SAFRAN

PRESS RELEASE

Safran : Very strong 2018 performance
Further growth and profitability improvement in 2019

Paris, February 27, 2019

Adjusted data

- *Revenue at Euro 21,050 million (including a contribution of Euro 3,799 million from Zodiac Aerospace), up 32.0% on a reported basis and up 10.4% on an organic basis*
- *Recurring operating income at Euro 3,023 million (including a contribution of Euro 290 million from Zodiac Aerospace), up 37.9% on a reported basis and up 24.7% excluding Zodiac Aerospace*
- *Strong margin improvements in Propulsion (from 16.2% to 18.5%), Aircraft Equipment (from 11.8% to 14.3%) and Defense (from 7.1% to 8.5%)*
- *Zodiac Aerospace integration and turnaround on track*
- *Free cash flow generation at Euro 1,781 million (including Euro 92 million from Zodiac Aerospace), representing 59% of recurring operating income*

Consolidated data

- *Revenue was Euro 21,025 million*
- *Recurring operating income at Euro 2,280 million*
- *Profit from operations at Euro 2,165 million*
- *Profit for the period attributable to owners of the parent at Euro 1,283 million*
- *Free cash flow at Euro 1,781 million*

The Board of Directors of Safran (Euronext Paris: SAF), under the Chairmanship of Ross McInnes, at their meeting in Paris on February 26, 2019, adopted and authorised the publication of Safran's financial statements and adjusted income statement for the full-year period ended December 31, 2018.

Executive commentary

CEO Philippe Petitcolin commented: *"Safran exceeded its financial targets in 2018, thanks to an excellent organic momentum across all its businesses and to strong operational execution, particularly in the context of the CFM56-LEAP transition. In 2018, Safran also expanded its leading Aerospace positions with the successful acquisition of Zodiac Aerospace. The Group has been committing all the required ressources and talents to integrate quickly and smoothly Zodiac Aerospace's businesses and people.*
Safran is ideally positioned for future success as outlined at the Capital Markets Day. 2019 will be another step forward on this path of strong, profitable growth."

Foreword

- All figures in this press release represent adjusted[1] data and continuing operations, except where noted. Please refer to the definitions and reconciliation between full-year 2018 consolidated income statement and adjusted income statement. Comparisons are established against 2017 figures for continuing operations. Please refer to definitions contained in the Notes on page 15 and following of this press statement.
- All figures are presented in application of IFRS 15 and comparisons are established against full-year 2017 figures restated for the application of IFRS 15.
- Zodiac Aerospace is fully consolidated in Safran's financial statements starting March 1, 2018.
- Organic variations exclude the changes in scope (notably the ten-month contribution of Zodiac Aerospace) and the currency impacts for the period.
- 2019 outlook is established considering the full application of the new IFRS16 standard.

Key figures for full-year 2018

- **Adjusted revenue was Euro 21,050 million**, an increase of 32.0% on a reported basis, including a ten-month contribution of Euro 3,799 million from Zodiac Aerospace and Euro (338) million of currency impacts. On an organic basis, adjusted revenue grew 10.4%.
- **Adjusted recurring operating income[2] was Euro 3,023 million** (14.4% of revenue), an increase of 37.9% on a reported basis compared to Euro 2,192 million (13.7% of revenue) in FY 2017. FY 2018 adjusted recurring operating income included a ten-month contribution from Zodiac Aerospace amounting to Euro 290 million. Excluding Zodiac Aerospace, adjusted recurring operating income grew 24.7%.
- **Adjusted net income – Group share was Euro 1,981 million (basic adjusted EPS of Euro 4.60 and diluted adjusted EPS of Euro 4.54).** In 2017, adjusted net income – Group share amounted to Euro 2,393 million comprising Euro 1,563 million of net income from continuing operations and Euro 830 million of net income from disposal gains.
- **Free cash flow[4] generation amounted to Euro 1,781 million (including Euro 92 million from Zodiac Aerospace),** representing an increase of 24% compared with Euro 1,438 million in the year-ago period. At constant scope, FY 2018 free cash flow amounted to 62% of adjusted recurring operating income.
- **Net debt position was Euro 3,269 million** as of December 31, 2018.
- **FY 2018 civil aftermarket[3] was up 12.2%** in USD terms driven notably by spare parts sales for second generation CFM56 engines.

- **A dividend payment of Euro 1.82 per share** will be proposed to the shareholders' vote at the Annual General Meeting on May 23, 2019.

- **Compared with FY 2018 figures, Safran expects for FY 2019:**
    - At an estimated average spot rate of $1.18 to the Euro in 2019 (as in 2018), adjusted revenue is expected to grow in the range 7% to 9%, notably including the two additional months of contribution from Aerosystems and Aircraft Interiors (former Zodiac Aerospace activities) in 2019 compared with 2018. Adjusted revenue to grow by around 5% on an organic basis.
    - Adjusted recurring operating income to grow in the low teens (at a hedged rate of USD 1.18 to the Euro, as in 2018).
    - Free cash flow to be around 55% of adjusted recurring operating income, an usual element of uncertainty being the rhythm of payments by state-clients.

