

# THIRD-QUARTER 2014 REVENUE

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**/ October 23, 2014 /**

# LEAP first flight

## → Launching the next phase of testing

- LEAP first flight on a modified 747 flying testbed on October 6
- Very successful first flight: engine behaved well
- The configuration currently being tested is a fully integrated propulsion system (IPS\*)
- LEAP-1A/-1C well on track for engine certification in 2015

## → Preparing for production readiness

- CFM has a world-class supply chain
- LEAP ramp-up supported by CFM56 success
- Investments in new and enhanced manufacturing facilities and technology

## → Close to 2,000 firm orders and commitments received YTD

- Bringing total backlog to more than 7,700 engines
- 70%+ market share for future medium-range commercial airliners



LEAP engine takes to the skies on  
October 6, 2014

**LEAP certification program progressing according to plan**

\* The IPS is unique to the LEAP-1C. CFM provides the engine as well as the nacelle and thrust reverser developed by Nexcelle (JV between Safran and GE). These elements, including the pylon provided by COMAC, were designed in conjunction with each other to offer improved aerodynamics, lower weight and easier maintenance

# Q3 2014 business highlights

## → CFM: major orders and commitments received since Farnborough airshow

- BOC Aviation selected LEAP-1B engines to power 50 Boeing 737 MAX, in addition to CFM56 engines for 30 Boeing 737 NG
- Ryanair committed to purchase 200 LEAP-1B to power 100 Boeing 737 MAX



## → Equipment:

- Consolidating Safran's market position in North America
  - Safran will supply MRO services for landing gear, wheel and brakes to Spirit Airlines
  - Demonstration of Safran's ability to offer complementary expertise and solutions
- Carbon brakes – growing production capacity
  - Malaysian factory is completed; will be inaugurated in early 2015



## → Defence: unique expertise in key technologies for infrared seekers

- Notification from MBDA of the development and production contract for the infrared seekers of the future anti-tank Medium-Range Missile (MMP) for the French Army
- Signature of a contract with MBDA for the development and production of the infrared seekers of the French-British anti-surface guided weapon (FASGW)

