



2020 Interim  
**FINANCIAL REPORT**



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*"The forecasts and forward-looking statements described in this document are based on the data, assumptions and estimates considered as reasonable by the Group as at the date of this document. These data, assumptions and estimates may evolve or change as a result of uncertainties related in particular to the economic, financial, competitive, tax or regulatory environment. The occurrence of one or more of the risks described in the Universal Registration Document may also have an impact on the business, financial position, results and prospects of the Group and thus affect its ability to achieve such forecasts and forward-looking statements. The Group therefore neither makes any commitment, nor provides any assurance as to the achievement of the forecasts and forward-looking statements described in this document."*



The Interim Financial Report  
is available on the website at  
[www.safran-group.com](http://www.safran-group.com)



# STATEMENT BY THE PERSON RESPONSIBLE

*"I certify that, to the best of my knowledge, the condensed interim consolidated financial statements have been prepared in accordance with the applicable accounting standards, and give a true and fair view of the assets and liabilities, and of the financial position and results of the Company and all its consolidated subsidiaries, and that the attached interim management report provides a true and fair view of the main events of the first six months of the year, their impact on the condensed interim consolidated financial statements, the significant transactions with related parties, as well as a description of the main risks and uncertainties for the remaining six months of the year."*

Paris, July 30, 2020

Chief Executive Officer,

**Philippe Petitcolin**



# INTERIM 2020 ACTIVITY REPORT

## UPDATE ON 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 needs 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 pre-Covid-19 forecasts.

#### ■ 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 July 17, 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 is continuing to normalize as 14 sites are closed compared to 30 as of May 18, 2020.

The supply chain is under scrutiny. In this context, a task force has been put in place since the beginning of the crisis to identify and support critical suppliers. Safran, alongside the French State and other players in the aerospace industry, will contribute €58 million 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 was significantly 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:

- the workforce has been adjusted: 12% decrease in permanent employees, 14% including temporary workers as of July 17, 2020;
- industrial footprint rationalized within the Electrical & Power, Nacelles and Aircraft Interiors activities, with four site closures, three 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 €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 were reduced by 74% in H1 2020, above the initial objective of a reduction of 60% in 2020.

- R&D expenses were 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 expenses<sup>(1)</sup> were reduced by 17% in H1 2020, consistent with the target of a reduction by more than 20% at year-end compared to 2019.

(1) Excluding purchasing and including R&D expenses.

On July 8, 2020, a Group “Activity Transformation” agreement was 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 its French activities.

This agreement is based on economic levers such as wage moderation for employees, a cap on profit-sharing and savings schemes, deployment of 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 CO<sub>2</sub> 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 coming years, offsetting most of the decrease in its self-funded expenses over the coming years.

Safran is working 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.

#### LEAP commercial success and deliveries

The LEAP recorded 126 orders and commitments in H1 2020.

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

#### CFM56 program

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

#### Civil aftermarket<sup>(1)</sup>

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, to a lesser extent, to MRO activities. In Q2, civil aftermarket revenue decreased by 66.0% due to a decrease in the number of shop visits.

#### 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, the 40 Makila engines powering its 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 Euroflir™ 410 optronic (electro-optical) observation system has been selected by Hélicopter<sup>(2)</sup> 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 customer decisions, the Aircraft Interiors division continued to operate and contracts were awarded.

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

Regarding Cabin, two major Asian airlines chose 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 end-2020 and 2021.

(1) 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 the civil aircraft engines aftermarket compared to the market.

(2) Major player in helicopter services to the French government and an Oil & Gas operator.

## FOREWORD

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.

Readers are reminded that Safran:

- is the result of the May 11, 2005 merger of Sagem and Snecma, accounted for in accordance with IFRS 3, "Business Combinations" in its consolidated financial statements;
- recognizes, as of July 1, 2005, all changes in the fair value of its foreign currency derivatives in "Financial income (loss)", in accordance with the provisions of IFRS 9 applicable to transactions not qualifying for hedge accounting (see section 3.1, Note 1.f of the 2019 Universal Registration Document).

Accordingly, 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 remeasured 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 and depreciation

charged against intangible assets and property, plant and equipment recognized or remeasured at the time of the transaction and amortized or depreciated 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.

## RECONCILIATION OF THE CONSOLIDATED INCOME STATEMENT WITH THE ADJUSTED INCOME STATEMENT

The impact of these adjustments on 2020 income statement items is as follows:

(in € millions)	First-half 2020 consolidated data	Currency hedges		Business combinations		First-half 2020 adjusted data
		Remeasurement of revenue <sup>(1)</sup>	Deferred hedging gain/loss <sup>(2)</sup>	Amortization of intangible assets from Sagem- Snecma merger <sup>(3)</sup>	PPA impacts – other business combinations <sup>(4)</sup>	
<b>Revenue</b>	<b>8,902</b>	<b>(135)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,767</b>
Other recurring operating income and expenses	(8,072)	6	2	24	172	(7,868)
Share in profit from joint ventures	29	-	-	-	19	48
<b>Recurring operating income</b>	<b>859</b>	<b>(129)</b>	<b>2</b>	<b>24</b>	<b>191</b>	<b>947</b>
Other non-recurring operating income and expenses	(144)	-	-	-	-	(144)
<b>Profit from operations</b>	<b>715</b>	<b>(129)</b>	<b>2</b>	<b>24</b>	<b>191</b>	<b>803</b>
Cost of net debt	(20)	-	-	-	-	(20)
Foreign exchange gain/loss	(1,181)	129	1,001	-	-	(51)
Other financial income and expense	(46)	-	-	-	-	(46)
<b>Financial income (loss)</b>	<b>(1,247)</b>	<b>129</b>	<b>1,001</b>	<b>-</b>	<b>-</b>	<b>(117)</b>
Income tax benefit (expense)	207	-	(321)	(8)	(47)	(169)
<b>Profit (loss) for the period</b>	<b>(325)</b>	<b>-</b>	<b>682</b>	<b>16</b>	<b>144</b>	<b>517</b>
<b>Profit for the period attributable to non-controlling interests</b>	<b>(15)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(16)</b>
<b>PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>(340)</b>	<b>-</b>	<b>682</b>	<b>15</b>	<b>144</b>	<b>501</b>

(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.



Reconciliation of the consolidated income statement with the adjusted income statement

The impact of these adjustments in 2019 was as follows:

(in € millions)	First-half 2019 consolidated data	Currency hedges		Business combinations		First-half 2019 adjusted data
		Remeasurement of revenue <sup>(1)</sup>	Deferred hedging gain/loss <sup>(2)</sup>	Amortization of intangible assets from Sagem- Snecma merger <sup>(3)</sup>	PPA impacts – other business combinations <sup>(4)</sup>	
<b>Revenue</b>	<b>12,315</b>	<b>(213)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,102</b>
Other recurring operating income and expenses	(10,502)	(2)	-	25	176	(10,303)
Share in profit from joint ventures	64	-	-	-	20	84
<b>Recurring operating income</b>	<b>1,877</b>	<b>(215)</b>	<b>-</b>	<b>25</b>	<b>196</b>	<b>1,883</b>
Other non-recurring operating income and expenses	32	-	-	-	-	32
<b>Profit from operations</b>	<b>1,909</b>	<b>(215)</b>	<b>-</b>	<b>25</b>	<b>196</b>	<b>1,915</b>
Cost of net debt	(21)	-	-	-	-	(21)
Foreign exchange gain/loss	150	215	(353)	-	-	12
Other financial income and expense	(23)	-	-	-	-	(23)
<b>Financial income (loss)</b>	<b>106</b>	<b>215</b>	<b>(353)</b>	<b>-</b>	<b>-</b>	<b>(32)</b>
Income tax benefit (expense)	(550)	-	113	(8)	(51)	(496)
<b>Profit (loss) for the period</b>	<b>1,465</b>	<b>-</b>	<b>(240)</b>	<b>17</b>	<b>145</b>	<b>1,387</b>
<b>Profit for the period attributable to non-controlling interests</b>	<b>(33)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>(34)</b>
<b>PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>1,432</b>	<b>-</b>	<b>(240)</b>	<b>16</b>	<b>145</b>	<b>1,353</b>

(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 negative €353 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (zero at June 30, 2019).

(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 €156 million excluding deferred tax and cancellation of amortization/impairment of assets identified during other business combinations.

Readers are reminded that only the condensed interim consolidated financial statements are subject to review by the Group's Statutory Auditors. The condensed interim consolidated financial statements include the revenue and operating profit indicators set out in the adjusted data in Note 5, "Segment information".

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

## 1.1 FIRST-HALF 2020 RESULTS

All figures concerning the first-half income statement and commented in sections 1.1 and 1.2 represent adjusted data, except when noted otherwise. Comments on the interim consolidated income statement are provided in section 1.3 of this document.

### Adjusted interim income statement

	First-half 2019	First-half 2020
(in € millions)	Adjusted data	Adjusted data
<b>Revenue</b>	<b>12,102</b>	<b>8,767</b>
Other income	138	109
<b>Income from operations</b>	<b>12,240</b>	<b>8,876</b>
Change in inventories of finished goods and work-in-progress	492	(39)
Capitalized production	215	152
Raw materials and consumables used	(7,270)	(4,670)
Personnel costs	(3,185)	(2,760)
Taxes	(258)	(203)
Depreciation, amortization and increase in provisions, net of use	(497)	(442)
Asset impairment	(21)	(85)
Other recurring operating income and expenses	83	70
Share in profit from joint ventures	84	48
<b>Recurring operating income</b>	<b>1,883</b>	<b>947</b>
Other non-recurring operating income and expenses	32	(144)
<b>Profit from operations</b>	<b>1,915</b>	<b>803</b>
Cost of net debt	(21)	(20)
Foreign exchange gain (loss)	12	(51)
Other financial income and expense	(23)	(46)
<b>Financial income (loss)</b>	<b>(32)</b>	<b>(117)</b>
<b>Profit before tax</b>	<b>1,883</b>	<b>686</b>
Income tax expense	(496)	(169)
<b>PROFIT FOR THE PERIOD</b>	<b>1,387</b>	<b>517</b>
<b>Attributable to:</b>		
■ owners of the parent	1,353	501
■ non-controlling interests	34	16
<b>Earnings per share attributable to owners of the parent (in €)</b>		
Basic earnings per share	3.13	1.18
Diluted earnings per share	3.09	1.14

### Adjusted revenue

Revenue amounted to €8,767 million, a decrease of 27.6%, or €3,335 million, compared to the year-ago period. Changes in scope had a negative net contribution of €20 million.

The net impact of currency variations was €194 million, reflecting a positive translation effect on non-euro revenues, notably USD. The average EUR/USD spot rate was USD 1.10 to the euro in H1 2020, compared to USD 1.13 in the year-ago period. The Group's hedge rate was USD 1.16 to the euro in H1 2020, compared to USD 1.18 in H1 2019.

On an organic basis, revenue decreased by 29.0%, with decreases 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). The Q2 revenue

decrease (39.3%) was driven by landing systems (both OE and services) as well as nacelles (mainly OE);

■ Aircraft Interiors revenue (down 35.1%) was strongly impacted by the Cabin and Seats businesses (both OE and services) and, to a lesser extent, the Passenger Solutions activities. Q2 sales decreased by 54.6%.

(in € millions)	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Holding company and other	Safran
<b>First-half 2019</b>	<b>5,902</b>	<b>4,553</b>	<b>1,640</b>	<b>7</b>	<b>12,102</b>
<b>First-half 2020</b>	<b>4,047</b>	<b>3,638</b>	<b>1,072</b>	<b>10</b>	<b>8,767</b>
Reported growth	-31.4%	-20.1%	-34.6%	N/A	-27.6%
Impact of changes in scope	-	-0.1%	-0.9%	N/A	-0.2%
Currency impact	+1.6%	+1.7%	+1.4%	N/A	+1.6%
<b>Organic growth</b>	<b>-33.0%</b>	<b>-21.7%</b>	<b>-35.1%</b>	<b>N/A</b>	<b>-29.0%</b>

## Adjusted recurring operating income

Recurring operating income<sup>(1)</sup> reached €947 million, down 49.7% compared to H1 2019. It includes negative scope changes of €4 million as well as a positive currency impact of €93 million.

On an 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 deriving 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 in Aircraft Interiors recurring operating income by 220.0% came from both OE (including retrofit) and services activities for all businesses.

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

## Adjusted profit from operations

One-off items (in € millions)	First-half 2019	First-half 2020
<b>Adjusted recurring operating income</b>	<b>1,883</b>	<b>947</b>
% of revenue	15.6%	10.8%
<b>Total one-off items</b>	<b>32</b>	<b>(144)</b>
Capital gain (loss) on asset disposals	-	-
Impairment reversal (charge)	-	(66)
Other infrequent & material non-operating items	32	(78)
<b>ADJUSTED PROFIT FROM OPERATIONS</b>	<b>1,915</b>	<b>803</b>
% of revenue	15.8%	9.2%

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

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

## Adjusted net income – Group share

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

- a net adjusted financial loss of €117 million, including foreign exchange losses of €51 million and cost of debt of €20 million;

- an adjusted tax expense of €169 million (24.7% apparent tax rate).

The reconciliation between the H1 2020 consolidated income statement and the adjusted income statement is provided and commented on page 8 of this report.

## 1.2 BUSINESS COMMENTARY

### First-half 2020 key figures

#### Segment breakdown of adjusted revenue

Segment breakdown of adjusted revenue (in € millions)	First-half 2019	First-half 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 and other	7	10	N/A	-	-	N/A
<b>TOTAL GROUP</b>	<b>12,102</b>	<b>8,767</b>	<b>-27.6%</b>	<b>-0.2%</b>	<b>+1.6%</b>	<b>-29.0%</b>

#### Segment breakdown of adjusted recurring operating income

Segment breakdown of recurring operating income (in € millions)	First-half 2019	First-half 2020	% change
<b>Aerospace Propulsion</b>	<b>1,227</b>	<b>699</b>	<b>-43.0%</b>
% of revenue	20.8%	17.3%	
<b>Aircraft Equipment, Defense and Aerosystems</b>	<b>588</b>	<b>343</b>	<b>-41.7%</b>
% of revenue	12.9%	9.4%	
<b>Aircraft Interiors</b>	<b>85</b>	<b>(101)</b>	<b>-218.8%</b>
% of revenue	5.2%	-9.4%	
<b>Holding company and other</b>	<b>(17)</b>	<b>6</b>	<b>N/A</b>
<b>TOTAL GROUP</b>	<b>1,883</b>	<b>947</b>	<b>-49.7%</b>
% of revenue	15.6%	10.8%	

#### 2020 adjusted revenue by quarter

2020 revenue by quarter (in € millions)	First-quarter 2020	Second-quarter 2020	First-half 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 and other	5	5	10
<b>TOTAL GROUP</b>	<b>5,383</b>	<b>3,384</b>	<b>8,767</b>

## Segment operations review

### Aerospace Propulsion

First-half 2020 revenue was €4,047 million, down 31.4% compared to €5,902 million in first-half 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 engine deliveries decreased compared to H1 2019. High-thrust engines were impacted to a lesser extent during the first half of 2020. As planned, M88 engine 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 euros, 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 to a lower contribution of services contracts for CFM56 and widebody platforms.

Military services also faced 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 period.

Recurring operating income was €699 million, a decrease of 43.0% compared with €1,227 million in H1 2019. Recurring operating margin dropped from 20.8% to 17.3%. 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 the first impacts of the adaptation plan's measures also had a positive impact for the division.

### Aircraft Equipment, Defense and Aerosystems

First-half 2020 revenue was €3,638 million, down 20.1% compared with €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 the Boeing 787 and the A330, A350 and A320 and nacelles for the A320 family and the A330neo. Deliveries of nacelles for LEAP-1A powered A320neo totaled 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 €343 million, a decrease of 41.7% compared to €588 million in H1 2019. Recurring operating margin fell from 12.9% to 9.4%. The drop in profitability was driven by lower volumes from landing systems activities (notably in services), electrical activities, nacelles, avionics and Aerosystems. This decrease was partially offset by Defense activities and by a lower R&D impact on P&L.

### Aircraft Interiors

First-half 2020 revenue was €1,072 million, down 34.6% compared to €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 the Boeing 737 MAX and the A320 and A350 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 loss was €101 million, a decrease of €186 million compared to recurring operating income of €85 million in H1 2019. Recurring operating margin strongly decreased from a positive 5.2% to a negative 9.4%. Profitability decreased in all businesses both for OE and services, due to the drop in volumes. The first impacts of the adaptation plan's measures put in place in H1 2020 (mainly lower R&D expenses on P&L) started to materialize.

### Holding company and other

The "Holding company and other" reporting segment 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 company invoices subsidiaries for shared services including administrative service centers (payroll, recruitment, IT, transaction accounting), a centralized training organization and Safran's R&T center.

The impact of the "Holding company and other" segment on Safran recurring operating income was a positive €6 million in H1 2020 compared with a negative €17 million in the year-ago period.



## Research & Development

Total R&D expenses, including R&D sold to customers, reached €597 million, compared with €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 were €447 million, compared with €651 million for H1 2019.

Gross capitalized R&D was €124 million compared with €152 million for H1 2019.

Amortization and depreciation of R&D was €124 million compared with €144 million for H1 2019.

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

## 1.3 INTERIM 2020 CONSOLIDATED INCOME STATEMENT

(in € millions)	First-half 2020	First-half 2019
<b>Revenue</b>	<b>8,902</b>	<b>12,315</b>
Other operating income and expenses	(8,072)	(10,502)
Share in profit from joint ventures	29	64
<b>Recurring operating income</b>	<b>859</b>	<b>1,877</b>
Other non-recurring operating income and expenses	(144)	32
<b>Profit from operations</b>	<b>715</b>	<b>1,909</b>
Financial income (loss)	(1,247)	106
<b>Profit (loss) before tax</b>	<b>(532)</b>	<b>2,015</b>
Income tax benefit (expense)	207	(550)
<b>Profit (loss) from continuing operations</b>	<b>(325)</b>	<b>1,465</b>
Profit from discontinued operations and disposal gain	-	-
Profit for the period attributable to non-controlling interests	(15)	(33)
<b>PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>(340)</b>	<b>1,432</b>

## Consolidated revenue

For first-half 2020, revenue was €8,902 million, compared to €12,315 million in the same period a year ago.

The difference between adjusted consolidated revenue and consolidated revenue is due to the exclusion of foreign currency derivatives from the adjusted figures. Neutralizing the impact of foreign currency hedging increased first-half consolidated revenue by €135 million in 2020 and by €213 million in 2019. The year-on-year change in the impact of foreign currency hedging on revenue results from movements in average exchange rates

with regard to the effective hedged rates for the period on the portion of foreign-currency denominated flows hedged by the Group. For example, the hedged EUR/USD rate for first-half 2020 was 1.16 against an average rate of 1.10, which explains why netting out the effect of foreign currency hedging results in a consolidated revenue figure that is higher than adjusted revenue.

Year-on-year changes in revenue by operating segment are analyzed above (see sections 1.1 and 1.2).

## Consolidated recurring operating income

Recurring operating income came in at €859 million for first-half 2020, compared to €1,877 million for first-half 2019. The difference between recurring operating income and adjusted recurring operating income, which came in at €947 million, results in particular from:

- amortization charged against intangible assets measured when allocating the purchase price for the May 2005 Sagem-Snecma business combination, representing €24 million for first-half 2020 (versus €25 million for first-half 2019);
- amortization charged against intangible assets measured when allocating the purchase price for other business combinations, representing €191 million for first-half 2020 (versus €196 million

for first-half 2019), and including the impact of remeasuring assets at fair value as part of the provisional allocation of the Zodiac Aerospace purchase price for €155 million (see section 3, Note 4, "Scope of consolidation");

- a positive €129 million impact resulting from foreign currency transactions (compared to a positive impact of €215 million for first-half 2019), including the remeasurement of foreign-currency denominated revenue (a positive €135 million impact) and of "Other recurring operating income and expenses" (a negative €6 million impact).

Changes in recurring operating income, excluding the impact of adjusting items, are analyzed above (see sections 1.1 and 1.2).

## Consolidated profit from operations

Profit from operations came in at €715 million for first-half 2020, compared to €1,909 million for first-half 2019.

Profit from operations includes recurring operating income of €859 million (versus €1,877 million for first-half 2019) and other

non-recurring items, representing an expense of €144 million (versus income of €32 million for first-half 2019).

Changes in profit from operations in adjusted data as well as the non-recurring items are analyzed above (see section 1.1).

## Consolidated financial income (loss)

The Group reported a financial loss of €1,247 million for first-half 2020, compared to financial income of €106 million for first-half 2019.

Two items account for the difference between the consolidated financial income (loss) for first-half 2020 and the adjusted financial income (loss) analyzed above (see section 1.1):

- changes in the fair value of foreign currency instruments hedging future cash flows, which had a negative impact of €1,001 million (compared to a positive impact of €353 million for first-half 2019). This amount is recognized in full in financial income (loss) in the consolidated financial statements.

However, the impact of changes in the fair value of financial instruments hedging future cash flows is neutralized in the adjusted financial statements;

- the impact of foreign currency hedging on the portion of foreign-currency denominated flows hedged by the Group, representing a negative €129 million impact in first-half 2020 (compared to a negative €215 million impact for first-half 2019). This impact is recognized in financial income (loss) in the consolidated financial statements and within profit from operations (mostly in revenue) in the adjusted income statement.

## Consolidated income tax benefit (expense)

The Group reported an income tax benefit of €207 million for first-half 2020, compared to an income tax expense of €550 million for first-half 2019.

For first-half 2020, changes in the fair value of currency derivatives recognized in financial income (loss) generated deferred tax income of €321 million. For first-half 2019, changes in the fair value of currency derivatives generated a deferred tax expense of €113 million.

## Consolidated profit attributable to owners of the parent

This caption represented a loss of €340 million for first-half 2020, compared to profit of €1,432 million for first-half 2019.

