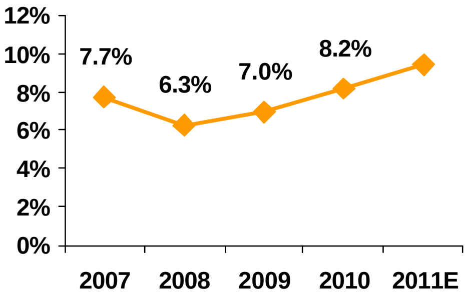
Supporting strategy & operations

Ross McInnes - Deputy CEO, CFO

/ December 13, 2011 /

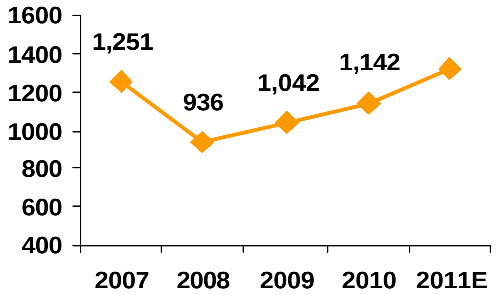
Transformation strategy driving results

Adjusted rec. operating margin
(in %)



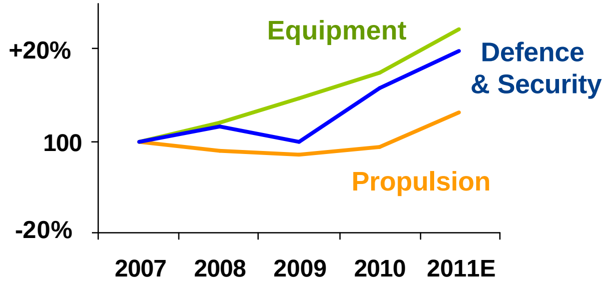
- **Heading beyond 10% in the short term**

Cash from op. activities
(in €M)



- **Generated over €5 billion in operating cash flow over 5 years**
- **Funding R&D, investments and acquisitions**

Revenue/head
(Base 100 in 2007)

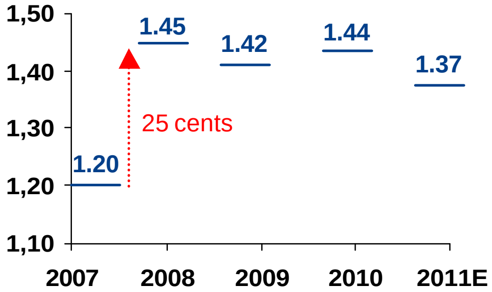


- **Revenue/head increased by 15-20% since 2007**
- **Increased productivity**

Note: Year 2007 included activities which have been since divested

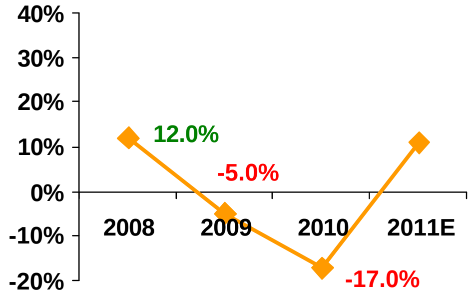
Increased results despite challenges

€/$ hedging rates
(in %)



- **Adverse impact of over $0.20 from 2007 to 2010 (c. €(0.5)bn in recuriing operating income)**

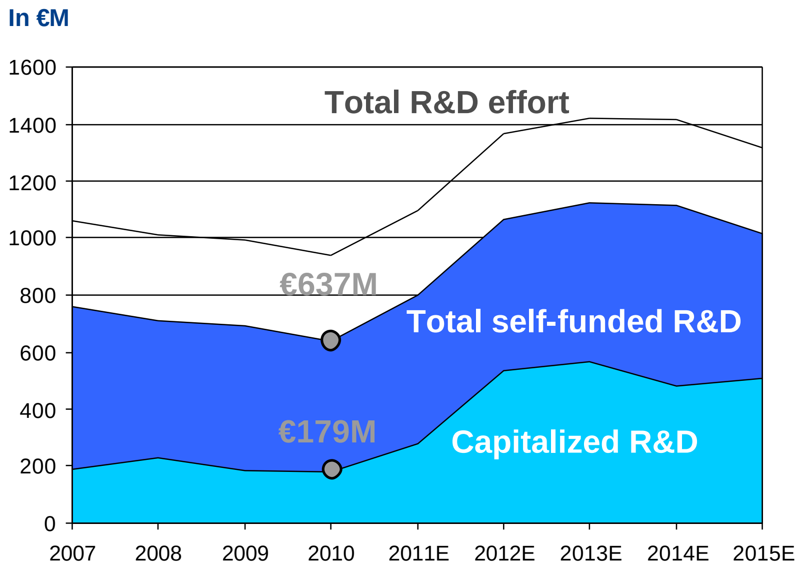
Global CFM spares growth rate
(in %)



