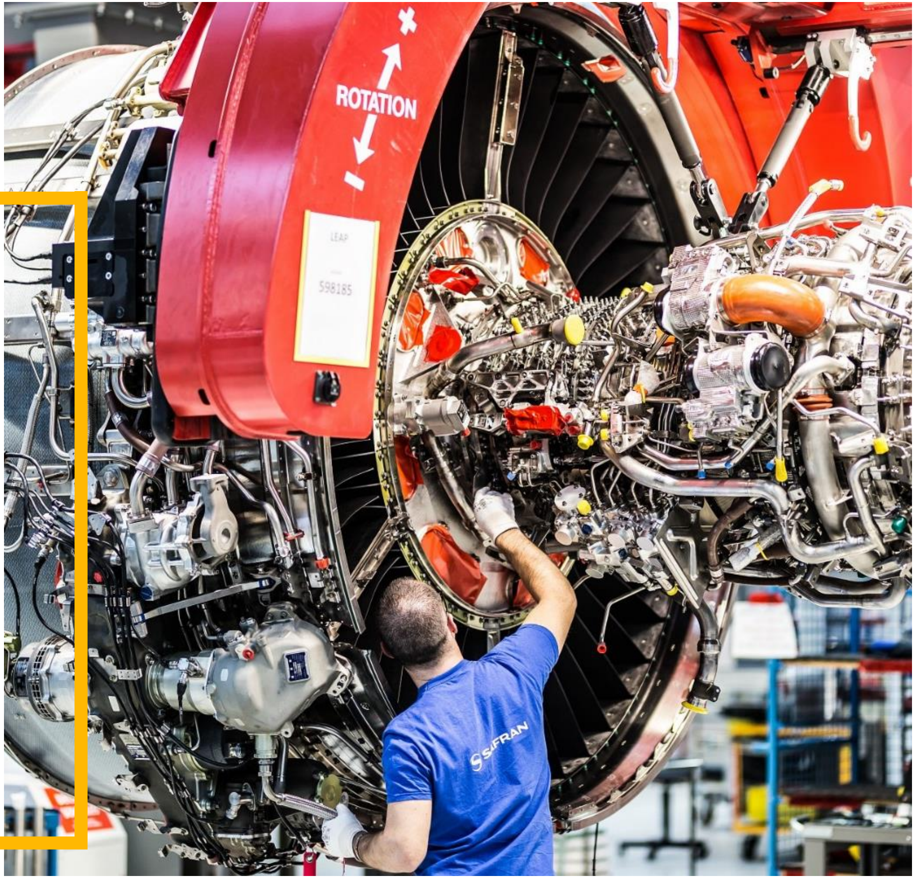
FINANCIAL FRAMEWORK

Bernard DELPIT,
CFO



Key messages

- Sound financial policy (hedging, accounting, funding)
- Strong organic growth across all businesses
- Improved performance on profitability and cash
- Disciplined capital allocation and focus on shareholder returns

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FINANCE AT THE SERVICE OF EXCELLENCE

- Hedging
- Accounting
- Funding

Hedging policy framework

Safran implements a hedging strategy to reduce uncertainty in a volatile FX environment

- Safran hedges 4 currencies: USD, GBP, CAD and MXN

Safran implements a comprehensive hedging policy

- Strict hedging policy, regularly reviewed and approved by the Board of Directors and the Audit Committee
- Market information is regularly updated: mark-to-market impacts, expected USD net exposure and hedge rate targets on a 4-year horizon
- Safran does not apply hedge accounting and therefore recognizes all changes in the fair value of its derivatives in “Financial income (loss)” since 2005. Restated in “Adjusted P&L”

A USD portfolio resilient to potential market movements

Safran uses leveraged options with barrier levels

- The USD portfolio includes an average of 300 structured instruments, each with different barrier levels
- The barriers at various levels provide resilience to FX movements

This strategy offers genuine alternatives to forward sales

- @ USD 1.13 spot rate, forward contracts provide USD 1.25 with 3-year maturity (swap points at their highest historical levels)
- @ same conditions, leveraged options can achieve USD 1.12 or below, with limited risk

> ▶ **Safran's active management offers protection for the next 4 years against volatility**

A USD 29.2bn portfolio (mid-November 2018)

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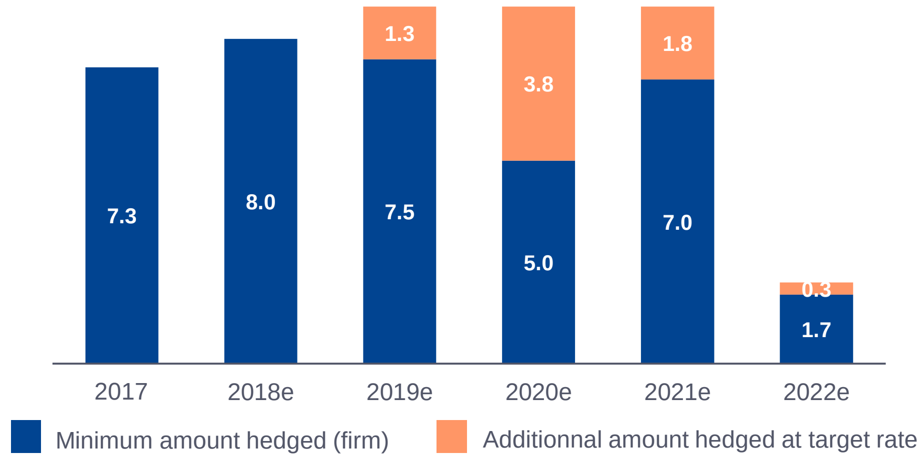
Average annual exposure estimated at $8.8bn going forward

(As of Nov. 16, 2018, in $bn)

reflecting the growth of USD-exposed businesses and former Zodiac Aerospace activities



Hedge rate	2017	2018	2019	2020	2021	2022
Previous targets	1.21	1.18	1.16-1.18	1.16-1.18	1.16-1.20	-
New targets	1.21	1.18	1.18	1.16-1.18	1.15-1.18	1.15-1.18

2018 **Exposure raised to $8.0bn and fully hedged**

2019 **$7.5bn achieved through forward sales and knock out options up to $8.8bn at a target rate of $1.18**

- Knock out options barriers set at various levels between $1.25 and $1.32 with maturities up to end 2019

