

PRESS RELEASE**Safran: Continued momentum in Q3 2019
On track to meet 2019 outlook**

Paris, October 31, 2019

Adjusted data

- Q3 2019 revenue at Euro 6,095 million, up 14.0% on a reported basis and up 9.8% on an organic basis
- 9M 2019 revenue at Euro 18,197 million, up 22.5% on a reported basis and up 12.6% on an organic basis
- 2019 outlook confirmed

Consolidated data

- Consolidated revenue was Euro 6,180 million in Q3 2019
- Consolidated revenue was Euro 18,495 million for 9M 2019

Foreword

- All figures in this press release represent adjusted^[1] data, except where noted. Please refer to the definitions and reconciliation between Q3 2019 and 9M 2019 consolidated revenue and adjusted revenue. Please refer to the definitions contained in the Notes on page 8 of this press statement;
- Aerosystems and Aircraft Interiors (former Zodiac Aerospace activities) are fully consolidated in Safran's financial statements from March 1, 2018;
- Organic variations exclude changes in scope (notably the contribution of Aerosystems and Aircraft Interiors in January and February 2019) and currency impacts for the period;
- Safran disclosed a new presentation of segment information as of June 30, 2019 (see press release of July 1, 2019);
- The 2019 outlook was prepared taking into consideration the full application of IFRS16.

Executive commentary

CEO Philippe Petitcolin commented:

"In the third quarter, we took another step towards meeting our 2019 organic growth revenue target. The 9.8% organic growth is strong considering the comparison basis and in line with year-end outlook. Regarding the MAX grounding, we are supporting Boeing and based on our current production rate of LEAP-1B engines corresponding to 42 aircraft a month, we confirm a production of around 1 800 LEAP engines in 2019."

Key business highlights

1- Aerospace Propulsion

Continuing growth of narrowbody engine deliveries

At the end of September 2019, combined shipments of CFM56 and LEAP engines reached 1,643 units, compared with 1,575 in 2018.

Year-to-date, orders and commitments were recorded for 1,717 LEAP engines bringing the total LEAP backlog to 15,778 engines.

LEAP program

CFM International continued to ramp-up production of LEAP engines. 455 units were delivered in Q3 2019 (compared with 303 in Q3 2018) bringing total deliveries to 1,316 units in the first nine months of 2019 (compared with 741 in the year ago period). CFM International is maintaining its plan to manufacture around 1,800 LEAP engines in 2019 based on 42 aircraft per month at Boeing.

LEAP-1A: 52 airlines are operating 514 aircraft powered by LEAP-1A engines totalling over 4 million flight hours so far.

LEAP-1B: 54 airlines were operating 389 aircraft powered by LEAP-1B engines totalling over 1.7 million flight hours so far.

LEAP-1C: More than 1,100 engine flight hours on C919 flight tests logged to date. The 5th COMAC C919 test frame made its first flight on October 24.

CFM56 program

The production of CFM56 engines is ramping down as planned: 327 units were shipped in the first nine months of 2019, of which 69 in the third quarter. Last year, 834 engines had been delivered at the same period, of which 243 in Q3 2018.

Civil aftermarket^[2]

First nine months 2019 civil aftermarket revenue was up 9.8% in USD terms including an increase of 10.2% in Q1 2019, 10.2% in Q2 2019 and 9.2% in Q3 2019. Spare parts sales for latest generation CFM56 engines drove the growth year to date.

M88 program

In Q3 2019, the first six M88 engines for the Indian Air Force were delivered and total deliveries of M88 reached 20.

Helicopter turbines

Safran and Aero Engine Corporation of China (AECC) announced the issuance of the Type Certificate for the WZ16 (Ardiden 3C) turboshaft from the Civil Aviation Administration of China (CAAC). Installed in the AVIC AC352 helicopter, the WZ16 is the first jointly-developed aero engine in China to be entirely certified.

2- Aircraft Equipment, Defense and Aerosystems

Nacelles

Safran delivered its 100th A330neo nacelle in Q3 2019, one year after delivering its first nacelle to Airbus.

