

*In the event of any differences between this unofficial English language translation and the official French document, the official French document shall prevail*

***This press release does not constitute an offer to sell or a solicitation of an offer to purchase any securities. The offer described hereafter and the draft information memorandum remain subject to review by the AMF***

## **PRESS RELEASE RELATIVE TO THE DRAFT TENDER OFFER**

**on a principal basis, complemented on a subsidiary basis by a**

**PUBLIC EXCHANGE OFFER**

**targeting the shares of**



initiated by



presented by



Presenting bank and guarantor

Safran is advised by

**Bank of America  
Merrill Lynch**



**LAZARD**



### **TERMS OF THE OFFER**

For the tender offer on a principal basis:

€25 per Zodiac Aerospace share

For the public exchange offer on a subsidiary basis:

exchange ratio of 0.300 to 0.332 Safran preferred shares to be issued for each Zodiac Aerospace share, subject to a limit of 88,847,828 Zodiac Aerospace shares

### **OFFER PERIOD**

The offer timeline shall be determined by the French Financial Markets Authority (*Autorité des marchés financiers* – "AMF"), in accordance with the AMF's General Regulations



This press release regarding the filing on December 7, 2017 by Safran of a draft tender offer, on a principal basis, complemented on a subsidiary basis by a public exchange offer targeting the shares of Zodiac Aerospace was prepared and issued in accordance with Article 231-16 of the AMF's General Regulations.

**THE OFFER AND THE DRAFT INFORMATION MEMORANDUM REMAIN SUBJECT TO THE AMF'S REVIEW.**

**IMPORTANT NOTICE**

Pursuant to Articles L.433-4 III of the French Monetary and Financial Code (*Code monétaire et financier*), and Articles 232-4 and 237-14 *et seq.* of the AMF's General Regulations, if the number of Zodiac Aerospace shares not tendered by Zodiac Aerospace minority shareholders to the principal tender offer complemented by the subsidiary exchange offer (hereafter together, the "**Offer**") represents, upon the closing of the Offer (or, as the case may be, the subsequent Offer), no more than 5% of Zodiac Aerospace's share capital or voting rights, Safran reserves the right to request the implementation, within ten (10) trading days from the date on which the results of the Offer are published or, where applicable, no later than three (3) months after the closing of the subsequent Offer, of a mandatory squeeze-out procedure in order to obtain the Zodiac Aerospace shares which have not been tendered to the Offer (or, as the case may be, the subsequent Offer) against compensation at the price of the principal tender offer.

Copies of the draft information memorandum are available on the websites of Safran ([www.safran-group.com](http://www.safran-group.com)) and the AMF ([www.amf-france.org](http://www.amf-france.org)), and may be obtained free of charge from:

- Safran: 2, boulevard du Général Martial-Valin, 75724 Paris Cedex 15, France
- Crédit Agricole CIB: 12, place des Etats-Unis - CS 70052, 92547 Montrouge Cedex, France

Information relating in particular to the legal, financial and accounting characteristics of Safran will be made available to the public, in accordance with Article 231-28 of the AMF's General Regulations, no later than on the day preceding the opening of the Offer, according to the same procedure.

## **1 PRESENTATION OF THE OFFER**

### **1.1 Presentation of the Offer and name of the Offeror**

Pursuant to Title III of Book II and in particular Articles 232-1 *et seq.* of the AMF's General Regulations, Safran, a French *société anonyme* with a share capital of €83,405,917, whose registered office is located at 2, boulevard du Général Martial Valin, 75015 Paris, France, registered with the commercial and companies registrar of Paris under number 562 082 909 and with shares admitted to trading on Compartment A of the regulated market of Euronext in Paris ("**Euronext Paris**") under ISIN code FR0000073272 (ticker symbol SAF) ("**Safran**" or the "**Offeror**"), irrevocably offers to all of the shareholders of Zodiac Aerospace, a French *société anonyme* governed by a management board and a supervisory board, with a share capital of €11,708,658.24, whose registered office is located at 61, rue Pierre Curie, 78370 Plaisir, France, registered with the commercial and companies registrar of Versailles under number 729 800 821 ("**Zodiac Aerospace**" or the "**Company**"), to purchase all of their shares under the conditions described hereafter.

The Company's shares are admitted to trading on Compartment A of Euronext Paris under ISIN code FR0000125684 (ticker symbol ZC).

The Offer is made in the form of a cash tender offer (*offre publique d'achat*) on a principal basis, complemented by an exchange offer (*offre publique d'échange*) on a subsidiary basis:

- regarding the cash tender offer (the "**Principal Tender Offer**"), the Offeror offers to the Company's shareholders to purchase their Zodiac Aerospace shares at a price of €25 per share;
- regarding the subsidiary exchange offer (the "**Subsidiary Exchange Offer**"), the Offeror offers to the Company's shareholders to exchange their Zodiac Aerospace shares for Safran preferred shares to be issued at a par value of €0.20 (the "**Class A Preferred Shares**" or the "**Preferred Shares**"). The Preferred Shares will have the same characteristics as Safran ordinary shares, but will not be transferable for a thirty-six (36) month period from their issuance. A maximum of 88,847,828 Zodiac Aerospace shares will be accepted for tender to the Subsidiary Exchange Offer (the "**Limit**"), i.e., around 30.4%<sup>1</sup> of Zodiac Aerospace's share capital. The Preferred Shares' characteristics are described in section 2.3.4, "Characteristics of Safran Preferred Shares and rights attached thereto". The exchange ratio for the Subsidiary Exchange Offer, set within a range of 0.300 to 0.332 Preferred Shares for each Zodiac Aerospace share tendered to the Offer, will be determined before the opening of the Paris stock market on the tenth trading day preceding the Offer's closing date, in accordance with the conditions set out in section 2.2.2, "Subsidiary Exchange Offer". In the event the exchange ratio was set at 0.332 Preferred Shares for one Zodiac Aerospace share, the maximum number of Preferred Shares that may be issued pursuant to the Subsidiary Exchange Offer would be 29,497,478.

The Offer targets:

- all of the shares comprising Zodiac Aerospace's share capital, excluding any treasury shares held by the Company (the "**Treasury Shares**") which the Company's Supervisory Board decided not to tender to the Offer on November 21, 2017, i.e., to the

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<sup>1</sup> Based on the total number of shares reported by Zodiac Aerospace at October 31, 2017, i.e., 292,716,456 shares, representing 378,565,423 theoretical voting rights pursuant to Article 223-11 of the AMF's General Regulations and 31.36% of its share capital on a fully diluted basis excluding Treasury Shares.

Offeror's knowledge, 280,096,470 existing Zodiac Aerospace shares<sup>2</sup> at the date of the draft information memorandum. It is nevertheless specified that 1,456,094<sup>3</sup> Treasury Shares may be delivered upon the full vesting of the free shares granted by Zodiac Aerospace;

- any new shares of the Company issued prior to the close of the Offer or of the Subsequent Offer (as defined in section 2.10, "Reopening of the Offer") as a result of exercising the stock subscription options granted by the Company (the "**Options**"), i.e., to the Offeror's knowledge at the date of the draft information memorandum, a maximum of 1,703,296 new Zodiac Aerospace shares<sup>3</sup>;
- any new and/or existing shares of the Company issued and/or delivered upon the full vesting of the Company's free shares (the "**Free Shares**") prior to the close of the Offer or of the Subsequent Offer, i.e., to the Offeror's knowledge at the date of the draft information memorandum, a maximum of 1,456,094<sup>4</sup> new and/or existing Zodiac Aerospace shares<sup>3</sup>;

i.e., a maximum of 283,255,860 Zodiac Aerospace shares to the Offeror's knowledge at the date of the draft information memorandum.

However, it is specified that, to the Offeror's knowledge:

- except in the cases provided for under the applicable laws or regulations in which their unavailability is lifted (such as the death or incapacity of the beneficiary), the 635,215 Zodiac Aerospace shares that may be acquired as a result of the exercise – prior to the close of the Offer or of the Subsequent Offer – of the Options granted under the plan adopted by the Company's Management Board on February 12, 2015, are subject to a non-transferability period until February 12, 2018 (the "**2015 Options**") in accordance with the plan rules. The 2015 Options may therefore only be tendered to the Subsequent Offer, it being specified that the exercise price of the 2015 Options is higher than the price of the Principal Tender Offer;
- the 296,193 Zodiac Aerospace shares resulting from the exercise of the Options directly held by Company employees at October 31, 2017 under the company savings plan implemented pursuant to a unilateral decision of January 15, 2004 and successively amended on July 2, 2012, July 17, 2013 and January 13, 2017 (the "**CSP**"), for which the five-year non-transferability period provided for by the plan only expires after the close of the Offer or, as the case may be, of the Subsequent Offer (the "**Shares Blocked in the CSP**"), may not be tendered to the Offer;
- except in the cases provided for under the applicable laws or regulations in which their unavailability is lifted (such as the death or incapacity of the beneficiary), the 1,573,064 Zodiac Aerospace shares acquired or that may be acquired – prior to the close of the Offer or, as the case may be, of the Subsequent Offer – under the free

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<sup>2</sup> Based on the total number of shares reported by Zodiac Aerospace at October 31, 2017, i.e., 292,716,456 shares, representing 378,565,423 theoretical voting rights pursuant to Article 223-11 of the AMF's General Regulations, minus 12,619,986 Treasury Shares held by the Company, i.e., 12,647,676 Treasury Shares at October 31, 2017, less the 27,690 free shares fully vested on December 4, 2017 under free share plans no. 6 and no. 7 implemented by Zodiac Aerospace's Management Board on December 4, 2013.

