

PRESS RELEASE**Safran : Strong operational execution brings resilience in H1 2020**

Paris, July 30, 2020

Covid-19

- *Safran activities held up well in Q1 but strongly impacted in Q2*
- *Rapid and proactive approach to adapt all costs and preserve liquidity of the Group*
- *Group transformation agreement signed in France to deal with the consequences of the Covid-19 crisis*

Adjusted data

- *Revenue at Euro 8,767 million, down (27.6)% on a reported basis and down (29.0)% on an organic basis*
- *Recurring operating income at Euro 947 million down (49.7)% on a reported basis and down (54.4)% on an organic basis*
- *Operating margin impacted across all divisions. As a result, Group operating margin down, at 10.8% of sales*
- *Free cash flow generation at Euro 901 million*
- *New FY 2020 outlook in spite of many uncertainties*

Consolidated data

- *Consolidated revenue was Euro 8,902 million*
- *Consolidated recurring operating income at Euro 859 million*
- *Consolidated profit from operations at Euro 715 million*
- *Consolidated profit for the period attributable to owners of the parent at Euro (340) million*
- *Free cash flow at Euro 901 million*

The Board of Directors of Safran (Euronext Paris: SAF), under the Chairmanship of Ross McInnes, at their meeting in Paris on July 29, 2020, adopted and authorised the publication of Safran's financial statements and adjusted income statement for the six-month period ended June 30, 2020.

Foreword

- All figures in this press release represent adjusted^[1] data, except where noted. Please refer to the definitions and reconciliation between H1 2020 consolidated income statement and adjusted income statement. Please refer to the definitions contained in the Notes on page 12 of this press statement;
- Organic variations exclude changes in scope and currency impacts for the period;

Executive commentary

CEO Philippe Petitcolin commented:

“As we have announced on several occasions, this crisis had a very strong impact on our businesses in the second quarter. I still want to pay tribute to all our teams who reacted quickly and strongly to deploy the adaptation plan decided end of March. Even though the assumptions for the second half of the year remain uncertain, our target is a 10% operating margin in 2020 and a positive free cash flow again in the second half. This implies a gradual recovery of air traffic.”

Update of the Covid-19 impact on Safran

1- Industrial operations

The first-half benefited from a strong first quarter while the break in trends materialized in March. Q2 was equally impacted by the decline in OE and services activities. Safran reacted quickly, resizing capacity to the need of the business and adjusting OE deliveries following significant production rate cuts announced by airframers.

- Propulsion:
 - Sharp decrease in OE and spare parts sales on narrowbody engines;
 - Contained sales decline in helicopter turbines with a market less affected by the sanitary crisis and a favorable price effect;
 - Military activities in line with forecasts pre Covid-19 crisis.
- Aircraft Equipment, Defense and Aerosystems:
 - Decrease in OE and services amongst all businesses;
 - Resilience of Electronics & Defense activities with slight growth on sighting and navigation systems.
- Aircraft Interiors:
 - Strongly hit by widebody and discretionary sales exposure in a context of increased deferrals and cancellations of deliveries.

While implementing safety guidelines to allow a safe return of employees to work, Safran has adapted its operations to this new environment.

As of 17 July, 2020, 50% of the workforce at Group level was on-site, 10% was working from home and 25% was under short-time working or furlough.

The situation continued to normalize as 14 sites were closed compared to 30 as of May 18, 2020.

The supply chain is under scrutiny. In that context, a task force has been put in place since the beginning of the crisis to identify and support the critical suppliers.

Safran, alongside the State and other players in the aerospace industry, will contribute 58 million euros to the investment fund ("Ace Aéro Partenaires") announced by the French government as part of the support plan for the aerospace sector, which enables Small and Midcaps to be provided with equity and thus strengthen the supply chain.

2- Adaptation plan

The plan put in place in January to deal with the Boeing 737 MAX situation has been greatly expanded in March to cope with the impacts of the Covid-19 crisis which is expected to last beyond 2020. It is now deployed in all of the group's entities:

- Workforce has been adjusted: (12)% decrease in permanent employees, (14)% including temporary workers as of July 17, 2020;

- Industrial footprint rationalised within Electrical & Power, Nacelles and Aircraft Interiors activities with 4 sites closure, 3 transfers of production and about 10 restructuring plans.

