Annual report 2008/2009
Staying on course

Mastering The Elements

ZODIAC AEROSPACE

CONTENTS

From its very beginnings, the Zodiac Group has played a leading role in the progress made in disciplines as diverse as aircraft engineering, space and the automotive industry. Its worldwide reputation has been built on long-term commitment and a set of unshakable core values. The growth of the Group is directed by four major guidelines: consistent growth in earnings per share, diversification into high-technology sectors, identification of high-growth markets likely to generate substantial margins, and global leadership in key niche markets.

€2,206 m
in sales revenue

11.3%
operating margin

+9.5%
organic growth

€172.9 m
in net income

€249.4 m
in recurring operating income

€3.28
earnings per share

+5.9%
increase in recurring operating income

52%
debt/equity ratio

Staying on course

"I would like to begin by paying a glowing tribute to Jean-Louis Gerondeau, who passed away on November 22, 2009. We all know how much the Zodiac Aerospace Group owes to his leadership. In 35 years of hard work and inspired vision, Jean-Louis took Zodiac from a struggling French SME to a respected global player in the aerospace industry. He handed over the reins to me in November 2007, but as an Executive Board member, he kept a close eye on developments within the Group, and we all knew that we could rely on his wise counsel at any time. His passing is a huge sadness for us all. However, his legacy to us is a Group with the solid fundamentals required to get us successfully through the kind of cyclical industry crises that we've been experiencing in recent months, and continue on our path to growth.

In the aerospace industry cycle, the equipment supplier segment is impacted later than the airlines. It is this delayed effect that we are now experiencing in the wake of the slowdown in aircraft deliveries that began in summer 2009.

This has impacted our 2008/2009 fiscal year – primarily in Quarter 4 – as a result of production flow reductions introduced by some of our customers. In regional aviation, Embraer made drastic cuts in the production rate of its "E-jets" during the summer. Towards the end of the fiscal year, we also saw the introduction of stock shedding as a result of reduced production flows introduced by certain business aircraft manufacturers. Our Seats Division, which deals directly with airlines, also suffered from difficult market conditions. We were also impacted by the regrettable further postponement of the Boeing 787 maiden flight.

Ultimately, although recurring operating income for the fiscal year fell below our initial expectations, we are still able to report a satisfactory year in 2008/2009. Recurring operating income was up for the year, with net earnings per share progressing in line with expectations. Furthermore, our net financial debt had fallen significantly by the end of the year. This reduction in debt has been achieved as a result of the healthy operational cash flow generated by action taken during the 2008/2009 fiscal year to reduce our working capital requirement. These initiatives will be continued in the coming fiscal year.

However, we did not wait for the downturn in the aerospace industry cycle to materialize before committing ourselves to programs that will enable Zodiac Aerospace to emerge stronger from the global financial crisis.

Zodiac Services is now up and running smoothly. Launched at the start of the 2008/2009 fiscal year, this internal structure brings together all the key after-sales activities of the Group, and is a project of strategic importance for Zodiac Aerospace. It is designed to respond to our customers' preference for dealing with a single point of contact for all the replacement parts we offer. The new structure will also give us greater control over our spare parts market as a result of our new ability to offer a comprehensive and worldwide service. Given the sheer complexity of the project, the process of getting Zodiac Services off the ground was not without its difficulties. Nevertheless, the excellent commitment shown by our teams and managers enabled us to overcome these obstacles without compromising the trust of our customers. Zodiac Services is now fully operational and will contribute to future profit growth.

As part of addressing the lack of short-term forward visibility and the forecast weakness in the dollar/euro exchange rate that is likely to affect us in 2009/2010, we have brought forward plans to upgrade our manufacturing structure. We have expanded our

production base in Tunisia, Morocco and Mexico, and are continuing to press ahead with productivity improvements on all Group sites. The combined effect of all these initiatives will be to help us emerge unscathed from the low point of the aerospace industry cycle, at the same time as improving our long-term ability to compete.

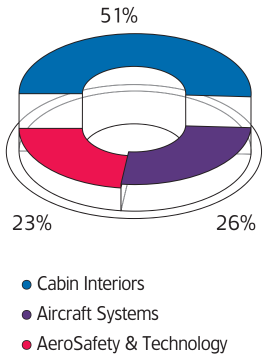
Looking beyond this apparently short-lived period of turbulence now affecting the entire aerospace industry, the prospects for Zodiac Aerospace in the recovery phase of the cycle seem very promising. In the first instance, we will benefit from the traditional delivery catch-up effect as we emerge from the crisis. We can then extract maximum value from this growth by virtue of a fixed cost base that has already been reduced and optimized. We will also benefit from new commercial and regional airliner programs coming on stream and increasing in importance. The significant progression we expect to see is based on sales successes already made. In fact, we have been appointed to serve every major new program with equipment whose value significantly exceeds that supplied to previous generations of aircraft. We believe that this underlines the validity of our strategy to develop a more integrated and more comprehensive range of products and services. At the same time, Zodiac Aerospace will also continue actively to pursue its strategy of external growth.

These considerations, combined with the quality and commitment of everyone in the Zodiac Aerospace Group, give us every confidence in the future success of our business.

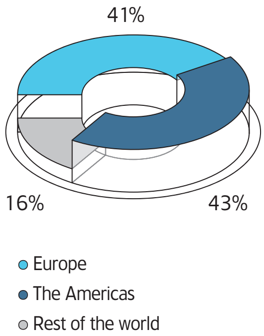
Olivier Zarrouati
CEO

A satisfactory set of results, despite difficult conditions in the aerospace market

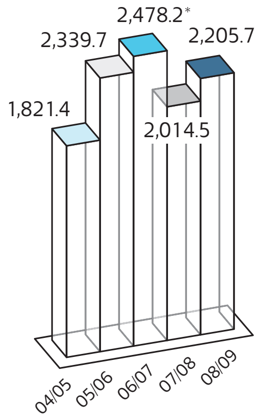
CONSOLIDATED SALES REVENUE
BY BUSINESS SEGMENT
(in percent)



CONSOLIDATED SALES REVENUE
BY AREA
(in percent)

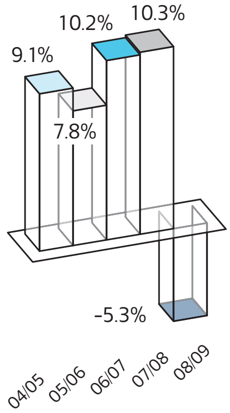


CONSOLIDATED SALES REVENUE
(in millions of euros)

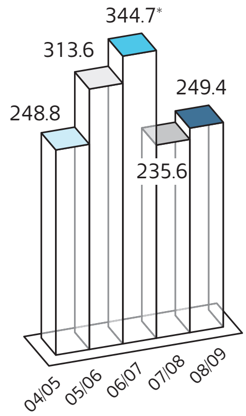


* Inc. €476.2 million from the former Marine Segment

ORGANIC GROWTH
IN CONSOLIDATED SALES REVENUE
(in percent)

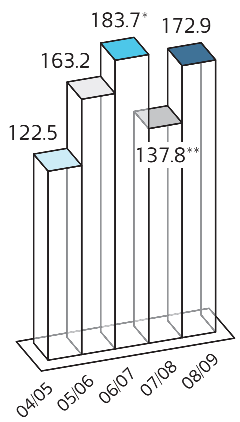


RECURRING OPERATING
INCOME
(in millions of euros)



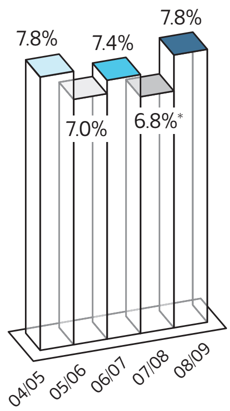
* Inc. €82.1 from the former Marine Segment

NET INCOME
(in millions of euros)



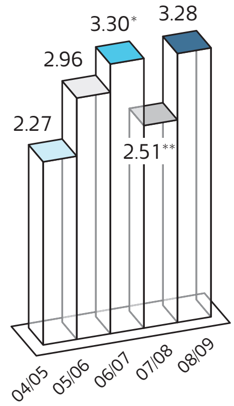
* Inc. €42 million from disposals
** Exc. the capital gain made on the disposal of the Marine Segment (€373.6 million)

NET PROFIT MARGIN
(in percent) **



* Exc. the capital gain made on the disposal of the Marine Segment
** Net profit/Sales revenue

EARNINGS PER SHARE
(in euros)



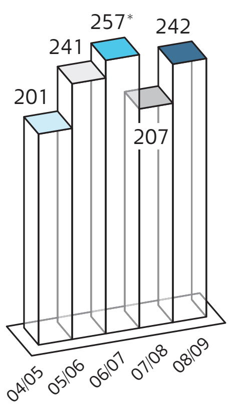
* Inc. €0.76 million from disposals
** Exc. the capital gain made on the disposal of the Marine Segment

€2,205.7 million
in consolidated sales revenue

€249.4 million
in recurring operating income

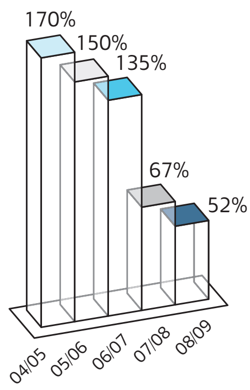
€3.28
in earnings per share

CASH FLOW
(in millions of euros)

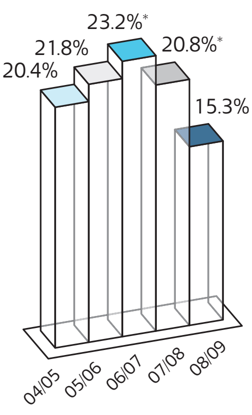


* Inc. €53.8 million from disposals

DEBT/EQUITY RATIO
(in percent)



NET INCOME BEFORE GOODWILL
NET EQUITY AT START OF PERIOD
(in percent)



* Pro forma

1. 2. 3. 4. 5. 6. 7. 8. 9.

The amount and extent of recommendations surrounding good corporate governance has grown very significantly since the 1990s. Your Supervisory Board is committed to complying with the rules contained in the AFEP/MEDEF code, at the same time as applying a reasonable standard of governance that reflects the special characteristics of a Group with "longstanding major shareholders".

The Executive Board and Executive Committee

The Executive Board and Executive Committee meet every two months to appraise Group trends in terms of business mix, investments, mergers and acquisitions. The Executive Board and Executive Committee also review the current operating performance of each segment. Chaired by Olivier Zarrouati, the Executive Committee members are the Group's key functional and operational executives. At the end of the fiscal year, the Executive Committee had 7 members.

Supervisory Board

The Supervisory Board supervises the running of the Company and the Group, and reports to its shareholders. The Supervisory Board appoints the Executive Board Chairman and members. It also supervises and guides the executive management of the Group.

COMPOSITION OF THE SUPERVISORY BOARD

Every member of the Supervisory Board has signed the "Supervisory Board Member Charter" introduced in February 1997, which sets out all their rights and obligations (general and special rules). The charter was subsequently updated in 2006.

The Supervisory Board currently comprises ten members: Didier Domange (Chairman), Louis Desanges (Vice-Chairman), Marc Assa, Élisabeth Domange, Gilberte Lombard, Edmond Marchegay, Robert Maréchal, Marc Schelcher and representatives of Financière du Cèdre and Foncière, Financière et de Participations - FFP; three are "independent" (Marc Assa, Edmond Marchegay and the representative of Financière du Cèdre) within the meaning of the criteria set out in the AFEP/MEDEF code. They provide the Board with wide-ranging experience in terms of their own industries and the wider international business environment.

Three members or their representatives are women.

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

A tribute to

Jean-Louis Gerondeau

Jean-Louis Gerondeau left us on November 22, 2009. His departure is a deep loss for all who knew, loved, and admired him.

For over thirty-five years, Jean-Louis Gerondeau led our Group on a path of success and international recognition.
His career was renowned for the soundness of his strategy and his capacity to take risks based on thoughtful decisions.
Those who dealt with Gerondeau, whether in person or indirectly, often found him a source of inspiration.
In his lifetime, we respected his modesty by quietly appreciating his leadership qualities; today, we wish to pay a warm, outspoken tribute to them.
Jean-Louis Gerondeau was an avid listener, and was willing to reconsider his views. He trusted us, and took every opportunity to learn from others. He always sought consensus, with consistent patience. He made it a point of honor to maintain close ties with colleagues despite the Group's internationalization, and to focus on business priorities while making time for his family and friends.
Above all, Jean-Louis Gerondeau was a profound humanist, endowed with commonsense and wisdom. He fulfilled his duties with simplicity, transparency, and humility.
Those are the values he instilled in us, and they remain the essence of our Group.
We are privileged to have experienced his leadership and proud of contributing, at his side, to the success of a French corporation now over a century old.
Jean-Louis Gerondeau will remain a source of inspiration and a model to guide us not only in our careers but also in our personal lives.

To his children and grandchildren, we express our admiration for their father and grandfather, and assure them that he will have an abiding place in our hearts.

The past and present staff members of Zodiac Aerospace Group

Executive Board

Olivier Zarrouati [5]
CEO

Jean-Louis Gerondeau
Member

Maurice Pinault [1]
Member

Supervisory Board

Didier Domange
Chairman

Louis Desanges
Vice-Chairman

Marc Assa
Member

Élisabeth Domange
Member

Gilberte Lombard
Member

Edmond Marchegay
Member

Robert Maréchal
Member

Marc Schelcher
Member

Société Financière du Cèdre
Member

Société Foncière, Financière et de Participations - FFP
Member

Management Team

Olivier Zarrouati [5]*
CEO

Jean-Louis Gerondeau*
Executive Committee Member

Jean-Jacques Jégou [2]*
Vice-President, Administration and Finance

Maurice Pinault [1]*
Executive Committee Member and Group Deputy CEO
CEO, Aircraft Systems Segment

Christian Novella [7]*
CEO, AeroSafety & Technology Segment

Mike Rozenblatt [9]
CEO, Cabin Interiors Segment

Yannick Assouad [3]*
CEO, Zodiac Services

Adri Ruiter [6]
CEO, Zodiac Seats Division

Paul Verheul [4]
CEO, Galleys & Equipment Division

Tom Mc Farland [8]
CEO of the Cabin Systems Division

Jean-Pierre Brillant*

** Executive Committee Member in 2008/2009*

Statutory Auditors
Ernst & Young Audit
Fideuraf, a member of the Fiducial Network

FREQUENCY OF SUPERVISORY BOARD MEETINGS

During the fiscal year, the Board met on seven scheduled occasions: September 15, November 13 and December 2, 2008 and January 12, February 12, April 15 and July 9, 2009. The members of the Board were conscientious in their attendance of meetings, resulting in an attendance rate for the year of over 88%.

SUPERVISORY BOARD OPERATION

At every Board meeting, members review business performance indicators against 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. The Board dedicates two meetings per year to reviewing the financial statements for the first half and the full year. 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. They are then entered in the minute book, and signed by the Chairman and one Board member.

COMMITTEES

In order to comply with official guidelines on corporate governance, your Supervisory Board formed three special committees in 1995 at the recommendation of its Chairman: an Accounts Committee, a Remuneration Committee and an Appointments Committee.

The Accounts and Remuneration Committees are both regulated by charters defining their roles, composition, number of meetings per year, resources, members' remuneration and the requirement for minutes to be produced following each meeting.

- The Accounts Committee met three times during the past fiscal year. It met twice to inspect the Group's half-year and consolidated full-year financial statements, and once to inspect audit procedures and methodology. The Committee comprises four Board members: Didier Domange (Chairman), Louis Desanges, Gilberte Lombard and the representative of Société Foncière, Financière et de Participations - FFP. Meetings are also attended by the Auditors and the Vice-President responsible for Administration and Finance.

- The Remuneration Committee usually meets once or twice in each fiscal year, and met twice during the last fiscal year. The four Committee members (Didier Domange (Chairman), Gilberte Lombard, Robert Maréchal and the representative of Société Financière du Cèdre) are responsible to the Supervisory Board for setting the remuneration paid to Executive Board and Executive Committee members, allocating share options to these executives within the terms authorized by the General Meetings of Shareholders, setting the remuneration paid to the Supervisory Board Chairman, and allocating the fees paid to Supervisory Board members.

- The Appointments Committee is not regulated by a charter, and meets only when required. It did not meet during the last fiscal year. It has four members: Didier Domange (Chairman), Louis Desanges, Gilberte Lombard and Edmond Marchegay. This Committee is responsible for appointing Supervisory Board members and Group senior executives, as well as reviewing the composition of the Board.

The Supervisory Board is informed of all decisions and observations made by every Committee meeting.

REMUNERATION PAID TO SUPERVISORY BOARD MEMBERS

The Combined General Meeting held on January 8, 2008 increased to €200,000 the maximum amount of fees payable to Board members.

At its meeting of December 2, 2008, the Supervisory Board approved the proposal made by the Remuneration Committee to set the fees payable to individual directors in accordance with the following criteria:

- each member will be allocated the annual flat fee of €5,000;
- the introduction of an attendance bonus of €1,000 per meeting, subject to a maximum cap of €5,000;
- committee members will receive the following flat fees:

• €4,000 for members of the Audit Committee,

• €2,000 for members of the Remuneration Committee,

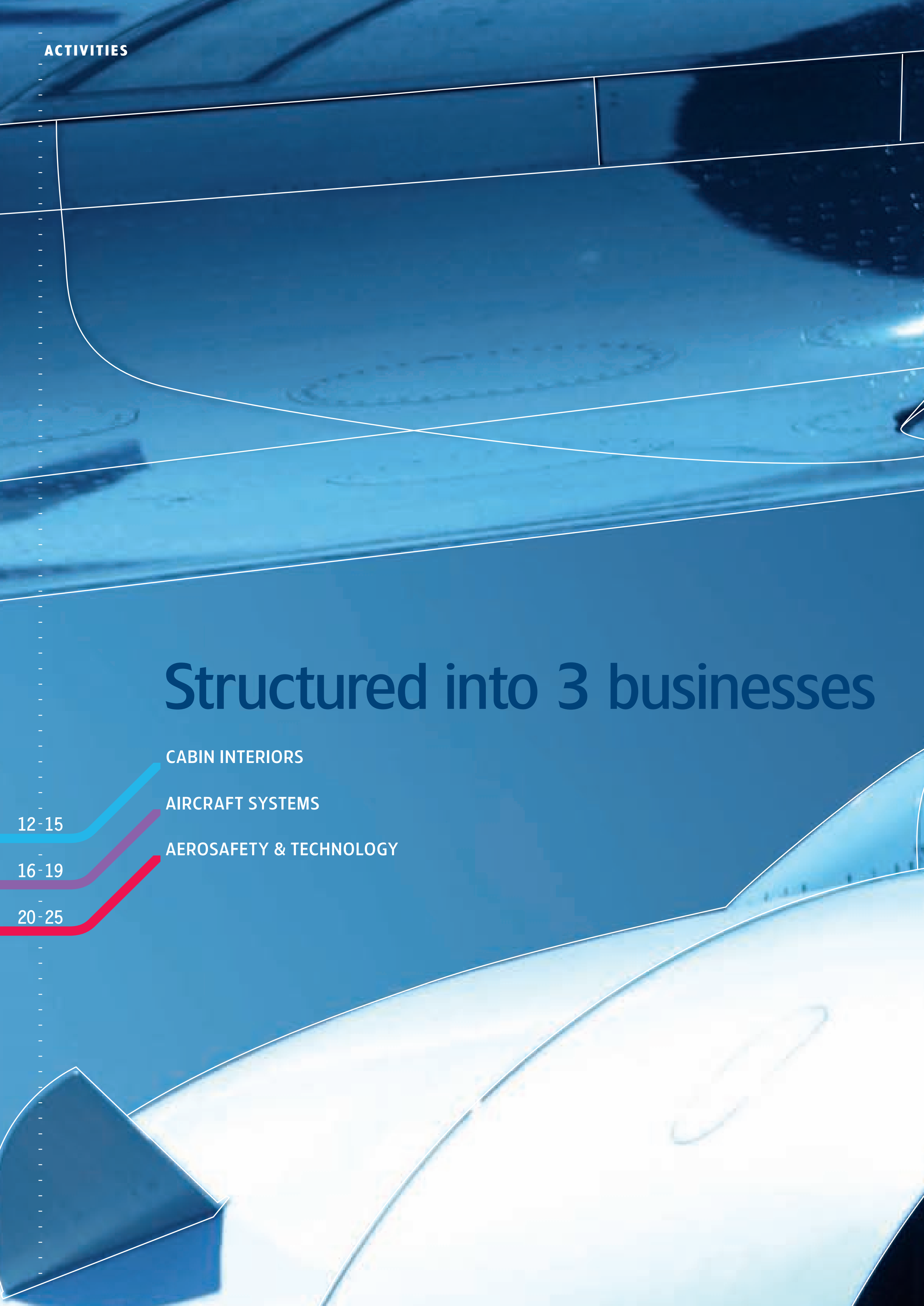
• €0 for members of the Appointments Committee.

The Vice-Chairman will receive a fixed additional fee of €5,000.

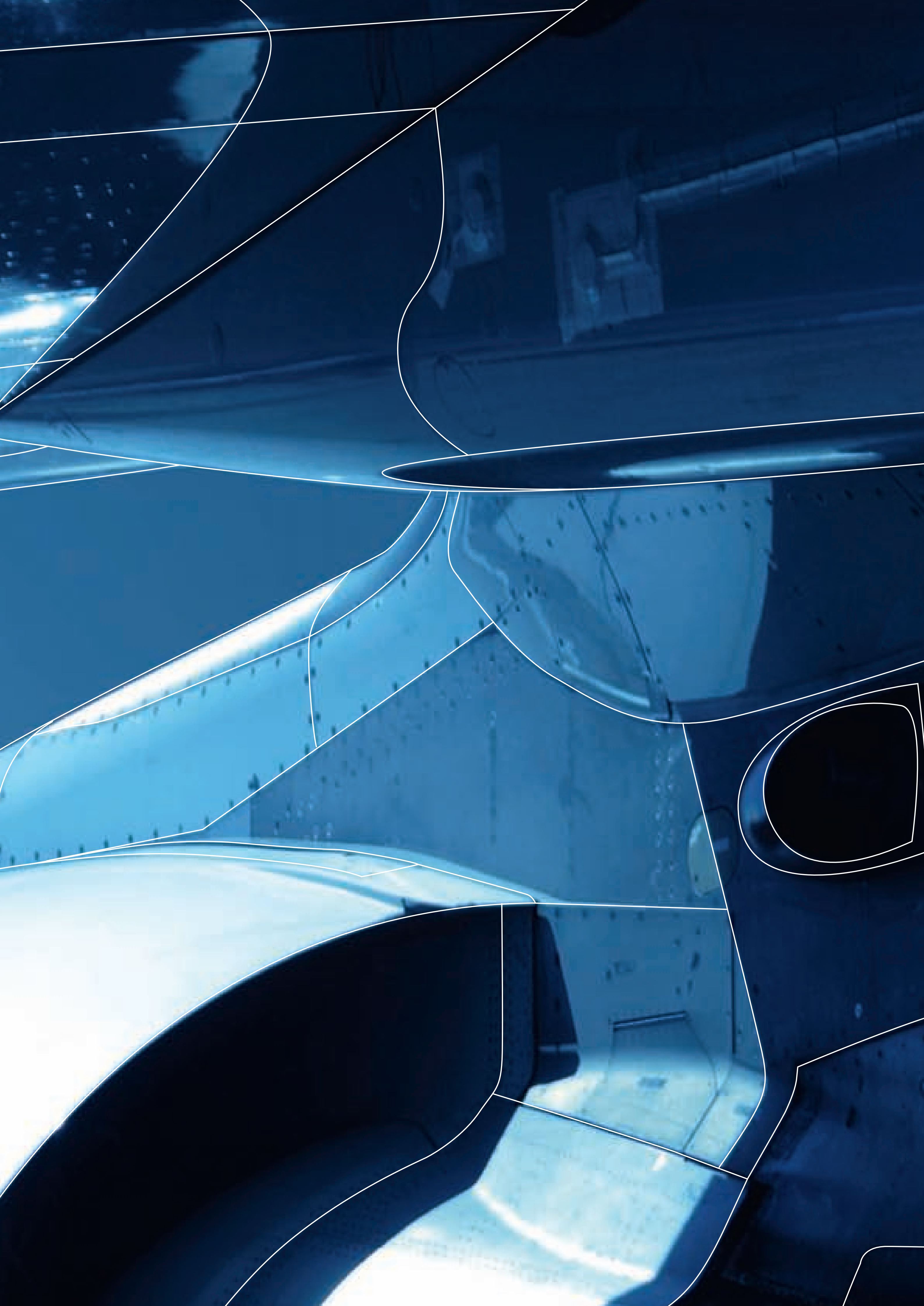
The Chairman will receive €68,000.

Zodiac Aerospace worldwide


52 sites
in Europe
9 sites
in Asia Pacific
6 sites
in Africa/Middle East

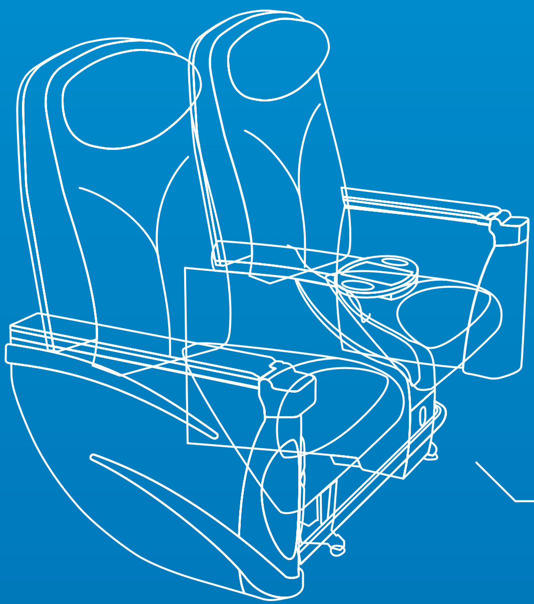


Structured into 3 businesses



CABIN INTERIORS

The Cabin Interiors Segment **designs** and **markets** seats and cabin fittings, as well as supplying complex sanitary and food equipment. Its **technological advances** enable this segment to make a major contribution to **upgrading and improving** aircraft interiors.



€1,135.4 million
in sales revenue

10.4%
operating margin

€117.6 million
in recurring operating income

51%
of total Group sales revenue

9,358
employees worldwide

The Cabin Interiors Segment has emerged successful from the economic turbulence of this fiscal year thanks to its ranges of innovative products for the commercial aviation, regional airliner and business jet markets. Its well-established leadership in all these markets has enabled the segment to stabilize both its sales revenues and its income.

Seats: a year packed with new products despite the crisis

The Seats business increased its market shares in the USA and Europe, largely as a result of the success of its sales campaigns in the first half of 2009. The Boeing and Airbus OEM supply market remained stable overall despite startup problems relating to the strike at Boeing at the start of the fiscal year and the delays suffered by the B787 program.

The segment began deliveries of its new Cirrus full-flat seats to US Airways for use in business class.

In 2008/2009, the Seats R&D function focused primarily on weight-reduction technologies that will help airlines to reduce aircraft fuel consumption and therefore save energy. At the same time, development work has continued on the full-flat business class seat.

The Seats Division also continues to work on building even stronger synergies between engineering and production, as well as boosting production volumes in low-cost countries. These efforts should contribute to further improvements in the ability of the Cabin Interiors Segment to compete effectively.

Cabin Systems: many successes

The Cabin Interiors Segment has continued to consolidate its position as the market-leading aircraft cabin integrator. In commercial aviation, the segment will supply complete cabins for the Bombardier CSeries and the Russian Irkut MC-21.

In the niche market for business jets, we have supported the increase in Embraer Phenom 100 production volumes, and have been appointed to supply all the interior fittings for the Lear 85 and the Honda Jet.

Following its success in supplying cabin equipment for the Boeing B787, the Cabin Systems Division is in an excellent position from which to develop the new family of toilet modules for the Airbus A350 XWB. Developed by the Cabin Interiors Segment, this new modular concept for toilet cubicles marks a major step forward for the industry: reduced weight, lower manufacturing costs and more room for passengers.

