

PERSPECTIVES AND STRATEGY

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CEO



CMD'16 ambitions delivered and exceeded

	Three ambitions	Three achievements
1	Focus on Aerospace and Defense	<ul style="list-style-type: none"> • Successful disposal of Security and Identity businesses • Unparalleled LEAP ramp-up
2	Reinforce our footprint in Aerospace Equipment	<ul style="list-style-type: none"> • Acquisition of Zodiac Aerospace • #2 WW in Aerospace Equipment
3	Sound financial results to get closer to the best peers	<p>Financial objectives outperformed over 2016-2018:</p> <ul style="list-style-type: none"> • Organic growth: mid-single digit p.a • EBIT growing on average by 100bps p.a. • Average EBIT to FCF conversion comfortably above 50%



1

**OUR INDUSTRY: VERY
POSITIVE PERSPECTIVES,
CHANGING INDUSTRIAL
LANDSCAPE**

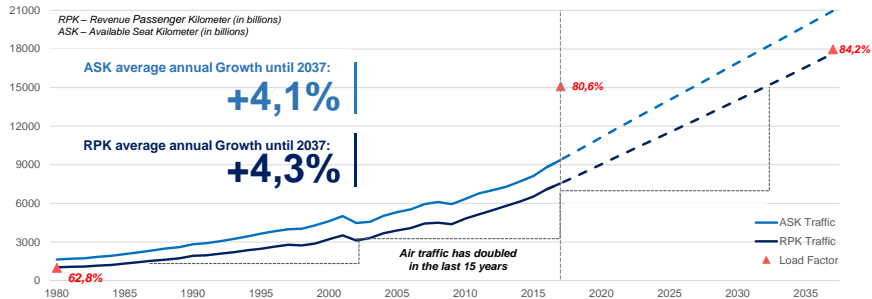
Positive industry trends

Commercial outlook

Doubling of air traffic in the next 20 years

Pressure on capacity: load factors peaking and strong profits for airlines

Scheduled Passenger Network, Worldwide



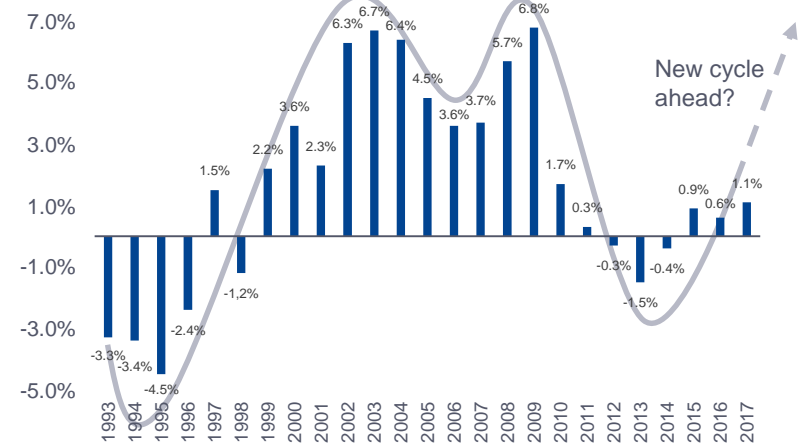
Sources: Safran Aircraft Engines

Military outlook

Increase in military spending (2% GDP NATO spending targets)

New programs and technological transformation

Military spending evolution, Worldwide (as %)



Sources: SIPRI for years 1990-2017

In commercial aviation, planned aircraft deliveries better than anticipated

Very positive outlook for commercial aviation over the 20 coming years:

20-year annual economic growth*
+2.8%

20-year annual RPK traffic growth*
+4.3%

20-year annual global fleet growth*
x1.8

20-year new aircraft deliveries*
39,000

Solid deliveries of new aircraft over the next 20 years, particularly narrowbody:

2,800
TURBOPROP AIRCRAFT

3,600
REGIONAL JETS

24,100
SHORT-MEDIUM RANGE AIRCRAFT

8,500
LONG RANGE AIRCRAFT

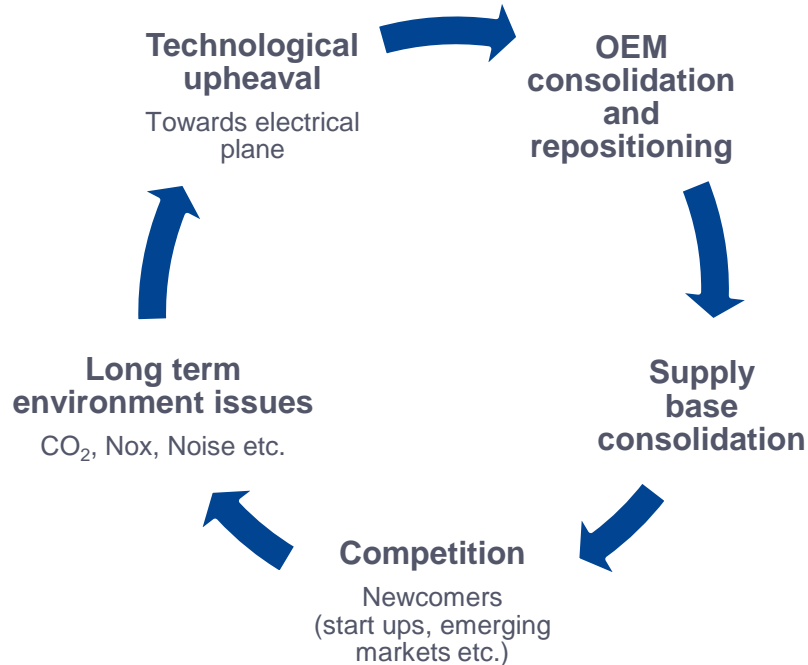
Sources: Safran Aircraft Engines

* Until 2037

► **Solid momentum of new aircraft deliveries**

A changing industrial landscape

Rapid changes



Safran's responses

OEM partner of choice

- Continued cost competitiveness (productivity, Low Cost Countries, etc.)
- Technological excellence and IP protection

Define the next Aerospace state of the art

- R&D
- Disruptive technologies
- Selected partnerships

► **Confirming Leadership**

2

SAFRAN HAS THE ASSETS FOR SUCCESS



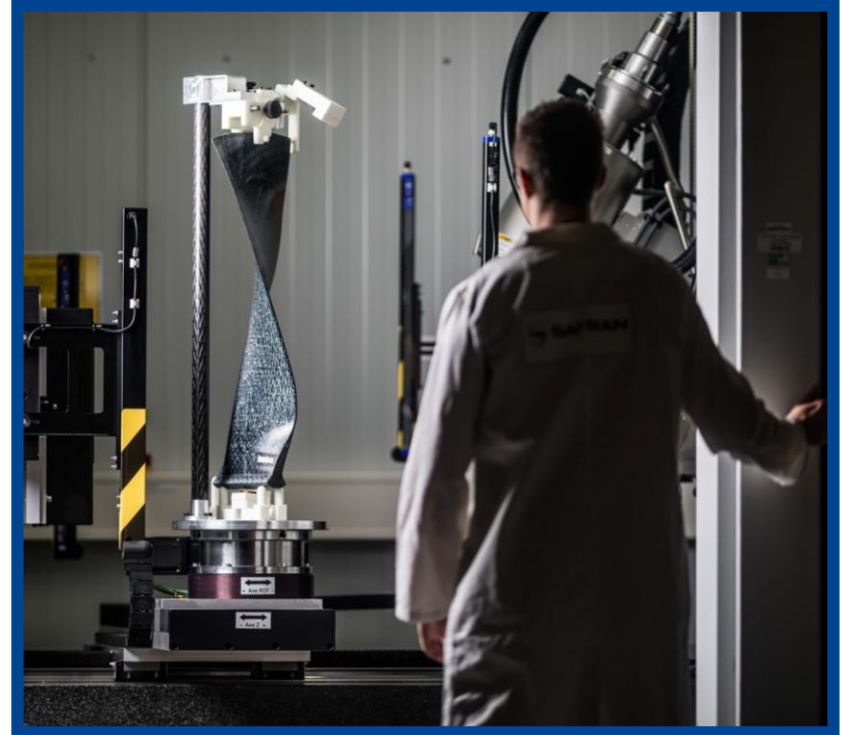
Well-positioned for success: winning products, winning technologies...