<sup>3</sup> The figures relating to stock subscription options and free shares are given as at October 31, 2017 and include the full vesting of 27,690 free shares on December 4, 2017 under free share plans no. 6 and no. 7 implemented by Zodiac Aerospace's Management Board on December 4, 2013.

<sup>4</sup> Not including the 27,690 existing free shares delivered on December 4, 2017 under free share plans no. 6 and no. 7 implemented by Zodiac Aerospace's Management Board on December 4, 2013.

share plans whose vesting or holding period, if any, only expires after the close of the Offer or, as the case may be, of the Subsequent Offer (the "**Restricted Free Shares**"), may not be tendered to the Offer.

To the Offeror's knowledge and at the date of the draft information memorandum, the Restricted Free Shares are allocated as follows:

- 1,456,094<sup>5</sup> Free Shares of the Company whose vesting period will not expire before the close of the Offer (or, as the case may be, before the close of the Subsequent Offer) (the "**Free Shares in their Vesting Period**");
- 116,970<sup>6</sup> Free Shares of the Company which have vested at the date of the draft information memorandum but whose holding period will not expire before the close of the Offer (or, as the case may be, of the Subsequent Offer) (the "**Free Shares in their Holding Period**").

Where permitted by applicable regulations, the Restricted Free Shares and the shares resulting from the exercise of Options held under the CSP will be eligible for the liquidity mechanism described in section 2.3.6 of the draft information memorandum (the "**Liquidity Mechanism**").

To the Offeror's knowledge and at the date of the draft information memorandum, there are no other equity instruments or other financial instruments or rights granting immediate or deferred access to the Company's share capital or voting rights.

The Offer is subject to the conditions precedent described in section 2.7, "Conditions of the Offer" and in particular to: (i) the acceptance threshold referred to in Article 231-9 I of the AMF's General Regulations, (ii) in accordance with Article 231-9 II of the AMF's general regulations, the tendering to the Offer of Zodiac Aerospace shares representing, upon close of the Offer, at least 66.67% of voting rights exercisable at shareholders' meetings, pursuant to Article 231-9 II of the AMF's General Regulations, and (iii) obtaining the required anti-trust approvals prior to the Transaction as set out in section 2.7.3, "Authorizations from competition authorities", in accordance with Article 231-11 of the AMF's General Regulations.

The opening of the Offer is also subject to obtaining the regulatory approval described in section 2.6, "Regulatory approval to be obtained".

The Offer will be carried out under the normal procedure governed by Articles 232-1 *et seq.* of the AMF's General Regulations.

Pursuant to Article 231-28 of the AMF's General Regulations, information relating in particular to the legal, financial and accounting characteristics of Safran will be filed with the AMF and made available to the public no later than on the day preceding the opening of the Offer.

In accordance with Article 231-13 of the AMF's General Regulations, the draft Offer is presented by Crédit Agricole Corporate and Investment Bank ("**Crédit Agricole CIB**" or the "**Presenting Bank**"), which guarantees the terms and the irrevocable character of the undertakings made by the Offeror in the context of the Offer.

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<sup>5</sup> Not including the 27,690 free shares issued under plans no. 6 and no. 7, whose vesting period expired on December 4, 2017.

<sup>6</sup> Not including the 142,800 free shares issued under plans no. 6 and no. 7, whose holding period expired on December 4, 2017.

## **1.2 Background and rationale for the Offer**

### **1.2.1 Background**

#### **(a) Start of exclusive negotiations**

On January 18, 2017, Safran and Zodiac Aerospace signed a memorandum of understanding, subsequently amended by addenda dated February 22, 2017 and March 28, 2017 (the "**Initial Memorandum of Understanding**"), setting out the main terms and conditions governing a contemplated combination in the form of a cash tender offer for the shares of Zodiac Aerospace initiated by Safran, followed by a merger by absorption of Zodiac Aerospace by Safran and preceded by the payment of a special dividend by Safran to its shareholders (the "**Initial Project**"). On January 19, 2017, Safran and Zodiac Aerospace published a press release announcing that they had entered into exclusive negotiations with a view to implementing the Initial Project.

Following Zodiac Aerospace's publication of profit warnings for financial year 2016-2017 on March 14, 2017 and April 28, 2017, Safran and Zodiac Aerospace pursued their exclusive negotiations and Safran conducted additional financial due diligence which confirmed the transaction's strong strategic rationale and potential for value creation.

#### **(b) Signature of the Business Combination Agreement**

Following this process, on May 24, 2017 Safran and Zodiac Aerospace entered into an agreement (the "**Business Combination Agreement**") setting out the new terms and conditions for a business combination (the "**Transaction**"), consisting of a primary cash offer complemented by a capped subsidiary exchange offer. On the same date, Safran and Zodiac Aerospace published a press release announcing the new terms of their business combination project.

The main provisions of the Business Combination Agreement are described in section 1.4.1, "Business Combination Agreement" of the draft information memorandum<sup>7</sup>.

The Transaction was unanimously approved on May 23, 2017 by (i) Safran's Board of Directors after having consulted Goldman Sachs, its financial advisor, on the fairness of the Offer for Safran and (ii) Zodiac Aerospace's Management Board and Supervisory Board.

Zodiac Aerospace's Supervisory Board meeting on May 23, 2017 also confirmed the February 23, 2017 appointment of Finexsi, represented by Olivier Péronnet and Olivier Courau, as independent expert pursuant to Article 261-1 I of the AMF's General Regulations, to express an opinion on the fairness of the Offer's financial terms.

#### **(c) Signature of agreements with Zodiac Aerospace's major shareholders**

On May 24, 2017 and June 13, 2017, the Offeror entered into holding and tender undertakings with Zodiac Aerospace's major institutional shareholders, FFP, FFP Invest and Fonds Stratégique de Participations, along with Zodiac Aerospace's family shareholders, representing around 27% of the Company's share capital.

On June 13, 2017, the Offeror also signed a residual interest undertaking with certain family shareholders of Zodiac Aerospace, covering no more than 5% of Zodiac Aerospace's share capital and including in particular a put option consented by Safran to the family shareholders

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<sup>7</sup> An addendum to the Business Combination Agreement was signed on December 6, 2017. The main terms of said addendum are described in section 1.4.1, "Business Combination Agreement" of the draft information memorandum.

and a call option granted to Safran by the family shareholders on certain Zodiac Aerospace shares held by those family shareholders.

These agreements are described in sections 1.4.2, "Undertaking to contribute by certain Company shareholders" and 1.4.3, "Residual interest undertaking" of the draft information memorandum.

(d) Information and consultation procedures with regard to employee representative bodies

On May 26, 2017, pursuant to Articles L.2323-35 *et seq.* of the French Labor Code (*Code du travail*), Safran initiated information procedures and Zodiac Aerospace initiated information and consultation procedures with regard to their respective employee representative bodies. Zodiac Aerospace's works council unanimously approved the Transaction on June 23, 2017.

(e) Authorization to issue Preferred Shares by Safran's general shareholders' meeting

At the extraordinary shareholders' meeting held on June 15, 2017, Safran shareholders approved the 32<sup>nd</sup> and 33<sup>rd</sup> resolutions submitted for their vote authorizing the issuance of Preferred Shares to be delivered to Zodiac Aerospace shareholders having tendered their shares to the Subsidiary Exchange Offer and delegating to Safran's Board of Directors the authority to issue them. The characteristics of the Preferred Shares are described in section 2.3, "Number, characteristics and origin of the Safran Preferred Shares delivered in exchange in the context of the Subsidiary Exchange Offer".

(f) Decision to file the draft Offer

At a meeting on December 6, 2017, Safran's Board of Directors unanimously decided to file this draft Offer with the AMF.

At a meeting on the same day, Zodiac Aerospace's Supervisory Board, after having read the independent expert's fairness opinion, unanimously issued a reasoned opinion recommending Zodiac Aerospace's shareholders to tender their shares to the Offer.

#### 1.2.2 Rationale for the Offer

Safran is a leading international high-technology group and tier-1 supplier of propulsion systems and equipment in its core Aerospace and Defense markets.

Zodiac Aerospace specializes in the design, manufacture, and sale of aircraft equipment, and is among the world's leading companies in a variety of sectors. The Company has a strong presence in North America.