We have also increased our presence in the structural composites sector, and the division will be supplying the trim panels for the Boeing B787 and a variety of components for the US Joint Strike Fighter.

The Cabin Systems Division has an R&D budget to match the importance of the innovations it brings forward.

Cabin Equipment: new growth opportunities

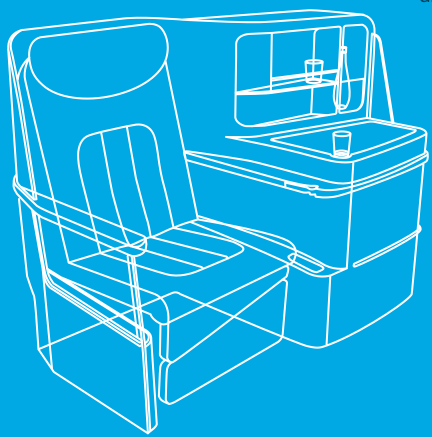
In 2008/2009, the Cabin Interiors Segment maintained its status as uncontested leader in its core business of water and waste management systems, supplying the latest generation of commercial airliners, including the CSeries (Bombardier), the MC-21 (Irkut) and the MRJ regional jet (Mitsubishi). Products manufactured by our Cabin Equipment Division are fitted to the great majority of today's long-haul airliners, regional airliners and business jets. It is this diverse customer base that has helped reduce the consequences of the global economic crisis.

The fiscal year was also marked by the design of a new and promising generation of galley inserts (ovens, coffee machines, fridges, backup systems controllers, etc.) for the Airbus A350. These new product lines are opening up new growth opportunities for our business.

At the same time, this division has cut its costs by closing the Rockford site (Illinois, USA) and transferring its activities to Carson in California. The transfer was made smoothly and was totally seamless from the customer viewpoint.

FOCUS ON...
The Skylounge seat

The Skylounge business class seat offers passengers the unique advantage of a cabin layout that provides direct access from the aisle to a seat that converts to a full-flat bed.
Its composite environments partnership with the Cabin Systems Division means that the Europe/USA Seats Division can now offer a complete shell/seat/service pod assembly. Skylounge is a major innovation, and one which – for the first time ever – positions the division as a provider of comprehensive cabin layout architectural services. Emirates' choice of Skylounge for its A380 fleet was followed by orders from two Asian carriers for these seats to equip their A380, B777 and B787 aircraft.



This positioning in the total cabin market is now progressing with the development of a new herringbone cabin layout concept called Cirrus, which has already been adopted by two airlines, including US Airways for its A330 and B777 fleets.
Deliveries of Skylounge began in 2007, and will continue until 2012.

Galleys and Equipment: market leadership confirmed

The Cabin Interiors Segment has confirmed its status as the leading force in the worldwide market for passenger service trolleys. It also continues to play a leading role in the galley segment for single-aisle aircraft.

We have signed an exclusive partnership contract with Airbus, which has specified our Maxflex galley concept for its single-aisle programs. This model is already in service on Boeing aircraft.

In response to the slowdown in the cargo aircraft market, the Galleys and Equipment Division has refocused its research and development on the design of lighter containers, and has restructured its production systems to address the industry's need to reduce its costs.

The trolleys product line has also benefited from this research, which has the additional aim of reducing the environmental impact of production processes.

We have also continued with our purchase dollarization strategy and the policy of increasing production volumes in our plants in Thailand and the Czech Republic in order to be as competitive as possible when growth returns to the market.

Outlook

• **The Cabin Interiors Segment** forecasts substantial growth over the next 3 to 5 years, as a result of several positive factors, including the recovery in business and regional aviation, increasing deliveries from the A380 and Boeing B787 programs, and the entry into service of aircraft like the CSeries, MC-21 and MRJ.
As we emerge from the global economic crisis, the segment will feel the benefit of sales revenue streams from retrofit and upgrading of aircraft by airlines keen to improve their competitive position.

• **Our Seats Divisions** seem set to progress well in future years, and has a particularly impressive order book for the next fiscal year.

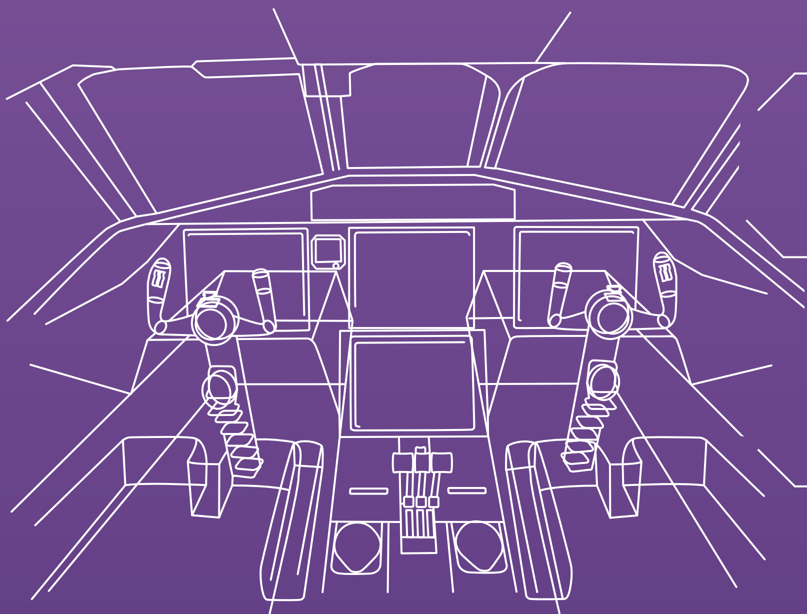
• **The Cabin Systems Division** should see strong growth driven largely by opportunities in the upgrading of aircraft interior systems.

• **The Cabin Equipment Division** will expand its onboard water treatment systems business, with the commissioning of the first UV treatment unit onboard the Boeing B787.

• Over the next two years, the **Galleys and Equipment Division** forecasts an excellent level of return on investment driven primarily by the reductions achieved in production costs.
The strategy of manufacturing products in low-cost countries will continue, with the focus on Thailand, Tunisia and Mexico. This policy will improve the segment's competitive position worldwide.

AIRCRAFT SYSTEMS

The scope of expertise offered by the Aircraft Systems Segment is **recognized by all** the major international aerospace manufacturers, and ranges from civil aviation and military aviation to space applications. This segment **optimizes the high-technology equipment and systems** essential for fixed-wing and helicopter in-flight and ground operations.



€564.0 million
in sales revenue

12.7%
operating margin

€71.8 million
in recurring operating income

26%
of total Group sales revenue

3,422
employees worldwide

The Aircraft Systems Segment had a mixed year in 2008/2009, with a satisfactory first half and a more uneven second half. Its commercial and regional aviation businesses showed a good level of resilience, whilst business aviation suffered a significant decline. Its military aviation market was driven by export sales.

Consolidating our position as a complete systems supplier

In what was a less buoyant economic climate for the industry, our Aircraft Systems Segment was able to win a significant number of major contracts in all three of its market segments.

Already appointed as a supplier of electrical power distribution and external lighting systems for the new long-range Airbus A350 XWB, Zodiac Aerospace was recently awarded the contract to supply the aircraft's windshield wiper systems.

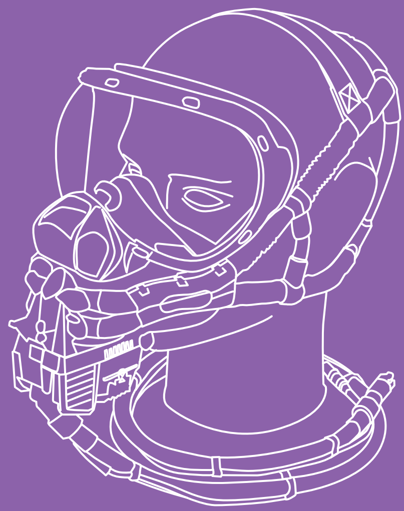
In commercial aviation, this segment is able to report significant successes in winning a series of contracts for the future MC-21 medium-range airliner manufactured by the Russian Irkut Corporation. The Aircraft Systems Segment will supply the aircraft's entire oxygen distribution system, primary electrical power circuits and the entire fuel system, including tank inerting.

This segment has also been awarded a contract to develop a vital kerosene pump for the Airbus A400M program.

Already very strong in the market for gauges, the Group has now established a significant position in the two other key components of the fuel system: fuel circulation and tank inerting. Zodiac Aerospace is therefore one of the very few global suppliers capable of offering aircraft manufacturers a complete end-to-end fuel management system.

FOCUS ON...

The new oxygen masks



The Aircraft Systems Segment has designed two new oxygen masks. The first is a model specifically for pilots, using a design that is more comfortable and contains a microphone to improve understandability of communication. The new features incorporated into this product can also be retrofitted to masks already in service. Both Embraer and Boeing are purchasing this mask for their pilots.

The second is an optimized performance passenger oxygen mask designed to reduce the volume of oxygen required onboard the aircraft. This product is approved by the FAA (Federal Aviation Administration), and is a direct replacement for existing masks.

The Group is also able to report an excellent order book in regional aviation, having been appointed by Mitsubishi to supply the crew oxygen systems for the MRJ.

These new contracts are of strategic importance to the Aircraft Systems Segment, and confirm its status as a tier-one system manufacturer.

The Electrical Power Management, Cockpit Controls and Displays, Fuel Circulation and Oxygen and Life Support Systems Divisions have therefore all been able to report good performances for the fiscal year.

Exciting innovations

This segment launched a number of innovative new developments during the 2008/2009 fiscal year.

These include the development of the TUB™ range of new-generation linear electric actuators that are smaller and quieter than previous types. These actuators were designed originally to be used in Business and First Class seating, but have also recently been specified for use in the landing gear door systems of helicopters.

Mask technology has also progressed to deliver even higher levels of efficiency (see inset).

At the same time, we have also perfected our fuel tank inerting systems. This technical process, which generates a continual flow of non-flammable (inert) gases that are then pumped into fuel tanks, improves safety significantly by eliminating the risk of explosion.

Since 2009, OBIGGS (On-Board Inert Gas Generation System) technology has been compulsory on all commercial aircraft, and is expected to be imposed for certain types of business aircraft.

Significant deliveries

Amongst its new programs, this segment has reported significant volumes of sales for the Airbus A380. The same is true of the Dassault F7X business jet and Phenom 100 (light jet) programs,

12.7%
operating margin for the fiscal year

but the overall decline in the world market for business jets was felt particularly strongly in the second half of the year, resulting in annual global sales ending the year at nearly the same level as in the previous year.

Increased competitiveness

The Aircraft Systems Segment has been able to maintain its manufacturing and equipment design volumes in those countries with competitive cost bases. In Morocco, work started on the construction of a new plant at Tiflet, and a design department was opened in Rabat.

As part of adapting ourselves more effectively to today's economic environment and the resulting reduction in production flows introduced by some of our customers, we have also stepped up our industrial rationalization program with the closure of our Singapore site and reductions in our workforce in the USA.

At the same time, the segment has continued the process of dollarizing its purchases in order to reduce its exposure to fluctuations in the dollar exchange rate. In the 2008/2009 fiscal year, we made 43% of our sales in dollars (compared with 44% in 2007/2008), and increased our dollar purchases by 11%.

Outlook

• **The Aircraft Systems Segment** is forecasting a low-key year in 2009/2010. Sales revenue will be impacted negatively by the global economic crisis during the first half of the year, but is expected to return to growth in the second half.

Business activity in the commercial and military aviation markets should remain stable, whilst the business jets segment is expected to continue its decline, despite an anticipated improvement in the second half.

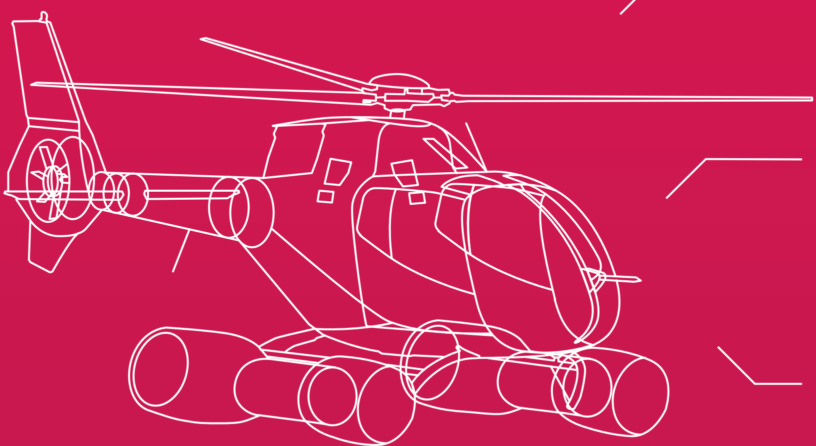
• **The increased delivery rates** seen in programs such as the Airbus A380 and Boeing B787 should be sustained during the year.

• **The focus on R&D** will be intensified, with particular emphasis on accelerating work on the electrical power distribution program for the Airbus A350 XWB and development work on the MC-21.

Faced with the twin pressures of a weak US dollar and reduced production rates introduced by some of its customers, this segment will continue with its industrial rationalization program in the coming year. We will continue to implement and apply our "major equipment supplier" strategy to achieve further commercial success in the year ahead.

AEROSAFETY & TECHNOLOGY

The AeroSafety & Technology Segment was created out of the merger of two Zodiac Aerospace Group entities. This new segment is now **well positioned** to push forward the safety levels of aircraft, space vehicles and automobiles with individual products and complete systems that deliver a high degree of added value. Its **innovative new products** are attracting great interest from the major international manufacturers and operators of civil and military aircraft.



€506.3 million
in sales revenue

11.8%
operating margin

€59.7 million
in recurring operating income

23%
of total Group sales revenue

4,004
employees worldwide

The AeroSafety & Technology Segment has stood up rather well to the global economic crisis thanks to the extensive diversity of its business sectors, its leading market positions and its industrial rationalization initiatives. The development of manufacturing in countries with competitive cost bases, increased dollarization of purchases and reduced operating costs continue to improve its competitive position.

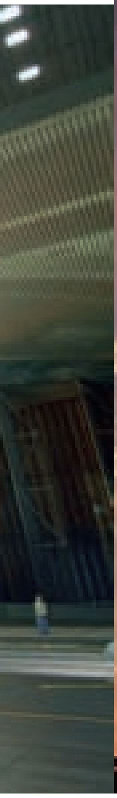
Good levels of resilience from Emergency Evacuation Systems

There were a number of aircraft crashes involving Zodiac Aerospace evacuation systems during the 2008/2009 fiscal year, including the US Airways Airbus A320 that ditched in the Hudson River, the British Airways Boeing 777 that undershot the runway threshold at London Heathrow and the emergency ditching of a Super Puma in the North Sea. All the crew members and passengers of these aircraft were able to evacuate safely using emergency evacuation slides and emergency floats manufactured by the division.

The Emergency Evacuation Systems Division had an eventful year.

We have continued development work on the emergency evacuation slides for the Airbus A350 XWB, whilst those for the Boeing 787, Sukhoi SSJ100 and COMAC ARJ21 were qualified during the year.

In military aviation, we delivered a program of 6-man life rafts for the US Coastguard Service. The division also increased the volume of products manufactured in low-cost countries, and especially in Chihuahua, Mexico, where the plant is currently being enlarged (over 26,910 sq. ft). This is the plant where we manufacture the emergency evacuation slides for the A320 and the Boeing 777.



Nevertheless, this division was penalized by the strike at Boeing at the start of the 2008/2009 fiscal year and the delays announced in the B787 program.

First sales of UAV launchers

2008/2009 was a year of mixed fortunes for the Emergency Arresting Systems Division. Our military emergency arresting systems performed very successfully, in contrast to civil aviation systems, which declined during the year.

Sales of EMAS systems were held back by the funding issues experienced by US airports. Nevertheless, the division was able to supply systems to the airports of Key West (Florida), Arcata (California), Kansas City (Missouri) and Chicago O'Hare (Illinois).

The potential for export business remains high, given the number of countries potentially interested in EMAS, but currently prevented from progressing further by delays in obtaining funding.

We have made our first sales of the new HP 3003 UAV launch system to General Dynamics and Raytheon. This system currently forms part of bids for new programs in the USA.

Significant program gains for the Interconnect Systems Division

The Interconnect Systems Division has reported excellent performances.

Our landing gear wiring looms have been specified for the A350 XWB forward landing gear, and Goodrich has appointed us to manufacture these components for the Boeing 737 and Gulfstream IV, V and VI. These new contracts make Zodiac Aerospace the world leader in landing gear wiring systems.

In the military sector, this segment has supplied BAE Systems with wiring for the weapons testing systems of the Lockheed Martin F-16.

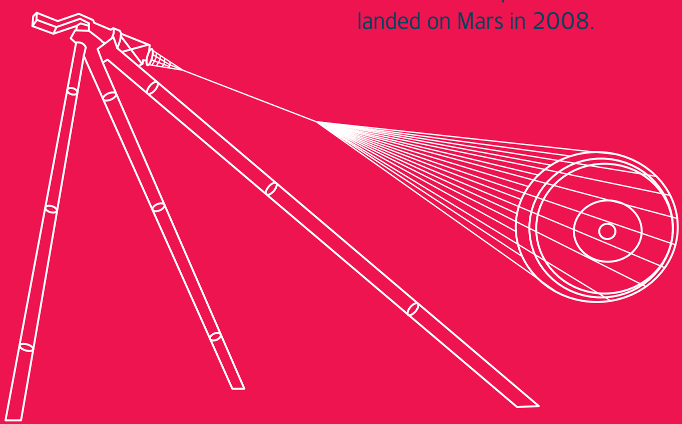
€506.3 million
in sales revenue

FOCUS ON...

A parachute for the NASA...

The parachute for NASA's Mars Science Laboratory (MSL) elaborated by the Parachute & Protection Systems Division passed flight-qualification after testing in March and April 2009 inside the world's largest wind tunnel at NASA's Ames Research Center. This parachute is the largest ever built to fly on an extraterrestrial flight.

It is designed to survive deployment at Mach 2.2 in the Martian atmosphere, where it will generate up to 65,000 lbs of drag force. The parachute, has 80 suspension lines, measures more than 165 feet in length, and opens to a diameter of nearly 51 feet. The Parachute & Protection Systems Division was already the designer and manufacturer of the parachute of the Phoenix probe that succesfully landed on Mars in 2008.



In accordance with our forecasts, landing gear production volumes increased at Chihuahua for the Bombardier CRJ and Boeing 737, and the restructuring of the division into two distinct infrastructures (Europe and North America) is contributing to the growth of valuable synergies.

Elastomer Technologies & Systems reports excellent progress in fuel tanks

The division has been appointed to supply Airbus with turbofan blade deicers for the A400M, and Agusta Westland with fuel tanks for the AW149. We have also supplied the fuel systems for the Sikorsky S-92 and Eurocopter EC225 helicopters.

Production of composite components for the Airbus A320 emergency evacuation slides has begun in the new Soliman plant, and production volumes are increasing at Chihuahua on tanks for the Lockheed C-130J and Bell 407.

Nevertheless, the division suffered from the collapse of the American plane maker Eclipse, which it had been supplying with deicing systems.

The space market keeps Telemetry and Telecommunications in orbit

In 2008/2009, IN-Snec, Enertec and Heim merged to form a single new entity called Zodiac Data Systems. The goals of the merger include reducing overall expenditure, improving self-generated funding for R&D and encouraging technical synergies between different areas of the division.

Our order book for space programs is looking very healthy. We will be supplying EADS with telemetry systems for the new wave of 35 Ariane 5 launch vehicles, as well as for the new Italian Vega launcher.

The division has also been appointed to supply the remote self-destruct system for the Soyuz rocket to be launched from Kourou. Zodiac Aerospace has been congratulated by the DGA (the French Procurement Agency) for the performance delivered in Afghanistan by its satellite link system, which is used with the Harfang French observation UAV, previously known as the SIDM. This vehicle is the EADS-produced French version of the Israeli Eagle One.

The fiscal year was also marked by the success of our telemetry antennas during the orbit position of satellites using the new South Korean launch vehicle. We have also delivered image reception antennas for the Helios program in Greece and Germany, as well as for the new generation of CNES Pléiades satellites.

Parachute and Protection Systems seek profitability

Sales revenue growth for this division fell short of forecast as a result of the DGA introducing competition for the new EPC system developed for the French army. This system has already been supplied to the Japanese army, and is now undergoing evaluation.

At the same time, we have also begun production of the new MC6 parachute for American troops, and have supplied tactical parachutes for UK Special Forces.

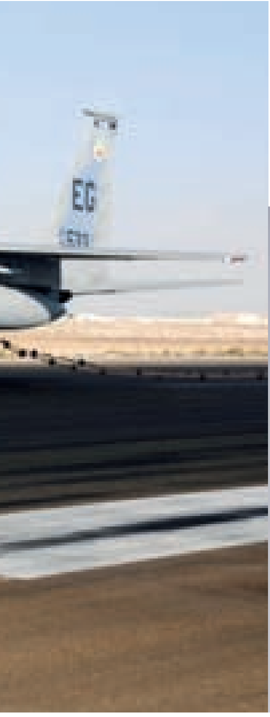
This fiscal year has also seen good growth in cargo-load parachute systems, with the division winning a major contract for the US Air Force.

The division has continued to work on maximizing its profitability by locating production of its sports parachutes to the Pisa site in South Africa.

A slower year for Airbags

The Airbags Division continues to be significantly impacted by the decline in the European automotive market. As part of limiting the negative effects of this economic fact, we have introduced three industrial rationalization measures, with the closure of the Spanish site in Valencia, the downsizing of our workforce in France and the UK, and the transfer of our design department from Caudebec (France) to Soliman in Tunisia.

We have also been awarded the "Curtain" (side airbag) program for the Peugeot 408.



Outlook

The economic conditions prevailing in the aerospace industry mean that 2009/2010 will be a year of less dynamic growth for our AeroSafety & Technology Segment.

• **The Emergency Evacuation Systems Division** is looking forward to the resumption of deliveries of emergency evacuation slides for the SSJ100 and ARJ21, and emergency floats for the Bell 429 and AW139. Sustained deliveries of LIDS (inflatable decontamination tents for use following biological attack) are scheduled to begin in the USA.

• **The Emergency Arresting Systems Division** anticipates additional export sales of its EMAS system. The HP 3003 system should really take off if the segment wins the contracts for which it is currently bidding in the USA. The ongoing efforts made to reduce general expenditure will continue in order to protect profitability.

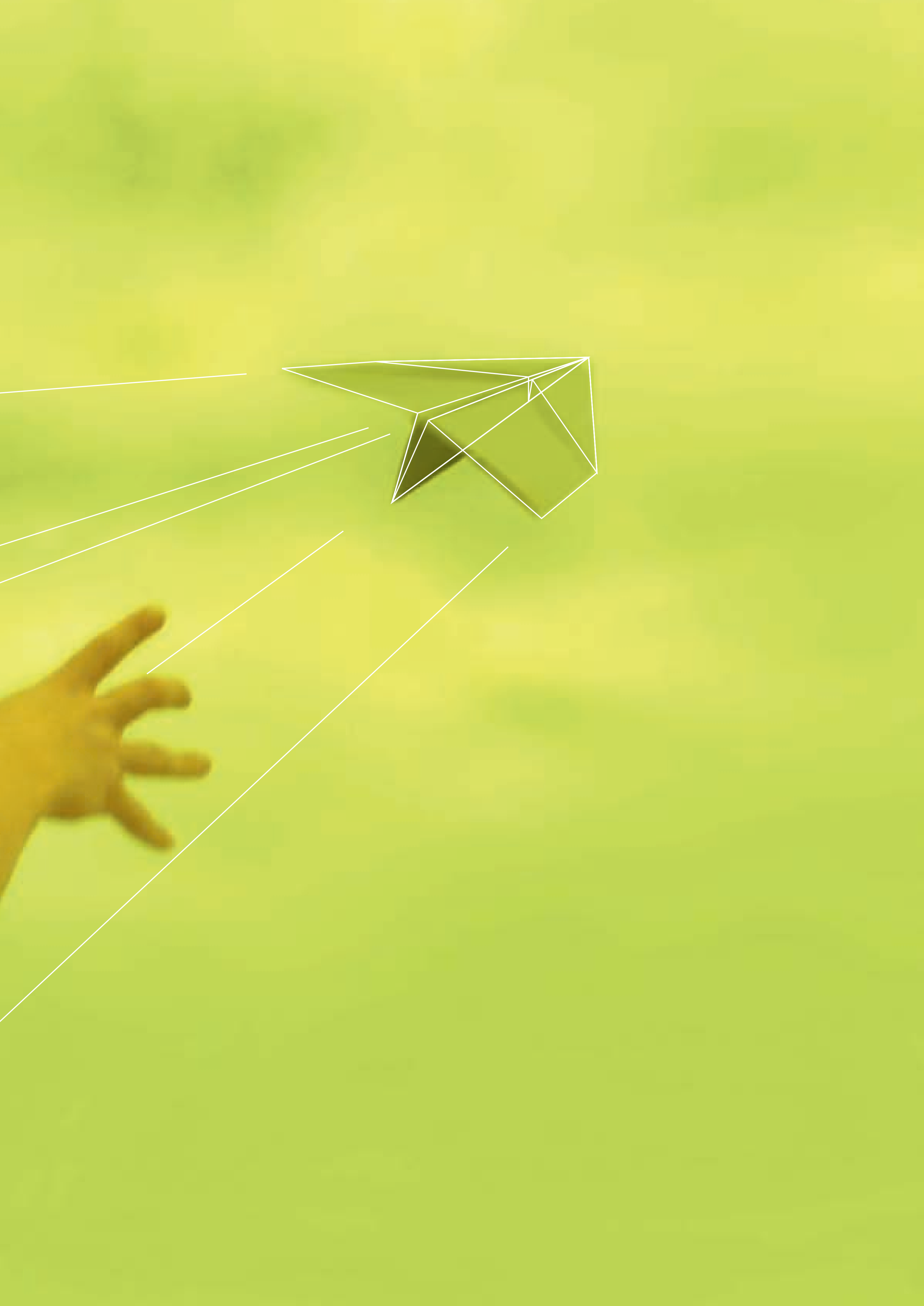
• **The Interconnect Systems Division** has a promising outlook for the year, despite forecasting reduced production flows. Production of the main landing gear for the A320 will begin at Soliman in 2010.

• **The Elastomer Technologies & Systems Division** forecasts increased production flows of auxiliary tanks for Eurocopter's NH90 helicopter. Soliman will continue to produce composite components for the A320, and the division will contribute to the European Clean Sky program on new deicing technologies.

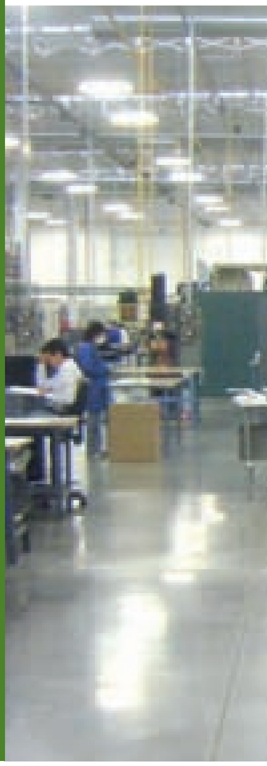
• **The Telemetry and Telecommunications Division** will continue to benefit from a healthy trading environment in a space market that seems set to remain buoyant, particularly in the Asian markets of China, South Korea and Japan.

• **The Parachute and Protection Systems and Airbags Divisions** will continue to implement their industrial rationalization policies to boost profitability.

Promoting sustainable growth



COMPANY LIFE



Zodiac Aerospace is **emphatically a global player** in the aerospace market, with **70% of its workforce** located in the USA, South America, Asia and North Africa. The diversity of job opportunities and the **multicultural identity** of Group human resources allow us to build **closer relationships** with our customers and gain a better understanding of the issues they face.

Mobility and equality: two major human strengths of the Group

The principle of internal mobility has always been central to Group business culture. Its many opportunities for job mobility and personal career development are spread across the full spectrum of the Group's geographic diversity. Zodiac Aerospace employees driven by a passion for the aerospace industry have easy access to a very wide range of career development opportunities.

