



# 2018 NOTICE OF MEETING

## Shareholders' Meeting

(Ordinary and Extraordinary)

**FRIDAY, MAY 25, 2018  
at 2.00 p.m.**

Espace Grande Arche  
1, parvis de La Défense  
92044 Paris-La Défense

 **SAFRAN**

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The Registration Document  
is available  
on the website at  
[www.safra-group.com](http://www.safra-group.com)



# MESSAGE

FROM THE CHAIRMAN  
OF THE BOARD OF DIRECTORS

“

Safran met or beat all targets set for 2017 thanks to strong operating performance throughout the year.

”



ROSS McINNES

Chairman of the Board of Directors

Dear Shareholders,

I am pleased to invite you to Safran's Annual General Meeting, which will take place on **Friday, May 25, 2018** at 2.00 p.m. at the Espace Grande Arche - 1, parvis de La Défense, 92044 Paris-La Défense (France).

The Annual General Meeting provides a **unique opportunity for information, exchange and discussion** in the company of Safran's **Chief Executive Officer, Philippe Petitcolin**, and myself, three years after our respective appointments. The Meeting is designed to keep you abreast of what is happening at Safran and to answer any questions you may have for us, no matter the number of Safran shares you own. It also gives you a chance to actively participate in Safran by voting on the Group's key decisions.

You may also vote online before the Annual General Meeting takes place. In the following pages, you will find **practical information on how to participate** in the Meeting, the **agenda** and **the text of the proposed resolutions** which will be submitted for your approval.

I would like to thank you in advance for taking the time to read this notice of meeting.

Best regards,

**Ross McInnes**

# PARTICIPATE IN THE MEETING

## HOW TO PARTICIPATE IN THE MEETING

### Ways of participating in the Meeting

All shareholders are entitled to participate in the Meeting, whether in person, by proxy or by casting a postal or online vote, regardless of the number of shares owned, in accordance with French law.

In accordance with Article R.225-85 of the French Commercial Code (*Code de commerce*), in order for shareholders to attend the Annual General Meeting, cast a vote or appoint a proxy, their shares must be recorded in their name or in the name of an authorized intermediary on their behalf no later than zero hours (CET) on the second business day preceding the Meeting (i.e., May 23, 2018) as follows:

- > for **REGISTERED** shares: in the Company's share register managed by BNP Paribas Securities Services;
- > for **BEARER** shares: in a securities account managed by an authorized intermediary, as provided for in Article L.211-3 of the French Monetary and Financial Code (*Code monétaire et financier*).

The recording of shares in bearer share accounts managed by an authorized intermediary must be certified by a share ownership certificate issued by the latter. This certificate, drawn up in your name or in the name of the registered intermediary acting on your behalf, should be attached to the proxy/postal voting form or to the admittance card request.

**All Safran shareholders may, prior to the Meeting, request an admittance card, cast their vote or appoint a proxy online via the secure voting platform Votaccess as from May 4, 2018. The deadline for requesting an admittance card, voting and appointing/revoking a proxy online is 3.00 p.m. (CET), May 24, 2018. Shareholders are advised not to wait until the day before the Meeting to request their admittance card or register their voting instructions.**

### How to exercise your voting rights

Shareholders may exercise their voting rights in any of the following ways:



**CASE 1:** they may **attend the Meeting in person**;



**CASE 2:** they may **give proxy to the Chairman of the Meeting or send a proxy form to the Company without specifying their representative**, in which case the Chairman of the Meeting will vote to adopt the proposed resolutions presented or approved by the Board of Directors and vote against all other proposed resolutions;



**CASE 3:** they may **give proxy** to another shareholder, their spouse, their partner with whom they have entered into a civil union or any other individual or legal entity of their choice in accordance with the requirements of Article L.225-106 of the French Commercial Code;



**CASE 4:** they may **cast a postal vote**;



**CASE 5:** they may **give online voting instructions**.

Once you have cast a postal or online vote, appointed a proxy or requested an admittance card, you will not be able to participate in the Meeting in another way.



## CASE 1: you plan to attend the Meeting in person

### Holders of registered and administered registered shares

#### Postal proxy

Holders of registered or administered registered shares planning to attend the Meeting in person should complete the proxy/postal voting form attached to the notice of meeting (checking the box corresponding to their choice) and send it in the enclosed prepaid envelope or by letter addressed to BNP Paribas Securities Services, CTS Assemblées, Grands Moulins de Pantin, 9, rue du Débarcadère, 93761 Pantin Cedex, France.

You will receive your admittance card by return mail. If you do not receive your admittance card in time you will still be able to attend the Meeting subject to providing proof of identity.

In the event that you have not received your admittance card the day before the Meeting, you can also call one of the following numbers: 0826 100 374 (France only) or 00 33 1 57 43 75 00 (outside France) to obtain your admittance card number, which will facilitate entry to the Meeting on the day.

#### Online proxy

Holders of registered and administered registered shares may request an admittance card online, via the Votaccess secure platform. This platform can be accessed from the Planetshares website at <https://planetshares.bnpparibas.com>.

Holders of **registered shares** should log on to the Planetshares website with the username and password they use to access their share account.

Holders of **administered registered shares** should log on to the Planetshares website with the username that appears in the top right-hand corner of the voting form that was posted along with the notice of meeting.

In the event that you misplace or forget your username and/or password, call one of the following numbers: 0826 100 374 (France only) or 00 33 1 57 43 75 00 (outside France).

After logging on, registered and administered registered shareholders should follow the on-screen instructions to access Votaccess, where they can request an admittance card online.

Shareholders (holders of registered or administered registered shares and holders of bearer shares) may request an admittance card online:

- > The admittance card will be sent either by email or by post, at your discretion.
- > Shareholders can also download and print their admittance card online.

### Holders of bearer shares

#### Postal proxy

Holders of bearer shares planning to attend the Meeting in person should request a share ownership certificate from their authorized intermediary. The latter will forward the certificate to BNP Paribas Securities Services, CTS Assemblées, Grands Moulins de Pantin, 9, rue du Débarcadère, 93761 Pantin Cedex, France, which will then send you an admittance card by post.

If you do not receive your admittance card by zero hours (CET) on the second business day preceding the Meeting (i.e., May 23, 2018), you should ask your authorized intermediary to issue you with a certificate proving that you own the shares and are therefore entitled to attend the Meeting.

#### Online proxy

Holders of bearer shares should find out whether their custodian is connected to the Votaccess platform and if so, whether this access is subject to specific terms and conditions.

Only holders of bearer shares whose custodian is connected to Votaccess can request an admittance card online.

If your custodian is connected to Votaccess, you should log on to your custodian's website with your usual username and password. You should then click on the icon that appears on the line corresponding to your Safran shares and follow the on screen instructions to access the Votaccess platform and request an admittance card.

## PARTICIPATE IN THE MEETING

**CASE 2: you wish to give proxy to the Chairman of the Meeting or send a proxy form to the Company without specifying a representative**



### **CASE 2: you wish to give proxy to the Chairman of the Meeting or send a proxy form to the Company without specifying a representative**

The Chairman of the Meeting will vote to adopt the proposed resolutions presented or approved by the Board of Directors and vote against all other proposed resolutions.

## **Holders of registered and administered registered shares**

### **Postal proxy**

Holders of registered or administered registered shares wishing to cast a postal vote should complete and sign the proxy/postal voting form attached to the notice of meeting (checking the box corresponding to their choice) and send it in the enclosed prepaid envelope or by letter addressed to BNP Paribas Securities Services, CTS Assemblées, Grands Moulins de Pantin, 9, rue du Débarcadère, 93761 Pantin Cedex, France.

### **Online proxy**

Holders of registered or administered registered shares can give proxy to the Chairman of the Meeting online via Votaccess by logging on to the Planetshares website at <https://planetshares.bnpparibas.com>.

Holders of **registered shares** should log on to the Planetshares website with the username and password they use to access their share account.

Holders of **administered registered shares** should log on to the Planetshares website with the username that appears in the top right-hand corner of the voting form that was posted along with the notice of meeting.

In the event that you misplace or forget your username and/or password, call one of the following numbers: 0826 100 374 (France only) or 00 33 1 57 43 75 00 (outside France).

## **Holders of bearer shares**

### **Postal proxy**

Holders of bearer shares wishing to give proxy to the Chairman of the Meeting may request a unique proxy form from their authorized intermediary. This request must be received by the authorized intermediary no later than six days before the date of the Meeting (i.e., May 18, 2018). The authorized intermediary will then send the duly completed and signed voting form along with a share ownership certificate to BNP Paribas Securities Services.

### **Online proxy**

Holders of bearer shares whose custodian is connected to Votaccess should log on to their custodian's website with their usual username and password. They should then click on the icon that appears on the line corresponding to their Safran shares and follow the on-screen instructions.





## CASE 3: you wish to give proxy to another person or entity

You may give proxy to another shareholder, your spouse, your partner with whom you have entered into a civil union or any other individual or legal entity of your choice in accordance with the provisions of Article L.225-106 of the French Commercial Code.

### Appointing a proxy

You may appoint a proxy by post or online.

### Holders of registered and administered registered shares

#### Postal proxy

Holders of registered or administered registered shares wishing to cast a postal vote should complete and sign the proxy/postal voting form attached to the notice of meeting (checking the box corresponding to their choice) and send it in the enclosed prepaid envelope or by letter addressed to BNP Paribas Securities Services, CTS Assemblées, Grands Moulins de Pantin, 9, rue du Débarcadère, 93761 Pantin Cedex, France.

#### Online proxy

Holders of registered or administered registered shares can give proxy online via Votaccess by logging on to the Planetshares website at <https://planetshares.bnpparibas.com>.

Holders of **registered shares** should log on to the Planetshares website with the username and password they use to access their share account.

Holders of **administered registered shares** should log on to the Planetshares website with the username that appears in the top right-hand corner of the voting form that was posted along with the notice of meeting.

In the event that you misplace or forget your username and/or password, call one of the following numbers: 0826 100 374 (France only) or 00 33 1 57 43 75 00 (outside France).

### Holders of bearer shares

#### Postal proxy

Holders of bearer shares wishing to give proxy to another person or entity may request a unique proxy form from their authorized intermediary. This request must be received by the authorized intermediary no later than six days before the date of the Meeting (i.e., May 18, 2018). The authorized intermediary will then send the duly completed and signed voting form along with a share ownership certificate to BNP Paribas Securities Services.

#### Proxy given online or via email in accordance with Article R.225-79 of the French Commercial Code:

#### Online

Holders of bearer shares whose custodian is connected to Votaccess should log on to their custodian's website with their usual username and password. They should then click on the icon that appears on the line corresponding to their Safran shares and follow the on-screen instructions.

#### Email @

Holders of bearer shares whose custodian is not connected to Votaccess can send an email to [paris.bp2s.france.cts.mandats@bnpparibas.com](mailto:paris.bp2s.france.cts.mandats@bnpparibas.com) with the following information: the name of the company concerned (Safran), the date of the Meeting (May 25, 2018), their name, address and banking details, as well as the name and, if possible, the address of their proxy.

Holders of bearer shares must ask the authorized intermediary managing their securities account to send a share ownership certificate to the AGM Department (*Service Assemblées Générales*) of BNP Paribas Securities Services by post or email.

Only notifications of proxies can be sent to the above email address; any other unrelated requests or notifications will not be considered and/or dealt with.

Digital copies of the proxy form must be signed in order to be valid. The forms must be received by 3.00 p.m. (CET) the day before the Meeting (i.e., May 24, 2018).

## PARTICIPATE IN THE MEETING

### CASE 3: you wish to give proxy to another person or entity

## Revoking a proxy

### By post

You can revoke your proxy by following the same procedure as when you appointed the proxy.

To appoint a new proxy after revoking your previous proxy, you must request a “Change of proxy” form from BNP Paribas Securities Services (for holders of registered shares) or from your authorized intermediary (for holders of bearer shares). The completed form must be returned to BNP Paribas Securities Services, CTS Assemblées, Grands Moulins de Pantin, 9, rue du Débarcadère, 93761 Pantin Cedex, France, at the latest three calendar days before the Meeting, (i.e., by zero hours [CET] on May 22, 2018). Holders of bearer shares must ask the authorized intermediary managing their securities account to send a share ownership certificate to the AGM Department (*Service Assemblées Générales*) of BNP Paribas Securities Services.

### Online

You can also revoke your proxy online by following the same procedure as when you appointed the proxy.

### Holders of registered and administered registered shares

Holders of registered and administered registered shares can revoke their proxy and, where applicable, appoint a new proxy by logging on to Votaccess via the Planetshares website at <https://planetshares.bnpparibas.com>.

### Holders of bearer shares

Holders of bearer shares whose custodian is connected to Votaccess can revoke their proxy and, where applicable, appoint a new proxy by logging on to their custodian’s website with their usual username and password.

Holders of bearer shares whose custodian is not connected to Votaccess can revoke or change their proxy electronically in accordance with the provisions of Article R.225-79 of the French Commercial Code.

In this case, shareholders should send an email to [paris.bp2s.france.cts.mandats@bnpparibas.com](mailto:paris.bp2s.france.cts.mandats@bnpparibas.com) with the following information: the name of the company concerned (Safran), the date of the Meeting (May 25, 2018), their name, address and banking details, as well as the name and, if possible, the address of their proxy.

To appoint a new proxy after revoking a previous proxy, holders of bearer shares must obtain a “Change of proxy” form from their custodian. The completed form must be returned by email to [paris.bp2s.france.cts.mandats@bnpparibas.com](mailto:paris.bp2s.france.cts.mandats@bnpparibas.com). Holders of bearer shares must ask the authorized intermediary managing their securities account to send a share ownership certificate to the AGM Department (*Service Assemblées Générales*) of BNP Paribas Securities Services by post or email.

Only notifications of revoked proxies or of a change of proxy can be sent to the above email address; any other unrelated requests or notifications will not be considered and/or dealt with.

Digital copies of the “Change of proxy” form must be signed in order to be valid. Emails and forms notifying revoked or changed proxies must be received by 3.00 p.m. (CET) the day before the Meeting (i.e., May 24, 2018).





## CASE 4: you wish to cast a postal vote

### Holders of registered and administered registered shares

Holders of registered or administered registered shares wishing to cast a postal vote should complete and sign the proxy/postal voting form attached to the notice of meeting (checking the box corresponding to their choice) and send it in the enclosed prepaid envelope or by letter addressed to BNP Paribas Securities Services, CTS Assemblées, Grands Moulins de Pantin, 9, rue du Débarcadère, 93761 Pantin Cedex, France.

### Holders of bearer shares

Holders of bearer shares wishing to cast a postal vote may request a unique postal voting form from their authorized intermediary. This request must be received by the authorized intermediary no later than six days before the date of the Meeting (i.e., May 18, 2018). The authorized intermediary will then send the duly completed and signed voting form along with a share ownership certificate to BNP Paribas Securities Services.

Duly completed and signed postal voting forms must reach BNP Paribas Securities Services at least three days before the Meeting (i.e., by zero hours [CET] on May 22, 2018).



## CASE 5: you wish to register your voting instructions online

### Holders of registered shares

Holders of registered shares wishing to register their voting instructions online should log on to Votaccess with the username and password they use to access their registered share account on the Planetshares website at <https://planetshares.bnpparibas.com>.

### Holders of administered registered shares

Holders of administered registered shares wishing to register their voting instructions online should log on to the Planetshares website with the username that appears in the top right-hand corner of the voting form that was posted along with the notice of meeting.

### Procedure for holders of registered and administered registered shares

In the event that you misplace or forget your username and/or password, call one of the following numbers: 0826 100 374 (France only) or 00 33 1 57 43 75 00 (outside France).

After logging on, you should follow the on-screen instructions to access Votaccess, where you can register your voting instructions. From this website, you can also consult official documentation pertaining to the Annual General Meeting.

### Procedure for holders of bearer shares

Holders of bearer shares whose custodian is connected to Votaccess should log on to their custodian's website with their usual username and password. They should then click on the icon that appears on the line corresponding to their Safran shares and follow the on-screen instructions to access the Votaccess platform. From this website, they can also consult official documentation pertaining to the Annual General Meeting.

**PARTICIPATE IN THE MEETING**

Sale of shares prior to the Annual General Meeting

Written questions, documents made available to shareholders

**SALE OF SHARES PRIOR TO THE ANNUAL GENERAL MEETING****Shareholders may transfer ownership of some or all of their shares at any time**

- (i) If the sale occurs before zero hours (CET) on May 23, 2018, the postal vote, proxy, admittance card and any share ownership certificates will be canceled or modified accordingly. In such an event, the authorized intermediary (as provided for in Article L.211-3 of the French Monetary and Financial Code) must notify the Company or BNP Paribas Securities Services of the sale and forward the required information.
- (ii) If the sale occurs after zero hours (CET) on May 23, 2018, it will not be notified by the authorized intermediary and will not be taken into consideration by the Company, regardless of the means of communication, notwithstanding any agreement to the contrary.

**WRITTEN QUESTIONS, DOCUMENTS MADE AVAILABLE TO SHAREHOLDERS****Submitting written questions**

Shareholders may submit written questions to the Company as from the publication date of the documentation to be submitted to the Shareholders' Meeting on the Company's website (see below). Written questions must be addressed to the Chairman of the Board of Directors at the Company's registered office (2, boulevard du Général-Martial-Valin, 75724 Paris Cedex 15, France) by recorded delivery with acknowledgment of receipt, or to the following email address: [actionnaire.individuel@safrangroup.com](mailto:actionnaire.individuel@safrangroup.com), no later than the fourth business day preceding the Meeting (i.e., by midnight [CET] on May 18, 2018). Written questions must be accompanied by a share ownership certificate. Questions covering the same or similar content may be answered jointly. A written question will be considered answered when such answer is published on the Company's website in a dedicated Q&A section.

**Documents made available to shareholders**

In accordance with the applicable legal and regulatory provisions, all documents that must be made available to shareholders within the context of the Shareholders' Meeting may be obtained from the Safran Shareholder Relations Department at the registered office located at 2, boulevard du Général-Martial-Valin, 75015 Paris, France. These documents may also be obtained by shareholders on request from BNP Paribas Securities Services as from the publication of the notice of meeting in the French legal gazette (*Bulletin des annonces légales obligatoires* - BALO), or fifteen days before the Meeting, depending on the document concerned.

The documentation provided for by Article R.225-73-1 of the French Commercial Code is available on the Company's website at <https://www.safran-group.com> (Finance section) 21 days before the Meeting.



# HOW TO FILL OUT THE PROXY/POSTAL VOTING FORM

**If you plan to attend the Meeting**  
Check box A

**If you cannot attend the Meeting**  
Check box B

**If you hold bearer shares**  
Please send this form to your authorized intermediary

**IMPORTANT : Avant d'exercer votre choix, veuillez prendre connaissance des instructions situées au verso - Important : Before selecting please refer to instructions on reverse side**  
 Quelque soit l'option choisie, noircir comme ceci  la ou les cases correspondantes, dater et signer au bas du formulaire - *Whichever option is used, shade box(es) like this , date and sign at the bottom of the form*

A.  Je désire assister à cette assemblée et demande une carte d'admission : dater et signer au bas du formulaire // *I wish to attend the shareholders' meeting and request an admission card : date and sign at the bottom of the form.*

B.  J'utilise le formulaire de vote par correspondance ou par procuration ci-dessous, selon l'une des 3 possibilités offertes // *I prefer to use the postal voting form or the proxy form as specified below.*

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**SAFRAN**  
S.A. à Conseil d'Administration  
Au capital de 88 736 128,60 €  
Siège social : 2, boulevard du Général Martial Valin  
75015 PARIS  
562 082 909 R.C.S. PARIS

**ASSEMBLÉE GÉNÉRALE MIXTE**  
convoquée le vendredi 25 mai 2018 à 14 heures  
à l'Espace Grande Arche de Paris-La Défense  
1, parvis de la Défense - 92044 Paris-La Défense

**COMBINED GENERAL MEETING**  
*to be held on Friday, May 25, 2018, at 2.00 pm*  
at Espace Grande Arche de Paris-La Défense  
1, parvis de la Défense - 92044 Paris-La Défense

**CADRE RÉSERVÉ À LA SOCIÉTÉ - FOR COMPANY'S USE ONLY**

Identifiant - Account

Nombre d'actions / Number of shares

Nominatif / Registered

Porteur / Bearer

Vote simple / Single vote

Vote double / Double vote

Nombre de voix - Number of voting rights

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**JE VOTE PAR CORRESPONDANCE // I VOTE BY POST**  
Cf. au verso (2) - See reverse (2)

Je vote OUI à tous les projets de résolutions présentés ou agréés par le Conseil d'Administration ou le Directeur ou la Gérance, à l'EXCEPTION de ceux que je signale en noircissant comme ceci  la case correspondante et pour lesquels je vote NON ou je m'abstiens.  
*I vote YES all the draft resolutions approved by the Board of Directors EXCEPT those indicated by a shaded box - like this , for which I vote NO or I abstain.*

Sur les projets de résolutions non agréés par le Conseil d'Administration ou le Directeur ou la Gérance, je vote en noircissant comme ceci  la case correspondant à mon choix.  
*On the draft resolutions not approved by the Board of Directors, I cast my vote by shading the box of my choice - like this .*

1	2	3	4	5	6	7	8	9	Oui / Non/No Yes Abst/Abs	F
10	11	12	13	14	15	16	17	18	A	G
19	20	21	22	23	24	25	26	27	B	H
28	29	30	31	32	33	34	35	36	C	J
37	38	39	40	41	42	43	44	45	D	K
									E	

Si des amendements ou des résolutions nouvelles étaient présentés en assemblée // *In case amendments or new resolutions are proposed during the meeting*

- Je donne pouvoir au Président de l'assemblée générale de voter en mon nom. // *I appoint the Chairman of the general meeting to vote on my behalf*.....

- Je m'abstiens (abstention équivalant à un vote blanc). // *I abstain from voting (is equivalent to vote NO)*.....

- Je donne procuration [cf. au verso renvoi (4)] à M, Mme ou Mlle, Raison Sociale pour voter en mon nom .....  
// *I appoint [see reverse (4)] M, Mrs or Miss, Corporate Name to vote on my behalf*.....

Pour être prise en considération, toute formule doit parvenir au plus tard :  
*In order to be considered, this completed form must be returned at the latest*

sur 1<sup>ère</sup> convocation / on 1st notification      sur 2<sup>ème</sup> convocation / on 2nd notification  
22/05/2018 / May 22, 2018

à / to BNP PARIBAS SECURITIES SERVICES, CTS Assemblées, Grands Moulins de Pantin - 93761 PANTIN Cedex

**JE DONNE POUVOIR AU PRÉSIDENT DE L'ASSEMBLÉE GÉNÉRALE**  
Cf. au verso (3)

**I HEREBY GIVE MY PROXY TO THE CHAIRMAN OF THE GENERAL MEETING**

See reverse (3)

**ATTENTION :** s'il s'agit de titres au porteur, les présentes instructions ne seront valides que si elles sont directement retournées à votre banque.  
**CAUTION :** if it is about bearer securities, the present instructions will be valid only if they are directly returned to your bank.

Nom, prénom, adresse de l'actionnaire (les modifications de ces informations doivent être adressées à l'établissement concerné et ne peuvent être effectuées à l'aide de ce formulaire). Cf au verso (1)  
*Surname, first name, address of the shareholder (Change regarding this information have to be notified to relevant institution, no change can be made using this proxy form). See reverse (1)*

**JE DONNE POUVOIR A :** Cf. au verso (4)

**I HEREBY APPOINT :** See reverse (4)

M., Mme ou Mlle, Raison Sociale / M, Mrs or Miss, Corporate Name

Adresse / Address

Date & Signature

**Please date and sign here whatever your chosen method of voting**

**Please state your first name, surname and address or verify that the details are correct**

**If you wish to cast a postal vote**  
Check this box and follow the instructions

**If you wish to give proxy to the Chairman of the Meeting**  
Check this box

**If you wish to appoint a proxy**  
Check this box and state the name and address of your representative

**FOR FURTHER INFORMATION PLEASE CONTACT:**

**Safran - Shareholder relations**  
2, boulevard du Général-Martial-Valin - 75724 Paris Cedex 15, France  
Toll-free number (France only): 0 800 17 17 17 - Fax: 00 33 1 40 60 83 53  
Email: [actionnaire.individuel@safrangroup.com](mailto:actionnaire.individuel@safrangroup.com)  
[www.safran-group.com/finance](http://www.safran-group.com/finance)

SAFRAN - 2018 NOTICE OF MEETING 9

**PARTICIPATE IN THE MEETING**  
How to get to the Annual General Meeting

# HOW TO GET TO THE ANNUAL GENERAL MEETING

**Espace Grande Arche**

**Car access**

- Main gate
- Car park
- Visitors car park  
GPS: N 48.894 09° - E 2.240 95°
- Taxi stand
- See photo

To reach the visitors car park from the A14 or Paris, take the La Défense exit marked "La Défense toutes directions" then take the "La Défense Cité" exit. From the car park, take the pedestrian exit to reach the Espace Grande Arche through the entrance marked by a signpost on the Parvis.

**Espace Grande Arche**

**Pedestrian access**

- Main gate
- Access to public transport
- Metro station
- Bus stop
- Tram station
- RER
- See photo

**Espace Grande Arche**  
1, parvis de la Défense  
92044 Paris-La Défense  
Tel.: +33 (0)1 40 68 22 22

To reach the Espace Grande Arche, take exit A "Grande Arche" and find the signpost located on the Parvis de la Défense then follow the signs to "Espace Grande Arche".

