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CONSOLIDATED BALANCE SHEET AND INCOME STATEMENT

December 31, 2020

SAFRAN

The Board of Directors' meeting of February 24, 2021 adopted and authorized the publication of Safran's consolidated financial statements and adjusted income statement for the year ended December 31, 2020.

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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 Note 2.f).

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;

- 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)	2020 consolidated data	Currency hedges		Business combinations		2020 adjusted data
		Remeasurement of revenue (1)	Deferred hedging gain/loss (2)	Amortization of intangible assets from Sagem-Snecma merger (3)	PPA impacts – other business combinations (4)	
Revenue	**16,631**	**(133)**	**-**	**-**	**-**	**16,498**
Other recurring operating income and expenses	(15,286)	(1)	5	46	340	(14,896)
Share in profit from joint ventures	48	-	-	-	36	84
Recurring operating income	**1,393**	**(134)**	**5**	**46**	**376**	**1,686**
Other non-recurring operating income and expenses	(466)	-	-	-	-	(466)
Profit from operations	**927**	**(134)**	**5**	**46**	**376**	**1,220**
Cost of net debt	(58)	-	-	-	-	(58)
Foreign exchange gain/loss	(257)	134	216	-	-	93
Other financial income and expense	(42)	-	-	-	-	(42)
Financial income (loss)	**(357)**	**134**	**216**	**-**	**-**	**(7)**
Income tax expense	(184)	-	(58)	(14)	(78)	(334)
Profit for the period	**386**	**-**	**163**	**32**	**298**	**879**
Profit for the period attributable to non-controlling interests	**(34)**	**-**	**-**	**(1)**	**-**	**(35)**
Profit for the period attributable to owners of the parent	**352**	**-**	**163**	**31**	**298**	**844**

(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 €216 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a positive €5 million at December 31, 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 €304 million excluding deferred tax and cancellation of amortization/impairment of assets identified during other business combinations.

Readers are reminded that the consolidated financial statements are audited by the Group's Statutory Auditors. The 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 Universal Registration Document.

The audit procedures on the consolidated financial statements have been completed. The Statutory Auditors' report will be issued at the end of the Board of Directors' meeting of March 24, 2021, after the specific verifications have been completed and any subsequent events at February 24, 2021 have been reviewed.

The impact of these adjustments in 2019 was as follows:

(in € millions)	2019 consolidated data	Currency hedges		Business combinations		2019 adjusted data
		Remeasurement of revenue (1)	Deferred hedging gain/loss (2)	Amortization of intangible assets from Sagem-Snecma merger (3)	PPA impacts – other business combinations (4)	
Revenue	**25,098**	**(458)**	**-**	**-**	**-**	**24,640**
Other recurring operating income and expenses	(21,438)	9	(1)	51	354	(21,025)
Share in profit from joint ventures	164	-	-	-	41	205
Recurring operating income	**3,824**	**(449)**	**(1)**	**51**	**395**	**3,820**
Other non-recurring operating income and expenses	13	-	-	-	-	13
Profit from operations	**3,837**	**(449)**	**(1)**	**51**	**395**	**3,833**
Cost of net debt	(33)	-	-	-	-	(33)
Foreign exchange gain/loss	(283)	449	(175)	-	-	(9)
Other financial income and expense	(47)	-	-	-	-	(47)
Financial income (loss)	**(363)**	**449**	**(175)**	**-**	**-**	**(89)**
Income tax expense	(962)	-	60	(13)	(97)	(1,012)
Profit for the period	**2,512**	**-**	**(116)**	**38**	**298**	**2,732**
Profit for the period attributable to non-controlling interests	**(65)**	**-**	**-**	**(2)**	**-**	**(67)**
Profit for the period attributable to owners of the parent	**2,447**	**-**	**(116)**	**36**	**298**	**2,665**

(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 €175 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a negative €1 million at December 31, 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 €315 million excluding deferred tax and cancellation of amortization/impairment of assets identified during other business combinations.

Comparative adjusted consolidated income statement and segment information

Adjusted income statement

(in € millions)	2019 Adjusted data	2020 Adjusted data
Revenue	**24,640**	**16,498**
Other income	297	267
Income from operations	**24,937**	**16,765**
Change in inventories of finished goods and work-in-progress	453	(865)
Capitalized production	438	329
Raw materials and consumables used	(14,439)	(8,455)
Personnel costs	(6,349)	(5,024)
Taxes	(388)	(326)
Depreciation, amortization and increase in provisions, net of use	(1,194)	(823)
Asset impairment	55	(147)
Other recurring operating income and expenses	102	148
Share in profit from joint ventures	205	84
Recurring operating income	**3,820**	**1,686**
Other non-recurring operating income and expenses	13	(466)
Profit from operations	**3,833**	**1,220**
Cost of net debt	(33)	(58)
Foreign exchange gain (loss)	(9)	93
Other financial income and expense	(47)	(42)
Financial income (loss)	**(89)**	**(7)**
Profit before tax	**3,744**	**1,213**
Income tax expense	(1,012)	(334)
Profit for the period	**2,732**	**879**
Attributable to:		
owners of the parent	2,665	844
non-controlling interests	67	35
Earnings per share attributable to owners of the parent (in €)		
Basic earnings per share	6.20	1.98
Diluted earnings per share	6.13	1.92

Segment information

The operating segments and key indicators shown below are defined in Note 5.

At December 31, 2020

(in € millions)	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	**Total operating segments**	Holding company and other	**Total adjusted data**	Currency hedges	Impacts of business combinations	**Total consolidated data**
Revenue	**7,663**	**6,893**	**1,922**	**16,478**	**20**	**16,498**	**133**	**-**	**16,631**
Recurring operating income (loss)[(1)]	**1,192**	**687**	**(174)**	**1,705**	**(19)**	**1,686**	**129**	**(422)**	**1,393**
Other non-recurring operating income and expenses	(157)	(233)	(72)	**(462)**	(4)	**(466)**	-	-	**(466)**
Profit (loss) from operations	**1,035**	**454**	**(246)**	**1,243**	**(23)**	**1,220**	**129**	**(422)**	**927**
Free cash flow	**796**	**811**	**(377)**	**1,230**	**(157)**	**1,073**	**-**	**-**	**1,073**
Gross operating working capital	**(1,617)**	**1,322**	**806**	**511**	**(157)**	**354**	**-**	**-**	**354**
Segment assets	**15,679**	**11,858**	**4,906**	**32,443**	**2,056**	**34,499**	**-**	**-**	**34,499**
(1) o/w depreciation, amortization and increase in provisions, net of use	(390)	(332)	(52)	**(774)**	(49)	**(823)**	(3)	(386)	**(1,212)**
o/w asset impairment	(58)	(28)	(61)	**(147)**	-	**(147)**	(2)	-	**(149)**

At December 31, 2019

(in € millions)	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	**Total operating segments**	Holding company and other	**Total adjusted data**	Currency hedges	Impacts of business combinations	**Total consolidated data**
Revenue	**12,045**	**9,256**	**3,321**	**24,622**	**18**	**24,640**	**458**	**-**	**25,098**
Recurring operating income (loss)[(1)]	**2,485**	**1,209**	**188**	**3,882**	**(62)**	**3,820**	**450**	**(446)**	**3,824**
Other non-recurring operating income and expenses	(7)	(21)	(6)	**(34)**	47	**13**	-	-	**13**
Profit (loss) from operations	**2,478**	**1,188**	**182**	**3,848**	**(15)**	**3,833**	**450**	**(446)**	**3,837**
Free cash flow	**1,125**	**706**	**(1)**	**1,830**	**153**	**1,983**	**-**	**-**	**1,983**
Gross operating working capital	**(1,786)**	**1,644**	**720**	**578**	**(135)**	**443**	**-**	**-**	**443**
Segment assets	**17,984**	**13,284**	**5,658**	**36,926**	**2,074**	**39,000**	**-**	**-**	**39,000**
(1) o/w depreciation, amortization and increase in provisions, net of use	(709)	(391)	**(4)**	**(1,104)**	(90)	**(1,194)**	(1)	(405)	**(1,600)**
o/w asset impairment	(3)	10	**48**	**55**	-	**55**	2	-	**57**

Revenue (adjusted data)

(in € millions)		2019	2020
Aerospace Propulsion			
Original equipment and related products and services		5,081	2,859
Services		6,848	4,668
Sales of studies		65	85
Other		51	51
	Sub-total	12,045	7,663
Aircraft Equipment, Defense and Aerosystems			
Original equipment and related products and services		5,857	4,456
Services		3,002	2,114
Sales of studies		262	237
Other		135	86
	Sub-total	9,256	6,893
Aircraft Interiors			
Original equipment and related products and services		2,352	1,409
Services		895	478
Sales of studies		63	22
Other		11	13
	Sub-total	3,321	1,922
Holding company and other			
Sales of studies and other		18	20
	Sub-total	18	20
Total		**24,640**	**16,498**

Information by geographic area

At December 31, 2020

(in € millions)		France	Europe (excl. France)	Americas	Asia and Oceania	Africa & Middle East	**Total adjusted data**	Currency hedges	**Total consolidated data**
Revenue by location of customers		3,823	3,450	5,434	2,669	1,122	**16,498**	133	**16,631**
	%	23%	21%	33%	16%	7%			
Non-current assets by location[(1)(2)]		14,550	1,855	3,732	293	110			**20,540**
	%	71%	9%	18%	1%	1%			

(1) Excluding financial assets, derivatives and deferred tax assets.

(2) Intangible assets recognized when allocating the purchase price of a business combination are typically allocated to tier-one subsidiaries acting as the heads of consolidation sub-groups and not to each of their subsidiaries.

At December 31, 2019

(in € millions)		France	Europe (excl. France)	Americas	Asia and Oceania	Africa & Middle East	**Total adjusted data**	Currency hedges	**Total consolidated data**
Revenue by location of customers		4,870	5,236	8,617	3,728	2,189	**24,640**	458	**25,098**
	%	20%	21%	35%	15%	9%			
Non-current assets by location[(1)(2)]		15,305	1,926	4,322	349	117			**22,019**
	%	70%	9%	19%	1%	1%			

(1) Excluding financial assets, derivatives and deferred tax assets.

(2) Intangible assets recognized when allocating the purchase price of a business combination are typically allocated to tier-one subsidiaries acting as the heads of consolidation sub-groups and not to each of their subsidiaries.

As in the previous year, Safran carried out sales with three major customers during 2020:

- Airbus group: sales of original equipment engines for aircraft and helicopters for Aerospace Propulsion; landing and braking systems, wiring and electrical connection systems, nacelles, navigation systems, flight control systems, flight-data recording systems and other equipment for Aircraft Equipment, Defense and Aerosystems; and cabin interiors and seats for Aircraft Interiors;

- Boeing group: sales of original equipment engines for aircraft for Aerospace Propulsion; landing and braking systems and wiring and electrical connection systems for Aircraft Equipment and Aerosystems; and cabin interiors and seats for Aircraft Interiors;

- General Electric group: sales of fleet maintenance spare parts for Aerospace Propulsion.

Group consolidated financial statements

Consolidated income statement

(in € millions)	*Note*	2019	2020
Revenue	*6*	**25,098**	**16,631**
Other income	*7*	297	267
Income from operations		**25,395**	**16,898**
Change in inventories of finished goods and work-in-progress		453	(865)
Capitalized production		438	329
Raw materials and consumables used	*7*	(14,448)	(8,450)
Personnel costs	*7*	(6,349)	(5,028)
Taxes		(388)	(326)
Depreciation, amortization and increase in provisions, net of use	*7*	(1,600)	(1,212)
Asset impairment	*7*	57	(149)
Other recurring operating income and expenses	*7*	102	148
Share in profit from joint ventures	*16*	164	48
Recurring operating income		**3,824**	**1,393**
Other non-recurring operating income and expenses	*7*	13	(466)
Profit from operations		**3,837**	**927**
Cost of net debt		(33)	(58)
Foreign exchange gain (loss)		(283)	(257)
Other financial income and expense		(47)	(42)
Financial income (loss)	*8*	**(363)**	**(357)**
Profit before tax		**3,474**	**570**
Income tax expense	*9*	(962)	(184)
Profit for the period		**2,512**	**386**
Attributable to:			
owners of the parent		2,447	352
non-controlling interests		65	34
Earnings per share attributable to owners of the parent (in €)	*10*		
Basic earnings per share		5.69	0.83
Diluted earnings per share		5.63	0.80

Consolidated statement of comprehensive income

(in € millions)	Note	2019	2020
Profit for the period		**2,512**	**386**
Other comprehensive income			
Items to be reclassified to profit		**131**	**(570)**
Translation adjustments		144	(518)
Remeasurement of hedging instruments		(22)	(13)
Income tax related to components of other comprehensive income to be reclassified to profit		7	7
Share in other comprehensive income (expense) of equity-accounted companies to be reclassified to profit (net of tax)	16	2	(46)
Items not to be reclassified to profit		**(119)**	**(14)**
Actuarial gains and losses on post-employment benefits	25.c	(119)	(3)
Income tax related to components of other comprehensive income not to be reclassified to profit		32	1
Share in other comprehensive income (expense) of equity-accounted companies not to be reclassified to profit (net of tax)		(32)	(12)
Other comprehensive income (expense) for the period		**12**	**(584)**
Total comprehensive income (expense) for the period		**2,524**	**(198)**
Attributable to:			
- owners of the parent		2,461	(227)
- non-controlling interests		63	29

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

- €7 million in translation losses (€3 million in translation gains in 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;
- €511 million in translation losses (€141 million in translation gains in 2019) arising in the period on foreign operations (essentially in the United States).

In 2020, other comprehensive income resulting from the remeasurement of hedging instruments includes negative fair value adjustments totaling €13 million (€5 million in 2019) relating to cash flow hedges of interest payments on senior unsecured notes (i) as of the end of first-quarter 2019 and (ii) as of July 2020. The outstanding balance of the ongoing cash flow hedging reserve is a negative €13 million (see the consolidated statement of changes in shareholders' equity).

In 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 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 swaps were set up.

Other comprehensive income relating to equity-accounted companies (net of tax) includes (see Note 16, "Investments in equity-accounted companies"):

- €50 million in foreign exchange losses arising in the period on foreign joint ventures (€9 million in foreign exchange gains in 2019);
- a positive amount of €4 million relating to cash flow hedges of joint ventures (a negative amount of €7 million in 2019); and

- €12 million in actuarial losses on pension and similar obligations of joint ventures (actuarial losses of €32 million in 2019).

Consolidated balance sheet

ASSETS *(in € millions)*	*Note*	**Dec. 31, 2019**	**Dec. 31, 2020**
Goodwill	*11*	5,199	5,060
Intangible assets	*12*	9,479	8,676
Property, plant and equipment	*13*	4,398	4,055
Right-of-use assets	*14*	732	623
Non-current financial assets	*15*	429	431
Investments in equity-accounted companies	*16*	2,211	2,126
Non-current derivatives (positive fair value)	*31*	33	52
Deferred tax assets	*9*	251	316
Other non-current financial assets		4	4
Non-current assets		**22,736**	**21,343**
Current financial assets	*15*	143	126
Current derivatives (positive fair value)	*31*	674	694
Inventories and work-in-progress	*17*	6,312	5,190
Contract costs	*18*	471	486
Trade and other receivables	*19*	7,639	5,769
Contract assets	*20*	1,743	1,695
Tax assets	*9*	458	481
Cash and cash equivalents	*21*	2,632	3,747
Current assets		**20,072**	**18,188**
Total assets		**42,808**	**39,531**

EQUITY AND LIABILITIES *(in € millions)*	*Note*	**Dec. 31, 2019**	**Dec. 31, 2020**
Share capital	*23*	85	85
Consolidated reserves and retained earnings	*23*	9,839	11,912
Profit for the period		2,447	352
Equity attributable to owners of the parent		**12,371**	**12,349**
Non-controlling interests		**377**	**401**
Total equity		**12,748**	**12,750**
Provisions	*24*	2,093	1,942
Borrowings subject to specific conditions	*26*	505	426
Non-current interest-bearing financial liabilities	*27*	3,239	4,082
Non-current derivatives (negative fair value)	*31*	5	18
Deferred tax liabilities	*9*	1,340	1,285
Other non-current financial liabilities	*29*	2	2
Non-current liabilities		**7,184**	**7,755**
Provisions	*24*	990	905
Current interest-bearing financial liabilities	*27*	3,540	2,509
Trade and other payables	*28*	6,164	4,353
Contract liabilities	*20*	10,923	9,838
Tax liabilities	*9*	111	118
Current derivatives (negative fair value)	*31*	1,033	1,244
Other current financial liabilities	*29*	115	59
Current liabilities		**22,876**	**19,026**
Total equity and liabilities		**42,808**	**39,531**

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**
At January 1, 2019	**87**	**4,686**	**(80)**	**22**	**252**	**5,954**	**(391)**	**1,283**	**137**		**11,950**	**346**	**12,296**
Comprehensive income (expense) for the period	-	-	-	(22)	153	(7)	(161)	2,447	51	(a)	**2,461**	63	**2,524**
Acquisitions/disposals of treasury shares	-	-	(223)	-	-	-	-	-	-		(223)	-	(223)
Dividends	-	-	-	-	-	(785)	-	-	-		(785)	(32)	(817)
Share buyback programs	-	-	(1,076)	-	-	-	-	-	-		(1,076)	-	(1,076)
Acquisition of Zodiac Aerospace	(2)	2	1,076	-	-	(1,074)	-	-	-		2	-	2
Other movements, including appropriation of profit	-	-	-	-	-	1,283	-	(1,283)	42		**42**	-	**42**
At December 31, 2019	**85**	**4,688**	**(303)**	**-**	**405**	**5,371**	**(552)**	**2,447**	**230**		**12,371**	**377**	**12,748**
Comprehensive income (expense) for the period	-	-	-	(13)	(563)	4	(19)	352	12	(a)	**(227)**	29	**(198)**
Dividends	-	-	-	-	-	-	-	-	-		**-**	(4)	**(4)**
OCEANE 2020-2027 bonds	-	-	-	-	-	39	-	-	-		**39**	-	**39**
Delivery of shares under employee shareholding plans: Safran Sharing 2020 and other[(b)]	-	-	261	-	-	(166)	-	-	53		**148**	-	**148**
Other movements, including appropriation of profit	-	-	6	-	-	2,447	-	(2,447)	12		**18**	(1)	**17**
At December 31, 2020	**85**	**4,688**	**(36)**	**(13)**	**(158)**	**7,695**	**(571)**	**352**	**307**		**12,349**	**401**	**12,750**

(a) See table below: (in € millions)	Tax impact on actuarial gains and losses	Tax impact on foreign exchange differences	Total
Comprehensive income (expense) for 2019 (attributable to owners of the parent)	44	7	51
Comprehensive income (expense) for 2020 (attributable to owners of the parent)	5	7	12

(b) Capital loss amounting to €166 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*	2019	2020
I. Cash flow from operating activities			
Profit attributable to owners of the parent		**2,447**	**352**
Depreciation, amortization, impairment and provisions(1)		1,589	1,565
Share in profit/loss from equity-accounted companies (net of dividends received)	*16*	(87)	22
Change in fair value of currency and interest rate derivatives(2)	*31*	(152)	209
Capital gains and losses on asset disposals		(41)	20
Profit attributable to non-controlling interests		65	34
Other(3)		221	(328)
Cash flow from operations, before change in working capital		**4,042**	**1,874**
Change in inventories and work-in-progress	*17*	(590)	1,016
Change in operating receivables and payables	*19,28,31*	(563)	41
Change in contract costs	*18*	11	(17)
Change in contract assets and liabilities	*20*	218	(982)
Change in other receivables and payables	*19,28*	27	(66)
Change in working capital		**(897)**	**(8)**
	TOTAL I	**3,145**	**1,866**
II. Cash flow used in investing activities			
Capitalization of R&D expenditure(4)	*12*	(333)	(287)
Payments for the purchase of intangible assets, net(5)		(134)	(57)
Payments for the purchase of property, plant and equipment, net(6)		(695)	(449)
Payments for the acquisition of investments or businesses, net		(29)	(21)
Proceeds arising from the sale of investments or businesses, net		47	1
Proceeds (payments) arising from the sale (acquisition) of investments and loans, net		39	14
Other movements		-	-
	TOTAL II	**(1,105)**	**(799)**
III. Cash flow from (used in) financing activities			
Change in share capital – owners of the parent		2	-
Change in share capital – non-controlling interests		(9)	-
Acquisitions and disposals of treasury shares	*23.b*	(1,299)	96
Repayment of borrowings and long-term debt	*27*	(875)	(778)
Increase in borrowings(7)	*27*	24	1,595
Change in repayable advances	*26*	(27)	(10)
Change in short-term borrowings	*27*	1,261	(831)
Dividends and interim dividends paid to owners of the parent	*23.e*	(785)	-
Dividends paid to non-controlling interests		(32)	(4)
	TOTAL III	**(1,740)**	**68**
Effect of changes in foreign exchange rates	**TOTAL IV**	**2**	**(20)**
Net increase (decrease) in cash and cash equivalents	**I+II+III+IV**	**302**	**1,115**
Cash and cash equivalents at beginning of period		2,330	2,632
Cash and cash equivalents at end of period	*21*	2,632	3,747
Net increase (decrease) in cash and cash equivalents		**302**	**1,115**

(1) Including in 2020: depreciation and amortization for €1,447 million (€1,463 million in 2019), impairment charges for €377 million (€42 million in impairment reversals in 2019) and provision reversals for €259 million (€168 million in provision charges in 2019).

(2) Including in 2020: a positive €191 million arising on currency derivatives (a negative €155 million in 2019) (see Note 31, "Management of market risks and derivatives").

