SAFRAN
BERNARD DELPIT - GROUP CFO

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KEPLER CHEUVREUX
AUTUMN CONFERENCE 2016
SEPTEMBER 14, 2016

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Agenda

Main drivers of Safran financial ambition for the 2016-2020 period

H1 2016 highlights

A resilient and attractive business model

2020 financial ambition – Main drivers

Steady organic revenue growth

Temporary headwind from LEAP transition and expensed R&D

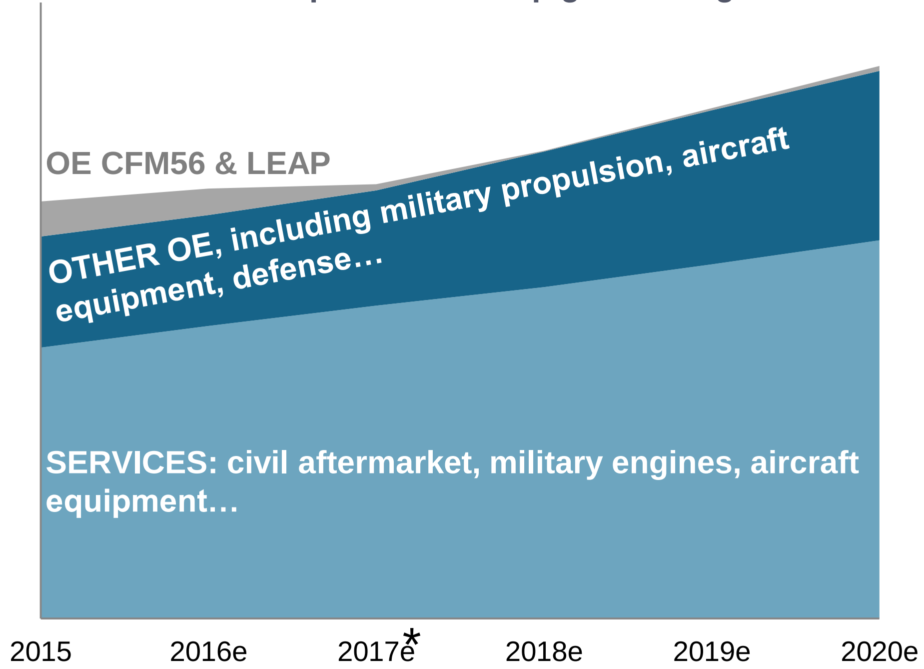
Offsetting factors: growing contribution of civil aftermarket and other businesses

Tailwind from FX

Propulsion margin to remain in the mid to high teens during transition

Group margin consistent with the record set in 2015 during transition and trending above 15% when transition is completed

Indicative profile of Group gross margin



** Starting 2017, excluding the contribution of assets contributed to ASL, consolidated under the equity method since closing of Phase 2.*

H1 2016 financial highlights

(In €M)	H1 2016	Propulsion	Equipment	Defence	Security	Holding & others
Revenue	**8,936**	**4,857**	**2,542**	**584**	**949**	**4**
Year-over-year growth in %	*6.3%*	*8.3%*	*5.3%*	*(5.2)%*	*7.2%*	-
Recurring operating income	**1,309**	**942**	**271**	**22**	**79**	**(5)**
as a % of revenue	*14.6%*	*19.4%*	*10.7%*	*3.8%*	*8.3%*	-
margin evolution (vs H1 2015)	*+0.6pt*	*(1.6)pt*	*+2.5pt*	*+1.4pt*	*+0.8pt*	-

Growing revenue: +6.3% thanks to continuing momentum in Aerospace services and Security

Growth in recurring operating income of 11.8%:

- **Propulsion: Negative margins on LEAP; CFM56 OE and services growth partially offset by weak helicopters**
- **Increased contribution to performance of Aircraft Equipment, Defense, Security and Holding**

Record recurring operating margin at 14.6%, driven by strong improvement in Aircraft Equipment

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H1 2016 growth in services (Propulsion and Aircraft Equipment)

