

Safran: revenue grew 10% in the third quarter 2013

Full-year 2013 outlook confirmed

All revenue figures in this press release refer to Adjusted ^[1] revenue.
Please refer to definitions contained in the Notes on page 8 of this press release.

KEY FIGURES FOR THIRD QUARTER 2013

- **Third-quarter 2013 adjusted revenue was Euro 3,437 million**, up 9.7% on a reported basis, up 10.9% on an organic basis, compared to third quarter 2012.
- **Aerospace (Propulsion and Equipment)** activities continue to benefit from civil aftermarket growth and OE momentum. Revenue was slightly up in **Defence** activities and – due to adverse currency variations – in slight decline for the **Security** activities.
- Third-quarter 2013 **civil aftermarket** ^[2] **was up 45.2%** in USD terms, comparing the robust level of revenue in the quarter to the dip in activity a year ago.
- **The full-year 2013 adjusted revenue and adjusted EBIT outlook is confirmed.** Regarding free cash flow, cash flow linked to business performance is likely to be consistent with objectives, while uncertainty remains concerning the rhythm of payments (including advance payments) by State-customers in the fourth-quarter.

KEY FIGURES FOR YEAR TO DATE 2013

- **Adjusted revenue for the first nine months of 2013 was Euro 10,503 million**, an increase of 10% on a reported basis, up 10.1% on an organic basis, compared to 2012.
- **Civil aftermarket revenue was up 25.5%** in USD at September 30th, driven by a robust level of revenue in 2013 compared to a progressively more favourable comparison base.

KEY BUSINESS HIGHLIGHTS

- **LEAP orders:** Pegasus Airlines (75 Airbus A320neo / A321neo), WestJet Airlines (65 Boeing 737 MAX). As of September 30, 2013, the LEAP order book stands at close to 5,500 engines (firm orders and commitments)
- **LEAP ground testing:** CFM International announced that the LEAP-1A engine, which is the powerplant for the Airbus A320neo, commenced ground testing on September 4th, in line with the development schedule.
- **Silvercrest:** Safran announced that the Silvercrest engine has been selected by Dassault Aviation to power its new Falcon 5X (as per an earlier, but confidential, agreement). Safran will deliver an integrated power plant system (IPPS) including nacelle and thrust reverser. Silvercrest has also been chosen by Cessna to equip the Citation Longitude.
- **Helicopter turbines:** Safran finalized the acquisition of Rolls-Royce's 50% share in their joint helicopter engine programme RTM322 and initiated integration of the acquired activities. In addition, Safran announced a service contract worth 367 million GBP (around Euro 425 million) for support of the fleet of RTM322 engines powering the UK Ministry of Defence Merlin and Apache helicopters.

- **Defence:** the DGA (French MoD procurement agency) chose Sagem as prime contractor for the modernization of the inertial navigation and alignment system (SINA) on the Charles-de-Gaulle aircraft carrier.
- **Security:** Morpho signed an agreement with INTERPOL to provide automated biometric identification systems and state-of-the-art security solutions for the future INTERPOL Global Complex for Innovation, and to collaborate on the subject of border security.
- **Security:** Nice Côte d'Azur International Airport in Nice, France purchased four high-speed CTX 9800 DSi™ explosives detection systems (EDS) to screen hold baggage and will thus become the first in the continental E.U. to screen all passenger checked baggage with an advanced EDS.
- **Globe Motors:** Safran finalized the sale of Globe Motors to Allied Motion on the basis of an enterprise value of approximately 90 million USD.

Paris, October 24, 2013 - Safran (NYSE Euronext Paris: SAF) today reported its revenue for the third quarter of 2013.

EXECUTIVE COMMENTARY

Chairman and CEO Jean-Paul Herteman commented:

“The robust civil aerospace cycle continues to drive growth in our propulsion and equipment businesses. The acceleration of assembly rates of new aircraft is boosting our OE deliveries, and our installed base of engines and equipment is fuelling our service activity. Our service activities are now growing at a higher rate than OE, confirming our expectation. Our civil aftermarket business grew very significantly, positioning us favourably to achieve our full year guidance, despite a tough comparison base in the fourth quarter.”

