

Safran – Strong revenue growth in third quarter 2015

All revenue figures in this press release refer to Adjusted ^[1] revenue. Please refer to definitions contained in the Notes on page 7 of this press release.

KEY FIGURES FOR THIRD QUARTER 2015

- **Third-quarter 2015 adjusted revenue was Euro 4,141 million**, up 15.4% year-on-year at an average EUR/USD rate in Q3 2015 of 1.11. On an organic basis, growth was 4.6%, driven notably by an increase of civil aftermarket revenue (up 18.5% in USD).
- **The full-year 2015 outlook is confirmed** for adjusted revenue growth, adjusted recurring operating income growth and free cash flow conversion rate, subject to usual uncertainties on the amount of advance payments and the rhythm of payments by state-clients in the fourth quarter.

KEY FIGURES FOR YEAR TO DATE 2015

- **Adjusted revenue for the first nine months of 2015 was Euro 12,544 million**, an increase of 16.2% on a reported basis, up 4.9% on an organic basis, compared to 2014.
- **Civil aftermarket revenue was up 24.4%** in USD at September 30th, driven mainly by overhaul activity on second generation CFM56 and GE90 engines.

KEY BUSINESS HIGHLIGHTS

LEAP engines: The development of the Leap engines is proceeding according to plan. Safran and Airbus have successfully completed the A320neo high altitude and hot weather testing campaigns. Around 300 hours of tests have been accumulated in over 100 test flights and the **Leap-1A** is on track for imminent certification. The **Leap-1B** has completed 50 flights totalling 268 hours on a modified 747 flying test bed. The first flight of Boeing's 737 MAX is expected early in 2016. This quarter, COMAC took delivery of 2 Integrated Propulsion Systems (IPS) to support the planned roll-out of the C919 before year end.

Space: The European Space Agency (ESA) and Airbus Safran Launchers (JV between Airbus and Safran) signed a Euro 2.4 billion contract covering the development of the Ariane 6 launcher in its two versions, Ariane 62 and Ariane 64.

Silvercrest engine: Safran is working on complementary developments and a revised schedule for its Silvercrest engine. Safran will test the support for the programme-related assets during the preparation of its 2015 annual accounts. An impairment of these assets would impact neither the adjusted recurring operating income nor the free cash flow of the Group.

Arrius 2R engine: Safran delivered the first production Arrius 2R engine to Bell Helicopter in August 2015, on schedule. This turbine will power the Bell 505 Jet Ranger X.

Equipment: Rolls-Royce and Safran named their jointly-owned company in accessory drive trains Aero Gearbox International and announced plans to construct a production plant in Poland. Aero Gearbox International will design, develop, produce and support accessory drive trains for all of Rolls-Royce's future civil aircraft engines, starting with the Trent 7000.

Defence: Within the framework of the Scorpion land vehicles program for the French army, Safran was selected to provide optronics equipment for remotely controlled turrets, in addition to its selection to supply PASEO systems via Optrolead (JV between Safran and Thales).

Security: Safran approached 900 Itemiser 4DX Trace Detectors shipped in 2015 to leading European aviation hubs in order to meet EU screening mandates.

Paris, October 22, 2015 – Safran’s (Euronext Paris: SAF) Board of directors, under the chairmanship of Ross McInnes, reviewed the Group’s activity in the third quarter 2015 and approved today’s statement.

EXECUTIVE COMMENTARY

CEO Philippe Petitcolin commented:

“Safran’s activity this quarter is once again driven by the robust demand for services and spares particularly on our installed base engines for narrow body aircraft, helped by favourable economic conditions enjoyed by our airline customers. Security registered another quarter of strong organic growth thanks notably to Identification and the upturn in the detection activities as we had anticipated.

Development of the Leap engines continues to make good progress. Airbus’ A320neo equipped with Leap-1A engines satisfactorily completed hot climate and altitude test campaigns in the third quarter. We are on track for certification of this engine and we are preparing the first commercial deliveries on schedule in 2016.

We are working in close collaboration with our customer on complementary developments and a revised schedule for the Silvercrest engine.

Our nine-month performance provides comfort to achieve our outlook for 2015 and strong confidence for success in the longer term.”

THIRD-QUARTER 2015 REVENUE

Solid revenue growth. For the third quarter 2015, Safran’s revenue was Euro 4,141 million, up 15.4% compared to Euro 3,589 million in the same period a year ago. This Euro 552 million increase reflects growth in Aerospace (Propulsion and Equipment), Security and Defence revenue.

