

PRESS RELEASE

Paris, February 27, 2018

Safran 2017 results: all objectives exceeded*Adjusted data*

- *Organic adjusted* revenue increased 7.4%*
- *Adjusted recurring operating income at Euro 2,470 million, up 2.7%*
- *Propulsion operating margin rate of 17.7% including CFM56-LEAP transition*
- *Strong margin improvements in Aircraft Equipment (to 12.6%) and Defense (to 7.1%)*
- *Free cash flow generation at Euro 1,438 million, up 32%*

Consolidated data

- *Consolidated revenue was Euro 16,940 million*
- *Consolidated profit from operations at Euro 2,681 million*
- *Consolidated profit for the period attributable to owners of the parent at Euro 4,790 million ***

*** 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 2017 consolidated income statement and adjusted income statement. Comparisons are established against 2016 figures for continuing operations. Please refer to definitions contained in the Notes on page 15 and following of this press statement.

**** For continuing and discontinued operations.** Includes a non-cash gain of Euro 3,476 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 (see Note 1 on page 15).

The Board of Directors of Safran (Euronext Paris: SAF), under the Chairmanship of Ross McInnes, at their meeting in Paris on Monday February 26, 2018, adopted and authorised the publication of Safran's financial statements and adjusted income statement for the full-year period ended December 31, 2017.

Executive commentary

CEO Philippe Petitcolin commented:

“Safran met or beat all targets set for 2017 thanks to strong operating performance throughout the year. Combined production of narrowbody engines once again increased and we delivered a record volume. We continue to make progress on production costs as the headwind from the CFM56-LEAP transition has peaked in 2017. Our businesses showed growth and the margin increases in our Equipment and Defense activities exceeded expectations. Congratulations to all Safran teams for this outstanding performance.

We have accomplished a major strategic reshaping of the group. The sale of the security activities was finalized and we concluded the offer for Zodiac Aerospace that makes Safran the third largest aerospace player¹ and the second largest aircraft equipment supplier on a global scale. We welcome Zodiac Aerospace employees aboard as we embark on this exciting journey.

The strength of our performance in 2017 is reflected in a proposed 5% increase to our dividend. Our confidence in the cash generation potential of our businesses supports the initiation in 2018 of a €2.3bn share buyback program to be executed over 18 to 24 months.”

Key figures for full-year 2017 (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 space launchers activities of first half 2016 and 2017.

- **Adjusted revenue was Euro 16,521 million**, up 4.7% year-on-year. Adjusted revenue growth was 7.4% on an organic basis.
- **Adjusted recurring operating income** ^[2] **grew 2.7% to Euro 2,470 million or 15.0% of adjusted revenue**. After one-off items totalling Euro (90) million, adjusted profit from operations was Euro 2,380 million.
- **Adjusted net income – Group share at Euro 2,623 million** (basic adjusted EPS was Euro 6.39, diluted adjusted EPS was Euro 6.28) **rose 45.4%** compared with 2016 and included :
 - **For continuing operations, an adjusted net income – Group share of Euro 1,801 million** (basic adjusted EPS of Euro 4.39, diluted adjusted EPS of Euro 4.31), 6.6% higher than a year ago and
 - **For discontinued operations an adjusted net income – Group share of Euro 822 million**, comprising the contribution of the Security activities up to the finalization date and the post-tax capital gain realized upon their disposal.
- **Free cash flow** ^[3] **generation was up 32% at Euro 1,438 million** compared with Euro 1,091 million in the year-ago period due notably to strong cash from operations, decrease of working capital and lower capital expenditures. 2017 free cash flow represents 58% of adjusted recurring operating income compared to 45% in the prior year.
- **Net cash position was Euro 294 million** as of December 31, 2017, including the proceeds of the sale of the Security activities and excluding Euro 2 billion of marketable securities pledged at that date in the context of the public offer for Zodiac Aerospace.

¹ Excluding airframers

- **Civil aftermarket** ^[4] **grew 11.2%** in USD terms in 2017 driven notably by latest generation CFM56, GE90 engines spares and services. Civil aftermarket had a strong finish to 2017 with 13.1% growth in Q4.
- **A dividend payment of Euro 1.60 per share** will be proposed to the shareholders' vote at the Annual General Meeting on May 25, 2018.
- **2017 key metrics under IFRS 15.** Estimated restated key metrics are provided on page 14.
- **2018 outlook (IFRS 15).** Compared to its 2017 estimated restated key metrics in IFRS 15, Safran expects for the full year 2018 and on the basis of the group's scope as of January 1, 2018:
 - Adjusted revenue to grow on an organic basis in the range 2% to 4%. At an estimated average spot rate of \$1.23 to the Euro in 2018, adjusted revenue is expected to be flat.
 - Adjusted recurring operating income to grow between 7% and 10% (at a hedged rate of USD 1.18 to the Euro).
 - Free cash flow to be above 50% of adjusted recurring operating income, an element of uncertainty being the rhythm of payments by state-clients.