Key business highlights for 2018

Narrowbody engines deliveries

The CFM56-LEAP transition is proceeding: combined deliveries of CFM engines (LEAP and CFM56) increased by 13.6% to 2,162 units in FY 2018 from 1,903 units in FY 2017, reflecting rising assembly rates at airframers and high demand for CFM products.

LEAP commercial success

CFM International confirmed its commercial leadership. The LEAP recorded 3,211 orders and commitments in 2018, bringing the total backlog at 15,620 engines at December 31, 2018.

LEAP program

The production ramp up of LEAP continued: 1,118 LEAP engines were delivered in 2018 compared with 459 units in the year ago period. CFM International is on track to deliver more than 1,800 LEAP in 2019.

LEAP-1A: 40 customers were operating 346 aircraft powered by LEAP-1A engines totalling over 2 million flight hours so far.

LEAP-1B**:** 57 customers were operating 336 aircraft powered by LEAP-1B engines totalling over 1.2 million flight hours so far.

LEAP-1C: CFM International continued to support the flights of the 3 test aircraft.

CFM56 program

CFM56 deliveries remained at a high level, reaching 1,044 units in 2018 compared with 1,444 in FY 2017.

Next-generation European fighter engine

Safran and MTU Aero Engines announced their partnership jointly to lead the development, the production and the after-sales support activities of the new engine that will power the next generation combat aircraft, as part of the Franco-German Future Combat Air System (FCAS). The aircraft is scheduled to enter into service by 2040 to complement the current generation of Eurofighter and Rafale fighter aircraft.

Helicopter turbines
Helicopter turbines development made good progress in 2018:

- The Arriel 2H (selected to power the light helicopter AC312E of AVIC) was certified by the EASA
- The Arrano 1A (selected to power the medium helicopter H160 of Airbus Helicopter) targets at certification in 2019
- The ground tests of the Safran Hybrid-Electric Propulsion System (HEPS) in 2018 were a success. Bell announced that its new VTOL aircraft, the Bell Nexus, will be the first application of Safran HEPS.

Carbon brakes
Safran signed carbon brakes contracts with airlines for a total of more than 1,000 aircraft in 2018, bringing the total installed base close to 9,700 aircraft at end 2018. Safran is the world leader in carbon brakes for commercial aircraft above 100 passengers.

Aerosytems
Throughout the year, Safran supported its customers' rising assembly rates:

- Safety systems: Safran increased its deliveries of emergency slides for the A320neo, the 737 MAX and the 787. Safran also shipped the first evacuation slides system for the 777X.
- Electrical & Cockpit systems and Water & Waste systems: Safran supported the production ramp up for the A220, the A350 and the 787 programs.

Safran also logged new contracts:

- Falcon 6X: Dassault Aviation selected Safran to supply electrical distribution & cockpit systems as well as fuel control systems
- Connected Cabin: A major Middle-East airline selected the RAVE inflight entertainment system (IFE) for its future 50 A320neo. A major European airline also selected Safran IFE system for the new cabin of its A350 and A330 fleet in 2019 and for its A380 fleet from 2020.

Aircraft Interiors - Seats
In 2018, operational performance improved mainly in the production facilities in France (business class and economy seats) and the US (on-time delivery for both Long range and single aisle products). The management and the teams top priority is to address the remaining challenges and restore the trust of costumers.

Safran recorded several orders for its Seats activities and was notably selected by:

- Ethiopan Airlines to provide business class and economy class seats for its additional A350 order
- A major European airline to provide business class, premium economy class and economy class seats for a wide-bodies retrofit project
- A major airline to provide business class and economy class seats for a large A220 linefit order

Aircraft Interiors - Cabin
The operational recovery made progress in 2018 notably for the deliveries of A220 cabin, of the A350 lavatories and of the SpaceFlex v2 product for A320 and A321.

Several customers also awarded Safran with new contracts in 2018:

- At Farnborough, Delta Airlines selected Safran's new Atmosphere cabin for its Bombardier CRJ Series regional jets.
- Ryanair selected Safran's galleys for its new 737 order.
- Airbus and Safran entered into a partnership for innovative lower-deck sleeping facilities. The modules, which would fit inside the aircraft's cargo compartments, improve passengers' experience while enabling airlines to differentiate and add value for their commercial operations.

Defense

The defense activities continued to grow organically thanks to the success of the renewed portfolio of products:

- Latest generation military products recorded strong customers' demand notably for the air to ground modular weapon (AASM), for the PASEO sighting system and portable optronics.
- Avionics and Electronics products had also good commercial momentum particularly flight control systems, optics for telescopes and FADEC for LEAP

Innovation and technological differentiation remain a key focus to maintain growth momentum: self-funded R&D amounted to 8.9% of sales in 2018.

Acquisition of the ElectroMechanical Systems of Collins Aerospace

In February 2019, Safran finalized the acquisition of the ElectroMechanical Systems business from Collins Aerospace. This business primarily consists of actuators and pilot controls for aircraft, and generated sales of USD 159 million in 2018, with 575 employees at four facilities in North America, mainly in Irvine, California in the United States and in Mexicali, Mexico, along the Mexico-U.S. border. This acquisition expands the electrical actuation and flight control business lines of Safran Electronic & Defense and Safran Aerosystems. In particular, the acquisition enables both Safran companies to reach critical mass in these sectors (around Euro 500 million of sales) and to eventually enhance their competitiveness.

