Regroupement
PPLOCAL

Paris, April 10, 2017

Dear Sir, Madam,

As a Safran shareholder, you may have heard about Safran's plan to acquire Zodiac.
We are a non-profit organization defending the rights of individual and minority shareholders in France and are writing today to express our opposition to the proposed acquisition for the following reasons:

1. The Zodiac acquisition will involve a highly unusual, costly and illegitimate two-steps structure;
2. The acquisition price for Zodiac is excessive and was not set in a transparent manner;
3. Several members of the Board of Safran who have approved the acquisition are in a position of conflict of interests.

We have developed our arguments in detail in the letter below and hope that they will convince you to join our campaign against the acquisition.

Our goal today is to call on the Safran management to abandon the acquisition, or, in the alternative, significantly lower the price of its offer, as well as to consult Safran shareholders in compliance with the best practices of financial markets around the world regarding corporate governance, valuation and the avoidance of conflicts of interests among Board members.

Please consider joining our fight and organization. Membership is absolutely free and confidential. Visit our website at www.regroupementpplocal.com for more information about our work and feel free to ask us any question at regroupementpplocal@gmail.com

Thank you for your consideration

Sincerely

Alexandre Loussert
Président
RegroupementPPLocal

Defending Your Rights

Safran's contemplated acquisition of Zodiac includes important risks of destruction of value for Safran and for its shareholders. In addition, the contemplated structure of the deal leads to serious violations of the rights of minority Safran shareholders to approve the acquisition for the benefit of a small majority of managers as well as controlling shareholders of Safran and Zodiac.

This is why we oppose the acquisition and wanted to reach out to other minority shareholders to share our views and analysis as well as to solicit their support to force the management of Safran to reduce the cost of the acquisition and submit it to the approval of all Safran shareholders.

Before presenting our case, allow us to introduce ourselves. We are a French, non-profit organization, gathering over 1.700 members who are all individual shareholders. Our mission is to defend the interests of individual shareholders in France. Our unique ability to leverage collective action through social media and online shareholder forums has led us to become the first shareholder organization to successfully obtain, during a shareholder meeting, the rejection of a restructuring plan which the management of a large French company had hoped to impose on minority shareholders. This victory allowed us to obtain the adoption of an alternative plan which was more favorable to minority shareholders.

Since this important milestone, we have decided to use our resources and expertise to assist other minority or individual shareholders in France, to fight for their rights and to demand that French public companies follow the best practices of their peers listed on major financial markets around the world to uphold the rights of their minority shareholders. It is with this objective in mind that we have decided to focus on the defense of Safran shareholders today.

After careful review and analysis, we have concluded that the proposed Zodiac acquisition will be detrimental to Safran minority shareholders on several grounds.

I. The Zodiac acquisition will involve a highly unusual, costly and illegitimate two-steps structure

The management of Safran has devised an acquisition structure that is highly detrimental to the interests of minority shareholders, namely:

i) This structure is unheard of

While acquisitions often include several separate operations, the following two-step structure is unheard of:

1) A public offer on Zodiac shares to which the controlling shareholders of Zodiac have agreed not to tender their shares and which is conditional on the tender of more than 50% of the remaining shares of Zodiac, followed by

2) A merger between Safran and Zodiac, if the public offer is successful.

ii) This structure is costly, because it benefits the majority shareholders of Zodiac, to the detriment of Safran shareholders

The financial analysis of the value of both companies clearly reveals that the price extended to the majority shareholders of Zodiac, to be paid in shares of Safran, during the merger, far exceeds that of the price extended to minority shareholders of Zodiac, to be paid in cash, during the public offer.

While it is quite usual to pay a premium for the shares of a controlling shareholder of any company, that premium must remain reasonable, in particular, when considering that the acquired company is in dire financial condition and has few other alternatives, in order to survive, than to merge with a larger company such as Safran, and considering further that the acquisition has been specifically structured to offer substantial tax benefits to the controlling shareholders of Zodiac.

The acquisition was structured in a highly unusual two-step operation in order to allow the controlling shareholders of Zodiac, who are mainly members of its founding families, to avoid paying substantial wealth and estate taxes on the value of their shares post acquisition as well as to keep the benefit of their double voting rights which will transfer to their Safran shares, much to the detriment of other Safran shareholders.

In addition, considering the continuous degradation of the financial situation of Zodiac, the condition imposed on the public offer (a 50% success threshold) is in fact designed to strong arm minority Zodiac shareholders into tendering their shares, if only to ensure that the public offer is successful, thus depriving them of the ability to receive a better consideration for their Zodiac shares in the form of Safran shares, during the subsequent merger.

iii) This structure is abusive because it is designed to avoid the submission of the Zodiac acquisition to the approval of Safran shareholders and to unduly transfer the double voting rights of the controlling Zodiac shareholders to Safran

The launch of the public offer before the merger is specifically designed to deprive Safran shareholders of their right to approve the acquisition. The management of Safran is fully aware of the fact that Safran shareholders will not be in a position to oppose the merger which is scheduled to take place after the public offer because the cost of maintaining Zodiac as a listed company after the public offer would be prohibitive. The management of Safran knows that minority shareholders will then be facing a fait accompli, hoping to force them to approve the acquisition.

