2012 2013 ANNUAL REPORT

Mastering The Elements

ZODIAC AEROSPACE

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CONSOLIDATED KEY FIGURES

	2012/2013	2011/2012	Change 12/13-11/12
Reported figures:			
Sales revenue	**€3,891.6m**	**€3,440.6m**	**13.1%**
Number of Group employees (1)	25,208	23,080	9.2%
Current operating income	€564.3m	€486.4m	16.0%
Net income attributable to equity holders of the parent company	**€370.9m**	**€318.9m**	**16.3%**
Earnings per share attributable to equity holders of the parent company	€6.81	€5.89	15.6%
Proposed dividends (2)	€87.4m	€76.1m	14.8%
Debt/Equity (3)	0.39	0.42	(7.1%)
Figures restated after excluding IFRS 3 impact:			
Current operating income (4)	€564.9m	€487.6m	15.8%
Net income attributable to equity holders of the parent company (4)	€388.5m	€332.8m	16.7%
Earnings per share attributable to equity holders of the parent company	€7.13	€6.15	15.9%

(1) Average number of permanent paid employees during the fiscal year. Excludes 1,265 employees in Tunisia who cannot be classified as permanent staff because of the legal nature of their local employment contract.

(2) After neutralization of treasury stock.

(3) Calculation based on total equity.

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

A reconciliation of current operating income and net income before and after IFRS 3 is included in Appendix O.

OTHER FINANCIAL INDICATORS

	2012/2013	2011/2012	Change 12/13-11/12
Profitability			
Reported figures:			
Current operating income/sales revenue	14.5%	14.1%	2.8%
Net income attributable to equity holders of the parent company/net equity at the beginning of the year (5)	19.5%	18.4%	6.0%
Figures restated after excluding IFRS 3 impact:			
Current operating income/sales revenue	14.5%	14.2%	2.1%
Financial position			
Reported figures:			
Cash flow from operations	€509.5m	€427.5m	19.2%
Tangible and intangible fixed assets	€169.1m	€154.3m	9.6%
Net equity after appropriation of net income (6)	€2,188.2m	€1,980.7m	10.5%
Cost of net debt	€25.7m	€30.7m	(16.3%)

(5) Net equity at the beginning of the year used for the calculation is equal to the net equity at the end of the year, attributable to equity holders of the parent company, excluding net income for the fiscal year, i.e., €1,904.2 million.

(6) Net equity after appropriation of net income is equal to total net equity less proposed dividends, i.e., €2,275.6 million less €87.4 million.

MANAGEMENT REPORT

Fiscal year 2012/2013 was an excellent year for Zodiac Aerospace, which benefitted from an increase in air traffic, the ramp-up of new programs and gains in its market share. Double-digit growth in business and operating income demonstrated yet again the effectiveness of our strategy to combine internal and external growth.

NEW GROWTH IN SALES REVENUE AND CURRENT OPERATING INCOME

Zodiac Aerospace sales revenue increased by 13.1% to €3,891.6 million, according to data reported for the 2012/2013 fiscal year. Excluding the consolidation scope and exchange rate effect, growth was 7.3%.

Changes in the consolidation scope are related to the consolidation of Contour (Zodiac Seats UK – Seats Segment) in the first half (consolidated as of February 29, 2012), IMS Company (Aircraft Systems Segment) over eight months, Innovative Power Solutions (IPS, Aircraft Systems Segment) and Northwest Aerospace Technologies (NAT, Cabin & Structures Segment) over six months. These changes had a positive impact of 5.3 points on annual sales revenue growth.

The exchange rate effect primarily related to euro/dollar parity and contributed 0.5 point to the Group's growth in 2012/2013.

Current operating income rose 16% during the 2012/2013 fiscal year to €564.3 million. The impact of IFRS 3 reduced COI by €0.6 million. Excluding this impact, COI increased by 15.8% to €564.9 million. The growth in COI before IFRS 3 breaks down as €50.6 million from organic growth, €21.1 million from acquisitions, and €5.5 million from exchange rates (comprising a loss of €1.1 million in currency translation impact and a gain of €6.6 million in transaction impact [1].

GROWTH IN ALL SEGMENTS

Since September 1, 2012, the Group has been organized into five business segments, three of which operate in the Aircraft Interiors sector. The Aircraft Systems Segment comprises complex on-board systems in areas such as electricity, oxygen, fuel, hydraulics, and on-board computers. In addition to its traditional activities, this segment also integrates water and waste management (Zodiac Water & Waste Systems) as well as in-flight entertainment, and activities of telemetry and in flight data recording (Zodiac Data Systems). The AeroSafety Segment covers activities related to flight or ground safety. These include evacuation systems, wiring protection systems, arresting systems, parachutes and protection, and elastomer systems. Lastly, the three segments operating in the Aircraft Interiors sector are Seats (passenger seats and crew seats), Galleys & Equipment and Cabin & Structures (cabin interiors and composite cabin structures).

Under this new organization, sales revenue and current operating income performance is as follows:

- The **Aircraft Systems Segment (28.3% of sales revenue)** posted revenue growth of 13.1% to €1,101.9 million, or 5.7% growth at like-for-like consolidation scope and exchange rates. The consolidation of IMS, which specializes in "passenger-centric" in-flight entertainment systems (IFE), over eight months and IPS over six months of the year contributed 6.8 points to the segment's growth in the fiscal year. The Electrical Systems and Controls activities both posted excellent annual growth.

  Current operating income for Aircraft Systems before IFRS 3 rose by 13.2% to €155.1 million based on reported figures, and by 0.5% at like-for-like consolidation scope and exchange rates. The operating margin was stable compared with 2011/2012 at 14.1%. Changes in consolidation scope (IMS and IPS) contributed 7.5 points to annual COI growth, while the foreign exchange impact, primarily from transactions, contributed 5.2 points.

- Sales revenue for the **AeroSafety Segment (14.5% of sales revenue)** was up 8.9% to €564 million in 2012/2013. Excluding the exchange rate impact, this sales revenue was up 8.1% at constant exchange rates. In particular, the Evacuation Systems and Elastomer activities enjoyed strong growth over the period.

  The segment's current operating income before IFRS 3 was up 31.1% to €98.4 million. The impact of exchange rates was limited to 0.1 percentage point of growth. The segment's operating margin rose significantly to stand at 17.4% versus 14.5% in 2011/2012. This was due to brisk business in the Emergency Evacuation, Interconnect Systems and Arresting Systems divisions, and an improved performance by the Elastomer and Parachute & Protection divisions.

Sales revenue for the **Aircraft Interiors activities**, which include the Seats, Cabin & Structures and Galleys & Equipment segments, saw overall growth of 14.2% to €2,225.7 million. At like-for-like consolidation scope and exchange rates, growth for these activities were 7.8%. Changes in consolidation scope contributed 6.1 points, primarily related to the Seats Segment (Contour/Zodiac Seats UK), and to a lesser degree, the Cabin and Structures Segment (NAT).

- Sales revenue for the **Seats Segment (27.3% of sales revenue)** saw strong growth of 18.8% in reported data, standing at €1,062.1 million. Additions to the consolidation scope (Contour/ Zodiac Seats UK) made a positive contribution of 10.6 points to the segment's sales revenue for the period. At constant consolidation scope and exchange rates, the Seats Segment was up 8.2% in 2012/2013.

- The **Galleys & Equipment Segment (12.5% of sales revenue)** saw its sales revenue increase by 16.2% to €485.6 million. At constant exchange rates, this represented growth of 16.0%, again driven by the growth in galley equipment business.

- The **Cabin & Structures Segment (17.4% of sales revenue)** posted an increase of 6.5% in reported data to €678.0 million and +2.0% at constant exchange rates. The consolidation of Northwest Aerospace Technologies (NAT) had a positive impact of 3.8 points on the segment's growth over the course of the year.

(1) The translation difference is the result of the difference in exchange rates between fiscal years 2011/2012 and 2012/2013 applied to the income of subsidiaries that report in currencies other than the euro. The transaction impact is the result of exchange rates used to book sale and purchase transactions in a currency other than the currency of the entity concerned.

Current operating income of Aircraft Interiors activities before IFRS 3 was up 13.5% to €327.3 million, representing a margin of 14.7% versus 14.8% in 2011/2012. The consolidation of companies acquired during the fiscal year contributed 3.8 percentage points to this income. In organic growth, operating income was up 10.4%. Business for Cabin & Structures was impacted during the year by a drop in deliveries for regional aircraft programs and by a reduction in retrofitting business (cabin refurbishment) compared with the high volume in 2011/2012. During the second half of the year, the Seats Segment caught up with most of the delays reported in the first half of the year in its UK subsidiary.

■ 16.7% GROWTH IN NET INCOME BEFORE IFRS 3

Non-current operating income for the 2012/2013 fiscal year stood at €23.2 million, versus €11.5 million in 2011/2012. The main change was an increase in the amortization of intangible assets, which rose from €15.7 million in 2011/2012 to €21.1 million in 2012/2013 due to application of IFRS 3.

After recognition of these items, operating income stood at €541.1 million versus €475.0 million the previous year, up 13.9%.

Despite a slight increase in average net debt due to acquisitions, net financial income fell from €33.2 million to €28 million thanks to a drop in the average interest rate of our financing, which was 2.33% for the 2012/2013 fiscal year compared with 2.80% in 2011/2012.

The tax liability amounted to €141.6 million for the year, compared with €134.4 million in 2011/2012. An apparent tax rate of 27.6% versus 30.2% in 2012 was due to a number of factors. After an adjustment for increased taxation in France (a tax liability of €3.3 million for dividends and the partial non-deductibility of interest) and exclusion of positive items (€9 million in additional tax credits; €1.7 million for a state tax adjustment in the United States; and a €5.4 million adjustment at Sell, largely comprising the recognition of deferred taxes), income tax came to €154.4 million or a rate of 30.1%, comparable to that of 2011/2012.

The negative contribution of €0.7 million from equity affiliates corresponds to the consolidation of EZ Air, a company jointly owned (50/50) by Zodiac Aerospace and Embraer, the goal being to make EZ Air the key aircraft interiors supplier to Embraer.

In total, net income from continuing operations was up 20.6% to €370.7 million in 2012/2013, versus €307.4 million in 2011/2012. Net income for the fiscal year amounted to €370.7 million compared with €318.3 million in 2011/2012, which included €10.9 million from businesses being sold (sale of the Issy-les-Moulineaux building and the Driessen Services repair business during the first half of 2011/2012).

Net income attributable to equity holders of the parent company was up 16.3% to €370.9 million.

The figure for net earnings per share was €6.81 compared with €5.89 in 2011/2012, reflecting an increase of 15.6%.

Before applying IFRS 3, net income amounted to €388.5 million versus €332.8 million, up 16.7%.

■ DEBT UNDER CONTROL

At the end of the 2012/2013 fiscal year, the Group's net debt stood at €843.8 million, up from €831.5 million at the end of fiscal 2011/2012, and €1,063.4 million at the end of the first half of 2012/2013.

The net debt-to-equity ratio (gearing, or debt divided by equity) thus stood at 38.5%, versus 42% at the close of the 2011/2012 fiscal year, and 52% at the end of the first half of 2012/2013.

The net debt-to-EBITDA ratio (according to the definition stated in the "Club Deal" loan contract) at the end of August 2013 was 1.26, compared with 1.45 at the end of the same month in 2012. This ratio remains well below the "Club Deal" covenant, which sets a maximum ratio of 3 as from August 31, 2013.

In addition to the €1.3 billion "Club Deal" currently in place, in fiscal 2012/2013 Zodiac Aerospace finalized a €660 million financing line with maturity tranches at 3, 5 and 7 years for an average maturity of 5 years. The total amount can be broken down into a €535 million "Schuldschein" placement (a private placement under German law) and €125 million through a private placement in France. This new financing will allow Zodiac Aerospace to continue its internal and external growth development strategy, diversify the nature of its financing, and strengthen its financial structure while extending the maturity of its debt.

Acquisitions made during the fiscal year represent a total investment of €160 million compared with €405 million in 2011/2012. The Group acquired five companies during the period: IMS (Aircraft Systems Segment, consolidated at January 1, 2013), IPS (Aircraft Systems Segment, consolidated at February 28, 2013), NAT (Cabin & Structures Segment, consolidated at February 28, 2013), ThreeSixty Aerospace (Seats Segment, consolidated at August 31, 2013), and ACC La Jonchère (which became Zodiac Aero Duct Systems, Aircraft Systems Segment, consolidated at August 31, 2013).

Cash flow from operations amounted to €509.5 million versus €427.6 million, an increase of 19.2%.

The working capital requirement (WCR)/revenue ratio(1) was up slightly at 31.7% compared with 29.4% at end-August 2012, largely due to a shorter payment period for certain suppliers. The Group continues to monitor this ratio closely in the conduct of its operations and in a context characterized by sustained sales revenue growth.

Intangible investments rose to €73.9 million in 2012/2013 versus €71.6 million in 2011/2012. Tangible investments during the fiscal year totaled €95.2 million, as opposed to €82.6 million the previous year.

Most of the intangible investments correspond to the capitalization of development costs of programs in progress, such as the Airbus A350 XWB, pursuant to IAS 38 (€62.8 million in 2012/2013 versus €62 million in 2011/2012).

(1) This ratio is calculated on the basis of customers, suppliers and inventories excluding reciprocal intragroup operations divided by the Group's sales revenue at the year-end rate.

■ A BUOYANT MARKET

Aircraft industry remains buoyant

With most of its business aimed at the civil aviation industry, Zodiac Aerospace continues to benefit from a buoyant business environment. Air traffic, the sector's prime indicator, continues to grow at an average annual rate close to 5%. While aircraft deliveries are up, production rates have yet to accelerate in line with average demand in the over-100-seater commercial aircraft segment, resulting in very long order books at the two principal aircraft manufacturers, Airbus and Boeing.

On the other hand, the market for regional aircraft is seeing shorter backlogs and is therefore suffering from a certain amount of pressure on production rates while new aircraft are under development.

Development of major programs

Zodiac Aerospace is a key supplier to all the main commercial, regional and business aircraft programs. Its selection for these programs as an "SFE" (Supplier Furnished Equipment) gives it a high profile, since such selection ensures that it will supply equipment throughout the life of the program.

The new programs will provide a sound basis for the Group's growth in the coming years. The Boeing 787 program is currently being ramped up. The Airbus A350 XWB is undergoing flight tests, as is the CSeries, Bombardier's new regional aircraft. During the year, Zodiac Aerospace was also selected for Embraer's new regional aircraft.

Zodiac Aerospace strengthens its market position

In addition to the Group's selections in the "SFE" sector, Zodiac Aerospace has also had considerable success in the "BFE" (Buyer Furnished Equipment) sector, i.e., equipment selected directly by the airlines. For example, the Seats Segment has won several new contracts, including one with Air France-KLM for both economy and business class seating for its Boeing 777 and future Boeing 787.

The Group has also developed a comprehensive solution for retrofitting single-aisle commercial aircraft cabins. The ISIS cabin design, presented at the Hamburg and Paris air shows, was very well received by the industry. Altogether, the Group has received intentions to purchase or firm contracts for around 900 aircraft to be equipped with parts of the ISIS solution or the entire solution.

Development in China

At the end of July, Zodiac Aerospace officially launched its new seat-assembly plant at Tianjin in China, a site that now has over 70 employees. The first economy class seats assembled at this plant were delivered to Hainan Airlines, one of China's leading airlines. The assembly line has been set up in existing Zodiac Services premises to support after-sales activities in the region. The new assembly line operated by Zodiac Seats will enable the company to deliver locally assembled seats to Chinese airlines and develop its position in a growth market.

Continuation of the external growth strategy for IFE (In-Flight Entertainment)

In addition to the takeover of IMS, IPS, NAT, ThreeSixty Aerospace, and ACC La Jonchère in 2012/2013, Zodiac Aerospace acquired the German company TriaGnoSys at the beginning of its 2013/2014 fiscal year. Based in Wessling, Germany, TriaGnoSys has around 40 employees. The company specializes in on-board communication systems and wireless in-flight entertainment systems (IFE). TriaGnoSys will be part of the Zodiac Inflight Innovations business unit (ZIFI – Aircraft Systems Segment) providing connectivity functions that will be integrated into RAVE™, ZIFI's on-board entertainment system, developed by IMS, a company acquired in December 2012. TriaGnoSys will also contribute in-flight Internet access capability, GSM telephony technology, and numerous other advanced communication technologies.

Thanks to this acquisition, Zodiac Aerospace will have a comprehensive cabin avionics offer to supplement its cabin interiors solutions.

■ OUTLOOK

Zodiac Aerospace operates in an aircraft industry environment which remains buoyant. The Group expects to benefit from its significant involvement in new civil aircraft programs currently under development and experiencing increased production rates, as well as from the development of its retrofit offer and growth of the after-sales market. In this context, Zodiac Aerospace anticipates a further year of organic growth in 2013/2014.

At November 15, 2013, the Zodiac Aerospace Group had hedged 35% of its net exposure to forecast €/$ transactions for fiscal year 2013/2014 at an average rate of 1.335, 85% of its CAD/$ exposure at an average rate of 1.045, and 75% of its £/$ exposure at an average rate of 1.56.

GOVERNANCE

Through its Committees, the Supervisory Board reviewed the amendments to the French AFEP/MEDEF Code of Corporate Governance for listed companies dated June 2013 ("AFEP/MEDEF Code"), available on the AFEP and MEDEF websites. The Company's Supervisory Board has confirmed that the Company continues to refer to the AFEP/MEDEF Code, at the same time as applying a reasonable standard of governance that reflects the special characteristics of a Group with "longstanding major shareholders".

The Company has also implemented the "Comply or Explain" rule provided for in Article L. 225-37 of the French Commercial Code and referred to in Article 25.1 of the AFEP/MEDEF Code, and, where applicable, explains the reasons why some rules were not applied. The table on page 9 provides a summary of the provisions not adopted and the reasons for the non-adoption.

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 review the current operating performance of each segment. Chaired by Olivier Zarrouati, the Executive Committee is composed of the Group's key functional and operational executives and had 11 members at the end of the fiscal year.

SUPERVISORY BOARD

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

COMPOSITION OF THE SUPERVISORY BOARD

Every member of the Supervisory Board has signed the "Supervisory Board Member Charter" introduced in February 1997 and updated in 2006 and 2011, which sets out member rights and obligations (general and special rules). The Charter was revised in December 2012 and is now known as "Bylaws of the Supervisory Board and its Committees." These bylaws include the Charter applicable to Board members as well as Zodiac Aerospace's Code of Stock Trading Ethics with which Board members agree to comply.

The Supervisory Board now has 10 members:

Didier Domange (Chairman), Louis Desanges (Vice-Chairman), Marc Assa, Élisabeth Domange, Laure Hauseux, Vincent Gerondeau, Gilberte Lombard, Edmond Marchegay, Robert Maréchal, and FFP Invest, represented by Robert Peugeot; six members are defined as "independent" (Marc Assa, Laure Hauseux, Vincent Gerondeau, Gilberte Lombard, Edmond Marchegay and FFP Invest, represented by Robert Peugeot) within the meaning of the criteria set out in the AFEP/MEDEF Code, excluding the Code's recommendations on the terms of office served by Supervisory Board members. These members provide the Board with wide-ranging experience in terms of their own industries and the wider international business environment.

At least half the Supervisory Board members are "independent", in accordance with the provisions of the AFEP/MEDEF Code.

Three members are women and at least two-thirds of the members have international experience from current or past professional responsibilities.

The statutory term of office for Supervisory Board members will be set at four years, in accordance with the AFEP/MEDEF Code, if the shareholders adopt the 17th resolution to be submitted at the General Meeting of January 8, 2014. As an exception, the terms of office of Supervisory Board members in effect at January 8, 2014 will continue until their original expiry date.

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

FREQUENCY OF SUPERVISORY BOARD MEETINGS

During the fiscal year ended, the Board met on six scheduled occasions: September 25 and November 20, 2012, February 14, April 23, May 22 and July 16, 2013. The members of the Board were conscientious in their attendance at meetings, resulting in an attendance rate for the year of 90%.

SUPERVISORY BOARD OPERATION

At each Board meeting, members review business performance indicators against forecast. They examine the Group's results, as well as opportunities for new acquisitions and for disposing of companies that are not, or are no longer, compatible with the Group's core business. Major strategy meetings are held as and when required. The Board dedicates three meetings per year to reviewing the financial statements for the first half and the full year. The Board also discussed the Company's policy on professional gender and wage equality. Supervisory Board members receive a copy of the draft minutes as quickly as possible after each meeting, prior to final approval at the subsequent meeting. They are then entered in the minute book, and signed by the Chairman and one Board member.

COMMITTEES

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

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

- The Audit Committee met five times during the fiscal year. It met twice to review the Group's half-year and consolidated full-year financial statements and allocate goodwill. The other meetings primarily involved defining risks and mapping their changes. The internal audit charter was also prepared and entered into force on September 1, 2013. The Committee is made up of five Board members (Gilberte Lombard (Chairman), Didier Domange, Louis Desanges, Laure Hauseux, and FFP Invest, represented by Robert Peugeot). Meetings are also attended by the Auditors and the Executive Vice-President, Administration and Finance.

  The Board has awarded chairmanship of the Audit Committee to an independent member since September 1, 2012. Although the proportion of independent members on the Audit Committee does not equal the required two-thirds, the reason the Audit and Appointments Committees have a lower proportion of independent members is due to the lack of dispersed Company capital and the fact that several major long-term shareholders are members of the Supervisory Board.

The members of the Board were conscientious in their attendance at meetings, resulting in an attendance rate for the year of 90%.

- The Remuneration Committee usually meets twice during the fiscal year, and did so this year. The four Committee members (Didier Domange (Chairman), Gilberte Lombard, Marc Assa and Edmond Marchegay) are responsible to the Supervisory Board for setting the compensation paid to Executive Board and Executive Committee members, allocating stock options to these executives within the terms authorized by the General Meetings of Shareholders, setting the compensation paid to the Chairman of the Supervisory Board, and allocating the fees paid to Supervisory Board members.

  Vincent Gerondeau will join this Committee on January 8, 2014.

- The Appointments Committee meets only when required; it met twice this year. It has four members: Louis Desanges (Chairman), Didier Domange, Vincent Gerondeau and Edmond Marchegay.

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

  Marc Assa will join this Committee on January 8, 2014. He qualifies as an "independent" member.

  Acceptance of an appointment to the Appointments and Remuneration Committees means attending all meetings held by these Committees.

  At the review of the appointment of Patrick Daher as Supervisory Board member and the proposed ratification by the General Meeting of the co-option of FFP Invest as a new member of the Supervisory Board, the Appointments Committee reviewed the independence criteria for Board members and approved the status of Patrick Daher and FFP Invest as "independent" members.

  The Remuneration and Appointments Committees are chaired by Didier Domange and Louis Desanges respectively. The Supervisory Board decided to continue their appointment as chairmen of these committees even though they are not "independent" within the meaning of the AFEP/MEDEF Code, since their intimate knowledge of the functioning of the Group and the industry, their experience, and the quality of their judgment put them in an ideal position to address issues regarding compensation, the appointment of Executive Board members and, more generally, the succession plan within the Group.

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

COMPENSATION PAID TO SUPERVISORY BOARD MEMBERS

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

At its meetings of November 18, 2010 and July 12, 2011, the Supervisory Board approved the proposal made by the Remuneration Committee to set the fees payable to individual directors in accordance with the following criteria:

- the Chairman will receive €70,000;
- the Vice-Chairman will receive a complementary fixed payment of €5,000;
- each member (excluding the Chairman) will be allocated an annual flat fee of €15,000;
- the introduction of an attendance bonus of €1,000 per meeting, capped at €5,000.

Committee members will also receive the following flat fees:

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

Supervisory Board members receive no compensation nor any benefit of any kind whatsoever from controlled companies within the meaning of Article L. 233-16 of the French Commercial Code.

Executive Board

Olivier Zarrouati
Chairman and CEO

Maurice Pinault
Member

Supervisory Board

Didier Domange
Chairman of the Supervisory Board

Louis Desanges
Vice-Chairman

Marc Assa [1]
Member

Élisabeth Domange
Member

Laure Hauseux [1]
Member

Vincent Gerondeau [1]
Member

Gilberte Lombard [1]
Member

Edmond Marchegay [1]
Member

Robert Maréchal
Member

FFP Invest [1]
Member, represented by Robert Peugeot

(1) Independent member.

Executive Committee

Olivier Zarrouati
Chief Executive Officer

Maurice Pinault
Member of the Executive Board
Deputy CEO, Strategy and Business Development

Jean-Jacques Jégou
Executive Vice-President, Administration and Finance

Yannick Assouad
CEO, Zodiac Aircraft Systems Segment

Christophe Bernardini
CEO, Zodiac Services

Jean-Michel Condamin
CEO, Zodiac Galleys & Equipment Segment

Gilles Debray
CEO, Zodiac AeroSafety Segment

Christian Novella
CEO, Zodiac Seats Segment

Stephen Zimmerman
CEO, Zodiac Cabin & Structures Segment

Adri Ruiter
Executive Vice-President, Representative with airline companies

Pierre-Antony Vastra
Executive Vice-President, Communication and Investor Relations

Statutory Auditors

Ernst & Young Audit

Fidaudit
(a member of the Fiducial network)

IMPLEMENTATION OF THE "COMPLY OR EXPLAIN" RULE OF THE AFEP/MEDEF CODE

Provisions of the AFEP/MEDEF Code not adopted	Reason
Length of service of Supervisory Board members Article 9.4: To qualify as independent, a Supervisory Board member must not have served on the company's Supervisory Board "for more than 12 years".	The Company's business is characterized by highly capital-intensive investment projects, and by long-term contracts. The experience gained on the Board is therefore an asset when it comes to monitoring the Group's development cycles over the long term. The Board also deemed that each Supervisory Board member who has served on the Board for more than 12 years has always demonstrated free will and independent judgment in the performance of his or her functions.
Terms of office of Supervisory Board members Article 14: The terms of office of Supervisory Board members must not "exceed four years".	The next General Meeting will be asked to vote to reduce the statutory term of office of Supervisory Board members and set this term at four years. As an exception, the terms of office of Supervisory Board members in effect at January 8, 2014 will continue until their original expiry date.
Members of the Audit Committee Article 16.1: The proportion of Supervisory Board members serving on the Audit Committee "shall be at least two-thirds".	Because of the odd number of Audit Committee members, this rule does not apply, even though three out of five members are independent. This relatively lower proportion is also due to the lack of dispersed Company capital and the fact that several major long-term shareholders are members of the Supervisory Board.
Members of the Appointments Committee Article 17.1: When the Appointments Committee is separate from the Remuneration Committee, it must be chaired by an independent member of the Supervisory Board.	The chairman of the Appointments Committee is Louis Desanges, whom the Supervisory Board decided to reappoint as chairman. His intimate knowledge of the functioning of the Group and the industry, his experience, and the quality of his judgment put him in an ideal position to address issues regarding the appointment of members of the Executive Board and, more generally, the succession plan within the Group. In addition, two out of four members of the Committee are independent.
Members of the Remuneration Committee Article 18.1: The Remuneration Committee must be chaired by an independent member of the Supervisory Board.	The chairman of the Remuneration Committee is Didier Domange, whom the Supervisory Board decided to reappoint as chairman. His intimate knowledge of the functioning of the Group and the industry, his experience, and the quality of his judgment put him in an ideal position to address issues regarding compensation. In addition, three out of four Committee members are independent.

EXECUTIVE AND SUPERVISORY BOARD MEMBERS

CORPORATE APPOINTMENTS HELD BY EXECUTIVE BOARD MEMBERS AT AUGUST 31, 2013

Members	Date of appointment or reappointment	Positions held in the Company	Other positions or offices held
Olivier Zarrouati	November 15, 2007, reappointed on November 17, 2011	Chief Executive Officer (1)	Directorships: GROUP COMPANIES **France:** Intertechnique(2), Zodiac Engineering, Zodiac Seats France **Other countries:** Air Cruisers Company LLC (United States), Avox Systems Inc. (United States), C&D Aerospace Canada Co. (Canada), C&D Zodiac Inc. (United States), Esco (United States), Heath Tecna (United States), Icore GmbH (Germany), Icore International Ltd (United Kingdom), Mag Aerospace Industries Inc. (United States), Parachutes Industries of Southern Africa Pty (South Africa), Sicma Aero Seat Services (United States), Zodiac Aerospace UK Ltd (United Kingdom), Zodiac US Corporation (United States)
Maurice Pinault	September 13, 2008 reappointed on September 25, 2012	Member of the Executive Board (1)	Directorships: GROUP COMPANIES **France:** Zodiac Engineering, Zodiac Seats France **Other countries:** C&D Aerospace Canada Co. (Canada), C&D Zodiac Inc. (United States), MAG Aerospace Industries Inc. (United States), Sicma Aero Seat Services (United States)

(1) Reappointed by the Supervisory Board for a period of four years.
(2) On October 18, 2013, Intertechnique's corporate name changed to Zodiac Aerotechnics.

1. PERSONAL COMPENSATION PAID TO COMPANY OFFICERS FOR FISCAL YEAR 2012/2013

The Remuneration Committee recommended to the Supervisory Board (which adopted the recommendation on September 24, 2013) that, with effect from September 1, 2012, the fixed compensation paid to the Chief Executive Officer, Olivier Zarrouati be €620,000 and that paid to Executive Board Member Maurice Pinault be €372,000.

In addition to fixed compensation, each Member of the Executive Board received a variable amount for the fiscal year ended August 31, 2013, in accordance with the following criteria:

The target for fiscal year "n" is based on a Group net income target calculated as follows:

$$\frac{\text{Income achieved during the FY ended "n -1"}^{(1)} + \text{the budget for year "n"}}{2}$$

The comparison between the performance achieved in relation to this target, within a realization bracket of 80% to 100%, gives the "realization rate" for the target. This rate is applied proportionally to the fixed salary to give the amount of the variable portion and can be a maximum of 100% of the fixed portion.

There is no separate pension plan in place for the company officers of Zodiac Aerospace, nor for its Executive Committee.

At the end of the fiscal year, a provision was in place to make a special payment in the event of departure by the Chief Executive Officer, as described opposite.

In accordance with the French Code issued by the AFEP/MEDEF, of which Zodiac Aerospace is a member, the Chief Executive Officer, Olivier Zarrouati had announced his decision to resign from his contract of employment with effect from December 1, 2009.

At its meeting of November 19, 2009, the Supervisory Board had approved a new appointment package for Olivier Zarrouati, which provided for the following commitments:

Non-competition payment

In the event of Olivier Zarrouati leaving the Group, and in consideration for entering into a non-competition agreement binding for a maximum period of one year, Olivier Zarrouati will receive monthly payment equivalent to the average gross monthly compensation he received during the previous 12 months of his appointment.

This payment shall thus be made over a maximum period of 12 months of gross compensation as defined above. It is, however, agreed that this arrangement may be terminated at such a time as Olivier Zarrouati may leave the Group, in which case Zodiac Aerospace shall be released from the payment of this non-competition compensation provided that this termination is notified within 60 days of the date on which Olivier Zarrouati leaves office.

(1) For this calculation:
- the conversion of income for companies whose reporting currency is not the euro is made at the same share price as that used to calculate the budget for year "n";
- transactions in "foreign currencies" other than the reporting currency are recognized at their trading price (i.e., with no adjustment of net income) in order to preserve the effects on Group net income of decisions taken by the Executive Board and the Executive Vice-President, Administration and Finance in terms of hedging foreign currencies.

The net income for fiscal year "n", which is to be compared to this target, is calculated based on the same currency criteria as that used to calculate the target.

NB: the same formula is applied to the Executive Vice-President, Administration and Finance, member of the Executive Committee.

2. COMPENSATION PAID TO COMPANY OFFICERS FOR THE FISCAL YEAR SUBMITTED FOR SHAREHOLDER APPROVAL

a) Salaries and benefits (1)

(in euros)	Fixed (2)	Variable (3)	Benefits in kind	Total
Maurice Pinault	300,000	300,000	4,980	604,980
Olivier Zarrouati	500,000	500,000	9,670	1,009,670
TOTAL	**800,000**	**800,000**	**14,650**	**1,614,650**

(1) Members of the Executive Board do not receive any compensation or benefit of any kind from controlled companies within the meaning of Article L. 233-16 of the French Commercial Code.

(2) To which €72,000 is added for Maurice Pinault and €120,000 for Olivier Zarrouati, due in respect of fiscal year 2011/2012 and paid after August 31, 2013.

(3) The amount of the variable compensation paid to Maurice Pinault and Olivier Zarrouati for the 2012/2013 fiscal year, payable after September 1, 2013, will be €339,785 and €566,310, respectively.

b) Share options and bonus shares

	Maurice Pinault		Olivier Zarrouati		
	07b plan	2011 plan	07a plan (1)	07b plan	2011 plan
1. Share options:					
Unexercised options at August 31, 2012	84,640	32,000	2	63,480	–
Awards for the fiscal year	–	–	–	–	–
Options exercised in 2012/2013	25,000	–	–	57,800	–
Unexercised options at August 31, 2013	59,640	32,000	–	5,680	–
Exercise price (in euros)	41.11	62.34	49.29	41.11	–
Expiration date	Dec. 3, 2015	Dec. 29, 2019	Feb. 13, 2015	Dec. 3, 2015	–
2. Bonus shares:					
Shares in vesting period (2)	–	16,000	–	–	53,334
Date of right to purchase	–	Dec. 29, 2013	–	–	Dec. 29, 2013

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

(2) All the bonus shares allotted to company officers are subject to a performance condition, a two-year continuing employment condition from the grant date, i.e., until December 29, 2013 and a retention condition until December 29, 2015.

Subject to the performance condition, the shares are vested if the target defined in the variable compensation calculation above is 100% achieved, on average, over fiscal years 2011/2012 and 2012/2013. The number of shares vested is reduced if the target is only partially achieved and canceled if only 80% is achieved, on average, over fiscal years 2011/2012 and 2012/2013. The number of shares vested in this case is proportional between these two limits.

Note that share options and/or bonus shares are awarded to company officers once every four years, unless a new company officer is appointed.

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 223-22A AND SUBSEQUENT)

Thirty eight such transactions occurred during the period between September 1, 2012 and August 31, 2013. Details of these transactions are summarized below.

Person concerned (surname, first name and position)	Type of financial instrument	Type of transaction	Date of transaction	Number of shares/securities	Unit price (in euros)
Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Jan. 17, 2013	280	80.94
Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Jan. 17, 2013	14	80.91
Corporate entity related to Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Nov. 23, 2012	4,763	81.20
Corporate entity related to Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Jan. 16, 2013	2,027	81.96
Corporate entity related to Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Jan. 16, 2013	4,054	81.13
Corporate entity related to Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Jan. 17, 2013	6,081	81.00
Corporate entity related to Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Jan. 18, 2013	1,013	81.71
Corporate entity related to Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Jan. 21, 2013	4,054	81.85
Corporate entity related to Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Jan. 22, 2013	3,040	81.64
Corporate entity related to Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Jan. 23, 2013	5,067	81.86
Corporate entity related to Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Jan. 24, 2013	3,040	81.47
Corporate entity related to Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Jan. 25, 2013	3,040	81.47
Corporate entity related to Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Jan. 28, 2013	3,249	81.26
Corporate entity related to Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Jan. 30, 2013	10,134	81.33
Corporate entity related to Didier Domange Chairman of the Supervisory Board	Shares	Acquisition	Jan. 31, 2013	6,885	81.56

Person concerned (surname, first name and position)	Type of financial instrument	Type of transaction	Date of transaction	Number of shares/securities	Unit price (in euros)
Vincent Gerondeau Member of the Supervisory Board	Shares	Disposal	Dec. 10, 2012	1,060	89.12
Vincent Gerondeau Member of the Supervisory Board	Shares	Disposal	May 23, 2013	1,955	100.30
Christian Novella Member of the Executive Committee	Shares	Disposal	Sept. 28, 2012	1,000	76.54
Christian Novella Member of the Executive Committee	Shares	Disposal	Nov. 23, 2012	500	81.36
Christian Novella Member of the Executive Committee	Shares	Disposal	Nov. 30, 2012	500	85.79
Christian Novella Member of the Executive Committee	Shares	Disposal	Dec. 10, 2012	400	87.82
Christian Novella Member of the Executive Committee	Shares	Disposal	Dec. 20, 2012	10,300	84.08
Christian Novella Member of the Executive Committee	Shares	Disposal	Apr. 25, 2013	2,000	94.73
Christian Novella Member of the Executive Committee	Shares	Exercising of share options	Apr. 25, 2013	2,000	41.11
Christian Novella Member of the Executive Committee	Shares	Exercising of share options	May 23, 2013	900	41.11
Christian Novella Member of the Executive Committee	Shares	Disposal	May 27, 2013	900	101.88
Maurice Pinault Member of the Executive Board	Shares	Disposal	Sept. 25, 2012	5,000	77.69
Maurice Pinault Member of the Executive Board	Shares	Disposal	July 24, 2013	1,988	108.71
Maurice Pinault Member of the Executive Board	Shares	Disposal	July 25, 2013	2,000	108.70
Maurice Pinault Member of the Executive Board	Shares	Exercising of share options	Aug. 1, 2013	25,000	41.11
Olivier Zarrouati Chief Executive Officer	Shares	Exercising of share options	Apr. 26, 2013	13,800	41.11
Olivier Zarrouati Chief Executive Officer	Shares	Disposal	Apr. 26, 2013	6,116	93.45
Olivier Zarrouati Chief Executive Officer	Shares	Disposal	May 14, 2013	5,800	98.02
Olivier Zarrouati Chief Executive Officer	Shares	Exercising of share options	May 17, 2013	9,000	41.11
Olivier Zarrouati Chief Executive Officer	Shares	Exercising of share options	July 26, 2013	20,000	41.11
Olivier Zarrouati Chief Executive Officer	Shares	Disposal	July 28, 2013	20,000	108.11
Olivier Zarrouati Chief Executive Officer	Shares	Disposal	July 29, 2013	15,000	108.63
Olivier Zarrouati Chief Executive Officer	Shares	Exercising of share options	July 29, 2013	15,000	41.11

Moreover, in application of the AFEP/MEDEF code, the members of the Executive Committee formally agreed not to engage in any risk hedging transactions in respect of their share options, shares from the exercise of options or bonus shares, and this until the end of the share retention period applicable to them. To the best of the Company's knowledge, no hedging instruments have been implemented.

APPOINTMENTS HELD BY SUPERVISORY BOARD MEMBERS AT AUGUST 31, 2013

Members	Date of appointment or reappointment	Year of appoint-ment expiry	Position held in the Company	Director's fees in €000 received for fiscal year 2012/2013 (1)	Other positions or offices held	Nationality
Didier Domange (70 years)	Jan. 8, 2008	2013	- Chairman of the Supervisory Board - Member of the Audit Committee - Chairman of the Remuneration Committee - Member of the Appointments Committee	190 (2)	- Director of Zodiac Seats France - CICOR representative on the Board of Directors of Banque Transatlantique - Chairman of the Supervisory Board of Fidoma	French
Louis Desanges (66 years)	Jan. 10, 2012	2017	- Vice-Chairman of the Supervisory Board - Chairman of the Appointments Committee - Member of the Audit Committee	33	- Chief Executive of Omnium Delabordère - Member of the Supervisory Board of Altergie - Director of Ecod'Air EI and Ecod'Air EA - Director of Compagnie Solaire du Gallion	French
Marc Assa (72 years)	Jan. 10, 2012	2013	- Member of the Supervisory Board - Member of the Remuneration Committee - Member of the Appointments Committee (3) *Independent member (4)*	24	- Director of BGL BNP Paribas Luxembourg (Nyse Euronext) - Chairman of the Board of Directors of CDCL Luxembourg - Member of the Supervisory Board of Nora Systems, Germany	French
Élisabeth Domange (70 years)	Jan. 10, 2012	2013	- Member of the Supervisory Board	20	- Farm manager - Member of the Supervisory Board of Fidoma	French
FFP Invest, represented by Robert Peugeot (63 years)	Jan. 9, 2013	2018	- Member of the Supervisory Board - Member of the Audit Committee *Independent member (4)*	26	- Permanent representative of FFP (Nyse Euronext), Chairman of FFP Invest - Member of the Supervisory Board of Peugeot SA (Nyse Euronext), Hermes International (Nyse Euronext) and IDI Emerging Markets - Director of Faurecia (Nyse Euronext), Sanef, Imerys (Nyse Euronext), Holding Reinier, Établissements Peugeot Frères, Sofina (Brussels), DKSH (Swiss EBS Stock) - Representative of FFP Invest, Chairman of Financière Guiraud SAS - Manager of SC Rodom and CHP Gestion SARL	French

Members	Date of appointment or reappointment	Year of appoint-ment expiry	Position held in the Company	Director's fees in €000 received for fiscal year 2012/2013 (1)	Other positions or offices held	Nationality
Vincent Gerondeau (48 years)	Jan. 10, 2011	2017	- Member of the Supervisory Board - Member of the Appointments Committee - Member of the Remuneration Committee (3) *Independent member (4)*	22	- Chairman of Clairsys SAS	French
Laure Hauseux (51 years)	Jan. 10, 2011	2017	- Member of the Supervisory Board - Member of the Audit Committee *Independent member (4)*	26		French
Gilberte Lombard (69 years)	Jan. 9, 2013	2014	- Member of the Supervisory Board - Chairman of the Audit Committee - Member of the Remuneration Committee *Independent member (4)*	34	- Director of CGG (ex CCG Veritas), (Nyse Euronext) - Chairman of the Audit Committee of CGG (Nyse Euronext) - Director of Robertet (Nyse Euronext) - Director of Vernet Retraite	French
Edmond Marchegay (74 years)	Jan. 10, 2012	2013	- Member of the Supervisory Board - Member of the Remuneration Committee - Member of the Appointments Committee *Independent member (4)*	26	- Member of the Supervisory Board of Banque J.P. Hottinguer - Chairman of the Board of Directors of Société Immobilière et de Services du CUI - Member of the Supervisory Board of Girard Agediss	French
Robert Maréchal (72 years)	Jan. 10, 2012	2013	- Member of the Supervisory Board	20	- Director of Tech Industrie	French

(1) Members of the Supervisory Board do not receive any compensation or advantages of any kind from controlled companies within the meaning of Article L. 233-16 of the French Commercial Code.

(2) Total compensation, including directors' fees.

(3) As of January 8, 2014.

