SAFRAN

PRESS RELEASE

Safran on track to deliver its full-year guidance

Paris, October 30, 2020

Covid-19

- *Pursuit of intensive efforts to reduce the cost base*
- *Activity slightly improving in Q3 compared to Q2 2020*

Adjusted data

- *Q3 revenue at Euro 3,382 million, down (44.5)% on a reported basis and down (42.0)% on an organic basis*
- *9M revenue at Euro 12,149 million down (33.2)% on a reported basis and down (33.4)% on an organic basis*
- *2020 outlook confirmed*

Consolidated data

- *Consolidated revenue was Euro 3,380 million in Q3 2020*
- *Consolidated revenue was Euro 12,282 million for 9M 2020*

Foreword

- All figures in this press release represent adjusted [1] data, except where noted. Please refer to the definitions and reconciliation between Q3 2020 and 9M 2020 consolidated revenue and adjusted revenue. Please refer to the definitions contained in the Notes on page 9 of this press statement;
- Organic variations exclude changes in scope and currency impacts for the period.

Executive commentary

CEO Philippe Petitcolin commented:
"*After a second quarter strongly hit by the impacts of the Covid-19 crisis on all activities, the third quarter has seen a lesser deterioration. Thanks to the efforts of Safran teams worldwide, the implementation very early in the year of an ambitious adaptation plan has been key in a context of a prolonged air traffic crisis, which allows us to confirm our financial targets for the end of the year. More than ever, we keep cutting costs while preserving our technological roadmaps. I am convinced that innovation will be central to emerging from this crisis.*"

Update of the Covid-19 impact on Safran

Despite a slow recovery in traffic, the third quarter improved compared to Q2 for all activities. Nevertheless, business was still strongly impacted by the Covid-19 crisis, both in OE and services activities. Therefore, Safran continues its efforts of costs optimization.

CFM56 and LEAP flight cycles improved slightly mainly in China.
As of October 25, 2020:

- Weekly CFM56 fleet cycles are down (48)% year on year improving from (52)% at the end of July;
- Weekly LEAP fleet cycles are down (15)% year on year improving from (23)% at the end of July.

Safran is adapting its organization to meet various health constraints. As of October 16, 2020:

- 67% of the workforce at Group level was on-site, 10% was working from home and 12% was under short-time working or furlough;
- 4 sites were temporarily closed compared to 30 as of May 18, 2020 and 14 as of July 17, 2020.

Safran continues to monitor key suppliers. Safran contributed Euro 58 million to the dedicated “Ace Aéro Partenaires” aerospace fund which has now started operating with its first investment in a group, which specializes in manufacturing machines and presses along with complex mechanical parts for the main aerospace players, including Safran.

1- Business trends

Since the trough reached in Q2, Safran’s activity has edged up, especially in September. It was notably driven by services for civil engines, and by a slight upturn in Propulsion and Equipment OE activities in Q3.

- Propulsion:
  - Improvement compared to Q2 due to OE (civil engines) and services (MRO activities and widebody engines spare parts);
  - Sales improvement in helicopter turbines;
  - Military activities in line with pre Covid-19 trends.
- Aircraft Equipment, Defense and Aerosystems:
  - Improvement seen compared to Q2 due to OE (landing gears and nacelles) and more particularly in September;
  - Resilience of Defense activities with slight growth in sighting and navigation systems.
- Aircraft Interiors:
  - Decrease in production rates for widebody programs as well as postponed sales in a context of increased deferrals and cancellations;
  - Slight improvement compared to Q2 thanks to OE (Cabin). Unlike other divisions Aircraft Interiors showed a decrease in activity in September.

2- Adaptation plan

During the third quarter, Safran thoroughly worked on its adaptation plan. At the end of September, the Group was in line to reach or to exceed the targets set to lower its cost base:

- Workforce has been adjusted to around 81,200, as of October 16, 2020, a (16)% decrease in permanent employees, and a (20)% decrease including temporary workers;
- Purchasing programs have been scaled back in line with the drop in activity: decrease of (42)% in raw materials and supplies expenses and of (42)% in sub-contracting expenses;

- Capex commitments reduced by (74) % year to date, exceeding the (60)% reduction objective for 2020;
- R&D expenses reduced by (33)% in the first nine months of 2020, exceeding the (30)% reduction objective for 2020;
- Operating expenses[1] reduced by more than 20% in the first nine months of 2020, in line with the target at year-end.

