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Safran reports first-quarter 2014 revenue growth of 3.3% (4.9% at constant currency) driven by civil aviation business

Growth in line with annual outlook; the target for adjusted recurring operating income growth is confirmed, notably due to currency hedging

All revenue figures in this press release represent adjusted[1] revenue. Please refer to definitions contained in the Notes on page 7. Comparisons are established against 2013 figures restated for the application of IFRS 11, Joint Arrangements. Please refer to the Annex on page 8.

Key figures for the first quarter of 2014

- **First-quarter 2014 adjusted revenue was Euro 3,443 million**, up 3.3% year-on-year, up 4.9% at constant currency or 3.5% on an organic basis.
- Revenue growth was driven by **continued momentum in OE and services at most Aerospace activities**. Revenue growth resumed in Security. Defence sales were down due to temporary delays in deliveries.
- **Civil aftermarket[2] grew 12.4% in USD terms**, driven by first overhauls of recent CFM56 and GE90 engines.
- **Full-year 2014 outlook is confirmed despite the Euro's persistent strength**.
- If the average EUR/USD spot rate of 1.37 were to remain throughout 2014 the mid-single digit growth objective for adjusted revenue would remain achievable, the positive effect of the improving hedge rate partially offsetting the adverse translation effect.
- The hedging policy isolates adjusted recurring operating income from current EUR/USD variations except for the part generated in USD by activities located in the US, subject to the translation effect when converted into Euro. The target hedged rate for 2014 is 1.26.
- The low-double digit target for growth of adjusted recurring operating income for 2014 is confirmed.

Key business highlights for the first quarter of 2014

- Safran and Albany International inaugurated a plant in Rochester, New Hampshire that produces 3D woven composite parts for the new LEAP engine. A sister plant will soon be inaugurated in Commercy (Meuse, France).
- **CFM order momentum remains very strong**, both for current-generation CFM56 engines and for next-generation LEAP engines. **Orders for 557 CFM56 engines** were recorded in the first quarter including from **VietJetAir** (Vietnam) for A320ceo, **Transocean Air** (Japan) and **GECAS** (US) for

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Boeing 737 NG aircraft. **Orders for LEAP engines totalled 606** in the first quarter. Orders for LEAP-1B powered Boeing 737 MAX aircraft were placed by **GECAS**, **Air Canada** and **Comair** (South Africa). Since the end of the first quarter **Lufthansa** (Germany) placed an order for 40 A320/A321neo aircraft powered by LEAP-1A engines.

- **Safran and Avic** announced an initial Chinese order for 120 WZ16/Ardiden 3C helicopter engines to power the AC352 helicopter. This new-generation turboshaft engine programme is jointly developed by Safran and Avic on an equally shared basis.
- **Messier-Bugatti-Dowty (Safran) has been selected by Boeing** as one of two suppliers of wheels and carbon brakes for all models of the Boeing 737 MAX.
- **The French defence procurement agency (Direction générale de l'armement) chose Sagem** (Safran) to modernize the optronic systems on 4 air defense frigates in the French navy.
- **Over 2 million highly-secure passports and ID cards have been issued** to Chilean citizens by Morpho (Safran) since the start of production in September 2013.

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Paris, April 23, 2014 - Safran (NYSE Euronext Paris: SAF) today reports revenue for the first quarter of 2014.

Executive commentary

Chairman and CEO Jean-Paul Herteman commented: *"In the first quarter, Safran's growth is driven by the continuing momentum of OE deliveries and service activities in our commercial aviation businesses thanks to increasing production rates and sustained air traffic growth. Our very satisfactory order intake since the beginning of the year also reflects healthy longer term global demand. In addition to signing more orders for LEAP, our next-generation narrowbody engine, the current-generation programme CFM56 remains in very high demand, as our successes notably at the Singapore airshow prove. The top priority in 2014 for Safran's teams is focus on execution, especially on bringing into production the*

LEAP, Silvercrest and the new Turbomeca range of engines. We took a further step in March with the inauguration of a plant in Rochester, NH, where, with our partners at Albany International, parts using the differentiating technology we developed together are being produced. A sister plant, located in France, will be inaugurated in the autumn. Our targets for 2014 are fully confirmed. Safran's strong positioning and sustained market trends give us full confidence in delivering sustained profitable growth."