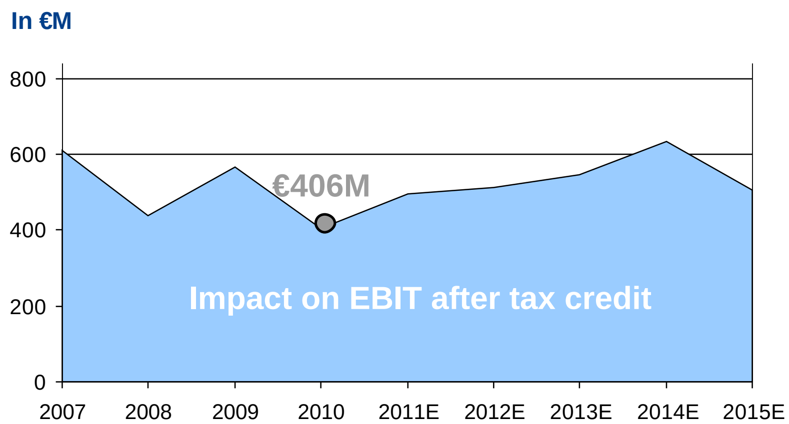
- **2008-10 global crisis had an negative impact on CFM spares business despite fleet growth but inevitable catch-up effect in short/medium term**

- **Successful actions to protect and improve margins**
  - Improving productivity
  - Increased emphasis on services
  - Improved programme management in Security
  - Renegotiating terms on some key programs

Expected R&D profile



- **Total self-funded R&D to top c.€1.1bn by 2013 which could represent up to 8% of revenue at peak** (normative level is 6-7%)
- **Capitalized R&D to increase accordingly** (applying IFRS rules)
- **R&D assets on b/s to rise from €1.3bn in 2010 to €3.2bn by 2015**



- **Increasing R&D expenses should have a moderate impact on EBIT**
- **Amortization level to slightly grow during the period**

