

# THIRD-QUARTER AND FIRST NINE MONTHS 2019 REVENUE

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## > DEFINITION

**Civil aftermarket (expressed in USD):** This non-accounting indicator (non-audited) comprises spares and MRO (Maintenance, Repair & Overhaul) revenue for all civil aircraft engines for Safran Aircraft Engines and its subsidiaries and reflects the Group's performance in civil aircraft engines aftermarket compared to the market.

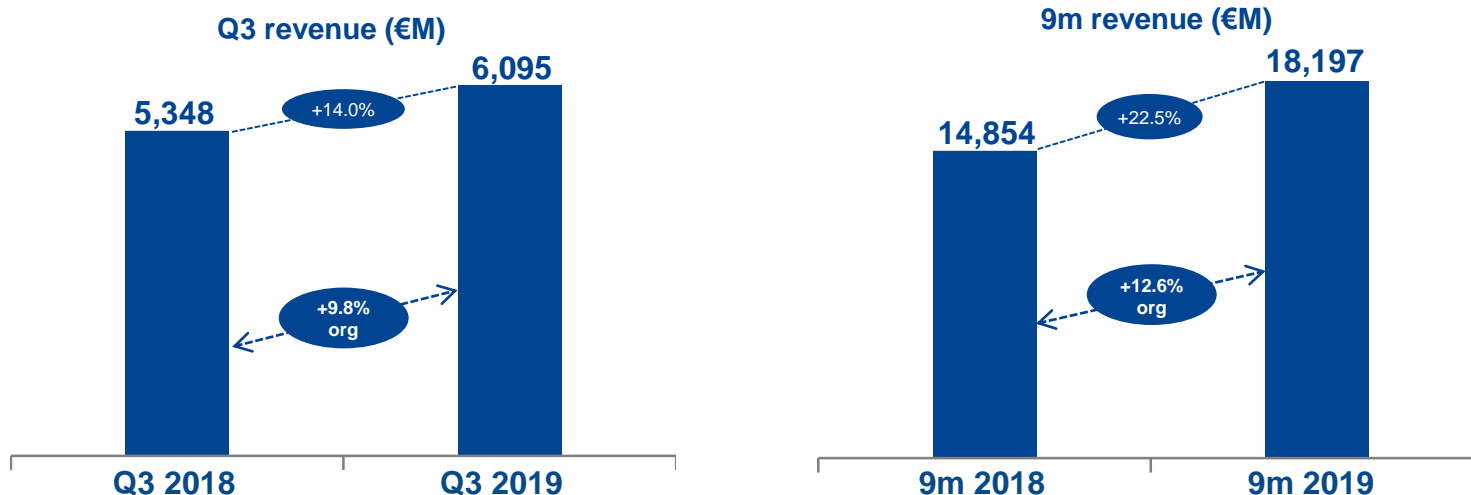


# 1

## Q3 AND 9M 2019 HIGHLIGHTS

Philippe PETITCOLIN - CEO

# Revenue highlights



## Q3 & 9m revenues

- ◆ Reported revenues up including positive currency (EUR/USD average spot rate) impacts
- ◆ Organic growth supported by a strong momentum in all divisions

**On track to meet 2019 revenue outlook**

# CFM56-LEAP transition update

## LEAP: on-going commercial success

- ◆ 1,717 orders and commitments logged in 9m 2019
- ◆ Total backlog (orders and commitments) of 15,778 engines at September 30, 2019
- ◆ 63% market share on A320neo family at September 30, 2019

## LEAP production ramp-up

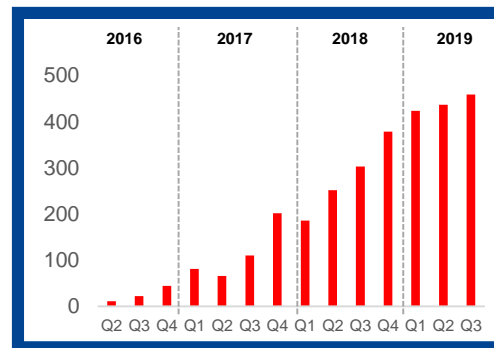
- ◆ 1,316 LEAP delivered in 9m 2019 compared to 741 engines in 9m 2018, of which 455 in Q3 2019
- ◆ LEAP-1A: 52 airlines are operating 514 aircraft powered by LEAP-1A engines totaling over 4 million flight hours so far
- ◆ LEAP-1B: 54 airlines were operating 389 aircraft powered by LEAP-1B engines totaling over 1.7 million flight hours

