SAFRAN

PRESS RELEASE

Safran: 2020 results demonstrate the Group's quality businesses and strong cost execution

Paris, February 25, 2021

FY 2020: Adapting speedily

- *Activity less impacted in Q4 (30)% than in Q3 (42)%*
- *Business model resilient*
- *FY 2020 outlook achieved*

FY 2021: Consolidating steadily

- *Activity and profitability back-end loaded*
- *Strong improvement of operating margin versus H2-2020*

Adjusted data

- *Revenue at Euro 16,498 million, down (33.0)% on a reported basis and down (32.5)% on an organic basis*
- *Recurring operating income at Euro 1,686 million down (55.9)% on a reported basis and down (58.6)% on an organic basis*
- *Operating margin impacted across all divisions. Group operating margin at 10.2% of sales*
- *Free cash flow generation at Euro 1,073 million*

Consolidated data

- *Consolidated revenue was Euro 16,631 million*
- *Consolidated recurring operating income at Euro 1,393 million*
- *Consolidated profit from operations at Euro 927 million*
- *Consolidated profit for the period attributable to owners of the parent at Euro 352 million*
- *Free cash flow at Euro 1,073 million*

The Board of Directors of Safran (Euronext Paris: SAF), under the Chairmanship of Ross McInnes, at their meeting in Paris on February 24, 2021, adopted and authorised the publication of Safran's financial statements and adjusted income statement for the full-year period ended December 31, 2020.

Foreword

- All figures in this press release represent adjusted [1] data, except where noted. Please refer to the definitions and reconciliation between full-year 2020 consolidated income statement and adjusted income statement. Please refer to the definitions contained in the Notes on page 13 of this press statement;
- Organic variations exclude changes in scope and currency impacts for the period;

Executive commentary

CEO Olivier Andriès commented:

" The total mobilisation of all teams has enabled Safran to tackle this crisis and to deliver decent margins and cash flow generation. Although uncertainties and headwinds remain notably for the first half of 2021, I am determined and optimistic. My conviction is based on the quality of our assets built up over the years: LEAP, the engine of choice of airlines, a young fleet of CFM56 engines in operation that will be at forefront of the coming recovery of civil aftermarket; a portfolio of leading positions in Equipment & Defense; the restored confidence of customers in our Aircraft Interiors products and an optimized footprint. Safran's fundamentals are robust and new investments in innovative technologies to meet climate change commitments are safeguarded."

Safran resilience

In 2020, in addition to the Boeing 737 MAX grounding, the aerospace industry faced the greatest crisis in its history with a collapse in air traffic due to lockdowns and travel restrictions all around the word. Available Seat Kilometer (ASK)[1] was down by (86)% at the trough in May, still down (56.7)% in December. For the full-year 2020, ASK was down (56.5)%.

At the end of December 2020, weekly CFM56 and LEAP fleet cycles were respectively down (43)% and (6)% compared with 2019, both deteriorating to (61)% and (29)% as of February 14, 2021.

Prioritizing a safe working environment for employees and partners and thanks to collective efforts, Safran has avoided any major disruption in production.

In order to adjust to this new environment, Safran quickly implemented an adaptation plan. At the end of the year, the Group achieved all targets set in April:

- Workforce has been adjusted to around 79,000 at the end of 2020, a (17)% decrease in permanent employees, and a (21)% decrease including temporary workers;
- Industrial footprint was rationalised within Aircraft Interiors, Electrical & Power and Nacelles activities with 4 site closures, 3 transfers of production and about 10 restructuring plans;
- Purchasing programs have been scaled back: a decrease of (43)% in raw materials and supplies expenses and of (48)% in sub-contracting expenses. As a result, inventories and work in progress were reduced by Euro (1.2) billion between June and December;
- Capex commitments were reduced by (67)% in 2020, exceeding the (60)% reduction objective;
- R&D expenses were cut by (35)% in 2020, exceeding the (30)% reduction objective;
- Operating expenses[2] were reduced by (25)%, exceeding the (20)% target at year-end.

Thanks to the work done by all Safran's employees and in all divisions, the Group maintained profitability around 10% and cash generation above Euro 1 billion in 2020 as guided.

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[1] Source: IATA

[2] (excluding purchasing and including R&D expenses)

Safran's climate strategy

In 2020, Safran took an important step in designing its climate action plan:

- Safran disclosed emissions[3] **from its operations:**
  - Scope 1 (direct energy-related emissions) and Scope 2 (indirect energy-related emissions) with targets to reduce CO_2 emissions by 2025;
  - Some items of Scope 3 indirect emissions (business air travel and waste treatment).

- Safran also presented a strategy to reduce the CO_2 emissions **from its products**, which are the main part of Scope 3 and which constitute its essential contribution to meet the aviation sector goal of halving the emissions by 2050 compared to 2005 (a 90 % reduction in average emissions per passenger kilometer across the worldwide fleet).
  This ambitious goal is reachable based on several solutions in which Safran plays its part, in particular by:
  - working on ultra-optimized thermal propulsion for the next aircraft platforms ("skip a generation"),
  - promoting a wide use of sustainable aviation fuels (SAF), notably drop-in sustainable fuels[4] for current generation aircraft and future long-haul. Safran leads by example by incorporating SAF in its civil engines tests: 10% by year-end and at least 35 % by 2025
  - exploring the potential of hydrogen for future SMR.

