

SAFRAN

DECEMBER 2020

JP MORGAN FIRESIDE CHAT



FORWARD-LOOKING STATEMENTS

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.

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.



SUMMARY

2020: ADAPTING SPEEDILY

2021: CONSOLIDATING SOUNDLY

FROM 2022: RECOVERING GRADUALLY



2020: ADAPTING SPEEDILY

Update on air traffic

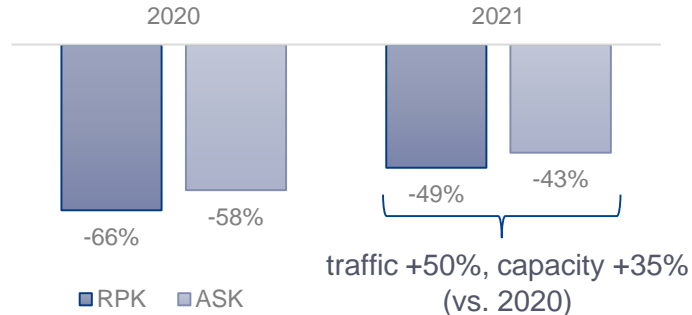
IATA forecast

◆ In October 2020, air traffic remains very weak compared to the previous year

- RPK: (70.6)% - domestic: (40.8)%
- ASK: (59.9)% - domestic: (29.7)%

⇒ Slight air traffic growth around the world except in Europe due to an increasing number of lockdowns

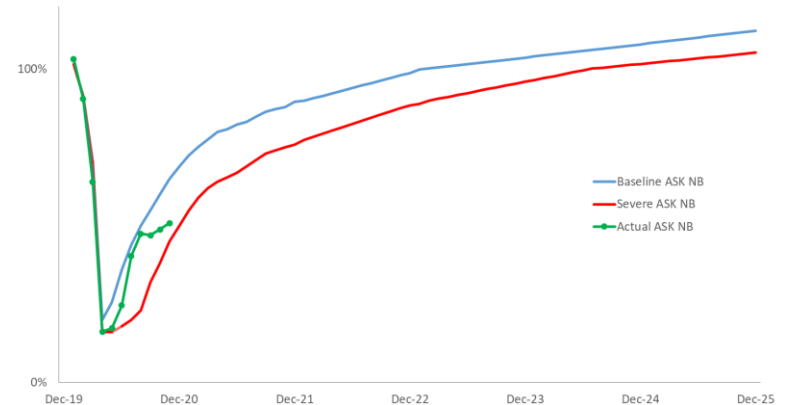
◆ IATA forecasts (vs. 2019)⁽¹⁾ :



⁽¹⁾ As of November 24, 2020

Safran assumptions

ASK Narrowbody



- ◆ Assumptions turned out to be robust and predictive until October 2020 (low point, recovery)
- ◆ Second wave in Europe and borders still sealed, led Safran to a revised assumption: flattish in H1-21 until a strong recovery from summer 2021

Key achievements (1/2)

Savings

- > Scaling down **purchasing programs in 9m 2020** in line with the drop in activity
- > **Reduction of permanent workers by more than 16,000 people**, more than 20,000 people including temporary workers, (21)% on a worldwide basis as of November 27, 2020
- > In France, a **Group “Activity Transformation” agreement** signed in July 2020 with all unions, valid until end of 2021 and renewable:
 - ◆ Deployment of the long-term short-time working : flexibility for Safran to go up to 40% of the French workforce if needed
 - ◆ Wage moderation for employees
 - ◆ Cap of profit sharing and savings schemes
 - ◆ Early retirement incentives
- > 22% on a worldwide basis, 25% in France (excl. public holidays and days off), under **short-time working or furlough** in average between April and October 2020
- > **R&D expenses** reduced by (33)% in 9m 2020, **exceeding the (30)% reduction objective** for 2020
- > **Operating expenses**⁽¹⁾ reduced by more than (20)% in 9m 2020, **in line with the objective** at year-end

▶ **~2bn€⁽²⁾ of savings in 2020 compared to 2019**

Key achievements (2/2)