The Transaction would create a global leader in aircraft equipment allying the market-leading positions, expertise, technologies and talents of both Safran and Zodiac Aerospace. The new group would combine Safran's capabilities in landing gear, wheels and brakes, nacelles, power systems, actuation and avionics, with Zodiac Aerospace's leading positions in seats, cabin interiors, power distribution, lighting, fuel, oxygen and fluid systems and safety equipment.

In electrical systems, Zodiac Aerospace's assets would reinforce Safran's portfolio of technologies and ideally position the new group for future developments towards the "more electric aircraft".

On an indicative basis, the combined group would have over 91,000 employees<sup>8</sup> (of which over 45,000 in France) and would generate around €21 billion in adjusted revenue and approximately €2.7 billion in adjusted recurring operating income<sup>9</sup>. On this basis, the new group would be the world's third largest player in the aerospace sector<sup>10</sup>. The new group would also become the second largest player worldwide in aircraft equipment, with pro forma revenue of approximately €10 billion<sup>8</sup> from sales of equipment. It would be present in over 60 countries.

#### 1.2.3 Data room

During the combination negotiations between Safran and Zodiac Aerospace, Safran had access to a limited amount of information concerning Zodiac Aerospace within the scope of data room procedures. The information provided by Zodiac Aerospace to Safran was disclosed in accordance with the AMF's recommendations on data room procedures set out in its guide on ongoing information and the management of inside information (AMF – DOC-2016-08). Safran considers that, apart from publicly available information and the information set out in the draft information memorandum, it has not obtained any other specific information relating directly or indirectly to Zodiac Aerospace or to its subsidiaries that, were it to be made public, could have a significant influence on the Zodiac Aerospace share price.

#### 1.2.4 Overview of the Offeror's investments over the past 12 months

Neither the Offeror nor any entity it controls acquired any Zodiac Aerospace shares in the 12 months preceding the date on which the Offer was filed, or entered into any agreements or acquired any financial instruments enabling them to purchase Zodiac Aerospace shares at their own initiative, with the exception of the call option provided for in the residual interest undertaking described in section 1.4.3, "Residual interest undertaking" of the draft information memorandum that remains contingent on the successful completion of the Offer.

At the date on which the draft information memorandum is filed, no Zodiac Aerospace shares are held by the Offeror directly or indirectly, alone or in concert.

#### 1.2.5 Regulatory approvals

##### (a) Foreign investment approvals obtained

At the date of the draft information memorandum, Safran and Zodiac Aerospace have obtained the regulatory foreign investment approvals required prior to the Transaction, except for the regulatory approval described in section 2.6, "Regulatory approval to be obtained":

Safran and/or Zodiac Aerospace have obtained the following authorizations:

- in the United States, the declaration of the International Traffic in Arms Regulations (ITAR) was materialized through the expiration of the statutory term for any requests from the authorities in the United States on September 24, 2017;
- in Canada, the Transaction was approved by the Canadian foreign investment authorities on October 23, 2017;

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<sup>8</sup> Indicative figures provided when the Transaction was announced and calculated based on Safran's headcount and adjusted earnings for the year ended December 31, 2016 (excluding Safran Identity & Security) and Zodiac Aerospace's headcount and earnings for the 2015-2016 financial year at August 31, 2016.

<sup>9</sup> Indicative figures provided when the Transaction was announced and calculated based on Safran's headcount and adjusted earnings for the year ended December 31, 2016 (excluding Safran Identity & Security) and Zodiac Aerospace's headcount and earnings for the 2015-2016 financial year at August 31, 2016.

<sup>10</sup> Excluding aircraft manufacturers and platform system builders; ranking based on the most recently published annual revenue.

- in Germany, the Transaction was approved by the German foreign investment authorities on November 8, 2017.

(b) Authorizations obtained from competition authorities

At the date on which the draft information memorandum is filed, Safran and Zodiac Aerospace have obtained all of the required regulatory authorizations from competition authorities prior to the Transaction, with the exception of those authorizations constituting conditions precedent for this Offer which are described in section 2.7.3, "Authorizations from competition authorities".

Safran and/or Zodiac Aerospace obtained authorizations for the Transaction from the anti-trust authorities in the following countries/jurisdictions: (i) Kenya on July 19, 2017, (ii) South Africa on July 25, 2017, (iii) Russia on August 21, 2017, (iv) Turkey on September 28, 2017, (v) the Common Market for Eastern and Southern Africa (COMESA) on September 30, 2017, (vi) the United States (DoJ) on October 19, 2017, (vii) Mexico (COFECE) on November 2, 2017, and (viii) Canada (Competition Bureau) on November 10, 2017.

Pre-approval was also obtained in South Korea on September 12, 2017, it being specified that the South Korean authorities are to be formally notified of the Transaction after the close of the Offer and that the Transaction should be approved provided that no significant changes have taken place since the date of pre-approval.

1.2.6 Safran share buyback program

Safran plans to launch a €2.3 billion buyback program for its ordinary shares over a period of two years. The buyback program will be carried out in accordance with the authorization granted by the 15<sup>th</sup> resolution approved by Safran's general shareholders' meeting on June 15, 2017. The main terms and conditions of the program are as follows:

- the number of shares that may be bought back may not exceed 10% of the Company's total outstanding shares and the Company may at no time directly or indirectly hold a number of Safran shares representing more than 10% of its capital;
- the shares may be purchased, sold or transferred by any authorized method, including through block trades for all or some of the program, subject to the regulations in force at the date on which the authorization is implemented.

The maximum per-share purchase price of shares acquired using this authorization would be set at €95 and the maximum total investment in the buyback program would be €3.9 billion.

**1.3 Intentions of the Offeror over the next 12 months**

1.3.1 Industrial and commercial strategy

The Transaction is fully consistent with Safran's global strategy and would notably allow it to (i) pursue its growth strategy in the aerospace and defense markets, (ii) reinforce its position as a tier-1 aircraft equipment supplier on aerospace programs due to an extended range of products for aircraft manufacturers and airline companies, (iii) further decorrelate its revenue from new aircraft production cycles due to after-sales and cabin refit activities, and (iv) increase its dollar-denominated cost base.

The Transaction would support Zodiac Aerospace in the turnaround of its aircraft interiors business and thereby preserve its competitive edge, particularly amid increased consolidation worldwide following the mergers between UTC and Goodrich, Rockwell Collins and BE Aerospace, and, more recently, the announcement of Rockwell Collins' acquisition by UTC on September 4, 2017.

1.3.2 Intentions of the Offeror regarding employment

The Transaction is consistent with business development and continuity at the Zodiac Aerospace group and should not, therefore, have any specific impact on Zodiac Aerospace's employment policy. The Offeror supports the Company's current labor relations and human resources policy.

1.3.3 Intentions regarding dividend distribution

In the event that the Offer is successful, Safran intends to ensure that Zodiac Aerospace does not pay out any dividends.

Safran does not have a dividend distribution policy. Its dividend distribution practices are described in section 2.3.3 of its 2016 Registration Document.

1.3.4 Synergies

The aim of the Transaction is to generate some €200 million in annual pre-tax cost synergies resulting primarily from savings in procurement and overheads for the new group. Ninety percent of the synergies would be unlocked within three years of the takeover while the rest, resulting from optimizing the new group's international footprint, would materialize within a period of five years. The cost of unlocking these one-time synergies would be around €215 million over five years.

1.3.5 Intentions regarding the Company's listing upon completion of the Offer

(a) Mandatory squeeze-out

Pursuant to Article L.433-4 III of the French Monetary and Financial Code and Articles 232-4 and 237-14 *et seq.* of the AMF's General Regulations, in the event that the Zodiac Aerospace shares held by the Company's minority shareholders (with the exception of (i) the Treasury Shares treated as Zodiac Aerospace shares held by Safran, (ii) the Zodiac Aerospace shares targeted by the residual interest undertaking described in section 1.4.3, "Residual interest undertaking" of the draft information memorandum, pursuant to which call and put options have been granted, and (iii) the Free Shares in their Holding Period and the Shares Blocked in the CSP on which a put option has been granted to Safran under the Liquidity Mechanism described in section 2.3.6 of the draft information memorandum) represent no more than 5% of Zodiac Aerospace's share capital or voting rights, the Offeror reserves the right to ask the AMF, within ten (10) trading days from the date on which the results of the Offer are published or, where applicable, no later than three (3) months after the close of the Subsequent Offer (as defined in section 2.10), for its approval to implement a mandatory squeeze-out procedure targeting the Zodiac Aerospace shares (other than the Treasury Shares, the shares targeted by the residual interest undertaking and the Free Shares in their Holding Period and the Shares Blocked in the CSP on which a put option has been granted to Safran under the Liquidity Mechanism described in section 2.3.6 of the draft information memorandum) against compensation for the shareholders concerned at the price of the Principal Tender Offer (adjusted where applicable in accordance with section 2.2.3, "Adjustments to the terms of the Offer").

