

# FY 2015/2016 Results Presentation

**ZODIAC AEROSPACE**

Tuesday 22nd November 2016

# Safe Harbour statement

*Certain statements contained in this document are forward-looking statements. These statements includes, without limitation, statements that are predictions of or indicate future events, trends, plans, expectations or objectives. Examples of forward-looking statements include statements relating to business strategy, objectives, delivery schedules or future performance. Words such as “anticipates”, “believes”, “estimates”, “seeks”, “intends”, “may” and similar expressions are used to identify these forward-looking statements.*

*Such statements are, by their nature, subject to known and unknown risks and uncertainties. These uncertainties may cause our actual future results to be materially different than those expressed in our forward-looking statements as these are dependent on risk factors such as the variation of the exchange rates, program delays, industrial risks relating to safety, the evolution of regulations and the general economic and financial conditions and other matters of national, regional and global scale, including those of a political, economic, competitive and regulatory nature. Please refer to the section “Risks management” of the latest Zodiac Aerospace’s Annual Report, for a description of certain important factors, risks and uncertainties that may affect Zodiac Aerospace’s business.*

*Zodiac Aerospace makes no commitment to update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.*

# Agenda

**FY 2015/2016 results**

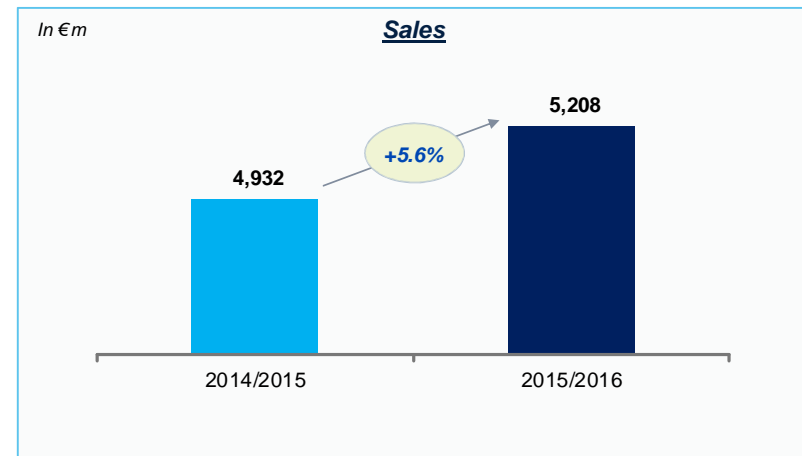
**Recovery and transformation under way**

**Conclusions**

# FY 2015/2016 results

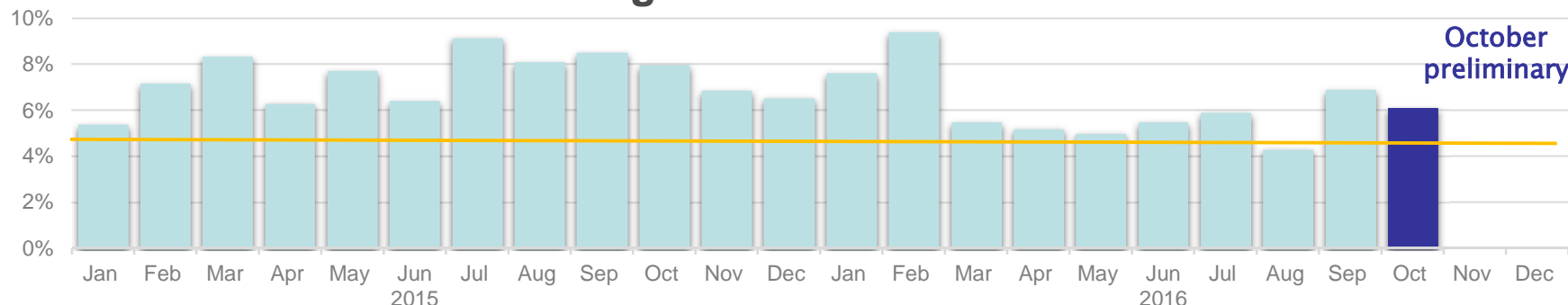
# Robust Sales dynamics

- Sales were up 5.6% to €5,208m
  - Change in organic: +1.3%
  - Positive exchange rate impact: 4.3pts

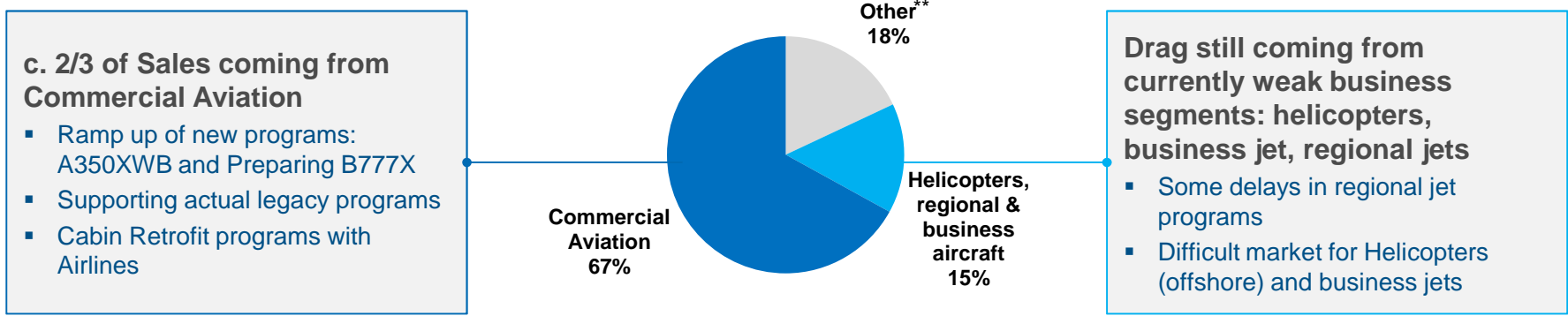


# Backed by a still favorable market environment

## Traffic\* increase above average



## Exposure geared towards most attractive market segments



# Priority to customers

- **Priority to customers**

- During the crisis, the first priority has been to restore on time/on quality delivery to our customers, to protect their operations
- Agreements reached with most of our customers impacted

- **New significant orders secured during the FY15/16**

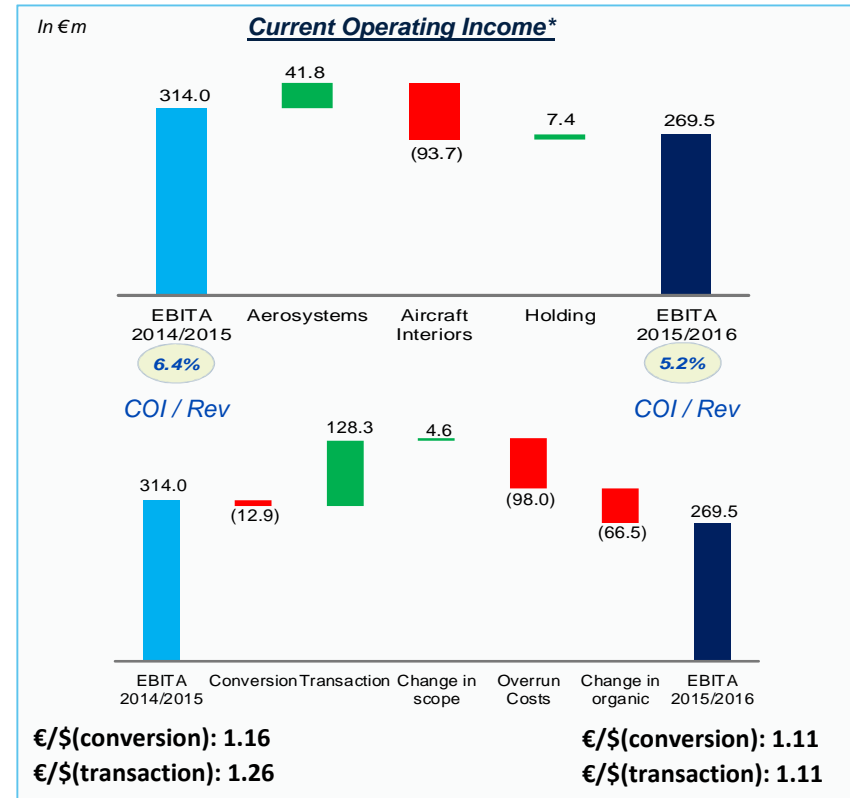
- In September, the Group received a new LOI from an undisclosed customer for the largest ever Business Class seats order to Zodiac Aerospace
- In April, Air France selected Zodiac Aerospace to supply Seats (3 class) and IFE for their A330 retrofit
- New cabin contracts awarded by Airbus, including part of A330 Neo lavatories
- Strong commercial success of RAVE IFEC\* solution