Mobility was still a reality within the Group, even in the challenging global economy of the 2008/2009 fiscal year. The most mobile and flexible applicants also have access to practical and effective ways of fulfilling their ambitions. The intranet-based interactive database and on-site advertising of vacancies mean that all the latest job opportunities are available for employees to view. The number of hits recorded for this database confirms that Zodiac Aerospace employees are very open to the idea of diversifying their professional experience. Annual appraisals provide the opportunity to discuss mobility issues at a more personal level.

At the same time, the Group continues to encourage diversity in the workplace. A number of young women were recruited into technical and engineering jobs during the year. Women now form an increasingly large proportion of Zodiac Aerospace technical staff, and occupy departmental management (Production, Purchasing, etc.) and senior management positions.

Internal mobility and equality are both strong trends within the Group, and are contributing to a rich diversity of human resources at every level of the business.

Advances in personnel management

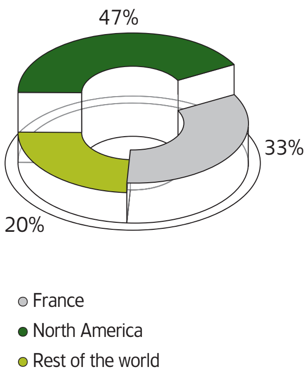
The Group introduced the VIE (Volontariat International Entreprise – Voluntary International Business Experience) scheme during the year. This government-sponsored scheme allows young people aged 18 to 28 to work abroad for periods of 6 to 24 months in order to gain international experience, at the same time as identifying and consolidating new markets for Group companies. During the 2008/2009 fiscal year, Zodiac Aerospace provided VIE placements for young French people in Japan, the USA and the Middle East.

Zodiac Aerospace has taken its training policy to a new level, with special focus on the R&D skills applicable to winning new business in new markets. Many engineers and technicians have benefited from "New Technology" and "Components" training courses to maintain their skills at the cutting edge of aerospace innovation.

The DIF (Droit Individuel à la Formation – Personal Training Entitlement) scheme continues to grow within the Group, with particular emphasis on learning foreign languages (especially English) and employee personal development.

Two HR Committee meetings were held during the year to discuss changes in French employment legislation.

BREAKDOWN OF WORKFORCE
BY AREA

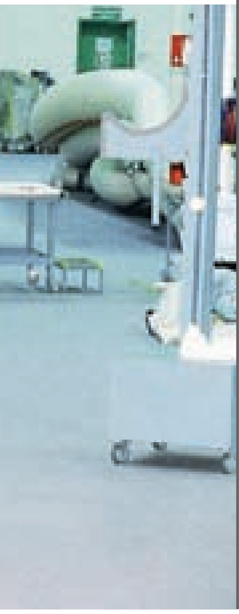


An ongoing partnership with students

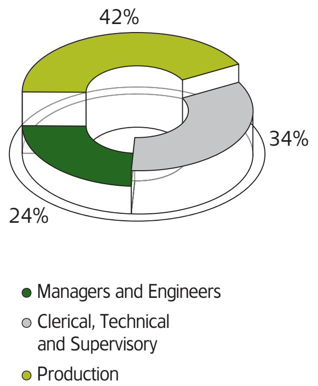
The 2009 Paris Air Show once again provided a landmark opportunity for the Group. This industry event creates a perfect forum in which to publicize the diversity of aerospace industry careers available in the Group and offer internship opportunities for future engineers.

Zodiac Aerospace has also increased its presence at further education careers forums, including Supélec in Orsay, ESEO in Angers, ESTACA in Paris and SUPAERO and ENSICA (now ISAE) in Toulouse. Students from all these institutions have taken up internship opportunities with the Group in France and Mexico. A new partnership was formed with the École Centrale Paris during the year.

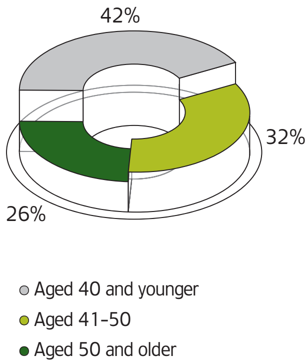
All these opportunities make a real contribution to building the international future of Zodiac Aerospace, which relies to a large degree on attracting young engineers with proven skills in many different areas of technology.



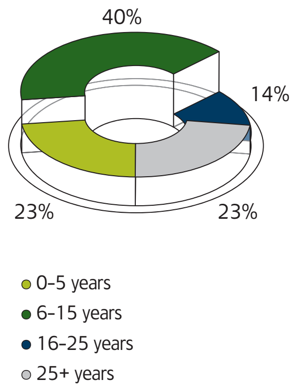
BREAKDOWN OF WORKFORCE
BY OCCUPATIONAL CATEGORY
(in France)

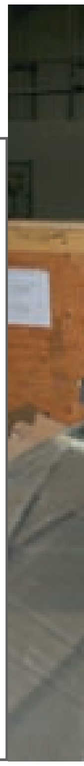


BREAKDOWN OF WORKFORCE
BY AGE IN FRANCE
(in percent)



YEARS OF SERVICE
IN FRANCE
(in percent)





PERMANENT EMPLOYEES AT AUGUST 31, 2009

Segment	2007	2008	2009
AeroSafety & Technology			
French companies	1,712	1,752	1,758
Non-French companies	2,213	2,398	2,246
	3,925	**4,150**	**4,004**
Aircraft Systems			
French companies	2,617	2,605	2,629
Non-French companies	743	828	793
	3,360	**3,433**	**3,422**
Cabin Interiors			
French companies	964	993	1,047
Non-French companies	6,773	9,173	8,311
	7,737	**10,166**	**9,358**
Group operations			
French companies	**83**	**75**	**76**
Group Total			
French companies	5,376	5,425	5,510
Non-French companies	9,729	12,399	11,350
	15,105	**17,824**	**16,860**

Consolidated report on labor matters - France

Includes all Zodiac Aerospace Group companies in France publishing social audits. The analysis covers 4,927 employees, or approximately 90% of the French workforce.

BREAKDOWN OF WORKFORCE BY OCCUPATIONAL CATEGORY

Total (Men and Women)	
Engineers and Managers	24%
Clerical and Technicians	34%
Production	42%
Women: 31% of the workforce	
Engineers and Managers	13%
Clerical and Technicians	33%
Production	54%
Men: 69% of the workforce	
Engineers and Managers	30%
Clerical and Technicians	34%
Production	36%
Breakdown of the workforce by age	
Under 25	4%
26-40	38%
41-50	32%
Over 50	26%

Length of service	
0-5 years	23%
6-15 years	40%
16-25 years	14%
More than 25 years	23%
Interns	
Number of interns (from graduate schools, universities, etc.)	275
As a % of the workforce	5.6%
Disabled employees	
Number of salaried disabled employees	180
As a % of the workforce	3.6%
Compensation	
Compensation ratio (Engineers & Managers/Production staff)	2.42
In-service training	
% of payroll allocated to training	2.72%
Number of employees receiving training	2,735
As a % of the workforce	56%
Health and safety training courses	9%
Conversion training courses	11%
Career development training	80%
Number of apprentices in training	40
Absenteeism	
Absenteeism rate	5.29%
Illness	
Work-related illnesses reported	32
Number of employees affected	25
Production processes likely to result in work-related illnesses	0
Number of workplace health and safety committee meetings held	98
Work-related accidents	
Work-related accident frequency rate: $\frac{\text{number of lost-time accidents} \times 10^6}{\text{total number of hours worked}}$	11.24
Work-related accident severity rate: $\frac{\text{number of days lost} \times 10^3}{\text{total number of hours worked}}$	0.39
Occupational medicine	
Number of clinical examinations	5,557
Number of supplementary examinations	2,166
Number of employees retrained as a result of disability	4
Number of employees incapacitated	3
Safety	
Number of employees having received safety training	1,505
As a % of the workforce	31%

ENVIRONMENT

The Zodiac Aerospace Group pursued its **Sustainable Development** agenda in very **practical** ways during the fiscal year, and the **goals** of the new "Environment and Risk Management Charter" were presented to the managers of all sites and segments in France and the USA.

Eco Design gains ground

As part of restricting the use of certain hazardous substances in electrical and electronic equipment produced by the Telemetry Division (in accordance with RoHs standards), a proactive system has been introduced to trace component compliance, facilitate the transition to RoHs-compliant equivalents and qualify the associated processes.

In another example of progress in this field, the Seats Europe Division has prepared a Product Environmental Action Plan to provide a structure for its eco-design policy, which takes in pre-production methods, packaging, product service life and product end-of-life. Environmental issues are now addressed as an integral part of developing all our new products. Three aspects in particular were addressed in 2008/2009: the changing technology of electrical equipment, the reduction – or even elimination – of hard-to-recycle packaging materials, and the substitution of hazardous materials. So our aircraft seats are now lighter, because their polystyrene packing – which is hard to recycle – has already been eliminated from the economy models fitted to the Boeing 787, and the thickness of their protective covers has been reduced.

Zodiac Aerospace has joined the GRAP (Groupe de Réflexion Avenir Planète (Planet Future Think Tank)) forum to exchange experience with other major companies on issues such as the costs involved in measuring the carbon balance and the energy balance of buildings.

Improved management of chemicals

The inventories of chemicals compiled during the previous fiscal year by each of our European sites have allowed us to put in place very precise monitoring of the preregistration of substances under the REACH regulation. Our preventive approach to this issue has been further extended in French production units by the introduction of a software package that lists all the substances contained in the chemicals they use.

A monitoring procedure is in place to ensure that the quantities of imported chemicals used are limited so that our European production units retain their Downstream User status under the terms of the REACH regulation.

Every quarter, a working group of Purchasing Managers meets to review and press ahead with implementation of our REACH strategy. Quarterly reporting allows the senior management team to monitor the progress made by the associated initiatives.

All our chemicals suppliers have been surveyed regarding their intentions for substance preregistration. Our other product suppliers and subcontractors have all been fully informed of the challenges posed by REACH.

In the forthcoming fiscal year, we will be taking the proactive step of informing our suppliers of the uses we make of the chemicals they supply, as well as the associated processes, so that they can include this information in their registration applications.

61% of our sites worldwide have ISO 14001 certification

Since the publication of the candidate list of substances, collaboration between our environment, design and technical departments has made it possible internally to identify the processes involved and respond positively to information requests from our customers.

Since June 2009, these departments have been addressing the goal of identifying substitutes for the majority of substances defined as of "very high concern" by the end of 2011. Additionally, every new chemical introduced into our production processes must now be validated by our Environmental Safety Managers.

Lastly, the senior management team will receive a quarterly report on substitution measures implemented in our manufacturing processes.

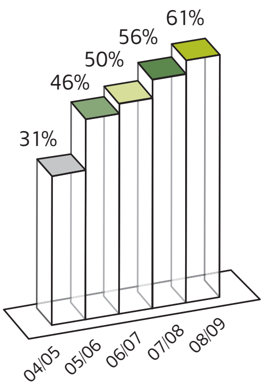
Consultation and experience sharing

The Environmental Safety Managers employed in our production units have continued to conduct crossover audits of our ISO 14001 and OHSAS 18001 certificated sites in France and Tunisia. The two meetings held during the fiscal year focused on the three major issues of energy savings, the substitution of hazardous products and the carbon balance.

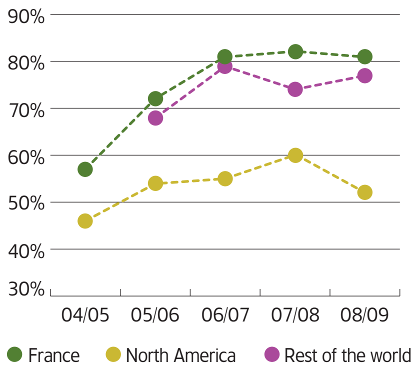
These meetings and feedback sessions have been highly instructive for everyone concerned.

As in previous years, the annual Environment and Risks Conference was attended by segment directors, divisional managers and site managers.

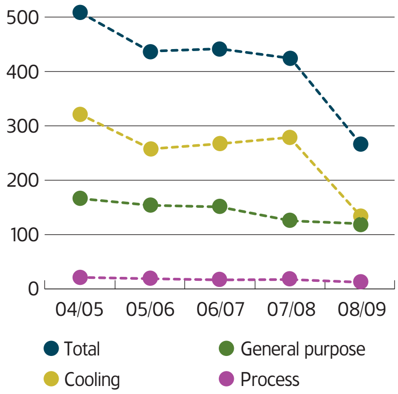
PERCENTAGE OF ISO 14001 CERTIFICATED SITES WORLDWIDE



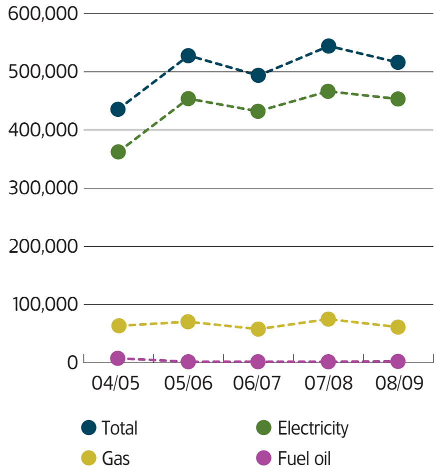
TREND IN THE PERCENTAGE
OF WASTE RECYCLED
by area



OVERVIEW AND BREAKDOWN
OF WATER CONSUMPTION
40 sites (in thousands of m³)



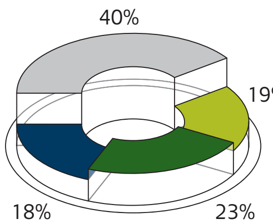
OVERVIEW AND BREAKDOWN
OF ENERGY CONSUMPTION
40 sites (in thousands of kW)



Controlling our environmental impact

The continuing efforts made by our Group in 2008/2009 have enabled us to eliminate almost all the chlorinated refrigerants used in our air conditioning systems.

PERCENTAGE BREAKDOWN OF WASTE – FRANCE



- Sent to landfill
- Incinerated waste
- Hazardous waste
- Recycled waste including:

Packaging	36%
Metals	14%
Other materials (fabrics, PVC, etc.)	50%

As in the previous fiscal year, our solvent-related atmospheric emissions were monitored quantitatively using VOC (Volatile Organic Compound) emission control systems.

Our consumption of process water has stabilized since last year at 5% of total consumption.

Our sites continue to treat their polluting effluents in accordance with all applicable regulations.

ENVIRONMENTAL PERFORMANCE MEASUREMENT

- Accident with environmental impact: none itemized.
- Gradual pollution of soils: none itemized.
- Gradual pollution of the natural world: none itemized.
- Chronic pollution of soils: none itemized.

FRANCE**	2005/2006	2006/2007	2007/2008	2008/2009
	25 sites*			
Energy (thousands of kW)				
Electricity	408,130	385,130	397,781	401,347
Gas	51,780	39,210	37,691	22,941
Fuel oil	2,696	2,331	2,100	2,239
TOTAL	462,606	426,671	437,572	426,527
Water (thousands of m³)				
General purpose	68	64	59	54
Cooling	182	189	190	45
Process	16	14	14	8
TOTAL	266	267	263	107
Waste (metric tons)				
Sent to landfill	746	574	534	552
Incinerated	445	1,040	1,025	671
Packaging recycling	385	538	583	494
Production materials recycling	1,047	890	862	1,120
TOTAL	2,623	3,042	3,004	2,837
% recycled	72%	81%	82%	81%

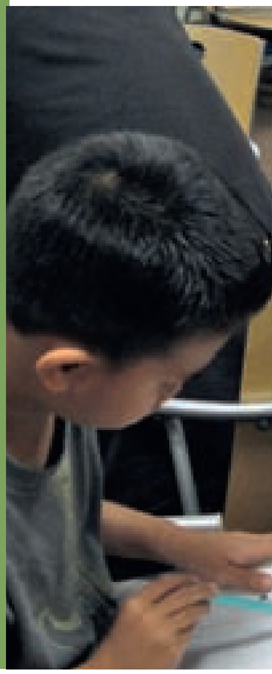
NORTH AMERICA***	2005/2006	2006/2007	2007/2008	2008/2009	2008/2009
	15 sites*				20 sites*
Energy (thousands of kW)					
Electricity	46,333	47,890	69,773	52,045	78,203
Gas	19,254	18,721	37,419	38,444	48,222
Fuel oil	–	–	–	–	–
TOTAL	65,587	66,611	107,192	90,489	126,425
Water (thousands of m³)					
General purpose	89	91	70	66	–
Cooling	75	78	89	92	–
Process	–	–	–	–	–
TOTAL	164	169	159	158	288
Waste (metric tons)					
Sent to landfill	2,392	2,467	1,477	1,295	1,406
Incinerated	106	119	168	134	148
Packaging recycling, production materials recycling	2,736	2,950	1,597	1,280	1,450
TOTAL	5,234	5,536	3,242	2,709	3,004
% recycled	54%	55%	60%	52%	53%

OTHER****	2005/2006	2006/2007	2007/2008	2008/2009
	4 sites*			
Energy (thousands of kW)				
Electricity	3,734	3,712	4,903	4,878
Gas	2,426	3,150	2,426	2,100
Fuel oil	–	–	–	–
TOTAL	6,160	6,862	7,329	6,978
Water (thousands of m³)				
General purpose	19	20	17	16
Cooling	–	–	–	–
Process	–	–	–	–
TOTAL	19	20	17	16
Waste (metric tons)				
Sent to landfill	179	129	171	148
Incinerated	17	32	34	36
Packaging recycling, production materials recycling	359	444	458	466
TOTAL	555	605	663	650
% recycled	68%	79%	74%	77%

At constant scope of consolidation
** *France: 93% of production sites*
*** *North America: 60% of production sites*
**** *Others: 1 site in Thailand, 2 sites in the UK and 1 site in North Africa*

SOCIAL RESPONSIBILITY

Zodiac Aerospace **remains loyally committed** to its humanitarian initiatives. Our support for the Petits Princes charity, which **makes dreams come true** for seriously ill children, has been renewed for a further three years. More Group companies than ever are **involved in local programs** set up to support children and others in particular need.



A new three-year commitment to the Petits Princes charity

Having been involved for the last six years with the Petits Princes charity, and having made dreams come true for more than 60 seriously ill children, Zodiac Aerospace decided during the fiscal year to renew its partnership for a further three years. This long-term commitment by the Group recognizes the exceptional work done by the charity, which focuses entirely on making life better for seriously ill children.

In 2008/2009, the Group was able to help make dreams come true abroad for three Petits Princes through the involvement of several of its companies in Africa and the Americas.

Victor (a 15 year-old passionate about design) was able to travel with his family to New York on a five-day trip to explore the life of the American capital of the arts (including a private tour of the Metropolitan Museum of Art) and enjoy some totally original events cleverly organized by Zodiac Aerospace employees.

Cédric (18) had long dreamed of experiencing the vast snow-covered wildernesses of Canada. In January 2009, he was able to travel to Montreal on his first-ever flight. From the airport, he traveled deep into the Canadian Forest to enjoy winter sports and activities in the heart of the natural world.

Victor (9) went on a week's Safari with his parents in the Pilanesburg Reserve in South Africa. Crazy about wild animals, this Petit Prince was able to follow rhinoceros, zebra and giraffe by Jeep, in the company of a ranger as passionate about the animals of the Savanna as himself!

As in previous years, many employees of the Group worked alongside charity volunteers to turn these dreams into unique realities that will never fade from the memories of all those involved.

Association Petits Princes

For more information: www.petitsprinces.com

Increased support for children

During the fiscal year, a number of Group companies – most of them in North America – were involved in local support activities. Many of these initiatives involved helping children, and therefore consolidated the direction already established at Group level.

Avox, an Aircraft Systems Segment company in the US, repeated its schools partnership program first introduced in 2008, and was able to provide higher education funding for three more high school students from Lancaster.

In June 2009, AeroSafety Systems company Esco organized a triathlon to raise funds for the Cancer Center at the Children's Hospital of Philadelphia (CHOP). Ten employees competed

“Many initiatives have been implemented to help children.»

successfully in the event. At the same time, and as part of this annual initiative, 74 of the company's employees volunteered to help the Philadelphia Insurance Triathlon event to collect donations.

Also in the USA, Driessen, a Cabin Interiors Segment company, has given its support to the Grandma's House of Hope charity, whose Nana's Kids program steps in to take over from school canteens to feed young homeless children during school vacations.

In Thailand, where the company also operates, it has organized a Bowling Charity to provide equipment for schools in a number of villages.

C&D Zodiac, another Cabin Interiors company, has officially launched its “Give and Grow” company foundation to support education in California. The foundation has three aims: to contribute to the education of children, to create and equip welcoming school facilities and to provide underprivileged schools and families with a broad range of educational equipment and supplies.

During the fiscal year, all C&D employees were involved in collecting computers for underprivileged homes. Several hundred computers have been distributed in this way by a specialist organization called Computers 4 Kids.

The company has also helped to renovate the Santiago primary school, for which it received direct congratulations from the Mayor of Santa Ana for setting such an excellent example.

An after-school club has been set up in the C&D offices at Garden Grove, Lincoln Way, to allow children to continue their studies with their personal tutor inside the company. Lastly, bursaries have been made available to deserving students living in areas near C&D sites to help them continue their studies anywhere in the USA.

A number of companies have also been involved in programs designed to help elderly and disabled people.

All these initiatives reflect the increasing level of commitment being shown by the Zodiac Aerospace Group to the youngest members of society, from providing help for underprivileged children to assisting those with educational difficulties and making dreams come true for children suffering from serious illnesses.

Financial information

MANAGEMENT REPORT

The **fiscal year was marked** by weaker economic conditions in the **aerospace equipment** industry.

Sales revenue and operating income

Business activity for the 2008/2009 fiscal year was disrupted by a decline in the market for aerospace equipment that was more rapid than initially forecast. The first part of the year was marked by a slowdown in the aircraft seats market, the strike at Boeing and delays in the introduction of Zodiac Services, the new global structure for the Group's after-sales services. Contrary to Group expectations, the disruption caused by these external influences had been only partially made good by the year-end, largely as a result of the additional challenges posed by further slippage in the Boeing 787 program and significant levels of stock shedding on business aircraft production lines. The seats market remained difficult through to the end of the year. Despite this weaker trading environment, the Zodiac Aerospace Group is able to report progress in all its key ratios, although the improvement achieved in some of these ratios falls short of initial expectations. Sales revenue fell back by 5.3% on a like-for-like basis, but rose by 9.5% on the basis of the current consolidation scope to end the year at €2,205.7 million, following the integration of those businesses acquired at the end of the 2007/2008 fiscal year (Driessen, TIA and Adder) and a favorable dollar/euro exchange rate for the year. Group recurring operating income rose by 5.9% to €249.4 million, compared with €235.6 million in 2007/2008.

Financial charges, tax and net income (all areas of the business)

Financial charges for the year totaled €34.3 million, compared with €30.6 million in 2007/2008.

The cost of funding the Driessen, Adder and TIA acquisitions is spread across the full fiscal year, contrary to last year when it concerned only the end of 2007/2008. At constant consolidation scope, the financial charge would have fallen by €3.4 million, from €37.7 million in 2007/2008 to €34.3 million in 2008/2009.

The syndicated loan in place since 2005 was renegotiated on March 10, 2009, and a new clause added, the effect of which was to increase the margin charged, although the implication of that increase has been largely offset by falls in the indexed interest rates (Euribor and Libor).

Corporate tax liability for the year is significantly lower at €20.6 million, compared with €65.2 million for 2007/2008. The main reason for this reduction is the tax impact of the disposal of our holding in Zodiac Marine Holding. Total net income for the year was €172.9 million, up from the 2007/2008 figure of €137.8 million (excluding the capital gain made on disposal of the Marine Segment).

Business segments

CABIN INTERIORS SEGMENT

The Cabin Interiors Segment contributes 51% of Group sales revenue. This segment benefited during the 2008/2009 fiscal year from the consolidation of businesses acquired at the end of the 2007/2008 fiscal year (Driessen, TIA and Adder). Its sales revenue grew by 18% to end the year at €1,135.4 million. In Quarter 4, this segment began to feel the first effects of the Embraer 170/190 program production rate reductions, as well as the decline in the commercial aircraft seats market. Recurring operating income for the segment rose by 0.9% to €117.6 million, reflecting an operating margin of 10.4%.

€172.9 million
in net income for the fiscal year

AEROSAFETY & TECHNOLOGY SEGMENT

This segment, which brings together the former AeroSafety Systems and Technology Segments, reported a slight reduction of 1.3% in annual sales revenue, the majority of which can be attributed to the marked decline seen in its Airbags business (down 41.4% over the fiscal year). Amongst its other areas of business, we saw a slight reduction in Evacuation Systems, a fall-off in Emergency Arresting Systems, a good performance from Elastomer Technologies & Systems and Interconnect Systems, and a year of growth for Telemetry and Telecommunications. The sharp decline seen in the Airbags business required the introduction of special measures, which returned the business to profit by the end of the year, following an operating loss in the first half. Recurring operating income for the AeroSafety & Technology Segment as a whole fell by 11.9% to €59.7 million, reflecting an operating margin of 11.8%.

AIRCRAFT SYSTEMS SEGMENT

The Aircraft Systems Segment reported 4.6% growth in annual sales revenue to end the year at €564 million. This segment benefitted particularly from the improvement in the dollar/euro exchange rate. At like-for-like consolidation scope and constant exchange rate, sales revenue was down slightly by 3.6%.
In Quarter 4, the segment was impacted by a significant level of stock shedding by certain customers, resulting in reduced production rates, especially in business aviation. The further postponement of Boeing 787 Dreamliner deliveries and the rescheduling of deliveries of seat actuators also depressed business volumes in Quarter 4. With the exception of Actuators, Sensors and Motors, all divisions in this segment reported sales revenue growth over the full year. The positive effect of the dollar exchange rate helped this segment to report a 28.2% rise in recurring operating income to €71.8 million, reflecting an operating margin of 12.7%.

Non-recurring operating income

Non-recurring operating income for the 2008/2009 fiscal year represented a loss of €21.6 million, compared with a loss of €2 million in 2007/2008. This figure reflects restructuring costs of €12.6 million and the capital loss of €5.1 million recognized on disposal of the remaining equity held in Zodiac Marine Holding.

A significant fall in financial debt

Group net financial debt fell significantly during the year, from €751 million at the end of August 2008 to €655 million on the same date in 2009. The ratio of net financial debt to equity was 52%, compared with 67% at the end of August 2008. This marked reduction in debt is due partly to a 16.7% rise in cash flow from €207.4 million to €242.0 million, and partly to the effective measures implemented to reduce the working capital requirement.

This reduction in debt has not impacted on the Group's capital expenditure policy, with investment of €30.8 million in intangible assets and €64.8 million in property, plant and equipment, of which €18.5 million relates to construction of 12,000 m^2 of new buildings on the Plaisir site to house part of the Intertechnique business that previously occupied the old buildings at Plaisir, as well as the Aerazur and Zodiac Aerospace Holding activities from Issy-les-Moulineaux. Plans are in place to ensure that all business activities currently exercised on the Issy-les-Moulineaux site will be relocated to Plaisir in Quarter 2 of 2010.

Disposal of shares in Zodiac Marine Holding

Zodiac Aerospace took the decision to dispose of its remaining equity holding in Zodiac Marine Holding (the company that owns Zodiac Marine & Pool) to the Carlyle Group. In doing so, the Group was responding to difficult market conditions in the Marine Segment, which had already led to very significant adjustments in the fair value of this holding in the 2007/2008 financial statements. This disposal was made at a nominal price with effect from August 31, 2009.

Outlook for 2009/2010

It seems likely that the 2009/2010 fiscal year will be marked by the delayed cyclical nature of the aerospace equipment manufacturing industry and an unfavorable euro/dollar exchange rate. The original equipment market, which contributes approximately 50% of Group sales revenue, is showing some resistance, but will inevitably reflect the lower production volumes seen at the end of the 2008/2009 fiscal year in the business, regional, jumbo and super-jumbo markets. Sales revenue will depend to a degree on the progress of the Boeing 787 program, the maiden flight of which is scheduled to take place before the end of 2009.

After-sales services, which contribute approximately 40% of Group sales revenue, should remain sustained over the coming months as a result of the increasing influence of Zodiac Services, which is now operational. The new structure will strengthen the commercial positioning of the Group in all its markets as a result of its ability to offer a comprehensive and worldwide service.