- Safran's CDP[5] score in 2020 has improved to A-, from the 2019 score of C, highlighting rapid progress.

In 2021, Safran will report in its URD[6] additional progress by:
  - updating its climate action plan consistent with TCFD[7] recommendations,
  - revising its Scope 1 & 2 targets to reduce CO_2 emissions ((30)% in 2025 compared with 2018 levels) to maintain ambition beyond the impact of Covid-19 crisis,
  - completing its Scope 3 emissions disclosure with the evaluation of indirect emissions (purchases & logistics and employee commuting),
  - disclosing Scope 3 direct emissions from the use of its products, ie emissions from civil aircraft engines and helicopter engines.

In 2022, Safran will disclose all Scope 3 emissions including use of products across whole Group perimeter with reduction targets.

Governance

Appointment of a "Director responsible for monitoring climate issues"

Consistent with its shareholders' vision, the Board of Directors is fully aware of the strategic importance of the "climate" issue for the aerospace industry. Therefore, the Board has designated Patrick Pélata "Director responsible for monitoring climate issues". He is also the independent chairman of the Innovation, Technology & Climate Committee. He will embody and represent the Board's commitment on climate issues. He will take the lead in ensuring follow-up of the climate action plan by the Innovation, Technology & Climate Committee, whose name and missions have also been completed in this regard. Within this scope, he and the Committee are involved in monitoring and overseeing the Executive Management's climate action plan and in preparing the related information intended for publication by the Company and for presentation to the Annual General Meeting. His tasks are defined in the internal rules of the board of directors.

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[3] *Based on the Greenhouse Gas (GHG) Protocol*

[4] *Drop-in fuels are fuels that can replace all or some of kerosene without any operational impact*

[5] *Carbon Disclosure Projet*

[6] *Universal Registration Document, avalable on Safran's website at the beginning of April 2021*

[7] *Task force on Climate-related Financial Disclosures*

Key business highlights

1- Aerospace Propulsion

Narrowbody engine deliveries

At the end of December 2020, combined shipments of CFM56 and LEAP engines reached 972 units, compared with 2,127 in 2019.
CFM International delivered 815 units LEAP engines in 2020 compared with 1,736 units in the year ago period. LEAP backlog[8] stood at more than 9,600 engines at end-2020.
CFM56 engines deliveries were at 157 units in 2020 compared with 391 engines in 2019.

Civil aftermarket [9]

2020 civil aftermarket revenue was down (43.2)% in USD terms including a decrease of (3.3)% in Q1, (66.0)% in Q2, (56.2)% in Q3 and (47.0)% in Q4. This resulted from lower spare parts sales for the latest generation of CFM56 engines and to a lesser extent from service contracts.
The improvement of the civil aftermarket in Q4 2020 confirmed the lesser decrease in CFM56 and high-thrust engine spare parts sales.

Helicopter turbines

Safran signed a Support-By-Hour contract with the Chinese State Grid General Aviation Company (SGGAC), covering their helicopters H215 and H225 fleets.

2- Aircraft Equipment, Defense and Aerosystems

Safran was awarded a contract from China Southern Airlines Company Limited to deploy Cassiopée Alpha, its new all-in-one flight data processing and analysis solution, for the airline's entire fleet of more than 600 airplanes.
Safran and Bye Aerospace announced Cooperation Agreement to equip eFlyer all-electric aircraft with Safran's ENGINeUS™ electric smart motors. All of Bye Aerospace's current and future families of aircraft feature exemplary engineering, research, and electric aircraft solutions producing no CO_2.
Safran signed carbon brakes contracts with airlines for more than 210 aircraft in 2020. The total installed base was over 10,700 aircraft at the end of 2020. Safran is the world leader in carbon brakes for commercial aircraft over 100 passengers.

3- Aircraft Interiors

Seats

Safran's seats recorded several successes during the year, of which Bespoke business class seats were selected by major US and Japanese airlines to equip their new Boeing 787.
For the first time, the business Skylounge Core seats have been selected by an Asian customer to equip 8 new Airbus A330s.

Cabin

Safran inserts (ovens and electrical equipment) were selected by Gulfstream and Pilatus, for their G700 and PC-24 business jets.
A British airline choose to equip its entire fleet with Safran catering trolleys and containers, as well as its 18 new Boeing 777-9 aircraft with Safran galleys.

Passenger Solutions

Safran booked orders for over USD 200 million.
The Group delivered its 4th V-VIP 787-8 and was awarded several Military refurbishment contracts.

