PRESS RELEASE

Safran: 2016 annual results

- *Objectives met or exceeded, further operational progress in 2016*
- *Smooth entry into service of LEAP, transition on track*
- *Strategic milestones: closing of launcher JV with Airbus, ongoing sale of Security activities and planned acquisition of Zodiac Aerospace*
- *2017-20 Financial ambition re-affirmed*

Paris, February 24, 2017

All figures in this press release represent adjusted[1] data and continuing operations, except where noted. Please refer to the definitions and reconciliation between FY 2016 consolidated income statement and adjusted income statement. Comparisons are established against 2015 figures for continuing operations. Please refer to definitions contained in the Notes on page 15 and following of this press statement.

Key figures for full-year 2016 (continuing operations except where stated)

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

- **Adjusted revenue was Euro 15,781 million,** up 1.6% year-on-year. Adjusted revenue **growth was 3.9% on an organic basis**.
- **Adjusted recurring operating income [2] was Euro 2,404 million, a 5.4% increase** year-on-year. After one-off items totalling Euro (18) million, adjusted profit from operations was Euro 2,386 million.
- **Adjusted recurring operating margin of 15.2% improved by 50 basis points** compared to 2015.
- **Adjusted net income – Group share (continuing and discontinued operations) at Euro 1,804 million rose 21.7%** compared with 2015. Basic EPS was Euro 4.34, diluted EPS was Euro 4.26. For continuing operations, adjusted net income – Group share was Euro 1,689 million (basic EPS of Euro 4.06, diluted EPS of Euro 3.99). The capital gain of Euro 367 million resulting from the loss of control in the activities and the investments contributed to Airbus Safran Launchers is neutralised in the adjusted net income.

- Consolidated (non-adjusted) net income - Group share (for continuing and discontinued operations) at Euro 1,908 million, including a non-cash charge of Euro 186 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 and a capital gain of Euro 367 million resulting from the loss of control in the activities and the investments contributed to Airbus Safran Launchers (see Note 1 on page 15).

- **Free cash flow generation was Euro 1,091 million,** 17.4% higher than in 2015 and amounting to 45% of adjusted recurring operating income.

- **Net debt was Euro 1,383 million** as of December 31, 2016, following notably a capital subscription of Euro 750 million made by Safran to equalise its share in Airbus Safran Launchers.

- **Civil aftermarket [3] growth was 6.9%** in USD terms in 2016 driven notably by recent CFM56, GE90 engines spares and services. Civil aftermarket had a strong finish to 2016 with 12.5% growth in Q4.

- **A dividend payment of Euro 1.52 per share** (+10.1% year on year) will be proposed to the shareholders' vote at the Annual General Meeting on June 15, 2017 (including the Euro 0.69 per share interim dividend payment paid in December 2016).

- **2017 outlook:** For 2017, on a full year basis, Safran expects its reported adjusted revenue to grow in the range 2% to 3%. 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 is expected to be close to the 2016 level. Free cash flow is expected to be above 45% of recurring operating income.

Key business highlights for 2016

- **CFM56 programme**: Record 1,693 engines delivered in 2016, up from 1,612 in 2015. Demand for the CFM56 continues to be robust: 876 orders and commitments were received in 2016.

- **LEAP programme:**

  - Backlog: Continuing commercial success for LEAP: 1,801 orders and commitments were received, bringing total backlog to 11,563 engines at December 31, 2016.
  - Production and deliveries: CFM successfully ramped up the production of LEAP: 108 engines were produced in 2016 of which 77 LEAP engines were delivered supporting all commercial commitments to customers.
  - LEAP-1A: The LEAP-1A smoothly entered into service in July 2016 at Pegasus, as per the schedule set five years ago. The engine meets all performance specifications. In all, 6 airlines currently operate LEAP-1A engines totalling over 36,000 flight hours at the end of January 2017.

- LEAP-1B: Certification of the LEAP-1B engine was simultaneously awarded by both EASA[1] and the FAA[2] on May 4, 2016, paving the way for entry into commercial service in the first half of 2017. So far four 737 MAX are in test and more than 2,100 hours of flight tests have been logged on over 1,600 flights. Measurements show that the engine is fully on track to meet the desired specifications.
- LEAP-1C: Certification of the LEAP-1C integrated propulsion system was simultaneously awarded by both EASA and the FAA on December 21, 2016. Comac is preparing the C919 for its first flight, expected in the first half of 2017.