## 1.4 BALANCE SHEET AND CASH FLOW

### Balance sheet

Balance sheet – Assets (in € millions)	Dec. 31, 2019	June 30, 2020
Goodwill	5,199	5,197
Property, plant and equipment & Intangible assets	13,877	13,471
Investments in joint ventures and associates	2,211	2,199
Right-of-use assets	732	676
Other non-current assets	684	1,002
Derivatives assets	707	547
Inventories and WIP	6,312	6,340
Contract costs	471	502
Trade and other receivables	7,639	6,790
Contract assets	1,743	1,741
Cash and cash equivalents	2,632	4,373
Other current assets	601	519
<b>TOTAL ASSETS</b>	<b>42,808</b>	<b>43,357</b>

Balance sheet – Liabilities (in € millions)	Dec. 31, 2019	June 30, 2020
Equity	12,748	12,547
Provisions	3,083	3,037
Borrowings subject to specific conditions	505	468
Interest-bearing liabilities	6,779	7,518
Derivatives liabilities	1,038	1,796
Other non-current liabilities	1,342	1,269
Trade and other payables	6,164	5,243
Contract liabilities	10,923	11,317
Other current liabilities	226	162
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>42,808</b>	<b>43,357</b>

## Cash flow highlights

Cash flow highlights (in € millions)	First-half 2019	Full-year 2019	First-half 2020
<b>Recurring operating income</b>	<b>1,883</b>	<b>3,820</b>	<b>947</b>
One-off items	32	13	(144)
Depreciation, amortization, provisions (excluding financial)	517	1,135	613
<b>EBITDA</b>	<b>2,432</b>	<b>4,968</b>	<b>1,416</b>
Income tax and non-cash items	162	(926)	(262)
<b>Cash flow from operations</b>	<b>2,594</b>	<b>4,042</b>	<b>1,154</b>
Changes in working capital	(863)	(897)	168
Capex (property, plant and equipment)	(332)	(695)	(273)
Capex (intangible assets)	(65)	(134)	(21)
Capitalization of R&D	(157)	(333)	(127)
<b>Free cash flow</b>	<b>1,177</b>	<b>1,983</b>	<b>901</b>
Dividends paid	(815)	(817)	(3)
Divestments/acquisitions and other	(534)	(1,482)	134
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(172)</b>	<b>(316)</b>	<b>1,032</b>
Net cash/(Net debt) at beginning of period	(3,798)*	(3,798)*	(4,114)
<b>Net cash/(Net debt) at end of period</b>	<b>(3,970)</b>	<b>(4,114)</b>	<b>(3,082)</b>

(\*) IFRS 16 impact at the beginning of period of €529 million.

## Cash flow and net debt

Operations generated €901 million of free cash flow<sup>(1)</sup>. Free cash flow generation was driven by cash from operations of €1,154 million mostly in Q1, a decrease of €168 million in working capital and cuts in investments (at €421 million, down 24% versus H1 2019)<sup>(2)</sup>. The change in working capital during the first half of the year was driven by a limited increase in overdues, stable inventories and by positive one-off items as Safran did not reimburse engines concessions as deliveries of aircraft were delayed.

Net debt was €3,082 million as of June 30, 2020 compared to net debt of €4,114 million as of December 31, 2019. This decrease was due to free cash flow generation.

## Financing

At the end of June, Safran cash and cash equivalents stood at €4,373 million. It was €2,632 million at the end of 2019.

Safran has a €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 €1.5 billion was outstanding at June 30, 2020. The maximum amount available under the NEU CP program is €3.0 billion.

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

On May 15, Safran refinanced €800 million of this facility by issuing seven-year convertible bonds<sup>(3)</sup> paying an annual coupon of 0.875%, with a conversion premium of 40% (exercise price of €108.23).

On June 29, Safran continued to secure its long-term funding sources and extended the maturity of its debt, by issuing €564 million of senior unsecured notes on the US private placement market (USPP), of which €282 million have a 10-year maturity and €282 million have a 12-year maturity. €286 million were directly raised in euros and €278 million were originally funded in US dollars and then swapped into 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 these convertible bond and USPP financings, the €3.0 billion undrawn bridge facility has been reduced to €1.6 billion.

(1) This non-accounting indicator (non-audited) is equal to cash flow from operating activities less working capital and acquisitions of property, plant and equipment and intangible assets.

(2) Excluding capital gain in H1 2019.

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

## 1.5 CURRENCY HEDGES

Safran's updated hedge book totaled 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 the 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 of 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 USD 1.18 to USD 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.

## 1.6 NEW FULL-YEAR 2020 OUTLOOK

Based on a strong FY 2019 comparison basis, Safran, despite considerable uncertainty and based on the assumption of a gradual recovery of air traffic, now expects for FY 2020:

- 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 of 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. The decrease in deliveries 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 FY 2020;

### ■ 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, the 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 the HR measures in the adaptation plan: short-time working in H2, the Group "Activity Transformation" agreement in France impacting provisions for 2020 profit-sharing;

### ■ decrease in R&D expenses by around €450 million compared to 2019;

### ■ level of capex outflows down by €200 million between 2019 and 2020, reflecting the confirmed reduction in commitments of 60% compared to 2019.



## 1.7 RELATED-PARTY TRANSACTIONS

Readers are invited to refer to section 3, Note 24 of this report and section 7.1.4 of the 2019 Universal Registration Document filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on March 31, 2020 under number D. 20-0224.

In the first half of 2020, two related-party agreements governed by Article L.225-38 of the French Commercial Code (*Code de commerce*) were entered into between Safran and BNP Paribas. The parties have an independent Director in common (Monique Cohen).

### Agreement relating to the arrangement, underwriting and syndication of a credit facility with BNP Paribas

On March 31, 2020, Safran and BNP Paribas entered into an agreement relating to the arrangement, underwriting and syndication of a €3 billion credit facility with a term of up to two years.

The Board of Directors authorized the agreement on March 26, 2020.

Under the agreement, the Group set up a syndicated credit facility for an initial amount of €3 billion and a term of up to two years, supplementing its current liquidity reserves and helping to maintain its financial flexibility during the Covid-19 crisis and, in particular, to refinance its debt maturing in 2020.

Under the terms of the agreement, BNP Paribas committed to arranging the structure of the credit facility, underwriting the

full amount (€3 billion initially) and syndicating the facility with other credit institutions.

Safran appointed BNP Paribas because of the bank's leading position on the market and its commitment to underwrite the full amount and to syndicate the facility in a very short space of time, thereby making the additional liquidity reserve available to the Group as quickly as possible.

The agreement was entered into under the market conditions applicable in March 2020 for this type of transaction.

The agreement will be submitted for shareholder approval at the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2020.

### Agreement relating to a syndicated credit facility with BNP Paribas and a pool of banks

On April 22, 2020, Safran, BNP Paribas and a pool of banks entered into an agreement relating to a syndicated credit facility for an initial amount of €3 billion and a term of up to two years.

The Board of Directors authorized the agreement on March 26, 2020.

The syndicated credit facility for an initial amount of €3 billion and a term of up to two years supplements the Group's current liquidity reserves and helps to maintain the Group's financial flexibility in the face of the Covid-19 crisis and, in particular, to refinance the Group's debt maturing in 2020.

Under the terms of the agreement, BNP Paribas acts as underwriter, bookrunner, mandated lead arranger, agent and initial lender for €285 million (highest amount equal to the amount allocated to other initial lenders that are also mandated lead arrangers).

Safran appointed BNP Paribas because of the bank's leading position on the market, further to the related-party agreement previously entered into with BNP Paribas on March 31, 2020 for the arrangement, underwriting and syndication of the credit facility.

The agreement was entered into under the market conditions applicable in March-April 2020 for this type of transaction and the commission and interest will be shared between the banks that are party to the agreement, including BNP Paribas, pro rata to their involvement in the credit facility.

The agreement will be submitted for shareholder approval at the Annual General Meeting to be held to approve the financial statements for the year ending December 31, 2020.

## 1.8 ISSUE OF BONDS CONVERTIBLE AND/OR EXCHANGEABLE FOR NEW AND/OR EXISTING SHARES ("OCEANE" BONDS)

Pursuant to the nineteenth and twentieth resolutions approved by the Company's Extraordinary Shareholders' Meeting of May 23, 2019, on May 15, 2020 Safran carried out an issue of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds) due May 15, 2027 in a nominal amount of €799,999,902.95, represented by 7,391,665 bonds with a par value of €108.23 each.

The bonds were issued through an offering exclusively for qualified investors within the meaning of Article 2(e) of the Prospectus Regulation in France, the European Economic Area (EEA) and outside the EEA (excluding, in particular, the United

States, Canada, South Africa, Australia, Japan and any other jurisdiction where registration or approval would be required by the applicable laws and regulations).

As part of the issue, the French State subscribed to 830,083 bonds, representing a nominal amount of approximately €89.84 million, corresponding to a subscription proportional to its share in the Company's share capital.

The terms and conditions of the issue are set out in the reports below. Readers are also invited to refer to section 3, Note 18, "Consolidated shareholders' equity" and Note 21, "Interest-bearing financial liabilities" of this report.

### 1.8.1 Board of Directors' report on the use of the authorizations granted to the Board of Directors in the 19<sup>th</sup> and 20<sup>th</sup> resolutions adopted at the May 23, 2019 Annual General Meeting

#### Additional report by the Board of Directors on the terms and conditions of the issue of bonds convertible and/or exchangeable for new and/or existing ordinary shares ("OCEANE" bonds) due May 15, 2027

(drawn up in accordance with Article R.225-116 of the French Commercial Code)

To the Shareholders,

In accordance with Articles L.225-129-5 and R.225-116 of the French Commercial Code (*Code de commerce*), we hereby report to you on the use of the authorizations granted to the Board of Directors of Safran (the "**Company**") in the nineteenth and twentieth resolutions of the May 23, 2019 Ordinary and Extraordinary Shareholders' Meeting (the "**Annual General Meeting**") in order to carry out an issue through an offering of financial securities to qualified investors, without pre-emptive subscription rights for existing shareholders, of bonds convertible and/or exchangeable for new and/or existing ordinary shares ("OCEANE" bonds) due May 15, 2027 (the "**Bonds**"), with an overallotment option where applicable.

On this basis, and in accordance with the above-mentioned legal and regulatory provisions, the report below (i) describes the final terms and conditions of the Bond issue and (ii) explains the impact of those terms and conditions on the Company's shareholders and holders of securities carrying rights to Company shares.

#### 1. Background

##### 1.1 Annual General Meeting of May 23, 2019

In the nineteenth resolution of the Annual General Meeting, in accordance with Articles L.225-129 *et seq.* and L.228-91 *et seq.* of the French Commercial Code, and with Article L.411-2-II of the French Monetary and Financial Code (*Code monétaire et financier*)<sup>(1)</sup>, the shareholders granted the Board of Directors a twenty-six month authorization to increase the Company's share capital by issuing ordinary shares and/or securities carrying immediate or deferred rights to new or existing ordinary shares of the Company, through an offering of financial securities to a restricted group of investors acting on their own account or to qualified investors, without pre-emptive subscription rights for existing shareholders.

The shareholders set the following ceilings in the resolution: (i) the maximum nominal amount of any capital increases carried out pursuant to the authorization – either immediately and/or on the exercise of rights to shares of the Company – was set at €8 million (not including the nominal amount of any ordinary shares that may be issued to protect the rights of holders of securities carrying rights to Company shares), and (ii) the maximum principal amount of debt securities that may be issued pursuant to the authorization was set at €1.8 billion.

In addition to these ceilings set by the shareholders, in accordance with paragraph 3 of Article L.225-136 of the French Commercial Code, the maximum nominal amount of any capital increases carried out pursuant to the nineteenth resolution may not represent more than 20% of the Company's share capital per year.

(1) The wording of Article L.411-2 of the French Monetary and Financial Code relating to public offerings of financial securities has since been amended by the ordonnance of October 21, 2019, but the amendment does not, either by nature or by purpose, call into question the authorization granted by the Annual General Meeting of May 23, 2019.

Issue of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds)

In the twentieth resolution of the Annual General Meeting of May 23, 2019, the shareholders also granted the Board of Directors an authorization to increase the initial nominal amount of the issue, as decided pursuant to the nineteenth resolution, through the exercise of an overallotment option (the "**Overallotment Option**"), within the limits set out in the twentieth resolution (i.e., the additional securities must be issued at the same price as for the original issue, within 30 days of the close of the original subscription period and may not represent more than 15% of the original issue amount, in accordance with the applicable legal and regulatory provisions).

## 1.2 Meeting of the Board of Directors of April 28, 2020

At its April 28, 2020 meeting, having placed on record that the above-mentioned authorizations granted in the nineteenth and twentieth resolutions of the Annual General Meeting had not yet been used, the Board of Directors used said authorizations to unanimously decide:

- (i) to authorize in principle:
  - a. the issue - on one or more occasions - of OCEANE bonds without pre-emptive subscription rights for existing shareholders, through an offering of financial securities to a restricted group of investors acting on their own account or to qualified investors, with a request for the admission to trading of the OCEANE bonds on a regulated or organized market, subject to an overall ceiling of a maximum nominal amount of €1 billion after the exercise, where applicable, of the Overallotment Option in full, for

a maturity or maturities not exceeding seven years after the date of issue of the OCEANE bonds (the "**Issue**"), and

- b. any increase in the Company's share capital that may be necessary due to the issue, on one or more occasions, of new Company shares as a result of holders of the OCEANE bonds (the "**Bondholders**") exercising their Conversion Rights subject to a ceiling representing a maximum nominal amount of €2,136,170.60 after the exercise, where applicable, of the Overallotment Option in full, not including the nominal amount of any shares that may be issued in accordance with the applicable laws and the terms and conditions of the Issue to protect the rights of the OCEANE Bondholders in the event of any subsequent corporate actions;
- (ii) to grant the Chief Executive Officer the necessary powers to carry out the Issue, determine the terms and conditions thereof and decide on the final characteristics and timing of the Issue, within the limitations of the authorization granted by the shareholders and the delegation of authority granted by the Board of Directors;
- (iii) to authorize the Chief Executive Officer to delegate the implementation of the Issue to any person of his choosing.

## 1.3 Decision of the Chief Executive Officer of May 12, 2020

On May 12, 2020, using the authorization granted by the Board of Directors on April 28, 2020, the Chief Executive Officer decided to issue the Bonds in accordance with the terms and conditions described in section 2 below.

## 2. Terms and conditions of the issue

### 2.1 Characteristics of the issue

Nominal amount of and gross proceeds from the issue	€799,999,902.95
Net proceeds from the issue	€793,199,903.77
Number of Bonds issued	7,391,665
Par value per Bond	€108.23, representing an issue premium of 40% over the reference price of ordinary shares of the Company, corresponding to the volume-weighted average price of the ordinary Company shares listed on <b>Euronext Paris</b> between the start of trading on May 12, 2020 and the date on which the final terms and conditions of the Bonds were determined.
Public offering	Carried out on May 12, 2020 in France, the European Economic Area (EEA) and outside the EEA (excluding, in particular, the United States, Canada, South Africa, Australia, Japan and any other jurisdiction where registration or approval would be required by the applicable laws and regulations), for qualified investors within the meaning of Article 2(e) of the Prospectus Regulation only (falling within the scope of paragraph 1 of Article L.411-2 of the French Monetary and Financial Code).
Issue price of the Bonds	100% of par. On the Bond Issue Date (as defined below), the price of new ordinary shares of the Company issued at the Company's discretion on the exercise of the Conversion Right (as defined below) shall, based on the Conversion Ratio (as defined below) applicable at the Bond Issue Date, be equal to the par value per Bond defined above, in accordance with the provisions of Articles L.225-136 and R.225-119 of the French Commercial Code.
Issue and settlement-delivery date of the Bonds	May 15, 2020 (the " <b>Bond Issue Date</b> ")
Listing of the Bonds	During the month following the Bond Issue Date, on Euronext Access, under ISIN code FR0013513041.
Clearing	Euroclear France, Euroclear Bank S.A./N.V., Clearstream Banking S.A.
Global Coordinators - Bookrunners	BNP Paribas and Crédit Agricole Corporate and Investment Bank - joint global coordinators and joint bookrunners. HSBC, Natixis and Société Générale - joint bookrunners.
Securities services and centralizing and calculation agents	BNP Paribas Securities Services - securities services and centralizing agent. Aether Financial Services - calculation agent.
Blackout period	Undertaking not to issue shares of the Company or securities carrying rights to Company shares for a period of 90 calendar days as from the Bond Issue Date, apart from certain standard exceptions or prior consent from the Global Coordinators.

## Issue of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds)

## 2.2 Characteristics of the Bonds

Ranking of the Bonds	The Bonds constitute unsecured, direct, general, unconditional and unsubordinated debt obligations, ranking equally among themselves and, subject to mandatory legal exceptions, <i>pari passu</i> with all other present or future unsecured debts and guarantees of the Company.
Negative pledge	Only applies in the event that the Company or one of its principal subsidiaries grants a guarantee, an indemnity or collateral to the holders of other bonds or other marketable instruments representing new or existing debt securities issued by the Company or one of its principal subsidiaries.
Nominal rate - Coupon	<p>0.875% per year, payable on May 15 of each year (the "<b>Coupon Payment Date</b>") (or the following business day if this date is not a business day, without this giving rise to additional interest) and for the first time on May 15, 2021. The period between the Bond Issue Date or a Coupon Payment Date (inclusive) and the following Coupon Payment Date (exclusive) is referred to as the "<b>Coupon Period</b>".</p> <p>The annual amount of interest per Bond is calculated (and rounded to the nearest lowest multiple of €0.00001) by applying the annual nominal rate of 0.875% (regardless of the number of days in the year) to the par value of each Bond.</p> <p>The amount of interest due per Bond for any period shorter than a Coupon Period is determined (and rounded to the nearest lowest multiple of €0.00001) based on the Actual/Actual ICMA method by applying to the par value of each Bond the sum of (a) the above-mentioned annual nominal rate multiplied by (b) the ratio between (x) the number of accrued days in the Coupon Period and (y) the number of days in said Coupon Period.</p>
Term of the Bonds	7 years
Maturity date of the Bonds	May 15, 2027 (the " <b>Maturity Date of the Bonds</b> ")
Redemption at maturity	Redemption in full at par on the Maturity Date of the Bonds (or the following business day if this date is not a business day).
Early redemption, at the Company's discretion	<p>(i) The Company may redeem all or some of the Bonds at any time before the Maturity Date of the Bonds, without any limitation on price or number, either by repurchasing them through on-market or off-market transactions, or through repurchase or exchange offers.</p> <p>(ii) The Company may redeem all of the outstanding Bonds at par, plus interest accrued since the previous Coupon Payment Date (or, where applicable, since the Bond Issue Date), at any time from June 5, 2024 until the Maturity Date of the Bonds, subject to a minimum prior notice period of 30 calendar days (and a maximum notice period of 45 calendar days), if the arithmetic mean, calculated over a period of 20 consecutive trading days chosen by the Company out of the 40 consecutive trading days preceding the publication of the early redemption notice, of (a) the daily proceeds of the volume-weighted average daily price of Company shares traded on Euronext Paris, and (b) the Conversion Ratio (as defined below) applicable at each corresponding date exceeds 130% of the par value of the Bonds.</p> <p>(iii) The Company may redeem all of the outstanding Bonds at par, plus interest accrued since the previous Coupon Payment Date (or, where applicable, since the Bond Issue Date), at any time, subject to a minimum prior notice period of 30 calendar days, if the total number of Bonds still outstanding represents less than 20% of the number of Bonds originally issued.</p> <p>In the event of (ii) or (iii) above, the Bondholders retain the possibility to request the exercise of their Conversion Right (defined below) until the seventh business day (exclusive) preceding the early redemption date.</p>
Obligatory early redemption of the Bonds	Possible at par, notably in the event of default by the Company.
Early redemption at the Bondholders' discretion	Possible at par, plus interest accrued since the previous Coupon Payment Date (or, where applicable, since the Bond Issue Date), in the event of a change in control of the Company.

Issue of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds)

Rights attached to the Bonds/  
Conversion Right

**Nature of the Conversion Right**

The Bonds carry a conversion right (the "**Conversion Right**"), whereby the Bondholders will be entitled to receive a number of new or existing ordinary shares (at the Company's discretion) equal to the Conversion Ratio (as defined below) applicable at the Exercise Date (as defined below), multiplied by the number of Bonds for which the Conversion Right has been exercised.

On the Bond Issue Date, the "**Conversion Ratio**" was 1 ordinary share to 1 Bond (subject to any subsequent adjustments carried out to protect the rights of Bondholders, particularly in the event of any distribution of dividends by the Company).

**Exercise Period of the Conversion Right**

The Bondholders may request to exercise their Conversion Right at any time from the Bond Issue Date (inclusive) until the seventh trading day (exclusive) preceding (i) the Maturity Date of the Bonds or, where applicable, (ii) the relevant early redemption date of the Bonds, it being specified that any Bonds for which the Bondholders have requested the exercise of their Conversion Right will not entitle their holders to any redemption at either the Maturity Date of the Bonds or, where applicable, at their early redemption date.

Any Bondholder who has not requested the exercise of their Conversion Right during the time period indicated above will be reimbursed in cash at the Maturity Date of the Bonds or, where applicable, at their early redemption date.

**Terms of allocation of ordinary shares pursuant to the exercise of the Conversion Right**

On exercise of their Conversion Right, each Bondholder will receive new and/or existing ordinary shares of the Company.

The total number of new and/or existing ordinary Company shares (the allocation of which will be decided by the Company) will be determined by the calculation agent and will be equal, for each Bondholder, to the Conversion Ratio applicable at the Exercise Date (as defined below) multiplied by the number of Bonds transferred to the centralizing agent and for which the Conversion Right has been exercised.

**Suspension of the Conversion Right**

In the event of a capital increase or the issue of new Company shares or securities carrying rights to Company shares, or any other financial transactions conferring pre-emptive subscription rights or reserving a priority subscription period for the benefit of the Company's shareholders, the Company will be entitled to suspend the exercise of the Conversion Right for a period which may not exceed three months or any other period provided for in the applicable regulations.

However, in no circumstances may such suspension cause the Bondholders to lose their Conversion Right. Any decision by the Company to suspend the Bondholders' Conversion Right will be published in a notice in the French legal gazette (*Bulletin des Annonces Légales Obligatoires* - BALO). This notice must be published at least seven calendar days before the suspension of the Conversion Right becomes effective and must specify the dates on which the suspension period begins and ends. This information will also be published by the Company on its website ([www.safran-group.com](http://www.safran-group.com)).

**Conditions of exercise of the Conversion Right**

To exercise their Conversion Right, Bondholders must make a request to the financial intermediary that holds their Bonds in a securities account. Any such request is irrevocable once received by the relevant financial intermediary. The centralizing agent will ensure the centralization of the request. The date of the request will correspond to either (i) the business day on which both of the conditions described below are satisfied, if they are satisfied by 5:00 p.m. (Paris time), or (ii) the following business day, if said conditions are satisfied after 5:00 p.m. (Paris time) (the "**Date of the Request**"): ■ the centralizing agent has received the exercise request transmitted by the financial intermediary that holds the Bonds in a securities account;

- the Bonds have been transferred to the centralizing agent by the relevant financial intermediary.

Any request for the exercise of a Conversion Right sent to the centralizing agent will be effective as of the first trading day following the Date of the Request (the "**Exercise Date**"). All requests for the exercise of the Conversion Right must be received by the centralizing agent (and the Bonds transferred to the centralizing agent) before the seventh trading day (exclusive) preceding the Maturity Date of the Bonds or their early redemption date.

All Bondholders with Bonds having the same Exercise Date will be treated equally and will each receive the same proportion of new and/or existing ordinary shares for their Bonds, subject to rounding.

The Bondholders will receive delivery of their new and/or existing ordinary shares no later than the seventh trading day following the Exercise Date.



