

# INVESTOR ROADSHOWS

—

SEPTEMBER 2016



This document and the information therein are the property of Safran. They must not be copied or communicated to a third party without the prior written authorization of Safran

## Leading market positions

### Aerospace



#### #1 worldwide

- Turbofans for single aisle commercial aircraft<sup>(1)</sup>
- Helicopter turbines
- Landing gear, wheels and carbon brakes<sup>(2)</sup>
- Aircraft electrical interconnection system
- Power transmission
- Space launchers<sup>(3)</sup>

#### #2 worldwide

- Engine nacelles

#### #4 worldwide

- Military engines

### Defence



#### #1 Europe

- Optronic systems
- Inertial navigation systems

#### #1 worldwide

- Flight control systems for helicopters
- Engine control systems<sup>(4)</sup>

### Security



#### #1 worldwide

- Biometric ID solutions
- Automated multi-biometric ID systems
- CTX (tomographic explosive detection) systems for checked baggage

#### #4 worldwide

- Smart cards

~80% of revenue from civil activities

(1) Through CFM International (50-50 JV with GE)

(2) Aircraft >100 passengers

(3) Through Airbus Safran Launchers (JV with Airbus)

(4) For civil aircraft, in partnership with BAE systems

## 5 key themes

### **Excellent first half 2016 results**

*Our key challenge: the CFM56 – LEAP transition*

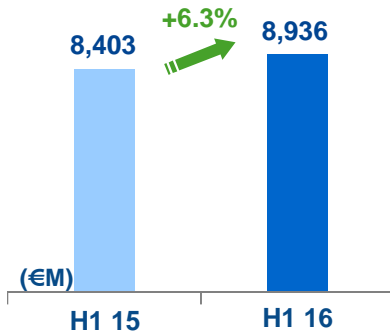
*CFM56 aftermarket: in the sweet spot*

*Strategy update*

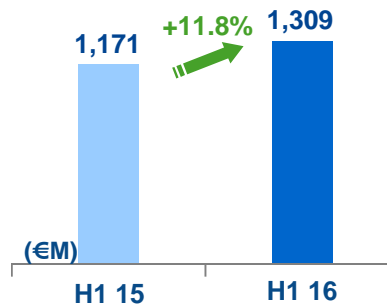
*Safran's 2020 financial ambition*

# H1 2016 financial highlights

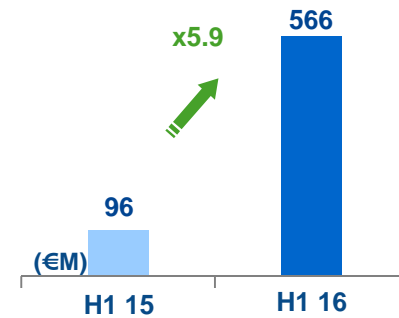
Increase in adjusted revenue (+6.5% org) driven by Aerospace and Security



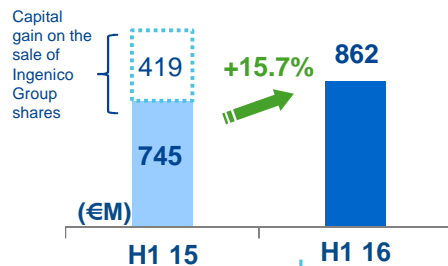
Adjusted recurring operating income at 14.6% of revenue, with a strong improvement in Aircraft Equipment



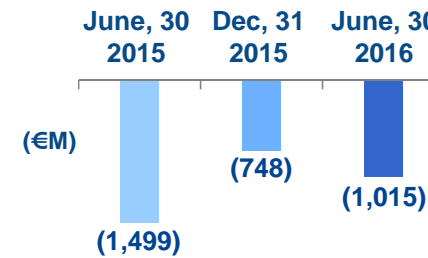
Higher free cash flow generation, notably due to a strong control of working capital



Adjusted net profit (group share) at €2.07 per share (vs €2.80 in H1 2015 including €1.00 from the sale of Ingenico Group shares)



Low net debt level (14% gearing)



Investor roadshows | September 2016

## Excellent progress of LEAP



A320neo powered by LEAP-1A  
delivered to Pegasus



737 MAX powered by  
LEAP-1B

### Deliveries of LEAP-1A commenced in line with established schedule

- ◆ Beginning of the production ramp-up: 11 LEAP-1A delivered to Airbus in Q2 2016
- ◆ First commercial delivery of an A320neo powered by LEAP-1A to Pegasus Airlines on July 19, 2016

### Continuing progress of LEAP development

- ◆ LEAP-1B
  - > Certification of the LEAP-1B engine simultaneously awarded by both EASA and the FAA on May 4, 2016, paving the way for EIS in the first-half of 2017
  - > Four 737 MAX in test and more than 800 hours of flight tests have been logged on over 300 flights
  - > Measurements show that the engine is fully on track to meet the performance specifications
- ◆ LEAP-1C
  - > Propulsion system ready for first flight scheduled by the end of the year

## 2016 Farnborough Airshow key takeaways



### Continuing demand for CFM56

- ◆ More than 30,000 CFM56 produced since the beginning of the program
- ◆ Record deliveries of CFM56 with 886 engines in H1
- ◆ 786 orders and commitments logged year to date
- ◆ 82% market share on A320ceo year to date

### LEAP commercial success

- ◆ More than 11,100 engines in backlog (orders and commitments) at the end of Farnborough Airshow
- ◆ 55% market share on A320neo (July 2016)



**CFM leadership confirmed**

## H1 2016 business highlights

### Finalization of the creation of Airbus Safran Launchers (ASL)

- ◆ The JV is a fully integrated world-class company with about 8,400 employees
- ◆ Safran will pay a total economic compensation of €750M to get 50% of the JV:
  - > €470M capital increase at ASL already subscribed in H1 2016
  - > €280M further and final capital increase to come in H2 2016

### Selection of Safran Helicopter Engines by Korean Aerospace Industries to power its Light Civil Helicopter and by the Defence Acquisition Program Administration of South-Korea to power its Light Armed Helicopter

### Signature of several carbon brakes contracts by Safran Landing Systems including:

- ◆ Hainan Airlines for 39 Boeing 787 (on top of the 10 Boeing 787 already equipped)
- ◆ Azul for 58 A320neo and 5 A350

### Safran Electrical & Power was chosen to supply electrical harnesses for the Embraer Legacy 450 & 500

### Security: continuing success of TSA Pre✓® with more than 3 million travelers enrolled



Ariane 6

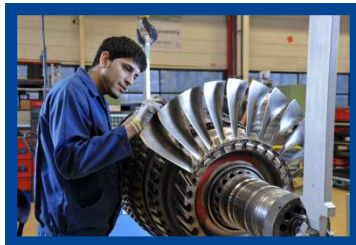


Embraer Legacy 500

## H1 2016 growth in services (Propulsion and Aircraft Equipment)



Maintenance of CFM56,  
Villaroche, France



Maintenance of GE90,  
Saint Quentin en Yvelines, France

### Growth in Aircraft Equipment services of 14.9% (in €)

- ◆ Growth driven by carbon brakes and services for nacelles and landing gear

### Growth in Propulsion services of 9.8% (in €)

- ◆ Driven by civil aftermarket and strong growth in services for military engines

### Civil aftermarket in Propulsion up 8.5% in H1 (in \$)

- ◆ Q1 +8.6% and Q2 +8.3% year-over-year
- ◆ Growth in H1 driven by first overhauls of recent CFM56, GE90 engines and services (including a positive, non recurring contribution in services in Q2)



## H1 2016 profit from operations

<i>(In €M)</i>	H1 2015	H1 2016
<b>Revenue</b>	<b>8,403</b>	<b>8,936</b>
<b>Recurring operating income</b> <i>% of revenue</i>	<b>1,171</b> <b>13.9%</b>	<b>1,309</b> <b>14.6%</b>
Total one-off items	(4)	(13)
<i>Capital gain (loss) on disposals</i>	-	-
<i>Impairment reversal (charge)</i>	-	-
<i>Other infrequent &amp; material non operational items</i>	(4)	(13)
<b>Profit from operations</b> <i>% of revenue</i>	<b>1,167</b> <b>13.9%</b>	<b>1,296</b> <b>14.5%</b>

**Mainly transaction costs**

**Recurring operating margin at 14.6%, up 0.7pt**

## H1 2016 income statement

<i>(In €M)</i>	H1 2015	H1 2016
<b>Revenue</b>	<b>8,403</b>	<b>8,936</b>
Other recurring operating income and expenses	(7,248)	(7,646)
Share in profit from joint ventures	16	19
<b>Recurring operating income</b>	<b>1,171</b>	<b>1,309</b>
<i>% of revenue</i>	<b>13.9%</b>	<b>14.6%</b>
Total one-off items	(4)	(13)
<b>Profit from operations</b>	<b>1,167</b>	<b>1,296</b>
<i>% of revenue</i>	<b>13.9%</b>	<b>14.5%</b>
Net financial income (expense)	(39)	(59)
Income tax expense	(353)	(342)
Share in profit from associates	4	-
Gain on disposal of Ingenico Group shares	419	-
Profit for the period attributable to non-controlling interests	(34)	(33)
<b>Profit attributable to owners of the parent</b>	<b>1,164</b>	<b>862</b>
<b>EPS (in €)</b>	<b>2.80*</b>	<b>2.07**</b>

