1) Essentially provisions for retirement payments, in the amount of €2,358k.

NOTE 3 - RELATED PARTY ITEMS

With related parties, Zodiac Aerospace enters into arm's length transactions or transactions excluded from the scope as described in French accounting regulation ANC 2010-02 and 2010-03.

(in thousands of euros)	Assets	Equity and liabilities	Statement of profit and loss
Participating interests	1,857,497	–	–
Trade receivables and related accounts	12,276	–	–
Short-term loans (1)	1,223,555	–	–
Trade payables and related accounts	–	5,375	–
Short-term borrowing (2)	–	1,088,159	–
Income from equity investments	–	–	75,802
Other income	–	–	160,228
Interest income	–	–	33,965
Interest and similar expenses	–	–	14,697
Other expenses	–	–	48,873

(1) Including €13,641k in tax consolidation.
(2) Including €16,299k in tax consolidation.

NOTE 4 - LIABILITIES

Debt maturity schedule

(in thousands of euros)	Amount Gross	Upt ot 1 year max	From 1 to 5 years
Borrowings and liabilities to financial institutions and other (1)	2,602,314	2,041,770	560,544
Trade payables and related accounts	39,039	39,039	–
Tax and employee-related debt	19,652	19,652	–
Liabilities related to fixed assets	2,792	2,792	–
Other liabilities	578	578	–
TOTAL	**2,664,375**	**999,361**	**1,665,014**

(1) Including €176.5 million or euro equivalent drawdowns set up on March 14, 2019, for a total amount of €1,030 million comprising a single five-year tranche maturing on March 14, 2019, renewable for one additional year at the request of Zodiac Aerospace during each of the following two years. The option to extend the maturity for one additional year was used twice, in accordance with the contractual provisions. This extension was accepted by all the banks participating in the "Club Deal". The maturity was therefore extended to March 11, 2021.

In March 2016, Zodiac Aerospace set up a "Euro PP" in the amount of €230 million with a seven-year maturity, maturing on March 10, 2023.

This Euro PP was introduced to refinance the existing €125 million Euro PP maturing in July 2018, and the first €133 million tranche of the "Schuldschein" maturing in July 2016.

After repaying this first installment of the Schuldschein, Zodiac Aerospace had a residual amount of €402 million, in two tranches:

- a five-year initial maturity, maturing on July 25, 2018, for an amount of €243 million;
- a seven-year initial maturity, maturing on July 27, 2020, for an amount of €159 million.

In June 2017, Zodiac Aerospace renegotiated the covenant applicable to all these loans. The agreement was obtained for nearly all the loans.

Only the €27 million held by the Schuldschein investors was refused. These investments resulted in early repayment by withdrawals from a credit facility set up for this purpose.

This credit facility, arranged on June 7, 2017, matures on December 31, 2018 and is subject to the same covenant as the other loans.

The total amount of the Schuldschein of July 2013 is therefore €375 million after early repayment, broken down into two tranches:

- the tranche maturing on July 25, 2018, for an amount of €221 million;
- the tranche maturing on July 27, 2020, for an amount of €154 million.

The covenant threshold on all the loans should now be less than or equal to:

- 3.50 at August 31, 2017 and August 31, 2018;
- 3.25 at August 31, 2019:
- 3.00 at August 31, 2020 and thereafter.

The covenant (ratio of net debt to consolidated EBITDA), including or not the positive mark-to-market of our currency hedging instruments, was complied with at August 31, 2017.

In addition, our commercial paper program amounted to €673 million at the balance-sheet date, added to which were foreign currency advances of €24.9 million.

NOTE 5 - FINANCIAL COMMITMENTS AND SURETIES GRANTED

a. Commitments given

1) Sureties:

- surety of US$300k translated at the year-end rate, i.e. €254k, to guarantee a letter of credit issued by a US bank on behalf of American Fuel;
- surety of US$300k translated at the year-end rate, i.e. €254k, as guarantee for Singapore Airlines on behalf of Zodiac Seats U.S.;
- surety of US$1,266k translated at the year-end rate, i.e. €1,071k, on behalf of Esco;
- surety of US$11k translated at the year-end rate, i.e. €10k, on behalf of MAG Aerospace Industries;
- surety of US$125k translated at the year-end rate, i.e. €106k, on behalf of Systems And Software Enterprises LLC (Zodiac Inflight Innovations);
- surety of US$30k translated at the year-end rate, i.e. €25k, on behalf of Zodiac Innovative Power Solutions;
- surety of €5,988k in favor of customs for our subsidiaries Zodiac Aerotechnics, Zodiac Aerosafety Systems, Zodiac Seats France, Zodiac Aerospace Services Europe, and Zodiac Hydraulics.

2) Guarantees:

Zodiac Aerospace has also:

- provided a guarantee registered with the Amsterdam commercial court to cover the consolidated debts of the Driessen group holding company and its Dutch subsidiaries to avoid the need to prepare and submit locally consolidated financial statements for the Driessen sub-group. This guarantee may not exceed €10 million;
- provided the following guarantees in the course of securing major sales contracts gained by subsidiary companies:
  - in March 2014, for the benefit of Emirates, on behalf of Sell GmbH, for the duration of its contractual obligations and for a maximum amount of US$15 million;
  - in May 2015 (as amended in November 2015), for the benefit of Airbus, on behalf of Systems And Software Enterprises LLC (Zodiac Inflight Innovations), for the duration of its contractual obligations;
  - in October 2016, for the benefit of Boeing, on behalf of C&D Zodiac Inc. and Zodiac Seats US, for the duration of its contractual obligations;
  - in March 2017, for the benefit of Airbus, on behalf of each company Zodiac Seats US, Zodiac Seat France, Zodiac Seats UK, for a maximum amount of €10 million for each company and a duration of five years renewable.

b. Pension obligations

To assess defined-benefit liabilities, a portion of the actuarial gains or losses is recognized as income or expenses if the cumulative actuarial variances not recognized at the end of the previous reporting period exceed the greater of the following two values:

- 10% of the current value of the defined-benefit obligation at the beginning of the reporting period (before deducting the plan assets);
- 10% of the fair value of the plan assets at the beginning of the reporting period.

The amount related to the lump-sum retirement benefit commitment is recorded in the parent company financial statements based on an actuarial valuation using the following assumptions at August 31, 2017:

- Discount rate: 1.67%.
- Expected rates of salary increases: 2.5% non-managerial personnel and 2.5% managerial personnel.
- Retirement age: legal schedule in force at period-end.
- Mortality: INSEE TD-TV 12-14 table.

The changes in the provision are detailed below:

• Retirement liabilities at August 31, 2016:	€2,094k
• 2016/2017 allocation:	€459k
• Discount expense:	€30k
• Reversals for the period:	€(225)k
• Amortization of actuarial gains and losses:	–
Provisions for retirement liabilities at August 31, 2017:	€2,358k

Actuarial variances calculated: €1,521k.

NOTE 6 - CHANGE IN EQUITY DURING THE FISCAL YEAR (BEFORE ALLOCATION OF 2016/2017 NET INCOME)

(in thousands of euros)	At Aug. 31, 2016	Allocation of income 2015/2016 decided by the Mixed General Meeting	Movements in capital	Dividends	Other	At Aug. 31, 2017
Capital (1)	11,603	–	105	–	–	11,708
Share premiums (2)	193,120	–	45,933	–	–	239,053
Revaluation differences	252	–	–	–	–	252
Reserves and retained earnings	519,387	–	–	54,569	–	573,956
Net income	143,336	–	–	(143,336)	25,026	25,026
Regulated provisions	575	–	–	–	(4)	571
EQUITY	**868,273**	**–**	**46,038**	**(88,767)**	**25,022**	**850,566**

(1) Movements in capital were generated by increases of €105k resulting from the exercise of 859,555 options and the creation of 1,759,781 shares as dividend payment. At August 31, 2017, the share capital stood at €11,708k divided into 292,691,769 shares.

(2) Movements in share premiums were generated by increases of €10,773k resulting from the exercise of 859,555 options and the creation of €35,160k of shares as dividend payment.

NOTE 6B – EQUITY EQUIVALENTS

In March 2016, Zodiac Aerospace set up an open-ended hybrid instrument for a total of €250 million, classified on the statement of financial position under "Equity equivalents". This instrument does not include any covenant nor does it give access to any potential creation of new shares or share-based derivatives.

IV. NOTES TO THE STATEMENT OF PROFIT AND LOSS

NOTE 7 - SALES REVENUE

It can be broken down as follows:

(in thousands of euros)	Aug. 31, 2017	Aug. 31, 2016
Rents and rental charges	1,893	1,903
Group services	134,314	108,750
Account fee	24,021	24,456
TOTAL	**160,228**	**135,109**

2016/2017 sales revenue, up 18.59%, amounted to €160,228k, compared to €135,109k in 2015/2016, due to continuing improvements in the Group's centralized functions (information systems, communication and marketing, Lean, quality control, human resources, etc.), particularly on the Seat and Cabin branches, and by the new invoicing method.