Maintenance of CFM56,
Villaroche, France

Maintenance of GE90,
Saint Quentin en Yvelines, France

Growth in Aircraft Equipment services of 14.9% (in €)

- Growth driven by carbon brakes and services for nacelles and landing gear

Growth in Propulsion services of 9.8% (in €)

- Driven by civil aftermarket and strong growth in services for military engines
- Lower helicopter turbines contribution due to the grounding of the H225 fleet and soft demand from O&G customers

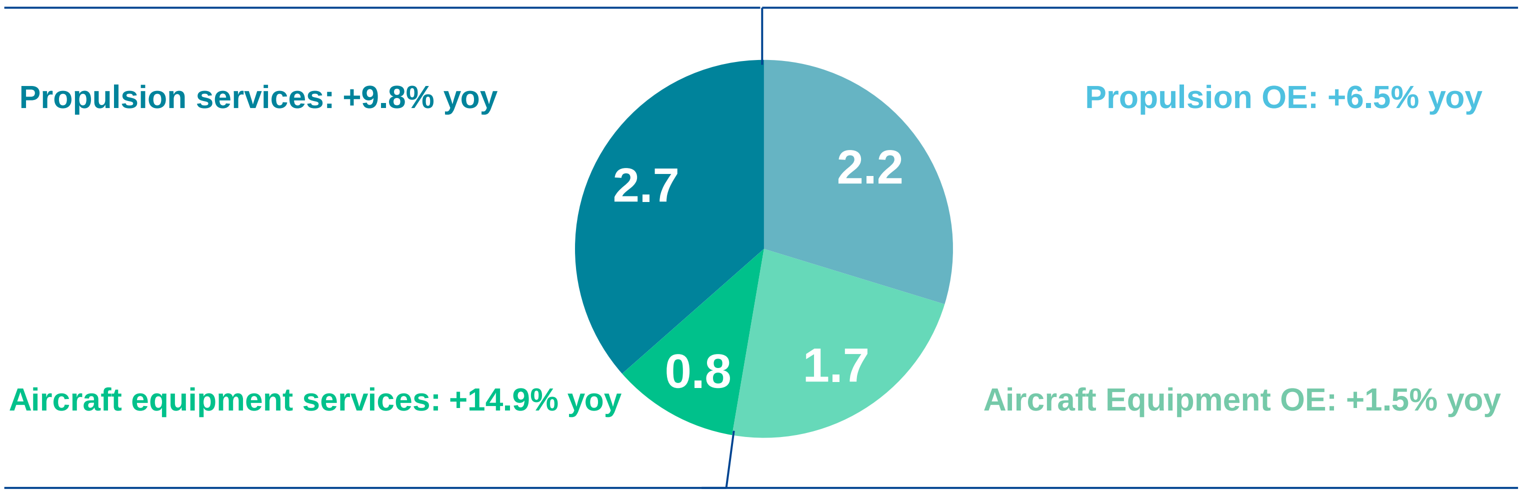
Civil aftermarket in Propulsion up 8.5% in H1 (in $), in line with guidance

- Q1 2016 +8.6% and Q2 2016 +8.3% year-over-year
- High comparison bases due to 2015 strong growth (+18.9% in $)

Continuing momentum in Aerospace services

Revenue mix in Aerospace

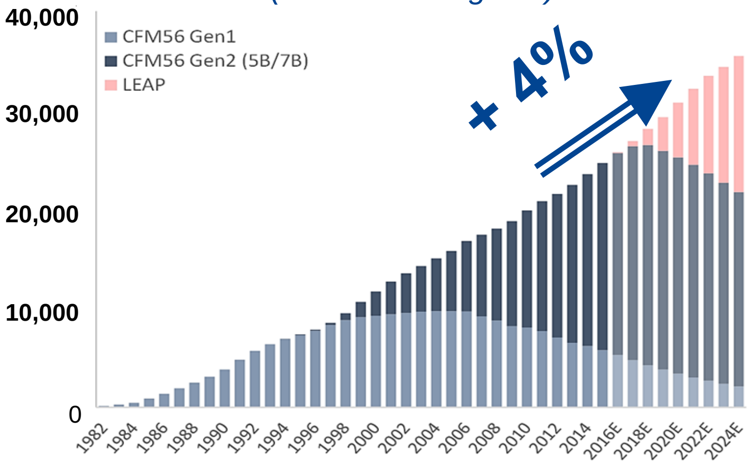
Services: 47% | **H1 2016 (B€)** | **Original Equipment: 53%**



