

## Safran: very strong revenue growth for first-quarter 2016

All revenue figures in this press release represent adjusted<sup>[1]</sup> revenue. Please refer to definitions contained in the Notes on page 7.

### KEY FIGURES FOR THE FIRST QUARTER OF 2016

- **First-quarter 2016 adjusted revenue was Euro 4,240 million**, up 7.8% year-on-year. Adjusted revenue growth was 6.7% on an organic basis.
- Organic revenue growth was driven by continued momentum in Aerospace and Security activities.
- **Civil aftermarket<sup>[2]</sup> grew 8.6% in USD terms**, and continues to be driven by overhauls of recent CFM56 and GE90 engines.
- **Full-year 2016 outlook is confirmed:** Safran expects adjusted revenue to increase by a percentage in the low single digits and adjusted recurring operating income likely to increase by around 5% with a further increase in margin rate. Free cash flow should represent more than 40% of adjusted recurring operating income.

### BUSINESS HIGHLIGHTS

- **LEAP:** Execution of the engine family development programme continues on track and on time. In early April, Safran delivered the first series-production LEAP propulsion systems (including the LEAP-1A engine and the nacelle) for A320neo, in accordance with the schedule established five years ago. First commercial deliveries to airline customers are expected in summer 2016. Meanwhile, the flight test programme of the A320neo and A321neo continues to proceed flawlessly to date with over 800 hours logged in more than 285 flights since May 19, 2015. Certification of the LEAP-1B engine is on track. On January 29, 2016, the Boeing 737 MAX performed a flawless first flight which marked the start of a one-year flight test certification program currently involving 3 aircraft. So far more than 310 hours of flight tests have been logged on over 100 flights. Measurements show that the engine is fully on track to meet the desired specifications. Entry into service is expected in 2017, as per schedule.
- **CFM56 & LEAP backlog:** orders and commitments for 673 LEAP and 542 CFM56 engines were received in the first quarter bringing the total CFM International (CFMI) order backlog to 13,949 engines (firm orders and commitments) at end March 2016. CFMI's announced orders include engines associated with new aircraft orders and engines chosen separately from aircraft orders which may have been announced by airframers.
- **Aircraft Equipment:** Safran was chosen by Airbus Helicopters to supply the cockpit and rear avionics electrical bays for the H160 of Airbus Helicopters.
- **Defence:** Under the contracting authority of the French defence procurement agency (DGA) the French army's new "tactical drone system" (SDT) programme was awarded to Safran. The program is based on the Patroller drone system, for which Safran is prime contractor. The military spending programme for 2014-2019 provides for the delivery of 14 aircraft as well as supporting ground stations and equipment.
- **Security:** the Security division pursued its development in digital ID programs for governments (including in the US and the UK). The Aadhaar program in India reached an important milestone with 1 billion Indians enrolled since its launch in 2011. Safran signed a contract with Changi Airport in Singapore to supply a border control solution to facilitate the passenger journey using facial recognition.
- **Space:** Safran and Airbus Group are making progress on terms and conditions of the implementation of the second phase of the integration of Airbus Safran Launchers, their space launchers joint venture. The finalisation of technical and administrative approvals and formalities is expected in the coming weeks.

**Paris, April 26, 2016** - Safran (Euronext Paris: SAF) today reports revenue for the first quarter of 2016.

## EXECUTIVE COMMENTARY

CEO Philippe Petitcolin commented:

*“Our aerospace businesses drove revenue growth this quarter. The strength of commercial air traffic momentum generates demand for services and supports airlines’ plans to invest in new aircraft. The Security activities also contributed to growth thanks to new business as well as recurring revenue from existing contracts.*

*The LEAP family of engines continued to progress on track. The first series-production propulsion systems will shortly be delivered to Airbus’ A320neo assembly line in Hamburg, with entry into service expected in the coming weeks. The LEAP-1B is continuing to fulfil expectations, now on 3 Boeing 737 MAX test aircraft. More than 10,500 engines are currently in backlog, giving us a market share of 74% of future medium range aircraft. In addition, the current-generation programme CFM56 remains in very high demand, demonstrated by the orders for 542 engines received in the first quarter.*