On an organic basis Group revenue increased by Euro 166 million, or 4.6%. Organic revenue was determined by applying constant exchange rates and by excluding the effects of changes in structure. Hence, the following calculations were applied:

Reported growth			15.4%
Impact of acquisitions, newly consolidated activities & disposals	Euro (16) million	(0.5)%	
	Impact of currency variations	Euro (370) million	(10.3)%
Organic growth			4.6%

Currency variations favourably impacted revenue in the amount of Euro 370 million in the third quarter, reflecting a globally positive translation effect on non-Euro revenues, notably on the portion of the USD-denominated revenue naturally hedged via USD procurements. The average EUR/USD spot rate was 1.11 to the Euro in the third-quarter 2015 compared to 1.33 in the year-ago period. The Group’s hedge rate improved to USD 1.25 to the Euro in the third quarter 2015 from USD 1.26 in the year-ago period.

BUSINESS COMMENTARY FOR THE THIRD QUARTER 2015

▪ **Aerospace Propulsion**

In the third quarter 2015, Aerospace Propulsion recorded revenue of Euro 2,220 million, an increase of 14.2% compared to revenue in the year-ago period of Euro 1,944 million. On an organic basis, revenue was up 5.7%.

Revenue growth was primarily driven by services (+19%). The civil aftermarket (measured in USD) increased 18.5% compared to the third quarter 2014 and continues to be driven by overhauls of second generation CFM56 and GE90 engines in the context of a favourable environment for airline customers. Helicopter turbines support also contributed to overall service revenue.

OE Propulsion revenue increased 8.8%. Military OE sales were higher and civil aircraft OE grew slightly, in line with volumes. Sales from helicopter turbine deliveries were down, as in the first half.

Year to date, revenue growth of the Propulsion activities was 17.5%, or 7.8% on an organic basis. Civil aftermarket grew 24.4% in USD. The momentum is driven particularly by overhaul activity on second generation CFM56 and GE90 engines in the context of a favourable environment for airline customers.

In the first 9 months, 1,214 CFM56 engines had been delivered, up 3% from last year.

▪ **Aircraft Equipment**

The Aircraft Equipment segment reported third-quarter 2015 revenue of Euro 1,180 million, up 15.6%, or slightly down (-0.8%) on an organic basis, compared to Euro 1,021 million in the year-ago period. Service revenue grew by 24.1%, including the effect of the stronger USD, and accounts for 30.5% of sales.

Deliveries of wiring shipsets and landing gear to Airbus for the A350 programme grew, accelerating from a very low base. Those for the 787 programme, which had driven strong OE growth throughout 2014, showed modest increases this year. Lower deliveries of A330 thrust reversers are the reflection of an announced assembly rate drop of that aircraft. 21 nacelles for A380 were delivered in the third quarter, compared to 27 in the year-ago period.

Growth in services was driven primarily by landing gear and carbon brakes aftermarket. Safran is the world leader in carbon brakes for commercial aircraft over 100 seats.

Year to date growth of the Aircraft Equipment activities was 13.8%, driven mostly by the strengthening of the USD and growth in landing gear and carbon brakes. On an organic basis, revenue declined slightly (-1%).

▪ **Defence**

Third-quarter 2015 revenue of Euro 266 million was up 3.9%, or down (1.2)% on an organic basis, compared to revenue of Euro 256 million in the year-ago period. Revenue growth was driven by the optronics activity, particularly optronic sights. Sales in Avionics were flat compared to the year-ago period.

Revenue in the Defence activities grew 5% in the first 9 months of 2015. On an organic basis, revenue declined slightly (-1.5%).



▪ **Security**

The Security activities reported third-quarter 2015 revenue of Euro 474 million, up 28.8% compared to revenue in the year-ago period of Euro 368 million. On an organic basis, revenue increased by 17.7%.

All activities reported revenue growth in the quarter. Identification grew strongly, particularly Government Solutions activities in the South America, Europe and Middle-East Africa zones. Revenue also grew in the US (Federal and State enrolment contracts and driving licences). Smart chip sales grew in value terms on slightly lower volumes thanks to favourable mix. Detection revenues were significantly higher than a year ago thanks to the success of the new trace detection system Itemiser 4DX and to the strong recovery in CTX tomographic equipment shipments, as expected.

Revenue in the Security activities grew 24.7% in the first 9 months of 2015, or 11.2% on an organic basis, with all activities contributing to growth.

SILVERCREST ENGINE

Safran is working on complementary developments and a revised schedule for its Silvercrest engine. The adjustments will ensure that we offer customers an engine which meets their requirements and is competitive with respect to the market it addresses.

The rescheduling does not lead Safran to change its guidance for adjusted recurring operating income or that for free cash flow conversion in 2015.