2020 **$5.0bn achieved through forward sales and knock out options up to $8.8bn at a target rate between $1.16 and $1.18**

- Knock out options barriers set at various levels between $1.27 and $1.32 with maturities up to end 2020

2021 **$7.0bn achieved through knock out options up to $8.8bn at a target rate between $1.15 and $1.18**

- Knock out options barriers set at various levels between $1.22 and $1.33 with maturities up to mid-2020

2022 **$1.7bn achieved through knock out options**

- Knock out options barriers between $1.22 and $1.25 with maturities up to end 2019

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IFRS15

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	Main changes of IFRS15	Estimated impact of IFRS15 for 2018-2022
CFM56 / LEAP transition	**Guarantees deducted from Revenues** **Change in the timing of Revenue recognition** as different prices are allocated to installed engines and spare engines (instead of averaging the price for all engines of a contract)	**IAS18 Gross Margin breakeven of LEAP: 2020** **IFRS15 Gross Margin breakeven of LEAP: 2022**
Civil Aftermarket	**P&L** • T&M and RPFH: Guarantees deducted from Revenues • RPFH contracts: change in timing of Revenue recognition as sales are recognized when costs are incurred **Balance sheet** • RPFH contracts: difference between Billing and Revenues is booked as deferred Revenue in “Contract Liabilities” or “Contract Assets”	**Limited impact on Civil Aftermarket profile over the period:** **T&M:** limited impact **RPFH** • Growing deferred Revenue booked in “Contract Liabilities” driven by the ramp up of LEAP contracts • Conservative margin recognition on LEAP contracts
Customer funded R&D	**P&L** • No Revenue at the time of the financing • Revenue recognized over product delivery **Balance sheet** • Financing received is booked as a “Contract Liability” • Costs incurred are booked as intangible in “capitalized R&D”	**Limited impact on the profile of self-funded R&D, capitalized R&D and amortized R&D**

Note: RPFH= Rate Per Flight Hour

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New changes to come with IFRS 16

**IFRS 16 (leases) will be applied by Safran starting January 1st, 2019.
2018 will not be restated. The impact of change of accounting method, if any, will impact 2019 opening balance sheet**

IFRS 16 impacts for Safran

- Mainly affecting real estate, vehicles and handling equipment currently under operating lease contracts
- Impact on aircraft engine lease contracts not material

Impact on 2019 opening balance sheet (transition impacts)

- ~€500M of liabilities will be recognized (included in net debt position), representing discounted future lease payments
- Equivalent impact in assets (rights-of-use)

Impact going forward

- Ebit / financial expenses: a few million Euros each
- Positive impact for FCF year 1

Safran maintains balanced and diversified debt maturity schedule with active use of financing opportunities

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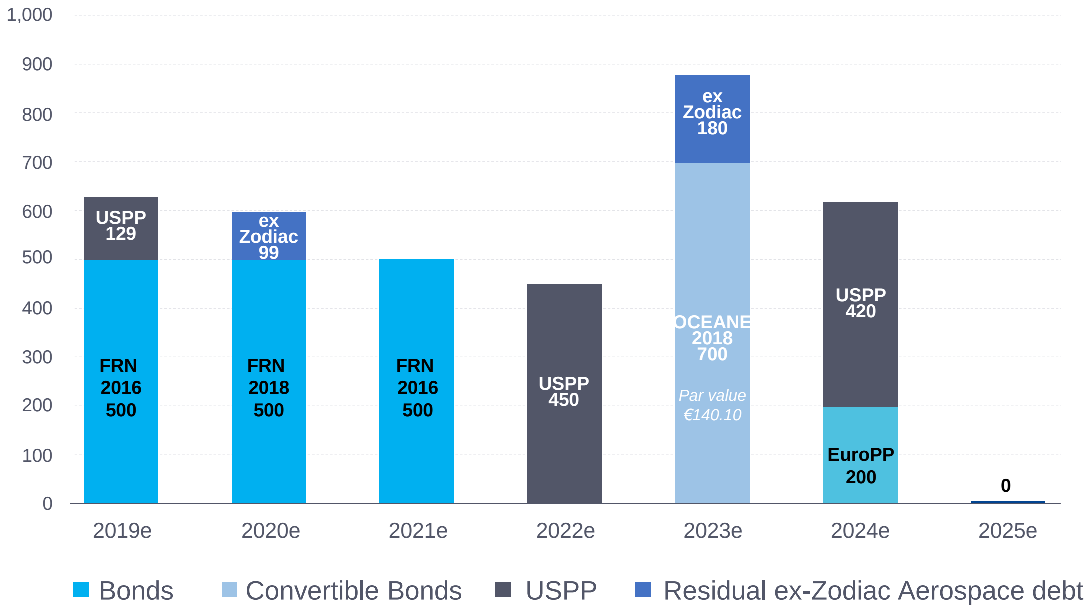
Active management of the balance sheet with cash in-hand

- Safran has paid down €1.3bn of Zodiac Aerospace debt, thus reducing interest expenses. €279M remaining debt is kept until maturity (Schuldschein and EuroPP)
- Safran repurchased the outstanding convertible bonds (OCEANEs) due 2020 (€702M)

Proactive refinancing initiatives at almost zero cost in 2017 and 2018 (FRN, convertible bonds) taking advantage of favorable market conditions

Average cost of debt: almost zero

Debt maturity schedule (€M)



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FINANCIAL AMBITION

- Growth
- Margins
- Cash generation
- Capital allocation

Growth

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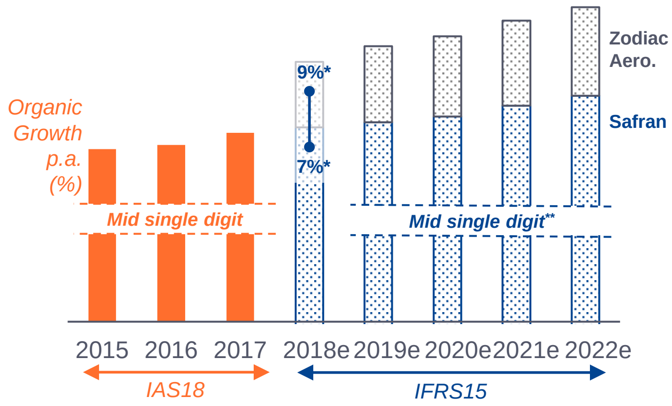
Adjusted Revenue (€m) and Organic Growth (%)