**Of which cost of debt of €(24)M**

**Apparent tax rate of 27.6%**

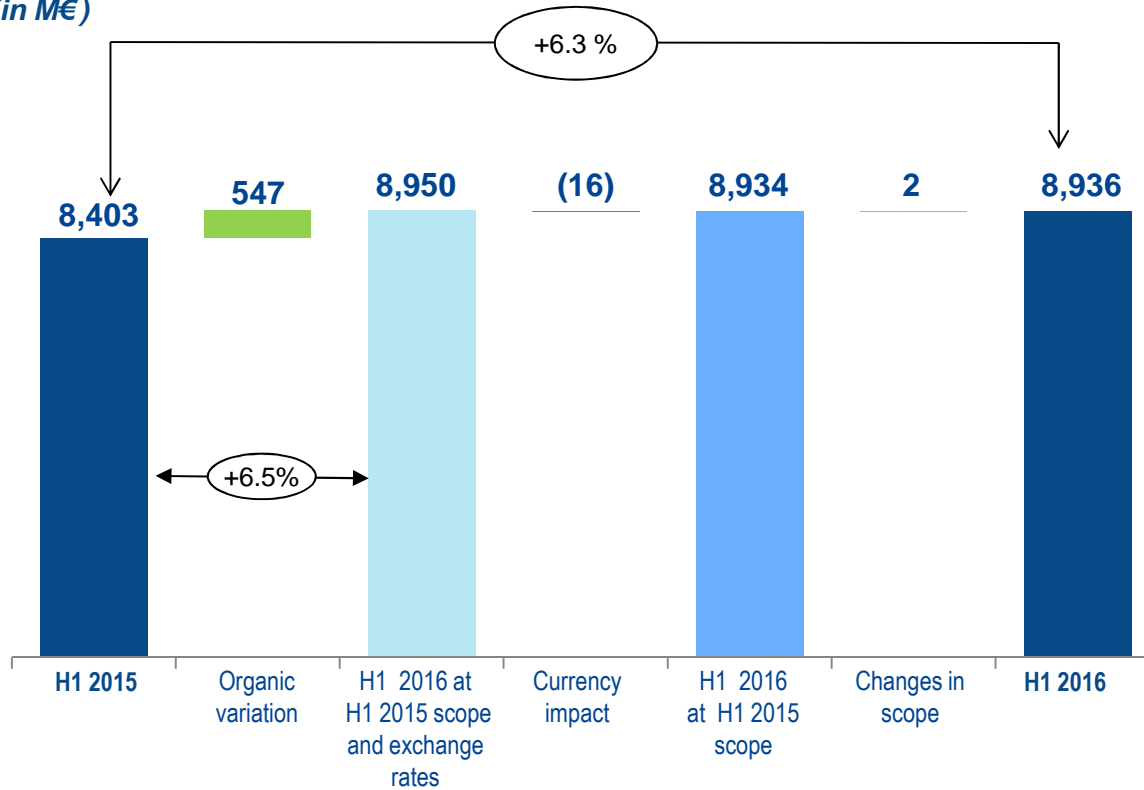
\* Based on 416,432,773 shares

\*\* Based on 416,388,893 shares

**H1 2016 net profit up 15.7%, excluding gain on disposal of Ingenico Group shares in H1 2015**

# H1 2016 revenue

(in M€)



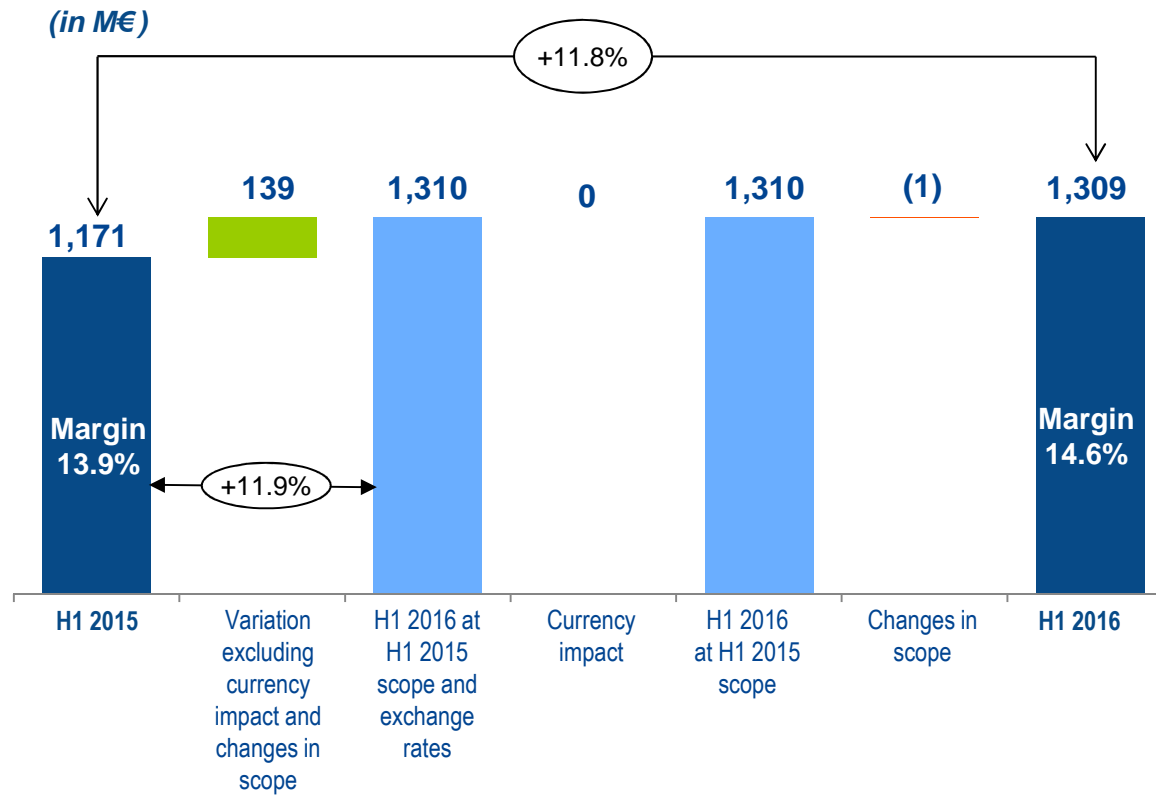
## Organic growth: 6.5%

- ◆ Driven by Aerospace (notably service activities) and Security

## Currency impact: (0.2)%

- ◆ Negative translation effect mainly from GBP

## H1 2016 recurring operating income



### Main profitability drivers

- ◆ Broad-based growth in Aerospace services
- ◆ Contribution of CFM56 OE
- ◆ Organic growth in Security
- ◆ Productivity gains and cost reductions

### Offsetting factors

- ◆ Negative margin on LEAP deliveries and in production
- ◆ Higher expensed R&D
- ◆ Headwinds in helicopter turbines

## Research & Development

<i>(In €M)</i>	H1 2015	H1 2016	Change
<b>Total R&amp;D</b>	<b>1,021</b>	<b>969</b>	(52)
External funding	(340)	(356)	(16)
<b>Total self-funded cash R&amp;D</b>	<b>681</b>	<b>613</b>	(68)
<i>as a % of revenue</i>	8.1%	6.9%	(1.2) pt
Tax credit	(76)	(78)	(2)
<b>Total self-funded cash R&amp;D after tax credit</b>	<b>605</b>	<b>535</b>	(70)
Gross capitalized R&D	(243)	(168)	75
Amortised R&D	45	52	7
<b>P&amp;L R&amp;D in recurring EBIT</b>	<b>407</b>	<b>419</b>	12
<i>as a % of revenue</i>	4.8%	4.7%	(0.1) pt

### Decrease of self-funded cash R&D effort at 6.9% of sales

- ◆ Decline of self-funded R&D driven notably by LEAP and A350
- ◆ Falling capitalization of costs, as expected, driven by lower LEAP and A350 spending; LEAP-1A fully expensed since May 2016

## H1 2016 results by activity

<i>(In €M)</i>	H1 2016	Propulsion	Equipment	Defence	Security	Holding & others
<b>Revenue</b>	<b>8,936</b>	<b>4,857</b>	<b>2,542</b>	<b>584</b>	<b>949</b>	<b>4</b>
<i>Year-over-year growth in %</i>	<i>6.3%</i>	<i>8.3%</i>	<i>5.3%</i>	<i>(5.2)%</i>	<i>7.2%</i>	<i>-</i>
<b>Recurring operating income</b>	<b>1,309</b>	<b>942</b>	<b>271</b>	<b>22</b>	<b>79</b>	<b>(5)</b>
<i>as a % of revenue</i>	<i>14.6%</i>	<i>19.4%</i>	<i>10.7%</i>	<i>3.8%</i>	<i>8.3%</i>	<i>-</i>
<i>recurring operating margin evolution (vs H1 2015)</i>	<i>+0.6pt</i>	<i>(1.6)pt</i>	<i>+2.5pt</i>	<i>+1.4pt</i>	<i>+0.8pt</i>	<i>-</i>

### Strong improvement in performance of Holding

- ◆ Cost control measures and rationalisation, as well as provision reversals

## H1 2016 Free Cash Flow

<i>(in €M)</i>	H1 2015	H1 2016
<b>Adjusted net profit</b>	<b>1,164</b>	<b>862</b>
Depreciation, amortization, provisions and others	331	497
<b>Cash from operating activities before change in WC</b>	<b>1,495</b>	<b>1,359</b>
Change in WC	(529)	(64)
<b>Cash from operating activities after change in WC</b>	<b>966</b>	<b>1,295</b>
Capex (tangible assets)	(359)	(360)
Capex (intangible assets)*	(511)	(369)
<b>Free cash flow</b>	<b>96</b>	<b>566</b>

*Of which amortization of tangibles and intangibles for €328M, provisions (net) for €(152)M and depreciation for €122M*

*34% increase in operational cash generation thanks to strong control of working capital*

- Sustained tangible CAPEX to prepare production transition and ramp-up*
- Lower capitalized R&D and intangibles (ex-R&D) investments as new programs enter into service*

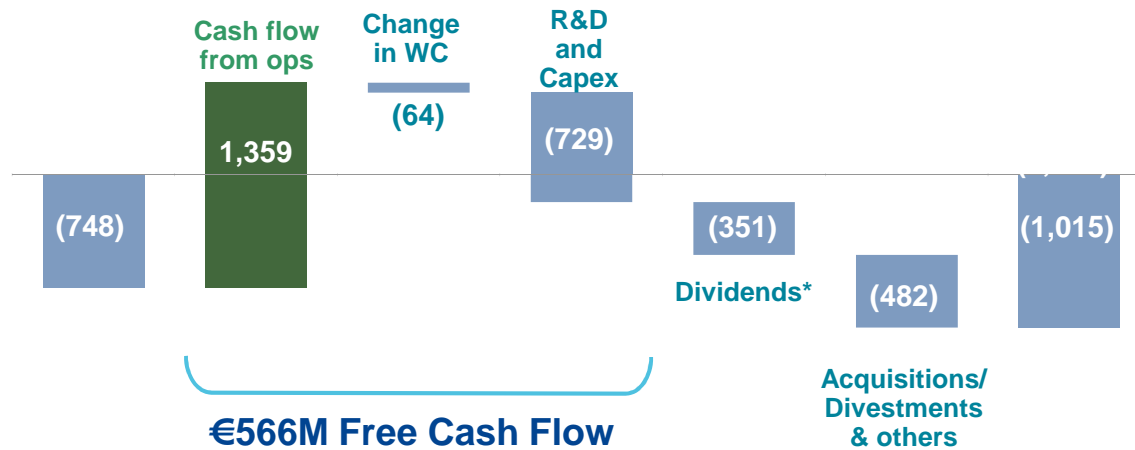
*\* Of which €168M capitalised R&D in H1 2016 vs €243M capitalised in H1 2015*

# Net debt position

(in €M)

Net debt at Dec 31, 2015

Net debt at June 30, 2016



2015 final dividend of €0.78 per share to parent holders

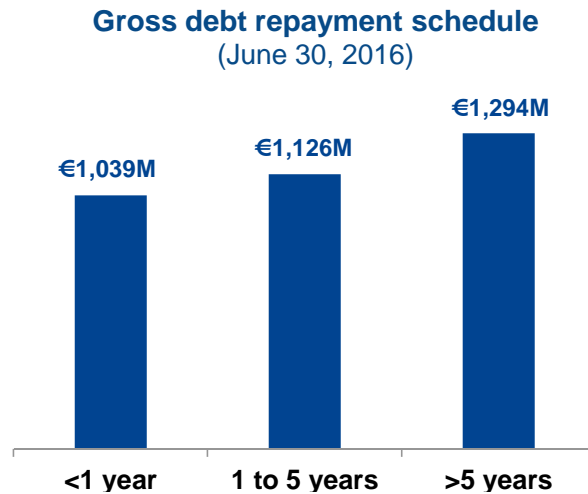
“Acquisitions/Divestments & Others” include:

- ◆ Payment of €(470)M made in relation to Airbus Safran Launchers.