- **Ariane 6:** The Ariane 6 program passed two decisive milestones. Airbus Safran Launchers received the confirmation of launcher maturity following the first design review and signed the amendment to the initial contract with ESA, enabling commitment of the necessary funds to finalize development and industrial production.

- **Rafale:** France and India signed the contract for the acquisition by India of 36 Rafale aircraft. This is the third export contract for Dassault Aviation's fighter for which Safran supplies a number of key systems including M88 engines, power transmission, landing gear, wheels and carbon brakes, inertial navigation, wiring and other systems. Safran is also the prime contractor for the AASM weapon system.

- **Silvercrest:** Cessna selected the Silvercrest for its Citation Hemisphere business jet. The Hemisphere is the second application for Silvercrest. First flight is expected in 2019.

- **Helicopters:** Development of new helicopter engines made good progress in 2016 with five first flights including the Arrano 1A for the H160, the Ardiden 1U for the Indian LUH (Light Utility Helicopter), and the Ardiden 3C engine for the Avicopter AC352. In services, Safran signed a 10-year contract with NAHEMA (NATO Helicopter Management Agency), to support RTM322-powered NH90 operated by French, Belgian and Dutch armed forces.

- **Aircraft Equipment:** Safran signed several carbon brakes contracts with airlines for a total of over 1,100 aircraft in 2016, bringing the total installed base to close to 8,200 aircraft at end 2016. Safran is the world leader in carbon brakes for commercial aircraft above 100 passengers[3].

- **Defense:** The French defence procurement agency (DGA) announced a new order for AASM modular precision-guided munitions, with deliveries starting in 2019. This order is additional to ongoing AASM deliveries to the French army and export markets.

Key strategic milestones

2016

March 14: CMD'16 – Strategic roadmap and capital allocation policy.
April 21: Agreement for the sale of Morpho Detection to Smiths Group plc.
June 30: Closing of Airbus Safran Launchers, an equally-owned JV uniting the strengths of two leading contributors to modern launch vehicles.
September 29: Announcement of exclusive negotiations for the sale of identity and security businesses to Advent International.

[1] European Aviation Safety Agency

[2] Federal Aviation Administration

[3] Source: Safran

2017
January 19: Exclusive negotiations for the acquisition of Zodiac Aerospace to create a new global leader in aerospace

The Board of Directors of Safran (Euronext Paris: SAF), under the Chairmanship of Ross McInnes, met in Paris on February 23, 2017 to approve the annual financial statements for 2016.

Executive commentary

CEO Philippe Petitcolin commented:

"Safran passed several key strategic milestones in 2016 with the finalisation of ASL, our launcher joint venture with Airbus, the announcement of our intention to dispose of our Security assets. Early in 2017 we announced the planned acquisition of Zodiac Aerospace. The proposed transaction is a unique opportunity for Safran, and I am eager to drive this strategic move.

Operationally, we are executing well on the entry into service and production ramp-up of the LEAP. At the same time, our production of CFM56 has never been higher with 1,693 engines delivered in the year. Across the group, Safran companies are fully focused on delivering on the commitments we have made to our customers.

In 2016, the group met or exceeded its financial targets. The outlook for 2017 and trends for the coming years are consistent with the view we described a year ago. The team at Safran is fully mobilised to continue executing on our objectives and to prepare for the future."

Order intake and backlog. On the basis of continuing operations, new order intake in 2016 was Euro 17.8 billion, providing evidence of robust and resilient demand. The total backlog at December 31, 2016 amounted to Euro 62 billion, compared with Euro 59 billion at December 31, 2015 after a correction for certain contracts identified in backlog end-2015 which did not at that time fulfil the criteria applied by the group. This does not include future flows from aircraft engine spares and services provided on a "time and materials" basis which will provide significant high-margin revenue streams in future decades.

2016 results

Safran met or exceeded guidance across the board in 2016.

Adjusted revenue. Safran's adjusted revenue was Euro 15,781 million, up 1.6%, compared to Euro 15,536 million in 2015[4]. This Euro 245 million increase reflects growth in Aerospace (propulsion and equipment).

As expected, from July 1, 2016, the space launcher business no longer contributes to revenues whereas it had done so in 2015 (Euro 410 million in H2 2015). On an organic basis, Group revenue increased by 3.9%, or Euro 603 million, driven by Aerospace (propulsion and equipment). Organic revenue was determined by applying constant exchange rates and by excluding the effects of changes in scope of consolidation.

