FACING THE FUTURE WITH CONFIDENCE

ANNUAL REPORT 2007/2008

MASTERING THE ELEMENTS

ZODIAC AEROSPACE

↗CONTENTS

INNOVATION: THE HEART OF OUR 4 BUSINESSES

↗CABIN INTERIORS

↗AIRCRAFT SYSTEMS

↗AEROSAFETY SYSTEMS

↗TECHNOLOGY

↗ CABIN INTERIORS

UV Water Treatment Product (approx. 61 cm high)

Onboard water treatment for aircraft

The Zodiac Group has developed a new innovative water treatment product for purification of Aircraft water systems.

The product is completely self-contained, requiring only electrical power and standard water connections. Utilizing high intensity ultra-violet light, the treatment device kills over 99.99% of all bacteria and viruses found in common water sources.
The device can be used to clean water as it enters the Aircraft, or, to continuously clean water as it is circulating throughout the cabin of the Aircraft, providing safe drinking water to the passengers and crew.

The product has several unique proprietary innovations that allow the Airplane operator to remotely monitor performance.

↗ AIRCRAFT SYSTEMS

HID PAR 36
landing light

Innovation in lighting

As part of improving the efficiency and reliability of external lighting systems, the Zodiac Group has developed its HID – High Intensity Discharge – technology in response to demand for medium- and high-power capability.
The key benefit of using the HID lamp is its higher efficiency for a given level of light. Its ability to convert around 30% of electricity input into visible light puts its competitors firmly in the shade.

HID technology therefore minimizes power consumption, thus contributing to reduced aircraft operating costs. It also features compact design, improved reliability and superior optical performance as a result of its high resistance to impact and vibration.

The Zodiac Group has developed an HID solution that combines the lamp, high-performance optical reflector and associated electronics into a single very compact unit.
The Group also offers the option of integrated or separate electronics to suit individual customer specifications.

The use of LED technology for low- and medium-power external lighting is another area of special expertise at Zodiac. In this field of experience, the Group continues to develop new products, like the red LED anti-collision lamp, green and red navigation lamps and the LED maintenance spotlight. Logo spotlights for business and regional aviation applications are also at the design stage.

↗AEROSAFETY SYSTEMS

The top deck escape slide for the Boeing 747, nicknamed the inflatable arch

A new concept in escape slides

Research and development efforts involved the Zodiac Group's work on advanced inflatable structures.

A significant output of this effort was the development of the inflatable arch.
The inflatable arch is applicable for extremely long slides such as that needed from an upper deck. The development efforts showed that the inflatable arch has three times the stiffness of a standard beam inflatable structure with 20% less weight.
The innovation of the arch design was confirmed with the receipt of a US Patent.

The arch design has been selected, in September 2007, by Boeing for the Upper Deck of the 747.
Boeing realized the benefit of the design since it would enable the much longer 747 Upper Deck slide to be installed in the same space as the current 747 slide.
Work has continued on the inflatable which is now in development.

5.5 m HEXAPOD ground station designed for receiving high-resolution data from the PLEIADES satellite

PLEIADES

In October 2003, the CNES (French national space agency) and EADS ASTRIUM signed a contract to launch two small satellites weighing about one metric tonne. This agreement marked the birth of the PLEIADES program designed to provide France with a constellation of high-definition (70 cm), and therefore highly powerful, observation satellites.

The launch of the first satellite is scheduled for the start of 2010, with the second to follow in mid-2011. The great agility of these two satellites enables daily coverage of any point on the globe, which is a critical capability for defense and civil security applications, and provides the coverage capability vital for large-scale high-accuracy mapping missions.

In September, the CNES awarded Zodiac the contract to supply the program's image reception ground stations (IRS and RIRS). This appointment is a logical move following the successful use in similar (SPOT) stations of two Group's products that have since become market leaders:
- the HEXAPOD antenna,
- the Multi-Mission broadband demodulator (HDR).

The performance delivered by these particularly innovative devices facilitates the reception of data transmitted by all types of Earth observation satellite (optical camera or Synthetic Aperture Radar).
The first complete station was handed over in Toulouse this summer, and two other stations are due to be deployed between now and the end of 2009. Discussions are already underway at international level for the supply of several other stations.

↗ 100 YEARS OF INNOVATION

1909

ZODIAC

1978

GROUPE ZODIAC

2001

ZODIAC

2008

ZODIAC AEROSPACE

CONSOLIDATED KEY FIGURES

€2.014 bn
in sales revenue

+10.3%
organic growth

€235.6 m
in recurring operating income

-10.3%
reduction in recurring operating income at like-for-like basis*

11.7%
operating margin

€137.8 m
in net income**

€2.51
earnings per share**

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.

* *Up 15.2% at constant dollar exchange rate*
** *Excluding the capital gain made on disposal of the Marine Segment*

“STRENGTHENING THE IMPETUS WE HAVE TODAY”

Now refocused on its historic core business of aerospace, the Zodiac Group is committed to ongoing implementation of the strategy that has proved so successful for over thirty years. Under the new name of Zodiac Aerospace, the Group holds **world-leading positions** in its niche markets, and offers a broad range of systems, equipment and services to all the world's aircraft manufacturers and airlines.

Continued growth

Revenue from the Group's aerospace businesses reflected organic growth of 11.7% for the year. This is an excellent performance that deserves to be highlighted, since it represents the fourth consecutive year of double-figure business growth achieved against a background of continued difficulty in the airline industry, which was impacted at the end of the fiscal year by sharp rises in the price of oil.
However, the majority of this significant organic revenue growth was negated by the strong negative impact of the dollar exchange rate. Current Operating Income was also significantly impacted for the same reason. Nevertheless, our operating margin remained in double-figure territory at 11.7%.
Once again, Zodiac has demonstrated its ability to withstand adverse circumstances.
The impressive stability of the Group and its predominant position in fast-growing markets are the just rewards for a strategy implemented over the last thirty years and more by my predecessor, Jean-Louis Gerondeau, who remains with the Group as a Board and Executive Committee member.
Our Group intends to continue implementation of this strategy, which focuses primarily on external growth. The three companies we acquired at the end of the 2007/2008 fiscal year (Driessen, TIA and Adder) will strengthen our skills and abilities in the cabin interiors market.

Mixed prospects in the short term

The short term outlook for the civil aviation industry appears decidedly mixed. The global economic slowdown is being reflected in lower levels of air traffic.
As in previous economic cycles, this trend will gradually work its way through to aircraft manufacturers, and eventually to their equipment suppliers. Such trends are typical of the economic cycle in the aerospace industry, and can currently be seen in the delays announced for a number of new aircraft programs.
The Zodiac Group remains confident in its ability to succeed in surviving such market turbulence.

The outlook for the current year remains good. We should also benefit from a more favorable exchange rate and the first consolidated contribution from the companies acquired at the end of the 2007/2008 fiscal year. Both should contribute to significant growth in our Current Operating Income. Against this background, it is likely that earnings per share for 2008/2009 will return to a level close to that seen in 2006/2007, which reflected the contribution of our former Marine Segment. Over the same period, the financial structure of the Group has been significantly improved, and its gearing reduced by half.

Renewed confidence in the Aerospace Segments

Over the longer term, prospects for continued growth in air traffic remain good. The length of time spent at the bottom of the cycle is shorter than that spent at top, and demand for new aircraft remains significant. Furthermore, despite the fact that all new aircraft programs are encountering significant delays, their ultimate commercial success is not in question. Lastly, since the continued expansion of the current fleet inevitably feeds through into growth of our after-sales businesses, our Group will benefit from this growth in the longer term, and particularly as the new programs for long-haul and regional airliners come on stream.

The creation of Zodiac Services

During the fiscal year, the Group gradually laid the foundations for its new organization dedicated to providing after-sales service for its products. Since September 1, 2008, Zodiac Services has been the single point of contact for our customers in terms of after-sales and customer support for the majority of Group products.
Zodiac Services employs a staff of 550 in Europe, the Americas and Asia, and operates a global network of spare part stocks and repair facilities to supply a continual support and maintenance service.
Alongside this development, the Zodiac Group will continue to pursue its strategy of external growth, as well as the ongoing process of improving its manufacturing competitiveness, which involves developing its presence in countries where production costs are lower.

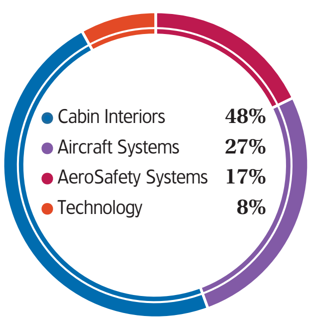
All these developments, combined with the abilities and commitment of everyone at Zodiac Aerospace, underpin my belief in a profitable future for the Group as we successfully address new challenges.

Olivier Zarrouati
Chairman

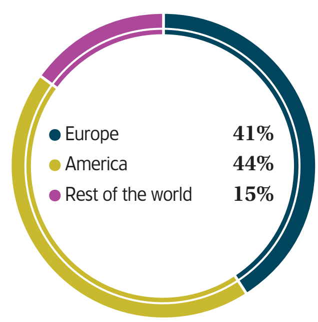
↗KEY FIGURES

SUSTAINED ORGANIC GROWTH CONTINUES

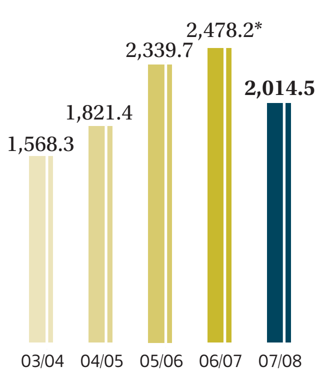
↗Consolidated sales
August 31, 2008 by business segment
(in percent)



↗Consolidated sales
by area
(in percent)

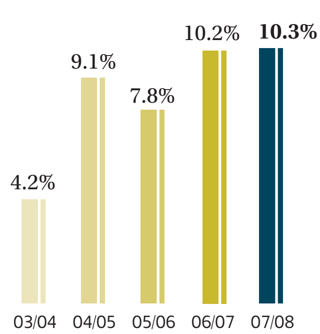


↗Consolidated sales
(in millions of euros)

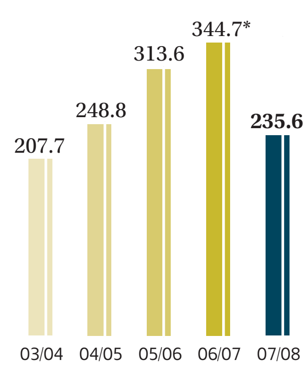


* Inc. €476.2 million
from the former Marine Segment

↗Organic growth in consolidated revenue
(in percent)



↗Recurring operating income
(in millions of euros)



* Inc. €82.1 million
from the former Marine Segment

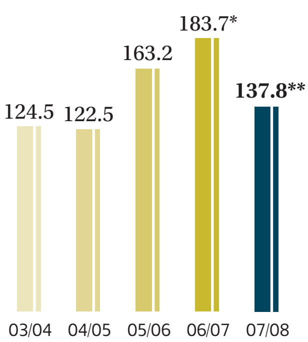
€2,014.5 m
in consolidated sales

€235.6 m
in recurring operating income

€2.51
in earnings per share*

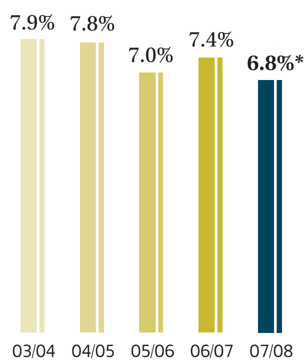
* Exc. the capital gain made on the disposal of the Marine Segment

↗Net income
(in millions of euros)



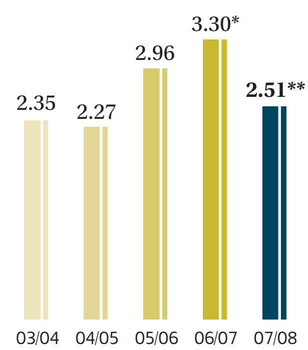
* Inc. €42 million from disposals
** Exc. the capital gain made on the disposal of the Marine Segment (€373.6 million)

↗Net profit margin
income before goodwill/sales
(in percent)



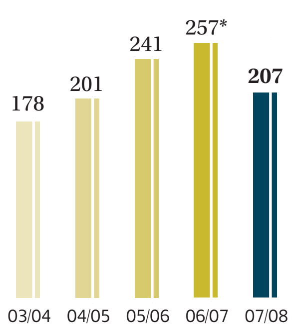
* Exc. the capital gain made on the disposal of the Marine Segment

↗Earnings per share
(in euros)



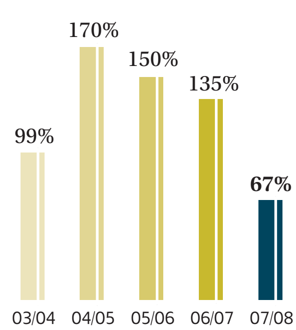
* Inc. €0.76 from disposals
** Exc. the capital gain made on the disposal of the Marine Segment

↗Cash flow
(in millions of euros)

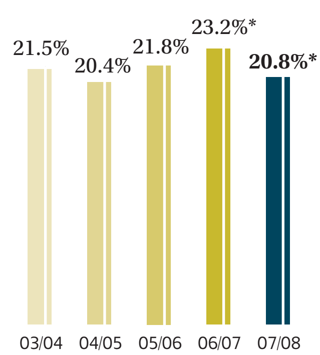


* Inc. €53.8 million from disposals

↗Debt/Equity ratio
(in percent)



↗Net income before goodwill/ Net equity at start of period
(in percent)



* Pro forma

↗CORPORATE GOVERNANCE

Executive Board

Olivier Zarrouati (5)	**CEO**
Jean-Louis Gerondeau (7)	**Member**
Maurice Pinault (8)	**Member**

Supervisory Board

Didier Domange (1)	**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**

Executive Committee members

Olivier Zarrouati (5)	**CEO**
Jean-Louis Gerondeau (7)	**Executive Board Member**
Jean-Jacques Jégou (6)	**Vice-President, Administration and Finance**
Jean-Pierre Brillant (4)	**CEO, Aircraft Systems Segment**
Christian Novella (2)	**CEO, AeroSafety Systems Segment and Technology Segment**
Maurice Pinault (8)	**Deputy CEO** **CEO, Cabin Interiors Segment**
Yannick Assouad (3)	**CEO Zodiac Services**

Auditors

Ernst & Young Audit
Fideuraf, a member of the Fiducial network

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.

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 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.

Frequency of Supervisory Board meetings

During the financial year, the Board met on six scheduled occasions: September 13 and November 15, 2007 and January 8, February 12, April 15 and July 10, 2008. The members of the Board were conscientious in their attendance of meetings, resulting in an attendance rate for the year of over 88%.

In May, five members of your Board visited the plants in Chihuahua (Mexico) and C&D on the West Coast of the USA. They also received a warm welcome at Boeing in Seattle.

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 strategic meetings are held as and when required. The Board dedicates two meetings a year to reviewing the financial statements for the first half and 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 next 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 established 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 four times during the past financial year to consider the audit procedures and methodology applied to the then-current financial year. It met twice to inspect the Group's half-year and consolidated full-year financial statements and once specifically to inspect your Group's internal audit tools.
  The Committee comprises four Supervisory 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 financial year, and met four times in the last financial 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 fees to the Supervisory Board members.
- The Appointments Committee is not regulated by a charter, and meets only when required. It did not meet during the past financial 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.

Professional ethics

The Group has adopted a code of professional ethics, which was re-evaluated in July 2004. This code can be viewed on the Group Intranet, and requires the corporate officers, Company senior executives, Group employees and all members of the Supervisory Board with access to, or possession of, privileged information to refrain from dealing in Company shares during the four so-called "red" periods surrounding the publication of financial statements (two for the first-half accounts and two for the annual accounts), which together represent approximately three and a half months, plus the periods surrounding any special transactions (e.g. company acquisitions).

financial inf

ormation

MANAGEMENT REPORT

A year marked by strong organic growth and a very negative trend in the dollar exchange rate

Revenue and operating income

Group revenue was €2,014.5 million in 2007/2008, reflecting a rise of 0.6% compared with the pro forma revenue figure for 2006/2007 (excluding the Marine business activities now disposed of). At like-for-like consolidation scope and constant exchange rate, Group revenue grew by 10.3%. This strong organic growth offsets the significant negative effect of the falling average euro/dollar rate, which was 1.50 for the 2007/2008 fiscal year, compared with 1.32 in 2006/2007. At 11.7%, revenue from aircraft-related businesses (excluding the Technology Segment) achieved double-figure organic growth for the fourth year running.

Group Recurring Operating Income was €235.6 million, compared with €262.6 million in 2006/2007.
This reduction is the result of the marked deterioration in the dollar/euro exchange rate. Despite this significant negative impact, the Group's operating margin was still 11.7% of revenue.

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

Financial charges fell significantly to €30.6 million, compared with €56.5 million as a result of the disposal of our Marine business activities, the sale of which was completed on September 27, 2007. Nevertheless, this level of financial charges is higher than the level forecast at the beginning of the fiscal year, due mainly to the cost involved in buying back shares in your Company and rising interest rates in the second half of the year. The effective corporate tax rate remained unchanged.

Total net income for the year (excluding the capital gain made on disposal of the Marine Segment) was € 137.8 million, compared with € 141.7 million (pro forma) in 2006/2007. Including the capital gain made on disposal of the Marine Segment produces a net income figure of €511.4 million, compared with € 183.7 million in 2006/2007.

Disposal of the Marine Segment

The disposal of the Marine Segment was completed on September 27, 2007.

The capital gain content of the net sale price, as shown in the income statement, was €373.6 million, following investment by Zodiac S.A. of part of that capital gain in the new company established with Carlyle on September 27, 2007.
On completion of this transaction, Zodiac S.A. owned direct and indirect holdings totaling 26.8% of the new Zodiac Marine Holding Group. At the end of the fiscal year, the fair value of this holding was revised downwards to € 10.9 million.

Ongoing businesses

• AEROSAFETY SYSTEMS SEGMENT

This segment reported good levels of business during the year, and organic growth of 7.9%. Aircraft Arresting Systems performed particularly well, with 12.9% organic growth in revenue. The segment achieved some notable sales successes, particularly with the Airbus A350 XWB program for which the Company will supply the emergency escape slides and wiring systems for the nose landing gear.
Recurring Operating Income was down slightly by 0.8%, due to the impact of the dollar exchange rate masking the organic growth achieved. Margin remained unchanged at 15%. Excluding the impact of the dollar exchange rate, ROC would have been 16.2%.

• AIRCRAFT SYSTEMS SEGMENT

This segment ended the year with reported organic growth of 7.7%, with the rise being driven by Services (+ 17.8%), Electrical power and lighting (+ 9.3%), Fuel systems (+ 15.3%), Oxygen and life support systems (+ 10.3%) and Hydraulic systems (+ 8.9%). This segment remains the one most badly affected by the negative trend in the dollar rate due to its exposure to transactions denominated in US dollars. The sharp slide seen in the dollar/euro exchange rate during the year therefore reduced the segment's Recurring Operating Income by 30% to €56 million. Nevertheless, and despite this very unfavorable background, operating income remained above 10% at 10.4% of revenue. At constant exchange rate, Recurring Operating Income would have risen by 13.6%.

• CABIN INTERIORS SEGMENT

At 15.3%, this segment reported significant organic growth for the fourth consecutive year. All divisions contributed to this growth; none reporting less than 10%. We would draw particular attention to the strong growth of 33% reported by the Seats USA Division, which benefitted from a series of cabin refurbishment programs and a good level of deliveries for new airliners.
Recurring Operating Income grew slightly by 0.3% to € 116.5 million. Margin for the year was 12.1%, compared with 12.5% in 2006/2007.
This income was negatively impacted by the dollar exchange rate and its effect on dollar-denominated transactions. Excluding the impact of the dollar exchange rate, Recurring Operating Income would have grown by 20.5%.

• TECHNOLOGY SEGMENT

Organic revenue growth for this segment fell back by 5.2% as a result of differential performances by the two divisions: Telemetry reported growth of 6.3%, whilst revenue from Airbags fell back by 17.2%. Despite this unfavorable trend, operating income fell by 4.6% to € 14.5 million, whilst margin rose to 9.2%, compared with 8.8% in 2006/2007.

Non-recurring operating income (excluding disposal of the Marine Segment)

Non-recurring operating income for the 2007/2008 fiscal year was a loss of €2 million, compared with € 1.7 million profit in 2006/2007. There were many reasons for this trend, one of the most significant being expenditure of € 1.2 million in restructuration costs and reductions in value.

A significant fall in financial charges

The disposal of the Marine Segment at the start of the fiscal year resulted in a significant reduction in the Group's average net financial debt from € 1,434.6 million in 2006/2007 to €547.8 million in 2007/2008.

This trend explains the significant fall in the Group's financial charges.

Reflecting this fall in average borrowing, the Group's debt to equity ratio fell from 1.35 on August 31, 2007 to 0.67 at August 31, 2008.

The overall average interest rate paid by the Group rose from 5.05% to 5.80%, generating an increase of €4.2 million in our average cost of borrowing for the fiscal year.
Group cash flow grew by 2% to end the year at €207 million, compared with €203 million in 2006/2007 (pro forma excluding the Marine Segment).
Organic revenue growth in our aircraft-related segments resulted in a rise of €82.6 million, which is a consistent outcome.
Tangible and intangible investments in our aircraft-related businesses totaled €91.4 million. This figure includes capitalized development costs of €28.7 million, compared with €33.5 million for the previous year.
At August 31, 2008, the Group had no interest rate hedging instruments in place.
An exchange rate hedge was put in place in August 2008 in the form of the purchase of dollar put options at a cost of $75 million, spread equally over the period from September to November 2008, at a strike price of 1.55.

Corporate taxation

The effective corporate tax rate for the year remained unchanged at 32.1% of Pre-Tax Income (excluding the capital gain made on disposal of the Marine Segment), compared with 31.8% for the previous year.
It should be noted that the application of IFRS led to the recognition of a deferred tax liability rather than a deduction from the tax charge; the tax savings generated by impairment of goodwill being taxable over its tax impairment period (approximately 15 years).

Outlook for 2008/2009

The 2008/2009 fiscal year looks as if it will be one of contrasts. The Group should benefit from a more favorable exchange rate 'secured' by the exchange rate hedges put in place during Quarter 1 of 2008/2009 to cover revenue generated in the period from November 2008 to August 2009 in the form of a forward sale of $278 million at an average rate of 1.25.
The Group will also benefit from consolidation of the three companies acquired at the end of the 2007/2008 fiscal year:

- Driessen is a world leader in galley equipment and the in-flight trolleys used in single-aisle airliners. The company reported revenue of € 136 million in 2007. Driessen employs 2,000 people worldwide, most of whom work in Thailand, the Czech Republic and the USA.
- TIA (the Richards Corp.) is an American company specializing in airline galley equipment, and reported revenue of $14.5 million in 2007.
- Adder is a French manufacturer of passenger cabin equipment, with particular expertise in airliner class dividers. The company reported revenue of €7 million in 2007.

Organic growth in our aircraft-related businesses will be low, affected by the slowdown in the world economy and its influence on industry segments like the manufacture of regional airliners. Against this difficult background, our Group will continue with the low cost/dollarization initiatives designed to improve its ability to compete globally at production level. We will also continue to apply our external growth strategy. On this basis, the Group expects to achieve significant growth in its Recurring Operating Income during 2008/2009.

EXECUTIVE AND SUPERVISORY BOARDS

CORPORATE APPOINTMENTS HELD BY EXECUTIVE BOARD MEMBERS

Member	Date of appointment or reappointment	Company position held	Other positions or offices held
Olivier Zarrouati	November 15, 2007	Chairman	**Directorships:** GROUP COMPANIES: France: Intertechnique Other countries: Air Cruisers Company LLC (USA), Avox-Eros Services Inc., Avox Systems, Inc., C&D Aerospace Canada Co. (Canada), C&D Zodiac Inc., Esco (USA), Icore GmbH (Germany), Icore International Ltd. (UK), Parachutes Industries of Southern Africa Pty (South Africa), Sicma Aero Seat Services and Zodiac Aerospace UK Ltd. (UK)
Jean-Louis Gerondeau	November 15, 2007	Board Member	**Supervisory Board Chairmanships and Vice-Chairmanships:** France: Institut de Développement Industriel (non-Group) **Chairmanships of Group companies:** France: Aerazur **Directorships:** GROUP COMPANIES: - in his own right: France: Sicma Aero Seat Other countries: Zodiac Automotive UK and Zodiac US Corporation - as permanent representative of Zodiac SA: Parachutes de France NON-GROUP COMPANIES: France: Faurecia and Nexans
Maurice Pinault	September 15, 2004	Board Member	**Directorships:** GROUP COMPANIES: France: Adder, C&D Europe 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) and Zodiac Holding Sicma Aeroseat SL (Spain)

1. Personal remuneration paid to company officers in respect of the 2007/2008 fiscal year

The Remuneration Committee recommended to the Supervisory Board (which adopted the recommendation on November 15, 2007) that, with effect from September 1, 2007, the fixed remuneration paid to the Chairman (Olivier Zarrouati) should be €280,000 and that to Board Member Maurice Pinault should be €240,000. The remuneration paid to Board Member Jean-Louis Gerondeau was set at €120,000 with effect from December 1, 2007.

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

- Olivier ZARROUATI: 0 to 100% of the fixed remuneration amount to reflect the degree to which the Group net profit target is met.
- Maurice PINAULT: 0 to 100% of the fixed remuneration amount to reflect the degree to which the operating profit target for Cabin Interiors Segment is met.

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

There is no provision for the payment of any specific amount to members leaving the Executive Board.

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

Under share option Plan 07b, Olivier Zarrouati was granted 60,000 share options and Maurice Pinault 80,000 share options on December 3, 2007. No options were granted to Jean-Louis Gerondeau during this fiscal year.

