

## PRESS RELEASE

### Safran: first quarter 2017 revenue

- *Revenue grew 5.5% organically driven by Aerospace services*
- *Confirmation of outlook in 2017*

All revenue figures in this press release refer to Adjusted<sup>[Note 1]</sup> revenue and continuing operations<sup>[Note 2]</sup>. Please refer to definitions contained in the Notes on page 7 of this press release.

### Key figures for Q1 2017 (continuing operations except where stated)

Organic variations exclude notably the effects of significant changes in scope: the classification of Safran I&S as discontinued operations and the adoption of equity accounting for Airbus Safran Launchers.

- **Adjusted revenue in the first-quarter of 2017 was Euro 3,982 million**, an increase of 5.0% on a reported basis, up 5.5% on an organic basis, compared to the first quarter of 2016.
- Organic revenue growth was driven by continued momentum in Aerospace services.
- Civil aftermarket<sup>[Note 3]</sup> grew 17.7% in USD terms, driven by sales of spares and service contracts relating to second generation CFM56 and GE90 engines.
- Return to growth of Defense, up 5.6% compared to Q1 2016.
- **2017 guidance confirmed.**

### Key business highlights

- **LEAP programme:**
  - **Backlog:** Continuing commercial success for LEAP: 574 orders and commitments were received in the first quarter, bringing total backlog to 12,046 engines at March 31, 2017.
  - **Deliveries:** The ramp-up of LEAP production continues as planned. 81 engines were delivered in the first three months of 2017 to both Airbus for commercial service and Boeing to prepare the entry into service later in the second quarter.
  - **LEAP-1A:** The production is ramping-up and the engine meets all performance specifications. 9 airlines were operating LEAP-1A engines totalling over 80,000 flight hours so far.
  - **LEAP-1B:** The first flight of the 737 MAX 9 occurred on April 13th, 2017. Entry into commercial service of the 737 MAX 8 is expected in the second quarter of 2017.

- LEAP-1C: COMAC is preparing the C919 for its first flight, expected in the second quarter of 2017.
- **CFM56 programme**: CFM recorded firm orders and commitments for 122 CFM56 engines in the quarter. With 345 engines delivered, CFM56 production is, as expected, lower than in the year-ago period as airframers transition their production towards neo and MAX aircraft. 442 engines were delivered in Q1 2016.
- **Helicopter turbines**: Bell Helicopter delivered the first production 505 Jet Ranger X powered by the Arrius 2R.
- **Carbon brakes**: Several new contracts were signed during Q1, notably with Norwegian for 108 Boeing 737 MAX and Singapore Airlines for 47 A350
- **Electronics & Defense**: The French defense procurement agency (DGA) awarded Safran the development of an improved version of its Global Navigation System (SNG) for “Triomphant” class ballistic missile nuclear submarines in service.
- **Identity & Security** (discontinued operations): The sale of Safran’s detection activities to Smiths Group was announced on April 6, 2017.

Paris, 17:40 April 25, 2017

## Executive commentary

CEO Philippe Petitcolin commented:

*“The LEAP programme continues to progress in 2017. We celebrated with Air India the entry into service of their first A320neo, equipped with our 100<sup>th</sup> LEAP engine-nacelle propulsion unit and we commenced delivery of series engines to Boeing to prepare the entry into service of the 737 MAX. Customers continue to express their satisfaction with the LEAP-1A availability and performance. The production ramp-up is proceeding and we are confident in our capacity to meet our commitments.*

*In terms of strategic progress, we have finalised the sale of our detection businesses to Smiths Group and we do expect to close on the sale of our security and identity businesses during the second quarter.*

*Lastly, the revenue growth we recorded in all of our activities demonstrates the strength of our end markets. The first quarter was a strong start to the year and we reaffirm our annual targets for adjusted revenue, adjusted recurring operating income and free cash flow.”*

## First-quarter 2017 revenue

All activities contributed to growth in the first quarter.