[4] 2015 data has been restated, classifying Security activities as "discontinued operations" (IFRS 5)

Euros millions	Propulsion	Aircraft Equipment	Defence	Holding & Others	**Safran**
FY 2015	9,319	4,943	1,266	8	**15,536**
FY 2016	9,391	5,145	1,238	7	**15,781**
Reported growth	0.8%	4.1%	(2.2)%	na	1.6%
Impact of changes in scope	(4.4)%	0.1%	ns	na	(2.6)%
Currency impact	0.3%	0.5%	ns	na	0.3%
Organic growth	**4.9%**	**3.5%**	**(2.2)%**	**na**	**3.9%**

Currency variations favourably impacted revenue in the amount of Euro 48 million. The average USD/EUR spot rate during 2016 was 1.11 to the Euro, stable compared to 2015. The Group's hedge rate improved to USD 1.24 to the Euro in 2016 from USD 1.25 a year ago.

Adjusted recurring operating margin reached 15.2% of revenue. Safran's adjusted recurring operating income was Euro 2,404 million, up Euro 123 million, or 5.4%, compared to Euro 2,281 million in the full-year 2015[5]. On an organic basis, the improvement was Euro 92 million as the impact of currency amounted to Euro 33 million and that of changes in the scope of consolidation was Euro (2) million.

The improvement in recurring operating income was primarily driven by Aircraft Equipment where growth in aftermarket activities, particularly wheels and brakes, was strong. Defence also contributed to growth.

One-off items totalled Euro (18) million:

In Euro million	**FY 2015**	**FY 2016**
Adjusted recurring operating income	**2,281**	**2,404**
% of revenue	14.7%	15.2%
Capital gain (loss) on disposals	-	-
Impairment reversal (charge)	*(637)*	-
Other infrequent & material non-operational items	*(43)*	*(18)*
Adjusted profit from operations	**1,601**	**2,386**
% of revenue	10.3%	15.1%

Adjusted net income – Group share was Euro 1,804 million (Euro 4.34 per share) compared with Euro 1,482 million (Euro 3.56 per share) in 2015. Adjusted net income – Group share for continuing operations was Euro 1,689 million (Euro 4.06 per share) compared with Euro 1,386 million (Euro 3.33 per share) in 2015.

In addition to the rise in profit from operations, this improved performance includes:

- Net financial expense of Euro (144) million, including cost of debt of Euro (51) million.
- Tax expense of Euro (498) million (22.2% apparent tax rate). The fall in the apparent tax rate is due to a drop in the applicable corporate tax rate in France in 2016 and by the reduction of deferred taxes reflecting continuing falls in future corporate tax rates enacted in legislation in 2017.

[5] 2015 data has been restated, classifying Security activities as « discontinued operations » (IFRS5)

The reconciliation between 2016 consolidated income statement and adjusted income statement is provided and commented in the Notes on page 15.

Balance sheet and cash flow

Operations generated Euro 1,091 million of free cash flow. The net debt position was Euro 1,383 million as of December 31, 2016 compared to a net debt position of Euro 748 million as of December 31, 2015. Free cash flow generation was driven by cash from operations of Euro 2,651 million, devoted principally to capital expenditures (stable at Euro 704 million) and to a controlled increase in working capital needs of Euro 168 million.

Outflows included notably the subscription to capital increases at ASL amounting to Euro 750 million with respect to the finalisation of Airbus Safran Launchers and dividend payments of Euro 642 million, including the distribution of the 2015 final dividend (€0.78 per share) and a 2016 interim dividend (€0.69 per share).

As of December 31, 2016, Safran had cash & cash equivalents of Euro 1.9 billion and Euro 2.5 billion of secured and undrawn facilities available.

Research & Development

Total expenditures, including customer-funded R&D, reached Euro 1,708 million.

The self-funded R&D effort before research tax credit was Euro 1,106 million or 7.0% of revenue in FY 2016, a decrease of Euro 117 million compared to full-year 2015. Capitalised R&D fell by Euros 136 million to Euros 343 million, as expected, due mainly to lower expenditure on the LEAP programmes. Spending on the LEAP-1A programme is fully expensed since May 1, 2016 and amortisation of capitalised R&D has commenced. Thus, the impact of expensed R&D on recurring operating income was Euro 728 million, an increase of Euro 45 million compared to 2015.

Capital expenditure

Capital expenditure in 2016 amounted to Euro 704 million, equivalent to the prior year. This sustained level mainly reflects the preparation for the entry into service and ramp-up of new programmes.