## Issue of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds)

Dividend rights and listing of the underlying shares	<p>The new or existing ordinary shares issued or delivered on the exercise of the Conversion Right will carry dividend rights and entitle their holders to all the rights attached to the ordinary shares as from their delivery date, it being specified that in the event that a record date for a dividend (or interim dividend) occurs between the Exercise Date and the delivery date of the shares, the Bondholders will not be entitled to such dividend (or interim dividend) nor to any compensation therefor, subject to the right to an adjustment of the Conversion Ratio – a right to which the Bondholders are entitled until the delivery date of the ordinary shares (exclusive).</p> <p>Applications will be made for the admission to trading on Euronext Paris of the new ordinary shares issued upon the exercise of the Conversion Right. Accordingly, the new shares will immediately become fungible with the existing ordinary shares listed on Euronext Paris and will be tradable, as from the date on which they are admitted to trading, on the same listing line as said existing ordinary shares under the same ISIN code (FR0000073272).</p> <p>Any existing ordinary shares allocated upon the exercise of the Conversion Right will be immediately tradable on Euronext Paris.</p>
Currency of the issue	Euro
Governing law	French law

### 3. Purpose of the issue

The purpose of the issue of the Bonds is for the Company to have access to financing for its general corporate purposes.

### 4. Impact of the issue of the bonds and the exercise of the conversion right on existing holders of company shares and securities carrying rights to company shares

#### 4.1 Dilution in the event that new ordinary shares of the Company are issued on the exercise of the Conversion Right – Impact on attributable equity for shareholders and holders of securities carrying rights to shares

The table below, provided for information purposes only, shows the impact that the issue of new ordinary shares would have on attributable equity per share if the Conversion Right were exercised for all Bonds, assuming that the Company opted to grant only new ordinary shares.

This impact was calculated based on the following:

- (i) equity as reported in the parent company and consolidated financial statements for the year ended December 31, 2019, adjusted to reflect the capital increases since January 1, 2020 in an aggregate amount of €356.80 following the exercise of stock subscription options between January 1, 2020 and April 30, 2020, representing a total issue amount of €191,726.48 including the premium;
- (ii) 425,068,660 undiluted shares at April 30, 2020, i.e., 427,235,939 shares making up the Company's share capital at that date, less 2,167,279 shares held in treasury at April 30, 2020; and
- (iii) an assumption that the Conversion Ratio equals 1.

	Before issue	After issue
Parent company equity	€10,062,226,000	€10,862,226,000 <sup>(1)</sup>
Consolidated equity (attributable to owners of the parent)	€12,371,184,000	€13,164,384,000 <sup>(2)</sup>
Number of shares – undiluted	425,068,660	432,460,325
Number of shares – diluted <sup>(3)</sup>	430,070,087	437,461,752
Parent company equity per share – undiluted	€23.67	€25.12
Parent company equity per share – diluted <sup>(3)</sup>	€25.02	€26.43
Attributable consolidated equity per share – undiluted	€29.10	€30.44
Attributable consolidated equity per share – diluted <sup>(3)</sup>	€30.32	€31.62

(1) Assuming the Conversion Right is exercised at the time of the issue (nominal amount of the issue: €800,000,000).

(2) Assuming the Conversion Right is exercised at the time of the issue (net proceeds from the issue: €793,200,000).

(3) Assuming that all 4,996,431 OCEANE bonds issued by the Company on June 21, 2018 are converted and that the same amount of new ordinary Company shares is issued based on a Conversion Ratio of 1.001 to 1 (nominal amount of the issue: €700 million; liability component at December 31, 2019: €667 million).

#### 4.2 Dilution in the event that new ordinary shares of the Company are issued on the exercise of the Conversion Right - Impact on existing shareholders and holders of securities carrying rights to shares

The table below, provided for information purposes only, shows the impact of the issue of new ordinary shares on the ownership interest of a shareholder holding 1% of the Company's share capital prior to April 30, 2020.

This impact was calculated based on the following:

- (i) 427,235,939 shares making up the Company's share capital at April 30, 2020; and
- (ii) an assumption that the Conversion Ratio equals 1.

Shareholder's % ownership interest	Before issue	After issue
Undiluted basis	1%	0.98%
Diluted basis <sup>(1)</sup>	0.99%	0.97%

(1) Assuming that all 4,996,431 OCEANE bonds issued by the Company on June 21, 2018 are converted and that the same amount of new ordinary Company shares is issued based on a Conversion Ratio of 1.001 to 1.

#### 5. Impact of the issue of the bonds and the exercise of the conversion right on Safran's share price and market capitalization

The theoretical impact of the issue and conversion of the Bonds on Safran's share price and market capitalization is a positive 0.60% on an undiluted basis and a positive 1.46% on a diluted basis.

days preceding the date on which the Issue was launched (May 12, 2020);

This impact was calculated based on the following:

- a price of €79.25 per Safran share, corresponding to the average of the opening Safran share prices over the 20 trading

- the issue of 7,391,665 Bonds with a par value of €108.23 per Bond, which could potentially be converted into an aggregate 7,391,665 ordinary Safran shares (at a ratio of 1 ordinary share to 1 Bond); and

- net issue proceeds of €793,199,903.77.

Based on the above, the following table shows the theoretical impact of the issue and conversion of the Bonds on Safran's share price and market capitalization:

Theoretical impact of the issue and conversion of the Bonds on Safran's share price and market capitalization	
<b>ISSUE OF THE BONDS</b>	
Number of Bonds issued	7,391,665
Conversion Ratio	1
Net proceeds from issue of the Bonds	€793,199,903.77
Total number of ordinary Safran shares that could potentially be issued on conversion of the Bonds	7,391,665
<b>SITUATION BEFORE THE ISSUE OF THE BONDS (UNDILUTED BASIS)</b>	
Number of Safran shares outstanding before the issue of the Bonds	427,235,939
Safran share price before the issue of the Bonds	€79.25
Safran's market capitalization before the issue of the Bonds	€33,858,448,166.00
<b>SITUATION AFTER THE ISSUE AND CONVERSION OF THE BONDS (UNDILUTED BASIS)</b>	
Total number of Safran shares after the issue and conversion of the Bonds	434,627,604
Safran's theoretical market capitalization after the issue and conversion of the Bonds	€34,651,648,070
Theoretical value of one Safran share after the issue and conversion of the Bonds	€79.73
Theoretical impact of the issue and conversion of the Bonds	+0.60%
<b>SITUATION AFTER THE ISSUE AND CONVERSION OF THE BONDS (DILUTED BASIS)<sup>(1)</sup></b>	
Total number of Safran shares after the issue and conversion of the Bonds	439,629,031
Safran's theoretical market capitalization after the issue and conversion of the Bonds	€35,348,498,053
Theoretical value of one Safran share after the issue and conversion of the Bonds	€80.41
Theoretical impact of the issue and conversion of the Bonds	+1.46%

(1) Assuming that all 4,996,431 OCEANE bonds issued by the Company on June 21, 2018 are converted and that the same amount of new ordinary Company shares is issued based on a Conversion Ratio of 1.001 to 1 (net proceeds from the issue: €696,849,983.14).

French original signed in Paris, on May 28, 2020.

For the Board of Directors

Ross McInnes (Chairman)

## 1.8.2 Statutory Auditors' additional report on the issue, without pre-emptive subscription rights, of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds)

*This is a free translation into English of a report issued in French and is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

### Board of Directors' meeting of May 28, 2020

To the Shareholders,

In our capacity as Statutory Auditors of your Company and in accordance with Article R.225-116 of the French Commercial Code (*Code de commerce*), and further to our report of March 27, 2019, we hereby report to you on the issue, with or without pre-emptive subscription rights for existing shareholders, of ordinary shares or securities carrying rights to shares, as authorized by the Extraordinary Shareholders' Meeting of May 23, 2019.

The Extraordinary Shareholders' Meeting of May 23, 2019 authorized the Board of Directors – or any duly empowered representative – to issue ordinary shares of the Company or securities carrying rights to new and/or existing ordinary shares of the Company, within the scope of an offering governed by Article L.411-2-II of the French Monetary and Financial Code (*Code monétaire et financier*), without pre-emptive subscription rights for existing shareholders, for a period of twenty-six months from the date of the Meeting (nineteenth resolution). The Meeting set (i) the maximum principal amount of debt securities that may be issued at €1.8 billion, and (ii) the maximum nominal amount of the capital increases that could be carried out at €8 million. Pursuant to paragraph 3 of Article L.225-136 of the French Commercial Code, the maximum nominal amount of any capital increases carried out pursuant to the nineteenth resolution may not represent more than 20% of the Company's share capital per year.

At its meeting of April 28, 2020, using the authorization granted by the Extraordinary Shareholders' Meeting, the Board of Directors (i) decided on the principle of the issue, without pre-emptive subscription rights, of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds) (the "Bonds") in a maximum amount of €1 billion, through an offering of financial securities to a restricted group of investors acting on their own account or to qualified investors, and (ii) set the maximum nominal amount of the capital increases that could be carried out as a result of the issue at €2,136,170.60. Also at its meeting of April 28, 2020, the Board of Directors decided to grant the Chief Executive Officer the necessary powers to issue the Bonds, determine the terms and conditions thereof and decide on the final characteristics.

On May 12, 2020, using this delegation of authority, the Chief Executive Officer decided to issue the Bonds under the following terms and conditions:

- the nominal amount of the issue was €799,999,902.95, represented by 7,391,665 Bonds;
- the par value of the Bonds was €108.23, representing an issue premium of 40% over the reference price for ordinary shares of the Company, corresponding to the volume-weighted average price of the ordinary Company shares listed on Euronext Paris between the start of trading on May 12, 2020 and the date on which the final terms and conditions of the Bonds were determined;
- on the bond issue date (May 15, 2020), the price of new ordinary shares of the Company issued at the Company's discretion on the exercise of the conversion right (the "Conversion Right") shall, based on the 1 to 1 conversion ratio (the "Conversion Ratio") applicable at the bond issue date, be equal to the par value of the Bonds;
- the Bonds carry a Conversion Right, whereby the bondholders will be entitled to receive a number of new or existing ordinary shares (at the Company's discretion) based on the Conversion Ratio applicable at the bond issue date, i.e., 1 to 1.

The maximum nominal amount of the share capital increase that could be carried out as a result of the issue was set at €1,478 thousand.

At its meeting of May 28, 2020, the Board of Directors placed on record the issue of 7,391,665 bonds with a par value of €108.23, corresponding to a total issue amount of €799,999,902.95.

It is the responsibility of the Board of Directors to prepare an additional report in accordance with Articles R.225-115 *et seq.* of the French Commercial Code. Our role is to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of pre-emptive subscription rights and on certain other disclosures relating to the issue, contained in this report.

Issue of bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds)

We performed the procedures that we deemed necessary in accordance with the professional guidance issued by the French national auditing body (*Compagnie nationale des commissaires aux comptes*) for this type of engagement. These procedures mainly consisted in verifying:

- the fairness of the financial information taken from the annual and consolidated financial statements authorized for issue by the Board of Directors and audited by us in accordance with professional standards applicable in France;
- the compliance of the terms and conditions of the issue with the delegation of authority granted by the Extraordinary Shareholders' Meeting;
- the information provided in the Board of Directors' additional report on the choice of constituent elements used to determine the issue price and on its final amount.

We have no matters to report as to:

- the fairness of the financial information taken from the financial statements and included in the Board of Directors' additional report;
- the compliance of the terms and conditions of the issue with the delegation of authority granted by the Extraordinary Shareholders' Meeting of May 23, 2019 and with the information provided to the shareholders;
- the choice of constituent elements used to determine the issue price and its final amount;
- the presentation of the impact of the issue on the situation of the holders of shares and securities carrying rights to shares, as expressed in relation to shareholders' equity, and on the Company's share price;
- the proposed cancellation of pre-emptive subscription rights, upon which you have voted.

Courbevoie and Paris-La Défense, June 12, 2020

The Statutory Auditors

**MAZARS**

Gaël Lamant

Jérôme De Pastors

**ERNST & YOUNG et Autres**

Jean-Roch Varon

Philippe Berteaux

# RISK FACTORS

Some of the risk factors identified in Safran's 2019 Universal Registration Document (URD) filed with the French financial markets authority (*Autorité des marchés financiers* – AMF) on March 31, 2020 under number D.20-0224 have been modified, as described below. For the most part, the changes relate to the consequences of the crisis caused by the Covid-19 pandemic, which have exacerbated or increased these risk factors – potentially for periods beyond 2020 – and potentially impact the Group's activities and performance.

Readers are invited to refer to section 4 of the URD for the other risk factors that have not been subject to significant changes and which are not therefore set out below.

## 1. RISKS RELATING TO THE ENVIRONMENT IN WHICH THE GROUP OPERATES

### Health risks, changes in economic conditions, programs

In response to the current unprecedented crisis of extraordinary dimensions, the Group set up a crisis management cell on January 30, 2020. The cell's main objectives are to anticipate and address, as far as possible, the impacts of the crisis on Safran's businesses. Its initial measures, instructions and guidance related to protecting employees and keeping essential activities operational. On April 29, 2020, the crisis management cell issued a Group-wide protocol to facilitate a gradual return to work under appropriate health and safety conditions. On the ground, its work closely involved the Group's employee representatives.

Safran reacted swiftly to the drop in production rates and volumes announced by its airframer customers, and to the decline in demand from airline companies and services customers, by adjusting the Group's capacities as quickly as possible. The crisis caused by the Covid-19 pandemic follows the extended grounding of the

Boeing 737 MAX. Consequently, Safran enhanced its adaptation plan and implemented several measures, including:

- close monitoring of the Group's businesses, which has led to a scaling back of purchasing programs in line with the decline in activity, reductions of investment commitments and R&D expenses, and an acceleration of rationalization plans for industrial sites;
- workforce adjustments and the signature of an "Activity Transformation" agreement on July 8, 2020 for France, which will be effective until end-2021. The agreement may be extended if the situation requires. It will enable Safran to navigate the next 12 to 18 months of the crisis for its French activities while preserving skills and competitiveness. The effects of these measures are expected to be felt from the second half of 2020.

Significant uncertainty remains and may affect the expected profitability of the Group's businesses.

### Competition

Safran also seeks to maintain and sharpen its technological edge, thanks to sustained research and development spending. The current economic environment means that Safran may not be able to implement its roadmap as initially planned. Several measures have been taken to secure the necessary funding, mainly through the support package for the aerospace sector

announced by the French government in June 2020, with €1.5 billion earmarked to support French companies in their R&T efforts. However, unfair competition may favor certain foreign competitors if they benefit from more advantageous public funding.

### Counterparty risk

The current difficult economic environment for the aerospace industry is increasing counterparty risk related to trade receivables and default risk. Similarly, ratings downgrades at some of Safran's customers are undermining the Group's current factoring solutions. Action plans deployed to address these

risks have been expanded and enhanced, mainly through even closer monitoring of certain vulnerable airline customers and checks of the conditions under which Safran grants extensions or other payment facilities.



## Supplier risks

The sharp drop in demand felt by Safran and its suppliers has exacerbated the default risk posed by sensitive partners. The Group has rounded out and strengthened its battery of measures, mainly by creating observation bodies and initiating targeted

support action. Alongside French industrial players and with the support of the French government, Safran is also actively involved in the “ACE Aéro Partenaires” fund set up to support the French aerospace industry.

## Health, safety and environmental risks

In response to the risk of the health crisis recurring, and more broadly to take into account the potential increase in the frequency of such events, Safran has enhanced its action plans and, in

particular, is taking steps to ensure that strategic inventories of protective health equipment are replenished evenly across all Group sites.

## Data confidentiality risks

Teleworking increased sharply during the pandemic, particularly when lockdown measures were put in place, increasing the Group’s exposure to cyber risks. Existing action plans have

been maintained and strengthened, while awareness-raising and control measures have been enhanced.

## 2. RISKS RELATING TO THE GROUP’S STRATEGIC DEVELOPMENT

### Risks relating to technology and environmental challenges

Safran’s products offer advanced technological innovation, which exposes the Group to the risk of competitors developing products that offer a better technical performance, are more competitive or are marketed earlier. The current economic environment has exacerbated Safran’s risk of having to adapt its investment program and not being able to implement its technological roadmap as initially planned. Nevertheless, Safran

confirms its commitment and has stepped up its approach to address the challenges of climate change. State support will enable Safran to maintain a sustained level of R&T activity, thereby offsetting the decrease in self-funded expenditure over the next few years. These measures will enable Safran to pursue its efforts to support the ambition recently confirmed by the French authorities of low-carbon aviation by 2035.

## 3. HUMAN RESOURCES RISKS

The current economic environment has changed the Group’s working organization, notably requiring wide-scale use of teleworking, furlough and short-time working. Combined with the other socio-economic impacts of the crisis, these new working methods may lead to an increase in psychosocial risks. The central Human Resources Department, as well as each of the Group’s tier-one companies, have intensified their related

action plans. Other measures have also been taken to adjust the Group’s capacities to the drop in demand, mainly in France through the “Activity Transformation” agreement of July 8, 2020. Anchored in the principles of solidarity and mobility within the Group, these efforts will enable Safran to preserve key skills for the future.

## 4. INSURANCE

The volatility of capital and insurance markets has been exacerbated by the current economic environment, which is causing an increase in premiums and a deterioration in the coverage offered. Safran has taken the necessary steps to avoid any risk of degrading its insurance coverage for accident risks

to which Group entities and businesses are exposed. In this regard, insurers are provided with information about Safran’s risk quality, any changes thereto and the maturity of its ERM system, mainly in order to inform and facilitate ongoing renewals.

# INTERIM FINANCIAL STATEMENTS

The Board of Directors' meeting of July 29, 2020 adopted and authorized the publication of Safran's consolidated financial statements and adjusted income statement for the six-month period ended June 30, 2020.

## CONSOLIDATED INCOME STATEMENT

(in € millions)	Note	First-half 2019	First-half 2020
<b>Revenue</b>	<b>6</b>	<b>12,315</b>	<b>8,902</b>
Other income	7	138	109
<b>Income from operations</b>		<b>12,453</b>	<b>9,011</b>
Change in inventories of finished goods and work-in-progress		492	(39)
Capitalized production		215	152
Raw materials and consumables used	7	(7,268)	(4,677)
Personnel costs	7	(3,185)	(2,759)
Taxes		(258)	(203)
Depreciation, amortization and increase in provisions, net of use	7	(698)	(639)
Asset impairment	7	(21)	(86)
Other recurring operating income and expenses	7	83	70
Share in profit from joint ventures	16	64	29
<b>Recurring operating income</b>		<b>1,877</b>	<b>859</b>
Other non-recurring operating income and expenses	7	32	(144)
<b>Profit from operations</b>		<b>1,909</b>	<b>715</b>
Cost of net debt		(21)	(20)
Foreign exchange gain (loss)		150	(1,181)
Other financial income and expense		(23)	(46)
<b>Financial income (loss)</b>	<b>8</b>	<b>106</b>	<b>(1,247)</b>
<b>Profit (loss) before tax</b>		<b>2,015</b>	<b>(532)</b>
Income tax benefit (expense)	9	(550)	207
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>1,465</b>	<b>(325)</b>
<b>Attributable to:</b>			
■ owners of the parent		1,432	(340)
■ non-controlling interests		33	15
<b>Earnings per share attributable to owners of the parent (in €)</b>	<b>10</b>		
Basic earnings (loss) per share		3.31	(0.80)
Diluted earnings (loss) per share		3.27	(0.80)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(in € millions)	Note	First-half 2019	First-half 2020
<b>Profit (loss) for the period</b>		<b>1,465</b>	<b>(325)</b>
<b>Other comprehensive income</b>			
<b>Items to be reclassified to profit</b>		<b>19</b>	<b>(55)</b>
Translation adjustments		43	(51)
Remeasurement of hedging instruments		(31)	(6)
Income tax related to components of other comprehensive income to be reclassified to profit		9	2
Share in other comprehensive income (expense) of equity-accounted companies to be reclassified to profit (net of tax)	16	(2)	-
<b>Items not to be reclassified to profit</b>		<b>(84)</b>	<b>4</b>
Actuarial gains and losses on post-employment benefits		(93)	11
Income tax related to components of other comprehensive income not to be reclassified to profit		22	(6)
Share in other comprehensive income (expense) of equity-accounted companies not to be reclassified to profit (net of tax)		(13)	(1)
<b>Other comprehensive income (expense) for the period</b>		<b>(65)</b>	<b>(51)</b>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD</b>		<b>1,400</b>	<b>(376)</b>
<b>Attributable to:</b>			
■ owners of the parent		1,369	(392)
■ non-controlling interests		31	16

In first-half 2020, other comprehensive income relating to translation adjustments includes:

- €46 million in translation losses (€42 million in translation gains in first-half 2019) arising in the period on foreign operations;
- €5 million in translation losses (€1 million in translation gains in first-half 2019) arising in the period on long-term financing granted to foreign subsidiaries. This financing meets the criteria for classification as a net investment in a foreign operation, and is treated in accordance with the applicable provisions of IAS 21.

In first-half 2020, other comprehensive income resulting from the remeasurement of hedging instruments includes €6 million in negative fair value adjustments relating to cash flow hedges of interest payments on senior unsecured notes as of the end of first-quarter 2019. The outstanding balance of the ongoing cash flow hedging reserve is a negative €6 million (see the consolidated statement of changes in shareholders' equity). In first-half 2019, other comprehensive income resulting from the

remeasurement of hedging instruments included €17 million in translation losses arising in the period on the February 2012 issue by Safran of USD 1.2 billion in senior unsecured notes on the US private placement market (USPP), classified as a hedge of the net investment in some of the Group's US operations up to the end of first-quarter 2019. This net investment hedge expired on March 27, 2019 when the cross currency swap was set up.

Other comprehensive income relating to equity-accounted companies (net of tax) includes (see Note 16, "Investments in equity-accounted companies") €2 million in translation gains arising in the period on foreign joint ventures (€3 million in translation gains in first-half 2019) and €2 million in negative fair value adjustments relating to cash flow hedges of joint ventures (€5 million in negative fair value adjustments in first-half 2019).

In accordance with the amended IAS 19, changes in actuarial gains and losses are shown in "Other comprehensive income" and are not subsequently reclassified to profit.

