

Zodiac Aerospace: H1 2016/2017 results

- **H1 2016/2017 sales slightly down -1.7% to €2,447m and -2.6% on a like-for-like basis**
- **H1 2016/2017 Current Operating Income loss of €12m, strongly impacted by Aircraft Interiors activities, as announced**
- **Net financial debt of €1,325m as of end of February 2017, resulting in a net debt to shareholders' equity ratio of 0.41. Compliance with covenants expected by end of August 2017 while financing is secured for the medium-term**
- **Continuation of the action plans implementation and significant improvements expected in H2 16/17 to reach an estimated COI between €200m and €220m**
- **Continuation of the discussions with Safran with a view to complete the transaction**
- **Medium-term development potential unimpaired, under any scenario, with the aim of restoring a "mid double-digit" profitability by 2020**

Plaisir, April 28, 2017 – The Supervisory Board of Zodiac Aerospace Group met on April 27, 2017 and approved the financial statements for H1 2016/2017 fiscal year (September to August).

Didier Domange, Chairman of the Supervisory Board of Zodiac Aerospace: «Zodiac Aerospace is entering a crucial phase in its history calling for a change in governance which has been decided. Olivier Zarrouati has placed his mandate as CEO at the disposal of the Board of Directors. Even if the recent results were disappointing, the Board of Directors recognized his outstanding achievement over his 10 years tenure. The Total Shareholders' Return is just below 300% which is the 2nd best performance of the global sector. The Board proposed Olivier Zarrouati to remain CEO for a while, focusing his action on the finalization and execution of the deal with Safran, if Safran and Zodiac come to a renewed agreement, which is what we want. The Board has appointed Yann Delabrière, as Special Advisor to the Board with two main objectives. First to ensure close coordination between the Board of Directors and the operational teams to accelerate and deliver the industrial and operational recovery of the Group, which would facilitate a smooth integration of Zodiac Aerospace within the Safran Group should the ongoing discussions succeed and second to ensure a robust and sustainable standalone scenario should the ongoing discussions with Safran come to an end. We are very pleased to welcome Yann Delabrière who has been a very remarkable Chairman and CEO at Faurecia, world leader in car seat, and who will bring us his experience of operational excellence serving demanding global customers.»

Olivier Zarrouati, Chairman of the Board, said: «H1 2016/2017 profitability has been strongly impacted by the additional costs of the Aircraft Interiors branch and by an unfavorable mix in the Aerosystems branch. We strongly and resolutely continue the implementation of the "Focus" plan and our reduction costs actions. Key steps have been taken and we anticipate a strong rebound of our profitability for H2 2016/2017. Today, I believe that in the medium-term operational recovery of the Group, but I am especially convinced of the relevance of our rapprochement project with Safran in a context of profound change in our industry. In order to achieve these two objectives, I have placed my mandate as Chairman of the Executive Board at the disposal of our Supervisory Board. As proposed by the Board, I agreed to continue my mandate for the period needed to pursue and complete, the ongoing discussions with Safran or to support, if not, necessary developments for our governance. This will enable us to successfully support our return to a growth profitable path by relying on the quality of our innovation, the solidity of our commercial positions and the commitment of our teams.»

Sales revenue and Current Operating Income

<i>In millions euros</i>	H1 2017	H1 2016	Var%
Revenue	2,447.0	2,489.1	-1.7%
Current Operating Income before IFRS3	-11.5	80.4	-114.3%
COI before IFRS 3/ Revenue	-0.5%	3.2%	
Current Operating Income	-11.5	80.4	-114.3%
COI/REV	-0.5%	3.2%	
Net income attributable to equity holders of the parent	-24.0	43.7	-154.9%
Net income before IFRS3	-19.4	49.9	-138.9%
Earnings per share attributable to equity holders of the parent company	-0.10	0.16	-160.1%
Earnings per share before IFRS3	-0.08	0.18	-143.8%
Debt-to-equity ratio	0.41	0.54	
€/\$(Transaction)	1.11	1.11	
€/\$(Conversion)	1.08	1.10	

H1 2016/2017 Group Income

Zodiac Aerospace sales were down -1.7% to € 2,447.0 m in H1 2017, and down -2.6% organic.