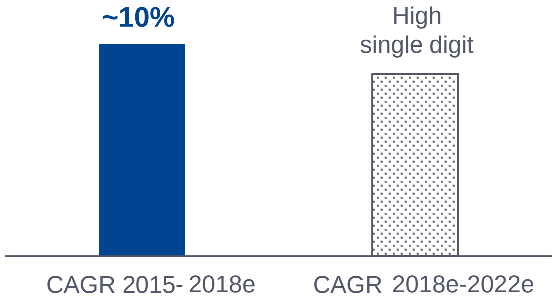


Note: Excluding Zodiac Aerospace for FY15, FY16 and FY17 published and restated; Previous accounting standards for FY15, FY16 and FY17 published

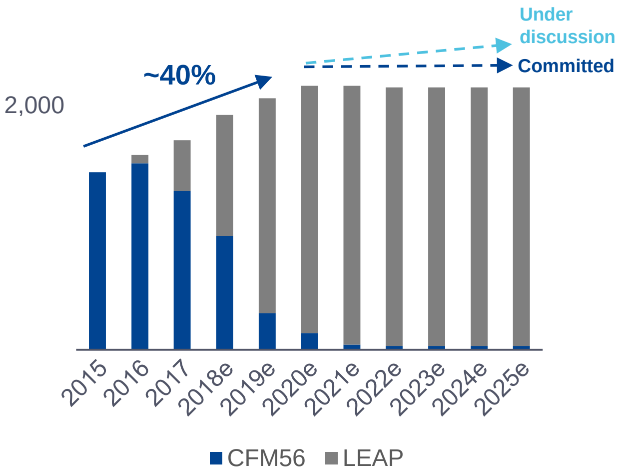
* At an estimated average spot rate of USD 1.21 to the Euro in 2018

** At an estimated average spot rate of USD 1.25 between 2019-2022

Civil Aftermarket Revenue (Growth in $)



CFM engines deliveries



All businesses are growing

The CFM56-LEAP transition

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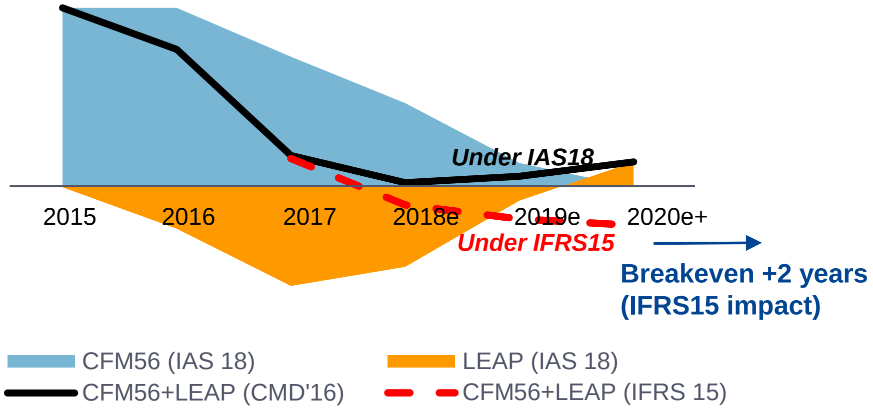
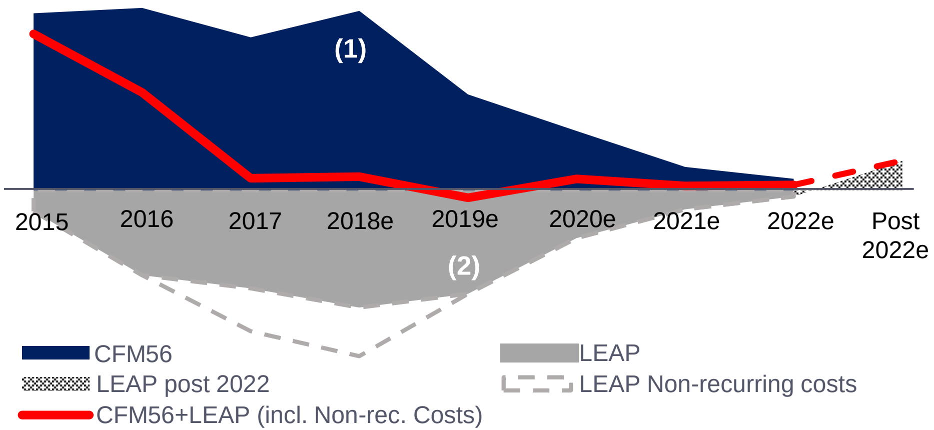
CFM56 / LEAP Original Equipment (OE) contribution

Impact of IFRS15 on transition profile planned (CMD'16)



CMD'18



In IAS18, Gross Margin LEAP OE breakeven planned at the end of the decade

In IFRS15, Gross Margin LEAP OE breakeven planned after 2020:

- Guarantees are deducted from Revenues
- Gross Margin is calculated with specific prices for OE/spare engines

(1) More CFM56 sold at a better price: positive impact of the CFM56 lasting longer than expected + positive product-mix

