PRESS RELEASE

Safran : Very strong results for the first-half 2018
Full-year 2018 outlook raised significantly

Paris, September 6, 2018

Adjusted data

- *Revenue at Euro 9,506 million (including a contribution of Euro 1,516 million from Zodiac Aerospace), up 23.9% on a reported basis and up 10.1% on an organic basis*
- *Recurring operating income at Euro 1,386 million (including a contribution of Euro 129 million from Zodiac Aerospace), up 32.6% on a reported basis and up 20.3% excluding Zodiac Aerospace*
- *CFM56-LEAP transition on track: Propulsion margin rate improved to 18.3%*
- *Strong margin improvement in Aircraft Equipment (to 13.4%) and Defense (to 6.9%)*
- *Excellent free cash flow generation at Euro 820 million (including Euro 25 million from Zodiac Aerospace). At constant scope, free cash flow amounting to 63% of recurring operating income*
- *2018 outlook raised for revenue, recurring operating income and free cash flow (for Safran scope at January 1, 2018)*

Consolidated data

- *Consolidated revenue was Euro 9,393 million*
- *Consolidated recurring operating income at Euro 912 million*
- *Consolidated profit from operations at Euro 886 million*
- *Consolidated profit for the period attributable to owners of the parent at Euro 535 million*
- *Free cash flow at Euro 820 million*

The Board of Directors of Safran (Euronext Paris: SAF), under the Chairmanship of Ross McInnes, at their meeting in Paris on September 5, 2018, adopted and authorised the publication of Safran's financial statements and adjusted income statement for the six-month period ended June 30, 2018.

Executive commentary

CEO Philippe Petitcolin commented: *"During the first half of 2018, our performance was very strong with significant growth across all Safran businesses. We are expecting this good overall performance for Propulsion, Aircraft Equipment and Defense to continue and therefore we raise significantly our full year guidance. In addition, the integration plan of Zodiac Aerospace is being implemented and will progressively deliver the expected results. On the operational front, the ramp-up of LEAP production is proceeding and our objective remains to deliver around 1100 LEAP engines at the end of this year."*

Foreword

- All figures in this press release represent adjusted[1] data and continuing operations, except where noted. Please refer to the definitions and reconciliation between H1 2018 consolidated income statement and adjusted income statement. Comparisons are established against 2017 figures for continuing operations. Please refer to definitions contained in the Notes on page 16 and following of this press statement.
- All figures are presented in application of IFRS 15 and comparisons are established against H1 2017 figures restated for the application of IFRS 15.
- Zodiac Aerospace is fully consolidated in Safran's financial statements starting March 1, 2018.
- Organic variations exclude the changes in scope (notably the four-month contribution of Zodiac Aerospace) and the currency impacts for the period.

Key figures for first-half 2018

- **Adjusted revenue was Euro 9,506 million**, an increase of 23.9% on a reported basis, including a four-month contribution of Euro 1,516 million from Zodiac Aerospace and Euro (445) million of currency impacts. On an organic basis, adjusted revenue grew 10.1%.
- **Adjusted recurring operating income [2] was Euro 1,386 million** (14.6% of revenue), an increase of 32.6% on a reported basis compared to Euro 1,045 million (13.6% of sales) in H1 2017. H1 2018 recurring operating income included a four-month contribution from Zodiac Aerospace amounting to Euro 129 million. Excluding Zodiac Aerospace, adjusted recurring operating income grew 20.3%.
- **Adjusted net income – Group share was Euro 932 million (basic adjusted EPS of Euro 2.17 and diluted adjusted EPS of Euro 2.11).** In H1 2017, adjusted net income – Group share amounted to Euro 1,488 million comprising Euro 716 million of net income from continuing operations and Euro 772 million of net income from discontinued operations.
- **Free cash flow [4] generation amounted to Euro 820 million (including Euro 25 million from Zodiac Aerospace),** representing an increase of 23% compared with Euro 666 million in the year-ago period. The growth was driven by higher cash from operating activities and lower capital expenditures, partially offset by an increase in working capital. At constant scope, H1 2018 free cash flow amounted to 63% of adjusted recurring operating income.
- **Net debt position was Euro 3,533 million** as of June 30, 2018, including the acquisition of Zodiac Aerospace.

- **H1 2018 civil aftermarket [3] was up 12.5%** in USD terms driven notably by spare parts sales for latest generation CFM56 engines. Q2 2018 civil aftermarket growth was 8.8%.

- **Safran (excluding Zodiac Aerospace) raises its outlook for 2018 as the strong momentum for Propulsion, Aircraft Equipment and Defense seen in H1 2018 should continue into H2 2018**.
  As a result, compared to 2017 figures restated for IFRS 15, Safran expects:
  - Adjusted revenue to grow on an organic basis in the range 7% to 9%. At an estimated average spot rate of USD 1.21 to the Euro in 2018, adjusted revenue is expected to grow in the mid-single digits.
  - Adjusted recurring operating income to grow around 20% at a hedged rate of USD 1.18 to the Euro.
  - Free cash flow to be comfortably above 50% of adjusted recurring operating income, an element of uncertainty being the rhythm of payments by state-clients.