The management of Safran have also designed this strategy in order to unduly protect the controlling shareholders of Safran by depriving the minority Zodiac shareholders of the opportunity to receive Safran shares in return for their Zodiac shares (assuming an exchange ratio for the shares reflecting the fair value of both Safran and Zodiac). The structure of the acquisition was thus designed to allow the controlling shareholders of Safran to maintain their significant share of the voting rights of Safran.

For all the above reasons, RegroupementPPLocal considers that the unusual structure of the acquisition is not justified.

As a matter of fact, the acquisition could well have been structured differently, while achieving the following three objectives:
1. increase the chances of success of the public offer to the Zodiac shareholders thus signifiantly reducing the offer price paid by Safran shareholders
2. respect the rights of the minority shareholders of Safran
3. meet the demands of the controlling shareholders of Zodiac in terms of tax treatment and benefits as well as the transfer of their double voting rights

Alternative structures are available to meet all three objectives (assuming an exchange ratio for the shares reflecting the fair value of both Safran and Zodiac).

The first objective can be met, for example, by offering Zodiac shareholders the opportunity to be paid either in Safran shares (during an exchange offer) or in cash (during a public offer). This would allow the management of Safran to considerably improve the attractiveness of their offer and its chances of success, thus considerably reducing the premium to be offered and paid.

This would also have met the second objective by allowing Safran shareholders to vote on the acquisition rather than forcing them to do so under a fait accompli, because French law requires a shareholder vote before the end of an exchange offers.

Finally, a merger could have been set up after the exchange and the public offer in order to meet the third objective.

RegroupmentPPLocal calls on the management of Safran to justify their choice of structure considering in light of the prejudice suffered from it by minority Safran shareholders.

II. The acquisition price for Zodiac is excessive and was not set in a transparent manner

Irrespective of the additional costs attributable to the structure of the acquisition itself, RegroupmentPPLocal already considered, even before the latest profit warning issued by Zodiac on March 14, 2017, that the price of Zodiac was largely over valued considering its financial situation.

According to best practices regarding corporate governance and the respect of minority shareholder rights, in a public offer of this size, the local market regulator, (in this case, the French "AMF") requires a fairness opinion to be issued by a financial institution to establish the value of both the acquirer and its target which form the basis for the acquisition price as well as the exchange ratio. A fairness opinion must be issued by an independent party, usually a bank and is based on a financial analysis conducted in accordance with international standards and practice. Unfortunately, the standards applied by the AMF today are inadequate to protect minority shareholders. This is why RegroupementPPLocal calls for the issuance of a such a fairness opinion.

To date, the acquisition price and exchange ratio were set arbitrarily by the management of Safran without any transparency.

III. Several members of the Board of Safran who have approved the acquisition are in a position of conflict of interests

Several members of the Board of Safran who have approved the acquisition are in situations of conflict of interests and should have abstained from voting on the acquisition.

a) Board members representing the French State

The French State is a shareholder of Safran as well as a former shareholder of Zodiac.
As such, it is aware of the financial situation of Zodiac which has worsened continuously, to the point where many jobs may be threatened. The French State is therefore keen to see that Zodiac is acquired by Safran in order to avoid the social and political consequences of a failed Zodiac. This creates a conflict of interest for Safran board members representing the French State.

b) The executive sitting on the Board of Safran

A change in the bylaws of Safran, raising the age limit from 65 to 68 for the position of Managing Director, will be tabled in order to allow the current Managing Director, Mr. Philippe Petitcollin, who is also a member of the Board of Directors of Safran, to manage the Zodiac integration, together with the management of Zodiac, after the acquisition. This creates a conflict of interests for Mr. Petitcollin who is directly interested in the acquisition.

c) Board members representing employee shareholders of Safran

The employee shareholders of Safran are represented through their Company Mutual Fund (FCPE). However, at Safran, as in most French public companies, the representatives of the FCPE are not elected by employee shareholders but rather appointed, for one half, by the management of Safran and for the other half by employee representatives who may not even be shareholders of the company. At Safran, as elsewhere, these representatives are not truly independent from the management and in practice, follow the voting instructions of the management, particularly that of a Managing Director. This creates a conflict of interest for Board members representing employee shareholders of Safran.

For the reasons outlined above, we call on the management of Safran to abandon the acquisition or, alternatively, to substantially lower the acquisition price, while submitting the decision to the approval of the Safran shareholders and complying with the standards of corporate governance, valuation and avoidance of conflicts of interest in force in major financial markets around the world.

Please consider joining our fight and organization. Membership is absolutely free and confidential. You may also make a financial contribution to help us cover the cost of our campaign. Visit our website at www.regroupementpplocal.com for more information about our work and feel free to ask us any question at regroupementpplocal@gmail.com.

We thank you for your consideration and support.

Sincerely,

Alexandre Loussert
Président
RegroupementPPLocal