PRESS RELEASE

Paris, July 28, 2017

Safran : First half 2017 results

Adjusted data

- *Organic adjusted* revenue increase of 2.4% in line with annual guidance*
- *Adjusted recurring operating margin rate of 15.2% of sales*
- *CFM56-LEAP transition underway: Propulsion margin rate of 18.1%*
- *Strong margin improvements in Aircraft Equipment (to 12.0%) and Defense (to 6.4%)*
- *Good free cash flow thanks to control of working capital*
- *Confirmation of organic outlook for 2017*

Consolidated data

- *Consolidated revenue was Euro 8,382 million*
- *Consolidated profit from operations at Euro 1,473 million*
- *Consolidated profit for the period attributable to owners of the parent at Euro 3,348 million ***

**** All figures in this press release represent adjusted[1] data and continuing operations, except where noted.*** *Please refer to the definitions and reconciliation between H1 2017 consolidated income statement and adjusted income statement. Comparisons are established against 2016 figures for continuing operations. Please refer to definitions contained in the Notes on page 12 and following of this press statement.*

*** For continuing and discontinued operations. Includes a non-cash gain of Euro 2,754 million, before related deferred tax impact, resulting from the change in fair value of the portfolio of currency derivatives used to hedge future cash flows (see Note 1 on page 12).*

The Board of Directors of Safran (Euronext Paris: SAF), under the Chairmanship of Ross McInnes, at their meeting in Paris on July 27, 2017, adopted and authorised the publication of Safran's financial statements and adjusted income statement for the six-month period ended June 30, 2017.

Executive commentary

CEO Philippe Petitcolin commented:

"During the first half of 2017, Safran continued its strategic refocusing. We finalised the divestment of the Security businesses and we negotiated the basis for a deal to acquire Zodiac Aerospace. I am particularly satisfied with the massive shareholder support we secured for the planned deal at June's annual meeting.
Meanwhile, all Safran teams are fully committed to operational excellence. The ramp up of the LEAP programmes continues according to our plan and our Aircraft Equipment and Defense activities are delivering strong margin improvements.
Our commercial activity is strong, boosted by the orders for CFM56 and LEAP engines as well as for service contracts announced at the Paris air show. ."

Key figures for first-half 2017 (continuing operations except where stated)

Organic variations exclude notably the effects of significant changes in scope: the classification of all Security activities as discontinued operations and the adoption of equity accounting for ArianeGroup (formerly Airbus Safran Launchers).

- **Adjusted revenue was Euro 8,038 million,** up 0.6% year-on-year. On an organic basis, **adjusted revenue grew 2.4%**.

- **Adjusted recurring operating income [2] at Euro 1,218 million** (15.2% of revenue) compares with Euro 1,230 million in 2016. After one-off items totalling Euro (16) million, adjusted profit from operations was Euro 1,202 million.

- **Adjusted net income – Group share at Euro 1,606 million rose 86.3%** compared with 2016. Basic adjusted EPS was Euro 3.91, diluted adjusted EPS was Euro 3.84. For continuing operations, adjusted net income – Group share was Euro 842 million (basic adjusted EPS of Euro 2.05, diluted adjusted EPS of Euro 2.01), 4.3% higher than a year ago.

- **Net income (Group share) from discontinued operations** of Euro 764 million, includes the contribution of the Security activities prior to, and the post-tax capital gain realized upon their disposal.

- **Free cash flow [4] generation was Euro 666 million** compared with Euro 594 million in the year-ago period due notably to strong control of working capital and lower capital expenditures. First half free cash flow represents 54.7% of adjusted recurring operating income compared to 48.3% in the year-ago period.

- **Net cash position was Euro 1,560 million** as of June 30, 2017, including the proceeds of the sale of the Security activities.

- **H1 2017 civil aftermarket [3] was up 8.4%** in USD terms driven notably by spare parts and service activity on CFM56 and GE90 engines.

- **2017 guidance confirmed.**

Strategic milestones

Completion of the sale of the Security activities: Safran finalised the disposal of its detection activities on April 7 and that of its identity and security activities on May 31, 2017, completing the strategic refocussing announced at the Capital Markets Day in March 2016. The aggregate proceeds amount to Euro 3.1 billion and a capital gain of Euro 766 million. The Group is now entirely focused on aerospace and defense, and concentrated on its own path of strong growth and high profitability.

