Communiqué de presse . Press release

Safran reports 15% growth in the third quarter 2012

Full-year 2012 outlook confirmed

All revenue figures in this press release represent Adjusted[1] revenue. Please refer to definitions contained in the Notes on page 7 of this press release.

KEY FIGURES FOR THIRD QUARTER 2012

- **Third-quarter 2012 adjusted revenue was Euro 3,134 million**, up 14.9% on a reported basis, up 6.2% on an organic basis, compared to third-quarter 2011.
- Continued robust OE cycle and civil aftermarket in **aerospace (Propulsion and Equipment)** and 2-digit revenue contribution from **Defence** (avionics) and **Security** (acquisition-driven).
- Third-quarter 2012 **civil aftermarket** [2] **was up 3.0%** in USD terms, demonstrating good resilience of Safran's installed base despite continued volatility in airlines spending on a quarterly basis.
- The **full-year 2012 outlook is confirmed** while absorbing the increased cost of social contributions on employee profit sharing in the recurring operating income.

KEY FIGURES FOR YEAR TO DATE 2012

- **Nine-month 2012 adjusted revenue was Euro 9,547 million**, up 14.3% on a reported basis, up 5.5% on an organic basis, compared to nine-month 2011.
- Nine-month 2012 **civil aftermarket was up 6.4%** in USD terms, within the guidance for full-year 2012. The momentum is driven by first- shop visit activity on recent narrowbody CFM56 engines.

KEY BUSINESS HIGHLIGHTS FOR THIRD QUARTER 2012

- LEAP orders: **GOL Airlines** (60 Boeing 737 MAX aircraft), **GECAS** (75 Boeing 737 MAX, **Aeromexico** (90 Boeing 737 MAX) and **Alaska Airlines** (37 Boeing 737 MAX). The total backlog (firm orders and commitments) amounts to over 4,200 LEAP engines.
- Helicopter service contracts: Safran has renewed a 10-year global support package contract (MCO) with the **French Ministry of Defence** to ensure flight dispatchability of their 1,408 helicopter engines. It also signed a Support by the Hour agreement with the **German Federal Police** and with the **Swedish Air Force**.
- Landing gear service contracts: Safran signed MRO contracts covering landing systems for the Airbus fleets of Aegean Airlines, Cyprus Airways, Maximus Air, EgyptAir and South African Airways Technical.
- Electrical aircraft: **First Boeing 787 Dreamliner equipped with Safran electric brakes** entered into service with Ethiopian Airlines, a major milestone in the development of electric braking on commercial aircraft.
- Security: MorphoTrust unveiled various new driver licence contracts, personal identification kiosks and issuance systems in several US states: **Delaware, Oklahoma** and **Kentucky**. **Egyptian** ID contract entered into production phase after 2 years of delay due to local political context.

Paris, October 25, 2012 - Safran (NYSE Euronext Paris: SAF) today reported its revenue for the third quarter of 2012.

EXECUTIVE COMMENTARY

Chairman and CEO Jean-Paul Herteman commented:

"In the first nine months of the year, revenue grew by 14% driven by a continued robust OE aerospace cycle as well the ramping up of new programs. With a record backlog at CFMI standing at more than 7 years of production, including a backlog of more than 4,200 LEAP engines to be delivered from 2016 and beyond, we continued to raise production rates of CFM56 engines to reach an annual level of about 1,400 units. Civil aftermarket performed satisfactorily with 6.4% growth for the first nine months within our range for full-year 2012, a performance significantly above the market thanks to our installed fleet mix. The unmatched volume and youth of our installed base and increasing flight hours are to provide more than ten years of steady expansion in aftermarket services.

As expected, our security business benefitted from renewed TSA orders as well as solid volume growth in e-Documents. Transitioning smoothly from the former L-1 ID, MorphoTrust continued to deliver improving revenue and renewed a large number of driving licence contracts across the United States. Elsewhere, the identity business has been occasionally perturbed as a consequence of some regional economic cycles and political uncertainty.

Our nine-month performance provides comfort to achieve our outlook for 2012 and indicates positive momentum should continue in outer years.

Safran continued to implement its strategy of growth based on technology differentiation and more specifically innovative electrical power systems for aircraft. Following the acquisition of Goodrich Electrical Power Systems, Safran will have in its portfolio most major technology bricks relevant to electrical generation and distribution."

THIRD-QUARTER 2012 REVENUE

Solid revenue growth. For the third quarter 2012, Safran's revenue was Euro 3,134 million, compared to a Euro 2,728 million in the same period a year ago, a 14.9% year-on-year increase. Group revenue increased by 6.2% organically.

Third-quarter 2012 revenue increased by Euro 406 million on a reported basis, highlighting double-digit growth rates in all businesses: aerospace (original equipment and civil services), Defence (avionics) and Security (acquisition driven).