# AGENDA

## ORDINARY RESOLUTIONS

- First resolution:** Approval of the parent company financial statements for the year ended December 31, 2017
- Second resolution:** Approval of the consolidated financial statements for the year ended December 31, 2017
- Third resolution:** Appropriation of profit for the year and approval of the recommended dividend
- Fourth resolution:** Approval of a related-party commitment governed by Article L.225-42-1 of the French Commercial Code, given to Ross McInnes (Chairman of the Board of Directors) concerning pension benefits
- Fifth resolution:** Approval of a related-party commitment governed by Article L.225-42-1 of the French Commercial Code, given to Philippe Petitcolin (Chief Executive Officer) concerning pension benefits
- Sixth resolution:** Approval of a related-party agreement entered into with the French State, governed by Article L.225-38 of the French Commercial Code
- Seventh resolution:** Re-appointment of Monique Cohen as a Director
- Eighth resolution:** Appointment of Didier Domange as a Director
- Ninth resolution:** Appointment of F&P as a corporate Director
- Tenth resolution:** Approval of the fixed, variable and exceptional components of the total compensation and benefits paid or awarded to the Chairman of the Board of Directors for 2017
- Eleventh resolution:** Approval of the fixed, variable and exceptional components of the total compensation and benefits paid or awarded to the Chief Executive Officer for 2017
- Twelfth resolution:** Approval of the compensation policy applicable to the Chairman of the Board of Directors
- Thirteenth resolution:** Approval of the compensation policy applicable to the Chief Executive Officer
- Fourteenth resolution:** Authorization for the Board of Directors to carry out a share buyback program

## EXTRAORDINARY RESOLUTIONS

- Fifteenth resolution:** Extension of the Board of Directors' powers to relocate the Company's registered office and related amendment to Article 4 of the bylaws
- Sixteenth resolution:** Rules for appointing Alternate Auditors and related amendment to Article 40 of the bylaws
- Seventeenth resolution:** Authorization for the Board of Directors to grant existing or new shares of the Company, free of consideration, to employees and corporate officers of the Company and other Safran group entities, with a waiver of shareholders' pre-emptive subscription rights

## RESOLUTION CONCERNING POWERS TO CARRY OUT FORMALITIES

- Eighteenth resolution:** Powers to carry out formalities

# REPORT ON THE PROPOSED RESOLUTIONS AND TEXT OF THE PROPOSED RESOLUTIONS

The proposed resolutions that will be submitted for shareholder approval at Safran's Annual General Meeting on May 25, 2018 are presented below.

Each of the resolutions is preceded by an explanatory paragraph providing a description of the resolution and setting out the reasons why it is being proposed.

All of these explanatory paragraphs, together with the business review provided in this notice of meeting (pages 47 to 51), form the report of the Board of Directors. This report should be read in conjunction with the text of the proposed resolutions.

## ORDINARY RESOLUTIONS

### Approval of the parent company and consolidated financial statements for the year ended December 31, 2017

#### Presentation of the first and second resolutions

Shareholders are invited to approve the parent company and consolidated financial statements for the year ended December 31, 2017 as well as the expenses incurred during the year that are not deductible for tax purposes (company vehicles):

- > the parent company financial statements show that the Company ended 2017 with profit of €1,360 million;
- > the consolidated financial statements show attributable profit for the year amounting to €4,790 million.

#### Text of the first resolution

##### Approval of the parent company financial statements for the year ended December 31, 2017

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the management report prepared by the Board of Directors and the Statutory Auditors' report on the parent company financial statements, the shareholders approve the financial statements of the parent company for the year ended December 31, 2017 as presented - showing profit for the year of €1,359,762,344.15 - together with the transactions reflected in those financial statements and referred to in those reports.

Pursuant to Article 223 *quater* of the French Tax Code (*Code général des impôts*), the shareholders approve the non-deductible expenses governed by Article 39-4 of said Code, which totaled €139,570 and gave rise to a tax charge of €62,011.

#### Text of the second resolution

##### Approval of the consolidated financial statements for the year ended December 31, 2017

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the management report prepared by the Board of Directors and the Statutory Auditors' report on the consolidated financial statements, the shareholders approve the consolidated financial statements for the year ended December 31, 2017 as presented, together with the transactions reflected in those financial statements and referred to in those reports.





## Appropriation of profit for the year and approval of the recommended dividend

### Presentation of the third resolution

The Company's distributable profit for 2017 totals €3,161 million, breaking down as €1,360 million in profit for the year plus €1,801 million in retained earnings brought forward from the previous year.

The Board of Directors is recommending a total dividend payout of €710 million, corresponding to a per-share dividend of €1.60 (as the Company's capital is divided into 443,680,643 shares, of which 417,029,585 ordinary shares and 26,651,058 Class A Preferred Shares – see section 7.2.1 of the 2017 Registration Document). This recommended dividend payment is 5.3% higher than the dividend paid for 2016.

The remaining €2,451 million of distributable profit would be allocated to retained earnings.

For individual shareholders domiciled for tax purposes in France, this dividend will be subject to the 12.8% flat-rate tax provided for in Article 200 A of the French Tax Code, as amended by Article 28, I-28° of the 2018 French Finance Act. This flat-rate tax will automatically apply unless the taxpayer expressly opts to be taxed based on the standard income tax bands for all of his or her investment income. For shareholders who exercise this option, the dividend will be eligible for the 40% tax relief provided for in Article 158, 3-2° (as amended) of the French Tax Code.

The ex-dividend date will be May 29, 2018 and the dividend will be paid on May 31, 2018.

### Text of the third resolution

#### Appropriation of profit for the year and approval of the recommended dividend

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, and based on the Board of Directors' recommendation, the shareholders resolve to appropriate the profit for the year ended December 31, 2017 as follows:

Profit for 2017	€1,359,762,344.15
Retained earnings <sup>(1)</sup>	€1,801,147,979.31
Profit available for distribution	€3,160,910,323.46
Appropriation:	
Dividend	€709,889,028.80
Retained earnings	€2,451,021,294.66

(1) Including €7,301,487.92 corresponding to the 2016 dividend due on shares held in treasury at the dividend payment date.

Accordingly, the dividend paid will be €1.60 per share.

The ex-dividend date will be May 29, 2018 and the dividend will be paid on May 31, 2018.

For individual shareholders domiciled for tax purposes in France, this dividend will be subject to the 12.8% flat-rate tax provided for in Article 200 A of the French Tax Code, as amended by Article 28, I-28° of the 2018 French Finance Act. This flat-rate tax will automatically apply unless the taxpayer expressly opts to be taxed based on the standard income tax bands for all of his or her investment income. For shareholders who exercise this option, the dividend will be eligible for the 40% tax relief provided for in Article 158, 3-2° (as amended) of the French Tax Code.

The shareholders resolve that dividends not payable on shares held in treasury at the dividend payment date will be credited to retained earnings.

The shareholders note that dividends paid for the past three years were as follows:

	Number of shares carrying dividend rights <sup>(1)</sup>	Net dividend per share	Total payout <sup>(5)</sup>
2016	409,239,433 <sup>(2)</sup>	€1.52	€626,602,111.28
2015	416,410,610 <sup>(3)</sup>	€1.38	€574,637,624.40
2014	416,459,463 <sup>(4)</sup>	€1.20	€499,711,590.56

(1) Total number of shares making up the Company's capital (417,029,585) less the number of Safran shares held in treasury at the dividend payment date.

(2) An interim dividend (€0.69) was paid on 415,845,481 shares and the remainder of the dividend (€0.83) was paid on 409,239,433 shares.

(3) An interim dividend (€0.60) was paid on 416,395,581 shares and the remainder of the dividend (€0.78) was paid on 416,410,610 shares.

(4) An interim dividend (€0.56) was paid on 416,388,454 shares and the remainder of the dividend (€0.64) was paid on 416,459,463 shares.

(5) Fully eligible for the 40% tax relief provided for under Article 158, 3-2° of the French Tax Code.

## Related-party commitments

### Presentation of the fourth and fifth resolutions

The Chairman and the Chief Executive Officer are both members of the Group's general supplementary pension plan system. In late 2017, two of the plans within this system were amended. These correspond to the two "Article 83" defined contribution supplementary pension plans which, following a collective bargaining process with the relevant trade unions, were amended in order to harmonize Group-wide in France this major element of the compensation packages of French managerial staff.

The amendments concern the various contribution rates (based on the applicable ranges of compensation) provided for in both plans. They do not increase the amount of the benefit (overall, the contribution rates paid under the two plans will remain at 8%), and will even result in lower contributions and charges payable by Safran for the Chairman and the Chief Executive Officer and a slight decrease in the amount of their respective post-employment benefits.

Although the amendments do not alter the substance of the related benefit obligations, the Board's decision to open up the two amended "Article 83" plans to the Chairman and the Chief Executive Officer is subject to a vote by shareholders at the Annual General Meeting as part of the "related-party commitments" procedure.

The Chairman and the Chief Executive Officer were already members of the previous "Article 83" plans, bearing in mind that Safran's policy is to align the post-employment benefits of its corporate officers with those of the Group's managerial-grade staff in order that when in-house executives are promoted to corporate officer positions they do not lose their existing benefit entitlements that they have accrued over time.

Details of the new "Article 83" defined contribution supplementary pension plans and amendments to the old plan:

- > the new "Article 83 Core Plan" (which replaces the previous plans for the Group's French companies including that of Safran SA) will be financed through employer contributions equal to 1.5% of salary Tranche A<sup>(1)</sup>, 4% of Tranches B and C and no contributions on Tranche D (as opposed to 2% of gross salary with no Cap, i.e., including on Tranche D, under Safran SA's previous plan);
- > the contribution rates for Safran SA's amended "Article 83 Additional Plan" will be changed to 6.5% on Tranche A and 4% on Tranches B and C (as opposed to 6% on Tranches A, B and C under Safran SA's previous plan).

On February 26, 2018, the Board of Directors decided that the Chairman and the Chief Executive Officer could be beneficiaries of the new "Article 83" defined contribution supplementary pension system effective from January 1, 2018 under the same terms and conditions as the other managerial-grade staff who are beneficiaries under the system. The Chairman and the Chief Executive Officer did not take part in the Board's vote concerning them.

Consequently, shareholders at the May 25, 2018 Annual General Meeting are invited to approve the above-described commitments given to the Chairman and the Chief Executive Officer in the following resolutions:

- > the 4<sup>th</sup> resolution for the Chairman of the Board of Directors; and
- > the 5<sup>th</sup> resolution for the Chief Executive Officer.

## Text of the fourth resolution

### Approval of a related-party commitment governed by Article L.225-42-1 of the French Commercial Code, given to Ross McInnes (Chairman of the Board of Directors) concerning pension benefits

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Statutory Auditors' special report on related-party commitments governed by Article L.225-42-1 of the French Commercial Code, the shareholders approve (i) the commitment described therein given to Ross McInnes (Chairman of the Board of Directors) concerning Safran's new "Article 83" defined contribution supplementary pension system, and (ii) the related provisions of said report.

## Text of the fifth resolution

### Approval of a related-party commitment governed by Article L.225-42-1 of the French Commercial Code, given to Philippe Petitcolin (Chief Executive Officer) concerning pension benefits

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Statutory Auditors' special report on related-party commitments governed by Article L.225-42-1 of the French Commercial Code, the shareholders approve (i) the commitment described therein given to Philippe Petitcolin (Chief Executive Officer) concerning Safran's new "Article 83" defined contribution supplementary pension system, and (ii) the related provisions of said report.

(1) To calculate the amount of pension contributions, the pension funds divide gross annual salary into three tranches, A, B and C. The portion of salary attributed to each tranche determines the amount of the contributions. Tranche A corresponds to the portion of salary below the social security ceiling. Tranche B corresponds to the portion of salary between one and four times the social security ceiling. Tranche C corresponds to the portion of salary between four and eight times the social security ceiling.



## Related-party agreement

### Presentation of the sixth resolution

When Snecma was privatized following its merger with Sagem SA, the French State agreed to waive its right, pursuant to Article 10 of the privatization act of August 6, 1986, to take a golden share in Snecma, provided that equivalent contractual rights were granted in an agreement.

In order to protect the national interest and preserve the country's national independence, the French State therefore entered into an agreement on December 21, 2004 with Sagem and Snecma related to strategic defense assets and subsidiaries (the "2004 Agreement"). The 2004 Agreement is designed to (i) give the French State control over the ownership and, where applicable, the devolution of all or part of certain assets and shares of subsidiaries or other equity investments owned by the companies party to the 2004 Agreement, combined with certain acquisition thresholds, and (ii) to give the French State rights of representation on the governing bodies of the strategic subsidiaries and subsidiaries owning assets related to French combat aircraft engines.

The merger between Snecma and Sagem which created Safran in 2005 and the various transactions completed by Safran since then have significantly changed the Group's scope, prompting Safran and the French State to amend the 2004 Agreement through a series of six successive addendums.

Safran and the French State wished to consolidate the 2004 Agreement and its amendments into a single document (the "Agreement") and to update its contents.

The consolidated, updated Agreement, which supersedes the 2004 Agreement, provides notably as follows:

On corporate governance matters:

- > Safran's competent bodies shall be invited to appoint the French State as a Director if its interest in the Company's share capital is less than 10% but more than 1%;
- > Safran's competent bodies shall in addition be invited to appoint a member proposed by the French State to the Board of Directors if its interest in the Company's share capital is more than 5%;

the shareholders will thus be invited to approve the terms of office of these Directors;

- > at the request of the French State, the Board of Directors shall be invited to appoint one of the persons referred to above to any Board committees that may be set up for the purpose of addressing matters directly related to its rights under the Agreement;
- > the French State shall be entitled to appoint a non-voting representative to the Boards of Directors or equivalent bodies of Safran's strategic subsidiaries (Safran Ceramics and Safran Power Units) and subsidiaries owning sensitive defense assets.

On strategic or sensitive defense assets and the companies that hold such assets:

- > the French State shall have a prior right of approval over:
  - sales of assets (other than those that do not affect the defense activities) owned by strategic subsidiaries and accordingly identified as strategic; sales of shares in strategic subsidiaries Safran Ceramics and Safran Power Units; and sales of shares in ArianeGroup Holding,
  - sales of certain assets identified as defense sensitive (such as engines, components and systems, high precision inertial navigation and missile guidance systems financed directly or indirectly by the French Defense Ministry) owned by Group entities,
  - sales of shares in Safran Electronics & Defense, which owns sensitive defense assets,
  - acquisitions of interests resulting in a holding of more than 33.33% or more than 50% of the share capital or voting rights of the other Group companies that own sensitive defense assets,
  - projects conferring special management or information rights over strategic or sensitive defense assets or rights of representation on the administrative or management bodies of Safran Ceramics, Safran Power Units, ArianeGroup Holding or another entity owning sensitive defense assets controlled by Safran;

the French State's failure to respond within a period of 30 business days shall be deemed to constitute agreement, except in the case of proposals to sell shares in ArianeGroup Holding, in which case failure to respond shall be deemed to constitute refusal;

- > The French State shall be informed beforehand of any proposal by a strategic subsidiary or an entity controlled by Safran that owns sensitive defense assets to sell assets that do not fall into these protected categories but whose sale could have a material impact on the independent management on French territory of the entity's strategic assets or sensitive defense assets;
- > in the event a third party acquires more than 10% or a multiple of 10% of the capital or voting rights of Safran, and failing an agreement on other ways of protecting national interests in connection with the strategic assets, the French State shall be entitled to purchase the securities and assets of the strategic subsidiaries Safran Ceramics and Safran Power Units and the stake in ArianeGroup Holding at a price to be set by a panel of experts.

The Agreement is a related-party agreement and as such was authorized by Safran's Board of Directors on March 22, 2018 (the French State representative and the Directors nominated by the French State did not take part in the vote). It was signed by Safran on March 26, 2018.

Shareholders are invited to approve the Agreement at the May 25, 2018 Annual General Meeting and the French State representatives will not take part in the vote.



## Text of the sixth resolution

### Approval of a related-party agreement entered into with the French State, governed by Article L.225-38 of the French Commercial Code

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Statutory Auditors' special report on the related-party agreement governed by Article L.225-38 of the French Commercial Code, the shareholders approve the conclusions of this report and the agreement entered into with the French State as described therein.

## Re-appointment/Appointments of Directors

### Presentation of the seventh, eighth and ninth resolutions

The terms of office of Monique Cohen, Jean-Marc Forneri and Christian Streiff are due to expire at the close of the Annual General Meeting to be held on May 25, 2018. Shareholders are invited to vote on the proposals to fill these vacancies.

Shareholders are invited to re-appoint Monique Cohen as a Director for a four-year term. Monique Cohen, an independent Director, brings to the Board her experience as an executive and director of international groups, as well as in-depth knowledge of the financial and banking markets, expertise in private equity and a financial view of shareholding structures. She is also Chair of the Appointments and Compensation Committee.

Following Safran's successful offer for Zodiac Aerospace shares, and in accordance with the business combination agreement entered into between the two companies on May 24, 2017 (see section 2.5 of the 2017 Registration Document), shareholders are invited to appoint to Safran's Board of Directors (i) a Director representing Zodiac Aerospace's main family shareholders and (ii) one of Zodiac Aerospace's main institutional shareholders as an independent Director.

Consequently, shareholders are asked to appoint the following Directors for a four-year term:

- > Didier Domange, the former Chairman of Zodiac's Supervisory Board; and
- > F&P – a joint venture set up by FFP Invest and Fonds Stratégique de Participations. F&P is a simplified joint stock corporation (*société par actions simplifiée*) with a share capital of €60,000, whose registered office is located at 66, avenue Charles de Gaulle – 92200 Neuilly-sur-Seine, registered with the Nanterre Trade and Companies Registry under number 837 701 499. F&P informed Safran in advance that if appointed as a Director it would appoint its Chairman, Robert Peugeot, as its permanent representative.

F&P and its permanent representative Robert Peugeot would qualify as independent.

Didier Domange would bring to the Board his experience as a corporate officer of an international group, as well as his knowledge of the aeronautical sector and, in particular, the Safran Group's new businesses resulting from the acquisition of Zodiac Aerospace.

Robert Peugeot – F&P's permanent representative – would contribute his experience as an executive and director of international industrial groups, as well as his experience in private equity and finance.

On shareholder approval of the above appointments and re-appointment, the independence rate of the Board of Directors would be 53.85%, unchanged from last year.

The profiles of the candidates put forward for appointment or re-appointment as Directors are presented in more detail at the end of this report, pages 31 to 34.

## Text of the seventh resolution

### Re-appointment of Monique Cohen as a Director

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders re-appoint Monique Cohen as a Director, for a four-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2021.



## Text of the eighth resolution

### Appointment of Didier Domange as a Director

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders appoint Didier Domange as a Director to replace Jean-Marc Forneri whose term of office is due to expire at the close of this meeting.

Didier Domange is appointed for a four-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2021.

## Text of the ninth resolution

### Appointment of F&P as a corporate Director

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, the shareholders appoint F&P as a corporate Director to replace Christian Streiff whose term of office is due to expire at the close of this meeting.

F&P is appointed for a four-year term expiring at the close of the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2021.

## Approval of the components of compensation and benefits paid or awarded to corporate officers for 2017

### Presentation of the tenth and eleventh resolutions

At the Annual General Meeting of June 15, 2017, the shareholders were asked for the first time to approve the compensation policies adopted by the Board of Directors for (i) the Chairman of the Board of Directors, in the 13<sup>th</sup> resolution, and (ii) the Chief Executive Officer, in the 14<sup>th</sup> resolution (*ex-ante* vote).

The Board set the Chairman's and Chief Executive Officer's compensation packages for 2017 in accordance with these policies.

In compliance with Article L.225-100 of the French Commercial Code, the Board of Directors is now asking the shareholders to vote on the components of compensation and benefits paid or awarded to Safran's corporate officers for 2017 (*ex-post* say-on-pay vote).

This is in line with the requirements of the applicable regulations, which state that the following components of compensation paid or awarded to corporate officers for the previous fiscal year must be put to a shareholder vote at the Annual General Meeting:

- > fixed compensation;
- > variable compensation;
- > exceptional compensation;
- > performance shares;
- > supplementary pension plans;
- > directors' attendance fees;
- > benefits-in-kind.

In accordance with Article L.225-37-2 of the French Commercial Code, payment of the corporate officers' variable compensation and any exceptional compensation for the past fiscal year ("Year Y-1") has to be approved by shareholders in a General Meeting held the following fiscal year ("Year Y").

Payment of the Chief Executive Officer's annual variable compensation for 2017 is therefore subject to shareholder approval of the 11<sup>th</sup> resolution.

Consequently:

- > in the 10<sup>th</sup> resolution, the shareholders are asked to approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for 2017 to Ross McInnes, Chairman of the Board of Directors; and
- > in the 11<sup>th</sup> resolution, the shareholders are asked to approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded for 2017 to Philippe Petitcolin, Chief Executive Officer.

## Components of compensation paid or awarded to Ross McInnes, Chairman of the Board of Directors

Components of compensation paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
<b>Fixed compensation</b>	<b>€350,000</b> (paid in 2017)	Ross McInnes' gross annual fixed compensation was set at €350,000 by the Board of Directors at its meeting of April 23, 2015 and remained unchanged in 2016 and 2017.
<b>Annual variable compensation</b>	<b>N/A<sup>(1)</sup></b>	Ross McInnes does not receive any annual variable compensation.
<b>Multi-year variable compensation</b>	<b>N/A</b>	Ross McInnes does not receive any multi-year variable compensation.
<b>Exceptional compensation</b>	<b>N/A</b>	Ross McInnes did not receive any exceptional compensation.
<b>Stock options, performance shares and any other long-term compensation</b>	Stock options: <b>N/A</b>	Ross McInnes does not receive any stock options.
	Performance shares: <b>N/A</b> Other long-term compensation: <b>N/A</b>	Ross McInnes does not receive any performance shares or any other long-term compensation.
<b>Attendance fees</b>	<b>€73,513.88</b> (gross amount due for 2017; paid in 2018)	Ross McInnes received attendance fees in his capacity as a Director and Chairman of the Board of Directors, based on the allocation rules applicable in 2017, as described in section 6.6.3 of the 2017 Registration Document.
<b>Benefits-in-kind</b>	<b>€3,171</b> (accounting value)	Ross McInnes has the use of a company car.
<b>Termination benefits</b>	<b>N/A</b>	Ross McInnes is not entitled to any termination benefits in his capacity as Chairman of the Board of Directors.
<b>Non-compete indemnity</b>	<b>N/A</b>	Ross McInnes is not subject to any non-compete clause.

(1) N/A = not applicable.





Components of compensation paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
<b>Supplementary pension plan</b>	€0	<p>No specific supplementary pension plan was in place for the Chairman of the Board of Directors in 2017.</p> <p><u>“Article 83” defined contribution plan (Article 83 Core Plan)</u> When Ross McInnes was appointed as Chairman of the Board of Directors on April 23, 2015, the Board decided to authorize him to continue to be a beneficiary of Safran’s defined contribution supplementary pension plan set up in France pursuant to Article 83 of the French General Tax Code for all Group managerial-grade staff (the “Article 83 Core Plan”), subject to the same terms and conditions as the other plan members. Mr. McInnes was previously a beneficiary of this plan in his former capacity as a Company employee, then as Deputy Chief Executive Officer following a decision by the Board of Directors. The commitment given by the Company to enable Mr. McInnes to continue to be a beneficiary of this plan was approved at the Annual General Meeting of May 19, 2016, pursuant to the provisions of Article L.225-40 of the French Commercial Code.</p> <p>The contributions to the plan are based on the compensation that Ross McInnes receives for his role as Chairman of the Board of Directors.</p> <p>The expense recorded in the 2017 financial statements relating to the contributions paid under the Article 83 Core Plan for Ross McInnes amounted to €10,671. At December 31, 2017, the estimated theoretical amount<sup>(1)</sup> of the annuity that could be paid to Ross McInnes under this plan was €6,062.</p> <p>In 2017, the Board decided to change the Company’s supplementary pension system for the reasons explained in section 6.6.1 of the 2016 Registration Document, and on March 23, 2017 it authorized the Chairman of the Board of Directors to become a beneficiary under this new system.</p> <p>This system – which is described in section 6.6.2.1 of the 2016 Registration Document and in section 6.6.2.1 of the 2017 Registration Document and was applied from January 1, 2017 – comprised three stages:</p> <p><b>1. Closing the defined benefit plan (Article 39) to new entrants and freezing existing beneficiaries’ entitlements as from January 1, 2017</b> When Ross McInnes was appointed as Chairman of the Board of Directors on April 23, 2015, the Board decided to authorize him to continue to be a beneficiary of Safran’s defined benefit supplementary pension plan set up in France pursuant to Article 39<sup>(2)</sup> of the French General Tax Code for all Group managerial-grade staff (the “Article 39 Plan”), subject to the same terms and conditions as the other plan members. Mr. McInnes was previously a beneficiary of the plan in his former capacity as Deputy Chief Executive Officer. The commitment given by the Company to enable Mr. McInnes to continue to be a beneficiary of this plan was approved at the Annual General Meeting of May 19, 2016.</p> <p>During the phase when the pension benefits accrue, the taxes and social security contributions payable by Safran correspond to 24% of the premiums paid to the insurer in respect of the Chairman under this closed defined benefit plan. At December 31, 2017, the estimated theoretical amount<sup>(3)</sup> of the annuity that could be paid to the Chairman corresponded to the Cap set in the plan, i.e., €119,196 (corresponding to three times the annual social security ceiling [PASS], based on the 2018 value of the PASS).</p> <p>To compensate for the closure of this defined benefit plan, new plans were set up for senior managers in France, effective from January 1, 2017.</p> <p><b>2. Mandatory collective defined contribution plan (Article 83 Additional Plan)</b> For the Chairman, the contributions to the plan are based on the compensation that he receives for his role as Chairman of the Board of Directors. The corresponding expense recorded in the 2017 financial statements for Ross McInnes amounted to €18,829.</p> <p><b>3. Voluntary collective defined contribution plan (Article 82 Plan)</b> The Insurer Contribution and Additional Payment for the Chairman for 2017 totaled €57,690.34 each (i.e., €115,380.68 altogether). The purpose of the Additional Payment is to pay the tax due under this plan, which is taxed upfront.</p> <p>Following the shareholders’ vote at the June 15, 2017 Annual General Meeting rejecting the resolution concerning this commitment, on July 27, 2017 the Board of Directors nevertheless confirmed its decision to enable the Chairman to be a beneficiary under this supplementary pension system.</p>
	€0	
	€0	
	<b>Additional Payment: €57,690.34</b>	

(1) Calculated based on the assumption that the annuity would be received as from January 1, 2018, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).

(2) Defined benefit plan meeting the conditions set out in Article L.137-11 of the French Social Security Code (Code de la sécurité sociale).

(3) Calculated based on the assumption that the annuity would be received as from January 1, 2018, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).