Euros millions	Propulsion	Aircraft Equipment	Defense	Holding & Others	Safran
<b>Q1 2016</b>	2,301	1,219	269	2	<b>3,791</b>
<b>Q1 2017</b>	2,360	1,335	284	3	<b>3,982</b>
Reported growth	2.6%	9.5%	5.6%	na	5.0%
Impact of changes in scope	(5.0)%	0.7%	-	na	(2.8)%
Currency impact	2.4%	2.6%	1.1%	na	2.3%
<b>Organic growth</b>	<b>5.2%</b>	<b>6.2%</b>	<b>4.5%</b>	<b>na</b>	<b>5.5%</b>

Organic revenue was determined by excluding the effect of changes in scope of consolidation (notably Euro 114 million in Q1 2016 for the space launcher activities since contributed to ASL). The net impact of currency variations was Euro 89 million reflecting a positive translation effect on non-Euro revenues, principally USD. The average USD/EUR spot rate was 1.06 to the Euro in the first quarter of 2017, compared to 1.10 in the year-ago period. The Group's hedge rate improved to USD 1.21 to the Euro in the first-quarter 2017 from USD 1.24 in Q1 2016.

## Currency hedges

Safran's hedging portfolio totalled USD 18.1 billion on April 11, 2017.

2017 to 2019: no changes to the Group's foreign exchange coverage are to be noted since the disclosures in the 2016 annual results announcement (February 24, 2017).

2020: coverage of net USD/EUR exposure increased to 2.0 billion and should rise to 6.4 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 two years. The target hedge rate lies in a range between 1.13 and 1.18 USD/EUR.

## Full-year 2017 outlook confirmed

In the first quarter 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 Airbus Safran Launchers using the equity method and no longer records revenue from space activities. In 2017 the change is expected to impact revenue by Euro 312 million corresponding to the first half of 2016 (of which 114 million euros in the first quarter) when these activities had been fully consolidated.

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 ASL 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.

## **Exclusive negotiations for the acquisition of Zodiac Aerospace**

As communicated on March 14, 2017, Safran and Zodiac Aerospace are continuing their exclusive negotiations. These discussions will take into account the consequences of the developments communicated to the market that day by Zodiac Aerospace. The two groups will update the market as required.

## **Business commentary for the first quarter 2017**

### **Continuing activities**

#### **▪ Aerospace Propulsion**

First-quarter 2017 revenue was Euro 2,360 million, up 2.6% (5.2% on an organic basis) compared to revenue of Euro 2,301 million in the year-ago period. Service business on both civil and military programmes drove revenue growth.

OE revenues from civil engines declined as revenue from LEAP engines (81 units) did not offset lower shipments notably of CFM56 (97 fewer deliveries than in Q1 2016) and high thrust engine modules. Military OE revenues increased as M88 volumes were flat (7 units) and TP400 deliveries rose (+7 units). Despite higher volumes, helicopter turbines revenues declined close to 10%, impacted by mix skewed towards smaller engines.

Overall service revenue in Aerospace Propulsion was up 15.9% in Euro terms and represents a 61.6% share of sales in the quarter. Civil aftermarket revenue grew by 17.7% in USD terms, driven by sales of spares and service contracts relating to second generation CFM56 and GE90 engines. Helicopter turbine aftermarket revenues declined due to softer support activity, principally at customers in the Oil & Gas sector, and the grounding of part of the H225 Super Puma fleet.

Total new firm orders and commitments were received for 574 LEAP and 122 CFM56 engines in the first quarter. At March 31, 2017 the total backlog for these engines stood at 13,962 units and notably contains orders and commitments for 12,046 next-generation LEAP engines.

#### **▪ Aircraft Equipment**

First-quarter 2017 revenue of Euro 1,335 million increased 9.5% compared to Euro 1,219 million in the year-ago period. On an organic basis, revenue was up 6.2%.