In the event that the Offeror (i) subsequently comes to hold, directly or indirectly, alone or in concert, at least 95% of Zodiac Aerospace's voting rights, and (ii) where a mandatory squeeze-out would not have been implemented under the conditions set out above, the Offeror reserves the right to file with the AMF a draft buy-out offer followed by a mandatory squeeze-out targeting the Zodiac Aerospace shares that it does not hold, directly or indirectly, alone or in concert (other than the Treasury Shares, the shares targeted by the residual interest undertaking and the Free Shares in their Holding Period and the Shares Blocked in

the CSP on which a put option has been granted to Safran under the Liquidity Mechanism described in section 2.3.6 of the draft information memorandum), under the conditions set out in Articles 236-1 *et seq.* and Articles 237-14 *et seq.* of the AMF's General Regulations.

(b) Delisting from Euronext Paris

In the event that no mandatory squeeze-out is implemented following the publication of the results of the Offer (or, as the case may be, upon the close of the Subsequent Offer), the Offeror reserves the right to request that the Zodiac Aerospace shares be delisted from the regulated Euronext Paris market, in accordance with its applicable rules and regulations.

1.3.6 Legal reorganization and merger

The Offeror reserves the right to consider the best way to integrate Zodiac Aerospace into the Safran group.

In this respect, the Offeror reserves the right to merge Zodiac Aerospace into Safran following the Offer in any way whatsoever. The employee representative bodies of Safran and Zodiac Aerospace would be consulted on the conditions of such a merger within an appropriate timeframe, and those conditions would be reviewed by the AMF, where applicable, in accordance with the regulations in force. In the event that a merger between Safran and Zodiac Aerospace were to be approved by Safran's Board of Directors and by Zodiac Aerospace's Management Board more than one year after the settlement of the Offer (or, as the case may be, of the Subsequent Offer), the financial terms of said merger would be subject to a fairness opinion drawn up by an independent expert and confirming that the exchange ratio was fair for Zodiac Aerospace shareholders, in accordance with the terms of the Business Combination Agreement and the residual interest undertaking.

1.3.7 Composition of the Company's governing and management bodies

Subject to the success of the Offer, the Offeror and the Company have undertaken, in accordance with the terms of the Business Combination Agreement as amended by an addendum dated December 6, 2017 to reshuffle Zodiac Aerospace's Supervisory Board at a Supervisory Board meeting to be held on the Offer settlement date, such that, following the resignations of current members and the appointments of new ones, the Supervisory Board will be composed of nine (9) members, including five (5) put forward by Safran.

Accordingly, eight (8) Supervisory Board members have tendered their resignation from the Supervisory Board subject to the condition precedent of the success of the Offer and with effect from the settlement date of the Offer. They are Estelle Brachlianoff, Gilberte Lombard, Patrick Daher, FFP Invest, Fonds Stratégique de Participations and Fidoma as well as Didier Domange and Elisabeth Domange whose terms of office will expire at the close of Zodiac Aerospace's ordinary and extraordinary shareholders' meeting of January 9, 2018 as a result of their having reached the age limit specified in the bylaws.

Safran has undertaken to disclose the names of the persons whom it will put forward for appointment to the Supervisory Board no later than ten (10) days before the settlement of the Offer.

Pursuant to the Business Combination Agreement, a new Chairman of Zodiac Aerospace's Supervisory Board will also be appointed at the same Supervisory Board meeting. The new Chairman will be a family shareholder and signatory of the residual interest undertaking described in section 1.4.3, "Residual interest undertaking" of the draft information memorandum. Safran has also agreed that the Zodiac Aerospace shareholder who is appointed Chairman of the Supervisory Board will maintain his/her office as Chairman until

the first of the following two dates: (i) December 31, 2020 or (ii) the date on which Zodiac Aerospace is merged into Safran<sup>11</sup>.

At the same Supervisory Board meeting, a new Zodiac Aerospace Management Board will be appointed, comprising members put forward by Safran to replace the Management Board's current members.

An amendment to Zodiac Aerospace's bylaws will be put to the vote of Zodiac Aerospace's extraordinary shareholders' meeting of January 9, 2018, to allow the appointment of a Vice-Chairman able to call meetings of Zodiac Aerospace's Supervisory Board.

## **2 CHARACTERISTICS OF THE OFFER**

### **2.1 Offer procedure**

Pursuant to Articles 231-13 *et seq.* of the AMF's General Regulations, Crédit Agricole CIB, as presenting bank acting on behalf of the Offeror, filed the draft Offer and the draft information memorandum with the AMF on December 7, 2017.

The Offer will be executed under the normal procedure as provided in Articles 232-1 *et seq.* of the AMF's General Regulations.

In accordance with Article 213-13 of the AMF's General Regulations, Crédit Agricole CIB acts as presenting bank and guarantees the terms and the irrevocable character of the undertakings made by the Offeror in the context of the Offer.

The Offer and the draft information memorandum remain subject to review by the AMF.

### **2.2 Terms of the Offer**

Zodiac Aerospace shareholders may tender their shares to the Principal Tender Offer and/or to the Subsidiary Exchange Offer (subject to any reduction applied as described below in section 2.2.4, "Reduction mechanism").

#### **2.2.1 Principal Tender Offer**

In the context of the Principal Tender Offer, the Offeror irrevocably undertakes to purchase from Zodiac Aerospace shareholders all of their Zodiac Aerospace shares that will be tendered to the Offer, at a price of €25 per Zodiac Aerospace share.

If, between (i) the date on which the Offer is filed (inclusive), and (ii) the settlement date of the Offer or, as the case may be, of the Subsequent Offer (exclusive), the Company were to pay a dividend (no such action is currently envisaged) in any form whatsoever for which the cutoff date for shareholders to be eligible for the dividend were to be set before the settlement date of the Offer or, as the case may be, of the Subsequent Offer, the price of the Principal Tender Offer would be adjusted accordingly.

#### **2.2.2 Subsidiary Exchange Offer**

For the purposes hereof:

- **Average Price** denotes the arithmetic mean of the volume-weighted daily average price (in the event that Safran were to pay a dividend between the calculation period (inclusive) and the Offer settlement date, this would be deducted where applicable from each of the daily average prices obtained prior to the payout) of the Safran share on

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<sup>11</sup> Pursuant to the residual interest undertaking described in section 1.4.3, "Residual interest undertaking" of the draft information memorandum, Safran has agreed that Louis Desanges shall be appointed Chairman of Zodiac Aerospace's Supervisory Board.

Euronext Paris during the ten (10) trading days chosen at random by the legal officer from among the thirty (30) trading days preceding the tenth trading day (non-inclusive) prior to the Offer closing date;

- **Lower Limit** denotes seventy-two euros and thirty-six cents (€72.36) inclusive, reduced by any dividend payouts made or any income whatsoever paid by Safran to its shareholders between the date on which the Business Combination Agreement is signed and the Offer settlement date, with the exception of the remaining dividend in respect of financial year 2016 amounting to €0.83, paid on June 21, 2017;
- **Upper Limit** denotes seventy-nine euros and ninety-eight cents (€79.98) inclusive, reduced by any dividend payouts made or any income whatsoever paid by Safran to its shareholders between the date on which the Business Combination Agreement is signed and the Offer settlement date, with the exception of the remaining dividend in respect of financial year 2016 amounting to €0.83, paid on June 21, 2017.

The Principal Tender Offer is complemented by a Subsidiary Exchange Offer pursuant to which the Offeror irrevocably offers Zodiac Aerospace shareholders the opportunity to tender their shares to the Offer and to receive Preferred Shares with the same characteristics as Safran ordinary shares but which may not be transferred for a period of thirty-six (36) months as from their date of issue, it being specified that a maximum of 88,847,828 Zodiac Aerospace shares, or approximately 30.4%<sup>12</sup> of Zodiac Aerospace's share capital, will be accepted for the Subsidiary Exchange Offer.

The exchange ratio for the Subsidiary Exchange Offer (the "**Exchange Ratio**") will be determined as follows:

- if the Average Price falls between the Lower Limit and the Upper Limit, the Exchange Ratio will be equal to (a) twenty-four euros (€24), adjusted for any dividend payouts made or any income whatsoever paid by Zodiac Aerospace to its shareholders between the date on which the Business Combination Agreement is signed and the Offer settlement date, in relation to (b) the Average Price, rounded to the nearest euro cent;
- if the Average Price is above the Upper Limit, the Exchange Ratio will be equal to (a) twenty-four euros (€24), adjusted for any dividend payouts made or any income whatsoever paid by Zodiac Aerospace to its shareholders between the date on which the Business Combination Agreement is signed and the Offer settlement date, in relation to (b) the Upper Limit;
- if the Average Price is below the Lower Limit, the Exchange Ratio will be equal to (a) twenty-four euros (€24), adjusted for any dividend payouts made or any income whatsoever paid by Zodiac Aerospace to its shareholders between the date on which the Business Combination Agreement is signed and the Offer settlement date, in relation to (b) the Lower Limit.