The Group will actively continue with the process of optimizing its production operations in such a way as to reduce its exposure to the euro/dollar exchange rate and improve its manufacturing competitiveness. Nevertheless, this strategy may not be sufficient in itself to offset the effect of a dollar/euro exchange rate of 1.50 throughout the 2009/2010 fiscal year.

Given this background, the Group has set itself the target for the 2009/2010 fiscal year of delivering an operating profitability level of 8% on the basis of an average dollar/euro exchange rate of 1.50. Dollar sensitivity is in the region of one percentage point in the COI/REV ratio for every 10 cent variation in the dollar/euro exchange rate.

As soon as we emerge from the current crisis, which could be in 2011 for the aerospace equipment market, Zodiac Aerospace will benefit fully from the recovery in air traffic volumes, its involvement in all new commercial aircraft programs, its expanded range of after-sales services, a more flexible manufacturing structure and greater potential for external growth.

EXECUTIVE AND SUPERVISORY BOARDS

CORPORATE APPOINTMENTS HELD BY EXECUTIVE BOARD MEMBERS

Members	Date of appointment or reappointment	Company position held	Other positions or offices held
Olivier Zarrouati	November 15, 2007	CEO	Directorships: **GROUP COMPANIES:** France: Intertechnique and Sicma Aero Seat Other countries: Air Cruisers Company LLC (USA), Avox Systems Inc. (USA), C&D Aerospace Canada Co. (Canada), C&D Zodiac Inc. (USA), Esco (USA), Icore GmbH (Germany), Icore International Ltd. (UK), MAG Aerospace Industries Inc. (USA), Parachutes Industries of Southern Africa Pty (South Africa), Sicma Aero Seat Services (USA), Zodiac Aerospace UK Ltd. (UK) and Zodiac US Corporation (USA)
Jean-Louis Gerondeau	November 15, 2007	Executive Board Member	Supervisory Board Chairmanships and Vice-Chairmanships: France: Institut de Développement Industriel (non-Group) Directorships: **NON-GROUP COMPANIES:** France: Faurecia and Nexans
Maurice Pinault	September 13, 2008	Executive Board Member	Directorships: **GROUP COMPANIES:** France: Adder, C&D Europe, ECE, Intertechnique and Sicma Aero Seat Other countries: C&D Aerospace Canada Co. (Canada), C&D Zodiac, Inc. (USA), Evac AB (Sweden), MAG Aerospace Industries Inc. (USA), Sicma Aeroseat Services (USA), Sicma Aeroseat España (Spain), The Richards Corporation (USA) and Zodiac Holding Sicma Aeroseat SL (Spain)

1. Personal remuneration paid to corporate officers in respect of the 2008/2009 fiscal year

The Remuneration Committee recommended to the Supervisory Board (which adopted the recommendation on February 12, 2008) that, with effect from September 1, 2008, the fixed remuneration paid to the CEO (Olivier Zarrouati) should be €365,000 and that to Board Member Maurice Pinault should be €255,000. The remuneration paid to Board Member Jean-Louis Gerondeau remained at €120,000.

Each Member of the Board also receives a variable payment, the amount of which is determined as follows:

Olivier Zarrouati: 0 to 100% of the fixed remuneration amount to reflect the degree to which the Group net income target is met.

Maurice Pinault: 0 to 25% of the fixed remuneration amount to reflect the degree to which the Group net income target is met, and 0 to 75% of the fixed remuneration amount to reflect the degree to which the Cabin Interiors Segment operating income target is met.

There is no separate pension plan in place for the corporate officers of Zodiac, or for its Executive Committee.

At the end of the fiscal year, there was no provision for the payment of any specific amount to members leaving the Executive Board.

In accordance with the Code issued by the AFEP/MEDEF, of which Zodiac Aerospace is a member, the CEO, Mr. Zarrouati, has announced his decision to resign from his post with effect from December 1, 2009.

Given Mr. Zarrouati's significant length of service with the Group, the Supervisory Board meeting of November 19, 2009 adopted a proposal to set up a new appointment package for Mr. Zarrouati, containing the following commitments:

a) A severance payment in the event that Mr. Zarrouati is obliged to relinquish his position as a corporate officer (subject to performance-related conditions)

The contract provides for a severance payment to be made to Mr. Zarrouati under the following circumstances:

- the dismissal, non-renewal of contract or requested resignation of Mr. Zarrouati as a member or Chairman of the Executive Board as the result of a change in control of the Company (within the meaning of Article L. 233-3 of the French Commercial Code)

- the dismissal, non-renewal of contract or requested resignation of Mr. Zarrouati as the result of any reorientation of the strategy previously supported and promoted by Mr. Zarrouati, whether or not as the result of a change in control.

In the interim, Mr. Zarrouati would also be entitled to receive this severance payment in the event that he is dismissed or is required to resign as a member or Chairman of the Executive Board prior to his reappointment or in the event that these appointments are not renewed.

This payment will be capped at an amount equivalent to 18 times the average gross monthly fixed and variable remuneration to which Mr. Zarrouati was entitled during the 12 months immediately preceding his departure.

Entitlement to receive this severance payment will be subject to, and conditional upon, the degree to which the Group targets on which the variable element of the remuneration paid to Mr. Zarrouati is based have been met in the 3 fiscal years immediately preceding the date of the relevant Board resolution, or during the period of appointment where the departure occurs within 3 years of appointment.

However, the total amount to which Mr. Zarrouati will be entitled in respect of severance and no-competition payments (see below) may not exceed an amount equivalent to 24 times his average gross monthly fixed and variable remuneration during the 12 months immediately preceding his departure.

b) A payment linked to a no-competition obligation

Given the termination of Mr. Zarrouati's contract of employment, the Board has approved the signature of a no-competition agreement between the Company and Mr. Zarrouati. In the event of Mr. Zarrouati's departure from the Company, this agreement will come into effect for a maximum period of one year from his departure from Zodiac Aerospace.

In return for entering into this obligation, Mr. Zarrouati will, during the period covered by the no-competition agreement, receive a monthly payment equivalent to the average gross monthly fixed and variable remuneration to which he was entitled during his last 12 months with the Company.

In accordance with Article L. 225-90-1 of the French Commercial Code, this payment is not subject to performance-related conditions.

c) Other provisions

The Company may contract an unemployment insurance policy with Mr. Zarrouati as beneficiary. In the event of unemployment, this policy will provide an annual benefit estimated at approximately €82,000. The Company will pay the premiums for this policy for a maximum period of 10 years.

Mr. Zarrouati will retain the benefit of 206,310 stock options granted to him prior to his contractual appointment as a corporate officer, and which could be exercised early in the event of a change in control.

Since the decision to contract this policy was not made until after the fiscal year-end on August 31, 2009, and will not become effective until December 1, 2010, all these commitments will be submitted for approval to the Annual General Meeting of shareholders convened to approve the financial statement for 2009/2010.

It is further stated that, in accordance with the rules set out in the French Social Security Code and the ARCCO and AGIRC schemes, Mr. Zarrouati will continue to make contributions to these schemes, and the employer's contribution paid by Zodiac Aerospace will be calculated as before.

Executive Board and Executive Committee members have the use of a company car, the purchase price and maintenance cost of which are capped.

2. Amount of remuneration paid to corporate officers

A) SALARIES AND BENEFITS

In euros	Fixed	Variable	Benefits in kind (vehicle)	Total
Jean-Louis Gerondeau	120,000	0	4,620	124,620
Maurice Pinault	255,000	240,000	4,980	499,980
Olivier Zarrouati	365,000	175,756	6,748	547,504
Total	**740,000**	**415,756**	**16,348**	**1,172,104**

B) STOCK OPTIONS

	Jean-Louis Gerondeau	Maurice Pinault		Olivier Zarrouati		
	2004 plan	2004 plan	2007b plan	2004 plan	2007a plan(2)	2007b plan
Options outstanding at August 31, 2008(1)	169,280	79,350	84,640	63,480	79,350	63,480
Options exercised in 2008/2009	-	-	-	-	-	-
Options outstanding at August 31, 2009	169,280	79,350	84,640	63,480	79,350	63,480
Option price (in euros)(1)	23.83	23.83	41.11	23.83	49.29	41.11
Expiry date	02/12/2012	02/12/2012	12/03/2015	02/12/2012	02/13/2015	12/03/2015

(1) Adjusted to reflect the impact of paying the extraordinary dividend in January 2008.

(2) Plan allocated to the 2006/2007 fiscal year.

3. 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 regulations 222-15-2 and 3 of March 20, 2006)

Six (6) such transactions occurred during the period between September 1, 2008 and August 31, 2009. Details of all these transactions were registered on the appropriate AMF website, and may be viewed at: http://www.amf-france.org.

APPOINTMENTS HELD BY SUPERVISORY BOARD MEMBERS

Members	Date of appointment or reappointment	Company position held	Directors fees received in 2008/2009 (€000)	Other positions or offices held
Didier Domange	January 8, 2008	Supervisory Board Chairman Accounts Committee Chairman Remuneration Committee Chairman Appointments Committee Chairman	128*	- Director of Sicma Aero Seat and R.B.D.H. Industries - CICOR representative on the Board of Directors of Banque Transatlantique - Chairman of the Supervisory Board of FIDOMA SAS
Louis Desanges	December 15, 2005	Supervisory Board Vice-Chairman Accounts Committee Member Appointments Committee Member	19	- Chief Executive of Omnium Delabordère - Member of the Supervisory Board of Altergie - Director of Ecod'Air El and Ecod'Air EA
Élisabeth Domange	December 15, 2005	Supervisory Board Member	9	- Farm manager - Member of the Supervisory Board of FIDOMA SAS
Gilberte Lombard	December 18, 2006	Supervisory Board Member Accounts Committee Member Remuneration Committee Member Appointments Committee Member	16	- Central Director of HSBC France - Director of HSBC Assurances Vie - Director of Nobel and Financière d'Uzès - Director of Robertet

** Total remuneration, including directors' fees.*

Members	Date of appointment or reappointment	Company position held	Directors fees received in 2008/2009 (€000)	Other positions or offices held
Robert Maréchal	January 12, 2009	Supervisory Board Member Remuneration Committee Member	12	- Director of Sicma Aero Seat, Groupe Tech Industries and Immobilière Maréchal
Marc Assa	December 15, 2003	Supervisory Board Member	10	- Director of AXA Luxembourg, BNP-Paribas Luxembourg, Eurobéton Luxembourg, Good Year Luxembourg and BGL BNP Paribas
Marc Schelcher	January 12, 2009	Supervisory Board Member	10	
Edmond Marchegay	January 12, 2009	Supervisory Board Member Appointments Committee Member	10	- Board member of Société Industrielle et Financière de l'Artois (Groupe Bolloré) - Member of the Supervisory Board of Banque J.-P. Hottinguer - Board member of the Real Estate and Services company of the CUI
Representative of SOCIÉTÉ FONCIÈRE, FINANCIÈRE ET DE PARTICIPATIONS (FFP)	December 18, 2006	Supervisory Board Member Accounts Committee Member	14	- Chairman and CEO of FFP (SA) - Member of the Supervisory Board of PSA Peugeot Citroën, Hermes International and IDI Emerging Markets - Permanent representative of Société Foncière, Financière et de Participations - FFP on the Zodiac Aerospace Supervisory Board - Chairman and CEO of Simante SL - Director of FFC S.A., FFC Construccion S.A., B-1998, Faurecia, Sanef, Imerys, Holding Reinier, Établissements Peugeot Frères, LFPF - La Française de Participations Financières, Immeubles et Participations for the Est region of France, WRG - Waste Recycling Group Limited, Alpine Holding, Sofina and DKSH - Statutory representative of FFP and Chairman of Financière Guiraud (SAS) - Chief Executive of Rodom (SCI) and CHP Gestion (SCI)

RISK MANAGEMENT

In conducting its operations, the Zodiac Aerospace Group applies a **responsible risk management policy** designed to safeguard the assets belonging to its shareholders and protect the **safety** of people, the **interests** of customers and consumers, and the natural **environment**.

Program-related risks

Local, regional and international economic conditions may have a medium-term impact on Group activities, and therefore the financial results of the Group. These risks include:

a) Downturn in the aerospace industry cycle

The flow of orders for aircraft tends to be cyclical, and 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. The Zodiac Aerospace Group believes 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 and air disasters, may also have serious repercussions for air traffic and, therefore, for the aircraft equipment markets served by Zodiac Aerospace.

In 2009, approximately 83% of the Group's adjusted consolidated sales revenue was generated from civil aviation.

b) Market assessment

The business sectors in which Zodiac is involved demand significant levels of investment, particularly in terms of research and development. These investment programs depend on long-term profitability. 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 (cf. note on intangible assets).

c) Reduction in military orders

A reduction in military expenditure or the postponement of certain programs could affect the military activities of Zodiac Aerospace. In 2009, approximately 10% of the Group's adjusted consolidated sales revenue was generated from military markets.

d) 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.

Problems encountered by some manufacturers in their programs (e.g.: A400M, B787, etc.) may result in the revision of delivery schedules, and delays in new aircraft production schedules may affect the flow of sales revenue from the aerospace activities of Zodiac Aerospace.

The Group's production and assembly facilities are spread widely throughout the world. This minimizes the risk posed by accidental interruption of production at any given site.

Product liability

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. In addition, 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).

Interest rate and currency risks

Since the Zodiac Aerospace Group operates in the aerospace industry, it has significant exposure to fluctuations in the euro/dollar exchange rate. Approximately 50% of Group sales revenue and 52% of its current operating income are generated in dollars by its US-based companies. In addition, approximately 21% of total Group sales revenue is billed in dollars by its European companies, and is therefore also exposed to euro/dollar exchange rate risks.

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 "euro" bases. This provides a "natural" hedge against the dollar rate. In the 2008/2009 fiscal year, approximately 19.4% of dollar sales generated by companies in the eurozone were "hedged" in this way. The Group also uses financial instruments to hedge the residual transaction exposure of its active and/or passive positions and, where necessary, its transaction dollar flow future positions. 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.

Commodities risks

The Group has no significant direct exposure to fluctuations in commodities and energy costs. Any indirect exposure results primarily from the business activities pursued by its customers, which may be affected by the price per barrel of oil, which is the case with airlines, for example. This may in turn pose a risk related to the solvency of airlines; this risk is managed by the Group's weekly monitoring of outstanding receivables balances. Late payment by customers may lead to the suspension of deliveries to those customers assessed as presenting a "significant risk" to the Group.

Industrial and safety risks

This fiscal year saw the introduction of a Group-wide Risk Management Charter.

This charter restates the commitment of the Group to continue its efforts to maximize the health and safety of its employees. It also sets targets for industrial risk management and the protection of Group assets.

A Group Safety & Industrial Risks Manager was appointed during the 2008/2009 fiscal year to take expert responsibility for these issues on a day-to-day basis.

50% of Group sales revenue is generated by our US-based companies

SAFETY

a) Reporting of work-related accidents and illnesses

During the fiscal year, the Group introduced additional resources to continue the process of reducing the Work-Related Accident risk to zero.

The Group has set itself three priority targets: to continue the process of identifying risks and introducing measures designed to reduce them, to analyze 100% of work-related accidents and continue with the deployment of measures to ensure the provision of working conditions that will prevent work-related illnesses.

Each site uses Group-wide systems to monitor progress towards achieving these targets. In this fiscal year, results were consolidated at national level as part of establishing an overview of risks. This overview will act as the basis for ensuring that each site takes the corrective and preventive action required to deliver continual improvement.

One of the measures introduced consists of a database hosted on the Group intranet. Details of all lost-time work-related accidents and work-related illnesses are uploaded to this database. All the Group's French sites contributed to this database during the fiscal year.

All the resources introduced will be progressively extended to sites outside France over the coming fiscal year, where they will be introduced in accordance with local legislation and regulations.

b) Reporting of safety issues

A new safety report was introduced during the fiscal year. This quarterly report provides a Group-wide overview of data relating to industrial risks and personal safety.

This report was introduced on all the Group's French sites during the fiscal year. One of its main benefits is to monitor the implementation of fire risk prevention initiatives introduced as a result of site inspections made by our insurer. It also monitors the number of work-related accidents reported, risk evaluation outcomes, the number of people receiving safety training and implementation of initiatives introduced as a result of the Group safety analysis conducted in the last fiscal year.

All the resources introduced will be progressively extended to sites outside France over the coming fiscal year, where they will be introduced in accordance with local legislation and regulations.

c) Property damage and operating losses

1. Partnership with insurers

The Group has intensified its management of industrial risks. Its priorities are to improve fire protection on its sites by acting on the inspection reports submitted by FM Insurance engineers, and to deploy a business continuity plan.

Sixteen production units were classified as HPR (Highly Protected Risk) in 2008/2009, representing nearly one quarter of all Group sites (following the acquisition of Driessen). This classification is awarded by our insurer.

Working on the basis of the risk matrix prepared for each site in the last fiscal year, the Group has been able to step up implementation of prevention and protection measures on certain sites by introducing 3-year safety investment plans. Furthermore, this collaboration has enabled the Group to prioritize initiatives on those sites susceptible to natural disasters, such as earthquakes and flooding, where the levels of risk are likely to be higher.

This risk matrix includes the classification established by our insurer's local engineers. This classification (A to E) provides an evaluation of the risk level associated with each site: sites classified as A have very high levels of protection, whilst those classified as E require significant upgrading in terms of protection. All sites classified as A, B or C are considered as low-risk sites.

RISK CLASSIFICATION

Classification	August 2006	August 2009
A*	16%	28%
B	12%	15%
C	20%	42%
D	42%	13%
E	10%	2%

** A = HPR (Highly Protected Risk)*

In August 2006, 52% of sites were classified at below C, and 48% above. In August 2009, only 15% of sites were still classified at below C, with 85% above.

The Group has set itself the target of having 100% of its sites classified as A, B or C within the next two fiscal years.

2. Business Continuity Plan

The Group has continued to deploy Business Continuity Plans (BCPs). These BCPs evaluate the risks and methods involved in resuming internal and subcontracted production following a major disaster on one of our sites.

The BCP for one particular production unit was tested during the fiscal year. This test was concluded successfully.

Seven production units now have complete and detailed plans.

Our goal is to continue the process of introducing these plans in all our sites worldwide.

3. The Group general policy on insurance

The Group 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.

- Integrated worldwide programs

The Group has worked with leading insurers to set up a worldwide program covering its main risks of property damage, operating losses and public liability.

– Property damage 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 any 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 limits for other types of more specific or localized risks, such as that of earthquakes in some regions. 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 companies are covered under a worldwide public liability insurance program that covers their operating liability and product liability. Two such policies are in place: one for aerospace businesses, and the other for the Group's non-aerospace activities.

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 has directors' and corporate officers' liability insurance.

– Shipping
The Group's shipping insurance policy covers damage to all goods in transit worldwide, regardless of shipping method (land, sea or air). This program covers shipping risks up to a maximum of €3.7 million per claim.

- Local policies

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

Counterparty risk management

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

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 current transactions.

These transactions are limited to organized markets and OTC transactions with premium-rated operators.

TEMPORARY FINANCIAL INVESTMENTS

Given its financial structure, any cash surpluses held by the Group are extremely short-term (less than one month). Such surpluses are invested in premium-rated stocks, and are negotiated with premium-rated banks.

CUSTOMER RECEIVABLES

This risk is limited by the large number of customers in the Group portfolio, and their geographic spread. At August 31, 2009, the Group had identified no significant counterparty risk remaining unprovisioned in its financial statements.

Liquidity risk management

Group finance is managed centrally, and all Group company cash surpluses and capital requirements are invested with, or funded by, the parent company where legislation permits.

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.

INVESTOR INFORMATION

Zodiac Aerospace shares

Zodiac Aerospace is listed on the Euronext Paris market:

- Euronext/ISIN code: FR0000125684
- Memo code: ZC

The Zodiac Aerospace share forms part of the Monthly Settlement Facility (SRD in French), and is one of those shares included in the following multi-sector benchmark indices: CAC Aerospace & Defense, CAC Industrials, CAC Mid&Small 190, CAC Mid100, 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.

In 1983, Zodiac was the first company to be listed on the Second Marché of the Paris Stock Exchange. The Zodiac share (Zodiac Aerospace since January 12, 2009) was transferred to the Paris Monthly Settlement Market in May 1989.

Zodiac Aerospace has joined the NextPrime segment of Euronext, reflecting its commitment to provide a high level of financial information.

Online shareholder resources and real-time information

Zodiac has its own website:
http://www.zodiacaerospace.com provides easy access to information for all shareholders.

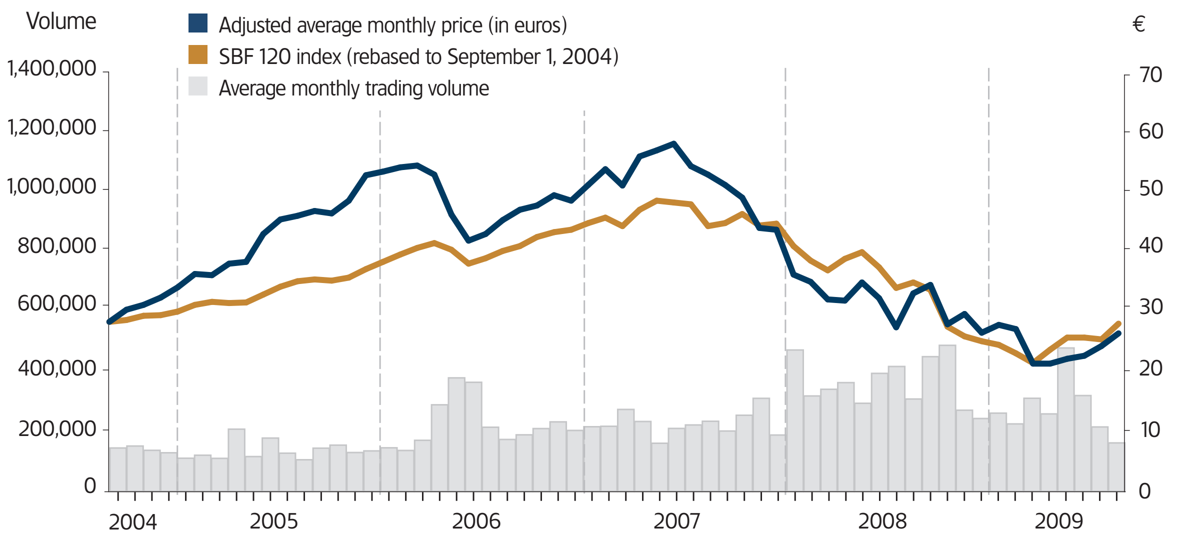
In addition to a general overview of the Group and its business, the corporate website offers comprehensive financial and strategic information on the Zodiac Aerospace Group, as well as the real time share price. The financial section of the website also provides information about key events affecting the Group, including press releases, quarterly figures, half-year results and annual results and reports. Users are invited to register in order to receive all the latest news by e-mail as soon as it is published online.

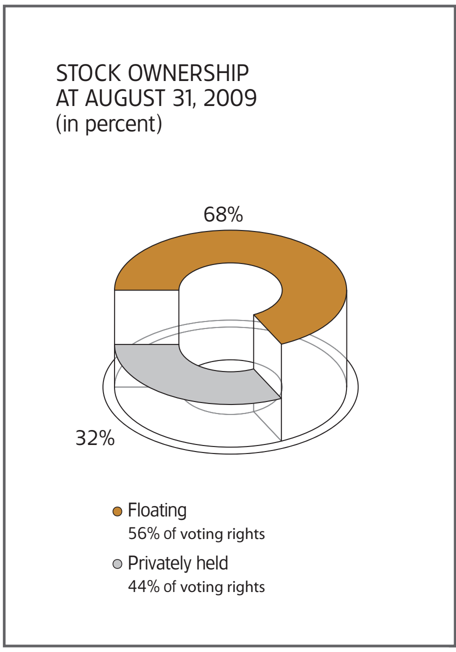
All financial information documents are downloadable, including the annual report, half-year report, prospectuses filed with the AMF (Autorité des Marchés Financiers) and presentations used in financial briefings.

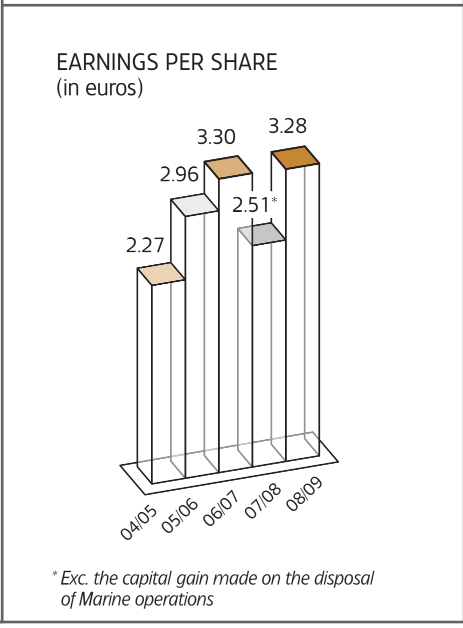
Capital stock

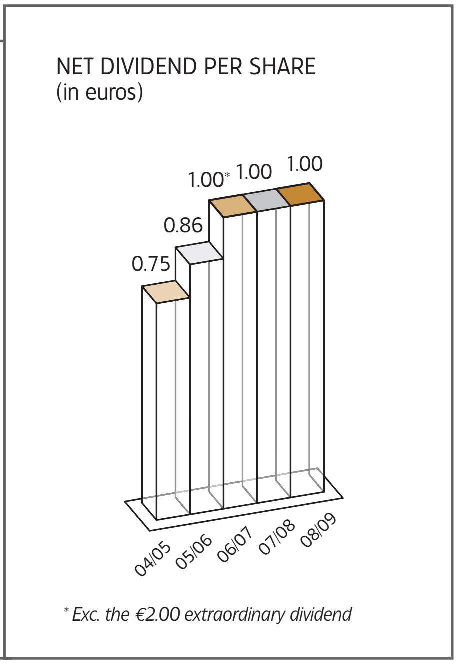
At August 31, 2009, Zodiac Aerospace capital stock totaled €11,141,615.60, represented by 55,708,078 shares.

5-YEAR TREND IN THE ZODIAC AEROSPACE SHARE PRICE









€3.28
in net earnings per share

€1.00
net dividend per share

€26.46
share price at August 31, 2009

STOCK MARKET DATA

	2004/2005 fiscal year	2005/2006 fiscal year	2006/2007 fiscal year	2007/2008 fiscal year	2008/2009 fiscal year
High/Low (closing price) in euros					
– High	47.41	55.60	60.47	53.47	36.67
– Low	27.22	38.50	45.16	25.15	18.85
Price at August 31	45.36	47.43	53.00	34.30	26.46
Number of shares at August 31	54,726,642	55,260,445	55,583,047	55,667,704	55,708,078
Market capitalization at August 31 (€000)	2,482,400	2,621,003	2,945,901	1,909,402	1,474,036
Average daily traded volume					
– No. of shares	143,332	217,097	225,065	325,065	310,140
– Capital (€000)	5,224.81	10,395.55	12,101.74	11,694.00	8,118.14

Stock options

For many years, Zodiac Aerospace has awarded stock options to its executives 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 long-term increases in the Zodiac Aerospace share price. The Supervisory Board grants prior authorization for any stock option plan within the overall terms approved by the General Meeting of Shareholders.

Options expire after a period of 8 years. They are granted without discount at 100% of the market value, and are exercised in tranches:

- annual share option awards may be exercised half at a time on consecutive anniversaries of the date of award;
- options awarded to Executive Board members under multi-year plans (every four years) may be exercised in quarters on each consecutive anniversary of the date of award.

Annual share option awards are granted in Quarter 1 of the fiscal year. In the 2008/2009 fiscal year, the annual awards were granted 15 trading days after publication of the 2007/2008 financial statements.

Individual share option awards are determined by the Executive Board. Share option awards granted to Executive Board members are approved by the Supervisory Board on the recommendation of the Remuneration Committee. In the 2008/2009 fiscal year, annual share options for 144,700 shares at €29.36 (being the average of the closing share price for the previous 20 days' trading) were awarded to 135 employees on December 4, 2008. No multi-year allocation was made during this fiscal year.