Sales revenue for H1 2016/2017 fiscal year

<i>In millions of euros</i>	Fiscal year 2016/2017	Fiscal year 2015/2016	<i>% change</i>	<i>Exchange rate</i>	<i>Consolidation scope</i>	<i>Organic growth</i>
Aerosystems Activities	1,030.9	1,020.7	+1.0%	+0.9%	+0.0%	+0.1%
Aircraft Interiors Activities	1,416.1	1,468.4	-3.6%	+0.8%	+0.0%	-4.4%
Zodiac Seats	607.4	641.6	-5.3%	-0.7%	+0.0%	-4.6%
Zodiac Cabin	808.7	826.8	-2.2%	+2.1%	+0.0%	-4.3%
Group Total	2,447.0	2,489.1	-1.7%	+0.9%	+0.0%	-2.6%
€/\$(conversion)	1.10	1.11				

Current Operating Income before IFRS3 stands at €-12m compared to €80m in H1 2015/2016. It reflects the strong impact of approximately €200m of additional costs, mainly attributable to Zodiac Seats UK and to the ramp up of new Cabin activities that remain on a ramp-up phase. Meanwhile, Aerosystems activities show a slight slowdown, due to an unfavorable mix and a slowing activity in three units: Arresting Systems, Telemetry and IFE.

H1 2016/2017 Net Income breakdown

Non-current operating items came to €-10m compared to €-11m in H1 2015/2016, mainly due to amortization of assets recorded as intangible assets pursuant to account standard IFRS3.

The cost of gross financial debt was €-19m, up from €-14m (+37.6%).

The income tax charge amounted to €22.2m compared to €-9.5m previously, due to net operating losses mainly in the Aircraft Interiors activities in the USA and in the UK. The increase of the effective tax rate (52.9% vs. 17.2% in H1 2015/2016) mainly results from the Group income's geographical distribution in H1 2016/2017, as profits and losses were realized in jurisdictions with higher tax rates (mainly France and the USA). The rate is also affected by the reassessment of the net deferred tax liabilities in France, using a 28.92% corporate tax rate fully applicable during our 2020/2021 exercise (vs. 34.43% until the end of the 2015/2016 fiscal year).

The Group Net Income for H1 2016/2017 is down to €-24m from €44m in H1 2015/2016, and the Group Net Income before IFRS3 for H1 2016/2017 is down to €-19m from €50m in H1 2015/2016.

The Net Earnings per share stands at €-0.10 against €0.16 in H1 2015/2016, after impact of IFRS3.

Other financial elements

The operating WCR is €1,897m, up +€76m compared to H1 2015/2016. This positive development results from dynamic actions led by the Group, both on inventory and on payment terms. Overall, the operating WCR improved by one percentage point to 38.4% of the sales revenue, from 39.5% in H1 2015/2016.

In H1 2016/2017, Capex are at €90M, which is 3.7% of the sales revenue, stable vs. H1 2015/2016. Tangible assets are at €58m and Intangible assets are at €32m.

Overall, the operating cash flow is negative by €-106m, which is a significant improvement vs. H1 2015/2016 (€-170m).

Activities and forecast by branch

Aircraft Interiors sales (57.8% of global sales) were down -3.6% to €1,416m and down -4.4% on organic. The foreign currency exchanges had a positive +0.8 points impact on the half-year growth rate.

- **The Cabin branch (33.0% of total sales)** reported a -2.2% decrease in sales to €809m, breaking down into a +2.1 points forex impact and a -4.3 organic growth.
- **Seats branch sales (24.8% of total sales)** were down -5.3% to €607m, breaking down into a -0.7 points forex impact and a -4.6% organic growth.

The Current Operating Income before IFRS3 of Aircraft Interiors is a loss of €-130m vs. a loss of €-73m in H1 2016, impacted by some overrun costs resulting from the focus on service and customer satisfaction.

- The Cabin branch has been impacted by high production extra costs due to the ramp up of the new programs, in particular the Airbus A350XWB, Spaceflex v2 toilets for the A320 family, Bombardier C-Series and the starting costs of the business aircraft Bombardier G7000/8000.
- In the Seats branch, Zodiac Seats US is back to a normal operational performance, but Zodiac Seats UK has been through serious operational problems in the ramp up of business seats programs, which have triggered unanticipated extra costs of around €40 to 50m.