## Components of compensation paid or awarded to Philippe Petitcolin, Chief Executive Officer

Components of compensation paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
<b>Fixed compensation</b>	<b>€600,000</b> (paid in 2017)	Philippe Petitcolin's gross annual fixed compensation was set at €600,000 by the Board of Directors at its meeting on April 23, 2015 and remained unchanged in 2016 and 2017.
<b>Annual variable compensation</b>	<b>€777,500</b> (amount due for 2017; payable in 2018)	<p>The Chief Executive Officer's annual variable compensation for 2017 was determined by the Board of Directors in accordance with the compensation policy approved at the Annual General Meeting on June 15, 2017 (see section 6.6.1.1 of the 2016 Registration Document) and described in section 6.6.2.2 of the 2017 Registration Document. At its meeting on February 26, 2018, the Board of Directors reviewed the achievement of the objectives set for the variable compensation payable to the Chief Executive Officer for 2017, after consultation with the Appointments and Compensation Committee. Following this review, it set Philippe Petitcolin's variable compensation for 2017 at €777,500, based on the following achievement rates:</p> <ul style="list-style-type: none"> <li>&gt; 110% for the objectives related to the Group's financial performance (two-thirds weighting), breaking down as follows:           <ul style="list-style-type: none"> <li>• recurring operating income (60% weighting): 104% achievement,</li> <li>• free cash flow (30% weighting): 125% achievement,</li> <li>• working capital, comprising the following components:               <ul style="list-style-type: none"> <li>- operating assets (Inventories) (5% weighting): 99% achievement, and</li> <li>- unpaid receivables (5% weighting): 100% achievement;</li> </ul> </li> </ul> </li> <li>&gt; 113% for the individual quantitative and qualitative performance objectives (one-third weighting).</li> </ul> <p>Payment of the Chief Executive Officer's annual variable compensation for 2017 is subject to shareholders' approval at the Annual General Meeting of May 25, 2018.</p>
<b>Multi-year variable compensation</b>	<b>N/A<sup>(1)</sup></b> <b>Number of performance units vested: 8,678</b> (see opposite)	<p>No multi-year variable compensation was awarded to Philippe Petitcolin in 2017.</p> <p><u>Summary of 2015 long-term incentive plan:</u> As a reminder, the Chief Executive Officer was granted multi-year variable compensation (performance units) in 2015. Of the 17,050 performance units (PUs) initially granted to him, the number of PUs that ultimately vested was based on the extent to which internal and external performance conditions were met, as measured over a period of three years (2015-2017):</p> <ul style="list-style-type: none"> <li>&gt; the internal performance conditions corresponded to the achievement of recurring operating income (ROI) and free cash flow (FCF) objectives. These objectives accounted for 60% of the performance criteria determining the number of PUs that would vest (30% for the ROI objective and 30% for the FCF objective). Performance achievement levels were set for both of these objectives;</li> <li>&gt; the external performance condition was based on Safran's total shareholder return (TSR) performance over a period of three years (2015-2017) as benchmarked against a panel of companies operating in the same business sectors as Safran. This objective accounted for 40% of the performance criteria determining the number of PUs that would vest. Performance levels were also set for this condition.</li> </ul> <p>The main characteristics and terms and conditions of this plan, including the grant to the Chief Executive Officer, are described in sections 6.3.1.2 and 6.3.3.3 of the 2015 Registration Document. This plan was presented to and approved by the shareholders at the General Meeting of May 19, 2016, in accordance with the "say-on-pay" rules applicable at that time. Acting on the recommendation of the Appointments and Compensation Committee, on March 22, 2018 the Board of Directors noted the achievement rate for these conditions at the end of the specified period and determined the resulting number of PUs to be vested by the Chief Executive Officer at 8,678 PUs. This corresponds to an achievement rate of 50.9% for the performance conditions, breaking down as:</p> <ul style="list-style-type: none"> <li>&gt; 106.9% for the ROI target (30% weighting);</li> <li>&gt; 85.1% for the FCF target (30% weighting);</li> <li>&gt; the TSR target is not achieved (0% on 40% weighting).</li> </ul> <p>As provided for in the relevant plan, payments will be made in two installments (end-October 2018 and end-October 2019), each one corresponding to 50% (i.e., 4,339) of the vested PUs. One-third of each installment will be paid in Safran shares, with the remaining two-thirds paid in cash. The gross compensation payable for each vested PU is determinable, even though it cannot be determined at today's date. The gross compensation payable for each vested PU will correspond to the average of the closing prices for the Safran share during the 20 trading days prior to the payment of each of the two installments. By way of illustration, with the value for each vested PU estimated at March 1, 2018 based on the average of the closing prices for the Safran share during the 20 trading days prior to that date (i.e., €87.724), each of the two installments would correspond to the payment of €253,756 and delivery of 1,446 Safran shares.</p>

(1) N/A = not applicable.



Components of compensation paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
<b>Exceptional compensation</b>	<b>N/A<sup>(1)</sup></b>	Philippe Petitcolin did not receive any exceptional compensation.
<b>Stock options, performance shares and any other long-term compensation</b>	<b>Stock options: N/A<sup>(1)</sup></b>	Philippe Petitcolin did not receive any stock options.
	<b>Performance shares: €839,893</b> (accounting value on grant date)	On the recommendation of the Appointments and Compensation Committee, at its meeting on March 23, 2017, the Board of Directors used the authorization granted in the 23 <sup>rd</sup> resolution of the May 19, 2016 Annual General Meeting and decided to grant 27,165 performance shares to Philippe Petitcolin (see section 6.6.2.2 of the 2017 Registration Document). The general terms and conditions of this performance share plan and the terms and conditions relating specifically to the Chief Executive Officer are described in section 6.6.4.2 of the 2017 Registration Document. The estimated accounting value of these performance plans, as measured at the grant date, corresponds to €839,893 <sup>(2)</sup> .
	Other long-term compensation: <b>N/A</b>	Philippe Petitcolin did not receive any other long-term compensation.
<b>Attendance fees</b>	<b>€36,614.09</b> (gross amount due for 2017; paid in 2018)	Philippe Petitcolin received attendance fees in his capacity as a Director of the Company, in accordance with the allocation rules applicable in 2017, as described in section 6.6.3 of the 2017 Registration Document.
<b>Value of benefits-in-kind</b>	<b>€4,619</b> (accounting value)	Philippe Petitcolin has the use of a company car.
<b>Termination benefits</b>	<b>N/A</b>	Philippe Petitcolin is not entitled to any termination benefits in his capacity as Chief Executive Officer.
<b>Non-compete indemnity</b>	<b>N/A</b>	Philippe Petitcolin is not subject to any non-compete clause.

(1) N/A = not applicable.

(2) In accordance with IFRS 2, the value of the performance shares was measured at the grant date (i.e., March 23, 2017) and not based on compensation received by the beneficiary during the year (see section 3.1, Note 1.q of the 2017 Registration Document).

Components of compensation paid or awarded for 2017	Amounts (or accounting value) submitted to the shareholder vote	Presentation
<b>Supplementary pension plan</b>	€0	<p>No specific supplementary pension plan was in place for the Chief Executive Officer in 2017. <u>“Article 83” defined contribution plan (Article 83 Core Plan)</u></p> <p>In his former capacity as an employee, Philippe Petitcolin was a beneficiary of Safran's defined contribution supplementary pension plan set up in France pursuant to Article 83 of the French General Tax Code for all Group managerial-grade staff (the “Article 83 Core Plan”).</p> <p>When Philippe Petitcolin was appointed as Chief Executive Officer on April 23, 2015, the Board of Directors decided to authorize him to continue to be a beneficiary of this plan subject to the same terms and conditions as the other plan members.</p> <p>This commitment given by the Company to enable Mr. Petitcolin to continue to be a beneficiary of this plan was approved at the Annual General Meeting of May 19, 2016, pursuant to the provisions of Article L.225-40 of the French Commercial Code.</p> <p>The contributions to the plan are based on the annual compensation (fixed and variable) that Mr. Petitcolin receives for his role as Chief Executive Officer.</p> <p>The expense recorded in the 2017 financial statements relating to the contributions paid under the Article 83 Core Plan for Philippe Petitcolin amounted to €49,653.</p> <p>At December 31, 2017, the estimated theoretical amount<sup>(1)</sup> of the annuity that could be paid to Philippe Petitcolin under this plan was €22,913.</p>
	€0	<p>On March 23, 2017, the Board of Directors decided that the Chief Executive Officer could be a beneficiary under the new supplementary pension system set up as of January 1, 2017 (as described in section 6.6.2.1 of the 2016 Registration Document and reiterated in section 6.6.2.2 of the 2017 Registration Document).</p> <p>The commitment given by the Company to enable Mr. Petitcolin to be a beneficiary under this system was approved at the Annual General Meeting of June 15, 2017, pursuant to the provisions of Article L.225-40 of the French Commercial Code.</p> <p>The three stages of this system apply to the Chief Executive Officer as follows:</p> <p><b>1. <u>Closing the defined benefit plan (Article 39)<sup>(2)</sup> to new entrants and freezing existing beneficiaries' entitlements as from January 1, 2017</u></b></p> <p>When Philippe Petitcolin was appointed as Chief Executive Officer on April 23, 2015, the Board decided to authorize him to continue to be a beneficiary of Safran's defined benefit supplementary pension plan set up pursuant to Article 39 of the French General Tax Code for all Group managerial-grade staff (the “Article 39 Plan”), subject to the same terms and conditions as the other plan members. Mr. Petitcolin was previously a beneficiary under the plan in his former capacity as an employee.</p> <p>The commitment given by the Company to enable Mr. Petitcolin to continue to be a beneficiary of this plan was approved at the Annual General Meeting of May 19, 2016.</p> <p>During the phase when the pension benefits accrue, the taxes and social security contributions payable by Safran correspond to 24% of the premiums paid to the insurer in respect of the Chief Executive Officer under this closed defined benefit plan.</p> <p>At December 31, 2017, the estimated theoretical amount<sup>(3)</sup> of the annuity that could be paid to the Chief Executive Officer corresponded to the Cap set in the plan, i.e., €119,196 (corresponding to three times the annual social security ceiling [PASS], based on the 2018 value of the PASS).</p> <p>To compensate for the closure of this defined benefit plan, new plans were set up for senior managers in France, effective from January 1, 2017.</p>
	€0	<p><b>2. Mandatory collective defined contribution plan (Article 83 Additional Plan)</b></p> <p>For the Chief Executive Officer, the contributions under the plan are based on the annual compensation (fixed and variable) that he receives for his role as Chief Executive Officer.</p> <p>The corresponding expense recorded in the 2017 financial statements for Philippe Petitcolin amounted to €18,829.</p>
	<b>Additional Payment: €154,746.70</b>	<p><b>3. Voluntary collective defined contribution plan (Article 82 Plan)</b></p> <p>The Insurer Contribution and Additional Payment for the Chief Executive Officer for 2017 totaled €154,746.70 each (i.e., €309,493.40 altogether), corresponding in each case to 12.735% of his reference compensation (25.47% in total). The purpose of the Additional Payment is to pay the tax due under this plan, which is taxed upfront.</p>

(1) Calculated based on the assumption that the annuity would be received as from January 1, 2018, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).

(2) Defined benefit plan meeting the conditions set out in Article L.137-11 of the French Social Security Code (Code de la sécurité sociale).

(3) Calculated based on the assumption that the annuity would be received as from January 1, 2018, irrespective of the eligibility conditions (in accordance with Article D.225-104-1 of the French Commercial Code).



## Text of the tenth resolution

### Approval of the fixed, variable and exceptional components of the total compensation and benefits paid or awarded to the Chairman of the Board of Directors for 2017

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, in accordance with Articles L.225-37-2 and L.225-100 of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded to Ross McInnes, Chairman of the Board of Directors, for the year ended December 31, 2017, as presented in the Company's corporate governance report prepared in application of Article L.225-37 of the French Commercial Code and set out in chapter 6 of the 2017 Registration Document.

## Text of the eleventh resolution

### Approval of the fixed, variable and exceptional components of the total compensation and benefits paid or awarded to the Chief Executive Officer for 2017

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings, in accordance with Articles L.225-37-2 and L.225-100 of the French Commercial Code, the shareholders approve the fixed, variable and exceptional components making up the total compensation and benefits paid or awarded to Philippe Petitcolin, Chief Executive Officer, for the year ended December 31, 2017, as presented in the Company's corporate governance report prepared in application of Article L.225-37 of the French Commercial Code and set out in chapter 6 of the 2017 Registration Document.

## Compensation policy

### Presentation of the twelfth and thirteenth resolutions

In accordance with Article L.225-37-2 of the French Commercial Code (introduced by French Act no. 2016-1691 of December 9, 2016 on transparency, anti-corruption and modernization of business practice), at least once a year the shareholders are asked to give a forward-looking (*ex-ante*) vote on the principles and criteria used to determine, allocate and award the fixed, variable and exceptional components of the total compensation and benefits packages of corporate officers, which together constitute the compensation policy adopted by the Board of Directors.

Shareholder approval is also required for any changes that may be made to the components of the policy and each time a corporate officer's term of office is renewed.

At the Annual General Meeting of June 15, 2017, the Company held its first *ex-ante* say-on-pay vote, when the shareholders were asked to vote on the compensation policy adopted by the Board of Directors. Accordingly, in the 13<sup>th</sup> and 14<sup>th</sup> resolutions of that meeting the shareholders approved the policies for the Chairman of the Board of Directors and the Chief Executive Officer, respectively.

Section 6.6.1 of the 2017 Registration Document constitutes the report on the principles and criteria used to determine, allocate and award the fixed, variable and exceptional components of the total compensation and benefits packages of corporate officers, as required under Article L.225-37-2 of the French Commercial Code.

Consequently, this section sets out:

- > the principles and rules for determining the compensation and benefits packages of corporate officers;
- > the main changes as of 2018 in the compensation policies for the Chairman and the Chief Executive Officer compared with those previously presented to and approved by the Company's shareholders at the Annual General Meeting, for ease of comparison;
- > the compensation policy concerning the Chairman of the Board of Directors; and
- > the compensation policy concerning the Chief Executive Officer;

as amended by the Board of Directors (see section 6.6.1.2 of the 2017 Registration Document) and which will be submitted to a shareholder vote at the Annual General Meeting of May 25, 2018.

In the 12<sup>th</sup> and 13<sup>th</sup> resolutions of the May 25, 2018 Annual General Meeting, shareholders are invited to approve the compensation policies that will be applicable respectively to the Chairman of the Board of Directors and the Chief Executive Officer, for and as of 2018.

## Text of the twelfth resolution

### Approval of the compensation policy applicable to the Chairman of the Board of Directors

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Board of Directors' report on the compensation policy applicable to corporate officers drawn up in accordance with Article L.225-37-2 of the French Commercial Code, the shareholders approve the compensation policy applicable to the Chairman of the Board of Directors, as presented in sections 6.6.1.1, 6.6.1.2 and section 6.6.1.3 of the 2017 Registration Document.

## Text of the thirteenth resolution

### Approval of the compensation policy applicable to the Chief Executive Officer

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the Board of Directors' report on the compensation policy applicable to corporate officers drawn up in accordance with Article L.225-37-2 of the French Commercial Code, the shareholders approve the compensation policy applicable to the Chief Executive Officer, as presented in sections 6.6.1.1, 6.6.1.2 and 6.6.1.4 of the 2017 Registration Document.

## Authorization for the Board of Directors to carry out a share buyback program

### Presentation of the fourteenth resolution

#### Share buyback programs

The Company needs to have the necessary flexibility to react to changes in financial markets by buying back Safran shares.

The shareholders are therefore asked to renew the authorization given to the Board of Directors to carry out a share buyback program, with the following main conditions:

- > the number of shares that may be bought back may not exceed 10% of the Company's total outstanding shares (for information purposes, 44,368,064 shares based on the issued capital at February 28, 2018) and the Company may at no time directly or indirectly hold a number of Safran shares representing more than 10% of its capital;
- > the shares may be purchased, sold or transferred by any authorized method, including through block trades for all or some of the program, subject to the regulations in force at the date on which the authorization is implemented.

Subject to the limits authorized by the applicable laws and regulations, the Board of Directors may use this authorization at any time, except during periods when there is a public offer in progress for the Company's shares, or during the run-up to such an offer.

The maximum purchase price per share would be set at €118 and the maximum total investment in the buyback program would be €5.2 billion.

Generally, Safran sets the maximum purchase price at around 130% of the highest closing price of the Safran share over the 12 months preceding the pricing date. It does not prescribe a target price.

The buyback program would be used to purchase shares for the following purposes:

- > to maintain a liquid market in the Company's shares via a liquidity agreement entered into with an investment services firm;
- > for allocation or sale to employees and/or certain corporate officers, notably in connection with a profit-sharing plan, free share grant plan or Group employee savings plan;
- > for delivery on the exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- > for delivery in payment or exchange for external growth transactions; and
- > for cancellation, pursuant to the share capital reduction authorization in effect, granted in the 30<sup>th</sup> resolution of the June 15, 2017 Annual General Meeting.

This program is also designed to enable any future market practices permitted by the French financial markets authority (*Autorité des marchés financiers* - AMF) to be carried out and, more generally, to enable any other authorized operations or operations that may be authorized in the future by the applicable regulations. In such a case, the Company would inform its shareholders in a press release.

This authorization would be given for a period of 18 months and would supersede the previous authorization granted for the same purpose in the 15<sup>th</sup> resolution of the Annual General Meeting held on June 15, 2017.

This authorization would be used to implement the €2.3 billion share buyback program over a period of 18 months to two years, as announced in the press release of May 24, 2017 on the Zodiac Aerospace acquisition.





### Report on the utilization in 2017 of previous shareholder-approved share buyback programs

On December 12, 2016, Safran announced a buyback program for up to €450 million worth of its own shares in order to neutralize the dilutive effect of equity instruments on its balance sheet.

- > on December 8, 2016, Safran signed a share purchase agreement with a bank for an initial buyback tranche of up to €250 million;
- > on February 27, 2017, Safran signed a share purchase agreement with a different investment services firm for a second tranche of up to €200 million.

These two tranches of buybacks had been carried out by December 31, 2017 in an amount of €444 million, representing the purchase of 6,428,664 shares.

In 2017, the aggregate number of shares purchased under the liquidity agreement entered into with Oddo Corporate Finance amounted to 3,700,272.

The total number of shares sold under this liquidity agreement during the year amounted to 3,603,324.

No treasury shares purchased under a buyback program were canceled in 2017.

At December 31, 2017, Safran directly held 7,742,624 of its own shares, representing 1.86% of its capital.

These treasury shares were held for the following purposes:

- > for allocation or sale to employees: 1,118,604 shares, representing 0.27% of the Company's capital;
- > to cover exchangeable debt securities: 6,428,664 shares, representing 1.54% of the Company's capital;
- > to maintain a liquid market in the Company's shares via a liquidity agreement: 195,356 shares, representing 0.05% of the Company's capital.

## Text of the fourteenth resolution

### Authorization for the Board of Directors to carry out a share buyback program

Deliberating in accordance with the rules of quorum and majority applicable to Ordinary General Meetings and having considered the report of the Board of Directors, the shareholders grant the Board of Directors an authorization – which may be delegated pursuant to the law – to purchase, directly or indirectly, the Company's shares in accordance with the conditions set out in Articles L.225-209 *et seq.* of the French Commercial Code and EC Regulation 596/2014 dated April 16, 2014, as well as any other laws and regulations that may be applicable in the future.

The authorization may be used to purchase shares:

- > to maintain a liquid market in the Company's shares via a liquidity agreement that complies with the Code of Ethics drawn up by the French association of financial and investment firms (*Association française des marchés financiers* - AMAFI) approved by the AMF, and entered into with an investment services firm;
- > for allocation or sale to employees and/or corporate officers of the Company or other Group companies, in accordance with the terms and conditions provided for by law, notably in connection with a profit-sharing plan, free share grants, the exercise of stock options, the Group employee savings plan, or any company employee savings plan in place within the Group;
- > for delivery on the exercise of rights attached to securities redeemable, convertible, exchangeable or otherwise exercisable for shares of the Company;
- > to hold in treasury for subsequent delivery in payment or exchange for external growth transactions; and
- > for cancellation, pursuant to the share capital reduction authorization in effect, granted by the Annual General Meeting.

This authorization is also designed to enable any future market practices permitted by the AMF to be carried out and, more generally, to enable any other operations authorized by the applicable regulations. In such a case, the Company would inform its shareholders in a press release.

Shares may be purchased, sold, or transferred by any method allowed under the laws and regulations applicable at the transaction date, on one or more occasions, including, in accordance with the regulations in force at the date of this meeting, over the counter and through block trades for all or part of the program, as well as through the use of derivative financial instruments.

The Board of Directors may use this authorization at any time subject to the limitations set down by the applicable laws and regulations, except during, or in the run-up to, a public offer for the Company's shares.

The number of shares that may be bought back under this authorization may not exceed 10% of the Company's total outstanding shares (for information purposes, 44,368,064 shares based on the issued capital at February 28, 2018). This ceiling is reduced to 5% for shares acquired for the purpose of being held in treasury for subsequent delivery in payment or exchange for external growth transactions. When shares are bought back for the purpose of maintaining a liquid market in the Company's shares via a liquidity agreement, the number of shares included in the calculation of the 10% ceiling corresponds to the number of shares purchased less any shares sold during the period covered by this authorization.

Under no circumstances may the Company hold, either directly or indirectly, more than 10% of its share capital.



The shares may not be purchased at a price of more than €118 per share and the maximum amount that may be invested in the program is €5.2 billion. However, the Board of Directors may adjust this maximum purchase price to take into account the impact on the share price of any corporate actions.

The shareholders give full powers to the Board of Directors – or any representative duly empowered in accordance with the law – to carry out this share buyback program, set the applicable terms and conditions, make the required adjustments as a result of any corporate actions, place any and all buy and sell orders, enter into any and all agreements notably for the keeping of registers of share purchases and sales, make any and all filings with the AMF and any other organization, carry out all other formalities, and generally do everything necessary to use this authorization.

This authorization is given for a period of 18 months from the date of this meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 15<sup>th</sup> resolution of the June 15, 2017 Annual General Meeting.

## EXTRAORDINARY RESOLUTIONS

### Amendments to the Company's bylaws

#### Presentation of the fifteenth resolution

Further to the introduction of French Act 2016-1691 of December 9, 2016, the Board of Directors' powers for relocating the Company's registered office have been extended. The Board previously only had the power to relocate the Company's registered office within the same *département*, or to a neighboring *département*, whereas under Article L.225-36 of the French Commercial Code it now has the power to relocate it anywhere in France, provided (as was also previously the case) such a decision is ratified by the Company's shareholders at the next General Meeting.

Consequently, the shareholders are invited to amend Article 4 of the Company's bylaws in order to take into account this extension of the Board's powers introduced by the applicable legislation.

#### Text of the fifteenth resolution

#### Extension of the Board of Directors' powers to relocate the Company's registered office and related amendment to Article 4 of the bylaws

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the report of the Board of Directors, the shareholders resolve to amend Article 4, "Registered Office" of the Company's bylaws in order to extend the Board of Directors' powers for relocating the Company's registered office. These amendments are as follows:

Previous wording	New wording
4.1. Safran's registered office is located at 2, boulevard du Général-Martial-Valin, 75015 Paris, France.	4.1. Safran's registered office is located at 2, boulevard du Général-Martial-Valin, 75015 Paris, France.
4.2. In accordance with the applicable laws and regulations, the Company's registered office may be relocated: <ul style="list-style-type: none"> <li>&gt; the Board of Directors may transfer the registered office to another location in the same <i>département</i> or a neighboring <i>département</i>, subject to ratification of the Board's decision at the Ordinary General Meeting following said decision; and</li> <li>&gt; the transfer of the registered office to any other location shall be subject to a decision by shareholders in an Extraordinary General Meeting.</li> </ul> <p>If the Board of Directors decides to transfer the registered office, it shall be authorized to amend the bylaws accordingly.</p>	4.2. In accordance with the applicable laws and regulations, the Company's registered office may be relocated: <ul style="list-style-type: none"> <li>&gt; <b>anywhere in France</b> by way of a decision of the Board of Directors, subject to ratification of that decision by shareholders at the following Ordinary General Meeting; and</li> <li>&gt; to any other place by way of a decision by shareholders in an Extraordinary General Meeting.</li> </ul> <p>If the Board of Directors decides to relocate the registered office, it shall be authorized to amend the bylaws accordingly.</p>



### Presentation of the sixteenth resolution

Since the introduction of French Act 2016-1691 of December 9, 2016, companies are only required to appoint one or more Alternate Auditor(s) if their Statutory Auditor is an individual or a one-person company (Article L.823-1, paragraph 2, as amended by the above-mentioned Act). They may however appoint one or more Alternate Auditor(s) on a voluntary basis should they so wish.

The Board is therefore inviting shareholders to amend the Company's bylaws to reflect this simplification measure.

## Text of the sixteenth resolution

### Rules for appointing Alternate Auditors and related amendment to Article 40 of the bylaws

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the report of the Board of Directors, the shareholders resolve to amend Article 40 of the Company's bylaws in order to reflect the new, more flexible, legal provisions concerning the appointment of Alternate Auditors. These amendments are as follows:

Previous wording	New wording
<ul style="list-style-type: none"> <li>&gt; The Company's financial statements shall be audited by either one or two Statutory Auditors,</li> <li>&gt; Backed by one or two Alternate Auditor(s),</li> </ul> <p>who shall be appointed and carry out their engagement in accordance with the applicable laws and regulations.</p>	<ul style="list-style-type: none"> <li>&gt; The Company's financial statements shall be audited by either one or two Statutory Auditors,</li> <li>&gt; <b>If deemed necessary</b>, backed by one or two Alternate Auditors,</li> </ul> <p>who shall be appointed and carry out their engagement in accordance with the applicable laws and regulations.</p>

## Performance shares (free share grants)

### Presentation of the seventeenth resolution

In the 17<sup>th</sup> resolution, shareholders are invited to authorize the Board of Directors to grant performance shares to (i) employees or certain categories of employees of the Company and/or of other entities in the Safran group, and/or (ii) executive corporate officers of the Company and/or other entities in the Safran group (except the Chairman of the Company's Board of Directors when the duties of Chairman of the Board and Chief Executive Officer are separated), provided said corporate officers are eligible for such grants under the applicable law.

