

## PRESS RELEASE

### Q3 2021 sales: good sequential improvement leading to confirmation of full year guidance

Paris, October 29, 2021

- Q3 2021 revenue improved both year-on-year and sequentially driven by the recovery in services across all businesses
- Civil aftermarket up 24% versus Q2 2021 and 44% year-on-year
- Latest air traffic trends support a further improvement in the 4<sup>th</sup> quarter
- FY 2021 outlook confirmed for sales and profitability. Free cash flow target raised further thanks to additional advance payments

#### Adjusted data

- Q3 revenue at Euro 3,734 million, up 10.4% year-on-year and up 5.7% sequentially
- 9M revenue at Euro 10,610 million, down (12.7)% year-on-year on a reported basis and down (9.3)% on an organic basis

#### Consolidated data

- Revenue was Euro 3,719 million in Q3 2021
- Revenue was Euro 10,488 million for 9M 2021

#### Foreword

- All figures in this press release represent adjusted<sup>[1]</sup> data, except where noted. Please refer to the definitions and reconciliation between 9M 2021 consolidated income statement and adjusted income statement. Please refer to the definitions contained in the Notes on page 8 of this press statement.
- Organic variations exclude changes in scope and currency impacts for the period.

#### Executive commentary

CEO Olivier Andriès commented:

“Safran's third-quarter revenue confirms that the recovery is gaining strength month after month, which makes us optimistic for the future. We are efficiently managing the business recovery in terms of costs, supply chain and inventories which will enable Safran to emerge stronger from this crisis. We are therefore very confident about our revenue and profitability outlook for 2021, and even more positive about the free cash flow target, which is much better than anticipated. All teams are currently working on the Capital Markets Day and look forward to sharing Safran's exciting outlook.”

## Air traffic data in Q3 2021

Air traffic recovered during the third quarter of the year driven by an improvement of the sanitary situation in several countries. The summer season has been strong in Europe as well as in the United States. Traffic in Asia was mixed during the quarter, with strong volatility in China and still a difficult situation in Asia Pacific. Thanks to the vaccine rollout across the world, border reopenings supported the traffic rebound throughout Q3 but, nevertheless, at a different pace depending on the region.

- **Narrowbody ASK<sup>1</sup> in Q3**

After a slow start to the year, narrowbody ASK were at 59.4% of their 2019 levels in June, reaching 71.4% in September versus 2019. As of October 17, 2021, narrowbody ASK were approximately 74.3% of their 2019 levels, trending towards 80%.

- **Weekly CFM engines flight cycles**

As of October 17, 2021 (weekly flight cycles compared to the same week in 2019):

- CFM56 fleet : down (31)% slightly improving from (35)% at July 18, 2021;
- LEAP fleet : up 105% improving from 101% at July 18, 2021.

## Key business highlights

### 1- Aerospace Propulsion

#### **Narrowbody engine deliveries**

At the end of September 2021, combined shipments of CFM56 and LEAP engines reached 704 units, compared with 745 in the year ago period.

- **LEAP**

CFM International delivered 226 LEAP engines in Q3 2021 (compared with 172 in Q3 2020) bringing total deliveries to 625 units in the first nine months of 2021 (compared with 622 in the year ago period).

- **CFM56**

CFM56 engines deliveries reached 79 units in the first nine months of 2021, of which 30 in the third quarter. Last year, 123 engines were delivered during the same period, of which 39 in Q3 2020.

At the 13<sup>th</sup> China International Aviation and Aerospace Exhibition, Air China chose LEAP-1A engines for its 30 A320neo aircraft, which are gradually entering into service this year. In addition, Air China and CFM also signed a letter of intent to strengthen the LEAP engines maintenance, repair and overhaul (MRO) capacity of Sichuan Services Aero-engine Maintenance (SSAMC), a joint venture between the two companies.

#### **Helicopter turbines**

On September 8, 2021, Safran completed successfully a helicopter engine test campaign using 100% sustainable aviation fuel (SAF). During this campaign, a Makila 2 ran on biofuel produced by TotalEnergies from residue and waste from the circular economy, in particular used cooking oil.