- **In addition, Safran expects from Zodiac Aerospace businesses (consolidated for 10 months in 2018) a contribution of:**
  - Euro 3.6 billion to 4 billion (at an estimated average spot rate of USD 1.21 to the Euro in 2018) to its adjusted revenue;
  - Euro 260 million to 300 million (at a hedged rate of USD 1.18 to the Euro from 09/01/2018) to its adjusted recurring operating income;
  - Euro 80 million to 120 million to its free cash flow.

Key business highlights

CFM commercial success
During the Farnborough Airshow, CFM International announced orders and commitments for 858 LEAP and CFM56 engines, in addition to LEAP and CFM56 services agreements, at a combined value of USD 15.7 billion at list price.
Following the air show, at July 31, 2018, the LEAP order book stands at 15,450 engines (orders and commitments) and CFM56 backlog stands at 434 engines.

Continuing growth of narrowbody engines deliveries
Combined deliveries of CFM engines (LEAP and CFM56) increased by 20% in H1 2018 to 1,029 units, from 857 units in H1 2017.

CFM56 program
CFM56 production rate was sustained with 591 units delivered in H1 2018 compared with 710 units in H1 2017, in line with customers' demand. CFM International expects to deliver around 1,000 CFM56 engines in 2018.

LEAP program
The ramp-up of LEAP production proceeds. LEAP deliveries almost trebbled in H1 2018 to 438 engines compared with 147 engines in H1 2017. CFM International plans to deliver around 1,100 LEAP engines in 2018, as previously indicated.

<u>LEAP-1A</u>: 27 airlines were operating 240 aircraft powered by LEAP-1A engines totalling over 1.2 million flight hours so far.

<u>LEAP-1B</u>**:** 41 airlines were operating 183 aircraft powered by LEAP-1B engines totalling over 550,000 flight hours so far.

<u>LEAP-1C</u>: Around 80 flight hours logged to date.

Silvercrest
Safran and Dassault Aviation reached an agreement regarding the indemnity to be paid to Dassault Aviation related to the termination of the Silvercrest engine for the Falcon 5X.
The amount is covered by the provisions previously booked by the Group, and the payment will be spread over three years from 2018. Safran confirms that this agreement will not change its profitability and cash flow generation outlook.

Helicopter turbines
Safran received EASA (European Aviation Safety Agency) engine type certification for its Arriel 2H engine (powering the Avicopter AC312E) and its Ardiden 3C (powering the Avicopter AC352).

Carbon brakes
Safran signed several carbon brakes contracts, notably with Turkish Airline for 25 A350 and 25 787, with Sun Express for 32 737 MAX and with Indigo for 100 A320neo.

Zodiac Aerospace - Aircraft Interiors
A major Middle-East airline selected Zodiac Aerospace to provide business class and economy class seats for a large wide-bodies linefit order.
In addition, a major Asian airline selected Zodiac Aerospace to provide first class seats for its future wide-bodies linefit order.

Zodiac Aerospace - Aerosytems
ANA selected Zodiac Aerospace to retrofit its 16 Boeing 777-300 with the inflight connectivity system RAVE™ Broadband as well as its 8 Boeing 777-200, 11 Boeing 787-8 and 2 Boeing 787-9 with the inflight entertainment system RAVE Centric.

Defense
Raytheon Company and Safran have signed a Memorandum of Understanding to collaborate on the next-generation of combat vehicle sighting systems.
At the Eurosatory 2018 defense show, Safran Electronics & Defense introduced its new family of inertial navigation and pointing systems for land vehicles, Geonyx™.

Signing of an agreement for the acquisition of Rockwell Collins' Actuators, Pilot controls and Special products business
These operations will expand the electrical actuation and flight control business lines of Safran Electronic & Defense and Zodiac Aerospace. In particular, they will allow Safran Electronic & Defense and Zodiac Aerospace (Aerosystems) to increase their critical mass in these sectors and to eventually enhance their competitiveness.
The acquisition, which is subject to regulatory approval and the other usual conditions for this type of transaction, should be finalized in the first half of 2019.

Auxiliary Power Units (APUs)
Boeing and Safran agreed to create a new 50/50 JV to design, build and service APUs. The completion of the transaction, subject to customary conditions including regulatory and antitrust clearance, is expected to close in H2 2018.
The JV will be accounted for by using the equity method and will be progressively capitalized once the regulatory authorizations are obtained.

On demand mobility
Safran and Bell announced a new collaboration on the development of innovative hybrid electric propulsion systems for future air taxi and VTOL systems. In this collaboration, Bell will lead the design, development and production of VTOL systems, and Safran will bring its technical expertise to bear in the development of a disruptive propulsion system.