Performance share grants are a common method used by companies in order to strengthen the motivation and teamwork of beneficiaries and foster their loyalty, while at the same time aligning their interests with those of the Company and its shareholders. They are also in line with the strategy of linking the incentives of executive managers to share performance - with the inherent risks and rewards that this involves - in order to encourage long-term reasoning in their actions.

The Board of Directors would determine the beneficiaries of the grants and set the terms and conditions thereof as well as the applicable eligibility criteria.

The shares granted could either be new shares or existing shares bought back by the Company under the terms and conditions provided for by law.

This authorization would entail the waiver by existing shareholders of their pre-emptive rights to subscribe for any shares issued pursuant to this resolution.

This authorization would supersede, as from the date of this meeting, the authorization granted to the Board of Directors for the same purpose in the 31<sup>st</sup> resolution of the Annual General Meeting held on June 15, 2017.

### The main characteristics of any performance share grants carried out using this authorization would be as follows:

#### Performance conditions:

Performance share grants would be subject to the achievement of internal and external performance conditions, assessed over three full consecutive fiscal years, including the year of grant.

This rule would apply to all beneficiaries regardless of the weighting of the various conditions, which vary according to the different beneficiary categories.

Standard internal conditions applying to all beneficiaries:

These internal performance conditions would count for at least 70% of the total for all beneficiaries.

However, for grants to be made in 2018 pursuant to this authorization to the Chief Executive Officer and a beneficiary category that would also be subject to additional conditions to take into account the expected performance of the new Zodiac Aerospace scope integrated in the Group, these standard internal conditions would count for 45% (and the additional conditions would count for 25% - see below).

These two standard internal performance conditions would be based on:

- > adjusted recurring operating income (see section 2.1.2 of the 2017 Registration Document);
- > FCF (free cash flow as defined in section 2.2.3 of the 2017 Registration Document);

each would count for half of the weighting assigned to these two conditions.

The achievement levels for these conditions would be measured by reference to the average of the targets for ROI and FCF set for the fiscal year in which the grant takes place and for the following two fiscal years, as contained in the most recent medium-term plan (MTP) approved by the Board of Directors before the grant date. The following achievement levels would be set for these conditions:

- > lowest achievement level: if 80% of the MTP target is achieved, 40% of the shares contingent on that target will vest;
- > target achievement level: if 100% of the MTP target is achieved, 80% of the shares contingent on that target will vest;
- > highest achievement level (cap): if 125% of the MTP target is achieved, 100% of the shares contingent on that target will vest;
- > between the lowest achievement level and the target level, and between the target level and the highest achievement level, the number of shares that would vest would vary in linear fashion. Below the lowest achievement level, none of the shares contingent on the internal performance condition concerned would vest.

As the reference MTP does not yet include the Zodiac Aerospace scope, grants made in 2018 pursuant to this authorization would be subject to additional internal conditions (see below) to include performance targets related to the new scope for beneficiaries directly or specifically involved in its integration in the Group.

For future grants beginning in 2019, the Group's reference MTP will include Zodiac Aerospace's expected performance, which will therefore be included in the internal performance conditions that would apply to all beneficiaries.

The performance criteria would be measured by comparing results against a same-scope reference base. If an entity is deconsolidated, the reference bases used for past grants will be adjusted to exclude the amounts related to the deconsolidated entity for the years concerned. For the first performance share grant after a new entity has been consolidated, additional performance conditions may be added in line with the method presented in the paragraph above. Past grants will continue to be measured based on the previous scope of consolidation (i.e., not including the newly-consolidated entity).

Additional internal condition applying to certain beneficiaries – 2018 grant:

As indicated above, in order to take into account the new Zodiac Aerospace scope, additional internal conditions would be added for the Chief Executive Officer and beneficiaries directly or specifically involved in its integration in the Group, beginning with the 2018 grant.

These additional conditions would count for 25% for the Chief Executive Officer and other relevant beneficiaries.

These two internal conditions would be based on:

- > adjusted recurring operating income for the Zodiac scope (adjusted for currency effects and based on Safran's definition of adjusted recurring operating income), which would count for 10%;
- > the amount of synergies unlocked as a result of Zodiac Aerospace's integration at end-2020, which would count for 15%.

The achievement levels for these conditions would be measured by reference to the business plan used by Safran for the Zodiac Aerospace acquisition (data for 2018 to 2020, reconstituted on a calendar year basis and adjusted for currency effects), as indicated at the Annual General Meeting held on June 15, 2017. The levels will be as follows:

- > lowest achievement level: if 80% of the business plan target were achieved, 40% of the shares contingent on that target would vest;
- > target achievement level: if 100% of the business plan target were achieved, 100% of the shares contingent on that target would vest;
- > between the lowest achievement level and the target level, the shares would vest on a linear basis. Below the lowest achievement level, none of the shares contingent on the internal performance condition concerned would vest.

For the Chief Executive Officer, the additional performance conditions would not affect the Cap on the value of grants made to him set in the compensation policy. These additional conditions would therefore not result in an increase in the number of performance shares granted to him.



After the 2018 grant, in addition to the portion attributed to the standard performance conditions, the Board of Directors may, at its discretion, maintain or add demanding, quantifiable additional performance conditions for which it would define the parameters, to take into account the Group's medium-term priorities and challenges. In such case, the additional performance conditions and their parameters would be disclosed.

External condition:

The external performance condition would be based on Safran's total shareholder return (TSR) performance as measured relative to a group of peer companies operating in the same business sectors as Safran or enlarged to include other comparable companies operating in other sectors, or including or made up of one or more indexes. The composition of this panel may change to factor in changes in the structure or operations of the Group or of the peer companies concerned (in 2017, the panel included Airbus Group, BAE Systems, Boeing, Esterline, Leonardo, Meggit, MTU Aero Engines, Rolls-Royce, Spirit Aero Systems and Thales).

This external condition would count for 30% for the Chief Executive Officer and members of Safran's Executive Committee. For other beneficiaries, it could count for a lower percentage, but would in any event not be less than 10%.

The following achievement levels would be set for this condition:

- > lowest achievement level: if Safran's TSR is equal to that of the peer companies, 40% of the shares contingent on the external performance condition will vest;
- > target achievement level: if Safran's TSR is 8 points higher than that of the peer companies, 80% of the shares contingent on the external performance condition will vest;
- > highest achievement level: if Safran's TSR is 12 points higher than that of the peer companies, 100% of the shares contingent on the external performance condition will vest;
- > between the lowest achievement level and the target level, and between the target level and the highest achievement level, the number of shares that would vest would vary in linear fashion. Below the lowest achievement level, none of the shares contingent on the external performance condition would vest.

Ceilings:

The total number of performance shares granted could not exceed 0.4% of the Company's capital as at the date on which the Board of Directors decides to make the share grants (main ceiling), or two-thirds of this percentage in any given fiscal year (sub-ceiling).

In addition, for each grant of performance shares the maximum number of shares granted to each of the Company's corporate officers would be set at 5% of the total number of shares making up the grant (representing a sub-ceiling of 0.01% of the Company's capital per corporate officer and fiscal year).

Anticipated use:

If this authorization is approved by shareholders, in line with its long-term compensation policy, the Board of Directors intends to set up annual performance share plans which will have the characteristics and be subject to the performance conditions and ceilings, including the specific conditions for the 2018 grant, as described above.

## Text of the seventeenth resolution

### Authorization for the Board of Directors to grant existing or new shares of the Company, free of consideration, to employees and corporate officers of the Company and other Safran group entities, with a waiver of shareholders' pre-emptive subscription rights

Deliberating in accordance with the rules of quorum and majority applicable to Extraordinary General Meetings and having considered the report of the Board of Directors and the Statutory Auditors' special report, in accordance with Articles L.225-197-1 *et seq.* of the French Commercial Code, the shareholders:

1. Authorize the Board of Directors to grant, on one or more occasions, existing or new Safran shares, free of consideration, to (i) employees or certain categories of employees of the Company and/or of companies or groups affiliated to it within the meaning of Article L.225-197-2 of the French Commercial Code, and/or (ii) corporate officers of the Company and/or of related companies or groups within the meaning of Article L.225-197-2 of the French Commercial Code (except for the Chairman of the Company's Board of Directors when the duties of Chairman of the Board and Chief Executive Officer are separated), provided said corporate officers are eligible for such grants under the applicable law. The amounts and timing of such grants will be determined at the Board's discretion.
2. Resolve that the total number of existing or new shares granted free of consideration pursuant to this authorization may not exceed 0.4% of the Company's capital at the date of the Board of Directors' decision to grant free shares, or two-thirds of this percentage in any given fiscal year.
3. Resolve that the shares granted pursuant to this authorization will be subject to performance conditions set by the Board of Directors based on the recommendations of the Appointments and Compensation Committee and assessed over a minimum period of three consecutive fiscal years, including the year of grant.

**REPORT ON THE PROPOSED RESOLUTIONS AND TEXT OF THE PROPOSED RESOLUTIONS****Resolution concerning powers to carry out formalities**

4. Resolve that for each grant of free shares, any shares granted to the Company's corporate officers in accordance with the conditions provided for by law may not represent over 5% of the total number of shares making up the grant (per corporate officer).
5. Resolve that the shares granted will be subject to a vesting period which will be set by the Board of Directors but may not be less than three years, followed, in certain cases, by a lock-up period whose duration will also be set by the Board of Directors.
6. Resolve that any free shares granted to the Company's corporate officers and members of the Executive Committee will be subject to a lock-up period which will be set by the Board of Directors but may not be less than one year as from the vesting date.
7. Resolve that the shares will vest before the expiration of the above-mentioned vesting period and will be freely transferable before the expiration of the above-mentioned lock-up period in the event that the beneficiary becomes disabled, within the meaning of the definition set down in the second or third categories under Article L.341-4 of the French Social Security Code (or the equivalent in any foreign country).
8. Note that if new shares are issued for the purpose of allocating the free shares, this authorization will result in capital increases paid up by capitalizing reserves, retained earnings or additional paid-in capital as the shares vest, as well as a corresponding waiver by shareholders of their pre-emptive rights to subscribe for the shares issued as part of these capital increases.

The shareholders give full powers to the Board of Directors - or any representative duly empowered in accordance with the law - to use this authorization within the limits set by the applicable laws and regulations and in particular to:

- > determine if the shares granted free of consideration will be new shares or existing shares, it being specified that the Board may change its choice before the vesting date;
- > draw up the list or categories of eligible beneficiaries;
- > set the applicable performance and vesting conditions, notably the duration of the vesting period and lock-up period, particularly concerning the Company's corporate officers and members of the Executive Committee;
- > provide for the possibility to provisionally suspend the beneficiaries' rights to receive the shares;
- > place on record the vesting dates of the shares granted and the dates from which the shares may be freely transferred or sold;
- > make any adjustments required during the vesting period to the number of free shares granted in order to protect the rights of beneficiaries, it being specified that the shares granted in connection with any such adjustments will be deemed to have been granted on the same date as the initial grant;
- > in the event of the issue of new shares, (i) deduct, where applicable, from reserves, retained earnings or additional paid-in capital, the amounts necessary to pay up the shares, (ii) place on record the capital increases carried out pursuant to this authorization, (iii) amend the bylaws to reflect the new capital; and generally;
- > take all appropriate measures and enter into any and all agreements to successfully complete the share grants.

This authorization is given for a period of 26 months from the date of this meeting and supersedes the authorization given to the Board of Directors for the same purpose in the 31<sup>st</sup> resolution of the Annual General Meeting held on June 15, 2017.

## RESOLUTION CONCERNING POWERS TO CARRY OUT FORMALITIES

### Presentation of the eighteenth resolution

The 18<sup>th</sup> resolution concerns the powers that are necessary to carry out the filing and other legal formalities required for the resolutions adopted at the meeting.

### Text of the eighteenth resolution

#### Powers to carry out formalities

The shareholders give full powers to the bearer of an original, extract or copy of the minutes of this meeting to carry out any and all filing, publication, declaration and other formalities required by the applicable laws and regulations.



# GOVERNANCE

## NOMINEES TO THE BOARD OF DIRECTORS

### Re-appointment of a Director proposed by the Board of Directors

Shareholders are invited to re-appoint Monique Cohen as a Director (see profile below).



Monique Cohen

**Independent Director**

**Member and Chair of the Appointments and Compensation Committee**

**Member of the Audit and Risk Committee**

Apax Partners – Midmarket SAS – 45, avenue Kléber – 75784 Paris Cedex 16, France

Number of Safran shares held: 500

#### PROFILE – EXPERTISE AND EXPERIENCE

Born in 1956, Monique Cohen is a graduate of École Polytechnique (1976) and has a Master's degree in mathematics. She started her career at Paribas, where she worked as Assistant Finance Manager from 1980 to 1987.

At Paribas, which later became BNP Paribas, Monique Cohen successively held the positions of Administrative Officer of CourcouxBouvet – a brokerage firm and subsidiary of Paribas – between 1987 and 1990, Head of Equity Syndication and Brokerage Activities from 1990 to 1999, and Global Head of Equity Business from 1999 to 2000.

Since 2000, Monique Cohen has been an Executive Partner at Apax Partners in Paris, which specializes in investments in the business and financial services sector.

Between June 2011 and September 2014, she was a member of the Board of Directors of the French financial markets authority (*Autorité des marchés financiers* – AMF).

Monique Cohen brings to the Board her experience as an executive and Director of international groups, as well as in-depth knowledge of the financial and banking markets, expertise in private equity and a financial view of shareholding structures.

#### OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

##### CURRENT OFFICES AND POSITIONS

##### SAFRAN GROUP

> Director of Safran

##### NON-GROUP

> Chair of the Board of Directors of Proxima Investissement (Luxembourg)

> Vice-Chair and member of the Supervisory Board and Chair of the Audit Committee of Hermès International (listed company)

> Director of:

- BNP Paribas (listed company)
- Financière MidMarket SAS
- Apax Partners MidMarket SAS

> Managing Partner of Société Civile Fabadari

**OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS****SAFRAN GROUP**

None

**NON-GROUP**

- > Chair of Trocadéro Participations II SAS until October 2016
- > Chair and member of the Supervisory Board of Texavenir II SAS
- > Deputy Chief Executive Officer of Altamir Amboise Gérance SA until May 2015
- > Member of the Supervisory Board and the Audit Committee of JC Decaux (listed company) until May 2017
- > Director of:
  - SEP Altitude until June 2014
  - Société de financement local (SFIL) until June 2014
  - BuyWay Personal Finance Belgium SA (Belgium) until April 2014
  - BuyWay Tech SA (Belgium) until April 2014
  - B\*Capital SA until 2013
- > Director and a member of the Investment and Acquisitions Committee of Altran Technologies SA (listed company) until March 2014
- > Member of the Supervisory Board of:
  - Global Project SAS until June 2017
  - Trocadéro Participations SAS until October 2016
- > Chair of the Board of Directors of:
  - Wallet SA (Belgium) until April 2014
  - Wallet Investissement 1 SA (Belgium) until April 2014
  - Wallet Investissement 2 SA (Belgium) until April 2014



## Appointment of a new Director proposed by the Board of Directors

Shareholders are invited to appoint Didier Domange as a Director (see profile below).



### Didier Domange

2, rue de Franqueville - 75016 Paris, France

Number of Safran shares held: 195,109

#### PROFILE – EXPERTISE AND EXPERIENCE

Born in 1943, Didier Domange is a graduate of Le Havre École Supérieure de Commerce.

He joined the Domange family business in 1966 as supply chain manager and was a member of the Management Committee of Établissements Domange from 1970 to 1980.

In 1996, he was also appointed Director of Zodiac, becoming Chairman and Chief Executive Officer in 1973.

When Zodiac was floated in 1983, he was appointed Chairman of the Supervisory Board, a position he held until January 2018.

#### OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES

##### CURRENT OFFICES AND POSITIONS

###### SAFRAN GROUP

None

###### NON-GROUP

- > Chairman of the Supervisory Board of Fidoma
- > Representative of CICOR on the Board of Directors of Banque Transatlantique

##### OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS

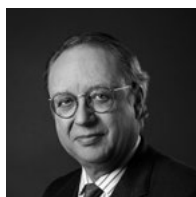
###### SAFRAN GROUP

None

###### NON-GROUP

- > Chairman of the Supervisory Board and member of the Strategy Committee of Zodiac Aerospace (listed company) until January 2018
- > Director of Zodiac Seats France until January 2018
- > Chairman of the Compensation Committee, member of the Audit Committee and member of the Selection Committee of Zodiac Aerospace (listed company) until September 2014

Shareholders are invited to appoint F&P as a corporate Director, represented by Robert Peugeot (see profile below).



**Robert Peugeot**

Permanent representative of F&P – 66, avenue Charles de Gaulle – 92200 Neuilly-sur-Seine – France

Number of Safran shares held by F&P: pursuant to the Board of Directors' Internal Rules, each Director is required to own at least 500 registered shares of the Company.

**PROFILE – EXPERTISE AND EXPERIENCE**

Born in 1950.

Robert Peugeot is a graduate of École Centrale de Paris and INSEAD. He has held a number of high-level positions in the PSA Group and was a member of the Group Executive Committee from 1998 to 2007, responsible for Innovation and Quality.

He is FFP's permanent representative on the Supervisory Board of Peugeot SA, and is also Chairman of the Strategy Committee and a member of the Finance and Audit Committee of Peugeot SA. He has been Chairman and Chief Executive Officer of FFP, responsible for its business development, since end-2002.

**OFFICES AND POSITIONS HELD IN FRENCH AND NON-FRENCH COMPANIES**
**CURRENT OFFICES AND POSITIONS**
**SAFRAN GROUP**

None

**NON-GROUP**

- > Chairman and Chief Executive Officer and Chairman of the Investments and Participations Committee of FFP (listed company)
- > Permanent representative of FFP as Chairman of FFP Invest
- > Chairman of F&P since February 2018
- > Permanent representative of FFP as a member of the Supervisory Board, Chairman of the Strategy Committee and a member of the Finance and Audit Committee of Peugeot SA (listed company)
- > Permanent representative of FFP Invest as Chairman and a member of the Supervisory Board of Financière Guiraud SAS
- > Permanent representative of Maillot I as a member of the Board of Directors of SICAV ARMENE
- > Director and member of the Management Committee of Faurecia (listed company)
- > Director, Chairman of the Nominations Committee and Chairman of the Compensation Committee of Sofina (listed company) (Belgium)
- > Director and member of the Nomination and Compensation Committee of DKSH Holding AG (listed company) (Switzerland)
- > Director and member of the Audit Committee of Établissements Peugeot Frères
- > Director and member of the Nomination and Compensation Committee of Tikehau Capital Advisors
- > Member of the Supervisory Board, member of the Audit Committee and member of the Compensation, Appointments and Governance Committee of Hermès International (listed company)
- > Legal manager of:
  - SARL CHP Gestion
  - SC Rodom

**OFFICES AND POSITIONS THAT EXPIRED IN THE LAST FIVE YEARS**
**SAFRAN GROUP**

None

**NON-GROUP**

- > Permanent representative of FFP Invest as a member of the Board of Directors and Chairman of the Compensation and Nominations Committee of Sanef until April 2017
- > Permanent representative of FFP Invest as a member of the Supervisory Board and the Audit Committee of Zodiac Aerospace (listed company) until September 2014
- > Director and a member of the Strategy Committee and the Nomination and Compensation Committee of Imerys (listed company) until May 2016
- > Director of Holding Reinier SAS until March 2016
- > Permanent representative of FFP Invest as a member of the Supervisory Board of IDI Emerging Markets S.A. (Luxembourg) until June 2015
- > Member of the Supervisory Board of:
  - Peugeot SA (listed company) until April 2014
  - IDI Emerging Markets SA (Luxembourg) until May 2014
- > Director and Chairman of the Nominations and Compensation Committee of Sanef until June 2014



## COMPENSATION POLICY FOR CORPORATE OFFICERS

This section constitutes the report on the principles and criteria used to determine, allocate and award the fixed, variable and exceptional components of the total compensation and benefits packages of corporate officers, as required under Article L.225-37-2 of the French Commercial Code. See also section 6.6.1 of the 2017 Registration Document.

In accordance with Article L.225-37-2 of the French Commercial Code (introduced by French Act no. 2016-1691 of December 9, 2016 on transparency, anti-corruption and modernization of business practice, each year the shareholders are asked to give a forward-looking (*ex-ante*) vote on the principles and criteria used to determine, allocate and award the fixed, variable and exceptional components of the total compensation and benefits packages of corporate officers, which together constitute the compensation policy(ies) adopted by the Board of Directors (also hereinafter referred to as the "Policy(ies)").

Shareholder approval is required for any changes that may be made to the components of the Policy and each time a corporate officer's term of office is renewed.

At the Annual General Meeting of June 15, 2017, the Company held its first say-on-pay vote, when the shareholders were asked to vote on the Policy adopted by the Board of Directors. Accordingly, in the 13<sup>th</sup> and 14<sup>th</sup> resolutions of that Meeting the shareholders approved the Policy for the Chairman of the Board of Directors and the Chief Executive Officer, respectively.

The following are described in this report:

- the principles and rules for determining the compensation and benefits packages of corporate officers;
  - the main changes to the Policies for the Chairman and the Chief Executive Officer as of 2018 compared with those previously presented to and approved by the Company's shareholders at the Annual General Meeting;
  - the Policy concerning the Chairman of the Board of Directors; and
  - the Policy concerning the Chief Executive Officer, which may be adapted and applied to any Deputy Chief Executive Officer(s);
- as amended by the Board of Directors (see section 6.6.1.2 of the 2017 Registration Document) and which will be submitted to a shareholder vote at the Annual General Meeting of May 25, 2018.

### Principles and rules for determining the compensation and benefits of corporate officers

In the interests of the Company as well as its shareholders, employees and other stakeholders, the Policies must be competitive in order to attract, motivate and retain the best profiles and talent (which may come from within or outside the Group) for key positions.

The Policies are determined by the Board of Directors and are reviewed annually based on recommendations issued by the Appointments and Compensation Committee. The main principles applied are detailed below.

#### Compliance

The Policies are drawn up with reference to the AFEP-MEDEF Code, which recommends applying the principles of comprehensiveness, balance, comparability, consistency, transparency and proportionality.

#### Comprehensiveness – Balance

All components of compensation and benefits should be exhaustively analyzed on a component-by-component basis and an overall consistency analysis should then be performed to achieve the best balance between these components.

#### Alignment of interests – Transparency

Compensation and benefits packages need to take into account the necessity for companies to attract, motivate and retain talent but also the interests of shareholders and other stakeholders, particularly in relation to transparency and performance criteria.

#### Proportionality, comparability and competitiveness

Compensation levels should be set in line with the duties and responsibilities assigned to the officer concerned as well as the work performed and the results achieved.

Market practices should also be taken into account.

Safran regularly carries out benchmark surveys, assisted by consulting firms, in order to measure the levels and structures of its compensation packages compared with panels of peer companies selected for their size and international scope. The surveys are performed both for the French market, in which case the peer companies comprise large industrial groups, and for the international



market (the Aerospace, Technology and Defense sectors). The composition of these panels is regularly reviewed by the Committee responsible for compensation and may change to factor in changes in the structure or operations of the Group or of the peer companies concerned.

The benchmark surveys are used as the basis for analyzing, and making any changes to, the components of the compensation and benefits of each corporate officer.

## Governance

The Appointments and Compensation Committee verifies that all of the principles described above are properly applied, both for the purpose of the Committee's work in general and for the recommendations it makes to the Board in relation to drawing up the Policies and implementing them for setting the amounts or values of compensation and benefits packages.

## Main changes to the policies for the Chairman and the Chief Executive Officer as of 2018 compared with those approved by the Company's shareholders at the June 15, 2017 Annual General Meeting

The changes made by the Board of Directors as of 2018 to the Policies approved by the Company's shareholders at the Annual General Meeting of June 15, 2017 are as follows:

### > Changes concerning the Policy applicable to the Chairman

- Attendance fees:

The Chairman is no longer entitled to be allocated or receive attendance fees.

Irrespective of whether the role of Chairman is separate from that of Chief Executive Officer, the Chairman is not awarded attendance fees nor is he included in the allocation of such fees as carried out in accordance with the rules set by the Board of Directors and described in the Board's Internal Rules.

This change was decided concomitantly with the change in the Chairman's fixed compensation (see section 6.6.2.1 of the 2017 Registration Document).

### > Changes concerning the Policy applicable to the Chief Executive Officer

- Annual variable compensation:

The Chief Executive Officer's target variable compensation - i.e., the amount payable if the actual achievement rate for all of his financial and individual performance objectives amounts to 100% - now corresponds to 100% of his annual fixed compensation (versus 117% previously).

If the Chief Executive Officer outperforms his objectives, his maximum variable compensation (the "Cap") - i.e., the amount payable if the achievement rate for all of the financial and individual objectives is 130% - will now represent 150% of his annual fixed compensation (versus 152% previously).

- Long-term incentive plan (performance share grants) - Cap:

The performance shares granted to the Chief Executive Officer may not represent more than the equivalent of 120% (versus 140% previously) of his annual fixed compensation, based on the accounting value, in accordance with IFRS 2, estimated prior to the grant. Additional information has been included on performance conditions and the associated parameters, in particular for grants made in 2018.

- Attendance fees:

If he is a Director, the Chief Executive Officer will no longer be entitled to be allocated or receive attendance fees.

He will therefore no longer be awarded attendance fees nor will he be included in the allocation of such fees as carried out in accordance with the rules set by the Board of Directors and described in the Board's Internal Rules.

These changes were decided concomitantly with the change in the Chief Executive Officer's fixed compensation (see section 6.6.2.2 of the 2017 Registration Document).

### > Changes concerning exceptional compensation

The Board of Directors has decided against including an exceptional component in the compensation policies of the Chairman of the Board of Directors and the Chief Executive Officer which will be submitted to the shareholders' vote at the Annual General Meeting of May 25, 2018.



## GOVERNANCE

The Appointments and Compensation Committee verifies that all of the principles described above are properly applied, both for the purpose of the Committee's work in general and for the recommendations it makes to the Board in relation to drawing up the policies and implementing them for setting the amounts or values of compensation and benefits packages.