The Exchange Ratio will be a three-decimal figure, rounded to the nearest thousandth (e.g., 0.0005 will be rounded up to 0.001).

The Offeror will publish the Average Price and the Exchange Ratio in a press release prior to the start of trading in Paris on the tenth trading day preceding the close of the Offer.

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<sup>12</sup> Based on the total number of shares reported by Zodiac Aerospace at October 31, 2017, i.e., 292,716,456 shares, representing 378,565,423 theoretical voting rights pursuant to Article 223-11 of the AMF's General Regulations and 31.36% of its share capital on a fully diluted basis excluding Treasury Shares.

### 2.2.3 Adjustments to the terms of the Offer

The price of the Principal Tender Offer and the Exchange Ratio may be adjusted under the conditions set out above in sections 2.2.1, "Principal Tender Offer" and 2.2.2, "Subsidiary Exchange Offer".

The price of the Principal Tender Offer and/or the Exchange Ratio for the Subsidiary Exchange Offer (and, where applicable, the number of shares targeted by the Offer) will also be adjusted to take into account and neutralize changes that could affect the Company's shares which occur before the settlement date of the Offer or, as the case may be, of the Subsequent Offer (e.g., in the event of a stock split, reverse stock split, allotment of free shares in respect of existing shares by capitalizing reserves or profits, payout of dividends or of any income whatsoever by the Company to its shareholders between the Offer settlement date and the Subsequent Offer settlement date, or any other transaction in the Company's capital).

The Exchange Ratio for the Subsidiary Exchange Offer will also be adjusted to take into account and neutralize changes that could affect the Offeror's shares which occur before the settlement date of the Offer or, as the case may be, of the Subsequent Offer (e.g., in the event of a stock split, reverse stock split, allotment of free shares in respect of existing shares (by capitalizing reserves or profits), payout of dividends or of any income whatsoever by the Offeror to its shareholders between the Offer settlement date and the Subsequent Offer settlement date, or any other transaction in the Offeror's capital).

Any adjustments to the terms of the Offer will first be submitted to the AMF for approval and will be disclosed in a Safran press release.

### 2.2.4 Reduction mechanism

All Zodiac Aerospace shares tendered to the Principal Tender Offer will be purchased at the price of the Principal Tender Offer.

Where applicable, the Subsidiary Exchange Offer will be subject to a reduction mechanism to ensure that the number of Zodiac Aerospace shares accepted for tender does not exceed the specified Limit (i.e., 88,847,828 Zodiac Aerospace shares).

If the number of Zodiac Aerospace shares tendered to the Subsidiary Exchange Offer exceeds the Limit, the number of shares will be reduced to ensure that the Limit is respected. The reduction will be applied in proportion to the number of Zodiac Aerospace shares tendered by each shareholder to the Subsidiary Exchange Offer.

The reduction mechanism is described in section 2.3.4 of the draft information memorandum.

### 2.2.5 Treatment of fractional shares (odd lots)

No fractional Preferred Shares may be issued by the Offeror. Consequently, Safran will not deliver fractional shares to Zodiac Aerospace shareholders.

Each shareholder tendering their Zodiac Aerospace shares to the Subsidiary Exchange Offer will therefore be given a number of Safran Preferred Shares corresponding to the whole number equal to or immediately below (i) the number of Zodiac Aerospace shares that the shareholder has tendered to the Offer (reduced, where applicable, in line with the reduction mechanism described in 2.2.4 above), multiplied by (ii) the Exchange Ratio (the "**Number of Preferred Shares Delivered in Exchange**"). The fractional Preferred Share corresponding to the difference between (i) the number of Zodiac Aerospace shares tendered to the Offer multiplied by the Exchange Ratio and (ii) the Number of Preferred Shares Delivered in Exchange, is hereafter referred to as "**Rights to Fractional Shares**".

Cash compensation will be given for any Rights to Fractional Shares based on the price of the Principal Tender Offer. Each shareholder tendering Zodiac Aerospace shares to the Subsidiary Exchange Offer will therefore receive, in addition to the Number of Preferred Shares Delivered in Exchange, cash compensation in euros calculated as shown below, rounded to the nearest cent (e.g., 0.5 cents will be rounded up to 1 cent):

- (i) the Rights to Fractional Shares divided by the Exchange Ratio,  
multiplied by
- (ii) the price of the Principal Tender Offer.

It is specified that Zodiac Aerospace shareholders may, if they so wish, waive the cash compensation for their Rights to Fractional Shares, in which case the compensation will be retained by the Offeror. Any shareholders who wish to waive their Rights to Fractional Shares will have to inform their financial intermediary of their decision when they submit their tender order.

By waiving their Rights to Fractional Shares, the Zodiac Aerospace shareholders who participate in the Subsidiary Exchange Offer may continue to qualify for the tax rollover regime which is available to holders of Zodiac Aerospace shares that result from free share plans or from the exercise of Options. The Zodiac Aerospace shareholders concerned are invited to consult section 2.18.2(a)(i)(A) of the draft information memorandum on the applicable tax regime.

## **2.3 Number, characteristics and origin of the Safran Preferred Shares delivered in exchange in the context of the Subsidiary Exchange Offer**

### **2.3.1 Number of Safran Preferred Shares that may be delivered in the context of the Subsidiary Exchange Offer**

Subject to the adjustments described in section 2.2.3, "Adjustments to the terms of the Offer", it is specified that a maximum of 88,847,828 Zodiac Aerospace shares will be accepted for tender to the Subsidiary Exchange Offer, i.e., around 30.4%<sup>13</sup> of Zodiac Aerospace's share capital at the date of the draft information memorandum. On this basis, assuming an Exchange Ratio calculated by reference to the Lower Limit (as defined in section 2.2.2, "Subsidiary Exchange Offer"), a maximum of 29,497,478 Safran Preferred Shares to be issued may be delivered in the context of the Subsidiary Exchange Offer in exchange for the Zodiac Aerospace shares tendered to the same Offer.

### **2.3.2 Origin of the Safran Preferred Shares and date of the shareholders' meeting approving the authorization to carry out a capital increase**

The new Safran shares to be delivered in exchange for the Zodiac Aerospace shares tendered to the Subsidiary Exchange Offer will be new Preferred Shares issued by Safran's Chief Executive Officer under the authorization granted by Safran's Board of Directors on December 6, 2017 pursuant to the authorization granted by Safran's extraordinary shareholders' meeting held on June 15, 2017.

This payment in Preferred Shares enables Safran to (i) offer shares to all Zodiac Aerospace shareholders willing to commit to holding their Safran shares in the medium term, (ii) minimize the dilution of the Offer for Safran shareholders, and to (iii) ensure that the share buyback

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<sup>13</sup> Based on the total number of shares reported by Zodiac Aerospace at October 31, 2017, i.e., 292,716,456 shares, representing 378,565,423 theoretical voting rights pursuant to Article 223-11 of the AMF's General Regulations and 31.36% of its share capital on a fully diluted basis excluding Treasury Shares.

program referred to in section 1.2.6, "Safran share buyback program", which is designed to compensate for any dilution, does not concern the shares issued as payment of the Offer.

2.3.3 Laws pursuant to which Safran Preferred Shares will be created

Safran Preferred Shares will be issued in accordance with French law.

2.3.4 Characteristics of Safran Preferred Shares and rights attached thereto

The Safran Preferred Shares delivered in exchange for the Zodiac Aerospace shares tendered to the Subsidiary Exchange Offer, each with a par value of €0.20 and carrying immediate dividend rights, will all be preferred shares of the same class and with the same characteristics as ordinary shares (see section 2.3.6, "Characteristics of Safran ordinary shares and rights attached thereto"), but they shall not be transferable for a period of thirty-six (36) months from their issuance date.

At the end of this period, the Preferred Shares will be converted into ordinary shares, it being specified that Preferred Shares may be converted into ordinary shares before this date in the event that Safran is merged into another company, in accordance with the conditions set out in Articles 12.7 and 12.8 of Safran's bylaws, as amended at the time of issuance of the Preferred Shares, reproduced hereafter:

*"12.7 Each Class A Preferred Share automatically becomes transferable, ranks pari passu with [Safran]'s Ordinary Shares and is converted into one Ordinary Share at the first of the following two dates:*

*(i) the end of the Non-transferability Period;*

*(ii) the date at which [Safran] were to be merged into another company not controlled by it within the meaning of Article L.233-3 of the French Commercial Code.*

*12.8 The Board of Directors places on record the conversion of Class A Preferred Shares into Ordinary Shares and amends the bylaws accordingly. The shareholders will be informed of the conversions in the reports of the Board of Directors and of the Statutory Auditors in accordance with Article R.228-18 of the French Commercial Code. These complementary reports will be made available to shareholders at [Safran]'s registered office no later than 60 days following the Board of Directors' meeting, and will be presented to the next general shareholders' meeting."*

It is specified that (i) the conversion of Preferred Shares into ordinary shares will have no impact on the calculation of the holding period required to acquire double voting rights, and that (ii) where double voting rights are granted to Preferred Shares, such rights will remain linked to the ordinary shares resulting from the conversion and held in registered form.