- **Revived commercial momentum**

- Full effect on organic growth in 18-month given lead time from orders to deliveries (notably in Seats)

# Operating profitability

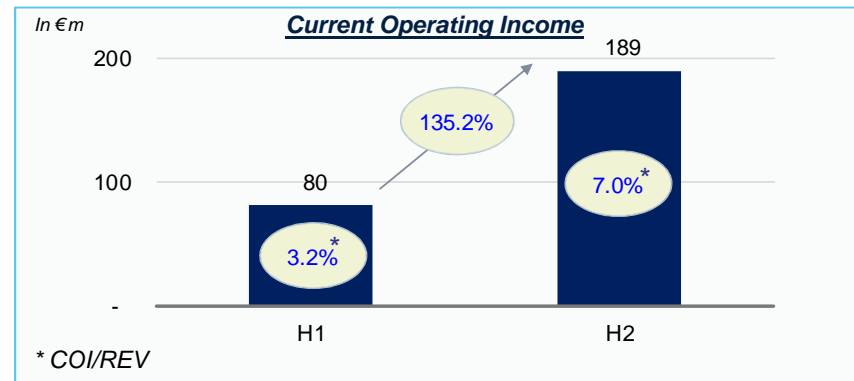
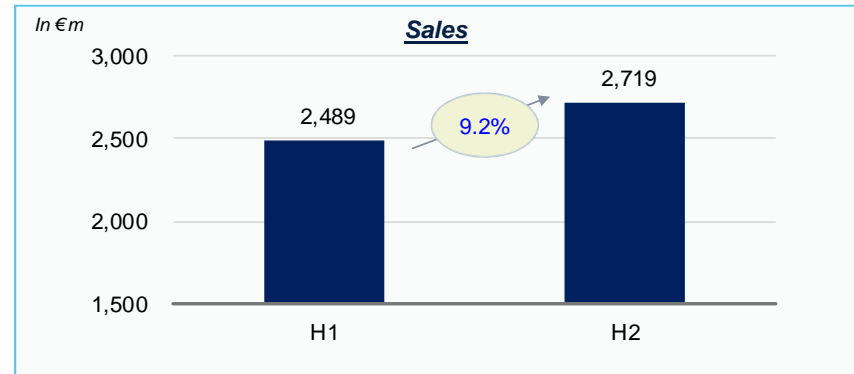
- **FY 2015/2016 COI down 14.2%**
  - High level of cost overruns incurred by Aircraft Interiors to restore delivery performance to our customers
  - Partially offset by contribution of Aerosystems, especially in H2
  - Positive impact of transaction exchange rate, while conversion is negative due to the location of the Aircraft Interiors activities





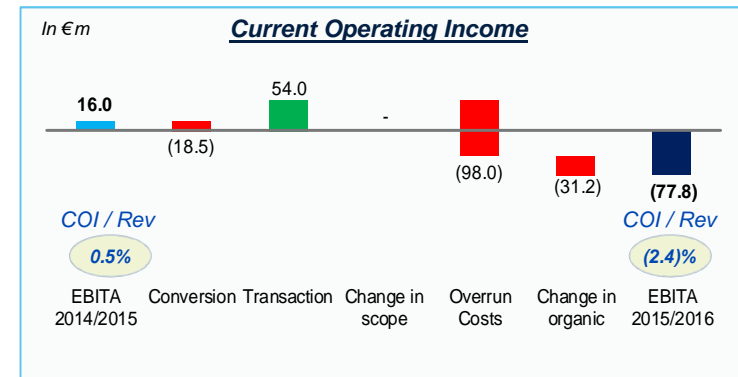
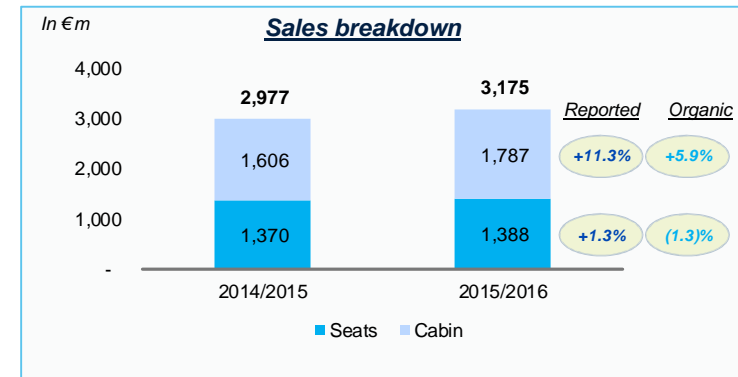
# Dissymmetry of COI between H1 and H2

- **Stronger volume of sales in H2 compared to H1**
  - Due to unbalancing of some systems activities
  - In 2015/2016, strong growth in Q4, although not as high as expected
  
- **COI favorably impacted by stronger commercial activity in H2**



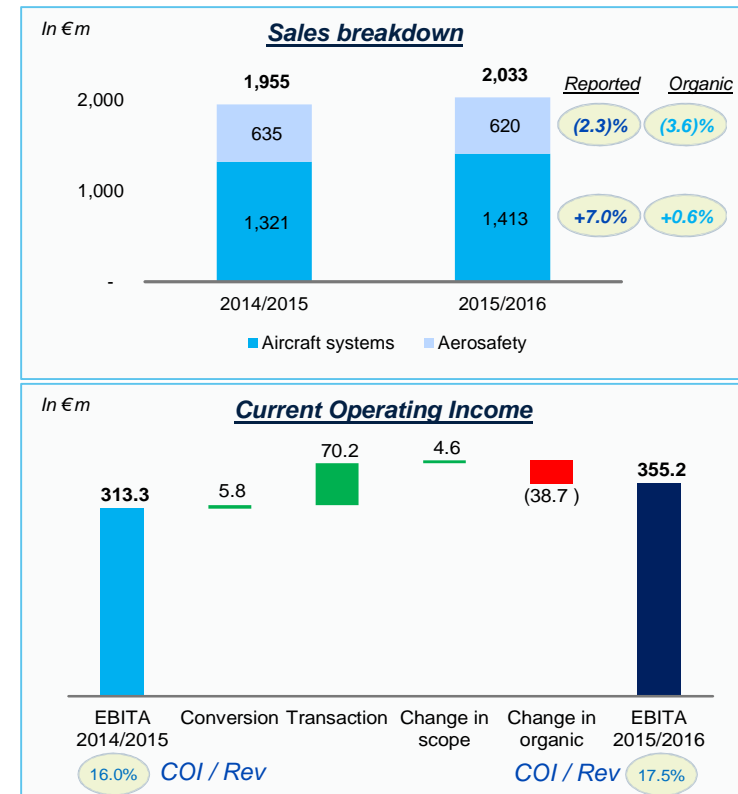
# Aircraft Interiors – Financial review

- **Sales +6.7% reported; +2.6% organic**
  - Seats: slight organic decrease in sales especially in H1, due to end of cycle impact of previous design issues
  - Cabin: ramp-up of new programs (A350XWB, CSeries, Spaceflex v2)
- **COI still impacted by high level of overrun costs**
  - Production costs variances (labor, non quality, scrap, inventory obsolescence ...)
  - Excess costs (penalties, warranties, freight...)
- **Ramp-up of new programs at the beginning of their learning curve**