2. Amount of remuneration paid to company officers

a) Salaries and benefits

In euros	Fixed	Variable*	Benefits in kind (vehicle)	Total
Jean-Louis Gerondeau	146,250	225,000	4,620	375,870
Maurice Pinault	240,000	200,000	4,980	444,980
Olivier Zarrouati	280,000	250,000	1,128	531,128
Total	666,250	675,000	10,728	1,351,978

* This is the amount paid by the Company in January 2008.

b) Share 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, 2007	160,000	75,000	-	60,000	75,000	-
Options exercised in 2007/2008	-	-	-	-	-	-
Options outstanding at August 31, 2008	160,000	75,000	80,000	60,000	75,000	60,000
Options outstanding at August 31, 2008 (1)	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 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)

Seven (7) such transactions occurred during the period between September 1, 2007 and August 31, 2008. Two (2) of these transactions related to disposals and similar dealings. Details of all these transactions were registered on the appropriate AMF web site, 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 2007/2008 (€000)	Other positions or offices held
Didier Domange	01/08/2008	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
Louis Desanges	12/15/2005	Supervisory Board Vice-Chairman Accounts Committee Member Appointments Committee Member	20	- Chief Executive of Omnium Delabordère
Élisabeth Domange	12/15/2005	Supervisory Board Member	10	- Farm manager
Gilberte Lombard	12/18/2006	Supervisory Board Member Accounts Committee Member Remuneration Committee Member Appointments Committee Member	18	- Central Director of HSBC France - Director of HSBC Assurances Vie - Director of Nobel and Financière d'Uzès - Supervisory Board Member of Robertet
Robert Maréchal	12/16/2002	Supervisory Board Member Remuneration Committee Member	12	- Director of Sicma Aero Seat, Groupe Tech Industries and Immobilière Maréchal
Marc Assa	12/15/2003	Supervisory Board Member	10	- Director of AXA Luxembourg, BNP-Paribas Luxembourg, Eurobéton Luxembourg and Good Year Luxembourg
Marc Schelcher	12/15/2005	Supervisory Board Member	10	

* Total remuneration, including directors' fees.

Members	Date of appointment or reappointment	Company position held	Directors fees received in 2007/2008 (€000)	Other positions or offices held
Edmond Marchegay	12/16/2002	Supervisory Board Member Appointments Committee Member	10	- Chairman and CEO of IER (Groupe Bolloré) - Board member of Société Industrielle and Financière de l'Artois (Groupe Bolloré) - Supervisory Board Member of DMC, Société Financière HR and Banque J.P. Hottinguer - Chairman and Director of Automatic Systems (Belgium) (Groupe Bolloré)
Representative of SOCIÉTÉ FINANCIÈRE DU CÈDRE	12/16/2002	Supervisory Board Member Remuneration Committee Member	12	- Director of Media Participations Bruxelles - Member of the Strategy Committee of Crédirec LCD - Director of Télémarket SA
Representative of SOCIÉTÉ FONCIÈRE, FINANCIÈRE ET DE PARTICIPATIONS (FFP)	12/18/2006	Supervisory Board Member Accounts Committee Member	12	- Chairman and CEO of FFP (SA) - Chairman and CEO of Simante SL - Supervisory Board Member of PSA Peugeot Citroën and Hermes International - Director of FFC Construction, B-1998, FFC, Faurecia (SA), Sanef, Imerys (SA), Holding Reinier (SA), LFPF (SA), EPF (SA), I.P. Est (SA), WRG - Waste Recycling Group Limited (SA), Alpine Holding, Sofina (SA) and DKSH (SA) - Chief Executive of Rodom (SCI) and CHP Gestion (SCI) - Permanent representative of Société Foncière, Financière et de Participations - FFP representative on the Zodiac Supervisory Board - Statutory representative of FFP and Chairman of Financière Guiraud (SAS)

RISK MANAGEMENT

In conducting its operations, the Zodiac Group follows a responsible risk management policy that is designed to safeguard the assets belonging to its shareholders while protecting the safety of people, the interests of customers and consumers, and the 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 aerospace industry cycles
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. Zodiac 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, pandemic and air crashes, may also have serious repercussions for air traffic and, therefore, on the aircraft equipment markets served by Zodiac.
In 2008, approximately 85% of the Group's adjusted consolidated revenue was generated from civil aviation.

b) Market valuation
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 commercially successful 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 aspects of Zodiac's business. In 2008, approximately 10% of the Group's adjusted consolidated revenue was generated from military activities.

d) Competition and program delays
Zodiac 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.: A380, A400M, B787, etc.) may result in the revision of delivery schedules, and delays in new aircraft production schedules may affect the flow of revenue from Zodiac's aerospace businesses.
The Group's production and assembly facilities are spread widely throughout the world. This minimizes risks resulting from accidental interruption of production at any given site. In addition, the Group has, with the assistance of outside advisers, continued to develop business recovery plans for implementation in the event of accidental interruption, including any such occurrences affecting its suppliers and subcontractors.

Product liability

The Zodiac 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 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 Zodiac operates in the aerospace industry, it has significant exposure to fluctuations in the euro/dollar exchange rate. Approximately 50% of Group revenue and 60% of its operating income from ongoing activities (aircraft-related and Technology) are generated by its companies based in the USA.
In addition, 19% or so of total Group revenue is invoiced in dollars by its European companies, and is therefore also exposed to euro/dollar exchange rate risks.
To limit the direct impact of currency fluctuations, the Zodiac Group is taking action to increase the percentage of purchases made in dollars from its "euro" bases. This provides a "natural" hedge against the dollar rate.
In FY 2007/2008, around 18% of dollar sales generated by companies located in the euro zone were "hedged" in this manner.
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 as a result of the business activity of its customers, which may be affected by the price per barrel of oil (as far as airlines are concerned, for example). This may in turn pose a risk to the solvency of these airlines, which 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.

Insurance

General policy on insurance

Zodiac's policy on insurance is to protect its assets against risks that could adversely affect the Group.
In addition to transferring risks to insurers, Zodiac takes protection and prevention measures.

• INTEGRATED WORLDWIDE PROGRAMS

The Group has set up a worldwide program with leading insurers to cover its main risks, including property damage and operating losses and civil liability.

– Property damage and operating losses
The Group has cover for fire, explosion and other risks of damage to property and any resulting operating losses of up to €300 million per claim, per year or for all claims combined per year for industrial and warehousing facilities, under a policy underwritten by FM Insurance.
This cover was calculated using an assumption of maximum possible exposure, in agreement with the insurance company and its appraisers.
There are lower limits for other types of more specific or localized risks, such as earthquakes in some regions where certain foreign facilities are located.
This cover factors in the protective measures in effect at Group facilities, which are inspected by FM Insurance's Prevention Engineering department.

– Civil liability
All Group subsidiaries are covered under a worldwide civil liability insurance program that covers their operating liability and product liability through two policies: one for the aircraft-related businesses, the other for the Group's other activities.
Cover is based on quantification of the risks that the Group can reasonably be expected to incur in light of its business activities. The Group also has directors' and officers' liability insurance.

– Shipping
Zodiac's shipping insurance policy covers damage to all goods shipped, regardless of shipping method (land, sea, air) everywhere in the world.
This program covers shipping risks up to a maximum of €3.7 million per occurrence.

• LOCAL POLICIES

For more specific risks, each Group company takes out 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, the Group has excess cash only for extremely short periods of time (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 contained in the Group's portfolio and their geographical spread.
At August 31, 2008, 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 shares

Zodiac is listed on the Euronext Paris market:

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

Zodiac is included in the Monthly Settlement Facility and is one of the companies that make up several French multisector benchmark indices: the SBF 80, 120, and 250; the CAC MID 100; and the European multisector index Next 150.

Zodiac was the first company to be listed on the Second Marché of the Paris Stock Exchange in 1983. In May 1989, the stock was transferred to the Paris Monthly Settlement Market.

Zodiac has joined the NextPrime segment of the Euronext exchange, reflecting its commitment to provide a high level of financial information. Zodiac continuously supplies high-quality financial data that goes beyond the scope of regulatory requirements.

Capital stock

At August 31, 2008, Zodiac's capital stock amounted to €11,133,540.80 divided into 55,667,704 shares.

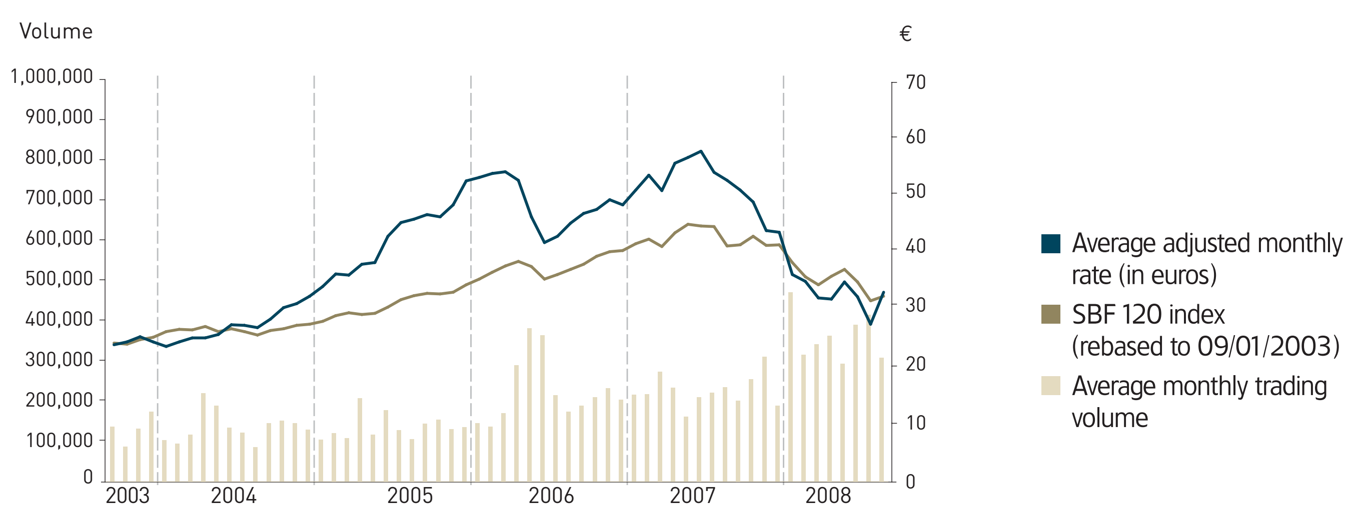
Technological resources for our shareholders and real-time information

Zodiac had developed a website: http://www.zodiacaerospace.com to give our shareholders easy access to comprehensive financial and strategic information on the Zodiac Group, as well as the share price in real time.

The site displays and carries news of corporate events and press releases, as well as quarterly, semi-annual and annual reports. Users can register to receive all these items by email as soon as they are released online.

All financial information documents are downloadable, including the annual report, semi-annual report, prospectuses filed with the AMF (Autorité des Marchés Financiers), and slide shows of financial briefings.

↗Zodiac share price trend over the past five years



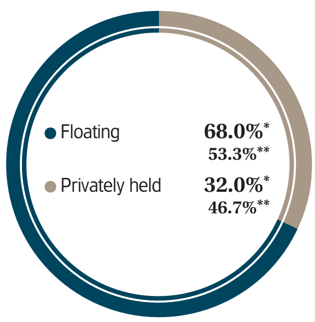
€2.51
earnings per share*

€34.30
share price
at August 31

€1.00
net dividend
per share

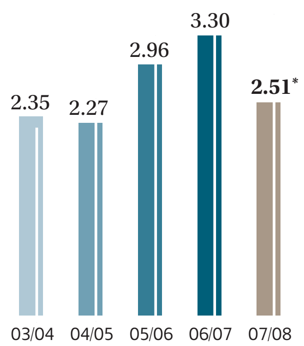
* Exc. the capital gain made on the disposal of the Marine Segment

↗Stock ownership
at August 31, 2008 (in percent)



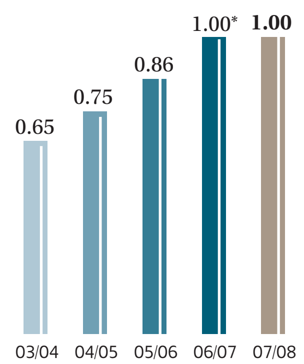
* Shares
** Voting rights

↗Earnings per share
(in euros)



* Exc. the capital gain made on the disposal of the Marine Segment

↗Earnings per share
(in euros)



* Exc. €2.00 extraordinary dividend

↗Stock market data

	FY 2003/2004	FY 2004/2005	FY 2005/2006	FY 2006/2007	FY 2007/2008
High/Low (closing price) in euros					
– High	28.67	47.41	55.60	60.47	53.47
– Low	22.31	27.22	38.50	45.16	25.15
Price at August 31	27.17	45.36	47.43	53.00	34.30
Number of shares at August 31	53,815,242	54,726,642	55,260,445	55,583,047	55,667,704
Market capitalisation at August 31 (€k)	1,462,160	2,482,400	2,621,003	2,945,901	1,909,402
Average daily trading volume					
– No. of shares	142,247	143,332	217,097	225,065	325,065
– Capital (€k)	3,597.791	5,224.813	10,395.55	12,101.74	11,694.0

SHARE OPTION PLANS

For many years, Zodiac has awarded share 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 improvements in the Zodiac share price.

The Supervisory Board grants its previous authorization for any share subscription option plan within the terms authorized by the General Meeting of Shareholders.

Options expire after a period of eight years. They are granted at 100% of the market value and can be exercised by tranche: for allocations to the executive committee members (pluriannual plans) which take place once every four years, by quarter at each of the anniversary dates following the allocation date.

Under the arrangements for annual share option awards, half the options are granted on each anniversary of the date of grant. Options awarded to Executive Board members under multi-year plans (once every four years) are granted on each anniversary of the date of grant.

Annual share option awards are granted in Quarter 1 of the financial year. During 2007/2008, the annual awards were granted 15 trading days after publication of the 2006/2007 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 2007/2008 financial year, annual share options for 149,950 shares at €43.49 (the average of the 20 previous days' share prices) were awarded to 132 employees on December 3, 2007. During the 2007/2008 fiscal year, multiyear share options were granted to four Directors. Granted on December 3, 2007, these options apply to 260,000 shares at a price of €43.49.

↗Shares held by Corporate Executives and Officers

	Number of registered shares held at August 31, 2008
Executive Board Members	
Jean-Louis Gerondeau	621,375
Maurice Pinault	458,370
Olivier Zarrouati	10
Supervisory Board Members	
Didier Domange	254,646
Louis Desanges	1,043,165
Marc Assa	597
Élisabeth Domange	2,864,319
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

SHAREHOLDERS' PACT

A pact between certain Zodiac S.A. shareholders was signed on December 8, 2005. This pact, which covers 21.75% of equity capital and 35.02% of voting rights, was submitted to the Autorité des Marchés Financiers (French Market Regulator) in accordance with Article L. 233-11 of the French Commercial Code. The main content of this pact is a collective agreement to retain Zodiac S.A. shares for a period of six years in accordance with Article 885 I bis of the French Tax Code. It supersedes a previous agreement of December 15, 2003 between certain Zodiac S.A. shareholders. The new pact also grants reciprocal pre-emptive rights to the parties. The parties have stated that this pact has been entered into for tax reasons, that its purpose is not to implement a common policy vis-à-vis the Company and that it therefore does not constitute 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 pre-emption 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.

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

POTENTIAL NUMBER OF SHARES AT AUGUST 31, 2008

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

↗Shares held by Corporate Executives and Officers

	Number of shares outstanding	Maximum potential number of shares
Ordinary shares issued at August 31, 2008	55,667,704	55,667,704
Share options	2,064,426	2,064,426
Maximum total number of shares		**57,732,130**

SHARE BUYBACK PROGRAM

At the General Meeting of January 8, 2008, the shareholders renewed the authorization 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 number of shares constituting its equity capital on the date of purchase. This authorization was granted for a period of 18 months, expiring on July 8, 2009.

In accordance with the provisions of Article L. 225-209, paragraph 2 of the French Commercial Code, the Executive Board reports that during the 2007/2008 fiscal year, your Company exercised the authorization granted by shareholders at the AGM of January 8, 2008.

On August 31, 2008, your Company held 2,467,276 of its own shares, representing 4.43% of capital stock. These shares were acquired with the eventual aim of using them in the form of share swaps, payments of other means of transaction as part of any future acquisitions.

Main provisions of the company's articles of association

Company name

Zodiac

Registered office

2, rue Maurice Mallet
92130 Issy-les-Moulineaux - France

Form, nationality and governing law

Société anonyme managed by an Executive Board and a Supervisory Board and governed by all applicable laws and regulations.

Date of incorporation and duration

The Company was incorporated in 1910. The Company will be dissolved automatically on March 12, 2033, unless it is dissolved previously or unless its duration is extended.

Summary of corporate purpose (Article 3 of the Articles of Association)

- To research, fabricate, purchase, sell, lease and represent all types of equipment, made of any material, connected to marine and air navigation.
- To research, fabricate, purchase, sell, lease and represent all objects made of fabric, whether rubberized or not, including, but not limited to: pneumatic watercraft and equipment; balloons and other airborne devices; sports and camping gear; protective and other clothing; storage equipment; tents and hangars, whether pneumatic or not.
- To purchase, sell and use all patents for inventions relating to the purposes set forth in paragraphs 1 and 2 of this Article; to purchase, sell and use all associated licenses; and to research, develop and build all works, equipment and industrial facilities related thereto.
- To create or participate in creating all companies, partnerships, groups and, in general, to enter into any real or other property transactions or industrial or financial transactions related directly or indirectly to the aforesaid purpose, or to any similar or related purposes or purposes that may facilitate the application, implementation or development thereof, or that may enhance the position of the Company or its subsidiaries, whether in a material or intangible manner.

Trade and Companies Registry

RC Nanterre B 729 800 821
APE code: 7010Z

Financial year

Commencing September 1, and ending August 31.

Distribution of earnings

Distributable earnings consist of net income for the financial year, less any prior-year losses and amounts allocated to reserves as required by law, plus any retained earnings. The allocation of distributable earnings is determined by the Shareholders at the Annual Ordinary General Meeting, at their sole discretion. The Shareholders may also decide to distribute amounts drawn from available reserves. In this case, the resolution shall specify the reserve accounts from which the funds are to be drawn.

Except in the case of a capital decrease, no distributions may be made to shareholders if shareholder equity is less than, or should fall below, the minimum equity capital plus reserves below which distributions are prohibited by law.

Shareholders' meetings and voting rights

Shareholders' meetings are convened, held and deliberated under the conditions stipulated by law.

All shareholders may attend the meetings, either in person or by proxy on condition that their holdings are entered in the Company's share register, either in their own name or in the name of an intermediary (in accordance with the applicable legal conditions) at least three working days before the opening of the shareholders' meeting (Paris time).

Shareholders may be represented only by another shareholder or by their spouse. Proxies duly completed pursuant to the stipulations of the applicable regulations must be submitted to the registered office at least five days before the date of the meeting.

In principle, each share gives the holder the right to one vote.

However, double voting rights are allocated to all fully paid registered shares which have been duly recorded on the books in the name of the same shareholder for a period of at least four years.

Under the terms of the Commercial Code, double voting rights are automatically eliminated when the shares are converted to bearer shares. Double voting rights are also automatically eliminated when the shares are assigned, providing, however, that this entails a transfer of ownership. Hence, double voting rights are retained in the event of a collateral assignment or transfer to a beneficial owner. Double voting rights are also retained if the shares are transferred to an heir, as a result of liquidation of community property between spouses or as a gift to a spouse or relative.

Ownership threshold disclosure (Article 9 of the Articles of Association)

Any natural or legal person holding a number of shares representing 2% of the Company's equity capital or voting rights must disclose to the Company the total number of shares owned, directly or indirectly, no later than fifteen days after exceeding this threshold.

Should the shareholder fail to comply with this obligation, and at the request of one or more shareholders together holding at least 5% of the Company's equity capital and duly recorded in the minutes of the General Meeting, those shares that exceed the 2% threshold and that should have been disclosed shall be disqualified for voting purposes at any shareholder's meeting that may be held within a period of 2 years following the date on which failure to make such disclosure has been duly remedied.

CORPORATE DOCUMENTS ON DISPLAY

The following documents may be consulted at the Company's Legal Department, 2, rue Maurice Mallet, 92130 Issy-les-Moulineaux - France:

- the Articles of Association,
- the annual reports,
- the Zodiac parent company and consolidated financial statements.

GRAND PRIX OF THE *AGEFI GOUVERNEMENT D'ENTREPRISE 2008*

In June 2008, Zodiac received two awards at the fifth annual *Grands Prix du Gouvernement d'Entreprise* presented in recognition of the best corporate governance practice amongst companies listed on the Paris market. These awards are sponsored by the French financial daily AGEFI and awarded on the basis of a survey of the financial community and the decisions of a professional judging panel.

The judges were unanimous in their decision to award the Zodiac Group the *Grands Prix du Gouvernement d'Entreprise 2008* in recognition of the overall quality of our corporate governance. Zodiac also received the *Dynamique de Gouvernance* award presented to the company making the best progress in corporate governance.

The Zodiac Group is honored and thrilled with this recognition of its abilities, and sees it as an opportunity to continue its efforts.

business

segments

CONTINUALLY IMPROVING CABIN COMFORT, DESIGN AND HYGIENE

THE CABIN INTERIORS SEGMENT DESIGNS AND MARKETS SEATS AND CABIN FITTINGS, AS WELL AS SUPPLYING COMPLEX SANITARY AND FOOD EQUIPMENT.
ITS TECHNOLOGICAL ADVANCES HAVE ENABLED THE SEGMENT TO BECOME A KEY PLAYER IN AIRCRAFT INTERIOR UPGRADING.

The Cabin Interiors Segment has once again reported **very healthy organic growth; this time of 15.3%**. Both Seats Divisions gained market share in the US long haul airliner market, whilst its Cabin Systems and Equipment businesses achieved many sales successes in the regional and business aviation sectors. The Group's external growth strategy also added three new companies to the segment during the year: Driessen, TIA and Adder.

Toilet cubicle design
for First Class passengers

Cirrus seating
for Business Class passengers

A systems supplier in its own right

The first highlight of the year for the Cabin Interiors Segment was its acquisition in July 2008 of the Dutch group Driessen, the world's leading manufacturer of airline customer service trolleys, and a market leader in aircraft galleys. The majority of its 2,000 employees work at the Group's production plants in Thailand, the Czech Republic and the USA.

This acquisition will enable Zodiac to diversify its range of cabin interior products, at the same time as improving the competitiveness of its range as a systems supplier in its own right.

In fact, Bombardier has already appointed C&D Zodiac as the sole supplier for all the cabin equipment to be fitted to its future 110/130-seat CSeries regional jet scheduled to enter service in 2013.

Major sales successes at C&D Zodiac

The impetus provided by C&D Zodiac also helped the Cabin Systems Division to win contracts to supply two new Bombardier business aviation programs. Growth in its retrofit activities also contributed to the good results reported by the segment.

The summer acquisition of Adder, the French manufacturer of moveable cabin class partition systems for commercial airliners, was another major event which further strengthened Cabin Interiors' status as an original equipment manufacturer.

+33%
organic growth
in the Seats USA Division

↗ KEY FIGURES

€962.3 m
in sales

€116.5 m
in recurring operating income

12.1%
operating margin

48%
Group sales

8,187
workforce

↗ 4 DIVISIONS

SEATS-US DIVISION → 20%*
- Passenger seats for economy, business and first class cabins.

SEATS-EUROPE DIVISION → 19%*
- Passenger seats for economy, business and first class cabins
- Crew seats
- Pilot seats
- Helicopter seats.

CABIN EQUIPMENT → 15%*
- Water distribution and treatment systems
- Sanitation systems
- Waste compactors
- Refrigeration systems
- Other equipment.

CABIN SYSTEMS → 46%*
- Complete turnkey cabin interiors
- Galleys
- Toilet systems
- Luggage bins
- Passenger service units
- Trim panels/partitions
- Passenger seats for regional aircraft.

** Consolidated sales 2007/2008 by business segment*

OUTLOOK

> The outlook for organic growth in the **Cabin Interiors** Segment remains good, despite increasingly difficult market conditions. The segment is forecasting a modest increase in the rate of A380 and Boeing 787 program deliveries.

> The **Seats** USA Division should continue to progress, with a good flow of new sales and a well-filled retrofit order book.

> The **Cabin Equipment and Cabin Systems** Divisions are expected to perform well once again in 2008/2009, largely as a result of the range enhancements delivered by their three recent acquisitions.

> The Group's policy of reducing costs to offset the falling value of the US dollar will be stepped up further by increasing production volumes and workforce numbers at its plants in Mexico and Tunisia. The contribution made by the Driessen plants in Thailand, the Czech Republic and the USA should further accelerate the pace of change in this direction.

Cabin Equipment holds up well

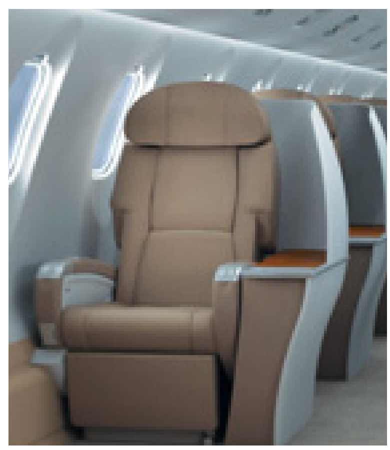
The third highlight of the year for this segment was its acquisition in July 2008 of the US company TIA, which specializes in the electrical onboard catering systems known as galley inserts. This purchase was made to complement and optimize the product range offered by the Cabin Equipment Division.