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[8] Based on purchase orders and pending cancellations

[9] 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

Full-year 2020 results

2020 revenue amounted to Euro 16,498 million, a decrease of (33.0)%, or Euro 8,142 million, compared to the year ago period. Changes in scope had a net contribution of Euro (37) million. The net impact of currency variations was Euro (95) million, reflecting a negative translation effect on non-Euro revenues, notably USD. The average spot rate was USD 1.14 to the Euro in 2020, compared to 1.12 in the year-ago period. The Group's hedge rate was at USD 1.16 to the Euro in 2020, compared to 1.18 in 2019. Revenue in H1 amounted to Euro 8,767 million, down (27.6)% and to Euro 7,731 million in H2, down (38.3)%. Q4 sales decreased by (32.5)% at Euro 4,349 million ((30.1)% in organic) compared to Q4 2019.

On an organic basis, revenue decreased by (32.5)% coming from all divisions:

- Decrease in Propulsion by (36.2)% from OE volumes (civil and military aircraft) as well as services (civil aftermarket). Services for helicopter turbines and military activities were less impacted by the current crisis (flat compared to 2019). Propulsion sales dropped by (32.9)% in Q4 due to civil aftermarket and LEAP deliveries;
- Aircraft Equipment, Defense and Aerosystems sales decreased by (25.0)% due to OE sales for wiring and power distribution, nacelles and landing systems. High-single digit decrease of OE Electronics & Defense activities. Within services, nacelles, landing gear and carbon brakes support activities and to a lesser extent Aerosystems suffered the most. The Q4 revenue decrease ((22.9)%) was driven by landing systems as well as nacelles, wiring and power. Division performance improved each quarter since the trough attained in May (Q2 at (39.3)% and Q3 at (33.6)%);
- Aircraft Interiors revenue ((40.4)%) was strongly impacted by both OE and services for all activities. Q4 sales decreased by (40.0)% in line with the full year activity. Cabin's Q4 performance slightly improved while Seats and Passenger Solutions activities had a similar organic decrease to Q2.

2020 recurring operating income[10] reached Euro 1,686 million, down (55.9)% compared to 2019. It includes scope changes of Euro (5) million as well as a positive currency impact of Euro 110 million. The margin stood at 10.2% of sales compared with 15.5% in the year ago period.

It should be noted that to compare H1 2020 with H2 2020, the published recurring operating income of H1 should be adjusted upwards by Euro 103 million. This is the consequence of the retroactive impact on H1 provisions of the Activity Transformation Agreement (ATA) signed in H2 but applicable for the full year.
Hence, **H1 2020 recurring operating income increases from Euro 947 million (published) to Euro 1,050 million and the margin increases from 10.8% to 12.0%. H2 stood at Euro 636 million with an 8.2% underlying margin.**

One-off items, which amounted to Euro (466) million, are related to restructuring costs (Euro (131) million), impairment for several programs (Euro (286) million) and a non-recurring charge for early retirements.

On an organic basis, recurring operating income decreased by (58.6)% due to lower volumes, despite savings from the adaptation plan:

- Propulsion recurring operating income decreased by (54.1)% resulting from the civil aftermarket, spare engines and to a lesser extent military OE activities despite a positive contribution from helicopter turbines;

[10] Operating income before capital gains or losses on disposals / impact of changes of control, impairment charges, transaction and integration costs and other items

- Aircraft Equipment, Defense and Aerosystems recurring operating income decreased by (46.8)% due to carbon brakes, nacelles and Aerosystems support activities and to lower OE volumes across all businesses;
- The significant decrease of Aircraft Interiors recurring operating income resulted from both OE (including retrofit) and services activities for all businesses. The operating margin stood at (9.1)%.

2020 Adjusted net income – Group share was Euro 844 million (basic EPS of Euro 1.98 and diluted EPS of Euro 1.92) compared with Euro 2,665 million in 2019 (Basic EPS of Euro 6.20 and diluted EPS of Euro 6.13). It includes:

- Net adjusted financial loss of Euro (7) million, including foreign exchange gains of Euro 93 million and cost of debt of Euro (58) million;
- An adjusted tax expense of Euro (334) million (27.5% apparent tax rate);

The reconciliation between 2020 consolidated income statement and adjusted income statement is provided and commented in the Notes on page 13.

Cash flow and net debt

Operations generated Euro 1,073 million of free cash flow[11] of which Euro 901 million in H1 and Euro 172 million in H2. Free cash flow generation was driven by cash from operations of Euro 1,874 million and mostly generated in H1, a stable working capital and lower capital expenditure (tangibles and intangibles) at Euro 793 million down 35% vs 2019[12]. The working capital evolution during the year (Euro (8) million) has been driven by the decrease of inventories in H2, the lower amount of advance payments (mainly M88 and LEAP-1B) and the impact of lower activity on payables and on receivables.

2020 annual dividend

A dividend payment of Euro 0.43 per share will be proposed to the shareholders' vote at the Annual General Meeting on May 26, 2021, representing a 22% pay-out ratio.

Net Debt

The net debt was Euro 2,792 million as of December 31, 2020 compared to a net debt of Euro 4,114 million as of December 31, 2019. This decrease resulted from free cash flow generation as well as the absence of the dividend payment in 2020 for the 2019 financial year.