## CFM56 engines continue to ramp down as planned

- ◆ 327 units delivered in 9m 2019 compared with 834 in 9m 2018, of which 69 in Q3 2019
- ◆ Targeting +350 CFM56 in 2019



LEAP « Pulse line »



LEAP ramp-up (deliveries)

## Q3 2019 business highlights (1/2)

### Propulsion

- ◆ Combined shipment of CFM56 and LEAP engines reached 1,643 units in 9m 2019, up 4.3% compared with 1,575 units in 9m 2018
- ◆ Civil aftermarket growth (in \$): +9.8% in 9m 2019 (YoY variation in Q3 2019: +9.2%)
- ◆ The six first M88 engines for Indian Air Force were delivered and total deliveries reached 20 in Q3 2019
- ◆ Type certificate for the WZ16 (Ardiden 3C) from the Civil Aviation Administration of China (CAAC)

### Aircraft Equipment, Defense and Aerosystems

- ◆ Nacelles:
  - Delivery of the 100<sup>th</sup> nacelle for the A330neo, one year after delivering its first nacelle to Airbus
  - NacelleLife™ support contracts signed with ANA (A380) and Virgin Atlantic (A330ceo)
- ◆ Electrical systems:
  - Safran and Boeing announced a joint investment in Electric Power Systems (EPS), a company offering a suite of safe, certifiable and lightweight energy storage products
  - Safran acquired Neelogy, a French start-up that has developed a disruptive technology for electrical current sensors
- ◆ Defense: Lockheed Martin Australia, together with the Australian Department of Defence, appointed Safran to design three major Combat System components for Australia's Future Submarine Program



M88



A330neo nacelle

## Q3 2019 business highlights (2/2)

### Aircraft Interiors

- ◆ Cabin: Safran was selected by Air France to retrofit 51 A320 and A321 aircraft with Safran ECOS overhead bins
- ◆ Seats:
  - Safran recorded new contracts and was selected notably by several major Asian and Pacific airlines to provide: “Visa” business class seats for Boeing 787; “Z600” business class seats for Boeing 787/737 (launch customer for 737); “Z400” economy class seats for Boeing 787 (launch customer)
  - Virgin Atlantic: first commercial Airbus A350-1000 flight equipped with “Cirrus NG” business class seats
  - first delivery of the 28 Airbus A350-900 ordered by Air France equipped with “Optima” business class seats and with “Z300” economy class seats
- ◆ Passenger Solutions:
  - Lufthansa to supply its RAVE ULTRA In-flight Entertainment (IFE) and Connectivity (IFC) program to line fit 34 Boeing 777-9
  - ANA to supply its RAVE ULTRA IFE program to retrofit 11 Boeing 787-8



Seat assembly line (cradles)