Update on the integration of Zodiac Aerospace

The integration work is delivering organizational, functional and operational progress in line with the roadmap updated at Safran Capital Markets Day in November 2018.

In 2018, Safran achieved the planned amount of synergies, and the acquisition of Zodiac Aerospace improved Safran earnings per share above +5% as per the indication provided at H1 2018 earnings release.

Safran is on track to meet the 2022 targeted synergies. Next steps include the optimization of the industrial footprint and the deployment of Shared Service Centers projects, the optimization of the integration of Aerosystems and Aircraft Interiors activities into Safran portofolio, the realization of new R&T synergies, as well as the realisation of further synergies to target now €250M in 2022.

2018 results

FY 2018 revenue amounted to Euro 21,050 million. This represents an increase of Euro 5,097 million (or 32.0%) compared to the year ago period.

Changes in scope had a net contribution of Euro 3,781 million, of which Euro 3,799 million related to the ten-month contribution of Zodiac Aerospace.

The net impact of currency variations amounted to Euro (338) million, reflecting a negative translation effect on non-Euro revenues, principally USD in H1 2018. The average USD/EUR spot rate was 1.18 to the Euro in FY 2018, compared to 1.13 in the year-ago period.

On an organic basis, revenue increased 10.4% as all activities contributed positively.

Euros millions	Propulsion	Aircraft Equipment	Defense	Aerosystems	Aircraft Interiors	Holding & Others	**Safran**
FY 2017	9,357	5,260	1,316	na	na	20	**15,953**
FY 2018	10,452	5,395	1,386	1,785	2,014	18	**21,050**
Reported growth	11.7%	2.6%	5.3%	na	na	na	32.0%
Impact of changes in scope	(0.1)%	-	-	na	na	na	23.7%
Currency impact	(1.8)%	(3.0)%	(1.2)%	na	na	na	(2.1)%
Organic growth	**13.6%**	**5.6%**	**6.5%**	**na**	**na**	**na**	**10.4%**

FY 2018 recurring operating income reached Euro 3,023 million, up 37.9% compared to Euro Euro 2,192 million in FY 2017. This increase notably includes the ten-month contribution of Euro 290 million from Zodiac Aerospace, as well as the positive currency impact of Euro 175 million (the Group's hedge rate improved to USD 1.18 to the Euro in FY 2018 from USD 1.21 in FY 2017). Recurring operating income margin stood at 14.4% of sales compared with 13.7% in the year ago period. The profitability recorded strong improvements in Propulsion, Aircraft Equipment and Defense. Aircraft Interiors and Aerosystems activities performed in line with the guidance provided with H1 2018 results.

One-off items, mainly related to the restructuring and remaining transaction costs related to Zodiac Aerospace, as well as to the impairment of intangibles in relation with the termination of a program for Euro (34) million, totalled Euro (115) million during FY 2018:

In Euro million	**FY 2017**	**FY 2018**
Adjusted recurring operating income	**2,192**	**3,023**
% of revenue	13.7%	14.4%
Total one-off items	**(90)**	**(115)**
Capital gain (loss) on disposals	*23*	*-*
Impairment reversal (charge)	*(23)*	*(38)*
Other infrequent & material non-operational items	*(90)*	*(77)*
Adjusted profit from operations	**2,102**	**2,908**
% of revenue	13.2%	13.8%

Adjusted net income – Group share was Euro 1,981 million (basic EPS of Euro 4.60 and diluted EPS of Euro 4.54) compared with Euro 1,563 million for continuing operations in 2017 (Basic EPS of Euro 3.81 and diluted EPS of Euro 3.74). It includes:

- Net adjusted financial income of Euro (211) million, including cost of debt of Euro (67) million.
- An adjusted tax expense of Euro (638) million (23.7% apparent tax rate).

The reconciliation between full-year 2018 consolidated income statement and adjusted income statement is provided and commented in the Notes on page 15.

Cash flow and net debt

- **Operations generated Euro 1,781 million of free cash flow** (including Euro 92 million from Zodiac Aerospace), compared with Euro 1,438 million in the year ago period**.** Free cash flow generation was driven by cash from operations of Euro 3,098 million, devoted principally to tangible and intangible investments (at Euro 1,290 million).

In the context of the CFM56-LEAP transition and of the integration of Zodiac Aerospace, the variation in working capital was slightly negative at Euro (27) million, including the benefits of advance payments notably from export contracts.

- **2017 annual dividend**
  A dividend of Euro 1.60 per share was approved by the shareholders at the Annual General Meeting of May 25, 2018, and was entirely paid in May 2018 impacting cash flow in the amount of Euro (695) million.

- **Impact of the acquisition of Zodiac Aerospace**
  Safran recorded a total cash outflow of Euro (4,480) million related to the public tender offer[1] for Zodiac Aerospace shares and to the acquisition of Zodiac Aerospace minorities.
  In addition, Zodiac Aerospace net debt of Euro (1,039) million was consolidated into Safran net debt.

- **Share buybacks and convertible bonds (OCEANE)**
  Safran repurchased Euro (522) million worth of shares through two buyback tranches announced in March and June 2018.
  The repurchase of the outstanding convertible bonds maturing 2020, and the issuance of new convertible bonds maturing 2023 in June 2018 had a net impact on net debt of Euro (128) million.