(3) Including in 2020: cancellation of deferred tax income arising on changes in the fair value of currency derivatives for a negative €58 million (a positive €60 million in 2019), cancellation of tax expense for €242 million (€902 million in 2019), €143 million in taxes paid (€887 million in 2019), €72 million in interest paid (€93 million in 2019), and €22 million in interest received (€49 million in 2019).

(4) Including in 2020: capitalized interest of €8 million (€8 million in 2019).

(5) Including in 2020: €61 million in disbursements for acquisitions of intangible assets (€133 million in 2019), €5 million in proceeds from disposals (zero in 2019), and changes in amounts payable on acquisitions of non-current assets representing a negative €1 million (a negative €1 million in 2019).

(6) Including in 2020: €421 million in disbursements for acquisitions of property, plant and equipment (€777 million in 2019), changes in amounts payable on acquisitions of non-current assets representing a negative €47 million (a positive €9 million in 2019), €19 million in proceeds from disposals (€73 million in 2019), and zero changes in amounts receivable on disposals of non-current assets (zero in 2019).

(7) Including in 2020: €1,018 million relating to OCEANE bond issues and €564 million relating to the USPP issue.

Notes to the Group consolidated financial statements

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

The Board of Directors' meeting of February 24, 2021 adopted and authorized for issue the 2020 consolidated financial statements. The consolidated financial statements will be final once they have been approved by the General Shareholders' Meeting.

Note 1 - *Impacts of the Covid-19 pandemic*

The Covid-19 pandemic severely disrupted all of the Group's businesses, with both original equipment and services impacted by the stark decline in air traffic and airline companies' financial difficulties.

- Propulsion:
    - sharp decrease in sales of OE engines: shipments of LEAP engines were down 47% at 815 engines delivered in 2020 (versus 1,736 shipments in 2019), while CFM engine shipments dropped to 157 in the year from 375 in 2019;
    - contraction in the spare parts and services market. The indicator used to track the civil aftermarket (expressed in USD) was down 43% year on year;
    - contained sales decline in helicopter turbines, and services levels close to 2019;
    - military activities supported by sales of spare parts.
- Aircraft Equipment, Defense and Aerosystems:
    - OE sales down 25% year on year for landing and aircraft systems, engine systems and equipment, and electrical systems and engineering;
    - services down 30% versus 2019;
    - growth in Defense activities.
- Aircraft Interiors:
    - OE activities (Seats, Cabin and Passenger Solutions) down 40% versus 2019;
    - services relating to spare parts and MRO activities 47% lower year on year.

After implementing the necessary health measures to ensure a safe working environment for its employees, the Group continued its shipments to customers throughout the year and avoided any serious disruptions to its production chains.

In response to the crisis, the Group promptly implemented a plan to significantly reduce costs and lower the breakeven point. The measures included:

- workforce adjustments bringing the headcount to approximately 79,000 at end-2020, representing a 17% decrease in permanent employees and a 21% decrease including temporary staff;
- plant restructuring: closure of four sites, activity transferred at three sites, and restructuring measures at a dozen other sites;
- scaled-back purchasing programs: purchases of raw materials cut by 43% and sub-contracting by 48%;
- R&D expenses reduced by 35%;
- operating costs cut by 25%;
- investment commitments reduced by 67%.

The Group continues to closely monitor the situation at its key suppliers and took a 9.1% stake in “Ace Aéro Partenaires”, a fund supporting businesses in the aerospace sector hard hit by the health crisis.

Thanks to the tireless efforts of all of its employees, in 2020 the Group demonstrated its agility and resilience in the face of the aerospace crisis, the impacts of which will be felt beyond 2020.

1.a. GOING CONCERN AND LIQUIDITY

At December 31, 2020, consolidated cash and cash equivalents amounted to €3,747 million.

Amounts outstanding under Safran’s commercial paper program (NEU CP) comprised:

- €1,322 million, including several drawdowns with maturities of less than one year; and
- €425 million subscribed by a corporate mutual fund of the Group employee savings plan.

Safran has a €2.52 billion 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 NEU CP program is €3 billion.

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.
- On October 12, 2020, it carried out a €200 million tap issue of OCEANE bonds maturing on May 15, 2027 and with an issue premium of €18 million.

Following these refinancing operations, the bridge facility was reduced to €1.4 billion, none of which had been utilized at December 31, 2020.

Altogether, Safran therefore refinanced more than 50% of this short-term facility with long-term debt (i.e., with maturities of between 7 and 12 years).

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

1.b. Adaptation plan

With the adaptation plan, the Group aimed to significantly reduce its costs given the decline in demand, lower its breakeven point and prepare for the recovery in its businesses, which is expected in the next few years.

Safran adjusted its workforce to the needs of the business, as reassessed in line with customer forecasts to date and management estimates.

After introducing furlough and short-time working measures in Group companies wherever possible in the second and third quarters of 2020, the Group also implemented the long-term furlough scheme (*activité partielle longue durée*) in France with effect from October 1, 2020.

Between April and December 2020, the downtime rate was an average of 21% across the Group's global workforce, and 23% in France.

Government grants for the various furlough and short-time working schemes in France and other countries were recognized as a deduction from personnel costs in an amount of €246 million.

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

The agreement sets a framework for the implementation of the long-term furlough scheme adopted by the French Parliament on June 17, 2020.

The agreement is effective until December 31, 2021 and is applicable in all subsidiaries in which the Group has a shareholding of 50% or more.

The measures of the agreement include:

- encouraging voluntary early retirement;
- promoting internal and external mobility, based in particular on secondment arrangements and special leave;
- capping optional employee profit-sharing for 2020 and 2021;
- 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.

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 to be conducted at the end of 2021 will determine whether or not the existing agreement should be extended or a new agreement signed, depending on how the Group's situation has evolved.

In 2020, the costs relating to the voluntary early retirement and external mobility measures were recognized in non-recurring expenses in an amount of €51 million (see Note 7, "Breakdown of the other main components of profit from operations").

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 2020, restructuring costs were included within non-recurring expenses in an amount of €131 million (see Note 7, "Breakdown of the other main components of profit from operations") and primarily concern sites in the United States, Mexico, Tunisia, Morocco, Germany, the United Kingdom and Thailand.

Following these adaptation and restructuring measures, the Group had 78,900 permanent employees at December 31, 2020, down from 95,443 at December 31, 2019.

1.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, and transaction and restructuring costs, are unchanged from previous periods.

1.d. GOODWILL

Given the scale of the downturn in activity and its repercussions for the aerospace industry, which themselves are an indication of impairment risk, the Group reviewed all of its cash-generating units (CGUs) in the first half of 2020, especially those with the greatest exposure to the decline in air traffic and the change in airlines' financial situation.

In the second half of the year, the Group carried out its annual impairment tests on all of its CGUs, once the data in the medium-term business plan had been updated and validated by management then by the Board of Directors.

In accordance with the approach within the Group, the value in use of the CGUs was determined based on expected future cash flows projected over a period similar to the useful life of the assets in each CGU. The projections and assumptions used were based on the Group's medium-term business plan for the next four years, as updated in the second half of 2020, while the projections and assumptions beyond this period were based on management's best estimate of the long-term scenario.

They take into account orders and delivery schedules, airframers' production rates, IATA forecasts and any other available information.

The projections assume a return to pre-crisis cash flow levels by 2024 at the latest and factor in the adaptation measures put in place.

At December 31, 2020, no impairment was recognized against goodwill allocated to the CGUs.

Sensitivity to changes in the main assumptions was analyzed for the main goodwill balances recorded in Group assets.

In light of the significant prevailing uncertainties as to the recovery in air traffic, additional sensitivity analyses were performed on the CGUs with the greatest exposure, where the carrying amount of their assets is close to the recoverable amount, namely Seats, Cabin and Aerosystems.

The analysis also tested the CGUs' sensitivity to the following changes in assumptions:

- a one-year delay in the return to pre-crisis cash flow levels, i.e., in 2025 at the latest;
- an across-the-board decrease of 10% and 20% in future cash flows as from 2021.

The approach used is described in more detail in Note 11, "Goodwill".

1.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.

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

Right-of-use assets

In 2020, rent concessions granted to lessees in the context of the Covid-19 pandemic had no impact on the Group.

Measurement of inventories and work-in-progress

The carrying amount of inventories and work-in-progress excludes 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.

In the context of the health crisis, the Group paid particular attention to the situation of its airline customers, especially those that had announced restructuring plans.

A provision was accrued for any receivables or assets considered at risk (i.e., payment default at maturity, insolvency proceedings, etc.), based on a case-by-case analysis.

The impairment rate for expected credit losses was increased to 0.36% at end-2020 (versus 0.12% at end-2019), based on the approach described in section 2.n of Note 2, “Accounting policies”.

At December 31, 2020, the net amount of impairment losses recognized in this respect against trade and other receivables was €83 million.

1.f. ESTIMATED PROFIT (LOSS) ON COMPLETION OF CONTRACTS ACCOUNTED FOR ON A PERCENTAGE-OF-COMPLETION BASIS

As part of the review of contracts accounted for on a percentage-of-completion basis, the latest available data were taken into account when estimating the profit (loss) on completion.

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

As idle capacity is already recognized in profit or loss for the period, it was not included when calculating the percentage of completion of the contracts.

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 consolidated financial statements were approved by the Board of Directors. They include standards approved by the IASB, namely IFRS, International Accounting Standards (IAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) or its predecessor, the Standing Interpretations Committee (SIC).

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 16, “Leases” – Covid-19-Related Rent Concessions.

The Group noted the IFRIC decision of December 2019 regarding IFRS 16, specifically concerning the terms of leases with automatic renewal clauses. The Group identified and analyzed the leases affected by this decision during 2020. The terms of these leases were adjusted wherever necessary in accordance with the IFRIC guidance.
The impact was not material for the Group at December 31, 2020.

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 IFRS 4, “Insurance Contracts” – Extension of the Temporary Exemption from Applying IFRS 9.
- 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.
- Annual Improvements to IFRSs published in May 2020 (2018-2020 cycle).
- Amendments to IAS 16, “Property, Plant and Equipment” – Proceeds before Intended Use.
- Amendments to IFRS 3, “Business Combinations” – Reference to the Conceptual Framework.

- Amendments to IAS 37, "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts – Cost of Fulfilling a Contract.
- Amendments to IFRS 9, "Financial Instruments" and IFRS 7, "Financial Instruments: Disclosures" – Interest Rate Benchmark Reform Phase 2.

On August 27, 2020, the IASB published the second phase of its Interest Rate Benchmark Reform. Phase 2 of the reform seeks to clarify issues that might affect financial reporting when an interest rate benchmark is replaced.

The Group had chosen to early adopt the amendments to IFRS 9 and IFRS 7 linked to Phase 1 of the Interest Rate Benchmark Reform as from 2019. The application of these Phase 1 amendments allows 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.

The amendments relating to Phase 2 were adopted by the European Union and published in the French official journal on January 14, 2021. The Group decided not to early adopt these new amendments at December 31, 2020.

The early adoption of the Phase 2 amendments would not have impacted the consolidated financial statements, since there was no effective change in the benchmark rates used in the Group's contracts at December 31, 2020.

During the year, the Group continued its analyses in preparation for the transition to the new benchmark rates. Its work included identifying the impacts of the reform and putting in place the procedures for transitioning to the new rates.

Interest rate derivatives designated as hedges of borrowings indexed to a benchmark rate are described in Note 31, "Management of market risks and derivatives".

Accounting policies

a) Basis of measurement used to prepare the consolidated financial statements

The consolidated financial statements are prepared on a historical cost basis except for certain assets and liabilities, as allowed by IFRS. The categories of assets and liabilities not measured at historical cost are disclosed in the sections below.

b) Consolidation

Basis of consolidation

Entities over which Safran directly or indirectly exercises permanent de facto or de jure control are fully consolidated when their contribution to certain consolidated indicators is material or when their business is strategic for the Group. These are entities over which the Group has the power to direct the relevant activities in order to earn returns and can affect those returns through its power over the investee. Power generally results from holding a majority of voting rights (including potential voting rights when these are substantive) or contractual rights.

Entities controlled jointly by Safran and another group, known as joint arrangements, are entities for which decisions about the relevant activities (approval of the budget, management appointments, etc.) require the unanimous consent of the parties sharing control. There are two types of joint arrangement:

- joint operations are entities where, based on the structure and legal form of the arrangement, the terms agreed by the parties in the contractual arrangement, or other facts and circumstances, the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Each partner accounts for the assets, liabilities, revenues and expenses relating to its involvement in a joint operation, unless the arrangement specifies otherwise;
- joint ventures are entities where the parties that have joint control of the arrangement have rights to the net assets of the arrangement only. Each partner recognizes its share in the net assets of the venture using the equity method.

Entities over which Safran exercises significant influence (associates) are accounted for under the equity method. Significant influence is presumed to exist when the Group holds at least 20% of the voting rights. However, significant influence must be demonstrated when the Group holds less than 20% of the voting rights. The fact that the Group is represented on its investee's management body (Board of Directors, etc.) indicates that it exercises significant influence over that investee.

A company effectively enters the scope of consolidation at the date on which sole or joint control is acquired or significant influence is exercised.

The removal of a company from the scope of consolidation is effective as of the date sole or joint control or significant influence is relinquished. If the loss of control occurs without any transfer of interest, for example due to dilution, the company's removal from the scope of consolidation is simultaneous with the event that triggers such loss of control or significant influence.

Non-controlling interests represent the portion of profit and net assets not held by owners of the parent, and are presented separately in the income statement, statement of comprehensive income and shareholders' equity.

IFRS 10 states that any changes in the percent interest in a fully consolidated company that do not result in the loss or acquisition of control are to be recognized in equity attributable to owners of the parent. This applies to acquisitions of additional shares in a subsidiary after control has been obtained in a previous acquisition or to sales of shares that do not result in a loss of control.

Sales of shares that result in a loss of control are to be recognized in profit or loss and the gain or loss on disposal is to be calculated on the entire ownership interest at the date of the transaction. Certain other items of comprehensive income attributable to majority shareholders will be reclassified to income. Any residual interest retained is to be remeasured at fair value through profit or loss when control is relinquished.

Acquisitions of shares that give the Group sole control over an entity will be recognized in accordance with the policies governing business combinations described in Note 2.c.

Intragroup transactions

All material transactions between fully consolidated companies are eliminated, as are internally generated Group profits.

When a fully consolidated company carries out a transaction (e.g., sale or transfer of an asset to a joint operation, joint venture or associate), any resulting gains or losses are recognized in the consolidated financial statements solely to the extent of the percentage interest held in the joint operation, joint venture or associate outside the Group.

However, when a fully consolidated company carries out a transaction (e.g., purchase of an asset) with one of its joint operations, joint ventures or associates, the Group's share of the gain or loss is only recognized in the consolidated financial statements when the fully consolidated entity resells that asset to a third party.

Such transactions are not eliminated when the joint operation acts solely as an intermediary (agent) or renders balanced services for the benefit of, or as a direct extension of, the businesses of its various shareholders.

c) Business combinations

The Group applies the revised IFRS 3.

Acquisition method

Business combinations are accounted for using the acquisition method at the date on which control is obtained:

- identifiable assets acquired and liabilities assumed are measured at their acquisition-date fair value;
- where applicable, non-controlling interests in the acquiree are measured either at fair value or at the Group's share in the acquiree's net identifiable assets (including fair value adjustments). This option is available for all business combinations based on a case-by-case analysis of each transaction;
- acquisition-related costs (transaction fees) must be recognized separately from the combination as expenses in the period in which they are incurred;
- any contingent consideration relating to business combinations (earn-out clauses) is measured at fair value at the acquisition date. After the acquisition date, any adjustments to the consideration are measured at fair value at the end of each reporting period. The cost of the combination, including where appropriate the estimated fair value of any contingent consideration, is finalized within the 12 months following the acquisition (measurement period). Any changes in the fair value of such consideration more than 12 months after the measurement period are recognized in profit or loss. Only items that should have been taken into account at the date of the combination but for which the acquirer did not hold all of the relevant information at that date can give rise to an adjustment in the purchase price consideration.

Any previously held interests in the acquiree are remeasured to fair value, with the resulting gain or loss recognized in profit or loss.

Goodwill

At the acquisition date, goodwill is measured as the difference between:

- the acquisition-date fair value of the consideration transferred, plus the amount of any non-controlling interest in the acquiree, measured based on the share in the net assets acquired (including fair value adjustments), or on the overall value of the acquiree; and
- the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

When goodwill arises on the acquisition of fully consolidated companies or interests in joint operations, it is carried under assets in the balance sheet under the heading "Goodwill". Negative goodwill is recorded immediately in profit or loss. However, goodwill arising on the acquisition of interests in joint ventures and associates is recorded on the line "Investments in equity-accounted companies", in accordance with IAS 28.

Goodwill may be adjusted within 12 months of the acquisition to take into account the definitive estimate of the fair value of the assets acquired and liabilities assumed. Only new information about facts and circumstances existing at the date of the combination can give rise to an adjustment against goodwill. Beyond this period, adjustments are recorded in profit or loss.

Goodwill arising as part of a business combination is allocated to cash-generating units (CGUs), as described in Note 2.m. Goodwill is not amortized but is tested for impairment at least annually and whenever there are events or circumstances indicating that it may be impaired, as described in Note 2.m. Impairment is taken to profit or loss and may not be reversed.

d) Discontinued operations and assets (or disposal groups) held for sale

A non-current asset or group of non-current assets and directly associated liabilities are classified as held for sale if their carrying amount is expected to be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale and its sale must be highly probable within a maximum period of one year. Non-current assets or disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell, and are presented on separate lines of the consolidated balance sheet.

In accordance with IFRS 5, a discontinued operation represents a separate major line of business or geographic area of operations for the Group that either has been disposed of, or is classified as held for sale. The income, expenses and cash flows attributable to the operations disposed of or held for sale are presented on separate lines of the consolidated financial statements for all periods presented. The assets and liabilities attributable to the operations disposed of or held for sale are presented on separate lines of the consolidated balance sheet for the last period presented only.

In accordance with IFRS 5, further to classification as discontinued operations or assets held for sale:

- the activities are measured at the lower of their carrying amount and their fair value less estimated costs to sell;
- depreciation/amortization of the non-current assets relating to the activities ceases;
- the non-current assets included in the discontinued operations are no longer tested for impairment;
- symmetrical positions on the balance sheet between continuing operations and discontinued operations continue to be eliminated.

e) Translation methods

The financial statements of subsidiaries with a different functional currency than that used by the Group are translated into euros as follows:

- assets and liabilities are translated at the year-end closing exchange rate, while income statement and cash flow items are translated at the average exchange rate for the year;
- translation gains and losses resulting from the difference between the closing exchange rate at the previous year-end and the closing exchange rate at the end of the current reporting period, and from the difference between the average and closing exchange rates for the period, are recorded in equity as translation adjustments.

On disposal of a foreign operation, cumulative foreign exchange differences are recognized in profit or loss as a component of the gain or loss on disposal. For any disposal, the foreign exchange differences recognized in profit or loss are determined based on direct consolidation of the foreign operation in the Group's financial statements.

In the first quarter of 2019, the Group unwound the net investment hedge that it had set up for some of its foreign operations. A description of this hedge is provided in Note 2.w.

f) Translation of foreign currency transactions and foreign currency derivatives

Transactions denominated in currencies other than the presentation currencies of Group entities are translated into euros at the exchange rate prevailing at the transaction date.

At the end of the reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the closing rate. Any resulting foreign exchange gains and losses are recognized in "Financial income (loss)" for the period, except for translation differences relating to a financial instrument designated as a net investment hedge, which are reported in other comprehensive income (see Note 2.w). Advances and downpayments paid or received, prepaid expenses and deferred income continue to be recorded on the balance sheet at the initial amount for which they were recognized.

Long-term monetary assets held by a Group entity on a foreign subsidiary for which settlement is neither planned nor likely to occur in the foreseeable future, represent an investment in a foreign operation. In accordance with IAS 21, "The Effects of Changes in Foreign Exchange Rates", foreign exchange differences arising on these items are recorded in other comprehensive income (OCI) up to the date on which the investment is sold, when they are recognized as part of the gain or loss on disposal. If the transaction does not qualify as a net investment in a foreign operation, the corresponding exchange differences are recognized in the income statement.

The Group uses currency derivatives to manage and hedge its exposure to fluctuations in exchange rates which can impact revenue net of foreign-currency denominated purchases. The Group's forex hedging strategy along with the forward currency contracts and options it uses are described in Note 31, "Management of market risks and derivatives".

Pursuant to IFRS 9, these foreign currency derivatives are recognized in the balance sheet at their fair value at the end of the reporting period. In view of the constraints resulting from applying IFRS 3 to the Sagem-Snecma business combination and the fact that most derivative instruments used by Safran do not qualify for hedge accounting under IFRS 9, the Group decided not to apply hedge accounting to any of its foreign currency derivatives. Accordingly, any changes in the fair value of these derivatives are recognized in "Financial income (loss)".

g) Income from operations

The main customer contract types identified within the Group are:

- sales of original equipment engines and spare engines, serial production equipment and spare parts;
- sales of installed base maintenance and support contracts;
- sales of time and materials service contracts;
- sales of contracts with multiple elements ("combined contracts");
- sales of studies.

The IFRS 15 revenue recognition rules applicable to each of these contract types are outlined below.

On rare occasions, the impact of a financing component will also be taken into account in recognizing revenue, when the component is significant relative to the contract transaction price.

Sales of original equipment engines and spare engines, serial production equipment and spare parts

For sales of engines, production equipment and spare parts, the performance obligation is generally defined for each individual product or service and not for a series of products and services.

Development work may be carried out prior to production and be wholly or partly financed by the customer.