Research & Development

Total R&D, including R&D sold to customers, reached Euro (1,213) million, compared with Euro (1,725) million in 2019.
R&D expenses before research tax credit was Euro (864) million, compared with Euro (1,337) million for 2019. The decrease of R&D spending between 2020 and 2019 came from several programs (notably Silvercrest, e-taxi and helicopters programs) as well as Research & Technology (R&T).
Gross capitalised R&D was Euro 279 million compared with Euro 325 million for 2019.
Amortization and depreciation of R&D was Euro (320) million compared with Euro (270) million for 2019.
The impact on recurring operating income of expensed R&D was Euro (756) million compared with Euro (1,116) million in the year ago period.

[11] This non-accounting indicator (non-audited) is equal to cash flow from operating activities less change in working capital and acquisitions of property, plant and equipment and intangible assets

[12] Excluding capital gain in H1 2019

Financing

Safran reinforced its liquidity position by securing in March 2020 a Euro 3.0 billion bridge facility with a maturity of up to two years, at Safran's option. The facility was syndicated in April 2020 and its initial amount was then reduced within less than 6 months by more than 50% after Safran refinanced that portion with medium to long term financing instruments. At the end of year 2020, the facility amounted to Euro 1.4 billion and remained undrawn.

On May 15, 2020, Safran issued 7-year convertible bonds (OCEANEs) for a nominal amount of Euro 800 million and bearing a 0.875% coupon. This transaction was followed on October 12 by a tap issue of this convertible bonds' series for a nominal amount of Euro 200 million and showing a negative yield to maturity of (0.419)%.
On June 29, 2020, Safran also raised Euro 564 million on the USPP market with maturities of 10 and 12 years. This USPP was funded in Euros and in US dollars, the US dollar tranches having been swapped into Euros, and bear an average 2.02% coupon for the 10 year tranches and a 2.12% coupon for the 12 year tranches.

Safran also has a Euro 2.52 billion undrawn credit facility available until December 2022. This facility primarily serves as a back-up for the commercial paper (NEU CP) program, under which Euro 1.3 billion was outstanding as at December 31, 2020. The maximum amount available under the NEU CP program is Euro 3.0 billion.

LT issuer credit rating

Leveraging on its liquidity position and business resilience, Safran has engaged in a financial rating process in order to benefit from an enhanced access to debt capital markets when needed, including broader investor base and tighter spreads.
Safran has received its first issuer credit rating by Standard & Poor's which assigned a long-term **investment grade rating of BBB+ with a stable outlook**.

This rating reflects the strength of Safran's balance sheet as well as the ability of the group to adapt quickly to an unprecedented crisis. In a challenging environment, sound financial policy together with leading positions on its markets allow Safran to receive an investment grade rating with a stable outlook.

Currency hedges

The sharp rise in EUR/USD in 2020 and in the beginning of 2021 has triggered knock-out barriers. All lost options have been replaced at prevalent market conditions. The hedge book totalled USD 28.2 billion at February 5, 2021. Faced with the risk of further rates move, targets have been revised.

<u>2021 is hedged</u> at a targeted hedge rate of USD 1.16 through knock-out options, for an estimated net exposure of USD 8.5 billion.
<u>2022 is hedged</u> at a targeted hedge rate between USD 1.14 and USD 1.16 through knock-out options, for an estimated net exposure of USD 9.0 billion.
<u>2023 is hedged</u> at a targeted hedge rate between USD 1.14 and USD 1.16 through knock-out options, for an estimated net exposure of USD 10.0 billion.

The hedge book includes barrier options with knock-out triggers ranging from $1.2350 to $1.31, representing a risk to the size of the hedge book and to targeted hedge rates from 2021 onwards in case of sudden and significant exchange rate fluctuations.

Full-Year 2021 outlook

The recent slowing of air traffic recovery in several regions of the world generates uncertainty, notably with a risk of delayed recovery of civil aftermarket.

In this context, **Safran expects for FY 2021 (compared with FY 2020 figures):**

- **Back-end loaded activity and profitability**
- **Adjusted revenue to decrease in the low single digits in organic terms.** At an estimated spot rate of USD 1.22 to the Euro, adjusted revenue to decrease in the high single digits;
- **Adjusted recurring operating margin to increase above 100 bps, at least a 300 bps improvement versus H2 2020** (based on a hedge rate of USD 1.16 to the Euro and an adjusted revenue based on a spot rate at USD 1.22 to the Euro), thanks to structural savings already achieved and additional measures to be implemented;
- **Free cash flow generation to stay at least at the same level as in 2020** despite strong uncertainties regarding working capital evolution.