Planned acquisition of Zodiac Aerospace: On May 24, 2017, Safran and Zodiac Aerospace announced the new terms of their transaction. Subject to conditions of residency, investors may find further information on Safran's website www.safran-group.com

Key business highlights

2017 Paris air show key takeaways:

- Commercial success: During the air show, CFM recorded orders for 1,063 new engines (of which 980 LEAP), in addition to LEAP and CFM56 services agreements, at a combined value of USD 18.8 billion at list price. **Following the air show, at June 30, 2017, the LEAP order book stands at 13,113 engines** (orders and commitments).
- 737 MAX 10: Boeing launched the 737 MAX 10 powered by LEAP-1B engines. The new model is scheduled to enter commercial service in 2020.

CFM56 program

- Deliveries: With 710 engines delivered in H1 2017, CFM56 production decreased as expected compared to 2016 as airframers transition their production towards neo and MAX aircraft. 886 engines were delivered in H1 2016.
- Backlog: CFM56 order book stands at 1,814 engines, including 389 orders logged in H1 2017. Demand for the engine ensures that the production ramp down will be more gradual than expected.

LEAP program

- The ramp-up of the LEAP programmes proceeds. 147 engines were sold in the first six months of 2017 to both Airbus and Boeing compared to 11 engines in the year ago period.
- LEAP-1A: Production is ramping up. 15 airlines were operating LEAP-1A engines totalling over 190,000 flight hours so far. On June 19, 2017, the Federal Aviation Administration (FAA) and European Aviation Safety Agency (EASA) granted 180-minute ETOPS certification to the LEAP-1A for the A320neo family.
- LEAP-1B**:** CFM has started to ramp-up for the LEAP-1B. The first 737 MAX equipped with LEAP-1B engines was delivered to Malindo and started commercial service operations on May 22, 2017. On June 19, 2017, the FAA and EASA granted 180-minute ETOPS certification to the LEAP-1B for the 737 MAX family. Mid-July 2017, 3 airlines were operating LEAP-1B engines totalling over 1,400 flight hours so far.
- LEAP-1C: First flight of the COMAC C919 powered by LEAP-1C on May 5, 2017.

Helicopter turbines: Safran Helicopter Engines received EASA engine type certification for its Ardiden 3G engine, which powers Russian Helicopters' Ka-62. The helicopter made its official maiden flight on May 25, 2017.

Carbon brakes: Several new contracts were signed during H1, notably with Lion Air for 222 Boeing 737 MAX, Norwegian for 107 Boeing 737 MAX, Aeromexico for 60 Boeing 737 MAX, IAG for 74 A320neo, Vueling for 42 A320neo, and Singapore Airlines for 47 A350.

European Extremely Large Telescope (ELT): The European Southern Observatory (ESO) has awarded a contract to Safran for the M1 primary mirror for Europe's ELT. Safran had already been chosen for all previous mirror contracts awarded by ESO (M2, M3 and M4 mirrors).

First half 2017 results

First-half 2017 adjusted revenue grew in line with annual guidance on organic basis. Revenue growth was driven by services in Propulsion (civil and military) and Aircraft Equipment as well as Defense activities.

Organic revenue was determined by excluding the effect of changes in scope of consolidation (notably Euro 312 million in H1 2016 for the space launcher activities since contributed to ArianeGroup). The net impact of currency variations was Euro 161 million reflecting a positive translation effect on non-Euro revenues, principally USD. The average USD/EUR spot rate was 1.08 to the Euro in the first-half of 2017, compared to 1.12 in the year-ago period. The Group's hedge rate improves to USD 1.21 to the Euro in H1 2017 from USD 1.24 in H1 2016.

Euros millions	Propulsion	Aircraft Equipment	Defense	Holding & Others	**Safran**
H1 2016	4,857	2,542	584	4	**7,987**
H1 2017	4,691	2,715	624	8	**8,038**
Reported growth	(3.4)%	6.8%	6.8%	na	0.6%
Impact of changes in scope	(6.3)%	0.4%	-	na	(3.8)%
Currency impact	2.0%	2.2%	1.0%	na	2.0%
Organic growth	**0.9%**	**4.2%**	**5.8%**	**na**	**2.4%**

Recurring adjusted operating margin reached 15.2% of revenue. For first-half 2017, Safran's recurring operating income was Euro 1,218 million, slightly lower compared to Euro 1,230 million in the first-half 2016, including the improvement in the EUR/USD hedge rate.
As expected, profitability improved strongly in Aircraft Equipment and Defense activities whereas Propulsion margin was impacted by the CFM56-LEAP transition.