Dividend proposal

A dividend payment of Euro 1.52 per share, representing a 10.1% increase compared with 2015, will be proposed to the shareholders' vote at the next Annual Shareholders' Meeting on June 15, 2017. An interim payment having been made in December 2016 (Euro 0.69 per share), the final dividend payment would be Euro 0.83 per share (approximately Euro 347 million). This balance would be paid from June 21, 2017 (ex-dividend date: June 19, 2017).

Equity shareholding

The French state sold 1.39% of Safran's share capital to institutional investors via a placing on November 23, 2016. At December 31, 2016 the French state held 14.0% of Safran share capital compared with 15.4% a year prior.

Pursuant to current legislation, a further 644,444 shares belonging to the French state will subsequently be offered to Safran employees and former employees.

On December 12, 2016, the Group announced it would proceed with the repurchase of its own shares within the framework of the authorizations granted by the May 19, 2016 annual shareholders' meeting and 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. The initial repurchase tranche of Euro 250 million was achieved in January 2017 and led to the repurchase of 3,756,498 shares.

Employees

Safran employed around 57,500 people in its continuing operations at end-2016. Including Security activities (discontinued operations), headcount totalled 66,500 people at December 31, 2016, compared with around 70,100 a year prior. The decrease is explained essentially by the transfer of nearly 3,500 employees to ASL. External hiring continued at almost the same rate as natural attrition to ensure generational renewal and to stabilise the Group's headcount. The headcount in France was stable at over 38,000, after 2,000 hirings. 5,000 people were hired elsewhere in the world.

In 2016, the Group's contribution to employee profit-sharing and incentive schemes including social contributions totalled Euro 435 million for continuing operations, compared to Euro 420 million in the year ago period.

IFRS 15

Safran is presently in the process of evaluating its accounting methods in the light of the future standard.
This analysis has been carried out throughout the group on the different types of contractual agreements.
Based on this analysis, Safran expects the following changes:

- Safran will recognize revenues for services provided under long term agreements as services are performed and no longer as equipment is used by the customer. Stage of completion measurement and revenue recognition will then be based on costs incurred and no longer using flight hours or equivalent criteria.
- For contracts with multiple elements such as development associated with goods and services, distinct performance obligations will be identified, if appropriate. For each performance obligation, revenue will be recognized based on the transfer of control.
- Some items currently reported as costs will be reclassified as a deduction of sales (some performance warranties for example)

Conversely, Safran expects no change for the revenue recognition of original equipment (engines and equipment) deliveries, spare parts deliveries and maintenance provided on a "time and materials" basis.
In summary, Safran does not expect the application of IFRS15 to have a significant impact on the level of annual revenues, at constant scope of consolidation, nor any impact on the associated cash flows.
Safran plans to adopt IFRS15 in 2018 using the full retrospective approach. The comparative 2017 results included in the 2018 financial statements will be restated, with an adjustment to equity as at 1st January 2017.

Currency hedges

Safran's hedging portfolio totalled USD 19.2 billion on February 6, 2017.
2017: Net exposure (7.5 billion) is fully hedged with a target rate at 1.21 USD/EUR, as previously.
2018: Coverage of net USD/EUR exposure increased to USD 7.7 billion (previously USD 6.1 billion). This coverage was built to cover fully the expected net exposure at a target hedge rate of 1.18 USD/EUR (previously a range 1.17 – 1.19 USD/EUR).
2019: Coverage of net USD/EUR exposure increased to 2.7 billion and should rise to 8.0 billion by year end 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 upper limit of the target hedge rate range improved by 1 cent to 1.18 USD/EUR (previously 1.19 USD/EUR). The lower limit of the target hedge remains unchanged at 1.15 USD/EUR.
2020: Coverage of net USD/EUR exposure has been initiated with 1.5 billion hedged and should increase to 5.5 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 two years. Target hedge rate is ranging between 1.13 and 1.18 USD/EUR.

Full-year 2017 outlook

All the businesses comprising the Security activities are classified as "discontinued operations". As a result, 2017 guidance and the 2016 comparison are based on continuing operations: Propulsion, Aircraft Equipment, Defence, 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.

Safran expects for 2017 on a full-year basis:

- Reported adjusted revenue to grow in the range 2% to 3%. 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 guidance is based notably on the following assumptions:

- Increase in aerospace OE deliveries
- Civil aftermarket growth at the same level as 2016
- Transition CFM56 – LEAP: overall impact on Propulsion adjusted recurring operating income in the range € 300 to 350 million
    - Lower CFM56 OE volumes
    - Negative margin on LEAP deliveries and depreciation of inventory and WIP related to future deliveries
- Reduction of self-funded R&D of the order of € 100 million
    - Less spending on LEAP, A320neo
- Falling capitalisation, rising amortisation of capitalised R&D: impact on recurring operating income in the range € 50 to 100 million
- Sustained level of tangible capex, including expansions, new production capacity and tooling, around € 850 million, to support production transitioning and ramp-up
- Continued benefits from productivity improvements.