The segment also reported strong business growth, despite the slippage seen in both the A380 and 787 Dreamliner programs. The good performances achieved by other commercial aviation programs at Airbus (A320) and Boeing (B737) and in business aviation at Embraer ensured that this division progressed well during the year. Its Air Chiller range also generated very good sales volumes.

A strong order book for the Seats Divisions

The Seats Divisions once again returned an excellent level of performance during the year, despite less than favorable market conditions created by delivery delays on the Boeing 787 and a number of orders postponed or cancelled for the refurbishment of older US aircraft following their retirement from airline fleets as result of higher aviation fuel prices. Nevertheless, the division was able to secure a series of major retrofit orders for leading US airlines.

The Cabin Interiors Segment also made its first deliveries of First Class and Economy Class seating for the A380, which made its first commercial flight on October 25, 2007 in the livery of Singapore Airlines.



Seating for the CRJ
by Bombardier

Skynest seating
for Business Class passengers

OPTIMIZING THE HIGH-TECH EQUIPMENT AND SYSTEMS ESSENTIAL FOR FLIGHT AND GROUND OPERATIONS

RECOGNIZED BY THE WORLD'S LEADING AEROSPACE COMPANIES, THE SKILLS OF THE AIRCRAFT SYSTEMS SEGMENT COVER CIVIL AVIATION, MILITARY APPLICATIONS AND SPACE. ITS CUSTOMER SERVICE TEAMS DELIVER SUPPORT, CONSULTANCY AND ASSISTANCE THROUGH AN EXTENSIVE GLOBAL NETWORK BUILT ON THE PRINCIPLE OF DELIVERING MAXIMUM SERVICE AT LOCAL LEVEL.

The Aircraft Systems Segment had a generally satisfactory year, **reporting organic growth of 7.7%**. The continued rise in aircraft manufacturer production levels benefited all three of its market segments (commercial, regional and business aviation) and its thriving service-based businesses. The Oxygen Systems, Hydraulics & Controls and Electrical Power Management Divisions were all appointed as contributors to a number of promising new programs.

Generator
armatures

Flightdeck
instrument panel

A broad range of appointments

In a fast-expanding OEM (Original Equipment Manufacturer) market for new aircraft in general, and Airbus and Boeing in particular, the segment won a series of major new contracts during the year. These include the supply of electrical power management systems, onboard computers and external lighting for the Airbus A350 XWB. The gradual increase in A380 program production also contributed to its sustained business volumes.

Many significant new contracts were also signed with a wide spectrum of manufacturers in the business jets market, including Embraer for the oxygen and electrical power distribution systems of its Legacy 450, as well as Cessna and Honda Aircraft Company, where it will supply the oxygen systems for the new CJ4 and HondaJet aircraft.

In regional aviation, the Fuel Systems and Hydraulic & Control Systems Divisions will supply the fuel and inerting systems for the Mitsubishi MRJ. The process of inerting increases fuel tank safety by injecting an inert gas to take the place of fuel as it is consumed by the engines. The Zodiac Group is the first European supplier to contribute to this program.

Many deliveries and innovations

In military aviation, the segment secured the first series production orders for the LCA aircraft manufactured in India by HAL, and began supply of the fuel systems for the Airbus A400M during the year.

Many innovative developments for major programs were launched during the year. The Fuel Systems Division not only signed agreements to supply the fuel systems for the Boeing 787, but also secured the contracts to supply the new Dassault SMS business aircraft and Cessna's CJ4.

The Oxygen Systems Division also brought forward a number of major new products during the year, including a full-face mask for retrofitting to US military aircraft, and an onboard oxygen generator. The segment has also developed a fiber optic measurement display system, which has already been selected for use in the Airbus A400M and the Gulfstream G650.

↗ KEY FIGURES

€539.4 m
in sales

€56.0 m
in recurring operating income

10.4%
operating margin

27%
Group sales

3,433
workforce

↗ 7 DIVISIONS

ELECTRICAL POWER MANAGEMENT → 29%*

- Switches, circuit breakers, complete electrical systems
- Exterior lighting
- Flight deck controls and displays, interior lighting
- Windshield wiper systems.

ACTUATORS, SENSORS AND ELECTRIC MOTORS → 8%*

- Electric actuators for electromechanical assemblies
- Precision induction sensors
- Electric motors with associated electronic control equipment.

ON-BOARD COMPUTERS → 12%*

- Computers with real-time on-board system information processing
- User-machine interfaces
- Sensors for measuring values
- Actuator-computers
- Gauges.

** Consolidated sales 2007/2008 by business segment*

DIVISIONS CONTINUED

FUEL CIRCULATION → 10%*
- Electric pumps
- Valves
- Flexible connectors
- Filling systems
- Inerting system.

OXYGEN AND LIFE SUPPORT → 17%*
- Oxygen masks for crews, passengers and military aircraft pilots
- Oxygen storage, distribution and regulation equipment
- Chemical oxygen generators
- Anti-G valves and regulators for military aircraft pilots.

HYDRAULICS AND CONTROLS → 8%*
- Smart components (servovalves) for flight, braking and steering controls.
- Fuel regulation systems.
- Valves and connectors for hydraulic systems..

SERVICES → 16%*
- Maintenance centers.
- On-demand spare parts delivery service.

↗OUTLOOK

> The new fiscal year looks promising for the **Aircraft Systems** Segment, as production volumes rise in many civil aviation programs, including the A380, Gulfstream G650, Sukhoi RRJ and Embraer Phenom. However, the production delays announced by Boeing for its B787 will mean that deliveries of equipment for this program will fall below forecast.

> We expect equipment sales volumes to hold up well in 2008/2009, with supplies commencing for a series of **promising programs**, including the Dassault F7X, Embraer Phenom, Gulfstream G650 and Cessna Mustang.

> Customer Support will also grow faster in the year ahead as a result of the wider range of services offered by **Zodiac Services**.

** Consolidated sales 2007/2008 by business segment*

In regional business aviation, the segment began the first deliveries of order series for the Sukhoi SSJ100, Embraer Phenom 300 and Gulfstream G650 programs.

Increased dollarization of purchasing

Competing head-to-head with vendors based in North America, the Aircraft Systems Segment was impacted significantly by the weak US dollar since the French companies contributing to the majority of this Segment's business account for 54% of its revenue billed in US dollars. Military aviation in Europe is one of the few markets in which customers are invoiced in euros.

The segment therefore boosted its manufacturing volumes in countries with competitive cost bases, focusing on the Group's plants in Tunisia and Mexico, where it also commenced negotiations with local suppliers and subcontractors.

Sustained momentum in customer support

The segment reported overall growth of approximately 20% in its services businesses, which experienced a very strong increase in volumes of in-service equipment not covered by warranties. The new UK after-sales support operation got off to an excellent start.

Encouraged by the impressive efficiency delivered by the Aircraft Systems Segment Services business model, Zodiac decided to extend it to the rest of the Group, and formed the Zodiac Services Segment this September.

+17.8%
organic growth
in the Services Division

Overhead flightdeck panel
for an executive aircraft

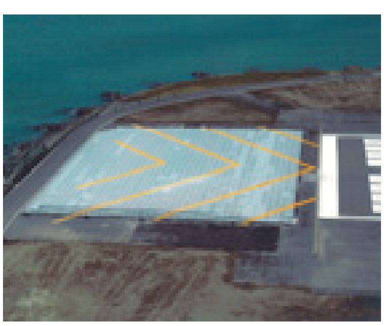
Full face oxygen mask
for pilots

DEPLOY ALL ITS EXPERTISE TO IMPROVE THE SAFETY OF AIRBORNE EQUIPMENT

THE AEROSAFETY SYSTEMS DESIGNS AND MANUFACTURES PRODUCTS AND COMPLETE SYSTEMS THAT PROTECT AND SAVE LIVES. ITS INNOVATIVE PRODUCTS AND SERVICES ARE SOUGHT BY MAJOR AIRCRAFT MANUFACTURERS, AIRLINES AND THE MILITARY.

The Aerosafety Systems Segment **enjoyed strong organic growth of 7.9%**, although this was masked by the impact of the dollar exchange rate. The year was marked by the dynamic progress made in the Emergency Evacuation and Aircraft Arresting Systems Divisions. The Electrical Interconnect Division also received a high level of orders. Despite a number of notable successes, the segment's growth in Elastomeric Technologies and Parachutes & Protection remained moderate.

Emergency floats for the NH90
military helicopter



EMAS emergency arresting system
at the end of the runway
at Boston Logan airport (USA)

Appointed to supply the emergency evacuation slides for the A350 XWB

The highlight of the year for this division was its appointment by Airbus to supply all the emergency evacuation slides for the future A350 XWB. Also during the year, the segment completed evacuation slide qualification for the Boeing 787, the Russian SSJ100 and the Chinese ARJ21 program.

Having been appointed by Boeing to supply the upper deck evacuation slides for the B747, the division will now also supply those for the lower deck. Both products will be highly innovative, with one featuring a strengthening arch and the other variable geometry deployment.

During the year, the division continued to pursue its growth strategy for helicopter emergency floats. Already supplying floats for the Bell 429, it has now been appointed to supply the EC175 program and made its first sales of STC products for the Eurocopter AS350/355 and Bell 407. In the military market, the division won the contract to supply 6-man life rafts for the US Coast Guard Service.

Records broken at Aircraft Arresting Systems

This division reported unprecedented results across its product lines, with particular emphasis on its Engineered Material Arresting Systems (EMAS), which are now installed in many US airports. Following these successful performance of EMAS in stopping an Airbus A320 with landing difficulties at Chicago, and a number of other significant aircraft incidents during the year, the international profile of this system is increasing.

The division also enjoyed a sustained level of business from the military market, supplying a large number of systems to Turkey and signing major contracts with Pakistan, Libya and Singapore. Aircraft Arresting Systems also signed a new Operational Readiness Contract for its systems with the Belgian Air Force.

The segment began development of its HP 2003 UAV Launch and Recovery System during the year, and also qualified its new *Raven* vehicle arresting system designed to secure building access routes against attack from terrorist vehicles.

↗KEY FIGURES

€354.8 m
in sales

€53.3 m
in recurring operating income

15.0%
operating margin

17%
Group sales

3,160
workforce

↗5 DIVISIONS

EMERGENCY EVACUATION SYSTEMS → 31%*
- Emergency evacuation slides for commercial aircraft
- Emergency floats for helicopters
- Rescue rafts and life jackets.

PARACHUTE AND PROTECTION SYSTEMS → 10%*
- Military and sports parachutes
- Brake parachutes
- Cargo-load parachute systems
- Equipment for ejection seats
- Physiological protection equipment.

EMERGENCY ARRESTING SYSTEMS → 23%*
- Cable and net arresting systems
- Mechanical and textile braking systems
- Cellular cement arresting systems.

ELECTRICAL INTERCONNECT SYSTEMS → 18%*
- Flexible sheaths for electrical wiring
- Harnesses
- Connectors, conduits and modules.

* *Consolidated sales 2007/2008 by business segment*

DIVISIONS CONTINUED

ELASTOMER SYSTEMS AND TECHNOLOGIES → 18%*

- Flexible fuel cells
- Flexible tanks for storing and transporting fuel and potables
- Pneumatic and electric deicers for aircraft
- Products made of composite materials.

↗OUTLOOK

> At **AeroSafety Systems** the coming fiscal year will be one of slower growth and significant production increases at Soliman in Tunisia and Chihuahua in Mexico.

> The **Emergency Evacuation** Division should continue to benefit from the success of the A320 and Boeing 777 programs as it waits for manufacturing to commence on the emergency evacuation slides for the Boeing B787 in Chihuahua. Its spare parts and repair operations will be handled by Zodiac Services, as from September 1, 2008.

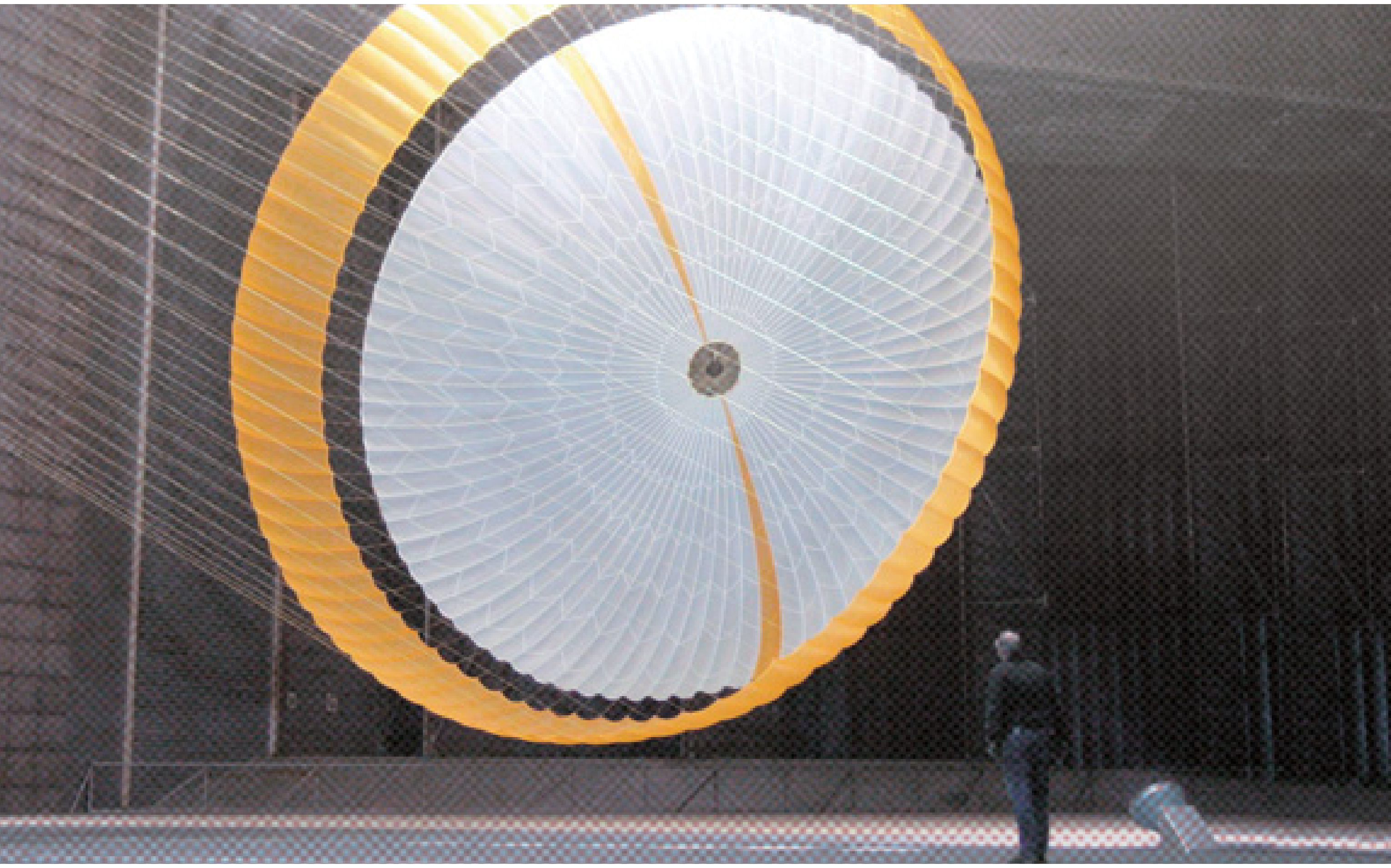
> The **Aircraft Arresting Systems** Division expects a slowdown in the US market for its EMAS product, and is hoping to break through into new export markets with the emphasis on South America and Asia.

> The **Electrical Interconnect** Division will continue development work on a number of new projects and will increase production levels under its A380 and Boeing 737 contracts.

> The **Parachutes & Protection** Division will continue with its manufacturing rationalization program by moving sports parachute manufacture to PISA in South Africa.

> The **Elastomeric Technologies** Division will begin operations on a new production site at Soliman in Tunisia, where it will manufacture the composite and elastomeric products required by its programs as production volumes increase.

Consolidated sales 2007/2008 by business segment



Promising appointments at Electrical Interconnect

The division continued development work on the Boeing 787 landing gear wiring looms, during the year, and began manufacturing those for the Boeing 737 and Bombardier DASH 8 under a contract awarded by Goodrich Landing Gear. It was also appointed by Liebherr to supply wiring looms for the A350 XWB forward landing gear.

In the military market, the segment is to supply BAE Systems with wiring for Lockheed Martin's F-16 program weapons testing systems.

The European manufacturing infrastructure of the Electrical Interconnect Division was further strengthened by increased output from the Soliman site in Tunisia, whilst its North American counterpart benefited from the startup of the Chihuahua facility in Mexico.

Improved market conditions for Parachutes & Protection

Having designed and manufactured the parachute systems used by NASA for the successful landing of the Phoenix Mars probe in May 2008, the division is now developing the deceleration system for the Mars Science Laboratory (MSL) due for launch in 2009.

The first test parachutes for the capsule of the new US-developed ARES launcher were supplied to United Space Alliance during the year. The division has also been awarded a long-term contract to supply a range of cargo-load parachute platforms for North American military transport aircraft. In its export markets, the division supplied personal parachutes to armed forces in Africa and South America.

Elastomeric Technologies delivers a variable performance

This division was awarded the qualification contract for the Sikorsky S-92 auxiliary fuel system and the Eurocopter EC225 fuel system. Certification of a similar system is now in progress for the Bell 429.

In the USA, the segment's order book now contains elastomer orders for a number of new programs including the anti-crash tanks for the Robinson R44 and R66 and the Sikorsky future CH-53 K helicopter.

Tanks for the Lockheed C-130J and Bell 407 are now being manufactured at the Chihuahua plant in Mexico.

The segment received an award from Airbus in recognition of its Customer Support for emergency evacuation products, as well as the DGA Quality Award 2008

INNOVATION IN HIGH TECHNOLOGY DATA TELEMETRY AND TELECOMMUNICATIONS

THE TECHNOLOGY SEGMENT DESIGNS AND SUPPLIES PRODUCTS AND SYSTEMS THAT DELIVER HIGH ADDED VALUE AND IMPROVED SAFETY TO THE AEROSPACE INDUSTRIES, IN JUST THE SAME THAT ITS AIRBAG SOLUTIONS SERVE THE AUTOMOTIVE MARKET.

Continued restructuring of its manufacturing operations has enabled the Technology Segment **to maintain its operational margin.** The Telemetry Division reported continued growth as a result of a series of successes in the space and military markets, whilst business volumes in the Airbags Division continued to decrease in line with forecast. This slowdown is mainly the result of discontinuing its old airbag systems programs.

11 m telemetry antenna
for the South Korean Space Center (NARO)

Driver airbag

Excellent performances from Telemetry in the space sector

The segment reported a record year for deliveries of its Cortex systems used for satellite station keeping and Earth observation imagery reception. A significant number of satellite program operators have now taken delivery of these systems; many of them based in Asia. Cortex's high technology also won new high-profile customers during the year, including Eutelsat, SES Astra and Melco (Jaxa).

The segment was congratulated by the CNES (the French space agency) for its major contribution to tracking the Ariane 5 ES-ATV mission, for which it supplied the telemetry units for the rocket and the Jules Verne ATV refueling module whose performances received applause.

The segment also supplied the CNES with the first image reception station for the new generation of PLEIADES satellites.

A good year in military markets

The segment won many orders for its VS1500 digital video recorder during the year, following its selection by a series of clients, including Dassault for its multirole Rafale, Eurocopter for its AS565 helicopter, the Royal Air Force (via BAE Systems) for its Hawk Mk128 trainer and the Indian aircraft manufacturer HAL for its LCA.
The segment has also achieved a breakthrough in the US market, with the sale of its VS1500 system to the US Navy for retrofitting to its H1 helicopter fleet.

The Italian helicopter manufacturer Agusta has chosen the VS2200 data recorder for fitment to its military NH-90. This multichannel system offers superior recording capacity.

↗KEY FIGURES

€158.0 m
in sales

€14.5 m
in recurring operating income

9.2%
operating margin

8%
Group sales

990
workforce

↗2 DIVISIONS

AIRBAGS → 43%*

- Inflatable bags for driver and passenger curtain, side, chest and knee "airbag" systems for cars.

TELEMETRY AND TELECOMMUNICATIONS → 57%*

- Remote transmission systems and flight testing recorders
- Digital multi-channel recorders for operational missions
- Telemetry stations, high-speed digital receivers, ground stations
- Telemetry and remote positioning systems for satellites
- On-board satellite telecommunications systems for drones, image receiving stations.

* *Consolidated sales 2007/2008 by business segment*

OUTLOOK

Telemetry and telecommunications

> This division continues to grow strongly in international markets. The prospects for further growth remain good, given the dynamic market for satellite program operators, especially in Asia. Rationalization of this division will result in 2008/2009 in the merger of IN-Snec and Enertec to form a single business called **Zodiac Data Systems**. The division will also continue to "dollarize" its purchases as part of maintaining profitability.

Airbags

> This division will continue to restructure its manufacturing operations as part of adapting to the marked downturn in the European automobile market, and will try to maintain its current level of profitability. It will also continue to strengthen its production facilities in Tunisia, and hopes to make the first sales of products from its innovative Peribond airbags range.

The division has also delivered 13 ML ground stations and the first THD ground station for the DGA (French procurement agency) Syracuse III program. Deliveries of its RTR telemetry receivers to test centers in France, the USA, India and Israel progressed well during the year.

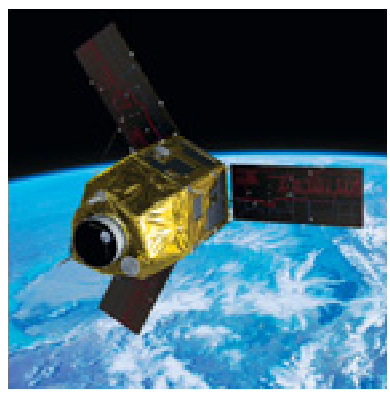
Profitability maintained in the Airbags Division

Given the current lackluster automobile market in Europe and the continued rise in raw materials costs, the Airbags Division continued to refocus its business on its key locations.
The segment has invested in its fabric coating capacity at Pusignan in France and has increased its bag production volumes at Soliman in Tunisia, as part of a strategy that has helped stabilize its profitability.

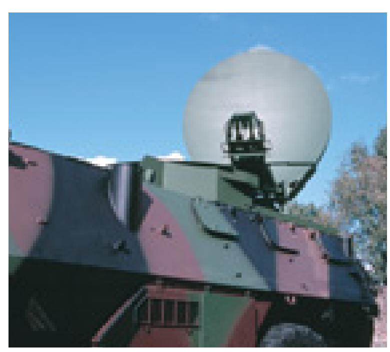
The Airbags Division also won several new contracts during the year for a series of new programs, including Renault's Dacia Sandero, the Toyota Yaris, the Citroën Picasso C3 and C4 and the Nissan Qashqai.

Lastly, the segment continued during the year to develop its new Peribond product line of "zero stitch" airbags.

9.2%
operating margin



PLEIADES: the very high resolution
panchromatic, multispectral Earth observation satellite



1.8 m military Satcom
mounted on an armored vehicle

sustaina
deve

ble
lopment

Zodiac is an international Group and a citizen of the world. Two-thirds of its workforce is based outside France and concentrated in North America, South America, Asia and South Africa. This **geographic presence, combined with the diversity of its people and their societies,** makes us a multicultural company. These assets are crucial to our success, and make a major contribution to the open-minded attitudes that underpin the culture of the Group.

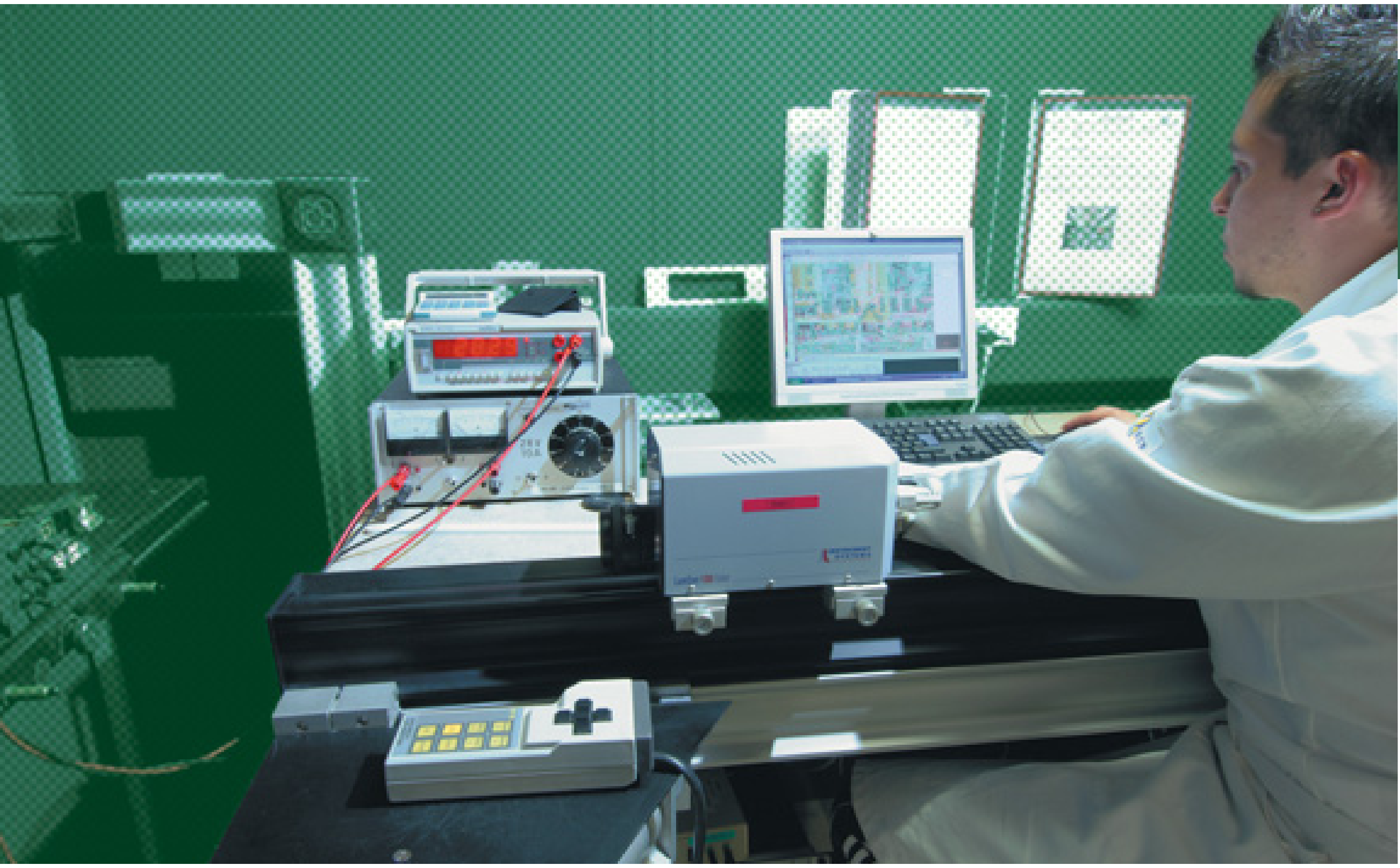
Launch of an international training program

The international character of the Group has enabled the French engineers of the future to receive training in other countries, including the USA, Mexico and Tunisia, thereby increasing awareness of the Group in the French graduate schools they attended.