One-off items totalled Euro (16) million during first-half 2017:

In Euro million	H1 2016	H1 2017
Adjusted recurring operating income	**1,230**	**1,218**
% of revenue	15.4%	15.2%
Total one-off items	**(13)**	**(16)**
Capital gain (loss) on disposals	-	-
Impairment reversal (charge)	-	-
Other infrequent & material non-operational items	*(13)*	*(16)*
Adjusted profit from operations	**1,217**	**1,202**
% of revenue	15.2%	15.0%

Adjusted net income – Group share was Euro 1,606 million (Euro 3.91 per share) compared with Euro 862 million (Euro 2.07 per share) in H1 2016. Adjusted net income – Group share for continuing operations was Euro 842 million (Euro 2.05 per share) compared with Euro 807 million (Euro 1.94 per share) in H1 2016. Net income – Group share from discontinued operations of Euro 764 million, includes the contribution of the Security activities prior to, and the post-tax capital gain realized upon their disposal.
This improved performance also includes:

- Net adjusted financial income of Euro (24) million, including cost of debt of Euro (28) million.
- An adjusted tax expense of Euro (306) million (26% apparent tax rate).

The reconciliation between H1 2017 consolidated income statement and adjusted income statement is provided and commented in the Notes on page 12.

Cash flow and net debt

Operations generated Euro 666 million of Free Cash Flow. Free cash flow generation was driven by cash from operations of Euro 1,310 million, devoted principally to capital expenditures (at Euro 345 million) and to a limited increase of Euro 40 million in working capital requirements.

Finalisation of the disposal of Security activities. Safran announced the finalisation of the disposal of its detection activities on April 7 and that of its identity and security activities on May 31, 2017. Net of tax and transaction costs, the total proceeds for these disposals amount to Euro 3.1 billion, subject to limited post-closing adjustements.

2016 annual dividend. A dividend of Euro 1.52 per share was approved by the shareholders at the Annual General Meeting of June 15, 2017. An interim payment having been made in December 2016 (Euro 0.69 per share), a final payment of Euro 0.83 per share was made in June 2017 impacting cash flow in the total amount of Euro 340 million.

Share buybacks. On December 12, 2016, Safran announced its intention to proceed with the repurchase of its own shares up to a maximum aggregate value of Euro 450 million with the objective of neutralizing the dilutive effect of equity-related instruments on its balance sheet. Safran ceased the share buyback activity on June 13, 2017 having repurchased a total of 6,428,664 shares for an aggregate amount of Euro 444 million. The repurchased shares are included in treasury shares.

Floating rate notes offering. On June 28, Safran completed a Euro 1 billion floating rate notes offering in 2-year and 4-year tranches of Euro 500 million each. Part of the proceeds could contribute to the cash settlement of the intended agreed tender offer for Zodiac Aerospace announced on May 24, 2017. With this offering, Safran secures medium term financing at historically low interest rate conditions and strengthens its maturity debt profile in line with its cashflow's outlook.

The net cash position was Euro 1,560 million as of June 30, 2017 compared to a net debt position of Euro 1,383 million as of December 31, 2016.

Research & Development

Total R&D expenditures, including customer-funded, reached Euro 756 million.

The self-funded R&D effort before research tax credit was Euro 507 million or 6.3% of revenue in first-half 2017, a decrease of Euro 34 million compared to first-half 2016. Capitalised R&D fell Euro 25 million to Euro 135 million, as expected, due notably to lower expenditure on the LEAP programmes. In addition, Safran ceased capitalising R&D on the LEAP-1B at the end of February 2017 as the first production engines destined for commercial service were delivered to Boeing. Amortisation of capitalised R&D rose by Euro 18 million to Euro 65 million, including the amortisation of LEAP-1A and LEAP-1B. The impact on recurring operating income of expensed R&D was Euro 363 million, an increase of Euro 6 million compared to the year-ago period.

Currency hedges

Safran's hedging portfolio totalled USD 16.5 billion on July 25, 2017.

2017, 2018: no changes to the Group's foreign exchange coverage are to be noted since the disclosures in the first quarter 2017 revenue announcement (April 25, 2017).