First-Quarter 2014 Revenue

Safran's revenue in the first quarter was Euro 3,443 million, a 3.3% increase compared to Euro 3,333 million in the same period a year ago. At constant currency, revenue was up 4.9%. On an organic basis, revenue grew 3.5%. Revenue increased by Euro 110 million on a reported basis, or by Euro 117 million on an organic basis. Growth was driven by continued momentum in most Aerospace activities, both in OE volumes and service activity, and in the Security business. 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			**3.3%**
Impact of acquisitions, newly consolidated activities and disposals	Euro (46) million	(1.4)%	
Currency impact	Euro 53 million	1.6%	
Organic growth			**3.5%**

The unfavourable currency impact in revenue of Euro (53) million for first quarter 2014 reflected a globally negative translation effect on foreign currency revenues, notably in USD, CAD and BRL. The Group's average spot rate was USD1.37 to the Euro in the first quarter 2014 vs. USD1.32 in the year-ago period. The Group's hedge rate improved to USD1.27 to the Euro in the first quarter 2014 from USD1.29 in the year-ago period, somewhat mitigating the translation effect on revenue. The target hedged rate for 2014 is USD 1.26.

Business commentary

- **Aerospace Propulsion**
  First-quarter 2014 revenue was Euro 1,825 million, a 2.2% increase (3.2% at constant currency, 2.1% on an organic basis) compared to revenue in the year-ago period of Euro 1,785 million. The increase in revenue was primarily driven by growth in civil original equipment and positive aftermarket momentum, for both CFM56 and high-thrust engines. Military revenue (original equipment and spares) was stable compared to the year-ago quarter.

Revenue of the helicopter turbine activities declined despite the additional contribution of the share of the RTM322 programme acquired from Rolls-Royce.

Turnover was negatively impacted by the combined, temporary effects of production delays, as well as slower-than-expected recovery of EC225 support activities and exceptional winter weather conditions in North America which affected aircraft activity and associated services. A catch up is expected within the year and the annual outlook remains unchanged. CFM56 engine deliveries (402 units) were 3% higher than the same period a year ago. Total commitments and firm orders for CFM56 and LEAP amounted to 1,163 engines in the first quarter. The total backlog for these engines stands at about 7 years of production at current rates and notably contains orders and commitments for close to 6,400 next-generation LEAP engines. In the first-quarter 2014, civil aftermarket revenue grew by 12.4% in USD terms, driven by first overhauls of recent CFM56 and GE90 engines. Overall service revenue in Aerospace Propulsion grew by 8.0% in Euro terms and represents a 50.6% share of revenue. Helicopter turbines aftermarket slightly declined. Military engines aftermarket grew slightly.

- **Aircraft Equipment**
  First-quarter 2014 revenue of Euro 1,016 million, increased 11% (10.5% on an organic basis), compared to Euro 915 million in the year-ago period.

The increase in revenue was notably attributable to the Boeing 787 programme with higher deliveries of wiring shipsets and landing gear. Positive momentum continues in the carbon brakes activity. In nacelles, strong revenue growth was driven by increased shipments of A330 and A320 thrust reversers and nacelles for regional and business jets. Compared to the first quarter of 2013, the same number of A380 nacelles was shipped. In the first-quarter 2014, overall service revenue in Aircraft Equipment grew by 6.7%, including acquired activities. Service revenue amounts to 26.5% of total sales, a lower proportion than in 2013 as OE revenue grew faster than services.