As a consequence, restructuring costs (severance pay and other related costs) already booked in H1 2020 amounted to Euro (77) million:

- Purchasing programs have been scaled back in line with the drop in activity: decrease by more than (30)% of raw materials and supplies expenses and by more than (40)% of sub-contracting expenses. As a consequence, work-in-progress and inventories are stabilizing;
- Capex commitments have been reduced by (74) % in H1 2020, above the initial objective of a reduction of (60)% in 2020;
- R&D expenses have been reduced by (31)% in H1 2020, in line with the objective of a reduction of R&D expenses of (30)% in 2020 compared to 2019;
- Operating expenses¹ have been reduced by (17)% in H1 2020, consistent with the target of a reduction by more than (20)% at year-end compared to 2019.

On July 8, 2020, a Group **“Activity Transformation” agreement has been reached** with all unions in France (valid until the end of 2021 and renewable). It will allow Safran to navigate the next 12 to 18 months of the crisis while preserving skills and competitiveness in French activities.

This agreement is based on economic levers such as wage moderation for employees, cap of profit sharing and savings schemes, deployment of the long-term short-time working and incentives to encourage workers to anticipate retirement (3,000 departures targeted).

The positive financial impacts of this agreement will start to materialize from H2 2020.

3- Safran and the challenges of climate change

Green aviation will emerge from the crisis as a major trend. The impact of the crisis on air traffic should lower CO₂ emissions compared to pre-crisis anticipations but Safran will reinforce its commitment and actions to address the climate change challenge.

Safran R&T environmental priorities are fully in line with the ambition of the French plan for the aerospace industry, announced in June 2020, targeting a zero emission aircraft in 2035. Government support will allow Safran to maintain a high level of R&T activity in the next years, offsetting most of the decrease in its self-funded expenses over next years.

Safran works on different solutions such as ultra-optimized thermal propulsion, intensive utilization of sustainable fuels for aviation and the use of liquid hydrogen. A major milestone to select the most advanced technology should be reached in 2025.

4- Management transition

The management transition period at the Group’s General management has been adapted to take into account operational priorities and certain travel constraints. As initially announced, Olivier Andriès will succeed Philippe Petitcolin as Chief Executive Officer of Safran on January 1, 2021.

Key business highlights

1- Aerospace Propulsion

Narrowbody engine deliveries

At the end of June 2020, combined shipments of CFM56 and LEAP engines reached 534 units, compared with 1,119 in H1 2019.

¹ (excluding purchasing and including R&D expenses)

LEAP commercial success and deliveries

The LEAP recorded 126 orders and commitments.

CFM International delivered 450 units LEAP engines in H1 2020 compared with 861 units in the year ago period.

CFM56 program

CFM56 engines deliveries are ramping down, reaching 84 units in H1 2020 compared with 258 engines in H1 2019.

Civil aftermarket ²

H1 2020 civil aftermarket revenue was down (34.4)% in USD terms due to lower spare parts sales for the latest generation of CFM56 engines and at a lesser extent to MRO activities. In Q2 civil aftermarket revenue decreased by (66.0)%.

Helicopter turbines

Safran won a support contract with the NATO Helicopter Management Agency (NAHEMA), to support 276 NH90 engines. The RTM322 engines will be covered by Safran's Global Support Package (GSP) under NAHEMA management.

Safran was also awarded a multi-year contract with the Royal Netherlands Air Force (RNLAf) to support until their end-of-life its 40 Makila engines-powered Cougar Mk.II helicopter fleet.

2- Aircraft Equipment, Defense and Aerosystems

Despite the impact of the Covid-19 crisis, new contracts were signed for Defense. Safran's new EuroflirTM 410 optronic (electro-optical) observation system has been selected by Hélicopter Union³ for the French navy's Dauphin N3 helicopters.

Safran also signed a contract with an Asian airline to provide carbon brakes for 10 Boeing 787.

3- Aircraft Interiors

Despite few tenders and customers decisions, Aircraft Interiors division continued to operate and contracts were awarded.

Safran recorded a new contract for Seats with an European airline to provide premium economy and economy class seats for its new A350.

Regarding Cabin, two major Asian airlines choose Safran's trolleys, one to equip its A320 fleet and the other its Boeing 787-10 fleet.

For Passenger Solutions, Safran was selected for multiple A350 IFE line fit contracts and a follow-on Boeing 777 IFE retrofit contract. The Group was awarded two railway contracts for Water & Waste Systems with deliveries starting at the end 2020 and 2021.

