

# THIRD-QUARTER 2012 REVENUE

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# Macro environment

## Market

### IATA expectations for 2012

§ Passenger +5.3%

§ Cargo (0.4)%

§ Upward revision to its global aviation outlook



## Safran

§ **Robust OE backlog** (7 years of production for CFMI; 10,040 CFM56 & LEAP engines)

§ **Production rates up on all platforms**

§ **Civil aftermarket trends up with favourable weighting to narrowbody aircraft**

**Euro/USD below 1.30 in recent quarters**



**Provides opportunities to hedge at attractive rates for 2016**

**Safran positioned to benefit from the growing commercial aerospace market**

# An irreversible trend towards More Electrical Aircraft

## è Acquisition of Goodrich Electrical Power Systems (GEPS)

- § Approx. €310M in cash; closing expected late 2012 or early 2013
- § 2012E key figures: over \$200M revenue (50/50% OE/Aftermarket)
- § GEPS' 60% equity interest in Aerolec is included



## è Combining GEPS and Safran's complementary strengths

- § World #2 in electrical power generation
- § Leading capabilities in electrical power systems integration (nose-to-tail)
- § Strong expertise in electrical wiring components and power electronics
- § A decisive breakthrough in "all electric aircraft" strategic roadmap

**Creating a European-based world leader in  
aerospace electrical power systems**

# Q3 2012 business highlights



## LEAP engines



The total backlog (firm orders and commitments) amounts to over 4,200 LEAP engines

## MorphoTrust



Implementation of newly designed driver license and driver license issuance systems in the U.S.



## Helicopter turbines service contracts



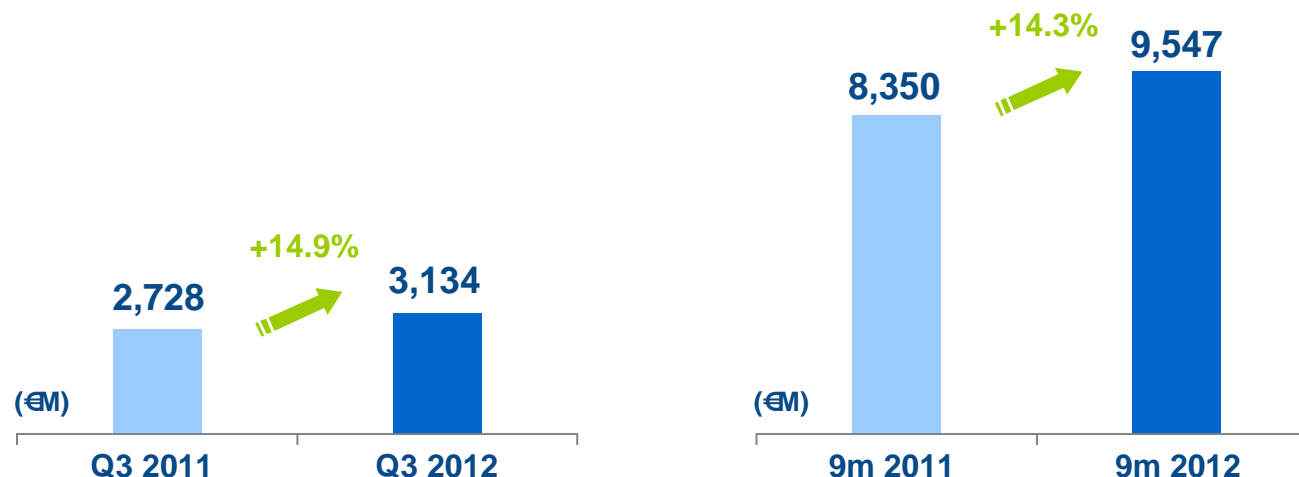
French Ministry of Defence BUNDESPOLIZEI Swedish Air Force



## Landing gear service contracts



# Q3 2012 and 9m 2012 financial highlights



- è Continued robust OE cycle and civil aftermarket in aerospace (Propulsion and Equipment)
- è Civil aftermarket was up 3.0% in Q3 2012 in USD terms demonstrating good resilience of installed base despite continued volatility in airlines spending; up 6.4% for 9m 2012 within our full-year guidance. Momentum is driven by 1<sup>st</sup> shop visit activity of recent CFM56 engines
- è Other growth drivers are e-Documents & detection (Security) and avionics (Defence)
- è Positive currency impact (US\$, GBP, CAD) and external growth impact (MorphoTrust)

# /01/

## Q3 2012 Financials

# Foreword

**All revenue figures in this presentation represent Adjusted revenue**  
(see Additional information for bridge with consolidated revenue)

To reflect the Group's actual economic performance and enable it to be monitored and benchmarked against competitors, Safran prepares an adjusted income statement alongside its consolidated financial statements.