In accordance with Article 36 of Safran's bylaws, as amended at the time of issuance of the Preferred Shares and reproduced hereafter, holders of Preferred Shares shall meet in a special meeting to decide on any changes in the rights linked to Preferred Shares:

*"Article 36 – Special Shareholders' Meeting*

*36.1 Holders of Class A Preferred Shares are consulted, under the conditions provided for by law, on matters falling specifically within their remit under the terms of the law.*

*36.2 A special shareholders' meeting of holders of Class A Preferred Shares held on first call shall only be validly constituted if the shareholders present or represented hold at least one-third of the voting rights and at least one-fifth of the voting rights on second*

*call. Decisions shall be adopted by a two-thirds majority of the votes cast by shareholders present or represented."*

In the event of a capital increase by issuance of ordinary shares with pre-emptive subscription rights, holders of Preferred Shares will have, under the conditions provided for by applicable laws and regulations, a pre-emptive right to subscribe to ordinary shares in proportion to the number of Preferred Shares they hold, exercisable under the same conditions as the pre-emptive subscription rights attached to Safran's ordinary shares.

2.3.5 Non-transferability of Safran Preferred Shares to be delivered in the context of the Subsidiary Exchange Offer – No trading

In accordance with Article 9.2 of Safran's bylaws, as amended at the time of issuance of the Preferred Shares, the Preferred Shares must be held in registered form.

The Preferred Shares delivered in exchange for the Zodiac Aerospace shares tendered to the Subsidiary Exchange Offer will not be transferable in accordance with Article 11.2 of Safran's bylaws, as amended at the time of issuance of the Preferred Shares:

*"11.2 Transfer of Class A Preferred Shares*

*Class A Preferred Shares may not be transferred for a period of thirty-six (36) months as from their date of issue (the "Non-transferability Period").*

*During the Non-transferability Period, Class A Preferred Shares may not be transferred in any way except in connection with (i) an inheritance, settlement of marital property or donation, (ii) a universal asset transfer (transmission universelle de patrimoine), (iii) a contribution to a public offer on the [Safran]'s entire share capital, or (iv) the enforcement of a pledge."*

No request will be made for the Preferred Shares to be admitted to trading on a regulated market.

The shares will be automatically converted into Safran ordinary shares upon expiration of the non-transferability period or in the event that Safran is merged into another company, under the conditions set out in section 2.3.4, "Characteristics of Safran Preferred Shares and rights attached thereto".

A request for admission to trading on Euronext Paris will be made for the ordinary shares resulting from the automatic conversion of Preferred Shares into ordinary shares, and the shares will rank *pari passu* with existing and transferable ordinary shares as soon as they are admitted to trading on the same quotation line as the existing shares and under the same ISIN code.

2.3.6 Characteristics of Safran ordinary shares and rights attached thereto

Safran ordinary shares have a par value of €0.20 per share.

Articles 12.1 to 12.6 of Safran's bylaws, as reproduced hereafter and due to enter into force upon the issuance of the Preferred Shares, describe the characteristics of ordinary shares which are the same as those of Preferred Shares, the latter having the same characteristics as ordinary shares with the exception of the features described above in sections 2.3.4, "Characteristics of Safran Preferred Shares and rights attached thereto" and 2.3.5, "Non-transferability of Safran Preferred Shares to be delivered in the context of the Subsidiary Exchange Offer – No trading":

*"12.1 Each share shall entitle its holder to a proportion of [Safran]'s profits, net assets and any liquidation surplus equal to the proportion of capital represented by the share.*

*12.2 Share ownership shall automatically entitle shareholders to participate in general meetings and to vote on resolutions, in accordance with the applicable laws and regulations and these bylaws.*

*In addition, all shareholders shall be entitled to be informed of [Safran]'s performance and to obtain copies of certain corporate documents at the times and under the conditions provided for by the applicable laws and regulations.*

*12.3 Shareholders shall be liable for losses only up to the amount of their capital contributions.*

*12.4 Where a shareholder must own a specific number of shares to exercise a particular right, notably in the event of an exchange or allocation of shares, a stock split, reverse stock-split, a capital increase or reduction, a merger, demerger, partial asset transfer, dividend payment or any other corporate action, any shares held that fall below the required number shall not confer any rights on their holders with respect to [Safran], and the shareholders concerned shall be personally responsible for obtaining the necessary number of shares or rights, including through purchases or sales of shares or rights where required.*

*12.5 Share ownership shall automatically require shareholders to comply with these bylaws and the decisions made at general shareholders' meetings.*

*12.6 The rights and duties attached to Ordinary Shares and to Class A Preferred Shares shall be transferred with title to the shares."*

#### **2.4 Specific consequences of tendering Zodiac Aerospace shares to the Subsidiary Exchange Offer**

The attention of Zodiac Aerospace shareholders who are contemplating tendering their shares to the Subsidiary Exchange Offer is drawn to the following points:

- Loss of double voting rights

Pursuant to Zodiac Aerospace's bylaws, all fully paid-up shares registered in the name of the same holder for at least four years carry double voting rights.

Zodiac Aerospace shareholders will lose this benefit if they tender their shares to the Offer. However, pursuant to Safran's bylaws, all fully paid-up shares registered in the name of the same holder for at least two years as at the date of the shareholders' meeting carry double voting rights. The Safran Preferred Shares delivered in exchange for the Zodiac Aerospace shares tendered to the Subsidiary Exchange Offer may therefore only carry double voting rights if they are held in registered form for at least two years. In calculating this two-year period, no account is taken of the period during which the Zodiac Aerospace shares tendered to the Offer were held.

- Temporary non-transferability of the Preferred Shares

Pursuant to Safran's bylaws to be amended upon issuance of the Preferred Shares, the Preferred Shares to be delivered in exchange for shares tendered to the Subsidiary Exchange Offer must be held in registered form and will be subject to a non-transferability period of thirty-six (36) months as from their date of issue. During this period, Safran Preferred Shares may not be admitted to trading on a regulated market and may not be transferred in any way

except in connection with (i) an inheritance, settlement of marital property or donation, (ii) a universal asset transfer (*transmission universelle de patrimoine*), (iii) a contribution to a public offer on Safran's entire share capital (excluding, in particular, issuer bids), or (iv) the enforcement of a pledge. Accordingly, the shares will not be liquid during this period. The Preferred Shares will only be converted into ordinary Safran shares and admitted to trading on the Euronext Paris regulated market upon expiration of the non-transferability period or in the event that Safran is merged into another company under the conditions set out in section 2.3.4, "Characteristics of Safran Preferred Shares and rights attached thereto".

## **2.5 Publication of the results of the Offer – Settlement**

Pursuant to Article 232-3 of its General Regulations, the AMF shall publish the final results of the Offer no later than nine (9) trading days after the closing date of the Offer.

If the AMF agrees that the Offer has been successful, Euronext Paris will publish a notice indicating the Offer settlement date and the terms and conditions thereof.

No interest shall be due for the period from the date of transfer of the Zodiac Aerospace shares until the settlement of the Offer.

The transfer of ownership of the Zodiac Aerospace shares tendered to the Offer will occur on the date of settlement, all rights attached to the shares being transferred at that date to the Offeror.

Euronext Paris will be responsible for the transactions required to settle the Offer.

At this date, the Offeror (i) will credit Euronext Paris with the funds amounting to the settlement of the Principal Tender Offer and the compensation with respect to the Rights to Fractional Shares, and (ii) will also deliver to Euronext Paris the Safran Preferred Shares issued in consideration of the Subsidiary Exchange Offer.

## **2.6 Regulatory approval to be obtained**

On the date of the draft information memorandum, the opening of the Offer is, pursuant to Article 231-32 of the AMF's General Regulations, subject to obtaining regulatory approval from the Committee on Foreign Investment in the United States (CFIUS), in accordance with the Exon-Florio Amendment to the Defense Production Act of 1950 (50 U.S.C. App. §2170) on foreign investments in the United States, as amended.

The Transaction was notified to the CFIUS on September 14, 2017.

## **2.7 Conditions of the Offer**

### **2.7.1 Acceptance threshold**

Pursuant to Article 231-9 I of the AMF's General Regulations, the Offer will lapse if, at the Offer closing date, the Offeror does not hold, alone or in concert, a number of Zodiac Aerospace shares representing more than 50% of the Company's share capital or voting rights (the "**Acceptance Threshold**"). This threshold will be determined based on the rules set out in Article 234-1 of the AMF's General Regulations.

The reaching of the Acceptance Threshold will only be known once the AMF publishes the final results of the Offer after the Offer closing date.