Safran signed 2 NacelleLife™ support contracts: one with All Nippon Airways (ANA) covering this carrier's three Airbus A380 jetliners for ten years and one with Virgin Atlantic covering this carrier's ten Airbus A330ceo thrust reversers for five years. These agreements will allow those carriers to benefit from OEM guaranteed MRO solutions based on in-service experience at Safran Nacelles repair stations.

Electrical Systems

In September, Safran and Boeing announced a joint investment in Electric Power Systems (EPS), a U.S. company offering a suite of safe, certifiable and lightweight energy storage products. This strategic investment will support on-demand mobility efforts and progress of battery technologies. Safran acquired Neelogy, a French start-up that has developed a disruptive technology for electrical current sensors that are tailored to the needs of the more electric aircraft, as well as hybrid and totally electric propulsion.

Electronics & Defense

Lockheed Martin Australia, together with the Australian Department of Defence, appointed Safran to design three major Combat System components for Australia's Future Submarine Program. Safran will deliver until May 2023 the preliminary and detailed designs for the combat system's optronics search and attack mast, navigation radar and navigation data distribution components.

3- Aircraft Interiors

Cabin

Safran was selected by Air France to retrofit 51 A320 and A321 aircraft with Safran ECOS overhead bins.

Seats

Safran recorded new contracts and was selected notably by major Asian and Pacific airlines to provide:

- "Visa" business class seats for Boeing 787;
- "Z600" business class seats for Boeing 787/737 (launch customer for 737);
- "Z400" economy class seats for Boeing 787 (launch customer).

On September 10, Virgin Atlantic made its first commercial Airbus A350-1000 flight equipped with "Cirrus NG" business class seats.

On September 27, first delivery of the 28 Airbus A350-900 ordered by Air France equipped with "Optima" business class seats and "Z300" economy class seats.

Passenger Solutions

Safran recorded new contracts and was selected notably by:

- Lufthansa to supply its RAVE ULTRA In-flight Entertainment (IFE) and Connectivity (IFC) program to line fit 34 Boeing 777-9;
- ANA to supply its RAVE ULTRA IFE program to retrofit 11 Boeing 787-8.

Revenue for third-quarter 2019

Q3 2019 revenue amounted to Euro 6,095 million. This represents an increase of 14.0%, or Euro 747 million, compared to the year-ago period. The net impact of currency variations was Euro 180 million, reflecting a positive translation effect on non-Euro revenues, principally USD. The average EUR/USD spot rate was 1.11 in Q3 2019, compared to 1.16 in the year-ago period. The Group's hedge rate was stable at USD 1.18 to the Euro between Q3 2019 and Q3 2018.

On an organic basis, revenue increased by 9.8% as all divisions contributed positively:

- Growth in Propulsion (+14.9%) was supported by OE volumes (civil and military) as well as services (civil aftermarket and helicopter turbines support activities).
- Aircraft Equipment, Defense and Aerosystems sales increased by 6.5% thanks to Nacelles and Avionics activities.
- Aircraft Interiors revenue (+1.4%) was supported by OE sales for Seats and by services from all the activities but impacted by lower volumes for galleys in Cabin.

Currency hedges

Safran's hedging portfolio totalled USD 29.0 billion at October 18, 2019. The Group net exposure has been revalued to USD 11.0 billion in 2019 due to the growth of USD-revenue denominated businesses. By convention, the estimated annual average exposure is now set at USD 11.0 billion until 2023.

2019: the net exposure of USD 11.0 billion is fully hedged at a hedge rate of USD 1.18 (unchanged).

2020: the firm coverage of the estimated net exposure increased to USD 9.5 billion (compared with USD 9.3 billion in September 2019). No change in the range of the targeted hedge rate of USD 1.16 to USD 1.18.

2021: the firm coverage of the estimated net exposure decreased to USD 8.4 billion (compared with USD 8.9 billion in September 2019). No change in the range of the targeted hedge rate of USD 1.15 to USD 1.18.