(4) The Board found that length of service in-post as a member of the Supervisory Board does not compromise independence, but on the contrary, enables a detailed understanding of the company, its business environment and its products, and that this knowledge constitutes a very important element of added value to the work done by the Board, and one that is particularly valuable in an industry with such a long economic cycle.

RISK MANAGEMENT

PRESENTATION OF MAIN GROUP RISKS

Zodiac Aerospace is faced with risks that may affect its business, reputation, financial position or its ability to meet its targets.

The risks below are the main Group risks; those which are currently considered as not significant are included in our risk-management system but are not listed in this section of the report.

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

■ BUSINESS RISKS

A. SECTOR-RELATED RISKS

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

1. Downturn in the aerospace industry cycle

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

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

In 2012/2013, approximately 84% of the Group's adjusted consolidated revenue was generated from civil aviation.

2. Market assessment

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

3. Reduction in defense orders

A reduction in budgets for defense contracts or the postponement of certain programs could affect the military activities of Zodiac Aerospace. In 2012/2013, approximately 14% of the Group's consolidated revenue was generated from defense markets. The Zodiac Aerospace Group complies with the provisions of the Oslo Agreement.

4. Competition and program delays

Zodiac Aerospace faces competition in all its markets.

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

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

5. Product liability-related risks

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

The Group may be liable for penalty payments where delivery lead times are not met.

B. RISKS RELATED TO OUR GLOBAL PRESENCE

1. Country risks

Due to its presence in 18 countries, the Group may be exposed to:

- Political risks:
  - measures or decisions taken by local authorities (e.g., embargoes);
  - social risks (general strikes, riots).
- And/or economic or financial risks:
  - currency depreciation;
  - foreign exchange shortages.

2. Interest rate and currency risks

■ Exchange rate risk

Since the Zodiac Aerospace Group operates in the aerospace industry, it is mainly exposed to fluctuations in the US dollar ($) and in particular to fluctuations in the euro/dollar exchange rate.

In 2012/2013, approximately 45% of Group revenue and 45% of its current operating income were generated by its US-based companies. In addition, approximately 22% of total Group revenue is billed in dollars by its European companies, and is therefore also exposed to euro/dollar exchange rate risks (see Note 2.B to the consolidated financial statements).

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

This provides a "natural" hedge against the dollar. In the 2012/2013 fiscal year, approximately 35% of dollar sales generated by companies located elsewhere than in the United States were hedged in this manner. The Group also uses financial instruments to hedge the residual transaction exposure of its asset and/or liability positions and, where necessary, its future dollar transaction flows.

■ Interest rate risk

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

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

■ OPERATIONAL AND STRATEGIC RISKS

A. EXTERNAL GROWTH RISKS

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

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

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

B. LOGISTICS-RELATED RISKS

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

C. INFORMATION SYSTEM RISKS

The Group is continuing with its deployment of compatible information systems in all its subsidiary companies as part of enhancing service to customers, improving the quality of management and minimizing the risks posed by obsolete local systems. In this context, investment is being focused on deploying a limited number of software packages within the Group (Movex M3, Lotus Notes, Catia and Hyperion/OBI) with the aim of reducing installation and usage risks.

This increased dependence on information systems that are used throughout the Group may give rise to risks concerning data integrity and confidentiality and the potential interruption of IT services. A broad range of resources are in place to counter these risks, including backup systems, data backup procedures, rebooting procedures and user access rights management, etc. However, despite such safeguards, system failures could result in a loss of data, errors and/or delays prejudicial to the smooth running of the company, and therefore its financial results. Long periods of testing prior to the live introduction of new systems and combined continued monitoring of a rigorous information systems policy (by the steering committee) are designed to ensure the required levels of reliability, confidentiality, task separation and necessary availability.

D. DATA CONFIDENTIALITY RISKS

With the number of communicating devices rapidly increasing and the volume of stored and exchanged data accelerating, Zodiac Aerospace must protect itself against illegal attempts to seize its information assets.

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

This includes increased employee awareness, recognizing this subject as one of the main risks identified in Group risk mapping, but also implementing suitable operating means in terms of IT security.

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

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

E. COMMODITY-RELATED RISKS

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

F. HUMAN RESOURCES-RELATED RISKS

The Group is implementing close monitoring of succession plans for the Group's key positions (in particular positions in the hierarchy between "n -1" and "n -3"). It ensures that these key positions are covered by at least one potential successor and consolidates all development plans for potential successors for these key positions at the Group level.

The Group has set up a global survey to provide information regarding Group employees' views on various themes including managerial practices, the organization of work, quality of life at work, etc., and implements action plans in response to the different needs expressed via this survey.

Finally, the Group has introduced an expert community management system. These experts have been identified and recognized for their work in order to retain their services and manage them over the long term and to facilitate the transfer of knowledge where this is necessary.

G. NON-COMPLIANCE RISK

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

The Group's Ethics Code, which was updated in October 2013, applies to all employees and formalizes the Group's commitments in terms of integrity and compliance with applicable legal requirements.

Specialized central services are responsible for monitoring the correct application of these laws and regulations.

H. INDUSTRIAL RISKS RELATING TO SAFETY AND THE ENVIRONMENT

This year has seen the continuation of actions to improve industrial risk management and protection of the Group's property.

■ DAMAGE TO GOODS AND OPERATING LOSSES

A. PARTNERSHIP WITH INSURANCE COMPANIES

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

Twenty-one production units were classified as HPR (Highly Protected Risk) sites in 2012/2013, representing more than one quarter of Group sites. This is our insurer's own classification. It is based on identification and measurement of sites visited. The scope changes annually, modifying the data year on year.

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

This risk matrix includes the classification established by our insurer's local engineers and is used to evaluate the level of the risk relating to the site. It also helps identify sites which are "sensitive" to climate change and thus, exposed to the risks related to climate change. The Group has identified:

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

RISK CLASSIFICATION

Classification	August 2009	August 2010	August 2011	August 2012	August 2013
A (1)	16	18	19	19	21
B (2)	13	13	12	10	13
C (2)	29	37	35	39	38
D (3)	5	5	8	3	5
E (4)	2	0	0	0	0
TOTAL SITES	**65**	**73**	**74**	**71**	**77**

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

The number of sites included has increased from 65 sites (at the end of fiscal year 2008/2009) to 77 sites (this fiscal year).

In the last three years, there are no longer any sites classified E. Actions are underway to achieve the Group's target of having 100% of its sites classified between A and C.

B. BUSINESS CONTINUITY PLAN

Although the production and/or assembly of the Group's products are located at various sites around the world, the Group ensures the ongoing management of business continuity plans in order to minimize the risks posed by accidental interruption of production at any given site.

The Group has continued to deploy its business continuity plans (BCPs). In particular, these BCPs are designed to identify the risks and methods for restarting internal and sub-contracted production activities in the event of a major disaster at a Group site.

■ ENVIRONMENTAL RISKS

Environmental audits are carried out at the main sites and a Group standard will allow conditions for the storage of hazardous products to be established and define the means of protection and intervention in the event of accidental pollution. No accidental or chronic pollution has been recorded at the Group level.

The Group abides by current regulations when suspending business activities. The Group is not subject to compulsory financial guarantees for its French sites.

A network of environmental experts present at each site ensures quantitative and qualitative monitoring of waste. Recycling and treatment of waste must take precedence. Group targets include recycling and treatment rates that limit landfill or badly managed waste.

One requirement for sites with ISO 14001 certification is to have copies of all approvals of waste management service providers; for other sites, awareness-raising measures will be implemented.

Each site complies with national waste treatment regulations.

LEGAL – LITIGATION RISKS

1. Industrial property

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

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

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

The Group has created a scientific and technical body which ensures the governance and coordination of innovation.

2. Sales contracts

Due to its international presence and its business sectors, the Group is subject to national legislation and international standards governing anti-corruption.

Non-compliance with such legislation is likely to trigger serious legal consequences, not just for the Group's employees, but also for the entities that may be involved and may thus severely harm the Group's image and reputation.

In response to these regulatory requirements governing anti-corruption and more generally ethical business practices, Zodiac Aerospace decided to reinforce its compliance program for fiscal year 2012/2013. The Group has just completed a review of its Code of Ethics and a global training program is currently being rolled out aimed at employees exposed to these risks.

3. Litigation

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

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

FINANCIAL AND MARKET RISKS

A. COUNTERPARTY RISK MANAGEMENT

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

B. 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 leading operators.

Details of the risks relating to exchange rates, interest rates and associated instruments are given in Note 24.2 to the consolidated financial statements.

C. TEMPORARY FINANCIAL INVESTMENTS

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

D. CUSTOMER RECEIVABLES

At August 31, 2013, the Group had not identified any significant counterparty risk remaining unprovisioned in its financial statements. The variety and multiplicity of the Group's sales and marketing networks limit both the risk and likelihood of customer receivables having a major impact on its consolidated financial statements. The only category of customers with the potential to pose a significant risk is that of airlines, which are specifically monitored in terms of their consolidated indebtedness using a process that could lead to the suspension of supplies until such time as the corresponding risk can be mitigated through the provision of suitable payment guarantees and/or through debt collection (see Note 2 to the consolidated financial statements).

E. LIQUIDITY RISK MANAGEMENT

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

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

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

The Group has reduced its funding risk in July 2013 by securing finance of €0.66 billion through private placements, including:

- €0.13 billion maturing in 2016;
- €0.37 billion maturing in 2018;
- €0.16 billion maturing in 2020.

The Group also has a syndicated loan of €1.3 billion through to June 2015, providing it with access to the liquidity it requires.

■ INSURANCE AND RISK COVERAGE

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

Integrated worldwide programs

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

Property damage and operating losses

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

This cover was calculated using an assumed maximum level of risk, in agreement with the insurance company and its appraisers. There are lower thresholds for other types of more specific or localized claims, such as earthquakes in some regions with Group sites as defined in paragraph 1 above.

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

Public liability

All Group companies are covered under a worldwide public liability insurance program that covers their operating liability and liability due to the products they manufacture, via two policies: one is specific to aerospace businesses and one to other Group businesses.

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

Transportation

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

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

Local insurance policies

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

INVESTOR INFORMATION

Information regarding Zodiac Aerospace shares, share price trends and market statistics can be found in the brochure "TRAVEL JOURNAL 2012/2013".

STOCK OPTION PLANS

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

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

- under the arrangements for annual stock option awards, half the options are granted on each anniversary of the date of grant;
- options awarded to Executive Committee members (under multi-year plans) every four years, may be exercised in quarters on each consecutive anniversary of the date of award.

This exercise period may differ where options are awarded to new members of the Executive Committee between two separate four-year periods.

Annual stock option awards are granted during the first four months of the fiscal year, except in the case of legal constraints. For the 2012/2013 fiscal year, the annual awards were granted, exceptionally, on May 13, 2013 based on the average closing price for the 20 trading days preceding May 13, 2013. The beneficiaries of stock option plans can opt for free bonus shares instead of the stock options awarded, at the rate of one bonus share for every three stock options.

Individual stock option awards are determined by the Executive Board. Stock option awards granted to Executive Board members are approved by the Supervisory Board on the recommendation of the Remuneration Committee. The annual award of stock options on May 13, 2013 concerned 108,188 options (after the option described above) at the price of €94.57 awarded to 115 employees. No multi-year awards were made during the fiscal year.

AWARD OF BONUS SHARES

On June 5, 2013 the Executive Board awarded 33,539 bonus shares as part of the annual plan (after the option described above). No bonus shares were awarded as part of the multi-year plan. These awards were granted under the authorizations given by the General Meeting on January 10, 2011.

50% of the shares awarded under the annual plan and 80% of those under the multi-year plan are based on a performance condition, apart from those granted to company officers for which a 100% performance condition is applied.

SHARES HELD BY COMPANY OFFICERS

	Number of registered shares held at August 31, 2013
Executive Board members	
Maurice Pinault	428,050
Olivier Zarrouati	27,279
Supervisory Board members	
Didier Domange	221,838
Louis Desanges	1,043,165
Marc Assa	597
Élisabeth Domange	1,664,319
Gilberte Lombard	500
Edmond Marchegay	500
Robert Maréchal	1,347,756
FFP Invest	3,303,329
Vincent Gérondeau, including joint holdings	1,195,425
Laure Hauseux	500

SHAREHOLDER AGREEMENTS

It should be noted that some shareholders are bound by collective agreements to retain their shares, concluded pursuant to Article 787B and 885 1 *bis* of the French General Tax Code, registered on June 18, 2012 with the tax authorities. These collective retention agreements run for two years and may be tacitly renewed in 12-month periods (unless terminated by one of the parties following a free transfer during the initial two-year period).

The shareholders also signed a non-transferability agreement on June 18, 2012 to further consolidate their commitments to retaining their shares under specific tax scheme. This agreement is for an initial period of one year that may be tacitly renewed in 12-month periods.

Apart from the non-transferability undertaking, it allows for respite on 10% of the number of shares promised by each signatory, provided the aggregate of the shares subject to the agreement does not come to represent less than 20% of the capital and voting rights of Zodiac Aerospace.

The shares subject to the above agreements represent around 24% of the capital and 40.7% of the voting rights exercisable by Zodiac Aerospace (excluding treasury shares held by the Company).

Shareholders who are company officers or who hold over 5% of the capital or voting rights who have signed these agreements are: the Louis Desanges family, the Didier Domange family, the Vincent Gérondeau family, the Robert Maréchal family, the Maurice Pinault family, the Marc Schelcher family and the Olivier Zarrouati family.

Certain shareholders are also bound by a collective retention agreement registered on December 21, 2005 and entered into in accordance with the provisions contained in Article 885 1 *bis* of the French General Tax Code under which they are bound to hold a certain number of Zodiac Aerospace shares for a period of 6 years from that date. The agreement may be tacitly renewed in 12-month periods. This undertaking is still in force. It also gives the signatories a mutual pre-emption right on the contracted shares. It was reported to the *Autorité des Marchés Financiers* (AMF), which published the details in notice n°206C0107 on January 17, 2006. The detailed contents of this collective retention agreement are available on the AMF's website: www.amf-france.org.

POTENTIAL NUMBER OF SHARES AT AUGUST 31, 2013

The table below illustrates the theoretical change in the Company's total number of shares including those that could be issued if all stock options were exercised.

THEORETICAL CHANGE IN THE TOTAL NUMBER OF SHARES

	Shares outstanding (exc. treasury stock)	Maximum potential number of shares
Ordinary shares issued at August 31, 2013	54,651,022	57,431,022
Stock options	920,551	920,551
Allotment of bonus shares	252,235	252,235
Maximum total number of shares	**55,823,808**	**58,603,808**

SHARE BUYBACK PROGRAM

At the General Meeting of January 9, 2013, the shareholders renewed the authorization previously granted to the Executive Board, acting under the terms of Articles L. 225-209 and subsequent of the French Commercial Code, to buy back ordinary shares of the Company up to a maximum of 10% of the total number of shares constituting its capital stock on the date of purchase. This authorization was granted for a period of 18 months, expiring on July 9, 2014.

In accordance with the provisions of Articles L. 225-209, paragraph 2 of the French Commercial Code, the Executive Board reports that during the 2012/2013 fiscal year, your Company did not exercise the authorization granted by shareholders at the General Meeting of January 9, 2013.

Please note that as previously stated, your Company exercised the authorization granted by the General Meeting of January 8, 2008, and between February and September 2008, acquired shares with the eventual aim of using them in the form of share swaps, payments or other means of transaction for potential future acquisitions. The total number of shares held for these purposes at August 31, 2013 was 2,780,000, representing 4.84% of capital stock at that date.

PRINCIPAL PROVISIONS OF THE COMPANY ARTICLES OF ASSOCIATION

Company name

Zodiac Aerospace

Registered office

61 rue Pierre Curie
78370 Plaisir - France

Legal form, nationality and governing law

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

Date of incorporation and duration

The Company was created in 1908.

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

Trade and companies register

729 800 821 RCS Versailles
NAF code: 7010Z

Fiscal year

September 1 to August 31

Corporate purpose (Article 3 of the Articles of Association)

- The design, construction, sale, purchase, lease and representation of all maritime and aerial navigation equipment of all kinds and all materials.
- The design, construction, sale, purchase, lease and representation of all objects, whether or not made of rubber, including, without limitation, pneumatic watercraft and equipment; balloons and other airborne devices; sports and camping gear; protective and other clothing; storage equipment; tents and hangars, whether pneumatic or not.
- The purchase, sale and operation of all patents for inventions concerning the objects mentioned in paragraphs 1 and 2 of this Article; the purchase, sale and operation of all licenses related to them; and the design, refinement and production of all structures and equipment and production of all industrial structures, equipment and facilities relating to them.
- The creation or participation in the creation of any companies, associations, groupings or generally any industrial or financial tangible or intangible asset transactions related directly or indirectly to the aforementioned object or to any similar or connected objects or objects that could facilitate the application, production and development thereof or potentially able to strengthen the material or moral position of the Company or its subsidiaries.

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

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

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

CORPORATE GOVERNANCE

Executive Board (Article III-I of the Articles of Association)

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

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

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

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

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

Supervisory Board (Article III-2 of the Articles of Association)

The Supervisory Board has at least three but no more than twelve members, who must be shareholders and all of whom are appointed by, and may be dismissed by, the Ordinary General Meeting of Shareholders.

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

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

The Supervisory Board provides permanent oversight of the Executive Board's management of the Company, and provides the Executive Board with the prior authorizations required to conclude those transactions that it may not conclude without such authorization.

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

■ SHAREHOLDERS' MEETINGS AND VOTING RIGHTS

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

Any shareholder may attend Shareholders' Meetings, whether in person or by proxy, as long as the share registers of the Company show the shares concerned to be registered either in the name of the shareholder or that of the shareholder's intermediary (subject to the applicable legal conditions), no later than midnight Paris time three working days prior to the date of the Shareholder Meeting.

Shareholders may be represented by another shareholder or their spouse, or by any individual or legal entity holding a proxy in accordance with legally applicable conditions. Proxies completed in accordance with the prevailing regulations must be sent to the Company's registered office at least three days before the meeting.

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

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

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

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

Disclosure thresholds (Article 9 of the Articles of Association)

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

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

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

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

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

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

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

LOCATION WHERE COMPANY DOCUMENTS MAY BE CONSULTED

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

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

The annual reports containing the corporate financial statements and consolidated financial statements of Zodiac Aerospace may be consulted and downloaded from the website at: **www.zodiacaerospace.com**.

CORPORATE SOCIAL **RESPONSIBILITY**

INTRODUCTION

Zodiac Aerospace has been in operation for more than a century, and has had strong growth over the last 30 years. This performance has been made possible by a proven strategy, fundamental values, and the commitment of the men and women of the Group. Today, the Group remains loyal to its values of humility, realism, entrepreneurial spirit, and respect.

Zodiac Aerospace attaches high importance to its social and environmental responsibilities in all its activities and in all countries where it is present, by acting at both the Group and local level.

In particular, the Group insists on the safety of its employees and its facilities, on reducing its environmental footprint, and on respect for human rights.

HUMAN RESOURCES

NOTE ON METHODOLOGY: HUMAN RESOURCE INDICATORS

The quantitative elements presented below on the global workforce of the Zodiac Aerospace Group concerns all consolidated subsidiaries using the full consolidation method. For some data, the decision was made to consolidate indicators only for subsidiaries of major countries of operation (called "main scope of consolidation"), namely France, the United States, Canada, Germany, the United Kingdom, Thailand, Mexico and Tunisia. Subsidiaries operating in these countries account for nearly 95% of the Group's employees at August 31, 2013.

Permanent employees: these are employees whose contracts are equivalent to a permanent contract; in the United States, paid interns were counted as permanent employees.

It should also be noted that 1,269 employees in Tunisia are not counted as permanent employees, but may be classified as permanent because of the legal nature of their local employment contract.

Managerial staff or equivalent: for the indicators concerning managerial staff, an equivalent category was defined for countries excluding France. In the United States for example, employees with the status of "Manager" or "Professional" are considered managerial staff.

1. EMPLOYMENT

At August 31, 2013, there were 26,082 permanent Group employees. The number of employees is up 5.6% compared to August 31, 2012, by 3.3% at like-for-like consolidation scope (566 employees were added through acquisitions made in the fiscal year).

At August 31, 2013, the countries with the most employees were, in decreasing order: the United States, France, Mexico, Germany, Thailand, the United Kingdom and Tunisia.

The table below shows the distribution of employees by gender, business segment, region, age group and length of service at August 31, 2012 and 2013.

Group employees

	Aug. 31, 2012	Aug. 31, 2013
Total number of employees	24,692	26,082
Women	32%	31%
Men	68%	69%

Breakdown of workforce

	Aug. 31, 2012	Aug. 31, 2013
AeroSafety	20%	16%
Aircraft Systems	17%	23%
Aircraft Interiors(1)	63%	61%

(1) Activities include the segments Seats, Galleys & Equipment and Cabin & Structures.

In the development of the breakdown of workforce by sector between 2011/2012 and 2012/2013, it should be noted that the decrease in the AeroSafety Segment as a share of total workforce is related to the transfer of Telemetry activities and "Airbag" to Aircraft Systems and Aircraft Interiors for a total of 820 employees.

The same goes for the Aircraft Interiors activities, which during the same period saw a transfer of Water & Waste, Cabin Control, Entertainment & Seats Technologies to the Zodiac Aircraft Systems Segment, for a total of 631 employees.

Breakdown of workforce by region

	Aug. 31, 2012	Aug. 31, 2013
France	25%	24%
Europe (outside France)	14%	13%
USA	37%	37%
Rest of the world	24%	26%

Breakdown of workforce by age group

	Aug. 31, 2012	Aug. 31, 2013
< 30 years old	23%	22%
30-39 years old	27%	27%
40-49 years old	24%	24%
>= 50 years old	26%	27%

Breakdown of workforce by length of service

	Aug. 31, 2012	Aug. 31, 2013
< 5 years	49%	46%
5 to 14 years	32%	34%
15 to 24 years	11%	12%
>= 25 years	8%	8%

Distribution of managerial staff or equivalent

	Aug. 31, 2012	Aug. 31, 2013
% of managerial staff in workforce	**26%**	**27%**
% of women managerial staff	24%	22%
% of men managerial staff	76%	78%

1.1 NEW HIRES AND SEPARATIONS

Permanent hires Men/Women

	Aug. 31, 2012	Aug. 31, 2013
Total number of permanent hires	5,114	4,461
Women	32%	35%
Men	68%	65%

Hires made by the Group went from 5,114 to 4,461 for the fiscal year, of which more than half were in Tunisia, Thailand and Mexico.

Separations

	Aug. 31, 2012	Aug. 31, 2013
Layoffs(2)	1,638	1,234
Resignations(2)	1,449	2,082
Other	531	661

(2) of which a significant share in the United States and Mexico.

1.2 COMPENSATION

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

General raises and merit raises are conducted annually. Group companies may also use tools that reward collective performance (i.e., in France, participation and sharing), as well as supplements to the base salary, such as a bonus or variable element, to recognize performance. In addition, specific complementary pension systems are in place in some countries, notably the United States and France with PERCOs (collective retirement savings plan – *Plan d'Épargne Retraite Collectif*).

In addition, as in 2011/2012, employees in France received a profit-sharing bonus in 2012/2013.

The Group also pays particular attention to the benefit plans (health insurance, pension, etc.) of its employees. This is why 87% of Group employees (main scope of consolidation) have life insurance. In addition, each year improvements in existing benefit plan systems are made at the subsidiaries. In 2012/2013, a project to harmonize health and pension plans was carried out in France, within the framework of a commission with social partners. Since September 1, 2013, all managerial staff and non-managerial staff employees in France receive a unique and quality complementary health plan to cover employees and their children, with the option to cover their spouse. They also receive full pension benefits to cover illness, disability and death risks.

2. ORGANIZATION OF WORKING TIME

The average working week is set according to local legislation. It is less than 40 hours for most subsidiaries.

According to current legislation, several provisions allow for balance between work and private life and promote equal opportunities. For example, more than 90% of non-managerial staff employees in France benefit from a flexible schedule.

Absenteeism:

The definitions of working time and absenteeism differ depending on the subsidiary and the region of operation. The Human Resources Department is currently holding discussions on how to harmonize the monitoring of absenteeism around the world. In 2012/2013, the absenteeism rate only concerned the French scope of consolidation. This scope of consolidation will be expanded to a global scale in the years to come.

The absenteeism rate in France is established by accounting for hours absent related to illness, no matter the duration or cause, including travel-related accidents, workplace and professional illness, non-justified absences and absences that were authorized but unpaid.

Absenteeism rate - France

	Aug. 31, 2013
Absenteeism	3.99%

3. SOCIAL DIALOGUE

Among the many stakeholders with whom Zodiac Aerospace maintains and intends to develop a regular dialogue, employees and their representatives have a place and a privileged role. In France, in addition to representative bodies in the subsidiaries, a Group Committee, comprising members of different French Corporate Committees, meets once a year. The majority of subsidiaries outside of France include employee representatives. The topics covered by the social dialogue are not always the same for all companies. However, major issues such as working hours, health and safety, compensation and training are considered.

In addition, employee briefings have been implemented in recent years to allow employees to receive better information on the strategy and outlook of the Group as well as their entity, but also to enable them to voice their opinions and ask questions.

In addition, in June 2013, an internal opinion survey was conducted among all employees to gather their opinion concerning quality of life at work, management and operation of the organization, at the local or Group level.

4. TRAINING

The objectives of the Group are divided into four major challenges for training:

- to share the fundamentals of Group culture, in particular in the fields of Ethics and Health, Safety and Environment;
- to strengthen key skills in all our businesses and maintain a high level of capacity for innovation and operational performance of teams;
- promote the integration and professional development of employees through training in management and personal development provided by the Group;
- support the Group's policy of mobility and diversity through linguistic training, in particular.

The Group's training initiative began in 2012/2013 with an average of 3 days of training per person.

Average number of days of training/employee

	2012/2013
France	2.7
USA	3.5
Competitive cost countries	2.9
Rest of the world	2.9
TOTAL	**3**

5. EQUAL OPPORTUNITIES

5.1 PROFESSIONAL GENDER EQUALITY

Considering diversity as a performance lever, Zodiac Aerospace intends to advance the position of women in technical professions and decision-making positions.

In France, several commitments have been made. Management's performance evaluation now includes indicators for the share of women being recruited and promotions to management positions.

In addition, particular attention is given so that family leave is not a hindrance to careers by providing training opportunities that may offer diplomas, providing a standard process for interviews before and after leave, guaranteeing a specific budget for individual raises and providing solutions for reorganizing working time.

The Group also is committed to encouraging the development of internal networks of women.

Regarding hiring, we monitor, in particular, the following indicators:

% of women

	Aug. 31, 2012	Aug. 31, 2013
Permanent contract hires	32%	35%
Employees	32%	31%
Managerial staff hires	24%	22%
Managerial staff	24%	22%

5.2 MEASURES PROMOTING THE EMPLOYMENT AND INCLUSION OF PEOPLE WITH DISABILITIES

The Group supports the insertion, vocational training and job retention of people with disabilities. It aims to promote the direct hiring of people with disabilities, particularly through relationships with recruitment agencies and employment agencies, and working with the protected sector.

At the sites, initiatives are implemented to promote the employment of people with disabilities. For example, the Cognac site in France developed and distributed a booklet to educate employees on this question and aims to explain how we can maintain and develop employment in the field.

5.3 ANTI-DISCRIMINATION POLICY

The Group aims to make team diversity an indispensable force in its development. The Group seeks to ensure the non-discrimination principle in recruiting initiatives and in management. In France, agreements on professional gender equality, senior agreements, and, more recently, generation contracts highlight this principle.

SAFETY, HEALTH AND ENVIRONMENT

In accordance with the Environment and Risk Management Charter signed by the Chief Executive Officer, Zodiac Aerospace continues to step up its actions to improve the safety and quality of the working conditions of its employees, to limit its environmental footprint and to consolidate its industrial risk management policy.

The Environment and Safety Departments ensure that all Group entities implement the policies reflecting the concrete objectives of this Charter.

To help them do so, safety and environment roadmaps have been developed over the past several years. The majority of Group entities have a safety and environment manager who ensures that the Group Charter and roadmaps are followed, and that local applicable regulations and internal requirements are followed.

1. GENERAL POLICY REGARDING ENVIRONMENT, HEALTH AND SAFETY

Strengthening legislation on environmental matters was supported by Zodiac Aerospace with the implementation of a particular framework.

Monitoring of regulatory issues (monitoring and identification of actions to be taken) is in place in most countries.

The French and Tunisian entities use a software solution for monitoring safety data sheets, which measure the impact of changes in REACH regulations.

The Purchasing Departments are responsible for verifying that suppliers implement regulatory changes.

This global approach is in the process of expanding to operations in North America.

Beyond regulatory compliance, the Group asked these entities to watch opportunities when CMRs (carcinogenic, mutagenic and reprotoxic chemicals) used on their sites can be substituted. This action is also part of an approach to reduce the safety and health risks of employees, and upstream and downstream users.

A periodic report is given to the Environment Department of the Group.

2. HEALTH AND SAFETY AT WORK

2.1 ACCIDENT RATE

In all its entities, the Group gives absolute priority to occupational safety and aims to reduce the risk of accidents at work to zero. To this end, a number of tools and standards have been instituted throughout the Group entities.

For several years, a tool has been used to centralize data relative to accident-related events such as "near misses", first aid and work-related accidents.

Convinced of the importance of the analysis of "near misses", the Group strongly emphasizes the rise in these events so that real preventive measures can be implemented. This data is increasingly analyzed by our entities and local initiatives have improved the feedback process.

Among other centralized data, the number of accidents, the circumstances and the causes of these accidents are recorded. Other Group companies can then be informed of the corrective measures implemented, thereby providing them with all the information needed to prevent similar situations arising at their own sites.

An internal rating system for the seriousness of accidents with days off was introduced two years ago, in order to track the improvement in risk management by entity.

Above a certain level of severity, an accident report must be submitted by the local management team to the Group senior management team. This report details the circumstances of the accident, the causes, and all actions put in place for the short and medium term.

For the current year, the number of accidents with days off for the whole Group has slightly increased. However, a significant reduction in the severity of accidents has been identified following the accident analysis based on the internal rating system.

The table below shows the distribution of the number of accidents with at least one day off work by region and by segment in 2011/2012 and 2012/2013. The Group did not have any fatalities.

	Aug. 31, 2012 Accidents[(1)] with at least one day off	Aug. 31, 2013 Accidents[(1)] with at least one day off
By region		
France	106	126
Other countries in Europe	62	64
USA	119	68
Other countries in the Americas	13	50
Rest of the world	91	111
TOTAL	**391**	**419**
By segment		
Zodiac AeroSafety	86	111
Zodiac Aircraft Systems	76	70
Zodiac Cabin & Structures	85	62
Zodiac Galleys & Equipment	55	66
Zodiac Seats	84	99
Zodiac Services Activities	5	11
TOTAL	**391**	**419**

(1) Zodiac Aerospace employees and temporary employees are included in the figures. Travel-related accidents are not included in the figures.

A slight increase in the total number of accidents with days off is explained by the Group's growth. Internal procedures and tools change over time to cover the whole scope of the Group. Action plans are put in place for each entity to eliminate situations that could occur a risk.

2.2 OCCUPATIONAL ILLNESS

Each Group entity monitors the number of occupational illnesses. This monitoring is carried out on a local level to include, in particular, the legislation of each country.

No reported occupational illness has resulted in a permanent partial disability rate in the last year.

Because Group activities require manual and precision work, the main occupational illnesses are associated with certain movements and working postures mainly affecting the upper limbs.

The following table shows the distribution of occupational illnesses reported on the scope of entities based in France.

	Aug. 31, 2012	Aug. 31, 2013
Declared occupational illnesses	16	9

In order to continuously improve the working conditions of its employees, the Group pushes its entities to conduct studies on ergonomic workstations. Training with ergonomists was carried out. This training brought together representatives of the methods, health, safety, and members of the Workplace Health and Safety Committee and the Lean department. The training has already resulted in ergonomic improvements in the workplace. This initiative was implemented in five French entities and will continue this fiscal year with the deployment of a Group standard to assist all entities to conduct studies on workstations.

At the same time, within the framework of the prevention of hardness work*, the Group has implemented action plans to prevent labor situations that could become "labor-intensive" within the meaning of the law (* note, less than half of French employees are exposed to at least one labor-intensive component).

This requirement was managed at the Group level via a working group in order to harmonize the actions to be taken. Actions were taken to improve workstations which could present a labor-intensive component.

2.3 OTHER ACTIONS TAKEN FOR THE HEALTH AND SAFETY OF EMPLOYEES

In addition to reports made, the Safety department of the Group has various actions in place to improve the benchmark, develop local initiatives and promote the safety of its employees.

In France, audits between Group entities were carried out to verify the implementation of Group directives concerning safety. These audits were performed by the safety managers of the entities. Weak points and opportunities for improvement that were revealed through the audits are consolidated at the Group action plan level, which allows sharing through the network of Group safety managers.

For several years, safety committee meetings were held in France and North America, each bringing together the safety managers of the entities based in the two countries. These meetings were aimed at raising the benchmark and sharing best practice on safety matters. They also provided an opportunity to present the Group's directives, to focus on various specific regulatory points, and to highlight best practices already in place at Group sites. The Group is aiming to extend this type of committee to all the countries in which the Group is located.

Also in an effort to improve the benchmark, a database of best practices has been introduced this fiscal year at the Group level. Its aim is to encourage exchanges between the entities. This database is updated by the entities, which enter a practice which is then validated as a best practice by the Group Safety Director. Published best practices will eventually become Group standards.

The deployment of Group standards aims to standardize the practices. These standards come from working groups and respond to problems faced by different Group entities. They are validated by several Group entity representatives. The implementation of new standards over this year will help the entities with the implementation of a safety culture.

The implementation of a safety culture is also introduced through training. Among the employees trained this year, 16% have had training on safety culture and behavior, and 30% received training on specific risks such as handling chemicals, work in confined spaces, working at heights or hot spot work, etc. In addition, the majority of new employees received a security introduction before taking their post. All these trainings allow our employees to be safety players on a daily basis.

Finally, this fiscal year, 7 Group entities were OHSAS 18001 certified. This certification allows entities to have a framework which limits possible failures of the current security system. The Group has 17 certified entities. This figure should go up over the next fiscal year.

3. ENVIRONMENT: ORGANIZATION AND MANAGEMENT

Given the activities of the Zodiac Aerospace Group, there are two aspects to environmental issues: the environmental challenges of production sites and the environmental challenges related to products developed by the Group.

4. ENVIRONMENTAL IMPACT OF SITE ACTIVITIES

The majority of the Group's sites have an Environment Manager that oversees local regulations and internal requirements in this area. That is more than 80 full-time equivalents in the Group dedicated to the environment in 2012/2013. This network of correspondents is managed by the Group's Environment department, which is charged with three tasks:

- monitoring the environmental performance of each entity based on the charter;
- dealing with different issues concerning the environment;
- promoting internal standards and helping implement them.

To improve the management and environmental performance of its production sites, the Group promotes the development of environmental management systems and has initiated a certification process of its sites according to ISO 14001.

To date, around 46% of the Group's sites are certified.

On all ISO 14001 certified sites, the whole workforce is trained in associated environmental issues at least once every three years and receives information at least once per quarter.

Zodiac Aerospace formalized, through its Environment and Risk Charter, what it considers to be key environmental issues and established several commitments to reduce them. This commitment prioritizes the reduction of CO_2 emissions, the substitution of dangerous chemicals, the reduction of generated waste and the improvement of its treatment.

4.1 WASTE

The Group set the following objectives in its Environment and Risks Charter, with a three year deadline:

- reduce the production of waste;
- limit the amount disposed of with a recovery rate of more than 80%;
- achieve a recycling rate greater than 45%.

During the fiscal year, the amount of waste produced per hour remained stable, 60% of waste was recovered, primarily for energy production via incineration, and 50% was recycled. Subject to special treatment, hazardous waste decreases with the development of cleaner industrial processes.

AMOUNT OF WASTE BY REGION

	Total waste (tons)			Waste per hour of production (kg/h)		
	2011/2012 60 sites 87% of employees	**2012/2013 60 sites 87% of employees**	**2012/2013 76 sites 95% of employees**	2011/2012 59 sites 86% of employees	**2012/2013 59 sites 86% of employees**	**2012/2013 76 sites 95% of employees**
France	3,582	3,251	3,295	0.75	0.66	0.66
Other countries in Europe	1,138	1,509	1,820	0.43	0.48	0.53
USA	7,241	7,385	7,650	0.53	0.57	0.60
Other countries in the Americas	1,095	895	2,808	0.47	0.32	0.54
Rest of the world	2,828	3,067	3,164	0.48	0.48	0.43
TOTAL	**15,885**	**16,107**	**18,735**	**0.54**	**0.53**	**0.55**

AMOUNT OF WASTE RECYCLED AND RECOVERED BY REGION

	Waste: recycling materials (tons)			Waste: incineration with energy recovery (tons)			Waste: disposed of (tons)		
	2011/2012 60 sites 87% of employees	**2012/2013 60 sites 87% of employees**	**2012/2013 76 sites 95% of employees**	2011/2012 60 sites 87% of employees	**2012/2013 60 sites 87% of employees**	**2012/2013 76 sites 95% of employees**	2011/2012 60 sites 87% of employees	**2012/2013 60 sites 87% of employees**	**2012/2013 76 sites 95% of employees**
France	1,892	1,830	1,856	1,147	908	919	543	512	519
Other countries in Europe	597	1,206	1,337	90	117	215	451	186	267
USA	2,849	2,962	3,137	304	251	275	4,088	4,172	4,237
Other countries in the Americas	232	266	1,170	205	155	226	658	473	1,411
Rest of the world	1,766	1,761	1,771	–	244	244	1,062	1,062	1,148
TOTAL	**7,337**	**8,025**	**9,271**	**1,746**	**1,677**	**1,880**	**6,802**	**6,405**	**7,584**

RECYCLING AND RECOVERY RATE OF WASTE BY REGION

(%)	Rate of recycling			Rate of recovery		
	2011/2012 60 sites 87% of employees	2012/2013 60 sites 87% of employees	2012/2013 76 sites 95% of employees	2011/2012 60 sites 87% of employees	2012/2013 60 sites 87% of employees	2012/2013 76 sites 95% of employees
France	53%	56%	56%	85%	84%	84%
Other countries in Europe	52%	80%	73%	60%	88%	85%
USA	39%	40%	41%	44%	44%	45%
Other countries in the Americas	21%	30%	42%	40%	47%	50%
Rest of the world	62%	57%	56%	62%	65%	64%
TOTAL	**46%**	**50%**	**49%**	**57%**	**60%**	**60%**

In addition to the Charter objectives, the Group also seeks to improve monitoring and quality monitoring of sites' waste. Practices at French sites regarding this (waste tracking slips and checking the accreditation of providers) will be generalized to other Group sites.

4.2 WATER

The Group's activities generate very little industrial wastewater. Industrial wastewater, mainly from surface treatment (five production sites), is treated and their effluent is collected by the approved specialists or treated by the sites in the detoxification plants.

Water use by different production units is as follows:

4.3 AIR

Atmospheric emissions are not part of the environmental issues that the Group considers a priority for its activities.

Those identified at the sites are primarily two kinds:

- emissions related to combustion energy (primarily for heating);
- emissions related to solvents: they are channeled and treated as necessary (filters, scrubbers, etc.) and tested regularly.

The Group's sites ensure the application of a policy to reduce emissions and for several years has continued efforts to reduce these emissions: solvents replaced by detergents, less volatile solvents, water-based processes, etc.

WATER USE BY REGION

(thousands of m^3)	2011/2012 22 sites 31% of employees	2012/2013 22 sites 31% of employees	2012/2013 74 sites 94% of employees
France	240	275	283
Other countries in Europe	2	2	31
USA	11	15	437
Other countries in the Americas	–	–	71
Rest of the world	7	18	88
TOTAL	**259**	**310**	**910**

4.4 SOIL

At August 31, 2013, no site was implicated in gradual or chronic soil pollution due to industrial activity. The risks of such pollution have been identified and are mainly accidental chemical spills.

To manage these risks, the Group encourages the implementation of retention and anti-pollution kits for all storage locations. An internal standard is being prepared to standardize practices in terms of retention capacity, means of intervention and employee training. As a precaution, the Group also carries out a soil audit before any acquisition project in order to evaluate the condition of the site and environmental impact risks.

4.5 ENERGY EFFICIENCY AND GREENHOUSE GAS EMISSIONS

The reduction of greenhouse gas (GHG) emissions and energy efficiency is a major focus of the Group's environmental policy. This is reflected in particular by our stated objective of reducing energy consumption by 3% in the Group's buildings and production processes over the next three years.

Zodiac Aerospace completed its first assessment in 2012 of the Group's direct[1] and indirect[2] greenhouse gas emissions, with the aim of identifying, for each business, the primary posts emitting greenhouse gases and levers to reduce emissions, defining the actions to be taken and their expected impact and calculating the actual gains observed. The assessment was carried out for this year on activities at 76 Group sites identified as "significant" (these sites represent 95% of Group employees): the result is the reference point for an action plan that will be committed to over three years.

The Group has also started quantifying other indirect emissions[3] generated by business travel, commuting, waste treatment and, when the data were available, the purchase of raw materials, products, services and transport.

(1) Scope 1 of GHG (Greenhouse Gas) Protocol: direct emissions from stationary and mobile sources, held or owned by the company.

(2) Scope 2 of GHG Protocol: emissions related to purchased electricity.

(3) Scope 3 of GHG Protocol: all other emissions produced indirectly by the activities or the exercise of powers of the company and which are not recorded in scopes 1 and 2.

GHG BALANCE SHEET BY REGION

(tons CO_2 eq.)	2012/2013 Scope 1 - 76 sites 95% of employees	2012/2013 Scope 2 - 76 sites 95% of employees
France	10,810	3,920
Other countries in Europe	3,017	5,868
USA	9,696	40,890
Other countries in the Americas	1,378	11,187
Rest of the world	392	22,473
TOTAL	**25,292**	**84,339**

ASSESSMENT OF INDIRECT GREENHOUSE GAS EMISSIONS

(tons CO_2 eq.)	2012/2013 Scope3					
	France 19 sites	Other countries in Europe 5 sites	USA 6 sites	Other countries in the Americas 0 site	Rest of the world 3 sites	TOTAL 33 sites
Sources of emissions						
Purchase of products or services	222,600.22	2,320.21	–	–	3.94 (3)	224,924.37
Waste	70.45	44.35	73.44	–	17.00	205.24
Upstream transport of merchandise	1,850.71 (1)	244.39 (2)	–	–	63.02 (3)	2,158.12
Business travel	3,497.99	1,375.04	1,692.57	–	47.80	6,613.40
Downstream transport of merchandise	9,063.90	1,479.62 (2)	–	–	88.23 (3)	10,631.75
Commuting	4,497.47	5,731.68	3,122.46	–	305.00	13,656.61
TOTAL	**241,580.74**	**11,195.29**	**4,888.47**	**–**	**524.99**	**258,189.49**

(1) 17 sites.
(2) 3 sites.
(3) 2 sites.