On an organic basis, third-quarter 2012 revenue increased by Euro 170 million. Organic revenue is determined after deduction from 2012 figures of the contribution of activities acquired in 2012 or 2011 (for example 1 month of L-1 ID for Euro 25 million) or newly consolidated, and by applying constant exchange rates. Hence, the following calculations were applied:

Reported growth			**14.9%**
Impact of acquisitions & activities newly consolidated	Euro 34 million	(1.3)%	
Currency impact	Euro 202 million	(7.4)%	
Organic growth			**6.2%**

The favourable currency impact in revenue of Euro 202 million for third quarter 2012 reflected a global positive translation effect on foreign currency revenues, notably in USD, GBP and CAD, combined with a positive USD transaction impact. The Group's average spot rate was USD1.25 to the Euro in the third quarter 2012 vs. USD1.41 in the year-ago period. The Group's hedge rate improved to USD1.32 to the Euro in the third quarter 2012 from USD1.38 in the year-ago period.

BUSINESS COMMENTARY FOR THE THIRD QUARTER 2012

- **Aerospace Propulsion**

Third-quarter 2012 Aerospace Propulsion revenue reported a solid improvement at Euro 1,635 million, up 12.1%, or 5.8% on an organic basis, compared to revenue in the year-ago period of Euro 1,459 million. The rise in revenue primarily reflects solid growth in original equipment, for CFM56 and in military, helicopters, and high thrust engines. It also benefited from continued growth in civil aftermarket, driven by recent narrowbody CFM56 engines undergoing their first shop visit, as well as a solid increase of helicopter turbines aftermarket driven by service-by-the-hour contracts. Continued cannibalization on first-generation CFM56 engines, as well as declining military aftermarket activities partially offset these increases.

Year-to-date OE CFM56 engine deliveries at September 30 stand at 1,056 units, up 7% from last year, and in line with the full-year 2012 expectations for delivery of about 1,400 engines. The total backlog remains extremely robust with total 10,040 CFM firm orders and commitments (CFM56 and LEAP), representing more than 7 years of current annual production.

- **Aircraft Equipment**

The Aircraft Equipment segment reported third-quarter 2012 revenue of Euro 850 million, up 22.0%, or 9.6% on an organic basis, compared to Euro 697 million in the year-ago period.

Revenue growth was primarily attributable to stronger activity on the Boeing 787 programme in landing and wiring systems, continued nacelle volume growth in the regional jet segments as well as sustained services activity in braking. The landing systems activity recorded a strong quarter both in OE with a favourable volume/price mix and in aftermarket, notably in carbon brakes with a growing fleet of more than 5,350 aircraft using Safran's technology. The nacelle activity recorded flat revenue with higher deliveries on the A330 programme and small nacelles for regional jets being offset by a slowdown in A380 volumes, of which 12 nacelles were delivered in the quarter.

- **Defence**

Third-quarter 2012 revenue of Euro 276 million was up 10.0%, or 5.2% on an organic basis, compared to revenue in the year-ago period of Euro 251 million. Higher deliveries of Mistral seekers and a solid inertial navigation activity drove Avionics revenue growth. This trend was partially offset by lower revenue in Optronics given the tough year-over-year comparison base for long-range infra-red goggles in export markets, notably as a consequence of U.S. military budget contraction. Safran Electronics grew its revenue with sales to Fadec International related to the LEAP engine programme.

- **Security**

The Security activity reported third-quarter 2012 revenue of Euro 371 million, up 17.0% compared to revenue in the year-ago period of Euro 317 million. On an organic basis, revenue grew 2.2% driven by e-Documents activities and detection.

The e-Documents activity continued to gain traction in the high-end banking market segment in Latin America as the technology migrates to EMV standard (Europay, Mastercard and Visa) with higher unit prices, as well as volume growth in the telecommunication segment. Detection had a good performance driven by the renewed TSA orders for large CTX devices across the United States, partly offset by declining volumes for Trace equipment deliveries. Biometric identification was globally flat while the implementation of some recent contract wins in emerging countries was postponed due to political uncertainty in some regions.

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CURRENCY HEDGES: IMPROVED 2015 AND INITIATED 2016

Years 2012-2014 are fully hedged. The Group has put in place currency hedges for the next 4 years, spanning from 2012 to 2015, and has initiated the hedging for 2016. The hedging portfolio was further increased during the third quarter 2012 and amounted to USD 15.8 billion as of October 20, 2012.