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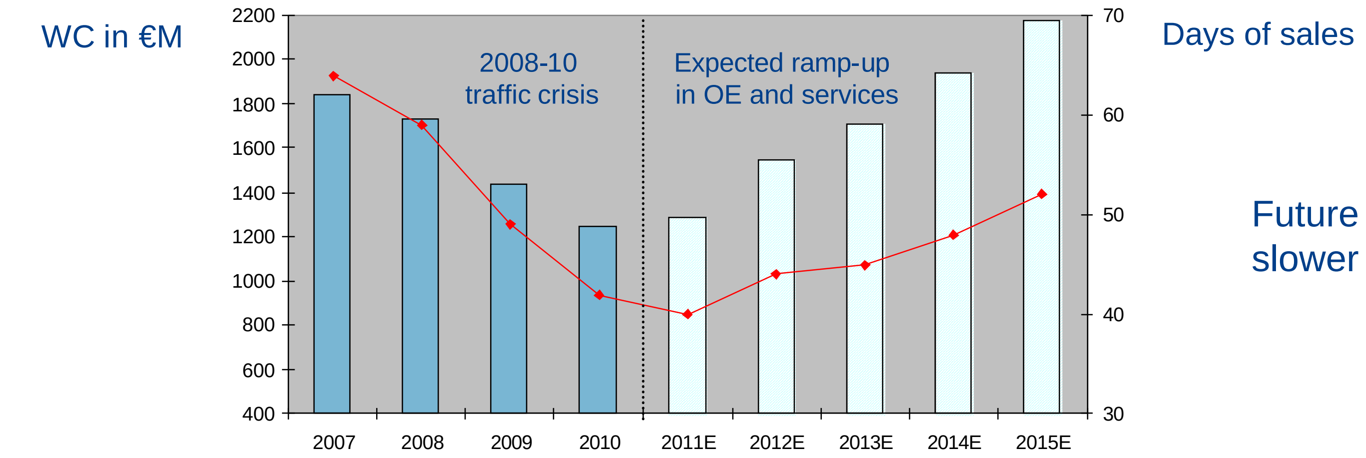
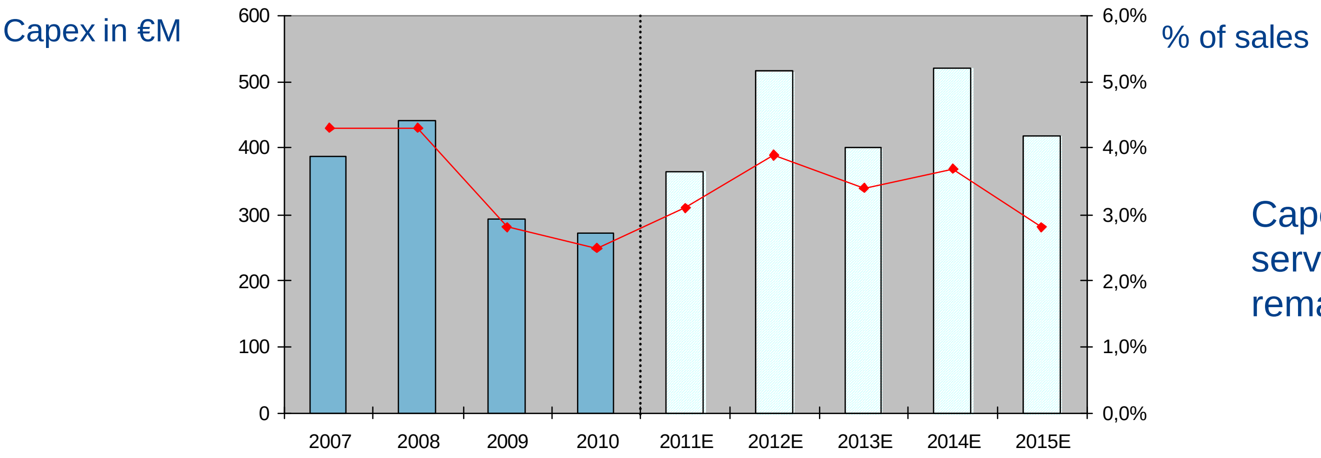
Expected WC and capex requirements



Future WC needs should grow but at a slower rate than revenue



Capex will increase to meet OE and services growth but ratio capex to sales to remain between 3 to 4%

Operating cash flows will fund growth

2011-15 drivers

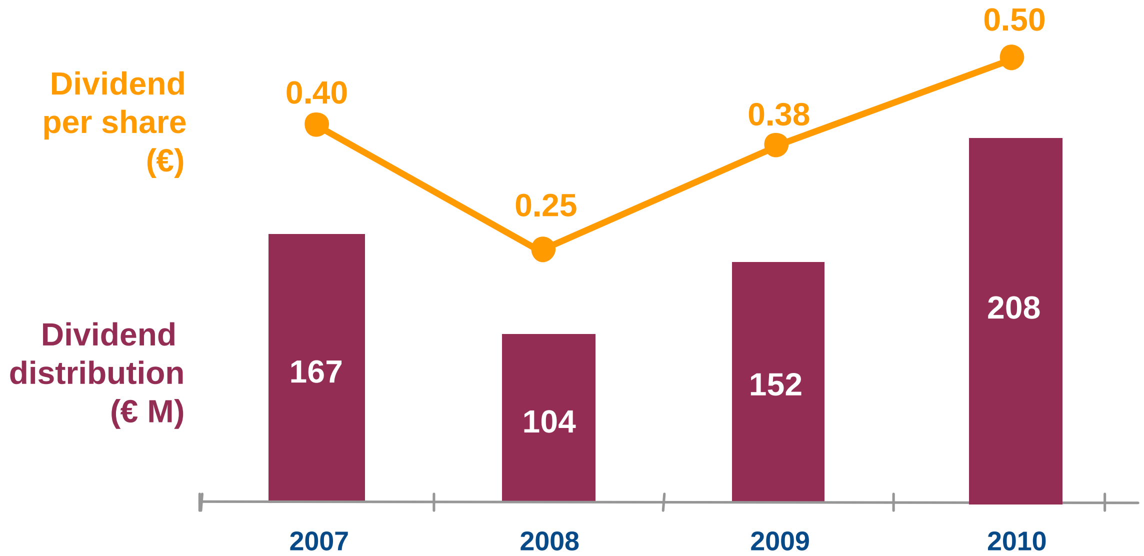
- **Propulsion**: aftermarket growth (CFM, high thrust, helicopters), OEM growth, productivity
- **Equipment**: raising OE production rate, growing carbon brakes fleet, productivity
- **Defence**: optronics growth, export programs in inertia navigation, reducing production costs
- **Security**: volume growth in ID, productivity in detection, market share gains in smart cards

