

## **PRESS RELEASE**

- **Safran modifies the operational management of its equipment activities**
- **New presentation of segment information at June 30, 2019**

**Paris, July 1<sup>st</sup>, 2019**

Safran has decided to group together business activities with identified strategic and commercial complementarities in order to further boost the synergies to be derived from the integration of the Aerosystems and Aircraft Interiors activities purchased within the scope of the Zodiac Aerospace acquisition.

This new legal and operational organization will be accompanied by a change in presentation of segment information with effect from the publication of the 2019 interim consolidated financial statements on September 5, 2019. The Group's activities will be organized into three operating segments:

- Aerospace Propulsion;
- Aircraft Equipment, Defense and Aerosystems;
- Aircraft Interiors.

The 2019 outlook as announced at the first-quarter 2019 revenue release, and the 2018-2022 financial framework presented at the November 2018 Capital Markets Day, are not impacted by the new presentation of segment information.

### **Change in operational organization**

The changes in operational management are designed to accelerate the implementation of the Group's development strategy, particularly as regards more electric aircraft and connected cabins. They will promote knowledge-sharing by bringing together teams working in similar areas, the development of new customer offerings and the optimization of costs.

The changes in organization reflect the synergies identified between the various activities:

- Combining electrical power generation and distribution systems with electrical interconnection systems in Safran Electrical & Power.
- Grouping together avionics, electronics and defense in Safran Electronics & Defense.
- Focusing Safran Aerosystems on safety and fluid management systems.
- Creating Safran Passenger Solutions for complex cabin equipment and solutions focused on passenger comfort (Water and Waste management systems and In Flight Entertainment).

### **Change in presentation of segment information**

With effect from the 2019 interim consolidated financial statements, segment information will be presented based on three segments: Aerospace Propulsion; Aircraft Equipment, Defense and Aerosystems; and Aircraft Interiors.

Comparative information with the former presentation of segment information in place since the takeover of Zodiac Aerospace is set out in the appendix.

The new presentation of segment information brings together comparable activities in terms of financial performance, products, services and customers within three segments:

- **Aerospace Propulsion** now includes Safran Transmission Systems, given its close relationship with engine activities.
- The new **Aircraft Equipment, Defense and Aerosystems** segment combines the former Safran Aircraft Equipment activities with part of the former Zodiac Aerospace Aerosystems and Safran Defense businesses. Given the prevalence of equipment activities and civil customers in the former Defense segment, Safran has decided to combine with the aircraft equipment businesses.
- In view of their complementarity with the Cabin and Seats businesses, the activities arising from the creation of Safran Passenger Solutions are included in the **Aircraft Interiors** segment.

### Segment information restated in line with the new organization

Segment information restated in line with the new organization is provided below for the purposes of monitoring and comparing performance. As a reminder, the former Zodiac Aerospace Aerosystems and Aircraft Interiors activities were included in Safran's consolidated financial statements as from March 1, 2018.

#### 2018 segment information restated in line with the new organization

<i>Revenue</i> <i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Holding company and other	Total adjusted data
Q1 2018 revenue	2,319	1,641	256	6	4,222
Q2 2018 revenue	2,486	2,070	724	4	5,284
Q3 2018 revenue	2,524	2,052	769	3	5,348
Q4 2018 revenue	3,250	2,179	762	5	6,196

<i>H1 2018</i> <i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Holding company and other	Total adjusted data
Revenue	4,805	3,711	980	10	9,506
Recurring operating income	915	442	32	(3)	1,386
% of revenue	19.0%	11.9%	3.3%	N/A	14.6%
Free cash flow	687	103	(30)	60	820

<i>FY 2018</i> <i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Holding company and other	Total adjusted data
Revenue	10,579	7,942	2,511	18	21,050
Recurring operating income	2,030	992	81	(80)	3,023
% of revenue	19.2%	12.5%	3.2%	N/A	14.4%
Free cash flow	1,418	406	(67)	24	1,781