- **Net Debt**
  The net debt position was Euro (3,269) million as of December 31, 2018 compared to a net cash position[2] of Euro 294 million as of December 31, 2017.

Financing

The net proceeds from the issuance of the convertible bond and the floating rates notes (as detailed below) will be used for general corporate purposes.

- **Issuance of a convertible bond maturing June 2023**
  On June 21, 2018, Safran successfully issued bonds convertible into or exchangeable for new and/or existing shares (OCEANE) with a zero coupon for a total of Euro 700 million.
  The bonds were issued at a price of 100% of par corresponding to an annual gross yield to maturity of 0.0%. The nominal unit value of the Bonds was set at €140.10, representing a premium of 37.5% above the reference share value.
  Considering that the issuance comprises 4,996,431 bonds, each potentially convertible into one Safran share, the maximum dilution would be 1.13% if new shares were issued for the entire redemption.
  At its Capital Markets Day on November 29, 2018, Safran announced its intention to repurchase shares for a total Euro 700 million to avoid the potential dilution from these convertible bonds, on top of the outstanding share buyback program of Euro 2.3 billion.

- **Issuance of two-year floating rate notes (FRN):** on July 5, 2018, Safran completed an offering of 2-year floating rate notes of Euro 500 million. It was issued at 100% of nominal value and bears a coupon of 3-month Euribor + 33 basis points per annum (coupon floored at 0%).

---

[1] As a reminder, a total of 26,65 million Safran preferred shares were also issued at a price of €84.18 as part of the public tender offer for Zodiac Aerospace shares.
[2] In the context of the financing of the public tender offer for Zodiac Aerospace shares, Euro 2 billion of marketable securities had been pledged for the tender offer period and therefore been excluded from “cash and cash equivalents” on December 31, 2017. The pledge was fully lifted in March 2018.

Research & Development

Total R&D expenditures, including customer-funded, reached Euro 1,472 million, compared with Euro 1,367 million in FY 2017.

The self-funded R&D effort before research tax credit was Euro 1,226 million (including Euro 320 million from Zodiac Aerospace), compared with Euro 1,123 million for FY 2017. Excluding the impact of the ten-month consolidation of Zodiac Aerospace, self-funded R&D dropped Euro 217 million compared to the year-ago period: lower development spending was partially offset by an increase in self-funded R&T (at Euro 420 million in 2018) to prepare the next generation of products.

Capitalised R&D was Euro 320 million (including Euro 64 million from Zodiac Aerospace) compared with Euro 345 million in FY 2017. Excluding Zodiac Aerospace, capitalised R&D fell Euro 89 million. Amortisation and depreciation of capitalised R&D was Euro 218 million (including Euro 31 million from Zodiac Aerospace) compared with Euro 202 million in FY 2017.

The impact on recurring operating income of expensed R&D was Euro 973 million (of which Euro 275 million related to Zodiac Aerospace) compared with Euro 840 million in the year ago period. Excluding Zodiac Aerospace, R&D charged to recurring operating income dropped Euro 142 million.

Dividend proposal

At the Annual Shareholders' Meeting to be held on May 23, 2019, the Board of Directors will recommend payment of a dividend of Euro 1.82 per share in respect of 2018 (a 13.8% increase compared with 2017), representing a total payout of €793 million for the 435.8 million shares comprising the share capital at the time the dividend is paid. Holders of ordinary shares and of class A preference shares of record on the ex-date of May 27, 2019 will be eligible for the dividend, which will be paid from May 29, 2019.

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 already contributed 11.4 million shares to this program for a total of Euro 1.22 billion comprising:

- Two buyback tranches announced on March 27 and June 29, 2018 for a total Euro 522 million (5.16 million shares)
- The reassignment to the sharebuyback program of 6.25 million shares worth Euro 702 million initially acquired to cover the potential dilution of the convertible bonds (issued in January 2016 and repurchased in November 2018)

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 February 22, 2019, Safran repurchased a total amount of Euro 212 million worth of shares.

Currency hedges

Safran's hedging portfolio totalled USD 25.9 billion at February 22, 2019. The Group has revised its estimated net exposure up from USD 9.4 billion in 2019 to USD 10.0 billion in 2022 to take into account the 2018 year-end realized net exposure, the integration of 12 months of coverage for Aircraft Interiors and Aerosystems, as well as 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 6.0 billion (compared with USD 5.0 billion in November 2018). Some instruments have knock-out barriers set at various levels between USD 1.27 and USD 1.32 with maturities up to mid-2020. 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 increased to USD 8.0 billion (compared with USD 7.0 billion in November 2018). Some instruments have knock-out barriers set at various levels between USD 1.21 and USD 1.33 with maturities up to mid-2020. 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 2.5 billion. Some instruments have knock-out barriers set at various levels between USD 1.22 and USD 1.25 with maturities up to beginning-2020. No change in the range of the targeted hedge rate of USD 1.15 to USD 1.18.

Full-year 2019 outlook

Compared with FY 2018 figures, Safran expects for FY 2019:
- At an estimated average spot rate of $1.18 to the Euro in 2019 (as in 2018), adjusted revenue is expected to grow in the range 7% to 9%, notably including the two additional months of contribution from Aerosystems and Aircraft Interiors (former Zodiac Aerospace activities) in 2019 compared with 2018. Adjusted revenue to grow by around 5% on an organic basis.
- Adjusted recurring operating income to grow in the low teens (at a hedged rate of USD 1.18 to the Euro as in 2018).
- Free cash flow to be around 55% of adjusted recurring operating income, an usual element of uncertainty being the rhythm of payments by state-clients.