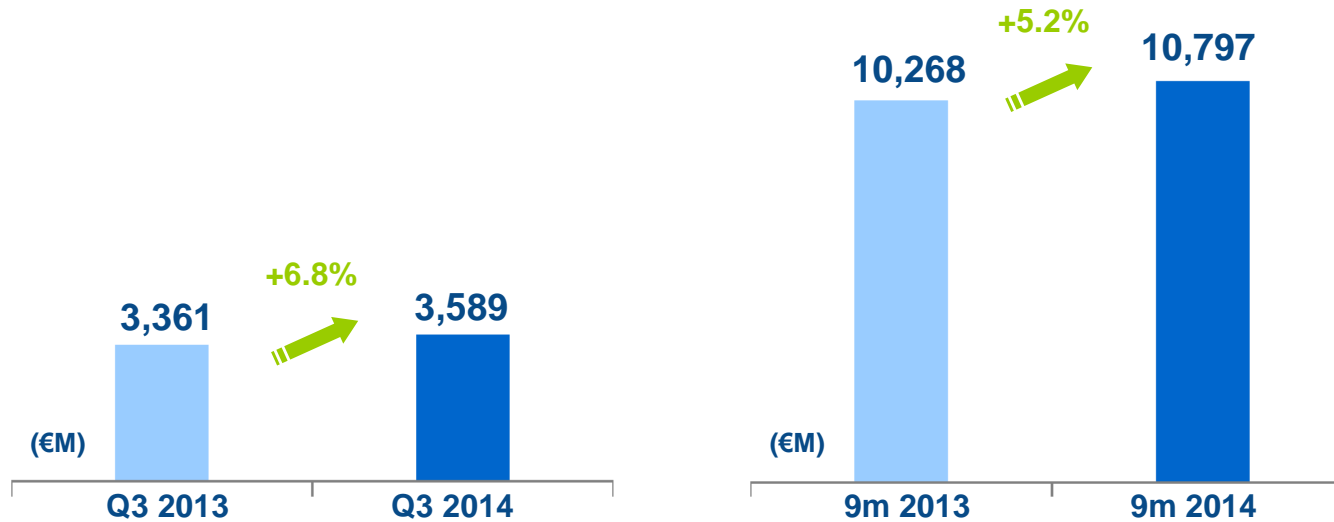


## → Security: acquisition of Dictao to strengthen Safran's offer in secure solutions

- Dictao: leading publisher of software solutions for security and digital trust
- Broadening even further our range of highly secure solutions to both governments and private sector companies (banks, insurance firms, manufacturers...)



# Q3 2014 and 9m 2014 financial highlights



- Strong revenue growth in Q3 driven by continuing momentum in Propulsion. With a 5.2% increase in the 9m 2014 period, Safran is well on track to achieve its full year revenue guidance of mid single digit growth.
- Propulsion continued to benefit from services growth (+15.9%), notably in civil aftermarket. Aircraft Equipment growth is driven by increasing OE sales. Revenue declined slightly in Defence. Security recorded another quarter of organic growth (+6.3%) fuelled by Identification activities.
- Civil aftermarket was up 11.9% in USD terms in Q3 driven by higher spares revenue from CFM56 and GE90 engines despite a high comparison base in Q3 2013. YTD growth was 10.3%, driven by first overhaul activity on recent CFM56 and GE90 engines, compared to a high level of business in 9m 2013 continuing in Q4 2013.

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# Q3 2014 Financials

# Foreword

All revenue figures in this presentation represent Adjusted revenue (see annex 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 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:

- revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e., including the costs of the hedging strategy,
- all mark-to-market changes on foreign currency derivatives hedging future cash flows is neutralized.

# Fx volatility

## → Continued Fx volatility during Q3 2014

- **Translation** effect: foreign currencies translated into €
  - ⇒ Negative impact from \$
  - ⇒ Impact on Revenue and Return on Sales