Work experience courses for local students continued to be offered in the Group's French companies, which, as in previous years, attended the major engineering school forums in Lyon, Toulouse and Angers. Zodiac companies also arranged visits for students from ENSICA (a leading French institution for high-level multidisciplinary aerospace engineers) and a number of selected high schools and specialist technical colleges. Young engineers of the future have also received job interview training provided by the Group's HR managers.

Encouraging internal mobility

The Group's policy of openness encourages and promotes employee mobility, and the range of such opportunities has grown over the years. The introduction of an Intranet-based interactive database of vacancies is the main reason behind the increasing numbers of employees applying to change location or job within Zodiac. Annual appraisal meetings also provide an ideal opportunity to discuss job mobility, either at the request of the employee or at the initiative of the manager conducting the appraisal. The Group is also committed to diversity in the workplace, and is recruiting more and more women into technical jobs, as well as offering an increasing number of leadership and management posts to female applicants.



Personnel management planning

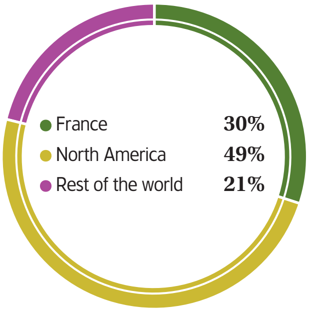
New agreements have been signed with the Group's social partners to introduce jobs and skills management planning. Initiatives brought in under these agreements encourage not only employee mobility, but also in-house training and a policy of *Validation des Acquis par l'Expérience* or VAE (a French scheme that recognizes professional experience as a qualifying factor in the award of a recognized national qualification). The aim of all these measures is to enable Zodiac and its people to plan better for the changes imposed by the globalization of the industry and the rapid pace of aerospace development.

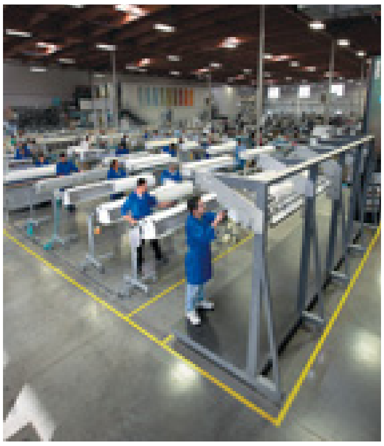
The Group's strategy of openness encourages employee mobility

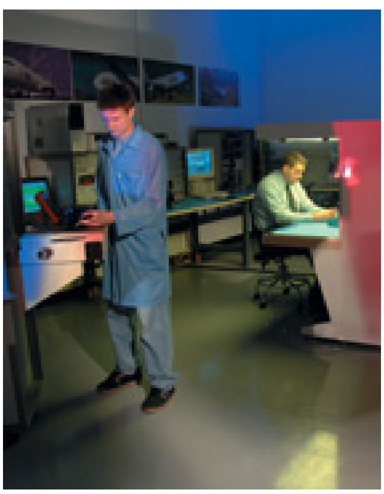
As in previous years, the RH Committee met during the fiscal year to discuss key personnel issues, such as changes to welfare and healthcare schemes and the recruitment of high-potential executives.

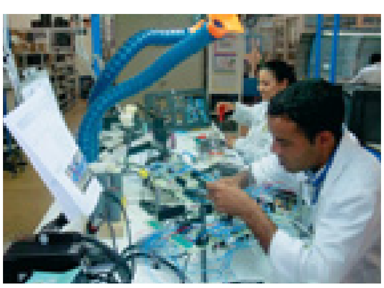
The Group also stepped up training on personal risk management issues during the 2007/2008 fiscal year.

↗Breakdown of workforce
by area





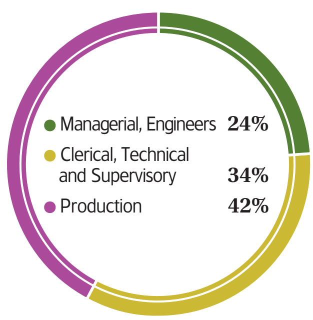




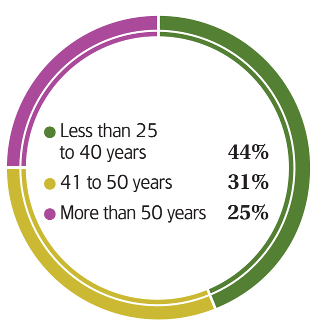
↗Permanent employees as of August 31

	2006	2007	2008
Technology Segment	**1,000**	**943**	**990**
France	569	535	517
Rest of the world	431	408	473
AeroSafety Systems Segment	**2,873**	**2,982**	**3,160**
France	1,139	1,177	1,235
Rest of the world	1,734	1,805	1,925
Aircraft Systems Segment	**3,283**	**3,360**	**3,433**
France	2,584	2,617	2,605
Rest of the world	699	743	828
Cabin Interiors Segment	**7,167**	**7,737**	**8,187**
France	960	964	993
Rest of the world	6,207	6,773	7,194
Driessen	**0**	**0**	**1,979**
France	0	0	0
Rest of the world	0	0	1,979
Group operations			
France	79	83	75
Total France	**5,331**	**5,376**	**5,425**
Total rest of the world	**9,071**	**9,729**	**12,399**
TOTAL	14,402	15,105	17,824
Activities disposed of	**2,299**	**2,297**	**0**
TOTAL (including activities disposed of)	16,701	17,402	17,824

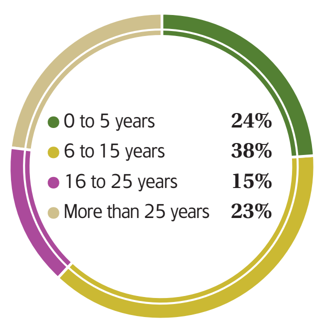
↗Breakdown of workforce
by occupational category
(in France)



↗Breakdown of workforce by age
workforce in France
(in percent)



↗Years of service
workforce in France
(in percent)



Consolidated report on labor matters – France

Includes all French companies in the Zodiac Group that publish a report on labor matters. The analysis applies to 4,920 employees, or 91% of staff in France.

↗Breakdown of workforce by occupational category

Total (men and women)	
Managerial, engineers	24%
Clerical, technical and supervisory	34%
Production	42%

Women: 32% of workforce	
Managerial, engineers	12%
Clerical, technical and supervisory	34%
Production	54%

Men: 68% of workforce	
Managerial, engineers	30%
Clerical, technical and supervisory	33%
Production	37%

Breakdown of workforce by age	
Under 25	4%
26-40	40%
41-50	31%
Over 50	25%

Length of service	
0-5 years	24%
6-15 years	38%
16-25 years	15%
Over 25 years	23%

Interns	
Number of interns (from schools, universities, etc.)	244
% of workforce	5.0%

Handicapped workers	
Number of full-time handicapped workers	179
% of workforce	3.6%

Compensation	
Compensation ratio (managerial, engineers/production staff)	2.30

Job training	
% of payroll dedicated to training	2.59%
Number of employees trained	3,415
% of workforce:	69%
Prevention training	6%
Conversion training	8%
Developmental training	86%
Number of apprentices in training	37

Absenteeism	
Absenteeism rate	3.84%

Illness	
Reported work-related illnesses	12
Number of employees affected	6
Production processes likely to cause work-related illness	0
Workplace health and safety committee meetings	80

Work-related accidents	
Work-related accident frequency rate: $\frac{\text{number of accidents with stoppage} \times 10^6}{\text{number of hours worked}}$	11.50
Work-related accident severity rate: $\frac{\text{number of days lost} \times 10^3}{\text{number of hours worked}}$	0.36

Occupational medicine	
Number of clinical examinations	3,364
Number of supplemental examination	1,347
Number of employees retrained due to disabilities	10
Number of employees incapacitated	12

Security	
Number of employees having received safety training	1,627
% of workforce	33%

This fiscal year was marked by discussion of **changes to the Environment and Risk Management Charter**. The new document is endorsed by Group Chairman Olivier Zarrouati, and includes three major sections: the Environment, Health & Safety and Industrial Risks. The new charter also contains a 3-year target to reduce energy consumption, as well as a clear commitment to improve safety measures.

The international Group set up specifically to address these issues has introduced a reporting structure for each site, as well as additional indicators to measure environmental and safety performance and impact.

Atmospheric emissions

Resulting primarily from those processes involving the use of solvents, atmospheric emissions are monitored and quantified using annually reviewed emission control schemes.
The other emissions produced by the Group are generated by heating installations, all of which are checked regularly and comply fully with the authorized thresholds.
The major focus during this fiscal year was the elimination of the chlorinated refrigerants used in air-conditioning systems.

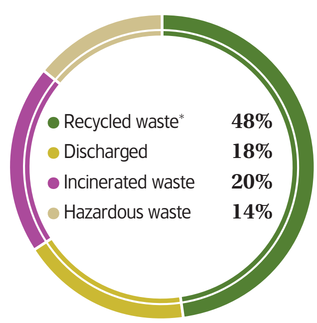
Process water

Process water accounts for 5% of the Group's water consumption, and results chiefly from surface treatment processes. The sites concerned recover polluted effluent for processing by approved specialists, or process it themselves in their own detoxification plants, discharging the treated water only after confirmation that it complies fully with all regulatory thresholds.

↗Environmental protection classification of installations (in France)

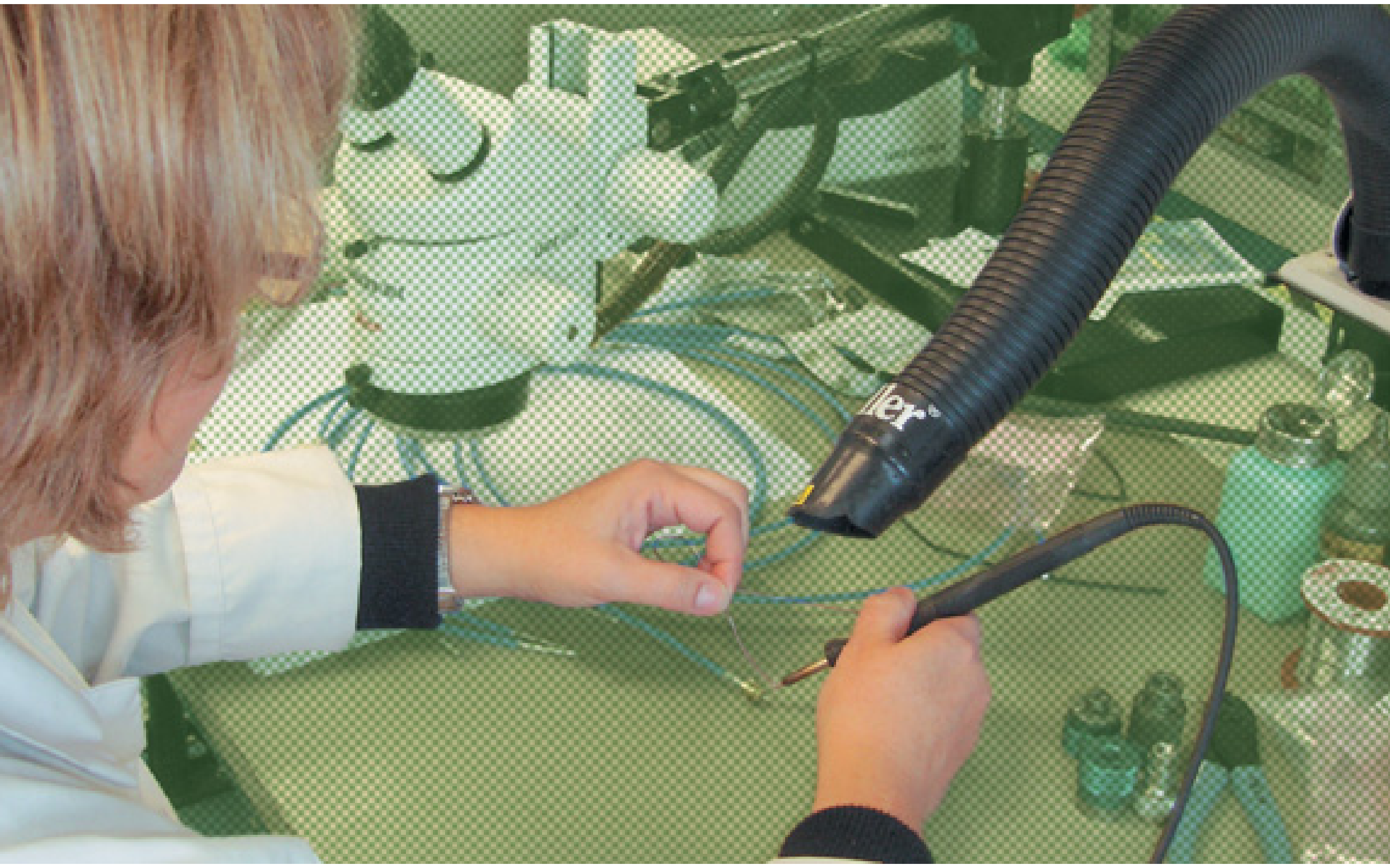
SEVESO site	0
Site subject to Authorization	5
Site subject to Declaration	20
Unclassified site	2

↗Percentage breakdown of waste – France



* included:

Packaging	40%
Metals	39%
Other materials (fabrics, PVC...)	21%



↗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

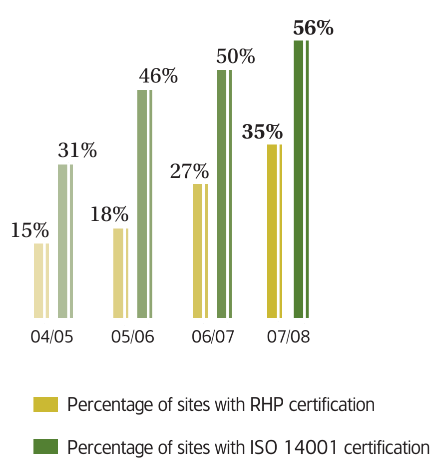
More sites receive certification

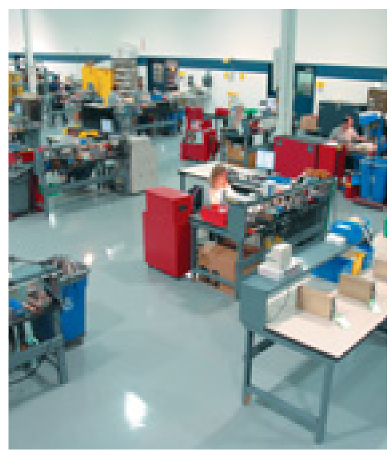
The move towards ISO 14001 certification progressed further during the year, with 7 additional sites receiving accreditation, bringing the total number to 35 (the Marine Segment now falling outside the Group consolidation scope): that's 93% of sites in France and around 50% or all our sites worldwide.
In all cases, these site certifications cover design offices and product design.

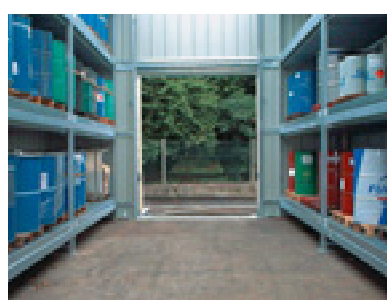
The challenges of site safety have now been included in the key environmental management tool set of risk evaluation, regulatory monitoring and a central database.

The integrated Environmental/Safety management system helped 7 Group sites to secure OHSAS 18001 certification (that total has risen to 8 in the current fiscal year).

↗Percentage of sites with ISO 14001 and *Risque Hautement Protégé* (RHP) certification worldwide







Incorporating environmental issues at the design stage

The Group began work during the year on construction of its future head office at Plaisir (78). Right from the very beginning of the design stage of this 12,000 m² office building and its 20,000 m² car park, environmental considerations have been addressed to achieve the optimum energy balance in terms of heating, air-conditioning, natural lighting, landscape watering, etc.

Zodiac also continues to make significant year-on-year progress in incorporating environmental concerns at the design stage by minimizing the use of so-called "substances of very high concern".

During the year, 200 Group engineers received special training in these issues as part of making even more progress in this area.

Increased implementation of the European REACH legislation

As a first step to implementing the REACH directive, all the Group's European locations have produced listings of the chemicals they hold on site. A software package installed in the French production plants has enabled products to be broken down into their constituent substances.

Purchasing Managers are also involved in this initiative, and have been using a questionnaire to obtain clarifications from every European supplier concerning their strategies for action under the REACH directive, and to quantify chemicals that may have been imported.

A monthly report is submitted to the senior management team, summarizing REACH-related data and setting out the substitution measures implemented in manufacturing processes.

Sharing experience

Crossover audits have been conducted on ISO 14001 certificated sites in France, Spain and Tunisia by the Environment Managers of the Group's production plants. The Environment Managers met twice during the year for steering committee meetings called primarily to consider and approve changes to the 14001/18001 system, and refine the best practices applying to waste collection, the storage of hazardous products and the new environmental regulations.

The annual Environment and Risks Conference was attended by segment directors, divisional managers and site managers to address issues ranging from examples of successful energy reduction to the REACH legislation, chemicals and risk prevention.

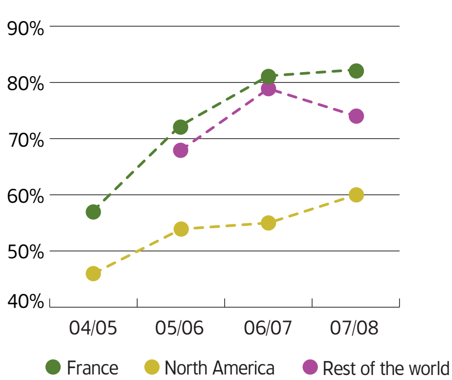
Stronger safety policy

Protecting the health and safety of its people is a Zodiac priority. As part of its commitment, the Group has introduced an independent internal evaluation audit called a "safety diagnosis", designed to provide a clearer view of the workplace safety management situation in all Group companies. The audit analyses current practice on each site by speaking directly to those involved, and is already deployed in France (87% of French sites were audited in 2007/2008). It will be rolled out in non-French sites during the 2008/2009 fiscal year.

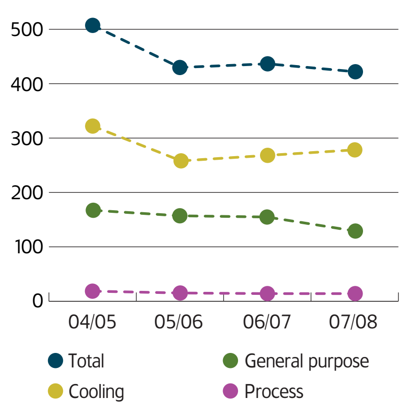
Commitment to sustained partnership with insurers

Under the ongoing partnership with its insurers, Zodiac has strengthened the fire prevention measures in place on a number of its sites, with the result that fourteen production plants received RHP classification in 2007/2008; a figure that represents nearly one-third of all Group sites prior to the Driessen acquisition. A survey conducted jointly with the insurers enabled the production of a risk matrix for each site. Over the coming fiscal year, the results of this analysis will speed up the introduction of prevention and protection measures on these sites and enable ongoing deployment of safety plans.

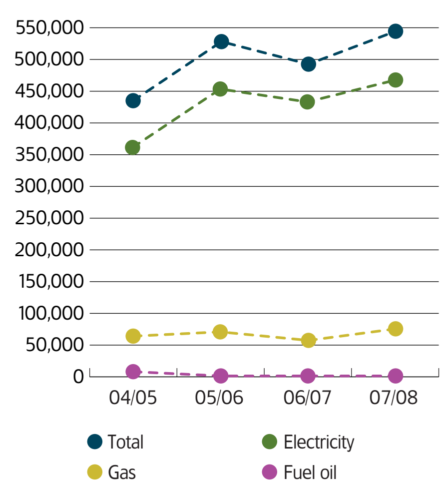
↗Trend in the percentage of waste recycled
by area



↗Overview and breakdown of Water Consumption
40 sites (in thousands of m³)



↗Overview and breakdown of Energy Consumption
40 sites (in thousands of kW)



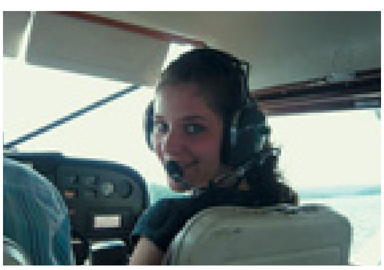
FRANCE**	2004/2005	2005/2006	2006/2007	2007/2008
	25 sites*			
Energy (thousands of kW)				
Electricity	322,296	408,130	385,130	397,781
Gas	44,100	51,780	39,210	37,691
Fuel oil	8,458	2,696	2,331	2,100
TOTAL	374,854	462,606	426,671	437,572
Water (thousands of m³)				
General purpose	80	68	64	59
Cooling	248	182	189	190
Process	18	16	14	14
TOTAL	346	266	267	263
Waste (metric tonnes)				
Sent to landfill	1,043	746	574	534
Incinerated	300	445	1,040	1,025
Packaging recycling	292	385	538	583
Production materials recycling	800	1,047	890	862
TOTAL	2,435	2,623	3,042	3,004
% recycled	57%	72%	81%	82%

NORTH AMERICA***	2004/2005	2005/2006	2006/2007	2007/2008
	15 sites*			
Energy (thousands of kW)				
Electricity	39,918	46,333	47,890	69,773
Gas	19,916	19,254	18,721	37,419
Fuel oil	–	–	–	–
TOTAL	59,834	65,587	66,611	107,192
Water (thousands of m³)				
General purpose	88	89	91	70
Cooling	73	75	78	89
Process	–	–	–	–
TOTAL	161	164	169	159
Waste (metric tonnes)				
Sent to landfill	2,418	2,392	2,467	1,477
Incinerated	91	106	119	168
Packaging recycling, production materials recycling	1,936	2,736	2,950	1,597
TOTAL	4,445	5,234	5,536	3,242
% recycled	46%	54%	55%	60%

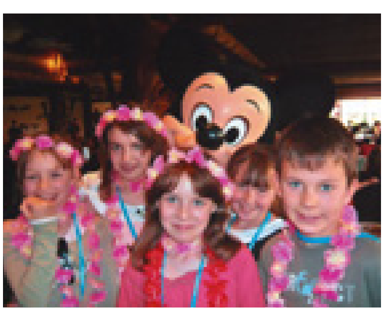
OTHER****	2005/2006	2006/2007	2007/2008
	4 sites*		
Energy (thousands of kW)			
Electricity	3,734	3,712	4,903
Gas	2,426	3,150	2,426
Fuel oil	–	–	–
TOTAL	6,160	6,862	7,329
Water (thousands of m³)			
General purpose	19	20	17
Cooling	–	–	–
Process	–	–	–
TOTAL	19	20	17
Waste (metric tonnes)			
Sent to landfill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

* *At constant scope of consolidation*
** *France: 93% of production sites*
*** *North America: 60% of production sites*
**** *Others: 1 site in Spain, 2 sites in United Kingdom, 1 site in North Africa*

Zodiac's contribution to society was once again confirmed during the 2007/2008 fiscal year, with the provision of financial and practical support. The Petits Princes charity received the Group's support for the sixth year running. The year also saw support from Group companies for a **wide variety of initiatives** at local level.



Stéphanie
who is followed by the *Petits Princes* charity travels to Canada to discover the Quebec birthplace of her grandfather



5 *Petits Princes*
at Disneyworld Resort in Orlando (USA)

Continued commitment to working alongside the Petits Princes charity

The Group continues to fulfill its commitment to the Petits Princes charity, whose aim is to make the dreams of seriously ill children come true, and during this fiscal year contributed to making dreams come true for seven children, with the help of its employees in North America:

Stéphanie (17) traveled with her mother to Canada to trace the roots of her maternal grandfather, who was born and lived for 23 years in Quebec.

Pierre-Alain (17) flew with his sister to New York to make his dream of exploring the Big Apple come true: an idea that had fascinated him for many years.

Five more Petits Princes, César, Clémence, Océane (all 10), Coralie (9) and Tiphaine (11) spent four days at the Disneyworld Resort in Orlando, Florida.

