

## Safran reports 9.5% revenue growth in first-quarter 2013 driven by strong civil aviation business

### Full-year 2013 revenue outlook upgraded

All revenue figures in this press release represent adjusted<sup>[1]</sup> revenue. Please refer to definitions contained in the Notes on page 6 of this press release.

#### KEY FIGURES FOR THE FIRST QUARTER OF 2013

- **First-quarter 2013 adjusted revenue was Euro 3,404 million**, up 9.5% year-on-year, or up 9.6% on an organic basis.
- **Solid revenue growth contribution from Aerospace activities**, both in OE deliveries and aftermarket. Sales in Defence were resilient. Positive dynamics in Security.
- **Civil aftermarket<sup>[2]</sup> up 10.0% in USD terms**, driven by first overhaul of recent CFM56 and resumption of growth in widebody engines.
- **Full-year 2013 revenue outlook is upgraded further to first quarter revenue dynamics and the integration of Goodrich Electrical Power Systems (GEPS) from April 1, 2013**: Safran expects adjusted revenue to increase by a percentage in the mid-to-high single digits (previously 5%). Adjusted recurring operating income should grow by a percentage in the mid-teens. Free cash flow is expected to represent about 40% of adjusted recurring operating income.

#### KEY BUSINESS HIGHLIGHTS FOR THE FIRST QUARTER OF 2013

- The **Narita International Airport Corporation of Japan purchased an additional 13 high-speed CTX-9800 explosives detection systems** for hold baggage screening. Morpho's systems are the most widely deployed in the world, with nearly 2,000 in service.
- CFM: **AviancaTaca** (Colombia) selected LEAP engines to power 33 A320neo aircraft, in addition to CFM56 engines for 18 A320ceo and signed a 15-year RPFH agreement. **Ryanair** committed to purchase 175 single source CFM56-powered Boeing 737-800. China Aircraft Leasing Company (**CALC**) selected CFM56 engines for 25 A320ceo.
- **Turbomeca unveiled "Arrano"**, the brand new 1,100 shp engine designed to power 4-to-6 ton helicopters. In July 2012, Eurocopter announced that its new-generation X4 helicopter will be the first platform to be powered by the Arrano engine. Turbomeca also introduced the **Arrius 2B2 Plus** engine variant for Eurocopter EC135T3 helicopter.
- **Safran completed the acquisition of Goodrich Electrical Power Systems (GEPS)** for Euro 300 million, creating a world leader in on-board electrical power systems.
- **Safran reduced its stake in Ingenico by placing in the market 12.57% of Ingenico's share capital** for proceeds of Euro 287 million. The resulting after-tax profit for Safran is Euro 131 million was recorded in the first quarter 2013 accounts. Safran will remain a significant shareholder, retaining 10.2% of Ingenico's share capital and 16.6% of voting rights.

**Paris, April 23, 2013** - Safran (NYSE Euronext Paris: SAF) today reported its revenue for the first quarter of 2013.

## EXECUTIVE COMMENTARY

Chairman and CEO Jean-Paul Herteman commented:

*“Safran recorded solid revenue growth in the first quarter, notably in aerospace with continued and robust OE production growth and solid aftermarket momentum. Since the beginning of the year, our global civil aftermarket performed satisfactorily with 10% growth over an already strong first quarter of 2012.*

*Based on growth in the first-quarter of 9.5% and the contribution of the newly-acquired Goodrich business, we upgrade our full-year revenue guidance for 2013 and confirm our renewed high confidence in our outlook for 2014 and beyond. ”*

## FIRST-QUARTER 2013 REVENUE

**Solid growth in revenue.** For first-quarter 2013, Safran’s revenue was Euro 3,404 million, compared to Euro 3,108 million in the same period a year ago, a 9.5% year-on-year increase (9.6% organic growth).

First-quarter 2013 revenue increased by Euro 296 million on a reported basis. On an organic basis, revenue increased by Euro 298 million as a result of good momentum in Aerospace, both on OE volumes and aftermarket activity.

Organic revenue was determined by applying constant exchange rates and by including the revenue in 2013 of acquired activities only for the comparable periods to the period in 2012 for which they are included in 2012 reported revenue. Hence, the following calculations were applied:

<b>Reported growth</b>		<b>9.5%</b>
Impact of acquisitions & newly consolidated activities	Euro 1 million	n.s.
	Currency impact Euro (3) million	n.s.
<b>Organic growth</b>		<b>9.6%</b>

The slight unfavourable currency impact on revenue of Euro (3) million for first-quarter 2013 reflected a negative translation effect on revenue notably generated in USD, GBP and BRL , mitigated by a positive transaction impact in USD with a significant improvement in the Group’s hedged rate (USD 1.29 to the Euro vs. USD 1.32 in the year-ago period).