Key business highlights

1- Aerospace Propulsion

Narrowbody engine deliveries
At the end of September 2020, combined shipments of CFM56 and LEAP engines reached 745 units, compared with 1,643 in the year ago period:

- **LEAP deliveries**

CFM International delivered 172 units LEAP engines in Q3 2020 (compared with 455 in Q3 2019) bringing total deliveries to 622 units in the first nine months of 2020 (compared with 1,316 in the year ago period).

- **CFM56 deliveries**

CFM56 engines deliveries reached 123 units in the first nine months of 2020, of which 39 in the third quarter. Last year, 327 engines had been delivered at the same period, of which 69 in Q3 2019.

Civil aftermarket [2]
Civil aftermarket revenue for the first nine months 2020 was down (41.8)% in USD terms including a decrease of (3.3)% in Q1 2020, (66.0)% in Q2 2020 and (56.2)% in Q3 2020. Spare parts sales for CFM56 engines led the decrease year to date. Spare parts sales for high thrust engines (notably GE90) and service contracts decrease less than anticipated in Q3.

M88 program
On-going discussions with Dassault Aviation and the French MoD following Greece's stated intention to acquire 18 Rafale (out of which 12 used and 6 new aircraft) to equip its Air Force.

Helicopter turbines
The H160 helicopter, equipped with Safran's Arrano engine, received its type certification from EASA (European Aviation Safety Agency).

2- Aircraft Equipment, Defense and Aerosystems

In the context of the Covid-19 crisis, new contracts were signed for Defense. Safran's new-generation Euroflir optronic (electro-optical) system has been chosen for the French Navy's H160 helicopters.
Safran also signed contracts with two Asian airlines to provide carbon brakes for A320neo and Boeing 787-10.

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

[2] 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.

3- Aircraft Interiors

There were few OE order cancellations during the third quarter but airlines rescheduled their retrofit programs from 2020 to 2021 and beyond.
Safran has been selected by a US airline to provide business class seats for its new Boeing 787 as well as an Asian airline to provide economy class seats for its future A321 and business class seats for its new Boeing 787.

Revenue for third-quarter 2020

Q3 2020 revenue amounted to Euro 3,382 million, a decrease of (44.5)%, or Euro (2,713) million, compared to the year ago period. Changes in scope had a net impact of Euro (10) million. The net impact of currency variations was Euro (141) million, reflecting a negative translation effect on non-Euro revenues, notably USD. The average EUR/USD spot rate was 1.17 to the Euro in Q3 2020, compared to 1.11 in the year-ago period. The Group's hedge rate was at USD 1.16 to the Euro in Q3 2020, compared to 1.18 in Q3 2019.

On an organic basis, revenue decreased by (42.0)% coming from all divisions:
- Propulsion decreased by (45.9)% from services (civil aftermarket) as well as OE volumes (civil engines). Helicopter turbines sales increased (low double digit increase compared to 2019). Military activities were as planned;
- Aircraft Equipment, Defense and Aerosystems sales decreased by (33.6)% due to OE sales for wiring, nacelles, avionics and to a lesser extent landing systems activities. Within services, landing gear, carbon brakes and nacelles activities and to a lesser extent Aerosystems suffered the most. Electronics & Defense activities were more resilient to the crisis;
- Aircraft Interiors revenue decreased by (51.8)%, with the decline led by the Cabin and Seats businesses (both OE and services) and to a lesser extent Passenger Solutions activities.

Currency hedges

Safran's hedge book totalled USD 24.9 billion at October 15, 2020.

2020 is fully hedged at a targeted hedge rate of USD 1.16 for an estimated net exposure of USD 8.0 billion (unchanged).
2021 is fully hedged at a targeted hedge rate between USD 1.14 and USD 1.16. The estimated net exposure was revised downwards from USD 9.0 billion to USD 8.5 billion.
2022 is almost fully hedged at a targeted hedge rate between USD 1.12 and USD 1.14. The estimated net exposure was revised downwards from USD 10.0 billion to USD 9.0 billion.
2023: the firm coverage of the estimated net exposure is USD 5.5 billion. The estimated net exposure was revised downwards from USD 11.0 billion to USD 10.0 billion.

