

Safran reports 16% revenue growth in first-quarter 2012 driven by strong civil aviation business

Full-year 2012 outlook confirmed

All revenue figures in this press release represent adjusted revenue. Please refer to definitions contained in the Notes on page 5 of this press release.

KEY NUMBERS FOR THE FIRST QUARTER OF 2012

- § **First-quarter 2012 adjusted revenue was Euro 3,108 million**, up 15.9% year-on-year, or 7.3% on an organic basis.
- § **Double-digit revenue growth contribution in Aerospace** (Propulsion and Equipment) as well as in **Security** (acquisition driven) activities.
- § **Civil aftermarket up 15.1%** in USD terms, driven by CFM56. Global CFM International spare parts revenue was up 24.2% in USD terms.
- § **Full-year 2012 outlook is confirmed**

KEY BUSINESS HIGHLIGHTS SINCE JANUARY 1, 2012

- § Safran announced a **10-year contract with Chile's** national records administration to produce e-ID cards and e-Passports under the country's new identification and ID and travel document issuance system.
- § The **British Ministry of Defence** awarded Safran a major contract for **JIM LR** multifunction infrared binoculars for its "Long Range Thermal Imager Programme".
- § CFM International's advanced **LEAP-1A** engines was selected by **ALAFCO**, the Kuwait-based international aircraft leasing company, to power 35 new Airbus A320neo aircraft and by **Qantas** to power 78 A320neo Jetstar aircraft. The total backlog represents more than 3,500 LEAP engines (orders and commitments) as of April 19, 2012.
- § **easyJet**, the UK's largest airline, has announced that it will be the first airline to support the development and trial of the innovative new **electric green taxiing** system (EGTS).
- § Malaysian airline **Firefly** selected Safran to supply wheels and **carbon brakes** for its Boeing **737NG** fleet. The contract covers a total of 63 Boeing 737-800 twinjets, either new or to be retrofitted.

Paris, April 26, 2012 - Safran (NYSE Euronext Paris: SAF) today reported its revenue for the first quarter of 2012.

EXECUTIVE COMMENTARY

Chairman and CEO Jean-Paul Herteman commented:

“ Safran recorded a solid performance in the first quarter, notably in Aerospace with 11% revenue growth in Propulsion and 21% in Equipment. We continued to see robust OE production growth in both Propulsion and Equipment, and have logged significant new orders. At the same time, we have benefitted from an acceleration in the sales of CFM56 engine spare parts. Since the beginning of the year, our global civil aftermarket performed satisfactorily with 15% growth compared to the first quarter of 2011.

Furthermore, we continued to strengthen our global presence in the security industry.

Hence Safran recorded a 16% revenue growth in the first quarter of 2012. Based on this performance and current positive trends in our businesses, we confirm our full-year guidance for 2012 and our renewed high confidence in our outlook for 2013 and beyond. ”

FIRST-QUARTER 2012 REVENUE

Solid growth in revenue. For first-quarter 2012, Safran’s revenue was Euro 3,108 million, compared to Euro 2,681 million in the same period a year ago, a 15.9% year-on-year increase (7.3% organic growth).

First-quarter 2012 revenue increased by Euro 427 million on a reported basis. On an organic basis, revenue increased by Euro 196 million as a result of higher OEM volumes and aftermarket in Aerospace and good momentum in Security (Detection, e-Documents).

Organic revenue was determined by deducting from 2012 figures the contribution of activities acquired in 2011 and activities newly consolidated when compared to 2011 scope of consolidation, and by applying constant exchange rates. Hence, the following calculations were applied:

Reported growth			15.9%
Impact of acquisitions & newly consolidated activities	Euro 154 million	(5.7)%	
Currency impact	Euro 77 million	(2.9)%	
Organic growth			7.3%

The favourable currency impact on revenue of Euro 77 million for first-quarter 2012 reflected a global positive translation effect on revenue generated in foreign currencies, notably in USD, in addition to a positive transaction impact with a significant improvement in the Group’s hedged rate (USD 1.32 to the Euro vs. USD 1.38 in the year-ago period).

OUTLOOK

Based on the first-quarter 2012 performance, the full-year 2012 outlook is confirmed.