Dynamic actions implemented by the Group will lead to an improvement of the situation in H2 2016/2017; meanwhile, the medium-term potential of profitability and growth remains unimpaired:

- in the Cabin branch, thanks to several positive signals, a cut of the extra costs can be anticipated in H2: the toilets A350 XWB program, which deliver on time on Airbus rescheduled agenda, will reach the initially agreed delivery schedule by the end of May on the assembly line in Toulouse. The pace of the Galleys/lavatory complex for the A320 family remains sustained, with a quicker learning curve than previously forecasted. The first deliveries of the G7000/8000 will be made during H2. The combination of a growing market segment, with a 4.4% annual growth, and of the Cabin branch's leader position, encourages bright prospects for the Group on the medium-run. These prospects are sustained by the success of the Group's products on already existing platforms (Spaceflex V2) and the development of the new products on the new platforms (A350XWB, CSeries, E2, etc.) with the ability to equip the entire cabin. Lastly, the sales development of retrofit will open a new growth opportunity.
- in the Seats branch, the industrial recovery of Zodiac Seats US is fully confirmed, as the recovery of Zodiac Seats Shells and Zodiac Seats France is well under way. Zodiac Seats UK's difficulties should be curbed by December 2017, in particular thanks to the transfer of the production on other Group sites. Nevertheless, difficulties encountered during H1 will lead to new extra costs in H2, especially penalties.

On the medium run, on a market with an expected 4.4% growth, the Group aims at an average annual growth of 4% for the Seats branch, taking into consideration conservative market shares assumptions. Indeed, the recent operational difficulties will lead to less dynamic sales in the next two years, but the commercial success of the new products (Optima seat for Business Class and Z400 for Eco Long Range), together with their design and conception qualities, offer bright prospects for 2020.

Aerosystems sales (42.2% of global sales) increased by +1.0%, to €1,031m on a reported basis but slightly increased by +0.1% organic growth and by +0.9% forex impact. Excluding the impact of the train toilets and arresting systems strongly decreasing activities, the organic growth is up +4.2%.

Aerosystems' Net Operating Income is down to €131m (12.7% of sales), from €160m in H1 2015/2016 (15.7% of sales). The three point decrease is due to negative conditions of the activities' mix during the semester.

For H2, the order book and a high level of activity in the fields of IFE, emergency arresting systems and data systems will lead to an organic growth. This extra activity compared to H1, as well as the positive evolution of the profitability mix and the effect of the cost-cutting plans, will result in a significant rebound of the operating margin, which will lead to sales margins similar to H2 2015/2016.

On the medium-run, positive prospects on the activity remain unchanged, and are based on four leverages:

- Good commercial dynamics, especially in the IFE and Connectivity fields.
- Positive evolution of the Tier 1 positions in electrical, evacuation, fuel system and systems for water and wastes, increased by the growth of the 4 new platforms (A350, E2, A320, G7000) where we have strong positions.
- A growth of the aftersales service, in line with the increase of the existing base.

Finally, the dynamism of our Tier 2¹ activities, which show the diversity and the potential of Zodiac Aerospace's niche business.

Financing structure

Group's net financial debt is of €1,325m as of end of February 2017, vs. €1,057m as of end of August 2016. This increase results mainly from the seasonality effect of the activities. Net debt is down by €46m vs. end of February 2016, without taking into account the positive result of the hybrid debt issuance. The net debt to equity ratio is at 0.41 vs. 0.54 in H1 2015/2016.

The Group expect to respect its financial covenant by year end and has also implemented the necessary measures in order to secure its medium-term liquidity.

New governance for Zodiac Aerospace

Olivier Zarrouati has placed his mandate as CEO at the disposal of the Board of Directors. As proposed by the Board, Olivier Zarrouati accepted to remain CEO for a while, focusing his action on the finalization and execution of the deal with Safran, if Safran and Zodiac come to a renewed agreement.

The Board of Directors has unanimously appraised his outstanding achievement over his 10 years tenure (TSR just below 300%, second best performance of the global sector).

Zodiac Aerospace Board of Directors has also appointed Mr. Yann Delabrière, former Chairman and Chief Executive Officer of Faurecia, as Special Advisor to the Board to ensure close coordination between the Board of Directors and the operational teams to accelerate and deliver the industrial and operational recovery of the Group, which would facilitate a smooth integration of Zodiac Aerospace within the Safran Group should the ongoing discussions succeed

In the event that negotiations with Safran do not result in an agreement, its mission will focus on the development of the Zodiac Group's standalone plan and any issues relevant to the implementation of the most effective operational governance for the future.

Member of the Executive Committee, he will carry out his duties in coordination with the Executive Board and will report regularly to the Chairman of the Supervisory Board and to the Ad-hoc Committee set up within it to ensure follow-up.

¹ Ducts, Couplings, Valves, Vapor Cycling systems, Cable protection, Recorder, Telemetry, Antenna

Currency hedging

\$/€ net transaction exposure forecasted for H2 is covered up to 92% at a 1.1160 \$/€ rate. Estimated exposures to other currencies are covered for 79% of the USD/CAD exposure, 100% for USD/GBP, 71% for USD/MXN and 80% for USD/THB.