Cash outflows

- ◆ **Level of Capex outflows** down by Euro 200 million between 2019 and 2020 reflecting the confirmed reduction in commitments of 60% compared to 2019 (reduced by (74)% in 9m 2020)

Monitoring working capital

- ◆ Reducing **inventories**
- ◆ Managing **airlines receivables**: overdues and extended payment terms

▶ **Positive free cash flow in H2 despite challenging environment**

FY 2020 snapshot

Safran businesses strongly impacted by the Covid-19 crisis

- 9m 2020 revenue down by (33.4)% org. vs. 9m 2019

Crisis started to materialize in March

Safran 2020 profitability maintained above 10% in the worst crisis of civil aviation thanks to:

- Quick and intensive efforts to reduce the cost base (adaptation plan put in place from the start of the year and intensified)
- Strong government support (furlough scheme, R&T)



Despite the unprecedented crisis the aerospace industry is facing, Safran has been able :

- ▶ To disclose a FY 2020 guidance and stick to it
- ▶ To be EBITDA positive each and every month since March

⇒ **Safran business model is resilient**



2021: CONSOLIDATING SOUNDLY

2021 Consolidating soundly: by key KPIs (1/2)

What is at stake in 2021?

Revenue

- Q1 2020 creates a tough comparison basis for Q1 2021 and FY notably for civil aftermarket (gradual recovery depending upon CFM56 flight cycle improvement)
- No overall improvement coming from OE
- Uncertainty on Aircraft Interiors retrofit activity (widebody exposure, discretionary sales)
- FX (headwind coming from spot rate)

EBIT

- Recurring operating margin improvement thanks to cost cutting efforts
- Aircraft Interiors: objective to breakeven from Q4 2021
- FX (stable hedge rate between 2020 and 2021)

FCF

- Free cash flow positive despite risks

► **Uncertainties remains due to the path of air traffic recovery (IATA update: air traffic in 2021 still 50% below 2019 and continuing high airlines losses)**

2021 Consolidating soundly: by businesses (2/2)

What is at stake in 2021?

Propulsion

- **Narrowbody engines: 800+ LEAP deliveries and continuing decrease for CFM56**
- **High-thrust engines: lower volumes anticipated compared to 2020**
- **Military engines: as planned M88 volumes back to 2019 level**
- **Civil aftermarket: rebound, especially in H2**
- **Helicopter: sales growth thanks to support activities**

Aircraft Equipment, Defense & Aerosystems

- **Lower volumes on widebody programs (A330, end of A380), 777X slow ramp up**
- **Recovery in landing gears and carbon brakes MRO activities**
- **Gradual improvement for other activities (nacelles, safety systems...)**

Aircraft Interiors

- **Continued low rates and deferrals in widebody impacting existing product (A350/787) and new product (777X) deliveries**
- **Continuously working on cost structure**

2020

- Net annual exposure below \$8.0bn
- Fully hedged
- €/ \$ hedge rate is confirmed at \$1.16
- Average €/ \$ spot rate was revised from \$1.10 to \$1.14

2021 - 2022

- Net annual exposure between \$8.0bn and \$9.0bn
- Fully hedged in 2021 and almost fully hedged in 2022 including options with Knock-Out barriers ranging from \$1.22 to \$1.27
- €/ \$ hedge rate target between \$1.16 and \$1.12 (considering current spot (\$1.21))

Liquidity : €4.1bn cash and cash equivalents at the end of November 2020 (unaudited)

Bridge Facility

- Bridge facility set up on April 22, 2020 with a maturity of up to two years remained undrawn
- Initial €3.0bn amount reduced to €1.4bn after more than 50% having been already refinanced with medium and long term funded debt

RCF

- €2.52bn undrawn revolving credit facility available until December 2022
- Back up to the commercial paper (NEU CP) program

Balance sheet

- Safran's intention to maintain a best-in-class leverage
- Robust financial covenants

▶ Strong liquidity and balance sheet maintaining Safran flexibility



FROM 2022: RECOVERING GRADUALLY

Long trends remain...