### Average spot rate

Q3 2013	Q3 2014
\$1.32	\$1.33

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

### Hedge rate

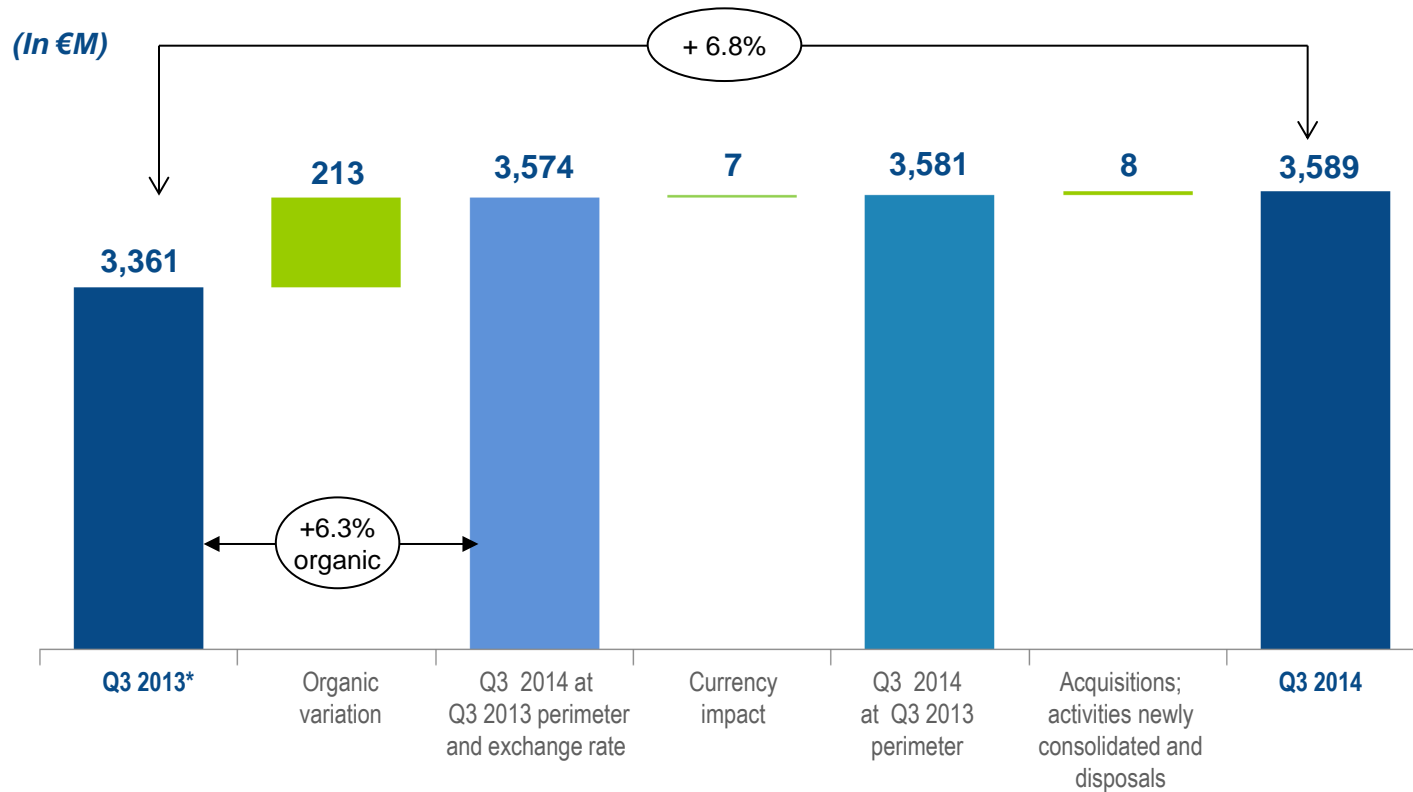
Q3 2013	Q3 2014
\$1.29	\$1.26

- **Mark-to-market** effect
  - ⇒ Impact on consolidated “statutory” accounts

### Spot rate at closing date

Sept 30, 2013	Sept 30, 2014
\$1.35	\$1.26

# Q3 2014 revenue bridge



## → Organic growth: +6.3%

- Driven by momentum in Propulsion (notably in services), OE revenue in Equipment and Identification in Security

## → Currency: +0.2%

- Positive impact of the improved \$ hedged rate and of the strengthening of the \$ over the quarter

## → External growth: +0.3%

- Acquisitions: RRTM, Eaton, Colibrys
- Disposal: Globe Motors

\* Restated for the impacts of IFRS11



# Q3 2014 revenue by activity

<b>Adjusted data</b> <i>(in Euro million)</i>	Q3 2013 Restated	<b>Q3 2014</b>	<i>Change reported</i>	<i>Change organic</i>
<b>Aerospace propulsion</b>	1,771	<b>1,944</b>	9.8%	8.9%
<b>Aircraft equipment</b>	982	<b>1,021</b>	4.0%	4.7%
<b>Defence</b>	258	<b>256</b>	(0.8)%	(4.3)%
<b>Security</b>	349	<b>368</b>	5.4%	6.3%
<b>Others</b>	1	-	na	na
<b>Total revenue</b>	<b>3,361</b>	<b>3,589</b>	<b>6.8%</b>	<b>6.3%</b>

## Main growth drivers

- Continuing momentum in Propulsion, particularly in services (+15.9% in €):
  - Services: 11.9% growth in civil aftermarket (in \$) driven by higher spare parts sales of CFM56 and GE90 engines. Good contribution of military services and helicopter support activities.
  - Original equipment: slightly higher volumes and favourable mix in CFM56 and high thrust engines. Increase in military engines deliveries (M88, TP400)
- Equipment: OE driven growth, notably thanks to the ramp up of the 787 (LG and wiring) and higher A380 nacelles volumes
- Security: strong growth in Identification (Morphotrust in the US, Government Solutions in Chile and in Europe)