SHARES HELD BY CORPORATE OFFICERS

	Number of registered shares held at August 31, 2009
Executive Board Members	
Jean-Louis Gerondeau	621,375
Maurice Pinault	458,370
Olivier Zarrouati	10
Supervisory Board Members	
Didier Domange	221,838
Louis Desanges	1,043,165
Marc Assa	597
Élisabeth Domange	1,664,319
Gilberte Lombard	500
Edmond Marchegay	500
Robert Maréchal	1,597,756
Marc Schelcher	430,480
Société Financière du Cèdre	1,060,000
Société Foncière, Financière et de Participations - FFP	3,004,461

Shareholder pact

A pact was signed on December 8, 2005 by certain shareholders in Zodiac S.A. (Zodiac Aerospace since January 12, 2009). This pact, which covers 21.75% of capital stock and 35.02% of voting rights, was submitted to the Autorité des Marchés Financiers (French Market Regulator) in accordance with the requirements imposed by Article L. 233-11 of the French Commercial Code. The main content of this pact is a collective agreement to retain Zodiac shares for a period of 6 years in accordance with Article 885 I bis of the French General Tax Code. It supersedes a previous agreement signed on December 15, 2003 by certain shareholders of Zodiac S.A.

The new pact also grants reciprocal preemptive rights to the parties. The parties have stated that this pact has been entered into primarily for tax reasons, that its purpose is not to implement a common policy vis-à-vis the Company and that it does not therefore constitute a concerted action among the signatories. It should also be borne in mind that certain shareholders are bound by a shareholder pact, on expiry of which the parties have stated their intention to act in concert.

This pact, which gives them a reciprocal preemption right over the shares covered by the pact, was submitted to the Autorité des Marchés Financiers, which advertised it in its Avis 206C2341 of December 22, 2006. An additional clause has since been appended to this shareholder pact (AMF Avis 209C1252 of September 25, 2009). This additional clause formalizes the inclusion of Fidoma within the initial pact, and modifies those articles relating to the cap on the equity holding of FFP in the capital stock of the Company and the concerted action planned by the pact parties in order to monitor the forward trend in their holdings.

The detailed contents of these pacts and Collective Retention Agreements (Engagements Collectifs de Conservation) are available on the AMF website at: www.amf-france.org.

Potential number of shares at August 31, 2009

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

THEORETICAL TOTAL NUMBER OF SHARES

	Shares issued	Maximum potential number of shares
Ordinary shares issued at August 31, 2009	52,928,078	55,708,078
Stock options	2,051,305	2,051,305
Maximum total number of shares	**54,979,383**	**57,759,383**

Share buyback program

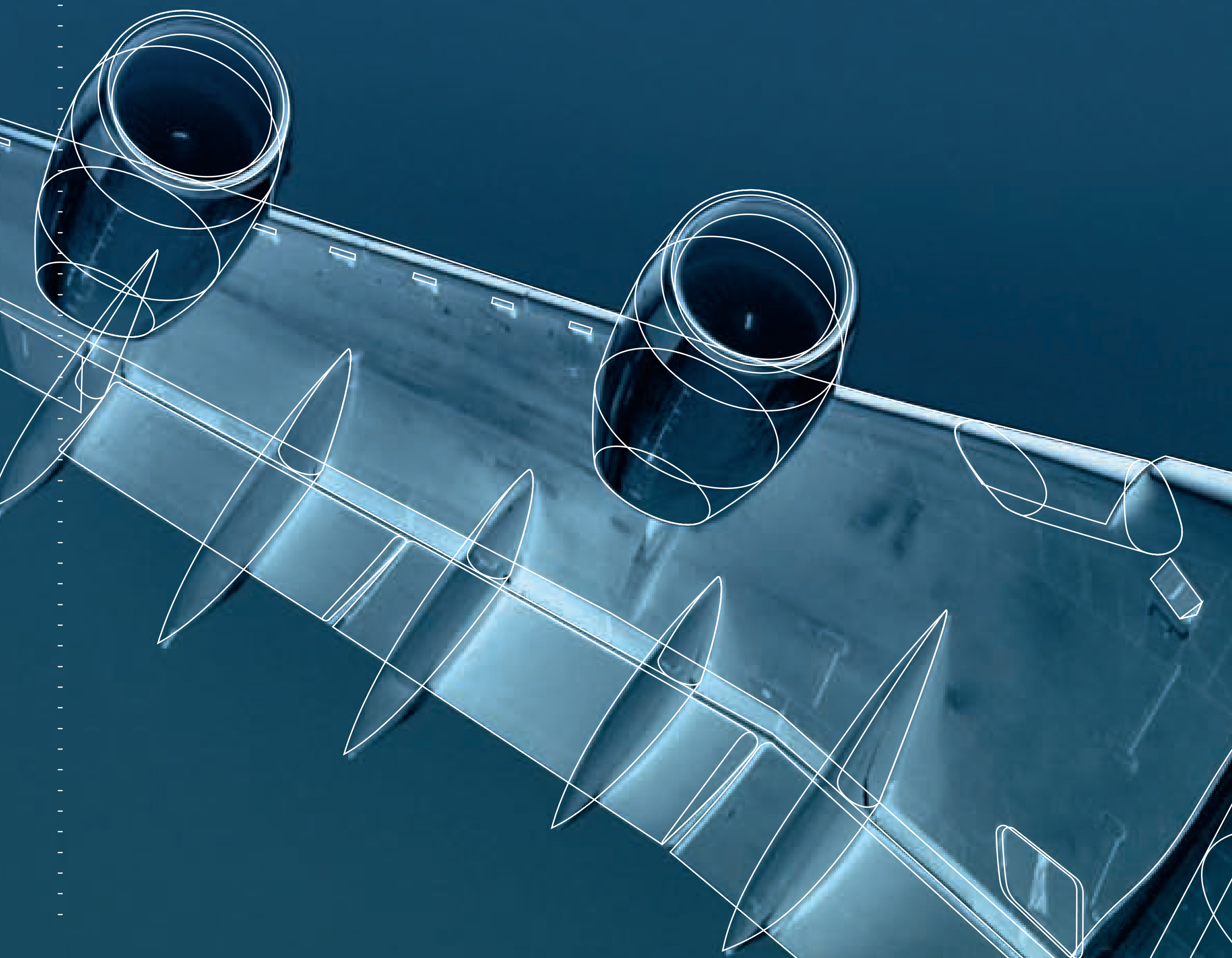
At the General Meeting of January 12, 2009, the shareholders renewed the authorization previously granted to the Executive Board, acting under the terms of Articles L. 225-209 and subsequent of the French Commercial Code, to buy back ordinary shares of the Company up to a maximum of 10% of the total 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 12, 2010.

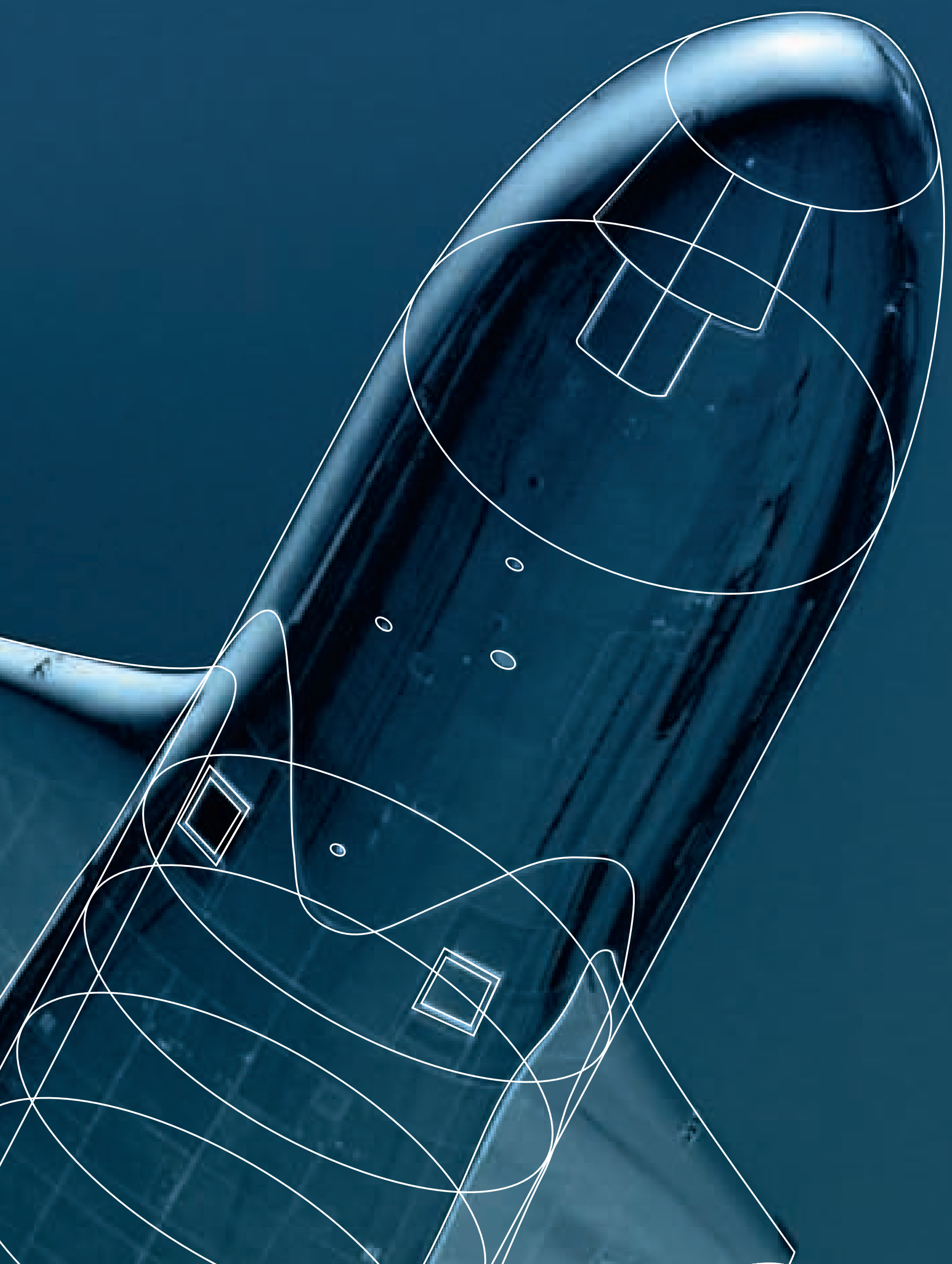
In accordance with the provisions of Article L. 225-209, paragraph 2 of the French Commercial Code, the Executive Board reports that during the 2008/2009 fiscal year, your Company did not exercise the authorization granted by shareholders at the AGM of January 12, 2009.

However, your Company did exercise the authorization granted by the preceding AGM 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 as part of any future acquisitions. The total number of shares held for these purposes is 2,780,000, representing 4.99% of capital stock at August 31, 2009 (2,467,276 shares, representing 4.43% of capital stock at August 31, 2008).

Financial statements

2008/2009





Foreword

This document is translated from the French “Rapport annuel 2008/2009”.
In case of difficulty, refer to the French text.

Consolidated key figures

	2008/2009	2007/2008	Change 08/09-07/08
Sales revenue	**€2,205.7m**	**€2,014.5m**	**+9.5%**
Number of employees(1)	17,477	15,663	+11.6%
Recurring operating income	€249.4m	€235.6m	+5.9%
Net income (after minority interests)	**€173.2m**	**€511.3m**	**NS**
Net income from ongoing operations (after minority interests)	€173.2m	€137.8m	+25.7%
Earnings per share for ongoing operations (after minority interests)	€3.28	€2.51	+30.7%
Proposed dividends(2)	€55.7m	€55.7m	–
Debt/Equity	0.52	0.67	-22.4%

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

(2) Exc. neutralization of treasury stock.

Other financial indicators

	2008/2009	2007/2008	Change 08/09-07/08
Profitability			
Operating margin	11.3%	11.7%	-3.4%
Net income (after minority interests)/Net equity at beginning of year (3) (4)	15.3%	20.8%	-26.4%
Financial position			
Cash flow	€242.0m	€207.4m	+16.7%
Capital expenditure	€95.6m	€91.4m	+4.6%
Net equity after appropriation of net income	€1,255.2m	€1,120.6m	+12.0%
Net interest expense	€33.1m	€29.8m	+11.1%

(3) Figures for 2007/2008: calculated on the basis of income excluding the capital gain made on disposal of the Marine Segment.

(4) Net equity at beginning of year after incorporation of exchange rate fluctuations, capital increases and premiums for the fiscal year.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheet

ASSETS

(thousands of euros)		Aug. 31, 2009	Aug. 31, 2008
Goodwill	(notes 3.8 – 13.1 and 13.2)	995,910	979,817
Intangible assets	(notes 3.8 – 13.3 and 13.4)	201,428	184,056
Property, plant and equipment	(notes 3.9 and 14)	242,223	223,099
Investments in unconsolidated subsidiaries and affiliates and other long-term investments	(note 15)	526	11,716
Loans		549	636
Other non-current financial assets	(note 16)	9,109	7,184
Deferred tax assets	(note 11)	3,161	3,138
Total non-current assets		**1,452,906**	**1,409,646**
Inventories	(notes 3.11 and 17)	489,632	526,286
Current tax assets		68,340	27,365
Trade receivables	(note 3.12)	430,955	498,151
Advances to suppliers and employees		5,697	8,150
Other receivables		2,033	1,388
Prepaid expenses		9,521	9,118
Other financial assets:			
– negotiable securities		123	321
– loans and other current financial assets		243	342
Cash and cash equivalents	(note 18)	101,873	99,015
Total current assets		**1,108,417**	**1,170,136**
TOTAL ASSETS		**2,561,323**	**2,579,782**

Consolidated balance sheet

EQUITY AND LIABILITIES

(thousands of euros)		Aug. 31, 2009	Aug. 31, 2008
Capital	(note 19)	11,142	11,134
Share premiums	(note 19)	73,342	72,601
Consolidated reserves and net income		1,257,241	795,381
Currency translation adjustments relating to ongoing operations		(121,029)	(142,803)
Revaluation adjustments		–	–
Restatement of financial instruments and other fair value instruments		(468)	6,265
Net income		173,153	511,346
Treasury stock		(86,387)	(81,488)
Equity after minority interests		**1,306,994**	**1,172,436**
Minority interests:			
– in equity		1,451	1,817
– currency translation adjustments		(169)	(605)
– in consolidated net income		(233)	28
Minority interests		**1,049**	**1,240**
Equity		**1,308,043**	**1,173,676**
Non-current provisions	(notes 21 and 3.13)	30,335	29,354
Non-current debt	(note 20)	512,892	456,159
Deferred taxes	(note 11)	48,059	42,817
Other non-current liabilities		–	–
Total non-current liabilities		**591,286**	**528,330**
Current provisions	(notes 21 and 3.13)	51,242	62,544
Current financial liabilities	(notes 18 and 20)	243,485	394,320
Accounts payable	(note 3.14)	173,585	234,790
Amounts owed to customers		28,836	21,438
Liabilities to employees and payroll liabilities	(note 3.15)	113,468	105,620
Current tax liabilities		27,213	31,564
Other payables		21,306	21,324
Deferred income		2,859	6,176
Total current liabilities		**661,994**	**877,776**
TOTAL EQUITY AND LIABILITIES		**2,561,323**	**2,579,782**

Consolidated income statement

(thousands of euros)		Year ended Aug. 31, 2009	Year ended Aug. 31, 2008
Sales revenue	(notes 3.1, 3.2 and 3.3)	2,205,696	2,014,486
Other revenues from operations		6,169	8,534
Purchases used in production		868,084	822,578
Personnel costs	(note 5)	707,305	620,820
External costs		288,721	286,210
Taxes other than income taxes		18,598	22,168
Depreciation and amortization	(note 3.6)	58,569	50,559
Charges to provisions		6,995	8,054
Changes in inventories of finished goods and work in progress		(13,675)	22,172
Other operating income and expenses	(note 7)	(509)	784
Recurring operating income	(note 3.4)	**249,409**	**235,587**
Non-recurring operating items	(note 8)	(21,555)	(2,017)
Operating income		227,854	233,570
Income/(expenses) related to cash and cash equivalents		3,196	2,014
Cost of gross debt		36,338	31,788
Cost of net debt	(note 9)	(33,142)	(29,774)
Other financial income and expenses	(note 10)	(1,160)	(835)
Income taxes	(note 11)	20,632	65,193
Net income from ongoing operations	(note 3.5)	**172,920**	**137,768**
Net income from disposals		**–**	**373,606**
NET INCOME	(note 3.5)	**172,920**	**511,374**
Minority interest		(233)	28
Group share		173,153	511,346
EARNINGS PER SHARE FOR ONGOING OPERATIONS (AFTER MINORITY INTERESTS)	(note 12)	**€3.28**	**€2.51**
DILUTED EARNINGS PER SHARE FOR ONGOING OPERATIONS (AFTER MINORITY INTERESTS)	(note 12)	**€3.27**	**€2.49**
EARNINGS PER SHARE (AFTER MINORITY INTERESTS)		**€3.28**	**€9.30**
DILUTED EARNINGS PER SHARE (AFTER MINORITY INTERESTS)		**€3.27**	**€9.24**

Consolidated statement of cash flows

(thousands of euros)		Year ended Aug. 31, 2009	Year ended Aug. 31, 2008
Operating activities:			
Net income		172,920	137,768
Depreciation, amortization and provisions		67,278	50,150
Capital gains		3,984	(170)
Subsidies and deferred taxes		(4,981)	14,573
Stock options		2,848	5,061
Cash flow		**242,049**	**207,382**
Net change in inventories		39,997	(51,758)
Net change in operating assets		39,280	(62,042)
Net change in liabilities		(42,399)	31,184
CASH GENERATED from ongoing operations		**278,927**	**124,766**
CASH GENERATED from held-for-sale and discontinued operations		**–**	**–**
CASH GENERATED from ongoing, held-for-sale and discontinued operations		**278,927**	**124,766**
Investing activities:			
Acquisitions of non-current assets:			
– intangible assets		(30,788)	(33,959)
– property, plant and equipment		(64,791)	(57,419)
– other		(2,011)	(1,387)
Proceeds from disposals of fixed assets		1,903	3,766
Changes in receivables and payables relating to fixed assets		(441)	2,596
Acquisitions/disposals of entities, net of cash acquired		(18,755)	(206,713)
CASH GENERATED from investments in ongoing operations		**(114,883)**	**(293,116)**
CASH GENERATED from investments in held-for-sale and discontinued operations		**–**	**896,811**
CASH GENERATED from investments in ongoing, held-for-sale and discontinued operations		**(114,883)**	**603,695**
Financing activities:			
Change in long-term debt		(42,194)	(487,680)
Change in financial instruments		(713)	–
Changes in equity		750	1,903
Treasury stock		(4,899)	(80,788)
Ordinary dividends paid by parent company		(52,738)	(55,544)
Extraordinary dividends paid by parent company		–	(111,087)
Dividends paid to minority interests		–	–
CASH GENERATED from financing ongoing operations		**(99,794)**	**(733,196)**
CASH GENERATED from financing held-for-sale and discontinued operations		**–**	**–**
CASH GENERATED from financing ongoing, held-for-sale and discontinued operations		**(99,794)**	**(733,196)**
Currency translation adjustments, beginning of period		(1,890)	(1,027)
NET CHANGE IN CASH		**62,360**	**(5,762)**
CASH AT BEGINNING OF PERIOD		**26,428**	**32,190**
CASH AT END OF PERIOD	(note 18)	**88,788**	**26,428**

Statement of change in consolidated equity

(thousands of euros)	Capital	Share premiums	Reserves and net income	Currency translation adjustments relating to ongoing operations	Currency translation adjustments relating to held-for-sale operations	Treasury stock	Restatement of financial instruments	Total equity after minority interests	Change in minority interests	Change in equity
BALANCE AT AUGUST 31, 2007	**11,117**	**181,816**	**854,909**	**(82,588)**	**(10,153)**	**(700)**	**13,022**	**967,423**	**4,337**	**971,760**
Acquisition or disposal of own shares (1)						(80,788)		(80,788)		(80,788)
Currency translation adjustments				(60,215)				(60,215)	(261)	(60,476)
Restatement of financial instruments and other fair value instruments							(6,757)	(6,757)		(6,757)
Measurement of stock options			5,359					5,359		5,359
Income recognized directly in equity (a)			5,359	(60,215)		(80,788)	(6,757)	(142,401)	(261)	(142,662)
Net income for the year (b)			511,346					511,346	28	511,374
Total income recognized for the year (a) + (b)			516,705	(60,215)		(80,788)	(6,757)	368,945	(233)	368,712
Capital increase	17	1,887						1,904		1,904
Dividends		(111,102)	(55,529)					(166,631)		(166,631)
Other			(7)					(7)		(7)
Change of consolidation scope and capital increase on minority interests			(9,351)		10,153			802	(2,864)	(2,062)
BALANCE AT AUGUST 31, 2008	**11,134**	**72,601**	**1,306,727**	**(142,803)**	**–**	**(81,488)**	**6,265**	**1,172,436**	**1,240**	**1,173,676**
Acquisition or disposal of own shares (1)						(4,899)		(4,899)		(4,899)
Currency translation adjustments			386	21,774				22,160	50	22,210
Restatement of financial instruments and other fair value instruments (2)							(6,733)	(6,733)		(6,733)
Measurement of stock options			2,848					2,848		2,848
Income recognized directly in equity (a)			3,234	21,774		(4,899)	(6,733)	13,376	50	13,426
Net income for the year (b)			173,153					173,153	(233)	172,920
Total income recognized for the year (a) + (b)			176,387	21,774		(4,899)	(6,733)	186,529	(183)	186,346
Capital increase	8	741						749		749
Dividends			(52,738)					(52,738)		(52,738)
Other			18					18	(8)	10
Change of consolidation scope and capital increase on minority interests										
BALANCE AT AUGUST 31, 2009	**11,142**	**73,342**	**1,430,394**	**(121,029)**	**–**	**(86,387)**	**(468)**	**1,306,994**	**1,049**	**1,308,043**

(1) Shares acquired under a "liquidity agreement" and a share buyback program.

(2) The "Restatement of financial instruments" column includes:
on the one hand, -€6,265,000, which refers to the fair value recognition of the Coast Investment (Waterpik) and Zodiac Marine Holding shares sold during the 2008/2009 fiscal year, and the other, -€468,000, which refers to the fair value of the interest rate hedge (see Note 2 – Interest rate risk management).

Notes to the consolidated financial statements

Note 0 - Changes to the consolidation scope

In accordance with current regulations, this note contains the information required to assess the impact made by changes to the consolidation scope.

A) Acquisitions and disposals prior to August 31, 2009

No changes were made to the consolidation scope during the fiscal year.

B) Acquisitions and disposals made after the fiscal year-end

To date, the Group has made no acquisition or disposal since the fiscal year-end.

C) Other information

During the 2007/2008 fiscal year, the Group disposed of its Marine Segment, the result of which was recognized in the income statement as a capital gain of €373.6 million net of associated expenses and taxes.

Main exchange rates used in consolidation

	Balance sheet	Income statement
US dollar	1.4272	1.3513
Canadian dollar	1.5793	1.5884
South African rand	11.1136	12.2403
Pound sterling	0.8814	0.8673
Thai baht	48.532	46.9416
Czech crown	25.376	26.244

Note 1 - Accounting principles

A) Basis for preparation of financial statements

To comply with European Regulation 1606/2002 of July 19, 2002 on International Financial Reporting Standards (IFRS), the Zodiac Aerospace Group consolidated financial statements for the fiscal year ended August 31, 2009 have been prepared in accordance with IAS/IFRS and those IASB interpretations (SIC and IFRIC) applicable on August 31, 2009, as adopted by the European Union at that date. Comparative accounts for the previous year have been prepared in accordance with the same standards.

The consolidated financial statements of the Zodiac Aerospace Group have been prepared in accordance with IFRS, under the responsibility of the Executive Board at its meeting of November 16, 2009. Amounts are expressed in thousands of euros unless otherwise indicated. The accounting principles and policies applied by the Group are described below.

B) Application of standards, amendments to standards and interpretations of standards prior to their mandatory application date

The Zodiac Aerospace Group has decided not to anticipate any standards, interpretations of standards, amendments of standards, revised versions of standards or the IFRS and IAS improvements published in May 2008, application of which is compulsory for annual accounting periods commencing on or after January 1, 2009 and on or after June 30, 2009, i.e. after this Group fiscal year, which commenced on September 1, 2008.

The Zodiac Aerospace Group is in the process of identifying the potential impacts on the Group consolidated financial statements. At this stage of its analysis, the Group does not anticipate any significant impact on its consolidated financial statements. Nevertheless, the following three standards are to be considered in greater detail:

- IFRS 8, which replaces IAS 14, should not result in any change to the presentation of operating segment information unless there is any post-year-end change to the current organizational structure of the Group
- IFRS 3 (revised), which is likely to result in future changes to the ways in which business combinations are accounted for
- IAS 23 (revised), which is likely to result in the Group capitalizing new development project financial expenses at a future date. On the basis of the amounts recognized in the financial statements for the last fiscal year, this impact would not be significant for the Group.

IAS 27 (revised) clarifies the recognition of changes in the level of ownership interest in subsidiary companies and the breakdown of controlling and non-controlling interests. This amendment may be applied only in conjunction with IFRS 3 (revised).

Nevertheless, current analysis shows that the combined impact is likely to be of low significance for the Group's key financial aggregates.

C) Options adopted by Zodiac Aerospace for preparing financial information under IFRS

OPTIONS ADOPTED BY THE GROUP WHERE STANDARDS OFFER OPTIONS FOR RECOGNITION AND MEASUREMENT

Certain International Accounting Standards offer options for the measurement and recognition of assets and liabilities.

In this respect and at this stage, the Group has opted:

- to use the amortized historical cost method for measuring its property, plant and equipment and intangible assets (IAS 38), and has therefore opted not to revalue its property, plant and equipment and intangible assets at each balance sheet date (IAS 16)
- not to capitalize financial interest expenses incurred during the period of construction of intangible assets and property, plant and equipment (IAS 23)
- to continue to apply the method of accounting for inventories at their initial cost, as determined by the "First In, First Out" method (IAS 2).

D) Use of estimates and assumptions

The preparation of its 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 balance sheet and the amount of income and expenses shown in the income statement. Management revises its estimates and assumptions on an ongoing basis, as a function of 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 taxes, provisions, employee benefits, share-based payments and those used to test asset impairment.

The significant accounting methods within which the Group is making estimates are as follows:

- Payments based on the Zodiac Aerospace share price

Payments made on the basis of the Zodiac Aerospace share price and recognized under IFRS 2 are affected by share price volatility and the yield assumptions adopted.

- Pensions, other long-term employee benefits and post-employment benefits

The valuation placed on pension obligations and other post-employment and long-term benefits in accordance with IAS 19 is affected most significantly by the assumptions made concerning the discount rate and the rate at which salaries increase.

- Impairment of goodwill

The impairment tests applied to goodwill are affected by the assumptions underpinning medium-term financial forecasts and the weighted average cost of Group capital used to discount future cash flows.

- Recoverability of deferred tax assets

The value of deferred tax assets, and particularly those arising as a result of brought forward negative tax balances, is affected by the assumptions adopted by the same medium-term financial forecasts used for goodwill impairment testing.

E) Consolidation principles

Companies over which Zodiac Aerospace exercises exclusive control, whether directly or indirectly, are fully consolidated.

Companies over which Zodiac Aerospace exercises joint control, whether directly or indirectly, are proportionally consolidated.

Companies over which Zodiac Aerospace exercises significant influence are accounted for using the equity method.

A list of consolidated subsidiary companies and holdings is given in Note 24.

N.B.: IN Services & Al Rumaithy Estab. is fully consolidated, since the Group has a controlling interest in this company. Its parent company Intertechnique is entitled to appoint up to three of the five directors.

In the case of consolidated companies, intra-Group balance sheet items and transactions are eliminated in full.

Acquisitions and disposals of companies during the fiscal year are recognized in the consolidated financial statements with effect from the date of acquisition or loss of effective control.

F) Translation of subsidiary company financial statements expressed in foreign currencies

The financial statements of foreign subsidiaries that report in a currency other than the euro are translated as follows:

- assets and liabilities: into euros based on the exchange rate at the period end
- income statement: into euros based on the average exchange rate for each currency over the period.