Regarding Zodiac Aerospace acquisition, as the operational work has now started, management will update the market on the integration and synergies plan in April. Guidance 2018 for Safran including Zodiac Aerospace will be provided in early September with the publication of first half 2018 results.

Key business highlights for 2017

Production and backlog of narrowbody aircraft engines

Combined shipments of CFM engines reached a record level of 1,903 units in 2017, compared with 1 770 in 2016.

Demand continues to be strong: in addition to 2,870 LEAP orders and commitments taken in 2017, CFM received orders and commitments for 474 CFM56 engines, for which demand remains strong. The combined backlog for the two engine programmes amounts to 14,834 engines.

LEAP program

CFM continued to ramp-up production of the LEAP engines as planned. In 2017, 459 engines were delivered, including 202 in Q4 2017. In 2016, 77 engines had been delivered.

CFM56 program

The production rate of CFM56 engines remained high with 1 444 units shipped in 2017 to meet customers' demand. As planned, deliveries in 2017 were 249 units lower than in 2016.

Rafale

Qatar announced the acquisition of an additional 12 Rafale jet fighters. This new order follows on from the contract signed on 4 May 2015 for the acquisition of 24 Rafale, thus raising the number of Rafale aircraft for the Qatar Emiri Air Force to 36. 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.

Helicopter turbines

Safran presented its new Aneto high power engine family designed for new super-medium and heavy helicopter market.

The first 2,500 shp model, named Aneto-1K, was selected by Leonardo to power its twin-engine AW189K. First flight of the Aneto-1K fitted to this helicopter took place on March 2017 and entry into service is scheduled for Q4 2018.

First flight of A330neo

On October 19, 2017, the A330neo successfully performed its first flight. Safran is a major partner on the programme, notably as the supplier of the nacelle for the exclusive engine.

In addition, Safran provides the landing gear, wheels and carbon brakes² and cabling and electrical systems. Aero Gearbox International, a 50/50 partnership between Safran Transmission Systems and Rolls Royce, supplies the accessory gearbox of the engines..

Nacelles

Safran signed the continuation of the contract with Airbus for the supply of the nacelles of the A320neo powered by LEAP-1A.

Carbon brakes

Safran signed several carbon brakes contracts with airlines for a total of over 1,300 aircraft in 2017, bringing the total installed base to close to 9,000 aircraft at end 2017. Safran is the world leader in carbon brakes for commercial aircraft above 100 passengers.

Defense

Recently awarded contracts ramped up in 2017 including first deliveries of next-generation target locator (LTLM II) to the US Army.

Commercial momentum continued in 2017 with new orders representing a total amount of Euro 1.4 billion.

Key strategic milestones

Completion of the sale of the Security activities

Safran finalised the disposal of its detection activities on April 7 and that of its identity and security activities on May 31, 2017, completing the strategic refocussing announced at the Capital Markets Day in March 2016. The aggregate proceeds amount to Euro 3 billion and a capital gain of Euro 824 million. The Group is now entirely focused on aerospace and defense, and concentrated on its own path of strong growth and high profitability.

Acquisition of Zodiac Aerospace

On February 6, 2018, the French financial markets regulator (AMF) announced a successful outcome for the initial period of the public offer initiated by Safran for Zodiac Aerospace's shares. On February 13, 2018, Safran proceeded with the settlement of the offer in class A preference shares and in cash as described in the financial statements published today, gaining exclusive control of Zodiac Aerospace. The calendar for the subsequent offer has been published by the AMF and is available separately (see Safran's dedicated website (<https://www.safran-group.com/safran-zodiac/>) and the AMF's website (<http://www.amf-france.org> »)).

² developed by Goodrich-Messier (a Joint venture of Safran Landing Systems with UTC Aerospace Systems).

2017 results

Safran exceeded guidance across the board in 2017.

Adjusted revenue. Safran's adjusted revenue was Euro 16,521 million, up 4.7%, compared to Euro 15,781 million in 2016. This Euro 740 million increase reflects growth in all sectors.

Organic revenue was determined by excluding the effect of changes in scope of consolidation (notably Euro 312 million in H1 2016 for the space launcher activities since contributed to ArianeGroup).