Sales of development work primarily concern the Aircraft Equipment, Defense and Aerosystems and Aircraft Interiors sectors.

Development work financed by customers is generally inseparable from serial production and does not therefore represent a separate performance obligation. Accordingly, customer-financed development work will be recognized within contract liabilities in the balance sheet when the funding is received, and subsequently taken to "serial" revenue in full as and when the related products are delivered.

However, financed development work that represents a separate performance obligation is recognized in revenue upon completion of the performance obligation when control is transferred at a point in time, or on a percentage-of-completion basis (cost-to-cost method) if control is transferred over time.

Extended warranties granted in connection with sales of engines or production equipment represent a separate performance obligation when the warranty is an additional service that is not granted to all customers (unlike a standard warranty). In this case, a portion of the transaction price of the engines or production equipment is allocated to this warranty and recognized within contract liabilities.

The contract liability will be reversed against revenue as and when the warranty costs are incurred.

Revenue recognized for each engine, item of production equipment or spare part is net of any discounts granted in any form whatsoever, including guarantees resembling trade discounts (performance bonds, fuel consumption, etc.) and any products or services granted free of charge which do not represent separate performance obligations.

When products or services granted free of charge are transferred to customers before the revenue recognition date, they are recognized in the balance sheet within contract assets until the date revenue is recognized.

Revenue is recognized when control of each product is transferred, which is usually upon delivery (i.e., at a point in time).

Where there is a risk of the transaction being canceled or the receivable not being recovered at the inception of the contract, no revenue is recognized. When the risk no longer exists, revenue is recorded.

When a contract is onerous, the Group recognizes a loss on delivery commitments (see Note 2.s).

Downpayments from customers are included in contract liabilities when they are received and taken to revenue when the products to which they relate are delivered.

Sales of installed base maintenance and support contracts

Certain maintenance and support contracts require a fleet of engines or various equipment to be kept in flying condition. These contracts are billed based on the number of flight hours or landings for the engines/equipment concerned.

The different services provided under each such contract represent a single performance obligation since the services are related when the contracts are fulfilled.

Revenue is recognized if:

- the stage of contract completion can be measured reliably; and
- the costs incurred in respect of the contract and the costs to complete the contract can be measured reliably.

If control is transferred over time, revenue is recognized on a percentage-of-completion basis (cost-to-cost method).

If contract income cannot be measured reliably, revenue is only recognized to the extent of the contract costs incurred.

Forecast contract margins are reviewed on a regular basis. A provision is set aside for any losses on completion as soon as such losses are foreseeable (see Note 2.s).

Contract modifications do not generally result in the addition of separate goods or services to the original contract. Accordingly, the associated revenue adjustment at that date results in an immediate adjustment to profit or loss ("catch-up method").

Amounts billed to customers for which payment has generally been received but which have not yet been recognized in revenue, are included within contract liabilities (deferred income) at the end of the reporting period. In contrast, revenue which has been recognized but which has not yet been billed is recorded within contract assets in the balance sheet at the reporting date.

Sales of time and materials service contracts

These contracts may cover engines or production equipment and are generally entered into on a short-term basis.

They represent a single performance obligation.

Revenue generated on these contracts is recognized once the repair service has been provided (i.e., at a point in time).

Sales of contracts with multiple elements

Contracts with multiple elements are contracts that include the sale of specific development work as well as the sale of both goods and services.

The Group identifies separate performance obligations for each contract and determines the date on which control is transferred.

In general, for these contracts:

- the specific development work or customization assignments for a given contract and customer do not represent a separate performance obligation since the development and customization are inseparable from serial production. Costs associated with the development and installation are initially recognized in assets within contract costs if they are recoverable, and subsequently expensed over the contract term;

- financing received from the customer for the development work or customization assignment is recognized as revenue as and when the various performance obligations under the contract are satisfied;
- revenue generated on the serial production and service portion of the contract is recognized either on delivery of the goods, or on a percentage-of-completion basis (cost-to-cost method), depending on the nature of the performance obligation.

Sales of studies

These types of contract are found in all of the Group's business sectors. Generally speaking, each study represents a separate performance obligation since control of the development work is transferred to the customer, often through the transfer of intellectual property.

Revenue is recognized on a percentage-of-completion basis (cost-to-cost method) when control is transferred over time, or once the performance obligation has been satisfied if control is transferred at a point in time.

IFRS 15 may result in the recognition in the balance sheet of contract assets and liabilities and of contract costs:

- a contract asset denotes the Group's right to consideration in exchange for goods or services that it has transferred, when that right is conditioned on something other than the passage of time. Contract assets mainly include amounts relating to revenue recognized on a percentage-of-completion basis where Safran does not have the right to immediately bill the customer. A contract asset is written down, where appropriate, using the simplified impairment model set out in IFRS 9 (see Note 2.n);
- a contract liability denotes the Group's obligation to transfer goods or services to a customer for which it has received consideration in cash or in kind.
  Contract liabilities include advances and downpayments received, deferred income and concession liabilities;
- contract costs include costs to fulfill contracts that do not fall within the scope of other standards (IAS 16, IAS 38 and IAS 2 in particular) and costs to obtain contracts paid to third parties (commission, etc.).

h) Current and deferred tax

Tax expense (tax income) is the aggregate of current tax and deferred tax recorded in the income statement.

Current tax expense is the amount of income tax payable for a period, calculated in accordance with the rules established by the relevant tax authorities on the basis of taxable profit for the period. Current tax expense also includes any penalties recognized in respect of tax adjustments recorded in the period. The tax expense is recognized in profit or loss unless it relates to items recognized directly in equity, in which case the tax expense is recognized directly in equity.

Deferred tax assets and liabilities are calculated for each entity on temporary differences arising between the carrying amount of assets and liabilities and their corresponding tax base. The tax base depends on the tax regulations prevailing in the countries where the Group manages its activities. Tax losses and tax credits that can be carried forward are also taken into account.

Deferred tax assets are recognized in the balance sheet if it is likely that they will be recovered in subsequent years. The value of deferred tax assets is reviewed at the end of each annual reporting period.

Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset when tax is levied by the same tax authority and offsetting is permitted by the local tax authorities.

The liability method is applied and the impact of changes in tax rates is recognized in profit or loss for the period in which the corresponding tax law was enacted and the change in tax rate decided, unless the transactions concerned are recognized directly in equity.

Research tax credits in France, or any similar tax arrangements in other jurisdictions, are considered as operating subsidies related to research and development expenditures incurred during the period. Accordingly, they are classified under the heading "Other income" in the income statement, and not as a decrease in income tax expense. The recognition of all or part of research tax credits received in the year as revenue can be deferred over several periods provided the tax credits relate to development expenditures capitalized in the Group's consolidated financial statements.

i) Earnings per share

Basic earnings per share is calculated by dividing attributable profit by the weighted average number of ordinary shares issued and outstanding during the period, less the average number of ordinary shares purchased and held as treasury shares.

Diluted earnings per share is calculated by dividing attributable profit by the weighted average number of shares issued or to be issued at the end of the reporting period, excluding treasury shares and including the impact of all potentially dilutive ordinary shares, particularly those resulting from convertible bonds or an outstanding share buyback program. The dilutive impact of convertible bonds results from the shares that may be created if all bonds issued were to be converted. The dilutive impact of share buyback programs is calculated using the reverse treasury stock method which compares the closing share price with the average share price for the period concerned.

j) Intangible assets

Intangible assets are recognized on the balance sheet at fair value, historical cost or production cost, depending on the method of acquisition. Borrowing costs directly attributable to the acquisition, construction or production of an intangible asset are included in the cost of that asset when a significant period of time is needed to prepare the asset for its intended use or sale (generally more than 12 months). The initial amount recorded on the balance sheet is reduced by accumulated amortization and impairment losses, where appropriate.

Intangible assets acquired in a business combination

These assets are recognized at fair value at the date control was acquired and are amortized on a straight-line basis, as described below:

- intangible assets recognized at the time of the 2005 Sagem-Snecma merger and on the acquisition of Rolls Royce's stake in the RTM322 program and classified under "Aircraft programs" are accounted for by program (the fair value of each recognized aircraft program, covering several types of intangible asset such as technologies, backlogs and customer relations) and are amortized over the residual useful life of the programs, not to exceed 20 years;

- intangible assets acquired as part of a business combination carried out since the Group was established (also including technologies, customer relations and other intangible assets acquired) are amortized over the estimated useful life of each identified intangible asset (1 to 23 years).

Separately acquired intangible assets

Software is recognized at acquisition cost and amortized on a straight-line basis over its useful life (between one and five years).

Patents are capitalized at acquisition cost and amortized over their useful life, i.e., the shorter of the period of legal protection and their economic life.

Contributions paid to third parties in connection with aircraft programs (participation in certification costs, etc.) are considered as acquired intangible assets and are therefore capitalized unless the program proves unprofitable.

Research and development costs

Research and development costs are recognized as expenses in the period in which they are incurred. However, internally financed development expenditures are capitalized if the entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset and the intention and ability (availability of technical, financial and other resources) to complete the intangible asset and use or sell it;
- the probability that future economic benefits will flow from the asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

In the Group's businesses, all criteria for capitalizing development expenditures are met when the decision to launch the development concerned is taken by management and program/project profitability as validated by relevant internal or external sources can be demonstrated. Development expenditures cannot be capitalized before this time.

Capitalization of development expenditures ceases as soon as the product to which the expenditures relate is brought into service or the criteria for capitalization are no longer met.

Capitalized development expenditures are stated at production cost and amortized primarily using the straight-line method as from the initial delivery of the product, over a useful life not exceeding 20 years. Certain capitalized development expenditures are amortized based on production units.

Intangible assets are tested for impairment in accordance with the methods set out in Note 2.m.

k) Property, plant and equipment

Property, plant and equipment are recorded in the balance sheet at historical purchase cost or production cost less accumulated depreciation and impairment losses.

The main useful lives applied to calculate the depreciation schedule are as follows:

Buildings	15-40 years
Technical facilities	5-40 years
Equipment, tooling and other	5-15 years

Borrowing costs directly attributable to the acquisition, construction or production of an item of property, plant and equipment are included in the cost of that item when a significant period of time is needed to prepare the asset for its intended use or sale (generally more than 12 months).

Replacement and major overhaul costs are identified as components of property, plant and equipment. Other repair and maintenance costs are expensed as incurred.

Property, plant and equipment are tested for impairment in accordance with the methods set out in Note 2.m.

l) Leases

All property leases together with the Group's main leases of groups of assets (vehicles, handling equipment, etc.) are accounted for in accordance with IFRS 16.

At the commencement of the lease:

- a lease liability is recognized for the present value of the lease payments to be made over the estimated term of the lease (fixed payments, plus variable lease payments that depend on an index or rate plus amounts expected to be payable by the lessee under residual value guarantees plus the exercise price of a purchase or extension option if the lessee is reasonably certain to exercise that option plus payments of penalties for terminating the lease, unless these are unlikely);
- a right-of-use asset is recognized for the amount of the lease liability, plus the amount of any lease payments made at or before the commencement date, any initial direct costs incurred by the lessee (fees and commission) and an estimate of costs to be incurred in dismantling and removing the asset and/or restoring the site on which it is located or restoring the asset to the condition required by the lease.

A deferred tax asset is recognized based on the amount of the lease liability, while a deferred tax liability is recognized based on the carrying amount of the right-of-use asset.

The term of the lease is determined taking into account contractual provisions and provisions resulting from applicable laws and regulations.

A nine-year term was initially adopted for "3/6/9"-type commercial leases in France following the introduction of IFRS 16. In December 2019, the IFRIC issued an agenda decision stating that the term to be used to measure lease assets and liabilities had to reflect the period during which the lessee is reasonably certain to continue the lease. The Group identified and analyzed its "3/6/9"-type commercial leases in 2020 and, where necessary, adjusted the lease terms in line with the IFRIC decision. The impact was not material for the Group.

After initial recognition of the lease:

- the lease liability is measured at amortized cost using the effective interest rate, which is equal to the discount rate initially applied;
- the right-of-use asset is depreciated on a straight-line basis over the term of the lease or over the useful life of the underlying asset if the purchase option is reasonably certain to be exercised. Where appropriate, an impairment loss may be recognized against the right-of-use asset.

In the event of a change in future lease payments resulting from a change in an index or rate used to determine those payments, the lease liability is remeasured using the initial discount rate.

If the lease term is extended following the exercise of an extension option that was not initially taken into account, the lease liability is remeasured using a revised discount rate as determined at the date the option is exercised.

In such cases, the change in the amount of the lease liability is recognized against a matching change in the amount of the right-of-use asset.

In accordance with the practical expedients offered by the standard, the Group has chosen not to apply IFRS 16 to short-term leases or leases of low-value assets. Payments made under such leases are expensed over the term of the lease.

m) Impairment of non-current assets

Non-current assets, and particularly goodwill acquired in a business combination, are allocated to cash-generating units (CGUs)[1]. Two types of CGUs are defined within the Group:

- CGUs corresponding to programs, projects, or product families associated with specific assets: development expenditures, property, plant and equipment used in production;
- CGUs to which goodwill is allocated, corresponding to the business segments monitored by Group management and relating chiefly to the Group's main subsidiaries.

In the event of a sale or restructuring of the Group's internal operations which affects the composition of one or more of the CGUs to which goodwill has been allocated, the allocations are revised using a method based on relative value. This method takes the proportion represented by the business sold or transferred in the cash flows and terminal value of the original CGU at the date of sale or transfer.

Impairment tests are performed at least once a year (in the second half of the year) on assets with indefinite useful lives or on non-amortizable assets such as goodwill. Impairment tests are also carried out on amortizable/depreciable assets, where the amortization/depreciation period has not yet begun. Impairment testing is carried out whenever there is an indication of impairment irrespective of whether the assets are amortizable/depreciable.

At the end of each reporting period, the Group's entities assess whether there are events or circumstances indicating that an asset may be impaired. Such events or circumstances notably include material adverse changes which in the long term impact the economic environment (commercial prospects, procurement sources, index or cost movements, etc.) or the Group's assumptions or objectives (medium-term business plan, profitability analyses, market share, backlog, regulations, disputes and litigation, etc.).

[1] A CGU is the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

If such events or circumstances exist, the recoverable amount of the asset is estimated. If the carrying amount of the asset exceeds its recoverable amount, the asset is considered as impaired and its carrying amount is reduced to its recoverable amount by recognizing an impairment loss under “Profit from operations”.

Recoverable amount is defined as the higher of an asset’s or group of assets’ fair value less costs to sell and value in use. Value in use is the present value of expected future cash flows, determined using a benchmark discount rate that reflects the Group’s weighted average cost of capital (WACC), plus any risk premium where appropriate. This discount rate is a post-tax rate applied to post-tax cash flows, which gives the same result as that which would have been obtained by applying a pre-tax rate to pre-tax cash flows, as required by IAS 36.

Future cash flows are calculated differently depending on the assets tested:

- (i) assets allocated to programs, projects or product families: expected future cash flows are projected over the life of the development programs or projects, capped at 40 years, and are discounted at the benchmark rate. Certain programs or projects are also subject to a specific risk premium. This long timeframe better reflects the characteristics of the Group’s operating cycles (aircraft and defense), where assets tend to have a long useful life and slow product development;

- (ii) goodwill: expected future cash flows are calculated based on the medium-term business plans established for the next four years and estimated cash flows for years five to ten (or beyond year ten for certain activities with a longer development and production cycle), and are discounted at the benchmark rate. The value in use of the assets is the sum of the present value of these cash flows and the terminal value, calculated based on standardized flows representing long-term activities for years five to ten (or beyond year ten for certain activities), taking into account a perpetual growth rate.

Should a test on a CGU’s assets indicate an impairment loss, the Group first establishes the recoverable amount of the assets considered separately. Any impairment loss is initially allocated to goodwill and then to the assets of the CGU pro rata to their carrying amount.

In the event of an identified loss in value, any impairment loss recognized against goodwill cannot be reversed. For other assets, indications of impairment are analyzed at the end of each subsequent reporting period, and if there are favorable changes in the estimates which led to the recognition of the impairment, the impairment loss is reversed through profit or loss.

n) Equity investments, loans and receivables

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

- these assets by nature do not generate cash flows that are solely payments of principal and interest on the principal amount outstanding at the dates indicated; and
- the Group did not opt to classify these assets at fair value through equity (OCI) not to be reclassified to profit.

The fair value of listed investments corresponds to their market value. The fair value of unlisted investments corresponds to their cost, provided that this approximates their fair value. If this is not the case, an appropriate valuation technique is used.

Loans to non-consolidated companies are classified at amortized cost. They are written down using the general impairment approach set out in IFRS 9, under which any credit losses expected within the following 12 months are taken into account when initially measuring the loans. In the event of a significant subsequent increase in the loan's credit risk, impairment is calculated based on expected losses through to loan maturity (lifetime expected credit losses).

Trade receivables and contract assets are written down using the IFRS 9 simplified impairment approach, as they generally fall due in the short term. This approach involves calculating impairment at an amount equal to lifetime expected credit losses.

Changes in the credit risk associated with these assets are assessed on both an individual and collective basis.

On a collective assessment basis, the allowance for expected credit losses is calculated for amounts owed by all customers, except major customers deemed low risk or the government, for which no allowance is recognized on a collective basis.

This collective assessment is made for each region using an indicator based on the credit ratings of airline companies (i.e., official agency ratings or analyses available), since airlines represent the Group's main credit risk exposure.

On an individual assessment basis, an additional loss allowance is recognized if there has been a significant increase in the credit risk associated with a given customer in any sense whatsoever (payment default at maturity, insolvency proceedings, etc.), such that the amount owed by the customer is likely to be written off.

o) Inventories and work-in-progress

Inventories and work-in-progress are measured at the lower of cost determined using the weighted average cost formula, and net realizable value.

Cost is calculated based on normal production capacity and therefore excludes any idle capacity costs.

Net realizable value represents the estimated selling price less the costs required to complete the asset or make the sale.

Borrowing costs incurred during the production phase are included in the value of inventories when the eligibility conditions are met.

p) Cash and cash equivalents

Cash and cash equivalents include available funds, highly liquid short-term investments (three months or less) and term deposits with exit options exercisable at no penalty within less than three months that are readily convertible into known amounts of cash and subject to an insignificant risk of changes in value.

These assets are recognized at market value (fair value) or amortized cost, as appropriate. Assets carried at amortized cost are written down using the general impairment approach set out in IFRS 9.

Cash equivalents subject to usage restriction (e.g., pledges) are recorded under other financial assets for the duration of the restriction.

q) Treasury shares

All treasury shares held by the Group are deducted from consolidated equity based on their acquisition price, regardless of whether they were repurchased in connection with a liquidity agreement or under a share buyback program initiated by the Group. Gains and losses on the disposal of treasury shares are recorded directly in equity and do not impact profit or loss for the period.

For share buyback programs outstanding at the end of the reporting period, the firm obligation to repurchase shares is recognized in the form of a liability for the acquisition of shares, against a reduction in consolidated reserves. This liability, which is not included in calculations of the Group's net financial position, is cleared as and when the disbursements relating to the share buybacks are made.

r) Share-based payment

The Group grants various share-based payments to its employees, including free shares, long-term variable compensation in the form of performance shares and leveraged or unleveraged savings plans.

In accordance with IFRS 2, "Share-based Payment", these arrangements are measured at fair value, taking into account any lock-up period for shares granted and less the present value of dividends not received by employees during the vesting period. The fair value of equity-settled instruments is determined at the grant date. The fair value of cash-settled instruments is revised up to the date of payment. For plans that are subject to performance conditions, the external conditions are included in the per-share fair value at the grant date and the internal conditions are reflected in the number of instruments.

These employee benefits represent personnel costs and are recognized on a straight-line basis over the vesting period, with an offsetting entry to consolidated reserves for equity-settled plans and to liabilities for cash-settled plans.

s) Provisions

The Group records provisions when it recognizes a present probable or potential (in the event of a business combination) legal or constructive obligation as a result of a past event for which an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of that obligation.

For taxes levied by public authorities, the liability is recognized at the date of the obligating event for each levy, such as that defined by applicable local regulations.

Provisions for losses on completion and losses arising on delivery commitments

A provision for losses on completion is recognized for contracts managed on a percentage-of-completion basis, and a provision for losses arising on delivery commitments is recognized for sales contracts, when:

- a contract (or combination of contracts), signed before the end of the reporting period, gives rise to obligations for the Group in the form of the delivery of goods, the provision of services or the payment of termination indemnities;
- the Group's obligation and the expected economic benefits can be measured reliably;
- it is highly probable that the contract (or combination of contracts) will be onerous (the unavoidable costs of meeting the obligations under the contract [or combination of contracts] exceed the expected economic benefits).

Unavoidable costs for which a provision is recognized represent the lower of the net cost of executing the contract (i.e., the forecast loss on the contract) and the cost of failing to execute the contract (e.g., withdrawal costs in the event of early termination).

In the case of original equipment sales contracts, the expected economic benefits correspond to the contract cash flows associated with the highly probable cash flows from the spare part activities provided under the contracts.

The cash flows used in this analysis are discounted to take into account their spread over time.

Under onerous contracts, losses arising on delivery commitments are recognized primarily as a deduction from inventories and work-in-progress (for the completed portion of the contract and directly related to the contract or combination of contracts), and shown in provisions for work to be completed.

Provisions for financial guarantees on sales

As part of its civil engine sales campaigns, the Group grants two types of guarantees to its customers:

- financial guarantees, under which the Group provides a guarantee to the lending institutions that finance its customer;
- guarantees covering the value of assets, under which the Group grants the customer an option to return the aircraft at a given date for an agreed price.