The discount rates used to calculate post-employment benefit obligations are determined by reference to the yield on private investment-grade bonds (AA), using the Iboxx index. The main discount rate assumptions used to calculate post-employment benefit obligations at the dates shown were revised as follows:

	Dec. 31, 2018	June 30, 2019	Dec. 31, 2019	June 30, 2020
Eurozone	1.50%	1.00%	0.60%	0.90%
UK	2.90%	2.50%	1.95%	1.70%

The inflation rate assumption used to calculate obligations in the United Kingdom was as follows:

	Dec. 31, 2018	June 30, 2019	Dec. 31, 2019	June 30, 2020
UK inflation rate	3.25%	3.25%	2.90%	2.75%

## CONSOLIDATED BALANCE SHEET

### Assets

(in € millions)	Note	Dec. 31, 2019	June 30, 2020
Goodwill	11	5,199	5,197
Intangible assets	12	9,479	9,208
Property, plant and equipment	13	4,398	4,263
Right-of-use assets	14	732	676
Non-current financial assets	15	429	410
Investments in equity-accounted companies	16	2,211	2,199
Non-current derivatives (positive fair value)	23	33	63
Deferred tax assets		251	588
Other non-current financial assets		4	4
<b>Non-current assets</b>		<b>22,736</b>	<b>22,608</b>
Current financial assets	15	143	129
Current derivatives (positive fair value)	23	674	484
Inventories and work-in-progress		6,312	6,340
Contract costs		471	502
Trade and other receivables		7,639	6,790
Contract assets		1,743	1,741
Tax assets		458	390
Cash and cash equivalents	17	2,632	4,373
<b>Current assets</b>		<b>20,072</b>	<b>20,749</b>
<b>TOTAL ASSETS</b>		<b>42,808</b>	<b>43,357</b>

### Equity and liabilities

(in € millions)	Note	Dec. 31, 2019	June 30, 2020
Share capital	18	85	85
Consolidated reserves and retained earnings	18	9,839	12,412
Profit (loss) for the period		2,447	(340)
<b>Equity attributable to owners of the parent</b>		<b>12,371</b>	<b>12,157</b>
<b>Non-controlling interests</b>		<b>377</b>	<b>390</b>
<b>Total equity</b>		<b>12,748</b>	<b>12,547</b>
Provisions	19	2,093	2,250
Borrowings subject to specific conditions	20	505	468
Non-current interest-bearing financial liabilities	21	3,239	4,067
Non-current derivatives (negative fair value)	23	5	11
Deferred tax liabilities		1,340	1,262
Other non-current financial liabilities	22	2	7
<b>Non-current liabilities</b>		<b>7,184</b>	<b>8,065</b>
Provisions	19	990	787
Current interest-bearing financial liabilities	21	3,540	3,451
Trade and other payables		6,164	5,243
Contract liabilities		10,923	11,317
Tax liabilities		111	111
Current derivatives (negative fair value)	23	1,033	1,785
Other current financial liabilities	22	115	51
<b>Current liabilities</b>		<b>22,876</b>	<b>22,745</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>42,808</b>	<b>43,357</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Remeasurement of hedging instruments	Translation adjustments	Consolidated reserves and retained earnings	Actuarial gains and losses on post-employment benefits	Profit (loss) for the period	Other	Equity attributable to owners of the parent	Non-controlling interests	Total
<b>At January 1, 2019</b>	<b>87</b>	<b>4,686</b>	<b>(80)</b>	<b>22</b>	<b>252</b>	<b>5,954</b>	<b>(391)</b>	<b>1,283</b>	<b>137</b>	<b>11,950</b>	<b>346</b>	<b>12,296</b>
Comprehensive income (expense) for the period	-	-	-	(31)	46	(5)	(108)	1,432	35 <sup>(1)</sup>	1,369	31	1,400
Acquisitions/disposals of treasury shares	-	-	22	-	-	-	-	-	-	22	-	22
Dividends	-	-	-	-	-	(785)	-	-	-	(785)	(30)	(815)
Share buyback programs	-	-	(458)	-	-	-	-	-	-	(458)	-	(458)
Acquisition of Zodiac Aerospace	-	1	-	-	-	-	-	-	-	1	-	1
Other movements, including appropriation of profit	-	-	-	-	-	1,283	-	(1,283)	17	17	-	17
<b>At June 30, 2019</b>	<b>87</b>	<b>4,687</b>	<b>(516)</b>	<b>(9)</b>	<b>298</b>	<b>6,447</b>	<b>(499)</b>	<b>1,432</b>	<b>189</b>	<b>12,116</b>	<b>347</b>	<b>12,463</b>
Comprehensive income (expense) for the period	-	-	-	9	107	(2)	(53)	1,015	16 <sup>(1)</sup>	1,092	32	1,124
Acquisitions/disposals of treasury shares	-	-	(245)	-	-	-	-	-	-	(245)	-	(245)
Dividends	-	-	-	-	-	-	-	-	-	-	(2)	(2)
Share buyback programs	-	-	(618)	-	-	-	-	-	-	(618)	-	(618)
Increase/decrease in share capital	(2)	1	1,076	-	-	(1,074)	-	-	-	1	-	1
Other movements, including appropriation of profit	-	-	-	-	-	-	-	-	25	25	-	25
<b>At December 31, 2019</b>	<b>85</b>	<b>4,688</b>	<b>(303)</b>	<b>-</b>	<b>405</b>	<b>5,371</b>	<b>(552)</b>	<b>2,447</b>	<b>230</b>	<b>12,371</b>	<b>377</b>	<b>12,748</b>
Comprehensive income (expense) for the period	-	-	-	(6)	(51)	(2)	11	(340)	(4) <sup>(1)</sup>	(392)	16	(376)
Acquisitions/disposals of treasury shares <sup>(2)</sup>	-	-	267	-	-	(176)	-	-	53	144	-	144
Dividends	-	-	-	-	-	-	-	-	-	-	(3)	(3)
OCEANE 2020-2027 bonds	-	-	-	-	-	24	-	-	-	24	-	24
Other movements, including appropriation of profit	-	-	-	-	-	2,447	-	(2,447)	10	10	-	10
<b>At June 30, 2020</b>	<b>85</b>	<b>4,688</b>	<b>(36)</b>	<b>(6)</b>	<b>354</b>	<b>7,664</b>	<b>(541)</b>	<b>(340)</b>	<b>289</b>	<b>12,157</b>	<b>390</b>	<b>12,547</b>

(1) See table below:

(in € millions)	Tax impact on actuarial gains and losses	Tax impact on foreign exchange differences	Total
Comprehensive income (expense) for first-half 2019 (attributable to owners of the parent)	26	9	35
Comprehensive income (expense) for second-half 2019 (attributable to owners of the parent)	18	(2)	16
Comprehensive income (expense) for first-half 2020 (attributable to owners of the parent)	(6)	2	(4)

(2) Capital loss amounting to €176 million (primarily relating to the settlement-delivery of the Safran Sharing 2020 employee shareholding plan) and the related tax effect totaling €53 million.

## CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	Note	First-half 2019	First-half 2020
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit (loss) attributable to owners of the parent		1,432	(340)
Depreciation, amortization, impairment and provisions <sup>(1)</sup>		740	833
Share in profit/loss from equity-accounted companies (net of dividends received)	16	(33)	5
Change in fair value of currency and interest rate derivatives <sup>(2)</sup>	23	(317)	957
Capital gains and losses on asset disposals		(26)	1
Profit attributable to non-controlling interests		33	15
Other <sup>(3)</sup>		765	(317)
<b>Cash flow from operations, before change in working capital</b>		<b>2,594</b>	<b>1,154</b>
Change in inventories and work-in-progress		(644)	(103)
Change in operating receivables and payables		(273)	3
Change in contract costs		(12)	(33)
Change in contract assets and liabilities		130	422
Change in other receivables and payables		(64)	(121)
<b>Change in working capital</b>		<b>(863)</b>	<b>168</b>
<b>TOTAL I</b>		<b>1,731</b>	<b>1,322</b>
<b>II. CASH FLOW USED IN INVESTING ACTIVITIES</b>			
Capitalization of R&D expenditure <sup>(4)</sup>	12	(157)	(127)
Payments for the purchase of intangible assets, net <sup>(5)</sup>		(65)	(21)
Payments for the purchase of property, plant and equipment, net <sup>(6)</sup>		(332)	(273)
Payments for the acquisition of investments or businesses, net		(4)	(13)
Proceeds arising from the sale of investments or businesses, net		-	1
Proceeds (payments) arising from the sale (acquisition) of investments and loans, net		46	18
<b>TOTAL II</b>		<b>(512)</b>	<b>(415)</b>
<b>III. CASH FLOW FROM (USED IN) FINANCING ACTIVITIES</b>			
Change in share capital – owners of the parent		1	-
Change in share capital – non-controlling interests		(9)	-
Acquisitions and disposals of treasury shares	18.b	(422)	91
Repayment of borrowings and long-term debt	21	(731)	(73)
Increase in borrowings <sup>(7)</sup>	21	22	1,373
Change in repayable advances	20	(9)	3
Change in short-term borrowings	21	883	(547)
Dividends and interim dividends paid to owners of the parent	18.e	(785)	-
Dividends paid to non-controlling interests		(30)	(3)
<b>TOTAL III</b>		<b>(1,080)</b>	<b>844</b>
<b>EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES</b>	<b>TOTAL IV</b>	<b>1</b>	<b>(10)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>I+II+III+IV</b>	<b>140</b>	<b>1,741</b>
Cash and cash equivalents at beginning of period		2,330	2,632
Cash and cash equivalents at end of period	17	2,470	4,373
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>140</b>	<b>1,741</b>



- (1) Including in first-half 2020: depreciation and amortization for €723 million (€715 million in first-half 2019), impairment for €136 million (€24 million in first-half 2019) and additions to provisions for €26 million (€1 million in first-half 2019).
- (2) Including in first-half 2020: a positive €940 million arising on currency derivatives (a negative €320 million in first-half 2019) (see Note 23, "Management of market risks and derivatives").
- (3) Including in first-half 2020: cancellation of deferred tax income arising on changes in the fair value of currency derivatives for a negative €321 million (a positive €113 million in first-half 2019), cancellation of tax expense for €114 million (€437 million in first-half 2019), €39 million in taxes paid (€120 million in taxes received in first-half 2019), €34 million in interest paid (€54 million in first-half 2019) and €16 million in interest received (€27 million in first-half 2019).
- (4) Including in first-half 2020: capitalized interest of €3 million (€5 million in first-half 2019).
- (5) Including in first-half 2020: €19 million in disbursements for acquisitions of intangible assets (€58 million in first-half 2019) and changes in amounts payable on acquisitions of non-current assets representing a negative €2 million (a negative €7 million in first-half 2019).
- (6) Including in first-half 2020: €226 million in disbursements for acquisitions of property, plant and equipment (€360 million in first-half 2019), changes in amounts payable on acquisitions of non-current assets representing a negative €52 million (a negative €35 million in first-half 2019) and €5 million in proceeds from disposals (€63 million in first-half 2019).
- (7) Including in first-half 2020: €760 million relating to the OCEANE bond issue and €564 million relating to the USPP issue.

## NOTES TO THE GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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Safran (2, boulevard du Général-Martial-Valin – 75724 Paris Cedex 15, France) is a *société anonyme* (joint-stock corporation) incorporated in France and permanently listed on Compartment A of the Euronext Paris Eurolist market.

The condensed interim consolidated financial statements reflect the accounting position of Safran SA and the subsidiaries it controls, directly or indirectly and jointly or exclusively, as well as entities over which it exercises significant influence (the “Group”).

The condensed interim consolidated financial statements and accompanying notes are drawn up in euros and all amounts are rounded to the nearest million unless otherwise stated.

The Board of Directors’ meeting of July 29, 2020 adopted and authorized for issue the 2020 condensed interim consolidated financial statements.

## NOTE 1 IMPACTS OF THE COVID-19 PANDEMIC

The Covid-19 pandemic, which first emerged in China in December 2019, has heavily affected the Group’s businesses.

The impacts of the pandemic began to materialize in March and intensified during the second quarter.

Services and the Aircraft Interiors retrofit business initially declined in line with the sharp fall in air traffic, airline companies’ focus on preserving cash and temporary, local disruptions in operations.

Safran also aligned quickly OE deliveries following significant production rate cuts announced by airframers.

At end-June 2020, the effects of the Covid-19 crisis are being felt across most of Safran’s businesses, with original equipment and services impacted by the stark decline in air traffic and airlines facing financial constraints.

### ■ Propulsion:

- sharp decrease in OE and spare parts sales on narrowbody engines;
- contained sales decline in helicopter turbines thanks to a market less affected by the sanitary crisis;
- military activities supported by sales of spare parts.

### ■ Aircraft Equipment, Defense and Aerosystems:

- similar decrease in OE and services among almost all businesses;
- resilience of Electronics & Defense activities.

### ■ Aircraft Interiors:

- strongly hit by widebody.

On March 26, 2020, the Group withdrew its guidance for 2020 and announced that it would cancel the previously announced dividend for 2019. It unveiled the main principles of its adaptation plan on April 29, 2020.

The plan launched at the beginning of the year in response to the shutdown of production for the 737 MAX has been significantly expanded and intensified:

- adjustment of the workforce to business needs, using all available means including furlough and short-time working in France;
- scaling back of purchasing programs in line with the decline in activity, in order to adapt to new delivery levels;
- reduction of investment commitments;
- cuts in R&D expenses compared to 2019;
- cuts in operating costs.

### a) Going concern and liquidity

At June 30, 2020, consolidated cash and cash equivalents amounted to €4,373 million.

A total of €1,518 million was outstanding under the Group’s commercial paper program (NEU CP), comprising several drawdowns with maturities of less than one year and €433 million subscribed by a corporate mutual fund of the Group employee savings plan.

Safran has a €2.52 billion undrawn revolving credit facility, available until December 2022. This facility primarily serves as a back-up for the NEU CP program, in the event that the commercial paper market dysfunctions. The maximum amount available under the program was increased from €2.5 billion to €3 billion in the second quarter.

On April 22, 2020, the Group set up a €3 billion bridge facility with a syndicate of French and international banks aimed at maintaining the Group’s flexibility. It refinanced €800 million on May 15, 2020 by issuing seven-year bonds convertible and/or exchangeable for new and/or existing shares (“OCEANE” bonds) paying an annual coupon of 0.875%, with a conversion premium of 40%. It also issued €564 million in senior unsecured notes on the US private placement market (USPP) on June 29, 2020. At June 30, 2020, the total amount available under the undrawn bridge loan therefore stood at €1.6 billion.

Based on the above, the Group has sufficient liquidity to fund its operations going forward.

### b) Adaptation plan

The Group will significantly reduce its costs in line with the decline in demand and lower its breakeven point in order to prepare for the recovery in its businesses, which is expected in the next few years.

Safran has adjusted its workforce to the needs of the business, as reassessed in line with customer forecasts to date and management estimates. Furlough and short-time working were introduced in Group companies wherever possible, resulting in an employee downtime rate of 30% worldwide and 35% in France in second-quarter 2020.

Government grants for furloughed and short time working staff were recognized as a deduction from personnel costs as from March 2020.

Restructuring costs relating to production shutdowns and site closures, along with costs incurred in respect of workforce adjustment measures (severance payments), were recognized or provisioned as soon as the adaptation plans were announced or had begun to be implemented. In first-half 2020, restructuring costs were included within non-recurring expenses in an amount of €77 million (see Note 7, "Breakdown of the other main components of profit from operations") and primarily concern sites in the United States, Mexico, Tunisia, the United Kingdom and Thailand.

The costs were included within non-recurring expenses in accordance with the criteria typically used by the Group.

### c) Description of the impacts of Covid-19

The impacts of the pandemic on the Group's businesses affect the whole income statement and balance sheet and not just individual line items.

As mentioned in Note 7, "Breakdown of the other main components of profit from operations", non-recurring items, essentially impairment losses (including on equity-accounted companies), capital gains and losses on disposals of businesses, transaction and restructuring costs, are unchanged from previous periods.

### d) Goodwill

The Group usually tests its cash-generating units (CGUs) for impairment in the second half of the year, once data in the medium-term business plan are updated and validated by the Group's management and by its governing bodies. Impairment tests are also carried out whenever there is an indication of impairment risk.

Given the scale of the downturn in activity, which itself is such an indication, the Group reviewed all its CGUs in the first half of 2020. This notably included the Safran Seats and Safran Cabin CGUs whose activities were particularly affected by the decline in air traffic and change in the financial situation of airlines. Furthermore, the difference between the book value of their assets and their recoverable amount was already limited prior to the epidemic.

Due to the lack of visibility about the conditions in which air traffic will recover as well as customers' outlook, the Group adapted its approach for calculating value in use accordingly.

Value in use was calculated using a multi-scenario approach based on pre-Covid cash flows as projected in the 2019-2023 medium-term business plan and adjusted to reflect different assumptions as to the duration and scale of the current crisis in order to measure its impact on the value of assets.

Lastly, the Group tested sensitivity to changes in the assumptions regarding the perpetuity growth rate, the discount rate and the long-term US dollar price.

The results are described in more detail in Note 11, "Goodwill".

As a result of these tests, no impairment was recognized by the Group at June 30, 2020, even if the difference between the value in use and the carrying amount is lower and may still be revised downward at December 31, 2020.

### e) Other assets

#### Intangible assets

The Group carried out a detailed analysis of its other intangible assets (development expenditures, programs, etc.).

As in every half-year period, the Group tested assets allocated to programs for which there could be an indication of impairment.

These impairment tests were carried out based on projections updated to reflect the best information available at the reporting date.

Due to the significant prevailing uncertainties, the Group tested sensitivity to changes in volumes and the discount rate.

The results of the tests are set out in Note 12, "Intangible assets".

#### Right-of-use assets

In first-half 2020, rent concessions granted to lessees in the context of the Covid-19 pandemic did not have a material impact on the Group.

#### Measurement of inventories and work-in-progress

The carrying amount of inventories and work-in-progress takes into account adjustments for idle capacity (under-absorption of overhead expenses), which was deemed to represent an expense for the period.

#### Trade receivables

The Group has stepped up the monitoring of its bad debt risks to ensure the collection of its current and future receivables.

It has paid close attention to struggling airline companies that have announced restructuring plans, and provisions have been set aside on a case-by-case basis for any receivables or assets presenting a bad debt risk.

At June 30, 2020, the net amount of impairment losses recognized in this respect against trade and other receivables was €39 million.

### f) Estimated profit (loss) on completion of contracts accounted for on a percentage-of-completion basis

Contracts accounted for on a percentage-of-completion basis have been adjusted to reflect the latest available data.

In light of the uncertainties caused by the current crisis, the Group analyzed the service contracts that were considered to be most high-risk. Where necessary, the Group adjusted its estimates of profit (loss) on completion of these contracts following a risk review based on a multi-criteria analysis. The review took into account fleet decommissioning announcements, bad debt risk, known fluctuations in costs and projected shop visits, changes in incurred costs and contractual modifications.

Where the review led the Group to estimate a loss on completion, the expected loss was recognized in provisions for losses on completion.

Idle capacity was recognized in profit for the period and was not therefore included as part of the contract costs used to calculate the percentage of completion.

## g) Subsequent events

A Group "Activity Transformation" agreement was signed on July 8, 2020 between Safran management and trade unions in force at the Group level. The purpose of the agreement is to enable the Group to adapt its costs to weather the crisis, while protecting jobs and skills needed to safeguard the recovery.

The plan is effective until December 31, 2021 and is applicable in all Group entities in France.

The key measures of the agreement include:

- encouraging voluntary early retirement;
- promoting internal and external mobility, based in particular on secondment arrangements and special leave;
- capping statutory and optional profit-sharing for two years;
- suspending the Company top-up contribution to invested employee savings in 2021;
- suspending supplementary retirement contributions for engineers and managerial-grade employees (*cadres*) in 2021;
- making use of training and other new schemes made available to businesses.

Pursuant to the agreement, Safran will implement the long-term furlough scheme (*Activité Partielle Longue Durée*) passed by the French Parliament on June 17, 2020.

The agreement also includes a clause whereby some or all specified measures may be adjusted in 2021 depending on the level of recovery in the Group's businesses.

A progress review of the agreement will be conducted at the end of 2021, enabling the Group to determine whether or not the existing agreement should be extended or a new agreement signed, depending on the Group's position.

Some of the measures under the agreement still require amendments to be signed to local existing agreements. The accounting impacts on statutory and optional profit-sharing, employee savings plans and voluntary early retirement schemes will be reflected in the financial statements for the second half of 2020.

## NOTE 2 ACCOUNTING POLICIES

The consolidated financial statements of Safran and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and adopted by the European Union at the date the condensed interim consolidated financial statements were approved by the Board of Directors. They include standards approved by the IASB, namely the IFRSs, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC).

The condensed interim consolidated financial statements at June 30, 2020 have been prepared in accordance with IAS 34, "Interim Financial Reporting" and with all the standards and interpretations adopted by the European Union and applicable to accounting periods beginning on or after January 1, 2020.

In preparing these condensed interim consolidated financial statements at June 30, 2020, Safran applied the same accounting rules and methods as those applied in the preparation of its consolidated financial statements for the year ended December 31, 2019 (see section 3.1, Note 1 of the 2019 Universal Registration Document), except as regards the specific requirements of IAS 34 (use of projected annual rates in calculating the Group's income tax, adjusted for the main permanent differences) and the changes described below.

### Changes in accounting policies

#### New IFRS standards, amendments and interpretations effective as of January 1, 2020

- Amendments to IFRS standards following the publication of the Conceptual Framework.
- Amendments to IAS 1, "Presentation of Financial Statements" and IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of Material.

- Amendments to IFRS 3, "Business Combinations" – Definition of a Business.

- Amendments to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform Phase 1.

In 2019, the Group chose to early adopt the amendments to IFRS 9 and IFRS 7 published by the IASB in September 2019 and adopted by the European Union as part of the interest rate benchmark reform.

The amendments allow the Group to disregard uncertainties about the future of benchmark rates when assessing hedge effectiveness and/or when assessing the highly probable nature of the hedged risk, thereby securing current or future hedging relationships until those uncertainties are resolved.

Interest rate derivatives designated as hedges of borrowings indexed to a benchmark rate are described in Note 23, "Management of market risks and derivatives".

In addition, the Group is currently analyzing the impacts of future changes to benchmark indices. The potential financial reporting impact of replacing an existing benchmark rate by another rate will be seen as from the date of application of Phase 2 of the reform.

The Group has noted the IFRIC decision of December 2019 regarding IFRS 16, specifically concerning the terms of leases with automatic renewal clauses. At June 30, 2020, the Group was in the process of identifying and analyzing the leases concerned by the decision and the terms currently used for such contracts will be reviewed during the second half of the year, to ensure their compliance with the IFRIC clarifications. At the reporting date, the Group does not expect the reform to have a material impact on its financial statements.

The other standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2020 do not have a material impact on the Group's consolidated financial statements.

### **New published IFRS standards, amendments and interpretations early adopted by the Group as of January 1, 2020**

None.

### **New published IFRS standards, amendments and interpretations not yet effective or not early adopted by the Group**

■ IFRS 17, "Insurance Contracts".

- Amendments to IAS 1, "Presentation of Financial Statements" – Classification of Liabilities as Current or Non-Current.
- Amendments to IAS 28, "Investments in Associates and Joint Ventures" and IFRS 10, "Consolidated Financial Statements" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
- Amendments to IFRS 16, "Leases" – Covid-19-Related Rent Concessions.

These new standards, amendments and interpretations have not yet been adopted by the European Union and cannot therefore be applied ahead of their effective date even where early adoption is permitted by the texts concerned.

## **NOTE 3 MAIN SOURCES OF ESTIMATES**

The preparation of consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) described above requires management to make certain estimates and assumptions that affect the reported amounts of consolidated assets, liabilities, income and expenses.

The assumptions used vary from one business to the next, but are considered reasonable and realistic in all cases. The resulting estimates are based on the Group's past experience and factor in the economic conditions prevailing at the end of the reporting period and any information available as of the date of preparation of the financial statements, in particular of a contractual or commercial nature.

Estimates and underlying assumptions are reviewed on an ongoing basis. They were updated in light of the Covid-19 epidemic to reflect the latest information available at the reporting date in an environment that remains highly uncertain.