## Offsetting impacts

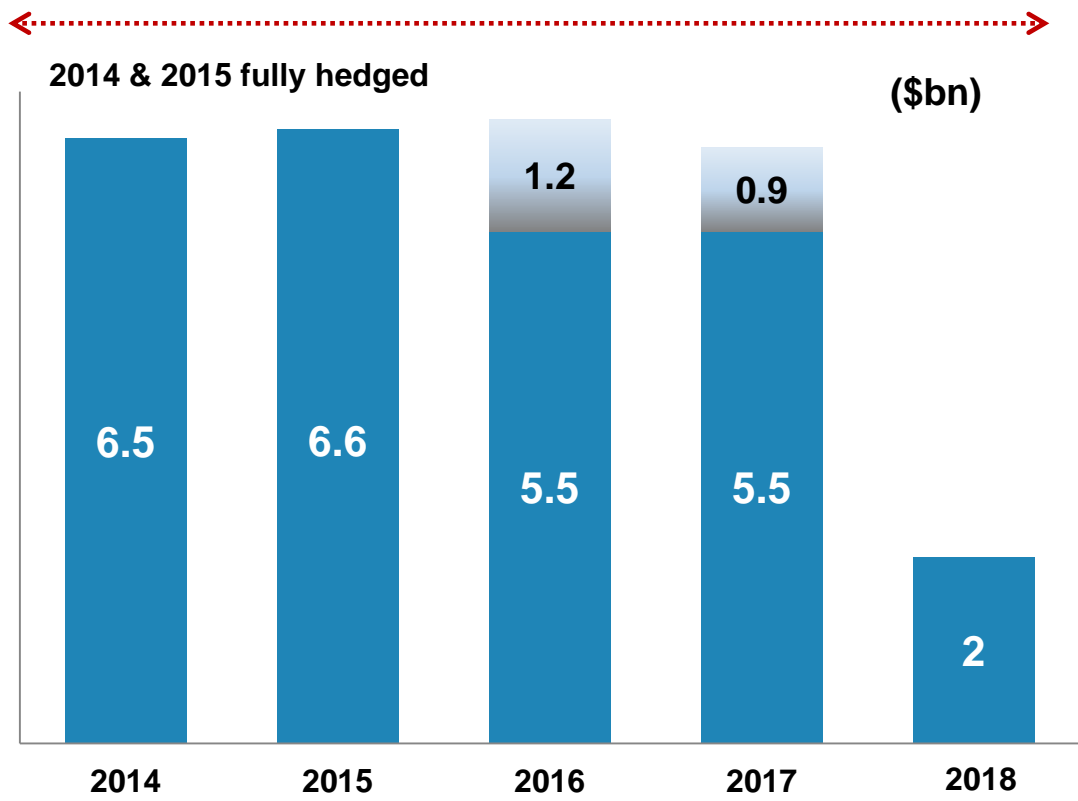
- Lower helicopter turbine volumes
- Lower revenue in Enterprise Solutions (smartcards)
- Softness in Optronics

# 9M 2014 revenue by activity

<b>Adjusted data</b> <i>(in Euro million)</i>	9m 2013 restated	<b>9m 2014</b>	<i>Change reported</i>	<i>Change organic</i>
<b>Aerospace propulsion</b>	5,442	<b>5,707</b>	4.9%	4.4%
<b>Aircraft equipment</b>	2,927	<b>3,158</b>	7.9%	9.3%
<b>Defence</b>	824	<b>840</b>	1.9%	1.0%
<b>Security</b>	1,073	<b>1,090</b>	1.6%	5.4%
<b>Others</b>	2	<b>2</b>	<i>na</i>	<i>na</i>
<b>Total revenue</b>	<b>10,268</b>	<b>10,797</b>	<b>5.2%</b>	<b>5.6%</b>