ENERGY CONSUMPTION BY SOURCE AND BY REGION

	Gas			Electricity			Fuel		
(thousands of KWh)	2011/2012 59 sites 87% of employees	2012/2013 59 sites 87% of employees	2012/2013 76 sites 95% of employees	2011/2012 59 sites 87% of employees	2012/2013 59 sites 87% of employees	2012/2013 76 sites 95% of employees	2011/2012 59 sites 87% of employees	2012/2013 59 sites 87% of employees	2012/2013 76 sites 95% of employees
France	41,280	46,545	46,578	40,135	43,182	43,471	2,057	2,681	2,681
Other countries in Europe	7,891	7,634	13,639	9,596	10,033	13,891	1,406	–	–
USA	47,469	48,474	50,730	84,279	69,288	71,737	–	41	41
Other countries in the Américas	4,841	5,185	6,809	11,066	12,097	24,765	–	–	–
Rest of the world	–	8	8	21,477	23,906	29,185	–	1,443	1,443
TOTAL	**101,482**	**107,846**	**117,765**	**166,553**	**158,505**	**183,049**	**3,463**	**4,164**	**4,164**

Refrigeration systems are subject to monitoring plans and specific reductions with regards to the impact on the ozone layer. They represent less than 5% of the Group's CO_2 emissions.

The Group monitors its energy consumption for several years and several energy audits have been carried out to define areas of improvement, which are then the subject of feedback for other sites.

Currently, the use of renewable energy by the Group is marginal. This consists mainly of solar panels on a few of its buildings. Studies are, however, underway regarding the use of biomass to heat some buildings.

5. ENVIRONMENTAL IMPACT OF OUR PRODUCTS

The substitution of hazardous materials continues within the framework of a plan deployed by the Group in June 2009. Under this plan, initiated in Europe and under development on a global scale, every new chemical product that enters production is validated by the Environmental/Safety managers and the measures taken to replace it are reported quarterly to general management.

In the same vein, the Group continues to take into account the environmental impact of its products throughout their life cycle (production, transport, use and recycling).

A multi-disciplinary work group was created to exchange experiences and roll out a Group standard. The result is the development of the EIME tool and a database of best practices.

The use of raw materials and how efficiently they are used are permanent objectives that will be quantified with the deployment of this tool within the Group.

6. NON-SIGNIFICANT SUBJECTS AT THE GROUP LEVEL

6.1 BIODIVERSITY

The impact of activities on biodiversity is limited because production units are generally located on small sites located in industrial zones.

6.2 NOISE AND ODORS

These are not a major concern given that because of the nature of the Group's activities, little noise or odors are generated. Noise pollution most commonly comes from refrigeration and compression installations, for which precautions are taken to limit the noise impact. The sound levels are regularly checked.

7. CONSEQUENCES OF CLIMATE CHANGE FOR THE GROUP

The potential impact of climate change on the Group is discussed in the section "Risk Management", page 18.

8. NOTE ON METHODOLOGY: ENVIRONMENTAL INDICATORS

Sites with fewer than 25 employees with an exclusively tertiary activity, new acquisitions and new sites constructed during the fiscal year 2012/2013 are not covered by the report.

Scope 3 of the greenhouse gas balance sheet was based on a sample of voluntary sites.

For some sites, an extrapolation of data was done for the twelfth month, the data not being available at the time of publication of the annual report.

SOCIETAL INFORMATION

The Zodiac Aerospace Group has developed around core values which constitute its philosophy and the basis of its development. There are four core values:

- Humility implies recognizing the existence of something better than yourself, along with the potential to learn from others.
- Realism means only taking into account the actual facts to drive the Group's businesses forward, and particularly its results.
- The entrepreneurial spirit means taking risks, being creative, being confident in yourself and accepting the confidence of others. This requires a sense of responsibility towards the company's "assets" and a keen awareness of the markets.
- Respect includes respect for what has already been achieved, what is underway and what remains to be done. Respect for one's own work and the other's.

The Group's Ethics Code is a code of conduct in relation to its environment. It is based on honesty, integrity, fairness and protection. This Code of Ethics is regularly updated. In 2013, the Code was reviewed, in particular, to strengthen the provisions related to anti-corruption and in all countries where the Group operates.

The Group values and Code of Ethics are complemented by the Environmental and Risk Charter and different commitments of the Group, in particular, concerning gender equality.

Finally, as part of the process of the deployment of "Lean", Zodiac Aerospace has developed a tool, the "Hoshin Kanri[(1)]" which presents the main strategic directions of the Group broken down into specific objectives, which are distributed to all employees, allowing everyone to better understand the development strategy of the Group and what its contribution is to this development.

1. TERRITORIAL, ECONOMIC AND SOCIAL ACTIVITY OF THE COMPANY

The Zodiac Aerospace Group is present in 17 countries worldwide, with a particularly significant presence in France and the United States.

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

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

2. PARTNERSHIPS AND SPONSORSHIPS

Zodiac Aerospace, in line with its entrepreneurial spirit, gives considerable autonomy to its various entities worldwide, so they have the ability to determine on a local level which partnerships and sponsorships they would like to engage in. The Group intervenes only to ensure compliance of these actions with the Group's Ethics and to ensure that these actions are sustainable.

At the Group level, Zodiac Aerospace has decided to focus its actions to ensure greater efficiency. Accordingly, for several years, the Group has been supporting the association "*Petits Princes*" which gives help to seriously ill children. This support is financial and material. The Group uses its global network and contacts in the aerospace field to help make children's "dreams" come true.

The actions of Group entities may be carried out locally in the social field, education, sports sponsorship to benefit causes or cultural sponsorship. Examples of these actions are presented each year in the Group's annual report.

3. FAIR PRACTICES

After ensuring the compliance of its operations, the Zodiac Aerospace Group plans to initiate its ratification of the Global Compact.

Through the Global Compact, companies are committed to aligning their operations and strategies with 10 universally accepted principles of human rights, labor standards, the environment and anti-corruption.

3.1. THE FIGHT AGAINST CORRUPTION

The Code of Ethics of the Zodiac Aerospace Group includes a specific chapter to fight against conflicts of interest and corruption. These actions are strengthened in the procedures for Group buyers and the code of conduct for Group managers.

Today, this code is available to around 16,000 Group employees. An awareness action will be launched in December 2013 to reinforce the message to managers and make it widespread within the Group. In addition, the code will also be distributed to all new salaried employees when hired in the Group, starting in January 2014.

In addition, Zodiac Aerospace has launched an e-learning module for Group employees most exposed to corruption risks (management, buyers, sellers, etc.; about 3,000 people in all) to build their knowledge, help them make the right decisions and report inappropriate actions.

3.2 OSLO CONVENTION

Zodiac Aerospace Group respects the Oslo Convention on cluster munitions. The only potentially relevant contract was for a brake parachute manufactured by a subsidiary in the United States and was reported in late 2010. The activity in question was subsequently sold. No other activity of the Group is concerned, and the Group verifies the compliance of operations acquired during acquisition transactions with the Oslo Convention.

(1) Japanese term meaning "that which shows the right direction".

4. SUBCONTRACTING AND SUPPLIERS

A few years ago, Zodiac Aerospace launched a special project to harmonize buying practices. As such, the Group standards were developed and validated during the last year. The deployment of these standards is in progress with the objective of full deployment in 2014.

These standards include social and environmental elements.

The Group's purchasing policy states:

- that Zodiac Aerospace expects regulatory compliance from these suppliers;
- that suppliers are expected to comply with international standards – from the International Labor Organization, the OECD, the United Nations – on human rights and in particular on the effective abolition of child labor, forced labor and corrupt practices;
- Zodiac Aerospace's determination on preservation of the environment;
- the rules of conduct for employees in contact with suppliers in relation to the prevention of conflicts of interest and the fight against corruption.

"Environmental" elements were introduced in a Group document entitled "requirements applicable to Zodiac Aerospace suppliers". The version of this document, including the "environmental" elements, will be rolled out with all suppliers in January 2014 and referenced on purchase orders and purchase contracts.

The purchasing policy and Group procedures attached thereto are maintained by a Group purchasing council (Zodiac Supply Chain Council), whose mission is to ensure rollout within Group entities. A special report has recently been established to measure the progress of the rollout. This report includes a measure of the knowledge of the purchasing policy by all employees involved in the "purchasing" process.

A Group procedure was created to structure the reporting and dissemination of information to the Zodiac Supply Chain Council on, among other elements, the discovery of practices at our suppliers that do not comply with these commitments and elements that could jeopardize the security of air transport – including counterfeiting – in the framework of this procedure, the Zodiac Supply Chain Council can decide to delist the supplier for all Group entities.

The fiscal year 2013/2014 will see the implementation of training of our employees to better understand social and environmental aspects and actions targeted at explaining this policy to our suppliers.

In addition, the Zodiac Aerospace Group is a signatory to the charter on inter-company relations initiated by the French state.

As such, the Group has put in place internal mediation that can help resolve difficulties encountered in the execution of a contract with a supplier to entities of the Group. This mediation is in place in Europe and North America.

Independent Third Party Report
on Consolidated Social, Environmental and Societal Information included in the Management Report

To the Shareholders,

In our capacity as an independent third party[1] organization, a member of the network of Statutory Auditors of Zodiac Aerospace, we present to you our report on the consolidated social, environmental and societal information presented in the management report, hereinafter referred to as "CSR Disclosures", prepared in accordance with Article L. 225-102-1 of the French Commercial Code for the fiscal year ended August 31, 2013.

THE RESPONSIBILITY OF THE COMPANY

The Executive Board of the Company is responsible for preparing a management report that includes the CSR Disclosures provided for under Article L. 225-102-1 of the French Commercial Code and in accordance with the standards used (the "Standards"), consisting of the HR and Environment reporting instructions and the work-related accident management procedure, in the versions dated September and April 2013; these are available from the Company.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined in the regulations, the code of professional ethics of the profession and the provisions of Article L. 822-11 of the French Commercial Code. In addition, we have implemented a quality control system that includes documented policies and procedures to ensure compliance with the rules of ethics, professional standards and applicable laws and regulations.

INDEPENDENT THIRD PARTY REPORT

Based on our audit, it is our responsibility to:

- certify that the required CSR Disclosures are included in the management report or are the object, if omitted, of an explanation pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Certificate of inclusion of CSR Disclosures);
- express a conclusion, with a moderate level of assurance, on the fact that the CSR Disclosures are, in all material respects, presented fairly in accordance with the Standards used (Reasoned opinion on the fairness of the CSR Disclosures).

Our audit was conducted in November and December 2013.

(1) Application for accreditation considered admissible in October 2013 by the French Accreditation Committee (COFRAC accreditation project No. 3-1050) for the verification of social, environmental and societal information in the annual reports of the Board of Directors or the Executive Board.

1. CERTIFICATE OF INCLUSION OF CSR DISCLOSURES

We conducted the audit in accordance with professional standards applicable in France and in accordance with the decree of May 13, 2013, which determine the manner in which the independent third party conducts its mission:

- We have reviewed the statement of guidelines for sustainable development based on the social and environmental consequences of the activities of the Company and its social commitments and, where appropriate, the related actions or programs;
- We compared the CSR Disclosures presented in the management report with the list provided for under Article R. 225-105-1 of the French Commercial Code.
- If certain consolidated information is lacking, we verified explanations were provided in accordance with Article R. 225-105 paragraph 3.
- We verified that the CSR Disclosures covered the scope of consolidation, i.e., the Company and its subsidiaries within the meaning of Article L. 233-1 and the companies it controls within the meaning of Article L. 233-3 of the French Commercial Code, with the limits specified in the management report, in particular the limitation on the scope in France of absenteeism and occupational illness indicators.

In our opinion and based on our audit, the management report includes the required CSR Disclosure.

2. REASONED OPINION ON THE FAIRNESS OF CSR DISCLOSURES

NATURE AND EXTENT OF AUDIT

We carried out our audit in accordance with professional standards applicable in France and in accordance with the decree of May 13, 2013, which determine the manner in which the independent third party conducts its mission and with the ISAE 3000 international standard.

We have carried out the following procedures to obtain moderate assurance that the CSR Disclosures are free of material misstatement that calls into question their fairness in accordance with the Standards. A higher level of assurance would have required a more extensive review audit.

We carried out the following audits:

- We identified the people within the Company who are responsible for the information gathering process and who, where appropriate, are responsible for the internal control procedures and risk management.
- We assessed the appropriateness of the Standards in terms of their relevance, comprehensiveness, neutrality, clarity and reliability, taking into account, where appropriate, best practices in the industry.
- We have verified the implementation within the Group of a collection, compilation, processing and control process for exhaustive and consistent information. We have reviewed the internal control and risk management procedures relating to the preparation of the CSR Disclosures. We conducted interviews with the people responsible for the preparation of the CSR Disclosures.
- We selected the consolidated data to test(2) and determined the nature and extent of the tests by taking into account their importance in relation to the social and environmental consequences related to the activities and characteristics of the Group and its social commitments.
  - For the consolidated quantitative information selected:
    - at the level of the parent entity and the controlled entities, we implemented analytical procedures and verified, on a test basis, the calculations and the consolidation of such information;
    - at the level of the entities that we selected(3) according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we have:
      - conducted interviews to verify the correct application of procedures;
      - implemented detailed tests on the basis of sampling, which consist of verifying the calculations and reconciling the supporting documents.

    The sample selected represents 15% of the employees and 26% of the energy consumption.
  - For the consolidated qualitative information that we considered most important, we consulted documentary sources to corroborate this information and assess its fairness.
- We assessed the fairness and consistency of the other published consolidated information based on our knowledge of the Company and, where appropriate, through interviews or consultation of documentary sources.
- Finally, we assessed the relevance of the explanations, where appropriate, regarding the absence of certain information.

Due to the use of sampling techniques and other limits inherent to the functioning of any information and internal control system limits, the risk of not detecting a material misstatement in the CSR Disclosures cannot be completely eliminated.

CONCLUSION

Based on our audit, we did not identify any material misstatements that call into question the fact that CSR Disclosures, taken as a whole, are presented fairly, in accordance with the Standards.

OBSERVATIONS

Without qualifying our conclusion above, we draw your attention to the following:

- The definitions of social information (definition of permanent employees and managerial staff) may leave some interpretation to the sites, which, where appropriate, might impact the homogeneity of the information consolidated by the Group.
- The two sites audited in the United States show an underestimation of the recruitment number.

Paris-La Défense, December 6, 2013

Independent third party
Ernst & Young et Associés
Sustainable Development
Department

Christophe Schmeitzky

(2) Environmental and societal information: general policy on the environment, waste management, sustainable use of resources (energy and water consumption), greenhouse gas emissions, taking social and environmental responsibility into account in relations with suppliers and subcontractors, actions undertaken to prevent corruption.
Social information: employees, recruitment and dismissals, work-related accidents, hours of training.

(3) Sites: Soliman (Tunisia), Marysville (USA), Niort (France) Caudebec (France) and Gainesville (USA).

FINANCIAL **STATEMENTS**

FOREWORD

This document is a translation of the French “Rapport annuel”.

In case of difficulty, refer to the French text.

STATEMENT BY MANAGEMENT

Plaisir, November 15, 2013

To our knowledge, the financial statements for the fiscal year ended August 31, 2013 have been prepared in accordance with the applicable accounting standards and present fairly the assets, financial position and results of operations of all the entities comprised in the consolidation of the Zodiac Aerospace Group and the annual business report is a fair presentation of the information referred to in Article 222-3 (4) of the General Regulations of the AMF.

Olivier Zarrouati	Jean-Jacques Jégou
Chief Executive Officer	Executive Vice-President, Administration and Finance

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

ASSETS

(in thousands of euros)	Notes	Amount at Aug. 31, 2013	Amount at Aug. 31, 2012
Goodwill	(Notes 3.8 and 13.1)	1,568,750	1,502,792
Intangible assets	(Notes 3.8, 13.2 and 13.3)	557,528	513,654
Property, plant & equipment	(Note 14)	345,089	314,223
Investment in associates and joint ventures	(Note 15)	670	536
Loans		145	387
Other non-current financial assets	(Note 16)	14,822	14,911
Deferred tax assets	(Note 11)	970	463
Total non-current assets		**2,487,974**	**2,346,966**
Inventories	(Notes 3.9 and 17)	859,001	783,113
Current tax assets	(Note 11)	37,631	33,523
Trade receivables	(Note 3.10)	738,435	655,631
Advances to suppliers and employees		13,868	10,529
Other current assets	(Note 18)	20,662	17,857
Other financial assets:			
– loans and other current financial assets		4,633	3,340
Cash and cash equivalents	(Note 19)	156,840	161,802
Total current assets		**1,831,070**	**1,665,795**
Held-for-sale assets [1]		**1,356**	**1,488**
TOTAL ASSETS		**4,320,400**	**4,014,249**

(1) At August 31, 2012 and August 31, 2013, the amounts pertained to buildings held for sale (see Note 14).

EQUITY AND LIABILITIES

(in thousands of euros)	Notes	Amount at Aug. 31, 2013	Amount at Aug. 31, 2012
Capital	(Note 20)	11,486	11,425
Share premiums	(Note 20)	125,194	113,929
Consolidated reserves		1,905,651	1,654,462
Currency translation adjustments		(48,647)	51,276
Fair value adjustment of financial instruments		393	(4,562)
Net income attributable to equity holders of the parent company		370,914	318,881
Treasury stock		(89,880)	(89,253)
Equity attributable to equity holders of the parent company		**2,275,111**	**2,056,158**
Minority interest:			
– in equity		727	1,281
– currency translation adjustments		(82)	(81)
– in consolidated net income		(186)	(550)
Minority interest		**459**	**650**
Equity		**2,275,570**	**2,056,808**
Non-current provisions	(Notes 3.11 and 22)	59,989	56,266
Non-current financial liabilities	(Note 21)	908,597	715,891
Other non-current financial liabilities		1	228
Deferred tax liabilities	(Note 11)	157,154	142,159
Total non-current liabilities		**1,125,741**	**914,544**
Current provisions	(Notes 3.11 and 22)	76,064	67,101
Current financial liabilities	(Notes 19 and 21)	92,005	277,460
Other current financial liabilities		281	4,823
Accounts payables	(Note 3.12)	312,993	338,449
Liabilities to employees and payroll liabilities	(Note 3.13)	179,748	161,534
Current tax liabilities		52,796	34,241
Other current liabilities	(Note 23)	205,202	159,289
Total current liabilities		**919,089**	**1,042,897**
TOTAL EQUITY AND LIABILITIES		**4,320,400**	**4,014,249**

Consolidated Statement of Profit and Loss

(in thousands of euros)	Notes	Amount at Aug. 31, 2013	Amount at Aug. 31, 2012
Revenue	(Notes 3.1, 3.2 and 3.3)	3,891,609	3,440,637
Other revenue from operations		10,589	9,858
Purchases used in the business		1,556,945	1,389,948
Personnel costs	(Note 5)	1,142,989	1,007,910
External costs		537,970	499,599
Taxes other than income taxes		30,394	26,081
Depreciation and amortization charges		81,923	70,095
Charges to provisions		24,629	13,406
Changes in inventories of finished goods and work in progress		38,089	43,684
Other operating income and expenses	(Note 7)	(1,107)	(711)
Current operating income	**(Note 3.4)**	**564,330**	**486,429**
Non-current operating items	(Note 8)	(23,186)	(11,468)
Operating income		541,144	474,961
Income/(expenses) related to cash and cash equivalents		(424)	(2,289)
Cost of gross debt		(25,259)	(28,368)
Cost of net debt	(Notes 3.6 and 9)	(25,683)	(30,657)
Other financial income and expenses	(Notes 3.6 and 10)	(2,365)	(2,512)
Income taxes	(Notes 3.7 and 11)	(141,636)	(134,398)
Results of companies accounted for by the equity method		(732)	–
NET INCOME from continuing operations	**(Note 3.5)**	**370,728**	**307,394**
NET INCOME from businesses being sold and income from disposals of held-for-sale assets		**–**	**10,937**
NET INCOME		**370,728**	**318,331**
Attributable to non-controlling interests		(186)	(550)
Attributable to equity holders of the parent company		370,914	318,881
Basic earnings per share attributable to equity holders of the parent company	**(Note 12)**	**€6.81**	**€5.89**
Diluted earnings per share attributable to equity holders of the parent company	**(Note 12)**	**€6.73**	**€5.82**

Consolidated Net Statement of Profit and Loss
and gains and losses recognized directly as equity

(in thousands of euros)	Amount at Aug. 31, 2013	Amount at Aug. 31, 2012
Net income	**370,728**	**318,331**
Gains and losses recognized in equity, before tax:		
– currency translation adjustments[1]	(99,928)	190,096
– Restatement of hedging derivative instruments	8,740	(4,049)
Tax on restatement of hedging derivative instruments	(3,067)	1,515
Total of gains and losses recognized directly in equity	**(94,255)**	**187,562**
Net income and gains and losses recognized directly in equity	**276,473**	**505,893**
Attributable to non-controlling interests	(191)	(488)
Attributable to equity holders of the parent company	276,664	506,381

(1) Most of the currency translation is related to the change in the euro/US dollar exchange rate.

Consolidated Statement of Cash Flows (1)

(in thousands of euros)	Notes	Amount at Aug. 31, 2013	Amount at Aug. 31, 2012
Operating activities:			
Net income		370,728	318,331
Results of companies accounted for using the equity method		732	–
Depreciation, amortization and provisions		116,090	85,942
Capital gains (2)		1,102	(12,767)
Deferred taxes	(Note 11)	13,570	30,639
Share options		7,670	6,105
Other		(416)	(701)
Cash flow from operations		**509,476**	**427,549**
Net change in inventories		(73,087)	(101,991)
Net change in operating assets		(92,923)	(95,630)
Net change in debt		48,140	70,278
Cash flow from continuing operations		**391,606**	**300,206**
Cash flow from operations of businesses being sold		**–**	**–**
Cash flow from continuing operations and businesses being sold		**391,606**	**300,206**
Investing activities:			
Acquisitions of non-current assets:			
– intangible assets	(Note 13.3)	(73,905)	(71,621)
– property, plant & equipment	(Note 14.1)	(95,218)	(82,650)
– other		(1,118)	(3,556)
Proceeds from sale of property, plant and equipment		1,144	890
Changes in receivables and payables relating to fixed assets		(582)	1,217
Acquisitions/(disposals) of entities, net of cash acquired(3)		(159,615)	(404,992)
Cash flow from investments in continuing operations		**(329,294)**	**(560,712)**
Cash flow from investments in businesses being sold		**–**	**–**
Cash flow from investments in held-for-sale assets (4)		**–**	**27,418**
Cash flow from investments in continuing operations and businesses being sold		**(329,294)**	**(533,294)**
Financing activities:			
Change in debt		1,071	182,158
Change in financial instruments		–	–
Increase in equity	(Note 20)	11,326	14,974
Treasury stock		(627)	2,261
Ordinary dividends paid by parent company		(76,080)	(64,751)
Dividends paid to minority interests		–	–
Cash flow from the financing of continuing operations		**(64,310)**	**134,642**
Cash flow from the financing of businesses being sold		**–**	**–**
Cash flow from the financing of continuing operations and businesses being sold		**(64,310)**	**134,642**
Currency translation adjustments, beginning of period		(8,176)	35,257
CHANGE IN CASH AND CASH EQUIVALENTS		**(10,174)**	**(63,189)**
CASH AT BEGINNING OF PERIOD		**148,895**	**212,084**
CASH AT END OF PERIOD	**(Note 19)**	**138,721**	**148,895**

1) The Group did not record any transactions between shareholders during the period.

(2) At August 31, 2012, this includes the capital gain from the disposal of the Issy-les-Moulineaux building and of a Driessen repair business.

(3) At August 31, 2012, this involves mainly the purchase of Heath Tecna and Zodiac Seats UK Ltd (formerly Contour Aerospace), and at August 31, 2013, the purchase of Zodiac Inflight Innovations (formerly IMS) and its subsidiary Base2, Innovative Power Solutions, Northwest Aerospace Technologies and Zodiac Aero Duct Systems (formerly ACC La Jonchère).

(4) At August 31, 2012, this includes the sale price, exclusive of taxes, of the Issy-les-Moulineaux building and of a Driessen repair business.

Statement of Change in Consolidated Equity

(in thousands of euros)	Capital	Share premiums	Reserves	Net income attributable to equity holders of the parent company	Currency translation adjustments	Treasury stock	Restatement of financial instruments	Equity after minority interests	Changes in minority interests[3]	Change in equity
Balance at Aug. 31, 2011	**11,349**	**99,031**	**1,478,098**	**238,256**	**(141,980)**	**(91,514)**	**(2,028)**	**1,591,212**	**386**	**1,591,598**
Currency translation adjustments					190,034			190,034	62	190,096
Restatement of financial instruments (1)							(2,534)	(2,534)		(2,534)
Income recognized directly in equity (a)					190,034		(2,534)	187,500	62	187,562
Net income for the fiscal year (b)				318,881				318,881	(550)	318,331
Total income recognized for the fiscal year (a) + (b)				318,881	190,034		(2,534)	506,381	(488)	505,893
Capital increase	76	14,898						14,974		14,974
Acquisition or disposal of own shares (2)						2,261		2,261		2,261
Valuation of options on share options			6,105					6,105		6,105
Dividends			(64,751)					(64 751)		(64 751)
Other (4)			235,010	(238,256)	3,222			(24)	752	728
Balance at Aug. 31, 2012	**11,425**	**113,929**	**1,654,462**	**318,881**	**51,276**	**(89,253)**	**(4,562)**	**2,056,158**	**650**	**2,056,808**
Currency translation adjustments					(99,923)			(99,923)	(5)	(99,928)
Restatement of financial instruments (1)			718				4,955	5,673		5,673
Income recognized directly in equity (a)			718		(99,923)		4,955	(94,250)	(5)	(94,255)
Net income for the fiscal year (b)				370,914				370,914	(186)	370,728
Total income recognized for the fiscal year (a) + (b)			718	370,914	(99,923)		4,955	276,664	(191)	276,473
Capital increase	61	11,265						11,326		11,326
Acquisition or disposal of own shares (2)						(627)		(627)		(627)
Valuation of options on stock options and bonus share awards			7,670					7,670		7,670
Dividends			(76,080)					(76,080)		(76,080)
Other (4)			318,881	(318,881)						
Balance at Aug. 31, 2013	**11,486**	**125,194**	**1,905,651**	**370,914**	**(48,647)**	**(89,880)**	**393**	**2,275,111**	**459**	**2,275,570**

(1) The "Fair value adjustment of financial instruments" column includes fair value of the interest rate hedge (see Note 2 – Interest rate risk management) and the impact of exchange rate hedging derivatives in accordance with IAS 39 (see Note 2 – Currency exchange rate risk management). Of the €4,562,000 shown as restatement of financial instruments at August 31, 2012, €3,853,000 were recycled during the financial year and €709,000 were kept as equity because they correspond to the impact linked with the non-disqualified portion of the interest rate hedging set up during the 2011/2012 fiscal year to cover the 2013/2014 fiscal year (see Note 2 - Interest rate risk management).

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

(3) The Group has no obligations to purchase minority interests at August 31, 2013.

(4) Including allocation of net income.

Notes to the Consolidated Financial Statements

NOTE 0 – CHANGE IN THE CONSOLIDATION SCOPE

A) ACQUISITION OF ZODIAC INFLIGHT INNOVATIONS (FORMERLY IMS) AND BASE2

On December 21, 2012, the Group finalized the acquisition of Zodiac Inflight Innovations, the American specialist for IFE "Seat Centric" systems, and its subsidiary Base2 for $54 million.

This company has been fully consolidated by the Group since January 1, 2013.

In accordance with the provisions of IFRS 3 (revised), the Group assessed the assets acquired and the liabilities assumed at fair value on the date of acquisition. The result is a preliminary goodwill figure, which may be adjusted during a maximum period of 12 months from the date of acquisition in order to reflect any new information regarding the facts and circumstances prevailing on the date of acquisition. The provisional allocation of the acquisition price is broken down in table 1 below.

The valuation of assets acquired at fair value led to recognition of the following main items:

- intangible assets for $7.4 million (order book);
- provisional acquisition of goodwill in the amount of $40.5 million.

The impact of the acquisition of Zodiac Inflight Innovations and Base2 on the Group's consolidated statement of profit and loss at the end of August 2013 is detailed in table 2 opposite.

2. Zodiac Inflight Innovations and Base2 – Simplified statement of profit and loss from January 2013 to August 2013 after application of IFRS 3

(in thousands of euros)	
Revenue	62,520
Current operating income	10,020
Non-current operating items	(2,462)
Operating income	7,558
Financial expense	(151)
Income taxes	(2,374)
Net income	5,033

B) ACQUISITION OF INNOVATIVE POWER SOLUTIONS (IPS)

On December 31, 2012, the Group finalized the acquisition of Innovative Power Solutions for a total of $26 million.

This company, based in the United States (Eatontown, NJ), manufactures power generators and converters.

It has been fully consolidated by the Group since February 28, 2013.

In accordance with the provisions of IFRS 3 (revised), the Group assessed the assets acquired and the liabilities assumed at fair value on the date of acquisition. The result is a preliminary goodwill figure, which may be adjusted during a maximum period of 12 months from the date of acquisition in order to reflect any new information regarding the facts and circumstances prevailing on the date of acquisition.

1. Zodiac Inflight Innovations and Base2 – Provisional allocation of the acquisition price

(in thousands of USD)	Assets and liabilities acquired before allocation of the acquisition price	Allocation of the acquisition price	Assets and liabilities acquired after allocation of the acquisition price
Fixed assets	1,574	7,360	8,934
Inventories	6,933	—	6,933
Trade and other receivables (net position)	19,147	—	19,147
Cash and cash equivalents	240	—	240
TOTAL ASSETS	**27,894**	**7,360**	**35,254**
Provisions	2,169	—	2,169
Financial liabilities	10,133	—	10,133
Accounts payables, personnel, deferred tax and other creditors	19,194	—	19,194
Banks	117	—	117
TOTAL LIABILITIES	**31,613**	**—**	**31,613**
Acquisition price of the shares			**44,110**
Goodwill			**40,469**

1. Innovative Power Solutions – Provisional allocation of the acquisition price

(in thousands of USD)	Assets and liabilities acquired before allocation of the acquisition price	Allocation of the acquisition price	Assets and liabilities acquired after allocation of the acquisition price
Fixed assets	—	3,110	3,110
Inventories	1,169	—	1,169
Trade, deferred taxes and other receivables (net position)	2,688	—	2,688
Cash and cash equivalents	11	—	11
TOTAL ASSETS	**3,868**	**3,110**	**6,978**
Provisions	—	—	—
Financial liabilities	—	—	—
Accounts payables, personnel, deferred tax and other creditors	511	1,240	1,751
Banks	—	—	—
TOTAL LIABILITIES	**511**	**1,240**	**1,751**
Acquisition price of the shares			**26,260**
Goodwill			**21,033**

The provisional allocation of the acquisition price breaks down in table 1 above.

The valuation of assets acquired at fair value led to recognition of the following main items:

- intangible assets for $3.1 million (patents);
- deferred tax liabilities on this item for $1.2 million
- provisional acquisition of goodwill in the amount of $21.0 million.

The impact of the acquisition of Innovative Power Solutions on the Group's consolidated statement of profit and loss at the end of August 2013 is detailed in table 2 below:

2. Innovative Power Solutions – Simplified statement of profit and loss from March 2013 to August 2013 after application of IFRS 3

(in thousands of euros)	
Revenue	3,467
Current operating income	281
Non-current operating items	(89)
Operating income	192
Financial expense	(2)
Income taxes	(57)
Net income	133

C) ACQUISITION OF NORTHWEST AEROSPACE TECHNOLOGIES (NAT)

On December 21, 2012, the Group finalized the acquisition of Northwest Aerospace Technologies for a total of $81 million.

The company, whose headquarters is based in Everett, near Seattle, provides engineering services and management services for aircraft cabin reconfiguration programs for airlines.

It has been fully consolidated by the Group since February 28, 2013. The results of the company for the period from December 21, 2012 through February 28, 2013 are not significant.

In accordance with the provisions of IFRS 3 (revised), the Group assessed the assets acquired and the liabilities assumed at fair value on the date of acquisition. The result is a preliminary goodwill figure, which may be adjusted during a maximum period of 12 months from the date of acquisition in order to reflect any new information regarding the facts and circumstances prevailing on the date of acquisition. The provisional allocation of the acquisition price breaks down in the following page.

1. Northwest Aerospace Technologies – Provisional allocation of the acquisition price

(in thousands of USD)	Assets and liabilities acquired before allocation of the acquisition price	Allocation of the acquisition price	Assets and liabilities acquired after allocation of the acquisition price
Fixed assets	1,298	17,725	19,023
Inventories	8,597	172	8,769
Trade and other receivables (net position)	12,260	—	12,260
Cash and cash equivalents	5,608	—	5,608
TOTAL ASSETS	**27,763**	**17,897**	**45,660**
Provisions	273	—	273
Financial liabilities	—	—	—
Accounts payables, personnel, deferred tax and other creditors	17,839	6,434	24,273
Banks	—	—	—
TOTAL LIABILITIES	**18,112**	**6,434**	**24,546**
Acquisition price of the shares			**81,022**
Goodwill			**59,908**

The valuation of assets acquired at fair value led to recognition of the following main items:

- intangible assets for $17.7 million (patents, clients, order book);
- revaluation of inventories in the amount of $0.2 million;
- deferred tax liabilities on these items for $6.4 million;
- provisional acquisition of goodwill in the amount of $59.9 million.

The impact of the acquisition of Northwest Aerospace Technologies on the Group's consolidated statement of profit and loss at the end of August 2013 is detailed in table 2 below:

2. Northwest Aerospace Technologies – Simplified statement of profit and loss from March 2013 to August 2013 after application of IFRS 3

(in thousands of euros)	
Revenue	23,927
Current operating income	3,305
Non-current operating items	(2,026)
Operating income	1,279
Financial expense	(110)
Income taxes	(338)
Net income	831

D) ACQUISITION OF ZODIAC AERO DUCT SYSTEMS (FORMERLY ACC LA JONCHÈRE)

On June 5, 2013, the Group finalized the acquisition of ACC La Jonchère for a provisional total of €46 million.

The company, which is headquartered in Compiègne, France, is a specialist in hoses and semi-rigid connections.

It has been fully consolidated by the Group since August 31, 2013. The results of the company for the period from June 5 through August 31, 2013 are not significant.

In accordance with the provisions of IFRS 3 (revised), the Group assessed the assets acquired and the liabilities assumed at fair value on the date of acquisition. The result is a preliminary goodwill figure, which may be adjusted during a maximum period of 12 months from the date of acquisition in order to reflect any new information regarding the facts and circumstances prevailing on the date of acquisition. The provisional allocation of the acquisition price is broken down in the following table:

Zodiac Aero Duct Systems – Provisional allocation of the acquisition price

(in thousands of euros)	Assets and liabilities acquired before allocation of the acquisition price	Allocation of the acquisition price	Assets and liabilities acquired after allocation of the acquisition price
Fixed assets	1,388	7,963	9,351
Inventories	11,740	321	12,061
Trade and other receivables (net position)	6,440	—	6,440
Cash and cash equivalents	5,344	—	5,344
TOTAL ASSETS	**24,912**	**8,284**	**33,196**
Provisions	1,496	—	1,496
Financial liabilities	68	—	68
Accounts payables, personnel, deferred tax and other creditors	5,625	2,991	8,616
Banks	—	—	—
TOTAL LIABILITIES	**7,189**	**2,991**	**10,180**
Acquisition price of the shares			**46,033**
Goodwill			**23,017**

The valuation of assets acquired at fair value led to recognition of the following main items:

- intangible assets for €7.0 million (patents, clients, order book);
- revaluation of land in the amount of €1.0 million;
- revaluation of inventories in the amount of €0.3 million;
- deferred tax liabilities on these items for €3.0 million;
- provisional acquisition of goodwill in the amount of €23.0 million.

E) RECONCILIATION OF CURRENT OPERATING INCOME AND GROUP NET INCOME BEFORE AND AFTER IFRS 3

(in millions of euros)	Amount at Aug. 31, 2013	Amount at Aug. 31, 2012
Current operating income after application of IFRS 3	**564,3**	**486,4**
Inventory revaluation	0,6	1,2
Current operating income before application of IFRS 3	**564,9**	**487,6**

Net income attributable to equity holders of the parent company after application of IFRS 3	**370,9**	**318,9**
Inventory revaluation	0,6	1,2
Amortization of intangible assets	21,1	15,6
Acquisition costs	3,0	2,9
Corporate tax	(7,1)	(5,8)
Net income attributable to equity holders of the parent company before application of IFRS 3	**388,5**	**332,8**

NOTE 1 – ACCOUNTING PRINCIPLES

The consolidated financial statements of the Zodiac Aerospace Group were approved by the Executive Board at its meeting of November 15, 2013. Amounts are expressed in thousands of euros unless otherwise indicated. The accounting principles and policies applied by the Group are described below.

Main exchange rates used in consolidation

	At August 31, 2013		At August 31, 2012	
	Statement of financial position	Statement of profit and loss	Statement of financial position	Statement of profit and loss
US dollar	1.3235	1.3081	1.2611	1.3059
Canadian dollar (CAD)	1.3936	1.3225	1.2487	1.3181
South African Rand	13.6670	11.9680	10.6152	10.4431
Pound sterling	0.8540	0.8374	0.7953	0.8296
Thai baht	42.5570	39.7693	39.5100	40.6132
Czech crown	25.7350	25.5180	24.8400	25.1544

A) BASIS FOR PREPARATION OF FINANCIAL STATEMENTS

In compliance with European Regulation 1606/2002 of July 19, 2002 on International Financial Reporting Standards (IFRS), the Zodiac Aerospace Group consolidated financial statements for the fiscal year ended August 31, 2013, including the comparative figures for the previous year, have been prepared in accordance with IAS/IFRS and those IASB interpretations (SIC and IFRIC) applicable on August 31, 2013, as adopted by the European Union at that date.

B) ACCOUNTING STANDARDS

The accounting principles applied are coherent with those used for the preparation of the Group's annual consolidated financial statements for the financial year ended on August 31, 2012. The following new standards and interpretations, applicable to the period, do not have significant impacts on the Zodiac Aerospace Group's consolidated financial statements at August 31, 2013:

- Amendments to IAS 1 – Presentation of Other Comprehensive Income.
- Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets.

Further, the Zodiac Aerospace Group did not apply the following standards and interpretations, whose application became mandatory after August 31, 2013 or which had not been endorsed by the European Union as of August 31, 2013.

Endorsed standards and amendments whose application is not mandatory at August 31, 2013:

- Amendments to IFRS 7 – Disclosures – Offsetting Financial Assets and Financial Liabilities.
- IFRS 10 – Consolidated Financial Statements.

This standard defines the control exercised when an investor is exposed, or has the right to be exposed, to variable yields, and has the capacity to exercise his or her power to influence those yields.

- IFRS 11 – Joint Arrangements.

In essence, this new standard provides for two different accounting treatments:

- Joint Arrangements defined as joint operation will be given accounting treatment at the level of shares in assets and liabilities, in revenues and expenses controlled by the Group. A joint operation may be made through a separate entity or not.
- Joint Arrangements defined as joint ventures will be consolidated according to the equity method, with the result that they grant only a right over the entity's net assets.

- IFRS 12 – Disclosure of Interests in Other Entities.

The application of IFRS 10, IFRS 11 and IFRS 12 should have no impact on the Group.

- IAS 27 (revised) – Separate Financial Statements.
- IAS 28 (revised) – Investments in Associates and Joint Ventures.
- IFRS 13 – Fair Value Measurement.
- Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities.
- Amendments to IAS 19 – Employee Benefits.

Revised IAS standard 19 "Employee Benefits", whose application will be mandatory for financial years opened from January 1, 2013, will introduce the following key modifications:

- Recognition in the consolidated statement of financial position of all of the post-employment benefits granted to Group employees.
- The corridor option, as well as the possibility of amortizing the cost of services distributed over the average length of acquisition of rights by employees into the statement of profit and loss, will be eliminated.
- The impacts relative to the modifications of estimates will be entirely entered on the accounts in "Other Items of Comprehensive Income" (actuarial gains and losses, return variance between the assets of the plan and their interest calculated on the basis of the discount rate of the actuarial liability and variation of the effect of the limit on the defined benefit asset).
- The impacts relative to modifications of plans will be recognized in operating income.
- The calculation of the expected return on retirement plan assets must be done by using the discount rate of the defined benefit plan obligation.

The application of this amendment should not have a material impact on the Group's accounts for fiscal year 2013/2014, unless there are major changes in parameters such as the discount rate.

Standards and amendments not endorsed as at August 31, 2013:

- IFRS 9 – Financial Instruments.
- Annual improvements to the IFRS.
- Amendments to IFRS 10, IFRS 11, IFRS 12 – Transitional Provisions.

The Zodiac Aerospace Group is in the process of identifying the potential impacts of these new standards (except IAS 19 as described above), interpretations, or amendments and revisions on the Group's consolidated financial statements.

C) BASES OF VALUATION

The financial statements of the Zodiac Aerospace Group are prepared according to the historical cost principle, except for derivatives and financial assets available for sale that are measured at fair value.

Certain standards in the international accounting system provide for options in the area of valuation and accounting treatment of assets and liabilities.

In this context and at this stage, the Group has chosen, among other options, to value its inventories at the initial cost determined according to the "First-In, First-Out" method (IAS 2).

D) USE OF ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the Group management team to make estimates and use assumptions that affect the value of assets and liabilities shown in the consolidated statement of financial position and the amount of income and expenses shown in the statement of profit and loss. Management revises its estimates and assumptions on an ongoing basis, as a function of all the factors on which it bases its assessment.