When unforeseen developments in events and circumstances occur, particularly as regards global economic trends and the Group's own business environment, actual results may differ from these estimates. In such cases, the assumptions and, where appropriate, the reported amounts of assets and liabilities concerned are adjusted accordingly.

The Group also tests its sensitivity to changes in the assumptions underlying its main estimates in order to analyze the impact of volatility and lack of visibility in the global economic environment and particularly in certain Group segments. These analyses are regularly reviewed by management.

The main accounting policies which require the use of estimates are described below.

### **a) Estimates relating to programs and contracts**

The main material estimates used by the Group to prepare its financial statements relate to forecasts of future cash flows under programs and contracts (business plans). Forecast future total cash flows under programs and contracts represent management's best estimate of the rights and obligations expected to derive from the program or contract.

The assumptions applied and resulting estimates used for programs and contracts cover periods that are sometimes very long (up to several decades), and take into account the technological, commercial and contractual constraints of each such program and contract.

These estimates primarily draw on assumptions about the volumes, output and selling prices of products sold, associated production costs, exchange rates for foreign-currency denominated sales and purchases as well as normal risks and uncertainties in respect of forecast cost overruns and, for discounted future cash flows, the discount rate adopted for each program and contract. Where such information is available, particularly for major civil aviation programs and contracts, volume and output assumptions used by the Group for products sold are analyzed in light of the assumptions published by major contractors.



Cash flow forecasts, which may or may not be discounted, are used to determine the following:

- **impairment of non-current assets:** goodwill and assets allocated to programs (aircraft programs, development expenditures and property, plant and equipment used in production) are tested for impairment as described in section 3.1, Note 1.m of the 2019 Universal Registration Document. The recoverable amount of these assets is generally determined using cash flow forecasts;
- **capitalization of development expenditures:** the conditions for capitalizing development expenditures are set out in section 3.1, Note 1.j of the 2019 Universal Registration Document. Determining whether future economic benefits are expected to flow to the Group is instrumental in deciding whether project costs can be capitalized. This analysis is carried out based on future cash flow forecasts. The Group also uses estimates when determining the useful life of its projects;
- **profit (loss) on completion of contracts accounted for on a percentage-of-completion basis:** the Group accounts for contracts on a percentage-of-completion basis (cost-to-cost method). Under this method, revenue is recognized based on the percentage of work completed, calculated by reference to the costs incurred. This method requires an estimate of results on completion using future cash flow forecasts that take into account contractual indexes and commitments as well as other factors inherent to the contract based on historical and/or forecast data. This method also requires an estimate of the contract's stage of completion.  
  
When the total costs that are necessary to cover the Group's risks and obligations under the contract are likely to exceed total contract revenue, the expected loss (i) is recognized within provisions for losses on completion or (ii) leads to the write-down of contract fulfillment costs (if any) and to the subsequent recognition of a provision for losses on completion for the remaining amount of the loss;
- **timing of revenue recognition:** the recognition of revenue under certain contracts is based on delivery volume assumptions. These assumptions therefore influence the timing of revenue recognition;
- **variable consideration:** the transaction price may be comprised of both a fixed amount and a variable amount. This variable amount may, in particular, depend on volume assumptions which therefore require the use of estimates;
- **losses arising on delivery commitments:** sales contracts (or combinations of contracts) may be onerous. For all sales contracts or combinations of contracts, the Group estimates the volume of goods to be delivered as well as spare parts and services directly related to the delivery commitment, which may be contractual or highly probable. Accordingly, the Group recognizes a provision for losses arising on delivery commitments when the combination of contracts is onerous and a loss is likely to be incurred. It uses estimates,

notably as regards the volume of goods to be produced and delivered under the sales contracts or combinations of contracts, as well as the volume of directly-related spare parts and services, projected production costs and the expected economic benefits;

- **repayable advances:** the forecast repayment of advances received from public bodies is based on revenue from future sales of engines, equipment and spare parts, as appropriate. As a result, the forecasts are closely related to the business plans prepared by the operating divisions.

Any changes in estimates and assumptions underlying cash flow forecasts for programs and contracts could have a material impact on the Group's future earnings and/or the amounts reported in its balance sheet. Consequently, the sensitivity of key estimates and assumptions to such changes is systematically tested and the results of these tests reviewed by management on a regular basis.

## b) Provisions

Provisions reflect management's best estimates using available information, past experience and, in some cases, estimates by independent experts.

When estimating provisions relating to the Group's contractual commitments on timeframes and technical specifications in connection with the development phase, the general stage of development of each of the Group's programs is taken into account, particularly as regards changes made to specifications during the development phase. Contractually defined liability limits are also taken into account.

Restructuring provisions are recognized when the plan has raised a valid expectation in third parties and has been announced before the end of the reporting period.

Contractual provisions relating to performance warranties given by the Group take into account factors such as the estimated cost of repairs and, where appropriate, the discount rate applied to cash flows. The value of these commitments may be based on a statistical assessment.

Provisions relating to financial guarantees given by the Group are based on the estimated value of the underlying assets, the probability that the customers concerned will default, and, where appropriate, the discount rate applied to cash flows.

The costs and penalties actually incurred or paid may differ significantly from these initial estimates when the obligations unwind, and this may have a material impact on the Group's future earnings.

At the date of this report, the Group has no information suggesting that these inputs are not appropriate taken as a whole.

### c) Post-employment benefits

The Group uses statistical data and other forward-looking inputs to determine assets and liabilities relating to post-employment benefits. These inputs include actuarial assumptions such as the discount rate, salary increase rate, retirement age, and employee turnover and mortality. Actuarial calculations are performed by independent actuaries. At the date of preparation of the consolidated financial statements, the Group considers that the assumptions used to measure its commitments are appropriate and justified.

However, if circumstances or actuarial assumptions – especially the discount rate – prove significantly different from actual experience, the amount of post-employment liabilities shown in the balance sheet could change significantly, along with equity.

### d) Trade and other receivables

The Group estimates any collection risks based on commercial information, prevailing economic trends, and information concerning the solvency of each customer, in order to determine any necessary write-downs on a case-by-case basis. These write-downs are in addition to any allowances recognized for expected losses, which are calculated on a collective basis for all customers with the same credit rating.

The specific nature of any receivables from governments or government-backed entities is taken into account when determining bad debt risk for each receivable and therefore when estimating the amount of any impairment loss.

### e) Allocation of the cost of business combinations

Business combinations are recorded using the acquisition (purchase) method. Identifiable assets acquired and liabilities and contingent liabilities assumed are measured at fair value at the date control is acquired.

One of the most important areas in which estimates are used in accounting for a business combination concerns the calculation of fair value and the underlying assumptions applied. The fair value of certain items acquired in a business combination can be measured reliably, for example property, plant and equipment using market prices. However, the fair value of other items such as intangible assets or contingent liabilities may prove more difficult to establish. These complex measurements are usually performed by independent experts based on a series of assumptions. These experts are generally required to estimate the impact of future events that are uncertain at the date of the combination.

### f) Disputes and litigation

Certain Group subsidiaries may be party to regulatory, legal or arbitration proceedings which, because of their inherent uncertainty, could have a material impact on the Group's financial position (see Note 26, "Disputes and litigation").

The Group's management takes stock of any outstanding proceedings and monitors their progress on a regular basis. It also decides whether to book a provision or adjust the amount of any existing provision if events arise during the proceedings that require a reassessment of the risk involved. The Group consults legal experts both within and outside the Group in determining the costs that may be incurred.

The decision to book a provision in respect of a given risk and the amount of any such provisions are based on an assessment of the risk associated with each individual case, management's estimate of the likelihood that an unfavorable decision will be issued in the proceedings in question, and the Group's ability to estimate the amount of the provision reliably.

## NOTE 4 SCOPE OF CONSOLIDATION

### Main changes in the scope of consolidation in 2020

There were no significant changes in the scope of consolidation in first-half 2020.

### Main changes in the scope of consolidation in 2019

#### Acquisition of ElectroMechanical Systems from Collins Aerospace

Upon completion of the clearance procedures, Safran finalized the acquisition of the ElectroMechanical Systems business from Collins Aerospace on February 8, 2019.

The acquisition bolsters the Group's market position and creates synergies in the electrical actuation and flight control segments. Safran thus becomes a major player in pilot controls and also strengthens its electrical actuation product line.

The acquisition expands the business portfolio of Safran Electronics & Defense.

The business has been part of the Aircraft Equipment, Defense and Aerosystems segment since the acquisition date.

The transaction meets the definition of a business combination under IFRS 3.

The allocation of the purchase price to the assets and liabilities measured at fair value generated zero goodwill.

## NOTE 5 SEGMENT INFORMATION

### Segments presented

In accordance with IFRS 8, “Operating Segments”, segment information reflects Safran’s different businesses.

The Group’s operating segments reflect the organization of subsidiaries around tier-one entities (“consolidation sub-groups”).

For monitoring purposes, Safran has three operating segments which are organized based on the type of products and services they sell and the markets they serve.

### Aerospace Propulsion

The Group designs, develops, produces and markets propulsion and mechanical power transmission systems for commercial aircraft, military transport, training and combat aircraft, civil and military helicopters, and drones. This segment also includes maintenance, repair and overhaul (MRO) activities and the sale of spare parts.

### Aircraft Equipment, Defense and Aerosystems

Safran covers the full life cycle of systems and equipment for civil and military aircraft and helicopters.

The Group is involved in landing gear and brakes, nacelles and reversers, avionics (flight controls and onboard information systems), security systems (evacuation slides, emergency arresting systems and oxygen masks), onboard computers and fuel systems.

It also operates at the different phases of the electrical cycle and provides electrical power management systems and associated engineering services.

This segment includes all activities serving the naval and land defense markets, including optronic equipment and sights, navigation equipment and sensors, modernized infantry and drones.

This segment also includes maintenance, repair and overhaul (MRO) activities and the sale of spare parts.

### Aircraft Interiors

The Aircraft Interiors business includes all operations related to the buyer-furnished equipment (BFE) market, whose direct customers are mostly airline companies. The Group designs, develops, manufactures and markets, for example, aircraft seats for passengers (First, Business and Economy Class) and crew, as well as cabin equipment, overhead bins, class dividers, passenger service units, cabin interior solutions, chilling systems, galleys, electrical inserts and trolleys and cargo equipment.

This segment also includes complex cabin equipment and passenger comfort-focused solutions such as water distribution, lavatories, air systems and in-flight entertainment and connectivity (IFEC).

### Holding company and other

In “Holding company and other”, the Group includes Safran SA’s activities and holding companies in various countries.

### Business segment performance indicators

Segment information presented in the tables on page 12 is included within the information presented to the Chief Executive Officer who – in accordance with the Group’s governance structure – has been designated as the “Chief Operating Decision Maker” for the assessment of the performance of business segments and the allocation of resources between the different businesses.

The assessment of each business segment’s performance by the Chief Executive Officer is based on adjusted contribution figures as explained in the Foreword (see page 12).

Data for each business segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see section 3.1, Note 1 of the 2019 Universal Registration Document), except for the restatements made in respect of adjusted data (see Foreword).

Inter-segment sales are performed on an arm’s length basis.

Free cash flow represents cash flow from operating activities less any disbursements relating to acquisitions of property, plant and equipment and intangible assets.

Quantified segment information for 2019 and 2020 is presented on pages 8 to 12.

## NOTE 6 REVENUE

### Breakdown of revenue by business

#### First-half 2020

(in € millions)	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Holding company and other	Total
<b>Description of products/services</b>					
Sales of original equipment and other equipment	1,499	2,334	735	-	4,568
Services	2,553	1,171	321	-	4,045
Sales of studies	42	108	13	6	169
Other	38	70	8	4	120
<b>TOTAL REVENUE</b>	<b>4,132</b>	<b>3,683</b>	<b>1,077</b>	<b>10</b>	<b>8,902</b>
<b>Timing of revenue recognition</b>					
At a point in time	3,372	3,275	1,067	8	7,722
Over time	760	408	10	2	1,180
<b>TOTAL REVENUE</b>	<b>4,132</b>	<b>3,683</b>	<b>1,077</b>	<b>10</b>	<b>8,902</b>

#### First-half 2019

(in € millions)	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Holding company and other	Total
<b>Description of products/services</b>					
Sales of original equipment and other equipment	2,496	2,930	1,134	-	6,560
Services	3,497	1,488	448	-	5,433
Sales of studies	30	123	58	4	215
Other	31	70	3	3	107
<b>TOTAL REVENUE</b>	<b>6,054</b>	<b>4,611</b>	<b>1,643</b>	<b>7</b>	<b>12,315</b>
<b>Timing of revenue recognition</b>					
At a point in time	5,116	4,156	1,608	7	10,887
Over time	938	455	35	-	1,428
<b>TOTAL REVENUE</b>	<b>6,054</b>	<b>4,611</b>	<b>1,643</b>	<b>7</b>	<b>12,315</b>

Revenue is broken down into four categories which best reflect the Group's main businesses:

■ **Sales of original equipment and other equipment.**

These sales reflect quantities delivered under contracts or aircraft programs as well as contractual financing received from customers to develop these products.

■ **Services, which include deliveries of spare parts and maintenance contracts.**

These sales are contingent on repairs and maintenance requested by airline companies and correspond to services and volumes that are less predictable since they depend on the condition of fleets.

■ **Sales of studies, research and development.**

Contracts are drawn up for all such development work, which represents separate performance obligations. This category

relates to specific work carried out for a given project or program.

■ **Other.**

In terms of revenue recognition, it should be noted for each of the business segments that:

- most revenue within the Group is recognized "at a point in time";
- revenue recognized on a percentage-of-completion basis ("over time") mainly concerns service and after-sales support contracts in the Propulsion segment and aerospace activities in the Aircraft Equipment, Defense and Aerosystems segment.

In other segments, it concerns contract-related activities accounted for as an overall performance obligation.

## NOTE 7 BREAKDOWN OF THE OTHER MAIN COMPONENTS OF PROFIT FROM OPERATIONS

### Other income

(in € millions)	First-half 2019	First-half 2020
Research tax credit <sup>(1)</sup>	83	74
Other operating subsidies	40	25
Other operating income	15	10
<b>TOTAL</b>	<b>138</b>	<b>109</b>

(1) Including €4 million in connection with additional research tax credits in respect of 2019, included in 2020 income (€5 million in respect of 2018 included in 2019 income).

### Raw materials and consumables used

This caption breaks down as follows for the period:

(in € millions)	First-half 2019	First-half 2020
Raw materials, supplies and other	(3,202)	(2,135)
Bought-in goods	(16)	(12)
Changes in inventories	151	142
Contract costs	12	33
Sub-contracting	(2,618)	(1,511)
Purchases not held in inventory	(276)	(229)
External service expenses	(1,319)	(965)
<b>TOTAL</b>	<b>(7,268)</b>	<b>(4,677)</b>

The decrease in raw materials and consumables used reflects the downturn in business related to the Covid-19 crisis.

### Personnel costs

(in € millions)	First-half 2019	First-half 2020
Wages and salaries	(2,062)	(1,798)
Social security contributions	(748)	(699)
Statutory employee profit-sharing	(111)	(58)
Optional employee profit-sharing	(84)	(65)
Additional contributions	(47)	(38)
Corporate social contribution	(45)	(33)
Other employee costs	(88)	(68)
<b>TOTAL</b>	<b>(3,185)</b>	<b>(2,759)</b>

Government grants for furloughed staff were recognized as a deduction from personnel costs.

## Depreciation, amortization and increase in provisions, net of use

(in € millions)	First-half 2019	First-half 2020
<b>Net depreciation and amortization expense</b>		
■ intangible assets	(358)	(365)
■ property, plant and equipment	(301)	(302)
■ right-of-use assets	(56)	(56)
<b>Total net depreciation and amortization expense<sup>(1)</sup></b>	<b>(715)</b>	<b>(723)</b>
<b>Net increase in provisions</b>	<b>17</b>	<b>84</b>
<b>DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE</b>	<b>(698)</b>	<b>(639)</b>

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem-Snecma merger: €24 million in first-half 2020 and €25 million in first-half 2019; during the acquisition of the former Zodiac Aerospace: €155 million in first-half 2020 and €156 million in first-half 2019; and during other acquisitions: €17 million in first-half 2020 and €20 million in first-half 2019.

## Asset impairment

(in € millions)	Impairment expense		Reversals	
	First-half 2019	First-half 2020	First-half 2019	First-half 2020
Intangible assets, property, plant and equipment, and right-of-use assets	(35)	(4)	6	2
Financial assets	(1)	(4)	1	-
Contract costs	-	(3)	3	1
Inventories and work-in-progress	(118)	(119)	119	81
Receivables	(23)	(64)	26	24
Contract assets	-	-	1	-
<b>TOTAL</b>	<b>(177)</b>	<b>(194)</b>	<b>156</b>	<b>108</b>

## Other recurring operating income and expenses

(in € millions)	First-half 2019	First-half 2020
Capital gains and losses on asset disposals	(9)	(1)
Royalties, patents and licenses	(13)	(16)
Losses on irrecoverable receivables	(8)	(4)
Other operating income and expenses <sup>(1)</sup>	113	91
<b>TOTAL</b>	<b>83</b>	<b>70</b>

(1) Of which income of €69 million in 2019 and €49 million in 2020 relating to the revised repayment probability for borrowings subject to specific conditions (see Note 20, "Borrowings subject to specific conditions").

## Other non-recurring operating income and expenses

(in € millions)	First-half 2019	First-half 2020
Capital gains on asset disposals	-	-
Asset impairment net of reversals	-	(66)
Other non-recurring items	32	(78)
<b>TOTAL</b>	<b>32</b>	<b>(144)</b>

In first-half 2020, other non-recurring items chiefly comprise restructuring costs for €77 million related essentially to the Covid-19 pandemic. Impairment primarily consists of the write-down of intangible assets relating to an aircraft program in the amount of €48 million.

In first-half 2019, other non-recurring items chiefly included transaction costs totaling €2 million and capital gains on the disposal of property for €34 million.



## NOTE 8 FINANCIAL INCOME (LOSS)

(in € millions)	First-half 2019	First-half 2020
Financial expense on interest-bearing financial liabilities	(47)	(30)
Financial income on cash and cash equivalents	26	10
<b>Cost of net debt</b>	<b>(21)</b>	<b>(20)</b>
Gain (loss) on foreign currency hedging instruments	353	(1,001)
Foreign exchange gain (loss)	(198)	(178)
Net foreign exchange gain (loss) on provisions	(5)	(2)
<b>Foreign exchange gain (loss)</b>	<b>150</b>	<b>(1,181)</b>
Gain (loss) on interest rate hedging instruments	-	(6)
Change in the fair value of assets at fair value through profit or loss	(1)	(8)
Impairment of loans and other financial receivables	(4)	-
Dividends received	1	1
Other financial provisions	-	-
Interest component of IAS 19 expense	(7)	(3)
Impact of unwinding the discount	(12)	(20)
Other	-	(10)
<b>Other financial income and expense</b>	<b>(23)</b>	<b>(46)</b>
<b>FINANCIAL INCOME (LOSS)</b>	<b>106</b>	<b>(1,247)</b>
<b>of which financial expense</b>	<b>(274)</b>	<b>(1,258)</b>
<b>of which financial income</b>	<b>380</b>	<b>11</b>

In first-half 2020, the €1,001 million loss on foreign currency hedging instruments reflects changes in the fair value of these instruments attributable to cash flows that will be recognized in profit or loss in future periods.

The €178 million foreign exchange loss includes:

- a €129 million foreign exchange loss, reflecting the loss on unwinding currency derivatives hedging operating cash flows

recognized in profit or loss in the period. This foreign exchange loss reflects the difference between the EUR/USD exchange rate guaranteed by the currency derivatives unwound in the period (USD 1.16 for €1) and the actual EUR/USD exchange rate observed during the period;

- a net foreign exchange loss of €49 million primarily attributable to the remeasurement of monetary items at the closing exchange rate.

## NOTE 9 INCOME TAX

Group tax is calculated by using the projected annual rates in each of the Group's tax jurisdictions, adjusted for the main permanent differences identified.

In France, the Finance Law for 2017 introduced a gradual decrease in the income tax rate from 33.33% to 25% (34.43% to 25.83% including additional income tax contributions) through to 2022.

An income tax rate of 30% was used to calculate the effective tax rate applicable to French entities in first-half 2020.

Tax income in first-half 2020 amounts to €207 million.

In first-half 2020, changes in the fair value of outstanding currency derivatives generated deferred tax income of €317 million.

In first-half 2019, such fair value changes generated a deferred tax expense of €110 million.

## NOTE 10 EARNINGS PER SHARE

	Index	First-half 2019	First-half 2020
<b>Numerator</b> (in € millions)			
Profit (loss) for the period attributable to owners of the parent	(a)	1,432	(340)
<b>Denominator</b> (in shares)			
Total number of shares	(b)	435,782,157	427,235,939
Number of treasury shares held	(c)	5,102,652	363,521
Number of shares excluding treasury shares	(d)=(b-c)	430,679,505	426,872,418
Weighted average number of shares (excluding treasury shares)	(d')	432,218,259	425,155,180
Potentially dilutive ordinary shares	(e)	5,615,743	12,590,064
Weighted average number of shares after dilution	(f)=(d'+e)	437,834,002	437,745,244
<b>Ratio: earnings per share</b> (in €)			
Basic earnings (loss) per share	(g)=(a x 1 million)/(d')	3.31	(0.80)
Diluted earnings (loss) per share	(h)=(a x 1 million)/(f)	3.27	(0.80)

At June 30, 2020, potentially dilutive ordinary shares essentially comprise shares that may be issued if all of the bonds convertible and/or exchangeable for new and/or existing shares issued by the Group (OCEANE 2018-2023 bonds and OCEANE 2020-2027 bonds: see Note 18.d, "Convertible bond issues") are converted.

## NOTE 11 GOODWILL

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2019 Net	Changes in scope of consolidation	Reallocation	Impairment	Effect of changes in foreign exchange rates and other	June 30, 2020 Net
Safran Aircraft Engines	392	-	-	-	-	392
Safran Helicopter Engines	307	-	-	-	1	308
Safran Aero Boosters	47	-	-	-	-	47
Other Propulsion	1	-	-	-	-	1
Safran Electronics & Defense	348	-	-	-	1	349
Safran Nacelles	213	-	-	-	-	213
Safran Engineering Services	76	-	-	-	-	76
Safran Electrical & Power	701	-	-	-	(8)	693
Safran Landing Systems	190	-	-	-	-	190
Safran Aerosystems	798	-	-	-	-	798
Safran Seats	765	-	-	-	-	765
Safran Cabin	805	-	-	-	2	807
Safran Passenger Solutions	556	-	-	-	2	558
<b>TOTAL</b>	<b>5,199</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2)</b>	<b>5,197</b>

## Impairment tests

The Group tested all its cash-generating units (CGUs) for impairment in second-half 2019 as part of its annual impairment testing exercise.