The top line at our security business is geographically exposed to a variety of currencies (US Dollar, Brazilian Real, Indian Rupee) whose recent weakening affects the reported performance. Continued growth in the US, where most of our business is with states and local government, and improved outlook for Detection and e-Documents contrast with softness in some more traditional areas of Safran’s security franchise.

Safran continued to implement its strategy in helicopter turbines by completing the transaction that brings the RTM 322 programme entirely under Turbomeca leadership. Moreover, Turbomeca will support the fleet of RTM 322 engines powering the UK MoD Merlin and Apache helicopters under a newly-announced 6-year contract.

Our nine-month performance provides comfort to achieve our outlook for 2013 and indicates positive momentum should continue in outer years.”

THIRD-QUARTER 2013 REVENUE

Solid revenue growth. For the third quarter 2013, Safran’s revenue was Euro 3,437 million, a 9.7% increase compared to Euro 3,134 million in the same period a year ago. On an organic basis (excluding the effects of acquisitions and currency variations), Group revenue increased by 10.9%.

Third-quarter 2013 revenue increased by Euro 303 million on a reported basis, reflecting double-digit growth rates in aerospace activities (Propulsion and Equipment), a slight increase in Defence revenue and a slight decline in the Security activities.

On an organic basis, third-quarter 2013 revenue increased by Euro 343 million, including Euro 6 million resulting from the extension to full ownership on September 1st, 2013 of the RTM322 helicopter turbine programme, previously jointly owned with Rolls-Royce. Organic revenue was determined by applying constant exchange rates and by including the revenue in 2013 of acquired activities only to the extent that they are fully included in 2012 reported revenue. Hence, the following calculations were applied:

Reported growth			9.7%
Impact of acquisitions & newly consolidated activities	Euro 48 million*	(1.6)%	
Impact of currency variations	Euro (88) million	2.8%	
Organic growth			10.9%

*GEPS: Euro 43 million

The unfavourable currency impact in revenue of Euro (88) million for third quarter 2013 reflected a globally negative translation effect on foreign currency revenues, notably in USD, GBP, CAD, BRL and INR. The Group's average spot rate was USD1.32 to the Euro in the third quarter 2013 vs. USD1.25 in the year-ago period. The Group's hedge rate improved to USD1.29 to the Euro in the third quarter 2013 from USD1.32 in the year-ago period.

BUSINESS COMMENTARY FOR THE THIRD QUARTER 2013

▪ Aerospace Propulsion

In the third quarter 2013, Aerospace Propulsion recorded revenue of Euro 1,815 million, an increase of 11.0% compared to revenue in the year-ago period of Euro 1,635 million. On an organic basis, revenue was up 12.9%. Revenue growth was primarily driven by commercial aviation. The civil aftermarket (measured in USD) increased 45.2% compared to a soft third quarter 2012 and grew moderately compared to the second quarter 2013. Recent CFM56 and GE90 engines both contributed strongly to this momentum. Decreasing maintenance on mature CFM56 engines partially offset these increases. OE revenue continued to benefit from increasing rates of assembly of narrowbody aircraft and higher volume and favourable mix in high thrust engine modules.

Year-to-date, civil aftermarket grew 25.5% as the robustly growing business in 2013 is compared with a weakening level of activity in 2012, though the fourth quarter will not benefit from the same comparison. The momentum is driven particularly by first shop visit activity on recent CFM56 and GE90 engines.

OE CFM56 engine deliveries at September 30 stand at 1,145 units, up 8% from last year, and in line with the full-year 2013 expectations for delivery of about 1,450 engines.

▪ Aircraft Equipment

The Aircraft Equipment segment reported third-quarter 2013 revenue of Euro 990 million, up 16.5%, or 14.9% on an organic basis, compared to Euro 850 million in the year-ago period.