- **Defence**
  First-quarter 2014 revenue was Euro 257 million, down 12% compared to Euro 292 million in the previous year (down 11.3% on an organic basis). The drop in activity was slightly greater than expected for the quarter as delayed deliveries of actuators and AASM seeker kits impacted avionics revenues. Optronics revenue was once again softer as shipments continued to decline. Nevertheless, a catch up is expected starting in the second quarter and the annual outlook for stability in Defence remains unchanged.
- **Security**
  The Security businesses are now organised into three customer-oriented business units: Identification, including MorphoTrust, addressing governmental customers; Business Solutions, addressing telco, banking and enterprises; the explosives and illicit substances detection activities.

First-quarter 2014 revenue of Euro 345 million, increased 1.5% compared Euro 340 million in the year-ago period. Reported revenue is affected principally by the division's exposure to the translation effect of various currencies, mainly USD, BRL and INR. On an organic basis, revenue grew by 5.3%. Growth was mainly

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driven by the Detection business on sustained momentum of shipment of CTX systems to US and non-US customers. Identification revenues increased, driven by growth in the Americas (US Federal contracts, Chile) partially offset by declines in the Middle East Africa region. Business Solutions activities declined slightly as banking-sector business in Brazil offset growth in the other areas.

2014 Outlook

Full-year 2014 outlook is confirmed despite the Euro's persistent strength. Safran expects on a full-year basis:

- Adjusted revenue to increase by a percentage rate in the mid-single digits compared to 2013 revenue restated for IFRS 11 (at an estimated average rate of USD 1.30 to the Euro). If the average EUR/USD spot rate of 1.37 were to remain throughout 2014 the mid-single digit growth objective for adjusted revenue would remain achievable, the positive effect of the improving hedge rate partially offsetting the adverse translation effect.
- Adjusted recurring operating income to increase by low double digits compared to 2013 recurring operating income restated for IFRS 11 (at a hedged rate of USD 1.26 to the Euro). The hedging policy isolates adjusted recurring operating income from current EUR/USD variations except for the part generated in USD by activities located in the US, subject to the translation effect when converted into Euro.
- Free cash flow to represent close to 40% of adjusted recurring operating income, subject to usual uncertainties on the timing of advance payments.

The full-year 2014 outlook is based on the following underlying assumptions:

- Healthy increase in aerospace OE deliveries.
- Civil aftermarket increase by a percentage in the low to mid-teens.
- Stable level of self-funded R&D with a lower level of capitalisation compared to 2013.
- Stable level of tangible capex.
- Profitable growth for the Security business, characterized, unlike other activities, by significant exposure to translation effect.
- Continued benefits from the on-going Safran+ plan to enhance the cost structure and reduce overhead.

Currency hedges

Safran now expects annual net USD exposure for 2015-17 to range between USD 6 billion and USD 6.4 billion due to strong growth of businesses with exposed USD-denominated revenues.

- 2014: Hedging is finalised at a hedged rate of USD 1.27, with a target hedged rate of USD 1.26.
- 2015: Hedging is almost completed at a hedged rate of USD 1.26. Accumulators are in place to hedge the additional exposure and strive to

improve the achieved hedged rate to USD 1.25.
- 2016: Exposure of USD 4.8 billion is hedged at a rate of USD 1.25 (including knock out option strategies). Hedging of an additional USD 1.2 billion will be added through accumulators as long as €/$<1.40 up to Q3 2014. Knock out options barriers are set at various levels between USD 1.40 and USD 1.44 for limited periods of time in 2014.
- 2017: Exposure of USD 4.5 billion is hedged at a rate of USD 1.25 (mainly through knock out option strategies). Accumulators will allow coverage to grow to a total of USD 5.2 billion at a blended rate of USD 1.26 as long as €/$<1.42 up to end 2015. The target hedge rate remains unchanged at USD 1.25. Knock out options barriers are set at various levels between USD 1.40 and USD 1.46 for limited periods of time in 2014.