Balanced business model translating into recurring revenue growth

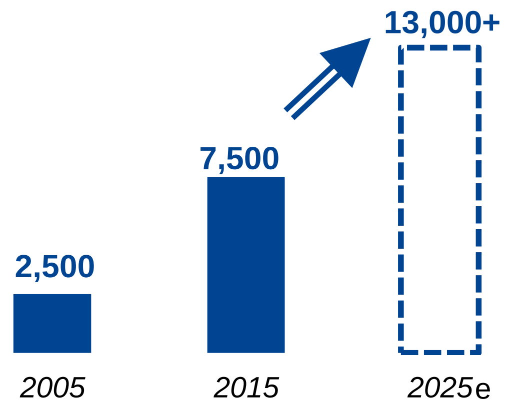
Attractive and growing installed base of products

CFM Fleet in service
(number of engines)



- 25,000 CFM56 in operation today
- LEAP engines will relay CFM56 and bring additional fleet potential
- By 2025, more than 11,000 engines to be added to the fleet in service

Installed base of carbon brakes
(number of aircraft>100pax)



Nacelles: increasing aftermarket opportunity

- Focus on the development of positions in aftermarket
- Tier-1 for A320neo and A330neo nacelles
- By 2020, 50% of revenue (OE+services) generated by A320neo and A330neo

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Wrap-up

FY 2016 guidance and Safran's financial ambition supported by H1 performance:

- FY 2016 guidance confirmed (at constant structure)
- Executing on our strategy:
  - Transition from CFM56 to LEAP in line with plan
  - Increasing contributions of other businesses, notably Aircraft Equipment
  - Continuing momentum in Aerospace services

Balanced business model generating recurring revenue

Installed base of products offering attractive profitability prospects

ADDITIONAL INFORMATION

2016 key assumptions

Healthy increase in aerospace OE deliveries

Civil aftermarket growth at the low end of the initial range

Start-up costs of series Leap production

Reduction of self-funded R&D of the order of €100M with a greater drop in capitalised amounts

- Less spending on LEAP, A350, helicopters, as they come closer to certification and entry into service
- Expensed R&D to rise by around €100M

Sustained level of tangible capex, including expansions, new production capacity and tooling, around Euro 850 million, as requested by production transitioning and ramp-up

Profitable growth for the security business

Continued benefits from productivity improvement

Full-year 2016 outlook

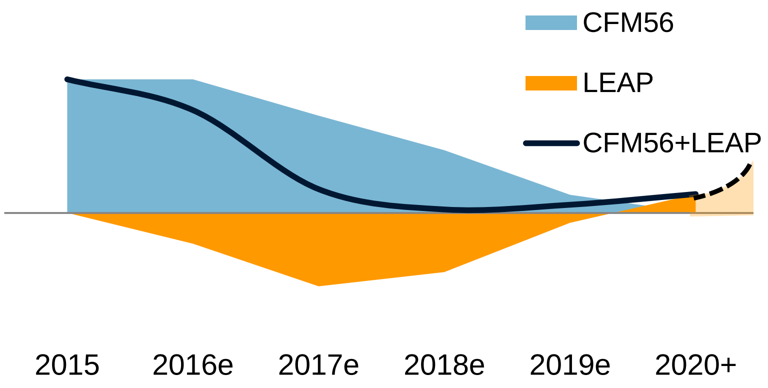
Safran's expectation for growth on an organic basis is reaffirmed. With reference to the Group structure at end-2015, Safran expects for 2016 on a full-year basis:

- **Adjusted revenue to increase by a percentage rate in the low single digits compared to 2015 (at an estimated average rate of USD 1.11 to the Euro).**
- **Adjusted recurring operating income likely to increase by around 5% with a further increase in margin rate compared to 2015 (at a hedged rate of USD 1.24 to the Euro).** *The hedging policy largely isolates adjusted recurring operating income from current EUR/USD variations except for the part generated in USD by activities located in the US, subject to the translation effect when converted into Euro.*
- **Free cash flow representing more than 40% of adjusted recurring operating income, an element of uncertainty being the rhythm of payments by state-clients.**

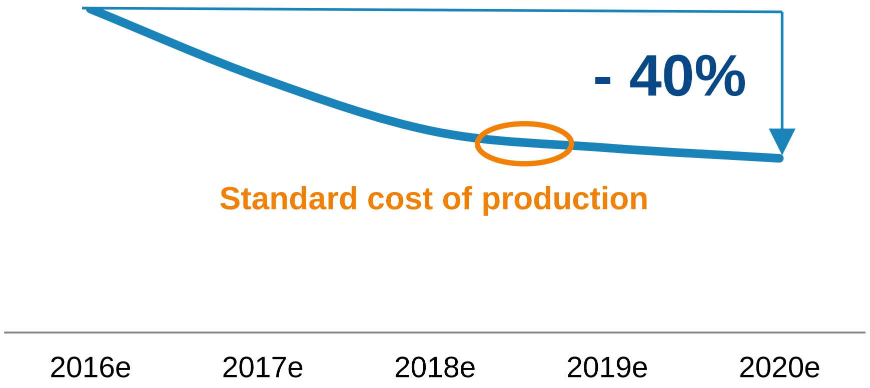
Starting on July 1, 2016, Safran will account for its share in ASL using the equity method and thus no longer record revenue from space activities. In 2016, the change is expected to reduce revenue by approximately Euro 400 million and to have a slightly positive impact on adjusted recurring operating income.

LEAP transition

CFM56 / LEAP OE contribution to gross margin



Cost of production: Learning curve of LEAP



- Gradual reduction of CFM56 contribution
- Transitory losses on LEAP OE
- Break-even on LEAP OE production by end of decade

- Initial production costs > standard cost of production (double sourcing; volumes)
- Targeting a 40% reduction in production cost by 2020 (double sourcing; learning curve)

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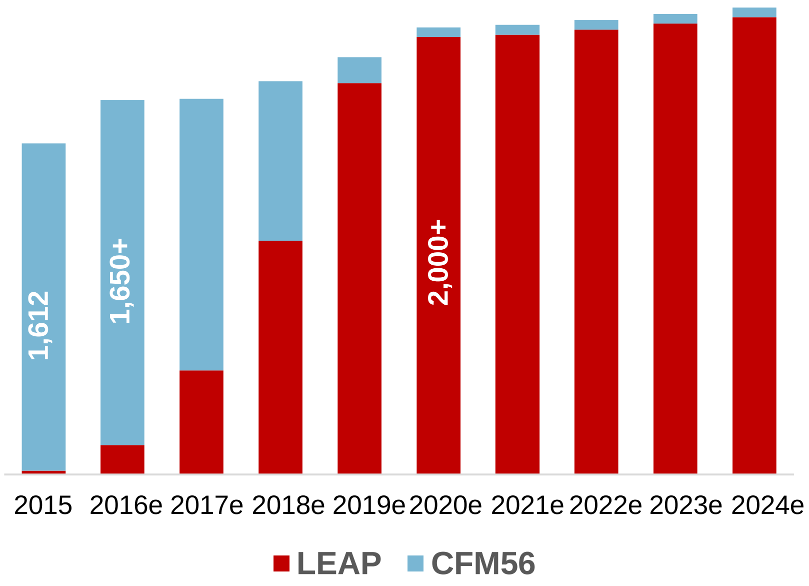
Transitioning to LEAP