## 2013 OUTLOOK

The full-year 2013 revenue outlook is upgraded further to first-quarter revenue dynamics and the integration of Goodrich Electrical Power Systems business from April 1, 2013.

- Revenue to increase by a percentage in the mid-to-high single digits (previously 5%) at an estimated average rate of USD 1.29 to the Euro.
- Adjusted recurring operating income to increase by a percentage in the mid-teens at a hedged rate of USD 1.29 to the Euro.
- Free cash flow to represent about 40% of adjusted recurring operating income taking into account the expected increase in capex and R&D to cope with rising production rates and new business opportunities.



The underlying assumptions for full-year 2013 outlook are unchanged:

- Healthy increase in aerospace OE deliveries
- Civil aftermarket increase in the high single digits
- 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.

### **CURRENCY HEDGES**

The Group has finalised its hedging for 2013 to 2014. Hedging for 2015 is almost completed with USD 4.4 billion achieved at USD 1.25 to rise to USD 4.8 billion at USD 1.25 as long as €/\$ < 1.40 up to end 2013. Hedging for 2016 has been increased to USD 1.7 billion at USD 1.25 to rise to USD 4.1 billion at USD 1.25 as long as €/\$ < 1.39 up to end 2014. At April 15, 2013, the firm hedge book amounted to USD 15.2 billion.

Hedged rates are unchanged at:

- 2013: USD 1.29 to the Euro
- 2014: USD 1.28 to the Euro
- 2015: targeted hedged rate at USD 1.26 to the Euro
- 2016: targeted hedged rate at or below USD 1.26 to the Euro

### **SHAREHOLDING STRUCTURE**

On March 27, 2013 the French State finalised the sale of 13 million shares in Safran, representing 3.12% of the Group's capital, via accelerated book-building reserved for qualified investors. Consequently, its holding in the Group fell from 30.2% to 27.08% (26.3% of voting rights).

Article 11 of the 1986 privatization law provides that in the event of the sale on the stock market of stakes in listed companies, shares must be offered to employees and former employees. Therefore, 1,444,444 shares will be offered by the French State to employees of Safran in the near term.

### **BUSINESS COMMENTARY**

#### **▪ Aerospace Propulsion**

First-quarter 2013 revenue grew by 15.5% to Euro 1,831 million (15.3% on an organic basis) compared to revenue in the year-ago period of Euro 1,585 million. The increase in revenue was primarily driven by strong growth in civil original equipment and spares, both for CFM56 and high-thrust engines. The strength of helicopter engine deliveries activity also contributed to revenue growth. Military revenue (original equipment and spares) was strongly up compared to an unusually soft first-quarter 2012 for the Rafale engine activity, and now benefitting from initial A400M engine deliveries. Space & missile propulsion revenue was flattish in the first-quarter.

OEM CFM56 engine deliveries at 390 units were up by 3% compared to the same period a year ago. In the first quarter, total commitments and firm orders for CFM56 and LEAP amounted to 473 engines. The global backlog for these engines stands at about 7 years of production at current rates and notably contains orders and commitments for more than 4,500 next-generation LEAP engines.

In the first-quarter 2013, civil aftermarket revenue grew by 10.0% in USD terms, driven by first overhauls of recent CFM56 and GE90 engines. Individual quarters can include significant variation induced by comparison basis and variability in airline behaviour. Overall service revenue in Aerospace Propulsion grew by 11.3% in Euro terms and represents a 48.0% share of revenue. Military engines aftermarket reported a 2-digit revenue growth compared to a soft comparison base.

▪ **Aircraft Equipment**

The Aircraft Equipment activity reported first-quarter 2013 revenue of Euro 924 million, up 4.6% (4.8% on an organic basis), compared to Euro 883 million in the year-ago period.

The increase in revenue was primarily attributable to the landing gear business, with higher deliveries notably on Boeing 787, A330 and A320 programs coupled with a growing MRO activity. The nacelle business recorded a soft revenue increase. Indeed, the increase in service contracts and OE deliveries on A330 thrust reversers was partly mitigated by lower A380 nacelles deliveries in the first-quarter 2013 (28 units compared to 32 nacelles in the year-ago period), as well as lower deliveries of small nacelles for business and regional jets. The electrical harnessing activity saw a good performance driven by a production ramp up in its product lines, notably the Boeing 787 and A350 programs.