*We signed an agreement to sell Morpho Detection activities to Smiths Group. Morpho Detection has world-leading technology and is well positioned to benefit from attractive trends in its markets. This well-executed step is fully in line with our strategy to focus our development on the aerospace and defence markets,*

*Safran’s strong positioning, firm market trends and a clear roadmap for each of our businesses, which we are pursuing with strong operational focus, give us full confidence in delivering on our objectives for 2016 and our medium term targets.”*

## FIRST-QUARTER 2016 REVENUE

Safran’s revenue in the first quarter was Euro 4,240 million, a 7.8% increase compared to Euro 3,935 million in the same period a year ago. This Euro 305 million increase reflects growth in Aerospace (propulsion and equipment) and Security.

On an organic basis (excluding the effects of acquisitions, disposals and currency variations), Group revenue increased by Euro 264 million, or 6.7%. Organic revenue was determined by applying constant exchange rates and by excluding the effects of changes in structure. Hence, the following calculations were applied:

<b>Reported growth</b>			<b>7.8%</b>
	Impact of acquisitions, newly consolidated activities and disposals	Euro (2) million	(0.1)%
	Currency impact	Euro (39) million	(1.0)%
<b>Organic growth</b>			<b>6.7%</b>

Currency variations favourably impacted revenue in the amount of Euro 39 million in the first quarter 2016, reflecting a globally positive translation effect on non-Euro revenues, notably on the portion of the USD-denominated revenue naturally hedged via USD procurements. The Group’s average USD/EUR spot rate was 1.10 to the Euro in the first quarter 2016 compared to 1.13 in the year-ago period. The Group’s hedge rate improved to USD1.24 to the Euro in the first quarter 2016 from USD1.25 in the year-ago period.

## BUSINESS COMMENTARY

### ▪ Aerospace Propulsion

First-quarter 2016 revenue was Euro 2,301 million, up 11.2% (10.0% on an organic basis) compared to revenue of Euro 2,070 million in the year-ago period. OE and service business on both civil and military programmes drove revenue growth.

OE revenues from civil engines grew driven notably by higher deliveries of CFM56 engines (442 units were delivered in Q1 2016, up 10% compared to Q1 2015). Military OE revenues also increased due to higher volumes of M88 and TP400 engines. Seven deliveries of M88 engines were recognised in the first quarter, all destined for export customers.

Helicopter turbines revenues declined in the mid-single digit range impacted by lower OE volumes and softer spares revenue and support, principally at customers in the Oil & Gas sector.

Overall service revenue in Aerospace Propulsion was up 8.2% in Euro terms and represents a 54.5% share of revenue in the quarter. Civil aftermarket revenue grew by 8.6% in USD terms, and continues to be driven by overhauls of recent CFM56 and GE90 engines. Military aftermarket also grew at a mid-teens rate.

Total new firm orders and commitments were received for 673 LEAP and 542 CFM56 engines in the first quarter. At March 31, 2016 the total backlog for these engines stood at 13,949 units and notably contains orders and commitments for 10,534 next-generation LEAP engines.

### ▪ Aircraft Equipment

First-quarter 2016 revenue of Euro 1,219 million increased 4.0% compared to Euro 1,172 million in the year-ago period. On an organic basis, revenue was up 1.9%.

Deliveries of wiring and landing gear shipsets for the A350 and the 787 programmes grew in line with the production rates of airframers. Lower deliveries of thrust reversers and landing gear for A330 reflect the declining assembly rate of the aircraft. 25 nacelles for A380 were shipped in Q1, the same number as last year. The volumes of thrust reversers for A320 increased slightly with a further acceleration expected in the second half of the year.