The breakdown is 44% for French subsidiaries and 56% for foreign subsidiaries.

NOTE 8 - PERSONNEL COSTS

Compensation allocated to the members of the Supervisory Board and the Executive Board amounted to €3,506k, of which €390k as Directors fees paid in September 2016, in connection with fiscal year 2015/2016.

The average workforce for the fiscal year was 283 persons (managers, supervisory and clerical staff) compared to 241 the previous fiscal year.

NOTE 9 - FINANCIAL INCOME

Dividends from the subsidiaries amounted to €75,802k, down from €166,202k in 2015/2016. Other interest and similar income, generated by subsidiaries' financing activities, increased to €34,750k from €23,085k in 2015/2016.

Interest expense increased by 25.14%, from €42,486k to €53,167k due to the increase in our average needs. Furthermore, external resources averaged 2%, down from 2.05% in the previous fiscal year. Other financial charges include charges to provisions on the EZ Air Interior Ltd loan of €11,734k.

Financial income thus stands at €43,192k.

NOTE 10 - EXCEPTIONAL INCOME

The exceptional income for the fiscal year is a negative €27,482, versus a loss of €227k in 2015/2016. This deterioration compared to the previous fiscal year can be primarily explained by the recognition of the exceptional charges linked to the contemplated business combination transaction with the Safran Group, for an amount of €27,062k.

NOTE 11 - ALLOCATION OF TAX TO CURRENT AND NON-RECURRING INCOME

(in thousands of euros)	Current	Non-recurring	Total
Pre-tax income	36,345	(27,482)	8,863
Tax at ordinary rate [1]	6,701	9,462	16,163
NET INCOME	**43,046**	**(18,020)**	**25,026**

(1) The tax rate used is 34.43% applied to the pre-tax income adjusted for tax aspects.

NOTE 12 - UNREALIZED TAX GAINS AND LOSSES

(in thousands of euros)	Aug. 31, 2017
a) Unrealized tax liabilities	
Tax-based amortization and depreciation	(571)
b) Unrealized tax receivables	
Provisions for paid leave	3,466
Lump-sum retirement benefits	2,358
Acquisition costs	2,160
BALANCE	**7,413**
UNREALIZED TAX RECEIVABLES (34.43 %) [1]	**2,552**

(1) Of which exceptional contribution of 3.3% on the normal tax rate of 33.33%.

NOTE 13 – POST FISCAL YEAR-END EVENTS

On October 6, 2017, the French Constitutional Council confirmed that the 3% levy on dividends paid by French companies, regardless of their source, is unconstitutional.

Since Zodiac Aerospace has filed claim requests for the sums paid under this levy in 2014, 2015, 2016 and 2017, and petitioned the French Administrative Tribunal of Montreuil on the same grounds, it expects to benefit from a tax receivable of €9,508,934.

This receivable, based on the decision of the French Council of State (*Conseil d'État*) which was made after the balance sheet date, was not recognized in the accounts as at August 31, 2017.

APPENDIX 1 - INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	Purchase and removals at Aug. 31, 2016	Acquisitions during the period	Transfer line intems and removals	Disposals and exit	Purchase and removals at Aug. 31, 2017
Software	16,441	4,816	512	–	21,769
Syndicated loan arrangement fees	9,319	5,742	–	–	15,061
Assets under construction	1,037	5,858	(512)	–	6,383
SUBTOTAL	**26,797**	**16,416**	**–**	**–**	**43,213**
Land	1,255	–	–	–	1,255
Buildings	10,102	63	–	–	10,165
Rolling stock	1,400	222	–	(285)	1,337
Furniture, office and IT equipment	12,908	1,537	108	(1)	14,552
Fittings, facilities, other	383	–	–	–	383
Assets under construction	108	65	(108)	–	65
SUBTOTAL	**26,156**	**1,887**	**–**	**(286)**	**27,757**
TOTAL	**52,953**	**18,303**	**–**	**(286)**	**70,970**

APPENDIX 2 – AMORTIZATION AND DEPRECIATION OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	Amortization and depreciation at Aug. 31, 2016	Charge for the period to amortization and depreciation	Reversals on disposals	Transfer between line items and exits	Amortization and depreciation at Aug. 31, 2017
Software	11,594	2,541	–	–	14,135
Other intangible assets	4,256	2,402	–	–	6,658
SUBTOTAL	**15,850**	**4,943**	**–**	**–**	**20,793**
Land	–	–	–	–	–
Buildings	7,361	370	–	–	7,731
Rolling stock	801	245	(232)	–	814
Furniture, office and IT equipment	9,705	1,234	–	–	10,939
Fittings, facilities, other	295	18	–	–	313
SUBTOTAL	**18,162**	**1,867**	**(232)**	**–**	**19,797**
TOTAL	**34,012**	**6,810**	**(232)**	**–**	**40,590**

APPENDIX 3 – LONG-TERM INVESTMENTS

(in thousands of euros)	Gross amounts at Aug. 31, 2016	Increase	Decrease	Gross amounts at Aug. 31, 2017
Equity investments	1,863,213	–	–	1,863 ,213
Loans	–	–	–	–
Security deposits and bonds	12	–	–	12
Interest-paying current account	4,849	–	(4,024)	825
Liquidity agreements	2,160	–	(1,702)	458
Treasury stock	82,313	–	(1,045)	81,268
TOTAL	**1,952,549**	**–**	**(6,771)**	**1,945 776**

APPENDIX 4 – SUBSIDIARIES AND AFFILIATES

(in thousands of monetary units)	Share of capital held as a percentage	Monetary unit	Share capital	Reserves and retained earnings before allocation of income	Last published profit
Detailed information by subsidiary					
Cantwell Cullen & Company Inc.	100.00	CAD	1,000	46,888	1,465
Evac GmbH	100.00	€	7,109	29,926	3,591
Evac Train Vacuum System Trading	100.00	CNY	1,104	415	3
EZ Air Interior Ltd	50.00	€	200	(21,550)	(6,402)
Immobilière Galli	100.00	€	21,000	7,997	119
IN Services Asia	100.00	USD	1,000	1,852	18
OEM Defense Services	20.00	€	100	2,080	–
OEM Services	25.00	€	1,545	1,495	–
TriaGnoSys GmbH	100.00	€	25	4,475	520
Zodiac Aero Duct Systems	100.00	€	4,000	10,045	4,831
Zodiac Aerosafety Systems	100.00	€	213,595	356,989	20,327
Zodiac Aerospace Equipo de Mexico	99.90	MXN	3,000	76,799	14,396
Zodiac Aerospace Germany Investment GmbH	100.00	€	2,597	131,566	525
Zodiac Aerospace Holding Australia PTY Ltd	100.00	AUD	3,050	(120)	–
Zodiac Aerospace (Jiangsu) Co., Ltd	51.00	CNY	12,715	(4,810)	983
Zodiac Aerospace Maroc	99.99	MAD	74,659	(1,366)	4,056
Zodiac Aerospace Netherlands Investment NV	100.00	€	15,000	53,764	49,258
Zodiac Aerospace Services Europe	100.00	€	17,548	11,496	2,972
Zodiac Aerospace Services Middle East	100.00	USD	1,000	138	243
Zodiac Aerospace Services UK Ltd	100.00	€	461	4,191	559
Zodiac Aerospace UK Investment Ltd	100.00	£	195,000	61,112	(111)
Zodiac Aerotechnics	100.00	€	20,399	166,575	57,767
Zodiac Coating	100.00	€	7,367	779	1,374
Zodiac Automotive Tunisie	100.00	€	4,477	132	127
Zodiac Cabin Interiors Europe	100.00	€	165	12,185	3,699
Zodiac Composite Monuments Tunisie	0.01	€	3,128	73	148
Zodiac Engineering	100.00	€	50	(44)	378
Zodiac Equipments Tunisie	99.86	€	2,018	16,346	3,451
Zodiac Fal Support France SARL	100.00	€	8	420	(98)
Zodiac Interconnect UK	100.00	£	1	10,316	4,309
Zodiac Parachutes Industries of Southern Africa (PISA)	100.00	ZAR	15,000	23,627	(1,410)
Zodiac Seats France	100.00	€	20,000	106,065	(8,954)
Zodiac Seats Tunisie SARL	100.00	€	3,700	1,133	(1,767)

(in thousands of euros)	French subsidiaries	Foreign subsidiaries
Aggregate information		
Gross book value of shares held	1,267,843	595,370
Net book value of shares held	1,267,843	589,654
Dividends received	75,182	620