When a foreign company is disposed of, cumulative currency variances are recognized in the income statement as a component of profit or loss on disposal.

The resulting translation adjustments are recognized as equity.

None of the Group's foreign subsidiaries reports in the currency of a hyperinflationary economy.

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 income statement.

H) Property, plant and equipment and finance leases

Property, plant and equipment are recognized in the balance sheet at their historic value (including associated expenses) or production value (excluding financial expenses), less accumulated depreciation and charges for impairment of value.

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, these useful lives are as follows:

- buildings and improvements: 10 to 40 years depending on the type of building
- plant and equipment: 3 to 8 years depending on the use made of the equipment
- IT equipment and furniture: 3 to 10 years depending on the use made of the equipment.

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.

After initial recognition, the amortized cost model is applied to property, plant and equipment. Impairment tests are applied whenever there is an indication of impairment.

I) Business combinations

Business combinations are recognized by applying the purchase method, as required by IFRS 3, "Business Combinations".

The difference between the cost of acquisition, plus associated expenses, and the Group share of the fair value of the identifiable assets and liabilities of the acquired entity is recognized as goodwill if the difference is positive, and as income if it is negative.

Goodwill is not amortized, but is subject to impairment testing whenever there is an indication of impairment, and at least once per year for the fiscal year-end.

This goodwill is allocated to the cash-generating units (CGUs). The total amount of goodwill may be adjusted during the one-year post-acquisition measurement period.

Furthermore, goodwill arising from the acquisition of minority interests is calculated on the basis of the share of net assets acquired, with no remeasurement of the assets and liabilities acquired.

J) Intangible assets

Intangible assets comprise mainly 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 cost and subsequently measured at amortized cost.

Intangible assets resulting from measurement of the assets of acquired entities (mainly brands) are recognized in the balance sheet at fair value, which is usually determined on the basis of external appraisal.

These intangible assets are amortized over their useful life, which does not exceed 20 years.

These amortized intangible assets are subject to impairment testing where there is an indication of impairment.

Unamortized intangible assets with an open-ended useful life, the majority of which refer to goodwill, are subject to impairment testing whenever there is an indication of impairment, and at least once per year for the fiscal year-end.

2 – INTERNALLY-GENERATED INTANGIBLE ASSETS

The majority of these assets refer to development expenditure.

Under the terms of IAS 38, "Intangible Assets", development expenditure 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 asset will flow to the company
- the cost of the asset can be measured reliably.

Where a Zodiac Aerospace Group company involved in a development program meeting these criteria is appointed by a customer to develop and market the product concerned, the corresponding development expenditure is capitalized up to the amount shown in the original development quotation. 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.

In the absence of any contractual guarantee from the customer to cover the development expenditure incurred, this expenditure (up to the limit referred to above) is capitalized.

Where development expenditure is funded by the customer under a contractually-separate arrangement, this expenditure is recognized under inventories (as work in progress) and is used in calculating the cost price of sales.

Research and development costs that do not meet the above criteria are recognized as expenses for the fiscal year in which they arise.

These costs are amortized over the projected quantity of billable units commencing at the start of operations of the relevant program. Where applicable, this allocation is supplemented in order to increase the expense to the equivalent of a minimum straight-line amount of amortization.

Other intangible assets are amortized on a straight-line basis over their useful life, taking into account the duration of any legal and/or regulatory protection.

At the balance sheet date, these intangible assets are subject to impairment testing if there is any indication that their carrying values may not be recoverable.

K) Financial assets

Financial assets comprise investments in non-consolidated companies, which are recognized as available-for-sale financial assets, loans, deposits and guarantees.

Since September 1, 2005 (date of first-time adoption of IAS 39), unconsolidated investments have initially been recognized at their acquisition cost, and measured at their fair value once fair value can be measured reliably.

None of these investments relate to listed companies.

Where fair value cannot be measured reliably, 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 fair value are recognized in equity, under a separate heading, until the shares are sold. Where it can be concluded that the impairment loss is permanent, this loss is recognized in the income statement.

Deposits, guarantees and loans are recognized at amortized cost. Impairment losses are recognized where there is objective evidence of impairment.

L) Inventories

The Group measures its inventories at cost price, calculated using the "First In, First Out" method, in accordance with IAS 2, "Inventories". Inventories are measured at cost value or net realizable value (which is the estimated selling price less the estimated costs necessary to realize the sale), whichever is the lower.

Inventories are impaired on the basis of product 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 recognized 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 such.

N) Cash and cash equivalents

Cash and short-term deposits recognized in the balance sheet 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, less short-term bank borrowings.

O) Costs associated with capital increase

External costs relating directly to a capital increase are recognized net of tax by deduction from share premiums where a tax saving is generated.

P) Treasury stock

Purchases of treasury stock are recorded 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 where it has an obligation to a third party as a result of a past event, if it is probable that an outflow of resources representing economic benefits will be required to settle the obligation and if the amount of the loss or liability can be measured reliably.

If this loss or liability is not probable and cannot be measured reliably, but remains possible, the Group then recognizes a contingent liability under commitments.

Provisions are discounted where 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 balance sheet. This applies to provisions for guarantees or litigation.

R) Deferred taxes

Deferred taxes are recognized using the variable balance sheet liability method for all timing differences between the carrying amount of assets and liabilities shown in the consolidated balance sheet and their tax base on the balance sheet date.

Deferred tax assets for all timing differences and 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 offset, except where the deferred tax asset arises as a result of 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 does not affect taxable income on the transaction date.

Deferred tax liabilities are recognized, except where they result from a difference between the carrying amount of an asset or liability resulting from the initial recognition 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.

A provision is recognized for the tax liability of intra-group dividends paid by companies outside the tax consolidation group as soon as such distribution is deemed probable.

In accordance with IAS 12, deferred taxes are not discounted.

Deferred tax assets and liabilities are netted in the France and USA tax groupings.

S) Financial liabilities and derivative financial instruments

1 – FINANCIAL LIABILITIES

Since September 1, 2005, financial liabilities have consisted primarily of current and non-current financial liabilities in respect of financial institutions. These liabilities are initially recognized at fair value, including any directly-related transaction costs. They are then measured 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 sales 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 balance sheets of Group companies. At the balance sheet date, hedging contracts are estimated at their fair value (Fair Value Hedges). 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 year-end exchange rate, as required by IAS 21, "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 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 are treated as cash flow hedges. At the balance sheet date, the financial instruments corresponding to these hedges are recognized in the balance sheet at their fair value. The change in fair value representing the effective portion of such hedges is recognized in equity under a separate heading until the hedged cash flow is effectively realized. It is then transferred to the income statement when the underlying item is recognized as income. The ineffective portions of hedges are included in financial income.

There is no hedging policy for the balance sheets of foreign entities.

Most of the Group's foreign currency exposure arises from transactions between its French entities and customers that buy in US dollars.

The Group is also exposed to the risk of fluctuations in the interest rates on borrowed funds, the majority of which originate in its syndicated loan, where most drawings are made at variable (euro and US dollar) interest rates. This exposure has been partially hedged using financial instruments for the 2009/2010 fiscal year (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 pensions 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 pension plans of two US companies (Air Cruisers and Avox Systems).

1 – DEFINED BENEFIT PLANS

For defined benefit retirement and related medical insurance plans, the Group uses the Projected Unit Credit Method to determine the cost of benefits, and carries out actuarial valuations at each balance sheet date.

These calculations include demographic assumptions (retirement date, personnel turnover rate, mortality, etc.) and financial assumptions (discount rate, rate of salary increase, etc.).

Where plans are funded, the assets are vested with benefit payment organizations.

Any shortfall between the fair value of assets and the discounted value of obligations due under the plan concerned is provisioned to reflect accumulated actuarial variances and the cost of services provided, but not yet recognized as a profit or loss.

Pension plans are appraised annually by independent actuaries.

Actuarial gains and losses on these plans are recognized using the following method:

- the portion of actuarial gains and losses representing 10% at most of the higher of the present value of the pension obligation and the fair value of the pension funds is not recognized
- the portion of actuarial gains and losses exceeding this 10% corridor is amortized on a straight-line basis over the residual period of service remaining to be completed by the employees concerned.

Past service costs are recognized immediately where the related benefits have already been permanently vested in the employees concerned. Where this is not the case, they are amortized over the remaining period of employment to be completed by the employees concerned in order to qualify definitively for vesting of the corresponding entitlements.

The cost of post-employment benefits is shown in the income statement as follows:

- current service costs (i.e. for the period) and past service costs (the portion amortized over the period) are included in personnel costs
- the difference between the income from the expected return on plan assets and the charge reflecting the increase in the present value of the pension obligation is included in financial charges or income
- any amortized actuarial gains or losses (resulting from application of the above corridor rule) are recognized as "Other operating income and expenses".

The full amount of provisions for post-employment benefits is recognized as "Non-current provisions" in the balance sheet.

2 - DEFINED CONTRIBUTION PLANS

Amounts due in respect of these plans are recognized as expenses for the period.

U) Share-based payments

As required by IFRS 2, stock option and purchase plans granted after November 7, 2002 for which stock purchase rights were not vested at January 1, 2005 must be measured at the fair value calculated for the date on which the options were granted.

The Group is committed to Zodiac Aerospace stock option plans granted to certain employees and Executive Board members.

The fair value of services rendered by employees as consideration for the options granted is recognized as an expense, which is recorded as a function of services rendered at the time those services 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 application of this rule has an impact on expenses for the period, but has no effect on consolidated equity; the counter entry for this expense is an increase in equity of the same amount.

V) Revenues

As required by IAS 18, sales of finished goods and merchandise are recognized when the risks and rewards incident to ownership are transferred, i.e. in most cases, when the goods are shipped.

Sales of services are recognized over the contract period and in accordance with the terms and conditions of the contract. Revenues derived from the provision of services 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 projected total spending through to completion, or using contractually-defined technical stages and, more particularly, the essential phases in performance of the contract (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 revenues.

W) Impairment of assets

Goodwill and intangible assets with an indefinite life are not amortized, but are subject to impairment testing whenever there is an indication of impairment, and at least once per year for the fiscal year-end.

Other non-current assets with a finite life (amortizable 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.

Impairment testing entails comparing the carrying amount of an asset with its recoverable amount; the recoverable amount being defined as its fair value net of disposal costs or its value in use, whichever is the higher.

The recoverable value of an asset or group of assets is defined as the market value (less selling costs) or the value in use, whichever is the higher. Value in use is estimated by discounting forecast cash flows using a reference rate that reflects the weighted average cost of capital for the Group.

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 instance, as is the case with goodwill, which in principle does not generate independent cash inflows, the recoverable value of the asset is determined by that of the cash-generating unit (CGU) to which the asset belongs, and which is the smallest group of compatible assets that generates cash flows largely independent of those from other assets or groups of assets.

The cash-generating units and groups of cash-generating units identified by the Group within the meaning of IAS 36, "Impairment of Assets", mirror the functional organizational structure of the Group, by operating segment, and, in certain cases, by product line.

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 finances of the Group (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 value of the individual asset is estimated. Where its carrying value is higher than its recoverable value, the asset is treated as having lost value, and its carrying value is reduced to reflect its recoverable value by means of an impairment recognized as expenditure in the income statement.

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 prorata 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 where favorable changes have occurred in respect of estimates that previously resulted in an impairment, a loss of value write-back is recognized in the income statement for the fiscal year.

The recoverable value of CGUs, which corresponds to their value in use, is determined by applying:

- a discount rate equal to the Group's average weighted cost of capital. This rate is 9% for all CGUs, with the exception of the Airbags Division, which is subject to a rate of 10%
- cash flows determined on the basis of 4-year plans. Beyond this period, flows are extrapolated by applying a perpetual growth rate of 2%, which reflects the forecast growth rate for the market concerned, with the exception of the Airbags Division, which is subject to a zero rate
- a euro/dollar exchange rate of 1.40 for the first year, 1.35 for the second year and 1.30 thereafter, accompanied by simulation of the impact imposed by a depreciation of the dollar after the second year (simulation based on 1.40/1.50).

In all the assumptions described above, the recoverable value of CGUs is greater than their carrying value, especially with a euro/dollar exchange rate of 1.50. The only exception is Driessen, for which the recoverable value would be less than approximately €20 million on the assumption of a euro/dollar exchange rate of 1.50 in perpetuity.

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.

For this definition to apply, the asset must be available for immediate sale and such a sale must be highly probable. At the balance sheet date, held-for-sale assets are measured at their fair 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 subtotal "Recurring operating income" under the heading "Non-recurring operating items". The resulting subtotal is "Operating income".

The total debt figure used by the Group for disclosure purposes is the sum of "Non current debt" and "Current financial liabilities", minus "Cash and cash equivalents".

The presentation of the balance sheet and income statement has been revised in accordance with IAS 1, "Presentation of financial statements".

On the balance sheet, assets and liabilities relating to the Group's operating cycle are classified as current.

All other assets and liabilities are classified as non-current.

The first level of segment reporting is by business segment, reflecting the internal organizational structure of the Group. The business segments are as follows:
- AeroSafety & Technology Segment
- Aircraft Systems Segment
- Cabin Interiors Segment.

The second level of segment reporting is by geographic region. The Group's geographic regions are as follows:
- Europe
- The Americas
- Rest of the World.

The financial data presented for the purpose of segment reporting are subject to the same accounting rules as those applied when producing the Group financial statements.

Z) Earnings per share

The figure for earnings per share – as presented with respect to IFRS net income – is calculated in accordance with IAS 33, "Earnings Per Share".

The figure for basic earnings per share is calculated by dividing the net income attributable to equity holders of the parent 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 is 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.

AA) Held-for-sale assets

The net income from held-for-sale assets and discontinued operations shown in the income statement for the 2007/2008 fiscal year relates to the disposal of the Marine Segment.

These assets were effectively disposed of on September 27, 2007.

AB) Segment reporting

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.

With effect from the 2008/2009 fiscal year, the AeroSafety Systems and Technology Segments have been combined to form a single segment known as AeroSafety & Technology. The three main reasons for this combination are:
- that these segments report to the same senior executive
- that the Telemetry and Telecommunications Division has many links with the Aerospace business
- that the Airbags Division shares some of its production resources with those of AeroSafety.

• AeroSafety & Technology Segment

This Group segment designs, develops, manufactures and markets:
- aircraft evacuation systems: escape chutes for airliners, emergency floats for helicopters, etc.
- parachute and protection systems for the military and civil (sports parachute) markets
- emergency arresting systems: retractable systems, nets, mechanical brakes and fabric brakes for military applications
- cellular cement arrestor beds for civil aviation applications
- elastomer-based systems and technologies
- electrical interconnect systems
- aerospace telemetry and telecommunication systems for military and civil markets
- airbag cushions.

• Aircraft systems Segment

This segment designs, develops, manufactures and markets:
- aircraft electrical power management systems
- aircraft actuators, sensors and electric motors
- aircraft on-board computers
- aircraft and Formula 1 fuel systems
- aircraft oxygen systems
- aircraft hydraulic and control systems.

• Cabin interiors Segment

This segment designs, develops, manufactures and markets the following (chiefly for civil aviation applications):
- passenger and crew seating
- cabin equipment: water distribution, sanitary, refrigeration and other systems, trolleys, etc.
- cabin systems: cabin interiors, galleys, toilets, baggage lockers, flight class dividers, etc.

Note 2 - Management of financial risks

A) Interest rate risk

Financing for all Group subsidiaries is centralized. At August 31, 2009, the majority of Group debt was exposed to fluctuations in Euribor.

On June 29, 2009, the Group put in place interest rate hedges in the form of 3-month Euribor base rate swaps valued at €350 million, with a maturity of June 29, 2010. The average rate of these hedges is 1.18%.

The fair value of the hedges used by the Group at August 31, 2009 was:

Swap	Nominal value	Within 1 year (thousands of euros)	Over 1 year	FVH (1) (thousands of euros)
EUR	350,000	350,000	–	(713)

(1) FVH = Fair Value Hedge: fair value or market value. 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.

On the basis of the net financial debt position at August 31, 2009, a shift of 10 basis points in interest rates would have generated a €0.6 million shift in financial charges over a 12-month period.

B) Currency exchange rate risk

1. Hedging

Virtually all of the Group's exposure to currency risk in its business and manufacturing operations is in the form of exposure to the US dollar. At August 31, 2009, the Group used the following hedging instruments to cover this exposure:

Currency futures sold	Nominal value	Within 1 year (thousands of USD)	Over 1 year	FVH (2) (thousands of euros)
USD	92,035 (1)	92,035	–	7,834

(1) i.e. €72,264,000.

(2) FVH = Fair Value Hedge: fair value or market value. 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.

Carrying value (thousands of euros)	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Fair value hedges	7,859	–	25	–
Cash flow hedges	–	–	–	–

The average dollar transaction rate for the fiscal year was 1.30. The impact on current operating income of a 10-cent fluctuation (from 1.30 to 1.40) would have been €29.8 million. The impact on current operating income of a 10-cent fluctuation in the dollar conversion rate (from 1.30 to 1.40) would have been €9.6 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.

In this respect, the only significant currency used within the Group is the US Dollar. The amounts involved are as follows:

(in millions of euros)	At August 31, 2009
Financial assets	259.7
Financial liabilities	135.3
Net position before management	124.4
Hedging derivatives	91.0
Future flow hedging	33.4

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, 2009, an increase of 10% in the euro/dollar rate at the year-end would have reduced Group net income by the amounts shown below. For the purposes of this analysis, all other variables, including interest rates, have been assumed unchanged:

(in millions of euros)	At August 31, 2009
Impact on net income (*)	1.4

(*) Based on an average corporate income tax rate of 33%.

C) Liquidity risk

(thousands of euros)	Carrying value at the balance sheet date	Not yet due and overdue < 30 days, 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 August 31, 2008	498,151	433,995	37,819	16,520	6,570	2,506	63,415	741
Trade receivables at August 31, 2009	430,955	354,053	42,874	15,210	12,836	4,781	75,701	1,201

On a like-for-like basis, the initiatives introduced to reduce the working capital requirement have been successful in reducing trade receivables by 14.2%, compared with a reduction in revenues of just 5.3%.
On a like-for-like basis, the total amount of outstanding receivables from airlines rose by 3%, which is slightly ahead of the increase in revenues generated from the same airlines.
Receivables from airlines represented 23% of all receivables at August 31, 2009, compared with 19% at August 31, 2008.
The amount of receivables overdue by more than 30 days and not impaired on the balance sheet date rose by €12 million, largely as a result of delivery delays that impacted on the implementation of the new the Services business structure.

Note 3 - Segment reporting

A - Income statement items

Note 3.1 - Consolidated sales revenue by segment and by customer location

(thousands of euros)	Europe	Americas	Other	Total
Year ended August 31, 2008				
AeroSafety & Technology	279,884	167,291	65,623	512,798
Aircraft Systems	321,603	166,035	51,728	539,366
Cabin Interiors	215,924	558,164	188,234	962,322
TOTAL	**817,411**	**891,490**	**305,585**	**2,014,486**
Year ended August 31, 2009				
AeroSafety & Technology	271,173	171,897	63,211	506,281
Aircraft Systems	334,843	167,039	62,155	564,037
Cabin Interiors	292,875	609,912	232,591	1,135,378
TOTAL	**898,891**	**948,848**	**357,957**	**2,205,696**

Note 3.2 - Consolidated sales revenue by segment and by asset location

(thousands of euros)	Europe	Americas	Other	Total
Year ended August 31, 2008				
AeroSafety & Technology	311,618	198,965	2,215	512,798
Aircraft Systems	413,359	100,321	25,686	539,366
Cabin Interiors	232,322	730,000	–	962,322
TOTAL	**957,299**	**1,029,286**	**27,901**	**2,014,486**
Year ended August 31, 2009				
AeroSafety & Technology	287,448	203,136	15,697	506,281
Aircraft Systems	428,569	105,260	30,208	564,037
Cabin Interiors	333,589	791,142	10,647	1,135,378
TOTAL	**1,049,606**	**1,099,538**	**56,552**	**2,205,696**

Note 3.3 – Consolidated sales revenue with a breakdown of inter-segment revenues

(thousands of euros)	Revenues including inter-segment	Inter-segment revenues	Consolidated revenues
Year ended August 31, 2008			
AeroSafety & Technology	518,615	5,817	512,798
Aircraft Systems	545,518	6,152	539,366
Cabin Interiors	965,326	3,004	962,322
TOTAL	**2,029,459**	**14,973**	**2,014,486**
Year ended August 31, 2009			
AeroSafety & Technology	511,165	4,884	506,281
Aircraft Systems	572,305	8,268	564,037
Cabin Interiors	1,136,822	1,444	1,135,378
TOTAL	**2,220,292**	**14,596**	**2,205,696**

Note 3.4 – Recurring operating income by segment and by asset location

(thousands of euros)	Europe	Americas	Other	Total
Year ended August 31, 2008				
AeroSafety & Technology	35,443	30,628	1,711	67,782
Aircraft Systems	40,663	12,417	2,918	55,998
Cabin Interiors	15,480	101,364	(378)	116,466
Zodiac Aerospace	(4,641)	(18)	–	(4,659)
TOTAL	**86,945**	**144,391**	**4,251**	**235,587**
Year ended August 31, 2009				
AeroSafety & Technology	26,586	32,731	418	59,735
Aircraft Systems	67,395	3,641	730	71,766
Cabin Interiors	11,604	104,857	1,099	117,560
Zodiac Aerospace	275	73	–	348
TOTAL	**105,860**	**141,302**	**2,247**	**249,409**

Note 3.5 – Net income by segment

(thousands of euros)	AeroSafety & Technology	Aircraft Systems	Cabin Interiors	Zodiac Aerospace	Total for ongoing operations	Held-for-sale and discontinued operations	Total including held-for-sale and discontinued operations
Year ended August 31, 2008							
Net income	44,695	37,486	71,663	(16,076)	**137,768**	**373,606**	**511,374**
Year ended August 31, 2009							
Net income	36,106	47,020	74,578	15,216	**172,920**	**–**	**172,920**

Note 3.6 – Depreciation and amortization by segment

(thousands of euros)	AeroSafety & Technology	Aircraft Systems	Cabin Interiors	Zodiac Aerospace	Total
Year ended August 31, 2008					
Depreciation and amortization	13,455	17,430	17,784	1,890	**50,559**
Year ended August 31, 2009					
Depreciation and amortization	13,425	18,012	25,338	1,794	**58,569**

Note 3.7 – Asset impairment by segment

(thousands of euros)	AeroSafety & Technology	Aircraft Systems	Cabin Interiors	Zodiac Aerospace	Total
Year ended August 31, 2008					
Impairment (1)	426	–	–	–	**426**
Year ended August 31, 2009					
Impairment (1)	2,420	–	–	–	**2,420**

(1) Impairment of the product lines produced by the AeroSafety & Technology CGU.

B - Balance sheet items

Note 3.8 – Intangible assets and goodwill by segment and area

(thousands of euros)	Europe	Americas	Other	Total
At August 31, 2008				
AeroSafety & Technology	55,008	53,431	590	109,029
Aircraft Systems	350,441	39,639	6,156	396,236
Cabin Interiors	171,366	486,583	–	657,949
Zodiac Aerospace	659	–	–	659
TOTAL	**577,474**	**579,653**	**6,746**	**1,163,873**
At August 31, 2009				
AeroSafety & Technology	51,004	53,882	593	105,479
Aircraft Systems	362,547	41,632	6,340	410,519
Cabin Interiors	174,787	505,678	12	680,477
Zodiac Aerospace	863	–	–	863
TOTAL	**589,201**	**601,192**	**6,945**	**1,197,338**

Note 3.9 – Property, plant and equipment by segment and area

(thousands of euros)	Europe	Americas	Other	Total
At August 31, 2008				
AeroSafety & Technology	26,535	18,676	5,171	50,382
Aircraft Systems	50,983	8,606	4,518	64,107
Cabin Interiors	16,589	57,916	7,770	82,275
Zodiac Aerospace	26,335	–	–	26,335
TOTAL	**120,442**	**85,198**	**17,459**	**223,099**
At August 31, 2009				
AeroSafety & Technology	23,937	17,527	6,902	48,366
Aircraft Systems	50,422	7,980	4,952	63,354
Cabin Interiors	17,371	58,767	10,611	86,749
Zodiac Aerospace	43,754	–	–	43,754
TOTAL	**135,484**	**84,274**	**22,465**	**242,223**

Note 3.10 – Capital expenditure by segment and area

(thousands of euros)	Europe	Americas	Other	Total
At August 31, 2008				
AeroSafety & Technology	6,942	2,970	2,224	12,136
Aircraft Systems	25,931	1,808	2,089	29,828
Cabin Interiors	4,720	35,580	515	40,815
Zodiac Aerospace	9,330	–	–	9,330
TOTAL	**46,923**	**40,358**	**4,828**	**92,109**
At August 31, 2009				
AeroSafety & Technology	5,570	2,848	2,376	10,794
Aircraft Systems	27,871	2,196	1,987	32,054
Cabin Interiors	4,586	23,391	3,801	31,778
Zodiac Aerospace	19,417	–	–	19,417
TOTAL	**57,444**	**28,435**	**8,164**	**94,043**

Note 3.11 – Inventories by segment and area

(thousands of euros)	Europe	Americas	Other	Total
At August 31, 2008				
AeroSafety & Technology	63,506	34,450	3,385	101,341
Aircraft Systems	140,200	19,234	4,043	163,477
Cabin Interiors	86,957	159,357	15,154	261,468
Zodiac Aerospace	–	–	–	–
TOTAL	**290,663**	**213,041**	**22,582**	**526,286**
At August 31, 2009				
AeroSafety & Technology	61,572	37,788	5,392	104,752
Aircraft Systems	130,809	18,319	2,398	151,526
Cabin Interiors	79,859	144,780	8,715	233,354
Zodiac Aerospace	–	–	–	–
TOTAL	**272,240**	**200,887**	**16,505**	**489,632**

Note 3.12 - Trade receivables by segment and area

(thousands of euros)	Europe	Americas	Other	Total
At August 31, 2008				
AeroSafety & Technology	83,506	47,333	111	130,950
Aircraft Systems	118,859	13,569	5,505	137,933
Cabin Interiors	71,372	156,762	937	229,071
Zodiac Aerospace	197	–	–	197
TOTAL	**273,934**	**217,664**	**6,553**	**498,151**
At August 31, 2009				
AeroSafety & Technology	72,477	42,138	2,634	117,249
Aircraft Systems	90,935	13,289	5,831	110,055
Cabin Interiors	68,388	133,122	1,934	203,444
Zodiac Aerospace	179	28	–	207
TOTAL	**231,979**	**188,577**	**10,399**	**430,955**

Note 3.13 - Non-current and current provisions by segment and area

(thousands of euros)	Europe	Americas	Other	Total
At August 31, 2008				
AeroSafety & Technology	13,479	4,517	32	18,028
Aircraft Systems	25,277	1,804	–	27,081
Cabin Interiors	13,977	9,910	114	24,001
Zodiac Aerospace	22,788	–	–	22,788
TOTAL	**75,521**	**16,231**	**146**	**91,898**
At August 31, 2009				
AeroSafety & Technology	17,820	4,107	38	21,965
Aircraft Systems	25,227	1,267	–	26,494
Cabin Interiors	13,511	9,692	275	23,478
Zodiac Aerospace	9,567	73	–	9,640
TOTAL	**66,125**	**15,139**	**313**	**81,577**

Note 3.14 – Accounts payable by segment and area

(thousands of euros)	Europe	Americas	Other	Total
At August 31, 2008				
AeroSafety & Technology	34,353	8,587	1,091	44,031
Aircraft Systems	69,898	4,589	608	75,095
Cabin Interiors	48,405	52,524	4,561	105,490
Zodiac Aerospace	10,073	101	–	10,174
TOTAL	**162,729**	**65,801**	**6,260**	**234,790**
At August 31, 2009				
AeroSafety & Technology	25,596	6,494	1,578	33,668
Aircraft Systems	36,065	4,601	680	41,346
Cabin Interiors	45,400	44,544	1,869	91,813
Zodiac Aerospace	6,740	18	–	6,758
TOTAL	**113,801**	**55,657**	**4,127**	**173,585**

Note 3.15 – Liabilities to employees and payroll liabilities by segment and area

(thousands of euros)	Europe	Americas	Other	Total
At August 31, 2008				
AeroSafety & Technology	21,316	5,759	364	27,439
Aircraft Systems	33,464	2,548	369	36,381
Cabin Interiors	9,208	28,780	49	38,037
Zodiac Aerospace	3,763	–	–	3,763
TOTAL	**67,751**	**37,087**	**782**	**105,620**
At August 31, 2009				
AeroSafety & Technology	22,361	5,238	697	28,296
Aircraft Systems	40,257	2,616	651	43,524
Cabin Interiors	9,215	28,503	524	38,242
Zodiac Aerospace	3,406	–	–	3,406
TOTAL	**75,239**	**36,357**	**1,872**	**113,468**

Note 4 - Revenues

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
Sales of goods	1,981,181	1,812,123
Sales of services	224,515	202,363
Interest	2,757	3,158
Royalties	1,113	552
TOTAL	**2,209,566**	**2,018,196**

Note 5 - Personnel costs

Note 5.1 - Breakdown of costs

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
Payroll and related expenses [1]	693,537	610,935
Profit-sharing	10,920	4,824
Stock options granted	2,848	5,061
TOTAL	**707,305**	**620,820**

(1) Including €172,000 in social security contributions related to stock options.