Particularly, Safran recognizes all changes in the fair value of its foreign currency derivatives in "financial income (loss)", in accordance with the provisions of IAS 39 applicable to transactions not qualifying for hedge accounting.

Accordingly, Safran's consolidated income statement is adjusted for the impact in financial income (loss) 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:

- § Revenue net of purchases denominated in foreign currencies is measured using the effective hedging rate, i.e., including the costs of the hedging strategy;
- § The recognition of the mark-to-market of unsettled hedging instruments at the closing date is neutralized.

# Fx volatility

## è Continued Fx volatility during Q3 2012

- n **Translation** effect: foreign currencies translated into €
  - ⇒ Positive impact from \$, CAD and GBP
  - ⇒ Impact on Revenue

### Average spot rate

Q3 2011	Q3 2012
\$ 1.41	\$ 1.25

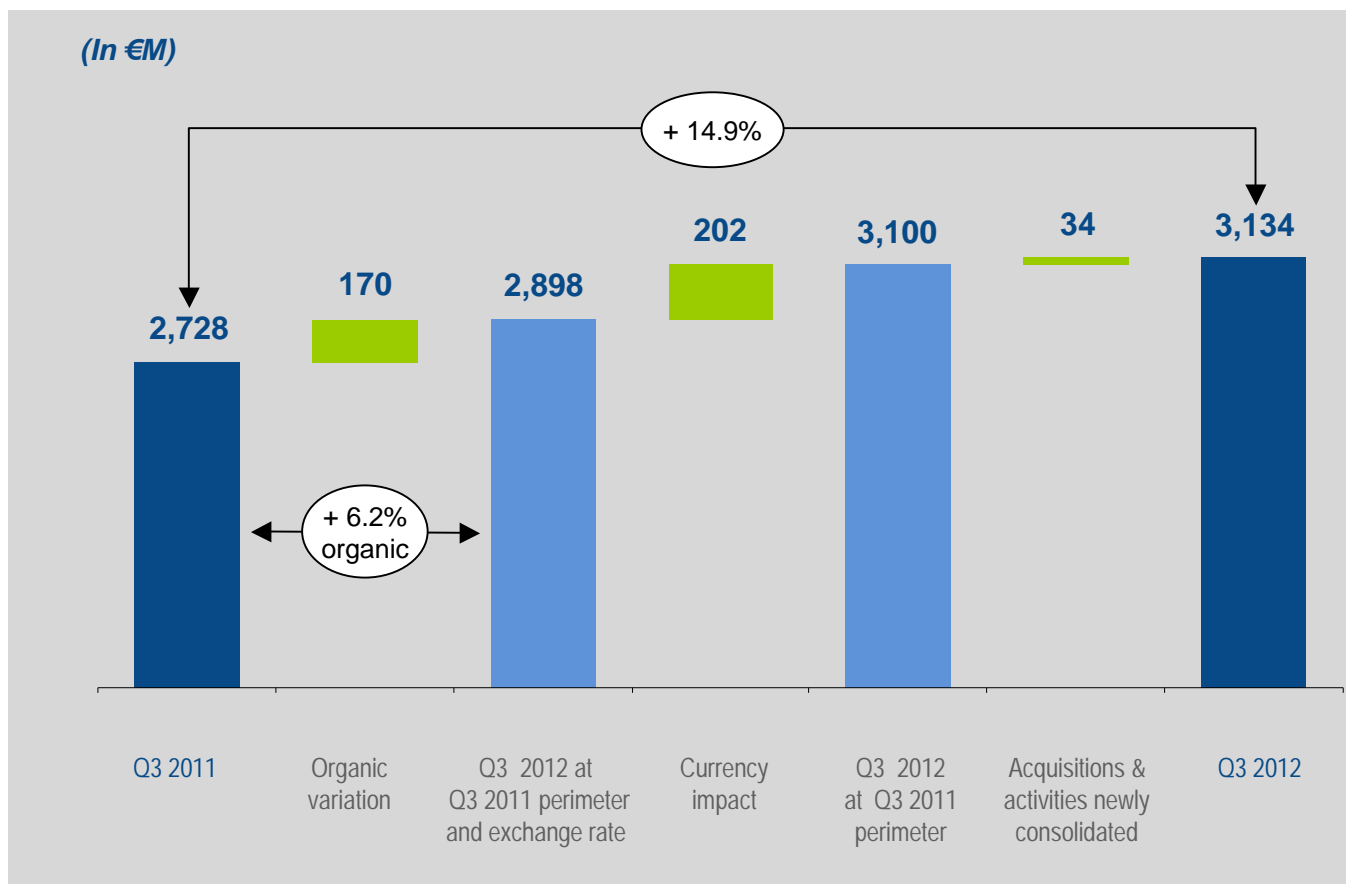
- n **Transaction** effect: mismatch between \$ sales and € costs is hedged
  - ⇒ Positive impact from \$
  - ⇒ Impact on Profits