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

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

Those accounting methods within which the Group makes significant estimates are as follows:

Guarantees

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

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

The valuation of pension obligations and other post-employment and long-term benefits is performed pursuant to IAS 19 "Employee Benefits".

The assumptions used are the following:

In France:

Assumption range	2012/2013	2011/2012
Discount rate	3.14%	2.82%
Expected return on plan assets	None	None
Estimated future increase in salaries	3.0%	2.5%
Employee turnover rate	< 30 y. = 2.11% p.a. 30-53 y. = of 0.23% to 5.55% p.a. > 53 y. = 0.69% p.a.	< 53 y. = 3% p.a. > 53 y. = 0% p.a.
Retirement age	60 à 62 years	65 years

The mortality table used is the INSEE TD-TV 08-10 table.
The discount rate used is based on Iboxx AA10+.

In the United States:

Assumption range	2012/2013	2011/2012
Discount rate	4.55%	3.55%
Expected return on plan assets	7.35%	7.35%

Tests for valuing goodwill and other non-current assets

The impairment tests applied to goodwill are affected by the assumptions underpinning medium-term financial forecasts (especially those relating to currency exchange rates) and the weighted average cost of Group capital used to discount future cash flows.

Recoverability of deferred tax assets

The value placed on deferred tax assets in general, and those arising as a result of brought forward negative tax balances in particular, may vary according to the assumptions adopted by the same medium-term financial forecasts used for goodwill impairment testing.

E) CONSOLIDATION PRINCIPLES

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

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

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

A list of consolidated subsidiaries and affiliates is given in Note 27.

The 49% Group holding in IN Services & Al Rumaithy Estab. is fully consolidated as the Group *de facto* controls this company. Its parent company, Zodiac Aerotechnics (formerly Intertechnique), has the right to appoint up to three of the five directors.

The joint venture EZ Interiors Ltd held at 50% by Zodiac Aerospace and 50% by Embraer are accounted for using the equity method on the statement of profit or loss. The goal is to become the supplier of choice for the manufacture of Embraer aircraft interiors.

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

Company disposals made during the fiscal year are recognized in the consolidated financial statements with effect from the date on which effective control was lost.

Company acquisitions made during the fiscal year are recognized in the consolidated financial statements with effect from the date on which effective control was gained.

F) TRANSLATION OF SUBSIDIARY COMPANY FINANCIAL STATEMENTS EXPRESSED IN FOREIGN CURRENCIES

The financial statements of foreign subsidiaries that report in a currency other than the euro are translated into euros, the currency in which Zodiac Aerospace presents its financial statements, as follows:

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

The resulting translation adjustments are recognized in equity under "Currency translation adjustments".

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

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

G) FOREIGN CURRENCY TRANSACTIONS

The recognition and measurement of foreign currency transactions are defined by IAS 21, "Effects of Changes in Foreign Exchange Rates". In accordance with this standard, foreign currency transactions are converted into euros at the period-end exchange rates, and the resulting differences are recognized in the statement of profit and loss.

The "translation differences" presented in the accounts are the result of the difference in exchange rates between fiscal year "n -1" and "n" applied to the income of subsidiaries that report in currencies other than the euro.

The "transaction differences" are the result of exchange rates used to book sale and purchase transactions in a currency other than the currency of the entity concerned.

H) PROPERTY, PLANT AND EQUIPMENT AND FINANCE LEASES

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

Depreciation is calculated on a straight-line basis over the useful life of the asset, determined on the basis of the consumption pattern of expected future economic benefits.

In most cases, these useful lives are as follows:

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

Lease agreements that transfer the risks and rewards of ownership to Zodiac Aerospace (finance lease agreements) are recognized as property, plant and equipment, and the corresponding liability is recognized as debt.

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

I) BUSINESS COMBINATIONS

Business combinations are recognized by applying the purchase method, as required by IFRS 3 (Revised).

The difference between the cost of acquisition, plus value of minority interests and the net balance of the fair value of acquired entity's identifiable assets and liabilities is recognized as goodwill where it is positive and as income where it is negative.

When measuring the minority interests of each business combination, the Group opts to base its valuation either on the share of net assets acquired, or on the fair value of those assets.

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

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

In accordance with IFRS 3 (revised):

- Acquisition expenses are charged to the "Non-current operating items" line of the statement of profit and loss;
- Conditional acquisition price supplements are measured at fair value and taken into account when calculating the acquisition cost.

The provisions and deferred tax recognized on the date of first consolidation may be adjusted during the valuation period on the basis of additional information regarding the facts and circumstances prevailing on the date of acquisition.

J) INTANGIBLE ASSETS

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

1 - Intangible assets acquired separately or as part of a business combination

Intangible assets acquired separately are recognized at cost and subsequently valued at amortized cost.

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

Since intangible assets have a finite life, they are amortized over their useful lives, which may not exceed 20 years.

Intangible assets are subject to impairment testing wherever there is an indication of impairment.

2 - Internally generated intangible assets

The majority of these assets refers to development expenditure.

Under the terms of IAS 38, "Intangible Assets", development expenditure must be capitalized where the following can be demonstrated:

- the intention and financial and technical ability to complete the development project;
- the probability that the future economic benefits attributable to the development costs will flow to the company;
- development costs can be measured reliably.

For projects that meet these criteria, the capitalization of costs begins on the date of selection of the product by the aircraft manufacturer. The development project is considered completed on the date of qualification of the product by the aircraft manufacturer or the date of commencement of production. Costs incurred during a phase of further developments can also be capitalized until the date of certification of the aircraft.

Capitalized costs are costs directly attributable to the program. They are capitalized up to the limit of the amount of the quotation for the initial development. Any amount in excess of this quotation is recognized as expenditure, unless the need to make major modifications to the developed product results in revision of the selling price of the product concerned.

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

In the context of development projects, some costs may be billed to the customer. These are either a full or partial assumption of development costs (called "Non-Recurring Costs") by the client as part of a global contract or a separate invoicing of billing elements (for example, prototypes or pre-production).

If the client is contractually committed to support all or a portion of development costs, whatever the number of aircraft sold over the term of the contract, then the costs involved are then receivables for billable studies. They are therefore charged to work in progress.

If there is no firm commitment to support development costs, they can be capitalized in Property, plant and equipment provided they have met the criteria for capitalization.

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

K) FINANCIAL ASSETS

All the financial assets other than hedging derivatives shown in the statement of financial position fall into the "loans and receivables" category defined by IAS 39.

These financial assets comprise investments in non-consolidated companies classified as available-for-sale financial assets, loans, deposits and guarantees.

1 - Available-for-sale financial assets

Equity investments in non-consolidated companies are initially entered at their acquisition cost, and are then assessed at their fair value once fair value can be valued reliably.

None of these investments relate to listed companies.

Where fair value cannot be reliably assessed, the recoverable amount is determined on the basis of the Group share of the net asset, anticipated future profitability and growth prospects of the entity in which the investment is made.

Changes in the fair value of available-for-sale financial assets are recorded in equity as a separate line item until the shares are effectively sold. Where there are circumstances indicating that an impairment loss is permanent, this loss is recognized in income.

2 - Loans, deposits and guarantees

Loans, deposits and guarantees are recognized at amortized cost. Impairment losses are recorded where there is objective evidence of impairment.

L) INVENTORIES

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

Inventories are impaired on the basis of stock item obsolescence or lack of sales, both of which reduce their net realizable value. Impairment write-backs are justified by the disposal of the inventories concerned.

M) TRADE AND OTHER RECEIVABLES

Trade receivables are recognized at their initial invoice amount minus impairment provisions for unrecoverable amounts. A provision is made where there is objective evidence to indicate that the Zodiac Aerospace Group will be unable to recover these receivables. Unrecoverable receivables are written off when identified as unrecoverable.

N) CASH AND CASH EQUIVALENTS

Cash and short-term deposits recorded in the statement of financial position comprise cash-in-bank, cash-on-hand and short-term deposits with an initial maturity period of less than three months.

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

O) COSTS ASSOCIATED WITH CAPITAL INCREASE

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

P) TREASURY STOCK

Purchases of treasury stock are entered as a deduction from equity, based on the acquisition cost of the shares. Gains and losses made on the sale of treasury stock are recognized net of tax in the consolidated reserves.

Q) PROVISIONS

In accordance with IAS 37, "Provisions, Contingent Liabilities and Contingent Assets", the Group recognizes provisions where it has an obligation to a third party as a result of a past event, if it is probable that an outflow of resources representing economic benefits will be required to settle the obligation and if the amount of the loss or liability can be measured reliably.

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

Provisions are discounted when the effect is significant.

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

Provisions that are, by their nature, part of the normal operating cycle of the operations concerned are recognized as current provisions in the statement of financial position. This applies to provisions for guarantees or litigation.

R) TAXES

Deferred taxes are recognized by using the variable balance sheet liability method for all timing differences between the tax basis of assets and liabilities shown in the consolidated statement of financial position and their tax base on the balance sheet closing date.

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

Deferred tax liabilities are recognized, except where they result from a difference between the carrying amount of an asset or liability resulting from the initial accounting treatment of an asset or liability as part of a transaction that is not a business combination or which does not affect taxable income on the transaction date, and except where they result from impairment of goodwill that is not deductible for tax purposes.

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

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

Deferred tax assets and liabilities are offset in the companies that are part of tax consolidation within a single tax national grouping.

S) FINANCIAL LIABILITIES AND DERIVATIVE FINANCIAL INSTRUMENTS

1 - Financial liabilities

Financial liabilities consist primarily of current and non-current debt with financial institutions. These liabilities are initially entered on the books at fair value, which includes, as appropriate, any directly related transaction costs. They are then valued at amortized cost, based on the effective interest rate.

2 - Derivative financial instruments

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

Some of these hedges cover the trade receivables and/or payables recorded in the statements of financial position of Group companies. At the balance sheet date, hedging contracts (Fair Value Hedges) are estimated at their fair value. Any currency gains or losses representing the effective portion of these hedges are recognized as operating income. Such gains or losses arising from changes in fair value offset any currency gains or losses arising from the conversion of foreign-currency receivables at the fiscal year-end exchange rate, as required by IAS 21, "The Effects of Changes in Foreign Exchange Rates". The ineffective portions of hedges are included in financial income.

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

- the hedged item must be clearly identified at the time the corresponding hedge is implemented, and the hedging relationship must be formally documented and shown to be effective;
- the effectiveness of the hedge must be determined in a reliable manner;
- the effectiveness of the hedge must be tested regularly throughout the period while it is in place.

The Group may also hedge projected cash flows, whether for recurring operating cash flow or for acquisitions or disposals of equity investments. As required by IAS 39, these hedges are treated as cash flow hedges. At the balance sheet date, the financial instruments corresponding to these hedges are recognized in the statement of financial position at their fair value. The change in fair value representing the effective portion of such hedges is recorded in equity under a separate heading until the hedged cash flow is effectively realized. It is then transferred to the statement of profit and loss when the underlying item is entered as income. The ineffective portions of hedges are included in financial income.

IFRS 7 "Financial Instruments: Required Disclosures" establishes a fair value hierarchy and distinguishes three levels:

- Level 1: quoted prices for identical assets and liabilities (identical to the ones being measured) obtained on the measurement date in an active market to which the entity has access;
- Level 2: the input data are observable data that do not, however, correspond to the prices quoted for identical assets or liabilities;
- Level 3: the input data are not observable (for example, data generated by extrapolations). This level is applied when there is no market or observable data and the company is required to resort to its own assumptions to estimate the data that the other market actors would have used to measure the fair value of the asset.

The interest-rate and currency hedging derivatives used by the Group are instruments whose value is estimated by using a measurement technique based on observable, thus presenting level 2 reliability.

There is no hedging policy for the statements of financial position of foreign entities.

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

The Group is also exposed to the risk of fluctuations in the interest rates on borrowed funds, the majority of which originate in its syndicated loan, the "Euro Private Placement" and the "Schuldschein" for the portion made at variable interest rates. This exposure was partially hedged for fiscal year 2012/2013 by means of financial instruments (see Note 2).

T) PENSION BENEFITS AND SIMILAR OBLIGATIONS

In terms of defined benefit plans, the Group has a range of obligations in respect of pensions and similar arrangements in France and abroad:

- In France, these commitments relate:
  - chiefly to severance pay on retirement governed by existing collective agreements or company agreements;
  - and, to a lesser degree, the costs represented by long-service bonuses and awards.
- Outside France, the main obligations are the (defined benefit) pension plans of two US companies (Air Cruisers and Avox Systems) and a German subsidiary company.

1 - Defined benefit plans

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

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

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

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

Pension plans are appraised annually by independent actuaries.

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

- no recognition is made of that portion of actuarial gains and losses representing a maximum of 10% of the current value of the pension obligation or 10% of the fair value of the pension plan, whichever is the higher;
- the portion of actuarial gains and losses exceeding this 10% corridor is amortized on a straight-line basis over the residual period of service remaining to be completed by the employees concerned.

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

The cost of post-employment benefits is shown in the statement of profit and loss as follows:

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

The full amount of provisions for post-employment benefits is recognized as "Non-current provisions" in the statement of financial position.

2 - Defined contribution plans

Amounts due in respect of these plans are recorded as expenses for the fiscal year.

U) SHARE-BASED COMPENSATION

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

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

The fair value of services rendered by employees as consideration for the options granted is expensed and recorded as a function of services rendered at the time those services are rendered. This expense is measured on the basis of actuarial calculations built on behavioral assumptions derived from past observations. The cost is spread over the benefit vesting period. The total amount of the expense to be recognized is measured by reference to the fair value of the options granted, using the binomial model.

The application of this rule has an impact on expenses for the financial year, but has no effect on consolidated equity; the counter entry for this expense is an increase in equity of the same amount.

V) REVENUES

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

Revenues generated from sales of services are recognized over the contract period and in accordance with the terms and conditions of the contract. They are recognized where the outcome of the transaction can be estimated reliably, and by reference to the stage of completion of the services provided by the Group. Revenues from the performance of long-term contracts are recognized by using the percentage of completion method, and determined either as a percentage of actual costs incurred in projected total spending through to completion, or by using contractually defined technical stages and, more particularly, the essential phases in performance of the contract (proof of installation or delivery of equipment).

Sales are shown net of all volume and trade discounts. Likewise, the cost of sales-related marketing initiatives is deducted from sales revenue.

W) IMPAIRMENT OF ASSETS

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

Other non-current assets with a finite life (amortizable intangible assets and depreciable property, plant and equipment) are subject to impairment testing whenever there is an indication that their carrying amount may not be recoverable. Capitalized development costs are tested for impairment project-by-project on the basis of discounted projections of the future cash flows relative to each project.

These tests compare the carrying amount of an asset with its recoverable amount.

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

Impairment tests are conducted for each asset individually, unless the asset - taken in isolation - does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this instance, as is the case with goodwill, which in principle does not generate independent cash inflows, the recoverable value of the asset is determined by that of the cash-generating unit (CGU) to which the asset belongs, and which is the smallest group of compatible assets that generates cash flows largely independent of those from other assets or groups of assets.

The cash-generating units and groups of cash-generating units identified by the Group within the meaning of IAS 36, "Impairment of Assets", mirror the functional organizational structure of the Group, put in place on September 1, 2012, by operating segment, or, for the Aircraft Systems Segment, by product line. There are eight of them; see Note 13.1.

At each balance sheet date, Group companies identify any events or circumstances that could result in an asset losing its value. Such events or circumstances include significant long-term unfavorable changes affecting the economic environment of the Group (sales markets, sources of supply, index and/or cost trends, etc.) or its assumptions and targets (medium-term plan, profitability forecasts, market share, order book, regulations, litigation, etc.).

Where such events or circumstances exist, the recoverable amount of the individual asset is measured. Where its carrying value is higher than its recoverable amount, the asset is treated as having lost value and its carrying value is reduced to reflect its recoverable value by recognizing an impairment loss.

Where it is not possible to estimate the recoverable value of an individual asset, the recoverable value of the CGU to which the asset belongs is calculated.

Where a test conducted on the assets of a Group company reveals a loss of value in the CGU, this loss of value is allocated in the first instance to goodwill, then to the assets of the unit concerned pro-rata of their carrying value.

Where loss of value is proven, any impairment recognized as goodwill becomes permanent. For other assets, loss of value indices are analyzed on each subsequent balance sheet date, and where favorable changes have occurred in respect of estimates that previously resulted in an impairment, a loss of value write-back is recognized in the statement of profit and loss for the fiscal year.

X) HELD-FOR-SALE ASSETS AND DISCONTINUED OPERATIONS

A non-current asset, or group of assets and liabilities, is recognized as held for sale when the majority of its value will be recovered as the result of sale, rather than as a result of continued use.

This definition applies if the asset is available for immediate sale and if such sale is highly probable. At the balance sheet date, held-for-sale assets are measured at their carrying value, which is less than their fair value minus selling costs.

Y) IFRS FINANCIAL REPORTING PRINCIPLES

The Group has elected to segregate significant non-recurring items within its operating income.

The non-recurring portion is shown after the subtotal "Current operating income" (COI) under the heading "Non-current operating items"; the resulting subtotal is "Operating income".

The "Financial Debt" aggregate used by the Group in its communication is the sum of the "Current and Non-current Financial Liabilities" items minus the "Cash and Cash Equivalents" item.

The presentation of the statement of financial position and statement of profit and loss has been revised in accordance with IAS 1, "Presentation of Financial Statements".

On the statement of financial position, the assets and liabilities that are part of the Group's operating cycle are classified as current.

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

As part of applying IAS 1 (revised), the Group has chosen to present income and expenses recognized in two financial statements: a statement of profit and loss and a statement of net income and gains and losses recognized directly in equity.

In accordance with the requirements of IFRS 3 (revised), a "restated" net earnings per share figure is calculated for the Group to eliminate the effects of business disposals and the impact of the acquisition costs incurred as part of external growth transactions.

Z) EARNINGS PER SHARE

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

Basic earnings per share is calculated by dividing the net income attributable to equity holders of the parent company by the weighted average number of common shares outstanding over the period. Treasury shares are deducted from the average number of shares outstanding.

Diluted earnings per share are calculated by dividing the Group's net income after minority interests, adjusted for dilutive instruments, by the weighted average number of shares outstanding over the fiscal year, adjusted for the potential number of dilutive common shares.

AA) SEGMENT REPORTING

Segment reporting is presented in accordance with IFRS 8.

The operational activities of the Group are structured and managed separately to reflect the nature of the products and services supplied. Each sector represents a strategic business area offering distinct products and serving distinct markets. These sectors are reflected in the internal reporting structure used by the Group management team in managing the business as a whole.

Since September 1, 2012, the Zodiac Aerospace Group has been organized into five operating segments:

- AeroSafety
- Aircraft Systems
- Seats (1)
- Cabin & Structures (1)
- Galleys & Equipment (1).

(1) These operating segments are grouped in the Aircraft Interiors sector as detailed below.

IFRS 8 permits the consolidation of certain sectors for purposes of disclosure of financial information when combined units have similar economic characteristics: similar types of products and services, identical customer types; "equivalent" long-term profitability profiles.

Taking into account the analysis conducted with regard to profitability profiles and the type of products sold, the Group chose to consolidate its sector information in 3 sectors with similar economic characteristics:

- AeroSafety
- Aircraft Systems
- Aircraft Interiors activities combining all of the other three segments.

Since the internal systems used to analyze performance and allocate resources also operate on a geographical basis, the Group also presents its sector reporting in terms of the following regions:

- France
- Other European countries
- USA
- Other countries in the Americas
- Rest of the world.

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

AeroSafety

This single-segment sector designs, develops, manufactures and markets:

- aircraft evacuation systems: evacuation slides for commercial aircraft, emergency floats for helicopters, etc.;
- parachute and protection systems for the military and civil (sports parachute) markets;
- emergency arresting systems: retractable systems, nets, mechanical brakes and fabric brakes for military applications;
- cellular cement arrestor beds for civil aviation applications;
- elastomer-based systems and technologies;
- electrical interconnect systems.

Aircraft Systems

This single-segment sector designs, develops, manufactures and markets:

- aircraft electric 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;
- water distribution, sanitary and lavatory systems;
- IFE systems;
- aerospace telemetry and telecommunication systems for aeronautic and space applications, for both military and civil markets.

Aircraft Interiors

This multi-segment sector designs, develops, manufactures and markets, primarily for civil aviation, through three segments:

- passenger seats (all classes: first, business and economy) and crew seats, "airbags";
- cabin systems: complete cabin interiors, luggage bins, flight class dividers, trim panels, cabin retrofit (refurbishment) solutions, etc.
- cabin equipment: refrigeration systems, trolleys, galleys, containers cargo, etc.

With respect to customer portfolio concentration, the Group has one customer with which it conducts business accounting for more than 10% of total Group revenue, i.e., €392.2 million derived from various operating segments.

NOTE 2 – MANAGEMENT OF FINANCIAL RISKS

A) INTEREST RATE RISK

Financing for all Group subsidiaries is centralized. At August 31, 2013 the Group's debt was primarily exposed to fluctuations in the Euribor.

The Group has implemented interest rate swaps as hedges against changes:

1) 1-month Euribor, totaling €300 million at a rate of 0.72%, expiring August 29, 2014;

2) 6-month Euribor, totaling €50 million at a rate of 1.11%, expiring July 25, 2018.

The fair value of the hedges used by the Group at August 31, 2013 was:

Swap	Nominal value	Within one year (in thousands of euros)	Over one year	Fair value [1] (in thousands of euros)
EUR	300,000	300,000	–	(1,560)
EUR	50,000	–	50,000	488

(1) This equates to the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The impact of this market value was recognized at August 31, 2013 as follows:
- in the amount of €550,000 in equity;
- and in the amount of €522,000 in financial income due to the disqualification of the hedge against the 1-month Euribor in the amount of €100 million, resulting from the fall of the underlying associated with this hedge by that amount.

On the basis of the current and non-current financial liabilities of €1,001 million at August 31, 2013 (see Note 21 – Financial liabilities), and on the basis of non-disqualified hedges remaining at balance sheet date, an interest rate fluctuation of 10 basis points over the past fiscal year would have generated financial expenses of:
- €0.8 million, excluding the effect of interest rate hedges;
- €0.5 million, including the effect of interest rate hedges.

B) CURRENCY 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.

The instruments used by the Group at August 31, 2013 to hedge currency risks are:

Currency futures sold Currency1/Currency2	Nominal value	Within one year (in thousands of foreign currencies: Currency1)	Over one year	Fair value [1] (in thousands of euros)
USD/EUR	205,725 [2]	196,625	9,100	3,902
USD/GBP	34,800 [2]	30,800	4,000	711
USD/CAD	36,950 [2]	31,950	5,000	(136)
USD/CZK	2,358 [2]	2,358	_	6
EUR/GBP	1,000 [2]	1,000	_	14

(1) This equates to the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
(2) i.e., €225,497,000.

Currency futures bought Currency1/Currency2	Nominal value	Within one year (in thousands of foreign currencies: Currency1)	Over one year	Fair value [1] (in thousands of euros)
MXN/USD	1,992 [3]	1,992	_	(1)
EUR/GBP	1,695 [3]	1,695	_	(26)
USD/EUR	3,710 [3]	3,710	_	1

(1) This equates to the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.
(3) i.e., €4,641,000.

Statement of financial position value (in thousands of euros)	Assets		Equity and liabilities	
	Current	Non-current	Current	Non-current
Fair value hedges	2,579	–	247	–
Cash flow hedges	1,825	348	32	1

As at August 31, 2013, cash flow hedges were put in place in the amount of:

- USD 70 million to hedge 11% of our net exposure to fluctuations in the USD/EUR exchange rate (sales revenue – purchases) estimated for the 2013/2014 fiscal year;
- USD 31 million to hedge 33% of our net exposure to fluctuations in the USD/CAD exchange rate (sales revenue – purchases) estimated for the 2013/2014 fiscal year;
- USD 25 million to hedge 28% of our net exposure to fluctuations in the USD/GBP exchange rate (sales revenue – purchases) estimated for the 2013/2014 fiscal year.

The impact of the fair value of those hedges on equity amounts to €2,311,000 at the fiscal year-end, of which €391,000 will not reach maturity for more than one year.

A 10-cent fluctuation in the dollar exchange-rate against the main currencies used in the Group would have had an impact of €252 million on the sales revenue for the fiscal year.

The fluctuation primarily affects the euro/dollar exchange rate; the average transaction rate was 1.28 for the fiscal year, versus 1.32 for the preceding fiscal year.

A 10-cent fluctuation (from 1.28 to 1.38) in the dollar rate and from its cross exchange rates with the other currencies, for transaction net flows would have had a negative impact, excluding hedge, of €56 million on current operating income.

A 10-cent fluctuation (from 1.31 to 1.41) of the dollar conversion rate and from its cross exchange rates with the other currencies, would have had a negative impact on the order of €21 million on current operating income.

The impact on the current operating income of the currency hedges set up during fiscal year 2012/2013 (difference between the average monthly rate of currencies and the spot rate of hedges) was positive by €10.1 million.

2. Exposure

The analysis of the Group's exposure to balance sheet exchange rate risks is based on the notional amounts of transactions denominated in a currency other than the reporting currency of the company concerned at the end of the fiscal year.

In this respect, the only significant foreign currency used within the Group is the US dollar and the transactions involved are transactions against the EUR, GBP, THB, CAD, CZK, BRL and AUD.

(in millions of euros)	At August 31, 2013
Financial assets	331.9
Financial liabilities	161.2
Net position before hedging	170.7
Hedging derivatives	150.0
Net exposure after hedges	20.7

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, 2013, an increase of 10% in the US dollar rate with respect to its exchange rate with each of the occurrences at the year-end, based on the balance sheet exposure, would have increased Group net income by the amounts shown below. For the purposes of this analysis, all other variables, especially interest rates, have been assumed unchanged:

(in millions of euros)	At August 31, 2013
Impact on net income (1)	1.3

(1) Based on an average corporate income tax rate of 29%.

C) LIQUIDITY RISK

(in thousands of euros)	Carrying amount at the balance sheet date	Not yet due and overdue < 30 days, not impaired	Overdue by more than 30 days and not impaired on the balance sheet date (number of days) 31-90	91-180	181-360	>361	Total	Overdue and impaired
Trade receivables at August 31, 2012	655,631	557,655	65,859	15,858	8,269	6,938	96,924	1,052
Trade receivables at August 31, 2013	738,435	634,066	65,066	18,796	7,746	6,461	98,069	6,300

The increase in trade receivables was 12.6% at the year-end rate.

At like-for-like exchange rate and consolidation scope, this increase equates to 11.5%, whereas organic sales revenue growth in the fourth quarter of 2012/2013 was +8%, compared with the fourth quarter of 2011/2012. This stronger increase than the rise in sales revenue was caused mainly by the Aircraft Systems Segment's and the Aircraft Interiors activities' accounts receivable not yet due.

The total amount of outstanding receivables from airlines rose by 33% at a constant rate.

Receivables from airlines represented 36.8% of all receivables at August 31, 2013, compared to 34% at August 31, 2012, at like-for-like consolidation scope.

The amount of receivables overdue by more than 30 days and not impaired at the balance sheet date is stable at like-for-like exchange rates and consolidation scope (+1.4%).

Future cash flows related to financial liabilities

	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Gross financial liabilities (in €000) (1)	(122,440)	(260,273)	(164,135)	(31,135)	(574,794)
Interest rate hedging derivatives (in €000) (2)	(853)	(853)	–	–	–
Trade payables (in €000)	(308,040)	(4,954)	–	–	–
Currency hedging derivatives - USD flows (in $000)	(33,344)	(1,000)	–	–	–
Currency hedging derivatives - EUR flows (in €000)	8,094	–	–	–	–
Currency hedging derivatives - CAD flows (in C$000)	12,396	1,062	–	–	–
Currency hedging derivatives - GBP flows (in £000)	2,998	–	–	–	–
Currency hedging derivatives - CZK flows (in CZK000)	30,000	–	–	–	–

1) Financial liabilities and interest flows based on an assumed constant interest rate of 3.00% throughout the period.
(2) Interest flows related to interest rate swaps against 1-month Euribor, whose variable rate is estimated at 0.30 over the relevant period.

NOTE 3 – SEGMENT REPORTING

The Group's organizational structure, the factors used to identify its operating segments and the products and services supplied by those segments is contained in paragraph AA of Note 1 "Accounting principles".

A - STATEMENT OF PROFIT AND LOSS ITEMS

NOTE 3.1 - BREAKDOWN OF CONSOLIDATED SALES REVENUE BY SEGMENT AND BY CUSTOMER LOCATION

(in thousands of euros)	France	Other countries in Europe	USA	Other countries in the Americas	Rest of the world	Total
At August 31, 2012						
AeroSafety	74,345	122,958	188,515	60,486	71,437	517,741
Aircraft Systems	272,436	239,810	254,106	48,848	158,809	974,009
Aircraft Interiors activities	77,134	287,736	637,395	303,990	642,632	1,948,887
TOTAL	**423,915**	**650,504**	**1,080,016**	**413,324**	**872,878**	**3,440,637**
At August 31, 2013						
AeroSafety	85,914	135,045	201,659	58,788	82,553	563,959
Aircraft Systems	335,702	249,543	287,083	57,851	171,702	1,101,881
Aircraft Interiors activities	65,819	329,428	737,070	294,181	799,271	2,225,769
TOTAL	**487,435**	**714,016**	**1,225,812**	**410,820**	**1,053,526**	**3,891,609**

NOTE 3.2 - BREAKDOWN OF CONSOLIDATED SALES REVENUE BY SEGMENT AND BY ASSET LOCATION

(in thousands of euros)	France	Other countries in Europe	USA	Other countries in the Americas	Rest of the world	Total
At August 31, 2012						
AeroSafety	159,560	30,624	252,720	44,957	29,880	517,741
Aircraft Systems	588,810	69,703	251,260	–	64,236	974,009
Aircraft Interiors activities	390,318	403,778	1,085,202	61,,995	7,594	1,948,887
TOTAL	**1,138,688**	**504,105**	**1,589,182**	**106,952**	**101,710**	**3,440,637**
At August 31, 2013						
AeroSafety	188,074	30,644	273,919	38,404	32,918	563,959
Aircraft Systems	632,840	83,349	319,522	–	66,170	1,101,881
Aircraft Interiors activities	422,986	566,616	1,155,289	69,103	11,775	2,225,769
TOTAL	**1,243,900**	**680,609**	**1,748,730**	**107,507**	**110,863**	**3,891,609**

NOTE 3.3 - BREAKDOWN OF CONSOLIDATED SALES REVENUE BY SEGMENT WITH DETAIL OF INTER-SEGMENT REVENUE

(in thousands of euros)	Sales revenue including inter-segment	Inter-segment sales revenue	Consolidated sales revenue
At August 31, 2012			
AeroSafety	528,461	(10,719)	517,742
Aircraft Systems	1,017,300	(43,292)	974,008
Aircraft Interiors activities	1,952,969	(4,082)	1,948,887
TOTAL	**3,498,730**	**(58,093)**	**3,440,637**
At August 31, 2013			
AeroSafety	580,255	(16,296)	563,959
Aircraft Systems	1,156,834	(54,953)	1,101,881
Aircraft Interiors activities	2,230,560	(4,791)	2,225,769
TOTAL	**3,967,649**	**(76,040)**	**3,891,609**

NOTE 3.4 - CURRENT OPERATING INCOME BY SEGMENT AND BY ASSET LOCATION

(in thousands of euros)	France	Other countries in Europe	USA	Other countries in the Americas	Rest of the world	Total
At August 31, 2012						
AeroSafety	16,349	4,142	49,383	4,946	201	75,021
Aircraft Systems	70,225	9,818	55,955	–	1,070	137,068
Aircraft Interiors activities	57,715	83,528	131,432	12,950	1,644	287,269
Zodiac Aerospace	(12,529)	–	(400)	–	–	(12,929)
TOTAL	**131,760**	**97,488**	**236,370**	**17,896**	**2,915**	**486,429**
At August 31, 2013						
AeroSafety	31,188	3,456	59,397	2,981	1,350	98,372
Aircraft Systems	78,074	17,866	56,482	(4)	2,673	155,091
Aircraft Interiors activities	73,008	95,773	137,839	13,563	6,557	326,740
Zodiac Aerospace	(15,681)	–	(192)	–	–	(15,873)
TOTAL	**166,589**	**117,095**	**253,526**	**16,540**	**10,580**	**564,330**

NOTE 3.5 - BREAKDOWN OF NET INCOME FROM CONTINUING OPERATIONS BY SEGMENT

(in thousands of euros)	AeroSafety	Aircraft Systems	Aircraft Interiors activities	Zodiac Aerospace	Total
At August 31, 2012					
Net income	51,522	98,312	182,599	(25,039)	307,394
At August 31, 2013					
Net income	63,675	115,148	220,016	(28,111)	370,728

NOTE 3.6 - FINANCIAL INCOME BY SEGMENT AND REGION

(in thousands of euros)	France	Other countries in Europe	USA	Other countries in the Americas	Rest of the world	Total
At August 31, 2012						
AeroSafety	(1,278)	(376)	13	(449)	(442)	(2,532)
Aircraft Systems	(3,632)	342	2	(5)	(828)	(4,121)
Aircraft Interiors activities	534	(3,178)	(245)	(1,187)	(370)	(4,446)
Zodiac Aerospace	(21,818)	–	(252)	–	–	(22,070)
TOTAL	**(26,194)**	**(3,212)**	**(482)**	**(1,641)**	**(1,640)**	**(33,169)**
At August 31, 2013						
AeroSafety	(958)	(50)	203	(192)	(462)	(1,459)
Aircraft Systems	(3,563)	304	(268)	(1)	(758)	(4,286)
Aircraft Interiors activities	1,003	(3,021)	(687)	(557)	(451)	(3,713)
Zodiac Aerospace	(18,798)	–	208	–	–	(18,590)
TOTAL	**(22,316)**	**(2,767)**	**(544)**	**(750)**	**(1,671)**	**(28,048)**

NOTE 3.7 - INCOME TAXES BY SEGMENT AND REGION

(in thousands of euros)	France	Other countries in Europe	USA	Other countries in the Americas	Rest of the world	Total
At August 31, 2012						
AeroSafety	(4,717)	(1,000)	(18,296)	(1,040)	(324)	(25,377)
Aircraft Systems	(13,391)	(2,755)	(18,471)	–	(731)	(35,348)
Aircraft Interiors activities	(21,028)	(18,502)	(43,395)	(2,786)	(560)	(86,271)
Zodiac Aerospace	12,557	–	41	–	–	12,598
TOTAL	**(26,579)**	**(22,257)**	**(80,121)**	**(3,826)**	**(1,615)**	**(134,398)**
At August 31, 2013						
AeroSafety	(10,275)	(493)	(20,789)	(592)	(182)	(32,331)
Aircraft Systems	(12,937)	(5,060)	(16,388)	–	(367)	(34,752)
Aircraft Interiors activities	(24,749)	(13,370)	(42,346)	(2,897)	(516)	(83,878)
Zodiac Aerospace	8,936	–	389	–	–	9,325
TOTAL	**(39,025)**	**(18,923)**	**(79,134)**	**(3,489)**	**(1,065)**	**(141,636)**

B - STATEMENT OF FINANCIAL POSITION ITEMS

NOTE 3.8 - INTANGIBLE ASSETS AND GOODWILL BY SEGMENT AND REGION

(in thousands of euros)	France	Other countries in Europe	USA	Other countries in the Americas	Rest of the world	Total
At August 31, 2012						
AeroSafety	5,431	11,332	61,616	36,545	719	115,643
Aircraft Systems	483,354	3,150	200,989	–	11,115	698,608
Aircraft Interiors activities	45,461	649,942	499,363	3,007	273	1,198,046
Zodiac Aerospace	4,149	–	–	–	–	4,149
TOTAL	**538,395**	**664,424**	**761,968**	**39,552**	**12,107**	**2,016,446**
At August 31, 2013						
AeroSafety	5,584	10,585	60,251	32,679	617	109,716
Aircraft Systems	551,048	3,149	242,822	–	10,249	807,268
Aircraft Interiors activities	45,597	617,158	539,130	3,000	382	1,205,267
Zodiac Aerospace	4,042	–	(15)	–	–	4,027
TOTAL	**606,271**	**630,892**	**842,188**	**35,679**	**11,248**	**2,126,278**

NOTE 3.9 - INVENTORIES BY SEGMENT AND REGION

(in thousands of euros)	France	Other countries in Europe	USA	Other countries in the Americas	Rest of the world	Total
At August 31, 2012						
AeroSafety	40,998	3,200	50,623	11,215	11,352	117,388
Aircraft Systems	188,188	20,965	55,223	–	13,939	278,315
Aircraft Interiors activities	70,960	88,753	195,385	11,785	20,527	387,410
Zodiac Aerospace	–	–	–	–	–	–
TOTAL	**300,146**	**112,918**	**301,231**	**23,000**	**45,818**	**783,113**
At August 31, 2013						
AeroSafety	46,348	2,682	47,593	9,500	11,283	117,406
Aircraft Systems	217,870	16,368	66,723	–	13,465	314,426
Aircraft Interiors activities	63,910	97,515	225,801	13,862	26,081	427,169
Zodiac Aerospace	–	–	–	–	–	–
TOTAL	**328,128**	**116,565**	**340,117**	**23,362**	**50,829**	**859,001**

NOTE 3.10 - TRADE RECEIVABLES BY SEGMENT AND REGION

(in thousands of euros)	France	Other countries in Europe	USA	Other countries in the Americas	Rest of the world	Total
At August 31, 2012						
AeroSafety	36,651	5,044	43,799	6,756	4,438	96,688
Aircraft Systems	145,377	14,437	40,781	–	9,585	210,180
Aircraft Interiors activities	64,696	68,807	202,568	10,714	1,934	348,719
Zodiac Aerospace	44	–	–	–	–	44
TOTAL	**246,768**	**88,288**	**287,148**	**17,470**	**15,957**	**655,631**
At August 31, 2013						
AeroSafety	38,759	4,559	60,665	5,223	4,857	114,063
Aircraft Systems	150,073	13,962	63,129	–	9,769	236,933
Aircraft Interiors activities	84,139	78,392	207,119	16,056	1,733	387,439
Zodiac Aerospace	–	–	–	–	–	–
TOTAL	**272,971**	**96,913**	**330,913**	**21,279**	**16,359**	**738,435**

NOTE 3.11 - CURRENT AND NON-CURRENT PROVISIONS BY SEGMENT AND REGION

(in thousands of euros)	France	Other countries in Europe	USA	Other countries in the Americas	Rest of the world	Total
At August 31, 2012						
AeroSafety	11,299	97	5,056	26	102	16,580
Aircraft Systems	33,714	4,991	5,897	–	114	44,716
Aircraft Interiors activities	11,496	32,892	14,939	1,160	379	60,866
Zodiac Aerospace	1,123	–	82	–	–	1,205
TOTAL	**57,632**	**37,980**	**25,974**	**1,186**	**595**	**123,367**
At August 31, 2013						
AeroSafety	12,268	166	4,873	192	101	17,600
Aircraft Systems	38,487	4,855	10,116	–	159	53,617
Aircraft Interiors activities	11,986	36,135	13,171	1,329	392	63,013
Zodiac Aerospace	1,744	–	79	–	–	1,823
TOTAL	**64,485**	**41,156**	**28,239**	**1,521**	**652**	**136,053**

NOTE 3.12 - TRADE PAYABLES BY SEGMENT AND REGION

(in thousands of euros)	France	Other countries in Europe	USA	Other countries in the Americas	Rest of the world	Total
At August 31, 2012						
AeroSafety	12,356	1,922	7,080	2,289	1,979	25,626
Aircraft Systems	92,412	7,109	20,122	–	3,005	122,648
Aircraft Interiors activities	36,456	50,115	84,167	5,493	5,377	181,608
Zodiac Aerospace	8,536	–	32	–	–	8,568
TOTAL	**149,760**	**59,146**	**111,401**	**7,782**	**10,361**	**338,450**
At August 31, 2013						
AeroSafety	12,547	1,207	9,481	2,751	2,471	28,457
Aircraft Systems	70,146	7,784	23,646	–	2,883	104,459
Aircraft Interiors activities	21,420	53,633	85,621	5,282	6,084	172,040
Zodiac Aerospace	8,037	–	–	–	–	8,037
TOTAL	**112,150**	**62,624**	**118,748**	**8,033**	**11,438**	**312,993**

NOTE 3.13 - LIABILITIES TO EMPLOYEES AND PAYROLL LIABILITIES BY SEGMENT AND REGION

(in thousands of euros)	France	Other countries in Europe	USA	Other countries in the Americas	Rest of the world	Total
At August 31, 2012						
AeroSafety	13,862	552	7,369	781	1,405	23,969
Aircraft Systems	54,756	2,478	8,673	–	1,920	67,827
Aircraft Interiors activities	15,524	11,736	30,099	4,416	1,624	63,399
Zodiac Aerospace	6,339	–	–	–	–	6,339
TOTAL	**90,481**	**14,766**	**46,141**	**5,197**	**4,949**	**161,534**
At August 31, 2013						
AeroSafety	16,950	472	6,692	319	1,743	26,176
Aircraft Systems	59,326	3,909	10,969	–	1,710	75,914
Aircraft Interiors activities	16,144	14,459	31,806	4,263	2,126	68,798
Zodiac Aerospace	8,860	–	–	–	–	8,860
TOTAL	**101,280**	**18,840**	**49,467**	**4,582**	**5,579**	**179,748**

NOTE 4 – REVENUE FROM ORDINARY ACTIVITIES

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Sales of goods	3,644,607	3,245,503
Sales of services	247,002	195,133
Interest	1,299	1,271
Royalties	2,026	1,366
TOTAL	**3,894,934**	**3,443,273**

NOTE 5 – PERSONNEL COSTS

NOTE 5.1 - BREAKDOWN OF COSTS

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Payroll and related expenses [(1)]	1,121,730	990,396
Profit-sharing	13,589	11,409
Fair value of share options and bonus shares	7,670	6,105
TOTAL	**1,142,989**	**1,007,910**

(1) Including €472,000 in social security contributions related to share options at August 31, 2012 and €412,000 at August 31, 2013.

NOTE 5.2 - SHARE-BASED PAYMENTS

1) Stock options

The Combined Meetings of Shareholders held on December 16, 2002, December 16, 2004, January 8, 2008 and January 10, 2011 authorized the Executive Board to award stock options to employees of Group companies, and to do so on one or more occasions.

