

ASIA ROADSHOW

—

SEPTEMBER 2017



Disclaimer

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This document contains supplemental non-GAAP financial information. Readers are cautioned that these measures are unaudited and not directly reflected in Safran's financial statements as prepared under International Financial Reporting Standards and should not be considered as a substitute for GAAP financial measures. In addition, such non-GAAP financial measures may not be comparable to similarly titled information from other companies.

Key themes

Overview

Trends in civil aviation

2017 key topics



Safran: an international high-technology group

All figures at December 31, 2016

Group key figures

€15.8 BILLION
in sales

€2.4 BILLION
in adjusted recurring
operating income

€1.7 BILLION
in R&D expenditures, equal to
nearly 11% of sales

58,000 EMPLOYEES in
nearly **30 COUNTRIES**

All figures at December 31, 2016

Safran core businesses

Aerospace Propulsion

◆ Revenue: €9,391M o/w:

- Civil engines: 73%
- Military engines: 11%
- Helicopter turbines: 12%
- Space: 4%

◆ Recurring EBIT: €1,786M

Aircraft Equipment

◆ Revenue: €5,145M o/w:

- Landing and braking systems: 48%
- Engine systems and equipment: 24%
- Electrical systems and engineering: 28%

◆ Recurring EBIT: €562M

Defense

◆ Revenue: €1,238M o/w:

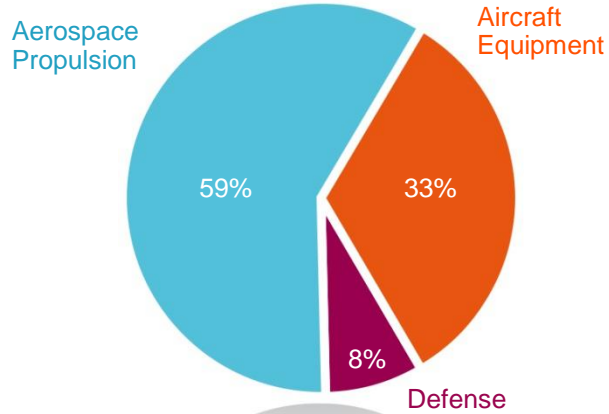
- Optronics: 40%
- Avionics: 49%
- Electronics and critical software: 11%