Annual details are:

- 2012 is fully hedged: net exposure of USD 4.7 billion and hedged rate of USD 1.32 to the Euro (unchanged).
- 2013 is fully hedged: estimated net exposure of USD 5.0 billion and hedged rate of USD 1.29 to the Euro (unchanged).
- 2014 is fully hedged: estimated net exposure of USD 5.2 billion and targeted hedged rate of USD 1.28 to the Euro (unchanged).
- 2015 hedging is well advanced: USD 3.5 billion was hedged at USD 1.25 and is set to rise to USD 5.1 billion at USD 1.26 (new rate) as long as EURUSD <1.39 up to mid-2013.
- 2016 hedging was initiated: USD 400 million was hedged at a rate of USD 1.20 to rise to USD 1 billion as long as EUR/USD < 1.39 up to mid-2014.

INCREASED SOCIAL CONTRIBUTIONS IN FRANCE

A recent change to social contributions will increase charges on employee benefits with effect from August 1st, 2012. The global impact on 2012 recurring operating income will be around Euro 25 million, with a cash impact principally on 2013.

2012 OUTLOOK IS CONFIRMED

The on-going performance of the business is such that the 2012 guidance is confirmed while absorbing the increased cost of social contributions on employee profit sharing on the recurring operating income. Safran expects revenue to increase at a rate in the low 2 digits (at an estimated average spot rate of USD 1.30 to the Euro) while recurring operating income should increase by around 20% (at a hedged rate of USD 1.32 to the Euro). The objective for free cash flow to represent about a third of the recurring operating income remains achievable, yet challenging, due to the significant working capital requirements to cope with rising production rates and uncertainty on the rhythm of French MoD payments in the fourth quarter.

Full-year 2012 outlook is based on the unchanged following underlying assumptions:

- Healthy increase in aerospace OE deliveries
- Civil aftermarket up in the high single digits (in USD terms)
- Incremental R&D cash effort of around Euro 200 million (vs. 2011)
- Growth in Security, notably acquisition-driven with MorphoTrust (ex- L-1 ID)
- Profitability improvement in Defence, notably in Avionics
- Continued improvement in Equipment
- On-going Safran+ plan to enhance the cost structure and reduce overhead.

UPCOMING EVENTS

FY 2012 results	February 21, 2013
AGM	May 16, 2013

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Safran will host today a conference call open to analysts at 8:00 am which can be accessed at +33 1 70 77 09 36 from France and +44 203 367 9459 from the UK. A replay will be available for 3 months at +33 1 72 00 15 00, +44 203 367 9460 and +1 877 642 3018 (access code 278494#).

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)*	**Q3 2011**	**Q3 2012**	% change reported	% change organic
Aerospace Propulsion	1,459	1,635	12.1%	5.8%
Aircraft Equipment	697	850	22.0%	9.6%
Defence	251	276	10.0%	5.2%
Security	317	371	17.0%	2.2%
Others	4	2	na	na
Total	**2,728**	**3,134**	**14.9%**	**6.2%**

Segment breakdown of revenue *(In Euro million)*	**9m 2011**	**9m 2012**	% change reported	% change organic
Aerospace Propulsion	4,436	4,901	10.5%	4.0%
Aircraft Equipment	2,201	2,637	19.8%	11.0%
Defence	875	916	4.7%	1.4%
Security	826	1,090	32.0%	4.6%
Others	12	3	na	na
Total	**8,350**	**9,547**	**14.3%**	**5.5%**

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	**2,681**	**2,941**	**2,728**	**3,386**	**11,736**

2012 revenue by quarter *(In Euro million)*	**First quarter 2012**	**Second quarter 2012**	**Third quarter 2012**
Aerospace Propulsion	1,585	1,681	1,635
Aircraft Equipment	883	904	850
Defence	307	333	276
Security	332	387	371
Others	1	0	2
Total	**3,108**	**3,305**	**3,134**

Euro/USD rate	**Third quarter 2011**	**Third quarter 2012**	**9 months 2011**	**9 months 2012**
Average spot rate	1.41	1.25	1.41	1.28
Spot rate (end of period)	1.35	1.29	1.35	1.29
Hedge rate	1.38	1.32	1.38	1.32

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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.

Third-quarter 2012 and nine-month 2012 reconciliation between consolidated revenue and adjusted revenue.

Q3 2012		Hedge accounting		Business combinations		
(In Euro million)	**Consolidated revenue**	Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	**Adjusted revenue**
Revenue	**3,174**	**(40)**	**-**	**n/a**	**n/a**	**3,134**

9m 2012		Hedge accounting		Business combinations		
(In Euro million)	**Consolidated revenue**	Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	**Adjusted revenue**
Revenue	**9,615**	**(68)**	**-**	**n/a**	**n/a**	**9,547**

[2] Civil aftermarket
This indicator comprises spares and MRO revenue for all civil aircraft engines within the Aircraft Propulsion business and reflects the Group's performance in civil aircraft engines aftermarket against the market. It therefore excludes aftermarket revenue related to aircraft military engines and helicopter turbines.

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Safran *is a leading international high-technology group with three core businesses: Aerospace (propulsion and equipment), Defence and Security. Operating worldwide, the 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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