# Aerosystems – Financial review

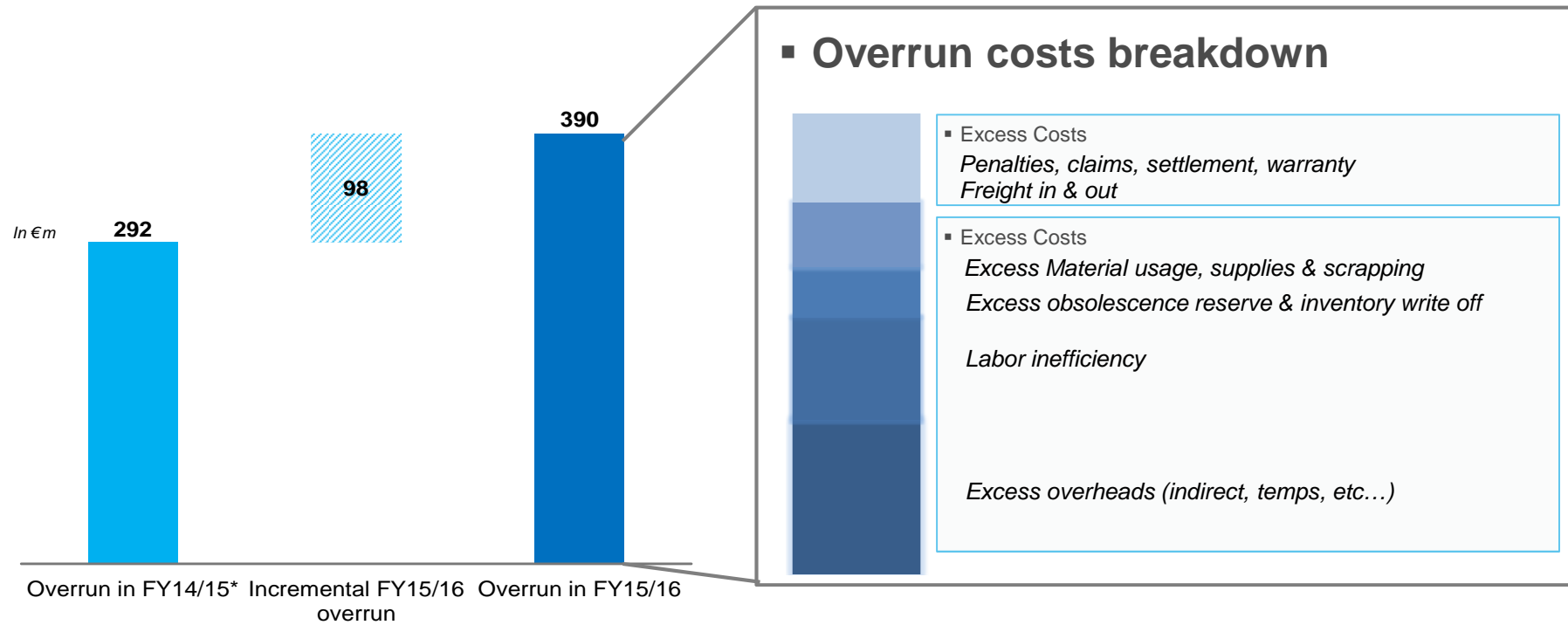
- **Sales +4.0% reported; (0.7)% organic**
  - Impacted by lower sales to Helicopter, Business jets and Regional jets markets as well as weak civilian arresting system market
- **Current Operating Income up 13.4%**
  - Positive forex impact
  - Negative change in organic concentrated in H1 (€35m)
  - And due to
    - Strong exposure to business jet, regional jet and helicopter markets (c.26% of sales) compared to Group (c.15%)
    - High development costs (e.g. G7000, F5X, E2)
    - Learning curve on new programs not yet at maximum rate (A350XWB)
    - Lack of volume on arresting systems



# Focus on overrun costs

*Analysis vs. FY13/14 conditions*

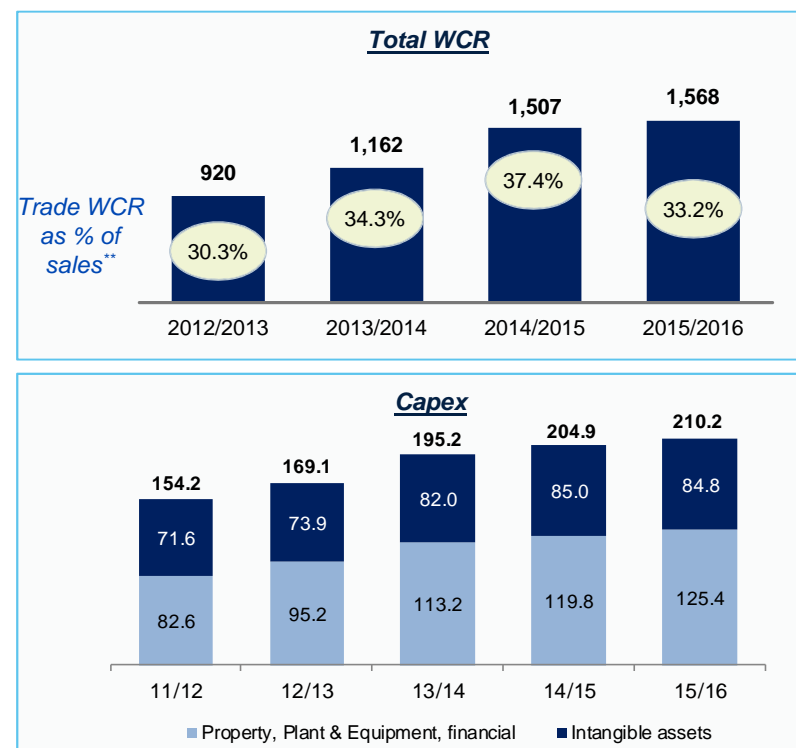
- In-depth industrial transformation requires heavy moves



\* Equivalent to the €325m overrun costs reported in FY14/15 at constant exchange rate

