



**2023**



**INTERIM  
FINANCIAL  
REPORT**



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



The Interim Financial Report is available on the website at

[safran-group.com](https://www.safran-group.com)



# Declaration by the person responsible

CFM56 engine

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

Paris, July 27, 2023

Chief Executive Officer,

**Olivier Andriès**

# 1

## Interim 2023 activity report

*Airbus A320 carbon brake*

### 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 SA 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 3.f of the 2022 Universal Registration Document).

Accordingly, Safran's consolidated income statement has been adjusted for the impact of:

- purchase price allocations with respect to business combinations. Since 2005, this restatement concerns the amortization charged against intangible assets relating to aircraft programs remeasured at the time of the Sagem-Snecma merger. With effect from the first-half 2010 interim financial statements, the Group decided to restate:

- the impact of purchase price allocations for business combinations, particularly amortization and depreciation charged against intangible assets and property, plant and equipment recognized or remeasured at the time of the transaction and amortized or depreciated over extended periods due to the length of the Group's business cycles, and the impact of remeasuring inventories, as well as
- gains on remeasuring any previously held equity interests in the event of step acquisitions or asset contributions to joint ventures;
- 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 first-half 2023 income statement items is as follows:

(in € millions)	H1 2023 consolidated data	Currency hedges		Business combinations		H1 2023 adjusted data
		Remeasurement of revenue <sup>(1)</sup>	Deferred hedging gain/loss <sup>(2)</sup>	Amortization of intangible assets from Sagem- Snecma merger <sup>(3)</sup>	PPA impacts – other business combinations <sup>(4)</sup>	
<b>Revenue</b>	<b>11,129</b>	<b>(184)</b>	-	-	-	<b>10,945</b>
Other recurring operating income and expenses	(9,772)	14	(5)	19	135	(9,609)
Share in profit from joint ventures	49	-	-	-	12	61
<b>Recurring operating income</b>	<b>1,406</b>	<b>(170)</b>	<b>(5)</b>	<b>19</b>	<b>147</b>	<b>1,397</b>
Other non-recurring operating income and expenses	(57)	-	-	-	-	(57)
<b>Profit from operations</b>	<b>1,349</b>	<b>(170)</b>	<b>(5)</b>	<b>19</b>	<b>147</b>	<b>1,340</b>
Cost of net debt	42	-	-	-	-	42
Foreign exchange gain/loss	1,123	170	(1,272)	-	-	21
Other financial income and expense	-	-	-	-	-	-
<b>Financial income (loss)</b>	<b>1,165</b>	<b>170</b>	<b>(1,272)</b>	-	-	<b>63</b>
Income tax benefit (expense)	(609)	-	329	(5)	(33)	(318)
<b>Profit (loss) for the period</b>	<b>1,905</b>	-	<b>(948)</b>	<b>14</b>	<b>114</b>	<b>1,085</b>
<b>Profit for the period attributable to non-controlling interests</b>	<b>(42)</b>	-	-	-	-	<b>(42)</b>
<b>PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>1,863</b>	-	<b>(948)</b>	<b>14</b>	<b>114</b>	<b>1,043</b>

(1) Remeasurement of foreign-currency denominated revenue net of purchases (by currency) at the hedged rate (including premiums on unwound options) through the reclassification of changes in the fair value of instruments hedging cash flows recognized in profit or loss for the period.

(2) Changes in the fair value of instruments hedging future cash flows that will be recognized in profit or loss in future periods (a negative €1,272 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a negative €5 million at June 30, 2023).

(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 SA-Snecma merger.

(4) Cancellation of the impact of remeasuring assets at the time of the Zodiac Aerospace acquisition for €104 million excluding deferred tax, and cancellation of amortization/impairment of assets identified during other business combinations.

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

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

The impact of these adjustments in first-half 2022 was as follows:

(in € millions)	H1 2022 consolidated data	Currency hedges		Business combinations		H1 2022 adjusted data
		Remeasurement of revenue <sup>(1)</sup>	Deferred hedging gain/loss <sup>(2)</sup>	Amortization of intangible assets from Sagem- Snecma merger <sup>(3)</sup>	PPA impacts – other business combinations <sup>(4)</sup>	
<b>Revenue</b>	<b>8,675</b>	<b>(115)</b>	-	-	-	<b>8,560</b>
Other recurring operating income and expenses	(7,723)	3	3	19	157	(7,541)
Share in profit from joint ventures	16	-	-	-	12	28
<b>Recurring operating income</b>	<b>968</b>	<b>(112)</b>	<b>3</b>	<b>19</b>	<b>169</b>	<b>1,047</b>
Other non-recurring operating income and expenses	(92)	-	-	-	-	(92)
<b>Profit from operations</b>	<b>876</b>	<b>(112)</b>	<b>3</b>	<b>19</b>	<b>169</b>	<b>955</b>
Cost of net debt	(38)	-	-	-	-	(38)
Foreign exchange gain/loss	(5,828)	112	5,601	-	-	(115)
Other financial income and expense	(40)	-	-	-	-	(40)
<b>Financial income (loss)</b>	<b>(5,906)</b>	<b>112</b>	<b>5,601</b>	-	-	<b>(193)</b>
Income tax benefit (expense)	1,283	-	(1,447)	(5)	(42)	(211)
<b>Profit (loss) for the period</b>	<b>(3,747)</b>	-	<b>4,157</b>	<b>14</b>	<b>127</b>	<b>551</b>
<b>Profit for the period attributable to non-controlling interests</b>	<b>(15)</b>	-	-	-	-	<b>(15)</b>
<b>PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>(3,762)</b>	-	<b>4,157</b>	<b>14</b>	<b>127</b>	<b>536</b>

(1) Remeasurement of foreign-currency denominated revenue net of purchases (by currency) at the hedged rate (including premiums on unwound options) through the reclassification of changes in the fair value of instruments hedging cash flows recognized in profit or loss for the period.

(2) Changes in the fair value of instruments hedging future cash flows that will be recognized in profit or loss in future periods (a positive €5,601 million excluding tax), and the impact of taking into account hedges when measuring provisions for losses on completion (a positive €3 million at June 30, 2022).

(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 SA-Snecma merger.

(4) Cancellation of the impact of remeasuring assets at the time of the Zodiac Aerospace acquisition for €139 million excluding deferred tax, and cancellation of amortization/impairment of assets identified during other business combinations.

## 1.1 H1 2023 RESULTS BASED ON ADJUSTED DATA

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

### ADJUSTED INTERIM INCOME STATEMENT

<i>(in € millions)</i>	H1 2022 Adjusted data	H1 2023 Adjusted data
<b>Revenue</b>	<b>8,560</b>	<b>10,945</b>
Other income	210	226
<b>Income from operations</b>	<b>8,770</b>	<b>11,171</b>
Change in inventories of finished goods and work-in-progress	830	707
Capitalized production	169	214
Raw materials and consumables used	(5,241)	(6,696)
Personnel costs	(2,869)	(3,363)
Taxes	(160)	(173)
Depreciation, amortization and increase in provisions, net of use	(443)	(460)
Asset impairment	(90)	(104)
Other recurring operating income and expenses	53	40
Share in profit from joint ventures	28	61
<b>Recurring operating income</b>	<b>1,047</b>	<b>1,397</b>
Other non-recurring operating income and expenses	(92)	(57)
<b>Profit from operations</b>	<b>955</b>	<b>1,340</b>
Cost of net debt	(38)	42
Foreign exchange gain (loss)	(115)	21
Other financial income and expense	(40)	-
<b>Financial income (loss)</b>	<b>(193)</b>	<b>63</b>
<b>Profit before tax</b>	<b>762</b>	<b>1,403</b>
Income tax expense	(211)	(318)
<b>PROFIT FOR THE PERIOD</b>	<b>551</b>	<b>1,085</b>
<b>Attributable to:</b>		
■ owners of the parent	536	1,043
■ non-controlling interests	15	42
<b>Earnings per share attributable to owners of the parent (in €)</b>		
Basic earnings per share	1.26	2.48
Diluted earnings per share	1.22	2.40

## 1.2 BUSINESS COMMENTARY

### H1 2023 key figures

#### Segment breakdown of adjusted revenue

Segment breakdown of adjusted revenue (in € millions)	H1 2022	H1 2023	% change	% change in scope	% change currency	% change organic
Propulsion	4,176	5,677	35.9%	-	1.8%	34.1%
Equipment & Defense	3,506	4,100	16.9%	1.1%	1.4%	14.4%
Aircraft Interiors	870	1,163	33.7%	(1.1)%	1.0%	33.8%
Holding company & Others	8	5	(37.5)%	-	-	(37.5)%
<b>TOTAL GROUP</b>	<b>8,560</b>	<b>10,945</b>	<b>27.9%</b>	<b>0.3%</b>	<b>1.7%</b>	<b>25.9%</b>

#### Segment breakdown of adjusted recurring operating income

Segment breakdown of adjusted recurring operating income (in € millions)	H1 2022	H1 2023	% change
<b>Propulsion</b>	<b>723</b>	<b>1,051</b>	<b>45.4%</b>
% of revenue	17.3%	18.5%	
<b>Equipment &amp; Defense</b>	<b>411</b>	<b>466</b>	<b>13.4%</b>
% of revenue	11.7%	11.4%	
<b>Aircraft Interiors</b>	<b>(82)</b>	<b>(100)</b>	<b>(22.0)%</b>
% of revenue	(9.4)%	(8.6)%	
<b>Holding company &amp; Others</b>	<b>(5)</b>	<b>(20)</b>	<b>n/s</b>
<b>TOTAL GROUP</b>	<b>1,047</b>	<b>1,397</b>	<b>33.4%</b>
% of revenue	12.2%	12.8%	

#### Adjusted revenue by quarter

2023 adjusted revenue by quarter (in € millions)	Q1 2023	Q2 2023	H1 2023
Propulsion	2,714	2,963	5,677
Equipment & Defense	1,966	2,134	4,100
Aircraft Interiors	584	579	1,163
Holding company & Others	2	3	5
<b>TOTAL GROUP</b>	<b>5,266</b>	<b>5,679</b>	<b>10,945</b>

#### Segment operations review

##### Aerospace Propulsion

Propulsion increased by 34.1% supported by a solid civil aftermarket activity (+36.5% in USD) driven by strong spare parts sales for CFM56 as well as service activities. LEAP deliveries reached 785 units (465 in H1 2022), representing a 69% annual growth. Military engine activities benefitted from higher M88 deliveries in France. Helicopter turbines registered a slight growth with both OE and services activities impacted by supply chain issues.

Propulsion recurring operating margin was up by 1.2pt due to a strong civil aftermarket activity which was driven by higher spare parts sales for CFM56. The higher proportion of LEAP spare engine deliveries in H1 had also a positive contribution to the division. Helicopter turbine activities as well as M88 OE deliveries had a negative impact compared to H1 2022.

## Aircraft Equipment, Defense and Aerosystems

Equipment & Defense was up 14.4% mainly driven by aftermarket services across all activities, especially in Nacelles. OE sales were slightly up, impacted by industry-wide supply chain difficulties (landing gears, avionics) and by revised demand.

Equipment & Defense recurring operating margin decreased by 0.3pt. Despite strong growth in services across all activities, the margin was impacted by inflation, higher R&D expenses and supply chain difficulties, notably in landing gear activity and in Electronics & Defense.

## Aircraft Interiors

Aircraft Interiors revenue recorded a 33.8% growth primarily driven by services for all activities. OE Cabin and Passenger Innovation (IFE) activities performed well during the first part of the year. OE Seats revenue was flattish with a fall in volumes on business class seats.

Aircraft Interiors posted a recurring operating loss of €(100) million, including €(33) million depreciation of operating assets (obsolete inventory and development costs on two programs) for Seats. Cabin recovery is on track with a target of being in a positive territory for full year. Seats continues to face cost-overruns in engineering and industrialization on new programs development.

## 1.3 H1 2023 RESULTS BASED ON CONSOLIDATED DATA

<i>(in € millions)</i>	H1 2022	H1 2023
<b>Revenue</b>	<b>8,675</b>	<b>11,129</b>
Other recurring operating income and expenses	(7,723)	(9,772)
Share in profit from joint ventures	16	49
<b>Recurring operating income</b>	<b>968</b>	<b>1,406</b>
Other non-recurring operating income and expenses	(92)	(57)
<b>Profit from operations</b>	<b>876</b>	<b>1,349</b>
Financial income (loss)	(5,906)	1,165
<b>Profit (loss) before tax</b>	<b>(5,030)</b>	<b>2,514</b>
Income tax benefit (expense)	1,283	(609)
<b>Profit (loss) from continuing operations</b>	<b>(3,747)</b>	<b>1,905</b>
Profit from discontinued operations and disposal gain	-	-
Profit for the period attributable to non-controlling interests	(15)	(42)
<b>PROFIT (LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT</b>	<b>(3,762)</b>	<b>1,863</b>

### Consolidated revenue

For first-half 2023, consolidated revenue was €11,129 million, compared to €8,675 million in the same period a year ago.

The difference between adjusted revenue and consolidated revenue is due to the exclusion of foreign currency derivatives from the adjusted figures. Neutralizing the impact of foreign currency hedging increased first-half consolidated revenue by €184 million in 2023 and by €115 million in 2022. The year-on-year change in the impact of foreign currency hedging on revenue results from movements in average exchange rates with regard to the effective hedged rates for the period on

the portion of foreign-currency denominated flows hedged by the Group. For example, the hedged EUR/USD rate for first-half 2023 was 1.13 against an average rate of 1.0811, which explains why netting out the effect of foreign currency hedging results in a consolidated revenue figure that is higher than adjusted revenue.

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

## Consolidated recurring operating income

Recurring operating income came in at €1,406 million for first-half 2023, compared to €968 million for first-half 2022. The difference between recurring operating income and adjusted recurring operating income, which came in at €1,397 million, results in particular from:

- amortization charged against intangible assets measured when allocating the purchase price for the May 2005 Sagem-Snecma business combination, representing €19 million for first-half 2023 (versus €19 million for first-half 2022);
- amortization charged against intangible assets measured when allocating the purchase price for other business combinations, representing €147 million for first-half 2023 (versus €169 million for first-half 2022), and including the

impact of remeasuring assets at fair value as part of the provisional allocation of the Zodiac Aerospace purchase price for €104 million;

- a €170 million positive impact resulting from foreign currency transactions (compared to a €112 million positive impact for first-half 2022), including the remeasurement of foreign-currency denominated revenue (a €184 million positive impact) and of "Other recurring operating income and expenses" (a €14 million negative impact).

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

## Consolidated profit from operations

Profit from operations came in at €1,349 million for first-half 2023, compared to €876 million for first-half 2022.

Profit from operations includes recurring operating income of €1,406 million (versus €968 million for first-half 2022) and a non-recurring expense of €57 million (versus an expense of €92 million for first-half 2022).

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

## Consolidated financial income (loss)

The Group reported consolidated financial income of €1,165 million for first-half 2023, compared to a financial loss of €5,906 million for first-half 2022.

The financial income for the period mainly comprises a €1,272 million gain on foreign currency hedging instruments, a €162 million foreign exchange loss and €13 million in net foreign exchange gains on provisions.

In first-half 2023, the €1,272 million gain on foreign currency hedging instruments reflects changes in the fair value of these instruments attributable to operating cash flows that will be recognized in profit or loss in future periods.

The fair value of the portfolio reflects the immediate liquidation value of the portfolio at the closing rate for the half year (USD 1.0855 to €1) compared with the average rate of the portfolio. The change in the fair value is theoretical for the Group, as currency hedges are unwound when future dollar inflows are received.

## Income tax benefit (expense)

The Group reported an income tax expense of €609 million for first-half 2023, compared to an income tax benefit of €1,283 million for first-half 2022.

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

A projected income tax rate of 25.83% was used to calculate the effective tax rate applicable to French entities in first-half 2023. For the United States, the rate is 23.5%.

## Consolidated profit for the period

The Group reported consolidated profit of €1,905 million for first-half 2023, compared to a loss of €3,747 million for first-half 2022.