The net impact of currency variations was Euro (124) million reflecting a negative translation effect on non-Euro revenues, principally USD. The average USD/EUR spot rate was 1.13 to the Euro in FY 2017, compared to 1.11 in the year-ago period. The Group's hedge rate improved to USD 1.21 to the Euro in FY 2017 from USD 1.24 in FY 2016.

Euros millions	Propulsion	Aircraft Equipment	Defense	Holding & Others	Safran
FY 2016	9,391	5,145	1,238	7	15,781
FY 2017	9,741	5,415	1,345	20	16,521
Reported growth	3.7%	5.2%	8.6%	ns	4.7%
Impact of changes in scope	(3.3)%	0.3%	-	na	(1.9)%
Currency impact	(0.5)%	(1.6)%	(0.3)%	na	(0.8)%
Organic growth	7.5%	6.5%	8.9%	na	7.4%

Adjusted recurring operating margin reached 15.0% of adjusted revenue. Safran's adjusted recurring operating income was Euro 2,470 million improved 2.7% compared to Euro 2,404 million in the full-year 2016, including the improvement in the EUR/USD hedge rate.

As expected, profitability improved strongly in Aircraft Equipment and Defense activities whereas Propulsion margin was impacted by the well flagged CFM56-LEAP transition.

2017 one-off items totalled Euro (90) million (see table) and notably included Euro (47) million of transaction and integration charges for the acquisition of Zodiac Aerospace:

<i>In Euro million</i>	FY 2016	FY 2017
Adjusted recurring operating income	2,404	2,470
% of revenue	15.2%	15.0%
<i>Capital gain (loss) on disposals</i>	-	23
<i>Impairment reversal (charge)</i>	-	(23)
<i>Other infrequent & material non-operational items</i>	(18)	(90)
Adjusted profit from operations	2,386	2,380
% of revenue	15.1%	14.4%

Adjusted net income – Group share was Euro 2,623 million (Euro 6.39 per share) compared with Euro 1,804 million (Euro 4.34 per share) in 2016. Adjusted net income – Group share for continuing operations was Euro 1,801 million (Euro 4.39 per share) compared with Euro 1,689 million (Euro 4.06 per share) in 2016. Net income – Group share from discontinued operations of Euro 822 million, includes the contribution of the Security activities up to the finalization date, and the post-tax capital gain realized upon their disposal.

In addition, the adjusted net income group share includes:

- Net financial profit of Euro 26 million, including cost of debt of Euro (57) million and a positive foreign exchange conversion impact of Euro 95 million arising on provisions denominated in US dollar and converted into Euro at close of the period.
- Tax charge of Euro (542) million (23% apparent tax rate) is driven by a change in the applicable tax rate in France in 2017 and in deferred taxes reflecting continuing falls in future corporate tax rates enacted in legislation in 2017 in France, Belgium and the United-States.

The reconciliation between 2017 consolidated income statement and adjusted income statement is provided and commented in the Notes on page 15.

Balance sheet and cash flow

Safran generated Euro 1,438 million of Free Cash Flow. Free cash flow generation was driven by cash from operations of Euro 2,410 million and a positive contribution of Euro 316 million due to lower working capital requirements including advance payments. Capital expenditures (tangibles and intangibles) amounted to Euro 1,288 million in 2017.

Finalisation of the disposal of Security activities. Safran announced the finalisation of the disposal of its detection activities on April 7 and that of its identity and security activities on May 31, 2017. Net of tax and transaction costs, the total proceeds for these disposals amount to Euro 3 billion.

Dividend payment. A dividend of Euro 1.52 per share was approved by the shareholders at the Annual General Meeting of June 15, 2017. An interim payment having been made in December 2016 (Euro 0.69 per share), a final payment of Euro 0.83 per share was made in June 2017 impacting cash flow in the total amount of Euro 340 million.

Share buybacks. On December 12, 2016, Safran announced its intention to proceed with the repurchase of its own shares 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. Safran ceased the share buyback activity on June 13, 2017 having repurchased a total of 6,428,664 shares for an aggregate amount of Euro 444 million. The repurchased shares are included in treasury shares.

Floating rate notes offering. On June 28, Safran completed a Euro 1 billion floating rate notes offering in 2-year and 4-year tranches of Euro 500 million each. With this offering, Safran secured medium term financing at historically low interest rate conditions and strengthened its maturity debt profile in line with its cashflow's outlook.

Pledge of securities. In the context of the financing of the public tender offer for Zodiac Aerospace shares, Euro 2 billion of marketable securities were pledged for the tender offer period and therefore excluded from "cash and cash equivalents" on December 31, 2017. Since the end of the initial offer on January 31, 2018, the amount of marketable securities pledged has fallen to Euro 1.25 billion. The pledge will be fully lifted in March 2018 at the end of the subsequent offer.