◆ Recurring EBIT: €76M

Sales overview

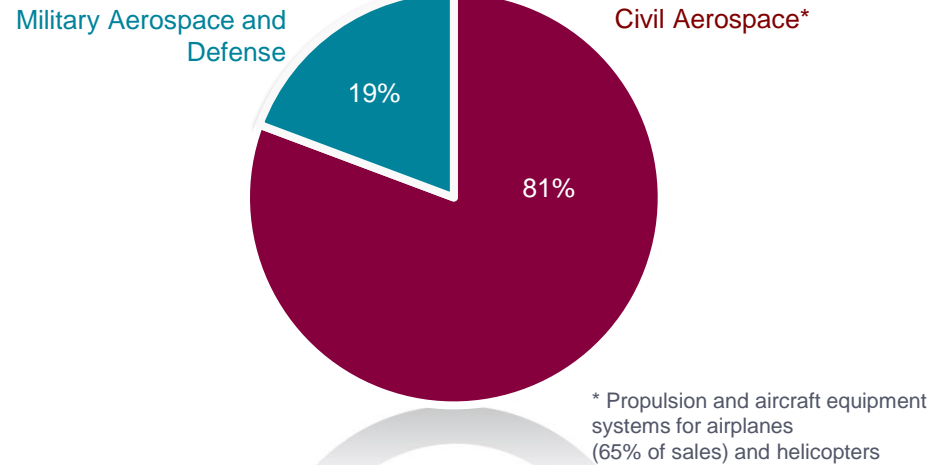
Sales by business segments

At December 31, 2016



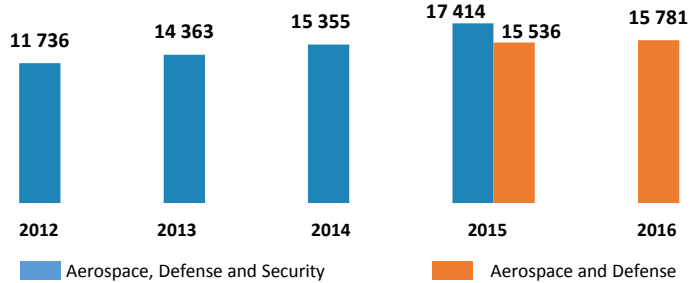
Sales by end-markets

At December 31, 2016

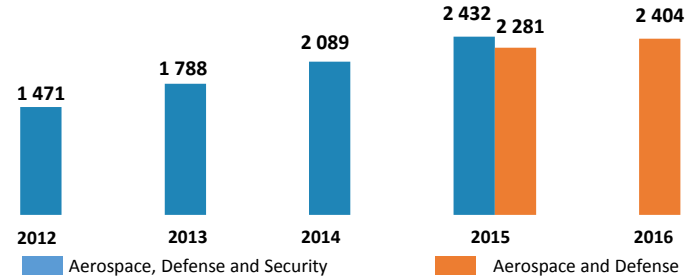


Financial performance

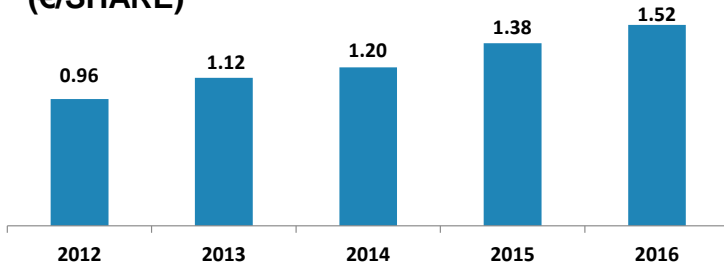
ADJUSTED REVENUE (€M)



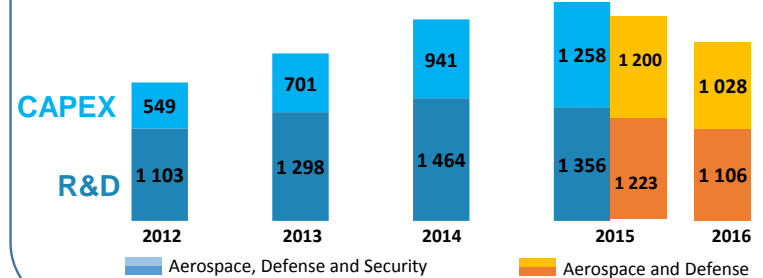
ADJUSTED RECURRING OPERATING INCOME (€M)



DIVIDEND (€/SHARE)



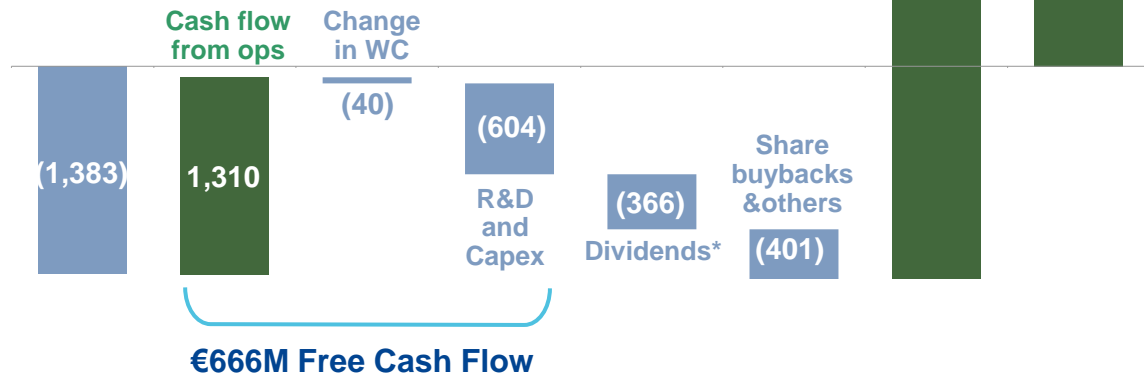
R&D AND CAPEX (tangible and intangible) (€M)



Net debt position

(in €M)

Net debt at
Dec 31, 2016



2016 final dividend of €0.83 per share to parent holders

Share buybacks

- > Objective: neutralizing the dilutive effect of equity-related instruments on Safran balance sheet
- > Started in December 2016 and completed in June 2017
- > 6.4M shares bought back and classified in treasury shares