The strong partnership between Zodiac and the Petits Princes charity has been helping incredibly brave children live unique and memorable experiences for more than six years. Over 60 Petits Princes have now realized their dreams, thanks to the contribution made by dozens of Zodiac Group employees happy to devote some of their working time and personal time to help these children experience wonderful moments.

The charity has made over 3,300 dreams come true over the last 21 years.

Association Petits Princes

For more informations, www.petitsprinces.com

So many local support initiatives

As in previous years, Group companies were involved in many local support initiatives over the past fiscal year.

Avox, a US-based Aircraft Systems Segment company, is committed to funding four years of further education for a young school leaver from Lancaster.

During the year, Avox also contributed to an annual event organized by the United Way of Buffalo and Erie County. A number of its employees volunteered to help out at Gateway-Longview Inc., a humanitarian network providing care and advice to around 750 families across the USA.

The Aerosafety Systems Segment company Esco supported a series of initiatives during the year, including the cleaning and restoration of the Mount Zion church and cemetery on Martin Luther King Day.

This New Jersey church was used during the American Civil War in the 1860s as a haven to conceal slaves escaping from the south to seek sanctuary in the north. Eighty of the company's employees were involved in this huge annual undertaking.

These are just a few examples of the many socially supportive initiatives around the world under which Zodiac Group employees contribute time and effort to improve the lives of others.

Cleaning and restoration
of the Mount Zion church in New Jersey by Zodiac Group employees in the USA

Employees
from the Aircraft Systems Segment lend a hand with the United Way of Buffalo & Erie County (USA)

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↗CONTENTS

Foreword

This document is translated from the French "Rapport annuel 2007/2008".
In case of difficulty, refer to the French text.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated key figures

	Year ended Aug. 31, 2008	Year ended Aug. 31, 2007	Change 07/08-06/07
Sales revenue	**€2 014.5m**	**€2 002.0m**	**+0.6%**
Number of employees[1]	15,663	14,792	+5.9%
Recurring operating income	€235.6m	€262.6m	-10.3%
Net income (after minority interests)	**€511.3m**	**€182.5m**	**NM**
Net income from ongoing operations (after minority interests)	€137.8m	€140.5m	-1.9%
Earnings per share for ongoing operations (after minority interests)	€2.51	€2.54	-1.2%
Dividends distributed	€53.1m	€55.6m[2]	-4.5%
Debt/Equity	0.67	1.35	-50.4%

(1) Average number of permanent employees on the payroll during the fiscal year. The number shown for 2006/2007 excludes those for discontinued operations.
(2) 2006/2007: excluding the extraordinary dividend.

Other financial indicators

	Year ended Aug. 31, 2008	Year ended Aug. 31, 2007	Change 07/08-06/07
Profitability			
Operating margin	11.7%	13.1%	-10.7%
Net income (after minority interests)/Net equity at beginning of year[3][4]	20.8%	23.2%	-10.3%
Financial position			
Cash flow	€207.4m	€203.2m	+2.1%
Capital expenditure	€91.4m	€83.7m	+9.2%
Net equity after appropriation of net income	€1,120.6m	€916.2m	+22.3%
Net interest expense	€29.8m	€55.7m	-46.5%

(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 balance sheet

Assets

(thousands of euros)		Aug. 31, 2008	Aug. 31, 2007
Goodwill	(notes 3.8 – 13.1 and 13.2)	979,817	906,152
Intangible assets	(notes 3.8 – 13.3 and 13.4)	184,056	135,400
Property, plant and equipment	(notes 3.9 and 14)	223,099	200,951
Investments in unconsolidated subsidiaries and affiliates and other long-term investments	(note 15)	11,716	37,985
Loans		636	994
Other non-current financial assets	(note 16)	7,184	7,693
Deferred tax assets	(note 11)	3,138	9,439
Total non-current assets		**1,409,646**	**1,298,614**
Inventories	(notes 3.11 and 17)	526,286	448,132
Current tax assets		27,365	24,843
Trade receivables	(note 3.12)	498,151	419,848
Advances to suppliers and employees		8,150	2,895
Other receivables		1,388	2,643
Prepaid expenses		9,118	9,532
Other financial assets:			
– negotiable securities		321	201
– loans and other current financial assets		342	306
Cash and cash equivalents	(note 18)	99,015	45,886
Total current assets		**1,170,136**	**954,286**
Held-for-sale assets		–	567,763
TOTAL ASSETS		**2,579,782**	**2,820,663**

Consolidated balance sheet

Equity and liabilities

(thousands of euros)		Aug. 31, 2008	Aug. 31, 2007
Capital	(note 19)	11,134	11,117
Share premiums	(note 19)	72,601	181,816
Consolidated reserves and net income		795,381	672,436
Currency translation adjustments relating to ongoing operations		(142,803)	(82,588)
Currency translation adjustments relating to held-for-sale operations		–	(10,153)
Revaluation adjustments		–	–
Restatement of financial instruments		6,265	13,022
Net income		511,346	182,473
Treasury stock		(81,488)	(700)
Equity after minority interests		**1,172,436**	**967,423**
Minority interests:			
– in equity		1,817	3,465
– currency translation adjustments		(605)	(344)
– in consolidated net income		28	1,216
Minority interests		**1,240**	**4,337**
Equity		**1,173,676**	**971,760**
Non-current provisions	(notes 21 and 3.13)	29,354	27,398
Non-current debt[1]	(note 20)	456,159	1,020,391
Deferred taxes	(note 11)	42,817	35,131
Other non-current liabilities		–	–
Total non-current liabilities		**528,330**	**1,082,920**
Current provisions	(notes 21 and 3.13)	62,544	36,227
Current financial liabilities	(notes 18 and 20)	394,320	278,051
Accounts payable	(note 3.14)	234,790	193,564
Amounts owed to customers		21,438	25,828
Liabilities to employees and payroll liabilities	(note 3.15)	105,620	98,031
Current tax liabilities		31,564	16,694
Other payables		21,324	14,587
Deferred income		6,176	5,491
Total current liabilities		**877,776**	**668,473**
Held-for-sale liabilities		–	97,510
TOTAL EQUITY AND LIABILITIES		**2,579,782**	**2,820,663**

(1) At August 31, 2007 includes €184,614k in debt related to held-for-sale operations, funded by Zodiac S.A.

Consolidated income statement

(thousands of euros)		Year ended Aug. 31, 2008	Year ended Aug. 31, 2007
Sales revenue	(notes 3.1 - 3.2 - 3.3)	2,014,486	2,001,977
Other revenues from operations		8,534	6 202
Purchases used in production		822,578	772,116
Personnel costs	(note 5)	620,820	631,846
External costs		286,210	273,213
Taxes other than income taxes		22,168	22,693
Depreciation and amortization	(note 3.6)	50,559	47,407
Charges to provisions		8,054	5,536
Changes in inventories of finished goods and work in progress		22,172	7,395
Other operating income and expenses	(note 7)	784	(191)
Recurring operating income	(note 3.4)	**235,587**	**262,572**
Non-recurring operating items	(note 8)	(2,017)	1,701
Operating income		233,570	264,273
Income from cash and cash equivalents		2,014	1,337
Cost of gross debt		31,788	56,991
Cost of net debt	(note 9)	(29,774)	(55,654)
Other financial income and expenses	(note 10)	(835)	(878)
Income taxes	(note 11)	65,193	66,050
Net income from ongoing operations	(note 3.5)	**137,768**	**141,691**
Net income from held-for-sale operations and discontinued operations		**373,606**	**41,998**
NET INCOME	(note 3.5)	**511,374**	**183,689**
Minority interest		28	1,216
Group share		511,346	182,473
EARNINGS PER SHARE FOR ONGOING OPERATIONS (AFTER MINORITY INTERESTS)	(note 12)	**€2.51**	**€2.54**
DILUTED EARNINGS PER SHARE FOR ONGOING OPERATIONS (AFTER MINORITY INTERESTS)	(note 12)	**€2.49**	**€2.51**
EARNINGS PER SHARE (AFTER MINORITY INTERESTS)		**€9.30**	**€3.30**
DILUTED EARNINGS PER SHARE (AFTER MINORITY INTERESTS)		**€9.24**	**€3.26**

Consolidated statement of cash flows

(thousands of euros)	Year ended Aug. 31, 2008	Year ended Aug. 31, 2007
Operating activities:		
Net income	137,768	141,691
Depreciation, amortization and provisions	50,150	40,500
Capital gains	(170)	694
Subsidies and deferred taxes	14,573	17,552
Stock options	5,061	2,816
Cash flow	**207,382**	**203,253**
Net change in inventories	(51,758)	(43,191)
Net change in operating assets	(62,042)	(17,573)
Net change in liabilities	31,184	10,510
CASH GENERATED from ongoing operations	**124,766**	**152,999**
CASH GENERATED from held-for-sale and discontinued operations	**–**	**44,177**
CASH GENERATED from ongoing, held-for-sale and discontinued operations	**124,766**	**197,176**
Investing activities:		
Acquisitions of non-current assets:		
– intangible assets	(33,959)	(37,199)
– property, plant and equipment	(57,419)	(46,458)
– other	(1,387)	(1,460)
Proceeds from disposals of fixed assets	3,766	4,317
Changes in receivables and payables relating to fixed assets	2,596	(438)
Acquisitions/disposals of entities, net of cash acquired	(206,713)	(126)
CASH GENERATED from investments in ongoing operations	**(293,116)**	**(81,364)**
CASH GENERATED from investments in held-for-sale and discontinued operations	**896,811**	**(8,781)**
CASH GENERATED from investments in ongoing, held-for-sale and discontinued operations	**603,695**	**(90,145)**
Financing activities:		
Changes in long-term debt	(487,680)	(59,524)
Changes in equity	1,903	6,130
Treasury stock	(80,788)	–
Ordinary dividends paid by parent company	(55,544)	(47,524)
Extraordinary dividends paid by parent company	(111,087)	–
Dividends paid to minority interests	–	–
CASH GENERATED from financing ongoing operations	**(733,196)**	**(100,918)**
CASH GENERATED from financing held-for-sale and discontinued operations	**–**	**(143)**
CASH GENERATED from financing ongoing, held-for-sale and discontinued operations	**(733,196)**	**(101,061)**
Currency translation adjustments, beginning of period	(1,027)	(2,468)
NET CHANGE IN CASH	**(5,762)**	**3,502**
CASH AT BEGINNING OF PERIOD	**32,190**	**28,688**
CASH AT END OF PERIOD (note 18)	**26,428**	**32,190**

Statement of change in consolidated equity

(thousands of euros)	Capital stock	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	Minority interests	Change in equity
BALANCE AT SEPTEMBER 1, 2006	**11,052**	**175,049**	**716,641**	**(31,313)**	**–**	**–**	**(44)**	**871,385**	**3,411**	**874,796**
Capital increase	65	6,767						6,832		6,832
Acquisition or disposal of own shares (2)						(700)		(700)		(700)
Net income for the year			182,473					182,473	1,216	183,689
Currency translation adjustments				(61,428)				(61,428)	(212)	(61,640)
Currency translation adjustments relating to held-for-sale operations				10,153	(10,153)					
Dividends			(47,524)					(47,524)	(79)	(47,603)
Restatement of financial instruments (3)			(44)				13,066	13,022		13,022
Other (1)			3,363					3,363	1	3,364
BALANCE AT AUGUST 31, 2007	**11,117**	**181,816**	**854,909**	**(82,588)**	**(10,153)**	**(700)**	**13,022**	**967,423**	**4,337**	**971,760**
Capital increase	17	1,887						1,904		1,904
Acquisition or disposal of own shares (2)						(80,788)		(80,788)		(80,788)
Net income for the year			511,346					511,346	28	511,374
Currency translation adjustments				(60,215)				(60,215)	(261)	(60,476)
Currency translation adjustments relating to held-for-sale operations										–
Dividends		(111,102)	(55,529)					(166,631)		(166,631)
Restatement of financial instruments (3)							(6,757)	(6,757)		(6,757)
Other (1)			5,352					5,352		5,352
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**

(1) The “Reserves and net income” column includes the impact of valuing options on stock options.

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

(3) The "Restatement of financial instruments" column reflects recognition of the fair value of the Coast Investment (Waterpik) and Zodiac Marine Holding shares held by Zodiac S.A.

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. For this purpose, the following pages contain the financial statements for the 2007/2008 fiscal year prepared to show the positions before and after the acquisitions made during the period, given the lack of historical financial data for the companies or operations acquired up to the Group's balance sheet date of August 31, 2007.

The "Change of consolidation scope 2007/2008" column contains the data for the Driessen Aerospace Group, The Richards Corp. (TIA) and Adder SAS.

Since the impact of the sales revenue and net income of these companies between the date of their acquisition and August 31, 2008 is not significant, all were consolidated for the first time on August 31, 2008. These acquisitions therefore have no effect on Group sales revenue and net income for the 2007/2008 fiscal year.

A) Acquisitions and disposals prior to August 31, 2008

Acquisitions:

The Group has acquired:

– The Driessen Aerospace Group from the group of investors comprising AlpInvest Partners NV, NPM Capital and the Driessen family. The acquisition was made on July 31, 2008.

Driessen is the world leader in airline cabin service trolleys, and reported sales revenue of €136 million in 2007.

– The Richards Corp. (TIA), an American manufacturer of airline galley equipment. The acquisition was made on July 16, 2008. The company reported sales revenue of $14.5 million in 2007.

– Adder SAS, a specialist manufacturer of airline cabin equipment. The acquisition was made on June 30, 2008. The company reported sales revenue of €7 million in 2007.

Disposals:

The Group has:

– disposed of its entire holding in the Marine Segment to Zodiac Marine Participations, a wholly-owned subsidiary of Zodiac Marine Holding, the vehicle set up by Carlyle for the purpose of this transaction. This transaction was completed on September 27, 2007. This transaction excluded the shares held in Zodiac International (see below).

– simultaneously transferred 100% of its Zodiac International shares to Zodiac Marine Holding. The Zodiac Marine Holding shares received by Zodiac S.A. in return for this transfer represent 22.80% of all Zodiac Marine Holding shares, are valued at €90.1 million and were supplemented by an additional cash payment by Zodiac S.A. of €1.3 million, bringing the total value to €91.4 million.

Additionally, €1.6 million in Zodiac Marine Holding shares intended for full or partial reclassification in favor of the Zodiac Marine Holding Group management teams.

– retained the shares that it has held since April 2006 in Coast Investment, which was the holding company of Waterpik. This holding is valued at €15.9 million.

Waterpik was simultaneously transferred to Zodiac Marine Holding by Coast Investment.

Following the transfer of Waterpik, Zodiac S.A. holds 5.26% of Coast Investment, which in turn holds 75.65% of Zodiac Marine Holding.

On completion of these transactions, Zodiac S.A. therefore maintains a direct and indirect holding of 26.77% in Zodiac Marine Holding (22.80% + (5.26% x 75.65%)).

Given the insignificant impact of the sales revenue and net income of the Marine Segment between September 1, 2007 and September 27, 2007 (the date of disposal), the Marine Segment was removed from the consolidation scope on September 1, 2007.

Income from the disposal of the Marine Segment:

Since the "Marine Segment Disposal" and "Zodiac Marine Holding Reinvestment Transfer" transactions were concurrent, the amount of net capital gain recognized in the consolidated income statement is 73.23%; this percentage was "effectively" disposed of on September 27, 2007. The remaining 26.77% is recognized under the "Held-for-sale holding" item; the amount being the fair value of that holding.

At August 31, 2008, the following were recognized:

• in net income: a capital gain on disposal of €373.6 million (net of taxes and duties);

• in equity: a deferred capital gain of €91.2 million.

This total of €464.8 million may be broken down as follows:

Gross capital gain	€511.2 million
Taxes	- €39.8 million
Expenses related to the "Marine Segment Disposal"	- €6.6 million
Net	€464.8 million

Holding in the new Marine structure:

The total holding of Zodiac S.A. in the new "Marine" structure (Coast Investment and Zodiac Marine Holding) is €108.9 million.

This holding is recognized under held-for-sale securities in the absence of significant influence, and in accordance with the provisions of IAS28.

This absence of significant influence is justified chiefly by the fact that Zodiac:

– has only 2 representatives of the 7 on the Zodiac Marine Holding Board;

– has no significant transactions with Zodiac Marine Holding, other than termination of the IT service provision contract;

– has not exchanged management staff with Zodiac Marine Holding or supplied the latter with essential technical information.

Given the unfavorable economic trend observed since the date of contract signature, its effect on the disposal price of the Marine Segment (April 2007) and, more specifically, the current position of the markets in which Zodiac Marine Holding operates (sailing and construction-related pool equipment in the USA and Spain), a €98 million depreciation was accounted in H2 2007/2008 (with no impact on the consolidated income statement for the period) corresponding to what would have been the value, had the (unlisted) shareholding in the Zodiac Marine Holding Group been realized under current market conditions.

This adjustment reflects our estimate of the net asset value of the Zodiac Marine Holding Group at August 31, 2008.

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

The Group has yet to engage in any such transaction after the fiscal year-end.

Consolidated balance sheet

impact of changes to the consolidation scope

Assets

(thousands of euros)	At Aug. 31, 2008 (after change to consolidation scope)	Change of consolidation scope 2007/2008	At Aug. 31, 2008 (prior to change of consolidation scope)
Goodwill	979,817	108,860	870,957
Intangible assets	184,056	29,778	154,278
Property, plant and equipment	223,099	11,616	211,483
Investments in unconsolidated subsidiaries and affiliates and other long-term investments	11,716	154	11,562
Loans	636	–	636
Other non-current financial assets	7,184	47	7,137
Deferred tax assets	3,138	1,062	2,076
Total non-current assets	**1,409,646**	**151,517**	**1,258,129**
Inventories	526,286	40,762	485,524
Current tax assets	27,365	6,485	20,880
Trade receivables	498,151	30,332	467,819
Advances to suppliers and employees	8,150	132	8,018
Other receivables	1,388	237	1,151
Prepaid expenses	9,118	737	8,381
Other financial assets:			
– negotiable securities	321	–	321
– loans and other current financial assets	342	–	342
Cash and cash equivalents	99,015	43,429	55,586
Total current assets	**1,170,136**	**122,114**	**1,048,022**
Held-for-sale assets	–	–	–
TOTAL ASSETS	**2,579,782**	**273,631**	**2,306,151**

Consolidated balance sheet

impact of changes to the consolidation scope

Equity and liabilities

(thousands of euros)	At Aug. 31, 2008 (after change to consolidation scope)	Change of consolidation scope 2007/2008	At Aug. 31, 2008 (prior to change of consolidation scope)
Capital	11,134	–	11,134
Share premiums	72,601	–	72,601
Consolidated reserves and net income	795,381	–	795,381
Currency translation adjustments relating to ongoing operations	(142,803)	–	(142,803)
Currency translation adjustments relating to held-for-sale operations	–	–	–
Revaluation adjustments	–	–	–
Restatement of financial instruments	6,265	–	6,265
Net income	511,346	–	511,346
Treasury stock	(81,488)	–	(81,488)
Equity after minority interests	**1,172,436**	**–**	**1,172,436**
Minority interests:			
– in equity	1,817	–	1,817
– currency translation adjustments	(605)	–	(605)
– in consolidated net income	28	–	28
Minority interests	**1,240**	**–**	**1,240**
Equity	**1,173,676**	**–**	**1,173,676**
Non-current provisions	29,354	80	29,274
Non-current debt	456,159	213,775	242,384
Deferred taxes	42,817	2,444	40,373
Other non-current liabilities	–	–	–
Total non-current liabilities	**528,330**	**216,299**	**312,031**
Current provisions	62,544	5,453	57,091
Current financial liabilities	394,320	30,013	364,307
Accounts payable	234,790	16,017	218,773
Amounts owed to customers	21,438	480	20,958
Liabilities to employees and payroll liabilities	105,620	3,621	101,999
Current tax liabilities	31,564	360	31,204
Other payables	21,324	1,388	19,936
Deferred income	6,176	–	6,176
Total current liabilities	**877,776**	**57,332**	**820,444**
Held-for-sale liabilities	–	–	–
TOTAL EQUITY AND LIABILITIES	**2,579,782**	**273,631**	**2,306,151**

Main exchange rates used in consolidation

	Balance sheet	Income statement
US dollar	1.4735	1.4998
Canadian dollar	1.5510	1.5092
South African rand	11.3597	11.1090
Pound sterling	0.8050	0.7543
Thai baht	50.453	47.857
Czech crown	24.735	25.574

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 Group's consolidated financial statements for the fiscal year ended August 31, 2008 have been prepared in accordance with IAS/IFRS and those IASB interpretations (SIC and IFRIC) applicable on August 31, 2008, 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 Group have been prepared in accordance with IFRS, under the responsibility of the Executive Board at its meeting of November 12, 2008.

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 Group has elected not to apply any standard, amendment to standards or interpretation of standards published by the IASB at August 31, 2008.

Those standards, amendments and interpretations that the Zodiac Group has elected not to implement early are as follows (except where specified otherwise, the mandatory initial application dates shown below refer to the accounting period start date set by the IASB):

- Annual IFRS improvements published by the IASB in May 2008 (IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 40 and IAS 41) containing amendments scheduled for mandatory application to accounting periods commencing on or after January 1, 2009. The Zodiac Group is currently analyzing the practical implications of these amendments and the effects of their application on the financial statements;
- IAS 1 "Presentation of Financial Statements": amendments for mandatory application to accounting periods commencing on or after January 1, 2009 relating to the presentation of the extended consolidated income statement and to disclosures about Puttable Instruments and Obligations Arising on Liquidation. The Zodiac Group is currently analyzing the practical implications of these amendments and the effects of their application on the financial statements;
- IAS 23 "Capitalization of Borrowing Costs," amendment for mandatory application to accounting periods commencing on or after January 1, 2009. The Zodiac Group plans to apply this standard early to new qualifying assets in which the planned investment will commence on or after September 1, 2009. The main anticipated impact will be the capitalization of financial expenses relating to new development projects recognized as intangible assets. Given the current stage of advancement of the projects concerned, the impact of this change has yet to be quantified, but is expected to have little effect on the Group's key financial aggregates;
- IAS 32 "Financial Instruments – Presentation": this amendment applies to Puttable Instruments and Obligations Arising on Liquidation. Its application will be mandatory for accounting periods commencing on or after January 1, 2009. The Zodiac Group financial statements to August 31, 2008 contain no such instrument;
- IAS 39 "Financial Instruments – Recognition and Measurement": amendment covering exposures qualifying for hedge accounting. Its application will be mandatory for accounting periods commencing on or after January 1, 2009. The Zodiac Group is currently analyzing the practical implications of these amendments and the effects of their application on the financial statements;
- IFRS 1 "First-time adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements": the amendment entitled "Cost of a Subsidiary in the Separate Financial Statements of a Parent on First-time Adoption of IFRS" is not applicable to the Zodiac Group;
- IFRS 2 "Share-Based Payment": amendment to Vesting Conditions and Cancellations. The Group does not expect this amendment to have any particular effect following its mandatory application for accounting periods commencing on or after January 1, 2009;
- IFRS 3 "Business Combinations," IAS 27 "Consolidated and Separate Financial Statements," IAS 28 "Investments in Associates" and IAS 31 "Interests in Joint Ventures": amendments published in January 2008 and their mandatory application for accounting periods commencing on or after July 1, 2009. The Zodiac Group is currently analyzing the practical implications of these amendments (which resulted from the IASB "Business Combinations Phase II" Project) and the effects of their application on the financial statements;
- IFRS 8 "Operating Segments": standard due for mandatory application for accounting periods commencing on or after January 1, 2009. The Zodiac Group does not expect any change to its operating segments during the initial application of this standard;
- IFRIC 12 "Service Concession Arrangements," which has been mandatory since January 1, 2008. The business activities of the Zodiac Group are not affected by this interpretation;
- IFRIC 13 "Customer Loyalty Programmes," which has been mandatory since July 1, 2008. The Zodiac Group is currently analyzing the practical implications of this interpretation and the effects of its application, which, given the nature of its business, are unlikely to have any significant effect on its financial statements;

- IFRIC 14 "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (mandatory since January 1, 2008), IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" (mandatory since October 1, 2008) and IFRIC 17 "Distributions of Non-cash Assets to Owners" (mandatory from July 1, 2009). The Zodiac Group is currently analyzing the practical implications of these amendments and the effects of their application on the financial statements;
- IFRIC 15: "Agreements for the Construction of Real Estate," which will be mandatory for accounting periods commencing on or after January 1, 2009. Given the nature of its business, the Zodiac Group is not affected by this interpretation.

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

OPTIONS ADOPTED BY THE GROUP WHEN THE STANDARDS ALLOW FOR RECOGNITION AND VALUATION OPTIONS.

Certain International Accounting Standards allow for options in valuing and recognizing assets and liabilities.

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

- to use the amortized historical cost method for valuing its non-current property, plant and equipment and intangible assets (IAS 38) and has therefore opted not to revalue its non-current property, plant and equipment and intangible assets at each balance sheet date (IAS 16);
- not to capitalize interest expense 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 to make estimates and use assumptions that affect the value of assets and liabilities on the consolidated balance sheet and the amount of income and expenses on the income statement. Management revises its estimates and assumptions on an ongoing basis, as a function of all factors on which it bases its assessment.

Actual future results may differ significantly from these estimates as a result of different assumptions or conditions.

These estimates and assumptions relate mainly to the valuation of deferred taxes, provisions, employee benefits, share-based payments and the estimates and assumptions used to test asset impairment.

The significant accounting methods within which the Group is obliged to make estimates are as follows:

- Payments based on the Zodiac share price

Payments made on the basis of the Zodiac 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 particularly 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 tests.

E) Consolidation principles

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

Companies over which Zodiac exercises joint control, whether directly or indirectly, are consolidated by the proportional method.