COMMERCIAL AVIATION

NEW EQUIPMENT (OE)

- Sizeable order backlog: Leap Backlog ~10,000 engines at the end of September 2020 (based on purchase orders and pending cancellations)
- Strong market share for narrowbody (61% on A320neo family)
- Present on all next or new generation aircraft programs (A320neo, 737MAX, 777X)
- Long-term drivers remain for expanded demand for travel (fleet replacement & growth)

AFTERMARKET SERVICES

- Narrowbody aircraft leading the recovery
- Deep existing installed base of 2nd generation CFM56 engines (~50% with 0 shop visit at the end of 2020)
- Expecting number of shop visits back to 2019 level in 2023
- Spare parts revenue recovery could lag number of shop visits recovery

DEFENSE

- Stable revenue based on long-term contracts and program authorizations

Safran has the financial and operational strength to thrive in the challenging market environment

... and Safran well positioned for market recovery

Costs

Structural savings (footprint optimization, overhead cuts)

Workforce (excluding temporary workers) expected to be down by 10-15% in 2024 vs. 2019

→ Costs structurally improved (~200bps EBIT margin improvement in 2024)

Innovation

Safran technological priorities preserved (notably thanks to government support)

Pre-Covid roadmap marginally delayed (<1 year over the 2019/2025 period)

Safran ESG strategy

SAFRAN ESG RATINGS:

- ◆ **CDP:** A- (since Dec 2020)
- ◆ **MSCI:** A (since June 2019)
- ◆ **Sustainalytics:** **26.0 Medium Risk (since Dec 2020)**
Ranked 4th out of 87 companies in A&D
Ranked 1st out of companies in A&D with market cap between \$43bn and \$102bn

SAFRAN CSR COMMITMENTS

- ◆ Part of Safran business model and built on three strategic assets (sustainable innovation, operational excellence, responsible conduct)
- ◆ Consistent with the UN sustainable development goals for 2030
- ◆ Safran addresses the challenge of decarbonation for civil aviation. Thanks to its position in most aircraft-system segments, Safran makes climate change a central part of its technological solutions.

- ▶ Safran is defining a clear ESG-related strategy regarding its activities and as well as financial disclosures
- ▶ Safran supports TCFD

Focus on Safran's commitment to climate change: reduction in CO₂ emissions from its products

- 1 In the last 60 years, aircraft fuel consumption divided by 5, 70% of the drop achieved with the engine
- 2 To be ready for low-carbon aviation by 2030-2035, Safran makes climate change a central part of its technological solutions
 - Deliver ultra-efficient SMR aircraft technologies with (30)% fuel burn by 2035 :
 - > Working on the next generation of low-carbon aircraft and on the successor to the LEAP engine: fuel savings equivalent or superior to the fuel savings achieved by the LEAP compared to the CFM56
 - > More electric aircraft, optimised non propulsive energy
 - > Ultra-lightweight equipment and adaptation to new aircraft configuration
 - Enable the transition to low-carbon fuels
 - > Deliver 100% drop-in fuels capable technologies (Sustainable Alternative Fuels, e-fuels)
 - > Maturation of hydrogen aircraft technologies
 - Major milestone to select the most advanced technology in 2025
- 3 Towards carbon neutrality⁽¹⁾ around 2050: commitment consistent with the Paris Agreement

(1) *meaning in-flight emissions & emissions/capture related to fuel production close to zero by 2050*

Confirming Safran's strengths, despite the crisis

- ▶ **3rd Global aerospace group (excluding airframers), 2nd Global aerospace equipment supplier**
- ▶ **Global leader in critical and highly technological aircraft systems**
 - Propulsion (n°1 for short/medium range engines), landing gear and carbon brakes (n°1), more electrical a/c technologies (n°1)
- ▶ **High level of diversification**
 - Geographically*: ~24% sales in North America; ~43% in MENA and Asia; ~30% in Europe
 - Balanced OEM cycle vs. after-market sales exposure
 - About 25% of sales related to defense or helicopters providing resilience and public R&D funding support
- ▶ **Outstanding long-term visibility**
 - Long-term cycle, large backlog, large installed base
 - Resilience of products and young engine fleet generating large maintenance activity
 - Exposure on Narrowbody, recovering faster than Widebody
- ▶ **Track record of conservative financial policy and guidance, deleveraging and disciplined M&A**

() Based on final user 2018 revenue*



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