2017-2020 financial ambition reaffirmed on the basis of current scope

As indicated at its investor meeting of March 14, 2016, Safran has updated its medium term trends and reaffirms its 2020 financial ambition.

- On the basis of "continuing operations" as of January 1, 2017, i.e. before any acquisition and considering that the Security activities, classified as "discontinued operations", will leave the scope of consolidation as planned in 2017, **Group adjusted recurring operating margin[6] was 14.7% in 2015.**

Safran confirms the previously indicated trend for an annual Group adjusted recurring operating margin[6] consistent with this level over the transition period.

- Other assumptions are updated as follows:
  - These trends assume current accounting standards. The impacts of IFRS 15 on Group revenue are expected to be limited. Further indications on these impacts will be given during 2017.
  - An average EUR/USD spot rate of 1.10 is assumed for 2017, and 1.14 over 2018-20, as well as the advantages of a medium-term hedging policy that enables Safran to benefit from the improvement in the EUR/USD exchange rate at least until 2020 (in the range USD 1.13-1.18 in 2020) as specified in the 2016 annual results presentation.
  - The trends include updated key assumptions for major programmes, notably CFM56 and LEAP. The free cashflow objective is subject to the usual uncertainties regarding the rhythm of payments by state clients.

The objectives for 2020 are for adjusted consolidated sales in excess of Euro 19 billion, an adjusted recurring operating margin trending towards 16% and for average free cashflow for the period at 50% of adjusted recurring operating income.

Exclusive negotiations for the acquisition of Zodiac Aerospace

On January 19, 2017, Safran and Zodiac Aerospace announced having entered into exclusive negotiations for an acquisition of Zodiac Aerospace by Safran through an agreed public offer of €29.47 per share and a subsequent merger on the basis of 0.485 Safran shares for one Zodiac Aerospace share. Prior to and conditional upon the merger, Safran would distribute a special dividend of €5.50 per share to its existing shareholders.

Safran's Board of Directors and Zodiac Aerospace's Supervisory Board separately unanimously approved the principle of the planned transaction. The finalization of a binding agreement is subject to the completion of ongoing procedures with Safran's and Zodiac Aerospace's respective employees representative bodies under applicable laws and regulations. The finalization of the transaction would be subject to the approval of Safran's and Zodiac Aerospace's shareholders, relevant antitrust clearances, regulatory approvals and other customary conditions. The completion of the tender offer is expected by the end of the 4th quarter 2017 and completion of the merger is expected early 2018. Safran and Zodiac Aerospace will update the market as required.

[6] Group adjusted recurring operating income / adjusted revenue

The terms of the proposed transaction were published in a press statement and commented by Safran management on a conference call on January 19, 2017. The press statement and presentation related to the announcement are available on Safran's website: http://www.safran-group.com

Business commentary for 2016

- **Aerospace Propulsion**

During 2016, orders and commitments were received for 1,801 LEAP engines. As of February 2017, the LEAP engine has now surpassed 12,200 total engine orders and commitments (excluding options). Demand for CFM56 engines continues to be robust: orders were placed for 876 engines in 2016 and the backlog stood at 2,273 engines at end-2016.

Revenue was Euro 9,391 million, up 0.8% compared to Euro 9,319 million in 2015. Excluding the scope effect related to the equity accounting of Safran's 50% share of Airbus Safran Launchers (space propulsion had contributed Euro 410 million to OE propulsion revenue in H2 2015), growth would have been 5.4%. On an organic basis, Propulsion revenue rose 4.9%, driven by civil OE and service business on both civil and military programmes.

OE revenues from civil engines grew organically in the mid-single digits as revenue was recognized on 77 LEAP engines and CFM56 deliveries reached record level (1,693 units, 5% more than in 2015). Military OE revenues also increased due to higher shipments of TP400 engines. Eleven M88 deliveries were recognized in 2016, including 7 for Egypt. OE sales of helicopter turbines declined in the high-single digit range, affected by a decrease in volumes of heavy helicopter turbines, partially offset by increased shipments of lower-unit-value, light helicopter turbines.

