## PRESS RELEASE

# Safran : Strong start in 2019

**Paris, April 26, 2019**

| ***Adjusted data*** |
|---|
| • *Revenue at Euro 5,781 million, up 36.9% on a reported basis* |
| • *Organic revenue growth of 12.6% in Q1 2019 driven by continued momentum in Propulsion, Equipment and Defense activities* |
| • *Progressive recovery of Aircraft Interiors on track, notably as Seats resumed organic growth* |
| • *Safran is ahead on its path towards full-year 2019 guidance* |

| ***Consolidated data*** |
|---|
| • *Revenue was Euro 5,845 million* |

## Foreword

- All figures in this press release represent adjusted[1] data, except where noted. Please refer to the definitions and reconciliation between Q1 2019 consolidated revenue and adjusted revenue. Please refer to definitions contained in the Notes on page 7 of this press statement.
- Aerosystems and Aircraft Interiors (former Zodiac Aerospace activities) are fully consolidated in Safran's financial statements from March 1, 2018.
- Organic variations exclude the changes in scope (notably the contribution of Aerosystems and Aircraft Interiors in January and February 2019) and the currency impacts for the period.
- 2019 outlook is established considering the full application of the new IFRS16 standard.

## Executive commentary

CEO Philippe Petitcolin commented: *"Safran started 2019 very strongly with a +12.6% organic growth in Q1 well balanced between all businesses. We stand behind our customers and follow very closely the announcements regarding the 737 MAX in order to adapt if necessary".*

## Key figures for Q1 2019

- **Adjusted revenue in Q1 2019 was Euro 5,781 million compared with Euro 4,222 million in Q1 2018**, an increase of 36.9% on a reported basis which included a positive scope impact of Euro 802 million and a positive currency impact of Euro 223 million.

- **Adjusted revenue grew 12.6% organically**, thanks to a strong momentum in Propulsion, Equipment and Defense activities.

- **Q1 2019 civil aftermarket[2] increased 10.2%** in USD terms driven notably by spare parts sales for second generation CFM56 engines.

- **Safran is ahead on its path towards full-year 2019 guidance:**
  - The organic performance of the Group is trending above full-year guidance for the first months of 2019;
  - The impacts in 2019 of the 737 Max situation are closely monitored: Safran will adjust its production plan if necessary.

## Key business highlights for Q1 2019

**Narrowbody engines deliveries**
Combined deliveries of CFM engines (LEAP and CFM56) increased by 15.9% to 577 units in Q1 2019 from 498 units in Q1 2018.

**LEAP program**
424 LEAP engines were delivered in Q1 2019 compared with 186 units in the year ago period. Regarding the adjustments to the 737 MAX production system announced by Boeing, CFM has maintained the production rate for the LEAP-1B at this point and will undertake temporary adjustments if necessary.

**CFM56 program**
CFM56 deliveries reached 153 units in Q1 2019 compared with 312 in Q1 2018, reflecting the planned production ramp down.

**Helicopter turbines**
Safran and CHC Helicopter signed a four-year MRO contract to support Arriel engines.

**Carbon brakes**
Safran signed several carbon brakes contracts, notably with Air India for 27 A320neo and Westjet for 10 Boeing 787.

**Aircraft Interiors**
In Cabin, Safran recorded several new contracts and was selected notably by:
- A major Asian airline to provide galleys for its future Boeing 777-9
- A European and a Middle East airlines to provide galleys for their A330
- A major European airline to retrofit its fleet of Airbus single-aisle aircraft with Ecos bins (Safran latest generation of bins)

Seats also logged orders with airlines including:
- The selection by a major Asian airline to provide Business class, Premium Economy class and Economy class seats for a 787 linefit order
- The selection by Air France to provide Business class for a 777 retrofit project
- The selection by Corsair to provide Premium Economy class and Economy class seats for an A330 linefit order

**Defense**
Safran won the fifth contract in a row for European Southern Observatory's Extremely Large Telescope.

## First-quarter 2019 revenue

Q1 2019 revenue amounted to Euro 5,781 million compared with Euro 4,222 million in the year ago period. This represents an increase of 36.9%, or Euro 1,559 million.
Changes in scope had a contribution of Euro 802 million, of which Euro 781 million related to the acquisition of Aerosystems and Aircraft Interiors, and Euro 21 million related to the acquisition of the ElectroMechanical Systems activities of Collins Aerospace.
The net impact of currency variations amounted to Euro 223 million, mainly reflecting a positive translation effect on non-Euro revenues from the USD (the average EUR/USD spot rate was 1.14 in Q1 2019, compared with 1.23 in Q1 2018).