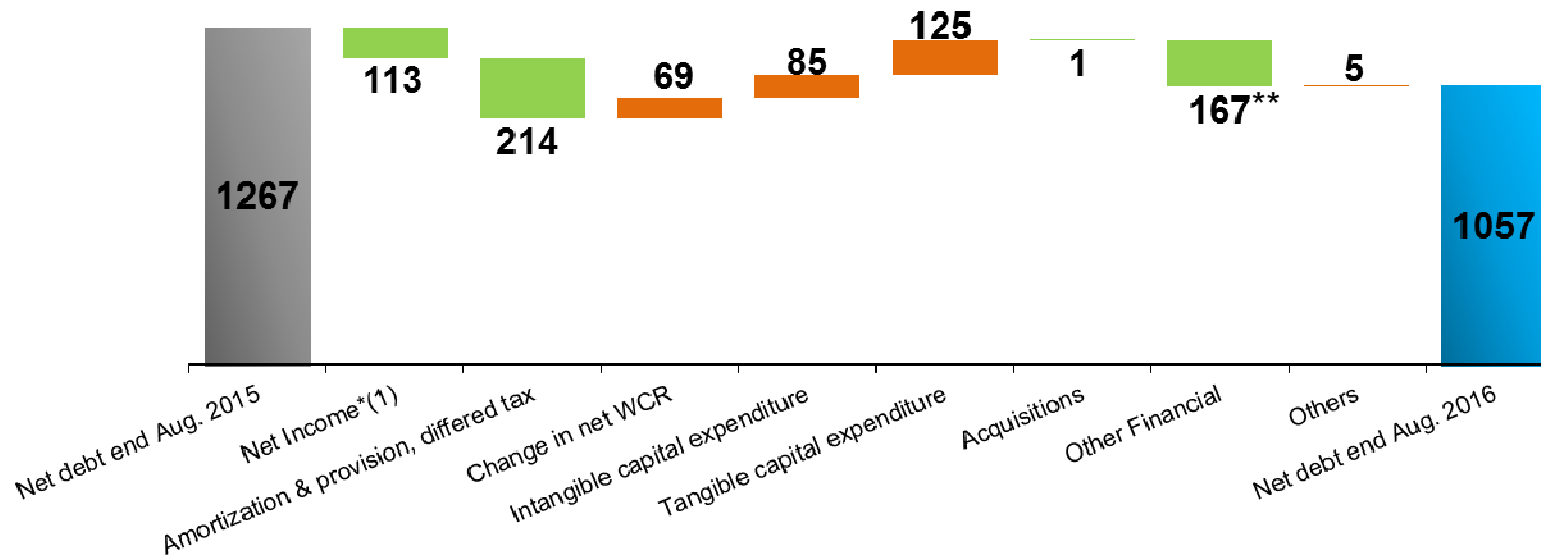
# FY15/16 Cash flow generation

- Cash flow\* of €327m in 2015/2016 vs. €392m in 2014/2015
- Decrease in WCR as % of sales
  - Gross WCR increase of €61m
  - «Trade» WCR 33.2% of sales vs. 37.4% of sales in 2014/15
  - Progressively returning to historical levels
- Capital Expenditure stable as % of sales
  - Tangible €125m vs. €120m
  - Intangible stable at €85m
  - Total capex represent 4.0% of sales vs. 4.2% in 2014/15



# Balance sheet remains sound

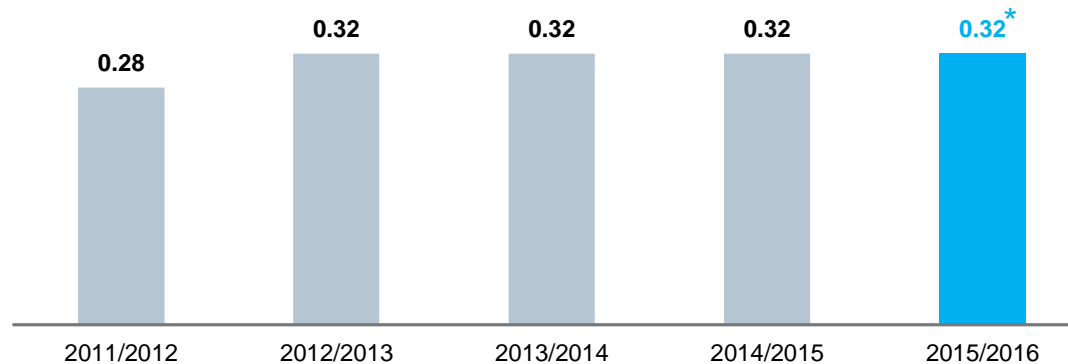
- Resulting in net debt of €1,057 m vs. €1,267 m at end 2015
  - Net debt / EBITDA of 2.55x
  - Net debt / Shareholders Equity (gearing): 0.34 vs. 0.43



(1) Excluding Net Income from Equity Method (€-4,7m)  
 \* Depreciation of Contour brand with no cash and EBITDA impact  
 \*\* Including €250m of hybrid financing

# Allowing to propose €0.32 dividend

- The Board will propose to the January 19<sup>th</sup>, 2017 Shareholders' meeting to vote a dividend of €0.32
- Shareholders would have the possibility to choose payment either 100% in cash or 50% in shares / 50% in cash



2011/2012 and 2012/2013 figures are adjusted dividend by the split by five of the par value of Zodiac Aerospace share



# Recovery and transformation under way



# Our Recovery path

	<i>Target</i>	<i>Enablers</i>	<i>Targeted timing</i>
1	Restoring delivery performance to our customers	<ul style="list-style-type: none"> <li>Additional resources to resume on time, on quality deliveries resulting in high production costs (variances, extra costs...)</li> </ul>	Under way
2	Resuming operational performance	<ul style="list-style-type: none"> <li>Implementing the Focus plan and deploying the Zodiac Aerospace Operating System to deliver on time, on quality by process</li> </ul>	End 2017 (18 months from March 16)
3	Restoring margins	<ul style="list-style-type: none"> <li>Cost cutting and efficiency actions to remove most of extra costs and production variances</li> </ul>	Double-digit COI margin by FY17/18 Back to historical profitability levels by FY19/20

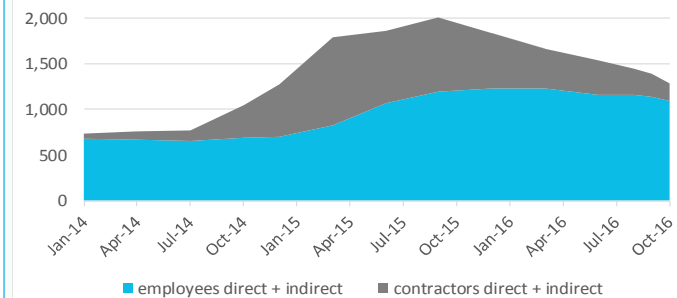
# 1 | Restoring delivery performance: Seats

- Late deliveries no longer the primary driver of the overrun costs
- Further reinforcing our operations, applying lessons from recent years
  - Increasing assembly capacities, mainly at Seats UK
  - Additional sources for shells in various places to support all operations serving new high end B/C programs ramp-up
  - Seat Shells now reporting to Seats France
- Pursuing rightsizing at Santa Maria

Cwmbran Business Class seat production line



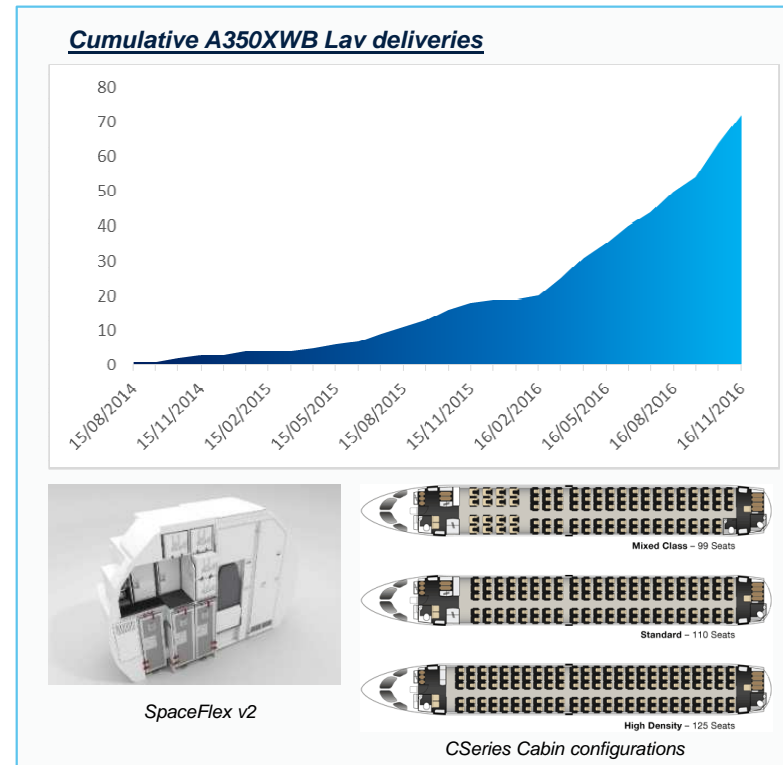
Zodiac Seat Shells – Santa Maria Total Headcount