These commitments are undertaken by the Group together with its partner General Electric, and form part of financing packages proposed by aircraft manufacturers to airline companies. They generally correspond to the share represented by Group engines in the financing of the aircraft.

Financial commitments are generally granted on signature of the sales agreement, but do not actually take effect until the customer so requests.

These guarantees generate risks. However, the total gross amount of the guarantees does not reflect the net risk to which the Group is exposed, as the commitments are counter-guaranteed by the value of the underlying assets, i.e., the aircraft pledged.

A provision is recognized in respect of these guarantees, reflecting events likely to generate a future outflow of resources for the Group.

Provisions for standard and operating warranties

These provisions are recorded to cover the Group's share of probable future disbursements under standard and operating warranties. They are calculated as appropriate based on technical files or statistics, particularly with respect to the return of parts under warranty and the estimated cost of repairs.

Provisions for restructuring costs

These 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.

t) Post-employment benefits

In compliance with the laws and practices of each country in which it operates, the Group grants its employees post-employment benefits (pensions, termination payments, early retirement plans, etc.) as well as other long-term benefits including long-service awards, jubilee benefits and loyalty premiums.

For its basic plans and other defined contribution plans, the contribution paid in the period is recognized in expenses when due. No provision is recorded.

Provisions recognized for obligations under defined benefit plans are measured using the projected unit credit method. This determines, for each employee, the present value of the benefits to which the employee's current and past services will grant entitlement on retirement. The actuarial calculations include demographic (retirement date, employee turnover rate, etc.) and financial (discount rate, salary increase rate, etc.) assumptions, and are performed at the end of each reporting period for which accounts are published.

When plans are funded, the plan assets are placed with entities that are responsible for paying the benefits in the countries concerned. These assets are measured at fair value. Provisions are recorded to cover shortfalls in the fair value of plan assets compared with the present value of the Group's obligations.

An asset surplus is only recognized in the balance sheet when it represents future economic benefits effectively available to the Group.

In accordance with the revised IAS 19, changes in actuarial gains and losses arising on defined benefit plans are recognized in "Other comprehensive income" within equity and not subsequently reclassified to profit.

The Group distinguishes between operating components and financial components when presenting defined benefit expense:

- service cost for the period is shown in profit from operations, along with past service costs arising on the introduction of a new plan or curtailments or settlements of an existing plan, which are recognized immediately in this caption;
- the cost relating to unwinding the discount on the net pension liability (asset) is shown in financial income (loss).

u) Borrowings subject to specific conditions

The Group receives public financing in the form of repayable advances to develop aircraft and defense projects. These advances are repaid based on the revenue generated by future sales of engines or equipment.

Repayable advances are treated as sources of financing and are recognized in liabilities in the consolidated balance sheet under the heading "Borrowings subject to specific conditions".

At inception, they are measured at the amount of cash received or, when acquired, at the value of probable future cash flows discounted at market terms at the acquisition date. They are subsequently measured at amortized cost at the end of each reporting period, taking into account the most recent repayment estimations.

The present value of estimated repayments, based on management's best estimates, is regularly compared with the net carrying amount of repayable advances, defined as the sum of amounts received, plus any interest capitalized at the end of the reporting period, less repayments made. If as a result of this analysis the present value of estimated repayments is durably more or less than the carrying amount of the repayable advances over three consecutive years, that unrecognized portion of the present value of the advance which is higher or lower than the carrying amount is taken to profit or loss.

For certain contracts, the Group has to pay a fee based on replacement sales realized under the program once the advance has been fully repaid. This fee is not considered as repayment of an advance but as an operating expense.

v) Interest-bearing financial liabilities

On initial recognition, interest-bearing financial liabilities are measured at the fair value of the amount received, less any directly attributable transaction costs. Besides the specific conditions applicable to hedge accounting (see Note 2.w), interest-bearing financial liabilities are subsequently carried at amortized cost using the effective interest rate method.

w) Derivatives and hedge accounting

The Group uses derivative instruments to hedge potential risks arising from its operating and financial activities. These instruments are primarily used to hedge its exposure to the risk of fluctuations in exchange rates, and more marginally, to risks of changes in interest rates. The derivatives used can include forward currency contracts and currency options or interest rate swaps. The Group's market risk management policy is described in Note 31, "Management of market risks and derivatives".

Most derivatives are traded over-the-counter and no quoted prices are available. Consequently, they are measured using models commonly used by market participants to price such instruments (discounted cash flow method or option pricing models). Counterparty risk and proprietary credit risk are taken into account when measuring derivatives.

For a derivative or non-derivative hedging instrument to be eligible for hedge accounting, the hedging relationship must be formally designated and documented at inception and its effectiveness must be demonstrated throughout the life of the instrument using documented effectiveness tests.

The accounting principles applicable to foreign currency derivatives used to hedge foreign exchange risk are set out in Note 2.f.

Up to the end of first-quarter 2019, the Group had in place a net investment hedge for some of its US operations using USD debt. Changes in the fair value of the debt attributable to the hedged foreign exchange risk are recognized within other comprehensive income for the effective portion of the hedge. Changes in fair value attributable to the ineffective portion of the hedge are taken to profit or loss. Amounts carried in equity are taken to profit or loss when the hedged investment is sold or unwound. The interest rate component of the hedging instrument is shown in "Financial income (loss)".

Certain derivatives used to hedge interest rate risk on fixed-rate financial assets and liabilities may be designated as hedging instruments in a fair value hedging relationship. In this case, the borrowings hedged by the interest rate derivatives (mainly interest rate swaps) are adjusted to reflect the change in fair value attributable to the hedged risk. Changes in the fair value of hedged items are taken to profit or loss for the period and offset by symmetrical changes in the fair value of the interest rate swaps (effective portion).

x) Sale of receivables

The Group sells some of its trade receivables to financial institutions, generally within the scope of confirmed factoring facilities. The related assets may only be removed from the balance sheet if the rights to the future cash flows from the receivables are transferred, along with substantially all of the associated risks and rewards (payment default, late-payment risk, etc.).

y) Structure of the consolidated balance sheet

The Group is engaged in a variety of activities, most of which have long operating cycles. Consequently, assets and liabilities generally realized or unwound within the scope of the operating cycle (inventories and work-in-progress, receivables, advances and downpayments received from customers, trade and other payables, and foreign currency derivatives, etc.) are presented with no separation between current and non-current portions. However, other financial assets and liabilities as well as provisions are considered as current if they mature within 12 months of the end of the reporting period. All other financial assets, liabilities and provisions are considered non-current.

z) Recurring operating income

To make the Group's operating performance more transparent, it includes an intermediate operating indicator known as "Recurring operating income" in its reporting.

This sub-total includes the share of profit from joint ventures accounted for under the equity method, since all joint ventures are involved in businesses directly related to the Group's core activities.

This sub-total excludes income and expenses which are largely unpredictable because of their unusual, infrequent and/or material nature, such as:

- impairment losses recognized against goodwill, impairment losses or reversals of impairment losses recognized against intangible assets relating to programs, projects or product families as a result of an event that substantially alters the economic profitability of such programs, projects or product families (e.g., significant decrease in forecast volumes, difficulties encountered during the development phase, renegotiated sales agreements, changes in the production process, etc.), including for equity-accounted companies;
- capital gains and losses on disposals of operations;
- gains on remeasuring any previously held equity interests in the event of step acquisitions or transfers made to joint ventures;
- other unusual and/or material items not directly related to the Group's ordinary operations, in particular restructuring costs.

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, and take into account the impacts of the health crisis identified to date.

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.

The Group's volume assumptions are prepared internally for each market in which Group companies are present (e.g., commercial, business and military aviation; helicopters, etc.). For short-term estimates, these assumptions are based on available inputs (programs, orders, etc.), while external inputs (publications, airframer press releases, IATA announcements, market surveys, etc.) are used for estimates covering the medium to long term. The assumptions are regularly revised, particularly those used for short-term estimates, in order to reflect the latest developments in the Group's programs, and all assumptions used for medium- to long-term forecasts are validated by management at least once a year.

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 Note 2.m. 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 Note 2.j. 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.

Provisions for restructuring costs represent the best estimate of the costs at the end of the reporting period.

Contractual provisions relating to performance warranties given by the Group take into account factors such as the frequency and estimated cost of repairs. 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 except major customers deemed low risk and the government.

The specific nature of any receivables from 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 35, "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 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 8 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 3).

Data for each business segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see Note 2, "Accounting policies"), 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 net disbursements relating to acquisitions of property, plant and equipment and intangible assets.

Gross operating working capital represents the gross balance of trade receivables, inventories and trade payables.

Segment assets represent the sum of goodwill, intangible assets, property, plant and equipment, right-of-use assets, investments in equity-accounted joint ventures and all current assets except cash and cash equivalents and tax assets.

Non-current assets comprise goodwill, property, plant and equipment, intangible assets, right-of-use assets and investments in equity-accounted associates and joint ventures.

Quantified segment information for 2019 and 2020 is presented on pages 8 to 10.

Note 6 - Revenue

The Covid-19 crisis severely disrupted the Group's original equipment and services activities. However, business has improved since the low-point in the second half of the year.

Breakdown of revenue by business

2020

(in € millions)	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Holding company and other	Total
Description of products/services					
Sales of original equipment and other equipment	2,893	4,482	1,411	-	**8,786**
Services	4,723	2,126	478	-	**7,327**
Sales of studies	86	238	22	13	**359**
Other	52	87	13	7	**159**
Total revenue	**7,754**	**6,933**	**1,924**	**20**	**16,631**
Timing of revenue recognition					
At a point in time	6,162	6,127	1,905	16	**14,210**
Over time	1,592	806	19	4	**2,421**
Total revenue	**7,754**	**6,933**	**1,924**	**20**	**16,631**

2019

(in € millions)	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Holding company and other	Total
Description of products/services					
Sales of original equipment and other equipment	5,218	5,934	2,360	-	13,512
Services	7,033	3,042	898	-	10,973
Sales of studies	67	265	63	11	406
Other	52	137	11	7	207
Total revenue	**12,370**	**9,378**	**3,332**	**18**	**25,098**
Timing of revenue recognition					
At a point in time	10,552	8,424	3,266	16	22,258
Over time	1,818	954	66	2	2,840
Total revenue	**12,370**	**9,378**	**3,332**	**18**	**25,098**

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.

REMAINING PERFORMANCE OBLIGATIONS

(in € millions)	**One year or less**	**More than one year**	**Total**
Remaining performance obligations at December 31, 2019	13,531	31,937	45,468
Remaining performance obligations at December 31, 2020	9,180	37,859	47,039

These performance obligations relate to firm quantities/products/services still to be delivered and/or performed under contracts in force at the end of the reporting period.

The crisis hit OE volumes across all businesses, as well as spare parts activities for the Aircraft Equipment, Aerosystems and Aircraft Interiors segments. New service contracts more than offset this downturn, with outstanding performance obligations up by €1,572 million at end-2020.

Note 7 - Breakdown of the other main components of profit from operations

OTHER INCOME

(in € millions)	**2019**	**2020**
Research tax credit(1)	166	149
Other operating subsidies	100	81
Other operating income	31	37
Total	**297**	**267**

(1) Including €6 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)	2019	2020
Raw materials, supplies and other	(6,100)	(3,483)
Bought-in goods	(46)	(18)
Changes in inventories	137	(149)
Contract costs	(12)	17
Sub-contracting	(5,153)	(2,693)
Purchases not held in inventory	(595)	(399)
External service expenses	(2,679)	(1,725)
Total	**(14,448)**	**(8,450)**

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

The fall in external services and sub-contracting is attributable to the reduction in temporary staff.

PERSONNEL COSTS

(in € millions)	2019	2020
Wages and salaries	(4,045)	(3,375)
Social security contributions	(1,551)	(1,320)
Statutory employee profit-sharing	(218)	(103)
Optional employee profit-sharing	(178)	(15)
Additional contributions	(87)	(33)
Corporate social contribution	(86)	(28)
Other employee costs	(184)	(154)
Total	**(6,349)**	**(5,028)**

The average number of permanent employees, excluding jointly controlled entities, was 86,785 in 2020 versus 94,465 in 2019.

The decrease in personnel costs results from the measures put in place by the Group in response to the health crisis, including:

- furlough and short-time working schemes;
- government grants relating to the various furlough and short-time working schemes recognized as a deduction from personnel costs in an amount of €246 million;
- workforce adjustment plans;
- the impact of the Group “Activity Transformation” agreement on employee distributions in France.

DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE

(in € millions)	2019	2020
Net depreciation and amortization expense		
- intangible assets	(736)	(732)
- property, plant and equipment	(615)	(604)
- right-of-use assets	(112)	(111)
Total net depreciation and amortization expense[(1)]	**(1,463)**	**(1,447)**
Net increase in provisions	**(137)**	**235**
Depreciation, amortization and increase in provisions, net of use	**(1,600)**	**(1,212)**

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem-Snecma merger: €46 million in 2020 and €51 million in 2019; during the acquisition of the former Zodiac Aerospace: €304 million in 2020 and €315 million in 2019; and during other acquisitions: €36 million in 2020 and €39 million in 2019.

ASSET IMPAIRMENT

	Impairment expense		Reversals	
(in € millions)	2019	2020	2019	2020
Intangible assets, property, plant and equipment, and right-of-use assets	(40)	(73)	9	4
Financial assets	(10)	(5)	5	1
Contract costs	(1)	(2)	10	5
Inventories and work-in-progress	(584)	(492)	664	497
Receivables	(49)	(107)	53	24
Contract assets	-	(10)	-	9
Total	**(684)**	**(689)**	**741**	**540**

Allowances recognized against receivables essentially relate to expected and identified credit losses on amounts owed by airline companies due to the health crisis.

OTHER RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2019	2020
Capital gains and losses on asset disposals	(15)	(7)
Royalties, patents and licenses	(24)	(30)
Cost of financial guarantees	(7)	-
Losses on irrecoverable receivables	(22)	(8)
Other operating income and expenses[(1)]	170	193
Total	**102**	**148**

(1) Of which income of €74 million in 2019 and €87 million in 2020 relating to the revised repayment probability for borrowings subject to specific conditions (see Note 26, "Borrowings subject to specific conditions").

OTHER NON-RECURRING OPERATING INCOME AND EXPENSES

(in € millions)	2019	2020
Capital gains on asset disposals	12	-
Asset impairment net of reversals	(11)	(286)
Other non-recurring items	12	(180)
Total	**13**	**(466)**

In 2020, €286 million in write-downs taken in respect of intangible assets can be analyzed as follows:

- €67 million relating to an aircraft program in the Propulsion segment;
- €159 million relating to aircraft programs in the Aircraft Equipment segment;
- €8 million relating to aircraft programs in the Aircraft Interiors segment;
- €52 million (net of tax) relating to the intangible assets of two equity-accounted companies.

Other non-recurring items, representing an expense of €180 million, relate mainly to restructuring costs totaling €182 million, including €131 million relating to adaptation plans and €51 million in costs relating to the Group "Activity Transformation" agreement (primarily resulting from increases in retirement termination benefits and external mobility grants).

In 2019, the Group wrote down the value of an intangible asset relating to a discontinued program recognized in non-recurring income and expenses for €11 million.

Other non-recurring items included transaction, integration and restructuring costs totaling €25 million and capital gains on the disposal of property for €37 million.

Note 8 - *Financial income (loss)*

(in € millions)	2019	2020
Financial expense on interest-bearing financial liabilities	(81)	(80)
Financial income on cash and cash equivalents	48	22
Cost of net debt	**(33)**	**(58)**
Gain (loss) on foreign currency hedging instruments	175	(216)
Foreign exchange gain (loss)	(445)	(125)
Net foreign exchange gain (loss) on provisions	(13)	84
Foreign exchange gain (loss)	**(283)**	**(257)**
Gain (loss) on interest rate hedging instruments	2	-
Capital gain (loss) on financial asset disposals	6	(1)
Change in the fair value of assets at fair value through profit or loss	(1)	(12)
Impairment of loans and other financial receivables	(5)	-
Dividends received	3	2
Other financial provisions	1	-
Interest component of IAS 19 expense	(13)	(7)
Impact of unwinding the discount	(39)	(28)
Other	(1)	4
Other financial income and expense	**(47)**	**(42)**
Financial income (loss)	**(363)**	**(357)**
of which financial expense	(598)	(469)
of which financial income	235	112

In 2020, the €216 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 €125 million foreign exchange loss includes:

- a €134 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 gain of €9 million primarily attributable to the remeasurement of monetary items at the closing exchange rate.

Net foreign exchange gains amounting to €84 million on provisions carried in USD were recorded in the Propulsion segment and result from the impact of fluctuations in the EUR/USD exchange rate between the start of the year (USD 1.12 to €1 at December 31, 2019) and the end of the year (USD 1.23 to €1 at December 31, 2020) on the opening amount of the provision.

Note 9 - Income tax

INCOME TAX EXPENSE

Income tax expense breaks down as follows:

(in € millions)	2019	2020
Current income tax benefit (expense)	(1,095)	(278)
Deferred tax benefit (expense)	133	94
Total tax benefit (expense)	**(962)**	**(184)**

EFFECTIVE TAX RATE

The effective tax rate breaks down as follows:

(in € millions)		2019	2020
Profit before tax	**(a)**	3,474	570
Standard tax rate applicable to the parent company		34.43%	32.02%
Tax expense at standard rate		**(1,196)**	**(183)**
Impact of permanent differences		34	17
Impact of research tax credits		58	54
Impact of different tax rates (France/international)		94	3
Impact of unrecognized tax		8	(4)
Impact of changes in tax rates on deferred taxes		(29)	(62)
Impact of joint ventures		57	(1)
Impact of other items		12	(8)
Current income tax expense recognized in profit or loss	**(b)**	**(962)**	**(184)**
Effective tax rate	**(b)/(a) in %**	27.69%	32.28%

The 2020 Finance Act provides for a corporate income tax rate of 32.02% for 2020, 28.41% for 2021 and 25.83% for 2022 (including the additional contribution). Deferred tax assets and liabilities have therefore been calculated on this basis.

Changes in deferred tax rates in 2020 (negative €62 million impact) primarily reflect revised income tax rate assumptions for France.

Tax credits represent €59 million (of which €54 million in research tax credits) and reduce the effective tax rate.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets (liabilities) in the balance sheet

(in € millions)	Assets	Liabilities	Net
Net deferred tax assets (liabilities) at December 31, 2019	**251**	**1,340**	**(1,089)**
Deferred taxes recognized in profit or loss	35	(59)	94
Deferred taxes recognized directly in equity	-	(39)	39
Reclassifications	30	30	-
Foreign exchange differences	(12)	1	(13)
Changes in scope of consolidation	12	12	-
Net deferred tax assets (liabilities) at December 31, 2020	**316**	**1,285**	**(969)**

Deferred tax asset bases

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Deferred tax asset bases		
Property, plant and equipment and intangible assets	(8,949)	(8,520)
Inventories	606	434
Current assets/liabilities	2,241	2,056
Financial assets/liabilities	163	347
Provisions	1,588	1,504
Tax adjustments	(705)	(739)
Losses carried forward and tax credits	882	1,269
Total deferred tax asset bases	**(4,174)**	**(3,649)**
Total gross deferred tax balance (a)	**(1,040)**	**(941)**
Total unrecognized deferred tax assets (b)	**49**	**28**
Total net deferred taxes recognized (a)-(b)	**(1,089)**	**(969)**

CURRENT TAX ASSETS AND LIABILITIES

Current tax assets and liabilities break down as follows:

(in € millions)	Assets	Liabilities	Net
Net tax assets (liabilities) at December 31, 2019	**458**	**111**	**347**
Movements during the period	28	13	15
Current taxes recognized directly in equity	-	(3)	3
Changes in scope of consolidation	(2)	1	(3)
Foreign exchange differences	(8)	(6)	(2)
Other movements	5	2	3
Net tax assets (liabilities) at December 31, 2020	**481**	**118**	**363**

Note 10 - Earnings per share

	Index	2019	2020
Numerator (in € millions)			
Profit for the period attributable to owners of the parent	(a)	2,447	352
Denominator (in shares)			
Total number of shares	(b)	427,234,155	427,235,939
Number of treasury shares held	(c)	2,550,082	319,284
Number of shares excluding treasury shares	(d)=(b-c)	424,684,073	426,916,655
Weighted average number of shares (excluding treasury shares)	(d')	429,723,372	426,035,732
Potentially dilutive ordinary shares	(e)	5,253,361	14,424,763
Weighted average number of shares after dilution	(f)=(d'+e)	434,976,733	440,460,495
Ratio: earnings per share (in €)			
Basic earnings per share	(g)=(a*1million)/(d')	5.69	0.83
Diluted earnings per share	(h)=(a*1million)/(f)	5.63	0.80

At December 31, 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, OCEANE 2020-2027 and the tap issue of OCEANE 2020-2027: see Note 23.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	Dec. 31, 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	-	-	-	(4)	344
Safran Nacelles	213	-	-	-	-	213
Safran Engineering Services	76	-	-	-	-	76
Safran Electrical & Power	701	-	-	-	(20)	681
Safran Landing Systems	190	-	-	-	-	190
Safran Aerosystems	798	-	-	-	-	798
Safran Seats	765	-	-	-	(1)	764
Safran Cabin	805	-	-	-	(69)	736
Safran Passenger Solutions	556	-	-	-	(46)	510
Total	**5,199**	**1**	**-**	**-**	**(140)**	**5,060**

Impairment tests:

Given the scale of the downturn in activity and its repercussions for the aerospace industry, which themselves are an indication of impairment risk, the Group reviewed all of its cash-generating units (CGUs) in the first half of 2020, especially the Safran Seats and Safran Cabin CGUs whose activities were particularly affected by the decline in air traffic and the change in airlines' financial situation.