The hedge book includes barrier options with knock-out triggers ranging from $1.21 to $1.27 with maturities up to end-2021, representing a risk to the size of the hedge book and to targeted hedge rates in certain cases of sudden and significant exchange rate fluctuations.

Financing and liquidity

On October 12, 2020, Safran executed a tap issue of convertible bonds[3] due May 15, 2027 for a nominal amount of Euro 200 million with a negative yield of (0.419)%.

At end of September, the bridge facility set up on April 22, 2020 with a maturity of up to two years remained undrawn. Its initial amount of Euro 3.0 billion having been reduced to Euro 1.6 billion (unchanged compared with June 30). Further to the convertible bond tap issue of October 12, 2020, the available amount of that bridge facility was reduced to Euro 1.4 billion. In less than 6 months, Safran has therefore refinanced more than 50% of this undrawn short term bridge facility with long term (7 to 12 years) funded debt instruments.

As a reminder, Safran 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 1.6 billion was outstanding as of September 30, 2020. The maximum amount available under the NEU CP program is Euro 3.0 billion.

Full-Year 2020 outlook confirmed

Safran, despite remaining uncertainties regarding the pace of air traffic recovery, is confident to meet its FY 2020 outlook:

- **Adjusted revenue to decrease by approximately (35)%**, at an estimated average spot rate of USD 1.14 to the Euro (previously USD 1.10). **Similar variation in organic terms**;
- **Recurring operating margin around 10% of sales** based on a hedged rate of USD 1.16 to the Euro;
- **Positive free cash flow generation in H2,** despite still strong uncertainties regarding working capital evolution.

Assumptions are unchanged compared to the H1 2020 earnings announcement on July 30, 2020. Civil aftermarket trends improved in Q3, but uncertainties remain. In addition, there are still challenges ahead in different businesses and uncertainties for the end of the year closing.

Board of Directors

By ministerial decree dated October 27, 2020, Suzanne Kucharekova Milko is named to represent the French state on Safran's board of directors, replacing Hélène Dantoine. Please refer to Safran's website for more information.

Business commentary for the third quarter and first nine months 2020

- **Aerospace Propulsion**

In the third quarter of 2020 revenue was Euro 1,559 million, down (47.8)% compared to Euro 2,987 million in 2019. On an organic basis, revenue decreased by (45.9)%.

➢ OE revenue dropped by (48.8)% (or (47.0)% organically) compared with Q3 2019, due to lower installed and spare engines deliveries for narrowbody aircraft (LEAP and CFM56). The decrease in high thrust engines was offset by SAM 146 engine deliveries (11 vs 0 in Q3 19). As planned, M88 engines deliveries were down and amounted to 6 units compared with 20 in Q3 2019. Helicopter turbines OE sales improved thanks to the Makila and Arriel engines families.

[3] Bonds convertible into new shares and/or exchangeable for existing shares of Safran (OCEANEs).

- Services revenue decreased by (47.0)% (or (45.1)% organically) and represented 56.7% of sales. Civil aftermarket revenue (in USD) continued to be impacted by the Covid-19 crisis and decreased by (56.2)% (in USD). This drop was mainly due to lower spare parts sales for CFM56 engines as well as a lower contribution from services contracts for CFM56 and widebody platforms. Military services faced also a headwind compared to Q3 2019. Helicopter turbines support activities (both Time & Material and Per Hour contracts) contributed positively during the quarter.

In the first nine months of 2020 revenue was Euro 5,606 million, down (36.9)% compared to Euro 8,889 million in 2019. On an organic basis, revenue decreased by (37.3)%.

