

# THIRD-QUARTER 2015 REVENUE

**Philippe Petitcolin - CEO**

**Bernard Delpit - Group CFO**

**/ October 22, 2015 /**

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## **Q3 2015 highlights**

**Philippe Petitcolin - CEO**

# Excellent progress of LEAP

## → LEAP development proceeding according to plan

- **LEAP-1A:** Hot weather and high altitude campaigns successfully completed. More than 100 flights on A320neo in line with Airbus plan. On track for imminent engine certification
- **LEAP-1B:** FTB campaign completed this summer after 50 flights totaling 268 hours. Preparing for first flight of the 737MAX in early 2016
- **LEAP-1C:** Successful installation of the two Integrated Propulsion Systems completed on time in September to support COMAC roll-out planned by year end
- LEAP performance in line with roadmap, fully confident to fulfill commitments

## → Preparing for production readiness

- First commercial deliveries of LEAP in 2016
- LEAP supply chain mostly based on CFM56 supply chain
- Investing in new and enhanced facilities, including 2 new assembly lines dedicated to LEAP in Villaroche, France

**LEAP on track for EIS as planned**



*2<sup>nd</sup> A320neo powered by LEAP-1A*



*Hot weather campaign: A320neo powered by LEAP-1A*



*High altitude campaign: A320neo powered by LEAP-1A*

# Q3 2015 business highlights

- **Airbus Safran Launchers awarded Ariane 6 development contract by the European Space Agency (ESA)**
- **Helicopter turbines: Safran delivered on schedule the first production Arrius 2R engine to Bell Helicopter for its Bell 505 Jet Ranger X**
- **Equipment: Aero Gearbox International plans to build a production plant in Poland**
  - Aero Gearbox International is the company jointly-owned by Safran and Rolls Royce that will design, develop, produce and support accessory drive trains for all of Rolls Royce's future civil aircraft engines, starting with the Trent 7000
- **Defence: Scorpion land vehicles program for the French army**
  - Safran selected to provide optronics equipment for remotely controlled turrets, in addition to its selection to supply PASEO sight systems via Optrolead (JV between Safran and Thales).
- **Security: outstanding commercial success for the Itemiser 4DX Trace Detectors to meet EU screening mandates**
  - Close to 900 Itemiser 4DX shipped in 2015 to European airports