First-half 2020 results

H1 2020 revenue amounted to Euro 8,767 million, a decrease of (27.6)%, or Euro (3,335) million, compared to the year ago period. Changes in scope had a net contribution of Euro (20) million. The net impact of currency variations was Euro 194 million, reflecting a positive translation effect on non-Euro revenues, notably USD. The average EUR/USD spot rate was 1.10 to the Euro in H1 2020, compared to 1.13 in the year-ago period. The Group's hedge rate was at USD 1.16 to the Euro in H1 2020, compared to 1.18 in H1 2019.

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 Major player in helicopter service to the French government and operator Oil & Gas.

On an organic basis, revenue decreased by (29.0)% coming from all divisions:

- Decrease in Propulsion by (33.0)% from OE volumes (civil aircraft) as well as services (civil aftermarket).
Helicopter turbines and military activities have been less impacted by the current crisis (high single digit decrease compared to 2019). Propulsion sales dropped by (51.8)% in Q2 due to civil aftermarket and LEAP deliveries;
- Aircraft Equipment, Defense and Aerosystems sales decreased by (21.7)% due to OE sales for wiring, landing systems, nacelles and avionics activities. Within services, landing gear and carbon brakes activities and to a lesser extent Aerosystems and nacelles suffered the most. Electronics & Defense activities were less impacted (high single digit decrease). Q2 revenue decrease ((39.3)%) was driven by landing systems (both OE and services) as well as nacelles (mainly OE);
- Aircraft Interiors revenue (35.1)% was strongly impacted in Cabin businesses and Seats (both OE and services) and to a lesser extent Passenger Solutions activities. Q2 sales decreased by (54.6)%.

H1 2020 recurring operating income⁴ reached Euro 947 million, down (49.7)% compared to H1 2019. It includes scope changes of Euro (4) million as well as a positive currency impact of Euro 93 million.

On organic basis, recurring operating income decreased by (54.4)% due to lower volumes and despite less R&D expenses and savings from the adaptation plan:

- Propulsion recurring operating income decreased by (47.5)% mainly came from civil aftermarket and military support activities despite a positive contribution from helicopter turbines;
- Aircraft Equipment, Defense and Aerosystems recurring operating income decreased by (47.3)% due to landing gear and carbon brakes services and to lower OE volumes across all businesses;
- The strong decrease of Aircraft Interiors recurring operating income by (220.0)% was coming from both OE (including retrofit) and services activities for all businesses.

The Group recurring operating income margin stood at 10.8% of sales compared with 15.6% in the year ago period.

One-off items, which amounted to Euro (144) million, are related to restructuring costs (Euro (77) million) and impairment for two programs.

H1 2020 Adjusted net income – Group share was Euro 501 million (basic EPS of Euro 1.18 and diluted EPS of Euro 1.14) compared with Euro 1,353 million in H1 2019 (Basic EPS of Euro 3.13 and diluted EPS of Euro 3.09). It includes:

- Net adjusted financial loss of Euro (117) million, including foreign exchange losses of Euro (51) million and cost of debt of Euro (20) million;
- An adjusted tax expense of Euro (169) million (24.7% apparent tax rate);

The reconciliation between H1 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 901 million of free cash flow⁵. Free cash flow generation was driven by cash from operations of Euro 1,154 million mostly in Q1, a decrease of Euro (168) million in working capital and cuts in investments (at Euro 421 million down 24% vs H1 2019)⁶. The working capital evolution during the first half of the year has been driven by a limited increase in overdues,

⁴ Operating income before capital gains or losses on disposals / impact of changes of control, impairment charges, transaction and integration costs and other items.

⁵ 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.

⁶ Excluding capital gain in H1 2019.

stable inventories and by positives one-off items as Safran did not reimburse engines concessions as deliveries of aircraft were delayed.

Net Debt

The net debt was Euro 3,082 million as of June 30, 2020 compared to a net debt of Euro 4,114 million as of December 31, 2019. This decrease relies on free cash flow generation.

Research & Development

Total R&D, including R&D sold to customers, reached Euro (597) million, compared with Euro (851) million in H1 2019. The decrease of R&D spending between H1 2020 and H1 2019 is in line with the adaptation plan objective.