The outlook is based notably on the **following assumptions**:

- **OE Revenue:**
  - Number of LEAP deliveries: 800+
  - Number of CFM56 deliveries to be halved as expected
  - On widebody programs: lower OE rates, reflecting notably 787 production rate recently announced by Boeing and deferrals impacting retrofit activities in Aircraft Interiors
- **Services Revenue:**
  - Civil aftermarket estimated growth in the high single digits (in USD terms)
  - Other services revenue to decrease in the low single digits (in organic terms)
- **Recurring Operating Income :**
  - Increasing recurring operating margin in Propulsion
  - Stable recurring operating margin in Aircraft Equipment, Defense and Aerosystems
  - Recurring operating margin negative but improving throughout the year in Aircraft Interiors
- **Continuing and extending manufacturing footprint optimisation**
- **Slight increase in R&D expenses but impact almost neutral on recurring operating income:** increase in R&T expenses consistent with a larger share of public funding and development expenses decrease with no new program planned
- **Stability in Capex outflows:** thanks to 2020 decrease in Capex commitments and despite an increase in 2021 commitments (strategic priorities, 2020 differed investments)

Business commentary for 2020

▪ Aerospace Propulsion

In 2020 revenue was Euro 7,663 million, down (36.4)% compared to Euro 12,045 million in 2019. On an organic basis, revenue decreased by (36.2)%.

➢ OE revenue dropped by (42.4)% (or (42.2)% organically) compared with 2019, due to lower narrowbody engines (LEAP and CFM56). Both installed and spare engines deliveries decreased compared to 2019. Volumes for high thrust engines were also impacted in 2020 (notably GE90) with 369 units delivered compared with 489 in 2019. As planned, M88 engines deliveries were lower and amounted to 33 units in 2020 compared with 62 in 2019. Helicopter turbines OE sales faced a slight headwind during the year and recorded sales for new engines (Arrano, Aneto).

- Services revenue decreased by (31.8)% (in Euro, or (31.6)% organically) and represented 60.9% of sales. Civil aftermarket revenue (in USD) was strongly impacted by the Covid-19 crisis since March and decreased by (43.2)% (in USD). This drop was mainly due to lower spare parts sales for the latest generation of CFM56 engines as well as a lower contribution of services contracts for CFM56 and widebody platforms. There was a slight tailwind for military services compared to the year ago period thanks to spare parts sales (notably M88). Helicopter turbines support activities were slightly impacted during the year (mainly Time & Material contracts and despite per hour contracts increase).

Recurring operating income was Euro 1,192 million, a decrease of (52.0)% compared with Euro 2,485 million in 2019. Recurring operating margin dropped from 20.6% to 15.6%.
The profitability was strongly impacted by the drop in civil aftermarket (lower spare parts sales for the latest generation of CFM56 engines), spare engines and to a lesser extent by boosters, transmission and military activities.
Helicopter turbines had a positive impact both from OE and services and thanks to one-off effects. Lower R&D expenses and impacts coming from the adaptation plan’s measures had also a positive impact for the division.

- **Aircraft Equipment, Defense and Aerosystems**

In 2020 revenue was Euro 6,893 million, down (25.5)% compared with Euro 9,256 million in the year ago period. On an organic basis, revenue was down (25.0)%.

- OE revenue decreased by (23.6)% (or (23.0)% organically) in 2020 driven by wiring (737 MAX, 787, A320, A350, A330) and power distribution activities (A350, 787), as well as lower volumes of landing gears (Boeing 787, A330, A350 and A320 family) and nacelles (A320neo, A320ceo, A330neo, A330ceo, A380). Deliveries of nacelles for LEAP-1A powered A320neo were at 474 units in 2020 (602 units in 2019). Avionics, FADEC for LEAP and Aerosystems (evacuation, oxygen and fuel control systems) activities were also impacted. Within Defense activities, sighting and navigation systems slightly grew compared to the previous year.
- The decline in services of (29.6)% (or (29.1)% organically) in 2020 was mainly driven by carbon brakes and landing gear activities as well as Aerosystems and nacelles support activities (mainly for A320neo) and to a lesser extent by avionics activities.

Recurring operating income was Euro 687 million, a decrease of (43.2)% compared to Euro 1,209 million in 2019. Recurring operating margin fell from 13.1% to 10.0%.
The drop in profitability was driven by lower OE volumes coming from landing gears, wiring and power as well as nacelles, avionics and Aerosystems. Lower activity also impacted carbon brakes, nacelles and Aerosystems services. This decrease was partially offset by lower R&D impact on P&L and adaptation plan’s measures.

- **Aircraft Interiors**

In 2020 revenue was Euro 1,922 million, down (42.1)% compared to Euro 3,321 million in 2019. On an organic basis, revenue decreased by (40.4)%.

- OE revenue dropped by (40.5)% (or (38.5)% organically) in 2020. Sales were strongly impacted by lower volumes on business seats programs and economy seats. Cabin was also impacted in galleys (capacity reduction on Boeing 737 MAX, A320 and A330 programs), inserts, lavatories activities (mainly A220 and A350) and floor to floor activities. To a lesser extent Passenger Solutions faced a headwind coming from Connected Cabin activities (retrofit cancellations and deferrals).
- Services revenue decreased by (46.6)% (or (45.8)% organically) in 2020, mainly due to Seats aftermarket as well as Cabin spare sales (galleys, trolleys, inserts) and to a lesser extent by Passenger Solutions support activities.