Operating cash flows

R&D **Capex** **WC**

Dividends

- **Dividend payments rose with strong FCF generation**
  - 40% payout on adjusted net income since 2007



- **No share buy-back programme intended**
  - Limited to the animation of the share (*Contrat de liquidité)*

M&A financial criteria

- **ROI in the range of 10 to 12%**
  - vs. current cost of capital of around 8%

- **A deal should be EPS accretive in year 1 ideally**
  - If not, in year 2

- **Net debt/EBITDA around 2.0x**
  - 2.5x max at peak for a limited period of time

- **Interest cover ratio at 6x**
  - = EBIT / Interest expense

Applicable to all size deals

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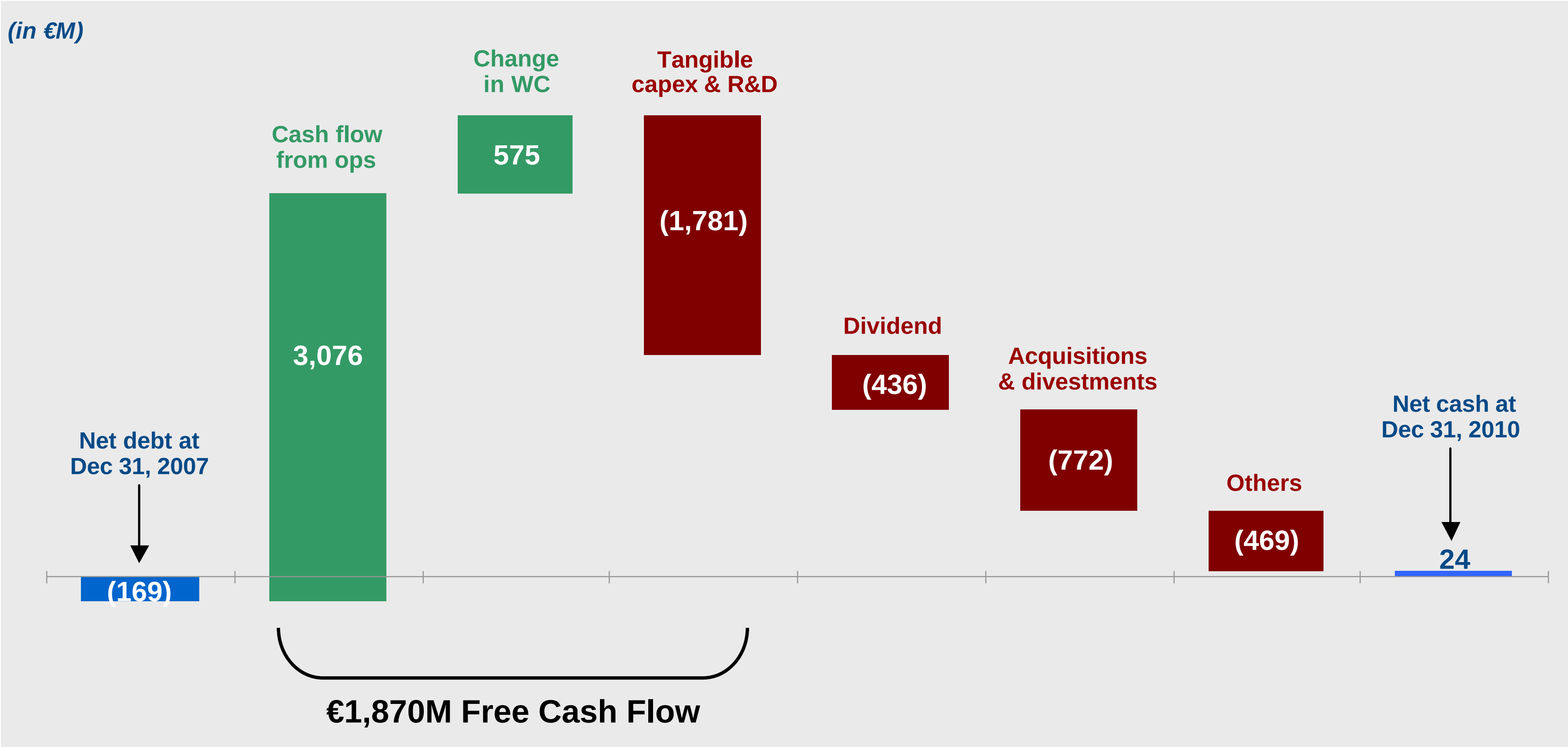
Net cash (debt) position