R&D expenses before research tax credit was Euro (447) million, compared with Euro (651) million for H1 2019.

Gross capitalised R&D was Euro 124 million compared with Euro 152 million for H1 2019.

Amortisation and depreciation of R&D was Euro (124) million compared with Euro (144) million for H1 2019.

The impact on recurring operating income of expensed R&D was Euro (373) million compared with Euro (560) million in the year ago period.

Financing

At end of June, Safran cash and cash equivalent stood at Euro 4,373 million. It was Euro 2,632 million at the end of 2019. 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 1.5 billion was outstanding as of June 30, 2020. The maximum amount available under the NEU CP program is Euro 3.0 billion.

On April 22, Safran set up a Euro 3.0 billion bridge facility with a syndicate of French and international banks. This facility has a maturity of up to 2 years, at Safran's option. It remains undrawn since its setting up.

On May 15, Safran refinanced Euro 800 million of this facility by issuing seven-year convertible bonds⁷ paying an annual coupon of 0.875%, with a conversion premium of 40% (exercise price of Euro 108.23).

On June 29, Safran continued to secure its long-term sources of funds and extended the maturity of its debt, by issuing Euro 564 million of senior unsecured notes on the US private placement market (USPP), of which Euro 282 million have a 10-year maturity and Euro 282 million have a 12-year maturity. Euro 286 million were directly raised in euros and Euro 278 million were originally funded in US dollars and then swapped in euros with cross currency swaps on July 21. The average interest rate across the various tranches and post cross currency swaps is 2.07% for this financing.

In consideration of those convertible bond and USPP financings, the Euro 3.0 billion undrawn bridge facility has been reduced to Euro 1.6 billion.

⁷ Bonds convertible into new shares and/or exchangeable for existing shares of Safran (OCEANEs).

Currency hedges

Safran's updated hedge book totalled USD 21.6 billion at July 28, 2020, down USD 5.4 billion since the last disclosure on April 29, 2020 as a consequence of exercise of contracts over Q2 and Knock-Out triggers being hit.

2020 is fully hedged at an estimated net exposure of USD 8.0 billion at a targeted hedge rate of USD 1.16.

2021 is fully hedged at an estimated net exposure of USD 9.0 billion at a targeted hedge rate between USD 1.14 and USD 1.16.

2022: the firm coverage of the estimated net exposure is USD 5.4 billion. The targeted hedge rate for a USD 10 billion exposure is expected to be between USD 1.12 and USD 1.14.

2023: the firm coverage of the estimated net exposure is USD 3.2 billion. The targeted hedge rate for a USD 11 billion exposure will be updated later on.

The hedge book includes barrier options with Knock-Out triggers ranging from \$1.18 to \$1.26 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 exchange rate fluctuations.

New Full-Year 2020 outlook

Based on a strong FY 2019 year comparison basis, **Safran, despite considerable uncertainty and based on the assumption of a gradual recovery of air traffic, now expects for FY2020:**

- **Adjusted revenue to decrease by approximately (35)%**, at an estimated average spot rate of USD 1.10 to the Euro. **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 strong uncertainties regarding working capital evolution.

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

- Propulsion:
 - In a context of an overall decrease in deliveries of new aircraft and on the basis of a return to service of the 737 MAX in Q4 as announced by Boeing, Safran now estimates that the number of deliveries of LEAP engines should be around 800 in 2020. Deliveries decrease of military engines compared to 2019 is unchanged from forecasts at the start of the year;
 - Decrease in civil aftermarket estimated at around (50)% for FY2020.
- Aircraft Equipment, Defense and Aerosystems:
 - Based on lower quantities announced by airframers to be delivered in H2 on the main widebody programs, organic decrease in sales is expected to be greater in H2 than in H1;
 - Recurring operating margin in H2 improving compared to H1 due to adaptation plan ramp-up.
- Aircraft Interiors:
 - Assuming a very low level of retrofit activities for airlines in H2, organic decrease in sales is expected to be stronger in H2 than in H1;
 - Recurring operating income significantly improving in H2 compared to H1 due to savings and restructuring. Strong negative recurring operating margin over the year.
- Deployment of HR measures of the adaptation plan: short-time working in H2, the Group "Activity Transformation" agreement in France impacting provisions for profit sharing 2020;
- Decrease in R&D expenses by around Euro 450 million compared to 2019;
- Level of Capex outflows down by Euro 200 million between 2019 and 2020 reflecting the confirmed reduction in commitments of 60% compared to 2019.