First half 2018 results

First-half 2018 revenue amounted to Euro 9,506 million, including the four-month contribution of Euro 1,516 million from Zodiac Aerospace. This represents an increase of 23.9%, or Euro 1,836 million, compared to the year ago period. At constant scope, revenue grew 4.3%. The net impact of currency variations was Euro (445) million, reflecting a negative translation effect on non-Euro revenues, principally USD. The average USD/EUR spot rate was 1.21 to the Euro in the first-half of 2018, compared to 1.08 in the year-ago period. The Group's hedge rate improved to USD 1.18 to the Euro in H1 2018 from USD 1.21 in H1 2017.

On an organic basis, revenue increased 10.1% as all activities contributed positively.

Euros millions	Propulsion	Aircraft Equipment	Defense	Aerosystems	Aircraft Interiors	Holding & Others	**Safran**
H1 2017	4,414	2,636	612	na	na	8	**7,670**
H1 2018	4,744	2,585	651	742	774	10	**9,506**
Reported growth	7.5%	(1.9)%	6.4%	na	na	na	23.9%
Impact of changes in scope	(0.2)%	-	-	na	na	na	19.6%
Currency impact	(5.2)%	(7.5)%	(2.8)%	na	na	na	(5.8)%
Organic growth	**12.9%**	**5.6%**	**9.2%**	**na**	**na**	**na**	**10.1%**

First-half recurring operating income reached Euro 1,386 million, up 32.6% compared to Euro Euro 1,045 million in the first-half 2017. This increase notably includes the four-month contribution of Euro 129 million from Zodiac Aerospace, as well as the positive currency impact of Euro 79 million (notably comprising the improved EUR/USD hedge rate). Recurring operating income margin stood at 14.6% of sales compared with 13.6% in the year ago period. As expected, the profitability increased strongly in Propulsion, Aircraft Equipment and Defense.

One-off items, mainly related to transaction costs, totalled Euro (26) million during first-half 2018:

In Euro million	**H1 2017**	**H1 2018**
Adjusted recurring operating income	**1,045**	**1,386**
% of revenue	13.6%	14.6%
Total one-off items	**(16)**	**(26)**
Capital gain (loss) on disposals	*-*	*5*
Impairment reversal (charge)	*-*	*1*
Other infrequent & material non-operational items	*(16)*	*(32)*
Adjusted profit from operations	**1,029**	**1,360**
% of revenue	13.4%	14.3%

Adjusted net income – Group share was Euro 932 million (basic EPS of Euro 2.17 and diluted EPS of Euro 2.11) compared with Euro 716 million for continuing operations in H1 2017 (Basic EPS of Euro 1.74 and diluted EPS of Euro 1.71). It includes:

- Net adjusted financial income of Euro (114) million, including cost of debt of Euro (34) million.
- An adjusted tax expense of Euro (272) million (22% apparent tax rate).

The reconciliation between H1 2018 consolidated income statement and adjusted income statement is provided and commented in the Notes on page 17.

Cash flow and net debt

Operations generated Euro 820 million of free cash flow, including Euro 25 million from Zodiac Aerospace**.** Free cash flow generation was driven by cash from operations of Euro 1,719 million, devoted principally to tangible and intangible investments (at Euro 600 million) and to an increase of Euro 299 million in working capital requirements in the context of the CFM56-LEAP transition and of the consolidation of Zodiac Aerospace.

2017 annual dividend
A dividend of Euro 1.60 per share was approved by the shareholders at the Annual General Meeting of May 25, 2018 and was entirely paid in May 2018 impacting cash flow in the total amount of Euro 695 million.

Share buybacks
On May 24, 2017 Safran announced its intention to implement a Euro 2.3 billion ordinary share buyback program to run over the two years following the completion of the tender offer for Zodiac Aerospace shares.
Having completed the repurchase of the initial tranche signed on March 27, 2018 for a total amount of Euro 122 million, Safran signed a follow-on repurchase tranche on June 29, 2018 with a different investment service provider to acquire up to Euro 400 million worth of shares no later than October 31, 2018. The unit price may not exceed the maximum of Euro 118 per share set by the May 25, 2018 annual shareholders' meeting.

Pledge of securities
In the context of the financing of the public tender offer for Zodiac Aerospace shares, Euro 2 billion of marketable securities had been pledged for the tender offer period and therefore been excluded from "cash and cash equivalents" on December 31, 2017. The pledge was fully lifted in March 2018 at the end of the subsequent offer.

Impact of the acquisition of Zodiac Aerospace
Safran recorded a total cash outflow of Euro 4,474 million related to the tender offer for Zodiac Aerospace shares.
In addition, Zodiac Aerospace net debt of Euro 1,034 million was consolidated into Safran net debt at June 30, 2018.

Net Debt
The net debt position was Euro 3,533 million as of June 30, 2018 compared to a net cash position of Euro 294 million as of December 31, 2017.