2019: coverage of net USD/EUR exposure increased to USD 2.8 billion (USD 2.7 billion in April) and should rise to 8.0 billion by end-2017 as long as USD/EUR remains below 1.25. Some instruments have knock-out barriers set at various levels between USD 1.18 and USD 1.45 with maturities up to one year. The target hedge rate lies in a range between 1.15 and 1.18 USD/EUR (unchanged).

2020: coverage of net USD/EUR exposure is unchanged at USD 2.0 billion and should rise to 6.5 billion by mid-2018 as long as USD/EUR remains below 1.25. Some instruments have knock-out barriers set at various levels between USD 1.18 and USD 1.45 with maturities up to one year. The target hedge rate lies in a range between 1.13 and 1.18 USD/EUR (unchanged).

IFRS15

The financial statements disclose the main changes in accounting treatment expected for the Group as a result of applying the new standard from January 1, 2018.
Estimated impacts

IFRS 15 will be applied with effect from January 1, 2018 based on the "full retrospective approach".

Accordingly, opening equity at January 1, 2017 will be restated for the impacts of the first-time application of the new standard, and the comparative data for 2017 presented in the 2018 consolidated financial statements will also be restated.

The impact on opening equity results from the retrospective application of IFRS 15, which in certain cases (notably for maintenance contracts based on flying hours/landings and for contracts where revenue is based on a percentage of completion) gives rise to the deferral of the recognition of revenue and the associated profit from operations as compared to current accounting practice.

The Group currently anticipates a negative impact on consolidated equity at January 1, 2017 in the region of €0.8 billion, taking into account the related deferred tax effect. At this stage, the projected impact is based on estimations and may evolve as the calculations of the impact on the consolidated financial statements for each contract are completed. It does not include the impact of the change in accounting standard on certain joint ventures.

There will be two types of impact on Group revenue:
A base effect relating to the reclassification of expenses (related to some warranties and penalties) as a deduction from revenue. This effect concerns essentially sales of original engines, equipment and spare parts. It should be marginal with regard to the volume of revenue and neutral with regard to the operating result.
A deferral in the recognition of revenue, notably for long term maintenance contracts and some "multiple-elements" contracts.

Overall, the application of IFRS 15 is not expected to have a material impact on the Group's annual revenue based on its current scope.

IFRS 15 will have no impact on the related cash flows.

Full-year 2017 outlook

In the first-half of 2017, all the businesses comprising the Security activities are classified as "discontinued operations". As a result, the comparison to 2016 and guidance for 2017 are based on continuing operations: Aerospace Propulsion, Aircraft Equipment, Defense, Holding & Others.

In addition, starting on July 1, 2016, Safran accounts for its share in ArianeGroup using the equity method and no longer records revenue from space activities. In 2017 the change impacted revenue by Euro (312) million corresponding to the first half of 2016.

Safran confirms its expectation for 2017 on a full-year basis:
- Reported adjusted revenue to grow in the range 2% to 3% at an estimated average rate of USD 1.10 to the Euro. Excluding the effect of the equity accounting of ArianeGroup from July 1, 2016, revenue growth is expected to be in the low to mid-single digits.
- Adjusted recurring operating income close to the 2016 level.
- Free cash flow representing above 45% of adjusted recurring operating income, an element of uncertainty being the rhythm of payments by state-clients.

The assumptions on which the guidance is based are unchanged compared to those outlined on February 24, 2017.

Business commentary for first-half 2017

Continuing activities

- **Aerospace Propulsion**

Revenue was Euro 4,691 million, up 0.9% on an organic basis driven by service business on both civil and military programmes. Despite a stronger USD compared to the year-ago period, revenue declined 3.4% on a reported basis compared to Euro 4,857 million in the year-ago period, principally due to the scope effect related to the contribution of the launcher activities to ArianeGroup in 2016.

OE revenues from civil engines dropped as expected, driven notably by lower deliveries of CFM56 engines (710 units were delivered in H1 2017, 176 fewer than in H1 2016). High thrust engine module deliveries, notably GE90, were also lower. LEAP sales grew with 147 engines delivered in the first six months of 2017, compared with 11 units in the year-ago period. Military OE revenues also increased due to higher volumes of M88 and TP400 engines compared to the first half of 2016. Twelve deliveries of M88 engines were recognised in the first-half, of which 7 were destined for export customers.

Helicopter turbines revenues declined in the high-single digit range impacted by lower OE sales and softer services activity, principally at customers in the Oil & Gas sector and as a result of the grounding of part of the H-225 helicopter fleet.