### 2- Aircraft Equipment, Defense and Aerosystems

Safran has been selected by the Canadian ultra-low-cost carrier Flair Airlines to equip its 737NG and 737MAX aircraft fleet with wheels and brakes. This award reinforces Safran's worldwide leading position on the 737NG and 737MAX wheels and carbon brakes market, with almost 3,500 airplanes equipped by or committed to Safran, at over 100 operators.

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<sup>1</sup> Available Seat Kilometers

### **3- Aircraft Interiors**

Despite a challenging environment, commercial activity remained dynamic throughout the quarter:

- A US airline selected Safran's Business Class seats to equip 200 single-aisle aircraft.
- An Asian airline chose Safran Economy Z110i and Business Z600 seats to equip some of its Boeing 787 aircraft.

### **Revenue for the third quarter and first nine month 2021**

**Q3 2021 revenue amounted to Euro 3,734 million, an increase of 10.4%, or Euro 352 million, compared to the year ago period.** Changes in scope had a net impact of Euro (9) million further to the disposal of a non-core activity in Aircraft Interiors. The net impact of currency variations was Euro (30) million, reflecting a negative translation effect on non-Euro revenues, notably USD. The average EUR/USD spot rate was 1.18 to the Euro in Q3 2021, compared to 1.17 in the year-ago period. The Group's hedge rate was unchanged at USD 1.16 to the Euro in Q3 2021. Q3 2021 revenue improved by 4.5% on an organic basis compared to Q2 2021, coming from all divisions.

**9M 2021 revenue amounted to Euro 10,610 million, a decrease of (12.7)%, or Euro (1,539) million, compared to the year ago period.** Changes in scope had a net impact of Euro (13) million. The net impact of currency variations was Euro (396) million, reflecting a negative translation effect on non-Euro revenues, notably USD. The average EUR/USD spot rate was 1.20 to the Euro in 9M 2021, compared to 1.12 in the year-ago period. The Group's hedge rate was unchanged at USD 1.16 to the Euro in 9M 2021. On an organic basis, revenue decreased by (9.3)% with sequentially a (34.6)% drop in Q1 2021 (vs. Q1 2020), a 10.0% growth in Q2 2021 (vs. Q2 2020) and a 11.6% growth in Q3 2021 (vs. Q3 2020).

#### **▪ Aerospace Propulsion**

**In the third quarter of 2021 revenue** was Euro 1,812 million, up 16.2% (17.4% organic) compared to Euro 1,559 million in Q3 2020. Q3 2021 revenue showed a 6.1% organic improvement compared to Q2 2021.

➤ **OE revenue** increased by 1.0% compared with Q3 2020, due to higher LEAP and M88 engine deliveries partially compensated by lower CFM56 and high-thrust engines.

LEAP engine deliveries increased by 31% compared to Q3 2020. As planned, CFM56 engine deliveries were down by (23)%.

High-thrust engine volumes were down by (34)% during the third quarter 2021. M88 engine deliveries were up and amounted to 15 units in Q3 2021 compared with 6 in Q3 2020 mainly driven by export contracts (Qatar).

Helicopter turbine OE sales decreased during Q3 2021 (coming from all engine families).

➤ **Services revenue** strongly increased by 27.8% and represented 62.4% of sales. Civil aftermarket<sup>2</sup> revenue continued its recovery during the third quarter 2021, increasing by 43.8% (in USD) versus Q3 2020 and by 24% compared to Q2 2021. This growth was mainly due to higher spare parts sales for the latest generation of CFM56 engines and to a lesser extent thanks to service contracts for CFM56 and high-thrust engines spare parts sales. More broadly, services growth also comes from M88 spare parts sales and per hour contracts for helicopter turbines support activities.

**In the first nine months of 2021 revenue** was Euro 5,061 million, down (9.7)% (or (6.5)% organic) compared to Euro 5,606 million in the same period of 2020.

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<sup>2</sup> Civil aftermarket (expressed in USD): this non-accounting indicator (non-audited) comprises spare parts 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.

➤ **OE revenue** was down by (10.5)% compared to the first 9 months of 2020, due to lower CFM56 and high-thrust engine deliveries.

Combined shipments of CFM56 and LEAP engine deliveries decreased compared to 9M 2020 from 745 to 704 units. High-thrust engines were down by (31)% during the first nine months of 2021. M88 engine deliveries were up and amounted to 46 units in 9M 2021 compared with 25 in 9M 2020 notably thanks to export contracts.