\* Includes €(26)M of dividends to minority interests



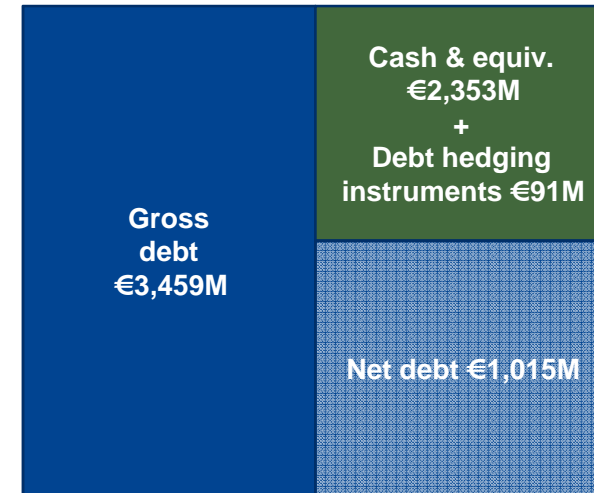
## Gross debt and liquidity



April 2014 private placement - €200M, maturity 2024, no covenant

USPP - \$1.2bn, maturities 2019, 2022 & 2024; subject to 1 covenant  
(net debt/EBITDA <2.5)

OCEANE (issued on January 8, 2016) - €650M, maturity 2020, zero coupon



**Committed & undrawn financing resource:**

◆ Credit line - €2.52B, maturity Dec. 2020 – no covenant

## 2016 key assumptions

**Healthy increase in aerospace OE deliveries**

**Civil aftermarket growth at the low end of the initial range**

**Start-up costs of series Leap production**

**Reduction of self-funded R&D of the order of €100M with a greater drop in capitalised amounts**

- ◆ Less spending on LEAP, A350, helicopters, as they come closer to certification and entry into service
- ◆ Expensed R&D to rise by around €100M

**Sustained level of tangible capex, including expansions, new production capacity and tooling, around Euro 850 million, as requested by production transitioning and ramp-up**

**Profitable growth for the security business**

**Continued benefits from productivity improvement**

## Full-year 2016 outlook

Safran's expectation for growth on an organic basis is reaffirmed. With reference to the Group structure at end-2015, Safran expects for 2016 on a full-year basis:

- Adjusted revenue to increase by a percentage rate in the **low single digits** compared to 2015 (at an estimated average rate of USD 1.11 to the Euro).
- Adjusted recurring operating income likely to increase by **around 5%** with a further increase in margin rate compared to 2015 (at a hedged rate of USD 1.24 to the Euro). *The hedging policy largely 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.*
- Free cash flow representing **more than 40%** of adjusted recurring operating income, an element of uncertainty being the rhythm of payments by state-clients.

Starting on July 1, 2016, Safran will account for its share in ASL using the equity method and thus no longer record revenue from space activities. In 2016, the change is expected to reduce revenue by approximately Euro 400 million and to have a slightly positive impact on adjusted recurring operating income.

## 5 key themes

*Excellent first half 2016 results*

**Our key challenge: the CFM56 – LEAP transition**

*CFM56 aftermarket: in the sweet spot*

*Strategy update*

*Safran's 2020 financial ambition*

# LEAP – best in class

Fuel efficiency

**15%**  
better  
vs. CFM56

NOx

**50%**  
lower  
vs. CAEP 6

Noise

**New**  
regulation  
compliant  
(chapter 14)

Reliability

Maint. cost

Same as **CFM56**  
... best in industry  
99.98% Departure reliability

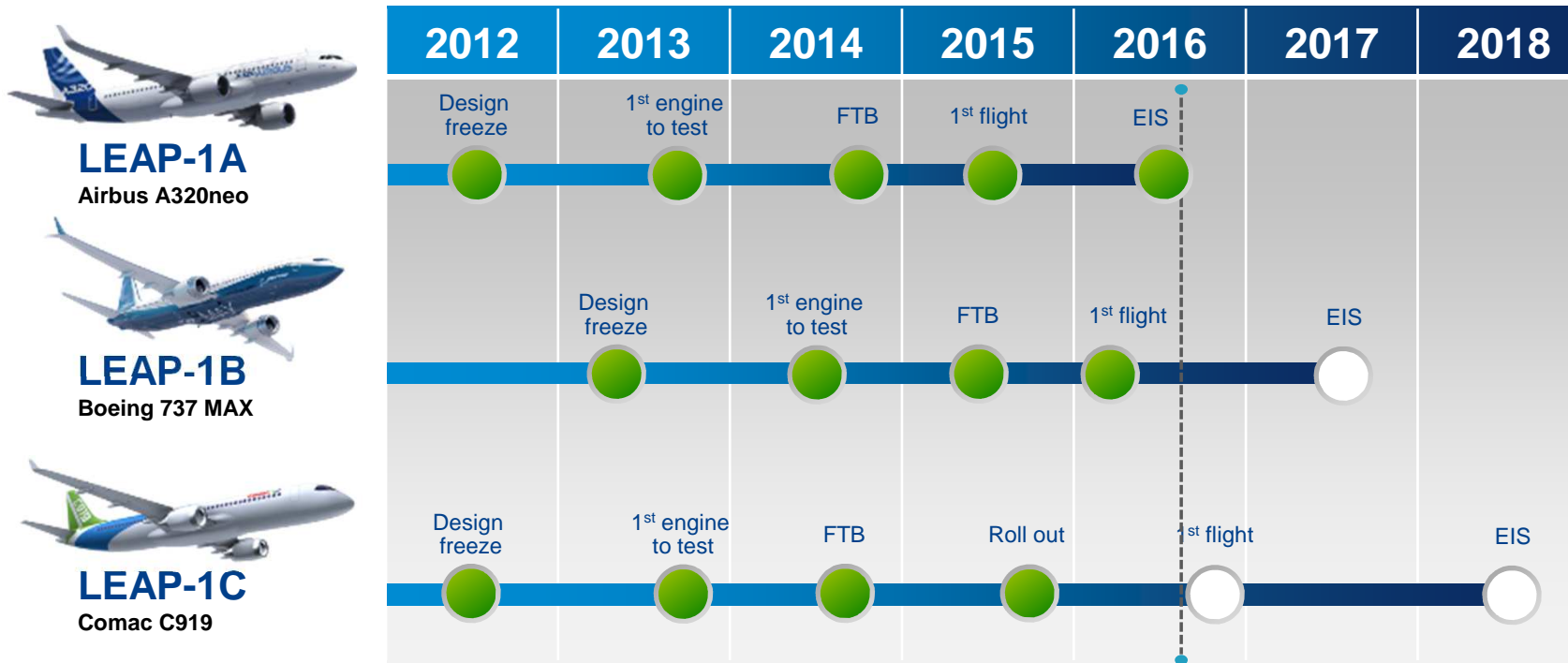
- ◆ Technology
- ◆ Materials
  - New Composites
  - New Alloys
- ◆ Experience
- ◆ Execution
- ◆ Full Technology Pipeline

**Performance  
& reliability**

**Potential for  
Improvement**



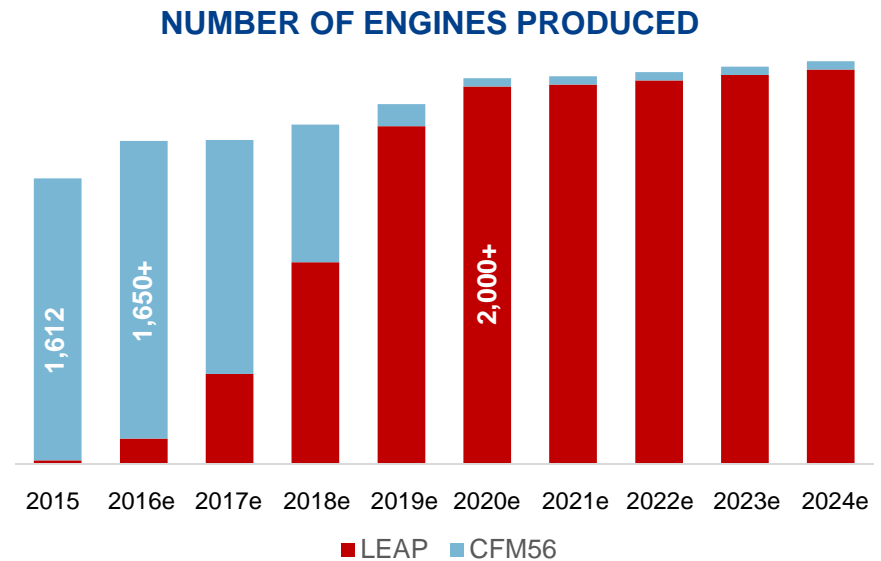
# LEAP – right on track



**Engine development schedule unchanged for 5 years!**

## LEAP – ramp up

- ◆ CFM56 production record level in 2016
- ◆ LEAP production will reach a 30% higher rate
- ◆ Everything in place to manage a smooth transition and ramp-up
- ◆ Large volumes and steep ramp-up are an opportunity to get costs down faster



**Full transition in 4 years**

## LEAP – ramp up

- ◆ 100% of suppliers are well known vendors and aero suppliers – 80% are common with CFM56
- ◆ Redundancy and/or buffer stock for 100% of parts
- ◆ 85% of parts are double sourced
- ◆ Suppliers Selection - based on three main criteria: Supply Chain performance, Growth capacity (including financial criteria) and economic performance
- ◆ Leveraging Safran, GE and worldwide suppliers footprint
- ◆ Developing brand new plants for new technologies, Lean Manufacturing built in