Research & Development

Total R&D expenditures, including customer-funded, reached Euro 726 million (included Euro 170 million from Zodiac Aerospace), compared with Euro 756 million in H1 2017.

The self-funded R&D effort before research tax credit was Euro 565 million (including Euro 126 million from Zodiac Aerospace), compared with Euro 539 million for first-half 2017. Excluding the impact of the four-month consolidation of Zodiac Aerospace, self-funded R&D dropped Euro 100 million compared to the year-ago period.

Capitalised R&D was Euro 139 million (including Euro 27 million from Zodiac Aerospace) compared with Euro 167 million for H1 2017. Excluding Zodiac Aerospace, capitalised R&D fell Euro 55 million notably as Safran ceased capitalising R&D on the LEAP-1B at the end of February 2017.
Amortisation and depreciation of capitalised R&D was Euro 104 million (including Euro 16 million from Zodiac Aerospace) compared with Euro 76 million for H1 2017.

The impact on recurring operating income of expensed R&D was Euro 458 million (of which Euro 112 million related to Zodiac Aerospace) compared with Euro 374 million in the year ago period. Excluding Zodiac Aerospace, R&D charged to recurring operating income dropped Euro 28 million.

Financing

The net proceeds from the issuance of the convertible bond and the floating rates notes (as detailed below) will be used for general corporate purposes.

Issuance of a convertible bond maturing June 2023
On June 21, 2018, Safran successfully issued bonds convertible into or exchangeable for new and/or existing shares (OCEANE) with a zero coupon for a total of Euro 700 million.
The bonds were issued at a price of 100% of par corresponding to an annual gross yield to maturity of 0.0%. The nominal unit value of the Bonds has been set at €140.10, representing a premium of 37.5% above the reference share value and reflecting investors' appetite for the quality of Safran's signature.
Considering that the issuance comprises 4,996,431 bonds, each potentially convertible into one Safran share, the maximum dilution would be 1.13% if new shares were issued for the entire redemption.

Issuance of two-year floating rate notes (FRN)
On July 5, 2018, Safran completed an offering of 2-year floating rate notes of Euro 500 million. It was issued at 100% of nominal value and will bear a coupon of 3-month Euribor + 33 basis points per annum (coupon floored at 0%).
The offering was oversubscribed 2.5 times and did not concede any new issue premium, demonstrating the confidence of investors in the strategy and the performance of Safran and its high credit standards.

Currency hedges

The rally of the Euro towards 1.25 in the first part of the year has triggered some knock out barriers originally set between 1.21 and 1.25. Safran has fully replaced these instruments with limited impact on its 2019 and 2020 target ranges which remain in line with previous announcements. In addition, Safran increased its 2021 coverage by an additional USD 3.5 billion at rates within the 1.16-1.20 range previously announced. Safran has included the expected net exposure of Zodiac Aerospace activities in its hedging policy while maintaining the targeted hedge rates.

Safran's hedging portfolio totalled USD 25.9 billion on August 31, 2018 (vs. USD 20.3 billion last April).
2018: the Group is fully hedged; no change in the targeted hedge rate of USD 1.18.
2019: coverage of net EUR/USD exposure increased to USD 7.2 billion (USD 6.7 billion in April). Some instruments have knock-out barriers set at various levels between USD 1.26 and USD 1.32 with maturities up to end 2019. No change in the target range between USD 1.16 and USD 1.18.

2020: coverage of net EUR/USD exposure remained around USD 5.0 billion. Some instruments have knock-out barriers set at various levels between USD 1.27 and USD 1.32 with maturities up to mid 2020. No change in the target range between USD 1.16 and USD 1.18.
2021: coverage of net EUR/USD exposure increased to USD 6.0 billion (USD 2.5 billion in April). Safran has set up new USD 3.5 billion hedges with knock-out barriers set at various levels between USD 1.28 and USD 1.33 with maturities up to mid-2020. No change in the target range between USD 1.16 and USD 1.20.

Full-year 2018 outlook and 10-month 2018 outlook for Zodiac Aerospace

2018 guidance is established considering the full application of the new IFRS15 revenue recognition standard.

FY 2018 outlook for Safran (excluding Zodiac Aerospace)

Safran expects the strong momentum seen in H1 2018 for its Propulsion, Aircraft Equipment and Defense activities to continue into H2 2018. As a result, Safran raises its expectations for 2018. Compared to its estimated restated key metrics for the application of IFRS 15, Safran expects:

- Adjusted revenue to grow on an organic basis in the range 7% to 9% *(previously "at the top end of the 2% to 4% range")*. At an estimated average spot rate of USD 1.21 to the Euro in 2018, adjusted revenue is expected to grow in the mid-single digits *(previously "to grow slightly at an estimated average spot rate of USD 1.23 to the Euro in 2018")*.
- Adjusted recurring operating income to grow around 20% *(previously "at the upper end of the 7% to 10% range")* at a hedged rate of USD 1.18 to the Euro.
- Free cash flow to be comfortably above 50% of adjusted recurring operating income, an element of uncertainty being the rhythm of payments by state-clients.

