PRESS RELEASE

Safran 2021 Capital Markets Day (CMD'21)
Driving innovation for sustainable growth

Paris, December 2, 2021

CMD'18 roadmap achieved despite Covid crisis.

Safran is well positioned to meet accelerating trends of the aerospace industry thanks to its global leadership positions, unique technology portfolio, operational excellence, commitment of talented people and solid financials.

Leaner organization to deliver increased profitability

- Organic revenue growth: 10+% CAGR 2021-2025 (at a €/$ spot rate of 1.20), including civil aftermarket revenue growing around 15% CAGR over the period,
- Recurring operating income margin: 16-18% by 2025 (at a €/$ hedge rate of 1.16),
- Strong cash generation driven by growing EBITDA and a good control of working capital needs: EBIT to FCF conversion of 70% on average during 2021-2025.

Priorities for capital allocation

- Investing for organic growth with increasing R&T effort towards sustainable aviation and selective resumption of Capex spending,
- Active portfolio management: assessment of Zodiac Aerospace legacy businesses: 70% confirmed as core and 30% under review,
- Keeping low leverage (net debt/EBITDA ratio) for full flexibility to fund development of any new programs and/or additional working capital needs,
- Target to resume historical practice of 40% dividend payout ratio related to fiscal year 2022 (paid in 2023).

  In addition and beyond 2023, the Board of directors will review its practice in order to ensure growing and attractive returns to shareholders.

All figures in this press release represent adjusted data, except where noted (for definitions see Notes).

Executive commentary

CEO Olivier Andriès commented:

"*Safran has demonstrated agility, resilience and discipline during the crisis. Our business model is anchored on solid foundations and strong leadership positions. We are accelerating our pace of investment for decarbonization to meet net-zero carbon emissions by 2050. Safran is rebounding from the crisis with strong profitable growth at the forefront of sustainable aviation*."

Safran (Euronext Paris: SAF) is today hosting its 2021 Capital Markets Day at Safran Campus with investors and financial analysts.

Ross McInnes, Chairman of the Board of Directors, will open the event hosted by Olivier Andriès, Chief Executive Officer, with the participation of some members of Safran's Executive Committee.

Main topics discussed during this event:

1. Perspectives and strategy

The roadmap set at Safran Capital Markets Day in 2018 was achieved despite the Covid crisis and the earlier grounding of the Boeing 737 MAX: the first ramp-up to 1,700 LEAP engines delivered in 2019 was executed, Zodiac Aerospace integration was completed, synergies delivered and R&T efforts were maintained notably thanks to public funding.

Safran is well positioned to benefit from air traffic growth and new aircraft deliveries notably in narrowbody applications. A young and active fleet of aircraft powered with CFM engines (CFM56 and LEAP) is a key driver of future aftermarket revenue. Safran also has strong positions on aircraft programs that will constitute the bulk of deliveries over the next decade.

Safran is committed to contribute to net-zero carbon emissions for aviation by 2050 with a dedicated roadmap and an accelerated pace of investment in R&T.

In Defense and Space, Safran enjoys strong market positions (notably M88 engines for the Rafale jet fighter, turbines for military helicopters, inertial navigation systems and optronics), and facilitates access to space through its 50% stake in ArianeGroup. These national sovereignty activities, which reinforce Safran's dual nature and nurture its technological roots, have demonstrated their resilience during the crisis.

Safran will leverage on its operational excellence notably through accelerated digitalization and a leaner organization to deliver increased profitability and manage the forthcoming ramp-up in OE build rates and services. Key talent management will continue to be an area of focus through recruitment and upskilling.

A portfolio review, conducted after three years of experience since their acquisition, concluded that 70% of the former Zodiac Aerospace businesses are core and 30% under assessment.

2. Research & Technology

Research and technology is at the core of Safran’s answer to customer needs and its response to the climate challenge as the industry moves towards sustainable aviation.

Transition to new energy sources and propulsion architecture will be key to enable aviation decarbonization, notably through the RISE disruptive technology program for a future narrowbody engine, an increase in drop-in fuels usage, hydrogen technologies, hybridization and electrification.

Materials and processes will bring differentiation in additive manufacturing, new metals, advanced ceramics and polymer composites.

Digital technology will allow increased productivity and enable more competitive and enhanced products and services.

Safran is therefore making a continuous and growing investment in technologies, with a self-funded R&T effort of €2.8bn and €1.4bn expected in public funding from 2021 to 2025.

3. Financial framework

Organic revenue growth over 2021-2025 is expected to reach 10+% CAGR (at a €/$ spot rate of 1.20) driven by higher OE build rates and a recovery in aftermarket activities. LEAP deliveries will ramp again up to 2,000 engines from 2023. Civil aftermarket revenue should grow at around 15% CAGR over the period.

Recurring operating income margin should reach 16% to 18% by 2025 (at a €/$ hedge rate of 1.16), representing more than 5 points margin expansion from 2021 mainly driven by growth in services across all divisions.

Safran's breakeven point has been improved over the past 18 months with lasting structural improvements to its fixed cost base mainly through rationalizing the industrial footprint and adapting the headcount. At least €500M per annum of the savings generated through the crisis will be preserved through to 2025, embedded in the 16% to 18% margin target range.