On an organic basis, revenue increased 12.6%, as all activities contributed positively.

| **Revenue (€M)** | **Q1 2018** | **Q1 2019** | **Organic growth** | Impact of changes in scope | Currency impact | **Reported growth** |
|---|---|---|---|---|---|---|
| Propulsion | 2,286 | 2,735 | 14.8% | - | 4.8% | 19.6% |
| Aircraft Equipment | 1,263 | 1,458 | 9.2% | - | 6.2% | 15.4% |
| Defense | 298 | 360 | 11.1% | 7.0% | 2.7% | 20.8% |
| Aerosystems and Aircraft Interiors* | 369 | 1,225 | 13.3% | ns | ns | ns |
| *Of which Aerosystems* | *na* | *587* | *na* | *na* | *na* | *na* |
| *Of which Aircraft Interiors* | *na* | *638* | *na* | *na* | *na* | *na* |
| Holding & Others | 6 | 3 | *na* | *na* | *na* | *na* |
| **Safran** | **4,222** | **5,781** | **12.6%** | 19.0% | 5.3% | **36.9%** |

**Former Zodiac Aerospace activities*

## Currency hedges

Safran's hedging portfolio totalled USD 27.4 billion at April 12, 2019. The Group net exposure is estimated at USD 9.4 billion in 2019 and should reach USD 10.0 billion in 2022 due to the growth outlook for the businesses with USD denominated revenue.

2019: the net exposure of USD 9.4 billion is now fully hedged at a targeted hedge rate of USD 1.18 (unchanged)
2020: the firm coverage of the estimated net exposure increased to USD 6.5 billion (compared with USD 6.0 billion in February 2019). No change in the range of the targeted hedge rate of USD 1.16 to USD 1.18.
2021: the firm coverage of the estimated net exposure amounted to USD 8.0 billion (unchanged). No change in the range of the targeted hedge rate of USD 1.15 to USD 1.18.
2022: the Group increased the coverage of the net exposure to USD 3.5 billion (compared with USD 2.5 billion in February 2019). No change in the range of the targeted hedge rate of USD 1.15 to USD 1.18.

## Update on the share buyback program

In May 2017, Safran announced its intention to implement a Euro 2.3 billion ordinary share buyback program to run over the two years following the completion of the tender offer for Zodiac Aerospace shares.
At December 31, 2018, Safran had already purchased 11.4 million shares for a total of Euro 1.22 billion. Following up on the decision of the Board of Directors, these 11.4 million treasury shares were cancelled on December 17, 2018.

On January 10, 2019, Safran entered into an agreement with an investment service provider for a follow-on repurchase tranche. Safran will acquire up to Euro 600 million worth of ordinary shares no later than May 10, 2019. The unit price may not exceed the maximum of Euro 140 per share set by the November 27, 2018 shareholders' meeting. From January 10, 2019 to April 24, 2019, Safran repurchased a total amount of Euro 342 million worth of shares.

## Ahead on its path towards full-year 2019 guidance

Safran is ahead on its path towards full-year 2019 guidance:

- The organic performance of the Group is trending above full-year guidance for the first months of 2019;
- The impacts in 2019 of the 737 MAX situation are closely monitored: Safran will adjust its production plan if necessary.

The outlook is based on assumptions which are globally unchanged compared with the FY 2018 earnings announcements on February 26, 2019. The assumption related to the negative impact coming from the CFM56-LEAP transition on Propulsion adjusted recurring operating income will be adjusted in due time to take into account the latest developments of the 737 MAX and the overall demand for spare engines.

## Business commentary for Q1 2019

- **Aerospace Propulsion**

Q1 2019 revenue was Euro 2,735 million, up 19.6% compared to Euro 2,286 million in the year-ago period. On an organic basis, revenue increased 14.8%, driven by narrowbody engines and military OE, as well as by continuing momentum in services.

OE revenue was up 19.6% (or 14.8% organically) in Q1 2019. The total number of narrowbody engines deliveries increased 15.9% from 498 to 577 engines, driven by LEAP production ramp up. LEAP shipments grew to 424 engines in Q1 2019 from 186 in Q1 2018, while CFM56 volumes ramped down to 153 engines in Q1 2019 from 312 in Q1 2018. M88 engines deliveries reached 8 units in Q1 2019 compared with 3 units in Q1 2018. Helicopter turbines OE sales also contributed to growth thanks to higher volumes.

Service revenue was up 19.7% in Euro terms (or 14.9% organically) and represented a 58.5% share of Q1 2019 sales. Organic growth was driven by civil aftermarket activities, helicopter turbines services and military support activities.
Civil aftermarket grew 10.2% (in USD terms) in Q1 2019, due to the continued strength of spare parts sales for second generation CFM56 engines.