Earnings and other characteristics of the Company during the last five fiscal years

	Fiscal year 2012/2013	Fiscal year 2013/2014	Fiscal year 2014/2015	Fiscal year 2015/2016	Fiscal year 2016/2017
I - CAPITAL AT THE FISCAL YEAR-END					
Capital stock (in thousands of euros)	11,486	11,537	11,576	11,603	11,708
Number of existing common shares	57,431,022	288,434,325	289,404,257	290,072,433	292,691,769
II - FISCAL YEAR OPERATIONS AND RESULTS (in thousands of euros)					
Sales revenue excluding tax and ancillary income	78,871	85,290	108,353	135,108	160,228
Earnings before taxes, employee profit-sharing and depreciation, amortization and provisions	31,021	45,072	200,432	142,121	26,910
Income tax	(9,228)	(17,308)	(7,605)	(7,337)	(16,163)
Earnings after taxes, employee profit-sharing and depreciation, amortization and provisions	33,810	54,544	197,051	143,336	25,026
Distributed earnings	87,790	88,105	88,449	88,767	–
III - EARNINGS PER SHARE (in euros)					
Earnings before taxes, employee profit-sharing and depreciation, amortization and provisions	0.70	0.22	0.71	0.49	0.09
Earnings after taxes, employee profit-sharing and depreciation, amortization and provisions	0.59	0.19	0.68	0.49	0.08
Net dividend allocated to each share	1.60	0.32	0.32	0.32 (1)	–
IV - EMPLOYEES					
Average number of employees during the fiscal year	151	170	205	241	283
Payroll costs for the fiscal year (in thousands of euros)	17,958	25,453	22,187	27,307	38,165
Amount paid in employee benefits for the fiscal year (social security, social initiatives) (in thousands of euros)	8,550	9,847	11,346	11,559	17,616

(1) Note that the Mixed General Meeting of January 19, 2017 gave each shareholder the option of receiving half of their dividend payment, in either cash or shares..

Reports of the Statutory Auditors

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

To the Zodiac Aerospace General Meeting,

OPINION

In accordance with the terms of our appointment by your General Meetings, we have conducted an audit of the Zodiac Aerospace annual financial statements for the fiscal year ended August 31, 2017, as appended to this report.

In our opinion, the annual financial statements present fairly, in all material respects, the results of the operations for the fiscal year ended and the financial position and assets of the Company at the fiscal year-end in accordance with generally accepted French accounting principles.

Our opinion above is consistent with the contents of our report to the Audit Committee.

BASIS OF OUR OPINION

Auditing standards

We conducted our audit in accordance with generally accepted auditing standards applicable in France. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities as per these standards are listed in the "Statutory Auditors' responsibilities related to the audit of the annual financial statements" section of this report.

Independence

We carried out our audit assignment from September 1, 2016 through the date we issued our report, in compliance with the applicable independence requirements and, above all, we did not provide any services prohibited by Article 5, paragraph 1 of EU regulation No. 537/2014 or by the Statutory Auditors' Code of Ethics.

JUSTIFICATION OF OUR ASSESSMENTS - KEY POINTS OF THE AUDIT

In accordance with the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to justifying our assessments, we would like to draw your attention to some key points of the audit pertaining to risks of material misstatement, which we feel, in our professional opinion, were the most important points for the fiscal year's annual financial statement audit, as well as the responses we provided when faced with these risks.

Our assessments, and our opinion as expressed above, were made in the context of the audit of the annual financial statements taken as a whole. We do not have an opinion on any items from these annual financial statements taken in isolation.

Measurement of equity investments

Risk identified

As of August 31, 2017, the net value of equity investments totaled €1,863 million.

As indicated in the "Long-term investments" note in paragraph 1.c. "Accounting principles and methods" in the Notes to the annual financial statements, equity investments are measured at their acquisition cost (excluding associated expenses) or at their contributed value. An impairment provision is booked when the realizable value is lower than the booked net carrying amount. In the case of the acquisition of companies carrying fixed or variable earn-out clauses based on their future economic performance, such companies are recognized in addition to the acquisition costs of the securities. This is offset by a liabilities entry under other sundry creditors, provided that the payments are probable and the amounts are reliably measurable. The estimate of these commitments is reviewed and may be adjusted at each fiscal year-end depending on achievement of targets and updated projections.

As a result, measuring equity investments requires management to carefully choose items to be considered depending on the investment concerned. Therefore, we considered correct equity investment measurement a key point of the audit.

Our response

Our audit procedures consisted of auditing the realizable value used for the main components of the securities portfolio.

To assess if the realizable value estimations for equity investments were reasonable based on the information provided to us, our work consisted in particular of reviewing the valuation method and figures used by management and comparing equity with the financial statements of the entities as of the reporting date.

VERIFICATION OF THE MANAGEMENT REPORT AND OTHER DOCUMENTS PROVIDED TO SHAREHOLDERS

In accordance with generally accepted auditing standards applicable in France, we also carried out the specific verifications required by law.

We have no comments to make on the fair presentation and consistency with the annual financial statements of the amounts and disclosures in the Executive Board's management report and in the other documents provided to shareholders regarding the financial position and the annual financial statements.

For the amounts and disclosures provided pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code regarding the compensation and benefits paid to corporate officers and the commitments made to them, we have verified that these are consistent with the information contained in the financial statements or with the data used to prepare said financial statements and, as applicable, with the information obtained by your Company from the companies that control it or are controlled by it. Based on the audit conducted, we hereby certify that the disclosures made are accurate and presented fairly.

In accordance with the law, we have obtained assurance that the various disclosures relating to the acquisition of controlling and other interests and the identity of shareholders or voting rights and cross holdings have been provided to you in the Management Report.

DISCLOSURES RESULTING FROM OTHER LEGAL AND REGULATORY OBLIGATIONS

Appointment of the Statutory Auditors

We were appointed as the Statutory Auditors for Zodiac Aerospace's financial statements by the General Meeting that approved the financial statements for the fiscal year ended August 31, 2011 for FIDAUDIT (which replaced Fideuraf after it was acquired by FIDAUDIT in 2005) and fiscal year ended August 31, 1991 for Ernst & Young Audit. This position was previously held by other entities, whose records could not be recovered.

RESPONSIBILITIES OF MANAGEMENT AND PERSONS INVOLVED IN THE CORPORATE GOVERNANCE OF THE ANNUAL FINANCIAL STATEMENTS

It is management's responsibility to ensure that the annual financial statements present a fair view and comply with French accounting standards and regulations and to implement the level of internal controls it deems necessary to ensure that the annual financial statements do not contain any material misstatements, such as misstatements due to fraud or resulting from errors.

When the annual financial statements are prepared, it is management's responsibility to assess the company's ability to continue operating, to present the necessary disclosures related to continuing operations and to apply the going concern accounting principle, unless it plans to liquidate the company or cease operations.

It is the Audit Committee's responsibility to monitor how financial information is prepared and to monitor how effective the internal control and risk management systems are, as well as internal audit systems, where applicable, in preparing and processing accounting and financial information.

The annual financial statements are the responsibility of the Executive Board.

STATUTORY AUDITORS' RESPONSIBILITIES RELATING TO AUDITING THE ANNUAL FINANCIAL STATEMENTS

Audit objective and approach

We are responsible for preparing a report on the annual financial statements. Our goal is to obtain reasonable assurance that the annual financial statements, taken as a whole, are free of material misstatements. Reasonable assurance means having a high level of assurance, without guaranteeing an audit performed in accordance with professional standards can systematically detect any material misstatement. Misstatements can come from fraud or result from errors and are considered material when one can reasonably expect that said misstatement, taken individually or combined, could influence any business decision that a financial statements user could make based on the financial statements.

As defined in Article L. 823-10-1 of the French Commercial Code, our assignment to certify the financial statements does not guarantee your company's viability or the quality of its management.

Statutory Auditors use their professional judgment throughout the audit they conduct in accordance with applicable professional standards in France.

In addition:

- auditors identify and assess risks of the annual financial statements containing material misstatements either resulting from fraud or errors, they defined and implemented audit procedures to address these risks and they collected what they deemed as sufficient and appropriate information to form the basis of their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from an error because fraud could involve collusion, falsification, voluntary omissions, false statements or circumventing internal control;
- auditors familiarize themselves with relevant information for the audit in order to define the most suitable audit procedures, and not to express an opinion on the effectiveness of internal control;
- auditors assess the appropriateness of the accounting methods used, the reasonable nature of the accounting estimates made by management, as well as the reasonable nature the disclosures provided for the estimates used in the annual financial statements;
- auditors use information collected to assess the appropriateness of management's implementation of the going concern principle is, and if there are any major uncertainties regarding events or circumstances likely to raise doubt about the company's ability to continue operating. This assessment is based on information collected up to the date of the report, but keep in mind that circumstances or events after this date could raise doubt about continuing operations. If the auditors conclude that a significant uncertainty exists, they will draw the readers' attention to their report on information provided in the annual financial statements about this uncertainty, or if the information is not provided or relevant, they will create a qualified opinion or will refuse to certify the report;
- the auditors assess how the entire annual financial statements are presented and evaluate whether the annual financial statements reflect underlying transactions and events well enough to give an accurate picture.