Service revenue grew by 17.2% and accounts for 30.8% of total sales. Growth was broad-based: the carbon brakes, landing gear and nacelles activities contributed positively.

### ▪ Defence

First-quarter 2016 revenue was Euro 269 million, down 3.2% compared to Euro 278 million in the previous year. On an organic basis, revenue declined by 3.6%, in line with expectations. In Optronics, the end of the contribution of the FELIN programme was partially offset by the increase in sales of sighting systems and of infrared goggles. The decline in Avionics revenue was driven by a drop in volumes of inertial navigation and flight control systems, partially compensated by a mix-driven improvement in guidance kits.

### ▪ Security

First-quarter 2016 revenue of Euro 449 million increased 8.5% compared to Euro 414 million in the year-ago period. Organic growth was 10.9%, excluding the effect of currency variations.

All activities contributed to revenue growth. In Identification, government solutions grew strongly, particularly Federal enrolment contracts in the US, systems supporting electoral programmes in the Middle-East Africa and biometric solutions in the Asia-Pacific zone. Smart chip sales increased organically thanks to higher volumes with banking and telco customers.

### **MORPHO DETECTION**

On April 21, 2016, Safran announced the signing of an agreement to sell Morpho Detection LLC and other detection related activities to Smiths Group for an enterprise value of USD 710 million. The transaction will generate a capital gain before tax at current €/€ exchange rate.

The transaction is subject to regulatory approvals and customary closing conditions, and is expected to be completed early in 2017.

Please refer to the April 21 press statement for further information.

### **2016 OUTLOOK CONFIRMED**

Safran's 2016 outlook is applicable to the Group's structure as of December 31, 2015, including Morpho Detection, the sale of which is expected early in 2017. In addition, it does not take into account the impact in 2016 of the finalisation of the regrouping of its space launcher activities with those of Airbus Group in their joint venture, Airbus Safran Launchers (ASL). Guidance will be revised as necessary upon finalisation of Phase 2 of the operation. Safran expects the contribution of its space launchers activities to ASL to be accretive to adjusted recurring operating margin.

Safran expects on a full-year basis:

- Adjusted revenue to increase by a percentage rate in the low single digits compared to 2015 (at an estimated average rate of USD 1.11 to the Euro).
- Adjusted recurring operating income likely to increase by around 5% with a further increase in margin rate compared to 2015 (at a hedged rate of USD 1.24 to the Euro).  
The hedging policy largely isolates adjusted recurring operating income from current EUR/USD variations except for the part generated in USD by activities located in the US, subject to the translation effect when converted into Euro.
- Free cash flow representing more than 40% of adjusted recurring operating income, an element of uncertainty being the rhythm of payments by state-clients.

The full-year 2016 outlook is based on the following underlying assumptions:

- Healthy increase in aerospace OE deliveries
- Civil aftermarket growth by a percentage in the high single digits
- Start-up costs of series Leap production
- Reduction of self-funded R&D of the order of Euro 100 - 150 million with a greater drop in capitalised amounts as spending declines on Leap, A350, helicopter turbines as they come closer to certification and entry into service. As a result of decreasing capitalisation and increasing amortisation of R&D costs, expensed R&D is expected to rise by around Euro 100 million.
- Sustained level of tangible capex, including expansions, new production capacity and tooling, around Euro 850 million, as required by production transitioning and ramp-up
- Profitable growth for the Security business
- Continued benefits from productivity improvement.

### **CURRENCY HEDGES**

Safran's hedging portfolio totalled USD 19.7 billion on April 18, 2016. No significant changes to the Group's foreign exchange coverage are to be noted since the disclosures in the 2015 annual results announcement (February 25, 2016) and at the Capital Markets Day (March 14, 2016).