(2) LEAP cost reduction trajectory in line with initial ambition

► **Transition impact better than initially anticipated**

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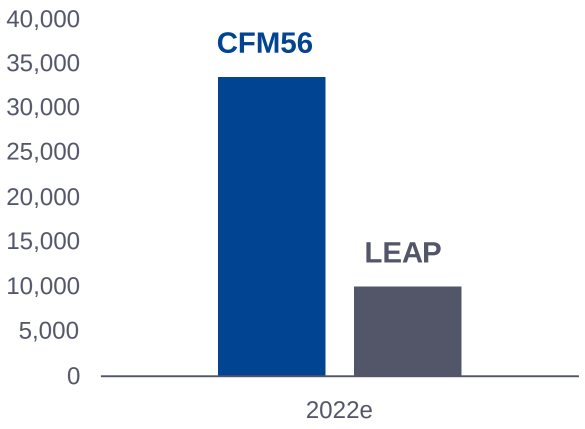
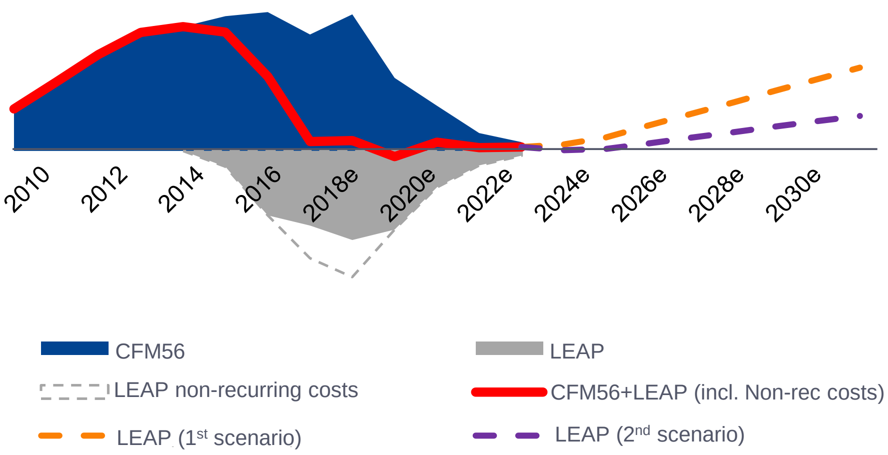
CFM56 / LEAP transition: what's next?

Cumulative number of engine deliveries



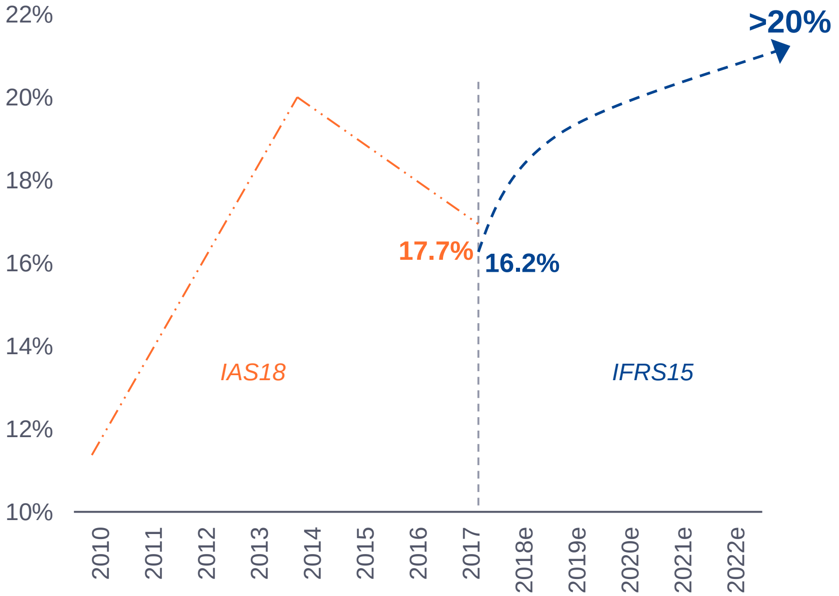
Illustrative impact of price and cost evolution

CFM56 / LEAP OE contribution to Gross Margin



2018-2022 ambition for Propulsion: Recurring Operating Margin trending above 20%

Propulsion Recurring Operating Margin



Assumptions

Civil Aftermarket growth

Completion of the CFM56 / LEAP transition

Narrowbody production rate as committed to airframers

RTDI: increased impact on P&L (headwind)

Helicopters: recovery over the period

▶ **Propulsion Margin beats CMD'16 ambition**

2018-2022 ambition: Recurring Operating Margin beyond 16% for Equipment and beyond 10% for Defense

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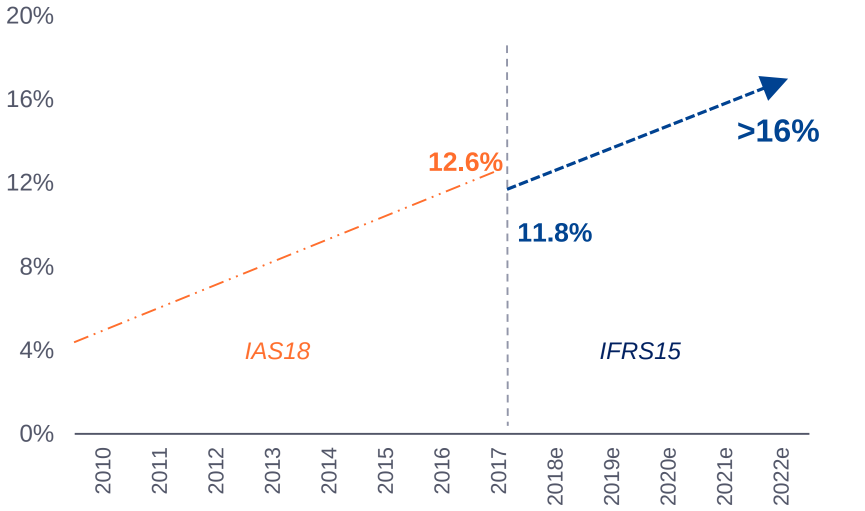
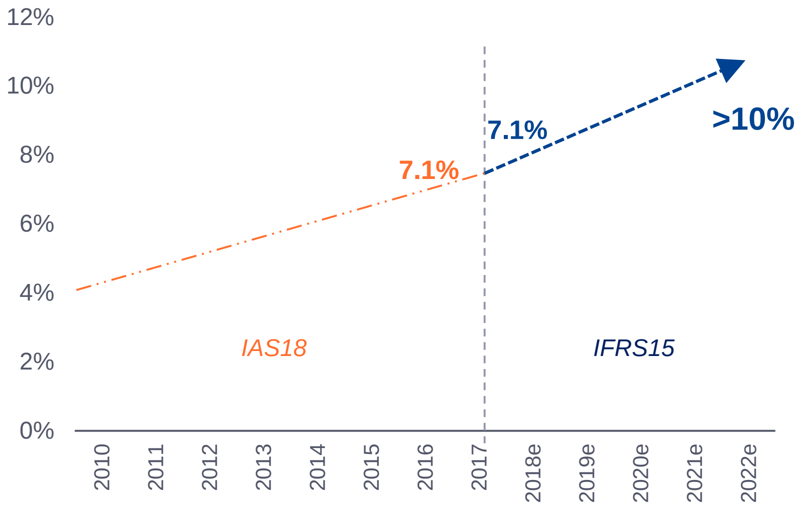
Equipment Recurring Operating Margin