**Strong plan and actions in place to manage ramp-up**



## 5 key themes

*Excellent first half 2016 results*

*Our key challenge: the CFM56 – LEAP transition*

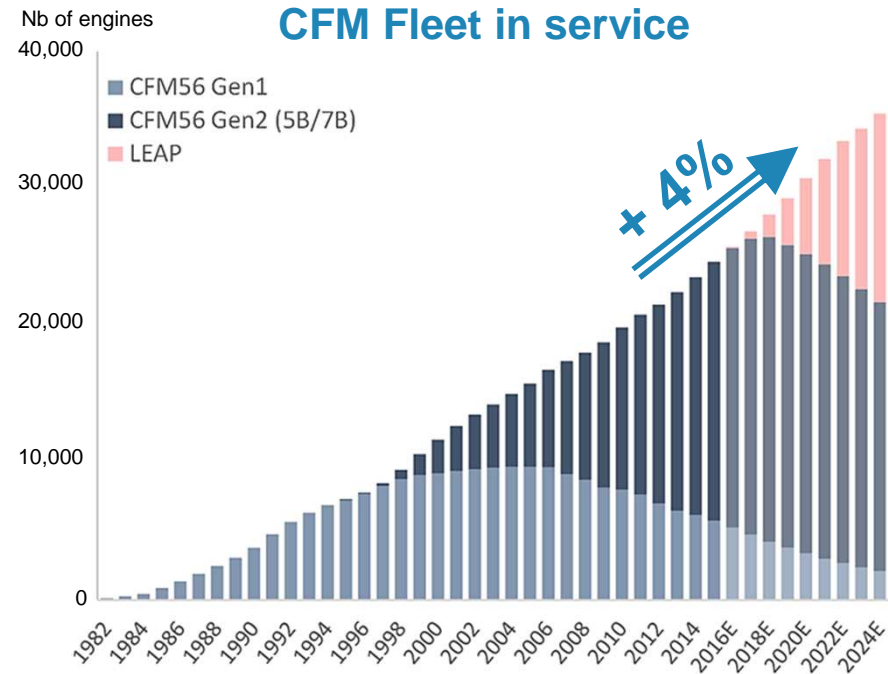
**CFM56 aftermarket: in the sweet spot**

*Strategy update*

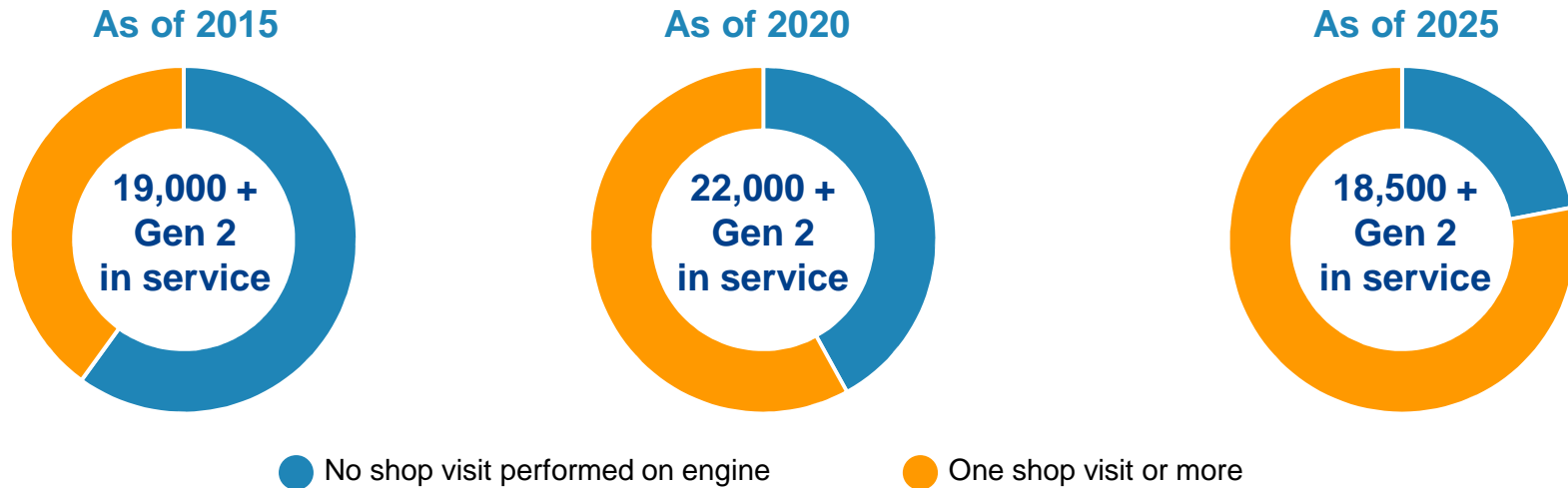
*Safran's 2020 financial ambition*

## CFM installed fleet evolution

- ◆ CFM fleet in service to grow by 4%+ annually over the next decade
  - 25,000 CFM56 engines in operation today
  - More than 27,000 CFM56 engines will be in operation in 2018
- ◆ New generation LEAP engines will relay CFM56
  - LEAP brings additional fleet growth potential
- ◆ By 2025, 11,000+ engines expected to be added to the fleet in service



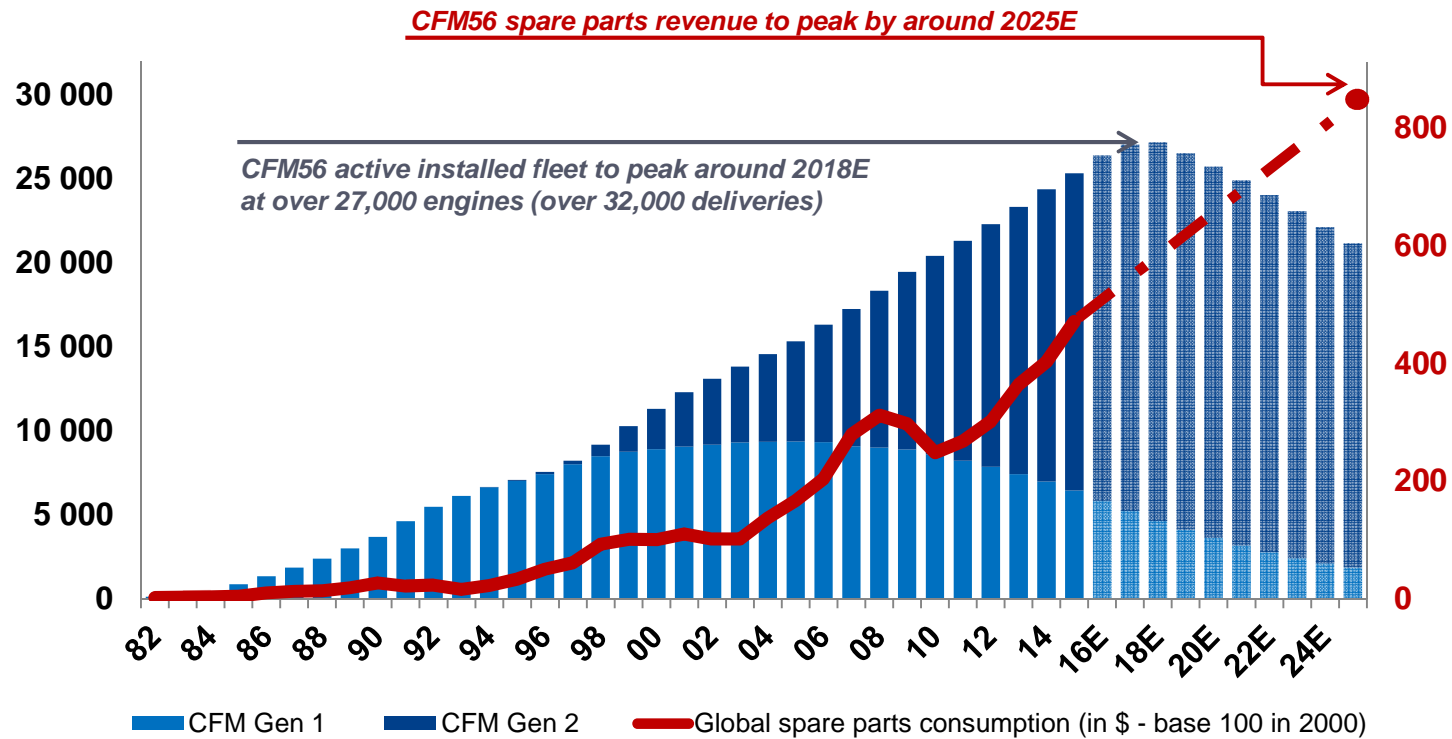
## Maintenance activity on CFM56 Gen 2 fleet still growing



◆ 2015: more than 60% of CFM56 Gen 2 in service have never had a shop visit

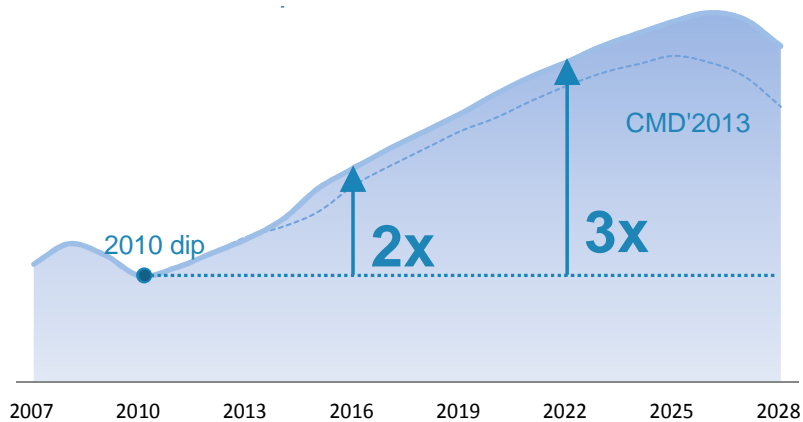
◆ 2025: the proportion is still close to 25%

## CFM56 – strong prospects until 2025 and beyond



## Prospects for future CFM56 aftermarket

Expected CFM56 spare parts consumption profile



- ◆ Main contributors to spare parts consumption are now Gen 2 engine models
- ◆ In 2016, consumption is expected to have doubled since 2010, supported by a very favorable environment in 2014 and 2015
  - ◆ Oil price decrease
  - ◆ Traffic growth
- ◆ Trend grows faster and peaks higher than 2013 view, mainly due to greater CFM56 success in recent years

**Forecast model confirms growth outlook for CFM56 spare parts**

## 5 key themes

*Excellent first half 2016 results*

*Our key challenge: the CFM56 – LEAP transition*

*CFM56 aftermarket: in the sweet spot*

**Strategy update**

*Safran's 2020 financial ambition*

## Forces driving Safran's markets



1

The civil aerospace market offers attractive resilient growth prospects, **outperforming world GDP growth**



2

Aircraft manufacturers are implementing **stepwise product improvement strategies** before the next generation aircraft (2030+): incremental innovation is mandatory in parallel with the preparation of disruptive innovation



3

More electrical power on-board: a great opportunity to optimize propulsive vs. non propulsive energy, a **game changer**



4

The momentum in defence markets and the complexity of modern threats create needs for **equipments in high-tech niches**, serving dual use applications (IR sensors, precision navigation systems, critical electronics, UAV)



5

The **digital revolution** is about new business opportunities (e.g. digital identity), new ways of doing business (e.g. smart MRO), better efficiency (e.g. big data to improve industrial process control)... but potentially new types of players.



