

Q2 & H1 2015/16 sales



MASTERING THE ELEMENTS

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Zodiac Aerospace - H1 2015/2016 sales

Summary

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H1 sales

Aircraft Interiors activities
Seats
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Environment

- **Air traffic continues to grow**
 - +6,5% in RPK* in 2015 (IATA)
- **Mixed evolutions by end market**
 - Commercial aircraft: ramp up of new programs
 - Regional aircraft: deliveries are stable while expecting new programs to ramp up
 - CSeries preparing EIS
 - MRJ continuing its flight test program
 - Roll out of Embraer E2 last February
 - Business Jets
 - Decrease of deliveries at some manufacturers
 - Delay in Dassault 5X program
 - Helicopters
 - Impact of low oil price on offshore exploration...
 - ...and on heavy civilian helicopter market
 - Globally, heading towards a plateau in terms of OEM deliveries
- **Increase in aftermarket**

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In millions of euros	1st half 2015/2016	1st half 2014/2015	% change	Exchange rates	Consolidation scope	Organic growth
Systems activities	969.9	915.8	+5.9%	+8.2%	+0.5%	-2.8%
<i>Zodiac AeroSafety</i>	293.0	296.0	-1.0%	+8.1%	-3.1%	-6.0%
<i>Zodiac Aircraft Systems</i>	676.9	619.8	+9.2%	+8.4%	+2.2%	-1.4%
Aircraft Interior activities	1518.6	1408.3	+7.8%	+8.9%	+0.0%	-1.1%
<i>Zodiac Seats</i>	641.5	622.2	+3.1%	+7.3%	+0.0%	-4.2%
<i>Zodiac Cabin</i>	877.1	786.1	+11.6%	+10.2%	+0.0%	+1.4%
Group total	2488.5	2324.1	+7.1%	+8.7%	+0.2%	-1.8%
€/\$ (conversion)	1.11	1.27				

▪ Systems activities

- Impact of dull helicopter and business jets segments

▪ Aircraft Interiors

- Seats: overheat in H1 last year (+11,1% organic growth in H1 2014/2015)
- Cabin: unfavorable comparison basis on Entertainment and Seat Technologies division, slight decrease in VIP and Business Aircraft Interiors

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Aircraft Interiors activities weighting on Group's profitability

▪ Downgrading of FY2015/2016 outlook

- Seats: reinforcing/ accelerating recovery and industrial transformation plans
 - In particular on the Seat Shell facility in Santa Maria, CA
 - Implementation longer and more costly than planned
- Cabin: industrial transformation and reinforcement of current operations
 - Impact of A350XWB lavatories production ramp up, of setting a second line, and high production costs
 - Ramp up of new programs starting to travel alongside their learning curve
- Groupwide: deploying the Focus plan

▪ Warning on FY results

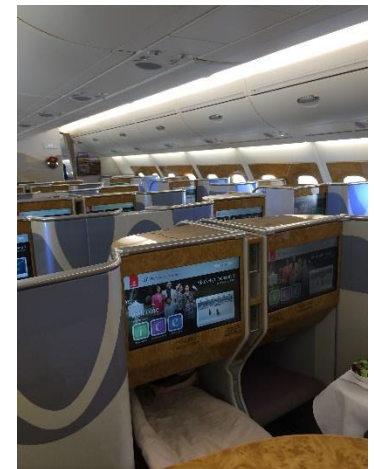
- The revised budget after 4 months of operations was within the November guidance
- January preliminary results, later confirmed by February results, showed a discrepancy against the revised monthly budget, prompting a complete review of the full fiscal financial year
- The spread between the revised budget and the guidance required the announcement of a profit warning, according to regulations.

Zodiac Seats pursuing the recovery and its transformation

- **The primary target of Zodiac Seats remains removing its delivery backlog and improving the quality of its deliverables, to sustain the trust of its customers**
- **Late backlog for seats deliveries is stabilized on average for 3 months**
 - The delays are concentrated around a few of the seats programs and are mainly connected to the seat shell activity
- **Zodiac Seats is continuing to roll out its recovery and transformation plans.**
- **For the time being, excess production costs and associated costs are high**
 - largely focused on the seat shell activity.