Given the scale of the downturn in activity, which itself is an indication of risk of impairment, the Group reviewed all its CGUs in the first half of 2020. This notably included the Safran Seats and Safran Cabin CGUs whose activities were particularly affected by the decline in air traffic and change in the financial situation of airlines. Furthermore, the difference between the book value of their assets and their recoverable amount was already limited prior to the epidemic.

Due to the lack of visibility about the conditions in which air traffic will recover as well as customers' outlook, the Group adapted its approach for calculating value in use accordingly.

Value in use was calculated using a multi-scenario approach based on pre-Covid cash flows as projected in the 2019-2023 medium-term business plan and adjusted to reflect different assumptions as to the duration and scale of the current crisis in order to measure its impact on the value of assets.

The main assumptions used in determining the value in use of CGUs are as follows:

- expected future cash flows are determined over a period consistent with the useful life of the assets included in each CGU. This is generally estimated at ten years but may be extended for businesses with longer development and production cycles;
- operating forecasts used to determine expected future cash flows take into account general economic data, specific inflation rates for each geographic area, a USD exchange rate based on available market information and mid- to long-term macroeconomic assumptions.

In light of the significant prevailing uncertainties, the forecasts and assumptions used were adjusted as follows:

- estimates for 2020 updated to reflect the latest information known at the reporting date,
- future cash flows for 2021-2023 revised downwards based on three assumptions about the magnitude of the crisis (i.e., a negative crisis impact of 25%, 50% or 75%),

- assumptions whereby the Group returns to pre-Covid cash flow levels in 2024 at the latest,
- forecasts validated by the Group at the end of 2019 for the terminal year of the plan;

- the value in use of CGUs in each scenario is equal to the sum of these discounted estimated future cash flows plus a terminal value, calculated by applying the growth rate expected for the relevant businesses to standardized cash flows representing long-term business activity, which usually corresponds to the last year in the long-term business plan;
- the growth rate used to calculate terminal value was set at 2% for all CGUs;
- the average USD exchange rate adopted is 1.17 for years 2020 to 2023 and 1.30 thereafter. These exchange rate assumptions take into account the foreign currency hedging portfolio;
- the benchmark post-tax discount rate used is 7.5% (unchanged from 2019 but for which the components have been revised and approved) and is applied to post-tax cash flows.

As a result of these tests, the Group did not recognize any impairment against these CGUs in any of the scenarios tested. The recoverable amount of each CGU wholly justifies the goodwill balances recorded in Group assets.

The Group also tested the sensitivity of the various scenarios analyzed to the following changes in the main assumptions used for its forecasts as from 2024:

- a 5% increase or decrease in the USD/EUR exchange rate;
- a 0.5% increase in the benchmark discount rate;
- a 0.5% decrease in the perpetual growth rate.

Taken individually in the worst-case scenario, changes in these assumptions would have led the Group to recognize an impairment loss of €200 million against these two CGUs.

No impairment of goodwill was recognized as a result of the annual impairment tests in 2019.

## NOTE 12 INTANGIBLE ASSETS

Intangible assets break down as follows:

(in € millions)	Dec. 31, 2019			June 30, 2020		
	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs	2,334	(1,633)	701	2,335	(1,709)	626
Development expenditures	6,292	(2,215)	4,077	6,409	(2,335)	4,074
Commercial agreements	784	(151)	633	786	(165)	621
Software	684	(599)	85	697	(619)	78
Trademarks <sup>(1)</sup>	703	-	703	703	-	703
Commercial relationships	1,953	(362)	1,591	1,956	(433)	1,523
Technology	1,387	(318)	1,069	1,385	(396)	989
Other	836	(216)	620	828	(234)	594
<b>TOTAL</b>	<b>14,973</b>	<b>(5,494)</b>	<b>9,479</b>	<b>15,099</b>	<b>(5,891)</b>	<b>9,208</b>

(1) As trademarks are not amortized, they are tested for impairment based on their respective CGUs.

Movements in intangible assets break down as follows:

(in € millions)	Gross	Amortization/ impairment	Net
<b>At December 31, 2019</b>	<b>14,973</b>	<b>(5,494)</b>	<b>9,479</b>
Capitalization of R&D expenditure <sup>(1)</sup>	127	-	127
Capitalization of other intangible assets	6	-	6
Acquisitions of other intangible assets	13	-	13
Disposals and retirements	-	1	1
Amortization	-	(365)	(365)
Impairment losses recognized in profit or loss	-	(48)	(48)
Reclassifications	4	-	4
Foreign exchange differences	(24)	15	(9)
<b>AT JUNE 30, 2020</b>	<b>15,099</b>	<b>(5,891)</b>	<b>9,208</b>

(1) Including €3 million in capitalized interest on R&D expenditure at June 30, 2020 (€5 million at June 30, 2019).

Research and development expenditures recognized in recurring operating income for the period totaled €447 million including amortization (€643 million in first-half 2019). This amount does not include the research tax credit recognized in the income statement within "Other income" (see Note 7, "Breakdown of the other main components of profit from operations").

Amortization recognized in the period includes €141 million relating to the remeasurement of intangible assets within the scope of the acquisition of the former Zodiac Aerospace, €24 million relating to the remeasurement of aircraft programs in connection with the Sagem-Snecma merger, and €17 million relating to assets identified as part of other business combinations.

The impairment tests carried out at June 30, 2020 on assets allocated to programs, projects or product families were based on the approach described in section 3.1, Note 1.m of the 2019 Universal Registration Document.

In the current uncertain environment, expected future cash flows were updated to reflect the latest information available at the reporting date.

A 7.5% discount rate was used, plus a risk premium depending on the programs tested.

As a result of the impairment tests carried out at June 30, 2020, intangible assets relating to a program were written down by €48 million.

Furthermore, analyses of sensitivity to the following changes in the main assumptions were also carried out across all the programs, projects and product families tested:

- a 1% increase in the benchmark discount rate;
- a 10% decrease in volumes.

Neither of these changes in assumptions would give rise to an impairment loss.

As a result of the impairment tests carried out at June 30, 2019, intangible assets relating to a program were written down by €30 million.

## NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows:

(in € millions)	Dec. 31, 2019			June 30, 2020		
	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	231	-	231	230	-	230
Buildings	2,028	(936)	1,092	2,021	(969)	1,052
Technical facilities, equipment and tooling	6,231	(4,003)	2,228	6,272	(4,165)	2,107
Assets in progress, advances	656	(57)	599	698	(61)	637
Site development and preparation costs	63	(34)	29	64	(36)	28
Buildings on land owned by third parties	70	(37)	33	89	(49)	40
Computer hardware and other equipment	655	(469)	186	663	(494)	169
<b>TOTAL</b>	<b>9,934</b>	<b>(5,536)</b>	<b>4,398</b>	<b>10,037</b>	<b>(5,774)</b>	<b>4,263</b>

Movements in property, plant and equipment break down as follows:

(in € millions)	Gross	Depreciation/ impairment	Net
<b>At December 31, 2019</b>	<b>9,934</b>	<b>(5,536)</b>	<b>4,398</b>
Internally produced assets	22	-	22
Additions	204	-	204
Disposals and retirements	(35)	28	(7)
Depreciation <sup>(1)</sup>	-	(302)	(302)
Impairment losses recognized in profit or loss	-	(3)	(3)
Reclassifications	(3)	(3)	(6)
Changes in scope of consolidation	8	(3)	5
Foreign exchange differences	(93)	45	(48)
<b>AT JUNE 30, 2020</b>	<b>10,037</b>	<b>(5,774)</b>	<b>4,263</b>

(1) Including €14 million relating to the remeasurement of property, plant and equipment as part of the acquisition of the former Zodiac Aerospace.

## NOTE 14 LEASES

### a) Right-of-use assets

Right-of-use assets break down as follows:

(in € millions)	Dec. 31, 2019			June 30, 2020		
	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Right-of-use assets relating to property	817	(105)	712	804	(148)	656
Right-of-use assets relating to transport equipment	6	(2)	4	6	(3)	3
Right-of-use assets relating to other assets	18	(2)	16	20	(3)	17
<b>TOTAL</b>	<b>841</b>	<b>(109)</b>	<b>732</b>	<b>830</b>	<b>(154)</b>	<b>676</b>

Movements in right-of-use assets break down as follows:

(in € millions)	Gross	Depreciation/ impairment	Net
<b>At December 31, 2019</b>	<b>841</b>	<b>(109)</b>	<b>732</b>
Increases	18	-	18
Disposals and retirements	(12)	6	(6)
Depreciation	-	(56)	(56)
Impairment losses recognized in profit or loss	-	1	1
Foreign exchange differences	(17)	4	(13)
<b>AT JUNE 30, 2020</b>	<b>830</b>	<b>(154)</b>	<b>676</b>

### b) Lease liabilities

The maturity of lease liabilities can be analyzed as follows at June 30, 2020:

(in € millions)	Dec. 31, 2019	June 30, 2020
<b>Maturing in:</b>		
■ 1 year or less	121	112
■ More than 1 year and less than 5 years	390	352
■ Beyond 5 years	218	212
<b>TOTAL</b>	<b>729</b>	<b>676</b>

### c) Lease items presented in the income statement

In first-half 2020, rental expenses recognized in "Profit from operations" (see Note 7, "Breakdown of the other main components of profit from operations") under "External services" totaled €39 million. These expenses have not been restated due to the application of the practical expedients allowed under IFRS 16 (exemption for short-term leases, leases of low-value assets and licensing agreements, such as for IT equipment), or because they relate to a "service" component identified in the lease.

Interest expense on lease liabilities recognized in "Financial income (loss)" under "Cost of net debt" amounted to €4 million in first-half 2020 (see Note 8, "Financial income (loss)").

### d) Lease items presented in the cash flow statement

In first-half 2020, disbursements under leases recognized in the cash flow statement and relating to the repayment of lease liabilities represented €63 million and are shown within "Cash flow from (used in) financing activities". These are increased by payments of interest on lease liabilities, which are included within "Cash flow from operating activities".



## NOTE 15 CURRENT AND NON-CURRENT FINANCIAL ASSETS

Financial assets include:

(in € millions)	Dec. 31, 2019			June 30, 2020		
	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments			284			277
Other financial assets	374	(86)	288	349	(87)	262
<b>TOTAL</b>			<b>572</b>			<b>539</b>

Equity investments in non-consolidated companies are classified at fair value through profit or loss.

Other financial assets are measured at amortized cost.

The Group reviewed the value of its other financial assets in order to determine whether any items needed to be written down based on available information. No material write-downs were recognized in 2020.

### Other financial assets

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2019	June 30, 2020
Loans to non-consolidated companies	150	148
Loans to employees	35	35
Deposits and guarantees	16	16
Other	87	63
<b>TOTAL</b>	<b>288</b>	<b>262</b>
<b>Non-current</b>	<b>145</b>	<b>133</b>
<b>Current</b>	<b>143</b>	<b>129</b>

Loans to non-consolidated companies correspond to revolving credit agreements.

The table below shows movements in other financial assets:

(in € millions)	
<b>At December 31, 2019</b>	<b>288</b>
Increase	5
Decrease	(23)
Reclassifications	(6)
Changes in scope of consolidation	(2)
<b>AT JUNE 30, 2020</b>	<b>262</b>

The fair value of other financial assets approximates their carrying amount.

## NOTE 16 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

The Group's share in the net equity of equity-accounted companies breaks down as follows:

(in € millions)	Dec. 31, 2019	June 30, 2020
ArianeGroup	1,559	1,522
Other joint ventures	652	677
<b>TOTAL</b>	<b>2,211</b>	<b>2,199</b>

Movements in this caption during the period break down as follows:

(in € millions)	
<b>At December 31, 2019</b>	<b>2,211</b>
Share in profit (loss) from ArianeGroup	(16)
Share in profit from other joint ventures	46
Impairment losses	(18)
Dividends received from joint ventures	(17)
Foreign exchange differences	1
Other movements	(8)
<b>AT JUNE 30, 2020</b>	<b>2,199</b>

The Group's off-balance sheet commitments with joint ventures are described in Note 24, "Related parties".

The Group has interests in the following joint ventures which are accounted for using the equity method:

- ArianeGroup: space launchers and military activities;
- Shannon Engine Support Ltd: leasing of CFM56 and LEAP engines, modules, equipment and tooling to airline companies;
- Lynred: manufacture of infrared detectors;
- Safran Martin-Baker France: manufacture of ejectable seating;
- A-Pro: repair of landing gear for regional and business jets;

- CFM Materials LP: sale of used CFM56 parts;
- Roxel SAS: holding company;
- Roxel France SA: motors for tactical missiles;
- Roxel Ltd: motors for tactical missiles;
- SAIFEI: electrical wiring;
- Faded International LLC: digital engine control systems;
- Xi'an Cea Safran Landing Systems Co., Ltd: landing gear maintenance;
- EZ Air Interior Ltd: cabin interiors;
- Initium Aerospace: design and manufacture of auxiliary power units.

ArianeGroup is the Group's sole material joint venture.

Financial information for ArianeGroup can be summarized as follows:

(in € millions)	Dec. 31, 2019	June 30, 2020
Non-current assets	1,763	1,718
Current assets	6,610	6,896
<i>of which: cash and cash equivalents</i>	828	983
Non-current liabilities	(1,067)	(1,082)
<i>of which: non-current financial liabilities</i>	(517)	(492)
Current liabilities	(7,601)	(7,836)
<i>of which: current financial liabilities</i>	(57)	(63)
Non-controlling interests	(4)	6
<b>Net assets of ArianeGroup (excl. goodwill and PPA) – Attributable to owners of the parent (based on a 100% interest)</b>	<b>(299)</b>	<b>(298)</b>
Equity share in net assets of ArianeGroup (excl. goodwill and PPA) (based on a 50% interest)	(150)	(149)
Purchase price allocation, net of deferred taxes	532	495
<b>Safran equity share – Net assets of ArianeGroup</b>	<b>383</b>	<b>346</b>
<b>Goodwill</b>	<b>1,176</b>	<b>1,176</b>
<b>Carrying amount of investment in ArianeGroup</b>	<b>1,559</b>	<b>1,522</b>

(in € millions)	First-half 2019	First-half 2020
<b>Profit for the period attributable to owners of the parent</b>	<b>54</b>	<b>6</b>
Other comprehensive income (expense)	(34)	(4)
<b>Total comprehensive income attributable to owners of the parent</b>	<b>20</b>	<b>2</b>
Safran equity share – Profit for the period	27	3
Amortization of purchase price allocation, net of deferred taxes	(19)	(19)
<b>Safran equity share – Profit (loss) of ArianeGroup</b>	<b>8</b>	<b>(16)</b>
Impairment losses		(18)
Safran equity share – Other comprehensive income (expense)	(17)	(2)
<b>Safran equity share – Comprehensive income (expense) of ArianeGroup</b>	<b>(9)</b>	<b>(36)</b>

No dividends were paid by ArianeGroup in first-half 2020.

No impairment loss was recognized in first-half 2020 against the value of investments in this equity-accounted company tested for impairment.

The contribution of other joint ventures to the Group's comprehensive income was as follows:

(in € millions)	First-half 2019	First-half 2020
Profit for the period	56	46
Other comprehensive income	2	1
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>58</b>	<b>47</b>

## NOTE 17 CASH AND CASH EQUIVALENTS

(in € millions)	Dec. 31, 2019	June 30, 2020
Money-market funds	22	32
Short-term investments	1,475	1,104
Sight deposits	1,135	3,237
<b>TOTAL</b>	<b>2,632</b>	<b>4,373</b>

Money-market funds are classified within Level 1 of the IFRS 13 fair value hierarchy.

The table below presents changes in cash and cash equivalents:

(in € millions)	
<b>At December 31, 2019</b>	<b>2,632</b>
Movements during the period	1,750
Changes in scope of consolidation	1
Foreign exchange differences	(10)
<b>AT JUNE 30, 2020</b>	<b>4,373</b>

## NOTE 18 CONSOLIDATED SHAREHOLDERS' EQUITY

### a) Share capital

At June 30, 2020, Safran's share capital was fully paid up and comprised 427,235,939 shares, each with a par value of €0.20.

Safran's equity does not include any equity instruments issued other than its shares.

### b) Breakdown of share capital and voting rights

Changes in the breakdown of share capital and voting rights are as follows:

#### December 31, 2019

Shareholders	Number of shares	% share capital	Number of voting rights <sup>(1)</sup>	% voting rights <sup>(1)</sup>
Free float	347,840,451	81.42%	376,557,055	71.07%
French State	47,983,131	11.23%	95,966,262	18.11%
Employees <sup>(2)</sup>	28,860,491	6.75%	57,301,029	10.82%
Treasury shares	2,550,082	0.60%	-	-
<b>TOTAL</b>	<b>427,234,155</b>	<b>100.00%</b>	<b>529,824,346</b>	<b>100.00%</b>

(1) Exercisable voting rights.

(2) Employee shareholding within the meaning of Article L.225-102 of the French Commercial Code (Code de commerce).

#### June 30, 2020

Shareholders	Number of shares	% share capital	Number of voting rights <sup>(1)</sup>	% voting rights <sup>(1)</sup>
Free float	347,874,331	81.42%	401,379,920	72.18%
French State	47,983,131	11.23%	95,966,262	17.26%
Employees <sup>(2)</sup>	31,014,956	7.26%	58,761,741	10.56%
Treasury shares	363,521	0.09%	-	-
<b>TOTAL</b>	<b>427,235,939</b>	<b>100.00%</b>	<b>556,107,923</b>	<b>100.00%</b>

(1) Exercisable voting rights.

(2) Employee shareholding within the meaning of Article L.225-102 of the French Commercial Code.

Each share carries entitlement to one vote. Shares held in registered form for over two years have double voting rights.

The 363,521 treasury shares have no voting rights.

At June 30, 2020, the total number of shares includes 1,784 shares issued throughout the first half of the year further to the exercise of stock subscription options resulting from employee commitments undertaken by Zodiac Aerospace, transferred to Safran following the Zodiac Aerospace merger on December 1, 2018 based on the exchange ratio used for the merger.

#### Treasury shares

The number of treasury shares has decreased since December 31, 2019 following:

- the purchase of 121,298 shares under the Group's liquidity agreement, net of shares sold;
- the purchase of 62,500 shares in connection with the implementation of a share buyback program as part of employee shareholding plans;

- the delivery of a total of 570,367 shares under employee shareholding plans and a multi-year variable compensation plan;

- the "Sharing 2020" employee shareholding plan covering 1,799,992 shares.

On May 25, 2018, the Annual General Meeting authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations, at a maximum purchase price of €118 per share.

A new authorization granted by the Annual General Meeting of May 28, 2020 set the maximum purchase price at €165 per share, thereby replacing the authorization granted at the Annual General Meeting of May 23, 2019.

Pursuant to these authorizations and to the liquidity agreement signed in 2012 with Oddo BHF, the Company purchased 1,286,033 shares for €142 million, and sold 1,164,735 shares for €128 million. At June 30, 2020, 309,865 shares were held in connection with the liquidity agreement.

## c) Share-based payment

### Performance shares

The Board of Directors periodically grants performance shares to Group employees and corporate officers.

The vesting of these performance shares is subject to the achievement of internal and external performance conditions, which are assessed over three full consecutive fiscal years,

including the year in which the performance shares are granted. In addition, the shares will only vest if the beneficiaries still form part of the Group at the vesting date (see section 6.6.4.2 of the 2019 Universal Registration Document).

In first-half 2020, the Group set up a performance share plan covering 756,000 shares. Shares under this plan will only vest if certain internal and external performance conditions are met, as assessed over three fiscal years, and provided the beneficiaries still form part of the Group at the vesting date.

Key details of outstanding performance share plans at June 30, 2020 are shown below:

	2018 performance shares	2019 performance shares	2020 performance shares
Shareholder authorization	May 25, 2018	May 25, 2018	May 23, 2019
Grant date by the Board of Directors	July 24, 2018	March 27, 2019	March 26, 2020
Vesting date	July 26, 2021	March 29, 2022	March 27, 2023
Share price at the grant date	€107.05	€116.90	€91.92
Number of beneficiaries at the grant date	440	589	797
Number of performance shares granted	574,712	732,130	759,360
Number of shares canceled or forfeited	(23,705)	(66,186)	(3,200)
<b>NUMBER OF PERFORMANCE SHARES OUTSTANDING AT JUNE 30, 2020</b>	<b>551,007</b>	<b>665,944</b>	<b>756,160</b>

The share-based payment expense for these performance share plans, recognized within personnel expenses under "Other employee costs" (see Note 7, "Breakdown of the other main components of profit from operations") totaled €8 million in first-half 2020 following adjustments to assumptions about the achievement of the internal performance conditions, versus €22 million in first-half 2019, excluding the employer contribution.

### Employee shareholding plan ("Sharing 2020")

In March 2020, the Group launched "Safran Sharing 2020", an employee shareholding plan based on the sale of existing shares. Offered to more than 87,000 employees in 16 countries, the plan is consistent with Safran's policy of increasing employee share ownership and aims to forge a more lasting association between employees and the Group's development and performance. The plan also helps strengthen the integration of employees who joined the Group at the time of the acquisition of the former Zodiac Aerospace in 2018.

The plan includes a leveraged formula based on an exchange contract with a bank which supplements the employee's investment, bringing the total amount invested to ten times the employee's personal contribution. Upon expiration of the plan (five-year lock-up period except if an early release event occurs), employees receive at least their personal contribution plus a percentage of the capital gain recognized on all subscribed shares (with "ratchets" applicable if the share price increases by 10%, 30% and 50% over the reference price).

Each employee's personal contribution is capped at €800. The offer concerns a maximum of 1.8 million shares.

The shares were subscribed by beneficiaries either through a corporate mutual fund (the Group's French companies' savings plan and the Group's international savings plan) or directly, depending on the country in which the beneficiary is based.

Subscribers to the plan will be required to hold the shares or units until June 4, 2025, except if an early release event occurs. The purchase price was set at €60.98 on May 5, 2020 and reflects

the reference price (volume-weighted average price of Safran shares on the Euronext Paris market during the 20 trading days preceding the date on which the purchase price was set), less a discount of 20%.

At the end of the revocation period (May 7-12, 2020), as subscriptions to the offer exceeded the maximum limit, the quantities were capped. A total of 1,799,992 shares were purchased. The offer closed on June 4, 2020 and was subscribed by 34,928 employees in 16 countries. An amount of €5 million reflecting the fair value of the discount granted to employees was expensed in the income statement, corresponding to the value of the discount less the cost of the lock-up requirement for employees, plus the opportunity gain.

## d) Convertible bond issues

### OCEANE 2018-2023 bonds

On June 21, 2018, Safran issued 4,996,431 bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds), each with a par value of €140.10, i.e., representing a total nominal amount of €700 million.

The bonds do not carry any coupon.

Bondholders have the option of converting their bonds into shares. This option can be exercised at any point after the issue date and up to the seventh trading day preceding the standard or early redemption date. Following the 2018 dividend payment and in accordance with the terms and conditions of the bond issue, the bond conversion ratio has been 1.001 shares for 1 bond since May 29, 2019. This adjusted conversion ratio was calculated by the bond calculation agent in accordance with the calculation formula stipulated in the terms and conditions of the bonds based on the following inputs:

- previous bond conversion ratio: 1 share for 1 bond;
- share price: €121.54719;
- dividend per share paid in 2019: €1.82;
- dividend per share threshold for 2019: €1.70.