<i>H1 2018</i> <i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Total
Total self-funded R&D	(261)	(234)	(70)	(565)
% of revenue	5.4%	6.3%	7.1%	5.9%
Research tax credit	30	41	1	72
Total self-funded R&D after tax credit	(231)	(193)	(69)	(493)
Gross capitalized R&D	42	80	17	139
Amortization and depreciation of R&D	(53)	(42)	(9)	(104)
Impact on recurring operating income	(242)	(155)	(61)	(458)
% of revenue	5.0%	4.1%	6.2%	4.8%

<i>FY 2018</i> <i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Total
Total self-funded R&D	(546)	(502)	(178)	(1,226)
% of revenue	5.2%	6.3%	7.1%	5.8%
Research tax credit	62	86	3	151
Total self-funded R&D after tax credit	(484)	(416)	(175)	(1,075)
Gross capitalized R&D	103	172	45	320
Amortization and depreciation of R&D	(106)	(99)	(13)	(218)
Impact on recurring operating income	(487)	(343)	(143)	(973)
% of revenue	4.6%	4.3%	5.7%	4.6%

2019 segment information restated in line with the new organization

<i>Q1 2019</i> <i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Holding company and other	Total adjusted data
Revenue	2,771	2,201	806	3	5,781

### **2018-2022 financial framework (presented at the November 2018 Capital Markets Day)**

The operational reorganization and change in presentation of segment information have no impact on Safran's revenue, operating margin and free cash flow growth ambitions for 2018-2022, which included an upward revision to the Zodiac Aerospace synergy ambition (from €200 million to €250 million in 2022).

The effect of the new organization on segment operating margins ambitions in 2022 is set out below:

- The operating margin ambitions for Aerospace Propulsion and Aircraft Interiors remain unchanged from those announced at the Capital Markets Day:
  - above 20% for Aerospace Propulsion;
  - up to 13% for Aircraft Interiors.
- The operating margin ambition for the new Aircraft Equipment, Defense and Aerosystems segment above 14% in 2022 reflects the integration of the Defense activities and the improvements across all businesses as presented at the November 2018 Capital Markets Day.

## Appendix

### Former segment organization\* until Q1 2019

#### Aerospace Propulsion

Safran Aircraft Engines  
Safran Helicopter Engines  
Safran Aero Boosters  
Ariane Group\*\*

#### Aircraft Equipment

Safran Landing Systems  
Safran Electrical & Power  
Safran Nacelles  
Safran Transmission Systems

#### Defense

Safran Electronics & Defense

#### Aerosystems

Safran Aerosystems

#### Aircraft Interiors

Safran Cabin  
Safran Seats

### New segment organization\* as of H1 2019

#### Aerospace Propulsion

Safran Aircraft Engines  
Safran Helicopter Engines  
Safran Aero Boosters  
Safran Transmission Systems  
Ariane Group\*\*

#### Aircraft Equipment, Defense and Aerosystems

Safran Landing Systems  
Safran Electrical & Power  
Safran Nacelles  
Safran Electronics & Defense  
Safran Aerosystems

#### Aircraft Interiors

Safran Cabin  
Safran Seats  
Safran Passenger Solutions

\* Operating segments correspond to the organization of subsidiaries around tier-one operating companies

\*\* Accounted for using the equity method at 50%

**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 92,000 employees and sales of €21 billion in 2018. 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 €1.5 billion in 2018. 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](http://www.safran-group.com) / Follow @Safran on Twitter 

#### **Press contacts**

Catherine Malek: [catherine.malek@safrangroup.com](mailto:catherine.malek@safrangroup.com) / T +33 1 40 60 80 28

#### **Investor Relations**

Cécilia Matissart: [cecilia.matissart@safrangroup.com](mailto:cecilia.matissart@safrangroup.com) / +33 1 40 60 82 46

Jean-François Juery: [jean-francois.juery@safrangroup.com](mailto:jean-francois.juery@safrangroup.com) / + 33 1 40 60 27 26

Florent Defretin: [florent.defretin@safrangroup.com](mailto:florent.defretin@safrangroup.com) / + 33 1 40 60 27 30