2022: the firm coverage of the estimated net exposure increased to USD 6.5 billion (compared with USD 6.0 billion in September 2019). No change in the range of the targeted hedge rate of USD 1.15 to USD 1.18.

2023: Safran initiated firm coverage of USD 2.2 billion.

Update on the share buyback program

The share buyback program for Euro 2.3 billion announced in May 2017 has now been fully executed, for a total of 20 million shares. Further to the cancellation of 11.4 million shares in 2018, an additional 8.6 million treasury shares will be cancelled before the end of 2019.

Full-year 2019 outlook confirmed

Safran confirms its FY 2019 revenue and recurring operating income outlook:

- At an estimated average spot rate of USD 1.13 to the Euro in 2019, adjusted revenue is expected to grow by around 15% in 2019 compared with 2018. On an organic basis, adjusted revenue is expected to grow by around 10%;
- Adjusted recurring operating income is expected to grow comfortably above 20% at a hedged rate of USD 1.18 to the Euro.

Safran refines its FY 2019 free cash flow outlook:

- From June 30, 2019, Safran revised the free cash flow impact of the Boeing 737MAX situation to approximately €(300)M per quarter (i.e. €(100)M per month in Q3 and Q4) to reflect the decrease of pre-payments for future deliveries;
- Based on an assumption of a return to service for the Boeing 737MAX in Q4, free cash flow is expected to be in the range 50% to 55% of adjusted recurring operating income as the recurring operating income outlook has been raised;
- In case the grounding of the Boeing 737MAX continues until the end of 2019, free cash flow to adjusted recurring operating income should be around 50% (previously "below 50%") to take into account the agreement signed between Boeing and CFMI to receive an advance payment on LEAP-1B engines delivered to Boeing in 2019; Current Boeing 737MAX grounding's impact on Safran free cash flow and any extension in 2019 merely represents a deferral in cash collection and should reverse in the following quarters.

The outlook is based notably on the **following assumptions**:

- Increase in aerospace OE deliveries and notably of military engines;
- Civil aftermarket growth around 10%;
- Transition CFM56 – LEAP: overall negative impact on Propulsion adjusted recurring operating income variation in the range Euro 50 to 100 million:
 - Lower CFM56 OE volumes;
 - Negative margin on LEAP deliveries.
- Aircraft Interiors: 2019 to show stronger organic revenue growth. Continuing improvement in recurring operating income margin;
- Increase in R&D expenses in the range of Euro 150 to 200 million. Negative impact on recurring operating income after activation and amortization of capitalized R&D;
- Increase in tangible investments.

Business commentary for the third quarter and first nine months 2019

▪ Aerospace Propulsion

In the third quarter of 2019, revenue was Euro 2,987 million, up 18.3% compared to Euro 2,524 million in the year ago period. On an organic basis, revenue grew 14.9%, notably thanks to the contribution of narrowbody (CFM56 and LEAP) and military (M88) engines OE. The continuing momentum in civil aftermarket activities (9.2% in USD terms) and in helicopter turbines support activities also contributed to the growth.

➤ OE revenue grew 18.0% (15.5% organically) compared with Q3 2018, thanks to higher sales of narrowbody and military engines. M88 engines deliveries amounted to 20 units in Q3 2019 compared with 7 in Q3 2018. Helicopter turbines OE sales decreased by (3.7)% compared to Q3 2018 on the back of lower volumes.

➤ Services revenue increased by 18.6% (in €) and represented 55.9% of sales. Civil aftermarket revenue (in USD) grew 9.2% thanks to continuous higher spare parts sales for the latest generation of CFM56 engines and a higher contribution of services contracts for CFM56. Helicopter turbines support activities contributed positively. Military services were a slight headwind in Q3 2019.

In the first nine months of 2019, revenue was Euro 8,889 million, an increase of 21.3%, or 17.6% on an organic basis, thanks to narrowbody engines programs (LEAP and CFM56), civil aftermarket and military activities (OE and services).