Audit Committee report

We submit a report to the Audit Committee which includes, in particular, the scope of our audit work and the working schedule implemented as well as findings from our work. We also point out any major weaknesses in internal control regarding procedures for preparing and processing accounting and financial information that we have identified, when applicable.

Among the items included in the Audit Committee report are risks of material misstatements that we deem to be the most important for the annual financial statement audit, which consequently make up the key points of the audit. These points are described in this report.

We also provide the Audit Committee a statement as provided for in Article 6 of EU regulation No. 537-2014 confirming their independence within the meaning of applicable regulations in France as defined in particular in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the Statutory Auditors' Code of Ethics. When applicable, we discuss risks to our independence and safeguard measures implemented with the Audit Committee.

Paris-La Défense, November 16, 2017

The Statutory Auditors

Fidaudit Member of the Fiducial network Bruno Agez	Ernst & Young Audit Valérie Quint

SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby present our report on related-party agreements and commitments.

It is our responsibility to report to shareholders, based on the information provided to us, the characteristics, and main terms of the agreements and commitments that have been disclosed to us or of which we have become aware during our assignment, including the reasons justifying their interest to the Company, without commenting on their relevance or substance or inquiring about the existence of other agreements or commitments. Under the provisions of Article R. 225-58 of the French Commercial Code, it is the responsibility of shareholders to determine whether such agreements and commitments are appropriate and should be approved.

It is our responsibility to report to shareholders, where applicable and as stipulated in Article R. 225-58 of the French Commercial Code, on the enforcement during the fiscal year ended of the agreements and commitments already approved by the General Meeting of Shareholders.

We conducted our audit as we deemed appropriate with respect to auditing guidelines issued by the *Compagnie Nationale des Commissaires aux Comptes* for this type of engagement. Those guidelines require that we verify that the data and disclosures provided to us are consistent with the documents on which they were based.

AGREEMENTS AND UNDERTAKINGS SUBMITTED FOR THE APPROVAL OF THE GENERAL MEETING

We have not been advised of any agreements or commitments that have been approved in the year ended and would require the approval of the General Meeting pursuant to Article L. 225-86 of the French Commercial Code.

AGREEMENTS AND COMMITMENTS ALREADY APPROVED BY THE GENERAL MEETING

Pursuant to Article R. 225-57 of the French Commercial Code, we have been informed that the following agreements and commitments, already approved by the General Meeting in previous years, continued to be implemented during the past fiscal year.

1. With ISAE and École Polytechnique

Concerned person

Olivier Zarrouati, Chairman of the Executive Board (until June 15, 2017).

Technological Innovation and Entrepreneurship academic chair, supported by ISAE

On January 15, 2015, the General Meeting approved the signing of a related-party agreement to create a “Technological Innovation and Entrepreneurship” academic chair, supported in particular by French aerospace engineering school ISAE and France’s École Polytechnique.

The agreement was signed on January 19, 2015 and aims to set up a series of educational programs to encourage startups and act as a personal development platform for students.

Your Company has become a partner in this chair through the auspices of ISAE, of which Olivier Zarrouati is Chairman. The Zodiac Aerospace Group hopes the chair will attract new aeronautical engineering talent to the Company.

Your Company’s contribution will be set at a maximum sum of €290k per year for three years, starting in fiscal year 2014-2015. In fiscal year 2016-2017, your Company’s contribution was €130,000, the maximum amount defined in the agreement.

2. With Olivier Zarrouati, Chairman of the Executive Board (until June 15, 2017)

Non-compete payment

The Supervisory Board has decided to follow the AFEP/MEDEF recommendations of October 6, 2008 regarding the compensation of executive officers of listed companies and, at its meeting on November 19, 2009, pursuant to Articles L. 225-86 and L. 225-90-1 of the French Commercial Code adopted a resolution determining the non-compete payment that would be due to Mr. Olivier Zarrouati in his capacity as Chairman of the Executive Board in the event of his leaving the Company.

This commitment was implemented during the fiscal year just ended after the early departure of Mr. Zarrouati on June 15, 2017. The financial terms and conditions of this departure including, in particular, a non-compete payment equal to one year’s compensation calculated based on the fixed and variable compensation received over the past twelve months preceding the date of his departure, payable on a monthly basis throughout this period and totaling €620,000, payable over twelve months.

Within this context, your Company recorded a gross amount of €129,167 for this payment during 2016-2017, corresponding to two and a half months out of the twelve months provided for under the agreement.

Paris-La Défense, November 16, 2017

The Statutory Auditors

Fidaudit
Member of the Fiducial network

Bruno Agez

Ernst & Young Audit

Valérie Quint

REPORT OF THE STATUTORY AUDITORS, PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD

To the Shareholders,

In our capacity as Statutory Auditors of Zodiac Aerospace, and as required by Article L. 225-235 of the French Commercial Code, we hereby present to you our report on the report prepared by your Company's Chairman in accordance with Article L. 225-68 of the French Commercial Code for the fiscal year ended August 31, 2017.

The Chairman is responsible for preparing and submitting to the Supervisory Board for approval a report describing the Company's internal control and risk management procedures and setting out the information about the corporate governance system and other disclosures required by Article L. 225-68 of the French Commercial Code.

It is our responsibility to:

- report on any matters relating to the disclosures contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information; and
- certify that the report includes the other disclosures required by Article L. 225-68 of the French Commercial Code. It should be noted that it is not our responsibility to assess the fair presentation of these other disclosures.

We conducted our audit in accordance with professional standards applicable in France.

I. Information about internal control and risk management procedures relating to the production and processing of financial and accounting information

The standards of our profession require us to plan and perform our audit to assess the fair presentation of the information set out in the Chairman's report on the internal control and risk management procedures relating to the preparation and processing of financial and accounting information. Our audit included:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information supporting the information presented in the Chairman's report and reviewing existing documentation;
- obtaining an understanding of the work performed to support the information given in the Chairman's report and the existing documentation;
- determining whether any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we may have noted during the course of our assignment are properly disclosed in the Chairman's report.

Based on our audit, we have no comments concerning the disclosures about the Company's internal control and risk management procedures for the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Supervisory Board in accordance with Article L. 225-68 of the French Commercial Code.

II. Other information

We confirm that the report prepared by the Chairman of the Supervisory Board also contains the other disclosures required by Article L. 225-68 of the French Commercial Code.

Paris-La Défense, November 16, 2017

The Statutory Auditors

Fidaudit Member of the Fiducial network Bruno Agez	Ernst & Young Audit Valérie Quint

The following Statutory Auditors' opinions and reports are available at the registered office of Zodiac Aerospace:

- Statutory Auditors' opinion on the overall compensation of the highest paid persons.
- Statutory Auditors' opinion on the total amount of sponsorship and patronage activities.
- Statutory Auditors' reports on extraordinary resolutions.

Resolutions

to be submitted to Shareholders at the Mixed (Ordinary and Extraordinary) General Meeting on January 9, 2018 convened to vote on the financial statements for the 2016/2017 fiscal year

ORDINARY RESOLUTIONS

FIRST RESOLUTION

Approval of the statutory financial statements of the company Zodiac Aerospace for the financial year ended August 31, 2017

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, having examined the statutory financial statements of the company Zodiac Aerospace (the "Company") for the financial year ended August 31, 2017, the reports of the Management Board, of the Supervisory Board and of the Statutory Auditors, approves the statutory financial statements for the financial year ended August 31, 2017 including the balance sheet, the profit and loss statement and the appendices, as they have been presented and which show a net profit of EUR 25,025,506.09, as well as the transactions reflected in these statutory financial statements or summarized in the above-mentioned reports.

In addition and in accordance with the provisions of article 223 *quater* of the French Tax code, the General Meeting approves the global amount of the costs and expenses referred to in paragraph 4 of article 39 of the French Tax code and which amounts to EUR 236,692.00 for the past financial year, and the tax payable with regard to these same costs and expenses which amounts to EUR 81,493.06.

SECOND RESOLUTION

Approval of the consolidated financial statements of the Zodiac Aerospace Group for the financial year ended August 31, 2017

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, having examined the consolidated financial statements of the Company for the financial year ended August 31, 2017, the reports of the Management Board, of the Supervisory Board and of the Statutory Auditors, approves the consolidated financial statements for the financial year ended August 31, 2017, including the balance sheet, the profit and loss account and the appendices, as they have been presented, as well as the transactions which are reflected in these financial statements or summarized in the above-mentioned reports.