Net debt/cash position. Excluding the aforementioned pledged securities, the net cash position was Euro 294 million as of December 31, 2017 compared to a net debt position of Euro 1,383 million as of December 31, 2016. Since the end of 2017, Safran's cash position was notably impacted by the disbursement on February 13, 2018, of Euro 3.6 billion as consideration in favour of Zodiac Aerospace shareholders who had tendered their shares to the public offer initiated by Safran.

Research & Development

Self-funded R&D before research tax credit was Euro 1,053 million or 6.4% of revenue in FY 2017, a decrease of Euro 53 million compared to full-year 2016. Capitalised R&D fell by Euros 68 million to Euros 275 million, as expected, due mainly to lower expenditure on the LEAP programmes.

In addition, Safran ceased capitalising R&D on the LEAP-1B at the end of February 2017 as the first production engines destined for commercial service were delivered to Boeing. Amortisation and depreciation of capitalised R&D rose by Euro 73 million to Euro 177 million, including the amortisation of LEAP-1A and LEAP-1B. The impact of R&D charged to recurring operating income was Euro 815 million, an increase of Euro 87 million compared to the prior year.

Capital expenditure

Capital expenditure in 2017 amounted to Euro 740 million, up Euro 36 million compared to the year ago period. This sustained level mainly reflects the entry into service and ramp-up of new programmes.

Employees

Safran employed around 58,300 people in its continuing operations at end-2017 of which around 37,000 in France. The decrease compared to 2016 is explained essentially by the disposal of the Security activities. Over 6,650 people were hired in 2017.

In 2017, the Group's contribution to employee profit-sharing and incentive schemes including social contributions totalled Euro 446 million for continuing operations, compared to Euro 435 million in the year ago period.

Currency hedges

The rally of the Euro has triggered some knock out barriers originally set between 1.21 and 1.25. Safran has replaced these instruments with limited impact on its 2019 and 2020 target ranges lifting up the lower bounds to 1.16 and maintaining the upper bound in line with previous announcements of a maximum 1.18 hedged rate from 2018 to 2020.

Safran's hedging portfolio totalled USD 21.4 billion on February 15, 2018 (vs USD 15.9 billion last October).

2018: the Group is fully hedged with no changes to the Group's foreign exchange levels of coverage (hedge rate of USD 1.18).

2019: coverage of net USD/EUR exposure increased to USD 6.7 billion (USD 2.9 billion in October). Some instruments have knock-out barriers set at various levels between USD 1.26 and USD 1.31 with maturities up to eighteen months. The target hedge rate lies in a range between 1.16 and 1.18 USD/EUR (vs 1.15-1.18 previously).

2020: coverage of net USD/EUR exposure increased to USD 5.2 billion (USD 3.7 billion in October). Some instruments have knock-out barriers set at various levels between USD 1.26 and USD 1.32 with maturities up to end 2019. The target hedge rate lies in a range between 1.16 and 1.18 USD/EUR (vs 1.13-1.18 previously).

2021: the Group has initiated the coverage of its net USD/EUR exposure by setting up USD 2.5 billion of hedges. Some instruments have knock-out barriers set at various levels between USD 1.26 and USD 1.32 with maturities up to end 2019. The Group estimates that its target hedge rate should fall within a 1.16-1.20 range given current market conditions.

Capital increase through the issuance of preference shares

On February 13, 2018, Safran issued 26,651,058 Class A preference shares, each of a nominal value of Euro 0.20, in consideration of 88,847,828 shares of Zodiac Aerospace, tendered in the subsidiary public exchange offer initiated by Safran. Safran's nominal share capital was thus raised by Euro 5 million to Euro 89 million with an issue premium of Euro 2,238 million.

Dividend proposal

At the Annual Shareholders' Meeting to be held on May 25, 2018 the Board of Directors will recommend payment of a dividend of Euro 1.60 per share in respect of 2017 (a 5.3% increase compared with 2016), representing a total payout of €710 million for the 443,680,643 shares comprising the share capital at the time the dividend is paid. Holders of ordinary shares and of class A preference shares of record on the ex-date of May 29, 2018 will be eligible for the dividend, which will be paid from May 31, 2018.

IFRS 15

IFRS 15 "revenue from contracts with customers" is effective starting January 1, 2018. Safran's accounts and disclosures are prepared from now on under IFRS 15 and restated financial statements for 2017 will be provided.

Safran has chosen to implement IFRS 15 with a full retrospective approach. Consequently, a negative impact of the order of Euro 0.8 billion on consolidated equity at January 1, 2017 is expected.