The assumptions, on which the guidance is based, have been updated notably to reflect the strength of the civil aftermarket activities and the updated impact of the CFM56-LEAP transition on recurring operating income:

- Civil aftermarket growth in the 10% to 12% range *(previously "in the high single digits")*
- Transition CFM56 – LEAP: overall negative impact on Propulsion adjusted recurring operating income variation in the range €100 to 150 million *(previously "€150 to 200 million")* thanks to an improvement of CFM56 gross margin. This negative impact from the transition represents a significant reduction compared to 2017 and includes:
    - Lower CFM56 OE volumes
    - Negative margin on LEAP deliveries

The following assumptions are unchanged compared with Q1 2018 revenue announcement:

- Increase in aerospace OE deliveries, despite a fall in high thrust engine module volumes
- Reduction of self-funded R&D 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

10-month 2018 outlook for Zodiac Aerospace

Regarding Zodiac Aerospace businesses (consolidated for 10 months in 2018), Safran expects a contribution in the range:

- Euro 3.6 billion to 4 billion (at an estimated average spot rate of USD 1.21 to the Euro in 2018) to its adjusted revenue;

- Euro 260 million to 300 million (at a hedged rate of USD 1.18 to the Euro from 09/01/2018) to its adjusted recurring operating income;
- Euro 80 million to 120 million to its free cash flow.

Update on the integration of Zodiac Aerospace

The integration work is on track with 3 priorities :

- Organizational with the objective notably of streamlining and reducing overheads and improving operational responsiveness
    - As announced, the envisaged merger by absorption of Zodiac Aerospace SA by Safran SA is expected to be completed before the end of 2018

- Functional with the implementation of methodologies and Group processes to recover critical programs
    - Safran financial reporting & consolidation process is now fully deployed and effective
    - Lean-Sigma Program launched: ~150 Green Belts / Black Belts / Master Black Belts trainings have been initiated
    - Implementation of Safran operational standards (One Safran) started on key sites and programs

- Operational performance with reinforced management of recovery plans for sites experiencing difficulties.
    - More than 30 Safran coaches are on site at Zodiac Aerospace to support recovery plans and accelerate deployment
    - More than 25 on-site operational projects have been launched

Zodiac Aerospace four-month contribution and 10-month expected contribution to Safran is in line with the financial roadmap. The next step consists in integrating the financial outlook of Zodiac Aerospace activities into Safran's Medium Term Plan.

Safran confirms its target of €200m annual pre-tax run rate cost synergies of which around 90% should be achieved by 2020.

In addition, based on the strong upgrade of Safran FY 2018 outlook, the acquisition of Zodiac Aerospace should improve its 2018 earnings per share at the lower end of the previously indicated range.

Business commentary for first-half 2018

- **Aerospace Propulsion**

First-half 2018 revenue was Euro 4,744 million, up 7.5% compared to Euro 4,414 million in the year-ago period. On an organic basis, revenue grew 12.9%, driven by civil aftermarket, narrowbody engines programmes (LEAP and CFM56) and helicopter turbines activities.

OE revenue grew 14.1% (in €) in H1 2018 compared with H1 2017, thanks to higher sales of narrowbody engines. The total number of narrowbody aircraft engines deliveries increased 20% from 857 to 1,029 engines. As planned, LEAP production ramp up more than offset the ramp down of CFM56: LEAP shipments grew by 291 units to 438 engines in H1 2018 from 147 in H1 2017 while CFM56 volumes dropped by 119 units to 591 deliveries in H1 2018 from 710 in H1 2017. Helicopter turbines OE sales resumed organic growth on the back of increased volumes of higher value engines. In line with FY 2018 assumptions, headwinds to revenue included lower shipments of high thrust engines modules and military OE sales. M88 engines deliveries amounted to 4 units in H1 2018 compared with 12 in H1 2017.

Service revenue was up 3.0% in Euro terms and represented a 57.4% share of H1 2018 sales. Organic growth was driven by civil aftermarket activities and helicopter turbines services, partially offset by lower military support activities.
Civil aftermarket revenue grew 12.5% in USD terms in H1 2018 (including 16.4% in Q1 2018 and 8.8% in Q2 2018) thanks to higher spare parts sales. As expected, revenue recognition for service contracts slowed down in Q2 2018 after a sharp seasonal increase in Q1 2018.
On the basis of H1 2018 growth and of the continuing momentum in spare parts sales, Safran raises its civil aftermarket growth assumption for FY 2018: civil aftermarket is now expected to grow in the 10% to 12% range (previously "in the high single digits").

Recurring operating income was Euro 868 million, an increase of 20.4% compared with Euro 721 million in first-half 2017. Recurring operating margin grew from 16.3% to 18.3%.