The outlook is based notably on the following assumptions:
- Increase in aerospace OE deliveries and notably of military engines
- Civil aftermarket growth in the high single digits
- Transition CFM56 – LEAP: overall negative impact on Propulsion adjusted recurring operating income variation in the range Euro 50 to 100 million
    - Lower CFM56 OE volumes
    - Negative margin on LEAP deliveries
- Aircraft Interiors: 2019 to be a transition year for sales as time is required for new orders to drive stronger revenue growth. Continuing improvement of recurring operating income margin.
- Increase of self-funded R&D in the range of Euro 150 to 200 million
    - Negative impact on recurring operating income after activation and amortisation of capitalized R&D
- Increase in tangible investments

Business commentary for 2018

- **Aerospace Propulsion**

During 2018, orders and commitments were received for 3,211 LEAP engines and the backlog stood at 15,620 engines at end-2018.

FY 2018 revenue was Euro 10,452 million, up 11.7% compared to Euro 9,357 million in the year-ago period. On an organic basis, revenue increased 13.6%, driven by narrowbody engines OE (LEAP and CFM56) and civil aftermarket activities.

OE revenue was up 14.4% (in €) in FY 2018. The total number of narrowbody engines deliveries increased 13.6% from 1,903 to 2,162 engines driven by LEAP production ramp up. LEAP shipments grew to 1,118 engines in FY 2018 (including 377 engines in Q4 2018) from 459 in FY 2017 while CFM56 volumes ramped down to 1,044 engines in FY 2018 from 1,444 in FY 2017. Helicopter turbines OE sales contributed to growth thanks to higher volumes. Headwinds to revenue included lower shipments of high thrust engines modules and military OE sales. M88 engines deliveries reached to 23 units in FY 2018 compared with 33 in FY 2017.

Service revenue was up 9.8% in Euro terms and represented a 57.3% share of FY 2018 sales. Organic growth was driven by civil aftermarket activities and helicopter turbines services, partially offset by lower military support activities.
Civil aftermarket revenue grew 12.2% in USD terms in FY 2018 thanks to rising spare parts sales. As previously flagged, civil aftermarket recorded a growth of 5.5% in Q4 2018 reflecting seasonal variation in revenue recognition for service contracts.

Recurring operating income was Euro 1,929 million, an increase of 27.2% compared with Euro 1,516 million in FY 2017. Recurring operating margin grew from 16.2% to 18.5%.
The profitability benefitted from the civil aftermarket growth, the higher contribution of helicopter turbines activities, the lower expensed R&D and the improved EUR/USD hedge rate.
The CFM56-LEAP transition was a tailwind of €15M to recurring operating income growth in FY 2018 compared with FY 2017. The transition impact in 2018 was more favourable than initially anticipated, reflecting stronger sales of CFM56 engines, notably of spare engines. LEAP cost of sales reduction was in line with expectations.
Lower military sales were a headwind to profitability.

- **Aircraft Equipment**

FY 2018 revenue amounted to Euro 5,395 million compared to Euro 5,260 million in the year-ago period. On an organic basis, revenue was up 5.6%.

OE revenue grew 0.5% (or 3.6% organically) in FY 2018, mainly driven by rising volumes of nacelles. Deliveries of nacelles for LEAP-1A powered A320neo ramped up to reach 438 units in FY 2018 (235 units in FY 2017). A330neo nacelles started in H2 2018 amounting to 18 units in FY 2018. Higher sales of equipment (landing gear and wiring) for 787 and A320 family also contributed to OE growth. As flagged, lower A380 volumes were a headwind to nacelles and wiring OE revenue.

Service revenue was up 7.1% (9.9% organically), driven by the higher contribution of carbon brakes as well as by nacelle and landing gear support activities.

Recurring operating income was Euro 770 million, an increase of 24.4% compared to Euro 619 million in the year-ago period. Recurring operating margin improved very strongly from 11.8% to 14.3%. Higher volumes (notably in services) as well as cost reduction and productivity actions drove profitability growth. The improved EUR/USD hedge rate had a positive impact on profitability.

- **Defense**

FY 2018 revenue was Euro 1,386 million, up 5.3% compared to Euro 1,316 million in the previous year. On an organic basis, revenue increased by 6.5%.

Growth in military sales was driven by increases in guidance and sighting systems as well as by portable optronics (LTLM II contract in the US). Avionics revenue was also up thanks to electronics (FADEC for LEAP), optics equipment for telescopes and support activities.

Recurring operating income was Euro 118 million, an increase of 26.9% compared to Euro 93 million in the year-ago period. Recurring operating margin grew from 7.1% to 8.5%. The profitability benefitted from growing volumes and the continuing implementation of production cost reductions.

- **Aerosystems and Aircraft Interiors (activities resulting from the acquisition of Zodiac Aerospance and consolidated 10 months from March to December 2018)**

Revenue of Zodiac Aerospace for the March to December period was Euro 3,799 million (including an unfavourable currency impact for both Aerosystems and Aircraft Interiors). Recurring operating income amounted to Euro 290 million (including Euro 4 million of contribution to Holding & Others).