6

Our markets (commercial and governmental) are affected by the global economic environment with resulting heavy **pressure on cost** and **new economic models** (public-private partnerships, amortization of investments in recurring revenues)

## Strategy wrap-up

- ◆ The future of Safran is the aerospace and defence markets
- ◆ The security market has its own characteristics and is becoming more and more digital
- ◆ For the next 25 years, the CFM partnership with GE will remain the core of our strategy in propulsion
- ◆ Outside the scope of this Joint Venture (business jets, regional, military, helicopters, ...) Safran will remain open to any value-creating cooperation
- ◆ In the aerospace equipment segment, our landing systems and electrical businesses are self sustaining and should work to maintain their position of world leader
- ◆ Our nacelle business will take advantage of the recent wins (A320neo, A330neo) which will represent 50% of its activity in 2020



## Strategy wrap-up

- ◆ Opportunities which will reinforce our footprint in aerospace equipment, with a DNA (High Tech / Tier 1 / recurrent services aftermarket) close to ours will be looked at, with appropriate financial discipline
- ◆ Our defence business is a niche business and we are happy with it
- ◆ In security, we have signed an agreement to sell our detection business
- ◆ The strategic options for identity and security business are under review and we do not rule out any option

## Q1 2016 disposal of Morpho Detection

- ◆ Signing of an agreement to sell Morpho Detection LLC and other detection related activities to Smiths Group for enterprise value of \$710 million USD
- ◆ The transaction will generate a capital gain before tax at current €/€ exchange rate
- ◆ The transaction is subject to regulatory approvals and customary closing conditions, and is expected to be completed in the first quarter of 2017

Executing on strategy

## 5 key themes

*Excellent first half 2016 results*

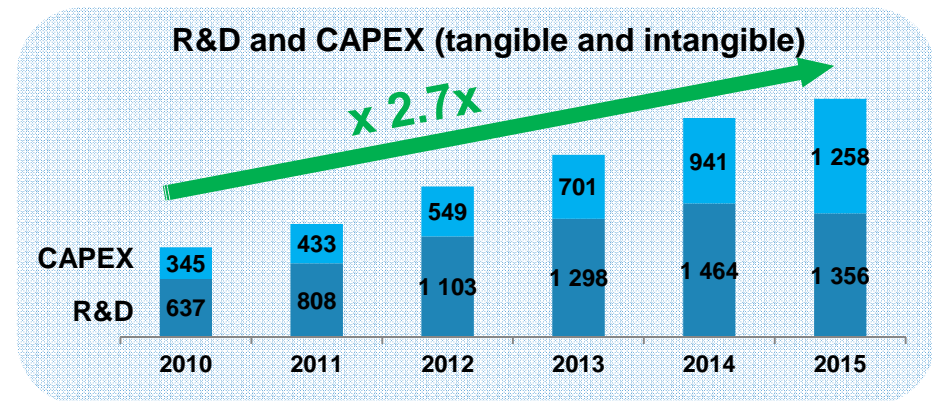
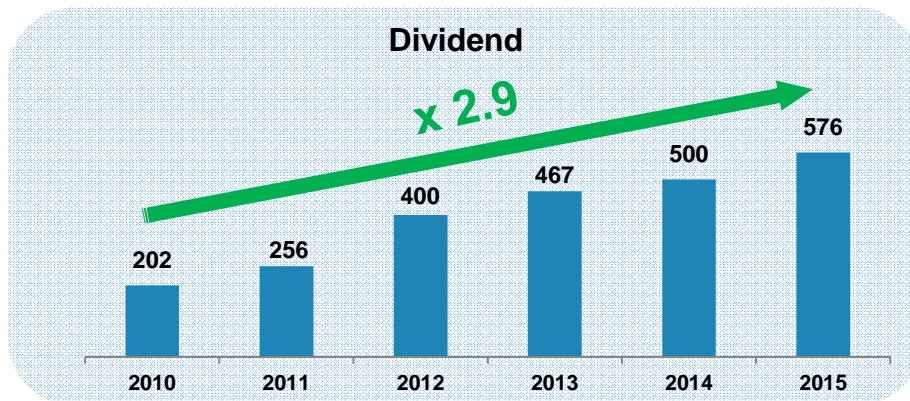
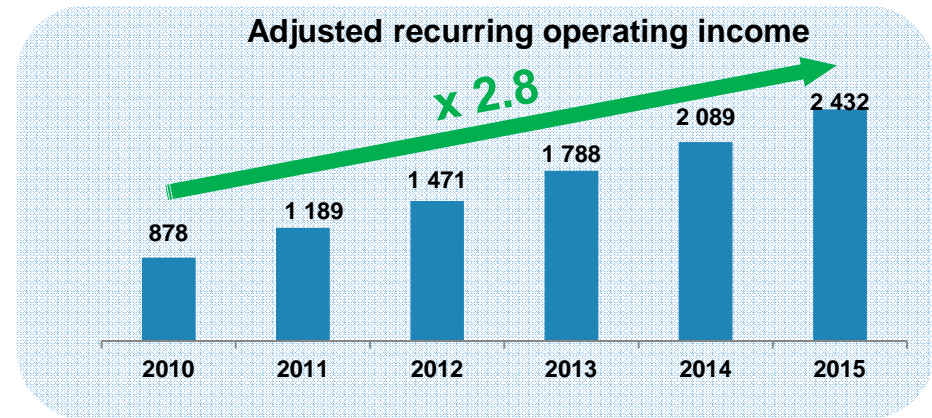
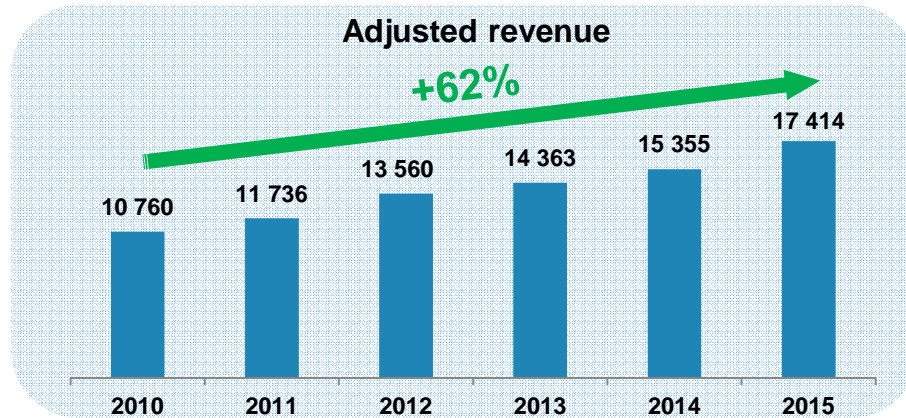
*Our key challenge: the CFM56 – LEAP transition*

*CFM56 aftermarket: in the sweet spot*

*Strategy update*

**Safran's 2020 financial ambition**

## 2010 – 2015: constant growth



## 2020 financial ambition

### MAIN ASSUMPTIONS

#### → Scope

- 2016 outlook is applicable to the Group's structure as of December 31, 2015 and does not take into account the impact in 2016 of the finalisation of ASL
- For the 2017-2020 period, ASL is expected to be consolidated using the equity method (50%)

#### → FX

- By convention, average spot rate of EUR/USD spot rate of 1.11 in 2016, 1.12 for 2017-2020
- Including benefits of medium-term FX hedging policy

#### → Accounting

- Safran's outlook is based on the Group's current accounting practices
- No anticipation of IFRS 15 potential impacts

### 2016-2020 VIEW

#### → Steady organic revenue growth...

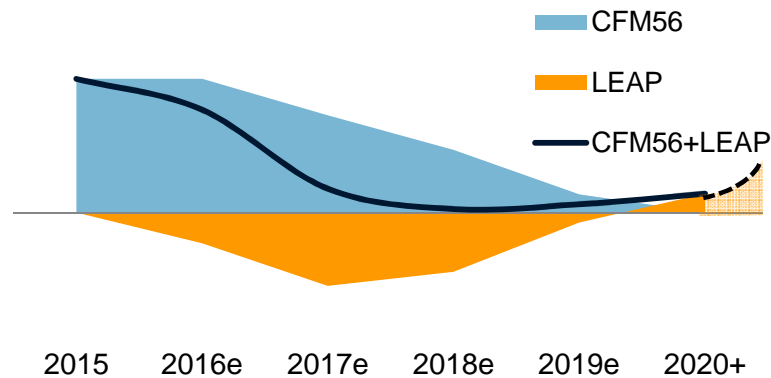
- Aerospace: OE production ramp-up (narrowbody & widebody, military, helicopters), growth in services
- Defence: executing on contract wins (Rafale, Patroller, Paseo...)
- Security: strong organic growth based on existing contracts and new products

#### → Providing strong base for progress in profitability

- Transitory pressure on Propulsion profitability
- Steadily increasing contributions of Aircraft Equipment, Defence and Security

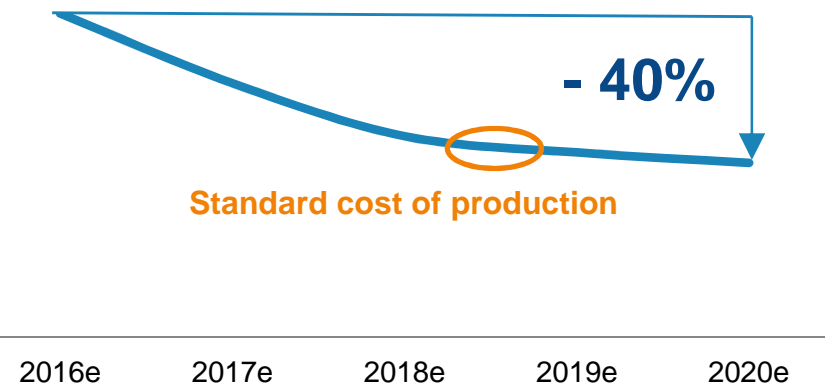
## 2020 financial ambition

CFM56 / LEAP OE contribution to gross margin



- ◆ Gradual reduction of CFM56 contribution
- ◆ Transitory losses on Leap OE
- ◆ Break-even on LEAP OE production by end of decade