Recurring operating income was Euro (174) million, a decrease of Euro (362) million compared to Euro 188 million in 2019. Recurring operating margin strongly decreased from 5.7% to (9.1)%.

The profitability strongly decreased in Seats both for OE and services due to lower volumes. Cabin (OE and services) as well as Passenger Solutions were also impacted by the drop in activity. Impacts coming from the adaptation plan's measures and lower R&D expenses put in place in 2020 had a positive impact.

- **Holding and others**

The reporting segment "Holding and others" includes costs of general management as well as transverse services provided for the Group and its subsidiaries including central finance, tax and foreign currency management, Group legal, communication and human resources.
In addition, the holding invoices subsidiaries for shared services including administrative service centres (payroll, recruitment, IT, transaction accounting), a centralised training organisation and Safran's R&T center.

Holding and others impact on Safran recurring operating income was Euro (19) million in 2020 compared with Euro (62) million in the year ago period due to lower provisions.

Agenda

Q1 2021 revenue	April 30, 2021
Annual general meeting	May 26, 2021
H1 2021 earnings	July 29, 2021
Q3 2021 revenue	October 29, 2021
Capital Markets Day 2021	November, 2021

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Safran will host today a conference call open to analysts, investors and media at 8.30 am CET which can be accessed at +33 (0)1 72 72 74 03 (France), +44 (0) 207 194 3759 (UK) and +1 646 722 4916 (US) (access code for all countries: 68138768#).
Please ask for the "Safran" conference and state your name. We advise you to dial in 10 minutes before the start of the conference.

The webcast will be available via Safran's website after registration using the following link:
https://onlinexperiences.com/Launch/QReg/ShowUUID=BF2ADE3F-26BD-4E30-9580-30B8440005CC
Participants will have access to the webcast 15 minutes before the start of the conference.
Please make sure you have the latest version of your OS and of any browsers installed on the device you will used before attending this event.

A replay of the conference webcast will be available until May 26, 2021 by using this same link.
A replay of the conference call will be available until May 26, 2021 at +33 (0)1 70 71 01 60, +44 (0) 203 364 5147 and +1 646 722 4969 (access code for all countries: 418962250#).

The press release, presentation and consolidated financial statements are available on the website at www.safran-group.com (Finance section).

Key figures

1. Adjusted income statement, balance sheet and cash flow

Adjusted income statement *(In Euro million)*	2019	2020	% change
Revenue	**24,640**	**16,498**	**(33.0)%**
Other recurring operating income and expenses	(21,025)	(14,896)	
Share in profit from joint ventures	205	84	
Recurring operating income	**3,820**	**1,686**	**(55.9)%**
% of revenue	15.5%	10.2%	(5.3)pts
Other non-recurring operating income and expenses	13	(466)	
Profit from operations	**3,833**	**1,220**	**(68.2)%**
% of revenue	15.6%	7.4%	(8.2)pts
Net financial income (expense)	(89)	(7)	
Income tax expense	(1,012)	(334)	
Profit for the period	**2,732**	**879**	**(67.8)%**
Profit for the period attributable to non-controlling interests	**(67)**	**(35)**	
Profit for the period attributable to owners of the parent	**2,665**	**844**	**(68.3)%**
Earnings per share attributable to owners of parent (basic in €)	**6.20***	**1.98****	**(68.1)%**
Earnings per share attributable to owners of parent (diluted in €)	**6.13*****	**1.92******	**(68.7)%**

** Based on the weighted average number of shares of 429,723,372 as of December 31, 2019*
*** Based on the weighted average number of shares of 426,035,732 as of December 31, 2020*
**** Based on the weighted average number of shares after dilution of 434,976,733 as of December 31, 2019*
***** Based on the weighted average number of shares after dilution of 440,460,495 as of December 31, 2020*

Balance sheet - Assets *(In Euro million)*	Dec. 31, 2019	Dec. 31, 2020
Goodwill	5,199	5,060
Tangible & Intangible assets	13,877	12,731
Investments in joint ventures and associates	2,211	2,126
Right of use	732	623
Other non-current assets	684	751
Derivatives assets	707	746
Inventories and WIP	6,312	5,190
Contracts costs	471	486
Trade and other receivables	7,639	5,769
Contracts assets	1,743	1,695
Cash and cash equivalents	2,632	3,747
Other current assets	601	607
Total Assets	**42,808**	**39,531**

Balance sheet - Liabilities *(In Euro million)*	Dec. 31, 2019	Dec. 31, 2020
Equity	12,748	12,750
Provisions	3,083	2,847
Borrowings subject to sp. conditions	505	426
Interest bearing liabilities	6,779	6,591
Derivatives liabilities	1,038	1,262
Other non-current liabilities	1,342	1,287
Trade and other payables	6,164	4,353
Contracts Liabilities	10,923	9,838
Other current liabilities	226	177
Total Equity & Liabilities	**42,808**	**39,531**