## 1.4 BALANCE SHEET AND CASH FLOW

### Consolidated balance sheet

#### Assets

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
Goodwill	4,994	4,941
Tangible & Intangible assets	11,943	11,888
Investments in joint ventures and associates	1,974	1,914
Right of use	566	569
<b>Other non-current assets</b>	<b>2,354</b>	<b>1,978</b>
Derivatives assets	540	1,200
Inventories and WIP	6,408	7,381
Contracts costs	664	733
Trade and other receivables	7,904	8,462
Contracts assets	1,982	2,057
Cash and cash equivalents	6,687	6,147
<b>Other current assets</b>	<b>600</b>	<b>992</b>
Assets held for sale	212	-
<b>TOTAL ASSETS</b>	<b>46,828</b>	<b>48,262</b>

#### Equity and liabilities

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
Equity	10,866	11,221
Provisions	2,567	2,530
Borrowings subject to sp. conditions	302	298
Interest bearing liabilities	6,655	6,397
Derivatives liabilities	5,866	5,264
<b>Other non-current liabilities</b>	<b>1,239</b>	<b>1,261</b>
Trade and other payables	6,298	6,915
Contracts liabilities	12,756	13,977
<b>Other current liabilities</b>	<b>230</b>	<b>399</b>
Liabilities held for sale	49	-
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>46,828</b>	<b>48,262</b>

## Cash flow highlights

(in € millions)	H1 2022	FY 2022	H1 2023
<b>Recurring operating income</b>	<b>968</b>	<b>2,493</b>	<b>1,406</b>
One-off items	(92)	(450)	(57)
Depreciation, amortization, provisions (excluding financial)	677	1,903	610
<b>EBITDA</b>	<b>1,553</b>	<b>3,946</b>	<b>1,959</b>
Income tax and non-cash items	14	(1,130)	23
<b>Cash flow from operations</b>	<b>1,646</b>	<b>2,816</b>	<b>1,982</b>
Changes in working capital	426	729	81
Capex (tangible assets)	(243)	(498)	(348)
Capex (intangible assets)	(29)	(98)	(100)
Capitalization of R&D	(135)	(283)	(152)
<b>Free cash flow</b>	<b>1,665</b>	<b>2,666</b>	<b>1,463</b>
Dividends paid	(225)	(225)	(583)
Divestments/acquisitions and others	(321)	(883)	(1,157)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>1,119</b>	<b>1,558</b>	<b>(277)</b>
Net cash/(Net debt) at beginning of period	(1,544)	(1,544)	14
<b>Net cash/(Net debt) at end of period</b>	<b>(425)</b>	<b>14</b>	<b>(263)</b>

### Free cash flow

Free cash flow<sup>(1)</sup> of €1,463 million benefited from significant advance payments, notably from Rafale export customers. Safran continued to increase its investments in production capacity and low carbon initiatives with capital expenditures up to €(448) million.

The favorable working capital evolution (€81 million) reflects significant customer advance payments as well as strong deferred income from rate per flight hour service contracts offsetting increasing inventories.

### Net debt and financing

As of June 30, 2023, Safran's balance sheet exhibits a €263 million net debt position (vs. net cash of €14 million as at December 31, 2022), including the dividend payment (€564 million to shareholders of the parent company) and the share repurchase program.

As of June 30, 2023, cash and cash equivalent stood at €6,147 million, down from €6,687 million at the end of December 2022.

In March 2023 Safran reimbursed at maturity a €180 million 7-year Euro private placement loan format.

## 1.5 CURRENCY HEDGES

The hedge book amounts to \$50.7 billion in June 2023, down from \$53.7 billion in April 2023. The hedge includes knock-out options with barriers set between \$1.15 to \$1.30, representing a risk on the size of the book and on targeted hedge rates as from 2023 in case of sudden and significant exchange rate fluctuations.

**2023** is hedged: targeted hedge rate of \$1.13, for an estimated net exposure of \$10.0 billion.

**2024** is hedged: targeted hedge rate between \$1.13 and 1.15, for an estimated net exposure of \$11.0 billion.

**2025 and 2026** are hedged: targeted hedge rate between \$1.12 and 1.14, for a respective estimated net exposure of \$12.0 billion and \$13.0 billion.

**2027** is partially hedged: \$9.6 billion hedged out of an estimated net exposure of \$14.0 billion.

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

## 1.6 PORTFOLIO MANAGEMENT

Safran continues to manage actively its asset portfolio in line with strategic priorities:

- Acquisition of Aubert & Duval (with Airbus and Tikehau Capital) closed on April 28<sup>th</sup>, 2023. The consolidation (equity method) within Safran Propulsion division starts from May 2023.
- Divestment of Cargo and Catering activities (within Safran Cabin perimeter) closed on May 31<sup>st</sup>, 2023.
- Acquisition of Thales electrical systems activities expected to close end of Q3 2023.
- Exclusive negotiations with Air Liquide to acquire its aeronautical oxygen and nitrogen activities announced on June 1<sup>st</sup>, 2023. The closing is expected in Q1 2024.
- On July 21<sup>st</sup>, 2023, Safran announced the contemplated acquisition of Collins Aerospace's actuation and flight control business for \$1.8 billion. The closing is expected in H2 2024.

## 1.7 FULL-YEAR 2023 OUTLOOK

Safran raises its full-year 2023 outlook (adjusted data):

- Revenue of at least €23.0 billion (unchanged);
- Recurring operating income of c.€3.1 billion (versus c.€3.0 billion previously);
- Free Cash Flow of at least €2.7 billion (versus at least €2.5 billion previously);
- LEAP engine deliveries: increase by c.50% (unchanged);
- Civil aftermarket revenue (in USD): up mid to high twenties (versus up in the low twenties previously);
- €/\$ spot rate of 1.10 (versus 1.05 previously);
- €/\$ hedge rate of 1.13 (unchanged).

This outlook is based notably, but not exclusively, on the following assumptions:

- No further disruption to the world economy (unchanged);
- Air traffic: narrowbody ASK above 2019 level in 2023 (versus back to 2019 level in the course of 2023 previously);

The main risk factor remains the supply chain production capabilities.

## 1.8 RELATED-PARTY TRANSACTIONS

Readers are invited to refer to section 2, Note 24 of this report and sections 7.1.4 and 8.2.1.3 of the 2022 Universal Registration Document filed with the French financial markets authority (*Autorité des marchés financiers* - AMF) on March 31, 2023 under number D.23-0209.

## 1.9 BONDS CONVERTIBLE INTO NEW SAFRAN SHARES AND/OR EXCHANGEABLE FOR EXISTING SAFRAN SHARES

### Adjustment to the conversion ratio of the bonds convertible into new Safran shares and/or exchangeable for existing Safran shares, due May 15, 2027 (2027 OCEANEs)

As a reminder, on May 15, 2020 Safran issued 7,391,665 bonds (the "Initial Bonds") convertible into new shares and/or exchangeable for existing shares, due May 15, 2027 (2027 OCEANEs). On October 12, 2020, Safran carried out a tap issue of 1,847,916 bonds (the "New Bonds") convertible into new shares and/or exchangeable for existing shares. The New Bonds carry the same terms and conditions as the Initial Bonds, with the exception of the issue price. They are fungible with the Initial Bonds, with which they form a single 2027 OCEANE series. The background, terms and conditions, purpose and impact of the 2027 OCEANE bond issues are presented in section 7.2.3.2, section 3.1, Note 24 and section 3.3, Note 3.9 of the 2022 Universal Registration Document, and section 2, Note 18 of this interim financial report. The reports of the Board of Directors and the Statutory Auditors on the 2027 OCEANEs are presented in section 8.4 of the 2020 Universal Registration Document.

At the Annual General Meeting of May 25, 2023, the shareholders approved a dividend payment of €1.35 per share. The ex-dividend date was May 30, 2023 and the record date was May 31, 2023. Consequently and in accordance with the terms and conditions of the 2027 OCEANEs, the 2027 OCEANE conversion ratio – previously 1.009 Safran shares for 1 2027 OCEANE bond – was adjusted to 1.019 Safran shares for 1 2027 OCEANE bond, effective June 1, 2023. Readers are also invited to refer to section 2, Note 18, "Consolidated shareholders' equity" of this report.

At June 30, 2023, all of the 9,239,581 2027 OCEANEs issued were still outstanding.

### Adjustment to the conversion ratio of the bonds convertible into new Safran shares and/or exchangeable for existing Safran shares, due April 1, 2028 (2028 OCEANEs)

As a reminder, on June 14, 2021 Safran issued 4,035,601 bonds convertible into new shares and/or exchangeable for existing shares, due April 1, 2028 (2028 OCEANEs). The background, terms and conditions, purpose and impact of the 2028 OCEANE bond issues are presented in section 3.1, Note 24, section 3.3, Note 3.9 and section 7.2.3.2 of the 2022 Universal Registration Document, and section 2, Note 18 of this interim financial report. The reports of the Board of Directors and the Statutory Auditors on the 2028 OCEANEs are presented in section 8.4 of the 2021 Universal Registration Document.

At the Annual General Meeting of May 25, 2023, the shareholders approved a dividend payment of €1.35 per share. The ex-dividend date was May 30, 2023 and the record date was May 31, 2023. Consequently and in accordance with the terms and conditions of the 2028 OCEANEs, the 2028 OCEANE conversion ratio – previously 1 Safran share for 1 2028 OCEANE bond – was adjusted to 1.003 Safran shares for 1 2028 OCEANE bond, effective June 1, 2023. Readers are also invited to refer to section 2, Note 18, "Consolidated shareholders' equity" of this report.

At June 30, 2023, all of the 4,035,601 2028 OCEANEs issued were still outstanding.

# 2 Interim financial statements

Additive manufacturing of a titanium hydraulic block for the Airbus A350

The Board of Directors' meeting of July 26, 2023 adopted and authorized the publication of Safran's consolidated financial statements and adjusted income statement for the six-month period ended June 30, 2023.

## CONSOLIDATED INCOME STATEMENT

<i>(in € millions)</i>	Note	First-half 2022	First-half 2023
<b>Revenue</b>	<b>6</b>	<b>8,675</b>	<b>11,129</b>
Other income	7	210	226
<b>Income from operations</b>		<b>8,885</b>	<b>11,355</b>
Change in inventories of finished goods and work-in-progress		830	707
Capitalized production		169	214
Raw materials and consumables used	7	(5,242)	(6,706)
Personnel costs	7	(2,871)	(3,367)
Taxes		(160)	(173)
Depreciation, amortization and increase in provisions, net of use	7	(622)	(609)
Asset impairment	7	(90)	(104)
Other recurring operating income and expenses	7	53	40
Share in profit from joint ventures	16	16	49
<b>Recurring operating income</b>		<b>968</b>	<b>1,406</b>
Other non-recurring operating income and expenses	7	(92)	(57)
<b>Profit from operations</b>		<b>876</b>	<b>1,349</b>
Cost of net debt		(38)	42
Foreign exchange gain (loss)		(5,828)	1,123
Other financial income and expense		(40)	-
<b>Financial income (loss)</b>	<b>8</b>	<b>(5,906)</b>	<b>1,165</b>
<b>Profit (loss) before tax</b>		<b>(5,030)</b>	<b>2,514</b>
Income tax benefit (expense)	9	1,283	(609)
<b>PROFIT (LOSS) FOR THE PERIOD</b>		<b>(3,747)</b>	<b>1,905</b>
<b>Attributable to:</b>			
■ owners of the parent		(3,762)	1,863
■ non-controlling interests		15	42
<b>Earnings per share attributable to owners of the parent (in €)</b>	<b>10</b>		
Basic earnings (loss) per share		(8.81)	4.43
Diluted earnings (loss) per share		(8.81)	4.29

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(in € millions)</i>	Note	First-half 2022	First-half 2023
<b>Profit (loss) for the period</b>		<b>(3,747)</b>	<b>1,905</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Items to be reclassified to profit</b>		<b>541</b>	<b>(76)</b>
Translation adjustments		479	(57)
Remeasurement of hedging instruments		13	(8)
Income tax related to components of other comprehensive income to be reclassified to profit		(5)	2
Share in other comprehensive income (expense) of equity-accounted companies to be reclassified to profit (net of tax)	16	54	(13)
<b>Items not to be reclassified to profit</b>		<b>199</b>	<b>15</b>
Actuarial gains and losses on post-employment benefits		214	19
Income tax related to components of other comprehensive income not to be reclassified to profit		(54)	(5)
Share in other comprehensive income of equity-accounted companies not to be reclassified to profit (net of tax)		39	1
<b>Other comprehensive income (expense) for the period</b>		<b>740</b>	<b>(61)</b>
<b>TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE PERIOD</b>		<b>(3,007)</b>	<b>1,844</b>
<b>Attributable to:</b>			
■ owners of the parent		(3,031)	1,802
■ non-controlling interests		24	42

In first-half 2023, other comprehensive income relating to translation adjustments includes:

- €52 million in translation losses (€477 million in translation gains in first-half 2022) arising in the period on foreign operations;
- €5 million in translation losses (€2 million in translation gains in first-half 2022) arising in the period on long-term financing granted to foreign subsidiaries. This financing meets the criteria for classification as a net investment in a foreign operation, and is treated in accordance with the applicable provisions of IAS 21.

In first-half 2023, other comprehensive income resulting from the remeasurement of hedging instruments includes negative fair value adjustments totaling €8 million (positive fair value adjustments of €13 million in first-half 2022) 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 positive €15 million (see the consolidated statement of changes in shareholders' equity).

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

- €13 million in foreign exchange losses arising in the period on foreign joint ventures (€54 million in foreign exchange gains in first-half 2022);
- €1 million in actuarial gains on pension and similar obligations of joint ventures (€39 million in actuarial gains in first-half 2022).

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

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

	Dec. 31, 2021	June 30, 2022	Dec. 31, 2022	June 30, 2023
Eurozone	1.00%	3.30%	3.70%	3.60%
UK	1.90%	3.80%	4.70%	5.25%

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

	Dec. 31, 2021	June 30, 2022	Dec. 31, 2022	June 30, 2023
UK inflation rate	3.35%	3.35%	3.25%	3.25%

## CONSOLIDATED BALANCE SHEET

### ASSETS

<i>(in € millions)</i>	Note	Dec. 31, 2022	June 30, 2023
Goodwill	11	4,994	4,941
Intangible assets	12	8,096	7,971
Property, plant and equipment	13	3,847	3,917
Right-of-use assets	14	566	569
Non-current financial assets	15	752	667
Investments in equity-accounted companies	16	1,974	1,914
Non-current derivatives (positive fair value)	23	18	9
Deferred tax assets		1,576	1,297
Other non-current financial assets		8	5
<b>Non-current assets</b>		<b>21,831</b>	<b>21,290</b>
Current financial assets	15	242	635
Current derivatives (positive fair value)	23	540	1,200
Inventories and work-in-progress		6,408	7,381
Contract costs		664	733
Trade and other receivables		7,904	8,462
Contract assets		1,982	2,057
Tax assets		358	357
Cash and cash equivalents	17	6,687	6,147
<b>Current assets</b>		<b>24,785</b>	<b>26,972</b>
Assets held for sale		212	-
<b>TOTAL ASSETS</b>		<b>46,828</b>	<b>48,262</b>