Overall service revenue in Propulsion was up 7.3% in Euro terms and represents a 57% share of revenue in the year. Civil aftermarket revenue grew by 6.9% in USD terms compared to 2015, still driven by recent CFM56, GE90 engines spares and services. Military aftermarket recorded strong growth. Helicopter turbines support declined in the mid-single digits, impacted by a fall in flight hours particularly at Oil and Gas customers and the grounding of part of the H225 Super Puma fleet.

Recurring operating income, at 19.0% of revenue, was Euro 1,786 million compared to Euro 1,833 million (19.7% of revenue) in 2015. Strong service activity and increased deliveries of CFM56 engines contributed positively. As expected, profitability was impacted by LEAP production costs, expensed through recognition of negative margin linked to LEAP engines delivered as well as through depreciation of inventory and work in progress related to LEAP engines in production. A higher level of R&D than in 2015 was a headwind as charges related to the LEAP-1A are expensed since May 2016 and amortisation of capitalised R&D has commenced. The improvement in the hedge rate had a positive impact on profitability.

In 2016, Safran initiated its plan to drive down LEAP production cost to achieve breakeven at gross margin level before the end of the decade, as previously indicated.

- **Aircraft Equipment**

The Aircraft Equipment segment reported revenue of Euro 5,145 million, up 4.1% compared to 2015. On an organic basis, revenue was up 3.5%. Service revenue represented 31.8% of sales, almost 2 percentage points more than in 2015.

Equipment OE sales increased by 1.4%. Revenue growth was driven by higher deliveries of A350 wiring and landing gear shipsets, LEAP nacelles for A320neo, wiring and landing gear for A320ceo and A320neo, as well as by increased contribution of A400M, notably in landing gear. Headwinds included lower A330 and A380 volumes. Shipments to Boeing on the 787 programme were broadly stable compared to the prior year.

Services grew 10.5% thanks to continuing momentum in carbon brakes aftermarket business and higher nacelle service activity (including initial provisioning with A320neo-LEAP airline customers).

Recurring operating income was Euro 567 million, an increase of 21.7% compared to Euro 466 million in 2015. Return on sales increased by 160 basis points to 11.0%. Increased volume, notably in aftermarket activities, coupled with strong cost reduction and productivity actions drove broad-based profitability improvements. The improved hedged rate also contributed positively. The rise of expensed R&D had a slight negative impact on profitability.

- **Defense**

Revenue was down 2.2% at Euro 1,238 million compared to 1,266 in 2015. As expected, the decline is principally due to the run-off of a few optronics contracts, not yet fully offset by the increasing contribution of recently awarded contracts for France and export markets.

In Optronics, the end of the contribution of the FELIN programme and lower sales of sighting systems were partially offset by higher volumes of infrared goggles and the start-up of the contribution of the Patroller tactical UAV programme. Avionics revenue was impacted by a drop in volumes of helicopter flight control systems, partially compensated by increased shipments of guidance kits, notably for export. Higher sales in Electronics were driven by the ramp-up of FADEC volumes, notably for CFM56 and LEAP engines.

Commercial activity was particularly strong in 2016 with order intake of Euro 1.8 billion for the year. Notable contracts include the Patroller tactical UAV programme for the French army, LTLM II portable optronics equipment for the US armed forces and a further order for AASM guidance kits for the French defense procurement agency (DGA). The good book to bill for the year solidly supports growth prospects.

Recurring operating income was up at Euro 76 million compared to Euro 64 million in 2015. Return on sales increased 100 bps to 6.1% of sales in 2016. The investments made to improve industrial performance and the strong cost control measures put in place yielded their first benefits. The level of capitalised R&D rose compared to 2015. Self-funded R&D intensity was sustained, at 9.1 % of sales, in order to maintain technological leadership and support the development of newly awarded contracts, including the Patroller program.

- **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 strong decrease (Euro 57 million) of Holding and others' impact on Group recurring operating income reflects strong cost reduction measures, rationalisation as well as lower provisions and a limited increase in corporate fees charged back to subsidiaries.

Agenda

Q1 2017 revenue	April 25, 2017 post-market
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 8:30 am CET which can be accessed at +33 (0)1 70 77 09 40 (France), +44 (0)203 367 9454 (UK) and +1 866 907 5924 (US).

A webcast of the conference call will be available via Safran's website after registration using the following link: http://event.onlineseminarsolutions.com/wcc/r/1358645-1/29162DC6C97A0168E9DAE5C78248FE7C

Audience members will have access to the webcast 15 minutes before the start of the conference.

A replay of the conference will be available until May 23, 2017 using this same link.