Note 5.2 - Share-based payments

1) Stock options

The Combined Meetings of Shareholders held on December 9, 1997, December 16, 2002, December 16, 2004 and January 8, 2008 authorized the Executive Board to award stock options to employees of Group companies, and to do so on one or 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 August 31, 2009
November 23, 2001	18.01	November 23, 2009	51,656
November 22, 2002	19.97	November 22, 2010	98,451
November 21, 2003	23.83	November 21, 2011	150,406
February 12, 2004	23.83	February 12, 2012	566,030
November 24, 2004	29.24	November 24, 2012	200,515
November 25, 2005	44.66	November 25, 2013	168,904
November 30, 2006	46.64	November 30, 2014	173,301
February 13, 2007	49.29	February 13, 2015	79,350
December 3, 2007	41.11	December 3, 2015	145,562
December 3, 2007	41.11	December 3, 2015	275,080
December 4, 2008	29.36	December 4, 2016	142,050
TOTAL			**2,051,305**

The number of options granted during the fiscal year and their weighted average exercise price are shown below:

Number of options	Aug. 31, 2009	Aug. 31, 2008
At September 1	2,062,310	1,639,495
Issued	144,700	409,950
Adjustment following payment of the extraordinary dividend	–	116,772
Cancelled	(78,829)	–
Expired	(36,502)	(19,250)
Exercised	(40,374)	(84,657)
At August 31	2,051,305	2,062,310

The first half of the options allocated during this fiscal year (in December 2008) cannot be exercised before December 3, 2009.

The 40,374 options exercised in 2008/2009 resulted in the issue of 40,374 shares between September 1, 2008 and August 31, 2009, at an average allocation price of €18.55.

The weighted average fair value of the options issued in December 2008 with an average life of 6 years is €8.26.

The binomial valuation model applied is based on the following key factors:
- share price on date of grant €27.17
- option exercise price €29.36
- estimated volatility 44.75%
- risk-free interest rate 3.43%
- estimated dividend yield 2.00%

The expense recognized for the fiscal year in respect of share options granted before November 7, 2002 and not vested by January 1, 2005, as well as those granted after September 1, 2005, is €2,848,000, compared with €5,061,000 in the 2007/2008 fiscal year.

€172,000 in social security charges should be added to the amount of €2,848,000 for 2008/2009.

2) Share appreciation rights

Certain employees are covered by incentive plans that are tied to appreciation in the value of the stock of a Group company. The beneficiaries of these incentive plans, commonly referred to as "share appreciation rights" (SARs), receive a cash settlement at the end of the vesting period of the corresponding rights. The main features of the relevant plans are the following:
- duration and maturity: 2005-2010
- measurement basis: multiples of the EBITA reported for the relevant entity.

Amounts recognized under these plans for the year ended August 31, 2009 were as follows (in thousands of euros):
- Total carrying value of SAR liabilities in the balance sheet: €2,890,000
- SAR-related expense recognized during the fiscal year: €1,180,000

3) Executive Board's Special Report on stock options

The detailed report is available to shareholders at the General Meeting.
Information on stock options held by corporate officers:
- no options were exercised in 2008/2009
- no options were granted in 2008/2009.

Information on stock options held by Zodiac Aerospace Group employees who are not corporate officers:
- the ten largest stock options exercised in 2008/2009 totaled 30,223
- the ten largest stock options granted in 2008/2009 totaled 45,050.

Note 6 - Change in inventories [1]

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
Change in inventories recognized during the year	(28,495)	53,550
Inventory impairment charge recognized during the year	(19,846)	(5,369)
Reversals of inventory impairment during the year	9,451	3,856
TOTAL	**(38,890)**	**52,037**

(1) Inventories of raw materials, work in progress, goods and finished products.

Note 7 - Other operating income and expenses

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
Gain/(loss) on sale of non-current assets	(407)	235
Restructuring costs	–	–
Impairment of fixed assets	–	–
Other	(102)	549
TOTAL	**(509)**	**784**

Note 8 - Non-recurring operating items

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
Gain/(loss) on sale of non-current assets	–	–
Restructuring costs[1]	(10,519)	(760)
Costs related to the transfer from the Issy-les-Moulineaux site to Plaisir	(2,100)	–
Impairment [2]	(2,420)	(426)
Litigation	(100)	–
Suspension of the pension plan for Avox Systems (US)[3]	(1,472)	–
Amortization of intangible assets[4]	(1,274)	–
Income from the disposal of shares in Zodiac Marine Holding and Coast Investment	(5,138)	–
Other	1,468	(831)
TOTAL	**(21,555)**	**(2,017)**

(1) This item comprises the costs involved in closing the sites at Rockford (USA/Cabin) (€989,000) and Valencia (Spain/Airbags) (€3,458,000), the restructuring of the Actuators sites (€2,101,000), the closure of the Rungis (ECE/Aircraft) site (€1,684,000), the closure of the Ashington (UK/Airbags) site (€1,567,000) and other restructuring operations (€720,000).

(2) Impairment of the product lines produced by the AeroSafety & Technology CGU.

(3) See Note 21, point 2.2 USA.

(4) Amortization of order books measured as part of acquisitions.

Note 9 - Cost of net debt

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
Financial income	2,757	2,130
Foreign exchange gains/(losses)	(192)	(559)
Difference between currency spot and forward rates	631	443
Income/(expenses) related to cash and cash equivalents	3,196	2,014
Cost of gross debt	(36,338)	(31,788)
TOTAL	**(33,142)**	**(29,774)**

Note 10 - Other financial income and expenses

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
Dividends	–	–
Net charges to provisions	14	2
Gain/(loss) on sales of non-consolidated equity interests	–	–
Impairment	–	–
Net accretion expense on pension obligations (net of returns)	(1,174)	(837)
TOTAL	**(1,160)**	**(835)**

The cost of gross debt rose by €4.5 million as the result of the increase seen in the average use made of our lines of credit. The average cost of our borrowing for the period was 3.6%, compared with 5.36% in the previous year. Our total cost of debt, including sundry banking charges, was 3.97%, compared with 5.80% in the previous year.

Note 11 - Income taxes

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
1) Balance sheet		
Deferred taxes:		
Deferred tax assets	3,161	3,138
Deferred tax liabilities	48,059	42,817
Net deferred taxes	**(44,898)**	**(39,679)**
Breakdown of net amount by category:		
Employee benefits	20,054	16,671
Depreciation of inventories, stocks and associated general expenditure	17,053	14,446
Intercompany inventory profit	14,446	6,488
Development costs	(57,954)	(50,646)
Goodwill	(50,247)	(39,918)
Cancellation of regulated provisions	(3,889)	(3,840)
Other	15,639	17,120
Net deferred taxes	**(44,898)**	**(39,679)**
2) Income statement		
Deferred taxes and taxes payable:		
– deferred taxes	(4,981)	14,573
– taxes payable	25,613	50,620
Total tax (1)	**20,632**	**65,193**
3) Unrecognized tax credits or tax losses (2)	**7,115**	**9,858**

(1) At August 31, 2009, this amount included €1,339,000 recognized in respect of a tax audit at IN-LHC.

(2) This amount includes €487,000 to be used by August 31, 2010.

(thousands of euros)	Aug. 31, 2009
Effective tax rate	
Pre-tax income	193,552
Tax rate	34.43%
Theoretical tax	66,640
Incidence of reduced-rate risk	(145)
Impact of tax rates in countries other than France (1)	1,422
Disposals of equity holdings (2)	(34,908)
Tax credit for research and training	(13,756)
Other (including tax audits)	1,379
Consolidated income tax	**20,632**
Effective tax rate	**10.66%**

(1) Including production tax credit.

(2) This amount includes the final adjustment of the tax payable on the disposal of shares in Marine Holding US (€14,421,000) and the tax relating to the capital loss made on the disposal of shares in Zodiac Marine Holding (€20,487,000).

Note 12 – Earnings per share

	Aug. 31, 2009	Aug. 31, 2008
Number of shares used for the calculation (1)	52,788,301	54,962,150
Net earnings per share for ongoing operations (in euros) (2)	3.28	2.51
Diluted earnings per share:		
Number of shares used for the calculation (3)	52,891,780	55,348,890
Net earnings per share for ongoing operations (in euros) (4)	3.27	2.49

(1) Weighted average number of shares representing the capital stock during the year.

(2) Net income from ongoing operations after minority interests, divided by the average number of shares.

(3) Weighted average number of shares representing the capital stock during the year, plus the portion of unexercised stock options deemed to be dilutive, granted prior to the balance sheet date and remaining unexercised.

(4) Net income from ongoing operations after minority interests, divided by the average number of shares calculated as indicated in footnote (3).

Note 13 – Intangible assets and goodwill

Note 13.1 – Goodwill: gross

(thousands of euros)	Opening balance at Aug. 31, 2008	Translation adjustments	Change in consolidation scope	Changes (1)	Other	Balance at Aug. 31, 2009
Goodwill	1,084,580	16,268	–	2,353	–	1,103,201

(1) Within a period of one year following the acquisition or after that period for deferred taxes not recognized at the time of acquisition.

Note 13.2 – Goodwill: impairment

(thousands of euros)	Opening balance at Aug. 31, 2008	Translation adjustments	Change in consolidation scope	Changes	Impairment	Other	Balance at Aug. 31, 2009
Goodwill	104,763	1,033	–	–	1,495	–	107,291
Net goodwill	**979,817**	**–**	**–**	**–**	**–**	**–**	**995,910**

Net goodwill is broken down as follows:

(in millions of euros)	Aug. 31, 2009	Aug. 31, 2008
CGU (Cash-Generating Unit):		
- AeroSafety & Technology		
AeroSafety	59.2	59.7
Technology	36.4	39.2
- Aircraft Systems (1)	311.0	309.8
- Cabin Interiors :		
Cabin (2)	534.9	517.3
Seats	54.4	53.8
TOTAL	**995.9**	**979.8**

(1) Includes €255.4 million in respect of Intertechnique at August 31, 2009.
(2) Includes €306.3 million in respect of C&D and €112.9 million in respect of Monogram at August 31, 2009.

The impairment tests described in paragraph W of note 1 "Accounting principles" have been applied.

The profitability assessment was made on the basis of the following key assumptions:
- 0.10 change in the euro/dollar exchange rate
- 0.5% change in the discount rate applied.

Taken separately or cumulatively, these changes in assumption do not result in use values significantly below the corresponding recognized values, except for the product lines of the AeroSafety & Technology CGU, where goodwill of €1.6 million has been impaired.

Note 13.3 - Intangible assets: gross

(thousands of euros)	Opening balance at Aug. 31, 2008	Translation adjustments	Change in consolidation scope	Increases	Reductions	Other	Balance at Aug. 31, 2009
Set up costs	30	-	-	18	(3)	-	45
Development costs (1)	159,654	2,200	-	26,004	(140)	-	187,718
Patents and trademarks	37,222	114	-	39	(47)	(396)	36,932
Business	2,173	1	-	-	-	(36)	2,138
Certifications and other	42,040	168	-	4,146	(984)	206	45,576
TOTAL	**241,119**	**2,483**	**-**	**30,207**	**(1,174)**	**(226)**	**272,409**

(1) Costs incurred essentially in respect of the A380, B787, A400M, A350, G250 and G650 programs. These items of expenditure may relate to refundable advance payments, which are not subject to additional capitalization. Development costs retained in net operating income - after capitalization and billing to customers and excluding amortization of capitalized development costs - totaled €111,228,000 in 2008/2009, compared with €91,008,000 in 2007/2008, reflecting rises of 22% and 17% at constant consolidation scope.

Note 13.4 - Intangible assets: amortization and impairment

(thousands of euros)	Opening balance at Aug. 31, 2008	Translation adjustments	Change in consolidation scope	Increases	Reductions	Other	Balance at Aug. 31, 2009
Set up costs	8	-	-	9	(3)	-	14
Development costs (1)	16,550	325	-	7,469	-	-	24,344
Patents and trademarks	9,281	77	-	2,152	(31)	(395)	11,084
Business	2,124	-	-	-	-	-	2,124
Certifications and other	29,100	132	-	4,846	(899)	236	33,415
TOTAL	**57,063**	**534**	**-**	**14,476**	**(933)**	**(159)**	**70,981**
Net value of intangible assets	**184,056**	**1,949**	**-**	**15,731**	**(241)**	**(67)**	**201,428**

(1) Costs incurred essentially in respect of the A380, B787, A400M, A350, G250 and G650 programs. These items of expenditure may relate to refundable advance payments, which are not subject to additional capitalization. Development costs retained in net operating income - after capitalization and billing to customers and excluding amortization of capitalized development costs - totaled €111,228,000 in 2008/2009, compared with €91,008,000 in 2007/2008, reflecting rises of 22% and 17% at constant consolidation scope.

Note 14 – Property, plant and equipment

Note 14.1 – Property, plant and equipment: gross

(thousands of euros)	Opening balance at Aug. 31, 2008	Translation adjustments	Change in consolidation scope	Increases	Reductions	Other	Balance at Aug. 31, 2009
Land and land development	19,505	137	–	231	–	–	19,873
Buildings and improvements	166,096	1,475	–	4,259	(461)	1,623	172,992
Equipment, furnishings, fixtures and other items	418,277	3,132	–	33,107	(19,352)	2,240	437,404
Assets under construction	17,981	56	–	27,165	–	(6,359)	38,843
TOTAL	**621,859**	**4,800**	**–**	**64,762**	**(19,813)**	**(2,496)**	**669,112**

Note 14.2 – Property, plant and equipment: depreciation and impairment

(thousands of euros)	Opening balance at Aug. 31, 2008	Translation adjustments	Change in consolidation scope	Increases	Reductions	Other	Balance at Aug. 31, 2009
Land and land development	1,310	12	–	54	–	–	1,376
Buildings and improvements	93,006	650	–	8,735	(322)	531	102,600
Equipment, furnishings, fixtures and other items	304,444	1,939	–	36,279	(17,399)	(2,350)	322,913
TOTAL	**398,760**	**2,601**	**–**	**45,068**	**(17,721)**	**(1,819)**	**426,889**
Net value of property, plant and equipment	**223,099**	**2,199**	**–**	**19,694**	**(2,092)**	**(677)**	**242,223**

Finance leases

Property, plant and equipment includes the following leased assets:

(thousands of euros)	Aug. 31, 2009
Equipment, furnishings, fixtures and other items	
Gross value	1,716
Accumulated depreciation	372
Net carrying value	**1,344**
Due within 1 year	614
Due in 1–5 years	613
Due in over 5 years	–
Future minimum payments	**1,227**

Note 15 – Investments in unconsolidated subsidiaries and affiliates and other long-term investments

At the start of the fiscal year, investments in unconsolidated subsidiaries included:

a) the equity holding in Coast Investment (net carrying value of €1.6 million) and the funding put in place as part of the acquisition (€0.5 million).

b) the equity holding in Zodiac Marine Holding (net carrying value of €9.3 million).

At the end of the fiscal year, Zodiac Aerospace took the decision to dispose of the shares referred to above to the Carlyle Group, having seen market conditions worsen for these business activities, which had already led to very significant adjustments being made to the fair value of this holding in the 2007/2008 financial statements. This disposal was made at a nominal price with effect from August 31, 2009.

The disposal of this holding impacted on the 2008/2009 fiscal year in the form of a pre-tax capital loss of €5.1 million and a reversal of equity provisions of €6.3 million.

Note 16 - Other non-current financial assets

Other non-current financial assets are mainly deposits.

Note 17 - Inventories

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
Raw materials	250,754	273,700
Work in progress	107,844	129,373
Finished products and goods	131,034	123,213
TOTAL	**489,632**	**526,286**

No inventory items have been offered as collateral for liabilities.

Note 18 - Cash

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
Cash and cash equivalents	101,873	99,015
Negotiable securities	123	321
Current financial liabilities	243,485	394,320
Commercial paper	–	(35,000)
Current portion of long-term loans and reimbursable advances	(230,279)	(286,412)
Banks	13,208	72,908
Net cash	**88,778**	**26,428**

Note 19 - Capital

	Number of shares (thousands)	Common shares (thousands of euros)	Share premiums (thousands of euros)	Total (thousands of euros)
At August 31, 2007	55,583	11,117	181,816	192,933
Premium-related costs	–	–	–	–
Options exercised	85	17	1,887	1,904
Dividends	–	–	(111,102)	(111,102)
At August 31, 2008	55,668	11,134	72,601	83,735
Premium-related costs	–	–	–	–
Options exercised	40	8	741	749
Dividends	–	–	–	–
At August 31, 2009	55,708	11,142	73,342	84,484

Note 20 - Debt

Note 20.1 - Breakdown of debt

(thousands of euros)	Interest rate [1]	Maturity	Aug. 31, 2009	Aug. 31, 2008
A. Non-current financial debt				
Confirmed syndicated loan (EUR)	3.635	[3]	486,000	355,000
Confirmed syndicated loan (USD)	2.262	[3]	7,025	77,941
Syndicated loan costs			(2,814)	(1,431)
Non-current portion of other borrowings and unconfirmed loans	NS	[4]	22,681	24,649
Total [2]			**512,892**	**456,159**
B. Current financial liabilities				
Commercial paper (EUR)	–		–	35,000
Confirmed syndicated loan (EUR)	3.635	[3]	228,875	285,000
Current portion of amounts due to banks other borrowings and unconfirmed loans	NS	[5]	14,610	74,320
Total	**–**		**243,485**	**394,320**
TOTAL	**–**		**756,377**	**850,479**

(1) Average interest rate over the fiscal year, excluding amortization of syndicated loan origination fees.

(2) Maturities and breakdown of loans and confirmed lines of credit by currency (equivalents in thousands of euros at August 31, 2009):

2010/2011	491,642	Euros (EUR)	505,387
2011/2012	751	US dollars (USD)	7,264
2012/2013	652	Other	241
After 2013	19,847		

(3) On March 10, 2009, an additional clause was added to the agreement covering the €1.5 billion syndicated loan signed on June 14, 2005.

The revised schedule is as follows:

- tranche A has been extended to €228.9 million for an additional 1-year period ending on June 11, 2010
- tranche B remains unchanged: €691 million repayable on June 14, 2011 and €9 million repayable on June 14, 2010
- tranche C: having been reduced to €162, this tranche was repaid on May 31, 2009.

(4) The majority post-2013.

(5) 1-3 months renewable.

Note 20.2 - Covenants

The Group is bound by only one bank covenant; the "Debt/EBITDA" ratio, as defined in the loan agreement.

This covenant, which relates to the syndicated loan, must be 3 or less at the end of the 2008/2009 and 2009/2010 fiscal years. This covenant was complied with at August 31, 2009. Failure to comply with its conditions could result in the obligation to repay the loan early and in full.

Note 21 - Provisions

(thousands of euros)	Opening balance at Aug. 31, 2008	Translation adjustments	Change in scope	Changes during the year: Charges	Reversals (used provisions)	Reversals (unused provisions)	Other	Balance at Aug. 31, 2009
Medical cover for US pensioners	3,344	109	–	236	(149)	(69)	–	3,471
Lump-sum retirement benefits	24,547	–	–	2,990	(2,185)	–	–	25,352
Other	1,463	–	–	134	(55)	–	(30)	1,512
Total non-current	**29,354**	**109**	**–**	**3,360**	**(2,389)**	**(69)**	**(30)**	**30,335**
Guarantees	26,653	223	–	5,107	(4,482)	(1,213)	99	26,387
Litigation and insurance deductibles	3,973	46	–	1,265	(1,236)	(519)	58	3,587
Restructuring and diversification	1,686	1	–	6,623	(952)	(632)	237	6,963
Taxes	23,524	(7)	–	709	(52)	(14,886)	–	9,288
Other (1)	6,708	115	–	2,023	(1,788)	(715)	(1,326)	5,017
Total current	**62,544**	**378**	**–**	**15,727**	**(8,510)**	**(17,965)**	**(932)**	**51,242**
TOTAL	**91,898**	**487**	**–**	**19,087**	**(10,899)**	**(18,034)**	**(962)**	**81,577**

(1) Other provisions relate mainly to provisions for losses to completion and penalties on sundry commercial agreements.

Provisions for guarantees:

A provision is recognized to cover anticipated claims under guarantees covering products sold during the fiscal year or in previous fiscal years (as a result of the fact that guarantee periods vary from one product line to another). The amount of this provision is estimated on the basis of the cost history specific to each type of guarantee. The assumptions used in measuring these provisions are based on actual sales levels and on the information available on the balance sheet date regarding previous product guarantee claims.

Provisions for employee benefits - post-employment benefits:

1. Defined-contribution pension and medical insurance plans

All 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.

2. Defined-benefit pension and medical insurance plans

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 become eligible for retirement benefits when they reach age 65. 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:

Assumption range	2008/2009	2007/2008
Discount rate	4.41%	4.44%
Expected return on plan assets	None	None
Expected rates of salary increase	2.5% - 3%	2.5% - 3%
Employee turnover rate	30-52 y. = 3% p.a. >52 y. = 0% p.a.	30-52 y. = 3% p.a. >52 y. = 0% p.a.

The INSEE TV-TD 04-06 mortality table is used.

The discount rate used is based on the average TMO (monthly bond yield) for the four previous half-years.

2.2 USA

Eligible employees of certain North American subsidiaries (Air Cruisers and Avox Systems) are covered by Group defined-benefit plans.

Under these plans, employees become eligible for retirement benefits when they reach an age between 60 and 65. The Group is bound by obligations to fund these plans.

In order to reduce Group exposure to the trend in its defined-benefit plans, the Avox Systems plan has been suspended. The Group therefore has only two defined-benefit plans in place: the Air Cruisers plan, which was suspended in 2003, and the Avox Systems plan, which was suspended during the fiscal year covered by these financial statements.

The present value of the pension, the service cost over the period and past services 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 Systems	October 1, 2009	New York Life Retirement Plan Services
Avox Systems	September 10, 2009	First Niagara Benefits Consulting

The main actuarial assumptions are as follows:

Assumption range	2008/2009	2007/2008
Discount rate	6.30%	5.85%
Expected return on plan assets	8.00%	8.00%

3. Change in the financial status of defined-benefit plans

3.1 Net pension charge recognized in the income statement

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
Current service costs	1,875	1,783
Interest expense (accretion)	2,605	2,180
Expected return on plan assets	(1,430)	(1,344)
Amortization of actuarial gains and losses	61	118
Amortization of past service costs	–	1,982
Plan settlements	–	–
Plan curtailments	–	–
Total charge for the year	**3,111**	**4,719**

3.2 Reconciliation of the amount recognized in the balance sheet

The reconciliation between the actuarial liability net of the fair value of plan assets and the provision recognized in the consolidated balance sheet is shown below:

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
Actuarial liability arising on funded plans	20,450	19,060
Fair value of funded plans	(14,485)	(16,459)
Deficit (surplus) on funded plans	**5,965**	**2,601**
Actuarial liability arising on non-funded plans	25,777	27,967
Unrecognized actuarial gains and losses	(4,943)	(2,671)
Past service costs to be recognized	2,024	(6)
Cap on contingent assets	–	–
Provisioned in the balance sheet	**28,823**	**27,891**

3.3 Change in the actuarial liability of funded and non-funded plans

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
Actuarial liability at the start of the fiscal year	**47,027**	**48,289**
Cost of services provided during the period	1,875	1,783
Interest expense	2,605	2,180
Actuarial gains and losses	41	(2,326)
Currency translation adjustments	589	(1,483)
Benefits paid	(3,255)	(3,938)
Cost of past services	(2,029)	1,981
Plan settlement	(626)	–
Change in scope and other influences	–	541
Actuarial liability at the end of the fiscal year	**46,227**	**47,027**

3.4 Change in the fair value of the funds underlying funded plans

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
Fair value at the start of the fiscal year	**(16,459)**	**(19,565)**
Expected return on plan assets	(1,430)	(1,344)
Actuarial gains and losses	3,113	2,249
Employer contributions and benefits paid	967	862
Currency translation adjustments	(676)	1,339
Fair value at the end of the fiscal year	**(14,485)**	**(16,459)**

Note 22 - Off-balance sheet commitments and contingent liabilities

Note 22.1 - Off-balance sheet commitments

(thousands of euros)	2009	2008
Commitments given		
Long-term leases(1)	76,337	84,539
Actuarial gains and losses on employee benefit obligations(2)	1,840	1,771
Other guarantees given(3)	5,174	3,999
Collateral(4)	535,673	535,673
Commitments received under contracts	562	612

(1) This amount includes commitments on revocable and irrevocable leases.

(2) Net of deferred taxes.

(3) Including a €1,607,000 guarantee issued by Zodiac Aerospace in favor of the Federal Insurance Company (CHUBB) as security for performance bonds issued by this insurer to certain customers of our company ESCO to underwrite fulfillment of its commercial contracts (installation of arresting barriers and systems for civil and military aircraft). The total usable guarantee issued by Zodiac Aerospace in this respect is $10 million.

(4) The shares in Intertechnique, a wholly owned subsidiary of Zodiac Aerospace, were pledged as collateral with the banks that participated in the syndicated loan facility of June 14, 2005.

Note: In addition, when acquiring C&D, Zodiac Aerospace issued guarantees to third parties for a maximum term of five years commencing July 15, 2005 to cover the performance of contracts between such third parties and C&D.

Operating lease commitments

(thousands of euros)	Aug. 31, 2009	Aug. 31, 2008
- Within 1 year	20,355	20,151
- 1 to 5 years	45,636	49,101
- Over 5 years	10,346	15,287
Minimum payments	76,337	84,539
Future minimum subletting revenues receivable at year-end (irrevocable contracts)	–	–

Note 22.2 - Contingent assets and liabilities

There were no identifiable contingent assets at August 31, 2009.

Only one contingent liability was identified at that date.

It concerns litigation relating to a chemical pollution incident identified subsequent to the Group's acquisition of a US company. The cause of the pollution dates from a time prior to the date of acquisition. The financial consequences of this pollution are covered under the terms of a contractual guarantee made by the vendor to the Zodiac Aerospace Group. This guarantee has been taken over by the successor to the vendor.

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.

If this liability were to pass to our Group, estimates suggest that our US subsidiary would be liable to meet approximately 0.10% of the clean-up costs involved. The uncertainty regarding the transfer of liability to the Zodiac Aerospace Group and the estimated total cost of cleaning up the polluted area means that it is not currently feasible to determine whether or not these circumstances will result in a cash outflow, and how much cash would be involved should this prove to be the case.

Note 23 - Information on related parties

1.1 Relationships with subsidiaries and affiliates

In the 2008/2009 fiscal year, the Group billed the following amount to Zodiac Marine Holding and its subsidiaries: €1,353,000 in respect of services provided.