Aerosystems recorded revenue of Euro 1,785 million. The broad-based organic growth in OE sales, notably for Electrical & Cockpit systems an Connected Cabin activities, was partially offset by lower services sales. Aerosystems recurring operating income was Euro 266 million, representing 14.9% of sales. Adverse currency variations and higher R&D charged to the P&L were a headwind to profitability. Organic growth of sales contributed positively.

Aircraft Interiors recorded revenue of Euro 2,014 million. Despite organic growth in Cabin, the performance remained negatively impacted by lower volumes in Seats. Aircraft Interiors recurring operating income was Euro 20 million. The performance was driven by the first benefits of operational improvement plans and cost reduction programs. From March 1, 2017, to February 28, 2018, Aircraft Interiors had recorded a loss of Euro (112)[3] million.

- **Holding and others**

The reporting segment “Holding and others” includes costs of general management as well as transverse services provided for the Group and its subsidiaries including central finance, tax and foreign currency management, Group legal, communication and human resources.
In addition, the holding invoices subsidiaries for shared services including administrative service centres (payroll, recruitment, IT, transaction accounting), a centralised training organisation and Safran’s R&T centre.

Holding and others impact on Safran recurring operating income was Euro (80) million in FY 2018 compared with Euro (36) million in the year ago period. The increase in R&T, a specific IT project, as well as the acquisition and integration of Zodiac Aerospace drove most of the variation.

Agenda

Q1 2019 revenue	April 26, 2019
Annual general meeting	May 23, 2019
H1 2019 earnings	September 5, 2019

[3] Before the implementation of IFRS15

Safran will host today a conference call open to analysts, investors and media at 8:30 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 : 86582040#).

The webcast will be available via Safran's website after registration using the following link:
http://event.onlineseminarsolutions.com/wcc/r/1905117-1/97524A7CA2683A2AF02D3C8E637A29BC?partnerref=rss-events

Participants will have access to the webcast 15 minutes before the start of the conference.

A replay will be available until May 28, 2019 at +33 1 72 72 74 02, +44 203 364 5147 and +1 646 722 4969 (access code for all countries : 418818513#).

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

* * * * *

Key figures

All figures for 2017 are restated for IFRS 15. The data shown for full-year 2018 include 10 months of activity for Zodiac Aerospace.

Adjusted income statement *(In Euro million)*	**FY 2017**	**FY 2018**	**% change**
Revenue	**15,953**	**21,050**	**32.0%**
Other recurring operating income and expenses	(13,928)	(18,254)	
Share in profit from joint ventures	167	227	
Recurring operating income	**2,192**	**3,023**	**37.9%**
% of revenue	13.7%	14.4%	0.7 pt
Other non-recurring operating income and expenses	(90)	(115)	
Profit from operations	**2,102**	**2,908**	**38.3%**
% of revenue	13.2%	13.8%	0.6 pt
Net financial income (expense)	7	(211)	
Income tax expense	(485)	(638)	
Profit from continuing operations	**1,624**	**2,059**	**26.8%**
Profit from discontinued activities	831	-	-
Profit for the period	**2,455**	**2,059**	**(16.1)%**
Profit for the period attributable to non-controlling interests	**(62)**	**(78)**	
From continuing operations	*(61)*	*(78)*	
From discontinued operations	*(1)*	-	
Profit for the period attributable to owners of the parent	**2,393**	**1,981**	**(17.2)%**
From continuing operations	*1,563*	*1,981*	*26.7%*
From discontinued operations	*830*	-	-
Earnings per share attributable to owners of parent (basic in €)	**5.84***	**4.60****	**(21.2)%**
From continuing operations	*3.81*	*4.60*	*20.7%*
From discontinued operations	*2.03*	-	-
Earnings per share attributable to owners of parent (diluted in €)	**5.73*****	**4.54******	**(20.8)%**
From continuing operations	*3.74*	*4.54*	*21.4%*
From discontinued operations	*1.99*	-	-

** Based on the weighted average number of shares of 410,241,043 as of December 31, 2017*
*** Based on the weighted average number of shares of 430,911,810 as of December 31, 2018*
**** Based on the weighted average number of shares after dilution of 417,518,248 as of December 31, 2017*
***** Based on the weighted average number of shares after dilution of 436,335,631 as of December 31, 2018*

Balance sheet - Assets *(In Euro million)*	**Dec. 31, 2017**	**Dec. 31, 2018**
Goodwill	1,831	5,173
Tangible & Intangible assets	9,114	14,211
Investments in joint ventures and associates	2,127	2,253
Other non-current assets	575	811
Derivatives assets	582	753
Inventories and WIP	3,954	5,558
Contracts costs	261	470
Trade and other receivables	4,952	6,580
Contracts assets	1,366	1,544
Cash and cash equivalents	4,914	2,330
Other current assets	2,709	937
Total Assets	**32,385**	**40,620**

