SAFRAN
BERNARD DELPIT - GROUP CFO

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NINTH ANNUAL GOLDMAN SACHS
INDUSTRIALS CONFERENCE
NOVEMBER 2017

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Agenda

Strategic roadmap

Operations

Finance

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1.1 - Strategic roadmap : improving the economic profile of Safran through capital allocation

Acceleration since March 2016 (CMD)

Disposal of non core businesses	*Disposal of Safran Identity & Security + Ingenico shares*	*Significant value created (€3Bn net cash proceeds)*	**ROCE of Security activities was 2-3%**
Targeted external growth	*Clear strategic rationale*	*Contemplated acquisition of Zodiac Aerospace. New deal structure approved by Safran shareholders. Ongoing process.*	**Target for proposed Zodiac acquisition ROCE to exceed Safran WACC (8%) in year 3-4**
Return to shareholders	*Dividend payout practice of 40% of adjusted net income*	*Share buybacks: 1st program (€450M in 2016-17) Intention to continue (€ 2.3Bn 2018-19)*	**Average TSR 2005-2017 : 15.5%**

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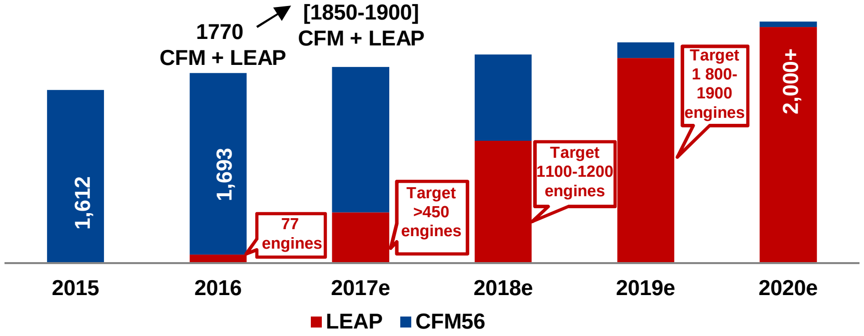
1.2 - Strategic roadmap : organic growth and operational excellence

Major transition in Propulsion (CFM56-LEAP)



LEAP fleet in service growing at unprecedented levels, bringing some unique challenges

Margin improvements in Equipment and Defense
Equipment: EBIT margin improvement > 200 bps in 2 years, confirmation of target

- **Continuing benefits of productivity gains**
- **Cost control measures**
- **Optimization of industrial footprint**

Investment in technology

- **Increasing R&T effort**
- **Fostering innovation and competitiveness**

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2.1 - CFM56 and LEAP programmes : narrowbody engine production continually increasing

CFM56 lasting longer

- Orders and commitments for 424 engines in the first 9m 2017
- Over 80% market share on A320ceo in 2017

Ramp down started but forecast deliveries higher than expected

- Over 1,400 deliveries now expected for 2017
- Pull forward of A320ceo
- Market share gains

CFM56

Executing on LEAP production ramp-up

- 257 LEAP delivered in 9m 2017 compared to 33 engines in 9m 2016
  - Beginning of LEAP-1B production ramp up
  - Continuing ramp up of LEAP-1A production

LEAP-1A

- In operations at 16 airlines with more than 360,000 flight hours accumulated to date

LEAP-1B

- Entry into commercial service at Southwest Airlines (9 MAX 8) in Q4, 2017
- In operations at 8 airlines with more than 16,000 flight hours accumulated to date

LEAP-1C

- Q4 2017: delivered the two integrated propulsion systems (engine + nacelle) for COMAC's second flight test aircraft

Not a game-changer for OE transition but good news for 2025-2030 aftermarket

Production cost reductions on LEAP-1A and -1B exceed 20% in 2017

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2.2 - Aircraft Equipment : a strategic and complementary activity with propulsion

Margin improvement

- **Growth in services, notably thanks to carbon brakes and nacelles aftermarket**
- **New programs contribution**: A320neo, A330neo, A350, 787…
- **Strong increase in profitability in 2017**
  - Margin at 12.0% in H1 17, up 1.3pts versus H1 16
- **Margin improvement : +100 bp per year by 2020 (compared to a restated base at Dec 31, 2017 under IFRS 15)**

Carbon brakes

Nacelle

Commercial success

Carbon brakes

- **Several contracts awarded YTD notably in Q3 17 with :**
  - United Airlines, Ethiopian and GOL for Boeing 737 NG and Max fleets, Interjet for A320neo aircraft
- **World leader with over 50% market share***
  - Safran installed base of ~8,500 aircraft

Nacelles

- **First flight of A330neo (supplier of the nacelle)**
- **A320 and A330neo : more value than ceo programmes and Tier 1 position**

Wiring

- **World leader for EWIS** and ventilation systems**

**Aircraft above 100 passengers*
***Electrical Wiring Interconnection Systems*

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2.3 - Defense : a high technology niche activity