**WE HAVE THE KNOW-HOW
AND OPERATIONAL EXCELLENCE**

**WE HAVE
A BALANCED AND WINNING PORTFOLIO**

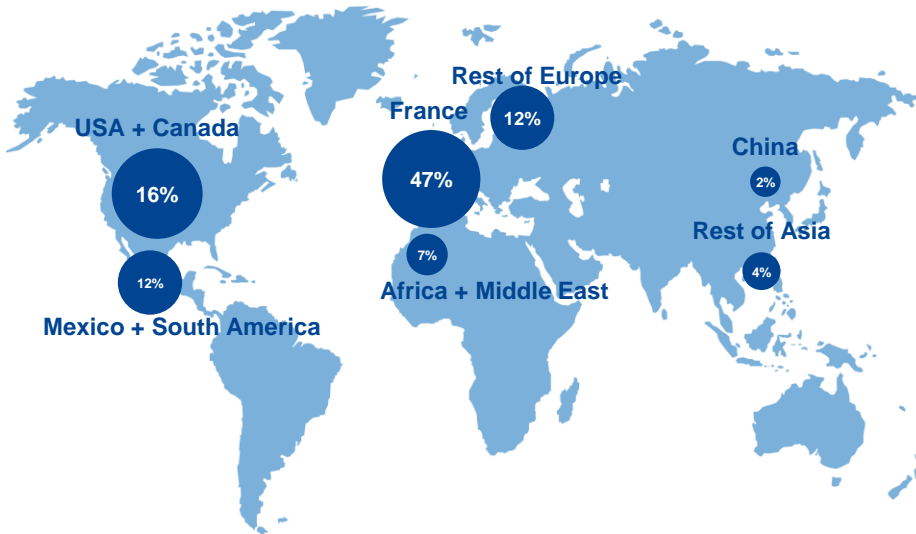
**WE HAVE A CLEAR ROADMAP
FOR THE NEXT 15 YEARS**

- ▶ **New ambitions ahead: leading the industry and preparing the next decades of the Aerospace and Defense industry**



...and talented people

Geographic split of Employees (% , 2018)



An international Group of ~90,000 in 2018

- Reinforced footprint in North America with Zodiac Aerospace
- Upcoming capacities increase in Low Cost Countries (LCC)

Increasing Support and Client Services resources, with upcoming capacities in Maintenance, Repair and Operations (MRO)

A high-tech Group, committed in training and building skills of all its workforce