### Hedge rate

Q3 2011	Q3 2012
\$ 1.38	\$ 1.32



# Q3 2012 revenue bridge



# Q3 2012 revenue by activity

Adjusted data <i>(in Euro million)</i>	Q3 2011	Q3 2012	Change reported	Change organic
Aerospace propulsion	1,459	<b>1,635</b>	12.1%	5.8%
Aircraft equipment	697	<b>850</b>	22.0%	9.6%
Defence	251	<b>276</b>	10.0%	5.2%
Security	317	<b>371</b>	17.0%	2.2%
Others	4	<b>2</b>	na	na
<b>Total revenue</b>	<b>2,728</b>	<b>3,134</b>	<b>14.9%</b>	<b>6.2%</b>

## è Positive impacts

- § Growth in OE for engines (military, helicopters, CFM56 & high thrust engines) and equipment (landing gear, wiring)
- § Civil aftermarket and services for helicopter turbines, services in landing systems (brakes)
- § Defence (avionics)
- § Security (e-Document, Detection)

## è Offsetting impacts

- § Military aftermarket due to high comparison base
- § Lower volumes on portable optronic systems
- § Soft identity due to contract start-up delays

# 9M 2012 revenue by activity

Adjusted data (in Euro million)	9m 2011	<b>9m 2012</b>	<i>Change reported</i>	<i>Change organic</i>
Aerospace propulsion	4,436	<b>4,901</b>	10.5%	4.0%
Aircraft equipment	2,201	<b>2,637</b>	19.8%	11.0%
Defence	875	<b>916</b>	4.7%	1.4%
Security	826	<b>1,090</b>	32.0%	4.6%
Others	12	<b>3</b>	<i>na</i>	<i>na</i>
<b>Total revenue</b>	<b>8,350</b>	<b>9,547</b>	<b>14.3%</b>	<b>5.5%</b>

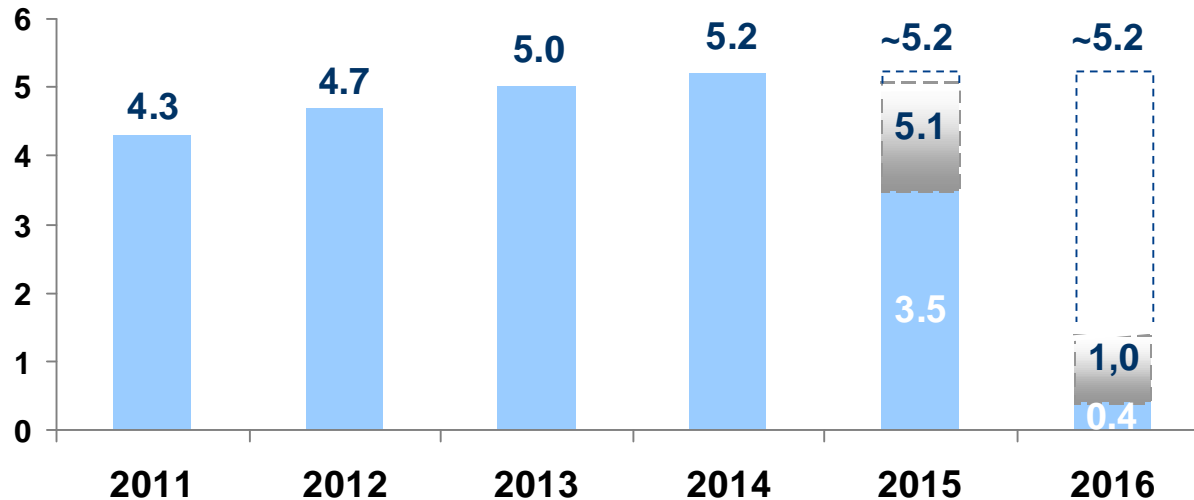
# Fx: increasing 2015 and initiating 2016