Balance sheet - Liabilities *(In Euro million)*	**Dec. 31, 2017**	**Dec. 31, 2018**
Equity	9,648	12,301
Provisions	2,188	2,777
Borrowings subject to sp. conditions	569	585
Interest bearing liabilities	4,636	5,605
Derivatives liabilities	805	1,262
Other non-current liabilities	682	1,664
Trade and other payables	4,409	5,650
Contracts Liabilities	9,090	10,453
Other current liabilities	358	323
Total Equity & Liabilities	**32,385**	**40,620**

Cash Flow Highlights *(In Euro million)*	**FY 2017**	**FY 2018**
Recurring operating income	**2,192**	**3,023**
One-off items	(90)	(115)
Depreciation, amortization, provisions (excluding financial)	995	838
EBITDA	**3,097**	**3,746**
Income tax and non-cash items	(1,036)	(648)
Cash flow from operations	**2,061**	**3,098**
Changes in working capital	691	(27)
Capex (tangible assets)	(740)	(780)
Capex (intangible assets)	(225)	(183)
Capitalisation of R&D	(349)	(327)
Free cash flow	**1,438**	**1,781**
Dividends paid	(372)	(721)
Divestments/acquisitions and others	611	(4,624)
Net change in cash and cash equivalents	**1,677**	**(3,564)**
Net cash / (Net debt) at beginning of period	(1,383)	294
Net cash / (Net debt) at end of period	**294**	**(3,269)**

Segment breakdown of adjusted revenue *(In Euro million)*	**FY 2017**	**FY 2018**	% change	% change organic
Aerospace Propulsion	9,357	10,452	11.7%	13.6%
Aircraft Equipment	5,260	5,395	2.6%	5.6%
Defense	1,316	1,386	5.3%	6.5%
Aerosystems*	na	1,785	na	na
Aircraft Interiors*	na	2,014	na	na
Holding & Others	20	18	na	na
Total Group	**15,953**	**21,050**	**32.0%**	**10.4%**

**For the March to December 2018 period*

Segment breakdown of recurring operating income *(In Euro million)*	**FY 2017**	**FY 2018**	**% change**
Aerospace Propulsion % of revenue	**1,516** 16.2%	**1,929** 18.5%	27.2%
Aircraft Equipment % of revenue	**619** 11.8%	**770** 14.3%	24.4%
Defense % of revenue	**93** 7.1%	**118** 8.5%	26.9%
Aerosystems* % of revenue	**na** na	**266** 14.9%	na
Aircraft Interiors* % of revenue	**na** na	**20** 1.0%	na
Holding & Others	(36)	(80)	na
Total Group % of revenue	**2,192** 13.7%	**3,023** 14.4%	37.9%

**For the March to December 2018 period. In 2018, Zodiac Aerospace's contribution to recurring operating income was €290 million taking into account a Euro 4 million contribution included in "Holding & Others".*

2017 adjusted revenue by quarter *(In Euro million)*	**Q1 2017**	**Q2 2017**	**Q3 2017**	**Q4 2017**	**FY 2017**
Aerospace Propulsion	2,186	2,228	2,196	2,747	9,357
Aircraft Equipment	1,304	1,332	1,198	1,426	5,260
Defense	275	337	279	425	1,316
Holding & Others	3	5	6	6	20
Total revenue	**3,768**	**3,902**	**3,679**	**4,604**	**15,953**

2018 adjusted revenue by quarter *(In Euro million)*	**Q1 2018**	**Q2 2018**	**Q3 2018**	**Q4 2018**	**FY 2018**
Aerospace Propulsion	2,286	2,458	2,491	3,217	10,452
Aircraft Equipment	1,263	1,322	1,345	1,465	5,395
Defense	298	353	309	426	1,386
Zodiac Aerospace*	369	1,147	1,200	1,083	3,799
Holding & Others	6	4	3	5	18
Total revenue	**4,222**	**5,284**	**5,348**	**6,196**	**21,050**

**Zodiac Aerospace includes Aerosystems and Aircraft Interiors. Zodiac Aerospace is fully consolidated since March 1, 2018.*

Euro/USD rate	**FY 2017**	**FY 2018**
Average spot rate	1.13	1.18
Spot rate (end of period)	1.20	1.15
Hedged rate	1.21	1.18

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 aircraft programs revalued at the time of the Sagem-Snecma merger. With effect from the first-half 2010 interim financial statements, the Group decided to restate:
  - the impact of purchase price allocations for business combinations, particularly amortization and depreciation charged against intangible assets and property, plant and equipment recognized or remeasured at the time of the transaction and amortized or depreciated over extended periods due to the length of the Group's business cycles and the impact of remeasuring inventories, as well as
  - gains on remeasuring any previously held equity interests in the event of step acquisitions or asset contributions to joint ventures;

  Safran has also applied these restatements to the acquisition of Zodiac Aerospace with effect from 2018.
- 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,
  - all mark-to-market changes on instruments hedging future cash flows are neutralized.

The resulting changes in deferred tax have also been adjusted.