- § Revenue to increase by around 10% (at an estimated average spot rate of USD 1.37 to the Euro).
- § Recurring operating income to increase by around 20% (at a hedged rate of USD 1.32 to the Euro).
- § Free cash flow to represent about a third of the recurring operating income taking into account the expected increase in R&D investments and capex.

The full-year 2012 outlook is based on the following underlying assumptions:

- § Healthy increase in aerospace OE deliveries
- § Civil aftermarket up in the high single digits
- § Incremental R&D cash effort of around Euro 200 million from Euro 687 million in 2011
- § Strong and profitable growth for the Security business, notably MorphoTrust
- § Profitability improvement in Defence, notably in Avionics
- § Continued improvement in Equipment
- § On-going Safran+ plan to enhance the cost structure and reduce overheads.

CURRENCY HEDGES

The Group has finalized its hedging for 2012 and 2013. The 2014 hedging is almost completed with USD 4.5 billion achieved at USD 1.29 to rise to USD 5.0 billion at USD 1.28 as long as Euro/USD <1.52 for 2012. The 2015 hedging is well advanced with USD 2.1 billion achieved at USD 1.30 to rise to USD 3.5 billion at USD 1.29 as long as Euro/USD <1.46 from 2012 to first half of 2013. At April 15, 2012, the firm hedge book amounted to USD 15.2 billion.

Hedged rates are:

- § 2012: USD 1.32 to the Euro (unchanged)
- § 2013: USD 1.29 to the Euro (unchanged)
- § 2014: targeted hedged rate of USD 1.28 to the Euro (unchanged)
- § 2015: targeted hedged rate below USD 1.30 to the Euro (unchanged)

BUSINESS COMMENTARY

§ Aerospace Propulsion

First-quarter 2012 revenue grew by 11.4% to Euro 1,585 million (3.5% on an organic basis) compared to the year-ago period revenue of Euro 1,423 million. The increase in revenue was driven by strong growth in civil original equipment and spares, in CFM56 and high-thrust engines, as well as in helicopter turbines. Military revenue (original equipment and spares) was conjuncturely down compared to the first-quarter 2011 as a consequence of programme delay into the later part of 2012.

OEM CFM56 engine deliveries at 378 units were up by 56 units compared to the same period a year ago. The total CFM56 and LEAP orders and commitments reached 695 engines as of April 19, the backlog staying at about 7 years of production.

In addition to an increase in original equipment deliveries, revenue growth resulted from a rise in global CFM International spare parts, up 24.2% year-over-year in USD terms in line with the trends of 2011 (up 1.3% from the fourth quarter of 2011) and driven by second-generation engines. The estimated* total number of shop visits in first-quarter 2012 for CFM56-equipped civil aircraft increased slightly to 586 as compared to 581 in first-quarter 2011. Because of the variability in airline behaviour inherent to a troubled economic context, our full year civil aftermarket guidance at high single digit growth is unchanged.

A modest increase of helicopter turbines aftermarket has been observed during the first-quarter of 2012 driven by service-by-the-hour contracts. On an organic basis, space & missile propulsion revenue was flat in the first-quarter.

[() shop visit numbers are estimates; these can be revised marginally in the future as airlines finalise reports].*

The contribution to first-quarter 2012 revenue of SNPE Matériaux Energétiques (SME) consolidated since April 5, 2011 was Euro 71 million.

§ **Aircraft Equipment**

The Aircraft Equipment activity reported first-quarter 2012 revenue of Euro 883 million, up 21.1% (17.1% on an organic basis), compared to the year-ago period.

The increase in revenue was attributable to double-digit growth in the landing gear, nacelle and electrical harnessing businesses. The landing gear business performed well in original equipment with higher deliveries notably on A320/A330 and B787 programs. The nacelle business recorded a significant increase in A380 nacelles deliveries (32 units in the first-quarter 2012 compared to 24 nacelles in the year-ago period) as well as higher deliveries of small nacelles for business and regional jets. The electrical harnessing activity saw a robust performance driven by a production ramp up in all its product lines.