Cash Flow Highlights *(In Euro million)*	FY 2019	FY 2020
Recurring operating income	**3,820**	**1,686**
One-off items	13	(466)
Depreciation, amortization, provisions (excluding financial)	1,135	1,256
EBITDA	**4,968**	**2,476**
Income tax and non-cash items	(926)	(602)
Cash flow from operations	**4,042**	**1,874**
Changes in working capital	(897)	(8)
Capex (tangible assets)	(695)	(449)
Capex (intangible assets)	(134)	(57)
Capitalisation of R&D	(333)	(287)
Free cash flow	**1,983**	**1,073**
Dividends paid	(817)	(4)
Divestments/acquisitions and others	(1,482)	253
Net change in cash and cash equivalents	**(316)**	**1,322**
Net cash / (Net debt) at beginning of period	(3,798)*	(4,114)
Net cash / (Net debt) at end of period	**(4,114)**	**(2,792)**

** IFRS16 impact at the beginning of period of Euro (529) million*

2. Segment breakdowns

Segment breakdown of adjusted revenue *(In Euro million)*	**FY 2019**	**FY 2020**	% change	% change in scope	% change currency	% change organic
Aerospace Propulsion	12,045	7,663	(36.4)%	-	(0.2)%	(36.2)%
Aircraft Equipment, Defense and Aerosystems	9,256	6,893	(25.5)%	(0.1)%	(0.4)%	(25.0)%
Aircraft Interiors	3,321	1,922	(42.1)%	(0.9)%	(0.8)%	(40.4)%
Holding company & Others	18	20	n/s	-	-	n/s
Total Group	**24,640**	**16,498**	**(33.0)%**	**(0.2)%**	**(0.3)%**	**(32.5)%**

2020 revenue by quarter *(In Euro million)*	**Q1 2020**	**Q2 2020**	**Q3 2020**	**Q4 2020**	**FY 2020**
Aerospace Propulsion	2,497	1,550	1,559	2,057	7,663
Aircraft Equipment, Defense and Aerosystems	2,187	1,451	1,461	1,794	6,893
Aircraft Interiors	694	378	357	493	1,922
Holding company & Others	5	5	5	5	20
Total Group	**5,383**	**3,384**	**3,382**	**4,349**	**16,498**

2019 revenue by quarter *(In Euro million)*	**Q1 2019**	**Q2 2019**	**Q3 2019**	**Q4 2019**	**FY 2019**
Aerospace Propulsion	2,771	3,131	2,987	3,156	12,045
Aircraft Equipment, Defense and Aerosystems	2,201	2,352	2,298	2,405	9,256
Aircraft Interiors	806	834	805	876	3,321
Holding company & Others	3	4	5	6	18
Total Group	**5,781**	**6,321**	**6,095**	**6,443**	**24,640**

Segment breakdown of recurring operating income *(In Euro million)*	**FY 2019**	**FY 2020**	**% change**
Aerospace Propulsion	**2,485**	**1,192**	(52.0)%
% of revenue	20.6%	15.6%	
Aircraft Equipment, Defense and Aerosystems	**1,209**	**687**	(43.2)%
% of revenue	13.1%	10.0%	
Aircraft Interiors	**188**	**(174)**	(192.6)%
% of revenue	5.7%	(9.1)%	
Holding company & Others	(62)	(19)	na
Total Group	**3,820**	**1,686**	(55.9)%
% of revenue	15.5%	10.2%	

One-off items *(In Euro million)*	***FY 2019***	***FY 2020***
Adjusted recurring operating income	**3,820**	**1,686**
% of revenue	15.5%	10.2%
Total one-off items	**13**	**(466)**
Capital gain (loss) on asset disposal	*12*	*-*
Impairment reversal (charge)	*(11)*	*(286)*
Other infrequent & material non-operational items	*12*	*(180)*
Adjusted profit from operations	**3,833**	**1,220**
% of revenue	15.6%	7.4%

Euro/USD rate	**FY 2019**	**FY 2020**
Average spot rate	1.12	1.14
Spot rate (end of period)	1.12	1.23
Hedge rate	1.18	1.16

Notes

[1] Adjusted data
To reflect the Group's actual economic performance and enable it to be monitored and benchmarked against competitors, Safran prepares an adjusted income statement in addition to its consolidated financial statements.

Safran's consolidated income statement has been adjusted for the impact of:

- purchase price allocations with respect to business combinations. Since 2005, this restatement concerns the amortization charged against intangible assets relating to aircraft programs remeasured at the time of the Sagem-Snecma merger. With effect from the first-half 2010 interim financial statements, the Group decided to restate:
  - the impact of purchase price allocations for business combinations, particularly amortization and depreciation charged against intangible assets and property, plant and equipment recognized or remeasured at the time of the transaction and amortized or depreciated over extended periods due to the length of the Group's business cycles, and the impact of remeasuring inventories, as well as
  - gains on remeasuring any previously held equity interests in the event of step acquisitions or asset contributions to joint ventures;
- 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 instruments hedging future cash flows are neutralized.

The resulting changes in deferred tax have also been adjusted.