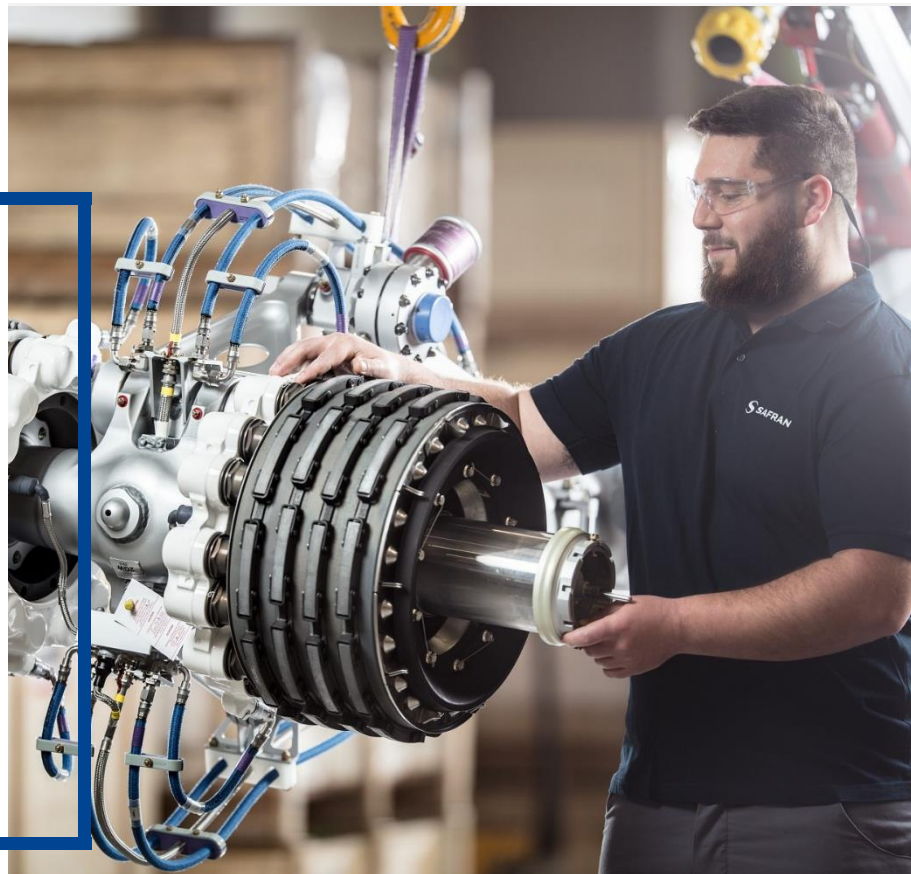
RAVE IFE system



# 2

## Q3 AND 9M 2019 REVENUE

Bernard DELPIT – Group CFO





# Foreword

## Adjusted data

All revenue figures in this presentation represent adjusted data<sup>(1)</sup> (except where noted).

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

Safran's consolidated revenue has been adjusted for the impact of the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:

- revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy

## Consolidation of Zodiac Aerospace

Aerosystems and Aircraft Interiors (former Zodiac Aerospace activities) are fully consolidated in Safran's financial statements starting March 1, 2018.

Safran 9m 2019 revenue include nine months of revenue from Aerosystems and Aircraft Interiors.

New presentation of segment information as of June 30, 2019 (cf. press release July 1<sup>st</sup>, 2019).

## Organic growth

Organic variations were determined by excluding the effect of changes in scope of consolidation (notably the contribution of Aerosystems and Aircraft Interiors in January and February 2019) and the impact of foreign currency variations.

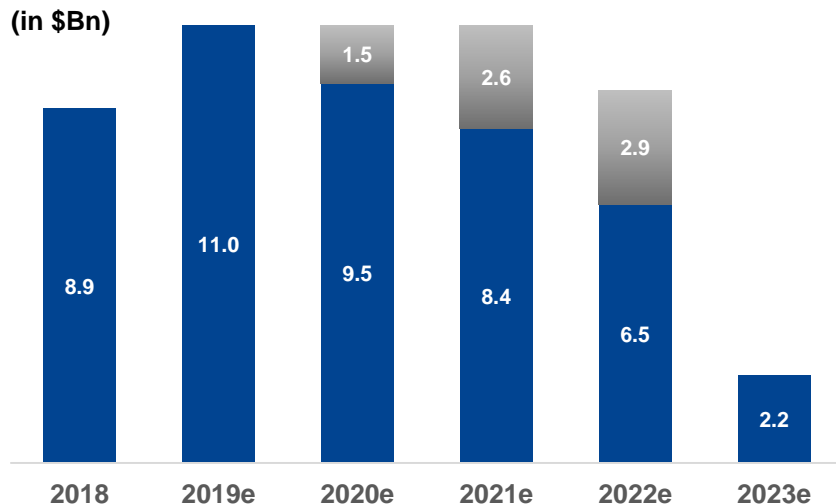
## 2019 Outlook

2019 outlook is established considering the application of the new IFRS16 standard.