Helicopter turbine deliveries lowered by (10)% to 394 units in 9M 2021 from 436 in 9M 2020.

➤ **Services revenue** decreased by (9.2)% and represented 60.9% of sales. Civil aftermarket revenue for the first nine months of 2021 was down (7.7)% in USD terms including a decrease of (53.4)% in Q1 2021 (vs. Q1 2020) and an increase in Q2 and Q3 2021 of respectively 55.0% (vs. Q2 2020) and 43.8% (vs. Q3 2020). The decrease year to date is due to lower spare parts sales for the latest generation of CFM56 engines and to a lesser extent to lower spare parts sales for high-thrust engines (notably CF6-80) in Q1. Service contracts were almost flat compared to the year ago period. During the first nine months of the year, military engine services were impacted by lower spare parts sales.

Helicopter turbine support activities (per hour contracts as well as time & material) have increased since the beginning of the year.

#### ▪ Aircraft Equipment, Defense and Aerosystems

**In the third quarter of 2021** revenue was Euro 1,535 million, up 5.1% (5.6% organic) compared with Euro 1,461 million in the year ago period. Q3 2021 revenue was flat (0.5% on organic) compared to Q2 2021.

➤ **OE revenue** slightly decreased by (3.5)% in Q3 2021 mainly driven by lower volumes for landing gear, wiring and power distribution activities (mainly Boeing 787 and to a lesser extent A350). Nacelles contributed positively thanks to deliveries for LEAP-1A powered A320neo which were at 142 units in Q3 2021 (102 units in Q3 2020). Aerosystems activities (safety, fuel and fluid systems) increased during the quarter.

➤ **Services revenue** increased by 25.0% in Q3 2021 thanks to all activities (mainly carbon brakes and nacelles support activities).

**In the first nine months of 2021** revenue was Euro 4,507 million, down (11.6)% (or (8.3)% organic) compared with Euro 5,099 million in the year ago period.

➤ **OE revenue** decreased by (15.3)% in the first nine months of 2021 mainly driven by wiring and power distribution activities, landing gear for Boeing 787 and to a lesser extent by avionics and Defense activities. Deliveries of nacelles for LEAP-1A powered A320neo increased to 406 units in 9M 2021 (350 units in 9M 2020).

➤ **Services revenue** were slightly down (3.6)% in the first nine months of 2021 mainly due to carbon brakes, landing gear MRO and nacelles support activities and despite a positive contribution from Electronics & Defense activities. Aerosystems activities were flat in 9M 2021 compared to 9M 2020.

#### ▪ Aircraft Interiors

**In the third quarter of 2021** revenue was Euro 385 million, up 7.8% (11.2% organic) compared to Euro 357 million in Q3 2020. Sales for Q3 2021 were up 15.6% on an organic basis compared to Q2 2021.

➤ **OE revenue** slightly decreased by (1.4)% (also (1.4)% organically) in Q3 2021 due to Cabin activities (mainly galleys and lavatories for A320 and A350 programs). Seats had a small positive impact on division sales thanks to business programs (mainly Polaris). Strong growth for IFE products as deliveries to airlines resumed this quarter.

➤ **Services revenue** strongly increased (39.5% or 54.3% organically) in Q3 2021, mainly thanks to Cabin spare sales and MRO activities.

**In the first nine months of 2021** revenue was Euro 1,031 million, down (27.9)% compared to Euro 1,429 million in the year ago period. On an organic basis, revenue decreased by (23.6)% excluding the impact of the disposal of the train toilet activities in Q2 2021.

➤ **OE revenue** dropped by (27.9)% in the first nine months of 2021. Seats was impacted by a strong decrease on all programs and Cabin activities by lower volumes for galleys and lavatories (A320 and A350 programs) and floor to floor activity (Boeing 787). Thanks to the Q3 level of activity, IFE activities had a positive contribution during the first nine months of the year.

➤ **Services revenue** decreased by (27.8)% in the first nine months of 2021, mainly due to Seats aftermarket as well as Cabin spare sales and MRO activities.

## Currency hedges

The hedge book amounted USD 29.7 billion as of October 18, 2021. Safran continued to add hedges for 2024 and lower risk of knock-out. The book is composed of options with knock-out barriers spanning from 1.2350 to 1.31, representing a risk on the size of the book and on targeted rates in case of sudden increase of the euro.