Business commentary for H1 2020

▪ Aerospace Propulsion

First-half 2020 revenue was Euro 4,047 million, down (31.4)% compared to Euro 5,902 million in 2019. On an organic basis, revenue decreased by (33.0)%.

➤ OE revenue dropped by (38.4)% (or (40.0)% organically) compared with H1 2019, due to lower narrowbody engines (LEAP and CFM56). Both installed and spare engines deliveries decreased compared to H1 2019. High thrust engines were impacted to a lesser extent during the first half 2020.

As planned, M88 engines deliveries were slightly down and amounted to 19 units in H1 2020 compared with 22 in H1 2019. Helicopter turbines OE sales faced a slight headwind during the first-half of the year.

➤ Services revenue decreased by (26.3)% (in Euro, or (27.9)% organically) and represented 62.1% of sales. Civil aftermarket revenue (in USD) was strongly impacted by the Covid-19 crisis since March and decreased by (34.4)% (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. Military services faced also a headwind compared to the year ago period that was a strong comparison base. Helicopter turbines support activities (mainly Time & Material contracts) contributed negatively during the semester.

Recurring operating income was Euro 699 million, a decrease of (43.0)% compared with Euro 1,227 million in H1 2019. Recurring operating margin dropped from 20.8% to 17.3%.

The profitability was strongly impacted by the drop in civil aftermarket and to a lesser extent by military activities. Helicopter turbines had a slight positive impact due to one-off effects.

Lower R&D expenses and first impacts coming from the adaptation plan's measures had also a positive impact for the division.

▪ Aircraft Equipment, Defense and Aerosystems

First-half 2020 revenue was Euro 3,638 million, down (20.1)% compared with Euro 4,553 million in the year ago period. On an organic basis, revenue was down (21.7)%.

➤ OE revenue decreased by (19.6)% (or (21.0)% organically) in H1 2020 mainly driven by wiring activities as well as lower volumes of landing gears for Boeing 787, A330, A350 and A320 family and nacelles for A320 family and A330neo. Deliveries of nacelles for LEAP-1A powered A320neo were at 248 units in H1 2020 (280 units in H1 2019). Avionics (FADEC for LEAP) and Aerosystems (evacuation, oxygen and fuel control systems) activities were also impacted by the Covid-19 crisis. Within Defense activities, sighting and navigation systems slightly grew compared to the year ago period.

➤ The decline in services of (21.0)% (or (23.1)% organically) in H1 2020 was mainly driven by carbon brakes and landing gear activities and by Aerosystems and nacelles support activities (mainly for A320neo).

Recurring operating income was Euro 343 million, a decrease of (41.7)% compared to Euro 588 million in H1 2019. Recurring operating margin fell from 12.9% to 9.4%. The drop in profitability was driven by lower volumes coming from landing systems activities (notably in services), electrical activities, nacelles, avionics and Aerosystems. This decrease was partially offset by Defense activities and by lower R&D impact on P&L.

▪ Aircraft Interiors

First-half 2020 revenue was Euro 1,072 million, down (34.6)% compared to Euro 1,640 million in H1 2019. On an organic basis, revenue decreased by (35.1)%.

➤ OE revenue dropped by (36.9)% (or (37.0)% organically) in H1 2020. Sales were strongly impacted in Cabin due to lower volumes for galleys (capacity reduction on Boeing 737 MAX, A320

and A330 programs), for inserts and for lavatories activities (mainly A220 and A350). All class seats programs were impacted by the Covid-19 crisis, as well as Connected Cabin (IFE) and custom cabin interior activities for Passenger Solutions.

➤ Services revenue decreased by (28.6)% (or (30.2)% organically) in H1 2020, mainly due to Seats aftermarket as well as Cabin spare sales (galleys, trolleys, inserts) and MRO activities. Passenger Solutions support activities decreased less than other activities.

Recurring operating income was Euro (101) million, a decrease of Euro (186) million compared to Euro 85 million in H1 2019. Recurring operating margin strongly decreased from 5.2% to (9.4)%. The profitability decreased in all businesses both for OE and services due to the drop in volumes. First impacts coming from the adaptation plan's measures put in place in H1 2020 (mainly lower R&D expenses on P&L) started to materialize.