# 1 | Restoring delivery performance: Cabin

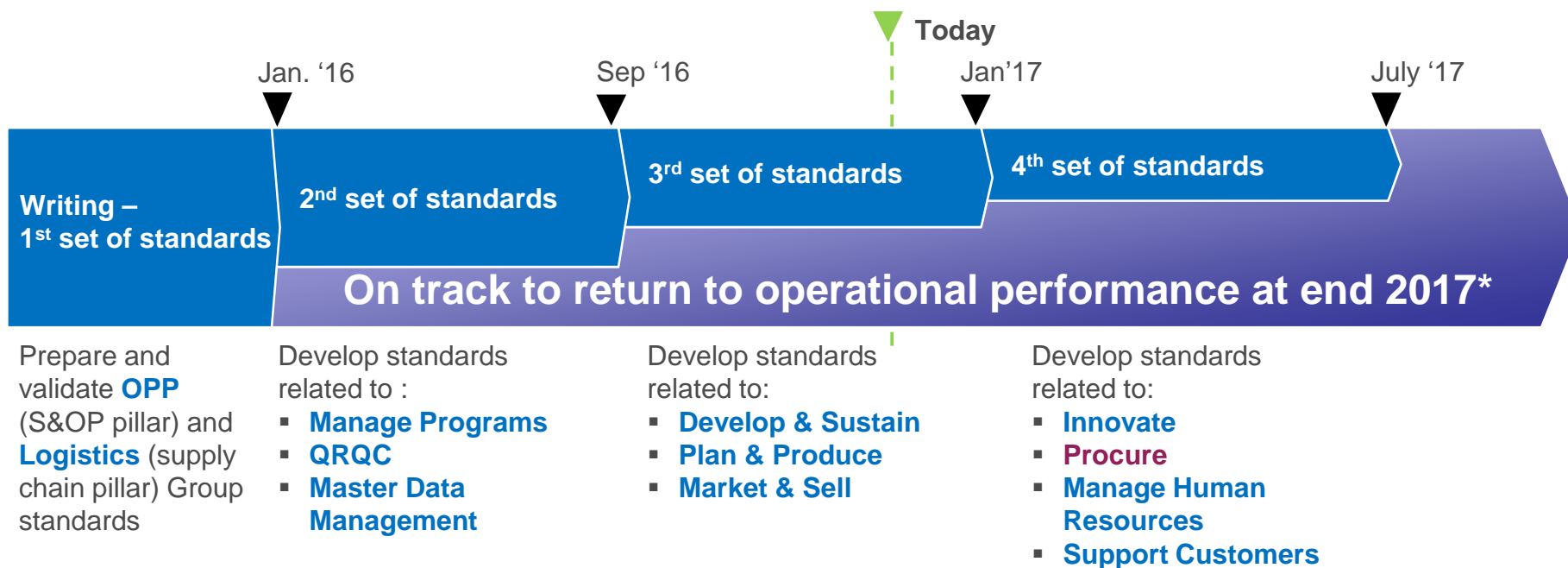
Mature programs replaced by new platforms at the beginning of their learning curve

- A350 XWB Lav: 3 production lines in place, supporting Airbus ramp-up
- A320 SpaceFlex steep ramp-up, both for linefit and retrofit
- Other new platforms ramping-up in the short term
  - (MRJ) and Russian Regional Jet (SSJ)
  - C-Series ramp up after successful EIS



# 2 | Resuming operational performance

*Status: Focus plan implementation on track*



# 3| Restoring margins: structure streamlining

*Selected outputs: Supply strategy – indirect procurement*

In addition to Group “Procure” standard definition, deployment of Group purchasing actions

- ~€900m of indirect procurement costs per annum
- **Strategic approach of procurement to deliver savings**
  - Approach to match nature of demand and offer (local vs global)
  - Reducing tactical procurements incurred under “firefighting” situations
  - Empowered commodity managers leading contract renegotiation campaigns
- **Ongoing contract (re)negotiations**
  - Targeting 60% of total spent under contracts within 2 years

# 3 | Restoring margins

*Status: On track to recover historical profitability by FY20*

	<i>Horizon to recovery</i>	<i>Solutions</i>	
1	Penalties, claims, settlement & Warranties	<ul style="list-style-type: none"> <li>▪ end FY16/17</li> </ul>	
2	Freight in / out	<ul style="list-style-type: none"> <li>▪ Restore on time, on specifications and on quality delivery</li> <li>▪ Build-up of capacities and resources</li> <li>▪ Renegotiation of delivery agenda when possible</li> </ul>	
3	Excess Material usage, supplies & scrapping	<ul style="list-style-type: none"> <li>▪ Further deployment of the group-wide Operations and organization under COO</li> <li>▪ Implementing FOCUS plan and deploying all the associated standards</li> <li>▪ Stricter program management and engineering KPIs</li> <li>▪ Addressing costs bucket by cost bucket across the Group</li> <li>▪ Dedicated recovery plans on specific business units.</li> <li>▪ Deploy Lean tools across Group</li> <li>▪ Optimize allocation of Human Resources and increase level of key technical competencies</li> </ul>	
4	Excess stock obsolescence and inventory write off		<ul style="list-style-type: none"> <li>▪ 2016-2018</li> <li>▪ end FY16/17</li> </ul>
5	Labor inefficiency		<ul style="list-style-type: none"> <li>▪ 2017-2019</li> </ul>
6	Overheads		<ul style="list-style-type: none"> <li>▪ 2017-2019</li> </ul>
7	Cost of resizing	<ul style="list-style-type: none"> <li>▪ Restructuring / rightsizing actions</li> <li>▪ Cost cutting and efficiency actions to support the decrease in overheads and the streamlining of the structure</li> <li>▪ Started in Santa Maria</li> </ul>	

# Conclusions

# Financial outlook

*Financial recovery is therefore our focus*

	FY16/17	FY17/18	FY18/19	FY19/20
<b>Commercial momentum</b>	<i>Already largely achieved / renewed trust from key customers</i>			
<b>Revenue growth</b>	<ul style="list-style-type: none"> <li>Drag from past crisis lead time effect+ Helo and bizjet soft activity</li> </ul> <p><b>Stable</b></p>	<ul style="list-style-type: none"> <li>Organic growth progressively back to historical levels</li> </ul> <p><b>+</b></p>	<ul style="list-style-type: none"> <li>Grow above traffic for commercial aircraft</li> </ul> <p><b>++</b></p>	
<b>Operating profitability* (COI margin)</b>	<ul style="list-style-type: none"> <li>Lower costs owing to improved operational performance</li> </ul> <p><b>+10-20% increase*, as compared to 2015/2016 with strong H1/H2 dissymmetry</b></p>	<ul style="list-style-type: none"> <li>Eliminating excess costs and gradually returning to historical margins</li> </ul> <p><b>Double digit</b></p>	<ul style="list-style-type: none"> <li>Eliminating excess costs and gradually returning to historical margins</li> </ul> <p><b>mid-double digit margin</b></p>	
<b>Cashflow</b>	<i>Net debt reduction (excluding acquisitions) through operating income improvement, stricter management of working capital and capital expenditures</i>			

