SAFRAN
BERNARD DELPIT - GROUP CFO

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EUROPEAN INDUSTRIALS CONFERENCE
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Agenda

Strategic roadmap
◆ Governance
◆ Portfolio
◆ R&T

Operations
◆ New programs
◆ Productivity
◆ Commercial success

Financial transition
◆ 2016 guidance
◆ Trends for 2017
◆ Medium term trends
Corporate governance structure in line with best practice

Implementation of Long term incentive plans for executives

Regrouping of all Safran’s companies under a single brand

State ownership down from 22% (December 12, 2014) to 14% (December 1, 2016)
Portfolio

Ongoing disposal of Safran Identity & Security

- In April 2016, disposal of the detection business
  - Signing of an agreement to sell Morpho Detection to Smiths Group for an enterprise value of $710 million USD
  - The transaction would generate a capital gain
  - Finalization expected in H1 2017

- In September 2016, entry into exclusive negotiations with Advent International for the sale of Safran’s identity and security businesses
  - Valuation: €2,425M or 12.6x EBITDA 2015
  - The transaction would result in a pre tax capital gain
  - Transaction expected to close in 2017

- Security is now classified as discontinued operations

Airbus Safran Launchers JV

- Finalization of phase 2 on June 30, 2016
- JV is a fully-integrated world-class company with 8,400 employees
- Unmatched track record for Ariane 5
  - 75 successes in a row
- Ariane 6 programme on track and approved by ESA
  - Flexible, modular and competitive launcher
  - First flight expected in 2020
- Safran made an economic equalisation of €750M to get a 50% stake in the JV
- Safran accounts for its share in the JV using the equity method since July 1, 2016
- The JV contribution is expected to be accretive to Safran’s adjusted EBIT in 2018
Increasing R&T effort

New products entering into service A320neo, 737MAX, A350…

R&T spending set to increase to prepare next-gen programs

2016 R&T effort:
- ~500M€, up 100M€ vs 2013
- 2,400 people involved

Total R&T spending toward 3.5% of sales
- 20% funded externally

Clear business drivers

Spending by nature
- 50% in Propulsion systems including:
  - Propulsion-airframe integration
  - Advanced architectures and technologies
  - Buried/distributed propulsion
  - Hybrid – Electric Power
- 50% in other businesses and transversal technologies including:
  - More electric equipment
  - Advanced materials
  - Additive manufacturing, advanced numerical modelling and image processing…
  - Digitalization: factory of the future, big data

Spending by technological readiness level (TRL)
- 40% for technologies with TRL<5

Fostering innovation and competitiveness

Safran R&T

Total R&T on sales

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<th>2013</th>
<th>2016</th>
<th>2017-2020</th>
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<td>2.9%</td>
<td>3.2%</td>
<td>3.50%</td>
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Safran companies R&T

Mutualised R&T

Safran Tech
- New corporate research center
- Innovation booster: 100M€ budget

Safran Analytics
- Focus on internal performance
- Creating new services

Safran corporate ventures
- Investing in innovative start ups
New programs

Successful development of LEAP

- Smooth EIS of LEAP-1A (as of mid-November)
  - LEAP-1A in operations on 12 aircraft at 7 airlines, including Pegasus, AirAsia, Avianca, Thai AirAsia, Azul, SAS, Frontier
  - 6,000+ flight hours accumulated
- LEAP-1B certified; development on track with EIS planned for H1 2017
- LEAP-1C on track for certification by year-end; preparation for first flight scheduled by COMAC by Chinese year-end

Executing on Silvercrest development

- Tests are proceeding according to schedule, leading to engine certification in the spring of 2018
- Two applications
  - Falcon 5X of Dassault
  - Recently selected by Cessna for the Hemisphere jet

CFM56-LEAP: from the best selling engine to the best selling engine

- Full transition in 4 years
- LEAP production will reach a 30% higher rate
- Everything in place to manage a smooth ramp-up
- Large volumes and steep ramp-up are an opportunity to get costs down faster
Focus on control of overhead in the businesses

- The priority must be the business with lean support functions
- Digitalisation and dematerialisation to drive efficiencies

Main drivers for profitability improvements
- Growth in services, notably thanks to carbon brakes
- New programs contribution: A320neo, A330neo, A350, 787…
- Productivity gains, strict cost control actions

Strong increase in profitability in H1 2016
- Margin at 10.7%, up 2.5pts YoY

Holding: evolution of direct costs (base 100)
Commercial success

- Continuing demand in 2016
  - 855 orders YTD (end of October)
  - 80% market share on A320ceo

- Forecast deliveries higher than CMD
  - Close to 1,700 deliveries now expected for 2016 (vs 1650+ expected at CMD)
  - Pull forward of A320ceo
  - Market share gains

Carbon brakes

- Several contracts awarded YTD including
  - TUI, Okay Airways, Globus, Hainan Airlines, Azul… for 737MAX, 737NG, A320ceo, A320neo, 787, A350

- World leader with a 50% market share*
  - Safran installed base of ~7,500 aircraft
  - Top 10 customers (totaling ~1,730 aircraft):

*Aircraft above 100 passengers
2016 guidance

Guidance reconfirmed:
- Revenue growth
- Recurring operating income growth
- Free cash flow generation

Start up costs of LEAP
- Negative margin on LEAP delivered (in line with the indications provided at CMD)
- Depreciations of inventory and work in progress related to engines in production

Seasonality of civil aftermarket growth
- Strong Q1 2016
- Challenging comparison base in Q2 and Q3: 5% growth at end of September.
- Pick up in September confirms outlook for new growth in Q4

Assembly of LEAP-1A
Villaroche, France

Maintenance of CFM56
Queretaro, Mexico
**2017 trends**

**Headwinds**
- Increase in LEAP start up costs, as expected
  - Production ramps up
  - LEAP cost reduction plan on track
- Weak helicopter turbines activity
- Expensed R&D to peak in 2017

**Tailwinds**
- Growth in civil aftermarket (high single digit)
- Higher CFM56 volumes than expected in March
- Increased performance in Aircraft Equipment, Defence and Holding
- Improvement in $ hedge rate

**Transitory pressure on Propulsion margin**

Group margin should remain consistent with the record set in 2015
(recast for Safran Identity & Security divestment)

Full guidance to be provided in February 2017
Medium term trends

Medium term targets to be updated in February 2017 to include

- Safran Identity & Security divestments
- Updated €/$ hedge rates
- Assumptions on CFM56 volume and LEAP start up costs
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