- OE revenue dropped by (42.0)% (or (42.4)% organically) compared to the first 9 months 2019, due to lower narrowbody engines (LEAP and CFM56). The Covid-19 crisis impacted both installed and spare engines deliveries. High thrust engines deliveries decreased to a lesser extent in 2020 compared to narrowbody engines. On the military side, as planned, M88 engines deliveries lowered since the beginning of the year and amounted to 25 units compared to 42 in the year ago period. Helicopter turbines OE sales increased low single digit in the first 9 months of the year.
- Services revenue decreased by (33.1)% (or (33.5)% organically) and represented 60.6% of sales. Since the beginning of the health crisis in March, civil aftermarket revenue (in USD) has been strongly impacted and decreased by (41.8)% (in USD). This drop was mainly due to lower spare parts sales for CFM56 engines. Military services also decreased compared to the year ago period that represented a strong comparison base. Helicopter turbines support activities also contributed negatively (mainly Time & Material contracts) during the first 9 months of the year.

▪ Aircraft Equipment, Defense and Aerosystems

In the third quarter of 2020 revenue was Euro 1,461 million, down (36.4)% compared with Euro 2,298 million in the year ago period. On an organic basis, revenue was down (33.6)%.

- OE revenue decreased by (34.2)% (or (31.5)% organically) compared with Q3 2019 with lower volumes of nacelles for A320neo and A330neo as well as wiring and power distribution activities and to a lesser extent landing gears. Deliveries of nacelles for LEAP-1A powered A320neo were at 102 units in Q3 2020 (157 units in Q3 2019). Avionics and Aerosystems (evacuation, oxygen and fuel control systems) activities were unfavourably impacted during the quarter. Within Defense activities, sighting and navigation systems were flat compared to the year ago period.
- Services declined by (41.1)% (or (38.2)% organically) and represented 30.1% of sales in Q3 2020. This decrease was due to carbon brakes, landing gears, nacelles support activities (mainly for A320neo and A380) and to a lesser extent by Aerosystems activities.

In the first nine months of 2020 revenue was Euro 5,099 million, down (25.6)% compared with Euro 6,851 million in the year ago period. On an organic basis, revenue was down (25.7)%.

- OE revenue decreased by (24.5)% (similar organically) since the beginning of the year mainly driven by wiring activities as well as lower volumes of landing gears for Boeing 787, A330, A350 and A320 family and nacelles for A320neo and A330neo. Deliveries of nacelles for LEAP-1A powered A320neo were at 350 units in September 2020 (437 in 2019). Avionics and FADEC for LEAP activities as well as Aerosystems (evacuation, oxygen and fuel control systems) activities were also impacted by the Covid-19 crisis. Within Defense activities, sighting and navigation systems grew slightly compared to the year ago period.
- The decline in services of (27.8)% (or (28.2)% organically), which represented 31.4% of sales came from brakes and landing gear activities and from nacelles support activities (mainly for A320neo and A380).

- **Aircraft Interiors**

In the third quarter of 2020 revenue was Euro 357 million, down (55.7)% compared to Euro 805 million in the same period of 2019. On an organic basis, revenue decreased by (51.8)%.

- OE revenue dropped by (51.9)% (or (47.7)% organically) compared with Q3 2019. Sales were strongly impacted in Cabin due to lower volumes for lavatories activities (regional jets), for galleys (Boeing 737 MAX, A320 and A330 programs) as well as for catering. Seats programs were also strongly impacted due to business class deliveries deferrals. Within Passenger Solutions activities, connected cabin (IFE), air management and custom cabin interiors activities were all impacted.
- Services revenue decreased by (64.9)% (or (61.9)% organically), mainly due to the Seats aftermarket as well as Cabin spare sales (galleys, trolleys, inserts) and MRO activities.

In the first nine months of 2020 revenue was Euro 1,429 million, down (41.6)% compared to Euro 2,445 million in 2019. On an organic basis, revenue decreased by (40.6)%.

- OE revenue dropped by (41.8)% (or (40.5)% organically) during the first 9 months of the year. Sales were strongly impacted by Cabin activities (lower volumes for galleys, inserts and lavatories) and by Seats programs (all classes). Connected Cabin (IFE) activities also decreased due to the drop in activity.
- The decline in services revenue of (41.0)% (similar organically) stemmed from all activities, Cabin (spare sales for galleys, trolleys, inserts and MRO activities), Seats and, to a lesser extent Passenger Solutions.