In the first-quarter 2013, overall service revenue in Aircraft Equipment grew by 7.0% driven by higher aftermarket activities, notably in nacelles and auxiliary power transmission, and its share of Aircraft Equipment revenue slightly grew to 28.0% of total sales.

▪ **Defence**

First-quarter 2013 revenue was broadly flat at Euro 304 million (down 1.0% compared to Euro 307 million in the previous year or down 0.7% on an organic basis). The resilient performance was mainly driven by solid revenue growth in the avionics activity, notably in Flight Control Systems and guidance activities. This trend was partially offset by softer revenue in Optronics given the tough year-over-year comparison base for the long-range infra-red goggles on export markets, notably as a consequence of U.S. military budget contraction. Safran Electronics benefitted from the increasing activity of its digital engine control system (FADEC) for the LEAP engine.

▪ **Security**

The Security activity reported first-quarter 2013 revenue of Euro 344 million, up 3.6% compared to the year-ago period. On an organic basis, it was up 4.8% driven by renewed momentum in biometric identity solutions with additional billings in countries such as Egypt and Kenya which suffered from some delays in the latter part of 2012. The activity also benefitted from the initial sales of biometric terminals in India. MorphoTrust had a strong quarter driven by the sale of consumables. e-Documents saw a temporary decline in sales compared to a strong quarter last year, due notably to a change in legislation in the Indian telecom market and a slowdown of the banking Brazilian market which completed its full EMV (Eurocard, Mastercard, Visa) migration in 2012. Detection recorded significant new orders in the quarter that should lead to some acceleration in revenue during the year, starting from a flattish first quarter 2013 due to low Trace volumes and unfavourable mix on Explosive Detection Systems.

## SUBSEQUENT EVENTS

Safran today announced the signing of a definitive agreement for the purchase of the Rolls-Royce share of their RTM322 helicopter engine programme. A separate press release was published with more details on the transaction.

## UPCOMING EVENTS

Annual Shareholders Meeting	May 28, 2013
Capital Market Day (CMD'13)	June 16, 2013
H1 2013 results	July 26, 2013
Q3 2013 revenue	October 24, 2013

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Safran will host today a conference call open to analysts and investors at 8:30 am CET which can be accessed at +33 1 70 77 09 35 from France, +44 203 367 9453 from the UK. A replay will be available at +33 1 72 00 15 00, +44 203 367 9460 and +1 877 642 3018 (access code 281111#).

The press release and presentation are available on the website at [www.safran-group.com](http://www.safran-group.com).

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## KEY FIGURES

<i>Segment breakdown of adjusted revenue (In Euro million)</i>	First quarter 2012	First quarter 2013	% change reported	% change Organic
Aerospace Propulsion	1,585	1,831	15.5%	15.3%
Aircraft Equipment	883	924	4.6%	4.8%
Defence	307	304	(1.0)%	(0.7)%
Security	332	344	3.6%	4.8%
Others	1	1	-	-
<b>Total Group</b>	<b>3,108</b>	<b>3,404</b>	<b>9.5%</b>	<b>9.6%</b>

<i>2012 adjusted 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
<b>Total revenue</b>	<b>3,108</b>	<b>3,305</b>	<b>3,134</b>	<b>4,013</b>	<b>13,560</b>

<i>Euro/USD rate</i>	First quarter 2012	First quarter 2013
Average spot rate	1.31	1.32
Spot rate (end of period)	1.34	1.28
Hedged rate	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.

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

Accordingly, Safran's consolidated income statement is adjusted for the impact in financial income (loss) of the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:

- revenue net of purchases denominated in foreign currencies is measured using the effective hedging rate, i.e., including the costs of the hedging strategy;
- the recognition of the mark-to market of unsettled hedging instruments at the closing date is neutralized.

First-quarter 2013 reconciliation between consolidated revenue and adjusted revenue.

Q1 2013  (In Euro million)	Consolidated revenue	Currency hedging		Business combinations		Adjusted revenue
		Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma merger	PPA impacts - other business combinations	
Revenue	3,378	26	-	n/a	n/a	3,404

### [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.*

For more information, [www.safran-group.com](http://www.safran-group.com) / Follow @SAFRAN on Twitter

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