### Compensation policy for the Chairman of the Board of Directors

At the date of this notice of meeting, this policy solely concerns Ross McInnes in his role as Chairman of the Board of Directors.

#### Compensation package structure

The structure of the compensation package of the Chairman of the Board of Directors (who is a non-executive Director) comprises, on a recurring basis, annual fixed compensation which is paid in cash. He is not entitled to any attendance fees.

The Chairman of the Board of Directors does not receive any annual or multi-annual variable compensation and he is not a beneficiary of any long-term compensation plans (performance share plans).

The compensation and benefits awarded, or awardable, to the Chairman of the Board of Directors are described below.

#### Annual fixed compensation

The Chairman of the Board's annual fixed compensation takes into account the responsibilities required for this type of corporate office as well as the individual qualities of the holder of the position and the benchmark surveys carried out by the Company.

Consequently it is set based on the following:

- > the Chairman of the Board's roles and responsibilities, which are provided for by law, Safran's bylaws and the Board of Directors' Internal Rules, and are aimed at ensuring that the Company is governed effectively and that its various governing bodies (Board of Directors, the Board Committees and Shareholders' Meetings) operate properly;
- > any specific assignments allocated by the Board of Directors and which the Chairman of the Board carries out in cooperation with Executive Management;
- > the Chairman's individual skills, experience, expertise and background;
- > benchmark surveys related to compensation payable for comparable duties and companies.

The Board of Directors has decided that, as a general rule, the Chairman of the Board's annual fixed compensation may only be revised on the expiration of his term of office.

However, as an exception to this rule, his compensation may be revised during his term and before his re-appointment if the scope of his duties as Chairman of the Board changes significantly - which could be related to changes within the Company itself - or if a major difference is identified compared with market practices. Any adjustments made to his annual fixed compensation as a result of any specific circumstances would be publicly disclosed.

Information on the current Chairman of the Board of Directors' fixed compensation for 2017 and the changes to this compensation for 2018 is set out in section 6.6.2.1 of the 2017 Registration Document.

#### Attendance fees

Irrespective of whether the role of Chairman is separate from that of Chief Executive Officer, the Chairman is not awarded attendance fees nor is he included in the allocation of such fees as carried out in accordance with the rules set by the Board of Directors and described in the Board's Internal Rules (see section 6.6.3.2 of the 2017 Registration Document).

#### No annual variable compensation, multi-year variable compensation or long-term incentive plan

In line with his position as a non-executive Director, the Chairman of the Board of Directors does not receive any annual short-term variable compensation (cash-settled) or any multi-year variable compensation, and neither is he a beneficiary of any long-term compensation plans (performance share plans).

#### Exceptional compensation

The Board of Directors has decided against including an exceptional component in the compensation policy that will be submitted to the shareholders' vote at the 2018 Annual General Meeting.



## Benefits-in-kind

The Chairman of the Board of Directors has the use of a company car.

He is also entitled to be reimbursed for expenses incurred in connection with his role as Chairman and he is provided with the material resources required for performing his duties.

## Other benefits subject to the procedure for related-party commitments

In accordance with the applicable law, the benefits described below for which the Chairman of the Board of Directors is currently eligible – and for which he was also eligible prior to his appointment as Chairman – were approved by shareholders in an Annual General Meeting by way of the special vote required for related-party commitments.

For information purposes, Ross McInnes' employment contract with Safran has been suspended since April 21, 2011 rather than being terminated (see section 6.4 of the 2017 Registration Document). The Board opted for this solution as it enables in-house executives who have extensive experience (often associated with their length of service with the Group) to move into corporate officer positions without losing their existing benefit entitlements that they have accrued over time.

### Supplementary pension system

Safran's policy is to align the post-employment benefits of its corporate officers with those of the Group's managerial-grade staff so that when in-house executives are promoted to corporate officer positions they do not lose their existing benefit entitlements that they have accrued over time.

No specific supplementary pension system has been put in place for the Chairman of the Board of Directors.

However, the Chairman may be a beneficiary of the supplementary pension plans set up in France for all Group managerial-grade staff, subject to the same terms and conditions as the other plan members, if the Board of Directors:

- > authorizes the Chairman to join the plans; or
- > authorizes him to continue to be a beneficiary if he was already a beneficiary prior to his appointment as Chairman.

Any such authorization must be submitted to a shareholder vote at an Annual General Meeting in accordance with the procedure applicable for related-party commitments (Article L.225-42-1 of the French Commercial Code).

Information on the supplementary pension plans of which the Chairman was a beneficiary in 2017 and the changes to these plans for 2018 are set out in section 6.6.2.1 of the 2017 Registration Document.

### Personal risk insurance plan

The Chairman of the Board of Directors is a beneficiary of the personal risk insurance plan set up in France for all Group managerial-grade staff, subject to the same terms and conditions as the other plan members.

Information on the personal risk insurance plan of which the Chairman was a member in 2017 is set out in section 6.6.2.1 of the 2017 Registration Document.

### Indemnities or benefits payable for termination of office, change in duties, or non-compete agreements

The Chairman of the Board of Directors is not eligible for any indemnities or benefits if his office is terminated or if there is a change in his duties. Similarly, he is not entitled to any non-compete indemnity.

## Compensation policy for the Chief Executive Officer

At the date of this notice of meeting, this policy solely concerns Philippe Petitcolin in his role as Safran's Chief Executive Officer.

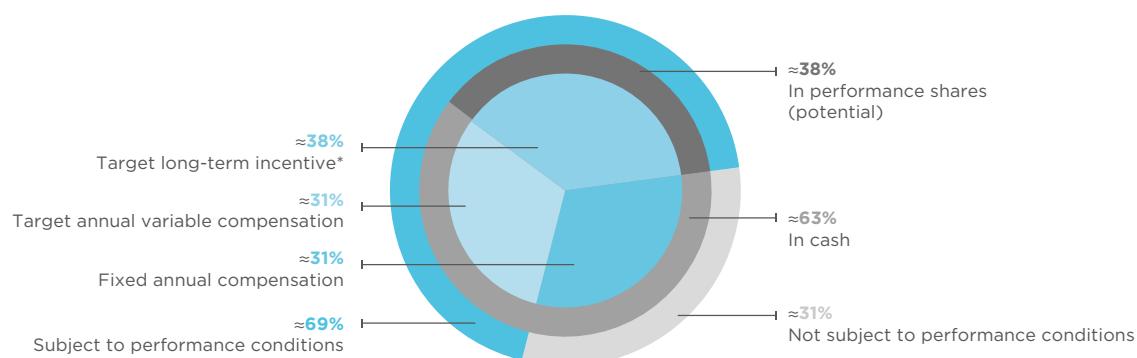
### Compensation package structure

The structure of the Chief Executive Officer's compensation package comprises, on a recurring basis, annual fixed compensation (cash-settled), as well as annual variable compensation and performance shares awarded under a long-term incentive plan. This structure reflects the policy implemented in 2017, which is applied to all of the Company's senior managers as adapted to each individual.

The underlying aim is to closely align the Company's interests with those of its shareholders by achieving a balance between short-term and long-term performance, as assessed by the Board of Directors. Compensation subject to performance conditions accounts for the largest proportion of the Chief Executive Officer's overall compensation package.



## Presentation of the Chief Executive Officer's recurring compensation structure



\* Value at grant date measured in accordance with IFRS

The compensation and benefits awarded to the Chief Executive Officer or for which he is eligible are detailed below.

### Annual fixed compensation

The Chief Executive Officer's annual fixed compensation takes into account the responsibilities required for this type of corporate office as well as the individual qualities of the holder of the position and the benchmark surveys carried out by the Company.

Consequently it is set based on the following:

- > the level and complexity of the assignments and responsibilities related to the position, in view of the fact that the Chief Executive Officer has the broadest powers to act in all circumstances in the Company's name and to represent the Company in its dealings with third parties;
- > the Chief Executive Officer's individual skills, experience, expertise and background;
- > benchmark surveys related to compensation payable for comparable duties and companies.

The Board of Directors has decided that, as a general rule, the Chief Executive Officer's annual fixed compensation may only be revised on the expiration of his term of office.

However, as an exception to this rule, his compensation may be revised during his term and before his re-appointment if the scope of his duties as Chief Executive Officer changes significantly - which could be related to changes within the Company itself - or if a major difference is identified compared with market practices. Any adjustments made to his annual fixed compensation as a result of any specific circumstances would be publicly disclosed.

The Chief Executive Officer's annual fixed compensation is used as a reference for determining the target and maximum percentages of his annual variable compensation and the valuation of his compensation under the long-term incentive plan.

Information on the current Chief Executive Officer's fixed compensation for 2017 and the changes to this compensation for 2018 is set out in section 6.6.2.2 of the 2017 Registration Document.

### Annual variable compensation

#### Objectives of and principles used to determine the Chief Executive Officer's annual variable compensation

The principle of annual variable compensation is used to incentivize the Chief Executive Officer to achieve the annual performance targets that are set for him by the Board of Directors in line with Safran's overall business strategy.

The potential amount of this variable compensation is determined taking into account market practices and corresponds to a percentage of his fixed compensation, as recommended in the AFEP-MEDEF Code.

It is contingent on achieving pre-defined performance levels based on a number of objectives which are collective and individual, financial and non-financial and quantitative and qualitative. The objectives relate to key indicators that reflect the Group's overall performance as well as the contribution expected from the Chief Executive Officer, in line with Safran's overall business strategy.

During the first quarter of each year, acting on the recommendations of the Committee responsible for compensation, the Board of Directors either confirms or sets these objectives as well as their weighting and the applicable performance levels, i.e.:

- > the lowest performance level, under which no variable compensation is paid;
- > the target level, corresponding to when an objective is reached; and
- > the maximum level applicable if an objective is exceeded.

The quantitative financial performance objectives – which are based on financial indicators – are set precisely, by reference to the budget approved in advance by the Board of Directors, and are subject to the performance thresholds set out above.

The achievement rates for these objectives are disclosed once the related performance levels have been assessed.

## Detailed description of the Chief Executive Officer's annual variable compensation

The Board of Directors has decided that the Chief Executive Officer's variable compensation will be based on the following:

### Target annual variable compensation and maximum amount ("Cap")

The Chief Executive Officer's "target" variable compensation – i.e., the amount payable if the achievement rate is 100% for all of the financial and individual performance objectives set out below – corresponds to 100% of his annual fixed compensation (the "Target"), compared to 117% in the policy approved by the shareholders at the Annual General Meeting of June 15, 2017.

If the Chief Executive Officer outperforms his objectives, his "maximum" variable compensation (the "Cap") – i.e., the amount payable if the achievement rate is 130% for all of the financial and individual performance objectives set out below – will now represent a maximum of 150% of his annual fixed compensation versus 152% under the policy approved by shareholders at the Annual General Meeting of June 15, 2017.

### Structure

The Chief Executive Officer's annual variable compensation is determined as follows:

- > two-thirds is contingent on quantitative financial performance objectives based on recurring operating income (ROI)<sup>(1)(2)</sup>, free cash flow (FCF)<sup>(3)</sup> and working capital, calculated by reference to operating assets (Inventories)<sup>(4)</sup> and unpaid receivables (Unpaid Receivables)<sup>(5)</sup>;
- > one-third will be contingent on quantitative and qualitative individual objectives.

This annual variable compensation structure is also used for the Group's senior managers, adapted to each individual.

### Quantitative financial performance objectives

The following parameters apply:

- > Weightings:
  - ROI: 60%,
  - FCF: 30%, and
  - working capital: 10%, with 5% based on Inventories and 5% based on Doubtful Debts;
- > Triggering thresholds (Thresholds) based on the objectives in the annual budget (Objectives):
  - 80% of the ROI Objective,
  - 65% of the FCF Objective,
  - 135% of each of the working capital Objectives, i.e., Inventories and Doubtful Debts (if the level is higher than 135% for either of these Objectives, no variable compensation will be due as anything over 135% for these two metrics corresponds to underperformance);
- > Calculation methods for the Thresholds and Caps:
  - the Threshold for each performance metric triggers the entitlement to variable compensation (starting at 0 from the Threshold to 100% if the budget Objective is achieved),
  - if an Objective is exceeded, the variable compensation allocated in respect of that Objective will be increased beyond 100% in proportion to the extent to which the Objective is exceeded (but capped at a maximum of 130% irrespective of the extent to which the Objective is exceeded). Consequently:
    - if 130% (or more) of the ROI Objective is achieved, the Cap for this metric will be payable,
    - if 130% (or more) of the FCF Objective is achieved, the Cap for this metric will be payable,
    - if 70% (or less) of each of the working capital Objectives is achieved (Inventories and Doubtful Debts), the Cap for each of these metrics will be payable.

Based on these indicators, an overall percentage achievement level of the financial objectives is obtained which is then applied for determining the amount due.

The applicable indicators are set by the Board of Directors in the first quarter of the year concerned and they may be changed from one year to the next.

(1) Adjusted recurring operating income (see section 2.1.2 of the 2017 Registration Document).

(2) Operating income before capital gains or losses on disposals/impact of changes in control, impairment charges, transaction and integration costs and other items.

(3) Free cash flow (see section 2.2.3 of the 2017 Registration Document) is equal to cash flow from operating activities less changes in working capital and acquisitions of property, plant and equipment and intangible assets.

(4) Inventories and work in progress, as described in section 3.1, Note 1.n of the 2017 Registration Document and broken down in section 3.1, Note 14.

(5) Receivables unpaid at their due date, as measured at the end of the reference period.



## Individual objectives (qualitative and quantitative)

These objectives are set by the Board of Directors and relate to strategic, business and managerial areas specific to the coming year. For example, they can be based on the implementation of strategic decisions validated by the Board of Directors, major industrial and commercial developments and programs, organizational and management measures or initiatives that factor in the Group's CSR and sustainable development policy.

These objectives are not related to routine tasks but to specific actions for which the Board of Directors expects a particular level of performance.

When setting these individual objectives, the Board is careful to factor in the Group's CSR and sustainable development targets and to ensure that some of the objectives are quantifiable, bearing in mind that two-thirds of the Chief Executive Officer's annual variable compensation is based on the achievement of quantitative objectives relating to financial performance.

The Chief Executive Officer's individual objectives for 2018 are set out in section 6.6.2.2 of the 2017 Registration Document.

## Payment condition

In accordance with the law, as from the amount due for 2017 and payable in 2018, the payment of the Chief Executive Officer's annual variable compensation is subject to approval by the shareholders in an Ordinary General Meeting.

## Appointment or termination of duties

If the Chief Executive Officer is appointed or his duties are terminated during the course of a year, the above principles will apply on a proportionate basis for the period during which he performs his duties. However, if an appointment takes place during the second half of the year, the assessment of the Chief Executive Officer's performance will be carried out by the Board of Directors on a discretionary basis, on the recommendation of the Committee responsible for compensation.

## Long-term incentive plan (performance share grants)

### Objective

The Board of Directors considers that the long-term incentive system - which also applies to other key positions within the Company - is particularly suited to the position of Chief Executive Officer in view of the direct contribution expected from him to the Group's long-term performance. In addition, the system is based on performance share grants which strengthen the motivation and teamwork of beneficiaries and foster their loyalty, while at the same time aligning their interests with those of the Company and its shareholders. These share grants are also in line with the Board's strategy of linking the incentives of senior managers to Safran's share performance - with the inherent risks and rewards that this involves - in order to encourage long-term reasoning in their actions.

The Board of Directors may only grant performance shares if it has been given the necessary authorizations by way of a two-thirds majority vote of shareholders in an Extraordinary General Meeting.

### Detailed description of performance share grants

Performance share grants made to the Chief Executive Officer are subject to the following principles and criteria:

#### Cap

The number of performance shares granted to the Chief Executive Officer may not:

- > represent more than the equivalent of 120% of his annual fixed compensation, based on the accounting value, in accordance with IFRS 2<sup>(1)</sup>, estimated prior to the grant, compared to 140% in the policy approved by the shareholders at the General Meeting of June 15, 2017;
- > exceed 5% of the total performance shares making up each grant. In addition, the resolutions submitted to shareholders in an Extraordinary General Meeting for the purpose of authorizing such grants will set a maximum percentage of the Company's capital that the performance shares may represent.

#### Performance conditions

Performance shares granted to the Chief Executive Officer will only vest if the relevant internal and external performance conditions are met. The achievement of these conditions will be assessed over three full consecutive fiscal years, including the year in which the performance shares are granted.

(1) See section 3.1, Note 1.q of the 2017 Registration Document.

## Standard conditions

The **two “standard” internal performance conditions** count for 70% of the total vested shares and are based on:

- > ROI, for 50%;
- > FCF, for 50%;
- > the achievement levels for these conditions are measured by reference to the average of the targets for ROI and FCF set for the fiscal year in which the grant takes place and for the following two fiscal years, as contained in the most recent medium-term plan (MTP) approved by the Board of Directors before the grant date. The following achievement levels have been set for these conditions:
  - lowest achievement level: if 80% of the MTP target is achieved, 40% of the shares contingent on that target will vest,
  - target achievement level: if 100% of the MTP target is achieved, 80% of the shares contingent on that target will vest,
  - highest achievement level (Cap): if 125% of the MTP target is achieved, 100% of the shares contingent on that target will vest,
  - between the lowest achievement level and the target level, and between the target level and the highest achievement level, the number of shares that will vest will vary in linear fashion. Below the lowest achievement level, none of the shares contingent on the internal performance condition concerned will vest.

The **external performance condition** counts for 30% of the total vested shares and is based on Safran's total shareholder return (TSR) performance as measured relative to a panel of companies or reference indices. The composition of this panel may change in order to factor in changes in the structure or operations of the Group or of the companies and indices concerned.

The following achievement levels have been set for this condition:

- > lowest achievement level: if Safran's TSR is equal to that of the peer companies, 40% of the shares contingent on the external performance condition will vest;
- > target achievement level: if Safran's TSR is 8 points higher than that of the peer companies, 80% of the shares contingent on the external performance condition will vest;
- > highest achievement level: if Safran's TSR is 12 points higher than that of the peer companies, 100% of the shares contingent on the external performance condition will vest;
- > between the lowest achievement level and the target level, and between the target level and the highest achievement level, the number of shares that will vest will vary in linear fashion. Below the lowest achievement level, none of the shares contingent on the external performance condition will vest.

## Specific internal conditions applicable to 2018 grants in addition to the “standard” performance conditions set out above

For grants made in 2018, the reference medium-term plan does not yet include the Zodiac Aerospace scope. To incorporate performance targets related to the new scope for beneficiaries including the Chief Executive Officer directly or specifically involved in its integration in the Group, additional internal conditions are specified (see below).

“Standard” internal performance conditions now count for 45% of the vested shares (versus 70% previously), while these additional conditions count for 25%.

The two additional internal performance conditions are based on:

- > adjusted recurring operating income for the Zodiac Aerospace scope (adjusted for currency effects and based on Safran's definition of adjusted recurring operating income), which would count for 10%;
- > the amount of synergies unlocked as a result of Zodiac Aerospace's integration at end-2020, which would count for 15%.

The achievement levels for these conditions will be measured by reference to the business plan used by Safran for the Zodiac Aerospace acquisition (data for 2018 to 2020, reconstituted on a calendar year basis and adjusted for currency effects), as indicated at the Annual General Meeting held on June 15, 2017. The levels will be as follows:

- > lowest achievement level: if 80% of the business plan target were achieved, 40% of the shares contingent on that target would vest;
- > target achievement level: if 100% of the business plan target is achieved, 100% of the shares contingent on that target would vest;
- > between the lowest achievement level and the target level, the shares would vest on a linear basis. Below the lowest achievement level, none of the shares contingent on the internal performance condition concerned would vest.

These additional performance conditions do not affect the Cap on the value of grants to be made as defined above.

After the 2018 grant, in addition to the portion attributed to the “standard” performance conditions, the Board of Directors may, at its discretion, maintain or add demanding, quantifiable additional performance conditions for which it would define the parameters, to take into account the Group's medium-term priorities and challenges. In such a case, the additional performance conditions and their parameters would be disclosed.

Under the rules of the performance share plan, the shares will only vest if the beneficiary still forms part of the Group on the vesting date, apart from in a limited number of cases (death, disability, retirement of the beneficiary or a specific decision by the Board of Directors).



## Vesting and lock-up periods

The shares granted to the Chief Executive Officer are subject to a vesting period set by the Board of Directors, which may not be less than three years.

In addition, any shares granted to the Chief Executive Officer will be subject to a lock-up period of at least one year following their vesting date.

## Other conditions

The Chief Executive Officer,

> is required to hold in registered form a proportion of his vested shares, as set by the Board of Directors, until his term of office as Chief Executive Officer ends.

The Board has decided that following the lock-up period and until his term of office ends, the Chief Executive Officer will be required to hold in registered form 40% of the vested performance shares granted to him under performance share plans, until the number of shares he holds represents the equivalent of one year of his most recent annual fixed compensation;

> must give a formal undertaking to refrain from using instruments to hedge the risks related to these shares until after the end of the lock-up period.

Information on performance share grants made to the Chief Executive Officer during the year is provided in section 6.6.2.2 of the 2017 Registration Document.

## Multi-year variable compensation

The Board of Directors has decided not to put in place a multi-year variable compensation plan as it considers that share-based payments such as performance share grants are more in line with shareholders' interests (see the long-term incentive plan above).

## Exceptional compensation

The Board of Directors has decided against including an exceptional component in the compensation policy that will be submitted to the shareholders' vote at the 2018 Annual General Meeting.

## Attendance fees

If he is a Director, the Chief Executive Officer will not be awarded any attendance fees nor will he be included in the allocation of such fees as carried out in accordance with the rules set by the Board of Directors and described in the Board's internal rules (see section 6.6.3.2 of the 2017 Registration Document).

## Benefits-in-kind

The Chief Executive Officer has the use of a company car.

He is also entitled to be reimbursed for expenses incurred in connection with his role as Chief Executive Officer and he is provided with the material resources required for performing his duties.

## Other benefits subject to the procedure for related-party commitments

In accordance with the applicable law, the benefits described below for which the Chief Executive Officer is currently eligible – and for which he was eligible prior to his appointment as Chief Executive Officer – were approved by shareholders in a General Meeting by way of the special vote required for related-party commitments.

For information purposes, Philippe Petitcolin's employment contract with Safran has been suspended since April 23, 2015 rather than being terminated (see section 6.4 of the 2017 Registration Document). The Board opted for this solution as it enables in-house executives who have extensive experience (often associated with their length of service with the Group) to move into corporate officer positions without losing their existing benefit entitlements that they have accrued over time.

## Supplementary pension system

Safran's policy is to align the post-employment benefits of its corporate officers with those of the Group's managerial-grade staff so that when in-house executives are promoted to corporate officer positions they do not lose their existing benefit entitlements that they have accrued over time.

No specific supplementary pension system has been put in place for the Chief Executive Officer.

However, the Chief Executive Officer may be a beneficiary of the supplementary pension plans set up in France for all Group managerial-grade staff, subject to the same terms and conditions as the other plan members, if the Board of Directors:

- > authorizes the Chief Executive Officer to join the plans; or
- > authorizes him to continue to be a beneficiary if he was already a beneficiary prior to his appointment as Chief Executive Officer.

Any such authorization must be submitted to a shareholder vote at an Annual General Meeting for approval in accordance with the procedure applicable for related-party commitments (Article L.225-42-1 of the French Commercial Code).

Information on the supplementary pension plans of which the Chief Executive Officer was a beneficiary in 2017 and the changes to these plans for 2018 are set out in section 6.6.2.2 of the 2017 Registration Document.

### Personal risk insurance plan

The Chief Executive Officer is a beneficiary of the personal risk insurance plan set up in France for all Group managerial-grade staff, subject to the same terms and conditions as the other plan members.

Information on the personal risk insurance plan of which the Chief Executive Officer was a beneficiary in 2017 is set out in section 6.6.2.2 of the 2017 Registration Document.

### Indemnities or benefits payable for termination of office, change in duties, or non-compete agreements

The Chief Executive Officer is not eligible for any indemnities or benefits if his office is terminated or if there is a change in his duties. Similarly, he is not entitled to any non-compete indemnity.

### Adaptation of the policy for Deputy Chief Executive Officers

If the Company appoints any Deputy Chief Executive Officers, the compensation structure, principles and criteria set out in the "compensation and benefits" policy for the Chief Executive Officer would apply to them. The Board of Directors would then adapt this policy in line with the specific situation of the Deputy Chief Executive Officer concerned in order to set the objectives, performance levels, indicators, and structure of their compensation packages and the maximum that their variable compensation may represent as a proportion of their annual fixed compensation (it being specified that this proportion and the amount of their fixed annual compensation may not be higher than those set for the Chief Executive Officer).





## SUMMARY TABLE OF AUTHORIZATIONS IN FORCE ALREADY GRANTED TO THE BOARD OF DIRECTORS

The financial authorizations in force, already granted by shareholders to the Board of Directors, are summarized below.