Companies over which Zodiac exercises material influence are accounted for by the equity method.

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 recorded in the consolidated financial statements as from the date of the acquisition or loss of effective control.

F) Translation of subsidiaries' 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 end of the period;
- 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 profit element 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 valuation 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 closing exchange rates and the resulting differences are recorded in the income statement.

H) Property, plant and equipment and finance leases

Property, plant and equipment are shown in the balance sheet at their historical 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 of the equipment;
- IT equipment and furniture: 3 to 10 years depending on the use of the equipment.

Lease agreements that transfer to Zodiac the risks and rewards incident to ownership (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 carried out when there is an indication of impairment.

I) Business combinations

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

The difference between the purchase cost plus incidental expenses and the Group's share in the fair value of the identifiable assets and liabilities of the acquired entity is accounted for as goodwill if the difference is positive and under income if it is negative.

Goodwill is not amortized and is subject to impairment testing whenever there is an indication of impairment and at least once per year.

Furthermore, goodwill arising from the acquisition of minority interests is determined based on the share of net assets acquired, with no revaluation of the assets and liabilities acquired.

J) Intangible assets

Intangible assets comprise mainly development costs, brands, patents and licenses.

A) SEPARATELY-ACQUIRED INTANGIBLE ASSETS AND INTANGIBLE ASSETS ACQUIRED AS PART OF A BUSINESS COMBINATION

Separately-acquired intangible assets are recognized at cost and subsequently measured at amortized cost.

Intangible assets resulting from the valuation of assets of acquired entities (mainly brands) are recorded in the balance sheet at fair value, which is usually determined based on external valuations.

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

Intangible assets are subject to impairment tests when there is an indication of impairment.

Unamortized intangible assets, which mainly include goodwill, are subject to impairment tests when there is an indication of impairment and at least once per year.

B) INTERNALLY-GENERATED INTANGIBLE ASSETS

These mainly consist of development expenditure.

Under IAS 38, "Intangible Assets", development expenditure must be capitalized when the enterprise can demonstrate the following:

- its intention and financial and technical ability to complete the development project;
- it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise;
- the cost of the asset can be measured reliably.

Where a Zodiac Group company involved in a development program meeting these criteria is appointed by a customer to develop and market the product concerned, the corresponding 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 a revaluation of the selling price of the product concerned.

In the absence of any contractual guarantee from the client 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).

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 as from start of operation of the relevant program. If 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 protection under the law and under regulations.

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

K) Financial assets

Financial assets comprise unconsolidated investments, which are classified as available-for-sale financial assets, loans, deposits and guarantees. As from September 1, 2005 (date of first-time adoption of IAS 39), unconsolidated investments are initially recognized at acquisition cost, then measured at fair value when fair value can be measured reliably.

None of these unconsolidated investments is in a listed company.

When fair value cannot be measured reliably, the recoverable amount is determined based on the Group's share of the assets, anticipated future profitability and growth prospects of the entity in which the investment is made.

Changes in fair value are included in equity, under a separate heading, until the shares are sold. When it has been concluded that the impairment loss is permanent, this loss is recorded in the income statement.

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

L) Inventories

The Group values its inventories at cost, calculated by the "First In, First Out" method, in accordance with IAS 2, "Inventories". Inventories are valued at the lower of cost or net realizable value, which is the estimated selling price less estimated costs necessary to realize the sale.

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 stock concerned.

M) Trade and other receivables

Trade receivables are recognized at the initial invoice amount minus impairment provisions for unrecoverable amounts. A charge is booked to provisions when there is objective evidence indicating that the Zodiac Group will not be able to recover these receivables. Unrecoverable receivables are written off when identified as such.

N) Cash and cash equivalents

Cash and short-term deposits shown on the balance sheet comprise cash in bank, cash on hand and short-term deposits with an initial maturity of less than three months.

For purposes of the consolidated statement of cash flow, cash and cash equivalents include cash and cash equivalents as defined above, less short-term bank borrowings.

O) Costs associated with capital increase

After-tax external costs directly related to a capital increase are deducted from share premiums when 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. After-tax gains or losses on the sale of treasury stock are recognized as consolidated reserves.

Q) Provisions

In accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets," the Group recognizes provisions if it has an obligation towards a third party that arises from a past event, if it is probable that an outflow of resources embodying 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 if it remains possible, the Group recognizes a contingent liability under commitments.

Provisions are discounted where the effect is material.

For the Group, the impact of this rule applies almost exclusively to provisions for employee benefits.

Provisions which by their nature are part of the normal operating cycle of the relevant operations are classified as current provisions in the balance sheet. This applies to provisions for guarantees or for litigation.

R) Deferred taxes

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

Deferred tax assets for all timing differences or deductible losses are recognized to the extent that it is probable that taxable profit will be available against which the deductible items can be utilized, unless the deferred tax asset arises from differences between the carrying amount of an asset or liability and its tax value resulting from the initial recognition of an asset or liability as part of a transaction that is not a business combination or which, as of the transaction date, does not affect taxable income.

Deferred tax liabilities are recognized, except if they are the result of 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, as of the transaction date, does not affect taxable income, except if they result from impairment of goodwill that is not deductible for tax purposes.

A provision is booked for dividend taxes on the distribution of intra-group dividends from companies that are not part of the tax consolidation group when such distribution is deemed to be 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

FINANCIAL LIABILITIES:

As from September 1, 2005, financial liabilities primarily consisted of bonds and current and non-current financial liabilities to 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.

DERIVATIVE FINANCIAL INSTRUMENTS:

The Group uses derivative financial instruments mainly to manage and hedge the effect of exchange rate fluctuations on its foreign-currency revenues. The Group does not use derivative financial instruments for speculative purposes. Depending on the type of risk to be covered, the Group uses contracts such as swaps, options or forward transactions.

The items underlying certain hedging transactions consist of trade receivables and/or payables recorded in the balance sheet of Group companies. At the balance sheet date, hedging transactions are estimated at fair value (Fair Value Hedge). Any currency gains or losses representing the effective portion of these hedging transactions 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 portion of the hedge is included in financial income.

Variances in the fair value of derivatives are recognized immediately as profit or loss in circumstances where the following criteria are not met:

• the hedging instrument and hedged item must be clearly identified at the time of implementation, 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, including 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 recorded in the balance sheet at fair value. The change in fair value representing the effective portion of such hedges is recorded in equity under a separate heading until the hedged cash flow is effectively realized, then is taken to the income statement when the underlying item is recorded in income. The ineffective portion of the hedges is included in financial income.

The Group has no hedging policy for the balance sheets of its foreign entities.

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

The Group is also exposed to risks of fluctuations in the interest rates on borrowed funds, primarily through its syndicated line of credit, on which drawings are mostly made at variable interest rates (euros and US dollars).

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 current 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).

1 – DEFINED BENEFIT PLANS

For defined-benefit retirement or 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 valued 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 in excess of this 10% corridor is amortized on a straight-line basis over the residual period of service remaining to be completed by the relevant employees.

Past service costs are recognized immediately to the extent that benefits are already permanently vested by the employees. Otherwise, they are amortized over the remaining period of employment to be completed by the relevant employees for their corresponding rights to become vested.

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 (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 (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 defined-benefit plans are recognized as expenses for the period.

U) Share-based payments

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

The Group is committed to Zodiac S.A. 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 and at the time when services are rendered. The cost is recognized 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 it has no effect on consolidated equity; the matching entry for this expense is an increase in equity in a like 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 recorded over the contract period and in accordance with the terms and conditions of the contract. Revenues derived from the rendering of services are recognized when the outcome of the transaction can be estimated reliably, and by reference to the stage of completion of the services rendered by the Group. Revenue from the performance of long-term contracts is recognized using the percentage of completion method and determined either as a percentage of actual costs incurred in projected total spending up to completion, or using contractually defined technical stages and, in particular, the essential phases in performance of the contract (proof of installation or delivery of equipment).

Sales are recorded after deducting any volume and trade discounts. Likewise, the cost of distribution activities related to sales is deducted from revenues.

W) Impairment of assets

Goodwill and intangible assets with an indefinite life are not amortized but are subject to impairment tests when there is an indication of an impairment loss, and at least once a year.

Other non-current assets (amortizable intangible assets and depreciable property, plant and equipment) are subject to impairment tests whenever there is an indication that their carrying amount may not be recoverable.

Impairment testing entails comparing the carrying amount of an asset to its recoverable amount, wherein such recoverable amount is the higher of fair value net of disposal costs, and value in use.

Impairment tests are carried out for each asset individually, unless the asset taken individually does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, as in the case of goodwill items that in principle do not generate independent cash inflows, the recoverable amount is determined by cash-generating unit, which is the smallest group of assets that generates cash inflows that are largely independent of those from other assets.

The Group has mapped the cash-generating units of which it consists, within the meaning of IAS 36, "Impairment of Assets". In respect of goodwill items, the identified cash-generating units and groups of cash-generating units correspond to the Group's functional organization by 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 are found to exist, the recoverable value of the asset is then estimated. Where its book value is higher than its recoverable value, the asset is treated as having lost value and its book value is reduced to reflect its recoverable value by means of an impairment recognized as expenditure in the income statement.

Recoverable value is the maximum net selling price or value in use of an asset or group of assets. 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.

Where a test conducted on the assets of a Group company reveals a loss of value, and following verification of the recoverable value of the assets in isolation, the loss of value is allocated in the first instance to goodwill, then to CGU (Cash Generating Unit) assets prorata their book 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 the estimates that previously resulted in an impairment, a loss of value writeback is recognized in the income statement for the fiscal year.

The recoverable amount for the 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 the 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.

X) Held-for-sale assets and discontinued operations

A non-current asset, or a group of assets and liabilities is held for sale when most of its value will be recovered as the result of a sale and not from continuing use.

For this to be the case, the asset must be available for immediate sale and its sale must be highly probable.

Y) IFRS financial information presentation principles

The Group has elected to segregate material nonrecurring 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 that the Group uses for disclosure purposes is the sum of the "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. The Group's business segments are as follows:

- AeroSafety Systems Segment;
- Aircraft Systems Segment;
- Cabin Interiors Segment;
- Technology Segment.

The second level of segment reporting is by geographic region. The Group's geographic regions are as follows:

- Europe;
- Americas;
- Rest of the World.

Z) Earnings per share

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 the 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 groups of assets held for sale at August 31, 2007 were those of the Marine Segment of the Zodiac Group.

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

Details of this transaction are shown in Note 0 "Changes to the consolidation scope".

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.

• AeroSafety Systems 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 aviation markets (sports parachutes);
- 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.

• 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;
- cabin systems: cabin interiors, galleys, toilets, baggage lockers, etc.

• Technology Segment

This segment designs, develops, manufactures and markets:

- airbags;
- aerospace telemetry and telecommunication systems for military and civil markets.

Note 2 - Management of financial risks

A) Interest rate risk

Financing for all of Group subsidiaries is centralized. There were no hedging instruments in place at August 31, 2008.

At August 31, 2008, over 99% of the Group's debt was variable-rate debt and was exposed to fluctuations in the Euribor and USD Libor.

On the basis of the net financial debt position at August 31, 2008 (on a like-for-like consolidation basis), a shift of 10 basis points in interest rates would have generated a €0.55 million shift in financial charges over a 12-month period. Taking consolidation scope changes into account, this shift would have been €0.75 million at August 31, 2008.

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, 2008, the Group used the following instruments to cover its US dollar exposure:

Currency futures sold	Nominal value	Within 1 year	Over 1 year	FVH (3)
		(thousands of USD)		(thousands of euros)
USD	121,354(1)	121,354	–	(3,605)

(1) i.e. €79,000,000

Put options	Nominal value	Within 1 year	Over 1 year	FVH (3)
		(thousands of USD)		(thousands of euros)
USD	75,000(2)	75,000	–	95

(2) i.e. €48,387,000.

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

The strike price of the US dollar put options used as hedges to cover the period September-November 2008 was €1 = $1.55. The change to the fair value of the premium paid on these options resulted in the recognition of a financial expense of €0.2 million in the financial statements to August 31, 2008.

Carrying value (thousands of euros)	Assets		Liabilities	
	Current	Non-current	Current	Non-current
Fair value hedges	–	–	3,605	–
Cash flow hedges	95	–	–	–

Based on the corresponding budget figures, a shift of 1 cent in the unhedged euro/$ rate would have generated a shift of €1.1 million in currency translation terms, and a shift of €2.8 million in recurring operating income for the 2008/2009 fiscal year as a whole.

After the balance sheet date, the Group put in place a currency futures contract to cover part of its 2008/2009 net transaction flows. The amount of €278 million at an average exchange rate of 1.25 applies to sales revenue generated between November 2008 and August 2009. The post-hedging impact will be in the region of €0.6 million per 1 cent shift.

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.

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

(USD millions)	At August 31, 2008
Financial assets	197.2
Financial liabilities	84.9
Net position before management	112.3
Hedging derivatives	121.3
Future flow hedging	(9.0)

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, 2008, a reduction of 10% in the value of the euro against the US dollar 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 euro millions)	At August 31, 2008
Impact on net income (*)	0.4

(*) 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 late < 30 days, not impaired	Overdue by more than 30 days and not impaired on the balance sheet date					Overdue and impaired
			number of days					
			31-90	91-180	181-360	>361	Total	
Trade receivables	498,151	433,995	37,819	16,520	6,570	2,506	63,415	741

Receivables from all airlines represented 18.2% of all Trade receivables at August 31, 2008, compared with 17.3% at August 31, 2007.

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	Rest of World	Total
Year ended August 31, 2007				
AeroSafety Systems	173,732	142,459	42,826	359,017
Aircraft Systems	320,918	167,755	54,619	543,292
Cabin Interiors	184,593	581,542	161,636	927,771
Technology	135,433	21,048	15,416	171,897
TOTAL	**814,676**	**912,804**	**274,497**	**2,001,977**
Year ended August 31, 2008				
AeroSafety Systems	159,175	148,270	47,381	354,826
Aircraft Systems	321,603	166,035	51,728	539,366
Cabin Interiors	215,924	558,164	188,234	962,322
Technology	120,709	19,021	18,242	157,972
TOTAL	**817,411**	**891,490**	**305,585**	**2,014,486**

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

(thousands of euros)	Europe	Americas	Rest of World	Total
Year ended August 31, 2007				
AeroSafety Systems	158,011	198,283	2,723	359,017
Aircraft Systems	412,396	105,837	25,059	543,292
Cabin Interiors	207,371	720,400	–	927,771
Technology	159,362	12,535	–	171,897
TOTAL	**937,140**	**1,037,055**	**27,782**	**2,001,977**
Year ended August 31, 2008				
AeroSafety Systems	164,129	188,482	2,215	354,826
Aircraft Systems	413,359	100,321	25,686	539,366
Cabin Interiors	232,322	730,000	–	962,322
Technology	147,489	10,483	–	157,972
TOTAL	**957,299**	**1,029,286**	**27,901**	**2,014,486**

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, 2007			
AeroSafety Systems	372,857	13,840	359,017
Aircraft Systems	546,214	2,922	543,292
Cabin Interiors	928,219	448	927,771
Technology	172,473	576	171,897
TOTAL	**2,019,763**	**17,786**	**2,001,977**
Year ended August 31, 2008			
AeroSafety Systems	363,351	8,525	354,826
Aircraft Systems	545,518	6,152	539,366
Cabin Interiors	965,326	3,004	962,322
Technology	158,382	410	157,972
TOTAL	**2,032,577**	**18,091**	**2,014,486**

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

(thousands of euros)	Europe	Americas	Rest of World	Total
Year ended August 31, 2007				
AeroSafety Systems	20,907	32,576	228	53,711
Aircraft Systems	61,151	15,337	2,958	79,446
Cabin Interiors	24,277	92,340	(474)	116,143
Technology	12,645	1,466	1,120	15,231
Zodiac S.A.	(1,833)	(126)	–	(1,959)
TOTAL	**117,147**	**141,593**	**3,832**	**262,572**
Year ended August 31, 2008				
AeroSafety Systems	21,029	31,803	464	53,296
Aircraft Systems	40,663	12,417	2,918	55,998
Cabin Interiors	15,480	101,364	(378)	116,466
Technology	14,414	(1,175)	1,247	14,486
Zodiac S.A.	(4,641)	(18)	–	(4,659)
TOTAL	**86,945**	**144,391**	**4,251**	**235,587**

Note 3.5 - Net income by segment

(thousands of euros)	AeroSafety Systems	Aircraft Systems	Cabin Interiors	Technology	Zodiac S.A.	Total for ongoing operations	Held-for-sale and discontinued operations	Total including held-for-sale and discontinued operations
Year ended August 31, 2007								
Net income	37,771	53,508	70,306	8,916	(28,810)	**141,691**	**41,998**	**183,689**
Year ended August 31, 2008								
Net income	33,419	37,486	71,663	11,276	(16,076)	**137,768**	**373,606**	**511,374**

Note 3.6 - Depreciation and amortization by segment

(thousands of euros)	AeroSafety Systems	Aircraft Systems	Cabin Interiors	Technology	Zodiac S.A.	Total
Year ended August 31, 2007						
Depreciation and amortization	8,973	15,685	15,419	5,197	2,133	**47,407**
Year ended August 31, 2008						
Depreciation and amortization	8,508	17,430	17,784	4,947	1,890	**50,559**

Note 3.7 - Asset impairment by segment

(thousands of euros)	AeroSafety Systems	Aircraft Systems	Cabin Interiors	Technology	Zodiac S.A.	Total
Year ended August 31, 2007						
Impairment	–	–	–	2,594	–	**2,594**
Year ended August 31, 2008						
Impairment	–	–	–	426	–	**426**

B - Balance sheet items

Note 3.8 - Intangible assets and goodwill by segment and region

(thousands of euros)	Europe	Americas	Rest of World	Total
At August 31, 2007				
AeroSafety Systems	17,357	55,939	645	73,941
Aircraft Systems	338,289	42,326	325	380,940
Cabin Interiors	39,518	503,501	–	543,019
Technology	39,734	1,521	12	41,267
Zodiac S.A.	2,385	–	–	2,385
TOTAL	**437,283**	**603,287**	**982**	**1,041,552**
At August 31, 2008				
AeroSafety Systems	15,596	52,458	573	68,627
Aircraft Systems	350,441	39,639	6,156	396,236
Cabin Interiors	171,366	486,583	–	657,949
Technology	39,412	973	17	40,402
Zodiac S.A.	659	–	–	659
TOTAL	**577,474**	**579,653**	**6,746**	**1,163,873**

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

(thousands of euros)	Europe	Americas	Rest of World	Total
At August 31, 2007				
AeroSafety Systems	18,915	20,971	3,173	43,059
Aircraft Systems	52,985	9,097	1,816	63,898
Cabin Interiors	15,115	46,351	6	61,472
Technology	9,623	630	3,274	13,527
Zodiac S.A.	18,995	–	–	18,995
TOTAL	**115,633**	**77,049**	**8,269**	**200,951**
At August 31, 2008				
AeroSafety Systems	17,474	18,398	1,890	37,762
Aircraft Systems	50,983	8,606	4,518	64,107
Cabin Interiors	16,589	57,916	7,770	82,275
Technology	9,061	278	3,281	12,620
Zodiac S.A.	26,335	–	–	26,335
TOTAL	**120,442**	**85,198**	**17,459**	**223,099**

Note 3.10 – Capital expenditure by segment and region

(thousands of euros)	Europe	Americas	Rest of World	Total
At August 31, 2007				
AeroSafety Systems	5,170	6,716	1,273	13,159
Aircraft Systems	33,055	1,564	1,225	35,844
Cabin Interiors	2,992	25,099	–	28,091
Technology	2,985	482	793	4,260
Zodiac S.A.	1,033	–	–	1,033
TOTAL	**45,235**	**33,861**	**3,291**	**82,387**
At August 31, 2008				
AeroSafety Systems	3,649	2,887	924	7,460
Aircraft Systems	25,931	1,808	2,089	29,828
Cabin Interiors	4,720	35,580	515	40,815
Technology	3,293	83	1,300	4,676
Zodiac S.A.	9,330	–	–	9,330
TOTAL	**46,923**	**40,358**	**4,828**	**92,109**

Note 3.11 – Inventories by segment and region

(thousands of euros)	Europe	Americas	Rest of World	Total
At August 31, 2007				
AeroSafety Systems	34,555	33,547	1,251	69,353
Aircraft Systems	122,449	16,552	2,150	141,151
Cabin Interiors	60,037	145,828	–	205,865
Technology	30,295	280	1,188	31,763
Zodiac S.A.	–	–	–	–
TOTAL	**247,336**	**196,207**	**4,589**	**448,132**
At August 31, 2008				
AeroSafety Systems	37,358	34,171	1,366	72,895
Aircraft Systems	140,200	19,234	4,043	163,477
Cabin Interiors	86,957	159,357	15,154	261,468
Technology	26,148	279	2,019	28,446
Zodiac S.A.	–	–	–	–
TOTAL	**290,663**	**213,041**	**22,582**	**526,286**

Note 3.12 - Trade receivables by segment and region

(thousands of euros)	Europe	Americas	Rest of World	Total
At August 31, 2007				
AeroSafety Systems	37,687	40,320	544	78,551
Aircraft Systems	102,953	12,004	4,772	119,729
Cabin Interiors	43,593	133,677	–	177,270
Technology	41,201	2,486	–	43,687
Zodiac S.A.	611	–	–	611
TOTAL	**226,045**	**188,487**	**5,316**	**419,848**
At August 31, 2008				
AeroSafety Systems	43,391	44,525	111	88,027
Aircraft Systems	118,859	13,569	5,505	137,933
Cabin Interiors	71,372	156,762	937	229,071
Technology	40,115	2,808	–	42,923
Zodiac S.A.	197	–	–	197
TOTAL	**273,934**	**217,664**	**6,553**	**498,151**

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

(thousands of euros)	Europe	Americas	Rest of World	Total
At August 31, 2007				
AeroSafety Systems	7,148	4,601	3	11,752
Aircraft Systems	25,033	2,124	–	27,157
Cabin Interiors	7,000	8,591	–	15,591
Technology	8,276	–	19	8,295
Zodiac S.A.	830	–	–	830
TOTAL	**48,287**	**15,316**	**22**	**63,625**
At August 31, 2008				
AeroSafety Systems	7,353	3,972	3	11,328
Aircraft Systems	25,277	1,804	–	27,081
Cabin Interiors	13,977	9,910	114	24,001
Technology	6,126	545	29	6,700
Zodiac S.A.	22,788	–	–	22,788
TOTAL	**75,521**	**16,231**	**146**	**91,898**

Note 3.14 – Accounts payable by segment and region

(thousands of euros)	Europe	Americas	Rest of World	Total
At August 31, 2007				
AeroSafety Systems	17,411	8,919	424	26,754
Aircraft Systems	60,700	3,394	633	64,727
Cabin Interiors	30,153	50,157	–	80,310
Technology	16,226	340	502	17,068
Zodiac S.A.	4,642	63	–	4,705
TOTAL	**129,132**	**62,873**	**1,559**	**193,564**
At August 31, 2008				
AeroSafety Systems	19,485	8,465	673	28,623
Aircraft Systems	69,898	4,589	608	75,095
Cabin Interiors	48,405	52,524	4,561	105,490
Technology	14,868	122	418	15,408
Zodiac S.A.	10,073	101	–	10,174
TOTAL	**162,729**	**65,801**	**6,260**	**234,790**

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

(thousands of euros)	Europe	Americas	Rest of World	Total
At August 31, 2007				
AeroSafety Systems	9,661	5,616	93	15,370
Aircraft Systems	32,794	2,674	252	35,720
Cabin Interiors	8,889	24,099	–	32,988
Technology	10,207	101	229	10,537
Zodiac S.A.	3,416	–	–	3,416
TOTAL	**64,967**	**32,490**	**574**	**98,031**
At August 31, 2008				
AeroSafety Systems	10,874	5,490	157	16,521
Aircraft Systems	33,464	2,548	369	36,381
Cabin Interiors	9,208	28,780	49	38,037
Technology	10,442	269	207	10,918
Zodiac S.A.	3,763	–	–	3,763
TOTAL	**67,751**	**37,087**	**782**	**105,620**

Note 4 - Revenues

(thousands of euros)	FY 2007/2008	FY 2006/2007
Sales of goods	1,812,123	1,881,590
Sales of services	202,363	120,387
Interest	3,158	2,941
Royalties	552	1,818
TOTAL	**2,018,196**	**2,006,736**

Note 5 - Personnel costs

Note 5.1 - Breakdown of costs

(thousands of euros)	FY 2007/2008	FY 2006/2007
Payroll and related expenses	610,935	622,725
Profit-sharing	4,824	6,305
Stock options granted	5,061	2,816
TOTAL	**620,820**	**631,846**

Note 5.2 - Share-based payments

1) Stock options

The Combined Meetings of Shareholders held on December 9, 1997, December 16, 2002 and December 16, 2004 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 (1)	Exercisable until (1)	Number of options not exercised at August 31, 2008 (1)
September 11, 2000	22.12	September 11, 2008	24,127
May 15, 2001	24.05	May 15, 2009	13,754
November 23, 2001	18.01	November 23, 2009	83,362
November 22, 2002	19.97	November 22, 2010	109,825
November 21, 2003	23.83	November 21, 2011	160,669
February 12, 2004	23.83	February 12, 2012	566,030
November 24, 2004	29.24	November 24, 2012	215,804
November 25, 2005	44.66	November 25, 2013	187,291
November 30, 2006	46.64	November 30, 2014	188,333
February 13, 2007	49.29	February 13, 2015	79,350
December 3, 2007	41.11	December 3, 2015	158,685
December 3, 2007	41.11	December 3, 2015	275,080
TOTAL			**2,062,310**

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

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

Number of options	FY 2007/2008	FY 2006/2007
At September 1	1,639,495	1,731,457
Issued	409,950	252,950
Adjustment following payment of the extraordinary dividend	116,772	–
Cancelled	–	(22,310)
Expired	(19,250)	–
Exercised	(84,657)	(322,602)
At August 31	2,062,310	1,639,495

Half of the 158,685 options granted in December 2007 for this fiscal year may not be exercised before December 3, 2008. The 275,080 options granted in December 2007 for this fiscal year may be exercised in tranches from February 12, 2008.