The profitability benefitted from the civil aftermarket growth, the higher contribution of helicopter turbines activities, the lower expensed R&D and the improved EUR/USD hedge rate.
The CFM56-LEAP transition was a tailwind of €35M to recurring operating income growth in H1 2018 compared with H1 2017. The contribution of profitable CFM56 deliveries and the planned reduction in LEAP production cost per unit was partially offset by the increased volumes of LEAP deliveries with negative margins.
Lower military sales had a negative effect on profitability.

In H2 2018, Safran expects the CFM56-LEAP transition to represent a headwind to recurring operating income notably due to the planned acceleration of LEAP deliveries and to the continuing ramp down of CFM56 OE volumes.
Safran now expects an overall negative impact on Propulsion adjusted recurring operating income variation in the range Euro 100 million to Euro 150 million compared to 2017 *(previously "in the range Euro 150 to 200 million")*.

- **Aircraft Equipment**

First-half 2018 revenue amounted to Euro 2,585 million compared to Euro 2,636 million in the year-ago period. On an organic basis, revenue was up 5.6%.

OE revenue grew 2.5% organically, mainly driven by increased volumes of nacelles. Deliveries of nacelles for LEAP-1A powered A320neo grew by 67 units to 172 nacelles in H1 2018. A380 nacelle shipments were flat. Higher sales of equipment (landing gear and wiring) for 787 and A320 family also contributed to OE growth.

Service revenue was up 12.6% organically, driven by the growing contribution of carbon brakes as well as by nacelle and landing gear support activities.

Recurring operating income was Euro 347 million, an increase of 20.9% compared to Euro 287 million in the year-ago period. Recurring operating margin strongly increased from 10.9% to 13.4%. The growth in profitability was driven by higher volumes (notably in services) and by the benefits of cost reduction and productivity actions, only partially offset by higher expensed R&D. The improved EUR/USD hedge rate had a positive impact on profitability.

- **Defense**

First-half 2018 revenue was Euro 651 million, up 6.4% compared to Euro 612 million in the previous year. On an organic basis, revenue increased by 9.2%.

Growth in military sales was driven by increases in guidance and sighting systems as well as by portable optronics (LTLM II contract in the US). Avionics revenue was also up thanks to electronics (FADEC for LEAP), optics equipment for telescopes and support activities.

Recurring operating income, at 6.9% of revenue, was up at Euro 45 million compared to Euro 35 million (5.7% of revenue) in first-half 2017. Increased volumes coupled with production cost reductions drove profitability improvements. Self-funded R&D spending remained at a high level (10.6% of sales) to maintain technological edge.

- **Zodiac Aerospace (4 months from March to June 2018)**

Revenue of Zodiac Aerospace for the March to June period was Euro 1,516 million (including an unfavourable currency impact for both Aerosystems and Aircraft Interiors). Recurring operating income amounted to Euro 129 million.

Aerosystems recorded revenue of Euro 742 million. Sales were impacted by a slow-down in Safety Systems as well as in Fluid and Water & Waste Systems, partially offset by the positive momentum in Connected Cabin and the higher contribution of Control Systems.
Aerosystems recurring operating income was Euro 129 million. Control Systems and Connected Cabin had a positive impact while R&D and industrialization spending was a headwind to profitability.

Aircraft Interiors recorded revenue of Euro 774 million. The performance continued to be negatively impacted by lower volumes, notably due to the commercial impacts of previous design and execution issues. Aircraft Interiors recurring operating income was Euro 0 million. The performance was driven by the first benefits of operational improvement plans and cost reduction programs.

- **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 Safran recurring operating income was Euro (3) million in first-half 2018 compared with Euro 2 million in the year ago period.

Agenda

Q3 2018 revenue	October 23, 2018 post market
Capital Markets Day	November 29, 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 +1 646 722 4916 (US) (access code for all countries : 96116161#).
A replay will be available until December 5, 2018 at +33 (0)1 70 71 01 60, +44 (0) 203 364 5147 and +1 646 722 642 4969 (access code for all countries : 418759053#).

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 figures for first-half 2017 are restated for IFRS 15. The data shown for H1 2018 include 4 months of activity for Zodiac Aerospace.

Adjusted income statement *(In Euro million)*	**H1 2017**	**H1 2018**	**% change**
Revenue	**7,670**	**9,506**	**23.9%**
Other recurring operating income and expenses	(6,707)	(8,202)	
Share in profit from joint ventures	82	82	
Recurring operating income	**1,045**	**1,386**	**32.6%**
% of revenue	13.6%	14.6%	1.0 pt
Other non-recurring operating income and expenses	(16)	(26)	
Profit from operations	**1,029**	**1,360**	**32.2%**
% of revenue	13.4%	14.3%	0.9pt
Net financial income (expense)	(36)	(114)	
Income tax expense	(248)	(272)	
Profit from continuing operations	**745**	**974**	**30.7%**
Profit from discontinued activities	773	-	-
Profit for the period	**1,518**	**974**	**(35.8)%**
Profit for the period attributable to non-controlling interests	**(30)**	**(42)**	
From continuing operations	*(29)*	*(42)*	
From discontinued operations	*(1)*	-	
Profit for the period attributable to owners of the parent	**1,488**	**932**	**(37.4)%**
From continuing operations	*716*	*932*	*30.2%*
From discontinued operations	*772*	-	-
Earnings per share attributable to owners of parent (basic in €)	**3.62***	**2.17****	**(40.1)%**
From continuing operations	*1.74*	*2.17*	*24.7%*
From discontinued operations	*1.88*	-	-
Earnings per share attributable to owners of parent (diluted in €)	**3.56*****	**2.11******	**(40.7)%**
From continuing operations	*1.71*	*2.11*	*23.4%*
From discontinued operations	*1.85*	-	-