Overall service revenue in Propulsion was up 7.5% in Euro terms and represents a 61.4% share of revenue in the first-half. Civil aftermarket revenue grew by 8.4% in USD terms compared to H1 2016, driven by spare parts and service activity on CFM56 and GE90 engines. Civil aftermarket in the second quarter was flat compared to Q2 2016 which had included a positive, non-recurring contribution. Military aftermarket grew slightly.

Recurring operating income, at 18.1% of revenue, was Euro 849 million, compared to Euro 942 million (19.4% of revenue) in the year-ago period. As expected, Propulsion margin was negatively impacted by the ramp-down of OE deliveries of CFM56 engines, negative margin resulting from LEAP engines delivered and in production, lower helicopter turbine activity as well as higher expensed R&D.

Consistent with expectations, these headwinds were not entirely offset by the increase in civil aftermarket, the contribution from ArianeGroup and the improvement in the hedged rate. Safran is executing a strong action plan to progressively reduce the production cost of LEAP engines and achieve breakeven at gross margin level before the end of the decade, as previously indicated.

- **Aircraft Equipment**

Revenue of Euro 2,715 million, up 6.8% compared to the year-ago period. On an organic basis, revenue was up 4.2%.

OE revenue grew 6.5% in the first half. Deliveries of wiring shipsets and landing gear to Airbus for the A350 programme grew strongly compared to the year-ago period. Deliveries related to the A330 programme also increased compared to 2016. Deliveries of nacelles for A320neo grew to 105 units (8 units in H1 2016), tracking higher LEAP-1A deliveries. As expected, 21 nacelles for A380 were delivered in the first half compared to 56 units in the year-ago period.

Service revenue grew by 7.4% and accounts for 31.4% of total sales. Growth was broad-based: nacelles activities, landing gear MRO and carbon brakes contributed positively.

Recurring operating income was Euro 327 million, an increase of 20.7% compared to Euro 271 million in the year-ago period. Return on sales increased 1.3 points to 12%. The profitability increase was driven by stronger trading and continuing benefits of cost reduction and productivity actions mostly in landing systems and electrical systems.

- **Defense**

Revenue was Euro 624 million, up 6.8% or 5.8% organically, compared to Euro 584 million in the year-ago period.

Military sales drove growth with increases in guidance systems, drones and optronics equipment, particularly for export which offset softness in avionics revenue, affected mostly by lower helicopter flight control systems shipments.

Recurring operating income, at 6.4% of revenue, was up at Euro 40 million compared to Euro 22 million (3.8% of revenue) in first-half 2016. Volume-driven increases in optronics, guidance and sighting systems more than offset a decline in avionics. The level of expensed R&D dropped compared to first half 2016. Self-funded R&D remains above 10% of sales in order to maintain technological leadership. Cost reduction and productivity actions put in place during 2016 contributed to profitability improvement.

- **Holding and others**

The reporting segment "Holding and others" includes costs of general management as well as transverse services provided for the Group and its subsidiaries including central finance, tax and foreign currency management, Group legal, communication and human resources.
In addition, the holding invoices subsidiaries for shared services including administrative service centres (payroll, recruitment, IT, transaction accounting), a centralised training organisation and Safran's R&T centre.

The change in Holding and others' impact on Group recurring operating income reflects notably control of central costs, an increase financing related to R&T as well as an increase of the level expenses charged back to operating units.

Agenda

Q3 2017 revenue	October 27, 2017 post market

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Safran will host today a conference call open to analysts, investors and media at 8:00 am CET which can be accessed at +33 (0)1 70 77 09 34 (France), +44 (0) 203 367 9462 (UK) and +1 855 402 7763 (US). A replay will be available until October 26, 2017 at +33 (0)1 72 00 15 00, +44 (0) 203 367 9460 and +1 877 642 3018 (access code 309065#).

The press release, presentation and consolidated financial statements are available on the website at www.safran-group.com.

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Key figures

All figures for first-half 2016 are restated for IFRS 5.