OE revenues increased 9.6% compared to the year-ago quarter. Deliveries of wiring and landing gear shipsets for the A350 grew in line with the production rate ramp. 41 nacelles for A320neo were delivered in Q1 (none in Q1 2016), and during the quarter the milestone of 100 LEAP engine-nacelle propulsion units was passed. Deliveries of thrust reversers and landing gear for A330 were slightly higher than in Q1 2016. Boeing 787 volumes were broadly flat this quarter. 13 nacelles for A380 were shipped in Q1, compared to 25 in the year-ago period. The volumes of thrust reversers for A320ceo declined as expected.

Service revenue was up 9.3% driven notably by growth of the installed base of carbon brakes and nacelles where sales of spare parts for A320neo contributed positively. Services account for 30.7% of total sales in the quarter.

- **Defense**

First-quarter 2017 revenue was Euro 284 million, up 5.6% compared to Euro 269 million in the previous year. On an organic basis, revenue increased by 4.5%.

A slight decline in avionics revenue, affected mostly by lower helicopter flight control systems shipments, was offset by a strong increase in sales of guidance kits and the start of the Patroller UAV programme.

**Discontinued activities**

- **Security**

The Security activities recorded revenue of Euro 467 million in Q1 2017 compared to revenue in the year-ago period of Euro 449 million. The finalisation of the sale of Safran's detection businesses was announced on April 6, 2017.

## **Agenda**

2017 Annual general meeting	June 15, 2017
H1 2017 earnings	July 28, 2017 (pre-market)

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Safran will host today a conference call open to analysts, investors and media at 18:30 CET which can be accessed at +33 (0)1 70 77 09 38 (France), +44 (0) 203 367 9462 (UK) and +1 855 402 7763 (US). A replay will be available at +33 (0)1 72 00 15 00, +44 (0) 203 367 9460 and +1 877 642 3018 (access code 307786#).

The press release and presentation are available on the website at [www.safran-group.com](http://www.safran-group.com).

## Key figures

<i>Segment breakdown of adjusted revenue (In Euro million)</i>	Q1 2016	Q1 2017	% change	% change organic
Aerospace Propulsion	2,301	2,360	2.6%	5.2%
Aircraft Equipment	1,219	1,335	9.5%	6.2%
Defense	269	284	5.6%	4.5%
Holding & others	2	3	na	na
<b>Total Group</b>	<b>3,791</b>	<b>3,982</b>	<b>5.0%</b>	<b>5.5%</b>

<i>2016 revenue by quarter (In Euro million)</i>	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	-	3	7
<b>Total revenue</b>	<b>3,791</b>	<b>4,196</b>	<b>3,517</b>	<b>4,277</b>	<b>15,781</b>

<i>Euro/USD rate</i>	Q1 2016	Q1 2017
Average spot rate	1.10	1.06
Spot rate (end of period)	1.14	1.07
Hedge rate	1.24	1.21

## Notes

### [1] Adjusted revenue

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 are neutralized.

First-quarter 2017 reconciliation between consolidated revenue and adjusted revenue:

Q1 2017  (In Euro million)	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	
<b>Revenue</b>	4,181	(199)	n/a	n/a	n/a	3,982

### [2] Discontinued operations

Safran entered into exclusive negotiations with Advent International/Oberthur Technologies to sell Safran's identity and security activities (announced September 29, 2016). Following this decision, all the businesses comprising Safran's Identity & Security activities have been classified as "discontinued operations" at the end of September 2016, including detection activities which had been classified as assets and liabilities held for sale since the announcement on April 21, 2016 of the signing of an agreement for their sale to Smiths Group. The contribution of the I&S activities to Safran's financial statements is therefore presented separately from Safran's continuing operations: Propulsion, Aircraft Equipment, Defense and Holding & Others. The sale of Safran's detection activities to Smiths Group was announced on April 6, 2017.

### [3] Civil aftermarket (expressed in USD)

This unaudited performance indicator comprises spares and MRO (Maintenance, Repair & Overhaul) revenue for all civil aircraft engines for Safran Aircraft Engines and its subsidiaries only and reflects the Group's performance in civil aircraft engines aftermarket.