*Arrius 2R*

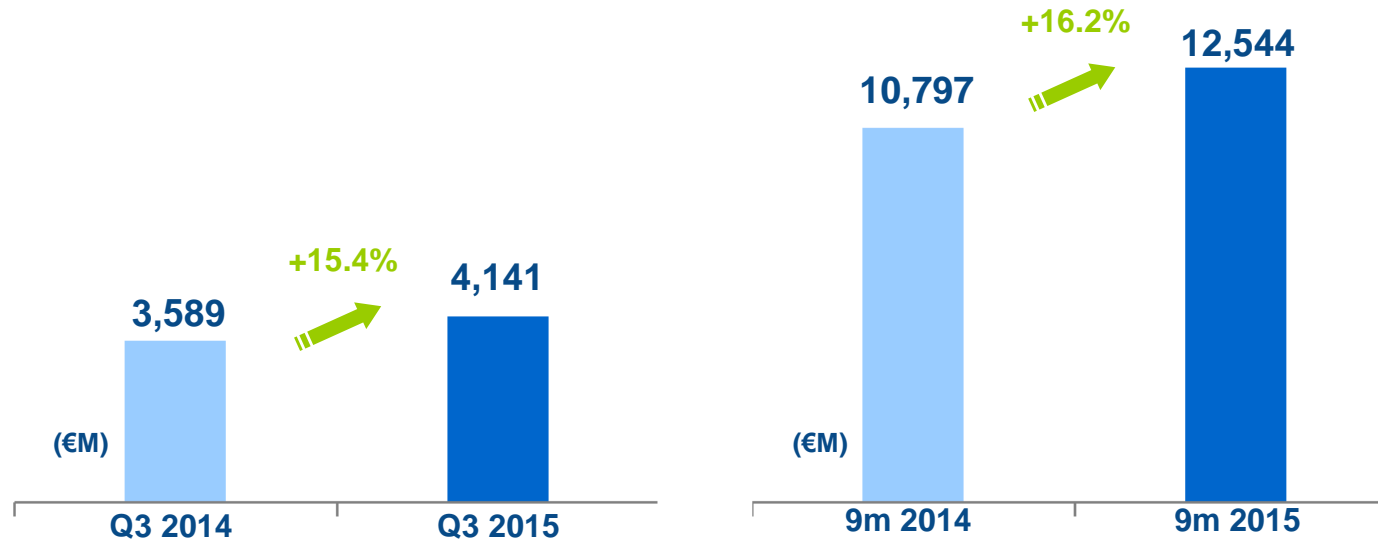


*Accessory drive train for Rolls Royce's Trent XWB*



*Itemiser 4DX*

# Q3 2015 and 9m 2015 financial highlights



- Strong revenue growth in Q3 driven by continuing momentum in Propulsion and strength in Security.
- Services in Propulsion (up 19.0%) and Equipment (up 24.1%) continued to drive revenue growth. Security confirmed a strong revenue trajectory (+29%) as all businesses grew. Sales in Defence increased slightly.
- Civil aftermarket was up 18.5% in USD terms in Q3 and 24.4% year to date. Growth continues to be driven by overhaul activity for second generation CFM56 and GE90 engines in the context of a favourable environment for airline customers.

# Silvercrest

- **Major tests successfully performed : icing, bird ingestion...**
  - 11 engines ground tested
  - 6 engines flight tested on flying test bed – Gulfstream II
  - 3,200 hours of accumulated testing (310 hours on FTB)
- **Additional development needed to meet operational life and performance (fuel) requirements**
- **Programme-related assets of €696M on balance sheet**
  - Support for these assets to be tested during preparation of the 2015 annual accounts
- **Potential contractual penalties during the development phase are capped and entirely covered by provisions**