THIRD RESOLUTION

Allocation of the net profit for the financial year ended August 31, 2017

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, having examined the reports of the Management Board and of the Supervisory Board, notes that the balance sheet for the financial year ended August 31, 2017 shows a net profit of EUR 25,025,506.09.

The General Meeting decides, upon the proposal of the Management Board, to not distribute any dividend for the financial year ended August 31, 2017 and to allocate the profit of the said financial year as follows:

Net profit for the financial year	EUR 25,025,506.09
Allocation to the legal reserve	EUR (10,477.35)
Allocation of the balance entirely to the retained earnings account	EUR 25,015,028.74
Balance of the retained earnings account after allocation	EUR 573,983,797.92

Pursuant to article 243 *bis* of the French Tax code, as a reminder, the dividends distributed under the previous three financial years have been as follows:

Financial year ended:	August 31, 2016	August 31, 2015	August 31, 2014
Total number of shares (1)	277,404,533	276,405,154	275,329,159
Dividend distributed per share (2)	EUR 0.32 (3)	EUR 0.32	EUR 0.32

(1) Number of shares having given right to the payment of the dividend (after deduction of the treasury shares held on the date on which the dividend has been put up for payment).

(2) Amount eligible to the 40% reduction mentioned in article 158-3-2° of the French Tax code for the individuals who are tax residents in France.

(3) The Ordinary and Extraordinary General Meeting dated January 19, 2017 granted to each shareholder, for half of the dividend distributed, the option to receive the payment of the dividend either in cash or in shares.

FOURTH RESOLUTION

Approval of the agreements and undertakings referred to in article L. 225-86 of the French Commercial code and described in the special report of the Statutory Auditors

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings and having examined the report of the Management Board and of the special report of the Statutory Auditors on the agreements and undertakings referred to in articles L. 225-86 *et seq.* of the French Commercial code, acknowledges that no agreement or undertaking referred to by the above-mentioned articles has been entered into or subscribed to during the past financial year.

FIFTH RESOLUTION

Authorization to be granted to the Management Board to allow the Company to purchase its own shares

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings and having examined the reports of the Management Board and of the Supervisory Board, authorizes, for a period of eighteen months, the Management Board, in accordance with articles L. 225-209 *et seq.* of the French Commercial code and in compliance with the General Regulation of the *Autorité des Marchés Financiers* and the European regulation n° 596/2014 of April 16, 2014, to have the Company to purchase its own shares for the following purposes:

(i) to allocate or sell shares (a) to serve the stocks options granted in the context of the provisions of articles L. 225-179 *et seq.* of the French Commercial code, or (b) as part of a share ownership plan or a company savings scheme applied under the conditions of articles L. 3331-1 *et seq.* of the French Labour code, or (c) pursuant to the provisions of articles L. 225-197-1 *et seq.* of the French Commercial code, or (d) more generally, their allocation to the employees or to the members of administrative, management or supervisory bodies of the Company and/or of the companies which are linked to it or which shall be linked to it under the conditions set out by the applicable law or the existing regulations; or

(ii) to stimulate the market or ensure the liquidity of the stock, via an investment services provider pursuant to a liquidity agreement in compliance with the code of conduct (*charte de déontologie*) approved by the *Autorité des Marchés Financiers*; or

(iii) within the limit of 5% of the share capital of the Company, to hold and subsequently deliver shares - in exchange, as payment or otherwise - in connection with potential external growth transactions; or

(iv) to deliver shares in connection with the exercise of rights attached to securities giving access to the share capital of the Company, by way of redemption, conversion, exchange, exercise of a warrant or in any other manner; or

(v) to cancel shares, as the case may be, totally or partially, by way of a reduction of the share capital, subject to the approval by this General Meeting of the resolution 21 hereby submitted; or

(vi) to implement any market practice which may come to be approved by the *Autorité des Marchés Financiers*, or any other purpose authorized or which could be authorized by the applicable law and the existing regulations. In case of operations achieved outside the objectives above mentioned, the Company would inform its shareholders by way of a press release.

The number of shares that the Company may purchase pursuant to the present authorization shall not exceed 10% of the total number of shares composing the share capital of the Company, on the date of the use of this authorization. In accordance with the provisions of article L. 225-209 of the French Commercial code, the number of shares taken into account for the calculation of the 10% limit corresponds to the number of purchased shares, net of the number of shares sold during the time of the authorization, in particular when the shares are purchased to ensure the liquidity of the stock under the conditions set out by the applicable regulation.

The purchases made by the Company may not lead it, at any time, to own more than 10% of the share capital.

The purchase of these shares, as well as their exchange, their sale or their transfer, may be carried out by the Management Board, in one or several occasions, at any time, except during public offering periods, within the limits authorized by the laws and regulations, by any means, on regulated markets, multilaterals trading facilities, with systematic internalisers or over-the-counter, including by acquisition or block sales (without limiting the portion of the share repurchase program that could be carried out by this mean), by a public takeover bid or an exchange offer, or by the use of options or other derivatives financial instruments or by the implementation of optional strategies or by the delivery of shares arising from the issue of securities giving access to the share capital of the Company through conversion, exchange, reimbursement, exercise of a warrant or in any other manner, either directly or indirectly through the intermediary of an investment services provider.

The maximum acquisition price per share is set at EUR 30 (or the counter-value of this amount on the same date in any other currency or currency unit established by reference to several currencies). The maximum amount dedicated to the carrying-out of this buyback program is EUR 300,000,000 (or the counter-value of this amount on the same date in any other currency or currency unit established by reference to several currencies).

The General Meeting delegates to the Management Board, in the event of a change in the nominal value of the share, of a capital increase through the incorporation of reserves, of free allocations of shares, of split or consolidation of shares, of distribution of reserves or any other assets, of capital amortization or any other transaction relating to shareholders' equity the power to adjust the above-mentioned maximum purchase price in order to take into account the effect of these transactions on the value of the share.

The General Meeting grants to the Management Board, with a right to sub-delegate under the conditions set out by the law and the articles of association, all powers to implement this authorization, including to place any trading orders, enter into any agreements, allocate or reallocate the shares purchased to the objectives pursued under applicable legal and regulatory conditions, set the terms and conditions under which, if relevant, the rights of holders of securities or options will be preserved, in accordance with legal, regulatory and contractual provisions, carry out any formalities and declarations with any bodies, make the adjustment required by the applicable regulation in the event of a purchase of shares at a price higher than the market price, and generally do all that is necessary.

This authorization cancels, to the extent of the unused portion, the authorization granted by the Ordinary and Extraordinary General Meeting of January 19, 2017 in its resolution 6.

SIXTH RESOLUTION

Renewal of the term of office of Mr. Patrick Daher, as member of the Supervisory Board

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, decides to renew the term of office as member of the Supervisory Board of Mr. Patrick Daher which is due to expire, for a term of two years set to expire at the end of the annual Ordinary General Meeting which will approve the financial statements for the financial year ending August 31, 2019.

SEVENTH RESOLUTION

Renewal of the term of office of Mr. Louis Desanges, as member of the Supervisory Board

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, decides to renew the term of office as member of the Supervisory Board of Mr. Louis Desanges which is due to expire, for a term of two years set to expire at the end of the annual Ordinary General Meeting which will approve the financial statements for the financial year ending August 31, 2019.

EIGHTH RESOLUTION

Acknowledgement of the end of the term of office of Mr. Didier Domange, as member of the Supervisory Board

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings and having noted that the term of office as member of the Supervisory Board of Mr. Didier Domange is due to expire, acknowledges, pursuant to the statutory provisions, the end of the term of office as member of the Supervisory Board of Mr. Didier Domange with effect at the end of this General Meeting.

NINTH RESOLUTION

Acknowledgement of the end of the term of office of Mrs. Élisabeth Domange, as member of the Supervisory Board

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings and having noted that the term of office as member of the Supervisory Board of Mrs Élisabeth Domange is due to expire, acknowledges, pursuant to the statutory provisions, the end of the term of office as member of the Supervisory Board of Mrs. Élisabeth Domange with effect at the end of this General Meeting.

TENTH RESOLUTION

Renewal of the term of office of the company Fiduciaire Nationale de Révision Comptable – FIDAUDIT, as statutory auditor of the Company

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, decides to renew the term of office, as statutory auditor of the company Fiduciaire Nationale de Révision Comptable – FIDAUDIT which is due to expire, for a term of six financial years set to expire at the end of the annual Ordinary General Meeting which will approve the financial statements for the financial year ending August 31, 2023.