Adjusted income statement *(In Euro million)*	H1 2016	H1 2017	% change
Revenue	**7,987**	**8,038**	**0.6%**
Other recurring operating income and expenses	(6,776)	(6,912)	
Share in profit from joint ventures	19	92	
Recurring operating income	**1,230**	**1,218**	**(1.0)%**
% of revenue	15.4%	15.2%	(0.2) pt
Other non-recurring operating income and expenses	(13)	(16)	
Profit from operations	**1,217**	**1,202**	**(1.2)%**
% of revenue	15.2%	15.0%	(0.2)pt
Net financial income (expense)	(59)	(24)	
Income tax expense	(319)	(306)	
Profit from continuing operations	**839**	**872**	**3.9%**
Profit from discontinued activities	56	765	
Profit for the period	**895**	**1,637**	**82.9%**
Profit for the period attributable to non-controlling interests	**(33)**	**(31)**	
From continuing operations	*(32)*	*(30)*	
From discontinued operations	*(1)*	*(1)*	
Profit for the period attributable to owners of the parent	**862**	**1,606**	**86.3%**
From continuing operations	*807*	*842*	
From discontinued operations	*55*	*764*	
Earnings per share attributable to owners of parent (basic in €)	**2.07***	**3.91****	**1.84**
From continuing operations	*1.94*	*2.05*	*0.11*
From discontinued operations	*0.13*	*1.86*	*1.73*
Earnings per share attributable to owners of parent (diluted in €)	**2.03*****	**3.84******	**1.81**
From continuing operations	*1.90*	*2.01*	*0.11*
From discontinued operations	*0.13*	*1.83*	*1.70*

** Based on the weighted average number of shares of 416,388,893 as of June 30, 2016*
***Based on the weighted average number of shares of 411 224 858 as of June 30, 2017*
****Based on the weighted average number of shares after dilution of 423,666,098 as of June 30, 2016*
***** Based on the weighted average number of shares after dilution of 418 502 063 as of June 30, 2017*

Balance sheet - Assets *(In Euro million)*	Dec. 31, 2016	June. 30, 2017
Goodwill	1,864	1,845
Tangible & Intangible assets	8,347	8,620
Investments in joint ventures and associates	2,175	2,097
Other non-current assets	1,733	769
Derivatives assets	620	767
Inventories and WIP	4,247	4,615
Trade and other receivables	6,252	6,345
Cash and cash equivalents	1,926	6,751
Other current assets	660	604
Assets held for sale	3,234	-
Total Assets	**31,058**	**32,413**

Balance sheet - Liabilities *(In Euro million)*	Dec. 31, 2016	June. 30, 2017
Equity	6,809	9,239
Provisions	3,264	3,204
Borrowings subject to sp. conditions	699	698
Interest bearing liabilities	3,337	5,220
Derivatives liabilities	4,385	1,672
Other non-current liabilities	992	1,149
Trade and other payables	10,242	10,735
Other current liabilities	536	496
Liabilities held for sale	794	-
Total Equity & Liabilities	**31,058**	**32,413**

Cash Flow Highlights *(In Euro million)*	H1 2016	FY 2016	H1 2017
Adjusted attributable net profit	**862**	**1,804**	**1 606**
Post-tax capital gain on Security activities	-	-	(766)
Depreciation, amortization, provisions and others	458	847	470
Cash flow from operations	**1,320**	**2,651**	**1,310**
Changes in working capital	(50)	(168)	(40)
Capex (tangible assets)	(322)	(704)	(345)
Capex (intangible assets)	(181)	(324)	(118)
Capitalisation of R&D*	(173)	(364)	(141)
Free cash flow	**594**	**1,091**	**666**
Dividends paid	(351)	(642)	(366)
Divestments/acquisitions and others	(510)	(917)	2,643
Net debt at end of period of discontinued operations	-	(167)	-
Net change in cash and cash equivalents	**(267)**	**(635)**	**2,943**
Net debt at beginning of period	(748)	(748)	(1,383)
Net debt at end of period	**(1,015)**	**(1,383)**	**1,560**

Segment breakdown of adjusted revenue *(In Euro million)*	H1 2016	H1 2017	% change	% change organic
Aerospace Propulsion	4,857	4,691	(3.4)%	0.9%
Aircraft Equipment	2,542	2,715	6.8%	4.2%
Defense	584	624	6.8%	5.8%
Holding & Others	4	8	-	-
Total Group	**7,987**	**8,038**	**0.6%**	**2.4%**