**Safran** is a leading international high-technology group with three core businesses: Aerospace, Defense and Security (ongoing divestiture of Security business). Operating worldwide, the Group has 66,500 employees (Security included) and generated sales of 15.8 billion euros in 2016 (excluding Security). Working independently 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 1.7 billion euros in 2016 (excluding Security expenditures). Safran is listed on Euronext Paris and is part of the CAC40 index, as well as the Euro Stoxx 50 European index.

For more information : [www.safran-group.com](http://www.safran-group.com) / Follow @Safran on Twitter 

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*This communication is not intended to and does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy or an invitation to purchase or subscribe for any securities or the solicitation of any vote or approval in any jurisdiction in connection with any proposed acquisition of Zodiac Aerospace (the "Transaction") or otherwise, nor shall there be any sale, issuance or transfer of securities in any jurisdiction in contravention of applicable law.*

*Any tender offer and any merger in connection with the Transaction are subject to consultation of the work's council committees, execution of definitive documentation and obtaining of required regulatory and other customary authorisations and conditions. Any tender offer and any merger would only be filed after such and other conditions have been fulfilled. These materials must not be published, released or distributed, directly or indirectly, in any jurisdiction where the distribution of such information is restricted by law.*

*Safran and Zodiac Aerospace may file with the French Market Authority ("AMF") a prospectus and other relevant documents with respect to any tender offer to be made in France, and with respect to any merger of Zodiac Aerospace into Safran. Pursuant to French regulations, the documentation with respect to any tender offer and any merger which, if filed, will state the terms and conditions of the tender offer and the merger will be subject to the review by the French Market Authority (AMF). Investors and shareholders in France are strongly advised to read, if and when they become available, the prospectus and related offer and merger materials regarding the tender offer and the merger referenced in this communication, 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.*

#### ADDITIONAL U.S. INFORMATION

*Any securities to be issued in connection with any Transaction may be required to be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Transaction may be submitted to the shareholders of Zodiac Aerospace for their consideration. If registration with the U.S. Securities and Exchange Commission (the "SEC") is required in connection with any Transaction, Safran will prepare a prospectus for Zodiac Aerospace's shareholders to be filed with the SEC, will mail the prospectus to Zodiac Aerospace's shareholders and file other documents regarding any Transaction with the SEC. Investors and shareholders are urged to read the prospectus and the registration statement of which it forms a part when and if it becomes available, as well as other documents that may be filed with the SEC, because they will contain important information. If registration with the SEC is required in connection with any Transaction, shareholders of Zodiac Aerospace will be able to obtain free copies of the prospectus and other documents filed by Safran with the SEC at the SEC's web site, <http://www.sec.gov>. Those documents, if filed, may also be obtained free of charge by contacting Safran Investor Relations at 2, Boulevard du Général Martial Valin 75724 Paris Cedex 15 – France or by calling (33) 1 40 60 80 80. Alternatively, offers and sales made by Safran in the Transaction may be exempt from the provisions of Section 5 of the Securities Act and no registration statement would be filed with the SEC by Safran.*

#### FORWARD-LOOKING STATEMENTS

*This communication 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, 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," "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 the approval of the Transaction by shareholders; 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 Zodiac Aerospace's ability to successfully implement and complete its plans and strategies and to meet its targets; the benefits from Safran's or Zodiac Aerospace's (and their combined businesses) plans and strategies being less than anticipated; and the risks described in the registration document (document de référence). The foregoing list of factors is not exhaustive. Forward-looking statements speak only as of the date they are made. Safran and Zodiac Aerospace do not assume any obligation to update any public information or forward-looking statement in this communication to reflect events or circumstances after the date of this communication, except as may be required by applicable laws.*

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*This press release contains supplemental non-GAAP financial information. Readers are cautioned that these measures are unaudited and not directly reflected in the Group'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.*