\* Excluding dollar impact (see Hedging policy in Appendix)



# Strategic value

## *Strategic value of Zodiac Aerospace's business model...*

- **Cabin interiors is a growing and buoyant business**
  - Cabin is a top priority and a key differentiating factor for airlines
  - Increasing customization and higher safety regulation require very specific know-how
  - Zodiac Aerospace enjoys leading market positions
  
- **Connected cabin is the new frontier**
  - Digitalization of the cabin usage
  - Zodiac Aerospace has a key positioning to address this main trend
    - Mastering cabin interiors, seats, IFEC and systems
    - Development of a Connected Cabin demonstrator involving 7 divisions from all branches

*... further highlighted by recent BEAV contemplated acquisition by COL*

# Reinforced management committed to success

- **Recent evolutions in the management team (Executive Committee)**
  - Didier Fontaine appointed to CFO of the Group since Oct. 24<sup>th</sup>
    - Succeeding to Jean-Jacques Jégou, who is currently supporting the transition
  - Christophe Bernardini becoming CEO of Zodiac Cabin
    - Remaining interim CEO of Zodiac Aerospace Services until Dec. 31, 2016
  - Bruno Delile appointed to CEO of Zodiac Aerospace Services
    - As of January 1<sup>st</sup>, 2017
    - Currently EVP long-haul operations of Air-France KLM. With over 25-y experience in the aeronautical industry, Bruno Delile has held several positions in the field of MRO\* at Air France-KLM
  
- **Benoit Ribadeau-Dumas joining the Executive Board**
  - Other Executive Board members are Olivier Zarrouati (Chairman) and Maurice Pinault

# Appendix

# Hedging policy

- **Hedging in place**

- 87% of budgeted net EUR/USD exposure hedged at 1.1184
- Hedges in place for other currencies: 79% of USD/CAD budgeted exposure, 80% of USD/GBP, 71% of USD/MXN, 80% of USD/THB

# Appendix A-1: FY 2015/16 sales

In millions of euros	Fiscal year 2015/2016	Fiscal year 2014/2015	% change	Exchange rate	Consolidation scope	Organic growth
<b>Systems Activities</b>	<b>2,032.9</b>	1,955.2	+4.0%	+4.8%	-0.1%	-0.7%
<i>Zodiac Aerosafety</i>	<b>619.8</b>	634.5	-2.3%	+3.6%	-2.3%	-3.6%
<i>Zodiac Aircraft Systems</i>	<b>1,413.1</b>	1,320.7	+7.0%	+5.3%	+1.1%	+0.6%
<b>Aircraft Interiors Activities</b>	<b>3,175.3</b>	2,976.6	+6.7%	+4.1%	+0.0%	+2.6%
<i>Zodiac Seats</i>	<b>1,387.9</b>	1,370.2	+1.3%	+2.6%	+0.0%	-1.3%
<i>Zodiac Cabin</i>	<b>1,787.4</b>	1,606.4	+11.3%	+5.4%	+0.0%	+5.9%
<b>Group Total</b>	<b>5,208.2</b>	4,931.8	+5.6%	+4.3%	-0.0%	+1.3%
€/\$(conversion)	<b>1.11</b>	1.18				

# Appendix A-2: FY 2015/16 income statement

Income Statement	2015/2016	2014/2015	Var %
<b>Revenue</b>	<b>5,208.2</b>	<b>4,931.8</b>	<b>+5,6%</b>
Depreciation charge	138.7	117.4	
Charges to provisions	86.0	95.8	
<b>Current operating income</b>	<b>269.6</b>	<b>313.8</b>	<b>-14.1%</b>
Non-current operating income	-75.7	-21.9	
<b>Operating income</b>	<b>193.9</b>	<b>291.9</b>	<b>-33.6%</b>
Cost of net debt	-39.3	-27.0	+45,9%
Other financial income and expenses	-2.4	-2.0	
Income taxes	-39.6	-75.7	-47.7%
Results of companies accounted for using the equity method	-4.7	-2.7	
<b>Net Income from continuing operations</b>	<b>107.9</b>	<b>184.5</b>	<b>-41.5%</b>
Net income from discontinued operations	-	-	
<b>Net income</b>	<b>107.9</b>	<b>184.5</b>	<b>-41.5%</b>
Net income attributable to Non Group shareholders	-0.2	-0.2	
Net income attributable to Group shareholders	108.1	184.8	-41.5%

# Appendix A-3: FY 2015/16 Balance sheet

Condensed balance sheet					
In millions euros	8/31/2016	8/31/2015		8/31/2016	8/31/2015
			<u>Equity</u>		
Goodwill	1,994.7	2,023.4	Capital	3,109.5	2,819.2
Intangible assets	653.6	698.1	Income	108.1	184.8
Property, plant & equipment	493.0	464.0	<b>Net Equity</b>	<b>3,217.6</b>	<b>3,004.0</b>
Other, including deferred taxes	44.5	44.2	Prov. and deferred taxes	300.6	286.0
<b>Non-current assets</b>	<b>3,185.7</b>	<b>3,229.7</b>	Financial liabilities	984.7	831.6
			<b>Non-current liabilities</b>	<b>1,285.3</b>	<b>1,117.6</b>
Inventories	1,360.1	1,340.7	Prov. Risks & Contingencies	165.4	171.0
Trade receivables	1,046.5	1,011.0	Financial liabilities	361.3	620.6
Other	210.3	171.4	Accounts payables	542.1	432.8
Cash and cash equivalents	268.8	163.6	Employees	228.7	218.6
<b>Current assets</b>	<b>2,885.7</b>	<b>2,686.7</b>	Other	271.9	352.5
<b>Assets held for sale</b>	<b>0.7</b>	<b>0.7</b>	<b>Current liabilities</b>	<b>1,569.3</b>	<b>1,795.5</b>
<b>Total assets</b>	<b>6,072.1</b>	<b>5,917.1</b>	<b>Total liabilities</b>	<b>6,072.1</b>	<b>5,917.1</b>

# Appendix A-4: FY 2015/16 cash flow statement

Cash flow statement		
In millions d'euros	2015/2016	2014/2015
<b>OPERATING ACTIVITIES</b>		
Cash flow from operations	326.5	391.8
Change in WCR	-68.5	-238.0
<b>Cash flow generated from continuing operations</b>	<b>258.0</b>	<b>153.9</b>
<b>INVESTMENT OPERATIONS</b>		
Acquisition of intangible fixed assets	-84.8	-85.0
Acquisition of tangible fixed assets and other	-120.3	-105.5
Changes to the scope of consolidation	0.5	-95.0
<b>Cash flow from investments in continuing operations</b>	<b>-204.6</b>	<b>-285.6</b>
<b>FINANCING OPERATIONS</b>		
Change in financial debt	-115.3	194.9
Hybrid loan	248.0	
Increase in equity	5.8	-1.9
Treasury stock	1.1	8.8
Dividends	-88.5	-88.1
<b>Cash flow from the financing of continuing operations</b>	<b>51.2</b>	<b>113.7</b>
Currency translation adjustments, beginning of period	-8.2	15.1
<b>Change in cash position</b>	<b>96.4</b>	<b>-2.9</b>

