

SAFRAN

BERNARD DELPIT - GROUP CFO

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*GOLDMAN SACHS
EUROPEAN INDUSTRIALS CONFERENCE
DECEMBER 6, 2016*



Agenda

Strategic roadmap

- ◆ Governance
- ◆ Portfolio
- ◆ R&T

Operations

- ◆ New programs
- ◆ Productivity
- ◆ Commercial success

Financial transition

- ◆ 2016 guidance
- ◆ Trends for 2017
- ◆ Medium term trends



Inauguration of Safran Electronics & Defense new R&D center in Eragny-sur-Oise, France



A320neo powered by LEAP-1A delivered to AirAsia

Governance

- ✓ **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)**



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

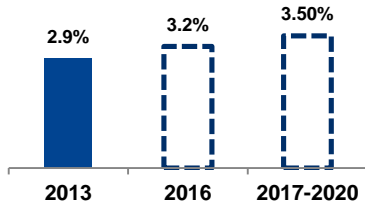
2016 R&T effort:

- > ~500M€, up 100M€ vs 2013
- > 2,400 people involved

Total R&T spending toward 3.5% of sales

- > 20% funded externally

Total R&T on sales



Clear business drivers

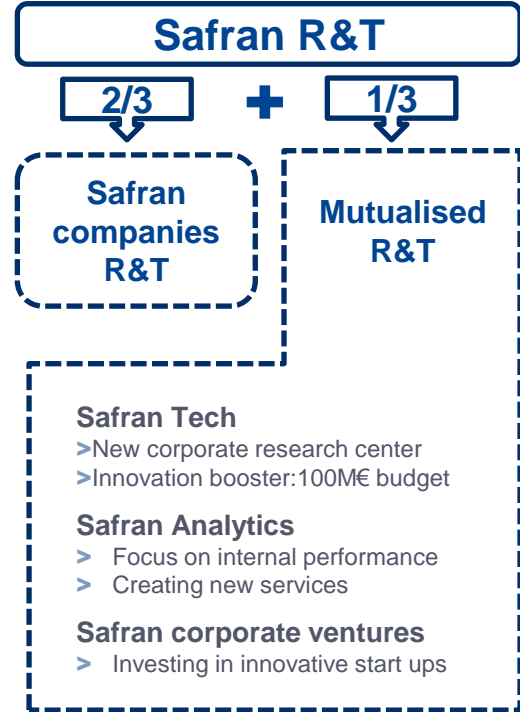
Spending by nature

- ◆ 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



New programs

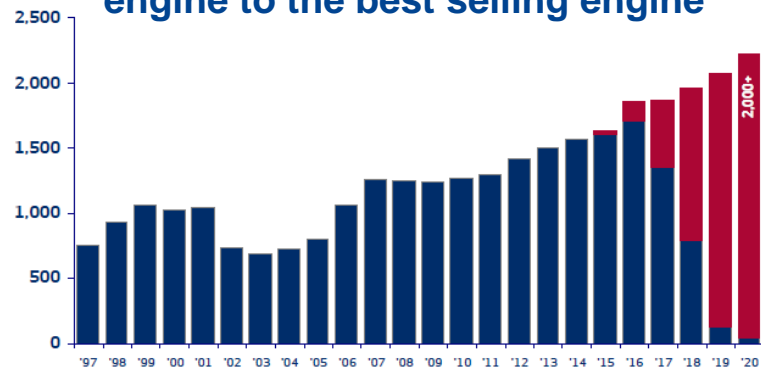
Successful development of LEAP

- ◆ 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



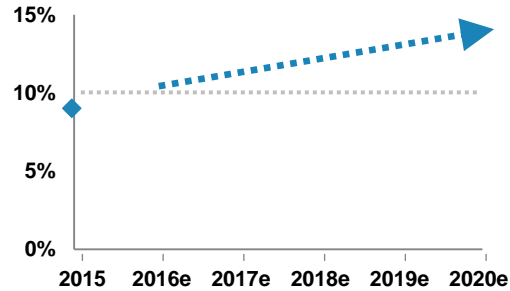
CFM56

LEAP

- ◆ 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

Productivity

Financial ambition in Aircraft Equipment



◆ 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

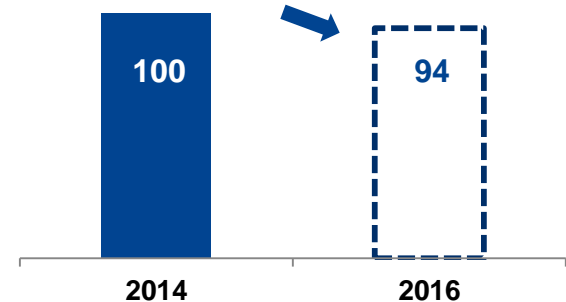
◆ Strong increase in profitability in H1 2016

- ◆ Margin at 10.7%, up 2.5pts YoY

Focus on control of overhead in the businesses

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

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



Wiring
Villemur-sur-Tarn, France

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