If the Acceptance Threshold (calculated as indicated above) is not reached, the Offer will be unsuccessful and the Zodiac Aerospace shares tendered to the Offer will therefore be returned to their owners without any interest, compensation or any other payment whatsoever being due thereto.

## 2.7.2 Withdrawal threshold

Pursuant to Article 231-9 II of the AMF's General Regulations, and notwithstanding the information set out above in section 2.7.1, "Acceptance threshold", the Zodiac Aerospace shares tendered to the Offer must represent, following the Offer, at least 66.67% of the voting rights exercisable at shareholders' meetings (the "**Withdrawal Threshold**").

The Withdrawal Threshold is calculated as follows:

- (a) all voting rights attached to the Zodiac Aerospace shares validly tendered to the Offer (taking into account the loss of double voting rights for Zodiac Aerospace shares tendered to the Offer) as well as the voting rights attached to the Zodiac Aerospace shares subject to the residual interest undertaking described in section 1.4.3, "Residual interest undertaking" of the draft information memorandum which will rank *pari passu* with the shares held by the Offeror pursuant to Article L.223-9, 4 of the French Commercial Code, taking into account the fact that these shares will lose their double voting right following the Offer settlement, as the family shareholders have undertaken to register their shares as bearer shares, even for the shortest time, as from the settlement of the Offer;
- (b) divided by all voting rights attached to Zodiac Aerospace shares exercisable at shareholders' meetings at the Offer closing date (notably taking into account the loss of double voting rights for Zodiac Aerospace shares tendered to the Offer and the loss of double voting rights attached to the shares subject to the residual interest undertaking, and it being specified that treasury shares carry no voting rights).

The reaching of the Withdrawal Threshold will only be known once the AMF publishes the final results of the Offer following the Offer. If the Withdrawal Threshold (calculated as indicated above) is not reached, and unless the Offeror has decided to waive the Withdrawal Threshold under the conditions set out in the paragraphs below, the Offer will be abandoned and the Zodiac Aerospace shares tendered to the Offer will therefore be returned to their owners without any interest, compensation or any other payment whatsoever being due thereto.

However, the Offeror reserves the right to remove or lower the Withdrawal Threshold by filing an improved offer at the latest five (5) trading days before the Offer closing date, pursuant to Articles 232-6 and 232-7 of the AMF's General Regulations.

The Offeror also reserves the right to simply waive this Withdrawal Threshold up to the date the AMF publishes the final results of the Offer. In this case, the Offeror will have acquired a majority of the share capital or the voting rights of Zodiac Aerospace, but it will not have the power to approve shareholder decisions requiring a two-thirds majority at shareholders' meetings where all the voting rights are present or represented at shareholders' meetings.

## 2.7.3 Authorizations from competition authorities

In accordance with Article 231-11 of the AMF's General Regulations, the Offer is subject to the condition that the Transaction obtains the necessary authorization from the European Commission pursuant to Article 6.1.b) of Regulation (EC) No. 139/2004.

The Offeror filed a request for Transaction clearance from the European Commission on November 16, 2017.

The Offer is also subject to the condition that the Transaction obtains the necessary authorization from the anti-trust authority of China (MOFCOM).

The Transaction was notified to MOFCOM on June 16, 2017.

The Offer is also subject to the condition that the Transaction obtains the necessary authorization from the anti-trust authority of Brazil (CADE). It is specified that authorization from CADE will only become final after a 15-calendar day waiting period from the issuance of the authorization.

The Transaction was notified to CADE on October 21, 2017.

The AMF will set the Offer closing date once the Transaction has been approved by the European Commission, by the Chinese anti-trust authority and once it has been confirmed that there are no objections to the Brazilian anti-trust authority's authorization.

Pursuant to Article 231-11 of the AMF's General Regulations, the Offer shall automatically lapse if the Transaction were to be subject to the proceedings set out in Article 6.1.c) of Regulation (EC) No. 139/2004 of January 20, 2004 by the European Commission, or to any equivalent proceedings that may be undertaken by the anti-trust authorities of China (MOFCOM) or of Brazil (CADE).

## **2.8 Tentative Offer timetable**

Prior to the opening of the Offer, the AMF and Euronext will issue notices announcing the opening date and the calendar of the Offer. The notice concerning the Offer closing timetable will be published by the AMF upon receipt of the requisite authorizations and once it has been confirmed that there are no objections to the Brazilian anti-trust authority's (CADE) authorization.

The timetable below is provided as guidance.

December 7, 2017	<p>The draft Offer and the Offeror's draft information memorandum are filed with the AMF; the Offeror's draft information memorandum is made available to the public and posted on the websites of the Offeror and the AMF.</p> <p>The Offeror publishes a press release indicating that its draft information memorandum has been filed and is available.</p> <p>The Company's draft information memorandum in response, notably including the independent expert's report, is filed with the AMF; it is made available to the public and posted on the websites of the Company and the AMF.</p> <p>The Company publishes a press release indicating that its draft information memorandum in response has been filed and is available.</p>
December 11, 2017	Authorization is obtained from the CFIUS.
Mid-December 2017	Authorization is obtained from the anti-trust authority of China (MOFCOM).
December 21, 2017	The AMF issues its clearance decision, which constitutes approval of the Offeror's information memorandum and of the Company's information memorandum in response.
December 21, 2017	Authorization is obtained from the European Commission.

December 22, 2017	<p>The Offeror's information memorandum and the "Other information" document containing the legal, financial and accounting characteristics of the Offeror are made available to the public and posted on the websites of the Offeror and the AMF.</p> <p>The Offeror publishes a press release setting out the means by which it has made its information memorandum and "Other information" document available.</p> <p>The Company's information memorandum in response and "Other information" document containing the legal, financial and accounting characteristics of the Company are made available to the public and posted on the websites of the Company and of the AMF.</p> <p>The Company publishes a press release setting out the means by which it has made its information memorandum in response and "Other information" document available.</p>
December 27, 2017	Opening of the Offer.
End-December 2017	Authorization is obtained from the competent Brazilian anti-trust authorities – Start of the 15-calendar day waiting period.
Mid-January 2018	Publication of the Offer closing timetable once it has been confirmed that there are no objections to the Brazilian anti-trust authorities' authorization.
January 17, 2018	The final Exchange Ratio is published by the Offeror (before trading).
January 31, 2018	Closing of the Offer.
February 6, 2018	The AMF publishes the final results of the Offer.
February 13, 2018	Settlement of the Offer.
February 19, 2018	If successful, the Offer is reopened for ten (10) trading days.
February 27, 2018	Publication of Safran's financial statements for the year ended December 31, 2017.
March 2, 2018	Closing of the Subsequent Offer.
March 8, 2018	The AMF publishes the final results of the Subsequent Offer.
March 15, 2018	Settlement of the Subsequent Offer.

## **2.9 Possibility of withdrawing the Offer**

Pursuant to Article 232-11 of the AMF's General Regulations, the Offeror may withdraw its Offer within five (5) trading days of the publication of a timetable for a competing offer or improved bid. The Offeror informs the AMF of its decision, which is then published.

The Offeror may also withdraw its Offer if the Offer becomes devoid of purpose or if the substance of the Company changes during the Offer period owing to measures that the Company has taken or if the Offer is successful. The Offeror may only withdraw its Offer where previously approved by the AMF, which bases its decision on the principles set out in Article 231-3 of the AMF's General Regulations.

In the event that the Offer is withdrawn, the Zodiac Aerospace shares tendered to the Offer will be returned to their owners without any interest, compensation or any other payment whatsoever being due thereto.

## **2.10 Reopening of the Offer**

Pursuant to Article 232-4 of the AMF's General Regulations, should the Offer be successful, it will automatically be reopened within the ten (10) trading days following publication of the final results of the Offer, under the same terms as those of the Offer (the "**Subsequent Offer**"). However, if the number of Zodiac Aerospace shares tendered to the Subsidiary Exchange Offer during the initial Offer reaches the Limit, only the Principal Tender Offer will be open during the Subsequent Offer. The AMF will publish the timetable for the Subsequent Offer, which will run at least ten (10) trading days.

If the Offer is reopened, the tendering and centralizing procedures for the Subsequent Offer will be the same as those for the Offer, respectively described above in sections 2.8 and 2.9 of the draft information memorandum, it nevertheless being specified that tender orders for the Subsequent Offer cannot be canceled.

However, if it is able to implement a mandatory squeeze-out procedure directly following the Offer under the conditions set out in Articles 237-14 *et seq.* of the AMF's General Regulations, the Offeror reserves the right to implement the mandatory squeeze-out procedure in accordance with the conditions described in section 1.3.5(a), "Mandatory squeeze-out".

The Subsequent Offer and all related contracts and agreements are governed by French law. Any disputes or claims with respect to this draft Offer, regardless of the subject or reason thereof, will be settled by the competent courts.