Focus on Seat shells

- **Seat shells are a big integral part of a business class seat**
 - they can account for between 50% and 60% of the value
 - complex technical products
 - customers have rigorous demands in terms of perceived quality
 - A specific development process is required for each configuration decided by customers (customization)
 - production constraints inherent in composite-material products
 - seats must conform to high standards of certification.
- **Zodiac Seat Shells makes composite shells for business class seats**
 - Around 1800 employees in Santa Maria, CA
 - A dramatic transformation of the business
 - Doubling the size
 - Evolving towards a more « industrial » production system



Seats : les surcoûts de production et les coûts induits restent à un niveau élevé

- **The priority placed on safeguarding customers is now reflected in a costs which are higher than expected**
 - excess production costs
 - in service support costs
- **Operational progress achieved is below initial forecasts**
 - Operational improvements...
 - ... but still many ongoing tasks
- **Les progrès attendus tardent à venir**
 - Learning curve
 - inadequate logistics performance (internal supply chain)
 - availability of spare-parts below production requirements
- **Uneffective engineering on a set of programs developed by the Santa Maria site**
 - at a time of poor program management and creation of design dossiers.
 - Where possible, some of these programs will be redesigned

Recovery of Zodiac Seats

- **To restore its industrial and financial performance, Zodiac Seats implements structural actions :**
 - change of industrial scale
 - The branch is redefining its governance
 - working on better integration and introducing a new engineering and production operating system
 - Hiring in progress to increase and renew competencies
 - Change in operations
 - making production transfers to spread the load more evenly
 - working on improving the engineering and program management functions as well as the supply chain
 - **SeatShells: specific actions deployed**
 - Planification: Focus Seats plan
 - Engineering: creation of a shell design competence center, development of new technologies
 - Searching additional capacities: find and develop new suppliers, internal production transfers
- **Conjunctural improvement**
 - a significant portion of the current excess costs are concentrated on just a few programs whose deliveries will cease at the end of the 2016 calendar year
- **Target to get back to operational performance in 18 months**

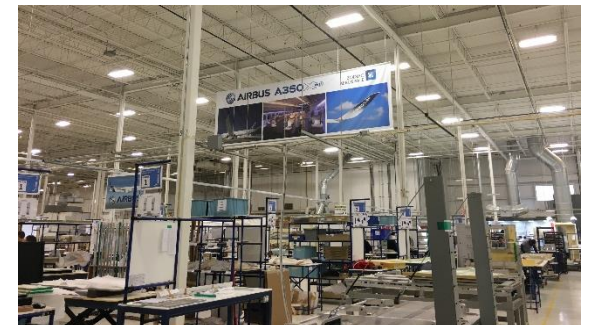
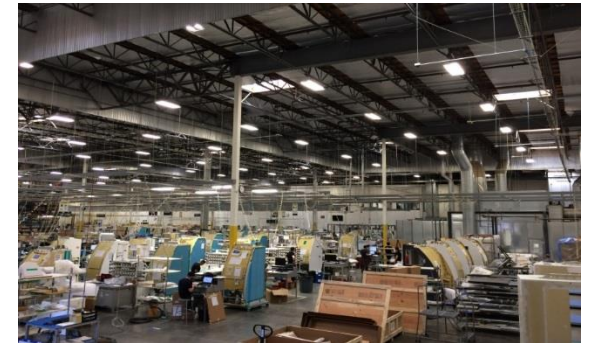
Cabin : opérationnelle performance de la Branche les programmes en croissance dégradent la

- Operational performance is hampered by the ramp up of new programs
 - Ramp up of A350XWB lavatories:
 - Improvement of the Cypress (CA, USA) production line
 - Second line set in Montréal, Canada
 - Increasing production rate from 2 shipset per month to 8 in a few months. Rate 5 achieved in February
 - Ramp up of lavatories retrofit programs with airlines
- preparing to ramp up the Spaceflex v2 program
 - a combined galley and lavatory linefit option for the Airbus A320 family
- with insufficient profitability of the programs that are currently ramping up
 - Redesign work following in service problems
 - Cost overruns due to non quality, purchasing and penalties
 - Cost moving alongside the learning curve



Cabin : restructuration industrielle

- **Industrial restructuring on production sites in the USA**
- **Ongoing improvements concern**
 - The establishment of more robust production processes (Focus plan)
 - supported by a stronger training effort on the establishment and use of IT systems for production.
- **Reorganisation of the branch, and adding new resources**
 - In particular regarding production
- **Target to get back to operational performance in 18 month**
 - Longer for financial performance



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Une structure de financement solide

- **Increasing the amount and extending the average maturity of our financing**
 - finance general requirements and potential acquisition opportunities
- **Group global confirmed cash capacity of €2,070 million ¹**
 - **Club Deal (€1030m)**
 - Maturity extended to March 2021, accepted by all participant banks
 - **Euro Private Placement (€230m)**
 - 7 years maturity
 - Replacing the previous €125m euro PP
 - Anticipating the repayment of 1st Schuldschein instalment (€125m in July 2016 over total of €535m)
 - **Setting Hybrid financing (€250m)**
 - no fixed maturity
 - New financing, accounted in shareholders' fund according to IAS32
- **Commercial paper program for €1bn**
 - €458m used at 29/02/16

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- **Reinforcing recovery and transformation plans**
- **Revising the length of operational margin improvement plans**
 - FY2015/16 Current Operating Income should be close to the level of 2014/15
- **A solid and reinforced financial structure**
- **Ongoing financial closing work and annual forecast analysis to prepare the H1 results presentation on April 20th, 2016**

