

## PRESS RELEASE

### Q1 sales in line with recovery profile expectations in 2021

Paris, April 30, 2021

**Pursuit of adaptation efforts  
Full-year 2021 outlook confirmed**

#### Adjusted data

- Revenue at Euro 3,342 million, down (37.9)% on a reported basis
- Organic growth down (34.6)% across all divisions

#### Consolidated data

- Revenue at Euro 3,289 million

#### Foreword

- All figures in this press release represent adjusted<sup>[1]</sup> data, except where noted. Please refer to the definitions and reconciliation between Q1 2021 consolidated revenue and adjusted revenue. Please refer to the definitions contained in the Notes on page 6 of this press statement;
- Organic variations exclude changes in scope and currency impacts for the period.

#### Executive commentary

CEO Olivier Andriès commented:

*“The weakness in Q1 sales reflects, beyond comparison basis, the traffic deterioration in January and February while March showed signs of improvement. Overall, the decline in activity this quarter is consistent with the profile on which we have built the FY 2021 guidance, which we confirm. We remain flexible and prolong efforts which will produce their full effects in H2 and the following years.”*

#### Air traffic data in Q1 2021

Traffic recovery stalled in the first 2 months of 2021 everywhere around the world. Nevertheless evidence of a recovery from China and the United States has been noticed since March. Countries are facing very different situations with global upsurge in new Covid-19 cases, spread of variants and new quarantine measures, while the vaccine rollout is at very different paces around the world. CFM56 and LEAP flight cycles improved notably in China and in the United States.

As of April 25, 2021:

- Weekly CFM56 fleet cycles are down (46)% compared to 2019 improving from (61)% at February 14, 2021;
- Weekly LEAP fleet cycles are up 56% compared to 2019 improving from (29)% at February 14, 2021.

Given the current weak traffic in Europe and APAC (excl. China), uncertainties remain on the expected recovery in narrowbody capacity from Q2.

## Pursuit of adaptation efforts

Safran continues to keep its organization lean with restructuring actions ongoing:

- The decrease in labor costs compared to Q1 2019 consolidates savings achieved in FY 2020
  - Headcount decrease from 31<sup>st</sup> December 2020: over 2,000 workers (including temporary workers),
  - Short time working in Q1 2021 (8% worldwide, 9% France) now lower than in Q2-Q4 2020 to prepare H2 ramp up.
- OPEX & CAPEX under tight control, consistent with a backend loaded activity profile in 2021
  - R&D Expenses and OPEX in Q1 2021 vs Q1 2019 in line with savings achieved in FY 2020,
  - CAPEX commitments kept under control.

## Key business highlights

### 1- Aerospace Propulsion

#### Narrowbody engine deliveries

At the end of March 2021, combined shipments of CFM56 and LEAP engines reached 214 units, compared with 326 in the year ago period.

CFM International delivered 188 LEAP engines in Q1 2021 compared with 272 units in the year ago period. LEAP backlog<sup>1</sup> stood at more than 9,200 engines at end of March 2021.

Safran is supporting the 737 MAX return to service and delivery (58 Boeing 737 MAX deliveries in Q1 2021, 85 since returning to operations).

Southwest Airlines announced the purchase of LEAP-1B engines to power 100 Boeing 737 MAX-7 aircraft, along with a long-term service agreement. The airline originally launched the LEAP-1B engine on the 737 MAX in 2011 with a firm order for 150 aircraft. The new airplanes are scheduled for delivery from 2022. Today, the airline is CFM International's largest commercial customer, operating a fleet of more than 700 CFM-powered 737s.

Scandinavian Airlines (SAS) selected LEAP-1A engines to power 35 additional A320neo family aircraft. The order includes 8 spare engines and a Rate Per Flight Hour (RPFH) support agreement. Throughout the term of the agreement, CFM will guarantee maintenance costs for the airlines 160 LEAP-1A engines on a dollar per engine flight hour basis.

CFM56 engines deliveries were at 26 units in Q1 2021 compared with 54 engines in Q1 2020.

#### Civil aftermarket <sup>2</sup>

Q1 2021 civil aftermarket revenue was down (53.4)% in USD terms. This resulted from lower spare parts sales both for the latest generation of CFM56 engines and high-thrust engines and to a lesser extent from a decrease in service contracts.

#### Helicopter turbines

Safran signed a Support-By-Hour (SBH®) contract with the German federal police, covering their H120 fleet. This contract formalizes a long-term MRO (Maintenance, Repair and Overhaul) and service agreement supporting a total of 11 Arrius 2F engines.

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<sup>1</sup> Based on purchase orders and pending cancellations

<sup>2</sup> 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.

