

Long-term variable compensation

Granting of Performance Units to the Chief Executive Officer

Upon the recommendation of the Appointments and Compensation Committee, at its meeting of July 29, 2015, the Board of Directors decided to introduce a **long-term variable compensation system in the form of a 2015 Performance Unit (PU) plan**, designed to recognize contributions to Safran's operating performance and the creation of shareholder value, as measured over several years. The Board considered that this plan was based on appropriate, stringent criteria, aligned with the interests of the Group's shareholders.

Under this plan, the Board of Directors granted an initial 17,050 PUs to Philippe Petitcolin, Chief Executive Officer.

The main characteristics of the plan are as follows:

- **The number of PUs that ultimately vest will depend on the extent to which internal and external performance conditions are met, as measured over a period of three years (2015-2017):**

- **Internal performance conditions**

The internal performance conditions correspond to the achievement of recurring operating income (ROI) and free cash flow (FCF) objectives. For 2015, these objectives are based on the 2015 budget and for 2016 and 2017 they are based on Safran's most recent medium-term plan, both of which have been approved by the Board of Directors. These objectives account for 60% of the performance criteria determining the number of PUs that will vest (30% for the ROI objective and 30% for FCF objective).

The following performance levels have been set for each of these two objectives (ROI and FCF):

- Target achievement level: If 100% of the average of the annual objectives is met over the 2015-17 period, 100% of the internal performance condition-related compensation will be vested ;
- Highest achievement level: If 150% or more of the average of the annual objectives is met, 150% of the internal performance condition-related compensation will be vested;
- Lowest achievement level: If 80% of the average of the annual objectives is met, 50% of the internal performance condition-related compensation will be vested;
- Between the lowest achievement level and the target level, and between the target level and the highest achievement level, the vesting will vary in linear fashion. Below the lowest achievement level, 0% of the internal performance condition-related compensation will be vested.

- **External performance condition**

The external performance condition is based on Safran's total shareholder return (TSR¹) performance over a period of three years (2015-2017) as measured relative to a group of peer companies² operating in the same business sectors as Safran (Aerospace, Defense and Security). This objective accounts for 40% of the performance criteria determining the number of PUs that will vest.

1 Change in share price, adjusted to take account of dividend distributions during this period.

2 At the grant date, these companies comprise Airbus Group, BAE Systems, Boeing, Finmeccanica, Gemalto, MTU Aero Engines, Rolls Royce, Thales and Zodiac Aerospace, weighted according to their respective market capitalization.

The following performance levels have been set for this condition:

- Target achievement level: If Safran delivers a TSR that is 8 points higher than the peer companies, 100% of the external performance condition-related compensation will be vested;
 - Highest achievement level: If Safran delivers a TSR that is 12 points higher than the peer companies, 150% of the external performance condition-related compensation will be vested;
 - Lowest achievement level: If Safran delivers a TSR that is equal to that of the peer companies, 50% of the external performance condition-related compensation will be vested;
 - Between the lowest achievement level and the target level, and between the target level and the highest achievement level, the vesting will vary in linear fashion. Below the lowest achievement level, 0% of the performance condition-related compensation will be vested.
- **After the three-year performance period (2015-2017), the Board of Directors will determine how many PUs will ultimately vest based on the extent to which performance conditions have been achieved³.**
 - **Payment terms and schedule – continuing service condition**
 - Payment of the PUs is subject to **the Chief Executive Officer remaining in the Group until his term of office expires⁴** (barring certain exceptional circumstances⁵).
 - Payments will be made in two installments (end-October 2018 and end-October 2019), each one corresponding to 50% of the vested PUs.
 - One-third of any compensation payable as part of each installment will be paid in Safran shares, with the remaining two-thirds paid in cash.
 - **Value of PUs and maximum compensation payable**
 - The gross compensation payable for each vested PU will correspond to the average of the closing price of the Safran share during the 20 trading days prior to the payment of each of the two installments.
 - The potential gross compensation payable under the plan **will be capped at 225% of the target long-term variable compensation⁶** (corresponding to 262.5% of the Chief Executive Officer's annual fixed compensation for 2015 i.e., €1,575,000).

As set out in the Board of Directors' Internal Rules, the Chief Executive Officer formally agreed to refrain from using instruments to hedge risks related to either the PUs or the shares received as payment.

The terms and conditions of this long-term compensation plan will be adapted and applied to the members of the Executive Committee.

3 During the first quarter of 2018.

4 Chief Executive Officer's position to remain until the 2018 Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2017.

5 Death, disability.

6 Corresponding to target long-term variable compensation of €700,000.