Defense Recurring Operating Margin



Service Revenue Growth: high-teens over the period
Cost reduction

Executing on contract wins
Cost reduction

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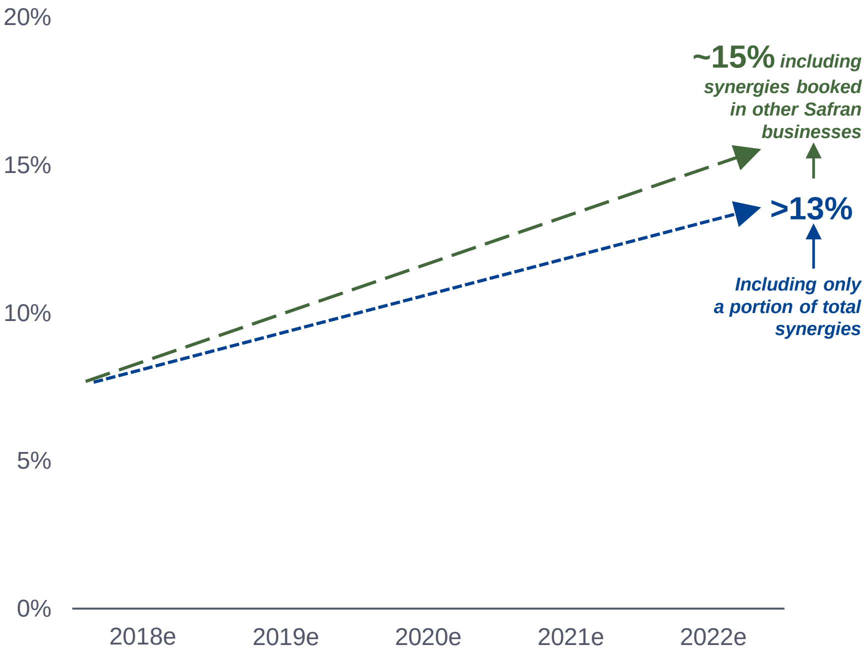
2018-2022 ambition for former Zodiac Aerospace: recovery confirmed

Zodiac Aerospace Recurring Operating Margin



Zodiac Acquisition Business Plan targets (May, 2017) to be delivered in 2022:

- €200M cost synergies confirmed
- **>13% Margin in 2022 including only a portion of total synergies**
- Aerosystems above 13%; Aircraft Interiors below 13%
- Other synergies spread over Safran's other Business Units
- €18M synergies on financial costs below Recurring Operating Income

Aerosystems:

- Low to mid-single digit Revenue growth p.a.
- Aftermarket Growth

Aircraft Interiors:

- Mid-single digit Revenue growth p.a. after 2019
- Increase in aftermarket
- Strong margin recovery

C2 - Restricted

2018-2022 ambition for the Group: a 16-18% margin by 2022

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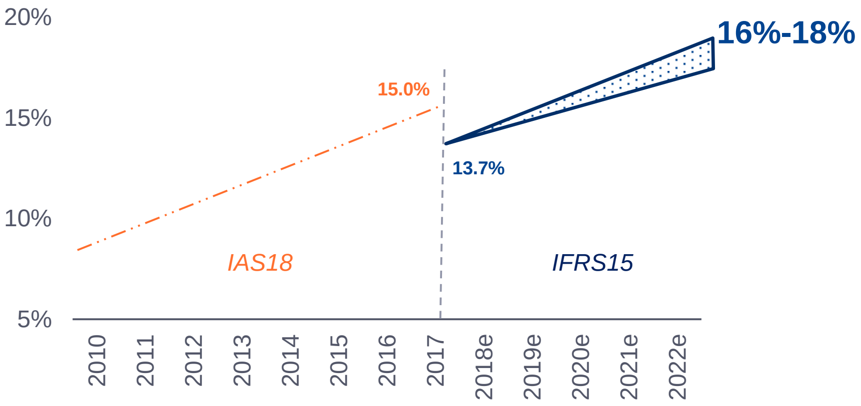
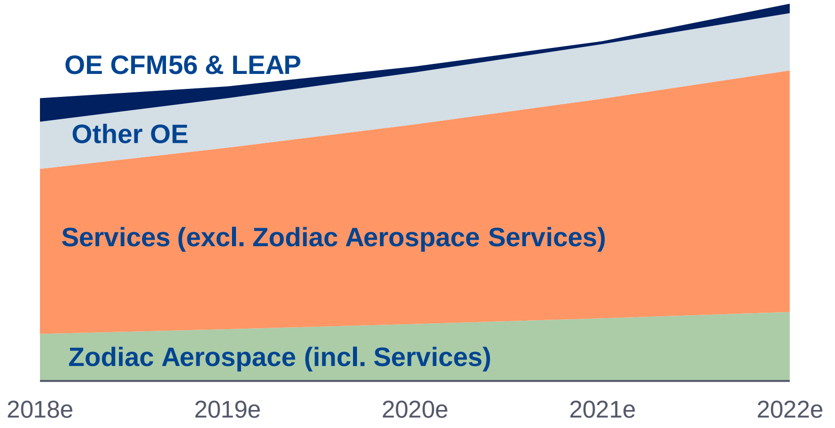
Group Recurring Operating Margin



Indicative profile of Group Gross Margin



Opportunities:
- LEAP OE Gross Margin
- LEAP Services Margins
- Civil Aftermarket trend
- Euro / Dollar hedge rate

Risks:
- LEAP ramp-up execution
- Aircraft Interiors recovery
- World Economy

Services activities: a predictable business that should grow by ~30% over the period