The restatement of 2017 consolidated accounts will have the following estimated impacts on Safran's key metrics:

- Adjusted revenue (restated for IFRS 15): Euro 15,953 million compared to Euro 16,521 million (published).
- Adjusted recurring operating income (restated for IFRS 15): Euro 2,192 million compared to Euro 2,470 million (published).
- Free cash flow: Euro 1,438 million, no impact from IFRS 15.

Safran will issue restated adjusted revenue by quarters for 2017 and adjusted recurring operating income for H1 2017 on April 25, 2018. The full restated P&L and balance sheet for H1 2017 and FY 2017 will be provided with the H1 2018 earnings release early September 2018.

A detailed breakdown of the impacts is provided page 14 of this press statement.

Full-year 2018 outlook

2018 guidance is established considering the full application of the new IFRS15 revenue recognition standard and is based on continuing operations (Aerospace Propulsion, Aircraft Equipment, Defense, Holding & Others) at the group's scope as of January 1, 2018.

Compared to its 2017 estimated restated key metrics for the application of IFRS15, Safran expects for the full year 2018:

- Adjusted revenue to grow on an organic basis in the range 2% to 4%. At an estimated average spot rate of \$1.23 to the Euro in 2018, adjusted revenue is expected to be flat.
- Adjusted recurring operating income to grow between 7% and 10% (at a hedged rate of USD 1.18 to the Euro).
- Free cash flow to be above 50% 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, despite a fall in high thrust engine module volumes
- Civil aftermarket growth in the high single digits
- Transition CFM56 – LEAP: overall negative impact on Propulsion adjusted recurring operating income variation in the range Euro 150 to 200 million which represents a significant reduction compared to 2017
 - Lower CFM56 OE volumes
 - Negative margin on LEAP deliveries
- Reduction of self-funded R&D³ of around Euro 150 million
 - Positive impact on recurring operating income after activation and amortisation of capitalized R&D
- Capex outflows of a similar level to 2017
- Continued benefits from productivity improvements

Regarding the acquisition of Zodiac Aerospace, an integration team is in place and already hard at work tasked notably with deploying Safran processes and methodologies and delivering the synergies. Additional information will be provided to the market over the coming months, starting in April.

Business commentary for 2017

▪ Aerospace Propulsion

During 2017, orders and commitments were received for 2,870 LEAP engines and the backlog stood at 13,728 engines at end-2017. Demand for CFM56 engines remains strong: orders and commitments were placed for 474 engines in 2017 and the backlog stood at 1,106 units at end-2017.

Revenue was Euro 9,741 million, up 3.7% compared to Euro 9,391 million in 2016. On an organic basis, Propulsion revenue rose 7.5%, driven by the civil aftermarket business as well as by civil and military OE.

OE sales from civil engines grew organically in the high-single digits. In unit terms, the increase in LEAP production more than offset the fall in CFM56 volumes. The total number of narrowbody aircraft engines deliveries increased from 1,770 to 1 903, a record level. LEAP volumes ramped up to 459 deliveries in 2017 compared to 77 in 2016 while CFM56 volumes decreased as planned to 1,444 deliveries in 2017 compared to 1,693 units in 2016. High thrust engine module deliveries, notably GE90 and GP7000, were lower in 2017, tracking airframers' assembly rates.

A decline in OE revenue from helicopter turbines was mostly due to a shift in mix towards smaller engines. Military OE revenues increased sharply as revenue was recognized for 33 M88 engines, of which 17 for export, compared to 11 engines in 2016.

Overall service revenue in Propulsion was up 7.0% in Euro terms and represents a 59% share of revenue in the year. Civil aftermarket revenue grew by 11.2% in USD, driven by latest generation CFM56, and GE90 engines spares and services. Aftermarket for military engines was down in the low single digits compared to a high 2016 comparison base. Helicopter turbine support also declined in the low single digits, as the fall in flight hours particularly at Oil and Gas customers.

Recurring operating income, at 17.7% of revenue, was Euro 1,729 million, compared to Euro 1,786 million (19.0% of revenue) a year ago. As expected, Propulsion margin was negatively

³ In application of IFRS 15, self-funded R&D for the period includes some development spending to be funded by customers and recognized in OE revenue at a later date.

impacted by the ramp down of CFM56 OE, the negative margin on LEAP deliveries as well as by the estimated cost of actions to ensure time on wing. The headwind from the CFM56-LEAP transition amounted to Euro 342 million in 2017.

Lower helicopter turbine activity and higher R&D in charge also impacted Propulsion margin. Consistent with expectations, these headwinds were partially offset by civil aftermarket growth, higher military OE, the contribution from ArianeGroup and the improvement in the hedged rate.