In application of its capitalization policy, Safran has expensed R&D costs associated with the Silvercrest programme since April 1, 2014. Safran will test the support for the programme-related assets constituted prior to this date during the preparation of its 2015 annual accounts. These assets amounted to Euro 696 million at June 30, 2015. An impairment of these assets would impact neither the cash flow of the group nor, as a one-off item, the adjusted recurring operating income. The impact on net income would be net of tax effects.

Furthermore, potential contractual penalties during the development phase are capped and entirely covered by provisions.

Discussion of the finalization and phasing of the supplemental development is ongoing with the customer. Thus, detailed consequences, including financial impacts beyond 2015, cannot be provided at this time.

However, in the overall context of Safran, the effect on the group's financial performance is expected to be limited and spread over several years.

CURRENCY HEDGES

Safran expects annual net USD exposure for 2015-2018 to range between USD 7.1 billion and USD 8.0 billion due to strong growth of businesses with exposed USD-denominated revenues.

2015 - 2017: Exposure fully hedged at the rate of USD 1.25.

2018: Coverage of USD 3.9 billion at an achieved rate of USD 1.08 (through forward sales and short dated knock out option strategies) reflecting active portfolio management to benefit from current spot rate. Coverage will increase to a total of USD 8.0 billion at target rate below USD 1.20 through accumulators as long as EUR/USD remains below USD 1.28 up to end 2016. Knock out options barriers are set at various levels between USD 1.20 and USD 1.45 with maturities up to 2 years.

KEY FIGURES

<i>Segment breakdown of revenue (In Euro million)</i>	Q3 2014	Q3 2015	% change reported	% change organic
Aerospace Propulsion	1,944	2,220	14.2%	5.7%
Aircraft Equipment	1,021	1,180	15.6%	(0.8)%
Defence	256	266	3.9%	(1.2)%
Security	368	474	28.8%	17.7%
Others	0	1	Na	Na
Total	3,589	4,141	15.4%	4.6%

<i>Segment breakdown of revenue (In Euro million)</i>	9m 2014	9m 2015	% change reported	% change organic
Aerospace Propulsion	5,707	6,706	17.5%	7.8%
Aircraft Equipment	3,158	3,594	13.8%	(1.0)%
Defence	840	882	5.0%	(1.5)%
Security	1,090	1,359	24.7%	11.2%
Others	2	3	Na	Na
Total	10,797	12,544	16.2%	4.9%

<i>2014 adjusted revenue by quarter (In Euro million)</i>	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014
Aerospace Propulsion	1,825	1,938	1,944	2,446	8,153
Aircraft Equipment	1,016	1,121	1,021	1,288	4,446
Defence	257	327	256	381	1,221
Security	345	377	368	440	1,530
Others	-	2	-	3	5
Total revenue	3,443	3,765	3,589	4,558	15,355

<i>2015 revenue by quarter (In Euro million)</i>	First quarter 2015	Second quarter 2015	Third quarter 2015
Aerospace Propulsion	2,070	2,416	2,220
Aircraft Equipment	1,172	1,242	1,180
Defence	278	338	266
Security	414	471	474
Others	1	1	1
Total revenue	3,935	4,468	4,141

<i>Euro/USD rate</i>	Third quarter 2014	Third quarter 2015	9 months 2014	9 months 2015
Average spot rate	1.33	1.11	1.36	1.11
Spot rate (end of period)	1.26	1.12	1.26	1.12
Hedge rate	1.26	1.25	1.26	1.25

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 revenue.

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

- 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 is neutralized.

Third-quarter 2015 and nine-month 2015 reconciliation between consolidated revenue and adjusted revenue:

Q3 2015 <i>(In Euro million)</i>	Consolidated revenue	Hedge accounting		Business combinations		Adjusted revenue
		Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	
Revenue	4,303	(162)	na	na	na	4,141

9m 2015 <i>(In Euro million)</i>	Consolidated revenue	Hedge accounting		Business combinations		Adjusted revenue
		Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	
Revenue	13,011	(467)	na	na	na	12,544

[2] 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 Snecma and its subsidiaries and reflects the Group's performance in civil aircraft engines aftermarket compared to the market.

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Safran is a leading international high-technology group with three core businesses: Aerospace (propulsion and equipment), Defence and Security. Operating worldwide, the Group has 69,000 employees and generated sales of 15.4 billion euros in 2014. Working alone or in partnership, Safran holds world or European leadership positions in its core markets. The Group invests heavily in Research & Development to meet the requirements of changing markets, including expenditures of 2 billion euros in 2014. Safran is listed on Euronext Paris and is part of the CAC40 index, as well as the Euro Stoxx 50 European index.

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