Zodiac Aerospace's Gross Margin to increase by ~60% over the period

CFM56 / LEAP transition: limited impact from 2018 to 2022

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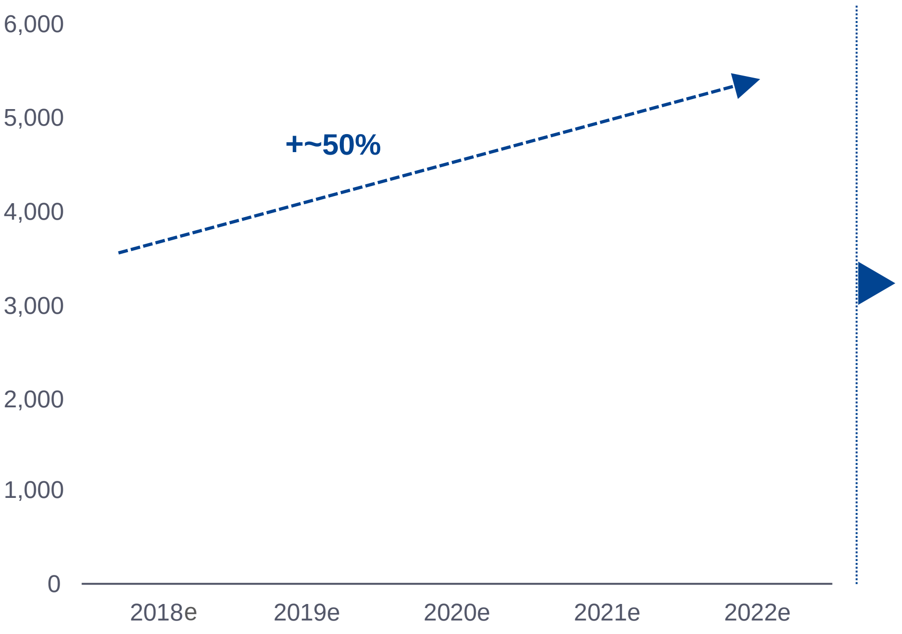
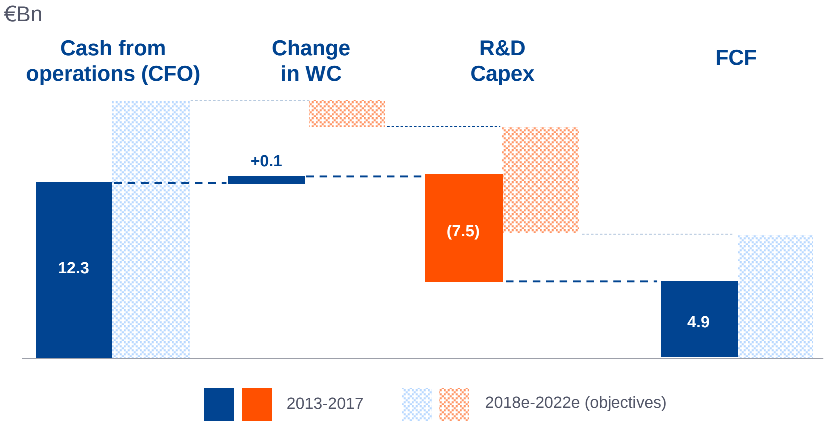
2018-2022 strong cash flows from operations

EBITDA (€M)



Note: At an estimated average spot rate of USD 1.21 to the Euro in 2018; at a hedged rate of 1.18 and at a spot rate of 1.25 over the period 2019-2022



MAIN FCF TAILWINDS:

- Increase in profitability across all businesses
- CFM56 aftermarket and Equipment Services
- LEAP ESPH contracts (~25% of LEAP RPFH contracts)
- Zodiac recovery

MAIN FCF HEADWINDS:

- Working capital (advance payments)
- New developments and R&D efforts
- Capex (investments to secure ramp-up; additive manufacturing)

Note: ESPH= Engine Service Per Hour; RPFH= Rate Per Flight Hour

Focus on working capital

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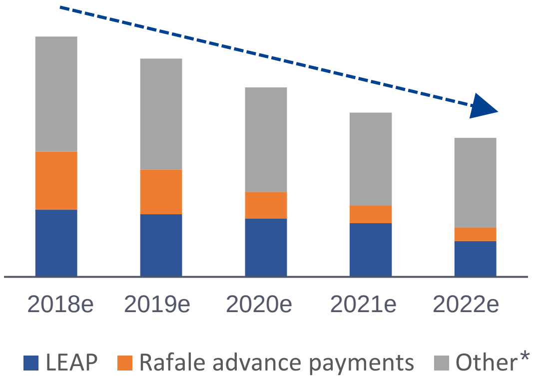
Total advance payments (€bn)
(Projected balance sheet over the period)

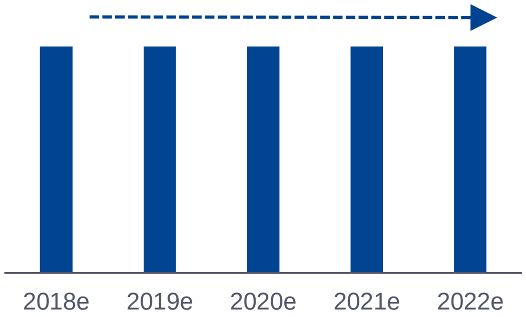


* *Includes mainly Helicopters and Military excl. Rafale*

Significant reduction of advance payments:

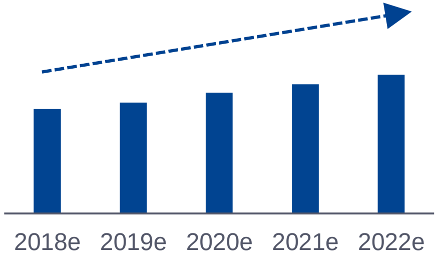
- Reduction of RAFALE advance payments
- End of LEAP ramp up

Inventories and WIP (€bn)
(Projected balance sheet over the period)



Stable inventories and work-in-progress (WIP)

RPFH cash contribution (€bn)
(Projected balance sheet over the period)



Note: RPFH= Rate Per Flight Hour

LEAP aftermarket: conservative assumptions for RPFH contracts (75% ESPO – 25% ESPH)

ESPO= Engine Service Per Overhaul;
ESPH= Engine Service Per Hour

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Focus on R&D: new cycle ahead