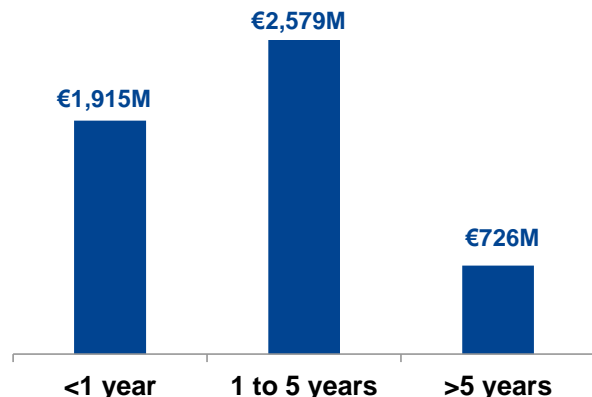
Acquisitions, divestments

- > Net proceeds from the sale of the Security activities: €3.1Bn

* Includes €(26)M of dividends to minority interests

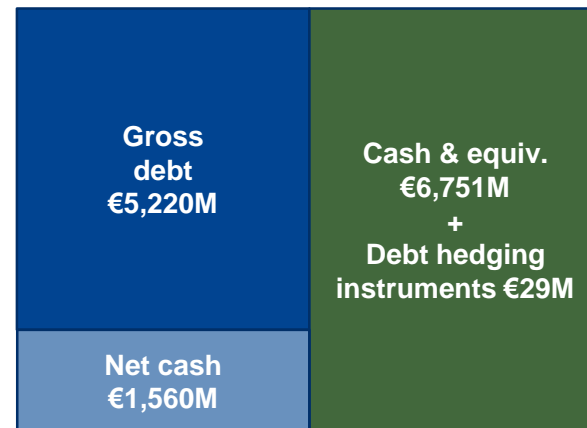
Gross debt and liquidity

Gross debt repayment schedule
(June 30, 2017)



OCEANE (issued on January 8, 2016) - €650M, maturity 2020, zero coupon

Dual tranche offering of floating rate notes (issued on June 28, 2017) - €1bn



Committed & undrawn financing resource:

- ◆ Credit line - €2.52B, maturity Dec. 2020 – no covenant
- ◆ Bridge loan - €1B maturity March 2019 – no covenant

Market positions

No.1 WORLDWIDE

- single-aisle commercial jets engines, in partnership with GE*
- helicopter turbine engines
- landing gear
- wheels and carbon brakes**
- electrical wiring interconnection systems for aircraft
- mechanical power transmissions systems**

No. 2 WORLDWIDE

- electrical power generation
- aircraft engine nacelles

A WORLD LEADER

- onboard power electronics
- APUs for business jets, helicopters and military aircrafts

*through CFM International, a 50/50 joint company between Safran Aircraft Engines and GE

**mainline commercial jets with over 100 seats

No.1 WORLDWIDE

- helicopter flight controls
- FADEC engine control units for commercial aircraft*

No. 3 WORLDWIDE and No. 1 in EUROPE

- inertial navigation systems

No. 4 WORLDWIDE

- military aircraft engines

No. 1 in EUROPE

- tactical drones
- optronic systems

*in partnership with BAE Systems

ENGINES

Innovative and reliable propulsion solutions for business and commercial airplanes and helicopters



NACELLES

A complete range of lightweight, aerodynamic nacelles for all types of aircraft



ENGINE EQUIPMENT

- Mechanical power transmissions,
- Engine control units,
- Cooling, lubrication and filtration components and more



LANDING AND BRAKING SYSTEMS

- Design, production and support of landing gear, wheels and carbon brakes
- Complete landing systems for civil and military fixed and rotary-wing aircraft



AVIONICS AND ELECTRONICS

- Navigation systems
- Flight control systems
- Onboard information systems



ELECTRICAL SYSTEMS

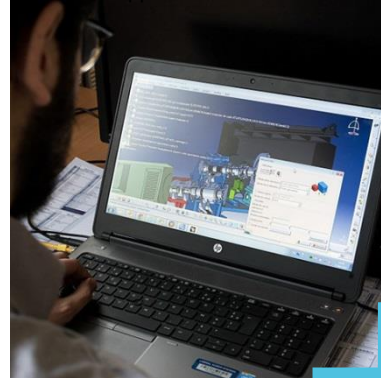
- Power generation, distribution and conversion
- Wiring
- Load management
- Systems integration
- Ventilation



ENGINEERING

Engineering services centered on five areas:

- Integrated propulsion systems
- Aerostructures and mechanical equipment
- Electrical systems and power management
- Integrated systems
- Production engineering and in-service support



MILITARY AIRCRAFT ENGINES

Innovative and reliable propulsion solutions for military aircraft



DRONES

Design and production of tactical drone systems for a wide range of missions: surveillance, intelligence, armed forces protection, threat detection, etc.



AVIONICS

Guidance and positioning solutions for air forces, navies and armies



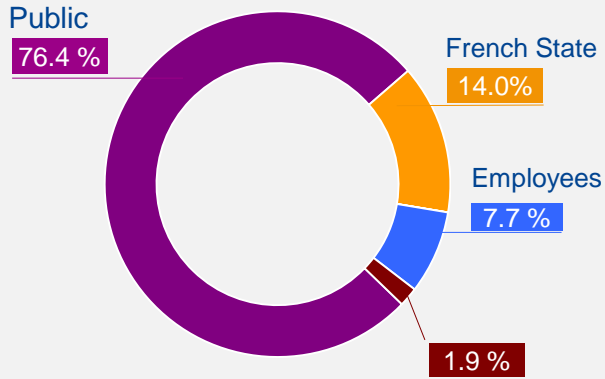
OPTRONICS

Optronic (electro-optical) systems and equipment for military applications: submarines and surface vessels, combat vehicles, aircraft, etc.