<sup>(1)</sup> See slide 20 for bridge with consolidated revenue

## FX - \$29.0bn hedging portfolio\* (October 18, 2019)

Average annual exposure now estimated at \$11bn from 2019 reflecting the growth of USD-exposed businesses



€/\$ hedge rate target	2018	2019e	2020e	2021e	2022e	2023e
	1.18	1.18	1.16-1.18	1.15-1.18	1.15-1.18	na

\* Approx. 45% of Safran US\$ revenue are naturally hedged by US\$ procurement

### 2019

- Firm coverage raised to \$11.0bn and hedged at a target rate of \$1.18

### 2020

- Firm coverage of \$9.5bn achieved through forward sales and knock-out options to rise to \$11.0bn at a target rate between \$1.16 and \$1.18

### 2021

- Firm coverage of \$8.4bn achieved through knock-out options to rise to \$11bn at a target rate between \$1.15 and \$1.18

### 2022

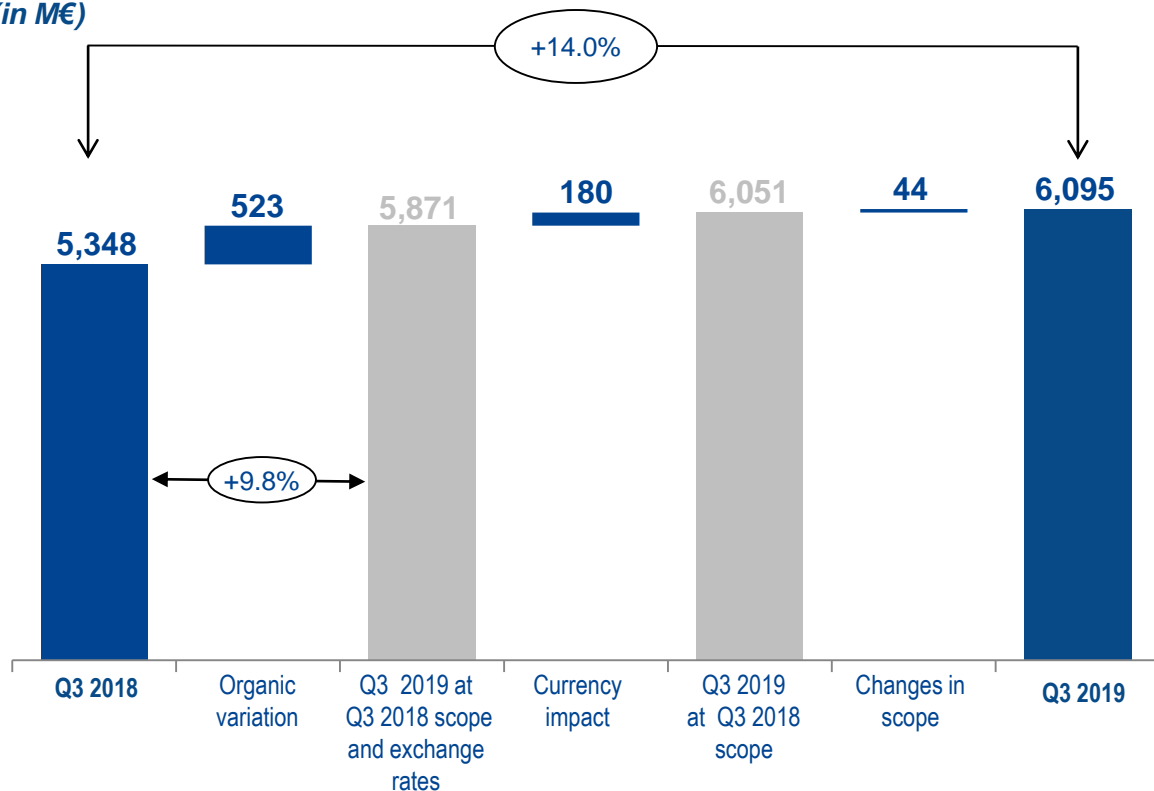
- Firm coverage of \$6.5bn achieved through knock out options to rise to \$9.4bn at a target rate between \$1.15 and \$1.18