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 from USD 1.14 to 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 from USD 1.14 to USD 1.16 through knock-out options, for an estimated net exposure of USD 10.0 billion.

2024 is partially hedged at a targeted hedge rate from USD 1.14 to USD 1.16 through knock-out options; USD 6.8 billion hedged out of an estimated net exposure of USD 11.0 billion.

## Full-year 2021 outlook confirmed for sales and profitability, further raised for free cash flow.

**Safran reaffirms its FY 2021 outlook** (compared with FY 2020 figures):

- **Adjusted revenue to decrease in the low single digits in organic terms.** At an estimated spot rate of USD 1.22 to the Euro, adjusted revenue to decrease in the high single digits;
- **Adjusted recurring operating margin to increase above 100 bps, at least a 300 bps improvement versus H2 2020** (based on a hedge rate of USD 1.16 to the Euro and an adjusted revenue based on a spot rate at USD 1.22 to the Euro).

**Safran is further improving its free cash flow guidance:**

- **Free cash flow generation above Euro 1.5 bn** (previously “above 2020 level”) thanks to new Rafale export contracts advance payments and to a positive working capital contribution.

As a reminder, the full-year 2021 outlook is based on a number of assumptions, notably on civil aftermarket which relies on further fourth quarter improvement and LEAP deliveries which are expected to be around 900 (previously “800+”).

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**Agenda**

Capital Markets Day 2021  
FY 2021 earnings  
Q1 2022 revenue  
Annual General Meeting

December 2, 2021  
February 24, 2022  
April 29, 2022  
May 25, 2022

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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: 70835114#).

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 27, 2022 at +33 (0)1 70 71 01 60, +44 (0) 203 364 5147 and +1 (646) 722 4969 (access code for all countries: 425014601#).

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>	Q3 2020	Q3 2021	% change	% change in scope	% change currency	% change organic
Aerospace Propulsion	1,559	1,812	16.2%	-	(1.2)%	17.4%
Aircraft Equipment, Defense and Aerosystems	1,461	1,535	5.1%	-	(0.5)%	5.6%
Aircraft Interiors	357	385	7.8%	(2.5)%	(0.9)%	11.2%
Holding company & Others	5	2	n/s	n/s	n/s	n/s
<b>Total Group</b>	<b>3,382</b>	<b>3,734</b>	<b>10.4%</b>	<b>(0.3)%</b>	<b>(0.9)%</b>	<b>11.6%</b>

<i>Segment breakdown of adjusted revenue (In Euro million)</i>	9M 2020	9M 2021	% change	% change in scope	% change currency	% change organic
Aerospace Propulsion	5,606	5,061	(9.7)%	-	(3.2)%	(6.5)%
Aircraft Equipment, Defense and Aerosystems	5,099	4,507	(11.6)%	n/s	(3.3)%	(8.3)%
Aircraft Interiors	1,429	1,031	(27.9)%	(0.8)%	(3.5)%	(23.6)%
Holding company & Others	15	11	n/s	n/s	n/s	n/s
<b>Total Group</b>	<b>12,149</b>	<b>10,610</b>	<b>(12.7)%</b>	<b>(0.1)%</b>	<b>(3.3)%</b>	<b>(9.3)%</b>

<i>2021 revenue by quarter (In Euro million)</i>	Q1 2021	Q2 2021	Q3 2021
Aerospace Propulsion	1,561	1,688	1,812
Aircraft Equipment, Defense and Aerosystems	1,464	1,508	1,535
Aircraft Interiors	313	333	385
Holding company & Others	4	5	2
<b>Total Group</b>	<b>3,342</b>	<b>3,534</b>	<b>3,734</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>	Q3 2020	Q3 2021	9M 2020	9M 2021
Average spot rate	1.17	1.18	1.12	1.20
Spot rate (end of period)	1.17	1.16	1.17	1.16
Hedge rate	1.16	1.16	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 income statement in addition to its consolidated financial statements.

Safran's consolidated income statement 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:
  - 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.

Third-quarter 2021 and 9M 2021 reconciliation between consolidated revenue and adjusted revenue:

Q3 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>3,719</b>	15	-	-	-	<b>3,734</b>

9m 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>10,488</b>	122	-	-	-	<b>10,610</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 76,000 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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