*Flight test of Silvercrest on FTB*



*Ground test of Silvercrest*

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## **Q3 2015 Financials**

**Bernard Delpit- Group CFO**

# 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 are neutralized.



# Fx volatility

## → Continued Fx volatility during Q3 2015

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

### Average spot rate

Q3 2014	Q3 2015
\$1.33	\$1.11

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

### Hedge rate

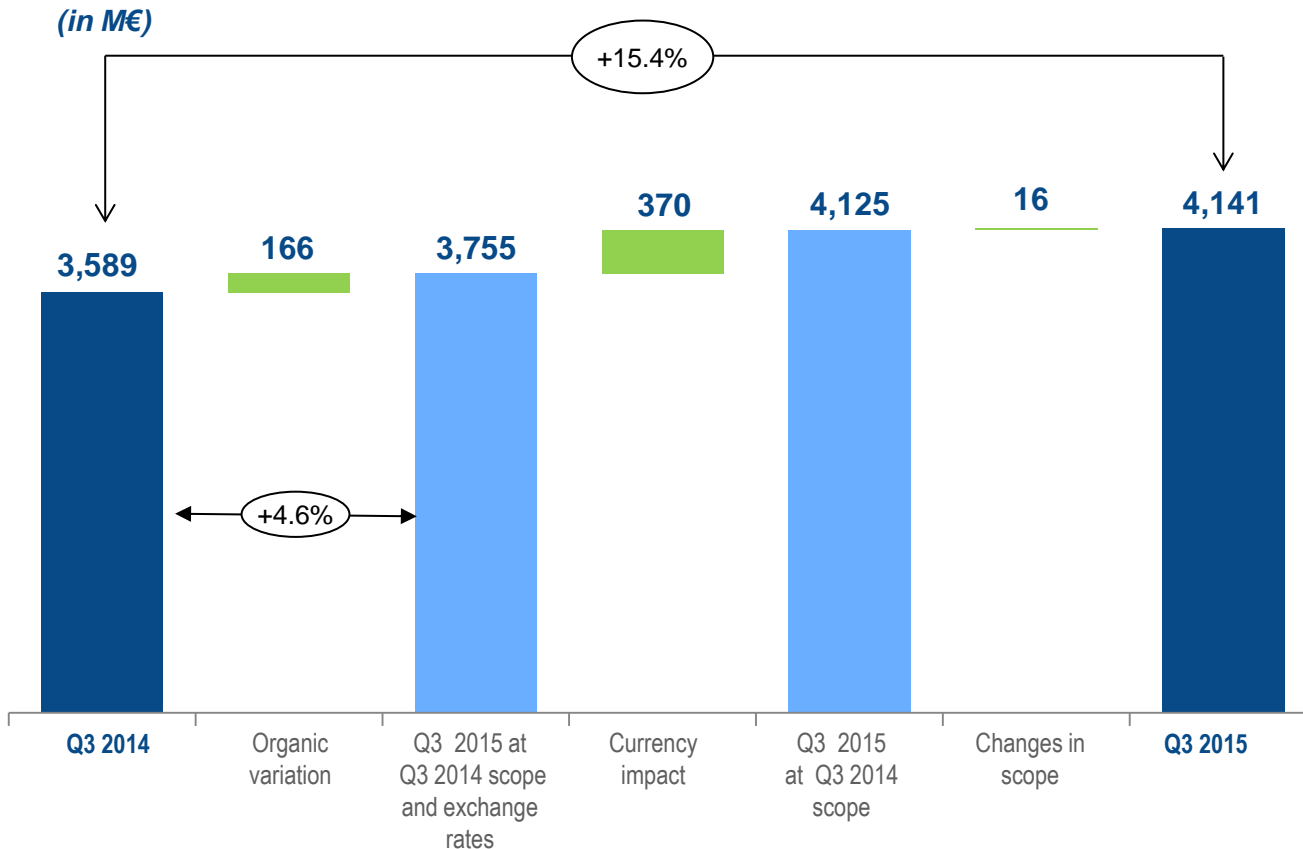
Q3 2014	Q3 2015
\$1.26	\$1.25

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

### Spot rate at closing date

Sept 30, 2014	Sept 30, 2015
\$1.26	\$1.12

# Q3 2015 revenue bridge



## → Organic growth: +4.6%

- Driven by momentum in Propulsion (notably in services), and in Security

## → Currency: +10.3%

- Significant positive translation effect of USD. Positive translation impact from GBP
- Positive effect of impact of the improved \$ hedged rate

## → External growth: +0.5%

- Acquisitions: Hydrepro, Dictao

# Q3 2015 revenue by activity

<b>Adjusted data</b> <i>(in Euro million)</i>	Q3 2014	<b>Q3 2015</b>	<i>Change reported</i>	<i>Change organic</i>
<b>Aerospace propulsion</b>	1,944	<b>2,220</b>	14.2%	5.7%
<b>Aircraft equipment</b>	1,021	<b>1,180</b>	15.6%	(0.8)%
<b>Defence</b>	256	<b>266</b>	3.9%	(1.2)%
<b>Security</b>	368	<b>474</b>	28.8%	17.7%
<b>Others</b>	-	<b>1</b>	Na	Na
<b>Total revenue</b>	<b>3,589</b>	<b>4,141</b>	<b>15.4%</b>	<b>4.6%</b>

## Main growth drivers

- Significant positive currency impacts from USD
- Continued momentum in Aerospace services:
  - Propulsion: services up 19% (in €), driven by civil aftermarket (up 18,5% in USD). Healthy contribution from helicopter turbines services
  - Equipment: services up 24% (in €) driven by landing gear aftermarket and continuing momentum in carbon brakes
- Ramp up of A350 programme (landing gear, wiring)
- Security: all activities contributing to strong, broad based growth
- Defence : growth in Optronics

## Offsetting impacts

- Lower helicopter turbines volumes due to production delays and soft OE demand
- Nacelles: lower deliveries of A330 thrust reversers; lower A380 nacelle deliveries

# 9M 2015 revenue by activity

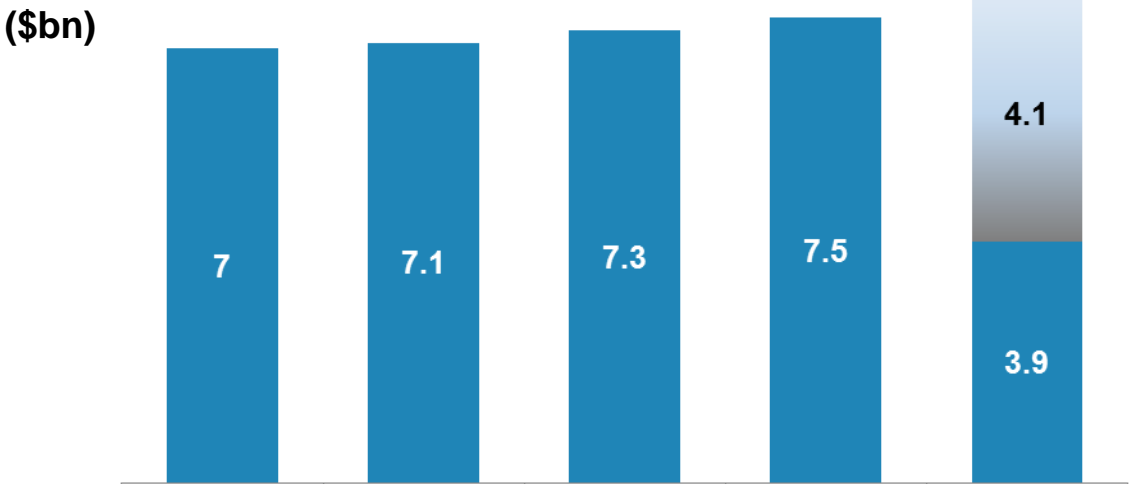
<b>Adjusted data</b> <i>(in Euro million)</i>	9m 2014	<b>9m 2015</b>	<i>Change reported</i>	<i>Change organic</i>
<b>Aerospace propulsion</b>	5,707	<b>6,706</b>	17.5%	7.8%
<b>Aircraft equipment</b>	3,158	<b>3,594</b>	13.8%	(1.0)%
<b>Defence</b>	840	<b>882</b>	5.0%	(1.5)%
<b>Security</b>	1,090	<b>1,359</b>	24.7%	11.2%
<b>Others</b>	2	<b>3</b>	Na	Na
<b>Total revenue</b>	<b>10,797</b>	<b>12,544</b>	<b>16.2%</b>	<b>4.9%</b>