Type of authorization	Date of authorization, term and expiration	Ceiling (maximum nominal amount of capital increases and maximum principal amount of debt securities)	Amount used at December 31, 2017
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders, which may not be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (17 <sup>th</sup> resolution) 26 months, i.e., until August 14, 2019	€20 million €2 billion (debt securities)	None
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, by way of a public offer, which may not be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (18 <sup>th</sup> resolution) 26 months, i.e., until August 14, 2019	€8 million <sup>(1)</sup> €1.8 billion (debt securities) <sup>(2)</sup>	None
Authorization for the Board of Directors to issue shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offer initiated by the Company, which may not be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (19 <sup>th</sup> resolution) 26 months, i.e., until August 14, 2019	€8 million <sup>(1)(3)</sup> €1.8 billion (debt securities) <sup>(2)(4)</sup>	None
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code, which may not be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (20 <sup>th</sup> resolution) 26 months, i.e., until August 14, 2019	€8 million <sup>(1)(3)</sup> €1.8 billion (debt securities) <sup>(2)(4)</sup>	None
Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights for existing shareholders (pursuant to the 17 <sup>th</sup> , 18 <sup>th</sup> , 19 <sup>th</sup> and 20 <sup>th</sup> resolutions), which may not be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (21 <sup>st</sup> resolution) 26 months, i.e., until August 14, 2019	15% of the original issue <sup>(5)</sup>	None
Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital, which may not be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (22 <sup>nd</sup> resolution) 26 months, i.e., until August 14, 2019	€12.5 million <sup>(1)</sup>	None
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, with pre-emptive subscription rights for existing shareholders, which may only be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (23 <sup>rd</sup> resolution) 26 months, i.e., until August 14, 2019	€8 million <sup>(1)</sup> €2 billion (debt securities) <sup>(2)</sup>	None
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, by way of a public offer, which may only be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (24 <sup>th</sup> resolution) 26 months, i.e., until August 14, 2019	€8 million <sup>(1)(3)(6)</sup> €1.8 billion (debt securities) <sup>(2)(4)(7)</sup>	None
Authorization for the Board of Directors to issue shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, in the event of a public exchange offer initiated by the Company, which may only be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (25 <sup>th</sup> resolution) 26 months, i.e., until August 14, 2019	€8 million <sup>(1)(3)(6)(8)</sup> €1.8 billion (debt securities) <sup>(2)(4)(9)</sup>	None

**Summary table of authorizations in force already granted to the Board of Directors**

Type of authorization	Date of authorization, term and expiration	Ceiling (maximum nominal amount of capital increases and maximum principal amount of debt securities)	Amount used at December 31, 2017
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares and/or securities carrying rights to shares of the Company, without pre-emptive subscription rights for existing shareholders, through a private placement governed by Article L.411-2-II of the French Monetary and Financial Code, which may only be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (26 <sup>th</sup> resolution) 26 months, i.e., until August 14, 2019	€8 million <sup>(1)(3)(6)(8)</sup> €1.8 billion (debt securities) <sup>(2)(4)(9)</sup>	None
Authorization for the Board of Directors to increase the number of securities included in an issue carried out with or without pre-emptive subscription rights for existing shareholders (pursuant to the 23 <sup>rd</sup> , 24 <sup>th</sup> , 25 <sup>th</sup> or 26 <sup>th</sup> resolutions), which may only be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (27 <sup>th</sup> resolution) 26 months, i.e., until August 14, 2019	15% of the original issue <sup>(10)</sup>	None
Authorization for the Board of Directors to increase the Company's capital by capitalizing reserves, retained earnings or additional paid-in capital, which may only be used during, or in the run-up to, a public offer for the Company's shares	June 15, 2017 AGM (28 <sup>th</sup> resolution) 26 months, i.e., until August 14, 2019	€8 million <sup>(1)(6)</sup>	None
Authorization for the Board of Directors to increase the Company's capital by issuing ordinary shares to employees who are members of a Safran group employee savings plan, without pre-emptive subscription rights for existing shareholders	June 15, 2017 AGM (29 <sup>th</sup> resolution) 26 months, i.e., until August 14, 2019	1% of the Company's capital <sup>(1)</sup>	None
Authorization for the Board of Directors to reduce the Company's capital by canceling treasury shares	June 15, 2017 AGM (30 <sup>th</sup> resolution) 24 months, i.e., until June 14, 2019	10% of the Company's capital	None
Authorization for the Board of Directors to grant existing or new shares of the Company, free of consideration, to employees and corporate officers of the Company and other Group entities, with a waiver of shareholders' pre-emptive subscription rights	June 15, 2017 AGM (31 <sup>st</sup> resolution) 26 months, i.e., until August 14, 2019	0.40% of the Company's capital at the grant date	None
Authorization for the Board of Directors to issue Class A Preferred Shares in the event of a public exchange offer initiated by the Company	June 15, 2017 AGM (33 <sup>rd</sup> resolution) 26 months, i.e., until August 14, 2019	€8 million <sup>(1)(3)(11)</sup>	<b>Amount used at Dec. 31, 2017:</b> None <b>Amount used at Feb. 13, 2018:</b> €5,330,211.60 <b>Amount remaining at March 30, 2018:</b> €2,669,788.40

(1) This amount is included in the €20 million ceiling for capital increases set in the 17<sup>th</sup> resolution of the June 15, 2017 AGM.

(2) This amount is included in the €2 billion ceiling for issues of debt securities set in the 17<sup>th</sup> resolution of the June 15, 2017 AGM.

(3) This amount is included in the €8 million ceiling for capital increases set in the 18<sup>th</sup> resolution of the June 15, 2017 AGM.

(4) This amount is included in the €1.8 billion ceiling for issues of debt securities set in the 18<sup>th</sup> resolution of the June 15, 2017 AGM.

(5) The ceilings applicable to the 17<sup>th</sup>, 18<sup>th</sup>, 19<sup>th</sup> and 20<sup>th</sup> resolutions of the June 15, 2017 AGM still apply if the option provided for in the 21<sup>st</sup> resolution of that AGM is used.

(6) This amount is included in the €8 million ceiling for capital increases set in the 23<sup>rd</sup> resolution of the June 15, 2017 AGM.

(7) This amount is included in the €2 billion ceiling for issues of debt securities set in the 23<sup>rd</sup> resolution of the June 15, 2017 AGM.

(8) This amount is included in the €8 million ceiling for capital increases set in the 24<sup>th</sup> resolution of the June 15, 2017 AGM.

(9) This amount is included in the €1.8 billion ceiling for issues of debt securities set in the 24<sup>th</sup> resolution of the June 15, 2017 AGM.

(10) The ceilings applicable to the 23<sup>rd</sup>, 24<sup>th</sup>, 25<sup>th</sup> and 26<sup>th</sup> resolutions of the June 15, 2017 AGM will still apply if the option provided for in the 27<sup>th</sup> resolution of that AGM is used.

(11) This amount is included in the €8 million ceiling for capital increases set in the 19<sup>th</sup> resolution of the June 15, 2017 AGM.

# SAFRAN IN 2017



## DEFINITIONS

### 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 in addition to its consolidated financial statements.

Readers are reminded that Safran:

- > is the result of the May 11, 2005 merger of Sagem and Snecma, accounted for in accordance with IFRS 3, "Business Combinations", in its consolidated financial statements;
- > recognizes, as of July 1, 2005, 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 (see section 3.1, "Accounting policies", Note 1.f of the 2017 Registration Document).

Accordingly, 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 charged against intangible assets recognized at the time of the transaction and amortized over extended periods due to the length of the Group's business cycles, as well as
  - gains on remeasuring any previously held equity interest in the event of step acquisitions or transfers made to joint ventures;
- > 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.

### Recurring operating income

In order to better reflect the recurring economic performance, the "recurring operating income" subtotal excludes income and expenses that are largely unpredictable because of their unusual, infrequent and/or material nature such as: impairment losses/reversals, capital gains/losses on disposals of operations and other unusual and/or material non-operating items.

## 2017 BUSINESS REVIEW

All 2016 and 2017 figures have been restated to reflect the reclassification of the Security businesses within assets held for sale, in accordance with IFRS 5.

In first-half 2017, Safran finalized the disposal of all its Security businesses:

- > sale of the Detection businesses to Smiths Group in April;
- > sale of the Identity and Security businesses to Advent International in May.

Contribution to adjusted net profit in 2017:

- > three months for the detection businesses and five months for the Identity and Security businesses;
- > disposal gain: €824 million.

<i>(in € millions)</i>	2016	2017
Revenue	15,781	16,521
Recurring operating income	2,404	2,470
% of revenue	14.7%	15%
Profit from operations	2,386	2,380
<b>Profit for the period attributable to owners of the parent</b>	<b>1,804</b>	<b>2,623</b>
<i>From continuing operations</i>	1,689	1,801
<i>From discontinued operations</i>	115	822
<b>Earnings per share attributable to owners of the parent (basic in €)</b>	<b>4.34<sup>(1)</sup></b>	<b>6.39<sup>(2)</sup></b>
<i>From continuing operations</i>	4.06	4.39
<i>From discontinued operations</i>	0.28	2.00

(1) Based on the weighted average number of shares of 416,325,118 as of December 31, 2016.

(2) Based on the weighted average number of shares of 410,241,043 as of December 31, 2017.

### Safran 2017 results: all objectives exceeded

Safran's adjusted revenue was €16,521 million, up 4.7%, compared to €15,781 million in 2016. This €740 million increase reflects growth in all sectors. Organic revenue was determined by excluding the effect of changes in the scope of consolidation (notably €312 million in first-half 2016 for the space launcher activities since contributed to ArianeGroup). The net impact of currency variations was a negative €124 million, reflecting a negative translation effect on non-euro revenues, principally USD. The average USD/EUR spot rate was USD 1.13 to the euro in 2017 compared to USD 1.11 to the euro in 2016. The Group's hedged rate improved to USD 1.21 to the euro for 2017 from USD 1.24 to the euro for 2016.

Safran's adjusted recurring operating income improved 2.7% to €2,470 million compared to €2,404 million in 2016, including the improvement in the EUR/USD hedge rate. As expected, profitability improved strongly in Aircraft Equipment and Defense activities, whereas Propulsion margin was impacted by the CFM56-LEAP transition. In 2017, non-recurring items represented an expense of €90 million, and notably included €47 million in transaction and integration costs related to the Zodiac Aerospace acquisition.

Adjusted profit attributable to owners of the parent was €2,623 million (€6.39 per share) compared with €1,804 million (€4.34 per share) in 2016. Adjusted profit from continuing operations attributable to owners of the parent amounted to €1,801 million (€4.39 per share) compared with €1,689 million (€4.06 per share) in 2016. Profit from discontinued operations and assets held for sale attributable to owners of the parent, totaling €822 million, includes the contribution of the Security business up to the date of its sale, as well as the related post-tax disposal gain. In addition, adjusted profit attributable to owners of the parent also includes (i) adjusted financial income of €26 million in 2017, including cost of debt for €57 million and a €95 million positive foreign exchange impact arising on provisions denominated in US dollars and converted into euros at the reporting date, and (ii) a tax charge of €542 million (representing an effective tax rate of 23%) due to a change in the applicable tax rate in France in 2017 and to the adjustment of deferred taxes to reflect the gradual decrease in future corporate income tax rates enacted in legislation in 2017 in France, as well as in Belgium and the United States.

Free cash flow amounted to €1,438 million, driven by cash flow from operations of €2,410 million and a positive contribution of €316 million due to the lower working capital requirement, including advance payments. Capital expenditure (property, plant and equipment and intangible assets) amounted to €1,288 million in 2017. Safran announced the finalization of the disposal of its detection businesses on April 7 and that of its Identity and Security businesses on May 31, 2017. Total proceeds from these disposals net of tax and transaction costs amounted to €3 billion. Outflows mainly included the repurchase of Safran shares up to a maximum aggregate value of €450 million with the objective of neutralizing the dilutive impact of equity instruments on the balance sheet. Safran ceased the share buybacks on June 13, 2017 having repurchased a total of 6,428,664 shares for a total amount of €444 million.



The repurchased shares are included in treasury shares. On June 28, 2017, Safran also completed a €1 billion floating-rate note offering in two- and four-year tranches of €500 million each. This offering allowed Safran to secure its medium-term financing at historically low interest rates and strengthened its maturity debt profile in line with its cash flow outlook. Lastly, a dividend of €1.52 per share was approved by the shareholders at the Annual General Meeting of June 15, 2017. An interim payment having been made in December 2016 (€0.69 per share), a final payment of €0.83 per share was made in June 2017, impacting cash flow in the total amount of €340 million.

In the context of the financing of the public tender offer for Zodiac Aerospace shares, €2 billion worth of marketable securities were pledged for the tender offer period and therefore excluded from cash and cash equivalents at December 31, 2017. Since the end of the initial Offer on January 31, 2018, the amount of marketable securities pledged has fallen to €1.25 billion. The pledge was fully lifted in March 2018 at the end of the Subsequent Offer. Excluding the aforementioned pledged securities, the net cash position was €294 million as of December 31, 2017 compared to a net debt position of €1,383 million as of December 31, 2016. Since the end of 2017, Safran's cash position was notably impacted by the disbursement on February 13, 2018, of €3.6 billion as consideration in favor of Zodiac Aerospace shareholders who had tendered their shares to the public offer initiated by Safran.

## REVENUE AND RESULTS BY ACTIVITY (adjusted data)

Segment breakdown of adjusted revenue (in € millions)	2016	2017
Aerospace Propulsion	9,391	9,741
Aircraft Equipment	5,145	5,415
Defense	1,238	1,345
Holding co. and other	7	20
<b>TOTAL GROUP</b>	<b>15,781</b>	<b>16,521</b>

Segment breakdown of recurring operating income (in € millions)	2016	2017
Aerospace Propulsion	1,786	1,729
Aircraft Equipment	567	682
Defense	76	95
Holding co. and other	(25)	(36)
<b>TOTAL GROUP</b>	<b>2,404</b>	<b>2,470</b>

### Aerospace Propulsion

During 2017, orders and commitments were received for 2,870 LEAP engines and the backlog stood at 13,728 engines at end-2017. Demand for CFM56 engines remains strong: orders and commitments were placed for 474 engines in 2017 and the backlog stood at 1,106 units at end-2017.

Aerospace Propulsion recorded revenue of €9,741 million, up 3.7% compared to €9,391 million in 2016. On an organic basis, Aerospace Propulsion revenue rose 7.5%, driven by the civil aftermarket business as well as by civil and military OE.

OE sales from civil aircraft engines grew organically in the high-single digits (8%). In unit terms, the increase in LEAP production more than offset the fall in CFM56 volumes. The total number of narrowbody aircraft engine deliveries increased year on year from 1,770 to 1,903, a record level. LEAP volumes ramped up to 459 deliveries in 2017 compared to 77 in 2016 while CFM56 volumes decreased as planned to 1,444 deliveries in 2017 compared to 1,693 units in 2016. High-thrust engine module deliveries, notably GE90 and GP7000, were lower in 2017, tracking airframers' assembly rates.

A decline in OE revenue from helicopter turbines was mostly due to a shift in mix towards smaller engines. Military OE revenues increased sharply as revenue was recognized for 33 M88 engines, of which 17 for export, compared to 11 engines in 2016.

Overall service revenue in Propulsion was up 7.0% in euro terms and represented 59% of Propulsion revenue in the year. Civil aftermarket revenue grew by 11.2% in US dollar terms, driven by latest generation CFM56, and GE90 engine spares and services. Aftermarket for military engines was down in the low-single digits (by around 2%) compared to a high 2016 comparison base. Helicopter turbine support also declined in the low-single digits, due to a fall in flight hours particularly among Oil and Gas customers.

Recurring operating income, at 17.7% of revenue, was €1,729 million compared to €1,786 million (19.0% of revenue) in 2016. As expected, Propulsion margin was negatively impacted by the ramp down of CFM56 OE, the negative margin on LEAP deliveries as well as by the estimated cost of actions to ensure time on wing. The headwind from the CFM56-LEAP transition amounted to €342 million in 2017.

Lower helicopter turbine activity and higher expensed R&D also impacted Propulsion margin. Consistent with expectations, these headwinds were partially offset by civil aftermarket growth, higher military OE, the contribution from ArianeGroup and the improvement in the hedged rate.

Safran is executing a strong action plan to continue to progressively reduce the production cost of LEAP engines and achieve breakeven at gross margin level before the end of the decade, as previously indicated.

## Aircraft Equipment

The Aircraft Equipment segment reported revenue of €5,415 million, up 5.2% compared to 2016. On an organic basis, revenue was up 6.5%.

Equipment OE revenue increased by 4.4%. Revenue growth was driven by increased volumes of equipment for the A350 (landing gear and wiring systems, power transmission systems), as well as by deliveries of nacelles for the LEAP-1A powering the A320neo (235 nacelles in 2017 compared to 65 units in 2016). Shipments of landing and wiring systems for A320ceo, A320neo and A330 also contributed positively. Headwinds included lower A380 volumes: as expected, 49 nacelles were shipped in 2017 compared to 99 in 2016.

Service revenue represented 32.3% of revenue and grew 7.0% compared to 2016, thanks to continuing momentum in carbon brakes and a higher contribution from landing gear MRO and nacelle service activities.

Recurring operating income was €682 million, an increase of 20.3% compared to €567 million in 2016. Recurring operating margin increased by 160 basis points to 12.6%. Growing volumes coupled with strong cost reduction and productivity actions (including measures to optimize the industrial footprint) yielded broad-based profitability increases. The improved hedged rate also contributed positively. The rise of expensed R&D had a negative impact on recurring operating income.

## Defense

Revenue was €1,345 million, up 8.6% (8.9% organically) compared to €1,238 million in 2016. The Defense Division resumed organic growth in 2017, supported by the ramp-up of recently awarded contracts both for the French and export markets. Commercial momentum continued throughout 2017, with new orders representing €1.4 billion supporting the outlook for growth.

In 2017, growth was primarily driven by military sales, with strong increases in guidance systems, drones and sighting systems, partially offset by lower helicopter flight control system shipments in avionics.

Recurring operating income was up 25% at €95 million compared to €76 million in 2016. Recurring operating margin increased by 100 basis points to 7.1% of revenue in 2017. Higher volumes related to military contracts drove profitability. Strong cost control and industrial performance measures implemented continued to contribute positively to the margin. R&D charged to recurring operating income was a headwind as self-funded R&D intensity was sustained, at 9.1% of revenue, in order to maintain technological leadership.



## FULL-YEAR 2018 OUTLOOK

2018 guidance is established considering the full application of the new IFRS 15 revenue recognition standard and is based on continuing operations (Aerospace Propulsion, Aircraft Equipment, Defense, Holding company and other) at the Group's scope as of January 1, 2018.

Compared to its 2017 estimated restated key metrics for the application of IFRS 15, Safran expects for the full year 2018:

- > adjusted revenue to grow between 2% and 4% on an organic basis. At an estimated average spot rate of USD 1.23 to the euro in 2018, adjusted revenue is expected to be flat;
- > adjusted recurring operating income to grow between 7% and 10% (at a hedged rate of USD 1.18 to the euro);
- > free cash flow to be above 50% of adjusted recurring operating income, an element of uncertainty being the rhythm of payments by state-clients.

The guidance is based notably on the following assumptions:

- > increase in aerospace OE deliveries, despite a fall in high thrust engine module volumes;
- > civil aftermarket growth between 7% and 9%;
- > CFM56-LEAP transition: overall negative impact on Propulsion adjusted recurring operating income in the range of €150 million to €200 million, which represents a significant reduction compared to 2017:
  - lower CFM56 OE volumes,
  - negative margin on LEAP deliveries;
- > reduction of self-funded R&D<sup>(1)</sup> of the order of €150 million:
  - positive impact on recurring operating income after activation and amortization of capitalized R&D;
- > capex outflows at a similar level to 2017;
- > continued benefits from productivity improvements.

Regarding the acquisition of Zodiac Aerospace, an integration team is in place and already hard at work, tasked notably with deploying Safran processes and methodologies and delivering the synergies. Additional information will be provided to the market over the coming months.

(1) In accordance with IFRS 15, self-funded R&D for 2017 includes development expenditure to be funded by customers and subsequently recorded in OE revenue.



# FIVE-YEAR FINANCIAL SUMMARY OF THE COMPANY

(in €)	2013	2014	2015	2016	2017
<b>Capital at December 31</b>					
Share capital	83,405,917	83,405,917	83,405,917	83,405,917	83,405,917
Number of ordinary shares outstanding	417,029,585	417,029,585	417,029,585	417,029,585	417,029,585
<b>Financial results</b>					
Profit before tax, statutory employee profit-sharing, depreciation, amortization and provisions	351,489,419	218,114,906	1,564,574,645	767,391,743	1,251,397,582
Income tax expense (benefit)	(49,857,914)	(135,606,853)	(102,700,757)	(52,805,019)	(33,064,752)
Statutory employee profit-sharing for the fiscal year	-	-	-	-	-
Profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions	327,839,113	654,303,872	1,648,209,397	969,870,638	1,359,762,344
Dividend payment	467,073,135	500,435,502	575,500,827	633,884,969	667,247,336
<b>Per share data</b>					
Profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions					
> divided by the number of shares outstanding	0.96	0.85	4.00	1.97	3.08
Profit after tax, statutory employee profit-sharing, depreciation, amortization and provisions					
> divided by the number of shares outstanding	0.79	1.57	3.95	2.33	3.26
Net dividend					
> per ordinary share outstanding	1.12	1.20	1.38	1.52	1.60
<b>Employees</b>					
Average number of employees during the fiscal year	1,211	1,370	1,519	1,577	1,624
Total payroll	109,929,617	124,923,990	133,628,961	140,807,877	145,288,974
Social security and other social welfare contributions	71,358,273 <sup>(1)</sup>	75,609,338	88,424,113 <sup>(2)</sup>	88,550,754 <sup>(3)</sup>	95,952,479 <sup>(4)</sup>

(1) Including €3.7 million in respect of the international free share plan, of which the full amount of €3.7 million was rebilled to the European subsidiaries employing the beneficiaries.

(2) Including €7.4 million in contributions paid to the insurer that manages the defined benefit pension plan.

(3) Including €5.0 million in contributions paid to the insurer that manages the defined benefit pension plan.

(4) Including €6.6 million in contributions paid to the insurer that manages the defined benefit pension plan.

# STATUTORY AUDITORS' REPORTS ON THE PROPOSED RESOLUTIONS PRESENTED TO THE ANNUAL GENERAL MEETING OF MAY 25, 2018

## STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS AND COMMITMENTS

*This is a free translation into English of the Statutory Auditors' special report on related party agreements and commitments issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the Shareholders,

In our capacity as Statutory Auditors of your Company, we hereby report to you on related-party agreements and commitments.

It is our responsibility to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is the responsibility of the shareholders pursuant to Article R.225-31 of the French Commercial Code (*Code de commerce*) to determine whether the agreements and commitments are appropriate and should be approved.

Where applicable, it is our responsibility to provide shareholders with the information required by Article R.225-31 of the French Commercial Code concerning the implementation during the year of the agreements and commitments already approved by the Annual General Meeting.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement.

### Agreements and commitments submitted for approval by the Annual General Meeting

#### Agreements and commitments authorized and signed during the year

We hereby inform you that we were not advised of any agreements or commitments authorized and signed by the Board of Directors during the year to be submitted for the approval of the Annual General Meeting in accordance with Article L.225-38 of the French Commercial Code.

#### Agreements and commitments authorized and signed since the year-end

We have been advised of the following Agreements and commitments authorized and signed since the end of the year, which received prior authorization from the Board of Directors.

#### 1. With the French State (shareholder holding more than 10% of the Company's voting rights)

##### Persons concerned

Lucie Muniesa, representative of the French State to the Board of Directors of your Company, and Patrick Gandil and Vincent Imbert, Directors put forward by the French State.

##### Nature, purpose, terms and conditions

##### Consolidation and update of the 2004 Agreement related to strategic defense assets and subsidiaries and its addendums in a single document

When Snecma was privatized following its merger with Sagem, the French State agreed to waive its right, pursuant to Article 10 of the privatization act of August 6, 1986, to take a golden share in Snecma, provided that equivalent contractual rights were granted in an agreement.

In order to protect France's national interests and preserve the country's national independence, the French State therefore entered into an agreement on December 21, 2004 with Sagem and Snecma related to strategic defense assets and subsidiaries (the "2004 Agreement"). The 2004 Agreement is designed to (i) give the French State control over the ownership and, where applicable, the devolution of all or part of certain assets and shares of subsidiaries or other equity investments held by the companies party to

## STATUTORY AUDITORS' REPORTS ON THE PROPOSED RESOLUTIONS PRESENTED TO THE ANNUAL GENERAL MEETING OF MAY 25, 2018

the 2004 Agreement, combined with certain acquisition thresholds, and (ii) to give the French State rights of representation on the governing bodies of the strategic subsidiaries and subsidiaries holding assets related to French combat aircraft engines.

The merger between Snecma and Sagem which created Safran in 2005 and the various transactions completed by Safran since then have significantly changed the Group's scope, prompting Safran and the French State to amend the 2004 Agreement through a series of six successive addendums.

Safran and the French State wished to consolidate the 2004 Agreement and its amendments into a single document (the "Agreement") and to update its contents.

The consolidated, updated Agreement, which supersedes the 2004 Agreement, provides notably as follows:

On corporate governance matters:

- Safran's competent bodies shall be invited to appoint the French State as a Director if its interest in the Company's share capital is less than 10% but more than 1%;
- Safran's competent bodies shall in addition be invited to appoint a member proposed by the French State to the Board of Directors if its interest in the Company's share capital is more than 5%;

the shareholders will thus be invited to approve the terms of office of these Directors;

- at the request of the French State, the Board of Directors shall be invited to appoint one of the persons referred to above to any Board committee that may be set up for the purpose of addressing matters directly related to its rights under the Agreement;
- the French State shall be entitled to appoint a non-voting representative to the Boards of Directors or equivalent bodies of Safran's strategic subsidiaries (Safran Ceramics and Safran Power Units) and subsidiaries owning sensitive defense assets.

On strategic or sensitive defense assets and the entities that hold such assets:

- the French State shall have a prior right of approval over:
  - sales of assets (other than those that do not affect the defense activities) owned by strategic subsidiaries and accordingly identified as strategic; sales of shares in strategic subsidiaries Safran Ceramics and Safran Power Units; and sales of shares in ArianeGroup Holding,
  - sales of certain assets identified as defense sensitive (such as engines, components and systems, high precision inertial navigation and missile guidance systems, financed directly or indirectly by the French Defense Ministry) owned by Group entities,
  - sales of shares in Safran Electronics & Defense, which owns sensitive defense assets,
  - acquisitions of interests resulting in a holding of more than 33.33% or more than 50% of the share capital or voting rights of the other Group companies that own sensitive defense assets,
  - projects conferring special management or information rights over strategic or sensitive defense assets or rights of representation on the administrative or management bodies of Safran Ceramics, Safran Power Units, ArianeGroup Holding or another entity owning sensitive defense assets controlled by Safran,

the French State's failure to respond within a period of 30 business days shall be deemed to constitute agreement, except in the case of proposals to sell shares in ArianeGroup Holding, in which case failure to respond shall be deemed to constitute refusal;

- the French State shall be informed beforehand of any proposal by a strategic subsidiary or an entity controlled by Safran that owns sensitive defense assets, to sell assets that do not fall into these protected categories but whose sale could have a material impact on the independent management on French territory of the entity's strategic assets or sensitive defense assets;
- in the event a third party acquires more than 10% or a multiple of 10% of the capital or voting rights of Safran, and failing an agreement on other ways of protecting national interests in connection with the strategic assets, the French State shall be entitled to purchase the securities and assets of the strategic subsidiaries Safran Ceramics and Safran Power Units and the stake in ArianeGroup Holding at a price to be set by a panel of experts.