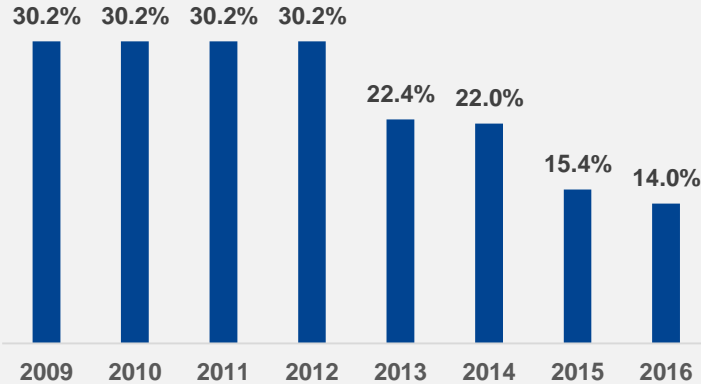


Shareholding structure

As of June 30, 2017



French State's shareholding evolution



Board of Directors

17 directors including:

- > 7 independent Directors
- > 1 representative of the French State and 2 Directors put forward by the French State
- > 2 Directors representing employee shareholders and 2 Directors representing employees
- > 3 other non independent Directors in application of Governance Code criteria

Key themes

Overview

Trends in civil aviation

2017 key topics



Commercial aviation: strong prospects

20-year Annual
Economic
Growth

+3.1%

20-year Annual
RPK Traffic
Growth

+4.7%

20-year Annual
Global Fleet
Growth

x1.9

20-year
New Aircraft
Deliveries

37,500

Planned 20-Year Deliveries of New Aircraft

2,700

**TURBOPROP
AIRCRAFT**

3,600

**REGIONAL
JETS**

22,400

**SHORT-MEDIUM
RANGE
AIRCRAFT**

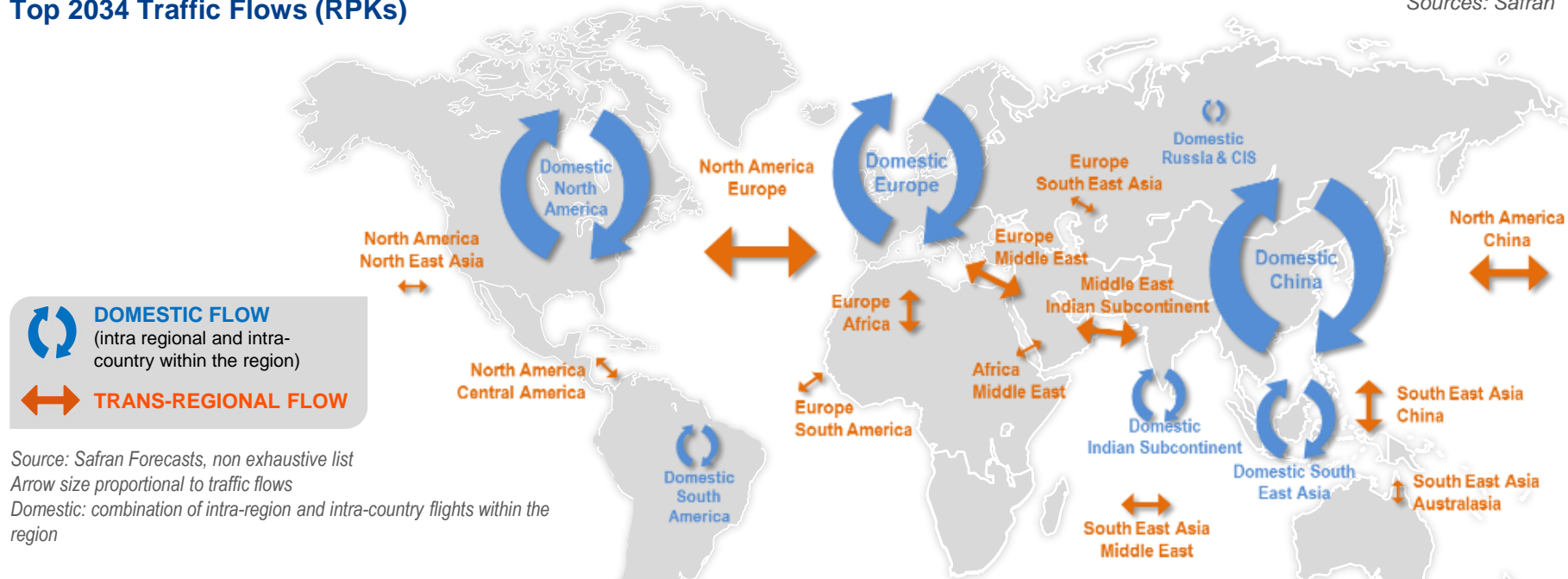
8,800

**LONG RANGE
AIRCRAFT**

2015-2034 traffic projections and key regional flows

Top 2034 Traffic Flows (RPKs)