1.2 Transactions with executives and officers

a) Salaries and benefits

(in euros)	Fixed	Variable	Benefits in kind (vehicle)	Total
Jean-Louis Gerondeau	120,000	–	4,620	124,620
Maurice Pinault	255,000	240,000	4,980	499,980
Olivier Zarrouati	365,000	175,756	6,748	547,504
TOTAL	**740,000**	**415,756**	**16,348**	**1,172,104**

b) Stock options

	Jean-Louis Gerondeau	Maurice Pinault		Olivier Zarrouati		
	04 plan	04 plan	07b plan	04 plan	07a plan(2)	07b plan
Options outstanding at Aug. 31, 2008(1)	169,280	79,350	84,640	63,480	79,350	63,480
Options exercised in 2008/2009	–	–	–	–	–	–
Options outstanding at Aug. 31, 2009	169,280	79,350	84,640	63,480	79,350	63,480
Exercise price (in euros)(1)	23.83	23.83	41.11	23.83	49.29	41.11
Expiry date	Feb. 12, 2012	Feb. 12, 2012	Dec. 3, 2015	Feb. 12, 2012	Feb. 13, 2015	Dec. 3, 2015

(1) Adjusted to reflect the impact of paying the extraordinary dividend in January 2008.
(2) Plan allocated to the 2006/2007 fiscal year.

1.3 Remuneration paid to Executive Committee members

The Executive Committee had 7 members in the 2008/2009 fiscal year.

The amount paid to these members was €1,652,000 in fixed remuneration and €1,092,000 in variable remuneration: a total of €2,744,000, including the remuneration paid to Executive Board members (a detailed breakdown can be found in the note specific to executive remuneration). The corresponding figures for the previous fiscal year were €1,541,000 and €1,372,000 respectively: a total amount of €2,913,000.

The variable portion ranges from 0 to 100% of fixed salary, and reflects the degree to which the segment operating income targets are met or the Group net income target is met.

Executive Committee members were granted a total of 25,000 stock options during the fiscal year (in December).

Note 24 - List of consolidated companies at August 31, 2009

Fully consolidated companies	Country	% ownership
Zodiac Aerospace	France	Société mère
Adder SAS	France	100.00
Aérazur	France	100.00
Aerodesign de Mexico SA	Mexico	100.00
Air Actuators Singapore	Singapore	100.00
Air Cruisers	USA	100.00
Amfuel	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
C&D Europe	France	100.00
Driessen Aerospace CZ SRO	Czech Republic	100.00
Driessen Aerospace Group NV	Netherlands	100.00
Driessen Aerospace Netherlands BV	Netherlands	100.00
Driessen Aerospace Systems	Netherlands	100.00
Driessen Aerospace US Holding BV	Netherlands	100.00
Driessen Aerospace USA Inc.	USA	100.00
Driessen Aircargo Equipment BV	Netherlands	100.00
Driessen Aircargo Equipment Ltd	Thailand	100.00
Driessen Aircargo Equipment USA Inc.	USA	100.00
Driessen Aircraft Holding BV	Netherlands	100.00
Driessen Aircraft Interior Systems (America) NV	Dutch Antilles	100.00
Driessen Aircraft Interior Systems (Thailand) Ltd	Thailand	100.00
Driessen Aircraft Interior Systems Europe BV	Netherlands	100.00
Driessen Aircraft Interior Systems Inc.	USA	100.00
Driessen Aircraft Interior Systems USA Inc.	USA	100.00
Driessen Global Services BV	Netherlands	100.00
Driessen Interior Systems BV	Netherlands	100.00
Driessen Services Bahrein	Bahrain	51.00
Driessen Services Brussels BV	Belgium	100.00
Driessen Services Inc.	USA	100.00
Driessen Services Singapore Ltd	Singapore	100.00
DSF Wartung und reparatur von Flugzeugeinrichtingen GmbH	Germany	100.00
E Dyer Engineering Ltd	UK	100.00
ECE	France	100.00
Enertec Holding S.A.	France	100.00
Engineered Arresting Systems Corp.	USA	100.00
Evac AB	Sweden	100.00
Evac GmbH	Germany	100.00
Evac LTDA	Brazil	100.00

Fully consolidated companies	Country	% ownership
Gat-In-Es	France	100.00
Icore International Inc.	USA	100.00
Icore International Ltd	UK	100.00
IDD Aerospace Corp.	USA	100.00
Immobilière Galli	France	100.00
IN Services & Al Rumaithy Estab.	UAE	49.00
IN Snec Holding	France	100.00
IN-Flex	France	100.00
IN-LHC	France	100.00
INS Asia	Hong Kong	100.00
Intertechnique	France	100.00
Monogram Aerospace Industries	USA	100.00
Monogram Systems GmbH	Germany	100.00
Parachutes Industries Southern Africa	South Africa	100.00
Pioneer	USA	100.00
Précilec	France	100.00
Sicma Aero Seat	France	100.00
Sicma Aero Seat España	Spain	100.00
Sicma Aero Seat Services	USA	100.00
Société Aéronautique Marocaine de Décolletage Industriel	Morocco	100.00
Someco	France	100.00
The Richards Corp.	USA	100.00
Weber Aircraft	USA	100.00
Zodiac Aerospace Maroc	Morocco	100.00
Zodiac Aerospace Tianjin Pte Ltd	China	100.00
Zodiac Aerospace UK Ltd	UK	100.00
Zodiac Automotive Tunisie	Tunisia	100.00
Zodiac Automotive Division	France	100.00
Zodiac Automotive España SL	Spain	100.00
Zodiac Automotive UK	UK	100.00
Zodiac Automotive US	USA	100.00
Zodiac Data Systems GmbH	Germany	100.00
Zodiac Data Systems Inc.	USA	100.00
Zodiac Data Systems Ltd	UK	100.00
Zodiac Data Systems SAS	France	100.00
Zodiac Equipments Tunisie SARL	Tunisia	100.00
Zodiac Holding Airbag España SL	Spain	100.00
Zodiac Holding Sicma Aeroseat SL	Spain	100.00
Zodiac Seats Services Middle East	UAE	100.00
Zodiac Seats Tunisie SARL	Tunisia	100.00
Zodiac Services America LLC	USA	100.00
Zodiac Services Asia	Singapore	100.00
Zodiac Services Europe	France	100.00
Zodiac US Corporation	USA	100.00

Statutory Auditors' report on the consolidated financial statements

To the Shareholders,

In accordance with the terms of our appointment by your Annual General Meetings, we hereby submit our report for the year ended August 31, 2009, regarding:

• our audit of the consolidated financial statements of Zodiac Aerospace, as appended to this report

• the justification of our assessments

• the specific verification required under French law.

The consolidated financial statements have been prepared by the Executive Board. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the consolidated financial statements

We have conducted our audit in accordance with professional standards applicable in France. These standards require that we carry out procedures to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit includes examining, by means of spot checks and other selection methods, those items supporting the amounts and disclosures shown in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall presentation of all the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present, in all material respects, a fair view of the assets and financial position and results of operations 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.

II. Justification of our assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we draw your attention to the following matters:

• Note 1-J of the Notes to the consolidated financial statements describes the accounting rules and methods applied in recognizing development costs incurred for multi-year programs on the asset side of the balance sheet. In conducting our assessment of the accounting rules and principles applied by your Group, we have verified the accounting methods indicated above to ascertain that they were reasonable and correctly applied.

• Notes 1-I, 1-J and 1-W of the Notes to the consolidated financial statements describe the accounting rules and methods applied to valuing goodwill. In conducting our assessment of the accounting rules and principles applied by your Group, we verified the accounting methods described in the Notes to the financial statements to ascertain that they were reasonable and correctly applied, as well as to ascertain the reasonable nature of the information used to determine carrying values.

Our assessments were made in the context of our audit of the consolidated financial statements, taken as a whole, and therefore assisted us in reaching our unqualified opinion as expressed in the first part of this report.

III. Specific verification

In accordance with French standards, we have also reviewed the information contained in the Group's management report.

We have no comments to report with respect to the fair presentation and consistency of such information with the consolidated financial statements.

Paris-La Défense, December 11, 2009

The Statutory Auditors

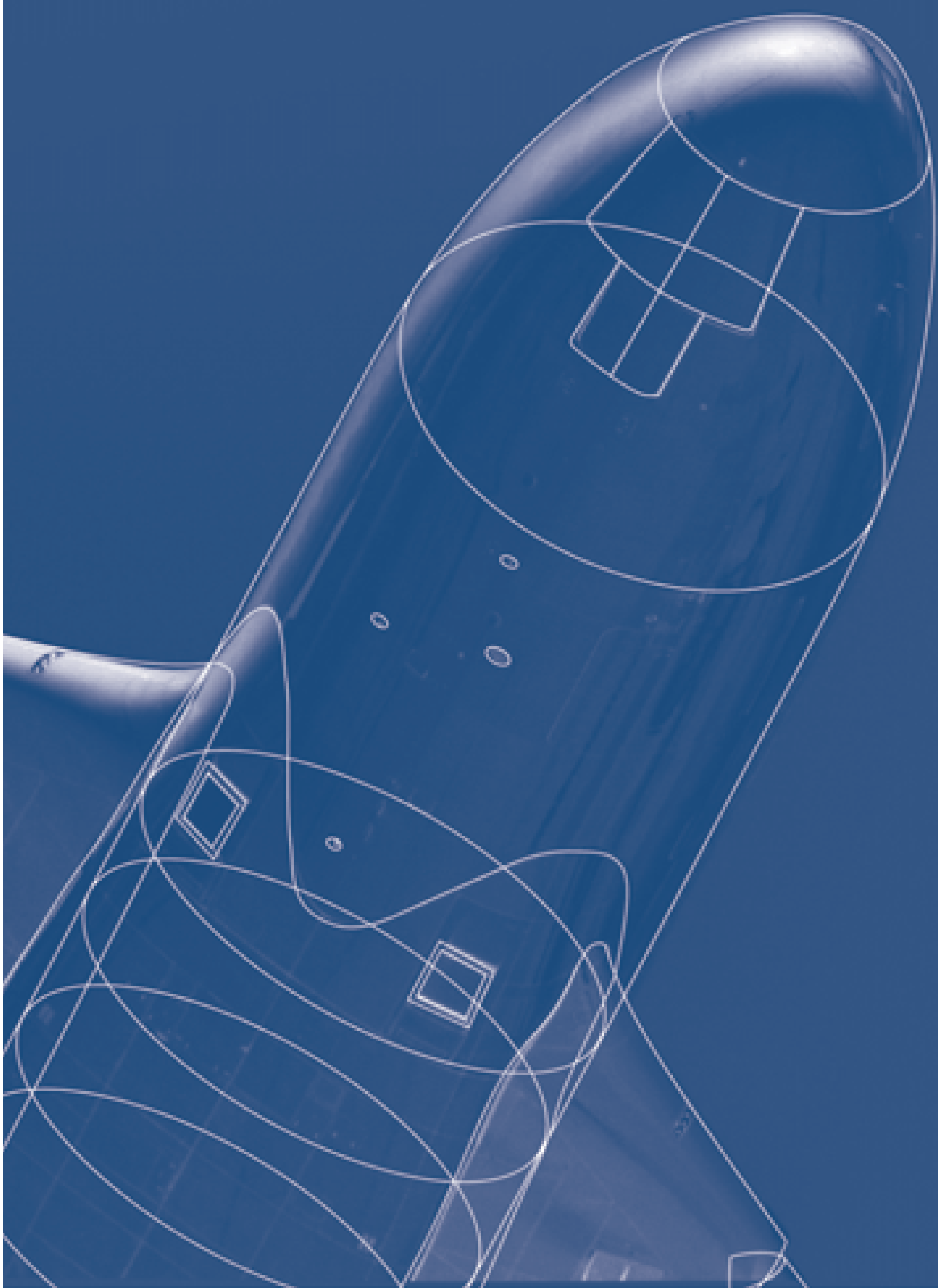
Fideuraf a Member of the Fiducial Network Jean-Pierre Boutard	Ernst & Young Audit Valérie Quint

Fees paid by the Group to Statutory Auditors and to members affiliated with their groups

	1st Statutory Auditor				2nd Statutory Auditor			
	Amount		%		Amount		%	
(thousands of euros)	**2009**	2008	**2009**	2008	**2009**	2008	**2009**	2008
Audit								
Legal audit	2,129	2,153	92.8%	86.1%	106	138	100%	100%
Related engagements	119	245	5.2%	9.8%	–	–	–	–
Other services								
Legal, tax, personnel-related	46	103	2.0%	4.1%	–	–	–	–
TOTAL	**2,294**	**2,501**	**100%**	**100%**	**106**	**138**	**100%**	**100%**

Zodiac Aerospace parent company financial statements

(extract)



Condensed balance sheet

ASSETS

(thousands of euros)	Gross	Depreciation, amortization and impairment	Net at Aug. 31, 2009	Net at Aug. 31, 2008	Net at Aug. 31, 2007
Intangible assets	11,384	7,707	3,677	2,089	2,910
Property, plant and equipment	14,556	8,280	6,276	7,120	7,483
Long-term investments	1,449,545	17,513	1,432,032	1,422,268	1,350,490
Total non-current assets	**1,475,485**	**33,500**	**1,441,985**	**1,431,477**	**1,360,883**
Operating receivables	48,223	–	48,223	3,407	12,464
Other receivables					
Other debtors and loans to subsidiaries	301,251	–	301,251	316,401	471,208
Cash and cash equivalents	10,192	–	10,192	10,383	4,547
Prepaid expenses	1,989	–	1,989	2,358	2,941
Total current assets	**361,655**	**–**	**361,655**	**332,549**	**491,160**
TOTAL ASSETS	**1,837,140**	**33,500**	**1,803,640**	**1,764,026**	**1,852,043**

EQUITY AND LIABILITIES

(thousands of euros)	Net at Aug. 31, 2009	Net at Aug. 31, 2008	Net at Aug. 31, 2007
Capital	11,142	11,134	11,117
Share premiums	118,700	117,959	227,174
Revaluation adjustments	252	252	252
Legal reserve	1,113	1,111	1,105
Reserve for long-term capital gains	–	–	–
Other reserves	23,838	23,838	23,838
Retained earnings	527,405	15,081	38,858
Net income for the year	45,104	565,064	31,758
Regulated provisions	296	216	246
Total equity	**727,850**	**734,655**	**334,348**
Provisions for contingencies and losses	**9,566**	**22,788**	**830**
Financial debt	1,045,912	975,065	1,506,676
Operating liabilities	17,039	28,506	10,009
Other liabilities	3,273	3,012	180
Total liabilities	**1,066,224**	**1,006,583**	**1,516,865**
TOTAL EQUITY AND LIABILITIES	**1,803,640**	**1,764,026**	**1,852,043**

Income statement

(thousands of euros)	Year ended Aug. 31, 2009	Year ended Aug. 31, 2008	Year ended Aug. 31, 2007
Revenue from operations			
Sales revenue	30,340	26,852	29,118
Other revenues	–	141	38
	30,340	**26,993**	**29,156**
Operating expenses			
Raw materials, supplies used in production and other external expenses	18,341	20,559	18,393
Taxes other than income taxes	885	828	1,072
Personnel expenses	10,595	12,702	11,286
Depreciation and amortization	3,178	2,516	2,805
	32,999	**36,605**	**33,556**
Operating income	**(2,659)**	**(9,612)**	**(4,400)**
Financial income			
Income from equity investments	39,444	69,927	57,410
Other interest and similar income	11,582	15,948	33,219
Currency gains	43	396	365
Reversals of provisions	86,330	3,602	2
	137,399	**89,873**	**90,996**
Interest and similar expenses			
Interest expense	34,543	39,003	74,865
Currency losses	65	41	283
Allocations and other financial charges	17,201	90,388	37
	51,809	**129,432**	**75,185**
Net financial income	**85,590**	**(39,559)**	**15,811**
Income before tax and exceptional items	**82,931**	**(49,171)**	**11,411**
Exceptional income			
Management operations	–	64	54
Capital transactions	406	819,990	9,409
Reversals of provisions	88	185	763
	494	**820,239**	**10,226**
Exceptional charges			
Management operations	–	9	–
Capital transactions	96,782	173,029	6,674
Amortization and provisions	1,268	156	127
	98,050	**173,194**	**6,801**
Net exceptional profit/loss	**(97,556)**	**647,045**	**3,425**
Income tax	**(59,729)**	**32,810**	**(16,922)**
TOTAL INCOME	**168,233**	**937,105**	**130,378**
TOTAL EXPENSES	**123,129**	**372,041**	**98,620**
NET INCOME FOR THE YEAR	**45,104**	**565,064**	**31,758**

Resolutions

to be submitted to Shareholders at the Combined General Meeting of January 11, 2010 convened to vote on the financial statements for the 2008/2009 fiscal year

ORDINARY BUSINESS

First resolution

Approval of the annual financial statements of Zodiac Aerospace for the fiscal year ended August 31, 2009

Having familiarized themselves with the financial statements of Zodiac Aerospace (the "Company") for the fiscal year ended August 31, 2009, and having heard the reading of the reports presented by the Executive Board, the Supervisory Board and the Statutory Auditors concerning the financial statements for the fiscal year ended August 31, 2009, the report of the Supervisory Board Chairman on the conditions governing the preparation and organization of the work done by the Board and the internal control procedures implemented by the Company, and the report produced by the Statutory Auditors concerning this report, and voting in accordance with the quorum and majority requirements for transacting ordinary business, the Shareholders approve the financial statements for the fiscal year as presented, reflecting net income of €45,103,788. The Shareholders thereby approve the transactions reflected in these financial statements and summarized in these reports.

Furthermore, and in accordance with the provisions of Article 223 quater of the French General Tax Code, the Shareholders give their formal agreement that the corporate financial statements for the past fiscal year include no extravagant expenditure or non-tax-deductible expense, as defined in Article 39-4 of the said Code.

Consequently, the Shareholders grant the members of the Executive Board and Supervisory Board full and unqualified discharge for their management during the past fiscal year.

Second resolution

Approval of the consolidated financial statements of the Zodiac Aerospace Group for the fiscal year ended August 31, 2009

Having familiarized themselves with the financial statements of the Company for the fiscal year ended August 31, 2009, and having heard the reading of the report concerning the management of the Group as included in the report of the Executive Board, the report of the Supervisory Board Chairman on the conditions governing the preparation and organization of the work done by the Board and internal control procedures, and the report produced by the Statutory Auditors concerning this report, and the reports of the Supervisory Board and Statutory Auditors concerning the consolidated financial statements for the fiscal year ended August 31, 2009, and voting in accordance with the quorum and majority requirements for transacting ordinary business, the Shareholders approve the consolidated financial statements for the fiscal year as presented, reflecting net income (Group share) of €173,153,000.

The Shareholders also approve the transactions reflected in these financial statements and summarized in these reports.

Consequently, the Shareholders grant the members of the Executive Board and of the Supervisory Board full and unqualified discharge for their management during the past fiscal year.

Third resolution

Allocation of earnings – Setting the amount of the dividend at €1

Having familiarized themselves with the reports presented by the Executive Board and the Supervisory Board, and voting in accordance with the quorum and majority requirements for transacting ordinary business, the Shareholders duly note that the balance sheet for the year ended August 31, 2009 reflects distributable earnings of €45,103,788, and agree to the proposal tabled by the Executive Board to allocate these earnings as follows:

Distributable earnings for the period	€45,103,788
Appropriation to the legal reserve	(€807)
Retained earnings available for distribution	€527,405,352
Distributable earnings	**€572,508,333**
Distribution of a dividend of €1 for each of the 55,708,078 shares (*)	(€55,708,078)
Appropriation of the balance to Retained Earnings (*)	€516,800,255

(*) This amount relates to all those shares issued by the Company at August 31, 2009; it will be adjusted to reflect the number of treasury shares held by the Company on the dividend payment date.

The Shareholders resolve to pay a dividend of €1 per share for each of the 55,708,078 €0.20 ordinary shares making up the total capital stock of the Company at August 31, 2009. The total dividend payable is therefore €55,708,078, on the basis that the amount in respect of dividends unpaid on treasury shares held by the Company on the dividend payment date will be appropriated to retained earnings.

This dividend will be paid in cash on January 19, 2010.

Where this dividend is subject to the progressive personal income tax rate schedule (barème progressif) imposed on private individuals resident in France for tax purposes (Article 158-3-2° of the French General Tax Code), only 60% will be distributed. Optionally, such beneficiaries may elect for these dividends to be subject to a standard levy at source of 18% (Article 117 quater of the French General Tax Code) by notifying the dividend paying institution of their intention to take up this option on or before the dividend payment date. Furthermore, dividends distributed to private individuals where the shares concerned are not held as part of a share savings plan (PEA) are subject to deduction of social security contributions in respect of distributions made after January 1, 2008.

In accordance with Article 243 bis of the French General Tax Code, the following table shows the dividends distributed in respect of the three preceding fiscal years:

		Fiscal year ended August 31, 2008	Fiscal year ended August 31, 2007	Fiscal year ended August 31, 2006
Total number of shares(1)		55,667,704	55,529,604	55,260,445
Dividend distributed per share	Ordinary dividend:	€1	€1	€0.86
	Extraordinary dividend:	–	€2	–
Total amount of distribution(2)	Ordinary dividend:	€55,667,704	€55,529,604	€47,523,982
	Extraordinary dividend:	–	€111,166,094	–

(1) Number of shares granting entitlement to dividend payment (after deduction, where necessary, of treasury shares held on the dividend payment date).

(2) In accordance with French law, shareholders are reminded that the dividend paid in respect of the 2006 fiscal year attracts a tax allowance applicable to private individuals resident in France for tax purposes. Article 76-1 of French Law 2005-1719 of December 30, 2005 introduced a 40% allowance, which came into effect in the 2006 tax year. For dividends distributed after January 1, 2008, private individuals resident in France for tax purposes may opt for a standard levy at source of 18% of the gross dividend amount (recipients must notify the paying institution of their intention to exercise this option).

Fourth resolution

Approval of the regulated agreements covered by Article L. 225-86 of the French Commercial Code and described in the Statutory Auditors' special report

Having heard the reading of the report presented by the Executive Board and the Statutory Auditors' special report on related-party agreements and commitments covered by Article L. 225-86 and subsequent of the French Commercial Code, and voting in accordance with the quorum and majority requirements for transacting ordinary business, the Shareholders hereby resolve that no agreement or commitment of the type covered by the provisions contained in the articles mentioned above has been entered into during the past fiscal year and, where applicable, that no such agreement or commitment entered into in prior years remained in effect during the past fiscal year.

Fifth resolution

Authorization of the Executive Board to buy and sell the Company's own shares

Having familiarized themselves with the reports presented by the Executive Board and the Supervisory Board, and voting in accordance with the quorum and majority requirements for transacting ordinary business, the Shareholders authorize the Executive Board, for a period of eighteen months, and in accordance with Articles L. 225-209 and subsequent of the French Commercial Code, and in compliance with the terms and conditions contained in Articles 241-1 to 241-6 of the Autorité des Marchés Financiers' General Regulations and of European Regulation 2273/2003 of December 22, 2003, to buy the Company's own shares for the following purposes:

(i) to allot them or sell them (i) under the provisions of Articles L. 225-179 and subsequent of the French Commercial Code; or (ii) under the terms of an employee stock ownership or share savings plan; or (iii) pursuant to the provisions of Articles L. 225-197-1 and subsequent of the French Commercial Code; or

(ii) to ensure that liquidity is provided for the shares on the equity market by an investment services provider under a liquidity contract that complies with the Code of Conduct recognized by the Autorité des Marchés Financiers; or

(iii) subsequently to deliver the shares in exchange, payment or otherwise as part of any acquisition, subject to a maximum equivalent to 5% of the Company's capital stock; or

(iv) to deliver the shares further to the exercise of rights attached to negotiable securities giving the right to allotment of shares in the Company by redemption, conversion, exchange, presentation of a warrant or any other means; or

(v) to cancel the shares by decreasing the capital stock, subject to prior authorization by an Extraordinary General Meeting of Shareholders in the Company; or

(vi) to implement any market practice accepted by the Autorité des Marchés Financiers, and more generally, to conduct any other transaction that complies with the applicable regulations.

The number of shares purchased may not exceed 10% of the Company's capital stock upon completion of such purchases, bearing in mind that this percentage shall apply to capital stock adjusted to reflect transactions that may affect it after the date of this Meeting.

The Executive Board may buy, sell, exchange or transfer shares on one or more occasions, at any time, within the limits authorized by the applicable laws and regulations and subject to the provisions of Article 631-6 of the General Regulations of the Autorité des Marchés Financiers, and by all means, either on- or off-market.

The maximum amount of funds that may be allocated to the share buyback program is one hundred million euros (€100,000,000).

The Shareholders grant the Executive Board all powers, including the power of delegation, to conduct these transactions and in particular to place all stock market orders, enter into all agreements, complete all formalities and make all declarations to all relevant organizations, and make any adjustments provided for by applicable regulations in the event that shares are purchased at a price higher than the stock market price.

This authorization supersedes any remaining authorization granted by the 5th resolution adopted at the Combined General Meeting of January 12, 2009.

Sixth resolution

Supervisory Board reappointment

The Shareholders, voting in accordance with the quorum and majority requirements for transacting ordinary business, renew the appointment of Mr. Marc Assa as Supervisory Board Member for a term of two years expiring at the end of the Annual General Meeting convened to approve the financial statements for the fiscal year ending August 31, 2011.

Seventh resolution

Supervisory Board reappointment

The Shareholders, voting in accordance with the quorum and majority requirements for transacting ordinary business, renew the appointment of Mr. Edmond Marchegay as Supervisory Board Member for a term of two years expiring at the end of the Annual General Meeting convened to approve the financial statements for the fiscal year ending August 31, 2011..

Eighth resolution

Reappointment of Ernst & Young Audit as primary Statutory Auditor

The Shareholders, voting in accordance with the quorum and majority requirements for transacting ordinary business, renew the appointment of Ernst & Young Audit as primary Statutory Auditor to the Company for a term of six fiscal years expiring at the end of the Annual General Meeting convened to approve the financial statements for the fiscal year ending August 31, 2015.

Ninth resolution

Reappointment of Auditex as substitute Statutory Auditor

The Shareholders, voting in accordance with the quorum and majority requirements for transacting ordinary business, renew the appointment of Auditex as substitute Statutory Auditor to the Company for a term of six fiscal years expiring at the end of the Annual General Meeting convened to approve the financial statements for the fiscal year ending August 31, 2015.

EXTRAORDINARY BUSINESS

Tenth resolution

Authorization of the Executive Board to reduce the capital stock by canceling shares purchased by the Company as part of its share buyback program

Subject to approval of the 5th resolution above, acting under the quorum and majority requirements for transacting extraordinary business, and having familiarized themselves with the Executive Board's report, the Supervisory Board's report and the Statutory Auditors' special report, the Shareholders authorize the Executive Board for a period of eighteen months, in accordance with Article L. 225-209 of the French Commercial Code, to cancel, in one or more transactions conducted over a twenty-four month period, up to 10% of the Company's capital stock; this stock representing all or part of the shares acquired by the Company, and to reduce the capital stock in proportion to such cancellation.

For this purpose, the Shareholders grant all powers to the Executive Board to determine the final amount of any capital decrease, to determine the terms and conditions of any such capital decrease, duly to record its completion, to amend the Articles of Association accordingly and, more generally, to complete all necessary formalities.

With immediate effect, this authorization supersedes the previous authorization granted by the Shareholders in adopting the 11th resolution put to the Combined General Meeting held on January 12, 2009.

Eleventh resolution

Powers to complete the legal formalities arising as a result of these resolutions

The Shareholders hereby grant the bearer of an original, copy or certified true excerpt of these texts all the necessary powers required for the purpose of making all the submissions, publications, declarations and official procedures required by law, and necessary for implementing the decisions arising from the resolutions set out above.

CORPORATE COMMUNICATION: Zodiac Aerospace Group / **DESIGNED AND PRODUCED BY:** SEQUOIA FRANKLIN
WRITTEN BY: Véronique Draeger / **FINANCIAL REPORT PRODUCED BY:** Vitafree
PHOTOS CREDITS©: Zodiac Aerospace Group photo library, Didier Cocatrix, Laurent Grandguillot/Rea, Mike Harrington/Getty, EADS Astrium, U.S. Air Force photo by Airman 1st Class Jason Epley/Released, NASA/JPL, DR

Printed in France

ZODIAC AEROSPACE – 2, rue Maurice Mallet – 92130 Issy-les-Moulineaux – France
Telephone: +33 1 41 23 23 23 – Fax: +33 1 46 48 83 87 – www.zodiacaerospace.com