FY 2018 reconciliation between consolidated income statement and adjusted consolidated income statement:

FY 2018 *(In Euro million)*	Consolidated data	Currency hedging		Business combinations		Adjusted data
		Remeasurement of revenue (1)	Deferred hedging gain / loss (2)	Amortization of intangible assets -Sagem-Snecma merger (3)	PPA impacts - other business combinations (4)	
Revenue	**21,025**	**25**	**-**	**-**	**-**	**21,050**
Other operating income and expenses	(18,934)	(14)	(2)	56	640	(18,254)
Share in profit from joint ventures	189	-	-	-	38	227
Recurring operating income	**2,280**	**11**	**(2)**	**56**	**678**	**3,023**
Other non-recurring operating income and expenses	(115)	-	-	-	-	(115)
Profit (loss) from operations	**2,165**	**11**	**(2)**	**56**	**678**	**2,908**
Cost of debt	(67)	-	-	-	-	(67)
Foreign exchange gains (losses)	(351)	33	232	-	-	(86)
Other financial income and expense	(58)	-	-	-	-	(58)
Financial income (loss)	**(476)**	**33**	**232**	**-**	**-**	**(211)**
Income tax expense	(348)	(14)	(80)	(19)	(177)	(638)
Profit (loss) from continuing operations	**1,341**	**30**	**150**	**37**	**501**	**2,059**
Attributable to non-controlling interests	**(58)**	**(2)**	**-**	**(2)**	**(16)**	**(78)**
Attributable to owners of the parent	**1,283**	**28**	**150**	**35**	**485**	**1,981**

(1) Remeasurement of foreign-currency denominated revenue net of purchases (by currency) at the hedged rate (including premiums on unwound options) through the reclassification of changes in the fair value of instruments hedging cash flows recognized in profit or loss for the period. However, the use of the outstanding portfolio of currency derivatives held by Zodiac Aerospace at the acquisition date gave rise to the partial reclassification of changes in the fair value of currency hedges to financial income (loss) for a six-month transition period.
(2) Changes in the fair value of instruments hedging future cash flows that will be recognized in profit or loss in future periods (€232 million excluding tax), and the negative impact of taking into account hedges when measuring provisions for losses on completion (€2 million) at December 31, 2018.
(3) Cancellation of amortization/impairment of intangible assets relating to the remeasurement of aircraft programs resulting from the application of IFRS 3 to the Sagem-Snecma merger.
(4) Cancellation of the impact of remeasuring assets at the time of the Zodiac Aerospace acquisition for a negative €601 million excluding deferred tax and cancellation of amortization/impairment of assets identified during other business combinations.

Readers are reminded that only the consolidated financial statements are reviewed by the Group's statutory auditors. The consolidated financial statements include revenue and operating profit indicators set out in the adjusted data in Note 5, "Segment information" of the full-year consolidated financial statements.

Adjusted financial data other than the data provided in Note 5, "Segment information" of the consolidated financial statements, are subject to verification procedures applicable to all of the information provided in the registration document.

[2] Recurring operating income
Operating income before capital gains or losses on disposals /impact of changes of control, impairment charges, transaction and integration costs and other items.

[3] 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.

[4] Free cash flow
This non-accounting indicator (non-audited) is equal to cash flow from operating activities less working capital and acquisitions of property, plant and equipment and intangible assets.

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.

For more information : www.safran-group.com / Follow @Safran on Twitter

Press
Catherine MALEK : catherine.malek@safrangroup.com / T +33 (0)1 40 60 80 28

Investors Relations
Cécilia MATISSART : cecilia.matissart@safrangroup.com / T +33 (0)1 40 60 82 46
Frédéric LUCAND : frederic.lucand@safrangroup.com / T +33 (0)1 40 60 82 19
Jean-François JUERY : jean-francois.juery@safrangroup.com / T + 33 (0) 1 40 60 27 26

IMPORTANT ADDITIONAL INFORMATION

This document contains forward-looking statements relating to Safran, Zodiac Aerospace and their combined businesses, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those included in such statements. These statements or disclosures may discuss goals, intentions and expectations as to future trends, synergies, value accretions, plans, events, results of operations or financial condition, or state other information relating to Safran, Zodiac Aerospace and their combined businesses, based on current beliefs of management as well as assumptions made by, and information currently available to, management. Forward-looking statements generally will be accompanied by words such as "anticipate," "believe," "plan," "could," "would," "estimate," "expect," "forecast," "guidance," "intend," "may," "possible," "potential," "predict," "project" or other similar words, phrases or expressions. Many of these risks and uncertainties relate to factors that are beyond Safran's or Zodiac Aerospace's control. Therefore, investors and shareholders should not place undue reliance on such statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: uncertainties related in particular to the economic, financial, competitive, tax or regulatory environment; the risks that the new businesses will not be integrated successfully or that the combined company will not realize estimated cost savings and synergies; Safran's or Zodiac Aerospace's ability to successfully implement and complete its plans and strategies and to meet its targets; the benefits from Safran's or Zodiac Aerospace's (and their combined businesses) plans and strategies being less than anticipated; and the risks described in the registration document (document de référence). The foregoing list of factors is not exhaustive. Forward-looking statements speak only as of the date they are made. Safran and Zodiac Aerospace do not assume any obligation to update any public information or forward-looking statement in this document to reflect events or circumstances after the date of this document, except as may be required by applicable laws.

USE OF NON-GAAP FINANCIAL INFORMATION

This document contains supplemental non-GAAP financial information. Readers are cautioned that these measures are unaudited and not directly reflected in the Group's financial statements as prepared under International Financial Reporting Standards and should not be considered as a substitute for GAAP financial measures. In addition, such non-GAAP financial measures may not be comparable to similarly titled information from other companies.