Operating cash flows paid R&D, capex, dividends and acquisitions

Successful refinancing

- **Available financing resources of €2.55bn (committed & undrawn)**
  - New €950M syndicated credit facility with Oct. 2016 maturity (undrawn)
    Replacing €800M facility maturing Jan. 2012
  - New €1.6bn syndicated credit facility with Dec. 2015 maturity (undrawn)
    Replacing €800M facility maturing Jan. 2012
  - Same covenant on both facilities: net debt/EBITDA <2.5

- **BEI line**
  - €300M loan fully drawn; 2020 maturity
  - 2 covenants: net debt/EBITDA <2.5 and gearing <1

- **Inaugural bond issue**
  - €750M bond with Nov. 2014 maturity; annual coupon of 4%; no covenants
  - Bond was oversubscribed 3 times to €2.3bn

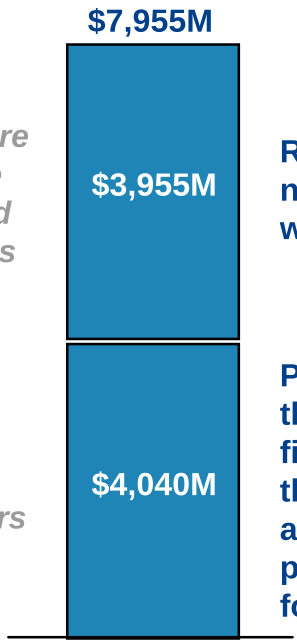
Proven access to international financial market

Managing the Fx impact

FY2010 $ revenues

Likely to grow as more businesses are originated from the U.S. (i.e. L-1 ID) and procurement comes from $ base

Likely to grow towards $5bn as aftermarket recovers and OE deliveries increase



Revenue that is naturally hedged with $ costs

Translation impact on revenue & EBIT (average spot rate matters)

Portion of revenue that requires financial hedging thru options, accumulators, participating forwards…

Transaction impact on EBIT (hedge rate matters)

A consistent 3-year hedging policy on USD, GBP, CAD, CHF

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Consistently improving hedge rates

€/$ hedge rates	2008	2009	2010	2011	2012E	2013E	2014E	2015E
May 2008	1.46	No hedge						
December 2008	1.45	1.46	1.525	1.43				
December 2009		1.42	1.46	1.39	<1.35	<1.35		
December 2010			1.44	1.39	1.34	1.30	1.28	
December 2011				1.37	1.33	1.29	1.28	<1.30
Improvements	-1 cent	- 4 cents	-8 cents	-6 cents	-2 cents	-6 cents	-	