Cost of production: Learning curve of LEAP



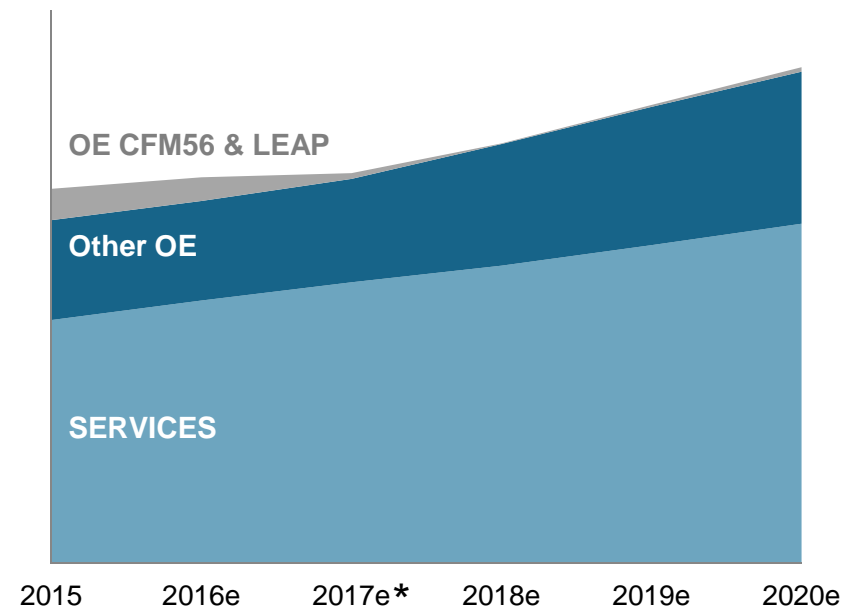
- ◆ Initial production costs > standard cost of production (double sourcing; volumes)
- ◆ Targeting a 40% reduction in production cost by 2020 (double sourcing; learning curve)

## 2020 financial ambition

- ◆ Temporary headwind from LEAP transition and expensed R&D
- ◆ Offsetting factors: growing contribution of civil aftermarket and other businesses
- ◆ Tailwind from FX

- 
- ▼
- ◆ Propulsion margin to remain in the mid to high teens during transition
  - ◆ Group margin consistent with the record set in 2015 during transition and trending above 15% when transition is completed

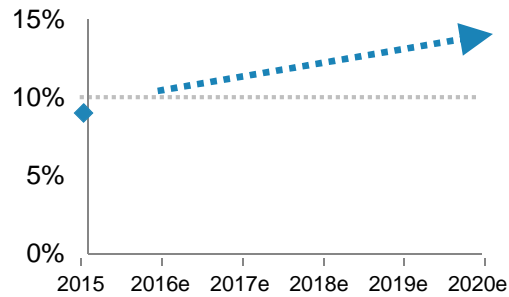
### Indicative profile of Group gross margin



\* Starting 2017, excluding the contribution of assets contributed to ASL, consolidated under the equity method since closing of Phase 2.

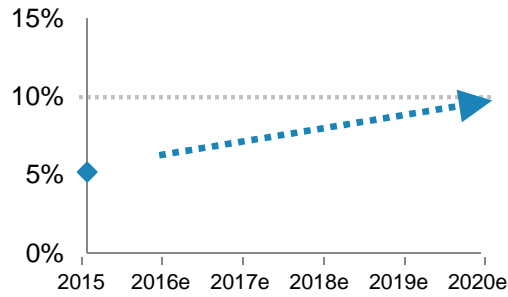
# 2020 financial ambition

### Aircraft Equipment



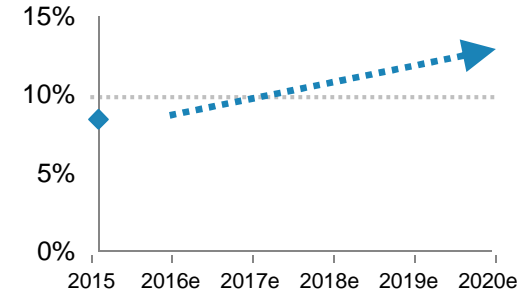
- ◆ Growth in services
- ◆ New programs contribution

### Defence



- ◆ Push export sales
- ◆ Dual use technologies

### Security

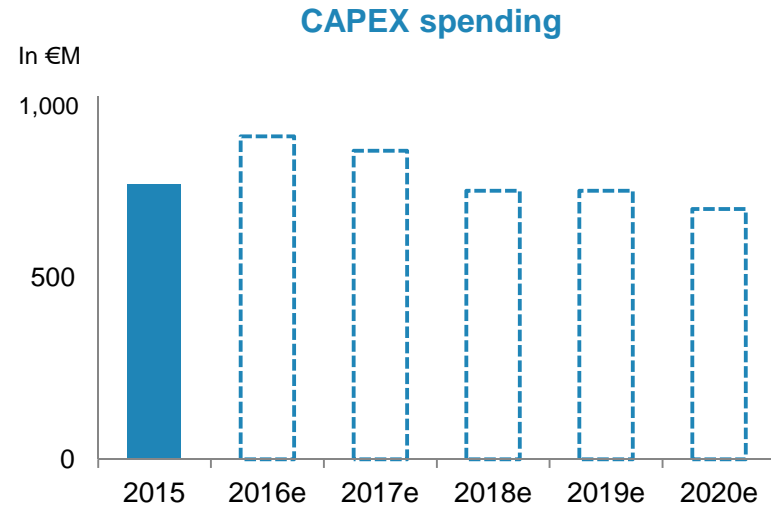
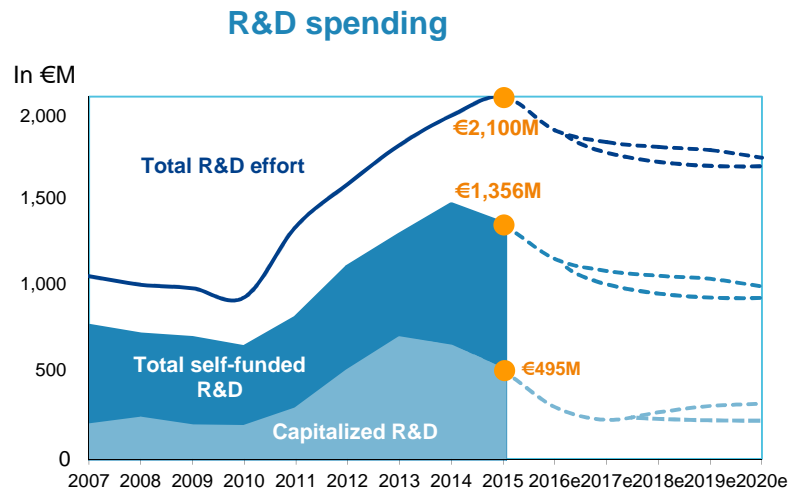


- ◆ Existing contracts profitability
- ◆ New products

**Productivity gains and cost control measures across all businesses**



# Capital allocation



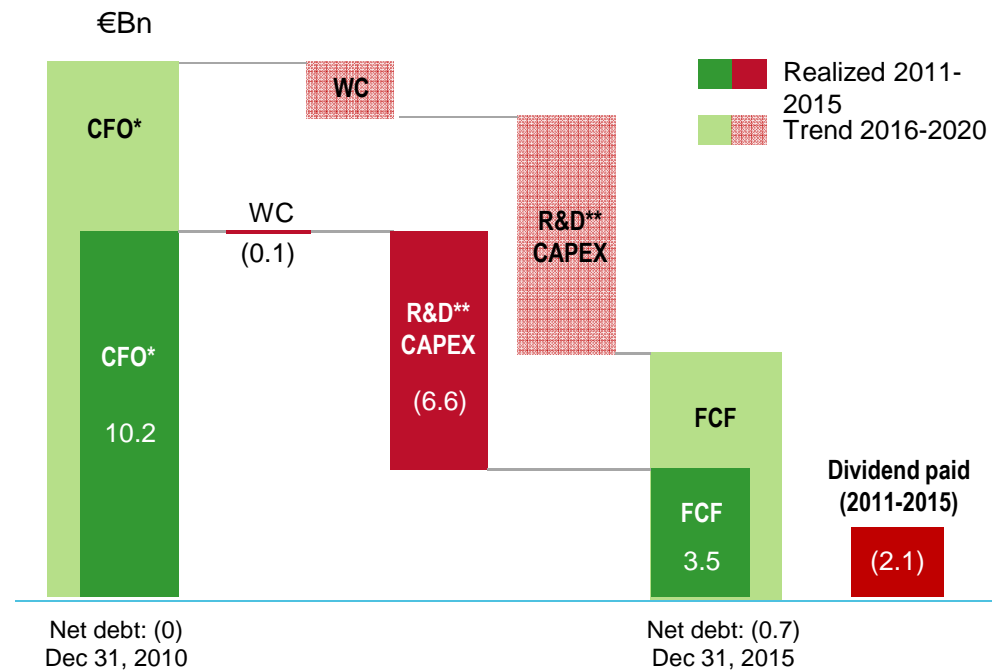
- ◆ Sustained R&T for the long term
- ◆ Decrease of development spending as programs EIS
- ◆ Self funded R&D trending towards €1bn
- ◆ Expensed R&D peaking in 2017

- ◆ Supporting LEAP ramp up
- ◆ Production rate increases (A320, 737, A350, 787)
- ◆ Production capacity (carbon)
- ◆ Strict investment criteria
- ◆ Trending towards 3% of sales by 2020

# Capital allocation

## 2016-2020 trends

- ◆ Growth in cash from operations (CFO\*)
- ◆ Higher working capital (WC)
- ◆ Lower capitalized R&D and CAPEX after 2016
- ◆ FCF conversion rate:
  - above 40% in 2016
  - to average 50% over 2016-2020
- ◆ More FCF generation offering increased headroom



\* Including expensed R&D \*\* Capitalized R&D

## 2016 – 2020 financial ambition

### ◆ Revenue target above €21 billion in 2020

- Assuming average spot rate of USD 1.11 to the Euro in 2016 and 1.12 over 2017-2020

### ◆ Recurring operating margin trending above 15% in 2020

- Including benefits of medium-term FX hedging policy

### ◆ EBIT to Free Cash Flow conversion averaging 50% over 2016-2020

- Subject to customary elements of uncertainty on the timing of downpayments and the rhythm of payments by certain state customers
- Future opportunities will be evaluated on their merits and investments decided as appropriate



## ADDITIONAL INFORMATION

This document and the information therein are the property of Safran. They must not be copied or communicated to a third party without the prior written authorization of Safran