Number of engines produced



CFM56: continuing demand

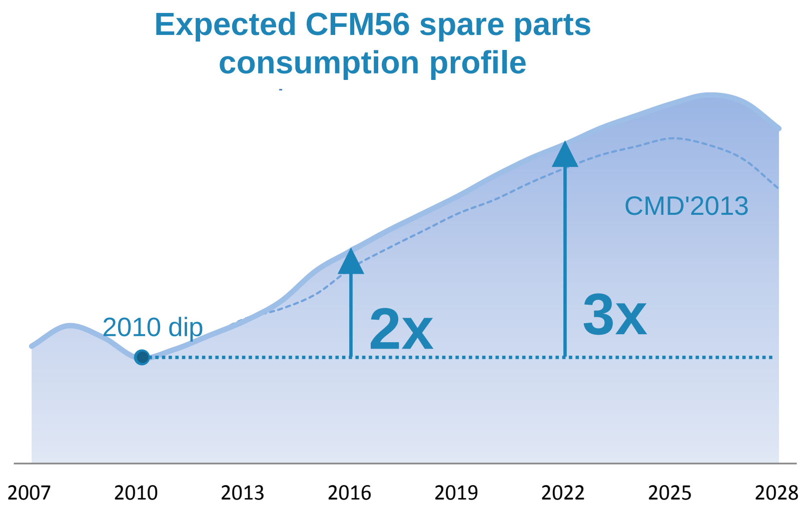
- Record deliveries with 886 engines in H1
- 786 orders and commitment logged YTD
- 82% market share on A320ceo YTD

LEAP: executing on ramp up

- 11 LEAP-1A delivered in Q2, as planned
- Full transition in 4 years: everything in place to manage ramp-up (double sourcing, buffer stock, supply chain monitoring and stress testing…)
- Learning curve : focus on scrap rates and cost reduction initiatives (Safran and suppliers); large volumes are an opportunity to get costs down

Transition in line with plan

Prospects for future CFM56 aftermarket



Trend grows faster and peaks higher than 2013 view, mainly due to greater CFM56 success in recent years

Main contributors to spare parts consumption are now Gen 2 engine models

Growth potential for the fleet of Gen 2 engines supported by strong fundamentals:

- Average age of Gen 2 engines in service is below 8 years
- >60% of Gen 2 engines have never had a shop visit
- Most spare parts consumption is generated in the first 18-20 years of operation

Reaping the benefits of CFM56 success

Capital allocation

Technological differentiation through R&D

- R&D spending peaked in 2014 and will continue to decline during period of the plan
- Discipline in sustaining engineering
- New opportunities to be selected under strict conditions

Capital Expenditure to support growth

- CAPEX peaking in 2016 – stabilization at a lower level going forward
- New products ramps, production rate increases, international footprint