### 2023

- Initiated coverage at \$2.2bn through knock-out options
- The portfolio includes knock-out options with barriers set between \$1.17 and \$1.33 with maturities up to mid-2021

# Q3 2019 revenue

(in M€)



## Organic growth: +9.8%

- ◆ Propulsion: +14.9%
- ◆ Aircraft Equipment, Defense & Aerosystems: +6.5%
- ◆ Aircraft Interiors: +1.4%

## Currency impact: +3.4%

- ◆ Positive impact mainly from USD (\$1.11 vs \$1.16 average spot rate)

## Scope: +0.8%

- ◆ €44M related to the acquisition of ElectroMechanical Systems

## Q3 2019 revenue by activity

Adjusted data (in Euro million)	Q3 2018	Q3 2019	Change reported	Change organic
Aerospace propulsion	2,524	2,987	18.3%	14.9%
Aircraft Equipment, Defense & Aerosystems	2,052	2,298	12.0%	6.5%
Aircraft Interiors	769	805	4.7%	1.4%
Others	3	5	n/s	n/s
Safran	5,348	6,095	14.0%	9.8%

### Organic growth drivers

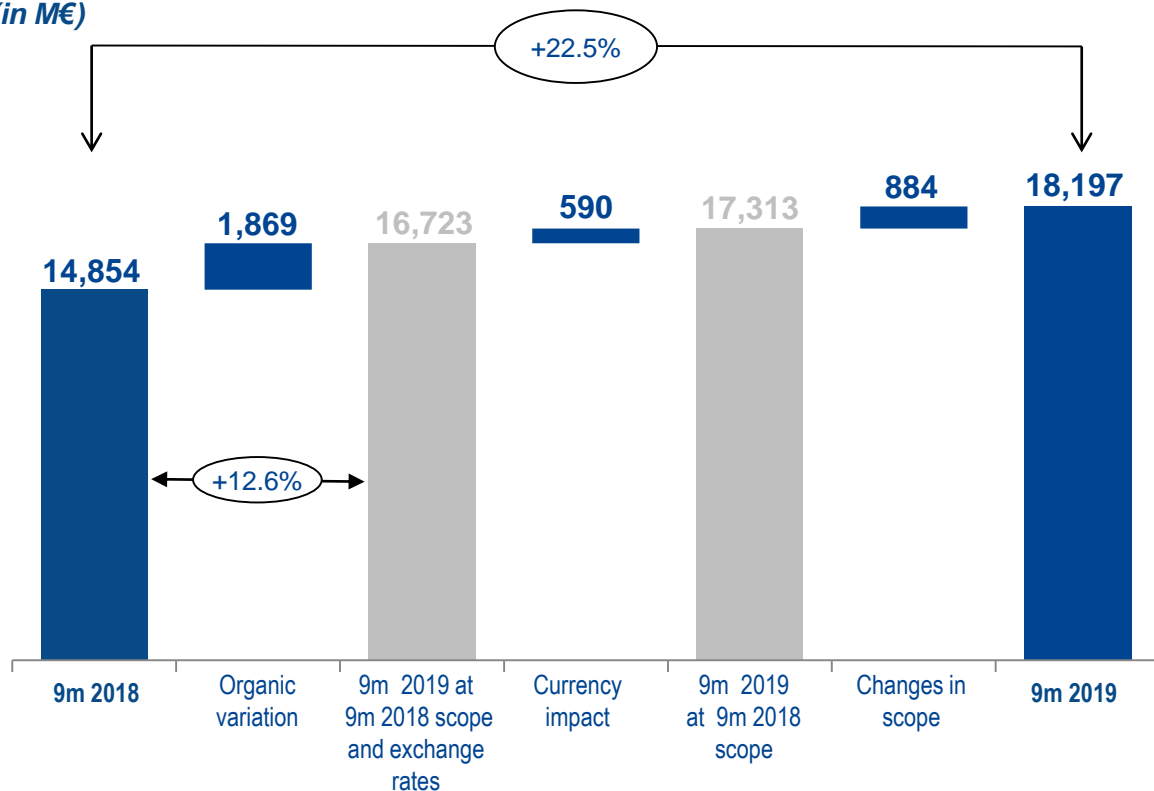
- ◆ Aerospace Propulsion
  - > Higher sales of M88 engines deliveries (20 units in Q3 2019 compared with 7 in Q3 2018)
  - > Services: civil aftermarket up 9.2% (in \$) thanks to continuous CFM56 spare parts sales; helicopter turbines activities also contributed positively
- ◆ Aircraft Equipment, Defense & Aerosystems
  - > OE revenue supported by the higher contribution of nacelles (nacelles for LEAP-powered A320neo, nacelles for A330neo) and the increase in landing gear shipments for A320 family. Electronics & Defense growth was sustained.
  - > Service revenue driven by continuing momentum in carbon brakes and nacelles
- ◆ Aircraft Interiors
  - > Ramp up of business class seats programs (Fusio and Polaris), A350 toilets deliveries and Connected Cabin for Passenger Solutions.
  - > Services driven by all aftermarket activities.