The main features of these plans are as follows:

Year of plan inception	Subscription price in euros	Exercisable until	Number of options not exercised at Aug. 31, 2013
Nov. 25, 2005	44.66	Nov. 25, 2013	29,561
Nov. 30, 2006	46.64	Nov. 30, 2014	67,366
Feb. 13, 2007	49.29	Feb. 13, 2015	2
Dec. 3, 2007	41.11	Dec. 3, 2015	60,369
Dec. 3, 2007	41.11	Dec. 3, 2015	188,880
Dec. 4, 2008	29.36	Dec. 4, 2016	60,000
Dec. 10, 2009	23.62	Dec. 10, 2017	100,850
Dec. 10, 2010	50.75	Dec. 10, 2018	150,450
Dec. 29, 2011	62.34	Dec. 29, 2019	92,895
Dec. 29, 2011	62.34	Dec. 29, 2019	61,990
May 13, 2013	94.57	May 13, 2021	108,188
TOTAL			**920,551**

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

Number of options	2012/2013	2011/2012
At September 1	**1,132,672**	**1,357,615**
Issued	208,700	161,885
Cancelled	(103,812)	(2,000)
Expired	(11,745)	(3,539)
Exercised	(305,264)	(381,289)
At August 31	**920,551**	**1,132,672**

Of the 208,700 options granted during this fiscal year, 100,512 were cancelled following the allotment of bonus shares. The balance of cancelled options for the fiscal year (3,300 shares) corresponds to the number of option holders that left the Group.

Of the remaining 108,188 options granted for this fiscal year, half cannot be exercised before May 13, 2014 and before May 13, 2015 for the remaining half.

The shares issued from the exercise of these options must be held at least until May 13, 2016.

The 305,264 shares exercised during the 2012/2013 fiscal year resulted in the issue of 305,264 options exercised between September 1, 2012 and August 31, 2013, at an average allocation price of €37.10.

	Options issued in May 2013 with an average life of 6 years
Fair value	€20.72
Factors of the binomial evaluation model used:	
share price on date of grant	€94.57
option exercise price	€94.57
estimated volatility	32.00%
risk-free interest rate	1.04%
estimated dividend yield	2.00%

The expense recorded for the fiscal year in respect of stock options granted and bonus shares amounted to €7,670,000, compared with €6,105,000 for the 2011/2012 fiscal year.

To these amounts, €472,000 in social security charges were added in the 2011/2012 fiscal year, and €412,000 in the 2012/2013 fiscal year.

2) Bonus share allocation for beneficiaries of share options (substituting part of the share option grants)

Under the annual plan, 108,188 stock options and 33,539 bonus shares were awarded. For each beneficiary, up to 50% of the total portion may be vested subject to continuing employment at the end of two years, i.e., on December 29, 2013 (except in the event of death), added to which is a performance condition for 50% of the total portion.

The shares delivered are subject to a two-year retention period, which in this case means that they must be held until December 29, 2015.

Subject to the performance condition, the shares are vested if the target defined in the variable compensation calculation above is 100% achieved, on average, over fiscal years 2011/2012 and 2012/2013. The number of shares vested is reduced if the target is only partially achieved and cancelled if only 75% is achieved, on average, over fiscal years 2011/2012 and 2012/2013.

Between these two limits, a proportional number of shares is vested.

3) Executive Board's Special Report on share options

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

Information on share options held by company officers:

- Two members of the Executive Board exercised options five times over the course of the fiscal year, for 13,800; 9,000; 20,000; 15,000 and 25,000 options. The exercise of options resulted in the issue of 82,800 new shares in 2012/2013.
- No options were granted in 2012/2013.

Information on share options held by Group employees:

During the fiscal year, Executive Committee members were granted a total of 31,750 share options, all of them on an annualized basis. Half of these options cannot be exercised before the first anniversary of the allocation and the remainder cannot be exercised before the second year.

During the fiscal year, Executive Committee members were granted a total of 6,001 bonus shares. The bonus shares are subject to a continuing employment condition at the end of two years and to performance conditions.

During the fiscal year, 113 employees who are not members of the Executive Committee were granted a total of 94,438 share options net of cancelled options (annual plan) and 91 employees who are not members of the Executive Committee were granted 26,038 bonus shares.

- The 10 largest share options granted totaled 31,200 options.
- The 10 largest bonus shares granted totaled 13,721 shares.

During the fiscal year, the first 10 options exercised totaled 119,032 options, all categories combined.
Excluding members of the Executive Committee, the first 10 exercised options during the fiscal year totaled 50,030 options.

NOTE 6 – CHANGE IN INVENTORIES [1]

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Change in inventories recognized during the fiscal year	78,694	105,153
Inventory impairment charge recognized during the fiscal year	(14,855)	(10,674)
Reversals of inventory impairment during the fiscal year	9,248	7,512
TOTAL	**73,087**	**101,991**

(1) Inventories of components, sub-assemblies, work in progress, goods and finished products.

NOTE 7 – OTHER OPERATING INCOME AND EXPENSES

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Gain/(loss) on disposal of fixed assets	(620)	(583)
Restructuring costs	–	(207)
Other	(487)	79
TOTAL	**(1,107)**	**(711)**

NOTE 8 – NON-CURRENT OPERATING ITEMS

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Restructuring costs [1]	(968)	(596)
Costs related to the transfer from the Issy-les-Moulineaux site to Plaisir	(150)	976
Impairment	–	–
Litigations	–	–
Amortization of intangible assets [2]	(21,104)	(15,670)
Cost of acquisition [3]	(2,973)	(2,939)
Other [4]	2,009	6,761
TOTAL	**(23,186)**	**(11,468)**

(1) At August 31, 2013, involving mainly anticipated retirements in the United States.
(2) Amortization of order books and customer portfolios measured as part of acquisitions.
(3) Acquisition costs of securities or assets as part of acquisition transactions, pursuant to IFRS 3 (revised). At August 31, 2013, this amount concerns the acquisitions of Zodiac Inflight Innovations (formerly IMS), Base2, Innovative Power Solutions, Northwest Aerospace Technologies and Zodiac Aero Duct Systems (formerly ACC La Jonchère).
(4) At August 31, 2013, this amount includes the disposal of land at Niort, France.

NOTE 9 – COST OF NET DEBT

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Interest income	1,299	1,304
Foreign exchange gains/(losses)	(452)	(2,631)
Difference between spot and forward currency rates	(1,271)	(962)
Income/(expenses) related to cash and cash equivalents	**(424)**	**(2,289)**
Cost of gross debt	**(25,259)**	**(28,368)**
TOTAL	**(25,683)**	**(30,657)**

The cost of gross debt decreased by €3.1 million. Our average outstanding debt rose after the acquisitions of Zodiac Inflight Innovations (formerly IMS), Base2, Innovative Power Solutions (IPS), Northwest Aerospace Technologies (NAT) and Zodiac Aero Duct Systems (formerly ACC La Jonchère).

The average cost of our loans stood at 2.07% for the period, compared with 2.51% in the previous fiscal year; the full cost of our financial resources (including various bank charges) was 2.33%, compared with 2.80% in the previous fiscal year.

NOTE 10 – OTHER FINANCIAL INCOME AND EXPENSES

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Net charges to provisions	(2)	1
Net accretion expense on pension obligations (net of returns)	(2,363)	(2,513)
TOTAL	**(2,365)**	**(2,512)**

NOTE 11 – INCOME TAXES

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
1) Statement of financial position		
Deferred taxes:		
Deferred tax assets	970	463
Deferred tax liabilities	157,154	142,159
Net deferred taxes	**(156,184)**	**(141,696)**
Breakdown of net amount by category:		
Employee benefits	26,303	24,075
Depreciation of inventories, stocks and associated general expenditure	22,508	22,331
Intercompany inventory profit	24,739	23,719
Development costs	(116,426)	(101,549)
Goodwill (1)	(133,481)	(133,588)
Regulated provisions adjustments	(5,714)	(5,212)
Other (2)	25,887	28,528
Net deferred taxes	**(156,184)**	**(141,696)**
2) Statement of profit and loss		
Deferred taxes and taxes payable:		
– deferred taxes	(13,570)	(30,639)
– taxes payable	(128,066)	(103,759)
Taxes	**(141,636)**	**(134,398)**
3) Unrecognized tax credits or tax losses (3)	**12,250**	**13,103**

(1) Including deferred tax liabilities on fiscally amortizable goodwill.
(2) Including deferred tax assets on fiscal deficits.
(3) This amount includes €388,000 to be used by August 31, 2014.

EFFECTIVE TAX RATE

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Net income from continuing operations	**370,728**	**307,394**
Results of companies accounted for using the equity method	**(732)**	**–**
Income taxes	**(141,636)**	**(134,398)**
Pre-tax income	**513,096**	**441,792**
Tax rate	**36.10%**	**36.10%**
Theoretical tax	(185,228)	(159,487)
Incidence of reduced-rate risk	189	185
Impact of tax rates in countries other than France	23,050	9,368
Tax credit for research and training	21,093	14,737
Production tax credit in the United States	4,753	3,515
Other (1)	(5,493)	(2,716)
Consolidated income tax	**(141,636)**	**(134,398)**
EFFECTIVE TAX RATE	**27.60%**	**30.42%**

(1) Including the impact of provisions for tax audits of the Group, in France and in the United States, including the impact of production tax credit for Competitiveness and Employment not subject to corporate tax.

The income tax paid for the fiscal year was €141.6 million, versus €134.4 million in 2011/2012, reflecting a rate of 27.6% compared with 30.2% in 2011/2012. Reverting the weight of increased taxation in France (-€3.3 million related to the tax on dividends and partial non-deductibility of interest) and excluding positive elements (€9 million in additional tax credits; an adjustment of €1.7 million for the United States "state taxes" and an adjustment of €5.4 million at Sell, primarily comprising deferred taxes), income taxes amounted to €154.4 million, reflecting a rate of 30.1%, comparable with that of 2011/2012.

Current tax assets shown in the statement of financial position consist primarily of payments of corporate taxes, provisions for taxes and VAT.

NOTE 12 – EARNINGS PER SHARE

		Aug. 31, 2013	Aug. 31, 2012
Numerator (in thousands of euros):			
Net income attributable to equity holders of the parent company	(a)	370,913	318,881
Denominator:			
Weighted average number of shares for the fiscal year	(b)	54,449,287	54,112,214
Stock options and allocation of bonus shares		662,483	668,347
Diluted weighted average number of shares for the fiscal year	(c)	55,111,770	54,780,561
Net earnings per share (in euros)	**(a) / (b)**	**6.81**	**5.89**
Diluted net earnings per share (in euros)	**(a) / (c)**	**6.73**	**5.82**
Net earnings per share restated to reflect IFRS 3 impact (in euros)		**7.13**	**6.15**
Diluted net earnings per share restated to reflect IFRS 3 impact (in euros)		**7.05**	**6.08**

NOTE 13 – INTANGIBLE ASSETS AND GOODWILL

NOTE 13.1 - GOODWILL

(in thousands of euros)	Opening balance at Aug. 31, 2012	Currency translation adjustments	Change in scope of consolidation	Change	Impairment	Balance at Aug. 31, 2013
Gross	1,617,275	(54,822)	118,750	–	–	1,681,203
Impairment	114,483	(2,030)	–	–	–	112,453
Net goodwill	**1,502,792**	**(52,792)**	**118,750**	**–**	**–**	**1,568,750**

Net goodwill is broken down as follows:

(in millions of euros)	Aug. 31, 2013			Aug. 31, 2012
	Gross	Impairment	Net	Net
CGU [(1)]**:**				
AeroSafety	100.7	11.3	89.4	95.9
Aircraft Systems:				
– Aircraft [(2)]	399.2	40.0	359.2	322.4
– Technology	48.6	12.6	36.0	36.0
– Water and waste	146.2	23.7	122.5	127.7
– Entertainment [(3)]	30.6	–	30.6	–
Aircraft Interiors:				
– Cabin & Structures [(4)]	370.8	–	370.8	373.1
– Seats	330.2	24.8	305.4	292.3
– Galleys & Equipment	254.9	–	254.9	255.4
TOTAL	**1,681.2**	**112.4**	**1,568.8**	**1,502.8**

(1) See definition in Note 1-W.

(2) At August 31, 2013, the figures included the goodwill of Innovative Power Solutions and Zodiac Aero Duct Systems (formerly ACC La Jonchère), companies acquired during the fiscal year.

(3) At August 31, 2013, the figures included the goodwill of Zodiac Inflight Innovations (formerly IMS) and its subsidiary Base2, companies acquired during the fiscal year.

(4) At August 31, 2013, the figures included the goodwill of Northwest Aerospace Technologies, a company acquired during the fiscal year.

The impairment tests described in paragraph W of Note 1 “Accounting principles” have been applied.

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

- a discount rate corresponding to the weighted average cost of the Group's capital, which was 8.5% for all of the CGUs, except for Zodiac Inflight Innovations (formerly IMS), for which a rate of 12% was applied, due to the rapid technological developments in this field;
- cash flows determined on the basis of 4-year plans. Beyond this period, flows are extrapolated by applying a forecast growth rate for the markets concerned, with the exception of “Airbags”, which are subject to a zero rate. These cash flows come from business plans submitted by the Executive Board;
- aircraft manufacturer forecasts (where available) and forecasts from other external sources (e.g. passenger traffic forecasts);
- a fixed euro/dollar exchange rate of 1.30 for the entire period.

The profitability assessment was made on the basis of those key assumptions that exert the greatest influence on profitability:

- 0.10 change in the euro/dollar exchange rate;
- 0.5% change in the discount rate applied.

Taken separately or cumulatively, these changes in assumptions do not result in the recording of impairment losses.

Equally, separate application of the following assumptions does not result in any loss of value:

- the application of a euro/dollar exchange rate of 1.46 with a discount rate of 8.5% for the full period under consideration;
- the use of a discount rate of 9.9% on the basis of a euro/dollar exchange rate of 1.30.

NOTE 13.2 - INTANGIBLE ASSETS: GROSS

(in thousands of euros)	Opening balance at Aug. 31, 2012	Currency translation adjustments	Change in scope of consolidation	Increases	Decreases	Reclassifications	Balance at Aug. 31, 2013
Set up costs	101	–	–	–	–	–	101
Development costs [(1)]	338,735	(6,925)	143	62,796	–	–	394,749
Patents and registered trademarks	145,308	(5,660)	3,691	–	(1,529)	(842)	140,968
Software	53,958	(566)	158	6,387	(384)	3,858	63,411
Certifications and other	110,437	(6,125)	25,646	4,719	(3,411)	(2,025)	129,241
TOTAL	**648,539**	**(19,276)**	**29,638**	**73,902**	**(5,324)**	**991**	**728,470**

(1) Costs incurred essentially in respect of the A380, B787, A400M, A350, EMB 170, CSeries and SMS Falcon programs. The development costs maintained in operating income after capitalization and invoicing to customers, and not including amortization of capitalized development costs, amounted to €198.3 million in 2012/2013, contrasted with €160.7 million in 2011/2012, for an increase of 23%, and 18% at like-for-like consolidation scope, as the result of an increased effort in our self-financed work, particularly in the Aircraft Systems Segment.

NOTE 13.3 - INTANGIBLE ASSETS: AMORTIZATION

(in thousands of euros)	Opening balance at Aug. 31, 2012	Currency translation adjustments	Change in scope of consolidation	Increases	Decreases	Reclassi-fications	Balance at Aug. 31, 2013
Set up costs	95	–	–	6	–	–	101
Development costs [1]	53,475	(1,633)	144	15,968	–	–	67,954
Patents and registered trademarks	10,785	(291)	–	472	(1,529)	(323)	9,114
Software	41,479	(398)	120	6,649	(382)	749	48,217
Certifications and other	29,051	(1,445)	–	21,354	(3,127)	(277)	45,556
TOTAL	**134,885**	**(3,767)**	**264**	**44,449**	**(5,038)**	**149**	**170,942**
Net amount of intangible assets	**513,654**	**(15,509)**	**29,374**	**29,453**	**(286)**	**842**	**557,528**

(1) Amortizations applied primarily to the A380, B787, F7X and EMB 170 programs.

NOTE 14 – PROPERTY, PLANT AND EQUIPMENT

As at August 31, 2012, the following two buildings were classified at August 31, 2013 as "Held-for-sale assets":

a) for a net amount of €577,000, an AeroSafety Segment production building closed in 2009/2010 in Liberty (USA). The process of selling this building identified a potential buyer with whom negotiations were started in October 2013.

b) for a net amount of €779,000, an Aircraft Systems Segment production building, which was closed in 2009/2010 in Rockford (USA). The process of selling this building is under way. If this process does not lead to either the close of a sale or very advanced negotiations at the close of the next fiscal year, this building will be reclassified as investment property.

There is no liability or equity-related item relating to these assets.

NOTE 14.1 - PROPERTY, PLANT AND EQUIPMENT: GROSS

(in thousands of euros)	Opening balance at Aug. 31, 2012	Currency translation adjustments	Change in scope of consolidation	Increases	Decreases	Reclassi-fications	Balance at Aug. 31, 2013
Land and land development	18,377	(461)	381	1,241	(131)	–	19,407
Buildings and improvements	251,941	(4,740)	3,158	14,741	(1,201)	562	264,461
Equipment, furnishings, fixtures and other	608,448	(15,777)	9,063	56,952	(11,654)	8,001	655,033
Assets under construction	20,814	(635)	130	22,283	(68)	(9,552)	32,972
TOTAL	**899,580**	**(21,613)**	**12,732**	**95,217**	**(13,054)**	**(989)**	**971,873**

NOTE 14.2 - PROPERTY, PLANT AND EQUIPMENT: DEPRECIATION

(in thousands of euros)	Opening balance at Aug. 31, 2012	Currency translation adjustments	Change in scope of consolidation	Increases	Decreases	Reclassi-fications	Balance at Aug. 31, 2013
Land and land development	1,770	(36)	–	77	–	–	1,811
Buildings and improvements	132,840	(2,534)	1,929	11,641	(837)	(634)	142,406
Equipment, furnishings, fixtures and other	450,747	(11,509)	6,230	47,577	(10,962)	485	482,567
TOTAL	**585,357**	**(14,079)**	**8,159**	**59,295**	**(11,799)**	**(149)**	**626,784**
Net amount of property, plant and equipment	**314,223**	**(7,534)**	**4,573**	**35,922**	**(1,255)**	**(840)**	**345,089**

FINANCE LEASES

Property, plant and equipment includes the following leased assets:

(in thousands of euros)	Aug. 31, 2013
Equipment, furnishings, fixtures and other	
Gross amount	1,716
Accumulated amortizations	1,716
Net carrying amount	**–**
Due within 1 year	–
Due in 1 to 5 years	–
Due in more than 5 years	–
Future minimum payments	**–**

NOTE 15 - INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

These include equity investments made by the Zodiac Aerospace Group in a number of non-consolidated companies.

NOTE 16 - OTHER NON-CURRENT FINANCIAL ASSETS

The other non-current financial assets, recognized on the statement of financial position in the amount of €14,822,000, are comprised primarily of the following:

- an account paid at the EONIA rate for €6,500,000 [1];
- financial instruments totaling €348,000;
- the remaining balance is composed essentially of deposits and guarantees.

(1) Cash amounts intended for the liquidity agreement and for which the beneficiary had not purchased shares of the Group as of August 31, 2013.

NOTE 17 - INVENTORIES

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Components and sub-assemblies	528,638	492,288
Work in progress	251,197	220,731
Finished products	214,090	201,714
Gross total	**993,925**	**914,733**
Provisions for impairment	**134,924**	**131,620**
TOTAL	**859,001**	**783,113**

No inventory items have been offered as collateral for liabilities.

NOTE 18 - OTHER CURRENT ASSETS

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Other receivables	3,069	2,027
Prepaid expenses	17,593	15,830
TOTAL	**20,662**	**17,857**

NOTE 19 - CASH

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Cash and cash equivalents [1]	**156,840**	**161,802**
Current financial liabilities	(92,005)	(277,460)
Commercial paper and other lines of short-term credit	73,000	263,700
Current portion of long-term loans and reimbursable advances	885	853
Bank borrowings	**(18,120)**	**(12,907)**
NET CASH	**138,720**	**148,895**

(1) The "Cash and cash equivalents" item is composed solely of our bank account balances. There is no instrument that is considered by the Group as a cash equivalent. Moreover, the Group has no cash balances subject to restrictions.

NOTE 20 – CAPITAL

	Number of shares (in thousands)	Common shares (in thousands of euros)	Share premiums (in thousands of euros)	Total (in thousands of euros)
At August 31, 2011	**56,744**	**11,349**	**99,031**	**110,380**
Premium-related costs	–	–	–	–
Options exercised	382	76	14,898	14,974
Dividends	–	–	–	–
At August 31, 2012	**57,126**	**11,425**	**113,929**	**125,354**
Premium-related costs	–	–	–	–
Options exercised	305	61	11,265	11,326
Dividends	–	–	–	–
At August 31, 2013 (1)	**57,431**	**11,486**	**125,194**	**136,680**

(1) Including, at August 31, 2013, 2,788,000 treasury stocks, representing 4.9% of the capital

NOTE 21 – FINANCIAL LIABILITIES

NOTE 21.1 - BREAKDOWN OF FINANCIAL LIABILITIES

(in thousands of euros)	Interest rate (1)	Maturity	Aug. 31, 2013	Aug. 31, 2012
A. Non-current financial liabilities				
Confirmed syndicated loan (EUR)	2.172	(3)	200,000	600,000
Confirmed syndicated loan (GBP)	1.445	(3)	30,306	95,191
Euro PP (EUR)	2.875	(4)	125,000	–
Schuldschein (EUR)	2.644	(4)	535,000	–
Loan costs			(4,654)	(2,363)
Other borrowings and unconfirmed credit non-current part	NS	(5)	22,945	23,063
Total (2)			**908,597**	**715,891**
B. Current financial liabilities				
Commercial paper (EUR)	0.455		73,000	263,700
Confirmed syndicated loan (EUR)			–	–
Bank overdrafts, spot lines, other borrowings and unconfirmed loans, current portion	NS	(6)	19,005	13,760
Total	**–**		**92,005**	**277,460**
Current and non-current financial liabilities	**–**		**1,000,602**	**993,351**

(1) Average interest rate for the fiscal year, excluding amortization of the fees for setting up various financing packages.

(2) Maturities and breakdown of loans and confirmed lines of credit by currency (equivalents in thousands of euros at August 31, 2013):

2014/2015	229,839	Euro	878,212
2015/2016	133,700	US dollar	79
2016/2017	700	Canadian dollar (CAD)	–
After 2017	544,358	Pound sterling	30,306

(3) The supplemental agreement to the terms of the “Club Deal” loan agreement, effective from August 29, 2011, raised the amount of the drawdown facility from €1 billion to €1.3 billion and extended the due date for total repayment of the loan from June 29, 2014 to June 29, 2015.

(4) Zodiac Aerospace implemented a financing package in July 2013 in the form of Private Placements:

a) a “Schuldschein” for €535 million with three tranches:
- a 3-year maturity, maturing July 25, 2016, amounting to €133 million;
- a 5-year maturity, maturing July 25, 2018, amounting to €243 million;
- a 7-year maturity, maturing July 27, 2020, amounting to €159 million.

b) a “Euro PP” with a 5-year maturity, maturing July 22, 2018, amounting to €125 million.

(5) Mainly after 2015.

(6) One to three months, renewable.

NOTE 21.2 - COVENANTS

The Group is bound by only one bank covenant, related to the "Club Deal" and Private Placements, which is the Net debt-to-EBITDA ratio, as defined in the financing agreements. This covenant must be equal to or less than 3.00 at August 31, 2013 and at the close of subsequent fiscal years. This ratio is 1.26 at August 31, 2013 and was 1.45 at August 31, 2012. Failure to fulfill it could result in the obligation to repay various financing packages in full.

NOTE 22 - PROVISIONS

(in thousands of euros)	Opening balance at Aug. 31, 2012	Currency translation adjustments	Change in scope of consolidation (1)	Changes during the fiscal year: Charges	Reversals (provisions used)	Reversals (provisions not used)	Reclassifications (2)	Balance at Aug. 31, 2013
Pension plans and lump-sum retirement benefits	52,058	(168)	1,004	6,593	(2,608)	(1,030)	(3,321)	52,528
Other	4,208	–	64	565	(771)	(5)	3,400	7,461
Total non-current	**56,266**	**(168)**	**1,068**	**7,158**	**(3,379)**	**(1,035)**	**79**	**59,989**
Guarantees	41,366	(1,142)	1,720	14,538	(6,650)	(1,801)	(2)	48,029
Litigation and insurance deductibles	8,075	(271)	115	4,712	(2,117)	(43)	(620)	9,851
Restructuring and diversification	1,859	(23)	–	238	(548)	(250)	132	1,408
Taxes other than income taxes	2,170	(45)	–	1,577	(353)	(728)	(277)	2,344
Miscellaneous (3)	13,631	(432)	526	4,204	(4,159)	(264)	926	14,432
Total current	**67,101**	**(1,913)**	**2,361**	**25,269**	**(13,827)**	**(3,086)**	**159**	**76,064**
TOTAL	**123,367**	**(2,081)**	**3,429**	**32,427**	**(17,206)**	**(4,121)**	**238**	**136,053**

(1) The change in scope of consolidation corresponds to the inclusion of Zodiac Aero Duct Systems (formerly ACC La Jonchère), Zodiac Inflight Innovations (formerly IMS) and Northwest Aerospace Technologies in the Group.

(2) The reclassification in the balance sheet of non-current provisions corresponds to an early retirement commitment at Sell GmbH (Germany), reclassified under "Pension plans and lump-sum retirement benefits" on the "Miscellaneous" line.

(3) "Other" provisions relate mainly to provisions for losses to completion and penalties on various commercial agreements.

PROVISIONS FOR EMPLOYEE BENEFITS - POST-EMPLOYMENT BENEFITS:

1. DEFINED-BENEFIT RETIREMENT AND MEDICAL INSURANCE PLANS

All the Group's French employees are covered by defined-contribution plans. These plans are managed by the Government. The Group's only obligation is to make the contributions required to finance these benefits, which are calculated as a percentage of salaries paid.

The annual expense for the defined-contribution retirement plans was €56 million in the 2012/2013 fiscal year, compared with €51 million for 2011/2012.

2. DEFINED-BENEFIT RETIREMENT AND MEDICAL INSURANCE PLANS

The best estimate of the contributions to be paid into the plan for the 2012/2013 fiscal year is €4.2 million based on the legal age of retirement of employees concerned.

2.1 France

In accordance with the law and the applicable collective bargaining agreements, the Group is required to pay lump-sum retirement benefits to its French employees in the form of a one-time payment due when the employee retires. As part of these plans, employees receive retirement benefits when they reach the legal age of retirement. The Group does not fund these commitments in advance.

The present value of the pension obligation, the service cost over the period and past service costs have been calculated using the Projected Unit Credit Method (see Paragraph T of Note 1, "Accounting principles"). The Group has adopted the following main actuarial assumptions:

Assumption range	2012/2013	2011/2012
Discount rate	3.14%	2.82%
Expected return on plan assets	None	None
Estimated future increase in salaries	3.0%	2.5%
Employee turnover rate	< 30 y. = 2.11% p.a. 30-53 years = 0.23% to 5.55% p.a. > 53 y. = 0.69% p.a.	< 53 y. = 3% p.a. > 53 y. = 0% p.a.
Age at retirement	60 to 62 years	65 years

The mortality table used is the INSEE TD-TV 08-10 table. The discount rate used is based on Iboxx AA10+.

2.2 United States

The Group has only two defined-benefit plans in place: one at Air Cruisers and the other at Avox Systems, both of which were "frozen" prior to August 31, 2009.

As part of these plans, employees receive retirement benefits when they reach an age between 60 and 65 years. The Group is bound by obligations to finance these plans.

The present value of the pension obligation, the service cost over the period and past service costs have been calculated using the Projected Unit Credit Method (see Paragraph T of Note 1, "Accounting principles").

The most recent actuarial valuations of the plan assets and of the present value of the pension obligations were carried out on the dates and by the actuarial firms shown below:

Subsidiary	Date of most recent valuation	Actuarial firm
Air Cruisers Systems	September 11, 2013	New York Life Retirement Plan Services
Avox Systems	September 11, 2013	Burke Group

The main actuarial assumptions used for the plans are:

Assumption range	2012/2013	2011/2012
Discount rate	4.55%	3.55%
Expected return on plan assets	7.35%	7.35%

The actual asset yield for the 2012/2013 fiscal year was 7.35%.

These assets were invested as follows:

- for Air Cruisers, 61% in equities and 39% in bonds;
- for Avox Systems, 62% in equities, 31% in bonds, and 7% in real estate income and other investments.

The fair value of the funds of the financed plans, at the balance sheet date, can be broken down as follows: €11,984,000 in equities, €7,055,000 in bonds and €492,000 in real estate income and other investments.

2.3 Germany

The Group maintains an ongoing defined-benefit plan for Sell GmbH valued at €16,861,000. Plan membership includes 1,618 active employees, 144 employees taking early retirement and 272 retired employees.

Only those employees with more than five years' service are eligible for this defined-benefit plan; a qualification which currently applies to 55% of those covered by pension provision.

The actuarial method applied is the Projected Unit Credit Method (see Paragraph T of Note 1 "Accounting principles"). The discount rate applied for the fiscal year 2012/2013 is 3.14% with an assumed salary increase of 3%.

3. CHANGE IN THE FINANCIAL POSITION OF DEFINED-BENEFIT PLANS

3.1 Net pension charge recognized in the statement of profit and loss

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Cost of services provided	3,537	2,254
Interest expense (accretion)	3,100	3,591
Expected return on plan assets	(1,806)	(1,856)
Amortization of actuarial gains and losses	1,658	894
Amortization of provided service costs	104	92
Plan settlements	–	–
Plan curtailments	–	–
TOTAL CHARGE FOR THE FISCAL YEAR	**6,593**	**4,975**

3.2 Reconciliation of the amount recognized in the statement of financial position

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

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Actuarial liability arising on funded plans	26,807	31,906
Fair value of funded plans [1]	(19,779)	(19,618)
Deficit (surplus) on funded plans	**7,028**	**12,288**
Actuarial liability arising on non-funded plans	74,017	70,150
Unrecognized actuarial gains and losses	(26,652)	(28,605)
Cost of unrecognized services provided	(1,866)	(1,775)
Cap on contingent assets	–	–
PROVISIONED IN THE STATEMENT OF FINANCIAL POSITION	**52,527**	**52,058**

(1) See table 3.4 below for a detailed breakdown.

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

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Actuarial liability at the start of the fiscal year	**102,055**	**72,309**
Cost of services provided during the period	3,537	2,254
Interest expense	3,100	3,591
Actuarial gains and losses	(3,313)	24,367
Currency translation adjustments	(1,471)	3,581
Benefits paid	(4,363)	(4,047)
Cost of services provided	196	–
Plan settlement	–	–
Change in scope of consolidation and other influences	1,083	–
ACTUARIAL LIABILITY AT THE END OF THE FISCAL YEAR [1]	**100,824**	**102,055**

(1) Includes €26,807,000 for funded plans and €74,017,000 for unfunded plans.

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

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Fair value at the start of the fiscal year	**(19,618)**	**(15,649)**
Expected return on plan assets	(1,806)	(1,856)
Actuarial gains and losses	(3)	(7)
Employer contributions and benefits paid	722	201
Currency translation adjustments	927	(2,307)
FAIR VALUE AT THE END OF THE FISCAL YEAR	**(19,778)**	**(19,618)**

NOTE 23 – OTHER CURRENT LIABILITIES

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Other payables	38,089	46,597
Amounts owed to customers	76,358	79,576
Deferred income (1)	90,755	33,116
TOTAL	**205,202**	**159,289**

(1) The primary reason for the increase is the inclusion of €8 million in the consolidation scope, and new advance contracts for €33 million.

NOTE 24 – OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

NOTE 24.1 - OFF-BALANCE SHEET COMMITMENTS

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
Commitments given		
Long-term rentals (1) (2)	177,758	117,714
Actuarial gains and losses and past service costs on retirement benefit obligations (3)	18,752	19,811
Other guarantees given (4)	12,651	13,328
Collateral	–	–
Commitments received under contracts	**297**	**297**

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

(2) The variance between fiscal years includes -€7.1 million relating to exchange rate fluctuations.

(3) Net of deferred taxes. Including €5.0 million net as representing the Sell GmbH discount rate differential.

(4) Including a €1,311,000 guarantee issued by Zodiac Aerospace in favor of the Federal Insurance Company (CHUBB) as security for performance bonds issued by this insurer to certain customers of our subsidiary Esco to underwrite fulfillment of its commercial contracts (installation of arresting barriers and systems for civil and military aircraft). The total usable guarantee issued by Zodiac Aerospace in this respect is $10 million.

N.B.: Zodiac Aerospace has also:

- posted a guarantee bond at the Amsterdam commercial court to cover the consolidated debts of the Driessen Group holding company and its Dutch subsidiaries to avoid the need to prepare and locally submit consolidated financial statements for the Driessen sub-group. This guarantee may not exceed €10 million.
- provided the following guarantees in the course of securing major sales contracts gained by subsidiary companies:
  - in August 2009 on behalf of Zodiac Seats France (expiration date December 31, 2016);
  - in November 2010 on behalf of Zodiac Seats US LLC (expiration date December 31, 2015);
  - in January 2011 on behalf of Zodiac Seats US LLC and C&D Zodiac Inc. (expiration date December 31, 2015).

Operating lease commitments

(in thousands of euros)	Aug. 31, 2013	Aug. 31, 2012
– Within 1 year	32,746	27,279
– 1 to 5 years	85,109	58,495
– Over 5 years	59,903	31,940
Minimum payments	177,758	117,714

NOTE 24.2 - CONTINGENT ASSETS AND LIABILITIES

No contingent assets were identified at August 31, 2013.

A single contingent liability was identified at the same date.

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

In March 2009, the Group learned of the successor's bankruptcy, and was advised by its lawyers that, as a result of this eventuality, there was a contingent risk liability that could pass to the Zodiac Aerospace Group.

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

The latest court decision in the context of this litigation allows us to estimate that the risk associated with this liability is considerably reduced, even if not completely extinguished.

NOTE 25 – RELATED PARTIES

1.1 RELATION WITH SUBSIDIARIES AND AFFILIATES

The Group issued no invoices for fiscal year 2012/2013.

1.2 TRANSACTIONS WITH COMPANY OFFICERS

a) Salaries and benefits (1)

(in euros)	Fixed (1)	Variable (3)	Benefits in kind	Total
Maurice Pinault	300,000	300,000	4,980	604,980
Olivier Zarrouati	500,000	500,000	9,670	1,009,670
TOTAL	**800,000**	**800,000**	**14,650**	**1,614,650**

(1) Members of the Executive Board do not receive any compensation or benefit of any kind from controlled companies within the meaning of Article L. 233-16 of the French Commercial Code.

(2) To which €72,000 is added for Maurice Pinault and €120,000 for Olivier Zarrouati, due in respect of fiscal year 2011/2012 and paid after August 31, 2013.

(3) The amount of the variable compensation paid to Maurice Pinault and Olivier Zarrouati for the 2012/2013 fiscal year, payable after September 1, 2013, will be €339,785 and €566,310, respectively.

b) Share options and bonus shares

	Maurice Pinault		Olivier Zarrouati		
	07b plan	2011 plan	07a plan (1)	07b plan	2011 plan
1. Share options:					
Unexercised options at August 31, 2012	84,640	32,000	2	63,480	–
Awards for the fiscal year	–	–	–	–	–
Options exercised in 2012/2013	25,000	–	–	57,800	–
Unexercised options at August 31, 2013	59,640	32,000	–	5,680	–
Exercise price (in euros)	41.11	62.34	49.29	41.11	–
Expiration date	Dec. 3, 2015	Dec. 29, 2019	Feb. 13, 2015	Dec. 3, 2015	–
2. Bonus shares:					
Shares in vesting period (2)	–	16,000	–	–	53,334
Date of right to purchase	–	Dec. 29, 2013	–	–	Dec. 29, 2013

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

(2) All the bonus shares allotted to company officers are subject to a performance condition, a two-year continuing employment condition from the grant date, i.e., until December 29, 2013 and a retention condition until December 29, 2015.

Subject to the performance condition, the shares are vested if the target defined in the variable compensation calculation above is 100% achieved, on average, over fiscal years 2011/2012 and 2012/2013. The number of shares vested is reduced if the target is only partially achieved and cancelled if only 80% is achieved, on average, over fiscal years 2011/2012 and 2012/2013. The number of shares vested in this case is proportional between these two limits.

Note that share options and/or bonus shares are awarded to company officers once every four years, unless a new company officer is appointed.

1.3 COMPENSATION OF EXECUTIVE COMMITTEE MEMBERS

a) Compensation

The members of the Executive Committee (Comex) were eleven in number during the 2012/2013 fiscal year and eight during the 2011/2012 fiscal year.

The amount paid to these members was €3,213,000 in fixed compensation and €2,053,000 in variable compensation, for a total of €5,342,000, which includes the compensation paid to the Executive Board members (of which a detailed breakdown is given in the specific note regarding compensation of company officers). The corresponding figures for the previous fiscal year were €2,465,000 and €2,404,000, respectively, for a total amount of €4,869,000.

The variable portion payable for a given fiscal year "n", depending on the functions held, is based on:

a) a target and formula identical to that applied to the company officers and the Group Vice-President of Finance;

b) a target current operating income [1] and working capital requirement that takes account of the previous fiscal year ended "n -1" and the budget for fiscal year "n". The comparison between the performance achieved in relation to this target, within a realization bracket of 75% to 125%, gives the "realization rate" for the target. This rate is applied proportionally to the fixed salary to give the amount of the variable portion and can be a maximum of 100% of the fixed portion.

b) Share options and bonus shares

During the fiscal year, Executive Committee members who were not members of the Committee during the last multi-year award (for a period of 4 years) were granted a total of 13,750 share options, all of them on an annualized basis.

(1) For the calculation of this result, to determine both the amount of the target and the amount realized for year "n", all the results in a functional currency other than the euro are translated at the same rate as the rate established for the budget of year "n"; it is the same for flows in foreign currencies.

■ NOTE 26 - POST YEAR-END EVENTS

Acquisition of TriaGnoSys

On September 6, 2013, the Group finalized the acquisition of TriaGnoSys, a German company specialized in onboard connectivity, wireless entertainment and cabin systems.

There were no other material post year-end events.

NOTE 27 – LIST OF CONSOLIDATED COMPANIES AT AUGUST 31, 2013

Fully consolidated companies	Country	% interest of the Group
Zodiac Aerospace	France	Parent company
Aérazur	France	100.00
Aerodesign de Mexico SA	Mexico	100.00
Air Cruisers Company LLC	USA	100.00
Amfuel	USA	100.00
Avox Systems	USA	100.00
Base2	USA	100.00
Cantwell Cullen & Company Inc.	Canada	100.00
C&D Adder	France	100.00
C&D Aerospace Canada Co	Canada	100.00
C&D Brasil Limitada	Brazil	100.00
C&D Zodiac Inc.	USA	100.00
Driessen Aerospace CZ SRO	Czech Republic	100.00
Driessen Aerospace Group NV	The Netherlands	100.00
Driessen Aircargo Equipment BV	The Netherlands	100.00
Driessen Aircargo Equipment Ltd	Thailand	100.00
Driessen Aircargo Equipment USA Inc.	USA	100.00
Driessen Aircraft Interior Systems (Thailand) Ltd	Thailand	100.00
Driessen Aircraft Interior Systems (Europe) BV	The Netherlands	100.00
Driessen Aircraft Interior Systems Inc.	USA	100.00
Driessen Aircraft Interior Systems USA Inc.	USA	100.00
E Dyer Engineering Ltd	UK	100.00
Engineered Arresting Systems Corp.	USA	100.00
Evac GmbH	Germany	100.00
Evac LTDA	Brazil	100.00
Evac Shangai ETC	China	100.00
Heath Tecna	USA	100.00
Icore International Inc.	USA	100.00
Icore International Ltd	UK	100.00
IDD Aerospace Corp.	USA	100.00
Immobilière Galli	France	100.00
Innovative Power Solutions LLC	USA	100.00
IN Services & Al Rumaithy Estab. (Middle East) LLC	United Arab Emirates	49.00
IN-Snec Holding	France	100.00
IN Services Asia	Hong Kong	100.00
Mag Aerospace Industries Inc.	USA	100.00
Northwest Aerospace Technologies	USA	100.00
Parachutes Industries of Southern Africa PTY (PISA)	South Africa	100.00
Pioneer Aerospace Corp.	USA	100.00
Sell GmbH	Germany	100.00
Sell Services France	France	100.00
Sell Services Germany GmbH	Germany	100.00
Sicma Aero Seat Services	USA	100.00
Société Marocaine de Décolletage Industriel	Morocco	100.00
The Richards Corp.	USA	100.00
Zodiac Actuation Systems (1)	France	100.00
Zodiac Aero Duct Systems	France	100.00
Zodiac Aero Electric (2)	France	100.00
Zodiac Aerospace Australia PTY LTD	Australia	100.00
Zodiac Aerospace Germany Investment GmbH (3)	Germany	100.00
Zodiac Aerospace Holding Australia PTY LTD	Australia	100.00
Zodiac Aerospace Information Systems	France	100.00
Zodiac Aerospace (Jiangsu) Co., Ltd	China	51.00
Zodiac Aerospace Maroc	Morocco	100.00
Zodiac Aerospace Services Europe (4)	France	100.00
Zodiac Aerospace Services Middle East DWC LLC	United Arab Emirates	100.00
Zodiac Aerospace Tianjin Pte Ltd	China	100.00
Zodiac Aerospace UK Investment Ltd	UK	100.00
Zodiac Aerospace UK Ltd	UK	100.00
Zodiac Aerotechnics (5)	France	100.00
Zodiac Automotive Division	France	100.00
Zodiac Automotive Tunisie	Tunisia	100.00
Zodiac Cabin Controls GmbH	Germany	100.00
Zodiac Data Systems	France	100.00
Zodiac Data Systems GmbH	Germany	100.00
Zodiac Data Systems Inc.	USA	100.00
Zodiac Data Systems Ltd	UK	100.00
Zodiac Engineering	France	100.00
Zodiac Equipments Tunisie	Tunisia	100.00
Zodiac Fluid Equipment (6)	France	100.00
Zodiac Hydraulics (7)	France	100.00
Zodiac Inflight Innovations	USA	100.00
Zodiac Inflight Innovations FR (8)	France	100.00
Zodiac Seats California	USA	100.00
Zodiac Seats France	France	100.00
Zodiac Seats Services Middle East	United Arab Emirates	100.00
Zodiac Seat Shells US LLC	USA	100.00
Zodiac Seats Tunisie	Tunisia	100.00
Zodiac Seats UK Ltd (9)	UK	100.00
Zodiac Seats US LLC	USA	100.00
Zodiac Services Americas LLC	USA	100.00
Zodiac Services Asia	Singapore	100.00
Zodiac US Corporation	USA	100.00

Companies consolidated using the equity method	Country	% interest of the Group
EZ Air Interior Ltd	Ireland	50.00

(1) Formerly Precilec
(2) Formerly ECE
(3) Formerly Sell Holding Germany GmbH
(4) Formerly Zodiac Services Europe
(5) Formerly Intertechnique
(6) Formerly IN-Flex
(7) Formerly IN-LHC
(8) Formerly SiT
(9) Formerly Contour Aerospace Ltd

Statutory Auditors' Report on the Consolidated Financial Statements

To the Shareholders,

In accordance with the terms of our appointment by your General Meetings of Shareholders, we submit to you our report for the fiscal year ended August 31, 2013, regarding:

- the audit of the consolidated financial statements of Zodiac Aerospace accompanying this report;
- the justification for our assessments;
- the specific verifications required by law.