## FX in H1 2016

### Translation effect: foreign currencies translated into €

- ◆ Negative impact mainly from GBP
- ◆ Impact on Revenues and Return on Sales

#### Average spot rate

H1 2015	H1 2016
\$1.12	\$1.12

### Transaction effect: mismatch between \$ sales and € costs is hedged

- ◆ Positive impact from hedged \$ as planned
- ◆ Impact on Profits

#### Hedge rate

H1 2015	H1 2016
\$1.25	\$1.24

### Mark-to-Market effect

- ◆ €1,015M on fair value of financial instruments
- ◆ Impact on consolidated “statutory” accounts

#### Spot rate at close

06/30/2015	12/31/2015	06/30/2016
\$1.12	\$1.09	\$1.11

## Consolidated and adjusted income statements

H1 2016 reconciliation (In €M)	Consolidated data	Currency hedging		Business combinations		Adjusted data
		Re-measurement of revenue	Deferred hedging loss / gain	Amortization of intangible assets - Sagem/Snecma merger	PPA impacts - other business combinations	
<b>Revenue</b>	<b>9,255</b>	<b>(319)</b>	-	-	-	<b>8,936</b>
Other operating income and expenses	(7,761)	(3)	11	36	71	(7,646)
Share in profit from joint ventures	19	-	-	-	-	19
<b>Recurring operating income</b>	<b>1,513</b>	<b>(322)</b>	<b>11</b>	<b>36</b>	<b>71</b>	<b>1,309</b>
Other non-recurring operating income and expenses	355	-	-	-	(368)	(13)
<b>Profit (loss) from operations</b>	<b>1,868</b>	<b>(322)</b>	<b>11</b>	<b>36</b>	<b>(297)</b>	<b>1,296</b>
Cost of debt	(24)	-	-	-	-	(24)
Foreign exchange gains (losses)	718	322	(1,015)	-	-	25
Other financial income and expense	(60)	-	-	-	-	(60)
<b>Financial income (loss)</b>	<b>634</b>	<b>322</b>	<b>(1,015)</b>	-	-	<b>(59)</b>
Income tax expense	(652)	-	345	(12)	(23)	(342)
<b>Profit (loss) from continuing operations</b>	<b>1,850</b>	-	<b>(659)</b>	<b>24</b>	<b>(320)</b>	<b>895</b>
<b>Attributable to non-controlling interests</b>	<b>(32)</b>	-	-	<b>(1)</b>	-	<b>(33)</b>
<b>Attributable to owners of the parent</b>	<b>1,818</b>	-	<b>(659)</b>	<b>23</b>	<b>(320)</b>	<b>862</b>

## Aerospace Propulsion

<i>(In €M)</i>	H1 2015	H1 2016	Change	Organic Change
<b>Revenue</b>	<b>4,486</b>	<b>4,857</b>	+8.3%	+8.2%
<b>Recurring operating income</b>	<b>944</b>	<b>942</b>	(0.2)%	
<i>% of revenue</i>	21.0%	19.4%	(1.6)pt	
<i>One-off items</i>	2	5		
<b>Profit (loss) from operations</b>	<b>946</b>	<b>947</b>		
<i>% of revenue</i>	21.1%	19.5%		

### Revenue

- ◆ OE sales grew thanks to higher deliveries of CFM56 and military engines (M88, TP400); 11 LEAP-1A engines shipped to Airbus
- ◆ Increase in services driven by civil aftermarket and military engines support activities
- ◆ Decline of helicopter turbines revenues in the high single digits principally at customers in the O&G sector and as a result of the grounding of the H225 in Q2

### Recurring operating income

- ◆ Positive contribution of services
- ◆ Positive impact of CFM56 OE
- ◆ Negative margin on LEAP delivered and in production
- ◆ Decline in helicopter turbines contribution
- ◆ Increase in R&D charges as R&D spending on LEAP-1A programme is fully expensed since May 2016 following first deliveries of series engines
- ◆ Positive effect of \$ hedged rate

## Aircraft Equipment

<i>(In €M)</i>	H1 2015	H1 2016	Change	Organic Change
<b>Revenue</b>	<b>2,414</b>	<b>2,542</b>	+5.3%	+4.9%
<b>Recurring operating income</b>	<b>199</b>	<b>271</b>	+36.2%	
<i>% of revenue</i>	8.2%	10.7%	+2.5pt	
<i>One-off items</i>	8	(2)		
<b>Profit (loss) from operations</b>	<b>207</b>	<b>269</b>		
<i>% of revenue</i>	8.6%	10.6%		

### Revenue

- ◆ Higher deliveries of landing gear and wiring shipsets for A350 and 787 as well as of large nacelles for A380, A320 and A320neo were partially offset by lower volumes for A330 (landing gear and thrust reversers)
- ◆ Broad-based growth in services: positive contribution of carbon brakes, landing gear and nacelles

### Recurring operating income

- ◆ Positive impact of increased volumes (mainly services)
- ◆ First benefits of cost reduction and productivity actions
- ◆ Lower expensed R&D as programs enter into service



## Defence

<i>(In €M)</i>	H1 2015	H1 2016	Change	Organic Change
<b>Revenue</b>	<b>616</b>	<b>584</b>	(5.2)%	(5.2)%
<b>Recurring operating income</b>	<b>15</b>	<b>22</b>	+46.7%	
<i>% of revenue</i>	<i>2.4%</i>	<i>3.8%</i>	<i>+1.4pt</i>	
<i>One-off items</i>	-	-		
<b>Profit (loss) from operations</b>	<b>15</b>	<b>22</b>		
<i>% of revenue</i>	<i>2.4%</i>	<i>3.8%</i>		

### Revenue

- ◆ Decline in Optronics revenue due to lower sales of sighting systems and the end of the contribution of the FELIN programme
- ◆ Slight growth in Avionics driven by higher volumes of flight control systems and guidance kits (notably for exports)
- ◆ Electronics revenue were up, thanks to FADEC sales

### Recurring operating income

- ◆ Increased contribution of Avionics and Electronics partially offset by decline of Optronics
- ◆ Drop in expensed R&D; self-funded R&D remains above 10% of sales to maintain technological leadership

## Security

<i>(In €M)</i>	H1 2015	H1 2016	Change	Organic Change
<b>Revenue</b>	<b>885</b>	<b>949</b>	+7.2%	+10.4%
<b>Recurring operating income</b>	<b>66</b>	<b>79</b>	+19.7%	
<i>% of revenue</i>	7.5%	8.3%	+0.8pt	
<i>One-off items</i>	(10)	-		
<b>Profit (loss) from operations</b>	<b>56</b>	<b>79</b>		
<i>% of revenue</i>	6.3%	8.3%		

### Revenue

- ◆ Identity & Security: organic growth in Identity solutions (Federal contracts in the US, government solutions in Middle-East Africa and Asia-Pacific regions, law enforcement in Europe) as well as in smart chip sales thanks to higher volumes with banking and telco customers
- ◆ Detection: increase in CTX tomographic equipment shipments
- ◆ Negative impact of FX

### Recurring operating income

- ◆ Increased contribution of government ID projects, principally in the US, as well as of Digital Security & Authentication activities
- ◆ Positive effect of cost reductions initiatives
- ◆ Negative translation FX

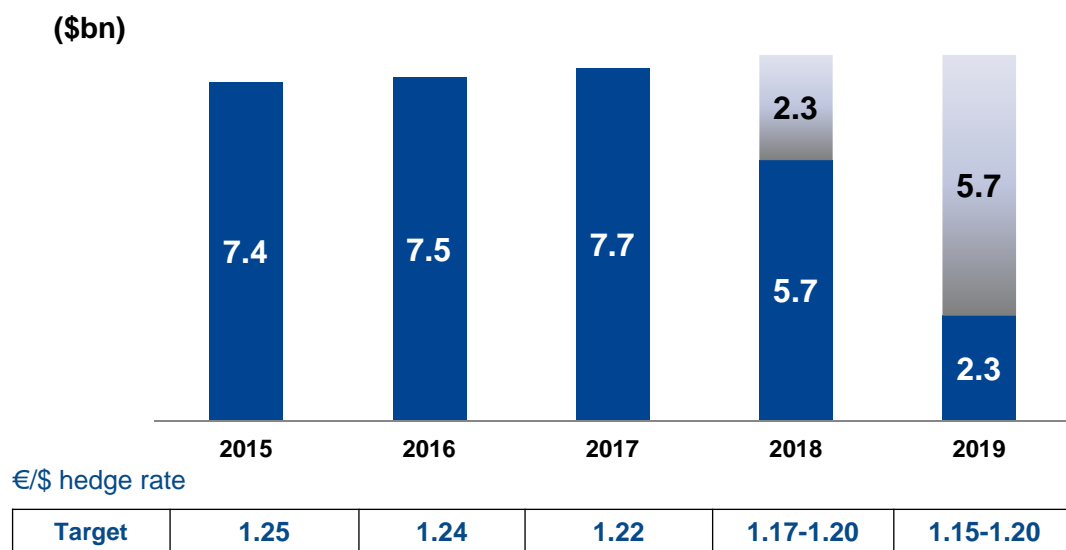
## FX Hedging: \$18.2bn hedge portfolio\* (July 27, 2016)

Yearly exposure: \$7.4bn to \$8.0bn

Increasing level of net USD exposure for 2016-19 in line with the growth of businesses with exposed USD revenue



2016 & 2017 fully hedged



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

Investor roadshows | September 2016

### 2018

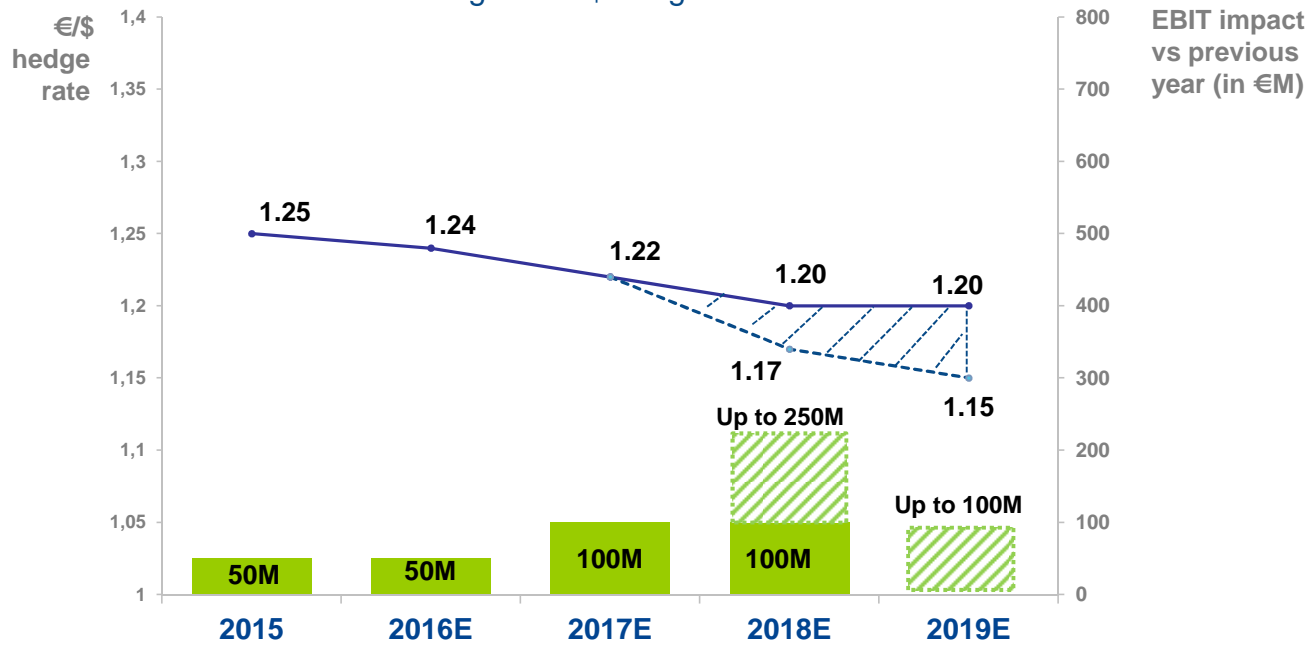
- \$5.7bn achieved through forward sales and short dated knock out option strategies to rise to a maximum of \$8.0bn at a target rate between \$1.17 and \$1.20 as long as €/\$ < 1.25 up to end 2016
- Knock out options barriers set at various levels between \$1.20 and \$1.45 with maturities up to 2 years