▪ **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 6 million in H1 2020 compared with Euro (17) million in the year ago period.

Agenda

Q3 2020 revenue
FY 2020 earnings

October 30, 2020
February 25, 2021

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Safran will host today a conference call open to analysts, investors and media at 9.15 am CET which can be accessed at +33 (0)1 70 71 01 59 (France), +44 (0) 207 194 3759 (UK) and +1 646 722 4916 (US) (access code for all countries: 18796432#).

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=D4C3F55D-D544-40E1-9F97-FC8A9B5FC247>

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 use before attending this event.

A replay of the conference webcast will be available until October 28, 2020 by using this same link. A replay of the conference call will be available until October 28, 2020 at +33 (0)1 70 71 01 60, +44 (0) 203 364 5147 and +1 646 722 4969 (access code for all countries: 418941337#).

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)	H1 2019	H1 2020	% change
Revenue	12,102	8,767	(27.6)%
Other recurring operating income and expenses	(10,303)	(7,868)	
Share in profit from joint ventures	84	48	
Recurring operating income	1,883	947	(49.7)%
% of revenue	15.6%	10.8%	(4.8)pts
Other non-recurring operating income and expenses	32	(144)	
Profit from operations	1,915	803	(58.1)%
% of revenue	15.8%	9.2%	(6.6)pts
Net financial income (expense)	(32)	(117)	
Income tax expense	(496)	(169)	
Profit for the period	1,387	517	(62.7)%
Profit for the period attributable to non-controlling interests	(34)	(16)	
Profit for the period attributable to owners of the parent	1,353	501	(63.0)%
Earnings per share attributable to owners of parent (basic in €)	3.13*	1.18**	(62.3)%
Earnings per share attributable to owners of parent (diluted in €)	3.09***	1.14****	(63.1)%

* Based on the weighted average number of shares of 432,218,259 as of June 30, 2019

** Based on the weighted average number of shares of 425,155,180 as of June 30, 2020

*** Based on the weighted average number of shares after dilution of 437,834,002 as of June 30, 2019

**** Based on the weighted average number of shares after dilution of 437,745,244 as of June 30, 2020

Balance sheet - Assets (In Euro million)	Dec. 31, 2019	June 30, 2020	Balance sheet - Liabilities (In Euro million)	Dec. 31, 2019	June 30, 2020
Goodwill	5,199	5,197	Equity	12,748	12,547
Tangible & Intangible assets	13,877	13,471	Provisions	3,083	3,037
Investments in joint ventures and associates	2,211	2,199	Borrowings subject to sp. conditions	505	468
Right of use	732	676	Interest bearing liabilities	6,779	7,518
Other non-current assets	684	1,002	Derivatives liabilities	1,038	1,796
Derivatives assets	707	547	Other non-current liabilities	1,342	1,269
Inventories and WIP	6,312	6,340	Trade and other payables	6,164	5,243
Contracts costs	471	502	Contracts Liabilities	10,923	11,317
Trade and other receivables	7,639	6,790	Other current liabilities	226	162
Contracts assets	1,743	1,741	Total Equity & Liabilities	42,808	43,357
Cash and cash equivalents	2,632	4,373			
Other current assets	601	519			
Total Assets	42,808	43,357			

Cash Flow Highlights (In Euro million)	H1 2019	FY 2019	H1 2020
Recurring operating income	1,883	3,820	947
One-off items	32	13	(144)
Depreciation, amortization, provisions (excluding financial)	517	1,135	613
EBITDA	2,432	4,968	1,416
Income tax and non-cash items	162	(926)	(262)
Cash flow from operations	2,594	4,042	1,154
Changes in working capital	(863)	(897)	168
Capex (tangible assets)	(332)	(695)	(273)
Capex (intangible assets)	(65)	(134)	(21)
Capitalisation of R&D	(157)	(333)	(127)
Free cash flow	1,177	1,983	901
Dividends paid	(815)	(817)	(3)
Divestments/acquisitions and others	(534)	(1,482)	134
Net change in cash and cash equivalents	(172)	(316)	1,032
Net cash / (Net debt) at beginning of period	(3,798)*	(3,798)*	(4,114)
Net cash / (Net debt) at end of period	(3,970)	(4,114)	(3,082)