Growing cash returns to shareholders

- Confirming 40% pay out ratio for dividend distribution going forward

Acquisitions

- In core activities only
- Under strict conditions of IRR and implicit rating

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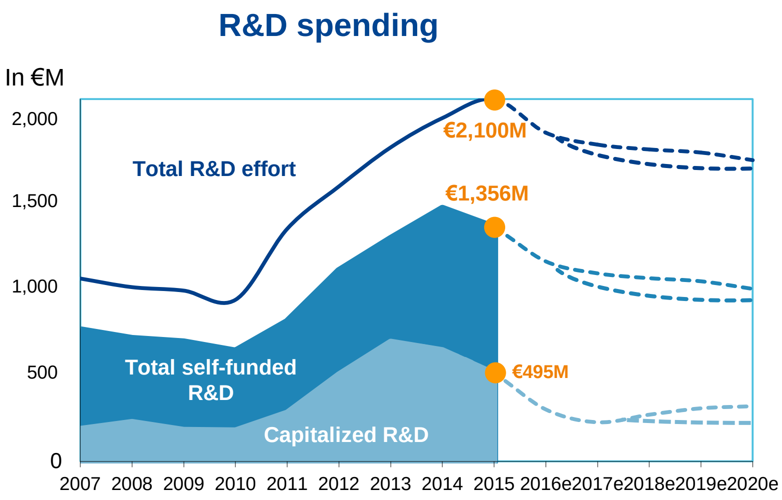
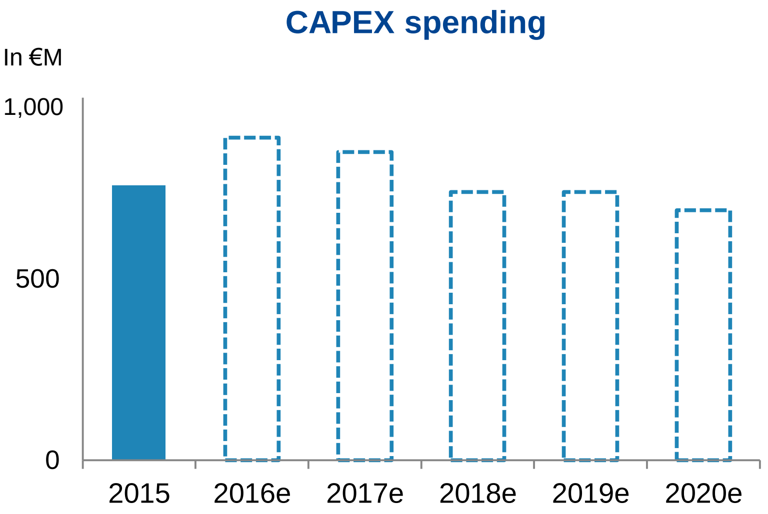
Capital allocation





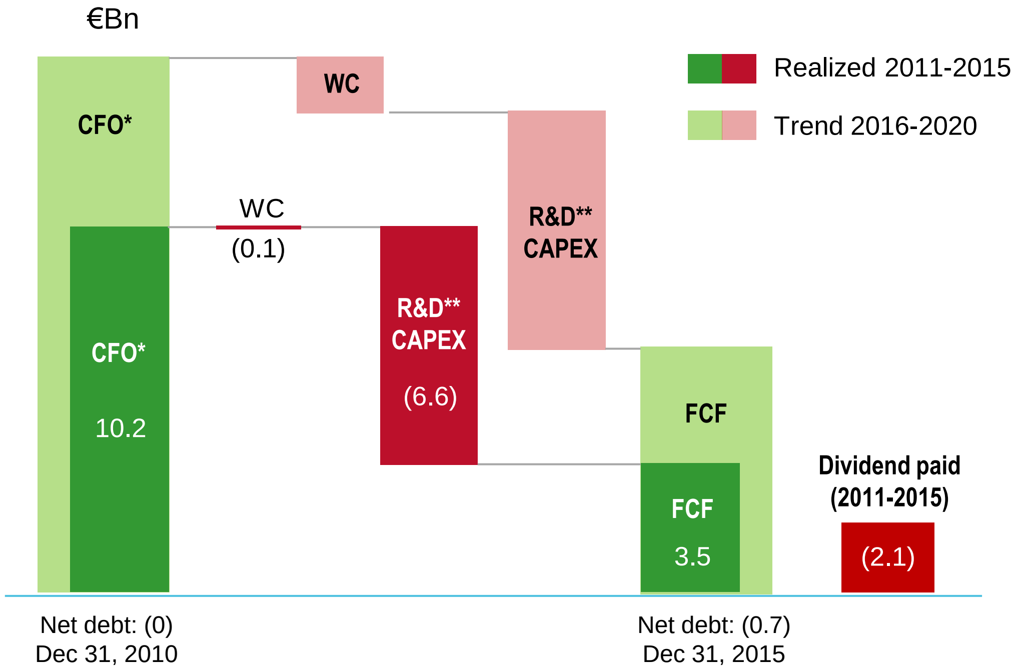
- Sustained R&T for the long term
- Decrease of development spending as programs EIS
- Self funded R&D trending towards €1bn
- Expensed R&D peaking in 2017

- Supporting LEAP ramp up
- Production rate increases (A320, 737, A350, 787)
- Production capacity (carbon)
- Strict investment criteria
- Trending towards 3% of sales by 2020