Safran is executing a strong action plan to continue to progressively reduce the production cost of LEAP engines and 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 5,415 million, up 5.2% compared to 2016. On an organic basis, revenue was up 6.5%.

Equipment OE sales increased by 4.4%. Revenue growth was driven by increased volumes of equipment for A350 (landing gear and wiring systems, accessory drive trains), as well as by deliveries of nacelles for LEAP-1A powered A320neo (235 nacelles in 2017 compared to 65 units in 2016). Shipments of landing and wiring systems for A320ceo, A320neo and A330 also contributed positively. Headwinds included lower A380 volumes: as expected, 49 nacelles were shipped in 2017 compared to 99 in 2016.

Service revenue represented 32.3% of sales and grew 7.0% compared to 2016, thanks to continuing momentum in carbon brakes aftermarket business as well as to a higher contribution from landing gear MRO and nacelle service activities.

Recurring operating income was Euro 682 million, an increase of 20.3% compared to Euro 567 million in 2016. Return on sales increased by 160 basis points to 12.6%. Growing volumes coupled with strong cost reduction and productivity actions (including measures to optimize the industrial footprint) yielded broad-based profitability increases. The improved hedge rate also contributed positively. The rise of expensed R&D had a negative impact on recurring operating income.

▪ **Defense**

Revenue was Euro 1,345 million, up 8.6% (8.9% organically), compared to Euro 1,238 million in the year-ago period. The Defense division resumed organic growth in 2017 supported by the ramp up of recently awarded contracts both for the French and export markets. Commercial momentum continued throughout 2017 with new orders representing Euro 1.4 billion supporting outlook for growth.

In 2017, growth was driven by military sales with strong increases in guidance systems, drones and sighting systems, partially offset by lower helicopter flight control systems shipments in Avionics.

Recurring operating income was up 25% at Euro 95 million compared to Euro 76 million in 2016. Return on sales increased 100 bps to 7.1% of sales in 2017. Higher volumes related to military contracts drove profitability improvements. The strong cost control and industrial performance measures implemented continued to contribute positively to margin. R&D charged to recurring operating income was a headwind as self-funded R&D intensity was sustained, at 9.1 % of sales, in order to maintain technological leadership.

- **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. ‘Holding and others’ impact on Group recurring operating income was Euro (36) million in 2017 compared to Euro (25) million in 2016.

Governance

- **Renewal of the term of office of the CEO**

The Board of directors of Safran, at its meeting on February 26, 2018, upon recommendation of the Appointments and Compensation committee, decided to renew Philippe Petitcolin’s term of office as CEO until the AGM held in 2020 to approve the 2019 financial statements.

The Board thus renews its trust in him to meet the challenge of integrating Zodiac Aerospace and to obtain the associated synergies, this operation creating a new world leader in the aeronautical industry, as well as to pursue the industrial and commercial challenge of making a success of the rise in production rates of the LEAP engines.

- **Changes in the membership of the Board of Directors**

In line with the commitment made in the context of the acquisition of Zodiac Aerospace⁴, the Board of Directors also decided to propose at the next AGM of shareholders on May 25, 2018 the nomination as directors of Didier Domange and F&P⁵, independent director, represented by its president, Robert Peugeot.

The renewal of the term of office of Monique Cohen as director will also be proposed at the 2018 AGM of shareholders.

The terms of office as directors of Christian Streiff and Jean-Marc Forneri will expire at this shareholders meeting.

At the end of the meeting of the Board of Directors, Brigitte Lesschaeve replaced Frédéric Bourges as director representing employee shareholders and Daniel Mazaltarim, also director representing employee shareholders, joined the Appointments and Compensation committee.

Agenda

Q1 2018 revenue	April 25, 2018
Annual general meeting	May 25, 2018

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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 72 72 74 03 (France), +44 (0)207 194 3759 (UK) and +1 844 286 0643 (US) with PIN code 64993820#.

⁴ Safran committed to propose the nomination to its Board of Directors two members of the Supervisory Board of Zodiac Aerospace, specifically (i) one member representing the family shareholders of Zodiac Aerospace and (ii) one of the institutional shareholders as independent director.

⁵ F&P is a company jointly held by FFP and FSP which is to represent them at Safran’s Board of Directors.

The webcast will be available via Safran's website after registration using the following link:
<http://event.onlineseminarsolutions.com/wcc/r/1560090-1/9533E87BB31DF8FBCEC6ACAFACD02637>
 Participants will have access to the webcast 15 minutes before the start of the conference.