Approx. 50% of Safran US\$ revenue naturally hedged by US\$ procurement

## Hedge portfolio, Oct. 20, 2012

Total: \$15.8bn

Estimated exposure needs  
In US\$ bn



€/\$ hedge rate

	2011	2012	2013	2014	2015	2016
Achieved	1.37	1.32	1.29	1.29	1.25	1.20 / \$1bn
Target				1.28	1.26	

è 2012, 2013 and 2014 are fully hedged

è 2015 hedging is well advanced

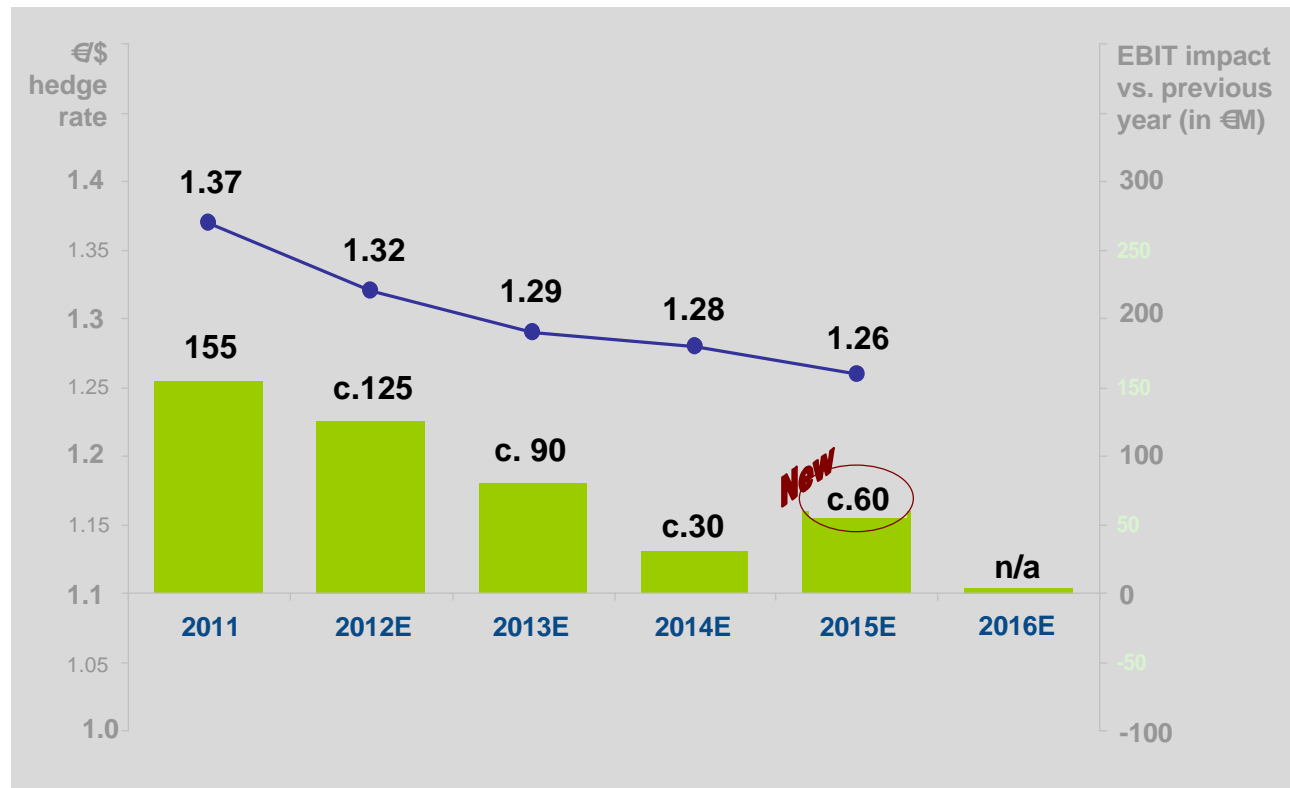
n \$3.5bn achieved at \$1.25 to rise to \$5.1bn at \$1.26 as long as €/\$ < 1.39 up to mid-2013