- 16% of the workforce in R&D
- ~1,200 PhDs

▶ **Success comes by developing talents and our team performance**



3

**CLEAR AMBITION FOR EACH
BUSINESS:
PREPARING THE NEXT
DECADES OF AEROSPACE
AND DEFENSE INDUSTRY**

Propulsion – Our ambitions for the next 15 years



A FULL-FLEDGED ENGINE MANUFACTURER

**PREPARING THE FUTURE
OF PROPULSION BY DEFINING THE TECHNOLOGIES
OF TOMORROW**



**MANAGING A LARGE INSTALLED BASE OF CIVIL ENGINES,
UPSIDE FOR AFTERMARKET**

Propulsion – Supplying the full spectrum of propulsion technologies

CAPITAL
MARKETS
DAY/2018



Narrowbodies: core through our remarkable CFM JV*

Widebodies: through risk and revenue sharing partnerships**

Addressing other market segments: bizjet, regional and military engines

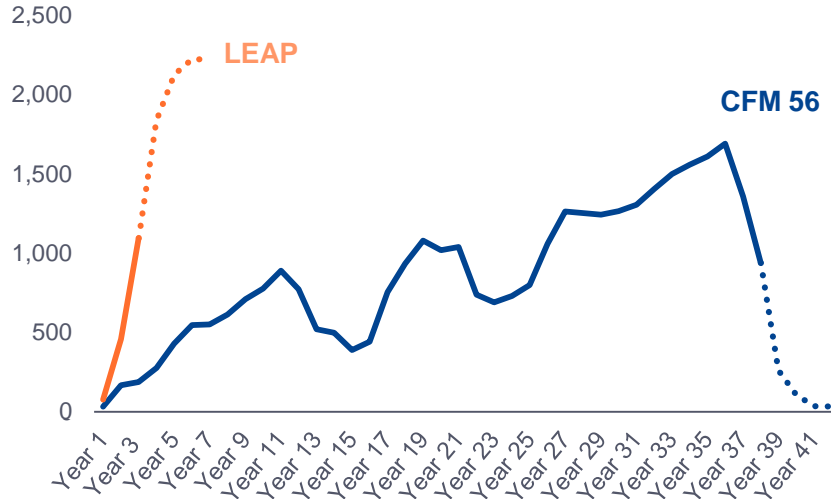
Helicopter engines: #1 WW

** 50-50 JV between Safran and GE*

*** Primarily with GE*

Propulsion – LEAP, the most challenging ramp-up in the Aerospace history; CFM56, a remarkable lifespan

CFM engine deliveries p.a.



LEAP: an unparalleled and ground breaking ramp-up

CFM56: a large installed base

- Remarkable longevity of CFM56: ~5,700 engines delivered in 2015-2018, with a historical high in 2016 (~1,700 engines)

LEAP learning curve experience: a driver for excellence across the Group

► Upside for our aftermarket perspectives beyond 2025

Note: « Year # » stands for the number of production years for each engine.
For instance, after 5 years of production, ~600 CFM56 were delivered (in 1985)
vs ~2,000+ LEAP (in 2020).

Propulsion – Other customer segments: growth to come from engine renewals

Bizjets



Priority to develop Silvercrest for Textron Aviation's Hemisphere

Make it the best engine in its class

Military aircraft



Preparing actively the Future Combat Aircraft (FCAS) with our European partners

Helicopters



A brand new product range with best-in-class engines between 500 shp and 3,200 shp

Propulsion - Preparing future technologies



New forms of propulsion to come

- Environmental constraints
- New mobility needs: urban and regional mobility
- Full electrical propulsion: not expected before 2050 for large commercial aircraft

Hybridation of the propulsion chain: an essential step

VTOLs as the next ground break through: agreement with Bell

Leading the way for the short and long term

- Electrical aircraft with e-taxing, hybrid Ram Air Turbine, etc.
- Know-how with military UAVs
- Additive manufacturing, high temperature CMC materials

▶ Investing today in disruptive technologies is key

Aerospace Equipment – Our ambitions for the next 15 years

Safran in 2018: #2 WW Aerospace Equipment* supplier



Our ambition: becoming #1 WW

Very significant positions in almost all market segments

A world-class business e.g. :

- Landing gear, Wheels and carbon brakes
- Nacelles
- Electrical wiring interconnection systems for aircraft
- Evacuation slides, O₂ systems
- Seats and Cabin

Increasing our competitiveness and being innovative

Offering global packages to clients

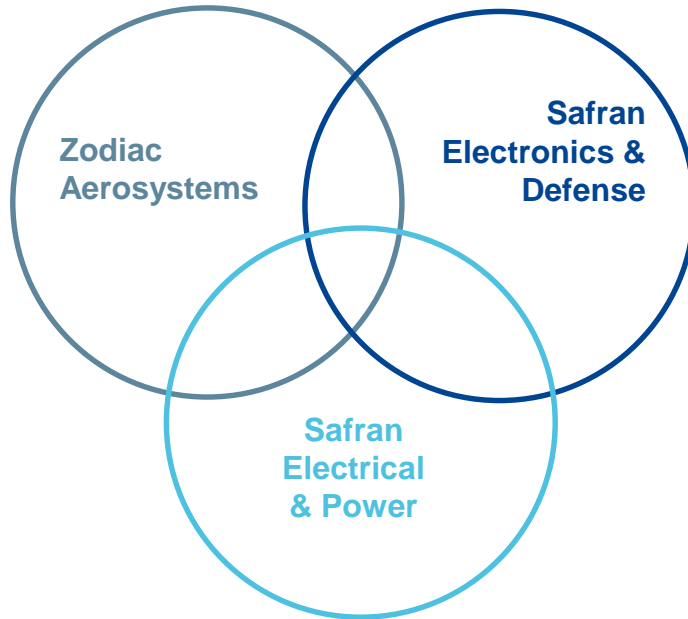
Acting as a key leader in equipment for more electrical aircraft