# Fx hedging: \$20.8bn Hedge portfolio\* (Oct 15, 2015)

**Yearly exposure: \$7.1bn to \$8.0bn**  
*Increasing level of net USD exposure for 2015-18 due to strong growth of businesses with exposed USD revenue*



2016 & 2017 fully hedged



**2018**

- \$3.9bn achieved at \$1.08 through forward sales and short dated knock out option strategies to rise to a maximum of \$8.0bn at an improved target rate below \$1.20 through accumulators as long as €//\$ < 1.28 up to end 2016
- Decrease of firm portion to \$3.9bn reflecting active portfolio management to benefit from low spot rate through options
- Knock out options barriers set at various levels between \$1.20 and \$1.45 with maturities up to 2 years

€/\$ hedge rate	2014	2015	2016	2017	2018+ <i>New</i>
Achieved	1.26	1.25	1.25	1.25	1.08
Target		1.25	1.25	1.25	<1.20

\*Approx. 45% of Safran US\$ revenue are naturally hedged by US\$ procurement

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## **Outlook**

**Philippe Petitcolin - CEO**

# FY 2015 outlook confirmed

- Adjusted revenue to increase by a percentage in **high single digits** at an estimated average spot rate of USD 1.20 to the Euro. If the average spot rate of USD 1.12 to the Euro remain throughout 2015, revenue would consequently grow by a percentage in low double digits.
- Adjusted recurring operating income expected to increase by a percentage **in the mid-teens** at a hedge rate of USD 1.25 to the Euro.
- Free cash flow expected to represent **35% to 45%** of the adjusted recurring operating income subject to usual uncertainties on the timing of advance payments.

*Safran's 2015 outlook is applicable to the Group's current structure and does not take into account any potential impact in 2015 of notably the finalisation of the regrouping of its space launcher activities with those of Airbus Group in their joint venture, Airbus Safran Launchers.*

# **/04/**

## **Additional information**



# Q3 & 9M 2015 consolidated and adjusted revenue

Q3 2015 <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	4,303	(162)	na	na	na	4,141

9m 2015 <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	13,011	(467)	na	na	na	12,544

# Aerospace OE\* / Services revenue split

Revenue	Q3 2014		Q3 2015		% change	
	OE	Services	OE	Services	OE	Services
Adjusted data (in Euro million)						
<i>Propulsion</i>	921	1,023	1,002	1,217	8.8%	19.0%
% of revenue	47.4%	52.6%	45.2%	54.8%		
<i>Equipment</i>	731	290	820	360	12.2%	24.1%
% of revenue	71.6%	28.4%	69.5%	30.5%		

Revenue	9m 2014		9m 2015		% change	
	OE	Services	OE	Services	OE	Services
Adjusted data (in Euro million)						
<i>Propulsion</i>	2,820	2,887	3,050	3,656	8.2%	26.6%
% of revenue	49.4%	50.6%	45.5%	54.5%		
<i>Equipment</i>	2,278	880	2,544	1,050	11.7%	19.3%
% of revenue	72.1%	27.9%	70.8%	29.2%		

(\*) All revenue except services

# Quantities of major aerospace programs

<i>Number of units delivered</i>	Q3 2014	Q3 2015	%	9m 2014	9m 2015	%
CFM56 engines	382	<b>398</b>	4%	1,174	<b>1,214</b>	3%
High thrust engines	155	<b>150</b>	(3)%	503	<b>509</b>	1%
Helicopter engines	170	<b>121</b>	(29)%	531	<b>464</b>	(13)%
M88 engines	6	<b>8</b>	33%	18	<b>8</b>	(56)%
787 landing gear sets	29	<b>31</b>	7%	88	<b>95</b>	8%
A350 landing gear sets	0	<b>8</b>	na	0	<b>20</b>	na
A380 nacelles	27	<b>21</b>	(22)%	84	<b>70</b>	(17)%
A330 thrust reversers	38	<b>35</b>	(8)%	122	<b>108</b>	(11)%
A320 thrust reversers	111	<b>121</b>	9%	369	<b>380</b>	3%
Small nacelles ( <i>biz &amp; regional jets</i> )	179	<b>180</b>	1%	487	<b>518</b>	6%

# 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