ELEVENTH RESOLUTION

Acknowledgment of the end of the term of office of the company SAREX, as substitute auditor of the Company

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, and having noted that the term of office as substitute auditor of the company SAREX is due to expire, acknowledges the end of the term of office as substitute auditor of the company SAREX and decides, in accordance with the applicable provisions of the law and subject to the approval of the 27th resolution below, to not provide for its replacement.

TWELFTH RESOLUTION

Opinion on the compensation elements due or granted for the financial year ended August 31, 2017 to Mr. Yann Delabrière, Chairman of the Management Board since June 16, 2017

The General Meeting, consulted in accordance with the *code de gouvernement d'entreprise des sociétés cotées* AFEP-MEDEF and deciding in accordance with the quorum and majority conditions required for ordinary general meetings, gives a favorable opinion on the compensation elements due or granted for the financial year ended August 31, 2017 to Mr. Yann Delabrière, Chairman of the Management Board since June 16, 2017, as described in the 2016/2017 annual report of the Company, Chapter *"Compensation and Benefits"*, Section B.III.a. *"Compensation due or granted for the financial year 2016/2017 to Mr. Yann Delabrière, Chairman of the Management Board"*.

THIRTEENTH RESOLUTION

Opinion on the compensation elements due or granted for the financial year ended August 31, 2017 to Mr. Maurice Pinault, Member of the Management Board

The General Meeting, consulted in accordance with the *code de gouvernement d'entreprise des sociétés cotées* AFEP-MEDEF and deciding in accordance with the quorum and majority conditions required for ordinary general meetings, gives a favorable opinion on the compensation elements due or granted for the financial year ended August 31, 2017 to Mr. Maurice Pinault, member of the Management Board, as described in the 2016/2017 annual report of the Company, Chapter *"Compensation and Benefits"*, Section B.III.b. *"Compensation due or granted for the financial year 2016/2017 to Mr. Maurice Pinault, Member of the Management Board"*.

FOURTEENTH RESOLUTION

Opinion on the compensation elements due or granted for the financial year ended August 31, 2017 to Mr. Didier Fontaine, Member of the Management Board since June 5, 2017

The General Meeting, consulted in accordance with the *code de gouvernement d'entreprise des sociétés cotées* AFEP-MEDEF and deciding in accordance with the quorum and majority conditions required for ordinary general meetings, gives a favorable opinion on the compensation elements due or granted for the financial year ended August 31, 2017 to Mr. Didier Fontaine, member of the Management Board since June 5, 2017, as described in the 2016/2017 annual report of the Company, Chapter *"Compensation and Benefits"*, Section B.III.c. *"Compensation due or granted for the financial year 2016/2017 to Mr. Didier Fontaine, Member of the Management Board"*.

FIFTEENTH RESOLUTION

Opinion on the compensation elements due or granted for the financial year ended August 31, 2017 to Mr. Olivier Zarrouati, Chairman of the Management Board until June 15, 2017

The General Meeting, consulted in accordance with the *code de gouvernement d'entreprise des sociétés cotées* AFEP-MEDEF and deciding in accordance with the quorum and majority conditions required for ordinary general meetings, gives a favorable opinion on the compensation elements due or granted for the financial year ended August 31, 2017 to Mr. Olivier Zarrouati, Chairman of the Management Board until June 15, 2017, as described in the 2016/2017 annual report of the Company, Chapter *"Compensation and Benefits"*, Section B.III.d. *"Compensation due or granted for the financial year 2015/2016 to Mr. Olivier Zarrouati, Chairman of the Management Board"*.

SIXTEENTH RESOLUTION

Opinion on the compensation elements due or granted for the financial year ended August 31, 2017 to Mr. Benoît Ribadeau-Dumas Member of the Management Board from November 21, 2016 to May 15, 2017

The General Meeting, consulted in accordance with the *code de gouvernement d'entreprise des sociétés cotées* AFEP-MEDEF and deciding in accordance with the quorum and majority conditions required for ordinary general meetings, gives a favorable opinion on the compensation elements due or granted for the financial year ended August 31, 2017 to Mr. Benoît Ribadeau-Dumas, member of the Management Board from November 21, 2016 to May 15, 2017, as described in the 2016/2017 annual report of the Company, Chapter *"Compensation and Benefits"*, Section B.III.e. *"Compensation due or granted for the financial year 2016/2017 to Mr. Benoît Ribadeau-Dumas, Member of the Management Board"*.

SEVENTEENTH RESOLUTION

Opinion on the compensation elements due or granted for the financial year ended August 31, 2017 to Mrs. Yannick Assouad, Member of the Management Board until September 9, 2016

The General Meeting, consulted in accordance with the *code de gouvernement d'entreprise des sociétés cotées* AFEP-MEDEF and deciding in accordance with the quorum and majority conditions required for ordinary general meetings, gives a favorable opinion on the compensation elements due or granted for the financial year ended August 31, 2017 to Mrs. Yannick Assouad, member of the Management Board until September 9, 2016, as described in the 2016/2017 annual report of the Company, Chapter *"Compensation and Benefits"*, Section B.III.f. *"Compensation due or granted for the financial year 2016/2017 to Mrs. Yannick Assouad, Member of the Management Board"*.

EIGHTEENTH RESOLUTION

Opinion on the compensation elements due or granted for the financial year ended August 31, 2017 to Mr. Didier Domange, Chairman of the Supervisory Board

The General Meeting, consulted in accordance with the *code de gouvernement d'entreprise des sociétés cotées* AFEP-MEDEF and deciding in accordance with the quorum and majority conditions required for ordinary general meetings, gives a favorable opinion on the compensation elements due or granted for the financial year ended August 31, 2017 to Mr. Didier Domange, Chairman of the Supervisory Board, as described in the 2016/2017 annual report of the Company, Chapter *"Compensation and Benefits"*, Section B.III.g. *"Compensation due or granted for the financial year 2016/2017 to Mr. Didier Domange, Chairman of the Supervisory Board"*.

NINETEENTH RESOLUTION

Approval of the principles and criteria of determination, breakdown and allocation of the compensation elements and benefits of any kind attributable in reason of their term of office to the members of the Supervisory Board and its Chairman

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, having examined the report provided by article L. 225-82-2 of the French Commercial code, as described in the 2016/2017 annual report of the Company, Chapter *"Compensation and Benefits"*, Section A.I *"Compensation policy of the members of the Supervisory Board"*, approves the principles and criteria of determination, breakdown and allocation of the fixed, variable and exceptional parts composing the total compensation and the benefits of any kind attributable, in reason of their term of office, to the members of the Supervisory Board and its Chairman.

TWENTIETH RESOLUTION

Approval of the principles and criteria of determination, breakdown and allocation of the compensation elements and benefits of any kind attributable in reason of their term of office to the members of the Management Board and its Chairman

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, having examined the report provided by article L. 225-82-2 of the French Commercial code, as described in the 2016/2017 annual report of the Company, Chapter *"Compensation and Benefits"*, Section B.I *"Compensation policy of the members of the Management Board"*, approves the principles and criteria of determination, breakdown and allocation of the fixed, variable and exceptional parts composing the total compensation and the benefits of any kind attributable, in reason of their term of office, to the members of the Management Board and its Chairman.

EXTRAORDINARY RESOLUTIONS

TWENTY-FIRST RESOLUTION

Authorization to be granted to the Management Board to reduce the share capital by cancellation of shares held by the Company

The General Meeting, deciding in accordance with the quorum and majority conditions required for extraordinary general meetings, having examined the reports of the Management Board and the Supervisory Board and the special report of the Statutory Auditors authorizes the Management Board, in accordance with the articles L. 225-209 *et seq.* and L. 225-213 of the French Commercial code, to cancel, in one or several occasions, within the limit of 10% of the share capital of the Company, it being recalled that this limit applies to an amount of the share capital of the Company which will be, as the case may be, adjusted in order to take into account transactions affecting the share capital after this General Meeting, and in any twenty-four-month period, all or part of the shares acquired or to be acquired by the Company pursuant to the authorization submitted to the approval of the present General Meeting under resolution 5, or pursuant to authorizations prior to or subsequent to the present General Meeting, and to carry out a reduction of the share capital in the same proportion.

The difference between the book value of the shares cancelled and their par value may be allocated to any reserve or premium account.

To this end, the General Meeting delegates all powers to the Management Board, with a right to subdelegate under the conditions set out by the law and the articles of association, to implement the hereby authorization, in particular to set the final amount of the share capital reduction, determine the terms and record the completion thereof, to allocate the difference between the book value of the shares cancelled and their par value to any reserve or premium account, amend the articles of association of the Company accordingly and carry out all subsequent actions and formalities, and more generally, do all that is necessary.

This authorization shall be valid for eighteen (18) months as from this date.

