

## PRESS RELEASE

### 2018 Capital Markets Day Safran presents its strategic and financial ambitions

Paris, November 29, 2018

**Safran has delivered and even exceeded its March 2016 ambitions.**

**Ideally positioned to capture growth from Aerospace & Defense markets thanks to leading Tier 1 positions.**

**Strengthen market leadership by:**

- Reinforcing its key leading positions as a full-fledged civil and military engine manufacturer
- Becoming the No 1 Aerospace Equipment supplier in the next 15 years
- Increasing investment in innovation to lead the future in the industry

**High-quality execution and operational performance excellence:**

- Extending LEAP's success with best-in class OE and Aftermarket
- Restoring the performance of Aircraft Interiors businesses to rebuild customers' trust in a sector key for airlines
- Reinforcing Safran competitiveness with a particular emphasis on delivering commercial, technological and product synergies across the Group

**Strong organic growth, further improved profitability and cash generation:**

- Organic revenue growth in a mid-single digit range on average over the 2019-2022 period, including civil aftermarket growing in a high single digit range
- Recurring operating income margin trending to a 16-18% range by 2022
- Strong cash generation driven by a 50% increase in EBITDA between 2018 and 2022: EBIT to FCF conversion above 50% each year and trending above 60% in 2022

**Balanced and disciplined capital allocation policy:**

- Growing self-funded R&D and CAPEX to fuel future growth
- Increased cash returns to shareholders:
  - Full execution of the Euro 2.3 Billion buyback program initiated in 2018; intention to increase the share buyback program by a further €700M
  - Practice to be reviewed by Board of Directors in 2020 in order to ensure growing and attractive return for shareholders

*All figures in this press release represent adjusted data, except where noted (for definitions see Notes)*

**Executive commentary**

CEO Philippe Petitcolin commented:

*"We have delivered and even exceeded all our March 2016 ambitions. Our focus on execution and operational excellence, coupled with driving innovation and investment in R&T, position the Group to set new ambitions and prepare the future of our industry. Furthermore, the ramp up of LEAP production is proceeding and the integration of Zodiac Aerospace is well underway"*

**Safran (Euronext Paris: SAF)** is today hosting its 2018 Capital Markets Day at Safran Campus with investors and financial analysts.

Ross McInnes, Chairman of the Board of Directors, will open the event, which will be hosted by Philippe Petitcolin, Chief Executive Officer, with the participation of members of Safran's Executive Committee.

**Main topics to be covered by the Capital Markets Day are:**

**1. Perspectives and Strategy**

**Safran will leverage its leading positions in Aerospace & Defense to achieve new ambitions.**

Positive trends are expected in both the commercial aircraft and military markets that will ensure a solid momentum of new aircraft deliveries and retrofits. Safran has set clear objectives in all its businesses.

Safran's ambition is to remain a full-fledged engine manufacturer and a key player in the future of propulsion by investing in new technologies, as well as to capture the aftermarket upside through managing its large installed base of civil engines.

Today, Safran is the second worldwide Aerospace Equipment supplier and its ambition is to become the world leader in the next 15 years, notably by increasing its competitiveness and acting as a key leader in equipment for more electrical aircraft. The acquisition of Zodiac Aerospace will reinforce Safran's Electronics & Defense /Electrical & Power activities and will leverage fully Aerosystems' portfolio.

In Aircraft Interiors, Safran's priority is to turn around performance and to rebuild customer confidence in order to reach former profitability levels.

**2. Financial framework**

**Safran will continue on its path of strong and profitable growth.**

**Mid-single digit organic revenue growth** (at an estimated average spot rate of USD 1.25 to the Euro over 2019-2022) should be broad-based as all activities should contribute positively, particularly civil engines OE, Aerospace services and Aircraft Interiors.

**Recurring operating income margin** should trend to a 16% to 18% range by 2022 after the completion of the CFM56/LEAP transition, the recovery of Aircraft Interiors activities, the full impact of the annual €200M pre-tax run rate cost synergies and the benefits of stabilized hedged rates. In 2022, Safran's operating margin ambition is expected to be:

- above 20% for Propulsion
- above 16% for Equipment
- above 10% for Defense
- around 15% for former Zodiac Aerospace activities including all synergies accounted for in other Safran businesses (or 13% excluding part of the synergies accounted for in other businesses).

**R&D spending will enter a new cycle** including assumptions for NMA developments (if it is launched), targeted efforts on Zodiac and a 30% increase in R&T. Total self-funded R&D will increase but will remain at around 6% to 7% of sales over the period.

**Free cash flow generation will remain a strong focus over 2018-2022** with EBITDA growing by ~50%. Working capital is expected to increase over the period due to a likely significant reduction of advance payments, a stability in stocks and inventories and a gradual increase of the cash contribution to be received from Rate Per Flight Hours contracts (RPFH).

Capex should represent around 4% of sales over 2018-2022 and be allocated notably to build up LEAP MRO capacity as well as to upgrade and streamline Zodiac Aerospace production facilities.

**As a result, FCF is expected to grow every year. EBIT to FCF conversion should be above 50% each year and trend above 60% in 2022.**

**Safran will maintain its disciplined capital allocation:**

- The priority will focus on organic development. Safran does not currently expect to make any further major acquisitions
- Following the Zodiac Aerospace acquisition, Safran reaffirms its objective of maintaining a strong investment grade profile, and the intention to deleverage further going forward
- Safran will continue to increase cash returns to shareholders:
  - The €2.3bn buyback program, executed at 50% today, will be completed in 2019
  - The intention is to increase the share buyback program by a further €700M to avoid the potential dilution from the outstanding convertible bonds
- As a result, over 75% of cumulated FCF is expected to be returned to shareholders over 2018-2022 through share buybacks and with the existing dividend practice
- The Board of Directors will review the practice in 2020 to ensure growing and attractive return for shareholders.