### Offsetting factors

- ◆ Helicopter turbines OE
- ◆ Lower A380 volumes impacted nacelles
- ◆ Lower volumes for galleys in Cabin

# 9m 2019 revenue

(in M€)



## Organic growth: +12.6%

- ◆ Propulsion: +17.6%
- ◆ Aircraft Equipment, Defense & Aerosystems: +7.9%
- ◆ Aircraft Interiors: +7.3%

## Currency impact: 3.9%

- ◆ Positive translation effect mainly from the strengthening of the USD vs the Euro (\$1.12 vs \$1.20 average spot rate)

## Scope: +6.0%

- ◆ Contribution of €781M from former Zodiac Aerospace activities (2 months)
- ◆ €103M related to the acquisition of ElectroMechanical Systems

## 9m 2019 revenue by activity

Adjusted data (in Euro million)	9m 2018	9m 2019	Change reported	Change organic
<b>Aerospace propulsion</b>	7,329	<b>8,889</b>	21.3%	17.6%
<b>Aircraft Equipment, Defense &amp; Aerosystems</b>	5,763	<b>6,851</b>	18.9%	7.9%
<b>Aircraft Interiors</b>	1,749	<b>2,445</b>	39.8%	7.3%
<b>Others</b>	13	<b>12</b>	n/s	n/s
<b>Safran</b>	14,854	<b>18,197</b>	22.5%	12.6%

### Organic growth drivers

- ◆ Aerospace Propulsion
  - OE: higher civil engines sales driven by narrowbody engines volumes (+4.3%); strong military engines sales driven by M88 deliveries (x3.8)
  - Services: civil aftermarket up 9.8% (in \$) thanks to CFM56 spare parts sales over the period; military services and helicopter turbines activities also contributed positively
- ◆ Aircraft Equipment, Defense & Aerosystems
  - OE up 7.4% organically driven by higher nacelles OE sales (A320neo and A330neo).
  - Services increased 8.9% organically thanks to landing gear, carbon brakes, and nacelles. Sales growth was also supported by higher volumes of sighting systems as well as by optronics equipment, and electronics (FADEC for LEAP)
- ◆ Aircraft Interiors
  - OE up 5.1% organically, driven by business class seats programs (Fusio and Polaris) and by Connected Cabin for Passenger Solutions and A350 Lavatories deliveries
  - Service revenue grew 13.4% organically, driven by all aftermarket activities.