Segment breakdown of recurring operating income *(In Euro million)*	H1 2016	H1 2017	% change
Aerospace Propulsion	**942**	**849**	(9.9)%
% of revenue	19.4%	18.1%	
Aircraft Equipment	**271**	**327**	20.7%
% of revenue	10.7%	12.0%	
Defense	**22**	**40**	81.8%
% of revenue	3.8%	6.4%	
Holding & Others	(5)	2	NA
Total Group	**1,230**	**1,218**	(1.0)%
% of revenue	15.4%	15.2%	

2016 adjusted revenue by quarter *(In Euro million)*	Q1 2016	Q2 2016	Q3 2016	Q4 2016	FY 2016
Aerospace Propulsion	2,301	2,556	2,056	2,478	9,391
Aircraft Equipment	1,219	1,323	1,208	1,395	5,145
Defense	269	315	253	401	1,238
Holding & Others	2	2	0	3	7
Total revenue	**3,791**	**4,196**	**3,517**	**4,277**	**15,781**

2017 adjusted revenue by quarter *(In Euro million)*	Q1 2017	Q2 2017	H1 2017
Aerospace Propulsion	2,360	2,331	4,691
Aircraft Equipment	1,335	1,380	2,715
Defense	284	340	624
Others	3	5	8
Total revenue	**3,982**	**4,056**	**8,038**

Euro/USD rate	H1 2016	FY 2016	H1 2017
Average spot rate	1.12	1.11	1.08
Spot rate (end of period)	1.11	1.05	1.14
Hedged rate	1.24	1.24	1.21

Notes

[1] Adjusted data

To reflect the Group's actual economic performance and enable it to be monitored and benchmarked against competitors, Safran prepares an adjusted income statement alongside its consolidated financial statements.

Safran's consolidated income statement has been adjusted for the impact of:

- purchase price allocations with respect to business combinations. Since 2005, this restatement concerns the amortization charged against intangible assets relating to aircraft programmes revalued at the time of the Sagem-Snecma merger. With effect from the first-half 2010 interim financial statements, the Group has decided to restate the impact of purchase price allocations for business combinations. In particular, this concerns the amortization of intangible assets recognized at the time of the acquisition, and amortized over extended periods, due to the length of the Group's business cycles, along gains or losses remeasuring the Group's previously held interests in an entity acquired in a step acquisition or assets contributed to a JV.

- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:
  - revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy,
  - all mark-to-market changes on foreign currency derivatives hedging future cash flows are neutralized.

The resulting changes in deferred tax have also been adjusted.

H1 2017 reconciliation between consolidated income statement and adjusted consolidated income statement:

H1 2017		Currency hedging		Business combinations		
(In Euro million)	Consolidated data	Remeasurement of revenue	Deferred hedging gain / loss	Amortization of intangible assets -Sagem-Snecma merger	PPA impacts - other business combinations	Adjusted data
Revenue	**8,382**	**(344)**			**-**	**8,038**
Other operating income and expenses	(6,959)	(12)	6	33	20	(6,912)
Share in profit from joint ventures	66				26	92
Recurring operating income	**1,489**	**(356)**	**6**	**33**	**46**	**1,218**
Other non-recurring operating income and expenses	(16)					(16)
Profit (loss) from operations	**1,473**	**(356)**	**6**	**33**	**46**	**1,202**
Cost of debt	(28)					(28)
Foreign exchange gains (losses)	2,422	356	(2,754)			24
Other financial income and expense	(20)					(20)
Financial income (loss)	**2,374**	**356**	**(2,754)**			**(24)**
Income tax expense	(1,234)		946	(11)	(7)	(306)
Profit (loss) from continuing operations	**2,613**		**(1,802)**	**22**	**39**	**872**
Profit (loss) from discontinued operations	765					765
Attributable to non-controlling interests	**(30)**			**(1)**		**(31)**
Attributable to owners of the parent	**3,348**		**(1,802)**	**21**	**39**	**1,606**

H1 2016 reconciliation between consolidated income statement and adjusted consolidated income statement (restated for IFRS 5):