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This bond comes with an early redemption option that the bearer may trigger in the event of a change of control and, from June 21, 2021, that the issuer may trigger if the share price multiplied by the bond conversion ratio exceeds 130% of par value.

Unless converted, redeemed or bought back and canceled prior to maturity, the bonds are redeemable at par on June 21, 2023.

OCEANE convertible bonds are deemed a hybrid instrument comprising equity and debt.

After deducting issuance fees, a total of €653 million was recognized under interest-bearing financial liabilities, corresponding to the present value of cash flows from a similar bond with no conversion rights (see Note 21, "Interest-bearing financial liabilities").

The effective annual interest rate on the liability component is 1.40% including issuance fees.

The option component recognized in equity was valued at €44 million on the issue date, or €31 million after the deferred tax impact.

### OCEANE 2020-2027 bonds

On May 15, 2020, Safran issued 7,391,665 bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds), each with a par value of €108.23, i.e., representing a total nominal amount of €800 million.

The bonds bear interest at an annual rate of 0.875%, payable annually in arrears.

Bondholders have the option of converting their bonds into shares. This option can be exercised at any point after the issue date and up to the seventh trading day preceding the standard or early redemption date.

At June 30 and since the bond issuance date, the bond conversion ratio represents 1 share for 1 bond.

This bond comes with an early redemption option that the bearer may trigger in the event of a change of control and, from June 5, 2024, that the issuer may trigger if the share price multiplied by the bond conversion ratio exceeds 130% of par value.

Unless converted, redeemed or bought back and canceled prior to maturity, the bonds are redeemable at par on May 15, 2027.

OCEANE convertible bonds are deemed a hybrid instrument comprising equity and debt.

After deducting issuance fees, a total of €760 million was recognized under interest-bearing financial liabilities, corresponding to the present value of cash flows from a similar bond with no conversion rights (see Note 21, "Interest-bearing financial liabilities").

The effective annual interest rate on the liability component is 1.63% including issuance fees.

The option component recognized in equity was valued at €33 million on the issue date, or €24 million after the deferred tax impact (see the consolidated statement of changes in shareholders' equity).

### e) Dividend distribution

In light of the Covid-19 pandemic, at its meeting on March 26, 2020 Safran's Board of Directors decided not to propose to the Annual General Meeting the payment of a dividend in 2020 for the 2019 financial year.

The previously announced dividend of €2.38 per share reflected Safran's very good performance in 2019 and the outlook for 2020 as it prevailed at the start of 2020 when the Board met. Based on the number of shares in circulation, the payment of the dividend would have represented an outflow of around €1 billion in June 2020.

In a spirit of responsibility vis-à-vis Safran's stakeholders, this decision preserved the Group's resources in order to protect its employees, maintain the continuity of its operations, notably for its suppliers, support its customers and ensure liquidity in uncertain times.

## NOTE 19 PROVISIONS

Provisions break down as follows:

(in € millions)	Dec. 31, 2019	Reversals					Changes in scope of consolidation	Other	June 30, 2020
		Additions	Utilizations <sup>(1)</sup>	Reclassifications <sup>(1)</sup>	Surplus				
Performance warranties	1,214	140	(76)	-	(90)	-	-	9	1,197
Financial guarantees	2	-	-	-	-	-	-	-	2
Post-employment benefits	990	37	(33)	-	(1)	-	-	(20)	973
Sales agreements and long-term receivables	258	20	(19)	-	(9)	-	-	2	252
Provisions for losses on completion and losses arising on delivery commitments	245	18	(26)	-	(5)	-	-	1	233
Disputes and litigation	39	5	(6)	-	(1)	-	-	(2)	35
Other	335	76	(47)	-	(9)	-	-	(10)	345
<b>TOTAL</b>	<b>3,083</b>	<b>296</b>	<b>(207)</b>	<b>-</b>	<b>(115)</b>	<b>-</b>	<b>-</b>	<b>(20)</b>	<b>3,037</b>
<b>Non-current</b>	<b>2,093</b>								<b>2,250</b>
<b>Current</b>	<b>990</b>								<b>787</b>

(1) These reversals in respect of expenses for the period or reclassifications had no impact on profit for the period.

The impacts on the income statement of overall movements in provisions can be analyzed as follows:

(in € millions)	June 30, 2020
Net additions recognized in profit from operations	46
Net additions recognized in financial income (loss)	(20)
<b>TOTAL</b>	<b>26</b>

## NOTE 20 BORROWINGS SUBJECT TO SPECIFIC CONDITIONS

This caption mainly includes repayable advances granted by public bodies.

Movements in this caption break down as follows:

(in € millions)	
<b>At December 31, 2019</b>	<b>505</b>
New advances received	12
Advances repaid	(9)
<b>Sub-total: changes with a cash impact</b>	<b>3</b>
Cost of borrowings and discounting	10
Foreign exchange differences	(1)
Adjustments to the probability of repayment of advances	(49)
<b>Sub-total: changes with no cash impact</b>	<b>(40)</b>
<b>AT JUNE 30, 2020</b>	<b>468</b>

Estimates as to the repayable amounts and the timing of repayments are made regarding borrowings subject to specific conditions.



## NOTE 21 INTEREST-BEARING FINANCIAL LIABILITIES

Breakdown of interest-bearing financial liabilities:

(in € millions)	Dec. 31, 2019	June 30, 2020
Bond issue	712	212
OCEANE convertible bond	667	1,433
Senior unsecured notes in USD	950	1,556
Lease liabilities	608	564
Long-term borrowings	302	302
<b>Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)</b>	<b>3,239</b>	<b>4,067</b>
Bond issue	601	1,099
Lease liabilities	121	112
Long-term borrowings	362	391
Accrued interest not yet due	9	13
<b>Current interest-bearing financial liabilities, long-term at inception</b>	<b>1,093</b>	<b>1,615</b>
Negotiable European Commercial Paper (NEU CP)	1,772	1,518
Short-term bank facilities and equivalent	675	318
<b>Current interest-bearing financial liabilities, short-term at inception</b>	<b>2,447</b>	<b>1,836</b>
<b>Total current interest-bearing financial liabilities (less than 1 year)</b>	<b>3,540</b>	<b>3,451</b>
<b>TOTAL INTEREST-BEARING FINANCIAL LIABILITIES<sup>(1)</sup></b>	<b>6,779</b>	<b>7,518</b>

(1) The fair value of interest-bearing financial liabilities amounts to €7,685 million (€6,851 million at December 31, 2019).

Movements in this caption break down as follows:

(in € millions)	
<b>At December 31, 2019</b>	<b>6,779</b>
Increase in long-term borrowings at inception (excluding lease liabilities)	1,373
Decrease in long-term borrowings at inception	(73)
Change in short-term borrowings	(547)
<b>Sub-total: changes with a cash impact</b>	<b>753</b>
Net increase in lease liabilities	12
Accrued interest	3
Changes in scope of consolidation	1
Foreign exchange differences	(55)
Change in the fair value of borrowings hedged with interest rate instruments <sup>(1)</sup>	39
Reclassifications and other	(14)
<b>Sub-total: changes with no cash impact</b>	<b>(14)</b>
<b>AT JUNE 30, 2020</b>	<b>7,518</b>

(1) See Note 23, "Management of market risks and derivatives".

Analysis by maturity:

(in € millions)	Dec. 31, 2019	June 30, 2020
<b>Maturing in:</b>		
■ 1 year or less	3,540	3,451
■ More than 1 year and less than 5 years	3,016	2,528
■ Beyond 5 years	223	1,539
<b>TOTAL</b>	<b>6,779</b>	<b>7,518</b>

Analysis by currency before hedging:

(in millions of currency units)	Dec. 31, 2019		June 30, 2020	
	Currency	EUR	Currency	EUR
EUR	5,335	5,335	5,819	5,819
USD	1,431	1,294	1,750	1,563
CAD	8	6	10	6
GBP	26	30	25	28
Other	N/A	114	N/A	102
<b>TOTAL</b>		<b>6,779</b>		<b>7,518</b>

Analysis by currency after hedging:

(in millions of currency units)	Dec. 31, 2019		June 30, 2020	
	Currency	EUR	Currency	EUR
EUR	6,283	6,283	6,809	6,809
USD	386	346	639	573
CAD	8	6	10	6
GBP	26	30	25	28
Other	N/A	114	N/A	102
<b>TOTAL</b>		<b>6,779</b>		<b>7,518</b>

Analysis by type of interest rate:

■ Analysis by type of interest rate (fixed/floating), before hedging:

(in € millions)	Total		Non-current				Current			
	Dec. 31, 2019	June 30, 2020	Dec. 31, 2019		June 30, 2020		Dec. 31, 2019		June 30, 2020	
	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	5,073	5,769	2,648	2.77%	3,974	2.55%	2,425	0.04%	1,795	0.47%
Floating rate	1,706	1,749	591	0.37%	93	0.92%	1,115	0.45%	1,656	0.25%
<b>TOTAL</b>	<b>6,779</b>	<b>7,518</b>	<b>3,239</b>	<b>2.33%</b>	<b>4,067</b>	<b>2.51%</b>	<b>3,540</b>	<b>0.17%</b>	<b>3,451</b>	<b>0.36%</b>

■ Analysis by type of interest rate (fixed/floating), after hedging:

(in € millions)	Total		Non-current				Current			
	Dec. 31, 2019	June 30, 2020	Dec. 31, 2019		June 30, 2020		Dec. 31, 2019		June 30, 2020	
	Base	Base	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	4,860	5,557	2,435	1.70%	3,762	1.82%	2,425	0.04%	1,795	0.47%
Floating rate	1,919	1,961	804	0.57%	305	1.19%	1,115	0.45%	1,656	0.25%
<b>TOTAL</b>	<b>6,779</b>	<b>7,518</b>	<b>3,239</b>	<b>1.42%</b>	<b>4,067</b>	<b>1.77%</b>	<b>3,540</b>	<b>0.17%</b>	<b>3,451</b>	<b>0.36%</b>

The Group's net debt position is as follows:

(in € millions)	Dec. 31, 2019	June 30, 2020
Cash and cash equivalents (A)	2,632	4,373
Interest-bearing financial liabilities (B)	6,779	7,518
Fair value of interest rate derivatives used as fair value hedges of borrowings (C)	33	63
<b>TOTAL (A) - (B) + (C)</b>	<b>(4,114)</b>	<b>(3,082)</b>

The Group's gearing ratio is shown below:

(in € millions)	Dec. 31, 2019	June 30, 2020
Net debt	(4,114)	(3,082)
Total equity	12,748	12,547
<b>GEARING RATIO</b>	<b>32.27%</b>	<b>24.56%</b>

## Main long-term borrowings at inception

■ US private placement (USPP) set up on February 9, 2012 for a total amount of USD 1.045 billion, including:

- USD 540 million of 10-year notes due February 2022 at a 4.28% fixed-rate coupon (tranche B);
- USD 505 million of 12-year notes due February 2024 at a 4.43% fixed-rate coupon (tranche C).

An interest rate hedge in the form of a cross currency swap (USD floating-rate borrower at inception, followed by EUR fixed-rate borrower from March 2019) was set up on tranches B and C, allowing the USD fixed-rate debt to be fully swapped for EUR fixed-rate debt.

The issue's interest came out at 1.64% in 2020 after taking into account the impact of interest rate derivatives.

This loan for an initial amount of USD 1.2 billion also included USD 155 million of fixed-rate seven-year notes (tranche A) repaid at maturity on February 9, 2019.

■ US private placement (USPP) set up on June 29, 2020 for a total equivalent amount of €564 million, including:

- USD 181 million of 10-year notes due June 2030 at a 3.10% fixed-rate coupon (tranche A);
- USD 133 million of 12-year notes due June 2032 at a 3.30% fixed-rate coupon (tranche B);
- €122 million of 10-year notes due June 2030 at a 2.00% fixed-rate coupon (tranche C);
- €164 million of 12-year notes due June 2032 at a 2.05% fixed-rate coupon (tranche D).

A EUR/USD cross currency swap (EUR fixed-rate borrower and USD fixed-rate lender) was set up on tranches A and B on July 21, 2020 (i.e., after the reporting date), swapping USD fixed-rate debt for EUR fixed-rate debt.

After taking this hedge into account, tranche A bears fixed-rate interest at 2.04% and has a notional amount of €158 million, while tranche B bears fixed-rate interest at 2.22% and has a notional amount of €116 million.

After taking this hedge into account, the 10-year notes (tranches A and C) of the USPP carry an effective coupon of 2.02% and have a notional amount of €280 million, while the 12-year notes (tranches B and D) carry an effective coupon of 2.12% and have a notional amount of €280 million.

■ Issuance on April 11, 2014 of 10-year, 2.875% fixed-rate bonds for €200 million (maturing in April 2024). The bonds were issued at 99.529% of par. A floating-rate swap was set up on this issue. The effective coupon in 2020 is 1.31% after taking into account the impact of interest rate derivatives.

■ Issuance on June 28, 2017 of four-year floating-rate bonds at 3-month Euribor +57 basis points (coupon floored at 0%) for €500 million (maturing in June 2021). The bonds were issued at 100% of par.

■ Issuance on July 13, 2018 of two-year floating-rate bonds at 3-month Euribor +33 basis points (coupon floored at 0%) for €500 million (maturing in July 2020). The bonds were issued at 100% of par.

■ Bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds) on June 21, 2018 for a nominal amount of €700 million. These bonds do not carry a coupon and were offered at an issue price representing 100% of par, or a gross yield to maturity of 0%. Unless converted, redeemed or bought back and canceled prior to maturity, the OCEANE bonds are redeemable at par on June 21, 2023. The effective annual interest rate on the liability component of the OCEANE bonds is 1.40% including issuance fees (see Note 18.d, "Convertible bond issues").

■ Bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE" bonds) on May 15, 2020 for a nominal amount of €800 million. These OCEANE bonds bear interest at 0.875% and were offered at an issue price representing 100% of par, or a gross yield to maturity of 0.875%. Unless converted, redeemed or bought back and canceled prior to maturity, the OCEANE bonds are redeemable at par on May 15, 2027. The effective annual interest rate on the liability component of the OCEANE bonds is 1.63% including issuance fees (see Note 18.d, "Convertible bond issues").

■ Euro private placement ("Euro PP") in the form of a syndicated loan with an original maturity of seven years, contracted by the former Zodiac Aerospace group on March 10, 2016 and falling due on March 10, 2023, on which €180 million was outstanding at June 30, 2020 at an adjustable rate of 2.902%.

■ Seven-year, 3.605% fixed-rate *Schuldschein* loan for €99 million set up by the former Zodiac Aerospace group on July 25, 2013 (maturing in July 2020) and restructured on July 25, 2018: €95 million was repaid ahead of maturity by the former Zodiac Aerospace group and simultaneously replaced by a liability in the form of Negotiable European Medium Term Notes taken out by Safran with the same lenders for the same amount, under the same financial conditions and with the same maturity. Following this transaction, only €4 million of the original *Schuldschein* loan remains outstanding.

■ European Investment Bank (EIB) floating-rate loan, bearing interest at 3-month Euribor +73.4 basis points and maturing in December 2020. At June 30, 2020, €37.5 million was outstanding.

■ Negotiation European Commercial Paper (NEU CP) subscribed by a corporate mutual fund of the Group employee savings plan and amounting to €433 million at June 30, 2020. The average interest rate payable by Safran on this commercial paper was 0.93% at June 30, 2020. The sums managed by the corporate mutual fund and reinvested in Safran NEU CP are frozen for an initial period of five years. In view of the fund's commitments, this NEU CP is classified within long-term borrowings. At June 30, 2020, 79% of the sums managed by the corporate mutual fund will be available within one year. Accordingly, 79% of the €433 million in NEU CP is classified within the current portion of long-term borrowings.

■ Lease liabilities (including former finance lease liabilities) totaling €676 million at June 30, 2020 as a result of the first-time application of IFRS 16.

The Group's other long- and medium-term borrowings are not material taken individually.

## Main short-term borrowings

- Negotiable European Commercial Paper (NEU CP): €1,518 million (€1,772 million at December 31, 2019).

This amount comprises several drawdowns made under market terms and conditions, with maturities of less than one year.

- Financial current accounts with non-consolidated subsidiaries and joint ventures: €278 million (€263 million at December 31, 2019). Interest is indexed to Euribor.

Other short-term borrowings consist mainly of bank overdrafts.

## Sale of receivables without recourse

Net debt at both June 30, 2020 and December 31, 2019 does not include trade receivables sold without recourse, including the two lines below relating to CFM Inc. (joint operation).

- The confirmed USD 2,370 million facility renewed in December 2019 and maturing in December 2021, contracted with a syndicate of six banks led by Crédit Agricole CIB, reduced to USD 1,500 million in mid-January 2020, had been drawn in an amount of USD 1,244 million at June 30, 2020 (USD 622 million based on a 50% interest) versus USD 1,423 million (USD 712 million based on a 50% interest) at December 31, 2019.
- The confirmed USD 300 million facility maturing in December 2020, contracted in June 2020 with a syndicate of three banks led by Crédit Agricole CIB and set to be increased to USD 510 million in July 2020 provided that certain conditions are met, had been drawn in an amount of USD 297 million at June 30, 2020 (USD 149 million based on a 50% interest).

## NOTE 22 OTHER CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

(in € millions)	Dec. 31, 2019	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	June 30, 2020
Payables on purchases of property, plant and equipment and intangible assets	108	(54)	-	-	(1)	53
Payables on purchases of investments	9	(1)	-	-	(3)	5
<b>TOTAL</b>	<b>117</b>	<b>(55)</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>58</b>
<b>Non-current</b>	<b>2</b>					<b>7</b>
<b>Current</b>	<b>115</b>					<b>51</b>

These liabilities are not included in the Group's net financial position at June 30, 2020.

## NOTE 23 MANAGEMENT OF MARKET RISKS AND DERIVATIVES

The main market risks to which the Group is exposed are foreign currency risk, interest rate risk, counterparty risk and liquidity risk.

The carrying amount of derivatives used to manage market risks is shown below:

(in € millions)	Dec. 31, 2019		June 30, 2020	
	Assets	Liabilities	Assets	Liabilities
<b>Interest rate risk management</b>	<b>33</b>	<b>(5)</b>	<b>65</b>	<b>(15)</b>
Floating-for-fixed interest rate swaps	-	(5)	-	(15)
Fixed-for-floating interest rate swaps	33	-	65	-
<b>Foreign currency risk management</b>	<b>674</b>	<b>(1,033)</b>	<b>482</b>	<b>(1,781)</b>
Currency swaps	2	-	5	-
Purchase and sale of forward currency contracts	200	(241)	36	(147)
Currency option contracts	472	(792)	441	(1,634)
<b>TOTAL</b>	<b>707</b>	<b>(1,038)</b>	<b>547</b>	<b>(1,796)</b>

All derivatives are categorized within Level 2 of the fair value hierarchy set out in IFRS 13 (as at December 31, 2019).

Credit valuation adjustment (CVA) and debt valuation adjustment (DVA) are taken into account when measuring the fair value of derivatives.

## Notes to the Group condensed interim consolidated financial statements

## Foreign currency risk management

Most Group revenue is denominated in US dollars, which is virtually the sole currency used in the civil aviation industry. The net excess of revenues over operating expenses for these activities totaled USD 4.5 billion in first-half 2020 (USD 5.7 billion in first-half 2019).

To protect its earnings, the Group implements a hedging policy (see below) with the aim of reducing uncertainty factors affecting operating profitability and allowing it to adapt its cost structure to an unfavorable monetary environment.

## Hedging policy

The Group's foreign currency risk management policy is described in section 3.1, Note 31 of the 2019 Universal Registration Document.

## Foreign currency derivatives

The portfolio of foreign currency derivatives breaks down as follows:

(in millions of currency units)	Dec. 31, 2019				June 30, 2020			
	Fair value <sup>(1)</sup>	Notional amount <sup>(1)</sup>	Less than 1 year	1 to 5 years	Fair value <sup>(1)</sup>	Notional amount <sup>(1)</sup>	Less than 1 year	1 to 5 years
<b>Forward exchange contracts</b>	<b>(40)</b>				<b>(111)</b>			
Short USD position	(238)	2,661	2,661	-	(132)	2,513	2,513	-
Of which against EUR	(238)	2,661	2,661	-	(132)	2,513	2,513	-
Long USD position	75	(957)	(957)	-	9	(200)	(200)	-
Of which against EUR	75	(957)	(957)	-	9	(200)	(200)	-
Short EUR position against GBP	9	107	100	7	1	42	35	7
Short EUR position against CAD	7	49	49	-	-	-	-	-
Long MXN position against EUR	107	(13,304)	(4,086)	(9,217)	11	(13,613)	(2,699)	(10,914)
<b>Currency swaps</b>	<b>2</b>				<b>5</b>			
Cross currency swaps	2	1,045	-	1,045	5	1,045	-	1,045
<b>Currency option contracts</b>	<b>(321)</b>				<b>(1,193)</b>			
USD put purchased	275	26,555	26,055	500	285	25,455	25,455	-
USD call purchased	83	(2,300)	(1,300)	(1,000)	70	(2,100)	(700)	(1,400)
USD call sold	(718)	45,471	44,471	1,000	(894)	42,310	41,960	350
USD put sold	(41)	(4,600)	(2,600)	(2,000)	(42)	(4,000)	(1,200)	(2,800)
EUR put purchased	89	1,690	1,540	150	66	1,630	1,530	100
EUR call sold	(19)	3,200	2,900	300	(58)	3,080	2,880	200
Accumulators – sell USD for EUR <sup>(2)</sup>	6	2,539	686	1,853	(129)	10,425	3,473	6,952
Accumulators – buy USD for EUR <sup>(2)</sup>	-	-	-	-	(349)	(8,619)	(3,296)	(5,323)
Accumulators – sell EUR for GBP <sup>(2)</sup>	2	(520)	(520)	-	(19)	(105)	(105)	-
Accumulators – sell EUR for CAD <sup>(2)</sup>	-	-	-	-	(52)	(240)	(240)	-
Accumulators – sell EUR for MXN <sup>(2)</sup>	2	(500)	(500)	-	(71)	(345)	(345)	-
<b>TOTAL</b>	<b>(359)</b>				<b>(1,299)</b>			

(1) Fair values are expressed in millions of euros; notional amounts are expressed in millions of currency units.

(2) Notional amounts for accumulators represent the maximum cumulative amount until the instrument is unwound.

In the balance sheet, changes in the fair value of outstanding currency hedging instruments between December 31, 2019 and June 30, 2020 represent a negative €940 million.

In the income statement, the Group has chosen not to apply hedge accounting to these derivatives. As a result, any changes in the fair value of these instruments are recognized in full in "Financial income (loss)".

## Interest rate risk management

The Group's interest rate risk management policy is described in section 3.1, Note 31 of the 2019 Universal Registration Document.