For the fiscal year 2017/2018, the Group has covered 69% of its net transaction exposure forecasted at a 1.0703\$/€ rate.

Status of the discussions with Safran

Following the release of the Q2 2016/2017 sales results on March 14th, 2017, the Group shared additional information with the Safran Group and their counsels.

Safran and Zodiac Aerospace are continuing their exclusive negotiations and will update the market as soon as there is any significant development.

Outlook

The Group is determined to pursue the implementation of the “Focus” plan and cost reductions, and anticipates significant improvements of its profitability during H2 2016/2017 despite additional operating costs remaining high.

For the 2016/2017 fiscal year, the Current Operating Income should be within a range of €200m to €220m. A clear action plan under way to restore operating profitability.

The Group maintains its target of a “mid-double digit” current operating margin by fiscal year 2018/2019. All the management, with the support of the Supervisory Board, considers that the Group has a unique position and a great value in the Aircraft Interiors and Aerosystems activities and that the Group has all the assets necessary to successfully pursue its profitable growth in every possible scenario.

NB : This revenues publication will be commented on an analysts & press conference call on April, 28th, 2017 at 8:00am CET and broadcasted via our website www.zodiaaerospace.com. A replay will also be available on the Group website as well as the presentation slideshow and press release.

About Zodiac Aerospace

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

Next meetings:	Q3 revenues 2016/2017 Q4 revenues 2016/2017	June 14, 2017 (after stock exchange closing) September 13, 2017 (after stock exchange closing)
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APPENDICES

Consolidated revenue by quarter

In millions of euros	1st quarter 2016/2017	2nd quarter 2016/2017	3rd quarter 2016/2017	4th quarter 2016/2017
Aerosystems Activities	477.3	553.6		
Aircraft Interiors Activities	724.6	691.5		
<i>Zodiac Seats</i>	306.5	300.9		
<i>Zodiac Cabin</i>	418.1	390.6		
Group Total	1,201.9	1,245.1		
€/ \$ conversion	1.10	1.06		

In millions of euros	1st quarter 2015/2016	2nd quarter 2015/2016	3rd quarter 2015/2016	4th quarter 2015/2016
Aerosystems Activities	505.9	514.7	549.6	590.4
Aircraft Interiors Activities	732.0	736.4	803.1	776.0
<i>Zodiac Seats</i>	320.8	320.8	385.6	360.6
<i>Zodiac Cabin</i>	411.2	415.6	417.5	415.4
Group Total	1,237.9	1,251.1	1,352.7	1,366.4
€/ \$ conversion	1.11	1.09	1.13	1.12

VARIATIONS

(Quarter compared with the same quarter of the previous year)

Based on reported data	Q1	Q2	Q3	Q4
Aerosystems Activities	-5.7%	+7.6%		
Aircraft Interiors Activities	-1.0%	-6.1%		
<i>Zodiac Seats</i>	-4.4%	-6.2%		
<i>Zodiac Cabin</i>	+1.7%	-6.0%		
Group Total	-2.9%	-0.5%		
Aerospace activities *	-2.3%	+0.0%		

Based on organic revenue	Q1	Q2	Q3	Q4
Aerosystems Activities	-6.0%	+6.1%		
Aircraft Interiors Activities	-0.5%	-8.3%		
<i>Zodiac Seats</i>	-1.9%	-7.2%		
<i>Zodiac Cabin</i>	+0.6%	-9.2%		
Group Total	-2.8%	-2.4%		
Aerospace activities *	-2.1%	-1.8%		

*Excluding Trains and Airbags businesses

Cumulative consolidated revenue

In millions of euros	1st quarter 2016/2017	1st half 2016/2017	9 months 2016/2017	Full year 2016/2017
Aerosystems Activities	477.3	1,030.9		
Aircraft Interiors Activities	724.6	1,416.1		
<i>Zodiac Seats</i>	306.5	607.4		
<i>Zodiac Cabin</i>	418.1	808.7		
Group Total	1,201.9	2,447.0		
€/ \$ conversion	1.10	1.08		
€/ \$ transaction	1.11	1.10		

In millions of euros	1st quarter 2015/2016	1st half 2015/2016	9 months 2015/2016	Full year 2015/2016
Aerosystems Activities	505.9	1,020.7	1,570.3	2,160.6
Aircraft Interiors Activities	732.0	1,468.4	2,271.5	3,047.6
<i>Zodiac Seats</i>	320.8	641.6	1,027.2	1,387.9
<i>Zodiac Cabin</i>	411.2	826.8	1,244.3	1,659.7
Group Total	1,237.9	2,489.1	3,841.8	5,208.2
€/ \$ conversion	1.11	1.10	1.11	1.11
€/ \$ transaction	1.12	1.11	1.11	1.11