# Fx hedging: \$19.7bn Hedge portfolio\* (Oct, 16 2014)

**Yearly Exposure: \$6.5bn to \$7.0bn** - Higher expected level of net USD exposure for 2015-18 due to strong growth of businesses with exposed USD revenue



**2016**

- \$5.5bn achieved at \$1.25 (including knock out option strategies) to rise to \$6.7bn at \$1.25 through accumulators as long as €//\$ < 1.38 up to end 2015
- Knock out options barriers set at various levels between 1.36 and 1.45 up to mid 2015

**2017**

- \$5.5bn achieved at \$1.26 (mainly knock out option strategies) to rise to \$6.4bn at \$1.25 through accumulators as long as €//\$ < 1.40 up to end 2015
- Knock out options barriers set at various levels between 1.37 and 1.42 up to end 2015

**2018**

- \$2.0bn achieved at \$1.20 through knock out option strategies
- Knock out options barriers set at various levels between 1.32 and 1.45 with maturities ranging between 1 and 3 years

*Should the options be knocked out, hedging strategy would be adapted to new market conditions*

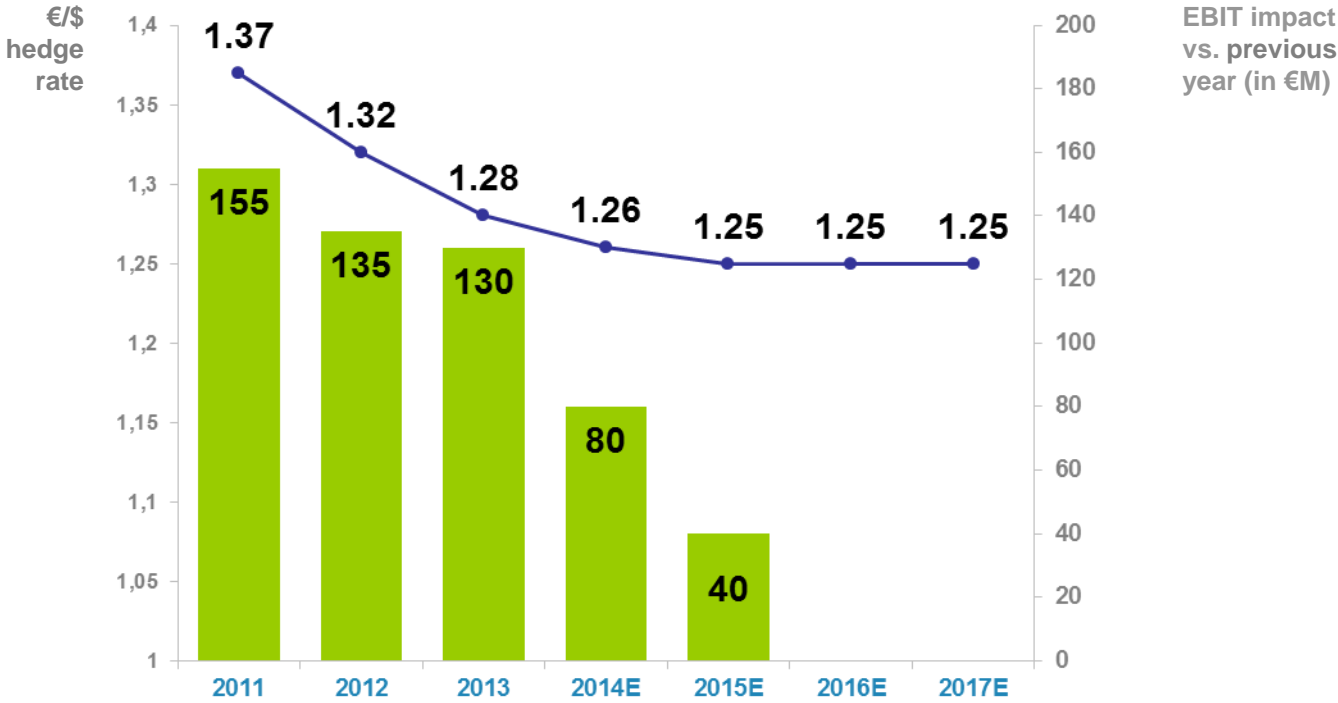
€/ \$ hedge rate	2014	2015	2016	2017	2018
Achieved	1.26	1.25	1.25	1.26	1.20
Target	1.26	1.25	1.25	1.25	