### **Futur Combat Air System (FCAS)**

Safran Aircraft Engines, MTU Aero Engines and ITP Aero announced on April 29, 2021 that they have reached an overall agreement on the cooperation to provide, through the Safran-MTU new joint venture EUMET, a jointly developed, produced and supported engine to power the Next-Generation Fighter (NGF), a core element of FCAS (Future Combat Air System) (see press releases available on Safran's website).

## **2- Aircraft Equipment, Defense and Aerosystems**

Safran will provide the new generation Euroflir™410 optronic (electro-optical) systems for two different Falcon-based aircraft: a dozen Albatros, derived from the Falcon 2000LXS, and the eight Falcon 50M Triton models upgraded as part of the French navy's program to modernize its maritime surveillance and intervention aircraft.

## **3- Aircraft Interiors**

Safran won three Crystal Cabin Awards, a first for the Group: "Cabin Systems" category for SOPHY, the smart trolley solution, "Passenger Comfort Hardware" category for its Modulair® innovation, a concept offering an enhanced comfort for seats and "IFEC" (IFE & Connectivity) category for its RAVE Bluetooth.

Safran recorded a new linefit contract with a US airline to provide business class seats for its A321XLR.

Besides, Safran latest Economy class Seat Z200 is now available on the A320 family catalogue. The Z200 has the capabilities to match all passengers' requirements for short and medium haul flights.

Finally, Safran's seats (Z110i and Z600) have also been selected by Airbus to provide its latest generation of short & medium range economy and business class solutions as SFE seats (Supplier Furnished Equipment) for the A220 Family.

## **First-quarter 2021 revenue**

**Q1 2021 revenue amounted to Euro 3,342 million, a decrease of (37.9)%, or Euro (2,041) million, compared to the year ago period.** Changes in scope had a net impact of Euro (1) million. The net impact of currency variations was Euro (180) million, reflecting a negative translation effect on non-Euro revenues, notably USD. The average EUR/USD spot rate was 1.21 to the Euro in Q1 2021, compared to 1.10 in the year-ago period. The Group's hedge rate was unchanged at USD 1.16 to the Euro in Q1 2021. On an organic basis, revenue decreased by (34.6)% coming from all divisions.

### **▪ Aerospace Propulsion**

**In the first quarter of 2021** revenue was Euro 1,561 million, down (37.5)% compared to Euro 2,497 million in Q1 2020. On an organic basis, revenue decreased by (34.2)%.

➤ OE revenue dropped by (30.3)% (or (26.3)% organically) compared with Q1 2020, due to lower engines deliveries for narrowbody aircraft (LEAP and CFM56) as well as high thrust engines. As planned, M88 engines deliveries increased and amounted to 15 units compared to 10 in Q1 2020. Helicopter turbines OE sales decreased due to the Arrius and Makila engines families and despite an increase in Arriel engines deliveries.

➤ Services revenue decreased by (41.4)% (or (38.6)% organically) and represented 60.3% of sales. Civil aftermarket revenue decreased by (53.4)% (in USD). This drop was mainly due to lower spare parts sales for CFM56 engines and high thrust engines as well as a lower contribution from services contracts for CFM56 and widebody platforms.

Military services faced a slight headwind compared to Q1 2020. Helicopter turbines support activities (mainly Per Hour contracts) contributed positively during the quarter with a double digit growth.

#### ▪ **Aircraft Equipment, Defense and Aerosystems**

**In the first quarter of 2021** revenue was Euro 1,464 million, down (33.1)% compared with Euro 2,187 million in the year ago period. On an organic basis, revenue was down (29.4)%.

➤ OE revenue decreased by (33.4)% (or (29.6)% organically) compared to Q1 2020 with lower volumes of wiring and power distribution activities, landing gears (Boeing 787, A320, A330 and A350) as well as nacelles for A320neo and A330neo. Deliveries of nacelles for LEAP-1A powered A320neo were at 128 units in Q1 2021 (174 in Q1 2020). Avionics and Aerosystems (evacuation, oxygen and fuel control systems) activities were also unfavourably impacted during the quarter. Within Defense activities, guiding and navigation systems slightly increased compared to the year ago period.

➤ Services declined by (32.2)% (or (29.1)% organically) and represented 32.3% of sales in Q1 2021. This decrease was due to carbon brakes, landing gears and nacelles support activities (mainly for A320neo).

#### ▪ **Aircraft Interiors**

**In the first quarter of 2021** revenue was Euro 313 million, down (54.9)% compared to Euro 694 million in Q1 2020. On an organic basis, revenue decreased by (51.9)%.

➤ OE revenue dropped by (51.9)% (or (47.9)% organically) compared to Q1 2020. Sales were strongly impacted in Cabin due to lower volumes for galleys (A320 programs), lavatories (A320 and A350 programs) and floor to floor activities (Boeing 787). Seats programs were also strongly impacted due to lower business class and economy class deliveries. IFE & Connectivity and air management activities were also impacted by deliveries deferrals.