Margin improvement

- **New products : Patroller, navigation (AASM) and electronics (Fadec 4)**
- **Export contracts : guidance kits (AASM) to Egypt, and Qatar, optronics to US Army and NATO countries**
- **Strong increase in profitability in H1 2017**
  - Up 2.6pts YoY (6.4%)
- **Margin improvement : +100 bp per year by 2020 (compared to a revised base at Dec 31, 2017 under IFRS 15)**

Patroller

AASM

Commercial success

- **Revenue growth fuelled by strong order intake in 2016**
- **Commercial momentum in 2017 (+7.9% revenue organic growth in 9m 2017)**
  - First contract for the latest generation Naval System PASEO, JIM LR 2 long-range multifunction infrared binoculars

JIM LR 2

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2.4 - R&T highlights

- Substantial R&T spending around 3% of sales [2018-2021]
- Importance given to preparing for future products and programs

ANETO

March 2017 : first flight of the Aneto-1K
EIS : 4th quarter of 2018

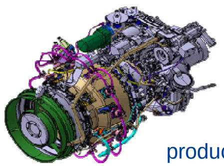
New range of helicopters turbines covering 2,500 to over 3,000 shp power range

Meant for the super-medium and heavy helicopter market

First Aneto-1-K 2,500-shp version will be proposed to customers as one of the two engine options for the Leonardo AW189 helicopter

10 to 15 % sfc reduction

+20% power-to-mass ratio



3,000 shp
production engine (2022)

Fuel cells

By 2019-2020, first commercial demonstration with Safran

easyJet first airline intends to later deploy a hydrogen fuel-cell-powered version thanks to Safran's Fuel Cell Technology

- "Clean" energy source that only consumes the oxygen in the air and gaseous hydrogen
- No toxic emissions, perfectly silent
- Long endurance, high efficiency and great operational flexibility
- Later, could eventually be used for starting jet engines on the ground, in a hybrid configuration with the APU.

Electric Taxi by Safran

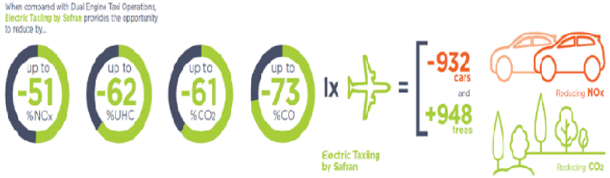
Introduction target : 2021 on retrofit and new A320 family

An innovative electrical system to move aircraft on the ground with engines off

2 to 4% Fuel burn reduction

Autonomous departure (no push-back)

Noise & emissions reduction



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3.1 - Finance - FX hedging

2017-2018 hedge rate

- Fully secured: 1.21 for 2017, 1.18 for 2018
- No impact from the evolution of the €/$ spot rate

2019 hedge rate

- Target range fully secured: 1.15-1.18
- €/$ spot level (and its impact on the portfolio) will determine whether the top or the bottom of the target range will be achieved

2020 target hedge rate in a range 1.13 – 1.18

Part of the net exposure is not hedged yet (c.$0.9bn)

€/$ spot rate < 1.25 up to mid-2018

- Target range fully secured under current market conditions
- Spot level (and its impact on the portfolio) will determine whether the top or the bottom of the target range will be achieved.

€/$ spot rate > 1.25 before mid-2018

- Target range achievable under a wide range of scenarios: knock out options portfolio is made up of several tranches spread over a year and with various barriers (1.21-1.40)
- Manner/speed at which the spot goes above 1.25 is key to determine the impact on the portfolio and might provide opportunities to optimize the portfolio