### EQUITY AND LIABILITIES

<i>(in € millions)</i>	Note	Dec. 31, 2022	June 30, 2023
Share capital	18	85	85
Consolidated reserves and retained earnings	18	12,785	8,796
Profit (loss) for the period		(2,459)	1,863
<b>Equity attributable to owners of the parent</b>		<b>10,411</b>	<b>10,744</b>
<b>Non-controlling interests</b>		<b>455</b>	<b>477</b>
<b>Total equity</b>		<b>10,866</b>	<b>11,221</b>
Provisions	19	1,549	1,721
Borrowings subject to specific conditions	20	302	298
Non-current interest-bearing financial liabilities	21	5,378	4,699
Non-current derivatives (negative fair value)	23	18	13
Deferred tax liabilities		1,164	1,230
Other non-current financial liabilities	22	75	31
<b>Non-current liabilities</b>		<b>8,486</b>	<b>7,992</b>
Provisions	19	1,018	809
Current interest-bearing financial liabilities	21	1,277	1,698
Trade and other payables		6,298	6,915
Contract liabilities		12,756	13,977
Tax liabilities		105	285
Current derivatives (negative fair value)	23	5,848	5,251
Other current financial liabilities	22	125	114
<b>Current liabilities</b>		<b>27,427</b>	<b>29,049</b>
Liabilities held for sale		49	-
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>46,828</b>	<b>48,262</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in € millions)	Share capital	Additional paid-in capital	Treasury shares	Remeasurement of hedging instruments	Translation adjustments	Consolidated reserves and retained earnings	Actuarial gains and losses on post-employment benefits	Profit (loss) for the period	Other	Equity attributable to owners of the parent	Non-controlling interests	Total
<b>At December 31, 2021</b>	<b>85</b>	<b>4,688</b>	<b>(50)</b>	<b>(2)</b>	<b>341</b>	<b>7,835</b>	<b>(401)</b>	<b>43</b>	<b>302</b>	<b>12,841</b>	<b>429</b>	<b>13,270</b>
Comprehensive income (expense) for the period	-	-	-	13	529	-	262	(3,762)	(73) <sup>(a)</sup>	(3,031)	24	(3,007)
Acquisitions/disposals of treasury shares	-	-	9	-	-	(10)	-	-	-	(1)	-	(1)
Dividends	-	-	-	-	-	(213)	-	-	-	(213)	(12)	(225)
Other movements, including appropriation of profit	-	-	-	-	-	43	-	(43)	10	10	(1)	9
<b>At June 30, 2022</b>	<b>85</b>	<b>4,688</b>	<b>(41)</b>	<b>11</b>	<b>870</b>	<b>7,655</b>	<b>(139)</b>	<b>(3,762)</b>	<b>239</b>	<b>9,606</b>	<b>440</b>	<b>10,046</b>
Comprehensive income (expense) for the period	-	-	-	12	(202)	(1)	(69)	1,303	15 <sup>(a)</sup>	1,058	15	1,073
Acquisitions/disposals of treasury shares	-	-	(269)	-	-	4	-	-	-	(265)	-	(265)
Dividends	-	-	-	-	-	-	-	-	-	-	-	-
Other movements, including appropriation of profit	-	-	-	-	-	-	-	-	12	12	-	12
<b>At December 31, 2022</b>	<b>85</b>	<b>4,688</b>	<b>(310)</b>	<b>23</b>	<b>668</b>	<b>7,658</b>	<b>(208)</b>	<b>(2,459)</b>	<b>266</b>	<b>10,411</b>	<b>455</b>	<b>10,866</b>
Comprehensive income (expense) for the period	-	-	-	(8)	(70)	-	20	1,863	(3) <sup>(a)</sup>	1,802	42	1,844
Acquisitions/disposals of treasury shares	-	-	(933)	-	-	5	-	-	-	(928)	-	(928)
Dividends	-	-	-	-	-	(564)	-	-	-	(564)	(19)	(583)
Other movements, including appropriation of profit	-	-	-	-	-	(2,459)	-	2,459	23	23	(1)	22
<b>AT JUNE 30, 2023</b>	<b>85</b>	<b>4,688</b>	<b>(1,243)</b>	<b>15</b>	<b>598</b>	<b>4,640</b>	<b>(188)</b>	<b>1,863</b>	<b>286</b>	<b>10,744</b>	<b>477</b>	<b>11,221</b>

(a) The comprehensive expense of €3 million for first-half 2023 (attributable to owners of the parent) comprises a negative tax impact on actuarial gains and losses of €5 million and a positive tax impact on foreign exchange differences of €2 million (negative impacts of €68 million and €5 million in first-half 2022, respectively).

## CONSOLIDATED STATEMENT OF CASH FLOWS

(in € millions)	Note	First-half 2022	First-half 2023
<b>I. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit (loss) attributable to owners of the parent		(3,762)	1,863
Depreciation, amortization, impairment and provisions <sup>(1)</sup>		922	752
Share in profit/loss from equity-accounted companies (net of dividends received)	16	64	(39)
Change in fair value of currency and interest rate derivatives <sup>(2)</sup>	23	5,477	(1,260)
Capital gains and losses on asset disposals		(51)	2
Profit attributable to non-controlling interests		15	42
Other <sup>(3)</sup>		(1,019)	622
<b>Cash flow from operations, before change in working capital</b>		<b>1,646</b>	<b>1,982</b>
Change in inventories and work-in-progress		(1,014)	(1,019)
Change in operating receivables and payables		680	153
Change in contract costs		(61)	(79)
Change in contract assets and liabilities		930	1,144
Change in other receivables and payables		(109)	(118)
<b>Change in working capital</b>		<b>426</b>	<b>81</b>
	<b>Total I</b>	<b>2,072</b>	<b>2,063</b>
<b>II. CASH FLOW USED IN INVESTING ACTIVITIES</b>			
Capitalization of R&D expenditure <sup>(4)</sup>	12	(135)	(152)
Payments for the purchase of intangible assets, net <sup>(5)</sup>		(29)	(100)
Payments for the purchase of property, plant and equipment, net <sup>(6)</sup>		(243)	(348)
Payments for the acquisition of investments or businesses, net		(7)	(104)
Proceeds arising from the sale of investments or businesses, net		13	154
Proceeds (payments) arising from the sale (acquisition) of investments and loans, net <sup>(7)</sup>		(206)	(265)
Other movements		-	-
	<b>Total II</b>	<b>(607)</b>	<b>(815)</b>
<b>III. CASH FLOW USED IN FINANCING ACTIVITIES</b>			
Change in share capital – owners of the parent		-	2
Change in share capital – non-controlling interests		-	-
Acquisitions and disposals of treasury shares	18.b	(4)	(931)
Repayment of borrowings and long-term debt <sup>(8)</sup>	21	(539)	(243)
Increase in borrowings <sup>(9)</sup>	21	514	9
Change in repayable advances	20	(17)	(6)
Change in short-term borrowings	21	(249)	(37)
Dividends and interim dividends paid to owners of the parent	18.e	(213)	(564)
Dividends paid to non-controlling interests		(12)	(19)
	<b>Total III</b>	<b>(520)</b>	<b>(1,789)</b>
<b>Effect of changes in foreign exchange rates</b>	<b>Total IV</b>	<b>16</b>	<b>1</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>I+II+III+IV</b>	<b>961</b>	<b>(540)</b>
Cash and cash equivalents at beginning of period		5,247	6,687
Cash and cash equivalents at end of period	17	6,208	6,147
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>961</b>	<b>(540)</b>

(1) Including in first-half 2023: depreciation and amortization for €653 million (€681 million in first-half 2022), impairment charges for €136 million (€227 million in first-half 2022), and provision reversals for €37 million (provision charges for €14 million in first-half 2022).

(2) Including in first-half 2023: a positive €1,257 million arising on currency derivatives (a negative €5,492 million in first-half 2022) (see Note 23, "Management of market risks and derivatives").

(3) Including in first-half 2023: cancellation of deferred tax expense arising on changes in the fair value of currency derivatives for a positive €329 million (cancellation of deferred tax income for a negative €1,447 million in first-half 2022), cancellation of tax expense for a positive €280 million (a positive €164 million in first-half 2022), a negative €31 million in taxes paid (a positive €206 million in first-half 2022), a negative €74 million in interest paid (a negative €48 million in first-half 2022), and a positive €102 million in interest received (a positive €3 million in first-half 2022).

(4) Including in first-half 2023: capitalized interest of €3 million (€3 million in first-half 2022).

(5) Including in first-half 2023: €56 million in disbursements for acquisitions of intangible assets (€32 million in first-half 2022), €4 million in proceeds from disposals (€2 million in first-half 2022), changes in amounts payable on acquisitions of non-current assets representing a negative €52 million (a positive €4 million in first-half 2022), and changes in amounts receivable on disposals of non-current assets representing a positive €4 million (a negative €3 million in first-half 2022).

(6) Including in first-half 2023: €353 million in disbursements for acquisitions of property, plant and equipment (€263 million in first-half 2022), changes in amounts payable on acquisitions of non-current assets representing a positive €1 million (a negative €6 million in first-half 2022), €4 million in proceeds from disposals (€22 million in first-half 2022), and changes in amounts receivable on disposals of non-current assets representing zero (a positive €4 million in first-half 2022).

(7) Including in first-half 2023: €200 million in investments that do not qualify as cash and cash equivalents (€200 million in first-half 2022).

(8) Including in first-half 2023: an outflow of €180 million relating to the redemption of the Euro private placement (Euro PP) (an outflow of €470 relating to the redemption of tranche 2 of the USPP in first-half 2022).

(9) Including in first-half 2022: an inflow of €500 million relating to the drawdown of the EIB loan.

## NOTES TO THE GROUP CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

The accounting rules and methods applied by the Group in accordance with international financial reporting standards are presented in Note 2, "Accounting policies".

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

The Board of Directors' meeting of July 26, 2023 adopted and authorized for issue the 2023 condensed interim consolidated financial statements.

## NOTE 1 FINANCIAL IMPACTS OF CLIMATE CHANGE

In line with its core purpose (*raison d'être*), Safran has embarked upon a proactive program to reduce its carbon footprint. Since 2022, the Group has pursued ambitious targets for the various categories of emissions linked to its business:

- reducing emissions from its operations (Scopes 1 and 2) by 30% between 2018 and 2025, and by 50% between 2018 and 2030. These objectives are aligned with an emissions reduction trajectory that is compatible with a global warming scenario of 1.5°C by the end of the century;
- reducing emissions linked to the use of its products (Scope 3) by 42.5% per seat kilometer by 2035 compared to 2018;
- mobilizing its 400 main suppliers on meeting the commitments under the Paris Agreement to keep global warming to well below 2°C and preferably to 1.5°C.

In early 2023, the independent Science-Based Targets initiative (SBTi) validated the greenhouse gas (GHG) emissions reduction targets set by Safran, showing they are aligned with the goals of the Paris Agreement adopted at COP21 in December 2015.

Safran is working on supplying renewable energy to its sites.

Safran has launched solar energy production at its French sites to reduce their carbon footprint, and will generate part of its energy needs by installing solar panels at 17 of its sites in France.

The Safran Nacelles plant in Gonfreville-Lorcher (Normandy) will be the first to come on stream in summer 2023, while the system at Safran Aircraft Engines in Corbeil (near Paris) will be one of the largest self-consumption PV arrays on any industrial site in France.

The Group is pursuing the same initiative in the rest of the world, with PV installation projects completed in various countries (Morocco, Belgium, the United Kingdom, China, Thailand, Singapore, Australia, Mexico, Tunisia, India and Malaysia).

Climate change-related challenges are taken into account in the financial statements as follows:

### Property, plant and equipment – Sustainable investments and other expenses relating to the climate and protecting the environment – Renewable energy supply contracts

The Group has set up power purchase agreements (PPA) in Morocco, the United Kingdom and Malaysia.

The agreements have been analyzed to determine the appropriate accounting treatment, and have been recognized either as property, plant and equipment or as binding commitments to purchase energy and services associated with the power generation facilities.

The Group is currently negotiating a virtual power purchase agreement (VPPA) in the United States.

In addition, Safran has introduced an internal carbon price for its investment projects in the form of a shadow price of USD 80/t CO<sub>2</sub>, in order to swing decisions in favor of solutions including decarbonization initiatives. The price, which is used for the economic valuation of investments, does not give rise to any financial flows and has no impact on the financial statements.

The depreciation periods of the main assets take into account decarbonization initiatives and have not been revised.

### Research and Technology

The R&T priorities set by Safran are fully in line with the priorities defined in the French recovery plan, which has set a goal of developing a low-carbon aircraft by 2035.

Safran forges partnerships with other industrial players. For example, Safran Aircraft Engines is coordinating the demonstration program for new open fan engine technologies as part of Clean Aviation's OFELIA project, while Safran Helicopter Engines is working with Aura Aero on an electric-hybrid propulsion project for electric regional aircraft (ERA).

Gross R&T costs represented approximately €390 million in first-half 2023, mainly invested in projects aiming to develop key technologies for carbon-free aviation.

### Payroll costs

Safran incorporates CSR objectives into its compensation policies, mainly in new profit-sharing agreements and executive long-term compensation plans.

## NOTE 2 ACCOUNTING POLICIES

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

The condensed interim consolidated financial statements at June 30, 2023 have been prepared in accordance with IAS 34, "Interim Financial Reporting" and with all the standards and interpretations adopted by the European Union and applicable to accounting periods beginning on or after January 1, 2023.

In preparing these condensed interim consolidated financial statements at June 30, 2023, Safran applied the same accounting rules and methods as those applied in the preparation of its consolidated financial statements for the year ended December 31, 2022 (see section 3.1, Note 3 of the 2022 Universal Registration Document), except as regards the specific requirements of IAS 34 (use of projected annual rates in calculating the Group's income tax, adjusted for the main permanent differences) and the changes described below.

### Changes in accounting policies

#### New IFRS standards, amendments and interpretations effective as of January 1, 2023

- IFRS 17, "Insurance Contracts" and related amendments.
- Amendments to IFRS 17, "Insurance Contracts" - Initial Application of IFRS 17 and IFRS 9 - Comparative Information.
- Amendments to IAS 1, "Presentation of Financial Statements" and IFRS Practice Statement 2 - Disclosure of Accounting Policies.
- Amendments to IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Accounting Estimates.
- Amendments to IAS 12, "Income Taxes" - Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The standards, amendments and interpretations effective for reporting periods beginning on or after January 1, 2023 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, 2023

None.

#### Standards, amendments and interpretations not adopted by the European Union as of June 30, 2023 or not yet effective as of January 1, 2023

The IASB has published the following standards, amendments and interpretations, which Safran does not currently expect to have a material impact on the Group's consolidated financial statements:

- Amendments to IAS 1, "Presentation of Financial Statements" - Classification of Liabilities as Current and Non-current and Non-current Liabilities with Covenants.
- Amendments to IFRS 16, "Leases" - Lease Liability in a Sale and Leaseback.
- Amendments to IAS 7, "Statement of Cash Flows" and IFRS 7, "Financial Instruments: Disclosures" - Supplier Finance Arrangements.

The IASB has also published amendments to IAS 12, "Income Taxes" - International Tax Reform - Pillar Two Model Rules.

These amendments are expected to be adopted by the European Union in second-half 2023. Because of its size, the Group is affected by these provisions, and must ensure that it is subject to a minimum tax rate of 15% in the jurisdictions in which it operates. Work is currently underway to estimate the impact of these new provisions and ensure that the Group is in a position to meet its new disclosure requirements.

## NOTE 3 MAIN SOURCES OF ESTIMATES

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

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

Estimates and underlying assumptions are reviewed on an ongoing basis. They take into account the direct and indirect consequences of the situation in Ukraine and the sanctions imposed on Russia and Belarus.

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 as well as the impacts of the climate strategy of each such program and contract.

These estimates primarily draw on assumptions about the volumes, output and selling prices of products sold and associated production costs, including inflation assumptions. They also draw on 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 expenditure and property, plant and equipment used in production) are tested for impairment as described in section 3.1, Note 3.m of the 2022 Universal Registration Document. The recoverable amount of these assets is generally determined using cash flow forecasts;

- **capitalization of development expenditures:** the conditions for capitalizing development expenditure are set out in section 3.1, Note 3.j of the 2022 Universal Registration Document. Determining whether future economic benefits are expected to flow to the Group is instrumental in deciding whether project costs can be capitalized. This analysis is carried out based on future cash flow forecasts. The Group also uses estimates when determining the useful life of its projects;

- **profit (loss) on completion of contracts accounted for on a percentage-of-completion basis:** the Group accounts for contracts on a percentage-of-completion basis (cost-to-cost method). Under this method, revenue is recognized based on the percentage of work completed, calculated by reference to the costs incurred. This method requires an estimate of results on completion using future cash flow forecasts that take into account contractual indexes and commitments as well as other factors inherent to the contract based on historical and/or forecast data. This method also requires an estimate of the contract's stage of completion.

When the total costs that are necessary to cover the Group's risks and obligations under the contract are likely to exceed total contract revenue, the expected loss (i) is recognized within provisions for losses on completion or (ii) leads to the write-down of contract fulfillment costs (if any) and to the subsequent recognition of a provision for losses on completion for the remaining amount of the loss;

- **timing of revenue recognition:** the recognition of revenue under certain contracts is based on delivery volume assumptions. These assumptions therefore influence the timing of revenue recognition;
- **variable consideration:** the transaction price may be comprised of both a fixed amount and a variable amount. This variable amount may, in particular, depend on volume assumptions which therefore require the use of estimates;
- **losses arising on delivery commitments:** sales contracts (or combinations of contracts) may be onerous. For all sales contracts or combinations of contracts, the Group estimates the volume of goods to be delivered as well as spare parts and services directly related to the delivery commitment, which may be contractual or highly probable. Accordingly, the Group recognizes a provision for losses arising on delivery commitments when the combination of contracts is onerous and a loss is likely to be incurred. It uses estimates, notably as regards the volume of goods to be produced and delivered under the sales contracts or combinations of contracts, as well as the volume of directly-related spare parts and services, projected production costs and the expected economic benefits;
- **repayable advances:** the forecast repayment of advances received from public bodies is based on revenue from future sales of engines, equipment and spare parts, as appropriate. As a result, the forecasts are closely related to the business plans prepared by the operating divisions.

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

## b) Provisions

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

When estimating provisions relating to the Group's contractual commitments on timeframes and technical specifications in connection with the development phase, the general stage of development of each of the Group's programs is taken into account, particularly as regards any 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.