VARIATIONS

(Aggregate at end of period compared with the same period last year)

Based on reported data	1st quarter	1st half	9 months	Full year
Aerosystems Activities	-5.7%	+1.0%		
Aircraft Interiors Activities	-1.0%	-3.6%		
<i>Zodiac Seats</i>	-4.4%	-5.3%		
<i>Zodiac Cabin</i>	+1.7%	-2.2%		
Group Total	-2.9%	-1.7%		
Aerospace activities *	-2.3%	-1.2%		

Based on organic revenue	1st quarter	1st half	9 months	Full year
Aerosystems Activities	-6.0%	+0.1%		
Aircraft Interiors Activities	-0.5%	-4.4%		
<i>Zodiac Seats</i>	-1.9%	-4.6%		
<i>Zodiac Cabin</i>	+0.6%	-4.3%		
Group Total	-2.8%	-2.6%		
Aerospace activities *	-2.1%	-2.0%		

* Excluding Trains and Airbags businesses

Condensed balance sheet					
In millions euros	2/28/2017	08/31/2016		2/28/2017	08/31/2016
			<u>Equity</u>		
Goodwill	2,050.1	1,994.7	Capital	3,256.2	3,109.5
Intangible assets	665.1	653.6	Income	-24.0	108.1
Property, plant &	513.4	493.0	Net Equity	3,232.2	3,217.6
Other, including deferred	51.0	44.5	Prov. and deferred taxes	296.7	300.6
			Financial liabilities	1,158.6	984.7
Non-current assets	3,279.6	3,185.7	Non-current liabilities	1,455.2	1,285.3
			Prov. Risks & Contingencies	188.5	165.4
Inventories	1,496.3	1,360.1	Financial liabilities	645.4	341.0
Trade receivables	1,051.8	1,046.5	Accounts payables	524.1	542.1
Other	274.4	210.3	Employees	220.9	228.7
Cash and cash equivalents	478.9	268.8	Other	315.5	292.2
Current assets	3,301.5	2,885.7	Current liabilities	1,894.4	1,569.3
Assets held for sale	0.7	0.7			
Total assets	6,581.8	6,072.1	Total liabilities	6,581.8	6,072.1

Cash flow statement		
In millions euros	H1-2017	H1-2016
OPERATING ACTIVITIES		
Cash flow from operations	80.8	114.0
Change in WCR	-186.7	-284.0
Cash flow generated from continuing operations	-105.9	-170.0
INVESTMENT OPERATIONS		
Acquisition of intangible fixed assets	-32.1	-35.3
Acquisition of tangible fixed assets and other	-63.5	-54.1
Changes to the scope of consolidation	0	6.0
Cash flow from investments in continuing operations	-95.6	-83.4
FINANCING OPERATIONS		
Change in financial debt	466.1	330.7
Hybrid loan	-2.5	0
Increase in equity	3.4	-0.7
Treasury stock	2.1	4.8
Dividends	-53.5	-88.5
Cash flow from the financing of continuing operations	415.6	246.4
Currency translation adjustments, beginning of period	-15.4	-16.2
Change in cash position	198.7	-23.2

Current Operating Income			
In millions euros	H1-2017	H1-2016	Var %
Aerosystems	130.6	160.3	-18.5%
Aircraft Interiors Activities	-130.2	-73.1	+78,1%
Holding	-11.9	-6.8	+75,1%
Group Total	-11.5	80.4	-114.3%

Income Statement	H1-2017	H1-2016	Var %
Revenue	2,447.0	2,489.1	-1.7%
Depreciation charge	74.4	67.7	
Charges to provisions	53.1	45.2	
Current operating income	-11.5	80.4	-114.3%
Non-current operating income	-10.4	-10.7	
Operating income	-21.9	69.7	-131.4%
Cost of net debt	-18.8	-13.6	+37,6%
Other financial income and expenses	-1.2	-0.7	
Income taxes	22.2	-9.5	-333.2%
Results of companies accounted for using the equity method	-4.3	-2.4	
Net income from continuing operations	-24.0	43.5	-155.1%
Net income from discontinued operations	-	-	
Net income	-24.0	43.5	-155.1%
Net income attributable to Non Group shareholders	0.0	-0.2	
Net income attributable to Group shareholders	-24.0	43.7	-154.9%

The audit of half year statements is currently being finalized.

The report on the half year financial information will be issued following completion of the review of the appendices to the half year financial statements.