The 84,657 options exercised in FY 2007/2008 resulted in the issue of 84,657 shares between September 1, 2007 and August 31, 2008, at an average allocation price of €22.49.

The weighted average fair value of the options issued in December 2007 with an average life of 6 years is €16.22. The binomial valuation model applied is based on the following key factors:

- share price on date of grant €44.20
- option exercise price €43.49
- estimated volatility 37.10%
- risk-free interest rate 4.39%
- estimated dividend yield 2.00%

The weighted average fair value of the options issued in December 2007 with an average life of 7 years is €17.50. The binomial valuation model applied is based on the following key factors:

- share price on date of grant €44.20
- option exercise price €43.49
- estimated average volatility 37.70%
- risk-free interest rate 4.42%
- 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 €5,061k, compared with €3,434k in FY 2006/2007.

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", 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;
- valuation basis: multiples of the EBITA reported for the relevant entity.

Amounts recognized under these plans for the year ended August 31, 2008 were as follows (in thousands of euros):

- Total carrying value of SAR liabilities on the balance sheet: 1,765
- SAR-related expense recognized during the fiscal year: 867

3) Executive Board's Special Report on stock options, as required by the New Economic Regulations Act (NRE)

The detailed report is available to shareholders at the General Meeting.

Information on stock options held by corporate officers:

- no options were exercised in FY 2007/2008;
- 140,000 stock options were granted in FY 2007/2008 before adjustment to take account of the distribution of an extraordinary dividend in January 2008, and 148,120 after adjustment.

Information on stock options held by Zodiac Group employees who are not corporate officers:

- the ten largest stock options exercised in FY 2007/2008 totaled 33,555;
- the ten largest stock options granted in FY 2007/2008 totaled 159,750 before adjustment, and 169,018 after adjustment (exc. company officers and including multi-year directors' options);
- the ten largest stock options granted in FY 2007/2008 totaled 35,650 before adjustment, and 37,721 after adjustment (exc. company officers and multi-year directors' options).

Note 6 - Change in inventories [1]

(thousands of euros)	FY 2007/2008	FY 2006/2007
Change in inventories accounted for during the year	53,550	49,725
Inventory impairment charge recognized during the year	(5,369)	(7,078)
Reversals of inventory impairment during the year	3,856	2,327
TOTAL	**52,037**	**44,974**

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

Note 7 - Other operating income and expenses

(thousands of euros)	FY 2007/2008	FY 2006/2007
Gain/(loss) on the sale of non-current assets	235	(406)
Restructuring costs	–	–
Impairment of fixed assets	–	–
Other	549	215
TOTAL	**784**	**(191)**

Note 8 - Non-recurring operating items

(thousands of euros)	FY 2007/2008	FY 2006/2007
Gain/(loss) on the sale of non-current assets	–	–
Restructuring costs	(760)	(1,046)
Impairment [1]	(426)	(2,594)
Litigation	–	55
Other [2]	(831)	5,286
TOTAL	**(2,017)**	**1,701**

(1) Impairment of intangible items relating to US Airbags subsidiary, where trading has virtually ceased.

(2) At August 31, 2007 this includes: the €5,688k reversal of the provision recognized by US Air Cruisers to cover the medical expenses of the company's pensioners. The corresponding company agreement has been cancelled and replaced by a much-reduced guarantee, which has resulted in the recognition of a provision reversal of €5,688k.

Note 9 - Cost of net debt

(thousands of euros)	FY 2007/2008	FY 2006/2007
Financial income	2,130	2,941
Foreign exchange gains/(losses)	(559)	(661)
Forward currency rate cost impact	443	(943)
Income from cash and cash equivalents	2,014	1,337
Cost of gross debt	(31,788)	(56,991)
TOTAL	**(29,774)**	**(55,654)**

Note 10 – Other financial income and expenses

(thousands of euros)	FY 2007/2008	FY 2006/2007
Dividends	–	–
Net charges to provisions	2	7
Gain/(loss) on the sales of unconsolidated equity interests	–	–
Impairment	–	–
Net accretion expense on pension obligations (net of returns)	(837)	(885)
TOTAL	**(835)**	**(878)**

The cost of gross debt fell by €25.2 million as the result of a reduction in the average use made of our lines of credit following the disposal of our Marine Segment. The average cost of our borrowing for the period was 5.36%, up from 4.76% in the previous year. Our total cost of debt, including sundry banking charges, was 5.80%, compared with 5.05% in the previous year.

Note 11 – Income taxes

(thousands of euros)	FY 2007/2008	FY 2006/2007
1) Balance sheet		
Deferred taxes:		
Deferred tax assets	3,138	9,439
Deferred tax liabilities	42,817	35,131
Net deferred taxes	**(39,679)**	**(25,692)**
Breakdown of net amount by category:		
Latent tax position	17,109	19,040
Tax credits recognized	312	806
Intercompany inventory profit	6,488	5,679
Cancellation of regulated provisions	(3,840)	(3,996)
Development costs	(50,646)	(44,556)
Other	(9,102)	(2,665)
Net deferred taxes	**(39,679)**	**(25,692)**
2) Income statement		
Deferred taxes and taxes payable:		
– deferred taxes	14,573	17,552
– taxes payable	50,620	48,498
Total tax	**65,193**	**66,050**
3) Unrecognized tax credits or tax losses(1)	**9,858**	**11,731**

(1) This amount includes €878,000 to be applied at August 31, 2009.

(thousands of euros)	FY 2007/2008
Effective tax rate	
Pre-tax income	202,961
Tax rate	34.43%
Theoretical income tax	69,879
Incidence of reduced-rate tax	(138)
Impact of tax rates in countries other than France	(740)
Tax credit for research and training	(5,920)
Other (including tax audits)	2,112
Consolidated income tax	**65,193**
Effective tax rate	**32.12%**

Note 12 – Earnings per share

	FY 2007/2008	FY 2006/2007
Number of shares used in computation (1)	54,962,150	55,378,945
Net earnings per share for ongoing operations (€) (2)	2.51	2.54
Diluted earnings per share:		
Number of shares used in computation (3)	55,348,890	56,024,714
Net earnings per share for ongoing operations (€) (4)	2.49	2.51

(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, awarded prior to the end of the year and not exercised.

(4) Net income from ongoing operations after minority interests, divided by 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, 2007	Translation adjustments	Change of consolidation scope	Changes (1)	Other	Balance at August 31, 2008
Goodwill	1,013,469	(41,515)	112,808	(182)	–	1,084,580

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

Note 13.2 – Goodwill: impairment

(thousands of euros)	Opening balance at Aug. 31, 2007	Translation adjustments	Change of consolidation scope	Changes	Impairment	Other (1)	Balance at August 31, 2008
Goodwill	107,317	(2,536)	–	–	–	(18)	104,763
Net goodwill	906,152	–	–	–	–	–	979,817

(1) Transfer to a different intangible asset item.

Net goodwill is broken down as follows:

(millions of euros)	Aug. 31, 2008	Aug. 31, 2007
CGU (Cash Generating Unit):		
– AeroSafety Systems	59.7	65.2
– Aircraft Systems [1]	309.8	306.7
– Cabin Interiors :		
Cabin [2]	517.3	437.9
Seats	53.8	55.0
– Other	39.2	41.4
TOTAL	**979.8**	**906.2**

(1) Includes €255.4 million in respect of Intertechnique at August 31, 2008.

(2) Includes €297 million in respect of C&D and €110 million in respect of Monogram at August 31, 2008.

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:
- change of €/$ exchange rate of 0.10;
- 0.5% change in discount rate.

Taken separately or cumulatively, these changes in assumption do not result in use values significantly below the recognized values and therefore do not have the effect of impairing goodwill.

Note 13.3 – Intangible assets: gross

(thousands of euros)	Opening balance at Aug.31, 2007	Translation adjustments	Change of consolidation scope	Increases	Reductions	Other	Balance at Aug. 31, 2008
Set up costs	–	–	14	16	–	–	30
Development costs [1]	135,244	(4,316)	–	28,726	–	–	159,654
Patents and trademarks	13,145	(253)	24,278	179	(135)	8	37,222
Business	2,062	–	35	–	–	76	2,173
Certifications and other	32,687	(381)	5,600	5,281	(1,278)	131	42,040
TOTAL	**183,138**	**(4,950)**	**29,927**	**34,202**	**(1,413)**	**215**	**241,119**

(1) Costs incurred for the A380, B787, A400M, EMB 170 and 190 programs: reimbursable advances in connection with these costs are not capitalized. Development costs (excluding discontinued operations) retained in net operating income (after capitalization and billing to customers and excluding amortization of capitalized development costs) totaled €105,928k in FY 2007/2008, compared with €98,697k in FY 2006/2007.

Note 13.4 – Intangible assets: amortization and impairment

(thousands of euros)	Opening balance at Aug.31, 2007	Translation adjustments	Change of consolidation scope	Increases	Reductions	Other	Balance at Aug. 31, 2008
Set up costs	–	–	9	–	–	(1)	8
Development costs [1]	9,472	(454)	–	7,532	–	–	16,550
Patents and trademarks	8,452	(146)	51	1,053	(135)	6	9,281
Business	2,091	–	–	33	–	–	2,124
Certifications and other	27,723	(308)	88	2,821	(1,275)	51	29,100
TOTAL	**47,738**	**(908)**	**148**	**11,439**	**(1,410)**	**56**	**57,063**
Net value of intangible assets	**135,400**	**(4,042)**	**29,779**	**22,763**	**(3)**	**159**	**184,056**

(1) Costs incurred for the A380, B787, A400M, EMB 170 and 190 programs: reimbursable advances in connection with these costs are not capitalized.
Development costs (excluding discontinued operations) retained in net operating income (after capitalization and billing to customers and excluding amortization of capitalized development costs) totaled €105,928k in FY 2007/2008, compared with €98,697k in FY 2006/2007.

Note 14 – Property, plant and equipment

Note 14.1 – Property, plant and equipment: gross

(thousands of euros)	Opening balance at Aug.31, 2007	Translation adjustments	Change of consolidation scope	Increases	Reductions	Other	Balance at Aug. 31, 2008
Land and land development	18,280	(207)	1,226	212	(5)	(1)	19,505
Buildings and improvements	157,888	(3,404)	7,987	6,408	(2,799)	16	166,096
Equipment, furnishings, fixtures and other items	372,400	(9,043)	26,312	36,652	(13,203)	5,159	418,277
Assets under construction	9,137	(361)	279	14,638	(56)	(5,656)	17,981
TOTAL	**557,705**	**(13,015)**	**35,804**	**57,910**	**(16,063)**	**(482)**	**621,859**

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

(thousands of euros)	Opening balance at Aug.31, 2007	Translation adjustments	Change of consolidation scope	Increases	Reductions	Other	Balance at Aug. 31, 2008
Land and land development	1,285	(26)	–	52	(1)	–	1,310
Buildings and improvements	85,356	(1,395)	3,992	7,999	(2,455)	(491)	93,006
Equipment, furnishings, fixtures and other items	270,113	(5,940)	20,197	32,135	(12,171)	110	304,444
TOTAL	**356,754**	**(7,361)**	**24,189**	**40,186**	**(14,627)**	**(381)**	**398,760**
Net value of property, plant and equipment	**200,951**	**(5,654)**	**11,615**	**17,724**	**(1,436)**	**(101)**	**223,099**

Finance leases (1)

Property, plant and equipment includes the following leased assets:

(thousands of euros)	Aug. 31, 2008
Equipment, furnishings, fixtures and other items	
Gross value	1,716
Accumulated depreciation	29
Net carrying value	**1,687**
Due within 1 year	614
Due in 1-5 years	1,227
Due in over 5 years	–
Future minimum payments	**1,841**

(1) At August 31, 2007, all finance leases related to held-for-sale operations.

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

Investments in unconsolidated subsidiaries include:

a) the equity holding in Coast Investment. The value of these shares, which was €15.9 million at August 31, 2007, was reduced to €1.6 million at the same time as those held in Zodiac Marine Holding (see Note 0).

Of the €21.9 million of funding put in place at the time of the acquisition, €21.4 million was repaid during the year, thus reducing the balance to €0.5 million at August 31, 2008.

b) the equity holding in Zodiac Marine Holding. Initially valued at €93 million, its fair value at August 31, 2008 had been reduced to €9.3 million.

Please refer to the "Disposals" paragraph of Note 0 "Changes to the consolidation scope".

Note 16 - Other non-current financial assets

Other non-current financial assets are mainly deposits.

Note 17 - Inventories

(thousands of euros)	Aug. 31, 2008	Aug. 31, 2007
Raw materials	273,700	226,125
Work in progress	129,373	118,885
Finished products and goods	123,213	103,122
TOTAL	**526,286**	**448,132**

No inventory items have been offered as collateral for liabilities.

Note 18 – Cash

(thousands of euros)	Aug. 31, 2008	Aug. 31, 2007
Cash and cash equivalents	99,015	45,886
Negotiable securities	321	201
Current financial liabilities	394,320	278,051
Commercial paper	(35,000)	(84,000)
Current portion of long-term loans and reimbursable advances	(286,412)	(165,678)
Banks	72,908	28,374
Net cash from ongoing operations	**26,428**	**17,713**
Held-for-sale operations	**–**	**14,477**
Net cash from ongoing and held-for-sale operations	**26,428**	**32,190**

Note 19 – Capital

	Number of shares (thousands)	Common shares (thousands of euros)	Share premiums (thousands of euros)	Total (thousands of euros)
At August 31, 2006	55,260	11,052	175,049	186,101
Premium-related costs	–	–	–	–
Options exercised	323	65	6,767	6,832
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

Note 20 - Debt

Note 20.1 - Breakdown of debt

(thousands of euros)	Interest rate (1)	Aug. 31, 2008	Aug. 31, 2007
A. Non-current financial debt			
Confirmed syndicated loan (EUR)	5.396	355,000	765,000
Confirmed syndicated loan (USD)	4.593	77,941	220,034
Other loans (USD)	–	–	219
Confirmed syndicated loans (other currencies)	–	–	14,969
Non-current portion of other borrowings and unconfirmed loans and syndicated loan costs	NM	23,218	20,169
Total (2)		**456,159**	**1,020,391**
B. Current financial liabilities			
Commercial paper (EUR)	4.323	35,000	84,000
Confirmed syndicated loan (EUR)	5.396	285,000	165,000
Current portion of amounts due to banks, other borrowings and unconfirmed loans	NM	74,320	29,051
Total	**–**	**394,320**	**278,051**
TOTAL	**–**	**850,479**	**1,298,442**

(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, 2008):

FY 2009/2010	170,721	Euros (EUR)	377,698
FY 2010/2011	263,400	US dollars (USD)	78,461
FY 2011/2012	62		
FY 2012/2013	–		
After 2013	21,976		

The € 1.5bn syndicated loan signed on June 14, 2005 comprises three tranches:

a) the tranche of €300m initial amount fell due on June 14, 2007, and was renewed at the amount of €267m for a further 2-year period to guarantee drawdowns against our commercial paper program;

b) €691 m due on June 14, 2011 and €9m on June 14, 2010;

c) €500m due on June 14, 2010 reimbursable in three equal installments starting on June 14, 2008, of which € 165 million was repaid early on September 27, 2007.

The revenue from the disposal of the Marine Segment was, subject to certain conditions, to have been reused by September 27, 2008, but this condi4tion has been extended to September 27, 2009. Any portion of this revenue not reused by that date will be applied to reduce borrowings.

The amount not reused at August 31, 2008 was €345 million.

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 set up in June 2005, must be 3 or less at the end of the 2007/2008, 2008/2009 and 2009/2010 fiscal years. This covenant was complied with at August 31, 2008. Failure to comply with its conditions could result in the obligation to repay the loan early and in full. To date, it has not been renegotiated.

Note 21 - Provisions

(thousands of euros)	Opening balance at Aug. 31, 2007	Translation adjustments	Change in scope	Changes during the year: Charges	Reversals (used provisions)	Reversals (unused provisions)	Other	Balance at Aug. 31, 2008
Medical cover for US pensioners	3,765	(263)	–	280	(438)	–	–	3,344
Lump-sum retirement benefits	22,208	–	50	5,260	(2,971)	–	–	24,547
Other	1,425	–	30	153	(145)	–	–	1,463
Total - non-current	**27,398**	**(263)**	**80**	**5,693**	**(3,554)**	**–**	**–**	**29,354**
Guarantees	24,487	(581)	1,559	4,235	(2,755)	(494)	202	26,653
Litigation and insurance deductibles	3,048	(71)	107	2,636	(974)	(773)	–	3,973
Restructuring and diversification	1,102	(3)	750	773	(936)	–	–	1,686
Taxes	203	–	1,457	22,043	(179)	–	–	23,524
Other (1)	7,387	(165)	1,581	1,686	(2,379)	(1,402)	–	6,708
Total - current	**36,227**	**(820)**	**5,454**	**31,373**	**(7,223)**	**(2,669)**	**202**	**62,544**
TOTAL	**63,625**	**(1,083)**	**5,534**	**37,066**	**(10,777)**	**(2,669)**	**202**	**91,898**

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

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 63. The Group has no obligation to fund these plans.

The present value of the pension obligation, the service cost over the period and past service costs have been calculated by 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	FY 2007/2008	FY 2006/2007
Discount rate	4.44%	4.03%
Expected return on plan assets	None	None
Expected salary increases	2.5% - 3%	2.5% - 3%
Employee turnover rate	30-52 = 3% p.a. >52 = 0% p.a.	30-52 = 3% p.a. >52 = 0% p.a.

The TPRV 93 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) are covered by Group defined-benefit plans.

Under these plans, employees become eligible for retirement benefits when they reach an age ranging from 60 to 65.

The Group has obligations to fund these plans.

The Air Cruisers plan was "frozen" in 2003, with the result that there will be no increase in the pensions relating to this plan.

The present value of the pension, the service cost over the period and past services costs have been calculated by 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	September 24, 2008	New York Life Retirement Plan Services
Avox	July 28, 2008	McCready and Keene, Inc.

The main actuarial assumptions are as follows:

Assumption range	FY 2007/2008	FY 2006/2007
Discount rate	5.85%	6.13%
Expected return on plan assets	8.00%	8.00%

3) Net pension charge recognized in the income statement

The charge recognized in the income statement for the period for pension obligations under defined-benefit plans is analyzed as follows:

(thousands of euros)	Aug. 31, 2008	Aug. 31, 2007
Current service costs	1,783	2,626
Interest expense (accretion)	2,180	2,302
Expected return on plan assets	(1,344)	(1,417)
Amortization of actuarial gains and losses	118	266
Amortization of past service costs	1,982	(225)
Plan settlements	–	(5,688)
Plan curtailments	–	–
Total charge for the year	**4,719**	**(2,136)**

The settlements made under continued plans results from renegotiation of future benefits with employees of the relevant subsidiary.

4) Provisions for pension obligations

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, 2008	Aug. 31, 2007
Actuarial liability arising on funded plans	19,060	20,672
Fair value of funded plans	(16,459)	(19,565)
Deficit (surplus) on funded plans	**2,601**	**1,107**
Actuarial liability arising on unfunded plans	27,967	27,617
Unrecognized actuarial gains and losses	(2,671)	(2,741)
Past service costs to be recognized	(6)	(7)
Cap on contingent assets	–	–
Total provisions	**27,891**	**25,976**

Note 22 - Off-balance sheet commitments and contingent liabilities

Note 22.1 - Off-balance sheet commitments

(thousands of euros)	Aug. 31, 2008	Aug. 31, 2007
Commitments given		
Long-term leases (1)	84,539	63,319
Actuarial gains and losses on employee benefit obligations (2)	1,771	1,857
Other guarantees given (3)	3,999	9,072
Collateral (4)	535,673	535,673
Commitments received through contracts	612	612

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

(2) Net of deferred taxes.

(3) Including a €702k guarantee issued by Zodiac S.A. 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 S.A. in this respect is €10 million.

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

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

Operating lease commitments

(thousands of euros)	Aug. 31, 2008	Aug. 31, 2007
- Within 1 year	20,151	14,664
- 1 to 5 years	49,101	36,210
- Over 5 years	15,287	12,445
Minimum payments	84,539	63,319
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, 2008.

As of that date, only one contingent liability had been identified relating to the outcome of a tax audit of our IN-LHC subsidiary.

Following the audit, which covered 1994, IN-LHC was assessed as owing an additional €1,339k in taxes. The company filed an appeal with the Administrative Court, which, on October 5, 2004 ruled in favor of IN-LHC on all counts and dismissed the Tax Administration's claims.

The Tax Administration then filed an appeal with the Nantes Court of Appeal. That court reversed the Administrative Court's decision and upheld the Tax Administration's position.

After consulting its tax advisers, IN-LHC considered that its position was entirely justified and referred the matter to the Council of State, which upheld the appeal in the 2007/2008 fiscal year. At this stage, the company does not believe that there is any reason to recognize a charge to provisions for any potential liability in this respect.

The amount of disputed tax was demanded by the French Collector of Taxes, paid by IN-LHC and is recognized in the asset side of the balance sheet under "Current tax assets".

Note 23 - Information on related parties

1.1 Relations with subsidiaries and affiliates

In the 2007/2008 fiscal year, the Group billed the following amount to Zodiac Marine Holding and its subsidiaries: €3,901k in respect of service provided and €1,028k in interest charges.

1.2 Transactions with executives and officers

a) Salaries and benefits

(in euros)	Fixed	Variable*	Benefits in kind (company car)	**Total**
Jean-Louis Gerondeau	146,250	225,000	4,620	375,870
Maurice Pinault	240,000	200,000	4,980	444,980
Olivier Zarrouati	280,000	250,000	1,128	531,128
TOTAL	**666,250**	**675,000**	**10,728**	**1,351,978**

*The amount paid by the Company in January 2008.

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, 2007	160,000	75,000	–	60,000	75,000	–
Options exercised in FY 2007/2008	–	–	–	–	–	–
Options outstanding at Aug. 31, 2008	160,000	75,000	80,000	60,000	75,000	60,000
Options outstanding at Aug. 31, 2008 (1)	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
Expiration date	Feb. 12, 2012	Feb. 12, 2012	Dec. 03, 2015	Feb. 12, 2012	Feb. 13, 2015	Dec. 03, 2015

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

1.3 Remuneration paid to Executive Board members

The total remuneration paid to Board members was €2,913k, made up of the fixed portion of €1,541k and variable portion of €1,372k (a detailed breakdown can be found in the appendix specific to senior management remuneration).

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

Executive Committee members were granted 287,776 stock options during the year. These may be exercised in four equal parts in accordance with the attendance criteria on the date of each anniversary (December).

Note 24 - List of consolidated companies at August 31, 2008

Fully-consolidated companies	Country	% ownership
Zodiac S.A.	France	Parent company
Immobilière Galli	France	100.00
Zodiac US Corporation	USA	100.00
Zodiac Services Europe	France	100.00
AeroSafety Systems Segment		
Aérazur	France	100.00
Air Cruisers	USA	100.00
Pioneer	USA	100.00
Amfuel	USA	100.00
Engineered Arresting Systems Corp.	USA	100.00
Icore UK Ltd	UK	100.00
Icore International GmbH	Germany	100.00
Icore International Inc.	USA	100.00
Zodiac Equipments Tunisie SARL	Tunisia	100.00
Zodiac Aerospace UK Ltd	UK	100.00
Parachutes Industries Southern Africa	South Africa	100.00
Cabin Interiors Segment		
Sicma Aero Seat	France	100.00
Someco	France	100.00
Sicma Aero Seat Services	USA	100.00
Weber Aircraft	USA	100.00
Monogram Aerospace Industries	USA	100.00
Monogram Systems GmbH	Germany	100.00
Zodiac Holding Sicma Aeroseat SL	Spain	100.00
Sicma Aero Seat España	Spain	100.00
Sicma Middle East	United Arab Emirates	100.00
Evac GmbH	Germany	100.00
Evac LTDA	Brazil	100.00
Evac AB	Sweden	100.00
C&D Zodiac Inc.	USA	100.00
C&D Aerospace Canada Co	Canada	100.00
Aerodesign de Mexico SA	Mexico	100.00
C&D Brasil Limitada	Brazil	100.00
C&D Europe	France	100.00
Adder SAS	France	100.00
The Richards Corp.	USA	100.00
Driessen Aerospace Group NV	Netherlands	100.00
Driessen Aerospace Netherlands BV	Netherlands	100.00
Driessen Aircraft Holding BV	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 Aircraft Interior Systems Europe BV	Netherlands	100.00
Driessen Global Services BV	Netherlands	100.00
Driessen Aerospace Systems	Netherlands	100.00
Driessen Interior Systems BV	Netherlands	100.00
Driessen Aircraft Interior Systems (America) NV	Netherlands Antilles	100.00

Fully-consolidated companies	Country	% ownership
Driessen Aircraft Interior Systems Inc.	USA	100.00
Driessen Services Inc.	USA	100.00
Driessen Aircraft Interior Systems USA Inc.	USA	100.00
Driessen Aircargo Equipment USA Inc.	USA	100.00
Driessen Aircraft Interior Systems (Thailand) Ltd	Thailand	100.00
Driessen Aircargo Equipment Ltd	Thailand	100.00
E Dyer Engineering Ltd	UK	100.00
DSF Wartung und reparatur von Flugzeugeinrichtingen GmbH	Germany	100.00
Driessen Aerospace CZ SRO	Czech Republic	100.00
Driessen Services Switzerland GmbH	Switzerland	100.00
Driessen Services Singapore Ltd	Singapore	100.00
Driessen Services Brussels BV	Belgium	100.00
Driessen Services Bahrein	Bahrein	51.00
Driessen Aircraft Belgium	Belgium	100.00
Aircraft Systems Segment		
Intertechnique	France	100.00
ECE	France	100.00
ECE GmbH	Germany	100.00
Zodiac Services America LLC	USA	100.00
IDD Aerospace Corp.	USA	100.00
IN-Flex	France	100.00
IN-LHC	France	100.00
Precilec	France	100.00
Avox Eros Services Inc.	USA	100.00
INS Asia	Hong Kong	100.00
IN Services & Al Rumaithy Estab.	United Arab Emirates	49.00
Avox Systems	USA	100.00
Air Actuators Singapore	Singapore	100.00
GAT-IN-ES	France	100.00
Zodiac Aerospace Maroc	Morocco	100.00
Société Aéronautique Marocaine de Décolletage Industriel	Morocco	100.00
Technology Segment		
Zodiac Holding Airbag España SL	Spain	100.00
Zodiac Automotive España SL	Spain	100.00
IN-Snec	France	100.00
Zodiac Data Systems Inc.	USA	100.00
Heim Systems GmbH	Germany	100.00
Zodiac Automotive Division	France	100.00
Zodiac Automotive Tunisie	Tunisia	100.00
Zodiac Automotive UK	UK	100.00
Zodiac Automotive US	USA	100.00
Enertec S.A.	France	100.00
Enertec Holding S.A.	France	100.00
Enertec UK Ltd	UK	100.00

Statutory Auditors' report on the consolidated financial statements

To the Shareholders,

In accordance with the terms of our appointment by the Annual General Meetings, we have audited the accompanying consolidated financial statements of Zodiac for the year ended August 31, 2008.
The consolidated financial statements have been prepared under the responsibility of 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 about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the assets and financial position and results of operations for the entity consisting of the companies included in 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 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 consolidated financial statements to ascertain that they were reasonable and correctly applied, as well as to ascertain the reasonable nature of 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 12, 2008

The Statutory Auditors

Fideuraf
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)	2008	2007	2008	2007	2008	2007	2008	2007
Audit								
Legal audit[1]	2,153	3,035	86.1%	83.2%	138	106	100%	100%
Related engagements	245	495	9.8%	13.6%	–	–	–	–
Other services								
Legal, tax, personnel-related...	103	119	4.1%	3.2%	–	–	–	–
TOTAL	**2,501**	**3,649**	**100%**	**100%**	**138**	**106**	**100%**	**100%**

(1) The legal audit fees paid to the 1st Statutory Auditor in FY 2006/2007 would have been €2,034k at like-for-like consolidation scope and interest rate.