Sources: Safran

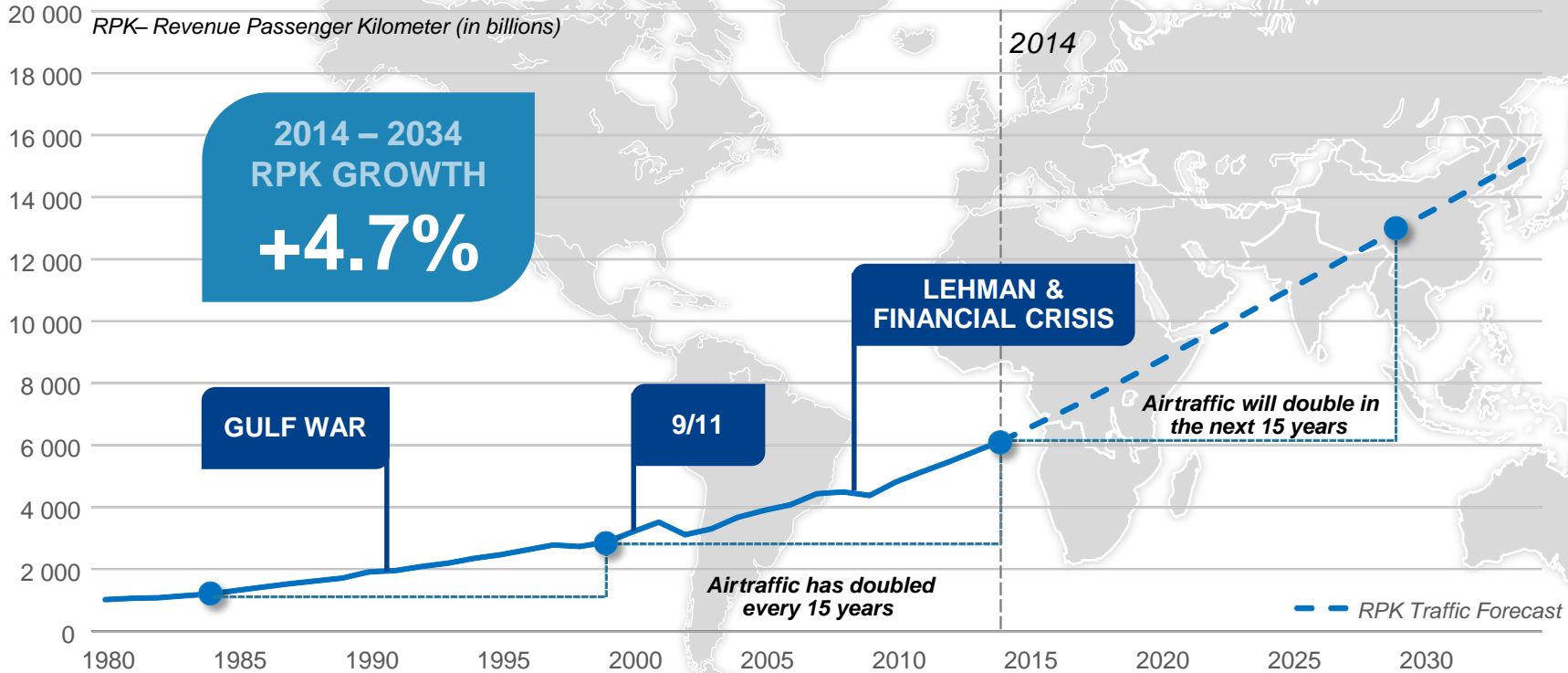


The 3 largest flows will be domestic (China, Europe, North America)
 The 2 largest international flows will be America-centric (w/ Europe, w/ China)

Commercial aviation market: resilient growth

1980-2034 Passenger Network, Worldwide

Sources: Safran, OAG



Key themes

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Strategic roadmap (CMD, March 2016)

Disposal of non core businesses

Payment terminals: significant value created for Ingenico and Safran

Detection: sale to Smiths Group

Identity and Security: highly competitive process

Organic growth and operational excellence

Best selling engines transition: CFM56-LEAP

Margin improvements in Equipment and Defense

Investment in technology

external growth

Partnership in Propulsion, acquisition in Equipment

Tier-1 positions, high-tech, OE and service business model

Financial discipline

Contemplated acquisition of Zodiac Aerospace fulfils all the criteria, fully consistent with strategic and value creation goals