➤ The total number of narrowbody aircraft engines deliveries increased by 4.3% from 1,575 to 1,643 engines. LEAP deliveries increased by 77.6% from 741 in 9M 2018 to 1,316 deliveries in 9M 2019. As planned, CFM56 ramped down with 327 shipments in 9M 2019 compared with 834 in 9M 2018.

➤ In Services, civil aftermarket as well as helicopter turbines support and military services contributed positively to growth during the first nine month of 2019. In particular, civil aftermarket recorded a 9.8% growth, reflecting an increase of 10.2% in Q1 2019, 10.2% in Q2 2019 and 9.2% in Q3 2019, despite a very high basis of comparison in Q3 2018. Spare parts sales drove the growth year-to-date. Safran confirms its assumption for civil aftermarket to increase by around 10% in 2019.

▪ Aircraft Equipment, Defense and Aerosystems

In the third quarter of 2019, revenue was Euro 2,298 million, up 12.0% compared with Euro 2,052 million in the year ago period. On an organic basis, revenue was up 6.5%.

➤ OE revenue grew 13.3% (or 7.2% organically) in Q3 2019 mainly driven by increased volumes of nacelles. Deliveries of nacelles for LEAP-1A powered A320neo continued and reached 157 units in Q3 2019 (124 units in Q3 2018).

The ramp up of A330neo nacelles grew from 3 nacelles in Q3 2018 (when deliveries started) to 25 in Q3 2019. Landing gear shipments for the A320 family contributed positively to the growth. As

flagged, lower A380 volumes impacted nacelles OE sales. Electronics & Defense revenue growth was sustained in Q3, confirming the momentum observed since the beginning of the year in avionics as well as in Defense activities.

➤ Services revenue grew 9.4% (5.3% organically) in Q3 2019, driven by continuing momentum in carbon brakes and nacelles support activities.

In the first nine months of 2019, revenue was Euro 6,851 million, an increase of 18.9%, or 7.9% on an organic basis. Changes in scope had an impact of 6.9%.

➤ OE revenue grew 18.8% (or 7.4% organically), driven by higher OE sales of nacelles (A320neo and A330neo). As planned, volumes for A380 nacelles and A320ceo thrust reversers decreased. Sales growth was also supported by higher volumes of sighting systems as well as by optronics equipment and electronics (FADEC for LEAP).

➤ Services revenue increased by 18.9% (8.9% organically) thanks to landing gear, carbon brakes and nacelles.

▪ **Aircraft Interiors**

In the third quarter of 2019, revenue was Euro 805 million, up 4.7% compared to Euro 769 million in the year ago period. On an organic basis, revenue grew 1.4%.

➤ OE revenue grew 1.4% (or (1.3)% organically) in Q3 2019. Sales increased due to the ramp up of business class seats programs (Fusio and Polaris), A350 toilets deliveries and Connected Cabin for Passenger Solutions. This growth was offset by lower volumes for galleys in Cabin.

➤ Services revenue grew 13.8% (9.2% organically) in Q3 2019, driven by all activities.

In the first nine months of 2019, revenue was Euro 2,445 million, an increase of 39.8%, or 7.3% on an organic basis.

➤ OE revenue grew 37.3% (or 5.1% organically), driven by higher deliveries of business class seats programs (Fusio and Polaris) and by Connected Cabin for Passenger Solutions. Business class seats deliveries increased to 4,024 from 2,071 (March to September 2018). A350 Lavatories deliveries increased to 580 from 384 (March to September 2018).

➤ Services revenue grew 46.8% (13.4% organically), driven by all activities.

Agenda

FY 2019 results
Q1 2020 revenue

February 27, 2020
April 29, 2020

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Safran will host today a conference call open to analysts, investors and media at 8:30 am CET which can be accessed at +33 (0)1 72 72 74 03 (France), +44 (0) 207 194 3759 (UK) and +1 646 722 4916 (US) (access code for all countries: 70222470#).

Please ask for the "Safran" conference and state your name. We advise you to dial in 10 minutes before the start of the conference.

A replay of the conference call will be available until January 29, 2020 at +33 (0)1 70 71 01 60, +44 (0) 203 364 5147 and +1 646 722 4969 (access code for all countries: 418874135#).