Revenue growth was primarily attributable to stronger activity this quarter on the Boeing 787 programme (landing and wiring systems) and Airbus programmes (A320, A330 - landing and wiring systems and thrust reversers). A380 nacelle shipments were higher (+8 units) this quarter than in third quarter 2012, bringing total shipments in the first 9 months to the same level as the comparable period in 2012. Regional and business jet nacelle shipments continued to grow. Safran's carbon brakes activity recorded moderate growth as increasing revenue on narrowbody aircraft was partially offset by accelerated retirements on widebodies.

▪ **Defence**

Third-quarter 2013 revenue of Euro 278 million was up 0.7%, or 2.2% on an organic basis, compared to revenue in the year-ago period of Euro 276 million. Strength of the inertial navigation activity, particularly support and repairs, drove Avionics revenue growth. Optronics revenue was flat compared to the year-ago quarter. FELIN systems for one French Army regiment were delivered in the quarter, as in the year-ago period.

▪ **Security**

The Security activity reported third-quarter 2013 revenue of Euro 354 million, down -4.6% compared to revenue in the year-ago period of Euro 371 million. Reported revenue is affected notably by the division's exposure to the translation effect of various currencies, principally USD, BRL and INR. On an organic basis, revenue was stable (+0.3%)

Softness in the traditional biometric identity solutions activity, due in particular to the run-off of export contracts, continues negatively to impact the business mix. However, the resulting revenue decline was offset by positive underlying trends in identification in the US and signs of an improved outlook in Detection and e-documents. At MorphoTrust, growth was driven by US Federal enrolment and identity activities. Detection had a good performance driven by increased volume of CTX explosive detection systems, while Trace equipment sales were flat. The e-Documents activity reported a mixed performance in both banking and telecom markets.

CURRENCY HEDGES: ACHIEVED 2014 TARGET RATE

The Group has put in place currency hedges for the years spanning from 2013 to 2016. Years 2013-2014 are fully hedged; 2015 is almost finalized and 2016 is progressing. The hedging portfolio slightly decreased during the third quarter 2013 and amounted to USD 14.7 billion as of October 15, 2013.

Annual details are:

- 2013 is fully hedged: estimated net exposure of USD 5.3 billion and hedged rate of USD 1.28 to the Euro.
- 2014 is fully hedged: estimated net exposure of USD 5.4 billion and hedged rate of USD 1.27 to the Euro (target rate now achieved).
- 2015 hedging is almost finalized: USD 5.1 billion was hedged at USD 1.25 and is set to rise to USD 5.4 billion at USD 1.26 as long as EURUSD < 1.42 up to end-2014.
- 2016 hedging is progressing: USD 3.4 billion was hedged at a rate of USD 1.25 to rise to USD 4.9 billion as long as EUR/USD < 1.42 up to end-2014.

2013 OUTLOOK

Full-year 2013 profit guidance is confirmed reflecting solid year-to-date performance, improved Euro/USD hedging and healthy civil aftermarket. It also takes into account the improvement in the basis of comparison induced by the restatement of 2012 (Amended IAS19).

Safran expects adjusted revenue to increase by a percentage in the mid-to-high single digits on the basis of an average spot rate of USD 1.29 to the Euro and adjusted recurring operating income to increase by around 20% at a hedged rate of USD 1.28 to the Euro. Regarding free cash flow, cash flow linked to business performance is likely to be consistent with objectives, while uncertainty remains concerning the rhythm of payments (including advance payments) by State-customers in the fourth quarter.

Full-year 2013 outlook is based on the following underlying assumptions:

- Healthy increase in aerospace OE deliveries
- Civil aftermarket increase by a percentage in the low-teens

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- Incremental R&D cash effort of around Euro 200 million (vs. 2012)
- Increase in tangible capex of around Euro 200 million (vs. 2012)
- Continued margin improvement in Equipment
- Stable profitability in Defence
- Profitable growth for the Security business
- Continued benefits from the on-going Safran+ plan to enhance the cost structure and reduce overhead.