In addition, French law no. 2023-270 of April 14, 2023 amending the Social Security Financing Act for 2023 has reformed pensions in France by changing the conditions for exercising rights under pension plans, namely increasing the retirement age and extending the contribution period.

The consequences of the reform constitute a plan amendment within the meaning of IAS 19, whose impact is recognized directly in the income statement under past service cost.

Safran has estimated the impact on its main French entities at the period-end, representing income of around €6 million in the financial statements at June 30, 2023. The definitive amount of the impact will be updated at December 31, 2023 when the actuaries make their final calculations.

## d) Trade receivables, contract assets 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 26, "Disputes and litigation").

The Group's management takes stock of any outstanding proceedings and monitors their progress on a regular basis. It also decides whether to book a provision or adjust the amount of any existing provision if events arise during the proceedings that require a reassessment of the risk involved. The Group consults legal experts both within and outside the Group in estimating the risk and 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 2023

#### Disposals

##### Disposal of Safran Cabin Catering and Safran Cabin Cargo

On December 6, 2022, the Group entered into exclusive negotiations to sell the Safran Cabin Catering and Safran Cabin Cargo businesses. A memorandum of understanding was signed between the parties on January 13, 2023.

The Safran Cabin Catering and Safran Cabin Cargo businesses, which were classified as assets held for sale at December 31, 2022, were sold on May 31, 2023.

The capital loss on the disposal was recognized in non-recurring operating income in the amount of €1 million (see Note 7, "Breakdown of the other main components of profit from operations").

#### Acquisitions

##### Acquisition of Aubert & Duval

After signing a memorandum of understanding with the mining and metallurgical group Eramet on February 22, 2022 to acquire its subsidiary Aubert & Duval, the consortium comprising Safran, Airbus and Tikehau Ace Capital signed a purchase agreement on June 21, 2022.

In May 2022, Safran, Airbus and Tikehau Ace Capital set up a new company, AD Holding, equally owned by the three shareholders (33.33% each), to acquire Aubert & Duval.

On December 22, 2022, the European Commission authorized Safran, Airbus and Tikehau Ace Capital to acquire Aubert & Duval, a subsidiary of the Eramet group, subject to approval by the Chinese competition authorities.

On April 28, 2023, all the requisite conditions having been met, AD Holding finalized the acquisition of Aubert & Duval from the Eramet group.

Aubert & Duval's cutting-edge know-how in specialty steels and superalloys, and its more recently acquired expertise in titanium, are crucial to the aerospace, transportation, energy, defense and medical markets.

The company generated revenue of €550 million in 2022.

The acquisition has been accounted for under the equity method in Safran's financial statements since May 1, 2023, within the Propulsion segment. The consolidated financial statements include two months of activity for Aubert & Duval, representing a negative contribution of €8 million under "Share in profit (loss) from joint ventures".

Work is currently underway to measure the fair value of the identifiable assets acquired and liabilities assumed.

#### Transactions in progress

##### Acquisition of Thales' aeronautical electrical systems business

On September 5, 2022, Safran entered into negotiations with Thales to acquire its aeronautical electrical systems business. On December 20, 2022, the two companies signed a purchase agreement. With the timetable for approval by the competition authorities having been postponed, the transaction is expected to be finalized during second-half 2023.

Present in power generation and electric motors for the civil and military aeronautics sector, the acquisition of Thales' business will enable Safran to further its efforts nationally in the electrical aeronautics market.

Thales' aeronautical electrical systems business employs nearly 600 people and generated revenue of €124 million in 2021.

##### Acquisition of Air Liquide's aeronautical oxygen and nitrogen activities

On June 1, 2023, Safran announced that it had entered into exclusive negotiations with Air Liquide to acquire its aeronautical oxygen and nitrogen technology activities.

Based in Isère, France, Air Liquide's aeronautical technology activities are focused primarily on oxygen and nitrogen equipment and systems. They employ nearly 220 people and generated revenue of more than €40 million in 2022.

The acquisition would round out Safran Aerosystems' range of products. In particular, acquiring Air Liquide's on-board oxygen generation systems (OBOGS) would see Safran Aerosystems become a leading player through systems integration.

### Main changes in the scope of consolidation in 2022

#### Disposals

##### Disposal of Safran Arresting Systems (emergency ground arresting systems for military aircraft business)

On January 21, 2022, Safran signed an agreement with Curtiss-Wright to sell the assets of its "emergency ground arresting systems for military aircraft" business in France and the United States. The transaction was subject to the usual regulatory approvals and was completed on June 30, 2022.

##### Disposal of Pioneer Aerospace Corporation

On April 15, 2022, Safran sold its subsidiary Pioneer Aerospace Corporation, an aviation market player specialized in safety control systems and parachute release and launch platforms.

These two disposals represented a capital gain of €63 million, recognized in non-recurring operating income.

## Acquisitions

### Acquisition of Orolia

As part of the acquisition of Orolia from Eurazeo alongside the founders and management, a share sale agreement was signed on January 11, 2022.

The transaction was finalized on July 7, 2022 following the receipt of the necessary regulatory approvals.

Orolia is one of the world leaders in Resilient Positioning, Navigation and Timing (PNT) solutions which improve the reliability, performance and safety of critical civilian, military and space operations, including in harsh or altered Global Navigation Satellite System (GNSS) environments.

The purchase price amounted to approximately €400 million.

The final allocation of the purchase price is as follows:

<i>(in € millions)</i>	<b>Fair value at acquisition date</b>
Intangible assets	204
Property, plant and equipment	17
Financial assets	27
Inventories	38
Other current and non-current assets and liabilities	(16)
Net debt	(65)
Deferred tax liabilities	(44)
<b>Net assets</b>	<b>161</b>
<b>Purchase price of shares</b>	<b>419</b>
<b>Definitive goodwill</b>	<b>258</b>

### Acquisition of a stake in CILAS

On November 2, 2022, Safran and MBDA completed the acquisition of a 63% stake in Compagnie Industrielle des Lasers (CILAS), previously held by ArianeGroup SAS and consolidated within ArianeGroup. The acquisition was carried out through a specially created 50-50 joint company, HMS Laser.

Orolia has been fully consolidated in the Group's financial statements since July 1, 2022, within the Safran Electronics & Defense CGU.

The company generated revenue of around €80 million in second-half 2022.

At December 31, 2022, the preliminary allocation of the purchase price to the assets and liabilities measured at fair value generated provisional goodwill of €297 million.

During first-half 2023, the allocation of the purchase price of Orolia was finalized in accordance with IFRS 3, "Business Combinations".

Following the finalization of the purchase price allocation, definitive goodwill was recognized in an amount of €258 million.

CILAS is a recognized expert in laser and optronics. The defense company is specialized in laser rangefinders for tanks, helicopters, naval firing control systems and laser designators for guided weapons.

HMS Laser and its subsidiary CILAS have been accounted for under the equity method in the Group's consolidated financial statements since November 1, 2022.

The impact of the change in the ownership structure of CILAS is not material.

## 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 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.

It 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, and electrical inserts and trolleys.

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).

Quantified segment information for 2022 and 2023 is presented below:

## Segment information

AT JUNE 30, 2023

(in € millions)	Aircraft Equipment, Defense and Aerosystems			Total operating segments	Holding company and other	Total adjusted data	Currency hedges	Impacts of business combinations	Total consolidated data
	Aerospace Propulsion	Defense and Aerosystems	Aircraft Interiors						
<b>Revenue</b>	<b>5,677</b>	<b>4,100</b>	<b>1,163</b>	<b>10,940</b>	<b>5</b>	<b>10,945</b>	<b>184</b>	<b>-</b>	<b>11,129</b>
<b>Recurring operating income (loss)</b>	<b>1,051</b>	<b>466</b>	<b>(100)</b>	<b>1,417</b>	<b>(20)</b>	<b>1,397</b>	<b>175</b>	<b>(166)</b>	<b>1,406</b>
Other non-recurring operating income and expenses	(5)	(7)	(38)	(50)	(7)	(57)	-	-	(57)
<b>Profit (loss) from operations</b>	<b>1,046</b>	<b>459</b>	<b>(138)</b>	<b>1,367</b>	<b>(27)</b>	<b>1,340</b>	<b>175</b>	<b>(166)</b>	<b>1,349</b>
<b>Free cash flow</b>	<b>1,498</b>	<b>(42)</b>	<b>(192)</b>	<b>1,264</b>	<b>199</b>	<b>1,463</b>	<b>-</b>	<b>-</b>	<b>1,463</b>

## 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 below 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 2).

Data for each business segment are prepared in accordance with the same accounting principles as those used for the consolidated financial statements (see section 3.1, Note 3 of the 2022 Universal Registration Document), except for the restatements made in respect of adjusted data (see Foreword).

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

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

## AT JUNE 30, 2022

(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
<b>Revenue</b>	<b>4,176</b>	<b>3,506</b>	<b>870</b>	<b>8,552</b>	<b>8</b>	<b>8,560</b>	<b>115</b>	<b>-</b>	<b>8,675</b>
<b>Recurring operating income (loss)</b>	<b>723</b>	<b>411</b>	<b>(82)</b>	<b>1,052</b>	<b>(5)</b>	<b>1,047</b>	<b>109</b>	<b>(188)</b>	<b>968</b>
Other non-recurring operating income and expenses	(129)	42	(4)	(91)	(1)	(92)	-	-	(92)
<b>Profit (loss) from operations</b>	<b>594</b>	<b>453</b>	<b>(86)</b>	<b>961</b>	<b>(6)</b>	<b>955</b>	<b>109</b>	<b>(188)</b>	<b>876</b>
<b>Free cash flow</b>	<b>1,265</b>	<b>270</b>	<b>(219)</b>	<b>1,316</b>	<b>349</b>	<b>1,665</b>	<b>-</b>	<b>-</b>	<b>1,665</b>

## Revenue (adjusted data)

(in € millions)	First-half 2022	First-half 2023
<b>AEROSPACE PROPULSION</b>		
Original equipment and related products and services	1,421	2,244
Services	2,669	3,292
Sales of studies	53	68
Other	33	73
<b>Sub-total</b>	<b>4,176</b>	<b>5,677</b>
<b>AIRCRAFT EQUIPMENT, DEFENSE AND AEROSYSTEMS</b>		
Original equipment and related products and services	1,996	2,251
Services	1,332	1,674
Sales of studies	125	121
Other	53	54
<b>Sub-total</b>	<b>3,506</b>	<b>4,100</b>
<b>AIRCRAFT INTERIORS</b>		
Original equipment and related products and services	606	754
Services	257	400
Sales of studies	7	9
Other	-	-
<b>Sub-total</b>	<b>870</b>	<b>1,163</b>
<b>HOLDING COMPANY AND OTHER</b>		
Sales of studies and other	8	5
<b>Sub-total</b>	<b>8</b>	<b>5</b>
<b>TOTAL</b>	<b>8,560</b>	<b>10,945</b>

## Information by geographic area

## FIRST-HALF 2023

(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	2,270	2,651	3,911	1,283	830	10,945	184	11,129
%	21%	24%	36%	11%	8%			

## FIRST-HALF 2022

(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	1,935	1,627	3,247	972	779	8,560	115	8,675
%	23%	19%	38%	11%	9%			

## NOTE 6 REVENUE

### Breakdown of revenue by business

#### FIRST-HALF 2023

<i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Holding company and other	Total
<b>DESCRIPTION OF PRODUCTS/SERVICES</b>					
Sales of original equipment and other equipment	2,291	2,265	755	-	5,311
Services	3,359	1,683	403	-	5,445
Sales of studies	70	122	8	1	201
Other	97	67	4	4	172
<b>TOTAL REVENUE</b>	<b>5,817</b>	<b>4,137</b>	<b>1,170</b>	<b>5</b>	<b>11,129</b>
<b>TIMING OF REVENUE RECOGNITION</b>					
At a point in time	4,742	3,636	1,160	5	9,543
Over time	1,075	501	10	-	1,586
<b>TOTAL REVENUE</b>	<b>5,817</b>	<b>4,137</b>	<b>1,170</b>	<b>5</b>	<b>11,129</b>

#### FIRST-HALF 2022

<i>(in € millions)</i>	Aerospace Propulsion	Aircraft Equipment, Defense and Aerosystems	Aircraft Interiors	Holding company and other	Total
<b>DESCRIPTION OF PRODUCTS/SERVICES</b>					
Sales of original equipment and other equipment	1,444	2,007	608	-	4,059
Services	2,710	1,341	258	-	4,309
Sales of studies	54	126	7	5	192
Other	48	64	-	3	115
<b>TOTAL REVENUE</b>	<b>4,256</b>	<b>3,538</b>	<b>873</b>	<b>8</b>	<b>8,675</b>
<b>TIMING OF REVENUE RECOGNITION</b>					
At a point in time	3,325	3,142	867	6	7,340
Over time	931	396	6	2	1,335
<b>TOTAL REVENUE</b>	<b>4,256</b>	<b>3,538</b>	<b>873</b>	<b>8</b>	<b>8,675</b>

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

### Sales of original equipment and other equipment

These sales reflect quantities delivered under contracts or aircraft, helicopter and defense 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 or helicopter 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.

### Miscellaneous activities, which are included in "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.

Revenue from contract-related activities accounted for as an overall performance obligation is also recognized on a percentage-of-completion basis.

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

### Other income

<i>(in € millions)</i>	First-half 2022	First-half 2023
Research tax credit	80	77
Other operating subsidies <sup>(1)</sup>	118	136
Other operating income	12	13
<b>TOTAL</b>	<b>210</b>	<b>226</b>

(1) Including €128 million in research and technology subsidies in first-half 2023 (€107 million in first-half 2022).

### Raw materials and consumables used

This caption breaks down as follows for the period:

<i>(in € millions)</i>	First-half 2022	First-half 2023
Raw materials, supplies and other	(2,129)	(2,526)
Bought-in goods	(9)	(95)
Changes in inventories	202	312
Contract costs	60	79
Sub-contracting	(1,927)	(2,607)
Purchases not held in inventory	(275)	(355)
External service expenses	(1,164)	(1,514)
<b>TOTAL</b>	<b>(5,242)</b>	<b>(6,706)</b>

## Personnel costs

<i>(in € millions)</i>	First-half 2022	First-half 2023
Wages and salaries	(1,885)	(2,167)
Social security contributions	(761)	(830)
Statutory employee profit-sharing	(67)	(96)
Optional employee profit-sharing	(59)	(98)
Additional contributions	(2)	(44)
Corporate social contribution	(22)	(44)
Other employee costs	(75)	(88)
<b>TOTAL</b>	<b>(2,871)</b>	<b>(3,367)</b>

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

<i>(in € millions)</i>	First-half 2022	First-half 2023
<b>Net depreciation and amortization expense</b>		
■ intangible assets	(331)	(322)
■ property, plant and equipment	(300)	(279)
■ right-of-use assets	(50)	(52)
<b>Total net depreciation and amortization expense<sup>(1)</sup></b>	<b>(681)</b>	<b>(653)</b>
<b>Net reversals from provisions</b>	<b>59</b>	<b>44</b>
<b>DEPRECIATION, AMORTIZATION AND INCREASE IN PROVISIONS, NET OF USE</b>	<b>(622)</b>	<b>(609)</b>

(1) Of which depreciation and amortization of assets measured at fair value at the time of the Sagem SA-Snecma merger: €19 million in first-half 2023 and €19 million in first-half 2022; during the acquisition of the former Zodiac Aerospace: €104 million in first-half 2023 and €139 million in first-half 2022; and during other acquisitions: €31 million in first-half 2023 and €18 million in first-half 2022.

## Asset impairment

<i>(in € millions)</i>	Impairment expense		Reversals	
	First-half 2022	First-half 2023	First-half 2022	First-half 2023
Intangible assets, property, plant and equipment, and right-of-use assets	(6)	(2)	24	8
Financial assets	(1)	(2)	-	1
Contract costs	(9)	(13)	3	-
Inventories and work-in-progress	(176)	(213)	73	142
Receivables	(28)	(60)	30	35
Contract assets	-	-	-	-
<b>TOTAL</b>	<b>(220)</b>	<b>(290)</b>	<b>130</b>	<b>186</b>

## Other recurring operating income and expenses

<i>(in € millions)</i>	First-half 2022	First-half 2023
Capital gains and losses on asset disposals	(21)	(5)
Royalties, patents and licenses	(2)	(4)
Losses on irrecoverable receivables	(1)	(6)
Other operating income and expenses	77	55
<b>TOTAL</b>	<b>53</b>	<b>40</b>

## Other non-recurring operating income and expenses

<i>(in € millions)</i>	First-half 2022	First-half 2023
Capital gains and losses on asset disposals	60	(1)
Asset impairment net of reversals	(128)	(35)
Other non-recurring items	(24)	(21)
<b>TOTAL</b>	<b>(92)</b>	<b>(57)</b>

In first-half 2023, capital gains and losses on asset disposals result from the disposals outlined in Note 4, "Scope of consolidation".