è 2016 hedging is initiated

n \$0.4bn achieved at \$1.20 to rise to \$1.0bn at \$1.20 as long as €/\$ < 1.39 up to mid-2014

# Fx: benefiting margins

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



**Fx hedging represents c.2.5 points of EBIT margin over 2012-2015**

# /02/

## Conclusion

# FY 2012 outlook is confirmed

The on-going performance of the business is such that the 2012 guidance is confirmed while absorbing the increased cost of social contributions on employee profit sharing in the recurring operating income.

- è Revenue expected to increase at a rate ***in the low 2-digit*** at an estimated average spot rate of USD 1.30 to the Euro
- è Recurring operating income expected to increase by ***around 20%*** at a hedge rate of USD 1.32 to the Euro
- è The objective for free cash flow to represent about ***a third*** of the recurring operating income remains achievable, yet challenging, due to the significant working capital requirements to cope with rising production rates and uncertainty on the rhythm of French MoD payments in the fourth quarter.

**Healthy prospects beyond 2012 as well**

**/03/**

# Additional information



# Q3 & 9M 2012 consolidated and adjusted revenue

Q3 2012 <i>(In Euro million)</i>	Consolidated income statement	Hedge accounting		Business combinations		Adjusted consolidated income statement
		Re- measurement of revenue	Deferred hedging gain (loss)	Amortization of intangible assets - Sagem/Snecma	PPA impacts - other business combinations	
Revenue	3,174	(40)	-	N/A	N/A	3,134

9m 2012 <i>(In Euro million)</i>	Consolidated income statement	Hedge accounting		Business combinations		Adjusted consolidated income statement
		Re- measurement of revenue	Deferred hedging gain (loss)	Amortization of intangible assets - Sagem/Snecma	PPA impacts - other business combinations	
Revenue	9,615	(68)	-	N/A	N/A	9,547

# Aerospace OE\* / Services revenue split

Revenue	Q3 2011		Q3 2012		% change	
	OE	Services	OE	Services	OE	Services
Adjusted data (in Euro million)						
<i>Propulsion</i>	766	693	903	732	17.9%	5.6%
<i>% of revenue</i>	52.5%	47.5%	55.2%	44.8%		
<i>Equipment</i>	475	222	590	260	24.2%	17.1%
<i>% of revenue</i>	68.1%	31.9%	69.4%	30.6%		

Revenue	9m 2011		9m 2012		% change	
	OE	Services	OE	Services	OE	Services
Adjusted data (in Euro million)						
<i>Propulsion</i>	2,260	2,176	2,625	2,276	16.2%	4.6%
<i>% of revenue</i>	50.9%	49.1%	53.6%	46.4%		
<i>Equipment</i>	1,504	697	1,878	759	24.9%	8.9%
<i>% of revenue</i>	68.3%	31.7%	71.2%	28.8%		

(\*) All revenue except services

# Quantities of major aerospace programs

<i>Number of units delivered</i>	Q3 2011	<b>Q3 2012</b>	%	9m 2011	<b>9m 2012</b>	%
CFM56 engines	350	<b>333</b>	(5)%	986	<b>1,056</b>	7%
High thrust engines	167	<b>142</b>	(15)%	390	<b>385</b>	(1)%
Helicopter engines	220	<b>250</b>	14%	690	<b>692</b>	-
M88 engines	4	<b>8</b>	100%	17	<b>16</b>	(6)%
A380 nacelles	21	<b>12</b>	(43)%	75	<b>72</b>	(4)%
A330 thrust reversers	27	<b>36</b>	33%	88	<b>105</b>	19%
A320 thrust reversers	105	<b>106</b>	1%	349	<b>342</b>	(2)%
Small nacelles ( <i>biz &amp; regional jets</i> )	106	<b>135</b>	27%	284	<b>370</b>	30%

# Definition

## è **Civil aftermarket**

- § This indicator comprises spares and MRO revenue for all civil aircraft engines within the Aircraft Propulsion business and reflects the Group's performance in civil aircraft engines aftermarket against the market. It therefore excludes aftermarket revenue related to aircraft military engines and helicopter turbines.

# KEY MISSIONS, KEY TECHNOLOGIES, KEY TALENTS