Due to the use of knock out option strategies in 2016 and 2017 portfolios, effective coverage for the period will be secured in the course of 2014 depending on forex market conditions. If all or part of the options were to be knocked out the optional strategies would be adapted to new market conditions. At April 15, 2014, the firm hedge book amounted to USD 18.6 billion. Targeted hedged rates are as follows:

- 2014: USD 1.26 to the Euro
- 2015: USD 1.25 to the Euro
- 2016: USD 1.25 to the Euro
- 2017: USD 1.25 to the Euro

Upcoming events

- Annual Shareholders Meeting : May 27, 2014
- H1 2014 results : July 31, 2014
- Q3 2014 revenue : October 23, 2014

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Safran will host today a conference call open to analysts and investors at 8:00 am CET which can be accessed at +33 1 70 77 09 40 from France, +44 203 367 9453 from the UK, +1 866 907 5928 from the US. A replay will be available at +33 1 72 00 15 00, +44 203 367 9460 and +1 877 642 3018 (access code 286698#). The press release and presentation are available on the website at www.safran-group.com.

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Key Figures

The 2013 financial statements have been restated to reflect the changes induced by the application of IFRS 11 Joint Arrangements.

Segment breakdown of adjusted revenue *(In Euro million)*	**Q1 2013 restated**	**Q1 2014**	% change reported	% change organic
Aerospace Propulsion	1,785	1,825	2.2%	2.1%
Aircraft Equipment	915	1,016	11.0%	10.5%
Defence	292	257	(12.0)%	(11.3)%
Security	340	345	1.5%	5.3%
Others	1	-	na	Na
Total Group	**3,333**	**3,443**	**3.3%**	**3.5%**

Restated 2013 adjusted revenue by quarter *(In Euro million)*	**Q1 2013 restated**	**Q2 2013 restated**	**Q3 2013 restated**	**Q4 2013 restated**	**FY 2013 restated**
Aerospace Propulsion	1,785	1,886	1,771	2,147	7,589
Aircraft Equipment	915	1,030	982	1,164	4,091
Defence	292	274	258	373	1,197
Security	340	384	349	409	1,482
Others	1	-	1	2	4

Restated 2013 adjusted revenue by quarter (In Euro million)	Q1 2013 restated	Q2 2013 restated	Q3 2013 restated	Q4 2013 restated	FY 2013 restated
Total revenue	**3,333**	**3,574**	**3,361**	**4,095**	**14,363**

Euro/USD rate	Q1 2013	Q1 2014
Average spot rate	1.32	1.37
Spot rate (end of period)	1.28	1.38
Hedged rate	1.29	1.27

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 on foreign currency derivatives hedging future cash flows is neutralized.

First-quarter 2014 reconciliation between consolidated revenue and adjusted revenue.

Q1 2014 *(In Euro million)*	Consolidated revenue	Currency hedging		Business combinations		Adjusted revenue
		Remeasurement of revenue	Deferred hedging gain (loss)	Amortization of intangible assets - Sagem-Snecma merger	PPA impacts - other business combinations	
Revenue	**3,353**	**90**	**n/a**	**n/a**	**n/a**	**3,443**

[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.

ANNEX – IMPACTS OF IFRS 11 ON 2013 ACCOUNTS

IFRS 11, Joint Arrangements, effective as of January 1, 2014, eliminates

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proportionate consolidation for interests in jointly controlled entities. Based on the Group's analysis of the entities concerned, those entities which it currently proportionately consolidates have been classified as either joint operations or joint ventures within the meaning of the new standard. 12 entities which were previously proportionately consolidated are classified as joint ventures as defined by IFRS 11 and are therefore accounted for by the equity method. Since the businesses of these entities are closely linked to the Group's own operations, the Group's share of their net earnings will be presented in the Group's recurring operating income.