The press release and presentation are available on the website at www.safran-group.com (Finance section).

Key figures

As a reminder the press release on the new presentation of segment information has been published on July 1, 2019.

Segment breakdown of adjusted revenue <i>(In Euro million)</i>	Q3 2018	Q3 2019	% change	% change in scope	% change currency	% change organic
Aerospace Propulsion	2,524	2,987	18.3%	-	3.4%	14.9%
Aircraft Equipment, Defense and Aerosystems	2,052	2,298	12.0%	2.1%	3.4%	6.5%
Aircraft Interiors	769	805	4.7%	-	3.3%	1.4%
Holding company & Others	3	5	n/s	-	-	n/s
Total Group	5,348	6,095	14.0%	0.8%	3.4%	9.8%

Segment breakdown of adjusted revenue <i>(In Euro million)</i>	9m 2018	9m 2019	% change	% change in scope	% change currency	% change organic
Aerospace Propulsion	7,329	8,889	21.3%	-	3.7%	17.6%
Aircraft Equipment, Defense and Aerosystems	5,763	6,851	18.9%	6.9%	4.1%	7.9%
Aircraft Interiors	1,749	2,445	39.8%	27.7%	4.8%	7.3%
Holding company & Others	13	12	n/s	-	-	n/s
Total Group	14,854	18,197	22.5%	6.0%	3.9%	12.6%

2019 revenue by quarter <i>(In Euro million)</i>	Q1 2019	Q2 2019	Q3 2019
Aerospace Propulsion	2,771	3,131	2,987
Aircraft Equipment, Defense and Aerosystems	2,201	2,352	2,298
Aircraft Interiors	806	834	805
Holding company & Others	3	4	5
Total Group	5,781	6,321	6,095

2018 revenue by quarter <i>(In Euro million)</i>	Q1 2018	Q2 2018	Q3 2018	Q4 2018	FY 2018
Aerospace Propulsion	2,319	2,486	2,524	3,250	10,579
Aircraft Equipment, Defense and Aerosystems	1,641	2,070	2,052	2,179	7,942
Aircraft Interiors	256	724	769	762	2,511
Holding company & Others	6	4	3	5	18
Total Group	4,222	5,284	5,348	6,196	21,050

Euro/USD rate	Q3 2018	Q3 2019	9m 2018	9m 2019
Average spot rate	1.16	1.11	1.20	1.12
Spot rate (end of period)	1.16	1.09	1.16	1.09
Hedge rate	1.18	1.18	1.18	1.18

Notes

[1] Adjusted revenue

To reflect the Group's actual economic performance and enable it to be monitored and benchmarked against competitors, Safran prepares an adjusted revenue.

Safran's consolidated revenue has been adjusted for the impact of:

- the mark-to-market of foreign currency derivatives, in order to better reflect the economic substance of the Group's overall foreign currency risk hedging strategy:
 - a. revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy

Third-quarter 2019 and 9m 2019 reconciliation between consolidated revenue and adjusted revenue:

Q3 2019 (In Euro million)	Consolidated revenue	Hedge accounting		Business combinations		Adjusted revenue
		Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem- Snecma	PPA impacts - other business combinations	
Revenue	6,180	(85)	-	-	-	6,095

9m 2019 (In Euro million)	Consolidated revenue	Hedge accounting		Business combinations		Adjusted revenue
		Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem- Snecma	PPA impacts - other business combinations	
Revenue	18,495	(298)	-	-	-	18,197

[2] 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.

Safran is an international high-technology group, operating in the aircraft propulsion and equipment, space and defense markets. Safran has a global presence, with more than 95,000 employees and sales of €21 billion in 2018. Working alone or in partnership, Safran holds world or European leadership positions in its core markets. Safran undertakes Research & Development programs to meet fast-changing market requirements, with total R&D expenditures of around €1.5 billion in 2018.

Safran is listed on the Euronext Paris stock exchange, and is part of the CAC 40 and Euro Stoxx 50 indices.

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IMPORTANT ADDITIONAL INFORMATION

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