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



# Fx hedging: benefiting margins over 2014-17

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



# /02/

## Conclusion

# FY 2014 outlook

The full-year 2014 adjusted revenue and adjusted EBIT outlook is confirmed:

- Adjusted revenue expected to increase by a percentage in **mid single digits** at an estimated average rate of USD 1.30 to the Euro.
- Adjusted recurring operating income expected to increase by a percentage **approaching the mid teens** at a hedge rate of USD 1.26 to the Euro.  
*The hedging policy 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.*
- Regarding free cash flow, cash flow linked to business performance will be consistent with objectives, while significant uncertainty remains concerning the rhythm of payments (including advance payments) by State-customers in the fourth quarter.

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# Additional information

# Q3 & 9M 2014 consolidated and adjusted revenue

Q3 2014 <i>(In Euro million)</i>	Consolidated revenue	Hedge accounting		Business combinations		Adjusted revenue
		Re-measurement of revenue	Deferred hedging gain (loss)	Amortization of intangible assets - Sagem/Snecma	PPA impacts - other business combinations	
Revenue	3,526	63	na	na	na	3,589

9m 2014 <i>(In Euro million)</i>	Consolidated revenue	Hedge accounting		Business combinations		Adjusted revenue
		Re-measurement of revenue	Deferred hedging gain (loss)	Amortization of intangible assets - Sagem/Snecma	PPA impacts - other business combinations	
Revenue	10,499	298	na	na	na	10,797



# Aerospace OE\* / Services revenue split

Revenue	Q3 2013		Q3 2014		% change	
	OE	Services	OE	Services	OE	Services
Adjusted data (in Euro million)						
<i>Propulsion</i>	888	883	921	1,023	3.7%	15.9%
% of revenue	50.1%	49.9%	47.4%	52.6%		
<i>Equipment</i>	698	284	731	290	4.7%	2.1%
% of revenue	71.1%	28.9%	71.6%	28.4%		

Revenue	9m 2013		9m 2014		% change	
	OE	Services	OE	Services	OE	Services
Adjusted data (in Euro million)						
<i>Propulsion</i>	2,817	2,625	2,820	2,887	0.1%	10.0%
% of revenue	51.8%	48.2%	49.4%	50.6%		
<i>Equipment</i>	2,088	839	2,278	880	9.1%	4.9%
% of revenue	71.3%	28.7%	72.1%	27.9%		

(\*) All revenue except services

# Quantities of major aerospace programs

<i>Number of units delivered</i>	Q3 2013	Q3 2014	%	9m 2013	9m 2014	%
CFM56 engines	373	382	2%	1,145	1,174	3%
High thrust engines	146	155	6%	450	503	12%
Helicopter engines	225	170	(24)%	713	531	(26)%
M88 engines	2	6	x3	16	18	13%
TP400	7	14	x2	18	26	44%
787 landing gear sets	13	29	x2.2	44	88	x2
A380 nacelles	20	27	35%	72	84	17%
A330 thrust reversers	58	38	(34)%	124	122	(2)%
A320 thrust reversers	138	111	(20)%	399	369	(8)%
Small nacelles ( <i>biz &amp; regional jets</i> )	143	179	25%	400	487	22%

# 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 Snecma and its subsidiaries and reflects the Group's performance in civil aircraft engines aftermarket compared to the market.

# Disclaimer

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# KEY MISSIONS, KEY TECHNOLOGIES, KEY TALENTS