Agenda

FY 2020 earnings	February 25, 2021
Q1 2021 revenue	April 30, 2021

* * * *

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: 60997582#).
Please ask for the "Safran" conference and state your name. We advise you to dial in 10 minutes before the start of the conference.

A replay of the conference call will be available until January 28, 2021 at +33 (0)1 70 71 01 60, +44 (0) 203 364 5147 and +1 646 722 4969 (access code for all countries: 418950187#).

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

Key figures

Segment breakdown of adjusted revenue *(In Euro million)*	**Q3 2019**	**Q3 2020**	% change	% change in scope	% change currency	% change organic
Aerospace Propulsion	2,987	1,559	(47.8)%	-	(1.9)%	(45.9)%
Aircraft Equipment, Defense and Aerosystems	2,298	1,461	(36.4)%	(0.1)%	(2.7)%	(33.6)%
Aircraft Interiors	805	357	(55.7)%	(1.0)%	(2.9)%	(51.8)%
Holding company & Others	5	5	n/s	-	-	n/s
Total Group	**6,095**	**3,382**	**(44.5)%**	**(0.2)%**	**(2.3)%**	**(42.0)%**

Segment breakdown of adjusted revenue *(In Euro million)*	**9M 2019**	**9M 2020**	% change	% change in scope	% change currency	% change organic
Aerospace Propulsion	8,889	5,606	(36.9)%	-	0.4%	(37.3)%
Aircraft Equipment, Defense and Aerosystems	6,851	5,099	(25.6)%	(0.1)%	0.2%	(25.7)%
Aircraft Interiors	2,445	1,429	(41.6)%	(0.9)%	(0.1)%	(40.6)%
Holding company & Others	12	15	n/s	-	-	n/s
Total Group	**18,197**	**12,149**	**(33.2)%**	**(0.2)%**	**0.4%**	**(33.4)%**

2020 revenue by quarter *(In Euro million)*	**Q1 2020**	**Q2 2020**	**Q3 2020**
Aerospace Propulsion	2,497	1,550	1,559
Aircraft Equipment, Defense and Aerosystems	2,187	1,451	1,461
Aircraft Interiors	694	378	357
Holding company & Others	5	5	5
Total Group	**5,383**	**3,384**	**3,382**

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**

Euro/USD rate	**Q3 2019**	**Q3 2020**	**9M 2019**	**9M 2020**
Average spot rate	1.11	1.17	1.12	1.12
Spot rate (end of period)	1.09	1.17	1.09	1.17
Hedge rate	1.18	1.16	1.18	1.16

Notes

[1] Adjusted revenue

To reflect the Group's actual economic performance and enable it to be monitored and benchmarked against competitors, Safran prepares an adjusted revenue.

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

- 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:
    a. revenue net of purchases denominated in foreign currencies is measured using the effective hedged rate, i.e. including the costs of the hedging strategy

Third-quarter 2020 and 9m 2020 reconciliation between consolidated revenue and adjusted revenue:

Q3 2020 (In Euro million)	Consolidated revenue	Hedge accounting		Business combinations		Adjusted revenue
		Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	
Revenue	**3,380**	2	-	-	-	**3,382**

9m 2020 (In Euro million)	Consolidated revenue	Hedge accounting		Business combinations		Adjusted revenue
		Remeasurement of revenue	Deferred hedging gain (loss)	Amortization intangible assets - Sagem-Snecma	PPA impacts - other business combinations	
Revenue	**12,282**	(133)	-	-	-	**12,149**

***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 81,000 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.

For more information : www.safran-group.com / Follow @Safran on Twitter

Press
Catherine Malek : catherine.malek@safrangroup.com / +33 (0)1 40 60 80 28

Investor Relations
Cécilia Matissart: cecilia.matissart@safrangroup.com / +33 1 40 60 82 46
Florent Defretin: florent.defretin@safrangroup.com / + 33 1 40 60 27 30
Aurélie Lefebvre: aurelie.lefebvre@safrangroup.com / +33 1 40 60 82 19
Jean-Baptiste Minato: jean-baptiste.minato@safrangroup.com / + 33 1 40 60 27 26