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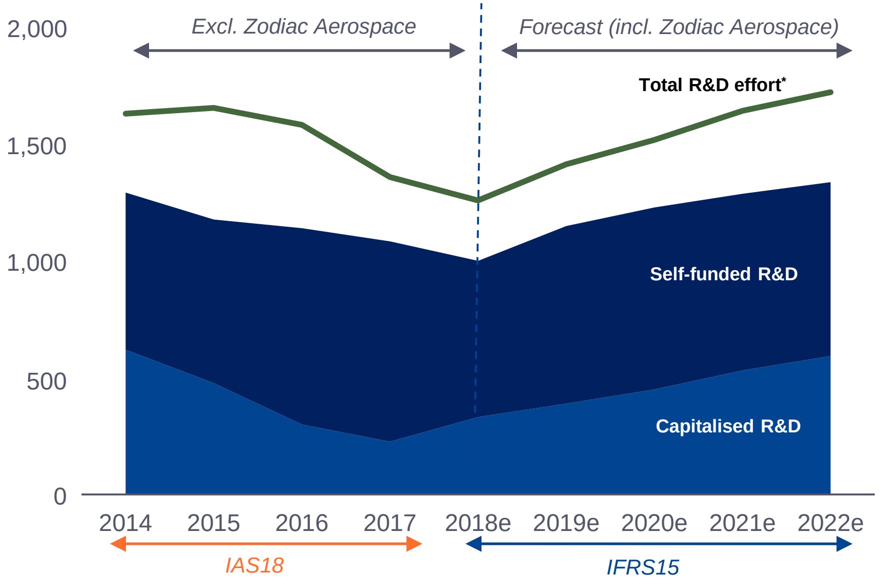
Total R&D Spending (in €M)



Note: Restated figures for 2014-2017 (exclusion of Space and Security)
** Total R&D effort includes R&D sold to third parties, self-funded R&D and capitalised R&D*

From 2018, new cycle of R&D spending:

- Assumption: NMA launched
- Catch up on Zodiac

Increased self-funded R&T: from €460M in 2018 to ~€600M in 2022

Self-funded R&D spending between 6% and 7% of sales over 2018-2022

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Focus on Capex

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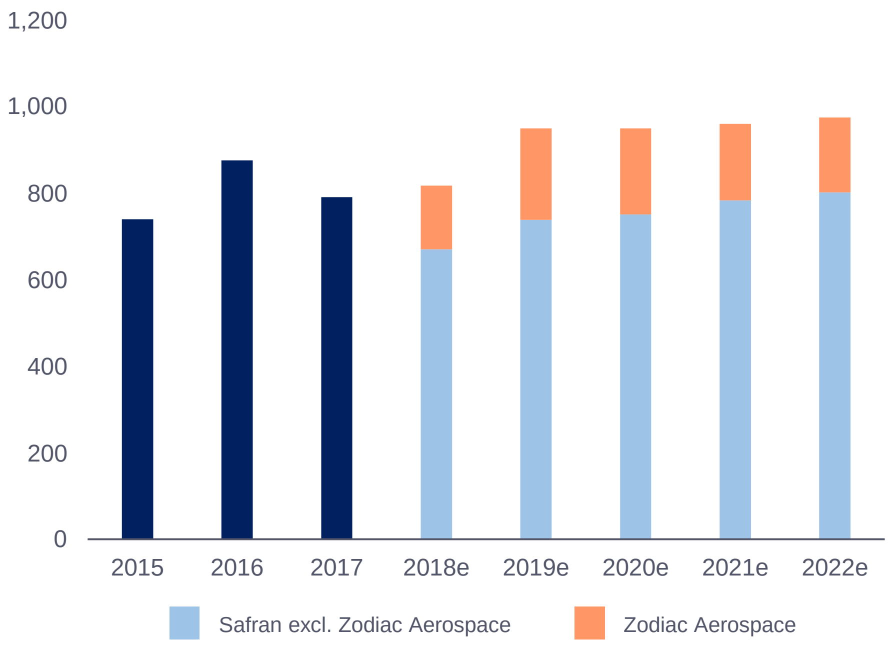
Total Capex spending (in €M)



MRO network development for LEAP

Accelerated development of additive manufacturing

Catch up on Zodiac

Total Capex spending around 4% of sales over 2018-2022

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2018-2022 Capital allocation policy

FCF IMPROVED OVER 2018-2022

Disciplined M&A

Deleveraging

Priority to shareholders returns

Disciplined M&A policy

No major acquisition currently contemplated in the coming years

Zodiac portfolio pruning

Selective bolt-on's reinforcing Safran footprint

e.g. Rockwell Collins' actuators, pilot controls and special products

Reaffirmed objective of strong investment grade profile with efficient balance sheet management

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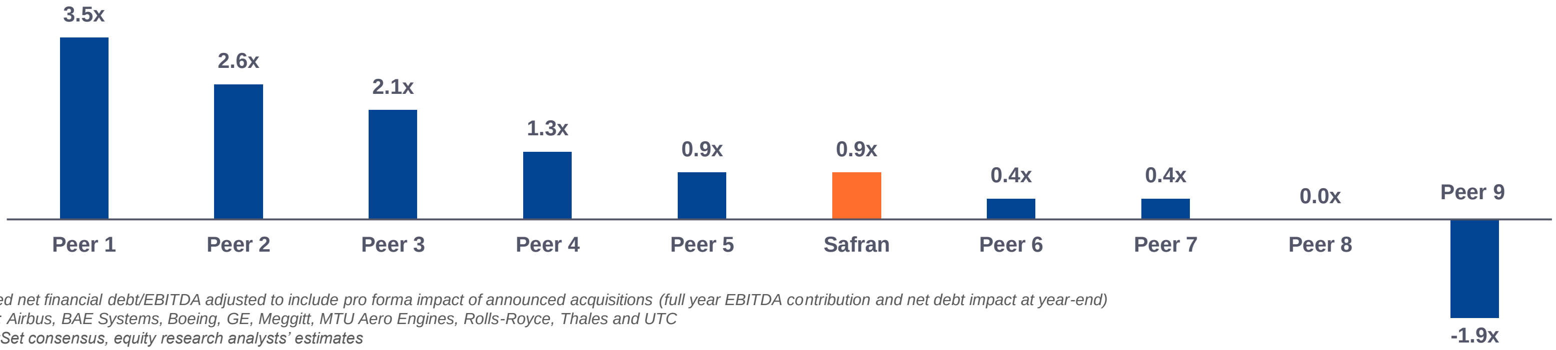
Net financial debt/EBITDA of Safran vs. industry peers (2018e) - Adjusted



Note: estimated net financial debt/EBITDA adjusted to include pro forma impact of announced acquisitions (full year EBITDA contribution and net debt impact at year-end)
Peers include: Airbus, BAE Systems, Boeing, GE, Meggitt, MTU Aero Engines, Rolls-Royce, Thales and UTC
Sources: FactSet consensus, equity research analysts' estimates