The Agreement was authorized by the Board of Directors at its meeting on March 22, 2018. It was signed by Safran on March 26, 2018.

### *Reason for the Agreement*

The Board of Directors signed this agreement for the following reason:

Safran and the French State wished to consolidate the 2004 Agreement and update its contents.

## **2. With Ross McInnes, Chairman of the Board of Directors**

### *Nature, purpose, terms and conditions*

#### **Changes to the pension plan system**

The Chairman and the Chief Executive Officer are both members of the Group's general supplementary pension plan system.

In late 2017, two of the plans within this system were amended. These correspond to the two "Article 83" defined contribution supplementary pension plans which, following a collective bargaining process with the relevant trade unions, were amended in order to harmonize Group-wide in France this major element of the compensation packages of French managerial staff.



The amendments concern the various contribution rates (based on the applicable ranges of compensation) provided for in both plans. They do not increase the amount of the benefit (overall, the contribution rates paid under the two plans will remain at 8%), and will even result in lower contributions and charges payable by Safran for the Chairman and the Chief Executive Officer and a slight decrease in the amount of their respective post-employment benefits.

As a reminder:

- > the commitments given to the Chairman and the Chief Executive Officer to enable them to be beneficiaries under the "Article 83 Core Plan" were approved in accordance with the procedure applicable to related-party commitments by way of a decision of the Board of Directors on April 23, 2015 and by the shareholders at the May 19, 2016 Annual General Meeting;
- > the commitments given to the Chairman and the Chief Executive Officer to enable them to be beneficiaries under the "Article 83 Additional Plan" set up in 2017 were approved in accordance with the procedure applicable to related-party commitments by way of a decision of the Board of Directors on March 23, 2017 and were submitted for a shareholder vote at the June 15, 2017 Annual General Meeting. The shareholders rejected the resolution concerning the Chairman, but the Board of Directors decided at its meeting on July 26, 2017 that the Chairman could still be a beneficiary under the "Article 83 Additional Plan".

Details of the new "Article 83" defined contribution supplementary pension plans and amendments to the old plan:

- > the new Group-wide "Article 83 Core Plan" (which replaces the previous plans for the Group's French companies including that of Safran) will be financed through employer contributions equal to 1.5% of salary Tranche A, 4% of Tranches B and C and no contributions on Tranche D (as opposed to 2% of gross salary with no Cap, i.e., including on Tranche D), under Safran's previous plan;
- > the contribution rates for Safran's amended "Article 83 Additional Plan" will be changed to 6.5% on Tranche A and 4% on Tranches B and C (as opposed to 6% on Tranches A, B and C under Safran's previous plan).

On February 26, 2018, the Board of Directors decided that the Chairman could be a beneficiary of the new "Article 83" defined contribution supplementary pension plan system effective from January 1, 2018 under the same terms and conditions as the other managerial-grade staff who are beneficiaries under the system. The new "Article 83" defined contribution supplementary pension plan system includes the following:

- > the Group-wide "Article 83 Core Plan" signed on November 6, 2017, which replaces Safran's previous plan with effect from January 1, 2018;
- > Safran's amended "Article 83 Additional Plan", which replaces Safran's previous plan with effect from January 1, 2018.

### *Reason for the commitment*

The Board of Directors gave this commitment for the following reasons:

The Chairman and the Chief Executive Officer were already members of the previous "Article 83" defined contribution supplementary pension plans, bearing in mind that Safran's policy is to align the post-employment benefits of its corporate officers with those of the Group's managerial-grade staff in order that when in-house executives are promoted to corporate officer positions they do not lose their existing benefit entitlements that they have accrued over time. The amendments do not alter the substance of the related benefit obligations.

## **3. With Philippe Petitcolin, Chief Executive Officer**

### *Nature, purpose, terms and conditions*

#### **Changes to the pension plan system**

The Chairman and the Chief Executive Officer are both members of the Group's general supplementary pension plan system.

In late 2017, two of the plans within this system were amended. These correspond to the two "Article 83" defined contribution supplementary pension plans which, following a collective bargaining process with the relevant trade unions, were amended in order to harmonize Group-wide in France this major element of the compensation packages of French managerial staff.

The amendments concern the various contribution rates (based on the applicable ranges of compensation) provided for in both plans. They do not increase the amount of the benefit (overall, the contribution rates paid under the two plans will remain at 8%), and will even result in lower contributions and charges payable by Safran for the Chairman and the Chief Executive Officer and a slight decrease in the amount of their respective post-employment benefits.

As a reminder:

- > the commitments given to the Chairman and the Chief Executive Officer to enable them to be beneficiaries under the "Article 83 Core Plan" were approved in accordance with the procedure applicable to related-party commitments by way of a decision of the Board of Directors on April 23, 2015 and by the shareholders at the May 19, 2016 Annual General Meeting;
- > the commitments given to the Chairman and the Chief Executive Officer to enable them to be beneficiaries under the "Article 83 Additional Plan" set up in 2017 were approved in accordance with the procedure applicable to related-party commitments by way of a decision of the Board of Directors on March 23, 2017 and were submitted for a shareholder vote at the June 15, 2017 Annual General Meeting.

Details of the new "Article 83" defined contribution supplementary pension plans and amendments to the old plan:

- > the new Group-wide "Article 83 Core Plan" (which replaces the previous plans for the Group's French companies including that of Safran) will be financed through employer contributions equal to 1.5% of salary Tranche A, 4% of Tranches B and C and no contributions on Tranche D (as opposed to 2% of gross salary with no Cap, i.e., including on Tranche D, under Safran's previous plan);
- > the contribution rates for Safran's amended "Article 83 Additional Plan" will be changed to 6.5% on Tranche A and 4% on Tranches B and C (as opposed to 6% on Tranches A, B and C under Safran's previous plan).

## STATUTORY AUDITORS' REPORTS ON THE PROPOSED RESOLUTIONS PRESENTED TO THE ANNUAL GENERAL MEETING OF MAY 25, 2018

On February 26, 2018, the Board of Directors decided that the Chief Executive Officer could be a beneficiary of the new "Article 83" defined contribution supplementary pension plan system effective from January 1, 2018 under the same terms and conditions as the other managerial-grade staff who are beneficiaries under the system. The new "Article 83" defined contribution supplementary pension plan system includes the following:

- > the Group-wide "Article 83 Core Plan" signed on November 6, 2017, which replaces Safran's previous plan with effect from January 1, 2018;
- > Safran's amended "Article 83 Additional Plan", which replaces Safran's previous plan with effect from January 1, 2018.

### *Reason for the commitment*

The Board of Directors gave this commitment for the following reasons:

The Chief Executive Officer and the Chairman were already members of the previous "Article 83" defined contribution supplementary pension plans, bearing in mind that Safran's policy is to align the post-employment benefits of its corporate officers with those of the Group's managerial-grade staff in order that when in-house executives are promoted to corporate officer positions they do not lose their existing benefit entitlements that they have accrued over time. The amendments do not alter the substance of the related benefit obligations.

## Agreements and commitments already approved by the Annual General Meeting

### Agreements and commitments approved in prior years

In accordance with Article R.225-30 of the French Commercial Code, we were informed that the following agreements and commitments, approved by the Annual General Meeting in prior years, remained in force during the year.

#### 1. With the French State, ArianeGroup Holding (AGH) and CNES, in the presence of Safran

##### *Persons concerned*

The French State (shareholder holding more than 10% of the Company's voting rights).

Lucie Muniesa, representative of the French State to the Board of Directors of your Company, and Patrick Gandil and Vincent Imbert, Directors put forward by the French State.

##### *Nature, purpose, terms and conditions*

##### **Arianespace framework protocol**

The CNES (French National Space Studies Center), the French State and AGH, in the presence of Airbus Group SE and Safran, signed the Arianespace Framework Protocol, which relates to the buying back by AGH of Arianespace shares and Ariane brand names held by CNES and establishes the principal terms and conditions of the sale to AGH of Arianespace shares held by CNES, as well as the parties' declarations and commitments. In its capacity as a shareholder of AGH, Safran undertakes to ensure that AGH fully complies with said agreement.

The protocol would provide for a new operating framework for European launchers.

The signature of the protocol was authorized by the Board of Directors on December 17, 2015. It was signed on February 8, 2016 and approved by the Annual General Meeting of May 19, 2016. It subsequently entered into force on June 30, 2016.

#### 2. With Ross McInnes, Chairman of the Board of Directors

##### *Nature, purpose, terms and conditions*

##### **Continuation of the personal risk insurance and defined contribution supplementary pension plans for the Chairman of the Board of Directors**

At its April 23, 2015 meeting, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer, and appointed Ross McInnes as Chairman of the Board of Directors. At the same meeting, the Board decided, in accordance with Article L.225-42-1 of the French Commercial Code, to authorize him to continue to be a beneficiary under:

- > the personal risk insurance plan set up for all Safran Group employees, subject to the same terms and conditions as the other plan members. Mr. McInnes was previously a beneficiary under the plan in his former capacity as a Company employee, then as Deputy Chief Executive Officer, as decided by the Board of Directors at its July 27, 2011 meeting. This includes, as decided by the Board of Directors at its December 17, 2014 meeting, the Group's Accidental Death and Disability insurance coverage, which was added to the coverage already provided for under the Group Personal Risk Insurance Plan, effective from January 1, 2015;
- > the defined contribution supplementary pension plans set up for the Company's managerial-grade staff, subject to the same terms and conditions as the other plan members. Mr. McInnes was previously covered in his former capacity as a Company employee, then as Deputy Chief Executive Officer, as decided by the Board of Directors at its July 27, 2011 meeting.

The contributions to the plans are based on the fixed compensation that Mr. McInnes receives for his role as Chairman of the Board of Directors.

This commitment was approved the Annual General Meeting of May 19, 2016.

In respect of 2017, the corresponding expenses recorded in Safran's financial statements totaled €6,015 for the personal risk insurance plan and €10,671 for the defined contribution supplementary pension plan.





### 3. With Philippe Petitcolin, Chief Executive Officer

#### *Nature, purpose, terms and conditions*

##### **Continuation of the personal risk insurance and defined contribution supplementary pension plans for the Chief Executive Officer**

At its April 23, 2015 meeting, the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer, and appointed Philippe Petitcolin as Chief Executive Officer. At the same meeting, the Board decided, in accordance with Article L.225-42-1 of the French Commercial Code, to authorize him to continue to be a beneficiary under:

- the personal risk insurance plan set up for all Safran Group employees, subject to the same terms and conditions as the other plan members. Mr. Petitcolin was previously a beneficiary under the plan in his former capacity as a Company employee. This includes the Group's Accidental Death and Disability insurance coverage, which was added to the coverage already provided for under the Group Personal Risk Insurance Plan, effective from January 1, 2015;
- the defined contribution supplementary pension plan set up for the Company's managerial-grade staff, subject to the same terms and conditions as the other plan members. Mr. Petitcolin was previously covered in his capacity as a former Company employee.

The contributions to the plans are based on the compensation (fixed and variable) that Mr. Petitcolin receives for his role as Chief Executive Officer.

This commitment was approved the Annual General Meeting of May 19, 2016.

In respect of 2017, the corresponding expenses recorded in Safran's financial statements totaled €6,229 for the personal risk insurance plan and €49,653 for the defined contribution supplementary pension plan.

### 4. With a pool of banks including BNP Paribas

#### *Person concerned*

Monique Cohen, a Director of Safran and BNP Paribas.

#### *Nature, purpose, terms and conditions*

##### **Agreement relating to a credit facility**

This agreement was authorized by the Board of Directors on October 29, 2015 and signed on December 4, 2015.

The facility amounts to €2,520 million and has a five-year term with two successive one-year extension options. It was granted by a pool of fifteen banks, including BNP Paribas, whose proportion of the facility is the same as that of the other banks which are parties to the agreement.

Both one-year extension options have been exercised, extending the term to December 2022.

This revolving credit facility was put in place to ensure that the Group will have sufficient liquidity over the medium term and to enable it to cover its general financing requirements. By refinancing and replacing two existing facilities with shorter terms than the new facility, the Group was able to take advantage of the current favorable market interest rates.

In respect of 2017, a €191,150 expense was recorded in Safran's financial statements corresponding to BNP Paribas' share of the no-use fee (split between lenders based on their respective commitments).

### Agreements and commitments approved during the year

We were informed of the implementation during the year of the following agreements and commitments, already approved by the June 15, 2017 Annual General Meeting, as indicated in the Statutory Auditors' special report of March 24, 2017.

### 1. With Philippe Petitcolin, Chief Executive Officer

#### **Changes to the pension plan system of the Chief Executive Officer**

#### *Nature, purpose, terms and conditions*

We remind you that the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer at its April 23, 2015 meeting and subsequently appointed Philippe Petitcolin as Chief Executive Officer. At the same meeting, it decided - in accordance with Article L.225-42-1 of the French Commercial Code - to authorize him to continue to be a beneficiary under the defined benefit supplementary pension plan (Article 39) and the defined contribution supplementary pension plan (Article 83) set up in France, subject to the same terms and conditions as the other plan members.

These commitments were approved by the Annual General Meeting of May 19, 2016, as indicated in the Statutory Auditors' special report of March 29, 2016.

At its March 23, 2017 meeting, the Board of Directors decided to modify the supplementary pension plans in order to align them with future needs, bring them more into line with market practices and enhance the Group's appeal.

## STATUTORY AUDITORS' REPORTS ON THE PROPOSED RESOLUTIONS PRESENTED TO THE ANNUAL GENERAL MEETING OF MAY 25, 2018

The new pension plan system comprises three stages:

- > closing the current defined benefit plan (Article 39) to new entrants and freezing existing beneficiaries' entitlements as at December 31, 2016;
  - to compensate for the closure of this plan, new plans were set up for senior managers in France, effective from January 1, 2017:
- > an additional defined contribution pension plan (Article 83), in addition to the mandatory collective defined contribution plan already in place;
- > a defined contribution plan (Article 82).

### **Mandatory collective defined contribution plan (Article 83 Additional Plan)**

This plan was set up for all managerial-grade staff whose gross annual compensation for the calendar year preceding the assessment date (Y-1) was equal to or higher than four times the social security ceiling (PASS) for Y-1.

The contributions were based on salary Tranches A, B and C as defined for the calculation of statutory top-up pensions (ARRCO-AGIRC plans).

Entitlements under the plan accrued in return for the payment of monthly contributions representing 6% of Tranche A, 6% of Tranche B and 6% of Tranche C. All of these monthly payments are borne in full by the Company (in addition to the 2% contribution already paid by the Company under the existing Article 83 Core Plan).

The taxes and social security contributions on the monthly payments are also borne in full by the Company.

### **Voluntary collective defined contribution plan (Article 82 Plan)**

Unlike for the defined benefit plan (Article 39), this plan does not provide a guaranteed level of retirement benefits. It is a voluntary plan which eligible beneficiaries can decide whether or not to sign up to.

Eligible beneficiaries correspond to top executives (*hors statut*) whose reference compensation (fixed compensation and annual bonus) for the calendar year preceding the assessment date (Y-1) is equal to or higher than seven times the social security ceiling (PASS) for Y-1.

The reference compensation for Y-1 is used to calculate the contributions to the plan. This reference compensation corresponds to the beneficiary's full-time basic fixed compensation plus the short-term bonus for the year concerned and excludes any other components of compensation.

In order for entitlements to accrue under the plan, the Company is required to:

- > pay monthly contributions to an insurer, the rate of which is set based on the beneficiary's reference compensation for Y-1 (Insurer Contribution) and which may represent up to 12.7% of that reference compensation;
- > pay a cash amount to the beneficiary corresponding to the Insurer Contribution (Additional Payment) so that the beneficiary can pay the applicable tax (the plan provides for up-front taxation so that the capital accrued and received on retirement is net of tax and social security contributions).

The above payments are borne in full by the Company and are subject to social security contributions in the same way as salaries.

### **Closing the defined benefit plan (Article 39) to new entrants and freezing existing entitlements**

This plan is now closed to new entrants and the benefit entitlements have been frozen, including for the Chairman and the Chief Executive Officer. However, they could still be eligible for the pension entitlements that they had accrued as at December 31, 2016 provided that the applicable terms and conditions are met, it being specified that:

- > the reference compensation used to calculate the conditional entitlements will be calculated based on the average of beneficiaries' gross fixed and variable compensation for the years 2014 to 2016 (revalued annually using the actuarial assumptions applied to calculate retirement benefit provisions);
- > the seniority taken into account for the plan - which represents an additional 1.8% of the reference compensation per year of service, capped at 18% - will have a cut-off date of December 31, 2016 and no additional conditional entitlements will be accrued under the plan for any service after that date. Consequently, the seniority taken into account for the Chairman and the Chief Executive Officer will correspond to 14% and 18%, respectively;
- > the overall replacement rate may not exceed 35% of the reference compensation;
- > the supplementary pension annuity is capped at three times the annual social security ceiling (PASS) in force at the date that the general social security retirement pension is paid;
- > the payment of this supplementary pension annuity is subject to beneficiaries completing their careers with the Group and being entitled to retire under French social security rules having completed the required number of working years.

At its meeting on March 23, 2017, the Board of Directors decided that the Chief Executive Officer could be a beneficiary under the new supplementary pension plan system. These commitments were approved by the Annual General Meeting of June 15, 2017 in its 5<sup>th</sup> resolution.

Concerning the Article 82 Plan, the Insurer Contribution and the Additional Payment to the Chief Executive Officer for 2017 amounted to €154,746.70 each (i.e., a total of €309,493.40).

Concerning the Article 83 Additional Plan, the expenses payable by Safran for 2017 represented €18,829.





## 2. With the French State (shareholder holding more than 10% of the Company's voting rights)

### *Persons concerned*

Lucie Muniesa, representative of the French State to the Board of Directors of your Company, and Patrick Gandil and Vincent Imbert, Directors put forward by the French State.

### *Nature, purpose, terms and conditions*

#### **ArianeGroup Holding (AGH) Agreement, Arianespace Agreement, Pre-emption Agreement, addendum no. 6 to the agreement of December 21, 2004 and addendum to the Environmental Guarantee Agreement (EGA)**

To boost competitive performance and safeguard the future of the European space launch vehicle sector, which is faced with increasing international competition, Safran and Airbus Group joined forces in the launch vehicle sector through Airbus Safran Launchers Holding (since renamed ArianeGroup Holding [AGH]) and its wholly-owned subsidiary Airbus Safran Launchers (since renamed ArianeGroup SAS [AGH SAS]). This combination was carried out in two phases and finalized on June 30, 2016.

In the first half of 2016, the following agreements and addendums governed by Article L.225-38 of the French Commercial Code were signed with the French State:

- > AGH Agreement;
- > Arianespace Agreement;
- > Pre-emption Agreement;
- > addendum no. 6 to the agreement of December 21, 2004;
- > addendum to the Environmental Guarantee Agreement (EGA).

These agreements and addendums relate to the finalization of the above-mentioned business combination. Together they make up a set of indivisible agreements that are required to establish the business combination. Primarily required by the French State to ensure the protection of France's national interests, these agreements provide for the transfer of the French State's protective rights over the strategic assets to AGH and confer on it the benefits of the rights related to these assets.

The AGH Agreement, the Arianespace Agreement and the Pre-emption Agreement as well as addendum no. 6 to the agreement of December 21, 2004 were authorized by the Board of Directors on December 17, 2015. They were signed on June 24, 2016 and entered into force on June 30, 2016. They were subsequently approved by the Annual General Meeting of June 15, 2017.

Effective from June 30, 2016, the protection of the French State's strategic interests is ensured via:

- > the AGH Agreement: an agreement between the French State and AGH relating to protected assets and strategic subsidiaries and interests, entered into in the presence of Safran and Airbus Group SE;
- > the Arianespace Agreement: an agreement between the French State and AGH relating to Arianespace Participation and Arianespace SA shares, entered into in the presence of Safran and Airbus Group SE.

The following agreements were entered into at the same time:

- > the Pre-emption Agreement: an agreement between Safran, Airbus Group SE and the French State, which sets out the conditions under which Airbus Group SE and Safran may exercise a pre-emptive right on the shares of the other partner in AGH if the French State exercises any of the call options granted to it by Airbus Group SE and Safran. The French State may only buy back AGH shares once the pre-emptive rights of Safran and Airbus have been used or expire;
- > addendum no. 6 to the agreement of December 21, 2004 between Safran and the French State:

When Sagem SA and Snecma merged, the French State required adequate contractual rights to be put in place to protect France's national interests, as consideration for waiving its right to take a golden share in Snecma in accordance with Article 10 of Act no. 86-912 of August 6, 1986.

A three-way agreement in lieu of a golden share was therefore entered into on December 21, 2004 between the French State and Sagem SA and Snecma, which have now been merged into Safran. It was approved by shareholders at the May 11, 2005 Annual General Meeting. The agreement, as amended or supplemented by the three addendums signed in 2011 and approved at the May 31, 2012 Annual General Meeting and the two addendums signed in 2014 and approved at the April 23, 2015 Annual General Meeting as well as addendum no. 6, provides that:

- the French State shall be entitled to appoint a non-voting representative to the Safran Board of Directors should its interest in the Company's share capital fall below 10%;
- the French State shall be entitled to appoint a non-voting representative to the Boards of Directors or equivalent bodies of Safran's strategic subsidiaries and subsidiaries holding assets with a connection to French combat aircraft engines;
- the French State shall have a prior right of approval over (i) sales of certain assets identified as strategic or defense sensitive owned by Group entities, (ii) acquisitions of interests resulting in a holding of more than 33.33% or more than 50% of the share capital or voting rights of other Group entities that own sensitive defense assets, and (iii) projects conferring special management or information rights over strategic assets or rights of representation on the administrative or management bodies of subsidiaries or strategic interests,

- in the event that a third party acquires more than 10% or a multiple of 10% of Safran's share capital or voting rights, and failing an agreement on other ways of protecting France's national interests in connection with the strategic assets, the French State shall be entitled to purchase the securities and assets of the strategic subsidiaries.

The purpose of addendum no. 6 is to exclude from the scope of the agreement of December 21, 2004 the assets, subsidiaries and interests henceforth protected by the AGH Agreement, the Arianespace Agreement and the Pre-emption Agreement described above.

Moreover, the EGA Addendum, an addendum to an Environmental Guarantee Agreement (EGA) with SNPE authorized by the Board of Directors on December 17, 2015, was signed on May 17, 2016 and entered into force on June 30, 2016. It was subsequently approved by the Annual General Meeting of June 15, 2017. Some sites transferred to AGH, as part of the above described business combination, are covered by an Environmental Guarantee Agreement (EGA) granted to Safran by SNPE and counter-guaranteed by the French State. With the French State's approval, the addendum to the EGA was entered into between SNPE, AGH and Safran in order to transfer the benefit of the EGA to AGH for said sites (Safran being substituted by AGH).

## Agreements and commitments authorized and signed during the year but not approved by the Annual General Meeting

We hereby report to you on the following commitment which was authorized and signed during the year and subsequently implemented despite not being approved by the Annual General Meeting of June 15, 2017.

### 1. With Ross McInnes, Chairman of the Board of Directors

#### *Nature, purpose, terms and conditions*

##### **Changes to the pension plan system of the Chairman of the Board of Directors**

We remind you that the Board of Directors decided to separate the roles of Chairman of the Board of Directors and Chief Executive Officer at its April 23, 2015 meeting and subsequently appointed Ross McInnes as Chairman of the Board of Directors. At the same meeting, it decided - in accordance with Article L.225-42-1 of the French Commercial Code - to authorize him to continue to be a beneficiary under the defined benefit supplementary pension plan (Article 39) and the defined contribution supplementary pension plan (Article 83) set up in France, subject to the same terms and conditions as the other plan members.

These commitments were approved by the Annual General Meeting of May 19, 2016, as indicated in the Statutory Auditors' special report of March 29, 2016.

At its March 23, 2017 meeting, the Board of Directors decided to modify the supplementary pension plans in order to align them with future needs, bring them more into line with market practices and enhance the Group's appeal.

The new pension plan system comprises three stages:

- > closing the current defined benefit plan (Article 39) to new entrants and freezing existing beneficiaries' entitlements as at December 31, 2016;
  - to compensate for the closure of this plan, new plans were set up for senior managers in France, effective from January 1, 2017:
- > an additional defined contribution pension plan (Article 83), in addition to the mandatory collective defined contribution plan already in place;
- > a defined contribution plan (Article 82).

##### **Mandatory collective defined contribution plan (Article 83 Additional Plan)**

This plan was set up for all managerial-grade staff whose gross annual compensation for the calendar year preceding the assessment date (Y-1) was equal to or higher than four times the social security ceiling (PASS) for Y-1.

The contributions were based on salary Tranches A, B and C as defined for the calculation of statutory top-up pensions (ARRCO-AGIRC plans).

Entitlements under the plan accrued in return for the payment of monthly contributions representing 6% of Tranche A, 6% of Tranche B and 6% of Tranche C. All of these monthly payments are borne in full by the Company (in addition to the 2% contribution already paid by the Company under the existing Article 83 Core Plan).

The taxes and social security contributions on the monthly payments are also borne in full by the Company.

##### **Voluntary collective defined contribution plan (Article 82 Plan)**

Unlike for the defined benefit plan (Article 39), this plan does not provide a guaranteed level of retirement benefits. It is a voluntary plan which eligible beneficiaries can decide whether or not to sign up to.

Eligible beneficiaries correspond to top executives (*hors statut*) whose reference compensation (fixed compensation and annual bonus) for the calendar year preceding the assessment date (Y-1) is equal to or higher than seven times the social security ceiling (PASS) for Y-1.

The reference compensation for Y-1 is used to calculate the contributions to the plan. This reference compensation corresponds to the beneficiary's full-time basic fixed compensation plus the short-term bonus for the year concerned and excludes any other components of compensation.