In first-half 2023, write-downs of €35 million taken against intangible assets concern aircraft programs in the Aircraft Interiors segment.

Other non-recurring items, representing an expense of €21 million, relate to:

- restructuring costs including adaptation plans and costs relating to site closures totaling €13 million;
- transaction and integration costs totaling €8 million.

In first-half 2022, the impairment expense recognized by the Group in non-recurring income and expenses mainly comprised write-downs of €128 million taken against intangible assets.

Other non-recurring items, representing an expense of €24 million, mainly corresponded to asset impairment totaling €22 million and transaction and integration costs totaling €2 million.

## NOTE 8 FINANCIAL INCOME (LOSS)

<i>(in € millions)</i>	First-half 2022	First-half 2023
Financial expense on interest-bearing financial liabilities	(40)	(61)
Financial income on cash and cash equivalents	2	103
<b>Cost of net debt</b>	<b>(38)</b>	<b>42</b>
Gain (loss) on foreign currency hedging instruments	(5,601)	1,272
Foreign exchange gain (loss)	(145)	(162)
Net foreign exchange gain (loss) on provisions	(82)	13
<b>Foreign exchange gain (loss)</b>	<b>(5,828)</b>	<b>1,123</b>
Gain (loss) on interest rate hedging instruments	3	-
Capital gain (loss) on financial asset disposals	1	(1)
Change in the fair value of assets at fair value through profit or loss	(30)	6
Impairment of loans and other financial receivables	(14)	-
Dividends received	1	-
Other financial provisions	(1)	-
Interest component of IAS 19 expense	(3)	(9)
Impact of unwinding the discount	13	(1)
Other	(10)	5
<b>Other financial income and expense</b>	<b>(40)</b>	<b>-</b>
<b>FINANCIAL INCOME (LOSS)</b>	<b>(5,906)</b>	<b>1,165</b>
■ Of which financial expense	<b>(5,926)</b>	<b>(234)</b>
■ Of which financial income	<b>20</b>	<b>1,399</b>

In first-half 2023, the €1,272 million gain on foreign currency hedging instruments reflects changes in the fair value of these instruments attributable to operating cash flows that will be recognized in profit or loss in future periods.

The fair value of the portfolio reflects the immediate liquidation value of the portfolio at the closing rate for the period (USD 1.0855 to €1) compared with the average rate of the portfolio. The change in the fair value is theoretical for the Group, as currency hedges are unwound when future dollar inflows are received.

The €162 million foreign exchange loss includes:

- a €170 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 represents the difference between the EUR/USD exchange rate guaranteed by the currency derivatives unwound in the period (USD 1.13 to €1) and the actual EUR/USD exchange rate observed during the period;

- a net foreign exchange gain of €8 million primarily attributable to the remeasurement of monetary items at the closing exchange rate.

Net foreign exchange gains amounting to €13 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 period (USD 1.0675 to €1 at December 31, 2022) and the end of the period (USD 1.0855 to €1 at June 30, 2023) on the opening amount of the provision.

## NOTE 9 INCOME TAX

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

A projected income tax rate of 25.83% was used to calculate the effective tax rate applicable to French entities in first-half 2023.

The tax expense in first-half 2023 amounts to €609 million.

In first-half 2023, changes in the fair value of outstanding currency derivatives generated a deferred tax expense of €323 million.

In first-half 2022, changes in the fair value of outstanding currency derivatives generated deferred tax income of €1,434 million.

## NOTE 10 EARNINGS PER SHARE

	Index	First-half 2022	First-half 2023
<b>NUMERATOR (in € millions)</b>			
Profit (loss) for the period attributable to owners of the parent	(a)	(3,762)	1,863
<b>DENOMINATOR (in shares)</b>			
Total number of shares	(b)	427,242,440	427,260,541
Number of treasury shares held	(c)	414,587	9,635,407
Number of shares excluding treasury shares	(d)=(b-c)	426,827,853	417,625,134
Weighted average number of shares (excluding treasury shares)	(d')	426,832,583	420,447,865
Potentially dilutive ordinary shares	(e)	13,482,802	14,086,486
Weighted average number of shares after dilution	(f)=(d'+e)	440,315,385	434,534,351
<b>RATIO: EARNINGS PER SHARE (in €)</b>			
Basic earnings (loss) per share*	(g)=(a*1 million)/(d')	(8.81)	4.43
Diluted earnings (loss) per share*	(h)=(a*1 million)/(f)	(8.81)	4.29

\* In accordance with IAS 33, when basic earnings per share are negative, basic and diluted earnings per share are identical.

At June 30, 2023, potentially dilutive ordinary shares essentially comprise shares that may be issued if all of the bonds convertible into new shares and/or exchangeable for existing shares issued by the Group (2020-2027 OCEANES and 2021-2028 OCEANES: see Note 18.d, "Convertible bond issues") are converted.

## NOTE 11 GOODWILL

Goodwill breaks down as follows:

(in € millions)	Dec. 31, 2022			Price adjustments and allocation to identifiable assets and liabilities <sup>(1)</sup>	Effect of changes in foreign exchange rates and other	June 30, 2023
	Net	Reallocation	Impairment			Net
Safran Aircraft Engines	392	-	-	-	-	392
Safran Helicopter Engines	308	-	-	-	-	308
Safran Aero Boosters	47	-	-	-	-	47
Other Propulsion	1	-	-	-	-	1
Safran Electronics & Defense	651	-	-	(39)	(1)	611
Safran Nacelles	213	-	-	-	-	213
Safran Engineering Services	74	-	-	-	-	74
Safran Electrical & Power	706	-	-	-	1	707
Safran Landing Systems	190	-	-	-	-	190
Safran Aerosystems	724	-	-	-	-	724
Safran Seats	765	-	-	-	-	765
Safran Cabin	923	-	-	-	(14)	909
<b>TOTAL</b>	<b>4,994</b>	<b>-</b>	<b>-</b>	<b>(39)</b>	<b>(14)</b>	<b>4,941</b>

(1) The definitive allocation of the purchase price of Orolia generated a €39 million reduction in goodwill for the Safran Electronics & Defense CGU (see Note 4, "Scope of consolidation").

At June 30, 2023, Safran reviewed its cash-generating units (CGUs) for any internal or external indications of impairment.

Despite supply chain difficulties, the Group did not identify any indications of impairment, except for the Safran Seats CGU.

Safran Seats began updating its medium-term business plan in June 2023. The update will be completed in September. An update of Safran Seats' strategic plan is scheduled for the same period, with a view to assessing its long-term profitability.

Gaps between actual figures and the annual budget identified in first-half 2023 were analyzed using the information available to date.

As no new medium-term business plan was available at June 30, 2023, the potential impacts on the coming years of the gaps identified in first-half 2023 have been included in expected future cash flows, reflecting the slower-than-expected results of the turnaround plan currently being implemented.

The measurement method used to determine the value in use of the CGU was consistent with that used at June 30, 2022.

The value in use of the CGU at June 30, 2023 was determined based on the following assumptions:

- Expected future cash flows are determined over a period consistent with the useful life of the assets. 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.

The projections and assumptions used by the Group are drawn from the medium-term business plan for the next four years, as prepared in the second half of 2022, 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 have been adjusted for the impact of any gaps known to date and simulated over the next few years.

- The growth rate used to calculate the terminal value was set at 2.5% (2.5% in 2022).
- The benchmark post-tax discount rate used is 8.5% (8.5% in 2022) and is applied to post-tax cash flows.
- The hedged USD exchange rates adopted for 2023-2026 are between USD 1.12 and USD 1.13 to €1. This exchange rate assumption takes into account the available foreign currency hedging portfolio (see Note 23, "Management of market risks and derivatives"). For an intermediate period covering the three years following the medium-term business plan, a rate of 1.20 - corresponding to the best estimate of Safran's hedging ability for that period - is adopted. A rate of 1.25 is adopted thereafter.

Based on this test, the recoverable amount of the Safran Seats CGU wholly justifies its net asset value, including the goodwill balances recorded in Group assets.

No impairment of goodwill was recognized as a result of the annual impairment tests in 2022.

Sensitivity to the following changes in main assumptions was tested:

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

The worst-case scenario would be a 0.5% increase in the discount rate, leading to the recognition of impairment before tax of approximately €55 million against the value of the Safran Seats CGU. At December 31, 2022, the aforementioned changes in the main assumptions did not result in a value in use that is lower than the carrying amount of the CGU.

A sensitivity analysis using higher rates was performed on the Safran Seats CGU for which Safran expects an upturn in business.

Three additional sensitivity analyses were performed on the CGU:

- a 1.0% increase in the discount rate (compared to 8.5% used in the tests);

- an across-the-board decrease of 10% in future cash flows as from 2023;

- an across-the-board decrease of 20% in future cash flows as from 2023.

The above assumptions would all lead to the recognition of additional impairment against the value of the CGU. The worst-case scenario (decrease of 20% in future cash flows) would lead to the recognition of impairment before tax of approximately €265 million against the value of the Safran Seats CGU at June 30, 2023 (versus €200 million at December 31, 2022).

At December 31, 2022, an impairment loss of €319 million was recognized for the Safran Cabin CGU. The turnaround plan for the business is in line with the 2023 budget, with no indications of impairment at June 30, 2023.

Sensitivity analyses were performed on the CGU at December 31, 2022. The worst-case scenario (decrease of 20% in future cash flows) would lead to the recognition of impairment before tax of approximately €500 million against the value of the Safran Cabin CGU.

## NOTE 12 INTANGIBLE ASSETS

Intangible assets break down as follows:

(in € millions)	Dec. 31, 2022			June 30, 2023		
	Gross	Amortization/ impairment	Net	Gross	Amortization/ impairment	Net
Aircraft programs	2,336	(1,889)	447	2,326	(1,918)	408
Development expenditure	7,245	(3,322)	3,923	7,377	(3,437)	3,940
Commercial agreements	916	(263)	653	916	(281)	635
Software	764	(699)	65	803	(715)	88
Trademarks <sup>(1)</sup>	717	-	717	721	-	721
Commercial relationships	1,925	(735)	1,190	1,932	(795)	1,137
Technology	1,296	(739)	557	1,272	(788)	484
Other	917	(373)	544	937	(379)	558
<b>TOTAL</b>	<b>16,116</b>	<b>(8,020)</b>	<b>8,096</b>	<b>16,284</b>	<b>(8,313)</b>	<b>7,971</b>

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

Movements in intangible assets break down as follows:

(in € millions)	Gross	Amortization/ impairment	Net
<b>At December 31, 2022</b>	<b>16,116</b>	<b>(8,020)</b>	<b>8,096</b>
Capitalization of R&D expenditure <sup>(1)</sup>	152	-	152
Capitalization of other intangible assets	25	-	25
Acquisitions of other intangible assets	31	-	31
Disposals and retirements	(8)	3	(5)
Amortization	-	(322)	(322)
Impairment losses recognized in profit or loss	-	(32)	(32)
Reclassifications	(14)	53	39
Changes in scope of consolidation	-	(1)	(1)
Foreign exchange differences	(18)	6	(12)
<b>AT JUNE 30, 2023</b>	<b>16,284</b>	<b>(8,313)</b>	<b>7,971</b>

(1) Including €3 million in capitalized interest on R&D expenditure at June 30, 2023 (€3 million at June 30, 2022).

Research and development expenditure recognized in recurring operating income for the period totaled €678 million including amortization (€545 million in first-half 2022). This amount does not include the research tax credit or other operating subsidies 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 €97 million relating to the remeasurement of intangible assets within the scope of the acquisition of the former Zodiac Aerospace, €19 million relating to the remeasurement of aircraft programs in connection with the Sagem-Snecma merger, and €31 million relating to assets identified as part of other business combinations.

The impairment tests carried out at June 30, 2023 on assets allocated to programs, projects or product families were based on the approach described in section 3.1, Note 3.m of the 2022 Universal Registration Document.

Expected future cash flows were updated to reflect the latest information available at the reporting date. An 8.5% discount rate was used, plus a risk premium depending on the programs tested.

As a result of the impairment tests carried out at June 30, 2023, intangible assets relating to various aircraft programs were written down by €35 million. The write-down was recognized in non-recurring operating income.

As a result of the impairment tests carried out at June 30, 2022, intangible assets relating to various aircraft programs were written down by €70 million, mainly due to sanctions in Russia. The write-down was recognized in non-recurring operating income.

## NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment break down as follows:

(in € millions)	Dec. 31, 2022			June 30, 2023		
	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Land	223	-	223	225	-	225
Buildings	2,319	(1,272)	1,047	2,351	(1,322)	1,029
Technical facilities, equipment and tooling	6,652	(4,813)	1,839	6,773	(4,947)	1,826
Assets in progress, advances	565	(50)	515	653	(49)	604
Site development and preparation costs	80	(47)	33	83	(50)	33
Buildings on land owned by third parties	89	(45)	44	89	(46)	43
Computer hardware and other equipment	691	(545)	146	720	(563)	157
<b>TOTAL</b>	<b>10,619</b>	<b>(6,772)</b>	<b>3,847</b>	<b>10,894</b>	<b>(6,977)</b>	<b>3,917</b>

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

(in € millions)	Gross	Depreciation/ impairment	Net
<b>At December 31, 2022</b>	<b>10,619</b>	<b>(6,772)</b>	<b>3,847</b>
Internally produced assets	40	-	40
Additions	313	-	313
Disposals and retirements	(76)	71	(5)
Depreciation <sup>(1)</sup>	-	(279)	(279)
Impairment losses recognized in profit or loss	-	3	3
Reclassifications	(9)	7	(2)
Changes in scope of consolidation	-	(1)	(1)
Foreign exchange differences	7	(6)	1
<b>AT JUNE 30, 2023</b>	<b>10,894</b>	<b>(6,977)</b>	<b>3,917</b>

(1) Including €7 million relating to the remeasurement of property, plant and equipment within the scope of the acquisition of the former Zodiac Aerospace.

## NOTE 14 LEASES

### a) Right-of-use assets

Right-of-use assets break down as follows:

<i>(in € millions)</i>	Dec. 31, 2022			June 30, 2023		
	Gross	Depreciation/ impairment	Net	Gross	Depreciation/ impairment	Net
Right-of-use assets relating to property	834	(282)	552	880	(326)	554
Right-of-use assets relating to transport equipment	7	(3)	4	11	(4)	7
Right-of-use assets relating to other assets	21	(11)	10	21	(13)	8
<b>TOTAL</b>	<b>862</b>	<b>(296)</b>	<b>566</b>	<b>912</b>	<b>(343)</b>	<b>569</b>

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

<i>(in € millions)</i>	Gross	Depreciation/ impairment	Net
<b>At December 31, 2022</b>	<b>862</b>	<b>(296)</b>	<b>566</b>
Increases	50	-	50
Disposals and retirements	(7)	6	(1)
Depreciation	-	(52)	(52)
Reclassifications	(2)	3	1
Foreign exchange differences	9	(4)	5
<b>AT JUNE 30, 2023</b>	<b>912</b>	<b>(343)</b>	<b>569</b>

### b) Lease liabilities

The maturity of lease liabilities can be analyzed as follows at June 30, 2023:

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
<b>Maturing in:</b>		
■ 1 year or less	106	110
■ More than 1 year and less than 5 years	292	295
■ Beyond 5 years	189	169
<b>TOTAL</b>	<b>587</b>	<b>574</b>

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

In first-half 2023, rental expenses recognized in "Profit from operations" (see Note 7, "Breakdown of the other main components of profit from operations") under "External services" totaled €50 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 €5 million in first-half 2023 (see Note 8, "Financial income (loss)").

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

In first-half 2023, disbursements under leases recognized in the cash flow statement and relating to the repayment of lease liabilities represented €66 million and are shown within "Cash flow used in financing activities". They 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, 2022			June 30, 2023		
	Gross	Impairment	Net	Gross	Impairment	Net
Non-consolidated investments			313			330
Other financial assets	823	(142)	681	1,055	(83)	972
<b>TOTAL</b>			<b>994</b>			<b>1,302</b>

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

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.

Other financial assets are measured at amortized cost.