The consolidated financial statements are the responsibility of the Executive Board. Our responsibility is to express an opinion on these statements based on our audit.

I. OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with generally accepted auditing standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis or by using other selection methods, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present, in all material respects, a fair view of the assets and financial position and results of operations for the entity consisting of the companies included within the consolidated group in accordance with International Financial Reporting Standards, as adopted in the European Union.

II. JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the provisions 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:

- In conducting our assessment of the accounting principles followed by your Company, we have examined the rules applied in recognizing development costs, those used in their amortization and for the verification of their current value, and we verified that Note 1-J of the Notes to the consolidated financial statements is appropriately disclosed.
- Notes 1-D, 1-I 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 principles followed by your Group, we have verified the accounting methods indicated in the Notes to the financial statements and that they are correctly applied. We have examined the reasonable nature of the information used to determine the recoverable value.

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 generally accepted auditing standards applicable in France, we also reviewed the information regarding the Group given in the 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 6, 2013

The Statutory Auditors

Fidaudit Member of the Fiducial network Bruno Agez	Ernst & Young Audit Laurent Miannay

Statutory Auditors' fees
and fees charged by the members of their networks payable by the Group

	Ernst & Young				Fidaudit				Breakdown			
									Ernst & Young	Fidaudit	Ernst & Young	Fidaudit
	Amount (excl. tax)		%		Amount (excl. tax)		%		%		%	
(in thousands of euros)	2013	2012	2013	2012	2013	2012	2013	2012	2013		2012	
Audit												
Auditing, certification, review of individual and consolidated financial statements:												
- Issuer	181	178	6.1%	5.9%	144	130	46.2%	46.9%	55.7%	44.3%	57.8%	42.2%
- Fully consolidated subsidiaries	2,718	2,536	91.3%	84.5%	166	147	53.2%	53.1%				
of which from the international network	*117*	*114*	*3.9%*	*3.8%*	*40*	*10*	*12.8%*	*3.6%*				
Other reviews and services directly linked to the auditing engagement of the statutory auditor												
- Issuer	–	–	–	–	–	–	–	–				
- Fully consolidated subsidiaries	18	36	0.6%	1.2%	–	–	–	–				
Subtotal	**2,917**	**2,750**	**98.0%**	**91.6%**	**310**	**277**	**99.4%**	**100%**	**90.4%**	**9.6%**	**90.8%**	**9.2%**
Other services provided by the network to the fully consolidated subsidiaries												
Legal, tax, social	34	246	1.1%	8.2%	–	–	–	–				
Other	26	6	0.9%	0.2%	2	–	0.6%	–				
Subtotal	**60**	**252**	**2.0%**	**8.4%**	**2**	**–**	**0.6%**	**–**	**96.8%**	**3.2%**	**100%**	**–**
TOTAL	**2,977**	**3,002**	**100%**	**100%**	**312**	**277**	**100%**	**100%**	**90.5%**	**9.5%**	**91.6%**	**8.4%**

ZODIAC AEROSPACE
PARENT COMPANY FINANCIAL STATEMENTS

Report of the Supervisory Board
to the Combined General Meeting of January 8, 2014

Dear Shareholders,

In accordance with our Articles of Association, this General Meeting was called to deliberate on the financial statements for the fiscal year ended August 31, 2013 and vote on the resolutions put forward by the Executive Board.

In accordance with the so-called "Financial Security" Law in France, the details of the meetings of the Board and Committees are provided in the chapter entitled "Preparation and organization of the work of the Supervisory Board."

During this fiscal year, the Supervisory Board met six times and gave the Executive Board the authorizations needed to:

a) Acquire the following companies:

- IMS Company for US$50 million, making your Group the third largest operator in the IFE (In-Flight Entertainment) sector and first in "Passenger-centric" technology, allowing airlines to develop "In-Flight Entertainment" that is less costly and more easy to use; the consolidation was effected on January 1, 2013;
- Northwest Aerospace Technologies (NAT) for US$83 million, which strengthens the capacity of your Group to integrate its products in the interiors of aircraft cabins for a number of major airline companies; the consolidation was effected on March 1, 2013;
- Innovation Power Solutions (IPS) for US$26 million, giving your Group access to the production of small- and medium-sized power generators using original technology; the consolidation was effected on March 1, 2013;
- ACC La Jonchère (now Zodiac Aero Duct Systems) for €40 million, allowing your Group to complete its business in joints, ducts and pipes; the accounts will be consolidated with effect from September 1, 2013.

b) Create new subsidiaries or increase the capital of existing subsidiaries:

- Create your subsidiary Zodiac Aerospace Services Middle East (ZME) in Dubai with capital of US$5 million to be paid on the creation of the subsidiary for US$1 million and the remainder in two payments before the end of 2014 by your parent company;
- Increase the capital of your subsidiary Zodiac Aerospace Maroc (ZAM) by your parent company by €5.4 million;
- Increase the capital of your subsidiary Zodiac Aerospace Australia (ZAA) by your parent company by €2 million;
- Increase the capital of your subsidiary Parachutes Industries of Southern Africa (PISA) by your parent company by €1.8 million; This transaction will be carried out during the 2013/2014 fiscal year.

c) Complete the financing for the Group with disintermediated financing in the form of a private placement, composed of:

- "Euro Private Placement" for €125 million for a period of 5 years with a fixed rate of 3.63% and a variable rate of 2.90%;
- "Schuldschein" (private placement under German law) for €535 million with rates between 1.8% and 4%. This "Schuldschein" transaction received the largest subscription by a French company on the German market.

In total, these two financings represent €660 million in addition to the current €1.3 billion in the form of a "Club Deal".

During this fiscal year, due to the exercise of options by a certain number of members of the personnel, the capital of your Company stood at €11,486,204.40, represented by 57,431,022 shares listed for trading on Compartment A of the Eurolist by Euronext Paris.

From January 1 to October 31, 2013, the average comparable price stood at €100.04 compared with €76.86 as the average price over the same period in the previous fiscal year. Highs/lows at market close for that same period was €119.80/€80.58 compared with €84.83/€65.05 for 2012. Daily transactions on your stock continue to be active with approximately 70,000 trades, but they have fallen by half, if not more during certain periods of the year (holidays, August, etc.). This is why in the sixteenth resolution (extraordinary section) you will be offered to multiply the number of shares held by 5, which will effectively divide the listed value of your share by 5.

The Executive Board will ask you to renew the authorization granted by the Combined General Meeting of January 10, 2012, as part of the resolutions related to ordinary business, in order to buy back in the market your Company's own shares for up to 10% of the capital, in accordance with Articles L. 225-209 *et seq.* of the French Commercial Code and in compliance with the terms defined in Articles 241-1 to 241-6 of European Regulation n° 2273/2003 of December 22, 2003 in application of Directive 2003/6/EC of January 28, 2003.

Your Company used the authorization in effect by means of a liquidity contract set up on January 18, 2007. Accordingly, at August 31, 2013, it held 7,833 of its own shares acquired at the average price of €108.72 per share. In addition, your Company continued to hold the 2,780,000 treasury shares held since August 31, 2009, representing 4.87% of the capital.

We submit for your approval the election of a new member of your Supervisory Board for a term of four years: Patrick Daher, who meets the requirements set out in the AFEP/MEDEF Code regarding the independence of members of your Supervisory Board.

In addition, the appointments of Elisabeth Domange, Marc Assa, Didier Domange and Robert Maréchal expire during this General meeting, and they may be reappointed for a term of two years; Marc Assa meets the requirements set out in the AFEP/MEDEF Code regarding the independence of members of your Supervisory Board.

Your Supervisory Board would like to extend a special tribute to Edmond Marchegay, former CEO of the Intertechnique Group, who joined your Group in 1999; thanks to him, the merger of the two groups took place under the best conditions. Having reached the age limit, the appointment of Edmond Marchegay as a member of the Supervisory Board expires at the close of this General meeting.

The changes to the bylaws of your Company are necessary within the framework of the AFEP/MEDEF Code and the provisions of the French Law of June 14, 2013 on job security:

- pursuant to the changes within the framework of AFEP/MEDEF, the seventeenth resolution will be submitted for your approval; its purpose is to reduce the term of the appointment of Supervisory Board members by limiting the term of their appointments to four years.
- pursuant to the provisions of the French Law of June 14, 2013, the eighteenth resolution will be submitted for your approval, which will determine the procedures for appointing a member of the Supervisory Board to represent employees.

You will also find that in the thirteenth and fourteenth resolutions your advisory opinion is requested on the elements of compensation for your Company officers Olivier Zarrouati and Maurice Pinault.

Your Supervisory Board is very attentive to the fact that the number of recommendations surrounding good corporate governance has grown very significantly since the 1990s; it is committed to complying with the rules contained in the AFEP/MEDEF Code, while at the same time applying a reasonable standard of governance that reflects the special characteristics of a Group with family shareholders and major shareholders. This explains why the length of service criterion of 12 years to qualify a member of the Board as "independent" is not applicable. The Company's business is characterized by capital-intensive investment projects accompanied by long-term contracts. The experience acquired on the Board is an asset to ensure the monitoring of development cycles of the Group over the long term. In addition, the Board found that each member of the Supervisory Board with a length of service of more than 12 years has always demonstrated a free spirit and independent judgment in the exercise of his or her functions.

At each of its meetings, the Supervisory Board was properly informed of the operations carried out by the Company and its subsidiaries and was able to exercise oversight in the best conditions.

At its meeting of November 19, 2013, the annual and consolidated financial statements as well as the report of the Executive Board were submitted to the Supervisory Board for verification and control; the Supervisory Board also reviewed the ordinary and extraordinary resolutions that will be put forward by the Executive Board and, in particular, the distribution of earnings. The Supervisory Board approved the wording of the draft resolutions. The Board has also deliberated on the professional and wage equality policy of the Company.

Pursuant to Article L. 225-68 of the French Commercial Code, we have no criticism or comments to make regarding the report and financial statements presented by the Executive Board. Your Supervisory Board therefore invites you to approve them and to vote on the resolutions that will be submitted to you.

The Supervisory Board.

Report of the Chairman of the Supervisory Board

on the preparation and organization of the work of the Supervisory Board and the risk management and internal control procedures

This report was prepared and is presented in accordance with Article 117 of the Financial Security Act of August 1, 2003, integrated into Article L. 225-68 of the French Commercial Code.

This report considers:

- the conditions governing the preparation and organization of the work of Supervisory board during the fiscal year ended August 31, 2013;
- internal control procedures implemented by Zodiac Aerospace.

Your Group is committed to complying with the rules contained in the AFEP/MEDEF Code of corporate governance of listed companies of October 2003, consolidated by the AFEP/MEDEF Code of corporate governance of listed companies of December 2008 and revised in June 2013, which it applies in their entirety, while at the same time applying a reasonable standard of governance that reflects the special characteristics of a Group with family shareholders and major shareholders. This explains why the length of service criterion of 12 years to qualify a member of the Board as "independent" is not applicable. The Company's business is characterized by capital-intensive investment projects accompanied by long-term contracts. The experience acquired on the Board is an asset that ensures the monitoring of development cycles of the Group over the long term. In addition, the Board found that each member of the Supervisory Board with a length of service of more than 12 years has always demonstrated a free spirit and independent judgment in the exercise of his or her functions.

Your Group applies the recommendations relative to senior management of listed companies (see chapter "Executive and Supervisory Board members", page 10), including the portion of shares issued from share options or bonus shares (see paragraph 2.b of chapter "Executive and Supervisory Board members", page 11).

CONDITIONS GOVERNING THE PREPARATION AND ORGANIZATION OF THE WORK OF THE SUPERVISORY BOARD

The Supervisory Board ensures the correct operation of the Company and the Group and reports to the shareholders. The Supervisory Board appoints the Executive Board members and the Chief Executive Officer.

It oversees the Group's management and administration.

A) COMPOSITION OF THE SUPERVISORY BOARD

Every member of the Supervisory Board has signed the "Supervisory Board Member Charter" introduced in February 1997 and updated in 2006, and then in 2011/2012 by annexation to the internal regulations of the Supervisory Board and Committees, which sets out all their rights and obligations (general and special rules). The internal regulations are available on the Company's website.

The Supervisory Board now has ten members: Didier Domange (Chairman), Louis Desanges (Vice-Chairman), Marc Assa, Elisabeth Domange, Vincent Gerondeau, Laure Hauseux, Gilberte Lombard, Edmond Marchegay, Robert Maréchal and FFP Invest, represented by Robert Peugeot; six members are "independent" (Marc Assa, Vincent Gerondeau, Laure Hauseux, Gilberte Lombard, Edmond Marchegay and FFP Invest, represented by Robert Peugeot) within the meaning of the criteria set out in the AFEP/MEDEF code, with the exception of recommendations on length of service of members of the Supervisory Board as define above. They provide the Board with wide-ranging experience in terms of their own industries and the wider international business environment.

In addition, it will be proposed at the next General Meeting to vote in favor of reducing the statutory term of office for members of the Supervisory Board so that the term is set at four years, in accordance with the AFEP/MEDEF code. Exceptionally, the term of office of the Supervisory Board currently in office at January 8, 2014 will continue until their original term ends.

Three members are women. The composition of the Supervisory Board is in accordance with the provisions of the French Law of January 27, 2011 on gender equality for the Board of Directors and the Supervisory Board. No Board member exercises any executive management function either at Group or subsidiary company level (see chapter "Executive and Supervisory Board members", pages 14 and 15, for information on other offices held by members of the Supervisory Board).

B) FREQUENCY OF SUPERVISORY BOARD MEETINGS

During the fiscal year ended, the Board met on six scheduled occasions: September 25 and November 20, 2012, and February 14, April 23, May 22 and July 16, 2013. The members of the Supervisory Board visited the "galleys" production plant in Plzen in the Czech Republic on May 22, 2013. The members of the Board were diligent in their attendance of meetings, resulting in an attendance rate of 90%.

C) 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 disposals of businesses that are not, or are no longer, compatible with the Group's core business. Major strategy meetings are held as and when required. The Board dedicates three meetings per year to reviewing the financial statements for the first half and the full year. The Board has also deliberated on the professional and wage equality policy of the Company. Supervisory Board members receive a copy of the draft minutes as quickly as possible after each meeting, prior to final approval at the subsequent meeting. They are then entered in the minute book, and signed by the Chairman and one Board member.

D) COMMITTEES

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

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

- The Audit Committee met five times during the fiscal year. It met twice to inspect the Group's half-year and consolidated full-year financial statements and three times to inspect:
  - the allocation of goodwill, tax audits, valuation of stocks and other provisions;
  - changes in risk mapping and management procedures, the improvement of Group procedures on changing inventories and the definition of the various audit missions scheduled for fiscal year 2012/2013.
  - internal control procedures, the drafting of an internal audit charter that is in force since September 1, 2013; analysis of the principal risks presented in the annual report compared to the model proposed by KPMG in December 2012 to identify the communication practices on risk factors and management procedures associated with CAC 40 companies.

  The Committee comprises five Board members: (Gilberte Lombard (Chairman), Didier Domange, Louis Desanges, Laure Hauseux and FFP Invest, represented by Robert Peugeot). Meetings are also attended by the Auditors and the Executive Vice-President, Administration and Finance of the Group.

  The Board has awarded chairmanship of the Audit Committee to an independent member since September 1, 2012.

- The Remuneration Committee usually meets once or twice in each fiscal year, and met twice during this fiscal year. The four Committee members (Didier Domange (Chairman), Gilberte Lombard, Marc Assa and Edmond Marchegay) are responsible to the Supervisory Board for setting the compensation paid to Executive Board and Executive Committee members, allocating stock options and/or bonus shares to these executives within the terms authorized by the General Meetings, setting the compensation paid to the Chairman of the Supervisory Board, and allocating the directors fees paid to Supervisory Board members.

  Vincent Gerondeau will become a member of this Committee starting January 8, 2014.

- The Appointments Committee meets only when required, and met twice this fiscal year. It has four members: Louis Desanges (Chairman), Didier Domange, Vincent Gerondeau and Edmond Marchegay.

  The Appointments Committee is responsible for reviewing the Board's composition and selecting Supervisory Board members and senior management of the Group; it examines the criteria used in appointing Supervisory Board members, especially aeronautic or industrial experience, international experience and independence in accordance with the AFEP/MEDEF code.

  Marc Assa will become a member of this Committee starting January 8, 2014. He is an "independent" member.

  Acceptance of the appointment to the Appointments Committee and Remuneration Committee means the effective presence at all meetings of the Committees.

  At the review of the appointment of Patrick Daher as Supervisory Board member and the proposed ratification by the General Meeting of the co-option of FFP Invest as a new member of the Supervisory Board, the Appointments Committee reviewed the independence criteria for Board members and approved the status of Patrick Daher and FFP Invest as "independent" members.

The Remuneration Committee and the Appointments Committee are chaired by Didier Domange and Louis Desanges, respectively. The Supervisory Board decided to continue their appointment as chairmen of these committees even though they are not "independent" within the meaning of the AFEP/MEDEF Code, since their intimate knowledge of the functioning of the Group and the industry, their experience, and the quality of their judgment put them in an ideal position to address issues regarding compensation, the appointment of Executive Board members and, more generally, the succession plan within the Group.

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

■ TRAINING OF SUPERVISORY BOARD MEMBERS

Members of the Supervisory Board shall have the most extensive knowledge of the specific areas of the Group, its activities and its business areas.

Each Board member or any person nominated at the General Meeting to this position can benefit from the necessary training for the exercise of his or her duties before his or her appointment or during his or her term.

This training is organized and offered by the Group and is paid for by the Group.

■ EVALUATION OF SUPERVISORY BOARD OPERATION

At its meeting of July 12, 2012, the Supervisory Board decided to implement the AFEP/MEDEF recommendations revised in June 2013, adopting the principle of a formal self-assessment of its operations.

In fiscal year 2011/2012, the Company had a formal evaluation in the form of a self-assessment carried out by a specialized independent consulting firm. All Board members were interviewed in order to make a judgment on the operations of the Supervisory board and specialized committees and to make suggestions.

The self-assessment of the Board during this fiscal year was carried out without the intervention of a specialized consulting firm. It should be noted:

- that there was progress in the drafting of press releases and time spent on acquisition projects;
- that there was an improvement in the timely availability of documents;
- that there remains room for improvement in the precision of scorecards.

■ INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

This part of the report is based on the framework of the *Autorité des Marchés Financiers* (AMF) of July 22, 2010 concerning risk management and internal control procedures. The purpose is to report to shareholders on the preparation and organization of the work of the Supervisory Board as well as internal control systems established by the Zodiac Aerospace Group for the fiscal year ended August 31, 2013.

A) RISK MANAGEMENT AND INTERNAL CONTROL ENVIRONMENT OF THE ZODIAC AEROSPACE GROUP

Zodiac Aerospace is an international industrial Group with a decentralized structure, i.e., each subsidiary directly manages operational aspects of its business and is responsible for the implementation of the internal control procedures in accordance with the Group's standard and directed by the Group's executive management; the management of the audit department ensures the correct application of these procedures.

1) Organization of the Group

The Zodiac Aerospace Group is structured as follows:

- a parent company, Zodiac Aerospace, responsible for the steering, organization and development of the Group; this company is run by an Executive Board and a Supervisory Board;
- five segments comprising companies dedicated to aerospace equipment, cabin equipment, aerospace systems, seats and interior equipment, as well as a services business;
- subsidiary companies in each of the segments. As part of the operations defined by the Executive Board of Zodiac Aerospace and under its control, each of these subsidiaries assumes all duties and responsibilities of a company in the legal, commercial, technical, industrial, economic, financial, tax and social areas, except those at the centralized Group level as defined below.

Under the authority of the Executive Board, the parent holding company's mission is to:

- define and drive the Group's strategy, processes and procedures.
- ensure the governance, risk management and monitoring of Group companies in accordance with the defined rules and principles;
- carry out shared services such as financing, IT, legal, the Lean strategy and human resources on behalf of Group companies;
- define actions to protect and enhance the Group's reputation, and also to increase its efficiency and performance.

In most of its businesses, the Group is subject to a control environment imposed by its major clients and regulatory authorities, which require certifications and specific controls in addition to legal obligations and thus participate in the control environment of the Group.

2) Risk Management

As defined within the framework of the AMF, "Risk represents the possibility of occurrence of an event whose consequences would be likely to adversely affect the company's staff, assets, environment, objectives or reputation. Risk management involves everyone in the company. It aims to be all-encompassing, and must cover all of the company's activities, processes and assets."

Risk management is a broad concept that goes beyond the strictly financial framework. It is a powerful management tool that involves all corporate officers and employees of the Group.

The objectives of risk management are:

- create and protect the Group's value, assets and the reputation;
- make the company's decisions and processes more secure so as to facilitate the achievement of objectives;
- mobilize employees around a shared view of key risks.

A few years ago, the Group launched a project to improve the process of risk management to define a common methodology for all subsidiaries. Each year, the Group's Business Units identify and assess the major risks to the Group's objectives.

The results of these self-assessments are reviewed and supplemented by risk managers to classify the principal risks of the Group and if necessary to implement the action plan to strengthen procedures to manage these risks, to better control them and, where appropriate, to reduce them.

The main players in this process are the Executive Committee, the cross-operational executives of the Group and the management of each subsidiary.

To strengthen the overall risk management process, in 2012 the Group initiated a project to improve and facilitate access to key risks and their associated internal controls.

Available on the Group's intranet by the end of calendar year 2013, this tool will bring together in a single location:

- the Group's major risks,
- the key internal control points,
- standard processes,
- all Group procedures,
- and ERP procedures.

The Group's major risks are detailed in the chapter "Risk Management" on page 16 of the annual report.

B) INTERNAL CONTROL PROCEDURES

1) Objectives and definitions

The Zodiac Aerospace Group defines internal control as a process implemented by its Executive Board and Executive Committee, its senior management and personnel, and with the aim of providing reasonable assurance with regard to business risks (see section C below) including:

- the identification, prevention and management of the Group's principal risks;
- compliance with laws and regulations and ethical conduct;
- the application of instructions and guidelines issued by the Group;
- the reliability of financial and accounting information;
- the proper functioning of the internal processes of the Group;
- the reduction of the company's exposure to the risk of fraud.

As with any control system, the one set up by the Group cannot fully guarantee that specific risks are totally eliminated.

The Supervisory Board, through its Audit Committee, is kept informed of major developments of the internal control procedures and may carry out any specific control which seems appropriate.

This procedure is based on the organization of the Group, the internal control environment and is part of an ongoing process to identify, assess and manage risk factors that may affect the achievement of objectives and opportunities that can improve performance.

2) Control environment

The quality of the internal control procedure is a constant concern for the Group, which is continually strengthening its features, particularly through documentation of procedures and the establishment of additional indicators. Internal control relies primarily on the management of the operational entities.

Continuous improvement of our IT tools is part of the structuring of our internal control. The Group intranet is the method of choice to broadcast key internal control points, procedures and the Group's financial and management data.

Similarly, the rules of ethics to which the Group pays particular attention, found in the Code of Ethics is available to employees of the Group on the intranet.

The Ethics Code has been revised with an implementation date of October 2013.

3) The activities of internal control

a) Standard procedures

The main procedures affecting the Group's operations are collected in a documentation system accessible on the Group's intranet and include:

- Group IFRS accounting rules;
- rules for the preparation of the consolidated financial statements and those related to intra-group or inter-company operations;
- quarterly instructions related to the consolidation of all companies concerned;
- the user guide for the consolidation software; this software features controls necessary for the consistency of the various components of the consolidated accounts;
- the rules and procedures for using the Group's ERP (M3);
- specific monitoring procedures for outstanding loans of airline companies;
- procedures for managing and monitoring currency exchange risk;
- procedures related to the format and content of "Group standards" for reporting and budget;
- procedures related to Quality control, work-related accidents, Human Resources, Security, Environment, etc.

b) Budget process

The Group's executive management defines the general economic and financial assumptions in accordance with the Group's strategy.

Based on these general guidelines, the different segments prepare a draft annual budget, associated with the development of a multi-year business plan. This plan is then presented to the executive management of the Group. This phase of the process is used to draw up the operational options to be monitored by the segments and their divisions, as well as developments in the medium- and long-term through the business plan.

All of these budgets are also kept in a Group database accessible to various managers (company, division, segment, and Group) at each stage of the budget process.

c) Financing and cash procedures

The Group's executive management and administration and finance department set rules to be followed in terms of hedging currency and exchange rate risks for the entire Group.

Zodiac Aerospace ensures all financing of the Group and lends the necessary funds for the entities concerned. The banking relationship management is managed at the Group level. Thus, no entity can obtain credit facilities, surety lines or currency exchange rate or interest rate hedges without the consent of the administration and finance department of the Group.

All information on banking relationships, delegations of authority granted, credit card authorizations and surety lines for each account is listed in a database regularly reviewed by the administration and finance department of the Group as well as the segment's financial officers.

The various risks related to the operation of these activities are also analyzed during audits of the financial accounts and monthly activities.

d) Reporting procedures

Each entity submits a monthly report whose format and transmission date are the same for the whole Group. These documents as well as the reports by division and segment are discussed by operational committees and made available on the Group's intranet.

The Group's reporting department drafts a consolidated monthly report, available on the intranet and presented regularly to the Group's Executive Committee.

Monthly meetings to "review the accounts and activities" of the segments take place, involving the Chief Executive Officer, the Executive Vice-President, Administration and Finance of the Group, the Operations Manager and the Financial Officer of the segment concerned. During these meetings, the month's figures and different highlights are presented and analyzed, and possible action plans are determined.

e) Procedures for drafting the consolidated financial statements

Procedures that aim to guarantee the completeness and reliability of the Group's financial statements were established by the administration and finance department.

A thorough procedure is implemented for interim balance sheet date and annual balance sheet date for the most important companies of the Group. As part of the annual financial statements, a meeting is held, attended by the Chief Executive Officer, the Executive Vice-President, Administration and Finance of the Group and segment and division managers, to conduct a review of the accounting and tax aspects of these companies before the balance sheet date and the activity of the Statutory Auditors.

This procedure allows positions on provisions to be finalized and any irregularities to be detected on all accounts and to be remediated before the final balance sheet date.

The financial statements are prepared using software created by a specialized company, providing a structuring tool for the implementation of accounting rules and principles.

f) Procedures for insurance monitoring

The legal department, in collaboration with the administration and finance department of the Group, monitors all issues related to insurance. This organization allows centralized monitoring of all insurance risks as well as the negotiation of "Group" insurance policies. All policies underwritten by the Group are submitted to a dedicated database that also includes summaries on developments in Group insurance and insurance guarantee premiums; the database is accessible in real time by authorized persons.

A method for monitoring industrial risks and developing recovery plans was developed with FM Insurance Company. Quarterly meetings are held with the insurer, the Chief Executive Officer, the Executive Vice-President, Administration and Finance of the Group and the Group legal and industrial risks managers to learn about:

- the development of actions to reduce/remove these risks;
- the preparation and implementation of backup plans.

All these elements are described in the note "Risk management", page 18.

g) Investments and divestments

The transactions involving full or partial purchase and/or sale of activities are the sole responsibility of the executive management of the Group. The segments propose their projects to the mergers/acquisitions department of the Group and regular reviews are conducted with the Group's management and the Executive Committee to decide on the follow-up to these projects: Projects approved by the Executive Committee are submitted for review and approval to the Supervisory Board.

h) Procedures for monitoring investments

An authorization procedure:

- of intangible investments,
- of tangible investments,
- of rental contracts of all types,
- of capitalization of development costs,

is in force as a workflow on the Group's intranet and allows all operational executives and senior management to examine these requests before approval, according to the criteria and procedures issued by the executive management of the Group.

C) PRINCIPAL ACTORS IN RISK MANAGEMENT AND INTERNAL CONTROL OF THE ZODIAC AEROSPACE GROUP

1) The Executive Board and segment management (Executive Committee)

The Chief Executive Officer delegates his authority to segment management to direct and monitor the businesses that are a part of their respective segments concerning:

- setting objectives in accordance with those defined by the Chief Executive Officer and presented to the Supervisory Board for the entire Group;
- performance monitoring;
- implementation of decisions on strategic issues related to Group companies and authorized by the Supervisory Board;
- operational oversight of companies, coordination and facilitation of transverse actions.

2) Administration and Finance department

The Executive Vice-President, Administration and Finance of the Group, under the authority of the Chief Executive Officer, ensures the management of accounting and financial operations.

Its organization includes:

- A director of finance for each segment, who is functionally and hierarchically linked; the implementation of internal accounting and financial control is entrusted to these directors, whose scope of responsibility includes local or decentralized teams in operational units to ensure the preparation of financial information in accordance with the internal rules.
- A directorate of reporting and statutory consolidation, which is responsible for the preparation and presentation of the consolidated statutory financial statements of the Group, and ensuring the implementation of the Group's consolidated budget and the analysis of the Group's financial data. In particular, it draws up monthly reports on differences with the consolidated budget and comparable consolidated periods of the previous year.
- A tax department, which provides support to operational entities on legislation and during tax audits. It also ensures the monitoring of fiscal consolidations carried out within the Group and the control of their overall consistency; these actions are carried out based on "recognized" external tax experts.
- A cash and financing department, which is responsible for:
  - implementation of the Group's financial policy;
  - optimized management of the balance sheet and financial position;
  - the implementation of the currency exchange rate and interest-rate risk policy.

All the credit lines of the Group are set up by the parent company Zodiac Aerospace; no subsidiary has the authority and power to negotiate and implement local lines of credit.

The central function implements the hedging mechanism for currency exchange decided on by the Chief Executive Officer and the Executive Vice-President, Administration and Finance of the Group; this mechanism requires systematic hedging of the currency exchange position at the end of each month in addition to the forward hedges (these are decided by the Chief Executive Officer through a consultative process with the Executive Committee and the Supervisory Board).

For the annual financial statements, segment managers and financial officers issue a letter of representation to the Chief Executive Officer and the Executive Vice-President, Administration and Finance of the Group, attesting to the accuracy and completeness of the financial information submitted for consolidation.

3) Audit and Internal Control department

The Director of Internal Audits reports to the Executive Vice-President, Administration and Finance of the Group as well as the Chief Executive Officer.

The internal audit procedure was the subject of a charter whose deployment is effective from September 1, 2013. This document specifies the role and organization of internal audit missions within the Group, the method for a standard audit and the responsibilities of auditors.

Internal Audit operates within the framework of a plan set annually and presented to the Audit Committee. This action plan, over a period of three years, will verify and reinforce understanding and implementation of the internal control procedures as well as the correct application of procedures in force.

The risk management procedure is an important element in the development of the audit plan that is prepared based on interviews with the operational executives of the Group's segments. It also takes into account the specifics of the Business Units (size, income contribution, results of previous audits, etc.).

Between fifteen and twenty of these missions are carried out every year. Over the fiscal year 2012/2013, as provided in its objectives, in addition to monitoring the correct implementation of internal controls related to the Group's main risks, particular attention was paid to procedures related to inventory management.

Monitoring of recommendations on past missions is reinforced by the use of an internal auditing tool as well as on-site follow-up audits.

Each entry of a new company into the Group structure can give rise to an update of the audit plan.

Internal Audit is likely to occur at all Group companies in operational and financial matters.

The primary missions of internal audits are:

- the verification of continuous monitoring of internal control procedures and rules in force within the Group carried out by management;
- the evaluation of the adequacy of the internal control procedure and the implementation of corrective actions;
- the verification of the correct application of controls limiting the main risks identified by the Group;
- carrying out the targeted audits (company, theme, process, etc.) aimed at identifying potential areas of improvement in the efficiency of the companies and subjects audited.

Internal Audit reports on its detailed work to Management of the audited entity and segment management. A summary report, focusing on the major recommendations is sent to the general and financial management of the Group.

A quarterly audit report is also drawn up by each segment to monitor the commitment of management to the implementation of recommendations in a timely manner.

Internal Audit meets regularly with the Statutory Auditors to discuss matters concerning internal control. Internal Audit also reports on its work to the Audit Committee in specific regular meetings for this purpose.

The Internal Audit department is also responsible for managing the collection of procedures and accounting methods of the Group and the development of the internal control framework.

4) Group Information Systems management department

It is ensured by the Director of the Group Information Systems under the authority of the Executive Vice-President, Administration and Finance of the Group.

The centralized information system of the Zodiac Aerospace Group aims to meet requirements for safety, reliability, availability and traceability of information.

To ensure the correct use of these tools and therefore the relevance of information, functional documentation, appropriate to the needs of users, was deployed.

The Group has also implemented mechanisms to ensure the information security and data integrity of computer systems.

A committee of information systems is held every three months and consists of the Chief Executive Officer, the Executive Vice-President, Administration and Finance of the Group, the Director of the Group's Information Systems, segment managers and/or segment financial officers, as well as managers of user companies.

This committee is responsible for establishing and maintaining an information systems road map to meet the needs of the organization and the Group's general policy on development. In this context, the committee should also propose the type of IT projects as well as the resource allocation priorities. Among these short- and medium-term actions, the deployment of ERP (Enterprise Resource Planning) of the Group (M3) for all companies should be noted.

In preparation for the transfer to M3 for companies using ERP LN 7 (BAAN), an action was launched to harmonize all companies using this software.

The internal audit missions include research into areas of IT risk, particularly in the context of the logical security of integrated software: managing user profiles and risks of incompatibility of access rights within a department of the company.

5) Legal and Industrial Risks department

The Legal Director and the Director of Industrial Risks report to the Executive Vice-President, Administration and Finance of the Group.

Monitoring Group objectives and obligations concerning legal matters of security in the Group's entities is entrusted to the Director of

Industrial Risks to monitor the correct implementation of rules and procedures, to modify them if necessary, and train relevant managers in the various Group entities. As such, the committees meet several times a year and a quarterly report of these risks is distributed to managers of the Group.

6) Quality and Environment departments

The directors of these departments report to the Chief Executive Officer. The quality assurance operations on programs, products and services are delegated to operational units. The Quality department is integrated into each business. This guarantees that systems, products and services respond to clients' needs and encourages responsiveness.

Monitoring Group objectives and obligations concerning the legal matters of quality and the environment in the Group's entities is entrusted to a team in the holding to monitor the correct implementation of rules and procedures, to modify them if necessary, and train relevant managers in the various Group entities. As such, the committees meet several times a year and a quarterly report of these risks is distributed to managers of the Group.

7) The CEOs of the various Group companies

They assume, in collaboration with the financial officers or local controllers, ongoing monitoring of compliance with the internal control system implemented in their company, this procedure must be in accordance with the principles of internal control of the Group.

8) Audit Committee

As part of their mission of control and certification of annual and consolidated financial statements, the Statutory Auditors may review the procedures of different business processes of the company involved in the preparation of the accounting and financial information.

The Audit Committee hears the Statutory Auditors on their mission, and examines the financial statements and accounting procedures presented by the Executive Board and management and the results of the audits and related work conducted by the Internal Audit department.

The Group continues its efforts to improve its risk management and internal control procedures through the strengthening of the risk management process and also with the ZIPS (Zodiac Aerospace Integrated Process System) project, which integrates major risks of the Group with associated internal controls.

During fiscal year 2013/2014, a quality rating system for risk management will be deployed and integrated in the objectives of the principal managers of the Group.

This report was prepared on the basis of contributions from several departments of the Group, including Finance, Legal and Audit. This report was approved by the Supervisory Board during its meeting in November 2013.

Report of the Executive Board
to the Combined General Meeting of January 8, 2014

Dear Shareholders,

We have called you to this Annual General Meeting, in accordance with legal requirements and the Company's Articles of Association, to submit the financial statements for fiscal year 2012/2013 for your approval.

Zodiac Aerospace company is the parent company of the Group and acts as general industrial manager for all the Group's businesses. On this basis, it supplies services to Group companies.

This Report only deals with the Zodiac Aerospace business; the Group's business as a whole is analyzed in the report on the consolidated financial statements.

I – STATEMENT OF PROFIT AND LOSS

SALES REVENUE 2012/2013

Zodiac Aerospace sales revenue was €78,870,000, up from €50,972,000 the previous fiscal year.

It can be broken down as follows:

	2012/2013	2011/2012
Rents and rental charges	€2,086,000	€1,699,000
Group services	€64,224,000	€38,314,000
Account fee	€12,560,000	€10,989,000
TOTAL	**€78,870,000**	**€50,972,000**

The sharp rise in sales revenue, centered around billing for Group services, is due to the implementation of new centralized Group functions.

Sales of Zodiac Aerospace services, at like-for-like consolidation scope, accounted for 1.80% of the Group's consolidated sales revenue, up from 1.19% for the previous fiscal year.

FINANCIAL INCOME

Financial income is €41,257,000 in 2012/2013, down compared with €52,068,000 for the previous fiscal year. This is primarily due to the decreased dividends from your subsidiaries, which amounted to €61,834,000, down from €71,282,000 for the previous fiscal year.

Other interest and similar income, generated by the financing activities of our subsidiaries, was constant (€10,021,000 from €10,325,000).

Interest expense was down 7.67%, from €29,802,000 to €27,517,000. External resources averaged 1.93%, down from 2.37% for the previous fiscal year.

A provision was recognized for an impairment of €1,900,000 for your subsidiary Parachutes Industries of Southern Africa (PISA).

No provisions have been recorded for shares of treasury stock due to their lower-than-market book cost.

CORPORATE TAX

Tax revenue posted to the financial statements stood at €9,229,000, mainly comprising:

- a credit resulting from Zodiac Aerospace income €11,052,000
- a credit resulting from tax consolidation €404,000
- the contribution of 3% on dividends paid out (€2,282,000)

INCOME 2012/2013

Pre-tax income stood at €24,582,000, up from €38,026,000 the previous fiscal year.

Operating income was down again this fiscal year, by €16,129,000, versus €14,378,000 for the previous fiscal year.

Net income stood at €33,810,000, versus €50,692,000 the previous fiscal year.

WORKFORCE 2012/2013

The permanent workforce at the end of the fiscal year was 151, versus 105 at August 31, 2012.

II – STATEMENT OF FINANCIAL POSITION

INTANGIBLE ASSETS

The gross amount of intangible assets comprises:

- expenses for the supplemental agreement to the syndicated loan, for €3,200,000,
- fees for setting up this fiscal year “Schuldschein” Private Placement and “Euro PP” financing, for €3,189,000,
- ERP Movex/M3 operating licenses in the amount of €10,379,000.

Expenses for the supplemental agreement to the syndicated loan and Private Placements totaling €1,735,000 were amortized.

PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment rose by €1,677,000 over the fiscal year and included €1,460,000 in IT equipment (hardware and networks).

EQUITY INVESTMENT ACTIVITY

A. EQUITY INVESTMENTS

The main changes were:

1. Share subscription and capital increase	**€6,636,000**
■ Zodiac Aerospace Maroc capital increase	€5,373,000
■ Zodiac Aerospace Holding Australia capital increase	€1,263,000
2. Acquisitions and creations	**€46,109,000**
■ Acquisition of ACC La Jonchère (now Zodiac Aero Duct Systems) This company completes the expertise in the Fluid Management Division (Aircraft Systems Segment) in the field of coupling and joints.	€46,033,000 [1]

(1) The price is subject to a revision clause based on WCR and cash elements at closing and for which the elements are under review with the sellers and their advisors.

■ Creation of EZ AIR, a 50/50 joint venture with Embraer	€76,000
3. Impairment	**€1,900,000**

Securities of the South African subsidiary PISA recorded in our financial statements for €2,261,000 had an impairment of €1,900,000, bringing the net value of the securities to €361,000.

B. OTHER LONG-TERM INVESTMENTS

The inventory of negotiable securities held in the portfolio on August 31, 2013 comprised:

■ a liquidity agreement set up with Crédit Agricole Cheuvreux to boost the liquidity of transactions and keeping stock prices stable, for a maximum of €6,000,000. At August 31, 2013, Zodiac Aerospace held 7,883 shares in the Company, in the amount of €805,000;

■ the cash balance made available to Crédit Agricole Cheuvreux as part of this contract, invested in a current account paid, totaling €5,530,000;

■ a share buyback program set up with a service provider in February 2008, involving a maximum of 5% of the capital and used in the form of 2,780,000 shares in the Company purchased before August 31, 2009, i.e., 4.84% of shares outstanding, in the amount of €89,849,000, to be used for acquisition transactions.

LOANS TO GROUP COMPANIES

Financing activities carried out for Group companies continued. At August 31, 2013, companies with borrowings from Zodiac Aerospace had an outstanding balance of €479,837,000, compared to €482,518,000 at August 31, 2012. To this are temporarily added the amounts to be collected in the framework of consolidation for tax purposes, i.e., €20,796,000, versus €13,983,000 for the previous fiscal year.

The lending companies made available €757,486,000, up from €700,158,000 at August 31, 2012. To this are temporarily added the amounts due to subsidiaries consolidated for tax purposes, i.e., €21,525,000, versus €17,479,000 for the previous fiscal year.