The margin profile will not be linear throughout the period with an accelerated margin expansion anticipated at the end of the period (2024-2025), notably thanks to LEAP OE gross margin breakeven and IS/IT expenses decreasing as percentage of sales, compared to 2022-2023.

By division, Safran's recurring operating margin ambition by 2025 is:

- **above 20% for Propulsion,**
- **around 15% for Equipment & Defense,**
- **above 10% for Aircraft Interiors.**

Free cash flow (FCF) generation should reach around €10Bn on a cumulated basis over 2021-2025, notably driven by a doubling of EBITDA. Change in working capital is expected to be non-material over the period due to a slight increase of advance payments at the beginning of the period, a decrease in inventory days and a strong increase of the cash contribution from Rate Per Flight Hours contracts (RPFH), notably LEAP.

Tangible Capex should grow from 3% to 3.5% of sales over 2021-2025 and be allocated to areas generating growth and cost savings, as well as Safran's digital transformation and low carbon projects.

R&D spending should increase with a strong uptick in R&T effort over 2021-2025 and growing support from government funding. Development expenses will stabilize and decrease from 3.5% to 2% of sales over the period. Overall, the impact of R&D expenses on P&L will represent an average of around 4.5% of sales from 2021 to 2025.

As a result, FCF is expected to grow every year with recurring operating income to FCF conversion rate of 70% on average for 2021-2025.

Safran maintains its discipline on capital allocation:

- The portfolio review could lead to further divestments and bolt-on acquisitions,
- Safran is pursuing low leverage for full flexibility to fund development of any new programs and/or additional working capital needs,
- Target to resume historical practice of 40% dividend payout ratio related to fiscal year 2022 (paid in 2023)[1].

  In addition and beyond 2023, the Board of directors will review its practice in order to ensure growing and attractive returns to shareholders.

4. Civil engines

4.1 Execute new LEAP engine ramp-up

With an undisputed reputation and reliability, the LEAP engine has a 72%[2] market share of the entire narrowbody market. Safran is ready to deliver the second ramp-up of the LEAP with a doubling of production from 2021 to 2023.

The LEAP cost of sales will continue to decrease, reaching OE gross margin breakeven at the latest in 2025, after the first few years of ramp-up at negative margins.

4.2 A robust engine aftermarket outlook

CFM56 and LEAP engines will remain the core drivers of the profitable and fast growing civil aftermarket business of Safran. With a young fleet in service of second generation CFM56 engines, the flow of spare parts consumption on these engines will be significant for 10+ years, with a return to 2019 levels around 2024 and a prolonged plateau over 2025-2028.

Over 2021-25, civil aftermarket revenue (ie civil aftermarket index) should grow at around 15% CAGR.

On a longer term, over 2022-2030, the sole contribution of CFM56 and LEAP engines (excluding high thrust engines) to civil aftermarket index should grow at high single digit CAGR.

The aftermarket business model will gradually evolve from a predominantly Time & Materials (T&M) model, based on the CFM56 fleet in service, to a model based on rate per flight hour (RPFH) contracts for the LEAP. At this stage, as a matter of prudence, Safran does not recognize any margin on RPFH contracts. This accounting method will be reviewed from 2026 onwards, once sufficient experience has been acquired on the actual cost of LEAP shop visits.

5. Aircraft Interiors margin recovery

Within Aircraft interiors, Safran Seats and Safran Cabin are both set to reach breakeven in 2022 and double-digit profitability by 2025.

With strong market shares, innovation-driven growth and customer confidence restored, both businesses are ready to take advantage of the recovery of a severely hit market.

The successful transformation achieved in both businesses has allowed to drastically improve their breakeven points through site closures, an increased share of cost competitive countries and headcount reduction.

[1] Subject to Board's proposal and shareholders' approval

[2] Based on net cumulative orders and commitments

6. ESG

Safran's ESG strategy is organized through 4 pillars and 12 commitments with 2025 objectives to track yearly progress:

- Decarbonize aeronautics, with a target of 30% reduction in Safran's CO_2 emissions from operations (scope 1&2) by 2025 compared to 2018. In 2022, Safran will declare all categories of scope 3 emissions and disclose its reduction objective,
- Be an exemplary employer, with a focus on an inclusive culture, gender diversity (target of 22% of women in senior management by 2025, from 15% in 2021) and skills development,
- Embody responsible industry, with a commitment to a culture of ethics and integrity and a target to engage Safran's supply chain on responsibility and sustainability,
- Contribute to a safer world, thanks to Safran's defense & space activities.

A dedicated governance led by the Executive Committee and monitored by the Board of Directors is in place to ensure that Safran's ESG strategy is successfully deployed across the Group through the engagement of all employees.

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Live webcast and replay
The event will start at 13:00 CET in Vilgénis on December 2, 2021 and will be live webcasted at the following address: https://www.safran-group.com/calendar/capital-markets-day-2021

The presentation and press release may be downloaded and subsequently a replay will be made available at: www.safran-group.com/finance

Agenda

FY 2021 earnings	February 24, 2022
Q1 2022 revenue	April 29, 2022
Annual General Meeting	May 25, 2022

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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

[2] Adjusted recurring operating income
Operating income before capital gains or losses on disposals / impact of changes of control, impairment charges, transaction and integration costs and other items

[3] Free cash flow
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

[4] 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.

***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.

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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.