### Other financial assets

Other financial assets break down as follows:

(in € millions)	Dec. 31, 2022	June 30, 2023
Loans to non-consolidated companies	150	151
Loans to employees	35	34
Deposits and guarantees	17	17
Other <sup>(1)</sup>	479	770
<b>TOTAL</b>	<b>681</b>	<b>972</b>
■ Non-current	<b>439</b>	<b>337</b>
■ Current	<b>242</b>	<b>635</b>

(1) Including €504 million in investments at June 30, 2023 that do not qualify as cash and cash equivalents (€300 million at December 31, 2022).

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

The table below shows movements in other financial assets:

(in € millions)	
<b>At December 31, 2022</b>	<b>681</b>
Increase	278
Decrease	(76)
Impairment (reversals/additions)	72
Effect of changes in foreign exchange rates	(1)
Reclassifications	18
<b>AT JUNE 30, 2023</b>	<b>972</b>

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

## NOTE 16 INVESTMENTS IN EQUITY-ACCOUNTED COMPANIES

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

(in € millions)	Dec. 31, 2022	June 30, 2023
ArianeGroup	1,268	1,253
Other joint ventures	706	661
<b>TOTAL</b>	<b>1,974</b>	<b>1,914</b>

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

<i>(in € millions)</i>	
<b>At December 31, 2022</b>	<b>1,974</b>
Share in profit (loss) from ArianeGroup	(16)
Share in profit from other joint ventures	65
Dividends received from joint ventures	(10)
Foreign exchange differences	(15)
Other movements	(84)
<b>AT JUNE 30, 2023</b>	<b>1,914</b>

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

The Group has interests in the following joint ventures which are accounted for using the equity method. The breakdown by operating segment is as follows:

### Aerospace Propulsion:

- CFM Materials LP: sale of used CFM56 parts;
- Shannon Engine Support Ltd: leasing of CFM56 and LEAP engines, modules, equipment and tooling to airline companies;
- Initium Aerospace: design and manufacture of auxiliary power units;
- ArianeGroup and its subsidiaries: space launchers and military activities;
- AD Holding and its subsidiaries: specialty steels and superalloys;
- Roxel SAS: holding company;
- Roxel France SA: motors for tactical missiles;
- Roxel Ltd: motors for tactical missiles.

### Aircraft Equipment, Defense and Aerosystems:

- Fadec International LLC: digital engine control systems;
- HMS Laser: holding company and its subsidiary CILAS: manufacture of military lasers;
- Lynred: manufacture of infrared detectors;
- Safran Martin-Baker France: manufacture of ejectable seating;
- SAIFEI: electrical wiring;
- Xi'an Cea Safran Landing Systems Co., Ltd: landing gear maintenance;
- A-Pro: repair of landing gear for regional and business jets.

### Aircraft Interiors:

- EZ Air Interior Ltd: cabin interiors.

ArianeGroup is the Group's sole material joint venture.

Financial information for ArianeGroup can be summarized as follows:

<i>(in € millions)</i>	<b>Dec. 31, 2022</b>	<b>June 30, 2023</b>
Non-current assets	1,643	1,646
Current assets	6,841	7,115
<i>of which: cash and cash equivalents</i>	<i>1,409</i>	<i>1,280</i>
Non-current liabilities	(909)	(889)
<i>of which: non-current financial liabilities</i>	<i>(358)</i>	<i>(349)</i>
Current liabilities	(7,790)	(8,097)
<i>of which: current financial liabilities</i>	<i>(59)</i>	<i>(84)</i>
Non-controlling interests	2	4
Net assets held for sale	-	-
<b>Net assets of ArianeGroup (excl. goodwill and PPA) - Attributable to owners of the parent (based on a 100% interest)</b>	<b>(213)</b>	<b>(221)</b>
Equity share in net assets of ArianeGroup (excl. goodwill and PPA) (based on a 50% interest)	(107)	(110)
Purchase price allocation, net of deferred taxes	201	189
<b>Safran equity share - Net assets of ArianeGroup</b>	<b>94</b>	<b>79</b>
<b>Goodwill</b>	<b>1,174</b>	<b>1,174</b>
<b>CARRYING AMOUNT OF INVESTMENT IN ARIANEGROUP</b>	<b>1,268</b>	<b>1,253</b>

<i>(in € millions)</i>	First-half 2022	First-half 2023
<b>Profit (loss) for the period attributable to owners of the parent</b>	<b>8</b>	<b>(9)</b>
Other comprehensive income	77	1
<b>Total comprehensive income (expense) attributable to owners of the parent</b>	<b>85</b>	<b>(8)</b>
Safran equity share - Profit (loss) for the period	4	(4)
Amortization of purchase price allocation, net of deferred taxes	(12)	(12)
<b>Safran equity share - Profit (loss) of ArianeGroup</b>	<b>(8)</b>	<b>(16)</b>
Impairment losses	(58)	-
Safran equity share - Other comprehensive income	38	-
<b>SAFRAN EQUITY SHARE - COMPREHENSIVE INCOME (EXPENSE) OF ARIANEGROUP</b>	<b>(28)</b>	<b>(16)</b>

ArianeGroup did not pay any dividends in first-half 2023.

ArianeGroup has announced the postponement of the inaugural flight of the Ariane 6 launcher until late 2023.

The impairment test on the equity-accounted investments was updated at June 30, 2023, using the information available at that date.

The growth rate used to calculate the terminal value was set at 2%, unchanged from 2022. The benchmark discount rate used was 8.5%.

Based on this test, no impairment was recognized.

The Group analyzed the sensitivity of the investments to a 0.5% increase in the benchmark discount rate used (i.e., a rate of 9%). Based on this test, the recoverable amount of the equity-accounted investments is equal to their carrying amount in the Group's consolidated financial statements.

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

<i>(in € millions)</i>	First-half 2022	First-half 2023
Profit for the period	24	65
Impairment losses	-	-
Other comprehensive income (expense)	55	(12)
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>79</b>	<b>53</b>

## NOTE 17 CASH AND CASH EQUIVALENTS

The main types of investments used by Safran are summarized in the table below:

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
Money-market funds	76	99
Term deposits	4,246	4,556
Sight deposits	2,365	1,492
<b>TOTAL</b>	<b>6,687</b>	<b>6,147</b>

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

Term deposits at June 30, 2023 include €2,750 million in investments falling within the scope of master agreements governing the subscription of OTC derivatives with bank counterparties (see section 3.1, Note 23 of the 2022 Universal Registration Document).

The table below presents changes in cash and cash equivalents:

<i>(in € millions)</i>	
<b>At December 31, 2022</b>	<b>6,687</b>
Movements during the period	(534)
Changes in scope of consolidation	(7)
Foreign exchange differences	1
<b>AT JUNE 30, 2023</b>	<b>6,147</b>

As part of its investment policy, Safran has also committed to setting up forward term deposits after June 30, 2023 for periods of less than 92 days. The commitment represented €400 million at June 30, 2023.

## NOTE 18 CONSOLIDATED SHAREHOLDERS' EQUITY

### a) Share capital

At June 30, 2023, Safran's share capital amounted to €85,452,108.20, comprising 427,260,541 fully paid-up shares with a par value of €0.20 each, all in the same class.

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

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

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

#### DECEMBER 31, 2022

Shareholders	Number of shares	% share capital	Number of voting rights <sup>(1)</sup>	% voting rights <sup>(1)</sup>
Free float	347,795,090	81.40%	388,799,278	71.95%
French State	47,983,131	11.23%	95,966,262	17.76%
Employees <sup>(2)</sup>	28,780,560	6.74%	55,590,234	10.29%
Treasury shares	2,687,189	0.63%	-	-
<b>TOTAL</b>	<b>427,245,970</b>	<b>100.00%</b>	<b>540,355,774</b>	<b>100.00%</b>

(1) Exercisable voting rights.

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

#### JUNE 30, 2023

Shareholders	Number of shares	% share capital	Number of voting rights <sup>(1)</sup>	% voting rights <sup>(1)</sup>
Free float	341,803,450	80.00%	381,742,739	71.80%
French State	47,983,131	11.23%	95,966,262	18.05%
Employees <sup>(2)</sup>	27,838,553	6.52%	53,981,641	10.15%
Treasury shares	9,635,407	2.25%	-	-
<b>TOTAL</b>	<b>427,260,541</b>	<b>100.00%</b>	<b>531,690,642</b>	<b>100.00%</b>

(1) Exercisable voting rights.

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

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

The 9,635,407 treasury shares have no voting rights.

At June 30, 2023, the total number of shares includes 14,571 shares issued during the first half 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.

The last stock subscription option plan expired in February 2023.

### Treasury shares

The number of treasury shares has increased since December 31, 2022 following:

- the purchase of 7,089,693 shares as part of the liability management transaction in respect of the 2027 OCEANES, announced in October 2022 and aimed at neutralizing the potential dilutive effect of the convertible bonds;
- the sale of 141,469 shares under the Group's liquidity agreement, net of shares purchased;
- the delivery of 6 shares under employee shareholding plans.

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 25, 2023 and valid for 18 months set the maximum purchase price at €175 per share, thereby superseding the authorization granted by the Annual General Meeting of May 25, 2022.

Pursuant to these authorizations and to the liquidity agreement signed in 2012 with Oddo BHF, during first-half 2023 the Company purchased 1,286,918 shares for €174 million and sold 1,428,387 shares for €193 million.

At June 30, 2023, 80,666 shares were held in connection with the liquidity agreement.

On October 28, 2022, upon the publication of its third-quarter revenue, Safran announced a liability management transaction in respect of the 2027 OCEANEs, with the buyback of up to 9.4 million shares to hedge the potential dilution of the 2027 convertible bonds.

After having launched a buyback tranche of €275 million for 2,373,547 shares in 2022, in first-half 2023 Safran signed:

- a share purchase agreement with an investment services firm on January 13, 2023 for a second buyback tranche of up to €650 million, expiring on March 31, 2023 at the latest;
- a share purchase agreement with an investment services firm on April 7, 2023 for a third buyback tranche of up to €350 million, expiring on June 9, 2023 at the latest.

Key details of outstanding performance share plans at June 30, 2023 are shown below:

	2021 performance shares	2022 performance shares	2023 performance shares
Shareholder authorization	May 23, 2019	May 26, 2021	May 26, 2021
Grant date by the Board of Directors	March 24, 2021	March 24, 2022	March 23, 2023
Vesting date	March 25, 2024	March 25, 2025	March 23, 2026
Share price at the grant date	€116.65	€104.56	€134.70
Number of beneficiaries at the grant date	760	964	1,127
Number of performance shares granted	730,940	784,171	799,866
Number of shares canceled or forfeited	(61,972)	(14,634)	-
Number of shares delivered	(2,080)	(1,920)	-
<b>NUMBER OF PERFORMANCE SHARES OUTSTANDING AT JUNE 30, 2023</b>	<b>666,888</b>	<b>767,617</b>	<b>799,866</b>

The share-based payment expense for these performance share plans, recognized within personnel costs under "Other employee costs", totaled €28.1 million in first-half 2023 (€15.8 million in first-half 2022).

### Free share grant

In accordance with the authorization granted by the Annual General Meeting of May 25, 2023, the Board of Directors decided at its meeting on the same date to grant free Company shares to Safran Group employees.

Under the grant, employees of Group companies worldwide and on the payroll at February 25, 2023, i.e., 85,519 employees, each received 10 shares.

At June 30, 2023, the three tranches had been completed, involving the purchase of 9,463,240 shares for €1,222 million.

The entire €9.4 million share buyback program had therefore been completed at June 30, 2023.

## 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 6.6.5.2 of the 2022 Universal Registration Document).

The Group set up a performance share plan on March 23, 2023 covering 799,866 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.

The shares granted are subject to a two-year vesting period. They do not include any specific performance conditions, other than beneficiaries forming part of the Group during the vesting period (continuing service condition).

All the free shares granted by Safran will be equity-settled, except in countries where regulatory, tax or labor conditions do not allow for free share grants. In such countries, plan beneficiaries (1,384 employees outside France identified at the grant date) will receive a cash amount valued at the average price of the Safran share over the 20 trading days preceding the delivery date of the shares.

The rights to the free shares were measured at fair value at the grant date. The value of the shares at the grant date was reduced by the estimated present value of the future dividends that will not be paid to employees during the vesting period.

As the plan is paid out in the form of equity instruments, the total cost of the plan is calculated and fixed at the grant date.

The number of instruments that Safran expects to deliver to beneficiaries includes the impact of employee turnover.

As the vesting of the free shares is subject to a continuing service condition, the payroll cost is recognized on a straight-line basis over the vesting period (i.e., 24 months), with an offsetting entry in equity. Safran will periodically review the number of free shares to be delivered according to employee turnover assumptions. Where appropriate, the impact of revised estimates will be reflected in the income statement.

The expense recognized at June 30, 2023 in respect of the free shares, including social security contributions, was €5 million.

**TERMS AND CONDITIONS OF THE FREE SHARE GRANT**

	France	International
Date of the Annual General Meeting	May 25, 2023	May 25, 2023
Grant date <sup>(1)</sup>	May 25, 2023	May 25, 2023
Vesting date <sup>(2)</sup>	May 28, 2025	May 28, 2025
Estimated number of beneficiaries at the grant date	45,954	39,565
Number of shares per employee	10	10
Total number of shares approved at the grant date	459,540	395,650
Probable number of shares to be delivered including impact of employee turnover	391,495	232,150
Share price at the grant date	€137.14	€137.14
Fair value of the shares at the grant date <sup>(3)</sup>	€134.04	€134.04

(1) Date of the Board of Directors' decision to grant the shares.

(2) The shares will vest subject to the beneficiary forming part of the Group at the vesting date.

(3) The fair value of the shares is determined by reference to the share price adjusted for dividends expected during the vesting period.

**d) Convertible bond issues**

**2020-2027 OCEANES**

On May 15, 2020, Safran issued 7,391,665 bonds convertible into new shares and/or exchangeable for existing shares ("OCEANES") (the "initial bonds"), each with a par value of €108.23, i.e., representing a total nominal amount of €800 million. The issue price of the initial bonds was 100% of par.

On October 12, 2020, Safran carried out a tap issue of 1,847,916 bonds convertible into new shares and/or exchangeable for existing shares ("OCEANES") (the "additional bonds"), each with a par value of €108.23, i.e., representing a total nominal amount of €200 million. The additional bonds were issued at a price of €118 per bond, representing a total issue price of €218 million.

The additional bonds carry the same terms and conditions (with the exception of the issue price) as the initial bonds, 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.

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

Following the June 1, 2023 dividend payment and in accordance with the terms and conditions of the bonds, the bond conversion ratio has been 1.019 shares for 1 bond since June 1, 2023. This conversion ratio, which was previously 1.009 shares for 1 bond, 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: 1.009 shares for 1 bond;
- share price: €138.22909;
- dividend per share paid in 2023 in respect of 2022: €1.35.

The bonds come with an early redemption option that the bearer may trigger in the event of a change of control and that the issuer may trigger if (i) as from June 5, 2024, the share price multiplied by the bond conversion ratio exceeds 130% of the par value of the bonds or (ii) at any time, the number of bonds outstanding represents less than 20% of the number of bonds originally issued.

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

The potential dilution of the 2027 OCEANES was hedged by the share buyback program (9.4 million shares) as described in Note 18.b above.

OCEANEs 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 for the initial bonds on the issue date, corresponding to the present value of cash flows from a similar bond with no conversion rights (see Note 21, "Interest-bearing financial liabilities").

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

After deducting issuance fees, a total of €197 million was recognized under interest-bearing financial liabilities for the additional bonds on the issue date, corresponding to the present value of cash flows from a similar bond with no conversion rights (see Note 21, "Interest-bearing financial liabilities").

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

The option component recognized in equity for the initial bonds was valued at €33 million on the issue date, or €24 million after the deferred tax impact.

The option component recognized in equity for the additional bonds was valued at €20 million on the issue date, or €15 million after the deferred tax impact.

## 2021-2028 OCEANEs

On June 14, 2021, Safran issued 4,035,601 bonds convertible into new shares and/or exchangeable for existing shares ("OCEANEs"), each with a par value of €180.89, i.e., representing a total nominal amount of €730 million.

The bonds do not carry any coupon.

The bonds were issued at a price of €187.22 per bond, representing a total issue price of €756 million.

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

Following the June 1, 2023 dividend payment and in accordance with the terms and conditions of the bonds, the bond conversion ratio has been 1.003 shares for 1 bond since June 1, 2023. This conversion ratio, which was previously 1 share for 1 bond,

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: €138.22909;
- dividend per share paid in 2023 in respect of 2022: €1.35.