### **3. CFM56-LEAP : Transition and Aftermarket**

**Safran will complete the CFM56 to LEAP transition underway to reap the benefits from the massive CFM56 and LEAP installed base.**

Excellent progress has been made on the transition from CFM56 to LEAP:

- LEAP engine has been delivering on all its promises regarding performance, reliability and utilization, making it the engine of choice for airlines
- Top priority is meeting customers' demand by addressing the challenges of an unprecedented production ramp up. Safran has built up a strong production management system in order to achieve the production targets agreed with customers

LEAP cost reduction is on target and continues to move forward as planned, with progress coming from both the Group's plants and supplier base.

CFM56 and LEAP engines will remain the core drivers of the profitable and fast growing civil aftermarket business of Safran:

- The T&M business model will continue to dominate for a long period, thanks to the significant fleet of CFM56 fleet in service
  - The Rate Per Flight Hours contracts contribution will gradually increase driven by the LEAP ramp up reflecting the increased demand of customers
  - Safran is well prepared for this gradual transition and will expand its MRO network
- These trends provide a strong visibility for the expected high single digit growth on average of the civil aftermarket of Safran from 2018 to 2022.

#### **4. Integration of Zodiac Aerospace and Aircraft Interiors recovery**

The integration process has successfully moved beyond the first steps and is gaining momentum with regard to:

- Accelerating Zodiac Aerospace operational recovery notably by rolling out best practices
- Delivering the €200M of pretax run rate cost synergies by 2022. These cost synergies are fully confirmed and further upside has been identified

In Aircraft Interiors, the new management, together with all the teams, are striving to rebuild customers' trust by transforming a segmented business into an efficient engineering and industrial key player. Safran will realize the full potential of Zodiac Aerospace former activities and deliver the expected improved performance.

#### **5. Innovation**

**Safran is already well advanced in preparing the future to embark on the next generation Aerospace & Defense programs.**

Key areas of focus are:

- Improving aerospace propulsion efficiency
- Leading the way towards the more electrical aircraft
- Driving innovation for the connected cabin
- Making additive manufacturing a broad based industrial reality

This acceleration of the innovation strategy will allow Safran to remain the partner of choice of OEM and reinforce its growth potential for the next decades.

#### **6. A clear roadmap**

**Safran is the most successful Aerospace & Defense company and will remain focus at the same time on both short and long term with:**

- An extreme attention to execution and operational excellence
- Growing investment in R&T and innovation to prepare the future.

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Live webcast and replay

The event will start at 13:00 CET in Vilgénis on November 29, 2018. It can be watched on a live webcast at the following address: <https://www.safran-group.com/capital-markets-day-2018-live>

A phone conference will be organized so analysts and investors may follow the event and participate in the Q&A session. The dial-in numbers are: +33 1 76 70 07 94 (France), +44 207 192 8000 (United Kingdom), and +1 631 510 7495 (United States). Participant code is: 3181737.

The presentations may be downloaded and subsequently a replay will be made available at: [www.safran-group.com/finance](http://www.safran-group.com/finance)

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**Agenda**

2018 annual results  
Annual shareholders' meeting

February 27, 2019  
May 23, 2019

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## Notes

### 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 alongside its consolidated financial statements.

Safran's consolidated income statement is 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 revalued 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 charged against intangible assets recognized at the time of the transaction and amortized 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;

Safran has also applied these restatements to the acquisition of Zodiac Aerospace with effect from 2018.

- 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.

### Recurring operating income

Operating income before capital gains or losses on disposals /impact of changes de contrôle, impairment charges, transaction and integration costs and other items.

### 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.

### Free cash flow

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

**Safran** is an international high-technology group, operating in the aircraft propulsion and equipment, space and defense markets. Safran has a global presence, with more than 58,000 employees and sales of 16.5 billion euros in 2017. Working alone or in partnership, Safran holds world or European leadership positions in its core markets. Safran undertakes Research & Development programs to meet fast-changing market requirements, with total R&D expenditures of around 1.4 billion euros in 2017. Safran is listed on the Euronext Paris stock exchange, and is part of the CAC 40 and Euro Stoxx 50 indices.

In February 2018, Safran took control of Zodiac Aerospace, significantly expanding its aircraft equipment activities. Together with Zodiac Aerospace, Safran has more than 91,000 employees and has around €21 billion in adjusted revenue (pro forma 2016).

For more information : [www.safran-group.com](http://www.safran-group.com) / Follow @Safran on Twitter 

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#### IMPORTANT ADDITIONAL INFORMATION

*This document contains forward-looking statements relating to Safran, Zodiac Aerospace and their combined businesses, 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, Zodiac Aerospace and their combined businesses, 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 or Zodiac Aerospace'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 ability to obtain shareholder approval; failure to satisfy other closing conditions with respect to the transaction on the proposed terms and timeframe; the possibility that the transaction does not close when expected or at all; 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 or Zodiac Aerospace's ability to successfully implement and complete its plans and strategies and to meet its targets; and the benefits from Safran's or Zodiac Aerospace's (and their combined businesses) plans and strategies being less than anticipated. The foregoing list of factors is not exhaustive. Forward looking statements speak only as of the date they are made. Safran and Zodiac Aerospace do 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 Safran'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.*