UPCOMING EVENTS

FY 2013 results
AGM

February 20, 2014
May 27, 2014

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Safran will host today a conference call open to analysts at 8:30 am which can be accessed at +33 1 70 77 09 40 in France, +44 203 367 9455 in the UK and +1 866 907 5923 in the US. 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 283331#).

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

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KEY FIGURES

<i>Segment breakdown of revenue (In Euro million)</i>	Q3 2012	Q3 2013	% change reported	% change organic
Aerospace Propulsion	1,635	1,815	11.0%	12.9%
Aircraft Equipment	850	990	16.5%	14.9%
Defence	276	278	0.7%	2.2%
Security	371	354	(4.6)%	0.3%
Others	2	0	na	na
Total	3,134	3,437	9.7%	10.9%

<i>Segment breakdown of revenue (In Euro million)</i>	9m 2012	9m 2013	% change reported	% change organic
Aerospace Propulsion	4,901	5,588	14.0%	14.7%
Aircraft Equipment	2,637	2,951	11.9%	9.9%
Defence	916	876	(4.4)%	(3.7)%
Security	1,090	1,087	(0.3)%	1.7%
Others	3	1	na	na
Total	9,547	10,503	10.0%	10.1%

<i>2012 revenue by quarter (In Euro million)</i>	First quarter 2012	Second quarter 2012	Third quarter 2012	Fourth quarter 2012	Full year 2012
Aerospace Propulsion	1,585	1,681	1,635	2,104	7,005
Aircraft Equipment	883	904	850	1,054	3,691
Defence	307	333	276	399	1,315
Security	332	387	371	456	1,546
Others	1	0	2	0	3
Total	3,108	3,305	3,134	4,013	13,560

<i>2013 revenue by quarter (In Euro million)</i>	First quarter 2013	Second quarter 2013	Third quarter 2013
Aerospace Propulsion	1,831	1,942	1,815
Aircraft Equipment	924	1,037	990
Defence	304	294	278
Security	344	389	354
Others	1	0	0
Total	3,404	3,662	3,437

<i>Euro/USD rate</i>	Third quarter 2012	Third quarter 2013	9 months 2012	9 months 2013
Average spot rate	1.25	1.32	1.28	1.32
Spot rate (end of period)	1.29	1.35	1.29	1.35
Hedge rate	1.32	1.29	1.32	1.29

NOTES

[1] Adjusted data

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

Safran's consolidated income statement has been adjusted for the impact of:

- purchase price allocations with respect to business combinations. Since 2005, this restatement concerns the amortization charged against intangible assets relating to aeronautical programs that were revalued at the time of the Sagem-Snecma merger. With effect from the first-half 2010 interim financial statements, the Group has decided to restate the impact of purchase price allocations for business combinations. In particular, this concerns the amortization of intangible assets recognized at the time of the acquisition, and amortized over extended periods, justified by the length of the Group's business cycles;
- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:
 - revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy,
 - the recognition of all mark-to-market changes on non-settled hedging instruments at the closing date is neutralized.

Third-quarter 2013 and nine-month 2013 reconciliation between consolidated revenue and adjusted revenue:

Q3 2013 <i>(In Euro million)</i>	Consolidated revenue	Hedge accounting		Business combinations		Adjusted revenue
		Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	
Revenue	3,404	33	-	n/a	n/a	3,437

9m 2013 <i>(In Euro million)</i>	Consolidated revenue	Hedge accounting		Business combinations		Adjusted revenue
		Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	
Revenue	10,424	79	-	n/a	n/a	10,503

[2] Civil aftermarket (expressed in USD)

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

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Safran is a leading international high-technology group with three core businesses: Aerospace (propulsion and equipment), Defence and Security. Operating worldwide, the Group has 62,500 employees and generated sales of 13.6 billion euros in 2012. 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 1.6 billion Euros in 2012. Safran is listed on NYSE Euronext Paris and is part of the CAC40 index.

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