The bonds come with an early redemption option that the bearer may trigger in the event of a change of control and that the issuer may trigger if (i) as from April 1, 2025, the share price multiplied by the bond conversion ratio exceeds 130% of the par value of the bonds or (ii) at any time, the number of bonds outstanding represents less than 20% of the number of bonds originally issued.

Unless converted, redeemed or repurchased and canceled prior to maturity, the bonds are redeemable at par on April 1, 2028.

OCEANEs are deemed a hybrid instrument comprising equity and debt.

After deducting issuance fees, a total of €712 million was recognized under interest-bearing financial liabilities, corresponding to the present value of cash flows from a similar bond with no conversion rights (see Note 21, "Interest-bearing financial liabilities").

The effective annual interest rate on the liability component is 0.376% including issuance fees.

The option component recognized in equity was valued at €39 million on the issue date, or €29 million after the deferred tax impact.

## e) Dividend distribution

At the Annual General Meeting of May 25, 2023, the shareholders approved a dividend payment of €1.35 per share in respect of 2022. The dividend was paid on June 1, 2023, entirely in cash.

The total dividend (€577 million) approved by the Annual General Meeting was based on the total number of shares comprising the Company's share capital.

At the dividend payment date, Safran ended its share buyback program (9.4 million shares). As the shares bought back were not entitled to dividends, the dividend payment amounted to €564 million (see the consolidated statement of cash flows).

## NOTE 19 PROVISIONS

Provisions break down as follows:

(in € millions)	Dec. 31, 2022	Reversals				Changes in scope of consolidation	Other	June 30, 2023
		Additions	Utilizations <sup>(1)</sup>	Reclassifications <sup>(1)</sup>	Surplus <sup>(2)</sup>			
Performance warranties	1,068	85	(79)	-	(52)	-	-	1,022
Financial guarantees	-	5	-	-	-	-	-	5
Post-employment benefits <sup>(3)</sup>	622	27	(37)	-	-	-	11	623
Sales agreements	188	53	(24)	-	(22)	-	-	195
Provisions for losses on completion and losses arising on delivery commitments	325	31	(27)	(8)	(4)	-	-	317
Disputes and litigation	34	3	(3)	-	(1)	-	(1)	32
Other	330	86	(66)	-	(4)	-	(10)	336
<b>TOTAL</b>	<b>2,567</b>	<b>290</b>	<b>(236)</b>	<b>(8)</b>	<b>(83)</b>	<b>-</b>	<b>-</b>	<b>2,530</b>
■ Non-current	<b>1,549</b>							<b>1,721</b>
■ Current	<b>1,018</b>							<b>809</b>

(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 first-half 2023.

(3) Of which a positive €10 million within "Other", corresponding to the impact of changes in the discount and inflation rates, which is recorded through equity.

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

(in € millions)	June 30, 2023
Additions (-)/Reversals (+) recognized in recurring operating income with income statement impact	(184)
Utilization of provisions against operating expenses and therefore with no income statement impact	228
Additions (-)/Reversals (+) recognized in non-recurring operating income	(10)
Additions (-)/Reversals (+) recognized in financial income (loss)	3
<b>TOTAL</b>	<b>37</b>

## NOTE 20 BORROWINGS SUBJECT TO SPECIFIC CONDITIONS

This caption includes repayable advances granted by public bodies.

Movements in this caption break down as follows:

(in € millions)	
<b>At December 31, 2022</b>	<b>302</b>
New advances received	5
Advances repaid	(11)
<b>Sub-total: changes with a cash impact</b>	<b>(6)</b>
Cost of borrowings and discounting	1
Foreign exchange differences	-
Other	3
Adjustments to the probability of repayment of advances	(2)
<b>Sub-total: changes with no cash impact</b>	<b>2</b>
<b>AT JUNE 30, 2023</b>	<b>298</b>

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

Adjustments to the probability of repayment of advances mainly concern civil aircraft programs.

## NOTE 21 INTEREST-BEARING FINANCIAL LIABILITIES

## Breakdown of interest-bearing financial liabilities

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
Bond issue	1,595	1,392
Convertible bonds (OCEANEs)	1,692	1,693
Senior unsecured notes (USPP)	1,028	573
Lease liabilities	481	464
Long-term borrowings	582	577
<b>Total non-current interest-bearing financial liabilities (portion maturing in more than 1 year at inception)</b>	<b>5,378</b>	<b>4,699</b>
Bond issue	-	195
Senior unsecured notes (USPP)	-	453
Lease liabilities	106	110
Long-term borrowings	538	365
Accrued interest not yet due	8	10
<b>Current interest-bearing financial liabilities, long-term at inception</b>	<b>652</b>	<b>1,133</b>
Negotiable European Commercial Paper (NEU CP)	200	200
Short-term bank facilities and equivalent	425	365
<b>Current interest-bearing financial liabilities, short-term at inception</b>	<b>625</b>	<b>565</b>
<b>Total current interest-bearing financial liabilities (less than 1 year)</b>	<b>1,277</b>	<b>1,698</b>
<b>TOTAL INTEREST-BEARING FINANCIAL LIABILITIES<sup>(1)</sup></b>	<b>6,655</b>	<b>6,397</b>

(1) The fair value of interest-bearing financial liabilities amounts to €6,069 million (€6,278 million at December 31, 2022).

Movements in this caption break down as follows:

<i>(in € millions)</i>	
<b>At December 31, 2022</b>	<b>6,655</b>
Increase in long-term borrowings at inception (excluding lease liabilities)	9
Decrease in long-term borrowings at inception	(243)
Change in short-term borrowings	(37)
<b>Sub-total: changes with a cash impact</b>	<b>(271)</b>
Net increase in lease liabilities	50
Accrued interest	-
Changes in scope of consolidation	1
Foreign exchange differences	(27)
Change in the fair value of borrowings hedged with interest rate instruments <sup>(1)</sup>	6
Reclassifications and other	(17)
<b>Sub-total: changes with no cash impact</b>	<b>13</b>
<b>AT JUNE 30, 2023</b>	<b>6,397</b>

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

Analysis by maturity:

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
<b>Maturing in:</b>		
■ 1 year or less	1,277	1,698
■ More than 1 year and less than 5 years	2,685	2,927
■ Beyond 5 years <sup>(1)</sup>	2,693	1,772
<b>TOTAL</b>	<b>6,655</b>	<b>6,397</b>

(1) Mainly OCEANEs, other bonds and the USPP 2030 and 2032.

Analysis by currency before hedging:

<i>(in millions of currency units)</i>	Dec. 31, 2022		June 30, 2023	
	Currency	EUR	Currency	EUR
EUR	5,474	5,474	5,285	5,285
USD	1,082	1,013	1,039	957
CAD	14	10	6	4
GBP	23	26	21	25
Other	N/A	132	N/A	126
<b>TOTAL</b>		<b>6,655</b>		<b>6,397</b>

Analysis by currency after hedging:

<i>(in millions of currency units)</i>	Dec. 31, 2022		June 30, 2023	
	Currency	EUR	Currency	EUR
EUR	6,213	6,213	6,027	6,027
USD	291	274	234	215
CAD	14	10	6	4
GBP	23	26	21	25
Other	N/A	132	N/A	126
<b>TOTAL</b>		<b>6,655</b>		<b>6,397</b>

Analysis by type of interest rate:

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

<i>(in € millions)</i>	Total		Non-current				Current			
	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022	June 30, 2023		Dec. 31, 2022	June 30, 2023			
	Base	Average Base interest rate	Base	Average Base interest rate	Base	Average Base interest rate	Base	Average Base interest rate		
Fixed rate	6,184	5,911	5,258	1.36%	4,583	0.90%	926	0.15%	1,328	3.45%
Floating rate	471	486	120	1.07%	116	2.62%	351	0.08%	370	3.32%
<b>TOTAL</b>	<b>6,655</b>	<b>6,397</b>	<b>5,378</b>	<b>1.35%</b>	<b>4,699</b>	<b>0.94%</b>	<b>1,277</b>	<b>0.13%</b>	<b>1,698</b>	<b>3.42%</b>

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

<i>(in € millions)</i>	Total		Non-current				Current			
	Dec. 31, 2022	June 30, 2023	Dec. 31, 2022	June 30, 2023		Dec. 31, 2022	June 30, 2023			
	Base	Average Base interest rate	Base	Average Base interest rate	Base	Average Base interest rate	Base	Average Base interest rate		
Fixed rate	5,995	5,715	5,069	1.35%	4,583	0.83%	926	0.15%	1,132	2.48%
Floating rate	660	682	309	1.33%	116	2.62%	351	0.08%	566	3.75%
<b>TOTAL</b>	<b>6,655</b>	<b>6,397</b>	<b>5,378</b>	<b>1.35%</b>	<b>4,699</b>	<b>0.87%</b>	<b>1,277</b>	<b>0.13%</b>	<b>1,698</b>	<b>2.90%</b>

The Group's net debt position is as follows:

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
Cash and cash equivalents (A)	6,687	6,147
Interest-bearing financial liabilities (B)	6,655	6,397
Fair value of interest rate derivatives used as fair value hedges of borrowings (C)	(18)	(13)
<b>TOTAL (A) - (B) + (C)</b>	<b>14</b>	<b>(263)</b>

The Group's gearing ratio is shown below:

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
Net debt	14	(263)
Total equity	10,866	11,221
<b>GEARING RATIO</b>	<b>(0.13)%</b>	<b>2.34%</b>

## 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 505 million of 12-year notes due February 2024 at a 4.43% fixed-rate coupon was outstanding at June 30, 2023. 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 notes, allowing the USD fixed-rate debt to be fully swapped for EUR fixed-rate debt.

At June 30, 2023, the average interest rate of the issue came out at 1.76% 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 the issue. The effective coupon in first-half 2023 was 4.581% after taking into account the impact of interest rate derivatives.

■ Issuance on March 16, 2021 of:

- 5-year, 0.125% fixed-rate bonds for €700 million (maturing on March 16, 2026). The bonds were issued at 99.231% of par.
- 10-year, 0.750% fixed-rate bonds for €700 million (maturing on March 17, 2031). The bonds were issued at 99.349% of par.
- Since their issuance, the bonds have been rated by Standard & Poor's in line with Safran's long-term credit rating (BBB+ when the bonds were issued and A- since December 2, 2022).

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

■ Tap issue of bonds convertible into new shares and/or exchangeable for existing shares ("OCEANES") on October 12, 2020 for a nominal amount of €200 million. The 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 at the issue date of 0.419%. The 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 OCEANES issued on October 12, 2020 is 1.154% including issuance fees (see Note 18.d, "Convertible bond issues").

■ Bonds convertible into new shares and/or exchangeable for existing shares ("OCEANES") on June 14, 2021 for a nominal amount of €730 million. The bonds do not carry a coupon and were offered at an issue price representing 103.5% of par, or a gross negative yield to maturity at the issue date of 0.50%. Unless converted, redeemed or repurchased and canceled prior to maturity, the bonds are redeemable at par on April 1, 2028. The effective annual interest rate on the liability component of the OCEANES is 0.38% including issuance fees (see Note 18.d, "Convertible bond issues").

■ A bank loan from the European Investment Bank (EIB) for €500 million, at a fixed rate of 1.091%. It was signed on March 4, 2021 and drawn down in full on February 21, 2022 for 10 years (maturing in February 2032). The loan is being used to finance some of the Group's research into innovative propulsion systems for the next generation of single-aisle commercial aircraft, marking a major step forward in Safran's roadmap towards achieving carbon free air transportation.

■ Negotiable European Commercial Paper (NEU CP) subscribed by a corporate mutual fund of the Group employee savings plan and amounting to €410 million at June 30, 2023. The average interest rate payable by Safran on this commercial paper was 3.41% at June 30, 2023. 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, the NEU CP is classified within long-term borrowings. At June 30, 2023, 84% of the sums managed by the corporate mutual fund will be available within one year. Accordingly, 84% of the €410 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 €574 million at June 30, 2023.

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

On March 10, 2023, the following borrowings were redeemed at maturity:

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

## Main short-term borrowings

■ Negotiable European Commercial Paper (NEU CP): €200 million (€200 million at December 31, 2022).

■ Financial current accounts with non-consolidated subsidiaries and joint ventures: €360 million (€365 million at December 31, 2022). Interest is indexed to Euribor.

Other short-term borrowings consist mainly of bank overdrafts.

## Sale of receivables without recourse

Net debt at both June 30, 2023 and December 31, 2022 does not include the confirmed trade receivables sold without recourse relating to CFM International Inc. (joint operation).

The facility, which was capped at USD 1,065 million until February 2023, was renewed at that date for another year, and increased to USD 1,200 million.

A total of USD 747 million (USD 373 million based on a 50% interest) had been drawn on the facility at June 30, 2023, versus USD 534 million (USD 267 million based on a 50% interest) at December 31, 2022.

The facility may be terminated by the bank counterparties if there is a significant deterioration in the credit rating of the customer whose trade receivables have been sold.

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

<i>(in € millions)</i>	Dec. 31, 2022	Movements during the period	Changes in scope of consolidation	Foreign exchange differences	Reclassifications	June 30, 2023
Payables on purchases of property, plant and equipment and intangible assets	188	(51)	-	-	-	137
Payables on purchases of investments	12	(4)	-	-	-	8
<b>TOTAL</b>	<b>200</b>	<b>(55)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>145</b>
■ Non-current	75					31
■ Current	125					114

These liabilities are not included in the Group's net financial position at June 30, 2023.

## NOTE 23 MANAGEMENT OF MARKET RISKS AND DERIVATIVES

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

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

<i>(in € millions)</i>	Dec. 31, 2022		June 30, 2023	
	Assets	Liabilities	Assets	Liabilities
<b>Interest rate risk management</b>	<b>18</b>	<b>(18)</b>	<b>9</b>	<b>(13)</b>
Floating-for-fixed interest rate swaps	18	-	9	-
Fixed-for-floating interest rate swaps	-	(18)	-	(13)
<b>Foreign currency risk management</b>	<b>540</b>	<b>(5,848)</b>	<b>1,200</b>	<b>(5,251)</b>
Currency swaps	44	-	31	-
Purchase and sale of forward currency contracts	86	(390)	164	(504)
Currency option contracts	410	(5,458)	1,005	(4,747)
<b>TOTAL</b>	<b>558</b>	<b>(5,866)</b>	<b>1,209</b>	<b>(5,264)</b>

All derivatives are categorized within Level 2 of the fair value hierarchy set out in IFRS 13 (as at December 31, 2022).

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

### Foreign currency risk management

Most Group revenue is denominated in US dollars, which is virtually the sole currency used in the civil aviation industry.

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

Net revenue on US dollar hedges unwound in first-half 2023 totaled USD 4.9 billion (USD 4 billion in first-half 2022).

## 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);
- to 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.

## Foreign currency derivatives

The portfolio of foreign currency derivatives breaks down as follows:

	Dec. 31, 2022				June 30, 2023			
	Fair value <sup>(1)</sup>	Notional amount <sup>(1)</sup>	Less than 1 year	1 to 5 years	Fair value <sup>(1)</sup>	Notional amount <sup>(1)</sup>	Less than 1 year	1 to 5 years
<i>(in millions of currency units)</i>								
<b>Forward exchange contracts</b>	<b>(304)</b>				<b>(340)</b>			
Short USD position	(386)	4,950	4,950	-	(461)	5,400	5,400	-
<i>Of which against EUR</i>	(386)	4,950	4,950	-	(461)	5,400	5,400	-
Long USD position	-	-	-	-	12	(5,409)	(5,409)	-
<i>Of which against EUR</i>	-	-	-	-	12	(5,409)	(5,409)	-
Long GBP position against EUR	16	(193)	(193)	-	16	(126)	(126)	-
Long CAD position against EUR	2	(17)	(17)	-	-	-	-	-
Short CAD position against EUR	(2)	17	17	-	-	-	-	-
Long MXN position against EUR	67	(11,110)	(11,110)	-	128	(8,787)	(8,787)	-
Short MXN position against EUR	(1)	234	234	-	(35)	3,311	3,311	-
<b>Currency swaps</b>	<b>44</b>				<b>31</b>			
<i>Cross currency swaps</i>	44	(819)	-	(819)	31	(819)	(505)	(314)
<b>Currency option contracts</b>	<b>(5,048)</b>				<b>(3,742)</b>			
USD put purchased against EUR	278	40,852	40,852	-	576	54,462	54,262	200
USD call purchased against EUR	24	(1,699)	(1,699)	-	166	(9,166)	(9,166)	-
USD put sold against EUR	(116)	(3,166)	(3,166)	-	(177)	(9,333)	(9,333)	-
USD call sold against EUR	(5,069)	106,622	106,622	-	(4,310)	116,542	116,242	300
CAD call purchased against EUR	14	(748)	(748)	-	20	(999)	(961)	(38)
CAD put sold against EUR	(35)	(1,376)	(1,376)	-	(28)	(2,081)	(2,006)	(75)
GBP call purchased against EUR	28	(706)	(706)	-	50	(807)	(807)	-
GBP put sold against EUR	(25)	(1,412)	(1,412)	-	(19)	(1,764)	(1,764)	-
MXN call purchased against EUR	6	(2,818)	(1,772)	(1,046)	71	(12,893)	(10,907)	(1,986)
MXN put sold against EUR	(12)	(5,636)	(3,544)	(2,093)	(18)	(25,786)	(21,813)	(3,973)
Accumulators – sell USD for EUR <sup>(2)</sup>	(190)	5,485	2,563	2,922	(159)	5,823	3,312	2,512
Accumulators – buy USD for EUR <sup>(2)</sup>	50	(2,723)	(1,425)	(1,298)	86	(2,471)	(1,101)	(1,370)
<b>TOTAL</b>	<b>(5,308)</b>				<b>(4,051)</b>			

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

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

In the balance sheet, changes in the fair value of outstanding currency hedging instruments between December 31, 2022 and June 30, 2023 represent a positive €1,257 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)".