### 2019

- \$2.3bn achieved through forward sales and short dated knock out option strategies to rise to a maximum of \$8.0bn at a target rate between \$1.15 and \$1.20 as long as €/\$ < 1.25 up to end 2017
- Knock out options barriers set at various levels between \$1.19 and \$1.45 with maturities up to 1 year

## Fx hedging: benefiting margins over 2016-2019e

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



**€250M to €500M of tailwind over 2016-2019e**

## Balance sheet highlights

<i>(In €M)</i>	Dec 31, 2015	June 30, 2016
<b>Goodwill</b>	<b>3,590</b>	<b>2,987</b>
<b>Tangible &amp; Intangible assets</b>	<b>8,593</b>	<b>8,461</b>
<b>Investments in joint ventures and associates</b>	<b>765</b>	<b>1,864</b>
<b>Other non current assets</b>	<b>1,403</b>	<b>860</b>
<b>Operating Working Capital</b>	<b>1,042</b>	<b>871</b>
<b>Net cash (debt)</b>	<b>(748)</b>	<b>(1,015)</b>
<b>Assets available for sale</b>	<b>-</b>	<b>539</b>
<b>Shareholders' equity - Group share</b>	<b>5,627</b>	<b>6,992</b>
<b>Minority interests</b>	<b>266</b>	<b>267</b>
<b>Non current liabilities (excl. net cash (debt))</b>	<b>1,411</b>	<b>1,305</b>
<b>Provisions</b>	<b>3,456</b>	<b>3,199</b>
<b>Other current liabilities / (assets) net</b>	<b>3,885</b>	<b>2,804</b>

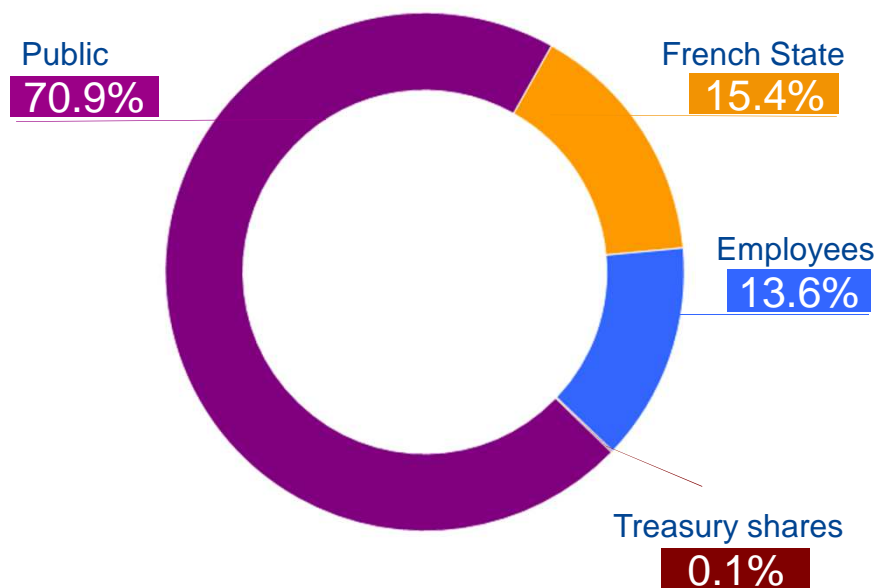
### Good control of Operating Working Capital (4.8% of last 12 months sales):

- ◆ Including the higher utilization of the CFM trade receivables factoring facilities as CFM56 deliveries grew strongly

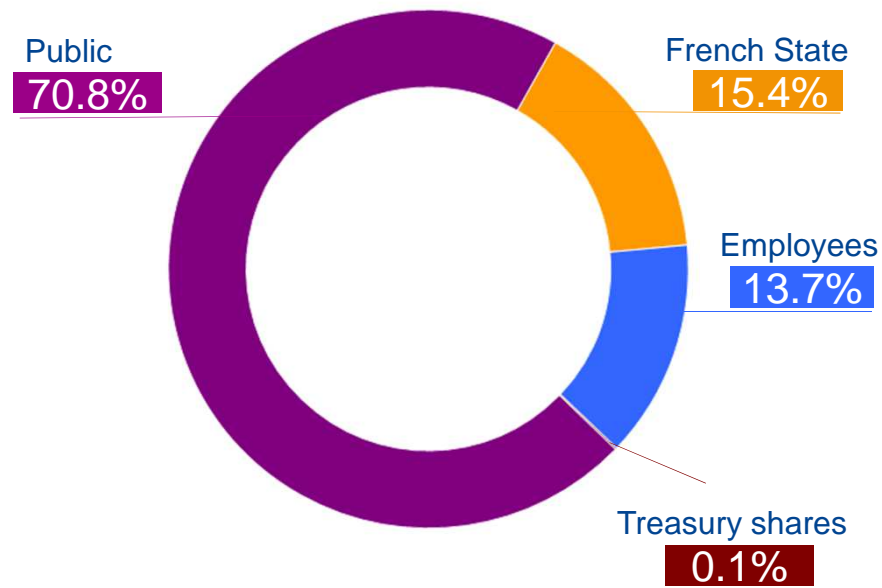
### Lower provisions notably due to the finalisation of Airbus Safran Launchers

## Equity shareholding

As of Dec. 31, 2015



As of June 30, 2016



## H1 2016: R&D by activity

<i>(In €M)</i>	H1 2016	Propulsion	Equipment	Defence	Security
<b>Total self-funded cash R&amp;D</b>	<b>(613)</b>	<b>(378)</b>	<b>(102)</b>	<b>(61)</b>	<b>(72)</b>
<i>as a % of revenue</i>	6.9%	7.8%	4.0%	10.4%	7.6%
Tax credit	78	30	22	19	7
<b>Total self-funded cash R&amp;D after tax credit</b>	<b>(535)</b>	<b>(348)</b>	<b>(80)</b>	<b>(42)</b>	<b>(65)</b>
Gross capitalized R&D	168	103	39	18	8
Amortised R&D	(52)	(19)	(20)	(8)	(5)
<b>P&amp;L R&amp;D in recurring EBIT</b>	<b>(419)</b>	<b>(264)</b>	<b>(61)</b>	<b>(32)</b>	<b>(62)</b>
<i>as a % of revenue</i>	4.7%	5.4%	2.4%	5.5%	6.5%

## H1 2015: R&D by activity

<i>(In €M)</i>	H1 2015	Propulsion	Equipment	Defence	Security
<b>Total self-funded cash R&amp;D</b>	<b>(681)</b>	<b>(430)</b>	<b>(118)</b>	<b>(66)</b>	<b>(67)</b>
<i>as a % of revenue</i>	8.1%	9.6%	4.9%	10.7%	7.6%
Tax credit	76	31	20	18	7
<b>Total self-funded cash R&amp;D after tax credit</b>	<b>(605)</b>	<b>(399)</b>	<b>(98)</b>	<b>(48)</b>	<b>(60)</b>
Gross capitalized R&D	243	182	44	10	7
Amortised R&D	(45)	(13)	(19)	(9)	(4)
<b>P&amp;L R&amp;D in recurring EBIT</b>	<b>(407)</b>	<b>(230)</b>	<b>(73)</b>	<b>(47)</b>	<b>(57)</b>
<i>as a % of revenue</i>	4.8%	5.1%	3.0%	7.6%	6.4%



## Aerospace OE / Services revenue split

Revenue	H1 2015		H1 2016		% change	
	OE	Services	OE	Services	OE	Services
<i>Adjusted data (in Euro million)</i>						
<i>Propulsion</i>	<i>2,048</i>	<i>2,439</i>	<i>2,180</i>	<i>2,677</i>	<i>6.5%</i>	<i>9.8%</i>
<i>% of revenue</i>	<i>45.6%</i>	<i>54.4%</i>	<i>44.9%</i>	<i>55.1%</i>		
<i>Equipment</i>	<i>1,724</i>	<i>690</i>	<i>1,749</i>	<i>793</i>	<i>1.5%</i>	<i>14.9%</i>
<i>% of revenue</i>	<i>71.4%</i>	<i>28.6%</i>	<i>68.8%</i>	<i>31.2%</i>		

## Quantities of major aerospace programs

<i>Number of units delivered</i>	H1 2015	H1 2016	% change
CFM56 engines	816	886	9%
LEAP engines	-	11	na
High thrust engines	359	367	2%
Helicopter engines	343	349	2%
M88 engines	0	9	na
A350 landing gear sets	12	25	x2.1
787 landing gear sets	64	69	8%
A380 nacelles	49	56	14%
A330 thrust reversers	73	40	(45)%
A320neo nacelles	-	8	na
A320 thrust reversers	259	272	5%
Small nacelles <i>(biz &amp; regional jets)</i>	338	326	(4)%

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

## Disclaimer

**The forecasts and forward-looking statements described in this document are based on the data, assumptions and estimates considered as reasonable by the Group as at the date of this document. These data, assumptions and estimates may evolve or change as a result of uncertainties related in particular to the economic, financial, competitive, tax or regulatory environment. The occurrence of one or more of the risks described in the registration document (document de référence) may also have an impact on the business, financial position, results and prospects of the Group and thus affect its ability to achieve such forecasts and forward-looking statements. The Group therefore neither makes any commitment, nor provides any assurance as to the achievement of the forecasts and forward-looking statements described in this document.**