2021 coverage to start early 2018

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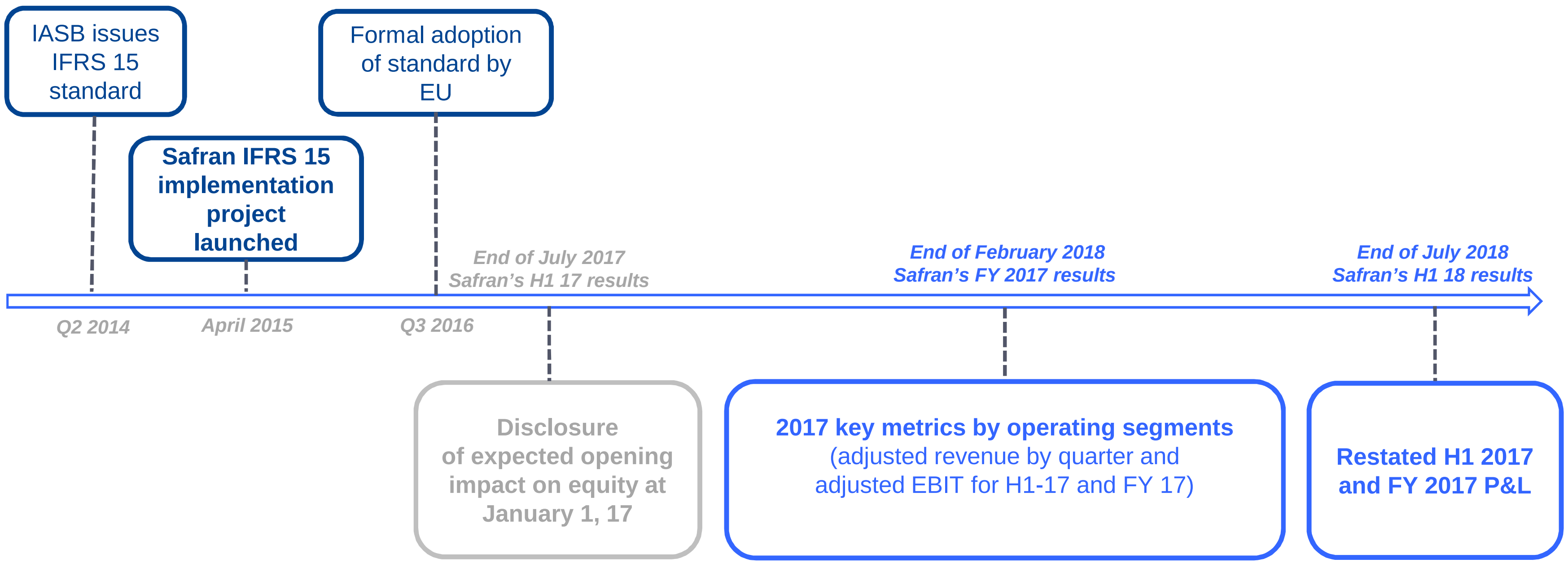
3.2 - Finance – IFRS15

Implementation & disclosure timeline



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3.2 - Finance – IFRS15

Impacts on Group revenue by nature of activity

RTDI and others	Decrease of studies revenue due to recognition of some customer financed development in OE revenue
Spare parts and services	◆ Maintenance contracts per flight-hour/landing : revenue recognized based on a percentage of costs incurred (versus of products) ◆ Some performance warranties granted to customers and penalties deducted from revenue
OE	◆ Some performance warranties granted to customers and penalties deducted from revenue ◆ Change of the pattern in which revenue is recognized for contracts with multiple elements

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3.2 - Finance – IFRS15

Impacts on Group revenue by business line

Business line	Impacts
Propulsion	LTSA contracts (Helicopters, civil aviation) Warranties
Aircraft Equipment	RTDI Per landing contracts
Defense	Milestone contracts RTDI

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3.2 - Finance – IFRS15

Impacts

Limited negative impact on annual revenue (based on current scope)

- Marginal base effect related to reclassification of expenses
- Deferral in the recognition of revenue, to come simultaneously with costs

Limited corresponding impact on recurring operating income

Negative expected opening impact on equity at Jan 1, 2017 in the region of €0.8Bn

No impact on cash flows

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3.3 - Revised annual guidance and assumptions as of October 27, 2017 (in IAS 18)

Guidance raised :

- Reported adjusted revenue to grow above 3%* (previously +2 to 3%)
- Excluding the effect of the equity accounting of ArianeGroup from July 1, 2016 revenue growth is expected to be in the mid-single digits (previously low to mid single digits).

Guidance reconfirmed :

- Recurring operating income growth close to the 2016 level
- Free cash flow generation above 45% of adjusted recurring operating income

CFM56-LEAP transition costs :

- Total headwind to 2017 adjusted recurring operating income, including potential additional actions to ensure time on wing, is likely to fall in a range Euro 350 million and Euro 400 million (slightly higher than the previous assumption).

Seasonality of civil aftermarket** growth :

- Growth (in $) of 10.4% over 9m 2017,
- Q1 17 : +17.7%,
  Q2 17 : -0.2%
  Q3 17 : +14.5%
- Challenging comparison base in Q4

* at an estimated average rate of USD 1.10 to the Euro
** indicator which includes civil aviation spares and MRO

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3.3 - 2018 trends

	Headwinds	Tailwinds
Revenue	◆ Lower shipments for A380 (nacelles) ◆ Decrease of high thrust engines OE volumes ◆ Helicopter market still soft	◆ Growth in civil aftermarket (high single digit) ◆ More LEAP deliveries ◆ Higher shipments for A320neo (nacelles)
EBIT	◆ LEAP start up costs but at a lower level than 2017 > Production ramp up > LEAP cost reduction plan on track	◆ Increased performance in Aircraft Equipment, Defense ◆ Improvement in $ hedge rate (3 cts)

I. **Easing pressure on Propulsion margin**

II. **Full guidance for Safran current scope to be provided in February 2018 (in IFRS 15)**

III. **Zodiac Aerospace projected transaction on track**

IV. **Next Capital Market Day in Q4 18 for New Safran mid term trends**

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