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

2. Segment breakdowns

<i>Segment breakdown of adjusted revenue (In Euro million)</i>	H1 2019	H1 2020	% change	% change in scope	% change currency	% change organic
Aerospace Propulsion	5,902	4,047	(31.4)%	-	1.6%	(33.0)%
Aircraft Equipment, Defense and Aerosystems	4,553	3,638	(20.1)%	(0.1)%	1.7%	(21.7)%
Aircraft Interiors	1,640	1,072	(34.6)%	(0.9)%	1.4%	(35.1)%
Holding company & Others	7	10	n/s	-	-	n/s
Total Group	12,102	8,767	(27.6)%	(0.2)%	1.6%	(29.0)%

<i>2020 revenue by quarter (In Euro million)</i>	Q1 2020	Q2 2020	H1 2020
Aerospace Propulsion	2,497	1,550	4,047
Aircraft Equipment, Defense and Aerosystems	2,187	1,451	3,638
Aircraft Interiors	694	378	1,072
Holding company & Others	5	5	10
Total Group	5,383	3,384	8,767

<i>2019 revenue by quarter (In Euro million)</i>	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

<i>Segment breakdown of recurring operating income (In Euro million)</i>	H1 2019	H1 2020	% change
Aerospace Propulsion	1,227	699	(43.0)%
% of revenue	20.8%	17.3%	
Aircraft Equipment, Defense and Aerosystems	588	343	(41.7)%
% of revenue	12.9%	9.4%	
Aircraft Interiors	85	(101)	(218.8)%
% of revenue	5.2%	(9.4)%	
Holding company & Others	(17)	6	na
Total Group	1,883	947	(49.7)%
% of revenue	15.6%	10.8%	

<i>One-off items (In Euro million)</i>	H1 2019	H1 2020
Adjusted recurring operating income	1,883	947
% of revenue	15.6%	10.8%
Total one-off items	32	(144)
Capital gain (loss) on asset disposal	-	-
Impairment reversal (charge)	-	(66)
Other infrequent & material non-operational items	32	(78)
Adjusted profit from operations	1,915	803
% of revenue	15.8%	9.2%

<i>Euro/USD rate</i>	H1 2019	FY 2019	H1 2020
Average spot rate	1.13	1.12	1.10
Spot rate (end of period)	1.14	1.12	1.12
Hedge rate	1.18	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 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 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.

The resulting changes in deferred tax have also been adjusted.

H1 2020 reconciliation between consolidated income statement and adjusted consolidated income statement:

H1 2020 (In Euro million)	Consolidated data	Currency hedging		Business combinations		Adjusted data
		Remeasurement of revenue (1)	Deferred hedging gain / loss (2)	Amortization of intangible assets -Sagem-Snecma merger (3)	PPA impacts - other business combinations (4)	
Revenue	8,902	(135)	-	-	-	8,767
Other operating income and expenses	(8,072)	6	2	24	172	(7,868)
Share in profit from joint ventures	29	-	-	-	19	48
Recurring operating income	859	(129)	2	24	191	947
Other non-recurring operating income and expenses	(144)	-	-	-	-	(144)
Profit (loss) from operations	715	(129)	2	24	191	803
Cost of debt	(20)	-	-	-	-	(20)
Foreign exchange gains / losses	(1,181)	129	1,001	-	-	(51)
Other financial income and expense	(46)	-	-	-	-	(46)
Financial income (loss)	(1,247)	129	1,001	-	-	(117)
Income tax expense	207	-	(321)	(8)	(47)	(169)
Profit (loss) from continuing operations	(325)	-	682	16	144	517
Attributable to non-controlling interests	(15)	-	-	(1)	-	(16)
Attributable to owners of the parent	(340)	-	682	15	144	501

(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 €1,001 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a positive €2 million at June 30, 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 €155 million excluding deferred tax and cancellation of amortization/impairment of assets identified during other business combinations.

Readers are reminded that only the consolidated financial statements are reviewed by the Group's statutory auditors. The consolidated financial statements include revenue and operating profit indicators set out in the adjusted data in Note 5, "Segment information" of the half-year consolidated financial statements.

Adjusted financial data other than the data provided in Note 5, "Segment information" of the consolidated financial statements, are subject to verification procedures applicable to all of the information provided in the half-year financial report.

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 84,000 employees and holds, alone or in partnership, world or European 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 / T +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

Aurélien 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

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.