➤ Services revenue decreased by (61.6)% (or (60.6)% organically), mainly due to aftermarket in Seats as well as Cabin spare sales (galleys, trolleys, inserts) and MRO activities.

### **Currency hedges**

The strong rise in EUR/USD observed at the end of 2020 has paused since the beginning of 2021. It offered a respite to start building the hedge book for 2024. USD 3.2 billion have consequently been added to the hedge book in order to initiate hedging year 2024.

2021 is hedged at a targeted hedge rate of USD 1.16 through knock-out options, for an estimated net exposure of USD 8.5 billion.

2022 is hedged at a targeted hedge rate between USD 1.14 and USD 1.16 through knock-out options, for an estimated net exposure of USD 9.0 billion.

2023 is hedged at a targeted hedge rate between USD 1.14 and USD 1.16 through knock-out options, for an estimated net exposure of USD 10.0 billion.

2024 is partially hedged through knock-out options; USD 3.2 billion hedged out of an estimated net exposure of USD 11.0 billion.

The hedge book includes barrier options with knock-out triggers ranging from \$1.2350 to \$1.31, representing a risk to the size of the hedge book and to targeted hedge rates from 2021 onwards in case of sudden and significant exchange rate fluctuations.

## Financing

Safran continued to diversify and optimize its debt maturity profile with two new transactions in the course of Q1 2021.

- A new Euro 500 million bank loan signed with the European Investment Bank on March 4, 2021 dedicated to Safran research into innovative propulsion systems to the next generation of single-aisle commercial aircraft, a core point of Safran's roadmap towards carbon-free air transport. It remains undrawn as at April 30, 2021 and is available for drawdown until September 2022, at Safran's option. It has a maturity up to ten years, at Safran's option, starting when funds are made available.
- First rated bond issue of EUR 1.4 billion across 5 and 10 years maturities: A EUR 700 million 5-year tranche bearing a 0.125% coupon and a EUR 700 million 10-year tranche bearing a 0.750% coupon. The transaction was oversubscribed 3.2x. The Bonds are rated BBB+ and listed on Euronext Paris.

Consequently, Safran cancelled on March 16, 2021 the EUR 1.4 billion remaining amount of the EUR 3 billion bridge facility set up in April 2020 which remained undrawn since inception.

## Full-year 2021 outlook confirmed

Safran confirms its full-year 2021 outlook and its underlying assumptions (as disclosed at full-year 2020 earnings announcement on February 25, 2021) in the context of uncertainty over the timing of air traffic recovery entailing a risk of delayed recovery of civil aftermarket.

## Agenda

Annual general meeting	May 26, 2021
H1 2021 earnings	July 29, 2021
Q3 2021 revenue	October 29, 2021
Capital Markets Day 2021	December 2, 2021

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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: 44121036#).

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 July 29, 2021 at +33 (0)1 70 71 01 60, +44 (0) 203 364 5147 and +1 646 722 4969 (access code for all countries: 425004834#).

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

## Key figures

<i>Segment breakdown of adjusted revenue (In Euro million)</i>	Q1 2020	Q1 2021	% change	% change in scope	% change currency	% change organic
Aerospace Propulsion	2,497	1,561	(37.5)%	-	(3.3)%	(34.2)%
Aircraft Equipment, Defense and Aerosystems	2,187	1,464	(33.1)%	n/s	(3.7)%	(29.4)%
Aircraft Interiors	694	313	(54.9)%	-	(3.0)%	(51.9)%
Holding company & Others	5	4	n/s	-	-	-
<b>Total Group</b>	<b>5,383</b>	<b>3,342</b>	<b>(37.9)%</b>	<b>n/s</b>	<b>(3.3)%</b>	<b>(34.6)%</b>

<i>2020 revenue by quarter (In Euro million)</i>	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020
Aerospace Propulsion	2,497	1,550	1,559	2,057	7,663
Aircraft Equipment, Defense and Aerosystems	2,187	1,451	1,461	1,794	6,893
Aircraft Interiors	694	378	357	493	1,922
Holding company & Others	5	5	5	5	20
<b>Total Group</b>	<b>5,383</b>	<b>3,384</b>	<b>3,382</b>	<b>4,349</b>	<b>16,498</b>

<i>Euro/USD rate</i>	Q1 2020	Q1 2021
Average spot rate	1.10	1.21
Spot rate (end of period)	1.10	1.17
Hedge rate	1.16	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

First-quarter 2021 reconciliation between consolidated revenue and adjusted revenue:

Q1 2021  <i>(In Euro million)</i>	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	
<b>Revenue</b>	<b>3,289</b>	53				<b>3,342</b>

**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 79,000 employees and sales of 16.5 billion euros in 2020, 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](http://www.safran-group.com) / Follow @Safran on Twitter 

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*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.*

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