- **Following acquisition of Zodiac and ~50% completion of share buyback program, Safran is moderately leveraged**
- **Safran's intention: to maintain its leverage in line with best-in-class peers**

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Shareholders returns (1/2) – Best-in-class TSR over past 10 years

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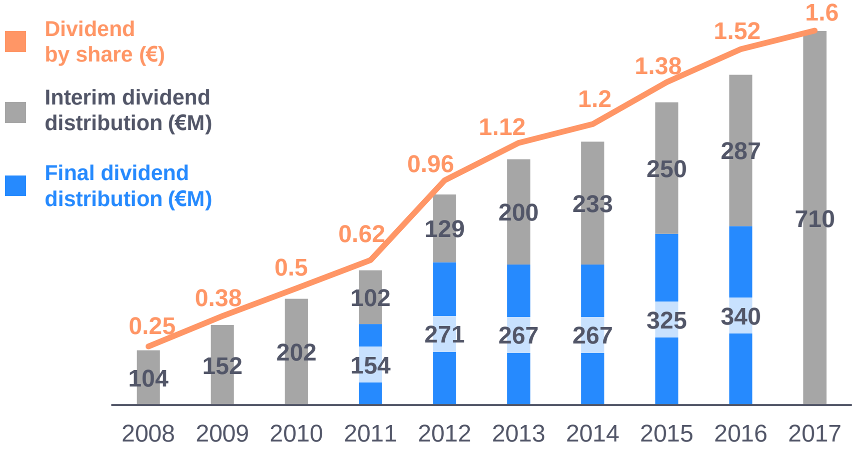
Safran dividend (2008-2017)

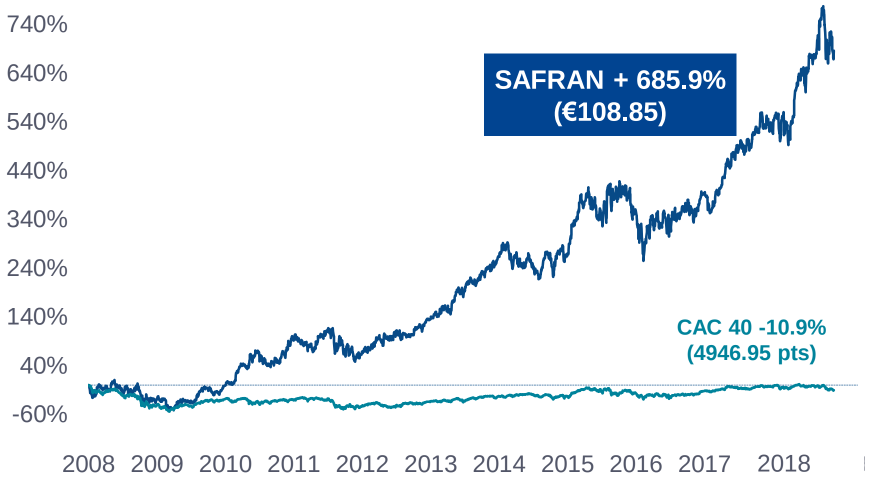


Total dividend distribution (€M)	104	152	202	256	400	467	500	575	627	710

Dividends paid: x6.8 between 2008 and 2017

Safran share performance vs. CAC 40 index (2008-2018)

As of November 23, 2018



Share's value: ~+686% since 2008

▶ **Total Shareholder Return (TSR) CAGR 2008-2018: +23.4% p.a**

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Shareholders returns (2/2) – Increased cash returns over 2018-2022

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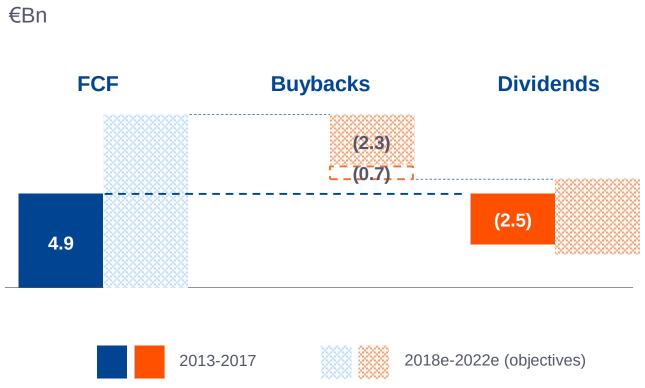

~50% of FCF distributed through dividends

~75% of FCF distributed through Buybacks + dividends (@40% payout assumption)

More dividends driven by higher results

Over 50% of the €2.3bn buyback program already executed, with €1.1bn to go in the next 12/18 months

- €522M through 2 buyback tranches announced on March 27th and June 29th
- Repurchase of the outstanding convertible bonds (OCEANEs) due Dec 31st, 2020. Treasury shares acquired in 2016 and 2017 to cover exchangeable debt securities reassigned to the €2.3bn share buyback program (6.25 million shares for a total value of €702M)
- New price limit set at the Nov. 27th AGM at €140 / share

Intention to increase the share buyback program by another €700M (to avoid potential dilution of June 2023 OCEANEs)

- **The Board of Directors will review the practice in 2020 in order to ensure growing and attractive equity return for shareholders**
- **Over 75% of cumulated FCF to be returned to shareholders over 2018-2022 through buyback, existing dividend practice and a new possible buyback program**

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2018-2022 Financial wrap-up – Medium term ambition

Continued organic Growth

- Mid-single digit Revenue Growth over 2019-2022 (assuming average spot rate of USD 1.25 to the Euro over 2019-2022)
- Civil Aftermarket growing on average at high-single digit

Best-in-class profitability

- Benefits of medium-term FX hedging policy
- Recurring Operating Margin trending to a 16%-18% range by 2022
- Former Zodiac Aerospace divisions recovery and €200M cost synergies confirmed

Strong cash generation

- EBITDA increase by ~50% between 2018 and 2022
- EBIT to Free Cash Flow conversion above 50% each year and trending above 60%
- Subject to customary elements of uncertainty on the timing of downpayments and the rythm of payments by certain state customers

Balanced and disciplined capital allocation with increased returns to shareholders to be further reviewed by Board of Directors in 2020