In the second half of the year, the Group carried out its annual impairment tests on all of its CGUs, based on the data in the medium-term business plan as updated and validated by management. The tests were carried out by comparing the CGUs' value in use with their net carrying amount at December 31, 2020.

The main assumptions used in determining the value in use of CGUs are described below:

- Expected future cash flows are determined over a period consistent with the useful life of the assets in each CGU. This is generally estimated at 10 years but may be extended for businesses with longer development and production cycles.

- Operating projections 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.

  These projections and assumptions are based on the Group's medium-term business plan for the next four years, as updated in the second half of 2020, while the projections and assumptions beyond this period are based on the best estimate (prepared by management and validated by the Board of Directors) of the long-term scenario.

  They take into account orders and delivery schedules, airframers' production rates, IATA forecasts and any other available information.

  In light of the significant prevailing uncertainties, the projections and assumptions used factor in the following scenarios:
  - a recovery in air traffic, mainly in domestic and regional markets, and only later in international travel, resulting in a deeper impact on the long-haul segment;
  - a return to pre-crisis cash flow levels by 2024 at the latest, thanks to the adaptation measures put in place.

- The value in use of CGUs 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 of available forecasts.

- The growth rate used to calculate terminal value was set at 2% for all CGUs.

- The average USD exchange rate adopted is 1.16 for years 2021 to 2024 and 1.30 thereafter. These exchange rate assumptions were used for forecasting during the second half of the year, and take into account the available foreign currency hedging portfolio (see Note 31, "Management of market risks and derivatives").

- The benchmark post-tax discount rate used is 7.5% (unchanged from 2019 but for which the components have been updated) and is applied to post-tax cash flows.

Based on these tests, the recoverable amount of each CGU wholly justifies the goodwill balances recorded in Group assets.

No impairment of goodwill was recognized as a result of the annual impairment tests in 2019, or the tests performed in the first half of 2020.

The Group tested the sensitivity of its main goodwill balances 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.

The above changes in the main assumptions taken individually do not result in values in use lower than the carrying amounts of goodwill balances.

In light of the significant prevailing uncertainties as to the recovery in air traffic, additional sensitivity analyses were performed on the CGUs with the greatest exposure, where the carrying amount of their assets is close to the recoverable amount, namely, Seats, Cabin and Aerosystems.

A one-year delay in the return to pre-crisis cash flow levels, i.e., in 2025 at the latest, would not result in the recognition of impairment against these CGUs.

Sensitivity to changes in future cash flow assumptions for the CGUs were also tested, namely:

- An across-the-board decrease of 10% in future cash flows as from 2021:

Based on these tests, the recoverable amount of each CGU wholly justifies the goodwill balances recorded in Group assets. The recoverable amount of the Seats CGU is in line with the carrying amount of the CGU's assets.

- An across-the-board decrease of 20% in future cash flows as from 2021:

The change in this assumption would lead to the recognition of impairment totaling €260 million against the value of the Seats and Aerosystems CGUs.

Note 12 - Intangible assets

Intangible assets break down as follows:

	Dec. 31, 2019			Dec. 31, 2020		
(in € millions)	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs	2,334	(1,633)	701	2,334	(1,777)	557
Development expenditures	6,292	(2,215)	4,077	6,510	(2,631)	3,879
Commercial agreements	784	(151)	633	791	(179)	612
Software	684	(599)	85	720	(644)	76
Trademarks(1)	703	-	703	703	-	703
Commercial relationships	1,953	(362)	1,591	1,889	(479)	1,410
Technology	1,387	(318)	1,069	1,341	(461)	880
Other	836	(216)	620	833	(274)	559
Total	**14,973**	**(5,494)**	**9,479**	**15,121**	**(6,445)**	**8,676**

(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
At December 31, 2019	**14,973**	**(5,494)**	**9,479**
Capitalization of R&D expenditure(1)	287	-	287
Capitalization of other intangible assets	13	-	13
Acquisitions of other intangible assets	48	-	48
Disposals and retirements	(9)	8	(1)
Amortization	-	(732)	(732)
Impairment losses recognized in profit or loss	-	(302)	(302)
Reclassifications	(1)	11	10
Foreign exchange differences	(190)	64	(126)
At December 31, 2020	**15,121**	**(6,445)**	**8,676**

(1) Including €8 million in capitalized interest on R&D expenditure at December 31, 2020 (€8 million at December 31, 2019).

Research and development expenditures recognized in recurring operating income for the period totaled €905 million including amortization (€1,282 million in 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 €277 million relating to the remeasurement of intangible assets within the scope of the acquisition of the former Zodiac Aerospace, €46 million relating to the remeasurement of aircraft programs in connection with the Sagem-Snecma merger, and €36 million relating to assets identified as part of other business combinations.

The impairment tests carried out at December 31, 2020 on assets allocated to programs, projects or product families were based on the approach described in Note 2.m, "Impairment of non-current assets", which uses assumptions taken from the medium-term business plan as updated and validated by management.

A 7.5% discount rate was applied to the projected cash flows, plus a risk premium depending on the programs tested.

As a result of the impairment tests carried out at December 31, 2020, intangible assets relating to various aircraft programs were written down by €302 million, of which €234 million was charged against non-recurring operating income.

As a result of the impairment tests carried out at December 31, 2019, intangible assets relating to two programs in the Aircraft Equipment and Aerosystems segment were written down by €41 million (see Note 7, "Breakdown of the other main components of profit from operations").

Note 13 - Property, plant and equipment

Property, plant and equipment break down as follows:

(in € millions)	Dec. 31, 2019 Gross	Dec. 31, 2019 Depreciation/ impairment	Dec. 31, 2019 Net	Dec. 31, 2020 Gross	Dec. 31, 2020 Depreciation/ impairment	Dec. 31, 2020 Net
Land	231	-	231	226	-	226
Buildings	2,028	(936)	1,092	2,048	(1,015)	1,033
Technical facilities, equipment and tooling	6,231	(4,003)	2,228	6,347	(4,268)	2,079
Assets in progress, advances	656	(57)	599	551	(62)	489
Site development and preparation costs	63	(34)	29	69	(36)	33
Buildings on land owned by third parties	70	(37)	33	80	(42)	38
Computer hardware and other equipment	655	(469)	186	685	(528)	157
Total	**9,934**	**(5,536)**	**4,398**	**10,006**	**(5,951)**	**4,055**

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

(in € millions)	**Gross**	**Depreciation/ impairment**	**Net**
At December 31, 2019	**9,934**	**(5,536)**	**4,398**
Internally produced assets	38	-	38
Additions	383	-	383
Disposals and retirements	(151)	116	(35)
Depreciation(1)	-	(604)	(604)
Impairment losses recognized in profit or loss	-	(10)	(10)
Reclassifications	1	(18)	(17)
Changes in scope of consolidation	8	(3)	5
Foreign exchange differences	(207)	104	(103)
At December 31, 2020	**10,006**	**(5,951)**	**4,055**

(1) Including €27 million relating to the remeasurement of property, plant and equipment as part of the acquisition of the former Zodiac Aerospace.

Note 14 - Leases

14.a. Right-of-use assets

Right-of-use assets break down as follows:

(in € millions)	Dec. 31, 2019 Gross	Dec. 31, 2019 Depreciation/ impairment	Dec. 31, 2019 Net	Dec. 31, 2020 Gross	Dec. 31, 2020 Depreciation/ impairment	Dec. 31, 2020 Net
Right-of-use assets relating to property	817	(105)	712	781	(175)	606
Right-of-use assets relating to transport equipment	6	(2)	4	7	(4)	3
Right-of-use assets relating to other assets	18	(2)	16	20	(6)	14
Total	**841**	**(109)**	**732**	**808**	**(185)**	**623**

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

(in € millions)	Gross	Depreciation/ impairment	Net
At December 31, 2019	**841**	**(109)**	**732**
Increases	51	-	51
Disposals and retirements	(50)	27	(23)
Depreciation	-	(111)	(111)
Impairment losses recognized in profit or loss	-	1	1
Foreign exchange differences	(34)	7	(27)
At December 31, 2020	**808**	**(185)**	**623**

14.b. LEASE LIABILITIES

The maturity of lease liabilities can be analyzed as follows at December 31, 2020:

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Maturing in:		
1 year or less	121	114
More than 1 year and less than 5 years	390	329
Beyond 5 years	218	165
Total	**729**	**608**

14.c. LEASE ITEMS PRESENTED IN THE INCOME STATEMENT

In 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 €68 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 €8 million in 2020 (see Note 8, “Financial income (loss)”).

14.d. LEASE ITEMS PRESENTED IN THE CASH FLOW STATEMENT

In 2020, disbursements under leases recognized in the cash flow statement and relating to the repayment of lease liabilities represented €129 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 Gross	Dec. 31, 2019 Impairment	Dec. 31, 2019 Net	Dec. 31, 2020 Gross	Dec. 31, 2020 Impairment	Dec. 31, 2020 Net
Non-consolidated investments			284			268
Other financial assets	397	(109)	288	407	(118)	289
Total			**572**			**557**

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 write-downs were recognized in 2020.

OTHER FINANCIAL ASSETS

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Loans to non-consolidated companies	150	141
Loans to employees	35	37
Deposits and guarantees	16	14
Other	87	97
Total	**288**	**289**
Non-current	**145**	**163**
Current	**143**	**126**

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

The table below shows movements in other financial assets:

(in € millions)	
At December 31, 2019	**288**
Increase	17
Decrease	(31)
Impairment (reversals/additions)	(2)
Effect of changes in foreign exchange rates	(5)
Reclassifications	24
Changes in scope of consolidation	(2)
At December 31, 2020	**289**

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	Dec. 31, 2020
Associates	-	-
ArianeGroup	1,559	1,481
Other joint ventures	652	645
Total	**2,211**	**2,126**

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

(in € millions)	
At December 31, 2019	**2,211**
Share in profit (loss) from ArianeGroup	(33)
Share in profit from other joint ventures	81
Joint venture impairment losses	(52)
Dividends received from joint ventures	(18)
Foreign exchange differences	(71)
Other movements	8
At December 31, 2020	**2,126**

The Group's off-balance sheet commitments with joint ventures are described in Note 33, "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;
- Fadec 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	Dec. 31, 2020
Non-current assets	1,763	1,667
Current assets	6,610	6,260
of which: cash and cash equivalents	828	642
Non-current liabilities	(1,067)	(1,152)
of which: non-current financial liabilities	(517)	(483)
Current liabilities	(7,601)	(7,075)
of which: current financial liabilities	(57)	(53)
Non-controlling interests	(4)	-
Net assets of ArianeGroup (excl. goodwill and PPA) – Attributable to owners of the parent (based on a 100% interest)	**(299)**	**(300)**
Equity share in net assets of ArianeGroup (excl. goodwill and PPA) (based on a 50% interest)	(150)	(150)
Purchase price allocation, net of deferred taxes	532	455
Safran equity share – Net assets of ArianeGroup	**383**	**305**
Goodwill	**1,176**	**1,176**
Carrying amount of investment in ArianeGroup	**1,559**	**1,481**

(in € millions)	2019	2020
Profit for the period attributable to owners of the parent	**138**	**4**
Other comprehensive income (expense)	(74)	(16)
Total comprehensive income (expense) attributable to owners of the parent	**64**	**(12)**
Safran equity share – Profit for the period	69	2
Amortization of purchase price allocation, net of deferred taxes	(40)	(35)
Safran equity share – Profit (loss) of ArianeGroup	**29**	**(33)**
Impairment losses	-	(42)
Safran equity share – Other comprehensive income (expense)	(37)	(8)
Safran equity share – Comprehensive income (expense) of ArianeGroup	**(8)**	**(83)**

ArianeGroup did not pay any dividends in 2020.

No impairment was recognized in 2020 against the value of equity-accounted investments following the impairment test performed by the Group. Projected cash flows were discounted at a rate of 7.5%.

The Group analyzed the sensitivity of its investments to a 0.5% increase in the benchmark discount rate used (i.e., a rate of 8%). Based on this test, the recoverable amount of the equity-accounted investments remains just above the carrying amount shown in the Group's consolidated financial statements.

An impairment test was carried out on assets allocated to programs. Projected cash flows were discounted at a rate of 7.5%. A net write-down of €42 million was recognized and charged against non-recurring operating income.

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

(in € millions)	2019	2020
Profit for the period	135	81
Impairment losses	-	(10)
Other comprehensive income (expense)	7	(50)
Total comprehensive income	**142**	**21**

Note 17 - Inventories and work-in-progress

Inventories and work-in-progress break down as follows:

	Dec. 31, 2019	Dec. 31, 2020
(in € millions)	Net	Net
Raw materials and supplies	1,432	1,276
Finished goods	2,970	2,556
Work-in-progress	1,839	1,344
Bought-in goods	71	14
Total	**6,312**	**5,190**

Movements in inventories and work-in-progress can be analyzed as follows:

(in € millions)	Gross	Impairment	Net
At December 31, 2019	**7,252**	**(940)**	**6,312**
Movements during the period	(1,016)	-	(1,016)
Net impairment expense	-	2	2
Reclassifications	(11)	9	(2)
Changes in scope of consolidation	9	-	9
Foreign exchange differences	(130)	15	(115)
At December 31, 2020	**6,104**	**(914)**	**5,190**

The decrease in inventories reflects the downturn in business related to the Covid-19 crisis.

Note 18 - Contract costs

Changes in assets recognized in respect of costs incurred to obtain or fulfill contracts entered into with customers can be analyzed as follows:

	Dec. 31, 2019			Dec. 31, 2020		
(in € millions)	Gross value	Impairment	Net	Gross value	Impairment	Net
Costs to obtain contracts	-	-	-	-	-	-
Costs to fulfill contracts	525	(54)	471	537	(51)	486
Contract costs	525	(54)	471	537	(51)	486

Note 19 - Trade and other receivables

(in € millions)	Dec. 31, 2019 Net	Movements during the period	Impairment/ reversal	Changes in scope of consolidation	Reclassifications	Effect of changes in foreign exchange rates	Dec. 31, 2020 Net
Operating receivables	**6,877**	**(1,708)**	**(73)**	**(12)**	**16**	**(62)**	**5,038**
Debit balances on trade payables/advance payments to suppliers	665	(21)	-	-	1	(1)	644
Trade receivables	6,203	(1,697)	(73)	(12)	15	(61)	4,375
Operating current accounts	2	-	-	-	-	-	2
Employee-related receivables	7	10	-	-	-	-	17
Other receivables	**762**	**7**	**-**	**1**	**(25)**	(14)	**731**
Prepayments	109	8	-	-	(24)	(3)	90
VAT receivables	554	(74)	-	2	-	(9)	473
Other State receivables	21	70	-	-	-	-	91
Other receivables	78	3	-	(1)	(1)	(2)	77
Total	**7,639**	**(1,701)**	**(73)**	**(11)**	**(9)**	**(76)**	**5,769**

The table below shows changes in trade and other receivables:

(in € millions)	Gross	Impairment	Net
At December 31, 2019	**6,456**	**(253)**	**6,203**
Short-term changes	(1,697)	-	(1,697)
Net impairment expense	-	(73)	(73)
Reclassifications	14	1	15
Changes in scope of consolidation	(12)	-	(12)
Foreign exchange differences	(65)	4	(61)
At December 31, 2020	**4,696**	**(321)**	**4,375**

Trade and other receivables fall due as shown below:

	Carrying amount at Dec. 31	Not past due	Past due at year-end (in days)					Total past due
(in € millions)			<30	31-90	90-180	181-360	> 360	
At December 31, 2019								
Trade receivables	**6,203**	5,525	289	146	86	51	106	678
At December 31, 2020								
Trade receivables	**4,375**	3,786	146	126	104	146	67	589

In both 2020 and 2019, the Group sold trade receivables as part of an agreement described in further detail in Note 27, “Interest-bearing financial liabilities”. Under IFRS, these receivables must be removed from the balance sheet.

Note 20 - Contract assets and liabilities

Contract assets can be analyzed as follows:

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Contract assets, gross	1,754	1,707
Impairment	(11)	(12)
Contract assets, net	**1,743**	**1,695**

Changes in contract assets can be analyzed as follows:

(in € millions)	
At December 31, 2019	**1,743**
Reclassification of contract assets in trade and other receivables	(482)
Changes relating to revenue recognized over time	459
Other changes	(17)
Impairment	(1)
Foreign exchange differences	(7)
At December 31, 2020	**1,695**

Contract liabilities can be analyzed as follows:

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Advances and downpayments received	4,970	4,109
Deferred income	4,313	4,142
Other contract liabilities	1,640	1,587
Total	**10,923**	**9,838**

Changes in contract liabilities can be analyzed as follows:

(in € millions)	
At December 31, 2019	**10,923**
Increase in amounts received net of revenue recognized in the period	1,495
Revenue recognized in the period and included in the opening balance	(2,438)
Other changes	(80)
Foreign exchange differences	(62)
At December 31, 2020	**9,838**

Deferred income mainly includes funding received for development work and under service contracts based on flight hours or landings that has not yet been recognized in revenue. In 2020, funding received for development work and under service contracts based on flight hours or landings was €58 million less than the revenue recognized.

Note 21 - Cash and cash equivalents

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Money-market funds	22	41
Short-term investments	1,475	1,692
Sight deposits	1,135	2,014
Total	**2,632**	**3,747**

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)	
At December 31, 2019	**2,632**
Movements during the period	1,134
Changes in scope of consolidation	1
Foreign exchange differences	(20)
At December 31, 2020	**3,747**

Note 22 - Summary of financial assets

The following table presents the carrying amount of the Group's financial assets at December 31, 2019 and December 31, 2020:

At December 31, 2019	Carrying amount				
	At amortized cost	At fair value			Total
(in € millions)	Amortized cost (a)	Fair value through profit or loss (b)	Fair value through equity (OCI) to be reclassified (c)	Fair value through equity (OCI) not to be reclassified (d)	= a+b+c+d
Non-current financial assets					
Non-consolidated investments		284			284
Non-current derivatives (positive fair value)		33			33
Other non-current financial assets	145				145
Sub-total non-current financial assets	**145**	**317**	**-**	**-**	**462**
Other current financial assets	143				143
Current derivatives (positive fair value)		674			674
Trade receivables	6,203				6,203
Operating current accounts and other receivables	80				80
Cash and cash equivalents	2,610	22			2,632
Sub-total current financial assets	**9,036**	**696**	**-**	**-**	**9,732**
Total financial assets	**9,181**	**1,013**	**-**	**-**	**10,194**

At December 31, 2020	Carrying amount				
	At amortized cost	At fair value			Total
(in € millions)	Amortized cost (a)	Fair value through profit or loss (b)	Fair value through equity (OCI) to be reclassified (c)	Fair value through equity (OCI) not to be reclassified (d)	= a+b+c+d
Non-current financial assets					
Non-consolidated investments		268			268
Non-current derivatives (positive fair value)		52			52
Other non-current financial assets	163				163
Sub-total non-current financial assets	**163**	**320**	**-**	**-**	**483**
Other current financial assets	126				126
Current derivatives (positive fair value)		694			694
Trade receivables	4,375				4,375
Operating current accounts and other receivables	79				79
Cash and cash equivalents	3,706	41			3,747
Sub-total current financial assets	**8,286**	**735**	**-**	**-**	**9,021**
Total financial assets	**8,449**	**1,055**	**-**	**-**	**9,504**

Impairment of financial assets/Credit risk exposure

Within financial assets carried at amortized cost, only trade receivables are written down using the simplified impairment approach set out in IFRS 9.

The fair value of financial assets carried at fair value represents their maximum exposure to credit risk.

Reclassification of financial assets

The Group did not reclassify any financial assets between the “amortized cost” and “fair value” categories in either 2020 or 2019.

Fair value of financial assets

The fair value of financial assets recorded at amortized cost is close to their carrying amount.

Safran uses the fair value hierarchy set out in IFRS 13 to determine the classification of financial assets at fair value:
- Level 1: inputs that reflect quoted prices for identical assets or liabilities in active markets;
- Level 2: directly or indirectly observable inputs other than quoted prices for identical assets or liabilities in active markets;
- Level 3: unobservable inputs.

At December 31, 2019, the Group carried the following financial assets at fair value:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Non-consolidated investments	-	-	284	284
Derivatives (positive fair value)	-	707	-	707
Cash and cash equivalents	22	-	-	22
Total	**22**	**707**	**284**	**1,013**

At December 31, 2020, the Group carried the following financial assets at fair value:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Non-consolidated investments	-	-	268	268
Derivatives (positive fair value)	-	746	-	746
Cash and cash equivalents	41	-	-	41
Total	**41**	**746**	**268**	**1,055**

No items were transferred between Level 1 and Level 2 or to/from Level 3 in either 2020 or 2019.

OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

At December 31, 2019 *(in € millions)*	Gross carrying amount (a)	Amount offset (b)	Net amount on the balance sheet[1] (c)	Amount subject to offset agreement but not offset (d)	**Net** **(c) – (d)**
Derivatives (positive fair value)	**707**	**-**	**707**	**614**	**93**

(1) See Note 31, "Management of market risks and derivatives".

At December 31, 2020 *(in € millions)*	Gross carrying amount (a)	Amount offset (b)	Net amount on the balance sheet (1) (c)	Amount subject to offset agreement but not offset (d)	**Net** **(c) – (d)**
Derivatives (positive fair value)	**746**	**-**	**746**	**502**	**244**

(1) See Note 31, "Management of market risks and derivatives".