Net lending to Zodiac Aerospace subsidiaries was, therefore, €(277,648,000), compared with €(217,460,000) the previous fiscal year.

BREAKDOWN OF THE BALANCE OF ACCOUNTS PAYABLES BY MATURITY

Please find below a breakdown, at August 31, 2013, of the balance of accounts payables by maturity, in accordance with Article D. 441-4 of the French Commercial Code.

Breakdown of the balance of accounts payables by maturity

Maturities (in thousands of euros) (D= balance sheet date)	Payables overdue at the balance sheet date	Maturities at D+15	Maturities between D+16 and D+30	Maturities between D+31 and D+45	Maturities between D+46 and D+ 60	Maturities after D+60	Past maturity	Total liabilities accounts payables
At August 31, 2012								
Accounts payables	2,775	944	748	88	–	–	–	4,555
Accounts payables invoices to be received	–	–	–	–	–	–	3,148	3,148
Accounts payables fixed assets	2,535	69	–	47	–	–	2,265	4,917
TOTAL PAYABLE	**5,310**	**1,013**	**748**	**135**	**-**	**–**	**5,413**	**12,619**
At August 31, 2013								
Accounts payables	3,660	1,356	1,997	84	–	–	–	7,097
Accounts payables invoices to be received	–	–	–	–	–	–	3,213	3,213
Accounts payables fixed assets	254	163	210	–	3	–	2,265	2,895
TOTAL PAYABLE	**3,914**	**1,519**	**2,207**	**84**	**3**	**–**	**5,578**	**13,205**

FINANCIAL LIABILITIES

Zodiac Aerospace implemented a financing package in July 2013 in the form of Private Placements:

a) a "Schuldschein" for €535 million with three tranches:

- a 3-year maturity, maturing July 25, 2016, amounting to €133 million,
- a 5-year maturity, maturing July 25, 2018, amounting to €243 million,
- a 7-year maturity, maturing July 27, 2020, amounting to €159 million.

b) a "Euro PP" with a 5-year maturity, maturing July 22, 2018, amounting to €125 million.

Zodiac Aerospace also has the "Club Deal" syndicated loan for €1 billion set up on June 29, 2010, which was increased to €1.3 billion on August 29, 2011 and whose maturity was extended to June 29, 2015.

This loan was used on August 31, 2013, for €231.1 million.

The covenant (Net debt-to-consolidated EBITDA ratio) related to this loan had been respected at August 31, 2013. It must be equal to or less than 3.00 at the close of this fiscal year and the following fiscal years.

In addition, €73 million of our Commercial paper program has been used at the balance sheet date, to which €17.9 million of foreign currency advances were added.

RISK HEDGING

A) INTEREST RATE RISK:

Zodiac Aerospace set up interest rate swaps to hedge against changes in the Euribor:

1. 1-month Euribor

- implemented during fiscal year 2011/2012 and covering the period from September 1, 2013 to August 31, 2014, totaling €300 million at a rate of 0.72%.

2. 6-month Euribor

- implemented under the "Schuldschein" financing and covering the period from July 25, 2013 to July 25, 2018, totaling €50 million at a rate of 1.11% against the 6-month Euribor.

B) CURRENCY EXCHANGE RATE RISK:

At August 31, 2013, Zodiac Aerospace had active currency hedges to hedge:

- a portion of the 2012/2013 sales revenue: $146.2 million and €1 million on behalf of its subsidiaries, and $2.5 million on its own account;
- a portion of the 2012/2013 purchases: $3.7 million and €1.7 million on behalf of its subsidiaries;
- a portion of the 2013/2014 sales revenue: $124.7 million on behalf of its subsidiaries, and $1.1 million on its own account.

EQUITY

Equity, before dividend distribution, was down by €30,892,000, falling from €745,858,000 to €714,966,000.

This change breaks down as follows:

net income for the 2012/2013 fiscal year	€33,810,000
the rise in revenue from the issue of 305,294 shares under stock options	€11,326,000
changes in regulated provisions	€52,000
dividends distributed	€(76,080,000)

STOCK OWNERSHIP

The number of shares outstanding at August 31, 2013 is 57,431,022, up from 57,125,728 at August 31, 2012. The 305,294 share increase resulted from stock options exercised and the creation of new shares issued as bonus shares.

At August 31, 2013, holders of registered shares accounted for 40.8% of the shares and 51.5% of the voting rights. A breakdown of Zodiac Aerospace capital on that date, to the best of the Company's knowledge, is shown in the table below, page 102. The number of shares held by employees was 630,196, representing 1.10% of capital stock and 1,104,124 voting rights, representing 1.57% in total.

Also, as far as the Company is aware, none of the "other shareholders" appearing in this table hold 5% or more of the capital stock or the voting rights. On the other hand, please note that in consideration of the French law on employee savings plans dated February 19, 2001, the portion of capital held by Company employees and the staff of related companies within the meaning of Article L. 225-180 of the French Commercial Code, as part of a collective management plan, was less than 3%.

As at August 31, 2013, the Company had not received any information in accordance with the Articles L. 233-7 (crossing the legal threshold) and L. 233-12 (own shares) of the French Commercial Code.

It should be noted that some shareholders are bound by collective agreements to retain their shares, concluded pursuant to Article 787B and 885 I *bis* of the French General Tax Code, registered on June 18, 2012 with the tax authorities. These collective retention agreements run for two years and may be tacitly renewed in 12-month periods.

The family shareholders have also signed a non-transferability agreement to further consolidate their commitments to retaining their shares under specific tax regimes. This agreement is for an initial period of one year that may be tacitly renewed in 12-month periods. Apart from the non-transferability undertaking, it allows for respite on 10% of the number of shares promised by each signatory, provided the aggregate of the shares subject to the agreement does not come to represent less than 20% of the capital and voting rights of Zodiac Aerospace.

The shares subject to the above agreements represent around 24% of the capital and 40.7% of the voting rights exercisable by Zodiac Aerospace (excluding treasury shares held by the Company).

Shareholders who are Company officers or who hold over 5% of the capital or voting rights who have signed these agreements are: the Louis Desanges family, the Didier Domange family, the Vincent Gérondeau family, the Robert Maréchal family, the Maurice Pinault family and the Olivier Zarrouati family.

Certain shareholders are bound by a collective retention agreement registered on December 21, 2005 and entered into in accordance with the provisions contained in Article 885 I *bis* of the French General Tax Code under which they are bound to hold a certain number of Zodiac

Breakdown of capital stock	Capital		Voting rights	
	Number of shares	%	Number of votes	%
Registered				
Families	14,324,475	24.94%	28,215,764	40.24%
Employees	630,196	1.10%	1,104,124	1.57%
FFP Invest	3,303,829	5.75%	3,303,829	4.71%
Fonds Stratégiques d'Investissement - FSI	1,190,318	2.07%	1,190,318	1.70%
Other shareholders	1,186,542	2.07%	2,282,942	3.26%
Treasury stock	2,780,000	4.84%	–	–
Total registered shares	**23,415,360**	**40.77%**	**36,096,977**	**51.48%**
Bearer				
Other shareholders	**34,015,662**	**59.23%**	**34,015,662**	**48.52%**
TOTAL	**57,431,022**	**100.00%**	**70,112,639**	**100.00%**

Aerospace shares for a period of 6 years from that date. The agreement may be tacitly renewed in 12-month periods. This undertaking is still in force. It also gives the signatories a mutual pre-emption right on the contracted shares. It was reported to the *Autorité des Marchés Financiers* (AMF) which published the details in notice n°206C0107 on January 17, 2006.

The detailed contents of these collective retention agreements can be found on the AMF website.

Stock options

108,188 stock options were awarded by the Executive Board, after consultation with the Supervisory Board, between September 1, 2012 and August 31, 2013.

The conditions under which these options may be exercised are governed by the law and the rules laid down by the Combined General Meeting of January 10, 2011.

The number of options awarded and not exercised, from all plans existing at August 31, 2013, totaled 920,551. An average of 221,375 options were awarded per fiscal year, i.e., 0.39% of the capital.

Bonus share awards

33,539 bonus shares were awarded by the Executive Board, after consultation with the Supervisory Board, between September 1, 2012 and August 31, 2013, i.e., 0.06% of the capital.

The conditions under which these options may be exercised are governed by the law and the rules laid down by the Combined General Meeting of January 10, 2011.

Share buyback program

The Company did not make use of the authorization given by the General Meeting of Shareholders on January 10, 2011. At August 31, 2013, the Company held the same number of shares as at August 31, 2012, i.e., 2,780,000 shares, representing 4.84% of the capital.

Liquidity agreement

The liquidity agreement set up by the Company on January 18, 2007, was renewed in 2011. This agreement aims to boost the liquidity of transactions and keep stock prices stable (see § Equity investment activity/B.).

■ AUTHORIZATIONS AND DELEGATIONS GIVEN TO THE EXECUTIVE BOARD

These authorizations and delegations appear in the tables below.

Status of authorizations and delegations in progress and awarded to the Executive Board by the Combined General Meeting of shareholders of January 9, 2013

Authorizations to buy back and cancel treasury stocks

Type	Authorization date	Maturity/term	Maximum amount authorized at August 31, 2013	Use at August 31, 2013
Authorization to buy and sell the Company's own shares	January 9, 2013 (5th resolution)	July 9, 2014 (18 months)(1)	Buy back of a number of shares such that the number of shares held by the Company does not exceed 10% of the shares of capital stock. Maximum amount of €300 million	Movements over the fiscal year(2): - purchase: 0 - sale: 0
Authorization to reduce the capital stock by canceling shares purchased by the Company as part of its share repurchase program	January 9, 2013 (10th resolution)	July 9, 2014 (18 months)(1)	Cancellation of no more than 10% of capital per 24-month period.	Shares canceled over the fiscal year: 0

(1) A proposal will be made to the General Meeting of Shareholders on January 8, 2014, to renew this authorization.
(2) Not part of the liquidity agreement.

Delegations for the purpose of increasing the capital

Type	Authorization date	Maturity/term	Maximum nominal issue authorized	Means of determining the issue price	Use at August 31, 2013
Delegation for the purpose of capital increase by means of a rights issue of ordinary shares and/or other negotiable securities giving access to equity.	January 9, 2013 (11th resolution)	March 9, 2015 (26months)	€2,500,000 (overall limit(1) for all delegations granted by the Combined General Meeting under the terms of the 11th, 16th and 17th resolutions).	Unrestricted	None
Delegation for the purpose of capital increase by the incorporation of profits, reserves or premiums.	January 9, 2013 (12th resolution)	March 9, 2015 (26 months)	Within the overall limit of the sums that can be incorporated into the capital on the date of their incorporation.	–	None
Delegation for the purpose of capital increase by means of a non-rights issue of ordinary shares and/or other negotiable securities giving access to equity as part of a public offering.	January 9, 2013 (13th resolution)	March 9, 2015 (26 months)	€1,500,000 (limit for all delegations granted by the Combined General Meeting under the terms of the 13th and 14th resolutions (2)).	Issue price at least equivalent to the weighted average share price for the three market trading sessions immediately prior to the price being set, reduced where applicable by a 5% discount.	None
Delegation for the purpose of capital increase by means of a non-rights issue of ordinary shares and/or other negotiable securities giving access to equity as part of a private offering.	January 9, 2013 (14th resolution)	March 9, 2015 (26 months)	€1,500,000 (limit for all delegations granted by the Combined General Meeting under the terms of the 13th and 14th resolutions (2)).	Issue price at least equivalent to the weighted average share price for the three market trading sessions immediately prior to the price being set, reduced where applicable by a 5% discount.	None
Delegation for the purpose of increasing the number of securities to be issued in the event of a rights or non-rights issue to raise capital, decided in application of the 11th, 13th and 14th resolutions referred to above.	January 9, 2013 (15th resolution)	March 9, 2015 (26 months)	Up to the limit specified in the resolution in application of which the initial issue was decided.	At the same price as that used for the initial issue.	None
Delegation for the purpose of capital increase by means of an issue of ordinary shares and/or other negotiable securities giving access to equity as part of a public exchange offer initiated by the Company.	January 9, 2013 (16th resolution)	March 9, 2015 (26 months)	€2,500,000 (overall limit (1) for all delegations granted by the Combined General Meeting under the terms of the 11th, 16th and 17th resolutions)(3)	Unrestricted	None
Delegation for the purpose of capital increase by means of an issue of ordinary shares and/or other negotiable securities giving access to equity, in payment for contributions in kind.	January 9, 2013 (17th resolution)	March 9, 2015 (26 months)	Up to (i) 10% of the capital stock and (ii) of the overall limit (4) of €2,500,000 set in the 11th resolution.	Unrestricted	None
Delegation for the purpose of capital increase by means of issuing shares reserved for members of a company share savings plan established in accordance with Articles L. 3332-1 *et seq.* of the French Labor Code.	January 9, 2013 (18th resolution)	March 9, 2015 (26 months)	€300,000	Issue price cannot be lower than the minimum price provided for by legal and regulatory requirements in force at the time of the issue.	None

(1) The total nominal amount of capital increases made under the 11th and 13th to 15th resolutions will be included in this overall limit.

(2) The total nominal amount of capital increases made under the 11th and 15th to 17th resolutions may not exceed the overall upper limit of €2,500,000 set in the 11th resolution.

(3) The total nominal amount of capital increases made under the 11th, 16th, 17th, and 13th to 15th resolutions will be included in this overall limit.

(4) The total amount of capital increases made under the 11th and 13th to 16th resolutions may not exceed the overall upper limit of €2,500,000 set in the 11th resolution.

Status of authorizations and delegations in progress and awarded to the Executive Board by the Combined General Meeting of shareholders of January 10, 2011

Authorizations for the purpose of (i) granting options to subscribe for or purchase Company shares and (ii) granting bonus Company shares to eligible Company or Group employees and/or Company officers

Type	Authorization date	Maturity/term	Maximum amount authorized	Means of determining the option exercise price and/or issue price	Use at August 31, 2013
Authorization to grant options to subscribe for, or purchase, shares	January 10, 2011 (22nd resolution)	March 10, 2014 (38 months)	Limited to a maximum of 1,200,000 options, the total number of options granted not giving entitlement to subscribe for, or acquire, a total number of shares representing more than 2.5% of the capital (limit for all delegations granted by the Combined General Meeting under the terms of the 22nd and 23rd resolution).	The option exercise price may not be lower (i) than the average stock market price of the share over the 20 trading sessions preceding the day on which options are granted, or, in the case of share purchase options, (ii) than the average purchase price of shares held by the Company under the conditions contained in Articles L. 225-208 and L. 225-209 of the French Commercial Code.	108,188
Autorisation d'attribuer gratuitement des actions	January 10, 2011 (23rd resolution)	March 10, 2014 (38 months)	The total number of bonus shares granted may not represent more than 2.5% of the capital (limit for all delegations granted by the Combined General Meeting under the terms of the 22nd and 23rd resolutions).	–	33,539

■ DRAFT DELEGATIONS AND AUTHORIZATIONS TO BE PUT TO THE VOTE AT THE NEXT COMBINED GENERAL MEETING OF SHAREHOLDERS ON JANUARY 8, 2014

Since the following authorizations, granted by the Combined General Meeting of January 9, 2013 (under the terms of its 5th and 10th resolutions) for the purpose of authorizing the Executive Board to buy the Company's treasury stock and cancel them, are due to expire in 2014, the Executive Board proposes that the General Meeting of shareholders convened on January 8, 2014, should grant the Executive Board new authorizations of the same nature, up to a limit of €300 million, involving a maximum of 5% and 10% of the capital respectively, with a maximum unit purchase value per share of €160 and for a period of 18 months:

- authorization of the Executive Board to buy and sell the Company's own shares;
- authorization of the Executive Board to reduce the capital stock by canceling shares purchased by the Company as part of its share repurchase program.

The following authorizations, granted by the Combined General Meeting of January 10, 2011, are due to expire in 2014, the Executive Board proposes to the General Meeting of shareholders convened on January 8, 2014, to grant the Executive Board the following new delegations, of the same nature, for a period of 38 months, for the purposes of:

- granting options to subscribe for, or purchase, shares,
- granting bonus shares of the Company,
- increasing capital stock by means of issuing shares reserved for members of a company share savings plan established in accordance with Articles L. 3332-1 *et seq.* of the French Labor Code, with cancellation of preferential subscription rights to the benefit of those members.

In addition, the Executive Board proposes to the General Meeting of shareholders convened on January 8, 2014, to give the Executive Board new delegations, with the effect of dividing by five the number of Company shares and exchange each existing share for five new Company shares, including:

- implement and perform the stock split and determine the effective date,
- determine the exact number of new Company shares to issue,
- make the adjustments required by this stock split, including the number of shares that may be obtained by the beneficiaries of stock options or bonus shares granted prior to this split and the exercise price of these options,
- amend Article 6 (Capital stock) of the bylaws/Articles of Association.

Changes to the bylaws

The Executive Board proposes to the General Meeting of shareholders convened on January 8, 2014 the following changes to the bylaws:

- to comply with the recommendations of the AFEP/MEDEF Code of corporate governance of listed companies, the amendment to Article 19 (Length of service), paragraph 1 of the bylaws, to reduce the statutory term of office for members of the Supervisory Board from six years to four years, provided that the current terms of six years will continue until the date provided upon approval of the resolution either appointing them or renewing their appointment;
- in accordance with the provisions of the French Law of June 14, 2013 on job security, the Executive Board proposes to the General Meeting of shareholders convened on January 8, 2014 to amend Article 18 (*Composition of the Supervisory Board*) to determine the appointment terms of Supervisory Board members representing employees.

■ ALLOCATION OF NET INCOME

We propose to allocate net income for the 2012/2013 fiscal year as follows:

After-tax profit	€33,810,468.61
Retained earnings	€473,358,395.16
Amount to be allocated	€507,168,863.77
Allocation to the legal reserve	(€6,111.88)
Dividend (1)	(€91,889,635.20)**
Retained earnings after allocation	€415,273,116.69

(1) €1.60* x 57,431,022 shares.

(*) In the case of the adoption of the 16th resolution submitted to a vote at this General Meeting and the implementation of the stock split before the date of the payment of the dividend, the dividend will be divided by five and will be €0.32 per share.

(**) This amount relates to all 57,431,022 shares issued by the Company at August 31, 2013; it will be adjusted to reflect the total number of shares held by the Company on the dividend payment date, and especially (i) reduced to reflect the number of treasury shares held by the Company and (ii) increased to reflect the number of bonus shares given to employees pursuant to the plans of December 29, 2011 and completely issued December 29, 2013.

Dividends per share paid over the last three fiscal years are as follows:

	Dividend
2009/2010	€1.00
2010/2011	€1.20
2011/2012	€1.40

■ FORECAST FOR THE 2013/2014 FISCAL YEAR

The Company will continue to act as the Group's industrial holding company and to supply services to Group companies.

It will also continue to cash dividends from its French and foreign subsidiaries.

Statement of Financial Position

ASSETS

(in thousands of euros)	Notes	Amount gross	Depreciation, amortization or impairment	Net at Aug. 31, 2013	Net at Aug. 31, 2012
Intangible assets	(Note 1.A and Appendix 1 and 2)	16,769	8,074	8,695	6,528
Property, plant and equipment	(Appendix 1 and 2)	22,147	13,086	9,061	9,289
Long-term investments	(Note 1.B and Appendix 3)	1,931,226	1,900	1,929,326	1,878,447
Total non-current assets		**1,970,142**	**23,060**	**1,947,082**	**1,894,264**
Operating receivables		7,115	–	7,115	5,980
Other receivables and loans to subsidiaries	(Note 1.C)	500,633	–	500,633	496,501
Cash and cash equivalents		51,807	–	51,807	51,523
Prepaid expenses		4,989	–	4,989	3,656
Total current assets		**564,545**	**–**	**564,545**	**557,660**
TOTAL ASSETS		**2,534,687**	**23,060**	**2,511,627**	**2,451,924**

EQUITY AND LIABILITIES

(in thousands of euros)	Notes	Net at Aug. 31, 2013	Net at Aug. 31, 2012
Capital		11,486	11,425
Share premiums		170,552	159,287
Revaluation adjustments		252	252
Legal reserve		1,143	1,135
Reserve for long-term capital gains		–	–
Other reserves		23,838	23,838
Retained earnings		473,358	498,753
Net income for the fiscal year		33,810	50,692
Regulated provisions	(Note 2)	527	476
Total equity	**(Note 6)**	**714,966**	**745,858**
Provisions for contingencies and losses		**1,744**	**1,122**
Financial liabilities		1,762,374	1,685,098
Operating liabilities		27,196	19,532
Other liabilities		5,347	314
Total liabilities	**(Note 4)**	**1,794,916**	**1,704,943**
TOTAL EQUITY AND LIABILITIES		**2,511,627**	**2,451,924**

Statement of Profit and Loss

(in thousands of euros)	Notes	Amount at Aug. 31, 2013	Amount at Aug. 31, 2012
Revenue from operations			
Sales revenue	(Note 7)	78,871	50,972
Other revenue		4	14
		78,875	**50,986**
Operating expenses			
Raw materials, external costs and other supplies		62,999	42,130
Taxes other than income taxes		1,539	887
Personnel costs	(Note 8)	26,508	19,240
Depreciation and amortization charges		3,958	3,107
		95,004	**65,364**
Operating income		**(16,129)**	**(14,378)**
Financial income			
Income from equity investments		61,834	71,283
Other interest and similar income		10,021	10,325
Currency gains		18	394
Reversals of provisions		–	–
		71,873	**82,002**
Interest and similar expenses			
Interest expense		27,517	29,802
Currency losses		1,165	97
Allocations and other financial charges		1,933	35
		30,615	**29,934**
Net financial income	**(Note 9)**	**41,258**	**52,068**
Income before tax and exceptional items		**25,129**	**37,690**
Exceptional revenue			
Operating activities		–	138
Capital transactions		34	24
Reversals of provisions		170	404
		204	**566**
Exceptional charges			
Operating activities		–	–
Capital transactions		29	41
Depreciation charge and provisions		722	188
		751	**229**
Net exceptional profit/(loss)		**(547)**	**337**
Income tax	**(Notes 10 and 11)**	**(9,228)**	**(12,665)**
Total revenue		**150,952**	**133,554**
Total expenses		**117,142**	**82,862**
Net income for the fiscal year		**33,810**	**50,692**

Notes to the Financial Statements

I. ACCOUNTING PRINCIPLES AND METHODS

The statement of financial position and statement of profit and loss of Zodiac Aerospace have been prepared in euros in accordance with the provisions of the General Chart of Accounts as required by Regulation 99-03 of the French Accounting Regulation Committee.

The main principles applied are as follows:

a) Software programs are posted to intangible assets and amortized on a straight-line basis over a 1 to 4 year term. Start-up costs are amortized on a straight-line basis over 1 to 5 years.

b) Property, plant and equipment are depreciated at acquisition cost or at cost, in the case of property, plant and equipment invoiced to ourselves.

Amortization and depreciation are calculated over the useful life of fixed assets which is generally as follows:

- buildings: 20 years;
- furniture and fittings: 10 years;
- IT equipment: 3 to 4 years;
- transportation equipment: 4 to 5 years.

For fixed assets for which the declining method of amortization and depreciation is used for tax purposes: the difference between straight-line and total amortization and depreciation is recognized under tax-based amortization and depreciation.

c) Investments in unconsolidated subsidiaries are valued at acquisition costs (excluding associated expenses) or at contributed value. An amortization and depreciation provision is booked when their carrying amount is lower than the realizable value estimated based on the subsidiary's assets, profitability and future outlook.

In the case of acquisition of companies carrying fixed or variable earn-out clauses based on their future economic performance, such companies are recognized in addition to the securities acquisition costs with an offsetting liabilities entry on other payables, provided that the payments are probable and the amounts are reliably measurable. The estimate of these commitments is reviewed and may be adjusted at each year-end depending on achievements and based on updated projections.

d) Investment securities are valued at average weighted price.

e) Foreign currency transactions

Payables and receivables in currency are recorded at their equivalent value:

- in euros at the exchange rate;
- at the maturity date, when there is future hedging in place;
- at the year-end date for the rest.

Income and expenses in foreign currency are posted to the financial statements at the average rate of the month in which they are recognized.

f) Financial instruments

Interest-rate hedges are set up through instruments listed on organized or over-the-counter markets and only present negligible counterparty risk.

The results generated by them are recognized symmetrically to the results generated by the hedged items.

II. NOTES TO THE FINANCIAL STATEMENTS

These financial statements include items resulting from our Company's election to apply the tax treatment for company groups (French General Tax Code (CGI), Article 223 A to Q). This election was renewed on August 22, 2003 and for fiscal year 2012/2013 concerns the following subsidiaries: Aérazur, Zodiac Seats France, Immobilière Galli, Zodiac Automotive Division, Intertechnique (1), ECE (2), IN-Snec Holding, IN-Flex (3), IN-LHC (4), Precilec (5), Zodiac Data Systems, Zodiac Services Europe (6), C&D Adder, SiT (7), and Sell Services France. Each company computes its tax as if it were not consolidated. The companies post to their accounts tax credits, if any, arising from the consolidation in group results.

(1) At October 18, 2013, this company became "Zodiac Aerotechnics".

(2) At October 19, 2013, this company became "Zodiac Aero Electric".

(3) At September 4, 2013, this company became "Zodiac Fluid Equipment".

(4) At September 5, 2013, this company became "Zodiac Hydraulics".

(5) At September 4, 2013, this company became "Zodiac Actuation System".

(6) At September 19, 2013, this company became "Zodiac Aerospace Services Europe".

(7) At September 20, 2013, this company became "Zodiac Inflight Innovations FR".

III. NOTES TO THE STATEMENT OF FINANCIAL POSITION

(In thousands of euros unless indicated otherwise)

NOTE 1 – ASSET ITEMS

NOTE 1.A - INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

1. Intangible assets

Intangible assets include:

- a gross amount of €6,389,000 (net of €4,655,000 after amortization) corresponding to:
  - the cost of arranging a syndicated loan, in the amount of €3,200,000, granted on August 9, 2011, bringing the loan to an authorized amount of €1.3 billion;

- fees for setting up this fiscal year "Schuldschein" Private Placements and "Euro PP" financing, for €3,189,000.

- €10,068,000 gross (net of €3,730,000 after amortization) represented primarily by the operating licenses of the main ERP of the Group (Movex/M3).
- The item assets in progress, at €311,000, represents the acquisition of licenses for the future set-up of our ERP in our Group subsidiaries.

2. Property, plant and equipment

See Appendix 1 and 2.

NOTE 1.B - LONG-TERM INVESTMENTS

A. MAIN CHANGES

1. Share subscription and capital increase: €6,636,000

- Zodiac Aerospace Maroc capital increase €5,373,000
- Zodiac Aerospace Holding Australia capital increase €1,263,000

2. Acquisitions and creations: €46,109,000

- Acquisition of ACC La Jonchère (now Zodiac Aero Duct Systems) €46,033,000 [1]
This company completes the expertise in the Fluid Management Division (Aircraft Systems Segment) in the field of coupling and joints.

(1) The price is subject to a revision clause based on WCR and cash elements at closing and whose elements are under review with the sellers and their advisors.

- Creation of EZ AIR, a 50/50 joint venture with Embraer €76,000

B. OTHER LONG-TERM INVESTMENTS

Inventory of negotiable securities held in the portfolio on August 31, 2013:

- Securities representing a liquidity agreement, set up with Crédit Agricole Cheuvreux to boost the liquidity of transactions and to keep stock prices stable in euro terms, used in the form of 7,883 shares in the Company, in the amount of €805,000. The cash balance made available to Crédit Agricole Cheuvreux as part of this contract, invested in a current account paid, totaling €5,530,000;
- Securities representing a share buyback program set up with a service provider in February 2008, involving a maximum of 5% of the capital and used in the form of 2,780,000 shares in the Company, i.e., 4.84% of shares outstanding, in the amount of €89,849,000, to be used for acquisition transactions.
- Shares in companies not listed on an official stock market: None.

NOTE 1.C - DEBT MATURITY SCHEDULE

(in thousands of euros)	Net	Up to one year	More than one year
Non-current assets			
Loans to affiliates	–	–	–
Other long-term investments	96,271	6,422	89,849
Current assets			
Trade receivables and operating receivables	7,115	7,115	–
Other receivables [1]	500,633	500,633	–
Cash and cash equivalents	51,807	51,807	–
Prepaid expenses	4,989	4,989	–
TOTAL	**660,816**	**570,966**	**89,849**

(1) Including €479,837,000 representing the offset of loans provided to subsidiaries as needed and €20,796,000 in estimated tax receivables related to subsidiaries consolidated for tax purposes.

NOTE 2 – PROVISIONS

(in thousands of euros)	Balance at Aug. 31, 2012	Charges for the fiscal year	Reversals for the fiscal year	Balance at Aug. 31, 2013
Provisions for contingencies and losses	1,122	626	4	1,744
Tax-based amortization and depreciation	476	221	170	527

NOTE 3 – RELATED-PARTY ITEMS

Zodiac Aerospace enters into arm's length transactions or transactions excluded from the scope as described in French accounting regulation ANC 2010-02 and 2010-03 with related parties.

(in thousands of euros)	Assets	Liabilities	Income statement
Investments	1,833,055	–	–
Trade receivables	5,409	–	–
Short-term loans (1)	500,634	–	–
Trade payables	–	2,925	–
Short-term borrowings (2)	–	779,011	–
Income from equity investments	–	–	61,834
Other revenue	–	–	78,871
Interest income	–	–	9,750
Interest and similar expenses	–	–	7,287
Other expenses	–	–	31,128

(1) Including €20,796,000 in tax consolidation.
(2) Including €21,525,000 in tax consolidation.

NOTE 4 – LIABILITIES

Debt maturity schedule

(in thousands of euros)	Amount gross	Up to one year	One to five years
Borrowings and liabilities to financial institutions and other (1)	1,762,374	871,192	891,182
Trade payables	10,241	10,241	–
Tax and social liabilities	14,058	14,058	–
Liabilities related to fixed assets	2,896	2,896	–
Other liabilities	5,347	5,347	–
TOTAL	**1,794,916**	**903,734**	**891,182**

(1) Including €230 million or the euro equivalent in drawdown of loans set up on June 29, 2010, amended by a supplemental agreement in August 2011, for a total amount of €1,300 million representing a single tranche for a term of 4 years maturing on June 29, 2015.
The covenant related to this loan was complied with as of August 31, 2013; failure to comply with its conditions could result in the obligation to repay the loan early and in full.
Zodiac Aerospace implemented a financing package in July 2013 in the form of Private Placements:
a) A "Schuldschein" for €535 million with three tranches:
- a 3-year maturity, maturing July 25, 2016, amounting to €133 million;
- a 5-year maturity, maturing July 25, 2018, amounting to €243 million;
- a 7-year maturity, maturing July 27, 2020, amounting to €159 million;
b) A "Euro PP" with a 5-year maturity, maturing July 22, 2018, amounting to €125 million.

NOTE 5 – FINANCIAL COMMITMENTS AND SURETIES GRANTED

A. COMMITMENTS GIVEN

1) Sureties:

- surety of US$300,000 translated at the year-end rate, i.e., €227,000, to guarantee a letter of credit issued by a US bank to our subsidiary American Fuel;
- surety of US$300,000 translated at the year-end rate, i.e., €227,000, as a guarantee to the benefit of Singapore Airlines on behalf of Zodiac Seats US;
- surety of US$1,344,000 translated at the year-end rate, i.e., US$1,015,000 on behalf of Esco;
- surety of €3,520,000 in favor of customs for our subsidiaries Intertechnique [1], Aérazur, Zodiac Seats France, and Zodiac Services Europe [2].

(1) At October 18, 2013, this company became "Zodiac Aerotechnics".

(2) At September 19, 2013, this company became "Zodiac Aerospace Services Europe".

2) Guarantees:

- guarantee in favor of the Federal Insurance Company (CHUBB) for up to $10 million to counter-guarantee the performance bonds issued by the Federal Insurance Company to certain customers of our subsidiary Esco to underwrite the fulfillment of its commercial contracts (installation of arresting barriers and systems for civil and military aircraft);
- guarantee bond posted with the Amsterdam commercial court to cover the consolidated debts of the Driessen group holding company and its Dutch subsidiaries to avoid the need to prepare and locally submit consolidated financial statements for the Driessen sub-group. This guarantee may not exceed €10 million;
- Zodiac Aerospace provided the following guarantees in the course of securing major sales contracts gained by subsidiary companies:
  - in August 2009, in favor of Cathay Pacific, on behalf of Zodiac Seats France, expiring December 31, 2016;
  - in November 2010, in favor of Cathay Pacific, on behalf of Zodiac Seats US, expiring December 31, 2015;
  - in January 2011, in favor of American Airlines, on behalf of Zodiac Seats US and C&D (USA), expiring December 31, 2015.

B. PENSION OBLIGATIONS

The so-called "corridor" approach is used to recognize actuarial gains and losses. By using this approach each defined-contribution plan can amortize only the portion of actuarial gains or losses exceeding the greater of 10% of the actuarial liability and the fair value of plan assets at year-end. Amortization is applied based on the expected residual working life of employees enrolled in such plans.

The amount related to the lump-sum retirement benefit commitment is recorded in the parent company financial statements based on an actuarial valuation using the following assumptions at August 31, 2013:

- Discount rate: 3.14%.
- Expected rates of salary increases: 2.5% non-managerial staff and 2.5% managerial staff.
- Theoretical retirement date: legal schedule 100 quarters.
- Mortality: INSEE TD-TV 08-10 table.

The changes in the provision are detailed below:

Retirement liabilities at August 31, 2012:	€1,088,000
2012/2013 charges:	€87,000
Discount expense:	€33,000
Reversals for the period:	€4,000
Amortization of actuarial gains and losses:	–
Provisions for retirement liabilities at August 31, 2013:	€1,204,000

C. PERSONAL TRAINING ENTITLEMENT

At August 31, 2013, no training request had been made for 11,920 accumulated hours.

NOTE 6 – CHANGE IN EQUITY DURING THE FISCAL YEAR

(BEFORE ALLOCATION OF 2012/2013 NET INCOME)

(in thousands of euros)	At Aug. 31, 2012	Allocation of 2011/2012 net income decided by the Combined General Meeting	Movements in capital	Dividends	Other	At Aug. 31, 2013
Capital [1]	11,425	–	61	–	–	11,486
Share premium [2]	159,287	–	11,265	–	–	170,552
Revaluation adjustment	252	–	–	–	–	252
Reserves/Retained earnings	523,726	–	–	(25,388)	–	498,338
Income	50,692	–	–	(50,692)	33,810	33,810
Regulated provisions	476	–	–	–	52	528
EQUITY	**745,858**	**–**	**11,326**	**(76,080)**	**33,862**	**714,966**

(1) Movements in capital were generated by increases of €61,000 resulting from the exercise of 305,294 options.
(2) Movements in share premium were generated by increases of €11,265,000 resulting from the exercise of 305,294 options.

IV. NOTES TO THE STATEMENT OF PROFIT AND LOSS

(In thousands of euros unless indicated otherwise)

NOTE 7 – SALES REVENUE

Sales revenue comprises billing for Group services at €43,176,000, versus €29,138,000 in 2011/2012 for French subsidiaries and €35,695,000, versus €21,813,000 in 2011/2012 for foreign subsidiaries.

NOTE 8 – PERSONNEL COSTS

Compensation allocated to the members of the Supervisory Board and the Executive Board amounted to €2,228,000, including €301,000 in Directors' fees.

The average workforce for the fiscal year was 151 persons (managerial, supervisory and clerical staff).

NOTE 9 – FINANCIAL INCOME

Dividends from the subsidiaries amounted to €61,834,000, up from €71,283,000 in 2011/2012.

Other interest and similar income, generated by our subsidiaries' financing activities remained unchanged (€10,021,000 from €10,325,000 in 2011/2012).

Interest expense was down 7.67%, from €29,802,000 to €27,517,000, based on increased financing requirements and a lower interest rate on our sources of funding which came to 1.93% compared with 2.37% in the previous fiscal year.

NOTE 10 – ALLOCATION OF TAX TO CURRENT AND EXCEPTIONAL INCOME

(in thousands of euros)	Current	Exceptional	Total
Pre-tax income	25,129	(547)	24,582
Tax at ordinary rate	10,020	(792)	9,228
Tax at reduced rate	–	–	-
Net income	**35,149**	**(1,339)**	**33,810**

NOTE 11 – UNREALIZED TAX GAINS AND LOSSES

(in thousands of euros)	Aug. 31, 2013
a) Unrealized tax liabilities	
Tax-based amortization and depreciation	(528)
b) Unrealized tax receivables	
Provisions for paid leave	1,547
Lump-sum retirement benefits	1,204
Acquisition costs	4,560
Balance	**6,783**
Unrealized tax receivables (36.10%) (1)	**2,449**

(1) Including exceptional contribution of 5% plus 3.3% on the amount of the tax.

APPENDIX 1 - INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	Acquisition cost at Aug. 31, 2012	Acquisitions for the fiscal year	Transfers between line items	Disposals and removals	Acquisition cost at Aug. 31, 2013
Software	7,501	968	1,600	–	10,069
Syndicated loan set-up costs	3,200	3,189	–	–	6,389
Assets under construction	1,911	–	(1,600)	–	311
Subtotal	**12,612**	**4,157**	**–**	**–**	**16,769**
Land	1,255	–	–	–	1,255
Buildings	9,586	–	–	–	9,586
Transportation equipment	1,089	183	93	84	1,281
Furniture, office and IT equipment	8,222	569	39	–	8,830
Fittings, facilities, other	270	–	–	–	270
Assets under construction	132	925	(132)	–	925
Subtotal	**20,554**	**1,677**	**–**	**84**	**22,147**
TOTAL	**33,166**	**5,834**	**–**	**84**	**38,916**

APPENDIX 2 - AMORTIZATION AND DEPRECIATION OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	Amortization and depreciation at Aug. 31, 2012	Charges to amortization and depreciation for the fiscal year	Reversals of disposals	Transfers between line items and removals	Amortization and depreciation at Aug. 31, 2013
Software	5,247	1,092	–	–	6,339
Other intangible assets	837	898	–	–	1,735
Subtotal	**6,084**	**1,990**	**–**	**–**	**8,074**
Land	–	–	–	–	–
Buildings	5,957	351	–	–	6,308
Transportation equipment	281	258	56	–	483
Furniture, office and IT equipment	4,943	1,218	–	–	6,161
Fittings, facilities, other	85	49	–	–	134
Subtotal	**11,266**	**1,876**	**56**	**–**	**13,086**
TOTAL	**17,350**	**3,866**	**56**	**–**	**21,160**

APPENDIX 3 - LONG-TERM INVESTMENTS

(in thousands of euros)	Amounts gross at Aug. 31, 2012	Increase	Decrease	Amounts gross at Aug. 31, 2013
Investments in unconsolidated subsidiaries	1,782,209	52,747	–	1,834,956
Loans	238	22	225	35
Deposits and guarantees	11	40	–	51
SICAV	6,085	–	555	5,530
Liquidity agreements	54	751	–	805
Treasury stock	89,849	–	–	89,849
TOTAL	**1,878,446**	**53,560**	**780**	**1,931,226**

Securities of the South African subsidiary Parachutes Industries of Southern Africa (PISA) recorded in our financial statements for €2,261,000 had an impairment of €1,900,000, bringing the net value of the securities to €361,000.

APPENDIX 4 - SUBSIDIARIES AND AFFILIATES

(in thousands of monetary units)	Share of capital held as percentage	Monetary unit	Share capital	Reserves and retained earnings before allocation of net income	Income for the latest fiscal year ended
Detailed information by subsidiary					
Aérazur	100.00	€	213,595	334,016	21,037
Cantwell Cullen & Company Inc.	100.00	CAD	1,000	44,034	1,808
C&D Adder	100.00	€	165	6,650	788
Driessen Aerospace Group NV	100.00	€	15,000	71,013	3,862
Evac GmbH	100.00	€	7,109	29,863	12,373
Evac Shangai ETC	100.00	CNY	1,104	1,057	3,609
Icore International Ltd	100.00	£	1	11,506	1,826
Immobilière Galli	100.00	€	21,000	9,263	(245)
Intertechnique[1]	100.00	€	20,399	166,215	41,675
IN Services Asia	100.00	USD	1,000	2,746	(444)
OEM Defense Services	20.00	€	100	–	–
OEM Services	25.00	€	1,545	–	–
Parachutes Industries of Southern Africa (PISA)	100.00	ZAR	14,400	(13,243)	(8,863)
Sell Holding Germany GmbH[2]	100.00	€	2,598	71,227	17,689
Sell Services France	100.00	€	8	309	29
Zodiac Seats France	100.00	€	20,000	85,334	41,350
Zodiac Aero Duct Systems	100.00	€	4,000	13,365	-
Zodiac Aerospace Holding Australia PTY Ltd	100.00	AUD	2,120	(69)	(35)
Zodiac Aerospace Maroc	99.99	MAD	74,659	(12,910)	(2,690)
Zodiac Aerospace UK Ltd	100.00	£	300	1,346	59
Zodiac Aerospace UK Investment Ltd	100.00	£	195,000	(640)	(1,440)
Zodiac Automotive Division	100.00	€	7,367	1,807	238
Zodiac Automotive Tunisie	0.01	€	4,477	1,894	638
Zodiac Equipments Tunisie	99.86	€	2,018	6,724	1,202
Zodiac Services Europe[3]	100.00	€	17,548	8,170	(3,015)
Zodiac Seats Tunisie	100.00	€	1,200	(326)	538

(1) On October 18, 2013, the corporate name of Intertechnique became Zodiac Aerotechnics.
(2) On October 24, 2013, the corporate name of Sell Holding Germany GmbH became Zodiac Aerospace Germany Investment GmbH.
(3) On September 19, 2013, the corporate name of Zodiac Services Europe became Zodiac Aerospace Services Europe.