FY 2020 reconciliation between consolidated income statement and adjusted consolidated income statement:

FY 2020 (In Euro million)	Consolidated data	Currency hedging: Remeasurement of revenue (1)	Currency hedging: Deferred hedging gain / loss (2)	Business combinations: Amortization of intangible assets -Sagem-Snecma merger (3)	Business combinations: PPA impacts - other business combinations (4)	Adjusted data
Revenue	**16 631**	**(133)**	**-**	**-**	**-**	**16 498**
Other operating income and expenses	(15 286)	(1)	5	46	340	(14 896)
Share in profit from joint ventures	48	-	-	-	36	84
Recurring operating income	**1 393**	**(134)**	**5**	**46**	**376**	**1 686**
Other non-recurring operating income and expenses	(466)	-	-	-	-	(466)
Profit (loss) from operations	**927**	**(134)**	**5**	**46**	**376**	**1 220**
Cost of debt	(58)		-	-	-	(58)
Foreign exchange gains / losses	(257)	134	216	-	-	93
Other financial income and expense	(42)	-	-	-	-	(42)
Financial income (loss)	**(357)**	**134**	**216**	**-**	**-**	**(7)**
Income tax expense	(184)	-	(58)	(14)	(78)	(334)
Profit (loss) from continuing operations	**386**	**-**	**163**	**32**	**298**	**879**
Attributable to non-controlling interests	**(34)**	**-**	**-**	**(1)**	**-**	**(35)**
Attributable to owners of the parent	**352**	**-**	**163**	**31**	**298**	**844**

(1) Remeasurement of foreign-currency denominated revenue net of purchases (by currency) at the hedged rate (including premiums on unwound options) through the reclassification of changes in the fair value of instruments hedging cash flows recognized in profit or loss for the period.
(2) Changes in the fair value of instruments hedging future cash flows that will be recognized in profit or loss in future periods (a positive €216 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a positive €5 million at December 31, 2020).
(3) Cancellation of amortization/impairment of intangible assets relating to the remeasurement of aircraft programs resulting from the application of IFRS 3 to the Sagem-Snecma merger.
(4) Cancellation of the impact of remeasuring assets at the time of the Zodiac Aerospace acquisition for €304 million excluding deferred tax and cancellation of amortization/impairment of assets identified during other business combinations.

Readers are reminded that the consolidated financial statements are audited by the Group's Statutory Auditors. The consolidated financial statements include the revenue and operating profit indicators set out in the adjusted data in Note 5, "Segment information".

Adjusted financial data other than the data provided in Note 5, "Segment information" are subject to the verification procedures applicable to all of the information provided in the Universal Registration Document.

The audit procedures on the consolidated financial statements have been completed. The Statutory Auditors' report will be issued at the end of the Board of Directors' meeting of March 24, 2021, after the specific verifications have been completed and any subsequent events at February 24, 2021 have been reviewed.

***Safran** is an international high-technology group, operating in the aviation (propulsion, equipment and interiors), defense and space markets. Its core purpose is to contribute to a safer, more sustainable world, where air transport is more environmentally friendly, comfortable and accessible. Safran has a global presence, with 79,000 employees and holds, alone or in partnership, world or regional leadership positions in its core markets. Safran undertakes research and development programs to maintain the environmental priorities of its R&T and Innovation roadmap.*
Safran is listed on the Euronext Paris stock exchange and is part of the CAC 40 and Euro Stoxx 50 indices.

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IMPORTANT ADDITIONAL INFORMATION

This document contains forward-looking statements relating to Safran, which do not refer to historical facts but refer to expectations based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance, or events to differ materially from those included in such statements. These statements or disclosures may discuss goals, intentions and expectations as to future trends, synergies, value accretions, plans, events, results of operations or financial condition, or state other information relating to Safran, based on current beliefs of management as well as assumptions made by, and information currently available to, management. Forward-looking statements generally will be accompanied by words such as "anticipate," "believe," "plan," "could," "would," "estimate," "expect," "forecast," "guidance," "intend," "may," "possible," "potential," "predict," "project" or other similar words, phrases or expressions. Many of these risks and uncertainties relate to factors that are beyond Safran's control. Therefore, investors and shareholders should not place undue reliance on such statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to: uncertainties related in particular to the economic, financial, competitive, tax or regulatory environment; the risks that the new businesses will not be integrated successfully or that the combined company will not realize estimated cost savings and synergies; Safran's ability to successfully implement and complete its plans and strategies and to meet its targets; the benefits from Safran's plans and strategies being less than anticipated; the risks described in the Universal Registration Document (URD); the full impact of the outbreak of the COVID-19 disease.
The foregoing list of factors is not exhaustive. Forward-looking statements speak only as of the date they are made. Safran does not assume any obligation to update any public information or forward-looking statement in this document to reflect events or circumstances after the date of this document, except as may be required by applicable laws.

USE OF NON-GAAP FINANCIAL INFORMATION

This document contains supplemental non-GAAP financial information. Readers are cautioned that these measures are unaudited and not directly reflected in the Group's financial statements as prepared under International Financial Reporting Standards and should not be considered as a substitute for GAAP financial measures. In addition, such non-GAAP financial measures may not be comparable to similarly titled information from other companies.