The tables above show the financial assets for which an offsetting agreement exists with respect to financial liabilities.
The Group does not offset financial assets against financial liabilities in its balance sheet at December 31, 2020 or December 31, 2019, since the requisite conditions set out in IAS 32 are not met. Master offsetting (netting) agreements governing the subscription of OTC derivatives with bank counterparties provide for a right of set-off only in the event of default, insolvency or bankruptcy of one of the parties to the agreement.
The amounts subject to an offset agreement but not offset comprise a portion of the Group's derivatives with a negative fair value, since amounts can only be offset if they relate to the same counterparty.

Note 23 - Consolidated shareholders' equity

23.a. Share capital

At December 31, 2020, Safran's share capital was fully paid up and comprised 427,235,939 shares, each with a par value of €0.20, including:

- 400,584,881 ordinary shares;
- 26,651,058 class A preference shares.

The preferred shares were issued on February 13, 2018 in consideration for the Zodiac Aerospace shares tendered to the Subsidiary Exchange Offer carried out as part of Safran's Tender Offer for Zodiac Aerospace. The preferred shares are all registered shares and have the same characteristics as the ordinary shares, but are not listed and may not be transferred during a 36-month period as from their date of issue, barring exceptional cases defined in Safran's bylaws.

On February 13, 2021, said period of non-transferability was terminated and each preferred share was converted automatically, without any legal formality, into one ordinary share fully assimilated with the other ordinary shares.

The conversion did not affect Safran's share capital, which remained unchanged at February 13, 2021. It comprises the same total number of shares as previously, but is now made up of 427,235,939 ordinary shares all in the same class.

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

23.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(1)	% voting rights(1)
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(2)	28,860,491	6.75%	57,301,029	10.82%
Treasury shares	2,550,082	0.60%	-	-
Total	**427,234,155**	**100.00%**	**529,824,346**	**100.00%**

(1) Exercisable voting rights.

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

December 31, 2020

Shareholders	Number of shares	% share capital	Number of voting rights(1)	% voting rights(1)
Free float	347,973,999	81.45%	406,760,265	72.47%
French State	47,983,131	11.23%	95,966,262	17.10%
Employees(2)	30,959,525	7.25%	58,567,145	10.43%
Treasury shares	319,284	0.07%	-	-
Total	**427,235,939**	**100.00%**	**561,293,672**	**100.00%**

(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 319,284 treasury shares have no voting rights.

At December 31, 2020, the total number of shares includes 1,784 shares issued throughout 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 77,433 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 570,739 shares under employee shareholding plans and a multi-year variable compensation plan;
- the "Sharing 2020" employee shareholding plan covering 1,799,992 shares.

The Annual General Meeting has authorized the Board of Directors to buy and sell shares in the Company in accordance with the applicable laws and regulations.
An 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 the authorizations and to the liquidity agreement signed in 2012 with Oddo BHF, during the year the Company purchased 2,495,729 shares for €265 million and sold 2,418,296 shares for €255 million.
At December 31, 2020, 266,000 shares were held in connection with the liquidity agreement.

23.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).

The Group set up a performance share plan on March 26, 2020 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 December 31, 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	(34,274)	(86,670)	(15,800)
Number of performance shares outstanding at December 31, 2020	**540,438**	**645,460**	**743,560**

The share-based payment expense for these performance share plans, recognized within personnel costs under “Other employee costs” (see Note 7, “Breakdown of the other main components of profit from operations”), totaled €10 million in 2020 (€49 million in 2019), taking into account the impact of the revised assumptions about the achievement of the internal performance conditions on the expense for the year and for prior years.

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 was 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, with the Group ultimately recording subscriptions for 1,799,992 shares. 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.

23.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.

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 27, "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 December 31 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 27, "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).

<u>OCEANE 2020-2027 tap issue</u>

On October 12, 2020, Safran carried out a tap issue of 1,847,916 bonds convertible and/or exchangeable for new and/or existing shares ("OCEANE"), each with a par value of €108.23, i.e., representing a total nominal amount of €200 million. These new bonds carry the same terms and conditions (with the exception of the issue price) as the €800 million in bonds issued by Safran on May 15, 2020 (OCEANE 2020-2027), with which they are fully fungible and with which they form a single series.

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

The bonds were issued at a price of €118 per bond, representing a total issue of €218 million.

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 December 31 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 €197 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 27, "Interest-bearing financial liabilities").

The effective annual interest rate on the liability component is 1.154% including issuance fees.

The option component recognized in equity was valued at €20 million on the issue date, or €15 million after the deferred tax impact (see the consolidated statement of changes in shareholders' equity).

23.e. Dividend distribution

In light of the Covid-19 pandemic and following a recommendation from the Board of Directors, the Annual General Meeting of May 28, 2020 decided not to pay a dividend in 2020 for the 2019 financial year.

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.

At the Annual General Meeting to be held on May 26, 2021 to approve the financial statements for the year ended December 31, 2020, the Board of Directors will recommend a dividend payment of €0.43 per share in respect of 2020, representing a total payout of €184 million.

Note 24 - Provisions

Provisions break down as follows:

			Reversals					
(in € millions)	**Dec. 31, 2019**	Additions	Utilizations(1)	Reclassifications(1)	Surplus(2)	Changes in scope of consolidation	Other	**Dec. 31, 2020**
Performance warranties	1,214	249	(192)	-	(152)	-	(9)	1,110
Financial guarantees	2	-	-	-	-	-	-	2
Post-employment benefits	990	75	(101)	-	(1)	-	31	994
Sales agreements	258	37	(52)	-	(65)	-	11	189
Provisions for losses on completion and losses arising on delivery commitments	245	30	(42)	-	(54)	3	(2)	180
Disputes and litigation	39	8	(15)	-	(6)	-	(1)	25
Other	335	151	(93)	-	(36)	-	(10)	347
Total	**3,083**	550	(495)	-	(314)	3	20	**2,847**
Non-current	2,093							**1,942**
Current	990							**905**

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

(2) Including the foreign exchange difference resulting from fluctuations in the EUR/USD exchange rate in 2020.

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

(in € millions)	**Dec. 31, 2020**
Additions (-)/Reversals (+) recognized in profit from operations	195
Additions (-)/Reversals (+) recognized in financial income (loss)	64
Total	**259**

Note 25 - *Post-employment benefits*

The Company has various obligations under defined benefit plans, retirement termination benefits and other commitments, mainly in France, the United States and the United Kingdom. The accounting treatment applied to these commitments is detailed in Note 2.t.

25.a. PRESENTATION OF POST-EMPLOYMENT BENEFITS

a) France

- Defined benefit pension plans

This heading includes a defined benefit supplementary pension plan that was closed to new entrants on December 31, 2017 and under which all conditional entitlements were frozen as of December 31, 2016.

The beneficiaries of this closed plan are Group executive managers with five years' service at December 31, 2017.

- Retirement termination benefits

This heading includes obligations in respect of statutory termination benefits due on retirement and supplementary payments required by the collective bargaining agreement for the metallurgy industry.

- Other long-term benefits

In France, other long-term benefits mainly comprise obligations in respect of long-service awards and bonuses.

b) United Kingdom

- Defined benefit pension plans

There are three pension funds in place at Safran Landing Systems UK Ltd/Safran Landing Systems Services UK Ltd, Safran Nacelles Ltd and Safran UK. These pension funds have been contracted out, which means they replace the mandatory supplementary pension plan. The plans are managed by trustees. Beneficiaries no longer accrue any rights under these plans.

c) Rest of the world

The Group offers its other employees post-employment benefits and long-service bonuses in accordance with local laws and practices. The main regions concerned in relation to continuing operations are:

- Americas: pension funds in the United States (now frozen) and in Canada, retirement termination benefits in Mexico;
- Europe: pension funds in Switzerland, pension funds and retirement termination benefits in Belgium, pension funds and long-service bonuses in Germany, retirement termination benefits and long-service bonuses in Poland.

25.b. Financial position

(in € millions)	Dec. 31, 2019	**Dec. 31, 2020**	France	United Kingdom	Rest of the world
Gross obligation	1,782	**1,805**	805	631	369
Plan assets	809	**859**	10	646	203
Provision recognized in the accounts	**990**	**994**	796	32	166
- Defined benefit pension plans	*198*	***192***	*21*	*32*	*139*
- Retirement termination benefits	*735*	***741***	*719*	-	*22*
- Long-service bonuses and other employee benefits	*57*	***61***	*56*	-	*5*
Recognized net plan assets	**(17)**	**(48)**	(1)	(47)	-

(in € millions)	Dec. 31, 2019	**Dec. 31, 2020**	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other long-term benefits
Gross obligation	1,782	**1,805**	1,003	741	61
Plan assets	809	**859**	859	-	-
Provision recognized in the accounts	**990**	**994**	192	741	61
Recognized net plan assets	**(17)**	**(48)**	(48)	-	-

The increase in the gross obligation results from the following conflicting impacts:
- an increase in the obligation resulting from the revised financial assumptions (discount and inflation rates) used to determine the benefit obligation in the United Kingdom and the eurozone;
- a decrease in the obligation resulting from the depreciation of the pound sterling.

The value of plan assets also increased due to the following conflicting impacts:

- an increase in pension fund assets in the United Kingdom: following a partial exit from equity and real estate funds, the resulting capital gain led to a sharp rise in the actual return;
- a decrease in plan assets resulting from the depreciation of the pound sterling.

The cost of the Group's pension obligations in 2019 and 2020 can be analyzed as follows:

(in € millions)	**2019**	**2020**
Current service cost	(60)	(67)
Actuarial gains and losses recognized (on other long-term benefits)	(4)	-
Plan implementation, amendment and settlement	-	4
Plan administration costs	(1)	(1)
Total operating component of the pension expense	**(65)**	**(64)**
Interest cost on the net benefit obligation	(13)	(7)
Total financing component of the pension expense	**(13)**	**(7)**
Total	**(78)**	**(71)**

The Group expects to pay a total of €13 million into its defined benefit pension plans in 2021.

Main assumptions used to calculate the gross benefit obligation:

		Eurozone	United Kingdom
Discount rate	*2019*	*0.60%*	*1.95%*
	2020	**0.50%**	**1.45%**
Inflation rate	*2019*	*1.75%*	*2.90%*
	2020	**1.75%**	**2.80%**
Rate of annuity increases	*2019*	*1.00%*	*2.90%*
	2020	**1.00%**	**2.80%**
Rate of future salary increases	*2019*	*1.12%-5.00%*	*N/A*
	2020	**1.12%-5.00%**	***N/A***
Retirement age	*2019*	*Managerial: 64/65 years* *Non-managerial: 62/65 years*	*65 years*
	2020	**Managerial: 64/65 years** **Non-managerial: 62/65 years**	**65 years**

The discount rates are determined by reference to the yield on private investment-grade bonds (AA). The Group refers to the iBoxx index to calculate the benefit obligations in its two main regions (eurozone and United Kingdom).

Sensitivity analysis

An increase or decrease of 0.5% in the main assumptions would have the following impacts on the amount of the gross benefit obligation at December 31, 2020:

(in € millions)

Sensitivity (basis points)	**-0.50%**	**+0.50%**
Discount rate	147	(130)
Inflation rate	(56)	66
Rate of future salary increases	(53)	62

For the purpose of the analysis, it was assumed that all other variables remained the same.

The change in the value of the gross projected benefit obligation would have mainly affected actuarial gains and losses recognized in other comprehensive income.

25.c. CHANGE IN THE GROSS BENEFIT OBLIGATION AND PLAN ASSETS

Change in the gross benefit obligation:

(in € millions)	2019	2020	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other employee benefits
Gross benefit obligation at beginning of period	**1,554**	**1,782**	**990**	**735**	**57**
A. Pension expense					
Current service cost	60	67	13	49	5
Actuarial gains and losses recognized (on other long-term benefits)	4	-	-	-	-
Plan implementation, amendment and settlement	-	(4)	(2)	(4)	2
Interest cost	32	21	16	5	-
Total expense recognized in the income statement	**96**	**84**	**27**	**50**	**7**
B. Actuarial gains and losses arising in the period on post-employment plans					
Actuarial gains and losses resulting from changes in demographic assumptions	(17)	-	5	(5)	-
Actuarial gains and losses resulting from changes in financial assumptions	190	63	54	9	-
Experience adjustments	(1)	10	6	4	-
Total revaluation recognized in other comprehensive income for the period	**172**	**73**	**65**	**8**	**-**
C. Other items					
Employee contributions	3	3	3	-	-
Benefits paid	(83)	(96)	(42)	(51)	(3)
Changes in scope of consolidation	5	-	-	-	-
Other movements	(2)	-	-	-	-
Foreign exchange differences	37	(41)	(40)	(1)	-
Total other items	**(40)**	**(134)**	**(79)**	**(52)**	**(3)**
Gross benefit obligation at end of period	**1,782**	**1,805**	**1,003**	**741**	**61**
Average weighted term of pension plans	15	15	18	12	10

Change in the fair value of plan assets:

(in € millions)	2019	2020	Defined benefit pension plans	Retirement termination benefits	Long-service bonuses and other employee benefits
Fair value of plan assets at beginning of period	**691**	**809**	**809**	**-**	**-**
A. Income					
Interest income on plan assets	19	14	14	-	-
Plan administration costs	(1)	(1)	(1)	-	-
Total income recognized in the income statement	**18**	**13**	**13**	**-**	**-**
B. Actuarial gains and losses arising in the period on post-employment plans					
Return on plan assets (excluding interest income component)	53	70	70	-	-
Total revaluation recognized in other comprehensive income for the period	**53**	**70**	**70**	**-**	**-**
C. Other items					
Employee contributions	2	3	3	-	-
Employer contributions	49	44	44	-	-
Benefits paid	(40)	(42)	(42)	-	-
Changes in scope of consolidation	-	-	-	-	-
Other movements	3	(1)	(1)	-	-
Foreign exchange differences	33	(37)	(37)	-	-
Total other items	**47**	**(33)**	**(33)**	**-**	**-**
Fair value of plan assets at end of period	**809**	**859**	**859**	**-**	**-**

25.d. Asset allocation

	United Kingdom % allocation at		**Other European countries** % allocation at	
	Dec. 31, 2019	**Dec. 31, 2020**	**Dec. 31, 2019**	**Dec. 31, 2020**
Shares	14.18%	6.29%	27.55%	27.69%
Bonds and debt instruments	50.77%	70.71%	56.45%	53.08%
Property	6.53%	2.30%	9.78%	12.14%
Mutual funds and other diversified funds	24.78%	15.66%	0.47%	0.47%
Cash and cash equivalents	3.74%	5.04%	4.93%	5.81%
Other	0.00%	0.00%	0.82%	0.81%

An active market price exists for all plan assets except property.

In the United Kingdom, the Group's long-term aim is to limit its exposure to defined benefit plans and ultimately endeavor to contract out these obligations to insurance firms under favorable market conditions. In the meantime, the Group is committed to ensuring that its pension obligations are adequately funded.

The Group's investment policy for pension funds in the United Kingdom combines safe harbor investments (in monetary funds, government bonds, bond funds), to secure the medium-term funding of obligations, with riskier investments such as in equity funds and real estate funds, whose expected profitability over the long term guarantees the financial stability of the plans. In 2020, the Safran Landing Systems UK pension fund reduced its exposure by partially exiting higher risk investments (e.g., equity and real estate funds) in order to focus on corporate bond funds. The resulting capital gains led to a sharp rise in the value of plan assets.

25.e. CONTRIBUTIONS TO DEFINED CONTRIBUTION PLANS

Defined contribution plans include statutory, supplementary and additional pension plans (in France: the "Article 83" plan for engineers and managerial-grade employees (*cadres*) and the additional "Article 83" plan and the "Article 82" plan for executive managers).
The expense for 2020 recognized in respect of defined contribution plans for continuing operations represented €292 million, down from €319 million in 2019 due primarily to furlough and short-time working arrangements.

Note 26 - Borrowings subject to specific conditions

This caption includes repayable advances granted by public bodies.

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2019	**505**
New advances received	15
Advances repaid	(25)
Sub-total: changes with a cash impact	**(10)**
Cost of borrowings and discounting	19
Foreign exchange differences	(1)
Adjustments to the probability of repayment of advances	(87)
Sub-total: changes with no cash impact	**(69)**
At December 31, 2020	**426**

Estimates as to the repayable amounts and the timing of repayments are made regarding borrowings subject to specific conditions.
The Group revised the probability of repayment for its repayable advances, mainly with regard to two helicopter programs.

Note 27 - Interest-bearing financial liabilities

Breakdown of interest-bearing financial liabilities:

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Bond issue	712	212
OCEANE convertible bond	667	1,641
Senior unsecured notes in USD	950	1,430
Lease liabilities	608	494
Long-term borrowings	302	305
Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)	**3,239**	**4,082**
Bond issue	601	500
Lease liabilities	121	114
Long-term borrowings	362	347
Accrued interest not yet due	9	10
Current interest-bearing financial liabilities, long-term at inception	**1,093**	**971**
Negotiable European Commercial Paper (NEU CP)	1,772	1,322
Short-term bank facilities and equivalent	675	216
Current interest-bearing financial liabilities, short-term at inception	**2,447**	**1,538**
Total current interest-bearing financial liabilities (less than 1 year)	**3,540**	**2,509**
Total interest-bearing financial liabilities[1]	**6,779**	**6,591**

(1) The fair value of interest-bearing financial liabilities amounts to €6,762 million (€6,851 million at December 31, 2019).

Movements in this caption break down as follows:

(in € millions)	
At December 31, 2019	**6,779**
Increase in long-term borrowings at inception (excluding lease liabilities)	1,595
Decrease in long-term borrowings at inception	(778)
Change in short-term borrowings	(831)
Sub-total: changes with a cash impact	**(14)**
Net increase in lease liabilities	29
Accrued interest	-
Changes in scope of consolidation	1
Foreign exchange differences	(181)
Option component of the OCEANE 2020-2027 and tap OCEANE 2020-2027 issues[1]	(53)
Change in the fair value of borrowings hedged with interest rate instruments[2]	19
Reclassifications and other	11
Sub-total: changes with no cash impact	**(174)**
At December 31, 2020	**6,591**

(1) See Note 23.d, "Convertible bond issues".

(2) See Note 31, "Management of market risks and derivatives".

Analysis by maturity:

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Maturing in:		
1 year or less	3,540	2,509
More than 1 year and less than 5 years	3,016	2,410
Beyond 5 years(1)	223	1,672
Total	**6,779**	**6,591**

(1) Mainly relating to OCEANE bond and USPP issues.

Analysis by currency before hedging:

	Dec. 31, 2019		Dec. 31, 2020	
(in millions of currency units)	**Currency**	**EUR**	**Currency**	**EUR**
EUR	5,335	5,335	5,072	5,072
USD	1,431	1,294	1,704	1,389
CAD	8	6	8	5
GBP	26	30	22	24
Other	N/A	114	N/A	101
Total		**6,779**		**6,591**

Analysis by currency after hedging:

	Dec. 31, 2019		Dec. 31, 2020	
(in millions of currency units)	**Currency**	**EUR**	**Currency**	**EUR**
EUR	6,283	6,283	6,216	6,216
USD	386	346	298	245
CAD	8	6	8	5
GBP	26	30	22	24
Other	N/A	114	N/A	101
Total		**6,779**		**6,591**

Analysis by type of interest rate:

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

	Total		Non-current				Current			
	Dec. 31, 2019	**Dec. 31, 2020**	Dec. 31, 2019		**Dec. 31, 2020**		Dec. 31, 2019		**Dec. 31, 2020**	
(in € millions)	Base	**Base**	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	5,073	5,594	2,648	2.77%	3,941	2.45%	2,425	0.04%	1,653	0.27%
Floating rate	1,706	997	591	0.37%	142	1.29%	1,115	0.45%	855	0.40%
Total	**6,779**	**6,591**	**3,239**	**2.33%**	**4,083**	**2.41%**	**3,540**	**0.17%**	**2,508**	**0.31%**

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

	Total		Non-current				Current			
	Dec. 31, 2019	**Dec. 31, 2020**	Dec. 31, 2019		**Dec. 31, 2020**		Dec. 31, 2019		**Dec. 31, 2020**	
(in € millions)	Base	**Base**	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate	Base	Average interest rate
Fixed rate	4,860	**5,382**	2,435	1.70%	3,729	1.71%	2,425	0.04%	1,653	0.27%
Floating rate	1,919	**1,209**	804	0.57%	354	1.13%	1,115	0.45%	855	0.40%
Total	**6,779**	**6,591**	**3,239**	**1.42%**	**4,083**	**1.66%**	**3,540**	**0.17%**	**2,508**	**0.31%**

The Group's net debt position is as follows:

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Cash and cash equivalents (A)	2,632	3,747
Interest-bearing financial liabilities (B)	6,779	6,591
Fair value of interest rate derivatives used as fair value hedges of borrowings (C)	33	52
Total (A) - (B) + (C)	**(4,114)**	**(2,792)**

The Group's gearing ratio is shown below:

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Net debt	(4,114)	(2,792)
Total equity	12,748	12,750
Gearing ratio	**32.27%**	**21.90%**

MAIN LONG-TERM BORROWINGS AT INCEPTION

- US private placement (USPP) of senior unsecured notes issued by the Group on February 9, 2012, under which USD 1.045 billion was outstanding at December 31, 2020, comprising:

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

  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 these two tranches, 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.

- US private placement (USPP) of senior unsecured notes issued by the Group on June 29, 2020 for a nominal amount equivalent to €564 million, comprising:
  - 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, 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 1.02% 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.

- 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 23.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 December 31, 2020 at an adjustable rate of 2.902%.

- 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 23.d, “Convertible bond issues”).