** Based on the weighted average number of shares of 411,224,858 as of June 30, 2017*
***Based on the weighted average number of shares of 428 935 570 as of June 30, 2018*
****Based on the weighted average number of shares after dilution of 418,502,063 as of June 30, 2017*
***** Based on the weighted average number of shares after dilution of 441 222 853 as of June 30, 2018*

Balance sheet - Assets *(In Euro million)*	Dec. 31, 2017	June. 30, 2018
Goodwill	1,831	7,346
Tangible & Intangible assets	9,114	10,401
Investments in joint ventures and associates	2,127	2,144
Other non-current assets	575	862
Derivatives assets	582	831
Inventories and WIP	3,954	5,578
Contracts costs	261	473
Trade and other receivables	4,952	6,154
Contracts assets	1,366	1,485
Cash and cash equivalents	4,914	2,380
Other current assets	2,709	716
Total Assets	**32,385**	**38,370**

Balance sheet - Liabilities *(In Euro million)*	Dec. 31, 2017	June. 30, 2018
Equity	9,648	10,796
Provisions	2,188	2,632
Borrowings subject to sp. conditions	569	610
Interest bearing liabilities	4,636	5,925
Derivatives liabilities	805	1,230
Other non-current liabilities	682	1,371
Trade and other payables	4,409	5,244
Contracts Liabilities	9,090	10,103
Other current liabilities	358	459
Total Equity & Liabilities	**32,385**	**38,370**

Cash Flow Highlights *(In Euro million)*	H1 2017	FY 2017	H1 2018
Adjusted attributable net profit	**1,488**	**2,393**	**932**
Post-tax capital gain on Security activities	(774)	(832)	-
Depreciation, amortization, provisions and others	380	500	787
Cash flow from operations	**1,094**	**2,061**	**1,719**
Changes in working capital	183	691	(299)
Capex (tangible assets)	(345)	(740)	(387)
Capex (intangible assets)	(96)	(225)	(69)
Capitalisation of R&D	(170)	(349)	(144)
Free cash flow	**666**	**1,438**	**820**
Dividends paid	(366)	(372)	(721)
Divestments/acquisitions and others	2,643	611	(3,946)
Net change in cash and cash equivalents	**2,943**	**1,677**	**(3,847)**
Net debt at beginning of period	(1,383)	(1,383)	294
Net debt at end of period	**1,560**	**294**	**(3,533)**

Segment breakdown of adjusted revenue *(In Euro million)*	H1 2017	H1 2018	% change	% change organic
Aerospace Propulsion	4,414	4,744	7.5%	12.9%
Aircraft Equipment	2,636	2,585	(1.9)%	5.6%
Defense	612	651	6.4%	9.2%
Aerosystems*	na	742	na	na
Aircraft Interiors*	na	774	na	na
Holding & Others	8	10	-	-
Total Group	**7,670**	**9,506**	**23.9%**	**10.1%**

For the March to June 2018 period

Segment breakdown of recurring operating income *(In Euro million)*	**H1 2017**	**H1 2018**	**% change**
Aerospace Propulsion % of revenue	**721** 16.3%	**868** 18.3%	20.4%
Aircraft Equipment % of revenue	**287** 10.9%	**347** 13.4%	20.9%
Defense % of revenue	**35** 5.7%	**45** 6.9%	28.6%
Aerosystems* % of revenue	**na** na	**129** 17.4%	na
Aircraft Interiors* % of revenue	**na** na	**-** -	na
Holding & Others	2	(3)	na
Total Group % of revenue	**1,045** 13.6%	**1,386** 14.6%	32.6%

**For the March to June 2018 period*

2017 adjusted revenue by quarter *(In Euro million)*	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**FY 2017**
Aerospace Propulsion	2,186	2,228	2,196	2,747	9,357
Aircraft Equipment	1,304	1,332	1,198	1,426	5,260
Defense	275	337	279	425	1,316
Holding & Others	3	5	6	6	20
Total revenue	**3,768**	**3,902**	**3,679**	**4,604**	**15,953**

2018 adjusted revenue by quarter *(In Euro million)*	**Q1 2018**	**Q2 2018**	**H1 2018**
Aerospace Propulsion	2,286	2,458	4,744
Aircraft Equipment	1,263	1,322	2,585
Defense	298	353	651
Zodiac Aerospace*	369	1,147	1,516
Others	6	4	10
Total revenue	**4,222**	**5,284**	**9,506**