2012-2015: further €/$ hedge rate improvements are very likely

2015: hedging below $1.30 on $2.5bn already secured

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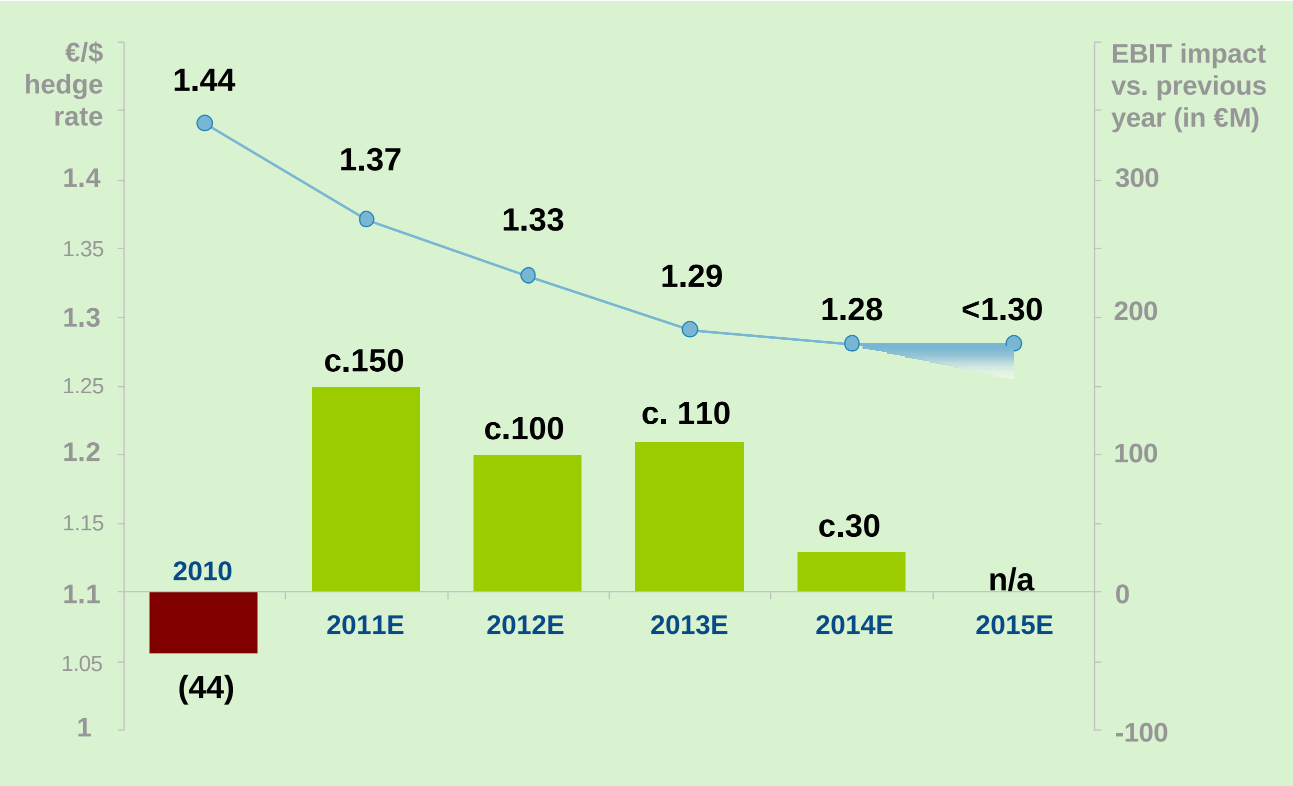
Currency hedging

Estimated impact on recurring operating income
of targeted €/$ hedge rates



An estimated cumulative c.€400M tailwind in EBIT over the next 4 years

2015 view

è **Organic revenue**
Toward € 15 billion

- OE production ramp-up (CFM56, A380, B787, regional jets, helicopters)
- Growing services
- 2-digit growth in Security

è **Recurring operating margin**
Heading to the mid-teens

- Propulsion: OEM and spares
- Equipment margins (volume, productivity)
- Security margins (volume, synergies)
- Fx

è **EBIT to FCF conversion rate**
>50% on average over 2011-15

- Growing activity and higher EBIT will finance capex and R&D
- R&D is consuming cash (but dynamics is favourable in 2014/15 after 2012/13 relatively low conversion)

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Q&A session

and concluding remarks

KEY MISSIONS, KEY TECHNOLOGIES, KEY TALENTS