- Tap issue of bonds convertible and/or exchangeable for new and/or existing shares (“OCEANE” bonds) on October 12, 2020 for a nominal amount of €200 million. These OCEANE bonds bear interest at 0.875% and were offered at an issue price representing 109.03% of par, or a gross negative yield to maturity of 0.419%. These bonds carry the same terms and conditions as those issued on May 15, 2020, with which they are fully fungible and with which they form a single series. The effective annual interest rate on the liability component of the OCEANE bonds issued on October 12, 2020 is 1.154% including issuance fees (see Note 23.d, “Convertible bond issues”).

- Negotiable European Commercial Paper (NEU CP) subscribed by a corporate mutual fund of the Group employee savings plan and amounting to €425 million at December 31, 2020. The average interest rate payable by Safran on this commercial paper was 0.93% at December 31, 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 December 31, 2020, 78% of the sums managed by the corporate mutual fund will be available within one year. Accordingly, 78% of the €425 million in NEU CP is classified within the current portion of long-term borrowings.

- Lease liabilities recognized in accordance with IFRS 16 (including former finance lease liabilities) totaling €608 million at December 31, 2020.

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

In 2020, the following borrowings were repaid at maturity:

- Two-year floating-rate bonds issued on July 13, 2018 at 3-month Euribor +33 basis points (coupon floored at 0%) for €500 million, redeemed on July 13, 2020.

- European Investment Bank (EIB) floating-rate loan, bearing interest at 3-month Euribor +73.4 basis points and maturing in December 2020, repaid on December 17, 2020.

- Seven-year, 3.605% fixed-rate *Schuldschein* loan for €99 million set up on July 25, 2013, repaid on July 27, 2020.

MAIN SHORT-TERM BORROWINGS

- Negotiable European Commercial Paper (NEU CP): €1,322 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: €180 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 December 31, 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 facility renewed in December 2020 and maturing in December 2022 for USD 1,430 million, contracted with a syndicate of seven banks led by Crédit Agricole CIB, increased to USD 1,780 million at end-January 2021 with a syndicate of eight banks, and set to be reduced to USD 625 million in December 2021, had been drawn in an amount of USD 546 million at December 31, 2020 (USD 273 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 facility set up in June 2020 for USD 360 million, increased to USD 510 million in July 2020, and renewed at end-December 2020 and maturing in June 2021 for USD 180 million, contracted with a syndicate of three banks led by Crédit Agricole CIB, had been drawn in an amount of USD 167 million (USD 83.5 million based on a 50% interest) at December 31, 2020.

Note 28 - *Trade and other payables*

(in € millions)	**Dec. 31, 2019**	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	**Dec. 31, 2020**
Operating payables	**5,587**	**(1,651)**	**(7)**	**(54)**	**(14)**	**3,861**
Credit balances on trade receivables	835	(242)	-	(3)	(4)	586
Trade payables	3,198	(1,021)	(6)	(38)	(12)	2,121
Operating current account	-	2	-	-	-	2
Employee-related liabilities	1,554	(390)	(1)	(13)	2	1,152
Other liabilities	**577**	**(72)**	**(3)**	**(6)**	**(4)**	**492**
State aid, accrued payables	17	9	-	-	-	26
State, other taxes and duties	280	(70)	(3)	(1)	-	206
Deferred income	110	(2)	-	-	-	108
Other	170	(9)	-	(5)	(4)	152
Total	**6,164**	**(1,723)**	**(10)**	**(60)**	**(18)**	**4,353**

Trade and other payables fall due as shown below:

(in € millions)	Total	Less than 12 months	More than 12 months
Operating payables	3,861	3,781	80
Other liabilities	492	466	26
Total	**4,353**	**4,247**	**106**

Note 29 - 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	Dec. 31, 2020
Payables on purchases of property, plant and equipment and intangible assets	108	(48)	-	-	1	**61**
Payables on purchases of investments	9	(8)	-	-	(1)	**-**
Total	**117**	**(56)**	**-**	**-**	**-**	**61**
Non-current	2					**2**
Current	115					**59**

These liabilities are not included in the Group's net financial position at December 31, 2020.

Note 30 - Summary of financial liabilities

The following table presents the carrying amount of the Group's financial liabilities at December 31, 2019 and December 31, 2020:

At December 31, 2019 *(in € millions)*	Carrying amount		
	Financial liabilities at amortized cost(1)	Financial liabilities at fair value	**Total**
Borrowings subject to specific conditions	505		**505**
Non-current interest-bearing financial liabilities	3,239		**3,239**
Current interest-bearing financial liabilities	3,540		**3,540**
Trade payables	3,198		**3,198**
Payables on purchases of investments	9	-	**9**
Payables on purchases of property, plant and equipment and intangible assets	108		**108**
Non-current derivatives (negative fair value)		5	**5**
Current derivatives (negative fair value)		1,033	**1,033**
Total financial liabilities	**10,599**	**1,038**	**11,637**

(1) Including financial liabilities hedged by fair value hedging instruments. The adjustment to the fair value of interest-bearing financial liabilities hedged by fair value hedging instruments represented €33 million at December 31, 2019.

At December 31, 2020 *(in € millions)*	Carrying amount		
	Financial liabilities at amortized cost(1)	Financial liabilities at fair value	**Total**
Borrowings subject to specific conditions	426		**426**
Non-current interest-bearing financial liabilities	4,082		**4,082**
Current interest-bearing financial liabilities	2,509		**2,509**
Trade payables	2,121		**2,121**
Payables on purchases of property, plant and equipment and intangible assets	61		**61**
Operating current accounts	2		**2**
Non-current derivatives (negative fair value)		18	**18**
Current derivatives (negative fair value)		1,244	**1,244**
Total financial liabilities	**9,201**	**1,262**	**10,463**

(1) Including financial liabilities hedged by fair value hedging instruments. The adjustment to the fair value of interest-bearing financial liabilities hedged by fair value hedging instruments represented €52 million at December 31, 2020.

The fair value of financial liabilities is determined by reference to the future cash flows associated with each liability, discounted at market interest rates at the end of the reporting period, with the exception of borrowings subject to specific conditions, whose fair value cannot be estimated reliably given the uncertainties regarding the amounts to be repaid and the timing of repayment.

In both 2020 and 2019, the fair value of financial liabilities approximates their carrying amount, except in the case of the following items:

(in € millions)	**Dec. 31, 2019**		**Dec. 31, 2020**	
	Carrying amount	Fair value	Carrying amount	Fair value
Borrowings subject to specific conditions	505	N/A	426	N/A
Interest-bearing financial liabilities(1)	6,779	6,851	6,591	6,762

(1) This fair value measurement relates to Level 2 in the fair value hierarchy (see Note 22, "Summary of financial assets").

Safran uses the fair value hierarchy described in Note 22, "Summary of financial assets" to determine the classification of financial liabilities at fair value.

The Group carried the following financial liabilities at fair value at December 31, 2019:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Derivatives (negative fair value)	-	1,038	-	1,038
Total	**-**	**1,038**	**-**	**1,038**

The Group carried the following financial liabilities at fair value at December 31, 2020:

(in € millions)	Level 1	Level 2	Level 3	**Total**
Derivatives (negative fair value)	-	1,262	-	1,262
Total	**-**	**1,262**	**-**	**1,262**

No items were transferred between Level 1 and Level 2 or to/from Level 3 in either 2020 or 2019.

OFFSETTING OF FINANCIAL LIABILITIES AND FINANCIAL ASSETS

At December 31, 2019	Gross carrying amount	Amount offset	Net amount on the balance sheet[1]	Amount subject to offset agreement but not offset	**Net**
(in € millions)	(a)	(b)	(c)	(d)	**(c) – (d)**
Derivatives (negative fair value)	**1,038**	**-**	**1,038**	**614**	**424**

(1) See Note 31, “Management of market risks and derivatives”.

At December 31, 2020	Gross carrying amount	Amount offset	Net amount on the balance sheet[1]	Amount subject to offset agreement but not offset	**Net**
(in € millions)	(a)	(b)	(c)	(d)	**(c) – (d)**
Derivatives (negative fair value)	**1,262**	**-**	**1,262**	**502**	**760**

(1) See Note 31, “Management of market risks and derivatives”.

The tables above show the financial liabilities for which an offsetting agreement exists with respect to financial assets.
The Group does not offset financial assets against financial liabilities in its balance sheet at December 31, 2020 or December 31, 2019, since the requisite conditions set out in IAS 32 are not met. Master offsetting (netting) agreements governing the subscription of OTC derivatives with bank counterparties provide for a right of set-off only in the event of default, insolvency or bankruptcy of one of the parties to the agreement.
The amounts subject to an offsetting agreement but not offset comprise a portion of the Group’s derivatives with a positive fair value, since amounts can only be offset if they relate to the same counterparty.

Note 31 - 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:

	Dec. 31, 2019		Dec. 31, 2020	
(in € millions)	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Interest rate risk management	***33***	***(5)***	***52***	***(18)***
Floating-for-fixed interest rate swaps	-	(5)	-	(18)
Fixed-for-floating interest rate swaps	33	-	52	-
Foreign currency risk management	***674***	***(1,033)***	***694***	***(1,244)***
Currency swaps	2	-	-	(95)
Purchase and sale of forward currency contracts	200	(241)	98	(33)
Currency option contracts	472	(792)	596	(1,116)
Total	**707**	**(1,038)**	**746**	**(1,262)**

FOREIGN CURRENCY RISK MANAGEMENT

Most revenue earned in the civil aviation sector is denominated in US dollars, which is the benchmark currency used in the industry. The net excess of revenues over operating expenses for these activities totaled approximately USD 7.2 billion for 2020.

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 a volatile monetary environment.

HEDGING POLICY

Three basic principles underscore the foreign currency risk management policy defined by Safran for most of its subsidiaries:

- to protect the Group's economic performance from random fluctuations in the US dollar;
- to optimize the quality of hedging whenever possible, without jeopardizing the Group's economic performance (first principle);
- provide visibility as regards the exchange rate applied in the Group's consolidated financial statements.

Protecting economic performance means setting a minimum USD exchange rate parity over an applicable term. Minimum parity corresponds to a USD exchange rate that allows Safran to meet its operating profit targets. Hedging arrangements have been made accordingly over a timeframe of three to four years.

MANAGEMENT POLICY

The hedging policy is based on managing the financial instrument portfolio in order to guarantee a predefined minimum parity.

In building up its hedging portfolio, the Group primarily uses forward sales, accumulators and a combination of options. Certain instruments include knock-in or knock-out barrier options, representing a risk to the size of the hedge book and to targeted hedge rates in certain cases of exchange rate fluctuations.

Optimization measures are also used with a view to improving the minimum exchange rate parity, and seek to protect the Group's economic performance at all times. They are based on products that allow the Group to take advantage of any improvement in the underlying exchange rate parities.

FOREIGN CURRENCY DERIVATIVES

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2019				Dec. 31, 2020			
(in millions of currency units)	Fair value(1)	Notional amount(1)	Less than 1 year	1 to 5 years	Fair value(1)	Notional amount(1)	Less than 1 year	1 to 5 years
Forward exchange contracts	**(40)**				**65**			
Short USD position	(238)	2,661	2,661	-	34	2,413	2,413	-
Of which against EUR	*(238)*	*2,661*	*2,661*	-	*34*	*2,413*	*2,413*	-
Long USD position	75	(957)	(957)	-	(19)	(163)	-	(163)
Of which against EUR	*75*	*(957)*	*(957)*	-	*(19)*	*(163)*	-	*(163)*
Short EUR position against GBP	9	107	100	7	4	107	-	107
Short EUR position against CAD	7	49	49	-	-	-	-	-
Long MXN position against EUR	107	(13,304)	(4,086)	(9,217)	46	(12,245)	(3,604)	(8,641)
Currency swaps	**2**				**(95)**			
Cross currency swaps	2	1,045	-	1,045	(95)	1,359	-	1,359
Currency option contracts	**(321)**				**(520)**			
USD put purchased	275	26,555	26,055	500	481	30,975	25,675	5,300
USD call purchased	83	(2,300)	(1,300)	(1,000)	16	(1,900)	(1,900)	-
USD call sold	(718)	45,471	44,471	1,000	(210)	71,210	61,110	10,100
USD put sold	(41)	(4,600)	(2,600)	(2,000)	(105)	(3,800)	(3,800)	-
EUR put purchased	89	1,690	1,540	150	68	1,480	1,000	480
EUR call sold	(19)	3,200	2,900	300	(27)	2,760	2,000	760
Accumulators – sell USD for EUR(2)	6	2,539	686	1,853	6	1,963	537	1,426
Accumulators – buy USD for EUR(2)	-	-	-	-	(661)	(7,808)	(5,002)	(2,805)
Accumulators – sell EUR for GBP(2)	2	(520)	(520)	-	(10)	(105)	(105)	-
Accumulators – sell EUR for CAD(2)	-	-	-	-	(34)	(230)	(230)	-
Accumulators – sell EUR for MXN(2)	2	(500)	(500)	-	(44)	(335)	(335)	-
Total	**(359)**				**(550)**			

(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 December 31, 2020 represent a negative €191 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)".

EXPOSURE AND SENSITIVITY TO FOREIGN CURRENCY RISK

The exposure of the Group's financial instruments to EUR/USD foreign currency risk can be summarized as follows:

(in USD millions)	Dec. 31, 2019	Dec. 31, 2020
Total assets excluding derivatives	4,158	**2,621**
Total liabilities excluding derivatives	(3,067)	**(2,787)**
Derivatives hedging balance sheet positions[1]	(1,148)	**86**
Net exposure after the impact of derivatives hedging balance sheet positions	**(57)**	**(80)**

(1) Notional amount.

Assets and liabilities excluding derivatives primarily consist of operating receivables and payables denominated in USD in the balance sheets of Group subsidiaries whose functional currency is the euro, and unsecured notes issued by Safran on the US private placement market for USD 1.4 billion. After setting up the cross currency swap to hedge the foreign currency risk on USD unsecured notes (see "Exposure to USD interest rate risk"), virtually all of these assets and liabilities are hedged by foreign currency hedging derivatives.

In addition to this net exposure, the Group has EUR/USD currency derivatives hedging revenue net of future purchases. These instruments had a negative fair value of USD 525 million, compared to a total negative fair value of USD 562 million for EUR/USD currency derivatives at December 31, 2020 (negative fair value of USD 558 million and USD 627 million, respectively, at December 31, 2019).

The sensitivity of financial instruments to a 5% increase or decrease in the EUR/USD exchange rate is as follows:

	Dec. 31, 2019		Dec. 31, 2020	
Impact on balance sheet positions (in € millions)	**USD**		**USD**	
Closing rate	**1.12**		**1.23**	
EUR/USD exchange rate change assumptions	-5%	+5%	-5%	+5%
EUR/USD exchange rate used for sensitivity analysis	1.07	1.18	1.17	1.29
Impact recognized through profit or loss (before tax)	(2,195)	623	(404)	(636)
Impact recognized through equity (before tax)	-	-	-	-

INTEREST RATE RISK MANAGEMENT

The Group's exposure to fluctuations in interest rates covers two types of risk:

- fair value risk in respect of fixed-rate financial assets and liabilities. Interest rate fluctuations impact the market value of these assets and liabilities as well as the Group's balance sheet;
- cash flow risks in respect of floating-rate financial assets and liabilities. Interest rate fluctuations have a direct impact on the Group's profit or loss.

Within the framework of its interest rate risk management policy, the Group arbitrates between these two types of risks using financial instruments specific to fixed-income markets (interest rate swaps and options, etc.).

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 Fair value	Notional amount (€)	Less than 1 year	1 to 5 years	More than 5 years	Dec. 31, 2020 Fair value	Notional amount (€)	Less than 1 year	1 to 5 years	More than 5 years
Interest rate swaps										
Fixed-for-floating	14	200	-	200	-	13	200	-	200	-
Total	**14**					**13**				

For the €200 million bond issue, changes in the fair value of the hedging instrument and the hedged item within the scope of the fair value hedge are recognized in “Financial income (loss)” as follows:

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Change in fair value of hedging instrument	1	(1)
Change in fair value of hedged item	(1)	1
Impact of fair value EUR interest rate hedges on financial income (loss)	**-**	**-**

Exposure to EUR interest rate risk before and after hedging:

Dec. 31, 2019	Current		Non-current		Total	
(in € millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	2,280	1,082	1,382	591	**3,662**	**1,673**
Other financial assets	45	95	81	29	**126**	**124**
Cash and cash equivalents	1,401	4	-	-	**1,401**	**4**
Net exposure before hedging	**834**	**983**	**1,301**	**562**	**2,135**	**1,545**
Derivatives[1]	-	-	731	200	**731**	**200**
Net exposure after hedging	**834**	**983**	**2,032**	**762**	**2,866**	**1,745**

(1) Notional amount.

Dec. 31, 2020	Current		Non-current		Total	
(in € millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	1,548	846	2,574	104	**4,122**	**950**
Other financial assets	31	95	49	45	**80**	**140**
Cash and cash equivalents	2,666	3	**-**	**-**	**2,666**	**3**
Net exposure before hedging	**(1,149)**	**748**	**2,525**	**59**	**1,376**	**807**
Derivatives[1]	-	-	907	200	**907**	**200**
Net exposure after hedging	**(1,149)**	**748**	**3,432**	**259**	**2,283**	**1,007**

(1) Notional amount.

EXPOSURE TO USD INTEREST RATE RISK

The interest rate on the two outstanding tranches of the US private placement (USPP) set up on February 9, 2012 was converted to a floating rate at inception. Floating-rate borrower/fixed-rate lender USD swaps were set up on these 10-year and 12-year tranches for USD 540 million and USD 505 million, respectively. These swaps are eligible for fair value hedge accounting.
In March 2019, these 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, 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 was 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 1,150 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 575 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.

	Dec. 31, 2019					**Dec. 31, 2020**				
(in € millions)	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
USD interest rate swaps										
Fixed-for-floating	19	1,670	625	1,045	-	39	1,620	575	1,045	-
Floating-for-fixed	(5)	2,295	1,250	1,045	-	(18)	2,509	1,150	1,045	314
Total	**14**					**21**				

For the senior unsecured notes issued on the US market, changes in the fair value of the hedging instrument and the hedged item within the scope of the fair value hedge are recognized in “Financial income (loss)” as follows:

(in € millions)	**Dec. 31, 2019**	**Dec. 31, 2020**
Change in fair value of hedging instrument	26	20
Change in fair value of hedged item	(26)	(20)
Impact of fair value USD interest rate hedges on financial income (loss)	**-**	**-**

Exposure to USD interest rate risk before and after hedging:

Dec. 31, 2019	Current		Non-current		Total	
(in USD millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	136	33	1,262	-	**1,398**	**33**
Other financial assets	-	2	42	-	**42**	**2**
Cash and cash equivalents	287	736	-	-	**287**	**736**
Net exposure before hedging	**(151)**	**(705)**	**1,220**	**-**	**1,069**	**(705)**
Derivatives[(1)]	625	(625)	(1,045)	-	**(420)**	**(625)**
Net exposure after hedging	**474**	**(1,330)**	**175**	**-**	**649**	**(1,330)**

(1) Notional amount.

Dec. 31, 2020	Current		Non-current		Total	
(in USD millions)	Fixed rate	Floating rate	Fixed rate	Floating rate	Fixed rate	Floating rate
Interest-bearing financial liabilities	111	3	1,579	11	**1,690**	**14**
Other financial assets	-	5	57	-	**57**	**5**
Cash and cash equivalents	953	79	**-**	**-**	**953**	**79**
Net exposure before hedging	**(842)**	**(81)**	**1,522**	**11**	**680**	**(70)**
Derivatives[(1)]	575	(575)	(1,359)	-	**(784)**	**(575)**
Net exposure after hedging	**(267)**	**(656)**	**163**	**11**	**(104)**	**(645)**

(1) Notional amount.

SENSITIVITY TO INTEREST RATE RISK

The aggregate sensitivity of net exposures to EUR and USD interest rate risk after the impact of hedging is shown below:

Impact of changes in interest rates (in € millions)	Dec. 31, 2019	Dec. 31, 2020
Interest rate change assumptions	+1%	+1%
Impact on profit or loss (before tax)	(6)	(4)
Impact on equity (before tax)	-	-

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;
- undrawn lines of credit.

Financial investments are diversified and consist of blue-chip securities that are generally 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.

The Group's credit facilities are taken out with top-tier banks.

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.

Note 19, "Trade and other receivables" provides a breakdown of trade receivables by maturity.

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 December 31, 2020, the Group had a confirmed €2,520 million liquidity line. This line was set up in December 2015 and had an original maturity of 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 December 31, 2020. The amount of this line was reduced following the OCEANE bond issue on May 15, 2020, the issue of senior unsecured notes on the US private placement market (USPP) on June 29, 2020, and the OCEANE tap issue carried out on October 12, 2020 (see Note 27, "Interest-bearing financial liabilities" for further details). At December 31, 2020, the facility represented €1,425 million. It is not subject to any financial covenants.

Issues of senior unsecured notes on the US private placement market (USPP) on February 9, 2012 and June 29, 2020 are subject to a financial covenant which states that the net debt to EBITDA ratio must be 2.5 or less at all times (see Note 27, "Interest-bearing financial liabilities"). The covenant is tested every six months and the Group complied with the applicable ratio at December 31, 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 27, "Interest-bearing financial liabilities"): net debt to EBITDA ratio of 3.5 or less. The Group complied with this covenant at December 31, 2020.

The terms "net debt" and "EBITDA" 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).

Note 32 - Interests in joint operations

The Group has interests in a number of joint operations whose contribution is recognized line-by-line in the financial statements. The joint operations are:

- CFM International Inc. and CFM International SA: coordination of the CFM56 and LEAP engine programs with General Electric and program marketing;
- Famat: manufacture of large casings subcontracted by Safran Aircraft Engines and General Electric;
- Matis: manufacture of aircraft wiring;

- CFAN: production of composite fan blades for turbo engines;
- Propulsion Technologies International: engine repair and maintenance.