### Exposure to EUR interest rate risk

Interest rate swaps were taken out to convert the fixed rate payable on the €200 million bond issue carried out in first-half 2014 and maturing in April 2024 to a floating rate.

These swaps are eligible for fair value hedge accounting.

(in € millions)	Dec. 31, 2019					June 30, 2020				
	Fair value	Notional amount (€)	Less than 1 year	1 to 5 years	More than 5 years	Fair value	Notional amount (€)	Less than 1 year	1 to 5 years	More than 5 years
<b>Interest rate swaps</b>										
Fixed-for-floating	14	200	-	200	-	14	200	-	200	-
<b>TOTAL</b>	<b>14</b>					<b>14</b>				

### Exposure to USD interest rate risk

The interest rate on the Group's February 9, 2012 issue of USD 1.2 billion in senior unsecured notes on the US private placement market (USPP) was partially converted to a floating rate at inception. Floating-rate borrower/fixed-rate lender USD swaps were set up on the 10-year and 12-year tranches for USD 540 million and USD 505 million, respectively. These swaps are eligible for fair value hedge accounting. The seven-year tranche for USD 155 million was kept at a fixed rate and repaid in February 2019.

In March 2019, the two 10-year and 12-year tranches for USD 540 million and USD 505 million, respectively, were reset to euros by means of a cross currency swap (USD floating-rate lender/EUR fixed-rate borrower).

The interest rate portion of the cross currency swap was eligible for hedge accounting.

On July 21, 2020 (i.e., after the reporting date), a cross currency swap (USD fixed-rate lender/EUR fixed-rate borrower) was set up on two USD tranches of the June 29, 2020 senior unsecured notes issue on the US private placement market (USPP), amounting to USD 181 million bearing fixed-rate interest over a period of 10 years (tranche A) and USD 133 million bearing fixed-rate interest over a period of 12 years (tranche B).

The interest rate portion of the cross currency swap will be eligible for hedge accounting.

Fixed-rate borrower/floating-rate lender swaps were set up in connection with the sale of trade receivables without recourse. The swaps are for a nominal amount of USD 800 million and a term of up to 12 months, and were taken out on behalf of a joint arrangement 50%-owned by the Group. This transaction gives rise to a floating-rate borrower/fixed-rate lender swap for a nominal amount of USD 400 million after elimination of intragroup items. These swaps are not eligible for hedge accounting. The aim of these transactions is to fix the borrowing cost applicable to the customer.

(in € millions)	Dec. 31, 2019					June 30, 2020				
	Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	More than 5 years	Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	More than 5 years
<b>USD interest rate swaps</b>										
Fixed-for-floating	19	1,670	625	1,045	-	51	1,445	400	1,045	-
Floating-for-fixed	(5)	2,295	1,250	1,045	-	(15)	1,845	800	1,045	-
<b>TOTAL</b>	<b>14</b>					<b>36</b>				

## Counterparty risk management

The Group is exposed to counterparty risk on the following:

- short-term financial investments;
- derivatives;
- trade receivables;
- financial guarantees granted to customers.

Financial investments are diversified and consist of blue-chip securities that are traded with top-tier banks.

The sole purpose of the Group's derivative transactions is to reduce the overall exposure to foreign currency and interest rate risks resulting from its ordinary business activities. Transactions are either carried out on organized markets or over-the-counter with top-tier intermediaries.

In the context of the Covid-19 pandemic, the Group has stepped up the monitoring of its bad debt risks to ensure the collection of its current and future receivables. It has paid close attention to struggling airline companies and has set aside a provision on a case-by-case basis for any receivables or assets presenting a bad debt risk.

## Liquidity risk management

Treasury management is centralized within the Group. Where permitted by local legislation, all surplus cash is invested with, and financing requirements of subsidiaries met by, the parent company on an arm's length basis. The central cash team manages the Group's current and forecast financing requirements, and ensures it has the ability to meet its financial commitments while maintaining a level of available cash funds and confirmed credit facilities commensurate with its scale and debt repayment profile.

At June 30, 2020, the Group had a confirmed, undrawn €2,520 million liquidity line. This line was set up in December 2015 and expires in December 2020, with two successive one-year extension options. Both these options have been exercised, meaning that the line is currently set to expire in December 2022. This line is not subject to any financial covenants.

On April 22, 2020, the Group set up an additional confirmed liquidity line for an initial amount of €3,000 million, which remained undrawn at June 30, 2020. The amount of this line was reduced to €1,643 million following the OCEANE bond issue on May 15, 2020 and the USPP dated June 29, 2020 (see Note 21, "Interest-bearing financial liabilities"). This line has a one-year term and includes two six-month extension options which can be exercised at Safran's discretion.

The EIB borrowings set up in 2010 are subject to certain half-yearly financial covenants (see Note 21, "Interest-bearing financial liabilities"). The Group complied with the covenants at June 30, 2020.

The following two ratios apply:

- net debt/EBITDA <2.5;
- net debt/total equity <1.

The "net debt/EBITDA <2.5" covenant also applies to the senior unsecured notes issued on the US private placement market (USPP) in 2012 and on June 29, 2020 (see Note 21, "Interest-bearing financial liabilities"). The covenant is tested every six months and the Group complied with the applicable ratio at June 30, 2020.

The following annual covenant applies to the euro private placement ("Euro PP") in the form of a syndicated loan, set up by the former Zodiac Aerospace on March 10, 2016 and with an original maturity of seven years (see Note 21, "Interest-bearing financial liabilities"):

- net debt/EBITDA <3.5.

The terms "net debt", "EBITDA" and "total equity" used in the aforementioned covenants are defined as follows:

- net debt: interest-bearing borrowings (excluding borrowings subject to specific conditions) less marketable securities and cash and cash equivalents;
- EBITDA: the sum of profit (loss) from operations and the net charge to depreciation, amortization and provisions for impairment of assets (calculated based on adjusted data);
- total equity: equity attributable to owners of the parent and non-controlling interests.

## NOTE 24 RELATED PARTIES

In accordance with IAS 24, the Group's related parties are considered to be its owners (including the French State), companies in which these owners hold equity interests, associates, joint ventures and management executives.

The following transactions were carried out with related parties other than joint ventures:

(in € millions)	First-half 2019	First-half 2020
Sales to related parties other than joint ventures	2,689	2,168
Purchases from related parties other than joint ventures	(75)	(48)

(in € millions)	Dec. 31, 2019	June 30, 2020
Amounts receivable from related parties other than joint ventures	1,930	1,755
Amounts payable to related parties other than joint ventures	2,639	2,466

(in € millions)	Dec. 31, 2019	June 30, 2020
Commitments given to related parties other than joint ventures <sup>(1)</sup>	2,110	2,120

(1) See Note 25.a, "Off-balance sheet commitments and contingent liabilities relating to the Group's operating activities".

Transactions with related parties other than joint ventures primarily concern the delivery of aviation products to Airbus and the French Directorate General of Weapons Procurement (DGA).



The following transactions were carried out with joint ventures:

(in € millions)	First-half 2019	First-half 2020
Sales to joint ventures <sup>(1)</sup>	204	45
Purchases from joint ventures	(40)	(39)

(1) Mainly with Shannon Engine Support Limited.

(in € millions)	Dec. 31, 2019	June 30, 2020
Amounts receivable from joint ventures	180	94
Amounts payable to joint ventures	57	42

(in € millions)	Dec. 31, 2019	June 30, 2020
Commitments given to joint ventures <sup>(2)</sup>	367	299

(2) See Note 16, "Investments in equity-accounted companies".

## NOTE 25 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

### a) Off-balance sheet commitments and contingent liabilities relating to the Group's operating activities

#### a.1) Commitments given and contingent liabilities

The Group granted the following commitments in connection with its operating activities:

(in € millions)	Dec. 31, 2019	June 30, 2020
Purchase commitments on intangible assets	38	37
Purchase commitments on property, plant and equipment	250	169
Guarantees given in connection with the performance of operating agreements	5,476	5,728
Lease commitments	98	113
Financial guarantees granted on the sale of Group products	23	11
Other commitments given	636	547
<b>TOTAL</b>	<b>6,521</b>	<b>6,605</b>

#### Guarantees given in connection with the performance of operating agreements

These guarantees relate mainly to guarantees granted by Safran to customers and principals (essentially aircraft manufacturers) in which Safran or the subsidiary provide a joint and several guarantee that its subsidiaries will perform their duties under their contractual obligations. These guarantees are given in respect of research, design, development, manufacturing, marketing and product support programs in place at Group subsidiaries. They are generally granted for the term of the program concerned, and are capped at a certain amount.

Guarantees granted to Airbus are shown within "Guarantees granted to related parties" in Note 24, "Related parties".

#### Lease commitments

As of January 1, 2019, lease commitments given concern leases qualifying for the IFRS 16 exemption criteria (short-term leases or leases of low-value assets), as well as leases signed but not yet started.

#### Financial guarantees granted on the sale of Group products

The financial guarantees shown in this table concern aerospace financing arrangements in place at the end of the period, granted to support sales of civil engines. These arrangements take the form of aircraft financing or guarantees covering the value of assets.

The Group's gross exposure in respect of these financing commitments in their transaction currency represents USD 12 million at June 30, 2020 (USD 29 million at June 30, 2019), or €11 million (€25 million at June 30, 2019). However, these amounts do not reflect the actual risk to which Safran is exposed. In view of the value of the underlying assets pledged as security, the net exposure represents USD 2 million at June 30, 2020 (USD 5 million at June 30, 2019), for which a provision, based on an assessment of the risk, is booked in the financial statements (see Note 19, "Provisions").

Financing commitments granted in principle to clients alongside aircraft manufacturers in connection with certain civil engine sales campaigns form part of financing packages proposed by aircraft manufacturers to airline companies and generally correspond to the share represented by Group engines in the financing of the aircraft concerned. These commitments are not included in the gross exposure since (i) the probability that they will be called by the airline companies is too uncertain because the deliveries are too far in the future, and (ii) in the past, few financing commitments have been called due to their dissuasive conditions and to the fact that they represent a "last recourse" after the financing proposed by banks, credit insurers and investors.

## a.2) Commitments received

The Group was granted the following commitments in connection with its operating activities:

(in € millions)	Dec. 31, 2019	June 30, 2020
Commitments received from banks on behalf of suppliers	9	8
Completion warranties	10	10
Endorsements and guarantees received	1	2
Other commitments received	85	99
<b>TOTAL</b>	<b>105</b>	<b>119</b>

## b) Off-balance sheet commitments and contingent liabilities relating to the Group's scope of consolidation

Vendor warranties are given or received on the acquisition or sale of companies.

### b.1) Vendor warranties given

(in € millions)	Dec. 31, 2019	June 30, 2020
Vendor warranties given <sup>(1)</sup>	331	320

(1) Vendor warranties, the amount of which may be fixed or determinable.

### b.2) Vendor warranties received

(in € millions)	Dec. 31, 2019	June 30, 2020
Vendor warranties received	-	-

### Vendor warranties granted in connection with the disposal of the Security businesses

In connection with the sale of the identity and security businesses on May 31, 2017, Safran granted Advent International a vendor warranty valued at €180 million at June 30, 2020, as well as a specific indemnity capped at BRL 200 million (€33 million at June 30, 2020) to cover any financial consequences arising from the dispute between Morpho do Brasil and the Brazilian

### Contingent liabilities arising on ordinary activities

As part of their ordinary activities, Safran, some of its subsidiaries, or certain joint arrangements or consortia in which they are shareholders or members, may be subject to various claims from customers. These claims usually consist of compensation claims for failing to meet technical specifications, a delay in the development phase, late completion and/or for additional work in connection with product performance and reliability falling outside the scope of the warranties and commitments provisioned or included within contract costs (see Note 3.b, "Provisions", and Note 19, "Provisions"). While the initial amount of any such claim may be material in certain cases, it does not necessarily have any bearing on the costs that may be ultimately incurred to satisfy the customer. As these claims represent contingent liabilities, no provision has been recognized beyond contractual liability limits, if any.

In the absence of an agreement between the parties, some of these claims may give rise to litigation, the most significant of which are indicated in Note 26, "Disputes and litigation".

tax authorities concerning the calculation method for value added tax on certain products.

In connection with the sale of the detection businesses on April 7, 2017, Safran granted Smiths Group PLC a vendor warranty valued at USD 73 million (€65 million at June 30, 2020).

In connection with the sale of Structil on October 2, 2017, Safran Ceramics granted the Hexcel group a vendor warranty valued at €37 million at June 30, 2020.

### c) Off-balance sheet commitments and contingent liabilities relating to the Group's financing

Commitments received in respect of financing relate to:

- any unused portion of trade receivables factoring facilities requiring deconsolidation of the receivables concerned (see Note 21, "Interest-bearing financial liabilities");

- the confirmed, undrawn syndicated credit line for €2,520 million set up in December 2015 (see Note 23, "Management of market risks and derivatives"); and
- the additional confirmed, undrawn syndicated credit line totaling €1,643 million at June 30, 2020, set up on April 22, 2020 (see Note 23, "Management of market risks and derivatives").

## NOTE 26 DISPUTES AND LITIGATION

Safran and certain Group subsidiaries are party to regulatory, legal or arbitration proceedings arising in the ordinary course of their operations. Safran and certain Group subsidiaries are also party to claims, investigations, legal action and regulatory proceedings outside the scope of their ordinary operations.

The amount of the provisions booked is based on the level of risk for each case, as assessed by Safran and its subsidiaries, and largely depends on their assessment of the merits of the claims and defensive arguments, bearing in mind that the occurrence of events during the proceedings can lead to a reassessment of the risk at any time.

A provision is only booked to cover the expenses that may result from such proceedings when the expenses are probable and their amount can be either quantified or reasonably estimated.

Safran considers that the provisions booked are adequate to cover the risks it incurs.

The most important proceedings are described below.

- A number of civil and/or criminal lawsuits have been filed against certain Safran subsidiaries in connection with aviation accidents. The Group's insurance policy would cover any civil damages payable by Safran or its subsidiaries under these proceedings.

- On April 2, 2014, Safran was fined by the European Commission relating to the activities of Silec Cable, a former subsidiary of Sagem SA which was sold to General Cable at the end of 2005. General Cable, which was also fined, filed a claim against Safran under the sale agreement in order to protect its rights. Safran paid the €8.5 million fine in 2014. Relying on the European Commission's findings, a number of cable buyers have initiated proceedings claiming damages against the companies fined by the Commission. Safran's joint and several liability with other suppliers has been alleged in one such legal action, and the Group could be at risk of further claims in Europe. The lawsuits are still in progress. Upon the Court's authorization, the claimant notified the joint defendants at the end of 2018 of its intention to broaden the scope of its action. The joint defendants submitted a response in 2019. The parties' experts have submitted their reports on the alleged harm suffered by the plaintiff. The reports differ significantly in their estimates. According to the current procedural timetable, a preliminary hearing will be held at the end of July 2020. The final hearing should start at the end of this year.

At the date of this report, it is not possible to reasonably evaluate any potential financial risk.

To the best of Safran's knowledge and that of its subsidiaries, there are no other ongoing regulatory, legal or arbitration proceedings that could have a material impact on the financial position of the Company and/or Group.

## NOTE 27 SUBSEQUENT EVENTS

Signature of a Group "Activity Transformation" agreement (see Note 1.g).

# STATUTORY

## AUDITORS' REVIEW REPORT ON THE 2020 INTERIM FINANCIAL INFORMATION

**FOR THE SIX MONTHS ENDED JUNE 30, 2020**

### Statutory Auditors' review report on the 2020 interim financial information

*This is a free translation into English of the Statutory Auditors' review report on the interim financial information issued in French and is provided solely for the convenience of English speaking users. This report includes information relating to the specific verification of information given in the Group's interim management report. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.*

To the Shareholders,

In compliance with the assignment entrusted to us by your Annual General Meeting and in accordance with the requirements of Article L.451-1-2 III of the French Monetary and Financial Code (*Code monétaire et financier*), we hereby report to you on:

- the review of the accompanying condensed interim consolidated financial statements of Safran for the six months ended June 30, 2020;
- the verification of the information contained in the interim management report.

These condensed interim consolidated financial statements were prepared under the responsibility of the Board of Directors on July 29, 2020 based on information available at that date and in the evolving context of the Covid-19 crisis and the difficulties in assessing its impacts and the future prospects of the Company. Our role is to express a conclusion on these financial statements based on our review.

#### 1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with professional standards applicable in France and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements have not been prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting", as adopted by the European Union.

Without qualifying our conclusion, we draw your attention to Note 1, "Impacts of the Covid-19 pandemic" to the condensed interim consolidated financial statements, which describes the main consequences of the pandemic for the Group.

#### 2. Specific verification

We have also verified the information presented in the interim management report prepared on July 29, 2020 on the condensed interim consolidated financial statements subject to our review.

We have no matters to report as to its fair presentation and consistency with the condensed interim consolidated financial statements.

Courbevoie and Paris-La Défense, July 29, 2020

The Statutory Auditors

#### MAZARS

Gaël Lamant

Jérôme De Pastors

#### ERNST & YOUNG et Autres

Jean-Roch Varon

Philippe Berteaux



# CORPORATE GOVERNANCE

## 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.

## SAFRAN'S ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 28, 2020

Safran's Ordinary and Extraordinary Shareholders' Meeting was held on May 28, 2020 at Safran's registered office behind closed doors, without any shareholders being physically present, in order to protect the health and safety of both the Group's shareholders and its employees, in line with the specific regulations introduced in response to Covid-19 as part of the efforts to stem the spread of the epidemic<sup>(1)</sup>.

The customary procedures were adapted to the circumstances, in order to enable shareholders to participate in the important information and decision-making event. The Annual General Meeting was broadcast live on the Company's website and via telephone conferencing.

All of the resolutions submitted to the vote of the Annual General Meeting and recommended by the Board of Directors were approved.

In particular, shareholders approved:

- the financial statements for the year ended December 31, 2019 and the appropriation of profit for the year. As announced on March 26, 2020, no dividend will be paid in respect of 2019;
- the appointment of Patricia Bellinger as an additional independent Director;
- the appointments of two new Directors representing employee shareholders, Anne Aubert and Marc Aubry, following the expiry of the terms of office of their predecessors, Fernanda Saraiva and Gérard Mardiné;
- all of the resolutions relating to corporate officer compensation (2019 compensation, disclosures on compensation, 2020 compensation policies, aggregate Directors' compensation);
- the new authorization allowing Safran to buy back its own shares at a price not exceeding €165 per share;
- proposed amendments to the Company's bylaws.

<sup>(1)</sup> French government ordonnance (order) 2020-321 of March 25, 2020 adapting the rules under which shareholders and governing bodies of legal entities and private companies without legal personality can meet and deliberate in view of the Covid-19 epidemic.

## COMPOSITION OF THE BOARD OF DIRECTORS AND ITS STANDING COMMITTEES

### The Board of Directors

At the close of the Annual General Meeting of May 28, 2020, the Board of Directors comprised 18 members, including nine independent Directors, one representative of the French State, one Director put forward by the French State, two Directors representing employee shareholders and two Directors representing employees.

The proportion of independent Directors stood at 64.3%<sup>(1)</sup>, and the proportion of women on the Board was 42.8%<sup>(1)</sup>.

At the filing date of this report, the Board of Directors is thus composed of the following members:

Directors	Independent
Ross McInnes, Chairman of the Board of Directors	
Philippe Petitcolin, Chief Executive Officer	
Anne Aubert, Director representing employee shareholders	
Marc Aubry, Director representing employee shareholders	
Hélène Auriol Potier	X
Patricia Bellinger	X
Hervé Chaillou, Director representing employees	
Jean-Lou Chameau	X
Monique Cohen, Lead Independent Director	X
Hélène Dantoine, representative of the French State	
Odile Desforges	X
Didier Domange	
F&P, represented by Robert Peugeot	X
Laurent Guillot	X
Vincent Imbert, Director put forward by the French State	
Daniel Mazaltarim, Director representing employees	
Patrick Pélata	X
Sophie Zurquiyah	X
<b>18 members, of which 64.3% independent<sup>(1)</sup></b>	

*(1) In accordance with the AFEP-MEDEF Corporate Governance Code for Listed Companies, Directors representing employee shareholders and Directors representing employees are not taken into account when calculating the percentage of independent Directors.*

*(1) In accordance with the AFEP-MEDEF Corporate Governance Code, Directors representing employee shareholders and Directors representing employees are not included in this calculation.*

## The standing committees of the Board of Directors

Further to decisions made by the Board of Directors:

- Patricia Bellinger, a new independent Director, joined the Appointments and Compensation Committee; and
- Marc Aubry, Director representing employee shareholders, joined the Audit and Risk Committee, replacing Gérard Mardiné.

At the filing date of this report, the standing committees of the Board of Directors are composed as follows:

Audit and Risk Committee	Independent
Odile Desforges, Chair	X
Marc Aubry (Director representing employee shareholders)	
Hélène Dantoine (representative of the French State)	
Laurent Guillot	X
Robert Peugeot, permanent representative of F&P	X
Sophie Zurquiyah	X
<b>6 members, of which 80% independent (4/5)<sup>(1)</sup></b>	

(1) In accordance with the AFEP-MEDEF Corporate Governance Code for Listed Companies, Directors representing employee shareholders and Directors representing employees are not taken into account when calculating the percentage of independent Directors.

Appointments and Compensation Committee	Independent
Monique Cohen, Chair	X
Hélène Auriol Potier	X
Patricia Bellinger	X
Jean-Lou Chameau	X
Hélène Dantoine (representative of the French State)	
Didier Domange	
Daniel Mazaltarim (Director representing employees)	
Patrick Pélatà	X
<b>8 members, of which 71.4% independent (5/7)<sup>(1)</sup></b>	

(1) In accordance with the AFEP-MEDEF Corporate Governance Code for Listed Companies, Directors representing employee shareholders and Directors representing employees are not taken into account when calculating the percentage of independent Directors.

Innovation and Technology Committee	Independent
Patrick Pélatà, Chairman	X
Hélène Auriol Potier	X
Hervé Chaillou (Director representing employees)	
Jean-Lou Chameau	X
Vincent Imbert (Director put forward by the French State)	
<b>5 members, of which 75% independent (3/4)<sup>(1)</sup></b>	

(1) In accordance with the AFEP-MEDEF Corporate Governance Code for Listed Companies, Directors representing employee shareholders and Directors representing employees are not taken into account when calculating the percentage of independent Directors.

## SHARE BUYBACK PROGRAM AUTHORIZED BY THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 28, 2020

In its 15<sup>th</sup> resolution, the Annual General Meeting of May 28, 2020 authorized a new share buyback program.

Shares may not be purchased at a price of more than €165 per share and the maximum amount that may be invested in the program is €7 billion.

The program description, drafted in accordance with the provisions of Article 241-2 of the General Regulations of the French financial markets authority (*Autorité des marchés financiers* - AMF), is available on the Company's website ([www.safran-group.com](http://www.safran-group.com), in the Finance/Publications/Regulated information section).





## Contact

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## Safran

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All financial information pertaining to Safran is available on the Group's website at [www.safran-group.com](http://www.safran-group.com), in the Finance section.

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# POWERED BY TRUST

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