In the first-quarter 2012, service revenue grew by 3% driven by the higher civil aftermarket, notably in nacelles, but its share of Aerospace Equipment revenue decreased slightly from 32.3% to 27.4% as a result of higher revenue growth in original equipment.

§ **Defence**

First-quarter 2012 revenue was up 5.1% at Euro 307 million, or up 3.1% on an organic basis, compared to the previous year. The performance was mainly driven by double-digit revenue growth in the avionics activity, notably in navigation (jet fighters and military helicopters, inertia navigation and submarine navigation systems). Optronics (long-range infrared goggles) partly mitigated this trend with volumes down in the first-quarter compared to a very strong first-quarter 2011.

§ **Security**

The Security activity reported first-quarter 2012 revenue of Euro 332 million, up 42.5% compared to the year-ago period. On an organic basis, it was up 6.4% driven by a favourable product-mix in detection systems for dangerous and illicit substances as well as by a strong quarter in secured e-Documents, notably in the banking market segment in Latin America.

In first-quarter 2012, Identification grew as a result of the Euro 75 million contribution of MorphoTrust (ex-L-1 Identity Solutions) consolidated since July 26, 2011.

SUBSEQUENT EVENTS

Treasury shares

In January 2012, Safran disposed of 6 million treasury shares (Euro 104 million) within the framework of the implementation of the French leveraged employee shareholding plan.

UPCOMING EVENTS

AGM	May 31, 2012
H1 2012 results	July 31, 2012
Q3 2012 revenue	October 25, 2012

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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 36 from France, +44 203 367 9457 from the UK. A replay will be available at +33 1 72 00 15 00, +44 203 367 9460 and +1 877 642 3018 (access code 276533#).

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

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KEY FIGURES

Segment breakdown of revenue (In Euro million)	First quarter 2011	First quarter 2012	% change reported	% change organic
Aerospace Propulsion	1,423	1,585	11.4%	3.5%
Aircraft Equipment	729	883	21.1%	17.1%
Defence	292	307	5.1%	3.1%
Security	233	332	42.5%	6.4%
Others	4	1	-	-
Total Group	2,681	3,108	15.9%	7.3%

2011 revenue by quarter (In Euro million)	First quarter 2011	Second quarter 2011	Third quarter 2011	Fourth quarter 2011	Full year 2011
Aerospace Propulsion	1,423	1,554	1,459	1,674	6,110
Aircraft Equipment	729	775	697	896	3,097
Defence	292	332	251	389	1,264
Security	233	276	317	423	1,249
Others	4	4	4	4	16
Total revenue	2,681	2,941	2,728	3,386	11,736

Euro/USD rate	First quarter 2011	First quarter 2012
Average spot rate	1.37	1.31
Spot rate (end of period)	1.42	1.34
Hedged rate	1.38	1.32

NOTES
[1] Adjusted data

To reflect the Group's actual economic performance and enable it to be monitored and benchmarked against competitors, Safran prepares an adjusted income statement alongside its consolidated financial statements.

Particularly, Safran recognizes, all changes in the fair value of its foreign currency derivatives in "financial income (loss)", in accordance with the provisions of IAS 39 applicable to transactions not qualifying for hedge accounting.

Accordingly, Safran's consolidated income statement is adjusted for the impact in financial income (loss) 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 hedging rate, i.e., including the costs of the hedging strategy;
- § the recognition of the mark-to market of unsettled hedging instruments at the closing date is neutralized.

First-quarter 2012 reconciliation between consolidated revenue and adjusted revenue.

Q1 2012 (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	
Revenue	3,110	(2)	-	n/a	n/a	3,108

Safran is a leading international high-technology group with three core businesses: Aerospace (propulsion and equipment), Defence and Security. Operating worldwide, the Safran group has close to 60,000 employees and generated sales of 11.7 billion euros in 2011. Working alone or in partnership, Safran holds world or European leadership positions in its core markets. The Group invests heavily in Research & Development to meet the requirements of changing markets, including expenditures of 1.3 billion euros in 2011. Safran is listed on NYSE Euronext Paris and is part of the CAC40 index.

For more information, www.safran-group.com / Follow @SAFRAN on Twitter

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