In order for entitlements to accrue under the plan, the Company is required to:

- > pay monthly contributions to an insurer, the rate of which is set based on the beneficiary's reference compensation for Y-1 (Insurer Contribution) and which may represent up to 12.7% of that reference compensation;
- > pay a cash amount to the beneficiary corresponding to the Insurer Contribution (Additional Payment) so that the beneficiary can pay the applicable tax (the plan provides for up-front taxation so that the capital accrued and received on retirement is net of tax and social security contributions).

The above payments are borne in full by the Company and are subject to social security contributions in the same way as salaries.

#### **Closing the defined benefit plan (Article 39) to new entrants and freezing existing entitlements**

This plan is now closed to new entrants and the benefit entitlements have been frozen, including for the Chairman and the Chief Executive Officer. However, they could still be eligible for the pension entitlements that they had accrued as at December 31, 2016 provided that the applicable terms and conditions are met, it being specified that:

- > the reference compensation used to calculate the conditional entitlements will be calculated based on the average of beneficiaries' gross fixed and variable compensation for the years 2014 to 2016 (revalued annually using the actuarial assumptions applied to calculate retirement benefit provisions);
- > the seniority taken into account for the plan - which represents an additional 1.8% of the reference compensation per year of service, capped at 18% - will have a cut-off date of December 31, 2016 and no additional conditional entitlements will be accrued under the plan for any service after that date. Consequently, the seniority taken into account for the Chairman and the Chief Executive Officer will correspond to 14% and 18%, respectively;
- > the overall replacement rate may not exceed 35% of the reference compensation;
- > the supplementary pension annuity is capped at three times the annual social security ceiling (PASS) in force at the date that the general social security retirement pension is paid;
- > the payment of this supplementary pension annuity is subject to beneficiaries completing their careers with the Group and being entitled to retire under French social security rules having completed the required number of working years.

At its meeting on March 23, 2017, the Board of Directors decided that the Chairman could be a beneficiary under the new supplementary pension plan system. These commitments were rejected by the Annual General Meeting of June 15, 2017 in its fourth resolution. On the recommendation of the Appointments and Compensation Committee, at its July 27, 2017 meeting, the Board of Directors ratified its decision of March 23, 2017 to include the Chairman as a beneficiary under the new supplementary pension plan system, subject to the same terms and conditions as the other managerial-grade staff who are beneficiaries under the system.

Concerning the Article 82 Plan, the Insurer Contribution and the Additional Payment to the Chairman for 2017 amounted to €57,690.34 each (i.e., a total of €115,380.68).

Concerning the Article 83 Additional Plan, the expenses payable by Safran for 2017 represented €18,829.

Courbevoie and Paris-La Défense, March 27, 2018

The Statutory Auditors

MAZARS

Gaël Lamant

Christophe Berrard

ERNST & YOUNG et Autres

Jean-Roch Varon

Nicolas Macé

## STATUTORY AUDITORS' SPECIAL REPORT ON THE AUTHORIZATION TO GRANT NEW OR EXISTING SHARES, FREE OF CONSIDERATION (SEVENTEENTH RESOLUTION)

*This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.*

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in compliance with Article L.225-197-1 of the French Commercial Code (*Code de commerce*), we hereby report on the proposed authorization to grant new or existing shares of the Company, free of consideration, to (i) employees or certain categories of employees of the Company and/or of related companies or groups within the meaning of Article L.225-197-2 of the French Commercial Code, and (ii) corporate officers of the Company and/or of related companies or groups within the meaning of Article L.225-197-2 of the French Commercial Code (except for the Chairman of the Company's Board of Directors when the duties of Chairman of the Board and Chief Executive Officer are separated), provided said corporate officers are eligible for such grants under the applicable law, which is submitted for your approval.

This authorization may not grant entitlement to a total number of shares exceeding 0.4% of the number of shares making up the Company's share capital on the date of the grant decision by the Board of Directors.

Your Board of Directors proposes that, on the basis of its report, it be authorized for a period of 26 months starting on the date of this meeting to grant new or existing shares, free of consideration.

It is the responsibility of the Board of Directors to prepare a report on the proposed operation. Our role is to report on any matters relating to the information regarding the proposed operation.

We performed the procedures that we deemed necessary in accordance with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures consisted mainly in verifying that the proposed methods described in the Board of Directors' report comply with the legal provisions governing such operations.

We have no matters to report as to the information provided in the Board of Directors' report relating to the proposed authorization to grant new or existing shares of the Company.

Courbevoie and Paris-La Défense, March 27, 2018

The Statutory Auditors

MAZARS

Gaël Lamant

Christophe Berrard

ERNST & YOUNG et Autres

Jean-Roch Varon

Nicolas Macé

# USE BY THE BOARD OF DIRECTORS OF AN AUTHORIZATION GIVEN AT THE JUNE 15, 2017 ANNUAL GENERAL MEETING

## REPORT ON THE USE OF THE AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS IN THE THIRTY-THIRD RESOLUTION ADOPTED AT THE JUNE 15, 2017 ANNUAL GENERAL MEETING

**Authorization for the Board of Directors to increase the Company's capital as payment for the securities tendered to the subsidiary exchange offer initiated by Safran for the shares of Zodiac Aerospace**

### Additional report of the Board of Directors

(Article R.225-116 of the French Commercial Code)

To the Shareholders,

In accordance with Articles L.225-129-5 and R.225-116 of the French Commercial Code, we hereby report to you on the use of the authorization granted to the Board of Directors in the thirty-second and thirty-third resolutions (extraordinary resolutions) of the June 15, 2017 Annual General Meeting to issue new shares of the Company, without pre-emptive subscription rights for existing shareholders, as payment for the shares tendered to and accepted under the exchange offer carried out on a subsidiary basis (the "Subsidiary Exchange Offer") to the cash tender offer made on a principal basis (the "Principal Tender Offer") initiated by the Company for the shares of Zodiac Aerospace ("Zodiac").

On this basis, and in accordance with the above-mentioned legal and regulatory provisions, the report below (i) describes the final terms and conditions of the overall transaction approved by the Board of Directors and (ii) explains the impact of those terms and conditions on the Company's shareholders.

### 1. Legal framework of the transaction

#### 1.1 Annual General Meeting of June 15, 2017

In the thirty-third resolution of the June 15, 2017 Annual General Meeting (extraordinary resolution), in accordance with Articles L.225-129-2 to L.225-129-6, L.225-148 and L.228-15 of the French Commercial Code, the shareholders:

➤ granted the Board of Directors a twenty-six month authorization to (i) issue Class A Preferred Shares as payment for securities of another company tendered to a public exchange offer initiated by the Company and (ii) cancel the pre-emptive rights of existing shareholders to subscribe for the Class A Preferred Shares issued under this authorization.

The shareholders resolved that this authorization could be used in connection with any public exchange offer initiated by the Company, in France or abroad, for the securities of another company listed on one of the regulated markets referred to in Article L.225-148 of the French Commercial Code, or any other type of public offer that complies with the applicable laws and regulations;

➤ noted that, in accordance with Article L.225-132 of the French Commercial Code, in the event of an issue of Class A Preferred Shares carried out under this authorization, existing shareholders would waive their pre-emptive rights to subscribe for the ordinary shares resulting from the conversion of said Class A Preferred Shares;

➤ resolved that the maximum nominal amount of the capital increases that could be carried out pursuant to this authorization would be €8 million;

➤ resolved that the Board of Directors would have full powers to use this authorization, in particular to carry out issues of Class A Preferred Shares in connection with public offers falling within the scope of this resolution, and notably to:

- set the exchange ratio as well as any balance to be paid in cash,

## USE BY THE BOARD OF DIRECTORS OF AN AUTHORIZATION GIVEN AT THE JUNE 15, 2017 ANNUAL GENERAL MEETING

- place on record the number of securities tendered to the exchange,
  - determine the timing and other terms and conditions of the issue(s) and notably the price and cum-rights date (which could be retroactive) of the Class A Preferred Shares issued in accordance with this resolution,
  - suspend, where appropriate, the exercise of any rights attached to new or existing securities in accordance with the applicable laws and regulations, and make any adjustments in order to take into account the impact of any issues on the Company's capital and set the terms and conditions for protecting the rights of holders of securities carrying rights to the Company's shares, in accordance with the applicable laws, regulations and contractual provisions,
  - credit the difference between the issue price of the new Class A Preferred Shares and their par value to a premium account to which all shareholders would have equivalent rights,
  - charge all the issuance costs against said premium, and more generally
  - take all appropriate measures and enter into any and all agreements to successfully carry out the issue(s), place on record the completion of the capital increase(s), and amend the Company's bylaws to reflect the new capital;
- authorized the Board of Directors, within the limits set in advance by the Board, to delegate to the Chief Executive Officer or, in agreement with him and where applicable, to one or more Deputy Chief Executive Officers, the authorization given under this resolution.

### 1.2 Decision taken by the Board of Directors on December 6, 2017 using the above-described authorization

At its meeting on December 6, 2017, having placed on record that the maximum number of Class A Preferred Shares that could be issued in connection with the Subsidiary Exchange Offer was 29,497,478, corresponding to a capital increase representing a maximum nominal amount of €5,899,495.60, the Board of Directors (i) resolved that the Class A Preferred Shares to be used as payment under the Subsidiary Exchange Offer would be issued using the above-mentioned thirty-second and thirty-third resolutions, and (ii) delegated to the Chief Executive Officer the power to carry out one or two increases of Safran's capital depending on whether or not the Subsidiary Exchange Offer is re-opened, by issuing the Class A Preferred Shares to be used as payment in connection with the Subsidiary Exchange Offer, in accordance with the terms and conditions and ceilings set out in section 2.3.2 of the Information Memorandum (as this term is defined below), and notably but not exhaustively, to:

- place on record the number of Zodiac shares tendered to the Subsidiary Exchange Offer and the number of Class A Preferred Shares to be issued based on the Exchange Ratio as well as the amount of the capital increase(s) and, where applicable, the amount of any cash compensation payable for any rights to fractional shares;
- determine the dates and terms and conditions of the issue(s);
- suspend, where appropriate and in accordance with the applicable laws and regulations, the exercise of any rights attached to new or existing securities and make any adjustments in order to take into account the impact of the issue(s) on the Company's capital and set the terms and conditions for protecting the rights of holders of securities carrying rights to the Company's shares;
- recognize on the liabilities side of the balance sheet, in a premium account to which all of the shareholders will have equivalent rights, the difference between the issue price of the Class A Preferred Shares and their par value, and, where appropriate, deduct from that premium all of the costs and fees incurred in relation to the transaction concerned; and more generally
- take all appropriate measures and enter into any and all agreements to successfully carry out the issue(s), place on record the completion of the capital increase(s), place on record any conversion of the Class A Preferred Shares into ordinary shares and amend the Company's bylaws accordingly.

The Board of Directors further resolved that if the Chief Executive Officer were to use the powers delegated to him as described above, he would be required to report to the Board of Directors thereon at the first Board meeting following such use.

In accordance with Articles 232-1 *et seq.* of the AMF's General Regulations, the Offer was filed with the AMF on December 7, 2017 by Crédit Agricole CIB, acting on behalf of the Company. In this Offer the Company irrevocably offered to Zodiac's shareholders to (i) purchase their Zodiac shares at a price of €25 under the Principal Tender Offer, or (ii) exchange their Zodiac shares for new Class A Preferred Shares, based on an Exchange Ratio of between 0.300 and 0.332 Preferred Shares for one Zodiac share accepted under the Subsidiary Exchange Offer, subject to an overall ceiling of 88,847,828 Zodiac shares.

The filing notice for the Offer was published by the AMF on its website on December 7, 2017 under number 217C2859.

On December 21, 2017, the AMF stated that the Offer complied with the applicable laws and regulations and published a compliance statement under number 217C2992. Accordingly, on the same date the AMF approved the Information Memorandum for the Offer (the "Information Memorandum") under visa number 17-648.

On January 17, 2018, Safran announced that the final Exchange Ratio for the Subsidiary Exchange Offer - determined in accordance with section 2.3.2 of the Information Memorandum - was 0.300 Safran Class A Preferred Shares for one Zodiac share.

The Offer period ran from December 27, 2017 to January 31, 2018. In view of its success, it was re-opened from February 19, 2018 to March 2, 2018. Only the Principal Tender Offer was re-opened as the number of Zodiac shares tendered to the Subsidiary Exchange Offer had reached the ceiling set in the initial Offer.

### 1.3 Decision taken by the Chief Executive Officer on February 7, 2018 using the above-described delegation of powers

On February 7, 2018, having considered:

- (i) the Exchange Ratio for the Subsidiary Exchange Offer, corresponding to 0.300 Safran Class A Preferred Shares for one Zodiac share;





- (ii) the notice of the results of the Offer published by the AMF on February 6, 2018;
- (iii) the notice of the results of the Offer published by Euronext on February 6, 2018 and the “Funds Flow” document issued by Euronext on February 6, 2018 for the purpose of organizing the settlement of the shares concerned;

the Chief Executive Officer placed on record that:

- > the number of Zodiac shares actually tendered to the Subsidiary Exchange Offer, after application of the reduction mechanism, was 88,847,828;
- > these Zodiac shares tendered to the Subsidiary Exchange Offer should be paid for in the form of (i) 26,651,058 Class A Preferred Shares, and (ii) in accordance with the terms and conditions set out in section 2.3.5 of the Information Memorandum, in the form of a €274,200 cash payment as compensation for rights to fractional shares (although certain shareholders may have waived their entitlement to this cash compensation); and
- > Safran's share capital was fully paid up.

Consequently, the Chief Executive Officer decided to use the delegation of powers granted to him by Safran's Board of Directors on December 6, 2017 and decided to:

- > increase Safran's share capital by €5,330,211.60 from €83,405,917 to €88,736,128.60, by issuing, at the settlement date of the Offer, 26,651,058 Class A Preferred Shares (ISIN FRO013306479) as payment for the 88,847,828 Zodiac shares definitively tendered to the Subsidiary Exchange Offer. These Preferred Shares have a par value of €0.20, are all in the same class, carry immediate dividend rights and have the same characteristics as the Safran ordinary shares currently traded on Euronext Paris (compartment A) under ISIN FRO000073272, but they are subject to a lock-up period of 36 months as from their issue;
- > recognize the difference between the issue price of the Class A Preferred Shares and their par value in an “Issue premium” account on the liabilities side of the balance sheet, to which all shareholders will have equivalent rights and against which all of the costs and fees incurred in connection with the transaction may be charged;
- > amend Articles 6, 7, 9, 11 and 12 of the Company's bylaws relating to the share capital, to insert an Article 36 relating to Special Meetings of holders of Class A Preferred Shares and to amend the numbering of the bylaws accordingly.

## 2. Terms and conditions of the capital increase and impact of the issue

### 2.1 Terms and conditions of the capital increase

As stated in paragraph 1.3 above, the total nominal amount of the capital increase carried out on February 7, 2018, using the authorization given by shareholders at the June 15, 2017 Extraordinary General Meeting and the delegation of powers given by the Board of Directors on December 6, 2017, was five million three hundred and thirty thousand two hundred and eleven euros and sixty euro cents (€5,330,211.60) and the aggregate amount of the issue, including the premium, was €2,243,486,062.44. The Company's share capital was increased from eighty-three million four hundred and five thousand nine hundred and seventeen euros (€83,405,917) before the issue of the Class A Preferred Shares to eighty-eight million seven hundred and thirty-six thousand one hundred and twenty-eight euros and sixty euro cents (€88,736,128.60) after the issue, bringing the total number of shares making up Safran's capital to 443,680,643, including 417,029,585 ordinary shares and 26,651,058 newly-issued Class A Preferred Shares.

The full terms and conditions of the issue of the Class A Preferred Shares and, more generally, the terms and conditions of the Subsidiary Exchange Offer are set out in the Information Memorandum available on the websites of Safran ([www.safran-group.com](http://www.safran-group.com)) and the AMF ([www.amf-france.org](http://www.amf-france.org)).

### 2.2 Impact of the issue

#### 2.2.1 Impact of the issue on equity

The table below shows the impact of the issue of the new Class A Preferred Shares on equity per share calculated at parent company and Group level at December 31, 2017 based on the number of shares making up the Company's capital at that date (after deducting the 7,742,624 shares held in treasury at December 31, 2017).

	Before issue	After issue
Parent company's equity	€8,289,826k	€10,533,312k
Consolidated equity (attributable to owners of the parent)	€10,321,139k	€12,564,625k
Number of shares – undiluted	409,286,961	435,938,019
Number of shares – diluted <sup>(1)</sup>	416,564,166	443,215,224
Parent company's equity per share – undiluted	€20.25	€24.16
Parent company's equity per share – diluted	€21.46	€25.23
Attributable consolidated equity per share – undiluted	€25.22	€28.82
Attributable consolidated equity per share – diluted	€26.27	€29.75

(1) Assuming the conversion of the 7,277,205 Océane convertible bonds issued by Safran on January 5, 2016.



## USE BY THE BOARD OF DIRECTORS OF AN AUTHORIZATION GIVEN AT THE JUNE 15, 2017 ANNUAL GENERAL MEETING

### 2.2.2 Impact of the issue on shareholders' interests in the Company's capital

The table below shows the impact of the issue of the Class A Preferred Shares on the ownership interest of a shareholder holding 1% of the Company's capital prior to the issue.

Shareholder's % ownership interest	Before issue	After issue
Undiluted basis	1%	0.94%
Diluted basis <sup>(1)</sup>	0.98%	0.92%

(1) Assuming the conversion of the 7,277,205 Océane convertible bonds issued by Safran on January 5, 2016.

### 2.2.3 Theoretical impact of the issue of the Class A Preferred Shares on the Company's share price and market capitalization

The theoretical impact of the issue of the Class A Preferred Shares on Safran's current market capitalization is zero on an undiluted basis and a positive 0.012% on a diluted basis.

This impact was calculated based on the following:

- > a price of €88.50 per Safran share, corresponding to the average of the closing Safran share prices over the twenty trading days preceding the issue date;
- > the issue of 26,651,058 Class A Preferred Shares with a par value of €0.20 each; and
- > net proceeds from the issue of the 26,651,058 Class A Preferred Shares amounting to €2,243,486,062.44 (including a €2,238,155,850.84 issue premium), calculated based on the opening price on February 13, 2018, i.e., €84.18.

Based on the above, the following table shows the theoretical impact of the issue of the Class A Preferred Shares on Safran's current share price and market capitalization:

Issue of Class A Preferred Shares under the Offer	
Number of Safran shares after issue of the Class A Preferred Shares	443,680,643
Net proceeds from the issue of the Class A Preferred Shares	2,243,486,062.44
Situation before the issue of the Class A Preferred Shares	
Number of Safran shares before the issue of the Class A Preferred Shares	417,029,585
Safran share price before the issue of the Class A Preferred Shares	88.50
Safran's market capitalization before the issue of the Class A Preferred Shares	36,907,118,272.50
Situation after the issue of the Class A Preferred Shares (undiluted basis)	
Theoretical Safran share price after the issue of the Class A Preferred Shares	88.50
Safran's theoretical market capitalization after the issue of the Class A Preferred Shares	39,265,736,905.50
Situation after the issue of the Class A Preferred Shares (diluted basis) <sup>(1)</sup>	
Theoretical Safran share price after the issue of the Class A Preferred Shares	88.51
Safran's theoretical market capitalization after the issue of the Class A Preferred Shares	39,915,736,846.10

(1) Assuming the conversion of the 7,277,205 Océane convertible bonds issued by Safran on January 5, 2016.

In accordance with the applicable laws and regulations, this report as well as the Statutory Auditors' report on the use of this authorization are available for consultation by shareholders at the Company's registered office and will be provided to them at the next Annual General Meeting.

The Board of Directors



# ADDITIONAL REPORT OF THE STATUTORY AUDITORS ON THE USE OF THE AUTHORIZATION GRANTED TO THE BOARD OF DIRECTORS IN THE THIRTY-THIRD RESOLUTION ADOPTED AT THE ANNUAL GENERAL MEETING OF JUNE 15, 2017

## Additional report of the Statutory Auditors on the issuance of Class A Preferred Shares as consideration for shares tendered to the subsidiary exchange offer made by Safran for Zodiac Aerospace

*This is a free translation into English of a report issued in French and it is provided solely for the convenience of English-speaking users. This report should be read in conjunction with and construed in accordance with French law and professional standards applicable in France.*

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with Article R.225-116 of the French Commercial Code (*Code de commerce*), and further to our report of May 23, 2017, we hereby report to you on the issuance of Class A Preferred Shares as consideration for shares tendered to a public exchange offer made by your Company, as authorized at the Extraordinary Shareholders' Meeting of June 15, 2017.

The Shareholders' Meeting delegated authority to the Board of Directors, which may be sub-delegated, to decide on such an operation within a period of twenty-six months and for a maximum amount of €8 million.

Exercising this delegation, at its meeting on December 6, 2017, the Board of Directors agreed in principle to issue Class A Preferred Shares as consideration for shares tendered to the subsidiary exchange offer made by Safran for Zodiac Aerospace. Also at its meeting on December 6, 2017, the Board of Directors decided to sub-delegate to the Chief Executive Officer the necessary powers to make one or more capital increases depending on whether or not the subsidiary exchange offer was re-opened, by issuing Class A Preferred Shares as consideration for shares tendered to the subsidiary exchange offer.

Exercising this sub-delegation, on February 7, 2018, the Chief Executive Officer decided to proceed with a capital increase in an amount of €5,330,211.60 via the issuance of 26,651,058 Class A Preferred Shares with a par value of €0.20 per share. A total of 88,847,828 Zodiac Aerospace shares were tendered to the subsidiary exchange offer (ceiling set in the initial offer) and the final exchange ratio for the subsidiary exchange offer – determined in accordance with section 2.3.2 of the Information Memorandum – was set at 0.300 Safran Class A Preferred Shares for one Zodiac share.

At its meeting on February 26, 2018, the Board of Directors placed on record the issuance of 26,651,058 Class A Preferred Shares with a par value of €0.20 per share, making a total issue amount of €2,243,486,062.44 including the share premium.

It is the responsibility of the Board of Directors to prepare an additional report in accordance with Article R.228-17 of the French Commercial Code. Our role is to express an opinion on the capital increase and certain other information concerning the issue, given in this report.

We have performed those procedures which we considered necessary in accordance with professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures mainly consisted in verifying:

- > the compliance of the terms and conditions of the transaction with the delegation of authority granted by the Shareholders' Meeting;
- > the presentation of the impact of the issuance on the financial position of the holders of shares and securities granting access to the share capital, as expressed in relation to shareholders' equity and calculated on the basis of the annual and consolidated financial statements, which were audited by us in accordance with professional standards applicable in France.

We have no matters to report as to:

- > the compliance of the terms and conditions of the transaction with the delegation of authority granted by the Shareholders' Meeting of June 15, 2017 and the information provided to the shareholders;
- > the presentation of the impact of the issuance on the financial position of the holders of shares and securities granting access to the share capital, as expressed in relation to shareholders' equity;
- > the capital increase upon which you previously voted.

Courbevoie and Paris-La Défense, March 5, 2018

The Statutory Auditors

Mazars

ERNST & YOUNG et Autres

Gaël Lamant

Christophe Berrard

Jean-Roch Varon

Nicolas Macé



# REQUEST ADDITIONAL DOCUMENTS AND INFORMATION

**Article R.225-83 of the French Commercial Code<sup>(1)</sup>**

## ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING TO BE HELD ON MAY 25, 2018

**Request to be sent to:**

**BNP Paribas Securities Services**  
CTS Émetteurs Assemblées  
Grands Moulins de Pantin  
9, rue du Débarcadère  
93761 Pantin Cedex

I, the undersigned,

Name (or corporate name):

Address:

Owner of:

registered shares

bearer shares recorded in an account held with<sup>(2)</sup>

hereby request the Company to send to the above address the documents and information referred to in Article R.225-83 of the French Commercial Code, for the purposes of Safran's Ordinary and Extraordinary Shareholders' Meeting to be held on May 25, 2018.

Signed in: , on:  2018

**Signature:**

In accordance with Article R.225-88 of the French Commercial Code, holders of registered shares may make a one-time request for the Company to send the documents and information referred to in Articles R.225-81 and R.225-83 of said Code prior to all future Shareholders' Meetings.

Please check this box if you wish to lodge this request:

(1) The documents and information referred to in Article R.225-83 of the French Commercial Code include the parent company and consolidated financial statements, the management report drawn up by the Board of Directors and the Statutory Auditors' reports. These documents and information can also be downloaded from the Company's website at [www.safran-group.com](http://www.safran-group.com).

(2) For holders of bearer shares, please state the name and address of the authorized financial intermediary responsible for managing your shares.



# SIGN UP FOR THE E-NOTICE OF MEETING

## Help support our sustainable development efforts by signing up for the e-notice of meeting

You can now choose to receive the notice of meeting by email, thereby helping us protect the environment and reduce our carbon footprint by cutting down on printing and mailing hard copies of the notice.

Opting for the e-notice of meeting is also a fast, easy and secure way to obtain all the information you need.

To sign up for the e-notice of meeting (effective for meetings after May 25, 2018), all you need to do is:

- > fill out the reply slip below (also available on [www.safran-group.com](http://www.safran-group.com)) by clearly writing your name, date of birth and email address and returning it in the enclosed prepaid envelope at your earliest convenience; or
- > log on directly to the “e-Notice” page at: <https://planetshares.bnpparibas.com> by **3.00 p.m. on May 24, 2018.**



If you have already signed up for the e-notice but continue to receive a hard copy, please resend us the reply slip below.

## E-notice reply slip

**I would like to sign up for electronic information concerning my share account and receive by email a copy of:**

My notice of meeting as well as all documentation pertaining to Safran’s **Annual General Meetings held after May 25, 2018.**

I hereby provide the following information (all fields must be completed; please write in capital letters only):

Mrs. /  Ms. /  Mr.

Last name (or corporate name): \_\_\_\_\_

First name: \_\_\_\_\_

Date of birth (mm/dd/yyyy): \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_

Email: \_\_\_\_\_ @ \_\_\_\_\_

Signed in: \_\_\_\_\_, on: \_\_\_\_\_ 2018

**Signature:**





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**POWERED  
BY TRUST**

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