Restated income statement, net debt position and free cash flow (2013)

Adjusted income statement (In Euro million)	2013	*Impact of IFRS 11*	2013 restated
Revenue	**14,695**	(332)	**14,363**
Other recurring operating income and expenses	**(12,907)**	272	**(12,635)**
Share in profit from joint ventures	**0**	52	**52**
Recurring operating income	**1,788**	(8)	**1,780**
% of revenue	12.2%	+0.2pt	12.4%
Other non-recurring operating income and expenses	**(31)**	(3)	**(34)**
Profit from operations	**1,757**	(11)	**1,746**
% of revenue	12.0%	+0.2pt	12.2%
Net financial income (expense)	(138)	-	(138)
Income tax expense	(540)	11	(529)
Share in profit from associates	15	-	15
Gain on disposal of Ingenico shares	131	-	131
Loss for the period attributable to non-controlling interests	(32)	-	(32)
Profit for the period attributable to owners of the parent	**1,193**	-	**1,193**
EPS (in €)	2.87*	-	2.87*
Net debt position	(1,089)	(131)	(1,220)
Free cash flow	**712**	**(13)**	**699**

** Based on weighted average number of shares of 416,292,736 as of December 31, 2013*

Restated operating segment information (FY 2013)

2013 (In Euro million)	Aerospace Propulsion	Aircraft Equipment	Defense	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	c
Revenue	7,791	4,121	1,278	1,502	14,692	3	14,695	(205)	na	1
Impact of IFRS 11	(202)	(30)	(81)	(20)	(333)	1	(332)	-	na	(
Restated revenue	**7,589**	**4,091**	**1,197**	**1,482**	**14,359**	**4**	**14,363**	**(205)**	**na**	**1**
Recurring operating income	1,359	380	87	120	1,946	(158)	1,788	(216)	(277)	1
Impact of IFRS 11	(1)	(4)	(3)	-	(8)	-	(8)	-	-	(
Restated recurring operating income	**1,358**	**376**	**84**	**120**	**1,938**	**(158)**	**1,780**	**(216)**	**(277)**	**1**
Free cash flow	521	67	110	(42)	656	56	712	na	na	7
Impact of IFRS 11	(28)	6	16	(7)	(13)	-	(13)	na	na	(
Restated free cash flow	**493**	**73**	**126**	**(49)**	**643**	**56**	**699**	**na**	**na**	**6**

Restated balance sheet (December 31, 2013)

Balance sheet - Assets (In Euro million)	Dec. 31, 2013	*Impacts of IFRS 11*	Dec. 31, 2013 restated
Goodwill	3,495	(96)	3,399
Tangible & Intangible assets	7,381	(298)	7,083
Investments in joint ventures and associates	133	547	680
Other non-current assets	601	(16)	585
Current derivatives assets	864	-	864
Inventories and WIP	4,135	(137)	3,998
Trade and other receivables	5,102	(135)	4,967
Cash and cash equivalents	1,672	(125)	1,547
Other current assets	590	(15)	575
Total Assets	**23,973**	**(275)**	**23,698**

Balance sheet - Liabilities (In Euro million)	Dec. 31, 2013	*Impacts of IFRS 11*	Dec. 31, 2013 restated
Equity	6,814	(1)	6,813

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Balance sheet - Liabilities (In Euro million)	Dec. 31, 2013	*Impacts of IFRS 11*	Dec. 31, 2013 restated
Provisions	2,975	(17)	2,958
Borrowings subject to sp. conditions	670	-	670
Interest bearing liabilities	2,730	6	2,736
Non-current derivatives	36	-	36
Other non-current liabilities	1,412	(8)	1,404
Trade and other payables	8,920	(252)	8,668
Other current liabilities	416	(3)	413
Total Equity & Liabilities	**23,973**	(275)	**23,698**

Restated income statement, net debt position and free cash flow (H1 2013)