A replay of the conference will be available until May 28, 2018 using the same link or by dialling
 +33 (0)1 70 71 01 60 (France), +44 (0)203 364 5147 (UK) or +1 646 722 4969 (US) with access
 code 418717944#.

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

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Key figures

All 2016 figures are restated for IFRS 5

<i>Adjusted income statement</i> <i>(In Euro million)</i>	FY 2016	FY 2017	% change
Revenue	15,781	16,521	4.7%
Other recurring operating income and expenses	(13,476)	(14,228)	
Share in profit from joint ventures	99	177	
Recurring operating income	2,404	2,470	2.7%
% of revenue	15.2%	15.0%	(0.2) pt
Other non-recurring operating income and expenses	(18)	(90)	
Profit from operations	2,386	2,380	(0.3)%
% of revenue	15.1%	14.4%	(0.7) pt
Net financial income (expense)	(144)	26	
Income tax expense	(498)	(542)	
Share in profit from associates	-	-	
Profit from continuing operations	1,744	1,864	6.9%
Profit from discontinued activities and disposal gain	117	823	
Profit for the period	1,861	2,687	44.4%
Profit for the period attributable to non-controlling interests	(57)	(64)	
<i>From continuing operations</i>	<i>(55)</i>	<i>(63)</i>	
<i>From discontinued operations</i>	<i>(2)</i>	<i>(1)</i>	
Profit for the period attributable to owners of the parent	1,804	2,623	45.4%
<i>From continuing operations</i>	<i>1,689</i>	<i>1,801</i>	
<i>From discontinued operations</i>	<i>115</i>	<i>822</i>	
Earnings per share attributable to owners of parent (basic in €)	4.34*	6.39**	
<i>From continuing operations</i>	<i>4.06</i>	<i>4.39</i>	
<i>From discontinued operations</i>	<i>0.28</i>	<i>2.00</i>	
Earnings per share attributable to owners of parent (diluted in €)	4.26***	6.28****	
<i>From continuing operations</i>	<i>3.99</i>	<i>4.31</i>	
<i>From discontinued operations</i>	<i>0.27</i>	<i>1.97</i>	

* 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 of 410,241,043 as of December 31, 2017

***Based on the weighted average number of shares after dilution of 423,618,948 as of December 31, 2016

**** Based on the weighted average number of shares after dilution of 417,518,248 as of December 31, 2017

Balance sheet - Assets (In Euro million)	Dec. 31, 2016	Dec. 31, 2017
Goodwill	1,864	1,831
Tangible & Intangible assets	8,347	8,759
Investments in joint ventures and associates	2,175	2,119
Other non-current assets	1,733	466
Derivatives assets	620	582
Inventories and WIP	4,247	4,496
Trade and other receivables	6,252	6,371
Cash and cash equivalents	1,926	4,914
Other current assets	660	2,709
Assets held for sale	3,234	-
Total Assets	31,058	32,247

Balance sheet - Liabilities (In Euro million)	Dec. 31, 2016	Dec. 31, 2017
Equity	6,809	10,624
Provisions	3,264	3,403
Borrowings subject to sp. conditions	699	569
Interest bearing liabilities	3,337	4,636
Derivatives liabilities	4,385	805
Other non-current liabilities	992	1,030
Trade and other payables	10,242	10,822
Other current liabilities	536	358
Liabilities held for sale	794	-
Total Equity & Liabilities	31,058	32,247

Cash Flow Highlights (In Euro million)	FY 2016	FY 2017
Adjusted attributable net profit	1,804	2,623
Depreciation, amortization, provisions & others	847	(213)
Cash flow from operations	2,651	2,410
Changes in working capital	(168)	316
Capex (tangible assets)	(704)	(740)
Capex (intangible assets)	(324)	(262)
Capitalisation of R&D*	(364)	(286)
Free cash flow	1,091	1,438
Dividends paid	(642)	(372)
Divestments/acquisitions and others	(917)	611
Net debt at end of period of discontinued operations	(167)	-
Net change in cash and cash equivalents	(635)	1,677
Net debt at beginning of period	(748)	(1,383)
Net debt at end of period	(1,383)	294

*In FY 2017, this includes €(11) million in capitalized interest compared to €(20) million in FY 2016

Segment breakdown of adjusted revenue (In Euro million)	FY 2016	FY 2017	% change	% change organic
Aerospace Propulsion	9,391	9,741	3.7%	7.5%
Aircraft Equipment	5,145	5,415	5.2%	6.5%
Defense	1,238	1,345	8.6%	8.9%
Holding & others	7	20	ns	ns
Total Group	15,781	16,521	4.7%	7.4%