Improving the economic profile of Safran

Non core assets sold

- ◆ Ingenico Group shares sold (2013-2015) for €880M
- ◆ Morpho Detection to Smiths Group (2017) for \$710M
- ◆ Morpho Identity and Security to Advent (2017) for €2.4Bn*

Capital redeployment in A&D businesses with higher return improves Group ROCE

- ◆ ROCE of Security activities was 2-3%
- ◆ Target for proposed Zodiac Aerospace acquisition ROCE to exceed Safran WACC (8%) in year 3-4

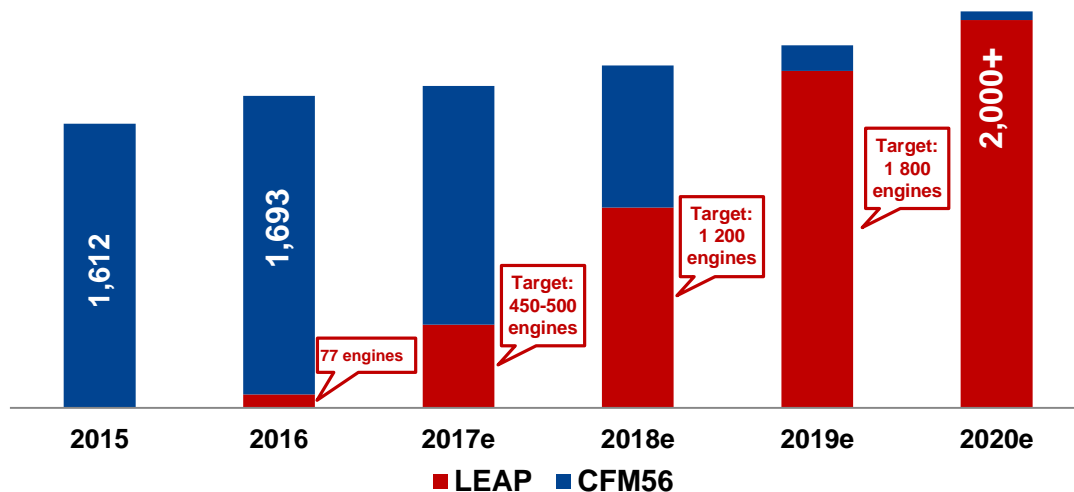
Share repurchase

- ◆ €2.3Bn over 2018-2019

* Pre-tax. Subject to customary post-closing adjustments

Operations – CFM56-LEAP transition

NUMBER OF ENGINES PRODUCED



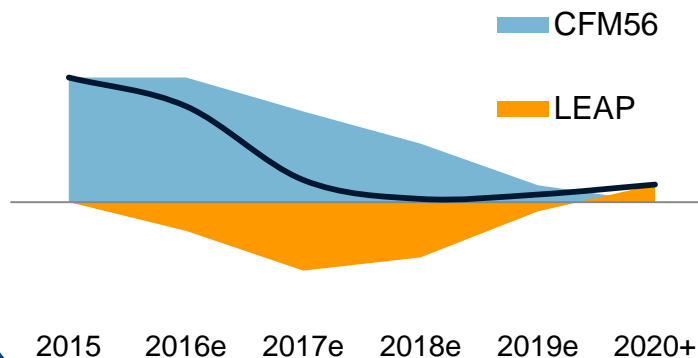
- ◆ CFM56 production record level in 2016
- ◆ Everything in place to manage a smooth transition and ramp-up
- ◆ Large volumes and steep ramp-up are an opportunity to get costs down faster