Adjusted income statement (In Euro million)	H1 2013	*Impact of IFRS 11*	H1 2013 restated
Revenue	**7,066**	(159)	**6,907**
Other recurring operating income and expenses	**(6,219)**	132	**(6,087)**
Share in profit from joint ventures	-	22	**22**
Recurring operating income	**847**	(5)	**842**
% of revenue	12.0%	+0.2pt	12.2%
Other non-recurring operating income and expenses	**(23)**	-	**(23)**
Profit from operations	**824**	(5)	**819**
% of revenue	11.7%	+0.2pt	11.9%
Net financial income (expense)	(67)	-	(67)
Income tax expense	(231)	5	(226)
Share in profit from associates	10	-	10
Gain on disposal of Ingenico shares	131	-	131
Loss for the period attributable to non-controlling interests	(9)	-	(9)
Profit for the period attributable to owners of the parent	**658**	0	**658**
EPS (in €)	1.58*	-	1.58*
Net debt position	(1,202)	(115)	(1,317)
Free cash flow	**157**	**10**	**167**

* *Based on weighted average number of shares of 416,151,726 as of June 30, 2013*

Restated segment information (H1 2013)

H1 2013 (In Euro million)	Aerospace Propulsion	Aircraft Equipment	Defense	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	c
Revenue	3,773	1,961	598	733	7,065	1	7,066	(46)	na	7
Impact of IFRS 11	(102)	(16)	(32)	(9)	(159)	-	(159)	-	na	(
Restated revenue	**3,671**	**1,945**	**566**	**724**	**6,906**	**1**	**6,907**	**(46)**	**na**	**6**
Recurring operating income	634	175	45	66	920	(73)	847	(46)	(126)	6
Impact of IFRS 11	(3)	(1)	-	(1)	(5)	-	(5)	-	-	(
Restated recurring operating income	**631**	**174**	**45**	**65**	**915**	**(73)**	**842**	**(46)**	**(126)**	**6**
Free cash flow	208	(68)	37	(53)	124	33	157	na	na	1
Impact of IFRS 11	(10)	8	18	(6)	10	-	10	na	na	1
Restated free cash flow	**198**	**(60)**	**55**	**(59)**	**134**	**33**	**167**	**na**	**na**	**1**

Restated segment information (Q1 2013, Q3 2013 and 9M 2013)

Q1 2013 (In Euro million)	Aerospace Propulsion	Aircraft Equipment	Defense	Security	Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	c
Revenue	1,831	924	304	344	3,403	1	3,404	(26)	na	3,
Impact of IFRS 11	(46)	(9)	(12)	(4)	(71)	-	(71)	-	na	(7
Restated revenue	**1,785**	**915**	**292**	**340**	**3,332**	**1**	**3,333**	**(26)**	**na**	**(3**

Q3 2013 (In Euro million)	**Aerospace Propulsion**	**Aircraft Equipment**	**Defense**	**Security**	**Total operating segments**	**Holding company and other**	**Total adjusted data**	**Currency hedges**	**Impacts of business combinations**	**co**
Revenue	1,815	990	278	354	3,437	-	3,437	(33)	na	3,
Impact of IFRS 11	(44)	(8)	(20)	(5)	(77)	1	(76)	-	na	(7
Restated revenue	**1,771**	**982**	**258**	**349**	**3,360**	**1**	**3,361**	**(33)**	**na**	**3,**

9M 2013 (In Euro million)	**Aerospace Propulsion**	**Aircraft Equipment**	**Defense**	**Security**	**Total operating segments**	**Holding company and other**	**Total adjusted data**	**Currency hedges**	**Impacts of business combinations**	**co**
Revenue	5,588	2,951	876	1,087	10,502	1	10,503	(79)	na	10
Impact of IFRS 11	(146)	(24)	(52)	(14)	(236)	1	(235)	-	na	(2
Restated revenue	**5,442**	**2,927**	**824**	**1,073**	**10,266**	**2**	**10,268**	**(79)**	**na**	**10**

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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 66,300 employees and generated sales of 14.4 billion euros* in 2013. 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 1.8 billion Euros in 2013. Safran is listed on NYSE Euronext Paris and is part of the CAC40 index.*

** Restated for the impact of IFRS11*

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