### **UPCOMING EVENTS**

Annual Shareholders Meeting	May 19, 2016
H1 2016 results	July 29, 2016

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Safran will host today a conference call open to analysts and investors at 8:30 am CET which can be accessed at +33 1 70 77 09 35 (France), +44 203 367 9454 (UK), +1 855 402 7763 (US). A replay will be available at +33 1 72 00 15 00, +44 203 367 9460 and +1 877 642 3018 (access code 300354#).

The press release and presentation are available on the website at [www.safran-group.com](http://www.safran-group.com).

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**KEY FIGURES**

<i>Segment breakdown of adjusted revenue (In Euro million)</i>	Q1 2015	Q1 2016	% change reported	% change Organic
Aerospace Propulsion	2,070	2,301	11.2%	10.0%
Aircraft Equipment	1,172	1,219	4.0%	1.9%
Defence	278	269	(3.2)%	(3.6)%
Security	414	449	8.5%	10.9%
Others	1	2	Na	Na
<b>Total Group</b>	<b>3,935</b>	<b>4,240</b>	<b>7.8%</b>	<b>6.7%</b>

<i>2015 revenue by quarter (In Euro million)</i>	Q1 2015	Q2 2015	Q3 2015	Q4 2015	FY 2015
Aerospace Propulsion	2,070	2,416	2,220	2,613	9,319
Aircraft Equipment	1,172	1,242	1,180	1,349	4,943
Defence	278	338	266	384	1,266
Security	414	471	474	519	1,878
Others	1	1	1	5	8
<b>Total revenue</b>	<b>3,935</b>	<b>4,468</b>	<b>4,141</b>	<b>4,870</b>	<b>17,414</b>

<i>Euro/USD rate</i>	Q1 2015	Q1 2016
Average spot rate	1.13	1.10
Spot rate (end of period)	1.08	1.14
Hedged rate	1.25	1.24



**NOTES**

**[1] Adjusted revenue**

To reflect the Group’s actual economic performance and enable it to be monitored and benchmarked against competitors, Safran prepares an adjusted revenue.

Safran’s consolidated revenue has been adjusted for the impact of:

- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group’s overall foreign currency risk hedging strategy:
  - revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy,
  - all mark-to-market changes on foreign currency derivatives hedging future cash flows are neutralized.

First-quarter 2016 reconciliation between consolidated revenue and adjusted revenue:

Q1 2016  (In Euro million)	Consolidated revenue	Currency hedging		Business combinations		Adjusted revenue
		Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma merger	PPA impacts - other business combinations	
<b>Revenue</b>	<b>4,412</b>	(172)	na	na	na	<b>4,240</b>

**[2] Civil aftermarket** (expressed in USD)

This non-accounting indicator (non-audited) comprises spares and MRO (Maintenance, Repair & Overhaul) revenue for all civil aircraft engines for Snecma and its subsidiaries and reflects the Group’s performance in civil aircraft engines aftermarket compared to the market.

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*Safran is a leading international high-technology group with three core businesses: Aerospace (propulsion and equipment), Defence and Security. Operating worldwide, the Group has 70,000 employees and generated sales of 17.4 billion euros in 2015. Working independently or in partnership, Safran holds world or European leadership positions in its core markets. The Group invests heavily in Research & Development to meet the requirements of changing markets, including expenditures of more than 2 billion euros in 2015. Safran is listed on Euronext Paris and is part of the CAC40 index, as well as the Euro Stoxx 50 European index.*

For more information, [www.safran-group.com](http://www.safran-group.com) / Follow @SAFRAN on Twitter

**Press**

Catherine Malek +33 (0)1 40 60 80 28 [catherine.malek@safran.fr](mailto:catherine.malek@safran.fr)

**Investor Relations**

Peter Campbell +33 (0)1 40 60 35 96 [peter.campbell@safran.fr](mailto:peter.campbell@safran.fr)  
 Frédéric Lucand +33 (0)1 40 60 82 19 [frederic.lucand@safran.fr](mailto:frederic.lucand@safran.fr)

Safran  
 2, bd du Général Martial Valin  
 75724 Paris Cedex 15 – France

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