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

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Key figures

Continuing operations. All 2015 figures are restated for IFRS 5 except for the balance sheet at 31/12/2015

Adjusted income statement *(In Euro million)*	**FY 2015**	**FY 2016**	**% change**
Revenue	**15,536**	**15,781**	**1.6%**
Other recurring operating income and expenses	(13,300)	(13,476)	
Share in profit from joint ventures	45	99	
Recurring operating income	**2,281**	**2,404**	**5.4%**
% of revenue	14.7%	15.2%	0.5 pt
Other non-recurring operating income and expenses	(680)	(18)	
Profit from operations	**1,601**	**2,386**	**49.0%**
% of revenue	10.3%	15.1%	4.8 pt
Net financial income (expense)	(218)	(144)	
Income tax expense	(371)	(498)	
Share in profit from associates	-	-	
Gain on disposal of Ingenico Group shares	421	-	
Profit from continuing operations	**1,433**	**1,744**	**21.7%**
Profit from discontinued activities	99	117	
Profit for the period	**1,532**	**1,861**	**21.5%**
Profit for the period attributable to non-controlling interests	**(50)**	**(57)**	
From continuing operations	*(47)*	*(55)*	
From discontinued operations	*(3)*	*(2)*	
Profit for the period attributable to owners of the parent	**1,482**	**1,804**	**21.7%**
From continuing operations	*1,386*	*1,689*	
From discontinued operations	*96*	*115*	
Earnings per share attributable to owners of parent (basic in €)	**3.56***	**4.34****	**0.78**
From continuing operations	*3.33*	*4.06*	*0.73*
From discontinued operations	*0.23*	*0.28*	*0.05*
Earnings per share attributable to owners of parent (diluted in €)	**3.56*****	**4.26******	**0.70**
From continuing operations	*3.33*	*3.99*	*0.66*
From discontinued operations	*0.23*	*0.27*	*0.04*

** Based on the weighted average number of shares of 416,428,144 as of December 31, 2015*
***Based on the weighted average number of shares of 416,325,118 as of December 31, 2016*
****Based on the weighted average number of shares after dilution of 416,428,144 as of December 31, 2015*
***** Based on the weighted average number of shares after dilution of 423,618, 948 as of December 31, 2016*

Balance sheet - Assets *(In Euro million)*	**Dec. 31, 2015**	**Dec. 31, 2016**
Goodwill	3,590	1,864
Tangible & Intangible assets	8,593	8,347
Investments in joint ventures and associates	765	2,175
Other non-current assets	1,403	1,733
Derivatives assets	408	620
Inventories and WIP	4,518	4,247
Trade and other receivables	6,515	6,252
Cash and cash equivalents	1,845	1,926
Other current assets	870	660
Assets held for sale	-	3,234
Total Assets	**28,507**	**31,058**

Balance sheet - Liabilities *(In Euro million)*	**Dec. 31, 2015**	**Dec. 31, 2016**
Equity	5,893	6,809
Provisions	3,456	3,264
Borrowings subject to sp. conditions	708	699
Interest bearing liabilities	2,628	3,337
Derivatives liabilities	4,108	4,385
Other non-current liabilities	703	992
Trade and other payables	10,602	10,242
Other current liabilities	409	536
Liabilities held for sale	-	794

Total Equity & Liabilities	28,507	31,058

Cash Flow Highlights (In Euro million)	FY 2015	FY 2016
Adjusted attributable net profit	**1,482**	**1,804**
Depreciation, amortization and provisions	1,583	803
Others	(439)	44
Cash flow from operations	**2,626**	**2,651**
Changes in working capital	5	(168)
Capex (tangible assets)	(705)	(704)
Capex (intangible assets)	(495)	(324)
Capitalisation of R&D*	(502)	(364)
Free cash flow	**929**	**1,091**
Dividends paid	(540)	(642)
Divestments/acquisitions and others	366	(917)
Net debt at end of period of discontinued operations	-	(167)
Net change in cash and cash equivalents	**755**	**(635)**
Net debt at beginning of period	(1,503)	(748)
Net debt at end of period	**(748)**	**(1,383)**

**In FY 2016, this includes €(20) million in capitalized interest compared to €(26) million in FY 2015*

Segment breakdown of adjusted revenue *(In Euro million)*	FY 2015	FY 2016	% change	% change organic
Aerospace Propulsion	9,319	9,391	0.8%	4.9%
Aircraft Equipment	4,943	5,145	4.1%	3.5%
Defense	1,266	1,238	(2.2)%	(2.2)%
Holding & others	8	7	na	na
Total Group	**15,536**	**15,781**	**1.6%**	**3.9%**