### Offsetting factors

- ◆ Lower A380 volumes impacted nacelles and wiring OE sales





# 3

## OUTLOOK

Philippe PETITCOLIN - CEO

## 2019 key assumptions unchanged

*2019 outlook is established considering the full application of the new IFRS16 standard.*

### 2019 outlook is based notably on the following assumptions:

- ◆ Increase in aerospace OE deliveries and notably of military engines;
- ◆ Civil aftermarket growth around 10%;
- ◆ Transition CFM56 – LEAP: overall negative impact on Propulsion adjusted recurring operating income variation in the range Euro 50 to 100 million:
  - > Lower CFM56 OE volumes;
  - > Negative margin on LEAP deliveries.
- ◆ Aircraft Interiors: 2019 to show stronger organic revenue growth. Continuing improvement of recurring operating income margin;
- ◆ Increase of R&D expenses in the range of Euro 150 to 200 million. Negative impact on recurring operating income after activation and amortisation of capitalized R&D;
- ◆ Increase in tangible investments.

# FY 2019 outlook confirmed; FCF conversion rate refined

*2019 guidance is established considering the full application of the new IFRS16 standard and is based on the Group's scope as of January 1, 2019 (Aerospace propulsion; Aircraft Equipment, Defense & Aerosystems; Aircraft Interiors ; Holding & Others).*

## Safran confirms its FY 2019 revenue and recurring operating income outlook:

- ◆ At an estimated average spot rate of USD 1.13 to the Euro in 2019, adjusted revenue is expected to grow by around 15% in 2019 compared with 2018. On an organic basis, adjusted revenue is expected to grow by around 10%;
- ◆ Adjusted recurring operating income is expected to grow comfortably above 20% at a hedged rate of USD 1.18 to the Euro.

## Safran refines its FY 2019 free cash flow outlook:

- ◆ From June 30, 2019, Safran revised the free cash flow impact of the Boeing 737MAX situation to approximately €(300)M per quarter (ie €(100)M per month in Q3 and Q4) to reflect the decrease of pre-payments for future deliveries;
- ◆ Based on an assumption of return to service for Boeing 737MAX in Q4, free cash flow is expected to be in the range 50% to 55% of adjusted recurring operating income as recurring operating income outlook has been raised;
- ◆ In case the grounding of the Boeing 737MAX continues until the end of 2019, free cash flow to adjusted recurring operating income should be around 50% (previously “below 50%”) to take into account the agreement signed between Boeing and CFMI to receive an advance payment on LEAP-1B engines delivered to Boeing in 2019; Current Boeing 737MAX grounding's impact on Safran free cash flow and any extension in 2019 merely represents a deferral in cash collection and should reverse in the following quarters.

# 4

## Q&A





# 5

## ADDITIONAL INFORMATION

## Q3 2019 and 9m 2019 consolidated and adjusted revenue

Q3 2019 (In Euro million)	Consolidated revenue	Hedge accounting		Business combinations		Adjusted revenue
		Re-measurement of revenue	Deferred hedging gain (loss)	Amortization of intangible assets - Sagem/Snecma	PPA impacts - other business combinations	
Revenue	6,180	(85)	-	-	-	6,095

9m 2019 (In Euro million)	Consolidated revenue	Hedge accounting		Business combinations		Adjusted revenue
		Re-measurement of revenue	Deferred hedging gain (loss)	Amortization of intangible assets - Sagem/Snecma	PPA impacts - other business combinations	
Revenue	18,495	(298)	-	-	-	18,197



# OE / Services revenue split

Revenue  Adjusted data <i>(in Euro million)</i>	Q3 2018		Q3 2019		% change	
	OE	Services	OE	Services	OE	Services
<i>Propulsion</i>	1,117	1,407	<b>1,318</b>	<b>1,669</b>	<b>18.0%</b>	<b>18.6%</b>
<i>% of revenue</i>	44.3%	55.7%	<b>44.1%</b>	<b>55.9%</b>		
<i>Equipment, Defense &amp; Aerosystems</i>	1,369	683	<b>1,551</b>	<b>747</b>	<b>13.3%</b>	<b>9.4%</b>
<i>% of revenue</i>	66.7%	33.3%	<b>67.5%</b>	<b>32.5%</b>		
<i>Aircraft Interiors</i>	566 <sup>(1)</sup>	203	<b>574 <sup>(1)</sup></b>	<b>231</b>	<b>1.4%</b>	<b>13.8%</b>
<i>% of revenue</i>	73.6%	26.4%	<b>71.3%</b>	<b>28.7%</b>		