(in thousands of euros)	French subsidiaries	Foreign subsidiaries
Aggregate information		
Gross book value of shares held	1,263,070	566,852
Net book value of shares held	1,263,070	564,952
Dividends received	61,834	

Earnings and other characteristics of the Company over the past five fiscal years

	Fiscal year 2008/2009	Fiscal year 2009/2010	Fiscal year 2010/2011	Fiscal year 2011/2012	Fiscal year 2012/2013
I - Capital at the fiscal year-end					
Capital stock (in thousands of euros)	11,142	11,235	11,349	11,425	11,486
Number of existing common shares	55,708,078	56,174,207	56,744,439	57,125,728	57,431,022
II - Fiscal year operations and results (in thousands of euros)					
Sales revenue excluding tax and ancillary income	30,340	28,421	32,246	50,972	78,871
Earnings before tax, employee profit-sharing and depreciation, amortization and provisions	16,738	40,181	31,023	40,939	31,021
Income tax	(59,729)	(4,137)	(12,934)	(12,665)	(9,228)
Earnings after tax, employee profit-sharing and depreciation, amortization and provisions	45,104	57,346	39,941	50,692	33,810
Distributed earnings	52,877	53,392	64,751	79,976	91,890 (1)
III - Earnings per share (in euros)					
Earnings after tax, employee profit-sharing, before depreciation, amortization and provisions	1.37	0.79	0.77	0.94	0.70
Earnings after tax, employee profit-sharing and depreciation, amortization and provisions	0.81	1.02	0.70	0.89	0.59
Net dividend allocated to each share	1.00	1.00	1.20	1.40	1.60 (2)
IV - Employees					
Average workforce during the fiscal year	78	83	88	105	151
Payroll amount for the fiscal year (in thousands of euros)	6,979	7,470	10,275	12,724	17,958
Amounts paid for social benefits during the fiscal year (social security, social initiatives) (in thousands of euros)	3,616	3,466	4,475	6,516	8,550

(1) After approval by the Combined General Meeting of January 8, 2014. This amount relates to all 57,431,022 shares issued by the Company at August 31, 2013; it will be adjusted to reflect the total number of shares held by the Company on the dividend payment date, and especially (i) reduced to reflect the number of treasury shares held by the Company and (ii) increased to reflect the number of bonus shares given to employees pursuant to the plans of December 29, 2011 and completely issued on December 29, 2013.

(2) In the case of the adoption of the 16th resolution submitted to a vote at the General Meeting of January 8, 2014 and the implementation of the stock split before the date of the payment of the dividend, the dividend will be divided by five and will be at €0.32 per share.

Statutory Auditors' Reports

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

To the Shareholders,

In accordance with the terms of our appointment by your General Meetings, we submit to you our report for the fiscal year ended August 31, 2013, regarding:

- the audit of the annual financial statements of the Company Zodiac Aerospace, accompanying this report;
- justification of our assessments;
- the specific verifications and disclosures required by law.

The annual financial statements are the responsibility of the Executive Board. Our responsibility is to express an opinion on these statements based on our audit.

I. OPINION ON THE FINANCIAL STATEMENTS

We conducted our audit in accordance with generally accepted auditing standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes examining, on a test basis or by using other selection methods, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting principles used and significant estimates made, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the annual financial statements present fairly, in all material respects, in conformity with accounting principles generally accepted in France, the results of operations for the fiscal year ended and the financial position and assets of the Company at the end of said fiscal year.

II. JUSTIFICATION OF OUR ASSESSMENTS

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

The investments in unconsolidated subsidiaries listed under your Company's assets are valued in accordance with the methods presented in the chapter I.c of the Notes to the Financial Statements. We have verified the accounting methods described in the Notes and, where appropriate, we have examined the assumptions and estimations adopted by your Company to determine its recoverable amount at the end of the fiscal year.

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

III. SPECIFIC VERIFICATIONS AND DISCLOSURES

In accordance with generally accepted auditing standards applicable in France, we also carried out the specific verifications required by law.

We have no comments to make on the fair presentation and consistency with the annual financial statements of the amounts and disclosures in the Executive Board's management report and in the documents provided to shareholders regarding the financial position and the annual financial statements.

For the amounts and disclosures provided pursuant to the provisions of Article L. 225-102-1 of the French Commercial Code regarding the compensation and benefits paid to company officers and the commitments made to them, we have verified that these are consistent with the information contained in the financial statements or with the data used to prepare said financial statements and, as applicable, with the information obtained by your Company from the companies that control it or are controlled by it. In our opinion and based on our audit, the data and disclosures referred to above are accurate and presented fairly.

In accordance with the law, we have obtained assurance that the various disclosures relative to the acquisition of controlling and other interests and the identity of shareholders have been provided to you in the Management Report.

Paris-La Défense, December 6, 2013

The Statutory Auditors

Fidaudit Member of the Fiducial network Bruno Agez	Ernst & Young Audit Laurent Miannay

SPECIAL REPORT ON THE REGULATED AGREEMENTS AND COMMITMENTS

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we submit to you our report on regulated agreements and commitments.

Our responsibility is to inform you, based on the information provided to us, of the key features and terms of the agreements and commitments about which we were informed or of which we may have become aware in the performance of our audit, without commenting on their relevance or substance or inquiring about the existence of other agreements or commitments. Pursuant to Article R. 225-58 of the French Commercial Code, determining whether such agreements and commitments are appropriate and should be approved is your responsibility.

In addition, our responsibility is, as applicable, to report to you, as set forth in Article R. 225-58 of the French Commercial Code, on the enforcement, during the fiscal year ended, of the agreements and commitments already approved by the General Meeting.

We conducted our audit as we deemed appropriate with respect to auditing guidelines issued by the *Compagnie Nationale des Commissaires aux Comptes* for this type of engagement. Those guidelines require that we verify that the data and disclosures provided to us are consistent with the documents on which they were based.

Agreements and commitments subject to the approval of the General Meeting

Agreements and commitments authorized during the past fiscal year

We inform you that we have not been informed of any agreement or commitment authorized during the fiscal year ended that is to be submitted to the approval of the General Meeting pursuant to Article L. 225-86 of the French Commercial Code.

Agreements and commitments already approved by the General Meeting

Agreements and commitments approved in prior fiscal years

a) whose execution was continued during the past fiscal year

We inform you that we have not been informed of any agreement or commitment already approved by the General Meeting whose execution would have continued during the past fiscal year.

b) without execution during the past fiscal year

We have also been informed that the continuation of the following agreements and commitments, already approved by the General Meeting during prior fiscal years, which have not been enforced during the past fiscal year.

With Olivier Zarrouati, Chief Executive Officer

Non-competition payment

The Supervisory Board has decided to follow the AFEP/MEDEF recommendations of October 6, 2008 regarding the compensation of senior management of listed companies and, at its meeting of November 19, 2009, pursuant to Articles L. 225-86 and L. 225-90-1 of the French Commercial Code adopted a resolution determining the non-competition payment that would be due to Mr. Olivier Zarrouati in his capacity as Chief Executive Officer in the event of his leaving the Company.

Paris-La Défense, December 6, 2013

The Statutory Auditors

Fidaudit
Member of the Fiducial network
Bruno Agez

Ernst & Young Audit
Laurent Miannay

STATUTORY AUDITORS' REPORT

PREPARED IN ACCORDANCE WITH ARTICLE L. 225-235 OF THE FRENCH COMMERCIAL CODE ON THE REPORT OF THE CHAIRMAN OF THE SUPERVISORY BOARD OF THE COMPANY ZODIAC AEROSPACE

To the Shareholders,

In our capacity as Statutory Auditors of Zodiac Aerospace and as required by Article L. 225-235 of the French Commercial Code, we present to you our report on the report prepared by your Company's Chairman in accordance with Article L. 225-68 of the French Commercial Code for the fiscal year ended August 31, 2013.

The Chairman is responsible for preparing and submitting for the approval of the Supervisory Board a report on the internal control and risk management procedures in place within the Company and providing any other information required by Article L. 225-68 of the French Commercial Code in particular regarding corporate governance.

Our responsibility is:

- to present to you our comments on the information contained in the Chairman's report concerning the internal control and risk management procedures related to the preparation and processing of accounting and financial information, and
- to express an opinion as to whether said report contains the disclosures required by Article L. 225-68 of the French Commercial Code, it being specified that verifying the fair presentation of such other disclosures is not our responsibility.

We conducted our audit in accordance with auditing standards applicable in France.

Information concerning the internal control and risk management procedures related to the preparation and processing of accounting and financial information

Auditing standards require that we plan and perform the audit to assess the fair presentation of the information concerning the internal control and risk management procedures related to the preparation and processing of accounting and financial information contained in the Chairman's report. Such audit includes, among other things:

- learning about the internal control and risk management procedures relative to the preparation and processing of accounting and financial information underpinning the information presented in the Chairman's report and the existing documentation;
- learning about the work involved in preparing such information and existing documentation;
- determining whether any major deficiencies in the internal control relative to the preparation and processing of accounting and financial information we may have found in the course of our audit has been appropriately disclosed in the Chairman's report.

Based on our audit, we have no comments to make regarding the disclosures concerning the Company's internal control and risk management procedures relative to the preparation and processing of the accounting and financial information contained in the report by the Chairman of the Supervisory Board, prepared pursuant to Article L. 225-68 of the French Commercial Code.

Other disclosures

In our opinion, the report by the Chairman of the Supervisory Board report contains the other disclosures required by Article L. 225-68 of the French Commercial Code.

Paris-La Défense, December 6, 2013

The Statutory Auditors

Fidaudit Member of the Fiducial network Bruno Agez	Ernst & Young Audit Laurent Miannay

THE FOLLOWING STATUTORY AUDITORS' OPINIONS AND REPORTS ARE AVAILABLE AT THE REGISTERED OFFICE OF ZODIAC AEROSPACE:

- Statutory Auditors' opinion on the overall compensation of the highest paid persons.
- Statutory Auditors' opinion on the total amount of sponsorship and patronage activities.
- Statutory Auditors' report on extraordinary resolutions.

Resolutions

to be submitted to Shareholders at the Combined General Meeting of January 8, 2014 convened to vote on the financial statements for the 2012/2013 fiscal year

ORDINARY RESOLUTIONS

FIRST RESOLUTION

Approval of the statutory financial statements of the company Zodiac Aerospace for the financial year ended August 31, 2013

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, having examined the statutory financial statements of the company Zodiac Aerospace (the "**Company**") for the financial year ended August 31, 2013 and having heard the reading of the reports of the Management Board, of the Supervisory Board, the report of the Statutory Auditors on the annual financial statements for the financial year ended August 31, 2013, the report of the Chairman of the Supervisory Board relating to the conditions of preparation and organization of the work of the Supervisory Board, as well as to the internal control procedures and the risk management procedures implemented by the Company and the report of the Statutory Auditors on this report, approves the statutory financial statements for this financial year as these statutory financial statements have been presented and which show a net profit of EUR33,810,468.61. The General Meeting thereby approves all of the transactions reflected in these statutory financial statements or summarized in the above-mentioned reports.

In addition and in accordance with the provisions of article 223 *quater* of the French Tax Code, the General Meeting acknowledges that the global amount of the costs and expenses referred to in paragraph 4 of article 39 of the French Tax Code amounts to EUR145,713 for the past financial year, and that the tax payable with regard to these costs and expenses amounts to EUR52,602.75.

SECOND RESOLUTION

Approval of the consolidated financial statements of the Zodiac Aerospace Group for the financial year ended August 31, 2013

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, having examined the consolidated financial statements of the Company for the financial year ended August 31, 2013, having heard the reading of the report on the management of the Group included in the report of the Management Board, the report of the Chairman of the Supervisory Board relating to the conditions of preparation and organization of the work of the Supervisory Board as well as to the internal control procedures and the risk management procedures implemented by the Company and the report of the Statutory Auditors on this report, the reports of the Supervisory Board and of the Statutory Auditors on the consolidated financial statements for the financial year ended August 31, 2013, approves the consolidated financial statements of this financial year as these consolidated financial statements have been presented and which show a Group net profit share of EUR370,914,000.

The General Meeting also approves the transactions which are reflected in these financial statements or summarized in the above-mentioned reports.

THIRD RESOLUTION

Allocation of the net profit – Setting of the dividend at EUR1.60 per share

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, having examined the reports of the Management Board and of the Supervisory Board and having noticed that the balance sheet for the financial year ended August 31, 2013 shows a net profit of EUR33,810,468.61, decides, upon the proposal of the Management Board, to allocate this profit as follows:

Net profit for the financial year	EUR33,810,468.61
Allocation to the legal reserve	(EUR6,111.88)
Retained earnings brought forward from previous year	EUR473,358,395.16
Distribuable profit	**EUR507,162,751.89**
Distribution of a dividend of EUR1.60(*) for each of the 57,431,022 shares	(EUR91,889,635.20)(**)
Balance allocated to the retained earnings account	EUR415,273,116.69

(*) In cases of approval of resolution 16 submitted to the vote of this General Meeting and effective implementation of the division of the share's par value before the date on which the dividend is paid, the amount of the dividend per share will be divided by five and will therefore be equal to EUR0.32 per share.

(**) This amount relates to all of the 57,431,022 shares issued by the Company as of August 31, 2013; it shall be adjusted by the number of existing shares on the date on which the dividend is paid and, in particular (i) reduced to the extent of the number of treasury shares held by the Company and (ii) increased to the extent of the number of shares freely granted to employees pursuant to the plans dated December 29, 2011 and definitively issued on December 29, 2013.

The General Meeting decides to allocate a dividend of EUR1.60 (1) for each of the 57,431,022 shares composing the entire share capital as of August 31, 2013, that is, a global dividend of EUR91,889,635.20, being specified that the amount representing the dividends which have not been paid to the treasury shares held by the Company, on the date on which the dividend is being paid, shall be allocated to the retained earnings account.

(1) In cases of approval of resolution 16 submitted to the vote of this General Meeting and effective implementation of the division of the share's par value before the date on which the dividend is paid, the amount of the dividend per share will be divided by five and will therefore be equal to EUR0.32 per share.

This dividend will be put up for payment, in cash, as from January 15, 2014.

Regarding French individuals residents, the following withholdings will be levied on the gross amount of the dividends: 21% withholding tax and 15.5% social levies (current rates).

The 21% withholding tax does not apply on shares registered on a "plan d'épargne en actions/PEA" (equity savings plan). It does neither apply on taxpayers whose 2012 tax income reference ("revenu fiscal de référence") is lower than EUR50,000 (single person) or lower than EUR75,000 (couples) and who formally required an exemption of this

Dividends distributed under the previous three financial years

Financial year ended	August 31, 2012	August 31, 2011	August 31, 2010
Total number of shares (1)	54,342,703	53,959,439	53,392,207
Dividend distributed per share	EUR1.40	EUR1.20	EUR1
Total amount distributed (2)	EUR76,079,784.20	EUR64,751,326.80	EUR53,392,207

(1) Number of shares having given right to the payment of the dividend (after deduction of the treasury shares held on the date on which the dividend has been put up for payment).

(2) Amount eligible to the 40% reduction mentioned in article 158-3-2° of the French Tax Code for the individuals who are tax residents in France.

levy with the paying agent. When applicable, the withholding tax does not discharge the personal income tax to be paid. It merely constitutes an advance payment on the personal income tax, which will be due in 2015 on income received in 2014. Amongst income subject to the progressive tax rates of the personal income tax, the dividend will be taxable on 60% of its amount, based on a 40% allowance (article 158-3-2° of the French tax code). The part of the withholding tax which would exceed the amount of the personal income tax due by the taxpayer would be reimbursed.

The social levies do not apply on the shares registered on a PEA.

Pursuant to article 243 bis of the French Tax Code, as a reminder, the dividends distributed under the previous three financial years have been as follows: see table above.

FOURTH RESOLUTION

Approval of the agreements and undertakings referred to in article L. 225-86 of the French Commercial Code and described in the special report of the Statutory Auditors

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings and having heard the reading of the report of the Management Board and of the special report of the Statutory Auditors on the agreements and undertakings referred to in articles L. 225-86 *et seq.* of the French Commercial Code, acknowledges that no agreement or undertaking referred to by the above-mentioned articles has been entered into or subscribed to during the past financial year and approves, where necessary, the agreements and undertakings entered into or subscribed to during previous financial years and which have continued during the past financial year.

FIFTH RESOLUTION

Authorization to be granted to the Management Board to allow the Company to purchase its own shares

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings and having examined the reports of the Management Board and of the Supervisory Board, authorizes, for a period of eighteen months, the Management Board, in accordance with articles L. 225-209 *et seq.* of the French Commercial Code and in compliance with articles 241-1 to 241-6 of the General Regulation of the *Autorité des Marchés Financiers* and the European regulation n°2273/2003 of December 22, 2003, to have the Company purchase its own shares for the following purposes:

(i) to allocate or sell shares (i) in the context of the provisions of articles L. 225-179 *et seq.* of the French Commercial Code, or (ii) within the frame of a share ownership plan or a company savings scheme, or (iii) pursuant to the provisions of articles L. 225-197-1 *et seq.* of the French Commercial Code; or

(ii) to stimulate the market or to ensure the liquidity of the stock, via an investment services provider pursuant to a liquidity agreement which is compliance with the code of conduct (*charte de déontologie*) approved by the *Autorité des Marchés Financiers*; or

(iii) within the limit of 5% of the share capital of the Company, to hold and subsequently deliver shares – on exchange consideration, payment or otherwise – in connection with potential external growth transactions; or

(iv) to deliver shares in connection with the exercise of rights attached to securities giving right, by way of redemption, conversion, exchange, exercise of a warrant or in any other manner, to the allocation of shares of the Company; or

(v) to cancel shares, as the case may be, by way of a reduction of the share capital, subject to resolution 15 hereby submitted to this General Meeting being approved; or

(vi) to implement any market practice which may come to be approved by the *Autorité des Marchés Financiers*, and more generally, to carry out any other transaction in compliance with the applicable law.

The number of shares concerned by the purchases of shares of the Company shall be such that the number of shares which will be held by the Company further to such purchases does not exceed 10% of the shares composing the share capital of the Company, being specified that this percentage shall apply to the share capital, as adjusted by the transactions which may come to affect such share capital after this General Meeting.

The purchase of these shares, as well as their sale or their transfer, may be carried out by the Management Board, in one or several occasions, at any time, except during public offering periods, within the limits authorized by the laws and regulations and subject to the cooling-off periods provided for in article 631-6 of the General Regulation of the *Autorité des Marchés Financiers*, and this, by any means on regulated markets or otherwise.

The maximum amount dedicated to the carrying out of this buyback program is three hundred million (300,000,000) euros, the maximum acquisition price per share being set at EUR160 or, in cases of approval and effective implementation of resolution 16 submitted to the vote of this General Meeting, at EUR32.

The General Meeting grants to the Management Board, with a right to sub-delegate to any person authorized by the law, all powers to implement this authorization, including to place any trading orders, enter into any agreements, carry out any formalities and declarations with any bodies, make the adjustment required by the applicable regulation in the event the shares are purchased at a price above the market price, and generally do all that is necessary.

This authorization cancels, to the extent of the unused portion, the authorization granted by the Ordinary and Extraordinary General Meeting of January 9, 2013 in its resolution 5.

SIXTH RESOLUTION

Renewal of the term of office of Mr. Didier Domange, as member of the Supervisory Board

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, decides to renew the term of office as member of the Supervisory Board of Mr. Didier Domange which is due to expire, for a term of two years set to expire at the end of the annual Ordinary General Meeting which will approve the financial statements for the financial year ending August 31, 2015.

SEVENTH RESOLUTION

Renewal of the term of office of Mrs. Elisabeth Domange, as member of the Supervisory Board

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, decides to renew the term of office as member of the Supervisory Board of Mrs. Elisabeth Domange which is due to expire, for a term of two years set to expire at the end of the annual Ordinary General Meeting which will approve the financial statements for the financial year ending August 31, 2015.

EIGHTH RESOLUTION

Renewal of the term of office of Mr. Marc Assa, as member of the Supervisory Board

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, decides to renew the term of office as member of the Supervisory Board of Mr. Marc Assa which is due to expire, for a term of two years set to expire at the end of the annual Ordinary General Meeting which will approve the financial statements for the financial year ending August 31, 2015.

NINTH RESOLUTION

Renewal of the term of office of Mr. Robert Maréchal, as member of the Supervisory Board

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, decides to renew the term of office as member of the Supervisory Board of Mr. Robert Maréchal which is due to expire, for a term of two years set to expire at the end of the annual Ordinary General Meeting which will approve the financial statements for the financial year ending August 31, 2015.

TENTH RESOLUTION

Acknowledgement of the end of the term of service of Mr. Edmond Marchegay, as member of the Supervisory Board

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings and having acknowledged that the term of office of Mr. Edmond Marchegay is due to expire, acknowledges, pursuant to the statutory provisions, the end of the term of office as member of the Supervisory Board of Mr. Edmond Marchegay with effect at the end of this General Meeting.

ELEVENTH RESOLUTION

Appointment of Mr. Patrick Daher as new member of the Supervisory Board

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, decides to appoint Mr. Patrick Daher as new member of the Supervisory Board of the Company.

The term of office of Mr. Patrick Daher, thus appointed as new member of the Supervisory Board, is of four years set to expire at the end of the annual Ordinary General Meeting which will approve the financial statements for the financial year ending August 31, 2017, subject to the approval of resolution 17 submitted to the vote of this General Meeting, relating to the amendment of article 19 paragraph 1 of the articles of association of the Company in view of reducing the statutory term of office of the members of the Supervisory Board.

If resolution 17 submitted to the vote of this General Meeting were not to be approved, the term of office of Mr. Patrick Daher would be of six years in accordance with the current provisions of article 19 paragraph 1 of the articles of association of the Company.

■ TWELFTH RESOLUTION

Ratification of the co-option of the company FFP Invest as new member of the Supervisory Board

The General Meeting, deciding in accordance with the quorum and majority conditions required for ordinary general meetings, ratifies, in accordance with the provisions of article 19 of the articles of association of the Company, the temporary appointment, made by the Supervisory Board held on April 23, 2013, of the company FFP Invest as new member of the Supervisory Board of the Company in replacement of the company FFP, resigning, for the duration of its unexpired term, that is until the end of the annual Ordinary General Meeting called to approve the financial statements of the financial year ending August 31, 2018.

■ THIRTEENTH RESOLUTION

Advisory vote on the compensation elements due or granted for the financial year ended August 31, 2013 to Mr. Olivier Zarrouati, Chairman of the Management Board

The General Meeting, consulted in accordance with the AFEP/MEDEF corporate governance code for listed corporations and deciding in accordance with the quorum and majority conditions required for ordinary general meetings, gives a favourable opinion on the compensation elements due or granted for the financial year ended August 31, 2013 to Mr. Olivier Zarrouati, Chairman of the Management Board, as described in the 2012/2013 annual report of the Company which includes the financial information and the financial statements, Part "Management and supervisory bodies", paragraph "*Amount of the compensation granted to the Company representatives during the past financial year and submitted to the advisory vote of the shareholders*".

■ FOURTEENTH RESOLUTION

Advisory vote on the compensation elements due or granted for the financial year ended August 31, 2013 to Mr. Maurice Pinault, member of the Management Board

The General Meeting, consulted in accordance with the AFEP/MEDEF corporate governance code for listed corporations and deciding in accordance with the quorum and majority conditions required for ordinary general meetings, gives a favourable opinion on the compensation elements due or granted for the financial year ended August 31, 2013 to Mr. Maurice Pinault, member of the Management Board, as described in the 2012/2013 annual report of the Company which includes the financial information and the financial statements, Part "Management and Supervisory bodies", paragraph "*Amount of the compensation granted to the Company representatives during the past financial year and submitted to the advisory vote of the shareholders*".

EXTRAORDINARY RESOLUTIONS

■ FIFTEENTH RESOLUTION

Authorization to be granted to the Management Board to reduce the share capital through the cancellation of shares held by the Company per the buyback program

Subject to the approval of the foregoing resolution 5, the General Meeting, deciding in accordance with the quorum and majority conditions required for extraordinary general meetings and having examined the reports of the Management Board and of the Supervisory Board and the special report of the Statutory Auditors, authorizes the Management Board, for a period of eighteen months, in accordance with the article L. 225-209 of the French Commercial Code, to cancel, in one or several occasions, within the limit of 10% of the share capital and in any twenty-four month-period, all or part of the shares acquired by the Company and to carry out a reduction of the share capital in the same proportion.

To this end, the General Meeting delegates all powers to the Management Board to set the final amount of the share capital reduction, to determine the terms and record the completion thereof, to amend the articles of association of the Company accordingly and carry out all subsequent actions and formalities, and more generally do all that is necessary.

This authorization cancels, as from this day, to the extent of the unused portion, any previous authorization having the same purpose, including the authorization granted in its resolution 10 by the Ordinary and Extraordinary General Meeting of January 9, 2013.

■ SIXTEENTH RESOLUTION

Split by five of the par value of the shares of the Company and exchange of each existing share against five new shares of the Company; Delegation of powers to the Management Board

The General Meeting, deciding in accordance with the quorum and majority conditions required for extraordinary general meetings, having examined the report of the Management Board and having acknowledged that the par value of the share is equal to the amount of the share capital divided by the total number of outstanding shares of the Company, decides to split by five the par value of the shares composing the share capital, this latter remaining unchanged.

Therefore, the General Meeting decides that:

- each share composing the share capital as at the effective date of the split of the par value will be, *ipso jure*, exchanged against five shares of the Company, which will have the same rights as those attached to the former shares, including the double voting rights for the shares registered for more than four (4) years;
- the number of shares of the Company which may be obtained by the beneficiaries of options to subscribe to or to purchase shares of the Company allocated before the effective date of the split of the par value will be multiplied by five whereas the exercise unit prices of these options, as fixed by the Management Board at the time of the awards of options before the effective date of the split of the par value, will be divided by five;

– the number of shares of the Company which may be obtained by the beneficiaries of free allocation of shares under plans decided before the effective date of the split of the par value of the shares will be multiplied by five.

In this context, the General Meeting delegates all powers to the Management Board, with the possibility for it to delegate these powers in turn within the limits set out by the laws and regulations, to:

(i) implement and achieve the split of the par value of the shares, and determine its effective date, which may not however be later than February 28, 2014;

(ii) determine the exact number of new shares of the Company to issue based on the number of existing shares as at the effective date of the split of the par value for the shares and proceed to the exchange of the new shares against the former ones;

(iii) proceed to any adjustments required by this split, in particular (x) the adjustments of the number of shares which may be obtained by the beneficiaries of stock-options allocated before the split of the par value, as well as the exercise price of these options and (y) the adjustment of the number of shares freely granted, in accordance with the provisions of articles L. 225-197-1 *et seq.* of the French Commercial Code, prior to the split of the par value;

(iv) sign all acts, accomplish all legal formalities or consecutive declarations;

(v) amend accordingly article 6 *(Share capital)* of the articles of association, as to the amount of the share capital and the total number of shares composing it; and

(vi) more generally, do all that is useful or necessary for the implementation of this resolution.

SEVENTEENTH RESOLUTION

Amendment to article 19 paragraph 1 of the articles of association of the Company in order to reduce the statutory term of office of the members of the Supervisory Board

The General Meeting, deciding in accordance with the quorum and majority conditions required for extraordinary general meetings, having examined the report of the Management Board and the report of the Supervisory Board, decides to amend the first paragraph of article 19 *(Term of office)* of the articles of association of the Company in order to reduce the statutory term of office of the members of the Supervisory Board, so that this term be set to four (4) years in accordance with the recommendations of the AFEP/MEDEF corporate governance code for listed corporations, it being specified that the outstanding term of offices will continue until their initial expiration date.

Thus, the first paragraph of article 19 of the articles of association shall now be read as follows:

"The term of office of the members of the Supervisory Board is of four years, it being specified that, by way of exception, the term of office of the members of the Supervisory Board in course as at the date of 8 January 2014 will continue until their initial expiration date".

The rest of article 19 remains unchanged.

EIGHTEENTH RESOLUTION

Amendment to article 18 of the articles of association of the Company in order to determine the procedures of appointment of a member of the Supervisory Board representing employees in accordance with the provisions of the law of 14 June 2013 relating to the protection of employment

The General Meeting, deciding in accordance with the quorum and majority conditions required for extraordinary general meetings, having examined the report of the Management Board and having acknowledged the opinion of the Group Committee ("Comité de Groupe"), decides to amend article 18 (*Composition of the Supervisory Board*) of the articles of association of the Company in order to set out the procedures of appointment for the members of the Supervisory Board representing employees.

Therefore, and subject to the approval of the resolution 17 above, article 18 (*Composition of the Supervisory Board*) shall now be read as follows (the amended provisions being shown in bold below):

"Article18 – Composition of the Supervisory Board

The Supervisory Board is made up of at least three members and of twelve members at most, chosen among the shareholders, appointed and revocable by the Ordinary General Meeting.

No member of the Supervisory Board may be a member of the Management Board.

In accordance with the provisions of the law, when the number of members of the Supervisory Board is lower or equal to twelve, a member of the Supervisory Board representing the employees is elected for a period of four (4) years by the employees of the Company and its subsidiaries, in accordance with the provisions of article L. 225-79-2 III1° of the French Commercial Code".

If resolution 17 submitted to the vote of this General Meeting is not approved, the words "four (4) years" mentioned at the 3rd paragraph of the new article 18 (*Composition of the Supervisory Board*) of the articles of association (as this 3rd paragraph is shown above in bold) will be replaced by the words "six (6) years".

NINETEENTH RESOLUTION

Authorization to be granted to the Management Board to award options to purchase or subscribe for shares of the Company to employees and to eligible company representatives of the Company or of its Group

The General Meeting, deciding in accordance with the quorum and majority conditions required for extraordinary general meetings, having examined the report of the Management Board and the special report of the Statutory Auditors and in accordance with articles L. 225-177 to L. 225-186-1 of the French Commercial Code:

1. authorizes the Management Board, with the possibility to delegate to the persons authorized by the law, for a period of thirty-eight (38) months as from this day, to award, in one or more occasions, to the benefit of those it will designate among the employees and among the company representatives (within the meaning of article L. 225-185 paragraph 4) of the Company and companies or

groupings that are related to it under the conditions set forth in article L. 225-180 of the French Commercial Code, options granting the right to the subscription of new shares of the Company to be issued or to the purchase of existing shares of the Company coming from the repurchase of shares made within the conditions set forth by the law; in this context, the Management Board will submit the plan rules and its potential amendments to the Remuneration Committee of the Supervisory Board for its prior opinion.

2. decides:

(i) that the total number of options which may be awarded pursuant to this authorization will not give right to subscribe or purchase a total number of shares representing more than 2.5% of the share capital being specified that (a) this cap shall be determined at the time of the first use of this delegation by the Management Board, compared to the share capital existing at this date and is common with the cap referred to in resolution 20 which follows and (b) the nominal amount of the shares to be potentially issued in order to protect, in accordance with the law, the rights of the holders of securities giving access to the share capital, shall, as the case may be, increase this abovementioned cap;

(ii) that within the cap referred to in paragraph (i) above, the total number of options which may be awarded pursuant to this authorization to the company representatives will not give the right to subscribe or purchase a total number of shares representing more than 0.75% of the share capital existing as at the day of the first use of this delegation by the Management Board (excluding adjustments implemented to protect the rights of the holders of securities giving access to the share capital);

3. decides that the exercise price of the options of subscription or purchase of shares will be set out by the Management Board as at the day when the options will be awarded and shall not (i) be lower than the average quoted share prices of the share on the market during the twenty trading sessions preceding the day when these options are awarded (ii) and, concerning the options of purchase, be lower than the average purchase price of the shares held by the Company under articles L. 225-208 and L. 225-209 of the French Commercial Code;

4. decides that (i) the options to be awarded may be exercised at any time, after the period of unavailability fixed by the Management Board at the time it decides the awards, and this during a eight year period as from the day when they are awarded and (ii) that the shares obtained under these options shall not be sold during the three (3) years following the award date of the said options;

5. acknowledges that this authorization entails, to the benefit of the beneficiaries of the options, the express waiver of the shareholders to their preferential subscription right over the subscription of the shares which will be issued following options exercise;

6. decides that the Management Board shall have all powers, with the possibility for it to delegate these powers in turn within the legal limits, to implement, under the conditions set out in the law, this authorization, and in particular:

- to determine the conditions, related inter alia to the performance of the Company, of the Zodiac Aerospace Group or its entities, according to which the options shall be awarded and may be exercised, these conditions to include a provision prohibiting the immediate resale of all or part of the shares provided that the period imposed for the retention of the securities may not exceed three years as from the exercise of the options; to proceed to any subsequent amendment to the terms and conditions of the options if necessary;
- to settle the list of the beneficiaries of the options, it being specified that the options awarded to the employees shall be submitted for opinion to the Supervisory Board and those granted to the members of the Management Board shall be previously decided by the Supervisory Board;
- to determine the exercise period(s) of the options thus awarded;
- to provide for the ability to temporarily suspend the exercise of the options for a maximum three month period in case of completion of financial transactions entailing the exercise of a right attached to the shares;
- to determine the date of cum-rights and the terms and conditions for the payment of the subscription or the purchase price of the shares resulting from the exercise of the options;
- to decide, in the cases set forth by the applicable laws and regulations, of the measures necessary to protect the interests of the beneficiaries of the options in the conditions provided in article L. 228-99 of the French Commercial Code;
- to accomplish all acts and formalities in order to acknowledge the final completion of the share capital increase(s) resulting from the exercise of the options; to amend the articles of association and generally, to do all the necessary;

  In this context, the General Meeting acknowledges that the increase(s) of the share capital above-mentioned will be definitively completed by the sole fact of the subscription of the new shares accompanied by the declarations of exercises of the options and the full payment of the subscription price, which may be made in cash or by compensation with due receivables against the Company. At the time of the first meeting following the end of each financial year, the Management Board will record, where appropriate, the number and amount of the shares issued during the financial year further to the exercises of the options and will amend the articles of association accordingly.

- to deduct, if it deems appropriate, the costs of the share capital increases from the amount of the related share premiums and withdraw from this amount the sums required to raise the legal reserve to one-tenth of the new share capital after each share capital increase;

7. instructs the Management Board to inform each year the general meeting of the operations carried out under the terms of this authorization;

8. decides that this delegation cancels, as from this day, to the extent of the unused portion, any previous authorization having the same purpose, including the authorization granted in its resolution 22 by the General Meeting of January 10, 2011.

TWENTIETH RESOLUTION

Authorization to be granted to the Management Board to freely award shares of the Company to employees and eligible company representatives of the Company or of its Group

The General Meeting, deciding in accordance with the quorum and majority conditions required for extraordinary general meetings, having examined the report of the Management Board and the special report of the Statutory Auditors and in accordance with articles L. 225-197-1 to L. 225-197-6 of the French Commercial Code:

1. authorizes the Management Board, with the possibility to delegate to the persons authorized by the law, to freely award, in one or more occasions, shares of the Company existing or to be issued under the conditions defined below;
2. decides that these allocations may benefit to employees and eligible company representatives (as defined in article L. 225-197 II paragraph 1 of the French Commercial Code) of the Company or of companies or groupings related to it under the conditions defined in article L. 225-197-2 of the French Commercial Code, or to certain categories of them;
3. decides that the maximum number of shares freely awarded pursuant to this authorization shall not exceed 2.5% of the share capital, it being specified (i) that this cap is determined at the time of the first use of this delegation by the Management Board, compared to the share capital existing at this date and is common with the cap referred to in the foregoing resolution 19 and (ii) that the nominal amount of the shares to be potentially issued in order to protect, in accordance with the law, the rights of the holders of securities giving access to the share capital, shall, as the case may be, increase this above-mentioned cap;
4. decides that within the cap referred to in paragraph 3 above, the total number of shares freely awarded to company representatives under this authorization may not represent more than 0.25% of the share capital existing as at the day of the first use of this delegation by the Management Board (excluding adjustments implemented to protect the rights of the holders of securities giving access to the share capital);
5. decides that the allocation of shares to their beneficiaries shall become definitive, to the discretion of the Management Board:

   (i) either, for all or part of the awarded shares, at the end of a maximum vesting period of four (4) years;

   (ii) or at the end of a minimal vesting period of two (2) years.
6. decides that the shares shall be subject to a lock-up period of at least two (2) years as from the end of the vesting period. However, this lock-up period can be waived or reduced by the Management Board for the shares whose vesting period has been set to a minimal period of four (4) years.

   The definitive vesting of the shares and the possibility to freely dispose of them shall however be granted to the beneficiary by anticipation if any of the cases of invalidity set forth by article L. 225-197-1 of the French Commercial Code occurs;
7. decides that this authorization entails the express waiver of the shareholders, to the benefit of the beneficiaries of the free allocations, of their preferential subscription rights over the shares to be freely awarded;
8. decides that the corresponding share capital increase shall be definitively achieved by the sole fact of the definitive allocation of the shares to the beneficiaries;
9. decides that the existing shares which may be allocated pursuant to this resolution shall be acquired by the Company, either within the frame of the provisions of article L. 225-208 of the French Commercial Code, or, if appropriate, within the frame of the buyback program authorized by the fifth resolution submitted to this General Meeting pursuant to article L. 225-209 of the French Commercial Code or of any other buyback program implemented previously or subsequently to the adoption of this resolution;
10. grants to the Management Board, within the limits set above, all the necessary powers, with the possibility to delegate to the persons authorized by the law, to implement this authorization, and in particular:
    - to determine the beneficiaries identity of the free allocation of shares as well as the number of shares allocated to each of them, it being specified that the free allocations of shares granted to the members of the Management Board shall be previously decided by the Supervisory Board;
    - to determine the dates and conditions of allocation of the shares, in particular the period at the end of which these allocations will be definitive as well as, if appropriate, the period of lock-up required of each beneficiary;
    - to determine the conditions, related inter alia to the performance of the Company, of the Zodiac Aerospace Group or its entities and, if appropriate, the criteria of allocation according to which the shares will be allocated;
    - to record the definitive dates of allocation and the dates as from which the shares shall be freely transferred in accordance with legal restrictions;
    - to provide for the ability to proceed during the vesting period, if appropriate, to the adjustments of the number of shares freely awarded as a result of the potential transactions on the share capital of the Company, in order to protect the rights of the beneficiaries, it being specified that the shares allocated according to these adjustments will be deemed to be allocated on the same day as the shares initially allocated;
    - in case of free allocation of new shares, to deduct, if appropriate, from the reserves, profits or share premium of its choice, the sums necessary to pay up the said shares, record the completion of the share capital increases, make any subsequent amendments to the articles of association and, generally, do all what will be necessary;
    - more generally, to enter into all agreements, draw up all documents, carry out all formalities and make all declarations before any bodies and do all what will be necessary in order to ensure the completion of the free allocations authorized by this resolution.

11. instructs the Management Board to inform each year the general meeting of the operations carried out under the terms of this authorization;
12. set to thirty-eight (38) months as from this day the validity period of this authorization;
13. decides that this authorization cancels, as from this day, to the extent of the unused portion, any previous authorization having the same purpose, including the authorization granted in its resolution 23 by the General Meeting of January 10, 2011.

■ TWENTY-FIRST RESOLUTION

Delegation of authority to the Management Board to increase the share capital by issuing, with the preferential subscriptions rights being cancelled, shares reserved for participants to a company savings scheme (*plan d'épargne d'entreprise*) set out pursuant to articles L. 3332-1 *et seq.* of the French Labour Code

The General Meeting, deciding in accordance with the quorum and majority conditions required for extraordinary general meetings, having examined the report of the Management Board and the special report of the Statutory Auditors and in accordance with, on the one hand, the provisions of the French Commercial Code and, inter alia, of its articles L. 225-129-6 and L. 225-138-1 and, on the other hand, the provisions of articles L. 3332-1 *et seq.* of the French Labour Code:

1. decides to delegate to the Management Board its power to increase the share capital, in one or more occasions, on the basis of the sole discussions of the Management Board, by issuing shares reserved for participants to a company savings scheme;
2. decides that the beneficiaries of the authorized share capital increases shall be, directly or through a company collective investment fund (*fonds commun de placement d'entreprise*), the members of a company savings scheme set up by the Company and by the companies linked to the Company under the conditions set out by the applicable law and regulations and, who, in addition, meet the conditions which have been set out, as the case may be, by the Management Board;
3. decides that this delegation entails the express waiver, by the shareholders, to their preferential subscription right to the benefit of said beneficiaries;
4. also delegates to the Management Board, pursuant to article L. 3332-21 of the French Labour Code, the powers necessary to allocate to these same beneficiaries free shares or other securities giving access to the share capital, provided that the benefit resulting thereof shall not exceed, depending on the method which has been chosen, the limits set out by the law;
5. authorizes the Management Board, within the conditions of this delegation, to make assignments of shares to the benefit of the participants to a company savings scheme, as such assignments are provided for in article L. 3332-24 of the French Labour Code;
6. decides that this delegation shall be valid for twenty-six (26) months as from this day;
7. decides that the maximum nominal amount of the shares which might thus be issued pursuant to this delegation shall be three hundred thousand (300,000) euros;
8. decides that the price of the shares to be issued pursuant to paragraph 1 of this delegation shall be set by the Management Board on the day the said share capital increase(s) is(are) being implemented and that this price shall not be lower than the minimum price provided for in the applicable laws and regulations at the time of the issue;
9. decides that the Management Board shall have all powers, within the limits and under the conditions specified below and within the limits and under the conditions set out in the applicable laws and regulations, to take all measures for the purpose of completing the share capital increases and to set out the terms and conditions thereof, including conditions of seniority which could be potentially required in order to take part in the transaction and, as the case may be, the maximum number of shares which may be subscribed to per employee, the number of new shares to be issued within the legal limits, the issue price of the new shares, to make the necessary amendments to the articles of association, to deduct all costs from the amount of the premiums paid upon the issue of the shares and to deduct from this amount all sums necessary to bring the legal reserve to the tenth of the new share capital, after each share capital increase and, generally, to take all measures for the share capital increase to be completed.
10. decides that this delegation cancels, as from this day, to the extent of the unused portion, any previous authorization having the same purpose, including the authorization granted in its resolution 18 by the General Meeting of January 9, 2013.

■ TWENTY-SECOND RESOLUTION

Powers to carry out the legal formalities subsequent to these resolutions

The General Meeting grants all powers to the bearer of an original copy, a copy or a certified excerpt hereof to carry out all filings, publications, declarations and formalities provided for by the law and necessary for the implementation of the foregoing resolutions.

CORPORATE COMMUNICATION: Zodiac Aerospace Group – **DESIGNED AND PRODUCED BY:** eurokapi groupe
FINANCIAL REPORT PRODUCED BY: Gillet M&M

Printed in France

ZODIAC AEROSPACE

ZODIAC AEROSPACE – 61 rue Pierre Curie – CS 20001 – 78373 Plaisir Cedex – France
Telephone: +33 1 61 34 23 23 – Fax: +33 1 61 34 24 41 – www.zodiacaerospace.com