Full transition in 4 years

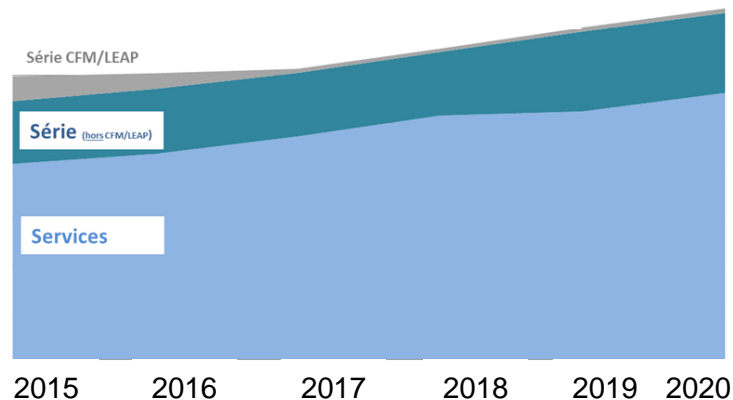
Operations – CFM56-LEAP transition

CMD 2016

CFM56 / LEAP OE CONTRIBUTION TO GROSS MARGIN



INDICATIVE PROFILE OF GROUP GROSS MARGIN



2017

◆ FY 2017

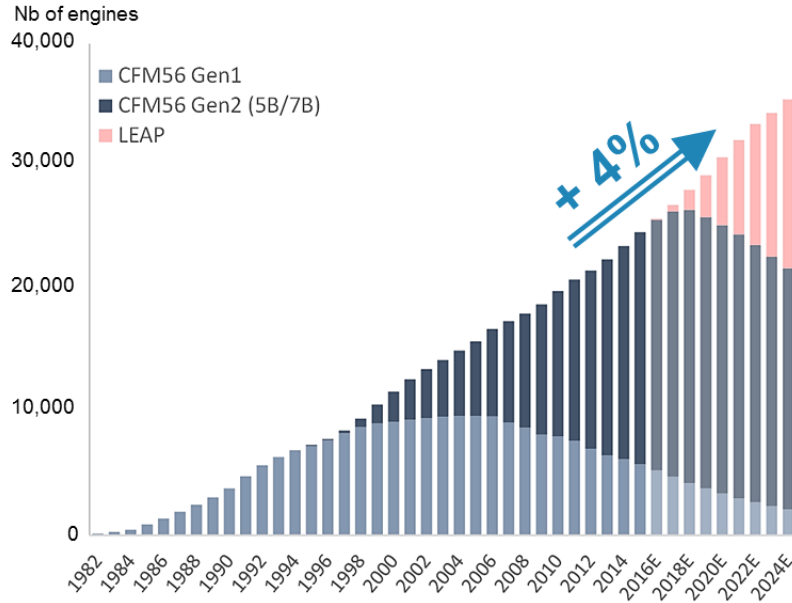
- > Propulsion EBIT to be negatively impacted in the range of €300-350M by CFM56-LEAP transition compared to 2016
- > Lower CFM56 OE volumes, as expected
- > Negative margin on LEAP deliveries and depreciation of inventory and WIP related to future deliveries

◆ H1 2017

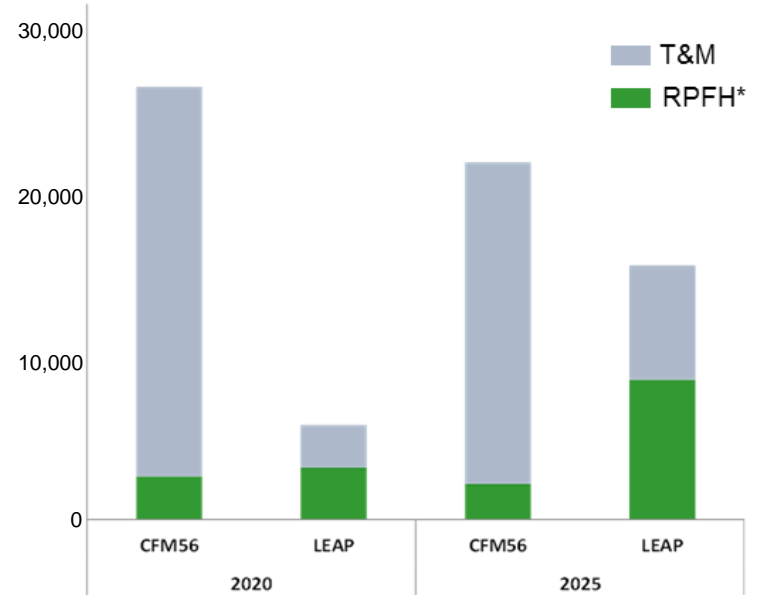
- > €165M negative impact on Propulsion EBIT from CFM56-LEAP transition
- > Breakdown: 50% from reduced CFM56 OE contribution and 50% from LEAP OE learning curve

Aftermarket – moving from spare parts to service contracts

**CFM FLEET IN SERVICE:
4% CAGR OVER 10 YEARS**



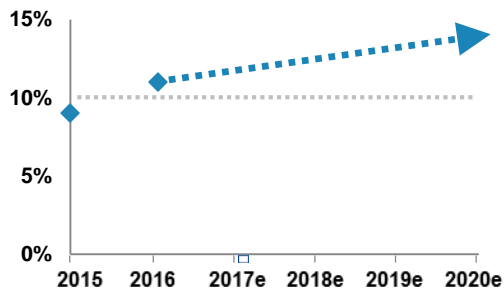
ACTIVE INSTALLED FLEET OF CFM ENGINES (ESTIMATE)