Segment breakdown of recurring operating income *(In Euro million)*	FY 2015	FY 2016	% change
Aerospace Propulsion	**1,833**	**1,786**	(2.6)%
% of revenue	19.7%	19.0%	
Aircraft Equipment	**466**	**567**	21.7%
% of revenue	9.4%	11.0%	
Defense	**64**	**76**	18.8%
% of revenue	5.1%	6.1%	
Holding & others	(82)	(25)	69.5%
Total Group	**2,281**	**2,404**	5.4%
% of revenue	14.7%	15.2%	

2015 revenue by quarter *(In Euro million)*	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015
Aerospace Propulsion	2,070	2,416	2,220	2,613	9,319
Aircraft Equipment	1,172	1,242	1,180	1,349	4,943
Defense	278	338	266	384	1,266
Holding & others	1	1	1	5	8
Total revenue	**3,521**	**3,997**	**3,667**	**4,351**	**15,536**

2016 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	-	3	7
Total revenue	**3,791**	**4,196**	**3,517**	**4,277**	**15,781**

Euro/USD rate	FY 2015	FY 2016
Average spot rate	1.11	1.11
Spot rate (end of period)	1.09	1.05
Hedged rate	1.25	1.24

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 in addition to 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.

FY 2016 reconciliation between consolidated income statement and adjusted consolidated income statement:

FY 2016 (In Euro million)	Consolidated data	Currency hedging		Business combinations		Adjusted data
		Remeasurement of revenue	Deferred hedging gain / loss	Amortization of intangible assets -Sagem-Snecma merger	PPA impacts - other business combinations	
Revenue	**16,482**	**(701)**	**-**	**-**	**-**	**15,781**
Other operating income and expenses	(13,579)	(21)	10	70	44	(13,476)
Share in profit from joint ventures	87	-	-	-	12	99
Recurring operating income	**2,990**	**(722)**	**10**	**70**	**56**	**2,404**
Other non-recurring operating income and expenses	349	-	-	-	(367)	(18)
Profit (loss) from operations	**3,339**	**(722)**	**10**	**70**	**(311)**	**2,386**
Cost of debt	(51)	-	-	-	-	(51)
Foreign exchange gains (losses)	(943)	722	186	-	-	(35)
Other financial income and expense	(58)	-	-	-	-	(58)
Financial income (loss)	**(1,052)**	**722**	**186**	**-**	**-**	**(144)**
Income tax expense	(398)	-	(58)	(32)	(10)	(498)
Profit (loss) from continuing operations	**1,889**	**-**	**138**	**38**	**(321)**	**1,744**
Profit (loss) from discontinued operations	74	-	-	-	43	117
Attributable to non-controlling interests	**(55)**	**-**	**-**	**(2)**	**-**	**(57)**
Attributable to owners of the parent	**1,908**		**138**	**36**	**(278)**	**1,804**

Readers are reminded that only the consolidated financial statements are audited by the Group's Statutory Auditors. This includes the revenue and operating profit indicators set out in the adjusted data in Note 5, "Segment information".

Adjusted financial data other than the data provided in Note 5, "Segment information" are subject to verification procedures applicable to all of the information provided in the Registration Document.

The audit procedures on the consolidated financial statements have been completed. An audit opinion will be issued after the Board of Directors' meeting of March 23, 2017, once specific verifications and a review of events subsequent to February 23, 2017 have been performed.

[2] Recurring operating income

In order to better reflect the current economic performance, this subtotal named "recurring operating income" excludes income and expenses which are largely unpredictable because of their unusual, infrequent and/or material nature such as: impairment losses/reversals, capital gains/losses on disposals of operations and other unusual and/or material non-operational items.

[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, Defence 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.*

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IMPORTANT ADDITIONAL INFORMATION

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 the 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.

The tender offer and the 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. The tender offer and the 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.

It is intended that Safran and Zodiac Aerospace will file with the French Market Authority ("AMF") a prospectus and other relevant documents with respect to the tender offer to be made in France, and with respect to the merger of Zodiac Aerospace into Safran. Pursuant to French regulations, the documentation with respect to the tender offer and the 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 the Transaction may be required to be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"). The Transaction will 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 the 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 the 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 the 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, if the requirements of Rule 802 under the Securities Act are satisfied, offers and sales made by Safran in the Transaction will be exempt from the provisions of Section 5 of the Securities Act and no registration statement will 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.

USE OF NON-GAAP FINANCIAL INFORMATION

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.