**Zodiac Aerospace includes Aerosystems and Aircraft Interiors. Zodiac Aerospace is fully consolidated since March 1, 2018.*

Euro/USD rate	**H1 2017**	**FY 2017**	**H1 2018**
Average spot rate	1.08	1.13	1.21
Spot rate (end of period)	1.14	1.20	1.17
Hedged rate	1.21	1.21	1.18

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 alongside 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 programs revalued at the time of the Sagem-Snecma merger. With effect from the first-half 2010 interim financial statements, the Group decided to restate:
  - the impact of purchase price allocations for business combinations, particularly amortization charged against intangible assets recognized at the time of the transaction and amortized over extended periods due to the length of the Group's business cycles and the impact of remeasuring inventories, as well as
  - gains on remeasuring any previously held equity interests in the event of step acquisitions or asset contributions to joint ventures;

  Safran has also applied these restatements to the acquisition of Zodiac Aerospace with effect from 2018.
- 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 instruments hedging future cash flows are neutralized.

The resulting changes in deferred tax have also been adjusted.

H1 2018 reconciliation between consolidated income statement and adjusted consolidated income statement:

H1 2018 (In Euro million)	Consolidated data	Currency hedging		Business combinations		Adjusted data
		Remeasurement of revenue (1)	Deferred hedging gain / loss (2)	Amortization of intangible assets -Sagem-Snecma merger (3)	PPA impacts - other business combinations (4)	
Revenue	**9,393**	**(113)**	**-**	**-**	**-**	**9,506**
Other operating income and expenses	(8,544)	(1)	-	30	313	(8,202)
Share in profit from joint ventures	63	-	-	-	19	82
Recurring operating income	**912**	**112**	**-**	**30**	**332**	**1,386**
Other non-recurring operating income and expenses	(26)	-	-	-	-	(26)
Profit (loss) from operations	**886**	**112**	**-**	**30**	**332**	**1,360**
Cost of debt	(34)	-	-	-	-	(34)
Foreign exchange gains (losses)	(175)	(83)	189	-	-	(69)
Other financial income and expense	(11)	-	-	-	-	(11)
Financial income (loss)	**(220)**	**(83)**	**189**	**-**	**-**	**(114)**
Income tax expense	(100)	(10)	(65)	(10)	(87)	(272)
Profit (loss) from continuing operations	**566**	**19**	**124**	**20**	**245**	**974**
Attributable to non-controlling interests	**(31)**	**(1)**	**-**	**(1)**	**(9)**	**(42)**
Attributable to owners of the parent	**535**	**18**	**124**	**19**	**236**	**932**

(1) Remeasurement of foreign-currency denominated revenue net of purchases (by currency) at the hedged rate (including premiums on unwound options) through the reclassification of changes in the fair value of instruments hedging cash flows recognized in profit or loss for the period. However, the use of the outstanding portfolio of currency derivatives held by Zodiac Aerospace at the acquisition date gave rise to the partial reclassification of changes in the fair value of currency hedges to financial income (loss) for a six-month transition period.
(2) Changes in the fair value of instruments hedging future cash flows that will be recognized in profit or loss in future periods (€189 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (zero at June 30, 2018).
(3) Cancelation of amortization/impairment of intangible assets relating to the remeasurement of aircraft programs resulting from the application of IFRS 3 to the Sagem-Snecma merger.
(4) Cancelation of the impact of remeasuring inventories at the time of the acquisition of Zodiac Aerospace for a negative €294 million and cancelation of amortization/impairment of assets identified during business combinations.

Readers are reminded that only the consolidated financial statements are reviewed by the Group's statutory auditors. The consolidated financial statements include revenue and operating profit indicators set out in the adjusted data in Note 5, "Segment information" of the half-year consolidated financial statements.

Adjusted financial data other than the data provided in Note 5, "Segment information" of the consolidated financial statements, are subject to verification procedures applicable to all of the information provided in the half-year financial report.

[2] Recurring operating income
Operating income before capital gains or losses on disposals /impact of changes de contrôle, impairment charges, transaction and integration costs and other items.

[3] Civil aftermarket (expressed in USD)
This non-accounting indicator (non-audited) comprises spares and MRO (Maintenance, Repair & Overhaul) revenue for all civil aircraft engines for Safran Aircraft Engines and its subsidiaries and reflects the Group's performance in civil aircraft engines aftermarket compared to the market.

[4] Free cash flow
This non-accounting indicator (non-audited) is equal to cash flow from operating activities less working capital and acquisitions of property, plant and equipment and intangible assets.

__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. Together with Zodiac Aerospace, Safran has more than 91,000 employees and would have around €21 billion in adjusted revenue (pro forma 2016).

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IMPORTANT ADDITIONAL INFORMATION

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.