H1 2016 (In Euro million)	Consolidated data	Currency hedging: Remeasurement of revenue	Currency hedging: Deferred hedging gain / loss	Business combinations: Amortization of intangible assets -Sagem-Snecma merger	Business combinations: PPA impacts - other business combinations	Adjusted data
Revenue	**8 306**	**(319)**	**-**	**-**	**-**	**7,987**
Other operating income and expenses	(6,832)	(14)	11	36	23	(6,776)
Share in profit from joint ventures	19	-	-	-	-	19
Recurring operating income	**1,493**	**(333)**	**11**	**36**	**23**	**1,230**
Other non-recurring operating income and expenses	355	-	-	-	(368)	(13)
Profit (loss) from operations	**1,848**	**(333)**	**11**	**36**	**(345)**	**1,217**
Cost of debt	(24)	-	-	-	-	(24)
Foreign exchange gains (losses)	706	333	(1,015)	-	-	24
Other financial income and expense	(59)	-	-	-	-	(59)
Financial income (loss)	**623**	**333**	**(1,015)**	**-**	**-**	**(59)**
Income tax expense	(647)	-	345	(12)	(5)	(319)
Profit (loss) from continuing operations	**1,824**	**-**	**(659)**	**24**	**(350)**	**839**
Attributable to non-controlling interests	**(32)**	**-**	**-**	**(1)**	**-**	**(33)**
Attributable to owners of the parent	**1,818**	**-**	**(659)**	**23**	**(320)**	**862**

Readers are reminded that only the consolidated financial statements are reviewed by the Group's statutory auditors. The consolidated financial statements include revenue and operating profit indicators set out in the adjusted data in Note 5, "Segment information" of the half-year consolidated financial statements.

Adjusted financial data other than the data provided in Note 5, "Segment information" of the consolidated financial statements, are subject to verification procedures applicable to all of the information provided in the half-year financial report.

[2] Recurring operating income
Operating income before capital gains or losses on disposals /impact of changes de contrôle, impairment charges, transaction and integration costs and other items.

[3] Civil aftermarket (expressed in USD)
This non-accounting indicator (non-audited) comprises spares and MRO (Maintenance, Repair & Overhaul) revenue for all civil aircraft engines for Safran Aircraft Engines and its subsidiaries and reflects the Group's performance in civil aircraft engines aftermarket compared to the market.

[4] Free cash flow
This non-accounting indicator (non-audited) is equal to cash flow from operating activities less working capital and acquisitions of property, plant and equipment and intangible assets

Safran is an international high-technology group and tier-1 supplier of systems and equipment in the Aerospace and Defense markets. Operating worldwide, Safran has nearly 58,000 employees and generated sales of 15.8 billion euros in 2016. Working alone or in partnership, Safran holds world or European leadership positions in its core markets. Safran undertakes Research & Development programs to meet fast-changing market requirements, with total R&D expenditures of 1.7 billion euros in 2016. Safran is listed on the Euronext Paris stock exchange, and its share is part of the CAC 40 and Euro Stoxx 50 indices.

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Pursuant to French regulations, the documentation with respect to the tender offer which, if filed, will state the terms and conditions of the tender offer will be subject to the review by the AMF. Investors and shareholders in France are strongly advised to read, if and when they become available, the prospectus and related offer materials regarding the tender offer referenced in this document, as well as any amendments and supplements to those documents as they will contain important information regarding Safran, Zodiac Aerospace, the contemplated transactions and related matters.

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This document contains forward-looking statements relating to Safran, Zodiac Aerospace and their combined businesses, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those included in such statements. These statements or disclosures may discuss goals, intentions and expectations as to future trends, synergies, value accretions, plans, events, results of operations or financial condition, or state other information relating to Safran, Zodiac Aerospace and their combined businesses, based on current beliefs of management as well as assumptions made by, and information currently available to, management. Forward-looking statements generally will be accompanied by words such as "anticipate," "believe," "plan," "could," "would," "estimate," "expect," "forecast," "guidance," "intend," "may," "possible," "potential," "predict," "project" or other similar words, phrases or expressions. Many of these risks and uncertainties relate to factors that are beyond Safran's or Zodiac Aerospace's control. Therefore, investors and shareholders should not place undue reliance on such statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: uncertainties related in particular to the economic, financial, competitive, tax or regulatory environment; the ability to obtain shareholder approval; failure to satisfy other closing conditions with respect to the transaction on the proposed terms and timeframe; the possibility that the transaction does not close when expected or at all; the risks that the new businesses will not be integrated successfully or that the combined company will not realize estimated cost savings and synergies; Safran's or

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USE OF NON-GAAP FINANCIAL INFORMATION

This document contains supplemental non-GAAP financial information. Readers are cautioned that these measures are unaudited and not directly reflected in Safran's financial statements as prepared under International Financial Reporting Standards and should not be considered as a substitute for GAAP financial measures. In addition, such non-GAAP financial measures may not be comparable to similarly titled information from other companies.