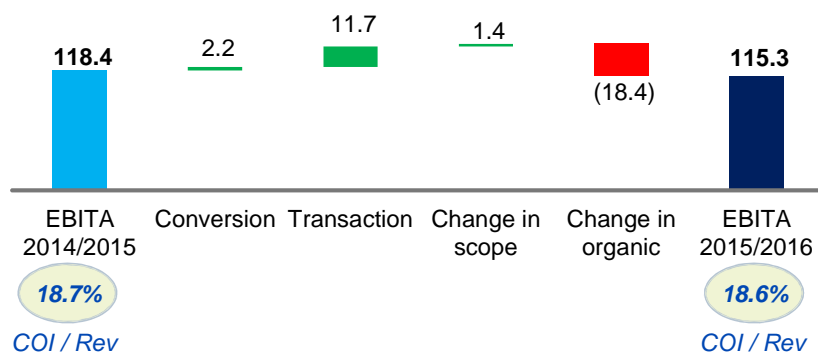


# Aerosystems: FY'16 results

## Aerosafety

In €m

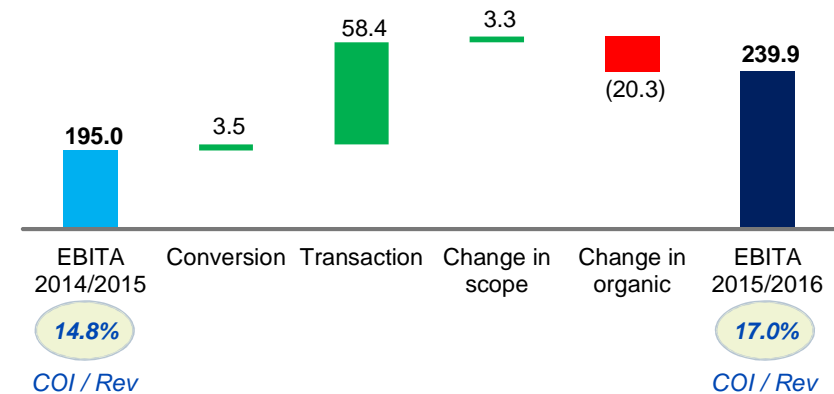
### Current Operating Income\*



## Aircraft Systems

In €m

### Current Operating Income\*



# Zodiac group digital cabin roadmap

## 4 challenges...

- Get more data and knowledge from our products in-service life
- Warrant local access to data inside the aircraft (connectivity, security, IP)
- Warrant Global access to data from the ground (air-ground connectivity)
- Perform Data analytics and create associated value added services



## ...4 guiding principles

- Advertise good practices and give incentives to BUs to develop more “data creating” products
- Build a common Zodiac communication system: Zodiac Cabin Link and enforce it amongst BUs
- Control access to ground connectivity through strategic partnership or acquisition & negotiate data IP rights
- Build a “data analytics” culture working with data scientist and develop new value added services

- To start experimenting and evaluating business opportunities Zodiac has initiated the **“Connected Cabin”** multi-BU project

# “Connected Cabin” project

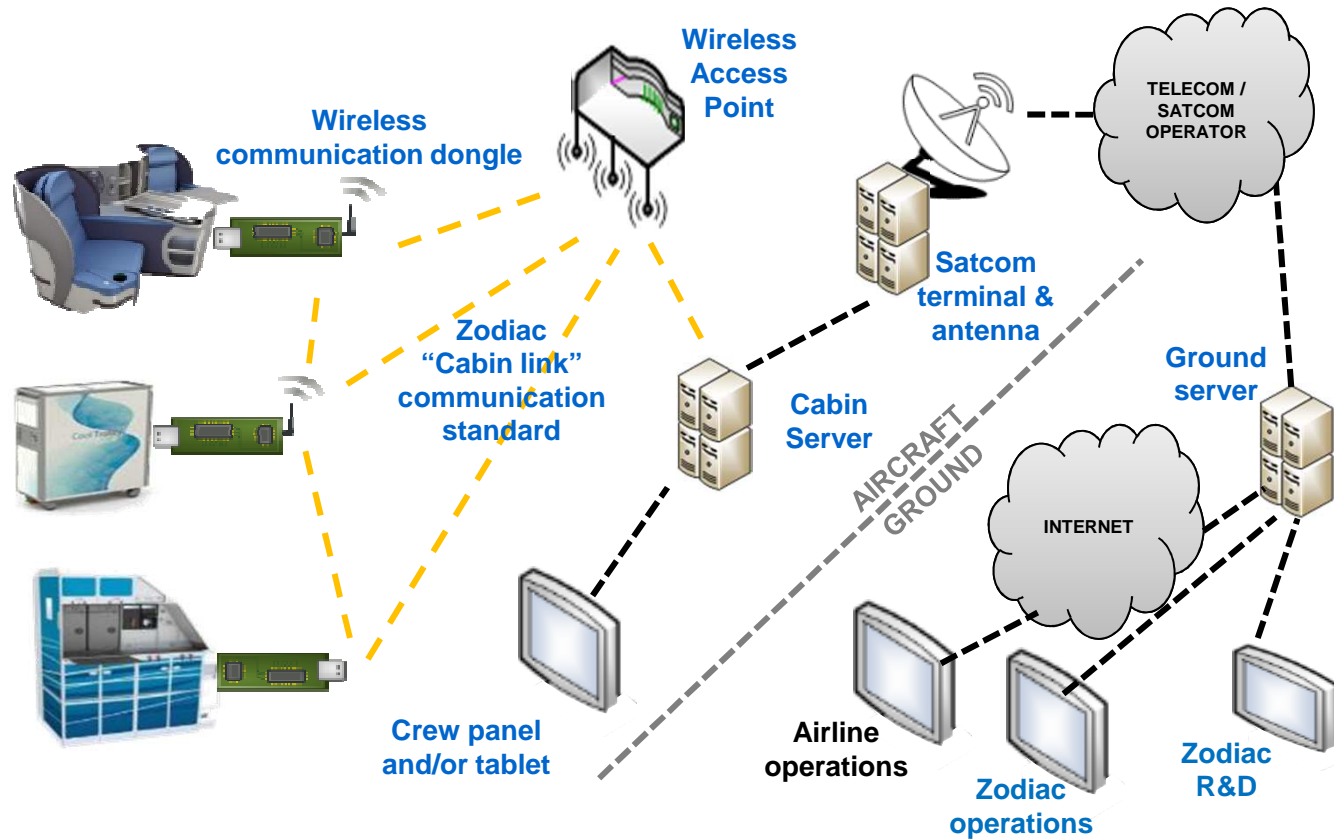
## Objectives

1. Building a **proof of concept** of a “connected cabin” demonstrating new services and functions
2. Experimenting with the technologies and getting requirements and feedback from customers at Zodiac Airline Symposium and at **AIX 2017 in Hamburg**
3. Starting to build a **common communication platform** to all Zodiac cabin products: “Internet of Zodiac Products”
4. Evaluating the new solutions and services in terms of competitiveness and **revenue streams**
5. **Experimentation Debriefing in April 17 following AIX 2017**