Zodiac S.A. parent company financial statements

(extract)

Condensed balance sheet

Assets

(thousands of euros)	Gross	Depreciation, amortization and impairment	Net at Aug. 31, 2008	Net at Aug. 31, 2007	Net at Aug. 31, 2006
Intangible assets	7,763	5,674	2,089	2,910	4,078
Property, plant and equipment	14,397	7,277	7,120	7,483	8,026
Long-term investments	1,509,595	87,327	1,422,268	1,350,490	1,354,819
Total non-current assets	**1,531,755**	**100,278**	**1,431,477**	**1,360,883**	**1,366,923**
Operating receivables	3,407	–	3,407	12,464	4,015
Other receivables					
Other debtors and loans to subsidiaries	316,401	–	316,401	471,208	544,041
Cash and cash equivalents	10,383	–	10,383	4,547	6,180
Prepaid expenses	2,358	–	2,358	2,941	1,863
Total current assets	**332,549**	**–**	**332,549**	**491,160**	**556,099**
TOTAL ASSETS	**1,864,304**	**100,278**	**1,764,026**	**1,852,043**	**1,923,022**

Equity and liabilities

(thousands of euros)	Net at Aug. 31, 2008	Net at Aug. 31, 2007	Net at Aug. 31, 2006
Capital stock	11,134	11,117	11,052
Share premiums	117,959	227,174	220,407
Revaluation adjustments	252	252	252
Legal reserve	1,111	1,105	1,095
Reserve for long-term capital gains	–	–	–
Other reserves	23,838	23,838	23,837
Retained earnings	15,081	38,858	24,231
Net income for the year	565,064	31,758	62,162
Regulated provisions	216	246	882
Total equity	**734,655**	**334,348**	**343,918**
Provisions contingencies and losses	**22,788**	**830**	**731**
Financial debt	975,065	1,506,676	1,560,308
Operating liabilities	28,506	10,009	17,885
Other liabilities	3,012	180	180
Total liabilities	**1,006,583**	**1,516,865**	**1,578,373**
TOTAL EQUITY AND LIABILITIES	**1,764,026**	**1,852,043**	**1,923,022**

Income statement

(thousands of euros)	Year ended Aug. 31, 2008	Year ended Aug. 31, 2007	Year ended Aug. 31, 2006
Revenue from operations			
Sales revenue	26,852	29,118	27,735
Other revenues	141	38	243
	26,993	**29,156**	**27,978**
Operating expenses			
Raw materials, supplies used in production and other outside expenses	20,559	18,393	14,973
Taxes other than income taxes	828	1,072	869
Personnel expenses	12,702	11,286	10,838
Depreciation and amortization	2,516	2,805	2,735
	36,605	**33,556**	**29,415**
Operating income	**(9,612)**	**(4,400)**	**(1,437)**
Financial income			
Income from equity investments	69,927	57,410	86,798
Other interest and similar income	15,948	33,219	30,399
Currency gains	396	365	148
Amounts reversed from provisions	3,602	2	2
	89,873	**90,996**	**117,347**
Interest and similar expenses			
Interest charges	39,003	74,865	60,212
Currency losses	41	283	1,091
Allocations and other financial charges	90,388	37	3,835
	129,432	**75,185**	**65,138**
Net financial income	**(39,559)**	**15,811**	**52,209**
Income before tax and exceptional items	**(49,171)**	**11,411**	**50,772**
Exceptional income			
Management operations	64	54	2
Capital transactions	819,990	9,409	42,876
Amounts reversed from provisions	185	763	65
	820,239	**10,226**	**42,943**
Exceptional charges			
Management operations	9	–	33
Capital transactions	173,029	6,674	42,861
Depreciation and amortization and provisions	156	127	563
	173,194	**6,801**	**43,457**
Net exceptional profit/(loss)	**647,045**	**3,425**	**(514)**
Income tax	**32,810**	**(16,922)**	**(11,905)**
TOTAL INCOME	**937,105**	**130,378**	**188,267**
TOTAL EXPENSES	**372,041**	**98,620**	**126,105**
NET INCOME FOR THE YEAR	**565,064**	**31,758**	**62,162**

Resolutions

to be submitted to Shareholders at the Combined General Meeting of January 12, 2009 convened to vote on the financial statements for fiscal year 2007/2008

ORDINARY BUSINESS

First resolution

Approval of the annual financial statements of Zodiac S.A. for the fiscal year ended August 31, 2008.

Having familiarized themselves with the financial statements of Zodiac S.A. (the "Company") for the fiscal year ended August 31, 2008, 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, 2008, 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 €565,063,903.

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 annual 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, unqualified discharge for their management during the past fiscal year.

Second resolution

Approval of the consolidated financial statements of the Zodiac Group for the fiscal year ended August 31, 2008.

Having familiarized themselves with the financial statements of the Company for the fiscal year ended August 31, 2008, 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, 2008, and voting in accordance with the quorum and majority requirements for transacting ordinary business, the Shareholders approve the consolidated financial statements for that fiscal year as presented, reflecting net income (Group share) of €511,346k.

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

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

Third resolution

Allocation of earnings – Setting 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, 2008 reflects distributable earnings of €565,063,903, and agree to the proposal tabled by the Executive Board to allocate these earnings as follows:

Distributable earnings for the period	€565,063,903
Appropriation of 5% to the legal reserve	(€1,693)
Retained earnings available for distribution	€15,080,846
Distributable earnings	**€580,143,056**
Distribution of a dividend of €1 for each of the 55,667,704 shares (*)	(€55,667,704)
Appropriation of the balance to Retained Earnings (*)	€524,475,352

(*) This amount relates to all those shares issued by the Company at August 31, 2008; 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 the each of the 55,667,704 €0.20 ordinary shares making up the total capital stock of the Company at August 31, 2008. The total dividend payable is therefore €55,667,704, 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.

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.

The Shareholders grant the Executive Board all powers required to determine the methods to be used for payment of this dividend, and to set the date of such payment, given the proviso that this may be no later than January 19, 2009.

This dividend distribution will be made in cash to all those holding one or more shares in the Company on the day of payment.

The Company paid the following dividends to its shareholders for the past three fiscal years:

		Fiscal year ended August 31, 2007	Fiscal year ended August 31, 2006	Fiscal year ended August 31, 2005
Total number of shares[1]		55,529,604	55,260,445	54,726,642
Dividend distributed per share	Ordinary dividend:	€1	€0.86	€0.75
	Extraordinary dividend:	€2		
Total amount of distribution [2]	Ordinary dividend:	€55,529,604	€47,523,982.70	€41,044,981.50
	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 dividends paid in respect of fiscal years 2005 and 2006 attract 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 (with effect from the 2006 tax year) a 40% allowance to accommodate the inclusion of the 20% allowance applicable to certain types of income as part of the progressive personal income tax rate schedule. 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 required for transacting ordinary business, the Shareholders hereby approve the agreements and commitments listed in the said reports and, where applicable, duly note that certain such agreements approved in prior years remained in effect during the 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 implementing Directive 2003/6/EC of January 28, 2003, to buy the Company's own shares for the following purposes:

(i) to allot them or to sell them (I) under the provisions of Articles L.225-179 et seq. 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 et seq. 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 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 acquisitions, 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 in general to carry out 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 and at any time, including during the period of public offerings, 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.

Furthermore, the Shareholders resolve that in the event of a public offering for the Company's shares to be paid for entirely in cash, the Company may continue to carry out its share buyback program, subject to the conditions set out in Article 232-17 of the General Regulations of the *Autorité des Marchés Financiers*.

The maximum amount of funds that may be allocated to the share buyback program is two hundred million euros (€200,000,000).

The Shareholders grant the Executive Board all powers, including the power of delegation, to carry out these transactions and in particular to place 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 6th resolution adopted at the Combined General Meeting of January 8, 2008.

Sixth resolution

Supervisory Board reappointment.

The Shareholders, voting in accordance with the quorum and majority requirements for transacting ordinary business, renew the appointment of M. Edmond Marchegay as Supervisory Board Member for a term of one year expiring at the end of the Annual General Meeting convened to approve the financial statements for the fiscal year ending August 31, 2009.

Seventh resolution

Supervisory Board reappointment.

The Shareholders, voting in accordance with the quorum and majority requirements for transacting ordinary business, renew the appointment of M. Robert Maréchal as Supervisory Board Member for a term of three 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

Supervisory Board reappointment.

The Shareholders, voting in accordance with the quorum and majority requirements for transacting ordinary business, renew the appointment of M. Marc Schelcher 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, 2010.

Ninth resolution

Supervisory Board reappointment.

The Shareholders, voting in accordance with the quorum and majority requirements for transacting ordinary business, renew the appointment of La Financière du Cèdre as Supervisory Board Member for a term of six years expiring at the end of the Annual General Meeting convened to approve the financial statements for the fiscal year ending August 31, 2014.

EXTRAORDINARY BUSINESS

Tenth resolution

Change of Company name.

Having familiarized themselves with the reports of Executive Board and Supervisory Board, the Shareholders, voting in accordance with the quorum and majority requirements for transacting extraordinary business, resolve to change the name of the Company to Zodiac Aerospace with effect from this day forward.

Consequently, the Shareholders resolve to change Article 2 (Company name) of the Company's Articles of Association to read as follows:

"ARTICLE 2 – COMPANY NAME

The name of the Company is ZODIAC AEROSPACE."

Eleventh resolution

Authorization of the Executive Board to reduce the capital stock by cancelling 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 9th resolution put to the Combined General Meeting held on January 8, 2008.

Twelfth resolution

Delegation of the Executive Board to increase the capital stock by a face value of €5 million (€5,000,000) by issuing, with preferential subscription rights, ordinary shares and/or other negotiable securities conveying entitlement to equity.

Having familiarized themselves with the reports of the Executive Board, the Supervisory Board and the Statutory Auditors, in accordance with the provisions contained in Articles L.225-129, L.225-129-2 and L.228-92 of the French Commercial Code and voting in accordance with the quorum and majority requirements for transacting extraordinary business, the Shareholders hereby:

1. delegate the Executive Board, which shall in turn have the authority to delegate powers to any legally empowered person, to determine, in whatever proportions, at whatever times and under whatever conditions it sees fit, one or more capital increases by issuing, with preferential subscription rights for existing shareholders, shares in the Company or negotiable securities – including independent share subscription warrants – giving immediate or eventual access to a proportion of Company equity, such subscription being made either in cash or by way of set-off against debt. This delegation, expressly excludes authorization to issue preference shares;

2. resolve that the amount of any capital increase(s) made immediately and/or at a future time as a result of this delegation may not exceed a face value of €5 million (€5,000,000), subject to the clarification that (a) this overall upper limit of capital increase applies equally to the 12th, 14th and 15th resolutions of this Meeting and that the total face value amount of capital increases made as a result of these resolutions will count towards this overall upper limit, and (b) that the upper limit referred to above will be supplemented, as required, by the nominal amount of shares which may be issued as part of new financial transactions required to ensure compliance with the legal rights of the bearers of negotiable securities conveying entitlement to equity;

3. resolve that the negotiable securities granting eligibility to ordinary shares in the Company issued in accordance with this resolution many specifically consist of debt securities or be associated with the issue of such securities. More specifically, they may take the form of fixed-term or perpetual subordinated bonds or other securities, and may be issued in euros, foreign currencies or any monetary unit indexed against a basket of currencies.

The face value of all debt securities conveying entitlement to equity issued in accordance with this resolution may not exceed €150 million (€150,000,000) or the equivalent value, calculated on the date on which the issue decision is taken, in any other currency or accounting unit indexed against a basket of currencies, on the understanding that this amount applies to all debt securities whose issue is delegated to the Executive Board by this Meeting under the terms of its 12th and 14th resolutions.

Bonds conveying a right to purchase ordinary shares in the Company may be subject to a fixed and/or variable rate or even be accompanied by capitalization, and be subject to repayment, with or without premium, or impairment. Furthermore, shares may be subject to buyback in the market, or an offer of purchase or exchange by the Company.

4. resolve that where this delegation is used by the Executive Board:

(a) the Shareholders have an irrevocable right to subscribe for ordinary shares and negotiable securities issued under the conditions of this resolution in direct proportion to their existing shareholding;

(b) the Executive Board will also be entitled to grant shareholders an irrevocable subscription right which can be exercised in proportion to their rights and up to the limit of their demand;

(c) where the exercise of irrevocable and, where applicable, revocable subscription rights does not account for the full amount of the issue, the Executive Board may, subject to the conditions prescribed by law and in whichever order it sees fit, exercise one or more of the options set out in Article L.225-134 of the French Commercial Code, and more specifically, a full or partial public offering public of unsubscribed shares and/or negotiable securities;

5. give their formal agreement that where this delegation of competency is used, the decision to issue negotiable securities conveying entitlement to equity will, in respect of the holders of shares thus issued, imply the express renunciation of shareholders to their preferential right to subscribe to those equity shares to which these negotiable securities would grant entitlement;

6. give their formal agreement that this delegation of competency grants the Executive Board full powers to implement this delegation in accordance with those conditions set by French law, and more specifically to:

- determine the amount of issue, the issue price and the amount of any premium that may be applied to the issue;
- determine the dates and conditions of issue, and the nature, form and characteristics of the securities to be created;
- determine the method of payment applying to the shares and/or securities issued would be issued;
- set, where appropriate, the methods to be used when exercising the rights attached to those securities issued or to be issued and, more specifically, to set the date, which may be retrospective, from which the new shares confer entitlement to receive dividends, and all other conditions and methods applying to the issue;
- exercise the option to suspend the exercise of the rights attaching to these securities for a maximum period of three months;
- exercise its own initiative to allocate the costs relating to capital stock increases to the amount of any related issue premiums and to deduct from this amount those sums necessary to ensure that the legal reserve is equivalent to one tenth of the new capital amount following each increase;
- enter into any agreement, record the completion of the capital increase, amend the Articles of Association accordingly and, more generally, to complete all necessary formalities and make all declarations required to ensure the successful completion of issues;

7. this delegation applies for a period of twenty-six (26) months from the current date;

8. this delegation supersedes any remaining delegation of authority granted previously for the same purpose, and more specifically the delegation granted by the 10th resolution adopted by Shareholders on December 18, 2006.

Thirteenth resolution

Delegation of the Executive Board to increase the capital stock by means of incorporating retained earnings, reserves or premiums.

Having familiarized themselves with the reports of the Executive Board, the Supervisory Board and the Statutory Auditors, in accordance with the provisions contained in Articles L.225-129, L.225-129-2 and L.225-130 of the French Commercial Code and voting in accordance with the quorum and majority requirements for transacting extraordinary business, the Shareholders hereby:

1. delegate the Executive Board, which shall in turn have the authority to delegate powers to any legally empowered person, to determine, in whatever proportions, at whatever times and under whatever conditions it sees fit, one or more capital increases by means of incorporating premiums, reserves, retained earnings or any other sums eligible for capitalization by law or under the Articles of Association, in the form of an allocation of free shares, increasing the face value of existing shares or a combination of both;

2. resolve that the amount of any capital increase(s) made as a result of this delegation may not exceed the total amount of sums eligible for capitalization on the date of incorporation, subject to the clarification that (a) this upper limit will be supplemented, as required, by the additional amount of ordinary shares issued by the Company to protect the legal rights of holders of negotiable securities granting eligibility to ordinary shares in the Company, (b) the sums contained in the legal reserve account may not be incorporated and (c) the amount of any capital increases made as a result of this delegation will be added to the upper limit set in paragraph 2 of the 12th resolution above;

3. resolve that where this delegation is used by the Executive Board in accordance with the provisions of Article L.225-130 of the French Commercial Code, the rights to fractions of shares will not be negotiable or saleable and the corresponding equity shares will be sold, the proceeds of sale being allocated to rights holders within the period prescribed by the applicable regulations;

4. give their formal agreement that this delegation of competency grants the Executive Board full powers to execute the delegation in accordance with those conditions set by French law, and more specifically to (i) determine the amount and type of reserves, premiums or retained earnings to be incorporated into the capital, determined the number of shares to be issued and/or the amount by which the face value of existing shares will be increased, set the date, which may be retrospective, from which the new shares confer entitlement to receive dividends or the increase in face value will become effective, and more generally, (ii) put in place all measures and complete all formalities required for the successful completion of every capital increase, record the completion of the capital increase and amend the Articles of Association accordingly;

5. set the validity period of this delegation at twenty-six months;

6. give their formal agreement that this delegation supersedes any remaining delegation of authority granted previously for the same purpose, and more specifically the delegation granted by the 10th resolution adopted by Shareholders on December 18, 2006.

Fourteenth resolution

Delegation of the Executive Board to increase the capital stock by a face value of €5 million (€5,000,000) by issuing, without preferential subscription rights, ordinary shares and/or other negotiable securities conveying entitlement to equity.

Having familiarized themselves with the reports of the Executive Board, the Supervisory Board and the Statutory Auditors, in accordance with the provisions contained in Articles L.225-129-2, L.225-135, L.225-136 and L.228-92 of the French Commercial Code and voting in accordance with the quorum and majority requirements for transacting extraordinary business, the Shareholders hereby:

1. delegate the Executive Board, which shall in turn have the authority to delegate powers to any legally empowered person, to determine, in whatever proportions, at whatever times and under whatever conditions it sees fit, one or more capital increases by issuing, without preferential subscription rights for existing shareholders, shares in the Company or negotiable securities – including independent share subscription warrants – giving immediate or eventual access to a proportion of Company equity, such subscription being made either in cash or by way of set-off against debt;

2. resolve that the amount of any capital increase(s) made immediately and/or at a future time as a result of this delegation may not exceed a face value of €5 million (€5,000,000), subject to the clarification that (a) this overall upper limit of capital increase applies equally to the 12th, 14th and 15th resolutions and (b) that the upper limit referred to above will be supplemented, as required, by the nominal amount of shares which may be issued as part of new financial transactions required to ensure compliance with the legal rights of the bearers of negotiable securities conveying entitlement to equity;

3. resolve that the negotiable securities granting eligibility to ordinary shares in the Company issued in accordance with this resolution many specifically consist of debt securities or be associated with the issue of such securities. More specifically, they may take the form of fixed-term or perpetual subordinated bonds or other securities, and may be issued in euros, foreign currencies or any monetary unit indexed against a basket of currencies.

The face value of all debt securities conveying entitlement to equity issued in accordance with this resolution may not exceed €150 million (€150,000,000) or the equivalent value, calculated on the date on which the issue decision is taken, in any other currency or accounting unit indexed against a basket of currencies, on the understanding that this amount applies to all debt securities whose issue is delegated to the Executive Board by this Meeting under the terms of its 12th and 14th resolutions.

Bonds conveying a right to purchase ordinary shares in the Company may be subject to a fixed and/or variable rate or even be accompanied by capitalization, and be subject to repayment, with or without premium, or impairment. Furthermore, shares may be subject to buyback in the market, or an offer of purchase or exchange by the Company.

4. revoke the preferential right of subscription of shareholders to securities issued as a result of this delegation and, in respect of issues in the French market made in accordance with the provisions of Article L.225-135 of the French Commercial Code,

empower the Executive Board to grant shareholders an irrevocable and/or revocable priority right to subscribe for shares or negotiable securities for which it will determine the methods and conditions of exercise, without the creation of negotiable rights. Any securities granted by these rights and remaining unsubscribed will be the subject of a public offering;

5. give their formal agreement that where this delegation of competency is used, the decision to issue negotiable securities conveying entitlement to equity will, in respect of the holders of the negotiable securities conveying eventual entitlement to Company shares thus issued, imply the express renunciation of shareholders to their preferential right to subscribe to those equity shares to which these negotiable securities would grant entitlement;

6. resolve that issue price of negotiable securities issued as a result of this delegation will be at least equivalent to the average weighted market price achieved in the three market trading sessions immediately prior to the setting of that price, and subject, where appropriate, to a maximum reduction of 5% in accordance with the provisions of Article R. 225-119 of the French Commercial Code;

7. give their formal agreement that this delegation of competency grants the Executive Board full powers to implement this delegation, and more specifically to:

- enter into any agreement for this purpose, especially with the aim of ensuring the successful completion of issues, and to make one or more such issues – as well as postponing issues where necessary;
- and more generally to put in place all measures and complete all formalities required for the successful completion of every capital increase, record the completion of the capital increase and amend the Articles of Association accordingly;

8. this delegation applies for a period of twenty-six (26) months from the current date;

9. this delegation supersedes any remaining delegation of authority granted previously for the same purpose, and more specifically the delegation granted by the 11th resolution adopted by Shareholders on December 18, 2006.

Fifteenth resolution

Authorization of the Executive Board to increase the capital stock by issuing shares reserved for the members of a company savings scheme operated under the provisions of Articles L.3332-1 and subsequent of the French Labor Code.

Having familiarized themselves with the Executive Board report and the Statutory Auditors' special report, and in accordance with the provisions of the French Commercial Code and, more specifically its Articles L.225-129-6 and L.225-138-1, and Articles L.3332-1 and subsequent of the French Labor Code, the Shareholders hereby:

1. resolve that where a capital increase by means of direct issue of shares for subscription in cash is decided upon by the Executive Board under one of the delegations of competency granted under the 12th and 14th resolutions, the Executive Board should be granted the powers required to increase the capital stock on one or more occasions at its own initiative by issuing shares reserved for members of a company savings scheme;

2. resolve that the beneficiaries of the capital increases granted will, directly or via a company mutual fund, be members of a company savings scheme set up by the Company and its associates and be bound by the conditions set out in the relevant current regulations and comply with any further conditions set by the Executive Board;

3. resolve that this delegation implies express relinquishment by the Shareholders of their preferential subscription right in favor of the said beneficiaries;

4. further delegate to the Executive Board, subject to the conditions set out in Article L.3332-21 of the French Labor Code, all powers necessary to allocate free share or other securities conveying entitlement to equity to these same beneficiaries, subject to the resulting benefit not exceeding the legal limits applying to the method of attribution;

5. set the duration of this delegation at twenty-six (26) months from the date of this General Meeting;

6. resolve to set €300,000 as the maximum face value of shares available for free issue and attribution;

7. resolve that the price of the shares to be issued under the terms set out in paragraph 1 of this delegation will be set by the Executive Board on the day(s) on which the said capital increase(s) are made, and that this price may not be lower than the minimum price allowed by the legal provisions and regulations applying at the time of issue;

8. resolve that the Executive Board will, within the limits and subject to the conditions set out above and those fixed by current legal provisions and regulations, have all powers to put in place whatever measures may be required to implement these capital increases and determine their conditions and practicalities, and more particularly any length of service conditions governing eligibility for the transaction and, where appropriate, the maximum number of shares that may be subscribed by each employee, the number of new shares to be issued within the legal limitations and the issue price of new shares, as well as to make any corresponding changes to the Articles of Association, allocate all expenses to the amount of share issue premiums paid and deduct from this amount those sums necessary to ensure that the legal reserve is equivalent to one tenth of the new capital amount following each increase and, more generally, to take all necessary action to ensure the successful completion of the capital increase.

Sixteenth resolution

Powers required 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 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.

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