## **2.11 Financing of the Offer and costs relating to the Offer**

### **2.11.1 Financing of the Offer**

In the event that all Zodiac Aerospace shares able to be tendered to the Offer (with the exception of Treasury Shares which the Company has undertaken not to tender) are tendered to the Principal Tender Offer, the total cash amount to be paid by the Offeror based on the price of the Principal Tender Offer would be approximately €7,081 million.

The amounts due by the Offeror in connection with the Offer will be financed out of the Offeror's available cash, which amounted to €6,877 million as of September 30, 2017, and, if necessary, by drawing funds from a €1 billion secured bridge loan, or by drawing funds from its confirmed liquidity line of €2,520 million. The Offeror reserves its right to raise funds from financial markets.

### **2.12 Restrictions concerning the Offer outside France and tax regime applicable to the Offer**

Restrictions concerning the Offer outside France, and the tax regime applicable to the Offer are described in sections 2.17 and 2.18 of the draft information memorandum.

## **3 VALUATION CRITERIA FOR THE TERMS OF THE OFFER**

### **3.1 Summary of valuation criteria for the Principal Tender Offer price**

In order to assess the price of the Principal Tender Offer, the Presenting Bank has undertaken an analysis of Zodiac Aerospace based on multiple criteria, as of May 23, 2017, which was the last day the Company's shares were traded before the announcement of the Offer.

The price of the Principal Tender Offer (€25.0 per share) includes a premium on all of the valuation methods and references considered for the valuation.

*In the event of any differences between this unofficial English language translation and the official French document, the official French document shall prevail*

The table below summarizes the valuation methods and references resulting from the valuation criteria adopted, as well as the premiums induced by the Principal Tender Offer price, as described in section 3.2 of the draft information memorandum:

	Low range (€)	Central value (€)	High range (€)	Premium on low range	Premium on central value	Premium on high range
Standalone target price - Reference	17.0	19.3	23.0	+47.1%	+29.5%	+8.7%
DCF - Reference	18.5	20.6	23.2	+35.4%	+21.2%	+7.9%
Historical target prices - Indicative						
May 23 closing	-	23.1	-	-	+8.4%	-
1-month VWAP	-	22.4	-	-	+11.8%	-
March 15-May 23 VWAP	-	23.0	-	-	+8.5%	-
Trading multiples for comparable companies - Indicative	16.4	-	23.2	+52.8%	-	+7.9%

As Zodiac Aerospace's annual results for the financial year ended on August 31, 2018 have been published on October 30, 2017 (after the May 23, 2017 reference date), the Presenting Bank has prepared, for illustrative purposes, an update of the discounted cash-flow and trading comparables methodologies as of December 4, 2017.

	Low range (€)	Central value (€)	High range (€)	Premium on low range	Premium on central value	Premium on high range
DCF - Reference	19.3	21.3	23.5	+29.3%	+17.6%	+6.2%
Trading multiples for comparable companies - Indicative	15.6	-	19.3	+60.7%	-	+29.9%

### **3.2 Summary of the valuation criteria for the Exchange Ratio for the Subsidiary Exchange Offer**

The Exchange Ratio for the Subsidiary Exchange Offer is set within a range of 0.300 to 0.332 Preferred Shares for each Zodiac Aerospace share accepted for tender to the Offer. The Exchange Ratio will be fixed before the opening of the Paris stock market on the tenth trading day preceding the Offer's closing date, in accordance with the conditions set out in section 2.2.2, "Subsidiary Exchange Offer".

In the event of any differences between this unofficial English language translation and the official French document, the official French document shall prevail

The table below shows the premiums induced by the Subsidiary Exchange Offer in the different valuation approaches of Zodiac Aerospace:

Valuation methods for Safran ordinary shares		VWAP		Average		Closing at		Average		DCF – Central		Trading multiples for	
		03/15 05/23	05/23	target price	05/23	target price	12/04	Closing	12/04	at 12/04	05/23	12/04	comparable
		€71.8	€73.1	€76.2/€76.7	€86.5	€89.1	€91.6	€92.0	€92.1	€98.5			
Reference Safran share price (€)		70.0	72.4	75.0	80.0	85.0	90.0	95.0	100.0				
Exchange ratio applied		0.332	0.332	0.320	0.300	0.300	0.300	0.300	0.300				
Valuation of Zodiac Aerospace		Premiums induced											
At May 23, 2017	<b>Share price</b>												
	May 23, 2017 closing	23.1	(7.3%)	(4.2%)	(4.3%)	(4.3%)	+1.7%	+7.7%	+13.7%	+19.6%			
	1-month VWAP	22.4	(4.4%)	(1.2%)	(1.3%)	(1.3%)	+4.9%	+11.1%	+17.2%	+23.4%			
	March 15-May 23 VWAP	23.0	(7.2%)	(4.0%)	(4.1%)	(4.1%)	+1.9%	+7.8%	+13.8%	+19.8%			
	<b>Standalone target share price</b>												
	Low range	17.0	+25.8%	+30.0%	+29.9%	+29.9%	+38.0%	+46.1%	+54.2%	+62.4%			
	Central value	19.3	+10.8%	+14.5%	+14.4%	+14.4%	+21.6%	+28.7%	+35.9%	+43.0%			
	High range	23.0	(7.0%)	(3.9%)	(4.0%)	(4.0%)	+2.0%	+8.0%	+14.0%	+20.0%			
	<b>Discounted cash flows</b>												
	Low range	18.5	+15.8%	+19.7%	+19.6%	+19.6%	+27.0%	+34.5%	+42.0%	+49.5%			
	Central value	20.6	+3.7%	+7.2%	+7.1%	+7.1%	+13.8%	+20.5%	+27.1%	+33.8%			
	High range	23.2	(7.7%)	(4.6%)	(4.7%)	(4.7%)	+1.2%	+7.2%	+13.2%	+19.1%			
	<b>Trading multiples</b>												
Low range	16.4	+30.7%	+35.1%	+35.0%	+35.0%	+43.4%	+51.9%	+60.3%	+68.7%				
High range	23.2	(7.7%)	(4.6%)	(4.7%)	(4.7%)	+1.2%	+7.2%	+13.1%	+19.1%				
For illustrative purposes, revision of December 4, 2017	<b>Discounted cash flows</b>												
	Low range	19.3	+10.5%	+14.3%	+14.2%	+14.2%	+21.3%	+28.4%	+35.6%	+42.7%			
	Central value	21.3	+0.6%	+3.9%	+3.8%	+3.8%	+10.3%	+16.8%	+23.3%	+29.8%			
	High range	23.5	(9.2%)	(6.1%)	(6.2%)	(6.2%)	(0.3%)	+5.5%	+11.4%	+17.3%			
	<b>Trading multiples</b>												
	Low range	15.6	+37.5%	+42.1%	+41.9%	+41.9%	+50.8%	+59.7%	+68.6%	+77.4%			
High range	19.3	+11.1%	+14.8%	+14.7%	+14.7%	+21.9%	+29.0%	+36.2%	+43.4%				

(1) Reference price set before the opening of the Paris stock market on the tenth trading day preceding the Offer closing date, under the conditions described in section 2.3.2, "Subsidiary Exchange Offer".  
(2) Exchange Ratio applied on a per-share value after the 8% non-transferability discount.

#### 4 AVAILABILITY OF THE DOCUMENTS RELATING TO THE OFFER

The draft information memorandum is available on the AMF's ([www.amf-france.org](http://www.amf-france.org)) and Safran's ([www.safran-group.com](http://www.safran-group.com)) websites. Copies of the draft information memorandum can be obtained free of charge from:

Safran  
2, boulevard du général Martial Valin  
75015 Paris  
France

Crédit Agricole CIB  
12, place des Etats-Unis  
92120 Montrouge  
France

Information relating in particular to the legal, financial and accounting characteristics of Safran will be made available to the public, in accordance with Article 231-28 of the AMF's General Regulations, no later than on the day preceding the opening of the Offer, according to the same procedure.

**Warning**

This press release has been prepared for information purposes only. It does not constitute an offer to sell or a solicitation of an offer to purchase any securities and is not intended to be circulated in countries other than France. The circulation of this press release, the Offer and its acceptance may be subject to specific regulations or restrictions in certain countries. In the United States of America, for example, securities may not be offered or sold unless they are registered or exempt from registration under the Securities Act of 1933, as amended, it being specified that Safran's shares have not been and will not be registered under the U.S. Securities Act, and that Safran does not intend to publicly offer shares or other securities in the United States of America. The Offer is not intended for persons directly or indirectly subject to such restrictions, and no acceptance of it may be received from a country where the Offer would be subject to such restrictions. As a consequence, persons who have this press release in their possession are required to inform themselves on the local restrictions which may be applicable, and to abide by them. Safran declines any liability regarding any violation of these restrictions by any person. It is reminded that the documentation relative to the Offer is subject to review by the AMF. Shareholders and other investors are advised to review all documents relating to the Offer before taking a decision on the Offer.