## 7 BU members

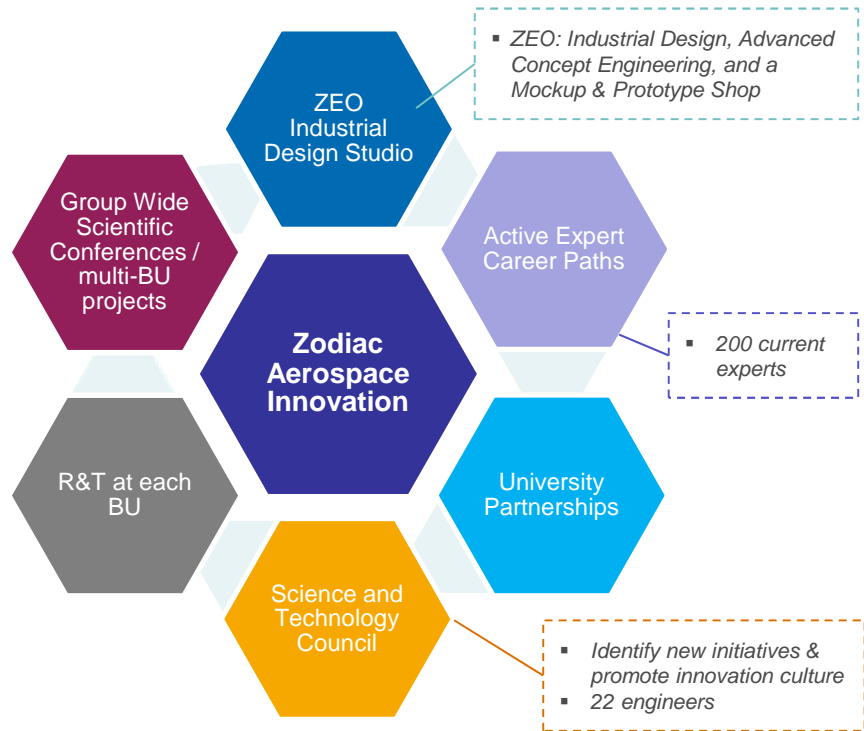
- Zodiac Inflight Innovation
- Zodiac Premium Galleys
- Zodiac Air Catering Equipment Europe
- Zodiac Galleys Europe
- Zodiac Seat France
- Zodiac Cabin Controls
- Zodiac Services

# “Connected Cabin” project system architecture

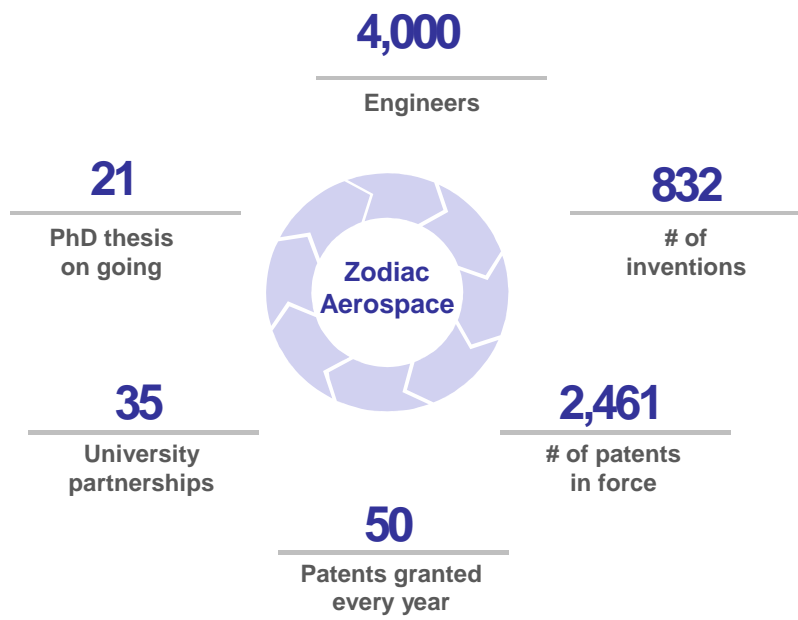


# Leading innovation capabilities

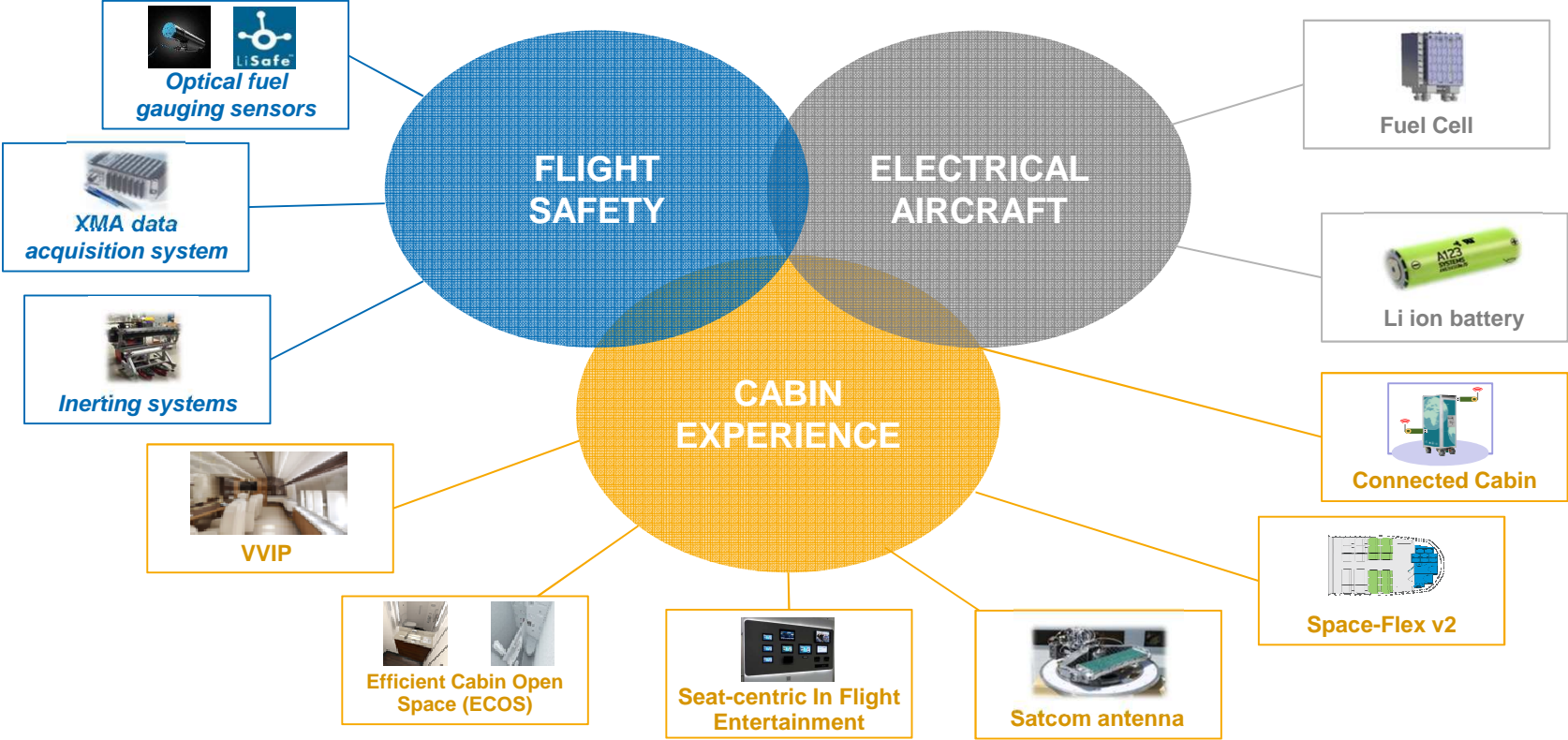
## An efficient innovation organization



## A strong R&D platform



# Actively preparing for the future



## About Zodiac Aerospace

Zodiac Aerospace is a world leader in aerospace equipment and systems for commercial, regional and business aircrafts and for helicopters and spacecrafts. It develops and manufactures state-of-the-art solutions to improve comfort and facilities on board aircrafts and high-technology systems to increase aircraft performance and flight safety. Zodiac Aerospace has 35,000 employees worldwide and generated revenue of €5.2 billion in 2015/2016.

[www.zodiacaerospace.com](http://www.zodiacaerospace.com)

### Next meetings:

Q1 2016/17 revenue  
2015/2016 Shareholders meeting  
H1 2016/17 revenue

December 15, 2016 (after stock exchange closing)  
January 19, 2017  
March 14, 2017 (after closing)

### ZODIAC AEROSPACE CONTACTS

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### MEDIA/PRESS CONTACTS- IMAGE 7

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