- **Aircraft Equipment**

Q1 2019 revenue amounted to Euro 1,458 million compared to Euro 1,263 million in the year-ago period. On an organic basis, revenue was up 9.2%.
OE revenue grew 14.9% (8.4% organically) in Q1 2019, mainly driven by rising volumes of nacelles. Deliveries of nacelles for LEAP-1A powered A320neo ramped up to reach 120 units in Q1 2019 (66 units in Q1 2018). A330neo nacelles amounted to 24 units in Q1 2019 as shipments began in Q3 2018. Higher sales of equipment (landing gear and wiring) for 787 and A350 also contributed to OE growth. The planned reduction in assembly rate of A380 was a headwind: 4 nacelles were delivered in Q1 2019 compared with 16 in the year-ago period.

Service revenue was up 16.5% (10.9% organically), driven by the growing contribution of carbon brakes and MRO activities for landing gear, as well as the continuing momentum in nacelles support activities.

- **Defense**

Q1 2019 revenue was Euro 360 million, up 20.8% compared to Euro 298 million in the previous year. On an organic basis, revenue increased by 11.1%.

Growth in military sales was driven by increases in sighting systems and in portable optronics. Avionics revenue was also up thanks to electronics (FADEC for LEAP) and support activities.

- **Aerosystems and Aircraft Interiors (former Zodiac Aerospace activities that are consolidated since March 1st, 2018)**

Revenue of Aerosystems and Aircraft Interiors was Euro 1,225 million compared with Euro 369 million in Q1 2018, including a two-month positive impact of change in scope of Euro 781 million.

Organic growth, at 13.3%, was not fully representative of the expected annual trends: it reflected the strong increase in activity, notably of Aircraft Interiors, over a one-month period (that is in March 2019 compared with March 2018). Safran confirms that 2019 should be a transition year for Aircraft Interiors sales as time is required to translate orders into stronger growth.

**Aerosystems** recorded revenue of Euro 587 million in Q1 2019. Compared with previous year quarterly performance, organic growth was driven by Fuel and Control systems, Safety systems as well as by the good momentum in Connected Cabin sales.

**Aircraft Interiors** recorded revenue of Euro 638 million in the quarter. Compared with the previous year quarterly performance, Cabin grew slightly, while Seats resumed organic growth driven by the progressive recovery in sales of business class seats.

## Agenda

| | |
|---|---|
| Annual general meeting | May 23, 2019 |
| H1 2019 earnings | September 5, 2019 |
| Q3 2019 revenue | October 31, 2019 |

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Safran will host today a conference call open to analysts, investors and media at 8:00 am CET which can be accessed at +33 (0)1 72 72 74 03 (France), +44 (0) 207 194 3759 (UK) and +1 646 722 4916 (US) (access code for all countries : 28269020#).

A replay will be available until July 25, 2019 at +33 1 70 71 01 60, +44 203 364 5147 and +1 646 722 4969 (access code for all countries : 418839630#).

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

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## Key figures

**The data shown for Q1 2018 include 1 month of activity for Aerosystems and Aircraft Interiors (former Zodiac Aerospace activities).**

| ***Segment breakdown of adjusted revenue*** *(In Euro million)* | **Q1 2018** | **Q1 2019** | % change | % change organic |
|---|---|---|---|---|
| Aerospace Propulsion | 2,286 | **2,735** | 19.6% | 14.8% |
| Aircraft Equipment | 1,263 | **1,458** | 15.4% | 9.2% |
| Defense | 298 | **360** | 20.8% | 11.1% |
| Aerosystems and Aircraft Interiors | 369 | **1,225** | x3.3 | 13.3% |
| *Of which Aerosystems* | *na* | ***587*** | *na* | *na* |
| *Of which Aircraft Interiors* | *na* | ***638*** | *na* | *na* |
| Holding & Others | 6 | **3** | na | na |
| **Total Group** | **4,222** | **5,781** | **36.9%** | **12.6%** |

| ***Euro/USD rate*** | **Q1 2018** | **Q1 2019** |
|---|---|---|
| Average spot rate | 1.23 | 1.14 |
| Spot rate (end of period) | 1.23 | 1.12 |
| Hedged rate | 1.18 | 1.18 |

## Notes

### [1] Adjusted revenue

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

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

- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:
  - revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy,

First-quarter 2019 reconciliation between consolidated revenue and adjusted revenue:

| Q1 2019 | | 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** | **5,845** | (64) | - | - | - | **5,781** |

### [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 Safran Aircraft Engines and its subsidiaries and reflects the Group's performance in civil aircraft engines aftermarket compared to the market.

***Safran** is an international high-technology group, operating in the aircraft propulsion and equipment, space and defense markets. Safran has a global presence, with more than 92,000 employees and sales of 21 billion euros in 2018. Working alone or in partnership, Safran holds world or European leadership positions in its core markets. Safran undertakes Research & Development programs to meet fast-changing market requirements, with total R&D expenditures of around 1.5 billion euros in 2018.*

*Safran is listed on the Euronext Paris stock exchange, and is part of the CAC 40 and Euro Stoxx 50 indices.*

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***IMPORTANT ADDITIONAL INFORMATION***

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*USE OF NON-GAAP FINANCIAL INFORMATION*

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