Capital allocation

2016-2020 trends

- Growth in cash from operations (CFO*)
- Higher working capital (WC)
- Lower capitalized R&D and CAPEX after 2016
- FCF conversion rate:
  - above 40% in 2016
  - to average 50% over 2016-2020
- More FCF generation offering increased headroom



* Including expensed R&D ** Capitalized R&D

2016 – 2020 financial ambition

Revenue target above €21 billion in 2020

- Assuming average spot rate of USD 1.11 to the Euro in 2016 and 1.12 over 2017-2020

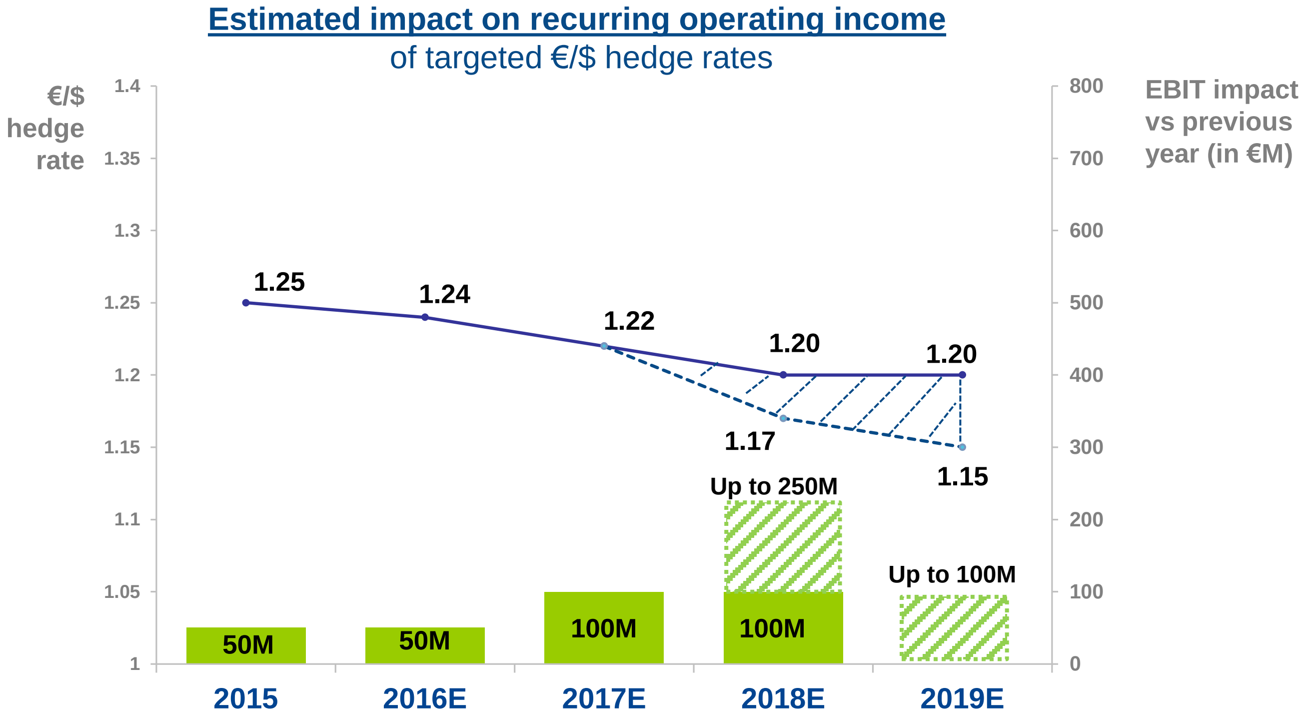
Recurring operating margin trending above 15% in 2020

- Including benefits of medium-term FX hedging policy

EBIT to Free Cash Flow conversion averaging 50% over 2016-2020

- Subject to customary elements of uncertainty on the timing of downpayments and the rhythm of payments by certain state customers
- Future opportunities will be evaluated on their merits and investments decided as appropriate

Fx hedging: benefiting margins over 2016-2019e



€250M to €500M of tailwind over 2016-2019e

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.

Disclaimer

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