This authorization cancels, as from this date, to the extent of the unused portion, the authorization granted in its resolution 14 by the Ordinary and Extraordinary General Meeting of January 19, 2017.

TWENTY-SECOND RESOLUTION

Authorization to be granted to the Management Board to freely award shares of the Company to employees and eligible company representatives of the Company or of its Group

The General Meeting, deciding in accordance with the quorum and majority conditions required for extraordinary general meetings, having examined the report of the Management Board and the special report of the Statutory Auditors and in accordance with articles L. 225-197-1 to L. 225-197-6 of the French Commercial code:

1. authorizes the Management Board to freely allocate, in one or more occasions, shares of the Company, existing or to be issued under the conditions defined below;
2. decides that these allocations may benefit to employees and eligible company representatives (as defined in article L. 225-197 II paragraph 1 of the French Commercial code) of the Company or of companies or groupings related to it, or certain categories of them under the conditions defined in article L. 225-197-2 of the French Commercial code;
3. decides that the allocations made pursuant to this authorization shall not relate to a number of existing shares or shares to be issued that are representing more than 0.6% of the share capital, it being specified (i) that this cap is determined by the Management Board at the time of the first use of this delegation by the Management Board, in relation to the existing share capital at this date and (ii) to this cap will be added, as the case may be, the nominal amount of the shares to be potentially issued in order to preserve, in accordance with the law, the rights of the holders of securities conferring access to the share capital;
4. decides that within the cap referred to in paragraph 3 above, the total number of existing shares or shares to be issued, freely allocated to company representatives under this authorization may not represent more than 0.17% of the share capital existing at the day of the first use of this delegation by the Management Board (excluding adjustments implemented to protect, in accordance with the law, the rights of the holders of securities giving access to the share capital);
5. decides that the allocation of shares to their beneficiaries will become definitive, at the end of a maximum vesting period of three (3) years, and set by the Management Board;
6. decides that the shares will be subject to a lock-up period of at least two (2) years as from the end of the vesting period. This obligation can be waived or reduced by the Management Board, except for company representatives that will be subject to a lock up period of two (2) years from the end of the vesting period;
7. the definitive vesting of the shares and the possibility to freely transfer them shall however be granted by anticipation to the beneficiary if any of the cases of invalidity set forth by article L. 225-197-1 of the French Commercial code occurs;
8. expressly conditions the definitive allocation of shares pursuant this authorization, with respect to company representatives, to the reaching of one or several conditions of performance determined by the Supervisory Board and appreciated on a minimal period of three (3) consecutive financial years;
9. decides that in case of free allocation of shares to issue, this authorization automatically entails the express waiver of the shareholders to the benefit of their preferential subscription rights over the said shares, in the course of the free allocation of the said shares to these beneficiaries;
10. decides that the corresponding share capital increase shall be definitively achieved by the sole fact of the definitive allocation of the shares to the beneficiaries;
11. decides that the existing shares which may be allocated pursuant to this resolution shall be acquired by the Company, either within the framework of the provisions of article L. 225-208 of the French Commercial code, or within the framework of the buyback program authorized by the resolution 5 submitted to this General Meeting pursuant to article L. 225-209 of the French Commercial code (or any resolution that will be substituted to it at a later date) or any other buyback program implemented previously or subsequently to the adoption of this resolution;
12. grants to the Management Board, within the limits set above, all the necessary powers, with the possibility to delegate to the persons authorized by the law, to implement this authorization, and in particular:
    - to determine whether the shares freely allocated are existing shares or shares to be issued;
    - to determine the identity of the beneficiaries or of the beneficiaries' category(ies) of the free shares allocations, and the number of shares allocated to each of them, it being specified that regarding the free allocations of shares granted to the members of the Management Board of the Company, the terms and conditions of the allocation will be fixed by the Supervisory Board, in particular, the dates, the number of shares allocated, the conditions of performance, the vesting period and, as the case may be, the condition of presence; the Supervisory Board will be also empowered to decide, as regards the members of the Management Board, whether the shares shall not be sold by the said members before the end of their duties, or to set the number of shares that they are required to hold in registered form until the end of their duties;
    - to determine the dates and conditions of allocation of the shares, in particular the period at the expiry of which these allocations will be definitive as well as, if appropriate, the lock-up period required for each beneficiary;
    - to determine the conditions, related *inter alia*, as the case may be, to the presence of the beneficiary, and to the performance of the Company, of the Zodiac Aerospace Group or of its entities and, if appropriate, the criteria of allocation according to which the shares will be allocated;

- to record the definitive dates of allocation and the dates as from which the shares shall be freely transferred, in accordance with the legal restrictions;
- to provide for the ability to proceed during the vesting period, if it deems necessary, to the adjustments of the number of shares freely allocated as a result of the potential transactions on the share capital of the Company, as set forth in article L. 225-181 of the French Commercial code, under the conditions it will determine, in order to protect the rights of the beneficiaries, it being specified that the shares allocated under these adjustments will be deemed to be allocated on the same day as the shares initially allocated;
- to provide for the ability to temporarily suspend the rights to allocation under the conditions provided by law;
- in case of free allocation of new shares to issue, to fix their record date, even retroactive, and to deduct, if appropriate, from the reserves, profits or share premium of its choice, the sums necessary to pay up the said shares, record the completion of the share capital increases, make any subsequent amendments to the articles of association and, generally, do all what will be necessary;
- more generally, to enter into all agreements, draw up all documents, carry out all formalities and make all declarations before any bodies and do all what will be necessary in order to ensure the completion of the free allocations authorized under this resolution;

13. instructs the Management Board to inform each year the General Meeting of the operations carried out under the terms of this authorization according to the law;
14. set to twenty-six (26) months as from this day the validity period of this authorization;
15. decides that this authorization cancels, as from this day, up to the unused portion, any previous authorization having the same purpose, including the authorization granted under the 17th resolution adopted by the Ordinary and the Extraordinary General Meeting of January 14, 2016.

TWENTY-THIRD RESOLUTION

Delegation of authority to the Management Board to increase the share capital by issuing, with the preferential subscription rights being cancelled, ordinary shares and/or other securities giving access to the share capital reserved for members of savings schemes

The General Meeting, deciding in accordance with the quorum and majority conditions required for extraordinary general meetings, having examined the report of the Management Board and the special report of the Statutory Auditors and in accordance with, on the one hand, the provisions of the French Commercial code and, notably, of its articles L. 225-129-2, L. 225-129-6 and L. 225-138-1 and, on the other hand, the provisions of articles L. 3332-1 *et seq.* of the French Labour code:

1. decides to delegate to the Management Board its power, with the power of sub-delegation under the conditions set out by the law and the articles of association, to increase the share capital, in the proportion, at the times and under the terms which the Management Board will appreciate, in one or more occasions, on the basis of the only deliberations of the Management Board, by issuing ordinary shares and/or other securities giving access to the share capital reserved for the members of an employee savings scheme (or any other savings scheme to the members of which articles L. 3332-1 *et seq.* of the French Labour code or any applicable law or corresponding regulation would allow to reserve a share capital increase under equivalent conditions), set up in a company or group of companies, foreign or French, which are linked to it under the conditions set out in article L. 225-180 of the French Commercial code and included in the scope of consolidation or combination of the accounts of the Company pursuant to article L. 3344-1 of the French Labour code, it being specified that this resolution shall be used in order to implement formula with a leverage effect and that the subscription shall be carried out either in cash or through offsetting of receivables. It is also specified that in the event of a public offer on the shares of the Company, this delegation may only be used by the Management Board, or his delegate, if this latter considers that the delegation will not have any influence on this public offer, since it corresponds to the compensation policy of the Group;
2. decides to cancel, the preferential subscription right of the shareholders of the Company to ordinary shares and/or securities that give or may give access to the share capital of the Company, and to the shares to which these securities will give access, which will be issued under this delegation, for the benefit of the beneficiaries indicated in the above paragraph 1;
3. decides to set to three hundred thousand (300,000) euros (or the counter-value of this amount on the same date in any other currency or currency unit established by reference to several currencies), the maximum nominal amount of the ordinary shares and/or other securities giving access to the share capital which shall be issued pursuant to this authorization;
4. decides that the issue price of the new shares or securities giving access to the share capital shall be determined under the conditions set out in articles L. 3332-18 *et seq.* of the French Labour code and shall be at least equal to 80% of the Reference Price (as defined hereinafter) or to 70% of the Reference Price when the lock-up period stipulated by the plan in accordance with article L. 3332-25 of the French Labour code is greater than or equal to ten years; for the purposes of this resolution, the Reference Price means an average of the quoted price of the share of the Company on the Euronext Paris market during the twenty trading days preceding the date of the decision setting the opening date of the subscription for the members of a company or group savings scheme (or equivalent scheme);
5. authorizes the Management Board to allocate to the beneficiaries mentioned in the above paragraph 1, in addition to the shares or securities giving access to the share capital to be subscribed in cash, free shares or other securities giving access to the capital to be issued or previously issued, in substitution for all or part of the discount from the Reference Price and/or contribution (*abondement*), on the understanding that the benefit arising from this allocation may not exceed the applicable legal or regulatory limits pursuant to articles L. 3332-21 in case of substitution of all or part of the discount in relation to the Reference Price and articles L. 3332-11 *et seq.* of the French Labour code in case of a substitution of all or part of the company contribution;