Segment breakdown of recurring operating income (In Euro million)	FY 2016	FY 2017	% change
Aerospace Propulsion	1,786	1,729	(3.2)%
% of revenue	19.0%	17.7%	
Aircraft Equipment	567	682	20.3%
% of revenue	11.0%	12.6%	
Defense	76	95	25.0%
% of revenue	6.1%	7.1%	
Holding & others	(25)	(36)	(44.0)%
Total Group	2,404	2,470	2.7%
% of revenue	15.2%	15.0%	

2016 revenue by quarter <i>(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
Total revenue	3,791	4,196	3,517	4,277	15,781

2017 revenue by quarter <i>(In Euro million)</i>	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017
Aerospace Propulsion	2,360	2,331	2,303	2,747	9,741
Aircraft Equipment	1,335	1,380	1,225	1,475	5,415
Defense	284	340	281	440	1,345
Holding & others	3	5	6	6	20
Total revenue	3,982	4,056	3,815	4,668	16,521

Euro/USD rate	FY 2016	FY 2017
Average spot rate	1.11	1.13
Spot rate (end of period)	1.05	1.20
Hedged rate	1.24	1.21

Estimated impacts on 2017 key metrics of the application of IFRS 15

2017 adjusted revenue (In Euro million)	2017 (published)	Restatement IFRS 15	2017 restated
Aerospace Propulsion	9,741	(384)	9,357
Aircraft Equipment	5,415	(155)	5,260
Defense	1,345	(29)	1,316
Holding & others	20	-	20
Total revenue	16,521	(568)	15,953

2017 adjusted revenue (In Euro million)	2017 (published)	Restatement IFRS 15	2017 restated
Original equipment and related products and services	8,166	(119)	8,047
Services	7,809	(357)	7,452
Sales of studies	365	(102)	263
Others	181	10	191
Total revenue	16,521	(568)	15,953

2017 adjusted recurring operating income (In Euro million)	2017 (published)	Restatement IFRS 15	2017 restated
Aerospace Propulsion	1,729	(213)	1,516
Aircraft Equipment	682	(63)	619
Defense	95	(2)	93
Holding & others	(36)	-	(36)
Total revenue	2,470	(278)	2,192

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 2017 reconciliation between consolidated income statement and adjusted consolidated income statement:

FY 2017 (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	16,940	(419)	-	-	-	16,521
Other operating income and expenses	(14,323)	(19)	7	67	40	(14,228)
Share in profit from joint ventures	154	-	-	-	23	177
Recurring operating income	2,771	(438)	7	67	63	2,470
Other non-recurring operating income and expenses	(90)	-	-	-	-	(90)
Profit (loss) from operations	2,681	(438)	7	67	63	2,380
Cost of debt	(57)	-	-	-	-	(57)
Foreign exchange gains (losses)	3,143	438	(3,476)	-	-	105
Other financial income and expense	(22)	-	-	-	-	(22)
Financial income (loss)	3,064	438	(3,476)	-	-	26
Income tax expense	(1,716)	-	1,215	(39)	(2)	(542)
Profit (loss) from continuing operations	4,029	-	(2,254)	28	61	1,864
Profit (loss) from discontinued operations and disposal gain	823	-	-	-	-	823
Attributable to non-controlling interests	(62)	-	-	(2)	-	(64)
Attributable to owners of the parent	4,790	-	(2,254)	26	61	2,623

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 4, "Segment information" of the 2017 financial statements.

Adjusted financial data other than the data provided in Note 4, "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 22, 2018, once specific verifications and a review of events subsequent to February 26, 2018 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] Free cash flow

Free cash flow represents cash flow from operating activities less any disbursements relating to acquisitions of property, plant and equipment and intangible assets.

[4] 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 an international high-technology group, operating in the aircraft propulsion and equipment, space and defense markets. Safran has a global presence, with more than 58,000 employees and sales of 16.5 billion euros in 2017. Working alone or in partnership, Safran holds world or European leadership positions in its core markets. Safran undertakes Research & Development programs to meet fast-changing market requirements, with total R&D expenditures of around 1.4 billion euros in 2017. Safran is listed on the Euronext Paris stock exchange, and is part of the CAC 40 and Euro Stoxx 50 indices. In February 2018, Safran took control of Zodiac Aerospace, significantly expanding its aircraft equipment activities. Zodiac Aerospace has 32,500 employees and generated sales of 5.1 billion euros for its fiscal year ended August 31, 2017

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FORWARD-LOOKING STATEMENTS

This document 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, synergies, value accretions, 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," "would," "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 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 document to reflect events or circumstances after the date of this document, except as may be required by applicable laws.

USE OF NON-GAAP FINANCIAL INFORMATION

This document 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.