Revenue  Adjusted data <i>(in Euro million)</i>	9m 2018		9m 2019		% change	
	OE	Services	OE	Services	OE	Services
<i>Propulsion</i>	3,193	4,136	<b>3,810</b>	<b>5,079</b>	<b>19.3%</b>	<b>22.8%</b>
<i>% of revenue</i>	43.6%	56.4%	<b>42.9%</b>	<b>57.1%</b>		
<i>Equipment, Defense &amp; Aerosystems</i>	3,900	1,863	<b>4,635</b>	<b>2,216</b>	<b>18.8%</b>	<b>18.9%</b>
<i>% of revenue</i>	67.7%	32.3%	<b>67.7%</b>	<b>32.3%</b>		
<i>Aircraft Interiors</i>	1,287 <sup>(1)</sup>	462	<b>1,767 <sup>(1)</sup></b>	<b>678</b>	<b>37.3%</b>	<b>46.8%</b>
<i>% of revenue</i>	73.6%	26.4%	<b>72.3%</b>	<b>27.7%</b>		

(1) Retrofit is included in OE

To be noted: 9m 2018 revenue includes seven months of revenue from Aerosystems and Aircraft Interiors

## Quantities of major aerospace programs

<i>Number of units delivered</i>	Q3 2018	Q3 2019	%	9m 2018	9m 2019	%
LEAP engines	303	<b>455</b>	50%	741	<b>1,316</b>	78%
CFM56 engines	243	<b>69</b>	(72)%	834	<b>327</b>	(61)%
High thrust engines	108	<b>126</b>	17%	309	<b>360</b>	17%
Helicopter engines	175	<b>137</b>	(22)%	510	<b>472</b>	(7)%
M88 engines	7	<b>20</b>	186%	11	<b>42</b>	282%
787 landing gear sets	35	<b>42</b>	20%	109	<b>126</b>	16%
A350 landing gear sets	19	<b>21</b>	11%	59	<b>62</b>	5%
A380 nacelles	8	<b>4</b>	(50)%	28	<b>16</b>	(43)%
A330neo nacelles	3	<b>25</b>	n/s	3	<b>76</b>	n/s
A320neo nacelles	124	<b>157</b>	27%	296	<b>437</b>	48%
A320ceo thrust reversers	74	<b>10</b>	(86)%	250	<b>115</b>	(54)%
Small nacelles ( <i>biz &amp; regional jets</i> )	142	<b>147</b>	4%	451	<b>451</b>	=

<i>Number of units delivered</i>	Q3 2018	Q3 2019
Lavatories A350	143	<b>180</b>
Spaceflex V2 A320 (lavatories + Galleys)	137	<b>92</b>
Business class seats	576	<b>1,487</b>
Emergency slides A320	1,195	<b>1,155</b>
Primary power distribution system 787	208	<b>285</b>
<i>Number of units delivered</i>	7m 2018 (March to Sep.)	9m 2019
Lavatories A350	384	<b>580</b>
Spaceflex V2 A320 (lavatories + Galleys)	315	<b>289</b>
Business class seats	2,071	<b>4,024</b>
Emergency slides A320	2,491	<b>3,553</b>
Primary power distribution system 787	504	<b>846</b>

# Foreign exchange effects

## Translation effect: foreign currencies translated into €

- ◆ Positive impact mainly from USD in Q3 2019 and in 9m 2019
- ◆ Impact on Revenues and Return on Sales

### Average spot rate

Q3 2018	Q3 2019
\$1.16	\$1.11
9m 2018	9m 2019
\$1.20	\$1.12

## Transaction effect: mismatch between \$ sales and € costs is hedged

### Hedge rate

Q3 2018	Q3 2019
\$1.18	\$1.18



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