*RPFH = Rate per flight hour contracts

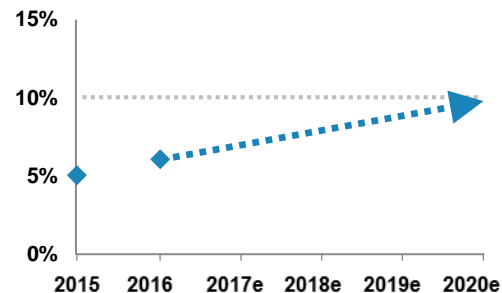
Operations – Aircraft Equipment and Defense

Financial ambition in Aircraft Equipment



- ◆ Growth in services, notably thanks to carbon brakes
- ◆ New programs contribution: A320neo, A330neo, A350, 787...
- ◆ Strong increase in profitability in H1 2017
 - ◆ Margin at 12.0%, up 1.3pts YoY

Financial ambition in Defense

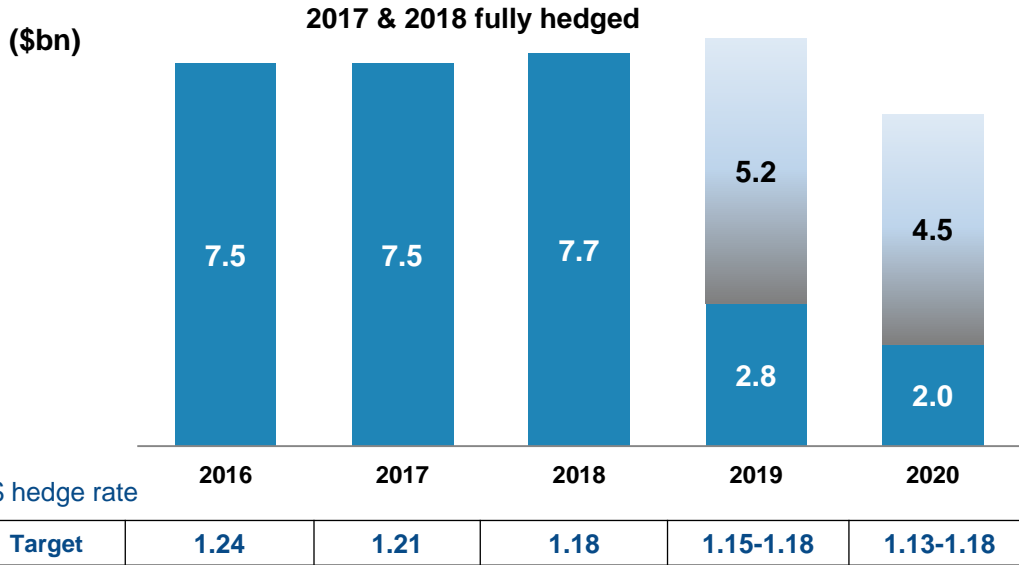


- ◆ Commercial success of new products
- ◆ Export contracts
- ◆ Strong increase in profitability in H1 2017
 - ◆ Margin at 6.4%, up 2.6pts YoY

Continuing benefits of productivity gains, cost control measures and optimization of industrial footprint

Finance - FX hedging

Yearly exposure: \$7.5bn to \$8.0bn
 Increasing level of net USD exposure for 2017-20 in line with the growth of businesses with exposed USD revenue



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

2018

- Fully hedged at 1.18

2019

- \$2.8bn achieved through forward sales and short dated knock out option strategies to rise to a maximum of \$8.0bn at a target rate between \$1.15 and \$1.18 as long as €/\$ < 1.25 up to end 2017
- Knock out options barriers set at various levels between \$1.18 and \$1.45 with maturities up to one year

2020

- \$2.0bn achieved through forward sales and short dated knock out option strategies to rise to a maximum of \$6.5bn at a target rate between \$1.13 and \$1.18 as long as €/\$ < 1.25 up to mid 2018
- Knock out options barriers set at various levels between \$1.18 and \$1.45 with maturities up to one year

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 only determine whether the top or the bottom of the target range will be achieved

2020 hedge rate

Part of the net exposure is not hedged yet (c.\$2bn)

€/ \$ 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 only 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 (1.18-1.45)
- > 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

IFRS15 implementation

No expected change to revenue recognition for

- ◆ OE engines and equipment
- ◆ Spare parts and Time & Materials maintenance

Reclassifications of some expenses in the P&L

- ◆ Some warranties, penalties booked as deductions from revenue

Timing differences for recognition of some revenue

- ◆ Flight hour and per-landing contracts
- ◆ Multiple element contracts

Application and impacts

Application from 2018 with full retrospective approach

- ◆ De-recognition of some revenue previously recognized. Will be recognized in the future upon performance of contractual obligations

Restatement with expected opening impact on equity at 1 Jan 2017 in the region of € 0.8 billion, taking into account the related deferred tax effect

No material 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

No impact on cash flows



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