Leveraging our technologies in our Electronics & Defense niche business (e.g. single pilot)

** Excluding Propulsion activities*

▶ Safran as a partner of choice for OEMs

Equipment – Zodiac Aerosystems reinforces our Electronics & Defense / Electrical & Power activities



Aerosystems brings:

- **Complementary** and **additional** products & services in line with Safran DNA

Safran Electronics & Defense:

- Center of excellence in Electronics for the group
- Instrumental in Safran's position in critical systems and equipment

- ▶ **Fully leverage Aerosystems' portfolio to strengthen our positions and to maximize commercial, technological and product synergies**

Equipment - Our assets in a changing landscape

Our assets

1. **Innovative excellence**
2. **Competitive strength**
3. **Agility**

Two illustrations of our agility



Nacelles

- Continuation of the sole source contract with Airbus to supply nacelles for the Leap-1A equipped A320neo (design, production, integration and support)
- No significant impact on our margins overall



APUs

- Partnership with Boeing: a win/win situation strengthening our relationship
- Offering an opportunity to take positions on APUs for commercial aircraft
- Next steps: demonstrator, investments and respond to tenders

Aircraft Interiors – Our ambitions



A new business for Safran, with exciting challenges:

- Maintain design *savoir-faire* and quickly restore operational excellence
- Reinforce the proximity with the airlines
- Become a leader of the connected cabin
- Improve the user experience (passenger, flight crew)

Turn around performance and reach former profitability levels

► Innovation, operational excellence and customer trust will ensure Safran leadership in this new activity

Aircraft Interiors – Upcoming growth opportunities

Strong product customization and increased segmentation

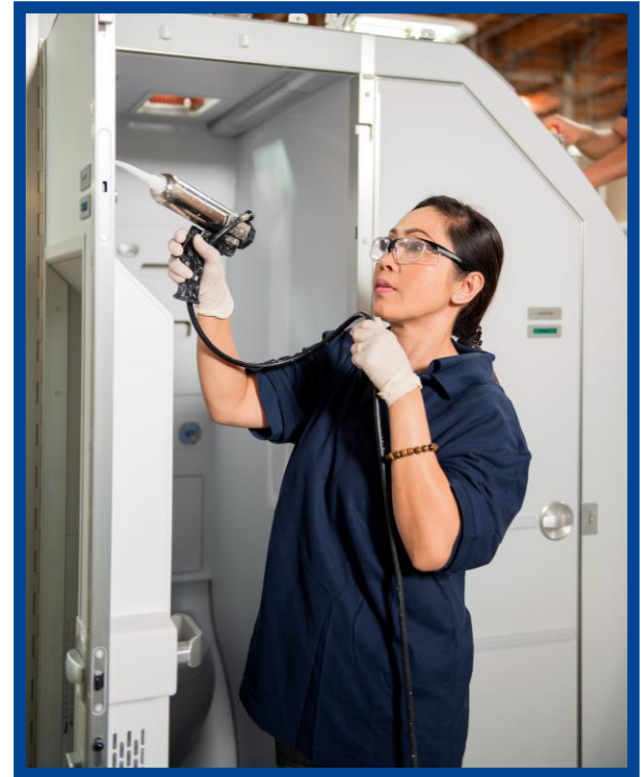
- Cabin is the main differentiator for airlines
- Passengers looking for a modern IFE (simple and reliable) and for connectivity

Dynamic retrofit market (~5% of growth p.a.)

On going industry professionalization where operational excellence is a key success factor

- Supply chain and delivery issues met by all participants
- Products becoming more complex

- ▶ **Aircraft Interiors industry waiting to be strengthened**
- ▶ **Safran has all the assets to succeed**



A clear road map

- ▶ **Complete the LEAP success story with best-in-class OE and aftermarket, in cooperation with our partner GE Aviation**
- ▶ **Successfully integrate Zodiac Aerospace and deliver planned synergies**
- ▶ **Invest in technologies to bolster our key-leading position as a full-fledged civil & military engine manufacturer and to become #1 WW Aerospace Equipment supplier in the next 15 years**