## 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.

## 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, 2022					June 30, 2023				
	Fair value	Notional amount (€)	Less than 1 year	1 to 5 years	More than 5 years	Fair value	Notional amount (€)	Less than 1 year	1 to 5 years	More than 5 years
<b>INTEREST RATE SWAPS</b>										
Fixed-for-floating	(5)	200	-	200	-	(4)	200	200	-	-
<b>TOTAL</b>	<b>(5)</b>					<b>(4)</b>				

## Exposure to USD interest rate risk

The interest rate on the outstanding tranche of the US private placement (USPP) issued on February 9, 2012 was converted to a floating rate at inception. A floating-rate borrower/fixed-rate lender USD swap was set up on the 12-year tranche for USD 505 million. This swap is eligible for fair value hedge accounting.

In March 2019, this 12-year tranche for USD 505 million was 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 is eligible for cash flow hedge accounting.

On July 21, 2020, a cross currency swap (USD fixed-rate lender/EUR fixed-rate borrower) was set up on the 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 is eligible for cash flow hedge accounting.

(in € millions)	Dec. 31, 2022					June 30, 2023				
	Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	More than 5 years	Fair value	Notional amount (USD)	Less than 1 year	1 to 5 years	More than 5 years
<b>USD INTEREST RATE SWAPS</b>										
Fixed-for-floating	(13)	505	-	505	-	(9)	505	505	-	-
Floating-for-fixed	18	819	-	505	314	9	819	505	-	314
<b>TOTAL</b>	<b>5</b>					<b>-</b>				

## Counterparty risk management

The Group is exposed to counterparty risk on the following:

- 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.

Credit facilities are taken out with top-tier banks.

## Liquidity risk management

Treasury management is centralized within the Group. Where permitted by local legislation, all surplus cash is invested with, and the financing requirements of subsidiaries met by, the parent company on an arm's length basis. Safran SA manages the Group's current and forecast financing requirements, and ensures that 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.

## Changes in the Group's ratings

On February 25, 2021, Safran was rated for the first time by Standard & Poor's, which assigned the Company a long-term credit rating of BBB+ with a stable outlook.

On April 29, 2022, Standard & Poor's revised the outlook on the Company's BBB+ rating from stable to positive. On December 2, 2022, Standard & Poor's raised the rating to A- with a stable outlook.

In addition, on May 4, 2022 Safran set up a €2 billion revolving credit facility, with an original maturity of May 2027. Following the exercise of the first extension option, the maturity has been extended to May 2028. Safran has a second one-year extension option, which has not yet been exercised. At June 30, 2023, the line was undrawn. The financial terms and conditions of the liquidity line are indexed to the achievement by the Group of two sustainable development criteria: CO<sub>2</sub> emissions (Scopes 1 and 2) and the proportion of women among senior executives. There is no contractual obligation to achieve these sustainable development criteria and failure to do so would not constitute a breach of contract. Achievement or not of the criteria has no impact on the Group's ability to use the facility.

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 (see Note 21, "Interest-bearing financial liabilities"). The covenant is tested every six months and the Group complied with the applicable ratio at June 30, 2023.

The terms "net debt" and "EBITDA" used in the aforementioned covenant 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 24 RELATED PARTIES

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

The 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;
- similar rights over other Group entities (ArianeGroup, Safran Electronics & Defense and Safran Power Units);
- a share in Aubert & Duval to protect its strategic interests.

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

<i>(in € millions)</i>	First-half 2022	First-half 2023
Sales to related parties other than joint ventures	2,126	2,239
Purchases from related parties other than joint ventures	(48)	(65)

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
Amounts receivable from related parties other than joint ventures	2,394	2,402
Amounts payable to related parties other than joint ventures	3,977	4,449

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
Commitments given to related parties other than joint ventures <sup>(1)</sup>	2,830	2,725

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

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

The following transactions were carried out with joint ventures:

<i>(in € millions)</i>	First-half 2022	First-half 2023
Sales to joint ventures <sup>(1)</sup>	139	426
Purchases from joint ventures	(35)	(44)

(1) Mainly with Shannon Engine Support Limited.

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
Amounts receivable from joint ventures	328	269
Amounts payable to joint ventures	402	394

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
Commitments given to joint ventures	452	881

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

### 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:

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
Purchase commitments on intangible assets	10	9
Purchase commitments on property, plant and equipment	168	185
Guarantees given in connection with the performance of operating agreements	7,044	7,119
Lease commitments	112	140
Financial guarantees granted on the sale of Group products	7	25
Other commitments given	900	1,345
<b>TOTAL</b>	<b>8,241</b>	<b>8,823</b>

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

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

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

#### Offset obligations

In some countries, as a condition to the Group securing major contracts, it may be required to fulfill direct, semi-direct or indirect local offset obligations, as required by law or regulations. This is particularly the case in the defense industry.

Failure to meet these obligations within the required timeframe may lead to penalties for the Group, which may, in some cases, not discharge the obligation. When there are doubts as to the Group's ability to meet its obligations, a provision is recognized as a deduction from revenue in the amount of the penalty stipulated in the contract.

#### Lease commitments

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 27 million at June 30, 2023 (USD 8 million at December 31, 2022), or €25 million (€7 million at December 31, 2022). 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 7 million at June 30, 2023 (USD 1 million at December 31, 2022), for which a provision, based on an assessment of the risk, is booked in the financial statements (see Note 19, "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.

#### Other commitments given

In connection with the French government's aerospace support plan, Safran undertook to subscribe to the Ace Aéro Partenaires investment fund in an amount of €58 million.

Following the various funding rounds completed, Safran's remaining commitment amounted to €12 million at June 30, 2023.

### Contingent liabilities arising on ordinary activities

As part of their ordinary activities, the Group, 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, for a delay in the development phase, late completion and/or for additional work in connection with product performance and reliability falling outside the scope of the warranties and commitments provisioned or included within contract costs

(see Note 3.b, "Provisions", and Note 19, "Provisions"). While the initial amount of any such claim may be material in certain cases, it does not necessarily have any bearing on the costs that may be ultimately incurred to satisfy the customer. As these claims represent contingent liabilities, no provision has been recognized beyond contractual liability limits, if any.

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

### (ii) Commitments received

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

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
Commitments received from banks on behalf of suppliers	8	5
Completion warranties	10	7
Endorsements and guarantees received	1	-
Other commitments received	32	244
<b>TOTAL</b>	<b>51</b>	<b>256</b>

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

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

#### (i) Vendor warranties given

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
Vendor warranties given <sup>(1)</sup>	220	222

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

#### (ii) Vendor warranties received

<i>(in € millions)</i>	Dec. 31, 2022	June 30, 2023
Vendor warranties received	-	-

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

In connection with the sale of the Identity and Security businesses on May 31, 2017, Safran granted Advent International a vendor warranty valued at €180 million at June 30, 2023, as well as a specific indemnity capped at BRL 200 million (€38 million) at June 30, 2023 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.

### Guarantees given in connection with acquisitions

None.

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

Commitments received in respect of financing relate to:

- any unused portion of trade receivables factoring facilities, under which the related receivables are deconsolidated (see Note 21, "Interest-bearing financial liabilities");
- the confirmed syndicated credit line for €2 billion, set up in May 2022 and undrawn at June 30, 2023 (see Note 23, "Management of market risks and derivatives").

## NOTE 26 DISPUTES AND LITIGATION

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

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

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

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

The most important proceedings are described below.

- A number of civil and/or criminal lawsuits have been filed against certain Safran subsidiaries in connection with aviation accidents. The Group's insurance policy would cover any civil damages payable by Safran or its subsidiaries under these proceedings.
- In the course of the implementation of its compliance program, Safran detected a situation with regards to an activity within a company belonging to the former Zodiac Aerospace business scope acquired in 2018. The activity was sold on June 1, 2021.

After having conducted its internal investigation, Safran concluded that suspicion of non-compliance during a period between 2004 and 2015 could not be ruled out. Safran decided to self-disclose the matter to the competent authorities in Germany and the United States in accordance with applicable regulations, and in France. The authorities of the countries concerned have opened an investigation.

By letter dated December 21, 2022, the US Department of Justice (DoJ) decided not to initiate proceedings against Safran, notably considering the Group's voluntary, cooperative and proactive attitude in the case. No fine was imposed, but profits made by a US subsidiary at the time in an amount set by the DoJ at USD 17.2 million were disgorged.

In Germany, Safran is now liaising with the public prosecutor who is in charge of the investigation. It is not possible to determine exactly what decision the authorities may take nor the impacts for the Company.

In addition, the case remains also open with regards to the lawsuits that have been or may be filed against individuals in connection with these proceedings and, indirectly, their potential consequences for Safran.

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

## NOTE 27 SUBSEQUENT EVENTS

Safran announced on July 21, 2023 the contemplated acquisition of Collins Aerospace's high-technology actuation and flight control activities, which are mission critical for commercial & military aircraft and helicopters by Cash offer based on a USD 1.8 billion enterprise value.

The business has around 3,700 employees across eight facilities in Europe (France, the United Kingdom and Italy) and in Asia, and also benefits from MRO and engineering capabilities. It is expected to generate revenue of approximately USD 1.5 billion.

Acquisition would be a unique opportunity for Safran to become a global leader in critical flight control (ATA27) and actuation functions.

The contemplated transaction is subject to the information and consultation procedure with the relevant employee representative bodies of Collins and Safran, as well as the customary regulatory approvals and closing conditions. Closing is expected to take place in second-half 2024.



# 3 Statutory Auditors' review report

"Pulse line" for the final assembly of the LEAP engine

For the six months ended June 30, 2023

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

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

To the Shareholders,

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

- the review of the accompanying condensed interim consolidated financial statements of Safran for the six months ended June 30, 2023;
- the verification of the information contained in the interim activity report.

These condensed interim consolidated financial statements are the responsibility of the Board of Directors. Our role is to express a conclusion on these financial statements based on our review.

### 1. Conclusion on the financial statements

We conducted our review in accordance with professional standards applicable in France.

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

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

### 2. Specific verification

We have also verified the information presented in the interim activity report on the condensed interim consolidated financial statements subject to our review.

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

Paris-La Défense, July 26, 2023

The Statutory Auditors

**Mazars**

Christophe Berrard

Jérôme de Pastors

**Ernst & Young et Autres**

Nicolas Mace

Philippe Berteaux

# 4 Corporate governance

PPS\*5000 plasma thrusters designed for geostationary satellite orbiting and station keeping

## ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 25, 2023 – RENEWAL OF THE TERMS OF OFFICE OF THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The Ordinary and Extraordinary Shareholders' Meeting of the Safran Group was held on May 25, 2023 at the Safran Campus – 31, rue de Vilgénis, 91300 Massy (France).

All of the resolutions submitted to the vote of the Annual General Meeting were approved.

In particular, shareholders approved:

- the re-appointment of Ross McInnes and Olivier Andriès as Directors;
- the financial statements for the year ended December 31, 2022 and voted for the payment of a dividend of €1.35 per share, to be paid as of June 1, 2023;
- the related-party agreement entered into with Airbus SE, Tikehau ACE Capital, AD Holding and the French State, and the Statutory Auditors' special report on the related-party agreements;
- the appointment of Fabrice Brégier as a new independent Director;
- the re-appointment of Laurent Guillot as an independent Director and the re-appointment of Alexandre Lahousse as a Director put forward by the French State;
- the ratification of the appointment of Robert Peugeot as a Director in his own name;

- all of the resolutions relating to corporate officer compensation (2022 compensation, disclosures on compensation, 2023 compensation policies);
- the new authorization allowing Safran to buy back its own shares at a price not exceeding €175 per share. The maximum amount that may be invested in the program is €7.4 billion. The program description, drafted in accordance with the provisions of Article 241-2 of the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – AMF), is available on the Company's website ([www.safran-group.com](http://www.safran-group.com), in the Finance/Regulated information section);
- financial authorizations allowing Safran to seize opportunities arising on the financial markets, which cannot be used during a public offer.

At its meeting on May 25, 2023, the Board of Directors re-appointed Ross McInnes as Chairman of the Board and Olivier Andriès as Chief Executive Officer for the duration of their renewed terms of office as Directors, i.e., until the close of the Ordinary General Meeting to be held to approve the financial statements for the year ending December 31, 2026.

## MEMBERSHIP STRUCTURE OF THE BOARD OF DIRECTORS AND ITS STANDING COMMITTEES

### The Board of Directors

Following the approval by the shareholders at the Annual General Meeting of May 25, 2023 of all the resolutions relating to its membership structure, the Board of Directors comprises 16 members, including:

- eight independent Directors;
- one representative of the French State and one Director put forward by the French State;

- two Directors representing employee shareholders and two Directors representing employees.

At the close of the Annual General Meeting, the proportion of independent Directors stood at 66.7%<sup>(1)</sup> and the proportion of women on the Board was 41.7%<sup>(1)</sup>.

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

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

Directors	Independent
Ross McInnes, Chairman of the Board of Directors	
Olivier Andriès, Chief Executive Officer	
Anne Aubert, Director representing employee shareholders	
Marc Aubry, Director representing employee shareholders	
Hélène Auriol Potier	✓
Patricia Bellinger	✓
Fabrice Brégier	✓
Hervé Chaillou, Director representing employees	
Monique Cohen, Lead Independent Director and Chair of the Appointments and Compensation Committee	✓
Christèle Debarenne-Fievet, Director representing employees	
Céline Fornaro, representative of the French State	
Laurent Guillot, Chairman of the Audit and Risk Committee	✓
Alexandre Lahousse, Director put forward by the French State	
Fabienne Lecorvaisier	✓
Patrick Péлата, Director responsible for monitoring climate issues and Chairman of the Innovation, Technology & Climate Committee	✓
Robert Peugeot	✓

**16 members, of which 66.7% independent<sup>(1)</sup>**

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

## The standing Committees of the Board of Directors

At the close of the Annual General Meeting of May 25, 2023, Fabrice Brégier, newly appointed independent Director, joined the Innovation, Technology & Climate Committee, replacing Jean-Lou Chameau whose term of office had expired.

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

Audit and Risk Committee	Independent
Laurent Guillot, Chairman	✓
Marc Aubry (Director representing employee shareholders)	
Céline Fornaro (representative of the French State)	
Fabienne Lecorvaisier	✓
Robert Peugeot	✓

**5 members, of which 75% independent (3/4<sup>(1)</sup>)**

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

Appointments and Compensation Committee	Independent
Monique Cohen, Chair - Lead Independent Director	✓
Hélène Auriol Potier	✓
Patricia Bellinger	✓
Christèle Debarenne-Fievet (Director representing employees) - "compensation" discussions	
Céline Fornaro (representative of the French State)	
Patrick Péлата	✓

**6 members, of which 80% independent (4/5<sup>(1)</sup>)**

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

Innovation, Technology & Climate Committee	Independent
Patrick Péлата, Chairman - Director responsible for monitoring climate issues	✓
Hélène Auriol Potier	✓
Fabrice Brégier	✓
Hervé Chaillou (Director representing employees)	
Laurent Guillot	✓
Alexandre Lahousse (Director put forward by the French State)	

**6 members, of which 80% independent (4/5<sup>(1)</sup>)**

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

## CONTACT

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### SAFRAN

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

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