The table below shows the Group's share in the various financial indicators of these joint operations, which is included in the consolidated financial statements:

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Current assets	126	105
Non-current assets	182	170
Current liabilities	180	143
Non-current liabilities	18	20
Operating income	91	65
Operating expenses	(68)	(55)
Financial income (loss)	(1)	1
Income tax expense	(5)	(6)
Profit for the period	17	4
Other comprehensive income (expense)	2	(9)
Comprehensive income	19	(5)
Cash flow from operating activities(1)	41	(3)
Cash flow used in investing activities	(13)	(10)
Cash flow used in financing activities(1)	(7)	13

(1) See Note 27, "Interest-bearing financial liabilities" – trade receivables factoring programs at CFM Inc.

Note 33 - 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 French State also holds a golden share in Safran Ceramics allowing it to veto any change in control of the company or sale of company assets.

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

(in € millions)	2019	2020
Sales to related parties other than joint ventures	5,413	4,196
Purchases from related parties other than joint ventures	(135)	(91)

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Amounts receivable from related parties other than joint ventures	1,930	1,815
Amounts payable to related parties other than joint ventures	2,639	2,377

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Commitments given to related parties other than joint ventures(1)	2,110	2,005

(1) See Note 34.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)	2019	2020
Sales to joint ventures[1]	380	104
Purchases from joint ventures	(101)	(62)

(1) Mainly with Shannon Engine Support Limited.

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Amounts receivable from joint ventures	180	93
Amounts payable to joint ventures	57	51

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Commitments given to joint ventures[2]	367	252

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

MANAGEMENT COMPENSATION

Management executives comprise the members of the Board of Directors (17 members in 2019 and 18 in 2020), the Chief Executive Officer, and any persons discharging managerial responsibilities considered as having the power to take management decisions with regard to Safran’s strategy and future development, and/or with regular access to inside information concerning Safran (i.e., four directors in 2019 and 2020).

All compensation and benefits awarded to management executives are shown on a gross basis, including the fixed portion of compensation and the provision for the variable portion to be paid in the subsequent year.

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Short-term benefits[1]	10.9	**10.0**
Post-employment benefits	0.8	**0.5**
Other long-term benefits	-	**-**
Termination benefits	-	**-**
Share-based payment	4.3	**0.8**

(1) Compensation, social security contributions, attendance fees and benefit payments, where applicable.

The Company’s total post-employment benefit commitments and other long-term benefit commitments in respect of management executives as recorded in the balance sheet amounted to €9.6 million at December 31, 2020 and €12.0 million at December 31, 2019.

Note 34 - Off-balance sheet commitments and contingent liabilities

34.a. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES RELATING TO THE GROUP'S OPERATING ACTIVITIES

(i) Commitments given and contingent liabilities

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

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Purchase commitments on intangible assets	38	10
Purchase commitments on property, plant and equipment	250	141
Guarantees given in connection with the performance of operating agreements	5,476	5,493
Lease commitments	98	112
Financial guarantees granted on the sale of Group products	23	9
Other commitments given	636	494
Total	**6,521**	**6,259**

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 33, "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 reporting 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 11 million at December 31, 2020 (USD 26 million at December 31, 2019), or €9 million (€23 million at December 31, 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 December 31, 2020 (USD 4 million at December 31, 2019), for which a provision, based on an assessment of the risk, is booked in the financial statements (see Note 24, "Provisions").

Financing commitments granted 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 commitments have been called due to their dissuasive conditions and to the fact that they represent a “last recourse” after the active rental, banking, credit insurance and investor markets.

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 24, “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 35, “Disputes and litigation”.

(ii) Commitments received

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

(in € millions)	**Dec. 31, 2019**	**Dec. 31, 2020**
Commitments received from banks on behalf of suppliers	9	8
Completion warranties	10	8
Endorsements and guarantees received	1	2
Other commitments received	85	44
Total	**105**	**62**

34.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.

(i) Vendor warranties given

(in € millions)	Dec. 31, 2019	Dec. 31, 2020
Vendor warranties given[1]	331	277

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

(ii) Vendor warranties received

(in € millions)	Dec. 31, 2019	Dec. 31, 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 December 31, 2020, as well as a specific indemnity capped at BRL 200 million (€31 million at December 31, 2020) to cover any financial consequences arising from the dispute between Morpho do Brasil and the Brazilian 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 (€60 million at December 31, 2020).

In connection with the sale of Structil on October 2, 2017, Safran Ceramics granted the Hexcel group a vendor warranty initially valued at €37 million, reduced to €1 million at December 31, 2020.

34.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 two trade receivables factoring facilities relating to CFM Inc., under which the related receivables are deconsolidated (see Note 27, "Interest-bearing financial liabilities");
- the confirmed, undrawn syndicated credit line for €2,520 million set up in December 2015 (see Note 31, "Management of market risks and derivatives"); and
- the additional confirmed, undrawn syndicated credit line totaling €1,425 million at December 31, 2020, set up on April 22, 2020 (see Note 31, "Management of market risks and derivatives").

Note 35 - 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. 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. An out-of-court settlement was reached on August 24, 2020, putting an end to this dispute. Safran may be exposed to other legal action in Europe.
  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 36 - Subsequent events

None

Note 37 - List of consolidated companies

	Country	2019 Consolidation method	2019 % interest	2020 Consolidation method	2020 % interest
Safran SA	**France**	**Parent company**			
Aerospace Propulsion					
Safran Aircraft Engines	France	FC	100.00	FC	100.00
CFAN	United States	JO	50.00	JO	50.00
CFM International SA	France	JO	50.00	JO	50.00
CFM International, Inc.	United States	JO	50.00	JO	50.00
CFM Materials LP	United States	EQ	50.00	EQ	50.00
Famat	France	JO	50.00	JO	50.00
Fan Blade Associates, Inc.	United States	FC	100.00	FC	100.00
Safran Aero Composite	France	FC	100.00	FC	100.00
Safran Aerospace Composites, LLC	United States	FC	100.00	FC	100.00
Shannon Engine Support Limited	Ireland	EQ	50.00	EQ	50.00
Safran Aircraft Engines Mexico	Mexico	FC	100.00	FC	100.00
Safran Aircraft Engines Poland	Poland	FC	100.00	FC	100.00
Safran Aircraft Engine Services Americas	Mexico	FC	100.00	FC	100.00
Safran Aircraft Engine Services Morocco	Morocco	FC	51.00	FC	51.00
Safran MDS, S.A. de C.V.	Mexico	FC	100.00	FC	100.00
Snecma Participations	France	FC	100.00	FC	100.00
Snecma Participations, Inc.	United States	FC	100.00	FC	100.00
Safran Aircraft Engine Services Brussels	Belgium	FC	100.00	FC	100.00
Safran Aircraft Engines Suzhou Co, Ltd	China	FC	100.00	FC	100.00
Safran Aircraft Engines Guiyang	China	FC	100.00	FC	100.00
Propulsion Technologies International, LLC	United States	JO	50.00	JO	50.00
Safran Aero Boosters	Belgium	FC	67.19	FC	67.19
Safran Test Cells, Inc.	United States	FC	67.19	FC	67.19
Safran Aero Boosters Programs, LLC	United States	FC	67.19	FC	67.19
Safran Aero Boosters, Inc.	United States	FC	67.19	FC	67.19
Safran Helicopter Engines	France	FC	100.00	FC	100.00
Safran Power Units	France	FC	100.00	FC	100.00
Safran Power Units San Diego, LLC	United States	FC	100.00	FC	100.00
Safran Power Units USA	United States	FC	100.00	FC	100.00
Initium Aerospace, LLC	United States	EQ	50.00	EQ	50.00
Safran Helicopter Engines Asia Pte. Ltd.	Singapore	FC	100.00	FC	100.00
Safran Helicopter Engines Australia Pty Ltd	Australia	FC	100.00	FC	100.00
Safran Moteurs d'Hélicoptères Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Helicopter Engines Brasil Industria e Comercio do Brasil Ltda	Brazil	FC	100.00	FC	100.00
Safran Helicopter Engines Germany GmbH	Germany	FC	100.00	FC	100.00
Safran Helicopter Engines Tianjin Co. Ltd	China	FC	100.00	FC	100.00
Safran Helicopter Engines UK Limited	United Kingdom	FC	100.00	FC	100.00
Safran Helicopter Engines USA, Inc.	United States	FC	100.00	FC	100.00
Safran Helicopter Engines Mexico	Mexico	FC	100.00	FC	100.00
Safran Helicopter Engines South Africa	South Africa	FC	100.00	FC	100.00
Roxel France	France	EQ	50.00	EQ	50.00
Roxel Limited	United Kingdom	EQ	50.00	EQ	50.00
Roxel	France	EQ	50.00	EQ	50.00
Safran Transmission Systems	France	FC	100.00	FC	100.00
Safran Transmission Systems Poland S.p. Z.o.o.	Poland	FC	100.00	FC	100.00
ArianeGroup Holding	France	EQ	50.00	EQ	50.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

	Country	2019 Consolidation method	2019 % interest	2020 Consolidation method	2020 % interest
Aircraft Equipment, Defense and Aerosystems					
Safran Nacelles	France	FC	100.00	FC	100.00
Safran Nacelles Limited	United Kingdom	FC	100.00	FC	100.00
Safran Nacelles Morocco	Morocco	FC	100.00	FC	100.00
Safran Landing Systems	France	FC	100.00	FC	100.00
Aero Precision Repair & Overhaul Company, Inc.	United States	EQ	50.00	EQ	50.00
Safran Landing Systems Services Dinard	France	FC	100.00	FC	100.00
Safran Landing Systems Kentucky, LLC	United States	FC	100.00	FC	100.00
Safran Landing Systems Wheel & Brake Services, LLC	United States	FC	100.00	FC	100.00
Safran Landing Systems Malaysia Sdn. Bhd.	Malaysia	FC	100.00	FC	100.00
Safran Landing Systems Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Landing Systems UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Landing Systems México S.A. de C.V.	Mexico	FC	100.00	FC	100.00
Safran Landing Systems Services Américas S.A. de C.V.	Mexico	FC	100.00	FC	100.00
Safran Landing Systems Services Singapore Pte. Ltd.	Singapore	FC	60.00	FC	60.00
Safran Landing Systems Services Miami, Inc.	United States	FC	100.00	FC	100.00
Safran Landing Systems Services UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Landing Systems Services Querétaro S.A. de C.V.	Mexico	FC	100.00	FC	100.00
Safran Landing Systems Holdings Singapore Pte. Ltd.	Singapore	FC	100.00	FC	100.00
Xi'an Cea Safran Landing Systems Co., Ltd	China	EQ	50.00	EQ	50.00
Safran Filtration Systems	France	FC	100.00	FC	100.00
Safran Landing Systems Suzhou Co., Ltd.	China	FC	100.00	FC	100.00
Safran Electrical & Power	France	FC	100.00	FC	100.00
Aerosource Inc.[(1)]	United States	FC	100.00	-	-
Safran Electrical Components SAS[(2)]	France	-	-	FC	100.00
Safran Electrical & Power Chihuahua SA de CV	Mexico	FC	100.00	FC	100.00
Safran Engineering Services GmbH	Germany	FC	100.00	FC	100.00
Labinal Investments, LLC	United States	FC	100.00	FC	100.00
Safran Electrical & Power USA, LLC	United States	FC	100.00	FC	100.00
Safran Electrical & Power Morocco SA	Morocco	FC	100.00	FC	100.00
Safran Electrical & Power Mexico SA de CV	Mexico	FC	100.00	FC	100.00
Safran Electrical & Power India Private Limited	India	FC	100.00	FC	100.00
Matis Aerospace	Morocco	JO	50.00	JO	50.00
Safran Engineering Services	France	FC	100.00	FC	100.00
Safran Engineering Services India Pvt Ltd	India	FC	100.00	FC	100.00
Safran Engineering Services Maroc	Morocco	FC	100.00	FC	100.00
Safran Engineering Services UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Electrical & Power UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Power USA, LLC	United States	FC	100.00	FC	100.00
Shanghai SAIFEI Aviation EWIS Manufacturing Co., Ltd	China	EQ	49.00	EQ	49.00
Safran Electrical Components Canada Inc.	Canada	FC	100.00	FC	100.00
Innovative Power Solutions LLC	United States	FC	100.00	-	-
Safran Electrical Components UK Limited	United Kingdom	FC	100.00	FC	100.00
Safran Electrical Components USA, Inc.	United States	FC	100.00	FC	100.00
Safran Electrical and Power Tunisia	Tunisia	FC	100.00	FC	100.00
Safran Martin-Baker France	France	EQ	50.00	EQ	50.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

(1) Merged into Safran Power USA LLC on January 1, 2020.

(2) Consolidated in 2020.

	Country	2019 Consolidation method	2019 % interest	2020 Consolidation method	2020 % interest
Safran Electronics & Defense	France	FC	100.00	FC	100.00
Optics 1, Inc.	United States	FC	100.00	FC	100.00
Safran Electronics & Defense Services Asia Pte Ltd	Singapore	FC	60.00	FC	60.00
Safran Electronics & Defense Canada Inc.	Canada	FC	100.00	FC	100.00
Safran Electronics & Defense Avionics USA, LLC	United States	FC	100.00	FC	100.00
Safran Electronics & Defense Germany GmbH	Germany	FC	100.00	FC	100.00
Lynred	France	EQ	50.00	EQ	50.00
Safran Electronics & Defense Morocco(1)	Morocco	-	-	FC	100.00
Safran Electronics & Defense Services Mexico(1)	Mexico	-	-	FC	100.00
Safran Electronics & Defense Cockpit Solution	France	FC	100.00	FC	100.00
Safran Vectronix AG	Switzerland	FC	100.00	FC	100.00
Sagem USA, Inc.	United States	FC	100.00	FC	100.00
Fadec International, LLC	United States	EQ	50.00	EQ	50.00
Safran Reosc	France	FC	100.00	FC	100.00
Safran Colibrys SA	Switzerland	FC	100.00	FC	100.00
Safran Electronics & Defense Actuation	France	FC	100.00	FC	100.00
Pioneer Aerospace Corporation	United States	FC	100.00	FC	100.00
Safran Data Systems Investment	France	FC	100.00	FC	100.00
Safran Data Systems Inc.	United States	FC	100.00	FC	100.00
Safran Data Systems GmbH	Germany	FC	100.00	FC	100.00
Safran Data Systems	France	FC	100.00	FC	100.00
IDD Aerospace Corp.	United States	FC	100.00	FC	100.00
Safran Aerotechnics	France	FC	100.00	FC	100.00
Safran Aerosystems Hydraulics	France	FC	100.00	FC	100.00
Safran Aerosystems Fluid	France	FC	100.00	FC	100.00
Safran Aerosystems Morocco	Morocco	FC	100.00	FC	100.00
Pacific Precision Products Mfg. (2)	United States	FC	100.00	-	-
Avox Systems Inc.	United States	FC	100.00	FC	100.00
Air Cruisers Company, LLC	United States	FC	100.00	FC	100.00
Safran Aerosystems	France	FC	100.00	FC	100.00
Engineered Arresting Systems Corporation	United States	FC	100.00	FC	100.00
Safran Aerosystems Mexico	Mexico	FC	100.00	FC	100.00
Safran Aerosystems Ducts	France	FC	100.00	FC	100.00
Safran Aerosystems Services Americas LLC	United States	FC	100.00	FC	100.00
Safran Aerosystems Services Asia	Singapore	FC	100.00	FC	100.00
Safran Aerosystems Services UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran Aerosystems Services	France	FC	100.00	FC	100.00
Safran Aerosystems Services Middel East DWC – LLC	United Arab Emirates	FC	100.00	FC	100.00
IN-Services Asia Limited	Hong Kong	FC	100.00	FC	100.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

(1) Consolidated in 2020.

(2) Merged into Avox Systems Inc on January 1, 2020.

	Country	2019 Consolidation method	2019 % interest	2020 Consolidation method	2020 % interest
Aircraft Interiors					
Safran Cabin France	France	FC	100.00	FC	100.00
Safran Cabin Investment GmbH	Germany	FC	100.00	FC	100.00
Safran Cabin Sterling, Inc.	United States	FC	100.00	FC	100.00
Safran Cabin Germany GmbH	Germany	FC	100.00	FC	100.00
Safran Cabin Netherlands N.V.	Netherlands	FC	100.00	FC	100.00
Safran Cabin Galleys US, Inc.	United States	FC	100.00	FC	100.00
Safran Cabin CZ s.r.o.	Czech Republic	FC	100.00	FC	100.00
EZ Air Interior Limited	Ireland	EQ	50.00	EQ	50.00
Safran Cabin Materials, LLC	United States	FC	100.00	FC	100.00
Zodiac Composite Monuments Tunisie	Tunisia	FC	100.00	FC	100.00
Safran Cabin, Inc.	United States	FC	100.00	FC	100.00
Safran Cabin Tijuana S.A de C.V.	Mexico	FC	100.00	FC	100.00
Safran Cabin Canada Co.	Canada	FC	100.00	FC	100.00
Safran Cabin Brazil Ltda.	Brazil	FC	100.00	FC	100.00
Safran Cabin Catering, Inc.	United States	FC	100.00	FC	100.00
Safran Cabin Lamphun Ltd.	Thailand	FC	100.00	FC	100.00
Safran Cabin Catering B.V.	Netherlands	FC	100.00	FC	100.00
Safran Cabin Bangkok Ltd.	Thailand	FC	100.00	FC	100.00
Safran Cabin Cargo B.V.	Netherlands	FC	100.00	FC	100.00
Safran Cabin Bellingham, Inc.	United States	FC	100.00	FC	100.00
Safran Seats	France	FC	100.00	FC	100.00
Seats California LLC	United States	FC	100.00	FC	100.00
Safran Seats USA LLC	United States	FC	100.00	FC	100.00
Zodiac Seats Tunisie	Tunisia	FC	100.00	FC	100.00
Safran Seats Santa Maria LLC	United States	FC	100.00	FC	100.00
Safran Seats GB Limited	United Kingdom	FC	100.00	FC	100.00
Safran Ventilation Systems	France	FC	100.00	FC	100.00
Safran Ventilation Systems USA, LLC	United States	FC	100.00	FC	100.00
Northwest Aerospace Technologies, Inc.	United States	FC	100.00	FC	100.00
Greenpoint Technologies, Inc.	United States	FC	100.00	FC	100.00
Evac GmbH	Germany	FC	100.00	FC	100.00
Safran Ventilation Systems Oklahoma, Inc.	United States	FC	100.00	FC	100.00
Safran Passenger Innovations Germany GmbH	Germany	FC	100.00	FC	100.00
Safran Passenger Innovations, LLC	United States	FC	100.00	FC	100.00
Mag Aerospace Industries, LLC	United States	FC	100.00	FC	100.00
Holding company and other					
Établissements Vallaroche	France	FC	100.00	FC	100.00
Safran Ceramics	France	FC	100.00	FC	100.00
Safran UK Ltd	United Kingdom	FC	100.00	FC	100.00
Safran USA Inc.	United States	FC	100.00	FC	100.00
Société de réassurance Vallaroche SA	Luxembourg	FC	100.00	FC	100.00
Zodiac US Corporation	United States	FC	100.00	FC	100.00
Safran Seats GB Investment Limited	United Kingdom	FC	100.00	FC	100.00
Galli Participations	France	FC	100.00	FC	100.00

FC: Full consolidation. JO: Joint operation. EQ: Equity method.

Note 38 - Audit fees

Pursuant to Standard No. 2016-09 issued on December 2, 2016 by the French accounting standards-setter (*Autorité des normes comptables* – ANC), the following table shows the amount of fees paid to the Group's Statutory Auditors as included on the consolidated income statement for the year, a distinction being made between fees charged for the statutory audit of the consolidated financial statements and those charged for other services, where applicable. The fees shown for subsidiaries are those consolidated according to the full consolidation method.

	Ernst & Young				**Mazars**				**TOTAL**			
	Amount (excl. VAT)		%		Amount (excl. VAT)		%		Amount (excl. VAT)		%	
(in € millions)	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**
A) Statutory audit services												
A.1) Safran (issuer)	0.92	0.75	15%	17%	0.74	0.66	13%	14%	1.66	1.41	14%	0%
A.2) Subsidiaries	4.49	3.57	75%	77%	4.41	3.66	79%	80%	8.90	7.23	77%	0%
Sub-total	5.41	4.32	90%	94%	5.15	4.32	92%	94%	10.56	8.64	91%	0%
B) Other services												
B.1) Safran (issuer)	0.18	0.12	3%	2%	0.26	0.16	5%	4%	0.44	0.28	4%	0%
B.2) Subsidiaries	0.39	0.22	7%	4%	0.17	0.12	3%	2%	0.56	0.34	5%	0%
Sub-total	0.57	0.34	10%	6%	0.43	0.28	8%	6%	1.00	0.62	9%	0%
TOTAL	**5.98**	**4.66**	100%	100%	**5.58**	**4.60**	100%	100%	**11.56**	**9.26**	100%	0%

Statutory audit fees

These are payable for all work that is an integral part of the statutory audit, i.e., all work necessary to produce audit reports or any other reports or representations to be made available to the Ordinary Shareholders' Meeting called to approve the financial statements.

Services are provided by the Statutory Auditors and other persons responsible for audits, members of their networks, certifying the parent company and consolidated financial statements of the parent company and fully consolidated subsidiaries in France and other countries.

Fees for other services

These services concern work falling within the scope of services usually rendered in conjunction with the statutory audit engagement (drafting of specific reports and statements, due diligence procedures) or any other specific engagement, generally representing one-off or agreed-on services.

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