6. authorizes the Management Board, in the conditions of this delegation, to sell shares to the benefit of the members of a company or group savings scheme (or equivalent scheme), as provided for by article L. 3332-24 of the French Labour code, it being specified that the sales of shares carried out with discount to the benefit of members of a saving scheme or several employee saving schemes mentioned in this resolution shall be deducted, up to the nominal amount of the shares thus sold, from the cap set out in paragraph 3 of the present resolution;
7. decides that the Management Board shall have all powers, with the power of sub-delegation under the conditions set out by the law and the articles of association, to take all measures for the purpose of this resolution, in particular:
   - to set, under the legal conditions, the list of the companies or group of companies whose beneficiaries, as mentioned in paragraph 1 above, may subscribe to the shares and/or securities giving access to the share capital of the Company thus issued, and benefit, as the case may be, from the shares and/or the securities giving access to the share capital of the Company freely allocated;
   - to decide that the subscription of the shares and/or securities giving access to the share capital may be carry out directly by the beneficiaries, as member of a company or group savings scheme (or equivalent scheme) or via a company mutual funds or other structures or entities allowed under the applicable law and regulations;
   - to determine the conditions, in particular in terms of seniority, that the beneficiaries shall meet;
   - to set the subscription opening and closing dates to subscribe to shares and/or securities;
   - to set the amounts of the issuances which will be carried-out pursuant to this delegation of competence and to determine, in particular, issue prices, dates, deadlines, terms and conditions, conditions of subscription, paying-up, delivery, and the dividend rights dates of the shares or securities giving access to the share capital, even retroactive, the rules of reduction applicable in cases of over-subscription, as well as the other terms and conditions of the issuances, under the limits provided by the applicable law and regulations;
   - in case of distribution of free shares or securities giving access to the share capital, to set the nature, characteristics and the number of shares or securities to issue, the number to allocate to each beneficiary and to set the dates, deadlines, terms and conditions of allocation of these shares or securities giving access to the share capital under the limits provided by the applicable law and regulations;
   - in case of issuance of new shares, to deduct, as the case may be, from the reserves, profits, or premiums, the sums required for the purpose of paying up the said shares;
   - at its sole discretion, to deduct the costs of the share capital increases from the amount of the premiums relating thereto and deduct from this amount the sums necessary to fund the legal reserve;
   - to record the completion of the capital increase(s) and to amend the articles of association of the Company accordingly; and
   - more generally, to enter into any agreement, acknowledge the completion of each capital increase, amending the articles of association accordingly, as well as, complete all required formalities and declarations for the completion and proper performance of these issuances;
8. decides that this delegation shall be valid for twenty-six (26) months as from the date of this General Meeting;
9. decides that this delegation cancels, as from this day, to the extent of the unused portion, the authorization granted under the 22nd resolution adopted by the General Meeting of January 19, 2017.

TWENTY FOURTH RESOLUTION

Amendment to article 19 "Term of office" of the articles of association of the Company

The General Meeting, deciding in accordance with the quorum and majority conditions required for extraordinary general meetings, having examined the report of the Management Board, decides to amend paragraph 7 of article 19 "Term of office" of the articles of association of the Company as follows:

(PREVIOUS VERSION)	(NEW VERSION)
In the event that the legal conditions relating to the scope of the obligation to appoint a member of the Supervisory Board representing the employees are no longer fulfilled, the term of office of the member of the Supervisory Board representing the employees ceases at the end of the meeting during which the Supervisory Board acknowledges that these conditions are not fulfilled anymore.	In the event that the legal conditions relating to the scope of the obligation to appoint a member of the Supervisory Board representing the employees are no longer fulfilled, the term of office of the member of the Supervisory Board representing the employees shall continue until its end, and the Supervisory Board shall still include a member representing the employees under the conditions set forth by the articles of association until the normal or anticipated termination of its term of office.

The other paragraphs of article 19 of the articles of association of the Company remain unchanged.

TWENTY FIFTH RESOLUTION

Deletion of article 20 "Qualifying shares" of the articles of association of the Company and consequential amendment of the numbering of the articles of association of the Company

The General Meeting, deciding in accordance with the quorum and majority conditions required for extraordinary general meetings, having examined the report of the Management Board, decides to delete article 20 "Qualifying shares" of the articles of association of the Company.

As a consequence, the General Meeting decides to renumber articles 21 to 49 of the articles of association of the Company accordingly.

TWENTY SIXTH RESOLUTION

Amendment to article 21 "Organization and functioning of the Supervisory Board" of the articles of association of the Company

The General Meeting, deciding in accordance with the quorum and majority conditions required for extraordinary general meetings, having examined the report of the Management Board, decides to amend the first, second and third paragraphs of article 21 "Organization and functioning of the Supervisory Board" of the articles of association of the Company in order to provide for the appointment of a Vice-Chairman of the Supervisory Board as follows:

(PREVIOUS VERSION)	(NEW VERSION)
Board The Supervisory Board elects among its members a Chairman in charge of convening the Board and leading the discussions. He performs his duties during the duration of the Supervisory Board, but they shall not exceed the duration of his term of office. He is eligible for re-appointment. The Board may appoint a secretary, even outside its members. In case of absence or impediment of the Chairman of the Supervisory Board, the Chairman of the meeting will be appointed by the present members and among them.	**Board** The Supervisory Board elects among its members a Chairman in charge of convening the Board and leading the discussions, and a Vice-Chairman empowered to convene the Board. The Chairman and the Vice-Chairman perform their duties during the duration of the Supervisory Board, but they shall not exceed the duration of their terms of office. They are both eligible for re-appointment. The Supervisory Board may appoint a secretary, even outside its members. The Vice-Chairman is required to replace the Chairman in case of absence, temporary impediment, resignation, death or non-renewal of his term of office. In case of temporary impediment, this temporary replacement shall remain valid for the limited duration of the impediment, in the other cases, it remains valid until the appointment of the new Chairman.
Deliberations The Supervisory Board is held upon convening notice of its Chairman as often as the Company's interest requires, either at the registered office or at any other address indicated in the convening notice. The Chairman of the Supervisory Board shall convene the Supervisory Board within fifteen days, if one member of the Management Board or at least one-third of the members of the Supervisory Board submits to him a reasoned request to that extent.	**Deliberations** The Supervisory Board is held upon convening notice of its Chairman or of its Vice-Chairman as often as the Company's interest requires, either at the registered office or at any other address indicated in the convening notice. The Chairman or the Vice-Chairman of the Supervisory Board shall convene the Supervisory Board within fifteen days, if one member of the Management Board or at least one-third of the members of the Supervisory Board submits to him a reasoned request to that extent.

The other paragraphs of article 21 of the articles of association of the Company remain unchanged.

TWENTY SEVENTH RESOLUTION

Amendment to article 25 "Appointment - Powers" of the articles of association of the Company

The General Meeting, deciding in accordance with the quorum and majority conditions required for extraordinary general meetings, having examined the report of the Management Board, decides to amend paragraph 1 of article 25 "Appointment – Powers" of the articles of association of the Company, in order to comply with the new wording of article L. 823-1 of the French Commercial code as follows:

(PREVIOUS VERSION)	(NEW VERSION)
The Ordinary General Meeting appoints one or two statutory auditors and the same number of substitute auditors in accordance with the applicable provisions of the law. The auditors are mandated to audit the books, the fund, the portfolio and the Company's values. The duration of their terms of office is of six financial years. They expire at the end of the General Meeting which approves the financial statements of the sixth financial year.	The Ordinary General Meeting appoints one or two statutory auditors and, as the case may be, one or two substitute auditors in accordance with the applicable provisions of the law. The auditors are mandated to audit the books, the fund, the portfolio and the Company's values. The duration of their terms of office is of six financial years. They expire at the end of the General Meeting which approves the financial statements of the sixth financial year.

The second paragraph of article 25 of the articles of association of the Company remains unchanged.

TWENTY-EIGHTH RESOLUTION

Powers to carry out the legal formalities subsequent to these resolutions

The General Meeting grants all powers to the bearer of an original, a copy or a certified extract of the minutes of this meeting to carry out all filings, publications, declarations and formalities provided for by the law and necessary for the implementation of the foregoing resolutions.

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